

Ketchikan Gateway Borough

Alaska



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2011

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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For The Year Ended June 30, 2011

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INTRODUCTORY SECTION



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KETCHIKAN GATEWAY BOROUGH

1900 FIRST AVENUE, SUITE 118 • KETCHIKAN, ALASKA 99901

Michael J. Houts, Finance Director

• 907/228-6649 • fax 907/247-6698

OFFICE OF THE BOROUGH FINANCE DEPARTMENT

December 29, 2011

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, 2011.

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, 2011, 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, 2011 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

Commercial Passenger Vessel (CPV) Excise Tax – The CPV levied by the State of Alaska became effective December 17, 2006. The State shares a portion of the proceeds of the tax with the Ketchikan Gateway Borough. Specifically, the Borough receives \$2.50 per passenger of the tax revenue collected from the tax levied by the State of Alaska. Each port of call receiving funds under this section shall use the funds in a manner calculated 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. The Borough projects \$2,125,000 in shared revenues from the State excise tax during FY 2012.

Economic Development – Ward Cove Property - The Borough Assembly approved a resolution to sell the balance of the Ward Cove property to a buyer for \$2,100,000. The proceeds will be accounted for in the Economic Development Fund in fiscal year 2012 and will be a significant increase in the cash assets of the fund. The Borough realized an impairment of the group of assets in the amount of \$7,313,222 for FY 2011. The long term benefit is the return of the property to the tax roll.

Airport Enterprise Fund - The Borough received economic relief in FY 2011 in the amount of \$290,000 and is scheduled to receive more State aid in the amount of \$300,000 in capital in FY 2012. The state also called \$700,000 of outstanding revenue bonds for additional debt relief. The Borough is negotiating with the State to make changes to the Airport lease, to make long term changes for economic relief to the Enterprise Fund. The Enterprise Fund owes the Borough central treasury \$2,364,162 and it is reflected as nonspendable in the Economic Development Fund balance as advances receivable. The changes to the lease and operational changes at the Airport will enable the Airport Enterprise to begin paying down on the advance from the Economic Development Fund.

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, 2010. This is the fifth 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, 2010

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. Davison

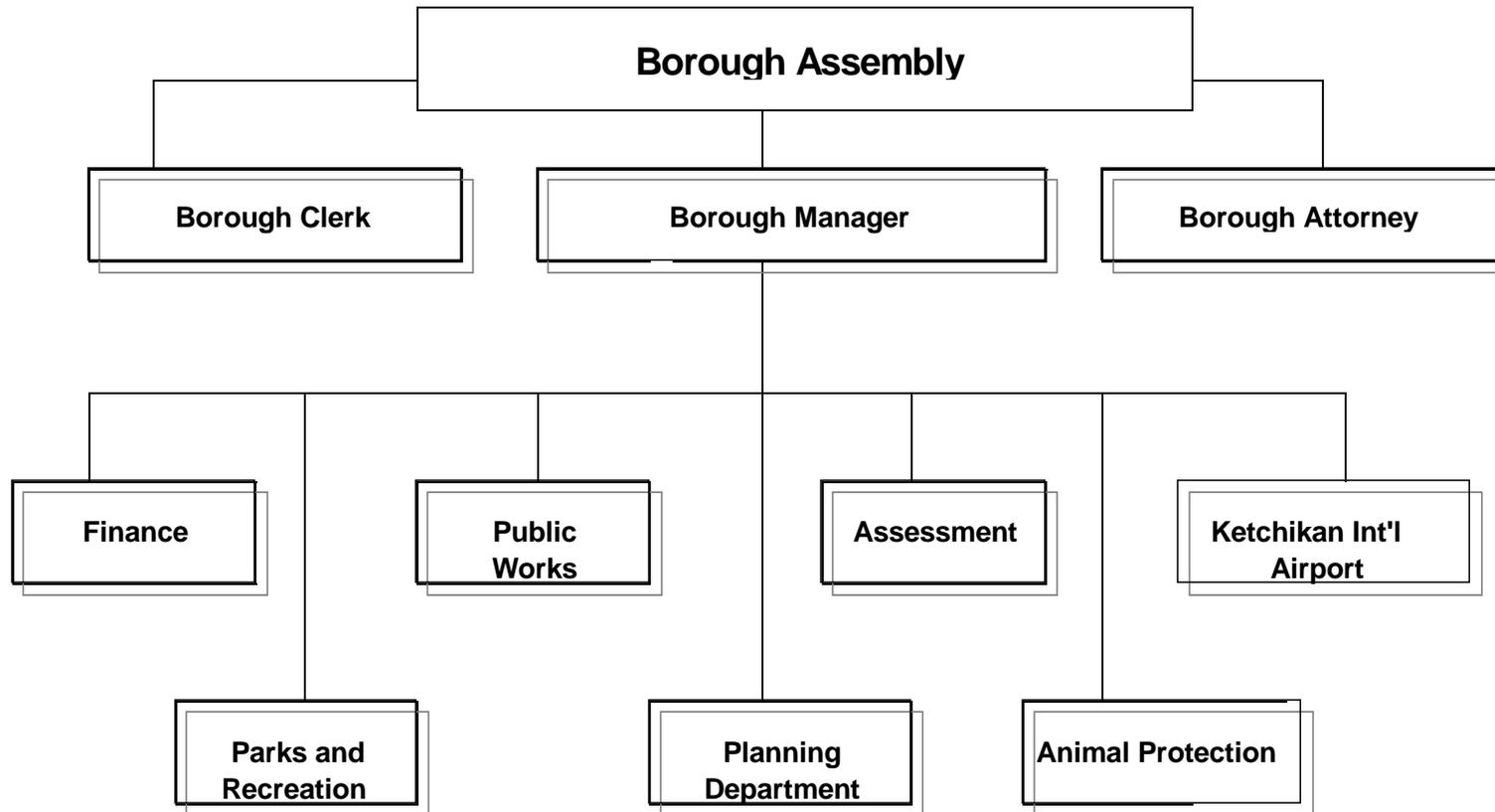
President

Jeffrey R. Emer

Executive Director

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2010/2011



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2011

MAYOR AND ASSEMBLY

<i>Mayor</i>	Dave Kiffer
<i>Vice-Mayor</i>	John Harrington
<i>Assembly Member</i>	Alan Bailey
<i>Assembly Member</i>	Agnes Moran
<i>Assembly Member</i>	Todd Phillips
<i>Assembly Member</i>	Bill Rotecki
<i>Assembly Member</i>	Mike Salazar
<i>Assembly Member</i>	Jim Shoemaker

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

BOROUGH STAFF

<i>Borough Manager</i>	Dan Bockhorst
<i>Assistant Borough Manager</i>	Cynna Gubatayao
<i>Borough Attorney</i>	Scott A. Brandt-Erichsen
<i>Borough Clerk</i>	Kacie Paxton
<i>Director of Animal Protection</i>	Kelly Ludwig-Johnson
<i>Director of Assessment</i>	Ron Brown
<i>Director of Finance</i>	Michael Houts
<i>Director of Planning</i>	Tom Williams
<i>Manager of Ketchikan International Airport</i>	Mike Carney
<i>Public Works Operations Manager</i>	Mike Carney
<i>Parks and Recreation Supervisor</i>	Wendy Mackie



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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, 2011, 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, 2011, 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 29, 2011 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.

The Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 express no opinion on them.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 29, 2011

KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2011

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, 2011. 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 \$159,261,064 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt of \$134,496,378 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 \$21,959,876 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$2,804,810 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 \$48,109,707 this year. This compares to the prior year ending fund balance of \$56,324,663 showing a decrease of \$8,214,956 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, 2011 was \$5,946,441.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,550,394 or 35% 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 26 & 27 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 28 - 38 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 40 - 43 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 47 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 \$159,261,064. The following table provides a summary of the Borough's net assets:

(This page continued on the subsequent page).

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current assets	\$ 54,291,294	60,645,469	985,920	757,977	55,277,214	61,403,446
Debt issuance costs, net	380,168	244,884	-	-	380,168	244,884
Capital assets	<u>152,274,670</u>	<u>142,055,270</u>	<u>19,963,210</u>	<u>20,458,199</u>	<u>172,237,880</u>	<u>162,513,469</u>
Total assets	<u>206,946,132</u>	<u>202,945,623</u>	<u>20,949,130</u>	<u>21,216,176</u>	<u>227,895,262</u>	<u>224,161,799</u>
Liabilities:						
Current liabilities	11,658,294	9,286,238	3,923,775	3,822,361	15,582,069	13,108,599
Long-term liabilities	<u>50,728,360</u>	<u>45,824,060</u>	<u>2,323,769</u>	<u>2,616,928</u>	<u>53,052,129</u>	<u>48,440,988</u>
Total liabilities	<u>62,386,654</u>	<u>55,110,298</u>	<u>6,247,544</u>	<u>6,439,289</u>	<u>68,634,198</u>	<u>61,549,587</u>
Net assets:						
Invested in capital assets, net of debt	117,038,168	116,791,016	17,458,210	17,703,199	134,496,378	134,494,215
Restricted	9,326,387	8,776,216	385,000	385,000	9,711,387	9,161,216
Unrestricted (deficit)	<u>18,194,923</u>	<u>22,268,092</u>	<u>(3,141,624)</u>	<u>(3,311,312)</u>	<u>15,053,299</u>	<u>18,956,780</u>
Total 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>

Approximately 72.1% or \$29,578,166, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$197,293 is restricted as a guarantee for the Ketchikan Visitor's Bureau note payable, \$1,265,000 is restricted as a guarantee for the IFA's bond debt service, \$4,287,232 is restricted for commercial passenger vessel related projects, \$235,380 is restricted for airport revenue bond payments, \$23,208,261 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 73.6 % of total assets and net assets invested in capital assets, net of any related debt account for 81.0% 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 95.3% 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. 75.6% of the Borough's total assets are included in capital assets. The Borough's total net assets decreased by \$3,351,147 during fiscal year 2011. Net assets invested in capital assets, net of debt for governmental activities increased by \$247,152 and net assets invested in capital assets, net of debt for business type activities decreased by \$244,989.

The current ratio for governmental activities is 4.66 to 1 and .25 to 1 for business type activities. This compares to 6.53 to 1 for governmental activities and .20 to 1 for business type activities for fiscal year 2010. 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 decreased by \$3,351,147 in 2011. The net assets for governmental activities decreased by \$3,275,846 and the net assets for business-type activities decreased by \$75,301. The following table provides a summary of the changes in the Borough's net assets:

	Summary of Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program:						
Charges for services	\$ 5,540,613	\$ 4,830,238	4,336,137	3,860,135	9,876,750	8,690,373
Operating grants	904,866	705,498	79,122	128,193	983,988	833,691
Capital grants	6,426,775	8,369,771	556,653	638,665	6,983,428	9,008,436
General:						
Taxes	18,141,557	18,501,625	-	-	18,141,557	18,501,625
Other	4,969,877	4,365,985	165,963	106,177	5,135,840	4,472,162
Total revenues	<u>35,983,688</u>	<u>36,773,117</u>	<u>5,137,875</u>	<u>4,733,170</u>	<u>41,121,563</u>	<u>41,506,287</u>
Program Expenses:						
Administration	3,502,989	3,198,263	-	-	3,502,989	3,198,263
Fire and EMS	1,289,444	1,249,053	-	-	1,289,444	1,249,053
Water treatment & distribution	207,102	228,725	-	-	207,102	228,725
Library services	372,794	371,886	-	-	372,794	371,886
Parks and recreation	2,066,242	2,004,219	-	-	2,066,242	2,004,219
Public works	1,093,054	1,391,689	-	-	1,093,054	1,391,689
Public services	3,595,580	4,162,195	-	-	3,595,580	4,162,195
Transit	1,640,624	1,427,218	-	-	1,640,624	1,427,218
Education	15,091,534	15,686,886	-	-	15,091,534	15,686,886
Interest	2,453,966	1,540,248	-	-	2,453,966	1,540,248
Airport	-	-	4,835,323	4,625,758	4,835,323	4,625,758
Wastewater	-	-	1,010,836	912,252	1,010,836	912,252
Total expenses	<u>31,313,329</u>	<u>31,260,382</u>	<u>5,846,159</u>	<u>5,538,010</u>	<u>37,159,488</u>	<u>36,798,392</u>
Excess (deficiency)	4,670,359	5,512,735	(708,284)	(804,840)	3,962,075	4,707,895
Special Items:						
Gain or (loss) on disposal of capital assets	-	1,320,541	-	-	-	1,320,541
Write down of impaired capital assets	(7,313,222)	-	-	-	(7,313,222)	-
Transfers	<u>(632,983)</u>	<u>(625,258)</u>	<u>632,983</u>	<u>625,258</u>	<u>-</u>	<u>-</u>
Change in net assets	(3,275,846)	6,208,018	(75,301)	(179,582)	(3,351,147)	6,028,436
Beginning net assets	<u>147,835,324</u>	<u>141,627,306</u>	<u>14,776,887</u>	<u>14,956,469</u>	<u>162,612,211</u>	<u>156,583,775</u>
Ending 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>

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 over \$9.0 million of tax revenues or approximately 39.0% of the total general revenues. Sales taxes provided 47.3% of the Borough's total governmental tax revenues. The Borough recognized \$650,810 in investment earnings for fiscal year 2011. The total earnings were from interest earnings, market changes in investment accounts, and interest charged on internal loans to other funds. Also, note that program revenues cover 37.0% of governmental operating expenses; this is a decrease of 7.0% 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 11.48% of our total costs. This is 1.70% less than the cost for public services for fiscal year 2010. Library services account for 1.20% of our total cost. 48.20% of our resources are used to fund the school district, which is a 2.37% decrease from fiscal year 2010. Administration costs were 11.19% of total cost. The total cost of services for all governmental functions decreased by \$277,451 or 1.1% from fiscal year 2010. The total cost of services decreased by 1.1%, however, the total net cost of services for fiscal year 2011 increased by \$755,802. 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. Of the total increase in the net cost of services, interest increased 59.32% over fiscal year 2010 and is attributed to the increased debt service for two new bond issuances. This increase in debt service has funded new facilities that provide additional or enhanced services for the citizens of the community. This means that the government's taxpayers and the Borough's other general governmental revenues fund 58.89% 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
Administration	\$ 3,502,989	11.19%	3,502,989
Fire and EMS	1,289,444	4.12%	1,047,109
Water treatment & distribution	207,102	0.66%	(1,335,603)
Library services	372,794	1.20%	372,794
Parks and recreation	2,066,242	6.60%	1,145,429
Public works	1,093,054	3.49%	1,093,054
Public services	3,595,580	11.48%	2,362,396
Transit	1,640,624	5.24%	690,819
Education	15,091,534	48.20%	7,108,122
Interest	2,453,966	7.84%	2,453,966
Total	\$ 31,313,329	100%	18,441,075

After reducing gross expenses by program revenues, the program costs exceeded program revenues for public services by \$2,362,396 or 11.26 % of the net cost of governmental services and education accounts for 38.22% of the net cost as compared to 44.84% for 2010.

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 \$350,275 or 10.7% more than 2010, and operating expenses increased by \$344,767 or 7.7%.

The overall operating expenses increased by 7.7%. Personal services increased by \$157,917 or 6.0% over 2010, and supplies and services increased by \$123,549 or 10.9%. Insurance costs increased by \$2,047 or 1.0% and the calculated depreciation costs increased by \$61,254 or 11.7%.

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 2011. The operating revenues increased by \$125,727 or 21.8%. That increase is attributable to an increase in sludge disposal fees from fiscal year 2010. The operating expenses increased by \$91,493 or 10.0%. Net Operating Expenses for the WEF increased by \$98,493 or 11.3% from the prior year, after the "recovery of expenditures from other funds" was accounted for. All areas of operating expenses, with the exception of supplies and services for the WEF decreased during fiscal year 2011. Supplies and services increased by \$95,881 or 34.3%. The WEF also received an ARRA operating grant in the amount of \$61,878.

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 \$48,109,707. Of this year-end total, \$5,946,441 is unassigned. Fund balances for interfund loans, and prepaid items in the amount of \$4,537,711 are classified as nonspendable. Legally restricted fund balances in the amount of \$29,263,760 include \$299,199 for airport debt service, \$19,937,373 for capital projects, \$4,004,785 for commercial passenger vessel impact, \$16,125 for dock improvements, \$92,553 for library operations, \$1,462,293 for loan guarantees, \$94,242 for public safety and water, \$3,031,420 for recreation, and \$325,770 for road maintenance. Fund balances are committed in total for \$1,983,508, which includes \$123,675 for accounting software, \$176,295 for the current portion of advances, and \$1,683,538 for education. Fund balances totaling \$6,554,142 are assigned for the following: \$3,621,531 for Borough-owned land management and \$2,932,611 for economic development.

The total ending fund balances of governmental funds shows a decrease of \$8,214,956 or 14.6% less than the prior year. This decrease is primarily the result of \$6,373,953 capital expenditures in FY 2011 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 \$652,483, a 10.8% increase. The FY11 budget under spent projected expenditures and transfers out by \$296,584. The majority of under spent funds of \$177,553 is a deferral capital outlay for accounting software to the subsequent fiscal year. The balance of under spent funds is due to conservative cost control by various department directors. A favorable variance in revenue collections and a favorable variance in expenditures increased the projected fund balance by \$1,346,499. 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 2010 collections by \$457,155, but were \$141,202 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 2.1% from fiscal year 2010, 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 \$637,115 was received in fiscal year 2011. House Bill No. 300 provided \$426,035 in PERS relief to Ketchikan Gateway Borough and \$253,249 of the total relief was recognized in the General Fund.

Overall, expenditures decreased by \$11,189 for public services from the prior year. Total General Fund expenditures increased by \$252,499 or 1.4% over fiscal year 2010. The increase in General Fund expenditures is due to a decrease in the "recovery of expenditures from other funds" as compared to fiscal year 2010.

Land Trust Fund – During fiscal year 2011, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$445,314. The Land Trust Fund expended \$332,408 for public services. The Land Trust Fund also transferred \$497,182 to the Debt Service Fund for principal and interest payments for the beach that was purchased in fiscal year 2009 from Alaska Mental Land Trust, and for debt payments for the purchase of the White Cliff School Building, which houses the Borough's administrative offices. The net change in fund balance was a \$4,565,467 decrease or 44.24%. The purchase price of the White Cliff School Building was \$9,530,000 with \$4,765,000 financed with the issuance of certificates of participation through the Alaska Municipal Bond Bank and with Land Trust funds.

Economic Development Assistance Program Fund (EDAPF) – During fiscal year 2011, revenues including charges for services and investments earnings totaled \$428,299. The EDAPF expended \$545,963 for public services and transferred \$129,053 to the General Fund. The net change in the fund balance was a decrease of \$212,308 or 3.0%. Revenues for the EDAPF were \$2,433,757 less than budgeted. Realized revenues were less than budgeted because a sale of Ward Cove property to the State of Alaska closed earlier than expected and the sale was recognized in fiscal year 2010.

Capital Projects Fund – Construction on health and safety work for fire alarms, fencing, security cameras and the inprogress project of the High School reroof totaled \$1,722,213 plus bond issuance costs of \$26,041 was expended on several schools within the District. The Borough also continued work on a new aquatic center expending funds of \$6,373,953. The total expended during fiscal year 2011 was \$8,122,207.

State & Federal Grants Fund – During fiscal year 2011, the Borough received \$1,585,788 in State and Federal grants. The Borough expended \$146,225 on public services and \$1,422,563 towards governmental capital projects. The majority of the State and Federal grant funds were expended for the Mountain Point to Herring Cove water system project.

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 \$1,614,719 in sales tax revenue, \$2,025,976 in debt reimbursement revenues, and \$19,593 in investment earnings. This fund transferred out \$3,058,383 for G.O. bond principal and interest payments into Debt Service Funds, \$200,000 to the Capital Projects Fund for the Aquatic Center project, and \$98,879 to the General Fund for insurance on school buildings. This fund also expended \$35,699 for public service projects, and \$119,554 for school capital projects. The ending fund balance increased by \$147,773 or 9.6%.

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 – The revenue budget was amended during this fiscal year to account for interfund revenues from the CPV Fund to pay for General Fund public service expenditures. Total taxes collected were \$692,372 more than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$277,454 more than budgeted for intergovernmental revenues. In total, the Borough collected about 6.7% more than budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$203,396 during 2011. 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 \$296,584. Expenditures declined due to \$177,553 for capital outlay is being deferred for accounting software conversion to the following year, a mild winter, reducing snow removal, deicing, and a reduction in heating fuel consumption.

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, 2011, was \$152,274,670 and \$19,963,210 respectively. The total change in net book value of capital assets was an increase of 7.2% for governmental and a 2.4% decrease for business-type activities. The overall change was a 6.0% 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Non-depreciable assets:						
Land	\$ 35,804,465	\$ 41,650,069	-	-	35,804,465	41,650,069
Ward Cove properties	2,102,925	2,555,670	-	-	2,102,925	2,555,670
Construction in progress	<u>12,865,616</u>	<u>4,017,587</u>	<u>1,142,318</u>	<u>585,665</u>	<u>14,007,934</u>	<u>4,603,252</u>
Total non-depreciable	<u>50,773,006</u>	<u>48,223,326</u>	<u>1,142,318</u>	<u>585,665</u>	<u>51,915,324</u>	<u>48,808,991</u>
Depreciable assets:						
Buildings and improvements	120,023,316	109,557,740	12,356,574	12,147,773	132,379,890	121,705,513
Vehicles, ferry and equipment	5,823,031	6,256,391	4,785,241	5,953,479	10,608,272	12,209,870
Wastewater assets			15,250,083	15,239,826	15,250,083	15,239,826
Infrastructure	<u>10,142,553</u>	<u>9,842,097</u>	<u>-</u>	<u>-</u>	<u>10,142,553</u>	<u>9,842,097</u>
Total depreciable assets	135,988,900	125,656,228	32,391,898	33,341,078	168,380,798	158,997,306
Less accumulated depreciation	<u>34,487,236</u>	<u>31,824,284</u>	<u>13,571,006</u>	<u>13,468,544</u>	<u>48,058,242</u>	<u>45,292,828</u>
Book value - depreciable assets	<u>101,501,664</u>	<u>93,831,944</u>	<u>18,820,892</u>	<u>19,872,534</u>	<u>120,322,556</u>	<u>113,704,478</u>
Percentage depreciated	<u>25%</u>	<u>25%</u>	<u>42%</u>	<u>40%</u>	<u>29%</u>	<u>28%</u>
Book value - all assets	<u>152,274,670</u>	<u>142,055,270</u>	<u>19,963,210</u>	<u>20,458,199</u>	<u>172,237,880</u>	<u>162,513,469</u>

At June 30, 2011, the depreciable capital assets for governmental activities were 25% depreciated. This is comparable to fiscal year 2010. 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, 42% of the asset values were depreciated at June 30, 2011 compared to 40% at June 30, 2010. The depreciation for FY 11 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 58.1% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2011 included the following:

General Governmental Assets:

- Construction continued on a new aquatic center at a cost of \$6,373,953 and was funded through General Obligation bond proceeds.
- Construction continued to the South Tongass Water System in the amount of \$1,365,095 and was funded through USDA, EPA, State DEC, and Designated State Legislative grants.

- Construction continued on the Kay-Hi Curtain Wall at a cost of \$59,325 and was funded through a State Matching Grant and local funds from the School Bond Capital Improvements Fund.
- Construction began on a dock replacement in the Loring Service Area at a cost of \$213,208 and was funded with funds received from the State of Alaska in fiscal year 2010.
- Implementation of a new accounting software system was begun at a cost of \$71,507 and was funded with General Fund revenues.
- Ketchikan Gateway Borough purchased the former White Cliff School Building that it has been occupying for the past two years at a cost of \$9,544,470. The purchase was funded with Land Trust funds and Certificates of Participation issued through the Alaska Municipal Bond Bank.
- Construction began on the Kay-Hi Roof Replacement project at a cost of \$1,331,264 and was funded through General Obligation Bond proceeds.
- A Versa Camm Plotter/Printer/Cutter was purchased at a cost of \$18,195 and was funded through a FTA 5311 grant and matching funds from the General Fund.
- Construction was completed on several school projects as follows: Playground Renovations to several schools at a current cost of \$156,911. The completed project was capitalized at a total cost of \$884,390; Houghtaling Shelter at a current cost of \$96,604. The completed project was capitalized at a total cost of \$384,325; Valley Park Siding at a current cost of \$137,435. The completed project was capitalized at a total cost of \$506,447; Valley Park fencing and Security at a current cost of \$77,884. The completed project was capitalized at a total cost of \$133,000. All of these projects were funded through DEED at 70% and the School Bond Capital Improvements Fund at 30%.
- Replacement of the Houghtaling Elementary Gym Ceiling was completed at a cost of \$41,670 and was funded through the School Bond Capital Improvements Fund.

Enterprise Funds:

- Construction continued on Wastewater improvements to improve and upgrade the sewer at the Ketchikan Airport in the amount of \$514,415 and was funded through a State Designated Legislative grant and a State DEC grant.
- Construction was begun on Airport terminal renovations in the amount of \$38,173 and was funded through a State Designated Legislative grant.
- Construction continued on restrooms for the Airport Parking Lot on the Ketchikan side at a cost of \$4,064 and was funded through a State Designated Legislative grant.
- A rotary blower was purchased for a Wastewater plant at a cost of \$20,090 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 \$2,285,000 of its existing G.O. bonds, \$65,000 of certificates of participation, issued \$3,400,000 in additional G.O. bonds, and issued \$4,765,000 in certificates of participation. The Borough also retired \$250,000 of its outstanding revenue bonds.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	47,925,000	46,810,000	-	-	47,925,000	46,810,000
Certificates of participation	4,700,000	-	-	-	4,700,000	-
Revenue bonds	-	-	2,505,000	2,755,000	2,505,000	2,755,000
Capital lease	139,437	181,603	-	-	139,437	181,603
Capital note payable	155,500	331,000	-	-	155,500	331,000
Compensated absences	590,686	615,609	261,539	245,928	852,225	861,537
Unamortized premium	1,179,084	1,235,211	-	-	1,179,084	1,235,211
Unamortized loss on refunding	<u>(487,357)</u>	<u>(508,850)</u>	<u>-</u>	<u>-</u>	<u>(487,357)</u>	<u>(508,850)</u>
Total	<u>54,202,350</u>	<u>48,664,573</u>	<u>2,766,539</u>	<u>3,000,928</u>	<u>56,968,889</u>	<u>51,665,501</u>

Economic Conditions Affecting the Borough

The Alaska Marine Highway System 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. The sale of the property to the AMHS serves multiple economic development goals. Those include anchoring AMHS to Ketchikan and providing a stable and resourceful property owner that will likely encourage other re-development at Ward Cove. Capital outlay funding from the Alaska State Legislature is expected to enhance the capabilities of the facility to service AMHS's fleet. The sale of the balance of the property to a private investor will be finalized in late 2011, which will stimulate economic development.

The Alaska Ship and Drydock acquired funding for a \$33,000,000 infrastructure addition to service the North American fleet. The construction of the facility will be completed in 2012. The shipyard is a major economic driver in the community.

The tourism industry, which is important to Ketchikan, has experienced a slight increase over the previous year due to the increased visitor activity. The passenger count for the 2010 cruise season for Ketchikan was 835,325 and for the 2011 season 844,412 cruise ship visitors. The cruise industry recognized the increase as a trend for future years.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 11,185,413	258,905	11,444,318	556,012
Restricted cash and investments	29,193,166	-	29,193,166	-
Prepaid items	606,350	-	606,350	-
Receivables:				
Accounts	251,516	268,709	520,225	1,657,124
Intergovernmental	2,238,339	73,306	2,311,645	-
Investment earnings	38,349	-	38,349	-
Property taxes	798,576	-	798,576	-
Sales taxes	4,651,042	-	4,651,042	-
Trust fund	-	-	-	3,811
Due from component unit	1,169,895	-	1,169,895	-
Primary government	-	-	-	1,344,392
Notes	789,553	-	789,553	-
Internal balances	3,369,095	(3,369,095)	-	-
Inventory	-	-	-	28,442
Noncurrent Assets				
Restricted cash and investments-bond reserve	-	385,000	385,000	-
Bond issuance costs, net	256,339	-	256,339	-
Certificate of participation issuance costs, net	123,829	-	123,829	-
Capital assets:				
Nondepreciable capital assets	50,773,006	1,142,318	51,915,324	354,857
Depreciable capital assets, net	101,501,664	18,820,892	120,322,556	454,373
Total Assets	<u>206,946,132</u>	<u>17,580,035</u>	<u>224,526,167</u>	<u>4,399,011</u>
Liabilities				
Current Liabilities				
Accounts payable	4,100,866	111,910	4,212,776	582,197
Accrued salaries and wages	5,853	-	5,853	475,860
Intergovernmental payable	2,834,208	-	2,834,208	-
Accrued interest payable	599,705	-	599,705	-
Due to primary government	-	-	-	1,169,895
Deposits	116,598	-	116,598	-
Claims payable	402,109	-	402,109	-
Unearned revenue	124,965	-	124,965	-
Compensated absences payable	569,237	182,770	752,007	332,223
Termination benefits	-	-	-	-
Capital note payable	155,500	-	155,500	-
Capital leases payable	44,253	-	44,253	-
General obligation bonds payable	2,575,000	-	2,575,000	-
Certificates of participation payable	130,000	-	130,000	-
Revenue bonds payable	-	260,000	260,000	-
Termination benefits	-	-	-	7,974
Long-Term Liabilities				
Due in More Than One Year				
Compensated absences	21,449	78,769	100,218	-
Termination benefits	-	-	-	7,974
General obligation bonds payable, net of unamortized premium and deferred loss	45,984,611	-	45,984,611	-
Certificates of participation, net of unamortized premium	4,627,116	-	4,627,116	-
Capital leases payable	95,184	-	95,184	-
Revenue bonds payable	-	2,245,000	2,245,000	-
Total Liabilities	<u>62,386,654</u>	<u>2,878,449</u>	<u>65,265,103</u>	<u>2,576,123</u>
Net Assets				
Invested in capital assets, net of related debt	117,038,168	17,458,210	134,496,378	809,230
Restricted	9,326,387	385,000	9,711,387	-
Unrestricted (deficit)	18,194,923	(3,141,624)	15,053,299	1,013,658
Total Net Assets	<u>\$ 144,559,478</u>	<u>14,701,586</u>	<u>159,261,064</u>	<u>1,822,888</u>

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2011

	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	
Primary Government								
Governmental Activities								
Administration	\$ 3,502,989	-	-	-	(3,502,989)	-	(3,502,989)	-
Fire and EMS	1,289,444	242,335	-	-	(1,047,109)	-	(1,047,109)	-
Water treatment & distribution	207,102	177,610	-	1,365,095	1,335,603	-	1,335,603	-
Library services	372,794	-	-	-	(372,794)	-	(372,794)	-
Parks and recreation	2,066,242	538,013	-	382,800	(1,145,429)	-	(1,145,429)	-
Public works	1,093,054	-	-	-	(1,093,054)	-	(1,093,054)	-
Public services	3,595,580	862,291	139,685	231,208	(2,362,396)	-	(2,362,396)	-
Transit	1,640,624	184,624	765,181	-	(690,819)	-	(690,819)	-
Education	15,091,534	3,535,740	-	4,447,672	(7,108,122)	-	(7,108,122)	-
Interest	2,453,966	-	-	-	(2,453,966)	-	(2,453,966)	-
Total Governmental Activities	<u>31,313,329</u>	<u>5,540,613</u>	<u>904,866</u>	<u>6,426,775</u>	<u>(18,441,075)</u>	<u>-</u>	<u>(18,441,075)</u>	<u>-</u>
Business-Type Activities								
Airport	4,835,323	3,633,607	17,244	556,653	-	(627,819)	(627,819)	-
Wastewater	1,010,836	702,530	61,878	-	-	(246,428)	(246,428)	-
Total Business-Type Activities	<u>5,846,159</u>	<u>4,336,137</u>	<u>79,122</u>	<u>556,653</u>	<u>-</u>	<u>(874,247)</u>	<u>(874,247)</u>	<u>-</u>
Total - Primary Government	<u>\$ 37,159,488</u>	<u>9,876,750</u>	<u>983,988</u>	<u>6,983,428</u>	<u>(18,441,075)</u>	<u>(874,247)</u>	<u>(19,315,322)</u>	<u>-</u>
Component Unit								
Ketchikan Gateway Borough								
School District	<u>37,129,797</u>	<u>191,372</u>	<u>5,285,595</u>	<u>925,344</u>				\$ <u>(30,727,486)</u>
General Revenues								
Property taxes					\$ 9,015,302	-	9,015,302	-
Sales taxes					8,105,296	-	8,105,296	-
Payment in lieu of taxes					1,020,959	-	1,020,959	-
Grants and entitlements not restricted to specific programs					3,451,680	161,717	3,613,397	21,029,930
E-Rate					-	-	-	64,178
Primary government appropriation					-	-	-	9,411,001
Investment earnings					650,810	4,246	655,056	-
Miscellaneous					867,387	-	867,387	-
Total General Revenues					<u>23,111,434</u>	<u>165,963</u>	<u>23,277,397</u>	<u>30,505,109</u>
Special Items								
Write down of impaired assets					(7,313,222)	-	(7,313,222)	-
Transfers					<u>(632,983)</u>	<u>632,983</u>	<u>-</u>	<u>-</u>
Total General Revenues, Special Items and Transfers					<u>15,165,229</u>	<u>798,946</u>	<u>15,964,175</u>	<u>30,505,109</u>
Change in Net Assets					<u>(3,275,846)</u>	<u>(75,301)</u>	<u>(3,351,147)</u>	<u>(222,377)</u>
Net Assets Beginning of Year					<u>147,835,324</u>	<u>14,776,887</u>	<u>162,612,211</u>	<u>2,045,265</u>
Net Assets End of Year					<u>\$ 144,559,478</u>	<u>14,701,586</u>	<u>159,261,064</u>	<u>1,822,888</u>

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2011

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Assets				
Cash and investments	\$ 415,419	3,452,503	1,216,922	2,910,022
Restricted cash and investments	-	-	-	1,462,293
Prepaid items	-	-	-	440
Receivables:				
Accounts	97,390	4,856	-	43,465
Intergovernmental	748,136	-	20,954	-
Investment earnings	38,349	-	-	-
Property taxes	312,886	-	458,790	-
Sales taxes	4,192,252	-	-	-
Due from component unit	1,169,895	-	-	-
Notes	-	789,553	-	-
Interfund	3,084,803	-	-	-
Advances	-	1,519,100	-	2,364,162
Total Assets	\$ 10,059,130	5,766,012	1,696,666	6,780,382
Liabilities				
Accounts payable	\$ 333,475	11,023	13,128	16,808
Accrued salaries and wages	5,853	-	-	-
Intergovernmental payable	2,834,208	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Deposits	109,430	1,100	-	4,068
Deferred revenues	102,095	-	-	-
Total Liabilities	3,385,061	12,123	13,128	20,876
Fund Balances				
Nonspendable:				
Prepaid items	-	-	-	440
Notes and advances	-	2,132,358	-	2,364,162
Restricted:				
Airport debt service	-	-	-	-
Capital projects	-	-	-	-
Commercial passenger vessel impact	-	-	-	-
Dock improvements	-	-	-	-
Library operations	-	-	-	-
Loan guarantees	-	-	-	1,462,293
Public safety and water	-	-	-	-
Recreation	-	-	-	-
Road maintenance	-	-	-	-
Committed:				
Accounting software	123,675	-	-	-
Education	-	-	1,683,538	-
Assigned:				
Borough-owned land management	-	3,621,531	-	-
Economic development	-	-	-	2,932,611
Unassigned (deficit)	6,550,394	-	-	-
Total Fund Balances	6,674,069	5,753,889	1,683,538	6,759,506
Total Liabilities and Fund Balances	\$ 10,059,130	5,766,012	1,696,666	6,780,382

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet, continued

	State & Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 7,087		3,183,460	11,185,413
Restricted cash and investments	-	23,208,261	4,522,612	29,193,166
Prepaid items	-	-	41,191	41,631
Receivables:				
Accounts	-	-	105,805	251,516
Intergovernmental	1,467,184	-	2,065	2,238,339
Investment earnings	-	-	-	38,349
Property taxes	-	-	26,900	798,576
Sales taxes	-	-	458,790	4,651,042
Due from component unit	-	-	-	1,169,895
Notes	-	-	-	789,553
Interfund	-	-	-	3,084,803
Advances	-	-	-	3,883,262
Total Assets	\$ 1,474,271	23,208,261	8,340,823	57,325,545
Liabilities				
Accounts payable	\$ 299,594	3,111,977	314,861	4,100,866
Accrued salaries and wages	-	-	-	5,853
Intergovernmental payable	-	-	-	2,834,208
Interfund payable	1,167,590	156,911	3,896	1,328,397
Interfund advances payable	-	-	635,070	635,070
Deposits	-	2,000	-	116,598
Deferred revenues	7,087	-	85,664	194,846
Total Liabilities	1,474,271	3,270,888	1,039,491	9,215,838
Fund Balances				
Nonspendable:				
Prepaid items	-	-	41,191	41,631
Notes and advances	-	-	-	4,496,520
Restricted:				
Airport debt service	-	-	299,199	299,199
Capital projects	-	19,937,373	-	19,937,373
Commercial passenger vessel impact	-	-	4,004,785	4,004,785
Dock improvements	-	-	16,125	16,125
Library operations	-	-	92,553	92,553
Loan guarantees	-	-	-	1,462,293
Public safety and water	-	-	94,242	94,242
Recreation	-	-	3,031,420	3,031,420
Road maintenance	-	-	325,770	325,770
Committed:				
Accounting software	-	-	-	123,675
Education	-	-	-	1,683,538
Assigned:				
Borough-owned land management	-	-	-	3,621,531
Economic development	-	-	-	2,932,611
Unassigned (deficit)	-	-	(603,953)	5,946,441
Total Fund Balances	-	19,937,373	7,301,332	48,109,707
Total Liabilities and Fund Balances	\$ 1,474,271	23,208,261	8,340,823	57,325,545

Ketchikan Gateway Borough, Alaska
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances	\$	48,109,707
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$	186,761,907
Less accumulated depreciation	(34,487,237)	152,274,670
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.		
		69,881
Governmental funds report the effect of bond 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.		
		380,168
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.		
		(1,593,795)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		120,902
Accrued interest payable is not reported at the fund financial reporting level.		
		(599,705)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(47,925,000)	
Certificates of participation	(4,700,000)	
Premium for GO bonds	(1,121,968)	
Premium for certificates of participation	(57,116)	
Deferred loss on refunding	487,357	
Capital lease payable	(139,437)	
Capital note payable	(155,500)	
Compensated absences	(590,686)	(54,202,350)
Net Assets Of Governmental Activities	\$	144,559,478



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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, 2011

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Revenues				
Taxes	\$ 12,480,739	-	1,614,719	-
Intergovernmental	4,299,465	8,414	2,025,976	3,736
Licenses and permits	14,168	-	-	-
Charges for services	917,670	224,882	-	345,771
Water fees	-	-	-	-
Commercial vessel passenger tax	-	-	-	-
Interest subsidy	-	-	-	-
Investment earnings	164,772	143,018	19,593	78,792
Proceeds from sale of property	-	69,000	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>17,876,814</u>	<u>445,314</u>	<u>3,660,288</u>	<u>428,299</u>
Expenditures				
Current				
General government	3,222,852	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,058,677	332,408	35,699	545,963
Parks and recreation	1,786,992	-	-	-
Public works	1,066,171	-	-	-
Transit	1,542,359	-	-	-
Education	9,411,000	-	-	-
Nondepartmental	378,305	-	-	-
Capital Outlay	72,447	9,544,470	119,554	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Debt issuance costs	-	123,829	-	-
Total Expenditures	<u>18,538,803</u>	<u>10,000,707</u>	<u>155,253</u>	<u>545,963</u>
Excess (Deficiency) of Revenues Over Expenditures	(661,989)	(9,555,393)	3,505,035	(117,664)
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	4,765,000	-	-
Premium for bonds and certificates issued	-	57,116	-	-
Transfers in	1,323,359	664,992	-	34,409
Transfers out	(8,887)	(497,182)	(3,357,262)	(129,053)
Total Other Financing Sources (Uses)	<u>1,314,472</u>	<u>4,989,926</u>	<u>(3,357,262)</u>	<u>(94,644)</u>
Net Change in Fund Balances	652,483	(4,565,467)	147,773	(212,308)
Fund Balances Beginning of Year	<u>6,021,586</u>	<u>10,319,356</u>	<u>1,535,765</u>	<u>6,971,814</u>
Fund Balances End of Year	<u>\$ 6,674,069</u>	<u>5,753,889</u>	<u>1,683,538</u>	<u>6,759,506</u>

See accompanying notes to the basic financial statements.

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

	State & Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ -	-	3,087,356	17,182,814
Intergovernmental	1,585,788	-	497,572	8,420,951
Licenses and permits	-	-	-	14,168
Charges for services	-	-	314,346	1,802,669
Water fees	-	-	177,610	177,610
Commercial vessel passenger tax	-	-	2,088,313	2,088,313
Interest subsidy	-	-	547,193	547,193
Investment earnings	-	129,292	115,343	650,810
Proceeds from sale of property	-	-	-	69,000
Miscellaneous	-	-	330,620	330,620
Total Revenues	<u>1,585,788</u>	<u>129,292</u>	<u>7,158,353</u>	<u>31,284,148</u>
Expenditures				
Current				
General government	-	-	-	3,222,852
Library services	-	-	372,794	372,794
Fire and EMS	-	-	1,058,292	1,058,292
Water treatment and distribution	-	-	209,885	209,885
Public services	146,225	-	1,099,143	3,218,115
Parks and recreation	-	-	-	1,786,992
Public works	-	-	-	1,066,171
Transit	-	-	-	1,542,359
Education	-	-	-	9,411,000
Nondepartmental	-	-	-	378,305
Capital Outlay	1,422,563	8,096,166	237,477	19,492,677
Debt Service				
Principal retirement	-	-	2,567,666	2,567,666
Interest and fiscal charges	-	-	2,612,426	2,612,426
Debt issuance costs	-	26,041	-	149,870
Total Expenditures	<u>1,568,788</u>	<u>8,122,207</u>	<u>8,157,683</u>	<u>47,089,404</u>
Excess (Deficiency) of Revenues Over Expenditures	17,000	(7,992,915)	(999,330)	(15,805,256)
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	3,400,000	-	8,165,000
Premium for bonds and certificates issued	-	1,167	-	58,283
Transfers in	-	310,000	4,636,286	6,969,046
Transfers out	(17,000)	(682,401)	(2,910,244)	(7,602,029)
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>3,028,766</u>	<u>1,726,042</u>	<u>7,590,300</u>
Net Change in Fund Balances	-	(4,964,149)	726,712	(8,214,956)
Fund Balances Beginning of Year	<u>-</u>	<u>24,901,522</u>	<u>6,574,620</u>	<u>56,324,663</u>
Fund Balances End of Year	<u>\$ -</u>	<u>19,937,373</u>	<u>7,301,332</u>	<u>48,109,707</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, 2011*

Net Changes In Fund Balances - Total Governmental Funds		\$ (8,214,956)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	\$ (3,164,091)	
Capital outlay	<u>19,555,257</u>	16,391,166
The book value of capital assets relating to the disposition is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		(153,560)
The value of capital assets relating to the write down of impaired assets is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		(7,313,222)
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.		912,216
The book value of capital assets relating to the transfer of land from the State of Alaska representing the contribution from the State of Alaska is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		382,800
Internal service funds are used by management to charge the the costs of self-insurance to individual funds. A portion of the net income of their activity is reported with governmental activities.		104,288
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred property taxes.		(62,214)
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 @ 06/30/11	(599,705)	
Liability @ 06/30/10	<u>(679,834)</u>	80,129
Other financing sources and uses are reported on the fund level operating statement but are reported as an asset or liability on the government-wide financial statements.		
Proceeds from issuance of bonds	(3,400,000)	
Proceeds from certificates of participation	(4,765,000)	
Premium on bonds	(1,167)	
Premium on certificates of participation	<u>(57,116)</u>	(8,223,283)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net assets. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Payments on capital lease	42,166	
Payments on capital note payable	175,500	
Decrease in unamortized deferred bond issuance costs	(14,586)	
Decrease in unamortized deferred loss on refunding of bonds	(21,493)	
Decrease in unamortized premium	114,410	
Payments on bonds	2,285,000	
Payment on certificate of participation	65,000	
Costs of issuance of bonds	26,041	
Costs of issuance of certificates of participation	<u>123,829</u>	2,795,867
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 @ 06/30/11	(590,686)	
Liability @ 06/30/10	<u>(615,609)</u>	24,923
Change In Net Assets of Governmental Activities		<u>\$ (3,275,846)</u>

Ketchikan Gateway Borough, Alaska
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	2011			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 11,788,367	11,788,367	12,480,739	692,372
Licenses and permits	15,000	15,000	14,168	(832)
Intergovernmental	4,022,011	4,022,011	4,299,465	277,454
Charges for services	785,400	785,400	917,670	132,270
Investment earnings	<u>150,000</u>	<u>150,000</u>	<u>164,772</u>	<u>14,772</u>
Total Revenues	<u>16,760,778</u>	<u>16,760,778</u>	<u>17,876,814</u>	<u>1,116,036</u>
Expenditures				
Current				
Administration	3,262,676	3,268,676	3,222,852	45,824
Public services	1,012,674	1,022,174	1,058,677	(36,503)
Parks and recreation	1,801,663	1,801,663	1,786,992	14,671
Public works	1,188,170	1,188,170	1,066,171	121,999
Transit - bus system	1,533,614	1,533,614	1,542,359	(8,745)
Nondepartmental	360,090	360,090	378,305	(18,215)
Education	9,223,104	9,411,000	9,411,000	-
Capital Outlay	<u>250,000</u>	<u>250,000</u>	<u>72,447</u>	<u>177,553</u>
Total Expenditures	<u>18,631,991</u>	<u>18,835,387</u>	<u>18,538,803</u>	<u>296,584</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,871,213)	(2,074,609)	(661,989)	1,412,620
Other Financing Sources (Uses)				
Transfers in	1,389,480	1,389,480	1,323,359	(66,121)
Transfers out	<u>(8,887)</u>	<u>(8,887)</u>	<u>(8,887)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,380,593</u>	<u>1,380,593</u>	<u>1,314,472</u>	<u>(66,121)</u>
Net Change in Fund Balance	\$ <u>(490,620)</u>	<u>(694,016)</u>	652,483	<u>1,346,499</u>
Fund Balance Beginning of Year			<u>6,021,586</u>	
Fund Balance End of Year			\$ <u><u>6,674,069</u></u>	

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, 2011

	2011			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Charges for services	\$ 25,000	25,000	224,882	199,882
Intergovernmental	-	-	8,414	8,414
Investment earnings	297,628	297,628	143,018	(154,610)
Proceeds from sale of property	<u>500,000</u>	<u>500,000</u>	<u>69,000</u>	<u>(431,000)</u>
Total Revenues	<u>822,628</u>	<u>822,628</u>	<u>445,314</u>	<u>(377,314)</u>
Expenditures				
Current				
Public services	345,382	345,382	332,408	12,974
Debt issuance costs	-	-	123,829	(123,829)
Capital Outlay	<u>-</u>	<u>9,999,000</u>	<u>9,544,470</u>	<u>454,530</u>
Total Expenditures	<u>345,382</u>	<u>10,344,382</u>	<u>10,000,707</u>	<u>343,675</u>
Excess (Deficiency) of Revenues Over Expenditures	477,246	(9,521,754)	(9,555,393)	(33,639)
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	4,765,000	4,765,000	-
Premium	-	-	57,116	57,116
Transfers in	-	664,992	664,992	-
Transfers out	<u>(752,352)</u>	<u>(752,352)</u>	<u>(497,182)</u>	<u>255,170</u>
Total Other Financing Sources (Uses)	<u>(752,352)</u>	<u>4,677,640</u>	<u>4,989,926</u>	<u>312,286</u>
Net Change in Fund Balance	\$ <u>(275,106)</u>	<u>(4,844,114)</u>	(4,565,467)	<u>278,647</u>
Fund Balance Beginning of Year			<u>10,319,356</u>	
Fund Balance End of Year			\$ <u>5,753,889</u>	

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, 2011

	2011			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,432,700	1,432,700	1,614,719	182,019
Intergovernmental	1,524,901	1,524,901	2,025,976	501,075
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>19,593</u>	<u>(407)</u>
Total Revenues	<u>2,977,601</u>	<u>2,977,601</u>	<u>3,660,288</u>	<u>682,687</u>
Expenditures				
Current				
Public services	22,000	22,000	35,699	(13,699)
Capital Outlay	<u>129,750</u>	<u>369,750</u>	<u>119,554</u>	<u>250,196</u>
Total Expenditures	<u>151,750</u>	<u>391,750</u>	<u>155,253</u>	<u>236,497</u>
Excess of Revenues Over Expenditures	2,825,851	2,585,851	3,505,035	919,184
Other Financing (Uses)				
Transfers out	<u>(2,343,430)</u>	<u>(2,543,430)</u>	<u>(3,357,262)</u>	<u>(813,832)</u>
Net Change in Fund Balance	\$ <u>482,421</u>	<u>42,421</u>	147,773	<u>105,352</u>
Fund Balance Beginning of Year			<u>1,535,765</u>	
Fund Balance End of Year			\$ <u>1,683,538</u>	

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, 2011

	2011			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental	\$ -	-	3,736	3,736
Charges for services	262,056	262,056	345,771	83,715
Proceeds from sale of property	2,600,000	2,600,000	-	(2,600,000)
Investment earnings	-	-	78,792	78,792
Total Revenues	<u>2,862,056</u>	<u>2,862,056</u>	<u>428,299</u>	<u>(2,433,757)</u>
Expenditures				
Current				
Public services	<u>852,034</u>	<u>852,034</u>	<u>545,963</u>	<u>306,071</u>
Excess (Deficiency) of Revenues Over Expenditures	2,010,022	2,010,022	(117,664)	(2,127,686)
Other Financing Sources (Uses)				
Transfers in	-	17,409	34,409	17,000
Transfers out	-	-	(129,053)	(129,053)
Total Other Financing Sources (Uses)	<u>-</u>	<u>17,409</u>	<u>(94,644)</u>	<u>(112,053)</u>
Net Change in Fund Balance	\$ <u>2,010,022</u>	<u>2,027,431</u>	(212,308)	<u>(2,239,739)</u>
Fund Balance Beginning of Year			<u>6,971,814</u>	
Fund Balance End of Year			\$ <u>6,759,506</u>	



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Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-type Activities			Governmental
	Airport	Wastewater	Total	Activities - Internal Service Funds
Assets				
Current Assets				
Cash and investments	\$ -	258,905	258,905	-
Prepaid items	-	-	-	564,719
Receivables:				-
Accounts	232,028	36,681	268,709	-
Intergovernmental	73,306	-	73,306	-
Total Current Assets	<u>305,334</u>	<u>295,586</u>	<u>600,920</u>	<u>564,719</u>
Noncurrent Assets				
Restricted cash and investments-bond reserve	385,000	-	385,000	-
Capital Assets				
Nondepreciable	1,142,318	-	1,142,318	-
Depreciable, net	7,327,269	11,493,623	18,820,892	-
Total Noncurrent Assets	<u>8,854,587</u>	<u>11,493,623</u>	<u>20,348,210</u>	<u>-</u>
Total Assets	<u>9,159,921</u>	<u>11,789,209</u>	<u>20,949,130</u>	<u>564,719</u>
Liabilities				
Current Liabilities				
Accounts payable	80,148	31,762	111,910	-
Interfund advances payable	32,688	57,358	90,046	-
Interfund payable	-	-	-	1,756,405
Compensated absences payable	182,770	-	182,770	-
Revenue bonds payable	260,000	-	260,000	-
Claims payable	-	-	-	402,109
Total Current Liabilities	<u>555,606</u>	<u>89,120</u>	<u>644,726</u>	<u>2,158,514</u>
Long-Term Liabilities, net of current portion				
Compensated absences payable	78,769	-	78,769	-
Interfund advances payable	2,596,095	562,052	3,158,147	-
Revenue bonds payable	2,245,000	-	2,245,000	-
Total Long-Term Liabilities	<u>4,919,864</u>	<u>562,052</u>	<u>5,481,916</u>	<u>-</u>
Total Liabilities	<u>5,475,470</u>	<u>651,172</u>	<u>6,126,642</u>	<u>2,158,514</u>
Net Assets				
Invested in capital assets, net of related debt	5,964,587	11,493,623	17,458,210	-
Restricted for bond reserve	385,000	-	385,000	-
Unrestricted (deficit)	(2,665,136)	(355,586)	(3,020,722)	(1,593,795)
Total Net Assets - Fund Level	<u>\$ 3,684,451</u>	<u>11,138,037</u>	<u>14,822,488</u>	<u>(1,593,795)</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(120,902)	
Total Net Assets - Government-wide Statement of Net Assets			<u>\$ 14,701,586</u>	

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
For the Year Ended June 30, 2011

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Operating Revenues				
Charges for services	\$ 3,633,607	702,530	4,336,137	5,279,674
Operating Expenses				
Personal services	2,794,967	168,955	2,963,922	-
Supplies and services	1,261,157	375,255	1,636,412	-
Insurance	184,813	5,566	190,379	-
Administration	-	-	-	585,068
Claims and premiums	-	-	-	4,517,830
Depreciation	583,296	459,669	1,042,965	-
Total Operating Expenses	4,824,233	1,009,445	5,833,678	5,102,898
Less recovery of expenses from other funds	-	(39,451)	(39,451)	-
Net Operating Expenses	4,824,233	969,994	5,794,227	5,102,898
Operating Income (Loss)	(1,190,626)	(267,464)	(1,458,090)	176,776
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(135,874)	(36,899)	(172,773)	-
Gain (loss) on disposal of capital assets	55,347	(8,112)	47,235	-
Investment earnings	-	4,246	4,246	1,118
Operating grants	178,892	61,878	240,770	-
Total Non-Operating Revenues (Expenses)	98,365	21,113	119,478	1,118
Income (Loss) before Capital Contributions and Transfers	(1,092,261)	(246,351)	(1,338,612)	177,894
Capital contributions	556,722	-	556,722	-
Transfers in	632,983	-	632,983	-
Change in Net Assets	97,444	(246,351)	(148,907)	177,894
Net Assets (Deficit) Beginning of Year	3,587,007	11,384,388		(1,771,689)
Net Assets (Deficit) End of Year	\$ 3,684,451	11,138,037		(1,593,795)
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Adjustment to offset the consolidation of internal service fund activities related to the enterprise funds.			73,606	
Change in net assets of business-type activities			\$ (75,301)	

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-type Activities			Governmental
	Airport	Wastewater	Total	Activities - Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	\$ 3,524,595	696,700	4,221,295	4,714,955
Cash payments to employees for services	(2,779,356)	(168,955)	(2,948,311)	-
Cash payments for goods and services	(1,247,311)	(419,297)	(1,666,608)	(857,595)
Cash payments for claims	-	-	-	(3,858,478)
Net Cash Provided by (Used in) Operating Activities	<u>(502,072)</u>	<u>108,448</u>	<u>(393,624)</u>	<u>(1,118)</u>
Cash Flows from Noncapital Financing Activities				
Operating grants	178,892	61,878	240,770	-
Transfers in	632,983	-	632,983	-
Net Cash Provided by Noncapital Financing Activities	<u>811,875</u>	<u>61,878</u>	<u>873,753</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	76,000	-	76,000	-
Capital grant	556,722	-	556,722	-
Principal paid on revenue bonds	(250,000)	-	(250,000)	-
Interest paid on debt service	(135,874)	(36,899)	(172,773)	-
Payments for capital acquisitions	(556,651)	(20,090)	(576,741)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(309,803)</u>	<u>(56,989)</u>	<u>(366,792)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	-	4,246	4,246	1,118
Net Increase (Decrease) in Cash and Cash Equivalents	-	117,583	117,583	-
Cash and Cash Equivalents Beginning of Year	<u>385,000</u>	<u>141,322</u>	<u>526,322</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ 385,000</u>	<u>258,905</u>	<u>643,905</u>	<u>-</u>

(continued)

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

(continued)

	<u>Business-type Activities</u>			Governmental Activities - Internal Service Funds
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ (1,190,626)	(267,464)	(1,458,090)	176,776
Adjustments:				
Depreciation	583,296	459,669	1,042,965	-
(Increase) Decrease in Assets:				
Accounts receivable	(79,147)	(5,830)	(84,977)	-
Intergovernmental	(29,865)	-	(29,865)	-
Clearing - claims paid	-	-	-	(564,719)
Prepaid items	4,482	-	4,482	-
Increase (Decrease) in Liabilities:				
Accounts payable	24,341	11,859	36,200	-
Interfund advances payable	169,836	(89,786)	80,050	-
Compensated absences payable	15,611	-	15,611	-
Claims payable	-	-	-	386,825
Net Cash Provided by (Used in) Operating Activities	\$ <u>(502,072)</u>	<u>108,448</u>	<u>(393,624)</u>	<u>(1,118)</u>



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NOTES TO THE BASIC FINANCIAL STATEMENTS

Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2011

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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 Borough also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

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, 2011

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, 2011

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 loans to other Borough funds and related expenditures.

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, 2011

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, 2011

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, 2011

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, 2011.

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, 2011, 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, 2011

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, 2011

1-E-9 Accrued Liabilities and Long-term Obligations

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

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

On the government-wide 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, 2011

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, 2011

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 6/30/2011, the Borough had open encumbrances as follows:

Fund	Encumbrances
General Fund	\$ 201,902
Land Trust	11,013
School Bond	
Capital Improvements	5,000
Economic Development	
Assistance Program	40,986
State and Federal Grants	307,379
Capital Improvements	16,819,095
Nonmajor	692,449
Total	\$ 18,077,824

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

2-B. Excess of Expenditures over Appropriations

No funds had an excess of expenditures over appropriations at June 30, 2011.

2-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2011:

Gold Nugget Special Assessment Area Fund	\$	(2,543)
North Tongass Fire & EMS Service Area Fund		(560,219)

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, 2011 are as follows:

Cash on hand	\$	3,325
Deposits with financial institutions		34,694,209
Investments		<u>6,324,950</u>
Total	\$	<u><u>41,022,484</u></u>

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unrestricted	\$	11,185,413	258,905	11,444,318
Restricted		<u>29,193,166</u>	<u>385,000</u>	<u>29,578,166</u>
Total	\$	<u><u>40,378,579</u></u>	<u><u>643,905</u></u>	<u><u>41,022,484</u></u>

The restricted cash and investments are comprised of investments in construction funds for school projects, a guarantee for a Ketchikan Visitor’s Bureau construction loan, and a guarantee for the Inter-Island Ferry Authority (IFA) bonding.

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, 2011, the carrying value of all the Borough’s deposits was \$34,694,209, and the bank value was \$36,822,647. 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 guidelines established by the Borough’s Code of Ordinances.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011 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, 2011, 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. As of June 30, 2011, the Borough had \$80,883 invested in money market funds. Fixed income investments are rated AAA.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Fixed Income	Amount	Rating
Federal Home Ln Bks	250,275	AAA
Federal Natl Mtg ASSN	768,828	AAA
United States Treas Nt	459,944	AAA
Federal Home Ln Mtg Corp	525,573	AAA
Barclays Cr Bd Fund	314,850	A-1+
PIMCO Total Return Fund	154,396	No Rating
PIMCO Foreign Bond Fund Unhedged	75,463	No Rating
ARTIO Global High Income Fund	73,420	No Rating
PIMCO Fund	149,322	No Rating
Columbia Bond Fund	332,055	No Rating
Accured Income	17,174	No Rating
	<u>3,121,297</u>	

The Borough has no formal policy relating to credit risk.

Interest rate risk. As of June 30, 2011, the weighted average maturity of the Borough's investment portfolio was 1.05 years. 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	\$ 1,514,706	1,514,706	-	
Fixed Income	3,121,297	1,922,564	1,198,733	1.26
Tangible Assets	<u>70,223</u>	<u>70,223</u>	-	
Total	4,706,226	3,507,493	1,198,733	
Equity securities	<u>1,618,724</u>	-	-	
Total Investments	<u>6,324,950</u>	<u>3,507,493</u>	<u>1,198,733</u>	

3-B. Receivables

Receivables at June 30, 2011, 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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Receivables:	General Fund	Land Trust	School Bond Capital Improvements	Economic Development	State & Federal Grants
Receivables:					
Accounts	\$ 97,390	4,856	-	43,465	-
Intergovernmental	748,136	-	20,954	-	1,467,184
Investment earnings	38,349	-	-	-	-
Property taxes	490,730	-	458,790	-	-
Sales taxes	4,192,252	-	-	-	-
Due from component unit	1,169,895	-	-	-	-
Notes	-	789,553	-	-	-
Interfund	3,084,803	1,519,100	-	2,364,162	-
Total receivables	9,821,555	2,313,509	479,744	2,407,627	1,467,184
Allowance for doubtful accounts	(177,844)	-	-	-	-
Net receivables	\$ 9,643,711	2,313,509	479,744	2,407,627	1,467,184

Receivables:	Nonmajor Governmental	Airport Enterprise	Wastewater Enterprise	Totals
Receivables:				
Accounts	\$ 177,194	284,228	243,534	850,667
Intergovernmental	2,064	73,306	-	2,311,644
Investment earnings	-	-	-	38,349
Property taxes	85,969	-	-	1,035,489
Sales taxes	458,790	-	-	4,651,042
Due from component unit	-	-	-	1,169,895
Notes	-	-	-	789,553
Interfund	-	-	-	6,968,065
Total receivables	724,017	357,534	243,534	17,814,704
Allowance for doubtful accounts	(130,457)	(52,200)	(206,853)	(567,354)
Net receivables	\$ 593,560	305,334	36,681	17,247,350

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, 2011 is \$789,553 and is recorded in the Land Trust Special Revenue Fund.

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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

		Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$	62,398	-
Title II Forest Receipts - (General Fund)		-	39,697
Delinquent property taxes receivable (Nonmajor Funds)		-	10,527
Advance revenues (State & Federal Grants Fund)		7,483	-
Advance revenue (Nonmajor Fund)		-	74,741
Total deferred/unearned revenue for governmental funds	\$	69,881	124,965

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, 2011, was as follows:

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011
Governmental activities:				
Nondepreciable capital assets:				
Land - Borough	\$ 27,449,359	1,083,863	126,200	28,407,022
Land - Ward Cove	6,860,477	-	5,329,970	1,530,507
Buildings/Impr. - Ward Cove	2,552,745	-	1,983,252	569,493
Ward Cove - Tymatt Property	2,925	-	-	2,925
Land - School	7,397,443	-	-	7,397,443
Construction in progress - Borough	3,368,085	8,041,762	-	11,409,847
Construction in progress - School	592,292	1,390,590	527,113	1,455,769
	<u>48,223,326</u>	<u>10,516,215</u>	<u>7,966,535</u>	<u>50,773,006</u>
Total nondepreciable capital assets				
Depreciable capital assets:				
Buildings - School	96,686,361	1,949,832	-	98,636,193
Buildings - Borough	12,871,380	8,542,952	27,209	21,387,123
Equipment	4,203,401	49,736	100,188	4,152,949
Equipment - Ward Cove	6,995	-	-	6,995
Fields	2,510,804	-	-	2,510,804
Infrastructure	3,733,089	-	-	3,733,089
Land Improvements	166,427	300,456	-	466,883
South Tongass Water	3,431,777	-	-	3,431,777
Transit - Buses	2,045,994	18,195	401,102	1,663,087
	<u>125,656,228</u>	<u>10,861,171</u>	<u>528,499</u>	<u>135,988,900</u>
Total depreciable capital assets				
Total cost of capital assets	173,879,554	21,377,386	8,495,034	186,761,906
Accumulated depreciation:				
Buildings - School	23,472,347	2,059,553	-	25,531,900
Buildings - Borough	2,351,390	393,295	5,760	2,738,925
Equipment	2,382,328	263,759	94,277	2,551,810
Fields	41,847	125,540	-	167,387
Infrastructure	2,461,535	128,847	-	2,590,382
Land Improvements	4,861	15,833	-	20,694
South Tongass Water	131,551	68,636	-	200,187
Transit - Buses	978,425	108,628	401,102	685,951
	<u>31,824,284</u>	<u>3,164,091</u>	<u>501,139</u>	<u>34,487,236</u>
Total accumulated depreciation				
Governmental activities capital assets, net	\$ <u>142,055,270</u>	<u>18,213,295</u>	<u>7,993,895</u>	<u>152,274,670</u>

Land and buildings and improvements for Ward Cove were determined to be “impaired” and were written down to a “known and measureable” value. An impairment loss of \$7,313,222 based on the expected sales price of these assets as outlined in the “Subsequent Events” footnote, has been reported as a “Special Item” on the Statement of Activities.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

<u>Governmental activities depreciation:</u>	
Administration	\$ 26,064
Education	2,067,874
Fire and EMS	241,146
Parks and Recreation	232,539
Public Service	408,586
Public Works	61,255
Transit	<u>126,627</u>
Total governmental activities depreciation expense	\$ <u>3,164,091</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 585,665	556,653	-	1,142,318
Depreciable capital assets:				
Field	3,357,593	-	-	3,357,593
Terminal building	8,790,180	-	-	8,790,180
Ferry	5,744,679	-	959,438	4,785,241
Murphy's landing	208,800	-	-	208,800
Sludge/compost	1,184,258	-	-	1,184,258
Wastewater	289,925	-	9,834	280,091
Mountain Point wastewater	13,732,943	20,088	-	13,753,031
Forest Park wastewater	32,700	-	-	32,700
Total depreciable capital assets	33,341,078	20,088	969,272	32,391,894
Total capital assets	33,926,743	576,741	969,272	33,534,212
Accumulated depreciation:				
Field	2,475,453	82,931	-	2,558,384
Terminal building	4,652,400	214,810	-	4,867,210
Ferry	2,854,567	275,656	938,785	2,191,438
Murphy's landing	187,614	9,900	-	197,514
Sludge/compost	457,515	86,120	-	543,635
Wastewater	174,073	14,819	1,718	187,174
Mountain Point wastewater	2,640,527	357,421	-	2,997,948
Forest Park wastewater	26,395	1,308	-	27,703
Total accumulated depreciation	13,468,544	1,042,965	940,503	13,571,006
Business-type activities capital assets, net	\$ 20,458,199	(466,224)	28,769	19,963,206

3-E. Interfund Balances and Transfers

Interfund balances at June 30, 2011, 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Payable to:	Payable From:		
	State & Federal Grants Special Revenue Fund	Capital Projects Fund	Non-Major Governmental Special Revenue Funds
General Fund-Interfund Receivables	\$ 1,167,590	156,911	3,897
Land Trust Fund - Advances Receivable	-	-	635,069
Economic Development- Advances Receivable	-	-	-
Total	\$ <u>1,167,590</u>	<u>156,911</u>	<u>638,966</u>

Payable to:	Payable From:			
	Airport Enterprise Fund	Wastewater Enterprise Fund	Internal Service Fund	Total
General Fund-Interfund Receivables	\$ -	-	1,756,405	3,084,803
Land Trust Fund - Advances Receivable	264,621	619,410	-	1,519,100
Economic Development- Advances Receivable	2,364,162	-	-	2,364,162
Total	\$ <u>2,628,783</u>	<u>619,410</u>	<u>1,756,405</u>	<u>6,968,065</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers From:				
Transfers To:	General Fund	Land Trust Fund	School Bond Capital Imp. Fund	Economic Development Fund
General Fund	\$ -	497,182	98,879	129,053
Capital Projects	-	-	200,000	-
Non-Major Governmental	3,387	-	3,058,383	-
Airport Enterprise	5,500	-	-	-
 Total	\$ 8,887	497,182	3,357,262	129,053

Transfers From:				
Transfers To:	State & Federal Grants Fund	Capital Projects Fund	Non-Major Governmental Funds	Totals
General Fund	\$ -	-	598,245	1,323,359
Land Trust Fund	-	664,992	-	664,992
Economic Development	17,000	17,409	-	34,409
Capital Projects	-	-	110,000	310,000
Non-Major Governmental	-	-	1,574,516	4,636,286
Airport Enterprise	-	-	627,483	632,983
 Total	\$ 17,000	682,401	2,910,244	7,602,029

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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2011 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, 2011, 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>	<u>Lewis Reef</u>
2012	\$	27,416	6,464	28,182
2013		27,416	6,464	28,182
2014		27,416	6,464	28,182
2015		27,416	6,464	28,182
2016		27,416	6,464	28,162
2017-2021		137,080	32,320	140,910
2022-2025		109,664	25,856	112,648

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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. Annual debt service requirements as of June 30, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 410,000	266,680	676,680
2013	425,000	249,980	674,980
2014	440,000	232,570	672,570
2015	460,000	214,115	674,115
2016	480,000	194,250	674,250
2017-2021	2,730,000	627,219	3,357,219
2022-2023	<u>1,275,000</u>	<u>61,644</u>	<u>1,336,644</u>
Total	\$ <u>6,220,000</u>	<u>1,846,458</u>	<u>8,066,458</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. Annual debt service requirements as of June 30, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 890,000	464,800	1,354,800
2013	925,000	420,300	1,345,300
2014	975,000	374,050	1,349,050
2015	1,025,000	325,300	1,350,300
2016	1,080,000	274,050	1,354,050
2017-2020	<u>4,245,000</u>	<u>520,875</u>	<u>4,765,875</u>
Total	\$ <u>9,140,000</u>	<u>2,379,375</u>	<u>11,519,375</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 110,000	24,000	134,000
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>\$ 600,000</u>	<u>74,000</u>	<u>674,000</u>

Borough General Obligation Bonds, 2009A Tax-Exempt Series - General obligation bonds, Series 2009A, denominations of \$5,000 or integral multiples thereof, dated December 18, 2009, total issue \$3,075,000. The bond proceeds 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, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 505,000	86,000	591,000
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>\$ 2,680,000</u>	<u>273,700</u>	<u>2,953,700</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011 follow:

Fiscal Year	Principal	Interest	Interest Subsidy	Net Interest	Total
2012	\$ -	1,185,519	(437,838)	747,681	747,681
2013	-	1,185,519	(437,838)	747,681	747,681
2014	-	1,185,519	(437,838)	747,681	747,681
2015	-	1,185,519	(437,838)	747,681	747,681
2016	-	1,185,519	(437,838)	747,681	747,681
2017-2021	3,135,000	5,637,725	(2,087,733)	3,549,992	6,684,992
2022-2026	3,690,000	4,783,867	(1,788,881)	2,994,986	6,684,986
2027-2031	4,450,000	3,627,125	(1,384,022)	2,243,103	6,693,103
2032-2036	5,395,000	2,164,854	(872,227)	1,292,627	6,687,627
2037-2039	3,755,000	464,662	(209,030)	255,632	4,010,632
Total	\$ 20,425,000	22,605,828	(8,531,083)	14,074,745	34,499,745

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, 2011 follow:

Fiscal Year	Principal	Interest	Total
2012	\$ 530,000	190,950	720,950
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
2017-2020	2,645,000	269,800	2,914,800
Total	\$ 5,460,000	1,081,950	6,541,950

Borough General Obligation Bonds, 2010B Four Tax-Exempt Series - General obligation bonds, Series 2010B, dated December 9, 2010, total issue \$130,000. The bond proceeds will be used for repairs and improvements to the Ketchikan High School roof. The interest rate is 2.00%. There is one payment due on August 1, 2011. Annual debt service requirements as of June 30, 2011 follow:

Fiscal Year	Principal	Interest	Total
2012	\$ 130,000	1,676	131,676

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2012	\$ -	153,454	(69,055)	84,399	84,399
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
2017-2021	1,135,000	471,501	(212,175)	259,326	1,394,326
2022-2026	<u>1,290,000</u>	<u>182,566</u>	<u>(82,155)</u>	<u>100,411</u>	<u>1,390,411</u>
Total	\$ <u>3,270,000</u>	<u>1,312,751</u>	<u>(590,738)</u>	<u>722,013</u>	<u>3,992,013</u>

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, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	34,550	164,550
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
2017-2019	<u>310,000</u>	<u>18,800</u>	<u>328,800</u>
Total	\$ <u>1,000,000</u>	<u>151,200</u>	<u>1,151,200</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2012	\$ -	240,244	(108,110)	132,134	132,134
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	(108,110)	132,134	132,134
2017-2021	335,000	1,172,314	(527,541)	644,773	979,773
2022-2026	930,000	946,566	(425,954)	520,612	1,450,612
2027-2031	1,110,000	612,866	(275,790)	337,076	1,447,076
2032-2036	<u>1,325,000</u>	<u>188,733</u>	<u>(84,930)</u>	<u>103,803</u>	<u>1,428,803</u>
Total	\$ <u>3,700,000</u>	<u>4,121,699</u>	<u>(1,854,765)</u>	<u>2,266,934</u>	<u>5,966,934</u>

Defeased Bonds – In fiscal year 2010, Ketchikan Gateway Borough defeased its general obligation 2000 series bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Borough’s financial statements. At June 30, 2011, \$5,900,000 of bonds outstanding is considered defeased.

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, 2011 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 260,000	115,627	375,627
2013	275,000	103,189	378,189
2014	290,000	90,008	380,008
2015	305,000	75,935	380,935
2016	320,000	60,845	380,845
2017-2019	<u>1,055,000</u>	<u>81,670</u>	<u>1,136,670</u>
Total	\$ <u>2,505,000</u>	<u>527,274</u>	<u>3,032,274</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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, 2011. 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	\$	(607,330)
PFC revenues		319,119
Grants for operations		178,892
Transfers in for operations		<u>80,500</u>
Amount available		(28,819)
Debt service requirement of the 2001 revenue		
bonds x 1.1		<u>(413,189)</u>
Net revenue under debt service requirement	\$	<u><u>(442,008)</u></u>

As shown above, the Borough did not meet the revenue requirement for the year ended June 30, 2011. 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.

The assets acquired through capital leases are as follows:

		<u>Governmental</u>
		<u>Activities</u>
Asset:		
Equipment	\$	399,138
Less accumulated depreciation		<u>(138,867)</u>
Total net book value	\$	<u><u>260,271</u></u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 44,253	6,902	51,155
2013	46,443	4,712	51,155
2014	<u>48,741</u>	<u>2,413</u>	<u>51,154</u>
Total	<u>\$ 139,437</u>	<u>\$ 14,027</u>	<u>\$ 153,464</u>

Borough General Debt Obligation: In October 2008, voters approved the purchase and financing of recreation beach front property north of Ketchikan. The purchase price was \$1,170,000 requiring a down payment of \$292,500 resulting in the amount financed of \$877,500. Financing terms are prime rate as of September 30th of each year plus 2% in 5 equal installments of principal plus interest. Prime rate at September 30, 2010 is 3.25%. This note may be prepaid at anytime and from time to time in whole or in part prior to the maturity date and interest shall be prorated in the event of early payment. Additional principal payments are funded with sales of other Borough properties. The balance of this note at June 30, 2011 was \$155,500.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ <u>155,500</u>	<u>8,164</u>	<u>163,664</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2011:

Governmental Activities	Outstanding 7/1/2010	Additions	Reductions	Outstanding 6/30/2011	Amounts Due in One Year
GO Bonds - 2003	\$ 6,625,000	-	405,000	6,220,000	410,000
GO Bonds - 2005	9,985,000	-	845,000	9,140,000	890,000
GO Bonds - 2006	710,000	-	110,000	600,000	110,000
GO Bonds - 2009A	3,075,000	-	395,000	2,680,000	505,000
GO Bonds - 2009B & C	20,425,000	-	-	20,425,000	-
GO Bonds - 2010A One	5,990,000	-	530,000	5,460,000	530,000
GO Bonds - 2010B Four	-	130,000	-	130,000	130,000
GO Bonds - 2010B Four	-	3,270,000	-	3,270,000	-
Certificates of Participation					
C of P 2010A-1	-	1,065,000	65,000	1,000,000	130,000
C of P 2010A-2	-	3,700,000	-	3,700,000	-
E-One Lease - (Fire Equipment)	181,603	-	42,166	139,437	44,253
Point Higgins Beach	331,000	-	175,500	155,500	155,500
Compensated absences	<u>615,609</u>	<u>535,902</u>	<u>560,825</u>	<u>590,686</u>	<u>569,237</u>
Total Governmental Activities	\$ <u>47,938,212</u>	<u>8,700,902</u>	<u>3,128,491</u>	53,510,623	<u>3,473,990</u>
Unamortized premiums				1,179,084	
Unamortized loss on refunding				(487,357)	
				<u>\$ 54,202,350</u>	
Business-Type Activities					
Revenue bonds	\$ 2,755,000	-	250,000	2,505,000	260,000
Compensated absences	<u>245,928</u>	<u>195,680</u>	<u>180,069</u>	<u>261,539</u>	<u>182,770</u>
Total Business-Type Activities	\$ <u>3,000,928</u>	<u>195,680</u>	<u>430,069</u>	<u>2,766,539</u>	<u>442,770</u>

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

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

3-I. Pensions

Defined Benefit Pension Plan

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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 (2.41% for pension and 4.34% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.68% for pension and 4.82% 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, generally consistent with the actuarially determined rate.

Ketchikan Gateway Borough’s contribution rates for 2011 were determined as part of the June 30, 2008 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 45* <u>Rate</u>
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	<u>14.15%</u>	<u>17.98%</u>	<u>55.87%</u>
Total contribution rate	<u>22.00%</u>	<u>27.96%</u>	<u>69.36%</u>

* This rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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 the 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

The Borough is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 8.25% (2.29 percentage points higher than the 5.96% required amount) of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough has recorded the State PERS on-behalf contribution in the amount of \$426,035 as revenue and expenditures/expenses in these financial statements. However, because the Borough is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

Year Ended June 30,	Pension Cost	OPEB Cost	Total Benefit Cost	Borough Contributions	TBC Contributed
2011	\$ 359,768	648,499	1,008,267	1,008,267	100%
2010	384,704	652,489	1,037,193	1,037,193	100%
2009	337,037	753,696	1,090,733	1,090,733	100%

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 the 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	0.56	0.48
Occupational death and disability benefits	<u>0.31</u>	<u>1.18</u>
	<u>8.87 %</u>	<u>9.66%</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Restricted net assets for business type activities is \$385,000 at June 30, 2011, and consists of required reserves related to the airport revenue bonds. Restricted net assets for governmental activities consists of the following at June 30, 2011:

	Governmental Activities
Net Assets	
Restricted:	
Airport debt services	\$ 299,199
Commercial passenger vessel impact	4,004,785
Dock improvements	16,125
Library operations	92,553
Loan guarantees	1,462,293
Public safety and water	94,242
Recreation	3,031,420
Road maintenance	325,770
Total restricted	\$ 9,326,387

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, 2011, but not billed until after fiscal year end. The amount booked for the Borough was \$100,815 and \$326,510 was booked for the Ketchikan Gateway Borough School District.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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 on January 1, 2005, Ketchikan Gateway Borough started paying any increases up to five percent (5%). For any increases above five percent (5%), the Borough and employee share equally in the cost of that portion of any premium increases over five percent (5%) up to a maximum of ten percent (10%). The employees pay for that portion of any premium increase which exceeds ten percent (10%). Currently the Borough contributes \$1,342 per month per member. The members contribute \$14.84 per month. 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, 2010 and June 30, 2011 follows:

	Ketchikan Gateway Borough	Ketchikan Gateway Borough School District	Total
	<u> </u>	<u> </u>	<u> </u>
Claims payable at June 30, 2009	\$ 55,754	409,215	464,969
Premiums			
Premiums expense	290,525	-	290,525
Claims expense	1,291,802	3,916,708	5,208,510
Claims and premiums paid	<u>(1,420,920)</u>	<u>(3,956,458)</u>	<u>(5,377,378)</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	<u>75,599</u>	<u>326,510</u>	<u>402,109</u>
Prepaid claims at June 30, 2011	\$ <u>564,719</u>	<u>-</u>	<u>564,719</u>

4-B. 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 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Lawsuits - As of June 30, 2011 the Borough was involved in three cases which have a potential for liability of over \$25,000. These are Cowan v. Yeisley, Trask v. KGB, and Haldane v. KGB. The first one would 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. The third case is of a slip and fall on a Borough bus, which is being handled by outside counsel, and is being vigorously defended. The liability risk on this case is considered low. The Borough is also defending the other two matters vigorously.

Loan Guarantees – The Ketchikan Gateway Borough in 1997/98 made a loan guarantee to First Bank for \$500,000, securing a loan in that amount to the Ketchikan Visitors Association for construction of a new Visitor's Center. In February 2006, the loan guarantee to First Bank was increased by \$80,073. The Visitor's Bureau incurred some necessary capital repairs to its building and obtained an additional loan from First Bank for those repairs. This money is guaranteed from the Economic Development Assistance Program Fund. In the event of a default on the loan with First Bank, the Borough would be responsible for repayment of the loan. Ketchikan Gateway Borough has funds on deposit with First Bank in excess of the balance of the loan. The balance of the loan as of June 30, 2011 is shown as restriction of fund balance for loan guarantees at the fund level. The loan balance as of June 30, 2011 was \$197,293.

A \$1,865,000 loan is guaranteed for the Inter-Island Ferry Authority (IFA), which has a bond issue in that amount to construct a new ferry. This loan is guaranteed by the Economic Development Assistance Program Fund. The IFA provides ferry service to the Prince of Wales Island, and Ketchikan. Bonds were issued through the Alaska Municipal Bond Bank Authority. The State of Alaska would assume the debt in the event the Inter-Island Ferry Authority is unsuccessful in its operations. The Inter-Island Ferry Authority began service from the Prince of Wales Island to Ketchikan on a daily basis in January 2002. The Ketchikan Gateway Borough has funds on deposit with U. S. Trust Company, N.A. in excess of the balance of the IFA loan at June 30, 2011. The principal balance of the IFA loan at June 30, 2011 was \$1,265,000 and is shown as a restriction of fund balance in the Economic Development Assistance Program Fund.

There is some risk of loss in these guarantees, but attempts are to minimize risk through due diligence review and proof of collateral.

4-C. Subsequent Events

2003A General Obligation School Bond Refunding

Resolution 2344 approved the Borough's participation in refinancing by the Alaska Municipal Bond Bank (AMBB) of Bonds affecting the 2003A Borough General Obligation School Bond. The AMBB projection of net savings for the refinancing is \$375,553 over the remaining 12 years of the 2003A series General Obligation bonds. The State of Alaska realizes 70% or \$262,887 and KGB 30% will realize \$112,666 of the savings. The bond refunding transaction was implemented in September 2011.

Ward Cove Property Sale

April 2011 a local business enterprise agreed to purchase the Borough-owned property at Ward Cove with a closing date for the purchase by October 11, 2011. The business owner notified the Borough Manager in writing that while the owner had recently secured financing for the purchase of the Ward Cove property, closing would be delayed. On December 5, 2011 the Assembly approved an extension of the closing deadline to December 31, 2011. The Borough will realize an impairment of the asset in the amount of \$7,313,222.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Airport Enterprise Fund State Aid

The Alaska Municipal Bond Bank has confirmed receipt of funds from the State of Alaska for redemption of 2001 Series A bonds for the financing of the airport ferry MV Oral Freeman. After the October 1, 2011 scheduled debt service payment for the 2001A bonds, \$905,000 of principal will remain outstanding. After application of the \$700,000 from the State, the remaining principal will be reduced to approximately \$205,000. The remaining debt of the 2001A bonds and the 2001B revenue bond are being considered for refunding for additional savings in an attempt to bring bond covenants into compliance.

Other State aid includes operating funds of \$300,000 for FY2012. There are ongoing negotiations with the State to reduce the deficit in the Airport Enterprise Fund. Changes to the Airport Reserve Lease are being considered to ensure long-term solvency of the enterprise fund.

Lewis Reef Property Foreclosure

The Borough made a loan to a contractor who developed property and constructed a small sawmill on the Airport Reserve. 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, 2011 is \$789,553, and is recorded in the Land Trust Special Revenue Fund.

The lease under which the contractor holds 32.25 acres of land located on the Ketchikan International Airport Reserve is subject to terms in the State of Alaska-Ketchikan Gateway Borough master lease for the Airport. The contractor has defaulted under the terms of the sublease. The Tidelands Sublease is a lease of 15.76 acres of tidelands adjacent to the Ketchikan International Airport Reserve. In addition to these leases, the contractor is the signatory on a note securing a loan. This loan is in arrears as well. In accordance with the lease agreement, the Ketchikan Gateway Borough is issuing a Notice of Default of the Sublease on the basis that the contractor has failed to pay rent as required. The Borough will not endure a financial loss as a result of foreclosure, because land improvements performed by the contractor are well in excess of the amount in arrears.



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Ketchikan Gateway Borough, Alaska

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 3,183,460	-	3,183,460
Prepaid items	41,191	-	41,191
Restricted cash and investments	4,522,612	-	4,522,612
Receivables:			
Accounts	105,805	-	105,805
Intergovernmental	2,065	-	2,065
Property taxes	26,900	-	26,900
Sales taxes	458,790	-	458,790
Total Assets	\$ 8,340,823	-	8,340,823
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 314,861	-	314,861
Interfund payable	3,896	-	3,896
Advances payable	635,070	-	635,070
Deferred revenue	85,664	-	85,664
Total Liabilities	1,039,491	-	1,039,491
Fund Balances			
Nonspendable	41,191	-	41,191
Restricted	7,864,094	-	7,864,094
Unassigned (deficit)	(603,953)	-	(603,953)
Total Fund Balances	7,301,332	-	7,301,332
Total Liabilities and Fund Balances	\$ 8,340,823	-	8,340,823

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 3,087,356	-	3,087,356
Intergovernmental	497,572	-	497,572
Charges for services	314,346	-	314,346
Water fees	177,610	-	177,610
Commercial vessel passenger tax	2,088,313	-	2,088,313
Interest subsidy	-	547,193	547,193
Investment earnings	115,343	-	115,343
Miscellaneous	330,620	-	330,620
Total Revenues	<u>6,611,160</u>	<u>547,193</u>	<u>7,158,353</u>
Expenditures			
Current			
Library services	372,794	-	372,794
Fire and EMS	1,058,292	-	1,058,292
Water treatment and distribution	209,885	-	209,885
Public services	1,099,143	-	1,099,143
Capital Outlay	237,477	-	237,477
Debt Service			
Principal retirement	-	2,567,666	2,567,666
Interest and fiscal charges	-	2,612,426	2,612,426
Total Expenditures	<u>2,977,591</u>	<u>5,180,092</u>	<u>8,157,683</u>
Excess (Deficiency) of Revenues Over Expenditures	3,633,569	(4,632,899)	(999,330)
Other Financing Sources (Uses)			
Transfers in	3,387	4,632,899	4,636,286
Transfers out	(2,910,244)	-	(2,910,244)
Total Other Financing Sources (Uses)	<u>(2,906,857)</u>	<u>4,632,899</u>	<u>1,726,042</u>
Net Change in Fund Balances	726,712	-	726,712
Fund Balances Beginning of Year	<u>6,574,620</u>	-	<u>6,574,620</u>
Fund Balances End of Year	\$ <u>7,301,332</u>	<u>-</u>	<u>7,301,332</u>

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011

	<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>
Assets							
Cash and investments	\$ -	-	178,684	25,961	-	38,042	91,238
Restricted cash and investments	235,380	4,287,232	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Receivables:							
Accounts	63,819	-	78	1,188	1,353	-	-
Intergovernmental	-	-	120	-	-	-	24
Property taxes	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-
Total Assets	<u>\$ 299,199</u>	<u>4,287,232</u>	<u>178,882</u>	<u>27,149</u>	<u>1,353</u>	<u>38,042</u>	<u>91,262</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	282,447	-	6,767	-	-	-
Interfund payable	-	-	-	-	3,896	-	-
Advances payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	75,137
Total Liabilities	<u>-</u>	<u>282,447</u>	<u>-</u>	<u>6,767</u>	<u>3,896</u>	<u>-</u>	<u>75,137</u>
Fund Balances (Deficits)							
Nonspendable	-	-	-	-	-	-	-
Restricted	299,199	4,004,785	178,882	20,382	-	38,042	16,125
Unassigned (deficit)	-	-	-	-	(2,543)	-	-
Total Fund Balances (Deficits)	<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>
Total Liabilities and Fund Balances	<u>\$ 299,199</u>	<u>4,287,232</u>	<u>178,882</u>	<u>27,149</u>	<u>1,353</u>	<u>38,042</u>	<u>91,262</u>

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

	Mud Bight Service Area	Nichols View Service Area	Non- areawide Library	North Tongass Fire and EMS	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Assets								
Cash and investments	\$ 63,187	8,599	77,691	31,836	2,572,630	81,096	14,496	3,183,460
Restricted cash and investments	-	-	-	-	-	-	-	4,522,612
Prepaid items	-	-	-	41,191	-	-	-	41,191
Receivables:								
Accounts	2,700	-	-	7,106	-	29,561	-	105,805
Intergovernmental	-	-	-	1,019	-	902	-	2,065
Property taxes	-	-	20,240	2,105	-	4,555	-	26,900
Sales taxes	-	-	-	-	458,790	-	-	458,790
Total Assets	\$ 65,887	8,599	97,931	83,257	3,031,420	116,114	14,496	8,340,823
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	-	-	6,859	-	18,270	518	314,861
Interfund payable	-	-	-	-	-	-	-	3,896
Advances payable	-	-	-	634,512	-	558	-	635,070
Deferred revenue	-	-	5,378	2,105	-	3,044	-	85,664
Total Liabilities	-	-	5,378	643,476	-	21,872	518	1,039,491
Fund Balances (Deficits)								
Nonspendable	-	-	-	41,191	-	-	-	41,191
Restricted	65,887	8,599	92,553	-	3,031,420	94,242	13,978	7,864,094
Unassigned (deficit)	-	-	-	(601,410)	-	-	-	(603,953)
Total Fund Balances (Deficits)	65,887	8,599	92,553	(560,219)	3,031,420	94,242	13,978	7,301,332
Total Liabilities and Fund Balances	\$ 65,887	8,599	97,931	83,257	3,031,420	116,114	14,496	8,340,823

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, 2011

	Airport PFC	Commercial Passenger Vessel	Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment Area	Homestead Service Area	Loring Service Area
Revenues							
Taxes	\$ -	-	61,776	-	-	-	(1,821)
Intergovernmental	-	2,515	-	-	-	-	231,208
Charges for services	-	-	-	24,166	703	25,309	-
Water fees	-	-	-	-	-	-	-
Commercial vessel passenger tax	-	2,088,313	-	-	-	-	-
Investment earnings	2,680	53,666	3,236	270	-	-	4,278
Miscellaneous	319,119	-	-	-	-	-	375
Total Revenues	<u>321,799</u>	<u>2,144,494</u>	<u>65,012</u>	<u>24,436</u>	<u>703</u>	<u>25,309</u>	<u>234,040</u>
Expenditures							
Current							
Library services	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-	-	-
Public services	-	948,473	58,125	16,592	-	21,041	2,419
Capital Outlay	-	-	-	-	-	-	231,208
Total Expenditures	<u>-</u>	<u>948,473</u>	<u>58,125</u>	<u>16,592</u>	<u>-</u>	<u>21,041</u>	<u>233,627</u>
Excess (Deficiency) of Revenues Over Expenditures	321,799	1,196,021	6,887	7,844	703	4,268	413
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	3,387	-
Transfers out	(377,483)	(672,705)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(377,483)</u>	<u>(672,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,387</u>	<u>-</u>
Net Change in Fund Balances (Deficits)	(55,684)	523,316	6,887	7,844	703	7,655	413
Fund Balances (Deficits)							
Beginning of Year	<u>354,883</u>	<u>3,481,469</u>	<u>171,995</u>	<u>12,538</u>	<u>(3,246)</u>	<u>30,387</u>	<u>15,712</u>
Fund Balances (Deficits) End of Year	\$ <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>

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

	Mud Bight Service Area	Nichols View Service Area	Nonareawide Library	North Tongass Fire and EMS	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Revenues								
Taxes	\$ -	-	403,138	562,009	1,614,719	447,535	-	3,087,356
Intergovernmental	-	-	-	16,319	238,267	9,263	-	497,572
Charges for services	13,150	-	-	178,694	-	53,215	19,109	314,346
Water fees	-	-	-	-	-	177,610	-	177,610
Commercial vessel passenger tax	-	-	-	-	-	-	-	2,088,313
Investment earnings	943	138	2,195	7,011	37,061	3,648	217	115,343
Miscellaneous	-	-	-	700	-	10,426	-	330,620
Total Revenues	<u>14,093</u>	<u>138</u>	<u>405,333</u>	<u>764,733</u>	<u>1,890,047</u>	<u>701,697</u>	<u>19,326</u>	<u>6,611,160</u>
Expenditures								
Current								
Library services	-	-	372,794	-	-	-	-	372,794
Fire and EMS	-	-	-	597,213	-	461,079	-	1,058,292
Water treatment and distribution	-	-	-	-	-	209,885	-	209,885
Public services	6,400	500	-	-	29,824	-	15,769	1,099,143
Capital Outlay	-	-	-	-	6,269	-	-	237,477
Total Expenditures	<u>6,400</u>	<u>500</u>	<u>372,794</u>	<u>597,213</u>	<u>36,093</u>	<u>670,964</u>	<u>15,769</u>	<u>2,977,591</u>
Excess (Deficiency) of Revenues Over Expenditures	7,693	(362)	32,539	167,520	1,853,954	30,733	3,557	3,633,569
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	3,387
Transfers out	-	-	-	(51,155)	(1,808,901)	-	-	(2,910,244)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,155)</u>	<u>(1,808,901)</u>	<u>-</u>	<u>-</u>	<u>(2,906,857)</u>
Net Change in Fund Balances (Deficits)	7,693	(362)	32,539	116,365	45,053	30,733	3,557	726,712
Fund Balances (Deficits)								
Beginning of Year	<u>58,194</u>	<u>8,961</u>	<u>60,014</u>	<u>(676,584)</u>	<u>2,986,367</u>	<u>63,509</u>	<u>10,421</u>	<u>6,574,620</u>
Fund Balances (Deficits) End of Year	<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>



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DEBT SERVICE FUNDS

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

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005B G.O. Bond Redemption Fund	2006A G.O. Bond Redemption Fund	2009A G.O. Bond Redemption Fund
Revenues					
Intergovernmental - interest subsidy	\$ -	-	-	-	-
Expenditures					
Debt Service					
Principal retirement	530,000	405,000	845,000	110,000	395,000
Interest and fiscal charges	<u>195,951</u>	<u>282,980</u>	<u>507,050</u>	<u>28,400</u>	<u>105,116</u>
Total Expenditures	<u>725,951</u>	<u>687,980</u>	<u>1,352,050</u>	<u>138,400</u>	<u>500,116</u>
Excess (Deficiency) of Revenues Over Expenditures	(725,951)	(687,980)	(1,352,050)	(138,400)	(500,116)
Other Financing Sources					
Transfers in	<u>725,951</u>	<u>687,980</u>	<u>1,352,050</u>	<u>138,400</u>	<u>500,116</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances End of Year	<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

	2009B G.O. Bond Redemption Fund	2010A One Certificate of Participation Fund	2010B Two Certificate of Participation Fund	E-One Capital Lease Fund	South Point Higgins Beach	Total Nonmajor Debt Service Funds
Revenues						
Intergovernmental - interest subsidy	\$ 490,135	-	57,058	-	-	547,193
Expenditures						
Debt Service						
Principal retirement	-	65,000	-	42,166	175,500	2,567,666
Interest and fiscal charges	1,327,123	19,264	126,795	8,989	10,758	2,612,426
Total Expenditures	<u>1,327,123</u>	<u>84,264</u>	<u>126,795</u>	<u>51,155</u>	<u>186,258</u>	<u>5,180,092</u>
Excess (Deficiency) of Revenues Over Expenditures	(836,988)	(84,264)	(69,737)	(51,155)	(186,258)	(4,632,899)
Other Financing Sources						
Transfers in	836,988	84,264	69,737	51,155	186,258	4,632,899
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-	-
Fund Balances End of Year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 415,419	3,126,245
Receivables:		
Accounts	97,390	62,680
Intergovernmental	748,136	640,628
Investment earnings	38,349	3,949
Property taxes	312,886	239,241
Sales taxes	4,192,252	4,017,145
Due from component unit	1,169,895	-
Interfund receivable	<u>3,084,803</u>	<u>1,913,437</u>
Total Assets	\$ <u>10,059,130</u>	<u>10,003,325</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 333,475	363,295
Accrued salaries and wages	5,853	2,463
Intergovernmental payable	2,834,208	2,767,720
Due to component unit	-	624,765
Deposits payable	109,430	59,564
Deferred revenues	<u>102,095</u>	<u>163,932</u>
Total Liabilities	<u>3,385,061</u>	<u>3,981,739</u>
Fund Balance		
Committed for accounting software	123,675	30,420
Unassigned	<u>6,550,394</u>	<u>5,991,166</u>
Total Fund Balance	<u>6,674,069</u>	<u>6,021,586</u>
Total Liabilities and Fund Balance	\$ <u>10,059,130</u>	<u>10,003,325</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			Variance Favorable (Unfavorable)	2010
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes:					
Real and personal property	\$ 7,241,367	7,241,367	7,382,569	141,202	7,839,724
Automobile and boat	115,000	115,000	102,600	(12,400)	73,600
Sales	4,332,000	4,332,000	4,875,858	543,858	4,776,503
Penalties and interest	100,000	100,000	119,712	19,712	117,833
Total taxes	<u>11,788,367</u>	<u>11,788,367</u>	<u>12,480,739</u>	<u>692,372</u>	<u>12,807,660</u>
Licenses and permits					
Zoning fees	15,000	15,000	14,168	(832)	11,108
Intergovernmental:					
State fisheries tax	400,000	400,000	425,132	25,132	516,753
State revenue sharing	639,833	639,833	637,115	(2,718)	642,387
PERS relief	-	-	253,249	253,249	176,440
Alaska State Housing Authority - PILT	15,000	15,000	14,811	(189)	29,814
Federal payment in lieu of taxes	900,000	900,000	1,006,148	106,148	1,006,218
State operating grant - transit system	681,778	681,778	725,700	43,922	621,188
State license refunds	-	-	7,625	7,625	-
National forest receipts	1,385,400	1,385,400	1,229,685	(155,715)	1,523,535
Total intergovernmental	<u>4,022,011</u>	<u>4,022,011</u>	<u>4,299,465</u>	<u>277,454</u>	<u>4,516,335</u>
Charges for services:					
Animal control	28,000	28,000	27,123	(877)	25,215
Bus system revenue	190,000	190,000	184,624	(5,376)	179,729
Parks and recreation	443,300	443,300	538,013	94,713	410,238
Other revenues	124,100	124,100	167,910	43,810	164,658
Total charges for services	<u>785,400</u>	<u>785,400</u>	<u>917,670</u>	<u>132,270</u>	<u>779,840</u>
Investment earnings	150,000	150,000	164,772	14,772	94,971
Total Revenues	<u>16,760,778</u>	<u>16,760,778</u>	<u>17,876,814</u>	<u>1,116,036</u>	<u>18,209,914</u>
Other financing sources - transfers in:					
Commercial Passenger Vessel Fund	312,705	312,705	312,705	-	65,882
Economic Development Assistance					
Program Fund	129,053	129,053	129,053	-	-
Land Trust Fund	497,182	497,182	497,182	-	-
Recreation Sales Tax Fund	285,540	285,540	285,540	-	300,000
School Bond Capital Improvements Fund	165,000	165,000	98,879	(66,121)	101,903
Total transfers in	<u>1,389,480</u>	<u>1,389,480</u>	<u>1,323,359</u>	<u>(66,121)</u>	<u>467,785</u>
Total Revenues and Transfers In	<u>18,150,258</u>	<u>18,150,258</u>	<u>19,200,173</u>	<u>1,049,915</u>	<u>18,677,699</u>

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

	2011			Variance Favorable (Unfavorable)	2010
	Original Budget	Final Budget	Actual		Actual
Expenditures					
Current:					
General government:					
Mayor and assembly	\$ 216,675	222,675	183,561	39,114	192,992
Manager	734,906	734,906	781,764	(46,858)	727,877
Clerk	350,804	350,804	337,311	13,493	330,103
Law	337,005	337,005	338,728	(1,723)	330,800
Finance	1,080,883	1,080,883	1,125,139	(44,256)	1,097,501
Assessment	712,953	712,953	636,303	76,650	620,198
Automation	511,000	511,000	500,492	10,508	472,063
Total general government	<u>3,944,226</u>	<u>3,950,226</u>	<u>3,903,298</u>	46,928	3,771,534
Less recovery of expenditures from other funds	<u>(681,550)</u>	<u>(681,550)</u>	<u>(680,446)</u>	<u>(1,104)</u>	<u>(1,053,102)</u>
Net general government	<u>3,262,676</u>	<u>3,268,676</u>	<u>3,222,852</u>	45,824	2,718,432
Public services:					
Animal protection	370,217	370,217	380,238	(10,021)	371,948
Planning	639,957	649,457	673,439	(23,982)	674,044
Community education grants	2,500	2,500	5,000	(2,500)	23,874
Total public services	<u>1,012,674</u>	<u>1,022,174</u>	<u>1,058,677</u>	<u>(36,503)</u>	<u>1,069,866</u>
Parks and recreation	<u>1,801,663</u>	<u>1,801,663</u>	<u>1,786,992</u>	14,671	1,778,070
Public works	<u>1,188,170</u>	<u>1,188,170</u>	<u>1,066,171</u>	121,999	1,325,648
Transit - bus system	<u>1,533,614</u>	<u>1,533,614</u>	<u>1,542,359</u>	(8,745)	1,285,049
Nondepartmental	<u>360,090</u>	<u>360,090</u>	<u>378,305</u>	(18,215)	376,593
Education	<u>9,223,104</u>	<u>9,411,000</u>	<u>9,411,000</u>	-	9,617,935
Capital Outlay	<u>250,000</u>	<u>250,000</u>	<u>72,447</u>	177,553	114,711
Total Expenditures	<u>18,631,991</u>	<u>18,835,387</u>	<u>18,538,803</u>	296,584	18,286,304
Transfers Out					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Service Area Fund	3,387	3,387	3,387	-	-
Total Transfers Out	<u>8,887</u>	<u>8,887</u>	<u>8,887</u>	-	5,500
Total Expenditures and Transfers Out	<u>18,640,878</u>	<u>18,844,274</u>	<u>18,547,690</u>	296,584	18,291,804
Net Change in Fund Balance	\$ <u>(490,620)</u>	<u>(694,016)</u>	652,483	<u>1,346,499</u>	385,895
Fund Balance Beginning of Year			<u>6,021,586</u>		<u>5,635,691</u>
Fund Balance End of Year			\$ <u>6,674,069</u>		<u>6,021,586</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 3,452,503	7,838,837
Receivables:		
Accounts	4,856	4,522
Notes	789,553	789,553
Advances	<u>1,519,100</u>	<u>1,690,615</u>
Total Assets	<u>\$ 5,766,012</u>	<u>10,323,527</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 11,023	3,071
Deposits	<u>1,100</u>	<u>1,100</u>
Total Liabilities	<u>12,123</u>	<u>4,171</u>
Fund Balance		
Nonspendable-noncurrent portion of notes and advances	2,132,358	2,301,236
Assigned for Borough-owned land management	<u>3,621,531</u>	<u>8,018,120</u>
Total Fund Balance	<u>5,753,889</u>	<u>10,319,356</u>
Total Liabilities and Fund Balance	<u>\$ 5,766,012</u>	<u>10,323,527</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 25,000	25,000	224,882	199,882	23,503
Intergovernmental	-	-	8,414	8,414	6,924
Investment earnings	297,628	297,628	143,018	(154,610)	155,747
Proceeds from sale of property	<u>500,000</u>	<u>500,000</u>	<u>69,000</u>	<u>(431,000)</u>	<u>923,631</u>
Total Revenues	<u>822,628</u>	<u>822,628</u>	<u>445,314</u>	<u>(377,314)</u>	<u>1,109,805</u>
Expenditures					
Current					
Public services	345,382	345,382	332,408	12,974	731,686
Debt issuance costs	-	-	123,829	(123,829)	-
Capital Outlay	<u>-</u>	<u>9,999,000</u>	<u>9,544,470</u>	<u>454,530</u>	<u>-</u>
Total Expenditures	<u>345,382</u>	<u>10,344,382</u>	<u>10,000,707</u>	<u>343,675</u>	<u>731,686</u>
Excess (Deficiency) of Revenues Over Expenditures	477,246	(9,521,754)	(9,555,393)	(33,639)	378,119
Other Financing Sources (Uses)					
Proceeds from issuance of debt	-	4,765,000	4,765,000	-	-
Premium	-	-	57,116	57,116	-
Transfers in	-	664,992	664,992	-	-
Transfers out	<u>(752,352)</u>	<u>(752,352)</u>	<u>(497,182)</u>	<u>255,170</u>	<u>(578,730)</u>
Total Other Financing Sources (Uses)	<u>(752,352)</u>	<u>4,677,640</u>	<u>4,989,926</u>	<u>312,286</u>	<u>(578,730)</u>
Net Change in Fund Balance	\$ <u>(275,106)</u>	<u>(4,844,114)</u>	(4,565,467)	<u>278,647</u>	(200,611)
Fund Balance Beginning of Year			<u>10,319,356</u>		<u>10,519,967</u>
Fund Balance End of Year		\$	<u>5,753,889</u>		<u>10,319,356</u>

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 1,216,922	1,235,893
Receivables:		
Intergovernmental	20,954	19,464
Property taxes	<u>458,790</u>	<u>438,787</u>
Total Assets	\$ <u>1,696,666</u>	<u>1,694,144</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>13,128</u>	<u>158,379</u>
 Fund Balance		
Committed for education	<u>1,683,538</u>	<u>1,535,765</u>
Total Liabilities and Fund Balance	\$ <u>1,696,666</u>	<u>1,694,144</u>

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,432,700	1,432,700	1,614,719	182,019	1,598,834
Intergovernmental	1,524,901	1,524,901	2,025,976	501,075	1,946,454
Miscellaneous	-	-	-	-	99
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>19,593</u>	<u>(407)</u>	<u>12,471</u>
Total Revenues	<u>2,977,601</u>	<u>2,977,601</u>	<u>3,660,288</u>	<u>682,687</u>	<u>3,557,858</u>
Expenditures					
Current					
Public services	22,000	22,000	35,699	(13,699)	1,002
Capital Outlay	<u>129,750</u>	<u>369,750</u>	<u>119,554</u>	<u>250,196</u>	<u>176,637</u>
Total Expenditures	<u>151,750</u>	<u>391,750</u>	<u>155,253</u>	<u>236,497</u>	<u>177,639</u>
Excess of Revenues Over Expenditures	2,825,851	2,585,851	3,505,035	919,184	3,380,219
Other Financing (Uses)					
Transfers out	<u>(2,343,430)</u>	<u>(2,543,430)</u>	<u>(3,357,262)</u>	<u>(813,832)</u>	<u>(3,356,278)</u>
Net Change in Fund Balance	\$ <u>482,421</u>	<u>42,421</u>	147,773	<u>105,352</u>	23,941
Fund Balance Beginning of Year			<u>1,535,765</u>		<u>1,511,824</u>
Fund Balance End of Year		\$	<u>1,683,538</u>		<u>1,535,765</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 2,910,022	3,407,301
Restricted cash and investments	1,462,293	1,521,766
Prepaid items	440	-
Receivables:		
Accounts	43,465	5,503
Advances	<u>2,364,162</u>	<u>2,169,056</u>
Total Assets	\$ <u>6,780,382</u>	<u>7,103,626</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 16,808	122,744
Deposits	<u>4,068</u>	<u>9,068</u>
Total Liabilities	<u>20,876</u>	<u>131,812</u>
Fund Balance		
Nonspendable:		
Prepaid items	440	-
Noncurrent advances	2,364,162	2,169,056
Restricted for loan guarantees	1,462,293	1,521,766
Assigned for economic development	<u>2,932,611</u>	<u>3,280,992</u>
Total Fund Balance	<u>6,759,506</u>	<u>6,971,814</u>
Total Liabilities and Fund Balance	\$ <u>6,780,382</u>	<u>7,103,626</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	-	3,736	3,736	1,741
Charges for services	262,056	262,056	345,771	83,715	370,315
Proceeds from sale of property	2,600,000	2,600,000	-	(2,600,000)	2,631,548
Miscellaneous revenue	-	-	-	-	11,826
Investment earnings	-	-	78,792	78,792	13,267
Total Revenues	<u>2,862,056</u>	<u>2,862,056</u>	<u>428,299</u>	<u>(2,433,757)</u>	<u>3,028,697</u>
Expenditures					
Current					
Public services	<u>852,034</u>	<u>852,034</u>	<u>545,963</u>	<u>306,071</u>	<u>779,779</u>
Excess (Deficiency) of Revenues Over Expenditures	2,010,022	2,010,022	(117,664)	(2,127,686)	2,248,918
Other Financing Sources (Uses)					
Transfers in	-	17,409	34,409	17,000	-
Transfers out	-	-	(129,053)	(129,053)	-
Net Change in Fund Balance	\$ <u>2,010,022</u>	<u>2,027,431</u>	(212,308)	<u>(2,239,739)</u>	2,248,918
Fund Balance Beginning of Year			<u>6,971,814</u>		<u>4,722,896</u>
Fund Balance End of Year			\$ <u>6,759,506</u>		<u>6,971,814</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	2011	2010
Assets		
Cash and investments	\$ 7,087	57,437
Intergovernmental receivable	1,467,184	590,491
Total Assets	\$ 1,474,271	647,928
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 299,594	135,806
Interfund payable	1,167,590	512,122
Deferred revenues	7,087	-
Total Liabilities	1,474,271	647,928
Fund Balance	-	-
Total Liabilities and Fund Balance	\$ 1,474,271	647,928

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ <u>1,585,788</u>	<u>4,983,507</u>
Expenditures		
Current		
Public services	146,225	74,598
Capital Outlay	<u>1,422,563</u>	<u>4,908,909</u>
Total Expenditures	<u>1,568,788</u>	<u>4,983,507</u>
Excess of Revenues Over Expenditures	17,000	-
Other Financing Uses		
Transfers out	<u>(17,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-
Fund Balance Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

Homestead 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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Restricted cash and investments	\$ 235,380	323,628
Accounts receivable	<u>63,819</u>	<u>31,255</u>
Total Assets	\$ <u>299,199</u>	<u>354,883</u>
Fund Balance		
Restricted for airport debt service	\$ <u>299,199</u>	<u>354,883</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
PFC revenues	\$ 331,000	331,000	319,119	(11,881)	314,761
Investment earnings	5,000	5,000	2,680	(2,320)	1,610
Total Revenues	336,000	336,000	321,799	(14,201)	316,371
Other Financing (Uses)					
Transfers out	(377,483)	(377,483)	(377,483)	-	(373,758)
Net Change in Fund Balance	\$ <u>(41,483)</u>	<u>(41,483)</u>	(55,684)	<u>(14,201)</u>	(57,387)
Fund Balance Beginning of Year			354,883		412,270
Fund Balance End of Year		\$	299,199		354,883

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Restricted cash and investments	\$ <u>4,287,232</u>	<u>3,629,086</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>282,447</u>	<u>147,617</u>
Fund Balance		
Restricted for commercial passenger vessel impact	<u>4,004,785</u>	<u>3,481,469</u>
Total Liabilities and Fund Balance	\$ <u>4,287,232</u>	<u>3,629,086</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	-	2,515	2,515	3,148
Commercial passenger vessel tax	1,950,000	1,950,000	2,088,313	138,313	2,313,793
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>53,666</u>	<u>33,666</u>	<u>20,703</u>
Total Revenues	<u>1,970,000</u>	<u>1,970,000</u>	<u>2,144,494</u>	<u>174,494</u>	<u>2,337,644</u>
Expenditures					
Current					
Public services	<u>2,439,572</u>	<u>2,439,572</u>	<u>948,473</u>	<u>1,491,099</u>	<u>1,174,030</u>
Excess (Deficiency) of Revenues Over Expenditures	(469,572)	(469,572)	1,196,021	1,665,593	1,163,614
Other Financing (Uses)					
Transfers out	<u>(562,705)</u>	<u>(562,705)</u>	<u>(672,705)</u>	<u>(110,000)</u>	<u>(311,882)</u>
Net Change in Fund Balance	\$ <u>(1,032,277)</u>	<u>(1,032,277)</u>	523,316	<u>1,555,593</u>	851,732
Fund Balance Beginning of Year			<u>3,481,469</u>		<u>2,629,737</u>
Fund Balance End of Year			\$ <u>4,004,785</u>		<u>3,481,469</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 178,684	172,260
Receivables:		
Accounts	78	78
Intergovernmental	<u>120</u>	<u>119</u>
Total Assets	\$ <u>178,882</u>	<u>172,457</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>462</u>
 Fund Balance		
Restricted for road maintenance	<u>178,882</u>	<u>171,995</u>
Total Liabilities and Fund Balance	\$ <u>178,882</u>	<u>172,457</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 61,690	61,690	61,776	86	62,088
Investment earnings	3,000	3,000	3,236	236	1,343
Total Revenues	64,690	64,690	65,012	322	63,431
Expenditures					
Current					
Public services	73,193	73,193	58,125	15,068	31,381
Capital Outlay	170,308	170,308	-	170,308	-
Total Expenditures	243,501	243,501	58,125	185,376	31,381
Net Change in Fund Balance	\$ <u>(178,811)</u>	<u>(178,811)</u>	6,887	<u>185,698</u>	32,050
Fund Balance Beginning of Year			171,995		139,945
Fund Balance End of Year			\$ <u>178,882</u>		<u>171,995</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 25,961	9,171
Accounts receivable	<u>1,188</u>	<u>3,367</u>
Total Assets	<u>\$ 27,149</u>	<u>12,538</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>6,767</u>	<u>-</u>
Fund Balance		
Restricted for road maintenance	<u>20,382</u>	<u>12,538</u>
Total Liabilities and Fund Balance	<u>\$ 27,149</u>	<u>12,538</u>

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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 22,716	22,716	24,166	1,450	24,539
Investment earnings (loss)	-	-	270	270	(38)
Total Revenues	22,716	22,716	24,436	1,720	24,501
Expenditures					
Current					
Public services	17,543	17,543	16,592	951	4,410
Net Change in Fund Balance	\$ 5,173	5,173	7,844	2,671	20,091
Fund Balance (Deficit) Beginning of Year			12,538		(7,553)
Fund Balance End of Year		\$ 20,382			12,538

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Accounts receivable	\$ <u>1,353</u>	<u>2,330</u>
Liabilities and Fund Balance		
Liabilities		
Interfund payable	\$ <u>3,896</u>	<u>5,576</u>
Fund Balance		
Unassigned (deficit)	<u>(2,543)</u>	<u>(3,246)</u>
Total Liabilities and Fund Balance	\$ <u>1,353</u>	<u>2,330</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	703	703	133
Expenditures					
Current					
Public services	100	100	-	100	-
Net Change in Fund Balance	\$ <u>(100)</u>	<u>(100)</u>	703	<u>803</u>	133
Fund Balance (Deficit) Beginning of Year			<u>(3,246)</u>		<u>(3,379)</u>
Fund Balance (Deficit) End of Year			\$ <u>(2,543)</u>		<u>(3,246)</u>

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ <u>38,042</u>	<u>30,387</u>
Fund Balance		
Restricted for road maintenance	\$ <u>38,042</u>	<u>30,387</u>

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 25,245	25,245	25,309	64	32,657
Expenditures					
Current					
Public services	28,620	28,620	21,041	7,579	10,895
Excess (Deficiency) of Revenues Over Expenditures	(3,375)	(3,375)	4,268	7,643	21,762
Other Financing Sources					
Transfers in	3,387	3,387	3,387	-	-
Net Change in Fund Balance	\$ 12	12	7,655	7,643	21,762
Fund Balance Beginning of Year			30,387		8,625
Fund Balance End of Year			\$ 38,042		30,387

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 91,238	322,618
Intergovernmental receivable	<u>24</u>	<u>24</u>
Total Assets	<u>\$ 91,262</u>	<u>322,642</u>
Liabilities		
Accounts payable	\$ -	585
Deferred revenue	<u>75,137</u>	<u>306,345</u>
Total Liabilities	<u>75,137</u>	<u>306,930</u>
Fund Balance		
Restricted for dock improvements	<u>16,125</u>	<u>15,712</u>
Total Liabilities and Fund Balance	<u>\$ 91,262</u>	<u>322,642</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,763	1,763	(1,821)	(3,584)	2,960
Intergovernmental	306,930	306,930	231,208	(75,722)	585
Investment earnings	3,516	3,516	4,278	762	2,535
Miscellaneous	<u>-</u>	<u>-</u>	<u>375</u>	<u>375</u>	<u>200</u>
Total Revenues	<u>312,209</u>	<u>312,209</u>	<u>234,040</u>	<u>(78,169)</u>	<u>6,280</u>
Expenditures					
Current					
Public services	1,550	1,550	2,419	(869)	600
Capital Outlay	<u>306,930</u>	<u>306,930</u>	<u>231,208</u>	<u>75,722</u>	<u>585</u>
Total Expenditures	<u>308,480</u>	<u>308,480</u>	<u>233,627</u>	<u>74,853</u>	<u>1,185</u>
Net Change in Fund Balance	\$ <u>3,729</u>	<u>3,729</u>	413	<u>(3,316)</u>	5,095
Fund Balance Beginning of Year			<u>15,712</u>		<u>10,617</u>
Fund Balance End of Year			\$ <u>16,125</u>		<u>15,712</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 63,187	55,537
Accounts receivable	<u>2,700</u>	<u>2,657</u>
Total Assets	\$ <u>65,887</u>	<u>58,194</u>
Fund Balance		
Restricted for road maintenance	\$ <u>65,887</u>	<u>58,194</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,160	11,160	13,150	1,990	12,852
Investment earnings	800	800	943	143	464
Total Revenues	11,960	11,960	14,093	2,133	13,316
Expenditures					
Current					
Public services	11,448	11,448	6,400	5,048	7,230
Capital Outlay	24,999	24,999	-	24,999	-
Total Expenditures	36,447	36,447	6,400	30,047	7,230
Net Change in Fund Balance	\$ <u>(24,487)</u>	<u>(24,487)</u>	7,693	<u>32,180</u>	6,086
Fund Balance Beginning of Year			58,194		52,108
Fund Balance End of Year			\$ <u>65,887</u>		58,194

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ <u>8,599</u>	<u>8,961</u>
Fund Balance		
Restricted for road maintenance	\$ <u>8,599</u>	<u>8,961</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Investment earnings	\$ <u>103</u>	<u>103</u>	<u>138</u>	<u>35</u>	<u>77</u>
Expenditures					
Current					
Public services	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Net Change in Fund Balance	\$ <u><u>(397)</u></u>	<u><u>(397)</u></u>	<u>(362)</u>	<u><u>35</u></u>	<u>(423)</u>
Fund Balance Beginning of Year			<u>8,961</u>		<u>9,384</u>
Fund Balance End of Year		\$	<u><u>8,599</u></u>		<u><u>8,961</u></u>

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 77,691	58,010
Property taxes receivable	<u>20,240</u>	<u>6,248</u>
Total Assets	<u>\$ 97,931</u>	<u>64,258</u>
Liabilities and Fund Balance		
Liabilities		
Deferred property tax	\$ <u>5,378</u>	<u>4,244</u>
Fund Balance		
Restricted for library operations	<u>92,553</u>	<u>60,014</u>
Total Liabilities and Fund Balance	<u>\$ 97,931</u>	<u>64,258</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, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 382,529	382,529	403,138	20,609	390,582
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,195</u>	<u>1,195</u>	<u>3,681</u>
Total Revenues	<u>383,529</u>	<u>383,529</u>	<u>405,333</u>	<u>21,804</u>	<u>394,263</u>
Expenditures					
Current					
Library services	<u>373,306</u>	<u>373,306</u>	<u>372,794</u>	<u>512</u>	<u>371,886</u>
Net Change in Fund Balance	\$ <u>10,223</u>	<u>10,223</u>	32,539	<u>22,316</u>	22,377
Fund Balance Beginning of Year			<u>60,014</u>		<u>37,637</u>
Fund Balance End of Year		\$	<u>92,553</u>		<u>60,014</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 31,836	5,228
Prepaid items	41,191	-
Receivables:		
Accounts	7,106	11,532
Intergovernmental	1,019	1,018
Property taxes	<u>2,105</u>	<u>3,615</u>
Total Assets	\$ <u>83,257</u>	<u>21,393</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 6,859	6,156
Advances payable	634,512	688,206
Deferred revenue	<u>2,105</u>	<u>3,615</u>
Total Liabilities	<u>643,476</u>	<u>697,977</u>
Fund Balance		
Nonspendable	41,191	-
Unassigned (deficit)	<u>(601,410)</u>	<u>(676,584)</u>
Total Fund Balance (Deficit)	<u>(560,219)</u>	<u>(676,584)</u>
Total Liabilities and Fund Balance	\$ <u>83,257</u>	<u>21,393</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 553,975	553,975	562,009	8,034	564,674
Intergovernmental	-	-	16,319	16,319	9,566
Service area fees	115,000	115,000	112,354	(2,646)	113,174
Investment earnings	-	-	7,011	7,011	9,612
EMS revenues	53,000	53,000	66,340	13,340	62,946
Miscellaneous revenues	-	-	700	700	3,200
Total Revenues	<u>721,975</u>	<u>721,975</u>	<u>764,733</u>	<u>42,758</u>	<u>763,172</u>
Expenditures					
Current					
Fire and EMS	576,710	576,710	597,213	(20,503)	566,861
Capital Outlay	<u>99,000</u>	<u>99,000</u>	<u>-</u>	<u>99,000</u>	<u>-</u>
Total Expenditures	<u>675,710</u>	<u>675,710</u>	<u>597,213</u>	<u>78,497</u>	<u>566,861</u>
Excess of Revenues Over Expenditures	46,265	46,265	167,520	121,255	196,311
Other Financing (Uses)					
Transfers out	<u>(51,155)</u>	<u>(51,155)</u>	<u>(51,155)</u>	<u>-</u>	<u>(51,155)</u>
Net Change in Fund Balance	\$ <u>(4,890)</u>	<u>(4,890)</u>	116,365	<u>121,255</u>	145,156
Fund Balance (Deficit) Beginning of Year			<u>(676,584)</u>		<u>(821,740)</u>
Fund Balance (Deficit) End of Year			\$ <u>(560,219)</u>		<u>(676,584)</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 2,572,630	2,547,580
Sales tax receivable	<u>458,790</u>	<u>438,787</u>
Total Assets	\$ <u>3,031,420</u>	<u>2,986,367</u>
Fund Balance		
Restricted for recreation	\$ <u>3,031,420</u>	<u>2,986,367</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,427,700	1,427,700	1,599,837	172,137	1,583,001
Intergovernmental	237,577	237,577	238,267	690	
Penalties	9,000	9,000	14,882	5,882	15,833
Interest subsidy	490,135	490,135	-	(490,135)	-
Investment earnings	14,000	14,000	37,061	23,061	17,287
Total Revenues	<u>2,178,412</u>	<u>2,178,412</u>	<u>1,890,047</u>	<u>(288,365)</u>	<u>1,616,121</u>
Expenditures					
Current					
Public services	-	-	29,824	(29,824)	2,937
Capital Outlay	<u>275,000</u>	<u>2,193,854</u>	<u>6,269</u>	<u>2,187,585</u>	<u>602,418</u>
Total Expenditures	<u>275,000</u>	<u>2,193,854</u>	<u>36,093</u>	<u>2,157,761</u>	<u>605,355</u>
Excess (Deficiency) of Revenues Over Expenditures	1,903,412	(15,442)	1,853,954	1,869,396	1,010,766
Other Financing (Uses)					
Transfers out	<u>(2,112,779)</u>	<u>(2,112,779)</u>	<u>(1,808,901)</u>	<u>303,878</u>	<u>(300,000)</u>
Net Change in Fund Balance	\$ <u>(209,367)</u>	<u>(2,128,221)</u>	45,053	<u>2,173,274</u>	710,766
Fund Balance Beginning of Year			<u>2,986,367</u>		<u>2,275,601</u>
Fund Balance End of Year			\$ <u>3,031,420</u>		<u>2,986,367</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ 81,096	46,884
Receivable:		
Accounts	29,561	25,915
Intergovernmental	902	900
Property taxes	<u>4,555</u>	<u>1,836</u>
Total Assets	<u>\$ 116,114</u>	<u>75,535</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 18,270	8,704
Advances payable	558	3,322
Deferred revenue	<u>3,044</u>	<u>-</u>
Total Liabilities	<u>21,872</u>	<u>12,026</u>
 Fund Balance		
Restricted for public safety and water	<u>94,242</u>	<u>63,509</u>
Total Liabilities and Fund Balance	<u>\$ 116,114</u>	<u>75,535</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 446,311	446,311	447,535	1,224	446,029
Intergovernmental	-	-	9,263	9,263	7,040
Water fees	160,000	160,000	177,610	17,610	165,463
Investment earnings	2,000	2,000	3,648	1,648	2,441
EMS revenue	53,000	53,000	53,215	215	57,214
Miscellaneous	<u>130,000</u>	<u>130,000</u>	<u>10,426</u>	<u>(119,574)</u>	<u>-</u>
Total Revenues	<u>791,311</u>	<u>791,311</u>	<u>701,697</u>	<u>(89,614)</u>	<u>678,187</u>
Expenditures					
Current					
Fire and EMS	456,958	456,958	461,079	(4,121)	454,044
Water treatment and distribution	257,166	257,166	209,885	47,281	229,160
Capital Outlay	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Total Expenditures	<u>839,124</u>	<u>839,124</u>	<u>670,964</u>	<u>168,160</u>	<u>683,204</u>
Net Change in Fund Balance	\$ <u>(47,813)</u>	<u>(47,813)</u>	30,733	<u>78,546</u>	(5,017)
Fund Balance Beginning of Year			<u>63,509</u>		<u>68,526</u>
Fund Balance End of Year			\$ <u>94,242</u>		<u>63,509</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and investments	\$ <u>14,496</u>	<u>11,408</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>518</u>	<u>987</u>
Fund Balance		
Restricted for road maintenance	<u>13,978</u>	<u>10,421</u>
Total Liabilities and Fund Balance	\$ <u>14,496</u>	<u>11,408</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			2010	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 19,304	19,304	19,109	(195)	19,299
Investment earnings (loss)	<u>-</u>	<u>-</u>	<u>217</u>	<u>217</u>	<u>(2)</u>
Total Revenues	<u>19,304</u>	<u>19,304</u>	<u>19,326</u>	<u>22</u>	<u>19,297</u>
Expenditures					
Current					
Public services	<u>30,030</u>	<u>30,030</u>	<u>15,769</u>	<u>14,261</u>	<u>7,182</u>
Net Change in Fund Balance	\$ <u>(10,726)</u>	<u>(10,726)</u>	3,557	<u>14,283</u>	12,115
Fund Balance (Deficit) Beginning of Year			<u>10,421</u>		<u>(1,694)</u>
Fund Balance End of Year			\$ <u>13,978</u>		<u>10,421</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Restricted cash and investments	\$ <u>23,208,261</u>	<u>25,532,937</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 3,111,977	418,739
Deposits	2,000	2,000
Interfund payable	<u>156,911</u>	<u>210,676</u>
Total Liabilities	<u>3,270,888</u>	<u>631,415</u>
Fund Balance		
Restricted for capital projects	<u>19,937,373</u>	<u>24,901,522</u>
Total Liabilities and Fund Balance	\$ <u>23,208,261</u>	<u>25,532,937</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Investment earnings	\$ 129,292	18,475
Total Revenues	<u>129,292</u>	<u>18,475</u>
Expenditures		
Capital Outlay		
Aquatic center	6,373,953	449,828
Educational facilities	1,722,213	231,599
Bond issuance costs	<u>26,041</u>	<u>250,738</u>
Total Expenditures	<u>8,122,207</u>	<u>932,165</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,992,915)	(913,690)
Other Financing Sources (Uses)		
Proceeds from the issuance of debt	3,400,000	29,490,000
Premium for bonds issued	1,167	372,207
Transfers in	310,000	460,145
Transfers out	(682,401)	-
Payment to refunded debt escrow	<u>-</u>	<u>(6,204,412)</u>
Total Other Financing Sources (Uses)	<u>3,028,766</u>	<u>24,117,940</u>
Net Change in Fund Balance	(4,964,149)	23,204,250
Fund Balance Beginning of Year	<u>24,901,522</u>	<u>1,697,272</u>
Fund Balance End of Year	\$ <u>19,937,373</u>	<u>24,901,522</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Prepaid items	\$ -	4,482
Receivables:		
Accounts	232,028	152,881
Intergovernmental	<u>73,306</u>	<u>43,441</u>
Total Current Assets	<u>305,334</u>	<u>200,804</u>
Noncurrent Assets		
Restricted cash and investments-bond reserve	385,000	385,000
Capital Assets		
Non-depreciable	1,142,318	585,665
Depreciable, net	<u>7,327,269</u>	<u>7,931,220</u>
Total Noncurrent Assets	<u>8,854,587</u>	<u>8,901,885</u>
Total Assets	<u>9,159,921</u>	<u>9,102,689</u>
Liabilities		
Current Liabilities		
Accounts payable	80,148	55,807
Interfund advances payable	32,688	32,688
Compensated absences payable	182,770	115,000
Revenue bonds payable	<u>260,000</u>	<u>250,000</u>
Total Current Liabilities	<u>555,606</u>	<u>453,495</u>
Long-Term Liabilities, Net of Current Portion		
Compensated absences payable	78,769	130,928
Interfund advances payable	2,596,095	2,426,259
Revenue bonds payable	<u>2,245,000</u>	<u>2,505,000</u>
Total Long-Term Liabilities	<u>4,919,864</u>	<u>5,062,187</u>
Total Liabilities	<u>5,475,470</u>	<u>5,515,682</u>
Net Assets		
Invested in capital assets, net of related debt	5,964,587	5,761,885
Restricted for bond reserve	385,000	385,000
Unrestricted (deficit)	<u>(2,665,136)</u>	<u>(2,559,878)</u>
Total Net Assets	<u>\$ 3,684,451</u>	<u>3,587,007</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Charges for services	\$ 3,633,607	3,283,332
Operating Expenses		
Personal services	2,794,967	2,637,050
Supplies and services	1,261,157	1,137,608
Insurance	184,813	182,766
Depreciation	<u>583,296</u>	<u>522,042</u>
Total Operating Expenses	<u>4,824,233</u>	<u>4,479,466</u>
Operating Loss	(1,190,626)	(1,196,134)
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(135,874)	(154,861)
Gain on disposal of capital assets	55,347	-
Operating grants	<u>178,892</u>	<u>168,607</u>
Total Non-Operating Revenues (Expenses)	<u>98,365</u>	<u>13,746</u>
Loss Before Capital Contributions and Transfers	(1,092,261)	(1,182,388)
Capital contributions	556,722	638,665
Transfers in	<u>632,983</u>	<u>625,258</u>
Change in Net Assets	97,444	81,535
Net Assets Beginning of Year	<u>3,587,007</u>	<u>3,505,472</u>
Net Assets End of Year	\$ <u><u>3,684,451</u></u>	<u><u>3,587,007</u></u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,524,595	3,613,331
Cash payments to employees for services	(2,779,356)	(2,620,651)
Cash payments for goods and services	<u>(1,247,311)</u>	<u>(1,361,274)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(502,072)</u>	<u>(368,594)</u>
Cash Flows from Noncapital Financing Activities		
Operating grants	178,892	168,607
Transfers in	<u>632,983</u>	<u>625,258</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>811,875</u>	<u>793,865</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	76,000	-
Capital grant	556,722	638,665
Principal paid on revenue bonds	(250,000)	(235,000)
Interest paid on debt service	(135,874)	(154,861)
Payments for capital acquisitions	<u>(556,651)</u>	<u>(674,075)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(309,803)</u>	<u>(425,271)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents Beginning of Year	<u>385,000</u>	<u>385,000</u>
Cash and Cash Equivalents End of Year	<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, 2011 and 2010

(continued)

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (1,190,626)	(1,196,134)
Adjustments:		
Depreciation	583,296	522,042
(Increase) Decrease in Assets:		
Receivables:		
Accounts	(79,147)	373,440
Intergovernmental	(29,865)	(43,441)
Prepaid items	4,482	(4,482)
Increase (Decrease) in Liabilities:		
Accounts payable	24,341	(61,387)
Interfund advance payable	169,836	24,969
Compensated absences payable	15,611	16,399
Net pension obligation	-	-
Net Cash Provided by (Used in) Operating Activities	\$ <u>(502,072)</u>	<u>(368,594)</u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and investments	\$ 258,905	141,322
Accounts receivable	<u>36,681</u>	<u>30,851</u>
Total Current Assets	<u>295,586</u>	<u>172,173</u>
Noncurrent Assets		
Capital Assets		
Depreciable, net	<u>11,493,623</u>	<u>11,941,314</u>
Total Noncurrent Assets	<u>11,493,623</u>	<u>11,941,314</u>
Total Assets	<u>11,789,209</u>	<u>12,113,487</u>
Current Liabilities		
Accounts payable	31,762	19,903
Interfund advances payable	<u>57,358</u>	<u>89,786</u>
Total Current Liabilities	89,120	109,689
Long-Term Liabilities		
Interfund advances payable (net of current portion)	<u>562,052</u>	<u>619,410</u>
Total Liabilities	<u>651,172</u>	<u>729,099</u>
Net Assets		
Invested in capital assets	11,493,623	11,941,314
Unrestricted (deficit)	<u>(355,586)</u>	<u>(556,926)</u>
Total Net Assets	<u>\$ 11,138,037</u>	<u>11,384,388</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Charges for services	\$ 702,530	576,803
Operating Expenses		
Personal services	168,955	171,600
Supplies and services	375,255	279,374
Insurance	5,566	6,658
Depreciation	459,669	460,320
Total Operating Expenses	1,009,445	917,952
Less recovery of expenses from other funds	(39,451)	(46,451)
Net Operating Expenses	969,994	871,501
Operating Loss	(267,464)	(294,698)
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(36,899)	(41,475)
Gain (loss) on disposal of capital assets	(8,112)	-
Investment earnings	4,246	382
Operating grants	61,878	65,381
Total Non-Operating Revenues (Expenses)	21,113	24,288
Change in Net Assets	(246,351)	(270,410)
Net Assets Beginning of Year	11,384,388	11,654,798
Net Assets End of Year	\$ 11,138,037	11,384,388

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 696,700	579,408
Cash payments to employees for services	(168,955)	(171,600)
Cash payments for goods and services	<u>(419,297)</u>	<u>(399,801)</u>
Net Cash Provided by Operating Activities	<u>108,448</u>	<u>8,007</u>
Cash Flows from Noncapital Financing Activities		
Operating grants	<u>61,878</u>	<u>65,381</u>
Cash Flows from Capital and Related Financing Activities		
Interest paid on debt service	(36,899)	(41,475)
Payments for capital acquisitions	<u>(20,090)</u>	<u>(19,665)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(56,989)</u>	<u>(61,140)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>4,246</u>	<u>382</u>
Net Increase in Cashs and Cash Equivalents	117,583	12,630
Cash and Cash Equivalents Beginning of Year	<u>141,322</u>	<u>128,692</u>
Cash and Cash Equivalents End of Year	\$ <u><u>258,905</u></u>	<u><u>141,322</u></u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2011 and 2010

(Continued)

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (267,464)	(294,698)
Adjustments:		
Depreciation	459,669	460,320
(Increase) Decrease in Assets:		
Accounts receivable	(5,830)	2,605
Increase (Decrease) in Liabilities:		
Accounts payable	11,859	(75,010)
Interfund advance payable	<u>(89,786)</u>	<u>(85,210)</u>
Net Cash Provided by Operating Activities	\$ <u>108,448</u>	<u>8,007</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, 2011

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
Current Assets			
Prepaid items	\$ <u> -</u>	<u>564,719</u>	<u>564,719</u>
Current Liabilities			
Interfund payable	881,717	874,688	1,756,405
Claims payable	<u>326,510</u>	<u>75,599</u>	<u>402,109</u>
Total Current Liabilities	<u>1,208,227</u>	<u>950,287</u>	<u>2,158,514</u>
Net Assets			
Unrestricted (deficit)	\$ <u><u>(1,208,227)</u></u>	<u><u>(385,568)</u></u>	<u><u>(1,593,795)</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, 2011

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Insurance premiums	\$ 3,535,740	1,743,934	5,279,674
Operating Expenses			
Administration	427,384	157,684	585,068
Premiums	-	272,527	272,527
Claims	3,185,276	1,060,027	4,245,303
Total Operating Expenses	<u>3,612,660</u>	<u>1,490,238</u>	<u>5,102,898</u>
Operating Income (Loss)	(76,920)	253,696	176,776
Non-Operating Revenues			
Investment earnings	-	1,118	1,118
Change in Net Assets	(76,920)	254,814	177,894
Net Assets (Deficits) Beginning of Year	<u>(1,131,307)</u>	<u>(640,382)</u>	<u>(1,771,689)</u>
Net Assets (Deficits) End of Year	\$ <u><u>(1,208,227)</u></u>	<u><u>(385,568)</u></u>	<u><u>(1,593,795)</u></u>

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2011

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 3,535,740	1,179,215	4,714,955
Cash payments for goods and services	(427,384)	(430,211)	(857,595)
Cash payments for claims	<u>(3,108,356)</u>	<u>(750,122)</u>	<u>(3,858,478)</u>
Net Cash Provided by (Used in) Operating Activities	<u>-</u>	<u>(1,118)</u>	<u>(1,118)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>-</u>	<u>1,118</u>	<u>1,118</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>-</u>	<u>-</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	<u>(76,920)</u>	<u>253,696</u>	<u>176,776</u>
(Increase) in Assets:			
Prepaid items	-	(564,719)	(564,719)
Increase in Liabilities:			
Interfund and claims payable	<u>76,920</u>	<u>309,905</u>	<u>386,825</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ -</u>	<u>(1,118)</u>	<u>(1,118)</u>



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Ketchikan Gateway Borough, Alaska
Meritain School District Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and investments	\$ -	-
Current Liabilities		
Interfund payable	881,717	761,842
Claims payable	<u>326,510</u>	<u>369,465</u>
Total Current Liabilities	<u>1,208,227</u>	<u>1,131,307</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(1,208,227)</u></u>	<u><u>(1,131,307)</u></u>

Ketchikan Gateway Borough, Alaska
Meritain School District Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Deficit
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Insurance premiums	\$ 3,535,740	3,153,995
Operating Expenses		
Administration	427,384	422,351
Claims	3,185,276	3,916,708
Total Operating Expenses	<u>3,612,660</u>	<u>4,339,059</u>
Operating Income (Loss)	(76,920)	(1,185,064)
Non-Operating Revenues		
Investment earnings	-	6,665
Change in Net Assets (Deficit)	(76,920)	(1,178,399)
Net Assets (Deficit) Beginning of Year	<u>(1,131,307)</u>	<u>47,092</u>
Net Assets (Deficit) End of Year	\$ <u><u>(1,208,227)</u></u>	<u><u>(1,131,307)</u></u>

Ketchikan Gateway Borough, Alaska
Meritain Borough Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2011 and 2010

	2011	2010
Assets		
Prepaid items	\$ <u>564,719</u>	<u>-</u>
Current Liabilities		
Interfund payable	874,688	423,221
Claims payable	<u>75,599</u>	<u>217,161</u>
Total Current Liabilities	<u>950,287</u>	<u>640,382</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(385,568)</u></u>	<u><u>(640,382)</u></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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Insurance premiums	\$ 1,743,934	1,778,660
Operating Expenses		
Administration	157,684	162,498
Premiums	272,527	290,525
Claims	1,060,027	1,291,802
Total Operating Expenses	<u>1,490,238</u>	<u>1,744,825</u>
Operating Income	253,696	33,835
Investment earnings	<u>1,118</u>	<u>-</u>
Change in Net Assets (Deficit)	254,814	33,835
Net Assets (Deficit) Beginning of Year	<u>(640,382)</u>	<u>(674,217)</u>
Net Assets (Deficit) End of Year	\$ <u><u>(385,568)</u></u>	<u><u>(640,382)</u></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
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Fund Balances, Governmental Funds	Table 3
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KETCHIKAN GATEWAY BOROUGH

Changes in Net Assets
June 30, 2011

	2011	2010	2009	2008	2007
Expenses					
Governmental activities:					
General government	\$ 3,502,989	3,198,263	3,098,135	3,105,409	3,306,674
Fire and EMS	1,289,444	1,249,053	1,207,673	1,219,557	-
Water treatment and distribution	207,102	228,725	246,479	-	-
Library services	372,794	371,886	420,190	420,100	420,565
Parks and recreation	2,066,242	2,004,219	1,658,671	1,883,894	-
Public works	1,093,054	1,391,689	1,388,867	1,248,572	-
Public services	3,595,580	4,162,195	5,415,283	1,908,428	8,308,680
Transit	1,640,624	1,427,218	1,149,142	1,075,033	-
Automation	-	-	-	-	364,331
Education	15,091,534	16,017,284	14,401,413	13,522,531	13,321,747
Nondepartmental	-	-	-	-	-
Interest	2,453,966	1,540,248	1,299,122	1,405,115	1,613,241
Total governmental activities expenses	<u>31,313,329</u>	<u>31,590,780</u>	<u>30,284,975</u>	<u>25,788,639</u>	<u>27,335,238</u>
Business-type activities:					
Airport	4,835,323	4,625,758	4,758,390	4,312,540	4,599,434
Wastewater	1,010,836	912,252	1,095,332	890,038	1,073,625
Total business-type activities expenses	<u>5,846,159</u>	<u>5,538,010</u>	<u>5,853,722</u>	<u>5,202,578</u>	<u>5,673,059</u>
Total primary government expenses	<u>\$ 37,159,488</u>	<u>37,128,790</u>	<u>\$ 36,138,697</u>	<u>30,991,217</u>	<u>33,008,297</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	242,335	236,534	234,659	360,311	-
Water treatment and distribution	177,610	165,463	132,884	-	-
Parks and recreation	538,013	410,238	446,557	458,064	-
Public services	862,291	684,279	668,042	405,626	1,314,590
Transit	184,624	179,729	160,764	140,721	-
Education	3,535,740	3,153,995	2,849,699	3,020,959	-
Capital grants	6,426,775	8,369,771	10,990,255	4,059,938	2,981,744
Operating grants	904,866	705,498	555,861	498,425	2,007,935
Nondepartmental	-	-	-	-	2,936,900
Total governmental activities program revenues	<u>12,872,254</u>	<u>13,905,507</u>	<u>16,038,721</u>	<u>8,944,044</u>	<u>9,241,169</u>
Business-type activities:					
Charges for services:					
Airport	3,633,607	3,283,332	3,424,190	3,759,832	3,387,681
Wastewater	702,530	576,803	583,196	613,663	592,620
Operating grants	79,122	128,193	72,412	152,035	62,188
Capital grants	556,653	638,665	28,392	8,685	640,921
Total business-type activities program revenues	<u>4,971,912</u>	<u>4,626,993</u>	<u>4,108,190</u>	<u>4,534,215</u>	<u>4,683,410</u>
Total primary government program revenues	<u>\$ 17,844,166</u>	<u>18,532,500</u>	<u>\$ 20,146,911</u>	<u>13,478,259</u>	<u>13,924,579</u>
Net (Expense) Revenue					
Governmental activities	(18,441,075)	(17,685,273)	(14,246,254)	(16,844,595)	(18,094,069)
Business-type activities	(874,247)	(911,017)	(1,745,532)	(668,363)	(989,649)
Total primary government net expense	<u>\$ (19,315,322)</u>	<u>(18,596,290)</u>	<u>\$ (15,991,786)</u>	<u>(17,512,958)</u>	<u>(19,083,718)</u>
General Revenues and Other Changes In Net Assets					
Governmental activities:					
Property taxes	9,015,302	9,491,422	10,233,372	11,133,400	10,350,075
Sales taxes	8,105,296	7,974,171	8,430,433	6,843,335	6,333,019
Transient occupancy taxes	-	-	-	-	-
Payment in lieu of taxes	1,020,959	1,036,032	1,366,194	579,736	581,662
Grants and entitlements not restricted	3,451,680	3,677,791	3,815,114	3,615,710	319,748
Transfers	(632,983)	(625,258)	(374,452)	(222,905)	(841,611)
Investment earnings	650,810	361,309	275,681	1,511,764	1,552,003
Property sales (loss on requisitions)	(7,313,222)	1,650,939	(909,920)	599,456	699,150
Bond issuance costs	-	-	-	-	-
Miscellaneous	867,387	326,885	850,530	390,152	408,748
Settlement	-	-	-	-	970,088
Total governmental activities general revenues and other changes in net assets	<u>15,165,229</u>	<u>23,893,291</u>	<u>23,686,952</u>	<u>24,450,648</u>	<u>20,372,882</u>
Business-type activities:					
Unrestricted grant/investment earnings	165,963	106,177	424,688	96,969	21,797
Transfers	632,983	625,258	374,452	222,905	841,611
Total business-type activities general revenues and other changes in net assets	<u>798,946</u>	<u>731,435</u>	<u>799,140</u>	<u>319,874</u>	<u>863,408</u>
Total primary government general revenues and other changes in net assets	<u>15,964,175</u>	<u>24,624,726</u>	<u>24,486,092</u>	<u>24,770,522</u>	<u>21,236,290</u>
Changes in Net Assets					
Governmental activities	(3,275,846)	6,208,018	9,440,698	7,606,053	2,278,813
Business-type activities	(75,301)	(179,582)	(946,392)	(348,489)	(126,241)
Total primary government, change in net assets	<u>\$ (3,351,147)</u>	<u>6,028,436</u>	<u>8,494,306</u>	<u>7,257,564</u>	<u>2,152,572</u>

Note: Due to limitations of staff time, the ten year history was not available prior to implementation of GASB34.

KETCHIKAN GATEWAY BOROUGH

Changes in Net Assets, Continued
June 30, 2011

Fiscal Year	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	2,834,490	3,313,736	2,160,394	2,419,655
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Library services	396,468	411,855	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Public services	7,824,163	10,420,289	8,739,143	10,138,227
Transit	-	-	-	-
Automation	355,000	291,603	269,771	151,143
Education	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	1,541,048	1,301,846	1,370,970	1,206,535
Total governmental activities expenses	<u>25,610,062</u>	<u>27,007,452</u>	<u>23,467,086</u>	<u>24,723,954</u>
Business-type activities:				
Airport	4,189,888	4,223,926	3,442,165	3,643,744
Wastewater	882,954	854,648	779,832	870,426
Total business-type activities expenses	<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>30,682,904</u>	<u>32,086,026</u>	<u>27,689,083</u>	<u>29,238,124</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Parks and recreation	-	-	-	-
Public services	1,530,858	1,526,806	1,259,792	1,187,500
Transit	-	-	-	-
Education	-	-	-	-
Capital grants	2,885,920	2,102,498	1,727,747	2,626,176
Operating grants	2,442,331	972,586	3,136,994	1,139,686
Nondepartmental	2,534,223	2,044,431	1,867,159	1,530,772
Total governmental activities program revenues	<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	3,742,327	2,997,565	2,744,703	2,925,246
Wastewater	733,104	496,629	490,756	478,520
Operating grants	-	-	-	2,500
Capital grants	-	528,410	1,617,556	11,726,302
Total business-type activities program revenues	<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>13,868,763</u>	<u>10,668,925</u>	<u>12,844,707</u>	<u>21,616,702</u>
Net (Expense) Revenue				
Governmental activities	(16,216,730)	(20,361,131)	(15,475,394)	(18,239,820)
Business-type activities	(597,411)	(1,055,970)	631,018	10,618,398
Total primary government net expense	<u>(16,814,141)</u>	<u>(21,417,101)</u>	<u>(14,844,376)</u>	<u>(7,621,422)</u>
General Revenues and Other Changes In Net Assets				
Governmental activities:				
Property taxes	10,170,210	8,222,959	7,739,922	7,274,264
Sales taxes	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	11,031	4,323	6,948	12,741
Grants and entitlements not restricted	-	932,418	534,624	865,389
Transfers	(289,502)	(556,000)	(229,485)	188,185
Investment earnings	845,592	760,004	899,718	662,628
Property sales (loss on reacquisitions)	1,886,734	874,850	436,384	-
Bond issuance costs	14,927	33,834	-	-
Miscellaneous	375,565	431,666	347,034	485,890
Settlement	-	-	-	-
Total governmental activities general revenues and other changes in net assets	<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	6,127	18,062	54,136	166,861
Transfers	289,502	556,000	229,485	(188,185)
Total business-type activities general revenues and other changes in net assets	<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>19,577,367</u>	<u>18,761,297</u>	<u>15,521,775</u>	<u>14,461,843</u>
Changes in Net Assets				
Governmental activities	3,065,008	(2,173,896)	(237,240)	(3,756,653)
Business-type activities	(301,782)	(481,908)	914,639	10,597,074
Total primary government, change in net assets	<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, 2011

	Fiscal Year				
	2011	2010	2009	2008	2007
General Fund					
Committed	\$ 123,675	30,420	110,576	65,191	28,245
Unassigned	6,550,394	5,991,166	5,525,115	2,809,698	1,429,143
Total general fund	6,674,069	6,021,586	5,635,691	2,874,889	1,457,388
All other governmental funds					
Reserved		10,780,900	10,223,588	16,511,974	16,723,780
Capital projects funds		23,845,433	1,697,272	(4,415,280)	(8,167,617)
Unreserved, report in:					
Special revenue funds		15,676,744	11,341,183	4,779,458	2,885,986
Nonspendable	4,538,151				
Restricted	29,263,760				
Committed	1,683,538				
Assigned	6,554,142				
Unassigned	(603,953)				
Total all other governmental funds	41,435,638	50,303,077	23,262,043	16,876,152	11,442,149
Total Governmental Funds	\$ 48,109,707	56,324,663	28,897,734	19,751,041	12,899,537

	Fiscal Year			
	2006	2005	2004	2003
General Fund				
Reserved	\$ 192,230	504,119	463,976	538,146
Unreserved	1,725,796	2,376,078	2,560,944	2,969,923
Total general fund	1,918,026	2,880,197	3,024,920	3,508,069
All other governmental funds				
Reserved	18,385,389	13,013,202	16,548,362	23,525,536
Capital projects funds	(4,852,950)	3,548,290	6,297,534	17,564,690
Unreserved, report in:				
Special revenue funds	4,022,884	7,663,768	5,855,166	7,733,106
Total all other governmental funds	17,555,323	24,225,260	28,701,062	48,823,332
Total Governmental Funds	\$ 19,473,349	27,105,457	31,725,982	52,331,401

Note: Due to limitations of staff time, the ten year history was not available prior to implementation of GASB
Note: GASB 54 was implemented 2011

KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances
June 30, 2011

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues									
Taxes	\$ 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	-	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	14,168	11,108	20,333	26,800	34,060	35,140	38,815	49,035	33,002
Water fees	177,610	165,463	-	-	-	-	-	-	2,439
Charges for services	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	2,095,324	2,313,793	2,326,147	2,244,585	-	-	-	-	-
Interest Subsidy	547,193	-	-	-	-	-	-	-	-
Investment earnings	710,139	354,644	272,695	612,485	1,473,267	845,592	760,004	899,718	666,151
Proceeds from sale of property	69,000	3,555,179	-	1,248,605	856,220	2,692,193	874,850	436,384	-
Miscellaneous	330,620	330,086	317,622	390,359	408,748	375,565	431,664	347,034	485,890
Total Revenues	<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>
Expenditures									
Administration	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	372,794	371,886	420,190	420,100	420,565	396,468	411,855	-	-
Fire and EMS	1,058,292	1,020,905	992,333	978,225	-	-	-	-	-
Water treatment and distribution	209,885	229,160	246,731	-	-	-	-	-	-
Public services	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	1,786,992	1,778,070	1,421,501	1,656,144	-	-	-	-	-
Aquatic center	6,373,953	449,828	-	-	-	-	-	-	-
Public works	1,066,171	1,325,648	1,305,296	1,203,440	-	-	-	-	-
Transit	1,542,359	1,285,049	1,023,517	1,022,749	-	-	-	-	-
Automation	-	-	-	-	339,083	324,728	265,761	244,694	142,661
Education	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	376,593	539,397	219,754	492,028	365,323	362,582	194,637	158,085
Capital Outlay	13,118,724	6,034,859	2,683,114	4,307,042	10,386,898	12,981,780	11,930,424	21,291,379	4,211,729
Debt Service:									
Principal retirement	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	2,612,426	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	149,870	250,738	-	-	-	-	450,000	-	110,428
Total Expenditures	<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>
Excess (Deficiency) of Revenues Over Expenditures	(15,805,256)	4,394,392	8,593,645	3,974,409	(6,702,289)	(8,323,148)	(12,813,327)	(20,375,934)	(5,908,796)
Other Financing Sources (Uses)									
General obligation bonds issued	8,165,000	29,490,000	-	-	-	1,100,000	15,580,000	-	9,000,000
Premium for bond issuance costs	58,283	372,207	-	-	-	14,927	33,834	-	110,428
Premium on debt issuance	-	-	-	-	-	-	450,000	-	-
Settlement	-	-	50,000	3,100,000	970,088	-	-	-	-
Transfers in	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	(7,602,029)	(5,191,317)	(4,732,775)	(5,570,122)	(8,501,760)	(4,660,671)	(6,280,274)	(5,705,190)	(4,838,747)
Other financing uses-payment to refund bond escrow agent	-	(6,204,412)	-	-	-	-	(7,680,000)	-	-
Total Other Financing Sources (Uses)	7,590,300	23,032,537	553,048	2,877,095	128,477	691,040	8,192,802	(229,485)	9,298,613
Net Change in Fund Balances	<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	15.25%	12.80%	13.97%	17.24%	16.66%	16.18%	13.87%	14.17%	11.20%

Note: Due to limitations of staff time, the ten year history was not available prior to implementation of GASB34.

KETCHIKAN GATEWAY BOROUGH

Assessed Value and Actual Value of Taxable Property
 Changes in Assessment
 June 30, 2011

Fiscal Year	Residential	Commercial	Industrial	Personal Property	Tax-Exempt	Total Assessed Value	Total Direct Tax Rate
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

Source: Ketchikan Gateway Borough Assessment and Finance Department.
 Note: FY2010 Personal Property Tax was repealed.

KETCHIKAN GATEWAY BOROUGH

Principal Property Tax Payers Current Year and Nine Years Ago
June 30, 2011

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cape Fox Corporation	\$ 14,632,100	1	1.17%	\$ 12,245,000	2	1.28%
Ketchikan Dock Co LLC	12,730,200	2	1.02%	-	-	-
Tongass Trading Company	10,936,800	3	0.88%	7,162,500	4	0.75%
Trident-Norquest Seafood	8,704,600	4	0.70%	4,821,600	10	-
Landing LLC Lodging	8,086,600	5	0.65%	-	-	-
Carr-Gottstein Foods	7,857,900	6	0.63%	5,184,800	8	0.54%
Harbor Enterprises	7,502,900	7	0.60%	5,101,900	9	-
Boyer Towing	7,073,000	8	0.57%	-	-	-
Wal-Mart	6,731,800	9	0.54%	-	-	-
ECPS INC.	6,422,100	10	0.51%	5,599,600	5	0.58%
Gateway Forest Products	-	-	-	19,939,000	1	2.08%
Alaska General Seafoods	-	-	-	7,179,400	3	0.75%
The Plaza LLC	-	-	-	5,387,600	6	0.56%
TF Acquisition	-	-	-	<u>5,210,900</u>	7	0.54%
Total	\$ <u>90,678,000</u>		7.26%	\$ <u>77,832,300</u>		8.12%

Source: Ketchikan Gateway Borough Assessment Department.

KETCHIKAN GATEWAY BOROUGH
Property Tax Levies and Collections, Last Ten Fiscal Years
 June 30, 2011

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
2002	\$ 6,899,865	\$ 5,156,645	75%	\$ 1,742,667	\$ 6,899,312	100%
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%	106,716	7,227,699	92%
2011	7,241,869	7,201,114	99%	-	7,201,114	99%

KETCHIKAN GATEWAY BOROUGH

Taxable Sales by Category, Calendar Years
June 30, 2011

	Calendar Year				
	2011	2010	2009	2008	2007
Contractors	\$ 5,995,288	6,001,936	6,323,360	7,563,044	6,385,832
Finance, insurance, banks	1,630,226	2,335,729	2,337,153	2,339,433	2,348,611
Hotels, motels, lodges	13,802,705	13,098,466	12,773,312	15,072,971	14,801,945
Manufacturing	7,191,152	6,007,954	5,959,852	6,294,522	5,975,771
Real estate	24,349,872	25,009,437	23,746,202	22,786,018	21,686,940
Retail trade	60,146,983	60,476,010	64,637,819	70,447,630	66,734,591
Retail trade - food	44,948,683	46,472,489	45,027,023	47,234,310	45,101,097
Retail trade, bars & catering	18,203,621	18,173,139	18,022,415	18,494,575	18,612,056
Retail, automotive	13,773,364	13,877,510	14,248,090	16,044,581	15,469,233
Retail, specialty	15,389,996	14,186,917	14,200,612	13,629,882	12,837,901
Retail, var, jewelry, curios	34,728,345	29,036,357	31,681,209	34,307,450	35,196,189
Services, entertainment	4,788,732	3,850,369	4,184,973	4,391,813	4,862,158
Service, general	8,970,710	8,970,448	9,172,699	9,302,203	8,404,625
Services, professional	3,349,868	3,501,904	3,586,231	3,835,368	4,016,554
Trans, comm, utilities	<u>75,728,629</u>	<u>61,655,664</u>	<u>62,322,922</u>	<u>77,686,482</u>	<u>68,090,874</u>
	<u>\$ 332,998,174</u>	<u>\$ 312,654,329</u>	<u>318,223,872</u>	<u>349,430,282</u>	<u>330,524,377</u>

	Calendar Year				
	2006	2005	2004	2003	2002
Contractors	6,393,502	6,343,781	5,136,639	4,717,690	4,564,821
Finance, insurance, banks	2,317,998	2,273,359	2,121,440	1,804,998	1,945,870
Hotels, motels, lodges	13,743,128	12,503,465	13,133,503	10,613,549	8,792,518
Manufacturing	5,576,780	5,843,406	5,672,883	5,259,176	5,012,229
Real estate	20,500,075	19,051,590	18,692,482	18,952,045	18,451,185
Retail trade	63,070,558	63,514,414	61,363,355	57,365,818	54,695,260
Retail trade - food	42,599,637	40,674,954	36,178,282	33,119,466	31,365,462
Retail trade, bars & catering	18,083,807	17,499,435	16,637,388	16,051,180	16,759,379
Retail, automotive	12,955,708	12,307,129	12,233,859	10,401,180	10,471,707
Retail, specialty	13,276,417	13,720,642	13,146,382	13,231,426	14,349,608
Retail, var, jewelry, curios	33,307,310	38,294,255	36,740,790	31,991,667	25,635,356
Services, entertainment	4,592,958	4,703,737	4,852,199	4,789,457	4,863,036
Service, general	8,405,467	8,405,429	6,812,309	6,705,982	6,526,109
Services, professional	4,170,100	4,290,255	3,769,258	3,774,261	3,826,932
Trans, comm, utilities	<u>60,189,186</u>	<u>57,564,712</u>	<u>47,848,424</u>	<u>38,467,323</u>	<u>32,150,793</u>
	<u>\$ 309,182,631</u>	<u>306,990,563</u>	<u>284,339,193</u>	<u>257,245,218</u>	<u>239,410,265</u>

Source: Ketchikan Gateway Borough Finance Department.

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years
June 30, 2011

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond -			Capital Improvement Fund	Per Capita Cost	Recreation Special Revenue Fund			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	Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Other Expenses	Available for Other Projects
2002	405,000	920,716	1,325,716	1,001,824	(12,140)	-	989,684	(336,032)	13,683	25	550,000	245,228	795,228	1,227,122		431,894
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)	Debt Legally Defeased in FY05.			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)	Debt Legally Defeased in FY05.			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)	Debt Legally Defeased in FY05.			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)	Matured May 15, 2009			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

KETCHIKAN GATEWAY BOROUGH
Ratios of General Bonded Debt Outstanding
 June 30, 2011

<u>Fiscal Year</u>	<u>General Obligation Bonds Governmental Type</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2002	\$ 21,034,456 \$	2%	\$ 1,537
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%	3,556

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2011

<u>Governmental Unit</u>	
Debt repaid with sales taxes	
Total Direct Debt	
Outstanding G.O. Bonds - Ketchikan Gateway Borough	\$ 47,925,000
Less Self Supporting Debt:	
Sales Tax Revenues	(47,925,000) <u>(47,925,000)</u>
Total Direct Debt	<u>-</u>
City of Ketchikan Direct Debt	
Outstanding G.O. Bonds	12,080,000
Less Self Supporting Debt:	
1994 Port Bonds	
Paid from Ketchikan Port Fund Revenues	(12,080,000)
1997 Hospital Construction Bonds	
Paid from Sales Tax Hospital Fund Revenues	0 (12,080,000)
Total City of Ketchikan Direct Debt	<u>-</u>
Total Direct and Overlapping Debt	\$ <u><u>-</u></u>

KETCHIKAN GATEWAY BOROUGH

Revenue Bond Coverage
Ketchikan International Airport
 Last Ten Years
 June 30, 2011

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	4,270,482	4,240,937	29,545	260,000	115,627	375,627	0.08

- (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, 2011

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
2002	13,683	\$ 509,513,871	\$ 37,237	8.00%	2,424	7	145	154	289
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	13,477	631,693,944	46,872	7.20%	2,100	7	147	159	311

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

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

(3) <http://laborstats.alaska.gov/cgi/databrowsing/localAreaProfileQSResults.asp?geogArea=0204000130&population+census+da>

Principal Employers FY 2007 and Nine Years Ago
June 30, 2011

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
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KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics

June 30, 2011

	Date of Incorporation & Code of Ordinances Adopted- 1963								
	Form of Government - Elected Assembly - Manager								
	Second-Class Borough								
	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	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
Gravina Island, square miles	96	96	96	96	96	96	96	96	96
<i>Animal Protection</i>									
Licenses Issued	828	774	810	775	761	604	685	Not available	
Animals Impounded	392	362	509	475	424	408	417		
Animals Surrendered	310	296	309	278	315	395	388		
Animals Adopted	182	130	121	109	169	158	204		
Animals Claimed	136	161	171	184	118	149	156		
<i>Employees by function</i>									
Administration	24	24	24	23	26	25	25	25	
Fire and EMS	6	6	6	6	5	4	2	2	
Public services	12	12	12	11	11	11	10	10	
Parks and Recreation	14	14	14	14	14	14	14	13	
Public works	16	16	18	18	19	20	18	17	
Transit	9	9	9	10	9	9	8	7	
Automation	1	1	1	1	1	1	1	1	
Airport	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>26</u>	<u>26</u>	
	109	109	111	110	112	112	104	101	
<i>South Tongass Volunteer Fire Department</i>									
Stations	1	1	1	1	1	1	1	1	
Volunteers	39	43	39	40	38	40	27	27	
Fire Calls	67	34	29	8	15	23	12	12	
Emergency Calls/EMS Incidents	101	96	125	102	104	69	88	88	
Fire Investigations	6	5	7	4	15	3	2	2	
<i>North Tongass Volunteer Fire Department</i>									
Stations	2	2	2	2	2	2	2	Not established	
Volunteers	24	23	26	31	31	30	30		
Fire Calls	24	25	43	37	28	40			
Emergency Calls/EMS Incidents	126	145	149	95	84	110			
Fire Investigations	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	
Votes Cast Last Borough Election	1,849	2,127	2,189	2,456	2,528	3,138	3,982	3,989	
% Voting Last Borough Election	18%	21%	21%	24%	25%	31%	39%	39%	
<i>Sewer & Water Plants</i>									
Forest Park:									
Sewer Connections		150	150	150	150	150	150	Not established	
Miles of Sanitary Sewers		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		

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics

June 30, 2011

	Date of Incorporation & Code of Ordinances Adopted- 1963									
	Form of Government - Elected Assembly - Manager									
	Second-Class Borough									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
Mountain Point:										
Miles of Sanitary Sewers		6	6	6	6	6	6	6	6	6
Average Daily Treatment (Sewer gals)		100,000	100,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Treatment Capacity (Sewer gals)		700,000	700,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000
Sewer Connections		522	522	257	257	257	257	257	257	257
Mountain Point Service Area:										
Water, Hydrant, Connections		402	402	327	327	327	327	327	327	327
Average Daily Treatment (Water gals)		149,533	149,533	92,580	92,580	92,580	146,933	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
Municipal Parks										
Developed Parks		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
Swimming Pools		1	1	1	1	2	2	2	2	2
Lighted Ball Fields		7	7	7	6	6	6	6	6	6
Ketchikan International Airport										
Inbound Passengers		96,160	100,851	119,376	125,295	104,906	92,659			Not available
Outbound Passengers		95,050	99,650	112,746	119,451	104,966	93,424			
Airport Ferry										
Passengers		336,422	381,961	449,790	418,291	356,774	321,958			Not available
Vehicles		83,690	105,653	127,516	106,276	84,754	71,394			
Transit										
Passengers	346,249	307,999	265,536	226,356	153,377	133,321	150,985	174,575	189,647	
Visitor Industry										
Cruise Ship Passengers	835,325	925,517	930,459	897,834	899,638	681,096				

Data supplied by Ketchikan Gateway Borough Department Directors



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