

Ketchikan Gateway Borough
Alaska



Comprehensive Annual
Financial Report

June 30, 2004

KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

June 30, 2004

Prepared by:

Finance Department

Roy Eckert, Borough Manager
Maureen Crosby CPA, Comptroller
344 Front St.
Ketchikan, Alaska 99901



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Comprehensive Annual Financial Report
For The Year Ended June 30, 2004

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INTRODUCTORY SECTION

KETCHIKAN GATEWAY BOROUGH

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Borough Manager
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April 3, 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, 2004. 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, 2004. 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, 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, 2004, 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, 2004 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.

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, the Masters, Mates and Pilots plan, 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. Efforts to replace the pulp mill have not been successful. The veneer plant shut its doors and foreclosure procedures were implemented in order to pay off its creditors, including the Ketchikan Gateway Borough. 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, or Masters, Mates & Pilots (MMP) participate in a defined benefit 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 ultimately responsible for any unfunded pension liabilities. The Borough's obligation under the IBEW and MMP plan is limited to the annual contributions paid to the Alaska Electrical Trust Fund and Master, Mates and Pilots 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 Borough's PERS employer contribution rate for 2003 was 6.49 percent and decreased to 5.49 percent on July 1, 2003. The Borough and School District have been notified that the PERS rate will increase by the maximum allowed by state statute of 5 percent for the next 4 years. The increase will amount to approximately \$170,000 each year for the next 4 years. In year 4, the Borough costs will be approximately \$680,000 more annually than at the present rate.

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

We would like to acknowledge and thank the Borough's previous finance director, Alvin Hall, for his assistance in preparing the statements at the fund level for the budget and actual information. His contribution is greatly appreciated and helped speed up the entire process. All the personnel in the finance department provided information on an as needed basis.

Respectively submitted,



Roy Eckert
Borough Manager



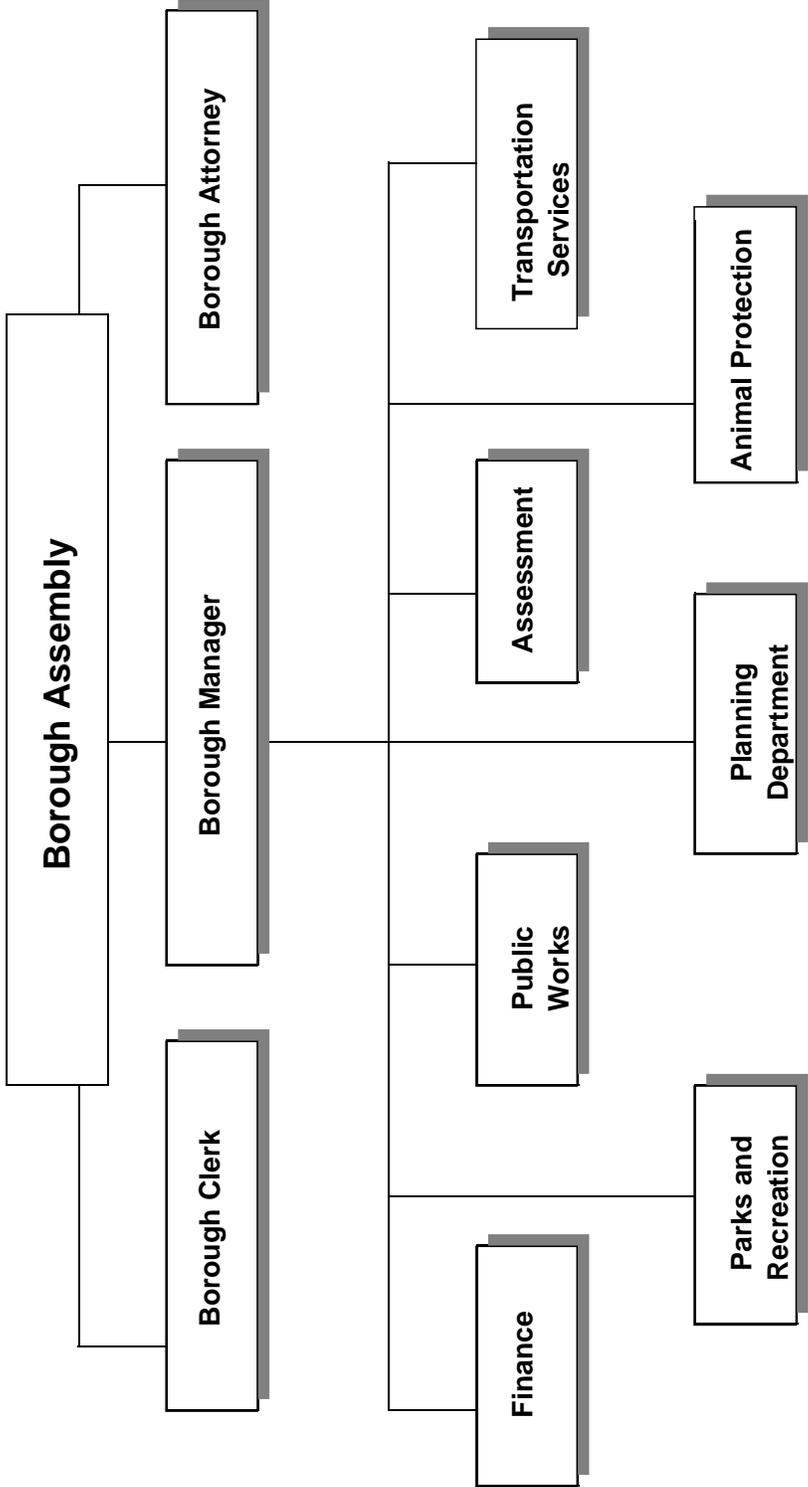
Maureen Crosby, CPA
Comptroller



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KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2003/2004



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2004

MAYOR AND ASSEMBLY

<i>Mayor</i>	Michael B. Salazar
<i>Vice-Mayor</i>	David F. Landis
<i>Assembly Member</i>	Samuel Bergerson
<i>Assembly Member</i>	David Kiffer
<i>Assembly Member</i>	George Lybrand, P.E.
<i>Assembly Member</i>	Maggie Sarber
<i>Assembly Member</i>	John W. "Jack" Shay Jr.
<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>	Clark Corbridge
<i>Director of Finance</i>	Alvin E. Hall
<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>	David Allen
<i>Parks and Recreation Supervisor</i>	Wendy Mackie
<i>Director of Public Works</i>	Dick Kraft

FINANCIAL SECTION

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

Member of the AICPA Private Companies Practice Section

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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 discretely 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, 2004, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough as of June 30, 2004, 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.

As described in the notes, the Borough has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local

MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Governments, as of June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 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 19 is 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

February 10, 2005, except for the Airport PFC Fund and Note 5 as to which the date is
February 10, 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, 2004. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Borough's assets exceeded its liabilities by \$138,729,742 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$109,174,004 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 \$29,418,513 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$137,228 represent the portion available to maintain the Borough's continuing obligations to citizens and creditors.
- The Borough's governmental funds reported total ending fund balance of \$31,725,982 this year. This compares to the prior year restated ending fund balance of \$52,331,401 showing a decrease of \$20,605,419 during the current year. Unreserved fund balance of \$14,713,644 for fiscal year 2004 shows a \$13,554,075 decrease from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,560,944, or 17.9% of total General Fund expenditures.
- Overall, the Borough continues to maintain a strong financial position, in spite of a somewhat depressed economy.

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 2003.

The government-wide financial statements are presented on pages 21 & 22 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 23 - 29 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 31 – 34 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 35 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 65.

Financial Analysis of the Borough as a Whole

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

The Borough's net assets at fiscal year-end are \$138,729,742. The following table provides a summary of the Borough's net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current assets	\$ 36,356,423	\$ 53,553,852	\$ 1,249,882	\$ 2,252,994	\$ 37,606,305	\$ 55,806,846
Capital assets	117,726,046	98,840,790	22,502,770	20,100,063	140,228,816	118,940,853
Total assets	154,082,469	152,394,642	23,752,652	22,353,057	177,835,121	174,747,699
Liabilities:						
Current liabilities	6,925,618	3,348,107	2,504,132	1,928,583	9,429,750	5,276,690
Long-term liabilities	25,746,222	27,398,666	3,929,407	4,020,000	29,675,629	31,418,666
Total liabilities	32,671,840	30,746,773	6,433,539	5,948,583	39,105,379	36,695,356
Net assets:						
Invested in capital assets, net of debt	90,711,046	70,360,790	18,462,955	15,871,103	109,174,001	86,231,893
Restricted	29,418,513	49,014,382	-	-	29,418,513	49,014,382
Unrestricted	1,281,070	2,272,697	(1,143,842)	533,371	137,228	2,806,068
Total net assets	\$ 121,410,629	\$ 121,647,869	\$ 17,319,113	\$ 16,404,474	\$ 138,729,742	\$ 138,052,343

Note that approximately 75% of the governmental activities' net assets are tied 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 107% of its net assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for this fund. 79% of the Borough's total net assets are included in capital assets. The current ratio for governmental activities is 5.25 to 1 and .51 to 1 for business type activities. This compares to 16.0 to 1 for governmental activities and 1.2 to 1 for business type activities for fiscal year 2003. The change in the current ratio is due to the reclassification of "land held for resale" as a current asset to a capital asset item for governmental activities, and the purchase of capital assets for cash in the business type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2004

Ketchikan-Gateway Borough, Alaska

Changes in Net Assets

The Borough's net assets increased by \$2,380,425 in 2004. The net assets for governmental activities increased by \$1,468,960 and the net assets for business-type activities increased by \$911,465. The following table provides a summary of the changes in the Borough's net assets:

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program:						
Charges for services	\$ 3,126,951	\$ 2,718,272	\$ 3,235,459	\$ 3,403,766	\$ 6,362,410	\$ 6,122,038
Operating grants	3,136,994	1,139,686	-	2,500	3,136,994	1,142,186
Capital grants	1,727,747	2,626,176	1,617,556	11,726,302	3,345,303	14,352,478
General:						
Taxes	13,249,879	12,281,075	-	-	13,249,879	12,281,075
Other	2,217,760	2,013,907	54,136	166,861	2,271,896	2,180,768
Total revenues	<u>23,459,331</u>	<u>20,779,116</u>	<u>4,907,151</u>	<u>15,299,429</u>	<u>28,366,482</u>	<u>36,078,545</u>
Program Expenses:						
Administration	2,160,394	2,419,655	-	-	2,160,394	2,419,655
Public services	8,739,143	10,138,227	-	-	8,739,143	10,138,227
Automation	269,771	151,143	-	-	269,771	151,143
Education	8,771,976	8,726,887	-	-	8,771,976	8,726,887
Non-departmental	2,154,832	2,081,507	-	-	2,154,832	2,081,507
Interest	1,370,970	1,206,535	-	-	1,370,970	1,206,535
Airport	-	-	3,442,165	3,643,744	3,442,165	3,643,744
Wastewater	-	-	779,832	870,426	779,832	870,426
Total expenses	<u>23,467,086</u>	<u>24,723,954</u>	<u>4,221,997</u>	<u>4,514,170</u>	<u>27,689,083</u>	<u>29,238,124</u>
Excess (deficiency)	(7,755)	(3,944,838)	685,154	10,785,259	677,399	6,840,421
Transfers	(229,485)	188,185	229,485	(188,185)	-	-
Change in net assets	(237,240)	(3,756,653)	914,639	10,597,074	677,399	6,840,421
Beginning net assets	121,647,869	123,698,322	16,404,474	5,807,400	138,052,343	129,505,722
Prior Period Adjustment		1,706,200			-	1,706,200
Ending net assets	<u>\$ 121,410,629</u>	<u>\$ 121,647,869</u>	<u>\$ 17,319,113</u>	<u>\$ 16,404,474</u>	<u>\$ 138,729,742</u>	<u>\$ 138,052,343</u>

GOVERNMENTAL REVENUES

The Borough is heavily reliant on property taxes and sales taxes to support governmental operations and capital. Property taxes are the largest revenue source with over \$7.7 million of revenues or 50% of the total. Sales taxes provided 35% of the Borough's total governmental revenues. Because of the Borough's healthy financial position, we have been able to earn \$899,718 in investment earnings to support governmental activities. Also, note that program revenues cover only 34% of

governmental operating expenses, which is an increase of 8% over the prior year. This means that the government's taxpayers and the Borough's other general governmental revenues fund 66% 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 37.2% of our costs. This is a 3.8% decrease from FY03. This function includes parks and recreation, public works, planning, animal protection, service area water and fire protection, and community education. 37.4% of our resources are used to fund the school district, which is approximately a 2% increase from FY03. Administration costs totaled 9.2%.

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

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	Amount	%	Amount	%
Administration	\$ 2,160,394	9.2%	\$ 2,160,394	14.0%
Public services	8,739,143	37.2%	4,112,342	26.6%
Automation	269,771	1.1%	269,771	1.7%
Education	8,771,976	37.4%	7,274,244	47.0%
Non-departmental	2,154,832	9.2%	287,673	1.9%
Interest	1,370,970	5.8%	1,370,970	8.9%
Total	\$ 23,467,086	100%	\$ 15,475,394	100%

After reducing gross expenses by program revenues, public services totals 26.6% and education totals 47.0%.

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 6.3% less than 2003, and operating expenses decreased by 3.1%. The main component of the decrease in revenues was as follows:

Revenue Source	Decrease due to:	Decrease
TSA Law Enforcement reimbursement	Federal reimbursement paid to offset the increased cost of airport security was not received.	186,150

The operating expenses decreased 3.0% due to a reduction in personal services, supplies and service. The total decrease of 16% was offset by an increase in insurance.

The Wastewater Enterprise Fund (WEF) is an enterprise fund that was established in 2003 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 2004, the operating revenue of the WEF increased by 2.6% and the net operating loss was \$(224,488). 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 \$31,725,982. Of this year-end total, \$14,713,644 is unreserved indicating availability for continuing Borough service requirements. Legally restricted fund balances (i.e., the reserved fund balances) include \$6,513,748 set aside for encumbrances carried forward; and other assets not available for current expenditure totaling \$10,498,590. Included in this amount is \$2,063,266 for loan guarantees, \$3,032,053 for shipyard development, and \$887,008 for a long-term note.

The total ending fund balances of governmental funds show a decrease of \$20,605,419 or 39% over the prior year. This decrease is primarily the result of the reclassification of "land held for resale" as a balance sheet item in the Southeast Economic Development Fund to capital assets, and the conversion of current assets (construction funds) school construction-in-progress assets.

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 \$483,149, a 14% decrease. The FY04 budget was partially funded with current reserves and the approved budget projected a 33% decrease in fund balance. A favorable variance in revenue collections and a favorable variable in expenditures reduced the decrease to 14%.

Property tax collections decreased \$4,424 below fiscal year 2003 collections. Budgeted property tax revenues for 2004 increased by \$33,092 and actual property tax collections were \$185,483 less than budgeted. The difference in the budgeted to actual relates to the collection process, as property tax revenues are recognized when received. Sales taxes increased 11% over fiscal year 2003. In total, State Revenue funding decreased by 12%. A portion of this decrease is a result of the Borough no longer administering the State Daycare grant. The State of Alaska substantially changed the requirements for administering the program towards the end of FY03, and the Borough decided not to reapply for it. Charges for services decreased by 6% primarily in Parks & Recreation programs.

On the expenditure side, Automation increased by 71.5%. This increase is due to a concerted effort to update and improve the computer and communication technology of the Borough. Overall, the expenditures plus transfers decreased by 1% from 2003. The payment to the school district was \$115,348 more than budgeted due to higher than expected insurance costs.

Land Trust Fund – During fiscal year 2004, the Land Trust fund expended \$218,540 and transferred out \$829,405. The transfers were to the General Fund to cover \$650,000 for school bond debt, \$150,000 for student activities and \$29,405 for administration fees. The net change in fund balance was a \$625,191 decrease or 5.6%.

Southeast Economic Development Fund – During fiscal year 2004, this fund spent \$1,750,030 on public services and \$11,730,905 in capital. The charge to capital was to reclassify the "land held for resale" in 2003 as governmental capital assets. The fund balance for this fund was reduced by 70%.

Capital Projects Fund – Construction began on two school projects. Progress payments of \$5,251,671 were made on the Schoenbar Middle School project and payments of \$1,109,578 were made for work completed on the Fawn Mountain Elementary project.

State & Federal Grants Fund – During fiscal year 2004, the Borough received \$2,507,351 in State and Federal grants. The Borough expended \$662,176 on public services and \$1,819,365 towards governmental capital projects. The majority of the expenditures for capital projects were for South Tongass water system upgrades.

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 \$354,806 more than budgeted. Taxes reported include: real and personal property, automobile and boat, sales, and penalties and interest. The Borough recognized \$17,531 more than budgeted for intergovernmental revenues. In total, the Borough realized 104% of the total estimated revenues. The majority of the increase and percentage of collection is due to an increase in sales tax collections. Sales tax collections were 14% more than budgeted.

The expenditure side of the original budget for the General Fund was increased \$62,893 during 2004. The budget amendments were for the Planning Department and the Manager's Office.

In total, the Borough under expended the total General Fund budget by \$123,102.

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, 2004, was \$117,726,046 and \$22,502,770 respectively. The total increase in this net investment was 22% for governmental and a 12% increase for business-type activities. The overall increase was 19.6% for the Borough as a whole. See Note 4-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

(This page continued on the subsequent page).

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
	Amount	Amount	Amount	Amount	Amount	Amount
Non-depreciable assets:						
Land	\$ 33,871,893	\$ 32,223,793	\$ -	\$ -	\$ 33,871,893	\$ 32,223,793
Ward Cove properties	11,542,337	-	-	-	-	-
Construction in progress	9,908,649	2,008,739	1,956,498	2,631,178	11,865,147	4,639,917
Total non-depreciable	55,322,879	34,232,532	1,956,498	2,631,178	45,737,040	36,863,710
Depreciable assets:						
Buildings and improvements	73,263,394	72,872,684	11,905,241	8,017,572	85,168,635	80,890,256
Vehicles, ferry and equipment	3,492,860	2,534,005	5,343,416	5,222,100	8,836,276	7,756,105
Wastewater assets		-	11,712,122	11,705,225	11,712,122	11,705,225
Infrastructure	3,474,354	3,292,012	-	-	3,474,354	3,292,012
Total depreciable assets	80,230,608	78,698,701	28,960,779	24,944,897	109,191,387	103,643,598
Less accumulated depreciation	17,827,444	15,796,643	8,414,509	7,476,012	26,241,953	23,272,655
Book value - depreciable assets	62,403,164	62,902,058	20,546,270	17,468,885	82,949,434	80,370,943
Percentage depreciated	22%	20%	29%	30%	24%	22%
Book value - all assets	\$ 117,726,043	\$ 97,134,590	\$ 22,502,768	\$ 20,100,063	\$ 128,686,474	\$ 117,234,653

Major capital asset changes during 2004 included the following:

- Ward Cove properties were reclassified from “land held for resale” in the Southeast Economic Development fund to capital assets. The properties were capitalized at the book value of the properties. These properties include: the Veneer Mill, and the whole Ward Cove area previously owned by Gateway Forest Products.
- Improvements totaling \$1,502,445, 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.
- Construction continued on the Schoenbar Middle School project and progress payments totally \$5,251,671 were made for construction and professional services.
- Construction began on the Fawn Mountain Elementary School project and progress payments totally \$1,109,578 were made for construction and professional services.
- “Land under roads” in service areas, not previously capitalized, was added at an assessed value of \$1,706,200.
- North Tongass Fire and EMS Service Area purchased a 2004 4x4 Ford F350 ambulance with a defibrillator at a cost of \$122,593. The ambulance was funded with a State Legislative grant.
- North Tongass Fire and EMS Service Area purchased two 2004 E-One pumpers at a cost of \$389,648 and a 2003 3500 gallon pumper/tanker at a cost of \$251,765. This equipment is being financed with a tax-anticipation note through a local bank.

- South Tongass Fire District purchased a 2004 4x4 Ford F450 ambulance for a cost of \$125,016. This ambulance was received through the Code Blue program and was funded with State, Federal, and local funds.
- The terminal building at the Airport was completed and reclassified from “construction-in-progress” to a capital asset in the business-type activities classification. This project was funded with proceeds from a revenue bond and airport funds.

At June 30, 2004, the depreciable capital assets for governmental activities were 22% depreciated. This compares equally to the June 30, 2003 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 majority of the balance remaining in construction-in-progress for business-type activities is for the Mountain Point Sewer project and the Sludge Facility at Ward Cove.

With the Borough’s business type activities, 29% of the asset values were depreciated at June 30, 2004 compared to 30% at June 30, 2003. The depreciation for FY04 is comparable to the prior year.

The Borough owns the school district’s land and buildings, which is approximately 53% of the total cost of Borough’s 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 retired \$1,465,000 or 6% of the beginning outstanding general obligation bonds. The Borough retired 5% of the beginning outstanding revenue bonds.

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 27,015,000	\$ 28,480,000	\$ -	\$ -	\$ 27,015,000	\$ 28,480,000
Revenue bonds	-	-	4,020,000	4,200,000	4,020,000	4,200,000
Capital lease			19,815		19,815	
Compensated absences	472,357	460,832	182,277	160,418	654,634	621,250
Total	\$ 27,487,357	\$ 28,940,832	\$ 4,222,092	\$ 4,360,418	\$ 31,709,449	\$ 33,301,250

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.

Ketchikan Gateway Borough, Alaska
Statement of Net Assets
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 13,498,263	\$ 830,104	\$ 14,328,367	\$ 136,270
Cash with fiscal agent	4,274,444	-	4,274,444	-
Investments	12,082,563	-	12,082,563	-
Receivables:			-	
Accounts	2,206,641	410,921	2,617,562	-
Property taxes	1,330,845	-	1,330,845	-
Intergovernmental	-	-	-	754,991
Notes	887,008	-	887,008	-
Internal	2,067,659	(2,067,659)	-	-
Component unit	-	-	-	579,792
Inventory	-	-	-	18,880
Prepaid items	9,000	8,857	17,857	21,625
Land held for resale	-	-	-	-
Capital Assets			-	
Nondepreciable capital assets	55,322,880	1,956,499	57,279,379	-
Depreciable capital assets, net	62,403,166	20,546,271	82,949,437	2,836,283
Total Assets	<u>154,082,469</u>	<u>21,684,993</u>	<u>175,767,462</u>	<u>4,347,841</u>
Liabilities				
Current Liabilities				
Accounts payable	2,871,318	121,793	2,993,111	444,843
Accrued salaries and wages		-	-	433,633
Intergovernmental payable	21,065		21,065	4,201
Accrued interest payable	218,794	-	218,794	-
Payable to component unit	579,792	-	579,792	-
Payable to primary government	-	-	-	-
Deposits	99,436	-	99,436	-
Claims payable	50,562	-	50,562	-
Unearned revenue	704,818	21,995	726,813	395
Compensated absences payable	291,135	87,870	379,005	184,412
Capital leases payable	-	19,815	19,815	-
General obligation bonds payable	1,450,000	-	1,450,000	-
Notes payable	638,698		638,698	
Revenue bonds payable	-	185,000	185,000	-
Long-Term Liabilities:			-	
Compensated absences payable (net of current portion)	181,222	94,407	275,629	-
General obligation bonds payable (net of current portion)	25,565,000	-	25,565,000	-
Revenue bonds payable (net of current portion)	-	3,835,000	3,835,000	-
Total Liabilities	<u>32,671,840</u>	<u>4,365,880</u>	<u>37,037,720</u>	<u>1,067,484</u>
Net Assets				
Invested in capital assets, net of related debt	90,711,046	18,462,955	109,174,001	2,836,283
Restricted for:				
Capital projects	12,718,586	-	12,718,586	-
Debt service	-	-	-	-
Program purposes	16,699,927	-	16,699,927	2,392
Unrestricted	1,281,070	(1,143,842)	137,228	441,682
Total Net Assets	<u>\$ 121,410,629</u>	<u>\$ 17,319,113</u>	<u>\$ 138,729,742</u>	<u>\$ 3,280,357</u>

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-Type Activities		
Primary Government								
Administration	\$ 2,160,394	\$ -	\$ -	\$ -	\$ (2,160,394)	\$ -	\$ -	
Public services	8,739,143	1,259,792	1,639,262	1,727,747	(4,112,342)	-	(4,112,342)	
Automation	269,771	-	-	-	(269,771)	-	(269,771)	
Education	8,771,976	-	1,497,732	-	(7,274,244)	-	(7,274,244)	
Nondepartmental	2,154,832	1,867,159	-	-	(287,673)	-	(287,673)	
Interest	1,370,970	-	-	-	(1,370,970)	-	(1,370,970)	
Total Governmental Activities	23,467,086	3,126,951	3,136,994	1,727,747	(15,475,394)	-	(15,475,394)	
Business-Type Activities:								
Airport	3,442,165	2,744,703	-	77,495	-	(619,967)	(619,967)	
Wastewater	779,832	490,756	-	1,540,061	-	1,250,985	1,250,985	
Total Business-Type Activities	4,221,997	3,235,459	-	1,617,556	-	631,018	631,018	
Total - Primary Government	\$ 27,689,083	\$ 6,362,410	\$ 3,136,994	\$ 3,345,303	(15,475,394)	631,018	(14,844,376)	
Component Unit								
Ketchikan Gateway Borough	\$ 21,957,170	\$ 252,846	\$ 3,992,654	\$ -	-	-	\$ (17,711,670)	
School District	-	-	-	-	-	-	-	
General Revenues								
Property taxes levied for:								
General purposes					7,739,922	-	7,739,922	
Sales taxes					5,465,644	-	5,465,644	
Transient occupancy taxes					37,365	-	37,365	
Payment in lieu of taxes					6,948	-	6,948	
Grants and entitlements not restricted to specific programs					534,624	-	534,624	
Primary government appropriation					-	-	-	
Investment earnings					899,718	54,136	953,854	
Land sales					436,384	-	436,384	
Miscellaneous					347,034	-	347,034	
Total General Revenues					15,467,639	54,136	15,521,775	
Transfers					(229,485)	229,485	-	
Total General Revenues and Transfers					15,238,154	283,621	15,521,775	
Change in Net Assets					(237,240)	914,639	677,399	
Net Assets Beginning of Year					119,941,669	16,404,474	136,346,143	
Prior Period Adjustment - (Note 4-D-1)					1,706,200	-	1,706,200	
Net Assets End of Year					\$ 121,410,629	\$ 17,319,113	\$ 138,729,742	

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Land Trust</u>	<u>Southeastern Economic Development</u>	<u>State & Federal Grants Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 1,078,744	\$ 5,120,842	\$ 2,172,792	\$ 654,654	\$ 2,556,714	\$ 1,914,517	\$ 13,498,263
Cash with fiscal agent	-	-	4,274,444		-	-	4,274,444
Investments	-	-	-		12,082,563	-	12,082,563
Receivables:							
Accounts	136,475	410	8,633	1,704,060	-	357,063	2,206,641
Taxes	1,330,845	-	-		-	-	1,330,845
Notes	-	887,008	-		-	-	887,008
Interfund	1,699,829	-	-		-	-	1,699,829
Advances	-	4,507,220	-		-	-	4,507,220
Component unit	-	-	-		-	-	-
Land held for resale	-	-	-		-	-	-
Prepaid items	-	-	-		-	9,000	9,000
Total Assets	<u>\$ 4,245,893</u>	<u>\$ 10,515,480</u>	<u>\$ 6,455,869</u>	<u>\$ 2,358,714</u>	<u>\$ 14,639,277</u>	<u>\$ 2,280,580</u>	<u>\$ 40,495,813</u>
Liabilities							
Accounts payable	\$ 480,455	\$ 316	\$ 313,095	\$ 839,798	\$ 1,081,506	\$ 156,148	\$ 2,871,318
Accrued expenditures	-	-	-		-	-	-
Intergovernmental payable	21,065	-	-		-	-	21,065
Interfund payable	-	-	-	848,709	-	100,194	948,903
Notes payable	-	-	-		-	638,698	638,698
Advances payable	-	-	750,000		2,100,000	55,801	2,905,801
Due to component unit	579,792	-	-		-	-	579,792
Deposits	58,363	5,600	34,973		-	500	99,436
Deferred revenues	81,298	-	-	623,520	-	-	704,818
Total Liabilities	<u>1,220,973</u>	<u>5,916</u>	<u>1,098,068</u>	<u>2,312,027</u>	<u>3,181,506</u>	<u>951,341</u>	<u>8,769,831</u>
Fund Balances							
Reserved for :							
Encumbrances	130,710	-	191,663	895,050	5,160,237	136,088	6,513,748
Prepaid items	-	-	-		-	-	-
Loan guarantees	333,266	-	1,730,000		-	-	2,063,266
Shipyard mou	-	-	3,032,053		-	-	3,032,053
Long-term loans	-	887,008	-		-	-	887,008
Accounts receivable	-	410	8,633		-	-	9,043
Advances to other funds	-	4,507,220	-		-	-	4,507,220
Debt service	-	-	-		-	-	-
Unreserved, undesignated, (deficit) reported in:							
General fund	2,560,944	-	-		-	-	2,560,944
Special revenue funds	-	5,114,926	395,452	(848,363)	-	1,193,151	5,855,166
Capital projects funds	-	-	-		6,297,534	-	6,297,534
Total Fund Balances	<u>3,024,920</u>	<u>10,509,564</u>	<u>5,357,801</u>	<u>46,687</u>	<u>11,457,771</u>	<u>1,329,239</u>	<u>31,725,982</u>
Total Liabilities and Fund Balances	<u>\$ 4,245,893</u>	<u>\$ 10,515,480</u>	<u>\$ 6,455,869</u>	<u>\$ 2,358,714</u>	<u>\$ 14,639,277</u>	<u>\$ 2,280,580</u>	<u>\$ 40,495,813</u>

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, 2004

Total Governmental Fund Balances	\$	31,725,982
 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	\$	133,847,289
Less accumulated depreciation		(17,827,443)
Prior period adjustment - "land under roads"		1,706,200
		117,726,046
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.		
		(395,867)
The internal service fund chargeback or income to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
Adjustment from prior year		63,793
Adjustment for current year		(3,174)
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	\$	(750,926)
Interfund payables		750,926
		-
Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$	(27,015,000)
Compensated absences		(472,357)
Accrued interest		(218,794)
		(27,706,151)
Net Assets Of Governmental Activities	\$	121,410,629

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, 2004

	General	Land Trust	Southeast Economic Development	State & Federal Grants Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 11,020,599	\$ -	\$ 37,365		\$ -	\$ 2,184,967	\$ 13,242,931
Payments in lieu of taxes	6,948	-	-		-	-	6,948
Intergovernmental	1,394,284	-	-	2,507,351	-	1,497,732	5,399,367
Licenses and permits	49,035	-	-		-	-	49,035
SDC - Principal and interest	-	-	-		-	-	-
Charges for services	766,435	-	312,782		-	131,540	1,210,757
Property Sales	-	115,876	320,508		-	-	436,384
Investment earnings	325,421	308,223	68,556		94,746	102,772	899,718
Miscellaneous	-	(1,345)	8,900		(50)	339,529	347,034
Total Revenues	13,562,722	422,754	748,111	2,507,351	94,696	4,256,540	21,592,174
Expenditures							
Current:							
Administration	2,072,658	-	-		-	-	2,072,658
Public services	4,267,287	71,353	1,750,030	662,176	-	1,110,001	7,860,847
Automation	244,694	-	-		-	-	244,694
Education	7,373,117	-	-		-	-	7,373,117
Nondepartmental	194,637	-	-		-	-	194,637
Capital Outlay	175,457	147,187	11,730,905	1,819,365	6,370,702	1,047,763	21,291,379
Debt Service:							
Principal retirement	-	-	-		-	1,465,000	1,465,000
Interest and fiscal charges	-	-	-		-	1,465,776	1,465,776
Bond issuance costs	-	-	-		-	-	-
Total Expenditures	14,327,850	218,540	13,480,935	2,481,541	6,370,702	5,088,540	41,968,108
(Deficiency) of Revenues (Under)							
Expenditures	(765,128)	204,214	(12,732,824)	25,810	(6,276,006)	(832,000)	(20,375,934)
Other Financing Sources (Uses)							
General obligation bonds issued	-	-	-		-	-	-
Premium on debt issuance	-	-	-		-	-	-
Transfers in	945,979	-	150,000		-	4,379,726	5,475,705
Transfers out	(664,000)	(829,405)	(15,000)	(25,620)	-	(4,171,165)	(5,705,190)
Total Other Financing Sources (Uses)	281,979	(829,405)	135,000	(25,620)	-	208,561	(229,485)
Net Change in Fund Balances	(483,149)	(625,191)	(12,597,824)	190	(6,276,006)	(623,439)	(20,605,419)
Fund Balances Beginning of Year -	3,508,069	11,134,755	17,955,625	46,497	17,733,777	1,952,678	52,331,401
Fund Balances End of Year	\$ 3,024,920	\$ 10,509,564	\$ 5,357,801	\$ 46,687	\$ 11,457,771	\$ 1,329,239	\$ 31,725,982

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, 2004

Net Changes In Fund Balances - Total Governmental Funds		\$ (20,605,419)
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	\$ (2,030,801)	
Capital outlay	<u>20,993,762</u>	18,962,961
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 \$62,184 charged to governmental funds is increased by the portion of the gain credited to the enterprise funds \$3,174.		
		(65,358)
Book value of capital assets written off on the statement of activities but not reported in the governmental funds		
		(77,707)
Elimination of transfers between governmental funds:		
Transfers in	\$ (5,705,190)	
Transfers out	<u>5,705,190</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 @ 6/30/04	\$ (218,794)	
Liability @ 6/30/03	<u>313,601</u>	94,807
Other financing sources are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.		
		-
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.		
		1,465,000
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 @ 6/30/04	\$ (472,357)	
Liability @ 6/30/03	<u>460,833</u>	(11,524)
Change In Net Assets of Governmental Activities		<u><u>\$ (237,240)</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, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 10,665,793	\$ 10,665,793	\$ 11,020,599	\$ 354,806
Payments in lieu of taxes	17,500	17,500	6,948	(10,552)
Licenses and permits	29,675	29,675	49,035	19,360
Intergovernmental	1,376,753	1,376,753	1,394,284	17,531
Charges for services	858,459	858,459	766,435	(92,024)
Investment earnings	96,200	96,200	325,421	229,221
Total Revenues	13,044,380	13,044,380	13,562,722	518,342
Expenditures				
Current:				
Administration	2,235,182	2,245,182	2,072,658	172,524
Public services	4,431,983	4,484,876	4,267,287	217,589
Automation	239,005	239,005	244,694	(5,689)
Education	7,257,769	7,257,769	7,373,117	(115,348)
Nondepartmental	168,805	168,805	194,637	(25,832)
Capital Outlay	55,315	55,315	175,457	(120,142)
Total Expenditures	14,388,059	14,450,952	14,327,850	123,102
(Deficiency) of Revenues (Under) Expenditures	(1,343,679)	(1,406,572)	(765,128)	641,444
Other Financing Sources (Uses)				
Transfers in	872,478	872,478	945,979	73,501
Transfers out	(655,000)	(655,000)	(664,000)	(9,000)
Total Other Financing Sources (Uses)	217,478	217,478	281,979	64,501
Net Change in Fund Balances	\$ (1,126,201)	\$ (1,189,094)	(483,149)	\$ 705,945
Fund Balances Beginning of Year -			3,508,069	
Fund Balances End of Year			\$ 3,024,920	

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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
SDC - principal/interest	526,638	526,638	-	(526,638)	2,439
Property sales	-	-	115,876		
Investment earnings	461,001	461,001	308,223	(152,778)	255,017
Miscellaneous	-	-	(1,345)	(1,345)	86,981
Total Revenues	<u>987,639</u>	<u>987,639</u>	<u>422,754</u>	<u>(680,761)</u>	<u>344,437</u>
Expenditures					
Current:					
Public services	30,000	25,000	71,353	(46,353)	9,175
Capital Outlay	<u>266,348</u>	<u>266,348</u>	<u>147,187</u>	<u>119,161</u>	<u>1,056,788</u>
Total Expenditures	<u>296,348</u>	<u>291,348</u>	<u>218,540</u>	<u>72,808</u>	<u>1,065,963</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	691,291	696,291	204,214	(607,953)	(721,526)
Other Financing (Uses)					
Transfers out	(829,405)	(829,405)	(829,405)	-	(1,100,000)
Net Change in Fund Balances	<u>\$ (138,114)</u>	<u>\$ (133,114)</u>	(625,191)	<u>\$ (607,953)</u>	(1,821,526)
Fund Balances Beginning of Year			<u>11,134,755</u>		<u>12,956,281</u>
Fund Balances End of Year			<u>\$ 10,509,564</u>		<u>\$ 11,134,755</u>

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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Restated Actual</u>
Revenues					
Taxes	\$ 37,250	\$ 37,250	\$ 37,365	\$ 115	\$ 32,771
Intergovernmental	-	-	-	-	-
Charges for services	321,570	321,570	312,782	(8,788)	207,587
Property Sales	300,000	300,000	320,508	20,508	-
Miscellaneous	-	-	8,900	8,900	-
Investment earnings	-	-	68,556	68,556	122,088
Total Revenues	<u>658,820</u>	<u>658,820</u>	<u>748,111</u>	<u>89,291</u>	<u>362,446</u>
Expenditures					
Current:					
Public services	5,657,175	6,276,469	1,750,030	4,526,439	1,870,704
Bad debt	-	-	-	-	845,200
Capital Outlay	<u>-</u>	<u>58,000</u>	<u>11,730,905</u>	<u>(11,672,905)</u>	<u>287,406</u>
Total Expenditures	<u>5,657,175</u>	<u>6,334,469</u>	<u>13,480,935</u>	<u>(7,146,466)</u>	<u>3,003,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,998,355)</u>	<u>(5,675,649)</u>	<u>(12,732,824)</u>	<u>(7,057,175)</u>	<u>(2,640,864)</u>
Other Financing Sources (Uses)					
Transfers in	400,000	400,000	150,000	(250,000)	-
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(15,000)</u>	<u>2,000</u>	<u>(15,000)</u>
Total Other Financing Sources (Uses)	<u>383,000</u>	<u>383,000</u>	<u>135,000</u>	<u>(248,000)</u>	<u>(15,000)</u>
Net Change in Fund Balances	<u>\$ (4,615,355)</u>	<u>\$ (5,292,649)</u>	<u>(12,597,824)</u>	<u>\$ (7,305,175)</u>	<u>(2,655,864)</u>
Fund Balances Beginning of Year			<u>17,955,625</u>		<u>20,611,489</u>
Fund Balances End of Year			<u>\$ 5,357,801</u>		<u>\$ 17,955,625</u>

Ketchikan Gateway Borough, Alaska
State and Federal Grants Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Intergovernmental	\$ 2,507,351	\$ 2,050,926
Investment earnings	-	-
Total Revenues	<u>2,507,351</u>	<u>2,050,926</u>
Expenditures		
Current:		
Public services	662,176	479,576
Capital Outlay	<u>1,819,365</u>	<u>1,571,539</u>
Total Expenditures	<u>2,481,541</u>	<u>2,051,115</u>
Other Financing Sources (Uses)		
Transfers	<u>(25,620)</u>	
(Deficiency) of Revenues (Under) Expenditures	190	(189)
Fund Balances Beginning of Year	<u>46,497</u>	<u>46,686</u>
Fund Balances End of Year	<u><u>\$ 46,687</u></u>	<u><u>\$ 46,497</u></u>

Ketchikan Gateway Borough, Alaska
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 830,104	\$ 830,104	\$ -
Receivables:				
Accounts	281,430	129,491	410,921	-
Prepaid items	8,857	-	8,857	-
Total Current Assets	<u>290,287</u>	<u>959,595</u>	<u>1,249,882</u>	<u>-</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	26,027	1,930,472	1,956,499	-
Depreciable, net	9,507,129	11,039,142	20,546,271	-
Total Noncurrent Assets	<u>9,533,156</u>	<u>12,969,614</u>	<u>22,502,770</u>	<u>-</u>
Total Assets	<u>9,823,443</u>	<u>13,929,209</u>	<u>23,752,652</u>	<u>-</u>
Liabilities				
Accounts payable	64,563	57,230	121,793	-
Advances payable	441,847	1,159,572	1,601,419	-
Interfund payable	405,621	-	405,621	345,305
Compensated absences payable	87,870	-	87,870	-
Deferred revenue	-	21,995	21,995	-
Revenue bonds payable	185,000	-	185,000	-
Capital leases payable	19,815	-	19,815	-
Claims payable	-	-	-	50,562
Total Current Liabilities	<u>1,204,716</u>	<u>1,238,797</u>	<u>2,443,513</u>	<u>395,867</u>
Long-Term Liabilities:				
Compensated absences payable (net of current portion)	94,407	-	94,407	-
Revenue bonds payable (net of current portion)	3,835,000	-	3,835,000	-
Total Liabilities	<u>5,134,123</u>	<u>1,238,797</u>	<u>6,372,920</u>	<u>395,867</u>
Net Assets				
Invested in capital assets, net of related debt	5,493,341	12,969,614	18,462,955	-
Unrestricted	(804,021)	(279,202)	(1,083,223)	(395,867)
Total Net Assets - Fund Level	<u>\$ 4,689,320</u>	<u>\$ 12,690,412</u>	<u>17,379,732</u>	<u>\$ (395,867)</u>
Record internal service fund charge-back to enterprise funds resulting in an interfund payable to governmental activities. Prior year.			(63,793)	
Record internal service fund excess revenue allocated to enterprise funds resulting in an interfund receivable to governmental activities. Current year.			3,174	
Total Net Assets - Government-wide Statement of Net Assets			<u>\$ 17,319,113</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, 2004

	Business-type Activities		Total	Governmental Activities - Internal Service Funds
	Airport	Wastewater		
Operating Revenues				
Charges for services	\$ 2,741,529	\$ 490,756	\$ 3,232,285	\$ 2,733,165
Operating Expenses				
Personal services	1,795,026	131,004	1,926,030	-
Supplies and services	613,082	224,867	837,949	-
Insurance	235,739	15,939	251,678	-
Administration	-	-	-	226,220
Claims	-	-	-	2,569,166
Depreciation	595,062	343,434	938,496	-
Total Operating Expenses	3,238,909	715,244	3,954,153	2,795,386
Operating (Loss)	(497,380)	(224,488)	(721,868)	(62,221)
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(203,256)	(64,588)	(267,844)	-
(Loss) on sale of capital assets	-	-	-	-
Investment earnings	15,041	39,095	54,136	37
Total Non-Operating Revenues (Expenses)	(188,215)	(25,493)	(213,708)	37
(Loss) before Capital Contributions and Transfers	(685,595)	(249,981)	(935,576)	(62,184)
Capital contributions	77,495	1,540,061	1,617,556	-
Transfers in	391,664	40,000	431,664	-
Transfers out	(153,040)	(49,139)	(202,179)	-
Change in Net Assets	(369,476)	1,280,941	911,465	(62,184)
Net Assets Beginning of Year	5,058,796	11,409,471		(333,683)
Net Assets End of Year	\$ 4,689,320	\$ 12,690,412		\$ (395,867)
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.			3,174	
Change in net assets of business-type activities			\$ 914,639	

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	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	\$ 2,722,411	\$ 474,020	\$ 3,196,431	\$ 2,733,165
Cash payments to employees for services	(1,773,167)	(131,004)	(1,904,171)	-
Cash payments for goods and services	(571,882)	(283,487)	(855,369)	(226,220)
Cash payments for claims	-	-	-	(2,540,800)
Net Cash Provided by (Used in) Operating Activities	377,362	59,529	436,891	(33,855)
Cash Flows from Noncapital Financing Activities				
Operating grants received	-	-	-	-
Interfund receivable	-	-	-	-
Interfund payable	405,621	-	405,621	-
Transfers in - PFC revenues	386,664	-	386,664	-
Transfers in	5,000	40,000	45,000	-
Transfers out	(153,040)	(49,139)	(202,179)	-
Net Cash (Used in) Noncapital Financing Activities	644,245	(9,139)	635,106	-
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	-	-	-	-
Capital grant	77,495	1,540,061	1,617,556	-
Principal paid on revenue bonds	(180,000)	-	(180,000)	-
Interest paid on debt service	(203,256)	(64,588)	(267,844)	-
Payments for capital acquisitions	(1,711,318)	(1,629,885)	(3,341,203)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,017,079)	(154,412)	(2,171,491)	-
Cash Flows from Investing Activities				
Investment earnings	15,041	39,095	54,136	37
Net Increase (Decrease) in Cash and Cash Equivalents	(980,431)	(64,927)	(1,045,358)	(33,818)
Cash and Cash Equivalents Beginning of Year	980,431	895,031	1,875,462	33,818
Cash and Cash Equivalents End of Year	\$ -	\$ 830,104	\$ 830,104	\$ -

(continued)

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities			Governmental Activities - Internal Service Fund
	Airport	Wastewater	Total	
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities				
Operating (Loss)	\$ (497,380)	\$ (224,488)	\$ (721,868)	\$ (62,221)
Adjustments:				
Depreciation	595,062	343,434	938,496	-
(Increase) Decrease in Assets:				
Accounts receivable	(19,118)	(16,736)	(35,854)	-
Prepaid items	(6,392)	-	(6,392)	-
Increase (Decrease) in Liabilities:				
Accounts payable	(73,174)	32,035	(41,139)	-
Interfund payable	365,650	(62,097)	303,553	-
Compensated absences payable	21,859	-	21,859	-
Claims payable	-	-	-	28,366
Capital Leases Payable	(9,145)	-	(9,145)	-
Deferred revenue	-	(12,619)	(12,619)	-
Net Cash Provided by (Used in) Operating Activities	\$ 377,362	\$ 59,529	\$ 436,891	\$ (33,855)

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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

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

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

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

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

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

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

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

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, 2004

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.

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 water and 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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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:

- 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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, 2004.

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, 2004, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

1-E-6 Restricted Assets

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

1-E-7 Capital Assets

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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."

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

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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 and 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 of the disposition of capital assets.

1-E-13 Contributions of Capital

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

1-E-14 Interfund Activity

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 2 – Changes in Accounting Principles, Fund Reclassifications, Restatement of Capital Asset Balances and Restatement of Equity Balances

2-A 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, 2004, 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.

2-B. Fund Reclassifications

As of July 1, 2002, the following funds were reclassified:

Fiscal Year 2002 Fund Classification	Fiscal Year 2003 Fund Classification
Transit Enterprise Fund	Combined with General Fund
Non Areawide Fund	A portion of this fund was eliminated and a portion was included in the new Wastewater Enterprise Fund

2-C. Restatement of Capital Asset Balances

Based upon the inventory of the governmental activities capital assets, inclusion of land deeded or patented from the State of Alaska in past years and the change in the capitalization threshold, we have restated the June 30, 2002 balance as follows:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Asset Class	Previously Reported Balance June 30, 2002	Adjustments To June 30, 2002 Data	Adjusted Balance June 30, 2002
Land	\$ 474,466	\$ 30,765,300	\$ 31,239,766
Buildings - School	69,954,434	(5,753,436)	64,200,998
Buildings - Borough	8,704,007	(301,748)	8,402,259
Equipment	2,403,275	(716,227)	1,687,048
Intangibles	7,224	(7,224)	-
Infrastructure	3,491,241	(199,229)	3,292,012
Construction in progress	19,607	-	19,607
Transit		765,281	765,281
Total	\$ 85,054,254	\$ 24,552,717	\$ 109,606,971

Due to a change in the capital asset threshold, the deletion of the transit system and other inventory adjustments, the enterprise funds capital assets at June 30, 2002 are restated as follows:

Asset Class	Previously Reported Balance June 30, 2002	Adjustments To June 30, 2002 Data	Adjusted Balance June 30, 2002
Cost:			
Field	\$ 3,551,399	\$ (110,930)	\$ 3,440,469
Terminal	4,423,518	(72,346)	4,351,172
Ferry	5,401,800	(25,536)	5,376,264
Equipment	26,831	(19,232)	7,599
Murphy's Landing	12,875	195,925	208,800
Transit	777,259	(777,259)	-
Construction in progress	212,441	-	212,441
Total	\$ 14,406,123	\$ (809,378)	\$ 13,596,745
Accumulated Depreciation:			
Field	\$ 2,629,267	\$ (86,655)	\$ 2,542,612
Terminal	2,976,088	(56,755)	2,919,333
Ferry	1,249,403	(21,410)	1,227,993
Equipment	20,722	(15,149)	5,573
Murphy's Landing	12,553	95,861	108,414
Transit	475,317	(475,317)	-
Total	\$ 7,363,350	\$ (559,425)	\$ 6,803,925
Book Value	\$ 7,042,773	\$ (249,953)	\$ 6,792,820

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

2-D. Restatement of Equity Balances

These restatements, as a result of the above referenced fund reclassification and implementing GASB Interpretation No. 6, had the following effects on equity of the major and nonmajor funds of the Borough as they were previously reported.

	General Fund	Land Trust Fund	Southeastern Economic Development Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund balance June 30, 2002	\$ 3,741,322	\$ 12,956,281	\$ 20,610,960	\$ 9,460,885	\$ 1,782,111	\$ 48,551,559
Non Areawide fund reclassification	-	-	-	-	10,040	10,040
GASB Interpretation No. 6: Compensated absences	<u>379,456</u>	<u>-</u>	<u>529</u>	<u>-</u>	<u>-</u>	<u>379,985</u>
Adjusted fund balance, June 30, 2002	<u>\$ 4,120,778</u>	<u>\$ 12,956,281</u>	<u>\$ 20,611,489</u>	<u>\$ 9,460,885</u>	<u>\$ 1,792,151</u>	<u>\$ 48,941,584</u>

The following restatements, as a result of implementing GASB Statement No. 34, had the following effects on the June 30, 2002 equity, as restated above, of the major and nonmajor funds of the Borough as they were previously reported.

All Governmental Funds

Adjusted fund balance, June 30, 2002 (see above)	\$ 48,941,584
GASB Statement No. 34 adjustments:	
Capital assets (net of accumulated depreciation)	95,668,575
Add internal service fund equity	291,525
Accrued interest expense	(168,906)
Long-term liabilities:	
Bonds	\$ (20,655,000)
Compensated absences	<u>(379,456)</u>
	<u>(21,034,456)</u>
Governmental activities, net assets, June 30, 2002	<u>\$ 123,698,322</u>

Based upon the above fund reclassifications, the following changes have been made to the beginning net assets for the enterprise funds:

Balance @ June 30, 2002	\$5,786,429
Reclassification of the transit system	(79,415)
Contributed assets not previously reported	<u>100,386</u>
Restated balance @ June 30, 2002	<u>\$5,807,400</u>

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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, the Borough Assembly approved budget revisions.

All unexpended annual appropriations lapse at year-end.

3-B. Excess of Expenditures over Appropriations

Southeast Economic Development Fund	\$7,146,466
Non-areawide Fund	6,378
South Tongass Service Area	36,544
Waterfall Service Area	86,029
Forest Park Service Area	91,543

3-C. Deficit Fund Equities

The following individual funds had deficit fund balances at the fund reporting level at June 30, 2004:

North Tongass Fire District Fund	\$746,795
Gold Nugget Special Assessment Fund	4,900
Great West School District Fund	255,175
Great West Borough Fund	140,692

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, 2004:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$ 1,032,034	\$ -	\$ -	\$ 1,032,034	\$ 764,333
Component Unit:					
School District	\$ 146,000	\$ 650,000	\$ -	\$ 796,000	\$ 403,000

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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

	Category			Fair Value/ Carrying Amount
	1	2	3	
Primary Government:				
U.S. Government Securities	\$ -	\$ 9,344,882	\$ -	\$ 9,344,882
Common Stock	-	2,948,518	-	2,948,518
TCD's	3,094,153	-	-	3,094,153
Cash equivalents	-	-	14,530,888	14,530,888
Total	\$ 3,094,153	\$ 12,293,400	\$ 14,530,888	\$ 29,918,441
Component Unit:				
U.S. Government Securities	\$ -	\$ 28,000	\$ -	\$ 28,000

Cash & Investment Reconciliation:

Fund Reporting Level:	Cash and		Per Above Categorization	
	Cash Equivalents	Investments		
Governmental Funds - Balance Sheet	\$ 13,498,263	\$ 12,082,563	Deposits	\$ 764,333
Governmental Funds - Balance Sheet - fiscal agent	4,274,444	-	Investments	29,918,441
Proprietary Fund Type Statement of Net Assets	830,104	-		-
Less cash on hand and petty cash	(2,600)	-		-
Total	\$ 18,600,211	\$ 12,082,563		\$ 30,682,774

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

4-B. Receivables

Receivables at June 30, 2004, 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.

In prior fiscal years, the Borough made loans of \$9,500,000 to the Gateway Forest Products (GFP) to fund construction of a new veneer mill and to secure additional operating capital. The loans were collateralized by real property with appraised values in excess of the loan amount. In 2003, GFP defaulted and the Borough foreclosed and took possession of the properties that were collateralizing those loans. As part of this process, the Borough reclassified the note receivables as "land held for resale". In order to cover a portion of the holding costs of the Ward Cove, the Borough entered into month-to-month leases with various tenants. As a result of the properties being placed into service, the Borough removed the "land held for resale" from the balance sheet of the Southeast Economic Development Fund, recognized an expenditure, and capitalized the land and improvements.

The addition of these assets is shown at Note 4-D Capital Assets.

The disposition of these assets is discussed at Note 5-C Subsequent Events.

Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2004

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 receivable balance at June 30, 2004 is \$887,008.35. In the event of a default of the development project, the value of the improvements would exceed the loan value.

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, 2004, 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, 2004

	Balance 7/1/03	Prior Period Adjustment ^	Additions	Deductions	Balance 6/30/04
Governmental activities:					
Nondepreciable capital assets					
Land - Borough	\$ 24,826,350	\$ 1,706,200		\$ 58,100	\$ 26,474,450
Land - Ward Cove			4,747,000		4,747,000
Buildings/Impr. - Ward Cove			1,407,800		1,407,800
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	1,060,206		1,539,131	-	2,599,337
Construction in progress - School	948,533		6,380,386	19,607	7,309,312
Total nondepreciable capital assets	34,232,532	1,706,200	19,461,854	77,707	55,322,879
Depreciable capital assets:					
Buildings - School	64,308,425		141,800		64,450,225
Buildings - Borough	8,564,259		248,910		8,813,169
Equipment	1,768,724		958,855		2,727,579
Infrastructure	3,292,012		182,342		3,474,354
Transit	765,281				765,281
Total depreciable capital assets	78,698,701	-	1,531,907	-	80,230,608
Total cost of capital assets	112,931,233	1,706,200	20,993,761	77,707	135,553,487
Accumulated depreciation:					
Buildings - School	12,458,351		1,398,859		13,857,210
Buildings - Borough	1,016,014		188,161		1,204,175
Equipment	726,419		204,489		930,908
Infrastructure	1,084,561		188,555		1,273,116
Transit	511,298		50,737		562,035
Total accumulated depreciation	15,796,643	-	2,030,801	-	17,827,444
Governmental activities capital assets, net	\$ 97,134,589	\$ 1,706,200	\$ 18,962,960	\$ 77,707	\$ 117,726,043
Governmental activities depreciation expense					
Administration		\$ 4,648			
Public services		586,881			
Education		1,398,859			
Automation		20,826			
Non-departmental		19,587			
Total governmental activities depreciation expense		\$ 2,030,801			

4-D-1. Capital Assets – Prior Period Adjustment

^ A prior period adjustment was made to capital assets for the assessed value of service area “land under roads” that had not been previously recognized. The value of the “land under roads” was established by the Borough Assessment department.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

	Adjusted Balance 7/1/2003	Additions	Deductions	Balance 6/30/2004
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 2,631,178	\$ 1,645,857	\$ 2,320,537	\$ 1,956,498
Depreciable capital assets:				
Field	3,457,182	9,000		3,466,182
Terminal building	4,351,590	3,878,669		8,230,259
Ferry	5,214,501	121,316		5,335,817
Administration	7,599			7,599
Murphy's landing	208,800			208,800
Sludge/compost	215,099			215,099
Wastewater	263,362	6,897		270,259
Mountain point wastewater	11,226,764			11,226,764
Total depreciable capital assets	24,944,897	4,015,882	-	28,960,779
Total capital assets	27,576,075	5,661,739	2,320,537	30,917,277
Accumulated depreciation:				
Field	2,633,863	109,108		2,742,971
Terminal building	3,077,372	187,753		3,265,125
Ferry	1,309,825	287,795		1,597,620
Administration	7,093	507		7,600
Murphy's landing	118,314	9,900		128,214
Sludge/compost	32,352	21,510		53,862
Wastewater	12,130	25,977		38,107
Mountain point wastewater	285,063	295,947		581,010
Total accumulated depreciation	7,476,012	938,497	-	8,414,509
Business-type activities capital assets, net	\$ 20,100,063	\$ 4,723,242	\$ 2,320,537	\$ 22,502,768
	Balance 7/1/2003	Additions	Deductions	Balance 6/30/2004
Component unit:				
Depreciable capital assets				
Improvements other than buildings	\$ 17,867	\$ -	\$ -	\$ 17,867
Equipment	6,523,448	345,350	93,720	6,775,078
Less accumulated depreciation	(3,561,131)	63,868	459,399	(3,956,662)
Component unit capital assets, net	\$ 2,980,184	\$ 409,218	\$ 553,119	\$ 2,836,283

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, 2004

Capital Projects – At June 30, 2004, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$774,995 for the enterprise funds; \$1,222,801 for special revenue and \$5,160,237 for capital projects funds, which are included in the encumbrance balances, reported for the major and non-major special revenue and capital projects funds.

4-E. Interfund Balances and Transfers

Interfund balances at June 30, 2004, 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	Capital projects fund	Non-major governmental funds
General fund	\$ -	\$ 848,709	\$ -	\$ 100,194
Land trust fund	750,000		2,100,000	55,801
Total	\$ 750,000	\$ 848,709	\$ 2,100,000	\$ 155,995

Payable to:	Payable From:			Total
	Airport fund	Wastewater fund	Great West insurance fund	
General fund	\$ 405,621	\$ -	\$ 345,305	\$ 1,699,829
Land trust fund	441,847	1,159,572		4,507,220
Total	\$ 847,468	\$ 1,159,572	\$ 345,305	\$ 6,207,049

Interfund transfers for the year ended June 30, 2004, consisted of the following:

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Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2004

Transfer to	Transfers From:			
	General fund	Land trust fund	S.E. Economic Development fund	State & Federal grants fund
General fund	\$ -	\$ 679,405	\$ 15,000	\$ 20,620
S.E. Economic Development fund	-	150,000	-	-
Non-major governmental funds	650,000	-	-	5,000
Airport fund	14,000	-	-	-
Wastewater fund	-	-	-	-
	<u>\$ 664,000</u>	<u>\$ 829,405</u>	<u>\$ 15,000</u>	<u>\$ 25,620</u>

	Transfers From:			
	Non-major governmental funds	Airport fund	Wastewater fund	Total
General fund	\$ 68,775	\$ 113,040	\$ 49,139	\$ 945,979
S.E. Economic Development fund	-	-	-	150,000
Non-major governmental funds	3,724,726	-	-	4,379,726
Airport fund	377,664	-	-	391,664
Wastewater fund	-	40,000	-	40,000
	<u>\$ 4,171,165</u>	<u>\$ 153,040</u>	<u>\$ 49,139</u>	<u>\$ 5,907,369</u>

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

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

4-F. Compensated Absences

Employees may receive cash payments for unused PTO only upon termination or for hours in excess of 720 at the end of any calendar year.

4-G. Operating Leases

The Borough leases the Ketchikan International Airport from the State of Alaska at the rate of one dollar per year under a 42-year lease agreement that expires May 31, 2027. Under the terms of this lease, the Borough is required to operate the airport for the use and benefit of the public and to perform all maintenance and repairs to the landing field. The lease further provides that the cost of repairs to a State of Alaska owned facilities are to be paid by the Borough. Major repairs are to be paid by the State of Alaska. In addition, the lease requires the Borough to maintain an airport enterprise fund and to account for all of the revenues, costs and expenses of operating the airport in this fund. Any excess of specified revenues over specified expenses, both of which are defined in the lease, must be credited to a separate reserve account and can only be used for certain purposes. No excess of specified revenues over specified expense exists in the airport enterprise fund as of June 30, 2004.

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, 2004 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, 2004, the majority of the Terminal Building tenants were

Ketchikan Gateway Borough, Alaska
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For the Year Ended June 30, 2004

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>
2005	\$ 20,880	\$ 3,150	\$ 6,464	\$ 28,182	\$ 1,250
2006	20,880	3,150	6,464	28,182	1,250
2007	20,880	3,150	6,464	28,182	1,250
2008	20,880	3,150	6,464	28,182	1,250
2009	20,880		6,464	28,182	
2010-2014	104,400		32,320	140,910	
2015-2019	83,520		32,320	84,546	
2020-2025			38,784		

4-H. Long-Term Debt

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

Borough General Obligation Bonds, 1995 Series - General obligation bonds, Series 1995, denominations of \$5,000, total issue \$5,095,000. The bond proceeds were used to construct the GRC. Interest rates range from 4.30% to 5.10%. The bonds mature May 15, 2009. The GRC bonds are being repaid from a dedicated sales tax fund. Failure to pay the bonds from this fund would necessitate payment from the general fund. The full faith and credit of the Borough is pledged for these bonds. Annual debt service requirements to amortize all obligations outstanding, as of June 30, 2004 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	630,000	165,591	795,591
2006	660,000	135,037	795,037
2007	695,000	103,357	798,357
2008	730,000	69,650	799,650
2009	650,000	33,150	683,150
Total	<u>\$ 3,365,000</u>	<u>\$ 506,785</u>	<u>\$ 3,871,785</u>

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, 2004 follow:

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	305,000	351,063	656,063
2006	320,000	336,423	656,423
2007	335,000	320,903	655,903
2008	350,000	304,320	654,320
2009	370,000	286,820	656,820
2010-2014	2,150,000	1,130,243	3,280,243
2015-2019	<u>2,795,000</u>	<u>485,268</u>	<u>3,280,268</u>
Total	<u>\$ 6,625,000</u>	<u>\$ 3,215,039</u>	<u>\$ 9,840,039</u>

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, 2004 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	350,000	430,600	780,600
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
2010-2014	2,440,000	1,439,770	3,879,770
2015-2019	3,160,000	733,495	3,893,495
2020	<u>740,000</u>	<u>40,700</u>	<u>780,700</u>
Total	<u>\$ 8,260,000</u>	<u>\$ 4,183,715</u>	<u>\$ 12,443,715</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, 2004 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	325,000	365,788	690,788
2006	335,000	353,577	688,577
2007	350,000	340,905	690,905
2008	365,000	327,586	692,586
2009	375,000	313,711	688,711
2010-2014	2,070,000	1,331,090	3,401,090
2015-2019	2,505,000	859,198	3,364,198
2020-2023	<u>2,440,000</u>	<u>238,030</u>	<u>2,678,030</u>
Total	<u>\$ 8,765,000</u>	<u>\$ 4,129,885</u>	<u>\$ 12,894,885</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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 lease calls for ten (10) annual payments in arrears with interest computed at 4.95%.

<u>Payment #</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	31,555	19,600	51,155
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
2010-2014	<u>221,781</u>	<u>33,994</u>	<u>255,775</u>
Total	<u>\$ 395,966</u>	<u>\$ 115,584</u>	<u>\$ 511,550</u>

Borough Revenue Bonds - In August 2001, the Borough issued revenue bonds totaling \$4,250,000 to finance construction of a new airport ferry and for renovations to the airport terminal. Passenger facilities charges, which were initiated in 1999, are providing the revenue stream for repaying this bonded debt. Revenue bonds outstanding at June 30, 2004 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>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	185,000	188,726	373,726
2006	195,000	179,421	374,421
2007	205,000	169,777	374,777
2008	220,000	159,795	379,795
2009	225,000	149,451	374,451
2010-2014	1,310,000	575,063	1,885,063
2015-2019	<u>1,680,000</u>	<u>218,450</u>	<u>1,898,450</u>
Total	<u>\$ 4,020,000</u>	<u>\$ 1,640,683</u>	<u>\$ 5,660,683</u>

Component Unit Capital Lease – The Ketchikan Gateway Borough School District entered into a lease agreement as lessee for financing the acquisition of computers during FY 2002. This lease qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the general fixed assets. The assets acquired through the capital lease were as follows:

Equipment (acquired in FY 2002)	<u>\$101,243</u>
---------------------------------	------------------

Lease payments are budgeted in and expended from the operating fund. The lease was paid off during FY 2004.

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2004:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

	Outstanding 7/1/2003	Additions	Reductions	Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
General obligation bonds - 1995	\$ 3,970,000		\$ 605,000	\$ 3,365,000	\$ 630,000
General obligation bonds - 1999	6,915,000		290,000	6,625,000	305,000
General obligation bonds - 2000	8,595,000		335,000	8,260,000	350,000
General obligation bonds - 2003	9,000,000		235,000	8,765,000	325,000
Compensated absences	460,832	295,206	283,681	472,357	291,135
Total Governmental Activities	\$ 28,940,832	\$ 295,206	\$ 1,748,681	\$ 27,487,357	\$ 1,901,135
Business-Type Activities					
Revenue bonds	\$ 4,200,000	\$ -	\$ 180,000	\$ 4,020,000	\$ 185,000
Capital lease		19,815		19,815	19,815
Compensated absences	160,418	129,890	108,031	182,277	87,870
Total Business-Type Activities	\$ 4,360,418	\$ 149,705	\$ 288,031	\$ 4,222,092	\$ 292,685
Component Unit:					
Capital leases	\$ 33,707	\$ -	\$ 33,707	\$ -	\$ -
Compensated absences	204,000		20,000	184,000	-
Total Component Units	\$ 237,707	\$ -	\$ 53,707	\$ 184,000	\$ -

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, 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 Masters, Mates & Pilots (MMP) and the International Brotherhood of Electrical Workers (IBEW) participate in a defined benefit plan.

Teachers' Retirement System (TRS)

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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 12% 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, 2004, 2003, and 2002 were \$1,130,000, and \$1,024,000, and 997,000 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 actuarially determined rates; the rate for the year ended June 30, 2004 was 5.49% of covered payroll for the Borough and 6.75% or 9.49% for the School District, depending on how members have elected to have their service treated and whether they are classified as *standard class* or *alternate class*. The contribution requirements of plan members are set by statute. The Borough's 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 2004, the Borough's annual pension cost of \$121,258 and the School District's annual pension cost of \$107,000 for PERS were equal to the Borough and the School District's required and actual contribution. The required contribution was determined as part of the June 30, 2004 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, 2004

Ketchikan Gateway Borough

Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2002	168,000	100%	168,000	100%
2003	157,000	100%	157,000	100%
2004	121,258	100%	121,258	110%

Ketchikan Gateway Borough School District (A Component Unit)

Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2002	192,000	100%	192,000	100%
2003	211,000	100%	211,000	100%
2004	107,000	100%	107,000	100%

Annual Post-employment Healthcare Cost (APHC). During fiscal year 2004, the Borough and School District's annual post-employment healthcare cost of \$84,264 and \$71,000 respectively for PERS was equal to the Borough's and School Districts required and actual contribution. The required contribution was determined as part of the June 30, 2001 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 0.0%, FY07 8.5%, FY08 8.0%, FY09 7.5%, FY 01 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.

(This page continued on the subsequent page).

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2002	72,000	100%	72,000	100%
2003	109,000	100%	109,000	100%
2004	84,264	100%	84,264	100%

Ketchikan Gateway Borough School District (A Component Unit)				
Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2002	74,000	100%	74,000	100%
2003	81,000	100%	81,000	100%
2004	71,000	100%	71,000	100%

The Masters, Mates and Pilots Plan - The Masters, Mates and Pilots (MMP) retirement plan is a union sponsored defined benefit plan. The plan is funded entirely by employer contributions, which are a fixed amount of \$400 per employee, paid monthly. The Borough exercises no fiduciary responsibility over the MMP plan. Members of this plan include the ferryboat workers employed in positions covered by the Ketchikan International Airport Enterprise Fund. Employees are eligible to participate immediately upon employment and are fully vested after ten years of service.

Contribution for members who were employed in Borough positions during the year are \$400 per employee monthly. The Borough's total payroll for the year ended June 30, 2004 for covered employees totaled \$189,532. The total amount contributed to the MMP plan in FY 2004 was \$14,400. The Borough's obligation for retirement under the MMP plan is limited to the amount paid to the Masters, Mates and Pilots Pension Plan.

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, 2004 for covered employees totaled \$476,586. The total amount contributed to the IBEW plan in FY 2004 was \$80,382. The Borough's obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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, 2004 is as follows:

	Governmental Activities	Business Type Activities	Component Unit
Investments in capital assets, net of related debt:			
Cost of capital assets	\$ 135,553,487	\$ 30,917,278	\$ 6,792,945
Less accumulated depreciation	17,827,444	8,414,508	3,956,662
Book value	117,726,043	22,502,770	2,836,283
Less capital related debt	27,015,000	4,039,815	
Investments in capital assets, net of related debt	<u>\$ 90,711,043</u>	<u>\$ 18,462,955</u>	<u>\$ 2,836,283</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, 2004

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, 2004. In the opinion of Borough management, the outcome of these contingencies will not have a material effect on the financial position of the Borough.

There is a pending claim in the Borough's grievance process, which, if successful, could result in a promotion and a back-pay award from October 2002 until paid at the rate of approximately \$1,706 per month. This case is still in process and a court date has been scheduled for March 2006.

The Borough is in a defensive position in two cases and the likelihood of an unfavorable outcome is low to moderate.

There is an unasserted claim for engine damage to an aircraft at the airport, which occurred during the summer of 2005. The Borough's insurance carrier is handling the claim and the Borough's exposure is its \$5,000 deductible.

Another unasserted claim has arisen relating 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.

Another unasserted claim arises from injuries sustained by an individual while diving off a diving board at the Mike Smither's Pool. The Borough's insurance carrier is handling this matter and the Borough's exposure is its \$5,000 deductible.

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.

A construction delay claim against the Borough on the Schoenbar School capital project 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 in early June 2006.

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, 2004 was \$333,266.

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, 2004 was \$1,730,000 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,

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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, 2004, the Borough had on deposit \$2,543,496.16 with Wells Fargo Bank, which was the balance of a TCDs and accrued interest. This \$2,543,496.16 is included in the \$3,032,053 reservation of Fund Balance presented on the Southeast Economic Development Fund balance sheet. This reservation represents the balance of the amount held by Ketchikan Gateway Borough for shipyard development.

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.

The voters approved a half-cent sales tax increase in October 2004 to service school building debt and to fund qualified school capital projects.

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 had applied for, but not yet approved. As of February 2006, KGB has remitted all remaining funds and accrued interest associated with Alaska Ship & Drydock to AIDEA.

On May 4, 2005, Ketchikan Gateway Borough issued \$15,130,000 in general obligation bonds with interest rates ranging between 3% and 5.25%. This bond issue refunded the \$2,735,000 balance of the 1995 indoor rec center bonds, advance refunded \$4,945,000 of the 1999 G.O. School bonds that funded the Houghtaling and Valley Park school remodel projects, 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.

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

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.

The Westside of Wards Cove has a pending offer of \$9.0 million. Earnest money has been deposited with the Borough, and the closing deadline is slated for mid March 15, 2006.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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.

The Schoenbar Middle School Remodel project scheduled completion date was August 2006. Design and construction problems have extended the project approximately two years over the original schedule. Prior to completion of the construction, it was discovered that there had been moisture damage and mold growth in areas of new construction and areas of existing construction. The Borough is undertaking repair and remediation efforts, which are scheduled to be completed by August 2006. The engineers estimated cost of these efforts is about \$6 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.

Ketchikan Gateway Borough, Alaska
Required Supplementary Information
Schedule of Funding Progress – Alaska Public Employees’ Retirement System
For the Year Ended June 30, 2004

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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,914,517	\$ -	\$ 1,914,517
Receivables:			
Accounts	357,063	-	357,063
Prepaid items	9,000	-	9,000
Advances	-	-	-
Total Assets	\$ 2,280,580	\$ -	\$ 2,280,580
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 156,148	\$ -	\$ 156,148
Notes payable	638,698	-	638,698
Interfund payable	100,194	-	100,194
Advances payable	55,801	-	55,801
Unclaimed bonds	-	-	-
Deposits	500	-	500
Deferred revenues	-	-	-
Total Liabilities	951,341	-	951,341
Fund Balances			
Reserved for:			
Encumbrances	136,088	-	136,088
Debt service	-	-	-
Advances	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	1,193,151	-	1,193,151
Total Fund Balances	1,329,239	-	1,329,239
Total Liabilities and Fund Balances	\$ 2,280,580	\$ -	\$ 2,280,580

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,177,091	\$ -	\$ 2,177,091
Penalties	7,876	-	7,876
Intergovernmental	1,497,732	-	1,497,732
Charges for services	131,540	-	131,540
Earnings on investments	102,772	-	102,772
Miscellaneous	339,529	-	339,529
Total Revenues	4,256,540	-	4,256,540
Expenditures			
Current:			
Public services	1,110,001	-	1,110,001
Capital Outlay	1,047,763	-	1,047,763
Debt Service:			
Principal retirement	-	1,465,000	1,465,000
Interest and fiscal charges	-	1,465,776	1,465,776
Total Expenditures	2,157,764	2,930,776	5,088,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,098,776	(2,930,776)	(832,000)
Other Financing Sources (Uses)			
Transfers in	1,465,922	2,913,804	4,379,726
Transfers out	(4,171,165)	-	(4,171,165)
Total Other Financing Sources (Uses)	(2,705,243)	2,913,804	208,561
Net Change in Fund Balances	(606,467)	(16,972)	(623,439)
Fund Balances Beginning of Year	1,935,706	16,972	1,952,678
Fund Balances End of Year	\$ 1,329,239	\$ -	\$ 1,329,239

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and temporary investments	\$ 1,078,744	\$ 899,919
Receivables:		
Accounts	136,475	146,797
Taxes	1,330,845	1,192,260
Interfund	1,699,829	1,518,694
Component unit		396,962
Prepaid items	-	916
Total Assets	<u>\$ 4,245,893</u>	<u>\$ 4,155,548</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 480,455	\$ 382,748
Accrued expenditures		18,388
Intergovernmental payable	21,065	70,789
Due to component unit	579,792	-
Deposits payable	58,363	54,362
Deferred revenues	81,298	121,193
Total Liabilities	<u>1,220,973</u>	<u>647,480</u>
Fund Balances		
Reserved for encumbrances	130,710	157,230
Reserved for prepaid items		915
Reserved for KGB loan guarantee	333,266	380,000
Unreserved - undesignated	2,560,944	2,969,923
Total Fund Balances	<u>3,024,920</u>	<u>3,508,068</u>
Total Liabilities and Fund Balances	<u>\$ 4,245,893</u>	<u>\$ 4,155,548</u>

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2004 and 2003

	2004			Variance Favorable (Unfavorable)	2003
	Original Budget	Final Budget	Actual		Actual
Revenues and Transfers In					
Revenues					
Taxes					
Real and personal property	\$ 6,550,037	\$ 6,550,037	\$ 6,364,554	\$ (185,483)	\$ 6,368,978
Automobile and boat	185,000	185,000	165,108	(19,892)	193,140
Sales	3,832,756	3,832,756	4,372,459	539,703	3,961,275
Penalties and interest	98,000	98,000	118,478	20,478	147,750
Total taxes	<u>10,665,793</u>	<u>10,665,793</u>	<u>11,020,599</u>	<u>354,806</u>	<u>10,671,143</u>
Alaska State Housing Authority	<u>17,500</u>	<u>17,500</u>	<u>6,948</u>	<u>(10,552)</u>	<u>12,741</u>
Licenses and permits					
Zoning fees	<u>29,675</u>	<u>29,675</u>	<u>49,035</u>	<u>19,360</u>	<u>33,002</u>
Intergovernmental					
State municipal assistance			-	-	118,634
State revenue sharing	430,000	430,000	101,723	(328,277)	78,381
State license refunds			274,539	274,539	390,358
State child care assistance			-	-	121,419
Federal payment in lieu of taxes	602,000	602,000	534,624	(67,376)	516,305
State Operating Grants - Transit System			88,338	88,338	-
Liquor License Revenue Share	-		6,200	6,200	-
Timber stumpage	<u>344,753</u>	<u>344,753</u>	<u>388,860</u>	<u>44,107</u>	<u>344,753</u>
Total intergovernmental	<u>1,376,753</u>	<u>1,376,753</u>	<u>1,394,284</u>	<u>17,531</u>	<u>1,569,850</u>
Charges for services					
Animal control	31,150	31,150	33,591	2,441	29,697
Bus system revenue	350,000	350,000	276,479	(73,521)	272,217
Parks and recreation	421,034	421,034	421,105	(44,929)	408,145
Other charges	<u>56,275</u>	<u>56,275</u>	<u>80,260</u>	<u>23,985</u>	<u>105,302</u>
Total charges for services	<u>858,459</u>	<u>858,459</u>	<u>766,435</u>	<u>(92,024)</u>	<u>815,361</u>
Other					
Investment earnings	<u>96,200</u>	<u>96,200</u>	<u>325,421</u>	<u>229,221</u>	<u>117,031</u>
Total revenues	<u>13,044,380</u>	<u>13,044,380</u>	<u>13,562,722</u>	<u>518,342</u>	<u>13,219,128</u>
Transfers in					
Land Trust Fund	679,405	679,405	679,405	-	1,100,000
Southeast Economic Development Fund	15,000	15,000	15,000	-	15,000
Service Area Funds	30,334	30,334	68,774	38,440	37,515
Airport Fund	113,040	113,040	113,040	-	180,000
State/Federal Grants	-	-	20,621	20,621	-
Wastewater Fund	<u>34,699</u>	<u>34,699</u>	<u>49,139</u>	<u>14,440</u>	<u>30,400</u>
Total transfers in	<u>872,478</u>	<u>872,478</u>	<u>945,979</u>	<u>73,501</u>	<u>1,362,915</u>
Total Revenues and Transfers In	<u>13,916,858</u>	<u>13,916,858</u>	<u>14,508,701</u>	<u>591,843</u>	<u>14,582,043</u>

(continued)

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2004 and 2003

(continued)

Expenditures and Transfers Out	2004			Variance Favorable (Unfavorable)	2003
	Original Budget	Final Budget	Actual		Actual
Expenditures					
Current:					
Administration					
Mayor and assembly	\$ 126,313	\$ 136,313	\$ 106,662	\$ 29,651	\$ 117,784
Law	254,750	254,750	220,191	34,559	244,019
Clerk	167,827	167,827	187,784	(19,957)	175,415
Manager	578,942	578,942	438,194	140,748	640,019
Finance - accounting	672,762	672,762	685,307	(12,545)	627,826
Finance - assessment	434,588	434,588	434,520	68	414,230
Total administration	2,235,182	2,245,182	2,072,658	172,524	2,219,293
Public services					
Animal protection	283,422	283,422	270,937	12,485	294,050
Planning	624,475	677,368	557,430	119,938	642,441
OEDP	97,078	97,078	97,078	-	70,000
Community education	408,605	408,605	407,638	967	256,687
Public works	1,830,010	1,830,010	1,699,226	130,784	2,005,801
Child care operations			29,045	(29,045)	64,459
Parks and recreation	1,188,393	1,188,393	1,205,933	(17,540)	1,339,683
Total public services	4,431,983	4,484,876	4,267,287	217,589	4,673,121
Automation	239,005	239,005	244,694	(5,689)	142,661
Non-departmental	168,805	168,805	194,637	(25,832)	158,085
Education	7,257,769	7,257,769	7,373,117	(115,348)	7,329,446
Capital	55,315	55,315	175,457	(120,142)	217,485
Total Expenditures	14,388,059	14,450,952	14,327,850	123,102	14,740,091
Transfers Out					
Airport Fund	5,000	5,000	14,000	(9,000)	22,215
School Bond/Capital Improve Fund	650,000	650,000	650,000	-	432,446
Total Transfers Out	655,000	655,000	664,000	(9,000)	454,661
Total Expenditures and Transfers Out	15,043,059	15,105,952	14,991,850	114,102	15,194,752
Net Change in Fund Balances	\$ (1,126,201)	\$ (1,189,094)	(483,149)	\$ 705,945	(612,709)
Fund Balances Beginning of Year -			3,508,069		4,120,778
Fund Balances End of Year			\$ 3,024,920		\$ 3,508,069

Ketchikan Gateway Borough, Alaska
Land Trust Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 5,120,842	\$ 7,141,587
Receivables:		
Accounts	410	\$ -
Notes	887,008	621,308
Advances	4,507,220	3,378,774
Total Assets	<u>\$ 10,515,480</u>	<u>\$ 11,141,669</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 316	\$ 134
Deposits	5,600	6,780
Deferred revenues	-	-
Total Liabilities	<u>5,916</u>	<u>6,914</u>
Fund Balances		
Reserved for accounts receivable	410	
Reserved for advances to other funds	4,507,220	3,378,774
Reserved for outstanding loans	887,008	621,308
Reserved for encumbrances	-	68,980
Unreserved - undesignated	5,114,926	7,065,693
Total Fund Balances	<u>10,509,564</u>	<u>11,134,755</u>
Total Liabilities and Fund Balances	<u>\$ 10,515,480</u>	<u>\$ 11,141,669</u>

Ketchikan Gateway Borough, Alaska
Southeast Economic Development Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 2,172,792	\$ 1,496,611
Funds with fiscal agents	4,274,444	5,445,504
Receivables:		
Accounts	8,633	35,001
Notes	-	2,721,822
Land held for resale	-	9,052,337
Total Assets	<u>\$ 6,455,869</u>	<u>\$ 18,751,275</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 313,095	\$ 45,650
Deposits	34,973	-
Advances payable	750,000	750,000
Total Liabilities	<u>1,098,068</u>	<u>795,650</u>
Fund Balances		
Reserved for loan guarantees	1,730,000	5,445,504
Reserved for shipyard MOU	3,032,053	2,721,822
Reserved for accounts receivable	8,633	1,631
Reserved for encumbrances	191,663	756,842
Reserved for land for resale	-	9,052,337
Unreserved - undesignated (deficit)	395,452	(22,511)
Total Fund Balances	<u>5,357,801</u>	<u>17,955,625</u>
Total Liabilities and Fund Balances	<u>\$ 6,455,869</u>	<u>\$ 18,751,275</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 654,654	\$ 296,351
Accounts receivable	1,704,060	1,459,851
Total Assets	<u>\$ 2,358,714</u>	<u>\$ 1,756,202</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 839,798	\$ 176,486
Interfund payable	848,709	1,254,689
Deferred revenues	623,520	278,530
Total Liabilities	<u>2,312,027</u>	<u>1,709,705</u>
Fund Balances		
Reserved for encumbrances	895,050	1,023,866
Unreserved - undesignated (deficit)	(848,363)	(977,369)
Total Fund Balances	<u>46,687</u>	<u>46,497</u>
Total Liabilities and Fund Balances	<u>\$ 2,358,714</u>	<u>\$ 1,756,202</u>

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.

North Tongass Fire District 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 Fire District 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.

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.

School Bond/Capital Improvements Fund – This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and 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.

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.

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

Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Recreation Sales Tax	Mud Bight Service Area	Mountain Point Service Area	North Tongass Fire District	South Tongass Fire District	Waterfall Service Area
Assets						
Cash and cash equivalents	\$ 328,773	\$ 15,777	\$ -	\$ -	\$ 126,971	\$ 19,366
Receivables:						
Accounts	324,611	7,361	-	2,722	3,855	96
Prepaid items	-	-	-	9,000	-	-
Advances	-	-	-	-	-	-
Total Assets	\$ 653,384	\$ 23,138	\$ -	\$ 11,722	\$ 130,826	\$ 19,462
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 75,360	\$ -	\$ -	\$ 19,625	\$ 43,174	\$ -
Notes payable	-	-	-	638,698	-	-
Interfund payable	-	-	-	100,194	-	-
Advances payable	-	-	-	-	17,301	-
Unclaimed bonds	-	-	-	-	-	-
Deposits	500	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Total Liabilities	75,860	-	-	758,517	60,475	-
Fund Balances						
Reserved for:						
Encumbrances	53,477	-	-	16,158	8,480	23,123
Advances to other funds	-	-	-	-	-	-
Unreserved, undesignated	524,047	23,138	-	(762,953)	61,871	(3,661)
Total Fund Balances	577,524	23,138	-	(746,795)	70,351	19,462
Total Liabilities and Fund Balances	\$ 653,384	\$ 23,138	\$ -	\$ 11,722	\$ 130,826	\$ 19,462

Nichols View Service Area	Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment	Non Area Wide	School Bond/ Capital Improvements	Airport PFC	Total Nonmajor Special Revenue Funds
\$ 9,670	\$ 86,959	\$ 15,510	\$ 38,500	26,338	\$ 209,272	\$ 1,037,381	\$ 1,914,517
-	436	-	-	3,006	14,976	-	-
-	-	-	-	-	-	-	357,063
-	-	-	-	-	-	-	9,000
<u>\$ 9,670</u>	<u>\$ 87,395</u>	<u>\$ 15,510</u>	<u>\$ 38,500</u>	<u>\$ 29,344</u>	<u>\$ 224,248</u>	<u>\$ 1,037,381</u>	<u>\$ 2,280,580</u>
\$ -	\$ 12,091	\$ 184	4,900	\$ -	\$ 814	\$ -	\$ 156,148
-	-	-	-	-	-	-	638,698
-	-	-	-	-	-	-	100,194
-	-	-	38,500	-	-	-	55,801
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	500
-	-	-	-	-	-	-	-
<u>-</u>	<u>12,091</u>	<u>184</u>	<u>43,400</u>	<u>-</u>	<u>814</u>	<u>-</u>	<u>951,341</u>
-	-	-	34,850	-	-	-	136,088
-	-	-	-	-	-	-	-
<u>9,670</u>	<u>75,304</u>	<u>15,326</u>	<u>(39,750)</u>	<u>29,344</u>	<u>223,434</u>	<u>1,037,381</u>	<u>1,193,151</u>
<u>9,670</u>	<u>75,304</u>	<u>15,326</u>	<u>(4,900)</u>	<u>29,344</u>	<u>223,434</u>	<u>1,037,381</u>	<u>1,329,239</u>
<u>\$ 9,670</u>	<u>\$ 87,395</u>	<u>\$ 15,510</u>	<u>\$ 38,500</u>	<u>\$ 29,344</u>	<u>\$ 224,248</u>	<u>\$ 1,037,381</u>	<u>\$ 2,280,580</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, 2004

	Recreation Sales Tax	Mud Bight Service Area	Mountain Point Service Area	North Tongass Fire District	South Tongass Fire District	Waterfall Service Area
Revenues						
Taxes	\$ 1,093,185	\$ -	\$ -	\$ 414,152	\$ 117,533	\$ -
Penalties	7,876			-	-	
Intergovernmental						
Charges for services		15,257		-	105,765	4,417
Investment earnings	33,390	1,081		-	7,083	2,593
Miscellaneous	200	-		650	28,750	
Total Revenues	<u>1,134,651</u>	<u>16,338</u>	<u>-</u>	<u>414,802</u>	<u>259,131</u>	<u>7,010</u>
Expenditures						
Current:						
Public services	-	849		378,553	276,524	5,252
Capital Outlay	<u>179,592</u>	<u>-</u>		<u>645,845</u>	<u>31,141</u>	<u>86,877</u>
Total Expenditures	<u>179,592</u>	<u>849</u>	<u>-</u>	<u>1,024,398</u>	<u>307,665</u>	<u>92,129</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>955,059</u>	<u>15,489</u>	<u>-</u>	<u>(609,596)</u>	<u>(48,534)</u>	<u>(85,119)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	636	5,000	11,258	-
Transfers out	<u>(799,028)</u>	<u>(500)</u>	<u>(2,784)</u>	<u>(25,324)</u>	<u>(39,776)</u>	<u>(500)</u>
Total Other Financing Sources (Uses)	<u>(799,028)</u>	<u>(500)</u>	<u>(2,148)</u>	<u>(20,324)</u>	<u>(28,518)</u>	<u>(500)</u>
Net Change in Fund Balances	156,031	14,989	(2,148)	(629,920)	(77,052)	(85,619)
Fund Balances Beginning of Year - As Restated (Note 2D)	<u>421,493</u>	<u>8,149</u>	<u>2,148</u>	<u>(116,875)</u>	<u>147,403</u>	<u>105,081</u>
Fund Balances End of Year	<u>\$ 577,524</u>	<u>\$ 23,138</u>	<u>\$ -</u>	<u>(746,795)</u>	<u>\$ 70,351</u>	<u>\$ 19,462</u>

Nichols View Service Area	Forest Park Service Area	Gold Nugget Service Area	Gold Nugget Special Assessment	Non Area Wide	School Bond/ Capital Improvements	Airport PFC	Shoup Street Service	Total Nonmajor Special Revenue Funds
\$ -	\$ 48,290	\$ -		\$ 503,931	\$ -	\$ -	\$ -	\$ 2,177,091
	-	-		-	-	-		7,876
	-	-		-	1,497,732	-		1,497,732
	-	6,101		-	-	-		131,540
340	5,522	495		4,766	10,831	36,671		102,772
						309,929		339,529
340	53,812	6,596		508,697	1,508,563	346,600	-	4,256,540
-	38,335	2,469		405,178	2,841			1,110,001
-	99,408		4,900	-	-			1,047,763
-	137,743	2,469	4,900	405,178	2,841	-	-	2,157,764
340	(83,931)	4,127	(4,900)	103,519	1,505,722	346,600	-	2,098,776
-	-	-		-	1,449,028	-	-	1,465,922
(500)	(2,310)	(500)		-	(2,913,804)	(377,664)	(8,475)	(4,171,165)
(500)	(2,310)	(500)	-	-	(1,464,776)	(377,664)	(8,475)	(2,705,243)
(160)	(86,241)	3,627	(4,900)	103,519	40,946	(31,064)	(8,475)	(606,467)
9,830	161,545	11,699	-	(74,175)	182,488	1,068,445	8,475	1,935,706
\$ 9,670	\$ 75,304	\$ 15,326	\$ (4,900)	\$ 29,344	\$ 223,434	\$ 1,037,381	\$ -	\$ 1,329,239

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 328,773	\$ 432,010
Accounts receivable	324,611	286,656
Total Assets	<u>\$ 653,384</u>	<u>\$ 718,666</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 75,360	\$ -
Advances payable	-	296,673
Deposits	500	500
Total Liabilities	<u>75,860</u>	<u>297,173</u>
Fund Balances		
Reserved for encumbrances	53,477	66,710
Unreserved - undesignated	524,047	354,783
Total Fund Balances	<u>577,524</u>	<u>421,493</u>
Total Liabilities and Fund Balances	<u>\$ 653,384</u>	<u>\$ 718,666</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 938,329	\$ 938,329	\$ 1,093,185	\$ 154,856	\$ 990,348
Penalties	6,125	6,125	7,876	1,751	9,676
Investment earnings	8,750	8,750	33,390	24,640	16,019
Miscellaneous	-	-	200	200	-
Total Revenues	953,204	953,204	1,134,651	181,447	1,016,043
Expenditures					
Current:					
Public services	-	-	-	-	18,221
Capital Outlay	271,700	271,700	179,592	92,108	185,440
Total Expenditures	271,700	271,700	179,592	92,108	203,661
Excess of Revenues Over Expenditures	681,504	681,504	955,059	273,555	812,382
Other Financing (Uses)					
Transfers out	(1,095,701)	(1,095,701)	(799,028)	296,673	(795,478)
Net Change in Fund Balances	\$ (414,197)	\$ (414,197)	156,031	\$ 570,228	16,904
Fund Balances Beginning of Year			421,493		404,589
Fund Balances End of Year			\$ 577,524		\$ 421,493

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 15,777	\$ 21,314
Accounts receivable	7,361	1,822
Total Assets	<u>\$ 23,138</u>	<u>\$ 23,136</u>
Liabilities and Fund Balances		
Liabilities		
Advances payable	\$ -	\$ 14,987
Fund Balances		
Unreserved - undesignated	<u>23,138</u>	<u>8,149</u>
Total Liabilities and Fund Balances	<u>\$ 23,138</u>	<u>\$ 23,136</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 301
Charges for services	8,600	8,600	15,257	6,657	8,694
Investment earnings	100	100	1,081	981	559
Total Revenues	8,700	8,700	16,338	7,638	9,554
Expenditures					
Current:					
Public services	8,050	8,050	849	7,201	837
Excess of Revenues Over Expenditures	650	650	15,489	14,839	8,717
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(500)
Net Change in Fund Balances	<u>\$ 150</u>	<u>\$ 150</u>	14,989	<u>\$ 14,839</u>	8,217
Fund Balances Beginning of Year			8,149		(68)
Fund Balances End of Year			<u>\$ 23,138</u>		<u>\$ 8,149</u>

Ketchikan Gateway Borough, Alaska
Mountain Point Service Area Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ -	\$ 2,148
Accounts receivable		-
Total Assets	<u>\$ -</u>	<u>\$ 2,148</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for encumbrances	-	-
Unreserved - undesignated	-	2,148
Total Fund Balances	<u>-</u>	<u>2,148</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,148</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, 2004
 (With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 2,148
Investment earnings	-	-	-	-	-
Total Revenues	-	-	-	-	2,148
Other Financing (Uses)					
Transfers In	-	-	636	636	
Transfers out	-	-	(2,784)	(2,784)	(190,652)
Total Other Financing Sources (Uses)	-	-	(2,148)	(2,148)	(190,652)
Net Change in Fund Balances	\$ -	\$ -	(2,148)	\$ (2,148)	(188,504)
Fund Balances Beginning of Year			2,148		190,652
Fund Balances End of Year			\$ -		\$ 2,148

Ketchikan Gateway Borough, Alaska
North Tongass Fire District Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ -	\$ 889,398
Receivables:		
Accounts	2,722	
Advances		
Prepaid items	9,000	
Total Assets	<u>\$ 11,722</u>	<u>\$ 889,398</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	19,625	6,273
Advances payable		1,000,000
Interfund payable	100,194	
Notes Payable	638,698	
Total Liabilities	<u>758,517</u>	<u>1,006,273</u>
Fund Balances		
Reserved for encumbrances	16,158	
Unreserved - undesignated	(762,953)	(116,875)
Total Fund Balance	<u>(746,795)</u>	<u>(116,875)</u>
Total Liabilities and Fund Balances	<u>\$ 11,722</u>	<u>\$ 889,398</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS District
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 374,795	\$ 374,795	\$ 414,152	\$ 39,357	\$ -
State/federal revenues	3,500	3,500	-	(3,500)	-
Service area fees	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	35,000	35,000	650	(34,350)	-
Total Revenues	413,295	413,295	414,802	1,507	-
Expenditures					
Current:					
Public services	352,586	352,586	378,553	(25,967)	116,875
Capital Outlay	900,000	900,000	645,845	254,155	-
Total Expenditures	1,252,586	1,252,586	1,024,398	228,188	116,875
Excess (Deficiency) of Revenues Over (Under) Expenditures	(839,291)	(839,291)	(609,596)	229,695	(116,875)
Other Financing Sources (Uses)					
Transfers in	-	-	5,000	5,000	-
Transfers out	(25,324)	(25,324)	(25,324)	-	-
Total Other Financing Sources (Uses)	(25,324)	(25,324)	(20,324)	5,000	-
Net Change in Fund Balances	\$ (864,615)	\$ (864,615)	(629,920)	\$ 234,695	(116,875)
Fund Balances Beginning of Year			(116,875)		-
Fund Balances End of Year			\$ (746,795)		\$ (116,875)

Ketchikan Gateway Borough, Alaska
South Tongass Fire District Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 126,971	\$ 166,103
Receivables:		
Accounts	3,855	5,857
Advances	-	-
Total Assets	<u>\$ 130,826</u>	<u>\$ 171,960</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 43,174	\$ 5,309
Advances payable	17,301	19,248
Total Liabilities	<u>60,475</u>	<u>24,557</u>
Fund Balances		
Reserved for encumbrances	8,480	7,109
Reserved for advances	-	-
Unreserved - undesignated	61,871	140,294
Total Fund Balances	<u>70,351</u>	<u>147,403</u>
Total Liabilities and Fund Balances	<u>\$ 130,826</u>	<u>\$ 171,960</u>

Ketchikan Gateway Borough, Alaska
South Tongass Fire District Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 117,292	\$ 117,292	\$ 117,533	\$ 241	\$ 126,011
State/federal revenues	14,000	14,000	-	(14,000)	8,157
Service area fees	140,000	140,000	105,765	(34,235)	108,276
Investment earnings	1,590	1,590	7,083	5,493	2,408
Miscellaneous	-	-	28,750	28,750	4,185
Total Revenues	<u>272,882</u>	<u>272,882</u>	<u>259,131</u>	<u>(13,751)</u>	<u>249,037</u>
Expenditures					
Current:					
Public services	271,121	271,121	276,524	(5,403)	292,075
Capital Outlay	<u>-</u>	<u>-</u>	<u>31,141</u>	<u>(31,141)</u>	<u>41,036</u>
Total Expenditures	<u>271,121</u>	<u>271,121</u>	<u>307,665</u>	<u>(36,544)</u>	<u>333,111</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,761</u>	<u>1,761</u>	<u>(48,534)</u>	<u>(50,295)</u>	<u>(84,074)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	11,258	11,258	190,652
Transfers out	<u>(39,140)</u>	<u>(39,140)</u>	<u>(39,776)</u>	<u>(636)</u>	<u>(20,698)</u>
Total Other Financing Sources (Uses)	<u>(39,140)</u>	<u>(39,140)</u>	<u>(28,518)</u>	<u>10,622</u>	<u>169,954</u>
Net Change in Fund Balances	<u>\$ (37,379)</u>	<u>\$ (37,379)</u>	<u>(77,052)</u>	<u>\$ (39,673)</u>	<u>85,880</u>
Fund Balances Beginning of Year			<u>147,403</u>		<u>61,523</u>
Fund Balances End of Year			<u>\$ 70,351</u>		<u>\$ 147,403</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 19,366	\$ 103,756
Accounts receivable	96	1,325
Total Assets	<u>\$ 19,462</u>	<u>\$ 105,081</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for encumbrances	23,123	110,000
Unreserved - undesignated	<u>(3,661)</u>	<u>(4,919)</u>
Total Fund Balances	<u>19,462</u>	<u>105,081</u>
Total Liabilities and Fund Balances	<u>\$ 19,462</u>	<u>\$ 105,081</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 31
Charges for services	5,040	5,040	4,417	(623)	6,207
Interest earned	100	100	2,593	2,493	2,235
Total Revenues	5,140	5,140	7,010	1,870	8,473
Expenditures					
Current:					
Public services	6,100	6,100	5,252	848	10,730
Capital Outlay	-	-	86,877	(86,877)	-
Total Expenditures	6,100	6,100	92,129	(86,029)	10,730
Excess (Deficiency) of Revenues Over (Under) Expenditures	(960)	(960)	(85,119)	(84,159)	(2,257)
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(6,000)
Net Change in Fund Balances	\$ (1,460)	\$ (1,460)	(85,619)	\$ (84,159)	(8,257)
Fund Balances Beginning of Year			105,081		113,338
Fund Balances End of Year			\$ 19,462		\$ 105,081

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	<u>\$ 9,670</u>	<u>\$ 9,830</u>
Fund Balances		
Unreserved - undesignated	<u>\$ 9,670</u>	<u>\$ 9,830</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, 2004
 (With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Investment earnings	\$ 350	\$ 350	\$ 340	\$ (10)	\$ 206
Miscellaneous	-	-	-	-	-
Total Revenues	350	350	340	(10)	206
Other Financing Uses					
Transfers out	(500)	(500)	(500)	-	(500)
Net Change in Fund Balances	<u>\$ (150)</u>	<u>\$ (150)</u>	(160)	<u>\$ (10)</u>	(294)
Fund Balances Beginning of Year			9,830		10,124
Fund Balances End of Year			<u>\$ 9,670</u>		<u>\$ 9,830</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 86,959	\$ 165,487
Receivables:		
Accounts	436	1,620
Advances		
Total Assets	<u>\$ 87,395</u>	<u>\$ 167,107</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 12,091</u>	<u>\$ 5,562</u>
Fund Balances		
Reserved for encumbrances	-	84,594
Unreserved - undesignated	<u>75,304</u>	<u>76,951</u>
Total Fund Balance	<u>75,304</u>	<u>161,545</u>
Total Liabilities and Fund Balances	<u>\$ 87,395</u>	<u>\$ 167,107</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</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	\$ 48,290	\$ (332)	\$ 50,539
Intergovernmental	-	-	-	-	413
Investment earnings	1,000	1,000	5,522	4,522	3,386
Total Revenues	<u>49,622</u>	<u>49,622</u>	<u>53,812</u>	<u>4,190</u>	<u>54,338</u>
Expenditures					
Current:					
Public services	46,200	46,200	38,335	7,865	39,247
Capital Outlay	<u>-</u>	<u>-</u>	<u>99,408</u>	<u>(99,408)</u>	<u>292</u>
Total Expenditures	<u>46,200</u>	<u>46,200</u>	<u>137,743</u>	<u>(91,543)</u>	<u>39,539</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,422	3,422	(83,931)	(87,353)	14,799
Other Financing (Uses)					
Transfers out	<u>(2,310)</u>	<u>(2,310)</u>	<u>(2,310)</u>	<u>-</u>	<u>(8,402)</u>
Net Change in Fund Balances	<u>\$ 1,112</u>	<u>\$ 1,112</u>	<u>(86,241)</u>	<u>\$ (87,353)</u>	<u>6,397</u>
Fund Balances Beginning of Year			<u>161,545</u>		<u>155,148</u>
Fund Balances End of Year			<u>\$ 75,304</u>		<u>\$ 161,545</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	<u>\$ 15,510</u>	<u>\$ 11,818</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 184	\$ 119
Notes payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>184</u>	<u>119</u>
Fund Balances		
Unreserved - undesignated	<u>15,326</u>	<u>11,699</u>
Total Liabilities and Fund Balances	<u>\$ 15,510</u>	<u>\$ 11,818</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 49
Charges for services	6,060	6,060	6,101	41	6,226
Investment earnings	200	200	495	295	236
Total Revenues	6,260	6,260	6,596	336	6,511
Expenditures					
Current:					
Public services	9,280	9,280	2,469	6,811	3,445
Capital Outlay				-	-
Total Expenditures	9,280	9,280	2,469	6,811	3,445
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,020)	(3,020)	4,127	7,147	3,066
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(1,415)
Net Change in Fund Balances	\$ (3,520)	\$ (3,520)	3,627	\$ 7,147	1,651
Fund Balances Beginning of Year			11,699		10,048
Fund Balances End of Year			\$ 15,326		\$ 11,699

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 38,500	\$ -
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,900	\$ -
Advances payable	38,500	-
Total Liabilities	<u>43,400</u>	<u>-</u>
Fund Balances		
Reserved for encumbrances	34,850	
Unreserved - undesignated	<u>(39,750)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 38,500</u>	<u>\$ -</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
Expenditures					
Current:					
Capital Outlay	-	38,500	4,900	33,600	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(38,500)	(4,900)	(33,600)	-
Other Financing (Uses)					
Transfers in/ (out)	-	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (38,500)</u>	(4,900)	<u>\$ (33,600)</u>	-
Fund Balances Beginning of Year					
Fund Balances End of Year			<u>\$ (4,900)</u>		<u>\$ -</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 26,338	\$ -
Accounts receivable	<u>3,006</u>	<u>583</u>
Total Assets	<u>\$ 29,344</u>	<u>\$ 583</u>
Liabilities and Fund Balances (Deficits)		
Liabilities		
Accounts payable	\$ -	\$ -
Interfund payable	-	-
Advances payable	<u>-</u>	<u>74,758</u>
Total Liabilities	<u>-</u>	<u>74,758</u>
Fund Balances (Deficits)		
Unreserved - undesignated (deficits)	<u>29,344</u>	<u>(74,175)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 29,344</u>	<u>\$ 583</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 453,507	\$ 453,507	\$ 503,931	\$ 50,424	\$ 387,846
Investment earnings	-	-	4,766	4,766	242
Miscellaneous	-	-	-	-	-
Total Revenues	<u>453,507</u>	<u>453,507</u>	<u>508,697</u>	<u>55,190</u>	<u>388,088</u>
Expenditures					
Current:					
Public services	398,800	398,800	405,178	(6,378)	389,572
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>398,800</u>	<u>398,800</u>	<u>405,178</u>	<u>(6,378)</u>	<u>389,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,707</u>	<u>54,707</u>	<u>103,519</u>	<u>61,568</u>	<u>(1,484)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 54,707</u>	<u>\$ 54,707</u>	103,519	<u>\$ 61,568</u>	(1,484)
Fund Balances Beginning of Year			<u>(74,175)</u>		(72,691)
Fund Balances End of Year			<u>\$ 29,344</u>		<u>\$ (74,175)</u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 209,272	\$ 180,780
Accounts receivable	14,976	9,991
Total Assets	<u>\$ 224,248</u>	<u>\$ 190,771</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 814	\$ 438
Interfund payable	-	-
Unclaimed bonds	-	7,845
Total Liabilities	<u>814</u>	<u>8,283</u>
Fund Balances		
Unreserved - undesignated	<u>223,434</u>	<u>182,488</u>
Total Liabilities and Fund Balances	<u>\$ 224,248</u>	<u>\$ 190,771</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ 1,492,283	\$ 1,492,283	\$ 1,497,732	\$ 5,449	\$ 999,084
Investment earnings	7,000	7,000	10,831	3,831	5,120
Total Revenues	1,499,283	1,499,283	1,508,563	9,280	1,004,204
Expenditures					
Current:					
Public services	9,000	9,000	2,841	6,159	3,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,490,283</u>	<u>1,490,283</u>	<u>1,505,722</u>	<u>15,439</u>	<u>1,000,802</u>
Other Financing Sources (Uses)					
Transfers in	1,449,028	1,449,028	1,449,028	-	1,227,924
Transfers out	(2,930,861)	(2,930,861)	(2,913,804)	17,057	(2,236,966)
Total Other Financing Sources (Uses)	<u>(1,481,833)</u>	<u>(1,481,833)</u>	<u>(1,464,776)</u>	<u>17,057</u>	<u>(1,009,042)</u>
Net Change in Fund Balances	<u>\$ 8,450</u>	<u>\$ 8,450</u>	40,946	<u>\$ 32,496</u>	(8,240)
Fund Balances Beginning of Year			<u>182,488</u>		<u>190,728</u>
Fund Balances End of Year			<u>\$ 223,434</u>		<u>\$ 182,488</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	<u>\$ 1,037,381</u>	<u>\$ 1,068,445</u>
Fund Balances		
Unreserved - undesignated	<u>\$ 1,037,381</u>	<u>\$ 1,068,445</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, 2004
(With Comparative Actual Amounts for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Investment earnings	\$ 28,830	\$ 28,830	\$ 36,671	\$ 7,841	\$ 22,012
Miscellaneous	404,100	404,100	309,929	(94,171)	389,681
Total Revenues	432,930	432,930	346,600	(86,330)	411,693
Other Financing (Uses)					
Transfers out	(377,664)	(377,664)	(377,664)	-	-
Net Change in Fund Balances	<u>\$ 55,266</u>	<u>\$ 55,266</u>	(31,064)	<u>\$ (86,330)</u>	411,693
Fund Balances Beginning of Year			<u>1,068,445</u>		<u>656,752</u>
Fund Balances End of Year			<u>\$ 1,037,381</u>		<u>\$ 1,068,445</u>

Ketchikan Gateway Borough, Alaska
Shoup Street Service Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ -	\$ 8,475
Accounts receivable	-	-
Total Assets	<u>\$ -</u>	<u>\$ 8,475</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Total Liabilities	-	-
Fund Balances		
Unreserved - undesignated	-	8,475
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 8,475</u>

Ketchikan Gateway Borough, Alaska
Shoup Street Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
 (With Comparative Actual Amounts for the Year Ended June 30, 2003)

	2004			2003	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 8,475.00
Transfers out	-	-	(8,475)	(8,475)	(8,475)
Total Other Financing Sources (Uses)	-	-	(8,475)	(8,475)	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(8,475)	<u>\$ (8,475)</u>	<u>\$ -</u>
Fund Balances Beginning of Year			8,475		8,475
Fund Balances End of Year			<u>\$ -</u>		<u>\$ 8,475</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 2,556,714	\$ 2,378,941
Investments	12,082,563	15,487,817
Accounts receivable	-	-
Total Assets	<u>\$ 14,639,277</u>	<u>\$ 17,866,758</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,081,506	\$ 125,460
Advances payable	2,100,000	7,521
Total Liabilities	<u>3,181,506</u>	<u>132,981</u>
Fund Balances		
Reserved for encumbrances	5,160,237	169,087
Unreserved - undesignated	6,297,534	17,564,690
Total Fund Balances	<u>11,457,771</u>	<u>17,733,777</u>
Total Liabilities and Fund Balances	<u>\$ 14,639,277</u>	<u>\$ 17,866,758</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Local sources	\$ (50)	\$ 5,043
Investment earnings	94,746	119,592
Total Revenues	<u>94,696</u>	<u>124,635</u>
Expenditures		
Capital Outlay		
Contractual services	9,453	834,745
Educational facilities	6,361,249	16,998
Total Expenditures	<u>6,370,702</u>	<u>851,743</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(6,276,006)</u>	<u>(727,108)</u>
Other Financing Sources		
Transfers in	-	-
General obligation bonds issued	-	9,000,000
Total Other Financing Sources	<u>-</u>	<u>9,000,000</u>
Net Change in Fund Balances	<u>(6,276,006)</u>	<u>8,272,892</u>
Fund Balances Beginning of Year	17,733,777	9,460,885
Prior Period Adjustment	<u>-</u>	<u>-</u>
Beginning Balance Restated	<u>17,733,777</u>	<u>9,460,885</u>
Fund Balance End of Year	<u>\$ 11,457,771</u>	<u>\$ 17,733,777</u>

Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Debt Service Funds
 June 30, 2004

	1995 G.O. Bond Redemption Fund	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption 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, 2004

	1995 G.O. Bond Redemption Fund	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	2003 G.O. Bond Redemption Fund	Total Nonmajor Debt Service Funds
Expenditures					
Debt Service:					
Principal retirement	\$ 605,000	\$ 290,000	\$ 335,000	\$ 235,000	\$ 1,465,000
Interest and fiscal charges	194,028	364,827	447,276	459,645	1,465,776
Total Expenditures	799,028	654,827	782,276	694,645	2,930,776
Other Financing Sources					
Transfers in	799,028	654,732	765,399	694,645	2,913,804
Net Change in Fund Balances	-	(95)	(16,877)	-	(16,972)
Fund Balances Beginning of Year	-	95	16,877	-	16,972
Fund Balances End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Net Assets
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 980,431
Accounts receivable	281,430	262,312
Prepaid items	8,857	2,465
Total Current Assets	<u>290,287</u>	<u>1,245,208</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	-	-
Capital Assets:		
Non-depreciable	26,027	2,323,695
Depreciable, net	9,507,129	6,093,205
Total Noncurrent Assets	<u>9,533,156</u>	<u>8,416,900</u>
Total Assets	<u>9,823,443</u>	<u>9,662,108</u>
Liabilities		
Current Liabilities:		
Accounts payable	64,563	137,737
Interfund advances payable	441,847	76,197
Interfund payable	405,621	-
Compensated absences payable	87,870	160,418
Revenue bonds payable	185,000	180,000
Capital leases payable	19,815	28,960
Total Current Liabilities	1,204,716	583,312
Long-Term Liabilities:		
Compensated absences payable (net of current portion)	94,407	
Revenue bonds payable (net of current portion)	3,835,000	4,020,000
Total Liabilities	<u>5,134,123</u>	<u>4,603,312</u>
Net Assets		
Invested in capital assets, net of related debt	5,493,341	4,187,940
Unrestricted	(804,021)	870,856
Total Net Assets	<u>\$ 4,689,320</u>	<u>\$ 5,058,796</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Charges for services	\$ 2,741,529	\$ 2,925,246
Operating Expenses		
Personal services	1,795,026	1,808,335
Supplies and services	613,082	725,200
Insurance	235,739	205,837
Depreciation	595,062	601,383
Total Operating Expenses	<u>3,238,909</u>	<u>3,340,755</u>
Operating (Loss)	<u>(497,380)</u>	<u>(415,509)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(203,256)	(207,544)
Gain (loss) on sale of capital assets	-	(33,300)
Investment earnings	15,041	100,091
Operating grants	-	2,500
Total Non-Operating Revenues (Expenses)	<u>(188,215)</u>	<u>(138,253)</u>
(Loss) Before Capital Contributions and Transfers	<u>(685,595)</u>	<u>(553,762)</u>
Capital contributions	77,495	-
Transfers in	391,664	22,215
Transfers out	(153,040)	(217,057)
Change in Net Assets	<u>(369,476)</u>	<u>(748,604)</u>
Net Assets Beginning of Year	5,058,796	5,707,014
Prior Period Adjustment	<u>-</u>	<u>100,386</u>
Net Assets End of Year	<u>\$ 4,689,320</u>	<u>\$ 5,058,796</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,722,411	\$ 2,871,992
Cash payments to employees for services	(1,773,167)	(1,813,272)
Cash payments for goods and services	(571,882)	(997,143)
Other cash payments	-	-
Net Cash Provided by (Used in) Operating Activities	<u>377,362</u>	<u>61,577</u>
Cash Flows from Noncapital Financing Activities		
Interfund payable	405,621	-
Operating grants received	-	2,500
Transfers in - PFC revenues	386,664	-
Transfers in	5,000	22,215
Transfers out	(153,040)	(217,057)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>644,245</u>	<u>(192,342)</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	-	25,001
Capital grant	77,495	-
Principal paid on revenue bonds	(180,000)	(50,000)
Interest paid on debt service	(203,256)	(207,544)
Payments for capital acquisitions	(1,711,318)	(2,206,407)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,017,079)</u>	<u>(2,438,950)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>15,041</u>	<u>100,091</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(980,431)	(2,469,624)
Cash and Cash Equivalents Beginning of Year	<u>980,431</u>	<u>3,450,055</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ 980,431</u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2004 and 2003

(Continued)

	<u>2004</u>	<u>2003</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	(497,380)	\$ (415,509)
Adjustments:		
Depreciation	595,062	601,383
(Increase) Decrease in Assets:		
Accounts receivable	(19,118)	(53,254)
Prepaid items	(6,392)	(2,465)
Other	-	-
Increase (Decrease) in Liabilities:		
Accounts payable	(73,174)	(54,724)
Interfund payable	365,650	(8,917)
Capital leases payable	(9,145)	-
Compensated absences payable	21,859	(4,937)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 377,362</u>	<u>\$ 61,577</u>

See accompanying notes to the basic financial statements

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

	<u>2004</u>	<u>2003</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 830,104	\$ 895,031
Receivables:		
Accounts	129,491	112,755
Prepaid items	-	-
Total Current Assets	<u>959,595</u>	<u>1,007,786</u>
Noncurrent Assets:		
Capital Assets:		
Nondepreciable	1,930,472	307,483
Depreciable, net	11,039,142	11,375,680
Total Noncurrent Assets	<u>12,969,614</u>	<u>11,683,163</u>
Total Assets	<u>13,929,209</u>	<u>12,690,949</u>
Liabilities		
Accounts payable	57,230	25,195
Advances payable	1,159,572	1,221,669
Compensated absences payable	-	-
Deferred revenue	21,995	34,614
Total Current Liabilities	<u>1,238,797</u>	<u>1,281,478</u>
Long-Term Liabilities:	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,238,797</u>	<u>1,281,478</u>
Net Assets		
Invested in capital assets, net of related debt	12,969,614	11,683,163
Unrestricted	(279,202)	(273,692)
Total Net Assets	<u>\$ 12,690,412</u>	<u>\$ 11,409,471</u>

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Charges for services	\$ 490,756	\$ 478,520
Operating Expenses		
Personal services	131,004	-
Supplies and services	224,867	550,075
Insurance	15,939	-
Depreciation	343,434	318,703
Total Operating Expenses	<u>715,244</u>	<u>868,778</u>
Operating (Loss)	<u>(224,488)</u>	<u>(390,258)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(64,588)	-
Gain (loss) on sale of capital assets	-	-
Investment earnings	39,095	66,770
Operating grants	-	-
Total Non-Operating Revenues (Expenses)	<u>(25,493)</u>	<u>66,770</u>
(Loss) before Capital Contributions and Transfers	(249,981)	(323,488)
Capital contributions	1,540,061	11,726,302
Transfers in	40,000	37,057
Transfers out	(49,139)	(30,400)
Change in Net Assets	1,280,941	11,409,471
Net Assets Beginning of Year	<u>11,409,471</u>	
Net Assets End of Year	<u>\$ 12,690,412</u>	<u>\$ 11,409,471</u>

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 474,020	\$ 400,379
Cash payments to employees for services	(131,004)	-
Cash payments for goods and services	(283,487)	(524,880)
Other cash payments	-	-
Net Cash Provided by (Used in) Operating Activities	<u>59,529</u>	<u>(124,501)</u>
Cash Flows from Noncapital Financing Activities		
Operating grants received	-	-
Interfund payable		1,221,669
Transfers in	40,000	37,057
Transfers out	(49,139)	(30,400)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(9,139)</u>	<u>1,228,326</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	-	-
Capital grant	1,540,061	-
Interest paid on debt service	(64,588)	-
Payments for capital acquisitions	(1,629,885)	(275,564)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(154,412)</u>	<u>(275,564)</u>
Cash Flows from Investing Activities		
Investment earnings	39,095	66,770
Net Increase (Decrease) in Cash and Cash Equivalents	(64,927)	895,031
Cash and Cash Equivalents Beginning of Year	<u>895,031</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ 830,104</u>	<u>\$ 895,031</u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2004 and 2003

(Continued)

	<u>2004</u>	<u>2003</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (224,488)	\$ (390,258)
Adjustments:		
Depreciation	343,434	318,703
(Increase) Decrease in Assets:		
Accounts receivable	(16,736)	(112,755)
Prepaid items	-	-
Other	-	-
Increase (Decrease) in Liabilities:		
Accounts payable	32,035	25,195
Interfund payable	(62,097)	-
Capital leases payable	-	-
Deferred Revenue	(12,619)	34,614
Compensated absences payable	-	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 59,529</u>	<u>\$ (124,501)</u>
Contribution of capital assets from State of Alaska	<u>\$ -</u>	<u>\$ 11,726,302</u>

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Great West School District	Great West Borough	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Liabilities			
Current Liabilities:			
Interfund payable	255,175	90,130	345,305
Claims payable	-	50,562	50,562
Total Current Liabilities	255,175	140,692	395,867
Net Assets			
Unrestricted (deficits)	\$ (255,175)	\$ (140,692)	\$ (395,867)

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	Great West School District	Great West Borough	Total
Operating Revenues			
Insurance premiums	\$ 1,867,159	\$ 866,006	\$ 2,733,165
Operating Expenses			
Administration	-	226,220	226,220
Claims	1,940,608	628,558	2,569,166
Total Operating Expenses	1,940,608	854,778	2,795,386
Operating (Loss)	(73,449)	11,228	(62,221)
Non-Operating Revenues			
Investment earnings (loss)	-	37	37
Change in Net Assets	(73,449)	11,265	(62,184)
Net Assets Beginning of Year	(181,726)	(151,957)	(333,683)
Net Assets End of Year	\$ (255,175)	\$ (140,692)	\$ (395,867)

Ketchikan Gateway Borough, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

	Great West School District	Great West Borough	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,867,159	\$ 866,006	\$ 2,733,165
Cash payments for goods and services	-	(226,220)	(226,220)
Cash payments for claims	(1,867,159)	(673,641)	(2,540,800)
Net Cash (Used in) Operating Activities	-	(33,855)	(33,855)
Cash Flows from Investing Activities			
Interest on investments	-	37	37
Net Increase (Decrease) in Cash and Cash Equivalents	-	(33,818)	(33,818)
Cash and Cash Equivalents Beginning of Year	-	33,818	33,818
Cash and Cash Equivalents End of Year	\$ -	\$ -	\$ -
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities			
Operating (Loss)	\$ (73,449)	\$ 11,228	\$ (62,221)
Increase in Liabilities:			
Claims payable	73,449	(45,083)	28,366
Net Cash (Used in) Operating Activities	\$ -	\$ (33,855)	\$ (33,855)

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West School District Fund
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Liabilities		
Current Liabilities:		
Interfund payable	255,175	181,726
Net Assets		
Unrestricted	<u>\$ (255,175)</u>	<u>\$ (181,726)</u>

Ketchikan Gateway Borough, Alaska
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
Great West School District Fund
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Insurance premiums	\$ 1,867,159	\$ 1,530,772
Operating Expenses		
Claims	<u>1,940,608</u>	<u>1,917,059</u>
Operating (Loss)	(73,449)	(386,287)
Non-Operating Revenues		
Investment earnings (loss)	<u>-</u>	<u>(1,302)</u>
Change in Net Assets	(73,449)	(387,589)
Net Assets Beginning of Year	<u>(181,726)</u>	<u>205,863</u>
Net Assets End of Year	<u>\$ (255,175)</u>	<u>\$ (181,726)</u>

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West Borough Fund
June 30, 2004 and 2003

	2004	2003
Assets		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 33,818
Liabilities		
Current Liabilities:		
Interfund payable	90,130	-
Claims payable	50,562	185,775
Total current liabilities	140,692	185,775
Net Assets		
Unrestricted	\$ (140,692)	\$ (151,957)

Ketchikan Gateway Borough, Alaska
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
Great West Borough Fund
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Insurance premiums	\$ 866,006	\$ 740,650
Operating Expenses		
Administration	226,220	196,617
Claims	628,558	779,431
Total Operating Expenses	<u>854,778</u>	<u>976,048</u>
Operating (Loss)	11,228	(235,398)
Non-Operating Revenues		
Investment earnings (loss)	<u>37</u>	<u>(2,221)</u>
Loss Before Transfers Out	11,265	(237,619)
Transfers Out	<u>-</u>	<u>-</u>
Net Change in Net Assets	11,265	(237,619)
Net Assets Beginning of Year	<u>(151,957)</u>	<u>85,662</u>
Net Assets End of Year	<u><u>\$ (140,692)</u></u>	<u><u>\$ (151,957)</u></u>



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STATISTICAL SECTION
(Un-audited)

KETCHIKAN GATEWAY BOROUGH, ALASKA
 GOVERNMENT WIDE REVENUES
 Fiscal Year 2004

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

Table 1
Un-audited

General Revenues							
<u>Sales Taxes</u>	<u>Transient Taxes</u>	<u>Payment in Lieu of Taxes</u>	<u>Unrestricted Intergovernmental</u>	<u>Investment Earnings</u>	<u>Land Sales</u>	<u>Miscellaneous</u>	<u>Total</u>
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

KETCHIKAN GATEWAY BOROUGH, ALASKA
GOVERNMENT WIDE EXPENSES BY FUNCTIONS
Fiscal Year 2004

<u>Fiscal Year</u>	<u>Administration</u>	<u>Public Services</u>	<u>Automation</u>	<u>Education</u>
2003	2,419,655	10,138,227	151,143	8,726,887
2004	2,160,394	8,739,143	269,771	8,771,976

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	29,238,124
2,154,832	1,370,970	3,442,165	715,244	27,624,495

KETCHIKAN GATEWAY BOROUGH, ALASKA
GENERAL GOVERNMENTAL REVENUES BY SOURCE - (1)
1995 - 2004

Fiscal Year	Taxes	Charges for Services	National Forest Receipts	Other Revenues	Intergovernmental Revenues	Total
94/95	11,525	355	389	252	10,899	23,420
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

(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)
1995 - 2004

Fiscal Year	General Government	Public Services	Capital	Debt Service	Education - Operating	Total
94/95	1,751	5,087	9,530	2,102	6,672	25,142
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

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

KETCHIKAN GATEWAY BOROUGH
GENERAL FUND TAX REVENUES BY SOURCE - (1)
1995 - 2004

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Automobile Tax</u>	<u>Boat Tax</u>	<u>Total</u>
94/95	6,658	3,217	138	36	10,049
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

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

KETCHIKAN GATEWAY BOROUGH, ALASKA
COVERAGE AND PER CAPITA COST OF EDUCATION APPROPRIATION
1995 - 2004

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
94/95	15,028	6,671,661	849,837,900	8.30	7,053,655	381,993	5.7%	444
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

(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
 1995 - 2004

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	
94/95	798,918,150	50,919,750	43,142,975	849,837,900	849,837,900	100%
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%

Source: Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH, ALASKA
ASSESSED VALUE OF TAXABLE PROPERTY AND TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
1995 - 2004

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
94/95	819,894,650	7.00	8.30	15.30	1.00	1.00	5.00		0.70
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

- (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
1995 - 2004

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		
94/95	8.30	7,053,655	5,881,413	83.4%	1,171,922	7,053,334	100.0%	321 ^	0.00%
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%	1,170,491	7,057,871	99.9%	10,182 ^	0.14%
99/00	7.50	7,578,449	6,265,046	82.7%	1,303,877	7,568,923	99.9%	9,526 ^	0.13%
00/01	6.80	6,899,865	5,156,645	74.7%	1,727,173	6,883,818	99.8%	16,046 ^	0.23%
01/02	6.80	7,096,530	4,869,466	68.6%	2,068,511	6,937,977	97.8%	158,553 ^	2.23%
02/03	6.80	6,955,545	5,695,391	81.9%	1,213,398	6,908,788	99.3%	46,756 ^	0.67%
03/04	7.00	7,013,272	5,827,184	83.1%	612,310	6,439,494	91.8%	573,778 ^	8.18%

^ 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
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		<u>60,490,000</u>	<u>6.13%</u>
Total Assessed Valuation		<u>986,731,300</u>	<u>100.00%</u>

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
1995 - 2004

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
94/95	15,028	849,837,900	6,530,000	330,000	6,200,000	0.73%	413
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

- (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, 2004

No Debt Limit is Mandated by Law

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough		\$27,015,000
Less Self Supporting Debt:		
1995 Recreation Sales Tax Revenues	<u>(3,365,000)</u>	<u>(3,365,000)</u>
Total Direct Debt		23,650,000
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		\$10,775,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(2,245,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	<u>(8,530,000)</u>	<u>(10,775,000)</u>
Total City of Ketchikan Direct Debt		<u>-</u>
Total Direct and Overlapping Debt		<u><u>\$23,650,000</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
 1995 - 2004

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond/Capital Improvement Fund				
	Principal	Interest	Total	State School Debt Reimbursement	Tobacco Tax	Misc.	1/2 cent Sales Tax	Total Revenues
94/95	1,610,000	491,588	2,101,588	1,694,634	69,272	10,800		1,774,706
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

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
(326,882)	15,028	22			-		
(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

KETCHIKAN GATEWAY BOROUGH, ALASKA
REVENUE BOND COVERAGE
KETCHIKAN INTERNATIONAL AIRPORT
1995 - 2004

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
94/95	1,374,069	1,007,661	366,408	30,000	18,000	48,000	7.63
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

- (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
1995 - 2004

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
94/95	15,028	25,667	7.70%	2,729	7	136	169	292
95/96	15,082	25,901	8.70%	2,850	7	145	170	286
96/97	14,728	26,898	9.50%	2,856	7	145	163	290
97/98	14,231	27,645	7.00%	2,731	7	145	153	280
98/99	13,961	27,994	7.10%	2,724	7	145	157	296
99/00	14,070	29,642	7.80%	2,599	7	145	160	299
00/01	14,070	30,997	8.00%	2,490	7	145	156	295
01/02	13,670	Not Available	10.20%	2,401	7	145	154	289
02/03	13,670	Not Available	8.90%	2,398	7	145	155	307
03/04	13,030	Not Available	7.60%	2,359	7	145	155	300

- (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
1995 - 2004

Calendar Year	Construction		Zoning Permits - (3)	Real & Personal Property Value - (2)
	Number of Permits - (1)	Value - (1)		
1995	135	11,300,000	209	462,507,200
1996	180	11,656,652	210	504,116,300
1997	146	8,600,500	159	508,823,000
1998	169	17,272,900	118	530,101,000
1999	156	12,890,000	148	528,989,700
2000	142	9,167,000	146	535,803,200
2001	141	6,602,522	115	607,216,600
2002	119	4,838,174	132	596,304,300
2003	139	20,066,660	184	589,537,900
2004	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 - Fiscal Year basis.

KETCHIKAN GATEWAY BOROUGH, ALASKA
MISCELLANEOUS STATISTICS
June 30, 2004

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
<i>Data retrieved from the following sources:</i>			
<i>Ketchikan Gateway Borough Departments:</i>			
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	