

Ketchikan Gateway Borough

Alaska

Comprehensive Annual Financial Report

June 30, 2006

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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

June 30, 2006

Prepared by:

Department of Finance

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



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Comprehensive Annual Financial Report
For The Year Ended June 30, 2006

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INTRODUCTORY SECTION

KETCHIKAN GATEWAY BOROUGH

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Michael J. Houts
Director
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March 22, 2007

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Ketchikan Gateway Borough, Alaska for the year ended June 30, 2006. The Borough Assembly and management has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASBS 34) for the fiscal year ended June 30, 2005. 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. GASBS 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, if not presented elsewhere as a basic governmental fund financial statement. Management’s Discussion and Analysis (MD&A) also is a part of the RSI and is intended to provide an objective, easy to understand narrative overview and analysis of the basic financial statements. It explains the financial position and results of operations of the Borough for the past fiscal year. The comparative statements for fiscal year 2004 have been presented as part of the basic governmental fund financial statements.

Supplementary financial information provides comparative financial data for most of the individual funds as well as budget to actual comparison schedules for all governmental funds, other than the general fund and nonmajor special revenue funds.

The CAFR is prepared by the KGB Finance Department. The responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Borough. To the best of our knowledge and belief, the enclosed data are accurate in all material respects of the various funds of the Borough in accordance with generally accepted accounting principles. All disclosures necessary to enable the reader to gain an understanding of the Borough’s financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes the table of contents, this letter of transmittal, and an organizational chart of the Borough government and a list of principal Borough officials. The financial section contains the auditor's opinion, MD&A, the government-wide financial statements, fund financial statements, notes to the basic financial statements, RSI, combining and individual financial statements, and schedules. The statistical section includes a ten-year history of the selected financial, economic and demographic data.

This report consists of management's representations concerning the finances of the Borough. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Borough's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that the Borough's internal accounting controls adequately safeguards assets and provide reasonable assurance of proper recording of financial transactions.

Mecham, Richardson and Company, a public accounting firm fully licensed and qualified to perform audits of local governments with the State of Alaska, has audited the Borough's basic financial statements. Alaska State Statute 29.35.120 requires an annual audit by independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Borough for the fiscal year ended June 30, 2006, 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, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Borough is required to undergo annual federal and state single audits. The federal single audit was performed with the provisions of the Single Audit Act Amendments of 1996, and the US Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The state single audit was conducted in accordance with the State of Alaska Single Audit Regulation 2 AAC 45.010. These audits are designed to meet the special needs of federal and state grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. Information related to these single audits, including the Schedules of Expenditures of Federal Awards and State Financial Assistance, the auditor's reports on the internal control structure and compliance with applicable laws and regulations, and the schedules of findings and questioned costs are included in separately issued single audit reports.

The Borough is also required to have an annual audit and a separate auditor's opinion on its passenger facility charges (PFC) program. The PFC fund was audited for compliance with the compliance requirements as described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide). The Passenger Facility Charge Program Audit Report that includes a schedule of expenditures of Passenger Facility Charges and a report on Compliance with Requirements Applicable to the PFC Program are included with the Borough's federal and state single audit reports.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement

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

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. Access is limited to air and marine transportation. The Borough is situated at the southern end of the 16.7-million-acre Tongass National Forest (the Tongass). The Tongass is the largest national forest in the United States. Harvesting and promoting the natural resources of the Tongass provide employment opportunities, directly or indirectly for the Borough. The City of Ketchikan and the City of Saxman are incorporated cities within the Borough.

The Borough has operated under the Assembly-Manager form of government since 1963. Ketchikan Gateway Borough is organized as a second class Borough. The Mayor and seven Assembly Members are elected by the Community at large for staggered three-year terms. Local elections are held annually in October. The Assembly is responsible for enacting ordinances, adopting the annual budget, establishing policy, and appointing the Borough Manager, Borough Clerk and Borough Attorney.

The School District is reported as a discretely presented component. Pension plans, including the State of Alaska Public Employees' Retirement System, and the International Brotherhood of Electrical Workers plan have not met the established criteria for inclusion with the reporting entity and, accordingly, are excluded from this report.

The Borough operates enterprise (funds) services for the Ketchikan International Airport, including the ferry and operates an enterprise fund for areawide services for wastewater. The Borough is responsible for property tax assessments, tax collection and senior citizen exemptions, and funding and construction services for schools. Non-areawide services are provided for water, and fire protection to service areas. The Transit System is operated within the General Fund.

The annual budget serves as the foundation for the Borough's financial plan and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Ketchikan Gateway Borough Assembly. Departments are required to submit requests for appropriation to the Borough Manager. The Borough Manager uses these requests as a basis for developing a proposed annual budget and five year capital improvement plan that is submitted to the Borough Assembly by May 1. Upon adoption of the budget, the manager may authorize the transfer of funds within a fund. The transfer of money between funds require an action of the for Assembly ratification. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and all major funds of the Borough, this comparison is presented as part of the basic financial statements. For nonmajor government fund with appropriated budgets, this comparison is presented in the governmental fund subsection of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy.

The Ketchikan area economy is in transition from a natural resource based industry to a seasonal tourism and a ship dry dock maintenance service industry.

The fishing industry continues to perform on a steady sustained level despite a slight shift to sport fishing to support the tourism demand. The timber industry is constantly struggling to maintain a viable presence

for the economy. The Borough recently entered into an agreement to sell the Wards Cove industrial property for \$9.0 million, returning the property to the tax rolls. One of the main components of the sale is the veneer manufacturing plant, promising 30 to 50 full time jobs in the year 2007.

The Alaska Marine Highway System (AMHS) recently moved their administrative offices to Ketchikan supplying approximately 30 full time positions. The AMHS plans to install a permanent winter lay up and maintenance facility at Wards Cove with the possibility of adding another 15 full time jobs. The Alaska Ship and Drydock company that operates the State of Alaska ship maintenance facility, plans major expansion to accommodate over 100 jobs in Ketchikan.

The tourism industry is experiencing a temporary lull in the number passengers visiting Ketchikan. The impact is estimated to be 100,000 less passengers. 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.

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.

The unfunded liability for PERS state wide is \$6.9 billion. The actuarial calculation for the Borough's portion will increase the employer contribution rate from 20.49% to 32.18%. The increased contribution amount per year over FY06 is \$553 thousand. The State of Alaska contributed \$206 thousand to PERS on behalf of Ketchikan Gateway Borough in FY06 and is expected to contribute additional money in the future to help all municipalities.

Construction and remediation of the Schoenbar Middle School will exceed budget expectations by an estimated \$8 million. The remedy for the situation may come in the form of legislative grants, bond participation with the State of Alaska, or settlement with matters currently held up in litigation against the Surety Bond. The school district is planning on moving in to the facility January 2007.

Fawn Mountain Elementary School construction was substantially complete in December 2005 and then occupied in January 2006. Total construction cost was \$13.9 million funded by General Obligation Bonds with 70% of the debt being paid by the State of Alaska and 30% participation by the Borough.

Two fire stations were constructed in the North Tongass Service during the summer of 2006. Construction cost were approximately \$1.5 million funded by a legislative grant for \$750 thousand, FEMA \$142 thousand, and a loan from the Borough Land Trust for \$600 thousand. The North Tongass Volunteer Fire Department replaced the Pond Reef Volunteer Fire Department in 2004.

The Borough is going through a transformation which promises a vibrant expanding economy.

Cash Management Policies and Practices

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

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

Risk Management

The Borough is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The Borough has purchased insurance through commercial carriers to cover these risks. Insurance coverage

includes general liability, property and casualty coverage, Workers Compensation at statutory amounts, and marine coverage for the Borough vessels. The Borough also purchases insurance its component unit's needs and the total insurance premium is treated as an in-kind contribution from the Borough.

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

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

Pension and Other Postemployment Benefits

Pension and other postemployment benefits are provided to regular employees of the Borough through either the Alaska Public Employees Retirement System (PERS), the International Brotherhood of Electric Workers (IBEW) retirement plan. The PERS is an agent multiple-employer pension plan administered by the State of Alaska. Amounts paid to the PERS are actuarially determined on an annual basis and the Borough is responsible for the unfunded liability. The Borough's obligation under the IBEW plan is limited to the annual contributions paid to the Alaska Electrical Trust Fund.

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

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

The actuarial determined PERS contribution rate for FY06 was 21.79% and 21.08% for Ketchikan Gateway Borough and Ketchikan Gateway Borough School District respectively. The Borough's PERS employer contribution rate for 2005 was 10.49 percent and increased to 15.49 percent on July 1, 2005. Several years of unfavorable market returns and changes made to the assumptions used by the PERS actuaries used to estimate the cost of postemployment healthcare benefits and to account for gains and losses from investments have been the reason for the increases in the actuarial determined contribution rate. Ketchikan Gateway Borough's unfunded pension liability (accrued liabilities minus adjusted assets) was \$7.1 million as of June 30, 2005 and \$5.6 million for Ketchikan Gateway Borough School District. Ketchikan Gateway Borough and Ketchikan Gateway Borough School District have early implemented GASB 45, which requires that a net pension obligation be disclosed that accrues as a result of not fully funding to the actuarial determined contribution rate. The difference between the actuarial determined rate and the adjusted rate for PERS has resulted in a net pension obligation of \$677,010 and \$516,045 for Ketchikan Gateway Borough and Ketchikan Gateway Borough School District respectively. The NPO has been expensed in the Enterprise funds and is reflected on the Entity-Wide statements for Governmental funds.

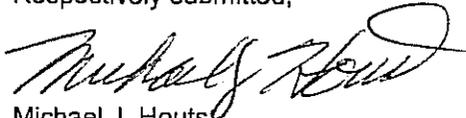
Additional information on the Borough and School district pension plans and post employment benefits can be found in Note 4-l in the notes to the financial statements.

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:

Soly Deleon
Kim Flores
Charlanne Heath
Amy Lervick
Marva Lee Otos

Respectively submitted,



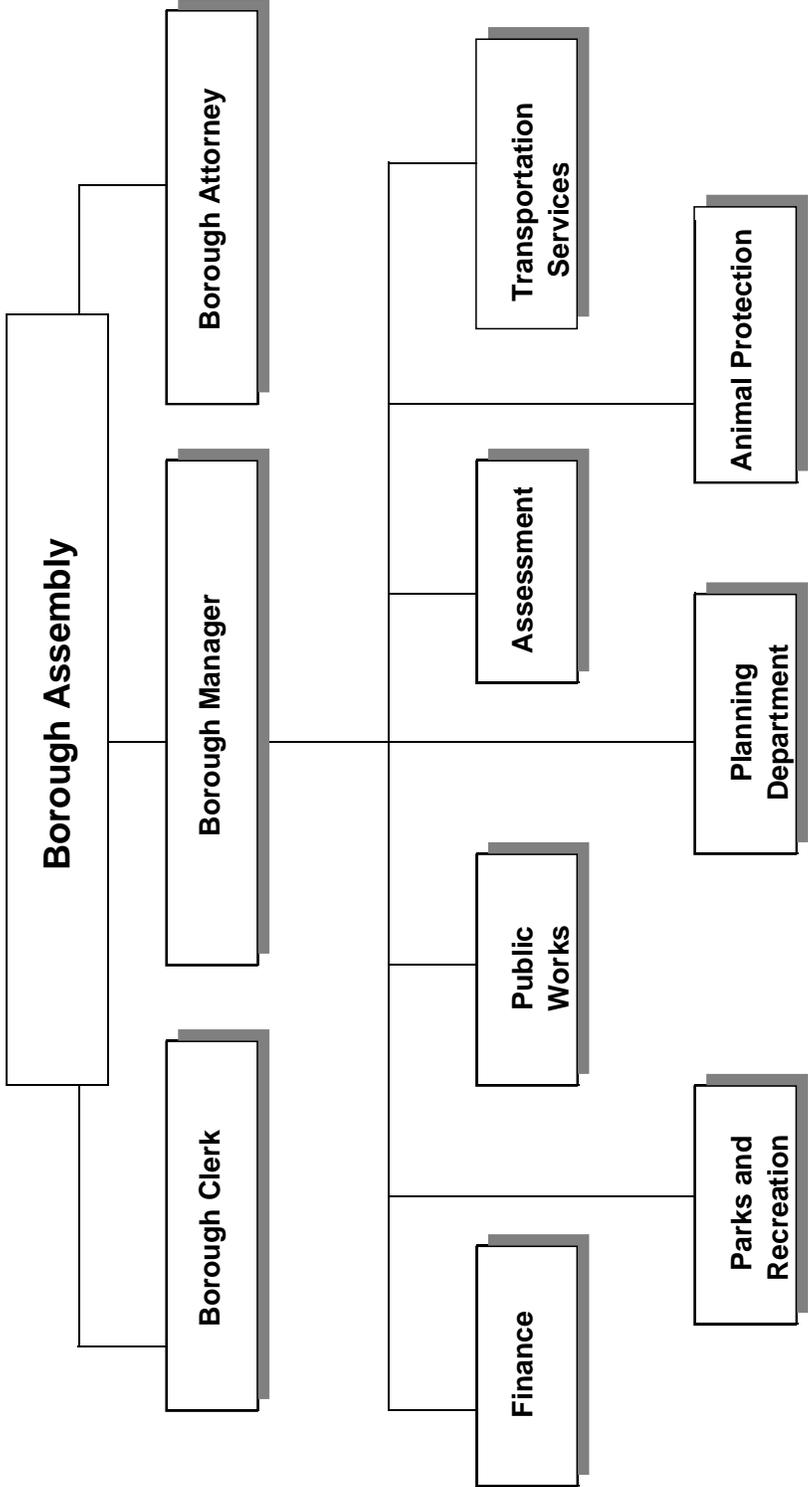
Michael J. Houts
Finance Director



Maureen Crosby, CPA
Controller

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2005/2006



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2006

MAYOR AND ASSEMBLY

<i>Mayor</i>	Joe Williams
<i>Vice-Mayor</i>	David F. Landis
<i>Assembly Member</i>	David Kiffer
<i>Assembly Member</i>	George Lybrand, P.E.
<i>Assembly Member</i>	Mike Painter
<i>Assembly Member</i>	Maggie Sarber
<i>Assembly Member</i>	Glen Thompson
<i>Assembly Member</i>	John Harrington

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>	Eugene Martin
<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

FINANCIAL SECTION

**MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

Member of the AICPA Private Companies Practice Section

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Edward B. Mecham, CPA
S. Dirk Richardson, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough (the "Borough") as of and for the year ended June 30, 2006, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor and
Members of the Borough Assembly
Ketchikan Gateway Borough

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2007 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, on pages 11 through 21, and the Schedule of Funding Progress – Alaska Public Employees' Retirement System, on page 70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the comparative statements for selected major funds, and the schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, comparative statements for selected major funds, and the schedules and statistical information (not marked as unaudited) listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



February 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. 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 \$138,837,165 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$114,825,620 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 \$18,489,064 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$5,522,481 indicates that the Borough has available assets to maintain the Borough's continuing obligations to citizens and creditors.
- The Borough's governmental funds reported total ending fund balance of \$19,473,349 this year. This compares to the prior year ending fund balance of \$27,105,457 showing a decrease of \$7,632,108 during the current year. Unreserved fund balance of \$895,730 for fiscal year 2006 shows a \$12,103,442 decrease from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,725,796, or 10.74% 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 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, 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 23 & 24 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, 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 26 - 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 44 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 86.

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 \$138,837,165. The following table provides a summary of the Borough's net assets:

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets:						
Current assets	\$ 35,991,707	\$ 32,782,674	\$ 1,169,588	\$ 708,463	\$ 37,161,295	\$ 33,491,137
Capital assets	128,270,315	127,276,378	22,997,136	22,726,840	151,267,451	150,003,218
Deferred charges	319,477				319,477	
Total assets	<u>164,581,499</u>	<u>160,059,052</u>	<u>24,166,724</u>	<u>23,435,303</u>	<u>188,748,223</u>	<u>183,494,355</u>
Liabilities:						
Current liabilities	10,642,792	8,777,487	3,945,360	2,765,837	14,588,152	11,543,324
Long-term liabilities	31,636,965	32,044,832	3,685,941	3,832,259	35,322,906	35,877,091
Total liabilities	<u>42,279,757</u>	<u>40,822,319</u>	<u>7,631,301</u>	<u>6,598,096</u>	<u>49,911,058</u>	<u>47,420,415</u>
Net assets:						
Invested in capital assets, net of debt	95,476,768	93,606,967	19,348,852	18,865,448	114,825,620	112,472,415
Restricted	18,489,064	24,779,426	-	-	18,489,064	24,779,426
Unrestricted	<u>8,335,910</u>	<u>850,340</u>	<u>(2,813,429)</u>	<u>(2,028,243)</u>	<u>5,522,481</u>	<u>(1,177,903)</u>
Total 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>

Note that approximately 78% 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% of its total assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for this fund. 78% of the Borough's total assets are included in capital assets. The current ratio for governmental activities is 3.2 to 1 and .3 to 1 for business type activities. This compares to 3.7 to 1 for governmental activities and .26 to 1 for business type activities for fiscal year 2005. The change in the current ratio is due to continued work being done on the Schoenbar and Fawn Mountain schools and bond proceeds being spent for those projects.

Changes in Net Assets

The Borough's net assets increased by \$3,677,866 in 2006. The net assets for governmental activities increased by \$3,065,009 and the net assets for business-type activities increased by \$612,857. The following table provides a summary of the changes in the Borough's net assets:

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program:						
Charges for services	\$ 4,065,081	\$ 3,571,237	\$ 3,891,253	\$ 3,494,194	\$ 7,956,334	\$ 7,065,431
Operating grants	2,442,331	972,586	57,228	-	2,499,559	972,586
Capital grants	2,885,920	2,102,498	526,950	528,410	3,412,870	2,630,908
General:						
Taxes	16,448,422	15,710,463	-	-	16,448,422	15,710,463
Other	3,122,819	3,032,772	6,127	18,062	3,128,946	3,050,834
Total revenues	28,964,573	25,389,556	4,481,558	4,040,666	33,446,131	29,430,222
Program Expenses:						
Administration	2,834,490	3,313,736	-	-	2,834,490	3,313,736
Public services	8,220,631	10,832,144	-	-	8,220,631	10,832,144
Automation	355,000	291,603	-	-	355,000	291,603
Education	9,595,422	9,003,657	-	-	9,595,422	9,003,657
Non-departmental	3,063,471	2,264,466	-	-	3,063,471	2,264,466
Interest	1,541,048	1,301,846	-	-	1,541,048	1,301,846
Airport	-	-	4,189,888	4,223,926	4,189,888	4,223,926
Wastewater	-	-	882,954	854,648	882,954	854,648
Total expenses	25,610,062	27,007,452	5,072,842	5,078,574	30,682,904	32,086,026
Excess (deficiency)	3,354,511	(1,617,896)	(591,284)	(1,037,908)	2,763,227	(2,655,804)
Transfers	(289,502)	(556,000)	289,502	556,000	-	-
Change in net assets	3,065,009	(2,173,896)	(301,782)	(481,908)	2,763,227	(2,655,804)
Beginning net assets	119,236,733	121,410,629	16,837,205	17,319,113	136,073,938	138,729,742
Ending net assets	\$ 122,301,742	119,236,733	\$ 16,535,423	\$ 16,837,205	\$ 138,837,165	\$ 136,073,938

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 \$10.0 million of tax revenues or approximately 61.8 % of the total. Sales taxes provided 38.2% of the Borough's total governmental tax revenues. Because of the Borough's healthy financial position, we have been able to earn \$845,592 in investment earnings to support governmental activities. Also, note that program revenues cover 36% of governmental operating expenses, which is an increase of 9% over the prior year. This means that the government's taxpayers and the Borough's other general governmental revenues fund 64% 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 32.1 % of our total costs. This is a 25% decrease from FY05. This function includes parks and recreation, public works, planning, animal protection, service area water and fire protection, and community education. 37.5% of our resources are used to fund the school district, which is a 6.6% increase from FY05. Administration costs totaled 11.1%.

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	\$ 2,834,490	11.1%	\$ 2,834,490	17.5%
Public services	8,220,631	32.1%	3,383,483	20.9%
Automation	355,000	1.4%	355,000	2.2%
Education	9,595,422	37.5%	7,573,460	46.7%
Non-departmental	3,063,471	12.0%	529,248	3.3%
Interest	1,541,048	6.0%	1,541,048	9.5%
Total	\$ 25,610,062	100%	\$ 16,216,729	100%

After reducing gross expenses by program revenues, public services account for 20.9% of the total cost of governmental services and education accounts for 46.7% of the total.

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 9.6% more than 2005, and operating expenses increased by 2%. The main component of the increase in revenues was as follows:

(This page continued on the subsequent page).

Revenue Source	Increase due to:	Increase
TSA Law Enforcement reimbursement	Federal reimbursement program to offset the increased cost of airport security reimplemented.	112,856
Security	An approximate 8% increase in enplanements and a rate increase.	30,000
Ferry fares	A rate increase for commercial vehicles and accrued revenue for July billings.	96,235
Call out fees	Billings for after-hours call-outs for medivacs and charters.	25,363
		<u>\$ 264,454</u>

The overall operating expenses increased 2%. Personal services increased by 12% due to increased employee health insurance and PERS costs. However, supplies and services were reduced by 19% due to tighter budgeting controls.

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 2006. The operating revenues of the WEF increased by \$110,756 or 22%. The operating expenses increased by \$40,319 or 5.2%. This increase is mainly due to increases in employee health care costs and PERS contributions. The operating loss for this fund decreased by \$70,437 or 24.4%.

Financial Analysis of the Borough's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$19,473,349. Of this year-end total, \$895,730 is unreserved indicating availability for continuing Borough service requirements. Legally restricted fund balances (i.e., the reserved fund balances) include \$6,062,185 set aside for encumbrances carried forward; and other assets not available for current expenditure totaling \$12,515,434. Included in this amount is \$2,033,632 for loan guarantees and \$807,209 for a long-term note.

The total ending fund balances of governmental funds show a decrease of \$7,632,108 or 28.16% 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 and Fawn Mountain schools.

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 \$962,171, a 33.4% decrease. The FY06 budget was partially funded with current reserves and the approved budget projected a 17.6% 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 \$311,345 above fiscal year 2005 collections. Budgeted property tax revenues for 2006 compared to actual property tax collections were \$47,748 more than budgeted. The difference in the budgeted to actual relates to the collection process, as property tax revenues are recognized when received. Sales tax collections increased 3% over fiscal year 2005. 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 \$138,239 was received in fiscal year 2006. This was the result of SB 46 and was to provide temporary PERS relief to municipalities. Charges for public services increased by 6.4%.

Overall, expenditures increased by 5.8% from 2005 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 \$591,765 or 7.8% higher than FY05.

Land Trust Fund – During fiscal year 2006, The Land Trust fund expended \$5,303 and no transfers were made. The net increase in fund balance was a \$315,272 increase or 3.1%.

Economic Development Assistance Program Fund – During fiscal year 2006, an outcry auction was held and the majority of the Eastside of the Wards Cove properties were sold. The Borough also sold the Westside of the Wards Cove in May of 2006 for \$9,000,000 to Renaissance Ketchikan Group, LLC (RKG). RKG executed a promissory note in favor of the Borough for \$9,000,000. RKG also placed \$9,000,000 in a time certificate of deposit (TCD) and the agreement calls for interest payments of 4.4 % per annum to be paid to the Borough on a monthly basis. The terms of the promissory note call for the principal to be paid within eighteen (18) months from the closing date. Land sales of \$2,692,193 account for 82.9% of the revenues recognized in this fund. This fund spent \$962,925 on public services and \$43,279 in capital. Public service expenditures were for employee wages and benefits, insurance, utilities, building maintenance, and heating fuel associated with the Ward Cove properties. The remaining balance of \$250,000 of federal dollars received for improvements to Ketchikan Shipyard and accrued interest was remitted to Alaska Industrial Development and Export Authority. The net change for this fund was an increase of \$2,149,815 or 49.9%

Capital Projects Fund – Construction continued on two school projects. Progress payments of \$3,799,626 were made on the Schoenbar Middle School project and payments of \$6,721,888 were made for work completed on the Fawn Mountain Elementary project.

State & Federal Grants Fund – During fiscal year 2006, the Borough received \$1,749,108 in State and Federal grants. The Borough expended \$791,692 on public services and \$957,416 towards governmental capital projects. The majority of the expenditures for capital projects were for the North Tongass Fire and EMS Service Area's Station 6 and Station 8.

School Bond/Capital Improvements Fun - 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 \$3,626,789 in tax and debt reimbursement revenues, and transferred out \$2,917,311 for G.O. bond principal and interest payments.

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 \$675,065 less than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$138,340 more than budgeted for intergovernmental revenues. In total, the Borough collected about 2.9% less than budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$152,910 during 2006. The budget amendments were for the following departments: Mayor and Assembly, Clerk, Manager, Finance, Assessment, Animal Protection, Community Education, Public Works, and Transit.

In total, the Borough under expended the total General Fund budget by \$208,800.

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, 2006, was \$128,270,315 and \$22,997,137 respectively. The total change in net assets was a decrease of 1% for governmental and a 2% increase for business-type activities. The overall change was a 1% decrease for the Borough as a whole. See Note 4-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
	Amount	Amount	Amount	Amount	Amount	Amount
Non-depreciable assets:						
Land	\$ 33,728,393	\$ 33,728,393	\$ -	\$ -	\$ 33,728,393	\$ 33,728,393
Ward Cove properties	2,396,370	12,201,828	-	-	2,396,370	12,201,828
Construction in progress	20,227,403	20,017,436	1,256,868	853,370	21,484,271	20,870,806
Total non-depreciable	56,352,166	65,947,657	1,256,868	853,370	57,609,034	66,801,027
Depreciable assets:						
Buildings and improvements	85,631,142	73,485,470	11,343,386	11,440,599	96,974,528	84,926,069
Vehicles, ferry and equipment	4,488,365	4,020,284	5,294,957	5,294,247	9,783,322	9,314,531
Wastewater assets			14,848,274	13,870,065	14,848,274	13,870,065
Infrastructure	3,733,089	3,664,754	-	-	3,733,089	3,664,754
Total depreciable assets	93,852,596	81,170,508	31,486,617	30,604,911	125,339,213	111,775,419
Less accumulated depreciation	21,934,447	19,841,787	9,746,348	8,731,441	31,680,795	28,573,228
Book value - depreciable assets	71,918,149	61,328,721	21,740,269	21,873,470	93,658,418	83,202,191
Percentage depreciated	23%	24%	31%	29%	25%	26%
Book value - all assets	\$ 128,270,315	\$ 127,276,378	\$ 22,997,137	\$ 22,726,840	\$ 151,267,452	\$ 150,003,218

Major capital asset changes during 2006 included the following:

- Construction continued on the Schoenbar Middle School project and \$3,799,625 was capitalized under "construction in progress."
- Construction continued on the Fawn Mountain Elementary School project and \$6,721,888 in progress payments were made in the current year. The project was completed in December 2005 and \$12,145,672 was capitalized under school buildings.
- The Sludge Facility at Ward Cove was completed and \$43,646 was expended during the current year on the project, and \$969,159 in total was capitalized under business-type assets.
- A security surveillance system was installed near the water tank behind Fawn Mountain Elementary School at a cost of \$68,335. This project was funded through a Homeland Security grant.

- Improvements totaling \$52,346 were made to South Tongass water. The project installed water distribution lines and mains. The improvements were funded through a State Legislative grant.
- North Tongass Fire and EMS Service Area purchased a fire training trailer at a cost of \$41,870. The equipment was funded through a FEMA grant.
- North Tongass Fire and EMS Service Area purchased an ambulance at a cost of \$126,040. This piece of equipment was funded through the Code Blue program, which uses local, state, and federal dollars.
- Construction continued on North Tongass Fire and EMS Service Area's new fire stations. Station 6 incurred \$560,609 in expenditures during fiscal year 06, and \$717,615 was spent on Station 8.
- North Tongass Fire and EMS Service Area purchased two generators at a cost of \$42,807. The generators are to be used in the new fire stations. These generators were funded through a FEMA grant.
- The Public Works department purchased a backhoe at a cost of \$57,500 and four trucks at a cost of \$101,235. All this rolling stock was funded through the General Fund.
- Improvements totaling \$868,536 were made to the Fawn Mountain Track. The improvements were funded through the Recreation Capital Improvements Fund.

The Ketchikan International Airport had the following major projects during fiscal year 2006:

- A payment of \$657,500 was made to a local contractor for work performed on the Lewis Reef Road. The Lewis Reef Road extension is on the Airport Reserve and will be treated as a leasehold improvement. The expense was capitalized under "construction in progress."
- Work on an HVAC system was begun in the terminal building at a cost of \$179,000. This project was necessitated by climate changes and an existing system that was 32 years old. The expense was capitalized under "construction in progress." This project was financed with a loan from the Land Trust fund.
- Work on an emergency generator project was begun at a cost of \$277,500. This project was capitalized under "construction in progress." This project was funded through an Airport Improvement Projects (AIP) grant in the amount of \$256,579.
- Work on a CCTV system and digital security and critical infrastructure lighting was begun at a cost of \$24,891 for the CCTV system and \$86,438 for the critical infrastructure lighting. The CCTV was to upgrade a current system and the work to the critical infrastructure lighting was to upgrade lighting in the secure area at the airport. These projects were funded through a Homeland Security grant.

At June 30, 2006, the depreciable capital assets for governmental activities were 23% depreciated. This is comparable equally to the June 30, 2005 percentage. 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 projects at Ketchikan International Airport and are slated to be completed in fiscal year 2007.

With the Borough's business type activities, 31% of the asset values were depreciated at June 30, 2006 compared to 29% at June 30, 2005. The depreciation for FY06 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 66.1% 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 issued \$1,100,000 in G.O. bonds and retired \$2,070,000 of its existing G.O. bonds. The Borough also retired \$195,000 of its outstanding revenue bonds.

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 31,885,000	\$ 32,855,000	\$ -	\$ -	\$ 31,885,000	\$ 32,855,000
Revenue bonds		-	3,640,000	3,835,000	3,640,000	3,835,000
Capital lease	331,295	364,411	8,284	26,392	339,579	390,803
Compensated absences	525,225	510,659	167,322	186,666	692,547	697,325
Net pension obligation	461,566	314,677	215,444	144,272	677,010	458,949
Total	\$ 33,203,086	\$ 34,044,747	\$ 4,031,050	\$ 4,192,330	\$ 37,234,136	\$ 38,237,077

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

Economic Conditions Affecting the Borough

The Ketchikan area economy is in transition from a natural resource based industry to a seasonal tourism and a ship dry dock maintenance service industry.

The fishing industry continues to perform on a steady sustained level despite a slight shift to sport fishing to support the tourism demand. The timber industry is constantly struggling to maintain a viable presence for the economy. The Borough recently entered into an agreement to sell the Wards Cove industrial property for \$9.0 million, returning the property to the tax rolls. One of the main components of the sale is the veneer manufacturing plant, promising 30 to 50 full time jobs in the year 2007.

The Alaska Marine Highway System (AMHS) recently moved their administrative offices to Ketchikan supplying approximately 30 full time positions. The AMHS plans to install a permanent winter lay up and maintenance facility at Wards Cove with the possibility of adding another 15 full time jobs. The Alaska Ship and Drydock company that operates the State of Alaska ship maintenance facility, plans major expansion to accommodate over 100 jobs in Ketchikan.

The tourism industry is experiencing a temporary lull in the number passengers visiting Ketchikan. The impact is estimated to be 100,000 less passengers. 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.

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.

The unfunded liability for PERS statewide is \$6.9 billion. The actuarial calculation for the Borough's portion will increase the employer contribution rate from 20.49% to 32.18%. The increased contribution amount per year over FY06 is \$553

thousand. The State of Alaska contributed \$206 thousand to PERS in FY06 on behalf of Ketchikan Gateway Borough, and is expected to contribute additional money in the future to help all municipalities.

Construction and remediation of the Schoenbar Middle School will exceed budget expectations by an estimated \$8 million. The remedy for the situation may come in the form of legislative grants, bond participation with the State of Alaska, or settlement with matters currently held up in litigation against the Surety Bond. The school district is planning to move in to the facility January 2007.

Fawn Mountain Elementary School construction was substantially complete in December 2005 and then occupied in January 2006. Total construction cost was \$12,145,672 million funded by General Obligation Bonds with 70% of the debt being paid by the State of Alaska and 30% participation by the Borough.

Two fire stations were constructed in the North Tongass Service during the summer of 2006. Construction cost were approximately \$1.5 million funded by a legislative grant for \$750 thousand, FEMA \$142 thousand, and a loan from the Borough Land Trust for \$600 thousand. The North Tongass Volunteer Fire Department replaced the Pond Reef Volunteer Fire Department in 2004.

The Borough is going through a transformation, which promises a vibrant expanding economy.

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, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 13,941,587	\$ 336,458	\$ 14,278,045	\$ 912,219
Cash with fiscal agent	1,828,024	-	1,828,024	-
Investments	-	-	-	-
Receivables:				
Accounts	1,808,599	829,436	2,638,035	-
Taxes	4,555,318	-	4,555,318	-
Intergovernmental	-	-	-	1,053,775
Notes	807,209	-	807,209	-
Contracts	9,000,000	-	9,000,000	-
Internal	3,275,286	(3,275,286)	-	-
Component unit	775,684	-	775,684	-
Inventory	-	-	-	18,880
Prepaid items	-	3,694	3,694	-
Noncurrent assets:				
Capital Assets				
Nondepreciable capital assets	56,352,166	1,256,867	57,609,033	-
Depreciable capital assets, net	71,918,149	21,740,269	93,658,418	1,133,608
Deferred Charges	319,477	-	319,477	-
Total Assets	164,581,499	20,891,438	185,472,937	3,118,482
Liabilities				
Current Liabilities				
Accounts payable	2,708,751	259,909	2,968,660	416,549
Accrued salaries and wages	1,970	-	1,970	401,141
Accrued termination benefits	-	-	-	341,379
Intergovernmental payable	2,834,425	-	2,834,425	-
Cash deficit	1,846,700	-	1,846,700	-
Accrued interest payable	248,264	-	248,264	-
Payable to primary government	-	-	-	775,684
Deposits	139,408	-	139,408	-
Claims payable	346,302	-	346,302	-
Unearned revenue	54,121	65,056	119,177	33,368
Compensated absences payable	359,734	131,825	491,559	216,231
Capital leases payable	33,117	8,284	41,401	-
General obligation bonds payable	2,070,000	-	2,070,000	-
Revenue bonds payable	-	205,000	205,000	-
Note payable	-	-	-	150,141
Long-Term Liabilities:				
Compensated absences payable (net of current portion)	165,491	35,497	200,988	-
Net pension obligation	461,566	215,444	677,010	516,045
General obligation bonds payable (net of current portion)	30,711,731	-	30,711,731	-
Capital leases payable	298,177	-	298,177	-
Revenue bonds payable (net of current portion)	-	3,435,000	3,435,000	-
Note payable (net of current portion)	-	-	-	150,141
Total Liabilities	42,279,757	4,356,015	46,635,772	3,000,679
Net Assets				
Invested in capital assets, net of related debt	95,476,768	19,348,852	114,825,620	833,327
Restricted for:				
Capital projects	3,420,134	-	3,420,134	-
Debt service	-	-	-	-
Program purposes	15,068,930	-	15,068,930	2,730
Unrestricted	8,335,910	(2,813,429)	5,522,481	(718,254)
Total Net Assets	122,301,742	\$ 16,535,423	\$ 138,837,165	\$ 117,803

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government Business-Type Activities		Component Unit
					Governmental Activities	Total	
Primary Government							
Administration	\$ 2,834,490	\$ -	\$ -	-	\$ (2,834,490)	\$ (2,834,490)	\$ -
Library services	396,468	-	-	-	(396,468)	(396,468)	-
Public services	7,824,163	1,530,858	2,442,331	863,958	(2,987,015)	(2,987,015)	-
Automation	355,000	-	-	-	(355,000)	(355,000)	-
Education	9,595,422	-	-	2,021,962	(7,573,460)	(7,573,460)	-
Nondepartmental	3,063,471	2,534,223	-	-	(529,248)	(529,248)	-
Interest	1,541,048	-	-	-	(1,541,048)	(1,541,048)	-
Total Governmental Activities	25,610,062	4,065,081	2,442,331	2,885,920	(16,216,729)	(16,216,729)	-
Business-Type Activities:							
Airport	4,189,888	3,283,868	57,228	401,231	-	(447,561)	-
Wastewater	882,954	607,385	-	125,719	-	(149,850)	-
Total Business-Type Activities	5,072,842	3,891,253	57,228	526,950	-	(597,411)	-
Total - Primary Government	\$ 30,682,904	\$ 7,956,334	\$ 2,499,559	\$ 3,412,870	(16,216,729)	(16,814,140)	-
Component Unit							
Ketchikan Gateway Borough	\$ 25,880,651	\$ 162,543	\$ 4,374,287	\$ -			\$ (21,343,821)
School District							
General Revenues							
Property taxes levied for:							
General purposes					10,170,210	10,170,210	-
Sales taxes					6,267,181	6,267,181	-
Payment in lieu of taxes					11,031	11,031	-
Grants and entitlements not restricted to specific programs					-	-	12,871,615
Primary government appropriation					-	-	7,861,674
Investment earnings					845,592	851,719	4,840
Bond issuance costs					14,927	14,927	-
Miscellaneous					375,565	375,565	51,865
Special Item - gain on disposal of property					1,886,734	1,886,734	-
Total General Revenues					19,571,240	19,577,367	20,789,994
Transfers					(289,502)	-	-
Total General Revenues and Transfers					19,281,738	19,577,367	20,789,994
Change in Net Assets					3,065,009	(301,782)	(533,827)
Net Assets Beginning of Year					119,236,733	16,837,205	2,362,382
Prior Period Adjustment for Changes in Accounting Principles - (See Note 2 - Changes in Accounting Principles)							(1,690,752)
Net Assets End of Year					\$ 122,301,742	\$ 16,535,423	\$ 138,837,165

See accompanying notes to the basic financial statements



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Ketchikan Gateway Borough, Alaska
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Land Trust</u>	<u>Recreation Sales Tax</u>	<u>School Bond Capital Improvements</u>
Assets				
Cash and cash equivalents	\$ -	\$ 120,890	\$ 360,268	\$ 1,865,265
Cash with fiscal agent	-	-	-	-
Investments	-	-	-	-
Receivables:				
Accounts	469,022	17,868	455,372	388,243
Taxes	4,555,318	-	-	-
Notes	-	807,209	-	-
Contracts	-	-	-	-
Interfund	1,408,614	-	-	-
Advances	-	9,611,549	-	-
Component unit	775,684	-	-	-
Prepaid items	-	-	-	-
Total Assets	<u>\$ 7,208,638</u>	<u>\$ 10,557,516</u>	<u>\$ 815,640</u>	<u>\$ 2,253,508</u>
Liabilities				
Accounts payable	\$ 469,466	\$ 2,396	\$ 61,200	\$ -
Accrued expenditures	1,970	-	-	-
Intergovernmental payable	2,834,425	-	-	-
Cash deficit	1,846,700	-	-	-
Interfund payable	-	-	-	-
Advances payable	-	-	-	-
Notes payable	-	-	-	-
Due to component unit	-	-	-	-
Deposits	87,799	5,600	-	-
Deferred revenues	50,252	-	-	-
Total Liabilities	<u>5,290,612</u>	<u>7,996</u>	<u>61,200</u>	<u>-</u>
Fund Balances				
Reserved for :				
Accounts receivable	-	17,868	-	-
Contract receivable	-	-	-	-
Advances to other funds	-	9,611,549	-	-
Debt service	-	-	-	-
Encumbrances	192,230	-	-	-
IFA loan guarantee	-	-	-	-
KVB loan guarantee	-	-	-	-
Long-term loans	-	807,209	-	-
Prepaid items	-	-	-	-
Unreserved, undesignated, (deficit) reported in:				
Capital projects funds	-	-	-	-
General fund	1,725,796	-	-	-
Special revenue funds	-	112,894	754,440	2,253,508
Total Fund Balances	<u>1,918,026</u>	<u>10,549,520</u>	<u>754,440</u>	<u>2,253,508</u>
Total Liabilities and Fund Balances	<u>\$ 7,208,638</u>	<u>\$ 10,557,516</u>	<u>\$ 815,640</u>	<u>\$ 2,253,508</u>

See accompanying notes to the basic financial statements

Economic Development Assistance Program	State & Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,828,262	\$ 34,294	\$ 8,515,665	\$ 1,029,525	\$ 13,754,169
1,828,024	-	-	-	1,828,024
-	-	-	-	-
45,176	370,714	-	62,204	1,808,599
-	-	-	-	4,555,318
-	-	-	-	807,209
9,000,000	-	-	-	9,000,000
-	-	-	-	1,408,614
-	-	-	-	9,611,549
-	-	-	-	775,684
-	-	-	-	-
<u>\$ 12,701,462</u>	<u>\$ 405,008</u>	<u>\$ 8,515,665</u>	<u>\$ 1,091,729</u>	<u>\$ 43,549,166</u>
\$ 71,200	\$ 162,094	\$ 1,765,876	\$ 176,519	\$ 2,708,751
-	-	-	-	1,970
-	-	-	-	2,834,425
-	-	-	-	1,846,700
-	239,045	21,572	2,713	263,330
-	-	6,000,000	1,227,112	7,227,112
-	-	-	-	-
-	-	-	-	-
46,009	-	-	-	139,408
9,000,000	3,869	-	-	9,054,121
<u>9,117,209</u>	<u>405,008</u>	<u>7,787,448</u>	<u>1,406,344</u>	<u>24,075,817</u>
45,176	-	-	-	63,044
-	-	-	-	-
-	-	-	-	9,611,549
-	-	-	-	-
5,540	114,992	5,581,167	168,256	6,062,185
1,585,000	-	-	-	1,585,000
448,632	-	-	-	448,632
-	-	-	-	807,209
-	-	-	-	-
-	-	(4,852,950)	-	(4,852,950)
-	-	-	-	1,725,796
<u>1,499,905</u>	<u>(114,992)</u>	<u>-</u>	<u>(482,871)</u>	<u>4,022,884</u>
<u>3,584,253</u>	<u>-</u>	<u>728,217</u>	<u>(314,615)</u>	<u>19,473,349</u>
<u>\$ 12,701,462</u>	<u>\$ 405,008</u>	<u>\$ 8,515,665</u>	<u>\$ 1,091,729</u>	<u>43,549,166</u>

Ketchikan Gateway Borough, Alaska
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total Governmental Fund Balances	\$	19,473,349
 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	\$ 150,199,135	
Less accumulated depreciation	<u>(21,928,819)</u>	128,270,316
Capital asset sold on contract and revenue not reported in the funds.		
		9,000,000
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.		
		(554,390)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		141,070
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	\$ (7,490,442)	
Interfund payables	<u>7,490,442</u>	-
Accrued interest is not reported at the fund financial reporting level		
		(248,264)
Deferred charges not reported at the fund financial reporting level:		
Deferred amount on refunding		319,477
Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (31,803,052)	
Premium for GO bonds	(978,679)	
Capital lease payable	(331,294)	
Compensated absences	(525,225)	
Net pension obligation	(461,566)	<u>(34,099,816)</u>
Net Assets Of Governmental Activities		<u><u>122,301,742</u></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, 2006

	<u>General</u>	<u>Land Trust</u>	<u>Recreation Sales Tax</u>	<u>School Bond Capital Improvements</u>
Revenues				
Taxes	12,130,325	-	1,571,169	1,575,687
Payments in lieu of taxes	11,031	-	-	-
Intergovernmental	1,546,340	-	-	2,021,962
Licenses and permits	35,140	-	-	-
SDC - Principal and interest	-	-	-	-
Charges for services	782,657	27,650	-	-
Investment earnings	138,975	292,925	32,188	29,140
Miscellaneous	-	-	750	-
Total Revenues	<u>14,644,468</u>	<u>320,575</u>	<u>1,604,107</u>	<u>3,626,789</u>
Expenditures				
Current:				
Administration	2,627,499	-	-	-
Library services	-	-	-	-
Public services	4,364,779	5,303	39,172	5,590
Automation	324,728	-	-	-
Education	8,227,112	-	-	-
Nondepartmental	365,323	-	-	-
Capital Outlay	158,923	-	868,536	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>16,068,364</u>	<u>5,303</u>	<u>907,708</u>	<u>5,590</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(1,423,896)</u>	<u>315,272</u>	<u>696,399</u>	<u>3,621,199</u>
Other Financing Sources (Uses)				
General obligation bonds issued	-	-	-	-
Premium for bond issuance costs	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	593,503	-	-	-
Capital leases	-	-	-	-
Bond issuance costs	-	-	-	-
Transfers out	(131,778)	-	(1,002,993)	(2,917,311)
Total Other Financing Sources (Uses)	<u>461,725</u>	<u>-</u>	<u>(1,002,993)</u>	<u>(2,917,311)</u>
Special Item				
Proceeds from sale of property	-	-	-	-
Net Change in Fund Balances	(962,171)	315,272	(306,594)	703,888
Fund Balances Beginning of Year -	<u>2,880,197</u>	<u>10,234,248</u>	<u>1,061,034</u>	<u>1,549,620</u>
Fund Balances End of Year	<u>\$ 1,918,026</u>	<u>\$ 10,549,520</u>	<u>\$ 754,440</u>	<u>\$ 2,253,508</u>

See accompanying notes to the basic financial statements

Economic Development Assistance Program	State & Federal Grant	Capital Projects	Other Governmental Funds	Total Governmental Funds
42,834	-	-	1,117,376	16,437,391
-	-	-	-	11,031
-	1,749,108	5,628	5,212	5,328,250
-	-	-	-	35,140
-	-	-	-	-
308,548	-	-	376,863	1,495,718
199,126	-	124,803	28,435	845,592
4,800	-	20	369,995	375,565
<u>555,308</u>	<u>1,749,108</u>	<u>130,451</u>	<u>1,897,881</u>	<u>24,528,687</u>
-	-	-	-	2,627,499
-	-	-	396,468	396,468
962,925	791,692	-	800,769	6,970,230
-	-	-	-	324,728
-	-	-	-	8,227,112
-	-	-	-	365,323
43,279	957,416	10,499,702	453,924	12,981,780
-	-	-	-	-
-	-	-	2,102,457	2,102,457
-	-	-	1,548,431	1,548,431
-	-	-	-	-
<u>1,006,204</u>	<u>1,749,108</u>	<u>10,499,702</u>	<u>5,302,049</u>	<u>35,544,028</u>
<u>(450,896)</u>	<u>-</u>	<u>(10,369,251)</u>	<u>(3,404,168)</u>	<u>(11,015,341)</u>
-	-	1,100,000	-	1,100,000
-	-	14,927	-	14,927
-	-	-	-	-
-	-	-	3,650,888	4,244,391
-	-	-	-	-
-	-	(7,607)	-	(7,607)
<u>(91,482)</u>	<u>(46,687)</u>	<u>-</u>	<u>(470,420)</u>	<u>(4,660,671)</u>
<u>(91,482)</u>	<u>(46,687)</u>	<u>1,107,320</u>	<u>3,180,468</u>	<u>691,040</u>
<u>2,692,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,692,193</u>
2,149,815	(46,687)	(9,261,931)	(223,700)	(7,632,108)
<u>1,434,438</u>	<u>46,687</u>	<u>9,990,148</u>	<u>(90,915)</u>	<u>27,105,457</u>
<u>\$ 3,584,253</u>	<u>\$ -</u>	<u>\$ 728,217</u>	<u>\$ (314,615)</u>	<u>\$ 19,473,349</u>

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, 2006

Net Changes In Fund Balances - Total Governmental Funds		\$ (7,632,108)
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	\$ (2,099,333)	
Capital outlay	<u>12,898,728</u>	10,799,395
The internal service funds used by management to charge the costs of self-insurance to individual funds are not reported in the government-wide statement of activities. The total loss of \$17,665 charged to governmental funds is increased by the portion of the gain charged to the enterprise funds.		
		(18,614)
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.		
		(805,459)
Elimination of other financing sources to record net increase in payables associated with refunding bonds.		
		(126,594)
Elimination of transfers between governmental funds:		
Transfers in	\$ (4,244,391)	
Transfers out	<u>4,244,391</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 @ 06/30/06	\$ (248,260)	
Liability @ 06/30/05	<u>255,647</u>	7,387
Other financing sources are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.		
General obligation bonds payable		(1,100,000)
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
G.O. bond principal payments	2,069,340	
Capital lease payable principal payments	<u>33,117</u>	2,102,457
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 @ 06/30/06	(525,225)	
Liability @ 06/30/05	<u>510,659</u>	(14,566)
Net pension obligation		
Liability @ 06/30/06	(461,566)	
Liability @ 06/30/05	<u>314,677</u>	(146,889)
Change In Net Assets of Governmental Activities		<u>\$ 3,065,009</u>

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	<u>2006</u>			<u>2005</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 12,805,390	\$ 12,805,390	\$ 12,130,325	\$ (675,065)	\$ 12,210,273
Payments in lieu of taxes	12,500	12,500	11,031	(1,469)	4,323
Licenses and permits	30,000	30,000	35,140	5,140	38,815
Intergovernmental	1,408,000	1,408,000	1,546,340	138,340	1,364,410
Charges for services	764,300	764,300	782,657	18,357	735,743
Investment earnings	150,000	150,000	138,975	(11,025)	200,403
Total Revenues	<u>15,170,190</u>	<u>15,170,190</u>	<u>14,644,468</u>	<u>(525,722)</u>	<u>14,553,967</u>
Expenditures					
Current:					
Administration	2,528,739	2,565,389	2,627,499	(62,110)	2,290,158
Public services	4,508,629	4,624,889	4,364,779	260,110	4,128,617
Automation	333,869	333,869	324,728	9,141	265,761
Education	8,278,731	8,278,731	8,227,112	51,619	7,635,347
Nondepartmental	284,286	284,286	365,323	(81,037)	362,582
Capital Outlay	<u>190,000</u>	<u>190,000</u>	<u>158,923</u>	<u>31,077</u>	<u>36,340</u>
Total Expenditures	<u>16,124,254</u>	<u>16,277,164</u>	<u>16,068,364</u>	<u>208,800</u>	<u>14,718,805</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(954,064)</u>	<u>(1,106,974)</u>	<u>(1,423,896)</u>	<u>(316,922)</u>	<u>(164,838)</u>
Other Financing Sources (Uses)					
Transfers in	830,048	830,048	593,503	(236,545)	757,115
Transfers out	(131,778)	(131,778)	(131,778)	-	(737,000)
Total Other Financing Sources (Uses)	<u>698,270</u>	<u>698,270</u>	<u>461,725</u>	<u>(236,545)</u>	<u>20,115</u>
Net Change in Fund Balances	<u>\$ (255,794)</u>	<u>\$ (408,704)</u>	<u>(962,171)</u>	<u>\$ (553,467)</u>	<u>\$ (144,723)</u>
Fund Balances Beginning of Year -			<u>2,880,197</u>		<u>3,024,920</u>
Fund Balances End of Year			<u>\$ 1,918,026</u>		<u>\$ 2,880,197</u>

Ketchikan Gateway Borough, Alaska
Land Trust Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Land sales	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	27,650	27,650	-
Investment earnings	266,125	266,125	292,925	26,800	192,570
Miscellaneous	-	-	-	-	1,207
Total Revenues	<u>266,125</u>	<u>266,125</u>	<u>320,575</u>	<u>54,450</u>	<u>193,777</u>
Expenditures					
Current:					
Public services	-	-	5,303	(5,303)	35,544
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>5,303</u>	<u>(5,303)</u>	<u>35,544</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	266,125	266,125	315,272	49,147	158,233
Other Financing (Uses)					
Transfers in	-	-	-	-	250,000
Transfers out	-	-	-	-	(683,549)
Net Change in Fund Balances	<u>\$ 266,125</u>	<u>\$ 266,125</u>	315,272	<u>\$ 49,147</u>	(275,316)
Fund Balances Beginning of Year			<u>10,234,248</u>		<u>10,509,564</u>
Fund Balances End of Year			<u>\$ 10,549,520</u>		<u>\$ 10,234,248</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 1,073,800	\$ 1,073,800	\$ 1,556,736	\$ 482,936	1,237,721
Penalties	7,500	7,500	14,433	6,933	12,365
Investment earnings	17,820	17,820	32,188	14,368	27,194
Miscellaneous	-	-	750	750	-
Total Revenues	1,099,120	1,099,120	1,604,107	504,987	1,277,280
Expenditures					
Current:					
Public services	-	-	39,172	(39,172)	-
Capital Outlay	580,000	858,000	868,536	(10,536)	36,824
Total Expenditures	580,000	858,000	907,708	(49,708)	36,824
Excess of Revenues Over Expenditures	519,120	241,120	696,399	455,279	1,240,456
Other Financing (Uses)					
Transfers out	(1,009,797)	(1,009,797)	(1,002,993)	6,804	(756,946)
Net Change in Fund Balances	\$ (490,677)	\$ (768,677)	(306,594)	\$ 462,083	483,510
Fund Balances Beginning of Year			1,061,034		577,524
Fund Balances End of Year			\$ 754,440		\$ 1,061,034

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	<u>2006</u>			<u>2005</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 1,050,000	\$ 1,050,000	\$ 1,575,687	525,687	\$ 1,212,106
Intergovernmental	1,980,209	1,980,209	2,021,962	41,753	1,479,265
Investment earnings	16,560	16,560	29,140	12,580	32,603
Total Revenues	3,046,769	3,046,769	3,626,789	580,020	2,723,974
Expenditures					
Current:					
Public services	5,000	5,000	5,590	(590)	2,465
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,041,769	3,041,769	3,621,199	579,430	2,721,509
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	1,527,591
Transfers out	(3,103,870)	(3,103,870)	(2,917,311)	186,559	(2,922,914)
Total Other Financing Sources (Uses)	(3,103,870)	(3,103,870)	(2,917,311)	186,559	(1,395,323)
Net Change in Fund Balances	<u>\$ (62,101)</u>	<u>\$ (62,101)</u>	703,888	<u>\$ 765,989</u>	1,326,186
Fund Balances Beginning of Year			1,549,620		223,434
Fund Balances End of Year			<u>\$ 2,253,508</u>		<u>\$ 1,549,620</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	<u>2006</u>			<u>2005</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	70,000	70,000	42,834	(27,166)	-
Intergovernmental	-	-	-	-	-
Charges for services	487,817	487,817	308,548	(179,269)	398,738
Miscellaneous revenue	-	-	4,800	4,800	21,728
Investment earnings	-	-	199,126	199,126	79,521
Total Revenues	<u>557,817</u>	<u>557,817</u>	<u>555,308</u>	<u>(2,509)</u>	<u>499,987</u>
Expenditures					
Current:					
Public services	817,328	984,420	962,925	21,495	4,465,656
Capital Outlay	<u>-</u>	<u>34,945</u>	<u>43,279</u>	<u>(8,334)</u>	<u>1,005,159</u>
Total Expenditures	<u>817,328</u>	<u>1,019,365</u>	<u>1,006,204</u>	<u>13,161</u>	<u>5,470,815</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(259,511)</u>	<u>(461,548)</u>	<u>(450,896)</u>	<u>10,652</u>	<u>(4,970,828)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	250,000
Transfers out	(91,482)	(91,482)	(91,482)	-	(77,385)
Total Other Financing Sources (Uses)	<u>(91,482)</u>	<u>(91,482)</u>	<u>(91,482)</u>	<u>-</u>	<u>172,615</u>
Special Item					
Proceeds from sale of property	2,165,100	2,165,100	2,692,193	527,093	874,850
Net Change in Fund Balances	<u>\$ 1,814,107</u>	<u>\$ 1,612,070</u>	2,149,815	<u>\$ 537,745</u>	(3,923,363)
Fund Balances Beginning of Year			<u>1,434,438</u>		<u>5,357,801</u>
Fund Balances End of Year			<u>\$ 3,584,253</u>		<u>\$ 1,434,438</u>

Ketchikan Gateway Borough, Alaska
State and Federal Grants Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2006

	<u>2006</u>	<u>2005</u>
Revenues		
Intergovernmental	1,749,108	\$ 1,237,453
Investment earnings	-	-
Total Revenues	<u>1,749,108</u>	<u>1,237,453</u>
Expenditures		
Current:		
Public services	791,692	561,044
Capital Outlay	<u>957,416</u>	<u>676,409</u>
Total Expenditures	<u>1,749,108</u>	<u>1,237,453</u>
Other Financing Sources (Uses)		
Transfers out	<u>(46,687)</u>	-
Net Change in Fund Balances	(46,687)	-
Fund Balances Beginning of Year	<u>46,687</u>	<u>46,687</u>
Fund Balances End of Year	<u>\$ -</u>	<u>\$ 46,687</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Local sources	20	6,300
State/federal revenues	5,628	-
Investment Earnings	124,803	189,663
Total Revenues	<u>130,451</u>	<u>195,963</u>
Expenditures		
Capital Outlay		
Contractual services	2,115	16,044
Educational facilities	10,497,587	9,583,392
Total Expenditures	<u>10,499,702</u>	<u>9,599,436</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(10,369,251)</u>	<u>(9,403,473)</u>
Other Financing Sources		
Transfers in	-	33,016
General obligation bonds issued	1,100,000	7,900,000
Premium for bond issuance costs	14,927	33,834
Bond issuance costs	(7,607)	(31,000)
Total Other Financing Sources	<u>1,107,320</u>	<u>7,935,850</u>
Net Change in Fund Balances	(9,261,931)	(1,467,623)
Fund Balances Beginning of Year	<u>9,990,148</u>	<u>11,457,771</u>
Fund Balance End of Year	<u>\$ 728,217</u>	<u>\$ 9,990,148</u>

Ketchikan Gateway Borough, Alaska
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 336,458	\$ 336,458	\$ 187,418
Receivables:				
Accounts	615,327	214,109	829,436	-
Prepaid items	3,694	-	3,694	-
Total Current Assets	<u>619,021</u>	<u>550,567</u>	<u>1,169,588</u>	<u>187,418</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	1,253,185	3,682	1,256,867	-
Depreciable, net	8,343,224	13,397,045	21,740,269	-
Total Noncurrent Assets	<u>9,596,409</u>	<u>13,400,727</u>	<u>22,997,136</u>	<u>-</u>
Total Assets	<u>10,215,430</u>	<u>13,951,294</u>	<u>24,166,724</u>	<u>187,418</u>
Liabilities				
Accounts payable	244,741	15,168	259,909	
Interfund advances payable	1,359,707	1,024,731	2,384,438	-
Interfund payable	749,778	-	749,778	395,506
Due to component unit	-	-	-	-
Compensated absences payable	131,825	-	131,825	-
Deferred revenue	-	65,056	65,056	-
Revenue bonds payable	205,000	-	205,000	-
Capital leases payable	8,284	-	8,284	-
Claims payable	-	-	-	346,302
Total Current Liabilities	<u>2,699,335</u>	<u>1,104,955</u>	<u>3,804,290</u>	<u>741,808</u>
Long-Term Liabilities:				
Compensated absences payable (net of current portion)	35,497	-	35,497	-
Net pension obligation	215,444	-	215,444	-
Revenue bonds payable (net of current portion)	3,435,000	-	3,435,000	-
Total Liabilities	<u>6,385,276</u>	<u>1,104,955</u>	<u>7,490,231</u>	<u>741,808</u>
Net Assets				
Invested in capital assets, net of related debt	5,948,125	13,400,727	19,348,852	-
Unrestricted	(2,117,971)	(554,388)	(2,672,359)	(554,390)
Total Net Assets - Fund Level	<u>\$ 3,830,154</u>	<u>\$ 12,846,339</u>	<u>16,676,493</u>	<u>\$ (554,390)</u>
Record internal service fund charge-back to enterprise funds resulting in an interfund payable to governmental activities. Prior years.			(142,013)	
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities. Current year.			943	
Total Net Assets - Government-wide Statement of Net Assets			<u>\$ 16,535,423</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, 2006

	Business-type Activities		Total	Governmental Activities - Internal Service Funds
	Airport	Wastewater		
Operating Revenues				
Charges for services	\$ 3,283,868	\$ 607,385	\$ 3,891,253	\$ 3,681,126
Operating Expenses				
Personal services	2,291,624	191,992	2,483,616	-
Supplies and services	763,236	208,187	971,423	-
Insurance	234,107	10,768	244,875	-
Administration	-	-	-	403,189
Claims	-	-	-	3,422,380
Depreciation	705,076	414,644	1,119,720	-
Total Operating Expenses	3,994,043	825,591	4,819,634	3,825,569
Operating (Loss)	(710,175)	(218,206)	(928,381)	(144,443)
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(196,700)	(57,451)	(254,151)	-
(Loss) on sale of capital assets	-	-	-	-
Investment earnings	30	6,097	6,127	-
Operating grants	57,228	-	57,228	-
Total Non-Operating Revenues (Expenses)	(139,442)	(51,354)	(190,796)	-
(Loss) before Capital Contributions and Transfers	(849,617)	(269,560)	(1,119,177)	(144,443)
Capital contributions	401,231	125,719	526,950	-
Transfers in	426,107	96,951	523,058	126,778
Transfers out	(200,419)	(33,137)	(233,556)	-
Change in Net Assets	(222,698)	(80,027)	(302,725)	(17,665)
Net Assets Beginning of Year	4,052,852	12,926,366		(536,725)
Net Assets End of Year	\$ 3,830,154	\$ 12,846,339		\$ (554,390)
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities. Current year.			943	
Change in net assets of business-type activities - page			\$ (301,782)	

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	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	\$ 2,957,231	\$ 588,476	\$ 3,545,707	\$ 3,807,904
Cash payments to employees for services	(2,239,796)	\$ (191,992)	(2,431,788)	-
Cash payments for goods and services	91,194	\$ (312,357)	(221,163)	(403,189)
Cash payments for claims	-	-	-	(3,217,297)
Net Cash Provided by (Used in) Operating Activities	<u>808,629</u>	<u>84,127</u>	<u>892,756</u>	<u>187,418</u>
Cash Flows from Noncapital Financing Activities				
Interfund advances	132,532	-	132,532	-
Interfund receivable	-	-	-	-
Interfund payable	-	-	-	-
Transfers in	426,107	96,951	523,058	-
Transfers out	(200,419)	(33,137)	(233,556)	-
Net Cash (Used in) Noncapital Financing Activities	<u>358,220</u>	<u>63,814</u>	<u>422,034</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	-	-	-	-
Operating grant	57,228	-	57,228	-
Capital grant	401,231	125,719	526,950	-
Principal paid on revenue bonds	(195,000)	-	(195,000)	-
Interest paid on revenue bonds	(196,700)	(57,451)	(254,151)	-
Payments for capital acquisitions	(1,233,638)	(156,378)	(1,390,016)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,166,879)</u>	<u>(88,110)</u>	<u>(1,254,989)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	<u>30</u>	<u>6,097</u>	<u>6,127</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	65,928	65,928	187,418
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>270,530</u>	<u>270,530</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ 336,458</u>	<u>\$ 336,458</u>	<u>\$ 187,418</u>

(continued)

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities			Governmental Activities - Internal Service Fund
	Airport	Wastewater	Total	
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities				
Operating (Loss)	\$ (710,175)	\$ (218,206)	\$ (928,381)	\$ (17,665)
Adjustments:				
Depreciation	705,076	414,644	1,119,720	-
(Increase) Decrease in Assets:				
Accounts receivable	(326,637)	(65,076)	(391,713)	-
Prepaid items	(3,486)	-	(3,486)	-
Increase (Decrease) in Liabilities:				
Accounts payable	148,374	(24,168)	124,206	-
Interfund advances payable	961,757	(69,234)	892,523	-
Interfund payable	-	-	-	-
Accrued liabilities	-	-	-	-
Compensated absences payable	(19,344)	-	(19,344)	-
Net pension obligation	71,172	-	71,172	-
Capital lease payable	(18,108)	-	(18,108)	-
Claims payable	-	-	-	205,083
Deferred revenue	-	46,167	46,167	-
Net Cash Provided by (Used in) Operating Activities	\$ 808,629	\$ 84,127	\$ 892,756	\$ 187,418

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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.

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 Fund – This fund is used to account for revenues from loans to other Borough funds and related expenditures

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Economic Development Assistance Program 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..

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

State & Federal Grants Fund – During fiscal year 2006, the Borough received \$1,749,108 in State and Federal grants. The Borough expended \$791,692 on public services and \$957,416 towards governmental capital projects. The majority of the expenditures for capital projects were for South Tongass water system upgrades.

School Bond/Capital Improvements Fun - 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.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The major enterprise funds follow.

Airport Fund - This fund accounts for the operations of the Ketchikan International Airport.

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

The Borough’s internal service funds account for the Borough’s and its discretely presented component unit’s self insurance programs.

1-C. Measurement Focus

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

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

1-D. Basis of Accounting

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

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

Revenues - Non-exchange Transactions - Non-exchange transactions in which the Borough receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 4-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

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

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

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

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

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

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

purposes. Each fund has an account titled "cash in treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Investment earnings are allocated monthly to participating funds based on their ending equity balance.

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

A Borough ordinance authorizes the Borough to invest in:

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

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

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

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2006.

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, 2006, 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

1-E-6 Restricted Assets

The investment account within the capital projects fund segregates cash and investments that are restricted for school construction projects. Cash and investments restricted for debt service payments are segregated in the revenue bond current debt service account for debt service payments over the next 12 months, and in the revenue bond future debt service account for debt service payments beyond that period. The revenue bond renewal and replacement account segregates cash and investments reserved to cover unexpected contingencies or to fund asset renewals and replacements. The customer deposits account reflects cash from security deposits in the Borough's Planning Department that will eventually be returned to customers.

1-E-7 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Borough reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the Government fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

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

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

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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

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

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

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

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

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

incurred to provide the good or service that is the primary activity of each fund. Nonoperating revenues include investment earnings and operating grants and operating expenses include interest expense and the loss on the disposition of capital assets.

1-E-13 Contributions of Capital

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

1-E-14 Interfund Activity

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

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

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, 2006, caused by the elimination of the internal service funds and the conversion to the accrual basis of accounting and to the economic resources measurement focus.

In June 1999, the GASB unanimously approved Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*" This statement became effective for

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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. Borough assets that have not previously been recognized will be assessed and evaluated to determine if they meet the requirement for recognition and a value will be assigned.

In fiscal year 2006, the Ketchikan Gateway Borough School District raised its capitalization threshold from \$1,000 to \$5,000, and the District made a \$1,690,752 prior period adjustment to Net Assets, reflecting the depreciated cost of the assets no longer considered Capital in nature.

Note 3 – Stewardship, Compliance and Accountability

3-A. Budgetary Information – The Borough adopts an annual operating budget for the general fund and each special revenue fund. 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, 2006:

Land Trust Fund	\$ 5,303
School Bond/Capital Improvements Fund	590
Recreation CIP Fund	49,708
Mud Bight Service Area Fund	603
Loring Service Area Fund	500
Waterfall Service Area Fund	2,169
Gold Nugget Special Assessment Fund	1,577
North Tongass Fire and EMS Service Area Fund	307,607

3-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2006:

South Tongass Fire District Fund	\$ 18,831
Loring Service Area Fund	200
Gold Nugget Special Assessment Fund	2,734
North Tongass Fire & EMS Service Area Fund	979,445

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Note 4 - Detailed Notes on All Funds

4-A. Deposits and Investments

Deposits – The bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the Borough or by its agent in its name, 2) cash collateralized with securities held by the pledging financial institution’s trust department or agent in the Borough’s name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution’s trust department or agent but not in the Borough’s name.

The Borough’s deposits are classified as follows at June 30, 2006:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$ 845,073	\$ -	\$ -	\$ 845,073	\$ 389,401
Component Unit:					
School District	\$ 39,086	\$ -	\$ -	\$ 39,086	\$ 39,086

Investments – The Borough's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Borough or its agent in the Borough's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Borough's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the Borough's name.

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

	Category			Fair Value/ Carrying Amount
	1	2	3	
Primary Government:				
U.S. Government Securities		\$ 6,712,430		\$ 6,712,430
Common Stock		2,393,087		2,393,087
TCD's	448,631			448,631
Cash equivalents	2,167,421	2,145,450		4,312,871
Total	\$ 2,616,052	\$ 11,250,966	\$ -	\$ 13,867,018
Component Unit:				
U.S. Government Securities	\$ 1,037	\$ 26,949	\$ -	\$ 27,986

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Cash & Investment Reconciliation:

	Cash Equivalents	Investments	Per Above Categorization	
Fund Reporting Level:				
Governmental Funds - Balance Sheet	\$ 13,941,587	\$ -	Deposits	\$ 389,401
Governmental Funds - Balance Sheet - fiscal agent	-	1,828,024	Investments	13,867,018
Proprietary Fund Type Statement of Net Assets	336,458	-	.	-
Less cash on hand and petty cash	(2,950)	-		-
Cash Deficit	(1,846,700)	-		-
 Total	\$ 12,428,395	\$ 1,828,024		\$ 14,256,419

The types of investments authorized are discussed at Note 1-E-1.

4-B. Receivables

Receivables at June 30, 2006, 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.

The Borough has made a loan to a contractor who developed property and constructed a small sawmill. The original \$800,000 note carries 4% interest with a total monthly payment of \$4,847.84. The terms of the receivable allocate \$2,205.58 of the monthly payment for a site lease, and the remainder of the payment is credited to principal and interest. In November 2003, the loan was amended and an additional \$300,000 was loaned to the contractor. The new monthly payments are \$4,720.53. The receivable balance at June 30, 2006 is \$807,209.41. 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.

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, 2006, was as follows:

(This page continued on the subsequent page).

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

	Balance 7/1/2005	Additions	Deductions	Balance 6/30/2006
Governmental activities:				
Nondepreciable capital assets				
Land - Borough	\$ 26,330,950	\$ -	\$ -	\$ 26,330,950
Land - Ward Cove	4,532,300	-	3,653,200	879,100
Buildings/Impr. - Ward Cove	2,281,991	-	767,646	1,514,345
Ward Cove - Dip Collateral	2,490,000	-	2,490,000	-
Ward Cove - Tymatt Property	524,460	-	521,535	2,925
Ward Cove - Veneer Mill	2,373,077	-	2,373,077	-
Land - School	7,397,443	-	-	7,397,443
Construction in progress - Borough	2,957,775	2,199,107	-	5,156,882
Construction in progress - School	17,059,661	3,799,626	5,788,766	15,070,521
Total nondepreciable capital assets	65,947,657	5,998,733	15,594,224	56,352,166
Depreciable capital assets:				
Buildings - School	64,450,225	12,145,672	-	76,595,897
Buildings - Borough	9,035,245	-	-	9,035,245
Equipment	3,219,008	480,382	12,301	3,687,089
Equipment - Ward Cove	35,995	-	-	35,995
Infrastructure	3,664,754	68,335	-	3,733,089
Transit - Buses	765,281	-	-	765,281
Total depreciable capital assets	81,170,508	12,694,389	12,301	93,852,596
Total cost of capital assets	147,118,165	18,693,122	15,606,525	150,204,762
Accumulated depreciation:				
Buildings - School	15,225,520	1,368,310	-	16,593,830
Buildings - Borough	1,409,145	207,001	-	1,616,146
Equipment	1,126,760	277,197	12,301	1,391,656
Infrastructure	1,467,749	208,139	-	1,675,888
Transit - Buses	612,613	44,314	-	656,927
Total accumulated depreciation	19,841,787	2,104,961	12,301	21,934,447
Governmental activities capital assets, net	\$ 127,276,378	\$ 16,588,161	\$ 15,594,224	\$ 128,270,315
Governmental activities depreciation expense				
Administration		\$ 4,858		
Public services		692,867		
Education		1,368,310		
Automation		22,758		
Non-departmental		16,168		
Total governmental activities depreciation expense		\$ 2,104,961		

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

	Balance 7/1/2005	Additions	Deductions	Balance 6/30/2006
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 853,370	\$ 1,229,011	\$ 825,513	\$ 1,256,868
Depreciable capital assets:				
Field	2,906,428	-	97,213	2,809,215
Terminal building	8,325,371	8,309	-	8,333,680
Ferry	5,286,648	-	-	5,286,648
Administration	7,599	-	7,599	-
Murphy's landing	208,800	-	-	208,800
Sludge/compost	215,099	969,159	-	1,184,258
Wastewater	270,259	-	-	270,259
Mountain point wastewater	13,352,007	9,050	-	13,361,057
Forest Park Wastewater	32,700	-	-	32,700
Total depreciable capital assets	30,604,911	986,518	104,812	31,486,617
Total capital assets	31,458,281	2,215,529	930,325	32,743,485
Accumulated depreciation:				
Field	2,263,508	97,364	97,213	2,263,659
Terminal building	3,425,071	276,956	-	3,702,027
Ferry	1,860,564	320,856	-	2,181,420
Administration	7,600	-	7,600	-
Murphy's landing	138,114	9,900	-	148,014
Sludge/compost	75,372	37,663	-	113,035
Wastewater	64,400	26,293	-	90,693
Mountain point wastewater	876,957	349,380	-	1,226,337
Forest Park	19,855	1,308	-	21,163
Total accumulated depreciation	8,731,441	1,119,720	104,813	9,746,348
Business-type activities capital assets, net	\$ 22,726,840	\$ 1,095,809	\$ 825,512	\$ 22,997,137
	Balance 7/1/2005	Additions	Deductions	Balance 6/30/2006
Component unit:				
Capital assets - not being depreciated				
Works of art	\$ 241,933	\$ -	\$ -	\$ 241,933
Depreciable capital assets				
Improvements other than buildings	17,867	-	5,897	11,970
Equipment	6,629,895	458,125	4,866,059	2,221,961
Less accumulated depreciation	(4,358,067)	(165,396)	(3,181,207)	(1,342,256)
Component unit capital assets, net	\$ 2,531,628	\$ 292,729	\$ 1,690,749	\$ 1,133,608

Capital Projects – At June 30, 2006, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$192,230; as well as \$99,178 for the enterprise funds; \$288,788 for special

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

revenue and \$5,581,167 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, 2006, 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 all interfund balances within one year.

Payable to:	Payable From:		
	State & Federal Grants Fund	Non-Major Governmental Fund	Capital Projects Fund
	General Fund	\$ 239,045	\$ 2,713
Land Trust Fund	-	1,227,111	6,000,000
Total	\$ 239,045	\$ 1,229,824	\$ 6,021,572

Payable to:	Payable From:			Total
	Airport Fund	Wastewater Fund	Internal Service Fund	
	General Fund	\$ 749,778	\$ -	
Land Trust Fund	1,359,707	1,024,731	-	9,611,549
Total	\$ 2,109,485	\$ 1,024,731	\$ 395,506	\$ 11,020,163

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfer to	Transfers From:				
	General Fund	Recreation Sales Tax Fund	S.E. Economic Development Fund	State/Federal Grants Fund	School Bond Capital Improve. Fund
General Fund	\$ -	214,760	\$ 38,321	\$ -	\$ 105,811
Non-Major Governmental Funds	-	788,233	-	-	2,811,500
Airport Fund	5,000	-	-	46,687	-
Wastewater Fund	-	-	53,161	-	-
Internal Service Fund	126,778	-	-	-	-
	<u>\$ 131,778</u>	<u>\$ 1,002,993</u>	<u>\$ 91,482</u>	<u>\$ 46,687</u>	<u>\$ 2,917,311</u>

	Transfers From:			
	Non-Major Governmental Funds	Airport Fund	Wastewater Fund	Total
General Fund	\$ 44,845	\$ 156,629	\$ 33,137	\$ 593,503
Non-Major Governmental Funds	51,155	-	-	3,650,888
Airport Fund	374,420	-	-	426,107
Wastewater Fund	-	43,790	-	96,951
Internal Service Fund	-	-	-	126,778
	<u>\$ 470,420</u>	<u>\$ 200,419</u>	<u>\$ 33,137</u>	<u>\$ 4,894,227</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 PTO only upon termination or for hours in excess of 720 at the end of any calendar year.

4-G. Operating Leases

The Borough leases the Ketchikan International Airport from the State of Alaska at the rate of one dollar per year under a 42-year lease agreement that expires May 31, 2027. Under the terms of this lease, the Borough is required to operate the airport for the use and benefit of the public and to perform all maintenance and repairs to the landing field. The lease further provides that the cost of repairs to a State of Alaska owned facilities are to be paid by the Borough. Major repairs are to be paid by the State of Alaska. In addition, the lease requires the Borough to maintain an airport enterprise fund and to account for all of the revenues, costs and expenses of operating the airport in this fund. Any excess of specified revenues over specified expenses, both of which are defined in the lease, must be credited to a separate reserve account and can only be used for certain purposes. No excess of specified revenues over specified expense exists in the airport enterprise fund as of June 30, 2006. As the lessor, the Borough subleases and sub-rents property described in the previous paragraph. The leases

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

that are in place as of June 30, 2006 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, 2006, the majority of the Terminal Building tenants were renting on a month-to-month basis and new leases were being renegotiated.

Listed below are the expected annual revenues from current executed leases:

<u>Fiscal Year</u>	<u>Terminal Space</u>	<u>Hangers</u>	<u>Lots</u>	<u>Lewis Reef</u>	<u>East Clump</u>
2007	43,669	8,265	6,464	28,182	1,250
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	
2012-2016	137,080		32,320	140,910	
2017-2021	54,832		32,320	28,182	
2022-2025			25,856		

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, 2019. Annual debt service requirements to amortize all obligations outstanding, as of June 30, 2006 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	335,000	52,583	387,583
2008	350,000	36,000	386,000
2009	370,000	18,500	388,500
Total	<u>\$ 1,055,000</u>	<u>\$ 107,083</u>	<u>\$ 1,162,083</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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, 2006 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	385,000	385,225	770,225
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
2012-2016	2,700,000	1,183,675	3,883,675
2017-2020	<u>2,735,000</u>	<u>383,090</u>	<u>3,118,090</u>
Total	<u>\$ 7,545,000</u>	<u>\$ 3,287,265</u>	<u>\$ 10,832,265</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, 2006 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	350,000	340,905	690,905
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
2012-2016	2,215,000	1,157,595	3,372,595
2017-2021	2,730,000	627,219	3,357,219
2022	<u>1,275,000</u>	<u>61,644</u>	<u>1,336,644</u>
Total	<u>\$ 8,105,000</u>	<u>\$ 3,410,520</u>	<u>\$ 11,515,520</u>

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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, 2006 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1,095,000	659,900	1,754,900
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
2012-2016	4,895,000	1,858,500	6,753,500
2017-2020	<u>4,245,000</u>	<u>520,875</u>	<u>4,765,875</u>
Total	<u>\$ 14,080,000</u>	<u>\$ 5,294,675</u>	<u>\$ 19,374,675</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 will be 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, 2006 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	90,000	43,022	133,022
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
2012-2016	<u>600,000</u>	<u>74,000</u>	<u>674,000</u>
Total	<u>\$ 1,100,000</u>	<u>\$ 255,022</u>	<u>\$ 1,355,022</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, 2006, \$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, 2006 are as follows:

Purpose:	Interest Rate Ranges	Amount
Airport Ferry	4.75% - 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
For the Year Ended June 30, 2006

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	205,000	169,777	374,777
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
2012-2016	1,450,000	445,603	1,895,603
2017-2019	<u>1,055,000</u>	<u>81,670</u>	<u>1,136,670</u>
Total	<u>\$ 3,640,000</u>	<u>\$ 1,272,537</u>	<u>\$ 4,912,537</u>

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	399,138
Less: Accumulated Depreciation	<u>(39,082)</u>
Total	<u>\$ 360,056</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2006, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	34,756	16,399	51,155
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
2012-2014	<u>139,438</u>	<u>14,027</u>	<u>153,465</u>
Total	<u>\$ 331,294</u>	<u>\$ 77,945</u>	<u>\$ 409,240</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Component Unit Operating Lease – The Ketchikan Gateway Borough School District leases equipment under noncancelable operating leases. Total costs for such leases were \$81,622 for the year ended June 30, 2006. The future minimum leased payments for these leases are as follows:

Fiscal Year	Amount
2007	63,164
2008	61,486
2009	22,660
Total	\$ 147,310

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2006:

	Outstanding 7/1/2005	Additions	Reductions	Outstanding 6/30/2006	Amounts Due in One Year
Governmental Activities					
General obligation bonds - 1999	1,375,000	-	320,000	1,055,000	335,000
General obligation bonds - 2000	7,910,000	-	365,000	7,545,000	385,000
General obligation bonds - 2003	8,440,000	-	335,000	8,105,000	350,000
General obligation bonds - 2005	15,130,000		1,050,000	14,080,000	1,095,000
General obligation bonds - 2006		1,100,000		1,100,000	90,000
E-One Lease - (Fire Equipment)	364,411	-	33,117	331,295	34,756
Compensated absences	510,661	374,299	359,734	525,225	359,734
Net pension obligation	314,677	295,968	149,079	461,566	-
Total Governmental Activities	\$ 34,044,749	\$ 1,770,267	\$ 2,611,930	\$ 33,203,086	\$ 2,649,490
Business-Type Activities					
Revenue bonds	\$ 3,835,000	\$ -	\$ 195,000	\$ 3,640,000	\$ 220,000
Capital lease	26,392	-	18,108	8,284	8,284
Compensated absences	186,666	112,479	131,823	167,322	131,825
Net pension obligation	144,272	128,400	57,228	215,444	-
Total Business-Type Activities	\$ 4,192,330	\$ 240,879	\$ 402,159	\$ 4,031,050	\$ 360,109
Component Unit:					
Note payable-Ketchikan Gateway Borough	\$ -	\$ 450,423	\$ 150,141	\$ 300,282	\$ 150,141
Operating Lease	129,107	99,825	81,622	147,310	63,164
Compensated absences	180,199	36,032	-	216,231	-
Net pension obligation	317,881	198,164	-	516,045	-
Total Component Units	\$ 627,187	\$ 784,444	\$ 231,763	\$ 1,179,868	\$ 213,305

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

The outstanding balance of general obligation bond debt of \$31,885,000 plus a premium associated with the 2005 refunding bond issue of \$978,679 minus the current year amortization of deferred charges of \$81,948 equals a total of \$32,781,731 for outstanding general obligation bond debt as reflected on the Statement of Net Assets.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

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 2006 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, 2006, 2005, 2004 and 2003 were \$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 defined benefits pension plan for qualified employees, the State of Alaska Public Employees' Retirement System, provides retirement and disability benefits, annual cost-of-living adjustments, post-employment healthcare benefits, and death benefits to plan members and beneficiaries. PERS is an agent multiple-employer pension plan administered by the Division of Retirements and Benefits. 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 PERS. That report may be obtained by writing to:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Department of Administration
Division of Retirements and Benefits
P.O. Box 110203
Juneau, Alaska 9911-0203
or by calling (907) 465-4460.

Funding Policy. Plan members are required to contribute 6.75% to 9.6% of their annual covered salary, as required by statute. The Borough and the School District are required to contribute at adjusted rates; the rate for the year ended June 30, 2006 was 15.49% of covered payroll for the Borough and 15.86% for the School District. The actuarial determined rate for fiscal year 2006 is 24.28% for the Borough and 21.08% for the School District. The contribution requirements of plan members are set by statute. The Borough and School District's contribution requirements are established and may be amended by the Public Employees' Retirement System Board.

Annual Pension Cost (APC). During fiscal year 2006, the Borough's actuarial determined required pension contribution of \$636,763 and the School District's actuarial determined required pension contribution of \$436,000 for PERS were more than the Borough and the School District's required contributions as calculated using the adjusted rates as determined by PERS. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the projected unit credit actuarial funding method. The actuarial assumptions include: (a) 8.25% investment rate of return, net of expenses; (b) projected salary increases of 3.5% per annum; and (c) 3.5% per year total inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PERS uses the level dollar method to amortize the unfunded liability over a 25-year fixed periods as a level percentage of pay. However, in keeping with GASB requirements, the net amortization period for all gains and losses will not exceed 30 years. Funding surpluses are amortized over five years.

Fiscal Year - 2006	Total	Pension 58.647%	Postemployment Health Care 41.353%
Annual Required Contribution	1,076,141	631,124	445,017
Interest on NPO	37,863	22,206	15,658
Adjustment to ARC	(28,248)	(16,567)	(11,681)
Annual Pension cost	1,085,756	636,763	448,993
Contributions made	(661,388)	(387,884)	(273,504)
SB 46 Contribution	(206,307)	(120,993)	(85,314)
Increase in NPO	218,062	127,887	90,175
NPO Begin	458,948	270,780	188,169
NPO End	677,010	398,666	278,344

During 2005, 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 \$206,307, 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 2006 at the fiscal year 2005 rate of 10.49 percent instead of the scheduled rate for fiscal year 2006 of 15.49 percent. The Borough opted to increase its employer rate to 15.49 percent for fiscal year 2006.

The following tables show the three-year trend information for PERS (dollar amounts in thousands) for the Borough and the School District:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Ketchikan Gateway Borough

Schedule of Employer Contributions				
Year Ended June 30,	Actuarial Determined Contribution	Annual Pension Contribution	Percentage Contributed	NPO
2004	121,258	121,258	100%	
2005	522,149	251,369	48.14%	270,780
2006	636,763	508,877	79.92%	398,666

Ketchikan Gateway Borough School District (A Component Unit)

Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed	NPO
2004	107,000	107,000	100%	
2005	394,000	203,000	52%	191,000
2006	436,000	316,981	73%	310,000

Annual Post-employment Healthcare Cost (APHC). During fiscal year 2006, the Borough and School District's actuarial determined post-employment healthcare contribution of \$448,993 and \$290,000 respectively for PERS was more than the Borough and School District's required and actual contribution. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the projected unit credit actuarial funding method. The actuarial assumptions include: (a) 8.25% investment rate of return, net of expenses; (b) projected salary increases of 3.5% per annum; (c) 3.5% per year total inflation; and (d) health cost inflation: FY05 9.5%, FY06 9.0%, FY07 8.5%, FY08 8.0%, FY09 7.5%, FY10 7.0%, FY11 6.5%, FY12 6.0%, FY13 5.5%, FY14 and later 5.0% . The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PERS uses the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Funding surpluses are amortized over five years.

The following table shows the three-year trend information for PERS (dollar amounts shown in thousands) for the Borough and School District respectively:

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Ketchikan Gateway Borough

Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed	NPO
2004	84,264	84,264	100%	
2005	362,840	174,680	48.14%	188,169
2006	448,993	358,818	79.92%	278,344

Ketchikan Gateway Borough School District (A Component Unit)

Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed	NPO
2004	71,000	71,000	100%	
2005	263,000	136,000	52%	127,000
2006	290,000	211,320	73%	206,000

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 per nonpremium hour worked. The Borough's total payroll for the year ended June 30, 2006 for covered employees totaled \$645,231. The total amount contributed to the IBEW plan in FY 2006 was \$96,643. The Borough's obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

4-J. Net Assets

The "invested in capital assets, net of related debt" on the government-wide statement of net assets as of June 30, 2006 is as follows:

Investments in capital assets, net of related debt:	Activities	Activities	Unit
Cost of capital assets	\$ 150,204,762	\$ 32,743,486	\$ 2,475,864
Less accumulated depreciation	21,934,447	9,746,350	1,342,256
Book value	128,270,315	22,997,136	1,133,608
Less capital related debt	(33,113,024)	(3,648,284)	(300,281)
Plus bond issuance and refunding amounts	319,477	-	-
Investments in capital assets, net of related debt	\$ 95,476,768	\$ 19,348,852	\$ 833,327

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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.

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, 2006, but not billed until after fiscal year end. The amount booked for the Borough was \$70,154 and \$305,041 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. The data for the Borough was provided on October 6, 2007 and the data for Ketchikan Gateway Borough School District was provided on October 27, 2007.

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, 2006. 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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.

A construction delay claim is now an asserted claim in the amount of approximately \$6,000,000. The Borough and the Contractor asserting the claim have reached an agreement to have the claim mediated, which occurred in early June 2006. Attempts to mediate a settlement have failed to date. A court date has been set for early 2008. The architects involved in the project have settled with the Borough for \$970,000, allowing the Borough to defend them.

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, 2006 was \$448,632.

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, 2006 was \$1,585,000 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

The Economic Development Assistance Program Fund reported a special item of \$1,886,734 from the gain realized on the disposal of property. The special item was as a result of an outcry auction held in August 2005 that publicly auctioned the eastside of the Wards Cove property.

5-D. Subsequent Events

The Schoenbar Middle School Remodel project scheduled completion date was August 2006. Design and construction problems have extended the project approximately two years over the original schedule. Prior to completion of the construction, it was discovered that there had been moisture damage and mold growth in areas of new construction and areas of existing construction. The Borough is undertaking repair and remediation efforts, which are scheduled to be completed by December 2006. The engineers estimated cost of these efforts is about \$8 million. A portion of the work is remediation and repair for which it is anticipated that the costs will be bourn by responsible third parties. A portion will be an enhancement of the originally contemplated project. The breakdown between these components is not available at this time. The School District moved into the building the first week in January 2007. Some of the construction will be performed during the school year and will be finished up during the summer break in 2007. The court date has been set for early 2008 for settlement of construction claims and counter claims.

Ketchikan Gateway Borough, Alaska
Required Supplementary Information
Schedule of Funding Progress – Alaska Public Employees’ Retirement System
Fiscal Year 2006

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
6/30/2003	9,461,000	13,038,000	72.6%	3,577,000	3,398,000	105.3%
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%
Post Employment Health						
6/30/2003	6,323,000	8,714,000	72.6%	2,391,000	3,398,000	70.4%
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%

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
6/30/2003	8,423,000	11,041,000	76.3%	2,618,000	3,150,000	83.1%
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%
Post Employment Health						
6/30/2003	5,630,000	7,379,000	76.3%	1,749,000	3,150,000	55.5%
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%

Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,029,525	\$ -	\$ 1,029,525
Receivables:			
Accounts	62,204	-	62,204
Advances	-	-	-
Prepays	-	-	-
Total Assets	\$ 1,091,729	\$ -	\$ 1,091,729
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 176,519	\$ -	\$ 176,519
Interfund payable	2,713	-	2,713
Accrued expenditures	-	-	-
Advances payable	1,227,112	-	1,227,112
Notes payable	-	-	-
Deposits	-	-	-
Deferred revenues	-	-	-
Total Liabilities	1,406,344	-	1,406,344
Fund Balances			
Reserved for:			
Encumbrances	168,256	-	168,256
Debt service	-	-	-
Advances	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	(482,871)	-	(482,871)
Total Fund Balances	(314,615)	-	(314,615)
Total Liabilities and Fund Balances	\$ 1,091,729	\$ -	\$ 1,091,729

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,117,376	\$ -	\$ 1,117,376
Penalties	-	-	-
Intergovernmental	5,212	-	5,212
Charges for services	376,863	-	376,863
Earnings on investments	28,435	-	28,435
Miscellaneous	369,995	-	369,995
Total Revenues	1,897,881	-	1,897,881
Expenditures			
Current:			
Library services	396,468	-	396,468
Public services	800,769	-	800,769
Capital Outlay	453,924	-	453,924
Debt Service:			
Principal retirement	-	2,102,457	2,102,457
Interest and fiscal charges	-	1,548,431	1,548,431
Total Expenditures	1,651,161	3,650,888	5,302,049
Excess (Deficiency) of Revenues Over (Under) Expenditures	246,720	(3,650,888)	(3,404,168)
Other Financing Sources (Uses)			
Transfers in	-	3,650,888	3,650,888
Other financing proceeds-refunding bonds	-	-	-
Capital lease	-	-	-
Transfers out	(470,420)	-	(470,420)
Other financing uses-payment to refund bond escrow agent	-	-	-
Total Other Financing Sources (Uses)	(470,420)	3,650,888	3,180,468
Net Change in Fund Balances	(223,700)	-	(223,700)
Fund Balances Beginning of Year	(90,915)	-	(90,915)
Fund Balances End of Year	\$ (314,615)	\$ -	\$ (314,615)

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and temporary investments	\$ -	\$ 267,132
Receivables:		
Accounts	469,022	148,347
Taxes	4,555,318	4,568,647
Interfund	1,408,614	1,273,697
Component unit	775,684	-
Total Assets	<u>\$ 7,208,638</u>	<u>\$ 6,257,823</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 469,466	\$ 321,294
Accrued expenditures	1,970	-
Intergovernmental payable	2,834,425	2,724,450
Cash deficit	1,846,700	-
Due to component unit	-	132,400
Deposits payable	87,799	145,500
Deferred revenues	50,252	53,982
Total Liabilities	<u>5,290,612</u>	<u>3,377,626</u>
Fund Balances		
Reserved for encumbrances	192,230	210,805
Reserved for KVB loan guarantee	-	293,314
Unreserved - undesignated	1,725,796	2,376,078
Total Fund Balances	<u>1,918,026</u>	<u>2,880,197</u>
Total Liabilities and Fund Balances	<u>\$ 7,208,638</u>	<u>\$ 6,257,823</u>



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Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2006 and 2005

	2006			Variance Favorable (Unfavorable)	2005
	Original Budget	Final Budget	Actual		Actual
Revenues and Transfers In					
Revenues					
Taxes					
Real and personal property	7,130,390	7,130,390	7,178,138	47,748	\$ 6,866,793
Automobile and boat	175,000	175,000	158,631	(16,369)	188,915
Sales	5,400,000	5,400,000	4,653,178	(746,822)	5,020,989
Penalties and interest	100,000	100,000	140,378	40,378	133,576
Total taxes	<u>12,805,390</u>	<u>12,805,390</u>	<u>12,130,325</u>	<u>(675,065)</u>	<u>12,210,273</u>
Alaska State Housing Authority	12,500	12,500	11,031	(1,469)	4,323
Licenses and permits					
Zoning fees	30,000	30,000	35,140	5,140	38,815
Intergovernmental					
State fisheries tax	350,000	350,000	293,801	(56,199)	342,616
State revenue sharing	-	-	138,239	138,239	-
Federal payment in lieu of taxes	535,000	535,000	565,969	30,969	551,785
State Operating Grant - Transit System	170,000	170,000	183,045	13,045	73,626
State license refunds	-	-	-	-	15,750
Timber stumpage	353,000	353,000	365,286	12,286	380,633
Total intergovernmental	<u>1,408,000</u>	<u>1,408,000</u>	<u>1,546,340</u>	<u>138,340</u>	<u>1,364,410</u>
Charges for services					
Animal control	30,000	30,000	27,206	(2,794)	30,723
Bus system revenue	290,000	290,000	204,254	(85,746)	232,041
Parks and recreation	348,000	348,000	406,635	58,635	406,067
Other charges	96,300	96,300	144,562	48,262	66,912
Total charges for services	<u>764,300</u>	<u>764,300</u>	<u>782,657</u>	<u>18,357</u>	<u>735,743</u>
Other					
Investment earnings	150,000	150,000	138,975	(11,025)	200,403
Total revenues	<u>15,170,190</u>	<u>15,170,190</u>	<u>14,644,468</u>	<u>(525,722)</u>	<u>14,553,967</u>
Transfers in					
Land Trust Fund	-	-	-	-	650,000
Recreation CIP	214,760	214,760	214,760	-	-
Service Area Funds	39,905	39,905	44,845	4,940	44,310
Airport Fund	156,629	156,629	156,629	-	62,805
Wastewater Fund	33,137	33,137	33,137	-	-
School Bond/Capital Improvements Fund	275,000	275,000	105,811	(169,189)	-
Economic Developmne	110,617	110,617	38,321	(72,296)	-
Total transfers in	<u>830,048</u>	<u>830,048</u>	<u>593,503</u>	<u>(236,545)</u>	<u>757,115</u>
Total Revenues and Tranfers In	<u>16,000,238</u>	<u>16,000,238</u>	<u>15,237,971</u>	<u>(762,267)</u>	<u>15,311,082</u>

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2006 and 2005

(continued)

	2006			Variance Favorable (Unfavorable)	2005
	Original Budget	Final Budget	Actual		Actual
Expenditures and Transfers Out					
Expenditures					
Current:					
Administration					
Mayor and assembly	\$ 117,064	\$ 122,064	\$ 103,533	\$ 18,531	\$ 88,798
Law	275,500	275,500	250,817	24,683	226,523
Clerk	202,010	202,010	214,580	(12,570)	173,250
Manager	620,947	622,897	683,476	(60,579)	589,708
Finance	782,702	809,802	836,274	(26,472)	738,316
Assessment	530,516	533,116	538,819	(5,703)	473,563
Total administration	<u>2,528,739</u>	<u>2,565,389</u>	<u>2,627,499</u>	<u>(62,110)</u>	<u>2,290,158</u>
Public services					
Animal protection	312,167	319,927	357,091	(37,164)	298,021
Planning	672,882	672,882	560,253	112,629	523,220
OEDP	-	-	-	-	84,265
Community education	92,400	99,900	125,067	(25,167)	99,636
Public works	1,317,444	1,333,444	1,102,894	230,550	1,052,474
Transit - Bus System	716,245	801,245	761,493	39,752	680,881
Parks and recreation	1,397,491	1,397,491	1,457,981	(60,490)	1,390,120
Total public services	<u>4,508,629</u>	<u>4,624,889</u>	<u>4,364,779</u>	<u>260,110</u>	<u>4,128,617</u>
Automation	333,869	333,869	324,728	9,141	265,761
Non-departmental	284,286	284,286	365,323	(81,037)	362,582
Education	8,278,731	8,278,731	8,227,112	51,619	7,635,347
Capital	<u>190,000</u>	<u>190,000</u>	<u>158,923</u>	<u>31,077</u>	<u>36,340</u>
Total Expenditures	<u>16,124,254</u>	<u>16,277,164</u>	<u>16,068,364</u>	<u>208,800</u>	<u>14,718,805</u>
Transfers Out					
Airport Fund	5,000	5,000	5,000	-	5,000
Internal Service Fund	126,778	126,778	126,778	-	-
School Board Capital Improvements Fund	-	-	-	-	732,000
Total Transfers Out	<u>131,778</u>	<u>131,778</u>	<u>131,778</u>	<u>-</u>	<u>737,000</u>
Total Expenditures and Transfers Out	<u>16,256,032</u>	<u>16,408,942</u>	<u>16,200,142</u>	<u>208,800</u>	<u>15,455,805</u>
Net Change in Fund Balances	<u>\$ (255,794)</u>	<u>\$ (408,704)</u>	(962,171)	<u>\$ (553,467)</u>	(144,723)
Fund Balances Beginning of Year -			<u>2,880,197</u>		<u>3,024,920</u>
Fund Balances End of Year			<u>\$ 1,918,026</u>		<u>\$ 2,880,197</u>

Ketchikan Gateway Borough, Alaska
Land Trust Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 120,890	\$ 5,402,300
Receivables:		
Accounts	17,868	303
Notes	807,209	846,948
Advances	9,611,549	3,991,917
Total Assets	<u>\$ 10,557,516</u>	<u>\$ 10,241,468</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,396	\$ 1,620
Deposits	5,600	5,600
Deferred revenues	-	-
Total Liabilities	<u>7,996</u>	<u>7,220</u>
Fund Balances		
Reserved for accounts receivable	17,868	303
Reserved for advances to other funds	9,611,549	3,991,917
Reserved for outstanding loans	807,209	846,948
Reserved for encumbrances	-	-
Unreserved - undesignated	112,894	5,395,080
Total Fund Balances	<u>10,549,520</u>	<u>10,234,248</u>
Total Liabilities and Fund Balances	<u>\$ 10,557,516</u>	<u>\$ 10,241,468</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 360,268	\$ 689,665
Accounts receivable	455,372	371,869
Total Assets	<u>\$ 815,640</u>	<u>\$ 1,061,534</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 61,200	\$ -
Advances payable	-	-
Deposits	-	500
Total Liabilities	<u>61,200</u>	<u>500</u>
Fund Balances		
Reserved for encumbrances		18,577
Unreserved - undesignated	754,440	1,042,457
Total Fund Balances	<u>754,440</u>	<u>1,061,034</u>
Total Liabilities and Fund Balances	<u>\$ 815,640</u>	<u>\$ 1,061,534</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 1,865,265	\$ 1,534,828
Accounts receivable	388,243	14,792
Total Assets	<u>\$ 2,253,508</u>	<u>\$ 1,549,620</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Interfund payable	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances		
Reserved for encumbrances	-	2,000
Unreserved - undesignated	2,253,508	1,547,620
Total Liabilities and Fund Balances	<u>\$ 2,253,508</u>	<u>\$ 1,549,620</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 1,828,262	\$ 623,908
Funds with fiscal agents	1,828,024	2,012,411
Receivables:		
Accounts	45,176	11,215
Contracts	9,000,000	-
Total Assets	<u>\$ 12,701,462</u>	<u>\$ 2,647,534</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 71,200	\$ 12,650
Deposits	46,009	9,972
Advances payable	-	1,190,474
Deferred revenue	9,000,000	-
Total Liabilities	<u>9,117,209</u>	<u>1,213,096</u>
Fund Balances		
Reserved for accounts receivable	45,176	11,215
Reserved for encumbrances	5,540	101,360
Reserved for IFA bond guarantee	1,585,000	1,660,000
Reserved for KVB loan guarantee	448,632	-
Reserved for shipyard MOU	-	250,827
Unreserved - undesignated (deficit)	1,499,905	(588,964)
Total Fund Balances	<u>3,584,253</u>	<u>1,434,438</u>
Total Liabilities and Fund Balances	<u>\$ 12,701,462</u>	<u>\$ 2,647,534</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 34,294	\$ 56,202
Accounts receivable	370,714	265,698
Total Assets	<u>\$ 405,008</u>	<u>\$ 321,900</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 162,094	\$ 72,246
Interfund payable	239,045	173,824
Deferred revenues	3,869	29,143
Total Liabilities	<u>405,008</u>	<u>275,213</u>
Fund Balances		
Reserved for encumbrances	114,992	234,369
Unreserved - undesignated (deficit)	<u>(114,992)</u>	<u>(187,682)</u>
Total Fund Balances	<u>-</u>	<u>46,687</u>
Total Liabilities and Fund Balances	<u>\$ 405,008</u>	<u>\$ 321,900</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 8,515,665	\$ 4,338,646
Investments	-	8,062,959
Accounts receivable	-	-
Total Assets	<u>\$ 8,515,665</u>	<u>\$ 12,401,605</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,765,876	\$ 2,411,457
Advances payable	6,000,000	-
Interfund payable	21,572	-
Total Liabilities	<u>7,787,448</u>	<u>2,411,457</u>
Fund Balances		
Reserved for encumbrances	5,581,167	6,441,858
Unreserved - undesignated	(4,852,950)	3,548,290
Total Fund Balances	<u>728,217</u>	<u>9,990,148</u>
Total Liabilities and Fund Balances	<u>\$ 8,515,665</u>	<u>\$ 12,401,605</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.

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
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Mud Bight Service Area	South Tongass Service Area	Loring Service Area	Waterfall Service Area	Nichols View Service Area
Assets					
Cash and cash equivalents	\$ 40,420	\$ -	\$ -	\$ 3,626	\$ 9,179
Receivables:	-	-	-	-	-
Accounts	3,681	4,817	-	1,329	-
Advances	-	-	-	-	-
Prepays	-	-	-	-	-
Total Assets	\$ 44,101	\$ 4,817	\$ -	\$ 4,955	\$ 9,179
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 8,001	\$ 36	\$ -	\$ -
Interfund payable	-	2,549	164	-	-
Accrued expenses	-	-	-	-	-
Advances payable	-	13,098	-	-	-
Notes payable	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Total Liabilities	-	23,648	200	-	-
Fund Balances					
Reserved for:					
Encumbrances	-	3,540	-	-	-
Advances to other funds	-	-	-	-	-
Unreserved, undesignated	44,101	(22,371)	(200)	4,955	9,179
Total Fund Balances	44,101	(18,831)	(200)	4,955	9,179
Total Liabilities and Fund Balances	\$ 44,101	\$ 4,817	\$ -	\$ 4,955	\$ 9,179

Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment Area	North Tongass Fire & EMS Service Area	Non Areawide Library Fund	Airport PFC	Total Nonmajor Special Revenue Funds
\$ 120,833	\$ 20,797	\$ 895	\$ 360,920	\$ 37,398	\$ 435,457	\$ 1,029,525
-	-	-	-	-	-	-
1,774	843	20,588	17,914	8,306	2,952	62,204
-	-	-	-	-	-	-
<u>\$ 122,607</u>	<u>\$ 21,640</u>	<u>\$ 21,483</u>	<u>\$ 378,834</u>	<u>\$ 45,704</u>	<u>\$ 438,409</u>	<u>\$ 1,091,729</u>
\$ -	\$ -	\$ -	\$ 168,482	\$ -	\$ -	\$ 176,519
-	-	-	-	-	-	2,713
-	-	-	-	-	-	-
-	-	24,217	1,189,797	-	-	1,227,112
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	24,217	1,358,279	-	-	1,406,344
-	-	-	164,716	-	-	168,256
-	-	-	-	-	-	-
<u>122,607</u>	<u>21,640</u>	<u>(2,734)</u>	<u>(1,144,161)</u>	<u>45,704</u>	<u>438,409</u>	<u>(482,871)</u>
<u>122,607</u>	<u>21,640</u>	<u>(2,734)</u>	<u>(979,445)</u>	<u>45,704</u>	<u>438,409</u>	<u>(314,615)</u>
<u>\$ 122,607</u>	<u>\$ 21,640</u>	<u>\$ 21,483</u>	<u>\$ 378,834</u>	<u>\$ 45,704</u>	<u>\$ 438,409</u>	<u>\$ 1,091,729</u>

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Mud Bight Service Area	South Tongass Service Area	Loring Service Area	Waterfall Service Area	Nichols View Service Area
Revenues					
Taxes	\$ -	\$ 293,639	\$ -	\$ -	\$ -
Penalties	-	-	-	-	-
Intergovernmental	-	2,646	-	-	-
Charges for services	10,166	150,289	-	11,549	-
Investment earnings	1,061	1,353	-	95	258
Miscellaneous	-	7,748	300	-	-
Total Revenues	<u>11,227</u>	<u>455,675</u>	<u>300</u>	<u>11,644</u>	<u>258</u>
Expenditures					
Current:					
Library services	-	-	-	-	-
Public services	2,103	352,783	500	5,269	-
Capital Outlay	<u>-</u>	<u>6,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,103</u>	<u>359,643</u>	<u>500</u>	<u>5,269</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,124</u>	<u>96,032</u>	<u>(200)</u>	<u>6,375</u>	<u>258</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Capital lease	-	-	-	-	-
Transfers out	(500)	(21,421)	-	(500)	(500)
Total Other Financing Sources (Uses)	<u>(500)</u>	<u>(21,421)</u>	<u>-</u>	<u>(500)</u>	<u>(500)</u>
Net Change in Fund Balances	8,624	74,611	(200)	5,875	(242)
Fund Balances Beginning of Year	<u>35,477</u>	<u>(93,442)</u>	<u>-</u>	<u>(920)</u>	<u>9,421</u>
Fund Balances End of Year	<u>\$ 44,101</u>	<u>\$ (18,831)</u>	<u>\$ (200)</u>	<u>\$ 4,955</u>	<u>\$ 9,179</u>

Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment Area	North Tongass Fire & EMS Service Area	Non Areawide Library Fund	Airport PFC	Total Nonmajor Special Revenue Funds
\$ 49,602	\$ -	\$ -	\$ 412,649	\$ 361,486	\$ -	\$ 1,117,376
-	-	-	-	-	-	-
-	-	-	2,566	-	-	5,212
-	6,581	41,804	156,474	-	-	376,863
3,295	569	-	5,015	4,619	12,170	28,435
-	-	-	2,050	-	359,897	369,995
<u>52,897</u>	<u>7,150</u>	<u>41,804</u>	<u>578,754</u>	<u>366,105</u>	<u>372,067</u>	<u>1,897,881</u>
-	-	-	-	396,468	-	396,468
22,358	4,432	1,577	411,747	-	-	800,769
-	-	-	447,064	-	-	453,924
<u>22,358</u>	<u>4,432</u>	<u>1,577</u>	<u>858,811</u>	<u>396,468</u>	<u>-</u>	<u>1,651,161</u>
<u>30,539</u>	<u>2,718</u>	<u>40,227</u>	<u>(280,057)</u>	<u>(30,363)</u>	<u>372,067</u>	<u>246,720</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(3,369)</u>	<u>(555)</u>	<u>-</u>	<u>(69,155)</u>	<u>-</u>	<u>(374,420)</u>	<u>(470,420)</u>
<u>(3,369)</u>	<u>(555)</u>	<u>-</u>	<u>(69,155)</u>	<u>-</u>	<u>(374,420)</u>	<u>(470,420)</u>
27,170	2,163	40,227	(349,212)	(30,363)	(2,353)	(223,700)
<u>95,437</u>	<u>19,477</u>	<u>(42,961)</u>	<u>(630,233)</u>	<u>76,067</u>	<u>440,762</u>	<u>(90,915)</u>
<u>\$ 122,607</u>	<u>\$ 21,640</u>	<u>\$ (2,734)</u>	<u>\$ (979,445)</u>	<u>\$ 45,704</u>	<u>\$ 438,409</u>	<u>\$ (314,615)</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 40,420	\$ 31,311
Accounts receivable	3,681	4,166
Total Assets	<u>\$ 44,101</u>	<u>\$ 35,477</u>
Liabilities and Fund Balances		
Liabilities		
Advances payable	\$ -	\$ -
Fund Balances		
Reserved for encumbrances	-	2,583
Unreserved - undesignated	44,101	32,894
Total Liabilities and Fund Balances	<u>\$ 44,101</u>	<u>\$ 35,477</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	10,166	10,166	12,444
Investment earnings	600	600	1,061	461	844
Total Revenues	600	600	11,227	10,627	13,288
Expenditures					
Current:					
Public services	1,500	1,500	2,103	(603)	449
Excess of Revenues Over Expenditures	(900)	(900)	9,124	10,024	12,839
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(500)
Net Change in Fund Balances	<u>\$ (1,400)</u>	<u>\$ (1,400)</u>	8,624	<u>\$ 10,024</u>	12,339
Fund Balances Beginning of Year			<u>35,477</u>		<u>23,138</u>
Fund Balances End of Year			<u>\$ 44,101</u>		<u>\$ 35,477</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ -	\$ -
Receivables:		
Accounts	4,817	1,092
Advances	-	-
Total Assets	<u>\$ 4,817</u>	<u>\$ 1,092</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 8,001	\$ 11,674
Advances payable	13,098	15,252
Interfund payable	<u>2,549</u>	<u>67,608</u>
Total Liabilities	<u>23,648</u>	<u>94,534</u>
 Fund Balances		
Reserved for encumbrances	3,540	22,924
Reserved for advances	-	-
Unreserved - undesignated	<u>(22,371)</u>	<u>(116,366)</u>
Total Fund Balances	<u>(18,831)</u>	<u>(93,442)</u>
 Total Liabilities and Fund Balances	<u>\$ 4,817</u>	<u>\$ 1,092</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 277,342	\$ 277,342	\$ 293,639	\$ 16,297	\$ 213,642
State/federal revenues	-	-	2,646	2,646	-
Service area fees	125,400	125,400	107,234	(18,166)	112,958
Investment earnings	1,590	1,590	1,353	(237)	1,565
EMS Revenue	23,000	23,000	43,055	20,055	
Miscellaneous	-	-	7,748	7,748	1,681
Total Revenues	427,332	427,332	455,675	28,343	329,846
Expenditures					
Current:					
Public services	355,945	397,945	352,783	45,162	345,036
Capital Outlay	-	-	6,860	(6,860)	128,603
Total Expenditures	355,945	397,945	359,643	38,302	473,639
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,387	29,387	96,032	66,645	(143,793)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(21,421)	(21,421)	(21,421)	-	(20,000)
Total Other Financing Sources (Uses)	(21,421)	(21,421)	(21,421)	-	(20,000)
Net Change in Fund Balances	\$ 49,966	\$ 7,966	74,611	\$ 66,645	(163,793)
Fund Balances Beginning of Year			(93,442)		70,351
Fund Balances End of Year			\$ (18,831)		\$ (93,442)

Ketchikan Gateway Borough, Alaska
Loring Service Area Fund
Balance Sheet
June 30, 2006

	<u>2006</u>
Assets	
Cash and cash equivalents	\$ -
Accounts receivable	-
Total Assets	<u>\$ -</u>
 Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 36
Interfund payable	164
Total Liabilities	<u>200</u>
Fund Balances	
Reserved for encumbrances	
Unreserved - undesignated	<u>(200)</u>
Total Fund Balances	<u>(200)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	2006			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest earned	-	-	-	-
Miscellaneous	-	-	300	300
Total Revenues	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
Expenditures				
Current:				
Public services	-	-	500	(500)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>500</u>	<u>(500)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(200)	(200)
Other Financing (Uses)				
Transfers out	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(200)</u>	<u>\$ (200)</u>
Fund Balances Beginning of Year			<u>-</u>	
Fund Balances End of Year			<u>\$ (200)</u>	

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 3,626	\$ -
Accounts receivable	1,329	304
Total Assets	<u>\$ 4,955</u>	<u>\$ 304</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Interfund payable	-	1,224
Total Liabilities	<u>-</u>	<u>1,224</u>
Fund Balances		
Reserved for encumbrances	-	663
Unreserved - undesignated	4,955	(1,583)
Total Fund Balances	<u>4,955</u>	<u>(920)</u>
Total Liabilities and Fund Balances	<u>\$ 4,955</u>	<u>\$ 304</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	<u>2006</u>			<u>2005</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	3,600	3,600	11,549	7,949	4,536
Interest earned	400	400	95	(305)	82
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>11,644</u>	<u>7,644</u>	<u>4,618</u>
Expenditures					
Current:					
Public services	3,100	3,100	5,269	(2,169)	24,500
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>3,100</u>	<u>3,100</u>	<u>5,269</u>	<u>(2,169)</u>	<u>24,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	900	900	6,375	5,475	(19,882)
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(500)
Net Change in Fund Balances	<u>\$ 400</u>	<u>\$ 400</u>	5,875	<u>\$ 5,475</u>	(20,382)
Fund Balances Beginning of Year			(920)		19,462
Fund Balances End of Year			<u>\$ 4,955</u>		<u>\$ (920)</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	<u>\$ 9,179</u>	<u>\$ 9,421</u>
Fund Balances		
Unreserved - undesignated	<u>\$ 9,179</u>	<u>\$ 9,421</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
 (With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Investment earnings	\$ 300	\$ 300	\$ 258	\$ (42)	\$ 251
Miscellaneous				-	-
Total Revenues	300	300	258	(42)	251
Other Financing Uses					
Transfers out	(500)	(500)	(500)	-	(500)
Net Change in Fund Balances	<u>\$ (200)</u>	<u>\$ (200)</u>	(242)	<u>\$ (42)</u>	(249)
Fund Balances Beginning of Year			9,421		9,670
Fund Balances End of Year			<u>\$ 9,179</u>		<u>\$ 9,421</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 120,833	\$ 95,280
Receivables:		
Accounts	1,774	157
Advances	-	-
Total Assets	<u>\$ 122,607</u>	<u>\$ 95,437</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for encumbrances		6,000
Unreserved - undesignated	<u>122,607</u>	<u>89,437</u>
Total Fund Balance	<u>95,437</u>	<u>89,437</u>
Total Liabilities and Fund Balances	<u>\$ 122,607</u>	<u>\$ 95,437</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 48,394	\$ 48,394	\$ 49,602	\$ 1,208	\$ 46,219
Intergovernmental	-	-	-	-	-
Investment earnings	1,000	1,000	3,295	2,295	2,860
Total Revenues	<u>49,394</u>	<u>49,394</u>	<u>52,897</u>	<u>3,503</u>	<u>49,079</u>
Expenditures					
Current:					
Public services	56,150	56,150	22,358	33,792	26,636
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>56,150</u>	<u>56,150</u>	<u>22,358</u>	<u>33,792</u>	<u>26,636</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,756)	(6,756)	30,539	37,295	22,443
Other Financing (Uses)					
Transfers out	(3,369)	(3,369)	(3,369)	-	(2,310)
Net Change in Fund Balances	<u>\$ (10,125)</u>	<u>\$ (10,125)</u>	27,170	<u>\$ 37,295</u>	\$ 20,133
Fund Balances Beginning of Year			<u>95,437</u>		<u>75,304</u>
Fund Balances End of Year			<u>\$ 122,607</u>		<u>\$ 95,437</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 20,797	\$ 19,708
Receivables:		
Accounts	<u>843</u>	<u>-</u>
Total Assets	<u>\$ 21,640</u>	<u>\$ 19,708</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 231
Fund Balances		
Reserved for encumbrances	-	5,009
Unreserved - undesignated	<u>21,640</u>	<u>14,468</u>
Total Liabilities and Fund Balances	<u>\$ 21,640</u>	<u>\$ 19,708</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	5,808	5,808	6,581	773	6,265
Investment earnings	400	400	569	169	266
Total Revenues	6,208	6,208	7,150	942	6,531
Expenditures					
Current:					
Public services	9,250	9,250	4,432	4,818	1,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,042)	(3,042)	2,718	5,760	4,651
Other Financing (Uses)					
Transfers out	(555)	(555)	(555)	-	(500)
Net Change in Fund Balances	<u>\$ (3,597)</u>	<u>\$ (3,597)</u>	2,163	<u>\$ 5,760</u>	4,151
Fund Balances Beginning of Year			<u>19,477</u>		<u>15,326</u>
Fund Balances End of Year			<u>\$ 21,640</u>		<u>\$ 19,477</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 895	\$ -
Receivables:		
Accounts	<u>20,588</u>	<u>-</u>
Total Assets	<u><u>\$ 21,483</u></u>	<u><u>\$ -</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Advances payable	24,217	31,532
Interfund payable	<u>-</u>	<u>11,429</u>
Total Liabilities	<u>24,217</u>	<u>42,961</u>
Fund Balances		
Unreserved - undesignated	<u>(2,734)</u>	<u>(42,961)</u>
Total Liabilities and Fund Balances	<u><u>\$ 21,483</u></u>	<u><u>\$ -</u></u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	41,804	41,804	3,720
Investment earnings	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>41,804</u>	<u>41,804</u>	<u>3,720</u>
Expenditures					
Current:					
Public services	-	-	1,577	(1,577)	2,031
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,750</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,577</u>	<u>(1,577)</u>	<u>41,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	40,227	43,381	(38,061)
Other Financing (Uses)					
Transfers out	-	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>40,227</u>	<u>\$ 43,381</u>	<u>(38,061)</u>
Fund Balances Beginning of Year			<u>(42,961)</u>		<u>(4,900)</u>
Fund Balances End of Year			<u>\$ (2,734)</u>		<u>\$ (42,961)</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 360,920	\$ 626,374
Receivables:		
Accounts	17,914	10,988
Advances	-	-
Prepaid items	-	-
Total Assets	<u>\$ 378,834</u>	<u>\$ 637,362</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 168,482	\$ 4,854
Advances payable	1,189,797	1,262,741
Interfund payable	-	-
Notes payable	-	-
Total Liabilities	<u>1,358,279</u>	<u>1,267,595</u>
Fund Balances		
Reserved for encumbrances	164,716	5,613
Reserved for advances	-	-
Unreserved - undesignated	<u>(1,144,161)</u>	<u>(635,846)</u>
Total Fund Balances	<u>(979,445)</u>	<u>(630,233)</u>
Total Liabilities and Fund Balances	<u>\$ 378,834</u>	<u>\$ 637,362</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 394,800	\$ 394,800	\$ 412,649	\$ 17,849	\$ 320,224
State/federal revenues	-	-	2,566	2,566	-
Service area fees	118,500	118,500	114,938	(3,562)	116,349
Investment earnings	-	-	5,015	5,015	12,557
EMS revenues	38,000	38,000	41,536	3,536	23,613
Miscellaneous revenues	1,500	1,500	2,050	550	4,989
Total Revenues	552,800	552,800	578,754	25,954	477,732
Expenditures					
Current:					
Public services	512,204	551,204	411,747	139,457	278,078
Capital Outlay	-	-	447,064	(447,064)	407,903
Total Expenditures	512,204	551,204	858,811	(307,607)	685,981
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,596	1,596	(280,057)	(281,653)	(208,249)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Capital lease	-	-	-	-	395,966
Transfers out	(69,155)	(69,155)	(69,155)	-	(71,155)
Total Other Financing Sources (Uses)	(69,155)	(69,155)	(69,155)	-	324,811
Net Change in Fund Balances	\$ (28,559)	\$ (67,559)	(349,212)	\$ (281,653)	116,562
Fund Balances Beginning of Year			(630,233)		(746,795)
Fund Balances End of Year			\$ (979,445)		\$ (630,233)

Ketchikan Gateway Borough, Alaska
Non Areawide Library Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 37,398	\$ 74,380
Accounts receivable	8,306	1,687
Total Assets	<u>\$ 45,704</u>	<u>\$ 76,067</u>
Liabilities and Fund Balances (Deficits)		
Liabilities		
Accounts payable	\$ -	\$ -
Interfund payable	-	-
Total Liabilities	-	-
Fund Balances (Deficits)		
Unreserved - undesignated (deficits)	45,704	76,067
Total Liabilities and Fund Balances (Deficits)	<u>\$ 45,704</u>	<u>\$ 76,067</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Library Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 362,061	\$ 362,061	\$ 361,486	\$ (575)	\$ 453,590
Investment earnings	1,640	1,640	4,619	2,979	4,988
Miscellaneous	-	-	-	-	-
Total Revenues	<u>363,701</u>	<u>363,701</u>	<u>366,105</u>	<u>2,404</u>	<u>458,578</u>
Expenditures					
Current:					
Library services	396,479	396,479	396,468	11	411,855
Total Expenditures	<u>396,479</u>	<u>396,479</u>	<u>396,468</u>	<u>11</u>	<u>411,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,778)</u>	<u>(32,778)</u>	<u>(30,363)</u>	<u>2,415</u>	<u>46,723</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (32,778)</u>	<u>\$ (32,778)</u>	<u>(30,363)</u>	<u>\$ 2,415</u>	<u>46,723</u>
Fund Balances Beginning of Year			<u>76,067</u>		<u>29,344</u>
Fund Balances End of Year			<u>\$ 45,704</u>		<u>\$ 76,067</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Fund
Comparative Balance Sheet
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 435,457	\$ 440,762
Receivables:		
Accounts	<u>2,952</u>	<u>-</u>
Total Assets	<u>\$ 438,409</u>	<u>\$ 440,762</u>
Fund Balances		
Unreserved - undesignated	<u>\$ 438,409</u>	<u>\$ 440,762</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Fund
Schedule of Revenues and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006
 (With Comparative Actual Amounts for the Year Ended June 30, 2005)

	<u>2006</u>			<u>2005</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Investment earnings	\$ 22,480	\$ 22,480	\$ 12,170	\$ (10,310)	\$ 14,637
PFC revenues	385,000	385,000	359,897	(25,103)	395,759
Total Revenues	407,480	407,480	372,067	(35,413)	410,396
Other Financing (Uses)					
Transfers out	(374,420)	(374,420)	(374,420)	-	(1,007,015)
Net Change in Fund Balances	<u>\$ 33,060</u>	<u>\$ 33,060</u>	(2,353)	<u>\$ (35,413)</u>	(596,619)
Fund Balances Beginning of Year			440,762		1,037,381
Fund Balances End of Year			<u>\$ 438,409</u>		<u>\$ 440,762</u>

Ketchikan Gateway Borough, Alaska
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2006

	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005 G.O. Bond Redemption Fund	E-One Capital Lease Fund	Total Nonmajor Debt Service Funds
Assets						
Cash in central treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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, 2006

	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	2005 G.O. Bond Redemption Fund	E-One Capital Lease Fund	Total Nonmajor Debt Service Funds
Expenditures						
Debt Service:						
Principal retirement	\$ 319,466	\$ 364,874	\$ 335,000	\$ 1,050,000	\$ 33,117	\$ 2,102,457
Interest and fiscal charges	68,103	412,661	353,578	696,051	18,038	1,548,431
Total Expenditures	387,569	777,535	688,578	1,746,051	51,155	3,650,888
Other Financing Sources						
Transfers in	387,569	777,535	688,578	1,746,051	51,155	3,650,888
Total Other Financing Sources (Uses)	387,569	777,535	688,578	1,746,051	51,155	3,650,888
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-	-
Fund Balances End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Net Assets
June 30, 2005 and 2004

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	615,327	288,690
Prepaid items	3,694	208
Total Current Assets	<u>619,021</u>	<u>288,898</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	-	-
Capital Assets:		
Non-depreciable	1,253,185	27,857
Depreciable, net	8,343,224	9,039,990
Total Noncurrent Assets	<u>9,596,409</u>	<u>9,067,847</u>
Total Assets	<u>10,215,430</u>	<u>9,356,745</u>
Liabilities		
Current Liabilities:		
Accounts payable	244,741	96,367
Interfund advances payable	1,359,707	397,950
Interfund payable	749,778	617,246
Compensated Absences payable	131,825	153,679
Revenue bonds payable	205,000	180,000
Capital leases payable	8,284	26,392
Total Current Liabilities	2,699,335	1,471,634
Long-Term Liabilities:		
Compensated absences payable (net of current portion)	35,497	32,987
Net pension obligation	215,444	144,272
Revenue bonds payable (net of current portion)	3,435,000	3,655,000
Total Liabilities	<u>6,385,276</u>	<u>5,303,893</u>
Net Assets		
Invested in capital assets, net of related debt	5,948,125	5,206,455
Unrestricted	(2,117,971)	(1,153,603)
Total Net Assets	<u>\$ 3,830,154</u>	<u>\$ 4,052,852</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Charges for services	\$ 3,283,868	\$ 2,997,565
Operating Expenses		
Personal services	2,291,624	2,043,070
Supplies and services	763,236	944,407
Insurance	234,107	232,043
Depreciation	705,076	695,241
Total Operating Expenses	<u>3,994,043</u>	<u>3,914,761</u>
Operating (Loss)	<u>(710,175)</u>	<u>(917,196)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(196,700)	(212,266)
Gain (loss) on sale of capital assets	-	(23,803)
Investment income	30	364
Operating grants	57,228	-
Total Non-Operating Revenues (Expenses)	<u>(139,442)</u>	<u>(235,705)</u>
(Loss) Before Capital Contributions and Transfers	<u>(849,617)</u>	<u>(1,152,901)</u>
Capital contributions	401,231	39,163
Transfers in	426,107	1,012,015
Transfers out	(200,419)	(534,745)
Change in Net Assets	<u>(222,698)</u>	<u>(636,468)</u>
Net Assets Beginning of Year	<u>4,052,852</u>	<u>4,689,320</u>
Net Assets End of Year	<u>\$ 3,830,154</u>	<u>\$ 4,052,852</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	2,957,231	2,990,305
Cash payments to employees for services	(2,239,796)	(1,903,187)
Cash payments for goods and services	91,194	(1,173,317)
Other cash payments	-	-
Net Cash Provided by (Used in) Operating Activities	<u>808,629</u>	<u>(86,199)</u>
Cash Flows from Noncapital Financing Activities		
Interfund payable	132,532	211,997
Transfers in	426,107	1,012,015
Transfers out	(200,419)	(534,745)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>358,220</u>	<u>689,267</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	-	(23,803)
Operating grant	57,228	-
Proceeds from sale of revenue bonds	-	-
Capital grant	401,231	39,163
Principal paid on revenue bonds	(195,000)	(185,000)
Interest paid on debt service	(196,700)	(212,266)
Payments for capital acquisitions	(1,233,638)	(221,526)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,166,879)</u>	<u>(603,432)</u>
Cash Flows from Investing Activities		
Investment earnings	30	364
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>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005

(Continued)

	2006	2005
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (710,175)	\$ (917,196)
Adjustments:		
Depreciation	705,076	695,241
(Increase) Decrease in Assets:		
Accounts receivable	(326,637)	(7,260)
Prepaid items	(3,486)	8,649
Other	-	-
Increase (Decrease) in Liabilities:		
Accounts payable	148,374	31,804
Interfund advance payable	961,757	(43,897)
Accrued liabilities	-	-
Compensated absences payable	(19,344)	(4,389)
Net pension obligation	71,172	144,272
Capital leases payable	(18,108)	6,577
Net Cash Provided by (Used in) Operating Activities	\$ 808,629	\$ (86,199)

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Net Assets
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 336,458	\$ 270,530
Accounts receivable	214,109	149,033
Prepaid items	-	-
Total Current Assets	<u>550,567</u>	<u>419,563</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	-	-
Capital Assets:		
Non-depreciable	3,682	825,513
Depreciable, net	<u>13,397,045</u>	<u>12,833,480</u>
Total Noncurrent Assets	<u>13,400,727</u>	<u>13,658,993</u>
Total Assets	<u>13,951,294</u>	<u>14,078,556</u>
Liabilities		
Current Liabilities:		
Accounts payable	15,168	39,336
Interfund advances payable	1,024,731	1,093,965
Deferred revenue	65,056	18,889
Compensated absences payable	-	-
Capital leases payable	-	-
Total Current Liabilities	<u>1,104,955</u>	<u>1,152,190</u>
Net Assets		
Invested in capital assets, net of related debt	13,400,727	13,658,993
Unrestricted	<u>(554,388)</u>	<u>(732,627)</u>
Total Net Assets	<u>\$ 12,846,339</u>	<u>\$ 12,926,366</u>

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Charges for services	\$ 607,385	\$ 496,629
Operating Expenses		
Personal services	191,992	159,190
Supplies and services	208,187	274,934
Insurance	10,768	6,089
Depreciation	414,644	345,059
Total Operating Expenses	<u>825,591</u>	<u>785,272</u>
Operating (Loss)	<u>(218,206)</u>	<u>(288,643)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(57,451)	(61,078)
Gain (loss) on sale of capital assets	-	-
Interest	6,097	17,698
Operating grants	-	-
Total Non-Operating Revenues (Expenses)	<u>(51,354)</u>	<u>(43,380)</u>
(Loss) Before Capital Contributions and Transfers	(269,560)	(332,023)
Capital contributions	125,719	489,247
Transfers in	96,951	112,130
Transfers out	(33,137)	(33,400)
Change in Net Assets	(80,027)	235,954
Net Assets Beginning of Year	<u>12,926,366</u>	<u>12,690,412</u>
Net Assets End of Year	<u>\$ 12,846,339</u>	<u>\$ 12,926,366</u>

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 588,476	\$ 477,087
Cash payments to employees for services	(191,992)	(162,296)
Cash payments for goods and services	(312,357)	(364,524)
Other cash payments	-	-
Net Cash Provided by (Used in) Operating Activities	<u>84,127</u>	<u>(49,733)</u>
Cash Flows from Noncapital Financing Activities		
Operating grants received	-	-
Transfers in	96,951	112,130
Transfers out	(33,137)	(33,400)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>63,814</u>	<u>78,730</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	-	-
Capital grant	125,719	489,247
Interest paid on debt service	(57,451)	(61,078)
Payments for capital acquisitions	(156,378)	(1,034,438)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(88,110)</u>	<u>(606,269)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>6,097</u>	<u>17,698</u>
Net Increase (Decrease) in Cash and Cash Equivalents	65,928	(559,574)
Cash and Cash Equivalents Beginning of Year	<u>270,530</u>	<u>830,104</u>
Cash and Cash Equivalents End of Year	<u><u>336,458</u></u>	<u><u>270,530</u></u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005

(Continued)

	<u>2006</u>	<u>2005</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (218,206)	\$ (288,643)
Adjustments:		
Depreciation	414,644	345,059
(Increase) Decrease in Assets:		
Accounts receivable	(65,076)	(19,542)
Prepaid items	-	-
Other	-	-
Increase (Decrease) in Liabilities:		
Accounts payable	(24,168)	(17,894)
Interfund advance payable	(69,234)	(65,607)
Capital leases payable	-	-
Compensated absences payable	-	-
Deferred revenue	46,167	(3,106)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 84,127</u>	<u>\$ (49,733)</u>

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	<u>Great West School District</u>	<u>Great West Borough</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 187,418	\$ -	\$ 187,418
Liabilities			
Current Liabilities:			
Interfund payable	-	395,506	395,506
Claims payable	305,041	41,261	346,302
Total Current Liabilities	<u>305,041</u>	<u>436,767</u>	<u>741,808</u>
Net Assets			
Unrestricted (deficits)	<u>\$ (117,623)</u>	<u>\$ (436,767)</u>	<u>\$ (554,390)</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, 2006

	Great West School District	Great West Borough	Total
Operating Revenues			
Insurance premiums	\$ 2,534,223	\$ 1,146,903	\$ 3,681,126
Operating Expenses			
Administration	-	403,189	403,189
Claims	2,555,386	866,994	3,422,380
Total Operating Expenses	2,555,386	1,270,183	3,825,569
Operating (Loss)	(21,163)	(123,280)	(144,443)
Non-Operating Revenues			
Transfers In	-	126,778	126,778
Change in Net Assets	(21,163)	3,498	(17,665)
Net Assets Beginning of Year	(96,460)	(440,265)	(536,725)
Net Assets End of Year	\$ (117,623)	\$ (436,767)	\$ (554,390)

Ketchikan Gateway Borough, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Great West School District	Great West Borough	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,534,223	\$ 1,273,681	\$ 3,807,904
Cash payments for goods and services	-	(403,189)	(403,189)
Cash payments for claims	(2,346,805)	(870,492)	(3,217,297)
Net Cash Provided by (Used in) Operating Activities	<u>187,418</u>	<u>-</u>	<u>187,418</u>
Cash Flows from Investing Activities			
Interest on investments	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	187,418	-	187,418
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ 187,418</u>	<u>\$ -</u>	<u>\$ 187,418</u>
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities			
Change in Net Assets	\$ (21,163)	\$ 3,498	\$ (17,665)
Increase(Decrease) in Liabilities:			
Claims payable	<u>208,581</u>	<u>(3,498)</u>	<u>205,083</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 187,418</u>	<u>\$ -</u>	<u>\$ 187,418</u>



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Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West School District Insurance Fund
June 30, 2006 and 2005

	2006	2005
Assets		
Current Assets:		
Cash and cash equivalents	\$ 187,418	\$ -
Liabilities		
Current Liabilities:		
Interfund payable	305,041	96,460
Net Assets		
Unrestricted	\$ (117,623)	\$ (96,460)

Ketchikan Gateway Borough, Alaska
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
Great West School District Insurance Fund
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Insurance premiums	\$ 2,534,223	\$ 2,044,431
Operating Expenses		
Claims	<u>2,555,386</u>	<u>1,885,716</u>
Operating (Loss)	(21,163)	158,715
Non-Operating Revenues		
Investment earnings (loss)	<u>-</u>	<u>-</u>
Change in Net Assets	(21,163)	158,715
Net Assets Beginning of Year	<u>(96,460)</u>	<u>(255,175)</u>
Net Assets End of Year	<u>\$ (117,623)</u>	<u>\$ (96,460)</u>

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West Borough Insurance Fund
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Liabilities		
Current Liabilities:		
Interfund payable	395,506	305,906
Claims payable	41,261	134,359
Total Current Liabilities	436,767	440,265
Net Assets		
Unrestricted	<u>\$ (436,767)</u>	<u>\$ (440,265)</u>

Ketchikan Gateway Borough, Alaska
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
Great West Borough Insurance Fund
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Insurance premiums	\$ 1,146,903	\$ 1,001,101
Operating Expenses		
Administration	403,189	418,280
Claims	866,994	882,394
Total Operating Expenses	<u>1,270,183</u>	<u>1,300,674</u>
Operating (Loss)	(123,280)	(299,573)
Non-Operating Revenues		
Transfers In	<u>126,778</u>	<u>-</u>
Income Before Transfers In	3,498	(299,573)
Transfers Out	<u>-</u>	<u>-</u>
Change in Net Assets	3,498	(299,573)
Net Assets Beginning of Year	<u>(440,265)</u>	<u>(140,692)</u>
Net Assets End of Year	<u><u>\$ (436,767)</u></u>	<u><u>\$ (440,265)</u></u>



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STATISTICAL SECTION

(Un-Audited)

Table 1
Un-audited

KETCHIKAN GATEWAY BOROUGH
Net Assets By Component, Last Four Years
 June 30, 2006

	Fiscal Year			
	2006	2005	2004	2003
Governmental Activities				
Invested in capital Assets, Net of related debt	\$ 95,476,768	\$ 93,606,967	\$ 90,711,046	\$ 68,654,590
Restricted	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	8,335,910	850,340	1,281,070	2,272,697
Total governmental activities net assets	<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	19,348,852	18,865,448	18,462,955	15,871,103
Unrestricted	(2,813,429)	(2,028,243)	(1,143,842)	533,371
Total business-type activities net assets	<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	\$ 114,825,620	\$ 112,472,415	\$ 109,174,001	\$ 84,525,693
Restricted	18,489,064	24,779,426	29,418,513	49,014,382
Unrestricted	5,522,481	(1,177,903)	137,228	2,806,068
Total primary government net assets	<u>\$ 138,837,165</u>	<u>\$ 136,073,938</u>	<u>\$ 138,729,742</u>	<u>\$ 136,346,143</u>

KETCHIKAN GATEWAY BOROUGH
Changes in Net Assets, Last Four Years
June 30, 2006

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

KETCHIKAN GATEWAY BOROUGH
Fund Balances, Governmental Funds, Last Four Fiscal Years
June 30, 2006

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

KETCHIKAN GATEWAY BOROUGH
Changes in Fund Balances, Governmental Funds
June 30, 2006

	Fiscal Year			
	2006	2005	2004	2003
Revenues				
Taxes	\$ 16,437,391	\$ 15,706,140	\$ 13,242,931	\$ 12,268,334
Payments in lieu of taxes	11,031	4,323	6,948	12,741
Intergovernmental	5,328,250	4,081,128	5,399,367	4,628,811
Licenses and permits	35,140	38,815	49,035	33,002
SDC - Principal and interest	-			2,439
Charges for services	1,495,718	1,414,366	1,210,757	1,154,499
Investment earnings	845,592	760,004	899,718	666,151
Miscellaneous	375,565	431,664	347,034	485,890
Total Revenues	24,528,687	22,436,440	21,155,790	19,251,867
Expenditures				
Administration	2,627,499	2,290,158	2,072,658	2,219,293
Library services	396,468	411,855		
Public services	6,970,230	9,871,936	7,860,847	8,752,180
Automation	324,728	265,761	244,694	142,661
Education	8,227,112	7,635,347	7,373,117	7,329,446
Nondepartmental	365,323	362,582	194,637	158,085
Capital Outlay	12,981,780	11,930,424	21,291,379	4,211,729
Debt Service:				
Principal retirement	2,102,457	1,641,555	1,465,000	1,175,000
Interest and fiscal charges	1,548,431	1,264,999	1,465,776	1,061,841
Bond issuance costs		450,000	-	110,428
Total Expenditures	35,544,028	36,124,617	41,968,108	25,160,663
(Deficiency) of Revenues (Under) Expenditures	(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		
Transfers in	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	(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)	691,040	8,192,802	(229,485)	9,298,613
Special Item				
Proceeds from sale of property	2,692,193	\$ 874,850	\$ 436,384	\$ -
Net Change in Fund Balances	\$ (7,632,108)	\$ (4,620,525)	\$ (20,605,419)	\$ 3,389,817
Debt Service as a Percentage of noncapital expenditures	16.18%	13.87%	14.17%	11.20%

KETCHIKAN GATEWAY BOROUGH
Assessed Value and Actual Value of Taxable Property, Last Six Fiscal Years
2001 - 2006

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Personal Property</u>	<u>Tax-Exempt</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax</u>
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

Table 6
Un-audited

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

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cape Fox Corporation	\$ 10,123,000	1	15%	\$ 11,548,200	3	8%
Tongass Trading Company	8,108,600	2	12%			
Carr-Gottstein Foods	6,770,600	3	10%	5,424,000	8	4%
Wal-Mart	6,874,800	4	10%			
Landing LLC Lodging	6,601,400	5	10%			
Trident-Norquest Seafood	6,276,100	6	9%			
Harbor Enterprises	6,202,700	7	9%			
Southeast Stevedoring	5,595,500	8	8%			
ECPS INC. Seafood	5,563,200	9	8%	7,925,700	4	5%
Boyer Towing Inc.	5,466,200	10	8%			
Ketchikan Pulp Co.				78,402,400	1	54%
The Hames Group				12,167,000	2	8%
Kanaway Seafoods				7,912,700	5	5%
Vanderweele, James & Ken				6,623,400	6	5%
Union Oil Company				5,910,200	7	4%
TF Acquisition				5,179,700	9	4%
Main Street Associates, Ltd.				4,701,600	10	3%
Total	<u>\$ 67,582,100</u>			<u>\$ 145,794,900</u>		

Table 7
Un-audited

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	6,899,865	5,156,645	75%	1,743,219	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%	617,280	6,444,464	92%
2005	7,400,485	5,767,904	78%	1,232,934	7,000,838	95%
2006	7,641,357	7,213,060	94%	0	7,213,060	94%

KETCHIKAN GATEWAY BOROUGH, ALASKA
Taxable Sales by Category

	Calendar Year				
	2006	2005	2004	2003	2002
CONTRACTORS	7,753,661	8,985,464	13,840,276	13,777,082	7,033,742
FINANCE, INS, BANKS	13,254	120,462	63,522	50,786	33,712
HOTELS, MOTELS, LODGES	6,112,459	4,570,031	3,960,990	3,347,070	3,131,719
MANUFACTURING	1,574,746	1,867,443	1,145,357	865,885	994,655
REAL ESTATE	8,071,343	8,427,668	7,698,325	7,100,451	5,529,527
REFUND	-	-	(2,991)	(154,000)	(67,202)
RETAIL TRADE	4,672,734	5,711,692	5,071,454	3,701,399	3,499,953
RETAIL TRADE - FOODS	1,814,315	2,192,221	2,338,268	2,662,434	3,065,425
RETAIL TRADE, BARS & CATER	670,813	817,539	775,723	627,447	624,804
RETAIL, AUTOMOTIVE	3,903,148	4,046,893	3,929,369	3,623,640	2,853,682
RETAIL, SPECIALTY	806,488	785,108	949,992	1,070,022	1,135,032
RETAIL, VAR, JEWELRY, CURIO	908,983	970,347	722,103	783,981	861,599
SERVICES - ENTERTAINMENT	3,131	28,522	24,858	92,191	643,937
SERVICES - GENERAL	2,695,521	3,141,544	3,725,206	3,137,843	3,017,278
SERVICES - PROFESSIONAL	1,487,371	1,451,202	1,267,362	1,359,734	1,188,188
TRANS, COMM, UTILITIES	17,708,889	21,538,707	17,555,593	14,433,445	17,712,538
	<u>58,196,856</u>	<u>64,654,843</u>	<u>63,065,407</u>	<u>56,479,410</u>	<u>51,258,589</u>



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KETCHIKAN GATEWAY BOROUGH

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond -			
	Principal	Interest	Total	State School Debt Reimbursement	Tobacco Tax	Misc.	1/2 cent Sales Tax
1997	1,630,000	684,527	2,314,527	1,576,436		16,800	
1998	1,655,000	580,728	2,235,728	1,288,507		31,306	
1999	1,685,000	474,228	2,159,228	1,024,721		37,113	
2000	1,200,000	80,400	1,280,400	1,024,320		64,645	
2001	100,000	560,257	660,257	452,255		1,930	
2002	405,000	920,716	1,325,716	1,001,824		(12,140)	
2003	600,000	841,488	1,441,488	999,084		5,120	
2004	860,000	1,271,748	2,131,748	1,497,732		10,832	
2005	980,000	1,147,323	2,127,323	1,479,265		32,603	1,212,106
2006	1,385,000	1,427,599	2,812,599	2,021,962		29,140	1,575,687

Source: Ketchikan Gateway Borough Finance Department.

Table 9
Un-audited

Capital Improvement Fund		Per Capita Cost		Indoor Rec Center Debt Service			Rec CIP Fund	
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
1,593,235	(721,292)	14,500	50			-		
1,319,813	(915,915)	14,143	65			-		
1,061,834	(1,097,394)	13,961	79			-		
1,088,965	(191,435)	14,070	14	505,000	290,262	795,262	1,187,619	392,357
454,185	(206,072)	13,748	15	530,000	268,548	798,548	921,424	122,877
989,684	(336,032)	13,683	25	550,000	245,228	795,228	1,227,122	431,894
1,004,204	(437,284)	13,685	32	575,000	220,478	795,478	1,016,043	220,565
1,508,564	(623,184)	13,093	48	605,000	194,028	799,028	1,134,652	335,624
2,723,974	596,651	13,125	(45)	630,000	98,074	728,074	1,277,280	549,206
3,626,789	814,190	13,125	(62)	Debt Legally Defeased in FY05.			1,604,107	1,604,107

Table 10
Un-audited

KETCHIKAN GATEWAY BOROUGH

Ratios of Genral Bonded Debt Outstanding, Last Five Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds Government</u>	<u>General 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

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		31,885,000
Less Self Supporting Debt:		
Recreation Sales Tax Revenues	(2,735,000)	(2,735,000)
Total Direct Debt		29,150,000
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		9,440,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(1,880,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(7,560,000)	(9,440,000)
Total City of Ketchikan Direct Debt		-
Total Direct and Overlapping Debt		\$29,150,000

KETCHIKAN GATEWAY BOROUGH, ALASKA
REVENUE BOND COVERAGE
KETCHIKAN INTERNATIONAL AIRPORT
1997 - 2006

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
1997	1,341,592	1,230,831	110,761	35,000	13,200	48,200	2.30
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	4,049,107	3,075,248	973,859	185,000	188,726	373,726	2.61
2006	4,111,206	3,288,967	822,239	195,000	374,420	569,420	1.44

- (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, ALASKA
DEMOGRAPHIC STATISTICS
1997 - 2006

Fiscal Year	Borough Population	Alaska Per Capita Income - (1)	Annual Average Unemploy- ment Rate	Education - (2)				
				Borough School Enrollment	Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE	Number of Permanent Employees
1997	14,500	31,258	8.70%	2,903	7	145	163	290
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	Not Available	8.90%	2,359	6	140	155	300
2005	13,125	Not Available	7.60%	2,372	5	134	155	307
2006	13,125	Not Available	7.60%	2,291	7	145	155	307

- (1) Census and Capita Income per State of Alaska Department of Labor.
(2) Ketchikan Gateway Borough School District Financials.

KETCHIKAN GATEWAY BOROUGH, ALASKA
MISCELLANEOUS STATISTICS
June 30, 2006

Date of Incorporation - 1963
Code of Ordinances Adopted - 1963
Form of Government - Elected Assembly - Manager
Second-Class Borough

<i>Ketchikan Gateway Borough</i>		<i>Elections (October 2005)</i>	
Borough, square miles	1,233	Registered Voters	10,034
Revillagiedo Island, square miles	1,168	Votes Cast Last Borough Election	3,138
Gravina Island, square miles	89	% Voting Last Borough Election	31%
 <i>Animal Protection (Calendar Year 2005)</i>		 <i>Sewer Plants</i>	
Licenses Issued	604	Forest Park:	150
Animals Impounded	408	Sewer Connections	2.5
Animals Surrendered	395	Miles of Sanitary Sewers	
Animals Adopted	158	Average Daily Treatment	45,000-60,000 gals.
Animals Claimed	149	Mountain Point:	
 <i>South Tongass Volunteer Fire Department (Calendar Year 2005)</i>		Miles of Sanitary Sewers	6
Stations	2	Average Daily Treatment (Sewer)	47,000 gals.
Volunteers	40	Treatment Capacity (Sewer)	330,000 gals.
Fire Calls	23	Sewer Connections	257
Emergency Calls/EMS Incidents	69	Mountain Point Service Area:	
Fire Investigations	3	Water, Hydrant, Sewer Connections	327
	11	Average Daily Treatment (Water)	92,580
		Treatment Capacity (Water)	288,000 gals.
		Sewer Connections	257
 <i>North Tongass Volunteer Fire Department (Calendar Year 2005)</i>		 <i>Municipal Parks</i>	
Stations	2	Developed Parks	15
Volunteers	30	Developed Acres	6,564
Fire Calls	40	Swimming Pools	2
Emergency Calls/EMS Incidents	110	Lighted Ball Fields	6
Fire Investigations	1		
 <i>Transportation Services (Calendar Year 2005)</i>			
<i>Ketchikan International Airport</i>		<i>Airport Ferry</i>	
Inbound Passengers	104,906	Passengers	356,774
Outbound Passengers	104,966	Vehicles	84,754
 <i>The Bus</i>		 <i>Visitor Industry (Calendar Year 2002)</i>	
Passengers	154,765	Cruise Ship Passengers	681,096
		Alaska Marine Highway Visitors	29,628
		Airline Visitors	24,374
		Estimated Gross Revenues from Lodging, Restaurants, Retail	\$ 100,121,354

Data retrieved from the following sources:
Ketchikan Gateway Borough Departments:

Animal Protection
Assessment
Clerk's Office
Finance
Ketchikan International Airport

North Tongass Fire & EMS Service Area
Parks & Recreation
Planning & Community Development
Public Works
South Tongass Volunteer Fire Department

Ketchikan Visitor's Bureau