

Ketchikan Gateway
Borough

Alaska

Comprehensive Annual Financial Report

June 30, 2007



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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2007

Prepared by:

Department of Finance

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



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Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2007

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INTRODUCTORY SECTION



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 21, 2007

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Ketchikan Gateway Borough, Alaska for the year ended June 30, 2007. 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. 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 new reporting model is designed to make the CAFR easier for the public to understand and improve operational accountability with the introduction of government-wide financial statements compared to the previous reporting model, which was based on fund and fund types. GASB 34 creates new basic financial statements for reporting on 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, and are included in the basic financial statements. 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.

Supplementary financial information provides comparative financial data for the individual funds as well as budget to actual comparison schedules for most governmental 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 Generally Accepted Accounting Practices (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., a certified 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, 2007, 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, 2007 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 in conformance 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 for 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 Commission recently approved the Ketchikan Gateway Borough's application to annex approximately 4,510 square miles. The annexation will be 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 wastewater services. 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 to service areas for water, and fire protection. 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 requires an action of the Assembly. 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 most major funds of the Borough, this comparison is presented as part of the basic financial statements. For nonmajor governmental funds with appropriated budgets, this comparison is presented in the governmental fund subsection of this report.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the Borough operates.

Local Economy

The timber industry is constantly struggling to maintain a viable presence for the economy. The Ketchikan area economy is experiencing a slight increase in the natural resource based industry with the opening of the veneer manufacturing plant, promising 30 to 50 full time jobs in the year 2008. There is also an operating sawmill providing about 30 jobs. The majority of the log supply is being imported from Canada because the

U.S. Forest Service cannot provide enough timber for sustained operations. The timber industry is harvesting at lower than desirable levels. Most of the timber harvesting comes from Canada, private Alaska land, and State land. The fishing industry continues to perform on a steady sustained level despite a slight shift to sport fishing to support the tourism demand.

The Alaska Marine Highway System (AMHS) moved their administrative offices to Ketchikan in 2004 initially supplying approximately 30 full time positions has increased to approximately 60 positions. The AMHS plans to install a permanent winter layup and maintenance facility at Ward Cove with the possibility of adding another 15 full time jobs. The Alaska Ship and Dry-dock company that operates the State of Alaska ship maintenance facility, plans major expansion to accommodate over 100 new jobs in Ketchikan.

The tourism industry is experiencing a temporary lull in the number of passengers visiting Ketchikan. The impact was estimated to be 100,000 less passengers in 2007. The City of Ketchikan is upgrading the waterfront infrastructure to handle larger cruise ships. Once the construction is complete the passenger count is expected to rebound to normal levels in 2008. The State imposed Commercial Passenger Vessel Excise Tax distributed \$203,810 to the Borough for fiscal 2007 at \$2.50 per passenger. The Borough would expect to receive over \$2.0 million for fiscal 2008. State law (AS 43.52.230(b)) provides that the funds shall be used, "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." Ordinance No. 1462, which is scheduled for introduction by the Assembly at its meeting of December 17, 2007, proposes an appropriation of \$50,000 of the funds for the Borough's share of repairs to Harbor View Park. Other potential uses for the funds include financing any of the following in proportion to use of the facilities or services by the visitor industry (in no order of priority): (1) Newtown planning; (2) beautification; (3) bus operations; (4) Ketchikan Visitors Bureau grant; (5) loan guarantee for Ketchikan Visitors Bureau building; (6) bond guarantee for Inter-Island Ferry Authority; (7) swimming pool operations; (8) recreation center; (9) airport operations; and (10) emergency medical services. Policy direction from the Assembly regarding the future use of the funds will be on the agenda for the policy meeting of January 11 – 12, 2007.

Other conditions affecting the Borough's finances include the Public Employees Retirement System (PERS), remediation of the Schoenbar Middle School, Fawn Mountain Elementary School construction, and fire station construction.

Construction and remediation of the Schoenbar Middle School was completed with school opening in January of 2007. Settlement was reached with the insurance companies awarding the Borough \$4.1 million for legal and remediation costs. The Borough applied for a grant to the Alaska Department of Education and Early Development (DEED) for \$8.8 million. The State of Alaska and DEED will participate with 65% and the Borough 35%. The grant funding for the Schoenbar Middle School is ranked as the number one priority project in the State and is in the Governor's budget for funding in 2008. The Legislature will vote on this issue in the 2008 session. State Law (AS 14.11.008) regarding State capital project grants for schools requires school districts to pay a portion of the cost of the project covered by the grant. For municipal school districts, the local share is based on the "full and true value" of taxable property per student ("average daily membership" or "ADM"). Historically, Ketchikan has been in the category of "\$200,001 to \$600,000 per ADM," which requires a local share of 30 percent. However, dropping enrollment and increasing property values have shifted Ketchikan to the least favorable category "over \$600,000 per ADM," which increases the local share to 35 percent. Specifically, the FY 2007 full value figure for the Borough (determined in October 2007) is \$1,415,713,000 and ADM for FY 2007 was 2,272.90, which yields a figure of \$622,866 per ADM. If Ketchikan had 87 more students in FY 2007, the Borough would have remained in the 30-percent local share category. Shifting the Borough to the least favorable category will result in \$436,095 less in State grant funds for Schoenbar and \$44,871 less in playground safety upgrades for Houghtaling, Valley Park, and Pt. Higgins Elementary Schools. The Borough's 35 percent share for those projects is, respectively, \$3,052,665 and \$314,097. This development will not impact reimbursement of outstanding bonds for school-related projects.

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, Workmans' Compensation at statutory amounts, and marine coverage for the Borough vessels. The Borough also purchases insurance its component unit 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), or 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.

During 2006, the State of Alaska Legislature provided temporary relief from rising retirement costs to all municipal governments participating in the Alaska Public Employee's Retirement System (PERS). Under this temporary program, Ketchikan Gateway Borough was awarded \$214,696, all of which was deposited directly into the Borough's account with the PERS. Ketchikan Gateway Borough was also given the option to keep its employer contribution rate for fiscal year 2007 at the fiscal year 2006 rate of 15.49 percent instead of the scheduled rate for fiscal year 2007 of 20.49 percent. The Borough opted to increase its employer rate to 20.49 percent for fiscal year 2007.

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

ACKNOWLEDGEMENTS

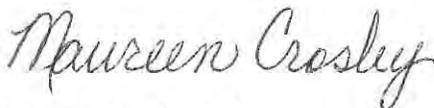
The preparation of the comprehensive annual financial report requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

Charlanne Heath, Soly Deleon, Amy Briggs, and Marva Lee Otos.

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, 2006

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.



Oliver S. Cox

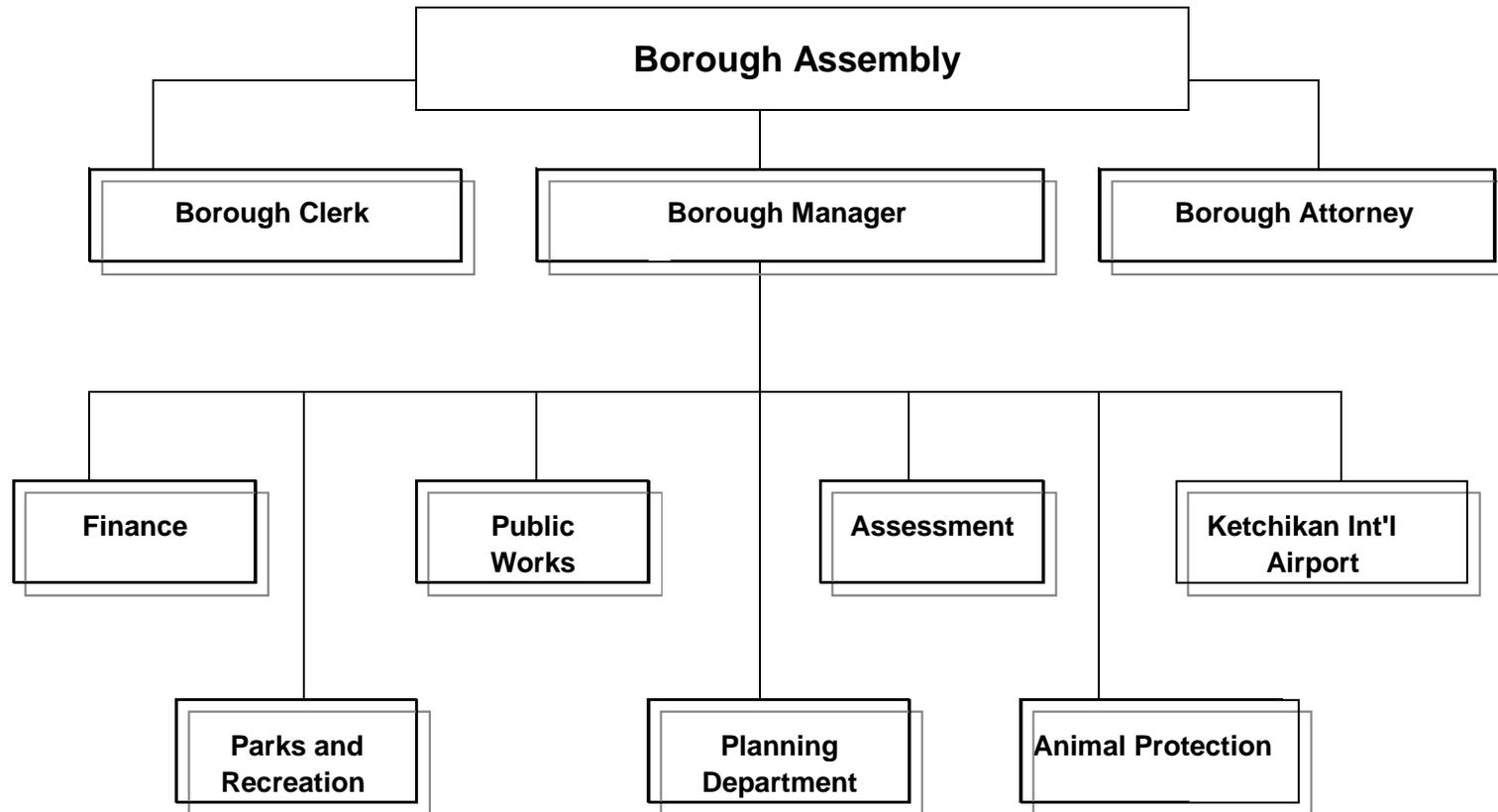
President

Jeffrey R. Emmer

Executive Director

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2006/2007



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2007

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>	Maggie Sarber
<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>	Roy Eckert
<i>Assistant Borough Manager</i>	Steve Corporon
<i>Borough Attorney</i>	Scott A. Brandt-Erichsen
<i>Borough Clerk</i>	Harriett Edwards
<i>Director of Finance</i>	Michael Houts
<i>Director of Assessment</i>	Dennis Finegan
<i>Director of Animal Protection</i>	Tamara Moxon
<i>Planning Supervisor</i>	David Taylor
<i>Director of Transportation Services</i>	Mike Carney
<i>Parks and Recreation Supervisor</i>	Wendy Mackie
<i>Director of Public Works</i>	Jim Voetberg



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FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough, Alaska, as of and for the year ended June 30, 2007, 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 reports 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, 2007, 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, Recreation Sales Tax 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.

Ketchikan Gateway Borough, Alaska
Required Supplementary Information
Schedule of Funding Progress – Alaska Public Employees’ Retirement System
Fiscal Year 2007

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 21, 2007 on our consideration of the Ketchikan Gateway Borough’s internal control over financial reporting and 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 21, 2007

KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2007

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, 2007. 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 \$140,989,737 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$123,046,116 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 \$4,326,398 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$13,617,223 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 \$12,899,537 this year. This compares to the prior year ending fund balance of \$19,473,349 showing a decrease of \$6,573,812 during the current year. Unreserved fund balance of \$(3,852,488) for fiscal year 2007 shows a \$4,748,218 decrease from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,429,143, or 8.4% 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 26 & 27 of this report.

Fund Financial Statements

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

The Borough has two kinds of funds:

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

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

The basic governmental fund financial statements are presented on pages 28 - 39 of this report.

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

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

The basic enterprise fund financial statements are presented on pages 40 - 43 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 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 80.

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 \$140,989,737. The following table provides a summary of the Borough's net assets:

(This page continued on the subsequent page).

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Current assets	\$ 28,956,943	\$ 35,991,707	\$ 1,005,431	\$ 1,169,588	\$ 29,962,374	\$ 37,161,295
Capital assets	134,781,651	128,270,315	22,313,941	22,997,136	157,095,592	151,267,451
Total assets	<u>163,738,594</u>	<u>164,262,022</u>	<u>23,319,372</u>	<u>24,166,724</u>	<u>187,057,966</u>	<u>188,428,746</u>
Liabilities:						
Current liabilities	10,427,915	10,642,792	3,445,177	3,945,360	13,873,092	14,588,152
Long-term liabilities	28,730,124	31,636,965	3,465,013	3,685,941	32,195,137	35,322,906
Total liabilities	<u>39,158,039</u>	<u>42,279,757</u>	<u>6,910,190</u>	<u>7,631,301</u>	<u>46,068,229</u>	<u>49,911,058</u>
Net assets:						
Invested in capital assets, net of debt	104,167,175	95,476,768	18,878,941	19,348,852	123,046,116	114,825,620
Restricted	4,326,398	18,489,064	-	-	4,326,398	18,489,064
Unrestricted	16,086,982	8,335,910	(2,469,759)	(2,813,429)	13,617,223	5,522,481
Total net assets	<u>\$ 124,580,555</u>	<u>\$ 122,301,742</u>	<u>\$ 16,409,182</u>	<u>\$ 16,535,423</u>	<u>\$ 140,989,737</u>	<u>\$ 138,837,165</u>

Note that approximately 82.23% of the governmental activities' total assets are invested up in capital. The Borough uses these capital assets to provide services to its citizens. However, with business type activities, the Borough has spent approximately 95.7% 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. 84.0% of the Borough's total assets are included in capital assets. The current ratio for governmental activities is 2.78 to 1 and .29 to 1 for business type activities. This compares to 3.8 to 1 for governmental activities and .3 to 1 for business type activities for fiscal year 2006. The change in the current ratio for governmental activities is due mainly to the continuing work being done on the Schoenbar Middle School.

Changes in Net Assets

The Borough's net assets increased by \$2,152,572 in 2007. The net assets for governmental activities increased by \$2,278,813 and the net assets for business-type activities decreased by \$126,241. The following table provides a summary of the changes in the Borough's net assets:

(This page continued on the subsequent page).

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program:						
Charges for services	\$ 4,251,490	\$ 4,065,081	\$ 3,980,301	\$ 3,891,253	\$ 8,231,791	\$ 7,956,334
Operating grants	2,007,935	2,442,331	62,188	57,228	2,070,123	2,499,559
Capital grants	2,981,744	2,885,920	640,921	526,950	3,622,665	3,412,870
General:						-
Taxes	17,264,756	16,448,422			17,264,756	16,448,422
Other	3,949,737	3,122,819	21,797	6,127	3,971,534	3,128,946
Total revenues	<u>30,455,662</u>	<u>28,964,573</u>	<u>4,705,207</u>	<u>4,481,558</u>	<u>35,160,869</u>	<u>33,446,131</u>
Program Expenses:						
Administration	3,306,674	2,834,490	-	-	3,306,674	2,834,490
Library services	420,565	396,468	-	-	420,565	396,468
Public services	8,308,680	7,824,163	-	-	8,308,680	7,824,163
Automation	364,331	355,000	-	-	364,331	355,000
Education	13,321,747	9,595,422	-	-	13,321,747	9,595,422
Non-departmental	-	3,063,471	-	-	-	3,063,471
Interest	1,613,241	1,541,048	-	-	1,613,241	1,541,048
Airport	-	-	4,599,434	4,189,888	4,599,434	4,189,888
Wastewater	-	-	1,073,625	882,954	1,073,625	882,954
Total expenses	<u>27,335,238</u>	<u>25,610,062</u>	<u>5,673,059</u>	<u>5,072,842</u>	<u>33,008,297</u>	<u>30,682,904</u>
Excess (deficiency)	3,120,424	3,354,511	(967,852)	(591,284)	2,152,572	2,763,227
Transfers	<u>(841,611)</u>	<u>(289,502)</u>	<u>841,611</u>	<u>289,502</u>	<u>-</u>	<u>-</u>
Change in net assets	2,278,813	3,065,009	(126,241)	(301,782)	2,152,572	2,763,227
Beginning net assets	<u>122,301,742</u>	<u>119,236,733</u>	<u>16,535,423</u>	<u>16,837,205</u>	<u>138,837,165</u>	<u>136,073,938</u>
Ending net assets	<u>\$ 124,580,555</u>	<u>\$ 122,301,742</u>	<u>\$ 16,409,182</u>	<u>\$ 16,535,423</u>	<u>\$ 140,989,737</u>	<u>\$ 138,837,165</u>

GOVERNMENTAL REVENUES

The Borough is heavily reliant on property taxes and sales taxes to support governmental operations and capital. Property taxes are the largest revenue source with over \$10.3 million of tax revenues or approximately 48.8% of the total general revenues. Sales taxes provided 36.7% of the Borough's total governmental tax revenues. Because of the Borough's healthy financial position, we have been able to earn \$1,552,003 in investment earnings to support governmental activities. Also, note that program revenues cover 33.8% of governmental operating expenses, which is a decrease of 2.9% over the prior year. This means that the government's taxpayers and the Borough's other general governmental revenues fund 66.2% 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 30.4% of our total costs. This is 1.7% less than the cost for public services for fiscal year 2006. This function includes parks and recreation, public works, planning, animal protection, service area water and fire protection, and community education grants. Library services account for 1.5% of our total cost. 48.7% of our resources are used to fund the school district, which is an 11.4% increase from FY06. Administration costs totaled 12.1%. The change in the Total Cost and Net Cost percentages is due to the Non-departmental expenses being reallocated to the cost centers that incurred those expenses. In prior years, the majority of Non-departmental expenses were for the Ketchikan Gateway Borough School District employee health care costs. The remainder of what had been reported as Non-departmental was for Ketchikan Gateway Borough Excess Liability Insurance.

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.

Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Amount	%	Amount	%
Administration	\$ 3,306,674	12.1%	\$ 3,306,674	18.3%
Library services	420,565	1.5%	420,565	2.3%
Public services	8,308,680	30.4%	4,065,468	22.5%
Automation	364,331	1.3%	364,331	2.0%
Education	13,321,747	48.7%	8,323,790	46.0%
Interest	1,613,241	5.9%	1,613,241	8.9%
Total	\$ 27,335,238	100%	\$ 18,094,069	100%

After reducing gross expenses by program revenues, public services account for 22.5% of the net cost of governmental services and education accounts for 46.0% 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 were 3.16% more than 2006, and operating expenses increased by 6.5%. The main component of the increase in revenues was as follows:

Revenue Source	Increase due to:	Increase
TSA Law Enforcement reimbursement	Federal reimbursement program to offset the increased cost of airport security reimplemented.	\$ 41,431
Building Rental-Terminal	An approximate 8% increase in enplanements and a rate increase.	<u>62,152</u>
		<u>\$ 103,583</u>

The overall operating expenses increased 6.5%. Personal services increased by a nominal amount and were consistent with the prior year. However, supplies and services increased by 33%. This increase is mainly due to increases in insurance, heating fuel, electricity, water, and ferry maintenance. An allowance for doubtful accounts was also established and bad debt recognized 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 2007. The operating revenues of the WEF decreased by \$14,765 or 2.4%. The operating expenses increased by \$185,502 or 22.5%. This increase is mainly due to an allowance for doubtful accounts being established and bad debt being recognized for questionable receivables. The operating loss for this fund increased by \$200,267 or 91.8%.

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 \$12,899,537. Of this year-end total, \$(3,852,488) is unreserved. Legally restricted fund balances (i.e., the reserved fund balances) include \$4,888,313 set aside for encumbrances carried forward, and other assets not available for current expenditure total \$11,863,712. Included in this amount is \$1,919,663 for loan guarantees and \$837,553 for a long-term note.

The total ending fund balances of governmental funds show a decrease of \$6,573,812 or 33.8% over the prior year. This decrease is primarily the result of reclassifying the investment assets held for school projects from current assets to capital assets as construction has continued on the Schoenbar Middle School.

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 decreased \$460,638, a 24.02% decrease. The FY07 budget was partially funded with current reserves and the approved budget projected a 5.3% decrease in fund balance. An unfavorable variance in revenue collections and an unfavorable variable in expenditures were responsible for the decrease.

Property tax collections increased \$18,773 above fiscal year 2006 collections. Budgeted property tax revenues for 2007 compared to actual property tax collections were \$130,349 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 1% over fiscal year 2006. 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. State Revenue Sharing of \$1,036,250 was received in fiscal year 2007. Senate Bill No. 231 provided temporary PERS relief to municipalities and \$136,538 of the total was recognized in the General Fund. An additional \$899,712 was received from the State of Alaska for Municipal Energy Assistance. Charges for public services decreased by 5%.

Overall, expenditures increased by 6.4% from 2006 for public services. Most of this increase is due to a 5% increase in the required PERS funding, increases in employee health care costs, and rising fuel prices. The payment to the school district was \$668,810 or 8.1% higher than FY06.

Land Trust Fund – During fiscal year 2007, The Land Trust fund expended \$71,991 and \$663,500 in transfers were made. \$657,500 of the total transfers was to the Airport Enterprise Fund. This transfer was to reimburse the Airport Fund in the form of a grant for a payment that had been made in the prior fiscal year for a capital project that did not qualify as an approved expenditure to be paid for with Airport Funds. The net change in fund balance was a \$446,938 decrease or 4.2%.

Economic Development Assistance Program Fund – During fiscal year 2007, proceeds of \$773,000 were received from a prior land sale and other revenues including taxes, charges for services, and investments earnings totaled \$809,255. The EDAPF expended \$459,142 for Public Services and Capital Outlay. Transfers Out of \$4,526 were for administrative fees to the General Fund. The net change in the fund balance was an increase of \$1,118,587 or 31.21%.

Capital Projects Fund – Construction continued on the Schoenbar Middle School and health and safety work was begun on several of the other schools within the District. Payments of \$8,544,148 were made on the Schoenbar Middle School project. Included in the payments made for the Schoenbar project was a payment of \$1,700,000 made as part of a negotiated settlement to the prior contractor. Payments of \$82,875 were made for school art for Fawn Mountain Elementary School. Payments of \$441,860 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 2007, the Borough received \$985,826 in State and Federal grants. The Borough expended \$144,903 on public services and \$840,923 towards governmental capital projects. The majority of the State and Federal grant funds were expended on 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 \$1,603,399 in sales tax revenue and \$2,061,057 in debt reimbursement revenues, and transferred out \$6,358,311 for G.O. bond principal and interest payments and as an interfund transfer into the Schoenbar Middle School construction project. According to Borough Code, the School Bond/Capital Improvements Fund can be used to pay for any school project that is bondable. Of the total amount transferred out of this fund, \$2,500,000 was transferred to the Schoenbar Middle School project to help pay for some of the increasing construction costs. The ending fund balance decreased 79.6%.

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 \$752,945 less than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$264,103 more than budgeted for intergovernmental revenues. In total, the Borough collected about 1.6 % less than budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$242,243 during 2007. The budget amendments were for the following departments: Mayor and Assembly, Finance, Risk Management, Parks and Recreation, Public Works, and Transit.

In total, the Borough over expended the total General Fund budget by \$90,368.

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, 2007, was \$134,781,651 and \$22,313,941 respectively. The total change in net assets was an increase of 5% for governmental and a 3% decrease for business-type activities. The overall change was a 3.9% increase for the Borough as a whole. See Note 4-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
	Amount	Amount	Amount	Amount	Amount	Amount
Non-depreciable assets:						
Land	\$ 34,014,408	\$ 33,728,393	\$ -	\$ -	\$ 34,014,408	\$ 33,728,393
Ward Cove properties	2,396,370	2,396,370	-	-	2,396,370	2,396,370
Construction in progress	28,750,100	20,227,403	621,222	1,256,868	29,371,322	21,484,271
Total non-depreciable	65,160,878	56,352,166	621,222	1,256,868	65,782,100	57,609,034
Depreciable assets:						
Buildings and improvements	85,724,604	85,631,142	12,221,169	11,343,386	97,945,773	96,974,528
Vehicles, ferry and equipment	4,532,346	4,488,365	5,205,836	5,294,957	9,738,182	9,783,322
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	93,990,039	93,852,596	32,275,279	31,486,617	126,265,318	125,339,213
Less accumulated depreciation	24,369,266	21,934,447	10,582,560	9,746,348	34,951,826	31,680,795
Book value - depreciable assets	69,620,773	71,918,149	21,692,719	21,740,269	91,313,492	93,658,418
Percentage depreciated	26%	23%	33%	31%	28%	25%
Book value - all assets	\$ 134,781,651	\$ 128,270,315	\$ 22,313,941	\$ 22,997,137	\$ 157,095,592	\$ 151,267,452

Major capital asset changes during 2007 included the following:

- A parcel of land was purchased and capitalized for a total of \$300,115. A new public works facility is being constructed on this parcel. This land was funded with a FTA 5311 Transit grant.
- A defibrillator and a thermal imager for the South Tongass Fire Department were capitalized for a total of \$33,561 as EMS equipment for South Tongass. This equipment was funded with a State Legislative grant.
- The South Tongass Fire Department ordered a ranger vehicle and it was capitalized at \$116,422 under general government construction in progress. The South Tongass Fire Department received a discount by prepaying a substantial deposit and took delivery of the vehicle in November 2007. This vehicle was funded with a State Legislative grant.
- North Tongass Fire and EMS Service Area purchased a defibrillator and it was capitalized at \$22,543. The equipment was funded through the Code Blue program, which is comprised of local, state, and federal dollars.
- Construction continued on North Tongass Fire and EMS Service Area's new fire stations. Station 6 incurred \$27,098 in expenditures during fiscal year 07, and \$152,344 was spent on Station 8. North Tongass also began construction on a Training Room at Station 8 and \$61,892 was capitalized under general government construction in progress. The continuing work on Stations 6 and 8 were funded with North Tongass reserves and the Training Room was funded with a State Legislative grant.
- Construction continued on the Fawn Mountain Sports and Field Track and work completed during fiscal year 2007 was capitalized in the amount of \$218,755. This work was funded through the Recreation Capital Improvements Fund.
- Construction continued on South Tongass Water Improvements and \$349,308 was capitalized under general government construction in progress. This work was funded with three different State Legislative grants.
- Construction continued on the Schoenbar Middle School project and \$8,544,148 was capitalized under "school construction in progress." The continuing work on Schoenbar Middle School has been funded with a loan from the Land Trust Fund.
- School health and safety projects were completed and \$162,362 was capitalized under School Buildings. The two projects were funded with G.O. bond proceeds.
- School health and safety projects of \$279,498 that were not completed were capitalized under "school construction in progress." The seven projects were funded with G.O. bond proceeds.
- The Bureau of Land Management deeded a parcel of land to Ketchikan Gateway Borough through a Recreation and Public Purposes Patent. The fair market value of this parcel is \$57,700.

The Ketchikan International Airport and Wastewater Enterprise Funds had the following major projects during fiscal year 2007:

- Work on Airport water and sewer improvements was begun during fiscal year 2007 and \$231,731 was capitalized under construction in progress. The majority of this project was funded with State grant funds.

- Work on Mountain Point sewer improvements continued and \$276,551 was capitalized under construction in progress. This continuing work was funded with reserves in the Wastewater Enterprise Fund.

At June 30, 2007, the depreciable capital assets for governmental activities were 26% depreciated. This is a 3% increase over fiscal year 2006, which is a moderate increase given the new assets and prior year construction in progress projects that have been capitalized. 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, 33% of the asset values were depreciated at June 30, 2007 compared to 31% at June 30, 2006. The depreciation for FY07 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 67.1% of the total cost of the Borough's governmental capital assets.

Long-term Debt

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

During the year, the Borough retired \$2,255,000 of its existing G.O. bonds. The Borough also retired \$205,000 of its outstanding revenue bonds.

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 29,630,000	\$ 31,885,000	\$ -	\$ -	\$ 29,630,000	\$ 31,885,000
Revenue bonds	-	-	3,435,000	3,640,000	3,435,000	3,640,000
Capital lease	296,538	331,294	-	8,284	296,538	339,578
Compensated absences	516,769	525,225	187,200	167,322	703,969	692,547
Net pension obligation	492,124	461,566	250,013	215,444	742,137	677,010
Unamortized bond premium	975,525	978,679	-	-	975,525	978,679
Unamortized loss on refunding	(287,587)	(401,426)	-	-	(287,587)	(401,426)
Total	\$ 31,623,369	\$ 33,780,338	\$ 3,872,213	\$ 4,031,050	\$ 35,495,582	\$ 37,811,388

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

Economic Conditions Affecting the Borough

The Ketchikan area economy is experiencing a slight increase in the natural resource based industry with the opening of the veneer manufacturing plant, currently supplying over 30 full time jobs in the year 2007. There is also an operating sawmill providing about 30 jobs. The majority of the log supply is currently coming from Canada because the U.S. Forest Service cannot provide enough timber for sustained operations. The timber industry is harvesting at lower than desirable levels. Most of the timber harvesting comes from Canada, private Alaska land, and State land.

Tourism is expected to rebound after a temporary down turn of visitors during the summer of 2006, which returned to normal levels in the spring of 2007. The fishing industry continues to perform on a steady sustained level despite a slight shift to sport fishing to support the tourism demand. The State imposed a Commercial Passenger Vessel Excise Tax beginning in January 2007. The Borough received its first allocation towards the end of 2007 for the month of May 2007. The Borough's share of \$2.50 per passenger for the month of May 2007 was \$203,810.

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.

Construction and remediation of the Schoenbar Middle School was complete with school opening in January of 2007. A settlement reached with the insurance companies awarding the Borough \$4.1 million for legal and remediation costs. The Borough applied for a grant to the Alaska Department of Education and Early Development (DEED) for \$8.8 million. The State of Alaska and DEED will participate with 65% and the Borough 35%. The grant funding for the Schoenbar Middle School ranked as the number one priority project in the State and is in the Governor's budget for funding in 2008. The Legislature will vote on this issue in the 2008 session.

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, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 6,722,883	235,171	6,958,054	154,545
Restricted cash and investments	2,360,298	-	2,360,298	-
Receivables:				
Accounts	2,959,575	765,032	3,724,607	-
Taxes	4,276,910	-	4,276,910	-
Intergovernmental	-	-	-	431,442
Notes	837,553	-	837,553	-
Contracts	9,000,000	-	9,000,000	-
Internal	2,799,724	(2,799,724)	-	-
Primary government	-	-	-	288,709
Inventory	-	-	-	31,133
Prepaid items	-	5,228	5,228	1,153
Noncurrent Assets				
Capital assets:				
Nondepreciable capital assets	65,160,878	621,222	65,782,100	-
Depreciable capital assets, net	69,620,773	21,692,719	91,313,492	913,904
Total Assets	<u>163,738,594</u>	<u>20,519,648</u>	<u>184,258,242</u>	<u>1,820,886</u>
Liabilities				
Current Liabilities				
Accounts payable	3,309,692	238,253	3,547,945	394,798
Accrued salaries and wages	-	-	-	384,167
Accrued termination benefits	-	-	-	227,045
Intergovernmental payable	2,971,185	-	2,971,185	-
Accrued interest payable	244,717	-	244,717	-
Due to component unit	288,709	-	288,709	-
Deposits	180,968	-	180,968	-
Claims payable	515,525	-	515,525	-
Unearned revenue	23,874	-	23,874	204,106
Compensated absences payable	516,769	187,200	703,969	213,649
Capital leases payable	36,476	-	36,476	-
General obligation bonds payable	2,340,000	-	2,340,000	-
Revenue bonds payable	-	220,000	220,000	-
Note payable	-	-	-	150,141
Long-Term Liabilities				
Due in More Than One Year				
Net pension obligation	492,124	250,013	742,137	474,777
General obligation bonds payable	27,290,000	-	27,290,000	-
Premium on general obligation bonds	975,525	-	975,525	-
Deferred loss on refunding of general obligation bonds	(287,587)	-	(287,587)	-
Capital leases payable	260,062	-	260,062	-
Revenue bonds payable	-	3,215,000	3,215,000	-
Total Liabilities	<u>39,158,039</u>	<u>4,110,466</u>	<u>43,268,505</u>	<u>2,048,683</u>
Net Assets				
Invested in capital assets, net of related debt	104,167,175	18,878,941	123,046,116	763,761
Restricted:				
Airport projects	478,910	-	478,910	-
Recreation capital improvement projects	1,203,035	-	1,203,035	-
Education facilities capital projects	459,552	-	459,552	-
Loan guarantees	1,919,663	-	1,919,663	-
Public services	265,238	-	265,238	-
Unrestricted (deficit)	16,086,982	(2,469,759)	13,617,223	(991,558)
Total Net Assets	<u>\$ 124,580,555</u>	<u>16,409,182</u>	<u>140,989,737</u>	<u>(227,797)</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2007

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Primary Government								
Governmental Activities								
Administration	\$ 3,306,674	-	-	-	(3,306,674)	-	(3,306,674)	-
Library services	420,565	-	-	-	(420,565)	-	(420,565)	-
Public services	8,308,680	1,314,590	2,007,935	920,687	(4,065,468)	-	(4,065,468)	-
Automation	364,331	-	-	-	(364,331)	-	(364,331)	-
Education	13,321,747	2,936,900	-	2,061,057	(8,323,790)	-	(8,323,790)	-
Interest	1,613,241	-	-	-	(1,613,241)	-	(1,613,241)	-
Total Governmental Activities	<u>27,335,238</u>	<u>4,251,490</u>	<u>2,007,935</u>	<u>2,981,744</u>	<u>(18,094,069)</u>	<u>-</u>	<u>(18,094,069)</u>	<u>-</u>
Business-Type Activities								
Airport	4,599,434	3,387,681	62,188	640,921	-	(508,644)	(508,644)	-
Wastewater	1,073,625	592,620	-	-	-	(481,005)	(481,005)	-
Total Business-Type Activities	<u>5,673,059</u>	<u>3,980,301</u>	<u>62,188</u>	<u>640,921</u>	<u>-</u>	<u>(989,649)</u>	<u>(989,649)</u>	<u>-</u>
Total - Primary Government	<u>33,008,297</u>	<u>8,231,791</u>	<u>2,070,123</u>	<u>3,622,665</u>	<u>(18,094,069)</u>	<u>(989,649)</u>	<u>(19,083,718)</u>	<u>-</u>
Component Unit								
Ketchikan Gateway Borough								
School District	\$ <u>28,739,333</u>	<u>170,208</u>	<u>4,205,182</u>	<u>-</u>				<u>(24,363,943)</u>
General Revenues								
Property taxes					10,350,075	-	10,350,075	-
Sales taxes					6,333,019	-	6,333,019	-
Payment in lieu of taxes					581,662	-	581,662	-
Grants and entitlements not restricted to specific programs					319,748	-	319,748	15,036,041
Primary government appropriation					-	-	-	8,881,016
Investment earnings					1,552,003	21,797	1,573,800	-
Gain on disposal of property					699,150	-	699,150	-
Miscellaneous					408,748	-	408,748	101,286
Special Item								
Settlement					970,088	-	970,088	-
Total General Revenues and Special Item					<u>21,214,493</u>	<u>21,797</u>	<u>21,236,290</u>	<u>24,018,343</u>
Transfers					(841,611)	841,611	-	-
Total General Revenues, Special Item and Transfers					<u>20,372,882</u>	<u>863,408</u>	<u>21,236,290</u>	<u>24,018,343</u>
Change in Net Assets					2,278,813	(126,241)	2,152,572	(345,600)
Net Assets Beginning of Year					<u>122,301,742</u>	<u>16,535,423</u>	<u>138,837,165</u>	<u>117,803</u>
Net Assets End of Year					\$ <u>124,580,555</u>	<u>16,409,182</u>	<u>140,989,737</u>	<u>(227,797)</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Land Trust</u>	<u>Recreation Sales Tax</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
Assets					
Cash and investments	\$ 417,763	887,822	830,242	-	113,550
Restricted cash and investments	-	-	-	-	1,919,663
Receivables:					
Accounts	753,130	10,641	481,423	652,175	193,994
Taxes	4,276,910	-	-	-	-
Notes	-	837,553	-	-	-
Contracts	-	-	-	-	9,000,000
Interfund	-	-	-	-	2,599,560
Advances	-	8,464,846	-	-	-
Total Assets	\$ 5,447,803	10,200,862	1,311,665	652,175	13,826,767
Liabilities					
Accounts payable	\$ 521,882	1,177	108,630	-	67,419
Intergovernmental payable	2,971,185	-	-	-	-
Interfund payable	-	-	-	192,623	-
Advances payable	-	-	-	-	-
Due to component unit	288,709	-	-	-	-
Deposits	77,765	97,103	-	-	1,900
Deferred revenues	130,874	-	-	-	9,054,608
Total Liabilities	3,990,415	98,280	108,630	192,623	9,123,927
Fund Balances					
Reserved for:					
Accounts receivable	-	-	-	-	162,740
Advances to other funds	-	8,464,846	-	-	-
Airport projects	-	-	-	-	-
Encumbrances	28,245	211	-	-	-
IFA loan guarantee	-	-	-	-	1,540,000
KVB loan guarantee	-	-	-	-	379,663
Long-term loans	-	837,553	-	-	-
Unreserved, undesignated, (deficit) reported in:					
Capital projects funds	-	-	-	-	-
General fund	1,429,143	-	-	-	-
Special revenue funds	-	799,972	1,203,035	459,552	2,620,437
Total Fund Balances	1,457,388	10,102,582	1,203,035	459,552	4,702,840
Total Liabilities and Fund Balances	\$ 5,447,803	10,200,862	1,311,665	652,175	13,826,767

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Balance Sheet, continued

	State & Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ -	3,597,084	363,518	6,209,979
Restricted cash and investments	-	-	440,635	2,360,298
Receivables:				
Accounts	759,160	-	109,052	2,959,575
Taxes	-	-	-	4,276,910
Notes	-	-	-	837,553
Contracts	-	-	-	9,000,000
Interfund	-	-	-	2,599,560
Advances	-	-	-	8,464,846
Total Assets	\$ 759,160	3,597,084	913,205	36,708,721
Liabilities				
Accounts payable	\$ 247,555	2,334,852	28,177	3,309,692
Intergovernmental payable	-	-	-	2,971,185
Interfund payable	511,605	70,322	188	774,738
Advances payable	-	6,000,000	1,098,410	7,098,410
Due to component unit	-	-	-	288,709
Deposits	-	4,200	-	180,968
Deferred revenues	-	-	-	9,185,482
Total Liabilities	759,160	8,409,374	1,126,775	23,809,184
Fund Balances				
Reserved for:				
Accounts receivable	-	-	-	162,740
Advances to other funds	-	-	-	8,464,846
Airport projects	-	-	478,910	478,910
Encumbrances	1,485,527	3,355,327	19,003	4,888,313
IFA loan guarantee	-	-	-	1,540,000
KVB loan guarantee	-	-	-	379,663
Long-term loans	-	-	-	837,553
Unreserved, undesignated, (deficit) reported in:				
Capital projects funds	-	(8,167,617)	-	(8,167,617)
General fund	-	-	-	1,429,143
Special revenue funds	(1,485,527)	-	(711,483)	2,885,986
Total Fund Balances	-	(4,812,290)	(213,570)	12,899,537
Total Liabilities and Fund Balances	\$ 759,160	3,597,084	913,205	36,708,721

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, 2007*

Total Governmental Fund Balances	\$	12,899,537
 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	\$ 159,150,917	
Less accumulated depreciation	<u>(24,369,266)</u>	134,781,651
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	54,608	
Deferred property taxes	<u>107,000</u>	9,161,608
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.		
		(628,536)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		234,381
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	(7,873,148)	
Interfund payables	<u>7,873,148</u>	-
Accrued interest is not reported at the fund financial reporting level		
		(244,717)
Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(29,630,000)	
Premium for GO bonds	(975,525)	
Deferred amount on refunding	287,587	
Capital lease payable	(296,538)	
Compensated absences	(516,769)	
Net pension obligation	<u>(492,124)</u>	<u>(31,623,369)</u>
 Net Assets Of Governmental Activities	 \$	 <u>124,580,555</u>

See accompanying notes to the basic financial statements.



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Ketchikan Gateway Borough, Alaska
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General	Land Trust	Recreation Sales Tax	School Bond Capital Improvements	Economic Development Assistance Program
Revenues					
Taxes	\$ 12,144,315	-	1,577,571	1,603,399	45,301
Payments in lieu of taxes	14,731	-	-	-	-
Intergovernmental	2,755,805	-	-	2,061,057	-
Licenses and permits	34,060	-	-	-	-
Charges for services	740,449	45,177	-	-	99,310
Investment earnings	354,522	159,612	67,103	114,789	657,074
Land sales	-	83,220	-	-	773,000
Miscellaneous	-	544	5,000	-	7,570
Total Revenues	<u>16,043,882</u>	<u>288,553</u>	<u>1,649,674</u>	<u>3,779,245</u>	<u>1,582,255</u>
Expenditures					
Current					
Administration	2,704,745	-	-	-	-
Library services	-	-	-	-	-
Public services	4,644,831	71,991	-	1,590	397,262
Automation	339,083	-	-	-	-
Education	8,895,922	-	-	-	-
Nondepartmental	492,028	-	-	-	-
Capital Outlay	-	-	212,379	-	61,880
Debt Service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>17,076,609</u>	<u>71,991</u>	<u>212,379</u>	<u>1,590</u>	<u>459,142</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(1,032,727)</u>	<u>216,562</u>	<u>1,437,295</u>	<u>3,777,655</u>	<u>1,123,113</u>
Other Financing Sources (Uses)					
Settlement	-	-	-	-	-
Transfers in	577,589	-	-	786,700	-
Transfers out	(5,500)	(663,500)	(988,700)	(6,358,311)	(4,526)
Total Other Financing Sources (Uses)	<u>572,089</u>	<u>(663,500)</u>	<u>(988,700)</u>	<u>(5,571,611)</u>	<u>(4,526)</u>
Net Change in Fund Balances	(460,638)	(446,938)	448,595	(1,793,956)	1,118,587
Fund Balances (Deficit) Beginning of Year	<u>1,918,026</u>	<u>10,549,520</u>	<u>754,440</u>	<u>2,253,508</u>	<u>3,584,253</u>
Fund Balances (Deficit) End of Year	<u>\$ 1,457,388</u>	<u>10,102,582</u>	<u>1,203,035</u>	<u>459,552</u>	<u>4,702,840</u>

See accompanying notes to the basic financial statements.

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

	<u>State & Federal Grants</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ -	-	1,205,508	16,576,094
Payments in lieu of taxes	-	-	-	14,731
Intergovernmental	985,826	6,351	9,619	5,818,658
Licenses and permits	-	-	-	34,060
Charges for services	-	-	395,594	1,280,530
Investment earnings	-	51,937	68,230	1,473,267
Land sales	-	-	-	856,220
Miscellaneous	-	-	395,634	408,748
Total Revenues	<u>985,826</u>	<u>58,288</u>	<u>2,074,585</u>	<u>26,462,308</u>
Expenditures				
Current				
Administration	-	-	-	2,704,745
Library services	-	-	420,565	420,565
Public services	144,903	-	868,919	6,129,496
Automation	-	-	-	339,083
Education	-	-	-	8,895,922
Nondepartmental	-	-	-	492,028
Capital Outlay	840,923	9,068,883	202,833	10,386,898
Debt Service				
Principal retirement	-	-	2,289,756	2,289,756
Interest and fiscal charges	-	-	1,506,104	1,506,104
Total Expenditures	<u>985,826</u>	<u>9,068,883</u>	<u>5,288,177</u>	<u>33,164,597</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(9,010,595)</u>	<u>(3,213,592)</u>	<u>(6,702,289)</u>
Other Financing Sources (Uses)				
Settlement	-	970,088	-	970,088
Transfers in	-	2,500,000	3,795,860	7,660,149
Transfers out	-	-	(481,223)	(8,501,760)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,470,088</u>	<u>3,314,637</u>	<u>128,477</u>
Net Change in Fund Balances	-	(5,540,507)	101,045	(6,573,812)
Fund Balances (Deficit) Beginning of Year	<u>-</u>	<u>728,217</u>	<u>(314,615)</u>	<u>19,473,349</u>
Fund Balances (Deficit) End of Year	\$ <u><u>-</u></u>	<u><u>(4,812,290)</u></u>	<u><u>(213,570)</u></u>	<u><u>12,899,537</u></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, 2007*

Net Changes In Fund Balances - Total Governmental Funds		\$ (6,573,812)
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	(2,489,507)	
Capital outlay	9,100,213	
Donated asset	<u>57,700</u>	6,668,406
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.		
		(157,070)
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 loss of \$74,146 charged to governmental funds is increased by the portion of the loss charged to the enterprise funds.		
		19,164
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	107,000	
Increase in deferred interest receivable on long-term loans	<u>54,608</u>	161,608
Elimination of transfers between governmental funds:		
Transfers in	(7,660,149)	
Transfers out	<u>7,660,149</u>	-
Interest expense 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 @ 06/30/07	(244,717)	
Liability @ 06/30/06	<u>248,264</u>	3,547
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	34,756	
Decrease in deferred loss on refunding of bonds	(113,838)	
Decrease in unamortized bond premium	3,154	
Payments on bonds	<u>2,255,000</u>	2,179,072
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 @ 06/30/07	(516,769)	
Liability @ 06/30/06	<u>525,225</u>	8,456
Net pension obligation		
Liability @ 06/30/07	(492,124)	
Liability @ 06/30/06	<u>461,566</u>	(30,558)
Change In Net Assets of Governmental Activities		\$ <u>2,278,813</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, 2007

	2007			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 12,897,260	12,897,260	12,144,315	(752,945)
Payments in lieu of taxes	5,000	5,000	14,731	9,731
Licenses and permits	30,000	30,000	34,060	4,060
Intergovernmental	2,491,702	2,491,702	2,755,805	264,103
Charges for services	752,700	752,700	740,449	(12,251)
Investment earnings	130,000	130,000	354,522	224,522
Total Revenues	<u>16,306,662</u>	<u>16,306,662</u>	<u>16,043,882</u>	<u>(262,780)</u>
Expenditures				
Current				
Administration	2,616,866	2,676,959	2,704,745	(27,786)
Public services	4,514,565	4,693,715	4,644,831	48,884
Automation	336,204	336,204	339,083	(2,879)
Education	8,834,981	8,834,981	8,895,922	(60,941)
Nondepartmental	366,382	369,382	492,028	(122,646)
Capital Outlay	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total Expenditures	<u>16,743,998</u>	<u>16,986,241</u>	<u>17,076,609</u>	<u>(90,368)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(437,336)</u>	<u>(679,579)</u>	<u>(1,032,727)</u>	<u>(353,148)</u>
Other Financing Sources (Uses)				
Transfers in	583,985	583,985	577,589	(6,396)
Transfers out	<u>(5,500)</u>	<u>(5,500)</u>	<u>(5,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>578,485</u>	<u>578,485</u>	<u>572,089</u>	<u>(6,396)</u>
Net Change in Fund Balance	\$ <u>141,149</u>	<u>(101,094)</u>	(460,638)	<u>(359,544)</u>
Fund Balance Beginning of Year			<u>1,918,026</u>	
Fund Balance End of Year			\$ <u>1,457,388</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, 2007

	2007			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Charges for services	\$ -	-	45,177	45,177
Investment earnings	350,036	350,036	159,612	(190,424)
Land sales	600,000	600,000	83,220	(516,780)
Miscellaneous	-	-	544	544
Total Revenues	<u>950,036</u>	<u>950,036</u>	<u>288,553</u>	<u>(661,483)</u>
Expenditures				
Current				
Public services	<u>100,000</u>	<u>171,000</u>	<u>71,991</u>	<u>99,009</u>
Excess (Deficiency) of Revenues Over Expenditures	850,036	779,036	216,562	(562,474)
Other Financing Uses				
Transfers out	<u>(6,000)</u>	<u>(663,500)</u>	<u>(663,500)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>844,036</u>	<u>115,536</u>	(446,938)	<u>(562,474)</u>
Fund Balance Beginning of Year			<u>10,549,520</u>	
Fund Balance End of Year			\$ <u>10,102,582</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,010,000	1,010,000	1,563,234	553,234
Penalties	12,000	12,000	14,337	2,337
Investment earnings	26,000	26,000	67,103	41,103
Miscellaneous	-	-	5,000	5,000
Total Revenues	<u>1,048,000</u>	<u>1,048,000</u>	<u>1,649,674</u>	<u>601,674</u>
Expenditures				
Capital Outlay	-	-	212,379	(212,379)
Excess of Revenues Over Expenditures	1,048,000	1,048,000	1,437,295	389,295
Other Financing Uses				
Transfers out	(988,700)	(988,700)	(988,700)	-
Net Change in Fund Balance	\$ <u>59,300</u>	<u>59,300</u>	448,595	<u>389,295</u>
Fund Balance Beginning of Year			<u>754,440</u>	
Fund Balance End of Year			\$ <u><u>1,203,035</u></u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	2007			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,010,000	1,010,000	1,603,399	593,399
Intergovernmental	2,071,692	2,071,692	2,061,057	(10,635)
Investment earnings	20,430	20,430	114,789	94,359
Total Revenues	3,102,122	3,102,122	3,779,245	677,123
Expenditures				
Current				
Public services	5,000	5,000	1,590	3,410
Excess of Revenues Over Expenditures	3,097,122	3,097,122	3,777,655	680,533
Other Financing Sources (Uses)				
Transfers in	786,700	786,700	786,700	-
Transfers out	(3,866,260)	(6,366,260)	(6,358,311)	7,949
Total Other Financing Sources (Uses)	(3,079,560)	(5,579,560)	(5,571,611)	7,949
Net Change in Fund Balance	\$ 17,562	(2,482,438)	(1,793,956)	688,482
Fund Balance Beginning of Year			2,253,508	
Fund Balance End of Year			\$ 459,552	

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, 2007

	2007			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ -	-	45,301	45,301
Charges for services	18,488	18,488	99,310	80,822
Proceeds from sale of property	2,100,000	2,100,000	773,000	(1,327,000)
Miscellaneous revenue	-	-	7,570	7,570
Investment earnings	<u>396,000</u>	<u>396,000</u>	<u>657,074</u>	<u>261,074</u>
Total Revenues	<u>2,514,488</u>	<u>2,514,488</u>	<u>1,582,255</u>	<u>(932,233)</u>
Expenditures				
Current				
Public services	284,298	388,597	397,262	(8,665)
Capital Outlay	<u>-</u>	<u>750,000</u>	<u>61,880</u>	<u>688,120</u>
Total Expenditures	<u>284,298</u>	<u>1,138,597</u>	<u>459,142</u>	<u>679,455</u>
Excess of Revenues Over Expenditures	<u>2,230,190</u>	<u>1,375,891</u>	<u>1,123,113</u>	<u>(252,778)</u>
Other Financing Uses				
Transfers out	<u>(4,526)</u>	<u>(4,526)</u>	<u>(4,526)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>2,225,664</u>	<u>1,371,365</u>	1,118,587	<u>(252,778)</u>
Fund Balance Beginning of Year			<u>3,584,253</u>	
Fund Balance End of Year			\$ <u>4,702,840</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska

Statement of Net Assets

Proprietary Funds

June 30, 2007

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets				
Cash and investments	\$ -	235,171	235,171	512,904
Accounts receivable	712,583	52,449	765,032	-
Prepaid items	5,228	-	5,228	-
Total Current Assets	<u>717,811</u>	<u>287,620</u>	<u>1,005,431</u>	<u>512,904</u>
Noncurrent Assets				
Capital Assets				
Nondepreciable	340,989	280,233	621,222	-
Depreciable, net	8,759,379	12,933,340	21,692,719	-
Total Noncurrent Assets	<u>9,100,368</u>	<u>13,213,573</u>	<u>22,313,941</u>	<u>-</u>
Total Assets	<u>9,818,179</u>	<u>13,501,193</u>	<u>23,319,372</u>	<u>512,904</u>
Liabilities				
Current Liabilities				
Accounts payable	92,634	145,619	238,253	
Interfund advances payable	39,467	76,617	116,084	-
Interfund payable	1,198,907	-	1,198,907	625,915
Compensated absences payable	187,200	-	187,200	-
Revenue bonds payable	220,000	-	220,000	-
Claims payable	-	-	-	515,525
Total Current Liabilities	<u>1,738,208</u>	<u>222,236</u>	<u>1,960,444</u>	<u>1,141,440</u>
Long-Term Liabilities				
Net pension obligation	250,013	-	250,013	-
Interfund advances payable (net of current portion)	375,079	875,273	1,250,352	-
Revenue bonds payable (net of current portion)	3,215,000	-	3,215,000	-
Total Long-Term Liabilities	<u>3,840,092</u>	<u>875,273</u>	<u>4,715,365</u>	<u>-</u>
Total Liabilities	<u>5,578,300</u>	<u>1,097,509</u>	<u>6,675,809</u>	<u>1,141,440</u>
Net Assets				
Invested in capital assets, net of related debt	5,665,368	13,213,573	18,878,941	-
Unrestricted (deficit)	(1,425,489)	(809,889)	(2,235,378)	(628,536)
Total Net Assets - Fund Level	\$ <u>4,239,879</u>	<u>12,403,684</u>	16,643,563	<u>(628,536)</u>
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities.			(234,381)	
Total Net Assets - Government-wide Statement of Net Assets			\$ <u>16,409,182</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007*

	Business-type Activities			Governmental Activities - Internal Service Funds
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	
Operating Revenues				
Charges for services	\$ 3,387,681	592,620	3,980,301	4,131,599
Operating Expenses				
Personal services	2,297,444	131,598	2,429,042	-
Supplies and services	1,015,178	398,759	1,413,937	-
Insurance	275,983	17,031	293,014	-
Administration	-	-	-	371,516
Claims	-	-	-	3,858,357
Depreciation	662,902	463,705	1,126,607	-
Total Operating Expenses	<u>4,251,507</u>	<u>1,011,093</u>	<u>5,262,600</u>	<u>4,229,873</u>
Operating Loss	<u>(863,826)</u>	<u>(418,473)</u>	<u>(1,282,299)</u>	<u>(98,274)</u>
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(198,437)	(53,841)	(252,278)	-
Loss on sale of capital assets	(64,870)	-	(64,870)	-
Investment earnings	-	21,797	21,797	24,128
Operating grants	62,188	-	62,188	-
Total Non-Operating Revenues (Expenses)	<u>(201,119)</u>	<u>(32,044)</u>	<u>(233,163)</u>	<u>24,128</u>
Loss before Capital Contributions and Transfers	(1,064,945)	(450,517)	(1,515,462)	(74,146)
Capital contributions	640,921	-	640,921	-
Transfers in	1,037,776	40,034	1,077,810	-
Transfers out	(204,027)	(32,172)	(236,199)	-
Change in Net Assets	409,725	(442,655)	(32,930)	(74,146)
Net Assets Beginning of Year	<u>3,830,154</u>	<u>12,846,339</u>		<u>(554,390)</u>
Net Assets End of Year	\$ <u>4,239,879</u>	<u>12,403,684</u>		<u>(628,536)</u>
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Record internal service fund loss allocated to enterprise funds resulting in an interfund receivable to governmental activities.			<u>(93,311)</u>	
Change in net assets of business-type activities.			\$ <u>(126,241)</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities			Governmental Activities - Internal Service Fund
	Airport	Wastewater	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	\$ 3,290,425	689,224	3,979,649	4,131,599
Cash payments to employees for services	(2,242,997)	(131,598)	(2,374,595)	-
Cash payments for goods and services	(2,398,247)	(358,180)	(2,756,427)	(371,516)
Cash payments for claims	-	-	-	(3,458,725)
Net Cash Provided by (Used in) Operating Activities	<u>(1,350,819)</u>	<u>199,446</u>	<u>(1,151,373)</u>	<u>301,358</u>
Cash Flows from Noncapital Financing Activities				
Interfund advances	449,129	-	449,129	-
Transfers in	1,037,776	40,034	1,077,810	-
Transfers out	(204,027)	(32,172)	(236,199)	-
Net Cash (Used in) Noncapital Financing Activities	<u>1,282,878</u>	<u>7,862</u>	<u>1,290,740</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	(64,870)	-	(64,870)	-
Operating grant	62,188	-	62,188	-
Capital grant	640,921	-	640,921	-
Principal paid on revenue bonds	(205,000)	-	(205,000)	-
Interest paid on revenue bonds	(198,437)	(53,841)	(252,278)	-
Payments for capital acquisitions	(166,861)	(276,551)	(443,412)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>67,941</u>	<u>(330,392)</u>	<u>(262,451)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	-	21,797	21,797	24,128
Net Increase (Decrease) in Cash and Cash Equivalents	-	(101,287)	(101,287)	325,486
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>336,458</u>	<u>336,458</u>	<u>187,418</u>
Cash and Cash Equivalents End of Year	\$ <u>-</u>	<u>235,171</u>	<u>235,171</u>	<u>512,904</u>

(continued)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2007

(continued)

	<u>Business-type Activities</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities				
Operating (Loss)	\$ (863,826)	(418,473)	(1,282,299)	(98,274)
Adjustments:				
Depreciation	662,902	463,705	1,126,607	-
(Increase) Decrease in Assets:				
Accounts receivable	(97,256)	161,660	64,404	-
Prepaid items	(1,534)	-	(1,534)	-
Increase (Decrease) in Liabilities:				
Accounts payable	(152,107)	130,451	(21,656)	-
Interfund advances payable	(945,161)	(72,841)	(1,018,002)	-
Compensated absences payable	19,878	-	19,878	-
Net pension obligation	34,569	-	34,569	-
Capital lease payable	(8,284)	-	(8,284)	-
Claims payable	-	-	-	399,632
Deferred revenue	-	(65,056)	(65,056)	-
Net Cash Provided by (Used in) Operating Activities	\$ <u>(1,350,819)</u>	<u>199,446</u>	<u>(1,151,373)</u>	<u>301,358</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, 2007

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.

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.

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.

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.

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.

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, 2007.

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 the lower of cost or market. 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, 2007, 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, 2007, 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, 2007. 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, 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, 2007:

General Fund	\$	90,368
Recreation Sales Tax Fund		212,379
Homestead Special Assessment Fund		544

3-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2007:

Capital Projects Fund	\$	4,812,290
Gold Nugget Special Assessment Area Fund		3,179
Homestead Special Assessment Area Fund		694
North Tongass Fire & EMS Service Area Fund		976,134

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, 2007 are as follows:

Cash on hand	\$	2,950
Deposits with financial institutions		3,635,997
Investments		5,679,405
		\$ 9,318,352

	Governmental Activities	Business-type Activities	Total
Unrestricted	\$ 6,722,883	\$ 235,171	\$ 6,958,054
Restricted	2,360,298	-	2,360,298
Total	\$ 9,083,181	\$ 235,171	\$ 9,318,352

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, 2007, the book value of all the Borough’s deposits was \$3,635,997. 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).
- 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.

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

Concentration of credit risk. The majority of the Borough's investments as of June 30, 2007 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, 2007, the Borough had investments in money market funds totaling \$1,691,309. The cash and cash equivalents are invested in Excelsior Money Fund, which is an open-end fund incorporated in the USA. The Fund's objective is to provide as high a level of current income as is consistent with liquidity and stability. The Fund invests substantially all of its assets in high quality U.S. dollar-dominated money market instruments, such as bank certificates of deposit, U.S. government obligations, and corporate debt.

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

<u>Investment Type</u>	<u>Investment Maturity (in years)</u>			<u>Weighted Average Maturity (Years)</u>
	<u>Current Market Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	
Cash/cash equivalents	\$ 1,691,309	1,691,309	-	-
Fixed income	3,127,146	848,773	2,278,373	1.90
Equity alternative	825,418	-	825,418	-
Alternative	<u>35,532</u>	<u>-</u>	<u>35,532</u>	-
Total investments	3,988,096	<u>2,540,082</u>	<u>3,139,323</u>	
Money market funds	<u>1,691,309</u>			
Total in investment accounts	\$ <u>5,679,405</u>			

4-B. Receivables

Receivables at June 30, 2007, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

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

Receivables as of 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:

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

	General		Recreation	School Bond	
	Fund	Land Trust	Sales Tax	Capital	Economic
				Improvements	Development
Receivables:					
Accounts	\$ 753,130	10,641	481,423	652,175	193,994
Intergovernmental	-	-	-	-	-
Taxes	4,357,941	-	-	-	-
Notes	-	837,553	-	-	-
Contracts	-	-	-	-	9,000,000
Total receivables	5,111,071	848,194	481,423	652,175	9,193,994
Allowance for doubtful accounts	(81,031)	-	-	-	-
Net receivables	\$ 5,030,040	848,194	481,423	652,175	9,193,994

	State &				
	Federal	Nonmajor	Airport	Wastewater	
	Grants	Governmental	Enterprise	Enterprise	Totals
Accounts	\$ -	137,678	730,424	211,923	3,171,388
Intergovernmental	759,160	-	-	-	759,160
Taxes	-	-	-	-	4,357,941
Notes	-	-	-	-	837,553
Contracts	-	-	-	-	9,000,000
Total receivables	759,160	137,678	730,424	211,923	18,126,042
Allowance for doubtful accounts	-	(28,626)	(17,841)	(159,474)	(286,972)
Net receivables	\$ 759,160	109,052	712,583	52,449	17,839,070

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. An internal review of this note revealed that the lease payments and interest credits had been incorrectly applied resulting in an adjustment of \$60,759 being booked to the principal balance. The adjusted receivable balance at June 30, 2007 is \$837,553. In the event of a default of the development project, the value of the improvements would exceed the loan value.

The Borough sold the Westside of the Wards Cove property in May of 2006 for \$9 million to Renaissance Ketchikan Group, LLC (RKG). RKG executed a promissory note in favor of Ketchikan Gateway Borough for the original principal balance of \$9,000,000, without interest, payable in full on or before the date, which is eighteen (18) months from the closing date. RKG has placed \$9,000,000 in a time certificate of deposit (TCD) and the agreement stipulates that RKG will pay interest payments of 4.4 percent per annum on the \$9,000,000 on a monthly basis to the Borough. At the end of fiscal 2007 the RKG receivable for interest was \$162,740. Subsequently the Assembly granted an extension of the contract to May 2008. The amount due in May of 2008 will be \$10,036,748. This includes interest of \$385,512, property tax plus penalties of \$111,236, principal plus a default penalty totaling \$9,540,000.

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)	\$	107,000	-
Title II Forest Receipts - (General Fund)		-	23,874
Contract receivable - (Economic Development Fund)		9,000,000	-
Interest receivable - (Economic Development Fund)		54,608	-
Total deferred/unearned revenue for governmental funds	\$	9,161,608	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, 2007, was as follows:

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

	Balance 7/1/2006	Additions	Deductions	Balance 6/30/2007
Governmental activities:				
Nondepreciable capital assets:				
Land - Borough	\$ 26,330,950	\$ 357,815	\$ 71,800	\$ 26,616,965
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	5,156,882	941,452	-	6,098,334
Construction in progress - School	15,070,521	7,581,245	-	22,651,766
Total nondepreciable capital assets	<u>56,352,166</u>	<u>8,880,512</u>	<u>71,800</u>	<u>65,160,878</u>
Depreciable capital assets:				
Buildings - School	76,595,897	162,362	-	76,758,259
Buildings - Borough	9,035,245	-	68,900	8,966,345
Equipment	3,687,089	115,039	42,058	3,760,070
Equipment - Ward Cove	35,995	-	29,000	6,995
Infrastructure	3,733,089	-	-	3,733,089
Transit - Buses	765,281	-	-	765,281
Total depreciable capital assets	<u>93,852,596</u>	<u>277,401</u>	<u>139,958</u>	<u>93,990,039</u>
Total cost of capital assets	<u>150,204,762</u>	<u>9,157,913</u>	<u>211,758</u>	<u>159,150,917</u>
Accumulated depreciation:				
Buildings - School	16,593,830	1,736,887	-	18,330,717
Buildings - Borough	1,616,146	206,771	8,038	1,814,879
Equipment	1,391,656	293,510	46,650	1,638,516
Infrastructure	1,675,888	210,987	-	1,886,875
Transit - Buses	656,927	41,352	-	698,279
Total accumulated depreciation	<u>21,934,447</u>	<u>2,489,507</u>	<u>54,688</u>	<u>24,369,266</u>
Governmental activities capital assets, net	<u>\$ 128,270,315</u>	<u>\$ 6,668,406</u>	<u>\$ 157,070</u>	<u>\$ 134,781,651</u>

Governmental activities depreciation expense:

Administration	\$ 16,539
Public services	711,446
Education	1,736,887
Automation	<u>24,635</u>
Total governmental activities depreciation expense	<u>\$ 2,489,507</u>

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

	Balance 7/1/2006	Additions	Deductions	Balance 6/30/2007
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 1,256,868	\$ 508,282	\$ 1,143,928	\$ 621,222
Depreciable capital assets:				
Field	2,809,215	657,500	35,726	3,430,989
Terminal building	8,333,680	456,500	-	8,790,180
Ferry	5,286,648	24,893	314,505	4,997,036
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	32,700	-	-	32,700
Total depreciable capital assets	31,486,617	1,138,893	350,231	32,275,279
Total capital assets	32,743,485	1,647,175	1,494,159	32,896,501
Accumulated depreciation:				
Field	2,263,659	81,731	26,415	2,318,975
Terminal building	3,702,027	273,105	-	3,975,132
Ferry	2,181,420	298,166	263,982	2,215,604
Murphy's landing	148,014	9,900	-	157,914
Sludge/compost	113,035	86,120	-	199,155
Wastewater	90,693	26,295	-	116,988
Mountain Point wastewater	1,226,337	349,984	-	1,576,321
Forest Park wastewater	21,163	1,308	-	22,471
Total accumulated depreciation	9,746,348	1,126,609	290,397	10,582,560
Business-type activities capital assets, net	\$ 22,997,137	\$ 520,566	\$ 1,203,762	\$ 22,313,941

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

Capital Projects – At June 30, 2007, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$28,245; as well as \$95,477 for the enterprise funds; \$19,214 for special revenue funds, \$1,485,527 for State and Federal Grants, and \$3,355,327 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, 2007, 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:			
	School Bond/ Capital Improvements Special Revenue Fund	State & Federal Grants Special Revenue Fund	Non-Major Governmental Special Revenue Funds	Capital Projects Fund
Economic Development Fund	\$ 192,623	\$ 511,605	\$ 188	\$ 70,322
Land Trust Fund		-	1,098,410	6,000,000
Total	\$ 192,623	\$ 511,605	\$ 1,098,598	\$ 6,070,322

Payable to:	Payable From:			
	Airport Enterprise Fund	Wastewater Enterprise Fund	Internal Service Fund	Total
Economic Development Fund	\$ 1,198,907	\$ -	\$ 625,915	\$ 2,599,560
Land Trust Fund	414,546	951,890	-	8,464,846
Total	\$ 1,613,453	\$ 951,890	\$ 625,915	\$ 11,064,406

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

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfer to	Transfers From:				
	General Fund	Land Trust Special Revenue Fund	Recreation Sales Tax Special Revenue Fund	School Bond Capital Improve. Special Revenue Fund	Economic Development Assistance Program Special Revenue Fund
General Fund	\$ -	\$ 6,000	202,000	\$ 113,606	\$ 4,526
Capital Projects	-	-	-	2,500,000	-
School Bond Capital Improvements	-	-	786,700	-	-
Debt Service	-	-	-	3,744,705	-
Airport Fund	5,500	657,500	-	-	-
Wastewater Fund	-	-	-	-	-
	<u>\$ 5,500</u>	<u>\$ 663,500</u>	<u>\$ 988,700</u>	<u>\$ 6,358,311</u>	<u>\$ 4,526</u>

Transfer to	Transfers From:			
	Non-Major Governmental Special Revenue Funds	Airport Enterprise Fund	Wastewater Enterprise Fund	Total
General Fund	\$ 53,880	\$ 165,405	\$ 32,172	\$ 577,589
Capital Projects	-	-	-	2,500,000
School Bond Capital Improvements	-	-	-	786,700
Debt Service	51,155	-	-	3,795,860
Airport Fund	374,776	-	-	1,037,776
Wastewater Fund	1,412	38,622	-	40,034
	<u>\$ 481,223</u>	<u>\$ 204,027</u>	<u>\$ 32,172</u>	<u>\$ 8,737,959</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 repairs to the landing field. The lease further provides that the cost of repairs to a State of Alaska owned

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

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, 2007. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2007 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, 2007, 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	Hangers	Lots	Lewis Reef	East Clump
2008	\$ 43,669	8,265	6,464	28,182	1,250
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	
2013-2017	137,080		32,320	140,910	
2018-2022	27,416		32,320	28,182	
2023-2025			19,392		

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, 2007 follow:

Fiscal Year	Principal	Interest	Total
2008	\$ 350,000	\$ 36,000	\$ 386,000
2009	370,000	18,500	388,500
Total	<u>\$ 720,000</u>	<u>\$ 54,500</u>	<u>\$ 774,500</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, 2007 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 400,000	\$ 365,600	\$ 765,600
2009	420,000	345,100	765,100
2010	440,000	323,600	763,600
2011	465,000	300,975	765,975
2012	485,000	276,983	761,983
2013-2017	2,845,000	1,043,105	3,888,105
2018-2020	<u>2,105,000</u>	<u>234,310</u>	<u>2,339,310</u>
Total	<u>\$ 7,160,000</u>	<u>\$ 2,889,673</u>	<u>\$ 10,049,673</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, 2007 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 365,000	\$ 327,586	\$ 692,586
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
2013-2017	2,305,000	1,063,970	3,368,970
2018-2022	2,855,000	500,208	3,355,208
2023	<u>650,000</u>	<u>15,600</u>	<u>665,600</u>
Total	<u>\$ 7,755,000</u>	<u>\$ 3,069,615</u>	<u>\$ 10,824,615</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, 2007 follow:

Fiscal Year	Principal	Interest	Total
2008	\$ 1,130,000	\$ 627,050	\$ 1,757,050
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
2013-2017	5,130,000	1,613,750	6,743,750
2018-2020	3,120,000	300,825	3,420,825
Total	<u>\$ 12,985,000</u>	<u>\$ 4,634,775</u>	<u>\$ 17,619,775</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, 2007 follow:

Fiscal Year	Principal	Interest	Total
2008	\$ 95,000	\$ 40,400	\$ 135,400
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
2013-2016	490,000	50,000	540,000
Total	<u>\$ 1,010,000</u>	<u>\$ 212,000</u>	<u>\$ 1,222,000</u>

Defeased Bonds – In fiscal year 2005, Ketchikan Gateway Borough defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Borough’s financial statements. At June 30, 2007, \$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, 2007 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

Fiscal Year	Principal	Interest	Total
2008	\$ 220,000	\$ 159,795	\$ 379,795
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
2013-2017	1,525,000	374,677	1,899,677
2018-2019	<u>720,000</u>	<u>36,970</u>	<u>756,970</u>
Total	<u>\$ 3,435,000</u>	<u>\$ 1,102,761</u>	<u>\$ 4,537,761</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, 2007. 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	\$ (200,924)
PFC revenues	415,277
Debt service requirement of the 2001 revenue bonds x 1.1	(412,254)
Net revenue under debt service requirement	\$ (197,901)

As shown above, the Borough did not meet the revenue requirement for the year ended June 30, 2007. Finally, certain covenants of the 2001 revenue bonds require the Borough to maintain a reserve account equal to the lessor of (a) 10% of the proceeds of the sale of the Bonds, (b) 125% of average annual debt service for all Bonds outstanding, or (c) maximum aggregate annual debt service. The Borough did not meet this reserve account requirement for the year ended June 30, 2007.

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	(59,039)
Total	\$ 340,099

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2007, were as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 36,476	\$ 14,679	\$ 51,155
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
2013-2014	95,184	7,126	102,310
Total	\$ 296,538	\$ 61,547	\$ 358,085

Component Unit Operating Lease – The Ketchikan Gateway Borough School District leases equipment under noncancelable operating leases. Total costs for such leases were \$84,146 for the year ended June 30, 2007. The future minimum leased payments for these leases are as follows:

Fiscal Year	Amount
2008	\$ 61,486
2009	22,660
Total	\$ 84,146

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, 2007:

Governmental Activities	Outstanding 7/1/2006	Additions	Reductions	Outstanding 6/30/2007	Amounts Due in One Year
General obligation bonds - 1999	\$ 1,055,000	\$ -	\$ 335,000	\$ 720,000	\$ 350,000
General obligation bonds - 2000	7,545,000	-	385,000	7,160,000	400,000
General obligation bonds - 2003	8,105,000	-	350,000	7,755,000	365,000
General obligation bonds - 2005	14,080,000	-	1,095,000	12,985,000	1,130,000
General obligation bonds - 2006	1,100,000	-	90,000	1,010,000	95,000
E-One Lease - (Fire Equipment)	331,294	-	34,756	296,538	36,476
Compensated absences	525,225	676,829	685,285	516,769	516,769
Net pension obligation	461,566	533,607	503,049	492,124	-
Total Governmental Activities	\$ 33,203,085	\$ 1,210,436	\$ 3,478,090	\$ 30,935,431	\$ 2,893,245
Unamortized bond premium				975,525	
Unamortized loss on refunding				(287,587)	
				<u>\$ 31,623,369</u>	
Business-Type Activities					
Revenue bonds	\$ 3,640,000	\$ -	\$ 205,000	\$ 3,435,000	\$ 220,000
Capital lease	8,284	-	8,284	-	-
Compensated absences	167,322	217,506	197,628	187,200	187,200
Net pension obligation	215,444	603,648	569,079	250,013	-
Total Business-Type Activities	\$ 4,031,050	\$ 821,154	\$ 979,991	\$ 3,872,213	\$ 407,200

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.

Funding Policy. Plan members are required to contribute 8.65% of their annual covered salary and the Ketchikan Gateway Borough School District is required to contribute at an actuarially determined rate. The FY 2007 current rate for TRS was 21% of annual covered payroll (12% for prior to FY 2003, 11% for FY 2003, 12% for FY 2004, 16% for FY 2005, 21% for FY 2006, and 26% for 2007). The contribution rates of plan members are established by state law and may be amended only by the State Legislature. The employer contribution rates are established and may be amended by the Teachers' Retirement System Board. The Ketchikan Gateway Borough School District's contributions to TRS' for the years ended June 30, 2007, 2006, 2005, 2004 and 2003 were \$2,773,085, \$2,149,067, \$1,594,000, \$1,130,000, and \$1,024,000, respectively, equal to the required contribution for each year.

Public Employees' Retirement System (PERS)

The Ketchikan Gateway Borough and School District's 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:

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

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

Funding Policy. Employees are required to contribute 6.75% to 9.6% of their annual covered salary (3.95% for pension and 2.8% for healthcare). Peace officers and firefighters must contribute 7.5% (4.4% pension and 3.1% 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, 2007 follow:

Fiscal Year - 2007	Ketchikan Gateway Borough		Ketchikan Gateway Borough School District	
	Adjusted	Actuarially	Adjusted	Actuarially
	Actual	Required	Actual	Required
	Rate	Rate	Rate	Rate
Pension	12.017%	14.890%	12.234%	14.456%
Postemployment healthcare	8.473%	10.500%	8.626%	10.194%
Total contribution rate	<u>20.490%</u>	<u>25.390%</u>	<u>20.860%</u>	<u>24.650%</u>

Employer contribution rates are a level percentage of payroll and are determined using the projected unit credit actuarial funding method. Unfunded liabilities and future gains/losses are amortized over a 25-year period as a level percentage of pay. The net amortization period will not exceed 30 years.

The required contribution for the plan was determined as part of the June 30, 2004 actuarial valuation. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

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 2005, trending downward 0.5% per year to 5.0% in FY14, and remaining at 5.0% and prescription cost inflation of 14% for 2005 trending downward 1.0% per year to 5% in FY14 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; and
5. 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 cannot be outside the range of 80% to 120% of market value of assets.

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

Annual Pension and Postemployment Healthcare Cost

In 2006, under Senate Bill 231, the State of Alaska contributed \$214,696 for pension and postemployment healthcare to the PERS plan on behalf of the Borough. 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.

For the year ended June 30, 2007, the Borough’s annual pension and other post-employment benefit (OPEB) costs were as follows:

Fiscal Year - 2007	Total	Pension 58.647%	OPEB 41.353%
Annual required contribution (ARC)	\$ 1,124,842	\$ 659,686	\$ 465,156
Interest on NPO	55,853	32,756	23,097
Adjustment to ARC	<u>(43,440)</u>	<u>(25,476)</u>	<u>(17,964)</u>
Annual pension cost	1,137,255	666,966	470,289
Contributions made	(857,432)	(502,858)	(354,574)
SB 231 Contribution	<u>(214,696)</u>	<u>(125,913)</u>	<u>(88,783)</u>
Increase in NPO	65,127	38,195	26,932
NPO Beginning	<u>677,010</u>	<u>398,666</u>	<u>278,344</u>
NPO Ending	<u><u>\$ 742,137</u></u>	<u><u>\$ 436,861</u></u>	<u><u>\$ 305,276</u></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
2005	\$ 522,149	\$ 251,369	48%	\$ 270,780
2006	631,124	508,877	81%	398,666
2007	666,966	628,771	95%	436,861

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
2005	\$ 394,000	\$ 203,000	52%	\$ 191,000
2006	436,000	316,981	73%	310,000
2007	361,000	336,000	93%	335,000

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

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

Ketchikan Gateway Borough				
Schedule of Employer Contributions				
Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2005	\$ 362,840	\$ 174,680	48%	\$ 188,169
2006	445,017	358,818	81%	278,344
2007	470,289	443,357	94%	305,276

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
2005	\$ 263,000	\$ 136,000	52%	\$ 127,000
2006	290,000	211,320	73%	206,000
2007	444,000	343,000	77%	307,000

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 \$2.25 for the period of July 1, 2006 through December 31, 2006 and \$2.50 for the period of January 1, 2007 through June 30, 2007 per nonpremium hour worked. The Borough's total payroll for the year ended June 30, 2007 for covered employees totaled \$684,757. The total amount contributed to the IBEW plan in FY 2007 was \$97,110. The Borough's obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

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 amends

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

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, 2007 were \$11,425 and \$8,597, respectively.

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, 2007 is as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 159,150,917	\$ 32,896,501
Less accumulated depreciation	24,369,266	10,582,560
Book value	134,781,651	22,313,941
Less capital related debt	(30,614,476)	(3,435,000)
Investments in capital assets, net of related debt	\$ 104,167,175	\$ 18,878,941

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 \$100,000 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.

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

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. Great West's plan is based on actuarially determined monthly fixed costs and actual claims up to the stop loss of \$100,000 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, 2007, but not billed until after fiscal year end. The amount booked for the Borough was \$157,088 and \$358,437 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.

As of October 1, 2005, the Borough and Ketchikan Gateway Borough School District elected to terminate their agreement for services with Great West, and entered into an agreement with RBMS of Anchorage for health care coverage and administrative services. The coverage and terms with RBMS are essentially the same as they were with Great West, and the decision to change was a management decision related to seeking improved customer service and claims processing for our employees.

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 several lawsuits at June 30, 2007. 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 arose related to a termination. The former employee proposed a settlement, which was rejected. The Borough plans to vigorously defend its actions. The probability of an unfavorable outcome is low to moderate.

A suit has been filed and the insurance carrier has taken up the defense of the case. The Borough has been named a defendant in a civil rights complaint to the Equal Employment Opportunity Commission. The case is still pending and is not being mediated.

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, 2007 was \$379,663.

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, 2007 was \$1,540,000 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. Special Item

During fiscal year 2007 Ketchikan Gateway Borough settled with the architects that were involved in the Schoenbar project and received \$970,088.

5-D. Subsequent Events

KGB is requesting reimbursement funding for remediation of the mold and water issues at the Schoenbar Middle School, which is in the later stages of a total remodel. The project is near completion, and major problems have become evident that are taking this project towards litigation, and we were already a year and a half behind schedule in opening the school. The Borough had no choice but to finish the project, which required \$8.7 million dollars in remediation work, and adding back the school district central kitchen for \$1.1 million. The children were attending school in makeshift classes in the mall, which was a horrible situation for learning. Subsequently, the school opened in January 2007 without a kitchen facility.

The project repair and remediation work was designed by a professional firm; professional roofing, waterproofing, and cladding consultant. The project was put out for competitive bid using the “Best Value” method. There was only one responsive bidder. The base bid was \$5 million and with additive alternates included the project total was \$6.8 million for the construction phase. The kitchen bid came in at \$1.1 million recently with a target completion in August 2007. After adding in construction management, design, kitchen, and contingency the total remediation project cost is \$9.8 million.

A settlement was reached with the contractor and approved by the Assembly on November 19, 2007. The settlement totaled \$3.1 million to the Borough. Additionally, the contractor dropped a \$6.0 million delay claim against the Borough.

The School District and the Borough requested the Department of Education & Early Development (DEED) and the Legislature approve financial aid for this project under the 70-30 DEED grant program. The project reimbursement request is ranked number one priority in the state by the DEED.

Ketchikan Gateway Borough, Alaska
Required Supplementary Information
Schedule of Funding Progress – Alaska Public Employees’ Retirement System
Fiscal Year 2007

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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 363,518	-	363,518
Restricted cash and investments	440,635	-	440,635
Receivables:			
Accounts	<u>109,052</u>	<u>-</u>	<u>109,052</u>
Total Assets	\$ <u>913,205</u>	<u>-</u>	<u>913,205</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 28,177	-	28,177
Interfund payable	188	-	188
Advances payable	<u>1,098,410</u>	<u>-</u>	<u>1,098,410</u>
Total Liabilities	<u>1,126,775</u>	<u>-</u>	<u>1,126,775</u>
Fund Balances			
Reserved:			
Encumbrances	19,003	-	19,003
Airport projects	478,910	-	478,910
Unreserved, undesignated, reported in:			
Special revenue funds (deficit)	<u>(711,483)</u>	<u>-</u>	<u>(711,483)</u>
Total Fund Balances (Deficit)	<u>(213,570)</u>	<u>-</u>	<u>(213,570)</u>
Total Liabilities and Fund Balances	\$ <u>913,205</u>	<u>-</u>	<u>913,205</u>

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,205,508	-	1,205,508
Intergovernmental	9,619	-	9,619
Charges for services	395,594	-	395,594
Investments earnings	68,230	-	68,230
Miscellaneous	395,634	-	395,634
Total Revenues	<u>2,074,585</u>	<u>-</u>	<u>2,074,585</u>
Expenditures			
Current			
Library services	420,565	-	420,565
Public services	868,919	-	868,919
Capital Outlay	202,833	-	202,833
Debt Service			
Principal retirement	-	2,289,756	2,289,756
Interest and fiscal charges	-	1,506,104	1,506,104
Total Expenditures	<u>1,492,317</u>	<u>3,795,860</u>	<u>5,288,177</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>582,268</u>	<u>(3,795,860)</u>	<u>(3,213,592)</u>
Other Financing Sources (Uses)			
Transfers in	-	3,795,860	3,795,860
Transfers out	(481,223)	-	(481,223)
Total Other Financing Sources (Uses)	<u>(481,223)</u>	<u>3,795,860</u>	<u>3,314,637</u>
Net Change in Fund Balances	101,045	-	101,045
Fund Balances (Deficit) Beginning of Year	<u>(314,615)</u>	<u>-</u>	<u>(314,615)</u>
Fund Balances (Deficit) End of Year	<u>\$ (213,570)</u>	<u>-</u>	<u>(213,570)</u>

Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	Mud Bight Service Area	South Tongass Service Area	Loring Service Area	Waterfall Service Area	Nichols View Service Area	Forest Park Service Area	Gold Nugget Service Area
Assets							
Cash and investments	\$ 49,055	55,016	2,147	6,486	9,771	140,293	15,122
Restricted cash and investments	-	-	-	-	-	-	-
Accounts receivable	<u>4,618</u>	<u>6,782</u>	<u>-</u>	<u>1,343</u>	<u>-</u>	<u>257</u>	<u>-</u>
Total Assets	\$ <u>53,673</u>	<u>61,798</u>	<u>2,147</u>	<u>7,829</u>	<u>9,771</u>	<u>140,550</u>	<u>15,122</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	14,242	-	-	-	522	55
Interfund payable	-	-	-	-	-	-	-
Advances payable	<u>-</u>	<u>10,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>25,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522</u>	<u>55</u>
Fund Balances							
Reserved for:							
Encumbrances	-	1,028	-	-	-	-	-
Airport projects	-	-	-	-	-	-	-
Unreserved, undesignated (deficits)	<u>53,673</u>	<u>35,695</u>	<u>2,147</u>	<u>7,829</u>	<u>9,771</u>	<u>140,028</u>	<u>15,067</u>
Total Fund Balances (Deficits)	<u>53,673</u>	<u>36,723</u>	<u>2,147</u>	<u>7,829</u>	<u>9,771</u>	<u>140,028</u>	<u>15,067</u>
Total Liabilities and Fund Balances	\$ <u>53,673</u>	<u>61,798</u>	<u>2,147</u>	<u>7,829</u>	<u>9,771</u>	<u>140,550</u>	<u>15,122</u>

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

	Gold Nugget Special Assessment Area	Homestead Special Assessment Area	North Tongass Fire & EMS Service Area	Non Areawide Library Fund	Airport PFC	Total Nonmajor Special Revenue Funds
Assets						
Cash and investments	\$ -	-	73,792	11,836	-	363,518
Restricted cash and investments	-	-	-	-	440,635	440,635
Accounts receivable	<u>13,398</u>	<u>-</u>	<u>33,926</u>	<u>10,453</u>	<u>38,275</u>	<u>109,052</u>
Total Assets	\$ <u>13,398</u>	<u>-</u>	<u>107,718</u>	<u>22,289</u>	<u>478,910</u>	<u>913,205</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	548	12,810	-	-	28,177
Interfund payable	42	146	-	-	-	188
Advances payable	<u>16,535</u>	<u>-</u>	<u>1,071,042</u>	<u>-</u>	<u>-</u>	<u>1,098,410</u>
Total Liabilities	<u>16,577</u>	<u>694</u>	<u>1,083,852</u>	<u>-</u>	<u>-</u>	<u>1,126,775</u>
Fund Balances						
Reserved for:						
Encumbrances	-	-	17,975	-	-	19,003
Airport projects	-	-	-	-	478,910	478,910
Unreserved, undesignated (deficits)	<u>(3,179)</u>	<u>(694)</u>	<u>(994,109)</u>	<u>22,289</u>	<u>-</u>	<u>(711,483)</u>
Total Fund Balances (Deficits)	<u>(3,179)</u>	<u>(694)</u>	<u>(976,134)</u>	<u>22,289</u>	<u>478,910</u>	<u>(213,570)</u>
Total Liabilities and Fund Balances	\$ <u>13,398</u>	<u>-</u>	<u>107,718</u>	<u>22,289</u>	<u>478,910</u>	<u>913,205</u>

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	Mud Bight Service Area	South Tongass Service Area	Loring Service Area	Waterfall Service Area	Nichols View Service Area	Forest Park Service Area	Gold Nugget Service Area
Revenues							
Taxes	\$ -	321,548	2,572	-	-	52,330	-
Intergovernmental	-	4,519	-	-	-	-	-
Charges for services	12,030	181,183	-	11,426	-	-	6,650
Investment earnings	2,667	8,742	-	555	1,092	9,523	1,058
Miscellaneous	-	1,453	-	-	-	-	-
Total Revenues	<u>14,697</u>	<u>517,445</u>	<u>2,572</u>	<u>11,981</u>	<u>1,092</u>	<u>61,853</u>	<u>7,708</u>
Expenditures							
Current							
Library services	-	-	-	-	-	-	-
Public services	4,625	431,355	225	7,607	-	41,363	13,726
Capital Outlay	-	1,579	-	-	-	-	-
Total Expenditures	<u>4,625</u>	<u>432,934</u>	<u>225</u>	<u>7,607</u>	<u>-</u>	<u>41,363</u>	<u>13,726</u>
Excess (Deficiency) of Revenues Over Expenditures	10,072	84,511	2,347	4,374	1,092	20,490	(6,018)
Other Financing Uses							
Transfers out	(500)	(28,957)	-	(1,500)	(500)	(3,069)	(555)
Net Change in Fund Balances	9,572	55,554	2,347	2,874	592	17,421	(6,573)
Fund Balances (Deficits)							
Beginning of Year	<u>44,101</u>	<u>(18,831)</u>	<u>(200)</u>	<u>4,955</u>	<u>9,179</u>	<u>122,607</u>	<u>21,640</u>
Fund Balances (Deficits) End of Year	\$ <u>53,673</u>	<u>36,723</u>	<u>2,147</u>	<u>7,829</u>	<u>9,771</u>	<u>140,028</u>	<u>15,067</u>

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

	Gold Nugget Special Assessment Area	Homestead Special Assessment Area	North Tongass Fire & EMS Service Area	Non Areawide Library Fund	Airport PFC	Total Nonmajor Special Revenue Funds
Revenues						
Taxes	\$ -	-	437,194	391,864	-	1,205,508
Intergovernmental	-	-	5,100	-	-	9,619
Charges for services	766	-	183,539	-	-	395,594
Investment earnings	-	-	17,457	5,286	21,850	68,230
Miscellaneous	-	-	754	-	393,427	395,634
Total Revenues	<u>766</u>	<u>-</u>	<u>644,044</u>	<u>397,150</u>	<u>415,277</u>	<u>2,074,585</u>
Expenditures						
Current						
Library services	-	-	-	420,565	-	420,565
Public services	1,211	694	368,113	-	-	868,919
Capital Outlay	<u>-</u>	<u>-</u>	<u>201,254</u>	<u>-</u>	<u>-</u>	<u>202,833</u>
Total Expenditures	<u>1,211</u>	<u>694</u>	<u>569,367</u>	<u>420,565</u>	<u>-</u>	<u>1,492,317</u>
Excess (Deficiency) of Revenues Over Expenditures	(445)	(694)	74,677	(23,415)	415,277	582,268
Other Financing Uses						
Transfers out	-	-	(71,366)	-	(374,776)	(481,223)
Net Change in Fund Balances	(445)	(694)	3,311	(23,415)	40,501	101,045
Fund Balances (Deficits)						
Beginning of Year	<u>(2,734)</u>	<u>-</u>	<u>(979,445)</u>	<u>45,704</u>	<u>438,409</u>	<u>(314,615)</u>
Fund Balances (Deficits) End of Year	<u>\$ (3,179)</u>	<u>(694)</u>	<u>(976,134)</u>	<u>22,289</u>	<u>478,910</u>	<u>(213,570)</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, 2007

	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
Combining Statement of Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2007

	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
Expenditures							
Debt Service							
Principal retirement	\$ 335,000	385,000	350,000	1,095,000	90,000	34,756	2,289,756
Interest and fiscal charges	<u>52,060</u>	<u>393,818</u>	<u>340,905</u>	<u>659,900</u>	<u>43,022</u>	<u>16,399</u>	<u>1,506,104</u>
Total Expenditures	387,060	778,818	690,905	1,754,900	133,022	51,155	3,795,860
Other Financing Sources							
Transfers in	<u>387,060</u>	<u>778,818</u>	<u>690,905</u>	<u>1,754,900</u>	<u>133,022</u>	<u>51,155</u>	<u>3,795,860</u>
Net Change in Fund Balances	-	-	-	-	-	-	-
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances End of Year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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GENERAL FUND and MAJOR SPECIAL REVENUE FUNDS

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

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

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.

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 417,763	-
Receivables		
Accounts	753,130	469,022
Taxes	4,276,910	4,555,318
Due from component unit	<u>-</u>	<u>775,684</u>
Total Assets	\$ <u>5,447,803</u>	<u>5,800,024</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 521,882	469,466
Accrued expenditures	-	1,970
Intergovernmental payable	2,971,185	2,834,425
Interfund payable	-	438,086
Due to component unit	288,709	-
Deposits payable	77,765	87,799
Deferred revenues	<u>130,874</u>	<u>50,252</u>
Total Liabilities	<u>3,990,415</u>	<u>3,881,998</u>
Fund Balances		
Reserved for encumbrances	28,245	192,230
Unreserved - undesignated	<u>1,429,143</u>	<u>1,725,796</u>
Total Fund Balances	<u>1,457,388</u>	<u>1,918,026</u>
Total Liabilities and Fund Balances	\$ <u>5,447,803</u>	<u>5,800,024</u>



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Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			Variance	2006
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Actual
Revenues					
Taxes					
Real and personal property	\$ 7,327,260	7,327,260	7,196,911	(130,349)	7,178,138
Automobile and boat	170,000	170,000	150,786	(19,214)	158,631
Sales	5,300,000	5,300,000	4,710,147	(589,853)	4,653,178
Penalties and interest	<u>100,000</u>	<u>100,000</u>	<u>86,471</u>	<u>(13,529)</u>	<u>140,378</u>
Total taxes	<u>12,897,260</u>	<u>12,897,260</u>	<u>12,144,315</u>	<u>(752,945)</u>	<u>12,130,325</u>
Alaska State Housing Authority - PILT	<u>5,000</u>	<u>5,000</u>	<u>14,731</u>	<u>9,731</u>	<u>11,031</u>
Licenses and permits					
Zoning fees	<u>30,000</u>	<u>30,000</u>	<u>34,060</u>	<u>4,060</u>	<u>35,140</u>
Intergovernmental					
State fisheries tax	330,000	330,000	318,498	(11,502)	293,801
State revenue sharing	899,712	899,712	1,036,250	136,538	138,239
Federal payment in lieu of taxes	550,000	550,000	566,931	16,931	565,969
State operating grant - transit system	361,990	361,990	441,323	79,333	183,045
State license refunds	-	-	1,250	1,250	-
Timber stumpage	<u>350,000</u>	<u>350,000</u>	<u>391,553</u>	<u>41,553</u>	<u>365,286</u>
Total intergovernmental	<u>2,491,702</u>	<u>2,491,702</u>	<u>2,755,805</u>	<u>264,103</u>	<u>1,546,340</u>
Charges for services					
Animal control	30,000	30,000	26,879	(3,121)	27,206
Bus system revenue	260,000	260,000	166,401	(93,599)	204,254
Parks and recreation	397,500	397,500	409,312	11,812	406,635
Other charges	<u>65,200</u>	<u>65,200</u>	<u>137,857</u>	<u>72,657</u>	<u>144,562</u>
Total charges for services	<u>752,700</u>	<u>752,700</u>	<u>740,449</u>	<u>(12,251)</u>	<u>782,657</u>
Investment earnings	<u>130,000</u>	<u>130,000</u>	<u>354,522</u>	<u>224,522</u>	<u>138,975</u>
Total revenues	<u>16,306,662</u>	<u>16,306,662</u>	<u>16,043,882</u>	<u>(262,780)</u>	<u>14,644,468</u>
Transfers in					
Land Trust Fund	6,000	6,000	6,000	-	-
Recreation CIP	202,000	202,000	202,000	-	214,760
Service Area Funds	53,882	53,882	53,882	-	44,845
Airport Fund	165,405	165,405	165,405	-	156,629
Wastewater Fund	32,172	32,172	32,172	-	33,137
School Bond/Capital Improvements Fund	120,000	120,000	113,604	(6,396)	105,811
Economic Development	<u>4,526</u>	<u>4,526</u>	<u>4,526</u>	<u>-</u>	<u>38,321</u>
Total transfers in	<u>583,985</u>	<u>583,985</u>	<u>577,589</u>	<u>(6,396)</u>	<u>593,503</u>
Total Revenues and Transfers In	<u>16,890,647</u>	<u>16,890,647</u>	<u>16,621,471</u>	<u>(269,176)</u>	<u>15,237,971</u>

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

(continued)

	2007			Variance Favorable (Unfavorable)	2006
	Original Budget	Final Budget	Actual		Actual
Expenditures					
Current:					
Administration					
Mayor and assembly	\$ 122,146	127,146	115,502	11,644	103,533
Law	266,094	266,094	260,987	5,107	250,817
Clerk	228,144	228,144	225,593	2,551	214,580
Manager	585,215	590,215	617,040	(26,825)	683,476
Finance	845,184	895,277	929,570	(34,293)	836,274
Assessment	570,083	570,083	556,053	14,030	538,819
Total administration	<u>2,616,866</u>	<u>2,676,959</u>	<u>2,704,745</u>	<u>(27,786)</u>	<u>2,627,499</u>
Public services					
Animal protection	307,381	307,381	277,311	30,070	357,091
Planning	620,844	620,844	551,117	69,727	560,253
Community education grants	112,400	112,400	112,697	(297)	125,067
Public works	1,167,517	1,284,667	1,224,326	60,341	1,102,894
Transit - bus system	885,070	893,070	941,816	(48,746)	761,493
Parks and recreation	1,421,353	1,475,353	1,537,564	(62,211)	1,457,981
Total public services	<u>4,514,565</u>	<u>4,693,715</u>	<u>4,644,831</u>	<u>48,884</u>	<u>4,364,779</u>
Automation	336,204	336,204	339,083	(2,879)	324,728
Nondepartmental	366,382	369,382	492,028	(122,646)	365,323
Education	8,834,981	8,834,981	8,895,922	(60,941)	8,227,112
Capital Outlay	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>158,923</u>
Total Expenditures	<u>16,743,998</u>	<u>16,986,241</u>	<u>17,076,609</u>	<u>(90,368)</u>	<u>16,068,364</u>
Transfers Out					
Airport Fund	5,500	5,500	5,500	-	5,000
Internal Service Fund	-	-	-	-	126,778
Total Transfers Out	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>131,778</u>
Total Expenditures and Transfers Out	<u>16,749,498</u>	<u>16,991,741</u>	<u>17,082,109</u>	<u>(90,368)</u>	<u>16,200,142</u>
Net Change in Fund Balances	\$ <u>141,149</u>	<u>(101,094)</u>	(460,638)	<u>(359,544)</u>	(962,171)
Fund Balances Beginning of Year			<u>1,918,026</u>		<u>2,880,197</u>
Fund Balances End of Year			\$ <u>1,457,388</u>		<u>1,918,026</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 887,822	120,890
Receivables:		
Accounts	10,641	17,868
Notes	837,553	807,209
Advances	<u>8,464,846</u>	<u>9,611,549</u>
Total Assets	\$ <u>10,200,862</u>	<u>10,557,516</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,177	2,396
Deposits	<u>97,103</u>	<u>5,600</u>
Total Liabilities	<u>98,280</u>	<u>7,996</u>
 Fund Balances		
Reserved for advances to other funds	8,464,846	9,611,549
Reserved for outstanding loans	837,553	807,209
Reserved for encumbrances	211	-
Unreserved - undesignated	<u>799,972</u>	<u>130,762</u>
Total Fund Balances	<u>10,102,582</u>	<u>10,549,520</u>
 Total Liabilities and Fund Balances	\$ <u>10,200,862</u>	<u>10,557,516</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	45,177	45,177	27,650
Investment earnings	350,036	350,036	159,612	(190,424)	292,925
Land sales	600,000	600,000	83,220	(516,780)	-
Miscellaneous	-	-	544	544	-
Total Revenues	<u>950,036</u>	<u>950,036</u>	<u>288,553</u>	<u>(661,483)</u>	<u>320,575</u>
Expenditures					
Current					
Public services	<u>100,000</u>	<u>171,000</u>	<u>71,991</u>	<u>99,009</u>	<u>5,303</u>
Excess of Revenues Over Expenditures	850,036	779,036	216,562	(562,474)	315,272
Other Financing Uses					
Transfers out	<u>(6,000)</u>	<u>(663,500)</u>	<u>(663,500)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	\$ <u>844,036</u>	<u>115,536</u>	(446,938)	<u>(562,474)</u>	315,272
Fund Balances Beginning of Year			<u>10,549,520</u>		<u>10,234,248</u>
Fund Balances End of Year			\$ <u>10,102,582</u>		<u>10,549,520</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 830,242	360,268
Accounts receivable	<u>481,423</u>	<u>455,372</u>
Total Assets	<u>\$ 1,311,665</u>	<u>815,640</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>108,630</u>	<u>61,200</u>
Fund Balances		
Unreserved - undesignated	<u>1,203,035</u>	<u>754,440</u>
Total Liabilities and Fund Balances	<u>\$ 1,311,665</u>	<u>815,640</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,010,000	1,010,000	1,563,234	553,234	1,556,736
Penalties	12,000	12,000	14,337	2,337	14,433
Investment earnings	26,000	26,000	67,103	41,103	32,188
Miscellaneous	-	-	5,000	5,000	750
Total Revenues	<u>1,048,000</u>	<u>1,048,000</u>	<u>1,649,674</u>	<u>601,674</u>	<u>1,604,107</u>
Expenditures					
Current					
Public services	-	-	-	-	39,172
Capital Outlay	-	-	212,379	(212,379)	868,536
Total Expenditures	<u>-</u>	<u>-</u>	<u>212,379</u>	<u>(212,379)</u>	<u>907,708</u>
Excess of Revenues Over Expenditures	1,048,000	1,048,000	1,437,295	389,295	696,399
Other Financing Uses					
Transfers out	(988,700)	(988,700)	(988,700)	-	(1,002,993)
Net Change in Fund Balances	\$ <u>59,300</u>	<u>59,300</u>	448,595	<u>389,295</u>	(306,594)
Fund Balances Beginning of Year			<u>754,440</u>		<u>1,061,034</u>
Fund Balances End of Year			\$ <u>1,203,035</u>		<u>754,440</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ -	1,865,265
Accounts receivable	<u>652,175</u>	<u>388,243</u>
Total Assets	<u>\$ 652,175</u>	<u>2,253,508</u>
Liabilities and Fund Balances		
Liabilities		
Interfund payable	\$ <u>192,623</u>	<u>-</u>
Fund Balances		
Unreserved - undesignated	<u>459,552</u>	<u>2,253,508</u>
Total Liabilities and Fund Balances	<u>\$ 652,175</u>	<u>2,253,508</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,010,000	1,010,000	1,603,399	593,399	1,575,687
Intergovernmental	2,071,692	2,071,692	2,061,057	(10,635)	2,021,962
Investment earnings	20,430	20,430	114,789	94,359	29,140
Total Revenues	3,102,122	3,102,122	3,779,245	677,123	3,626,789
Expenditures					
Current					
Public services	5,000	5,000	1,590	3,410	5,590
Excess of Revenues Over Expenditures	3,097,122	3,097,122	3,777,655	680,533	3,621,199
Other Financing Sources (Uses)					
Transfers in	786,700	786,700	786,700	-	-
Transfers out	(3,866,260)	(6,366,260)	(6,358,311)	7,949	(2,917,311)
Total Other Financing Sources (Uses)	(3,079,560)	(5,579,560)	(5,571,611)	7,949	(2,917,311)
Net Change in Fund Balances	\$ 17,562	(2,482,438)	(1,793,956)	688,482	703,888
Fund Balances Beginning of Year			2,253,508		1,549,620
Fund Balances End of Year			\$ 459,552		2,253,508

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 113,550	1,828,262
Restricted cash and investments	1,919,663	1,828,024
Receivables:		
Accounts	193,994	45,176
Contracts	9,000,000	9,000,000
Interfund	<u>2,599,560</u>	<u>-</u>
Total Assets	\$ <u>13,826,767</u>	<u>12,701,462</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 67,419	71,200
Deposits	1,900	46,009
Deferred revenue	<u>9,054,608</u>	<u>9,000,000</u>
Total Liabilities	<u>9,123,927</u>	<u>9,117,209</u>
Fund Balances		
Reserved for accounts receivable	162,740	45,176
Reserved for encumbrances	-	5,540
Reserved for IFA bond guarantee	1,540,000	1,585,000
Reserved for KVB loan guarantee	379,663	448,632
Unreserved - undesignated	<u>2,620,437</u>	<u>1,499,905</u>
Total Fund Balances	<u>4,702,840</u>	<u>3,584,253</u>
Total Liabilities and Fund Balances	\$ <u>13,826,767</u>	<u>12,701,462</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ -	-	45,301	45,301	42,834
Charges for services	18,488	18,488	99,310	80,822	308,548
Proceeds from sale of property	2,100,000	2,100,000	773,000	(1,327,000)	2,692,193
Miscellaneous revenue	-	-	7,570	7,570	4,800
Investment earnings	396,000	396,000	657,074	261,074	199,126
Total Revenues	<u>2,514,488</u>	<u>2,514,488</u>	<u>1,582,255</u>	<u>(932,233)</u>	<u>3,247,501</u>
Expenditures					
Current					
Public services	284,298	388,597	397,262	(8,665)	962,925
Capital Outlay	<u>-</u>	<u>750,000</u>	<u>61,880</u>	<u>688,120</u>	<u>43,279</u>
Total Expenditures	<u>284,298</u>	<u>1,138,597</u>	<u>459,142</u>	<u>679,455</u>	<u>1,006,204</u>
Excess of Revenues Over Expenditures	<u>2,230,190</u>	<u>1,375,891</u>	<u>1,123,113</u>	<u>(252,778)</u>	<u>2,241,297</u>
Other Financing Uses					
Transfers out	<u>(4,526)</u>	<u>(4,526)</u>	<u>(4,526)</u>	<u>-</u>	<u>(91,482)</u>
Net Change in Fund Balances	\$ <u>2,225,664</u>	<u>1,371,365</u>	1,118,587	<u>(252,778)</u>	2,149,815
Fund Balances Beginning of Year			<u>3,584,253</u>		<u>1,434,438</u>
Fund Balances End of Year		\$ <u>4,702,840</u>			<u>3,584,253</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ -	34,294
Accounts receivable	<u>759,160</u>	<u>370,714</u>
Total Assets	<u>\$ 759,160</u>	<u>405,008</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 247,555	162,094
Interfund payable	511,605	239,045
Deferred revenues	<u>-</u>	<u>3,869</u>
Total Liabilities	<u>759,160</u>	<u>405,008</u>
Fund Balances		
Reserved for encumbrances	1,485,527	114,992
Unreserved (deficit)	<u>(1,485,527)</u>	<u>(114,992)</u>
Total Fund Balances	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 759,160</u>	<u>405,008</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Intergovernmental	\$ 985,826	1,749,108
Expenditures		
Current		
Public services	144,903	791,692
Capital Outlay	840,923	957,416
Total Expenditures	<u>985,826</u>	<u>1,749,108</u>
Excess of Revenues Over Expenditures	-	-
Other Financing Uses		
Transfers out	-	<u>(46,687)</u>
Net Change in Fund Balances	-	(46,687)
Fund Balances Beginning of Year	-	<u>46,687</u>
Fund Balances End of Year	\$ <u>-</u>	<u>-</u>



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NONMAJOR SPECIAL REVENUE FUNDS

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.

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.

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.

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.

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.

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.

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.

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.

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.

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 49,055	40,420
Accounts receivable	<u>4,618</u>	<u>3,681</u>
Total Assets	\$ <u>53,673</u>	<u>44,101</u>
Liabilities and Fund Balances		
Liabilities	\$ <u>-</u>	<u>-</u>
Fund Balances		
Unreserved - undesignated	<u>53,673</u>	<u>44,101</u>
Total Liabilities and Fund Balances	\$ <u>53,673</u>	<u>44,101</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	12,030	12,030	10,166
Investment earnings	<u>600</u>	<u>600</u>	<u>2,667</u>	<u>2,067</u>	<u>1,061</u>
Total Revenues	600	600	14,697	14,097	11,227
Expenditures					
Current					
Public services	<u>1,550</u>	<u>4,750</u>	<u>4,625</u>	<u>125</u>	<u>2,103</u>
Excess (Deficiency) of Revenues Over Expenditures	(950)	(4,150)	10,072	14,222	9,124
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>(1,450)</u>	<u>(4,650)</u>	9,572	<u>14,222</u>	8,624
Fund Balances Beginning of Year			<u>44,101</u>		<u>35,477</u>
Fund Balances End of Year			\$ <u>53,673</u>		<u>44,101</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 55,016	-
Accounts receivable	<u>6,782</u>	<u>4,817</u>
Total Assets	<u>\$ 61,798</u>	<u>4,817</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 14,242	8,001
Advances payable	10,833	13,098
Interfund payable	<u>-</u>	<u>2,549</u>
Total Liabilities	<u>25,075</u>	<u>23,648</u>
Fund Balances		
Reserved for encumbrances	1,028	3,540
Unreserved - undesignated (deficit)	<u>35,695</u>	<u>(22,371)</u>
Total Fund Balances	<u>36,723</u>	<u>(18,831)</u>
Total Liabilities and Fund Balances	<u>\$ 61,798</u>	<u>4,817</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 332,419	332,419	321,548	(10,871)	293,639
Intergovernmental	-	-	4,519	4,519	2,646
Service area fees	117,000	117,000	124,067	7,067	107,234
Investment earnings	1,590	1,590	8,742	7,152	1,353
EMS revenue	37,600	37,600	57,116	19,516	43,055
Miscellaneous	-	-	1,453	1,453	7,748
Total Revenues	<u>488,609</u>	<u>488,609</u>	<u>517,445</u>	<u>28,836</u>	<u>455,675</u>
Expenditures					
Current					
Public services	472,363	472,363	431,355	41,008	352,783
Capital Outlay	<u>-</u>	<u>-</u>	<u>1,579</u>	<u>(1,579)</u>	<u>6,860</u>
Total Expenditures	<u>472,363</u>	<u>472,363</u>	<u>432,934</u>	<u>39,429</u>	<u>359,643</u>
Excess of Revenues Over Expenditures	<u>16,246</u>	<u>16,246</u>	<u>84,511</u>	<u>68,265</u>	<u>96,032</u>
Other Financing Uses					
Transfers out	<u>(28,305)</u>	<u>(28,305)</u>	<u>(28,957)</u>	<u>(652)</u>	<u>(21,421)</u>
Net Change in Fund Balances	\$ <u>(12,059)</u>	<u>(12,059)</u>	55,554	<u>67,613</u>	74,611
Fund Balances (Deficit) Beginning of Year			<u>(18,831)</u>		<u>(93,442)</u>
Fund Balances (Deficit) End of Year		\$ <u>36,723</u>			<u>(18,831)</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash and investments	\$ <u>2,147</u>	<u>-</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	36
Interfund payable	<u>-</u>	<u>164</u>
Total Liabilities	<u>-</u>	<u>200</u>
Fund Balances		
Unreserved - undesignated	<u>2,147</u>	<u>(200)</u>
Total Liabilities and Fund Balances	\$ <u>2,147</u>	<u>-</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, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 2,483	2,483	2,572	89	-
Miscellaneous	-	-	-	-	300
Total Revenues	<u>2,483</u>	<u>2,483</u>	<u>2,572</u>	<u>89</u>	<u>300</u>
Expenditures					
Current					
Public services	<u>2,500</u>	<u>2,500</u>	225	<u>2,275</u>	500
Net Change in Fund Balances	\$ <u>(17)</u>	<u>(17)</u>	2,347	<u>2,364</u>	(200)
Fund Balances (Deficit) Beginning of Year			<u>(200)</u>		<u>-</u>
Fund Balances (Deficit) End of Year			\$ <u>2,147</u>		<u>(200)</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 6,486	3,626
Accounts receivable	<u>1,343</u>	<u>1,329</u>
Total Assets	\$ <u>7,829</u>	<u>4,955</u>
Liabilities and Fund Balances		
Liabilities	\$ <u>-</u>	<u>-</u>
Fund Balances		
Unreserved - undesignated	<u>7,829</u>	<u>4,955</u>
Total Liabilities and Fund Balances	\$ <u>7,829</u>	<u>4,955</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 11,434	11,434	11,426	(8)	11,549
Investment earnings	<u>100</u>	<u>100</u>	<u>555</u>	<u>455</u>	<u>95</u>
Total Revenues	<u>11,534</u>	<u>11,534</u>	<u>11,981</u>	<u>447</u>	<u>11,644</u>
Expenditures					
Current					
Public services	<u>5,600</u>	<u>7,900</u>	<u>7,607</u>	<u>293</u>	<u>5,269</u>
Excess of Revenues Over Expenditures	5,934	3,634	4,374	740	6,375
Other Financing Uses					
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>	<u>(500)</u>
Net Change in Fund Balances	\$ <u>4,434</u>	<u>2,134</u>	2,874	<u>740</u>	5,875
Fund Balances Beginning of Year			<u>4,955</u>		<u>(920)</u>
Fund Balances End of Year			\$ <u><u>7,829</u></u>		<u><u>4,955</u></u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ <u>9,771</u>	<u>9,179</u>
Fund Balances		
Unreserved - undesignated	\$ <u>9,771</u>	<u>9,179</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) Actual
Revenues				
Investment earnings	\$ 300	300	1,092	792
Other Financing Uses				
Transfers out	(500)	(500)	(500)	-
Net Change in Fund Balances	\$ <u>(200)</u>	<u>(200)</u>	592	<u>792</u>
Fund Balances Beginning of Year			<u>9,179</u>	<u>9,421</u>
Fund Balances End of Year			\$ <u>9,771</u>	<u>9,179</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 140,293	120,833
Accounts receivable	<u>257</u>	<u>1,774</u>
Total Assets	<u>\$ 140,550</u>	<u>122,607</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ <u>522</u>	<u>-</u>
Fund Balances		
Unreserved - undesignated	<u>140,028</u>	<u>122,607</u>
Total Liabilities and Fund Balances	<u>\$ 140,550</u>	<u>122,607</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 53,636	53,636	52,330	(1,306)	49,602
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>9,523</u>	<u>8,523</u>	<u>3,295</u>
Total Revenues	<u>54,636</u>	<u>54,636</u>	<u>61,853</u>	<u>7,217</u>	<u>52,897</u>
Expenditures					
Current					
Public services	<u>51,150</u>	<u>51,150</u>	<u>41,363</u>	<u>9,787</u>	<u>22,358</u>
Excess of Revenues Over Expenditures	3,486	3,486	20,490	17,004	30,539
Other Financing Uses					
Transfers out	<u>(3,069)</u>	<u>(3,069)</u>	<u>(3,069)</u>	<u>-</u>	<u>(3,369)</u>
Net Change in Fund Balances	\$ <u>417</u>	<u>417</u>	17,421	<u>17,004</u>	27,170
Fund Balances Beginning of Year			<u>122,607</u>		<u>95,437</u>
Fund Balances End of Year		\$ <u>140,028</u>			<u>122,607</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 15,122	20,797
Accounts receivable	<u>-</u>	<u>843</u>
Total Assets	<u>\$ 15,122</u>	<u>21,640</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 55	-
Fund Balances		
Unreserved - undesignated	<u>15,067</u>	<u>21,640</u>
Total Liabilities and Fund Balances	<u>\$ 15,122</u>	<u>21,640</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ 5,808	5,808	6,650	842	6,581
Investment earnings	400	400	1,058	658	569
Total Revenues	6,208	6,208	7,708	1,500	7,150
Expenditures					
Current					
Public services	9,250	15,850	13,726	2,124	4,432
Excess (Deficiency) of Revenues Over Expenditures	(3,042)	(9,642)	(6,018)	3,624	2,718
Other Financing Uses					
Transfers out	(555)	(555)	(555)	-	(555)
Net Change in Fund Balances	\$ <u>(3,597)</u>	<u>(10,197)</u>	(6,573)	<u>3,624</u>	2,163
Fund Balances Beginning of Year			21,640		19,477
Fund Balances End of Year		\$ <u>15,067</u>			21,640

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ -	895
Accounts receivable	<u>13,398</u>	<u>20,588</u>
Total Assets	<u>\$ 13,398</u>	<u>21,483</u>
Liabilities and Fund Balances		
Liabilities		
Advances payable	\$ 16,535	24,217
Interfund payable	<u>42</u>	<u>-</u>
Total Liabilities	<u>16,577</u>	<u>24,217</u>
Fund Balances		
Unreserved (deficit)	<u>(3,179)</u>	<u>(2,734)</u>
Total Liabilities and Fund Balances	<u>\$ 13,398</u>	<u>21,483</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	-	766	766	41,804
Expenditures					
Current					
Public services	1,211	1,211	1,211	-	1,577
Net Change in Fund Balances	\$ <u>(1,211)</u>	<u>(1,211)</u>	(445)	<u>766</u>	40,227
Fund Balances (Deficit) Beginning of Year			<u>(2,734)</u>		<u>(42,961)</u>
Fund Balances (Deficit) End of Year			\$ <u>(3,179)</u>		<u>(2,734)</u>

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

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

	2007			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues	\$ -	-	-	-
Expenditures				
Current				
Public services	-	150	694	(544)
Net Change in Fund Balance	\$ -	(150)	(694)	(544)
Fund Balance Beginning of Year			-	
Fund Balance (Deficit) End of Year			\$ (694)	

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 73,792	360,920
Accounts receivable	<u>33,926</u>	<u>17,914</u>
Total Assets	<u>\$ 107,718</u>	<u>378,834</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 12,810	168,482
Advances payable	<u>1,071,042</u>	<u>1,189,797</u>
Total Liabilities	<u>1,083,852</u>	<u>1,358,279</u>
Fund Balances		
Reserved for encumbrances	17,975	164,716
Unreserved - (deficit)	<u>(994,109)</u>	<u>(1,144,161)</u>
Total Fund Balances	<u>(976,134)</u>	<u>(979,445)</u>
Total Liabilities and Fund Balances	<u>\$ 107,718</u>	<u>378,834</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			2006	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 448,721	448,721	437,194	(11,527)	412,649
Intergovernmental	-	-	5,100	5,100	2,566
Service area fees	118,500	118,500	115,408	(3,092)	114,938
Investment earnings	-	-	17,457	17,457	5,015
EMS revenues	38,000	38,000	68,131	30,131	41,536
Miscellaneous revenues	1,500	1,500	754	(746)	2,050
Total Revenues	<u>606,721</u>	<u>606,721</u>	<u>644,044</u>	<u>37,323</u>	<u>578,754</u>
Expenditures					
Current					
Public services	362,117	372,117	368,113	4,004	411,747
Capital Outlay	<u>7,500</u>	<u>240,262</u>	<u>201,254</u>	<u>39,008</u>	<u>447,064</u>
Total Expenditures	<u>369,617</u>	<u>612,379</u>	<u>569,367</u>	<u>43,012</u>	<u>858,811</u>
Excess (Deficiency) of Revenues Over Expenditures	237,104	(5,658)	74,677	80,335	(280,057)
Other Financing Uses					
Transfers out	<u>(71,087)</u>	<u>(71,087)</u>	<u>(71,366)</u>	<u>(279)</u>	<u>(69,155)</u>
Net Change in Fund Balances	\$ <u>166,017</u>	<u>(76,745)</u>	3,311	<u>80,056</u>	(349,212)
Fund Balances (Deficit) Beginning of Year			<u>(979,445)</u>		<u>(630,233)</u>
Fund Balances (Deficit) End of Year			\$ <u>(976,134)</u>		<u>(979,445)</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 11,836	37,398
Accounts receivable	<u>10,453</u>	<u>8,306</u>
Total Assets	\$ <u>22,289</u>	<u>45,704</u>
Liabilities and Fund Balances		
Liabilities	\$ <u>-</u>	<u>-</u>
Fund Balances		
Unreserved - undesignated	<u>22,289</u>	<u>45,704</u>
Total Liabilities and Fund Balances	\$ <u>22,289</u>	<u>45,704</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, 2007

With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 401,060	401,060	391,864	(9,196)	361,486
Investment earnings	<u>2,500</u>	<u>2,500</u>	<u>5,286</u>	<u>2,786</u>	<u>4,619</u>
Total Revenues	<u>403,560</u>	<u>403,560</u>	<u>397,150</u>	<u>(6,410)</u>	<u>366,105</u>
Expenditures					
Current					
Library services	<u>420,565</u>	<u>420,565</u>	<u>420,565</u>	<u>-</u>	<u>396,468</u>
Net Change in Fund Balances	\$ <u>(17,005)</u>	<u>(17,005)</u>	(23,415)	<u>(6,410)</u>	(30,363)
Fund Balances Beginning of Year			<u>45,704</u>		<u>76,067</u>
Fund Balances End of Year			\$ <u>22,289</u>		<u>45,704</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Restricted cash and investments	\$ 440,635	435,457
Accounts receivable	<u>38,275</u>	<u>2,952</u>
Total Assets	\$ <u>478,910</u>	<u>438,409</u>
Fund Balances		
Reserved for Airport projects	\$ <u>478,910</u>	<u>438,409</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, 2007
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u>			<u>2006</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Investment earnings	\$ 19,768	19,768	21,850	2,082	12,170
PFC revenues	<u>395,000</u>	<u>395,000</u>	<u>393,427</u>	<u>(1,573)</u>	<u>359,897</u>
Total Revenues	414,768	414,768	415,277	509	372,067
Other Financing Uses					
Transfers out	<u>(374,776)</u>	<u>(374,776)</u>	<u>(374,776)</u>	<u>-</u>	<u>(374,420)</u>
Net Change in Fund Balance	\$ <u>39,992</u>	<u>39,992</u>	40,501	<u>509</u>	(2,353)
Fund Balances Beginning of Year			<u>438,409</u>		<u>440,762</u>
Fund Balances End of Year		\$ <u>478,910</u>			<u>438,409</u>



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CAPITAL PROJECTS FUND

Capital Projects Fund – This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds.

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ <u>3,597,084</u>	<u>8,515,665</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,334,852	1,765,876
Advances payable	6,000,000	6,000,000
Deposits	4,200	-
Interfund payable	<u>70,322</u>	<u>21,572</u>
Total Liabilities	<u>8,409,374</u>	<u>7,787,448</u>
Fund Balances		
Reserved for encumbrances	3,355,327	5,581,167
Unreserved (deficit)	<u>(8,167,617)</u>	<u>(4,852,950)</u>
Total Fund Balances	<u>(4,812,290)</u>	<u>728,217</u>
Total Liabilities and Fund Balances	\$ <u>3,597,084</u>	<u>8,515,665</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources	\$ -	20
Intergovernmental	6,351	5,628
Investment earnings	<u>51,937</u>	<u>124,803</u>
Total Revenues	<u>58,288</u>	<u>130,451</u>
Expenditures		
Capital Outlay		
Contractual services	-	2,115
Educational facilities	<u>9,068,883</u>	<u>10,497,587</u>
Total Expenditures	<u>9,068,883</u>	<u>10,499,702</u>
(Deficiency) of Revenues Over (Under) Expenditures	<u>(9,010,595)</u>	<u>(10,369,251)</u>
Other Financing Sources (Uses)		
Settlement	970,088	-
General obligation bonds issued	-	1,100,000
Premium for bonds issued	-	14,927
Bond issuance costs	-	(7,607)
Transfers in	<u>2,500,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,470,088</u>	<u>1,107,320</u>
Net Change in Fund Balances	(5,540,507)	(9,261,931)
Fund Balances Beginning of Year	<u>728,217</u>	<u>9,990,148</u>
Fund Balance (Deficit) End of Year	\$ <u><u>(4,812,290)</u></u>	<u><u>728,217</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Accounts receivable	\$ 712,583	615,327
Prepaid items	5,228	3,694
Total Current Assets	<u>717,811</u>	<u>619,021</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	340,989	1,253,185
Depreciable, net	8,759,379	8,343,224
Total Noncurrent Assets	<u>9,100,368</u>	<u>9,596,409</u>
Total Assets	<u>9,818,179</u>	<u>10,215,430</u>
Liabilities		
Current Liabilities		
Accounts payable	92,634	244,741
Interfund advances payable	39,467	45,945
Interfund payable	1,198,907	749,778
Compensated absences payable	187,200	131,825
Revenue bonds payable	220,000	205,000
Capital leases payable	-	8,284
Total Current Liabilities	<u>1,738,208</u>	<u>1,385,573</u>
Long-Term Liabilities		
Compensated absences payable (net of current portion)	-	35,497
Net pension obligation	250,013	215,444
Interfund advances payable (net of current portion)	375,079	1,313,762
Revenue bonds payable (net of current portion)	3,215,000	3,435,000
Total Liabilities	<u>5,578,300</u>	<u>6,385,276</u>
Net Assets		
Invested in capital assets, net of related debt	5,665,368	5,948,125
Unrestricted (deficit)	<u>(1,425,489)</u>	<u>(2,117,971)</u>
Total Net Assets	<u>\$ 4,239,879</u>	<u>3,830,154</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for services	\$ 3,387,681	3,283,868
Operating Expenses		
Personal services	2,297,444	2,291,624
Supplies and services	1,015,178	763,236
Insurance	275,983	234,107
Depreciation	662,902	705,076
Total Operating Expenses	<u>4,251,507</u>	<u>3,994,043</u>
Operating Loss	<u>(863,826)</u>	<u>(710,175)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(198,437)	(196,700)
Loss on sale of capital assets	(64,870)	-
Investment income	-	30
Operating grants	62,188	57,228
Total Non-Operating Revenues (Expenses)	<u>(201,119)</u>	<u>(139,442)</u>
Loss Before Capital Contributions and Transfers	(1,064,945)	(849,617)
Capital contributions	640,921	401,231
Transfers in	1,037,776	426,107
Transfers out	(204,027)	(200,419)
Change in Net Assets	409,725	(222,698)
Net Assets Beginning of Year	<u>3,830,154</u>	<u>4,052,852</u>
Net Assets End of Year	\$ <u>4,239,879</u>	<u>3,830,154</u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,290,425	2,957,231
Cash payments to employees for services	(2,242,997)	(2,239,796)
Cash payments for goods and services	<u>(2,398,247)</u>	<u>91,194</u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,350,819)</u>	<u>808,629</u>
Cash Flows from Noncapital Financing Activities		
Interfund payable	449,129	132,532
Transfers in	1,037,776	426,107
Transfers out	<u>(204,027)</u>	<u>(200,419)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>1,282,878</u>	<u>358,220</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	(64,870)	-
Operating grant	62,188	57,228
Capital grant	640,921	401,231
Principal paid on revenue bonds	(205,000)	(195,000)
Interest paid on debt service	(198,437)	(196,700)
Payments for capital acquisitions	<u>(166,861)</u>	<u>(1,233,638)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>67,941</u>	<u>(1,166,879)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>-</u>	<u>30</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents End of Year	\$ <u><u>-</u></u>	<u><u>-</u></u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

(continued)

	<u>2007</u>	<u>2006</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (863,826)	(710,175)
Adjustments:		
Depreciation	662,902	705,076
(Increase) Decrease in Assets:		
Accounts receivable	(97,256)	(326,637)
Prepaid items	(1,534)	(3,486)
Increase (Decrease) in Liabilities:		
Accounts payable	(152,107)	148,374
Interfund advance payable	(945,161)	961,757
Compensated absences payable	19,878	(19,344)
Net pension obligation	34,569	71,172
Capital leases payable	<u>(8,284)</u>	<u>(18,108)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>(1,350,819)</u></u>	<u><u>808,629</u></u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Assets
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash and investments	\$ 235,171	336,458
Accounts receivable	<u>52,449</u>	<u>214,109</u>
Total Current Assets	<u>287,620</u>	<u>550,567</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	280,233	3,682
Depreciable, net	<u>12,933,340</u>	<u>13,397,045</u>
Total Noncurrent Assets	<u>13,213,573</u>	<u>13,400,727</u>
Total Assets	<u>13,501,193</u>	<u>13,951,294</u>
Current Liabilities		
Accounts payable	145,619	15,168
Interfund advances payable	76,617	72,925
Deferred revenue	<u>-</u>	<u>65,056</u>
Total Current Liabilities	222,236	153,149
Long-Term Liabilities		
Interfund advances payable (net of current portion)	<u>875,273</u>	<u>951,806</u>
Total Liabilities	<u>1,097,509</u>	<u>1,104,955</u>
Net Assets		
Invested in capital assets	13,213,573	13,400,727
Unrestricted (deficit)	<u>(809,889)</u>	<u>(554,388)</u>
Total Net Assets	<u>\$ 12,403,684</u>	<u>12,846,339</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for services	\$ 592,620	607,385
Operating Expenses		
Personal services	131,598	191,992
Supplies and services	398,759	208,187
Insurance	17,031	10,768
Depreciation	463,705	414,644
Total Operating Expenses	<u>1,011,093</u>	<u>825,591</u>
Operating Loss	<u>(418,473)</u>	<u>(218,206)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(53,841)	(57,451)
Investment earnings	21,797	6,097
Total Non-Operating Revenues (Expenses)	<u>(32,044)</u>	<u>(51,354)</u>
Loss Before Capital Contributions and Transfers	(450,517)	(269,560)
Capital contributions	-	125,719
Transfers in	40,034	96,951
Transfers out	(32,172)	(33,137)
Change in Net Assets	(442,655)	(80,027)
Net Assets Beginning of Year	<u>12,846,339</u>	<u>12,926,366</u>
Net Assets End of Year	\$ <u>12,403,684</u>	<u>12,846,339</u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 689,224	588,476
Cash payments to employees for services	(131,598)	(191,992)
Cash payments for goods and services	<u>(358,180)</u>	<u>(312,357)</u>
Net Cash Provided by (Used in) Operating Activities	<u>199,446</u>	<u>84,127</u>
Cash Flows from Noncapital Financing Activities		
Transfers in	40,034	96,951
Transfers out	<u>(32,172)</u>	<u>(33,137)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>7,862</u>	<u>63,814</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant	-	125,719
Interest paid on debt service	(53,841)	(57,451)
Payments for capital acquisitions	<u>(276,551)</u>	<u>(156,378)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(330,392)</u>	<u>(88,110)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>21,797</u>	<u>6,097</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(101,287)	65,928
Cash and Cash Equivalents Beginning of Year	<u>336,458</u>	<u>270,530</u>
Cash and Cash Equivalents End of Year	<u>\$ 235,171</u>	<u>336,458</u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

(Continued)

	<u>2007</u>	<u>2006</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (418,473)	(218,206)
Adjustments:		
Depreciation	463,705	414,644
(Increase) Decrease in Assets:		
Accounts receivable	161,660	(65,076)
Increase (Decrease) in Liabilities:		
Accounts payable	130,451	(24,168)
Interfund advance payable	(72,841)	(69,234)
Deferred revenue	<u>(65,056)</u>	<u>46,167</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>199,446</u>	<u>84,127</u>

See accompanying notes to the basic financial statements



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INTERNAL SERVICE FUNDS

Great West and RBMS School District – 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.

Great West and RBMS Borough - 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
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Great West & RBMS School District	Great West & RBMS Borough	Total
Current Assets			
Cash and investments	\$ 512,904	-	512,904
Current Liabilities			
Interfund payable	-	625,915	625,915
Claims payable	358,437	157,088	515,525
Total Current Liabilities	<u>358,437</u>	<u>783,003</u>	<u>1,141,440</u>
Net Assets			
Unrestricted (deficit)	\$ <u>154,467</u>	<u>(783,003)</u>	<u>(628,536)</u>

Ketchikan Gateway Borough, Alaska
*Combining Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2007*

	Great West & RBMS School District	Great West & RBMS Borough	Total
Operating Revenues			
Insurance premiums	\$ 2,936,900	1,194,699	4,131,599
Operating Expenses			
Administration	-	371,516	371,516
Claims	2,688,938	1,169,419	3,858,357
Total Operating Expenses	2,688,938	1,540,935	4,229,873
Operating Income (Loss)	247,962	(346,236)	(98,274)
Non-Operating Revenues			
Investment earnings	24,128	-	24,128
Change in Net Assets	272,090	(346,236)	(74,146)
Net Assets (Deficit) Beginning of Year	(117,623)	(436,767)	(554,390)
Net Assets (Deficit) End of Year	\$ 154,467	(783,003)	(628,536)

Ketchikan Gateway Borough, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

	<u>Great West & RBMS School District</u>	<u>Great West & RBMS Borough</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,936,900	1,194,699	4,131,599
Cash payments for goods and services	-	(371,516)	(371,516)
Cash payments for claims	<u>(2,635,542)</u>	<u>(823,183)</u>	<u>(3,458,725)</u>
Net Cash Provided by (Used in) Operating Activities	<u>301,358</u>	<u>-</u>	<u>301,358</u>
Cash Flows from Investing Activities			
Interest on investments	<u>24,128</u>	<u>-</u>	<u>24,128</u>
Net Increase (Decrease) in Cash and Cash Equivalents	325,486	-	325,486
Cash and Cash Equivalents Beginning of Year	<u>187,418</u>	<u>-</u>	<u>187,418</u>
Cash and Cash Equivalents End of Year	\$ <u><u>512,904</u></u>	<u><u>-</u></u>	<u><u>512,904</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities			
Change in Net Assets	247,962	(346,236)	(98,274)
Increase(Decrease) in Liabilities:			
Claims payable	<u>53,396</u>	<u>346,236</u>	<u>399,632</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>301,358</u></u>	<u><u>-</u></u>	<u><u>301,358</u></u>



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Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West & RBMS School District Insurance Internal Service Fund
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and investments	\$ <u>512,904</u>	<u>187,418</u>
Current Liabilities		
Claims payable	<u>358,437</u>	<u>305,041</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>154,467</u></u>	<u><u>(117,623)</u></u>

Ketchikan Gateway Borough, Alaska
*Comparative Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Great West & RBMS School District Insurance Internal Service Fund
 For the Years Ended June 30, 2007 and 2006*

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Insurance premiums	\$ 2,936,900	2,534,223
Operating Expenses		
Claims	2,688,938	2,555,386
Operating Income (Loss)	247,962	(21,163)
Non-Operating Revenues		
Investment earnings	24,128	-
Change in Net Assets	272,090	(21,163)
Net Assets (Deficit) Beginning of Year	(117,623)	(96,460)
Net Assets (Deficit) End of Year	\$ 154,467	(117,623)

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West & RBMS Borough Insurance Internal Service Fund
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ -	-
Current Liabilities		
Interfund payable	625,915	395,506
Claims payable	<u>157,088</u>	<u>41,261</u>
Total Current Liabilities	<u>783,003</u>	<u>436,767</u>
Net Assets		
Unrestricted (deficit)	\$ <u><u>(783,003)</u></u>	<u><u>(436,767)</u></u>

Ketchikan Gateway Borough, Alaska
*Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets*
Great West & RBMS Borough Insurance Internal Service Fund
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Insurance premiums	\$ 1,194,699	1,146,903
Operating Expenses		
Administration	371,516	403,189
Claims	<u>1,169,419</u>	<u>866,994</u>
Total Operating Expenses	<u>1,540,935</u>	<u>1,270,183</u>
Operating Loss	(346,236)	(123,280)
Transfers In	<u>-</u>	<u>126,778</u>
Change in Net Assets	(346,236)	3,498
Net Assets (Deficit) Beginning of Year	<u>(436,767)</u>	<u>(440,265)</u>
Net Assets (Deficit) End of Year	\$ <u><u>(783,003)</u></u>	<u><u>(436,767)</u></u>



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STATISTICAL SECTION

(Un-Audited)

STATISTICAL SECTION

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

The following tables are included in this section:

Revenues and Expenditures/Expenses

Net Assets By Component	Table 1
Changes in Net Assets.....	Table 2
Fund Balances, Governmental Funds	Table 3
Changes in Fund Balances, Governmental Funds.....	Table 4

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Revenue Bond Coverage – Ketchikan International Airport.....	Table 12

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Principal Employers Current Year and Ten Years Ago.....	Table 14
Miscellaneous Statistics	Table 15

KETCHIKAN GATEWAY BOROUGH*Net Assets By Component, Last Five Years*

June 30, 2007

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental Activities					
Invested in capital assets, net of related debt	\$ 104,167,175	95,476,768	93,606,967	90,711,046	68,654,590
Restricted	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	<u>16,086,982</u>	<u>8,335,910</u>	<u>850,340</u>	<u>1,281,070</u>	<u>2,272,697</u>
Total governmental activities net assets	<u>124,580,555</u>	<u>122,301,742</u>	<u>119,236,733</u>	<u>121,410,629</u>	<u>119,941,669</u>
Business-type Activities					
Invested in capital assets, net of related debt	18,878,941	19,348,852	18,865,448	18,462,955	15,871,103
Unrestricted (deficit)	<u>(2,469,759)</u>	<u>(2,813,429)</u>	<u>(2,028,243)</u>	<u>(1,143,842)</u>	<u>533,371</u>
Total business-type activities net assets	<u>16,409,182</u>	<u>16,535,423</u>	<u>16,837,205</u>	<u>17,319,113</u>	<u>16,404,474</u>
Primary Government					
Invested in capital assets, net of related debt	123,046,116	114,825,620	112,472,415	109,174,001	84,525,693
Restricted	4,326,398	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	<u>13,617,223</u>	<u>5,522,481</u>	<u>(1,177,903)</u>	<u>137,228</u>	<u>2,806,068</u>
Total primary government net assets \$	<u>140,989,737</u>	<u>138,837,165</u>	<u>136,073,938</u>	<u>138,729,742</u>	<u>136,346,143</u>

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 Five Years

June 30, 2007

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

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 Five Years
June 30, 2007

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

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 Five Years
 June 30, 2007

	Fiscal Year				
	2007	2006	2005	2004	2003
Revenues					
Taxes	\$ 16,576,094	16,437,391	15,706,140	13,242,931	12,268,334
Payments in lieu of taxes	14,731	11,031	4,323	6,948	12,741
Intergovernmental	5,818,658	5,328,250	4,081,128	5,399,367	4,628,811
Licenses and permits	34,060	35,140	38,815	49,035	33,002
SDC - Principal and interest	-	-	-	-	2,439
Charges for services	1,280,530	1,495,718	1,414,366	1,210,757	1,154,499
Investment earnings	1,473,267	845,592	760,004	899,718	666,151
Miscellaneous	408,748	375,565	431,664	347,034	485,890
Total Revenues	<u>25,606,088</u>	<u>24,528,687</u>	<u>22,436,440</u>	<u>21,155,790</u>	<u>19,251,867</u>
Expenditures					
Administration	2,704,745	2,627,499	2,290,158	2,072,658	2,219,293
Library services	420,565	396,468	411,855		
Public services	6,129,496	6,970,230	9,871,936	7,860,847	8,752,180
Automation	339,083	324,728	265,761	244,694	142,661
Education	8,895,922	8,227,112	7,635,347	7,373,117	7,329,446
Nondepartmental	492,028	365,323	362,582	194,637	158,085
Capital Outlay	10,386,898	12,981,780	11,930,424	21,291,379	4,211,729
Debt Service:					
Principal retirement	2,289,756	2,102,457	1,641,555	1,465,000	1,175,000
Interest and fiscal charges	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>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	(7,558,509)	(11,015,341)	(13,688,177)	(20,812,318)	(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	970,088	-	-	-	-
Transfers in	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	(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)	128,477	691,040	8,192,802	(229,485)	9,298,613
Special Item					
Proceeds from sale of property	856,220	2,692,193	874,850	436,384	-
Net Change in Fund Balances	<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	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
2001 - 2007*

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

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

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cape Fox Corporation	\$ 12,060,400	1	1.05%	\$ 11,468,200	3	1.00%
Renaissance Ketchikan Group, LLC	8,979,700	2	0.78%	-		
Landing LLC Lodging	7,912,200	3	0.69%	-		
Tongass Trading Company	7,852,200	4	0.68%	7,580,600	6	0.66%
Trident-Norquest Seafood	7,652,500	5	0.66%	-		
Carr-Gottstein Foods	7,504,800	6	0.65%	5,107,500	9	0.44%
Wal-Mart	6,874,800	7	0.60%	-		
Harbor Enterprises	6,421,700	8	0.56%	4,299,100		0.37%
ECPS INC. Seafood	6,114,500	9	0.53%	7,925,700	4	0.69%
Southeast Stevedoring	5,595,500	10	0.49%	-		
Ketchikan Pulp Co.	-			50,552,800	1	4.39%
The Hames Group	-			11,993,200	2	1.04%
Kanaway Seafoods	-			7,678,000	5	0.67%
Vanderweele, James & Ken	-			6,623,400	7	0.58%
TF Acquisition	-			5,179,700	8	0.45%
Total	\$ <u>76,968,300</u>			\$ <u>118,408,200</u>		

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2001	\$ 6,899,865	\$ 5,156,645	75%	\$ 1,743,219	\$ 6,899,865	100%
2002	7,096,530	4,869,466	69%	2,227,064	7,096,530	100%
2003	6,955,545	5,695,391	82%	1,260,154	6,955,545	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%	-	7,437,374	90%

KETCHIKAN GATEWAY BOROUGH*Taxable Sales by Category*

	Calendar Year				
	2006	2005	2004	2003	2002
CONTRACTORS	\$ 10,656,013	9,296,949	14,083,551	13,759,062	7,033,742
FINANCE, INS, BANKS	17,659	120,462	67,238	50,786	33,712
HOTELS, MOTELS, LODGES	5,330,345	4,629,628	4,016,123	3,364,151	3,131,719
MANUFACTURING	1,898,006	1,867,443	1,145,357	867,260	994,655
REAL ESTATE	7,792,004	6,852,511	6,490,170	5,944,804	5,529,527
REFUND	-	-	(2,991)	(154,000)	(67,202)
RETAIL TRADE	6,046,594	5,905,686	5,311,436	3,887,124	3,499,953
RETAIL TRADE - FOODS	2,300,451	2,192,221	2,338,268	2,662,434	3,065,425
RETAIL TRADE, BARS & CATER	722,607	627,919	555,541	459,588	624,804
RETAIL, AUTOMOTIVE	4,914,065	4,046,893	3,929,369	3,622,265	2,853,682
RETAIL, SPECIALTY	974,001	785,539	949,992	1,070,022	1,135,032
RETAIL, VAR, JEWELRY, CURIO	967,743	970,347	722,103	783,981	861,599
SERVICES -ENTERTAINMENT	3,131	28,522	24,858	92,191	643,937
SERVICES - GENERAL	3,322,893	3,187,918	3,748,560	3,140,915	3,017,278
SERVICES - PROFESSIONAL	1,717,990	1,451,202	1,267,362	1,359,734	1,188,188
TRANS, COMM, UTILITIES	26,642,246	24,580,322	19,673,895	15,946,046	17,712,538
	\$ <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.	Available for Other Projects
1998	\$ 1,655,000	\$ 580,728	\$ 2,235,728	\$ 1,288,507	\$ 31,306		\$ 1,319,813	\$ (915,915)	14,143	65	\$ -	\$ -	\$ -	\$ -	\$ -
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	2,235,000	1,497,735	3,732,735	2,061,057	114,789	1,603,399	3,779,245	46,510	13,174	(4)	Debt Legally Defeased in FY05.			1,563,234	1,563,234

Source: Ketchikan Gateway Borough Finance Department.

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

<u>Fiscal Year</u>	<u>Obligation Bonds Government</u>	<u>Obligation Bonds Business</u>	<u>General Obligation 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	30,935,432	3,872,213	34,807,645	3%	2,642

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2006

Governmental Unit

Debt repaid with sales taxes

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough	\$	29,630,000
Less Self Supporting Debt:		
Sales Tax Revenues	(29,630,000)	<u>(29,630,000)</u>
Total Direct Debt		<u>-</u>
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		45,565,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(38,500,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(7,065,000)	(45,565,000)
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 - 2007

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
1998	\$ 1,449,309	\$ 1,269,485	\$ 179,824	\$ 40,000	\$ 10,400	\$ 50,400	3.57
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	4,004,580	3,219,520	785,060	185,000	188,726	373,726	2.10
2006	3,715,516	3,288,967	426,549	195,000	179,420	374,420	1.14
2007	3,824,645	3,588,605	236,040	205,000	169,776	374,776	0.63

- (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*

1998 - 2007

Fiscal Year	Borough Population	Alaska Per Capita Income - (1)	Annual Average Unemployment Rate	Education - (2)				
				Borough School Enrollment	Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE	Number of Permanent Employees
1998	14,143	\$ 31,506	9.50%	2,782	7	145	153	280
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	Not Available	7.60%	2,291	7	145	155	307
2007	13,174	Not Available	5.00%	2,265	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 Ten Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Alaska	629	1	8.77%	601	1	8.38%
Ketchikan General Hospital	339	2	4.73%	308	3	4.29%
City of Ketchikan	329	3	4.59%	342	2	4.77%
US Federal Government	307	4	4.28%	308	3	4.29%
Ketchikan Gateway Borough Schools	293	5	4.09%	274	5	3.82%
Ketchikan Gateway Borough	143	6	1.99%	131	10	1.83%
Wal-Mart Associates Inc.	143	7	1.99%			
E C Phillips & Sons Inc.	128	8	1.78%			
Ketchikan Indian Corporation	124	9	1.73%			
Community Connections Inc.	110	10	1.53%			
Ketchikan Pulp Company				163	6	2.27%
South coast Inc.				149	7	2.08%
Williams Inc.				133	8	1.85%
Trident-Norquest Seafoods				133	8	1.85%
Total	<u>2,545</u>			<u>2,542</u>		

State of Alaska Department of Labor.

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics

June 30, 2007

Date of Incorporation - 1963 Code or Ordinances Adopted - 1963 Form of Government - Elected Assembly - Manager Second-Class Borough			
<i>Ketchikan Gateway Borough</i>		<i>Elections (October 2007)</i>	
Borough, square miles	1,233	Registered Voters	10,253
Revillagigedo Island, square miles	1,168	Votes Cast Last Borough Election	2,528
Gravina Island, square miles	89	% Voting Last Borough Election	25%
<i>Animal Protection (Calendar Year 2007)</i>		<i>Sewer Plants</i>	
Licenses Issued	761	Forest Park:	150
Animals Impounded	424	Sewer Connections	2.5
Animals Surrendered	315	Miles of Sanitary Sewers	
Animals Adopted	169	Average Daily Treatment	45,000-60,000 gals.
Animals Claimed	118	Mountain Point:	
<i>South Tongass Volunteer Fire Department (Calendar Year 2007)</i>		Miles of Sanitary Sewers	6
Stations	2	Average Daily Treatment (Sewer)	47,000 gals.
Volunteers	38	Treatment Capacity (Sewer)	330,000 gals.
Fire Calls	15	Sewer Connections	257
Emergency Calls/EMS Incidents	104	Mountain Point Service Area:	
Fire Investigations	15	Water, Hydrant, Sewer Connections	327
<i>North Tongass Volunteer Fire Department (Calendar Year 2007)</i>		Average Daily Treatment (Water)	92,580
Stations	2	Treatment Capacity (Water)	288,000 gals.
Volunteers	31	Sewer Connections	257
Fire Calls	28	<i>Municipal Parks</i>	
Emergency Calls/EMS Incidents	84	Developed Parks	15
Fire Investigations	0	Developed Acres	6,564
		Swimming Pools	2
		Lighted Ball Fields	6

Data retrieved from the following sources:

Ketchikan Gateway Borough Departments:

Animal Protection	North Tongass Fire & EMS Service Area
Assessment	Parks & Recreation
Clerk's Office	Planning & Community Development
Finance	Public Works
Ketchikan International Airport	South Tongass Volunteer Fire Department
Ketchikan Visitor's Bureau	