

Ketchikan Gateway Borough

Alaska

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2008

Prepared by:

Department of Finance

Michael J. Houts, Director
Maureen Crosby-CPA, Controller
344 Front St.
Ketchikan, Alaska 99901



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Comprehensive Annual Financial Report
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INTRODUCTORY SECTION



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KETCHIKAN GATEWAY BOROUGH

344 FRONT STREET • KETCHIKAN, ALASKA 99901

Michael J. Houts, Finance Director

• 907/228-6649 • fax 907/247-6625

OFFICE OF THE BOROUGH FINANCE DEPARTMENT

December 17, 2008

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, 2008. The Borough Assembly and management has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASBS 34) for the fiscal year ended June 30, 2008. GASB 34 was approved on June 30, 1999 and represents the most significant change in the history of governmental accounting. The release of this standard created a new reporting model that affects every state and local government that issues financial statements in conformity with generally accepted accounting principles.

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 2006 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 safeguards assets and provide reasonable assurance of proper recording of financial transactions.

Mikunda, Cottrell & Co., Inc. 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, 2008, 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, 2008 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 MD&A and should be read in conjunction with it. The Borough's MD&A can be found immediately following the independent auditor's report.

Financial statements for subsequent years will require increased documentation and sampling set forth in the Single Audit Standards No. 106 thru 111. This will require more staff resources and independent audit resources, therefore increasing overall cost to publish the CAFR in Fiscal 2008.

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 2008 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. Non-areawide 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 funds of the Borough, this comparison is presented as part of the basic financial statements. For nonmajor government fund 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 \$2,083,000 in shared revenues from the State excise tax during FY 2009. 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.

Economic Development - Forest Products - The forest products industry is still struggling to remain a viable part of the local economy. 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. The new operator started the veneer plant and operated from September 2007 to February 2008. Subsequent to the start up of the veneer plant, the market price for veneer declined significantly and energy cost increased. Those effects forced curtailment of the operation in 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. The Wards Cove property foreclosure represents over \$10 million in real property. Several entities have contacted borough expressing interest in purchasing parcels in the cove and/or acquiring the veneer plant. A comprehensive plan will be developed in FY2009.

Education Capital Projects— The Ketchikan Gateway Borough sought reimbursement funding for remediation of the mold and water issues at the Schoenbar Middle School which has been completed. The Ketchikan Gateway Borough pursued financial remedies through litigation and grant requests. The grant request was to the State of Alaska Department of Education and Early Development (DEED). Litigation resulted in settlements from Architect and Engineering professionals of \$970,000. The \$970,000 was received and recognized in fiscal year 2007. A settlement was reached with the prime contractors Bond and Liability insurance companies totaling \$3,100,000, and the Borough received this payout in December 2007. There is an estimated \$50,000 additional liability insurance claim due to wind and water damage incurred during construction. Total settlements are \$4,120,000. The School District and the Borough requested the Department of Education and Early Development (DEED) and the Alaska State Legislature to approve financial aid for this project under the 70-30 DEED grant program. The KGB received the DEED grant in September 2008. The KGB requested \$8,721,900 from the DEED and resulted in a 70% grant totaling \$6,105,330. KGB's 30% participation was funded by the School Bond/Capital Improvement Fund.

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 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 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 multiple-employer pension plan administered by the State of Alaska. Amounts paid to the PERS are actuarially determined on an annual basis and the Borough is responsible for the unfunded liability. 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.

All classified employees of the Ketchikan Gateway Borough School District participate in PERS. Amounts paid to PERS are actuarially determined on an annual basis and the School District is responsible for an unfunded pension liability.

In calendar year 2007, under Senate Bill 53, the State of Alaska contributed \$211,955 for pension and postemployment healthcare to the PERS plan on behalf of the Borough. The \$211,955 was allocated between the "defined benefits" and "defined contributions" pension plans. Defined benefits were allocated \$194,812 and \$17,143 was allocated to defined contributions. This payment was in addition to the amount that the Borough contributed. For financial statement purposes, the fiscal relief payment has been reported as intergovernmental revenue and PERS expenditures/expenses and is included in the amount reported as "contributions made" as noted below.

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

Ketchikan Gateway Borough has been awarded the Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended June 30, 2006 and 2007. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

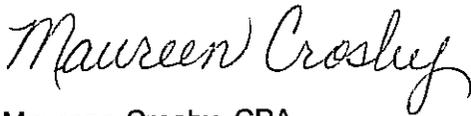
The preparation of the comprehensive annual financial report requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

Brenda Bjork
Soly Deleon
Charlanne Heath
Linda Keizer
Marva Lee Otos
Hazel Snapp
Pam Sma

Respectively submitted,



Michael J. Houts
Finance Director



Maureen Crosby, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ketchikan Gateway Borough
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Charles S. Cox

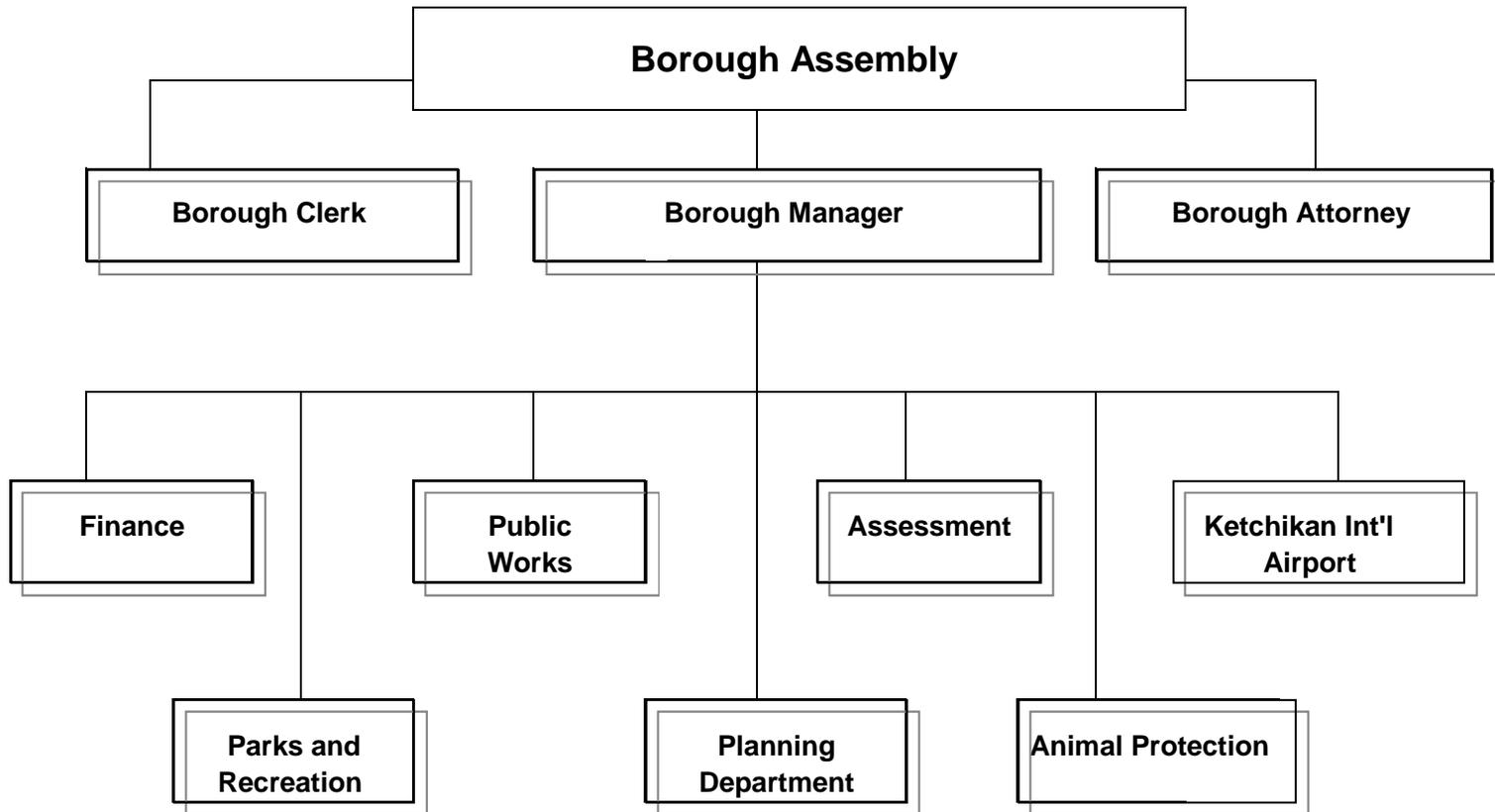
President

Jeffrey R. Emmer

Executive Director

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2007/2008



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2008

MAYOR AND ASSEMBLY

<i>Mayor</i>	Joe Williams
<i>Vice-Mayor</i>	David F. Landis
<i>Assembly Member</i>	John Harrington
<i>Assembly Member</i>	David Kiffer
<i>Assembly Member</i>	Mike Painter
<i>Assembly Member</i>	Mike Salazar
<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 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>	Harriett Edwards
<i>Director of Animal Protection</i>	Dave Otte
<i>Director of Assessment</i>	Dennis Finegan
<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



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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, 2008, 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, 2008, 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, and Economic Development Assistance Program Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008 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 17, 2008

KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2008

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, 2008. 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 \$148,089,469 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$122,005,896 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 \$5,186,620 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$20,896,953 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 \$19,751,041 this year. This compares to the prior year ending fund balance of \$12,899,537 showing an increase of \$6,851,504 during the current year. Unreserved fund balance of \$2,332,482 for fiscal year 2008 shows a \$6,184,970 increase from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,809,698, or 17.5% 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, and the Economic Development Assistance Program Fund, are presented as basic financial statements. There are no budgetary comparison statements for the State & Federal Grants Fund or for the Capital Projects Fund. State and Federal grants are not budgeted for, since funds are not normally appropriated by the agency until after the completion of the local budget process. Grants from other agencies are approved and accepted by the Assembly by resolution. Major Capital Projects are also not budgeted through the normal budget process because they are budgeted and approved by the Assembly when contracts are awarded.

The basic governmental fund financial statements are presented on pages 30 - 40 of this report.

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

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

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

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 45 of this report.

Other Supplementary Information

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

Financial Analysis of the Borough as a Whole

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

The Borough's net assets at fiscal year-end are \$148,089,469. The following table provides a summary of the Borough's net assets:

(This page continued on the subsequent page).

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current assets	\$ 34,038,008	28,956,943	1,299,826	1,005,431	35,337,834	29,962,374
Capital assets	131,801,389	134,781,651	21,653,737	22,313,941	153,455,126	157,095,592
Total assets	165,839,397	163,738,594	22,953,563	23,319,372	188,792,960	187,057,966
Liabilities:						
Current liabilities	7,247,964	10,427,915	3,828,032	3,445,177	11,075,996	13,873,092
Long-term liabilities	26,404,825	28,730,124	3,222,670	3,465,013	29,627,495	32,195,137
Total liabilities	33,652,789	39,158,039	7,050,702	6,910,190	40,703,491	46,068,229
Net assets:						
Invested in capital assets, net of debt	103,567,159	104,167,175	18,438,737	18,878,941	122,005,896	123,046,116
Restricted	4,801,620	4,326,398	385,000		5,186,620	4,326,398
Unrestricted	23,817,829	16,086,982	(2,920,876)	(2,469,759)	20,896,953	13,617,223
Total net assets	\$ 132,186,608	124,580,555	15,902,861	16,409,182	148,089,469	140,989,737

The largest component of the Borough's governmental total assets are invested in capital assets. Capital assets account for 79.5% of total assets and total net assets net of any related debt account for 78.4% 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 94.3% of its total assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for these funds. 81.3% of the Borough's total assets are included in capital assets. The Borough's total net assets in capital decreased by \$1,040,220 during fiscal year 2008. Net assets invested in capital assets for governmental activities decreased by \$600,016 and net assets invested in capital assets for business type activities decreased by \$440,204.

The current ratio for governmental activities is 4.69 to 1 and .34 to 1 for business type activities. This compares to 2.78 to 1 for governmental activities and .29 to 1 for business type activities for fiscal year 2007. The change in the current ratio for governmental activities is due mainly to the litigation settlement related to the Schoenbar Middle School construction project.

Changes in Net Assets

The Borough's net assets increased by \$7,099,732 in 2008. The net assets for governmental activities increased by \$7,606,053 and the net assets for business-type activities decreased by \$506,321. The following table provides a summary of the changes in the Borough's net assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program:						
Charges for services	\$ 4,385,681	\$ 4,251,490	\$ 4,373,495	\$ 3,980,301	\$ 8,759,176	\$ 8,231,791
Operating grants	498,425	2,007,935	152,035	62,188	650,460	2,070,123
Capital grants	4,059,938	2,981,744	8,685	640,921	4,068,623	3,622,665
General:						
Taxes	18,556,471	17,264,756	-	-	18,556,471	17,264,756
Other	6,117,082	3,949,737	96,969	21,797	6,214,051	3,971,534
Total revenues	<u>33,617,597</u>	<u>30,455,662</u>	<u>4,631,184</u>	<u>4,705,207</u>	<u>38,248,781</u>	<u>35,160,869</u>
Program Expenses:						
Administration	3,105,409	3,306,674	-	-	3,105,409	3,306,674
Fire and EMS	1,219,557	-	-	-	1,219,557	-
Library services	420,100	420,565	-	-	420,100	420,565
Parks and recreation	1,883,894	-	-	-	1,883,894	-
Public works	1,248,572	-	-	-	1,248,572	-
Public services	1,908,428	8,308,680	-	-	1,908,428	8,308,680
Transit	1,075,033	-	-	-	1,075,033	-
Automation	-	364,331	-	-	-	364,331
Education	13,522,531	13,321,747	-	-	13,522,531	13,321,747
Interest	1,405,115	1,613,241	-	-	1,405,115	1,613,241
Airport	-	-	4,312,540	4,599,434	4,312,540	4,599,434
Wastewater	-	-	890,038	1,073,625	890,038	1,073,625
Total expenses	<u>25,788,639</u>	<u>27,335,238</u>	<u>5,202,578</u>	<u>5,673,059</u>	<u>30,991,217</u>	<u>33,008,297</u>
Excess (deficiency)	7,828,958	3,120,424	(571,394)	(967,852)	7,257,564	2,152,572
Transfers	<u>(222,905)</u>	<u>(841,611)</u>	<u>222,905</u>	<u>841,611</u>	<u>-</u>	<u>-</u>
Change in net assets	7,606,053	2,278,813	(348,489)	(126,241)	7,257,564	2,152,572
Beginning net assets	124,580,555	122,301,742	16,409,182	16,535,423	140,989,737	138,837,165
Prior period adjustment	-	-	(157,832)	-	(157,832)	-
Ending net assets	<u>\$ 132,186,608</u>	<u>124,580,555</u>	<u>15,902,861</u>	<u>16,409,182</u>	<u>148,089,469</u>	<u>140,989,737</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 \$11.1 million of tax revenues or approximately 45.1% of the total general revenues. Sales taxes provided 27.7% of the Borough's total governmental tax revenues. The Borough recognized \$1,511,764 in investment earnings for fiscal year 2008. 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 34.6% of governmental operating expenses, which is a decrease of 0.9% over the prior year. This means that the government's taxpayers and the Borough's other general governmental revenues fund 65.4% 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 7.40% of our total costs. This function encompassed parks and recreation, public works, planning, animal protection, service area water and fire protection, and community education grants for fiscal year 2007. Parks and recreation, public works, and service area water and fire protection functions have been separated out for fiscal year 2008. The combined percent of costs for these functions that had been bundled together in fiscal year 2007 would account for 28.45% of our total costs. This is 1.95% less than the cost for public services for fiscal year 2008. Library services account for 1.63% of our total cost. 52.44% of our resources are used to fund the school district, which is a 3.74% increase from FY 07. Administration costs were 12.04% 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	\$ 3,105,409	12.04%	\$ 3,101,533	18.41%
Fire and EMS	1,219,557	4.73%	603,094	3.58%
Library services	420,100	1.63%	420,100	2.49%
Parks and Recreation	1,883,894	7.31%	1,421,975	8.44%
Public Works	1,248,572	4.84%	1,248,572	7.41%
Public services	1,908,428	7.40%	1,347,238	8.00%
Transit	1,075,033	4.17%	(776,827)	-4.61%
Education	13,522,531	52.44%	8,073,795	47.93%
Interest	1,405,115	5.45%	1,405,115	8.34%
Total	\$ 25,788,639	100%	\$ 16,844,595	100%

After reducing gross expenses by program revenues, the program costs exceeded program revenues for public services by \$1,347,238 or 8.0 % of the net cost of governmental services and education accounts for 47.93% of the net cost.

**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 increased by \$338,887 or 9.1% more than 2007, and operating expenses decreased by \$94,918 or 2.2%. The main component of the increase in revenues was as follows:

Revenue Source	Increase due to:	Increase
TSA reclass	Transportation Security Administration Law Enforcement Officer Reimbursement - now classified as a grant.	\$ (155,418)
Fuel flowage and other	Increase due to increased rates.	53,179
Landing Fees	Increase due to increased rates.	114,028
Ferry Fares	Increase due to increased ferry traffic due to road construction and runway projects at the airport.	<u>327,097</u>
		<u>\$ 338,886</u>

The overall operating expenses decreased by 2.2%. Personal services increased by a nominal amount and were consistent with the prior year. Supplies and services decreased by 1.9%. Insurance costs decreased nominally, and the calculated depreciation costs decreased over the previous fiscal year. An additional adjustment was made to the allowance for doubtful accounts for questionable receivables.

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 improved slightly during fiscal year 2008. The operating revenues of the WEF increased by \$21,043 or 3.5%. The operating expenses decreased by \$169,368 or 16.7%. This decrease is mainly due to a reduction in supplies and services. The operating loss for this fund decreased by \$190,411 or 45.5%. The improvement to the fund is due to additional customers on the system. A major State of Alaska road project on South Tongass Highway included sewer crossing to hookup residents on the ocean side of the highway.

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 \$19,751,041. Of this year-end total, \$2,332,482 is unreserved. Legally restricted fund balances (i.e., the reserved fund balances) include \$330,454 set aside for encumbrances carried forward, and other assets not available for current expenditure total \$17,088,105. Included in this amount is \$1,874,265 for loan guarantees and \$808,102 for a long-term note.

The total ending fund balances of governmental funds show an increase of \$6,851,504 a 53.1% over the prior year. This increase is primarily the result of the litigation settlement received for the Schoenbar Middle School project, the Commercial Passenger Vessel tax received from the State of Alaska, and increased grant revenues.

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 \$1,417,501, a 97.2% increase. The FY 08 budget under spent projected expenditures by \$454,536. A favorable variance in revenue collections and a favorable variance in expenditures increased the projected fund balance by \$1,417,501.

Property tax collections increased above fiscal year 2007 collections by \$545,363. Budgeted property tax revenues for 2008 compared to actual property tax collections were \$81,501 less than budgeted. The difference in the budgeted to actual relates to the collection process and to reclassifying delinquent property taxes from revenue to deferred revenue. Sales tax collections increased 8.8% over fiscal year 2007. 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 Energy Assistance of \$489,121 was received in fiscal year 2008. Senate Bill No. 53 provided temporary PERS relief to municipalities and \$134,868 of the total was recognized in the General Fund.

Overall, expenditures increased 2.7% from 2007 for public services. Most of this increase is due to a 10% increase in employee health care costs, and rising fuel prices. The payment to the school district was 11% lower than the appropriation for fiscal year 2007.

Land Trust Fund – During fiscal year 2008, proceeds were received for land sales in the amount of \$1,051,105. Charges for services, investment earnings, and miscellaneous revenue brought total revenues to \$1,250,933. The Land Trust Fund expended \$39,349 and \$3,600 in transfers was made. The net change in fund balance was a \$1,207,984 increase or 11.9%.

Economic Development Assistance Program Fund (EDAPF) – During fiscal year 2008, proceeds of \$197,500 were received for land sales and other revenues including taxes, charges for services, and investments earnings totaled \$370,587. The EDAPF expended \$321,615 for Public Services. Transfers Out of \$39,409 were for administrative fees to the General Fund. The net change in the fund balance was an increase of \$236,003 or 5.0%.

Capital Projects Fund – Construction continued on the Schoenbar Middle School and health and safety work was completed on several of the other schools within the District. Payments of \$2,005,976 were made on the Schoenbar Middle School project. Included in the payments made for the Schoenbar project were payments totaling \$861,886 for the completion of the Schoenbar kitchen. Payments of \$37,390 were made for school art for Fawn Mountain Elementary School. Payments of \$619,523 were made for health and safety projects on several schools and were paid for with proceeds from the \$1.1 million G.O. bond issuance of fiscal year 2006.

State & Federal Grants Fund – During fiscal year 2008, the Borough received \$1,659,965 in State and Federal grants. The Borough expended \$141,264 on public services and \$1,518,701 towards governmental capital projects. The majority of the State and Federal grant funds were expended on the new transit buses, and projects benefitting both the North and South Tongass Service Areas.

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 \$1,716,467 in sales tax revenue and \$2,059,731 in debt reimbursement revenues. This fund transferred out \$3,746,484 for G.O. bond principal and interest payments into Debt Service Funds, and \$114,974 was transferred to the General Fund for property insurance for school buildings. Transfers Out were approximately 49% less than FY07. The increase in FY07 was due to a one-time transfer to the Schoenbar Middle School construction project. According to Borough Code, the School Bond/Capital Improvements Fund can be used to pay for school building insurance. The ending fund balance increased by 154.6%.

The Proprietary Funds – The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Factors concerning

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

Budgetary Highlights

The General Fund – The revenue budget was not amended during this fiscal year. Total taxes collected were \$136,408 more than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$520,272 more than budgeted for intergovernmental revenues. In total, the Borough collected about 15.2% more than budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$654,900 during 2008. Budget amendments were made for the following departments or cost centers: Mayor and Assembly, Manager, Finance, Planning, Community Grants, Parks and Recreation, Public Works, and Education.

In total, the Borough under expended the total General Fund budget by \$454,536.

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, 2008, was \$131,801,389 and \$21,653,737 respectively. The total change in net book value of capital assets was a decrease of 2.2% for governmental and a 3% decrease for business-type activities. The overall change was a 2.9% decrease for the Borough as a whole. See Note 4-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

(This page continued on the subsequent page).

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Non-depreciable assets:						
Land	\$ 33,865,258	34,014,408	-	-	33,865,258	34,014,408
Ward Cove properties	2,396,370	2,396,370	-	-	2,396,370	2,396,370
Construction in progress	5,066,058	28,750,100	827,985	621,222	5,894,043	29,371,322
Total non-depreciable	41,327,686	65,160,878	827,985	621,222	42,155,671	65,782,100
Depreciable assets:						
Buildings and improvements	106,912,044	85,724,604	12,169,481	12,221,169	119,081,525	97,945,773
Vehicles, ferry and equipment	6,002,540	4,532,346	5,315,094	5,205,836	11,317,634	9,738,182
Wastewater assets	-	-	14,848,274	14,848,274	14,848,274	14,848,274
Infrastructure	3,733,089	3,733,089	-	-	3,733,089	3,733,089
Total depreciable assets	116,647,673	93,990,039	32,332,849	32,275,279	148,980,522	126,265,318
Less accumulated depreciation	26,173,970	24,369,266	11,507,097	10,582,560	37,681,067	34,951,826
Book value - depreciable assets	90,473,703	69,620,773	20,825,752	21,692,719	111,299,455	91,313,492
Percentage depreciated	22%	26%	36%	33%	25%	28%
Book value - all assets	\$ 131,801,389	134,781,651	21,653,737	22,313,941	153,455,126	157,095,592

At June 30, 2008, the depreciable capital assets for governmental activities were 22% depreciated. This is a 4% decrease over fiscal year 2007, which is a moderate decrease. 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 and for Mountain Point Wastewater projects.

With the Borough's business type activities, 36% of the asset values were depreciated at June 30, 2008 compared to 33% at June 30, 2007. The depreciation for FY 08 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 65.8% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2008 included the following:

- Four new Gillig buses were added to the Transit fleet. The four buses were capitalized for a total amount of \$1,302,713. The new buses were purchased with a FTA 5309 and FTA 5311 grant and with local matching funds.
- Preliminary work was begun on a new South Tongass Fire Station replacement. The preliminary work was capitalized at \$83,570 under general government construction in progress. This project is being funded with a State Legislative grant. The South Tongass Volunteer Fire Department also took final delivery of a 2008 F-550 Mini Pumper. This new fire vehicle was capitalized in the amount of \$150,666. The new mini pumper was funded through a State Legislative grant.

- Preliminary design work was begun for a new swimming pool. Design and engineering work was capitalized in the amount of \$37,283. This preliminary work was funded through the Recreation Sales Tax Fund.
- New carpeting was installed at the Gateway Recreation Center. The new carpeting was capitalized at cost of \$79,922 and was funded through the Recreation Sales Tax Fund.
- Construction was completed on North Tongass Fire and EMS Service Area's new fire stations. Station 6 was capitalized in the amount of \$608,979 and Station 8 was capitalized in the amount of \$913,422. North Tongass also continued construction on a Training Room at Station 8 and \$9,775 was capitalized under general government construction in progress. The Stations 6 and 8 were funded with North Tongass reserves, which included an Interfund Loan from the Land Trust Fund and State Legislative grants, and the Training Room was funded with a State Legislative grant. The North Tongass Volunteer Fire Department also installed "vehicle exhaust systems" in Station 6 and Station 8. The vehicle exhaust systems were capitalized at a total cost of \$76,111. The vehicle exhaust systems were funded through an Assistance to Firefighters grant.
- Construction continued on the Fawn Mountain Sports and Field Track and work completed during fiscal year 2008 was capitalized in the amount of \$11,355. This work was funded through the Recreation Capital Improvements Fund and partially with a State Legislative grant.
- Construction continued on South Tongass Water Improvements and \$102,965 was capitalized under general government construction in progress. This work was funded with two different State Legislative grants.
- Construction was completed on the Schoenbar Middle School project and \$21,365,811 was capitalized. The original Schoenbar project and the ensuing remediation were funded with G.O. bond proceeds, loans from the Land Trust Fund, Economic Development Assistance Program Fund, an internal transfer from the School Bond/Capital Improvements Fund, and with litigation settlement proceeds.
- A school health and safety project was completed and \$285,284 was capitalized under School Buildings. The completed project was funded with G.O. bond proceeds.
- School health and safety projects of \$225,442 that were not completed were capitalized under "school construction in progress." The four projects were funded with G.O. bond proceeds.

The Ketchikan International Airport and Wastewater Enterprise Funds had the following major projects during fiscal year 2008:

- Two new pickups were purchased and capitalized in the Airport Fund for a total amount of \$43,464. The majority of these new vehicles were paid for with the proceeds of surplus airport equipment that had been previously offered through sealed bid and sold. A "critical infrastructure lighting project" that was construction in progress in a previous fiscal year was determined to be substantially complete and was capitalized in the amount of \$86,438. This project was funded through a State Homeland Security grant.
- Work on Airport water and sewer improvements continued during fiscal year 2008 and \$289,854 was capitalized under construction in progress. This project was funded with contract construction funds from the Alaska Department of Transportation. The lump sum payment was received in conjunction with a "utility agreement" that was entered into with ADOT and was for the relocation of the airport water line.

- Work on Mountain Point sewer improvements continued and \$26,168 was capitalized under construction in progress. This continuing work was funded with reserves in 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 \$2,340,000 of its existing G.O. bonds. The Borough also retired \$220,000 of its outstanding revenue bonds.

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 27,290,000	29,630,000	-	-	27,290,000	29,630,000
Revenue bonds	-	-	3,215,000	3,435,000	3,215,000	3,435,000
Capital lease	260,062	296,538	-	-	260,062	296,538
Compensated absences	462,100	516,769	208,510	187,200	670,610	703,969
Net pension obligation	533,877	492,124	214,620	250,013	748,497	742,137
Unamortized bond premium premium	942,122	975,525	-	-	942,122	975,525
Unamortized loss on refunding	(257,954)	(287,587)	-	-	(257,954)	(287,587)
Total	\$ 29,230,207	31,623,369	3,638,130	3,872,213	32,868,337	35,495,582

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

Economic Conditions Affecting the Borough

Tourism activity increased slightly compared to the previous summer of 2007. There were 941,910 Cruise ship visitors in 2008 compared to 2007 of 899,638, a 5% increase.

An Economic Development Manager was added to the planning staff to: oversee the preparation of economic indicators, reports, grant applications, project descriptions and other economic development project proposals for submission to various groups such as the Borough Assembly, the Planning Liaison and Economic Development Advisory Committee (PLEDAC), and the Southeast Alaska Comprehensive Economic Development Strategies committee; assist in the processing of the Commercial Passenger Vessel fund allocations; plan and establish public relations/marketing campaigns; represent the Borough at economic and small business conventions, and coordinate local events as appropriate; serve as the Borough's

liaison to the public, conduct outreach, and facilitate public workshops, as well as provide advice to state and local officials regarding economic development needs; and work in concert with the Ketchikan Chamber of Commerce, Rotary, other community groups, and local, state, and federal agencies in pursuit of economic development.

The Commercial Passenger Vessel (CPV) Excise Tax 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 under AS 43.52.200 - 43.52.295. State law (AS 43.52.230(b)) prescribes the following limits on the use of CPV funds distributed by the State to the Ketchikan Gateway Borough: "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 \$2,083,000 in shared revenues from the State excise tax during FY 2009. Major projects include a downtown beautification program, a transit shuttle between Berth IV and the downtown core, and artwork placement in the main retail area.

The Borough annexed 4,510 square miles in FY2008 as approved by the State of Alaska Local Boundary Commission. The Borough will experience slight property and sales tax increases due to the expanded boundary. The major revenue impact will come in the form of National Forest Receipts and is estimated to be \$2.0 million. Congress has extended the federal program known as the "Secure Rural Schools and Community Self-Determination Act of 2000" for an additional four years.

A Lands Manager position will be added to the Borough planning staff and will be responsible for implementing the Borough's five year lands disposal program, identifying and marketing borough lands for development, and preparing and managing a Borough land's program. It is anticipated the position will generate significant revenue by both the sale of borough parcels and by placing Borough lands back on the tax role. This comprehensive responsibility will require categorizing lands for disposal, working with real estate brokers to market the property, and working in concert with the Planning Department for planned development insuring compliance with the Comprehensive Plan and growth management principals being developed. An anticipated result of the lands disposal strategy will be the creation of programs to provide local residents unique opportunities for land ownership. Other similar programs could be developed, providing for community participation in the disposal process. In addition to development, identifying lands appropriate for parks and recreation will be provided, working with local and regional groups to provide hiking, hunting and fishing, and other recreational activities on lands not suited for development due to topography, wetlands, or other undesirable conditions.

The ship dry dock maintenance service industry is continuing to supply over 100 full time and part time positions. The Alaska Marine Highway System (AMHS) recently moved their administrative offices to Ketchikan in 2004 initially supplying approximately 30 full time positions and subsequently increased to approximately 60 positions. The AMHS plans to install a permanent winter layup and maintenance facility at Wards Cove with the possibility of adding another 15 full time jobs.

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 344 Front Street, 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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 8,671,972	235,791	8,907,763	620,908
Restricted cash and investments	4,814,130	-	4,814,130	-
Receivables:				
Accounts	2,746,324	673,593	3,419,917	736,176
Taxes	4,817,944	-	4,817,944	-
Intergovernmental	163,631	-	163,631	-
Due from component unit	188,730	-	188,730	-
Primary government	-	-	-	1,964
Notes	808,102	-	808,102	-
Contracts	9,000,000	-	9,000,000	-
Internal	2,827,175	(2,827,175)	-	-
Inventory	-	-	-	27,449
Prepaid items	-	5,442	5,442	-
Noncurrent Assets				
Restricted cash and investments-bond reserve	-	385,000	385,000	-
Capital assets:				
Nondepreciable capital assets	41,327,686	827,986	42,155,672	845,879
Depreciable capital assets, net	90,473,703	20,825,751	111,299,454	-
Total Assets	<u>165,839,397</u>	<u>20,126,388</u>	<u>185,965,785</u>	<u>2,232,376</u>
Liabilities				
Current Liabilities				
Accounts payable	482,305	585,397	1,067,702	563,692
Accrued salaries and wages	9,271	-	9,271	347,877
Intergovernmental payable	3,132,378	-	3,132,378	-
Accrued interest payable	232,287	-	232,287	-
Due to primary government	-	-	-	188,730
Due to fiduciary funds	-	-	-	1,748
Deposits	242,316	-	242,316	-
Claims payable	300,151	-	300,151	-
Unearned revenue	23,874	-	23,874	-
Compensated absences payable	462,100	190,460	652,560	279,191
Termination benefits	-	-	-	94,004
Capital leases payable	38,282	-	38,282	-
General obligation bonds payable	2,325,000	-	2,325,000	-
Revenue bonds payable	-	225,000	225,000	-
Long-Term Liabilities				
Due in More Than One Year				
Net pension obligation	533,877	214,620	748,497	2,534,636
Compensated absences	-	18,050	18,050	-
Termination benefits	-	-	-	31,895
General obligation bonds payable	24,965,000	-	24,965,000	-
Premium on general obligation bonds	942,122	-	942,122	-
Deferred loss on refunding of general obligation bonds	(257,954)	-	(257,954)	-
Capital leases payable	221,780	-	221,780	-
Revenue bonds payable	-	2,990,000	2,990,000	-
Total Liabilities	<u>33,652,789</u>	<u>4,223,527</u>	<u>37,876,316</u>	<u>4,041,773</u>
Net Assets				
Invested in capital assets, net of related debt	103,567,159	18,438,737	122,005,896	845,879
Restricted:				
Airport projects	469,279	-	469,279	-
Projects related to commercial vessels	2,137,009	-	2,137,009	-
Bond reserve	-	385,000	385,000	-
Loan guarantees	1,874,265	-	1,874,265	-
Public services	321,067	-	321,067	-
Unrestricted (deficit)	<u>23,817,829</u>	<u>(2,920,876)</u>	<u>20,896,953</u>	<u>(2,655,276)</u>
Total Net Assets	<u>\$ 132,186,608</u>	<u>15,902,861</u>	<u>148,089,469</u>	<u>(1,809,397)</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2008

	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	\$ 3,105,409	-	3,876	-	(3,101,533)	-	(3,101,533)	-
Fire and EMS	1,219,557	360,311	14,024	242,128	(603,094)	-	(603,094)	-
Library services	420,100	-	-	-	(420,100)	-	(420,100)	-
Parks and recreation	1,883,894	458,064	-	3,855	(1,421,975)	-	(1,421,975)	-
Public works	1,248,572	-	-	-	(1,248,572)	-	(1,248,572)	-
Public services	1,908,428	405,626	-	155,564	(1,347,238)	-	(1,347,238)	-
Transit	1,075,033	140,721	480,525	1,230,614	776,827	-	776,827	-
Education	13,522,531	3,020,959	-	2,427,777	(8,073,795)	-	(8,073,795)	-
Interest	1,405,115	-	-	-	(1,405,115)	-	(1,405,115)	-
Total Governmental Activities	<u>25,788,639</u>	<u>4,385,681</u>	<u>498,425</u>	<u>4,059,938</u>	<u>(16,844,595)</u>	<u>-</u>	<u>(16,844,595)</u>	<u>-</u>
Business-Type Activities								
Airport	4,312,540	3,759,832	152,035	8,685	-	(391,988)	(391,988)	-
Wastewater	890,038	613,663	-	-	-	(276,375)	(276,375)	-
Total Business-Type Activities	<u>5,202,578</u>	<u>4,373,495</u>	<u>152,035</u>	<u>8,685</u>	<u>-</u>	<u>(668,363)</u>	<u>(668,363)</u>	<u>-</u>
Total - Primary Government	<u>30,991,217</u>	<u>8,759,176</u>	<u>650,460</u>	<u>4,068,623</u>	<u>(16,844,595)</u>	<u>(668,363)</u>	<u>(17,512,958)</u>	<u>-</u>
Component Unit								
Ketchikan Gateway Borough								
School District	\$ <u>35,351,636</u>	<u>173,627</u>	<u>4,707,843</u>	<u>-</u>				<u>(30,470,166)</u>
General Revenues								
Property taxes					11,133,400	-	11,133,400	-
Sales taxes					6,843,335	-	6,843,335	-
Payment in lieu of taxes					579,736	-	579,736	-
Grants and entitlements not restricted to specific programs					3,615,710	91,509	3,707,219	16,051,241
In-kind contribution from State					-	-	-	4,708,947
Primary government appropriation					-	-	-	7,950,174
Investment earnings					1,511,764	5,460	1,517,224	-
Gain on disposal of property					599,456	-	599,456	-
Miscellaneous					390,152	-	390,152	178,204
Total General Revenues					<u>24,673,553</u>	<u>96,969</u>	<u>24,770,522</u>	<u>28,888,566</u>
Transfers					<u>(222,905)</u>	<u>222,905</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>24,450,648</u>	<u>319,874</u>	<u>24,770,522</u>	<u>28,888,566</u>
Change in Net Assets					7,606,053	(348,489)	7,257,564	(1,581,600)
Net Assets Beginning of Year					124,580,555	16,409,182	140,989,737	(227,797)
Prior Period Adjustment					-	(157,832)	(157,832)	-
Net Assets End of Year					\$ <u>132,186,608</u>	<u>15,902,861</u>	<u>148,089,469</u>	<u>(1,809,397)</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2008

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Assets				
Cash and investments	\$ 1,219,376	119,681	645,480	996,008
Restricted cash and investments	-	-	-	2,191,716
Receivables:				
Accounts	482,680	47,298	524,837	1,042,611
Taxes	4,817,944	-	-	-
Due from component unit	188,730	-	-	-
Notes	-	808,102	-	-
Contracts	-	0	-	9,000,000
Interfund	-	2,126,976	-	-
Advances	-	8,215,445	-	1,700,000
Total Assets	<u>\$ 6,708,730</u>	<u>11,317,502</u>	<u>1,170,317</u>	<u>14,930,335</u>
Liabilities				
Accounts payable	\$ 295,399	6,336	-	49,975
Accrued expenditures	9,271	-	-	-
Intergovernmental payable	3,132,378	-	-	-
Interfund payable	-	-	-	-
Advances payable	-	-	-	-
Deposits	237,816	600	-	1,900
Deferred revenues	158,977	-	-	9,939,617
Total Liabilities	<u>3,833,841</u>	<u>6,936</u>	<u>-</u>	<u>9,991,492</u>
Fund Balances				
Reserved for:				
Accounts receivable	-	-	-	1,042,611
Advances to other funds	-	8,215,445	-	1,700,000
Airport projects	-	-	-	-
Projects related to commercial vessels	-	-	-	-
Encumbrances	65,191	38,284	-	1,087
IFA bond guarantee	-	-	-	1,535,000
KVB loan guarantee	-	-	-	339,265
Long-term loans	-	808,102	-	-
Designated for subsequent year expenditures	-	-	-	-
Unreserved, undesignated, (deficit) reported in:				
Capital projects funds	-	-	-	-
General fund	2,809,698	-	-	-
Special revenue funds	-	2,248,735	1,170,317	320,880
Total Fund Balances	<u>2,874,889</u>	<u>11,310,566</u>	<u>1,170,317</u>	<u>4,938,843</u>
Total Liabilities and Fund Balances	<u>\$ 6,708,730</u>	<u>11,317,502</u>	<u>1,170,317</u>	<u>14,930,335</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds, continued
Balance Sheet

	State & Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ -	3,406,807	1,587,383	7,974,735
Restricted cash and investments	-	-	2,622,414	4,814,130
Receivables:				
Accounts	163,631	-	648,898	2,909,955
Taxes	-	-	-	4,817,944
Due from component unit	-	-	-	188,730
Notes	-	-	-	808,102
Contracts	-	-	-	9,000,000
Interfund	-	-	-	2,126,976
Advances	-	-	-	9,915,445
Total Assets	\$ 163,631	3,406,807	4,858,695	42,556,017
Liabilities				
Accounts payable	\$ 4,798	51,095	74,702	482,305
Accrued expenditures	-	-	-	9,271
Intergovernmental payable	-	-	-	3,132,378
Interfund payable	158,833	-	3,443	162,276
Advances payable	-	7,700,000	965,094	8,665,094
Deposits	-	2,000	-	242,316
Deferred revenues	-	-	12,742	10,111,336
Total Liabilities	163,631	7,753,095	1,055,981	22,804,976
Fund Balances				
Reserved for:				
Accounts receivable	-	-	-	1,042,611
Advances to other funds	-	-	-	9,915,445
Airport projects	-	-	469,279	469,279
Projects related to commercial vessels	-	-	2,137,009	2,137,009
Encumbrances	122,935	68,992	33,965	330,454
IFA bond guarantee	-	-	-	1,535,000
KVB loan guarantee	-	-	-	339,265
Long-term loans	-	-	-	808,102
Designated for subsequent year expenditures	-	-	841,394	841,394
Unreserved, undesignated, (deficit) reported in:				
Capital projects funds	-	(4,415,280)	-	(4,415,280)
General fund	-	-	-	2,809,698
Special revenue funds	(122,935)	-	321,067	3,938,064
Total Fund Balances	-	(4,346,288)	3,802,714	19,751,041
Total Liabilities and Fund Balances	\$ 163,631	3,406,807	4,858,695	42,556,017

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances	\$	19,751,041
 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	\$ 157,975,359	
Less accumulated depreciation	<u>(26,173,970)</u>	131,801,389
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This consists of:		
Long-term note receivable for capital asset sold	9,000,000	
Long-term portion of interest receivable on note	939,616	
Deferred property taxes	<u>147,845</u>	10,087,461
 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.		
		(199,288)
 The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		208,499
 Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:		
Interfund receivables	(8,827,370)	
Interfund payables	<u>8,827,370</u>	-
 Accrued interest is not reported at the fund financial reporting level		
		(232,287)
 Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(27,290,000)	
Premium for GO bonds	(942,122)	
Deferred amount on refunding	257,954	
Capital lease payable	(260,062)	
Compensated absences	(462,100)	
Net pension obligation	<u>(533,877)</u>	<u>(29,230,207)</u>
 Net Assets Of Governmental Activities	 \$	 <u>132,186,608</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, 2008

	General	Land Trust	School Bond Capital Improvements	Economic Development Assistance Program
Revenues				
Taxes	\$ 13,050,183	-	1,716,467	50,813
Payments in lieu of taxes	16,634	-	-	-
Intergovernmental	2,760,272	-	2,059,731	-
Licenses and permits	26,800	-	-	-
Charges for services	781,690	26,388	-	139,708
Commercial vessel passenger tax	-	-	-	-
Investment earnings	184,000	152,695	8,765	172,966
Proceeds from sale of property	-	1,051,105	-	197,500
Miscellaneous	-	20,745	-	7,100
Total Revenues	<u>16,819,579</u>	<u>1,250,933</u>	<u>3,784,963</u>	<u>568,087</u>
Expenditures				
Current				
Administration	2,882,789	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Public services	966,898	39,349	3,140	321,615
Parks and recreation	1,656,144	-	-	-
Public works	1,203,440	-	-	-
Transit	1,022,749	-	-	-
Education	7,913,965	-	-	-
Nondepartmental	219,754	-	-	-
Capital Outlay	159,719	-	-	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>16,025,458</u>	<u>39,349</u>	<u>3,140</u>	<u>321,615</u>
Excess of Revenues Over (Under) Expenditures	<u>794,121</u>	<u>1,211,584</u>	<u>3,781,823</u>	<u>246,472</u>
Other Financing Sources (Uses)				
Settlement	-	-	-	-
Transfers in	694,029	-	790,400	28,940
Transfers out	(70,649)	(3,600)	(3,861,458)	(39,409)
Total Other Financing Sources (Uses)	<u>623,380</u>	<u>(3,600)</u>	<u>(3,071,058)</u>	<u>(10,469)</u>
Net Change in Fund Balances	1,417,501	1,207,984	710,765	236,003
Fund Balances (Deficits) Beginning of Year	<u>1,457,388</u>	<u>10,102,582</u>	<u>459,552</u>	<u>4,702,840</u>
Fund Balances (Deficits) End of Year	\$ <u>2,874,889</u>	<u>11,310,566</u>	<u>1,170,317</u>	<u>4,938,843</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

	<u>State & Federal Grants</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ -	-	3,118,427	17,935,890
Payments in lieu of taxes	-	-	-	16,634
Intergovernmental	1,659,965	-	12,624	6,492,592
Licenses and permits	-	-	-	26,800
Charges for services	-	-	389,929	1,337,715
Commercial vessel passenger tax	-	-	2,244,585	2,244,585
Investment earnings	-	28,891	65,168	612,485
Proceeds from sale of property	-	-	-	1,248,605
Miscellaneous	-	-	362,514	390,359
Total Revenues	<u>1,659,965</u>	<u>28,891</u>	<u>6,193,247</u>	<u>30,305,665</u>
Expenditures				
Current				
Administration	-	-	-	2,882,789
Library services	-	-	420,100	420,100
Fire and EMS	-	-	978,225	978,225
Public services	141,264	-	247,902	1,720,168
Parks and recreation	-	-	-	1,656,144
Public works	-	-	-	1,203,440
Transit	-	-	-	1,022,749
Education	-	209,089	-	8,123,054
Nondepartmental	-	-	-	219,754
Capital Outlay	1,518,701	2,453,800	174,822	4,307,042
Debt Service				
Principal retirement	-	-	2,376,476	2,376,476
Interest and fiscal charges	-	-	1,421,315	1,421,315
Total Expenditures	<u>1,659,965</u>	<u>2,662,889</u>	<u>5,618,840</u>	<u>26,331,256</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,633,998)</u>	<u>574,407</u>	<u>3,974,409</u>
Other Financing Sources (Uses)				
Settlement	-	3,100,000	-	3,100,000
Transfers in	-	-	3,833,848	5,347,217
Transfers out	-	-	(1,595,006)	(5,570,122)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,100,000</u>	<u>2,238,842</u>	<u>2,877,095</u>
Net Change in Fund Balances	-	466,002	2,813,249	6,851,504
Fund Balances (Deficits) Beginning of Year	<u>-</u>	<u>(4,812,290)</u>	<u>989,465</u>	<u>12,899,537</u>
Fund Balances (Deficits) End of Year	<u>\$ -</u>	<u>(4,346,288)</u>	<u>3,802,714</u>	<u>19,751,041</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, 2008*

Net Changes In Fund Balances - Total Governmental Funds		\$ 6,851,504
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	(2,577,176)	
Capital outlay	<u>4,259,116</u>	1,681,940
The book value of capital assets relating to the disposition is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		(1,562,201)
Settlement received offsets the cost of related capital assets.		(3,100,000)
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 \$65,034 credited to governmental funds is decreased by the portion of the gain credited to the enterprise funds.		403,364
Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the funds.		
Increase in deferred property taxes	40,845	
Increase in deferred interest receivable on long-term loans	<u>885,009</u>	925,854
Elimination of transfers between governmental funds:		
Transfers in	(5,347,217)	
Transfers out	<u>5,347,217</u>	-
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 @ 06/30/08	(232,287)	
Liability @ 06/30/07	<u>244,717</u>	12,430
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	36,476	
Decrease in deferred loss on refunding of bonds	(29,633)	
Decrease in unamortized bond premium	33,403	
Payments on bonds	<u>2,340,000</u>	2,380,246
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 @ 06/30/08	(462,100)	
Liability @ 06/30/07	<u>516,769</u>	54,669
Net pension obligation		
Liability @ 06/30/08	(533,877)	
Liability @ 06/30/07	<u>492,124</u>	<u>(41,753)</u>
Change In Net Assets of Governmental Activities		\$ <u>7,606,053</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, 2008

	2008			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 12,913,775	12,913,775	13,050,183	136,408
Payments in lieu of taxes	5,000	5,000	16,634	11,634
Licenses and permits	35,000	35,000	26,800	(8,200)
Intergovernmental	2,240,000	2,240,000	2,760,272	520,272
Charges for services	797,200	797,200	781,690	(15,510)
Investment earnings	150,000	150,000	184,000	34,000
Total Revenues	<u>16,140,975</u>	<u>16,140,975</u>	<u>16,819,579</u>	<u>678,604</u>
Expenditures				
Current				
Administration	2,741,403	2,874,903	2,882,789	(7,886)
Public services	975,155	1,085,755	966,898	118,857
Parks and recreation	1,505,555	1,627,555	1,656,144	(28,589)
Public works	1,328,053	1,343,053	1,203,440	139,613
Transit - bus system	974,732	974,732	1,022,749	(48,017)
Nondepartmental	370,996	370,996	219,754	151,242
Education	7,800,000	8,030,000	7,913,965	116,035
Capital Outlay	<u>173,000</u>	<u>173,000</u>	<u>159,719</u>	<u>13,281</u>
Total Expenditures	<u>15,868,894</u>	<u>16,479,994</u>	<u>16,025,458</u>	<u>454,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>272,081</u>	<u>(339,019)</u>	<u>794,121</u>	<u>1,133,140</u>
Other Financing Sources (Uses)				
Transfers in	704,055	704,055	694,029	(10,026)
Transfers out	(34,440)	(34,440)	(70,649)	(36,209)
Total Other Financing Sources (Uses)	<u>669,615</u>	<u>669,615</u>	<u>623,380</u>	<u>(46,235)</u>
Net Change in Fund Balance	\$ <u>941,696</u>	<u>330,596</u>	1,417,501	<u>1,086,905</u>
Fund Balance Beginning of Year			<u>1,457,388</u>	
Fund Balance End of Year			\$ <u>2,874,889</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, 2008

	2008			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Charges for services	\$ -	-	26,388	26,388
Investment earnings	269,834	269,834	152,695	(117,139)
Proceeds from sale of property	50,000	50,000	1,051,105	1,001,105
Miscellaneous	-	-	20,745	20,745
Total Revenues	<u>319,834</u>	<u>319,834</u>	<u>1,250,933</u>	<u>931,099</u>
Expenditures				
Current				
Public services	<u>60,000</u>	<u>60,000</u>	<u>39,349</u>	<u>20,651</u>
Excess of Revenues Over Expenditures	259,834	259,834	1,211,584	951,750
Other Financing (Uses)				
Transfers out	<u>(3,600)</u>	<u>(3,600)</u>	<u>(3,600)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>256,234</u>	<u>256,234</u>	1,207,984	<u>951,750</u>
Fund Balance Beginning of Year			<u>10,102,582</u>	
Fund Balance End of Year			\$ <u>11,310,566</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, 2008

	2008			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,565,500	1,565,500	1,716,467	150,967
Intergovernmental	2,069,365	2,069,365	2,059,731	(9,634)
Investment earnings	<u>31,000</u>	<u>31,000</u>	<u>8,765</u>	<u>(22,235)</u>
Total Revenues	3,665,865	3,665,865	3,784,963	119,098
Expenditures				
Current				
Public services	<u>5,000</u>	<u>5,000</u>	<u>3,140</u>	<u>1,860</u>
Excess of Revenues Over Expenditures	<u>3,660,865</u>	<u>3,660,865</u>	<u>3,781,823</u>	<u>120,958</u>
Other Financing Sources (Uses)				
Transfers in	790,400	790,400	790,400	-
Transfers out	<u>(3,871,636)</u>	<u>(3,871,636)</u>	<u>(3,861,458)</u>	<u>10,178</u>
Total Other Financing Sources (Uses)	<u>(3,081,236)</u>	<u>(3,081,236)</u>	<u>(3,071,058)</u>	<u>10,178</u>
Net Change in Fund Balance	\$ <u>579,629</u>	<u>579,629</u>	710,765	<u>131,136</u>
Fund Balance Beginning of Year			<u>459,552</u>	
Fund Balance End of Year		\$	<u>1,170,317</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, 2008

	2008			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 40,000	40,000	50,813	10,813
Charges for services	37,248	37,248	139,708	102,460
Proceeds from sale of property	11,000,000	11,000,000	197,500	(10,802,500)
Miscellaneous revenue	-	-	7,100	7,100
Investment earnings	<u>165,955</u>	<u>165,955</u>	<u>172,966</u>	<u>7,011</u>
Total Revenues	<u>11,243,203</u>	<u>11,243,203</u>	<u>568,087</u>	<u>(10,675,116)</u>
Expenditures				
Current				
Public services	<u>254,013</u>	<u>319,913</u>	<u>321,615</u>	<u>(1,702)</u>
Excess of Revenues Over Expenditures	<u>10,989,190</u>	<u>10,923,290</u>	<u>246,472</u>	<u>(10,676,818)</u>
Other Financing Sources (Uses)				
Transfers in	28,939	28,939	28,940	1
Transfers out	<u>(39,409)</u>	<u>(39,409)</u>	<u>(39,409)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>10,978,720</u>	<u>10,912,820</u>	236,003	<u>(10,676,817)</u>
Fund Balance Beginning of Year			<u>4,702,840</u>	
Fund Balance End of Year			\$ <u>4,938,843</u>	

See accompanying notes to the basic financial statements.



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Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Net Assets
June 30, 2008

	<u>Business-type Activities</u>			Governmental
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	Activities - Internal Service Funds
Assets				
Current Assets				
Cash and investments	\$ -	235,791	235,791	697,237
Accounts receivable	602,910	70,683	673,593	-
Prepaid items	<u>5,442</u>	<u>-</u>	<u>5,442</u>	<u>-</u>
Total Current Assets	<u>608,352</u>	<u>306,474</u>	<u>914,826</u>	<u>697,237</u>
Noncurrent Assets				
Restricted cash and investments-bond reserve	385,000	-	385,000	-
Capital Assets				
Nondepreciable	521,585	306,401	827,986	-
Depreciable, net	<u>8,351,728</u>	<u>12,474,023</u>	<u>20,825,751</u>	<u>-</u>
Total Noncurrent Assets	<u>9,258,313</u>	<u>12,780,424</u>	<u>22,038,737</u>	<u>-</u>
Total Assets	<u>9,866,665</u>	<u>13,086,898</u>	<u>22,953,563</u>	<u>697,237</u>
Liabilities				
Current Liabilities				
Accounts payable	539,991	45,406	585,397	-
Interfund advances payable	41,542	80,867	122,409	-
Interfund payable	1,368,324	-	1,368,324	596,374
Compensated absences payable	190,460	-	190,460	-
Revenue bonds payable	225,000	-	225,000	-
Claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,151</u>
Total Current Liabilities	<u>2,365,317</u>	<u>126,273</u>	<u>2,491,590</u>	<u>896,525</u>
Long-Term Liabilities				
Compensated absences payable (net of current portion)	18,050	-	18,050	-
Net pension obligation	214,620	-	214,620	-
Interfund advances payable (net of current portion)	333,536	794,406	1,127,942	-
Revenue bonds payable (net of current portion)	<u>2,990,000</u>	<u>-</u>	<u>2,990,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>3,556,206</u>	<u>794,406</u>	<u>4,350,612</u>	<u>-</u>
Total Liabilities	<u>5,921,523</u>	<u>920,679</u>	<u>6,842,202</u>	<u>896,525</u>
Net Assets				
Invested in capital assets, net of related debt	5,658,313	12,780,424	18,438,737	-
Restricted for bond reserve	385,000	-	385,000	-
Unrestricted (deficit)	<u>(2,098,171)</u>	<u>(614,205)</u>	<u>(2,712,376)</u>	<u>(199,288)</u>
Total Net Assets - Fund Level	\$ <u>3,945,142</u>	<u>12,166,219</u>	16,111,361	<u>(199,288)</u>
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities.			<u>(208,500)</u>	
Total Net Assets - Government-wide Statement of Net Assets			\$ <u>15,902,861</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, 2008

	Business-type Activities			Governmental Activities - Internal Service Funds
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	
Operating Revenues				
Charges for services	\$ 3,726,568	613,663	4,340,231	4,303,482
Operating Expenses				
Personal services	2,384,861	131,843	2,516,704	-
Supplies and services	995,214	249,182	1,244,396	-
Insurance	213,141	1,384	214,525	-
Administration	-	-	-	846,622
Claims	-	-	-	3,041,882
Depreciation	563,373	459,316	1,022,689	-
Total Operating Expenses	<u>4,156,589</u>	<u>841,725</u>	<u>4,998,314</u>	<u>3,888,504</u>
Operating Income (Loss)	<u>(430,021)</u>	<u>(228,062)</u>	<u>(658,083)</u>	<u>414,978</u>
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(180,078)	(50,068)	(230,146)	-
Gain on sale of capital assets	33,264	-	33,264	-
Investment earnings	-	5,460	5,460	14,270
Operating grants	240,425	-	240,425	-
Total Non-Operating Revenues (Expenses)	<u>93,611</u>	<u>(44,608)</u>	<u>49,003</u>	<u>14,270</u>
Income (Loss) before Capital Contributions and Transfer	(336,410)	(272,670)	(609,080)	429,248
Capital contributions	11,805	-	11,805	-
Transfers in	385,295	65,694	450,989	-
Transfers out	(197,595)	(30,489)	(228,084)	-
Change in Net Assets	(136,905)	(237,465)	(374,370)	429,248
Net Assets (Deficit) Beginning of Year	<u>4,239,879</u>	<u>12,403,684</u>		<u>(628,536)</u>
Prior Period Adjustment	<u>(157,832)</u>	<u>-</u>	<u>(157,832)</u>	<u>-</u>
Net Assets (Deficit) End of Year	\$ <u>3,945,142</u>	<u>12,166,219</u>		<u>(199,288)</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>25,881</u>	
Change in net assets of business-type activities.			\$ <u>(506,321)</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, 2008

	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	\$ 3,836,241	595,429	4,431,670	4,303,482
Cash payments to employees for services	(2,398,944)	(131,843)	(2,530,787)	-
Cash payments for goods and services	(800,680)	(427,396)	(1,228,076)	(846,622)
Cash payments for claims	-	-	-	(3,286,797)
Net Cash Provided by (Used in) Operating Activities	<u>636,617</u>	<u>36,190</u>	<u>672,807</u>	<u>170,063</u>
Cash Flows from Noncapital Financing Activities				
Interfund advances	169,417	-	169,417	-
Transfers in	385,295	65,694	450,989	-
Transfers out	(197,595)	(30,489)	(228,084)	-
Net Cash (Used in) Noncapital Financing Activities	<u>357,117</u>	<u>35,205</u>	<u>392,322</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	33,264	-	33,264	-
Operating grant	240,425	-	240,425	-
Capital grant	11,805	-	11,805	-
Principal paid on revenue bonds	(220,000)	-	(220,000)	-
Interest paid on revenue bonds	(180,078)	(50,068)	(230,146)	-
Payments for capital acquisitions	(336,318)	(26,167)	(362,485)	-
Prior period adjustment	(157,832)	-	(157,832)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(608,734)</u>	<u>(76,235)</u>	<u>(684,969)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	-	5,460	5,460	14,270
Net Increase in Cash and Cash Equivalents	385,000	620	385,620	184,333
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>235,171</u>	<u>235,171</u>	<u>512,904</u>
Cash and Cash Equivalents End of Year	<u>\$ 385,000</u>	<u>235,791</u>	<u>620,791</u>	<u>697,237</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, 2008

(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)	\$ (430,021)	(228,062)	(658,083)	414,978
Adjustments:				
Depreciation	563,373	459,316	1,022,689	-
(Increase) Decrease in Assets:				
Accounts receivable	109,673	(18,234)	91,439	-
Prepaid items	(214)	-	(214)	-
Increase (Decrease) in Liabilities:				
Accounts payable	447,357	(100,213)	347,144	-
Interfund advances payable	(39,468)	(76,617)	(116,085)	-
Compensated absences payable	21,310	-	21,310	-
Net pension obligation	(35,393)	-	(35,393)	-
Claims payable	-	-	-	(244,915)
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>636,617</u>	<u>36,190</u>	<u>672,807</u>	<u>170,063</u>

See accompanying notes to the basic financial statements.



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NOTES TO THE BASIC
FINANCIAL STATEMENTS

Ketchikan Gateway Borough, Alaska
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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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.

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.

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

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

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

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

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

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

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

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, 2008.

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 an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Borough maintains a capitalization threshold of five thousand dollars for capital assets, and fifty thousand dollars for infrastructure. The Borough's infrastructure consists of roads, bridges, airport runways, and water and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

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

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.

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

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

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

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums, discounts, and bond issuance costs are deferred and amortized over the life of the bonds using the 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.

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

1-E-13 Contributions of Capital

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

1-E-14 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

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

1-E-15 Estimates

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

1-E-16 Comparative Data

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

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, 2008, 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.

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

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.

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.

3-B. Excess of Expenditures over Appropriations

The following individual funds had an excess of expenditures over appropriations at June 30, 2008:

Economic Development Assistance Program Fund	\$	1,702
Homestead Special Assessment Fund		3,056
Mud Bight Service Area Fund		8,705

3-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2008:

Capital Projects Fund	\$	4,346,288
Gold Nugget Special Assessment Area Fund		3,543
Homestead Special Assessment Area Fund		694
North Tongass Fire & EMS Service Area Fund		878,155

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, 2008 are as follows:

		Cash on hand	\$	2,950
		Deposits with financial institutions		8,259,983
		Investments		5,843,960
			\$	<u>14,106,893</u>
		Governmental		Business-type
		Activities		Activities
		<u> </u>		<u> </u>
Unrestricted	\$	8,671,972		235,791
Restricted		<u>4,814,130</u>		<u>385,000</u>
Total	\$	<u>13,486,102</u>		<u>620,791</u>
				<u>14,106,893</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 \$100,000 and collateralized with eligible securities to secure at least 100 percent of the book value of deposits. As of June 30, 2008, the book value of all the Borough’s deposits was \$8,662,028. 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, 2008 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. As of June 30, 2008, the Borough had investments in money market funds totaling \$1,777,425. 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, 2008, 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.

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	\$ 1,777,425	1,777,425	-	2.10
Fixed Income	3,211,020	-	3,211,020	
Equities	805,458	805,458	-	
Tangible Assets	50,057	50,057	-	
Total Investments	\$ 5,843,960	2,632,940	3,211,020	

4-B. Receivables

Receivables at June 30, 2008, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the Borough’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

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

Receivables as of yearend 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	
Receivables:					
Accounts	\$ 482,680	47,298	-	1,042,611	
Intergovernmental	-	-	524,837	-	
Taxes	5,007,431	-	-	-	
Due from component unit	188,730	-	-	-	
Notes	-	808,102	-	-	
Contracts	-	-	-	9,000,000	
Total receivables	<u>5,678,841</u>	<u>855,400</u>	<u>524,837</u>	<u>10,042,611</u>	
Allowance for doubtful accounts	<u>(189,487)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net receivables	<u>\$ 5,489,354</u>	<u>855,400</u>	<u>524,837</u>	<u>10,042,611</u>	

	State & Federal Grants	Nonmajor Governmental	Wastewater Enterprise	Airport Enterprise	Totals
Accounts	\$ -	675,235	210,144	630,972	3,088,940
Intergovernmental	163,631	-	-	-	688,468
Taxes	-	16,789	-	-	5,024,220
Due from component unit	-	-	-	-	188,730
Notes	-	-	-	-	808,102
Contracts	-	-	-	-	9,000,000
Total receivables	<u>163,631</u>	<u>692,024</u>	<u>210,144</u>	<u>630,972</u>	<u>18,798,460</u>
Allowance for doubtful accounts	<u>-</u>	<u>(43,126)</u>	<u>(139,461)</u>	<u>(28,062)</u>	<u>(400,136)</u>
Net receivables	<u>\$ 163,631</u>	<u>648,898</u>	<u>70,683</u>	<u>602,910</u>	<u>18,398,324</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 \$4,847.84. The terms of the receivable allocate \$2,205.58 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 \$4,720.53. The receivable balance at June 30, 2008 is \$808,102. In the event of a default of the development project, the value of the improvements would exceed the loan value.

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

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

		Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$	135,103	-
Title II Forest Receipts - (General Fund)		-	23,874
Contract receivable - (Economic Development Fund)		9,000,000	-
Interest receivable - (Economic Development Fund)		939,616	-
Delinquent propperty taxes receivable (Nonmajor Funds)		12,742	-
Total deferred/unearned revenue for governmental funds	\$	10,087,461	23,874

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, 2008, was as follows:

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

	Balance 7/1/2007	Additions	Deductions	Balance 6/30/2008
Governmental activities:				
Nondepreciable capital assets:				
Land - Borough	\$ 26,616,965	-	149,150	26,467,815
Land - Ward Cove	879,100	-	-	879,100
Buildings/Impr. - Ward Cove	1,514,345	-	-	1,514,345
Ward Cove - Tymatt Property	2,925	-	-	2,925
Land - School	7,397,443	-	-	7,397,443
Construction in progress - Borough	6,098,334	233,593	1,620,340	4,711,587
Construction in progress - School	22,651,766	241,233	22,538,528	354,471
	<u>65,160,878</u>	<u>474,826</u>	<u>24,308,018</u>	<u>41,327,686</u>
Total nondepreciable capital assets				
Depreciable capital assets:				
Buildings - School	76,758,259	21,651,095	2,161,959	96,247,395
Buildings - Borough	8,966,345	1,698,304	-	10,664,649
Equipment	3,760,070	191,044	23,563	3,927,551
Equipment - Ward Cove	6,995	-	-	6,995
Infrastructure	3,733,089	-	-	3,733,089
Transit - Buses	765,281	1,302,713	-	2,067,994
	<u>93,990,039</u>	<u>24,843,156</u>	<u>2,185,522</u>	<u>116,647,673</u>
Total depreciable capital assets				
Total cost of capital assets	159,150,917	25,317,982	26,493,540	157,975,359
Accumulated depreciation:				
Buildings - School	18,330,717	226,699	-	18,557,416
Buildings - Borough	1,814,879	1,800,308	748,907	2,866,280
Equipment	1,638,516	279,916	23,564	1,894,868
Infrastructure	1,886,875	210,987	-	2,097,862
Transit - Buses	698,279	59,265	-	757,544
	<u>24,369,266</u>	<u>2,577,175</u>	<u>772,471</u>	<u>26,173,970</u>
Total accumulated depreciation				
Governmental activities capital assets, net	\$ <u>134,781,651</u>	<u>22,740,807</u>	<u>25,721,069</u>	<u>131,801,389</u>

Governmental activities depreciation:

Administration	\$ 39,242
Education	1,800,308
Fire and EMS	184,808
Parks and Recreation	233,072
Public Service	193,338
Public Works	67,142
Transit	<u>59,265</u>
Total governmental activities depreciation expense	\$ <u>2,577,175</u>

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

	Balance 7/1/2007	Additions	Deductions	Balance 6/30/2008
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ <u>621,222</u>	<u>316,021</u>	<u>109,258</u>	<u>827,985</u>
Depreciable capital assets:				
Field	3,430,989	46,464	98,152	3,379,301
Terminal building	8,790,180	-	-	8,790,180
Ferry	4,997,036	109,258	-	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	-	-	13,361,057
Forest Park wastewater	<u>32,700</u>	<u>-</u>	<u>-</u>	<u>32,700</u>
Total depreciable capital assets	<u>32,275,279</u>	<u>155,722</u>	<u>98,152</u>	<u>32,332,849</u>
Total capital assets	<u>32,896,501</u>	<u>471,743</u>	<u>207,410</u>	<u>33,160,834</u>
Accumulated depreciation:				
Field	2,318,975	92,650	98,153	2,313,472
Terminal building	3,975,132	236,205	-	4,211,337
Ferry	2,215,604	224,620	-	2,440,224
Murphy's landing	157,914	9,900	-	167,814
Sludge/compost	199,155	86,120	-	285,275
Wastewater	116,988	21,904	-	138,892
Mountain Point wastewater	1,576,321	349,983	-	1,926,304
Forest Park wastewater	<u>22,471</u>	<u>1,308</u>	<u>-</u>	<u>23,779</u>
Total accumulated depreciation	<u>10,582,560</u>	<u>1,022,690</u>	<u>98,153</u>	<u>11,507,097</u>
Business-type activities capital assets, net	\$ <u>22,313,941</u>	<u>(550,947)</u>	<u>109,257</u>	<u>21,653,737</u>

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

Capital Projects – At June 30, 2008, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$65,191; as well as \$73,153 for the enterprise funds; \$73,337 for special revenue funds, \$122,935 for State and Federal Grants; and \$68,992 for capital projects funds, which are included in the encumbrance balances, reported for the major and non-major special revenue and capital projects funds.

4-E. Interfund Balances and Transfers

Interfund balances at June 30, 2008, 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	Capital Projects Fund
	\$		
Land Trust Fund-Interfund Payable	158,833	3,443	-
Land Trust Fund-Advances Payable	-	965,094	7,700,000
Total	\$ 158,833	968,537	7,700,000

Payable to:	Payable From:			
	Airport Enterprise Fund	Wastewater Enterprise Fund	Internal Service Fund	Total
	\$			
Land Trust Fund-Interfund Payable	1,368,326	-	596,374	2,126,976
Land Trust Fund-Advances Payable	375,078	875,273	-	9,915,445
Total	\$ 1,743,404	875,273	596,374	12,042,421

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

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfers From:			
	General Fund	Land Trust Special Revenue Fund	School Bond Capital Improve. Special Revenue Fund	Economic Development Assistance Program Special Revenue Fund
General Fund	\$ -	3,600	114,974	4,620
School Bond Capital Improvements	-	-	-	-
Economic Development	28,940	-	-	-
Non-Major Governmental	36,209	-	-	-
Debt Service	-	-	3,746,484	-
Airport Fund	5,500	-	-	-
Wastewater Fund	-	-	-	34,789
	<u>\$ 70,649</u>	<u>3,600</u>	<u>3,861,458</u>	<u>39,409</u>

Transfer To	Transfers From:			Total
	Non-Major Governmental Special Revenue Funds	Airport Enterprise Fund	Wastewater Enterprise Fund	
General Fund	\$ 372,059	168,287	30,489	694,029
School Bond Capital Improvements	790,400	-	-	790,400
Economic Development	-	-	-	28,940
Non-Major Governmental	-	-	-	36,209
Debt Service	51,155	-	-	3,797,639
Airport Fund	379,795	-	-	385,295
Wastewater Fund	1,597	29,308	-	65,694
	<u>\$ 1,595,006</u>	<u>197,595</u>	<u>30,489</u>	<u>5,798,206</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

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

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

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

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, 2008. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2008 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, 2008, 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
2009	\$ 35,542	6,464	28,182
2010	27,416	6,464	28,182
2011	27,416	6,464	28,182
2012	27,416	6,464	28,182
2013	27,415	6,464	28,182
2014-2018	137,080	32,320	140,910
2019-2023	27,416	32,320	28,182
2024-2025	-	12,928	-

4-H. Long-Term Debt

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

Borough General Obligation Bonds, 1999 Series - General obligation bonds, Series 1999, denominations of \$5,000, dated December 1, 1999, total issue \$7,560,000. The bond proceeds were used to construct school facilities. Interest rates range from 4.75% to 5.65%. The bonds mature June 30, 2009. Annual debt service requirements to amortize all obligations outstanding, as of June 30, 2008 follow:

Fiscal Year	Principal	Interest	Total
2009	<u>\$ 370,000</u>	<u>18,500</u>	<u>388,500</u>

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

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, 2008 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 420,000	355,600	775,600
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
2014-2018	3,000,000	893,250	3,893,250
2019-2020	<u>1,440,000</u>	<u>119,550</u>	<u>1,559,550</u>
Total	<u>\$ 6,760,000</u>	<u>2,569,565</u>	<u>9,329,565</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, 2008 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 375,000	313,711	688,711
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
2014-2018	2,400,000	964,730	3,364,730
2019-2023	<u>2,985,000</u>	<u>365,068</u>	<u>3,350,068</u>
Total	<u>\$ 7,390,000</u>	<u>2,742,029</u>	<u>10,132,029</u>

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, 2008 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,060,000	581,850	1,641,850
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
2014-2018	5,395,000	1,357,250	6,752,250
2019-2020	<u>1,930,000</u>	<u>137,025</u>	<u>2,067,025</u>
Total	\$ <u>11,855,000</u>	<u>4,007,725</u>	<u>15,862,725</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, 2008 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 100,000	36,600	136,600
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
2014-2016	<u>375,000</u>	<u>50,000</u>	<u>425,000</u>
Total	\$ <u>915,000</u>	<u>\$ 191,200</u>	<u>1,106,200</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, 2008, \$4,945,000 of bonds outstanding is considered defeased.

Borough Revenue Bonds - In August 2001, the Borough issued revenue bonds totaling \$4,250,000 to finance construction of a new airport ferry and for renovations to the airport terminal. Passenger facilities charges, which were initiated in 1999, are providing the revenue stream for repaying this bonded debt. Revenue bonds outstanding at June 30, 2008 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>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 225,000	149,451	374,451
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
2014-2018	1,600,000	299,063	1,899,063
2019	<u>370,000</u>	<u>9,395</u>	<u>379,395</u>
Total	\$ <u>3,215,000</u>	<u>942,966</u>	<u>4,157,966</u>

Compliance with Bond Covenants: The 2001 airport revenue bonds require that the Borough account for passenger facility charges (PFC) from airlines in a separate PFC fund that will have a minimum of \$75,000 in available revenue. This requirement was met at June 30, 2008. 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	\$ 309,313
PFC revenues	370,164
Debt services requirement of the 2001 revenue bonds x 1.1	<u>(417,775)</u>
Net revenue over debt service requirement	\$ <u>261,702</u>

As shown above, the Borough did meet the revenue requirement for the year ended June 30, 2008. Finally, certain covenants of the 2001 revenue bonds require the Borough to maintain a reserve account equal to the lesser of (a) 10% of the proceeds of the sale of the Bonds, (b) 125% of average annual debt service for all Bonds outstanding, or (c) maximum aggregate annual debt service. On January, 31, 2008, the Borough established a “bond reserve” fund in the amount of 385,000 and did meet this reserve account requirement for the year ended June 30, 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.

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 399,138
Less: Accumulated depreciation	(78,996)
 Total	 \$ 320,142

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2008, were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 38,282	12,873	\$ 51,155
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	48,741	2,413	51,154
 Total	 \$ 260,062	 46,867	 \$ 306,929

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, 2008:

Governmental Activities	Outstanding 7/1/2007	Additions	Reductions	Outstanding 6/30/2008	Amounts Due in One Year
General obligation bonds - 1999	\$ 720,000	-	350,000	370,000	370,000
General obligation bonds - 2000	7,160,000	-	400,000	6,760,000	420,000
General obligation bonds - 2003	7,755,000	-	365,000	7,390,000	375,000
General obligation bonds - 2005	12,985,000	-	1,130,000	11,855,000	1,060,000
General obligation bonds - 2006	1,010,000	-	95,000	915,000	100,000
E-One Lease - (Fire Equipment)	296,538	-	36,476	260,062	38,282
Compensated absences	516,769	332,135	386,804	462,100	462,100
Net pension obligation	492,124	802,380	760,627	533,877	-
Total Governmental Activities	\$ 30,935,431	1,134,515	3,523,907	28,546,039	2,825,382
Unamortized bond premium				942,122	
Unamortized loss on refunding				(257,954)	
				<u>\$ 29,230,207</u>	
Business-Type Activities					
Revenue bonds	\$ 3,435,000	-	220,000	3,215,000	225,000
Compensated absences	187,200	134,312	113,002	208,510	190,460
Net pension obligation	250,013	282,217	317,610	214,620	-
Total Business-Type Activities	\$ 3,872,213	416,529	650,612	3,638,130	415,460
Component Unit:					
Note payable-Ketchikan Gateway Borough	150,141	-	150,141	-	-
Operating Lease	147,310	-	147,310	-	-
Compensated absences	216,231	62,960	-	279,191	279,191
Termination benefits	-	125,899	-	125,899	94,004
Net pension obligation	516,045	2,018,591	-	2,534,636	-
Total Component Unit	1,029,727	2,207,450	297,451	2,939,726	373,195

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, the Airport Enterprise Fund, and the Capital Projects Fund.

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

4-I. Pensions

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

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, 2008 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%

Public Employees' Retirement System (PERS)

The Ketchikan Gateway Borough and School District participate in the Public Employees' Retirement System (PERS), an agent multiple employer, defined benefit plan, which covers eligible State and local government employees. The plan was established and is administered by the State of Alaska 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:

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

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

Funding Policy. Employees are required to contribute 6.75% of their annual covered salary (1.86% for pension and 4.89% for healthcare). Peace officers and firefighters must contribute 7.5% (2.07% pension and 5.43% 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, subject to an increase limitation. Under current regulations, employer rates cannot be increased by more than five percentage points annually. The five percentage point limit regulation was repealed in 2005, but will not affect rates until fiscal year 2008, since the rates are established three years in advance of their effective date.

Contribution rates for PERS for the year ended June 30, 2008 follow:

Fiscal Year - 2008	Ketchikan Gateway Borough		Ketchikan Gateway Borough School District	
	Adjusted Actual Rate	Actuarially Required Rate	Adjusted Actual Rate	Actuarially Required Rate
	Pension	6.05%	7.46%	6.05%
Postemployment healthcare	15.95%	19.67%	15.95%	20.81%
Total contribution rate	22.00%	27.13%	22.00%	28.70%

The employer contribution rate for the current year was actuarially calculated as a level percentage of payroll and was determined using the projected unit credit actuarial funding method. Unfunded accrued liabilities and future gains/losses are amortized over a fixed 25 year period as a level percentage of pay based on a 4.0% payroll growth assumption.

The current year required contribution was determined as part of the June 30, 2005 actuarial valuation. Effective with the June 30, 2006 valuation (which establishes the 2009 rates), the actuarial funding method has been changed to the Entry Age Actuarial Cost Method.

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

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

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

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

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

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years and 4.0% thereafter (Police and Fire 6.0% for the first five years and 4.5% thereafter);
3. Medical cost inflation of 9.5% for 2006, trending downward 0.5% per year to 5.0% in FY15 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for 2006, trending downward 1.0% per year to 5.0% in FY15 and remaining at 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually;
5. Mortality based on 1994 Group Annuity Mortality Basic Table, 1994 Base Year with 85% occupational for Peace Officer/Firefighter and 35% occupational for others;
6. Retirement rate based on 1997-1999 actual experience. Deferred vested members are assumed to retire at their earliest retirement date;
7. Asset valuation – recognizes 20% of the investment gain or loss in each of the current and preceding four years. Assets are valued at market value and are accounted for on an accrual basis. Valuation assets are constrained to a range of 80% to 120% of market value of assets; and,
8. Valuation of Medical Benefit based on analysis of actual claims paid for July 2001 – June 2005, averaged and annualized and adjusted for other factors plus administrative costs.

Annual Pension and Postemployment Healthcare Cost

Effective July 1, 2007, the State of Alaska adopted contribution rates for each employer at an amount no less than 14.48% and no more than 22%. The actual rate for Ketchikan Gateway Borough is 22%. The Legislature then approved state funding (Senate Bill 53) in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rate. This on-behalf payment was transferred to the Alaska Division of Retirement and Benefits at July 1, but was allocated to the individual employer accounts on a prorata basis with each payroll reporting period. Ketchikan Gateway Borough has recorded \$211,955 in these financial statements as PERS relief or state grant revenue and related PERS expenditures/expenses. This amount is also included in employer contributions for the purpose of calculating the ending net pension/OPEB obligation as noted below.

In addition, in fiscal year 2008, the State of Alaska passed legislation (Senate Bill 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.

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

For the year ended June 30, 2008, the Borough's annual pension and other post-employment benefit (OPEB) costs were as follows:

Fiscal Year - 2008	Total	Pension 27.500%	OPEB 72.500%
Annual required contribution (ARC)	\$ 1,070,990	294,522	776,467
Interest on NPO	61,226	16,837	44,389
Adjustment to ARC	<u>(47,619)</u>	<u>(13,095)</u>	<u>(34,524)</u>
Annual pension cost	1,084,597	298,264	786,333
Contributions made	(883,425)	(242,942)	(640,483)
SB 53 Contribution	<u>(194,812)</u>	<u>(53,573)</u>	<u>(141,239)</u>
Increase in NPO	6,360	1,749	4,611
NPO Beginning	<u>742,137</u>	<u>436,861</u>	<u>305,276</u>
NPO Ending	<u>\$ 748,497</u>	<u>438,610</u>	<u>309,887</u>

The following tables show the three-year trend information for PERS (Pension) for the Borough and the School District:

Ketchikan Gateway Borough				
Schedule of Employer Contributions				
Year Ended June 30,	Annual Pension Cost	Actual Contributions	Percentage Contributed	Net Pension Obligation
2006	\$ 631,124	\$ 508,877	81%	\$ 398,666
2007	666,966	628,771	94%	436,861
2008	298,264	296,515	99%	438,610

Ketchikan Gateway Borough School District (A Component Unit)				
Schedule of Employer Contributions				
Year Ended June 30,	Annual Pension Cost	Actual Contributions	Percentage Contributed	Net Pension Obligation
2006	\$ 436,000	\$ 316,981	73%	\$ 310,000
2007	361,000	324,413	90%	346,587
2008	687,271	4,628,689	N/A%	(3,594,831)

The following table shows the three-year trend information for PERS (OPEB) for the Borough and School District respectively:

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

Ketchikan Gateway Borough

Schedule of Employer Contributions						
Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation		
2006	\$ 445,017	\$ 358,818	81%	\$ 278,344		
2007	470,289	443,357	94%	305,276		
2008	786,333	781,722	99%	309,887		

Ketchikan Gateway Borough School District (A Component Unit)

Schedule of Employer Contributions						
Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation		
2006	\$ 290,000	\$ 211,320	73%	\$ 216,045		
2007	240,581	328,436	137%	128,190		
2008	6,255,174	253,896	4%	6,129,468		

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 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, 2008 per nonpremium hour worked. The Borough's total payroll for the year ended June 30, 2008 for covered employees totaled \$666,362. The total amount contributed to the IBEW plan in FY 2007 was \$104,081. The Borough's obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

PERS Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill 125 which converts the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan. 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 would be recognized by each employer as an on-behalf payment.

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

As a result of this change, Ketchikan Gateway Borough will not be obligated to pay or to continue amortizing the currently recorded Net Pension/OPEB obligation. As such, these liabilities will be written off and Ketchikan Gateway Borough will recognize an extraordinary gain on the legislation's effective date, July 1, 2008.

Defined Contribution Pension Plan

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Tier IV Defined Contribution Retirement Plan for employees hired after July 1, 2006 or for employees converting from the Tier I, II or III defined benefit plans. The Plan is administered by the State of Alaska, Department of Administration Commissioner, and benefit and contribution provisions are established by State law and may be amended only the State Legislature. The Alaska Retirement Management Board also amended contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary and the Borough is required to make the following contributions:

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

The Borough and employee contributions to the plan for the year ended June 30, 2008 were \$76,040 and \$28,514, respectively. The defined contribution pension plan was allocated \$17,143 of the \$211,955 PERS Relief that was allocated to Ketchikan Gateway Borough as a result of Senate Bill 53.

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, 2008 is as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 157,975,359	\$ 33,160,837
Less accumulated depreciation	(26,173,970)	(11,507,100)
Book value	131,801,389	21,653,737
Less capital related debt	(28,234,230)	(3,215,000)
Investments in capital assets, net of related debt	\$ \$ 103,567,159	\$ \$ 18,438,737

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

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 \$125,000 per covered individual and in an aggregate amount based on employee coverage. It also purchases life and accidental death and dismemberment insurance for eligible employees.

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

The Ketchikan Gateway Borough provides an accounting of the internal service fund balances for the Borough and Component Unit on a quarterly basis. RBMS's plan is based on actuarially determined monthly fixed costs and actual claims up to the stop loss of \$125,000 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, 2008, but not billed until after fiscal year end. The amount booked for the Borough was \$95,712 and \$204,439 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 - The Borough was a defendant in a couple of lawsuits at June 30, 2008. In the opinion of Borough management, the outcome of these contingencies will not have a material effect on the financial position of the Borough. A claim has been asserted relating to issuance of a permit. Another has been asserted claiming violation of free speech rights. The uninsured retention is \$50,000 in connection with this claim. The Borough plans to vigorously defend its actions. The probability of an unfavorable outcome is low as to the permit, and moderate as to the free speech rights.

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

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, 2008 was \$339,265.

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, 2008 was \$1,535,000 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.

5-C. Prior Period Adjustment

On April 12, 2007, Ketchikan Gateway Borough entered into a Utility Agreement with the State of Alaska Department of Transportation and Public Facilities whereby they agreed to reimburse the Borough the lump sum amount of \$439,000 for costs associated with relocation of the airport water service. In July 2006, the Borough was also awarded a \$750,000 grant from the State Department of Commerce, Community, and Economic Development to assist with the cost of the airport waterline replacement. During FY 07 and FY 08, the Borough incurred \$157,832 and \$281,168, respectively on the project and was reimbursed by the \$750,000 grant. Subsequent to June 30, 2008, it was discovered that these costs should have been charged against the Department of Transportation and Public Facilities funding and not the grant. This resulted in a prior period adjustment to reduce net assets by \$157,832 in the Airport Enterprise Fund.

5-D. Subsequent Events

Schoenbar Middle School

Schoenbar Middle School Repair and Remediation. Ketchikan Gateway Borough sought reimbursement funding for remediation of the mold and water issues at the Schoenbar Middle School which has been completed. The Ketchikan Gateway Borough pursued financial remedies through litigation and grant requests. The grant request was to the State of Alaska Department of Education and Early Development (DEED).

Litigation resulted in settlements from Architect and Engineering professionals of \$970,000. The \$970,000 was received and recognized in fiscal year 2007. A settlement was reached with the prime contractors Bond and Liability insurance companies totaling \$3,100,000, and the Borough received this payout in December 2007. The settlement of \$3,100,000 was netted against the cost of the asset for capitalization. There is an estimated \$50,000 additional liability insurance claim due to wind and water damage incurred during construction. Total settlements are \$4,120,000.

The School District and the Borough requested the DEED and the Alaska State Legislature to approve financial aid for this project under the 70-30 DEED grant program. The KGB received the DEED grant in

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

September 2008. The KGB requested \$8,721,900 from the DEED and received a 70% grant totaling \$6,105,330. KGB's 30% participation was funded by the School Bond/ Capital Improvement Fund.

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. The Wards Cove property foreclosure represents over \$10 million in real property.

New Borough Offices

The Borough entered into a twenty year lease for administrative office space. The Borough is leasing 16,504 square feet at \$30 per foot for an annual lease amount of \$495,120, with an option to purchase of \$9,475,000 if purchased in the first two years of the lease. The anticipated occupancy date is early January 2009.

Ketchikan Gateway Borough, Alaska
Required Supplementary Information
Schedule of Funding Progress – Alaska Public Employees’ Retirement System
Fiscal Year 2008

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, 2008

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,587,383	-	1,587,383
Restricted cash and investments	2,622,414	-	2,622,414
Accounts receivable	<u>648,898</u>	<u>-</u>	<u>648,898</u>
Total Assets	<u>\$ 4,858,695</u>	<u>-</u>	<u>4,858,695</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 74,702	-	74,702
Interfund payable	3,443	-	3,443
Advances payable	965,094	-	965,094
Deferred revenue	<u>12,742</u>	<u>-</u>	<u>12,742</u>
Total Liabilities	<u>1,055,981</u>	<u>-</u>	<u>1,055,981</u>
Fund Balances			
Reserved:			
Encumbrances	33,965	-	33,965
Airport projects	469,279	-	469,279
Projects related to commercial vessels	2,137,009	-	2,137,009
Designated for subsequent year expenditures	841,394	-	841,394
Unreserved, undesignated	<u>321,067</u>	<u>-</u>	<u>321,067</u>
Total Fund Balances	<u>3,802,714</u>	<u>-</u>	<u>3,802,714</u>
Total Liabilities and Fund Balances	<u>\$ 4,858,695</u>	<u>-</u>	<u>4,858,695</u>

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 3,118,427	-	3,118,427
Intergovernmental	12,624	-	12,624
Charges for services	389,929	-	389,929
Commercial vessel passenger tax	2,244,585	-	2,244,585
Investment earnings	65,016	152	65,168
Miscellaneous	362,514	-	362,514
Total Revenues	<u>6,193,095</u>	<u>152</u>	<u>6,193,247</u>
Expenditures			
Current			
Library services	420,100	-	420,100
Fire and EMS	978,225	-	978,225
Public services	247,902	-	247,902
Capital Outlay	174,822	-	174,822
Debt Service			
Principal retirement	-	2,376,476	2,376,476
Interest and fiscal charges	-	1,421,315	1,421,315
Total Expenditures	<u>1,821,049</u>	<u>3,797,791</u>	<u>5,618,840</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,372,046</u>	<u>(3,797,639)</u>	<u>574,407</u>
Other Financing Sources (Uses)			
Transfers in	36,209	3,797,639	3,833,848
Transfers out	<u>(1,595,006)</u>	<u>-</u>	<u>(1,595,006)</u>
Total Other Financing Sources (Uses)	<u>(1,558,797)</u>	<u>3,797,639</u>	<u>2,238,842</u>
Net Change in Fund Balances	2,813,249	-	2,813,249
Fund Balances Beginning of Year	<u>989,465</u>	<u>-</u>	<u>989,465</u>
Fund Balances End of Year	<u>\$ 3,802,714</u>	<u>-</u>	<u>3,802,714</u>

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2008

	<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>	<u>Mud Bight Service Area</u>
Assets								
Cash and investments	\$ -	-	154,080	1,725	-	-	4,883	52,640
Restricted cash and investments	435,405	2,187,009	-	-	-	-	-	-
Accounts receivable	<u>33,874</u>	<u>-</u>	<u>253</u>	<u>-</u>	<u>7,677</u>	<u>-</u>	<u>33</u>	<u>1,930</u>
Total Assets	<u>\$ 469,279</u>	<u>2,187,009</u>	<u>154,333</u>	<u>1,725</u>	<u>7,677</u>	<u>-</u>	<u>4,916</u>	<u>54,570</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	50,000	-	141	-	-	-	555
Interfund payable	-	-	-	-	2,749	694	-	-
Advances payable	-	-	-	-	8,471	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>141</u>	<u>11,220</u>	<u>694</u>	<u>-</u>	<u>555</u>
Fund Balances								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	-
Airport projects	469,279	-	-	-	-	-	-	-
Projects related to commercial vessels	-	2,137,009	-	-	-	-	-	-
Designated for subsequent year expenditures	-	-	154,333	777	-	-	-	24,397
Unreserved, undesignated (deficits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>807</u>	<u>(3,543)</u>	<u>(694)</u>	<u>4,916</u>	<u>29,618</u>
Total Fund Balances (Deficits)	<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>	<u>54,015</u>
Total Liabilities and Fund Balances	<u>\$ 469,279</u>	<u>2,187,009</u>	<u>154,333</u>	<u>1,725</u>	<u>7,677</u>	<u>-</u>	<u>4,916</u>	<u>54,570</u>

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

	Nichols View Service Area	Non Areawide Library	North Tongass Fire & EMS Service Area	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Assets							
Cash and investments	\$ 9,503	29,886	22,397	1,212,833	98,145	1,291	1,587,383
Restricted cash and investments	-	-	-	-	-	-	2,622,414
Accounts receivable	-	25,097	66,818	504,240	8,464	512	648,898
Total Assets	\$ 9,503	54,983	89,215	1,717,073	106,609	1,803	4,858,695
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	-	6,459	5,684	11,315	548	74,702
Interfund payable	-	-	-	-	-	-	3,443
Advances payable	-	-	948,169	-	8,454	-	965,094
Deferred revenue	-	-	12,742	-	-	-	12,742
Total Liabilities	-	-	967,370	5,684	19,769	548	1,055,981
Fund Balances							
Reserved for:							
Encumbrances	-	-	5,749	13,686	14,530	-	33,965
Airport projects	-	-	-	-	-	-	469,279
Projects related to commercial vessels	-	-	-	-	-	-	2,137,009
Designated for subsequent year expenditures	200	-	-	639,000	21,872	815	841,394
Unreserved, undesignated (deficits)	9,303	54,983	(883,904)	1,058,703	50,438	440	321,067
Total Fund Balances (Deficits)	9,503	54,983	(878,155)	1,711,389	86,840	1,255	3,802,714
Total Liabilities and Fund Balances	\$ 9,503	54,983	89,215	1,717,073	106,609	1,803	4,858,695

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, 2008

	<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>	<u>Mud Bight Service Area</u>
Revenues								
Taxes	\$ -	-	70,572	-	-	-	3,201	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	6,304	465	-	-	11,677
Commercial vessel passenger tax	-	2,244,585	-	-	-	-	-	-
Investment earnings	7,857	(7,576)	4,535	307	-	-	68	1,420
Miscellaneous	<u>362,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>370,164</u>	<u>2,237,009</u>	<u>75,107</u>	<u>6,611</u>	<u>465</u>	<u>-</u>	<u>3,269</u>	<u>13,097</u>
Expenditures								
Current								
Library services	-	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-	-
Public services	-	100,000	57,737	19,359	829	35,181	-	12,255
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>100,000</u>	<u>57,737</u>	<u>19,359</u>	<u>829</u>	<u>35,181</u>	<u>-</u>	<u>12,255</u>
Excess (Deficiency) of Revenues Over Expenditures	370,164	2,137,009	17,370	(12,748)	(364)	(35,181)	3,269	842
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	36,209	-	-
Transfers out	<u>(379,795)</u>	<u>-</u>	<u>(3,065)</u>	<u>(735)</u>	<u>-</u>	<u>(1,028)</u>	<u>(500)</u>	<u>(500)</u>
Net Change in Fund Balances	(9,631)	2,137,009	14,305	(13,483)	(364)	-	2,769	342
Fund Balances (Deficits)								
Beginning of Year	<u>478,910</u>	<u>-</u>	<u>140,028</u>	<u>15,067</u>	<u>(3,179)</u>	<u>(694)</u>	<u>2,147</u>	<u>53,673</u>
Fund Balances (Deficits) End 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>	<u>54,015</u>

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

	Nichols View Service Area	Non Areawide Library	North Tongass Fire & EMS Service Area	Recreation Sales Tax	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Revenues							
Taxes	\$ -	450,346	487,036	1,716,468	390,804	-	3,118,427
Intergovernmental	-	-	7,753	-	4,871	-	12,624
Charges for services	-	-	171,013	-	189,091	11,379	389,929
Commercial Vessel Passenger Tax	-	-	-	-	-	-	2,244,585
Investment earnings	232	2,448	13,126	36,587	5,730	282	65,016
Miscellaneous	-	-	182	-	25	-	362,514
Total Revenues	<u>232</u>	<u>452,794</u>	<u>679,110</u>	<u>1,753,055</u>	<u>590,521</u>	<u>11,661</u>	<u>6,193,095</u>
Expenditures							
Current							
Library services	-	420,100	-	-	-	-	420,100
Fire and EMS	-	-	470,094	-	508,131	-	978,225
Public services	-	-	-	5,806	-	16,735	247,902
Capital Outlay	-	-	34,327	140,495	-	-	174,822
Total Expenditures	<u>-</u>	<u>420,100</u>	<u>504,421</u>	<u>146,301</u>	<u>508,131</u>	<u>16,735</u>	<u>1,821,049</u>
Excess (Deficiency) of Revenues Over Expenditures	232	32,694	174,689	1,606,754	82,390	(5,074)	4,372,046
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	36,209
Transfers out	(500)	-	(76,710)	(1,098,400)	(32,273)	(1,500)	(1,595,006)
Net Change in Fund Balances	(268)	32,694	97,979	508,354	50,117	(6,574)	2,813,249
Fund Balances (Deficits)							
Beginning of Year	<u>9,771</u>	<u>22,289</u>	<u>(976,134)</u>	<u>1,203,035</u>	<u>36,723</u>	<u>7,829</u>	<u>989,465</u>
Fund Balances (Deficits) End of Year	<u>\$ 9,503</u>	<u>54,983</u>	<u>(878,155)</u>	<u>1,711,389</u>	<u>86,840</u>	<u>1,255</u>	<u>3,802,714</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, 2008

	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, 2008

	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	51	101	-	-	-	-	152
Expenditures							
Debt Service							
Principal retirement	\$ 350,000	400,000	365,000	1,130,000	95,000	36,476	2,376,476
Interest and fiscal charges	36,000	375,600	327,586	627,050	40,400	14,679	1,421,315
Total Expenditures	386,000	775,600	692,586	1,757,050	135,400	51,155	3,797,791
Excess of Revenues Over Expenditures	(385,949)	(775,499)	(692,586)	(1,757,050)	(135,400)	(51,155)	(3,797,639)
Other Financing Sources							
Transfers in	385,949	775,499	692,586	1,757,050	135,400	51,155	3,797,639
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.

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and investments	\$ 1,219,376	417,763
Receivables:		
Accounts	482,680	753,130
Taxes	4,817,944	4,276,910
Due from component unit	188,730	-
Total Assets	\$ 6,708,730	5,447,803
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 295,399	521,882
Accrued payroll payables	9,271	-
Intergovernmental payable	3,132,378	2,971,185
Due to component unit	-	288,709
Deposits payable	237,816	77,765
Deferred revenues	158,977	130,874
Total Liabilities	3,833,841	3,990,415
Fund Balances		
Reserved for encumbrances	65,191	28,245
Unreserved - undesignated	2,809,698	1,429,143
Total Fund Balances	2,874,889	1,457,388
Total Liabilities and Fund Balances	\$ 6,708,730	5,447,803



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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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			Variance Favorable (Unfavorable)	2007
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes:					
Real and personal property	\$ 7,823,775	7,823,775	7,742,274	(81,501)	7,196,911
Automobile and boat	170,000	170,000	99,184	(70,816)	150,786
Sales	4,800,000	4,800,000	5,126,868	326,868	4,710,147
Penalties and interest	120,000	120,000	81,857	(38,143)	86,471
Total taxes	<u>12,913,775</u>	<u>12,913,775</u>	<u>13,050,183</u>	<u>136,408</u>	<u>12,144,315</u>
Alaska State Housing Authority - PILT	<u>5,000</u>	<u>5,000</u>	<u>16,634</u>	<u>11,634</u>	<u>14,731</u>
Licenses and permits					
Zoning fees	<u>35,000</u>	<u>35,000</u>	<u>26,800</u>	<u>(8,200)</u>	<u>34,060</u>
Intergovernmental:					
State fisheries tax	315,000	315,000	311,008	(3,992)	318,498
State revenue sharing	485,000	485,000	489,121	4,121	899,712
PERS relief	-	-	134,868	134,868	136,538
PERS rebate	-	-	421,003	421,003	-
Federal payment in lieu of taxes	550,000	550,000	563,102	13,102	566,931
State operating grant - transit system	540,000	540,000	474,240	(65,760)	441,323
State license refunds	-	-	2,500	2,500	1,250
Timber stumpage	<u>350,000</u>	<u>350,000</u>	<u>364,430</u>	<u>14,430</u>	<u>391,553</u>
Total intergovernmental	<u>2,240,000</u>	<u>2,240,000</u>	<u>2,760,272</u>	<u>520,272</u>	<u>2,755,805</u>
Charges for services:					
Animal control	30,000	30,000	24,662	(5,338)	26,879
Bus system revenue	210,000	210,000	140,721	(69,279)	166,401
Parks and recreation	415,000	415,000	458,064	43,064	409,312
Other revenues	<u>142,200</u>	<u>142,200</u>	<u>158,243</u>	<u>16,043</u>	<u>137,857</u>
Total charges for services	<u>797,200</u>	<u>797,200</u>	<u>781,690</u>	<u>(15,510)</u>	<u>740,449</u>
Investment earnings	<u>150,000</u>	<u>150,000</u>	<u>184,000</u>	<u>34,000</u>	<u>354,522</u>
Total revenues	<u>16,140,975</u>	<u>16,140,975</u>	<u>16,819,579</u>	<u>678,604</u>	<u>16,043,882</u>
Other financing sources-transfers in:					
Land Trust Fund	3,600	3,600	3,600	-	6,000
Recreation CIP	308,000	308,000	308,000	-	202,000
Service Area Funds	64,059	64,059	64,059	-	53,882
Airport Fund	168,287	168,287	168,287	-	165,405
Wastewater Fund	30,489	30,489	30,489	-	32,172
School Bond/Capital Improvements Fund	125,000	125,000	114,974	(10,026)	113,604
Economic Development	<u>4,620</u>	<u>4,620</u>	<u>4,620</u>	<u>-</u>	<u>4,526</u>
Total transfers in	<u>704,055</u>	<u>704,055</u>	<u>694,029</u>	<u>(10,026)</u>	<u>577,589</u>
Total Revenues and Transfers In	<u>16,845,030</u>	<u>16,845,030</u>	<u>17,513,608</u>	<u>668,578</u>	<u>16,621,471</u>

(continued)

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

(continued)

	2008			Variance Favorable (Unfavorable)	2007
	Original Budget	Final Budget	Actual		Actual
Expenditures					
Current:					
General government:					
Mayor and assembly	\$ 119,237	136,237	113,412	22,825	115,502
Manager	505,577	563,577	599,892	(36,315)	617,040
Clerk	258,427	258,427	244,545	13,882	225,593
Law	270,520	270,520	268,406	2,114	260,987
Finance	798,140	856,640	904,282	(47,642)	929,570
Assessment	504,737	504,737	463,669	41,068	556,053
Automation	284,765	284,765	288,583	(3,818)	339,083
Total administration	<u>2,741,403</u>	<u>2,874,903</u>	<u>2,882,789</u>	<u>(7,886)</u>	<u>3,043,828</u>
Public services:					
Animal protection	328,213	328,213	323,720	4,493	277,311
Planning	581,942	661,942	574,102	87,840	551,117
Community education grants	65,000	95,600	69,076	26,524	112,697
Total public services	<u>975,155</u>	<u>1,085,755</u>	<u>966,898</u>	<u>118,857</u>	<u>941,125</u>
Parks and recreation	<u>1,505,555</u>	<u>1,627,555</u>	<u>1,656,144</u>	<u>(28,589)</u>	<u>1,537,564</u>
Public works	<u>1,328,053</u>	<u>1,343,053</u>	<u>1,203,440</u>	<u>139,613</u>	<u>1,224,326</u>
Transit - bus system	<u>974,732</u>	<u>974,732</u>	<u>1,022,749</u>	<u>(48,017)</u>	<u>941,816</u>
Nondepartmental	<u>370,996</u>	<u>370,996</u>	<u>219,754</u>	<u>151,242</u>	<u>492,028</u>
Education	<u>7,800,000</u>	<u>8,030,000</u>	<u>7,913,965</u>	<u>116,035</u>	<u>8,895,922</u>
Capital Outlay	<u>173,000</u>	<u>173,000</u>	<u>159,719</u>	<u>13,281</u>	<u>-</u>
Total Expenditures	<u>15,868,894</u>	<u>16,479,994</u>	<u>16,025,458</u>	<u>454,536</u>	<u>17,076,609</u>
Transfers Out					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Special Assessment	-	-	36,209	(36,209)	-
Economic Development	28,940	28,940	28,940	-	-
Total Transfers Out	<u>34,440</u>	<u>34,440</u>	<u>70,649</u>	<u>(36,209)</u>	<u>5,500</u>
Total Expenditures and Transfers Out	<u>15,903,334</u>	<u>16,514,434</u>	<u>16,096,107</u>	<u>418,327</u>	<u>17,082,109</u>
Net Change in Fund Balances	\$ <u>941,696</u>	<u>330,596</u>	1,417,501	<u>1,086,905</u>	(460,638)
Fund Balances Beginning of Year			1,457,388		1,918,026
Fund Balances End of Year			\$ <u>2,874,889</u>		<u>1,457,388</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 119,681	887,822
Receivables:		
Accounts	47,298	10,641
Notes	808,102	837,553
Advances	8,215,445	8,464,846
Interfund	<u>2,126,976</u>	<u>-</u>
Total Assets	\$ <u>11,317,502</u>	<u>10,200,862</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6,336	1,177
Deposits	<u>600</u>	<u>97,103</u>
Total Liabilities	<u>6,936</u>	<u>98,280</u>
Fund Balances		
Reserved for:		
Advances to other funds	8,215,445	8,464,846
Long-term loans	808,102	837,553
Encumbrances	38,284	211
Unreserved - undesignated	<u>2,248,735</u>	<u>799,972</u>
Total Fund Balances	<u>11,310,566</u>	<u>10,102,582</u>
Total Liabilities and Fund Balances	\$ <u>11,317,502</u>	<u>10,200,862</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	26,388	26,388	45,177
Investment earnings	269,834	269,834	152,695	(117,139)	159,612
Proceeds from sale of property	50,000	50,000	1,051,105	1,001,105	83,220
Miscellaneous	<u>-</u>	<u>-</u>	<u>20,745</u>	<u>20,745</u>	<u>544</u>
Total Revenues	<u>319,834</u>	<u>319,834</u>	<u>1,250,933</u>	<u>931,099</u>	<u>288,553</u>
Expenditures					
Current					
Public services	<u>60,000</u>	<u>60,000</u>	<u>39,349</u>	<u>20,651</u>	<u>71,991</u>
Excess of Revenues Over Expenditures	259,834	259,834	1,211,584	951,750	216,562
Other Financing Uses					
Transfers out	<u>(3,600)</u>	<u>(3,600)</u>	<u>(3,600)</u>	<u>-</u>	<u>(663,500)</u>
Net Change in Fund Balances	\$ <u>256,234</u>	<u>256,234</u>	1,207,984	<u>951,750</u>	(446,938)
Fund Balances Beginning of Year			<u>10,102,582</u>		<u>10,549,520</u>
Fund Balances End of Year		\$	<u>11,310,566</u>		<u>10,102,582</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 645,480	-
Accounts receivable	<u>524,837</u>	<u>652,175</u>
Total Assets	<u>\$ 1,170,317</u>	<u>652,175</u>
Liabilities and Fund Balances		
Liabilities		
Interfund payable	\$ <u>-</u>	<u>192,623</u>
Total Liabilities	<u>-</u>	<u>192,623</u>
Fund Balances		
Unreserved - undesignated	<u>1,170,317</u>	<u>459,552</u>
Total Liabilities and Fund Balances	<u>\$ 1,170,317</u>	<u>652,175</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,565,500	1,565,500	1,716,467	150,967	1,603,399
Intergovernmental	2,069,365	2,069,365	2,059,731	(9,634)	2,061,057
Investment earnings	31,000	31,000	8,765	(22,235)	114,789
Total Revenues	<u>3,665,865</u>	<u>3,665,865</u>	<u>3,784,963</u>	<u>119,098</u>	<u>3,779,245</u>
Expenditures					
Current					
Public services	<u>5,000</u>	<u>5,000</u>	<u>3,140</u>	<u>1,860</u>	<u>1,590</u>
Excess of Revenues Over Expenditures	<u>3,660,865</u>	<u>3,660,865</u>	<u>3,781,823</u>	<u>120,958</u>	<u>3,777,655</u>
Other Financing Sources (Uses)					
Transfers in	790,400	790,400	790,400	-	786,700
Transfers out	<u>(3,871,636)</u>	<u>(3,871,636)</u>	<u>(3,861,458)</u>	<u>10,178</u>	<u>(6,358,311)</u>
Total Other Financing Sources (Uses)	<u>(3,081,236)</u>	<u>(3,081,236)</u>	<u>(3,071,058)</u>	<u>10,178</u>	<u>(5,571,611)</u>
Net Change in Fund Balances	\$ <u>579,629</u>	<u>579,629</u>	710,765	<u>131,136</u>	(1,793,956)
Fund Balances Beginning of Year			<u>459,552</u>		<u>2,253,508</u>
Fund Balances End of Year		\$	<u><u>1,170,317</u></u>		<u><u>459,552</u></u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 996,008	113,550
Restricted cash and investments	2,191,716	1,919,663
Receivables:		
Accounts	1,042,611	193,994
Advances	1,700,000	-
Contracts	9,000,000	9,000,000
Interfund	-	2,599,560
Total Assets	\$ <u>14,930,335</u>	<u>13,826,767</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 49,975	67,419
Deposits	1,900	1,900
Deferred revenue	<u>9,939,617</u>	<u>9,054,608</u>
Total Liabilities	<u>9,991,492</u>	<u>9,123,927</u>
Fund Balances		
Reserved for:		
Accounts receivable	1,042,611	162,740
Encumbrances	1,087	-
IFA bond guarantee	1,535,000	1,540,000
KVB loan guarantee	339,265	379,663
Advances to other funds	1,700,000	-
Unreserved - undesignated	<u>320,880</u>	<u>2,620,437</u>
Total Fund Balances	<u>4,938,843</u>	<u>4,702,840</u>
Total Liabilities and Fund Balances	\$ <u>14,930,335</u>	<u>13,826,767</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 40,000	40,000	50,813	10,813	45,301
Charges for services	37,248	37,248	139,708	102,460	99,310
Proceeds from sale of property	11,000,000	11,000,000	197,500	(10,802,500)	773,000
Miscellaneous revenue	-	-	7,100	7,100	7,570
Investment earnings	165,955	165,955	172,966	7,011	657,074
Total Revenues	<u>11,243,203</u>	<u>11,243,203</u>	<u>568,087</u>	<u>(10,675,116)</u>	<u>1,582,255</u>
Expenditures					
Current					
Public services	254,013	319,913	321,615	(1,702)	397,262
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,880</u>
Total Expenditures	<u>254,013</u>	<u>319,913</u>	<u>321,615</u>	<u>(1,702)</u>	<u>459,142</u>
Excess of Revenues Over Expenditures	<u>10,989,190</u>	<u>10,923,290</u>	<u>246,472</u>	<u>(10,676,818)</u>	<u>1,123,113</u>
Other Financing Sources (Uses)					
Transfers in	28,939	28,939	28,940	1	-
Transfers out	<u>(39,409)</u>	<u>(39,409)</u>	<u>(39,409)</u>	<u>-</u>	<u>(4,526)</u>
Net Change in Fund Balances	\$ <u>10,978,720</u>	<u>10,912,820</u>	236,003	<u>(10,676,817)</u>	1,118,587
Fund Balances Beginning of Year			<u>4,702,840</u>		<u>3,584,253</u>
Fund Balances End of Year		\$ <u>4,938,843</u>			<u>4,702,840</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets		
Accounts receivable	\$ <u>163,631</u>	<u>759,160</u>
Total Assets	\$ <u><u>163,631</u></u>	<u><u>759,160</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,798	247,555
Interfund payable	<u>158,833</u>	<u>511,605</u>
Total Liabilities	<u>163,631</u>	<u>759,160</u>
 Fund Balances		
Reserved for encumbrances	122,935	1,485,527
Unreserved (deficit)	<u>(122,935)</u>	<u>(1,485,527)</u>
Total Fund Balances	<u>-</u>	<u>-</u>
 Total Liabilities and Fund Balances	\$ <u><u>163,631</u></u>	<u><u>759,160</u></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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Intergovernmental	\$ <u>1,659,965</u>	<u>985,826</u>
Expenditures		
Current		
Public services	141,264	144,903
Capital Outlay	<u>1,518,701</u>	<u>840,923</u>
Total Expenditures	<u>1,659,965</u>	<u>985,826</u>
Net Change in Fund Balances	-	-
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>
Fund Balances End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>

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.

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

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

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

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

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Restricted cash and investments	\$ 435,405	440,635
Accounts receivable	<u>33,874</u>	<u>38,275</u>
Total Assets	\$ <u>469,279</u>	<u>478,910</u>
Fund Balances		
Reserved for airport projects	\$ <u>469,279</u>	<u>478,910</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Schedule of Revenues and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Investment earnings	\$ 14,000	14,000	7,857	(6,143)	21,850
PFC revenues	<u>380,000</u>	<u>380,000</u>	<u>362,307</u>	<u>(17,693)</u>	<u>393,427</u>
Total Revenues	<u>394,000</u>	<u>394,000</u>	<u>370,164</u>	<u>(23,836)</u>	<u>415,277</u>
Other Financing (Uses)					
Transfers out	<u>(379,795)</u>	<u>(379,795)</u>	<u>(379,795)</u>	<u>-</u>	<u>(374,776)</u>
Net Change in Fund Balance	\$ <u>14,205</u>	<u>14,205</u>	(9,631)	<u>(23,836)</u>	40,501
Fund Balances Beginning of Year			<u>478,910</u>		<u>438,409</u>
Fund Balances End of Year			\$ <u>469,279</u>		<u>478,910</u>

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

	<u>2008</u>
Assets	
Restricted cash and investments	\$ <u>2,187,009</u>
Total Assets	\$ <u><u>2,187,009</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ <u>50,000</u>
Fund Balance	
Reserved for projects related to commercial vessels	<u>2,137,009</u>
Total Fund Balances	<u><u>2,137,009</u></u>
Total Liabilities and Fund Balances	\$ <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, 2008

	2008			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Commercial passenger vessel tax	\$ -	-	2,244,585	2,244,585
Investment earnings (loss)	-	-	(7,576)	(7,576)
Total Revenues	<u>-</u>	<u>-</u>	<u>2,237,009</u>	<u>2,237,009</u>
Expenditures				
Current				
Public services	-	175,000	100,000	75,000
Net Change in Fund Balances	\$ <u>-</u>	<u>(175,000)</u>	2,137,009	<u>2,312,009</u>
Fund Balances Beginning of Year			<u>-</u>	
Fund Balances End of Year			\$ <u>2,137,009</u>	

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 154,080	140,293
Accounts receivable	<u>253</u>	<u>257</u>
Total Assets	<u>\$ 154,333</u>	<u>140,550</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>522</u>
Fund Balances		
Designated for subsequent year expenditures	154,333	-
Unreserved - undesignated	<u>-</u>	<u>140,028</u>
Total Fund Balances	<u>154,333</u>	<u>140,028</u>
Total Liabilities and Fund Balances	<u>\$ 154,333</u>	<u>140,550</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 62,068	62,068	70,572	8,504	52,330
Investment earnings	1,000	1,000	4,535	3,535	9,523
Total Revenues	<u>63,068</u>	<u>63,068</u>	<u>75,107</u>	<u>12,039</u>	<u>61,853</u>
Expenditures					
Current					
Public services	51,075	51,075	57,737	(6,662)	41,363
Capital Outlay	<u>12,035</u>	<u>12,035</u>	<u>-</u>	<u>12,035</u>	<u>-</u>
Total Expenditures	<u>63,110</u>	<u>63,110</u>	<u>57,737</u>	<u>5,373</u>	<u>41,363</u>
Excess (Deficiency) of Revenues Over Expenditures	(42)	(42)	17,370	17,412	20,490
Other Financing (Uses)					
Transfers out	<u>(3,065)</u>	<u>(3,065)</u>	<u>(3,065)</u>	<u>-</u>	<u>(3,069)</u>
Net Change in Fund Balances	<u>\$ (3,107)</u>	<u>(3,107)</u>	<u>14,305</u>	<u>17,412</u>	<u>17,421</u>
Fund Balances Beginning of Year			<u>140,028</u>		<u>122,607</u>
Fund Balances End of Year		\$	<u>154,333</u>		<u>140,028</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ <u>1,725</u>	<u>15,122</u>
Total Assets	\$ <u><u>1,725</u></u>	<u><u>15,122</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>141</u>	<u>55</u>
Fund Balances		
Designated for subsequent year expenditures	777	-
Unreserved - undesignated	<u>807</u>	<u>15,067</u>
Total Fund Balances	<u>1,584</u>	<u>15,067</u>
Total Liabilities and Fund Balances	\$ <u><u>1,725</u></u>	<u><u>15,122</u></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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 5,808	5,808	6,304	496	6,650
Investment earnings	<u>400</u>	<u>400</u>	<u>307</u>	<u>(93)</u>	<u>1,058</u>
Total Revenues	<u>6,208</u>	<u>6,208</u>	<u>6,611</u>	<u>403</u>	<u>7,708</u>
Expenditures					
Current					
Public services	<u>12,250</u>	<u>19,750</u>	<u>19,359</u>	<u>391</u>	<u>13,726</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,042)	(13,542)	(12,748)	794	(6,018)
Other Financing (Uses)					
Transfers out	<u>(735)</u>	<u>(735)</u>	<u>(735)</u>	<u>-</u>	<u>(555)</u>
Net Change in Fund Balances	\$ <u>(6,777)</u>	<u>(14,277)</u>	(13,483)	<u>794</u>	(6,573)
Fund Balances Beginning of Year			<u>15,067</u>		<u>21,640</u>
Fund Balances End of Year			\$ <u>1,584</u>		<u>15,067</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Accounts receivable	\$ <u>7,677</u>	<u>13,398</u>
Total Assets	\$ <u><u>7,677</u></u>	<u><u>13,398</u></u>
Liabilities and Fund Balances		
Liabilities		
Advances payable	\$ 8,471	16,535
Interfund payable	<u>2,749</u>	<u>42</u>
Total Liabilities	<u>11,220</u>	<u>16,577</u>
Fund Balances		
Unreserved (deficit)	<u>(3,543)</u>	<u>(3,179)</u>
Total Fund Balances	<u>(3,543)</u>	<u>(3,179)</u>
Total Liabilities and Fund Balances	\$ <u><u>7,677</u></u>	<u><u>13,398</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	465	465	766
Expenditures					
Current					
Public services	829	829	829	-	1,211
Net Change in Fund Balances	\$ <u>(829)</u>	<u>(829)</u>	(364)	<u>465</u>	(445)
Fund Balances (Deficits) Beginning of Year			<u>(3,179)</u>		<u>(2,734)</u>
Fund Balances (Deficits) End of Year			\$ <u>(3,543)</u>		<u>(3,179)</u>

Ketchikan Gateway Borough, Alaska
Homestead Special Assessment Area Special Revenue Fund
Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets	\$ <u> -</u>	<u> -</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	548
Interfund payable	<u> 694</u>	<u> 146</u>
Total Liabilities	<u> 694</u>	<u> 694</u>
Fund Balances		
Unreserved (deficit)	<u> (694)</u>	<u> (694)</u>
Total Liabilities and Fund Balance	\$ <u> -</u>	<u> -</u>

Ketchikan Gateway Borough, Alaska
Homestead Special Assessment Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures					
Current					
Public services	\$ 17,125	32,125	35,181	(3,056)	694
Other Financing Sources (Uses)					
Transfers in	18,153	18,153	36,209	18,056	-
Transfers out	(1,028)	(1,028)	(1,028)	-	-
Net Change in Fund Balances	\$ -	(15,000)	-	15,000	(694)
Fund Balances (Deficits) Beginning of Year			(694)		-
Fund Balances (Deficits) End of Year			\$ (694)		(694)

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 4,883	2,147
Accounts receivable	<u>33</u>	<u>-</u>
Total Assets	\$ <u>4,916</u>	<u>2,147</u>
Fund Balances		
Unreserved - undesignated	\$ <u>4,916</u>	<u>2,147</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,853	1,853	3,201	1,348	2,572
Investment earnings	-	-	68	68	-
Total Revenues	1,853	1,853	3,269	1,416	2,572
Expenditures					
Current					
Public services	1,000	1,000	-	1,000	225
Excess of Revenues Over Expenditures	853	853	3,269	2,416	2,347
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	-
Net Change in Fund Balances	\$ 353	353	2,769	2,416	2,347
Fund Balances (Deficits) Beginning of Year			2,147		(200)
Fund Balances End of Year			\$ 4,916		2,147

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 52,640	49,055
Accounts receivable	<u>1,930</u>	<u>4,618</u>
Total Assets	<u>\$ 54,570</u>	<u>53,673</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>555</u>	<u>-</u>
Fund Balances		
Designated for subsequent year expenditures	24,397	-
Unreserved - undesignated	<u>29,618</u>	<u>53,673</u>
Total Fund Balances	<u>54,015</u>	<u>53,673</u>
Total Liabilities and Fund Balances	<u>\$ 54,570</u>	<u>53,673</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,160	11,160	11,677	517	12,030
Investment earnings	800	800	1,420	620	2,667
Total Revenues	11,960	11,960	13,097	1,137	14,697
Expenditures					
Current					
Public services	3,550	3,550	12,255	(8,705)	4,625
Excess) of Revenues Over Expenditures	8,410	8,410	842	(7,568)	10,072
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(500)
Net Change in Fund Balances	\$ <u>7,910</u>	<u>7,910</u>	342	<u>(7,568)</u>	9,572
Fund Balances Beginning of Year			53,673		44,101
Fund Balances End of Year		\$ <u>54,015</u>			53,673

Ketchikan Gateway Borough, Alaska
Non Areawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 29,886	11,836
Accounts receivable	<u>25,097</u>	<u>10,453</u>
Total Assets	\$ <u>54,983</u>	<u>22,289</u>
Fund Balances		
Unreserved - undesignated	\$ <u>54,983</u>	<u>22,289</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, 2008

With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 451,219	451,219	450,346	(873)	391,864
Investment earnings	<u>4,100</u>	<u>4,100</u>	<u>2,448</u>	<u>(1,652)</u>	<u>5,286</u>
Total Revenues	<u>455,319</u>	<u>455,319</u>	<u>452,794</u>	<u>(2,525)</u>	<u>397,150</u>
Expenditures					
Current					
Library services	<u>446,205</u>	<u>446,205</u>	<u>420,100</u>	<u>26,105</u>	<u>420,565</u>
Net Change in Fund Balances	\$ <u>9,114</u>	<u>9,114</u>	32,694	<u>(23,580)</u>	(23,415)
Fund Balances Beginning of Year			<u>22,289</u>		<u>45,704</u>
Fund Balances End of Year			\$ <u>54,983</u>		<u>22,289</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ <u>9,503</u>	<u>9,771</u>
Fund Balances		
Designated for subsequent year expenditures	200	-
Unreserved - undesignated	<u>9,303</u>	<u>9,771</u>
Total Fund Balances	\$ <u>9,503</u>	<u>9,771</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	<u>2008</u>			<u>2007</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>232</u>	<u>(68)</u>	<u>1,092</u>
Other Financing (Uses)					
Transfers out	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Net Change in Fund Balances	\$ <u><u>(200)</u></u>	<u><u>(200)</u></u>	<u>(268)</u>	<u><u>(68)</u></u>	592
Fund Balances Beginning of Year			<u>9,771</u>		<u>9,179</u>
Fund Balances End of Year			\$ <u><u>9,503</u></u>		<u><u>9,771</u></u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 22,397	73,792
Accounts receivable	<u>66,818</u>	<u>33,926</u>
Total Assets	<u>\$ 89,215</u>	<u>107,718</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6,459	12,810
Advances payable	948,169	1,071,042
Deferred revenue	<u>12,742</u>	<u>-</u>
Total Liabilities	<u>967,370</u>	<u>1,083,852</u>
Fund Balances		
Reserved for encumbrances	5,749	17,975
Unreserved - (deficit)	<u>(883,904)</u>	<u>(994,109)</u>
Total Fund Balances	<u>(878,155)</u>	<u>(976,134)</u>
Total Liabilities and Fund Balances	<u>\$ 89,215</u>	<u>107,718</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 498,662	498,662	487,036	(11,626)	437,194
Intergovernmental	-	-	7,753	7,753	5,100
Service area fees	118,500	118,500	115,377	(3,123)	115,408
Investment earnings	-	-	13,126	13,126	17,457
EMS revenues	42,000	42,000	55,636	13,636	68,131
Miscellaneous revenues	1,000	1,000	182	(818)	754
Total Revenues	<u>660,162</u>	<u>660,162</u>	<u>679,110</u>	<u>18,948</u>	<u>644,044</u>
Expenditures					
Current					
Fire and EMS	452,723	468,723	470,094	(1,371)	368,113
Capital Outlay	<u>20,700</u>	<u>50,700</u>	<u>34,327</u>	<u>16,373</u>	<u>201,254</u>
Total Expenditures	<u>473,423</u>	<u>519,423</u>	<u>504,421</u>	<u>15,002</u>	<u>569,367</u>
Excess of Revenues Over Expenditures	186,739	140,739	174,689	33,950	74,677
Other Financing Uses					
Transfers out	<u>(76,710)</u>	<u>(76,710)</u>	<u>(76,710)</u>	<u>-</u>	<u>(71,366)</u>
Net Change in Fund Balances	\$ <u>110,029</u>	<u>64,029</u>	97,979	<u>33,950</u>	3,311
Fund Balances (Deficits) Beginning of Year			<u>(976,134)</u>		<u>(979,445)</u>
Fund Balances (Deficits) End of Year			\$ <u>(878,155)</u>		<u>(976,134)</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and investments	\$ 1,212,833	830,242
Accounts receivable	<u>504,240</u>	<u>481,423</u>
Total Assets	<u>\$ 1,717,073</u>	<u>1,311,665</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>5,684</u>	<u>108,630</u>
 Fund Balances		
Reserved for encumbrances	13,686	-
Designated for subsequent year expenditures	639,000	-
Unreserved - undesignated	<u>1,058,703</u>	<u>1,203,035</u>
Total Fund Balances	<u>1,711,389</u>	<u>1,203,035</u>
 Total Liabilities and Fund Balances	<u>\$ 1,717,073</u>	<u>1,311,665</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,540,000	1,540,000	1,708,684	168,684	1,563,234
Penalties	12,500	12,500	7,784	(4,716)	14,337
Investment earnings	22,500	22,500	36,587	14,087	67,103
Miscellaneous	-	-	-	-	5,000
Total Revenues	1,575,000	1,575,000	1,753,055	178,055	1,649,674
Expenditures					
Current					
Public services	-	-	5,806	(5,806)	-
Capital Outlay	260,000	260,000	140,495	119,505	212,379
Total Expenditures	260,000	260,000	146,301	113,699	212,379
Excess of Revenues Over Expenditures	1,315,000	1,315,000	1,606,754	291,754	1,437,295
Other Financing Uses					
Transfers out	(1,098,400)	(1,098,400)	(1,098,400)	-	(988,700)
Net Change in Fund Balances	\$ <u>216,600</u>	<u>216,600</u>	508,354	<u>291,754</u>	448,595
Fund Balances Beginning of Year			1,203,035		754,440
Fund Balances End of Year			\$ <u>1,711,389</u>		<u>1,203,035</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ 98,145	55,016
Accounts receivable	<u>8,464</u>	<u>6,782</u>
Total Assets	<u>\$ 106,609</u>	<u>61,798</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 11,315	14,242
Advances payable	<u>8,454</u>	<u>10,833</u>
Total Liabilities	<u>19,769</u>	<u>25,075</u>
Fund Balances		
Reserved for encumbrances	14,530	1,028
Designated for subsequent year expenditures	21,872	-
Unreserved - undesignated	<u>50,438</u>	<u>35,695</u>
Total Fund Balances	<u>86,840</u>	<u>36,723</u>
Total Liabilities and Fund Balances	<u>\$ 106,609</u>	<u>61,798</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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 398,252	398,252	390,804	(7,448)	321,548
Intergovernmental	-	-	4,871	4,871	4,519
Service area fees	117,000	117,000	133,378	16,378	124,067
Investment earnings	1,590	1,590	5,730	4,140	8,742
EMS revenue	43,000	43,000	55,713	12,713	57,116
Miscellaneous	7,000	7,000	25	(6,975)	1,453
Total Revenues	566,842	566,842	590,521	23,679	517,445
Expenditures					
Current					
Fire and EMS	519,740	519,740	508,131	11,609	431,355
Capital Outlay	25,000	25,000	-	25,000	1,579
Total Expenditures	544,740	544,740	508,131	36,609	432,934
Excess of Revenues Over Expenditures	22,102	22,102	82,390	60,288	84,511
Other Financing Uses					
Transfers out	(32,273)	(32,273)	(32,273)	-	(28,957)
Net Change in Fund Balances	\$ (10,171)	(10,171)	50,117	60,288	55,554
Fund Balances (Deficits) Beginning of Year			36,723		(18,831)
Fund Balances End of Year			\$ 86,840		36,723

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and investments	\$ 1,291	6,486
Accounts receivable	512	1,343
Total Assets	\$ 1,803	7,829
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 548	-
Total Liabilities	548	-
Fund Balances		
Designated for subsequent year expenditures	815	-
Unreserved - undesignated	440	7,829
Total Fund Balances	1,255	7,829
Total Liabilities and Fund Balances	\$ 1,803	7,829

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, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

	2008			2007	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,434	11,434	11,379	(55)	11,426
Investment earnings	100	100	282	182	555
Total Revenues	11,534	11,534	11,661	127	11,981
Expenditures					
Current					
Public services	10,350	16,750	16,735	15	7,607
Excess (Deficiency) of Revenues Over Expenditures	1,184	(5,216)	(5,074)	142	4,374
Other Financing (Uses)					
Transfers out	(1,500)	(1,500)	(1,500)	-	(1,500)
Net Change in Fund Balances	\$ <u>(316)</u>	<u>(6,716)</u>	(6,574)	<u>142</u>	2,874
Fund Balances Beginning of Year			7,829		4,955
Fund Balances End of Year		\$ <u>1,255</u>			7,829



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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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ <u>3,406,807</u>	<u>3,597,084</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 51,095	2,334,852
Advances payable	7,700,000	6,000,000
Deposits	2,000	4,200
Interfund payable	<u>-</u>	<u>70,322</u>
Total Liabilities	<u>7,753,095</u>	<u>8,409,374</u>
Fund Balances		
Reserved for encumbrances	68,992	3,355,327
Unreserved (deficit)	<u>(4,415,280)</u>	<u>(8,167,617)</u>
Total Fund Balances	<u>(4,346,288)</u>	<u>(4,812,290)</u>
Total Liabilities and Fund Balances	\$ <u>3,406,807</u>	<u>3,597,084</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Intergovernmental	\$ -	6,351
Investment earnings	<u>28,891</u>	<u>51,937</u>
Total Revenues	<u>28,891</u>	<u>58,288</u>
Expenditures		
Capital Outlay		
Contractual services	209,089	-
Educational facilities	<u>2,453,800</u>	<u>9,068,883</u>
Total Expenditures	<u>2,662,889</u>	<u>9,068,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,633,998)</u>	<u>(9,010,595)</u>
Other Financing Sources		
Settlement	3,100,000	970,088
Transfers in	<u>-</u>	<u>2,500,000</u>
Total Other Financing Sources	<u>3,100,000</u>	<u>3,470,088</u>
Net Change in Fund Balances	466,002	(5,540,507)
Fund Balances (Deficits) Beginning of Year	<u>(4,812,290)</u>	<u>728,217</u>
Fund Balances (Deficits) End of Year	\$ <u><u>(4,346,288)</u></u>	<u><u>(4,812,290)</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Accounts receivable	\$ 602,910	712,583
Prepaid items	5,442	5,228
Total Current Assets	<u>608,352</u>	<u>717,811</u>
Noncurrent Assets		
Restricted cash and investments-bond reserve	385,000	-
Capital Assets		
Non-depreciable	521,585	340,989
Depreciable, net	8,351,728	8,759,379
Total Noncurrent Assets	<u>9,258,313</u>	<u>9,100,368</u>
Total Assets	<u>9,866,665</u>	<u>9,818,179</u>
Liabilities		
Current Liabilities		
Accounts payable	539,991	92,634
Interfund advances payable	41,542	39,467
Interfund payable	1,368,324	1,198,907
Compensated absences payable	190,460	187,200
Revenue bonds payable	225,000	220,000
Total Current Liabilities	<u>2,365,317</u>	<u>1,738,208</u>
Long-Term Liabilities		
Compensated absences payable (net of current portion)	18,050	-
Net pension obligation	214,620	250,013
Interfund advances payable (net of current portion)	333,536	375,079
Revenue bonds payable (net of current portion)	2,990,000	3,215,000
Total Liabilities	<u>5,921,523</u>	<u>5,578,300</u>
Net Assets		
Invested in capital assets, net of related debt	5,658,313	5,665,368
Restricted for bond reserve	385,000	-
Unrestricted (deficit)	(2,098,171)	(1,425,489)
Total Net Assets	<u>\$ 3,945,142</u>	<u>4,239,879</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Charges for services	\$ 3,726,568	3,387,681
Operating Expenses		
Personal services	2,384,861	2,297,444
Supplies and services	995,214	1,015,178
Insurance	213,141	275,983
Depreciation	563,373	662,902
Total Operating Expenses	<u>4,156,589</u>	<u>4,251,507</u>
Operating Loss	<u>(430,021)</u>	<u>(863,826)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(180,078)	(198,437)
Gain on sale of capital assets	33,264	(64,870)
Operating grants	240,425	62,188
Total Non-Operating Revenues (Expenses)	<u>93,611</u>	<u>(201,119)</u>
Loss Before Capital Contributions and Transfers	(336,410)	(1,064,945)
Capital contributions	11,805	640,921
Transfers in	385,295	1,037,776
Transfers out	(197,595)	(204,027)
Change in Net Assets	(136,905)	409,725
Net Assets Beginning of Year	4,239,879	3,830,154
Prior Period Adjustment	<u>(157,832)</u>	<u>-</u>
Net Assets End of Year	\$ <u>3,945,142</u>	<u>4,239,879</u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,836,241	3,290,425
Cash payments to employees for services	(2,398,944)	(2,242,997)
Cash payments for goods and services	<u>(800,680)</u>	<u>(2,398,247)</u>
Net Cash Provided by (Used in) Operating Activities	<u>636,617</u>	<u>(1,350,819)</u>
Cash Flows from Noncapital Financing Activities		
Interfund payable	169,417	449,129
Transfers in	385,295	1,037,776
Transfers out	<u>(197,595)</u>	<u>(204,027)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>357,117</u>	<u>1,282,878</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	33,264	(64,870)
Operating grant	240,425	62,188
Capital grant	11,805	640,921
Principal paid on revenue bonds	(220,000)	(205,000)
Interest paid on debt service	(180,078)	(198,437)
Payments for capital acquisitions	(336,318)	(166,861)
Prior period adjustment	<u>(157,832)</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(608,734)</u>	<u>67,941</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>-</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ 385,000</u>	<u>-</u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007

(continued)

	2008	2007
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (430,021)	(863,826)
Adjustments:		
Depreciation	563,373	662,902
(Increase) Decrease in Assets:		
Accounts receivable	109,673	(97,256)
Prepaid items	(214)	(1,534)
Increase (Decrease) in Liabilities:		
Accounts payable	447,357	(152,107)
Interfund advance payable	(39,468)	(945,161)
Compensated absences payable	21,310	19,878
Net pension obligation	(35,393)	34,569
Capital leases payable	-	(8,284)
Net Cash Provided by (Used in) Operating Activities	\$ 636,617	(1,350,819)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Cash and investments	\$ 235,791	235,171
Accounts receivable	<u>70,683</u>	<u>52,449</u>
Total Current Assets	<u>306,474</u>	<u>287,620</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	306,401	280,233
Depreciable, net	<u>12,474,023</u>	<u>12,933,340</u>
Total Noncurrent Assets	<u>12,780,424</u>	<u>13,213,573</u>
Total Assets	<u>13,086,898</u>	<u>13,501,193</u>
Current Liabilities		
Accounts payable	45,406	145,619
Interfund advances payable	<u>80,867</u>	<u>76,617</u>
Total Current Liabilities	126,273	222,236
Long-Term Liabilities		
Interfund advances payable (net of current portion)	<u>794,406</u>	<u>875,273</u>
Total Liabilities	<u>920,679</u>	<u>1,097,509</u>
Net Assets		
Invested in capital assets	12,780,424	13,213,573
Unrestricted (deficit)	<u>(614,205)</u>	<u>(809,889)</u>
Total Net Assets	\$ <u><u>12,166,219</u></u>	<u><u>12,403,684</u></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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Charges for services	\$ 613,663	592,620
Operating Expenses		
Personal services	131,843	131,598
Supplies and services	249,182	398,759
Insurance	1,384	17,031
Depreciation	459,316	463,705
Total Operating Expenses	<u>841,725</u>	<u>1,011,093</u>
Operating Loss	<u>(228,062)</u>	<u>(418,473)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(50,068)	(53,841)
Investment earnings	5,460	21,797
Total Non-Operating Revenues (Expenses)	<u>(44,608)</u>	<u>(32,044)</u>
Loss Before Transfers	(272,670)	(450,517)
Transfers in	65,694	40,034
Transfers out	<u>(30,489)</u>	<u>(32,172)</u>
Change in Net Assets	(237,465)	(442,655)
Net Assets Beginning of Year	<u>12,403,684</u>	<u>12,846,339</u>
Net Assets End of Year	\$ <u><u>12,166,219</u></u>	<u><u>12,403,684</u></u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 595,429	689,224
Cash payments to employees for services	(131,843)	(131,598)
Cash payments for goods and services	<u>(427,396)</u>	<u>(358,180)</u>
Net Cash Provided by (Used in) Operating Activities	<u>36,190</u>	<u>199,446</u>
Cash Flows from Noncapital Financing Activities		
Transfers in	65,694	40,034
Transfers out	<u>(30,489)</u>	<u>(32,172)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>35,205</u>	<u>7,862</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant	-	-
Interest paid on debt service	(50,068)	(53,841)
Payments for capital acquisitions	<u>(26,167)</u>	<u>(276,551)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(76,235)</u>	<u>(330,392)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>5,460</u>	<u>21,797</u>
Net Increase (Decrease) in Cash and Cash Equivalents	620	(101,287)
Cash and Cash Equivalents Beginning of Year	<u>235,171</u>	<u>336,458</u>
Cash and Cash Equivalents End of Year	<u>\$ 235,791</u>	<u>235,171</u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007

(Continued)

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (228,062)	(418,473)
Adjustments:		
Depreciation	459,316	463,705
(Increase) Decrease in Assets:		
Accounts receivable	(18,234)	161,660
Increase (Decrease) in Liabilities:		
Accounts payable	(100,213)	130,451
Interfund advance payable	(76,617)	(72,841)
Deferred revenue	-	(65,056)
Net Cash Provided by (Used in) Operating Activities	\$ <u>36,190</u>	<u>199,446</u>

See accompanying notes to the basic financial statements



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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, 2008

	RBMS School District	RBMS Borough	Total Internal Service Funds
Current Assets			
Cash and investments	\$ <u>697,237</u>	<u>-</u>	<u>697,237</u>
Current Liabilities			
Interfund payable	-	596,374	596,374
Claims payable	<u>204,439</u>	<u>95,712</u>	<u>300,151</u>
Total Current Liabilities	<u>204,439</u>	<u>692,086</u>	<u>896,525</u>
Net Assets			
Unrestricted (deficit)	\$ <u><u>492,798</u></u>	<u><u>(692,086)</u></u>	<u><u>(199,288)</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, 2008

	<u>RBMS</u> <u>School District</u>	<u>RBMS</u> <u>Borough</u>	<u>Total</u> <u>Internal</u> <u>Service Funds</u>
Operating Revenues			
Insurance premiums	\$ 3,020,959	1,282,523	4,303,482
Operating Expenses			
Administration	446,372	400,250	846,622
Claims	2,250,526	791,356	3,041,882
Total Operating Expenses	<u>2,696,898</u>	<u>1,191,606</u>	<u>3,888,504</u>
Operating Income	324,061	90,917	414,978
Non-Operating Revenues			
Investment earnings	<u>14,270</u>	<u>-</u>	<u>14,270</u>
Change in Net Assets	338,331	90,917	429,248
Net Assets (Deficits) Beginning of Year	<u>154,467</u>	<u>(783,003)</u>	<u>(628,536)</u>
Net Assets (Deficits) End of Year	\$ <u><u>492,798</u></u>	<u><u>(692,086)</u></u>	<u><u>(199,288)</u></u>

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2008

	<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	\$ 3,020,959	1,282,523	4,303,482
Cash payments for goods and services	(446,372)	(400,250)	(846,622)
Cash payments for claims	<u>(2,404,524)</u>	<u>(882,273)</u>	<u>(3,286,797)</u>
Net Cash Provided by (Used in) Operating Activities	<u>170,063</u>	<u>-</u>	<u>170,063</u>
Cash Flows from Investing Activities			
Interest on investments	<u>14,270</u>	<u>-</u>	<u>14,270</u>
Net Increase (Decrease) in Cash and Cash Equivalents	184,333	-	184,333
Cash and Cash Equivalents Beginning of Year	<u>512,904</u>	<u>-</u>	<u>512,904</u>
Cash and Cash Equivalents End of Year	\$ <u><u>697,237</u></u>	<u><u>-</u></u>	<u><u>697,237</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities			
Operating Income	<u>324,061</u>	<u>90,917</u>	<u>414,978</u>
Increase (Decrease) in Liabilities:			
Claims payable	<u>(153,998)</u>	<u>(90,917)</u>	<u>(244,915)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>170,063</u></u>	<u><u>-</u></u>	<u><u>170,063</u></u>



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Ketchikan Gateway Borough, Alaska
RBMS School District Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and investments	\$ <u>697,237</u>	<u>512,904</u>
Current Liabilities		
Claims payable	<u>204,439</u>	<u>358,437</u>
Net Assets		
Unrestricted	\$ <u><u>492,798</u></u>	<u><u>154,467</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Insurance premiums	\$ 3,020,959	2,936,900
Operating Expenses		
Administration	446,372	423,423
Claims	2,250,526	2,265,515
Total Operating Expenses	<u>2,696,898</u>	<u>2,688,938</u>
Operating Income	324,061	247,962
Non-Operating Revenues		
Investment earnings	14,270	24,128
Change in Net Assets	338,331	272,090
Net Assets (Deficits) Beginning of Year	<u>154,467</u>	<u>(117,623)</u>
Net Assets End of Year	\$ <u>492,798</u>	<u>154,467</u>

Ketchikan Gateway Borough, Alaska
RBMS Borough Insurance Internal Service Fund
Comparative Statement of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$ <u> -</u>	<u> -</u>
Current Liabilities		
Interfund payable	596,374	625,915
Claims payable	<u>95,712</u>	<u>157,088</u>
Total Current Liabilities	<u>692,086</u>	<u>783,003</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(692,086)</u></u>	<u><u>(783,003)</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Insurance premiums	\$ 1,282,523	1,194,699
Operating Expenses		
Administration	400,250	371,516
Claims	<u>791,356</u>	<u>1,169,419</u>
Total Operating Expenses	<u>1,191,606</u>	<u>1,540,935</u>
Change in Net Assets	90,917	(346,236)
Net Assets (Deficits) Beginning of Year	<u>(783,003)</u>	<u>(436,767)</u>
Net Assets (Deficits) End of Year	<u>\$ (692,086)</u>	<u>(783,003)</u>



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STATISTICAL SECTION

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STATISTICAL SECTION

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

The following tables are included in this section:

Revenues and Expenditures/Expenses

Net Assets By Component	Table 1
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KETCHIKAN GATEWAY BOROUGH*Net Assets By Component, Last Six Years*

June 30, 2008

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental Activities						
Invested in capital assets, net of related debt	\$ 103,567,159	104,167,175	95,476,768	93,606,967	90,711,046	68,654,590
Restricted	4,801,620	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	23,817,829	16,086,982	8,335,910	850,340	1,281,070	2,272,697
Total governmental activities net assets	<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	18,438,737	18,878,941	19,348,852	18,865,448	18,462,955	15,871,103
Restricted	385,000					
Unrestricted (deficit)	(2,920,876)	(2,469,759)	(2,813,429)	(2,028,243)	(1,143,842)	533,371
Total business-type activities net assets	<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	122,005,896	123,046,116	114,825,620	112,472,415	109,174,001	84,525,693
Restricted	5,186,620	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	20,896,953	13,617,223	5,522,481	(1,177,903)	137,228	2,806,068
Total primary government net assets \$	<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 Six Years
June 30, 2008

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities:						
Administration	\$ 3,105,409	3,306,674	2,834,490	3,313,736	2,160,394	2,419,655
Fire and EMS	1,219,557	-	-	-	-	-
Library services	420,100	420,565	396,468	411,855	-	-
Parks and recreation	1,883,894	-	-	-	-	-
Public works	1,248,572	-	-	-	-	-
Public services	1,908,428	8,308,680	7,824,163	10,420,289	8,739,143	10,138,227
Transit	1,075,033	-	-	-	-	-
Automation	-	364,331	355,000	291,603	269,771	151,143
Education	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	1,405,115	1,613,241	1,541,048	1,301,846	1,370,970	1,206,535
Total governmental activities expenses	<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	4,312,540	4,599,434	4,189,888	4,223,926	3,442,165	3,643,744
Wastewater	890,038	1,073,625	882,954	854,648	779,832	870,426
Total business-type activities expenses	<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>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:						
Public services	\$ 1,364,722	1,314,590	1,530,858	1,526,806	1,259,792	1,187,500
Capital grants	4,059,938	2,981,744	2,885,920	2,102,498	1,727,747	2,626,176
Operating grants	498,425	2,007,935	2,442,331	972,586	3,136,994	1,139,686
Nondepartmental	3,020,959	2,936,900	2,534,223	2,044,431	1,867,159	1,530,772
Total governmental activities program revenues	<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	3,759,832	3,387,681	3,742,327	2,997,565	2,744,703	2,925,246
Wastewater	613,663	592,620	733,104	496,629	490,756	478,520
Operating grants	152,035	62,188	-	-	-	2,500
Capital grants	8,685	640,921	-	528,410	1,617,556	11,726,302
Total business-type activities program revenues	<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>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	\$ (16,844,595)	(18,094,069)	(16,216,730)	(20,361,131)	(15,475,394)	(18,239,820)
Business-type activities	(668,363)	(989,649)	(597,411)	(1,055,970)	631,018	10,618,398
Total primary government net expense	\$ <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	\$ 11,133,400	10,350,075	10,170,210	8,222,959	7,739,922	7,274,264
Sales taxes	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	579,736	581,662	11,031	4,323	6,948	12,741
Grants and entitlements not restricted	3,615,710	319,748	-	932,418	534,624	865,389
Transfers	(222,905)	(841,611)	(289,502)	(556,000)	(229,485)	188,185
Investment earnings	1,511,764	1,552,003	845,592	760,004	899,718	662,628
Property sales	599,456	699,150	1,886,734	874,850	436,384	-
Bond issuance costs	-	-	14,927	33,834	-	-
Miscellaneous	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>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	96,969	21,797	6,127	18,062	54,136	166,861
Transfers	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>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>24,770,522</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	\$ 7,606,053	2,278,813	3,065,008	(2,173,896)	(237,240)	(3,756,653)
Business-type activities	(348,489)	(126,241)	(301,782)	(481,908)	914,639	10,597,074
Total primary government, change in net assets	\$ <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 Six Years
June 30, 2008

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Fund						
Reserved	\$ 65,191	28,245	192,230	504,119	463,976	538,146
Unreserved	2,809,698	1,429,143	1,725,796	2,376,078	2,560,944	2,969,923
Total general fund	<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	16,511,974	16,723,780	18,385,389	13,013,202	16,548,362	23,525,536
Unreserved, report in:						
Special revenue funds	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>(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>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>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 Six Years
June 30, 2008

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Revenues						
Taxes	\$ 17,935,890	16,576,094	16,437,391	15,706,140	13,242,931	12,268,334
Payments in lieu of taxes	16,634	14,731	11,031	4,323	6,948	12,741
Intergovernmental	6,492,592	5,818,658	5,328,250	4,081,128	5,399,367	4,628,811
Licenses and permits	26,800	34,060	35,140	38,815	49,035	33,002
SDC - Principal and interest	-	-	-	-	-	2,439
Charges for services	1,337,715	1,280,530	1,495,718	1,414,366	1,210,757	1,154,499
Commercial vessel passenger tax	2,244,585	-	-	-	-	-
Investment earnings	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	390,359	408,748	375,565	431,664	347,034	485,890
Total Revenues	<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	2,882,789	2,704,745	2,627,499	2,290,158	2,072,658	2,219,293
Library services	420,100	420,565	396,468	411,855	-	-
Fire and EMS	978,225	-	-	-	-	-
Public services	1,720,168	6,129,496	6,970,230	9,871,936	7,860,847	8,752,180
Parks and Recreation	1,656,144	-	-	-	-	-
Public works	1,203,440	-	-	-	-	-
Transit	1,022,749	-	-	-	-	-
Automation	-	339,083	324,728	265,761	244,694	142,661
Education	8,123,054	8,895,922	8,227,112	7,635,347	7,373,117	7,329,446
Nondepartmental	219,754	492,028	365,323	362,582	194,637	158,085
Capital Outlay	4,307,042	10,386,898	12,981,780	11,930,424	21,291,379	4,211,729
Debt Service:						
Principal retirement	2,376,476	2,289,756	2,102,457	1,641,555	1,465,000	1,175,000
Interest and fiscal charges	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>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	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	3,100,000	970,088	-	-	-	-
Transfers in	5,347,217	7,660,149	4,244,391	5,724,276	5,475,705	5,026,932
Other financing proceeds-refunding bonds	-	-	-	7,680,000	-	-
Capital leases	-	-	-	395,966	-	-
Bond issuance costs	-	-	(7,607)	(31,000)	-	-
Transfers out	(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)	2,877,095	128,477	691,040	8,192,802	(229,485)	9,298,613
Net Change in Fund Balances	\$ <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	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 Seven Fiscal Years*

Changes in Assessment, Last Eight 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

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cape Fox Corporation	\$ 12,271,000	1	1.04%	\$ 11,476,500	3	1.14%
Tongass Trading Company	9,325,100	2	0.79%	7,303,400	6	0.72%
Renaissance Ketchikan Group, LLC	8,979,700	3	0.76%			
Trident-Norquest Seafood Landing LLC Lodging	8,265,200	4	0.70%			
Carr-Gottstein Foods	7,857,900	6	0.66%	5,048,300	9	0.50%
Harbor Enterprises	7,502,900	7	0.63%			
Wal-Mart	6,731,800	8	0.57%			
ECPS INC. Seafood	6,504,100	9	0.55%	7,925,700	4	0.78%
Ketchikan Plaza Inc.	5,852,600	10	0.49%			
Southeast Stevedoring	-					
Ketchikan Pulp Co.	-			44,625,500	1	4.42%
The Hames Group	-			11,763,000	2	1.16%
Kanaway Seafoods	-			7,678,000	5	0.76%
Vanderweele, James & Ken	-			6,630,700	7	0.66%
TF Acquisition	-			5,179,700	8	0.51%
Tesoro Alaska Petroleum Co.	-			4,702,800	10	0.47%
Total	\$ <u>81,376,900</u>			\$ <u>112,333,600</u>		

KETCHIKAN GATEWAY BOROUGH
Property Tax Levies and Collections, Last Eight 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%	621,315	6,448,499	92%
2005	7,400,485	5,767,904	78%	1,245,428	7,013,332	95%
2006	7,641,357	7,213,060	94%	53,653	7,266,713	95%
2007	8,288,123	7,437,374	90%	844,048	8,281,422	100%
2008	8,058,696	7,911,034	98%	-	7,911,034	98%

KETCHIKAN GATEWAY BOROUGH

Taxable Sales by Category

	Calendar Year					
	2007	2006	2005	2004	2003	2002
CONTRACTORS	\$ 10,130,888	\$ 10,656,013	\$ 9,296,949	\$ 14,083,551	\$ 13,759,062	\$ 7,033,742
FINANCE, INS, BANKS	18,326	17,659	120,462	67,238	50,786	33,712
HOTELS, MOTELS, LODGES	4,793,067	5,330,345	4,629,628	4,016,123	3,364,151	3,131,719
MANUFACTURING	1,589,455	1,898,006	1,867,443	1,145,357	867,260	994,655
REAL ESTATE	9,790,133	7,792,004	6,852,511	6,490,170	5,944,804	5,529,527
REFUND	-	-	-	(2,991)	(154,000)	(67,202)
RETAIL TRADE	3,822,353	6,046,594	5,905,686	5,311,436	3,887,124	3,499,953
RETAIL TRADE - FOODS	2,413,318	2,300,451	2,192,221	2,338,268	2,662,434	3,065,425
RETAIL TRADE, BARS & CATER	990,164	722,607	627,919	555,541	459,588	624,804
RETAIL, AUTOMOTIVE	6,934,465	4,914,065	4,046,893	3,929,369	3,622,265	2,853,682
RETAIL, SPECIALTY	942,658	974,001	785,539	949,992	1,070,022	1,135,032
RETAIL, VAR, JEWELRY, CURIO	957,841	967,743	970,347	722,103	783,981	861,599
SERVICES -ENTERTAINMENT	18,729	3,131	28,522	24,858	92,191	643,937
SERVICES - GENERAL	3,480,136	3,322,893	3,187,918	3,748,560	3,140,915	3,017,278
SERVICES - PROFESSIONAL	2,784,594	1,717,990	1,451,202	1,267,362	1,359,734	1,188,188
TRANS, COMM, UTILITIES	<u>30,340,921</u>	<u>26,642,246</u>	<u>24,580,322</u>	<u>19,673,895</u>	<u>15,946,046</u>	<u>17,712,538</u>
	\$ <u>79,007,048</u>	\$ <u>73,305,748</u>	\$ <u>66,543,562</u>	\$ <u>64,320,832</u>	\$ <u>56,856,363</u>	\$ <u>51,258,589</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)	13,093	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	13,125	(45)	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	13,125	(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	13,174	(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	13,160	(13)	Debt Legally Defeased in FY05.			1,708,684	1,708,684

Source: Ketchikan Gateway Borough Finance Department.

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

<u>Fiscal Year</u>	<u>Obligation Bonds Government</u>	<u>Revenue Bonds Business</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%	2,422
2005	34,044,749	4,192,330	38,237,079	4%	2,913
2006	33,203,086	4,031,050	37,234,136	4%	2,837
2007	29,630,000	3,435,000	33,065,000	3%	2,510
2008	27,290,000	3,215,000	30,505,000	3%	2,318

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2008

Governmental Unit

Debt repaid with sales taxes

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough	\$	27,290,000
Less Self Supporting Debt:		
Sales Tax Revenues	(27,290,000)	<u>(27,290,000)</u>
Total Direct Debt		<u>-</u>
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		6,550,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(5,502,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(1,048,000)	(6,550,000)
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
 1998 - 2008

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
1999	1,464,148	1,464,983	(835)	50,000	4,000	54,000	(0.02)
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

- (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*

1999 - 2008

Fiscal Year	Borough Population	Alaska Per Capita Income - (1)	Annual Average Unemployment Rate	Borough School Enrollment	Education - (2)			
					Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE	Number of Permanent Employees
1999	13,961	31,799	7.00%	2,757	7	145	157	296
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	13,093	38,337	8.90%	2,359	6	140	155	300
2005	13,125	40,291	7.60%	2,372	5	134	155	307
2006	13,125	41,340	7.60%	2,291	7	145	155	307
2007	13,174	45,924	5.00%	2,265	7	147	158	310
2008	13,160	46,350	6.20%	2,166	7	147	158	310

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

(2) Ketchikan Gateway Borough School District Financials.

Principal Employers Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Alaska	629	1	8.61%	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.						
Total employment	7,309			7,025		

Miscellaneous Statistics

June 30, 2008

	<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	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
Gravina Island, square miles	89	89	89	89	89	89
<i>Animal Protection</i>						
Licenses Issued	775	761	604	685	Not available	
Animals Impounded	475	424	408	417		
Animals Surrendered	278	315	395	388		
Animals Adopted	109	169	158	204		
Animals Claimed	184	118	149	156		
<i>Employees by function</i>						
Administration	23	26	25	25	25	
Fire and EMS	6	5	4	2	2	
Public services	11	11	11	10	10	
Parks and Recreation	14	14	14	14	13	
Public works	18	19	20	18	17	
Transit	10	9	9	8	7	
Automation	1	1	1	1	1	
Airport	<u>27</u>	<u>27</u>	<u>28</u>	<u>26</u>	<u>26</u>	
	110	112	112	104	101	
<i>South Tongass Volunteer Fire Department</i>						
Stations	1	1	1	1	1	1
Volunteers	40	38	40	27	27	27
Fire Calls	8	15	23	12	12	12
Emergency Calls/EMS Incidents	102	104	69	88	88	88
Fire Investigations	4	15	3	2	2	2
<i>North Tongass Volunteer Fire Department</i>						
Stations	2	2	2	2	Not established	
Volunteers	31	31	30	30		
Fire Calls	37	28	40			
Emergency Calls/EMS Incidents	95	84	110			
Fire Investigations	0	0	1			
<i>Elections</i>						
Registered Voters	10,380	10,253	10,034	10,135	10,135	10,135
Votes Cast Last Borough Election	2,456	2,528	3,138	3,982	3,989	3,989
% Voting Last Borough Election	24%	25%	31%	39%	39%	39%

Miscellaneous Statistics

June 30, 2008

	<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>Sewer & Water Plants</i>						
Forest Park:						
Sewer Connections	150	150	150	150	Not established	
Miles of Sanitary Sewers	2.5	2.5	2.5	2.5		
Average Daily Treatment (gals)	55,000	55,000	55,000	55,000		
Mountain Point:						
Miles of Sanitary Sewers	6	6	6	6	6	6
Average Daily Treatment (Sewer gals)	47,000	47,000	47,000	47,000	47,000	47,000
Treatment Capacity (Sewer gals)	330,000	330,000	330,000	330,000	330,000	330,000
Sewer Connections	257	257	257	257	257	257
Mountain Point Service Area:						
Water, Hydrant, Sewer Connections	327	327	327	327	327	327
Average Daily Treatment (Water gals)	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
<i>Municipal Parks</i>						
Developed Parks	15	15	15	15	15	15
Developed Acres	6,564	6,564	6,564	6,564	6,564	6,564
Swimming Pools	1	1	2	2	2	2
Lighted Ball Fields	7	6	6	6	6	6
<i>Ketchikan International Airport</i>						
Inbound Passengers	119,376	125,295	104,906	92,659	Not available	
Outbound Passengers	112,746	119,451	104,966	93,424		
<i>Airport Ferry</i>						
Passengers	449,790	418,291	356,774	321,958	Not available	
Vehicles	127,516	106,276	84,754	71,394		
<i>Transit</i>						
Passengers	226,356	153,377	133,321	150,985	174,575	189,647
<i>Visitor Industry</i>						
Cruise Ship Passengers	941,910	899,638	681,096	Not available		

Data supplied by Ketchikan Gateway Borough Department Directors