

Ketchikan Gateway Borough

Alaska

Comprehensive Annual Financial Report

June 30, 2005

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KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

June 30, 2005

Prepared by:

Department of Finance

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



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INTRODUCTORY SECTION



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KETCHIKAN GATEWAY BOROUGH

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Michael J. Houts
Director
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September 25, 2006

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, 2005. 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.

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, 2005, 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, 2005 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 local economy is based on natural resource development and harvesting, primarily timber and fishing. Both industries have played a significant role in the local economy. The timber industry has contracted considerably in recent years because of the closure of a local pulp mill in 1997, which was the area's largest, single, private employer. The Borough is negotiating a sale of the Westside of Ward Cove, with the exception of the Admin Building, to an investment group. The investment group plans to reopen the Veneer Mill and hopes to add approximately 40 jobs to the local economy. The fishing industry remains, but it depends on a fluctuating market. Farm fishing is threatening the local fishing industry.

Many cruise ships visit Ketchikan during the summer time. More than a half million tourists arrive each summer on cruise ships. Specialty shops, tours, museums, and related activities cater to the cruise ship tourists. Tourists can fish, kayak, canoe, site see, hike, and participate in a variety of tours available to them.

A growing private venture is the local shipyard, which exceeded its own plans and expectations. The facilities are owned by the State of Alaska, and the shipyard and drydock operations are privately managed.

While the economy appears to be booming in the summer time, it is rather bleak in the wintertime. Fishing and tourism operate in the summer time, but maintain only minimal operations the remainder of the year. The timber industry, which used to stabilize the economy, is no longer large enough to fill the void in the winter.

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; one is through the General Fund and the other one through the Economic Development Fund 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 FY05 was 21.79% and 21.08% for Ketchikan Gateway Borough and Ketchikan Gateway Borough School District respectfully. The Borough's PERS employer contribution rate for 2004 was 5.49 percent and increased to 10.49

percent on July 1, 2004. The Borough and School District have been notified that the PERS adjusted rate will increase by the maximum allowed by state statute of 5 percent for the next 3 years. 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, 2004 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 \$458,949 and \$317,881 for Ketchikan Gateway Borough and Ketchikan Gateway Borough School District respectfully. The NPO has been expensed in the Enterprise funds and is reflected on the Entity-Wide statements for Governmental funds.

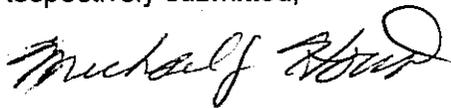
Additional information on the Borough and School district pension plans and post employment benefits can be found in Note 4-I in the notes to the financial statements.

ACKNOWLEDGEMENTS

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

Soly Deleon
Kim Flores
Charlanne Heath
Amy Lervick
Marva Lee Otos

Respectively submitted,



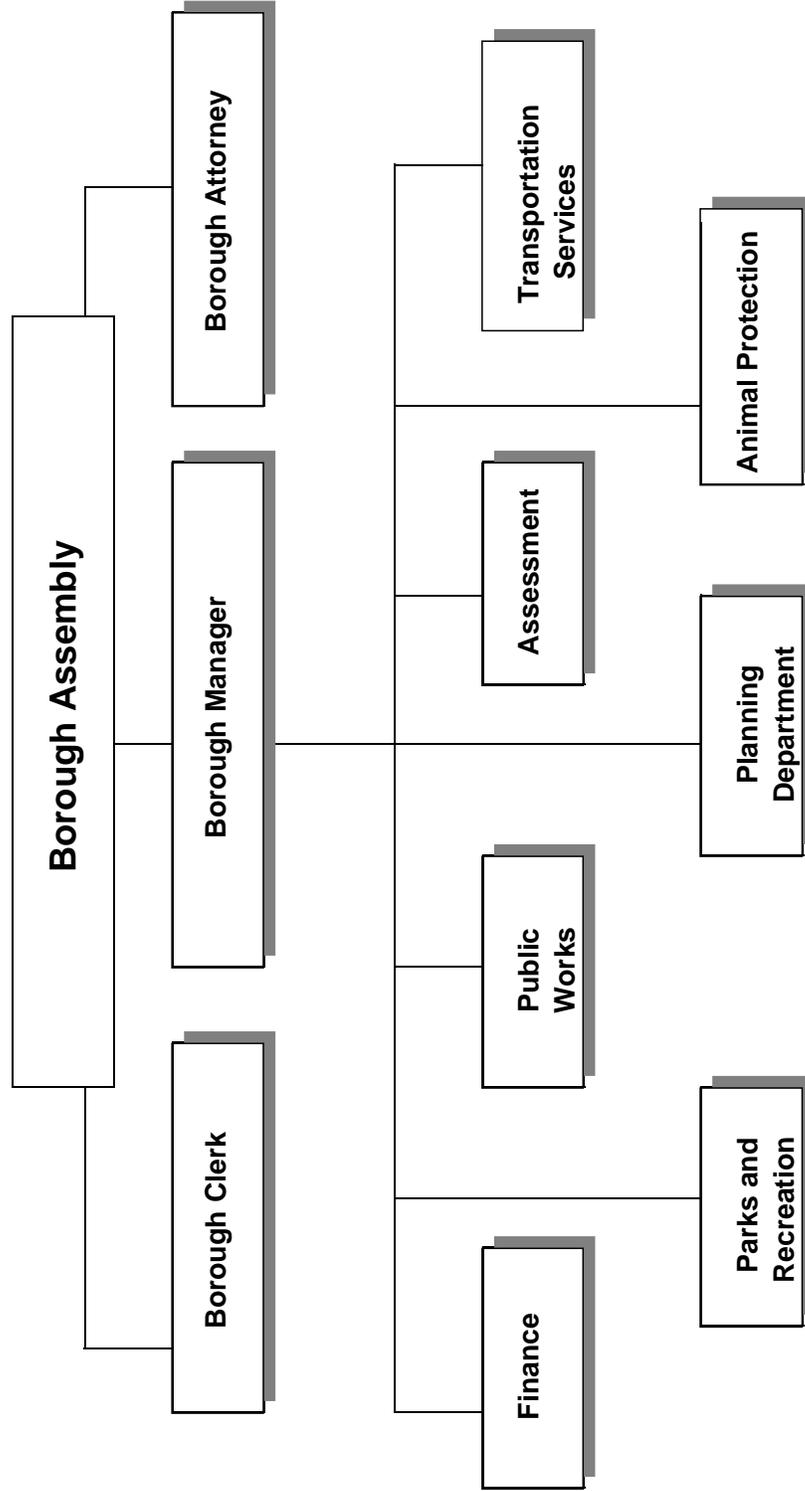
Michael J. Houts
Finance Director



Maureen Crosby, CPA
Controller

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2004/2005



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2005

MAYOR AND ASSEMBLY

| | |
|------------------------|-------------------------|
| <i>Mayor</i> | Michael B. Salazar |
| <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> | John W. "Jack" Shay Jr. |
| <i>Assembly Member</i> | Glen Thompson |
| <i>Assembly Member</i> | George H. Tipton |

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>Human Resource Manager</i> | Carolyn Thomas |
| <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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Partners
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, 2005, 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, 2005, 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 and the southeast economic development 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 March 3, 2006 on our consideration of the Ketchikan Gateway Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, on pages 11 through 21, and the Schedule of Funding Progress – Alaska Public Employees' Retirement System, on page 66 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 marked unaudited 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.

Mecham, Richardson and Company

March 3, 2006

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, 2005. 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 \$136,073,938 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$112,472,415 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 \$24,779,426 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of (\$1,177,903) indicates that the Borough has no available assets to maintain the Borough's continuing obligations to citizens and creditors. The negative unrestricted assets is reflected in the Borough's Airport Enterprise Fund.
- The Borough's governmental funds reported total ending fund balance of \$27,105,457 this year. This compares to the prior year ending fund balance of \$31,725,982 showing a decrease of \$4,620,525 during the current year. Unreserved fund balance of \$12,999,172 for fiscal year 2005 shows a \$1,714,472 decrease from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,376,078, or 16.58% 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 and the Southeast Economic Development fund are presented as basic financial statements.

The basic governmental fund financial statements are presented on pages 25 - 33 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 34 – 37 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 38 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 78.

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 \$136,073,938. 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>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Assets: | | | | | | |
| Current assets | \$ 32,782,674 | \$ 36,356,423 | \$ 708,463 | \$ 1,249,882 | \$ 33,491,137 | \$ 37,606,305 |
| Capital assets | <u>127,276,378</u> | <u>117,726,046</u> | <u>22,726,840</u> | <u>22,502,770</u> | <u>150,003,218</u> | <u>140,228,816</u> |
| Total assets | <u>160,059,052</u> | <u>154,082,469</u> | <u>23,435,303</u> | <u>23,752,652</u> | <u>183,494,355</u> | <u>177,835,121</u> |
| Liabilities: | | | | | | |
| Current liabilities | 8,777,487 | 6,925,618 | 2,765,837 | 2,504,132 | 11,543,324 | 9,429,750 |
| Long-term liabilities | <u>32,044,832</u> | <u>25,746,222</u> | <u>3,832,259</u> | <u>3,929,407</u> | <u>35,877,091</u> | <u>29,675,629</u> |
| Total liabilities | <u>40,822,319</u> | <u>32,671,840</u> | <u>6,598,096</u> | <u>6,433,539</u> | <u>47,420,415</u> | <u>39,105,379</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 93,606,967 | 90,711,046 | 18,865,448 | 18,462,955 | 112,472,415 | 109,174,001 |
| Restricted | 24,779,426 | 29,418,513 | - | - | 24,779,426 | 29,418,513 |
| Unrestricted | <u>850,340</u> | <u>1,281,070</u> | <u>(2,028,243)</u> | <u>(1,143,842)</u> | <u>(1,177,903)</u> | <u>137,228</u> |
| Total net assets | <u>\$ 119,236,733</u> | <u>\$ 121,410,629</u> | <u>\$ 16,837,205</u> | <u>\$ 17,319,113</u> | <u>\$ 136,073,938</u> | <u>\$ 138,729,742</u> |

Note that approximately 80% 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 97% 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. 80% of the Borough's total assets are included in capital assets. The current ratio for governmental activities is 3.7 to 1 and 1.4 to 1 for business type activities. This compares to 5.25 to 1 for governmental activities and .51 to 1 for business type activities for fiscal year 2004. 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 decreased by \$2,655,804 in 2005. The net assets for governmental activities decreased by \$2,173,896 and the net assets for business-type activities decreased by \$481,908. 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 | |
|-----------------------|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program: | | | | | | |
| Charges for services | \$ 3,571,237 | \$ 3,126,951 | \$ 3,494,194 | \$ 3,235,459 | \$ 7,065,431 | \$ 6,362,410 |
| Operating grants | 972,586 | 3,136,994 | - | - | 972,586 | 3,136,994 |
| Capital grants | 2,102,498 | 1,727,747 | 528,410 | 1,617,556 | 2,630,908 | 3,345,303 |
| General: | | | | | | |
| Taxes | 15,710,463 | 13,249,879 | - | - | 15,710,463 | 13,249,879 |
| Other | 3,032,772 | 2,217,760 | 18,062 | 54,136 | 3,050,834 | 2,271,896 |
| Total revenues | 25,389,556 | 23,459,331 | 4,040,666 | 4,907,151 | 29,430,222 | 28,366,482 |
| Program Expenses: | | | | | | |
| Administration | 3,313,736 | 2,160,394 | - | - | 3,313,736 | 2,160,394 |
| Public services | 10,832,144 | 8,739,143 | - | - | 10,832,144 | 8,739,143 |
| Automation | 291,603 | 269,771 | - | - | 291,603 | 269,771 |
| Education | 9,003,657 | 8,771,976 | - | - | 9,003,657 | 8,771,976 |
| Non-departmental | 2,264,466 | 2,154,832 | - | - | 2,264,466 | 2,154,832 |
| Interest | 1,301,846 | 1,370,970 | - | - | 1,301,846 | 1,370,970 |
| Airport | - | - | 4,223,926 | 3,442,165 | 4,223,926 | 3,442,165 |
| Wastewater | - | - | 854,648 | 779,832 | 854,648 | 779,832 |
| Total expenses | 27,007,452 | 23,467,086 | 5,078,574 | 4,221,997 | 32,086,026 | 27,689,083 |
| Excess (deficiency) | (1,617,896) | (7,755) | (1,037,908) | 685,154 | (2,655,804) | 677,399 |
| Transfers | (556,000) | (229,485) | 556,000 | 229,485 | - | - |
| Change in net assets | (2,173,896) | (237,240) | (481,908) | 914,639 | (2,655,804) | 677,399 |
| Beginning net assets | 121,410,629 | 121,647,869 | 17,319,113 | 16,404,474 | 138,729,742 | 138,052,343 |
| Ending net assets | \$ 119,236,733 | 121,410,629 | \$ 16,837,205 | \$ 17,319,113 | \$ 136,073,938 | \$ 138,729,742 |

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 \$8.2 million of tax revenues or approximately 43.9% of the total. Sales taxes provided 39.6% of the Borough's total governmental tax revenues. Because of the Borough's healthy financial position, we have been able to earn \$760,004 in investment earnings to support governmental activities. Also, note that program revenues cover only 25% of governmental operating expenses, which is a decrease of 9% over the prior year. This means that the

government's taxpayers and the Borough's other general governmental revenues fund 75% 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 40.1 % of our total costs. This is a 2.9% increase from FY04. This function includes parks and recreation, public works, planning, animal protection, service area water and fire protection, and community education. 33.3% of our resources are used to fund the school district, which is a 4% increase from FY04. Administration costs totaled 12.3%.

This table presents the cost of each of the Borough's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Borough's taxpayers by each of these functions.

| | Governmental Activities | | | |
|------------------|--------------------------------|-------------|-----------------------------|-------------|
| | Total Cost of Services | | Net Cost of Services | |
| | Amount | % | Amount | % |
| Administration | \$ 3,313,736 | 12.3% | \$ 3,313,736 | 16.3% |
| Public services | 10,832,144 | 40.1% | 7,709,518 | 37.9% |
| Automation | 291,603 | 1.1% | 291,603 | 1.4% |
| Education | 9,003,657 | 33.3% | 7,524,392 | 37.0% |
| Non-departmental | 2,264,466 | 8.4% | 220,035 | 1.1% |
| Interest | 1,301,846 | 4.8% | 1,301,846 | 6.4% |
| Total | \$ 27,007,452 | 100% | \$ 20,361,130 | 100% |

After reducing gross expenses by program revenues, public services account for 37.9% of the total cost of governmental services and education accounts for 37.1% 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 9.3% more than 2004, and operating expenses increased by 23%. 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 operating expenses increased 23.0% due to increases in personal services, supplies and service.

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. In 2005, the operating revenue of the WEF increased by 1.0% and the net operating loss was \$(288,643). This loss is due mainly to depreciation expense on the recognized capital contributions for assets that had been acquired in previous years with grant funds.

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 \$27,105,457. Of this year-end total, \$12,999,172 is unreserved indicating availability for continuing Borough service requirements. Legally restricted fund balances (i.e., the reserved fund balances) include \$7,051,761 set aside for encumbrances carried forward; and other assets not available for current expenditure totaling \$6,803,697. Included in this amount is \$1,953,314 for loan guarantees and \$846,948 for a long-term note.

The total ending fund balances of governmental funds show a decrease of \$4,620,525 or 14.6% 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 \$144,723, a 4.8% decrease. The FY05 budget was partially funded with current reserves and the approved budget projected a 12.5% decrease in fund balance. A favorable variance in revenue collections and a favorable variable in expenditures reduced the decrease to 4.8%.

Property tax collections increased \$502,239 above fiscal year 2004 collections. Budgeted property tax revenues for 2005 increased by \$353,713 and actual property tax collections were \$36,957 less 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 14.8% over fiscal year 2004. 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. No State Revenue Sharing was received in fiscal year 2005. Charges for public services decreased by 3%.

On the expenditure side, Automation increased by 8.6%. This increase is due to a continued effort to update and improve the computer and communication technology of the Borough. Overall, expenditures plus transfers increased by 3% from 2004. The payment to the school district was \$115,816 less than budgeted due to an adjustment in insurance costs.

Land Trust Fund – During fiscal year 2005, the Land Trust fund expended \$35,544 and transferred out \$683,549. The transfers were to the General Fund to cover \$650,000 for school bond debt, \$33,549 for administration fees. The net change in fund balance was a \$275,316 decrease or 2.6%.

Southeast Economic Development Fund – During fiscal year 2005, this fund spent \$4,465,656 on public services and \$1,005,159 in capital. The majority of the charge to public services was for the balance of federal direct monies received by the Borough for improvements to the Ketchikan Shipyard. The balance of these federal dollars was remitted to Alaska Industrial Development and Export Authority. The charge to capital was for improvements made to the Ward Cove Admin Building prior to entering into a long-term lease with the Alaska Marine Highway for that building. The fund balance for this fund was reduced by 73.2%.

Capital Projects Fund – Construction began on two school projects. Progress payments of \$5,258,315 were made on the Schoenbar Middle School project and payments of \$4,356,077 were made for work completed on the Fawn Mountain Elementary project.

State & Federal Grants Fund – During fiscal year 2005, the Borough received \$1,237,453 in State and Federal grants. The Borough expended \$561,044 on public services and \$676,409 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.

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 \$60,099 less than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$173,443 more than budgeted for intergovernmental revenues. In total, the Borough collected a little over 100% of the total budgeted revenues.

The expenditure side of the original budget for the General Fund was increased \$294,000 during 2005. The budget amendments were for the following departments: Manager, Clerks, Finance, Planning Department, Community Education, Public Works, and Transit.

In total, the Borough under expended the total General Fund budget by \$223,556.

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, 2005, was \$127,276,378 and \$22,726,840 respectively. The total increase in this net investment was 8.1% for governmental and a 1.0% increase for business-type activities. The overall increase was 7% 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 | |
|--|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | Amount | Amount | Amount | Amount | Amount | Amount |
| Non-depreciable assets: | | | | | | |
| Land | \$ 33,728,393 | \$ 33,871,893 | \$ - | \$ - | \$ 33,728,393 | \$ 33,871,893 |
| Ward Cove properties | 12,201,828 | 11,542,337 | - | - | 12,201,828 | 11,542,337 |
| Construction in progress | 20,017,436 | 9,908,649 | 853,370 | 1,956,498 | 20,870,806 | 11,865,147 |
| Total non-depreciable | 65,947,657 | 55,322,879 | 853,370 | 1,956,498 | 66,801,027 | 57,279,377 |
| Depreciable assets: | | | | | | |
| Buildings and improvements | 73,485,470 | 73,263,394 | 11,440,599 | 11,905,241 | 84,926,069 | 85,168,635 |
| Vehicles, ferry and equipment | 4,020,284 | 3,492,860 | 5,294,247 | 5,343,416 | 9,314,531 | 8,836,276 |
| Wastewater assets | | | 13,870,065 | 11,712,122 | 13,870,065 | 11,712,122 |
| Infrastructure | 3,664,754 | 3,474,354 | - | - | 3,664,754 | 3,474,354 |
| Total depreciable assets | 81,170,508 | 80,230,608 | 30,604,911 | 28,960,779 | 111,775,419 | 109,191,387 |
| Less accumulated depreciation | 19,841,787 | 17,827,444 | 8,731,441 | 8,414,509 | 28,573,228 | 26,241,953 |
| Book value - depreciable assets | 61,328,721 | 62,403,164 | 21,873,470 | 20,546,270 | 83,202,191 | 82,949,434 |
| Percentage depreciated | 24% | 22% | 29% | 29% | 26% | 24% |
| Book value - all assets | \$ 127,276,378 | \$ 117,726,043 | \$ 22,726,840 | \$ 22,502,768 | \$ 150,003,218 | \$ 140,228,811 |

Major capital asset changes during 2005 included the following:

- Construction continued on the Schoenbar Middle School project and \$5,265,846 was capitalized under “construction in progress.”
- Construction began on the Fawn Mountain Elementary School project and \$4,484,504 was capitalized under construction in progress.”
- Improvements totaling \$2,125,243 were made to the Mountain Point Sewer System. The project was to design, build and inspect a new sewer main from the Mountain Point Wastewater Treatment Plant to Shoup Street. The improvements were funded through a State Municipal grant that had been previously administered through Village Safe Water.
- Improvement totaling \$1,288,191 were made to the Ward Cove admin building prior to entering into a long-term lease with the Alaska Marine Highway for the building.
- North Tongass Fire and EMS Service Area purchased two 2004 thirty-five hundred (3500) gallon tankers at a cost of \$399,138. This equipment is being financed through a capital lease.
- Improvements totaling \$376,391 were made to the Sludge Facility at Ward Cove. The Sludge Facility was almost complete, but not operational yet. In order to complete the facility and get it operational there were some supplies

purchased and installed by Borough personnel. The majority of this amount was funded through a State of Alaska Legislative Grant.

- Improvements totaling \$364,506 were made to South Tongass water. The project installed water distribution lines and mains. The improvements were funded through a State Municipal grant that had been previously administered through Village Safe Water.
- A final payment of \$181,554 for the terminal building for construction and professional services was capitalized.
- South Tongass Fire district purchased a breathing air compressor at a cost of \$45,496. The equipment was funded through a FEMA grant.
- North Tongass Fire and EMS Service Area purchased a breathing air compressor at a cost of \$45,003. The equipment was funded through a FEMA grant.
- Preliminary work was begun on North Tongass Fire and EMS Service Area's new fire stations. Station 6 incurred \$11,778 in expenditures, and \$18,840 has been spent on Station 8.

At June 30, 2005, the depreciable capital assets for governmental activities were 24% depreciated. This is comparable equally to the June 30, 2004 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 is for the Sludge Facility at Ward Cove.

With the Borough's business type activities, 29% of the asset values were depreciated at June 30, 2005 compared to 29% at June 30, 2004. The depreciation for FY04 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 69.8% of the total cost of the Borough's governmental capital assets.

Long-term Debt

The Borough reports four types of long-term debt, general obligation bonds, revenue bonds, capital leases, and compensated absences.

During the year, the Borough refunded its 95 and \$4,945,000 of its 99 G.O. bonds, retired \$980,000 of the remaining bond issues and issued \$15,130,000 in new bonds. The Borough retired 4.5% of the beginning outstanding revenue bonds.

(This page continued on the subsequent page).

Outstanding Long Term Debt

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|------------------------------------|----------------------|-------------------------------------|---------------------|----------------------|----------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General obligation bonds | \$ 32,855,000 | \$ 27,015,000 | \$ - | \$ - | \$ 32,855,000 | \$ 27,015,000 |
| Revenue bonds | - | - | 3,835,000 | 4,020,000 | 3,835,000 | 4,020,000 |
| Capital lease | 364,411 | | 26,392 | 19,815 | 390,803 | 19,815 |
| Compensated absences | 510,659 | 472,357 | 186,666 | 182,277 | 697,325 | 654,634 |
| Total | \$ 33,730,070 | \$ 27,487,357 | \$ 4,048,058 | \$ 4,222,092 | \$ 37,778,128 | \$ 31,709,449 |

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

Economic Conditions Affecting the Borough

The economy of the Ketchikan area continues to deal with the closure of the Ketchikan Pulp Mill which was based on natural resources, primarily timber. The fishing industry plays a significant role although it is challenged at every turn. These industries are still vital and important to maintain and sustain quality of life in the Borough. The efforts undertaken by the community have caused a shift in how the area's natural resources are being utilized to strengthen and diversify the local economy. There has been a strong movement from an economy solely based on extracting and harvesting natural resources to an economy that balances extracting natural resources with the need to preserve those natural resources for future generations. This shift has resulted in dramatic growth in the tourism industry. Growth in this industry is expected to reach 1 million visitors to the Ketchikan area annually. However, continued growth in this industry is dependent on an investment in the infrastructure that handles the cruise ships. The other local government is currently working on architectural designs and financing options.

One of the major challenges facing the Borough is planning for the existing infrastructure acquired by the Borough through the closure of the pulp mill and returning the properties to private ownership. To fill the void created by the closure of the pulp mill approximately 600 positions need to be replaced in the community. The Borough sold the Eastside of the pulp mill cove area and received approximately \$3.5 million in an outcry auction. The Borough has a pending offer of \$9.0 million and an earnest money deposit from an investment group on the Westside of the cove. One of the investors plans to reopen the Veneer Mill as soon as a timber supply is secured. This endeavor will add these properties back on the tax rolls, provide needed jobs, and will provide a boost to the local economy.

During the off-season, the area population is approximately 13,030. During the peak season when the cruise ships are in port, the population and work force expansion could reach 25,000 to 30,000 on a given day. Planning, financing and development for this additional infrastructure continues to be a challenge.

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, 2005

| | Primary Government | | | Component Unit |
|---|------------------------------------|-------------------------------------|-----------------------|---------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 14,209,917 | \$ 270,530 | \$ 14,480,447 | \$ 108,369 |
| Cash with fiscal agent | 2,012,411 | - | 2,012,411 | 132,401 |
| Investments | 8,062,959 | - | 8,062,959 | |
| Receivables: | | | | |
| Accounts | 830,618 | 437,723 | 1,268,341 | |
| Taxes | 4,568,647 | - | 4,568,647 | |
| Intergovernmental | - | - | - | 1,036,510 |
| Notes | 846,948 | - | 846,948 | |
| Internal | 2,251,174 | (2,251,174) | - | |
| Component unit | - | - | - | |
| Inventory | - | - | - | 18,880 |
| Prepaid items | - | 208 | 208 | |
| Capital Assets | | | | |
| Nondepreciable capital assets | 65,589,858 | 853,370 | 66,443,228 | |
| Depreciable capital assets, net | 61,686,520 | 21,873,470 | 83,559,990 | 2,531,628 |
| Total Assets | 160,059,052 | 21,184,127 | 181,243,179 | 3,827,788 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 2,836,023 | 135,703 | 2,971,726 | 470,364 |
| Accrued salaries and wages | - | - | - | 462,010 |
| Intergovernmental payable | 2,724,450 | - | 2,724,450 | 4,485 |
| Accrued interest payable | 255,643 | - | 255,643 | |
| Payable to component unit | 132,400 | - | 132,400 | |
| Deposits | 161,572 | - | 161,572 | |
| Claims payable | 134,359 | - | 134,359 | |
| Unearned revenue | 83,125 | 18,889 | 102,014 | 30,467 |
| Compensated absences payable | 346,798 | 153,679 | 500,477 | 180,199 |
| Capital leases payable | 33,117 | 26,392 | 59,509 | |
| General obligation bonds payable | 2,070,000 | - | 2,070,000 | |
| Revenue bonds payable | - | 180,000 | 180,000 | |
| Long-Term Liabilities: | | | | |
| Compensated absences payable (net of current portion) | 163,861 | 32,987 | 196,848 | |
| Net pension obligation | 314,677 | 144,272 | 458,949 | 317,881 |
| General obligation bonds payable (net of current portion) | 31,235,000 | - | 31,235,000 | |
| Capital leases payable | 331,294 | - | 331,294 | |
| Revenue bonds payable (net of current portion) | - | 3,655,000 | 3,655,000 | |
| Total Liabilities | 40,822,319 | 4,346,922 | 45,169,241 | 1,465,406 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 93,606,967 | 18,865,448 | 112,472,415 | 2,531,628 |
| Restricted for: | | | | |
| Capital projects | 11,980,530 | - | 11,980,530 | - |
| Debt service | - | - | - | - |
| Program purposes | 12,798,896 | - | 12,798,896 | 1,470 |
| Unrestricted | 850,340 | (2,028,243) | (1,177,903) | (170,716) |
| Total Net Assets | 119,236,733 | \$ 16,837,205 | \$ 136,073,938 | \$ 2,362,382 |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2005

| | 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 | | Component Unit |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government | | | | | | | |
| Administration | \$ 3,313,736 | \$ - | \$ - | - | \$ (3,313,736) | \$ (3,313,736) | \$ - |
| Library services | 411,855 | - | - | - | (411,855) | (411,855) | - |
| Public services | 10,420,289 | 1,526,806 | 972,586 | 623,233 | (7,297,663) | (7,297,663) | - |
| Automation | 291,603 | - | - | - | (291,603) | (291,603) | - |
| Education | 9,003,657 | - | - | 1,479,265 | (7,524,392) | (7,524,392) | - |
| Nondepartmental | 2,264,466 | 2,044,431 | - | - | (220,035) | (220,035) | - |
| Interest | 1,301,846 | - | - | - | (1,301,846) | (1,301,846) | - |
| Total Governmental Activities | 27,007,452 | 3,571,237 | 972,586 | 2,102,498 | (20,361,130) | (20,361,130) | - |
| Business-Type Activities: | | | | | | | |
| Airport | 4,223,926 | 2,997,565 | - | 39,163 | (1,187,198) | (1,187,198) | - |
| Wastewater | 854,648 | 496,629 | - | 489,247 | 131,228 | 131,228 | - |
| Total Business-Type Activities | 5,078,574 | 3,494,194 | - | 528,410 | (1,055,970) | (1,055,970) | - |
| Total - Primary Government | \$ 32,086,026 | \$ 7,065,431 | \$ 972,586 | \$ 2,630,908 | (20,361,130) | (21,417,100) | - |
| Component Unit | | | | | | | |
| Ketchikan Gateway Borough | \$ 24,202,781 | \$ 203,515 | \$ 3,840,539 | \$ - | | | \$ (20,158,727) |
| School District | | | | | | | |
| General Revenues | | | | | | | |
| Property taxes levied for: | | | | | | | |
| General purposes | | | | | 8,222,959 | 8,222,959 | - |
| Sales taxes | | | | | 7,412,729 | 7,412,729 | - |
| Transient occupancy taxes | | | | | 70,452 | 70,452 | - |
| Payment in lieu of taxes | | | | | 4,323 | 4,323 | - |
| Grants and entitlements not restricted to specific programs | | | | | 932,418 | 932,418 | 11,590,628 |
| Primary government appropriation | | | | | - | - | 7,637,206 |
| Investment earnings | | | | | 760,004 | 778,066 | 2,183 |
| Land sales | | | | | 874,850 | 874,850 | - |
| Bond issuance costs | | | | | 33,834 | 33,834 | - |
| Miscellaneous | | | | | 431,666 | 431,666 | 10,735 |
| Total General Revenues | | | | | 18,743,235 | 18,761,297 | 19,240,752 |
| Transfers | | | | | (556,000) | - | - |
| Total General Revenues and Transfers | | | | | 18,187,235 | 18,761,297 | 19,240,752 |
| Change in Net Assets | | | | | (2,173,895) | (481,908) | (917,975) |
| Net Assets Beginning of Year | | | | | 121,410,628 | 17,319,113 | 3,280,357 |
| Net Assets End of Year | | | | | 119,236,733 | 16,837,205 | 2,362,382 |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Balance Sheet
Governmental Funds
June 30, 2005

| | General | Land Trust | Southeast Economic Development | State & Federal Grants | School Bond Capital Improvements | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------|--------------------------------------|------------------------------|--|----------------------|--------------------------------|--------------------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 267,132 | \$ 5,402,300 | \$ 623,908 | \$ 56,202 | \$ 1,534,828 | \$ 4,338,646 | \$ 1,986,901 | \$ 14,209,917 |
| Cash with fiscal agent | - | - | 2,012,411 | - | - | - | - | 2,012,411 |
| Investments | - | - | - | - | - | 8,062,959 | - | 8,062,959 |
| Receivables: | | | | | | | | |
| Accounts | 148,347 | 303 | 11,215 | 265,698 | 14,792 | - | 390,263 | 830,618 |
| Taxes | 4,568,647 | - | - | - | - | - | - | 4,568,647 |
| Notes | - | 846,948 | - | - | - | - | - | 846,948 |
| Interfund | 1,273,697 | - | - | - | - | - | - | 1,273,697 |
| Advances | - | 3,991,917 | - | - | - | - | - | 3,991,917 |
| Component unit | - | - | - | - | - | - | - | - |
| Land held for resale | - | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - | - |
| Total Assets | \$ 6,257,823 | \$ 10,241,468 | \$ 2,647,534 | \$ 321,900 | \$ 1,549,620 | \$ 12,401,605 | \$ 2,377,164 | \$ 35,797,114 |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 321,294 | \$ 1,620 | \$ 12,650 | \$ 72,246 | \$ - | \$ 2,411,457 | \$ 16,759 | \$ 2,836,026 |
| Accrued expenditures | - | - | - | - | - | - | - | - |
| Intergovernmental payable | 2,724,450 | - | - | - | - | - | - | 2,724,450 |
| Interfund payable | - | - | - | 173,824 | - | - | 80,261 | 254,085 |
| Advances payable | - | - | 1,190,474 | - | - | - | 1,309,525 | 2,499,999 |
| Notes payable | - | - | - | - | - | - | - | - |
| Due to component unit | 132,400 | - | - | - | - | - | - | 132,400 |
| Deposits | 145,500 | 5,600 | 9,972 | - | - | - | 500 | 161,572 |
| Deferred revenues | 53,982 | - | - | 29,143 | - | - | - | 83,125 |
| Total Liabilities | 3,377,626 | 7,220 | 1,213,096 | 275,213 | - | 2,411,457 | 1,407,045 | 8,691,657 |
| Fund Balances | | | | | | | | |
| Reserved for : | | | | | | | | |
| Accounts receivable | - | 303 | 11,215 | - | - | - | - | 11,518 |
| Advances to other funds | - | 3,991,917 | - | - | - | - | - | 3,991,917 |
| Debt service | - | - | - | - | - | - | - | - |
| Encumbrances | 210,805 | - | 101,360 | 234,369 | 2,000 | 6,441,858 | 61,369 | 7,051,761 |
| IFA loan guarantee | - | - | 1,660,000 | - | - | - | - | 1,660,000 |
| KVB loan guarantee | 293,314 | - | - | - | - | - | - | 293,314 |
| Land held for resale | - | - | - | - | - | - | - | - |
| Long-term loans | - | 846,948 | - | - | - | - | - | 846,948 |
| Prepaid items | - | - | - | - | - | - | - | - |
| Shipyard MOU | - | - | 250,827 | - | - | - | - | 250,827 |
| Unreserved, undesignated, (deficit) reported in: | - | - | (588,964) | - | - | - | - | (588,964) |
| Capital projects funds | - | - | - | - | - | 3,548,290 | - | 3,548,290 |
| General fund | 2,376,078 | - | - | - | - | - | - | 2,376,078 |
| Special revenue funds | - | 5,395,080 | - | (187,682) | 1,547,620 | - | 908,750 | 7,663,768 |
| Total Fund Balances | 2,880,197 | 10,234,248 | 1,434,438 | 46,687 | 1,549,620 | 9,990,148 | 970,119 | 27,105,457 |
| Total Liabilities and Fund Balances | \$ 6,257,823 | \$ 10,241,468 | \$ 2,647,534 | \$ 321,900 | \$ 1,549,620 | \$ 12,401,605 | \$ 2,377,164 | 35,797,114 |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

| | | |
|---|---------------------|---------------------------|
| Total Governmental Fund Balances | \$ | 27,105,457 |
| 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 | \$ 147,118,165 | |
| Less accumulated depreciation | <u>(19,841,787)</u> | 127,276,378 |
| 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. | | |
| | | (536,725) |
| The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements. | | |
| | | 142,013 |
| 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 | \$ (2,754,084) | |
| Interfund payables | <u>2,754,084</u> | - |
| Liabilities that are not due and payable in the current period and therefore are not reported in the funds: | | |
| General obligation bonds | \$ (33,305,000) | |
| Capital lease payable | (364,411) | |
| Compensated absences | (510,659) | |
| Net pension obligation | (314,677) | |
| Accrued interest | <u>(255,643)</u> | <u>(34,750,390)</u> |
| Net Assets Of Governmental Activities | | <u><u>119,236,733</u></u> |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

| | General | Land Trust | Southeast Economic Development | State & Federal Grant | School Bond Capital Improvements | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|--------------------------------|-----------------------|----------------------------------|---------------------|--------------------------|--------------------------|
| Revenues | | | | | | | | |
| Land sales | \$ - | \$ - | \$ 874,850 | \$ - | | \$ - | \$ - | \$ 874,850 |
| Taxes | 12,210,273 | | | | 1,212,106 | | 2,283,761 | 15,706,140 |
| Payments in lieu of taxes | 4,323 | | | | | | | 4,323 |
| Intergovernmental | 1,364,410 | | | 1,237,453 | 1,479,265 | | | 4,081,128 |
| Licenses and permits | 38,815 | | | | | | | 38,815 |
| SDC - Principal and interest | | | | | | | | |
| Charges for services | 735,743 | | 398,738 | | | | 279,885 | 1,414,366 |
| Investment earnings | 200,403 | 192,570 | 79,521 | | 32,603 | 189,663 | 65,244 | 760,004 |
| Miscellaneous | | 1,207 | 21,728 | | | 6,300 | 402,429 | 431,664 |
| Total Revenues | 14,553,967 | 193,777 | 1,374,837 | 1,237,453 | 2,723,974 | 195,963 | 3,031,319 | 23,311,290 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| Administration | 2,290,158 | | | | | | | 2,290,158 |
| Library services | | | | | | | 411,855 | 411,855 |
| Public services | 4,128,617 | 35,544 | 4,465,656 | 561,044 | 2,465 | | 678,610 | 9,871,936 |
| Automation | 265,761 | | | | | | | 265,761 |
| Education | 7,635,347 | | | | | | | 7,635,347 |
| Nondepartmental | 362,582 | | | | | | | 362,582 |
| Capital Outlay | 36,340 | | 1,005,159 | 676,409 | | 9,599,436 | 613,080 | 11,930,424 |
| Debt Service: | | | | | | | | |
| Principal retirement | | | | | | | 1,641,555 | 1,641,555 |
| Interest and fiscal charges | | | | | | | 1,264,999 | 1,264,999 |
| Bond issuance costs | | | | | | 450,000 | | 450,000 |
| Total Expenditures | 14,718,805 | 35,544 | 5,470,815 | 1,237,453 | 2,465 | 10,049,436 | 4,610,099 | 36,124,617 |
| (Deficiency) of Revenues (Under) Expenditures | (164,838) | 158,233 | (4,095,978) | - | 2,721,509 | (9,853,473) | (1,578,780) | (12,813,327) |
| Other Financing Sources (Uses) | | | | | | | | |
| General obligation bonds issued | | | | | | 7,900,000 | | 7,900,000 |
| Premium for bond issuance costs | | | | | | 33,834 | | 33,834 |
| Premium on debt issuance | | | | | | 450,000 | | 450,000 |
| Transfers in | 757,115 | 250,000 | 250,000 | | 1,527,591 | 33,016 | 2,906,554 | 5,724,276 |
| Other financing proceeds-refunding bonds | | | | | | | 7,680,000 | 7,680,000 |
| Capital leases | | | | | | | 395,966 | 395,966 |
| Bond issuance costs | | | | | | (31,000) | | (31,000) |
| Transfers out | (737,000) | (683,549) | (77,385) | | (2,922,914) | | (1,859,426) | (6,280,274) |
| Other financing uses-payment to refund bond escrow agent | | | | | | | (7,680,000) | (7,680,000) |
| Total Other Financing Sources (Uses) | 20,115 | (433,549) | 172,615 | - | (1,395,323) | 8,385,850 | 1,443,094 | 8,192,802 |
| Net Change in Fund Balances | (144,723) | (275,316) | (3,923,363) | - | 1,326,186 | (1,467,623) | (135,686) | (4,620,525) |
| Fund Balances Beginning of Year - | 3,024,920 | 10,509,564 | 5,357,801 | 46,687 | 223,434 | 11,457,771 | 1,105,805 | 31,725,982 |
| Fund Balances End of Year | \$ 2,880,197 | \$ 10,234,248 | \$ 1,434,438 | \$ 46,687 | \$ 1,549,620 | \$ 9,990,148 | \$ 970,119 | \$ 27,105,457 |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

| | | |
|--|-------------------|------------------------------|
| Net Changes In Fund Balances - Total Governmental Funds | | \$ (4,620,525) |
| 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 | \$ (2,072,026) | |
| Capital outlay | <u>12,438,383</u> | 10,366,357 |
| 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 \$140,860 charged to governmental funds is reduced by the portion of the loss charged to the enterprise funds (\$81,394). | | |
| | | (59,466) |
| Book value of capital assets written off on the statement of activities but not reported in the governmental funds | | |
| | | (816,022) |
| Elimination of transfers between governmental funds: | | |
| Transfers in | \$ (5,724,296) | |
| Transfers out | <u>5,724,296</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 @ 06/30/05 | \$ (255,643) | |
| Liability @ 06/30/04 | <u>218,796</u> | (36,847) |
| 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 | | (7,900,000) |
| Capital lease payable | | (364,411) |
| 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 | 1,578,445 | |
| Capital lease payable principal payments | <u>31,555</u> | 1,610,000 |
| 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 @ 06/30/05 | \$ (510,659) | |
| Liability @ 06/30/04 | <u>472,355</u> | (38,304) |
| Net pension obligation | | <u>(314,677)</u> |
| Change In Net Assets of Governmental Activities | | <u><u>\$ (2,173,895)</u></u> |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 12,270,372 | \$ 12,270,372 | \$ 12,210,273 | \$ (60,099) |
| Payments in lieu of taxes | 12,500 | 12,500 | 4,323 | (8,177) |
| Licenses and permits | 30,000 | 30,000 | 38,815 | 8,815 |
| Intergovernmental | 1,190,967 | 1,190,967 | 1,364,410 | 173,443 |
| Charges for services | 815,200 | 815,200 | 735,743 | (79,457) |
| Investment earnings | 125,000 | 125,000 | 200,403 | 75,403 |
| Total Revenues | 14,444,039 | 14,444,039 | 14,553,967 | 109,928 |
| Expenditures | | | | |
| Current: | | | | |
| Administration | 2,230,414 | 2,321,914 | 2,290,158 | 31,756 |
| Public services | 4,009,029 | 4,211,529 | 4,128,617 | 82,912 |
| Automation | 264,788 | 264,788 | 265,761 | (973) |
| Education | 7,751,163 | 7,751,163 | 7,635,347 | 115,816 |
| Nondepartmental | 192,967 | 192,967 | 362,582 | (169,615) |
| Capital Outlay | 200,000 | 200,000 | 36,340 | 163,660 |
| Total Expenditures | 14,648,361 | 14,942,361 | 14,718,805 | 223,556 |
| (Deficiency) of Revenues (Under) Expenditures | (204,322) | (498,322) | (164,838) | 333,484 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 857,500 | 857,500 | 757,115 | (100,385) |
| Transfers out | (737,000) | (737,000) | (737,000) | - |
| Total Other Financing Sources (Uses) | 120,500 | 120,500 | 20,115 | (100,385) |
| Net Change in Fund Balances | \$ (83,822) | \$ (377,822) | (144,723) | \$ 233,099 |
| Fund Balances Beginning of Year - | | | 3,024,920 | |
| Fund Balances End of Year | | | \$ 2,880,197 | |

Ketchikan Gateway Borough, Alaska
Land Trust Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|----------------------------|-------------------------|----------------------|---|----------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Land sales | \$ - | \$ - | \$ - | \$ - | \$ 115,876 |
| Intergovernmental | - | - | - | - | - |
| SDC - principal/interest | 357,759 | - | - | - | - |
| Investment earnings | 481,192 | 81,192 | 192,570 | 111,378 | 308,223 |
| Miscellaneous | - | - | 1,207 | 1,207 | (1,345) |
| Total Revenues | 838,951 | 81,192 | 193,777 | 112,585 | 422,754 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 30,000 | 30,000 | 35,544 | (5,544) | 71,353 |
| Capital Outlay | - | - | - | - | 147,187 |
| Total Expenditures | 30,000 | 30,000 | 35,544 | (5,544) | 218,540 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 808,951 | 51,192 | 158,233 | 107,041 | 204,214 |
| Other Financing (Uses) | | | | | |
| Transfers in | 250,000 | 250,000 | 250,000 | - | - |
| Transfers out | (679,405) | (679,405) | (683,549) | (4,144) | (829,405) |
| Net Change in Fund Balances | \$ 379,546 | \$ (378,213) | (275,316) | \$ 102,897 | (625,191) |
| Fund Balances Beginning of Year | | | 10,509,564 | | 11,134,755 |
| Fund Balances End of Year | | | \$ 10,234,248 | | \$ 10,509,564 |

Ketchikan Gateway Borough, Alaska
Southeast Economic Development Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|---------------------|-----------------------|---------------------|--|---------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Property Sales | \$ - | \$ - | \$ 874,850 | 874,850 | \$ 320,508 |
| Taxes | - | - | - | - | 37,365 |
| Intergovernmental | - | - | - | - | - |
| Charges for services | 321,570 | 321,570 | 398,738 | 77,168 | 312,782 |
| Miscellaneous revenue | - | - | 21,728 | 21,728 | 8,900 |
| Investment earnings | - | - | 79,521 | 79,521 | 68,556 |
| Total Revenues | <u>321,570</u> | <u>321,570</u> | <u>1,374,837</u> | <u>1,053,267</u> | <u>748,111</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 830,850 | 5,031,672 | 4,465,656 | 566,016 | 1,750,030 |
| Capital Outlay | <u>280,000</u> | <u>1,220,200</u> | <u>1,005,159</u> | <u>215,041</u> | <u>11,730,905</u> |
| Total Expenditures | <u>1,110,850</u> | <u>6,251,872</u> | <u>5,470,815</u> | <u>781,057</u> | <u>13,480,935</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(789,280)</u> | <u>(5,930,302)</u> | <u>(4,095,978)</u> | <u>1,834,324</u> | <u>(12,732,824)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 250,000 | 250,000 | 250,000 | - | 150,000 |
| Transfers out | - | (77,385) | (77,385) | - | (15,000) |
| Total Other Financing Sources (Uses) | <u>250,000</u> | <u>172,615</u> | <u>172,615</u> | <u>-</u> | <u>135,000</u> |
| Net Change in Fund Balances | <u>\$ (539,280)</u> | <u>\$ (5,757,687)</u> | <u>(3,923,363)</u> | <u>\$ 1,834,324</u> | <u>(12,597,824)</u> |
| Fund Balances Beginning of Year | | | <u>5,357,801</u> | | <u>17,955,625</u> |
| Fund Balances End of Year | | | <u>\$ 1,434,438</u> | | <u>\$ 5,357,801</u> |

Ketchikan Gateway Borough, Alaska
State and Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | <u>2005</u> | <u>2004</u> |
|--|------------------|------------------|
| Revenues | | |
| Intergovernmental | 1,237,453 | \$ 2,507,351 |
| Investment earnings | - | - |
| Total Revenues | <u>1,237,453</u> | <u>2,507,351</u> |
| Expenditures | | |
| Current: | | |
| Public services | 561,044 | 662,176 |
| Capital Outlay | <u>676,409</u> | <u>1,819,365</u> |
| Total Expenditures | <u>1,237,453</u> | <u>2,481,541</u> |
| Other Financing Sources (Uses) | | |
| Transfers out | | <u>(25,620)</u> |
| Net Change in Fund Balances | - | 190 |
| Fund Balances Beginning of Year | <u>46,687</u> | <u>46,497</u> |
| Fund Balances End of Year | <u>\$ 46,687</u> | <u>\$ 46,687</u> |

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|------------------|---------------------|--|-------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ 1,212,106 | 1,212,106 | \$ - |
| Intergovernmental | 1,489,215 | 1,489,215 | 1,479,265 | (9,950) | 1,497,732 |
| Investment earnings | 7,007 | 7,007 | 32,603 | 25,596 | 10,831 |
| Total Revenues | 1,496,222 | 1,496,222 | 2,723,974 | 1,227,752 | 1,508,563 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 9,000 | 9,000 | 2,465 | 6,535 | 2,841 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,487,222 | 1,487,222 | 2,721,509 | 1,234,287 | 1,505,722 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 1,527,591 | 1,527,591 | 1,527,591 | - | 1,449,028 |
| Transfers out | (2,923,042) | (2,923,042) | (2,922,914) | - | (2,913,804) |
| Total Other Financing Sources (Uses) | (1,395,451) | (1,395,451) | (1,395,323) | - | (1,464,776) |
| Net Change in Fund Balances | <u>\$ 91,771</u> | <u>\$ 91,771</u> | 1,326,186 | <u>\$ 1,234,287</u> | 40,946 |
| Fund Balances Beginning of Year | | | 223,434 | | 182,488 |
| Fund Balances End of Year | | | <u>\$ 1,549,620</u> | | <u>\$ 223,434</u> |

Ketchikan Gateway Borough, Alaska
Statement of Net Assets
Proprietary Funds
June 30, 2005

| | Business-type Activities | | | Governmental Activities - Internal Service Funds |
|---|---------------------------------|----------------------|----------------------|---|
| | Airport | Wastewater | Total | |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 270,530 | \$ 270,530 | \$ - |
| Receivables: | | | | |
| Accounts | 288,690 | 149,033 | 437,723 | - |
| Prepaid items | 208 | - | 208 | - |
| Total Current Assets | <u>288,898</u> | <u>419,563</u> | <u>708,461</u> | <u>-</u> |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Nondepreciable | 27,857 | 825,513 | 853,370 | - |
| Depreciable, net | 9,039,990 | 12,833,480 | 21,873,470 | - |
| Total Noncurrent Assets | <u>9,067,847</u> | <u>13,658,993</u> | <u>22,726,840</u> | <u>-</u> |
| Total Assets | <u>9,356,745</u> | <u>14,078,556</u> | <u>23,435,301</u> | <u>-</u> |
| Liabilities | | | | |
| Accounts payable | 96,367 | 39,336 | 135,703 | - |
| Interfund advances payable | 397,950 | 1,093,965 | 1,491,915 | - |
| Interfund payable | 617,246 | - | 617,246 | 402,366 |
| Due to component unit | - | - | - | - |
| Compensated absences payable | 153,679 | - | 153,679 | - |
| Deferred revenue | - | 18,889 | 18,889 | - |
| Revenue bonds payable | 180,000 | - | 180,000 | - |
| Capital leases payable | 26,392 | - | 26,392 | - |
| Claims payable | - | - | - | 134,359 |
| Total Current Liabilities | <u>1,471,634</u> | <u>1,152,190</u> | <u>2,623,824</u> | <u>536,725</u> |
| Long-Term Liabilities: | | | | |
| Compensated absences payable (net of current portion) | 32,987 | - | 32,987 | - |
| Net pension obligation | 144,272 | - | 144,272 | - |
| Revenue bonds payable (net of current portion) | 3,655,000 | - | 3,655,000 | - |
| Total Liabilities | <u>5,303,893</u> | <u>1,152,190</u> | <u>6,456,083</u> | <u>536,725</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 5,206,455 | 13,658,993 | 18,865,448 | - |
| Unrestricted | (1,153,603) | (732,627) | (1,886,230) | (536,725) |
| Total Net Assets - Fund Level | <u>\$ 4,052,852</u> | <u>\$ 12,926,366</u> | <u>16,979,218</u> | <u>\$ (536,725)</u> |
| Record internal service fund charge-back to enterprise funds resulting in an interfund payable to governmental activities. Prior years. | | | (60,619) | |
| Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities. Current year. | | | (81,394) | |
| Total Net Assets - Government-wide Statement of Net Assets | | | <u>\$ 16,837,205</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, 2005

| | Business-type Activities | | | Governmental Activities - Internal Service Funds |
|--|---------------------------------|----------------------|---------------------|---|
| | Airport | Wastewater | Total | |
| Operating Revenues | | | | |
| Charges for services | \$ 2,997,565 | \$ 496,629 | \$ 3,494,194 | \$ 3,045,532 |
| Operating Expenses | | | | |
| Personal services | 2,043,070 | 159,190 | 2,202,260 | - |
| Supplies and services | 944,407 | 274,934 | 1,219,341 | - |
| Insurance | 232,043 | 6,089 | 238,132 | - |
| Administration | - | - | - | 418,280 |
| Claims | - | - | - | 2,768,110 |
| Depreciation | 695,241 | 345,059 | 1,040,300 | - |
| Total Operating Expenses | 3,914,761 | 785,272 | 4,700,033 | 3,186,390 |
| Operating (Loss) | (917,196) | (288,643) | (1,205,839) | (140,858) |
| Non-Operating Revenues (Expenses) | | | | |
| Interest and fiscal charges | (212,266) | (61,078) | (273,344) | - |
| (Loss) on sale of capital assets | (23,803) | - | (23,803) | - |
| Investment earnings | 364 | 17,698 | 18,062 | - |
| PFC revenues | - | - | - | - |
| Operating grants | - | - | - | - |
| Total Non-Operating Revenues (Expenses) | (235,705) | (43,380) | (279,085) | - |
| (Loss) before Capital Contributions and Transfers | (1,152,901) | (332,023) | (1,484,924) | (140,858) |
| Capital contributions | 39,163 | 489,247 | 528,410 | - |
| Transfers in | 1,012,015 | 112,130 | 1,124,145 | - |
| Transfers out | (534,745) | (33,400) | (568,145) | - |
| Change in Net Assets | (636,468) | 235,954 | (400,514) | (140,858) |
| Net Assets Beginning of Year | 4,689,320 | 12,690,412 | | (395,867) |
| Net Assets End of Year | \$ 4,052,852 | \$ 12,926,366 | | \$ (536,725) |
| 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. | | | (81,394) | |
| Change in net assets of business-type activities - page | | | \$ (481,908) | |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

| | 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 | \$ 2,990,305 | \$ 477,087 | \$ 3,467,392 | \$ 3,045,532 |
| Cash payments to employees for services | (1,903,187) | \$ (162,296) | (2,065,483) | - |
| Cash payments for goods and services | (1,173,317) | \$ (364,524) | (1,537,841) | (418,280) |
| Cash payments for claims | - | - | - | (2,627,252) |
| Net Cash Provided by (Used in) Operating Activities | <u>(86,199)</u> | <u>(49,733)</u> | <u>(135,932)</u> | <u>-</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Interfund advances | 211,997 | - | 211,997 | - |
| Interfund receivable | - | - | - | - |
| Interfund payable | - | - | - | - |
| Transfers in-PFC revenue | - | - | - | - |
| Transfers in | 1,012,015 | 112,130 | 1,124,145 | - |
| Transfers out | (534,745) | (33,400) | (568,145) | - |
| Net Cash (Used in) Noncapital Financing Activities | <u>689,267</u> | <u>78,730</u> | <u>767,997</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Sale of capital assets | (23,803) | - | (23,803) | - |
| Principal paid on revenue bonds | (185,000) | - | (185,000) | - |
| Capital grant | 39,163 | 489,247 | 528,410 | - |
| Interest paid on revenue bonds | (212,266) | (61,078) | (273,344) | - |
| Payments for capital acquisitions | (221,526) | (1,034,438) | (1,255,964) | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(603,432)</u> | <u>(606,269)</u> | <u>(1,209,701)</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | |
| Investment earnings | 364 | 17,698 | 18,062 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>-</u> | <u>(559,574)</u> | <u>(559,574)</u> | <u>-</u> |
| Cash and Cash Equivalents Beginning of Year | <u>-</u> | <u>830,104</u> | <u>830,104</u> | <u>-</u> |
| Cash and Cash Equivalents End of Year | <u>\$ -</u> | <u>\$ 270,530</u> | <u>\$ 270,530</u> | <u>\$ -</u> |

(continued)

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

| | Business-type Activities | | | Governmental Activities - Internal Service Fund |
|--|---------------------------------|--------------------|---------------------|--|
| | Airport | Wastewater | Total | |
| Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities | | | | |
| Operating (Loss) | \$ (917,196) | \$ (288,643) | \$ (1,205,839) | \$ (140,858) |
| Adjustments: | | | | |
| Depreciation | 695,241 | 345,059 | 1,040,300 | - |
| (Increase) Decrease in Assets: | | | | |
| Accounts receivable | (7,260) | (19,542) | (26,802) | - |
| Prepaid items | 8,649 | - | 8,649 | - |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts payable | 31,804 | (17,894) | 13,910 | - |
| Interfund advances payable | (43,897) | (65,607) | (109,504) | - |
| Interfund payable | - | - | - | - |
| Accrued liabilities | - | - | - | - |
| Compensated absences payable | (4,389) | - | (4,389) | - |
| Net pension obligation | 144,272 | - | 144,272 | - |
| Capital lease payable | 6,577 | - | 6,577 | - |
| Claims payable | - | - | - | 140,858 |
| Deferred revenue | - | (3,106) | (3,106) | - |
| Net Cash Provided by (Used in) Operating Activities | \$ (86,199) | \$ (49,733) | \$ (135,932) | \$ - |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005

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, 2005

Southeastern Economic Development Fund – This fund is used to account for the southeastern development program.

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 2005, the Borough received \$1,237,453 in State and Federal grants. The Borough expended \$561,044 on public services and \$676,409 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 fund follows:

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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

- 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, 2005.

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, 2005, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

1-E-6 Restricted Assets

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 | --- |

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-8 Compensated Absences

It is the Borough's policy to permit employees to accumulate paid time off (PTO) benefits.

PTO benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All PTO liabilities include salary-related payments, where applicable.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2005, caused by the elimination of the internal service funds and the conversion to the accrual basis of accounting and to the economic resources measurement focus.

In June 1999, the GASB unanimously approved Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*." This statement became effective for Ketchikan Gateway Borough for fiscal year beginning July 1, 2002. Ketchikan Gateway Borough has elected to implement the general provisions of the Statement for fiscal year 2003 and plans to retroactively report infrastructure acquired prior to July 1, 2002 in the fiscal year ending June 30, 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005:

| | |
|--------------------------------|----------|
| Land Trust Fund | \$ 5,544 |
| Mud Bight | 449 |
| Waterfall Service Area | 16,400 |
| Gold Nugget Special Assessment | 41,781 |

3-C. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2005:

| | |
|--|------------|
| North Tongass Fire & EMS Service Area Fund | \$ 630,233 |
| South Tongass Fire District Fund | 93,442 |
| Waterfall Service Area Fund | 920 |
| Gold Nugget Special Assessment Fund | 42,961 |
| | |

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, 2005:

| | Category | | | Bank Balance | Carrying Amount |
|--------------------|--------------|------|------|-----------------|--------------------|
| | 1 | 2 | 3 | | |
| Primary Government | \$ 3,121,627 | \$ - | \$ - | \$ 3,121,627 | \$ 2,981,832 |
| Component Unit: | | | | | |
| School District | \$ 38,242 | \$ - | \$ - | \$ 38,242 | \$ 38,242 |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 | \$ - | \$ 7,087,657 | \$ - | \$ 7,087,657 |
| Common Stock | - | 2,588,106 | - | 2,588,106 |
| TCD's | 607,849 | - | - | 607,849 |
| Cash equivalents | - | - | 11,287,473 | 11,287,473 |
| Total | \$ 607,849 | \$ 9,675,763 | \$ 11,287,473 | \$ 21,571,085 |
| Component Unit: | | | | |
| U.S. Government Securities | \$ - | \$ 30,240 | \$ - | \$ 30,240 |

Cash & Investment Reconciliation:

| | Cash and | | Per Above Categorization | |
|---|----------------------|---------------------|--------------------------|----------------------|
| | Cash Equivalents | Investments | | |
| Fund Reporting Level: | | | | |
| Governmental Funds - Balance Sheet | \$ 14,209,917 | \$ 8,062,959 | Deposits | \$ 2,981,832 |
| Governmental Funds - Balance Sheet - fiscal agent | 2,012,411 | - | Investments | 21,571,085 |
| Proprietary Fund Type Statement of Net Assets | 270,530 | - | | - |
| Less cash on hand and petty cash | (2,900) | - | | - |
| Total | \$ 16,489,958 | \$ 8,062,959 | | \$ 24,552,917 |

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

4-B. Receivables

Receivables at June 30, 2005, 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, 2005 is \$846,947.83. In the event of a default of the development project, the value of the improvements would exceed the loan value.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005, 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, 2005

| | Balance 7/1/2004 | Additions | Deductions | Balance 6/30/2005 |
|--|---------------------|---------------|------------|----------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land - Borough | \$ 26,474,450 | \$ - | \$ 143,500 | \$ 26,330,950 |
| Land - Ward Cove | 4,747,000 | | 214,700 | 4,532,300 |
| Buildings/Impr. - Ward Cove | 1,407,800 | 1,288,191 | 414,000 | 2,281,991 |
| Ward Cove - Dip Collateral | 2,490,000 | | | 2,490,000 |
| Ward Cove - Tymatt Property | 524,460 | | | 524,460 |
| Ward Cove - Veneer Mill | 2,373,077 | | | 2,373,077 |
| Land - School | 7,397,443 | | | 7,397,443 |
| Construction in progress - Borough | 2,599,337 | 395,124 | 36,686 | 2,957,775 |
| Construction in progress - School | 7,309,312 | 9,750,349 | | 17,059,661 |
| | 55,322,879 | 11,433,664 | 808,886 | 65,947,657 |
| Total nondepreciable capital assets | | | | |
| Depreciable capital assets: | | | | |
| Buildings - School | 64,450,225 | | | 64,450,225 |
| Buildings - Borough | 8,813,169 | 222,076 | | 9,035,245 |
| Equipment | 2,727,579 | 556,248 | 64,819 | 3,219,008 |
| Equipment - Ward Cove | | 35,995 | | 35,995 |
| Infrastructure | 3,474,354 | 190,400 | | 3,664,754 |
| Transit - Buses | 765,281 | | | 765,281 |
| | 80,230,608 | 1,004,719 | 64,819 | 81,170,508 |
| Total depreciable capital assets | | | | |
| Total cost of capital assets | 135,553,487 | 12,438,383 | 873,705 | 147,118,165 |
| Accumulated depreciation: | | | | |
| Buildings - School | 13,857,210 | 1,368,310 | | 15,225,520 |
| Buildings - Borough | 1,204,175 | 204,970 | | 1,409,145 |
| Equipment | 930,908 | 253,535 | 57,683 | 1,126,760 |
| Infrastructure | 1,273,116 | 194,633 | | 1,467,749 |
| Transit - Buses | 562,035 | 50,578 | | 612,613 |
| | 17,827,444 | 2,072,026 | 57,683 | 19,841,787 |
| Total accumulated depreciation | | | | |
| Governmental activities capital assets, net | \$ 117,726,043 | \$ 10,366,357 | \$ 816,022 | \$ 127,276,378 |
| Governmental activities depreciation expense | | | | |
| Administration | | \$ 6,593 | | |
| Public services | | 660,129 | | |
| Education | | 1,368,310 | | |
| Automation | | 20,826 | | |
| Non-departmental | | 16,168 | | |
| | | 2,072,026 | | |
| Total governmental activities depreciation expense | | \$ 2,072,026 | | |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

| | Balance 7/1/2004 | Additions | Deductions | Balance 6/30/2005 |
|--|---------------------|--------------|--------------|----------------------|
| Business-type activities: | | | | |
| Nondepreciable capital assets | | | | |
| Construction in progress | \$ 1,956,498 | \$ 378,221 | \$ 1,481,349 | \$ 853,370 |
| Depreciable capital assets: | | | | |
| Field | 3,466,182 | 32,469 | 592,223 | 2,906,428 |
| Terminal building | 8,230,259 | 219,436 | 124,324 | 8,325,371 |
| Ferry | 5,335,817 | | 49,169 | 5,286,648 |
| Administration | 7,599 | | | 7,599 |
| Murphy's landing | 208,800 | | | 208,800 |
| Sludge/compost | 215,099 | | | 215,099 |
| Wastewater | 270,259 | | | 270,259 |
| Mountain point wastewater | 11,226,764 | 2,125,243 | | 13,352,007 |
| Forest Park Wastewater | | 32,700 | | 32,700 |
| Total depreciable capital assets | 28,960,779 | 2,409,848 | 765,716 | 30,604,911 |
| Total capital assets | 30,917,277 | 2,788,069 | 2,247,065 | 31,458,281 |
| Accumulated depreciation: | | | | |
| Field | 2,742,971 | 112,760 | 592,223 | 2,263,508 |
| Terminal building | 3,265,125 | 284,270 | 124,324 | 3,425,071 |
| Ferry | 1,597,620 | 288,310 | 25,366 | 1,860,564 |
| Administration | 7,600 | | | 7,600 |
| Murphy's landing | 128,214 | 9,900 | | 138,114 |
| Sludge/compost | 53,862 | 21,510 | | 75,372 |
| Wastewater | 38,107 | 26,293 | | 64,400 |
| Mountain point wastewater | 581,010 | 295,947 | | 876,957 |
| Forest Park | | 19,855 | | 19,855 |
| Total accumulated depreciation | 8,414,509 | 1,058,845 | 741,913 | 8,731,441 |
| Business-type activities capital assets, net | \$ 22,502,768 | \$ 1,729,224 | \$ 1,505,152 | \$ 22,726,840 |
| Component unit: | | | | |
| Depreciable capital assets | | | | |
| Improvements other than buildings | \$ 17,867 | \$ - | \$ - | \$ 17,867 |
| Equipment | 6,775,078 | 172,123 | 75,373 | 6,871,828 |
| Less accumulated depreciation | (3,956,662) | | 401,405 | (4,358,067) |
| Component unit capital assets, net | \$ 2,836,283 | \$ 172,123 | \$ 476,778 | \$ 2,531,628 |

Capital Projects – At June 30, 2005, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$210,805; as well as \$232,887 for the enterprise funds; \$350,928 for special revenue and \$7,266,506 for capital projects funds, which are included in the encumbrance balances, reported for the major and non-major special revenue and capital projects funds.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

4-E. Interfund Balances and Transfers

Interfund balances at June 30, 2005, 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: | | |
|-----------------|------------------------------------|-----------------------------------|------------------------------------|
| | SE Economic Development fund | State & Federal Grants Fund | Non-major governmental funds |
| General fund | \$ - | \$ 173,824 | \$ 80,261 |
| Land trust fund | 1,190,474 | | 1,309,526 |
| Total | <u>\$ 1,190,474</u> | <u>\$ 173,824</u> | <u>\$ 1,389,787</u> |

| Payable to: | Payable From: | | | Total |
|-----------------|---------------------|---------------------|---------------------------------|---------------------|
| | Airport fund | Wastewater fund | Great West insurance fund | |
| General fund | \$ 617,246 | \$ - | \$ 402,366 | \$ 1,273,697 |
| Land trust fund | 397,950 | 1,093,965 | | 3,991,915 |
| Total | <u>\$ 1,015,196</u> | <u>\$ 1,093,965</u> | <u>\$ 402,366</u> | <u>\$ 5,265,612</u> |

(This page continued on the subsequent page).

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

Interfund transfers for the year ended June 30, 2005, consisted of the following:

| Transfer to | Transfers From: | | | |
|--------------------------------|-------------------|-------------------|--------------------------------|------------------------------|
| | General fund | Land trust fund | S.E. Economic Development fund | Non-major governmental funds |
| General fund | \$ - | \$ 679,405 | \$ - | \$ 44,310 |
| Land Trust fund | - | - | - | - |
| S.E. Economic Development fund | - | - | - | - |
| Capital Projects | | | | 33,016 |
| Non-major governmental funds | 732,000 | 4,144 | - | 3,697,999 |
| Airport fund | 5,000 | - | - | 1,007,015 |
| Wastewater fund | - | - | 77,385 | - |
| | <u>\$ 737,000</u> | <u>\$ 683,549</u> | <u>\$ 77,385</u> | <u>\$ 4,782,340</u> |

| | Transfers From: | | |
|------------------------------|-------------------|------------------|---------------------|
| | Airport fund | Wastewater fund | Total |
| General fund | \$ - | \$ 33,400 | \$ 757,115 |
| Land Trust fund | 250,000 | - | 250,000 |
| Southeast Economic Dev. Fund | 250,000 | - | 250,000 |
| Capital Projects | | | 33,016 |
| Non-major governmental funds | - | - | 4,434,143 |
| Airport fund | - | - | 1,012,015 |
| Wastewater fund | 34,745 | - | 112,130 |
| | <u>\$ 534,745</u> | <u>\$ 33,400</u> | <u>\$ 6,848,419</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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

No excess of specified revenues over specified expense exists in the airport enterprise fund as of June 30, 2005. As the lessor, the Borough subleases and sub-rents property described in the previous paragraph. The leases that are in place as of June 30, 2005 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, 2005, 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> |
|--------------------|---------------------------|----------------|-------------|-------------------|-------------------|
| 2006 | 43,669 | 8,265 | 6,464 | 28,182 | 1,250 |
| 2007 | 43,669 | 8,265 | 6,464 | 28,182 | 1,250 |
| 2008 | 43,669 | 8,265 | 6,464 | 28,182 | 1,250 |
| 2009 | 43,669 | | 6,464 | 28,182 | |
| 2010 | 43,669 | | 6,464 | 28,182 | |
| 2011-2015 | 137,078 | | 32,320 | 140,910 | |
| 2016-2020 | 82,247 | | 32,320 | 56,364 | |
| 2021-2025 | | | 32,320 | | |

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, 2005 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2006 | 320,000 | 68,103 | 388,103 |
| 2007 | 335,000 | 52,583 | 387,583 |
| 2008 | 350,000 | 36,000 | 386,000 |
| 2009 | 370,000 | 18,500 | 388,500 |
| Total | <u>\$ 1,375,000</u> | <u>\$ 175,186</u> | <u>\$ 1,550,186</u> |

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005 follow:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|---------------------|----------------------|
| 2006 | 365,000 | 413,100 | 778,100 |
| 2007 | 385,000 | 394,850 | 779,850 |
| 2008 | 400,000 | 375,600 | 775,600 |
| 2009 | 420,000 | 355,600 | 775,600 |
| 2010 | 440,000 | 334,600 | 774,600 |
| 2011-2015 | 2,565,000 | 1,315,695 | 3,880,695 |
| 2016-2020 | <u>3,335,000</u> | <u>563,670</u> | <u>3,898,670</u> |
| Total | <u>\$ 7,910,000</u> | <u>\$ 3,753,115</u> | <u>\$ 11,663,115</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, 2005 follow:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|---------------------|----------------------|
| 2006 | 335,000 | 353,578 | 688,578 |
| 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 |
| 2011-2015 | 2,140,000 | 1,246,325 | 3,386,325 |
| 2016-2020 | 2,615,000 | 746,748 | 3,361,748 |
| 2021 | <u>1,870,000</u> | <u>136,365</u> | <u>2,006,365</u> |
| Total | <u>\$ 8,440,000</u> | <u>\$ 3,764,098</u> | <u>\$ 12,204,098</u> |

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2006 | 1,050,000 | 696,051 | 1,746,051 |
| 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 |
| 2011-2015 | 4,660,000 | 2,091,500 | 6,751,500 |
| 2016-2020 | 5,325,000 | 794,925 | 6,119,925 |
| Total | <u>\$ 15,130,000</u> | <u>\$ 5,990,726</u> | <u>\$ 21,120,726</u> |

Defeased Bonds - On May 4, 2005, Ketchikan Gateway Borough issued \$15,130,000 in general obligation bonds with interest rates ranging between 3% and 5.25%. The net proceeds of \$7,933,833.65 (after payment of \$81,213.68 in underwriter fees, \$55,557.80 for bond insurer, \$2,637.03 for escrow verification, and \$2,738.47 for a payment to the bond bank) included premiums of \$54,559.60 on the 1995 refunding, \$406,855.50 on the 1999 refunding, and \$531,040.20 on the new money. The new money project requirements were \$7,900,000 and the additional \$33,833.65 received from the bond proceeds was to cover bond issuance costs. This bond issue refunded the \$2,735,000 balance of the 1995 indoor recreation center bonds with interest rates ranging from 4.8% to 5.10%, advance refunded \$4,945,000 of the 1999 G.O. School bonds that funded the Houghtaling and Valley Park school remodel projects with interest rates ranging from 5.10% to 5.65%, and the remainder of the issue is being used to fund the additional project costs of the Schoenbar Middle and Fawn Mountain school construction projects. Proceeds from the refunding and advance refunding bonds have been placed in an irrevocable escrow account with a trust agent for the payment of debt service on the refunded and advance refunded bonds, the payment of issuance costs, and the purchase of U.S. government securities for deposit to the reserve account. The refunded and advance refunded portion of the 1995 and 1999 debt is considered defeased and Ketchikan Gateway Borough has removed the liability from its accounts. The net present value (NPV) savings on the 1995 bonds is \$98,195 and the NPV on the 1999 bonds is \$235,826. The percentage savings of the 1995 refunded bonds is 3.590294% and the percentage savings of the 1999 refunded bonds is 4.768982%.

Accordingly, the trust assets and liabilities for the defeased bonds are not included in the Borough's financial statements. Although defeased, the refunded debt from the 95 and 99 issues will not be actually retired until the call dates come due or until maturity if they are not callable issues. As of June 30, 2005, \$7,680,000 of the Borough's previously outstanding bonds are considered defeased and are no longer shown as a liability.

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, 2005 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, 2005

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2006 | 195,000 | 374,420 | 569,420 |
| 2007 | 205,000 | 254,776 | 459,776 |
| 2008 | 220,000 | 249,795 | 469,795 |
| 2009 | 225,000 | 239,451 | 464,451 |
| 2010 | 235,000 | 233,758 | 468,758 |
| 2011-2015 | 1,380,000 | 1,067,240 | 2,447,240 |
| 2016-2020 | <u>1,375,000</u> | <u>697,515</u> | <u>2,072,515</u> |
| Total | <u>\$ 3,835,000</u> | <u>\$ 3,116,955</u> | <u>\$ 6,951,955</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%.

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2006 | 33,117 | 18,038 | 51,155 |
| 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 |
| 2011-2014 | <u>181,604</u> | <u>23,016</u> | <u>204,620</u> |
| Total | <u>\$ 364,411</u> | <u>\$ 95,983</u> | <u>\$ 460,394</u> |

Component Unit Operating Lease – The Ketchikan Gateway Borough School District leases equipment under noncancelable operating leases. Total costs for such leases were \$35,382 for the year ended June 30, 2005.

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2005:

| Governmental Activities | Outstanding 7/1/2004 | Additions | Reductions | Outstanding 6/30/2005 | Amounts Due in One Year |
|---------------------------------------|-------------------------|----------------------|---------------------|--------------------------|----------------------------|
| General obligation bonds - 1995 | \$ 3,365,000 | \$ - | \$ 3,365,000 | \$ - | \$ - |
| General obligation bonds - 1999 | 6,625,000 | - | 5,250,000 | 1,375,000 | 320,000 |
| General obligation bonds - 2000 | 8,260,000 | - | 350,000 | 7,910,000 | 365,000 |
| General obligation bonds - 2003 | 8,765,000 | - | 325,000 | 8,440,000 | 335,000 |
| General obligation bonds - 2005 | - | 15,130,000 | - | 15,130,000 | 1,050,000 |
| E-One Lease - (Fire Equipment) | - | 395,966 | 31,555 | 364,411 | 33,117 |
| Compensated absences | 472,357 | 139,113 | 100,809 | 510,661 | 346,798 |
| Net pension obligation | | 314,677 | | 314,677 | - |
| Total Governmental Activities | \$ 27,487,357 | \$ 15,979,756 | \$ 9,422,364 | \$ 34,044,749 | \$ 2,449,915 |
| Business-Type Activities | | | | | |
| Revenue bonds | \$ 4,020,000 | \$ - | \$ 185,000 | \$ 3,835,000 | \$ 195,000 |
| Capital lease | 19,815 | 23,820 | 17,243 | 26,392 | 26,392 |
| Compensated absences | 182,277 | 48,071 | 43,682 | 186,666 | 153,679 |
| Net pension obligation | | 144,272 | | 144,272 | - |
| Total Business-Type Activities | \$ 4,222,092 | \$ 216,163 | \$ 245,925 | \$ 4,192,330 | \$ 375,071 |
| Component Unit: | | | | | |
| Operating Lease | \$ 164,489 | \$ - | \$ 35,382 | \$ 129,107 | \$ 48,347 |
| Compensated absences | 184,000 | - | 3,801 | 180,199 | - |
| Net pension obligation | | 317,881 | | 317,881 | - |
| Total Component Units | \$ 348,489 | \$ 317,881 | \$ 39,183 | \$ 627,187 | \$ 48,347 |

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 School District is required to contribute at an actuarially determined rate. The current rate is 16% of annual covered payroll (12% prior to FY 2003, 11% for FY 2003, 12% for FY 2004, 16% for FY 2005, and 21% for FY 2006). 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 School District's contributions to TRS for the years ended June 30, 2005, 2004, and 2003 were \$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:

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, 2005 was 10.49% of covered payroll for the Borough and 10.86% for the School District. The actuarial determined rate for fiscal year 2005 is 21.79% 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 2005, the Borough's actuarial determined required pension contribution of \$522,149 and the School District's actuarial determined required pension contribution of \$394,000 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, 2002 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 4.5% to 5.5% 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. 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, 2005

Ketchikan Gateway Borough

| Schedule of Employer Contributions | | | | |
|------------------------------------|---|-----------------------------------|---------------------------|---------|
| Year Ended June 30, | Actuarial Determined Contribution | Annual Pension Contribution | Percentage Contributed | NPO |
| 2003 | 157,000 | 157,000 | 100% | |
| 2004 | 121,258 | 121,258 | 100% | |
| 2005 | 522,149 | 251,369 | 49% | 270,780 |

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 |
| 2003 | 211,000 | 211,000 | 100% | |
| 2004 | 107,000 | 107,000 | 100% | |
| 2005 | 394,000 | 203,000 | 52% | 191,000 |

Annual Post-employment Healthcare Cost (APHC). During fiscal year 2005, the Borough and School District's actuarial determined post-employment healthcare contribution of \$362,840 and \$263,000 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, 2002 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.

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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

| Ketchikan Gateway Borough | | | | |
|------------------------------------|------------------------------------|-----------------------------------|---------------------------|---------|
| Schedule of Employer Contributions | | | | |
| Year Ended June 30, | Annual Required Contribution | Annual Pension Contribution | Percentage Contributed | NPO |
| 2003 | 109,000 | 109,000 | 100% | |
| 2004 | 84,264 | 84,264 | 100% | |
| 2005 | 362,840 | 174,680 | 49% | 188,169 |

| 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 |
| 2003 | 81,000 | 81,000 | 100% | |
| 2004 | 71,000 | 71,000 | 100% | |
| 2005 | 263,000 | 136,000 | 52% | 127,000 |

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, 2005 for covered employees totaled \$628,062. The total amount contributed to the IBEW plan in FY 2005 was \$93,418. The Borough's obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005 is as follows:

| | Governmental Activities | Business Type Activities | Component Unit |
|---|----------------------------|--------------------------------|---------------------|
| Investments in capital assets, net of related debt: | | | |
| Cost of capital assets | \$ 147,118,164 | \$ 31,458,281 | \$ 6,889,695 |
| Less accumulated depreciation | 19,841,786 | 8,731,441 | 4,358,067 |
| Book value | 127,276,378 | 22,726,840 | 2,531,628 |
| Less capital related debt | 33,669,413 | 3,861,392 | |
| Investments in capital assets, net of related debt | <u>\$ 93,606,965</u> | <u>\$ 18,865,448</u> | <u>\$ 2,531,628</u> |

Note 5 - Other Notes

5-A. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The Borough has purchased insurance through commercial carriers to cover these risks. Insurance coverage includes general liability, property and casualty coverage, Worker’s Compensation at statutory amounts, and marine coverage for the Borough’s vessels.

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

The Ketchikan Gateway Borough and Ketchikan Gateway Borough School District (component unit) established a partially self-funded health plan to cover its employees’ health care coverage (including dental and vision) effective September 1, 1996. It purchases stop loss insurance at \$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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005. 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 in the Borough's grievance process was settled and the former employee got a jury award of \$30,000 plus attorney's fees of approximately \$50,000. The Borough intends to appeal, but the likelihood of an unfavorable outcome is high.

A claim arose related to a termination. The former employee proposed a settlement, which was rejected. The Borough plans to vigorously defend its actions. The probability of an unfavorable outcome is low to moderate. A suit has been filed and the insurance carrier has taken up the defense of the case.

The Borough has been named a defendant in a civil rights complaint to the equal employment opportunity commission. The Borough is attempting to resolve this claim through mediation. 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. The Borough anticipates additional mediation in approximately 60 days.

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. This money is guaranteed from the general 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 separately. The loan balance as of June 30, 2005 was \$293,314.

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 southeastern economic development 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, 2005 was \$1,660,000 and is shown as a reservation of fund balance in the Southeast Economic Development Fund.

On February 22, 2002, Ketchikan Gateway Borough entered into a Memorandum of Understanding (MOU) with Alaska Ship & Drydock, Inc. Under this agreement, the Borough agreed to provide bonding support as a co-indemnitor on a commercial bond through Gulf Insurance Company, Inc., in an amount of up to one million dollars for projects conducted by Alaska Ship & Drydock, Inc. An additional MOU was signed August 28, 2002. Under this agreement the Borough agreed to provide bonding support as a co-indemnitor on surety bonds through Gulf Insurance Company, Inc., in an amount of up to five million dollars for projects conducted by ASD until October 15, 2003, and completion of projects then in progress, or the completion of the work on the Fairweather project, whichever was later. The completion of the final shipyard project was finalized in early 2006 and the remaining funds held on deposit in a TCD were released to AIDEA in March 2006. As part of this agreement, the president of ASD provided the Borough with a personal guarantee as security for the Borough's indemnity. At June 30, 2005, the Borough had on deposit \$250,827 with Wells Fargo Bank, which was the balance of a TCD and accrued interest. This \$250,827 is included in the \$2,023,402 reservation of Fund Balance presented on the Southeast Economic Development Fund balance sheet. This reservation represents the remaining balance of the amount held by Ketchikan Gateway Borough for shipyard development.

Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2005

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. Subsequent Events

The White Cliff School building closed in 2003 due to health and safety concerns. Construction of the Fawn Mountain Elementary School was completed in December 2005. Fawn Mountain will be the White Cliff School replacement. The first day for students in their new school was January 3, 2006.

In August 2005, the eastside of the Wards Cove property was publicly auctioned. Proceeds totaled approximately \$3.5 million.

On November 7, 2005, the Ketchikan Gateway Borough Assembly approved a \$450,423 loan to the Ketchikan Gateway Borough School District to purchase software, publications and tools. This loan will be repaid over a three-year period from reimbursements from the Safe Schools Health Student Grant that the District was recently awarded. The terms of the loan are \$150,141 per year with zero interest.

On November 22, 2004, Ketchikan Gateway Borough (KGB) entered into a Memorandum of Understanding with Alaska Industrial Development and Export Authority (AIDEA). Under this agreement, KGB agreed to transfer to AIDEA, and/or delegate to AIDEA the following funds and rights to funds: the remaining balance of a direct Federal payment received by KGB for shipyard development purposes after deducting expenditures on the shiplift project; funds held and the right to receive additional funds under two State of Alaska legislative grants for shipyard development purposes – less any expenditures as of that date; any accrued interest on the advance grant payments; and the right to receive any funds that may be approved and awarded under an EPA grant that KGB has applied for, but have not yet been approved. As of February 2006, KGB has remitted all remaining funds and accrued interest associated with Alaska Ship & Drydock to AIDEA.

The voters approved a bond issue for school capital improvement projects for \$1.1 million in October 2005. The bonds were sold on February 9, 2006.

In March 2006, Ketchikan Gateway Borough increased its loan guarantee for the Ketchikan Visitor's Bureau (KVB) loan to approximately \$438,000. The maturity of the KVB loan is January 2008.

The Borough sold the westside of the Ward Cove property in May of 2006 for \$9 million to Renaissance Ketchikan Group, LLC (RKG). The Borough will receive interest payments at 4.4 percent annually on \$9 million. RKG will take over operation of the veneer plant, mill site, dam, and pipeline. The borough will be saving approximately \$400 thousand in operating expenses and receiving \$400 thousand in interest revenue. The benefit to the borough will be \$800 thousand annually to the Economic Development fund.

RKG shall execute and deliver to the Borough a promissory note in the original principal balance of nine million dollars (\$9,000,000.00), without interest, payable in full on or before the date, which is eighteen (18) months from the closing date. Provided however, that the note shall be subject to RKG's obligation to pay the Borough the interest on the sum of nine million dollars (\$9,000,000.00) from the revenues generated by the CD at an initial annual rate of 4.4% paid monthly. The Note shall be secured by a Deed of Trust, Security Agreement and Assignment of Rents. The Deed of Trust shall provide for partial releases of the Property from the lien created by such Deed of Trust upon principal pay down of the Note as provided therein. Until the Note is paid in full, all interest, fees and dividends earned and distributed on the CD shall be paid to the Borough by RKG upon receipt thereof, not as a credit against the purchase price, but in addition thereto.

The Deed of Trust shall provide, among other things, that RKG may not sell, transfer or convey all or any portion of the Property, whether real or personal property, encumbered by the lien of the Deed of Trust for less than the fair market value of such Property, or any portion thereof, as determined by independent appraisal by an appraiser acceptable to RKG and the Borough, and that, upon any such sale, transfer or conveyance an amount equal to the greater of the appraised fair market value or the sales price, less reasonable costs of closing the sale, shall immediately be transferred to Seller in pay down of the then outstanding principal balance under the Note.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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.

5-D Change in Presentation

Ketchikan Gateway Borough collects sales and property taxes and remits the portion due to the City of Ketchikan on a monthly basis. In previous years reporting, the amount receivable and payable on behalf of the City of Ketchikan had not been reported. Ketchikan Gateway Borough now books and reports the portion that is receivable on behalf of the City of Ketchikan and payable to that entity at fiscal year-end.

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

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 |
| 6/30/2002 | 9,295,000 | 12,423,000 | 74.8% | 3,128,000 | 3,650,000 | 85.7% |
| 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% |
| Post Employment Health | | | | | | |
| 6/30/2002 | 5,647,000 | 7,548,000 | 74.8% | 1,901,000 | 3,650,000 | 52.1% |
| 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% |

| 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 |
| 6/30/2002 | 7,898,000 | 10,508,000 | 75.2% | 2,610,000 | 3,323,000 | 78.5% |
| 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% |
| Post Employment Health | | | | | | |
| 6/30/2002 | 4,799,000 | 6,385,000 | 75.2% | 1,586,000 | 3,323,000 | 47.7% |
| 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% |

Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Total Nonmajor Governmental Funds |
|--|---|--|--|
| Assets | | | |
| Cash and cash equivalents | \$ 1,986,901 | \$ - | \$ 1,986,901 |
| Receivables: | | | |
| Accounts | 390,263 | - | 390,263 |
| Advances | - | - | - |
| Total Assets | \$ 2,377,164 | \$ - | \$ 2,377,164 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 16,759 | \$ - | \$ 16,759 |
| Interfund payable | 80,261 | - | 80,261 |
| Accrued expenditures | - | - | - |
| Advances payable | 1,309,525 | - | 1,309,525 |
| Notes payable | - | - | - |
| Deposits | 500 | - | 500 |
| Deferred revenues | - | - | - |
| Total Liabilities | 1,407,045 | - | 1,407,045 |
| Fund Balances | | | |
| Reserved for: | | | |
| Encumbrances | 61,369 | - | 61,369 |
| Debt service | - | - | - |
| Advances | - | - | - |
| Unreserved, undesignated, reported in: | | | |
| Special revenue funds | 908,750 | - | 908,750 |
| Total Fund Balances | 970,119 | - | 970,119 |
| Total Liabilities and Fund Balances | \$ 2,377,164 | \$ - | \$ 2,377,164 |

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Total Nonmajor Governmental Funds |
|--|---|--|--|
| Revenues | | | |
| Taxes | \$ 2,271,396 | \$ - | \$ 2,271,396 |
| Penalties | 12,365 | - | 12,365 |
| Intergovernmental | - | - | - |
| Charges for services | 279,885 | - | 279,885 |
| Earnings on investments | 65,244 | - | 65,244 |
| Miscellaneous | 402,429 | - | 402,429 |
| Total Revenues | 3,031,319 | - | 3,031,319 |
| Expenditures | | | |
| Current: | | | |
| Library services | 411,855 | - | 411,855 |
| Public services | 678,610 | - | 678,610 |
| Capital Outlay | 613,080 | - | 613,080 |
| Debt Service: | | | |
| Principal retirement | - | 1,641,555 | 1,641,555 |
| Interest and fiscal charges | - | 1,264,999 | 1,264,999 |
| Total Expenditures | 1,703,545 | 2,906,554 | 4,610,099 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,327,774 | (2,906,554) | (1,578,780) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 2,906,554 | 2,906,554 |
| Other financing proceeds-refunding bonds | | 7,680,000 | 7,680,000 |
| Capital lease | 395,966 | - | 395,966 |
| Transfers out | (1,859,426) | - | (1,859,426) |
| Other financing uses-payment to refund bond escrow agent | | (7,680,000) | (7,680,000) |
| Total Other Financing Sources (Uses) | (1,463,460) | 2,906,554 | 1,443,094 |
| Net Change in Fund Balances | (135,686) | - | (135,686) |
| Fund Balances Beginning of Year | 1,105,805 | - | 1,105,805 |
| Fund Balances End of Year | \$ 970,119 | \$ - | \$ 970,119 |

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash and temporary investments | \$ 267,132 | \$ 1,078,744 |
| Receivables: | | |
| Accounts | 148,347 | 136,475 |
| Taxes | 4,568,647 | 1,330,845 |
| Interfund | 1,273,697 | 1,699,829 |
| Component unit | - | - |
| Prepaid items | - | - |
| Total Assets | <u>\$ 6,257,823</u> | <u>\$ 4,245,893</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 321,294 | \$ 480,455 |
| Accrued expenditures | | |
| Deferred revenues | 53,982 | 81,298 |
| Deposits payable | 145,500 | 58,363 |
| Due to component unit | 132,400 | 579,792 |
| Intergovernmental payable | 2,724,450 | 21,065 |
| Total Liabilities | <u>3,377,626</u> | <u>1,220,973</u> |
| Fund Balances | | |
| Reserved for encumbrances | 210,805 | 130,710 |
| Reserved for prepaid items | | |
| Reserved for KVB loan guarantee | 293,314 | 333,266 |
| Unreserved - undesignated | 2,376,078 | 2,560,944 |
| Total Fund Balances | <u>2,880,197</u> | <u>3,024,920</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,257,823</u> | <u>\$ 4,245,893</u> |

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2005 and 2004

| | 2005 | | | Variance Favorable (Unfavorable) | 2004 |
|--|--------------------|-------------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Revenues and Transfers In | | | | | |
| Revenues | | | | | |
| Taxes | | | | | |
| Real and personal property | 6,903,750 | 6,903,750 | 6,866,793 | (36,957) | \$ 6,364,554 |
| Automobile and boat | 185,000 | 185,000 | 188,915 | 3,915 | 165,108 |
| Sales | 5,081,622 | 5,081,622 | 5,020,989 | (60,633) | 4,372,459 |
| Penalties and interest | 100,000 | 100,000 | 133,576 | 33,576 | 118,478 |
| Total taxes | <u>12,270,372</u> | <u>12,270,372</u> | <u>12,210,273</u> | <u>(60,099)</u> | <u>11,020,599</u> |
| Alaska State Housing Authority | 12,500 | 12,500 | 4,323 | (8,177) | 6,948 |
| Licenses and permits | | | | | |
| Zoning fees | 30,000 | 30,000 | 38,815 | 8,815 | 49,035 |
| Intergovernmental | | | | | |
| State fisheries tax | 240,000 | 240,000 | 342,616 | 102,616 | 274,539 |
| State revenue sharing | - | - | - | - | 101,723 |
| Federal payment in lieu of taxes | 602,000 | 602,000 | 551,785 | (50,215) | 534,624 |
| State Operating Grant - Transit System | - | - | 73,626 | 73,626 | 88,338 |
| State license refunds | - | - | 15,750 | 15,750 | 6,200 |
| Timber stumpage | 348,967 | 348,967 | 380,633 | 31,666 | 388,860 |
| Total intergovernmental | <u>1,190,967</u> | <u>1,190,967</u> | <u>1,364,410</u> | <u>173,443</u> | <u>1,394,284</u> |
| Charges for services | | | | | |
| Animal control | 29,500 | 29,500 | 30,723 | 1,223 | 33,591 |
| Bus system revenue | 280,000 | 280,000 | 232,041 | (47,959) | 276,479 |
| Parks and recreation | 446,850 | 446,850 | 406,067 | (40,783) | 376,105 |
| Other charges | 58,850 | 58,850 | 66,912 | 8,062 | 80,260 |
| Total charges for services | <u>815,200</u> | <u>815,200</u> | <u>735,743</u> | <u>(79,457)</u> | <u>766,435</u> |
| Other | | | | | |
| Investment earnings | 125,000 | 125,000 | 200,403 | 75,403 | 325,421 |
| Total revenues | <u>14,444,039</u> | <u>14,444,039</u> | <u>14,553,967</u> | <u>109,928</u> | <u>13,562,722</u> |
| Transfers in | | | | | |
| Land Trust Fund | 650,000 | 650,000 | 650,000 | - | 679,405 |
| Southeast Economic Development Fund | 100,000 | 100,000 | - | (100,000) | 15,000 |
| Service Area Funds | 32,500 | 32,500 | 44,310 | 11,810 | 68,774 |
| Airport Fund | - | - | 62,805 | 62,805 | 113,040 |
| Wastewater Fund | - | - | - | - | 49,139 |
| State/Federal Grants | - | - | - | - | 20,621 |
| Nonareawide | 75,000 | 75,000 | - | (75,000) | - |
| Total transfers in | <u>857,500</u> | <u>857,500</u> | <u>757,115</u> | <u>(100,385)</u> | <u>945,979</u> |
| Total Revenues and Transfers In | <u>15,301,539</u> | <u>15,301,539</u> | <u>15,311,082</u> | <u>9,543</u> | <u>14,508,701</u> |

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2005 and 2004

(continued)

| | 2005 | | | Variance Favorable (Unfavorable) | 2004 |
|---|--------------------|---------------------|---------------------|--|---------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Expenditures and Transfers Out | | | | | |
| Expenditures | | | | | |
| Current: | | | | | |
| Administration | | | | | |
| Mayor and assembly | \$ 118,548 | \$ 118,548 | \$ 88,798 | \$ 29,750 | \$ 106,662 |
| Law | 217,579 | 217,579 | 226,523 | (8,944) | 220,191 |
| Clerk | 168,829 | 168,829 | 173,250 | (4,421) | 187,784 |
| Manager | 572,357 | 602,357 | 589,708 | 12,649 | 438,194 |
| Finance | 688,325 | 749,825 | 738,316 | 11,509 | 685,307 |
| Assessment | 464,776 | 464,776 | 473,563 | (8,787) | 434,520 |
| Total administration | <u>2,230,414</u> | <u>2,321,914</u> | <u>2,290,158</u> | <u>31,756</u> | <u>2,072,658</u> |
| Public services | | | | | |
| Animal protection | 283,191 | 283,191 | 298,021 | (14,830) | 270,937 |
| Planning | 583,282 | 623,282 | 523,220 | 100,062 | 557,430 |
| OEDP | 84,265 | 84,265 | 84,265 | - | 97,078 |
| Community education | 66,150 | 88,650 | 99,636 | (10,986) | 407,638 |
| Public works | 1,180,502 | 1,251,502 | 1,052,474 | 199,028 | 1,699,226 |
| Transit - Bus System | 607,566 | 632,566 | 680,881 | (48,315) | - |
| Child care operations | - | - | - | - | 29,045 |
| Parks and recreation | 1,204,073 | 1,248,073 | 1,390,120 | (142,047) | 1,205,933 |
| Total public services | <u>4,009,029</u> | <u>4,211,529</u> | <u>4,128,617</u> | <u>82,912</u> | <u>4,267,287</u> |
| Automation | 264,788 | 264,788 | 265,761 | (973) | 244,694 |
| Non-departmental | 192,967 | 192,967 | 362,582 | (169,615) | 194,637 |
| Education | 7,751,163 | 7,751,163 | 7,635,347 | 115,816 | 7,373,117 |
| Capital | <u>200,000</u> | <u>200,000</u> | <u>36,340</u> | <u>163,660</u> | <u>175,457</u> |
| Total Expenditures | <u>14,648,361</u> | <u>14,942,361</u> | <u>14,718,805</u> | <u>223,556</u> | <u>14,327,850</u> |
| Transfers Out | | | | | |
| Transit Fund | - | - | - | - | - |
| Airport Fund | 5,000 | 5,000 | 5,000 | - | 14,000 |
| Recreation Fund | - | - | - | - | - |
| School Board Capital Improvements f | 732,000 | 732,000 | 732,000 | - | 650,000 |
| Total Transfers Out | <u>737,000</u> | <u>737,000</u> | <u>737,000</u> | <u>-</u> | <u>664,000</u> |
| Total Expenditures and Transfers Out | <u>15,385,361</u> | <u>15,679,361</u> | <u>15,455,805</u> | <u>223,556</u> | <u>14,991,850</u> |
| Net Change in Fund Balances | <u>\$ (83,822)</u> | <u>\$ (377,822)</u> | <u>(144,723)</u> | <u>\$ 233,099</u> | <u>(483,149)</u> |
| Fund Balances Beginning of Year - | | | <u>3,024,920</u> | | <u>3,508,069</u> |
| Fund Balances End of Year | | | <u>\$ 2,880,197</u> | | <u>\$ 3,024,920</u> |

Ketchikan Gateway Borough, Alaska
Land Trust Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 5,402,300 | \$ 5,120,842 |
| Receivables: | | |
| Accounts | 303 | 410 |
| Notes | 846,948 | 887,008 |
| Advances | 3,991,917 | 4,507,220 |
| Total Assets | <u>\$ 10,241,468</u> | <u>\$ 10,515,480</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 1,620 | \$ 316 |
| Deposits | 5,600 | 5,600 |
| Deferred revenues | - | - |
| Total Liabilities | <u>7,220</u> | <u>5,916</u> |
| Fund Balances | | |
| Reserved for accounts receivable | 303 | 410 |
| Reserved for advances to other funds | 3,991,917 | 4,507,220 |
| Reserved for outstanding loans | 846,948 | 887,008 |
| Reserved for encumbrances | - | - |
| Unreserved - undesignated | 5,395,080 | 5,114,926 |
| Total Fund Balances | <u>10,234,248</u> | <u>10,509,564</u> |
| Total Liabilities and Fund Balances | <u>\$ 10,241,468</u> | <u>\$ 10,515,480</u> |

Ketchikan Gateway Borough, Alaska
Southeast Economic Development Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 623,908 | \$ 2,172,792 |
| Funds with fiscal agents | 2,012,411 | 4,274,444 |
| Receivables: | | |
| Accounts | 11,215 | 8,633 |
| Total Assets | <u>\$ 2,647,534</u> | <u>\$ 6,455,869</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 12,650 | \$ 313,095 |
| Deposits | 9,972 | 34,973 |
| Advances payable | 1,190,474 | 750,000 |
| Total Liabilities | <u>1,213,096</u> | <u>1,098,068</u> |
| Fund Balances | | |
| Reserved for loan guarantees | 1,660,000 | 1,730,000 |
| Reserved for shipyard MOU | 250,827 | 3,032,053 |
| Reserved for accounts receivable | 11,215 | 8,633 |
| Reserved for encumbrances | 101,360 | 191,663 |
| Reserved for property for resale | - | - |
| Unreserved - undesignated (deficit) | (588,964) | 395,452 |
| Total Fund Balances | <u>1,434,438</u> | <u>5,357,801</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,647,534</u> | <u>\$ 6,455,869</u> |

Ketchikan Gateway Borough, Alaska
State & Federal Grants Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 56,202 | \$ 654,654 |
| Accounts receivable | 265,698 | 1,704,060 |
| Total Assets | <u>\$ 321,900</u> | <u>\$ 2,358,714</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 72,246 | \$ 839,798 |
| Interfund payable | 173,824 | 848,709 |
| Deferred revenues | 29,143 | 623,520 |
| Total Liabilities | <u>275,213</u> | <u>2,312,027</u> |
| Fund Balances | | |
| Reserved for encumbrances | 234,369 | 895,050 |
| Unreserved - undesignated (deficit) | <u>(187,682)</u> | <u>(848,363)</u> |
| Total Fund Balances | <u>46,687</u> | <u>46,687</u> |
| Total Liabilities and Fund Balances | <u>\$ 321,900</u> | <u>\$ 2,358,714</u> |

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,534,828 | \$ 209,272 |
| Accounts receivable | 14,792 | 14,976 |
| Total Assets | <u>\$ 1,549,620</u> | <u>\$ 224,248</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ 814 |
| Interfund payable | - | - |
| Total Liabilities | <u>-</u> | <u>814</u> |
| Fund Balances | | |
| Reserved for encumbrances | 2,000 | - |
| Unreserved - undesignated | 1,547,620 | 223,434 |
| Total Liabilities and Fund Balances | <u>\$ 1,549,620</u> | <u>\$ 224,248</u> |



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NONMAJOR SPECIAL REVENUE FUNDS

Recreation Sales Tax Fund – This fund is used to account for the voter approved ½-cent sales tax revenues. Debt service payments for the Recreation Center bonds are made from this fund.

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.

Mountain Point 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.

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, 2005

| | Recreation Sales Tax | Mud Bight Service Area | Mountain Point Service Area | South Tongass Service Area | Waterfall Service Area |
|--|-------------------------------------|---|--|---|---------------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 689,665 | \$ 31,311 | \$ - | \$ - | \$ - |
| Receivables: | - | - | - | - | - |
| Accounts | 371,869 | 4,166 | - | 1,092 | 304 |
| Advances | - | - | - | - | - |
| Total Assets | \$ 1,061,534 | \$ 35,477 | \$ - | \$ 1,092 | \$ 304 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 11,674 | \$ - |
| Interfund payable | - | - | - | 67,608 | 1,224 |
| Accrued expenses | - | - | - | - | - |
| Advances payable | - | - | - | 15,252 | - |
| Notes payable | - | - | - | - | - |
| Deposits | 500 | - | - | - | - |
| Deferred revenues | - | - | - | - | - |
| Total Liabilities | 500 | - | - | 94,534 | 1,224 |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 18,577 | 2,583 | - | 22,924 | 663 |
| Advances to other funds | - | - | - | - | - |
| Unreserved, undesignated | 1,042,457 | 32,894 | - | (116,366) | (1,583) |
| Total Fund Balances | 1,061,034 | 35,477 | - | (93,442) | (920) |
| Total Liabilities and Fund Balances | \$ 1,061,534 | \$ 35,477 | \$ - | \$ 1,092 | \$ 304 |

| Nichols View Service Area | 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 |
|---------------------------|--------------------------|--------------------------|-------------------------------------|---------------------------------------|---------------------------|-------------------|--------------------------------------|
| \$ 9,421 | \$ 95,280 | \$ 19,708 | \$ - | \$ 626,374 | \$ 74,380 | \$ 440,762 | \$ 1,986,901 |
| - | - | - | - | - | - | - | - |
| - | 157 | - | - | 10,988 | 1,687 | - | 390,263 |
| - | - | - | - | - | - | - | - |
| <u>\$ 9,421</u> | <u>\$ 95,437</u> | <u>\$ 19,708</u> | <u>\$ -</u> | <u>\$ 637,362</u> | <u>\$ 76,067</u> | <u>\$ 440,762</u> | <u>\$ 2,377,164</u> |
| \$ - | \$ - | \$ 231 | \$ - | \$ 4,854 | \$ - | \$ - | \$ 16,759 |
| - | - | - | 11,429 | - | - | - | 80,261 |
| - | - | - | - | - | - | - | - |
| - | - | - | 31,532 | 1,262,741 | - | - | 1,309,525 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 500 |
| - | - | - | - | - | - | - | - |
| - | - | 231 | 42,961 | 1,267,595 | - | - | 1,407,045 |
| - | 6,000 | 5,009 | - | 5,613 | - | - | 61,369 |
| - | - | - | - | - | - | - | - |
| 9,421 | 89,437 | 14,468 | (42,961) | (635,846) | 76,067 | 440,762 | 908,750 |
| 9,421 | 95,437 | 19,477 | (42,961) | (630,233) | 76,067 | 440,762 | 970,119 |
| <u>\$ 9,421</u> | <u>\$ 95,437</u> | <u>\$ 19,708</u> | <u>\$ -</u> | <u>\$ 637,362</u> | <u>\$ 76,067</u> | <u>\$ 440,762</u> | <u>\$ 2,377,164</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, 2005

| | Recreation Sales Tax | Mud Bight Service Area | Mountain Point Service Area | South Tongass Service Area | Waterfall Service Area |
|--|-------------------------------------|---|--|---|---------------------------------------|
| Revenues | | | | | |
| Taxes | \$ 1,237,721 | \$ - | \$ - | \$ 213,642 | \$ - |
| Penalties | 12,365 | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | 12,444 | - | 112,958 | 4,536 |
| Investment earnings | 27,194 | 844 | - | 1,565 | 82 |
| Miscellaneous | - | - | - | 1,681 | - |
| Total Revenues | <u>1,277,280</u> | <u>13,288</u> | <u>-</u> | <u>329,846</u> | <u>4,618</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Library services | - | - | - | - | - |
| Public services | - | 449 | - | 345,036 | 24,500 |
| Capital Outlay | <u>36,824</u> | <u>-</u> | <u>-</u> | <u>128,603</u> | <u>-</u> |
| Total Expenditures | <u>36,824</u> | <u>449</u> | <u>-</u> | <u>473,639</u> | <u>24,500</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,240,456</u> | <u>12,839</u> | <u>-</u> | <u>(143,793)</u> | <u>(19,882)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Capital lease | - | - | - | - | - |
| Transfers out | <u>(756,946)</u> | <u>(500)</u> | <u>-</u> | <u>(20,000)</u> | <u>(500)</u> |
| Total Other Financing Sources (Uses) | <u>(756,946)</u> | <u>(500)</u> | <u>-</u> | <u>(20,000)</u> | <u>(500)</u> |
| Net Change in Fund Balances | 483,510 | 12,339 | - | (163,793) | (20,382) |
| Fund Balances Beginning of Year | <u>577,524</u> | <u>23,138</u> | <u>-</u> | <u>70,351</u> | <u>19,462</u> |
| Fund Balances End of Year | <u>\$ 1,061,034</u> | <u>\$ 35,477</u> | <u>\$ -</u> | <u>\$ (93,442)</u> | <u>\$ (920)</u> |

| Nichols View Service Area | 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 |
|--|---|---|--|--|--|------------------------|---|
| \$ - | \$ 46,219 | \$ - | \$ - | \$ 320,224 | \$ 453,590 | \$ - | \$ 2,271,396 |
| - | - | - | - | - | - | - | 12,365 |
| - | - | - | - | - | - | - | - |
| - | - | 6,265 | 3,720 | 139,962 | - | - | 279,885 |
| 251 | 2,860 | 266 | - | 12,557 | 4,988 | 14,637 | 65,244 |
| - | - | - | - | 4,989 | - | 395,759 | 402,429 |
| <u>251</u> | <u>49,079</u> | <u>6,531</u> | <u>3,720</u> | <u>477,732</u> | <u>458,578</u> | <u>410,396</u> | <u>3,031,319</u> |
| - | - | - | - | - | 411,855 | - | 411,855 |
| - | 26,636 | 1,880 | 2,031 | 278,078 | - | - | 678,610 |
| - | - | - | 39,750 | 407,903 | - | - | 613,080 |
| - | <u>26,636</u> | <u>1,880</u> | <u>41,781</u> | <u>685,981</u> | <u>411,855</u> | <u>-</u> | <u>1,703,545</u> |
| <u>251</u> | <u>22,443</u> | <u>4,651</u> | <u>(38,061)</u> | <u>(208,249)</u> | <u>46,723</u> | <u>410,396</u> | <u>1,327,774</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 395,966 | - | - | 395,966 |
| <u>(500)</u> | <u>(2,310)</u> | <u>(500)</u> | <u>-</u> | <u>(71,155)</u> | <u>-</u> | <u>(1,007,015)</u> | <u>(1,859,426)</u> |
| <u>(500)</u> | <u>(2,310)</u> | <u>(500)</u> | <u>-</u> | <u>324,811</u> | <u>-</u> | <u>(1,007,015)</u> | <u>(1,463,460)</u> |
| <u>(249)</u> | <u>20,133</u> | <u>4,151</u> | <u>(38,061)</u> | <u>116,562</u> | <u>46,723</u> | <u>(596,619)</u> | <u>(135,686)</u> |
| <u>9,670</u> | <u>75,304</u> | <u>15,326</u> | <u>(4,900)</u> | <u>(746,795)</u> | <u>29,344</u> | <u>1,037,381</u> | <u>1,105,805</u> |
| <u>\$ 9,421</u> | <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>\$ 970,119</u> |

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 689,665 | \$ 328,773 |
| Accounts receivable | 371,869 | 324,611 |
| Total Assets | <u>\$ 1,061,534</u> | <u>\$ 653,384</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ 75,360 |
| Advances payable | - | - |
| Deposits | 500 | 500 |
| Total Liabilities | <u>500</u> | <u>75,860</u> |
| Fund Balances | | |
| Reserved for encumbrances | 18,577 | 53,477 |
| Unreserved - undesignated | 1,042,457 | 524,047 |
| Total Fund Balances | <u>1,061,034</u> | <u>577,524</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,061,534</u> | <u>\$ 653,384</u> |

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|---|--------------------|-----------------|--------------|--|------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Taxes | \$ 961,860 | \$ 961,860 | \$ 1,237,721 | \$ 275,861 | 1,093,185 |
| Penalties | 6,500 | 6,500 | 12,365 | 5,865 | 7,876 |
| Investment earnings | 6,365 | 6,365 | 27,194 | 20,829 | 33,390 |
| Miscellaneous | - | - | - | - | 200 |
| Total Revenues | 974,725 | 974,725 | 1,277,280 | 302,555 | 1,134,651 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | | | | - | |
| Capital Outlay | 135,200 | 135,200 | 36,824 | 98,376 | 179,592 |
| Total Expenditures | 135,200 | 135,200 | 36,824 | 98,376 | 179,592 |
| Excess of Revenues Over Expenditures | 839,525 | 839,525 | 1,240,456 | 400,931 | 955,059 |
| Other Financing (Uses) | | | | | |
| Transfers out | (795,591) | (795,591) | (756,946) | 38,645 | (799,028) |
| Net Change in Fund Balances | \$ 43,934 | \$ 43,934 | 483,510 | \$ 439,576 | 156,031 |
| Fund Balances Beginning of Year | | | 577,524 | | 421,493 |
| Fund Balances End of Year | | | \$ 1,061,034 | | \$ 577,524 |

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 31,311 | \$ 15,777 |
| Accounts receivable | 4,166 | 7,361 |
| Total Assets | <u>\$ 35,477</u> | <u>\$ 23,138</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Advances payable | \$ - | \$ - |
| Fund Balances | | |
| Reserved for encumbrances | 2,583 | - |
| Unreserved - undesignated | 32,894 | 23,138 |
| Total Liabilities and Fund Balances | <u>\$ 35,477</u> | <u>\$ 23,138</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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|---|--------------------|-----------------|------------------|--|------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 8,600 | 8,600 | 12,444 | 3,844 | 15,257 |
| Investment earnings | 100 | 100 | 844 | 744 | 1,081 |
| Total Revenues | 8,700 | 8,700 | 13,288 | 4,588 | 16,338 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | - | - | 449 | (449) | 849 |
| Excess of Revenues Over Expenditures | 8,700 | 8,700 | 12,839 | 4,139 | 15,489 |
| Other Financing (Uses) | | | | | |
| Transfers out | (500) | (500) | (500) | - | (500) |
| Net Change in Fund Balances | <u>\$ 8,200</u> | <u>\$ 8,200</u> | 12,339 | <u>\$ 4,139</u> | 14,989 |
| Fund Balances Beginning of Year | | | <u>23,138</u> | | <u>8,149</u> |
| Fund Balances End of Year | | | <u>\$ 35,477</u> | | <u>\$ 23,138</u> |

Ketchikan Gateway Borough, Alaska
Mountain Point Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 68 |
| Accounts receivable | - | - |
| Total Assets | <u>\$ -</u> | <u>\$ 68</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ 68 |
| Fund Balances | | |
| Reserved for encumbrances | - | - |
| Unreserved - undesignated | - | - |
| Total Fund Balances | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 68</u> |

Ketchikan Gateway Borough, Alaska
Mountain Point Service Area Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
 (With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|-----------------|--------|--|---------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investment earnings | | | | - | |
| Total Revenues | - | - | - | - | - |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - |
| Total Expenditures | - | - | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - | - |
| Other Financing (Uses) | | | | | |
| Transfer in | - | - | - | - | 636 |
| Transfers out | - | - | - | - | (2,784) |
| Total Other Financing Sources (Uses) | - | - | - | - | (2,148) |
| Net Change in Fund Balances | \$ - | \$ - | - | \$ - | (2,148) |
| Fund Balances Beginning of Year | | | - | | 2,148 |
| Fund Balances End of Year | | | \$ - | | \$ - |

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-----------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 126,971 |
| Receivables: | | |
| Accounts | 1,092 | 3,855 |
| Advances | - | - |
| Total Assets | <u>\$ 1,092</u> | <u>\$ 130,826</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 11,674 | \$ 43,174 |
| Advances payable | 15,252 | 17,301 |
| Interfund payable | 67,608 | - |
| Total Liabilities | <u>94,534</u> | <u>60,475</u> |
| Fund Balances | | |
| Reserved for encumbrances | 22,924 | 8,480 |
| Reserved for advances | - | - |
| Unreserved - undesignated | (116,366) | 61,871 |
| Total Fund Balances | <u>(93,442)</u> | <u>70,351</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,092</u> | <u>\$ 130,826</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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | <u>2005</u> | | | <u>2004</u> | |
|--|----------------------------|-------------------------|--------------------|---|------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>Actual</u> |
| Revenues | | | | | |
| Taxes | \$ 258,354 | \$ 258,354 | \$ 213,642 | \$ (44,712) | \$ 117,533 |
| State/federal revenues | 29,000 | 29,000 | - | (29,000) | - |
| Service area fees | 140,000 | 140,000 | 112,958 | (27,042) | 105,765 |
| Investment earnings | 1,590 | 1,590 | 1,565 | (25) | 7,083 |
| Miscellaneous | - | - | 1,681 | 1,681 | 28,750 |
| Total Revenues | <u>428,944</u> | <u>428,944</u> | <u>329,846</u> | <u>(99,098)</u> | <u>259,131</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 329,643 | 329,643 | 345,036 | (15,393) | 276,524 |
| Capital Outlay | <u>37,000</u> | <u>386,300</u> | <u>128,603</u> | <u>257,697</u> | <u>31,141</u> |
| Total Expenditures | <u>366,643</u> | <u>715,943</u> | <u>473,639</u> | <u>242,304</u> | <u>307,665</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>62,301</u> | <u>(286,999)</u> | <u>(143,793)</u> | <u>143,206</u> | <u>(48,534)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | 11,258 |
| Transfers out | <u>(20,000)</u> | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> | <u>(39,776)</u> |
| Total Other Financing Sources (Uses) | <u>(20,000)</u> | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> | <u>(28,518)</u> |
| Net Change in Fund Balances | <u>\$ 42,301</u> | <u>\$ (306,999)</u> | <u>(163,793)</u> | <u>\$ 143,206</u> | <u>(77,052)</u> |
| Fund Balances Beginning of Year | | | <u>70,351</u> | | <u>147,403</u> |
| Fund Balances End of Year | | | <u>\$ (93,442)</u> | | <u>\$ 70,351</u> |

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 19,366 |
| Accounts receivable | 304 | 96 |
| Total Assets | <u>\$ 304</u> | <u>\$ 19,462</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ - |
| Interfund payable | 1,224 | 0 |
| Total Liabilities | <u>1,224</u> | <u>0</u> |
| Fund Balances | | |
| Reserved for encumbrances | 663 | 23,123 |
| Unreserved - undesignated | (1,583) | (3,661) |
| Total Fund Balances | <u>(920)</u> | <u>19,462</u> |
| Total Liabilities and Fund Balances | <u>\$ 304</u> | <u>\$ 19,462</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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|-------------------|-----------------|--|------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 5,620 | 5,620 | 4,536 | (1,084) | 4,417 |
| Interest earned | 100 | 100 | 82 | (18) | 2,593 |
| Total Revenues | <u>5,720</u> | <u>5,720</u> | <u>4,618</u> | <u>(1,102)</u> | <u>7,010</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 8,100 | 8,100 | 24,500 | (16,400) | 5,252 |
| Capital Outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>86,877</u> |
| Total Expenditures | <u>8,100</u> | <u>8,100</u> | <u>24,500</u> | <u>(16,400)</u> | <u>92,129</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,380) | (2,380) | (19,882) | (17,502) | (85,119) |
| Other Financing (Uses) | | | | | |
| Transfers out | <u>(500)</u> | <u>(500)</u> | <u>(500)</u> | <u>-</u> | <u>(500)</u> |
| Net Change in Fund Balances | <u>\$ (2,880)</u> | <u>\$ (2,880)</u> | <u>(20,382)</u> | <u>\$ (17,502)</u> | <u>(85,619)</u> |
| Fund Balances Beginning of Year | | | <u>19,462</u> | | <u>105,081</u> |
| Fund Balances End of Year | | | <u>\$ (920)</u> | | <u>\$ 19,462</u> |

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---------------------------|-----------------|-----------------|
| Assets | | |
| Cash and cash equivalents | <u>\$ 9,421</u> | <u>\$ 9,670</u> |
| Fund Balances | | |
| Unreserved - undesignated | <u>\$ 9,421</u> | <u>\$ 9,670</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, 2005
 (With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|-----------------|-----------------|--|-----------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Investment earnings | \$ 400 | \$ 400 | \$ 251 | \$ (149) | \$ 340 |
| Miscellaneous | - | - | - | - | - |
| Total Revenues | 400 | 400 | 251 | (149) | 340 |
| Other Financing Uses | | | | | |
| Transfers out | (500) | (500) | (500) | - | (500) |
| Net Change in Fund Balances | <u>\$ (100)</u> | <u>\$ (100)</u> | (249) | <u>\$ (149)</u> | (160) |
| Fund Balances Beginning of Year | | | 9,670 | | 9,830 |
| Fund Balances End of Year | | | <u>\$ 9,421</u> | | <u>\$ 9,670</u> |

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 95,280 | \$ 86,959 |
| Receivables: | | |
| Accounts | 157 | 436 |
| Advances | - | - |
| Total Assets | <u>\$ 95,437</u> | <u>\$ 87,395</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ 12,091 |
| Fund Balances | | |
| Reserved for encumbrances | 6,000 | - |
| Unreserved - undesignated | <u>89,437</u> | <u>75,304</u> |
| Total Fund Balance | <u>87,395</u> | <u>75,304</u> |
| Total Liabilities and Fund Balances | <u>\$ 95,437</u> | <u>\$ 87,395</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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | <u>2005</u> | | | <u>2004</u> | |
|--|----------------------------|-------------------------|------------------|---|------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>Actual</u> |
| Revenues | | | | | |
| Taxes | \$ 48,622 | \$ 48,622 | \$ 46,219 | \$ (2,403) | \$ 48,290 |
| Intergovernmental | - | - | - | - | - |
| Investment earnings | 3,415 | 3,415 | 2,860 | (555) | 5,522 |
| Total Revenues | <u>52,037</u> | <u>52,037</u> | <u>49,079</u> | <u>(2,958)</u> | <u>53,812</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 56,150 | 56,150 | 26,636 | 29,514 | 38,335 |
| Capital Outlay | - | - | - | - | 99,408 |
| Total Expenditures | <u>56,150</u> | <u>56,150</u> | <u>26,636</u> | <u>29,514</u> | <u>137,743</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,113) | (4,113) | 22,443 | 26,556 | (83,931) |
| Other Financing (Uses) | | | | | |
| Transfers out | (2,310) | (2,310) | (2,310) | - | (2,310) |
| Net Change in Fund Balances | <u>\$ (6,423)</u> | <u>\$ (6,423)</u> | 20,133 | <u>\$ 26,556</u> | \$ (86,241) |
| Fund Balances Beginning of Year | | | <u>75,304</u> | | <u>161,545</u> |
| Fund Balances End of Year | | | <u>\$ 95,437</u> | | <u>\$ 75,304</u> |

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | <u>\$ 19,708</u> | <u>\$ 15,510</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 231 | \$ 184 |
| Fund Balances | | |
| Reserved for encumbrances | 5,009 | - |
| Unreserved - undesignated | <u>14,468</u> | <u>15,326</u> |
| Total Liabilities and Fund Balances | <u>\$ 19,708</u> | <u>\$ 15,510</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, 2005
 (With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|-------------------|------------------|--|------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 6,060 | 6,060 | 6,265 | 205 | 6,101 |
| Investment earnings | 200 | 200 | 266 | 66 | 495 |
| Total Revenues | 6,260 | 6,260 | 6,531 | 271 | 6,596 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 9,280 | 9,280 | 1,880 | 7,400 | 2,469 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,020) | (3,020) | 4,651 | 7,671 | 4,127 |
| Other Financing (Uses) | | | | | |
| Transfers out | (500) | (500) | (500) | - | (500) |
| Net Change in Fund Balances | <u>\$ (3,520)</u> | <u>\$ (3,520)</u> | 4,151 | <u>\$ 7,671</u> | 3,627 |
| Fund Balances Beginning of Year | | | <u>15,326</u> | | <u>11,699</u> |
| Fund Balances End of Year | | | <u>\$ 19,477</u> | | <u>\$ 15,326</u> |

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | 2005 | 2004 |
|--|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 38,500 |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ 4,900 |
| Advances payable | 31,532 | 38,500 |
| Interfund payable | 11,429 | - |
| Total Liabilities | 42,961 | 43,400 |
| Fund Balances | | |
| Unreserved - undesignated | (42,961) | (4,900) |
| Total Liabilities and Fund Balances | \$ - | \$ 38,500 |

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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|-----------------|--------------------|--|-------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | 3,720 | 3,720 | - |
| Investment earnings | - | - | - | - | - |
| Total Revenues | - | - | 3,720 | 3,720 | - |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | - | - | 2,031 | (2,031) | - |
| Capital Outlay | - | - | 39,750 | (39,750) | 4,900 |
| Total Expenditures | - | - | 41,781 | (41,781) | 4,900 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (38,061) | 45,501 | (4,900) |
| Other Financing (Uses) | | | | | |
| Transfers out | - | - | - | - | - |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | (38,061) | <u>\$ 45,501</u> | (4,900) |
| Fund Balances Beginning of Year | | | (4,900) | | |
| Fund Balances End of Year | | | <u>\$ (42,961)</u> | | <u>\$ (4,900)</u> |

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 626,374 | \$ - |
| Receivables: | | |
| Accounts | 10,988 | 2,722 |
| Advances | - | - |
| Prepaid items | - | 9,000 |
| Total Assets | <u>\$ 637,362</u> | <u>\$ 11,722</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 4,854 | \$ 19,625 |
| Advances payable | 1,262,741 | - |
| Interfund payable | - | 100,194 |
| Notes payable | - | 638,698 |
| Total Liabilities | <u>1,267,595</u> | <u>758,517</u> |
| Fund Balances | | |
| Reserved for encumbrances | 5,613 | 16,158 |
| Reserved for advances | - | - |
| Unreserved - undesignated | (635,846) | (762,953) |
| Total Fund Balances | <u>(630,233)</u> | <u>(746,795)</u> |
| Total Liabilities and Fund Balances | <u>\$ 637,362</u> | <u>\$ 11,722</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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|----------------------------|-------------------------|---------------------|---|---------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Taxes | \$ 319,451 | \$ 319,451 | \$ 320,224 | \$ 773 | \$ 414,152 |
| State/federal revenues | 3,000 | 3,000 | - | (3,000) | - |
| Service area fees | 110,070 | 110,070 | 116,349 | 6,279 | - |
| Investment earnings | - | - | 12,557 | 12,557 | - |
| EMS revenues | 44,000 | 44,000 | 23,613 | (20,387) | - |
| Miscellaneous revenues | - | - | 4,989 | 4,989 | 650 |
| Total Revenues | <u>476,521</u> | <u>476,521</u> | <u>477,732</u> | <u>1,211</u> | <u>414,802</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public services | 295,112 | 320,862 | 278,078 | 42,784 | 378,553 |
| Capital Outlay | | <u>600,000</u> | <u>407,903</u> | <u>192,097</u> | <u>645,845</u> |
| Total Expenditures | <u>295,112</u> | <u>920,862</u> | <u>685,981</u> | <u>234,881</u> | <u>1,024,398</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>181,409</u> | <u>(444,341)</u> | <u>(208,249)</u> | <u>236,092</u> | <u>(609,596)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | 5,000 |
| Capital lease | - | - | 395,966 | (395,966) | - |
| Transfers out | <u>(142,000)</u> | <u>(142,000)</u> | <u>(71,155)</u> | <u>(70,845)</u> | <u>(25,324)</u> |
| Total Other Financing Sources (Uses) | <u>(142,000)</u> | <u>(142,000)</u> | <u>324,811</u> | <u>(466,811)</u> | <u>(20,324)</u> |
| Net Change in Fund Balances | <u>\$ 39,409</u> | <u>\$ (586,341)</u> | 116,562 | <u>\$ (230,719)</u> | (629,920) |
| Fund Balances Beginning of Year | | | <u>(746,795)</u> | | <u>(116,875)</u> |
| Fund Balances End of Year | | | <u>\$ (630,233)</u> | | <u>\$ (746,795)</u> |

Ketchikan Gateway Borough, Alaska
Non Areawide Library Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 74,380 | \$ 26,338 |
| Accounts receivable | 1,687 | 3,006 |
| Total Assets | <u>\$ 76,067</u> | <u>\$ 29,344</u> |
| Liabilities and Fund Balances (Deficits) | | |
| Liabilities | | |
| Accounts payable | \$ - | \$ - |
| Interfund payable | - | - |
| Total Liabilities | - | - |
| Fund Balances (Deficits) | | |
| Unreserved - undesignated (deficits) | 76,067 | 29,344 |
| Total Liabilities and Fund Balances (Deficits) | <u>\$ 76,067</u> | <u>\$ 29,344</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, 2005
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|--------------------|-----------------|------------|--|------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Taxes | \$ 442,327 | \$ 442,327 | \$ 453,590 | \$ 11,263 | \$ 503,931 |
| Investment earnings | 4,500 | 4,500 | 4,988 | 488 | 4,766 |
| Miscellaneous | - | - | - | - | - |
| Total Revenues | 446,827 | 446,827 | 458,578 | 11,751 | 508,697 |
| Expenditures | | | | | |
| Current: | | | | | |
| Library services | 411,855 | 411,855 | 411,855 | - | 405,178 |
| Total Expenditures | 411,855 | 411,855 | 411,855 | - | 405,178 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 34,972 | 34,972 | 46,723 | 11,751 | 103,519 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balances | \$ 34,972 | \$ 34,972 | 46,723 | \$ 11,751 | 103,519 |
| Fund Balances Beginning of Year | | | 29,344 | | (74,175) |
| Fund Balances End of Year | | | \$ 76,067 | | \$ 29,344 |

Ketchikan Gateway Borough, Alaska
Airport PFC Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---------------------------|-------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | <u>\$ 440,762</u> | <u>\$ 1,037,381</u> |
| Fund Balances | | |
| Unreserved - undesignated | <u>\$ 440,762</u> | <u>\$ 1,037,381</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, 2005
 (With Comparative Actual Amounts for the Year Ended June 30, 2004)

| | 2005 | | | 2004 | |
|--|---------------------|---------------------|-------------------|--|---------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Actual |
| Revenues | | | | | |
| Investment earnings | \$ 47,138 | \$ 47,138 | \$ 14,637 | \$ (32,501) | \$ 36,671 |
| PFC revenues | 400,000 | 400,000 | 395,759 | (4,241) | 309,929 |
| Total Revenues | 447,138 | 447,138 | 410,396 | (36,742) | 346,600 |
| Other Financing (Uses) | | | | | |
| Transfers out | (753,727) | (1,007,016) | (1,007,015) | 1 | (377,664) |
| Net Change in Fund Balances | <u>\$ (306,589)</u> | <u>\$ (559,878)</u> | (596,619) | <u>\$ (36,741)</u> | (31,064) |
| Fund Balances Beginning of Year | | | <u>1,037,381</u> | | <u>1,068,445</u> |
| Fund Balances End of Year | | | <u>\$ 440,762</u> | | <u>\$ 1,037,381</u> |

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,338,646 | \$ 2,556,714 |
| Investments | 8,062,959 | 12,082,563 |
| Accounts receivable | - | - |
| Total Assets | <u>\$ 12,401,605</u> | <u>\$ 14,639,277</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ 2,411,457 | \$ 1,081,506 |
| Advances payable | - | 2,100,000 |
| Total Liabilities | <u>2,411,457</u> | <u>3,181,506</u> |
| Fund Balances | | |
| Reserved for encumbrances | 6,441,858 | 5,160,237 |
| Unreserved - undesignated | 3,548,290 | 6,297,534 |
| Total Fund Balances | <u>9,990,148</u> | <u>11,457,771</u> |
| Total Liabilities and Fund Balances | <u>\$ 12,401,605</u> | <u>\$ 14,639,277</u> |

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|----------------------|
| Revenues | | |
| Local sources | \$ 6,300 | (50) |
| Investment earnings | 189,663 | 94,746 |
| Total Revenues | <u>195,963</u> | <u>94,696</u> |
| Expenditures | | |
| Capital Outlay | | |
| Contractual services | 16,044 | 9,453 |
| Educational facilities | 9,583,392 | 6,361,249 |
| Total Expenditures | <u>9,599,436</u> | <u>6,370,702</u> |
| (Deficiency) of Revenues (Under) Expenditures | <u>(9,403,473)</u> | <u>(6,276,006)</u> |
| Other Financing Sources | | |
| Transfers in | 33,016 | - |
| General obligation bonds issued | 7,900,000 | - |
| Premium for bond issuance costs | 33,834 | - |
| Bond issuance costs | (31,000) | - |
| Total Other Financing Sources | <u>7,935,850</u> | <u>-</u> |
| Net Change in Fund Balances | (1,467,623) | (6,276,006) |
| Fund Balances Beginning of Year | <u>11,457,771</u> | <u>17,733,777</u> |
| Fund Balance End of Year | <u>\$ 9,990,148</u> | <u>\$ 11,457,771</u> |

Ketchikan Gateway Borough, Alaska
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2005

| | 1995 G.O. Bond Redemption Fund | 1999 G.O. Bond Redemption Fund | 2000 G.O. Bond Redemption Fund | 2003 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, 2005

| | 1995 G.O. Bond Redemption Fund | 1999 G.O. Bond Redemption Fund | 2000 G.O. Bond Redemption Fund | 2003 G.O. Bond Redemption Fund | E-One Capital Lease Fund | Total Nonmajor Debt Service Funds |
|--|---|---|---|---|---|--|
| Expenditures | | | | | | |
| Debt Service: | | | | | | |
| Principal retirement | \$ 630,000 | \$ 305,000 | \$ 350,000 | \$ 325,000 | \$ 31,555 | \$ 1,641,555 |
| Interest and fiscal charges | 98,075 | 351,063 | 430,473 | 365,788 | 19,600 | 1,264,999 |
| Total Expenditures | 728,075 | 656,063 | 780,473 | 690,788 | 51,155 | 2,906,554 |
| Other Financing Sources | | | | | | |
| Transfers in | 728,075 | 656,063 | 780,473 | 690,788 | 51,155 | 2,906,554 |
| Other financing proceeds-refunding bonds | 2,735,000 | 4,945,000 | - | - | - | 7,680,000 |
| Other financing uses-payment to refund bond escrow agent | (2,735,000) | (4,945,000) | - | - | - | (7,680,000) |
| Total Other Financing Sources (Uses) | 728,075 | 656,063 | 780,473 | 690,788 | 51,155 | 2,906,554 |
| 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>2005</u> | <u>2004</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ - | \$ - |
| Accounts receivable | 288,690 | 281,430 |
| Prepaid items | 208 | 8,857 |
| Total Current Assets | <u>288,898</u> | <u>290,287</u> |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash and cash equivalents | - | - |
| Capital Assets: | | |
| Non-depreciable | 27,857 | 26,027 |
| Depreciable, net | 9,039,990 | 9,507,129 |
| Total Noncurrent Assets | <u>9,067,847</u> | <u>9,533,156</u> |
| Total Assets | <u>9,356,745</u> | <u>9,823,443</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | 96,367 | 64,563 |
| Interfund advances payable | 397,950 | 441,847 |
| Interfund payable | 617,246 | 405,621 |
| | 153,679 | 87,870 |
| Revenue bonds payable | 180,000 | 185,000 |
| Capital leases payable | 26,392 | 19,815 |
| Total Current Liabilities | 1,471,634 | 1,204,716 |
| Long-Term Liabilities: | | |
| Compensated absences payable (net of current portion) | 32,987 | 94,407 |
| Net pension obligation | 144,272 | - |
| Revenue bonds payable (net of current portion) | 3,655,000 | 3,835,000 |
| Total Liabilities | <u>5,303,893</u> | <u>5,134,123</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 5,206,455 | 5,493,341 |
| Unrestricted | (1,153,603) | (804,021) |
| Total Net Assets | <u>\$ 4,052,852</u> | <u>\$ 4,689,320</u> |

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Charges for services | \$ 2,997,565 | \$ 2,741,529 |
| Operating Expenses | | |
| Personal services | 2,043,070 | 1,795,026 |
| Supplies and services | 944,407 | 613,082 |
| Insurance | 232,043 | 235,739 |
| Depreciation | 695,241 | 595,062 |
| Total Operating Expenses | <u>3,914,761</u> | <u>3,238,909</u> |
| Operating (Loss) | <u>(917,196)</u> | <u>(497,380)</u> |
| Non-Operating Revenues (Expenses) | | |
| Interest and fiscal charges | (212,266) | (203,256) |
| Gain (loss) on sale of capital assets | (23,803) | - |
| Interest | 364 | 15,041 |
| Operating grants | - | - |
| Total Non-Operating Revenues (Expenses) | <u>(235,705)</u> | <u>(188,215)</u> |
| (Loss) Before Capital Contributions and Transfers | <u>(1,152,901)</u> | <u>(685,595)</u> |
| Capital contributions | 39,163 | 77,495 |
| Transfers in | 1,012,015 | 391,664 |
| Transfers out | (534,745) | (153,040) |
| Change in Net Assets | <u>(636,468)</u> | <u>(369,476)</u> |
| Net Assets Beginning of Year | <u>4,689,320</u> | <u>5,058,796</u> |
| Net Assets End of Year | <u>\$ 4,052,852</u> | <u>\$ 4,689,320</u> |

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|------------------|--------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash Flows from Operating Activities | | |
| Cash received from customers | 2,990,305 | 2,722,411 |
| Cash payments to employees for services | (1,903,187) | (1,773,167) |
| Cash payments for goods and services | (1,173,317) | (571,882) |
| Other cash payments | - | - |
| Net Cash Provided by (Used in) Operating Activities | <u>(86,199)</u> | <u>377,362</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Interfund advances | 211,997 | 405,621 |
| Transfers in - PFC revenues | - | - |
| Transfers in | 1,012,015 | 391,664 |
| Transfers out | (534,745) | (153,040) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>689,267</u> | <u>644,245</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Sale of capital assets | (23,803) | - |
| Capital contribution from state | - | - |
| Proceeds from sale of revenue bonds | - | - |
| Capital grant | 39,163 | 77,495 |
| Principal paid on revenue bonds | (185,000) | (180,000) |
| Interest paid on debt service | (212,266) | (203,256) |
| Payments for capital acquisitions | (221,526) | (1,711,318) |
| Prior period adjustment | - | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(603,432)</u> | <u>(2,017,079)</u> |
| Cash Flows from Investing Activities | | |
| Investment earnings | 364 | 15,041 |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | (980,431) |
| Cash and Cash Equivalents Beginning of Year | - | 980,431 |
| 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, 2005 and 2004

(Continued)

| | <u>2005</u> | <u>2004</u> |
|--|--------------------|-------------------|
| Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating (Loss) | \$ (917,196) | \$ (497,380) |
| Adjustments: | | |
| Depreciation | 695,241 | 595,062 |
| (Increase) Decrease in Assets: | | |
| Accounts receivable | (7,260) | (19,118) |
| Prepaid items | 8,649 | (6,392) |
| Other | - | - |
| Increase (Decrease) in Liabilities: | | |
| Accounts payable | 31,804 | (73,174) |
| Interfund advance payable | (43,897) | 365,650 |
| Accrued liabilities | - | - |
| Compensated absences payable | (4,389) | 21,859 |
| Net pension obligation | 144,272 | - |
| Capital leases payable | 6,577 | (9,145) |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ (86,199)</u> | <u>\$ 377,362</u> |

See accompanying notes to the basic financial statements

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

| | <u>2005</u> | <u>2004</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 270,530 | \$ 830,104 |
| Accounts receivable | 149,033 | 129,491 |
| Prepaid items | | |
| Total Current Assets | <u>419,563</u> | <u>959,595</u> |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash and cash equivalents | - | - |
| Capital Assets: | | |
| Non-depreciable | 825,513 | 1,930,472 |
| Depreciable, net | <u>12,833,480</u> | <u>11,039,142</u> |
| Total Noncurrent Assets | <u>13,658,993</u> | <u>12,969,614</u> |
| Total Assets | <u>14,078,556</u> | <u>13,929,209</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | 39,336 | 57,230 |
| Interfund advances payable | 1,093,965 | 1,159,572 |
| Deferred revenue | 18,889 | 21,995 |
| Compensated absences payable | - | - |
| Capital leases payable | <u>-</u> | <u>-</u> |
| Total Current Liabilities | 1,152,190 | 1,238,797 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 13,658,993 | 12,969,614 |
| Unrestricted | <u>(732,627)</u> | <u>(279,202)</u> |
| Total Net Assets | <u>\$ 12,926,366</u> | <u>\$ 12,690,412</u> |

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|----------------------|----------------------|
| Operating Revenues | | |
| Charges for services | \$ 496,629 | \$ 490,756 |
| Operating Expenses | | |
| Personal services | 159,190 | 131,004 |
| Supplies and services | 274,934 | 224,867 |
| Insurance | 6,089 | 15,939 |
| Depreciation | 345,059 | 343,434 |
| Total Operating Expenses | <u>785,272</u> | <u>715,244</u> |
| Operating (Loss) | <u>(288,643)</u> | <u>(224,488)</u> |
| Non-Operating Revenues (Expenses) | | |
| Interest and fiscal charges | (61,078) | (64,588) |
| Gain (loss) on sale of capital assets | | |
| Interest | 17,698 | 39,095 |
| Operating grants | - | - |
| Total Non-Operating Revenues (Expenses) | <u>(43,380)</u> | <u>(25,493)</u> |
| (Loss) Before Capital Contributions and Transfers | (332,023) | (249,981) |
| Capital contributions | 489,247 | 1,540,061 |
| Transfers in | 112,130 | 40,000 |
| Transfers out | (33,400) | (49,139) |
| Change in Net Assets | 235,954 | 1,280,941 |
| Net Assets Beginning of Year | <u>12,690,412</u> | <u>11,409,471</u> |
| Net Assets End of Year | <u>\$ 12,926,366</u> | <u>\$ 12,690,412</u> |

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|-----------------------|-----------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash Flows from Operating Activities | | |
| Cash received from customers | \$ 477,087 | \$ 474,020 |
| Cash payments to employees for services | (162,296) | (131,004) |
| Cash payments for goods and services | (364,524) | (283,486) |
| Other cash payments | - | - |
| Net Cash Provided by (Used in) Operating Activities | <u>(49,733)</u> | <u>59,530</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Operating grants received | - | - |
| Transfers in | 112,130 | 40,000 |
| Transfers out | (33,400) | (49,139) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>78,730</u> | <u>(9,139)</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Sale of capital assets | - | - |
| Capital contribution from state | 0 | - |
| Capital grant | 489,247 | 1,540,061 |
| Principal paid on revenue bonds | (61,078) | (64,588) |
| Interest paid on debt service | (61,078) | (64,588) |
| Payments for capital acquisitions | (1,034,438) | (1,629,886) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(606,269)</u> | <u>(154,413)</u> |
| Cash Flows from Investing Activities | | |
| Investment earnings | 17,698 | 39,095 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (559,574) | (64,927) |
| Cash and Cash Equivalents Beginning of Year | <u>830,104</u> | <u>895,031</u> |
| Cash and Cash Equivalents End of Year | <u><u>270,530</u></u> | <u><u>830,104</u></u> |

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2005 and 2004

(Continued)

| | <u>2005</u> | <u>2004</u> |
|--|--------------------|------------------|
| Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating (Loss) | \$ (288,643) | \$ (224,487) |
| Adjustments: | | |
| Depreciation | 345,059 | 343,434 |
| (Increase) Decrease in Assets: | | |
| Accounts receivable | (19,542) | (16,737) |
| Prepaid items | - | - |
| Other | - | - |
| Increase (Decrease) in Liabilities: | | |
| Accounts payable | (17,894) | 32,035 |
| Interfund advance payable | (65,607) | (62,097) |
| Capital leases payable | - | - |
| Compensated absences payable | - | - |
| Deferred revenue | (3,106) | (12,618) |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ (49,733)</u> | <u>\$ 59,530</u> |

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

| | Great West School District | Great West Borough | Total |
|----------------------------------|---|-------------------------------|----------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Liabilities | | | |
| Current Liabilities: | | | |
| Interfund payable | 96,460 | 305,906 | 402,366 |
| Claims payable | - | 134,359 | 134,359 |
| Total Current Liabilities | 96,460 | 440,265 | 536,725 |
| Net Assets | | | |
| Unrestricted (deficits) | \$ (96,460) | \$ (440,265) | \$ (536,725) |

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

| | Great West School District | Great West Borough | Total |
|-------------------------------------|---|-------------------------------|--------------|
| Operating Revenues | | | |
| Insurance premiums | \$ 2,044,431 | \$ 1,001,101 | \$ 3,045,532 |
| Operating Expenses | | | |
| Administration | - | 418,280 | 418,280 |
| Claims | 1,885,716 | 882,394 | 2,768,110 |
| Total Operating Expenses | 1,885,716 | 1,300,674 | 3,186,390 |
| Operating (Loss) | 158,715 | (299,573) | (140,858) |
| Non-Operating Revenues | | | |
| Investment earnings (loss) | - | - | - |
| Change in Net Assets | 158,715 | (299,573) | (140,858) |
| Net Assets Beginning of Year | (255,175) | (140,692) | (395,867) |
| Net Assets End of Year | \$ (96,460) | \$ (440,265) | \$ (536,725) |

Ketchikan Gateway Borough, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

| | Great West School District | Great West Borough | Total |
|--|---|-------------------------------|---------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | | |
| Cash Flows from Operating Activities | | | |
| Cash received from customers | \$ 2,044,431 | \$ 1,001,101 | \$ 3,045,532 |
| Cash payments for goods and services | - | (418,280) | (418,280) |
| Cash payments for claims | (2,044,431) | (582,821) | (2,627,252) |
| Net Cash (Used in) Operating Activities | - | - | - |
| Cash Flows from Investing Activities | | | |
| Interest on investments | - | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | - | - |
| Cash and Cash Equivalents Beginning of Year | - | - | - |
| Cash and Cash Equivalents End of Year | \$ - | \$ - | \$ - |
| Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities | | | |
| Operating (Loss) | \$ 158,715 | \$ (299,573) | \$ (140,858) |
| Increase(Decrease) in Liabilities: | | | |
| Claims payable | (158,715) | 299,573 | 140,858 |
| Net Cash (Used in) Operating Activities | \$ - | \$ - | \$ - |

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West School District Insurance Fund
June 30, 2005 and 2004

| | 2005 | 2004 |
|-----------------------------|-------------|--------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ - | \$ - |
| Liabilities | | |
| Current Liabilities: | | |
| Interfund payable | 96,460 | 255,175 |
| Net Assets | | |
| Unrestricted | \$ (96,460) | \$ (255,175) |

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, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|-------------------------------------|--------------------|---------------------|
| Operating Revenues | | |
| Insurance premiums | \$ 2,044,431 | \$ 1,867,159 |
| Operating Expenses | | |
| Claims | <u>1,885,716</u> | <u>1,940,608</u> |
| Operating (Loss) | 158,715 | (73,449) |
| Non-Operating Revenues | | |
| Investment earnings (loss) | <u>-</u> | <u>-</u> |
| Change in Net Assets | 158,715 | (73,449) |
| Net Assets Beginning of Year | <u>(255,175)</u> | <u>(181,726)</u> |
| Net Assets End of Year | <u>\$ (96,460)</u> | <u>\$ (255,175)</u> |

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

| | <u>2005</u> | <u>2004</u> |
|----------------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ - | \$ - |
| Liabilities | | |
| Current Liabilities: | | |
| Interfund payable | 305,906 | 90,130 |
| Claims payable | 134,359 | 50,562 |
| Total Current Liabilities | 440,265 | 140,692 |
| Net Assets | | |
| Unrestricted | <u>\$ (440,265)</u> | <u>\$ (140,692)</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, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|-------------------------------------|----------------------------|----------------------------|
| Operating Revenues | | |
| Insurance premiums | \$ 1,001,101 | \$ 866,006 |
| Operating Expenses | | |
| Administration | 418,280 | 226,220 |
| Claims | 882,394 | 628,558 |
| Total Operating Expenses | <u>1,300,674</u> | <u>854,778</u> |
| Operating (Loss) | (299,573) | 11,228 |
| Non-Operating Revenues | | |
| Investment earnings (loss) | <u>-</u> | <u>37</u> |
| Loss Before Transfers Out | (299,573) | 11,265 |
| Transfers Out | <u>-</u> | <u>-</u> |
| Net Change in Net Assets | (299,573) | 11,265 |
| Net Assets Beginning of Year | <u>(140,692)</u> | <u>(151,957)</u> |
| Net Assets End of Year | <u><u>\$ (440,265)</u></u> | <u><u>\$ (140,692)</u></u> |

STATISTICAL SECTION

(Un-Audited)



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KETCHIKAN GATEWAY BOROUGH, ALASKA
 GOVERNMENT WIDE REVENUES
 Fiscal Year 2005

| Fiscal Year | Program Revenues | | | |
|-------------|----------------------|----------------------------------|--------------------------------|----------------|
| | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Property Taxes |
| 2003 | 6,122,038 | 1,142,186 | 14,352,478 | 7,274,264 |
| 2004 | 6,297,822 | 3,136,994 | 3,345,303 | 7,739,922 |
| 2005 | 7,065,431 | 972,586 | 2,630,908 | 8,222,959 |

Table 1
Un-audited

| General Revenues | | | | | | | |
|------------------|-----------------|--------------------------|--------------------------------|---------------------|------------|---------------|------------|
| Sales Taxes | Transient Taxes | Payment in Lieu of Taxes | Unrestricted Intergovernmental | Investment Earnings | Land Sales | Miscellaneous | Total |
| 4,961,299 | 32,771 | 12,741 | 865,389 | 662,628 | | 485,890 | 35,911,684 |
| 5,465,644 | 37,365 | 6,948 | 534,624 | 899,718 | 436,384 | 347,034 | 28,247,758 |
| 7,412,729 | 70,452 | 4,323 | 932,418 | 760,004 | 874,850 | 465,500 | 29,412,160 |

KETCHIKAN GATEWAY BOROUGH, ALASKA

GOVERNMENT WIDE EXPENSES BY FUNCTIONS

Fiscal Year 2005

| <u>Fiscal Year</u> | <u>Administration</u> | <u>Library Services</u> | <u>Public Services</u> | <u>Automation</u> | <u>Education</u> |
|--------------------|-----------------------|-----------------------------|------------------------|-------------------|------------------|
| 2003 | 2,419,655 | 389,572 | 10,138,227 | 151,143 | 8,726,887 |
| 2004 | 2,160,394 | 405,178 | 8,739,143 | 269,771 | 8,771,976 |
| 2005 | 3,009,348 | 411,855 | 10,659,834 | 283,537 | 9,003,657 |

Table 2
Un-audited

| <u>Nondepartmental</u> | <u>Interest</u> | <u>Ketchikan International Airport</u> | <u>Wastewater</u> | <u>Total</u> |
|------------------------|-----------------|--|-------------------|--------------|
| 2,081,507 | 1,206,535 | 3,643,744 | 870,426 | 29,627,696 |
| 2,154,832 | 1,370,970 | 3,442,165 | 715,244 | 28,029,673 |
| 2,264,466 | 1,301,846 | 4,079,654 | 854,648 | 31,868,845 |

Table 3
Un-audited

KETCHIKAN GATEWAY BOROUGH, ALASKA
GENERAL GOVERNMENTAL REVENUES BY SOURCE - (1)
1996 - 2005

| Fiscal Year | Taxes | Charges for Services | National Forest Receipts | Other Revenues | Intergovernmental Revenues | Total |
|-------------|--------|----------------------|--------------------------|----------------|----------------------------|--------|
| 95/96 | 11,636 | 443 | 337 | 2,976 | 11,039 | 26,431 |
| 96/97 | 11,905 | 446 | 261 | 8,838 | 21,207 | 42,657 |
| 97/98 | 12,051 | 578 | 51 | 3,596 | 8,177 | 24,453 |
| 98/99 | 12,130 | 633 | 78 | 2,422 | 9,000 | 24,263 |
| 99/00 | 12,745 | 729 | 86 | 11,286 | 8,180 | 33,026 |
| 00/01 | 12,152 | 912 | 101 | 267 | 3,474 | 16,906 |
| 01/02 | 12,176 | 916 | 342 | 1,985 | 7,173 | 22,592 |
| 02/03 | 12,268 | 1,155 | 345 | 1,200 | 4,284 | 19,252 |
| 03/04 | 13,243 | 1,211 | 389 | 1,738 | 6,628 | 23,209 |
| 04/05 | 15,706 | 1,414 | 380 | 1,730 | 4,081 | 23,311 |

(1) General government revenue figures include data for all funds except proprietary and fiduciary funds.

KETCHIKAN GATEWAY BOROUGH, ALASKA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION - (2)
1996 - 2005

| Fiscal Year | General Government | Public Services | Capital | Debt Service | Education - Operating | Total |
|-------------|--------------------|-----------------|---------|--------------|-----------------------|--------|
| 95/96 | 1,611 | 4,718 | 9,666 | 1,997 | 6,605 | 24,597 |
| 96/97 | 2,048 | 5,138 | 4,897 | 2,315 | 7,250 | 21,648 |
| 97/98 | 2,136 | 7,396 | 602 | 2,236 | 7,320 | 19,690 |
| 98/99 | 2,172 | 5,551 | 1,882 | 2,159 | 7,504 | 19,268 |
| 99/00 | 2,128 | 9,823 | 4,599 | 2,076 | 7,339 | 25,965 |
| 00/01 | 2,093 | 8,342 | 5,446 | 1,459 | 7,339 | 24,679 |
| 01/02 | 2,478 | 12,307 | 945 | 2,240 | 7,564 | 25,534 |
| 02/03 | 2,219 | 8,895 | 4,213 | 2,347 | 7,329 | 25,003 |
| 03/04 | 2,073 | 7,861 | 22,909 | 2,931 | 7,373 | 43,147 |
| 04/05 | 2,919 | 10,284 | 11,930 | 3,357 | 7,635 | 36,125 |

(2) General government expenditure figures include data for all funds except proprietary and

KETCHIKAN GATEWAY BOROUGH
GENERAL FUND TAX REVENUES BY SOURCE - (1)
1996 - 2005

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Automobile Tax</u> | <u>Boat Tax</u> | <u>Total</u> |
|--------------------|---------------------|------------------|---------------------------|-----------------|--------------|
| 95/96 | 6,492 | 3,254 | 133 | 36 | 9,915 |
| 96/97 | 6,599 | 3,305 | 156 | 36 | 10,096 |
| 97/98 | 6,628 | 3,364 | 172 | 34 | 10,198 |
| 98/99 | 6,671 | 3,317 | 161 | 32 | 10,181 |
| 99/00 | 7,087 | 3,440 | 157 | 29 | 10,713 |
| 00/01 | 6,380 | 3,790 | 163 | 28 | 10,361 |
| 01/02 | 6,482 | 3,864 | 150 | 30 | 10,526 |
| 02/03 | 6,369 | 3,961 | 159 | 34 | 10,523 |
| 03/04 | 6,365 | 4,373 | 150 | 16 | 10,904 |
| 04/05 | 6,867 | 5,021 | 167 | 22 | 12,077 |

(1) Tax revenue figures include data for the general fund only.

KETCHIKAN GATEWAY BOROUGH, ALASKA
COVERAGE AND PER CAPITA COST OF EDUCATION APPROPRIATION
1996 - 2005

| Fiscal Year | Population | Education Appropriation - (1) | Property Values | Borough Mill Levy | Total Levy | Excess/(Deficit) Coverage of Education Appropriation by Property Tax | Percent coverage | Per Capita Cost |
|-------------|------------|-------------------------------|-----------------|-------------------|------------|--|------------------|-----------------|
| 95/96 | 15,082 | 6,604,635 | 915,900,800 | 7.50 | 6,869,256 | 264,621 | 4.0% | 438 |
| 96/97 | 14,728 | 7,249,694 | 985,070,900 | 7.10 | 6,994,003 | (255,691) | -3.5% | 492 |
| 97/98 | 14,231 | 7,319,489 | 1,005,582,800 | 7.00 | 7,039,080 | (280,410) | -3.8% | 514 |
| 98/99 | 13,961 | 7,503,928 | 1,009,721,800 | 7.00 | 7,068,053 | (435,875) | -5.8% | 537 |
| 99/00 | 14,070 | 7,651,703 | 1,010,459,900 | 7.50 | 7,578,449 | (73,253) | -1.0% | 544 |
| 00/01 | 14,070 | 7,338,857 | 1,014,686,000 | 6.80 | 6,899,865 | (438,992) | -6.0% | 522 |
| 01/02 | 13,670 | 7,564,426 | 1,043,607,300 | 6.80 | 7,096,530 | (467,896) | -6.2% | 553 |
| 02/03 | 13,670 | 7,329,446 | 1,022,874,200 | 6.80 | 6,955,545 | (373,901) | -5.1% | 536 |
| 03/04 | 13,030 | 7,373,117 | 1,001,896,000 | 7.00 | 7,013,272 | (359,845) | -4.9% | 566 |
| 04/05 | 13,030 | 7,635,347 | 986,731,300 | 7.50 | 7,400,485 | (234,862) | -3.1% | 586 |

(1) Does not include any funding of Student Activities outside of the funding cap.

Source: Borough Finance Department

KETCHIKAN GATEWAY BOROUGH, ALASKA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 1996 - 2005

| Fiscal Year | Real Property | Personal Property | Citizen/Veteran Exemptions | Total | | Ratio of Total Assessed Value to Total Estimated Actual Value |
|-------------|----------------|-------------------|----------------------------|----------------|------------------------|---|
| | Assessed Value | Assessed Value | Real Property | Assessed Value | Estimated Actual Value | |
| 95/96 | 860,641,900 | 55,258,900 | 51,643,400 | 915,900,800 | 915,900,800 | 100% |
| 96/97 | 925,150,800 | 59,920,100 | 56,567,400 | 985,070,900 | 985,070,900 | 100% |
| 97/98 | 945,803,200 | 59,779,600 | 59,318,000 | 1,005,582,800 | 1,005,582,800 | 100% |
| 98/99 | 945,782,900 | 63,938,900 | 61,147,800 | 1,009,721,800 | 1,009,721,800 | 100% |
| 99/00 | 946,063,200 | 64,396,700 | 60,666,100 | 1,010,459,900 | 1,010,459,900 | 100% |
| 00/01 | 941,920,800 | 72,765,200 | 61,911,500 | 1,014,686,000 | 1,014,686,000 | 100% |
| 01/02 | 974,516,600 | 69,090,700 | 62,469,800 | 1,043,607,300 | 1,043,607,300 | 100% |
| 02/03 | 959,208,600 | 63,665,600 | 64,125,200 | 1,022,874,200 | 1,022,874,200 | 100% |
| 03/04 | 948,408,200 | 53,487,800 | 66,752,400 | 1,001,896,000 | 1,001,896,000 | 100% |
| 04/05 | 933,430,600 | 53,300,700 | 69,473,700 | 986,731,300 | 986,731,300 | 100% |

Source: Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH, ALASKA
 ASSESSED VALUE OF TAXABLE PROPERTY AND TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 1996 - 2005

| Fiscal Year | Assessed Value of Real & Personal Property - (1) | City of Ketchikan | Ketchikan Gateway Borough | Total | Shoreline Service Area - (2) | South Tongass Fire Service Area | Forest Park Service Area | North Tongass Service Area | Non-Areawide |
|-------------|--|-------------------|---------------------------|-------|------------------------------|---------------------------------|--------------------------|----------------------------|--------------|
| 95/96 | 915,900,800 | 6.70 | 7.50 | 14.20 | 1.00 | 1.00 | 3.50 | | 0.84 |
| 96/97 | 985,070,900 | 6.70 | 7.10 | 13.80 | 1.00 | 1.00 | 3.50 | | 0.84 |
| 97/98 | 1,005,582,800 | 6.40 | 7.00 | 13.40 | 1.00 | 1.00 | 3.50 | | 0.92 |
| 98/99 | 1,009,721,800 | 6.40 | 7.00 | 13.40 | 1.00 | 1.00 | 2.20 | | 0.93 |
| 99/00 | 1,010,459,900 | 6.40 | 7.50 | 13.90 | 1.00 | 1.00 | 2.20 | | 0.70 |
| 00/01 | 1,014,686,000 | 6.40 | 6.80 | 13.20 | 1.00 | 1.00 | 2.20 | | 0.80 |
| 01/02 | 1,043,607,300 | 6.40 | 6.80 | 13.20 | - | 1.00 | 2.20 | | 1.05 |
| 02/03 | 1,022,874,200 | 6.40 | 6.80 | 13.20 | - | 1.00 | 2.20 | | 1.20 |
| 03/04 | 1,001,896,000 | 6.40 | 7.00 | 13.40 | - | 1.00 | 2.20 | 1.70 | 1.20 |
| 04/05 | 986,731,300 | 6.40 | 7.50 | 13.90 | - | 1.00 | 2.20 | 1.40 | 1.20 |

- (1) Total assessed value based on 100% of estimated actual value.
- (2) The Shoreline Service Area was annexed into the City on January 1, 2001.

Source: Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH, ALASKA
PROPERTY TAX LEVIES AND COLLECTIONS
1996 - 2005

| Fiscal Year | Mill Levy | Total Tax Levy for Year | Collected within the Fiscal Year of the Levy | | Delinquent Collections in Current & Subsequent Years | Total Collections to Date | | Outstanding Delinquent Taxes | % Delinquent Taxes to Total Tax Levy |
|-------------|-----------|-------------------------|--|--------------------|--|---------------------------|--------------------|------------------------------|--------------------------------------|
| | | | Amount | Percentage of Levy | | Amount | Percentage of Levy | | |
| 95/96 | 7.50 | 6,869,256 | 4,646,205 | 67.6% | 2,220,424 | 6,866,629 | 100.0% | 2,627 ^ | 0.04% |
| 96/97 | 7.10 | 6,994,003 | 5,812,652 | 83.1% | 1,178,370 | 6,991,021 | 100.0% | 2,982 ^ | 0.04% |
| 97/98 | 7.00 | 7,039,080 | 6,107,373 | 86.8% | 928,644 | 7,036,017 | 100.0% | 3,063 ^ | 0.04% |
| 98/99 | 7.00 | 7,068,053 | 5,887,380 | 83.3% | 1,170,502 | 7,057,882 | 99.9% | 10,171 ^ | 0.14% |
| 99/00 | 7.50 | 7,578,449 | 6,265,046 | 82.7% | 1,304,370 | 7,569,416 | 99.9% | 9,034 ^ | 0.12% |
| 00/01 | 6.80 | 6,899,865 | 5,156,645 | 74.7% | 1,728,640 | 6,885,285 | 99.8% | 14,579 ^ | 0.21% |
| 01/02 | 6.80 | 7,096,530 | 4,869,466 | 68.6% | 2,079,143 | 6,948,609 | 97.9% | 147,921 ^ | 2.08% |
| 02/03 | 6.80 | 6,955,545 | 5,695,391 | 81.9% | 1,217,283 | 6,912,674 | 99.4% | 42,871 ^ | 0.62% |
| 03/04 | 7.00 | 7,013,272 | 5,827,184 | 83.1% | 612,310 | 6,439,494 | 91.8% | 502,983 ^ | 7.17% |
| 04/05 | 7.50 | 7,400,485 | 5,767,904 | 77.9% | 1,182,222 | 6,950,126 | 93.9% | 450,359 ^ | 6.09% |

^ Note: These Outstanding Delinquent Amounts are the Receivables for all areas: Borough, Service Areas, and Non-areawide

Source: Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH, ALASKA
PRINCIPAL TAXPAYERS
Calendar Year 2004

| Taxpayer | Type of Business | Valuation | Percent of Total Assessed Valuation |
|---------------------------------|-----------------------|---------------|-------------------------------------|
| Cape Fox Corporation | Forest Products/Hotel | \$ 12,218,700 | 1.24% |
| Tongass Trading Company | Retail Stores | 6,949,100 | 0.70% |
| Carr-Gottstein Foods | Retail Stores | 6,038,500 | 0.61% |
| Wal-Mart | Retail Stores | 5,978,100 | 0.61% |
| E.C. Phillips & Son Inc. | Seafood Processing | 5,558,600 | 0.56% |
| Southeast Stevedoring | Commercial/Industrial | 5,300,900 | 0.54% |
| Ketchikan Plaza Inc. | Retail Stores | 5,238,100 | 0.53% |
| Alaska General Seafood | Seafood Processing | 4,718,900 | 0.48% |
| Tesoro Alaska Petroleum Company | Petroleum | 4,441,900 | 0.45% |
| Swan Bay Holding Inc. | Commercial/Industrial | 4,047,200 | 0.41% |
| Total Principal Taxpayers | | 60,490,000 | 6.13% |
| | | | |
| Total Assessed Valuation | | 986,731,300 | 100.00% |

Source: Ketchikan Gateway Borough Department of Assessment

KETCHIKAN GATEWAY BOROUGH, ALASKA
RATIO OF NET BONDED DEBT & REVENUE BONDED DEBT
TO ASSESSED VALUE and NET BONDED DEBT PER CAPITA
1996 - 2005

| Fiscal Year | Population - (1) | Assessed Value - (2) | Gross Bonded Debt - (3) | Debt Payable from Enterprise Revenues - (4) | Net Bonded Debt | Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|------------------|----------------------|-------------------------|---|-----------------|-------------------------------|----------------------------|
| 95/96 | 15,082 | 915,900,800 | 12,470,000 | 170,000 | 12,300,000 | 1.34% | 816 |
| 96/97 | 14,728 | 985,070,900 | 10,800,000 | 130,000 | 10,670,000 | 1.08% | 724 |
| 97/98 | 14,231 | 1,005,582,800 | 9,105,000 | 90,000 | 9,015,000 | 0.90% | 633 |
| 98/99 | 13,961 | 1,009,721,800 | 7,380,000 | 50,000 | 7,330,000 | 0.73% | 525 |
| 99/00 | 14,070 | 1,010,459,900 | 13,235,000 | 50,000 | 13,185,000 | 1.30% | 937 |
| 00/01 | 14,070 | 1,014,686,000 | 21,610,000 | - | 21,610,000 | 2.13% | 1,536 |
| 01/02 | 13,670 | 1,043,607,300 | 20,655,000 | - | 20,655,000 | 1.98% | 1,511 |
| 02/03 | 13,670 | 1,022,874,200 | 32,730,000 | 4,250,000 | 28,480,000 | 2.78% | 2,083 |
| 03/04 | 13,030 | 1,001,896,000 | 31,215,000 | 4,200,000 | 27,015,000 | 2.70% | 2,073 |
| 04/05 | 13,030 | 986,731,300 | 36,690,000 | 3,835,000 | 32,855,000 | 3.33% | 2,521 |

- (1) Alaska Department of Community & Regional Affairs.
- (2) Ketchikan Gateway Borough Assessment Department.
- (3) Includes Revenue Bonds.

KETCHIKAN GATEWAY BOROUGH
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005

No Debt Limit is Mandated by Law

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

| | | |
|--|--------------------|----------------------------|
| Total Direct Debt | | |
| Outstanding G.O. Bonds - Ketchikan Gateway Borough | | \$32,855,000 |
| Less Self Supporting Debt: | | |
| 1995 Recreation Sales Tax Revenues | <u>(2,735,000)</u> | <u>(2,735,000)</u> |
| Total Direct Debt | | 30,120,000 |
| | | |
| City of Ketchikan Direct Debt | | |
| Outstanding G.O. Bonds | | \$10,160,000 |
| Less Self Supporting Debt: | | |
| 1994 Port Bonds | | |
| Paid from Ketchikan Port Fund Revenues | (2,065,000) | |
| 1997 Hospital Construction Bonds | | |
| Paid from Sales Tax Hospital Fund Revenues | <u>(8,095,000)</u> | <u>(10,160,000)</u> |
| Total City of Ketchikan Direct Debt | | <u>-</u> |
| Total Direct and Overlapping Debt | | <u><u>\$30,120,000</u></u> |

Source: Ketchikan Gateway Borough and City of Ketchikan Financial Records



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KETCHIKAN GATEWAY BOROUGH, ALASKA
 GENERAL OBLIGATION BONDED DEBT, FUNDING SOURCES &
 PER CAPITA COST
 1996 - 2005

| Fiscal Year | School G.O. Bond Debt | | | Revenues - School Bond/Capital Improvement Fund | | | | Total Revenues |
|-------------|-----------------------|-----------|-----------|---|-------------|----------|--------------------|----------------|
| | Principal | Interest | Total | State School Debt Reimbursement | Tobacco Tax | Misc. | 1/2 cent Sales Tax | |
| 95/96 | 1,400,000 | 597,041 | 1,997,041 | 1,633,694 | 68,013 | 12,415 | | 1,714,122 |
| 96/97 | 1,630,000 | 684,527 | 2,314,527 | 1,576,436 | | 16,800 | | 1,593,235 |
| 97/98 | 1,655,000 | 580,728 | 2,235,728 | 1,288,507 | | 31,306 | | 1,319,813 |
| 98/99 | 1,685,000 | 474,228 | 2,159,228 | 1,024,721 | | 37,113 | | 1,061,834 |
| 99/00 | 1,200,000 | 80,400 | 1,280,400 | 1,024,320 | | 64,645 | | 1,088,965 |
| 00/01 | 100,000 | 560,257 | 660,257 | 452,255 | | 1,930 | | 454,185 |
| 01/02 | 405,000 | 920,716 | 1,325,716 | 1,001,824 | | (12,140) | | 989,684 |
| 02/03 | 600,000 | 841,488 | 1,441,488 | 999,084 | | 5,120 | | 1,004,204 |
| 03/04 | 860,000 | 1,271,748 | 2,131,748 | 1,497,732 | | 10,832 | | 1,508,564 |
| 04/05 | 980,000 | 1,147,323 | 2,127,323 | 1,479,265 | | 32,603 | | 1,511,868 |

Source: Ketchikan Gateway Borough Finance Department.

Table 12
Un-audited

| (Deficit) Funded through the General Fund | Per Capita Cost | | Indoor Rec Center Debt Service | | | Rec CIP Fund | |
|--|-----------------|-----------------------|--------------------------------|----------|---------|--|------------------------------------|
| | Population | Per Capita Cost | Principal | Interest | Total | Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc. | Available for Other Projects |
| (282,919) | 15,082 | 19 | | | - | | |
| (721,292) | 14,728 | 49 | | | - | | |
| (915,915) | 14,231 | 64 | | | - | | |
| (1,097,394) | 13,961 | 79 | | | - | | |
| (191,435) | 14,070 | 14 | 505,000 | 290,262 | 795,262 | 1,187,619 | 392,357 |
| (206,072) | 14,070 | 15 | 530,000 | 268,548 | 798,548 | 921,424 | 122,877 |
| (336,032) | 13,670 | 25 | 550,000 | 245,228 | 795,228 | 1,227,122 | 431,894 |
| (437,284) | 13,670 | 32 | 575,000 | 220,478 | 795,478 | 1,016,043 | 220,565 |
| (623,184) | 13,030 | 48 | 605,000 | 194,028 | 799,028 | 1,134,652 | 335,624 |
| (615,455) | 13,030 | 47 | 630,000 | 98,074 | 728,074 | 1,277,280 | 549,206 |

KETCHIKAN GATEWAY BOROUGH, ALASKA
REVENUE BOND COVERAGE
KETCHIKAN INTERNATIONAL AIRPORT
1996 - 2005

| Fiscal Year | Gross Revenues - (1) | Operating Expenses - (2) | Net Revenue Available for Debt Service | Debt Service Requirements - (3) | | | Coverage |
|-------------|----------------------|--------------------------|--|---------------------------------|----------|---------|----------|
| | | | | Principal | Interest | Total | |
| 95/96 | 1,480,889 | 1,107,456 | 373,433 | 35,000 | 22,053 | 57,053 | 6.55 |
| 96/97 | 1,341,592 | 1,230,831 | 110,761 | 35,000 | 13,200 | 48,200 | 2.30 |
| 97/98 | 1,449,309 | 1,269,485 | 179,824 | 40,000 | 10,400 | 50,400 | 3.57 |
| 98/99 | 1,464,148 | 1,464,983 | (835) | 50,000 | 4,000 | 54,000 | (0.02) |
| 99/00 | 2,237,555 | 2,634,209 | (396,654) | 50,000 | 17,170 | 67,170 | (5.91) |
| 00/01 | 2,471,407 | 2,361,366 | 110,041 | - | - | - | |
| 01/02 | 3,001,570 | 2,774,919 | 226,651 | - | 136,338 | 136,338 | 1.66 |
| 02/03 | 3,439,530 | 2,739,372 | 700,158 | 50,000 | 207,544 | 257,544 | 2.72 |
| 03/04 | 3,225,729 | 2,643,847 | 581,882 | 180,000 | 203,256 | 383,256 | 1.52 |
| 04/05 | 4,049,107 | 3,075,248 | 973,859 | 185,000 | 188,726 | 373,726 | 2.61 |

- (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
1996 - 2005

| 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 |
| 95/96 | 15,082 | 25,901 | 7.70% | 2,890 | 7 | 145 | 170 | 286 |
| 96/97 | 14,728 | 26,898 | 8.70% | 2,903 | 7 | 145 | 163 | 290 |
| 97/98 | 14,231 | 27,645 | 9.50% | 2,782 | 7 | 145 | 153 | 280 |
| 98/99 | 13,961 | 27,994 | 7.00% | 2,757 | 7 | 145 | 157 | 296 |
| 99/00 | 14,070 | 29,642 | 7.10% | 2,644 | 7 | 145 | 160 | 299 |
| 00/01 | 14,070 | 30,997 | 7.80% | 2,519 | 7 | 145 | 156 | 295 |
| 01/02 | 13,670 | Not Available | 8.00% | 2,424 | 7 | 145 | 154 | 289 |
| 02/03 | 13,670 | Not Available | 10.20% | 2,391 | 7 | 145 | 155 | 307 |
| 03/04 | 13,030 | Not Available | 8.90% | 2,359 | 6 | 140 | 155 | 300 |
| 04/05 | 13,030 | Not Available | 7.60% | 2,326 | 5 | 134 | 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
PROPERTY VALUE and CONSTRUCTION
1996 - 2005

| Calendar Year | Construction | | Zoning Permits - (3) | Real & Personal Property Value - (2) |
|---------------|----------------------------|-------------|-------------------------|---|
| | Number of Permits - (1) | Value - (1) | | |
| 1996 | 135 | 11,300,000 | 209 | 462,507,200 |
| 1997 | 180 | 11,656,652 | 210 | 504,116,300 |
| 1998 | 146 | 8,600,500 | 159 | 508,823,000 |
| 1999 | 169 | 17,272,900 | 118 | 530,101,000 |
| 2000 | 156 | 12,890,000 | 148 | 528,989,700 |
| 2001 | 142 | 9,167,000 | 146 | 535,803,200 |
| 2002 | 141 | 6,602,522 | 115 | 607,216,600 |
| 2003 | 119 | 4,838,174 | 132 | 596,304,300 |
| 2004 | 139 | 20,066,660 | 184 | 589,537,900 |
| 2005 | 170 | 10,796,329 | 158 | 583,361,200 |

(1) City of Ketchikan Financials.

(2) Ketchikan Gateway Borough Department of Assessment.

(3) Ketchikan Gateway Borough Planning Department - Calendar Year Basis.

KETCHIKAN GATEWAY BOROUGH, ALASKA
MISCELLANEOUS STATISTICS
June 30, 2005

| | | | |
|--|---------|---|---------------------|
| Date of Incorporation - 1963 Code or Ordinances Adopted - 1963 Form of Government - Elected Assembly - Manager Second-Class Borough | | | |
| <i>Ketchikan Gateway Borough</i> | | <i>Elections (October 2002)</i> | |
| Borough, square miles | 1,233 | Registered Voters | 10,135 |
| Revillagigedo Island, square miles | 1,168 | Votes Cast Last Borough Election | 3,982 |
| Gravina Island, square miles | 89 | % Voting Last Borough Election | 39% |
| <i>Animal Protection (Calendar Year 2002)</i> | | <i>Sewer Plants</i> | |
| Licenses Issued | 685 | Forest Park: | 150 |
| Animals Impounded | 417 | Sewer Connections | 2.5 |
| Animals Surrendered | 388 | Miles of Sanitary Sewers | |
| Animals Adopted | 204 | Average Daily Treatment | 45,000-60,000 gals. |
| Animals Claimed | 156 | Mountain Point: | |
| <i>South Tongass Volunteer Fire Department (Calendar Year 2002)</i> | | Miles of Sanitary Sewers | 6 |
| Stations | 1 | Average Daily Treatment (Sewer) | 47,000 gals. |
| Volunteers | 27 | Treatment Capacity (Sewer) | 330,000 gals. |
| Fire Calls | 12 | Mountain Point Service Area: | |
| Emergency Calls/EMS Incidents | 88 | Water, Hydrant, Sewer Connections | 327 |
| Fire Investigations | 2 | Average Daily Treatment (Water) | 146,933 |
| <i>North Tongass Volunteer Fire Department (Newly Formed)</i> | | Treatment Capacity (Water) | 288,000 gals. |
| Stations | 2 | <i>Municipal Parks</i> | |
| | | Developed Parks | 15 |
| | | Developed Acres | 6,564 |
| | | Swimming Pools | 2 |
| | | Lighted Ball Fields | 6 |
| <i>Transportation Services (Calendar Year 2002)</i> | | | |
| <i>Ketchikan International Airport</i> | | <i>Airport Ferry</i> | |
| Inbound Passengers | 92,659 | Passengers | 321,958 |
| Outbound Passengers | 93,424 | Vehicles | 71,394 |
| <i>The Bus</i> | | <i>Visitor Industry (Calendar Year 2002)</i> | |
| Passengers | 166,772 | Cruise Ship Passengers | 681,096 |
| | | Alaska Marine Highway Visitors | 25,139 |
| | | Airline Visitors | 23,561 |
| | | Estimated Gross Revenues from Lodging, Restaurants, Retail | \$ 100,121,354 |

Data retrieved from the following sources:

Ketchikan Gateway Borough Departments:

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

Ketchikan Visitor's Bureau