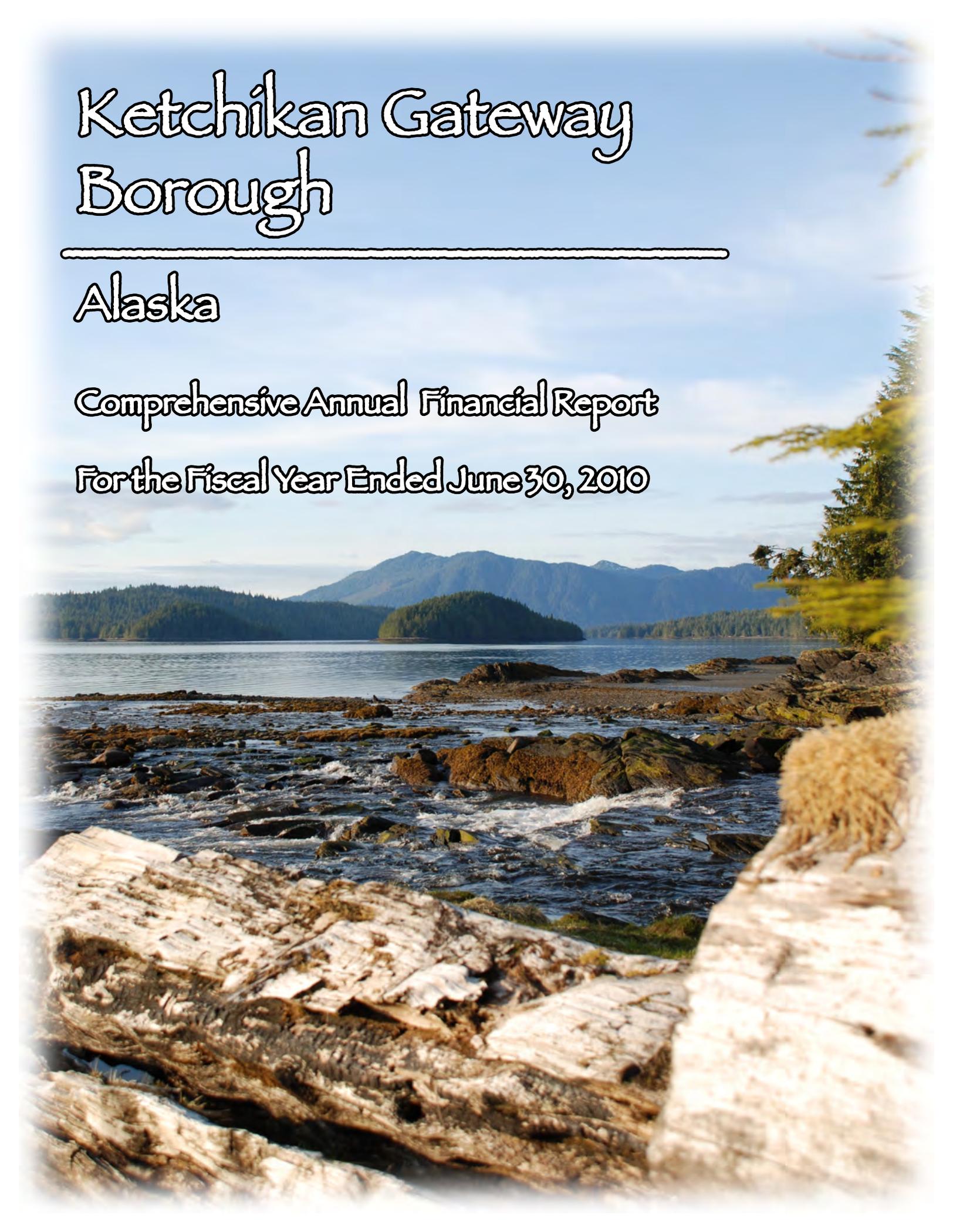


Ketchikan Gateway Borough

Alaska

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010





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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2010

Prepared by:

Department of Finance

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



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Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2010

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INTRODUCTORY SECTION



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 28, 2010

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, 2010.

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 2009 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, 2010, 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, 2010 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 and five year capital improvement plan that is submitted to the Borough Assembly by May 1. 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 \$1,950,000 in shared revenues from the State excise tax during FY 2011.

An association of cruise ship companies has filed a lawsuit challenging the head tax on cruise ship passengers passed by Alaska voters in 2006. The Alaska Cruise Association filed a lawsuit in federal court seeking relief from the \$50 per passenger fee. The fee is imposed on each passenger aboard cruise ships coming to Alaska. The association argues that the head tax far exceeds the expenses the state incurs to provide services and facilities to cruise ships, and in some cases the money is going to fund projects that do not directly benefit cruise ship passengers. Subsequent to the lawsuit the Alaska State

Legislature passed Senate Bill 312 lowering the passenger fee to \$34.50, which resulted in the cruise ship companies dropping the lawsuit.

Economic Development – Ward Cove Property - The Borough Assembly approved a resolution to sell the balance of the Ward Cove property to a buyer for \$5,300,000. The proceeds will be accounted for in the Economic Development Fund in fiscal year 2011 and will be a significant increase in the net assets of the fund. The purchase and sale agreement was signed by the purchaser. The Borough Manager is scheduled to sign on receipt of the \$75,000 earnest money deposit.

Cash Management Policies and Practices

Cash temporarily idle during the year is invested with a portfolio manager into the equities market, with restrictions on the type of investments. Funds are invested with the portfolio manager for Central Treasury balances not deemed necessary to meet Borough obligations for 120 days.

The Borough's investment policy is to minimize credit and market risks while maintaining a competitive yield (return) on its portfolio. Bank balances are covered by federal depository insurance, or by collateral held by the Borough's agent in the Borough's name.

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, workers compensation at statutory amounts, and marine coverage for the Borough vessels. The Borough also purchases insurance its component unit's needs and the total insurance premium is treated as an in-kind contribution from the Borough.

The Ketchikan Gateway Borough has a self-insured health insurance plan and hires an administrative contractor administering the plan to insure employees and their dependents (including medical, dental, and vision), and to provide life insurance. The policy is retrospectively rated with the policyholder being entitled to any refunds.

The Borough has two loan guarantees at present. Both loan guarantees are funded through the Economic Development Fund and both of these loan guarantees are shown in the financial statements. There is some risk of loss in these guarantees, but attempts are to minimize the risk through due diligence review and proof of collateral.

Pension and Other Postemployment Benefits

Pension and other postemployment benefits are provided to regular employees of the Borough through either the Alaska Public Employees Retirement System (PERS), the International Brotherhood of Electric Workers (IBEW) retirement plan. The PERS is an agent cost sharing pension plan administered by the State of Alaska. The Borough's obligation under the IBEW plan is limited to the annual contributions paid to the Alaska Electrical Trust Fund.

The Ketchikan Gateway Borough School District participates in two separate, defined benefit pension plans for its employees. Certified employees are members of the State of Alaska Teachers' Retirement System. This is a cost-sharing plan authorized, managed, and sponsored by the State of Alaska for all eligible certificated employees in the State. The plan is managed by a state retirement board under the authority of the State Legislature. The Ketchikan Gateway Borough School District has no obligation for employee benefits offered under this plan beyond the contractual payments required from employee and employer under the plan.

Additional information on the Borough and School district pension plans and post employment benefits can be found in Note 4-I in the notes to the financial statements.

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, 2009. This is the fourth 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.

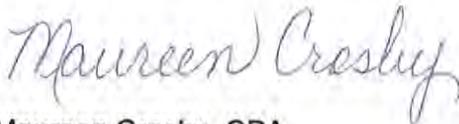
The preparation of the comprehensive annual financial report requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

- Brenda Bjork
- Soly Deleon
- Kim Flores
- Marva Lee Otos
- Claire Lervick
- Pam Srna
- Charlanne Thomas

Respectively submitted,



Michael J. Houts
Finance Director



Maureen Crosby, CPA
Controller



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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, 2009

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.

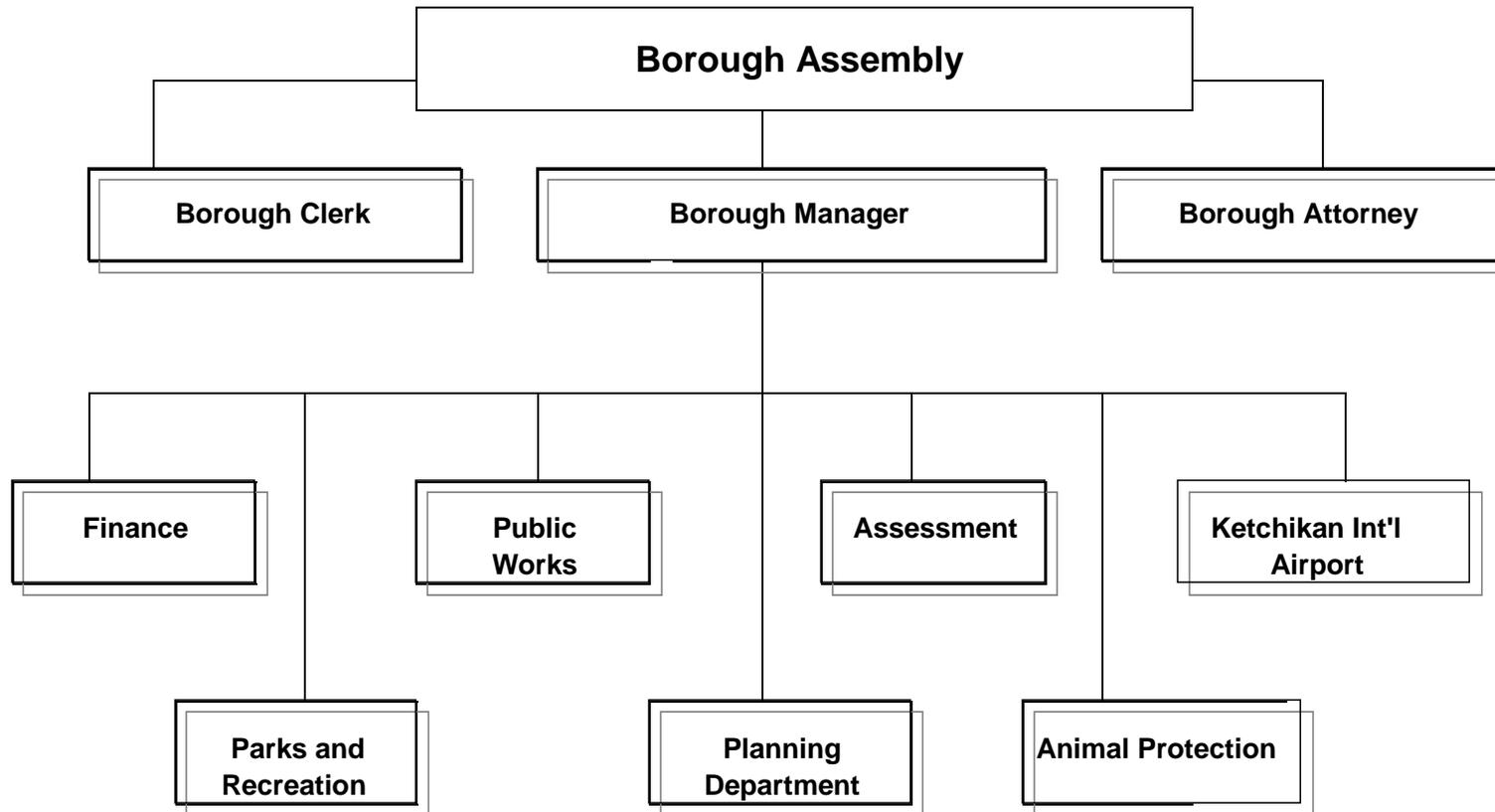


President

Executive Director

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2009/2010



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2010

MAYOR AND ASSEMBLY

Mayor

Vice-Mayor

Assembly Member

Assembly Member

Assembly Member

Assembly Member

Assembly Member

Assembly Member

Dave Kiffer

Mike Painter

John Harrington

Agnes Moran

Todd Phillips

Mike Salazar

Jim Shoemaker

Glen Thompson

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

BOROUGH STAFF

Borough Manager

Assistant Borough Manager

Borough Attorney

Borough Clerk

Director of Animal Protection

Director of Assessment

Director of Finance

Director of Planning

Director of Public Works

Manager of Ketchikan International Airport

Public Works Operations Manager

Parks and Recreation Supervisor

Dan Bockhorst

Cynna Gubatayao

Scott A. Brandt-Erichsen

Kacie Paxton

Dave Otte

Brett Hiatt

Michael Houts

Tom Williams

Joe May

Mike Carney

Mike Carney

Wendy Mackie



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FINANCIAL SECTION

Independent Auditor's Report

Honorable Mayor and Members
of the Borough Assembly
Ketchikan Gateway Borough
Ketchikan, Alaska

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, 2010, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ketchikan Gateway 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Land Trust Special Revenue Fund, School Bond/Capital Improvements Special Revenue Fund, Economic Development Assistance Program Special Revenue Fund, and North Tongass Fire and EMS Service Area 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 Borough Assembly
Ketchikan Gateway Borough

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 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 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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, Alaska's basic financial statements. The combining and individual fund financial statements and other schedules, listed in the table of contents as supplementary information, 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 23, 2010

KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2010

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, 2010. 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 \$162,612,211 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$134,494,215 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 \$7,134,034 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$20,983,962 indicates that the Borough has available assets to maintain the Borough's continuing obligations to citizens and creditors.
- The Borough's governmental funds reported total ending fund balances of \$56,324,663 this year. This compares to the prior year ending fund balance of \$28,897,734 showing an increase of \$27,426,929 during the current year. This increase is due mainly to the issuance of bonds for a new aquatic center. Unreserved and undesignated fund balance of \$19,593,952 for fiscal year 2010 shows a \$2,931,378 increase from the prior year.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$5,400,599 or 29.53% 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 wastewater fund was a new fund in fiscal year 2004.

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

Fund Financial Statements

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

The Borough has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Borough's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. The budgetary comparison statements for the General Fund, the Land Trust Fund, the School Bond/Capital Improvements Fund, the Economic Development Assistance Program Fund, and the North Tongass Fire and EMS Service Area Fund are presented as basic financial statements. There are no budgetary comparison statements for the State & Federal Grants Fund or for the Capital Projects Fund. State and Federal grants are not budgeted for, since funds are not normally appropriated by the agency until after the completion of the local budget process. Grants from other agencies are approved and accepted by the Assembly by resolution. Major Capital Projects are also not budgeted through the normal budget process because they are budgeted and approved by the Assembly when contracts are awarded.

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

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

Proprietary funds are reported in the fund financial statements and generally report services for which the Borough charges customers a fee. The Borough has three proprietary funds. Two are classified as enterprise funds and one is an internal service fund. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Borough organization for the airport operations and sewer utilities.

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

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 49 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Borough's budget presentations, other than those funds referenced above. These statements and schedules demonstrate compliance with the Borough's adopted and final revised budget. As discussed, the Borough reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 84.

Financial Analysis of the Borough as a Whole

The Borough implemented the new financial reporting model used in this report beginning with the 2003 fiscal year ended June 30, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Borough as a whole.

The Borough's net assets at fiscal year-end are \$162,612,211. The following table provides a summary of the Borough's net assets:

(This page continued on the subsequent page).

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current assets	\$ 60,645,469	34,372,211	757,977	1,073,469	61,403,446	35,445,680
Bond issuance costs, net	244,884	-	-	-	244,884	-
Capital assets	142,055,270	140,504,177	20,458,199	20,746,821	162,513,469	161,250,998
Total assets	202,945,623	174,876,388	21,216,176	21,820,290	224,161,799	196,696,678
Liabilities:						
Current liabilities	9,286,238	8,278,257	3,822,361	3,994,292	13,108,599	12,272,549
Long-term liabilities	45,824,060	24,970,825	2,616,928	2,869,529	48,440,988	27,840,354
Total liabilities	55,110,298	33,249,082	6,439,289	6,863,821	61,549,587	40,112,903
Net assets:						
Invested in capital assets, net of debt	116,791,016	113,763,548	17,703,199	17,756,821	134,494,215	131,520,369
Restricted	6,749,034	6,194,066	385,000	385,000	7,134,034	6,579,066
Unrestricted (deficit)	24,295,274	21,669,692	(3,311,312)	(3,185,352)	20,983,962	18,484,340
Total net assets	\$ 147,835,324	141,627,306	14,776,887	14,956,469	162,612,211	156,583,775

Approximately 12% percent or \$5,859,480, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$256,766 is reserved as a guarantee for the Ketchikan Visitor's Bureau note payable, \$1,265,000 is reserved as a guarantee for the IFA's bond debt service, \$3,629,086 is reserved for commercial passenger vessel related projects, \$323,628 is reserved for airport revenue bond debt service payments, and \$385,000 is reserved 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 70.0% of total assets and net assets invested in capital assets, net of any related debt account for 79.0% 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 96.4% 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. 72.49% of the Borough's total assets are included in capital assets. The Borough's total net assets increased by \$6,028,436 during fiscal year 2010. Net assets invested in capital assets, net of debt for governmental activities increased by \$3,027,468 and net assets invested in capital assets, net of debt for business type activities decreased by \$53,622.

The current ratio for governmental activities is 6.53 to 1 and .20 to 1 for business type activities. This compares to 4.15 to 1 for governmental activities and .27 to 1 for business type activities for fiscal year 2009. The change in the current ratio for governmental activities is due mainly to a bond issuance in the amount of \$23,500,000 for the construction of a new aquatic center.

Changes in Net Assets

The Borough's net assets increased by \$6,028,436 in 2010. The net assets for governmental activities increased by \$6,208,018 and the net assets for business-type activities decreased by \$179,582. 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program:						
Charges for services	\$ 4,830,238	4,492,605	3,860,135	4,007,386	8,690,373	8,499,991
Operating grants	705,498	555,861	128,193	72,412	833,691	628,273
Capital grants	8,369,771	10,990,255	638,665	28,392	9,008,436	11,018,647
General:						
Taxes	18,501,625	20,029,999	-	-	18,501,625	20,029,999
Other	4,365,985	3,497,528	106,177	210,068	4,472,162	3,707,596
Total revenues	<u>36,773,117</u>	<u>39,566,248</u>	<u>4,733,170</u>	<u>4,318,258</u>	<u>41,506,287</u>	<u>43,884,506</u>
Program Expenses:						
Administration	3,198,263	3,098,135	-	-	3,198,263	3,098,135
Fire and EMS	1,249,053	1,207,673	-	-	1,249,053	1,207,673
Water treatment & distribution	228,725	246,479	-	-	228,725	246,479
Library services	371,886	420,190	-	-	371,886	420,190
Parks and recreation	2,004,219	1,658,671	-	-	2,004,219	1,658,671
Public works	1,391,689	1,388,867	-	-	1,391,689	1,388,867
Public services	4,162,195	5,415,283	-	-	4,162,195	5,415,283
Transit	1,427,218	1,149,142	-	-	1,427,218	1,149,142
Education	16,017,284	14,401,413	-	-	16,017,284	14,401,413
Interest	1,540,248	1,299,122	-	-	1,540,248	1,299,122
Airport	-	-	4,625,758	4,758,390	4,625,758	4,758,390
Wastewater	-	-	912,252	1,095,332	912,252	1,095,332
Total expenses	<u>31,590,780</u>	<u>30,284,975</u>	<u>5,538,010</u>	<u>5,853,722</u>	<u>37,128,790</u>	<u>36,138,697</u>
Excess (deficiency)	5,182,337	9,281,273	(804,840)	(1,535,464)	4,377,497	7,745,809
Special Items:						
Gain on disposal of property	1,320,541	-	-	-	1,320,541	-
Contributed capital from component unit	330,398	-	-	-	330,398	-
NPO/OPEB writeoff	-	533,877	-	214,620	-	748,497
Transfers	<u>(625,258)</u>	<u>(374,452)</u>	<u>625,258</u>	<u>374,452</u>	<u>-</u>	<u>-</u>
Change in net assets	6,208,018	9,440,698	(179,582)	(946,392)	6,028,436	8,494,306
Beginning net assets	<u>141,627,306</u>	<u>132,186,608</u>	<u>14,956,469</u>	<u>15,902,861</u>	<u>156,583,775</u>	<u>148,089,469</u>
Ending 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>

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 \$9.4 million of tax revenues or approximately 41.5% of the total general revenues. Sales taxes provided 45.7% of the Borough's total governmental tax revenues. The Borough recognized \$361,309 in investment earnings for fiscal year 2010. 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 44.0% of governmental operating expenses, this is a decrease of 9.0% over the prior year. The main reason for this decrease is a onetime payment received from the State of Alaska Department of Education for reimbursement on a school construction project in fiscal year 2009. This means that the government's taxpayers and the Borough's other general governmental revenues fund 56.0% of the governmental activities. 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 13.18% of our total costs. This is 4.7% less than the cost for public services for fiscal year 2009. Library services account for 1.18% of our total cost. 50.70% of our resources are used to fund the school district, which is a 3.15% increase over FY 09. Administration costs were 10.12% of total cost. The total cost of services for all governmental functions increased by \$1,305,805 or 4.31% over FY 09.

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	\$ 3,198,263	10.12%	3,198,263	15.33%
Fire and EMS	1,249,053	3.95%	(499,965)	0.00%
Water treatment & distribution	228,725	0.72%	(2,672,718)	0.00%
Library services	371,886	1.18%	371,886	1.78%
Parks and Recreation	2,004,219	6.34%	958,722	4.60%
Public Works	1,391,689	4.41%	1,391,689	6.67%
Public services	4,162,195	13.18%	3,422,889	16.41%
Transit	1,427,218	4.52%	622,968	2.99%
Education	16,017,284	50.70%	9,351,291	44.84%
Interest	1,540,248	4.88%	1,540,248	7.38%
Total	\$ 31,590,780	100%	17,685,273	100%

After reducing gross expenses by program revenues, the program costs exceeded program revenues for public services by \$3,422,889 or 16.41 % of the net cost of governmental services and education accounts for 44.84% of the net cost as compared to 11.71% for 2009. The increase in the cost of education for 2010 is due to a grant received from the State DEED in fiscal year 2009 in the amount of \$6,105,330 to reimburse for prior year capital costs incurred by the Borough for the Schoenbar remediation project.

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 4-G).

The operating revenues for the Airport Enterprise Fund decreased by \$140,227 or 4.1% less than 2009, and operating expenses decreased by \$115,561 or 2.5%.

The overall operating expenses decreased by 2.5%. Personal services increased by \$47,893 or 1.85% over 2009, and supplies and services decreased by \$125,728 or 9.95%. Insurance costs decreased by \$22,915 or 11.1% and the calculated depreciation costs decreased slightly.

The Wastewater Enterprise Fund (WEF) is an enterprise fund that was established in 2004 because of the implementation of GASB 34. The operations of Ketchikan Gateway Borough's wastewater utility were previously accounted for as a special revenue fund. The operating position of the WEF declined during fiscal year 2010, however the decline was not as severe as during fiscal year 2009. The operating revenues increased by \$62,857 or 12.2%. That increase is attributable to an increase in sludge disposal fees from fiscal year 2009. The operating expenses decreased by \$131,963 or 12.6%. Net Operating Expenses for the WEF decreased by \$109,164 or 11.1% from the prior year, after the "recovery of expenditures from other funds" was accounted for. All areas of operating expenses for the WEF decreased during fiscal year 2010. The WEF also received an ARRA operating grant in the amount of \$65,381. The fee structure is under review by staff to determine if rate increases are warranted.

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 \$56,324,663. Of this year-end total, \$19,593,952 is unreserved and undesignated. Legally restricted fund balances (i.e., the reserved fund balances) of \$34,656,752 include \$2,740,743 set aside for encumbrances, which includes \$1,056,089 in encumbrances for capital projects that will be reimbursed through State and Federal grants. Also included is \$23,845,433 for capital projects, \$1,899,585 for airport and commercial vessel related projects, \$1,521,766 for loan guarantees, \$789,553 for a long-term note, and \$3,859,672 for Advances to Other Funds.

The total ending fund balances of governmental funds show an increase of \$27,426,929 a 94.9% increase over the prior year. This increase is primarily the result the issuance of \$23,500,000 in General Obligation Bond Debt 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 \$385,895, a 6.84% increase. The FY10 budget under spent projected expenditures and transfers out by \$889,556. A favorable variance in revenue collections and a favorable variance in expenditures increased the projected fund balance by \$385,895. The majority of the favorable variance in revenues is due to increased receipts from PILT and sales tax collections.

Property tax collections decreased from fiscal year 2009 collections by \$752,662. Budgeted property tax revenues for 2010 compared to actual property tax collections were \$637 less than budgeted. The difference in the budgeted to actual relates to the collection process and to reclassifying delinquent property taxes from revenue to deferred revenue. Sales tax collections decreased 5.7% from fiscal year 2009, which reflects the status of the economy with reduction in consumer spending.

State revenue sharing of \$642,387 was received in fiscal year 2010. House Bill No. 81 provided temporary PERS relief to municipalities and \$176,440 of the total was recognized in the General Fund.

Overall, expenditures decreased by \$73 for public services from the prior year. Total General Fund expenditures increased by \$760,019 or 4.34% over fiscal year 2009 and of that increase, payment to the school district accounted for \$490,269 of it. A portion of the increase is due to mandatory contribution to the State of Alaska for education.

Land Trust Fund – During fiscal year 2010, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$1,109,805. The Land Trust Fund expended \$731,686 for public services. The Land Trust Fund also transferred \$578,730 to the Debt Service fund for principal and interest payments for the beach that was purchased last fiscal year from Alaska Mental Land Trust. The net change in fund balance was a \$200,611 decrease or 1.9%.

Economic Development Assistance Program Fund (EDAPF) – During fiscal year 2010, revenues including charges for services, land sales, and investments earnings totaled \$3,028,697. The EDAPF expended \$779,779 for public services. The net change in the fund balance was an increase of \$2,248,918 or 47.6%. The increase of revenue was caused by a land sale to the State of Alaska for a deep-water port for the Alaska Marine Highway System.

Capital Projects Fund – Construction on health and safety work was completed or continued on several schools within the District. Payments were made for health and safety projects on several schools. The Borough also began preliminary work on an aquatic center. The total expended during fiscal year 2010 was \$932,165 and was funded with general obligation bond proceeds and transfers in from the School Bond/Capital Improvements Fund.

State & Federal Grants Fund – During fiscal year 2010, the Borough received \$4,983,507 in State and Federal grants. The Borough expended \$74,598 on public services and \$4,908,909 towards governmental capital projects. The majority of the State and Federal grant funds were expended for the South Tongass Service Area fire station and water projects, and the Fawn Mountain Sports Track 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 \$1,598,834 in sales tax revenue, \$1,946,454 in debt reimbursement revenues, and \$12,471 in investment earnings. This fund transferred out \$2,794,230 for G.O. bond principal and interest payments into Debt Service Funds, \$460,145 for school capital projects in the capital projects fund, and \$101,903 to the General Fund for insurance on school buildings. This fund also expended \$1,002 for public service projects, and \$176,637 for school capital projects. The ending fund balance increased by \$23,941 or .2%.

North Tongass Fire and EMS Service Area Fund – During fiscal year 2010, revenues included taxes, intergovernmental, service area fees, investment earnings and emergency service revenues totaling \$763,172. The Fund expended \$566,861 for fire and EMS. In addition, transfers were made out of the fund in the amount of \$51,155 for debt service payments on leased equipment. The net change in fund balance was an increase of \$145,156.

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 \$231,999 more than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$723,062 more than budgeted for intergovernmental and PILT revenues. In total, the Borough collected about 5.2% more than budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$68,957 during 2010. Budget amendments were made for the following departments or cost centers: Mayor and Assembly, Finance, Animal Protection, Planning, and Community Grants.

In total, the Borough under expended the total General Fund budget by \$885,060. Expenditures declined due to a mild winter, reducing snow removal, deicing, and reduction in heating fuel consumption and price.

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, 2010, was \$142,055,270 and \$20,458,199 respectively. The total change in net book value of capital assets was an increase of 1.1% for governmental and a 1.4% decrease for business-type activities. The overall change was a .8% increase for the Borough as a whole. See Note 4-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

(This page continued on the subsequent page).

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Non-depreciable assets:						
Land	\$ 41,650,069	42,042,758	-	-	41,650,069	42,042,758
Ward Cove properties	2,555,670	4,368,570	-	-	2,555,670	4,368,570
Construction in progress	4,017,587	2,146,887	585,665	549,976	4,603,252	2,696,863
Total non-depreciable	48,223,326	48,558,215	585,665	549,976	48,808,991	49,108,191
Depreciable assets:						
Buildings and improvements	109,557,740	107,615,118	12,147,773	12,147,773	121,705,513	119,762,891
Vehicles, ferry and equipment	6,256,391	6,184,802	5,953,479	5,315,094	12,209,870	11,499,896
Wastewater assets		-	15,239,826	15,220,159	15,239,826	15,220,159
Infrastructure	9,842,097	7,262,095	-	-	9,842,097	7,262,095
Total depreciable assets	125,656,228	121,062,015	33,341,078	32,683,026	158,997,306	153,745,041
Less accumulated depreciation	31,824,284	29,116,053	13,468,544	12,486,181	45,292,828	41,602,234
Book value - depreciable assets	93,831,944	91,945,962	19,872,534	20,196,845	113,704,478	112,142,807
Percentage depreciated	25%	24%	40%	38%	28%	27%
Book value - all assets	\$ 142,055,270	140,504,177	20,458,199	20,746,821	162,513,469	161,250,998

At June 30, 2010, the depreciable capital assets for governmental activities were 25% depreciated. This is a 1% increase over fiscal year 2009. 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 are for Ketchikan International Airport projects.

With the Borough's business type activities, 40% of the asset values were depreciated at June 30, 2010 compared to 38% at June 30, 2009. The depreciation for FY 09 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 63.1% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2010 included the following:

General Governmental Assets:

- A 2009 Ford Escape was purchased at a cost of \$22,185 for the Assessment department and was funded through the General Fund.
- An EqualLogic SAN was purchased at a cost \$15,107 for the Automation department and was funded with General Fund revenues.
- A 2009 Ford F-250 4X4 with an animal transport body was purchased for Animal Protection and was funded with General Fund revenues.

- A fire prevention robot was purchased by the North Tongass Fire and EMS Service Area. The department uses the robot in the local schools for fire prevention education. The cost of the robot was \$9,711 and was funded through a Federal Assistance to Firefighters grant.
- One color copier and two black and white copiers were purchased at a cost of \$31,228. The copiers were for the Clerk's Office, Finance, and the Planning Department. They were funded with General Fund revenues.
- Construction was completed on the South Tongass Fire Station. Current year expenditures accounted for \$1,475,110. The total project was capitalized in the amount of \$2,129,161. This project was funded through a State Designated Legislative grant.
- Additional improvements were made to the parking lot at Fourth and Madison next to Ketchikan High School at a cost of \$69,198. The improvements were funded through the School Bond Capital Improvements Fund.
- Construction was begun on a new aquatic center at a cost of \$487,828 and was funded through General Obligation bond proceeds.
- Construction continued to the South Tongass Water System in the amount of \$2,726,076 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 \$60,014 and was funded through a State Matching Grant;
- Construction was begun on several school projects as follows: Playground Renovations to several schools at a cost of \$361,355; Houghtaling Shelter at a cost of \$62,312; Valley Park Siding at a cost of \$48,330; Valley Park fencing and Security at a cost of \$55,116. All of these projects were funded through DEED at 70% and the School Bond Capital Improvements Fund at 30%.
- Point Higgins Fire Alarm at a current cost of \$90,000. This project was completed and capitalized at a total cost of \$148,461 and was funded through General Obligation Bond proceeds.
- Construction was completed on the Fawn Mountain Track at a cost of \$1,235,192 for current year expenditures. The total project was capitalized in the amount of \$2,510,804. This project was funded through State Designated Legislative grants and the Recreation Sales Tax Special Revenue Fund.

Enterprise Funds:

- A 2009 Chevrolet Silverado K2500 Crewcab was purchased for the Airport and was funded through the Airport Enterprise Fund.
- Construction was begun on Wastewater improvements to improve and upgrade the sewer at the Ketchikan Airport in the amount of \$32,409 and was funded through a State Designated Legislative grant.
- Construction was begun and completed on Parking Lot improvements to the Airport Parking Lot on the Ketchikan side in the amount of \$607,763 and was funded through a State Designated Legislative grant.

- Construction was begun on restrooms for the Airport Parking Lot on the Ketchikan side at a cost of \$10,957 and was funded through a State Designated Legislative grant.
- Rotary blowers were purchased for Wastewater plants at a cost of \$19,666 and were funded through the Wastewater Enterprise Fund.

Long-term Debt

The Borough reports five types of long-term debt, general obligation bonds, revenue bonds, capital leases, compensated absences, and PERS related net pension obligation.

During the year, the Borough retired \$1,745,000 of its existing G.O. bonds, refunded \$5,900,000 of G.O. bonds, and issued \$23,500,000 in additional G.O. bonds.. The Borough also retired \$235,000 of its outstanding revenue bonds.

See Note 4-H for additional information about the Borough’s long-term debt.

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 46,810,000	24,965,000	-	-	46,810,000	24,965,000
Revenue bonds	-	-	2,755,000	2,990,000	2,755,000	2,990,000
Capital lease	181,603	221,780	-	-	181,603	221,780
Capital note payable	331,000	877,500	-	-	331,000	877,500
Compensated absences	615,609	528,720	245,928	229,529	861,537	758,249
Unamortized bond premium	1,235,211	906,570	-	-	1,235,211	906,570
Unamortized loss on refunding	<u>(508,850)</u>	<u>(230,221)</u>	<u>-</u>	<u>-</u>	<u>(508,850)</u>	<u>(230,221)</u>
Total	<u>\$ 48,664,573</u>	<u>27,269,349</u>	<u>3,000,928</u>	<u>3,219,529</u>	<u>51,665,501</u>	<u>30,488,878</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.

The sale of the Ward Cove property will allow the Alaska Marine Highway System to vacate property adjoining Ketchikan's Alaska Ship and Drydock. That, in turn, will facilitate the expansion of that facility. Alaska Ship and Drydock, Inc. is already undergoing expansion and remains a bright spot in the local economy.

The tourism industry, which is important to Ketchikan, has suffered downturns during the past two years due to the world economy and other factors. The passenger count for the 2010 cruise season for Ketchikan was 828,929 cruise ship visitors. The figures for Ketchikan were second only to Juneau, which received 879,310 passengers in 2010.

The passenger estimate for 2011 is slightly higher (about 11,500) compared to 2010 figures. In 2011, cruise operators Crystal Cruise Line, Disney, and Oceana will deploy ships to visit Ketchikan. However, two other ships – the Ryndam and the Royal Princess – will redeploy out of Alaska. Additionally, scheduled maintenance for the Radiance of the Seas will cut the number of port visits for that vessel by two in 2011.

It is too early to predict what the 2012 season will hold. Crystal Cruise Line will not be back in 2012. It is unknown whether Disney and Oceana will return for the 2012 season. Princess has announced the return of one vessel in 2012; however, it does not plan to announce the vessel or the itinerary until the spring of 2011.

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, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 44,466,694	141,322	44,608,016	1,607,238
Restricted cash and investments	5,474,480	-	5,474,480	-
Receivables:				
Accounts	1,533,385	227,173	1,760,558	1,295,613
Intergovernmental	590,491	-	590,491	-
Investment earnings	3,949	-	3,949	-
Taxes	4,424,266	-	4,424,266	-
Notes	789,553	-	789,553	-
Internal	3,362,651	(3,362,651)	-	2,595
Inventory	-	-	-	28,128
Prepaid items	-	4,482	4,482	-
Noncurrent Assets				
Restricted cash and investments-bond reserve	-	385,000	385,000	-
Bond issuance costs, net	244,884	-	244,884	-
Capital assets:				
Nondepreciable capital assets	48,223,326	585,665	48,808,991	354,857
Depreciable capital assets, net	93,831,944	19,872,534	113,704,478	508,076
Total Assets	<u>202,945,623</u>	<u>17,853,525</u>	<u>220,799,148</u>	<u>3,796,507</u>
Liabilities				
Current Liabilities				
Accounts payable	1,366,545	75,710	1,442,255	607,104
Accrued salaries and wages	2,463	-	2,463	426,284
Intergovernmental payable	2,767,720	-	2,767,720	-
Accrued interest payable	679,834	-	679,834	-
Due to component unit	624,765	-	624,765	-
Deposits	71,732	-	71,732	-
Claims payable	586,626	-	586,626	-
Unearned revenue	346,041	-	346,041	386,745
Compensated absences payable	355,333	115,000	470,333	307,187
Termination benefits	-	-	-	7,974
Capital note payable	175,500	-	175,500	-
Capital leases payable	42,166	-	42,166	-
General obligation bonds payable	2,285,000	-	2,285,000	-
Revenue bonds payable	-	250,000	250,000	-
Long-Term Liabilities				
Due in More Than One Year				
Compensated absences	260,276	130,928	391,204	-
Termination benefits	-	-	-	15,948
General obligation bonds payable, net of unamortized premium and deferred loss	45,251,361	-	45,251,361	-
Capital leases payable	139,437	-	139,437	-
Capital note payable	155,500	-	155,500	-
Revenue bonds payable	-	2,505,000	2,505,000	-
Total Liabilities	<u>55,110,299</u>	<u>3,076,638</u>	<u>58,186,937</u>	<u>1,751,242</u>
Net Assets				
Invested in capital assets, net of related debt	116,791,016	17,703,199	134,494,215	862,933
Restricted:				
Airport projects	354,883	-	354,883	-
Projects related to commercial vessels	1,544,703	-	1,544,703	-
Capital projects	1,060,723	-	1,060,723	-
Bond reserve	-	385,000	385,000	-
Loan guarantees	1,521,766	-	1,521,766	-
Public services	2,266,959	-	2,266,959	-
Unrestricted (deficit)	24,295,274	(3,311,312)	20,983,962	1,182,332
Total Net Assets	<u>\$ 147,835,324</u>	<u>14,776,887</u>	<u>162,612,211</u>	<u>2,045,265</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
Administration	\$ 3,198,263	-	-	-	(3,198,263)	-	(3,198,263)	-
Fire and EMS	1,249,053	236,534	26,535	1,485,949	499,965	-	499,965	-
Water treatment & distribution	228,725	165,463	-	2,735,980	2,672,718	-	2,672,718	-
Library services	371,886	-	-	-	(371,886)	-	(371,886)	-
Parks and recreation	2,004,219	410,238	-	635,259	(958,722)	-	(958,722)	-
Public works	1,391,689	-	-	-	(1,391,689)	-	(1,391,689)	-
Public services	4,162,195	684,279	54,442	585	(3,422,889)	-	(3,422,889)	-
Transit	1,427,218	179,729	624,521	-	(622,968)	-	(622,968)	-
Education	16,017,284	3,153,995	-	3,511,998	(9,351,291)	-	(9,351,291)	-
Interest	1,540,248	-	-	-	(1,540,248)	-	(1,540,248)	-
Total Governmental Activities	<u>31,590,780</u>	<u>4,830,238</u>	<u>705,498</u>	<u>8,369,771</u>	<u>(17,685,273)</u>	<u>-</u>	<u>(17,685,273)</u>	<u>-</u>
Business-Type Activities								
Airport	4,625,758	3,283,332	62,812	638,665	-	(640,949)	(640,949)	-
Wastewater	912,252	576,803	65,381	-	-	(270,068)	(270,068)	-
Total Business-Type Activities	<u>5,538,010</u>	<u>3,860,135</u>	<u>128,193</u>	<u>638,665</u>	<u>-</u>	<u>(911,017)</u>	<u>(911,017)</u>	<u>-</u>
Total - Primary Government	<u>37,128,790</u>	<u>8,690,373</u>	<u>833,691</u>	<u>9,008,436</u>	<u>(17,685,273)</u>	<u>(911,017)</u>	<u>(18,596,290)</u>	<u>-</u>
Component Unit								
Ketchikan Gateway Borough								
School District	\$ 35,315,598	148,351	5,782,270	315,457				(29,069,520)
General Revenues								
Property taxes					9,491,422	-	9,491,422	-
Sales taxes					7,974,171	-	7,974,171	-
Payment in lieu of taxes					1,036,032	-	1,036,032	-
Grants and entitlements not restricted to specific programs					3,677,791	105,795	3,783,586	19,613,502
E-Rate								67,909
Primary government appropriation					-	-	-	9,617,935
Investment earnings					361,309	382	361,691	-
Miscellaneous					326,885	-	326,885	98,184
Total General Revenues					<u>22,867,610</u>	<u>106,177</u>	<u>22,973,787</u>	<u>29,397,530</u>
Special Items								
Gain on disposal of property					1,320,541	-	1,320,541	-
Contributed capital from component unit					330,398	-	330,398	-
Transfers					<u>(625,258)</u>	<u>625,258</u>	<u>-</u>	<u>-</u>
Total General Revenues, Special Items and Transfers					<u>23,893,291</u>	<u>731,435</u>	<u>24,624,726</u>	<u>29,397,530</u>
Change in Net Assets					6,208,018	(179,582)	6,028,436	328,010
Net Assets Beginning of Year					<u>141,627,306</u>	<u>14,956,469</u>	<u>156,583,775</u>	<u>1,717,255</u>
Net Assets End of Year					<u>\$ 147,835,324</u>	<u>14,776,887</u>	<u>162,612,211</u>	<u>2,045,265</u>

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2010

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Assets				
Cash and investments	\$ 3,126,245	7,838,837	1,235,893	3,407,301
Restricted cash and investments	-	-	-	1,521,766
Receivables:				
Accounts	535,428	4,522	458,251	5,503
Intergovernmental	-	-	-	-
Investment earnings	3,949	-	-	-
Taxes	4,424,266	-	-	-
Notes	-	789,553	-	-
Interfund	1,913,437	-	-	-
Advances	-	1,690,615	-	2,169,056
Total Assets	\$ 10,003,325	10,323,527	1,694,144	7,103,626
Liabilities				
Accounts payable	\$ 363,295	3,071	158,379	122,744
Accrued salaries and wages	2,463	-	-	-
Intergovernmental payable	2,767,720	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Due to component unit	624,765	-	-	-
Deposits	59,564	1,100	-	9,068
Deferred revenues	163,932	-	-	-
Total Liabilities	3,981,739	4,171	158,379	131,812
Fund Balances				
Reserved for:				
Advances to other funds	-	1,690,615	-	2,169,056
Airport projects	-	-	-	-
Capital projects funds	-	-	-	-
Projects related to commercial vessels	-	-	-	-
Encumbrances	30,420	319	5,000	16,539
IFA bond guarantee	-	-	-	1,265,000
KVB loan guarantee	-	-	-	256,766
Long-term loans	-	789,553	-	-
Unreserved :				
Designated for subsequent year expenditures				
reported in:				
General fund	590,567	-	-	-
Special revenue funds	-	-	-	-
Undesignated, (deficit)				
reported in:				
General fund	5,400,599	-	-	-
Special revenue funds	-	7,838,869	1,530,765	3,264,453
Total Fund Balances	6,021,586	10,319,356	1,535,765	6,971,814
Total Liabilities and Fund Balances	\$ 10,003,325	10,323,527	1,694,144	7,103,626

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet, continued

	State & Federal Grants	North Tongass Fire and EMS Service Area	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 57,437	5,228	25,532,937	3,262,816	44,466,694
Restricted cash and investments	-	-	-	3,952,714	5,474,480
Receivables:					
Accounts	-	16,165	-	513,516	1,533,385
Intergovernmental	590,491	-	-	-	590,491
Investment earnings	-	-	-	-	3,949
Taxes	-	-	-	-	4,424,266
Notes	-	-	-	-	789,553
Interfund	-	-	-	-	1,913,437
Advances	-	-	-	-	3,859,671
Total Assets	\$ 647,928	21,393	25,532,937	7,729,046	63,055,926
Liabilities					
Accounts payable	\$ 135,806	6,156	418,739	158,355	1,366,545
Accrued salaries and wages	-	-	-	-	2,463
Intergovernmental payable	-	-	-	-	2,767,720
Interfund payable	512,122	-	210,676	5,576	728,374
Interfund advances payable	-	688,206	-	3,322	691,528
Due to component unit	-	-	-	-	624,765
Deposits	-	-	2,000	-	71,732
Deferred revenues	-	3,615	-	310,589	478,136
Total Liabilities	647,928	697,977	631,415	477,842	6,731,263
Fund Balances					
Reserved for:					
Advances to other funds	-	-	-	-	3,859,671
Airport projects	-	-	-	354,883	354,883
Capital projects funds	-	-	23,845,433	-	23,845,433
Projects related to commercial vessels	-	-	-	1,544,703	1,544,703
Encumbrances	707,693	434	1,056,089	924,249	2,740,743
IFA bond guarantee	-	-	-	-	1,265,000
KVB loan guarantee	-	-	-	-	256,766
Long-term loans	-	-	-	-	789,553
Unreserved :					
Designated for subsequent year expenditures reported in:					
General fund	-	-	-	-	590,567
Special revenue funds	-	-	-	1,483,392	1,483,392
Undesignated, (deficit) reported in:					
General fund	-	-	-	-	5,400,599
Special revenue funds	(707,693)	(677,018)	-	2,943,977	14,193,353
Total Fund Balances	-	(676,584)	24,901,522	7,251,204	56,324,663
Total Liabilities and Fund Balances	\$ 647,928	21,393	25,532,937	7,729,046	63,055,926

Ketchikan Gateway Borough, Alaska
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$	56,324,663
 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	\$ 173,879,554	
Less accumulated depreciation	<u>(31,824,284)</u>	142,055,270
 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	132,095	
Deferred amount on bond issuance costs	<u>244,884</u>	376,979
 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.		
		(1,771,689)
 The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		194,508
 Accrued interest is not reported at the fund financial reporting level.		
		(679,834)
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(46,810,000)	
Premium for GO bonds	(1,235,211)	
Deferred loss on refunding	508,850	
Capital lease payable	(181,603)	
Capital note payable	(331,000)	
Compensated absences	<u>(615,609)</u>	<u>(48,664,573)</u>
 Net Assets Of Governmental Activities	 \$	 <u><u>147,835,324</u></u>

See accompanying notes to the basic financial statements.



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Ketchikan Gateway Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Revenues				
Taxes	\$ 12,807,660	-	1,598,834	-
Payments in lieu of taxes	1,036,032	-	-	-
Intergovernmental	3,480,303	6,924	1,946,454	1,741
Licenses and permits	11,108	-	-	-
Charges for services	779,840	23,503	-	370,315
Water fees	-	-	-	-
Commercial vessel passenger tax	-	-	-	-
Investment earnings	94,971	155,747	12,471	13,267
Proceeds from sale of property	-	923,631	-	2,631,548
Miscellaneous	-	-	99	11,826
Total Revenues	<u>18,209,914</u>	<u>1,109,805</u>	<u>3,557,858</u>	<u>3,028,697</u>
Expenditures				
Current				
General government	2,718,432	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,069,866	731,686	1,002	779,779
Parks and recreation	1,778,070	-	-	-
Aquatic center	-	-	-	-
Public works	1,325,648	-	-	-
Transit	1,285,049	-	-	-
Education	9,617,935	-	-	-
Nondepartmental	376,593	-	-	-
Capital Outlay	114,711	-	176,637	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>18,286,304</u>	<u>731,686</u>	<u>177,639</u>	<u>779,779</u>
Excess (Deficiency) of Revenues Over Expenditures	(76,390)	378,119	3,380,219	2,248,918
Other Financing Sources (Uses)				
Transfers in	467,785	-	-	-
Issuance of general obligation bonds	-	-	-	-
Premium for bonds issued	-	-	-	-
Payment to refunded debt escrow	-	-	-	-
Transfers out	(5,500)	(578,730)	(3,356,278)	-
Total Other Financing Sources (Uses)	<u>462,285</u>	<u>(578,730)</u>	<u>(3,356,278)</u>	<u>-</u>
Net Change in Fund Balances	385,895	(200,611)	23,941	2,248,918
Fund Balances (Deficits) Beginning of Year	<u>5,635,691</u>	<u>10,519,967</u>	<u>1,511,824</u>	<u>4,722,896</u>
Fund Balances (Deficit) End of Year	\$ <u>6,021,586</u>	<u>10,319,356</u>	<u>1,535,765</u>	<u>6,971,814</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	North Tongass Fire and EMS Service Area	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ -	564,674	-	2,500,493	17,471,661
Payments in lieu of taxes	-	-	-	-	1,036,032
Intergovernmental	4,983,507	9,566	-	10,773	10,439,268
Licenses and permits	-	-	-	-	11,108
Charges for services	-	176,120	-	146,694	1,496,472
Water fees	-	-	-	165,463	165,463
Commercial vessel passenger tax	-	-	-	2,313,793	2,313,793
Investment earnings	-	9,612	18,475	50,101	354,644
Proceeds from sale of property	-	-	-	-	3,555,179
Miscellaneous	-	3,200	-	314,961	330,086
Total Revenues	<u>4,983,507</u>	<u>763,172</u>	<u>18,475</u>	<u>5,502,278</u>	<u>37,173,706</u>
Expenditures					
Current					
General government	-	-	-	-	2,718,432
Library services	-	-	-	371,886	371,886
Fire and EMS	-	566,861	-	454,044	1,020,905
Water treatment and distribution	-	-	-	229,160	229,160
Public services	74,598	-	-	1,239,165	3,896,096
Parks and recreation	-	-	-	-	1,778,070
Aquatic center	-	-	449,828	-	449,828
Public works	-	-	-	-	1,325,648
Transit	-	-	-	-	1,285,049
Education	-	-	-	-	9,617,935
Nondepartmental	-	-	-	-	376,593
Capital Outlay	4,908,909	-	231,599	603,003	6,034,859
Debt Service					
Principal retirement	-	-	-	2,331,677	2,331,677
Interest and fiscal charges	-	-	-	1,092,438	1,092,438
Bond issuance costs	-	-	250,738	-	250,738
Total Expenditures	<u>4,983,507</u>	<u>566,861</u>	<u>932,165</u>	<u>6,321,373</u>	<u>32,779,314</u>
Excess (Deficiency) of Revenues Over Expenditures	-	196,311	(913,690)	(819,095)	4,394,392
Other Financing Sources (Uses)					
Transfers in	-	-	460,145	3,424,115	4,352,045
Issuance of general obligation bonds	-	-	29,490,000	-	29,490,000
Premium for bonds issued	-	-	372,207	-	372,207
Payment to refunded debt escrow	-	-	(6,204,412)	-	(6,204,412)
Transfers out	-	(51,155)	-	(985,640)	(4,977,303)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(51,155)</u>	<u>24,117,940</u>	<u>2,438,475</u>	<u>23,032,537</u>
Net Change in Fund Balances	-	145,156	23,204,250	1,619,380	27,426,929
Fund Balances (Deficit) Beginning of Year	<u>-</u>	<u>(821,740)</u>	<u>1,697,272</u>	<u>5,631,824</u>	<u>28,897,734</u>
Fund Balances (Deficit) End of Year	\$ <u>-</u>	<u>(676,584)</u>	<u>24,901,522</u>	<u>7,251,204</u>	<u>56,324,663</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, 2010*

Net Changes In Fund Balances - Total Governmental Funds		\$ 27,426,929
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	\$ (2,994,579)	
Capital outlay	<u>6,449,912</u>	3,455,333
The book value of capital assets relating to the disposition is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		
		(2,234,638)
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.		
		330,398
The internal service funds used by management to charge the the costs of self-insurance to individual funds are not reported in the government-wide statement of activities. The total gain of \$33,835 credited to governmental funds is decreased by the portion of the gain credited to the enterprise funds.		
		(1,153,857)
Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the funds.		
Decrease in deferred property taxes	(6,068)	
Decrease in deferred bond issuance costs	<u>(5,854)</u>	(11,922)
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 @ 06/30/10	(679,834)	
Liability @ 06/30/09	<u>(220,095)</u>	(459,739)
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	(29,490,000)	
Premium for bonds issued	(372,207)	
Costs of issuance of bonds	250,738	
Loss on refunding of bonds	304,412	
Principal amount of debt refunded	<u>5,900,000</u>	(23,407,057)
The repayment of the principal of long-term debt consumes the 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	40,177	
Payments on capital note payable	546,500	
Decrease in deferred loss on refunding of bonds	(25,783)	
Decrease in unamortized bond premium	43,566	
Payments on bonds	<u>1,745,000</u>	2,349,460
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 @ 06/30/10	(615,609)	
Liability @ 06/30/09	<u>(528,720)</u>	(86,889)
Change In Net Assets of Governmental Activities		\$ <u><u>6,208,018</u></u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010

	2010			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 12,575,661	12,575,661	12,807,660	231,999
Payments in lieu of taxes	15,000	15,000	1,036,032	1,021,032
Licenses and permits	20,000	20,000	11,108	(8,892)
Intergovernmental	3,763,459	3,763,459	3,480,303	(283,156)
Charges for services	760,000	760,000	779,840	19,840
Investment earnings	43,000	43,000	94,971	51,971
Total Revenues	<u>17,177,120</u>	<u>17,177,120</u>	<u>18,209,914</u>	<u>1,032,794</u>
Expenditures				
Current				
Administration	2,851,999	2,872,082	2,718,432	153,650
Public services	1,085,170	1,134,044	1,069,866	64,178
Parks and recreation	1,818,044	1,818,044	1,778,070	39,974
Public works	1,376,566	1,376,566	1,325,648	50,918
Transit - bus system	1,739,869	1,739,869	1,285,049	454,820
Nondepartmental	366,253	366,253	376,593	(10,340)
Education	9,500,000	9,500,000	9,617,935	(117,935)
Capital Outlay	<u>364,506</u>	<u>364,506</u>	<u>114,711</u>	<u>249,795</u>
Total Expenditures	<u>19,102,407</u>	<u>19,171,364</u>	<u>18,286,304</u>	<u>885,060</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,925,287)	(1,994,244)	(76,390)	1,917,854
Other Financing Sources (Uses)				
Transfers in	504,000	530,882	467,785	(63,097)
Transfers out	(9,996)	(9,996)	(5,500)	4,496
Total Other Financing Sources (Uses)	494,004	520,886	462,285	(58,601)
Net Change in Fund Balance	\$ <u>(1,431,283)</u>	<u>(1,473,358)</u>	385,895	<u>1,859,253</u>
Fund Balance Beginning of Year			<u>5,635,691</u>	
Fund Balance End of Year			\$ <u>6,021,586</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010

	2010			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for services	\$ 25,000	25,000	23,503	(1,497)
Intergovernmental	-	-	6,924	6,924
Investment earnings	204,033	204,033	155,747	(48,286)
Proceeds from sale of property	<u>1,000,000</u>	<u>1,000,000</u>	<u>923,631</u>	<u>(76,369)</u>
Total Revenues	<u>1,229,033</u>	<u>1,229,033</u>	<u>1,109,805</u>	<u>(119,228)</u>
Expenditures				
Current				
Public services	<u>796,945</u>	<u>796,945</u>	<u>731,686</u>	<u>65,259</u>
Total Expenditures	<u>796,945</u>	<u>796,945</u>	<u>731,686</u>	<u>65,259</u>
Excess of Revenues Over Expenditures	432,088	432,088	378,119	(53,969)
Other Financing (Uses)				
Transfers out	<u>(214,014)</u>	<u>(585,014)</u>	<u>(578,730)</u>	<u>6,284</u>
Net Change in Fund Balance	\$ <u>218,074</u>	<u>(152,926)</u>	(200,611)	<u>(47,685)</u>
Fund Balance Beginning of Year			<u>10,519,967</u>	
Fund Balance End of Year		\$	<u>10,319,356</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010

	2010			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,500,000	1,500,000	1,598,834	98,834
Intergovernmental	2,065,371	2,065,371	1,946,454	(118,917)
Miscellaneous	-	-	99	99
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>12,471</u>	<u>7,471</u>
Total Revenues	<u>3,570,371</u>	<u>3,570,371</u>	<u>3,557,858</u>	<u>(12,513)</u>
Expenditures				
Current				
Public services	795	795	1,002	(207)
Capital Outlay	<u>295,750</u>	<u>357,250</u>	<u>176,637</u>	<u>180,613</u>
Total Expenditures	<u>296,545</u>	<u>358,045</u>	<u>177,639</u>	<u>180,406</u>
Excess of Revenues Over Expenditures	3,273,826	3,212,326	3,380,219	167,893
Other Financing (Uses)				
Transfers out	<u>(3,115,530)</u>	<u>(3,434,076)</u>	<u>(3,356,278)</u>	<u>77,798</u>
Net Change in Fund Balance	\$ <u>158,296</u>	<u>(221,750)</u>	23,941	<u>245,691</u>
Fund Balance Beginning of Year			<u>1,511,824</u>	
Fund Balance End of Year			\$ <u>1,535,765</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010

	2010			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ -	-	1,741	1,741
Charges for services	240,596	240,596	370,315	129,719
Proceeds from sale of property	-	-	2,631,548	2,631,548
Miscellaneous revenue	-	-	11,826	11,826
Investment earnings	20,000	-	13,267	13,267
Total Revenues	<u>260,596</u>	<u>240,596</u>	<u>3,028,697</u>	<u>2,788,101</u>
Expenditures				
Current				
Public services	820,702	1,108,618	779,779	328,839
Net Change in Fund Balance	\$ <u>(560,106)</u>	<u>(868,022)</u>	2,248,918	<u>3,116,940</u>
Fund Balance Beginning of Year			<u>4,722,896</u>	
Fund Balance End of Year			\$ <u>6,971,814</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010

	2010			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 559,546	559,546	564,674	5,128
Intergovernmental	-	-	9,566	9,566
Service area fees	115,000	115,000	113,174	(1,826)
Investment earnings	-	-	9,612	9,612
EMS revenues	48,000	48,000	62,946	14,946
Miscellaneous revenues	-	-	3,200	3,200
Total Revenues	<u>722,546</u>	<u>722,546</u>	<u>763,172</u>	<u>40,626</u>
Expenditures				
Current				
Fire and EMS	580,779	580,779	566,861	13,918
Capital Outlay	<u>66,000</u>	<u>66,000</u>	<u>-</u>	<u>66,000</u>
Total Expenditures	<u>646,779</u>	<u>646,779</u>	<u>566,861</u>	<u>79,918</u>
Excess of Revenues Over Expenditures	75,767	75,767	196,311	120,544
Other Financing (Uses)				
Transfers out	<u>(51,155)</u>	<u>(51,155)</u>	<u>(51,155)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>24,612</u>	<u>24,612</u>	145,156	<u>120,544</u>
Fund Balance (Deficit) Beginning of Year			<u>(821,740)</u>	
Fund Balance (Deficit) End of Year			\$ <u>(676,584)</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska

Proprietary Funds

Statement of Net Assets

June 30, 2010

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets				
Cash and investments	\$ -	141,322	141,322	-
Accounts receivable	196,322	30,851	227,173	-
Prepaid items	<u>4,482</u>	<u>-</u>	<u>4,482</u>	<u>-</u>
Total Current Assets	<u>200,804</u>	<u>172,173</u>	<u>372,977</u>	<u>-</u>
Noncurrent Assets				
Restricted cash and investments-bond reserve	385,000	-	385,000	-
Capital Assets				
Nondepreciable	585,665	-	585,665	-
Depreciable, net	<u>7,931,220</u>	<u>11,941,314</u>	<u>19,872,534</u>	<u>-</u>
Total Noncurrent Assets	<u>8,901,885</u>	<u>11,941,314</u>	<u>20,843,199</u>	<u>-</u>
Total Assets	<u>9,102,689</u>	<u>12,113,487</u>	<u>21,216,176</u>	<u>-</u>
Liabilities				
Current Liabilities				
Accounts payable	55,807	19,903	75,710	-
Interfund advances payable	32,688	89,786	122,474	-
Interfund payable	-	-	-	1,185,063
Compensated absences payable	115,000	-	115,000	-
Revenue bonds payable	250,000	-	250,000	-
Claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,626</u>
Total Current Liabilities	<u>453,495</u>	<u>109,689</u>	<u>563,184</u>	<u>1,771,689</u>
Long-Term Liabilities				
Compensated absences payable (net of current portion)	130,928	-	130,928	-
Interfund advances payable (net of current portion)	2,426,259	619,410	3,045,669	-
Revenue bonds payable (net of current portion)	<u>2,505,000</u>	<u>-</u>	<u>2,505,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>5,062,187</u>	<u>619,410</u>	<u>5,681,597</u>	<u>-</u>
Total Liabilities	<u>5,515,682</u>	<u>729,099</u>	<u>6,244,781</u>	<u>1,771,689</u>
Net Assets				
Invested in capital assets, net of related debt	5,761,885	11,941,314	17,703,199	-
Restricted for bond reserve	385,000	-	385,000	-
Unrestricted (deficit)	<u>(2,559,878)</u>	<u>(556,926)</u>	<u>(3,116,804)</u>	<u>(1,771,689)</u>
Total Net Assets - Fund Level	\$ <u>3,587,007</u>	<u>11,384,388</u>	14,971,395	<u>(1,771,689)</u>
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities.			<u>(194,508)</u>	
Total Net Assets - Government-wide Statement of Net Assets			\$ <u>14,776,887</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2010

	Business-type Activities			Governmental Activities - Internal Service Funds
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	<u>Funds</u>
Operating Revenues				
Charges for services	\$ 3,283,332	576,803	3,860,135	4,932,655
Operating Expenses				
Personal services	2,637,050	171,600	2,808,650	-
Supplies and services	1,137,608	279,374	1,416,982	-
Insurance	182,766	6,658	189,424	-
Administration	-	-	-	875,374
Claims	-	-	-	5,208,510
Depreciation	522,042	460,320	982,362	-
Total Operating Expenses	4,479,466	917,952	5,397,418	6,083,884
Less recovery of expenses from other funds	-	(46,451)	(46,451)	-
Net Operating Expenses	4,479,466	871,501	5,350,967	6,083,884.00
Operating Income (Loss)	(1,196,134)	(294,698)	(1,490,832)	(1,151,229)
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(154,861)	(41,475)	(196,336)	-
Investment earnings	-	382	382	6,665
Operating grants	168,607	65,381	233,988	-
Total Non-Operating Revenues (Expenses)	13,746	24,288	38,034	6,665
Income (Loss) before Capital Contributions and Transfers	(1,182,388)	(270,410)	(1,452,798)	(1,144,564)
Capital contributions	638,665	-	638,665	-
Transfers in	625,258	-	625,258	-
Change in Net Assets	81,535	(270,410)	(188,875)	(1,144,564)
Net Assets (Deficit) Beginning of Year	3,505,472	11,654,798		(627,125)
Net Assets (Deficit) End of Year	\$ 3,587,007	11,384,388		(1,771,689)
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Record internal service fund income allocated to enterprise funds resulting in an interfund receivable to governmental activities.			9,293	
Change in net assets of business-type activities.			\$ (179,582)	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2010

	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	\$ 3,613,331	579,408	4,192,739	4,932,655
Cash payments to employees for services	(2,620,651)	(171,600)	(2,792,251)	-
Cash payments for goods and services	(1,361,274)	(399,801)	(1,761,075)	(875,374)
Cash payments for claims	-	-	-	(4,520,253)
Net Cash Provided by (Used in) Operating Activities	<u>(368,594)</u>	<u>8,007</u>	<u>(360,587)</u>	<u>(462,972)</u>
Cash Flows from Noncapital Financing Activities				
Operating grants	168,607	65,381	233,988	-
Transfers in	<u>625,258</u>	<u>-</u>	<u>625,258</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>793,865</u>	<u>65,381</u>	<u>859,246</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Capital grant	638,665	-	638,665	-
Principal paid on revenue bonds	(235,000)	-	(235,000)	-
Interest paid on debt service	(154,861)	(41,475)	(196,336)	-
Payments for capital acquisitions	<u>(674,075)</u>	<u>(19,665)</u>	<u>(693,740)</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(425,271)</u>	<u>(61,140)</u>	<u>(486,411)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	-	<u>382</u>	<u>382</u>	<u>6,665</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	12,630	12,630	(456,307)
Cash and Cash Equivalents Beginning of Year	<u>385,000</u>	<u>128,692</u>	<u>513,692</u>	<u>456,307</u>
Cash and Cash Equivalents End of Year	\$ <u>385,000</u>	<u>141,322</u>	<u>526,322</u>	<u>-</u>

(continued)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2010

(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)	\$ (1,196,134)	(294,698)	(1,490,832)	(1,151,229)
Adjustments:				
Depreciation	522,042	460,320	982,362	-
(Increase) Decrease in Assets:				
Accounts receivable	329,999	2,605	332,604	-
Prepaid items	(4,482)	-	(4,482)	-
Increase (Decrease) in Liabilities:				
Accounts payable	(61,387)	(75,010)	(136,397)	-
Interfund advances payable	24,969	(85,210)	(60,241)	-
Compensated absences payable	16,399	-	16,399	-
Claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,257</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>(368,594)</u>	<u>8,007</u>	<u>(360,587)</u>	<u>(462,972)</u>

See accompanying notes to the basic financial statements.



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NOTES TO THE BASIC FINANCIAL STATEMENTS

Ketchikan Gateway Borough, Alaska
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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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.

New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB 57 – *OPEB Measurements by Agent Employers and Agent Multiple -Employer Plans*
- GASB 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*
- GASB 59 – *Financial Instruments Omnibus*

Of these statements, GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* will have a significant impact on the Borough’s future financial reporting presentation. This statement will recategorize all existing fund balance classifications into five new categories:

- ✓ Nonspendable
- ✓ Restricted
- ✓ Committed
- ✓ Assigned
- ✓ Unassigned

The statement will require an analysis of all funds of the Borough to determine ongoing compliance with fund type categories as defined in the statement. GASB Statement 54 will be in effect for the Borough’s financial statements for the year ended June 30, 2011. Statements 57 through 59 are not expected to have any material impact on the Borough’s financial statements.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, levies their taxes or issues their debt.

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

A brief description of the discretely presented component unit follows:

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

Pouch Z
Ketchikan, AK 99901

1-B. Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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

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

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

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

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

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

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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.

North Tongass Fire and EMS Service Area Special Revenue 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.

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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 4-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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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.

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, 2010.

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 a fund balance reserve to indicate that it is not available for general appropriation.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 an 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, 2010, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for 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 Government fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

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 fund is capitalized.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 70 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.

PTO benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All PTO liabilities include salary-related payments, where applicable.

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

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

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

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

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

On the government-wide 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 – Generally, fund balance represents the difference between the current assets and current liabilities. The Borough reserves those portions of fund balance, which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management’s intent to set aside these resources for specific services.

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 operating 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

1-E-15 Estimates

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

1-E-16 Comparative Data

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

2- Changes in Accounting Principles

For 2003, the Borough has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,*" GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues, an amendment of GASB Statement No. 33,*" GASB Statement No. 37, "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus,*" GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*" and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*"

GASB Statement No. 34 creates new basic financial statements for reporting the Borough's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in a single column.

The government-wide financial statements classify the Borough's programs between governmental activities and business-type. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2010, caused by the elimination of the internal service funds and the conversion to the accrual basis of accounting and to the economic resources measurement focus.

In June 1999, the GASB unanimously approved Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*" This statement became effective for Ketchikan Gateway Borough for fiscal year beginning July 1, 2002. Ketchikan Gateway Borough has elected to implement the general provisions of the Statement for fiscal year 2003 and plans to retroactively report infrastructure acquired prior to July 1, 2002 in the fiscal year ending June 30, 2008. All Borough assets that had not previously been recognized, but meet the requirement for recognition, are now recognized and reported as assets of the Borough.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 3 – Stewardship, Compliance and Accountability

3-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, 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.

3-B. Excess of Expenditures over Appropriations

The following individual funds had an excess of expenditures over appropriations at June 30, 2010:

Recreation Sales Tax Special Revenue Fund	\$ 210,355
-------------------------------------------	------------

3-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2010:

Gold Nugget Special Assessment Area Fund	\$ 3,246
North Tongass Fire & EMS Service Area Fund	676,584

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Note 4 - Detailed Notes on All Funds

4-A. Cash and Investments

Cash and investments for Ketchikan Gateway Borough are comprised of governmental and business-type activities. The balances at June 30, 2010 are as follows:

Cash on hand	\$	2,950
Deposits with financial institutions		37,478,375
Investments		<u>12,986,171</u>
Total	\$	<u><u>50,467,496</u></u>

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unrestricted	\$	44,466,694	141,322	44,608,016
Restricted		<u>5,474,480</u>	<u>385,000</u>	<u>5,859,480</u>
Total	\$	<u><u>49,941,174</u></u>	<u><u>526,322</u></u>	<u><u>50,467,496</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, 2010, the carrying value of all the Borough's deposits was \$37,478,375, and the bank value was \$37,528,563. 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.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
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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, 2010 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 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. Most of the Borough’s investments are direct obligations of the U.S. government and are not considered to have 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, 2010, 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.

Fifty-four (54%) of the Borough’s investments are invested with the Piper Jaffray company. The Piper Jaffray investments include a Federal Home Loan Bank bond and money market funds. As of June 30, 2010, the Borough had \$28,438 invested in money market funds. Fixed income investment are rated AAA.

The Borough has no formal policy relating to credit risk.

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

<u>Investment Type</u>	<u>Investment Maturity (in years)</u>			<u>Average Maturity (Years)</u>
	<u>Current Market Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	
Cash/Cash Equivalents	\$ 2,344,405	2,344,405	-	
Fixed Income	2,673,885	-	2,673,885	1.47
U. S. Agency Securities	7,019,670	7,019,670	-	0.73
Equities	919,773	919,773	-	
Money Market Funds	28,438	28,438	-	
Total Investments	\$ <u>12,986,171</u>	<u>10,312,286</u>	<u>2,673,885</u>	

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

4-B. Receivables

Receivables at June 30, 2010, 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:

Receivables:	<u>General Fund</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development</u>	<u>State & Federal Grants</u>
Accounts	\$ 535,428	4,521	458,251	5,503	-
Investment earnings	3,949	-	-	-	-
Intergovernmental	-	-	-	-	590,491
Taxes	4,756,815	-	-	-	-
Notes	<u>-</u>	<u>789,553</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receivables	5,296,192	794,074	458,251	5,503	590,491
Allowance for doubtful accounts	<u>(332,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 4,963,643</u>	<u>794,074</u>	<u>458,251</u>	<u>5,503</u>	<u>590,491</u>
	<u>North Tongass Fire and EMS Service Area</u>	<u>Nonmajor Governmental</u>	<u>Airport Enterprise</u>	<u>Wastewater Enterprise</u>	<u>Totals</u>
Accounts	\$ 72,364	506,181	258,127	212,684	2,053,059
Investment earnings	-	-	-	-	3,949
Intergovernmental	-	-	-	-	590,491
Taxes	39,715	43,720	-	-	4,840,250
Notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,553</u>
Total receivables	<u>112,079</u>	<u>549,901</u>	<u>258,127</u>	<u>212,684</u>	<u>8,277,302</u>
Allowance for doubtful accounts	<u>(95,914)</u>	<u>(36,385)</u>	<u>(61,805)</u>	<u>(181,833)</u>	<u>(708,486)</u>
Net receivables	<u>\$ 16,165</u>	<u>513,516</u>	<u>196,322</u>	<u>30,851</u>	<u>7,568,816</u>

The Borough has made a loan to a contractor who developed property and constructed a small sawmill. The original \$800,000 note carries 4% interest with a total monthly payment of \$4,848. The terms of the receivable allocate \$2,206 of the monthly payment for a site lease, and the remainder of the payment is credited to principal and interest. In November 2003, the loan was amended and an additional \$300,000 was loaned to the contractor. The new monthly payments are \$4,721. The receivable balance at June 30, 2010 is \$789,553.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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:

		Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$	124,235	-
Title II Forest Receipts - (General Fund)		-	39,697
Delinquent property taxes receivable (Nonmajor Funds)		7,859	-
Advance revenue (Nonmajor Fund)		-	306,345
Total deferred/unearned revenue for governmental funds	\$	132,094	346,042

4-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%.

4-D. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

	Balance 7/1/2009	Additions	Deductions	Balance 3/30/2010
Governmental activities:				
Nondepreciable capital assets:				
Land - Borough	\$ 27,637,815	187,190	432,856	27,392,149
Land - Ward Cove	7,007,500	-	147,023	6,860,477
Buildings/Impr. - Ward Cove	4,365,645	-	1,812,900	2,552,745
Ward Cove - Tymatt Property	2,925	-	-	2,925
Land - School	7,397,443	-	-	7,397,443
Construction in progress - Borough	2,071,904	3,214,489	1,918,308	3,368,085
Construction in progress - School	74,983	644,337	69,818	649,502
	<u>48,558,215</u>	<u>4,046,016</u>	<u>4,380,905</u>	<u>48,223,326</u>
Total nondepreciable capital assets				
Depreciable capital assets:				
Buildings - School	96,537,900	148,461	-	96,686,361
Buildings - Borough	11,077,218	2,129,161	335,000	12,871,379
Equipment	4,109,813	109,196	15,607	4,203,402
Equipment - Ward Cove	6,995	-	-	6,995
Fields	-	2,510,804	-	2,510,804
Infrastructure	3,733,089	-	-	3,733,089
Land Improvements	97,229	69,198	-	166,427
South Tongass Water	3,431,777	-	-	3,431,777
Transit - Buses	2,067,994	-	22,000	2,045,994
	<u>121,062,015</u>	<u>4,966,820</u>	<u>372,607</u>	<u>125,656,228</u>
Total depreciable capital assets				
Total cost of capital assets	169,620,230	9,012,836	4,753,512	173,879,554
Accumulated depreciation:				
Buildings - School	20,592,215	2,055,429	-	22,647,644
Buildings - Borough	3,126,112	296,236	246,255	3,176,093
Equipment	2,134,186	266,233	-	2,400,419
Fields	-	41,847	18,092	23,755
Infrastructure	2,308,759	152,777	-	2,461,536
Land Improvements	-	4,861	-	4,861
South Tongass Water	62,916	68,636	-	131,552
Transit - Buses	891,865	108,559	22,000	978,424
	<u>29,116,053</u>	<u>2,994,578</u>	<u>286,347</u>	<u>31,824,284</u>
Total accumulated depreciation				
Governmental activities capital assets, net	\$ <u>140,504,177</u>	<u>6,018,258</u>	<u>4,467,165</u>	<u>142,055,270</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

<u>Governmental activities depreciation:</u>	
Administration	\$ 23,685
Education	2,060,290
Fire and EMS	231,885
Parks and Recreation	229,670
Public Service	255,600
Public Works	66,890
Transit	<u>126,558</u>
 Total governmental activities depreciation expense	 \$ <u><u>2,994,578</u></u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 549,976	44,358	8,669	585,665
Depreciable capital assets:				
Field	3,357,593	-	-	3,357,593
Terminal building	8,790,180	-	-	8,790,180
Ferry	5,106,294	638,385	-	5,744,679
Murphy's landing	208,800	-	-	208,800
Sludge/compost	1,184,258	-	-	1,184,258
Wastewater	270,259	19,666	-	289,925
Mountain Point wastewater	13,732,943	-	-	13,732,943
Forest Park wastewater	32,700	-	-	32,700
Total depreciable capital assets	32,683,027	658,051	-	33,341,078
Total capital assets	33,233,003	702,409	8,669	33,926,743
Accumulated depreciation:				
Field	2,387,139	88,314	-	2,475,453
Terminal building	4,437,191	215,209	-	4,652,400
Ferry	2,645,948	208,619	-	2,854,567
Murphy's landing	177,714	9,900	-	187,614
Sludge/compost	371,395	86,120	-	457,515
Wastewater	158,602	15,471	-	174,073
Mountain Point wastewater	2,283,106	357,421	-	2,640,527
Forest Park wastewater	25,087	1,308	-	26,395
Total accumulated depreciation	12,486,182	982,362	-	13,468,544
Business-type activities capital assets, net	\$ 20,746,821	(279,953)	8,669	20,458,199

Capital Projects – At June 30, 2010, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$30,420 for the General Fund; \$946,541 for special revenue funds; \$707,693 for State and Federal Grants; \$13,742 for Enterprise Funds; and \$1,056,089 for Capital Projects, which are included in the encumbrance balances, reported for the major and non-major special revenue funds.

4-E. Interfund Balances and Transfers

Interfund balances at June 30, 2010, 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 within one year. 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, 2010

Payable to:	Payable From:			
	State & Federal Grants Special Revenue Fund	North Tongass Fire and EMS Service Area Fund	Capital Projects Fund	Non-Major Governmental Special Revenue Funds
General Fund-Interfund Receivables	\$ 512,122	-	210,676	5,576
Land Trust Fund - Advances Receivable	-	688,206	-	3,322
Economic Development- Advances Receivable	-	-	-	-
Total	\$ <u>512,122</u>	<u>688,206</u>	<u>210,676</u>	<u>8,898</u>

Payable to:	Payable From:			
	Airport Enterprise Fund	Wastewater Enterprise Fund	Internal Service Fund	Total
General Fund-Interfund Receivables	\$ -	-	1,185,063	1,913,437
Land Trust Fund - Advances Receivable	289,891	709,196	-	1,690,615
Economic Development- Advances Receivable	<u>2,169,056</u>	-	-	<u>2,169,056</u>
Total	\$ <u>2,458,947</u>	<u>709,196</u>	<u>1,185,063</u>	<u>5,773,108</u>

Interfund transfers for the year ended June 30, 2010, consisted of the following:

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Transfer To	Transfers From:		
	General Fund	Land Trust Special Revenue Funds	School Bond Capital Improvements Fund
General Fund	\$ -	-	101,903
Capital Projects	-	-	460,145
Nonmajor - Debt Service	-	578,730	2,794,230
Airport Fund	5,500	-	-
	\$ 5,500	578,730	3,356,278

Transfer To	Transfers From:		
	Non-Major Governmental Special Revenue Funds	North Tongass Fire and EMS Service Area Fund	Total
General Fund	\$ 365,882	-	467,785
Capital Projects	-	-	460,145
Nonmajor - Debt Service	-	51,155	3,424,115
Airport Fund	619,758	-	625,258
	\$ 985,640	51,155	4,977,303

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.

4-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.

4-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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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, 2010. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2010 have expiration dates that range from 2010 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, 2010, 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>
2011	\$ 27,416	6,464	28,182
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
2016-2020	137,080	32,320	140,910
2021-2025	137,080	32,320	140,910

4-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 to amortize all obligations outstanding, as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 405,000	282,980	687,980
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
2016-2020	2,615,000	746,748	3,361,748
2021-2023	1,870,000	136,365	2,006,365
Total	\$ <u>6,625,000</u>	<u>2,129,438</u>	<u>8,754,438</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 to amortize all obligations outstanding, as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 845,000	507,050	1,352,050
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
2016-2020	<u>5,325,000</u>	<u>794,925</u>	<u>6,119,925</u>
Total	<u>\$ 9,985,000</u>	<u>2,886,425</u>	<u>12,871,425</u>

Borough General Obligation Bonds, 2006A Series - General obligation bonds, Series 2006, denominations of \$5,000, dated February 9, 2006, total issue \$1,100,000. The bond proceeds are being used for school health and safety projects. Interest rates are 4%. The bonds mature February 1, 2016. Annual debt service requirements to amortize all obligations outstanding, as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 110,000	28,400	138,400
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>\$ 710,000</u>	<u>102,400</u>	<u>812,400</u>

Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2010

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 to amortize all obligations outstanding, as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 395,000	105,116	500,116
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>\$ 3,075,000</u>	<u>378,816</u>	<u>3,453,816</u>

Borough General Obligation Bonds, 2009B Taxable Series - General obligation bonds, Series 2009B, denominations of \$5,000 or integral multiples thereof, dated December 18, 2009, 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 to amortize all obligations outstanding, as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2011	\$ -	1,327,123	(490,135)	836,988	836,988
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
2016-2020	2,470,000	5,756,854	(2,129,428)	3,627,426	6,097,426
2021-2025	3,565,000	4,975,757	(1,856,044)	3,119,713	6,684,713
2026-2030	4,280,000	3,883,095	(1,473,612)	2,409,483	6,689,483
2031-2035	5,190,000	2,482,379	(983,361)	1,499,018	6,689,018
2035-2039	<u>4,920,000</u>	<u>765,668</u>	<u>(337,288)</u>	<u>428,380</u>	<u>5,348,380</u>
Total	<u>\$ 20,425,000</u>	<u>23,932,952</u>	<u>(9,021,220)</u>	<u>14,911,732</u>	<u>35,336,732</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 to amortize all obligations outstanding, as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 530,000	195,951	725,951
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
2016-2020	<u>3,245,000</u>	<u>399,600</u>	<u>3,644,600</u>
Total	<u>\$ 5,990,000</u>	<u>1,277,901</u>	<u>7,267,901</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, 2010, \$5,900,000 of bonds outstanding is considered defeased.

Borough Office Rental

The Borough entered into a rental agreement in the amount of \$495,120 per month for 16,504 square feet of office space, about 50% of the building capacity with a term of 10 years. There is a standing purchase price for the entire building of \$9,475,000 expiring February 2011. Purchase of the building after February 2011 will be based on an appraised market value. None of the rental payments are considered in the purchase of the building. Future minimum lease payments as of June 30, 2010 follow:

<u>Fiscal Year</u>	<u>Rent</u>
2010	\$ 495,120
2011	495,120
2012	495,120
2013	495,120
2014	495,120
2015-2019	<u>1,680,000</u>
Total	<u>\$ 4,155,600</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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 facilities charges, which were initiated in 1999, are providing the revenue stream for repaying this bonded debt. Revenue bonds outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 250,000	127,483	377,483
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
2016-2019	1,375,000	142,515	1,517,515
Total	\$ 2,755,000	654,757	3,409,757

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, 2010. 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	\$ (674,092)
PFC revenues	314,761
Debt services requirement of the 2001 revenue bonds x 1.1	(411,134)
Net revenue under debt service requirement	\$ (770,465)

As shown above, the Borough did not meet the revenue requirement for the year ended June 30, 2010. Finally, certain covenants of the 2001 revenue bonds require the Borough to maintain a reserve account equal to the lesser of (a) 10% of the proceeds of the sale of the Bonds, (b) 125% of average annual debt service for all Bonds outstanding, or (c) maximum aggregate annual debt service. On January, 31, 2008, the Borough established a “bond reserve” fund in the amount of \$385,000 and has met the reserve requirement every year since 2008.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 399,138
Less: Accumulated depreciation	<u>(118,910)</u>
 Total	 \$ <u><u>280,228</u></u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2010, are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 42,166	8,989	51,155
2012	44,253	6,902	51,155
2013	46,443	4,712	51,155
2014	<u>48,741</u>	<u>2,414</u>	<u>51,155</u>
 Total	 <u>\$ 181,603</u>	 <u>\$ 23,017</u>	 <u>\$ 204,620</u>

Borough General Debt Obligation: October 2008 voters approved 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 30, 2009 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, 2010 was \$331,000.

Fiscal Year	Principal	Interest	Total
2011	\$ 175,500	10,758	186,258
2012	<u>155,500</u>	<u>5,054</u>	<u>160,554</u>
Total	<u>\$ 331,000</u>	<u>15,812</u>	<u>346,812</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2010:

Governmental Activities	Outstanding 7/1/2009	Additions	Reductions	Outstanding 6/30/2010	Amounts Due in One Year
General obligation bonds - 2000	\$ 6,340,000	-	6,340,000	-	
General obligation bonds - 2003	7,015,000	-	390,000	6,625,000	405,000
General obligation bonds - 2005	10,795,000	-	810,000	9,985,000	845,000
General obligation bonds - 2006	815,000	-	105,000	710,000	110,000
General obligation bonds - 2009A	-	3,075,000	-	3,075,000	395,000
General obligation bonds - 2009B	-	20,425,000	-	20,425,000	-
General obligation bonds - 2010	-	5,990,000	-	5,990,000	530,000
E-One Lease - (Fire Equipment)	221,780	-	40,177	181,603	42,166
Point Higgins Beach	877,500	-	546,500	331,000	175,500
Compensated absences	<u>528,720</u>	<u>421,927</u>	<u>335,038</u>	<u>615,609</u>	<u>355,333</u>
Total Governmental Activities	\$ <u>26,593,000</u>	<u>29,911,927</u>	<u>8,566,715</u>	47,938,212	<u>2,857,999</u>
Unamortized bond premium				1,235,211	
Unamortized loss on refunding				<u>(508,850)</u>	
				<u>\$ 48,664,573</u>	
Business-Type Activities					
Revenue bonds	\$ 2,990,000	-	235,000	2,755,000	250,000
Compensated absences	<u>229,529</u>	<u>145,730</u>	<u>129,331</u>	<u>245,928</u>	<u>115,000</u>
Total Business-Type Activities	\$ <u>3,219,529</u>	<u>145,730</u>	<u>364,331</u>	<u>3,000,928</u>	<u>365,000</u>
Component Unit:					
Compensated absences	\$ 300,416	251,433	244,662	307,187	307,187
Termination benefits	<u>31,896</u>	<u>-</u>	<u>7,974</u>	<u>23,922</u>	<u>7,974</u>
Total Component Unit	\$ <u>332,312</u>	<u>251,433</u>	<u>252,636</u>	<u>331,109</u>	<u>315,161</u>

The general obligation bonds for governmental activities are being retired by the general obligation bond debt service 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 Fund, South Tongass Service Area, North Tongass Fire & EMS Service Area, and the Airport Enterprise Fund.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

4-I. Pensions

The Ketchikan Gateway Borough and School District employees participate in four pension plans. All certified School District employees participate in the State of Alaska's Teachers' Retirement System (TRS). Eligible employees in the APEA bargaining unit, the Inland Boatmen Union (IBU) bargaining unit, the Masters, Mates & Pilots (MMP), classified (non-teaching) employees in the component unit and permanent employees not represented by a bargaining unit participate in the State of Alaska Public Employees' Retirement System (PERS). Employees who are members of the International Brotherhood of Electrical Workers (IBEW) participate in a defined benefit plan.

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.

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 (2.50% for pension and 4.25% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.78% for pension and 4.72% 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, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

The Borough's contribution rates for 2010 were determined as part of the June 30, 2007 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 45* <u>Rate</u>
Pension	8.16%	10.25%	10.72%
Postemployment healthcare	<u>13.84%</u>	<u>17.40%</u>	<u>53.96%</u>
Total contribution rate	<u>22.00%</u>	<u>27.65%</u>	<u>64.68%</u>

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

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

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between 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 5.65% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough has recorded the State on-behalf payment in the amount of \$287,485 as revenue and expenditure/expense 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. Only two years of information are available at this time.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

Year Ended June 30,	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost	Borough Contributions	% of TBC Contributed
2010	\$ 384,704	652,489	1,037,193	1,037,193	100%
2009	337,037	753,696	1,090,733	1,090,733	100%

Ketchikan Gateway Borough School District (A Component Unit)

Year Ended June 30,	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost	KGBSD Contributions	% of TBC Contributed
2010	\$ 320,951	544,847	865,798	865,798	100%
2009	299,862	667,437	967,299	967,299	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	0.99	0.99
Occupational death and disability benefits	<u>0.58</u>	<u>1.33</u>
	<u>9.57 %</u>	<u>10.32%</u>

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

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2010 were \$103,294 and \$84,305, respectively.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

International Brotherhood of Electrical Workers – The International Brotherhood of Electrical Workers (IBEW) retirement plan is a union sponsored defined benefit plan. The plan is funded entirely by employer contributions based upon hourly rates, which are determined by the collective bargaining process. The Borough exercises no fiduciary responsibility over the IBEW plan. Employees who are members of the IBEW are eligible to participate immediately upon employment and are fully vested after ten years of service.

Contributions for members who were employed in Borough positions were \$3.00 for the period of July 1, 2009 through June 30, 2010 per non-premium hour worked. The Borough’s total IBEW payroll for the year ended June 30, 2010 for covered employees totaled \$706,466. The total amount contributed to the IBEW plan in FY 2010 was \$121,065. The Borough’s obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

4-J. Net Assets

The “invested in capital assets, net of related debt” on the government-wide statement of net assets as of June 30, 2010 is as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 173,879,554	\$ 33,926,743
Less accumulated depreciation	(31,824,284)	(13,468,544)
Book value	142,055,270	20,458,199
Less capital related debt	(25,264,254)	(2,755,000)
Investments in capital assets, net of related debt	\$ 116,791,016	\$ 17,703,199

Note 5 - Other Notes

5-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 Borough purchases commercial health insurance to insure employees and their dependents (including medical, dental and vision), and to provide life insurance. The policy is retrospectively rated with the policyholder being entitled to any refunds.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

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, 2010, but not billed until after fiscal year end. The amount booked for the Borough was \$90,178 and \$369,465 was booked for the Ketchikan Gateway Borough School District. The liability for claims that was booked was based on actual claims for services provided prior to fiscal year-end and was provided by Meritain.

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.

5-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.

Lawsuits - As of June 30, 2010 the Borough was involved in only 2 cases which have a potential for liability of over \$25,000. These are Cowan v. Yeisley and Trask 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. In the Trask case the 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 Borough is defending each of these 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. Funds equal to the loan balance owed are invested in a time certificate of deposit with First Bank. The loan balance as of June 30, 2010 was \$256,766.

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 principal balance of the IFA loan at June 30, 2010 was \$1,265,000 and is shown as a reservation 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2010

5-C. Subsequent Events

White Cliff Office Building Acquisition

The Ketchikan Gateway Borough has been leasing space in the White Cliff Building at 1900 First Avenue in Ketchikan for Borough governmental purposes. 1308 Properties, LLC, the owner of the White Cliff Building, offered to sell the building to the Borough for \$9,530,000. On September 20, 2010, the Assembly adopted a resolution approving the acquisition of White Cliff and a plan of financing for that acquisition. Acquisition of the property benefits the Borough fiscally compared to a continuing lease arrangement. The Assembly authorized the use of approximately \$5,234,000 in Borough funds to pay a portion of the cost of acquiring the White Cliff Building. The Borough used the Alaska Municipal Bond Bank (AMBB) to assist with funding the balance of the cost of acquiring the building. The transaction funded by the AMBB was finalized on December 20, 2010. Under federal tax laws applicable to obligations of the Borough for governmental purposes, including provisions of the American Recovery and Reinvestment Act of 2009, the Borough can obtain tax-exempt or other tax-benefited terms for its acquisition of this project.

Ketchikan High School Roof Replacement

Voters approved a \$3,400,000 bond issue to replace the Ketchikan High School Roof. Bonds were issued on December 10, 2010 to take advantage of favorable interest rates. The total issuance was \$3,400,000 with interest rates ranging from 3.35% to 4.20%, and maturing in 2025. Debt service will come from one half cent sales tax assessed for the School Bond/Capital Improvement Fund.

Ward Cove Property Sale

The Borough Assembly approved a resolution to sell the balance of the Ward Cove property to a buyer for \$5,300,000. The proceeds will be accounted for in the Economic Development Fund in fiscal year 2011 and is a significant increase in the net assets of the fund.



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Ketchikan Gateway Borough, Alaska

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 3,262,816	-	3,262,816
Restricted cash and investments	3,952,714	-	3,952,714
Accounts receivable	<u>513,516</u>	<u>-</u>	<u>513,516</u>
Total Assets	<u>\$ 7,729,046</u>	<u>-</u>	<u>7,729,046</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 158,355	-	158,355
Interfund payable	5,576	-	5,576
Advances payable	3,322	-	3,322
Deferred revenue	<u>310,589</u>	<u>-</u>	<u>310,589</u>
Total Liabilities	<u>477,842</u>	<u>-</u>	<u>477,842</u>
Fund Balances			
Reserved:			
Encumbrances	924,249	-	924,249
Airport projects	354,883	-	354,883
Projects related to commercial passenger vessels	1,544,703	-	1,544,703
Designated for subsequent year expenditures	1,483,392	-	1,483,392
Unreserved, undesignated	<u>2,943,977</u>	<u>-</u>	<u>2,943,977</u>
Total Fund Balances	<u>7,251,204</u>	<u>-</u>	<u>7,251,204</u>
Total Liabilities and Fund Balances	<u>\$ 7,729,046</u>	<u>-</u>	<u>7,729,046</u>

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,500,493	-	2,500,493
Intergovernmental	10,773	-	10,773
Charges for services	146,694	-	146,694
Water fees	165,463	-	165,463
Commercial vessel passenger tax	2,313,793	-	2,313,793
Investment earnings	50,101	-	50,101
Miscellaneous	314,961	-	314,961
Total Revenues	<u>5,502,278</u>	<u>-</u>	<u>5,502,278</u>
Expenditures			
Current			
Library services	371,886	-	371,886
Fire and EMS	454,044	-	454,044
Water treatment and distribution	229,160	-	229,160
Public services	1,239,165	-	1,239,165
Capital Outlay	603,003	-	603,003
Debt Service			
Principal retirement	-	2,331,677	2,331,677
Interest and fiscal charges	-	1,092,438	1,092,438
Total Expenditures	<u>2,897,258</u>	<u>3,424,115</u>	<u>6,321,373</u>
Excess (Deficiency) of Revenues Over Expenditures	2,605,020	(3,424,115)	(819,095)
Other Financing Sources (Uses)			
Transfers in	-	3,424,115	3,424,115
Transfers out	(985,640)	-	(985,640)
Total Other Financing Sources (Uses)	<u>(985,640)</u>	<u>3,424,115</u>	<u>2,438,475</u>
Net Change in Fund Balances	1,619,380	-	1,619,380
Fund Balances Beginning of Year	<u>5,631,824</u>	<u>-</u>	<u>5,631,824</u>
Fund Balances End of Year	\$ <u><u>7,251,204</u></u>	<u><u>-</u></u>	<u><u>7,251,204</u></u>

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2010

	<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	\$ -	-	172,260	9,171	-	30,387	322,618
Restricted cash and investments	323,628	3,629,086	-	-	-	-	-
Accounts receivable	<u>31,255</u>	<u>-</u>	<u>197</u>	<u>3,367</u>	<u>2,330</u>	<u>-</u>	<u>24</u>
Total Assets	\$ <u>354,883</u>	<u>3,629,086</u>	<u>172,457</u>	<u>12,538</u>	<u>2,330</u>	<u>30,387</u>	<u>322,642</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	147,617	462	-	-	-	585
Interfund payable	-	-	-	-	5,576	-	-
Advances payable	-	-	-	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,345</u>
Total Liabilities	<u>-</u>	<u>147,617</u>	<u>462</u>	<u>-</u>	<u>5,576</u>	<u>-</u>	<u>306,930</u>
Fund Balances							
Reserved for:							
Encumbrances	-	904,489	13,365	-	-	-	-
Airport projects	354,883	-	-	-	-	-	-
Projects related to commercial passenger vessels	-	1,544,703	-	-	-	-	-
Designated for subsequent year expenditures	-	1,032,277	158,630	-	-	-	-
Unreserved, undesignated (deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,538</u>	<u>(3,246)</u>	<u>30,387</u>	<u>15,712</u>
Total Fund Balances (Deficits)	<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>
Total Liabilities and Fund Balances	\$ <u>354,883</u>	<u>3,629,086</u>	<u>172,457</u>	<u>12,538</u>	<u>2,330</u>	<u>30,387</u>	<u>322,642</u>

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

	Mud Bight Service Area	Nichols View Service Area	Non Areawide Library	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Assets							
Cash and investments	\$ 55,537	8,961	58,010	2,547,580	46,884	11,408	3,262,816
Restricted cash and investments	-	-	-	-	-	-	3,952,714
Accounts receivable	<u>2,657</u>	<u>-</u>	<u>6,248</u>	<u>438,787</u>	<u>28,651</u>	<u>-</u>	<u>513,516</u>
Total Assets	<u>\$ 58,194</u>	<u>8,961</u>	<u>64,258</u>	<u>2,986,367</u>	<u>75,535</u>	<u>11,408</u>	<u>7,729,046</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	-	-	-	8,704	987	158,355
Interfund payable	-	-	-	-	-	-	5,576
Advances payable	-	-	-	-	3,322	-	3,322
Deferred revenue	<u>-</u>	<u>-</u>	<u>4,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,589</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,244</u>	<u>-</u>	<u>12,026</u>	<u>987</u>	<u>477,842</u>
Fund Balances							
Reserved for:							
Encumbrances	-	-	-	4,090	2,305	-	924,249
Airport projects	-	-	-	-	-	-	354,883
Projects related to commercial passenger vessels	-	-	-	-	-	-	1,544,703
Designated for subsequent year expenditures	24,487	397	-	209,367	47,813	10,421	1,483,392
Unreserved, undesignated (deficits)	<u>33,707</u>	<u>8,564</u>	<u>60,014</u>	<u>2,772,910</u>	<u>13,391</u>	<u>-</u>	<u>2,943,977</u>
Total Fund Balances (Deficits)	<u>58,194</u>	<u>8,961</u>	<u>60,014</u>	<u>2,986,367</u>	<u>63,509</u>	<u>10,421</u>	<u>7,251,204</u>
Total Liabilities and Fund Balances	<u>\$ 58,194</u>	<u>8,961</u>	<u>64,258</u>	<u>2,986,367</u>	<u>75,535</u>	<u>11,408</u>	<u>7,729,046</u>

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, 2010

	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	\$ -	-	62,088	-	-	-	2,960
Intergovernmental	-	3,148	-	-	-	-	585
Charges for services	-	-	-	24,539	133	32,657	-
Water fees	-	-	-	-	-	-	-
Commercial vessel passenger tax	-	2,313,793	-	-	-	-	-
Investment earnings (loss)	1,610	20,703	1,343	(38)	-	-	2,535
Miscellaneous	314,761	-	-	-	-	-	200
Total Revenues	<u>316,371</u>	<u>2,337,644</u>	<u>63,431</u>	<u>24,501</u>	<u>133</u>	<u>32,657</u>	<u>6,280</u>
Expenditures							
Current							
Library services	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-	-	-
Public services	-	1,174,030	31,381	4,410	-	10,895	600
Capital Outlay	-	-	-	-	-	-	585
Total Expenditures	<u>-</u>	<u>1,174,030</u>	<u>31,381</u>	<u>4,410</u>	<u>-</u>	<u>10,895</u>	<u>1,185</u>
Excess (Deficiency) of Revenues Over Expenditures	316,371	1,163,614	32,050	20,091	133	21,762	5,095
Other Financing (Uses)							
Transfers out	(373,758)	(311,882)	-	-	-	-	-
Net Change in Fund Balances	(57,387)	851,732	32,050	20,091	133	21,762	5,095
Fund Balances (Deficits)							
Beginning of Year	<u>412,270</u>	<u>2,629,737</u>	<u>139,945</u>	<u>(7,553)</u>	<u>(3,379)</u>	<u>8,625</u>	<u>10,617</u>
Fund Balances (Deficits) End 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>

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	Non Areawide Library	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Revenues							
Taxes	\$ -	-	390,582	1,598,834	446,029	-	2,500,493
Intergovernmental	-	-	-	-	7,040	-	10,773
Charges for services	12,852	-	-	-	57,214	19,299	146,694
Water fees	-	-	-	-	165,463	-	165,463
Commercial vessel passenger tax	-	-	-	-	-	-	2,313,793
Investment earnings (loss)	464	77	3,681	17,287	2,441	(2)	50,101
Miscellaneous	-	-	-	-	-	-	314,961
Total Revenues	<u>13,316</u>	<u>77</u>	<u>394,263</u>	<u>1,616,121</u>	<u>678,187</u>	<u>19,297</u>	<u>5,502,278</u>
Expenditures							
Current							
Library services	-	-	371,886	-	-	-	371,886
Fire and EMS	-	-	-	-	454,044	-	454,044
Water treatment and distribution	-	-	-	-	229,160	-	229,160
Public services	7,230	500	-	2,937	-	7,182	1,239,165
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,418</u>	<u>-</u>	<u>-</u>	<u>603,003</u>
Total Expenditures	<u>7,230</u>	<u>500</u>	<u>371,886</u>	<u>605,355</u>	<u>683,204</u>	<u>7,182</u>	<u>2,897,258</u>
Excess (Deficiency) of Revenues Over Expenditures	6,086	(423)	22,377	1,010,766	(5,017)	12,115	2,605,020
Other Financing (Uses)							
Transfers out	-	-	-	(300,000)	-	-	(985,640)
Net Change in Fund Balances	6,086	(423)	22,377	710,766	(5,017)	12,115	1,619,380
Fund Balances (Deficits)							
Beginning of Year	<u>52,108</u>	<u>9,384</u>	<u>37,637</u>	<u>2,275,601</u>	<u>68,526</u>	<u>(1,694)</u>	<u>5,631,824</u>
Fund Balances (Deficits) End of Year	\$ <u>58,194</u>	<u>8,961</u>	<u>60,014</u>	<u>2,986,367</u>	<u>63,509</u>	<u>10,421</u>	<u>7,251,204</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 Balance Sheet
June 30, 2010

		2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005B G.O. Bond Redemption Fund	2006A G.O. Bond Redemption Fund	E-One Capital Lease Fund	South Point Higgins Beach	Total Nonmajor Debt Service Funds
Assets								
Cash and investments	\$	-	-	-	-	-	-	-
Fund Balances								
Reserved for debt service	\$	-	-	-	-	-	-	-

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010

	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005B G.O. Bond Redemption Fund	2006A G.O. Bond Redemption Fund	E-One Capital Lease Fund	South Point Higgins Beach	Total Nonmajor Debt Service Funds
Expenditures							
Debt Service							
Principal retirement	\$ 440,000	390,000	810,000	105,000	40,177	546,500	2,331,677
Interest and fiscal charges	<u>178,300</u>	<u>298,880</u>	<u>539,450</u>	<u>32,600</u>	<u>10,978</u>	<u>32,230</u>	<u>1,092,438</u>
Total Expenditures	618,300	688,880	1,349,450	137,600	51,155	578,730	3,424,115
Excess (Deficiency) of Revenues Over Expenditures	(618,300)	(688,880)	(1,349,450)	(137,600)	(51,155)	(578,730)	(3,424,115)
Other Financing Sources							
Transfers in	<u>618,300</u>	<u>688,880</u>	<u>1,349,450</u>	<u>137,600</u>	<u>51,155</u>	<u>578,730</u>	<u>3,424,115</u>
Net Change in Fund Balances	-	-	-	-	-	-	-
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>	<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>	<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.

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.

Ketchikan Gateway Borough, Alaska

General Fund

Comparative Balance Sheet

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 3,126,245	1,351,006
Receivables:		
Accounts	535,428	474,910
Investment earnings	3,949	130,245
Taxes	4,424,266	4,446,710
Interfund receivable	<u>1,913,437</u>	<u>3,193,297</u>
Total Assets	\$ <u>10,003,325</u>	<u>9,596,168</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 363,295	288,007
Accrued payroll	2,463	3,431
Intergovernmental payable	2,767,720	2,818,031
Due to component unit	624,765	662,127
Deposits payable	59,564	48,838
Deferred revenues	<u>163,932</u>	<u>140,043</u>
Total Liabilities	<u>3,981,739</u>	<u>3,960,477</u>
Fund Balances		
Reserved for encumbrances	30,420	110,576
Designated for subsequent year expenditures	590,567	1,431,283
Unreserved - undesignated	<u>5,400,599</u>	<u>4,093,832</u>
Total Fund Balances	<u>6,021,586</u>	<u>5,635,691</u>
Total Liabilities and Fund Balances	\$ <u>10,003,325</u>	<u>9,596,168</u>



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Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			Variance Favorable (Unfavorable)	2009
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes:					
Real and personal property	\$ 7,840,361	7,840,361	7,839,724	(637)	8,592,386
Automobile and boat	140,000	140,000	73,600	(66,400)	110,027
Sales	4,515,300	4,515,300	4,776,503	261,203	5,066,033
Penalties and interest	80,000	80,000	117,833	37,833	104,760
Total taxes	<u>12,575,661</u>	<u>12,575,661</u>	<u>12,807,660</u>	<u>231,999</u>	<u>13,873,206</u>
Alaska State Housing Authority - PILT	<u>15,000</u>	<u>15,000</u>	<u>29,814</u>	<u>14,814</u>	<u>28,120</u>
Licenses and permits					
Zoning fees	<u>20,000</u>	<u>20,000</u>	<u>11,108</u>	<u>(8,892)</u>	<u>20,333</u>
Intergovernmental:					
State fisheries tax	375,000	375,000	516,753	141,753	391,402
State revenue sharing	642,618	642,618	642,387	(231)	641,469
PERS relief	-	-	176,440	176,440	393,629
Federal payment in lieu of taxes	550,000	550,000	1,006,218	456,218	1,338,074
State operating grant - transit system	650,000	650,000	621,188	(28,812)	492,162
State license refunds	-	-	-	-	7,000
National forest receipts	<u>1,545,841</u>	<u>1,545,841</u>	<u>1,523,535</u>	<u>(22,306)</u>	<u>1,717,601</u>
Total intergovernmental	<u>3,763,459</u>	<u>3,763,459</u>	<u>4,486,521</u>	<u>723,062</u>	<u>4,981,337</u>
Charges for services:					
Animal control	28,000	28,000	25,215	(2,785)	27,885
Bus system revenue	200,000	200,000	179,729	(20,271)	160,764
Parks and recreation	407,000	407,000	410,238	3,238	446,557
Other revenues	<u>125,000</u>	<u>125,000</u>	<u>164,658</u>	<u>39,658</u>	<u>203,046</u>
Total charges for services	<u>760,000</u>	<u>760,000</u>	<u>779,840</u>	<u>19,840</u>	<u>838,252</u>
Investment earnings (loss)	<u>43,000</u>	<u>43,000</u>	<u>94,971</u>	<u>51,971</u>	<u>(30,860)</u>
Total Revenues	<u>17,177,120</u>	<u>17,177,120</u>	<u>18,209,914</u>	<u>1,032,794</u>	<u>19,710,388</u>
Other financing sources - transfers in:					
School Bond/Capital Improvements Fund	165,000	165,000	101,903	(63,097)	160,196
Commercial Passenger Vessel Fund	39,000	65,882	65,882	-	114,003
Recreation Sales Tax Fund	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>308,000</u>
Total transfers in	<u>504,000</u>	<u>530,882</u>	<u>467,785</u>	<u>(63,097)</u>	<u>582,199</u>
Total Revenues and Transfers In	<u>17,681,120</u>	<u>17,708,002</u>	<u>18,677,699</u>	<u>969,697</u>	<u>20,292,587</u>

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(continued)

	2010			Variance Favorable (Unfavorable)	2009
	Original Budget	Final Budget	Actual		Actual
Expenditures					
Current:					
General government:					
Mayor and assembly	219,894	229,394	192,992	36,402	156,167
Manager	725,996	725,996	727,877	(1,881)	714,939
Clerk	346,563	346,563	330,103	16,460	340,411
Law	336,671	336,671	330,800	5,871	302,033
Finance	1,046,399	1,056,982	1,097,501	(40,519)	1,026,690
Assessment	763,589	763,589	620,198	143,391	585,421
Automation	465,989	465,989	472,063	(6,074)	324,758
Total general government	<u>3,905,101</u>	<u>3,925,184</u>	<u>3,771,534</u>	<u>153,650</u>	<u>3,450,419</u>
Less recovery of expenditures from other funds	<u>(1,053,102)</u>	<u>(1,053,102)</u>	<u>(1,053,102)</u>	-	<u>(937,847)</u>
Net general government	<u>2,851,999</u>	<u>2,872,082</u>	<u>2,718,432</u>	<u>153,650</u>	<u>2,512,572</u>
Public services:					
Animal protection	\$ 378,803	388,803	371,948	16,855	365,570
Planning	703,867	718,867	674,044	44,823	704,369
Community education grants	2,500	26,374	23,874	2,500	-
Total public services	<u>1,085,170</u>	<u>1,134,044</u>	<u>1,069,866</u>	<u>64,178</u>	<u>1,069,939</u>
Parks and recreation	<u>1,818,044</u>	<u>1,818,044</u>	<u>1,778,070</u>	<u>39,974</u>	<u>1,729,501</u>
Public works	<u>1,376,566</u>	<u>1,376,566</u>	<u>1,325,648</u>	<u>50,918</u>	<u>1,305,296</u>
Transit - bus system	<u>1,739,869</u>	<u>1,739,869</u>	<u>1,285,049</u>	<u>454,820</u>	<u>1,137,520</u>
Nondepartmental	<u>366,253</u>	<u>366,253</u>	<u>376,593</u>	<u>(10,340)</u>	<u>533,897</u>
Education	<u>9,500,000</u>	<u>9,500,000</u>	<u>9,617,935</u>	<u>(117,935)</u>	<u>9,127,666</u>
Capital Outlay	<u>364,506</u>	<u>364,506</u>	<u>114,711</u>	<u>249,795</u>	<u>109,894</u>
Total Expenditures	<u>19,102,407</u>	<u>19,171,364</u>	<u>18,286,304</u>	<u>885,060</u>	<u>17,526,285</u>
Transfers Out					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Special Assessment	4,496	4,496	-	4,496	-
Total Transfers Out	<u>9,996</u>	<u>9,996</u>	<u>5,500</u>	<u>4,496</u>	<u>5,500</u>
Total Expenditures	<u>19,112,403</u>	<u>19,181,360</u>	<u>18,291,804</u>	<u>889,556</u>	<u>17,531,785</u>
Net Change in Fund Balances	\$ <u>(1,431,283)</u>	<u>(1,473,358)</u>	385,895	<u>1,859,253</u>	2,760,802
Fund Balances Beginning of Year			<u>5,635,691</u>		<u>2,874,889</u>
Fund Balances End of Year			\$ <u>6,021,586</u>		<u>5,635,691</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 7,838,837	7,886,600
Receivables:		
Accounts	4,522	4,131
Notes	789,553	793,867
Advances	<u>1,690,615</u>	<u>1,954,454</u>
Total Assets	\$ <u>10,323,527</u>	<u>10,639,052</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 3,071	2,985
Deposits	<u>1,100</u>	<u>116,100</u>
Total Liabilities	<u>4,171</u>	<u>119,085</u>
Fund Balances		
Reserved for:		
Advances to other funds	1,690,615	1,954,454
Long-term loans	789,553	793,867
Encumbrances	319	3,201
Unreserved - undesignated	<u>7,838,869</u>	<u>7,768,445</u>
Total Fund Balances	<u>10,319,356</u>	<u>10,519,967</u>
Total Liabilities and Fund Balances	\$ <u>10,323,527</u>	<u>10,639,052</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 25,000	25,000	23,503	(1,497)	23,457
Intergovernmental	-	-	6,924	6,924	10,514
Investment earnings	204,033	204,033	155,747	(48,286)	174,355
Proceeds from sale of property	<u>1,000,000</u>	<u>1,000,000</u>	<u>923,631</u>	<u>(76,369)</u>	<u>-</u>
Total Revenues	<u>1,229,033</u>	<u>1,229,033</u>	<u>1,109,805</u>	<u>(119,228)</u>	<u>208,326</u>
Expenditures					
Current					
Public services	796,945	796,945	731,686	65,259	706,186
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,170,239</u>
Total Expenditures	<u>796,945</u>	<u>796,945</u>	<u>731,686</u>	<u>65,259</u>	<u>1,876,425</u>
Excess (Deficiency) of Revenues Over Expenditures	432,088	432,088	378,119	(53,969)	(1,668,099)
Other Financing Sources (Uses)					
Proceeds from issuance of debt	-	-	-	-	877,500
Transfers out	<u>(214,014)</u>	<u>(585,014)</u>	<u>(578,730)</u>	<u>6,284</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(214,014)</u>	<u>(585,014)</u>	<u>(578,730)</u>	<u>6,284</u>	<u>877,500</u>
Net Change in Fund Balances	\$ <u>218,074</u>	<u>(152,926)</u>	(200,611)	<u>(47,685)</u>	(790,599)
Fund Balances Beginning of Year			<u>10,519,967</u>		<u>11,310,566</u>
Fund Balances End of Year		\$	<u>10,319,356</u>		<u>10,519,967</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 1,235,893	1,034,450
Accounts receivable	<u>458,251</u>	<u>477,374</u>
Total Assets	\$ <u>1,694,144</u>	<u>1,511,824</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>158,379</u>	<u>-</u>
Fund Balances		
Reserved for encumbrances	5,000	-
Unreserved - undesignated	<u>1,530,765</u>	<u>1,511,824</u>
Total Fund Balances	<u>1,535,765</u>	<u>1,511,824</u>
Total Liabilities and Fund Balances	\$ <u>1,694,144</u>	<u>1,511,824</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,500,000	1,500,000	1,598,834	98,834	1,682,200
Intergovernmental	2,065,371	2,065,371	1,946,454	(118,917)	2,059,056
Miscellaneous	-	-	99	99	8
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>12,471</u>	<u>7,471</u>	<u>13,371</u>
Total Revenues	<u>3,570,371</u>	<u>3,570,371</u>	<u>3,557,858</u>	<u>(12,513)</u>	<u>3,754,635</u>
Expenditures					
Current					
Public services	795	795	1,002	(207)	261,786
Capital Outlay	<u>295,750</u>	<u>357,250</u>	<u>176,637</u>	<u>180,613</u>	<u>35,977</u>
Total Expenditures	<u>296,545</u>	<u>358,045</u>	<u>177,639</u>	<u>180,406</u>	<u>297,763</u>
Excess of Revenues Over Expenditures	3,273,826	3,212,326	3,380,219	167,893	3,456,872
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	676,000
Transfers out	<u>(3,115,530)</u>	<u>(3,434,076)</u>	<u>(3,356,278)</u>	<u>77,798</u>	<u>(3,791,365)</u>
Total Other Financing Sources (Uses)	<u>(3,115,530)</u>	<u>(3,434,076)</u>	<u>(3,356,278)</u>	<u>77,798</u>	<u>(3,115,365)</u>
Net Change in Fund Balances	\$ <u>158,296</u>	<u>(221,750)</u>	23,941	<u>245,691</u>	341,507
Fund Balances Beginning of Year			<u>1,511,824</u>		<u>1,170,317</u>
Fund Balances End of Year		\$	<u>1,535,765</u>		<u>1,511,824</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 3,407,301	3,144,113
Restricted cash and investments	1,521,766	1,660,571
Receivables:		
Accounts	5,503	2,495
Advances	<u>2,169,056</u>	<u>-</u>
Total Assets	\$ <u>7,103,626</u>	<u>4,807,179</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 122,744	67,215
Deposits	<u>9,068</u>	<u>17,068</u>
Total Liabilities	<u>131,812</u>	<u>84,283</u>
Fund Balances		
Reserved for:		
Encumbrances	16,539	47,272
IFA bond guarantee	1,265,000	1,360,000
KVB loan guarantee	256,766	300,571
Advances to other funds	2,169,056	-
Designated for subsequent year expenditures	-	215,524
Unreserved - undesignated	<u>3,264,453</u>	<u>2,799,529</u>
Total Fund Balances	<u>6,971,814</u>	<u>4,722,896</u>
Total Liabilities and Fund Balances	\$ <u>7,103,626</u>	<u>4,807,179</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	-	1,741	1,741	4,002
Charges for services	240,596	240,596	370,315	129,719	317,911
Proceeds from sale of property	-	-	2,631,548	2,631,548	-
Miscellaneous revenue	-	-	11,826	11,826	1,400
Investment earnings	<u>20,000</u>	<u>-</u>	<u>13,267</u>	<u>13,267</u>	<u>62,014</u>
Total Revenues	<u>260,596</u>	<u>240,596</u>	<u>3,028,697</u>	<u>2,788,101</u>	<u>385,327</u>
Expenditures					
Current					
Public services	<u>820,702</u>	<u>1,108,618</u>	<u>779,779</u>	<u>328,839</u>	<u>601,274</u>
Net Change in Fund Balances	\$ <u>(560,106)</u>	<u>(868,022)</u>	2,248,918	<u>3,116,940</u>	(215,947)
Fund Balances Beginning of Year			<u>4,722,896</u>		<u>4,938,843</u>
Fund Balances End of Year		\$	<u>6,971,814</u>		<u>4,722,896</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 57,437	5,000
Intergovernmental receivable	<u>590,491</u>	<u>789,945</u>
Total Assets	<u>\$ 647,928</u>	<u>794,945</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 135,806	334,807
Interfund payable	512,122	454,467
Deferred revenues	<u>-</u>	<u>5,671</u>
Total Liabilities	<u>647,928</u>	<u>794,945</u>
Fund Balances		
Reserved for encumbrances	707,693	2,704,716
Unreserved (deficit)	<u>(707,693)</u>	<u>(2,704,716)</u>
Total Fund Balances	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 647,928</u>	<u>794,945</u>

Ketchikan Gateway Borough, Alaska
State and Federal Grants Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Intergovernmental	\$ <u>4,983,507</u>	<u>1,171,966</u>
Expenditures		
Current		
Public services	74,598	75,909
Capital Outlay	<u>4,908,909</u>	<u>1,096,057</u>
Total Expenditures	<u>4,983,507</u>	<u>1,171,966</u>
Net Change in Fund Balances	-	-
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>
Fund Balances End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 5,228	-
Accounts receivable	<u>16,165</u>	<u>18,140</u>
Total Assets	<u>\$ 21,393</u>	<u>18,140</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6,156	6,336
Advances payable	688,206	820,559
Interfund payable	-	480
Deferred revenue	<u>3,615</u>	<u>12,505</u>
Total Liabilities	<u>697,977</u>	<u>839,880</u>
Fund Balances		
Reserved for encumbrances	434	4,067
Unreserved (deficit)	<u>(677,018)</u>	<u>(825,807)</u>
Total Fund Balances (Deficits)	<u>(676,584)</u>	<u>(821,740)</u>
Total Liabilities and Fund Balances	<u>\$ 21,393</u>	<u>18,140</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 559,546	559,546	564,674	5,128	523,322
Intergovernmental	-	-	9,566	9,566	21,158
Service area fees	115,000	115,000	113,174	(1,826)	112,743
Investment earnings	-	-	9,612	9,612	5,224
EMS revenues	48,000	48,000	62,946	14,946	57,458
Miscellaneous revenues	-	-	3,200	3,200	-
Total Revenues	<u>722,546</u>	<u>722,546</u>	<u>763,172</u>	<u>40,626</u>	<u>719,905</u>
Expenditures					
Current					
Fire and EMS	580,779	580,779	566,861	13,918	600,741
Capital Outlay	<u>66,000</u>	<u>66,000</u>	-	<u>66,000</u>	<u>11,594</u>
Total Expenditures	<u>646,779</u>	<u>646,779</u>	<u>566,861</u>	<u>79,918</u>	<u>612,335</u>
Excess of Revenues Over Expenditures	75,767	75,767	196,311	120,544	107,570
Other Financing (Uses)					
Transfers out	<u>(51,155)</u>	<u>(51,155)</u>	<u>(51,155)</u>	-	<u>(51,155)</u>
Net Change in Fund Balances	\$ <u>24,612</u>	<u>24,612</u>	145,156	<u>120,544</u>	56,415
Fund Balances (Deficits) Beginning of Year			<u>(821,740)</u>		<u>(878,155)</u>
Fund Balances (Deficits) End of Year			\$ <u>(676,584)</u>		<u>(821,740)</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.

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Restricted cash and investments	\$ 323,628	378,199
Accounts receivable	<u>31,255</u>	<u>34,071</u>
Total Assets	\$ <u>354,883</u>	<u>412,270</u>
Fund Balances		
Reserved for airport projects	\$ <u>354,883</u>	<u>412,270</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
PFC revenues	\$ 350,000	350,000	314,761	(35,239)	315,245
Investment earnings	3,500	3,500	1,610	(1,890)	2,197
Total Revenues	<u>353,500</u>	<u>353,500</u>	<u>316,371</u>	<u>(37,129)</u>	<u>317,442</u>
Other Financing (Uses)					
Transfers out	(373,758)	(373,758)	(373,758)	-	(374,451)
Net Change in Fund Balance	\$ <u>(20,258)</u>	<u>(20,258)</u>	(57,387)	<u>(37,129)</u>	(57,009)
Fund Balances Beginning of Year			412,270		469,279
Fund Balances End of Year		\$	<u>354,883</u>		<u>412,270</u>

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Restricted cash and investments	\$ <u>3,629,086</u>	<u>3,202,918</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>147,617</u>	<u>573,181</u>
Fund Balances		
Reserved for encumbrances	904,489	4,900
Reserved for projects related to commercial passenger vessels	1,544,703	2,624,837
Designated for subsequent year expenditures	<u>1,032,277</u>	<u>-</u>
Total Fund Balances	<u>3,481,469</u>	<u>2,629,737</u>
Total Liabilities and Fund Balances	\$ <u>3,629,086</u>	<u>3,202,918</u>

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	-	3,148	3,148	6,151
Commercial passenger vessel tax	2,000,000	2,000,000	2,313,793	313,793	2,326,147
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>20,703</u>	<u>703</u>	<u>40,590</u>
Total Revenues	<u>2,020,000</u>	<u>2,020,000</u>	<u>2,337,644</u>	<u>317,644</u>	<u>2,372,888</u>
Expenditures					
Current					
Public services	<u>2,800,983</u>	<u>3,381,508</u>	<u>1,174,030</u>	<u>2,207,478</u>	<u>1,647,666</u>
Total Expenditures	<u>2,800,983</u>	<u>3,381,508</u>	<u>1,174,030</u>	<u>2,207,478</u>	<u>1,647,666</u>
Excess (Deficiency) of Revenues Over Expenditures	(780,983)	(1,361,508)	1,163,614	2,525,122	725,222
Other Financing (Uses)					
Transfers out	<u>(114,000)</u>	<u>(311,882)</u>	<u>(311,882)</u>	<u>-</u>	<u>(232,494)</u>
Net Change in Fund Balances	\$ <u>(894,983)</u>	<u>(1,673,390)</u>	851,732	<u>2,525,122</u>	492,728
Fund Balances Beginning of Year			<u>2,629,737</u>		<u>2,137,009</u>
Fund Balances End of Year		\$	<u>3,481,469</u>		<u>2,629,737</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 172,260	140,165
Accounts receivable	<u>197</u>	<u>301</u>
Total Assets	<u>\$ 172,457</u>	<u>140,466</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>462</u>	<u>521</u>
Fund Balances		
Reserved for encumbrances	13,365	-
Designated for subsequent year expenditures	<u>158,630</u>	<u>139,945</u>
Total Fund Balances	<u>171,995</u>	<u>139,945</u>
Total Liabilities and Fund Balances	<u>\$ 172,457</u>	<u>140,466</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 76,995	76,995	62,088	(14,907)	62,485
Investment earnings	2,500	2,500	1,343	(1,157)	200
Total Revenues	79,495	79,495	63,431	(16,064)	62,685
Expenditures					
Current					
Public services	73,193	73,193	31,381	41,812	77,073
Capital Outlay	150,000	150,000	-	150,000	-
Total Expenditures	223,193	223,193	31,381	191,812	77,073
Net Change in Fund Balances	\$ <u>(143,698)</u>	<u>(143,698)</u>	32,050	<u>175,748</u>	(14,388)
Fund Balances Beginning of Year			<u>139,945</u>		<u>154,333</u>
Fund Balances End of Year		\$	<u>171,995</u>		<u>139,945</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and investments	\$ 9,171	-
Accounts receivable	3,367	1,750
Total Assets	\$ 12,538	1,750
Liabilities and Fund Balances		
Liabilities		
Interfund payable	-	9,303
Fund Balances		
Unreserved (deficit)	12,538	(7,553)
Total Liabilities and Fund Balances	\$ 12,538	1,750

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 22,540	22,540	24,539	1,999	12,754
Investment earnings (loss)	-	-	(38)	(38)	(30)
Total Revenues	<u>22,540</u>	<u>22,540</u>	<u>24,501</u>	<u>1,961</u>	<u>12,724</u>
Expenditures					
Current					
Public services	<u>17,543</u>	<u>17,543</u>	<u>4,410</u>	<u>13,133</u>	<u>21,861</u>
Net Change in Fund Balances	\$ <u>4,997</u>	<u>4,997</u>	20,091	<u>15,094</u>	(9,137)
Fund Balances (Deficits) Beginning of Year			<u>(7,553)</u>		<u>1,584</u>
Fund Balances (Deficits) End of Year			\$ <u>12,538</u>		<u>(7,553)</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Accounts receivable	\$ <u>2,330</u>	<u>4,402</u>
Liabilities and Fund Balances		
Liabilities		
Interfund payable	\$ <u>5,576</u>	<u>7,781</u>
Fund Balances		
Unreserved (deficit)	<u>(3,246)</u>	<u>(3,379)</u>
Total Liabilities and Fund Balances	\$ <u>2,330</u>	<u>4,402</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				Actual
Charges for services	\$ -	-	133	133
Expenditures				
Current				
Public services	-	-	-	-
Net Change in Fund Balances	\$ <u>-</u>	<u>-</u>	133	<u>133</u>
Fund Balances (Deficits) Beginning of Year			<u>(3,379)</u>	<u>(3,543)</u>
Fund Balances (Deficits) End of Year			\$ <u>(3,246)</u>	<u>(3,379)</u>

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ <u>30,387</u>	<u>8,907</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>282</u>
Fund Balances		
Unreserved	<u>30,387</u>	<u>8,625</u>
Total Liabilities and Fund Balances	\$ <u>30,387</u>	<u>8,907</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, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Charges for services	\$ <u>37,153</u>	<u>37,153</u>	<u>32,657</u>	<u>(4,496)</u>	<u>37,847</u>
Expenditures					
Current					
Public services	<u>37,153</u>	<u>37,153</u>	<u>10,895</u>	<u>26,258</u>	<u>28,528</u>
Net Change in Fund Balances	\$ <u>-</u>	<u>-</u>	21,762	<u>21,762</u>	9,319
Fund Balances (Deficits) Beginning of Year			<u>8,625</u>		<u>(694)</u>
Fund Balances End of Year			\$ <u>30,387</u>		<u>8,625</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 322,618	317,505
Accounts receivable	<u>24</u>	<u>42</u>
Total Assets	<u>\$ 322,642</u>	<u>317,547</u>
Liabilities		
Accounts payable	\$ 585	-
Derferred revenue	<u>306,345</u>	<u>306,930</u>
Total Liabilities	<u>306,930</u>	<u>306,930</u>
Fund Balances		
Designated for subsequent year expenditures	-	10,617
Unreserved	<u>15,712</u>	<u>-</u>
Total Fund Balances	<u>15,712</u>	<u>10,617</u>
Total Liabilities and Fund Balances	<u>\$ 322,642</u>	<u>317,547</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 2,046	2,046	2,960	914	3,270
Intergovernmental	-	-	585	585	-
Investment earnings	-	-	2,535	2,535	4,194
Miscellaneous	-	-	200	200	-
Total Revenues	<u>2,046</u>	<u>2,046</u>	<u>6,280</u>	<u>4,234</u>	<u>7,464</u>
Expenditures					
Current					
Public services	1,550	1,550	600	950	1,763
Capital Outlay	<u>306,930</u>	<u>306,930</u>	<u>585</u>	<u>306,345</u>	<u>-</u>
Total Expenditures	<u>308,480</u>	<u>308,480</u>	<u>1,185</u>	<u>307,295</u>	<u>1,763</u>
Net Change in Fund Balances	\$ <u>(306,434)</u>	<u>(306,434)</u>	5,095	<u>311,529</u>	5,701
Fund Balances Beginning of Year			<u>10,617</u>		<u>4,916</u>
Fund Balances End of Year			\$ <u>15,712</u>		<u>10,617</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 55,537	50,522
Accounts receivable	<u>2,657</u>	<u>1,586</u>
Total Assets	\$ <u>58,194</u>	<u>52,108</u>
Fund Balances		
Designated for subsequent year expenditures	24,487	24,492
Unreserved - undesignated	<u>33,707</u>	<u>27,616</u>
Total Fund Balances	\$ <u>58,194</u>	<u>52,108</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,160	11,160	12,852	1,692	12,768
Investment earnings	-	-	464	464	100
Total Revenues	11,160	11,160	13,316	2,156	12,868
Expenditures					
Current					
Public services	10,653	10,653	7,230	3,423	14,775
Capital Outlay	24,999	24,999	-	24,999	-
Total Expenditures	35,652	35,652	7,230	28,422	14,775
Net Change in Fund Balances	\$ <u>(24,492)</u>	<u>(24,492)</u>	6,086	<u>30,578</u>	(1,907)
Fund Balances Beginning of Year			52,108		54,015
Fund Balances End of Year		\$	58,194		52,108

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ <u>8,961</u>	<u>9,384</u>
Fund Balances		
Designated for subsequent year expenditures	397	500
Unreserved - undesignated	<u>8,564</u>	<u>8,884</u>
Total Fund Balances	\$ <u>8,961</u>	<u>9,384</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Investment earnings	\$ -	-	77	77	381
Expenditures					
Current					
Public services	500	500	500	-	500
Net Change in Fund Balances	\$ <u>(500)</u>	<u>(500)</u>	(423)	<u>77</u>	(119)
Fund Balances Beginning of Year			<u>9,384</u>		<u>9,503</u>
Fund Balances End of Year			\$ <u>8,961</u>		<u>9,384</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Library Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 389,154	389,154	390,582	1,428	406,025
Investment earnings (loss)	<u>1,000</u>	<u>1,000</u>	<u>3,681</u>	<u>2,681</u>	<u>(3,181)</u>
Total Revenues	<u>390,154</u>	<u>390,154</u>	<u>394,263</u>	<u>4,109</u>	<u>402,844</u>
Expenditures					
Current					
Library services	<u>429,021</u>	<u>429,021</u>	<u>371,886</u>	<u>57,135</u>	<u>420,190</u>
Net Change in Fund Balances	\$ <u>(38,867)</u>	<u>(38,867)</u>	22,377	<u>61,244</u>	(17,346)
Fund Balances Beginning of Year			<u>37,637</u>		<u>54,983</u>
Fund Balances End of Year		\$	<u>60,014</u>		<u>37,637</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 58,010	35,010
Accounts receivable	<u>6,248</u>	<u>12,117</u>
Total Assets	<u>\$ 64,258</u>	<u>47,127</u>
Liabilities and Fund Balances		
Liabilities		
Deferred property tax	\$ <u>4,244</u>	<u>9,490</u>
Fund Balances		
Designated for subsequent year expenditures	-	37,637
Unreserved - undesignated	<u>60,014</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 64,258</u>	<u>47,127</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 2,547,580	1,821,304
Accounts receivable	<u>438,787</u>	<u>456,783</u>
Total Assets	<u>\$ 2,986,367</u>	<u>2,278,087</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>2,486</u>
Fund Balances		
Reserved for encumbrances	4,090	3,296
Designated for subsequent year expenditures	209,367	-
Unreserved - undesignated	<u>2,772,910</u>	<u>2,272,305</u>
Total Fund Balances	<u>2,986,367</u>	<u>2,275,601</u>
Total Liabilities and Fund Balances	<u>\$ 2,986,367</u>	<u>2,278,087</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,500,000	1,500,000	1,583,001	83,001	1,672,685
Penalties	20,000	20,000	15,833	(4,167)	9,515
Investment earnings	24,000	24,000	17,287	(6,713)	4,457
Total Revenues	<u>1,544,000</u>	<u>1,544,000</u>	<u>1,616,121</u>	<u>72,121</u>	<u>1,686,657</u>
Expenditures					
Current					
Public services	-	-	2,937	(2,937)	81,590
Capital Outlay	<u>395,000</u>	<u>395,000</u>	<u>602,418</u>	<u>(207,418)</u>	<u>56,855</u>
Total Expenditures	<u>395,000</u>	<u>395,000</u>	<u>605,355</u>	<u>(210,355)</u>	<u>138,445</u>
Excess of Revenues Over Expenditures	1,149,000	1,149,000	1,010,766	(138,234)	1,548,212
Other Financing (Uses)					
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>(984,000)</u>
Net Change in Fund Balances	\$ <u>849,000</u>	<u>849,000</u>	710,766	<u>(138,234)</u>	564,212
Fund Balances Beginning of Year			<u>2,275,601</u>		<u>1,711,389</u>
Fund Balances End of Year			\$ <u>2,986,367</u>		<u>2,275,601</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 46,884	65,929
Accounts receivable	<u>28,651</u>	<u>18,327</u>
Total Assets	<u>\$ 75,535</u>	<u>84,256</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 8,704	9,778
Advances payable	<u>3,322</u>	<u>5,952</u>
Total Liabilities	<u>12,026</u>	<u>15,730</u>
Fund Balances		
Reserved for encumbrances	2,305	10,137
Designated for subsequent year expenditures	47,813	40,998
Unreserved - undesignated	<u>13,391</u>	<u>17,391</u>
Total Fund Balances	<u>63,509</u>	<u>68,526</u>
Total Liabilities and Fund Balances	<u>\$ 75,535</u>	<u>84,256</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 450,895	450,895	446,029	(4,866)	440,779
Intergovernmental	-	-	7,040	7,040	13,642
Water fees	160,973	160,973	165,463	4,490	132,884
Investment earnings (loss)	1,590	1,590	2,441	851	(469)
EMS revenue	53,000	53,000	57,214	4,214	63,489
Miscellaneous	5,000	5,000	-	(5,000)	969
Total Revenues	<u>671,458</u>	<u>671,458</u>	<u>678,187</u>	<u>6,729</u>	<u>651,294</u>
Expenditures					
Current					
Fire and EMS	427,339	427,339	454,044	(26,705)	391,592
Water treatment and distribution	285,117	285,117	229,160	55,957	246,731
Capital Outlay - Fire and EMS	-	-	-	-	31,285
Total Expenditures	<u>712,456</u>	<u>712,456</u>	<u>683,204</u>	<u>29,252</u>	<u>669,608</u>
Net Change in Fund Balances	\$ <u>(40,998)</u>	<u>(40,998)</u>	(5,017)	<u>35,981</u>	(18,314)
Fund Balances Beginning of Year			<u>68,526</u>		<u>86,840</u>
Fund Balances End of Year			\$ <u>63,509</u>		<u>68,526</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ 11,408	-
Accounts receivable	<u>-</u>	<u>668</u>
Total Assets	<u>\$ 11,408</u>	<u>668</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 987	-
Interfund payable	<u>-</u>	<u>2,362</u>
Total Liabilities	<u>987</u>	<u>2,362</u>
Fund Balances		
Designated for subsequent year expenditures	10,421	-
Unreserved - (deficit)	<u>-</u>	<u>(1,694)</u>
Total Fund Balances (Deficits)	<u>10,421</u>	<u>(1,694)</u>
Total Liabilities and Fund Balances	<u>\$ 11,408</u>	<u>668</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010			2009	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 19,225	19,225	19,299	74	11,453
Investment earnings (loss)	79	79	(2)	(81)	59
Total Revenues	<u>19,304</u>	<u>19,304</u>	<u>19,297</u>	<u>(7)</u>	<u>11,512</u>
Expenditures					
Current					
Public services	19,769	19,769	7,182	12,587	14,461
Net Change in Fund Balances	\$ <u>(465)</u>	<u>(465)</u>	12,115	<u>12,580</u>	(2,949)
Fund Balances (Deficits) Beginning of Year			(1,694)		1,255
Fund Balances (Deficits) End of Year			\$ <u>10,421</u>		<u>(1,694)</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ <u>25,532,937</u>	<u>1,704,272</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 418,739	5,000
Deposits	2,000	2,000
Interfund payable	<u>210,676</u>	<u>-</u>
Total Liabilities	<u>631,415</u>	<u>7,000</u>
Fund Balances		
Reserved for encumbrances	1,056,089	-
Reserved for capital projects	<u>23,845,433</u>	<u>1,697,272</u>
Total Fund Balances	<u>24,901,522</u>	<u>1,697,272</u>
Total Liabilities and Fund Balances	\$ <u>25,532,937</u>	<u>1,704,272</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits)
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Intergovernmental	\$ -	6,105,330
Investment earnings	18,475	-
Total Revenues	<u>18,475</u>	<u>6,105,330</u>
Expenditures		
Capital Outlay		
Contractual services	-	100,753
Aquatic center	449,828	-
Educational facilities	231,599	11,017
Bond issuance costs	250,738	-
Total Expenditures	<u>932,165</u>	<u>111,770</u>
Excess (Deficiency) of Revenues Over Expenditures	(913,690)	5,993,560
Other Financing Sources (Uses)		
Settlement	-	50,000
Issuance of general obligation bonds	29,490,000	-
Premium for bonds issued	372,207	-
Transfers in	460,145	-
Payment to refunded debt escrow	(6,204,412)	-
Total Other Financing Sources (Uses)	<u>24,117,940</u>	<u>50,000</u>
Net Change in Fund Balances	23,204,250	6,043,560
Fund Balances (Deficits) Beginning of Year	<u>1,697,272</u>	<u>(4,346,288)</u>
Fund Balances End of Year	\$ <u><u>24,901,522</u></u>	<u><u>1,697,272</u></u>



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ENTERPRISE FUNDS

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

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

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Net Assets
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Accounts receivable	\$ 196,322	526,321
Prepaid items	4,482	-
Total Current Assets	<u>200,804</u>	<u>526,321</u>
Noncurrent Assets		
Restricted cash and investments-bond reserve	385,000	385,000
Capital Assets		
Non-depreciable	585,665	549,976
Depreciable, net	<u>7,931,220</u>	<u>7,814,876</u>
Total Noncurrent Assets	<u>8,901,885</u>	<u>8,749,852</u>
Total Assets	<u>9,102,689</u>	<u>9,276,173</u>
Liabilities		
Current Liabilities		
Accounts payable	55,807	117,194
Interfund advances payable	32,688	43,530
Compensated absences payable	115,000	115,000
Revenue bonds payable	<u>250,000</u>	<u>235,000</u>
Total Current Liabilities	<u>453,495</u>	<u>510,724</u>
Long-Term Liabilities		
Compensated absences payable (net of current portion)	130,928	114,529
Interfund advances payable (net of current portion)	2,426,259	2,390,448
Revenue bonds payable (net of current portion)	<u>2,505,000</u>	<u>2,755,000</u>
Total Long-Term Liabilities	<u>5,062,187</u>	<u>5,259,977</u>
Total Liabilities	<u>5,515,682</u>	<u>5,770,701</u>
Net Assets		
Invested in capital assets, net of related debt	5,761,885	5,374,852
Restricted for bond reserve	385,000	385,000
Unrestricted (deficit)	<u>(2,559,878)</u>	<u>(2,254,380)</u>
Total Net Assets	<u>\$ 3,587,007</u>	<u>3,505,472</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Charges for services	\$ 3,283,332	3,423,559
Operating Expenses		
Personal services	2,637,050	2,589,157
Supplies and services	1,137,608	1,263,336
Insurance	182,766	205,681
Depreciation	522,042	536,853
Total Operating Expenses	<u>4,479,466</u>	<u>4,595,027</u>
Operating Loss	(1,196,134)	(1,171,468)
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(154,861)	(167,660)
Gain on sale of capital assets	-	631
Operating grants	168,607	281,363
Total Non-Operating Revenues (Expenses)	<u>13,746</u>	<u>114,334</u>
Loss Before Capital Contributions, Transfers, and Special Item	(1,182,388)	(1,057,134)
Capital contributions	638,665	28,392
Transfers in	625,258	374,452
Special Item		
NPO/OPEB writeoff	-	214,620
Change in Net Assets	81,535	(439,670)
Net Assets Beginning of Year	<u>3,505,472</u>	<u>3,945,142</u>
Net Assets End of Year	\$ <u>3,587,007</u>	<u>3,505,472</u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,613,331	3,500,148
Cash payments to employees for services	(2,620,651)	(2,782,758)
Cash payments for goods and services	<u>(1,361,274)</u>	<u>(1,195,796)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(368,594)</u>	<u>(478,406)</u>
Cash Flows from Noncapital Financing Activities		
Operating grants	168,607	281,363
Transfers in	625,258	374,452
Net pension obligation	<u>-</u>	<u>214,620</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>793,865</u>	<u>870,435</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	-	631
Capital grant	638,665	28,392
Principal paid on revenue bonds	(235,000)	(225,000)
Interest paid on debt service	(154,861)	(167,660)
Payments for capital acquisitions	<u>(674,075)</u>	<u>(28,392)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(425,271)</u>	<u>(392,029)</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><u>385,000</u></u>	<u><u>385,000</u></u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

(continued)

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (1,196,134)	(1,171,468)
Adjustments:		
Depreciation	522,042	536,853
(Increase) Decrease in Assets:		
Accounts receivable	329,999	76,589
Prepaid items	(4,482)	5,442
Increase (Decrease) in Liabilities:		
Accounts payable	(61,387)	(422,797)
Interfund advance payable	24,969	690,576
Compensated absences payable	16,399	21,019
Net pension obligation	<u>-</u>	<u>(214,620)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>(368,594)</u>	<u>(478,406)</u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Assets
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and investments	\$ 141,322	128,692
Accounts receivable	<u>30,851</u>	<u>33,456</u>
Total Current Assets	<u>172,173</u>	<u>162,148</u>
Noncurrent Assets		
Capital Assets		
Depreciable, net	<u>11,941,314</u>	<u>12,381,969</u>
Total Noncurrent Assets	<u>11,941,314</u>	<u>12,381,969</u>
Total Assets	<u>12,113,487</u>	<u>12,544,117</u>
Current Liabilities		
Accounts payable	19,903	94,913
Interfund advances payable	<u>89,786</u>	<u>85,210</u>
Total Current Liabilities	109,689	180,123
Long-Term Liabilities		
Interfund advances payable (net of current portion)	<u>619,410</u>	<u>709,196</u>
Total Liabilities	<u>729,099</u>	<u>889,319</u>
Net Assets		
Invested in capital assets	11,941,314	12,381,969
Unrestricted (deficit)	<u>(556,926)</u>	<u>(727,171)</u>
Total Net Assets	<u>\$ 11,384,388</u>	<u>11,654,798</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Charges for services	\$ 576,803	513,946
Operating Expenses		
Personal services	171,600	181,168
Supplies and services	279,374	397,206
Insurance	6,658	7,601
Depreciation	460,320	463,940
Total Operating Expenses	917,952	1,049,915
Less recovery of expenditures from other funds	(46,451)	(69,250)
Net Operating Expenses	871,501	980,665
Operating Loss	(294,698)	(466,719)
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(41,475)	(45,818)
Investment earnings	382	1,116
Operating grants	65,381	-
Total Non-Operating Revenues (Expenses)	24,288	(44,702)
Change in Net Assets	(270,410)	(511,421)
Net Assets Beginning of Year	11,654,798	12,166,219
Net Assets End of Year	\$ 11,384,388	11,654,798

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 579,408	620,423
Cash payments to employees for services	(171,600)	(181,168)
Cash payments for goods and services	<u>(399,801)</u>	<u>(436,167)</u>
Net Cash Provided by Operating Activities	<u>8,007</u>	<u>3,088</u>
Cash Flows from Noncapital Financing Activities		
Operating grants	<u>65,381</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Interest paid on debt service	(41,475)	(45,818)
Payments for capital acquisitions	<u>(19,665)</u>	<u>(65,485)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(61,140)</u>	<u>(111,303)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>382</u>	<u>1,116</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,630	(107,099)
Cash and Cash Equivalents Beginning of Year	<u>128,692</u>	<u>235,791</u>
Cash and Cash Equivalents End of Year	\$ <u><u>141,322</u></u>	<u><u>128,692</u></u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

(Continued)

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (294,698)	(466,719)
Adjustments:		
Depreciation	460,320	463,940
(Increase) Decrease in Assets:		
Accounts receivable	2,605	37,227
Increase (Decrease) in Liabilities:		
Accounts payable	(75,010)	49,507
Interfund advance payable	<u>(85,210)</u>	<u>(80,867)</u>
Net Cash Provided by Operating Activities	\$ <u>8,007</u>	<u>3,088</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, 2010

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
Current Assets			
Cash and investments	\$ _____ -	_____ -	_____ -
Current Liabilities			
Interfund payable	761,842	423,221	1,185,063
Claims payable	<u>369,465</u>	<u>217,161</u>	<u>586,626</u>
Total Current Liabilities	<u>1,131,307</u>	<u>640,382</u>	<u>1,771,689</u>
Net Assets			
Unrestricted (deficit)	\$ <u><u>(1,131,307)</u></u>	<u><u>(640,382)</u></u>	<u><u>(1,771,689)</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, 2010

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Insurance premiums	\$ 3,153,995	1,778,660	4,932,655
Operating Expenses			
Administration	422,351	453,023	875,374
Claims	3,916,708	1,291,802	5,208,510
Total Operating Expenses	<u>4,339,059</u>	<u>1,744,825</u>	<u>6,083,884</u>
Operating Income (Loss)	(1,185,064)	33,835	(1,151,229)
Non-Operating Revenues			
Investment earnings	<u>6,665</u>	<u>-</u>	<u>6,665</u>
Change in Net Assets	(1,178,399)	33,835	(1,144,564)
Net Assets (Deficits) Beginning of Year	<u>47,092</u>	<u>(674,217)</u>	<u>(627,125)</u>
Net Assets (Deficits) End of Year	\$ <u><u>(1,131,307)</u></u>	<u><u>(640,382)</u></u>	<u><u>(1,771,689)</u></u>

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010

	<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	\$ 3,153,995	1,778,660	4,932,655
Cash payments for goods and services	(422,351)	(453,023)	(875,374)
Cash payments for claims	<u>(3,194,616)</u>	<u>(1,325,637)</u>	<u>(4,520,253)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(462,972)</u>	<u>-</u>	<u>(462,972)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>6,665</u>	<u>-</u>	<u>6,665</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(456,307)	-	(456,307)
Cash and Cash Equivalents Beginning of Year	<u>456,307</u>	<u>-</u>	<u>456,307</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>(1,185,064)</u>	<u>33,835</u>	<u>(1,151,229)</u>
Increase (Decrease) in Liabilities:			
Claims payable	<u>722,092</u>	<u>(33,835)</u>	<u>688,257</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>(462,972)</u>	<u>-</u>	<u>(462,972)</u>



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Ketchikan Gateway Borough, Alaska
Meritain School District Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and investments	\$ -	456,307
Current Liabilities		
Interfund payable	761,842	
Claims payable	<u>369,465</u>	<u>409,215</u>
Total Current Liabilities	<u>1,131,307</u>	<u>409,215</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(1,131,307)</u></u>	<u><u>47,092</u></u>

Ketchikan Gateway Borough, Alaska
Meritain School District Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Insurance premiums	\$ 3,153,995	2,849,699
Operating Expenses		
Administration	422,351	475,133
Claims	3,916,708	2,823,258
Total Operating Expenses	4,339,059	3,298,391
Operating Income (Loss)	(1,185,064)	(448,692)
Non-Operating Revenues		
Investment earnings	6,665	2,986
Change in Net Assets	(1,178,399)	(445,706)
Net Assets Beginning of Year	47,092	492,798
Net Assets (Deficits) End of Year	\$ (1,131,307)	47,092

Ketchikan Gateway Borough, Alaska
Meritain Borough Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and investments	\$ -	-
Current Liabilities		
Interfund payable	423,221	618,463
Claims payable	<u>217,161</u>	<u>55,754</u>
Total Current Liabilities	<u>640,382</u>	<u>674,217</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(640,382)</u></u>	<u><u>(674,217)</u></u>

Ketchikan Gateway Borough, Alaska
Meritain Borough Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Insurance premiums	\$ <u>1,778,660</u>	<u>1,525,998</u>
Operating Expenses		
Administration	453,023	450,175
Claims	<u>1,291,802</u>	<u>1,057,954</u>
Total Operating Expenses	<u>1,744,825</u>	<u>1,508,129</u>
Change in Net Assets	33,835	17,869
Net (Deficits) Beginning of Year	<u>(674,217)</u>	<u>(692,086)</u>
Net (Deficits) End of Year	\$ <u><u>(640,382)</u></u>	<u><u>(674,217)</u></u>



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STATISTICAL SECTION

(Un-Audited)

STATISTICAL SECTION

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

The following tables are included in this section:

Revenues and Expenditures/Expenses

Net Assets by Component.....	Table 1
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Fund Balances, Governmental Funds.....	Table 3
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Long-term Debt

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KETCHIKAN GATEWAY BOROUGH

Net Assets By Component, Last Eight Years
June 30, 2010

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities								
Invested in capital assets, net of related debt	\$ 116,791,016	\$ 113,763,548	\$ 103,567,159	\$ 104,167,175	\$ 95,476,768	\$ 93,606,967	\$ 90,711,046	\$ 68,654,590
Restricted	6,749,034	6,194,066	4,801,620	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	24,295,274	21,669,692	23,817,829	16,086,982	8,335,910	850,340	1,281,070	2,272,697
Total governmental activities net assets	<u>147,835,324</u>	<u>141,627,306</u>	<u>132,186,608</u>	<u>124,580,555</u>	<u>122,301,742</u>	<u>119,236,733</u>	<u>121,410,629</u>	<u>119,941,669</u>
Business-type Activities								
Invested in capital assets, net of related debt	17,703,199	17,756,821	18,438,737	18,878,941	19,348,852	18,865,448	18,462,955	15,871,103
Restricted	385,000	385,000	385,000					
Unrestricted (deficit)	(3,311,312)	(3,185,352)	(2,920,876)	(2,469,759)	(2,813,429)	(2,028,243)	(1,143,842)	533,371
Total business-type activities net assets	<u>14,776,887</u>	<u>14,956,469</u>	<u>15,902,861</u>	<u>16,409,182</u>	<u>16,535,423</u>	<u>16,837,205</u>	<u>17,319,113</u>	<u>16,404,474</u>
Primary Government								
Invested in capital assets, net of related debt	134,494,215	131,520,369	122,005,896	123,046,116	114,825,620	112,472,415	109,174,001	84,525,693
Restricted	7,134,034	6,579,066	5,186,620	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	20,983,962	18,484,340	20,896,953	13,617,223	5,522,481	(1,177,903)	137,228	2,806,068
Total primary government net assets	<u>\$ 162,612,211</u>	<u>\$ 156,583,775</u>	<u>\$ 148,089,469</u>	<u>\$ 140,989,737</u>	<u>\$ 138,837,165</u>	<u>\$ 136,073,938</u>	<u>\$ 138,729,742</u>	<u>\$ 136,346,143</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, Last Eight Years
June 30, 2010

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental activities:								
General government	\$ 3,198,263	3,098,135	3,105,409	3,306,674	2,834,490	3,313,736	2,160,394	2,419,655
Fire and EMS	1,249,053	1,207,673	1,219,557	-	-	-	-	-
Water treatment and distribution	228,725	246,479	-	-	-	-	-	-
Library services	371,886	420,190	420,100	420,565	396,468	411,855	-	-
Parks and recreation	2,004,219	1,658,671	1,883,894	-	-	-	-	-
Public works	1,391,689	1,388,867	1,248,572	-	-	-	-	-
Public services	4,162,195	5,415,283	1,908,428	8,308,680	7,824,163	10,420,289	8,739,143	10,138,227
Transit	1,427,218	1,149,142	1,075,033	-	-	-	-	-
Automation	-	-	-	364,331	355,000	291,603	269,771	151,143
Education	16,017,284	14,401,413	13,522,531	13,321,747	9,595,422	9,003,657	8,771,976	8,726,887
Nondepartmental	-	-	-	-	3,063,471	2,264,466	2,154,832	2,081,507
Interest	1,540,248	1,299,122	1,405,115	1,613,241	1,541,048	1,301,846	1,370,970	1,206,535
Total governmental activities expenses	31,590,780	30,284,975	25,788,639	27,335,238	25,610,062	27,007,452	23,467,086	24,723,954
Business-type activities:								
Airport	4,625,758	4,758,390	4,312,540	4,599,434	4,189,888	4,223,926	3,442,165	3,643,744
Wastewater	912,252	1,095,332	890,038	1,073,625	882,954	854,648	779,832	870,426
Total business-type activities expenses	5,538,010	5,853,722	5,202,578	5,673,059	5,072,842	5,078,574	4,221,997	4,514,170
Total primary government expenses	\$ 37,128,790	\$ 36,138,697	30,991,217	33,008,297	30,682,904	32,086,026	27,689,083	29,238,124
Program Revenues								
Governmental activities:								
Charges for services:								
Fire and EMS	236,534	234,659	360,311	-	-	-	-	-
Water treatment and distribution	165,463	132,884	-	-	-	-	-	-
Parks and recreation	410,238	446,557	458,064	-	-	-	-	-
Public services	684,279	668,042	405,626	1,314,590	1,530,858	1,526,806	1,259,792	1,187,500
Transit	179,729	160,764	140,721	-	-	-	-	-
Education	3,153,995	2,849,699	3,020,959	-	-	-	-	-
Capital grants	8,369,771	10,990,255	4,059,938	2,981,744	2,885,920	2,102,498	1,727,747	2,626,176
Operating grants	705,498	555,861	498,425	2,007,935	2,442,331	972,586	3,136,994	1,139,686
Nondepartmental	-	-	-	2,936,900	2,534,223	2,044,431	1,867,159	1,530,772
Total governmental activities program revenues	13,905,507	16,038,721	8,944,044	9,241,169	9,393,332	6,646,321	7,991,692	6,484,134
Business-type activities:								
Charges for services:								
Airport	3,283,332	3,424,190	3,759,832	3,387,681	3,742,327	2,997,565	2,744,703	2,925,246
Wastewater	576,803	583,196	613,663	592,620	733,104	496,629	490,756	478,520
Operating grants	128,193	72,412	152,035	62,188	-	-	-	2,500
Capital grants	638,665	28,392	8,685	640,921	-	528,410	1,617,556	11,726,302
Total business-type activities program revenues	4,626,993	4,108,190	4,534,215	4,683,410	4,475,431	4,022,604	4,853,015	15,132,568
Total primary government program revenues	\$ 18,532,500	\$ 20,146,911	13,478,259	13,924,579	13,868,763	10,668,925	12,844,707	21,616,702
Net (Expense) Revenue								
Governmental activities	(17,685,273)	(14,246,254)	(16,844,595)	(18,094,069)	(16,216,730)	(20,361,131)	(15,475,394)	(18,239,820)
Business-type activities	(911,017)	(1,745,532)	(668,363)	(989,649)	(597,411)	(1,055,970)	631,018	10,618,398
Total primary government net expense	\$ (18,596,290)	\$ (15,991,786)	(17,512,958)	(19,083,718)	(16,814,141)	(21,417,101)	(14,844,376)	(7,621,422)
General Revenues and Other Changes In Net Assets								
Governmental activities:								
Property taxes	9,491,422	10,233,372	11,133,400	10,350,075	10,170,210	8,222,959	7,739,922	7,274,264
Sales taxes	7,974,171	8,430,433	6,843,335	6,333,019	6,267,181	7,412,729	5,465,644	4,961,299
Transient occupancy taxes	-	-	-	-	-	70,452	37,365	32,771
Payment in lieu of taxes	1,036,032	1,366,194	579,736	581,662	11,031	4,323	6,948	12,741
Grants and entitlements not restricted	3,677,791	3,815,114	3,615,710	319,748	-	932,418	534,624	865,389
Transfers	(625,258)	(374,452)	(222,905)	(841,611)	(289,502)	(556,000)	(229,485)	188,185
Investment earnings	361,309	275,681	1,511,764	1,552,003	845,592	760,004	899,718	662,628
Property sales (loss on requisitions)	1,650,939	(909,920)	599,456	699,150	1,886,734	874,850	436,384	-
Bond issuance costs	-	-	-	-	14,927	33,834	-	-
Miscellaneous	326,885	850,530	390,152	408,748	375,565	431,666	347,034	485,890
Settlement	-	-	-	970,088	-	-	-	-
Total governmental activities general revenues and other changes in net assets	23,893,291	23,686,952	24,450,648	20,372,882	19,281,738	18,187,235	15,238,154	14,483,167
Business-type activities:								
Unrestricted grant/investment earnings	106,177	424,688	96,969	21,797	6,127	18,062	54,136	166,861
Transfers	625,258	374,452	222,905	841,611	289,502	556,000	229,485	(188,185)
Total business-type activities general revenues and other changes in net assets	731,435	799,140	319,874	863,408	295,629	574,062	283,621	(21,324)
Total primary government general revenues and other changes in net assets	24,624,726	24,486,092	24,770,522	21,236,290	19,577,367	18,761,297	15,521,775	14,461,843
Changes in Net Assets								
Governmental activities	6,208,018	9,440,698	7,606,053	2,278,813	3,065,008	(2,173,896)	(237,240)	(3,756,653)
Business-type activities	(179,582)	(946,392)	(348,489)	(126,241)	(301,782)	(481,908)	914,639	10,597,074
Total primary government, change in net assets	6,028,436	8,494,306	7,257,564	2,152,572	2,763,226	(2,655,804)	677,399	6,840,421

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

KETCHIKAN GATEWAY BOROUGH

Fund Balances, Governmental Funds, Last Eight Years
June 30, 2010

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Fund								
Reserved	\$ 30,420	110,576	65,191	28,245	192,230	504,119	463,976	538,146
Unreserved	5,991,166	5,525,115	2,809,698	1,429,143	1,725,796	2,376,078	2,560,944	2,969,923
Total general fund	<u>6,021,586</u>	<u>5,635,691</u>	<u>2,874,889</u>	<u>1,457,388</u>	<u>1,918,026</u>	<u>2,880,197</u>	<u>3,024,920</u>	<u>3,508,069</u>
All other governmental funds								
Reserved	10,780,900	10,223,588	16,511,974	16,723,780	18,385,389	13,013,202	16,548,362	23,525,536
Capital projects funds	23,845,433	1,697,272	(4,415,280)	(8,167,617)	(4,852,950)	3,548,290	6,297,534	17,564,690
Unreserved, report in:								
Special revenue funds	15,676,744	11,341,183	4,779,458	2,885,986	4,022,884	7,663,768	5,855,166	7,733,106
Total all other governmental funds	<u>50,303,077</u>	<u>23,262,043</u>	<u>16,876,152</u>	<u>11,442,149</u>	<u>17,555,323</u>	<u>24,225,260</u>	<u>28,701,062</u>	<u>48,823,332</u>
Total Governmental Funds	<u>\$ 56,324,663</u>	<u>28,897,734</u>	<u>19,751,041</u>	<u>12,899,537</u>	<u>19,473,349</u>	<u>27,105,457</u>	<u>31,725,982</u>	<u>52,331,401</u>

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

KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances, Last Eight Years
June 30, 2010

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Revenues								
Taxes	\$ 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	10,439,268	13,035,082	6,492,592	5,818,658	5,328,250	4,081,128	5,399,367	4,628,811
Licenses and permits	11,108	20,333	26,800	34,060	35,140	38,815	49,035	33,002
Water fees	165,463	-	-	-	-	-	-	2,439
Charges for services	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	2,313,793	2,326,147	2,244,585	-	-	-	-	-
Investment earnings	354,644	272,695	612,485	1,473,267	845,592	760,004	899,718	666,151
Proceeds from sale of property	3,555,179	-	1,248,605	856,220	2,692,193	874,850	436,384	-
Miscellaneous	330,086	317,622	390,359	408,748	375,565	431,664	347,034	485,890
Total Revenues	<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	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	371,886	420,190	420,100	420,565	396,468	411,855	-	-
Fire and EMS	1,020,905	992,333	978,225	-	-	-	-	-
Water treatment and distribution	229,160	246,731	-	-	-	-	-	-
Public services	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	1,778,070	1,421,501	1,656,144	-	-	-	-	-
Aquatic center	449,828	-	-	-	-	-	-	-
Public works	1,325,648	1,305,296	1,203,440	-	-	-	-	-
Transit	1,285,049	1,023,517	1,022,749	-	-	-	-	-
Automation	-	-	-	339,083	324,728	265,761	244,694	142,661
Education	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	376,593	539,397	219,754	492,028	365,323	362,582	194,637	158,085
Capital Outlay	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	2,331,677	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	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	250,738	-	-	-	-	450,000	-	110,428
Total Expenditures	<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	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	29,490,000	-	-	-	1,100,000	15,580,000	-	9,000,000
Premium for bond issuance costs	372,207	-	-	-	14,927	33,834	-	110,428
Premium on debt issuance	-	-	-	-	-	450,000	-	-
Settlement	-	50,000	3,100,000	970,088	-	-	-	-
Transfers in	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	(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)	<u>23,032,537</u>	<u>553,048</u>	<u>2,877,095</u>	<u>128,477</u>	<u>691,040</u>	<u>8,192,802</u>	<u>(229,485)</u>	<u>9,298,613</u>
Net Change in Fund Balances	<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	13.96%	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, Last Ten Years
 June 30, 2010

Fiscal Year	Residential	Commercial	Industrial	Personal Property	Tax-Exempt	Total Assessed Value	Total Direct Tax Rate
2001	\$ 645,561,600	\$ 182,230,550	\$ 146,103,150	\$ 62,932,100	\$ 62,932,100	\$ 973,895,300	6.80
2002	652,920,850	168,282,725	137,405,025	64,265,600	64,498,700	958,375,500	6.80
2003	655,060,700	174,255,900	118,493,000	54,086,400	66,773,800	935,122,200	6.80
2004	652,612,550	199,733,125	79,399,825	53,895,900	68,936,400	916,705,000	7.00
2005	675,854,500	205,767,650	80,779,650	59,666,800	74,052,800	948,015,800	7.50
2006	743,010,500	210,993,500	81,475,600	58,550,200	75,182,200	1,018,847,600	7.50
2007	837,303,700	234,295,600	90,715,200	68,550,700	79,737,000	1,151,128,200	7.20
2008	937,034,800	251,345,100	100,424,800	68,115,000	85,908,700	1,271,011,000	6.80
2009	951,009,500	278,712,800	100,810,500	67,594,600	90,099,200	1,308,028,200	6.00
2010	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, 2010

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cape Fox Corporation	\$ 14,867,300	1	1.11%	\$ 12,250,000	2	1.17%
Ketchikan Dock Co LLC	12,730,700	2	0.95%	-	-	-
Tongass Trading Company	10,946,900	3	0.81%	7,156,400	5	0.69%
Trident-Norquest Seafood	8,704,600	4	0.65%	-	-	-
Landing LLC Lodging	8,086,600	5	0.60%	-	-	-
Carr-Gottstein Foods	7,857,900	6	0.59%	5,184,800	9	0.50%
Harbor Enterprises	7,502,900	7	0.56%	-	-	-
Wal-Mart	6,731,800	8	0.50%	-	-	-
Boyer Towing	7,071,800	9	0.53%	-	-	-
ECPS INC.	6,493,000	10	0.48%	7,832,700	3	0.75%
Gateway Forest Products	-	-	-	31,260,900	1	3.00%
Alaska General Seafoods	-	-	-	7,175,800	4	0.69%
Ketchikan Plaza Inc	-	-	-	6,152,700	6	0.59%
Vanderweele, James & Ken	-	-	-	5,989,400	7	0.57%
TF Acquisition	-	-	-	5,210,900	8	0.50%
Tesoro Alaska Petroleum Co.	-	-	-	5,101,900	10	0.49%
Total	\$ <u>90,993,500</u>			\$ <u>93,315,500</u>		

Source: Ketchikan Gateway Borough Assessment Department.

KETCHIKAN GATEWAY BOROUGH
Property Tax Levies and Collections, Last Ten Fiscal Years
 June 30, 2010

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
2001	\$ 6,899,865	\$ 5,156,645	75%	\$ 1,742,667	\$ 6,899,312	100%
2002	7,096,530	4,869,466	69%	2,220,949	7,090,415	100%
2003	6,955,545	5,695,391	82%	1,254,161	6,949,552	100%
2004	7,013,272	5,827,184	83%	1,184,206	7,011,390	100%
2005	7,400,485	5,767,904	78%	1,630,785	7,398,689	100%
2006	7,641,357	7,213,060	94%	426,226	7,639,286	100%
2007	8,288,123	7,437,374	90%	787,171	8,224,545	99%
2008	8,642,875	7,911,034	92%	116,809	8,027,843	93%
2009	7,848,169	7,120,983	91%	-	7,120,983	91%
2010	7,241,869	7,127,692	98%	53,868	7,181,560	99%

KETCHIKAN GATEWAY BOROUGH
Taxable Sales by Category, Last Eight Calendar Years
 June 30, 2010

	Calendar Year			
	2010	2009	2008	2007
Contractors	\$ 6,164,888	6,308,945	7,489,875	6,365,082
Finance, insurance, banks	2,175,578	2,337,153	2,339,433	2,348,611
Hotels, motels, lodges	12,911,339	12,771,272	15,072,971	14,801,945
Manufacturing	5,924,192	5,954,272	6,286,423	5,955,225
Real estate	24,283,752	23,525,969	22,542,559	21,656,315
Retail trade	61,835,978	64,637,819	70,446,895	66,734,591
Retail trade - food	46,452,945	45,027,023	47,390,768	45,068,045
Retail trade, bars & catering	17,935,908	18,022,415	18,431,186	18,612,056
Retail, automotive	13,897,325	14,248,090	16,044,581	15,469,233
Retail, specialty	14,795,040	14,191,033	13,626,713	12,819,560
Retail, var, jewelry, curios	31,273,966	31,681,209	34,307,450	35,196,189
Services, entertainment	4,127,946	4,184,973	7,343,972	7,307,726
Service, general	9,024,639	9,151,686	8,944,598	8,084,339
Services, professional	3,544,190	3,531,941	3,790,728	3,991,439
Trans, comm, utilities	62,352,214	62,711,305	75,131,913	65,645,306
	<u>\$ 316,699,900</u>	<u>318,285,105</u>	<u>349,190,065</u>	<u>330,055,662</u>

	Calendar Year			
	2006	2005	2004	2003
Contractors	\$ 6,388,502	6,342,781	5,136,639	4,717,690
Finance, insurance, banks	2,315,220	2,279,967	2,121,440	1,804,998
Hotels, motels, lodges	13,743,128	12,503,465	13,133,503	10,613,549
Manufacturing	5,576,780	5,843,406	5,672,883	5,259,176
Real estate	20,498,575	19,057,590	18,644,711	18,784,315
Retail trade	63,070,558	63,514,414	61,363,355	57,365,818
Retail trade - food	42,654,189	40,619,973	36,385,234	33,339,217
Retail trade, bars & catering	18,083,807	17,499,435	16,637,388	16,051,180
Retail, automotive	12,955,708	12,307,129	12,233,859	10,401,180
Retail, specialty	13,279,501	13,720,642	13,146,382	13,231,426
Retail, var, jewelry, curios	33,307,310	38,294,255	36,740,790	31,991,667
Services, entertainment	6,994,136	6,846,882	5,948,907	5,259,611
Service, general	8,144,480	8,156,303	6,603,357	6,486,231
Services, professional	4,173,168	4,290,255	3,769,258	3,774,261
Trans, comm, utilities	57,788,009	55,421,567	46,751,716	37,997,168
	<u>\$ 308,973,071</u>	<u>306,698,064</u>	<u>284,289,422</u>	<u>257,077,487</u>

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years
June 30, 2010

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond -		Capital Improvement Fund	(Deficit) Funded through the General Fund	Per Capita Cost		Indoor Rec Center Debt Service			Rec CIP Fund		
	Principal	Interest	Total	State School Debt Reimburse- ment	Misc.	1/2 cent Sales Tax		Total Revenues	Population	Per Capita Cost	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Available for Other Projects
2001	100,000	560,257	660,257	452,255	1,930	-	454,185	(206,072)	13,748	15	530,000	268,548	798,548	921,424	122,877
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	12,984	(106)				1,598,834	1,598,834

KETCHIKAN GATEWAY BOROUGH
Ratios of General Bonded Debt Outstanding, Last Nine Fiscal Years
 June 30, 2010

Fiscal Year	General Obligation Bonds Governmental Type	Revenue Bonds Business- Type	Bonds Total	Percent of Assessed Value	Per Capita
2002	\$ 21,034,456	\$ 4,415,355	\$ 25,449,811	3%	\$ 1,860
2003	28,940,832	4,360,418	33,301,250	4%	2,433
2004	27,487,357	4,222,092	31,709,449	3%	2,427
2005	34,044,749	4,192,330	38,237,079	4%	2,916
2006	33,203,086	4,031,050	37,234,136	4%	2,826
2007	29,630,000	3,435,000	33,065,000	3%	2,526
2008	27,290,000	3,215,000	30,505,000	2%	2,348
2009	24,965,000	2,990,000	27,955,000	2%	2,153
2010	46,810,000	2,755,000	49,565,000	4%	3,817

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2010

Governmental Unit

Debt repaid with sales taxes

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough	\$	46,810,000
Less Self Supporting Debt:		
Sales Tax Revenues	(46,810,000)	<u>(46,810,000)</u>
Total Direct Debt		<u>-</u>
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		5,455,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(4,582,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(873,000)	(5,455,000)
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, 2010

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
2001	\$ 2,471,407	\$ 2,361,366	\$ 110,041	\$ -	\$ -	\$ -	-
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)

- (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, 2010

Fiscal Year	Borough Population	Alaska Per Capita Income - (1)	Annual Average Unemployment Rate	Borough School Enrollment	Education - (2)			
					Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE	Number of Permanent Employees
2001	13,748	\$ 36,568	7.80%	2,519	7	145	156	295
2002	13,683	37,237	8.00%	2,424	7	145	154	289
2003	13,685	38,343	10.20%	2,391	7	145	155	307
2004	13,067	38,337	8.90%	2,359	6	140	155	300
2005	13,111	40,291	7.60%	2,372	5	134	155	307
2006	13,176	41,340	7.60%	2,291	7	145	155	307
2007	13,089	45,924	5.00%	2,265	7	147	158	310
2008	12,993	46,350	6.20%	2,166	7	147	158	310
2009	12,984	52,030	7.78%	2,115	7	147	163	315
2010	12,984	52,030	7.78%	2,110	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&pop>

Principal Employers FY 2007 and Nine Years Ago
June 30, 2010

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

State of Alaska Department of Labor most current information 2007.

Total employment

7,313

7,025

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics

June 30, 2010

Date of Incorporation & Code of Ordinances Adopted- 1963								
Form of Government - Elected Assembly - Manager								
Second-Class Borough								
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<i>Ketchikan Gateway Borough</i>								
Borough, square miles	6,900	6,900	6,900	1,733	1,733	1,733	1,733	1,733
Revillagiedo Island, square miles	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
<i>Animal Protection</i>								
Licenses Issued	774	810	775	761	604	685	Not available	
Animals Impounded	362	509	475	424	408	417		
Animals Surrendered	296	309	278	315	395	388		
Animals Adopted	130	121	109	169	158	204		
Animals Claimed	161	171	184	118	149	156		
<i>Employees by function</i>								
Administration	24	24	23	26	25	25	25	
Fire and EMS	6	6	6	5	4	2	2	
Public services	12	12	11	11	11	10	10	
Parks and Recreation	14	14	14	14	14	14	13	
Public works	16	18	18	19	20	18	17	
Transit	9	9	10	9	9	8	7	
Automation	1	1	1	1	1	1	1	
Airport	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>26</u>	<u>26</u>	
	109	111	110	112	112	104	101	
<i>South Tongass Volunteer Fire Department</i>								
Stations	1	1	1	1	1	1	1	1
Volunteers	43	39	40	38	40	27	27	27
Fire Calls	34	29	8	15	23	12	12	12
Emergency Calls/EMS Incidents	96	125	102	104	69	88	88	88
Fire Investigations	5	7	4	15	3	2	2	2
<i>North Tongass Volunteer Fire Department</i>								
Stations	2	2	2	2	2	2	Not established	
Volunteers	23	26	31	31	30	30		
Fire Calls	25	43	37	28	40			
Emergency Calls/EMS Incidents	145	149	95	84	110			
Fire Investigations	0	0	0	0	1			
<i>Elections</i>								
Registered Voters	10,354	10,255	10,380	10,253	10,034	10,135	10,135	10,135
Votes Cast Last Borough Election	2,127	2,189	2,456	2,528	3,138	3,982	3,989	3,989
% Voting Last Borough Election	24%	25%	24%	25%	31%	39%	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, 2010

	Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough							
	<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
Average Daily Treatment (Sewer gals)	100,000	100,000	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
Sewer Connections	522	522	257	257	257	257	257	257
Mountain Point Service Area:								
Water, Hydrant, Connections	402	402	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
Treatment Capacity (Water gals)	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
Developed Acres	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
Lighted Ball Fields	7	7	7	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	307,999	265,536	226,356	153,377	133,321	150,985	174,575	189,647
Visitor Industry								
Cruise Ship Passengers	925,517	937,419	941,910	899,638	681,096	Not available		

Data supplied by Ketchikan Gateway Borough Department Directors