

# Ketchikan Gateway Borough

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Alaska

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012

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KETCHIKAN GATEWAY BOROUGH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2012

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, 2012**

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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

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## OFFICE OF THE BOROUGH FINANCE DEPARTMENT

December 27, 2012

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, 2012.

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 Borough's financial activities as follows:

*Government-wide financial statements* consist of a statement of net assets and a statement of activities. These statements are prepared on an accrual basis of accounting for all activities of the Borough, which is similar to the basis of accounting and financial reporting followed by the private sector. The government-wide statements distinguish between the governmental and business-type activities of the Borough. The Borough's component unit is a legally separate unit for which the primary government is financially accountable.

*Fund financial statements* present information for individual major governmental and the enterprise funds rather than by fund type. Nonmajor funds are presented in total in a single column.

*Notes to the basic financial statements* provide additional information that is essential to a user's understanding of the basic financial statements. Notes contain information that is not part of the basic financial statements; however, notes are an integral part of these statements.

*Required supplementary information (RSI)* consists of statements that present comparisons of actual information to the legally adopted budget for the general fund and major special revenue funds, if not presented elsewhere as a basic governmental fund financial statement. Management's Discussion and Analysis (MD&A) also is a part of the RSI and is intended to provide an objective, easy to understand narrative overview and analysis of the basic financial statements. It explains the financial position and results of operations of the Borough for the past fiscal year. The comparative statements for fiscal year 2011 have been presented as part of the basic governmental fund financial statements.

*Supplementary financial information* provides comparative financial data for most of the individual funds as well as budget to actual comparison schedules for all governmental funds, other than the general fund and nonmajor special revenue funds. The CAFR is prepared by the KGB Finance Department. The responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Borough. To the best of our knowledge and belief, the enclosed data are accurate in all material respects of the various funds of the Borough in accordance with generally accepted accounting principles. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included. This report consists of management's representations concerning the finances of the Borough. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Borough's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute

assurance that the financial statements will be free from material misstatement. We believe that the Borough's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Mikunda, Cottrell & Co., a public accounting firm fully licensed and qualified to perform audits of local governments with the State of Alaska, has audited the Borough's basic financial statements. Alaska State Statute 29.35.120 requires an annual audit by independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Borough for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the Borough's basic financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Borough is also required to have an annual audit and a separate auditor's opinion on its passenger facility charges (PFC) program. The PFC fund was audited for compliance with the compliance requirements as described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide). The Passenger Facility Charge Program Audit Report that includes a schedule of expenditures of Passenger Facility Charges and a report on Compliance with Requirements Applicable to the PFC Program are included with the Borough's federal and state single audit reports.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the Management Discussion & Analysis 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**

The Alaska Marine Highway System (AMHS) purchased approximately 9.47 acres of uplands and 20.56 acres of tidelands, along with the improvements located on the property. The property was purchased from the Borough at a price of \$2,638,000. On May 15, 2012, Governor Parnell approved the 2012 appropriation of \$7,500,000 in State General Funds as a municipal grant to the Borough for the "Alaska Marine Highway System & NOAA Moorage Facility," The AMHS & NOAA Moorage Facility project is intended to construct a new berth at Ward Cove as a functional replacement of the existing AMHS South Berth facilities adjacent to the AIDEA-owned Ketchikan Shipyard. The functional replacement will include a long-term layup facility for one AMHS vessel that serves occasionally as a full-service ferry terminal for overflow traffic. Additionally, the facility is intended to provide home porting facilities for one NOAA ship (NOAA Fairweather) and winter layup of another NOAA ship. Construction of a functional replacement of the existing AMHS South Berth facilities adjacent to the AIDEA-owned Ketchikan Shipyard and home porting facilities for one NOAA ship(s) will promote economic development in the Ketchikan Gateway Borough in several respects.

The Governor of Alaska recently announced the shipyard in Ketchikan will build two Alaska Marine Highway ferries in the near future. The Alaska Ship and Drydock was purchased by Vigor Industrial, LLC bringing more stability to shipbuilding and repair industry in Ketchikan. The shipyard is the beneficiary of State funding for a \$33,000,000 infrastructure addition to service the North American fleet. The major structure enables the shipyard to construct vessels inside out of the weather. The construction of the facility was completed late 2012. The new infrastructure with the two shipbuilding contracts enhances the marketability of the shipyard on the Pacific Rim market.

Ketchikan Gateway Borough officials and representatives of Heatherdale Resources Limited have led to development of a proposed Memorandum of Understanding to identify the rights, roles, and responsibilities of each party as they relate to the potential establishment of a mill site and tailings disposal facility at the former Pacific Log and Lumber Company mill site for processing ore from the prospective Niblack Mine. The processing facility construction is schedule for 2015 and would employ approximately 80 highly skilled full time jobs after construction completion for 10-15 years.

The tourism industry, which is important to Ketchikan, has experienced a slight decrease over the previous year due to the decreased visitor activity. The passenger count for the 2011 cruise season for Ketchikan was 835,325 and for the 2012 season 778,899 cruise ship visitors. The FY 2013 budget anticipates 850,000 passengers.

### **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, 2011. This is the sixth 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.

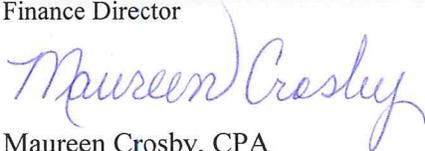
The preparation of the comprehensive annual financial report requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

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

# 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, 2011

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



*Linda C. Davidson*

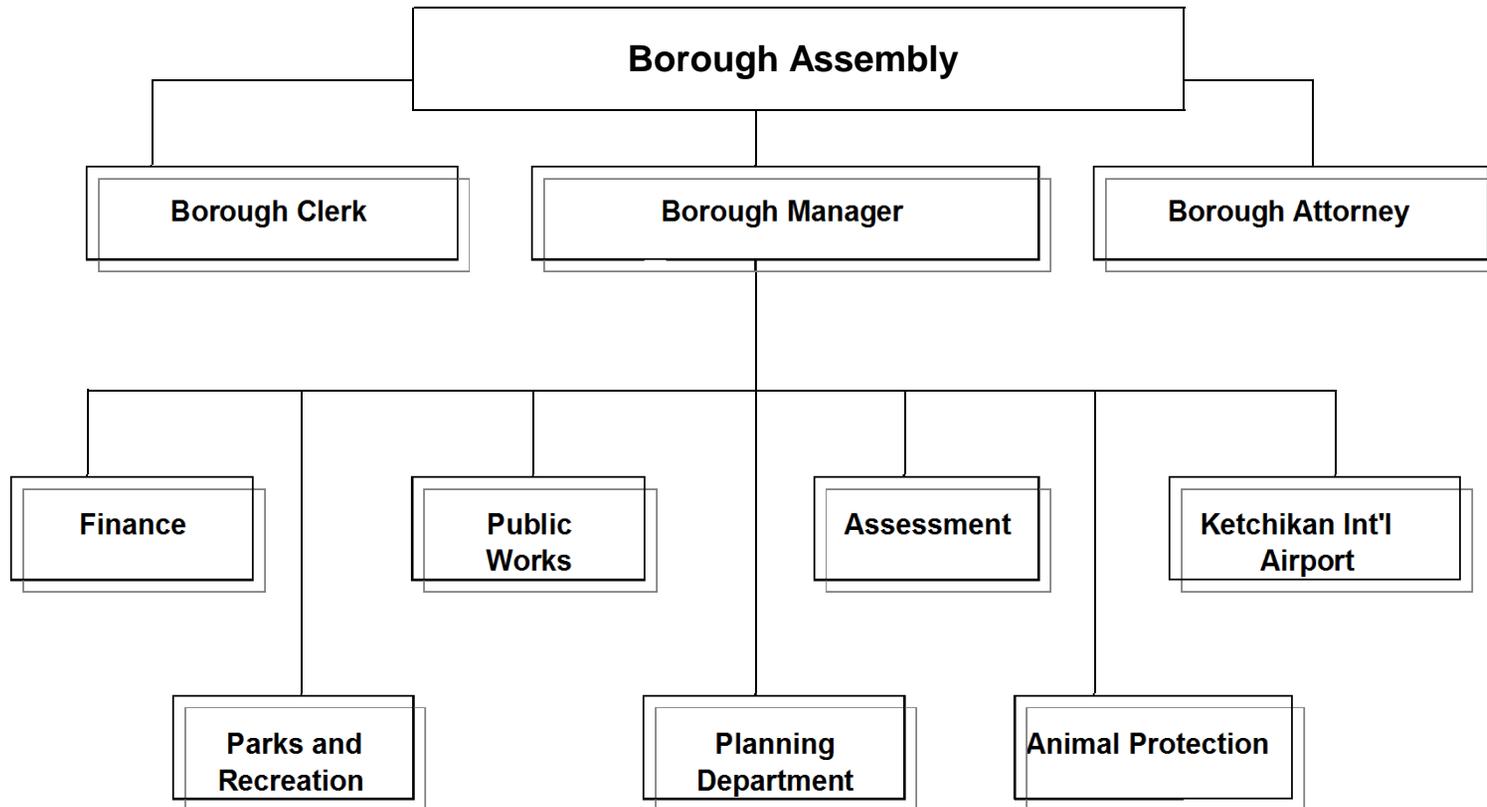
President

*Jeffrey R. Enos*

Executive Director

# KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2011/2012



# KETCHIKAN GATEWAY BOROUGH

## PRINCIPAL BOROUGH OFFICIALS

June 30, 2012

### MAYOR AND ASSEMBLY

*Mayor*

*Vice-Mayor*

*Assembly Member*

*Assembly Member*

*Assembly Member*

*Assembly Member*

*Assembly Member*

*Assembly Member*

Dave Kiffer

Mike Salazar

Alan Bailey

Agnes Moran

Mike Painter

Todd Phillips

Bill Rotecki

Glen Thompson

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

*Borough Manager*

*Assistant Borough Manager*

*Borough Attorney*

*Borough Clerk*

*Director of Animal Protection*

*Director of Assessment*

*Director of Finance*

*Director of Planning*

*Manager of Ketchikan International Airport*

*Director of Public Works*

*Parks and Recreation Supervisor*

Dan Bockhorst

Cynna Gubatayao

Scott A. Brandt-Erichsen

Kacie Paxton

Kelly Ludwig-Johnson

Ron Brown

Michael Houts

Tom Williams

Mike Carney

Ed Schofield

Wendy Miller



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# **FINANCIAL SECTION**



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## Independent Auditor's Report

Honorable Mayor and  
Members of the Assembly  
Ketchikan Gateway Borough

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough, Alaska, as of and for the year ended June 30, 2012, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough, Alaska, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Land Trust Special Revenue Fund, School Bond Capital Improvements Special Revenue Fund, and Economic Development Assistance Program Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and  
Members of the Assembly  
Ketchikan Gateway Borough

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 13 through 25 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 financials 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 financials statements, and other knowledge we obtained during our audit of the basic financials 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ketchikan Gateway Borough's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Honorable Mayor and  
Members of the Assembly  
Ketchikan Gateway Borough

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Ketchikan Gateway Borough's basic financial statements for the year ended June 30, 2011 which are not presented with the accompanying financial statements. In our report dated December 29, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ketchikan Gateway Borough's financial statements as a whole. The individual fund financial statements and schedules for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the 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 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the 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, 2011.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has 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.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
December 27, 2012



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**KETCHIKAN GATEWAY BOROUGH**  
Management's Discussion and Analysis  
Year Ended June 30, 2012

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, 2012. 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 assets exceeded its liabilities by \$169,563,624 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt of \$147,878,510 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$10,185,504 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net assets of \$11,499,610 indicate 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 \$29,720,182 this year. This compares to the prior year ending fund balance of \$48,109,707 showing a decrease of \$18,389,525 during the current year. This decrease is mainly due to expenditures for the new aquatic center capital project. The unassigned fund balance at June 30, 2012 was \$6,311,862.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,860,808 or 36% 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 Assets*. 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 assets*. Over time, increases or decreases in net assets 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 assets 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 administration, library services, public services, automation 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 - 40 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 three proprietary funds. Two are classified as enterprise funds and one is an internal service fund. 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 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 49 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 84.

### **Financial Analysis of the Borough as a Whole**

The Borough's net assets at fiscal year-end are \$169,563,624. The following table provides a summary of the Borough's net assets:

*(This page continued on the subsequent page).*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current assets	\$ 35,983,423	\$ 54,291,294	1,491,314	985,920	37,474,737	55,277,214
Debt issuance costs, net	435,801	380,168	-	-	435,801	380,168
Capital assets	<u>167,958,301</u>	<u>152,274,670</u>	<u>28,792,847</u>	<u>19,963,210</u>	<u>196,751,148</u>	<u>172,237,880</u>
Total assets	<u>204,377,525</u>	<u>206,946,132</u>	<u>30,284,161</u>	<u>20,949,130</u>	<u>234,661,686</u>	<u>227,895,262</u>
Liabilities:						
Current liabilities	11,258,993	11,658,294	486,017	3,923,775	11,745,010	15,582,069
Long-term liabilities	<u>47,959,216</u>	<u>50,728,360</u>	<u>5,393,836</u>	<u>2,323,769</u>	<u>53,353,052</u>	<u>53,052,129</u>
Total liabilities	<u>59,218,209</u>	<u>62,386,654</u>	<u>5,879,853</u>	<u>6,247,544</u>	<u>65,098,062</u>	<u>68,634,198</u>
Net assets:						
Invested in capital assets, net of debt	121,020,663	117,038,168	26,857,847	17,458,210	147,878,510	134,496,378
Restricted	9,800,504	9,326,387	385,000	385,000	10,185,504	9,711,387
Unrestricted (deficit)	<u>14,338,149</u>	<u>18,194,923</u>	<u>(2,838,539)</u>	<u>(3,141,624)</u>	<u>11,499,610</u>	<u>15,053,299</u>
Total net assets	<u>\$ 145,159,316</u>	<u>144,559,478</u>	<u>24,404,308</u>	<u>14,701,586</u>	<u>169,563,624</u>	<u>159,261,064</u>

Approximately 35.7% or \$8,774,980, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$3,857,372 is restricted for commercial passenger vessel related projects, \$236,419 is restricted for airport revenue bond payments, \$4,296,189 is restricted for capital projects, and \$385,000 is restricted as a condition of airport revenue bond covenants.

The largest component of the Borough's governmental total assets is invested in capital assets. Capital assets account for 82.1 % of total assets and net assets invested in capital assets, net of any related debt account for 83.3% of total net assets. 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 95.1% 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. 83.8% of the Borough's total assets are included in capital assets. The Borough's total net assets increased by \$10,302,560 during fiscal year 2012. Net assets invested in capital assets, net of debt for governmental activities increased by \$3,982,495 and net assets invested in capital assets, net of debt for business type activities increased by \$9,399,637.

The current ratio for governmental activities is 3.20 to 1 and 3.06 to 1 for business type activities. This compares to 4.66 to 1 for governmental activities and .25 to 1 for business type activities for fiscal year 2011. The change in the current ratio for governmental activities is due mainly to the expenditure of bond proceeds for the new aquatic center.

***Changes in Net Assets***

The Borough's net assets increased by \$10,302,560 in 2012. The net assets for governmental activities increased by \$599,838 and the net assets for business-type activities increased by \$9,702,722. The following table provides a summary of the changes in the Borough's net assets:

**Summary of Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program:						
Charges for services	\$ 5,957,684	\$ 5,540,613	4,734,127	4,336,137	10,691,811	9,876,750
Operating grants	2,431,499	904,866	42,959	79,122	2,474,458	983,988
Capital grants	5,154,055	6,426,775	10,016,959	556,653	15,171,014	6,983,428
General:	-	-	-	-	-	-
Taxes	18,117,386	18,141,557	-	-	18,117,386	18,141,557
Other	3,590,585	4,969,877	207,259	165,963	3,797,844	5,135,840
Total revenues	<u>35,251,209</u>	<u>35,983,688</u>	<u>15,001,304</u>	<u>5,137,875</u>	<u>50,252,513</u>	<u>41,121,563</u>
Program Expenses:						
Administration	4,239,516	3,502,989	-	-	4,239,516	3,502,989
Fire and EMS	1,305,555	1,289,444	-	-	1,305,555	1,289,444
Water treatment & distribution	226,424	207,102	-	-	226,424	207,102
Library services	380,266	372,794	-	-	380,266	372,794
Parks and recreation	2,374,277	2,066,242	-	-	2,374,277	2,066,242
Public works	1,043,521	1,093,054	-	-	1,043,521	1,093,054
Public services	5,086,592	3,595,580	-	-	5,086,592	3,595,580
Transit	1,960,671	1,640,624	-	-	1,960,671	1,640,624
Education	14,300,313	15,091,534	-	-	14,300,313	15,091,534
Interest	2,504,748	2,453,966	-	-	2,504,748	2,453,966
Airport	-	-	5,262,004	4,835,323	5,262,004	4,835,323
Wastewater	-	-	1,176,513	1,010,836	1,176,513	1,010,836
Total expenses	<u>33,421,883</u>	<u>31,313,329</u>	<u>6,438,517</u>	<u>5,846,159</u>	<u>39,860,400</u>	<u>37,159,488</u>
Excess (deficiency)	1,829,326	4,670,359	8,562,787	(708,284)	10,392,113	3,962,075
Special Items:						
Contributed capital	-	-	700,000	-	700,000	-
Write off delinquent note	(789,553)	-	-	-	(789,553)	-
Write down of impaired capital assets	-	(7,313,222)	-	-	-	(7,313,222)
Transfers	<u>(439,935)</u>	<u>(632,983)</u>	<u>439,935</u>	<u>632,983</u>	<u>-</u>	<u>-</u>
Change in net assets	599,838	(3,275,846)	9,702,722	(75,301)	10,302,560	(3,351,147)
Beginning net assets	<u>144,559,478</u>	<u>147,835,324</u>	<u>14,701,586</u>	<u>14,776,887</u>	<u>159,261,064</u>	<u>162,612,211</u>
Ending net assets	<u>\$ 145,159,316</u>	<u>144,559,478</u>	<u>24,404,308</u>	<u>14,701,586</u>	<u>169,563,624</u>	<u>159,261,064</u>

## GOVERNMENTAL REVENUES

The Borough is heavily reliant on property taxes and sales taxes to support governmental operations and capital. Property taxes are the largest revenue source with \$8.7 million of tax revenues or approximately 40.2% of the total general revenues. Sales taxes provided 45.9% of the Borough's total governmental tax revenues. The Borough recognized \$114,092 in investment loss for fiscal year 2012. The total loss was from low interest rates, market changes in investment accounts, and interest charged on internal loans to other funds. Also, note that program revenues cover 40.5% of governmental operating expenses; this is an increase of 3.5% 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 12.68% of our total costs. This is 1.49% more than the cost for public services for fiscal year 2011. Library services account for 1.15% of our total cost. 42.79% of our resources are used to fund the school district, which is a 5.41% decrease from fiscal year 2011. General government costs were 12.68% of total cost. The total cost of services for all governmental functions increased by \$2,108,554 or 6.7% from fiscal year 2011. The total net cost of governmental functions for fiscal year 2012 increased by \$1,437,570. There were reductions in the net cost of providing public works, public services, and education; however, there were increases in the net cost of providing other services. The reduction of grant receipts also contributed to the net cost increase of providing services to the citizens of Ketchikan Gateway Borough. This means that the government's taxpayers and the Borough's other general governmental revenues fund 59.48% of governmental activities.

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	\$ 4,239,516	12.68%	4,041,320
Fire and EMS	1,305,555	3.91%	882,729
Water treatment & distribution	226,424	0.68%	(652,308)
Library services	380,266	1.15%	380,266
Parks and recreation	2,374,277	7.10%	1,776,971
Public works	1,043,521	3.12%	1,006,096
Public services	5,086,592	15.22%	3,828,443
Transit	1,960,671	5.87%	(197,775)
Education	14,300,313	42.79%	6,923,157
Interest	2,504,748	7.49%	1,889,746
<b>Total</b>	<b>\$ 33,421,883</b>	<b>100%</b>	<b>19,878,645</b>

After reducing gross expenses by program revenues, the program costs exceeded program revenues for public services by \$3,828,443 or 19.25 % of the net cost of governmental services and education accounts for 34.82% of the net cost as compared to 38.22% for 2011.

## **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 \$340,162 or 9.36% more than 2011, and operating expenses increased by \$368,767 or 7.6%.

The overall operating expenses increased by 7.6%. Personal services increased by \$193,925 or 6.9% over 2011, and supplies and services increased by \$147,324 or 11.7%. Insurance costs increased by \$35,477 or 19.2% and the calculated depreciation costs decreased by \$7,959 or 1.4%.

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 improved during fiscal year 2012. The operating revenues increased by \$57,828 or 8.2%. That increase is attributable to an increase in sludge disposal volumes from fiscal year 2011. The operating expenses decreased by \$5,847 or 0.5%. Net Operating Expenses for the WEF increased by \$32,008 or 3.3% from the prior year, after the "recovery of expenditures from other funds" was accounted for. Supplies and services increased by \$44,681 or 11.9%. The WEF also received an ARRA operating grant in the amount of \$24,955.

## **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 \$29,720,182. Of this year-end total, \$6,311,862 is unassigned. Fund balances for interfund loans, and prepaid items in the amount of \$4,288,124 are classified as nonspendable. Legally restricted fund balances in the amount of \$9,800,504 including \$271,670 for airport debt service, \$2,674,703 for capital projects, \$3,557,653 for commercial passenger vessel impact, \$13,917 for dock improvements, \$82,646 for library operations, \$156,295 for public safety and water, \$2,764,099 for recreation, and \$279,521 for road maintenance. Fund balances are committed in total for \$4,285,593 for land management \$2,510,511, and \$1,775,082 for education. Fund balances totaling \$5,034,099 assigned for economic development.

The total ending fund balances of governmental funds shows a decrease of \$18,389,525 or 123.9% less than the prior year. This decrease is primarily the result of \$21,037,970 capital expenditures in FY 2012 of the \$23,500,000 in General Obligation Bond proceeds received in FY 2010 for a new aquatic center.

## ***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 \$186,739, a 2.8% increase. The FY 2012 budget under spent projected expenditures and transfers out by \$351,050. The majority of under spent funds of \$308,417 is a reduction of general government expense for fiscal year. The balance of under spent funds is due to conservative cost control by various department directors. A favorable variance in revenue collections of \$703,959 and a favorable variance in expenditures of \$351,050 increased the projected fund balance by \$933,927. The majority of the favorable variance in revenues is due to increased receipts from sales tax collections, property taxes, and increased parks and recreation revenues. Property tax collections decreased from fiscal year 2011 collections by \$87,870, but were \$21,456 more than budgeted. The difference in the budgeted to actual relates to the collection process and to reclassifying delinquent property taxes from deferred revenue to revenue. Sales tax collections increased 2.5% from fiscal year 2011, which reflects increases in major construction activities for highway improvement, aquatic center construction, and a major shipyard improvement project. These activities increased the seasonal worker population above normal seasonal fluctuations generating more sale tax revenue.

State revenue sharing of \$844,493 was received in fiscal year 2012. The State Legislature provided \$621,415 in PERS relief to Ketchikan Gateway Borough and \$392,809 of the total relief was recognized in the General Fund.

Overall, expenditures increased by \$258,095 for public services from the prior year. Total General Fund expenditures increased by \$363,630 or 2.0% over fiscal year 2011. The increase in General Fund expenditures is due to a decrease in the "recovery of expenditures from other funds" an increase in expenditures in transit for expanded routes as compared to fiscal year 2011.

***Land Trust Fund*** – During fiscal year 2012, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$542,330. The Land Trust Fund expended \$238,436 for public services. The Land Trust Fund also transferred \$817,501 to the Debt Service Fund for principal and interest payments for payments on the certificate of participation for the White Cliff School Building, which houses the Borough's administrative offices, and write off a delinquent note special item for \$789,553. The net change in fund balance was a \$2,053,992 decrease or 35.70%.

***Economic Development Assistance Program Fund (EDAPF)*** – During fiscal year 2012, revenues including charges for services and investments earnings totaled \$1,756,857. The EDAPF expended \$449,573 for public services and transferred \$133,953 to the General Fund. The net change in the fund balance was an increase of \$1,373,331 or 20.3%. Revenues for the EDAPF were \$366,845 less than budgeted.

***Capital Projects Fund*** – Construction on the High School reroof totaled \$2,337,694 plus bond issuance costs of \$20,581 was expended on several schools within the District. The Borough also continued work on a new aquatic center expending funds of \$15,160,814. The total expended during fiscal year 2012 was \$17,519,089.

***State & Federal Grants Fund*** – During the current fiscal year, the Borough received \$1,922,716 in State and Federal grants. The Borough expended \$423,749 on public services and \$1,498,967 towards governmental capital projects

**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 \$1,659,745 in sales tax revenue, \$2,176,095 in debt reimbursement revenues, and \$12,406 in investment losses. This fund transferred out \$3,057,320 for G.O. bond principal and interest payments into Debt Service Funds, \$235,000 to the Capital Projects Fund for the Aquatic Center project, and \$78,918 to the General Fund for insurance on school buildings and \$325,937 to other nonmajor governmental funds. This fund also expended \$34,715 for public service projects. The ending fund balance increased by \$91,544 or 5.4%.

**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 \$256,803 more than budgeted with a sales showing the largest increase. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$572,164 more than budgeted for intergovernmental revenues due to increases in State fisheries tax, State revenue sharing, and State transit operating grants. In total revenues and transfers, revenue exceeded budget by 5.8%.

The expenditure side of the original budget for the General Fund was increased \$320,744 during 2012. Budget amendments were made for the following departments or cost centers: Mayor and Assembly, Planning, and Education.

In total, the Borough under expended the total General Fund budget by \$351,050. Expenditures declined due to aggressive cost control of operating expenses.

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

#### **Capital Assets**

The Borough's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2012, was \$167,958,301 and \$28,407,847 respectively. The total change in net book value of capital assets was an increase of 10.3% for governmental and a 42.3% increase for business-type activities. The overall change was a 14.0% increase 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Non-depreciable assets:						
Land	\$ 35,804,465	35,804,465	-	-	35,804,465	35,804,465
Ward Cove properties	-	2,102,925	-	-	-	2,102,925
Construction in progress	<u>27,435,658</u>	<u>12,865,616</u>	<u>1,995,958</u>	<u>1,142,318</u>	<u>29,431,616</u>	<u>14,007,934</u>
Total non-depreciable	<u>63,240,123</u>	<u>50,773,006</u>	<u>1,995,958</u>	<u>1,142,318</u>	<u>65,236,081</u>	<u>51,915,324</u>
Depreciable assets:						
Buildings and improvements	125,360,976	120,023,316	12,339,573	12,356,574	137,700,549	132,379,890
Vehicles, ferry and equipment	6,907,312	5,823,031	13,948,559	4,785,241	20,855,871	10,608,272
Wastewater assets	-	-	14,209,780	15,250,083	14,209,780	15,250,083
Infrastructure	<u>10,142,553</u>	<u>10,142,553</u>	<u>-</u>	<u>-</u>	<u>10,142,553</u>	<u>10,142,553</u>
Total depreciable assets	142,410,841	135,988,900	40,497,912	32,391,898	182,908,753	168,380,798
Less accumulated depreciation	<u>37,692,663</u>	<u>34,487,236</u>	<u>14,086,023</u>	<u>13,571,006</u>	<u>51,778,686</u>	<u>48,058,242</u>
Book value - depreciable assets	<u>104,718,178</u>	<u>101,501,664</u>	<u>26,411,889</u>	<u>18,820,892</u>	<u>131,130,067</u>	<u>120,322,556</u>
Percentage depreciated	<u>26%</u>	<u>25%</u>	<u>35%</u>	<u>42%</u>	<u>28%</u>	<u>29%</u>
Book value - all assets	<u>167,958,301</u>	<u>152,274,670</u>	<u>28,407,847</u>	<u>19,963,210</u>	<u>196,366,148</u>	<u>172,237,880</u>

At June 30, 2012, the depreciable capital assets for governmental activities were 26% depreciated. This is comparable to fiscal year 2011. 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, 35% of the asset values were depreciated at June 30, 2012 compared to 42% at June 30, 2010. The depreciation for FY 12 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 60.9% of the total cost of the Borough's governmental capital assets.

*Major capital asset changes during 2012 included the following:*

General Governmental Assets:

- Construction continued on a new aquatic center at a cost of \$15,160,814 and was funded through General Obligation bond proceeds.
- Construction continued to the South Tongass Water System in the amount of \$702,338 and was funded through State DEC, and Designated State Legislative grants.

- Construction was completed and capitalized on the Kay-Hi Curtain Wall at a total cost of \$145,984 and was funded through a State Matching Grant and local funds from the School Bond Capital Improvements Fund.
- Implementation of a new accounting software system was completed and capitalized at a total cost of \$248,460 and was funded with General Fund revenues.
- Leasehold improvements to the White Cliff building were begun for new tenants. Leasehold improvements in the amount of \$640,283 were completed and capitalized. Other leasehold improvements were begun at a cost of \$110,549 and will be completed in fiscal year 2013.
- Construction was completed and capitalized on the Kay-Hi Roof Replacement project at a cost of \$3,579,605 and was funded through General Obligation Bond proceeds.
- Construction was begun and completed on the GRC roof at a cost of \$974,787 and was funded through the Recreation Capital Projects fund. This project was completed in conjunction with the continuing work being done on the new aquatic center.
- Two Gillig buses were purchased for the Transit system at a cost of \$714,544 and were funded through a federal ARRA grant.
- Installation was begun of a multi-sport scoreboard for the Esther Shea Sports field at Fawn Mountain School in the amount of \$19,717 and was funded through the Assembly's budget.
- Four vehicle lifts were purchased for the Transit department at a cost of \$27,760 and were funded through an FTA grant with the local match being funded through the General Fund.
- Bus washing equipment was purchased for the Transit department at a cost of \$32,730 and was funded through an FTA grant with the local match being funded through the General Fund.
- A new server was purchased for the Automation department at a cost of \$32,064 and was funded through the General Fund.
- A new ambulance for the North Tongass Fire Department was purchased at a cost of \$114,472 and was funded through the Code Blue program. State, Federal and local service area funds funded the new ambulance.
- Improvements were begun on the Esther Shea Sports Field at a cost of \$89,352 and were funded with G.O. bond proceeds.

#### Enterprise Funds:

- Construction was begun on Airport terminal renovations in the amount of \$668,886 and was funded through State Designated Legislative and Federal ARRA grants.
- Construction continued on restrooms for the Airport Parking Lot on the Ketchikan side at a cost of \$178,931 and was funded through a State Designated Legislative grant.
- A new airport ferry was built by the State of Alaska and ownership transferred to Ketchikan Gateway Borough in the amount of \$9,163,320.

- A rotary blower was purchased for a Wastewater plant at a cost of \$18,257 and was 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 \$2,665,000 of its existing G.O. bonds, \$130,000 of certificates of participation, issued \$8,070,000 in refunding debt, and paid \$8,475,000 to an escrow agent for the refunded G.O. bonds. The Borough also retired \$955,000 of its outstanding revenue bonds.

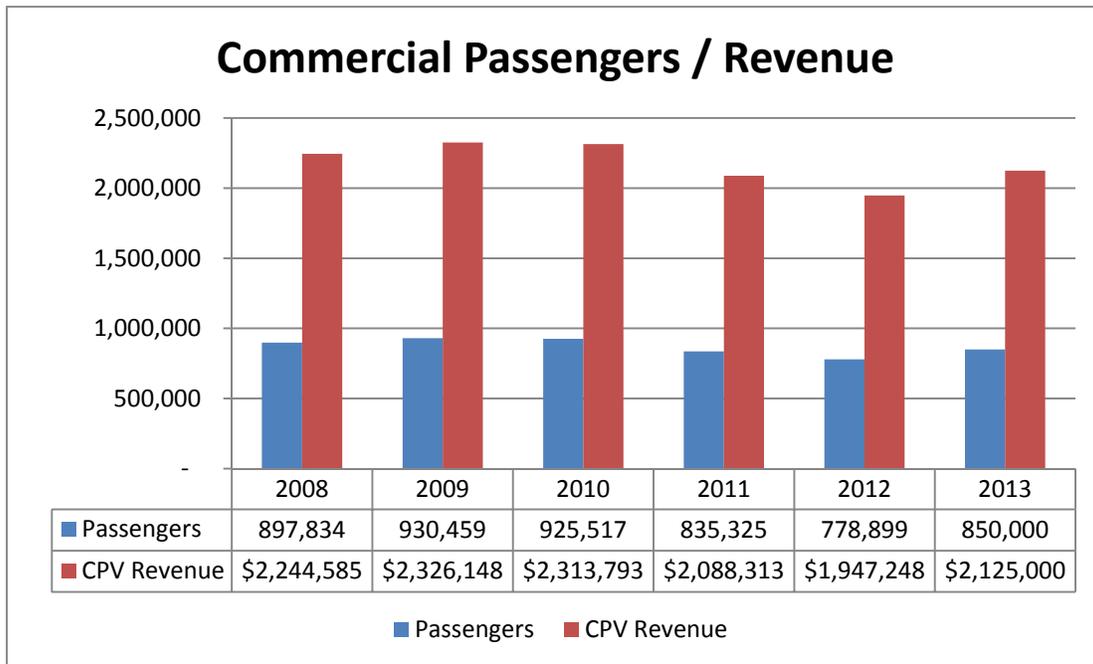
See Note 3-H for additional information about the Borough's long-term debt.

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	44,855,000	47,925,000	-	-	44,855,000	47,925,000
Certificates of participation	4,570,000	4,700,000	-	-	4,570,000	4,700,000
Revenue bonds	-	-	1,550,000	2,505,000	1,550,000	2,505,000
Capital lease	95,184	139,437	-	-	95,184	139,437
Capital note payable	-	155,500	-	-	-	155,500
Compensated absences	631,964	590,686	239,003	261,539	870,967	852,225
Unamortized premium	1,870,267	1,179,084	-	-	1,870,267	1,179,084
Unamortized loss on refunding	<u>(728,923)</u>	<u>(487,357)</u>	<u>-</u>	<u>-</u>	<u>(728,923)</u>	<u>(487,357)</u>
Total	<u>51,293,492</u>	<u>54,202,350</u>	<u>1,789,003</u>	<u>2,766,539</u>	<u>53,082,495</u>	<u>56,968,889</u>

### **Economic Conditions Affecting the Borough**

The Alaska Ship and Drydock was purchased by Vigor Industrial, LLC bringing more stability to shipbuilding and repair industry in Ketchikan. The shipyard is the beneficiary of State funding for a \$33,000,000 infrastructure addition to service the North American fleet. The major structure enables the shipyard to construct vessels inside out of the weather. The construction of the facility was completed late 2012. The shipyard is a major economic driver in the community.

The tourism industry, which is important to Ketchikan, has experienced a slight decrease over the previous year due to the decreased visitor activity. The passenger count for the 2011 cruise season for Ketchikan was 835,325 and for the 2012 season 778,899 cruise ship visitors. The FY 2013 budget anticipates 850,000 passengers. Commercial Passenger Vessel taxes remitted to the Borough in January each year for the prior 12 months by the State of Alaska based on \$2.50 per passenger.



#### **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.



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**Ketchikan Gateway Borough, Alaska**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 14,989,689	791,423	15,781,112	1,975,011
Restricted cash and investments	8,389,980	-	8,389,980	-
Prepaid items	-	4,871	4,871	-
Receivables	8,642,871	695,020	9,337,891	1,273,917
Internal balances	3,960,883	(3,960,883)	-	-
Inventory	-	-	-	28,485
<b>Total Current Assets</b>	<u>35,983,423</u>	<u>(2,469,569)</u>	<u>33,513,854</u>	<u>3,277,413</u>
<b>Noncurrent Assets</b>				
Restricted cash and investments-bond reserve	-	385,000	385,000	-
Bond issuance costs, net	316,925	-	316,925	-
Certificate of participation issuance costs, net	118,876	-	118,876	-
Capital assets:				
Nondepreciable capital assets	63,240,123	1,995,957	65,236,080	354,857
Depreciable capital assets, net	104,718,178	26,411,890	131,130,068	421,161
<b>Total Noncurrent Assets</b>	<u>168,394,102</u>	<u>28,792,847</u>	<u>197,186,949</u>	<u>776,018</u>
<b>Total Assets</b>	<u>204,377,525</u>	<u>26,323,278</u>	<u>230,700,803</u>	<u>4,053,431</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	2,957,961	129,967	3,087,928	965,283
Accrued salaries and wages	5,369	-	5,369	549,194
Advance property tax payments	9,435	-	9,435	-
Intergovernmental payable	2,813,911	-	2,813,911	-
Accrued interest payable	598,482	-	598,482	-
Due to component unit	1,011,542	-	1,011,542	-
Deposits	69,325	-	69,325	-
Claims payable	376,247	-	376,247	-
Unearned revenue	82,445	-	82,445	595,311
Compensated absences payable	397,833	191,050	588,883	348,726
Termination benefits	-	-	-	12,774
Capital leases payable	46,443	-	46,443	-
General obligation bonds payable	2,755,000	-	2,755,000	-
Certificates of participation payable	135,000	-	135,000	-
Revenue bonds payable	-	165,000	165,000	-
<b>Total Current Liabilities</b>	<u>11,258,993</u>	<u>486,017</u>	<u>11,745,010</u>	<u>2,471,288</u>
<b>Long-Term Liabilities</b>				
Compensated absences	234,131	47,953	282,084	-
General obligation bonds payable, net of unamortized premium and deferred loss	43,186,513	-	43,186,513	-
Certificates of participation, net of unamortized premium	4,489,831	-	4,489,831	-
Capital leases payable	48,741	-	48,741	-
Revenue bonds payable	-	1,385,000	1,385,000	-
<b>Total Long-Term Liabilities</b>	<u>47,959,216</u>	<u>1,432,953</u>	<u>49,392,169</u>	<u>-</u>
<b>Total Liabilities</b>	<u>59,218,209</u>	<u>1,918,970</u>	<u>61,137,179</u>	<u>2,471,288</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	121,020,663	26,857,847	147,878,510	776,018
Restricted:				
Debt service	271,670	385,000	656,670	-
Capital projects	2,674,703	-	2,674,703	-
Commercial passenger vessel impact	3,557,653	-	3,557,653	-
Dock improvements	13,917	-	13,917	-
Library operations	82,646	-	82,646	-
Public safety and water	156,295	-	156,295	-
Recreation	2,764,099	-	2,764,099	-
Road maintenance	279,521	-	279,521	-
Unrestricted (deficit)	14,338,149	(2,838,539)	11,499,610	806,125
<b>Total Net Assets</b>	<u>\$ 145,159,316</u>	<u>24,404,308</u>	<u>169,563,624</u>	<u>1,582,143</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska  
Statement of Activities  
For the Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 4,239,516	-	198,196	-	(4,041,320)	-	(4,041,320)	-
Fire and EMS	1,305,555	317,569	46,496	58,761	(882,729)	-	(882,729)	-
Water treatment & distribution	226,424	176,394	-	702,338	652,308	-	652,308	-
Library services	380,266	-	-	-	(380,266)	-	(380,266)	-
Parks and recreation	2,374,277	565,998	31,308	-	(1,776,971)	-	(1,776,971)	-
Public works	1,043,521	-	37,425	-	(1,006,096)	-	(1,006,096)	-
Public services	5,086,592	911,068	342,808	4,273	(3,828,443)	-	(3,828,443)	-
Transit	1,960,671	217,131	1,160,264	781,051	197,775	-	197,775	-
Education	14,300,313	3,769,524	-	3,607,632	(6,923,157)	-	(6,923,157)	-
Interest	2,504,748	-	615,002	-	(1,889,746)	-	(1,889,746)	-
<b>Total Governmental Activities</b>	<b>33,421,883</b>	<b>5,957,684</b>	<b>2,431,499</b>	<b>5,154,055</b>	<b>(19,878,645)</b>	<b>-</b>	<b>(19,878,645)</b>	<b>-</b>
<b>Business-Type Activities</b>								
Airport	5,262,004	3,973,769	18,004	10,016,959	-	8,746,728	8,746,728	-
Wastewater	1,176,513	760,358	24,955	-	-	(391,200)	(391,200)	-
<b>Total Business-Type Activities</b>	<b>6,438,517</b>	<b>4,734,127</b>	<b>42,959</b>	<b>10,016,959</b>	<b>-</b>	<b>8,355,528</b>	<b>8,355,528</b>	<b>-</b>
<b>Total - Primary Government</b>	<b>39,860,400</b>	<b>10,691,811</b>	<b>2,474,458</b>	<b>15,171,014</b>	<b>(19,878,645)</b>	<b>8,355,528</b>	<b>(11,523,117)</b>	<b>-</b>
<b>Component Unit</b>								
Ketchikan Gateway Borough								
School District	\$ 37,280,874	239,807	4,850,484	10,274				\$ (32,180,309)
<b>General Revenues</b>								
Property taxes					\$ 8,746,139	-	8,746,139	-
Sales taxes					8,316,512	-	8,316,512	-
Payment in lieu of taxes					1,054,735	-	1,054,735	-
Grants and entitlements not restricted to specific programs					3,353,441	209,758	3,563,199	23,163,797
E-Rate					-	-	-	60,421
Primary government appropriation					-	-	-	8,650,000
Investment earnings (loss)					(114,092)	(2,499)	(116,591)	65
Miscellaneous					351,236	-	351,236	65,281
<b>Total General Revenues</b>					<b>21,707,971</b>	<b>207,259</b>	<b>21,915,230</b>	<b>31,939,564</b>
<b>Special Items</b>								
Contributed capital					-	700,000	700,000	-
Write off delinquent note					(789,553)	-	(789,553)	-
<b>Transfers</b>					<b>(439,935)</b>	<b>439,935</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues, Special Items and Transfers</b>					<b>20,478,483</b>	<b>1,347,194</b>	<b>21,825,677</b>	<b>31,939,564</b>
<b>Change in Net Assets</b>					<b>599,838</b>	<b>9,702,722</b>	<b>10,302,560</b>	<b>(240,745)</b>
<b>Net Assets Beginning of Year</b>					<b>144,559,478</b>	<b>14,701,586</b>	<b>159,261,064</b>	<b>1,822,888</b>
<b>Net Assets End of Year</b>					<b>\$ 145,159,316</b>	<b>24,404,308</b>	<b>169,563,624</b>	<b>1,582,143</b>

**Ketchikan Gateway Borough, Alaska**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
<b>Assets</b>				
Cash and investments	\$ 3,172,132	2,491,363	1,320,628	5,103,291
Restricted cash and investments	-	-	-	-
Receivables:				
Accounts	124,696	27,135	-	4,768
Intergovernmental	1,456,904	-	-	-
Property taxes	70,368	-	-	-
Sales taxes	4,166,534	-	454,454	-
Interfund	2,594,064	-	-	-
Advances	-	1,342,806	-	3,098,738
<b>Total Assets</b>	<u>\$ 11,584,698</u>	<u>3,861,304</u>	<u>1,775,082</u>	<u>8,206,797</u>
<b>Liabilities</b>				
Accounts payable	\$ 759,335	157,226	-	65,300
Accrued salaries and wages	5,369	-	-	-
Advance property tax payments	9,435	-	-	-
Intergovernmental payable	2,813,911	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Due to component unit	1,011,542	-	-	-
Deposits	54,484	4,181	-	8,660
Deferred revenues	69,814	-	-	-
<b>Total Liabilities</b>	<u>4,723,890</u>	<u>161,407</u>	<u>-</u>	<u>73,960</u>
<b>Fund Balances</b>				
Nonspendable:				
Notes and advances	-	1,189,386	-	3,098,738
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Commercial passenger vessel impact	-	-	-	-
Dock improvements	-	-	-	-
Library operations	-	-	-	-
Public safety and water	-	-	-	-
Recreation	-	-	-	-
Road maintenance	-	-	-	-
Committed:				
Committed for Borough-owned land management	-	2,510,511	-	-
Education	-	-	1,775,082	-
Assigned:				
Economic development	-	-	-	5,034,099
Unassigned (deficit)	6,860,808	-	-	-
<b>Total Fund Balances</b>	<u>6,860,808</u>	<u>3,699,897</u>	<u>1,775,082</u>	<u>8,132,837</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,584,698</u>	<u>3,861,304</u>	<u>1,775,082</u>	<u>8,206,797</u>

**Ketchikan Gateway Borough, Alaska**  
**Governmental Funds**  
**Balance Sheet, continued**

	<u>State &amp; Federal Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and investments	\$ -		2,902,275	14,989,689
Restricted cash and investments	-	4,296,189	4,093,791	8,389,980
Receivables:				
Accounts	-	-	102,730	259,329
Intergovernmental	1,433,475	-	1,387	2,891,766
Property taxes	-	-	12,686	83,054
Sales taxes	-	-	454,454	5,075,442
Interfund	-	-	-	2,594,064
Advances	-	-	-	4,441,544
<b>Total Assets</b>	<u>\$ 1,433,475</u>	<u>4,296,189</u>	<u>7,567,323</u>	<u>38,724,868</u>
<b>Liabilities</b>				
Accounts payable	\$ 186,074	1,462,575	327,451	2,957,961
Accrued salaries and wages	-	-	-	5,369
Advance property tax payments	-	-	-	9,435
Intergovernmental payable	-	-	-	2,813,911
Interfund payable	1,235,988	156,911	2,517	1,395,416
Interfund advances payable	-	-	579,345	579,345
Due to component unit	-	-	-	1,011,542
Deposits	-	2,000	-	69,325
Deferred revenues	11,413	-	81,155	162,382
<b>Total Liabilities</b>	<u>1,433,475</u>	<u>1,621,486</u>	<u>990,468</u>	<u>9,004,686</u>
<b>Fund Balances</b>				
Nonspendable:				
Notes and advances	-	-	-	4,288,124
Restricted:				
Debt service	-	-	271,670	271,670
Capital projects	-	2,674,703	-	2,674,703
Commercial passenger vessel impact	-	-	3,557,653	3,557,653
Dock improvements	-	-	13,917	13,917
Library operations	-	-	82,646	82,646
Public safety and water	-	-	156,295	156,295
Recreation	-	-	2,764,099	2,764,099
Road maintenance	-	-	279,521	279,521
Committed:				
Committed for Borough-owned land management	-	-	-	2,510,511
Education	-	-	-	1,775,082
Assigned:				
Economic development	-	-	-	5,034,099
Unassigned (deficit)	-	-	(548,946)	6,311,862
<b>Total Fund Balances</b>	<u>-</u>	<u>2,674,703</u>	<u>6,576,855</u>	<u>29,720,182</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,433,475</u>	<u>4,296,189</u>	<u>7,567,323</u>	<u>38,724,868</u>

**Ketchikan Gateway Borough, Alaska**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Fund Balances</b>	\$	29,720,182
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$	205,650,964
Less accumulated depreciation		<u>(37,692,663)</u>
		167,958,301
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.		
		79,937
Governmental funds report the effect of debt issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. This is the amount of unamortized debt issuance costs.		
		435,801
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 assets.		
		(1,241,614)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		98,683
Accrued interest payable is not reported at the fund financial reporting level.		
		(598,482)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(44,855,000)
Certificates of participation		(4,570,000)
Premium for GO bonds		(1,815,436)
Premium for certificates of participation		(54,831)
Deferred loss on refunding		728,923
Capital lease payable		(95,184)
Compensated absences		<u>(631,964)</u>
		<u>(51,293,492)</u>
 <b>Net Assets Of Governmental Activities</b>	 \$	 <u><u>145,159,316</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, 2012*

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
<b>Revenues</b>				
Taxes	\$ 12,335,111	-	1,659,745	-
Intergovernmental	4,988,992	5,197	2,176,095	-
Licenses and permits	11,543	-	-	-
Charges for services	954,911	481,920	-	161,887
Water fees	-	-	-	-
Commercial vessel passenger tax	-	-	-	-
Interest subsidy	-	-	-	-
Investment earnings (loss)	(71,387)	34,892	(12,406)	(37,885)
Proceeds from sale of property	-	-	-	1,632,855
Miscellaneous	-	20,321	-	-
<b>Total Revenues</b>	<u>18,219,170</u>	<u>542,330</u>	<u>3,823,434</u>	<u>1,756,857</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,523,762	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,316,772	238,436	34,715	449,573
Parks and recreation	2,135,115	-	-	-
Public works	1,018,329	-	-	-
Transit	1,805,799	-	-	-
Education	8,650,000	-	-	-
Nondepartmental	215,849	-	-	-
<b>Capital Outlay</b>	236,807	750,832	-	-
<b>Debt Service</b>				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<u>18,902,433</u>	<u>989,268</u>	<u>34,715</u>	<u>449,573</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(683,263)	(446,938)	3,788,719	1,307,284
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Transfers in	1,278,390	-	-	200,000
Transfers out	(408,388)	(817,501)	(3,697,175)	(133,953)
<b>Total Other Financing Sources (Uses)</b>	<u>870,002</u>	<u>(817,501)</u>	<u>(3,697,175)</u>	<u>66,047</u>
<b>Special item - write off delinquent note</b>	-	(789,553)	-	-
<b>Net Change in Fund Balances</b>	186,739	(2,053,992)	91,544	1,373,331
<b>Fund Balances Beginning of Year</b>	<u>6,674,069</u>	<u>5,753,889</u>	<u>1,683,538</u>	<u>6,759,506</u>
<b>Fund Balances End of Year</b>	<u>\$ 6,860,808</u>	<u>3,699,897</u>	<u>1,775,082</u>	<u>8,132,837</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*

	<b>State &amp; Federal Grants</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ -	-	3,057,739	17,052,595
Intergovernmental	1,922,716	-	279,872	9,372,872
Licenses and permits	-	-	-	11,543
Charges for services	-	-	385,737	1,984,455
Water fees	-	-	176,394	176,394
Commercial vessel passenger tax	-	-	1,947,248	1,947,248
Interest subsidy	-	-	615,002	615,002
Investment earnings (loss)	-	21,419	(48,723)	(114,090)
Proceeds from sale of property	-	-	-	1,632,855
Miscellaneous	-	-	346,683	367,004
<b>Total Revenues</b>	<u>1,922,716</u>	<u>21,419</u>	<u>6,759,952</u>	<u>33,045,878</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	3,523,762
Library services	-	-	380,266	380,266
Fire and EMS	-	-	1,070,550	1,070,550
Water treatment and distribution	-	-	226,424	226,424
Public services	423,749	20,581	2,131,805	4,615,631
Parks and recreation	-	-	-	2,135,115
Public works	-	-	-	1,018,329
Transit	-	-	-	1,805,799
Education	-	-	-	8,650,000
Nondepartmental	-	-	-	215,849
<b>Capital Outlay</b>	1,498,967	17,498,508	1,052,856	21,037,970
<b>Debt Service</b>				
Principal retirement	-	-	2,994,753	2,994,753
Interest and fiscal charges	-	-	2,536,190	2,536,190
Bond issuance costs	-	-	75,066	75,066
<b>Total Expenditures</b>	<u>1,922,716</u>	<u>17,519,089</u>	<u>10,467,910</u>	<u>50,285,704</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	(17,497,670)	(3,707,958)	(17,239,826)
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	-	8,070,000	8,070,000
Bond premium	-	-	1,287,659	1,287,659
Payment to bond refunding escrow agent	-	-	(9,277,870)	(9,277,870)
Transfers in	-	235,000	5,443,482	7,156,872
Transfers out	-	-	(2,539,790)	(7,596,807)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>235,000</u>	<u>2,983,481</u>	<u>(360,146)</u>
<b>Special item - write off delinquent note</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(789,553)</u>
<b>Net Change in Fund Balances</b>	-	(17,262,670)	(724,477)	(18,389,525)
<b>Fund Balances Beginning of Year</b>	<u>-</u>	<u>19,937,373</u>	<u>7,301,332</u>	<u>48,109,707</u>
<b>Fund Balances End of Year</b>	<u>\$ -</u>	<u>2,674,703</u>	<u>6,576,855</u>	<u>29,720,182</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, 2012*

<b>Net Changes In Fund Balances - Total Governmental Funds:</b>		\$ (18,389,525)
<b>Amounts reported for governmental activities in the statement of activities are different because</b>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	\$ (3,345,962)	
Capital outlay	<u>21,073,909</u>	17,727,947
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.		
		(2,102,924)
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.		
		10,274
The book value of capital assets relating to the purchase of an ambulance through the Code Blue program representing the contribution from the State of Alaska and the USDA is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		
		48,334
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.		
		329,962
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in deferred property taxes.		
		10,056
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 @ 06/30/12	(598,482)	
Liability @ 06/30/11	<u>(599,705)</u>	1,223
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 assets. Also, governmental funds report the effect of issuance costs, 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:		
Refunding bonds issued	(8,070,000)	
Principal payments on long-term debt	11,469,753	
Net increase in bond premium	(691,183)	
Net increase in deferred loss on bonds	241,566	
Net increase in debt issuance costs	<u>55,633</u>	3,005,769
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 @ 06/30/12	(631,964)	
Liability @ 06/30/11	<u>(590,686)</u>	<u>(41,278)</u>
<b>Change In Net Assets of Governmental Activities</b>		<u>\$ 599,838</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, 2012*

	<b>2012</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 12,078,308	12,078,308	12,335,111	256,803
Licenses and permits	11,000	11,000	11,543	543
Intergovernmental	4,198,662	4,416,828	4,988,992	572,164
Charges for services	859,075	859,075	954,911	95,836
Investment earnings (loss)	150,000	150,000	(71,387)	(221,387)
<b>Total Revenues</b>	<u>17,297,045</u>	<u>17,515,211</u>	<u>18,219,170</u>	<u>703,959</u>
<b>Expenditures</b>				
<b>Current</b>				
General Government	3,724,369	3,832,179	3,523,762	308,417
Public services	1,090,246	1,167,649	1,316,772	(149,123)
Parks and recreation	1,959,564	1,980,414	2,135,115	(154,701)
Public works	1,166,233	1,250,333	1,018,329	232,004
Transit - bus system	1,696,389	1,726,970	1,805,799	(78,829)
Nondepartmental	399,288	399,288	215,849	183,439
Education	8,650,000	8,650,000	8,650,000	-
<b>Capital Outlay</b>	<u>246,650</u>	<u>246,650</u>	<u>236,807</u>	<u>9,843</u>
<b>Total Expenditures</b>	<u>18,932,739</u>	<u>19,253,483</u>	<u>18,902,433</u>	<u>351,050</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,635,694)	(1,738,272)	(683,263)	1,055,009
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,399,472	1,399,472	1,278,390	(121,082)
Transfers out	(408,388)	(408,388)	(408,388)	-
<b>Total Other Financing Sources (Uses)</b>	<u>991,084</u>	<u>991,084</u>	<u>870,002</u>	<u>(121,082)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(644,610)</u>	<u>(747,188)</u>	186,739	<u>933,927</u>
<b>Fund Balance Beginning of Year</b>			<u>6,674,069</u>	
<b>Fund Balance End of Year</b>		\$	<u>6,860,808</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, 2012*

	<b>2012</b>			<b>Variance Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Charges for services	\$ 391,535	424,931	481,920	56,989
Intergovernmental	1,395	3,933	5,197	1,264
Investment earnings	130,610	-	34,892	34,892
Proceeds from sale of property	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>(1,300,000)</u>
<b>Total Revenues</b>	<u>1,823,540</u>	<u>1,728,864</u>	<u>542,330</u>	<u>(1,186,534)</u>
<b>Expenditures</b>				
<b>Current</b>				
Public services	217,683	220,221	238,436	(18,215)
<b>Capital Outlay</b>	<u>-</u>	<u>1,000,000</u>	<u>750,832</u>	<u>249,168</u>
<b>Total Expenditures</b>	<u>217,683</u>	<u>1,220,221</u>	<u>989,268</u>	<u>230,953</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,605,857	508,643	(446,938)	(955,581)
<b>Other Financing Uses</b>				
Transfers out	<u>(715,443)</u>	<u>(715,443)</u>	<u>(817,501)</u>	<u>(102,058)</u>
<b>Special item</b>				
Write off delinquent note	<u>-</u>	<u>-</u>	<u>(789,553)</u>	<u>(789,553)</u>
<b>Net Change in Fund Balance</b>	\$ <u>890,414</u>	<u>(206,800)</u>	<u>(2,053,992)</u>	<u>(1,847,192)</u>
<b>Fund Balance Beginning of Year</b>			<u>5,753,889</u>	
<b>Fund Balance End of Year</b>			<u>\$ <u>3,699,897</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, 2012*

	<b>2012</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 1,542,595	1,542,595	1,659,745	117,150
Intergovernmental	2,175,255	2,175,255	2,176,095	840
Investment earnings (loss)	20,000	20,000	(12,406)	(32,406)
<b>Total Revenues</b>	<u>3,737,850</u>	<u>3,737,850</u>	<u>3,823,434</u>	<u>85,584</u>
<b>Expenditures</b>				
<b>Current</b>				
Public services	-	-	34,715	(34,715)
<b>Capital Outlay</b>	<u>1,990,357</u>	<u>527,275</u>	<u>-</u>	<u>527,275</u>
<b>Total Expenditures</b>	<u>1,990,357</u>	<u>527,275</u>	<u>34,715</u>	<u>492,560</u>
<b>Excess of Revenues Over Expenditures</b>	1,747,493	3,210,575	3,788,719	578,144
<b>Other Financing (Uses)</b>				
Transfers out	<u>(3,702,499)</u>	<u>(3,937,499)</u>	<u>(3,697,175)</u>	<u>240,324</u>
<b>Net Change in Fund Balance</b>	\$ <u>(1,955,006)</u>	<u>(726,924)</u>	91,544	<u>818,468</u>
<b>Fund Balance Beginning of Year</b>			<u>1,683,538</u>	
<b>Fund Balance End of Year</b>		\$	<u><u>1,775,082</u></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, 2012*

	<b>2012</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Intergovernmental	\$ 5,864	5,864	-	(5,864)
Charges for services	17,838	17,838	161,887	144,049
Proceeds from sale of property	2,100,000	2,100,000	1,632,855	(467,145)
Investment earnings (loss)	-	-	(37,885)	(37,885)
<b>Total Revenues</b>	<u>2,123,702</u>	<u>2,123,702</u>	<u>1,756,857</u>	<u>(366,845)</u>
<b>Expenditures</b>				
<b>Current</b>				
Public services	<u>583,790</u>	<u>733,186</u>	<u>449,573</u>	<u>283,613</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,539,912	1,390,516	1,307,284	(83,232)
<b>Other Financing Sources (Uses)</b>				
Transfers in	200,000	200,000	200,000	-
Transfers out	-	-	(133,953)	(133,953)
<b>Total Other Financing Sources (Uses)</b>	<u>200,000</u>	<u>200,000</u>	<u>66,047</u>	<u>(133,953)</u>
<b>Net Change in Fund Balance</b>	\$ <u>1,739,912</u>	<u>1,590,516</u>	1,373,331	<u>(217,185)</u>
<b>Fund Balance Beginning of Year</b>			<u>6,759,506</u>	
<b>Fund Balance End of Year</b>			\$ <u><u>8,132,837</u></u>	

See accompanying notes to the basic financial statements.



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**Ketchikan Gateway Borough, Alaska**  
*Proprietary Funds*  
*Statement of Net Assets*  
*June 30, 2012*

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ -	791,423	791,423	-
Prepaid items	4,871	-	4,871	333,280
Receivables:				-
Accounts	661,301	33,719	695,020	-
<b>Total Current Assets</b>	<u>666,172</u>	<u>825,142</u>	<u>1,491,314</u>	<u>333,280</u>
<b>Noncurrent Assets</b>				
Restricted cash and investments-bond reserve	385,000	-	385,000	-
<b>Capital Assets</b>				
Nondepreciable	1,995,957	-	1,995,957	-
Depreciable, net	15,923,252	10,488,638	26,411,890	-
<b>Total Noncurrent Assets</b>	<u>18,304,209</u>	<u>10,488,638</u>	<u>28,792,847</u>	<u>-</u>
<b>Total Assets</b>	<u>18,970,381</u>	<u>11,313,780</u>	<u>30,284,161</u>	<u>333,280</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	85,338	44,629	129,967	-
Interfund advances payable	26,801	69,680	96,481	-
Interfund payable	-	-	-	1,198,647
Compensated absences payable	191,050	-	191,050	-
Revenue bonds payable	165,000	-	165,000	-
Claims payable	-	-	-	376,247
<b>Total Current Liabilities</b>	<u>468,189</u>	<u>114,309</u>	<u>582,498</u>	<u>1,574,894</u>
<b>Long-Term Liabilities, net of current portion</b>				
Compensated absences payable	47,953	-	47,953	-
Interfund advances payable	3,310,586	455,133	3,765,719	-
Revenue bonds payable	1,385,000	-	1,385,000	-
<b>Total Long-Term Liabilities</b>	<u>4,743,539</u>	<u>455,133</u>	<u>5,198,672</u>	<u>-</u>
<b>Total Liabilities</b>	<u>5,211,728</u>	<u>569,442</u>	<u>5,781,170</u>	<u>1,574,894</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	16,369,209	10,488,638	26,857,847	-
Restricted for bond reserve	385,000	-	385,000	-
Unrestricted (deficit)	(2,995,556)	255,700	(2,739,856)	(1,241,614)
<b>Total Net Assets - Fund Level</b>	<u>\$ 13,758,653</u>	<u>10,744,338</u>	24,502,991	<u>(1,241,614)</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(98,683)	
<b>Total Net Assets - Government-wide Statement of Net Assets</b>			<u>\$ 24,404,308</u>	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Proprietary Funds*  
*Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)*  
*For the Year Ended June 30, 2012*

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 3,973,769	760,358	4,734,127	5,639,226
<b>Operating Expenses</b>				
Personal services	2,988,892	164,326	3,153,218	-
Supplies and services	1,408,481	419,936	1,828,417	-
Insurance	220,290	5,587	225,877	-
Administration	-	-	-	757,035
Claims and premiums	-	-	-	4,530,008
Depreciation	575,337	413,749	989,086	-
<b>Total Operating Expenses</b>	5,193,000	1,003,598	6,196,598	5,287,043
Less recovery of expenses from other funds	-	(1,596)	(1,596)	-
<b>Net Operating Expenses</b>	5,193,000	1,002,002	6,195,002	5,287,043
<b>Operating Income (Loss)</b>	(1,219,231)	(241,644)	(1,460,875)	352,183
<b>Non-Operating Revenues (Expenses)</b>				
Interest and fiscal charges	(108,923)	(32,163)	(141,086)	-
Gain (loss) on disposal of capital assets	17,700	(142,348)	(124,648)	-
Investment earnings (loss)	-	(2,499)	(2,499)	(2)
Operating grants	209,758	24,955	234,713	-
<b>Total Non-Operating Revenues (Expenses)</b>	118,535	(152,055)	(33,520)	(2)
<b>Income (Loss) before Capital Contributions and Transfers</b>	(1,100,696)	(393,699)	(1,494,395)	352,181
Capital contributions	10,734,963	-	10,734,963	-
Transfers in	439,935	-	439,935	-
<b>Change in Net Assets</b>	10,074,202	(393,699)	9,680,503	352,181
<b>Net Assets (Deficit) Beginning of Year</b>	3,684,451	11,138,037		(1,593,795)
<b>Net Assets (Deficit) End of Year</b>	\$ 13,758,653	10,744,338		(1,241,614)
<b>Reconciliation of the fund level operating statement to the government-wide statement of activities:</b>				
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			22,219	
<b>Change in net assets of business-type activities</b>			\$ 9,702,722	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Proprietary Funds*  
*Statement of Cash Flows*  
*For the Year Ended June 30, 2012*

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 3,617,802	763,320	4,381,122	5,639,226
Cash payments to employees for services	(3,011,428)	(164,326)	(3,175,754)	-
Cash payments for goods and services	(919,848)	(505,657)	(1,425,505)	(837,751)
Cash payments for claims	-	-	-	(4,801,473)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(313,474)</u>	<u>93,337</u>	<u>(220,137)</u>	<u>2</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating grants	209,758	24,955	234,713	-
Transfers in	439,935	-	439,935	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>649,693</u>	<u>24,955</u>	<u>674,648</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Sale of capital assets	17,700	467,145	484,845	-
Capital grant	10,734,963	-	10,734,963	-
Principal paid on revenue bonds	(955,000)	-	(955,000)	-
Interest paid on debt service	(108,923)	(32,163)	(141,086)	-
Payments for capital acquisitions	(10,024,959)	(18,257)	(10,043,216)	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(336,219)</u>	<u>416,725</u>	<u>80,506</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Investment earnings (loss)	-	(2,499)	(2,499)	(2)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	532,518	532,518	-
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>385,000</u>	<u>258,905</u>	<u>643,905</u>	<u>-</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 385,000</u>	<u>791,423</u>	<u>1,176,423</u>	<u>-</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, 2012*

(continued)

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
<b>Operating Income (Loss)</b>	\$ (1,219,231)	(241,644)	(1,460,875)	352,183
<b>Adjustments:</b>				
Depreciation	575,337	413,749	989,086	-
<b>(Increase) Decrease in Assets:</b>				
Accounts receivable	(429,273)	2,962	(426,311)	-
Intergovernmental	73,306	-	73,306	-
Prepaid items	(4,871)	-	(4,871)	231,439
<b>Increase (Decrease) in Liabilities:</b>				
Accounts payable	5,190	12,867	18,057	-
Interfund advances payable	708,604	(94,597)	614,007	-
Compensated absences payable	(22,536)	-	(22,536)	-
Claims payable	-	-	-	(583,620)
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u>(313,474)</u>	<u>93,337</u>	<u>(220,137)</u>	<u>2</u>

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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**For the Year Ended June 30, 2012**

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**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

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

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

***1-B. Basis of Presentation***

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

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net assets 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 assets 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.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

**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:

***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.

***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. Management has chosen to reflect this fund as a major fund for consistency purposes.

***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 assets, 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.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

***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 associated with the operation of the Borough are included on the statement of net assets. The statement of activities reports revenues and expenses.

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

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

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

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

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenue is reclassified as “*unearned*” revenue on the government-wide statement of net assets.

**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.

***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 U.S. Trust. The equity investments are cash assets that will not be expended within the next three to ten years.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

***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, 2012.

***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 assets, 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.

***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, 2012, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is 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 assets 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 assets and in the enterprise funds' statement of net assets.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2012

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, and fifty thousand dollars for 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:

Asset Class	Estimated Lives		
	Governmental Activities	Business-type Activities	Component Unit
Buildings	50 Years	40 Years	---
Machinery and equipment	6-10 Years	6-10 Years	3-30 Years
Vehicles and moving equipment	6-10 Years	6-10 Years	7 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.”

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

***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 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 statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums, discounts, and bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

***1-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 assets.”

***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 or inventories; 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 resolutions or 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 and Borough Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

*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 Assets* - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Borough applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***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.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2012

**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 – Stewardship, Compliance and Accountability**

**2-A. 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 Funds, 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 6/30/2012, the Borough had open encumbrances as follows:

Fund	Encumbrances
General Fund	\$ 2,198
Land Trust	180,270
Economic Development	
Assistance Program	97,880
State and Federal Grants	410,251
Capital Improvements	1,072,976
Nonmajor	427,865
Total	\$ 2,191,440

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2012

**2-B. Excess of Expenditures over Appropriations**

No funds had an excess of expenditures over appropriations at June 30, 2012.

**2-C. Deficit Fund Equities**

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2012:

Gold Nugget Special Assessment Area Fund	\$	(2,517)
North Tongass Fire & EMS Service Area Fund		(546,429)

**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, 2012 are as follows:

Cash on hand	\$	3,325
Deposits with financial institutions		18,440,722
Investments		<u>6,112,045</u>
Total	\$	<u><u>24,556,092</u></u>

		Governmental Activities	Business-Type Activities	Total
Unrestricted	\$	14,989,689	791,423	15,781,112
Restricted		<u>8,389,980</u>	<u>385,000</u>	<u>8,774,980</u>
Total	\$	<u><u>23,379,669</u></u>	<u><u>1,176,423</u></u>	<u><u>24,556,092</u></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, 2012, the carrying value of all the Borough’s deposits was \$24,556,092, and the bank value was \$24,096,689. All collateral securities were held by third parties in the Borough’s name, and were not exposed to custodial credit risk.

**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

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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, 2012 were held in an "actively managed" portfolio by the U. S. Trust Company, National Association and were invested in direct obligations of the U. S. Government.

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

***Management and custodial agreement.*** Ketchikan Gateway Borough and the U. S. Trust Company, N.A. have an Institutional Investment Management and Custodial Agreement in place. U. S. Trust, N.A. has been appointed Ketchikan Gateway Borough's agent and attorney-in-fact to allow them to manage the Borough's investment account. Marketable securities or other property is held in an account and is delivered to the Chase Manhattan Bank, N.A., which serves as the Borough's custodian. The Chase Manhattan Bank, N.A. holds the Borough's registered securities in the name of its nominee or in the nominee name maintained by any such custodian or depository. In order that Chase Manhattan Bank, N.A. may transfer registered securities into the name of any such nominee, they have been appointed as attorney-in-fact with authority to act in the Borough's name, place and stead, in order to transfer and deliver any and all bonds, debentures, certificates of stock or other securities registered in the Borough's name or owned by the Borough.

***Credit risk.*** The cash and cash equivalents are invested in the Columbia Daily Cash Reserves Fund, which is a money market mutual fund comprised of repurchase agreements and other money market securities. The Fund is not rated, but it is participating in the Treasury insurance program. The Tangible Assets as of June 30, 2012, were comprised of an investment in an Exchange Traded Note (ETN) called the Barclays Bank PLC (Path Index Linked Securities to Dow Jones-AIG Commodity Index (ticker symbol: DJP). This ETN, as the name implies, tracks the Dow Jones-AIG Commodity Index, a well-known commodities index. There is an external pooled investment besides the Columbia Daily Cash Reserves money market fund, called the Columbia Short-Intermediate Bond Fund, which is also not rated.

One hundred (100%) of the Borough's investments are invested with the U. S. Trust company. The U. S. Trust investments include fixed income, equities, bond and money market funds. Fixed income investments are rated AAA.

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Fixed Income:	Amount
Federal Natl Mtg Assn	\$ 509,864
United States Treas Nt	253,900
Federal Home Ln Mtg Corp	527,656
	\$ 1,291,420

The Borough has no formal policy relating to credit risk.

**Interest rate risk.** As of June 30, 2012, 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)			Average Maturity (Years)
	Current Market Value	Less than 1	1 - 5	
Cash/Cash Equivalents	\$ 4,820,625	4,820,625	-	
Fixed Income	1,291,420	662,907	628,513	0.83
Total	6,112,045	5,483,532	628,513	

**3-B. Receivables**

Receivables at June 30, 2012, 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, internal service and proprietary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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	General Fund	Land Trust	School Bond Capital Improvements	Economic Development	State & Federal Grants
Receivables:					
Accounts	\$ 124,696	27,135	-	4,768	-
Intergovernmental	1,456,904	-	-	-	1,433,475
Property taxes	185,057	-	-	-	-
Sales taxes	4,166,534	-	454,454	-	-
Interfund	<u>2,594,064</u>	<u>1,342,806</u>	<u>-</u>	<u>3,098,738</u>	<u>-</u>
Total receivables	8,527,255	1,369,941	454,454	3,103,506	1,433,475
Allowance for doubtful accounts	<u>(114,689)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	\$ <u>8,412,566</u>	<u>1,369,941</u>	<u>454,454</u>	<u>3,103,506</u>	<u>1,433,475</u>

	Nonmajor Governmental	Airport Enterprise	Wastewater Enterprise	Totals
Receivables:				
Accounts	\$ 241,365	706,405	237,939	1,342,308
Intergovernmental	1,387	-	-	2,891,766
Property taxes	12,686	-	-	197,743
Sales taxes	454,454	-	-	5,075,442
Interfund	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,035,608</u>
Total receivables	<u>709,892</u>	<u>706,405</u>	<u>237,939</u>	<u>16,542,867</u>
Allowance for doubtful accounts	<u>(138,635)</u>	<u>(45,104)</u>	<u>(204,220)</u>	<u>(502,648)</u>
Net receivables	\$ <u>571,257</u>	<u>661,301</u>	<u>33,719</u>	<u>16,040,219</u>

The Borough has made a loan to a contractor who developed property and constructed a small sawmill. The original \$800,000 note carries 4% interest with a total monthly payment of \$4,848. The terms of the receivable allocate \$2,206 of the monthly payment for a site lease, and the remainder of the payment is credited to principal and interest. In November 2003, the loan was amended and an additional \$300,000 was loaned to the contractor. The new monthly payments are \$4,721. The receivable balance at June 30, 2012 was \$789,553 and was written off as of that date in the Land Trust Fund. See Note 4-B. Special Item for further disclosure.

Governmental funds report *deferred revenue* 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 revenue and unearned revenue reported in the governmental funds were as follows:

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		Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$	69,646	-
Title II Forest Receipts - (General Fund)		-	168
Delinquent property taxes receivable (Nonmajor Funds)		10,291	
Advance revenues (State & Federal Grants Fund)			11,413
Advance revenue (Nonmajor Fund)		-	70,864
Total deferred/unearned revenue for governmental funds	\$	79,937	82,445

**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 3.5%.

**3-D. Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

*(This page continued on the subsequent page)*

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	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land - Borough	\$ 28,407,022	-	-	28,407,022
Land - Ward Cove	1,530,507	-	1,530,507	-
Buildings/Impr. - Ward Cove	569,493	-	569,493	-
Ward Cove - Tymatt Property	2,925	-	2,925	-
Land - School	7,397,443	-	-	7,397,443
Construction in progress - Borough	11,409,847	15,997,691	71,506	27,336,032
Construction in progress - School	1,455,769	99,625	1,455,768	99,626
<b>Total nondepreciable capital assets</b>	<u>50,773,006</u>	<u>16,097,316</u>	<u>3,630,199</u>	<u>63,240,123</u>
Depreciable capital assets:				
Buildings - Borough	21,387,123	1,612,070	-	22,999,193
Buildings - School	98,636,193	3,725,590	-	102,361,783
Equipment	4,152,949	1,224,816	140,535	5,237,230
Equipment - Ward Cove	6,995	-	-	6,995
Fields	2,510,804	-	-	2,510,804
Infrastructure	3,733,089	-	-	3,733,089
Land Improvements	466,883	-	-	466,883
South Tongass Water	3,431,777	-	-	3,431,777
Transit - Buses	1,663,087	-	-	1,663,087
<b>Total depreciable capital assets</b>	<u>135,988,900</u>	<u>6,562,476</u>	<u>140,535</u>	<u>142,410,841</u>
<b>Total cost of capital assets</b>	186,761,906	22,659,792	3,770,734	205,650,964
Accumulated depreciation:				
Buildings - Borough	2,738,925	478,725	-	3,217,650
Buildings - School	25,531,900	2,150,871	-	27,682,771
Equipment	2,551,810	259,713	140,535	2,670,988
Fields	167,387	125,540	-	292,927
Infrastructure	2,590,382	128,754	-	2,719,136
Land Improvements	20,694	23,344	-	44,038
South Tongass Water	200,187	68,636	-	268,823
Transit - Buses	685,951	110,379	-	796,330
<b>Total accumulated depreciation</b>	<u>34,487,236</u>	<u>3,345,962</u>	<u>140,535</u>	<u>37,692,663</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 152,274,670</u>	<u>19,313,830</u>	<u>3,630,199</u>	<u>167,958,301</u>

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Governmental activities depreciation:

Administration	\$	23,065
Education		2,159,192
Fire and EMS		224,086
Parks and Recreation		226,866
Public Service		500,235
Public Works		47,040
Transit		<u>165,478</u>

Total governmental activities depreciation expense    \$    3,345,962

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Construction in progress	\$ 1,142,318	853,639	-	1,995,957
Depreciable capital assets:				
Ferry	4,785,241	9,163,318	-	13,948,559
Field	3,357,593	8,000	25,000	3,340,593
Terminal building	8,790,180	-	-	8,790,180
Murphy's landing	208,800	-	-	208,800
Sludge/compost	1,184,258	-	1,048,728	135,530
Wastewater	280,091	-	9,830	270,261
Mountain Point wastewater	13,753,031	18,258	-	13,771,289
Forest Park wastewater	<u>32,700</u>	<u>-</u>	<u>-</u>	<u>32,700</u>
Total depreciable capital assets	<u>32,391,894</u>	<u>9,189,576</u>	<u>1,083,558</u>	<u>40,497,912</u>
Total capital assets	<u>33,534,212</u>	<u>10,043,215</u>	<u>1,083,558</u>	<u>42,493,869</u>
Accumulated depreciation:				
Ferry	2,191,438	268,536	-	2,459,974
Field	2,558,384	83,861	25,000	2,617,245
Terminal building	4,867,210	213,039	-	5,080,249
Murphy's landing	197,514	9,900	-	207,414
Sludge/compost	543,635	38,543	447,100	135,078
Wastewater	187,174	13,099	1,970	198,303
Mountain Point wastewater	2,997,948	360,800	-	3,358,748
Forest Park wastewater	<u>27,703</u>	<u>1,308</u>	<u>-</u>	<u>29,011</u>
Total accumulated depreciation	<u>13,571,006</u>	<u>989,086</u>	<u>474,070</u>	<u>14,086,022</u>
Business-type activities capital assets, net	\$ <u>19,963,206</u>	<u>9,054,129</u>	<u>609,488</u>	<u>28,407,847</u>

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

Interfund balances at June 30, 2012, 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:		
	State & Federal Grants Special Revenue Fund	Capital Projects Fund	Non-Major Governmental Special Revenue Funds
General Fund-Interfund Receivables	\$ 1,235,988	156,911	2,517
Land Trust Fund - Advances Receivable	-	-	579,345
Economic Development- Advances Receivable	-	-	-
<b>Total</b>	<b>\$ <u>1,235,988</u></b>	<b><u>156,911</u></b>	<b><u>581,862</u></b>

Payable to:	Payable From:			Total
	Airport Enterprise Fund	Wastewater Enterprise Fund	Internal Service Fund	
General Fund-Interfund Receivables	-	-	1,198,647	2,594,063
Land Trust Fund - Advances Receivable	238,649	524,813	-	1,342,807
Economic Development- Advances Receivable	3,098,738	-	-	3,098,738
<b>Total</b>	<b>\$ <u>3,337,387</u></b>	<b><u>524,813</u></b>	<b><u>1,198,647</u></b>	<b><u>7,035,608</u></b>

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Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfers From:			
Transfers To:	General Fund	Land Trust Fund	School Bond Capital Imp. Fund
General Fund	\$ -	350,000	78,918
Economic Development	200,000	-	-
Capital Projects	-	-	235,000
Debt Service	-	467,501	3,057,320
Non-Major Governmental	202,888	-	325,937
Airport Enterprise	<u>5,500</u>	<u>-</u>	<u>-</u>
Total	\$ <u>408,388</u>	<u>817,501</u>	<u>3,697,175</u>

Transfers From:			
Transfers To:	Economic Development Fund	Non-Major Governmental Funds	Totals
General Fund	\$ 133,953	715,519	1,278,390
Economic Development	-	-	200,000
Capital Projects	-	-	235,000
Debt Service	-	1,389,836	4,914,657
Non-Major Governmental	-	-	528,825
Airport Enterprise	<u>-</u>	<u>434,435</u>	<u>439,935</u>
Total	\$ <u>133,953</u>	<u>2,539,790</u>	<u>7,596,807</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.

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**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, 2012. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2012 have expiration dates through 2025. 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, 2012, the majority of the Terminal Building tenants were renting on a month-to-month basis and new leases were being renegotiated.

Listed below are the expected annual revenues from current executed leases:

<u>Fiscal Year</u>	<u>Terminal Space</u>	<u>Lots</u>
2013	\$ 27,416	6,464
2014	27,416	6,464
2015	27,416	6,464
2016	27,416	6,464
2017	27,416	6,464
2018-2022	137,080	32,320
2023-2025	82,248	19,392

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**3-H. Long-Term Debt**

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

***Borough General Obligation Bonds, 2003A Series*** - General obligation bonds, Series 2003, denominations of \$5,000, dated February 12, 2004, total issue \$9,000,000. The bond proceeds were used to construct school facilities. Interest rates range from 3.70% to 4.80%. The bonds mature May 1, 2023. \$5,385,000 of this series was refunded on September 15, 2011 with refunding bonds 2011 Series III leaving a remaining balance due in FY 2013.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ <u>425,000</u>	<u>249,980</u>	<u>674,980</u>

***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>
2013	\$ 925,000	260,938	1,185,938
2014	975,000	214,688	1,189,688
2015	1,025,000	165,938	1,190,938
2016	520,000	114,688	634,688
2017	540,000	88,688	628,688
2018-2019	<u>1,175,000</u>	<u>93,188</u>	<u>1,268,188</u>
Total	\$ <u>5,160,000</u>	<u>938,128</u>	<u>6,098,128</u>

***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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 115,000	19,600	134,600
2014	120,000	15,000	135,000
2015	125,000	10,200	135,200
2016	<u>130,000</u>	<u>5,200</u>	<u>135,200</u>
Total	\$ <u>490,000</u>	<u>50,000</u>	<u>540,000</u>

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***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 are being 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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 515,000	75,900	590,900
2014	535,000	55,300	590,300
2015	550,000	39,250	589,250
2016	<u>575,000</u>	<u>17,250</u>	<u>592,250</u>
Total	\$ <u>2,175,000</u>	<u>187,700</u>	<u>2,362,700</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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2013	\$ -	1,185,519	(437,838)	747,681	747,681
2014	-	1,185,519	(437,838)	747,681	747,681
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	(437,837)	747,682	1,337,682
2018-2022	3,235,000	5,484,847	(2,034,225)	3,450,622	6,685,622
2023-2027	3,825,000	4,578,776	(1,717,100)	2,861,676	6,686,676
2028-2032	4,620,000	3,359,372	(1,290,309)	2,069,063	6,689,063
2033-2037	5,610,000	1,834,788	(756,705)	1,078,083	6,688,083
2038-2039	<u>2,545,000</u>	<u>234,931</u>	<u>(105,719)</u>	<u>129,212</u>	<u>2,674,212</u>
Total	\$ <u>20,425,000</u>	<u>21,420,309</u>	<u>(8,093,246)</u>	<u>13,327,063</u>	<u>33,752,063</u>

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***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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 545,000	180,350	725,350
2014	565,000	164,000	729,000
2015	575,000	147,050	722,050
2016	600,000	129,800	729,800
2017	620,000	105,800	725,800
2018-2020	<u>2,025,000</u>	<u>164,000</u>	<u>2,189,000</u>
Total	<u>\$ 4,930,000</u>	<u>891,000</u>	<u>5,821,000</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 will be 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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2013	\$ 210,000	132,594	(59,667)	72,927	282,927
2014	210,000	129,087	(58,089)	70,998	280,998
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
2018-2022	1,160,000	422,394	(190,077)	232,317	1,392,317
2023-2026	<u>1,045,000</u>	<u>119,474</u>	<u>(53,764)</u>	<u>65,710</u>	<u>1,110,710</u>
Total	<u>\$ 3,270,000</u>	<u>1,159,296</u>	<u>(521,683)</u>	<u>637,613</u>	<u>3,907,613</u>

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***Certificate of Participation - 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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 135,000	30,650	165,650
2014	140,000	26,600	166,600
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>870,000</u>	<u>116,650</u>	<u>986,650</u>

***Certificate of Participation - 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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2013	\$ -	240,244	(108,110)	132,134	132,134
2014	-	240,244	(108,110)	132,134	132,134
2015	-	240,244	(108,110)	132,134	132,134
2016	-	240,244	(108,109)	132,135	132,135
2017	-	240,243	(108,109)	132,134	132,134
2018-2022	690,000	1,142,831	(466,853)	675,978	1,365,978
2023-2027	995,000	888,850	(412,969)	475,881	1,470,881
2028-2032	1,190,000	533,942	(258,032)	275,910	1,465,910
2033-2036	<u>825,000</u>	<u>114,612</u>	<u>(68,252)</u>	<u>46,360</u>	<u>871,360</u>
Total	\$ <u>3,700,000</u>	<u>3,881,454</u>	<u>(1,746,654)</u>	<u>2,134,800</u>	<u>5,834,800</u>

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***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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	231,500	231,500
2014	395,000	223,600	618,600
2015	415,000	205,325	620,325
2016	435,000	186,250	621,250
2017	450,000	166,300	616,300
2018-2022	2,610,000	473,750	3,083,750
2023	<u>595,000</u>	<u>14,875</u>	<u>609,875</u>
Total	\$ <u>4,900,000</u>	<u>1,501,600</u>	<u>6,401,600</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, 2012 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	104,329	124,329
2014	-	135,450	135,450
2015	-	135,450	135,450
2016	565,000	124,150	689,150
2017	585,000	101,150	686,150
2018-2020	<u>1,910,000</u>	<u>143,225</u>	<u>2,053,225</u>
Total	\$ <u>3,080,000</u>	<u>743,754</u>	<u>3,823,754</u>

***Defeased Bonds*** – In fiscal year 2012, Ketchikan Gateway Borough partially defeased its general obligation 2003 and 2005 series bonds. At June 30, 2012, \$14,375,000 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 Revenue Bonds*** - In August 2001, the Borough issued revenue bonds totaling \$4,250,000 to finance construction of a new airport ferry and for renovations to the airport terminal. Passenger facility charges, which were initiated in 1999, are providing the revenue stream for repaying this bonded debt. Annual debt service requirements as of June 30, 2012 follow:

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Fiscal Year	Principal	Interest	Total
2013	\$ 165,000	69,393	234,393
2014	175,000	65,160	240,160
2015	180,000	56,550	236,550
2016	190,000	47,390	237,390
2017	200,000	37,540	237,540
2018-2019	<u>640,000</u>	<u>45,300</u>	<u>685,300</u>
Total	\$ <u>1,550,000</u>	<u>321,333</u>	<u>1,871,333</u>

**Compliance with Bond Covenants:** The 2001 airport revenue bonds require that the Borough account for passenger facility charges (PFC) from airlines in a separate PFC fund that will have a minimum of \$75,000 in available revenue. This requirement was met at June 30, 2012. In addition, the 2001 airport revenue bonds require that the Borough will establish, maintain and collect rates and charges for all services or facilities supplied by the system, including PFC revenues, in each fiscal year that will provide net revenues in an amount equal to at least 1.10 times the amount of the annual debt service requirement for such year on all outstanding bonds and outstanding parity bonds.

Loss from operations, less depreciation expense amount available for debt service	\$ (643,894)
PFC revenues	330,165
State PERS relief grant	186,361
Transfers in for operations	<u>80,500</u>
Amount available	(46,868)
Debt service requirement of the 2001 revenue bonds x 1.1	<u>(262,107)</u>
Net revenue under debt service requirement	\$ <u>(308,975)</u>

As shown above, the Borough did not meet the revenue requirement for the year ended June 30, 2012. Finally, certain covenants of the 2001 revenue bonds require the Borough to maintain a reserve account equal to the lessor of (a) 10% of the proceeds of the sale of the Bonds, (b) 125% of average annual debt service for all Bonds outstanding, or (c) maximum aggregate annual debt service. On January, 31, 2008, the Borough established a “bond reserve” fund in the amount of \$385,000 and has met the reserve requirement every year since 2008.

**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.

**Ketchikan Gateway Borough, Alaska**  
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The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 399,134
Less accumulated depreciation	(158,822)
Total net book value	\$ 240,312

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 46,443	4,712	51,155
2014	48,741	2,413	51,154
Total	\$ 95,184	\$ 7,125	\$ 102,309

*(This page continued on the subsequent page)*

**Ketchikan Gateway Borough, Alaska**  
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**Changes in Long-term Debt** - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2012:

<b>Governmental Activities</b>	Outstanding 7/1/2011	Additions	Reductions	Outstanding 6/30/2012	Amounts Due in One Year
GO Bonds - 2003	\$ 6,220,000	-	5,795,000	425,000	425,000
GO Bonds - 2005	9,140,000	-	3,980,000	5,160,000	925,000
GO Bonds - 2006	600,000	-	110,000	490,000	115,000
GO Bonds - 2009A	2,680,000	-	505,000	2,175,000	515,000
GO Bonds - 2009B & C	20,425,000	-	-	20,425,000	-
GO Bonds - 2010A One	5,460,000	-	530,000	4,930,000	545,000
GO Bonds - 2010B Four	130,000	-	130,000	-	-
GO Bonds - 2010B Four	3,270,000	-	-	3,270,000	210,000
GO Bonds - 2011 III	-	4,990,000	90,000	4,900,000	-
GO Bonds - 2012 II	-	3,080,000	-	3,080,000	20,000
Certificates of Participation					
C of P 2010A-1	1,000,000	-	130,000	870,000	135,000
C of P 2010A-2	3,700,000	-	-	3,700,000	-
E-One Lease - (Fire Equipment)	139,437	-	44,253	95,184	46,443
Point Higgins Beach	155,500	-	155,500	-	-
Compensated absences	<u>590,686</u>	<u>427,524</u>	<u>386,246</u>	<u>631,964</u>	<u>397,833</u>
<b>Total Governmental Activities</b>	<b>\$ <u>53,510,623</u></b>	<b><u>8,497,524</u></b>	<b><u>11,855,999</u></b>	<b>50,152,148</b>	<b><u>3,334,276</u></b>
Unamortized premiums				1,870,267	
Unamortized loss on refunding				<u>(728,923)</u>	
				<b>\$ <u>51,293,492</u></b>	
<b>Business-Type Activities</b>					
Revenue bonds	\$ 2,505,000	-	955,000	1,550,000	165,000
Compensated absences	<u>261,539</u>	<u>162,950</u>	<u>185,486</u>	<u>239,003</u>	<u>191,050</u>
<b>Total Business-Type Activities</b>	<b>\$ <u>2,766,539</u></b>	<b><u>162,950</u></b>	<b><u>1,140,486</u></b>	<b><u>1,789,003</u></b>	<b><u>356,050</u></b>

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

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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.

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 Senate Bill (SB) 125 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. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. Legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions are recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (3.04% for pension and 3.71% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.38% for pension and 4.12% for healthcare).

The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%. However, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate which is generally consistent with the actuarially determined rate.

Ketchikan Gateway Borough's contribution rates for the year ended June 30, 2012 were determined as part of the June 30, 2009 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 45* Rate
Pension	9.92%	15.10%	23.10%
Postemployment healthcare	<u>12.08%</u>	<u>18.39%</u>	<u>32.74%</u>
Total contribution rate	<u>22.00%</u>	<u>33.49%</u>	<u>55.84%</u>

\* This rate uses an 8.25% pension discount rate and a 7.45% healthcare discount. And disregards all

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future Medicare Part D payments.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between Ketchikan Gateway Borough and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

**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 11.49% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, Ketchikan Gateway Borough has recorded the State on-behalf payment in the amount of \$621,415 as revenue and expense/expenditures in these financial statements. However, because Ketchikan Gateway Borough is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

<u>Year Ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost</u>	<u>Borough Contributions</u>
2012	\$ 456,842	\$ 556,315	\$ 1,013,157	\$ 1,013,157
2011	359,768	648,499	1,008,267	1,008,267
2010	384,704	652,489	1,037,193	1,037,193

**Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The Plan is administered by the State of Alaska, Department of Administration, and 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. Employees are required to contribute 8.0% of their annual covered salary, and Ketchikan Gateway Borough is required to make the following contributions:

	<u>Others Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.51	0.51
Occupational death and disability benefits	<u>0.11</u>	<u>0.97</u>
	<u>8.62 %</u>	<u>9.48%</u>

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\*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

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, 2012 were \$130,346 and \$120,012, 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, 2012 per non-premium hour worked. The Borough’s total IBEW payroll for the year ended June 30, 2012 for covered employees totaled \$696,453. The total amount contributed to the IBEW plan in FY 2012 was \$113,830. The Borough’s obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

***3-J. Net Assets***

The “invested in capital assets, net of related debt” on the government-wide statement of net assets as of June 30, 2012 is as follows:

	Governmental Activities	Business Type Activities
Invested in capital assets, net of related debt:		
Cost of capital assets	\$ 205,650,964	\$ 42,493,870
Less accumulated depreciation	(37,692,663)	(14,086,023)
Book value	167,958,301	28,407,847
Less capital related debt	(50,661,528)	(1,550,000)
Plus unspent bond proceeds	3,723,890	-
Invested in capital assets, net of related debt	\$ 121,020,663	\$ 26,857,847

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Restricted net assets for business type activities is \$385,000 at June 30, 2012, and consists of required reserves related to the airport revenue bonds. Restricted net assets for governmental activities consists of the following at June 30, 2012:

		Governmental Activities
<b>Net Assets</b>		
Restricted:		
Debt service	\$	271,670
Capital Projects		2,674,703
Commercial passenger vessel impact		3,557,653
Dock improvements		13,917
Library operations		82,646
Public safety and water		156,295
Recreation		2,764,099
Road maintenance		279,521
 Total Restricted	 \$	 <u>9,800,504</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.

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, 2012, but not billed until after fiscal year end. The amount booked for

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the Borough was \$147,494 and \$174,181 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. Effective July 1, 2012, the covered employees pay \$15.00 per month towards the cost of insurance, and the Borough pays the balance. Currently the Borough contributes \$1,409 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, 2011 and June 30, 2012 follows:

	Ketchikan Gateway Borough	Borough School District	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Claims payable at June 30, 2010	\$ 217,161	369,465	586,626
Premiums expense	272,527	-	272,527
Claims expense	1,060,027	3,185,276	4,245,303
Claims and premiums paid	<u>(1,474,116)</u>	<u>(3,228,231)</u>	<u>(4,702,347)</u>
Claims payable at June 30, 2011	75,599	326,510	402,109
Premiums expense	312,155	-	312,155
Claims expense	1,253,317	2,964,536	4,217,853
Claims and premiums paid	<u>(1,480,098)</u>	<u>(3,075,772)</u>	<u>(4,555,870)</u>
Claims payable at June 30, 2012	\$ <u>160,973</u>	<u>215,274</u>	<u>376,247</u>
Prepaid claims at June 30, 2012	\$ <u>333,280</u>	<u>-</u>	<u>333,280</u>

**4-B. Special Item – Write off of Delinquent Loan**

**Lewis Reef Property Foreclosure & Termination Agreement**

On November 14, 2011 the Borough entered into an agreement to terminate the lease agreement on the Airport Reserve and forgiving the outstanding balance of the unsecured Borough loan.

The Borough entered into the following-described agreements with Seley Log & Lumber Ltd. (“SLL”), an Alaska corporation, or Pacific Log and Lumber, Ltd., (“PLL”), an Alaska corporation and SLL’s successor as of January 27, 2000:

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- On July 21, 1997, a 20-year lease from the Borough of 32.25 acres of undeveloped land at the Airport Reserve on Gravina Island;
- On July 21, 1997, a “development agreement” loaning SLL \$800,000 to develop the leased area;
- On September 1, 1997, a 20-year lease from the Borough of 15.76 acres of tidelands and submerged lands adjoining the 32.25-acre portion of the Airport Reserve noted above; and
- On October 16, 2003, an amendment to the development agreement, loaning an additional \$300,000 to PLL.

The Borough had a specific agreement with Seley regarding the construction of the logging road linking the 32.25-acre site with the Gravina Highway. This separate agreement was fully performed according to its terms, and is not at issue in the present transaction.

It is important to recognize that the \$1.1 million loaned in the 1997 and 2003 loan agreements was unsecured. Although unsecured, the Assembly recognized that the loan proceeds would be largely invested in permanent improvements (site development) to Airport Reserve property over which the Borough holds management authority from the State of Alaska. Additionally, the Assembly recognized that beyond the proceeds of the \$1.1 million loan from the Borough, SLL and PLL would invest substantial funds of their own in permanent improvements (site development) to the property (currently, that includes \$2,095,706 which remains unamortized based on PLL’s statement of October 20, 2011 [\$2,885,259 less \$789,553 due to the Borough]). Thus, while the loan was unsecured, the value of the total investment by SLL and PLL in developing the 32.25 acres of the Airport Reserve far exceeded the amount of the unsecured Borough loan.

Beyond the value of the direct development of the 32.25 acres by SLL and PLL, it is reasonable to conclude that installation of the 7 to 8 MW Gravina Island Marine Electrical Cable, completed in 2008 at a cost of \$3,905,172, would not have occurred without the SLL and PLL development at the site. That cable was constructed without cost to the Borough (it was funded by an EDA grant of \$2,160,000, a State grant of \$200,000, and the balance by KPU), but brings significant added value to the property and makes the property much more useful and attractive to prospective new developers.

Thus, because of the work outlined above, there is now a developed 32.25-acre industrial site on Gravina, linked to the Gravina Highway, and with a ready source of industrial electrical capacity. Those improvements are worth far more than the \$789,553 owed by SLL and PLL to the Borough.

The loss on the loan is recorded in the Land Trust Special Revenue Fund in the amount of \$789,553 recorded in FY 2012. After assessments of property improvements are made the assets will be recorded in the Airport Enterprise Fund after the terms of the termination agreement are met which is expected in FY 2013.

The lease termination agreement was executed recognizing that the Borough-managed property in question, because of PLL’s development of the site, has been improved in value far beyond the \$789,553 owed to the Borough. It also reflects that, realistically, there is limited potential for recovery of the entire amount owed by pursuing a claim through adversarial means. Moreover, it reflects that the Borough will recover a portion of the amounts owed if PLL’s pending claim against the U.S. Forest Service is successful. Terminating the existing lease agreement with PLL is in the Borough’s best interests in that it makes the property immediately available for other potential users. Lastly, it should not be overlooked that during the term of the agreement, PLL and its predecessor reportedly maintained an average of 85 jobs in Ketchikan with a total payroll exceeding \$17,000,000.

**4-C. Contingent Liabilities**

**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

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2012*

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.

**Lawsuits** - As of June 30, 2012 the Borough was involved in one case which has a potential for liability of over \$25,000. Trask v. KGB cause potential liability for attorney's fees in the \$40,000 range if an adverse result occurred on appeal. The Trask case is on appeal. The claim is in the \$50,000 range. The likelihood of liability for over \$25,000 is low. The uninsured deductible is \$50,000.

**4-D. Subsequent Events**

**Lewis Reef Property New Lessee**

The lease to Pacific Log and Lumber, Ltd., the previous tenant of the Airport Enterprise Fund industrial site lease has been terminated and a new tenant is being considered.

Discussions between Ketchikan Gateway Borough officials and representatives of Heatherdale Resources Limited have led to development of a proposed Memorandum of Understanding to identify the rights, roles, and responsibilities of each party as they relate to the potential establishment of a mill site and tailings disposal facility at the former Pacific Log and Lumber Company mill site for processing ore from the prospective Niblack Mine.

**Airport Enterprise Fund State Aid**

The Airport was awarded \$9,905,000 million dollars for operations and infrastructure for FY 2013. The funding includes \$3,950,000 for replacement of the airport ferry moorage facility; \$2,047,500 for parking and lighting improvements; \$1,197,500 for terminal heating system and other energy saving improvements; \$2,500,000 contractual costs relief payment to the Borough's Central Treasury; and \$210,000 to pay for the remaining debt for the airport ferry *M/V Oral Freeman*.

The Borough Assembly approved an appropriation on November 19, 2012 for outstanding principal and accrued interest in the amount of \$1,210,000 for redemption of the 2001B revenue bonds for the remodel of the airport terminal building. The action will relieve the covenant requirements on this bond issue.



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**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Governmental Funds*  
*Combining Balance Sheet*  
*June 30, 2012*

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and investments	\$ 2,898,836	3,439	2,902,275
Restricted cash and investments	4,093,791	-	4,093,791
Receivables:			
Accounts	102,730	-	102,730
Intergovernmental	1,387	-	1,387
Property taxes	12,686	-	12,686
Sales taxes	454,454	-	454,454
<b>Total Assets</b>	<b>\$ 7,563,884</b>	<b>3,439</b>	<b>7,567,323</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 327,451	-	327,451
Interfund payable	2,517	-	2,517
Advances payable	579,345	-	579,345
Deferred revenue	81,155	-	81,155
<b>Total Liabilities</b>	<b>990,468</b>	<b>-</b>	<b>990,468</b>
<b>Fund Balances</b>			
Restricted	7,122,362	3,439	7,125,801
Unassigned (deficit)	(548,946)	-	(548,946)
<b>Total Fund Balances</b>	<b>6,573,416</b>	<b>3,439</b>	<b>6,576,855</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,563,884</b>	<b>3,439</b>	<b>7,567,323</b>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Governmental Funds*  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended June 30, 2012*

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 3,057,739	-	3,057,739
Intergovernmental	279,872	-	279,872
Charges for services	385,737	-	385,737
Water fees	176,394	-	176,394
Commercial vessel passenger tax	1,947,248	-	1,947,248
Interest subsidy	-	615,002	615,002
Investment earnings (loss)	(48,723)	-	(48,723)
Miscellaneous	346,683	-	346,683
<b>Total Revenues</b>	<u>6,144,950</u>	<u>615,002</u>	<u>6,759,952</u>
<b>Expenditures</b>			
<b>Current</b>			
Library services	380,266	-	380,266
Fire and EMS	1,070,550	-	1,070,550
Water treatment and distribution	226,424	-	226,424
Public services	2,131,805	-	2,131,805
<b>Capital Outlay</b>	1,052,856	-	1,052,856
<b>Debt Service</b>			
Principal retirement	-	2,994,753	2,994,753
Interest and fiscal charges	-	2,536,190	2,536,190
Bond issuance costs	-	75,066	75,066
<b>Total Expenditures</b>	<u>4,861,901</u>	<u>5,606,009</u>	<u>10,467,910</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,283,049	(4,991,007)	(3,707,958)
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	-	8,070,000	8,070,000
Bond premium	-	1,287,659	1,287,659
Payment to bond refunding escrow agent	-	(9,277,870)	(9,277,870)
Transfers in	528,825	4,914,657	5,443,482
Transfers out	(2,539,790)	-	(2,539,790)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,010,965)</u>	<u>4,994,446</u>	<u>2,983,481</u>
<b>Net Change in Fund Balances</b>	(727,916)	3,439	(724,477)
<b>Fund Balances Beginning of Year</b>	<u>7,301,332</u>	<u>-</u>	<u>7,301,332</u>
<b>Fund Balances End of Year</b>	<u>\$ 6,573,416</u>	<u>3,439</u>	<u>6,576,855</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Special Revenue Funds*  
*Combining Balance Sheet*  
*June 30, 2012*

	<u>Airport PFC</u>	<u>Commercial Passenger Vessel</u>	<u>Forest Park Service Area</u>	<u>Gold Nugget Service Area</u>	<u>Gold Nugget Special Assessment Area</u>	<u>Homestead Service Area</u>	<u>Loring Service Area</u>
<b>Assets</b>							
Cash and investments	\$ -	-	143,137	26,459	-	36,052	84,763
Restricted cash and investments	236,419	3,857,372	-	-	-	-	-
Receivables:							
Accounts	31,812	-	78	1,225	-	67	-
Intergovernmental	-	-	92	-	-	-	18
Property taxes	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 268,231</u>	<u>3,857,372</u>	<u>143,307</u>	<u>27,684</u>	<u>-</u>	<u>36,119</u>	<u>84,781</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	299,719	462	-	-	-	-
Interfund payable	-	-	-	-	2,517	-	-
Advances payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	70,864
<b>Total Liabilities</b>	<u>-</u>	<u>299,719</u>	<u>462</u>	<u>-</u>	<u>2,517</u>	<u>-</u>	<u>70,864</u>
<b>Fund Balances (Deficits)</b>							
Restricted	268,231	3,557,653	142,845	27,684	-	36,119	13,917
Unassigned (deficit)	-	-	-	-	(2,517)	-	-
<b>Total Fund Balances (Deficits)</b>	<u>268,231</u>	<u>3,557,653</u>	<u>142,845</u>	<u>27,684</u>	<u>(2,517)</u>	<u>36,119</u>	<u>13,917</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 268,231</u>	<u>3,857,372</u>	<u>143,307</u>	<u>27,684</u>	<u>-</u>	<u>36,119</u>	<u>84,781</u>

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

	<b>Mud Bight Service Area</b>	<b>Nichols View Service Area</b>	<b>Non- areawide Library</b>	<b>North Tongass Fire and EMS</b>	<b>Recreation Sales Tax</b>	<b>South Tongass Service Area</b>	<b>Waterfall Service Area</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets</b>								
Cash and investments	\$ 51,136	8,032	82,369	43,702	2,309,645	110,779	2,762	2,898,836
Restricted cash and investments	-	-	-	-	-	-	-	4,093,791
Receivables:								
Accounts	3,271	-	-	3,371	-	55,182	7,724	102,730
Intergovernmental	-	-	580	-	-	697	-	1,387
Property taxes	-	-	4,235	4,895	-	3,556	-	12,686
Sales taxes	-	-	-	-	454,454	-	-	454,454
<b>Total Assets</b>	<b>\$ 54,407</b>	<b>8,032</b>	<b>87,184</b>	<b>51,968</b>	<b>2,764,099</b>	<b>170,214</b>	<b>10,486</b>	<b>7,563,884</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	-	-	15,147	-	12,071	52	327,451
Interfund payable	-	-	-	-	-	-	-	2,517
Advances payable	-	-	-	579,345	-	-	-	579,345
Deferred revenue	-	-	4,538	3,905	-	1,848	-	81,155
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,538</b>	<b>598,397</b>	<b>-</b>	<b>13,919</b>	<b>52</b>	<b>990,468</b>
<b>Fund Balances (Deficits)</b>								
Restricted	54,407	8,032	82,646	-	2,764,099	156,295	10,434	7,122,362
Unassigned (deficit)	-	-	-	(546,429)	-	-	-	(548,946)
<b>Total Fund Balances (Deficits)</b>	<b>54,407</b>	<b>8,032</b>	<b>82,646</b>	<b>(546,429)</b>	<b>2,764,099</b>	<b>156,295</b>	<b>10,434</b>	<b>6,573,416</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 54,407</b>	<b>8,032</b>	<b>87,184</b>	<b>51,968</b>	<b>2,764,099</b>	<b>170,214</b>	<b>10,486</b>	<b>7,563,884</b>

**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, 2012*

	<b>Airport PFC</b>	<b>Commercial Passenger Vessel</b>	<b>Forest Park Service Area</b>	<b>Gold Nugget Service Area</b>	<b>Gold Nugget Special Assessment Area</b>	<b>Homestead Service Area</b>	<b>Loring Service Area</b>
<b>Revenues</b>							
Taxes	\$ -	-	54,300	-	-	-	2,217
Intergovernmental	-	-	-	-	-	-	4,273
Charges for services	-	-	-	23,285	26	22,622	-
Water fees	-	-	-	-	-	-	-
Commercial vessel passenger tax	-	1,947,248	-	-	-	-	-
Investment earnings (loss)	(1,699)	(23,036)	(1,555)	64	-	-	(716)
Miscellaneous	<u>330,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>
<b>Total Revenues</b>	<u>328,466</u>	<u>1,924,212</u>	<u>52,745</u>	<u>23,349</u>	<u>26</u>	<u>22,622</u>	<u>6,524</u>
<b>Expenditures</b>							
<b>Current</b>							
Library services	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-	-	-
Public services	-	1,886,344	88,782	16,047	-	27,433	4,459
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,273</u>
<b>Total Expenditures</b>	<u>-</u>	<u>1,886,344</u>	<u>88,782</u>	<u>16,047</u>	<u>-</u>	<u>27,433</u>	<u>8,732</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	328,466	37,868	(36,037)	7,302	26	(4,811)	(2,208)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	-	2,888	-
Transfers out	<u>(359,434)</u>	<u>(485,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(359,434)</u>	<u>(485,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,888</u>	<u>-</u>
<b>Net Change in Fund Balances (Deficits)</b>	(30,968)	(447,132)	(36,037)	7,302	26	(1,923)	(2,208)
<b>Fund Balances (Deficits)</b>							
<b>Beginning of Year</b>	<u>299,199</u>	<u>4,004,785</u>	<u>178,882</u>	<u>20,382</u>	<u>(2,543)</u>	<u>38,042</u>	<u>16,125</u>
<b>Fund Balances (Deficits) End of Year</b>	\$ <u><u>268,231</u></u>	<u><u>3,557,653</u></u>	<u><u>142,845</u></u>	<u><u>27,684</u></u>	<u><u>(2,517)</u></u>	<u><u>36,119</u></u>	<u><u>13,917</u></u>

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

	<b>Mud Bight Service Area</b>	<b>Nichols View Service Area</b>	<b>Nonareawide Library</b>	<b>North Tongass Fire and EMS</b>	<b>Recreation Sales Tax</b>	<b>South Tongass Service Area</b>	<b>Waterfall Service Area</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Revenues</b>								
Taxes	\$ -	-	372,325	518,187	1,659,745	450,965	-	3,057,739
Intergovernmental	-	-	-	23,285	238,549	13,765	-	279,872
Charges for services	12,164	-	-	220,872	-	80,929	25,839	385,737
Water fees	-	-	-	-	-	176,394	-	176,394
Commercial vessel passenger tax	-	-	-	-	-	-	-	1,947,248
Investment earnings (loss)	(159)	(67)	(1,966)	2,262	(20,343)	(1,659)	151	(48,723)
Miscellaneous	-	-	-	-	-	15,768	-	346,683
<b>Total Revenues</b>	<u>12,005</u>	<u>(67)</u>	<u>370,359</u>	<u>764,606</u>	<u>1,877,951</u>	<u>736,162</u>	<u>25,990</u>	<u>6,144,950</u>
<b>Expenditures</b>								
<b>Current</b>								
Library services	-	-	380,266	-	-	-	-	380,266
Fire and EMS	-	-	-	622,865	-	447,685	-	1,070,550
Water treatment and distribution	-	-	-	-	-	226,424	-	226,424
Public services	23,485	500	-	-	55,221	-	29,534	2,131,805
<b>Capital Outlay</b>	-	-	-	76,796	971,787	-	-	1,052,856
<b>Total Expenditures</b>	<u>23,485</u>	<u>500</u>	<u>380,266</u>	<u>699,661</u>	<u>1,027,008</u>	<u>674,109</u>	<u>29,534</u>	<u>4,861,901</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(11,480)	(567)	(9,907)	64,945	850,943	62,053	(3,544)	1,283,049
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	525,937	-	-	528,825
Transfers out	-	-	-	(51,155)	(1,644,201)	-	-	(2,539,790)
<b>Total Other Financing Sources (Uses)</b>	-	-	-	(51,155)	(1,118,264)	-	-	(2,010,965)
<b>Net Change in Fund Balances (Deficits)</b>	(11,480)	(567)	(9,907)	13,790	(267,321)	62,053	(3,544)	(727,916)
<b>Fund Balances (Deficits)</b>								
<b>Beginning of Year</b>	<u>65,887</u>	<u>8,599</u>	<u>92,553</u>	<u>(560,219)</u>	<u>3,031,420</u>	<u>94,242</u>	<u>13,978</u>	<u>7,301,332</u>
<b>Fund Balances (Deficits) End of Year</b>	\$ <u>54,407</u>	<u>8,032</u>	<u>82,646</u>	<u>(546,429)</u>	<u>2,764,099</u>	<u>156,295</u>	<u>10,434</u>	<u>6,573,416</u>

## **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, 2012*

	<b>2003A Bond Redemption Fund</b>	<b>2005B G.O. Bond Redemption Fund</b>	<b>2006A G.O. Bond Redemption Fund</b>	<b>2009A G.O. Bond Redemption Fund</b>	<b>2009B G.O. Bond Redemption Fund</b>
<b>Revenues</b>					
Intergovernmental - interest subsidy	\$ -	-	-	-	437,837
<b>Expenditures</b>					
<b>Debt Service</b>					
Principal retirement	410,000	890,000	110,000	505,000	-
Interest and fiscal charges	25,200	464,800	24,000	86,000	1,185,519
Bond issuance costs	-	-	-	-	-
<b>Total Expenditures</b>	<u>435,200</u>	<u>1,354,800</u>	<u>134,000</u>	<u>591,000</u>	<u>1,185,519</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(435,200)	(1,354,800)	(134,000)	(591,000)	(747,682)
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-
Transfers in	<u>435,200</u>	<u>1,354,800</u>	<u>134,000</u>	<u>591,000</u>	<u>747,682</u>
<b>Total Other Financing Sources (Uses)</b>	<u>435,200</u>	<u>1,354,800</u>	<u>134,000</u>	<u>591,000</u>	<u>747,682</u>
<b>Net Change in Fund Balances</b>	-	-	-	-	-
<b>Fund Balances Beginning of Year</b>	-	-	-	-	-
<b>Fund Balances End of Year</b>	\$ <u>-</u>	<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*

	<b>2010A One Certificate of Participation Fund</b>	<b>2010B One Certificate of Participation Fund</b>	<b>2010B 1 Four Bond Redemption Fund</b>	<b>2010B 2 Four Bond Redemption Fund</b>	<b>2010 One Bond Redemption Fund</b>
<b>Revenues</b>					
Intergovernmental - interest subsidy	\$ -	108,110	-	69,055	-
<b>Expenditures</b>					
<b>Debt Service</b>					
Principal retirement	130,000	-	130,000	-	-
Interest and fiscal charges	34,550	240,244	1,676	153,455	-
Bond issuance costs	-	-	-	-	-
<b>Total Expenditures</b>	<u>164,550</u>	<u>240,244</u>	<u>131,676</u>	<u>153,455</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(164,550)	(132,134)	(131,676)	(84,400)	-
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-
Transfers in	164,550	132,134	131,676	84,400	-
Total Other Financing Sources (Uses)	<u>164,550</u>	<u>132,134</u>	<u>131,676</u>	<u>84,400</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	-	-	-
<b>Fund Balances Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances End of Year</b>	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<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*

	<b>2010 One Bond Redemption Fund</b>	<b>2011 III Bond Redemption Fund</b>	<b>2012 Two G.O. Bond Redemption Fund</b>	<b>E-One Capital Lease Fund</b>	<b>Pt. Higgins Beach Note Payable</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Revenues</b>						
Intergovernmental - interest subsidy	\$ -	-	-	-	-	615,002
<b>Expenditures</b>						
<b>Debt Service</b>						
Principal retirement	530,000	90,000	-	44,253	155,500	2,994,753
Interest and fiscal charges	190,950	107,577	-	6,902	15,317	2,536,190
Bond issuance costs	-	43,807	31,259	-	-	75,066
<b>Total Expenditures</b>	<u>720,950</u>	<u>241,384</u>	<u>31,259</u>	<u>51,155</u>	<u>170,817</u>	<u>5,606,009</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(720,950)	(241,384)	(31,259)	(51,155)	(170,817)	(4,991,007)
<b>Other Financing Sources (Uses)</b>						
Refunding bonds issued	-	4,990,000	3,080,000	-	-	8,070,000
Bond premium	-	796,701	490,958	-	-	1,287,659
Payment to bond refunding escrow agent	-	(5,741,610)	(3,536,260)	-	-	(9,277,870)
Transfers in	720,950	196,293	-	51,155	170,817	4,914,657
Total Other Financing Sources (Uses)	<u>720,950</u>	<u>241,384</u>	<u>34,698</u>	<u>51,155</u>	<u>170,817</u>	<u>4,994,446</u>
<b>Net Change in Fund Balances</b>	-	-	3,439	-	-	3,439
<b>Fund Balances Beginning of Year</b>	-	-	-	-	-	-
<b>Fund Balances End of Year</b>	\$ <u>-</u>	<u>-</u>	<u>3,439</u>	<u>-</u>	<u>-</u>	<u>3,439</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, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 3,172,132	415,419
Receivables:		
Accounts	124,696	97,390
Intergovernmental	1,456,904	748,136
Investment earnings	-	38,349
Property taxes	70,368	312,886
Sales taxes	4,166,534	4,192,252
Due from component unit	-	1,169,895
Interfund receivable	<u>2,594,064</u>	<u>3,084,803</u>
<b>Total Assets</b>	<u>\$ 11,584,698</u>	<u>10,059,130</u>
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 759,335	333,475
Accrued salaries and wages	5,369	5,853
Advance property tax payments	9,435	-
Intergovernmental payable	2,813,911	2,834,208
Due to component unit	1,011,542	-
Deposits payable	54,484	109,430
Deferred revenues	<u>69,814</u>	<u>102,095</u>
<b>Total Liabilities</b>	<u>4,723,890</u>	<u>3,385,061</u>
 <b>Fund Balance</b>		
Committed for accounting software	-	123,675
Unassigned	<u>6,860,808</u>	<u>6,550,394</u>
<b>Total Fund Balance</b>	<u>6,860,808</u>	<u>6,674,069</u>
 <b>Total Liabilities and Fund Balance</b>	<u>\$ 11,584,698</u>	<u>10,059,130</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>Variance</b>	<b>2011</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes:					
Real and personal property	\$ 7,273,243	7,273,243	7,294,699	21,456	7,382,569
Automobile and boat	90,000	90,000	91,036	1,036	102,600
Sales	4,615,065	4,615,065	4,997,022	381,957	4,875,858
Penalties and interest	100,000	100,000	(47,646)	(147,646)	119,712
Total taxes	<u>12,078,308</u>	<u>12,078,308</u>	<u>12,335,111</u>	<u>256,803</u>	<u>12,480,739</u>
Licenses and permits					
Zoning fees	11,000	11,000	11,543	543	14,168
Intergovernmental:					
State fisheries tax	410,000	410,000	559,200	149,200	425,132
State revenue sharing	631,603	631,603	844,493	212,890	637,115
PERS relief	190,943	369,412	392,809	23,397	253,249
Alaska State Housing Authority - PILT	30,000	30,000	16,472	(13,528)	14,811
Federal payment in lieu of taxes	1,010,000	1,010,000	1,038,263	28,263	1,006,148
State operating grant - transit system	819,399	819,399	957,694	138,295	725,700
State license refunds	-	-	2,500	2,500	7,625
National forest receipts	1,106,717	1,146,414	1,177,561	31,147	1,229,685
Total intergovernmental	<u>4,198,662</u>	<u>4,416,828</u>	<u>4,988,992</u>	<u>572,164</u>	<u>4,299,465</u>
Charges for services:					
Animal control	43,000	43,000	52,815	9,815	27,123
Bus system revenue	245,000	245,000	217,131	(27,869)	184,624
Parks and recreation	450,000	450,000	565,998	115,998	538,013
Other revenues	121,075	121,075	118,967	(2,108)	167,910
Total charges for services	<u>859,075</u>	<u>859,075</u>	<u>954,911</u>	<u>95,836</u>	<u>917,670</u>
Investment earnings (loss)	150,000	150,000	(71,387)	(221,387)	164,772
<b>Total Revenues</b>	<u>17,297,045</u>	<u>17,515,211</u>	<u>18,219,170</u>	<u>703,959</u>	<u>17,876,814</u>
<b>Other Financing Sources</b>					
Transfers In:					
Commercial Passenger Vessel Fund	410,000	410,000	410,000	-	312,705
Economic Development Assistance					
Program Fund	133,953	133,953	133,953	-	129,053
Land Trust Fund	350,000	350,000	350,000	-	497,182
Recreation Sales Tax Fund	305,519	305,519	305,519	-	285,540
School Bond Capital Improvements Fund	200,000	200,000	78,918	(121,082)	98,879
Total Other Financing Sources	<u>1,399,472</u>	<u>1,399,472</u>	<u>1,278,390</u>	<u>(121,082)</u>	<u>1,323,359</u>
<b>Total Revenues and Other Financing Sources</b>	<u>18,696,517</u>	<u>18,914,683</u>	<u>19,497,560</u>	<u>582,877</u>	<u>19,200,173</u>

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

	<b>2012</b>			<b>Variance Favorable (Unfavorable)</b>	<b>2011</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government:					
Mayor and assembly	\$ 271,774	271,774	217,933	53,841	183,561
Manager	808,543	827,754	838,304	(10,550)	781,764
Clerk	376,185	386,921	377,048	9,873	337,311
Law	550,864	562,266	375,339	186,927	338,728
Finance	1,109,093	1,149,305	1,190,100	(40,795)	1,125,139
Assessment	701,867	720,282	683,305	36,977	636,303
Automation	500,550	508,384	436,240	72,144	500,492
Total general government	<u>4,318,876</u>	<u>4,426,686</u>	<u>4,118,269</u>	<u>308,417</u>	<u>3,903,298</u>
Less recovery of expenditures from other funds	<u>(594,507)</u>	<u>(594,507)</u>	<u>(594,507)</u>	<u>-</u>	<u>(680,446)</u>
Net general government	<u>3,724,369</u>	<u>3,832,179</u>	<u>3,523,762</u>	<u>308,417</u>	<u>3,222,852</u>
Public services:					
Animal protection	418,968	430,560	450,146	(19,586)	380,238
Planning	671,278	697,392	827,096	(129,704)	673,439
Community education grants		39,697	39,530	167	5,000
Total public services	<u>1,090,246</u>	<u>1,167,649</u>	<u>1,316,772</u>	<u>(149,123)</u>	<u>1,058,677</u>
Parks and recreation	<u>1,959,564</u>	<u>1,980,414</u>	<u>2,135,115</u>	<u>(154,701)</u>	<u>1,786,992</u>
Public works	<u>1,166,233</u>	<u>1,250,333</u>	<u>1,018,329</u>	<u>232,004</u>	<u>1,066,171</u>
Transit - bus system	<u>1,696,389</u>	<u>1,726,970</u>	<u>1,805,799</u>	<u>(78,829)</u>	<u>1,542,359</u>
Nondepartmental	<u>399,288</u>	<u>399,288</u>	<u>215,849</u>	<u>183,439</u>	<u>378,305</u>
Education	<u>8,650,000</u>	<u>8,650,000</u>	<u>8,650,000</u>	<u>-</u>	<u>9,411,000</u>
<b>Capital Outlay</b>	<u>246,650</u>	<u>246,650</u>	<u>236,807</u>	<u>9,843</u>	<u>72,447</u>
<b>Total Expenditures</b>	<u>18,932,739</u>	<u>19,253,483</u>	<u>18,902,433</u>	<u>351,050</u>	<u>18,538,803</u>
<b>Other Financing Uses</b>					
Transfers Out:					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Service Area Fund	2,888	2,888	2,888	-	3,387
Economic Development Fund	200,000	200,000	200,000	-	-
Recreation CIP Fund	200,000	200,000	200,000	-	-
<b>Total Other Financing Uses</b>	<u>408,388</u>	<u>408,388</u>	<u>408,388</u>	<u>-</u>	<u>8,887</u>
<b>Total Expenditures and Other   Financing Uses</b>	<u>19,341,127</u>	<u>19,661,871</u>	<u>19,310,821</u>	<u>351,050</u>	<u>18,547,690</u>
<b>Net Change in Fund Balance</b>	<u>\$ (644,610)</u>	<u>(747,188)</u>	<u>186,739</u>	<u>933,927</u>	<u>652,483</u>
<b>Fund Balance Beginning of Year</b>			<u>6,674,069</u>		<u>6,021,586</u>
<b>Fund Balance End of Year</b>			<u>\$ 6,860,808</u>		<u>6,674,069</u>

**Ketchikan Gateway Borough, Alaska**  
*Land Trust Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 2,491,363	3,452,503
Receivables:		
Accounts	27,135	4,856
Notes	-	789,553
Advances	<u>1,342,806</u>	<u>1,519,100</u>
<b>Total Assets</b>	<u>\$ 3,861,304</u>	<u>5,766,012</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 157,226	11,023
Deposits	<u>4,181</u>	<u>1,100</u>
<b>Total Liabilities</b>	<u>161,407</u>	<u>12,123</u>
<b>Fund Balance</b>		
Nonspendable-noncurrent portion of notes and advances	1,189,386	2,132,358
Committed for Borough-owned land management	<u>2,510,511</u>	<u>3,621,531</u>
<b>Total Fund Balance</b>	<u>3,699,897</u>	<u>5,753,889</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 3,861,304</u>	<u>5,766,012</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ 391,535	424,931	481,920	56,989	224,882
Intergovernmental	1,395	3,933	5,197	1,264	8,414
Investment earnings	130,610	-	34,892	34,892	143,018
Proceeds from sale of property	1,300,000	1,300,000	-	(1,300,000)	69,000
Miscellaneous	-	-	20,321	20,321	-
<b>Total Revenues</b>	<u>1,823,540</u>	<u>1,728,864</u>	<u>542,330</u>	<u>(1,186,534)</u>	<u>445,314</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	217,683	220,221	238,436	(18,215)	332,408
Debt issuance costs	-	-	-	-	123,829
<b>Capital Outlay</b>	<u>-</u>	<u>1,000,000</u>	<u>750,832</u>	<u>249,168</u>	<u>9,544,470</u>
<b>Total Expenditures</b>	<u>217,683</u>	<u>1,220,221</u>	<u>989,268</u>	<u>230,953</u>	<u>10,000,707</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,605,857	508,643	(446,938)	(955,581)	(9,555,393)
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of debt	-	-	-	-	4,765,000
Premium	-	-	-	-	57,116
Transfers in	-	-	-	-	664,992
Transfers out	<u>(715,443)</u>	<u>(715,443)</u>	<u>(817,501)</u>	<u>(102,058)</u>	<u>(497,182)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(715,443)</u>	<u>(715,443)</u>	<u>(817,501)</u>	<u>(102,058)</u>	<u>4,989,926</u>
<b>Special item</b>					
Write off delinquent note	<u>-</u>	<u>-</u>	<u>(789,553)</u>	<u>(789,553)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	\$ <u>890,414</u>	<u>(206,800)</u>	<u>(2,053,992)</u>	<u>(1,847,192)</u>	<u>(4,565,467)</u>
<b>Fund Balance Beginning of Year</b>			<u>5,753,889</u>		<u>10,319,356</u>
<b>Fund Balance End of Year</b>		\$	<u><u>3,699,897</u></u>		<u>5,753,889</u>

**Ketchikan Gateway Borough, Alaska**  
*School Bond Capital Improvements Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 1,320,628	1,216,922
Receivables:		
Intergovernmental	-	20,954
Sales taxes	<u>454,454</u>	<u>458,790</u>
<b>Total Assets</b>	<b>\$ <u>1,775,082</u></b>	<b><u>1,696,666</u></b>
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	<u>13,128</u>
 <b>Fund Balance</b>		
Committed for education	<u>1,775,082</u>	<u>1,683,538</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>1,775,082</u></b>	<b><u>1,696,666</u></b>

**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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>					
Taxes	\$ 1,542,595	1,542,595	1,659,745	117,150	1,614,719
Intergovernmental	2,175,255	2,175,255	2,176,095	840	2,025,976
Investment earnings (loss)	20,000	20,000	(12,406)	(32,406)	19,593
<b>Total Revenues</b>	<u>3,737,850</u>	<u>3,737,850</u>	<u>3,823,434</u>	<u>85,584</u>	<u>3,660,288</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	-	-	34,715	(34,715)	35,699
<b>Capital Outlay</b>	<u>1,990,357</u>	<u>527,275</u>	<u>-</u>	<u>527,275</u>	<u>119,554</u>
<b>Total Expenditures</b>	<u>1,990,357</u>	<u>527,275</u>	<u>34,715</u>	<u>492,560</u>	<u>155,253</u>
<b>Excess of Revenues Over Expenditures</b>	1,747,493	3,210,575	3,788,719	578,144	3,505,035
<b>Other Financing Uses</b>					
Transfers out	<u>(3,702,499)</u>	<u>(3,937,499)</u>	<u>(3,697,175)</u>	<u>240,324</u>	<u>(3,357,262)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(1,955,006)</u>	<u>(726,924)</u>	91,544	<u>818,468</u>	147,773
<b>Fund Balance Beginning of Year</b>			<u>1,683,538</u>		<u>1,535,765</u>
<b>Fund Balance End of Year</b>		\$	<u>1,775,082</u>		<u>1,683,538</u>

**Ketchikan Gateway Borough, Alaska**  
*Economic Development Assistance Program Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 5,103,291	2,910,022
Restricted cash and investments	-	1,462,293
Prepaid items	-	440
Receivables:		
Accounts	4,768	43,465
Advances	<u>3,098,738</u>	<u>2,364,162</u>
<b>Total Assets</b>	<u>\$ 8,206,797</u>	<u>6,780,382</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 65,300	16,808
Deposits	<u>8,660</u>	<u>4,068</u>
<b>Total Liabilities</b>	<u>73,960</u>	<u>20,876</u>
<b>Fund Balance</b>		
Nonspendable:		
Prepaid items	-	440
Noncurrent advances	3,098,738	2,364,162
Restricted for loan guarantees	-	1,462,293
Assigned for economic development	<u>5,034,099</u>	<u>2,932,611</u>
<b>Total Fund Balance</b>	<u>8,132,837</u>	<u>6,759,506</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 8,206,797</u>	<u>6,780,382</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Intergovernmental	\$ 5,864	5,864	-	(5,864)	3,736
Charges for services	17,838	17,838	161,887	144,049	345,771
Proceeds from sale of property	2,100,000	2,100,000	1,632,855	(467,145)	-
Investment earnings (loss)	-	-	(37,885)	(37,885)	78,792
<b>Total Revenues</b>	<u>2,123,702</u>	<u>2,123,702</u>	<u>1,756,857</u>	<u>(366,845)</u>	<u>428,299</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	583,790	733,186	449,573	283,613	545,963
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,539,912	1,390,516	1,307,284	(83,232)	(117,664)
<b>Other Financing Sources (Uses)</b>					
Transfers in	200,000	200,000	200,000	-	34,409
Transfers out	-	-	(133,953)	(133,953)	(129,053)
<b>Net Change in Fund Balance</b>	\$ <u>1,739,912</u>	<u>1,590,516</u>	1,373,331	<u>(217,185)</u>	(212,308)
<b>Fund Balance Beginning of Year</b>			<u>6,759,506</u>		<u>6,971,814</u>
<b>Fund Balance End of Year</b>		\$	<u>8,132,837</u>		<u>6,759,506</u>

**Ketchikan Gateway Borough, Alaska**  
*State & Federal Grants Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ -	7,087
Intergovernmental receivable	<u>1,433,475</u>	<u>1,467,184</u>
<b>Total Assets</b>	<u>\$ 1,433,475</u>	<u>1,474,271</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 186,074	299,594
Interfund payable	1,235,988	1,167,590
Deferred revenues	<u>11,413</u>	<u>7,087</u>
<b>Total Liabilities</b>	<u>1,433,475</u>	<u>1,474,271</u>
<b>Fund Balance</b>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,433,475</u>	<u>1,474,271</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, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Intergovernmental	\$ 1,922,716	1,585,788
<b>Expenditures</b>		
<b>Current</b>		
Public services	423,749	146,225
<b>Capital Outlay</b>	1,498,967	1,422,563
<b>Total Expenditures</b>	<u>1,922,716</u>	<u>1,568,788</u>
<b>Excess of Revenues Over Expenditures</b>	-	17,000
<b>Other Financing Uses</b>		
Transfers out	-	(17,000)
<b>Net Change in Fund Balance</b>	-	-
<b>Fund Balance Beginning of Year</b>	-	-
<b>Fund Balance End of Year</b>	\$ <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 Special Assessment 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 Special Revenue 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, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Restricted cash and investments	\$ 236,419	235,380
Accounts receivable	<u>31,812</u>	<u>63,819</u>
<b>Total Assets</b>	<u>\$ 268,231</u>	<u>299,199</u>
<b>Fund Balance</b>		
Restricted for airport debt service	<u>\$ 268,231</u>	<u>299,199</u>

**Ketchikan Gateway Borough, Alaska**  
*Airport PFC Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
PFC revenues	\$ 310,000	310,000	330,165	20,165	319,119
Investment earnings (loss)	<u>-</u>	<u>-</u>	<u>(1,699)</u>	<u>(1,699)</u>	<u>2,680</u>
<b>Total Revenues</b>	<u>310,000</u>	<u>310,000</u>	<u>328,466</u>	<u>18,466</u>	<u>321,799</u>
<b>Other Financing Uses</b>					
Transfers out	<u>(375,627)</u>	<u>(375,627)</u>	<u>(359,434)</u>	<u>16,193</u>	<u>(377,483)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(65,627)</u>	<u>(65,627)</u>	(30,968)	<u>34,659</u>	(55,684)
<b>Fund Balance Beginning of Year</b>			<u>299,199</u>		<u>354,883</u>
<b>Fund Balance End of Year</b>		\$	<u>268,231</u>		<u>299,199</u>

**Ketchikan Gateway Borough, Alaska**  
*Commercial Passenger Vessel Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Restricted cash and investments	\$ <u>3,857,372</u>	<u>4,287,232</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>299,719</u>	<u>282,447</u>
<b>Fund Balance</b>		
Restricted for commercial passenger vessel impact	<u>3,557,653</u>	<u>4,004,785</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>3,857,372</u>	<u>4,287,232</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Intergovernmental	\$ 3,958	3,958	-	(3,958)	2,515
Commercial passenger vessel tax	2,125,000	2,125,000	1,947,248	(177,752)	2,088,313
Investment earnings (loss)	20,000	20,000	(23,036)	(43,036)	53,666
<b>Total Revenues</b>	<u>2,148,958</u>	<u>2,148,958</u>	<u>1,924,212</u>	<u>(224,746)</u>	<u>2,144,494</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>5,576,287</u>	<u>5,576,287</u>	<u>1,886,344</u>	<u>3,689,943</u>	<u>948,473</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(3,427,329)	(3,427,329)	37,868	3,465,197	1,196,021
<b>Other Financing Uses</b>					
Transfers out	<u>(485,000)</u>	<u>(485,000)</u>	<u>(485,000)</u>	<u>-</u>	<u>(672,705)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(3,912,329)</u>	<u>(3,912,329)</u>	(447,132)	<u>3,465,197</u>	523,316
<b>Fund Balance Beginning of Year</b>			<u>4,004,785</u>		<u>3,481,469</u>
<b>Fund Balance End of Year</b>			\$ <u>3,557,653</u>		<u>4,004,785</u>

**Ketchikan Gateway Borough, Alaska**  
*Forest Park Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and investments	\$ 143,137	178,684
Receivables:		
Accounts	78	78
Intergovernmental	92	120
<b>Total Assets</b>	\$ 143,307	178,882
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 462	-
 <b>Fund Balance</b>		
Restricted for road maintenance	142,845	178,882
<b>Total Liabilities and Fund Balance</b>	\$ 143,307	178,882

**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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 61,200	61,200	54,300	(6,900)	61,776
Investment earnings (loss)	<u>2,866</u>	<u>2,866</u>	<u>(1,555)</u>	<u>(4,421)</u>	<u>3,236</u>
<b>Total Revenues</b>	<u>64,066</u>	<u>64,066</u>	<u>52,745</u>	<u>(11,321)</u>	<u>65,012</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	82,793	82,793	88,782	(5,989)	58,125
<b>Capital Outlay</b>	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>-</u>
<b>Total Expenditures</b>	<u>242,793</u>	<u>242,793</u>	<u>88,782</u>	<u>154,011</u>	<u>58,125</u>
<b>Net Change in Fund Balance</b>	\$ <u>(178,727)</u>	<u>(178,727)</u>	(36,037)	<u>142,690</u>	6,887
<b>Fund Balance Beginning of Year</b>			<u>178,882</u>		<u>171,995</u>
<b>Fund Balance End of Year</b>			\$ <u>142,845</u>		<u>178,882</u>

**Ketchikan Gateway Borough, Alaska**  
*Gold Nugget Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 26,459	25,961
Accounts receivable	<u>1,225</u>	<u>1,188</u>
<b>Total Assets</b>	<b>\$ <u>27,684</u></b>	<b><u>27,149</u></b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>-</u>	<u>6,767</u>
<b>Fund Balance</b>		
Restricted for road maintenance	<u>27,684</u>	<u>20,382</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>27,684</u></b>	<b><u>27,149</u></b>

**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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ 22,000	22,000	23,285	1,285	24,166
Investment earnings	<u>716</u>	<u>716</u>	<u>64</u>	<u>(652)</u>	<u>270</u>
<b>Total Revenues</b>	<u>22,716</u>	<u>22,716</u>	<u>23,349</u>	<u>633</u>	<u>24,436</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>28,157</u>	<u>28,157</u>	<u>16,047</u>	<u>12,110</u>	<u>16,592</u>
<b>Net Change in Fund Balance</b>	\$ <u>(5,441)</u>	<u>(5,441)</u>	7,302	<u>12,743</u>	7,844
<b>Fund Balance Beginning of Year</b>			<u>20,382</u>		<u>12,538</u>
<b>Fund Balance End of Year</b>			\$ <u>27,684</u>		<u>20,382</u>

**Ketchikan Gateway Borough, Alaska**  
*Gold Nugget Special Assessment Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Accounts receivable	\$ <u>          -</u>	<u>          1,353</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Interfund payable	\$ <u>         2,517</u>	<u>         3,896</u>
<b>Fund Balance</b>		
Unassigned (deficit)	<u>         (2,517)</u>	<u>         (2,543)</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>          -</u>	<u>         1,353</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>					
Charges for services	\$ 263	263	26	(237)	703
<b>Expenditures</b>					
<b>Current</b>					
Public services	-	-	-	-	-
<b>Net Change in Fund Balance</b>	\$ <u>263</u>	<u>263</u>	26	<u>(237)</u>	703
<b>Fund Balance (Deficit) Beginning of Year</b>			<u>(2,543)</u>		<u>(3,246)</u>
<b>Fund Balance (Deficit) End of Year</b>			\$ <u>(2,517)</u>		<u>(2,543)</u>

**Ketchikan Gateway Borough, Alaska**  
*Homestead Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 36,052	38,042
Accounts receivable	67	-
<b>Total Assets</b>	<b>\$ 36,119</b>	<b>38,042</b>
<b>Fund Balance</b>		
Restricted for road maintenance	\$ 36,119	38,042

**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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>					
Charges for services	\$ 22,809	22,809	22,622	(187)	25,309
<b>Expenditures</b>					
<b>Current</b>					
Public services	15,900	28,400	27,433	967	21,041
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	6,909	(5,591)	(4,811)	780	4,268
<b>Other Financing Sources</b>					
Transfers in	2,888	2,888	2,888	-	3,387
<b>Net Change in Fund Balance</b>	\$ 9,797	(2,703)	(1,923)	780	7,655
<b>Fund Balance Beginning of Year</b>			38,042		30,387
<b>Fund Balance End of Year</b>			\$ 36,119		38,042

**Ketchikan Gateway Borough, Alaska**  
*Loring Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 84,763	91,238
Intergovernmental receivable	<u>18</u>	<u>24</u>
<b>Total Assets</b>	<u>\$ 84,781</u>	<u>91,262</u>
<b>Liabilities</b>		
Deferred revenue	\$ <u>70,864</u>	<u>75,137</u>
<b>Total Liabilities</b>	<u>70,864</u>	<u>75,137</u>
<b>Fund Balance</b>		
Restricted for dock improvements	<u>13,917</u>	<u>16,125</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 84,781</u>	<u>91,262</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 2,148	2,148	2,217	69	(1,821)
Intergovernmental	73,785	73,785	4,273	(69,512)	231,208
Investment earnings (loss)	784	784	(716)	(1,500)	4,278
Miscellaneous	-	-	750	750	375
<b>Total Revenues</b>	<u>76,717</u>	<u>76,717</u>	<u>6,524</u>	<u>(70,193)</u>	<u>234,040</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	13,010	13,010	4,459	8,551	2,419
<b>Capital Outlay</b>	<u>65,784</u>	<u>65,784</u>	<u>4,273</u>	<u>61,511</u>	<u>231,208</u>
<b>Total Expenditures</b>	<u>78,794</u>	<u>78,794</u>	<u>8,732</u>	<u>70,062</u>	<u>233,627</u>
<b>Net Change in Fund Balance</b>	\$ <u>(2,077)</u>	<u>(2,077)</u>	(2,208)	<u>(131)</u>	413
<b>Fund Balance Beginning of Year</b>			<u>16,125</u>		<u>15,712</u>
<b>Fund Balance End of Year</b>			\$ <u>13,917</u>		<u>16,125</u>

**Ketchikan Gateway Borough, Alaska**  
*Mud Bight Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 51,136	63,187
Accounts receivable	<u>3,271</u>	<u>2,700</u>
<b>Total Assets</b>	<u>\$ 54,407</u>	<u>65,887</u>
<b>Fund Balance</b>		
Restricted for road maintenance	<u>\$ 54,407</u>	<u>65,887</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ 11,160	11,160	12,164	1,004	13,150
Investment earnings (loss)	800	800	(159)	(959)	943
<b>Total Revenues</b>	<u>11,960</u>	<u>11,960</u>	<u>12,005</u>	<u>45</u>	<u>14,093</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	12,948	12,948	23,485	(10,537)	6,400
<b>Capital Outlay</b>	<u>24,999</u>	<u>24,999</u>	<u>-</u>	<u>24,999</u>	<u>-</u>
<b>Total Expenditures</b>	<u>37,947</u>	<u>37,947</u>	<u>23,485</u>	<u>14,462</u>	<u>6,400</u>
<b>Net Change in Fund Balance</b>	\$ <u>(25,987)</u>	<u>(25,987)</u>	(11,480)	<u>14,507</u>	7,693
<b>Fund Balance Beginning of Year</b>			<u>65,887</u>		<u>58,194</u>
<b>Fund Balance End of Year</b>		\$ <u>54,407</u>			<u>65,887</u>

**Ketchikan Gateway Borough, Alaska**  
*Nichols View Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

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	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ <u>8,032</u>	<u>8,599</u>
<b>Fund Balance</b>		
Restricted for road maintenance	\$ <u>8,032</u>	<u>8,599</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable) Actual</b>
<b>Revenues</b>				
Investment earnings (loss)	\$ 103	103	(67)	(170) 138
<b>Expenditures</b>				
<b>Current</b>				
Public services	500	500	500	- 500
<b>Net Change in Fund Balance</b>	\$ <u>(397)</u>	<u>(397)</u>	(567)	<u>(170)</u> (362)
<b>Fund Balance Beginning of Year</b>			8,599	8,961
<b>Fund Balance End of Year</b>		\$	<u>8,032</u>	<u>8,599</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonareawide Library Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 82,369	77,691
Receivables:		
Intergovernmental	580	750
Property taxes	<u>4,235</u>	<u>19,490</u>
<b>Total Assets</b>	\$ <u>87,184</u>	<u>97,931</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Deferred property tax	\$ <u>4,538</u>	<u>5,378</u>
<b>Fund Balance</b>		
Restricted for library operations	<u>82,646</u>	<u>92,553</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>87,184</u>	<u>97,931</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>					
Taxes	\$ 385,242	385,242	372,325	(12,917)	403,138
Investment earnings (loss)	3,500	3,500	(1,966)	(5,466)	2,195
<b>Total Revenues</b>	<u>388,742</u>	<u>388,742</u>	<u>370,359</u>	<u>(18,383)</u>	<u>405,333</u>
<b>Expenditures</b>					
<b>Current</b>					
Library services	<u>380,267</u>	<u>380,267</u>	<u>380,266</u>	<u>1</u>	<u>372,794</u>
<b>Net Change in Fund Balance</b>	\$ <u>8,475</u>	<u>8,475</u>	(9,907)	<u>(18,382)</u>	32,539
<b>Fund Balance Beginning of Year</b>			<u>92,553</u>		<u>60,014</u>
<b>Fund Balance End of Year</b>			\$ <u>82,646</u>		<u>92,553</u>

**Ketchikan Gateway Borough, Alaska**  
*North Tongass Fire and EMS Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 43,702	31,836
Prepaid items	-	41,191
Receivables:		
Accounts	3,371	7,106
Intergovernmental	-	1,019
Property taxes	<u>4,895</u>	<u>2,105</u>
<b>Total Assets</b>	<u>\$ 51,968</u>	<u>83,257</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 15,147	6,859
Advances payable	579,345	634,512
Deferred revenue	<u>3,905</u>	<u>2,105</u>
<b>Total Liabilities</b>	<u>598,397</u>	<u>643,476</u>
<b>Fund Balance</b>		
Nonspendable	-	41,191
Unassigned (deficit)	<u>(546,429)</u>	<u>(601,410)</u>
<b>Total Fund Balance (Deficit)</b>	<u>(546,429)</u>	<u>(560,219)</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 51,968</u>	<u>83,257</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 559,895	559,895	518,187	(41,708)	562,009
Intergovernmental	10,634	21,734	23,285	1,551	16,319
Service area fees	119,600	119,600	117,691	(1,909)	112,354
Investment earnings	-	-	2,262	2,262	7,011
EMS revenues	60,000	60,000	103,181	43,181	66,340
Miscellaneous revenues	-	-	-	-	700
<b>Total Revenues</b>	<u>750,129</u>	<u>761,229</u>	<u>764,606</u>	<u>3,377</u>	<u>764,733</u>
<b>Expenditures</b>					
<b>Current</b>					
Fire and EMS	640,503	654,658	622,865	31,793	597,213
<b>Capital Outlay</b>	<u>57,250</u>	<u>57,250</u>	<u>76,796</u>	<u>(19,546)</u>	<u>-</u>
<b>Total Expenditures</b>	<u>697,753</u>	<u>711,908</u>	<u>699,661</u>	<u>12,247</u>	<u>597,213</u>
<b>Excess of Revenues Over Expenditures</b>	52,376	49,321	64,945	15,624	167,520
<b>Other Financing Uses</b>					
Transfers out	<u>(51,155)</u>	<u>(51,155)</u>	<u>(51,155)</u>	<u>-</u>	<u>(51,155)</u>
<b>Net Change in Fund Balance</b>	\$ <u>1,221</u>	<u>(1,834)</u>	13,790	<u>15,624</u>	116,365
<b>Fund Balance (Deficit) Beginning of Year</b>			<u>(560,219)</u>		<u>(676,584)</u>
<b>Fund Balance (Deficit) End of Year</b>			\$ <u>(546,429)</u>		<u>(560,219)</u>

**Ketchikan Gateway Borough, Alaska**  
*Recreation Sales Tax Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2012 and 2011*

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and investments	\$ 2,309,645	2,572,630
Sales tax receivable	454,454	458,790
<b>Total Assets</b>	\$ 2,764,099	3,031,420
<b>Fund Balance</b>		
Restricted for recreation	\$ 2,764,099	3,031,420

**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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 1,527,595	1,527,575	1,651,582	124,007	1,599,837
Intergovernmental	238,545	238,545	238,549	4	238,267
Penalties	15,000	15,000	8,163	(6,837)	14,882
Investment earnings (loss)	15,000	15,000	(20,343)	(35,343)	37,061
Miscellaneous	437,838	437,838	-	(437,838)	-
<b>Total Revenues</b>	<u>2,233,978</u>	<u>2,233,958</u>	<u>1,877,951</u>	<u>(356,007)</u>	<u>1,890,047</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	-	-	55,221	(55,221)	29,824
<b>Capital Outlay</b>	<u>1,806,038</u>	<u>1,806,038</u>	<u>971,787</u>	<u>834,251</u>	<u>6,269</u>
<b>Total Expenditures</b>	<u>1,806,038</u>	<u>1,806,038</u>	<u>1,027,008</u>	<u>779,030</u>	<u>36,093</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	427,940	427,920	850,943	423,023	1,853,954
<b>Other Financing Sources (Uses)</b>					
Transfers in	525,937	525,937	525,937	-	-
Transfers out	<u>(2,082,038)</u>	<u>(2,082,038)</u>	<u>(1,644,201)</u>	437,837	<u>(1,808,901)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,556,101)</u>	<u>(1,556,101)</u>	<u>(1,118,264)</u>	437,837	<u>(1,808,901)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(1,128,161)</u>	<u>(1,128,181)</u>	(267,321)	<u>860,860</u>	45,053
<b>Fund Balance Beginning of Year</b>			<u>3,031,420</u>		<u>2,986,367</u>
<b>Fund Balance End of Year</b>			\$ <u>2,764,099</u>		<u>3,031,420</u>

**Ketchikan Gateway Borough, Alaska**  
*South Tongass Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and investments	\$ 110,779	81,096
Receivables:		
Accounts	55,182	29,561
Intergovernmental	697	902
Property taxes	<u>3,556</u>	<u>4,555</u>
<b>Total Assets</b>	<u>\$ 170,214</u>	<u>116,114</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 12,071	18,270
Advances payable	-	558
Deferred revenue	<u>1,848</u>	<u>3,044</u>
<b>Total Liabilities</b>	<u>13,919</u>	<u>21,872</u>
<b>Fund Balance</b>		
Restricted for public safety and water	<u>156,295</u>	<u>94,242</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 170,214</u>	<u>116,114</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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	2012			2011	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>					
Taxes	\$ 448,323	448,323	450,965	2,642	447,535
Intergovernmental	6,472	13,118	13,765	647	9,263
Water fees	190,000	190,000	176,394	(13,606)	177,610
Investment earnings (loss)	1,590	1,590	(1,659)	(3,249)	3,648
EMS revenue	62,053	62,053	80,929	18,876	53,215
Miscellaneous	5,000	5,000	15,768	10,768	10,426
<b>Total Revenues</b>	<u>713,438</u>	<u>720,084</u>	<u>736,162</u>	<u>16,078</u>	<u>701,697</u>
<b>Expenditures</b>					
<b>Current</b>					
Fire and EMS	454,707	463,810	447,685	16,125	461,079
Water treatment and distribution	247,682	247,682	226,424	21,258	209,885
<b>Total Expenditures</b>	<u>702,389</u>	<u>711,492</u>	<u>674,109</u>	<u>37,383</u>	<u>670,964</u>
<b>Excess of Revenues Over Expenditures</b>	11,049	8,592	62,053	53,461	30,733
<b>Other Financing Uses</b>					
Transfers out	(5,000)	(5,000)	-	5,000	-
<b>Net Change in Fund Balance</b>	\$ <u>6,049</u>	<u>3,592</u>	62,053	<u>58,461</u>	30,733
<b>Fund Balance Beginning of Year</b>			<u>94,242</u>		<u>63,509</u>
<b>Fund Balance End of Year</b>		\$	<u>156,295</u>		<u>94,242</u>

**Ketchikan Gateway Borough, Alaska**  
*Waterfall Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2012 and 2011*

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and investments	\$ 2,762	14,496
Accounts receivable	7,724	-
<b>Total Assets</b>	\$ 10,486	14,496
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 52	518
<b>Fund Balance</b>		
Restricted for road maintenance	10,434	13,978
<b>Total Liabilities and Fund Balance</b>	\$ 10,486	14,496

**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, 2012*  
*With Comparative Actual Amounts for the Year Ended June 30, 2011*

	<b>2012</b>			<b>2011</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ 19,125	19,125	25,839	6,714	19,109
Investment earnings	200	200	151	(49)	217
<b>Total Revenues</b>	<u>19,325</u>	<u>19,325</u>	<u>25,990</u>	<u>6,665</u>	<u>19,326</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	18,667	32,867	29,534	3,333	15,769
<b>Capital Outlay</b>	5,000	5,000	-	5,000	-
<b>Total Expenditures</b>	<u>23,667</u>	<u>37,867</u>	<u>29,534</u>	<u>8,333</u>	<u>15,769</u>
<b>Net Change in Fund Balance</b>	\$ <u>(4,342)</u>	<u>(18,542)</u>	(3,544)	<u>14,998</u>	3,557
<b>Fund Balance Beginning of Year</b>			<u>13,978</u>		<u>10,421</u>
<b>Fund Balance End of Year</b>			\$ <u>10,434</u>		<u>13,978</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, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Restricted cash and investments	\$ <u>4,296,189</u>	<u>23,208,261</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,462,575	3,111,977
Deposits	2,000	2,000
Interfund payable	<u>156,911</u>	<u>156,911</u>
<b>Total Liabilities</b>	<u>1,621,486</u>	<u>3,270,888</u>
<b>Fund Balance</b>		
Restricted for capital projects	<u>2,674,703</u>	<u>19,937,373</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>4,296,189</u>	<u>23,208,261</u>

**Ketchikan Gateway Borough, Alaska**  
*Capital Projects Fund*  
**Comparative Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
*For the Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Investment earnings	\$ 21,419	129,292
<b>Total Revenues</b>	<u>21,419</u>	<u>129,292</u>
<b>Expenditures</b>		
<b>Capital Outlay</b>		
Aquatic center	15,160,814	6,373,953
Educational facilities	2,337,694	1,722,213
Public services	20,581	-
Bond issuance costs	-	26,041
<b>Total Expenditures</b>	<u>17,519,089</u>	<u>8,122,207</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(17,497,670)	(7,992,915)
<b>Other Financing Sources (Uses)</b>		
Proceeds from the issuance of debt	-	3,400,000
Premium for bonds issued	-	1,167
Transfers in	235,000	310,000
Transfers out	-	(682,401)
<b>Total Other Financing Sources (Uses)</b>	<u>235,000</u>	<u>3,028,766</u>
<b>Net Change in Fund Balance</b>	(17,262,670)	(4,964,149)
<b>Fund Balance Beginning of Year</b>	<u>19,937,373</u>	<u>24,901,522</u>
<b>Fund Balance End of Year</b>	\$ <u><u>2,674,703</u></u>	<u><u>19,937,373</u></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 Assets*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Prepaid items	\$ 4,871	-
Receivables:		
Accounts	661,301	232,028
Intergovernmental	-	73,306
<b>Total Current Assets</b>	<u>666,172</u>	<u>305,334</u>
<b>Noncurrent Assets</b>		
Restricted cash and investments-bond reserve	385,000	385,000
<b>Capital Assets</b>		
Non-depreciable	1,995,957	1,142,318
Depreciable, net	<u>15,923,252</u>	<u>7,327,269</u>
<b>Total Noncurrent Assets</b>	<u>18,304,209</u>	<u>8,854,587</u>
<b>Total Assets</b>	<u>18,970,381</u>	<u>9,159,921</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	85,338	80,148
Interfund advances payable	26,801	32,688
Compensated absences payable	191,050	182,770
Revenue bonds payable	<u>165,000</u>	<u>260,000</u>
<b>Total Current Liabilities</b>	<u>468,189</u>	<u>555,606</u>
<b>Long-Term Liabilities, Net of Current Portion</b>		
Compensated absences payable	47,953	78,769
Interfund advances payable	3,310,586	2,596,095
Revenue bonds payable	<u>1,385,000</u>	<u>2,245,000</u>
<b>Total Long-Term Liabilities</b>	<u>4,743,539</u>	<u>4,919,864</u>
<b>Total Liabilities</b>	<u>5,211,728</u>	<u>5,475,470</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	16,369,209	5,964,587
Restricted for bond reserve	385,000	385,000
Unrestricted (deficit)	<u>(2,995,556)</u>	<u>(2,665,136)</u>
<b>Total Net Assets</b>	<u>\$ 13,758,653</u>	<u>3,684,451</u>

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Fund Net Assets*  
*For the Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Charges for services	\$ 3,973,769	3,633,607
<b>Operating Expenses</b>		
Personal services	2,988,892	2,794,967
Supplies and services	1,408,481	1,261,157
Insurance	220,290	184,813
Depreciation	575,337	583,296
<b>Total Operating Expenses</b>	<u>5,193,000</u>	<u>4,824,233</u>
<b>Operating Loss</b>	(1,219,231)	(1,190,626)
<b>Non-Operating Revenues (Expenses)</b>		
Interest and fiscal charges	(108,923)	(135,874)
Gain on disposal of capital assets	17,700	55,347
Operating grants	209,758	178,892
<b>Total Non-Operating Revenues (Expenses)</b>	<u>118,535</u>	<u>98,365</u>
<b>Loss Before Capital Contributions and Transfers</b>	(1,100,696)	(1,092,261)
Capital contributions	10,734,963	556,722
Transfers in	439,935	632,983
<b>Change in Net Assets</b>	10,074,202	97,444
<b>Net Assets Beginning of Year</b>	<u>3,684,451</u>	<u>3,587,007</u>
<b>Net Assets End of Year</b>	\$ <u><u>13,758,653</u></u>	<u><u>3,684,451</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
*Comparative Statement of Cash Flows*  
*For the Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 3,617,802	3,524,595
Cash payments to employees for services	(3,011,428)	(2,779,356)
Cash payments for goods and services	<u>(919,848)</u>	<u>(1,247,311)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(313,474)</u>	<u>(502,072)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grants	209,758	178,892
Transfers in	<u>439,935</u>	<u>632,983</u>
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>649,693</u>	<u>811,875</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Sale of capital assets	17,700	76,000
Capital grant	10,734,963	556,722
Principal paid on revenue bonds	(955,000)	(250,000)
Interest paid on debt service	(108,923)	(135,874)
Payments for capital acquisitions	<u>(10,024,959)</u>	<u>(556,651)</u>
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(336,219)</u>	<u>(309,803)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	-
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>385,000</u>	<u>385,000</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 385,000</u>	<u>385,000</u>

(continued)

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
*Comparative Statement of Cash Flows*  
*For the Years Ended June 30, 2012 and 2011*

(continued)

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Operating (Loss)</b>	\$ (1,219,231)	(1,190,626)
<b>Adjustments:</b>		
Depreciation	575,337	583,296
<b>(Increase) Decrease in Assets:</b>		
<b>Receivables:</b>		
Accounts	(429,273)	(79,147)
Intergovernmental	73,306	(29,865)
Prepaid items	(4,871)	4,482
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	5,190	24,341
Interfund advance payable	708,604	169,836
Compensated absences payable	<u>(22,536)</u>	<u>15,611</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u>(313,474)</u>	<u>(502,072)</u>

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Net Assets*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 791,423	258,905
Accounts receivable	<u>33,719</u>	<u>36,681</u>
<b>Total Current Assets</b>	<u>825,142</u>	<u>295,586</u>
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Depreciable, net	<u>10,488,638</u>	<u>11,493,623</u>
<b>Total Noncurrent Assets</b>	<u>10,488,638</u>	<u>11,493,623</u>
<b>Total Assets</b>	<u>11,313,780</u>	<u>11,789,209</u>
<b>Current Liabilities</b>		
Accounts payable	44,629	31,762
Interfund advances payable	<u>69,680</u>	<u>57,358</u>
<b>Total Current Liabilities</b>	114,309	89,120
<b>Long-Term Liabilities</b>		
Interfund advances payable (net of current portion)	<u>455,133</u>	<u>562,052</u>
<b>Total Liabilities</b>	<u>569,442</u>	<u>651,172</u>
<b>Net Assets</b>		
Invested in capital assets	10,488,638	11,493,623
Unrestricted (deficit)	<u>255,700</u>	<u>(355,586)</u>
<b>Total Net Assets</b>	<u>\$ 10,744,338</u>	<u>11,138,037</u>

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Fund Net Assets*  
*For the Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Charges for services	\$ 760,358	702,530
<b>Operating Expenses</b>		
Personal services	164,326	168,955
Supplies and services	419,936	375,255
Insurance	5,587	5,566
Depreciation	413,749	459,669
<b>Total Operating Expenses</b>	1,003,598	1,009,445
Less recovery of expenses from other funds	<u>(1,596)</u>	<u>(39,451)</u>
<b>Net Operating Expenses</b>	<u>1,002,002</u>	<u>969,994</u>
<b>Operating Loss</b>	<u>(241,644)</u>	<u>(267,464)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest and fiscal charges	(32,163)	(36,899)
Gain (loss) on disposal of capital assets	(142,348)	(8,112)
Investment earnings (loss)	(2,499)	4,246
Operating grants	24,955	61,878
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(152,055)</u>	<u>21,113</u>
<b>Change in Net Assets</b>	(393,699)	(246,351)
<b>Net Assets Beginning of Year</b>	<u>11,138,037</u>	<u>11,384,388</u>
<b>Net Assets End of Year</b>	\$ <u><u>10,744,338</u></u>	<u><u>11,138,037</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Cash Flows*  
*For the Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 763,320	696,700
Cash payments to employees for services	(164,326)	(168,955)
Cash payments for goods and services	<u>(505,657)</u>	<u>(419,297)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>93,337</u>	<u>108,448</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grants	<u>24,955</u>	<u>61,878</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Sale of capital assets	467,145	-
Interest paid on debt service	(32,163)	(36,899)
Payments for capital acquisitions	<u>(18,257)</u>	<u>(20,090)</u>
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>416,725</u>	<u>(56,989)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings (loss)	<u>(2,499)</u>	<u>4,246</u>
<b>Net Increase in Cash and Cash Equivalents</b>	532,518	117,583
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>258,905</u>	<u>141,322</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 791,423</u>	<u>258,905</u>

(continued)

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Cash Flows*  
*For the Years Ended June 30, 2012 and 2011*

(Continued)

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Operating (Loss)</b>	\$ (241,644)	(267,464)
<b>Adjustments:</b>		
Depreciation	413,749	459,669
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	2,962	(5,830)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	12,867	11,859
Interfund advance payable	<u>(94,597)</u>	<u>(89,786)</u>
<b>Net Cash Provided by Operating Activities</b>	\$ <u>93,337</u>	<u>108,448</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 Assets*  
*June 30, 2012*

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	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
<b>Current Assets</b>			
Prepaid items	\$ -	333,280	333,280
<b>Current Liabilities</b>			
Interfund payable	714,552	484,095	1,198,647
Claims payable	<u>215,274</u>	<u>160,973</u>	<u>376,247</u>
<b>Total Current Liabilities</b>	<u>929,826</u>	<u>645,068</u>	<u>1,574,894</u>
<b>Net Assets</b>			
Unrestricted (deficit)	\$ <u><u>(929,826)</u></u>	<u><u>(311,788)</u></u>	<u><u>(1,241,614)</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Internal Service Funds*  
*Combining Statement of Revenues,*  
*Expenses and Changes in Fund Net Assets*  
*For the Year Ended June 30, 2012*

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues</b>			
Insurance premiums	\$ 3,769,524	1,869,702	5,639,226
<b>Operating Expenses</b>			
Administration	526,585	230,450	757,035
Premiums	-	312,155	312,155
Claims	2,964,536	1,253,317	4,217,853
<b>Total Operating Expenses</b>	<u>3,491,121</u>	<u>1,795,922</u>	<u>5,287,043</u>
<b>Operating Income</b>	278,403	73,780	352,183
<b>Non-Operating Revenues</b>			
Investment earnings (loss)	(2)	-	(2)
<b>Change in Net Assets</b>	278,401	73,780	352,181
<b>Net Assets (Deficits) Beginning of Year</b>	<u>(1,208,227)</u>	<u>(385,568)</u>	<u>(1,593,795)</u>
<b>Net Assets (Deficits) End of Year</b>	\$ <u><u>(929,826)</u></u>	<u><u>(311,788)</u></u>	<u><u>(1,241,614)</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Internal Service Funds*  
*Combining Statement of Cash Flows*  
*For the Year Ended June 30, 2012*

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 3,769,524	1,869,702	5,639,226
Cash payments for goods and services	(526,585)	(311,166)	(837,751)
Cash payments for claims	<u>(3,242,937)</u>	<u>(1,558,536)</u>	<u>(4,801,473)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>2</u>	<u>-</u>	<u>2</u>
<b>Cash Flows from Investing Activities</b>			
Investment earnings (loss)	<u>(2)</u>	<u>-</u>	<u>(2)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	-	-
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
<b>Operating Income</b>	<u>278,403</u>	<u>73,780</u>	<u>352,183</u>
<b>Decrease in Assets:</b>			
Prepaid items	-	231,439	231,439
<b>Decrease in Liabilities:</b>			
Interfund and claims payable	<u>(278,401)</u>	<u>(305,219)</u>	<u>(583,620)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 2</u>	<u>-</u>	<u>2</u>



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**Ketchikan Gateway Borough, Alaska**  
*Meritain School District Insurance Internal Service Fund*  
*Comparative Statement of Net Assets*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash and investments	\$ -	-
<b>Current Liabilities</b>		
Interfund payable	714,552	881,717
Claims payable	<u>215,274</u>	<u>326,510</u>
<b>Total Current Liabilities</b>	<u>929,826</u>	<u>1,208,227</u>
<b>Net Assets</b>		
Unrestricted (deficit)	\$ <u>(929,826)</u>	<u>(1,208,227)</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, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Insurance premiums	\$ 3,769,524	3,535,740
<b>Operating Expenses</b>		
Administration	526,585	427,384
Claims	2,964,536	3,185,276
<b>Total Operating Expenses</b>	<u>3,491,121</u>	<u>3,612,660</u>
<b>Operating Income (Loss)</b>	278,403	(76,920)
<b>Non-Operating Revenues</b>		
Investment earnings (loss)	<u>(2)</u>	<u>-</u>
<b>Change in Net Assets (Deficit)</b>	278,401	(76,920)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(1,208,227)</u>	<u>(1,131,307)</u>
<b>Net Assets (Deficit) End of Year</b>	\$ <u><u>(929,826)</u></u>	<u><u>(1,208,227)</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Meritain Borough Insurance Internal Service Fund*  
*Comparative Statement of Net Assets*  
*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Prepaid items	\$ <u>333,280</u>	<u>564,719</u>
<b>Current Liabilities</b>		
Interfund payable	484,095	874,688
Claims payable	<u>160,973</u>	<u>75,599</u>
<b>Total Current Liabilities</b>	<u>645,068</u>	<u>950,287</u>
<b>Net Assets</b>		
Unrestricted (deficit)	\$ <u>(311,788)</u>	<u>(385,568)</u>

**Ketchikan Gateway Borough, Alaska**  
*Meritain Borough Insurance Internal Service Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Fund Deficit*  
*For the Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Insurance premiums	\$ 1,869,702	1,743,934
<b>Operating Expenses</b>		
Administration	230,450	157,684
Premiums	312,155	272,527
Claims	1,253,317	1,060,027
<b>Total Operating Expenses</b>	<u>1,795,922</u>	<u>1,490,238</u>
<b>Operating Income</b>	73,780	253,696
Investment earnings	<u>-</u>	<u>1,118</u>
<b>Change in Net Assets</b>	73,780	254,814
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(385,568)</u>	<u>(640,382)</u>
<b>Net Assets (Deficit) End of Year</b>	<u>\$ (311,788)</u>	<u>(385,568)</u>



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# **STATISTICAL SECTION**

(Un-Audited)



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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**

Net Assets by Component.....	Table 1
Changes in Net Assets.....	Table 2
Fund Balances, Governmental Funds .....	Table 3
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Principal Employers Current Year and Nine Years Ago .....	Table 14
Miscellaneous Statistics .....	Table 15

## KETCHIKAN GATEWAY BOROUGH

*Net Assets By Component*  
June 30, 2012

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Governmental Activities</b>					
Invested in capital assets, net of related debt	\$ 121,020,663	\$ 117,038,168	\$ 116,791,016	\$ 113,763,548	\$ 103,567,159
Restricted	9,800,504	9,326,387	6,749,034	6,194,066	4,801,620
Unrestricted	14,338,149	18,194,923	24,295,274	21,669,692	23,817,829
Total governmental activities net assets	<u>145,159,316</u>	<u>144,559,478</u>	<u>147,835,324</u>	<u>141,627,306</u>	<u>132,186,608</u>
<b>Business-type Activities</b>					
Invested in capital assets, net of related debt	26,857,847	17,458,210	17,703,199	17,756,821	18,438,737
Restricted	385,000	385,000	385,000	385,000	385,000
Unrestricted (deficit)	(2,838,539)	(3,141,624)	(3,311,312)	(3,185,352)	(2,920,876)
Total business-type activities net assets	<u>24,404,308</u>	<u>14,701,586</u>	<u>14,776,887</u>	<u>14,956,469</u>	<u>15,902,861</u>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	147,878,510	134,496,378	134,494,215	131,520,369	122,005,896
Restricted	10,185,504	9,711,387	7,134,034	6,579,066	5,186,620
Unrestricted	11,499,610	15,053,299	20,983,962	18,484,340	20,896,953
Total primary government net assets	<u>\$ 169,563,624</u>	<u>\$ 159,261,064</u>	<u>\$ 162,612,211</u>	<u>\$ 156,583,775</u>	<u>\$ 148,089,469</u>
<b>Governmental Activities</b>					
Fiscal Year					
	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$ 104,167,175	\$ 95,476,768	\$ 93,606,967	\$ 90,711,046	\$ 68,654,590
Restricted	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	16,086,982	8,335,910	850,340	1,281,070	2,272,697
Total governmental activities net assets	<u>124,580,555</u>	<u>122,301,742</u>	<u>119,236,733</u>	<u>121,410,629</u>	<u>119,941,669</u>
<b>Business-type Activities</b>					
Invested in capital assets, net of related debt	18,878,941	19,348,852	18,865,448	18,462,955	15,871,103
Restricted					
Unrestricted (deficit)	(2,469,759)	(2,813,429)	(2,028,243)	(1,143,842)	533,371
Total business-type activities net assets	<u>16,409,182</u>	<u>16,535,423</u>	<u>16,837,205</u>	<u>17,319,113</u>	<u>16,404,474</u>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	123,046,116	114,825,620	112,472,415	109,174,001	84,525,693
Restricted	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	13,617,223	5,522,481	(1,177,903)	137,228	2,806,068
Total primary government net assets	<u>\$ 140,989,737</u>	<u>\$ 138,837,165</u>	<u>\$ 136,073,938</u>	<u>\$ 138,729,742</u>	<u>\$ 136,346,143</u>



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## KETCHIKAN GATEWAY BOROUGH

Changes in Net Assets  
June 30, 2012

	2012	2011	2010	2009	2008
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,239,516	3,502,989	3,198,263	3,098,135	3,105,409
Fire and EMS	1,305,555	1,289,444	1,249,053	1,207,673	1,219,557
Water treatment and distribution	226,424	207,102	228,725	246,479	-
Library services	380,266	372,794	371,886	420,190	420,100
Parks and recreation	2,374,277	2,066,242	2,004,219	1,658,671	1,883,894
Public works	1,043,521	1,093,054	1,391,689	1,388,867	1,248,572
Public services	5,086,592	3,595,580	4,162,195	5,415,283	1,908,428
Transit	1,960,671	1,640,624	1,427,218	1,149,142	1,075,033
Automation	-	-	-	-	-
Education	14,300,313	15,091,534	16,017,284	14,401,413	13,522,531
Nondepartmental	-	-	-	-	-
Interest	2,504,748	2,453,966	1,540,248	1,299,122	1,405,115
Total governmental activities expenses	33,421,883	31,313,329	31,590,780	30,284,975	25,788,639
Business-type activities:					
Airport	5,262,004	4,835,323	4,625,758	4,758,390	4,312,540
Wastewater	1,176,513	1,010,836	912,252	1,095,332	890,038
Total business-type activities expenses	6,438,517	5,846,159	5,538,010	5,853,722	5,202,578
Total primary government expenses	\$ 39,860,400	37,159,488	37,128,790	\$ 36,138,697	30,991,217
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Fire and EMS	317,569	242,335	236,534	234,659	360,311
Water treatment and distribution	176,394	177,610	165,463	132,884	-
Parks and recreation	565,998	538,013	410,238	446,557	458,064
Public services	911,068	862,291	684,279	668,042	405,626
Transit	217,131	184,624	179,729	160,764	140,721
Education	3,769,524	3,535,740	3,153,995	2,849,699	3,020,959
Capital grants	5,154,055	6,426,775	8,369,771	10,990,255	4,059,938
Operating grants	2,431,499	904,866	705,498	555,861	498,425
Nondepartmental	-	-	-	-	-
Total governmental activities program revenues	13,543,238	12,872,254	13,905,507	16,038,721	8,944,044
Business-type activities:					
Charges for services:					
Airport	3,973,769	3,633,607	3,283,332	3,424,190	3,759,832
Wastewater	760,358	702,530	576,803	583,196	613,663
Operating grants	42,959	79,122	128,193	72,412	152,035
Capital grants	10,016,959	556,653	638,665	28,392	8,685
Total business-type activities program revenues	14,794,045	4,971,912	4,626,993	4,108,190	4,534,215
Total primary government program revenues	\$ 28,337,283	17,844,166	18,532,500	\$ 20,146,911	13,478,259
<b>Net (Expense) Revenue</b>					
Governmental activities	(19,878,645)	(18,441,075)	(17,685,273)	(14,246,254)	(16,844,595)
Business-type activities	8,355,528	(874,247)	(911,017)	(1,745,532)	(668,363)
Total primary government net expense	\$ (11,523,117)	(19,315,322)	(18,596,290)	\$ (15,991,786)	(17,512,958)
<b>General Revenues and Other Changes In Net Assets</b>					
Governmental activities:					
Property taxes	8,746,139	9,015,302	9,491,422	10,233,372	11,133,400
Sales taxes	8,316,512	8,105,296	7,974,171	8,430,433	6,843,335
Transient occupancy taxes	-	-	-	-	-
Payment in lieu of taxes	1,054,735	1,020,959	1,036,032	1,366,194	579,736
Grants and entitlements not restricted	3,353,441	3,451,680	3,677,791	3,815,114	3,615,710
Transfers	(439,935)	(632,983)	(625,258)	(374,452)	(222,905)
Investment earnings	(114,092)	650,810	361,309	275,681	1,511,764
Property sales (loss on reacquisitions)	-	(7,313,222)	1,650,939	(909,920)	599,456
Bond issuance costs	-	-	-	-	-
Miscellaneous	351,236	867,387	326,885	850,530	390,152
Write off delinquent note	(789,553)	-	-	-	-
Settlement	-	-	-	-	-
Total governmental activities general revenues and other changes in net assets	20,478,483	15,165,229	23,893,291	23,686,952	24,450,648
Business-type activities:					
Unrestricted grant/investment earnings	907,259	165,963	106,177	424,688	96,969
Transfers	439,935	632,983	625,258	374,452	222,905
Total business-type activities general revenue and other changes in net assets	1,347,194	798,946	731,435	799,140	319,874
Total primary government general revenues and other changes in net assets	21,825,677	15,964,175	24,624,726	24,486,092	24,770,522
<b>Changes in Net Assets</b>					
Governmental activities	599,838	(3,275,846)	6,208,018	9,440,698	7,606,053
Business-type activities	9,702,722	(75,301)	(179,582)	(946,392)	(348,489)
Total primary government, change in net asset:	\$ 10,302,560	(3,351,147)	6,028,436	8,494,306	7,257,564

## KETCHIKAN GATEWAY BOROUGH

Changes in Net Assets, Continued  
June 30, 2012

Fiscal Year	2007	2006	2005	2004	2003
<b>Expenses</b>					
Governmental activities:					
General government	3,306,674	2,834,490	3,313,736	2,160,394	2,419,655
Fire and EMS	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-
Library services	420,565	396,468	411,855	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Public services	8,308,680	7,824,163	10,420,289	8,739,143	10,138,227
Transit	-	-	-	-	-
Automation	364,331	355,000	291,603	269,771	151,143
Education	13,321,747	9,595,422	9,003,657	8,771,976	8,726,887
Nondepartmental	-	3,063,471	2,264,466	2,154,832	2,081,507
Interest	1,613,241	1,541,048	1,301,846	1,370,970	1,206,535
Total governmental activities expenses	<u>27,335,238</u>	<u>25,610,062</u>	<u>27,007,452</u>	<u>23,467,086</u>	<u>24,723,954</u>
Business-type activities:					
Airport	4,599,434	4,189,888	4,223,926	3,442,165	3,643,744
Wastewater	1,073,625	882,954	854,648	779,832	870,426
Total business-type activities expenses	<u>5,673,059</u>	<u>5,072,842</u>	<u>5,078,574</u>	<u>4,221,997</u>	<u>4,514,170</u>
Total primary government expenses	<u>33,008,297</u>	<u>30,682,904</u>	<u>32,086,026</u>	<u>27,689,083</u>	<u>29,238,124</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Fire and EMS	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public services	1,314,590	1,530,858	1,526,806	1,259,792	1,187,500
Transit	-	-	-	-	-
Education	-	-	-	-	-
Capital grants	2,981,744	2,885,920	2,102,498	1,727,747	2,626,176
Operating grants	2,007,935	2,442,331	972,586	3,136,994	1,139,686
Nondepartmental	2,936,900	2,534,223	2,044,431	1,867,159	1,530,772
Total governmental activities program revenue:	<u>9,241,169</u>	<u>9,393,332</u>	<u>6,646,321</u>	<u>7,991,692</u>	<u>6,484,134</u>
Business-type activities:					
Charges for services:					
Airport	3,387,681	3,742,327	2,997,565	2,744,703	2,925,246
Wastewater	592,620	733,104	496,629	490,756	478,520
Operating grants	62,188	-	-	-	2,500
Capital grants	640,921	-	528,410	1,617,556	11,726,302
Total business-type activities program revenue:	<u>4,683,410</u>	<u>4,475,431</u>	<u>4,022,604</u>	<u>4,853,015</u>	<u>15,132,568</u>
Total primary government program revenues	<u>13,924,579</u>	<u>13,868,763</u>	<u>10,668,925</u>	<u>12,844,707</u>	<u>21,616,702</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	(18,094,069)	(16,216,730)	(20,361,131)	(15,475,394)	(18,239,820)
Business-type activities	(989,649)	(597,411)	(1,055,970)	631,018	10,618,398
Total primary government net expense	<u>(19,083,718)</u>	<u>(16,814,141)</u>	<u>(21,417,101)</u>	<u>(14,844,376)</u>	<u>(7,621,422)</u>
<b>General Revenues and Other Changes In Net Assets</b>					
Governmental activities:					
Property taxes	10,350,075	10,170,210	8,222,959	7,739,922	7,274,264
Sales taxes	6,333,019	6,267,181	7,412,729	5,465,644	4,961,299
Transient occupancy taxes	-	-	70,452	37,365	32,771
Payment in lieu of taxes	581,662	11,031	4,323	6,948	12,741
Grants and entitlements not restricted	319,748	-	932,418	534,624	865,389
Transfers	(841,611)	(289,502)	(556,000)	(229,485)	188,185
Investment earnings	1,552,003	845,592	760,004	899,718	662,628
Property sales (loss on requisitions)	699,150	1,886,734	874,850	436,384	-
Bond issuance costs	-	14,927	33,834	-	-
Miscellaneous	408,748	375,565	431,666	347,034	485,890
Write off delinquent note	-	-	-	-	-
Settlement	970,088	-	-	-	-
Total governmental activities general revenues and other changes in net assets	<u>20,372,882</u>	<u>19,281,738</u>	<u>18,187,235</u>	<u>15,238,154</u>	<u>14,483,167</u>
Business-type activities:					
Unrestricted grant/investment earnings	21,797	6,127	18,062	54,136	166,861
Transfers	841,611	289,502	556,000	229,485	(188,185)
Total business-type activities general revenues and other changes in net assets	<u>863,408</u>	<u>295,629</u>	<u>574,062</u>	<u>283,621</u>	<u>(21,324)</u>
Total primary government general revenues and other changes in net assets	<u>21,236,290</u>	<u>19,577,367</u>	<u>18,761,297</u>	<u>15,521,775</u>	<u>14,461,843</u>
<b>Changes in Net Assets</b>					
Governmental activities	2,278,813	3,065,008	(2,173,896)	(237,240)	(3,756,653)
Business-type activities	(126,241)	(301,782)	(481,908)	914,639	10,597,074
Total primary government, change in net assets	<u>2,152,572</u>	<u>2,763,226</u>	<u>(2,655,804)</u>	<u>677,399</u>	<u>6,840,421</u>

**KETCHIKAN GATEWAY BOROUGH***Fund Balances, Governmental Funds*

June 30, 2012

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>General Fund</b>					
Committed	\$ -	123,675	30,420	110,576	65,191
Unassigned	6,860,808	6,550,394	5,991,166	5,525,115	2,809,698
Total general fund	<u>6,860,808</u>	<u>6,674,069</u>	<u>6,021,586</u>	<u>5,635,691</u>	<u>2,874,889</u>
<b>All other governmental funds</b>					
Reserved	-	-	10,780,900	10,223,588	16,511,974
Capital projects funds	-	-	23,845,433	1,697,272	(4,415,280)
Unreserved, report in:					
Special revenue funds	-	-	15,676,744	11,341,183	4,779,458
Nonspendable	4,288,124	4,538,151	-	-	-
Restricted	9,800,504	29,263,760	-	-	-
Committed	4,285,593	1,683,538	-	-	-
Assigned	5,034,099	6,554,142	-	-	-
Unassigned	(548,946)	(603,953)	-	-	-
Total all other governmental funds	<u>22,859,374</u>	<u>41,435,638</u>	<u>50,303,077</u>	<u>23,262,043</u>	<u>16,876,152</u>
Total Governmental Funds	<u>\$ 29,720,182</u>	<u>\$ 48,109,707</u>	<u>56,324,663</u>	<u>28,897,734</u>	<u>19,751,041</u>

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>General Fund</b>					
Reserved	\$ 28,245	192,230	504,119	463,976	538,146
Unreserved	1,429,143	1,725,796	2,376,078	2,560,944	2,969,923
Total general fund	<u>1,457,388</u>	<u>1,918,026</u>	<u>2,880,197</u>	<u>3,024,920</u>	<u>3,508,069</u>
<b>All other governmental funds</b>					
Reserved	16,723,780	18,385,389	13,013,202	16,548,362	23,525,536
Capital projects funds	(8,167,617)	(4,852,950)	3,548,290	6,297,534	17,564,690
Unreserved, report in:					
Special revenue funds	2,885,986	4,022,884	7,663,768	5,855,166	7,733,106
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>11,442,149</u>	<u>17,555,323</u>	<u>24,225,260</u>	<u>28,701,062</u>	<u>48,823,332</u>
Total Governmental Funds	<u>\$ 12,899,537</u>	<u>19,473,349</u>	<u>27,105,457</u>	<u>31,725,982</u>	<u>52,331,401</u>

## KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances  
June 30, 2012

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Taxes	\$ 17,052,595	17,182,814	17,471,661	18,673,487	17,935,890	16,576,094	16,437,391	15,706,140	13,242,931	12,268,334
Payments in lieu of taxes	9,372,872	-	1,036,032	1,366,194	16,634	14,731	11,031	4,323	6,948	12,741
Intergovernmental	-	8,420,951	10,439,268	13,035,082	6,492,592	5,818,658	5,328,250	4,081,128	5,399,367	4,628,811
Licenses and permits	11,543	14,168	11,108	20,333	26,800	34,060	35,140	38,815	49,035	33,002
Water fees	1,984,455	177,610	165,463	-	-	-	-	-	-	2,439
Charges for services	176,394	1,736,329	1,496,472	1,621,604	1,337,715	1,280,530	1,495,718	1,414,366	1,210,757	1,154,499
Commercial vessel passenger tax	1,947,248	2,095,324	2,313,793	2,326,147	2,244,585	-	-	-	-	-
Interest Subsidy	615,002	547,193	-	-	-	-	-	-	-	-
Investment earnings	(114,090)	710,139	354,644	272,695	612,485	1,473,267	845,592	760,004	899,718	666,151
Proceeds from sale of property	1,632,855	69,000	3,555,179	-	1,248,605	856,220	2,692,193	874,850	436,384	-
Miscellaneous	367,004	330,620	330,086	317,622	390,359	408,748	375,565	431,664	347,034	485,890
<b>Total Revenues</b>	<u>33,045,878</u>	<u>31,284,148</u>	<u>37,173,706</u>	<u>37,633,164</u>	<u>30,305,665</u>	<u>26,462,308</u>	<u>27,220,880</u>	<u>23,311,290</u>	<u>21,592,174</u>	<u>19,251,867</u>
<b>Expenditures</b>										
Administration	3,523,762	3,222,852	2,718,432	2,512,572	2,882,789	2,704,745	2,627,499	2,290,158	2,072,658	2,219,293
Library services	380,266	372,794	371,886	420,190	420,100	420,565	396,468	411,855	-	-
Fire and EMS	1,070,550	1,058,292	1,020,905	992,333	978,225	-	-	-	-	-
Water treatment and distribution	226,424	209,885	229,160	246,731	-	-	-	-	-	-
Public services	4,615,631	3,218,115	3,896,096	5,144,229	1,720,168	6,129,496	6,970,230	9,871,936	7,860,847	8,752,180
Parks and recreation	2,135,115	1,786,992	1,778,070	1,421,501	1,656,144	-	-	-	-	-
Public works	1,018,329	1,066,171	1,325,648	1,305,296	1,203,440	-	-	-	-	-
Transit	1,805,799	1,542,359	1,285,049	1,023,517	1,022,749	-	-	-	-	-
Automation	8,650,000	-	-	-	-	339,083	324,728	265,761	244,694	142,661
Education	215,849	9,411,000	9,617,935	9,068,223	8,123,054	8,895,922	8,227,112	7,635,347	7,373,117	7,329,446
Nondepartmental	378,305	378,305	376,593	539,397	219,754	492,028	365,323	362,582	194,637	158,085
<b>Capital Outlay</b>	<u>21,037,970</u>	<u>19,492,677</u>	<u>6,484,687</u>	<u>2,683,114</u>	<u>4,307,042</u>	<u>10,386,898</u>	<u>12,981,780</u>	<u>11,930,424</u>	<u>21,291,379</u>	<u>4,211,729</u>
<b>Debt Service:</b>										
Principal retirement	2,994,753	2,567,666	2,331,677	2,363,282	2,376,476	2,289,756	2,102,457	1,641,555	1,465,000	1,175,000
Interest and fiscal charges	2,536,190	2,612,426	1,092,438	1,319,134	1,421,315	1,506,104	1,548,431	1,264,999	1,465,776	1,061,841
Bond issuance costs	75,066	149,870	250,738	-	-	-	-	450,000	-	110,428
<b>Total Expenditures</b>	<u>50,285,704</u>	<u>47,089,404</u>	<u>32,779,314</u>	<u>29,039,519</u>	<u>26,331,256</u>	<u>33,164,597</u>	<u>35,544,028</u>	<u>36,124,617</u>	<u>41,968,108</u>	<u>25,160,663</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(17,239,826)</u>	<u>(15,805,256)</u>	<u>4,394,392</u>	<u>8,593,645</u>	<u>3,974,409</u>	<u>(6,702,289)</u>	<u>(8,323,148)</u>	<u>(12,813,327)</u>	<u>(20,375,934)</u>	<u>(5,908,796)</u>
<b>Other Financing Sources (Uses)</b>										
General obligation bonds issued	8,070,000	8,165,000	29,490,000	-	-	-	1,100,000	15,580,000	-	9,000,000
Premium for bond issuance costs	1,287,659	58,283	372,207	-	-	-	14,927	33,834	-	110,428
Premium on debt issuance	(9,277,870)	-	-	-	-	-	-	450,000	-	-
Settlement	-	-	-	50,000	3,100,000	970,088	-	-	-	-
Transfers in	7,156,872	6,969,046	4,566,059	4,358,323	5,347,217	7,660,149	4,244,391	5,724,276	5,475,705	5,026,932
Other financing proceeds	-	-	-	877,500	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	395,966	-	-
Bond issuance costs	-	-	-	-	-	-	(7,607)	(31,000)	-	-
Transfers out	(7,596,807)	(7,602,029)	(5,191,317)	(4,732,775)	(5,570,122)	(8,501,760)	(4,660,671)	(6,280,274)	(5,705,190)	(4,838,747)
Special item	-	-	-	-	-	-	-	-	-	-
Other financing uses-payment to refund bond escrow agent	-	-	(6,204,412)	-	-	-	-	(7,680,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(360,146)</u>	<u>7,590,300</u>	<u>23,032,537</u>	<u>553,048</u>	<u>2,877,095</u>	<u>128,477</u>	<u>691,040</u>	<u>8,192,802</u>	<u>(229,485)</u>	<u>9,298,613</u>
<b>Special item - write off delinquent note</b>	<u>(789,553)</u>									
<b>Net Change in Fund Balances</b>	<u>\$ (18,389,525)</u>	<u>(8,214,956)</u>	<u>27,426,929</u>	<u>9,146,693</u>	<u>6,851,504</u>	<u>(6,573,812)</u>	<u>(7,632,108)</u>	<u>(4,620,525)</u>	<u>(20,605,419)</u>	<u>3,389,817</u>
Debt Service as a Percentage of noncapital expenditures	18.91%	18.77%	13.02%	13.97%	17.24%	16.66%	16.18%	13.87%	14.17%	11.20%

## KETCHIKAN GATEWAY BOROUGH

*Assessed Value and Actual Value of Taxable Property*  
 Changes in Assessment  
 June 30, 2012

Fiscal Year	Residential	Commercial	Industrial	Personal Property	Tax-Exempt	Sr. & Vet Tax-Exempt *	Optional Tax-Exempt*	Total Assessed Value	Total Direct Tax Rate
2001	\$				60,666,100			1,010,459,900	7.50
2002	645,561,600	182,230,550	146,103,150	62,932,100	62,932,100			973,895,300	6.80
2003	652,920,850	168,282,725	137,405,025	64,265,600	64,498,700			958,375,500	6.80
2004	655,060,700	174,255,900	118,493,000	54,086,400	66,773,800			935,122,200	6.80
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

Source: Ketchikan Gateway Borough Assessment and Finance Department.

Note: FY2010 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 GATEWAY BOROUGH**

*Principal Property Tax Payers Current Year and Nine Years Ago*  
June 30, 2012

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cape Fox Corporation	\$ 13,795,300	1	1.09%	\$ 12,153,500	1	1.27%
Ketchikan Dock Co LLC	12,729,900	2	1.00%	-	-	-
Tongass Trading Company	11,116,800	3	0.88%	7,155,400	3	0.75%
Trident-Norquest Seafood	10,238,700	4	0.81%	-	-	-
Landing LLC Lodging	8,086,600	5	0.64%	-	-	-
Carr-Gottstein Foods	7,857,900	6	0.62%	5,978,900	4	0.62%
Harbor Enterprises	7,502,900	7	0.59%	-	-	-
Boyer Towing	7,073,000	8	0.56%	-	-	-
Wal-Mart	6,731,800	9	0.53%	-	-	-
ECPS INC.	6,680,200	10	0.53%	5,599,600	6	0.58%
Gateway Forest Products	-	-	-	10,229,300	2	1.07%
Alaska General Seafood	-	-	-	5,696,900	5	0.59%
The Plaza LLC	-	-	-	5,387,600	7	0.56%
TF Acquisition Inc.	-	-	-	5,210,900	8	0.54%
Tesoro Alaska Petroleum	-	-	-	4,638,400	9	0.48%
Swan Bay Holding Inc.	-	-	-	4,362,700	10	0.46%
						-
Total Principal Property Tax Payers	\$ <u>91,813,100</u>		7.23%	\$ <u>66,413,200</u>		6.93%
Total Assessment	\$ 1,269,523,500		100.00%	\$ <u>958,375,500</u>		100.00%

Source: Ketchikan Gateway Borough Assessment Department.

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

June 30, 2012

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 7,096,530	\$ 4,869,466	69%	\$ 2,220,949	\$ 7,090,415	100%
2004	6,955,545	5,695,391	82%	1,254,161	6,949,552	100%
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%	-	6,872,731	98%

**KETCHIKAN GATEWAY BOROUGH**

*Taxable Sales by Category, Calendar Years*  
June 30, 2012

	Calendar Year				
	2012	2011	2010	2009	2008
Contractors	\$ 6,423,832	6,546,433	6,001,936	6,323,360	7,563,044
Finance, insurance, banks	2,069,615	1,778,393	2,335,729	2,337,153	2,339,433
Hotels, motels, lodges	13,447,653	12,653,677	13,098,466	12,773,312	15,072,971
Manufacturing	6,830,149	6,358,880	6,007,954	5,959,852	6,294,522
Real estate	26,134,364	25,128,822	25,009,437	23,746,202	22,786,018
Retail trade	62,669,763	61,780,925	60,476,010	64,637,819	70,447,630
Retail trade - food	49,088,350	47,344,357	46,472,489	45,027,023	47,234,310
Retail trade, bars & catering	20,100,429	18,717,446	18,173,139	18,022,415	18,494,575
Retail, automotive	15,047,425	14,523,000	13,877,510	14,248,090	16,044,581
Retail, specialty	15,209,574	15,374,601	14,186,917	14,200,612	13,629,882
Retail, var, jewelry, curios	28,055,270	28,053,963	29,036,357	31,681,209	34,307,450
Services, entertainment	4,129,440	3,983,282	3,850,369	4,184,973	4,391,813
Service, general	9,072,944	9,105,638	8,970,448	9,172,699	9,302,203
Services, professional	3,520,072	3,452,095	3,501,904	3,586,231	3,835,368
Trans, comm, utilities	70,834,228	71,099,955	61,655,664	62,322,922	77,686,482
	<u>\$ 332,633,108</u>	<u>\$ 325,901,467</u>	<u>\$ 312,654,329</u>	<u>318,223,872</u>	<u>349,430,282</u>

	Calendar Year				
	2007	2006	2005	2004	2003
Contractors	6,385,832	6,393,502	6,343,781	5,136,639	4,717,690
Finance, insurance, banks	2,348,611	2,317,998	2,273,359	2,121,440	1,804,998
Hotels, motels, lodges	14,801,945	13,743,128	12,503,465	13,133,503	10,613,549
Manufacturing	5,975,771	5,576,780	5,843,406	5,672,883	5,259,176
Real estate	21,686,940	20,500,075	19,051,590	18,692,482	18,952,045
Retail trade	66,734,591	63,070,558	63,514,414	61,363,355	57,365,818
Retail trade - food	45,101,097	42,599,637	40,674,954	36,178,282	33,119,466
Retail trade, bars & catering	18,612,056	18,083,807	17,499,435	16,637,388	16,051,180
Retail, automotive	15,469,233	12,955,708	12,307,129	12,233,859	10,401,180
Retail, specialty	12,837,901	13,276,417	13,720,642	13,146,382	13,231,426
Retail, var, jewelry, curios	35,196,189	33,307,310	38,294,255	36,740,790	31,991,667
Services, entertainment	4,862,158	4,592,958	4,703,737	4,852,199	4,789,457
Service, general	8,404,625	8,405,467	8,405,429	6,812,309	6,705,982
Services, professional	4,016,554	4,170,100	4,290,255	3,769,258	3,774,261
Trans, comm, utilities	68,090,874	60,189,186	57,564,712	47,848,424	38,467,323
	<u>330,524,377</u>	<u>309,182,631</u>	<u>306,990,563</u>	<u>284,339,193</u>	<u>257,245,218</u>

Source: Ketchikan Gateway Borough Finance Department.

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years  
June 30, 2012

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	(Deficit) Funded through the General Fund	Population	Per Capita Cost	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Other Expenses	Available for Other Projects
2003	600,000	841,488	1,441,488	999,084	5,120	-	1,004,204	(437,284)	13,685	32	575,000	220,478	795,478	1,016,043		220,565
2004	860,000	1,271,748	2,131,748	1,497,732	10,832	-	1,508,564	(623,184)	13,067	48	605,000	194,028	799,028	1,134,652		335,624
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	13,686	(9)	353,500	583,577	937,077	1,659,745		722,668

Note: G.O. Bonds only  
Source: Ketchikan Gateway Borough Finance Department.

**KETCHIKAN GATEWAY BOROUGH**  
*Ratios of General Bonded Debt Outstanding*  
 June 30, 2012

<u>Fiscal Year</u>	<u>General Obligation Bonds Governmental Type</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2003	28,940,832	3%	2,115
2004	27,487,357	3%	2,104
2005	34,044,749	4%	2,597
2006	33,203,086	4%	2,520
2007	29,630,000	3%	2,264
2008	27,290,000	2%	2,100
2009	24,965,000	2%	1,923
2010	46,810,000	4%	3,473
2011	47,925,000	4%	3,502
2012	44,855,000	4%	3,277

**KETCHIKAN GATEWAY BOROUGH**  
*Direct and Overlapping Governmental Activities Debt*  
 June 30, 2012

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Governmental Unit

**Debt repaid with sales taxes**

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough	\$	44,855,000
Less Self Supporting Debt:		
Sales Tax Revenues	(44,855,000)	<u>(44,855,000)</u>
Total Direct Debt		<u>-</u>
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		16,380,223
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(540,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(4,275,000)	
ADEC Clean Water loan Program		
Paid from Wastewater and Harbor Fund Revenues	(4,560,223)	
		<u>(9,375,223)</u>
Total City of Ketchikan Direct Debt		<u>7,005,000.00</u>
Total Direct and Overlapping Debt	\$	<u><u>7,005,000.00</u></u>

**KETCHIKAN GATEWAY BOROUGH***Revenue Bond Coverage**Ketchikan International Airport*

Last Ten Years

June 30, 2012

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
2002	3,001,570	2,774,919	226,651	-	136,338	136,338	1.66
2003	3,439,530	2,739,372	700,158	50,000	207,544	257,544	2.72
2004	3,225,729	2,643,847	581,882	180,000	203,256	383,256	1.52
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)

- (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, 2012

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
2003	13,685	524,723,955	38,343	10.20%	2,391	7	145	155	307
2004	13,067	500,949,579	38,337	8.90%	2,359	6	140	155	300
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	13,686	701,626,476	51,266	7.20%	2,167	7	147	152	315

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

(2) <http://www.eed.state.ak.us/stats/SchoolLevel/2010SchoolLevelCount.pdf>

Principal Employers FY 2007 and Nine Years Ago  
June 30, 2012

Employer	2007 data (2008 thru 2010 not available)			1999		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Alaska	629	1	8.60%	580	1	8.26%
Ketchikan General Hospital	377	2	5.16%	347	3	4.94%
City of Ketchikan	357	3	4.88%	352	2	5.01%
Ketchikan Gateway Borough Schools	351	4	4.80%	292	4	4.16%
US Federal Government	308	5	4.21%	154	5	2.19%
Trident-Norquest Seafoods	163	6	2.23%			
Ketchikan Gateway Borough	161	7	2.20%	137	6	1.95%
Wal-Mart Associates Inc.	146	8	2.00%			
Ketchikan Indian Corporation	145	9	1.98%			
Community Connections Inc.	144	10	1.97%			
E C Phillips & Sons Inc.				128	8	1.82%
Safeway Inc.				123	10	1.75%
Ketchikan Pulp Co.				136	7	1.94%
Williams Inc.				126	9	1.79%
Total	<u>2,781</u>			<u>2,375</u>		

State of Alaska Department of Labor most current information 2007.

Total employment

7,313

7,025

## KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics  
June 30, 2012

	Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<i>Ketchikan Gateway Borough</i>										
Borough, square miles	6,900	6,900	6,900	6,900	6,900	1,733	1,733	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	820	828	774	810	775	761	604	685	Not available	
Animals Impounded	411	392	362	509	475	424	408	417		
Animals Surrendered	303	310	296	309	278	315	395	388		
Animals Adopted	209	182	130	121	109	169	158	204		
Animals Claimed	124	136	161	171	184	118	149	156		
<i>Employees by function</i>										
Administration	24	24	24	24	23	26	25	25	25	
Fire and EMS	6	6	6	6	6	5	4	2	2	
Public services	12	12	12	12	11	11	11	10	10	
Parks and Recreation	14	14	14	14	14	14	14	14	13	
Public works	16	16	16	18	18	19	20	18	17	
Transit	9	9	9	9	10	9	9	8	7	
Automation	1	1	1	1	1	1	1	1	1	
Airport	27	27	27	27	27	27	28	26	26	
	109	109	109	111	110	112	112	104	101	
<i>South Tongass Volunteer Fire Department</i>										
Stations	1	1	1	1	1	1	1	1	1	1
Volunteers	35	39	43	39	40	38	40	27	27	27
Fire Calls	33	67	34	29	8	15	23	12	12	12
Emergency Calls/EMS Incidents	113	101	96	125	102	104	69	88	88	88
Fire Investigations	7	6	5	7	4	15	3	2	2	2
<i>North Tongass Volunteer Fire Department</i>										
Stations	2	2	2	2	2	2	2	2	Not established	
Volunteers	20	24	23	26	31	31	30	30		
Fire Calls	26	24	25	43	37	28	40			
Emergency Calls/EMS Incidents	113	126	145	149	95	84	110			
Fire Investigations	0	0	0	0	0	0	1			
<i>Elections</i>										
Registered Voters		10,105	10,354	10,255	10,380	10,253	10,034	10,135	10,135	10,135
Votes Cast Last Borough Election	1,447	1,849	2,127	2,189	2,456	2,528	3,138	3,982	3,989	3,989
% Voting Last Borough Election		18%	21%	21%	24%	25%	31%	39%	39%	39%
<i>Sewer &amp; Water Plants</i>										
Forest Park:										
Sewer Connections	150	150	150	150	150	150	150	150	Not established	
Miles of Sanitary Sewers	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5		
Average Daily Treatment (gals)	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000		

## KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics  
June 30, 2012

	Date of Incorporation & Code of Ordinances Adopted- 1963									
	Form of Government - Elected Assembly - Manager									
	Second-Class Borough									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Mountain Point:</b>										
Miles of Sanitary Sewers	6	6	6	6	6	6	6	6	6	6
Average Daily Treatment (Sewer gals)	100,000	100,000	100,000	100,000	47,000	47,000	47,000	47,000	47,000	47,000
Treatment Capacity (Sewer gals)	700,000	700,000	700,000	700,000	330,000	330,000	330,000	330,000	330,000	330,000
Sewer Connections	522	522	522	522	257	257	257	257	257	257
<b>Mountain Point Service Area:</b>										
Water, Hydrant, Connections	402	402	402	402	327	327	327	327	327	327
Average Daily Treatment (Water gals)	149,533	149,533	149,533	149,533	92,580	92,580	92,580	146,933	146,933	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
<b>Municipal Parks</b>										
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	2	2	2	2
Lighted Ball Fields	7	7	7	7	7	6	6	6	6	6
<b>Ketchikan International Airport (Calendar YR)</b>										
Inbound Passengers		99,072	96,160	100,851	119,376	125,295	104,906	92,659	Not available	
Outbound Passengers		98,262	95,050	99,650	112,746	119,451	104,966	93,424		
<b>Airport Ferry</b>										
Passengers		337,996	336,422	381,961	449,790	418,291	356,774	321,958	Not available	
Vehicles		76,243	83,690	105,653	127,516	106,276	84,754	71,394		
<b>Transit</b>										
Passengers	396,689	346,249	307,999	265,536	226,356	153,377	133,321	150,985	174,575	189,647
<b>Visitor Industry</b>										
Cruise Ship Passengers	830,702	835,325	925,517	930,459	897,834	899,638	681,096			

Data supplied by Ketchikan Gateway Borough Department Directors



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