

Ketchikan Gateway
Borough

Alaska

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2009

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
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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, 2009

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, 2009.

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 2008 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, 2009, 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, 2009 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 \$2,326,000 in shared revenues from the State excise tax during FY 2010. Major projects include a downtown beautification program, a transit shuttle between Berth IV and the downtown core, and art work placement in the main retail area. The Borough established an application process through the Planning Liaison and Economic Development Advisory Committee (PLEDAC) and submitted to Borough staff for further review. Staff prepares findings as it relates to the state statutes governing the funds and presents the applications to the Assembly for final approval.

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. The association's members include nine cruise lines.

Economic Development – Ward Cove Property - Foreclosure returned the Ward Cove property to the Borough on October 23, 2008. The Wards Cove property foreclosure represents over \$10 million in real property. Based on Borough staff analysis of the costs of operating Ward Cove and recognizing the potential of the property, it is the recommendation that an immediate sale be implemented. The Borough Assembly approved this method unanimously.

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, 2008. This is the third 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
Charianne Heath
Linda Keizer
Marva Lee Otos
Hazel Snapp
Pam Srna

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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R. T.", written in a cursive style.

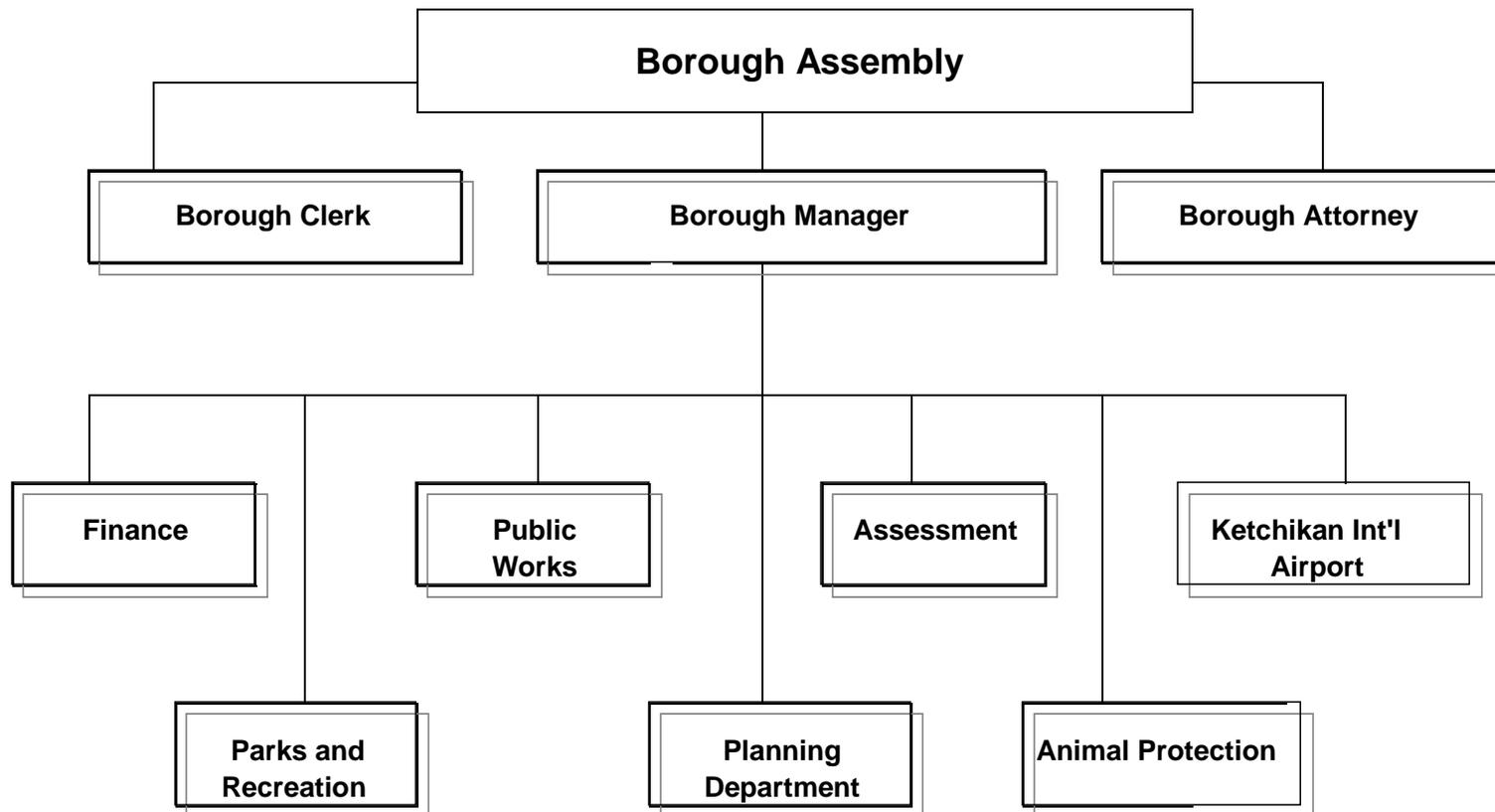
President

A handwritten signature in black ink, reading "Jeffrey R. Emer", written in a cursive style.

Executive Director

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2008/2009



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2009

MAYOR AND ASSEMBLY

<i>Mayor</i>	Dave Kiffer
<i>Vice-Mayor</i>	Mike Painter
<i>Assembly Member</i>	Janine Gibbons
<i>Assembly Member</i>	John Harrington
<i>Assembly Member</i>	David Kiffer
<i>Assembly Member</i>	Todd Phillips
<i>Assembly Member</i>	Jim Shoemaker
<i>Assembly Member</i>	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 City Chambers located in the City Administration Building at 334 Front Street, Ketchikan, Alaska.

BOROUGH STAFF

<i>Borough Manager</i>	Dan Bockhorst
<i>Assistant Borough Manager</i>	Cynna Gubatayao
<i>Borough Attorney</i>	Scott A. Brandt-Erichsen
<i>Borough Clerk</i>	Kacie Paxton
<i>Director of Animal Protection</i>	Dave Otte
<i>Director of Assessment</i>	Brett Hiatt
<i>Director of Finance</i>	Michael Houts
<i>Director of Planning</i>	Tom Williams
<i>Director of Public Works</i>	Joe May
<i>Manager of Ketchikan International Airport</i>	Mike Carney



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FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough, Alaska, as of and for the year ended June 30, 2009, 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 did not audit the financial statements of Ketchikan Gateway Borough School District, a component unit of the reporting entity. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ketchikan Gateway Borough School District, is based on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough, Alaska, as of June 30, 2009, 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, Alaska

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 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 and Schedule of Funding Progress – Alaska Public Employees' Retirement System are not a required part of the basic financial statements but are supplementary information required by the 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 28, 2009

KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2009

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, 2009. 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 \$156,583,775 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$131,520,369 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 \$6,579,066 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$18,484,340 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 balance of \$28,897,734 this year. This compares to the prior year ending fund balance of \$19,751,041 showing an increase of \$9,146,693 during the current year. Unreserved and undesignated fund balance of \$16,662,574 for fiscal year 2009 shows a \$14,153,620 increase from the prior year.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$4,093,832 or 24.15% 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 - 40 of this report.

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

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

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

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 47 of this report.

Other Supplementary Information

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

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 \$156,583,775. The following table provides a summary of the Borough's net assets:

(This page continued on the subsequent page).

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current assets	\$ 34,372,211	\$ 34,038,008	1,073,469	1,299,826	35,445,680	35,337,834
Capital assets	140,504,177	131,801,389	20,746,821	21,653,737	161,250,998	153,455,126
Total assets	174,876,388	165,839,397	21,820,290	22,953,563	196,696,678	188,792,960
Liabilities:						
Current liabilities	8,278,257	7,247,964	3,994,292	3,828,032	12,272,549	11,075,996
Long-term liabilities	24,970,825	26,404,825	2,869,529	3,222,670	27,840,354	29,627,495
Total liabilities	33,249,082	33,652,789	6,863,821	7,050,702	40,112,903	40,703,491
Net assets:						
Invested in capital assets, net of debt	113,763,548	103,567,159	17,756,821	18,438,737	131,520,369	122,005,896
Restricted	6,194,066	4,801,620	385,000	385,000	6,579,066	5,186,620
Unrestricted	21,669,692	23,817,829	(3,185,352)	(2,920,876)	18,484,340	20,896,953
Total net assets	\$ 141,627,306	132,186,608	14,956,469	15,902,861	156,583,775	148,089,469

Twenty-three percent or \$5,626,688, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$300,571 is reserved as a guarantee for the Ketchikan Visitor's Bureau note payable, \$1,360,000 is reserved as a guarantee for the IFA's bond debt service, \$3,202,918 is reserved for commercial passenger vessel related projects, \$378,199 is reserved for airport revenue bond debt service payments, and \$385,000 of that amount 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 80.3% of total assets and net assets invested in capital assets, net of any related debt account for 81.0% of total net assets. The Borough's capital assets include land, Borough buildings and improvements, School District buildings and improvements, vehicles, transit buses, and infrastructure. The Borough uses these capital assets to provide services to its citizens. However, with business type activities, the Borough has spent approximately 95.1% of its total assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for these funds. 80.3% of the Borough's total assets are included in capital assets. The Borough's total net assets in capital increased by \$9,514,473 during fiscal year 2009. Net assets invested in capital assets, net of debt for governmental activities increased by \$10,196,389 and net assets invested in capital assets, net of debt for business type activities decreased by \$681,916.

The current ratio for governmental activities is 3.88 to 1 and .27 to 1 for business type activities. This compares to 4.70 to 1 for governmental activities and .34 to 1 for business type activities for fiscal year 2008. The change in the current ratio for governmental activities is due mainly to a grant received from the State DEED to reimburse for remediation work done on the Schoenbar Middle School and the foreclosure and reacquisition of some of the Ward Cove properties.

Changes in Net Assets

The Borough's net assets increased by \$8,494,306 in 2009. The net assets for governmental activities increased by \$9,440,698 and the net assets for business-type activities decreased by \$946,392. The following table provides a summary of the changes in the Borough's net assets:

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program:						
Charges for services	\$ 4,492,605	\$ 4,385,681	\$ 4,007,386	\$ 4,373,495	\$ 8,499,991	\$ 8,759,176
Operating grants	555,861	498,425	72,412	152,035	628,273	650,460
Capital grants	10,990,255	4,059,938	28,392	8,685	11,018,647	4,068,623
General:						
Taxes	20,029,999	18,556,471	-	-	20,029,999	18,556,471
Other	3,497,528	6,117,082	210,068	96,969	3,707,596	6,214,051
Total revenues	<u>39,566,248</u>	<u>33,617,597</u>	<u>4,318,258</u>	<u>4,631,184</u>	<u>43,884,506</u>	<u>38,248,781</u>
Program Expenses:						
Administration	3,098,135	3,105,409	-	-	3,098,135	3,105,409
Fire and EMS	1,207,673	1,219,557	-	-	1,207,673	1,219,557
Water treatment & distribution	246,479	-	-	-	246,479	-
Library services	420,190	420,100	-	-	420,190	420,100
Parks and recreation	1,658,671	1,883,894	-	-	1,658,671	1,883,894
Public works	1,388,867	1,248,572	-	-	1,388,867	1,248,572
Public services	5,415,283	1,908,428	-	-	5,415,283	1,908,428
Transit	1,149,142	1,075,033	-	-	1,149,142	1,075,033
Education	14,401,413	13,522,531	-	-	14,401,413	13,522,531
Interest	1,299,122	1,405,115	-	-	1,299,122	1,405,115
Airport	-	-	4,758,390	4,312,540	4,758,390	4,312,540
Wastewater	-	-	1,095,332	890,038	1,095,332	890,038
Total expenses	<u>30,284,975</u>	<u>25,788,639</u>	<u>5,853,722</u>	<u>5,202,578</u>	<u>36,138,697</u>	<u>30,991,217</u>
Excess (deficiency)	9,281,273	7,828,958	(1,535,464)	(571,394)	7,745,809	7,257,564
Special Item:						
NPO/OPEB writeoff	533,877	-	214,620	-	748,497	-
Transfers	<u>(374,452)</u>	<u>(222,905)</u>	<u>374,452</u>	<u>222,905</u>	<u>-</u>	<u>-</u>
Change in net assets	9,440,698	7,606,053	(946,392)	(348,489)	8,494,306	7,257,564
Beginning net assets	132,186,608	124,580,555	15,902,861	16,409,182	148,089,469	140,989,737
Prior period adjustment	-	-	-	(157,832)	-	(157,832)
Ending 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>

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 \$10.2 million of tax revenues or approximately 40.8% of the total general revenues. Sales taxes provided 45.1% of the Borough's total governmental tax revenues. The Borough recognized \$275,681 in investment earnings for fiscal year 2009. 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 53.0% of governmental operating expenses, which is an increase of 18.4% over the prior year. This means that the government's taxpayers and the Borough's other general governmental revenues fund 47.0% 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 17.88% of our total costs. This is 10.48% more than the cost for public services for fiscal year 2008. The increase in public services is due to increased funding for commercial passenger vessel approved projects. Library services account for 1.39% of our total cost. 47.55% of our resources are used to fund the school district, which is a 4.89% decrease from FY 08. Administration costs were 10.23% of total cost.

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 of Services	
	Amount	%	Amount	%
Administration	\$ 3,098,135	10.23%	\$ 3,090,114	21.69%
Fire and EMS	1,207,673	3.99%	398,822	2.80%
Water treatment & distribution	246,479	0.81%	72,707	0.51%
Library services	420,190	1.39%	420,190	2.95%
Parks and Recreation	1,658,671	5.48%	1,035,148	7.27%
Public Works	1,388,867	4.59%	1,388,867	9.75%
Public services	5,415,283	17.88%	4,700,277	32.99%
Transit	1,149,142	3.79%	172,159	1.21%
Education	14,401,413	47.55%	1,668,848	11.71%
Interest	1,299,122	4.29%	1,299,122	9.12%
Total	\$ 30,284,975	100%	\$ 14,246,254	100%

After reducing gross expenses by program revenues, the program costs exceeded program revenues for public services by \$4,700,277 or 32.99 % of the net cost of governmental services and education accounts for 11.71% of the net cost as compared to 47.93% for 2008. The decrease in the cost of education for 2009 is due to a grant received from the State DEED 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 \$303,009 or 8.1% less than 2008, and operating expenses increased by \$438,438 or 10.5%.

The completion of road construction and airport runway resulted in a decrease in ferry traffic and ferry fares. This decrease accounts for the majority of the decrease in airport operating revenues.

The overall operating expenses increased by 10.5%. Personal services increased by \$204,296 or 8.5% over 2008, and supplies and services increased by \$268,122 or 26.9%. Insurance costs decreased nominally, and the calculated depreciation costs were consistent with the previous fiscal year.

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 2009. The operating revenues decreased by \$30,467 or 5.0%. The revenue from System Development Charges declined \$36,324 indicating that residents have fully paid cost of hooking up to the wastewater system. The operating expenses increased by \$208,190 or 24.7% due to a surge in the amount of septic system being pumped by the septic contractor. Cash reserves are sufficient to cover the increase in expenses. 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 \$28,897,734. Of this year-end total, \$16,662,574 is unreserved and undesignated. Legally restricted fund balances (i.e., the reserved fund balances) include \$2,888,165 set aside for encumbrances carried forward, and other assets not available for current expenditure total \$9,440,131. Included in the \$2,888,165 set aside for encumbrances is \$2,704,716 in encumbrances for capital projects that will be reimbursed through State and Federal grants. Included in the \$9,440,131 is \$1,660,571 for loan guarantees and \$793,867 for a long-term note.

The total ending fund balances of governmental funds show an increase of \$9,146,693 a 46.31% increase over the prior year. This increase is primarily the result of a grant received from the State DEED for reimbursement of costs for the Schoenbar remediation and increased revenues from PILT and National Forest Receipts.

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 \$2,760,802, a 96.0% increase. The FY 09 budget under spent projected expenditures by \$483,181. A favorable variance in revenue collections and a favorable variance in expenditures increased the projected fund balance by \$2,760,802. The majority of the favorable variance in revenues is due to increased receipts from PILT and National Forest Receipts.

Property tax collections increased above fiscal year 2008 collections by \$850,112. Budgeted property tax revenues for 2009 compared to actual property tax collections were \$464 more 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 1.1% from fiscal year 2008. A ½-cent sales tax ordinance was adopted on March 22, 2004, and approved by voters at an election on June 8, 2004.

This sales tax increase is to fund the debt service payments for general obligation bonds, which were approved and sold to finance school construction projects. Municipal Assistance of \$641,469 was received in fiscal year 2009. House Bill No. 310 provided temporary PERS relief to municipalities and \$393,629 of the total was recognized in the General Fund.

Overall, expenditures increased 10.7% from 2008 for public services. Most of this increase is due to increased employee health care costs, and increased contractual services in the Planning Department. The payment to the school district was 15.3% higher than the appropriation for fiscal year 2008.

Land Trust Fund – During fiscal year 2009, charges for services, investment earnings, and miscellaneous revenue brought total revenues to \$208,326. The Land Trust Fund expended \$1,170,239 in capital expenditures and \$706,186 for public services. The voters of Ketchikan Gateway Borough approved a ballot proposition to purchase a beach for public use north of town from the Alaska Mental Land Trust. The net change in fund balance was a \$790,599 decrease or 6.9%.

Economic Development Assistance Program Fund (EDAPF) – During fiscal year 2009, revenues including charges for services, and investments earnings totaled \$385,327. The EDAPF expended \$601,274 for public services. The net change in the fund balance was a decrease of \$215,947 or 4.4%.

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 and final payments for art projects for Schoenbar Middle School. The total expended during fiscal year 2009 was \$111,770 and was funded with general obligation bond proceeds.

State & Federal Grants Fund – During fiscal year 2009, the Borough received \$1,171,966 in State and Federal grants. The Borough expended \$75,909 on public services and \$1,096,057 towards governmental capital projects. The majority of the State and Federal grant funds were expended on the Borough transit system, 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 \$1,682,200 in sales tax revenue, \$2,059,056 in debt reimbursement revenues, and \$13,371 in investment earnings. This fund transferred out \$3,631,169 for G.O. bond principal and interest payments into Debt Service Funds. The ending fund balance increased by 29.2%.

North Tongass Fire and EMS Service Area Fund – During fiscal year 2009, revenues included taxes, intergovernmental, service area fees, investment earnings and emergency service revenues totaling \$719,905. The Fund expended \$600,741 for fire and EMS, and \$11,594 on capital outlay. In addition, transfers were made out of the fund in the amount of \$51,155. The net change in fund balance was an increase of \$56,415.

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 \$5,716 less than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$2,631,958 more than budgeted for intergovernmental revenues. In total, the Borough collected about 14.2% more than budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$228,525 during 2009. Budget amendments were made for the following departments or cost centers: Mayor and Assembly, Manager, Clerk, Law, Finance, Assessment, Automation, Planning, Transit, and Capital. The budget was reduced for Nondepartmental.

In total, the Borough under expended the total General Fund budget by \$483,181.

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, 2009, was \$140,504,177 and \$20,746,821 respectively. The total change in net book value of capital assets was an increase of 6.6% for governmental and a 4.2% decrease for business-type activities. The overall change was a 5.1% 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.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Non-depreciable assets:						
Land	\$ 42,042,758	\$ 33,865,258	-	-	42,042,758	33,865,258
Ward Cove properties	4,368,570	2,396,370	-	-	4,368,570	2,396,370
Construction in progress	2,146,887	5,066,058	549,976	827,985	2,696,863	5,894,043
Total non-depreciable	48,558,215	41,327,686	549,976	827,985	49,108,191	42,155,671
Depreciable assets:						
Buildings and improvements	107,615,118	106,912,044	12,147,773	12,169,481	119,762,891	119,081,525
Vehicles, ferry and equipment	6,184,802	6,002,540	5,315,094	5,315,094	11,499,896	11,317,634
Wastewater assets	-	-	15,220,159	14,848,274	15,220,159	14,848,274
Infrastructure	7,262,095	3,733,089	-	-	7,262,095	3,733,089
Total depreciable assets	121,062,015	116,647,673	32,683,026	32,332,849	153,745,041	148,980,522
Less accumulated depreciation	29,116,053	26,173,970	12,486,181	11,507,097	41,602,234	37,681,067
Book value - depreciable assets	91,945,962	90,473,703	20,196,845	20,825,752	112,142,807	111,299,455
Percentage depreciated	24%	22%	38%	36%	27%	25%
Book value - all assets	\$ 140,504,177	131,801,389	20,746,821	21,653,737	161,250,998	153,455,126

At June 30, 2009, the depreciable capital assets for governmental activities were 24% depreciated. This is a 2% increase over fiscal year 2008. 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, 38% of the asset values were depreciated at June 30, 2009 compared to 36% at June 30, 2008. The depreciation for FY 09 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 61.3% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2009 included the following:

- A beach at South Point Higgins was purchased for public use at a cost of \$1,170,000. A down payment of \$292,500 was funded from the Land Trust Fund and the balance of \$877,500 is being financed through the Mental Health Trust. The debt service payments will come from future land sales.
- An EqualLogic SAN was purchased at a cost \$32,000 for the Automation department and was funded with General Fund revenues.
- A wheel balancer, tire changer, and forklift were purchased for the Transit department at a total cost of \$43,550 and were funded through a FTA 5311 Federal grant.
- A 2008 pickup was purchased for the public works department at a cost of \$24,995 to be used for the downtown beautification project, and was funded through the CPV fund.
- A 2008 garbage truck was purchased for the public works department at a cost of \$46,913 and was funded through the Recreation CIP fund.
- A 2009 Expedition was purchased for the South Tongass Fire Department at a cost of \$31,285 and was funded through the South Tongass Service Area.
- Construction was begun and completed on parking lot improvements at Fourth and Madison at a cost of \$97,229. The parking lot improvements were to a parking lot next to the Ketchikan High School. The improvements were funded through the School Bond/CIP Fund.
- Tenant improvements were added to the bus barn at 1175 Copper Ridge Lane in the amount of \$337,191 and were funded through an FTA 5311 capital grant.
- Construction was completed on a training room at Station 8 of the North Tongass Fire Department in the amount of \$75,378. This project was funded through a Designated State Legislative grant.
- Prior year expenditures for South Tongass water improvements were capitalized at a cost of \$3,431,777. The majority of this phase of the improvements project was financed through State grants.
- Construction was completed on a security system for Schoenbar Middle School in the amount of \$62,640 and was funded with G.O. bond proceeds.

- Construction was completed on a main electrical panel for the Valley Park Elementary School in the amount of \$58,990 and was funded with G.O. bond proceeds.
- Construction was completed on a fire alarm panel and system at the Ketchikan High School in the amount of \$168,874 and was funded with G.O. bond proceeds.
- Additional improvements were begun to the South Tongass Water System. Construction in Progress on this project was capitalized at a cost of \$106,372 and was funded through USDA, EPA, State DEC, and Designated State Legislative grants.
- Construction was continued on the Fawn Mountain Sports and Field Track at a cost of \$176,965 and was funded through a Designated State Legislative grant.
- Construction was begun on a new fire station for the South Tongass Service Area at a cost of \$570,480 and was funded through a Designated State Legislative grant.

The Ketchikan International Airport and Wastewater Enterprise Funds had the following major projects during fiscal year 2009:

- Construction was begun on airport sewer improvements at a cost of \$19,723 and was funded through a Designated State Legislative grant.
- Construction was completed in early fiscal year 2009 on a South Tongass sewer relocation project and the project was capitalized in the amount of \$371,885. The project was 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 \$2,325,000 of its existing G.O. bonds. The Borough also retired \$225,000 of its outstanding revenue bonds.

(This page continued on the subsequent page).

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 24,965,000	\$ 27,290,000	-	-	24,965,000	27,290,000
Revenue bonds	-	-	2,990,000	3,215,000	2,990,000	3,215,000
Capital lease	221,780	260,062	-	-	221,780	260,062
Capital note payable	877,500	-	-	-	877,500	-
Compensated absences	528,720	462,100	229,529	208,510	758,249	670,610
Net pension obligation	-	533,877	-	214,620	-	748,497
Unamortized bond premium premium	906,570	942,122	-	-	906,570	942,122
Unamortized loss on refunding	(230,221)	(257,954)	-	-	(230,221)	(257,954)
Total	\$ 27,269,349	29,230,207	3,219,529	3,638,130	30,488,878	32,868,337

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

(This page continued on the subsequent page).

Economic Conditions Affecting the Borough

The tourism industry is one of the mainstays of the Ketchikan economy. However, due to the downturn in the national and global economies, the visitor industry in Ketchikan is expected to follow suit. Borough staff estimated a ten percent decline in sales tax revenue for the FY2010 budget due to concerns of an economic down turn in tourism. The executive director of Ketchikan Visitors Bureau (KVB) gave a breakdown of Ketchikan's losses. This year, in addition to a decline in cruise visitors from 2008, the town's hotels, bed and breakfasts and sport fishing resorts have been reporting a decline in revenue. Business is so slow in some cases that many lodging facilities have chosen to shorten their season, opening late and closing up early for the winter. According to the KVB director, in 2010 Ketchikan can expect a projected \$17.7 million loss in cruise passenger revenue as 7.5 ships will be pulled from the town's market.

Tyee Hydro Electric Project will come on line in November 2009 supplying power to Southern Southeast communities of Wrangell and Ketchikan. The additional power is expected to relieve the need to use diesel power when lake levels are low at other hydro electric power plants in the area. Ketchikan Public Utilities is in the process of supplying fiber optics communications throughout the Ketchikan area. These infrastructure may prove to be an economic stimulus to draw new businesses to the area.

The Borough Assembly will be considering the disposition of the Ward Cove Properties valued in excess of \$9.0 million. The goal is to get the property into the private sector to stimulate entrepreneur activity and eliminate the burden of holding costs to the Borough.

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, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 18,030,474	128,692	18,159,166	828,056
Restricted cash and investments	5,241,688	-	5,241,688	-
Receivables:				
Accounts	460,184	559,777	1,019,961	828,434
Investment earnings	130,245	-	130,245	-
Taxes	5,468,105	-	5,468,105	-
Intergovernmental	815,463	-	815,463	-
Due from Borough	-	-	-	662,127
Notes	793,867	-	793,867	-
Internal	3,432,185	(3,432,185)	-	-
Due from fiduciary	-	-	-	280
Inventory	-	-	-	21,626
Noncurrent Assets				
Deferred contribution	-	-	-	14,940
Restricted cash and investments-bond reserve	-	385,000	385,000	-
Capital assets:				
Nondepreciable capital assets	48,558,215	549,976	49,108,191	-
Depreciable capital assets, net	91,945,962	20,196,845	112,142,807	874,718
Total Assets	<u>174,876,388</u>	<u>18,388,105</u>	<u>193,264,493</u>	<u>3,230,181</u>
Liabilities				
Current Liabilities				
Accounts payable	1,290,598	212,107	1,502,705	877,339
Accrued salaries and wages	3,431	-	3,431	34,308
Accrued annual leave	-	-	-	300,416
Intergovernmental payable	2,818,031	-	2,818,031	-
Accrued interest payable	220,095	-	220,095	-
Due to component unit	662,127	-	662,127	-
Deposits	184,006	-	184,006	-
Claims payable	464,969	-	464,969	-
Unearned revenue	336,476	-	336,476	268,967
Compensated absences payable	355,333	115,000	470,333	-
Termination benefits	-	-	-	7,974
Capital note payable	158,014	-	158,014	-
Capital leases payable	40,177	-	40,177	-
General obligation bonds payable	1,745,000	-	1,745,000	-
Revenue bonds payable	-	235,000	235,000	-
Long-Term Liabilities				
Due in More Than One Year				
Compensated absences	173,387	114,529	287,916	-
Termination benefits	-	-	-	23,922
General obligation bonds payable	23,896,349	-	23,896,349	-
Capital leases payable	181,603	-	181,603	-
Capital note payable	719,486	-	719,486	-
Revenue bonds payable	-	2,755,000	2,755,000	-
Total Liabilities	<u>33,249,082</u>	<u>3,431,636</u>	<u>36,680,718</u>	<u>1,512,926</u>
Net Assets				
Invested in capital assets, net of related debt	113,763,548	17,756,821	131,520,369	874,718
Restricted:				
Airport projects	412,270	-	412,270	-
Projects related to commercial vessels	2,624,837	-	2,624,837	-
Bond reserve	-	385,000	385,000	-
Loan guarantees	1,660,571	-	1,660,571	-
Public services	1,496,388	-	1,496,388	-
Restricted for deferred contribution	-	-	-	14,940
Unrestricted (deficit)	21,669,692	(3,185,352)	18,484,340	827,597
Total Net Assets	<u>\$ 141,627,306</u>	<u>14,956,469</u>	<u>156,583,775</u>	<u>1,717,255</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
Administration	\$ 3,098,135	-	8,021	-	(3,090,114)	-	(3,090,114)	-
Fire and EMS	1,207,673	234,659	-	574,192	(398,822)	-	(398,822)	-
Water treatment & distribution	246,479	132,884	-	40,888	(72,707)	-	(72,707)	-
Library services	420,190	-	-	-	(420,190)	-	(420,190)	-
Parks and recreation	1,658,671	446,557	-	176,966	(1,035,148)	-	(1,035,148)	-
Public works	1,388,867	-	-	-	(1,388,867)	-	(1,388,867)	-
Public services	5,415,283	668,042	46,964	-	(4,700,277)	-	(4,700,277)	-
Transit	1,149,142	160,764	500,876	315,343	(172,159)	-	(172,159)	-
Education	14,401,413	2,849,699	-	9,882,866	(1,668,848)	-	(1,668,848)	-
Interest	1,299,122	-	-	-	(1,299,122)	-	(1,299,122)	-
Total Governmental Activities	30,284,975	4,492,605	555,861	10,990,255	(14,246,254)	-	(14,246,254)	-
Business-Type Activities								
Airport	4,758,390	3,424,190	72,412	28,392	-	(1,233,396)	(1,233,396)	-
Wastewater	1,095,332	583,196	-	-	-	(512,136)	(512,136)	-
Total Business-Type Activities	5,853,722	4,007,386	72,412	28,392	-	(1,745,532)	(1,745,532)	-
Total - Primary Government	36,138,697	8,499,991	628,273	11,018,647	(14,246,254)	(1,745,532)	(15,991,786)	-
Component Unit								
Ketchikan Gateway Borough								
School District	\$ 34,013,659	183,586	9,431,307	14,940				(24,383,826)
General Revenues								
Property taxes					10,233,372	-	10,233,372	-
Sales taxes					8,430,433	-	8,430,433	-
Payment in lieu of taxes					1,366,194	-	1,366,194	-
Grants and entitlements not restricted to specific programs					3,815,114	208,952	4,024,066	15,691,408
E-Rate					-	-	-	81,533
Primary government appropriation					-	-	-	9,089,819
Donation of art work from primary government					-	-	-	53,135
Investment earnings					275,681	1,116	276,797	-
Loss on reacquisition of property					(909,920)	-	(909,920)	-
Miscellaneous					316,653	-	316,653	459,946
Total General Revenues					23,527,527	210,068	23,737,595	25,375,841
Special Item								
NPO/OPEB writeoff					533,877	214,620	748,497	2,534,637
Transfers					(374,452)	374,452	-	-
Total General Revenues, Special Item and Transfers					23,686,952	799,140	24,486,092	27,910,478
Change in Net Assets					9,440,698	(946,392)	8,494,306	3,526,652
Net Assets Beginning of Year					132,186,608	15,902,861	148,089,469	(1,809,397)
Net Assets End of Year					\$ 141,627,306	14,956,469	156,583,775	1,717,255

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2009

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Assets				
Cash and investments	\$ 1,351,006	7,886,600	1,034,450	3,144,113
Restricted cash and investments	-	-	-	1,660,571
Receivables:				
Accounts	474,910	4,131	477,374	2,495
Investment earnings	130,245	-	-	-
Taxes	4,446,710	-	-	-
Notes	-	793,867	-	-
Interfund	3,193,297	-	-	-
Advances	-	1,954,454	-	-
Total Assets	\$ 9,596,168	10,639,052	1,511,824	4,807,179
Liabilities				
Accounts payable	\$ 288,007	2,985	-	67,215
Accrued expenditures	3,431	-	-	-
Intergovernmental payable	2,818,031	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Due to component unit	662,127	-	-	-
Deposits	48,838	116,100	-	17,068
Deferred revenues	140,043	-	-	-
Total Liabilities	3,960,477	119,085	-	84,283
Fund Balances				
Reserved for:				
Advances to other funds	-	1,954,454	-	-
Airport projects	-	-	-	-
Projects related to commercial vessels	-	-	-	-
Encumbrances	110,576	3,201	-	47,272
IFA bond guarantee	-	-	-	1,360,000
KVB loan guarantee	-	-	-	300,571
Long-term loans	-	793,867	-	-
Unreserved :				
Designated for subsequent year expenditures reported in:				
General fund	1,431,283	-	-	-
Special revenue funds	-	-	-	215,524
Undesignated, (deficit) reported in:				
General fund	4,093,832	-	-	-
Capital projects funds	-	-	-	-
Special revenue funds	-	7,768,445	1,511,824	2,799,529
Total Fund Balances	5,635,691	10,519,967	1,511,824	4,722,896
Total Liabilities and Fund Balances	\$ 9,596,168	10,639,052	1,511,824	4,807,179

Ketchikan Gateway Borough, Alaska
Governmental Funds, continued
Balance Sheet

	State & Federal Grants	North Tongass Fire and EMS Service Area	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,000	-	1,704,272	2,448,726	17,574,167
Restricted cash and investments	-	-	-	3,581,117	5,241,688
Receivables:					
Accounts	789,945	18,140	-	530,047	2,297,042
Investment earnings	-	-	-	-	130,245
Taxes	-	-	-	-	4,446,710
Notes	-	-	-	-	793,867
Interfund	-	-	-	-	3,193,297
Advances	-	-	-	-	1,954,454
Total Assets	\$ 794,945	18,140	1,704,272	6,559,890	35,631,470
Liabilities					
Accounts payable	\$ 334,807	6,336	5,000	586,248	1,290,598
Accrued expenditures	-	-	-	-	3,431
Intergovernmental payable	-	-	-	-	2,818,031
Interfund payable	454,467	480	-	19,446	474,393
Interfund advances payable	-	820,559	-	5,952	826,511
Due to component unit	-	-	-	-	662,127
Deposits	-	-	2,000	-	184,006
Deferred revenues	5,671	12,505	-	316,420	474,639
Total Liabilities	794,945	839,880	7,000	928,066	6,733,736
Fund Balances					
Reserved for:					
Advances to other funds	-	-	-	-	1,954,454
Airport projects	-	-	-	412,270	412,270
Projects related to commercial vessels	-	-	-	2,624,837	2,624,837
Encumbrances	2,704,716	4,067	-	18,333	2,888,165
IFA bond guarantee	-	-	-	-	1,360,000
KVB loan guarantee	-	-	-	-	300,571
Long-term loans	-	-	-	-	793,867
Unreserved :					
Designated for subsequent year expenditures reported in:					
General fund	-	-	-	-	1,431,283
Special revenue funds	-	-	-	254,189	469,713
Undesignated, (deficit) reported in:					
General fund	-	-	-	-	4,093,832
Capital projects funds	-	-	1,697,272	-	1,697,272
Special revenue funds	(2,704,716)	(825,807)	-	2,322,195	10,871,470
Total Fund Balances	-	(821,740)	1,697,272	5,631,824	28,897,734
Total Liabilities and Fund Balances	\$ 794,945	18,140	1,704,272	6,559,890	35,631,470

Ketchikan Gateway Borough, Alaska
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances	\$	28,897,734
 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	\$	169,620,230
Less accumulated depreciation		<u>(29,116,053)</u>
		140,504,177
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		138,164
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.		
		(627,125)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		203,800
Accrued interest is not reported at the fund financial reporting level		
		(220,095)
Liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(24,965,000)
Premium for GO bonds		(906,570)
Deferred amount on refunding		230,221
Capital lease payable		(221,780)
Capital note payable		(877,500)
Compensated absences		<u>(528,720)</u>
		<u>(27,269,349)</u>
Net Assets Of Governmental Activities	\$	<u>141,627,306</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, 2009

	General	Land Trust	School Bond Capital Improvements	Economic Development Assistance Program
Revenues				
Taxes	\$ 13,873,206	-	1,682,200	-
Payments in lieu of taxes	1,366,194	-	-	-
Intergovernmental	3,643,263	10,514	2,059,056	4,002
Licenses and permits	20,333	-	-	-
Charges for services	838,252	23,457	-	317,911
Water fees	-	-	-	-
Commercial vessel passenger tax	-	-	-	-
Investment earnings (loss)	(30,860)	174,355	13,371	62,014
Miscellaneous	-	-	8	1,400
Total Revenues	<u>19,710,388</u>	<u>208,326</u>	<u>3,754,635</u>	<u>385,327</u>
Expenditures				
Current				
Administration	2,512,572	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,069,939	706,186	261,786	601,274
Parks and recreation	1,421,501	-	-	-
Public works	1,305,296	-	-	-
Transit	1,023,517	-	-	-
Education	8,967,470	-	-	-
Nondepartmental	539,397	-	-	-
Capital Outlay	109,894	1,170,239	196,173	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>16,949,586</u>	<u>1,876,425</u>	<u>457,959</u>	<u>601,274</u>
Excess (Deficiency) of Revenues Over Expenditures	2,760,802	(1,668,099)	3,296,676	(215,947)
Other Financing Sources (Uses)				
Settlement	-	-	-	-
Transfers in	-	-	676,000	-
Proceeds from issuance of note payable	-	877,500	-	-
Transfers out	-	-	(3,631,169)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>877,500</u>	<u>(2,955,169)</u>	<u>-</u>
Net Change in Fund Balances	2,760,802	(790,599)	341,507	(215,947)
Fund Balances (Deficits) Beginning of Year	<u>2,874,889</u>	<u>11,310,566</u>	<u>1,170,317</u>	<u>4,938,843</u>
Fund Balances End of Year	<u>\$ 5,635,691</u>	<u>10,519,967</u>	<u>1,511,824</u>	<u>4,722,896</u>

See accompanying notes to the basic financial statements.

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

	State & Federal Grants	North Tongass Fire and EMS Service Area	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ -	523,322	-	2,594,759	18,673,487
Payments in lieu of taxes	-	-	-	-	1,366,194
Intergovernmental	1,171,966	21,158	6,105,330	19,793	13,035,082
Licenses and permits	-	-	-	-	20,333
Charges for services	-	170,201	-	138,899	1,488,720
Water fees	-	-	-	132,884	132,884
Commercial vessel passenger tax	-	-	-	2,326,147	2,326,147
Investment earnings (loss)	-	5,224	-	48,591	272,695
Miscellaneous	-	-	-	316,214	317,622
Total Revenues	<u>1,171,966</u>	<u>719,905</u>	<u>6,105,330</u>	<u>5,577,287</u>	<u>37,633,164</u>
Expenditures					
Current					
Administration	-	-	-	-	2,512,572
Library services	-	-	-	420,190	420,190
Fire and EMS	-	600,741	-	391,592	992,333
Water treatment and distribution	-	-	-	246,731	246,731
Public services	75,909	-	-	2,429,135	5,144,229
Parks and recreation	-	-	-	-	1,421,501
Public works	-	-	-	-	1,305,296
Transit	-	-	-	-	1,023,517
Education	-	-	100,753	-	9,068,223
Nondepartmental	-	-	-	-	539,397
Capital Outlay	1,096,057	11,594	11,017	88,140	2,683,114
Debt Service					
Principal retirement	-	-	-	2,363,282	2,363,282
Interest and fiscal charges	-	-	-	1,319,134	1,319,134
Total Expenditures	<u>1,171,966</u>	<u>612,335</u>	<u>111,770</u>	<u>7,258,204</u>	<u>29,039,519</u>
Excess (Deficiency) of Revenues Over Expenditures	-	107,570	5,993,560	(1,680,917)	8,593,645
Other Financing Sources (Uses)					
Settlement	-	-	50,000	-	50,000
Transfers in	-	-	-	3,682,323	4,358,323
Proceeds from issuance of note payable	-	-	-	-	877,500
Transfers out	-	(51,155)	-	(1,050,451)	(4,732,775)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(51,155)</u>	<u>50,000</u>	<u>2,631,872</u>	<u>553,048</u>
Net Change in Fund Balances	-	56,415	6,043,560	950,955	9,146,693
Fund Balances (Deficits) Beginning of Year	<u>-</u>	<u>(878,155)</u>	<u>(4,346,288)</u>	<u>4,680,869</u>	<u>19,751,041</u>
Fund Balances End of Year	\$ <u>-</u>	<u>(821,740)</u>	<u>1,697,272</u>	<u>5,631,824</u>	<u>28,897,734</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, 2009*

Net Changes In Fund Balances - Total Governmental Funds		\$ 9,146,693
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	(2,949,681)	
Capital outlay	2,672,768	(276,913)
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 \$17,869 credited to governmental funds is decreased by the portion of the gain credited to the enterprise funds.		
		(432,534)
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	(9,681)	
Decrease in deferred interest receivable	<u>(959,917)</u>	(969,598)
Interest expense reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability @ 06/30/09	(220,095)	
Liability @ 06/30/08	<u>232,287</u>	12,192
Other financing sources are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.		
Capital outlay - note payable		(877,500)
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	38,282	
Decrease in deferred loss on refunding of bonds	(27,733)	
Decrease in unamortized bond premium	35,552	
Payments on bonds	<u>2,325,000</u>	2,371,101
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 @ 06/30/09	(528,720)	
Liability @ 06/30/08	<u>462,100</u>	(66,620)
Net pension obligation		
Liability @ 06/30/09	-	
Liability @ 06/30/08	<u>533,877</u>	<u>533,877</u>
Change In Net Assets of Governmental Activities		\$ <u>9,440,698</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, 2009

	2009			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 13,878,922	13,878,922	13,873,206	(5,716)
Payments in lieu of taxes	5,000	5,000	1,366,194	1,361,194
Licenses and permits	20,000	20,000	20,333	333
Intergovernmental	2,372,499	2,372,499	3,643,263	1,270,764
Charges for services	795,768	795,768	838,252	42,484
Investment earnings	200,000	200,000	(30,860)	(230,860)
Total Revenues	<u>17,272,189</u>	<u>17,272,189</u>	<u>19,710,388</u>	<u>2,438,199</u>
Expenditures				
Current				
Administration	2,394,109	2,514,957	2,512,572	2,385
Public services	1,126,270	1,152,418	1,069,939	82,479
Parks and recreation	1,469,682	1,469,682	1,421,501	48,181
Public works	1,357,982	1,357,982	1,305,296	52,686
Transit - bus system	1,071,292	1,185,295	1,023,517	161,778
Nondepartmental	784,419	691,818	539,397	152,421
Education	8,925,488	8,925,488	8,967,470	(41,982)
Capital Outlay	<u>75,000</u>	<u>135,127</u>	<u>109,894</u>	<u>25,233</u>
Total Expenditures	<u>17,204,242</u>	<u>17,432,767</u>	<u>16,949,586</u>	<u>483,181</u>
Net Change in Fund Balance	\$ <u>67,947</u>	<u>(160,578)</u>	2,760,802	<u>2,921,380</u>
Fund Balance Beginning of Year			<u>2,874,889</u>	
Fund Balance End of Year			\$ <u>5,635,691</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, 2009

	2009			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Charges for services	\$ -	-	23,457	23,457
Intergovernmental	-	-	10,514	10,514
Investment earnings	457,880	457,880	174,355	(283,525)
Proceeds from sale of property	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>
Total Revenues	<u>1,957,880</u>	<u>1,957,880</u>	<u>208,326</u>	<u>(1,749,554)</u>
Expenditures				
Current				
Public services	675,718	687,457	706,186	(18,729)
Capital Outlay	<u>-</u>	<u>292,500</u>	<u>1,170,239</u>	<u>(877,739)</u>
Total Expenditures	<u>675,718</u>	<u>979,957</u>	<u>1,876,425</u>	<u>(896,468)</u>
Excess (Deficiency) of Revenues Over Expenditures	1,282,162	977,923	(1,668,099)	(2,646,022)
Other Financing Sources				
Proceeds from issuance of note payable	<u>-</u>	<u>-</u>	<u>877,500</u>	<u>877,500</u>
Net Change in Fund Balance	\$ <u>1,282,162</u>	<u>977,923</u>	(790,599)	<u>(1,768,522)</u>
Fund Balance Beginning of Year			<u>11,310,566</u>	
Fund Balance End of Year		\$	<u>10,519,967</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, 2009

	2009			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,600,000	1,600,000	1,682,200	82,200
Intergovernmental	2,068,683	2,068,683	2,059,056	(9,627)
Miscellaneous	-	-	8	8
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>13,371</u>	<u>3,371</u>
Total Revenues	<u>3,678,683</u>	<u>3,678,683</u>	<u>3,754,635</u>	<u>75,952</u>
Expenditures				
Current				
Public services	122,000	222,000	261,786	(39,786)
Capital Outlay	<u>110,000</u>	<u>517,731</u>	<u>196,173</u>	<u>321,558</u>
Total Expenditures	<u>232,000</u>	<u>739,731</u>	<u>457,959</u>	<u>281,772</u>
Excess (Deficiency) of Revenues Over Expenditures	3,446,683	2,938,952	3,296,676	357,724
Other Financing Sources (Uses)				
Transfers in	676,000	676,000	676,000	-
Transfers out	<u>(3,631,261)</u>	<u>(3,631,261)</u>	<u>(3,631,169)</u>	<u>92</u>
Total Other Financing Sources (Uses)	<u>(2,955,261)</u>	<u>(2,955,261)</u>	<u>(2,955,169)</u>	<u>92</u>
Net Change in Fund Balance	\$ <u>491,422</u>	<u>(16,309)</u>	341,507	<u>357,816</u>
Fund Balance Beginning of Year			<u>1,170,317</u>	
Fund Balance End of Year			\$ <u>1,511,824</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, 2009

2009				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental	\$ -	-	4,002	4,002
Charges for services	140,472	140,472	317,911	177,439
Miscellaneous revenue	-	-	1,400	1,400
Investment earnings	<u>251,000</u>	<u>251,000</u>	<u>62,014</u>	<u>(188,986)</u>
Total Revenues	<u>391,472</u>	<u>391,472</u>	<u>385,327</u>	<u>(6,145)</u>
Expenditures				
Current				
Public services	<u>370,006</u>	<u>655,776</u>	<u>601,274</u>	<u>54,502</u>
Net Change in Fund Balance	\$ <u>21,466</u>	<u>(264,304)</u>	(215,947)	<u>48,357</u>
Fund Balance Beginning of Year			<u>4,938,843</u>	
Fund Balance End of Year			\$ <u>4,722,896</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, 2009

	2009			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 557,716	557,716	523,322	(34,394)
Intergovernmental	-	-	21,158	21,158
Service area fees	115,000	115,000	112,743	(2,257)
Investment earnings	-	-	5,224	5,224
EMS revenues	48,000	48,000	57,458	9,458
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>720,716</u>	<u>720,716</u>	<u>719,905</u>	<u>(811)</u>
Expenditures				
Current				
Fire and EMS	564,605	564,605	600,741	(36,136)
Capital Outlay	<u>24,000</u>	<u>44,000</u>	<u>11,594</u>	<u>32,406</u>
Total Expenditures	<u>588,605</u>	<u>608,605</u>	<u>612,335</u>	<u>(3,730)</u>
Excess of Revenues Over Expenditures	132,111	112,111	107,570	(4,541)
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>80,956</u>	<u>60,956</u>	56,415	<u>(4,541)</u>
Fund Balance (Deficit) Beginning of Year			<u>(878,155)</u>	
Fund Balance (Deficit) End of Year		\$	<u>(821,740)</u>	

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Net Assets
June 30, 2009

	Business-type Activities			Governmental
	Airport	Wastewater	Total	Activities - Internal Service Funds
Assets				
Current Assets				
Cash and investments	\$ -	128,692	128,692	456,307
Accounts receivable	<u>526,321</u>	<u>33,456</u>	<u>559,777</u>	<u>-</u>
Total Current Assets	<u>526,321</u>	<u>162,148</u>	<u>688,469</u>	<u>456,307</u>
Noncurrent Assets				
Restricted cash and investments-bond reserve	385,000	-	385,000	-
Capital Assets				
Nondepreciable	549,976	-	549,976	-
Depreciable, net	<u>7,814,876</u>	<u>12,381,969</u>	<u>20,196,845</u>	<u>-</u>
Total Noncurrent Assets	<u>8,749,852</u>	<u>12,381,969</u>	<u>21,131,821</u>	<u>-</u>
Total Assets	<u>9,276,173</u>	<u>12,544,117</u>	<u>21,820,290</u>	<u>456,307</u>
Liabilities				
Current Liabilities				
Accounts payable	117,194	94,913	212,107	-
Interfund advances payable	43,530	85,210	128,740	-
Interfund payable	2,100,441	-	2,100,441	618,463
Compensated absences payable	115,000	-	115,000	-
Revenue bonds payable	235,000	-	235,000	-
Claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,969</u>
Total Current Liabilities	<u>2,611,165</u>	<u>180,123</u>	<u>2,791,288</u>	<u>1,083,432</u>
Long-Term Liabilities				
Compensated absences payable (net of current portion)	114,529	-	114,529	-
Interfund advances payable (net of current portion)	290,007	709,196	999,203	-
Revenue bonds payable (net of current portion)	<u>2,755,000</u>	<u>-</u>	<u>2,755,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>3,159,536</u>	<u>709,196</u>	<u>3,868,732</u>	<u>-</u>
Total Liabilities	<u>5,770,701</u>	<u>889,319</u>	<u>6,660,020</u>	<u>1,083,432</u>
Net Assets				
Invested in capital assets, net of related debt	5,374,852	12,381,969	17,756,821	-
Restricted for bond reserve	385,000	-	385,000	-
Unrestricted (deficit)	<u>(2,254,380)</u>	<u>(727,171)</u>	<u>(2,981,551)</u>	<u>(627,125)</u>
Total Net Assets - Fund Level	<u>\$ 3,505,472</u>	<u>11,654,798</u>	15,160,270	<u>(627,125)</u>
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities.			<u>(203,801)</u>	
Total Net Assets - Government-wide Statement of Net Assets			<u>\$ 14,956,469</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, 2009

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Operating Revenues				
Charges for services	\$ 3,423,559	583,196	4,006,755	4,375,697
Operating Expenses				
Personal services	2,589,157	181,168	2,770,325	-
Supplies and services	1,263,336	397,206	1,660,542	-
Insurance	205,681	7,601	213,282	-
Administration	-	-	-	925,308
Claims	-	-	-	3,881,212
Depreciation	536,853	463,940	1,000,793	-
Total Operating Expenses	<u>4,595,027</u>	<u>1,049,915</u>	<u>5,644,942</u>	<u>4,806,520</u>
Operating Income (Loss)	(1,171,468)	(466,719)	(1,638,187)	(430,823)
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(167,660)	(45,818)	(213,478)	-
Gain on sale of capital assets	631	-	631	-
Investment earnings	-	1,116	1,116	2,986
Operating grants	281,363	-	281,363	-
Total Non-Operating Revenues (Expenses)	<u>114,334</u>	<u>(44,702)</u>	<u>69,632</u>	<u>2,986</u>
Income (Loss) before Capital Contributions, Transfers, and Special Item	(1,057,134)	(511,421)	(1,568,555)	(427,837)
Capital contributions	28,392	-	28,392	-
Transfers in	374,452	-	374,452	-
Special Item				
NPO/OPEB writeoff	214,620	-	214,620	-
Change in Net Assets	(439,670)	(511,421)	(951,091)	(427,837)
Net Assets (Deficit) Beginning of Year	<u>3,945,142</u>	<u>12,166,219</u>		<u>(199,288)</u>
Net Assets (Deficit) End of Year	\$ <u>3,505,472</u>	<u>11,654,798</u>		<u>(627,125)</u>
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.			<u>4,699</u>	
Change in net assets of business-type activities.			\$ <u>(946,392)</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2009

	Business-type Activities			Governmental
	Airport	Wastewater	Total	Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	\$ 3,500,148	620,423	4,120,571	4,375,697
Cash payments to employees for services	(2,782,758)	(181,168)	(2,963,926)	-
Cash payments for goods and services	(1,927,913)	(436,167)	(2,364,080)	(925,308)
Cash payments for claims	-	-	-	(3,694,305)
Net Cash Provided by (Used in) Operating Activities	<u>(1,210,523)</u>	<u>3,088</u>	<u>(1,207,435)</u>	<u>(243,916)</u>
Cash Flows from Noncapital Financing Activities				
Interfund advances	732,117	-	732,117	-
Operating grant	281,363	-	281,363	-
Transfers in	374,452	-	374,452	-
Net pension obligation	214,620	-	214,620	-
Net Cash Provided by Noncapital Financing Activities	<u>1,602,552</u>	<u>-</u>	<u>1,602,552</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	631	-	631	-
Capital grant	28,392	-	28,392	-
Principal paid on revenue bonds	(225,000)	-	(225,000)	-
Interest paid on debt service	(167,660)	(45,818)	(213,478)	-
Payments for capital acquisitions	(28,392)	(65,485)	(93,877)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(392,029)</u>	<u>(111,303)</u>	<u>(503,332)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	-	1,116	1,116	2,986
Net Decrease in Cash and Cash Equivalents	-	(107,099)	(107,099)	(240,930)
Cash and Cash Equivalents Beginning of Year	<u>385,000</u>	<u>235,791</u>	<u>620,791</u>	<u>697,237</u>
Cash and Cash Equivalents End of Year	<u>\$ 385,000</u>	<u>128,692</u>	<u>513,692</u>	<u>456,307</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, 2009

(continued)

	<u>Business-type Activities</u>			Governmental Activities - Internal Service Fund
	<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)	\$ (1,171,468)	(466,719)	(1,638,187)	(430,823)
Adjustments:				
Depreciation	536,853	463,940	1,000,793	-
(Increase) Decrease in Assets:				
Accounts receivable	76,589	37,227	113,816	-
Prepaid items	5,442	-	5,442	-
Increase (Decrease) in Liabilities:				
Accounts payable	(422,797)	49,507	(373,290)	-
Interfund advances payable	(41,541)	(80,867)	(122,408)	-
Compensated absences payable	21,019	-	21,019	-
Net pension obligation	(214,620)	-	(214,620)	-
Claims payable	-	-	-	186,907
Net Cash Provided by (Used in) Operating Activities	\$ <u>(1,210,523)</u>	<u>3,088</u>	<u>(1,207,435)</u>	<u>(243,916)</u>

See accompanying notes to the basic financial statements.



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NOTES TO THE BASIC FINANCIAL STATEMENTS

Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2009

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The Borough also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

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

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Borough consists of all funds, departments, boards and agencies that are not legally separate from the Borough.

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

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

A brief description of the discretely presented component unit follows:

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

Pouch Z
Ketchikan, AK 99901

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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 units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and Borough's general revenues, from business-type activities, generally financed in whole or in part with airport and water and sewer fees charged to external customers.

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

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

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

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

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

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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

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

Land Trust Special Revenue Fund - This fund is used to account for revenues from loans to other Borough funds and related expenditures.

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

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

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

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

1-C. Measurement Focus

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

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

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

1-D. Basis of Accounting

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

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

Revenues - Non-exchange Transactions - Non-exchange transactions in which the Borough receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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

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

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

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

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

1-E. Assets, Liabilities and Fund Equity

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

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

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

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

A Borough ordinance authorizes the Borough to invest in:

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

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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, 2009.

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.

1-E-4 Consumable Inventories

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

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

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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:

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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 effective interest method. At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

1-E-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance – 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. This net asset amount also is adjusted by any bond issuance deferral amounts. 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues and eliminated from the total column. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-15 Estimates

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

1-E-16 Comparative Data

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

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, 2009, 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, continued

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, 2009:

Gold Nugget Service Area Special Revenue Fund	\$	8,876
Land Trust Special Revenue Fund		896,468
Loring Service Area Special Revenue Fund		263
North Tongass Fire and EMS Service Area Special Revenue Fund		3,730
South Tongass Service Area Special Revenue Fund		24,717
Waterfall Service Area Special Revenue Fund		2,112

3-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2009:

Gold Nugget Service Area Special Revenue Fund	\$	7,553
Gold Nugget Special Assessment Area Fund		3,379
North Tongass Fire & EMS Service Area Fund	821,740	
Waterfall Service Area Special Revenue Fund		1,694

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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, 2009 are as follows:

Cash on hand	\$	3,550
Deposits with financial institutions		16,834,803
Investments		<u>6,947,501</u>
Total	\$	<u><u>23,785,854</u></u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unrestricted	18,030,474	128,692	18,159,166
Restricted	<u>5,241,688</u>	<u>385,000</u>	<u>5,626,688</u>
Total	<u><u>23,272,162</u></u>	<u><u>513,692</u></u>	<u><u>23,785,854</u></u>

The restricted cash and investments are comprised of investments in constructions 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, 2009, the book value of all the Borough's deposits was \$16,834,803. 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 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).

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

- 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, 2009 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.

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, 2009, 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.

Eighteen percent (18%) 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, 2009, the Borough had \$267,554 invested in money market funds.

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

Investment Type	Investment Maturity (in years)			Weighted Average Maturity (Years)
	Current Market Value	Less than 1	1 - 5	
Cash/Cash Equivalents	\$ 3,093,988	3,093,988	-	
Fixed Income	2,899,412	2,105,732	793,680	0.91
Equities	686,547	686,547	-	
Money Market Funds	267,554	267,554	-	
Total Investments	\$ 6,947,501	6,153,821	793,680	

4-B. Receivables

Receivables at June 30, 2009, 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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:

	General Fund	Land Trust	School Bond Capital Improvements	Economic Development	North Tongass Fire and EMS Service Area
Receivables:					
Accounts	\$ 741,137	4,131	-	2,495	18,140
Investment earnings	130,245	-	-	-	-
Intergovernmental	-	-	-	-	-
Taxes	4,446,710	-	477,374	-	-
Notes	<u>-</u>	<u>793,867</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receivables	5,318,092	797,998	477,374	2,495	18,140
Allowance for doubtful accounts	<u>(266,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 5,051,865</u>	<u>797,998</u>	<u>477,374</u>	<u>2,495</u>	<u>18,140</u>

	State & Federal Grants	Nonmajor Governmental	Wastewater Enterprise	Airport Enterprise	Totals
Accounts	\$ -	94,384	195,741	590,819	1,646,847
Investment earnings					130,245
Intergovernmental	789,945	5,139	-	-	795,084
Taxes	-	544,021	-	-	5,468,105
Notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,867</u>
Total receivables	789,945	643,544	195,741	590,819	8,834,148
Allowance for doubtful accounts	<u>-</u>	<u>(113,497)</u>	<u>(162,285)</u>	<u>(64,498)</u>	<u>(606,507)</u>
Net receivables	<u>\$ 789,945</u>	<u>530,047</u>	<u>33,456</u>	<u>526,321</u>	<u>8,227,641</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, 2009 is \$793,867. In the event of a default of the development project, the value of the improvements would exceed the loan value.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 116,168	-
Title II Forest Receipts - (General Fund)	-	23,875
Delinquent property taxes receivable (Nonmajor Funds)	21,995	-
Advance revenue (Nonmajor Fund)	-	306,930
State/Federal Grants	-	5,671
Total deferred/unearned revenue for governmental funds	\$ 138,163	336,476

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, 2009, was as follows:

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

	Balance 7/1/2008	Additions	Deductions	Balance 6/30/2009
Governmental activities:				
Nondepreciable capital assets:				
Land - Borough	\$ 26,467,815	1,170,000	-	27,637,815
Land - Ward Cove	879,100	6,128,400	-	7,007,500
Buildings/Impr. - Ward Cove	1,514,345	2,851,300	-	4,365,645
Ward Cove - Tymatt Property	2,925	-	-	2,925
Land - School	7,397,443	-	-	7,397,443
Construction in progress - Borough	4,711,587	863,760	3,503,443	2,071,904
Construction in progress - School	354,471	3,862	283,350	74,983
	<u>41,327,686</u>	<u>11,017,322</u>	<u>3,786,793</u>	<u>48,558,215</u>
Total nondepreciable capital assets				
Depreciable capital assets:				
Buildings - School	96,247,395	290,505	-	96,537,900
Buildings - Borough	10,664,649	412,569	-	11,077,218
Equipment	3,927,551	189,861	7,599	4,109,813
Equipment - Ward Cove	6,995	-	-	6,995
Infrastructure	3,733,089	-	-	3,733,089
Land Improvements	-	97,229	-	97,229
South Tongass Water	-	3,431,777	-	3,431,777
Transit - Buses	2,067,994	-	-	2,067,994
	<u>116,647,673</u>	<u>4,421,941</u>	<u>7,599</u>	<u>121,062,015</u>
Total depreciable capital assets				
Total cost of capital assets	157,975,359	15,439,263	3,794,392	169,620,230
Accumulated depreciation:				
Buildings - School	18,557,416	2,034,799	-	20,592,215
Buildings - Borough	2,866,280	259,832	-	3,126,112
Equipment	1,894,868	246,916	7,598	2,134,186
Infrastructure	2,097,862	210,897	-	2,308,759
Land Improvements	-	-	-	-
South Tongass Water	-	62,916	-	62,916
Transit - Buses	757,544	134,321	-	891,865
	<u>26,173,970</u>	<u>2,949,681</u>	<u>7,598</u>	<u>29,116,053</u>
Total accumulated depreciation				
Governmental activities capital assets, net	\$ <u>131,801,389</u>	<u>12,489,582</u>	<u>3,786,794</u>	<u>140,504,177</u>

Governmental activities depreciation:

Administration	\$ 13,533
Education	2,034,799
Fire and EMS	206,346
Parks and Recreation	232,590
Public Service	261,189
Public Works	58,498
Transit	<u>142,726</u>
Total governmental activities depreciation expense	\$ <u>2,949,681</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

Wards Cove Foreclosure

In 2006, the Borough entered into a sales agreement with an investment group encompassing Wards Cove property acquired by the Borough from a previous operator. A veneer plant operated at the site from September 2007 to February 2008. Because the operator was delinquent in payment for purchase of the property, the Assembly voted to start non-judicial foreclosure in May 2008. The foreclosure returned the property to the Borough on October 23, 2008. A \$9,000,000 note receivable and deferred revenue was written off and the properties were rebooked to capital assets \$8,979,700, the value determined by the Borough's Assessment department.

	Balance 7/1/2008	Additions	Deductions	Balance 6/30/2009
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 827,985	28,392	306,401	549,976
Depreciable capital assets:				
Field	3,379,301	-	21,708	3,357,593
Terminal building	8,790,180	-	-	8,790,180
Ferry	5,106,294	-	-	5,106,294
Murphy's landing	208,800	-	-	208,800
Sludge/compost	1,184,258	-	-	1,184,258
Wastewater	270,259	-	-	270,259
Mountain Point wastewater	13,361,057	371,886	-	13,732,943
Forest Park wastewater	32,700	-	-	32,700
Total depreciable capital assets	<u>32,332,849</u>	<u>371,886</u>	<u>21,708</u>	<u>32,683,027</u>
Total capital assets	<u>33,160,834</u>	<u>400,278</u>	<u>328,109</u>	<u>33,233,003</u>
Accumulated depreciation:				
Field	2,313,472	95,375	21,708	2,387,139
Terminal building	4,211,337	225,854	-	4,437,191
Ferry	2,440,224	205,724	-	2,645,948
Murphy's landing	167,814	9,900	-	177,714
Sludge/compost	285,275	86,120	-	371,395
Wastewater	138,892	19,710	-	158,602
Mountain Point wastewater	1,926,304	356,802	-	2,283,106
Forest Park wastewater	23,779	1,308	-	25,087
Total accumulated depreciation	<u>11,507,097</u>	<u>1,000,793</u>	<u>21,708</u>	<u>12,486,182</u>
Business-type activities capital assets, net	\$ <u>21,653,737</u>	<u>(600,515)</u>	<u>306,401</u>	<u>20,746,821</u>

Capital Projects – At June 30, 2009, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$110,576 for the General Fund; \$25,601 for special revenue funds, \$87,353 for Enterprise Funds, and \$2,704,716 for State and Federal Grants, which are included in the encumbrance balances, reported for the major and non-major special revenue funds.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

4-E. Interfund Balances and Transfers

Interfund balances at June 30, 2009, 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.

Payable to:	Payable From:			
	State & Federal Grants Special Revenue Fund	Non-Major Governmental Special Revenue Funds	Airport Enterprise Fund	
	\$			
	General Fund-Interfund Receivables	454,467	19,926	2,100,441
Land Trust Fund-Advances Receivable	<u>-</u>	<u>826,511</u>	<u>333,537</u>	
Total	\$ <u>454,467</u>	<u>846,437</u>	<u>2,433,978</u>	

Payable to:	Payable From:		
	Wastewater Enterprise Fund	Internal Service Fund	Total
	\$		
General Fund-Interfund Receivables	-	618,463	3,193,297
Land Trust Fund-Advances Receivable	<u>794,406</u>	<u>-</u>	<u>1,954,454</u>
Total	\$ <u>794,406</u>	<u>618,463</u>	<u>5,147,751</u>

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfers From:			Total
	Non-Major Governmental Special Revenue Funds	School Bond Capital Improvements Fund	North Tongass Fire and EMS Service Area Fund	
School Bond/Capital Improvements	\$ 676,000	-	-	676,000
Nonmajor - Debt Service	-	3,631,169	51,155	3,682,324
Airport Fund	<u>374,452</u>	<u>-</u>	<u>-</u>	<u>374,452</u>
Total	\$ <u>1,050,452</u>	<u>3,631,169</u>	<u>51,155</u>	<u>4,732,776</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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 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, 2009. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2009 have expiration dates that range from 2008 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, 2009, 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:

Fiscal Year	Terminal Space	Lots	Lewis Reef
2010	\$ 27,416	6,464	28,182
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
2015-2019	137,080	32,320	140,910
2020-2024	137,080	32,320	140,910
2025	27,416	6,464	-

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

4-H. Long-Term Debt

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

Borough General Obligation Bonds, 2000 Series - General obligation bonds, Series 2000, denominations of \$5,000, dated December 14, 2000, total issue \$9,055,000. The bond proceeds were used to construct school facilities. Interest rates range from 5.00% to 5.50%. The bonds mature May 1, 2020. Annual debt service requirements to amortize all obligations outstanding, as of June 30, 2009 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	440,000	334,600	774,600
2011	465,000	312,600	777,600
2012	485,000	289,350	774,350
2013	510,000	264,615	774,615
2014	540,000	238,605	778,605
2015-2019	3,160,000	733,495	3,893,495
2020	<u>740,000</u>	<u>40,700</u>	<u>780,700</u>
Total	\$ <u>6,340,000</u>	<u>2,213,965</u>	<u>8,553,965</u>

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, 2009 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	390,000	298,880	688,880
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
2015-2019	2,505,000	859,198	3,364,198
2020-2023	<u>2,440,000</u>	<u>238,030</u>	<u>2,678,030</u>
Total	\$ <u>7,015,000</u>	<u>2,428,318</u>	<u>9,443,318</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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, 2009 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	810,000	539,450	1,349,450
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
2015-2019	5,670,000	1,084,525	6,754,525
2020	<u>680,000</u>	<u>35,700</u>	<u>715,700</u>
Total	\$ <u>10,795,000</u>	<u>3,425,875</u>	<u>14,220,875</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, 2009 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	105,000	32,600	137,600
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
2015-2016	<u>255,000</u>	<u>15,400</u>	<u>270,400</u>
Total	\$ <u>815,000</u>	<u>\$ 135,000</u>	<u>950,000</u>

Defeased Bonds – In fiscal year 2005, Ketchikan Gateway Borough defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old 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, 2009, \$4,945,000 of bonds outstanding is considered defeased.

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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, 2009 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>

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, 2009 are as follows:

Purpose:	Interest Rate Ranges	Amount
Airport Ferry	4.50% - 4.90%	\$ 1,725,000
Terminal Renovations	5.00% - 5.20%	<u>2,525,000</u>
	Total	<u>\$4,250,000</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 235,000	\$ 138,758	\$ 373,758
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
2015-2019	<u>1,680,000</u>	<u>218,450</u>	<u>1,898,450</u>
Total	<u>\$ 2,990,000</u>	<u>\$ 793,515</u>	<u>\$ 3,783,515</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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, 2009. 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	\$	(634,615)
PFC revenues		315,245
Debt services requirement of the 2001 revenue		
bonds x 1.1		<u>(411,896)</u>
Net revenue over debt service requirement	\$	<u><u>(731,266)</u></u>

As shown above, the Borough did not meet the revenue requirement for the year ended June 30, 2009. Finally, certain covenants of the 2001 revenue bonds require the Borough to maintain a reserve account equal to the lessor of (a) 10% of the proceeds of the sale of the Bonds, (b) 125% of average annual debt service for all Bonds outstanding, or (c) maximum aggregate annual debt service. On January, 31, 2008, the Borough established a “bond reserve” fund in the amount of 385,000 and met this reserve account requirement for the years ended June 30, 2009 and 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 recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

		<u>Governmental</u>
		<u>Activities</u>
Asset:		
Equipment	\$	399,138
Less: Accumulated depreciation		<u>(98,983)</u>
Total	\$	<u><u>300,155</u></u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 40,177	\$ 10,978	\$ 51,155
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>2,413</u>	<u>51,154</u>
Total	<u>\$ 221,780</u>	<u>\$ 33,994</u>	<u>\$ 255,774</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, 2009 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 158,014	46,069	204,083
2011	166,310	37,773	204,083
2012	175,041	29,042	204,083
2013	184,231	19,852	204,083
2014	<u>193,903</u>	<u>10,181</u>	<u>204,084</u>
Total	<u>\$ 877,500</u>	<u>142,917</u>	<u>1,020,417</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2009:

Governmental Activities	Outstanding 7/1/2008	Additions	Reductions	Outstanding 6/30/2009	Amounts Due in One Year
General obligation bonds - 1999	\$ 370,000	-	370,000	-	-
General obligation bonds - 2000	6,760,000	-	420,000	6,340,000	440,000
General obligation bonds - 2003	7,390,000	-	375,000	7,015,000	390,000
General obligation bonds - 2005	11,855,000	-	1,060,000	10,795,000	810,000
General obligation bonds - 2006	915,000	-	100,000	815,000	105,000
E-One Lease - (Fire Equipment)	260,062	-	38,282	221,780	40,177
Point Higgins Beach	-	877,500	-	877,500	158,014
Compensated absences	462,100	445,261	378,641	528,720	355,333
Net pension obligation	<u>533,877</u>	<u>-</u>	<u>533,877</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	\$ <u>28,546,039</u>	<u>1,322,761</u>	<u>3,275,800</u>	26,593,000	<u>2,298,524</u>
Unamortized bond premium				906,570	
Unamortized loss on refunding				<u>(230,221)</u>	
				\$ <u>27,269,349</u>	
Business-Type Activities					
Revenue bonds	\$ 3,215,000	-	225,000	2,990,000	235,000
Compensated absences	208,510	137,214	116,194	229,529	115,000
Net pension obligation	<u>214,620</u>	<u>-</u>	<u>214,620</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	\$ <u>3,638,130</u>	<u>137,214</u>	<u>555,814</u>	<u>3,219,529</u>	<u>350,000</u>
Component Unit:					
Compensated absences	\$ 62,960	237,456	-	300,416	-
Termination benefits	125,899	-	94,003	31,896	-
Net pension obligation	<u>2,534,636</u>	<u>-</u>	<u>2,534,636</u>	<u>-</u>	<u>-</u>
Total Component Unit	\$ <u>2,723,495</u>	<u>237,456</u>	<u>2,628,639</u>	<u>332,312</u>	<u>-</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, South Tongass Service Area, North Tongass Fire & EMS Service Area, and the Airport Enterprise Fund.

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).

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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.

Teachers' Retirement System (TRS)

Plan Description. The School District contributes to the State of Alaska Teachers' Retirement System, a cost-sharing multiple-employer defined benefits pension plan administered by the Division of Retirements and Benefits. TRS provides retirement and disability benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The Division of Retirements and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for TRS. That report may be obtained by writing to:

Department of Administration
Division of Retirements and Benefits
P. O. Box 110203
Juneau, Alaska 99811-0203
or by calling (907) 465-4460.

Teacher Retirement System (TRS) – Defined Contribution Plan. School Districts and Public Employers in the State of Alaska have a defined contribution retirement plan for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. State statutes require the employer to contribute 7% of employees' eligible compensation. Additionally, employers are required to contribute 0.99% to retiree medical plan, 0.58% to occupational death and disability and 3% of employers average annual employee compensation of the health reimbursement arrangement (HRA). The effective contribution rate of the employer for the year ended June 30, 2009 was 12.56%. Plan members are 100% vested with their contributions. Members become vested in employer's contributions as follows:

2 years of service – 25%
3 years of service – 50%
4 years of service – 75%
5 years of service – 100%

Defined Benefit Pension Plan

The Ketchikan Gateway Borough and School District participates in the Public Employees' Retirement System (PERS). PERS was originally established as an agent multiple employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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 will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor. In addition, the 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 will be 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.

As a result of the conversion to cost-sharing, the Borough will not be obligated to pay or to continue amortizing any prior recorded Net Pension/OPEB obligation. Accordingly, the Borough has written off its June 30, 2008 net pension/OPEB obligation and has recognized a special item (gain) in the amount of \$748,497 in these financial statements.

Funding Policy. Regular employees are required to contribute 6.75% of their annual covered salary (2.09% for pension and 4.66% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.32% for pension and 5.18% 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 sufficient assets to pay both pension and postemployment healthcare benefits when due.

Under the recently adopted cost sharing arrangement, the employer contribution rate is statutorily capped at 22%, although State legislation currently provides that the State of Alaska will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate. This rate will be consistent with the actuarially determined rate, but not the same as the Governmental Accounting Standards Board (GASB) Statement 45 accounting rate.

The Borough's contribution rates for 2009 were determined as part of the June 30, 2006 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 45*
	Rate	Rate	Rate
Pension	6.82%	10.91%	8.47%
Postemployment healthcare	15.18%	24.31%	37.25%
Total contribution rate	22.00%	35.22%	45.72%

*Using the 4.5% OPEB discount rate and disregarding future Medicare Part D payments.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

The significant actuarial assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry age normal Level percentage of pay for pension Level dollar for healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% pension, 4.5% healthcare
Salary Scale	<i>Peace Officers/Firefighters</i> Merit: 2.5% per year for first 6 years 0.5% thereafter Productivity: 0.5% per year <i>Others</i> Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of service, 1.0% grading down to 0% Productivity; 0.5% per year
Payroll Growth	4.0%
Inflation	3.5%
Health Cost Trend	Medical – 8.0% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50, and 5.1% through FY100 Prescription Drugs – 10.8% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50 and 5.1% through FY100

The State of Alaska PERS retiree health benefits are partially funded. The Plan uses the percentage of ARC methodology in the development of the investment rate of return.

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 13.22% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough has recorded the State contribution in the amount of \$633,096 as a PERS on-behalf payment. However, because the Borough is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here. Only one year of information is available at this time.

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

Year Ended June 30,	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost	Borough Contributions	Percent TBC Contributed Obligation
2007	666,966	666,966	628,771	628,771	100%
2008	298,264	298,264	296,515	296,515	100%
2009	763,514	763,514	1,206,681	1,206,681	100%

Ketchikan Gateway Borough School District (A Component Unit)

Year Ended June 30,	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost	KGBSD Contributions	Percent TBC Contributed Obligation
2007	361,000	361,000	324,413	324,413	100%
2008	687,271	687,271	4,628,689	4,628,689	100%
2009	483,650	483,649	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 City is required to make the following contributions:

Individual account	5.00%
Health reimbursement arrangement (HRA) *	3.00%
Retiree medical plan	1.75%
Occupational death and disability benefits	0.30%
	10.05%

*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 8% per year in employer contributions. The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2009 were \$67,745 and \$189,397, 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.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

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 \$2.50 for the period of July 1, 2007 through June 30, 2009 per non-premium hour worked. The Borough's total payroll for the year ended June 30, 2009 for covered employees totaled \$734,761. The total amount contributed to the IBEW plan in FY 2009 was \$124,377. 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, 2009 is as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 169,620,230	\$ 33,233,002
Less accumulated depreciation	<u>(29,116,053)</u>	<u>(12,486,181)</u>
Book value	140,504,177	20,746,821
Less capital related debt	<u>(26,740,629)</u>	<u>(2,990,000)</u>
Investments in capital assets, net of related debt	<u>\$ \$ 113,763,548</u>	<u>\$ \$ 17,756,821</u>

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 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements, continued

Borough and Component Unit on a quarterly basis. RBMS'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, 2009, but not billed until after fiscal year end. The amount booked for the Borough was \$54,984 and \$405,183 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 RBMS.

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, 2009 the Borough was involved in only 3 cases which have a potential for liability of over \$25,000. These are Cowan v. Yeisley; City of Craig v. Local Boundary Commission; 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. The likelihood of liability is low. The second case could result in an order requiring the Borough to pay up to \$1.5 million for FY 2009, \$1.2 Million for FY 2010 and losing revenues of about \$800,000 and \$500,000 in the following 2 fiscal years. The likelihood of an adverse outcome is moderate. If there is an adverse outcome, the likelihood of liability in the maximum range is low. 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, 2009 was \$300,571.

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, 2009 was \$1,360,000 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, continued

5-C. Subsequent Events

Aquatic Center

Voters approved a \$23,500,000 bond issue to build a new Aquatic Center to replace the forty year old Mike Smithers' Community Pool. Bonds were offered for sale December 3, 2009 and finalized December 18, 2009 to take advantage of favorable interest rates. Total issuance was \$23,445,057 with interest rates from 3.35% to 4.20%, maturing in 2029. Debt service will come from one half cent sales tax assessed for the Recreation Sales Tax Special Revenue Fund.

Ketchikan Gateway Borough, Alaska
Required Supplementary Information
Schedule of Funding Progress – Alaska Public Employees’ Retirement System
Fiscal Year 2009

The State of Alaska Public Employees’ Retirement System is a multi-employer retirement system covering the State of Alaska and many local governments. The following data covers the Ketchikan Gateway Borough and the Ketchikan Gateway Borough School District.

Ketchikan Gateway Borough						
Schedule of Funding Progress						
Pension						
Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
6/30/2004	\$ 9,898,000	\$ 14,070,000	70.0%	\$ 4,172,000	\$ 3,776,000	110.0%
6/30/2005	10,126,009	14,315,756	71.0%	4,189,747	4,219,339	99.0%
6/30/2006	15,023,696	15,994,096	94.0%	970,400	4,335,290	22.0%
Post Employment Health						
6/30/2004	\$ 6,979,000	\$ 9,921,000	70.0%	\$ 2,942,000	\$ 3,776,000	78.0%
6/30/2005	9,633,741	13,619,808	71.0%	3,986,067	4,219,339	94.0%
6/30/2006	6,430,491	14,637,896	44.0%	8,207,405	4,335,290	189.0%

Ketchikan Gateway Borough School District						
Schedule of Funding Progress						
Pension						
Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
6/30/2004	\$ 8,734,000	\$ 12,000,000	73.0%	\$ 3,266,000	\$ 3,149,000	104.0%
6/30/2005	6,756,268	9,709,337	70.0%	2,953,069	3,321,507	89.0%
6/30/2006	12,237,757	11,275,797	109.0%	(961,960)	3,407,680	(28.0%)
Post Employment Health						
6/30/2004	\$ 6,158,000	\$ 8,461,000	73.0%	\$ 2,303,000	\$ 3,149,000	73.0%
6/30/2005	9,914,784	14,248,395	70.0%	4,333,611	3,321,507	130.0%
6/30/2006	5,238,045	15,582,694	34.0%	10,344,649	3,407,680	304.0%



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Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 2,448,726	-	2,448,726
Restricted cash and investments	3,581,117	-	3,581,117
Accounts receivable	<u>530,047</u>	<u>-</u>	<u>530,047</u>
Total Assets	<u>\$ 6,559,890</u>	<u>-</u>	<u>6,559,890</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 586,248	-	586,248
Interfund payable	19,446	-	19,446
Advances payable	5,952	-	5,952
Deferred revenue	<u>316,420</u>	<u>-</u>	<u>316,420</u>
Total Liabilities	<u>928,066</u>	<u>-</u>	<u>928,066</u>
Fund Balances			
Reserved:			
Encumbrances	18,333	-	18,333
Airport projects	412,270	-	412,270
Projects related to commercial passenger vessels	2,624,837	-	2,624,837
Designated for subsequent year expenditures	254,189	-	254,189
Unreserved, undesignated	<u>2,322,195</u>	<u>-</u>	<u>2,322,195</u>
Total Fund Balances	<u>5,631,824</u>	<u>-</u>	<u>5,631,824</u>
Total Liabilities and Fund Balances	<u>\$ 6,559,890</u>	<u>-</u>	<u>6,559,890</u>

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,594,759	-	2,594,759
Intergovernmental	19,793	-	19,793
Charges for services	138,899	-	138,899
Water fees	132,884	-	132,884
Commercial vessel passenger tax	2,326,147	-	2,326,147
Investment earnings	48,498	93	48,591
Miscellaneous	316,214	-	316,214
Total Revenues	<u>5,577,194</u>	<u>93</u>	<u>5,577,287</u>
Expenditures			
Current			
Library services	420,190	-	420,190
Fire and EMS	391,592	-	391,592
Water treatment and distribution	246,731	-	246,731
Public services	2,429,135	-	2,429,135
Capital Outlay	88,140	-	88,140
Debt Service			
Principal retirement	-	2,363,282	2,363,282
Interest and fiscal charges	-	1,319,134	1,319,134
Total Expenditures	<u>3,575,788</u>	<u>3,682,416</u>	<u>7,258,204</u>
Excess (Deficiency) of Revenues Over Expenditures	2,001,406	(3,682,323)	(1,680,917)
Other Financing Sources (Uses)			
Transfers in	-	3,682,323	3,682,323
Transfers out	(1,050,451)	-	(1,050,451)
Total Other Financing Sources (Uses)	<u>(1,050,451)</u>	<u>3,682,323</u>	<u>2,631,872</u>
Net Change in Fund Balances	950,955	-	950,955
Fund Balances Beginning of Year	<u>4,680,869</u>	<u>-</u>	<u>4,680,869</u>
Fund Balances End of Year	\$ <u><u>5,631,824</u></u>	<u><u>-</u></u>	<u><u>5,631,824</u></u>

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2009

	<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 Special Assessment Area</u>	<u>Loring Service Area</u>
Assets							
Cash and investments	\$ -	-	140,165	-	-	8,907	317,505
Restricted cash and investments	378,199	3,202,918	-	-	-	-	-
Accounts receivable	<u>34,071</u>	<u>-</u>	<u>301</u>	<u>1,750</u>	<u>4,402</u>	<u>-</u>	<u>42</u>
Total Assets	\$ <u>412,270</u>	<u>3,202,918</u>	<u>140,466</u>	<u>1,750</u>	<u>4,402</u>	<u>8,907</u>	<u>317,547</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	573,181	521	-	-	282	-
Interfund payable	-	-	-	9,303	7,781	-	-
Advances payable	-	-	-	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,930</u>
Total Liabilities	<u>-</u>	<u>573,181</u>	<u>521</u>	<u>9,303</u>	<u>7,781</u>	<u>282</u>	<u>306,930</u>
Fund Balances							
Reserved for:							
Encumbrances	-	4,900	-	-	-	-	-
Airport projects	412,270	-	-	-	-	-	-
Projects related to commercial passenger vessels	-	2,624,837	-	-	-	-	-
Designated for subsequent year expenditures	-	-	139,945	-	-	-	10,617
Unreserved, undesignated (deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,553)</u>	<u>(3,379)</u>	<u>8,625</u>	<u>-</u>
Total Fund Balances (Deficits)	<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>
Total Liabilities and Fund Balances	\$ <u>412,270</u>	<u>3,202,918</u>	<u>140,466</u>	<u>1,750</u>	<u>4,402</u>	<u>8,907</u>	<u>317,547</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	\$ 50,522	9,384	35,010	1,821,304	65,929	-	2,448,726
Restricted cash and investments	-	-	-	-	-	-	3,581,117
Accounts receivable	<u>1,586</u>	<u>-</u>	<u>12,117</u>	<u>456,783</u>	<u>18,327</u>	<u>668</u>	<u>530,047</u>
Total Assets	<u>\$ 52,108</u>	<u>9,384</u>	<u>47,127</u>	<u>2,278,087</u>	<u>84,256</u>	<u>668</u>	<u>6,559,890</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	-	-	2,486	9,778	-	586,248
Interfund payable	-	-	-	-	-	2,362	19,446
Advances payable	-	-	-	-	5,952	-	5,952
Deferred revenue	<u>-</u>	<u>-</u>	<u>9,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,420</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,490</u>	<u>2,486</u>	<u>15,730</u>	<u>2,362</u>	<u>928,066</u>
Fund Balances							
Reserved for:							
Encumbrances	-	-	-	3,296	10,137	-	18,333
Airport projects	-	-	-	-	-	-	412,270
Projects related to commercial passenger vessels	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,624,837</u>
Designated for subsequent year expenditures	24,492	500	37,637	-	40,998	-	254,189
Unreserved, undesignated (deficits)	<u>27,616</u>	<u>8,884</u>	<u>-</u>	<u>2,272,305</u>	<u>17,391</u>	<u>(1,694)</u>	<u>2,322,195</u>
Total Fund Balances (Deficits)	<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>
Total Liabilities and Fund Balances	<u>\$ 52,108</u>	<u>9,384</u>	<u>47,127</u>	<u>2,278,087</u>	<u>84,256</u>	<u>668</u>	<u>6,559,890</u>

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

	Airport PFC	Commercial Passenger Vessel	Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment Area	Homestead Special Assessment Area	Loring Service Area
Revenues							
Taxes	\$ -	-	62,485	-	-	-	3,270
Intergovernmental	-	6,151	-	-	-	-	-
Charges for services	-	-	-	12,754	588	37,847	-
Water fees	-	-	-	-	-	-	-
Commercial vessel passenger tax	-	2,326,147	-	-	-	-	-
Investment earnings (loss)	2,197	40,590	200	(30)	-	-	4,194
Miscellaneous	315,245	-	-	-	-	-	-
Total Revenues	<u>317,442</u>	<u>2,372,888</u>	<u>62,685</u>	<u>12,724</u>	<u>588</u>	<u>37,847</u>	<u>7,464</u>
Expenditures							
Current							
Library services	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-	-	-
Public services	-	1,880,160	77,073	21,861	424	28,528	1,763
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>1,880,160</u>	<u>77,073</u>	<u>21,861</u>	<u>424</u>	<u>28,528</u>	<u>1,763</u>
Excess (Deficiency) of Revenues Over Expenditures	317,442	492,728	(14,388)	(9,137)	164	9,319	5,701
Other Financing (Uses)							
Transfers out	(374,451)	-	-	-	-	-	-
Net Change in Fund Balances	(57,009)	492,728	(14,388)	(9,137)	164	9,319	5,701
Fund Balances (Deficits)							
Beginning of Year	<u>469,279</u>	<u>2,137,009</u>	<u>154,333</u>	<u>1,584</u>	<u>(3,543)</u>	<u>(694)</u>	<u>4,916</u>
Fund Balances (Deficits) End 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>

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds, 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	\$ -	-	406,025	1,682,200	440,779	-	2,594,759
Intergovernmental	-	-	-	-	13,642	-	19,793
Charges for services	12,768	-	-	-	63,489	11,453	138,899
Water fees	-	-	-	-	132,884	-	132,884
Commercial Vessel Passenger Tax	-	-	-	-	-	-	2,326,147
Investment earnings (loss)	100	381	(3,181)	4,457	(469)	59	48,498
Miscellaneous	-	-	-	-	969	-	316,214
Total Revenues	<u>12,868</u>	<u>381</u>	<u>402,844</u>	<u>1,686,657</u>	<u>651,294</u>	<u>11,512</u>	<u>5,577,194</u>
Expenditures							
Current							
Library services	-	-	420,190	-	-	-	420,190
Fire and EMS	-	-	-	-	391,592	-	391,592
Water treatment and distribution	-	-	-	-	246,731	-	246,731
Public services	14,775	500	-	389,590	-	14,461	2,429,135
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,855</u>	<u>31,285</u>	<u>-</u>	<u>88,140</u>
Total Expenditures	<u>14,775</u>	<u>500</u>	<u>420,190</u>	<u>446,445</u>	<u>669,608</u>	<u>14,461</u>	<u>3,575,788</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,907)	(119)	(17,346)	1,240,212	(18,314)	(2,949)	2,001,406
Other Financing (Uses)							
Transfers out	-	-	-	(676,000)	-	-	(1,050,451)
Net Change in Fund Balances	(1,907)	(119)	(17,346)	564,212	(18,314)	(2,949)	950,955
Fund Balances (Deficits)							
Beginning of Year	<u>54,015</u>	<u>9,503</u>	<u>54,983</u>	<u>1,711,389</u>	<u>86,840</u>	<u>1,255</u>	<u>4,680,869</u>
Fund Balances (Deficits) End 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>



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DEBT SERVICE FUNDS

Debt Service Funds – This fund is 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

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2009

		1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005 G.O. Bond Redemption Fund	2006 G.O. Bond Redemption Fund	E-One Capital Lease Fund	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, 2009

	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005 G.O. Bond Redemption Fund	2006 G.O. Bond Redemption Fund	E-One Capital Lease Fund	Total Nonmajor Debt Service Funds
Revenues							
Investment earnings	25	68	-	-	-	-	93
Expenditures							
Debt Service							
Principal retirement	\$ 370,000	420,000	375,000	1,060,000	100,000	38,282	2,363,282
Interest and fiscal charges	18,500	355,600	313,711	581,850	36,600	12,873	1,319,134
Total Expenditures	388,500	775,600	688,711	1,641,850	136,600	51,155	3,682,416
Excess (Deficiency) of Revenues Over Expenditures	(388,475)	(775,532)	(688,711)	(1,641,850)	(136,600)	(51,155)	(3,682,323)
Other Financing Sources							
Transfers in	388,475	775,532	688,711	1,641,850	136,600	51,155	3,682,323
Net Change in Fund Balances	-	-	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-	-	-
Fund Balances End of Year	\$ -	-	-	-	-	-	-



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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, 2009 and 2008

	2009	2008
Assets		
Cash and investments	\$ 1,351,006	1,219,376
Receivables:		
Accounts	474,910	482,680
Investment earnings	130,245	-
Taxes	4,446,710	4,817,944
Due from component unit	-	188,730
Interfund receivable	3,193,297	-
Total Assets	\$ 9,596,168	6,708,730
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 288,007	295,399
Accrued payroll	3,431	9,271
Intergovernmental payable	2,818,031	3,132,378
Due to component unit	662,127	-
Deposits payable	48,838	237,816
Deferred revenues	140,043	158,977
Total Liabilities	3,960,477	3,833,841
Fund Balances		
Reserved for encumbrances	110,576	65,191
Designated for subsequent year expenditures	1,431,283	-
Unreserved - undesignated	4,093,832	2,809,698
Total Fund Balances	5,635,691	2,874,889
Total Liabilities and Fund Balances	\$ 9,596,168	6,708,730



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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, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			Variance	2008
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Actual
Revenues					
Taxes:					
Real and personal property	\$ 8,591,922	8,591,922	8,592,386	464	7,742,274
Automobile and boat	170,000	170,000	110,027	(59,973)	99,184
Sales	5,017,000	5,017,000	5,066,033	49,033	5,126,868
Penalties and interest	100,000	100,000	104,760	4,760	81,857
Total taxes	<u>13,878,922</u>	<u>13,878,922</u>	<u>13,873,206</u>	<u>(5,716)</u>	<u>13,050,183</u>
Alaska State Housing Authority - PILT	5,000	5,000	28,120	23,120	16,634
Licenses and permits					
Zoning fees	20,000	20,000	20,333	333	26,800
Intergovernmental:					
State fisheries tax	315,000	315,000	391,402	76,402	311,008
State revenue sharing	657,499	657,499	641,469	(16,030)	489,121
PERS relief	-	-	393,629	393,629	134,868
PERS rebate	-	-	-	-	421,003
Federal payment in lieu of taxes	550,000	550,000	1,338,074	788,074	563,102
State operating grant - transit system	500,000	500,000	492,162	(7,838)	474,240
State license refunds	-	-	7,000	7,000	2,500
National forest receipts	350,000	350,000	1,717,601	1,367,601	364,430
Total intergovernmental	<u>2,372,499</u>	<u>2,372,499</u>	<u>4,981,337</u>	<u>2,608,838</u>	<u>2,760,272</u>
Charges for services:					
Animal control	30,000	30,000	27,885	(2,115)	24,662
Bus system revenue	200,000	200,000	160,764	(39,236)	140,721
Parks and recreation	434,768	434,768	446,557	11,789	458,064
Other revenues	131,000	131,000	203,046	72,046	158,243
Total charges for services	<u>795,768</u>	<u>795,768</u>	<u>838,252</u>	<u>42,484</u>	<u>781,690</u>
Investment earnings (loss)	200,000	200,000	(30,860)	(230,860)	184,000
Total Revenues and Transfers In	<u>17,272,189</u>	<u>17,272,189</u>	<u>19,710,388</u>	<u>2,438,199</u>	<u>16,819,579</u>
Expenditures					
Current:					
General government:					
Mayor and assembly	139,585	181,324	156,167	25,157	113,412
Manager	622,264	663,870	714,939	(51,069)	599,892
Clerk	309,977	325,095	340,411	(15,316)	244,545
Law	293,790	304,685	302,033	2,652	268,406
Finance	916,079	953,550	1,026,690	(73,140)	904,282
Assessment	607,175	646,398	585,421	60,977	463,669
Automation	347,247	357,199	324,758	32,441	288,583
Total general government	<u>3,236,117</u>	<u>3,432,121</u>	<u>3,450,419</u>	<u>(18,298)</u>	<u>2,882,789</u>
Less recovery of expenditures from other funds	<u>(842,008)</u>	<u>(917,164)</u>	<u>(937,847)</u>	<u>20,683</u>	<u>(271,055)</u>
Net general government	<u>2,394,109</u>	<u>2,514,957</u>	<u>2,512,572</u>	<u>2,385</u>	<u>2,611,734</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, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

(continued)

	2009			Variance Favorable (Unfavorable)	2008
	Original Budget	Final Budget	Actual		Actual
Expenditures					
Current:					
Public services:					
Animal protection	\$ 383,207	383,207	365,570	17,637	323,720
Planning	743,063	769,211	704,369	64,842	574,102
Community education grants	-	-	-	-	69,076
Total public services	<u>1,126,270</u>	<u>1,152,418</u>	<u>1,069,939</u>	<u>82,479</u>	<u>966,898</u>
Parks and recreation	1,777,682	1,777,682	1,729,501	48,181	1,656,144
Less recovery of expenditures from other funds	<u>(308,000)</u>	<u>(308,000)</u>	<u>(308,000)</u>	<u>-</u>	<u>(308,000)</u>
Net parks and recreation	<u>1,469,682</u>	<u>1,469,682</u>	<u>1,421,501</u>	<u>48,181</u>	<u>1,348,144</u>
Public works	<u>1,357,982</u>	<u>1,357,982</u>	<u>1,305,296</u>	<u>52,686</u>	<u>1,203,440</u>
Transit - bus system	<u>1,071,292</u>	<u>1,185,295</u>	<u>1,137,520</u>	<u>47,775</u>	<u>1,022,749</u>
Less recovery of expenditures from other funds	<u>-</u>	<u>-</u>	<u>(114,003)</u>	<u>114,003</u>	<u>-</u>
Net transit - bus system	<u>1,071,292</u>	<u>1,185,295</u>	<u>1,023,517</u>	<u>161,778</u>	<u>1,022,749</u>
Nondepartmental	<u>784,419</u>	<u>691,818</u>	<u>539,397</u>	<u>152,421</u>	<u>219,754</u>
Education	9,045,488	9,045,488	9,127,666	(82,178)	7,913,965
Less recovery of expenditures from other funds	<u>(120,000)</u>	<u>(120,000)</u>	<u>(160,196)</u>	<u>40,196</u>	<u>(114,974)</u>
Net education	<u>8,925,488</u>	<u>8,925,488</u>	<u>8,967,470</u>	<u>(41,982)</u>	<u>7,798,991</u>
Capital Outlay	<u>75,000</u>	<u>135,127</u>	<u>109,894</u>	<u>25,233</u>	<u>159,719</u>
Total Expenditures	<u>17,204,242</u>	<u>17,432,767</u>	<u>16,949,586</u>	<u>483,181</u>	<u>15,331,429</u>
Transfers Out					
Airport Fund	-	-	-	-	5,500
Homestead Special Assessment	-	-	-	-	36,209
Economic Development	-	-	-	-	28,940
Total Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,649</u>
Total Expenditures and Transfers Out	<u>17,204,242</u>	<u>17,432,767</u>	<u>16,949,586</u>	<u>483,181</u>	<u>15,402,078</u>
Net Change in Fund Balances	\$ <u>67,947</u>	<u>(160,578)</u>	2,760,802	<u>2,921,380</u>	1,417,501
Fund Balances Beginning of Year			<u>2,874,889</u>		<u>1,457,388</u>
Fund Balances End of Year			\$ <u>5,635,691</u>		<u>2,874,889</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 7,886,600	119,681
Receivables:		
Accounts	4,131	47,298
Notes	793,867	808,102
Advances	1,954,454	8,215,445
Interfund	<u>-</u>	<u>2,126,976</u>
Total Assets	\$ <u>10,639,052</u>	<u>11,317,502</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,985	6,336
Deposits	<u>116,100</u>	<u>600</u>
Total Liabilities	<u>119,085</u>	<u>6,936</u>
Fund Balances		
Reserved for:		
Advances to other funds	1,954,454	8,215,445
Long-term loans	793,867	808,102
Encumbrances	3,201	38,284
Unreserved - undesignated	<u>7,768,445</u>	<u>2,248,735</u>
Total Fund Balances	<u>10,519,967</u>	<u>11,310,566</u>
Total Liabilities and Fund Balances	\$ <u>10,639,052</u>	<u>11,317,502</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	23,457	23,457	26,388
Intergovernmental	-	-	10,514	10,514	-
Investment earnings	457,880	457,880	174,355	(283,525)	152,695
Proceeds from sale of property	1,500,000	1,500,000	-	(1,500,000)	1,051,105
Miscellaneous	-	-	-	-	20,745
Total Revenues	<u>1,957,880</u>	<u>1,957,880</u>	<u>208,326</u>	<u>(1,749,554)</u>	<u>1,250,933</u>
Expenditures					
Current					
Public services	675,718	687,457	706,186	(18,729)	39,349
Capital Outlay	-	292,500	1,170,239	(877,739)	-
Total Expenditures	<u>675,718</u>	<u>979,957</u>	<u>1,876,425</u>	<u>(896,468)</u>	<u>39,349</u>
Excess (Deficiency) of Revenues Over Expenditures	1,282,162	977,923	(1,668,099)	(2,646,022)	1,211,584
Other Financing Sources (Uses)					
Proceeds from issuance of note payable	-	-	877,500	877,500	-
Transfers out	-	-	-	-	(3,600)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>877,500</u>	<u>877,500</u>	<u>(3,600)</u>
Net Change in Fund Balances	\$ <u>1,282,162</u>	<u>977,923</u>	(790,599)	<u>(1,768,522)</u>	1,207,984
Fund Balances Beginning of Year			<u>11,310,566</u>		<u>10,102,582</u>
Fund Balances End of Year		\$ <u>10,519,967</u>			<u>11,310,566</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 1,034,450	645,480
Accounts receivable	<u>477,374</u>	<u>524,837</u>
Total Assets	\$ <u>1,511,824</u>	<u>1,170,317</u>
Fund Balances	\$ <u>1,511,824</u>	<u>1,170,317</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,600,000	1,600,000	1,682,200	82,200	1,716,467
Intergovernmental	2,068,683	2,068,683	2,059,056	(9,627)	2,059,731
Miscellaneous	-	-	8	8	-
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>13,371</u>	<u>3,371</u>	<u>8,765</u>
Total Revenues	<u>3,678,683</u>	<u>3,678,683</u>	<u>3,754,635</u>	<u>75,952</u>	<u>3,784,963</u>
Expenditures					
Current					
Public services	122,000	222,000	261,786	(39,786)	3,140
Capital Outlay	<u>110,000</u>	<u>517,731</u>	<u>196,173</u>	<u>321,558</u>	<u>-</u>
Total Expenditures	<u>232,000</u>	<u>739,731</u>	<u>457,959</u>	<u>281,772</u>	<u>3,140</u>
Excess (Deficiency) of Revenues Over Expenditures	3,446,683	2,938,952	3,296,676	357,724	3,781,823
Other Financing Sources (Uses)					
Transfers in	676,000	676,000	676,000	-	790,400
Transfers out	<u>(3,631,261)</u>	<u>(3,631,261)</u>	<u>(3,631,169)</u>	<u>92</u>	<u>(3,861,458)</u>
Total Other Financing Sources (Uses)	<u>(2,955,261)</u>	<u>(2,955,261)</u>	<u>(2,955,169)</u>	<u>92</u>	<u>(3,071,058)</u>
Net Change in Fund Balances	\$ <u>491,422</u>	<u>(16,309)</u>	341,507	<u>357,816</u>	710,765
Fund Balances Beginning of Year			<u>1,170,317</u>		<u>459,552</u>
Fund Balances End of Year		\$	<u>1,511,824</u>		<u>1,170,317</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 3,144,113	996,008
Restricted cash and investments	1,660,571	2,191,716
Receivables:		
Accounts	2,495	1,042,611
Advances	-	1,700,000
Contracts	-	9,000,000
Total Assets	<u>\$ 4,807,179</u>	<u>14,930,335</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 67,215	49,975
Deposits	17,068	1,900
Deferred revenue	-	9,939,617
Total Liabilities	<u>84,283</u>	<u>9,991,492</u>
 Fund Balances		
Reserved for:		
Encumbrances	47,272	1,087
IFA bond guarantee	1,360,000	1,535,000
KVB loan guarantee	300,571	339,265
Advances to other funds	-	1,700,000
Designated for subsequent year expenditures	215,524	-
Unreserved - undesignated	<u>2,799,529</u>	<u>320,880</u>
Total Fund Balances	<u>4,722,896</u>	<u>3,896,232</u>
Total Liabilities and Fund Balances	<u>\$ 4,807,179</u>	<u>13,887,724</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ -	-	-	-	50,813
Intergovernmental	-	-	4,002	4,002	-
Charges for services	140,472	140,472	317,911	177,439	139,708
Proceeds from sale of property	-	-	-	-	197,500
Miscellaneous revenue	-	-	1,400	1,400	7,100
Investment earnings	<u>251,000</u>	<u>251,000</u>	<u>62,014</u>	<u>(188,986)</u>	<u>172,966</u>
Total Revenues	<u>391,472</u>	<u>391,472</u>	<u>385,327</u>	<u>(6,145)</u>	<u>568,087</u>
Expenditures					
Current					
Public services	<u>370,006</u>	<u>655,776</u>	<u>601,274</u>	<u>54,502</u>	<u>321,615</u>
Total Expenditures	<u>370,006</u>	<u>655,776</u>	<u>601,274</u>	<u>54,502</u>	<u>321,615</u>
Excess (Deficiency) of Revenues Over Expenditures	21,466	(264,304)	(215,947)	48,357	246,472
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	28,940
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,409)</u>
Net Change in Fund Balances	\$ <u>21,466</u>	<u>(264,304)</u>	(215,947)	<u>48,357</u>	236,003
Fund Balances Beginning of Year			<u>4,938,843</u>		<u>4,702,840</u>
Fund Balances End of Year		\$	<u>4,722,896</u>		<u>4,938,843</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 5,000	-
Accounts receivable	<u>789,945</u>	<u>163,631</u>
Total Assets	<u>\$ 794,945</u>	<u>163,631</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 334,807	4,798
Interfund payable	454,467	158,833
Deferred revenues	<u>5,671</u>	<u>-</u>
Total Liabilities	<u>794,945</u>	<u>163,631</u>
Fund Balances		
Reserved for encumbrances	2,704,716	122,935
Unreserved (deficit)	<u>(2,704,716)</u>	<u>(122,935)</u>
Total Fund Balances	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 794,945</u>	<u>163,631</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Intergovernmental	\$ <u>1,171,966</u>	<u>1,659,965</u>
Expenditures		
Current		
Public services	75,909	141,264
Capital Outlay	<u>1,096,057</u>	<u>1,518,701</u>
Total Expenditures	<u>1,171,966</u>	<u>1,659,965</u>
Fund Balances End of Year	\$ <u> -</u>	<u> -</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ -	22,397
Accounts receivable	<u>18,140</u>	<u>66,818</u>
Total Assets	<u>\$ 18,140</u>	<u>89,215</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6,336	6,459
Advances payable	820,559	948,169
Interfund payable	480	-
Deferred revenue	<u>12,505</u>	<u>12,742</u>
Total Liabilities	<u>839,880</u>	<u>967,370</u>
Fund Balances		
Reserved for encumbrances	4,067	5,749
Unreserved - (deficit)	<u>(825,807)</u>	<u>(883,904)</u>
Total Fund Balances (Deficits)	<u>(821,740)</u>	<u>(878,155)</u>
Total Liabilities and Fund Balances	<u>\$ 18,140</u>	<u>89,215</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 557,716	557,716	523,322	(34,394)	487,036
Intergovernmental	-	-	21,158	21,158	7,753
Service area fees	115,000	115,000	112,743	(2,257)	115,377
Investment earnings	-	-	5,224	5,224	13,126
EMS revenues	48,000	48,000	57,458	9,458	55,636
Miscellaneous revenues	-	-	-	-	182
Total Revenues	<u>720,716</u>	<u>720,716</u>	<u>719,905</u>	<u>(811)</u>	<u>679,110</u>
Expenditures					
Current					
Fire and EMS	564,605	564,605	600,741	(36,136)	470,094
Capital Outlay	<u>24,000</u>	<u>44,000</u>	<u>11,594</u>	<u>32,406</u>	<u>34,327</u>
Total Expenditures	<u>588,605</u>	<u>608,605</u>	<u>612,335</u>	<u>(3,730)</u>	<u>504,421</u>
Excess of Revenues Over Expenditures	132,111	112,111	107,570	(4,541)	174,689
Other Financing Uses					
Transfers out	<u>(51,155)</u>	<u>(51,155)</u>	<u>(51,155)</u>	<u>-</u>	<u>(76,710)</u>
Net Change in Fund Balances	<u>\$ 80,956</u>	<u>60,956</u>	56,415	<u>(4,541)</u>	97,979
Fund Balances (Deficits) Beginning of Year			<u>(878,155)</u>		<u>(976,134)</u>
Fund Balances (Deficits) End of Year			<u>\$ (821,740)</u>		<u>(878,155)</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 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 upon 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 upon 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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Restricted cash and investments	\$ 378,199	435,405
Accounts receivable	<u>34,071</u>	<u>33,874</u>
Total Assets	\$ <u>412,270</u>	<u>469,279</u>
Fund Balances		
Reserved for airport projects	\$ <u>412,270</u>	<u>469,279</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, 2009

With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
PFC revenues	\$ 370,000	370,000	315,245	(54,755)	362,307
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>2,197</u>	<u>(7,803)</u>	<u>7,857</u>
Total Revenues	<u>380,000</u>	<u>380,000</u>	<u>317,442</u>	<u>(62,558)</u>	<u>370,164</u>
Other Financing (Uses)					
Transfers out	<u>(374,451)</u>	<u>(374,451)</u>	<u>(374,451)</u>	<u>-</u>	<u>(379,795)</u>
Net Change in Fund Balance	\$ <u>5,549</u>	<u>5,549</u>	(57,009)	<u>(62,558)</u>	(9,631)
Fund Balances Beginning of Year			<u>469,279</u>		<u>478,910</u>
Fund Balances End of Year		\$	<u>412,270</u>		<u>469,279</u>

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Restricted cash and investments	\$ <u>3,202,918</u>	<u>2,187,009</u>
Total Assets	\$ <u><u>3,202,918</u></u>	<u><u>2,187,009</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>573,181</u>	<u>50,000</u>
Fund Balance		
Reserved for encumbrances	4,900	-
Reserved for projects related to commercial passenger vessels	<u>2,624,837</u>	<u>2,137,009</u>
Total Fund Balances	<u><u>2,629,737</u></u>	<u><u>2,137,009</u></u>
Total Liabilities and Fund Balances	\$ <u><u>3,202,918</u></u>	<u><u>2,187,009</u></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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	-	6,151	6,151	-
Commercial passenger vessel tax	2,083,000	2,083,000	2,326,147	243,147	2,244,585
Investment earnings (loss)	-	-	40,590	40,590	(7,576)
Total Revenues	<u>2,083,000</u>	<u>2,083,000</u>	<u>2,372,888</u>	<u>289,888</u>	<u>2,237,009</u>
Expenditures					
Current					
Public services	<u>1,213,964</u>	<u>3,619,037</u>	<u>1,880,160</u>	<u>1,738,877</u>	<u>100,000</u>
Net Change in Fund Balances	\$ <u>869,036</u>	<u>(1,536,037)</u>	492,728	<u>2,028,765</u>	2,137,009
Fund Balances Beginning of Year			<u>2,137,009</u>		<u>-</u>
Fund Balances End of Year			\$ <u>2,629,737</u>		<u>2,137,009</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 140,165	154,080
Accounts receivable	<u>301</u>	<u>253</u>
Total Assets	<u>\$ 140,466</u>	<u>154,333</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>521</u>	<u>-</u>
Fund Balances		
Designated for subsequent year expenditures	<u>139,945</u>	<u>154,333</u>
Total Fund Balances	<u>139,945</u>	<u>154,333</u>
Total Liabilities and Fund Balances	<u>\$ 140,466</u>	<u>154,333</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 66,852	66,852	62,485	(4,367)	70,572
Investment earnings	2,500	2,500	200	(2,300)	4,535
Total Revenues	69,352	69,352	62,685	(6,667)	75,107
Expenditures					
Current					
Public services	226,893	226,893	77,073	149,820	57,737
Excess (Deficiency) of Revenues Over Expenditures	(157,541)	(157,541)	(14,388)	143,153	17,370
Other Financing (Uses)					
Transfers out	-	-	-	-	(3,065)
Net Change in Fund Balances	\$ <u>(157,541)</u>	<u>(157,541)</u>	(14,388)	<u>143,153</u>	14,305
Fund Balances Beginning of Year			154,333		140,028
Fund Balances End of Year		\$	<u>139,945</u>		<u>154,333</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Accounts receivable	\$ <u>4,402</u>	<u>7,677</u>
Total Assets	\$ <u><u>4,402</u></u>	<u><u>7,677</u></u>
Liabilities and Fund Balances		
Liabilities		
Advances payable	\$ -	8,471
Interfund payable	<u>7,781</u>	<u>2,749</u>
Total Liabilities	<u>7,781</u>	<u>11,220</u>
Fund Balances		
Unreserved - (deficit)	<u>(3,379)</u>	<u>(3,543)</u>
Total Fund Balances (Deficits)	<u>(3,379)</u>	<u>(3,543)</u>
Total Liabilities and Fund Balances	\$ <u><u>4,402</u></u>	<u><u>7,677</u></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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	588	588	465
Expenditures					
Current					
Public services	424	424	424	-	829
Net Change in Fund Balances	\$ <u>(424)</u>	<u>(424)</u>	164	<u>588</u>	(364)
Fund Balances (Deficits) Beginning of Year			<u>(3,543)</u>		<u>(3,179)</u>
Fund Balances (Deficits) End of Year			\$ <u>(3,379)</u>		<u>(3,543)</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ -	1,725
Accounts receivable	<u>1,750</u>	<u>-</u>
Total Assets	<u>\$ 1,750</u>	<u>1,725</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	141
Interfund payable	<u>9,303</u>	<u>-</u>
Total Liabilities	<u>9,303</u>	<u>141</u>
Fund Balances		
Designated for subsequent year expenditures	-	777
Unreserved - (deficit)	<u>(7,553)</u>	<u>807</u>
Total Fund Balances (Deficits)	<u>(7,553)</u>	<u>1,584</u>
Total Liabilities and Fund Balances	<u>\$ 1,750</u>	<u>1,725</u>

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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,808	11,808	12,754	946	6,304
Investment earnings	400	400	(30)	(430)	307
Total Revenues	12,208	12,208	12,724	516	6,611
Expenditures					
Current					
Public services	12,985	12,985	21,861	(8,876)	19,359
(Deficiency) of Revenues Over Expenditures	(777)	(777)	(9,137)	(8,360)	(12,748)
Other Financing (Uses)					
Transfers out	-	-	-	-	(735)
Net Change in Fund Balances	\$ (777)	(777)	(9,137)	(8,360)	(13,483)
Fund Balances Beginning of Year			1,584		15,067
Fund Balances (Deficits) End of Year			\$ (7,553)		1,584

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ <u>8,907</u>	<u>-</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 282	-
Interfund payable	<u>-</u>	<u>694</u>
Total Liabilities	<u>282</u>	<u>694</u>
Fund Balances		
Unreserved (deficit)	<u>8,625</u>	<u>(694)</u>
Total Liabilities and Fund Balance	\$ <u><u>8,907</u></u>	<u><u>-</u></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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 37,847	37,847	37,847	-	-
Expenditures					
Current					
Public services	\$ 37,153	37,153	28,528	8,625	35,181
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	36,209
Transfers out	-	-	-	-	(1,028)
Net Change in Fund Balances	\$ <u>694</u>	<u>694</u>	9,319	<u>8,625</u>	-
Fund Balances (Deficits) Beginning of Year			<u>(694)</u>		<u>(694)</u>
			\$ <u>8,625</u>		<u>(694)</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 317,505	4,883
Accounts receivable	<u>42</u>	<u>33</u>
Total Assets	<u>\$ 317,547</u>	<u>4,916</u>
Liabilities		
Derferred revenue	\$ <u>306,930</u>	<u>-</u>
Fund Balances		
Designated for subsequent year expenditures	10,617	-
Unreserved	<u>-</u>	<u>4,916</u>
Total Fund Balances	<u>10,617</u>	<u>4,916</u>
Total Liabilities and Fund Balances	<u>\$ 317,547</u>	<u>4,916</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,912	1,912	3,270	1,358	3,201
Intergovernmental	310,000	310,000	-	(310,000)	
Investment earnings	-	-	4,194	4,194	68
Total Revenues	<u>311,912</u>	<u>311,912</u>	<u>7,464</u>	<u>(304,448)</u>	<u>3,269</u>
Expenditures					
Current					
Public services	1,500	1,500	1,763	(263)	-
Excess of Revenues Over Expenditures	310,412	310,412	5,701	(304,711)	3,269
Other Financing (Uses)					
Transfers out	-	-	-	-	(500)
Net Change in Fund Balances	\$ <u>310,412</u>	<u>310,412</u>	5,701	<u>(304,711)</u>	2,769
Fund Balances Beginning of Year			4,916		2,147
Fund Balances End of Year			\$ <u>10,617</u>		<u>4,916</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 50,522	52,640
Accounts receivable	<u>1,586</u>	<u>1,930</u>
Total Assets	<u>\$ 52,108</u>	<u>54,570</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>555</u>
Fund Balances		
Designated for subsequent year expenditures	24,492	24,397
Unreserved - undesignated	<u>27,616</u>	<u>29,618</u>
Total Fund Balances	<u>52,108</u>	<u>54,015</u>
Total Liabilities and Fund Balances	<u>\$ 52,108</u>	<u>54,570</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,160	11,160	12,768	1,608	11,677
Investment earnings	800	800	100	(700)	1,420
Total Revenues	11,960	11,960	12,868	908	13,097
Expenditures					
Current					
Public services	36,357	36,357	14,775	21,582	12,255
Excess (Deficiency) of Revenues Over Expenditures	(24,397)	(24,397)	(1,907)	22,490	842
Other Financing (Uses)					
Transfers out	-	-	-	-	(500)
Net Change in Fund Balances	\$ (24,397)	(24,397)	(1,907)	22,490	342
Fund Balances Beginning of Year			54,015		53,673
Fund Balances End of Year			\$ 52,108		54,015

Ketchikan Gateway Borough, Alaska
Non Areawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 35,010	29,886
Accounts receivable	<u>12,117</u>	<u>25,097</u>
Total Assets	<u>\$ 47,127</u>	<u>54,983</u>
Liabilities and Fund Balances		
Liabilities		
Deferred property tax	\$ <u>9,490</u>	<u>-</u>
Fund Balances		
Designated for subsequent year expenditures	37,637	-
Unreserved	<u>-</u>	<u>54,983</u>
Total Liabilities and Fund Balances	<u>\$ 47,127</u>	<u>54,983</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	<u>2009</u>			<u>2008</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 432,078	432,078	406,025	(26,053)	450,346
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>(3,181)</u>	<u>(7,181)</u>	<u>2,448</u>
Total Revenues	<u>436,078</u>	<u>436,078</u>	<u>402,844</u>	<u>(33,234)</u>	<u>452,794</u>
Expenditures					
Current					
Library services	<u>420,190</u>	<u>420,190</u>	<u>420,190</u>	<u>-</u>	<u>420,100</u>
Net Change in Fund Balances	\$ <u>15,888</u>	<u>15,888</u>	(17,346)	<u>(33,234)</u>	32,694
Fund Balances Beginning of Year			<u>54,983</u>		<u>22,289</u>
Fund Balances End of Year			\$ <u>37,637</u>		<u>54,983</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ <u>9,384</u>	<u>9,503</u>
Fund Balances		
Designated for subsequent year expenditures	500	200
Unreserved - undesignated	<u>8,884</u>	<u>9,303</u>
Total Fund Balances	\$ <u>9,384</u>	<u>9,503</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	<u>2009</u>			<u>2008</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Investment earnings	\$ <u>300</u>	<u>300</u>	<u>381</u>	<u>81</u>	<u>232</u>
Expenditures					
Current					
Public services	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Net Change in Fund Balances	\$ <u>(200)</u>	<u>(200)</u>	(119)	<u>81</u>	(268)
Fund Balances Beginning of Year			<u>9,503</u>		<u>9,771</u>
Fund Balances End of Year			\$ <u>9,384</u>		<u>9,503</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 1,821,304	1,212,833
Accounts receivable	<u>456,783</u>	<u>504,240</u>
Total Assets	<u>\$ 2,278,087</u>	<u>1,717,073</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>2,486</u>	<u>5,684</u>
Fund Balances		
Reserved for encumbrances	3,296	13,686
Designated for subsequent year expenditures	-	639,000
Unreserved - undesignated	<u>2,272,305</u>	<u>1,058,703</u>
Total Fund Balances	<u>2,275,601</u>	<u>1,711,389</u>
Total Liabilities and Fund Balances	<u>\$ 2,278,087</u>	<u>1,717,073</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,540,000	1,540,000	1,672,685	132,685	1,708,684
Penalties	12,500	12,500	9,515	(2,985)	7,784
Investment earnings	22,500	22,500	4,457	(18,043)	36,587
Total Revenues	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,686,657</u>	<u>111,657</u>	<u>1,753,055</u>
Expenditures					
Current					
Public services	438,000	438,000	389,590	48,410	5,806
Capital Outlay	<u>1,100,000</u>	<u>1,100,000</u>	<u>56,855</u>	<u>1,043,145</u>	<u>140,495</u>
Total Expenditures	<u>1,538,000</u>	<u>1,538,000</u>	<u>446,445</u>	<u>1,091,555</u>	<u>146,301</u>
Excess of Revenues Over Expenditures	37,000	37,000	1,240,212	1,203,212	1,606,754
Other Financing Uses					
Transfers out	<u>(676,000)</u>	<u>(676,000)</u>	<u>(676,000)</u>	<u>-</u>	<u>(1,098,400)</u>
Net Change in Fund Balances	\$ <u>(639,000)</u>	<u>(639,000)</u>	564,212	<u>1,203,212</u>	508,354
Fund Balances Beginning of Year			<u>1,711,389</u>		<u>1,203,035</u>
Fund Balances End of Year			\$ <u>2,275,601</u>		<u>1,711,389</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ 65,929	98,145
Accounts receivable	<u>18,327</u>	<u>8,464</u>
Total Assets	<u>\$ 84,256</u>	<u>106,609</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 9,778	11,315
Advances payable	<u>5,952</u>	<u>8,454</u>
Total Liabilities	<u>15,730</u>	<u>19,769</u>
Fund Balances		
Reserved for encumbrances	10,137	14,530
Designated for subsequent year expenditures	40,998	21,872
Unreserved - undesignated	<u>17,391</u>	<u>50,438</u>
Total Fund Balances	<u>68,526</u>	<u>86,840</u>
Total Liabilities and Fund Balances	<u>\$ 84,256</u>	<u>106,609</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 442,544	442,544	440,779	(1,765)	390,804
Intergovernmental	-	-	13,642	13,642	4,871
Water fees	130,000	130,000	132,884	2,884	133,378
Investment earnings (loss)	1,590	1,590	(469)	(2,059)	5,730
EMS revenue	43,000	43,000	63,489	20,489	55,713
Miscellaneous	7,000	7,000	969	(6,031)	25
Total Revenues	624,134	624,134	651,294	27,160	590,521
Expenditures					
Current					
Fire and EMS	388,851	388,851	391,592	(2,741)	327,613
Water treatment and distribution	220,040	220,040	246,731	(26,691)	180,518
Capital Outlay - Fire and EMS	36,000	36,000	31,285	4,715	-
Total Expenditures	644,891	644,891	669,608	(24,717)	508,131
Excess (Deficiency) of Revenues Over Expenditures	(20,757)	(20,757)	(18,314)	2,443	82,390
Other Financing Uses					
Transfers out	-	-	-	-	(32,273)
Net Change in Fund Balances	\$ (20,757)	(20,757)	(18,314)	2,443	50,117
Fund Balances Beginning of Year			86,840		36,723
Fund Balances End of Year		\$	68,526		86,840

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ -	1,291
Accounts receivable	<u>668</u>	<u>512</u>
Total Assets	<u>\$ 668</u>	<u>1,803</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	548
Interfund payable	<u>2,362</u>	<u>-</u>
Total Liabilities	<u>2,362</u>	<u>548</u>
Fund Balances		
Designated for subsequent year expenditures	-	815
Unreserved - (deficit)	<u>(1,694)</u>	<u>440</u>
Total Fund Balances (Deficits)	<u>(1,694)</u>	<u>1,255</u>
Total Liabilities and Fund Balances	<u>\$ 668</u>	<u>1,803</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, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

	2009			2008	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,434	11,434	11,453	19	11,379
Investment earnings	100	100	59	(41)	282
Total Revenues	11,534	11,534	11,512	(22)	11,661
Expenditures					
Current					
Public services	12,349	12,349	14,461	(2,112)	16,735
Excess (Deficiency) of Revenues Over Expenditures	(815)	(815)	(2,949)	(2,134)	(5,074)
Other Financing (Uses)					
Transfers out	-	-	-	-	(1,500)
Net Change in Fund Balances	\$ (815)	(815)	(2,949)	(2,134)	(6,574)
Fund Balances Beginning of Year			1,255		7,829
Fund Balances (Deficits) End of Year		\$	(1,694)		1,255



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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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ <u>1,704,272</u>	<u>3,406,807</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 5,000	51,095
Advances payable	-	7,700,000
Deposits	<u>2,000</u>	<u>2,000</u>
Total Liabilities	<u>7,000</u>	<u>7,753,095</u>
Fund Balances		
Reserved for encumbrances	-	68,992
Unreserved - (deficit)	<u>1,697,272</u>	<u>(4,415,280)</u>
Total Fund Balances	<u>1,697,272</u>	<u>(4,346,288)</u>
Total Liabilities and Fund Balances	\$ <u>1,704,272</u>	<u>3,406,807</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Intergovernmental	\$ 6,105,330	-
Investment earnings	<u>-</u>	<u>28,891</u>
Total Revenues	<u>6,105,330</u>	<u>28,891</u>
Expenditures		
Capital Outlay		
Contractual services	100,753	209,089
Educational facilities	<u>11,017</u>	<u>2,453,800</u>
Total Expenditures	<u>111,770</u>	<u>2,662,889</u>
Excess (Deficiency) of Revenues Over Expenditures	5,993,560	(2,633,998)
Other Financing Sources		
Settlement	<u>50,000</u>	<u>3,100,000</u>
Net Change in Fund Balances	6,043,560	466,002
Fund Balances (Deficits) Beginning of Year	<u>(4,346,288)</u>	<u>(4,812,290)</u>
Fund Balances (Deficits) End of Year	\$ <u><u>1,697,272</u></u>	<u><u>(4,346,288)</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets		
Accounts receivable	\$ 526,321	602,910
Prepaid items	-	5,442
Total Current Assets	<u>526,321</u>	<u>608,352</u>
Noncurrent Assets		
Restricted cash and investments-bond reserve	385,000	385,000
Capital Assets		
Non-depreciable	549,976	521,585
Depreciable, net	7,814,876	8,351,728
Total Noncurrent Assets	<u>8,749,852</u>	<u>9,258,313</u>
Total Assets	<u>9,276,173</u>	<u>9,866,665</u>
Liabilities		
Current Liabilities		
Accounts payable	117,194	539,991
Interfund advances payable	43,530	41,542
Interfund payable	2,100,441	1,368,324
Compensated absences payable	115,000	190,460
Revenue bonds payable	235,000	225,000
Total Current Liabilities	<u>2,611,165</u>	<u>2,365,317</u>
Long-Term Liabilities		
Compensated absences payable (net of current portion)	114,529	18,050
Net pension obligation	-	214,620
Interfund advances payable (net of current portion)	290,007	333,536
Revenue bonds payable (net of current portion)	2,755,000	2,990,000
Total Liabilities	<u>5,770,701</u>	<u>5,921,523</u>
Net Assets		
Invested in capital assets, net of related debt	5,374,852	5,658,313
Restricted for bond reserve	385,000	385,000
Unrestricted (deficit)	<u>(2,254,380)</u>	<u>(2,098,171)</u>
Total Net Assets	<u>\$ 3,505,472</u>	<u>3,945,142</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Charges for services	\$ 3,423,559	3,726,568
Operating Expenses		
Personal services	2,589,157	2,384,861
Supplies and services	1,263,336	995,214
Insurance	205,681	213,141
Depreciation	<u>536,853</u>	<u>563,373</u>
Total Operating Expenses	<u>4,595,027</u>	<u>4,156,589</u>
Operating Loss	<u>(1,171,468)</u>	<u>(430,021)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(167,660)	(180,078)
Gain on sale of capital assets	631	33,264
Operating grants	<u>281,363</u>	<u>240,425</u>
Total Non-Operating Revenues (Expenses)	<u>114,334</u>	<u>93,611</u>
Loss Before Capital Contributions, Transfers, and Special Item	(1,057,134)	(336,410)
Capital contributions	28,392	11,805
Transfers in	374,452	385,295
Transfers out	-	(197,595)
Special Item		
NPO/OPEB writeoff	<u>214,620</u>	<u>-</u>
Change in Net Assets	(439,670)	(136,905)
Net Assets Beginning of Year	3,945,142	4,239,879
Prior Period Adjustment	<u>-</u>	<u>(157,832)</u>
Net Assets End of Year	\$ <u><u>3,505,472</u></u>	<u><u>3,945,142</u></u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,500,148	3,836,241
Cash payments to employees for services	(2,782,758)	(2,398,944)
Cash payments for goods and services	<u>(1,927,913)</u>	<u>(800,680)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,210,523)</u>	<u>636,617</u>
Cash Flows from Noncapital Financing Activities		
Interfund payable	732,117	169,417
Operating grant	281,363	240,425
Transfers in	374,452	385,295
Transfers out	-	(197,595)
Net pension obligation	<u>214,620</u>	<u>-</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>1,602,552</u>	<u>597,542</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	631	33,264
Capital grant	28,392	11,805
Principal paid on revenue bonds	(225,000)	(220,000)
Interest paid on debt service	(167,660)	(180,078)
Payments for capital acquisitions	(28,392)	(336,318)
Prior period adjustment	<u>-</u>	<u>(157,832)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(392,029)</u>	<u>(849,159)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	385,000
Cash and Cash Equivalents Beginning of Year	<u>385,000</u>	<u>-</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, 2009 and 2008

(continued)

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (1,171,468)	(430,021)
Adjustments:		
Depreciation	536,853	563,373
(Increase) Decrease in Assets:		
Accounts receivable	76,589	109,673
Prepaid items	5,442	(214)
Increase (Decrease) in Liabilities:		
Accounts payable	(422,797)	447,357
Interfund advance payable	(41,541)	(39,468)
Compensated absences payable	21,019	21,310
Net pension obligation	<u>(214,620)</u>	<u>(35,393)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>(1,210,523)</u>	<u>636,617</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets		
Cash and investments	\$ 128,692	235,791
Accounts receivable	<u>33,456</u>	<u>70,683</u>
Total Current Assets	<u>162,148</u>	<u>306,474</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	-	306,401
Depreciable, net	<u>12,381,969</u>	<u>12,474,023</u>
Total Noncurrent Assets	<u>12,381,969</u>	<u>12,780,424</u>
Total Assets	<u>12,544,117</u>	<u>13,086,898</u>
Current Liabilities		
Accounts payable	94,913	45,406
Interfund advances payable	<u>85,210</u>	<u>80,867</u>
Total Current Liabilities	180,123	126,273
Long-Term Liabilities		
Interfund advances payable (net of current portion)	<u>709,196</u>	<u>794,406</u>
Total Liabilities	<u>889,319</u>	<u>920,679</u>
Net Assets		
Invested in capital assets	12,381,969	12,780,424
Unrestricted (deficit)	<u>(727,171)</u>	<u>(614,205)</u>
Total Net Assets	\$ <u>11,654,798</u>	<u>12,166,219</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, 2009 and 2008

	2009	2008
Operating Revenues		
Charges for services	\$ 583,196	613,663
Operating Expenses		
Personal services	181,168	131,843
Supplies and services	397,206	249,182
Insurance	7,601	1,384
Depreciation	463,940	459,316
Total Operating Expenses	<u>1,049,915</u>	<u>841,725</u>
Operating Loss	<u>(466,719)</u>	<u>(228,062)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(45,818)	(50,068)
Investment earnings	1,116	5,460
Total Non-Operating Revenues (Expenses)	<u>(44,702)</u>	<u>(44,608)</u>
Loss Before Transfers	(511,421)	(272,670)
Transfers in	-	65,694
Transfers out	-	(30,489)
Change in Net Assets	(511,421)	(237,465)
Net Assets Beginning of Year	<u>12,166,219</u>	<u>12,403,684</u>
Net Assets End of Year	<u>\$ 11,654,798</u>	<u>12,166,219</u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 620,423	595,429
Cash payments to employees for services	(181,168)	(131,843)
Cash payments for goods and services	<u>(436,167)</u>	<u>(427,396)</u>
Net Cash Provided by Operating Activities	<u>3,088</u>	<u>36,190</u>
Cash Flows from Noncapital Financing Activities		
Transfers in	-	65,694
Transfers out	<u>-</u>	<u>(30,489)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>35,205</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant	-	-
Interest paid on debt service	(45,818)	(50,068)
Payments for capital acquisitions	<u>(65,485)</u>	<u>(26,167)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(111,303)</u>	<u>(76,235)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>1,116</u>	<u>5,460</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(107,099)	620
Cash and Cash Equivalents Beginning of Year	<u>235,791</u>	<u>235,171</u>
Cash and Cash Equivalents End of Year	<u>\$ 128,692</u>	<u>235,791</u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2009 and 2008

(Continued)

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (466,719)	(228,062)
Adjustments:		
Depreciation	463,940	459,316
(Increase) Decrease in Assets:		
Accounts receivable	37,227	(18,234)
Increase (Decrease) in Liabilities:		
Accounts payable	49,507	(100,213)
Interfund advance payable	(80,867)	(76,617)
Deferred revenue	-	-
Net Cash Provided by Operating Activities	\$ <u>3,088</u>	<u>36,190</u>



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INTERNAL SERVICE FUNDS

RBMS 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.

RBMS 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, 2009

	RBMS	RBMS	Total
	<u>School District</u>	<u>Borough</u>	<u>Internal</u>
			<u>Service Funds</u>
Current Assets			
Cash and investments	\$ <u>456,307</u>	<u>-</u>	<u>456,307</u>
Current Liabilities			
Interfund payable	-	618,463	618,463
Claims payable	<u>409,215</u>	<u>55,754</u>	<u>464,969</u>
Total Current Liabilities	<u>409,215</u>	<u>674,217</u>	<u>1,083,432</u>
Net Assets			
Unrestricted (deficit)	\$ <u><u>47,092</u></u>	<u><u>(674,217)</u></u>	<u><u>(627,125)</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, 2009

	RBMS	RBMS	Total
	School District	Borough	Internal
	_____	_____	Service Funds
Operating Revenues			
Insurance premiums	\$ 2,849,699	1,525,998	4,375,697
Operating Expenses			
Administration	475,133	450,175	925,308
Claims	2,823,258	1,057,954	3,881,212
Total Operating Expenses	3,298,391	1,508,129	4,806,520
Operating Income (Loss)	(448,692)	17,869	(430,823)
Non-Operating Revenues			
Investment earnings	2,986	-	2,986
Change in Net Assets	(445,706)	17,869	(427,837)
Net Assets (Deficits) Beginning of Year	492,798	(692,086)	(199,288)
Net Assets (Deficits) End of Year	\$ 47,092	(674,217)	(627,125)

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2009

	<u>RBMS School District</u>	<u>RBMS Borough</u>	<u>Total Internal Service Funds</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,849,699	1,525,998	4,375,697
Cash payments for goods and services	(475,133)	(450,175)	(925,308)
Cash payments for claims	<u>(2,618,482)</u>	<u>(1,075,823)</u>	<u>(3,694,305)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(243,916)</u>	<u>-</u>	<u>(243,916)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>2,986</u>	<u>-</u>	<u>2,986</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(240,930)	-	(240,930)
Cash and Cash Equivalents Beginning of Year	<u>697,237</u>	<u>-</u>	<u>697,237</u>
Cash and Cash Equivalents End of Year	\$ <u><u>456,307</u></u>	<u><u>-</u></u>	<u><u>456,307</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities			
Operating Income	<u>(448,692)</u>	<u>17,869</u>	<u>(430,823)</u>
Increase (Decrease) in Liabilities:			
Claims payable	<u>204,776</u>	<u>(17,869)</u>	<u>186,907</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>(243,916)</u></u>	<u><u>-</u></u>	<u><u>(243,916)</u></u>



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Ketchikan Gateway Borough, Alaska
RBMS School District Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and investments	\$ <u>456,307</u>	<u>697,237</u>
Current Liabilities		
Claims payable	<u>409,215</u>	<u>204,439</u>
Net Assets		
Unrestricted	\$ <u><u>47,092</u></u>	<u><u>492,798</u></u>

Ketchikan Gateway Borough, Alaska
RBMS School District Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Insurance premiums	\$ 2,849,699	3,020,959
Operating Expenses		
Administration	475,133	446,372
Claims	<u>2,823,258</u>	<u>2,250,526</u>
Total Operating Expenses	<u>3,298,391</u>	<u>2,696,898</u>
Operating Income (Loss)	(448,692)	324,061
Non-Operating Revenues		
Investment earnings	<u>2,986</u>	<u>14,270</u>
Change in Net Assets	(445,706)	338,331
Net Assets Beginning of Year	<u>492,798</u>	<u>154,467</u>
Net Assets End of Year	\$ <u><u>47,092</u></u>	<u><u>492,798</u></u>

Ketchikan Gateway Borough, Alaska
RBMS Borough Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and investments	\$ <u> -</u>	<u> -</u>
Current Liabilities		
Interfund payable	618,463	596,374
Claims payable	<u>55,754</u>	<u>95,712</u>
Total Current Liabilities	<u>674,217</u>	<u>692,086</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(674,217)</u></u>	<u><u>(692,086)</u></u>

Ketchikan Gateway Borough, Alaska
RBMS Borough Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Insurance premiums	\$ <u>1,525,998</u>	<u>1,282,523</u>
Operating Expenses		
Administration	450,175	400,250
Claims	<u>1,057,954</u>	<u>791,356</u>
Total Operating Expenses	<u>1,508,129</u>	<u>1,191,606</u>
Change in Net Assets	17,869	90,917
Net (Deficits) Beginning of Year	<u>(692,086)</u>	<u>(783,003)</u>
Net (Deficits) End of Year	\$ <u><u>(674,217)</u></u>	<u><u>(692,086)</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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KETCHIKAN GATEWAY BOROUGH

Net Assets By Component, Last Seven Years
June 30, 2009

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Governmental Activities							
Invested in capital assets, net of related debt	\$ 113,763,548	\$ 103,567,159	\$ 104,167,175	\$ 95,476,768	\$ 93,606,967	\$ 90,711,046	\$ 68,654,590
Restricted	6,194,066	4,801,620	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	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>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	17,756,821	18,438,737	18,878,941	19,348,852	18,865,448	18,462,955	15,871,103
Restricted	385,000	385,000					
Unrestricted (deficit)	(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>14,956,469</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	131,520,369	122,005,896	123,046,116	114,825,620	112,472,415	109,174,001	84,525,693
Restricted	6,579,066	5,186,620	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	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>\$ 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 Seven Years
June 30, 2009

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

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 Seven Years
June 30, 2009

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
General Fund							
Reserved	\$ 110,576	65,191	28,245	192,230	504,119	463,976	538,146
Unreserved	<u>5,525,115</u>	<u>2,809,698</u>	<u>1,429,143</u>	<u>1,725,796</u>	<u>2,376,078</u>	<u>2,560,944</u>	<u>2,969,923</u>
Total general fund	<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	10,223,588	16,511,974	16,723,780	18,385,389	13,013,202	16,548,362	23,525,536
Unreserved, report in:							
Special revenue funds	11,341,183	4,779,458	2,885,986	4,022,884	7,663,768	5,855,166	7,733,106
Debt service funds							
Capital projects funds	<u>1,697,272</u>	<u>(4,415,280)</u>	<u>(8,167,617)</u>	<u>(4,852,950)</u>	<u>3,548,290</u>	<u>6,297,534</u>	<u>17,564,690</u>
Total all other governmental funds	<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>\$ 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 Fund Balances, Last Seven Years

June 30, 2009

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Revenues							
Taxes	\$ 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	1,366,194	16,634	14,731	11,031	4,323	6,948	12,741
Intergovernmental	13,035,082	6,492,592	5,818,658	5,328,250	4,081,128	5,399,367	4,628,811
Licenses and permits	20,333	26,800	34,060	35,140	38,815	49,035	33,002
SDC - Principal and interest	-	-	-	-	-	-	2,439
Charges for services	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	2,326,147	2,244,585	-	-	-	-	-
Investment earnings	272,695	612,485	1,473,267	845,592	760,004	899,718	666,151
Proceeds from sale of property	-	1,248,605	856,220	2,692,193	874,850	436,384	-
Miscellaneous	317,622	390,359	408,748	375,565	431,664	347,034	485,890
Total Revenues	<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	2,512,572	2,882,789	2,704,745	2,627,499	2,290,158	2,072,658	2,219,293
Library services	420,190	420,100	420,565	396,468	411,855	-	-
Fire and EMS	992,333	978,225	-	-	-	-	-
Water treatment and distribution	246,731	-	-	-	-	-	-
Public services	5,144,229	1,720,168	6,129,496	6,970,230	9,871,936	7,860,847	8,752,180
Parks and Recreation	1,421,501	1,656,144	-	-	-	-	-
Public works	1,305,296	1,203,440	-	-	-	-	-
Transit	1,023,517	1,022,749	-	-	-	-	-
Automation	-	-	339,083	324,728	265,761	244,694	142,661
Education	9,068,223	8,123,054	8,895,922	8,227,112	7,635,347	7,373,117	7,329,446
Nondepartmental	539,397	219,754	492,028	365,323	362,582	194,637	158,085
Capital Outlay	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	2,363,282	2,376,476	2,289,756	2,102,457	1,641,555	1,465,000	1,175,000
Interest and fiscal charges	1,319,134	1,421,315	1,506,104	1,548,431	1,264,999	1,465,776	1,061,841
Bond issuance costs	-	-	-	-	450,000	-	110,428
Total Expenditures	<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>
(Deficiency) of Revenues (Under) Expenditures	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	-	-	-	1,100,000	7,900,000	-	9,000,000
Premium for bond issuance costs	-	-	-	14,927	33,834	-	110,428
Premium on debt issuance	-	-	-	-	450,000	-	-
Settlement	50,000	3,100,000	970,088	-	-	-	-
Transfers in	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	-	-	-	7,680,000	-	-
Capital leases	-	-	-	-	395,966	-	-
Bond issuance costs	-	-	-	(7,607)	(31,000)	-	-
Transfers out	(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	-	-	-	-	(7,680,000)	-	-
Total Other Financing Sources (Uses)	553,048	2,877,095	128,477	691,040	8,192,802	(229,485)	9,298,613
Net Change in Fund Balances	<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	13.97%	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, Last Nine Fiscal Years
 Changes in Assessment, Last Nine Years

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	\$ 1,014,686,000	6.80
2002	652,920,850	168,282,725	137,405,025	64,265,600	64,498,700	1,043,607,300	6.80
2003	655,060,700	174,255,900	118,493,000	54,086,400	66,773,800	1,022,874,200	6.80
2004	652,612,550	199,733,125	79,399,825	53,895,900	68,936,400	1,001,896,000	7.00
2005	675,854,500	205,767,650	80,779,650	59,666,800	74,052,800	986,731,300	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	851,126,100	251,345,100	100,424,800	68,115,000	85,908,700	1,185,102,300	6.80
2009	861,060,300	278,712,800	100,810,500	67,594,600	90,099,200	1,218,079,000	6.00

Source: Ketchikan Gateway Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH*Principal Property Tax Payers Current Year and Nine Years Ago*

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ketchikan Dock Co. LLC	\$ 12,427,200	1	1.02%	\$		
Cape Fox Corporation	12,402,500	2	1.02%	11,129,200	2	1.10%
Tongass Trading Company	10,665,600	3	0.88%	7,156,400	5	0.07%
Trident-Norquest Seafood	8,265,200	4	0.68%			
Landing LLC Lodging	8,086,600	5	0.66%			
Carr-Gottstein Foods	7,857,900	6	0.65%	5,184,800	9	0.51%
Harbor Enterprises	7,502,900	7	0.62%			
Wal-Mart	6,731,800	8	0.55%			
ECPS INC. Seafood	6,504,100	9	0.53%	7,832,700	3	0.77%
1308 Properties LLC	6,036,000	10	0.50%			
Ketchikan Plaza Inc.						
Southeast Stevedoring	-					
Gateway Forest Products	-			27,287,800	1	2.69%
The Hames Group	-			7,436,700	4	0.73%
Alaska General Seafood	-			6,905,100	6	0.68%
Vanderweele, James & Ken	-			5,972,200	7	0.59%
TF Acquisition	-			5,210,900	8	0.51%
Tesoro Alaska Petroleum Co.				<u>5,101,900</u>	10	0.50%
Total	\$ <u>86,479,800</u>			\$ <u>89,217,700</u>		

Source: Ketchikan Gateway Borough Assessment Department.

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

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	8,058,696	7,911,034	98%	116,809	8,027,843	100%
2009	7,308,474	7,120,983	97%	-	7,120,983	97%

KETCHIKAN GATEWAY BOROUGH*Taxable Sales by Category*

	Calendar Year			
	2009	2008	2007	2006
Contractors	\$ 4,707,947	\$ 7,489,875	\$ 6,365,082	\$ 6,388,502
Finance, insurance, banks	1,782,184	2,339,433	2,348,611	2,315,220
Hotels, motels, lodges	10,978,289	15,072,971	14,801,945	13,743,128
Manufacturing	5,354,585	6,286,423	5,955,225	5,576,780
Real estate	18,324,120	22,542,559	21,656,315	20,498,575
Retail trade	50,011,224	70,446,895	66,734,591	63,070,558
Retail trade - food	34,295,806	47,390,768	45,068,045	42,654,189
Retail trade, bars & catering	14,148,484	18,431,186	18,612,056	18,083,807
Retail, automotive	10,866,510	16,044,581	15,469,233	12,955,708
Retail, specialty	1,532,687	13,626,713	12,819,560	13,279,501
Retail, var, jewelry, curios	30,073,384	34,307,450	35,196,189	33,307,310
Services, entertainment	6,334,701	7,343,972	7,307,726	6,994,136
Service, general	6,969,087	8,944,598	8,084,339	8,144,480
Services, professional	2,861,958	3,790,728	3,991,439	4,173,168
Trans, comm, utilities	50,066,731	75,131,913	65,645,306	57,788,009
	<u>248,307,697</u>	<u>349,190,065</u>	\$ <u>330,055,662</u>	\$ <u>308,973,071</u>

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

KETCHIKAN GATEWAY BOROUGH
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond - Capital Improvement Fund			Per Capita Cost	Indoor Rec Center Debt Service			Rec CIP Fund				
	Principal	Interest	Total	State School Debt Reimbursement	Misc.	1/2 cent Sales Tax		Total Revenues	(Deficit) Funded through the General Fund	Population	Per Capita Cost	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.
1999	1,685,000	474,228	2,159,228	1,024,721	37,113		1,061,834	(1,097,394)	13,961	79	-	-	-	-	-
2000	1,200,000	80,400	1,280,400	1,024,320	64,645		1,088,965	(191,435)	14,070	14	505,000	290,262	795,262	1,187,619	392,357
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	12,993	(11)	Matured May 15, 2009			1,682,200	1,682,200

KETCHIKAN GATEWAY BOROUGH*Ratios of General Bonded Debt Outstanding, Last Eight Fiscal Years*

<u>Fiscal Year</u>	<u>General Obligation Bonds Governmenta l-Type</u>	<u>Revenue Bonds Business- Type</u>	<u>Bonds Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
2002	\$ 21,034,456	\$ 4,415,355	\$ 25,449,811	2%	\$ 1,860
2003	28,940,832	4,360,418	33,301,250	3%	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	3%	2,348
2009	24,965,000	2,990,000	27,955,000	2%	2,152

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2009

Governmental Unit

Debt repaid with sales taxes

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough	\$	24,965,000
Less Self Supporting Debt:		
Sales Tax Revenues & Dock Fees	(24,965,000)	<u>(24,965,000)</u>
Total Direct Debt		<u>-</u>
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		6,010,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(5,048,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(962,000)	(6,010,000)
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
 2000 - 2009

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
2000	2,237,555	2,634,209	(396,654)	50,000	17,170	67,170	(5.91)
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)

- (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*

2000 - 2009

Fiscal Year	Borough Population	Alaska Per Capita Income - (1)	Annual Average Unemployment Rate	Education - (2)				
				Borough School Enrollment	Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE	Number of Permanent Employees
2000	14,070	34,389	7.10%	2,644	7	145	160	299
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	12,993	43,410	7.78%					

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

(2) Ketchikan Gateway Borough School District Financials.

Principal Employers Current Year and Ten Years Ago

Employer	2007 data (2009 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>2,545</u>			<u>2,542</u>		

State of Alaska Department of Labor most current information 2007.

Total employment

7,313

7,025

Miscellaneous Statistics

June 30, 2009

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough							
<i>Ketchikan Gateway Borough</i>							
Borough, square miles	5,743	5,743	1,233	1,233	1,233	1,233	1,233
Revillagigedo Island, square miles	1,168	1,168	1,168	1,168	1,168	1,168	1,168
Gravina Island, square miles	89	89	89	89	89	89	89
<i>Animal Protection</i>							
Licenses Issued	810	775	761	604	685	Not available	
Animals Impounded	509	475	424	408	417		
Animals Surrendered	309	278	315	395	388		
Animals Adopted	121	109	169	158	204		
Animals Claimed	171	184	118	149	156		
<i>Employees by function</i>							
Administration	24	23	26	25	25	25	
Fire and EMS	6	6	5	4	2	2	
Public services	12	11	11	11	10	10	
Parks and Recreation	14	14	14	14	14	13	
Public works	18	18	19	20	18	17	
Transit	9	10	9	9	8	7	
Automation	1	1	1	1	1	1	
Airport	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>26</u>	<u>26</u>	
	111	110	112	112	104	101	
<i>South Tongass Volunteer Fire Department</i>							
Stations	1	1	1	1	1	1	1
Volunteers	39	40	38	40	27	27	27
Fire Calls	29	8	15	23	12	12	12
Emergency Calls/EMS Incidents	125	102	104	69	88	88	88
Fire Investigations	7	4	15	3	2	2	2
<i>North Tongass Volunteer Fire Department</i>							
Stations	2	2	2	2	2	Not established	
Volunteers	26	31	31	30	30		
Fire Calls	43	37	28	40			
Emergency Calls/EMS Incidents	149	95	84	110			
Fire Investigations	0	0	0	1			
<i>Elections</i>							
Registered Voters	10,255	10,380	10,253	10,034	10,135	10,135	10,135
Votes Cast Last Borough Election	2,189	2,456	2,528	3,138	3,982	3,989	3,989
% Voting Last Borough Election	25%	24%	25%	31%	39%	39%	39%
<i>Sewer & Water Plants</i>							
Forest Park:							
Sewer Connections	150	150	150	150	150	Not established	

Miscellaneous Statistics

June 30, 2009

Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Miles of Sanitary Sewers	2.5	2.5	2.5	2.5	2.5		
Average Daily Treatment (gals)	1,440	55,000	55,000	55,000	55,000		
Mountain Point:							
Miles of Sanitary Sewers	6	6	6	6	6	6	6
Average Daily Treatment (Sewer gals)	100,000	47,000	47,000	47,000	47,000	47,000	47,000
Treatment Capacity (Sewer gals)	700,000	330,000	330,000	330,000	330,000	330,000	330,000
Sewer Connections	522	257	257	257	257	257	257
Mountain Point Service Area:							
Water, Hydrant, Connections	402	327	327	327	327	327	327
Average Daily Treatment (Water gals)	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
Municipal Parks							
Developed Parks	15	15	15	15	15	15	15
Developed Acres	6,564	6,564	6,564	6,564	6,564	6,564	6,564
Swimming Pools	1	1	1	2	2	2	2
Lighted Ball Fields	7	7	6	6	6	6	6
Ketchikan International Airport							
Inbound Passengers	100,851	119,376	125,295	104,906	92,659	Not available	
Outbound Passengers	99,650	112,746	119,451	104,966	93,424		
Airport Ferry							
Passengers	381,961	449,790	418,291	356,774	321,958	Not available	
Vehicles	105,653	127,516	106,276	84,754	71,394		
Transit							
Passengers	265,536	226,356	153,377	133,321	150,985	174,575	189,647
Visitor Industry							
Cruise Ship Passengers	937,419	941,910	899,638	681,096	Not available		

Data supplied by Ketchikan Gateway Borough Department Directors