

**KETCHIKAN GATEWAY BOROUGH
ALASKA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2003

KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

June 30, 2003

Prepared by:

Department of Administrative Services

Alvin E. Hall, Director
344 Front St.
Ketchikan, Alaska 99901

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Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2003

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	1
Organizational Chart	7
List of Principal Officials.....	8

Financial Section

Independent Auditors' Report	9
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Management's Discussion and Analysis	11
---	----

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets.....	21
Statement of Activities	22

Fund Financial Statements:

Governmental Funds:

Balance Sheet	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	26
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – <i>General Fund</i>	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – <i>Land Trust Fund</i>	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – <i>Southeast Economic Development Fund</i>	29

Proprietary Fund:

Statement of Net Assets.....	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets	32
Statement of Cash Flows	33

Notes to the Basic Financial Statements	36
--	----

Supplementary Information

Combining, Individual Fund and Capital Asset Statements and Schedules:

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2003

Governmental Funds

Nonmajor Governmental Funds:

Combining Balance Sheet – By Fund Type	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
By Fund Type	66

General Fund:

Comparative Balance Sheet	67
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances.....	68

Special Revenue Funds:

Major Special Revenue Funds:

<i>Land Trust Fund</i>	
Comparative Balance Sheet.....	70
<i>Southeast Economic Development Fund</i>	
Comparative Balance Sheet.....	71

Nonmajor Special Revenue Funds:

Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
<i>Recreation Sales Tax Fund</i>	
Comparative Balance Sheet.....	78
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	79
<i>Mud Bight Service Area Fund</i>	
Comparative Balance Sheet	80
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	81
<i>Mountain Point Service Area Fund</i>	
Comparative Balance Sheet	82
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	83
<i>South Tongass Fire District Service Area Fund</i>	
Comparative Balance Sheet	84
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	85
<i>Waterfall Service Area Fund</i>	
Comparative Balance Sheet	86
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	87
<i>Nicholas View Service Area Fund</i>	
Comparative Balance Sheet	88
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	89
<i>Forest Park Service Area Fund</i>	
Comparative Balance Sheet	90
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	91

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2003

<i>Gold Nugget Service Area Fund</i>	
Comparative Balance Sheet	92
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	93
<i>Non Area-wide Fund</i>	
Comparative Balance Sheet	94
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	95
<i>State and Federal Grants Fund</i>	
Comparative Balance Sheet	96
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance	97
<i>School Bond/Capital Improvement Fund</i>	
Comparative Balance Sheet	98
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	99
<i>Airport PFC Fund</i>	
Comparative Balance Sheet	100
Schedule of Revenues and Changes in Fund	
Balance - Budget and Actual	101
<i>Shoup Street Service Area Fund</i>	
Comparative Balance Sheet	102
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	103
Major Capital Project Fund:	
<i>Capital Projects Fund</i>	
Comparative Balance Sheet	104
Comparative Statement of Revenues, Expenditures and Changes in Fund	
Balance	105
Non-major Debt Service Funds:	
Combining Balance Sheet	106
Combining Statement of Expenditures and Changes in Fund Balances	107
Proprietary Funds	
Major Enterprise Fund:	
<i>Airport Fund</i>	
Comparative Statement of Net Assets	108
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets	109
Comparative Statement of Cash Flows	110
Internal Service Funds	
Combining Statement of Net Assets	112
Combining Statement of Revenues, Expenses and Changes in Fund	
Net Assets	113
Combining Statement of Cash Flows	114
<i>Great West School District Insurance Fund</i>	

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2003

Comparative Statement of Net Assets.....	115
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	116
<i>Great West Borough Insurance Fund</i>	
Comparative Statement of Net Assets.....	117
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets	118

Statistical Section

Revenues and Expenditures/Expenses

Government-wide Revenues.....	120
Government-wide Expenses by Functions.....	122
General Governmental Revenues by Source	124
General Governmental Expenditures by Function.....	124
General Fund Tax Revenues by Source.....	125
Coverage & Per Capita Cost of Education Appropriation.....	126

Tax Data

Assessed and Estimated Actual Value of Taxable Property	127
Property Tax Rates - Direct and Overlapping Governments	128
Property Tax Levies and Collections	129
Principal Taxpayers	130

Long-term Debt

Ratio of Net Bonded Debt and Revenue Bonded Debt to Assessed Value and Net Bonded Debt per Capita	131
Computation of Legal Debt Margin.....	132
General Obligation Bonded Debt, Funding Sources & Per Capita Cost.....	134
Revenue Bond Coverage – Ketchikan International Airport.....	136

Other Data

Demographic Statistics.....	137
Property Value and Construction	138
Miscellaneous Statistical Information.....	139

KETCHIKAN GATEWAY BOROUGH

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Borough Manager
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December 23, 2005

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, 2003. 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, 2003. 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 2003 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, 2003, 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, 2003 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.

The National Oceanic and Atmospheric Administration (NOAA) is planning to station a ship in Ketchikan beginning in March 2004. The ship, its crew and their dependents should help to bolster the economy for the Borough.

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.

For the past several years, the Borough's PERS employer contribution rate for 2003 was 6.88 percent and 6.49 percent on June 30, 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

The preparation of this report required the efforts and dedicated services of Maureen Crosby who worked diligently with our outside consultant providing him information day to day, as he was able to work on preparing the financial statements. All the personnel in the finance department provided

information on an as needed basis. This has been a period of patience and learning as the new GASB 34 model was prepared and implemented.

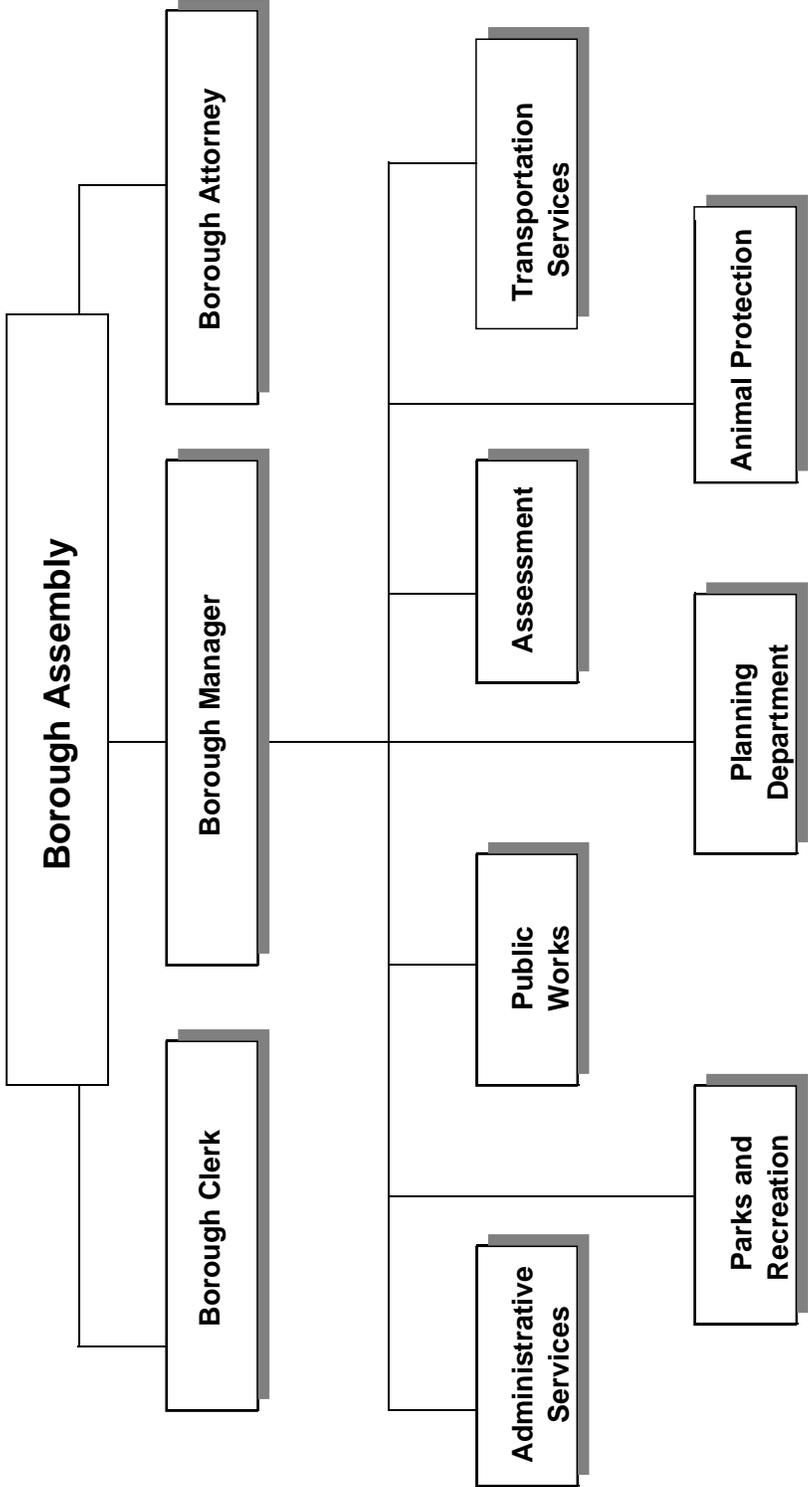
Respectively submitted,

A handwritten signature in black ink, appearing to read "Roy Eckert", followed by a long horizontal line extending to the right.

Roy Eckert
Borough Manager

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2002/2003



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2003

MAYOR AND ASSEMBLY

<i>Mayor</i>	Michael B. Salazar
<i>Vice-Mayor</i>	Richard L. Coose
<i>Assembly Member</i>	Samuel Bergerson
<i>Assembly Member</i>	Maggie Sarber
<i>Assembly Member</i>	John W. "Jack" Shay Jr.
<i>Assembly Member</i>	Richard L. Burton
<i>Assembly Member</i>	George H. Tipton
<i>Assembly Member</i>	David F. Landis

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 Director</i>	Clark Corbridge
<i>Director of Administrative Services</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 Smith

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

Member of the AICPA Private Companies Practice Section

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough ("the Borough") as of and for the year ended June 30, 2003, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of the Ketchikan Gateway Borough as of June 30, 2003, 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 Governments, as of June 30, 2003.

MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2005 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

April 29, 2004, except for Note 5-C as to which the date is December 6, 2005

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, 2003. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Borough's assets exceeded its liabilities by \$136,346,143 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$84,554,653 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 \$49,014,382 are restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$2,777,108 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 \$52,331,401 this year. This compares to the prior year restated ending fund balance of \$48,941,584 showing an increase of \$3,389,817 during the current year. Unreserved fund balance of \$28,267,719 for fiscal year 2003 shows a \$4,054,869 decrease from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,969,923, or 20.1% 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. All applicable tables will present comparative data in fiscal year 2003.

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 is 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 36 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 64.

Financial Analysis of the Borough as a Whole

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

The Borough's net assets at fiscal year-end are \$136,346,143. The following table provides a summary of the Borough's net assets:

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
Assets:						
Current assets	\$ 53,553,852	36%	\$ 2,252,994	10%	\$ 55,806,846	32%
Capital assets	97,134,590	64%	20,100,063	90%	117,234,653	68%
Total assets	150,688,442	100%	22,353,057	100%	173,041,499	100%
Liabilities:						
Current liabilities	3,348,107	11%	1,928,583	32%	5,276,690	14%
Long-term liabilities	27,398,666	89%	4,020,000	68%	31,418,666	86%
Total liabilities	30,746,773	100%	5,948,583	100%	36,695,356	100%
Net assets:						
Invested in capital assets, net of debt	68,654,590	57%	15,900,063	97%	84,554,653	62%
Restricted	49,014,382	41%	-	0%	49,014,382	36%
Unrestricted	2,272,697	2%	504,411	3%	2,777,108	2%
Total net assets	\$ 119,941,669	100%	\$ 16,404,474	100%	\$ 136,346,143	100%

The Borough continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 16.0 to 1 and 1.2 to 1 for business type activities. For the Borough overall, the current ratio is 10.6 to 1. These ratios are strong.

The Borough reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$3,756,653 for governmental activities and increased by \$10,597,074 for business-type activities. The Borough's overall financial position improved during fiscal year 2003.

Note that approximately 57% 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 97% 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. 62% of the Borough's total net assets are included in capital assets.

Since this is the first year in which government-wide information is available, comparative data is not presented. However, comparative data will be accumulated and presented to assist analysis in future years. The following table provides a summary of the Borough's changes in net assets:

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Amount</u>	<u>Percentage of Total</u>
Revenues:						
Program:						
Charges for services	\$ 2,718,272	13.1%	\$ 3,403,766	22.2%	\$ 6,122,038	17.0%
Operating grants	1,139,686	5.5%	2,500	0.0%	1,142,186	3.2%
Capital grants	2,626,176	12.6%	11,726,302	76.6%	14,352,478	39.8%
General:						
Taxes	12,281,075	59.1%	-	0.0%	12,281,075	34.0%
Other	2,013,907	9.7%	166,861	1.1%	2,180,768	6.0%
Total revenues	20,779,116	100%	15,299,429	100%	36,078,545	100%
Program Expenses:						
Administration	2,419,655	9.8%	-	0.0%	2,419,655	8.3%
Public services	10,138,227	41.0%	-	0.0%	10,138,227	34.7%
Automation	151,143	0.6%	-	0.0%	151,143	0.5%
Education	8,726,887	35.3%	-	0.0%	8,726,887	29.8%
Non-departmental	2,081,507	8.4%	-	0.0%	2,081,507	7.1%
Interest	1,206,535	4.9%	-	0.0%	1,206,535	4.1%
Airport	-	0.0%	3,643,744	80.7%	3,643,744	12.5%
Wastewater	-	0.0%	870,426	19.3%	870,426	3.0%
Total expenses	24,723,954	100.0%	4,514,170	100.0%	29,238,124	100.0%
Excess (deficiency)	(3,944,838)		10,785,259		6,840,421	
Transfers	188,185		(188,185)		-	
Change in net assets	(3,756,653)		10,597,074		6,840,421	
Beginning net assets	123,698,322		5,807,400		129,505,722	
Ending net assets	<u>\$ 119,941,669</u>		<u>\$ 16,404,474</u>		<u>\$ 136,346,143</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 \$7.2 million of revenues or 35% of the total. Sales taxes provided 23.9% of the Borough's total governmental revenues. Because of the Borough's healthy financial position, we have been able to earn \$662,628 in investment earnings to support governmental activities. Also, note that program revenues cover only 26% of governmental operating expenses. This means that the government's taxpayers and the Borough's other general governmental revenues fund 74% 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

41% of our costs relate to public services. This function includes parks and recreation, public works, planning, animal protection and community education. 35% of our resources are used to fund the school district. Administration costs totaled 9.8%.

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	\$ 2,419,655	9.8%	\$ 2,419,655	13.3%
Public services	10,138,227	41.0%	6,183,949	33.9%
Automation	151,143	0.6%	151,143	0.8%
Education	8,726,887	35.3%	7,727,803	42.4%
Non-departmental	2,081,507	8.4%	550,735	3.0%
Interest	1,206,535	4.9%	1,206,535	6.6%
Total	\$ 24,723,954	100%	\$ 18,239,820	100%

After reducing gross expenses by program revenues, public services totals 33.9% and education totals 42.4%.

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 21% more than 2002, and operating expenses increased by 2.6%. The main components of the increase in revenues were as follows:

Revenue Source	Increase due to:	Increase	Percent increase of total
TSA Law Enforcement reimbursement	Federal reimbursement paid to offset the increased cost of airport security.	149,430	29.74%
Fuel flowage	Increased rates.	41,921	8.34%
Landing fees	A change in the collection process, which resulted in more collections. A contract was implemented with a fixed base operator to collect fees.	91,061	18.12%
Ferry fares	Increase in walk-on fares from \$2.50 to \$4.00 - vehicle passage was also increased.	212,446	42.28%
Seaplane dock fees	Improved collection process.	7,651	1.52%

The operating expenses increased 2.6% due mainly to increased depreciation expense associated with the capitalization of the M/V Oral Freeman.

The Wastewater Enterprise Fund (WEF) is a new enterprise fund that was established because of the implementation of GASB 34. The operations of Ketchikan Gateway Borough's wastewater utility were previously accounted for as a special revenues fund. In 2003, the operating revenues of the WEF were \$478,520 and the net loss before capital contributions was \$(390,258). 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 \$52,331,401. Of this year-end total, \$28,267,719 is unreserved indicating availability for continuing Borough service requirements. Legally restricted fund balances (i.e., the reserved fund balances) include \$16,972 committed to debt service and \$2,444,418 set aside for encumbrances carried forward; and other assets not available for current expenditure totaling \$21,602,292. Included in this amount is \$5,825,504 for loan guarantees and \$9,052,337 for land held for resale.

The total ending fund balances of governmental funds show an increase of \$3,389,817 or 6.9% over the prior year. This increase is primarily the result of the sale of \$9,000,000 in general obligation bonds.

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 by over \$612,709 after a \$1.1 million transfer from the land trust fund.

Property taxes decreased approximately \$114,000 below 2002. This reduction relates primarily to the removal of the ward cove properties from the tax rolls. Sales taxes increased 2.5% over fiscal year 2002. The federal payment in lieu of taxes was down \$700,000 from fiscal year 2002, primarily because we reported two payments in fiscal year 2002. Most other revenue streams were consistent with that of fiscal 2003.

On the expenditure side, the reduction in legal fees relates to the lawsuit the Borough was pursuing with other communities. Public works expenditures increased over \$1 million from fiscal 2002. This increase relates to the transit system that in 2003 was classified in this function. Also all central garage services were integrated into this function, including the maintenance mechanics from the airport. The payment to the school district was less than the amount in 2002 since the Borough decided not to fund student activities.

Land Trust Fund – During fiscal year 2003, the land trust fund expended over a million dollars on capital and transferred \$1.1 million to the general fund. As a result, the fund balance for this fund was reduced \$1,821,526 or 14.1%.

Southeast Economic Development Fund – During fiscal year 2003, this fund spent \$2.7 million on public services. As a result, the fund balance for this fund was reduced \$2,655,864 or 12.9%.

Capital Projects Fund – During fiscal year 2003, the \$9 million bond proceeds were reported in this fund. These resources will be expended in subsequent years on school construction.

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. Property taxes were approximately \$82,000 below the budget. This difference relates to a reduction in assessed property valuations and the removal of ward cove from the tax rolls. The Borough recognized approximately \$108,000 less than budgeted for intergovernmental revenues.

In total, the Borough realized 97.7% of the estimated revenues.

The expenditure side of the original budget for the General Fund was revised upward about \$270,000. Much of the budget changes relates to public services where we consolidated the central garage and related services.

In total, the Borough under expended the total budget by \$131,518.

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, 2003, was \$97,134,590 and \$20,100,063 respectively. The total increase in this net investment was 1.5% for governmental and a 195.9% increase for business-type activities. The overall increase was 14.5% for the Borough as a whole. See Note 4-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
	Amount	Amount	Amount	Amount	Amount	Amount
Non-depreciable assets:						
Land	\$ 32,223,793	\$ 31,239,766	\$ -	\$ -	\$ 32,223,793	\$ 31,239,766
Construction in progress	2,008,739	19,607	2,631,178	212,441	4,639,917	232,048
Total non-depreciable	34,232,532	31,259,373	2,631,178	212,441	36,863,710	31,471,814
Depreciable assets:						
Buildings and improvements	72,872,684	72,603,257	8,017,572	8,000,441	80,890,256	80,603,698
Vehicles, ferry and equipment	2,534,005	2,452,329	5,222,100	5,383,863	7,756,105	7,836,192
Wastewater assets	-	-	11,705,225	-	11,705,225	-
Infrastructure	3,292,012	3,292,012	-	-	3,292,012	3,292,012
Total depreciable assets	78,698,701	78,347,598	24,944,897	13,384,304	103,643,598	91,731,902
Less accumulated depreciation	15,796,643	13,938,396	7,476,012	6,803,925	23,272,655	20,742,321
Book value - depreciable assets	62,902,058	64,409,202	17,468,885	6,580,379	80,370,943	70,989,581
Percentage depreciated	20%	18%	30%	51%	22%	23%
Book value - all assets	\$ 97,134,590	\$ 95,668,575	\$ 20,100,063	\$ 6,792,820	\$ 117,234,653	\$ 102,461,395

At June 30, 2003, the depreciable capital assets for governmental activities were 20% depreciated. This compares equally to the June 30, 2002 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 major addition to the business-type activities asset class relates to the addition of the wastewater capital assets for the first time. The amount reported in construction in progress is part of the airport renovation project.

With the Borough's business type activities, 30% of the asset values were depreciated at June 30, 2003 compared to 51% at June 30, 2002. Again, the addition of the wastewater capital assets causes the material reduction in the depreciated percentage.

The Borough owns the school district's land and buildings, which is approximately 64% of the total cost of Borough's capital assets. The increase in the land cost relates to the land purchased for the Fawn Mountain elementary school.

Long-term Debt

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

During the year, the Borough retired \$1,175,000 or 5.7% of the beginning outstanding general obligation bonds. The Borough retired 1.2% of the beginning outstanding revenue bonds. During the year, the Borough issued \$9,000,000 in general obligation bonds to construct school district facilities.

The total bonded debt will be retired over the next 20 years.

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 28,480,000	\$ 20,655,000	\$ -	\$ -	\$ 28,480,000	\$ 20,655,000
Revenue bonds	-	-	4,200,000	4,250,000	4,200,000	4,250,000
Compensated absences	460,832	379,456	160,418	163,355	621,250	542,811
Total	\$ 28,940,832	\$ 21,034,456	\$ 4,360,418	\$ 4,413,355	\$ 33,301,250	\$ 25,447,811

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.

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.

During the off-season, the area population is approximately 13,900. 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.

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Ketchikan Gateway Borough, Alaska
Statement of Net Assets
June 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 15,323,763	\$ 1,875,462	\$ 17,199,225	\$ 72,037
Cash with fiscal agent	5,445,504	-	5,445,504	-
Investments	15,487,817	-	15,487,817	-
Receivables:				
Accounts	1,949,504	375,067	2,324,571	-
Property taxes	1,192,260	-	1,192,260	-
Intergovernmental	-	-	-	1,499,976
Notes	3,343,130	-	3,343,130	-
Internal	1,361,659	(1,361,659)	-	-
Component unit	396,962	-	396,962	-
Inventory	-	-	-	21,724
Prepaid items	916	2,465	3,381	-
Land held for resale	9,052,337	-	9,052,337	-
Capital Assets				
Nondepreciable capital assets	34,232,532	2,631,178	36,863,710	-
Depreciable capital assets, net	62,902,058	17,468,885	80,370,943	2,980,184
Total Assets	150,688,442	20,991,398	171,679,840	4,573,921
Liabilities				
Current Liabilities				
Accounts payable	748,179	162,932	911,111	408,835
Accrued salaries and wages	18,388	-	18,388	410,056
Intergovernmental payable	70,789	-	70,789	-
Accrued interest payable	313,600	-	313,600	-
Payable to component unit	-	-	-	-
Payable to primary government	-	-	-	396,962
Unclaimed bonds	7,845	-	7,845	-
Deposits	61,642	-	61,642	-
Claims payable	185,775	-	185,775	-
Unearned revenue	399,723	34,614	434,337	-
Compensated absences payable	92,166	160,418	252,584	184,412
Capital leases payable	-	28,960	28,960	33,707
General obligation bonds payable	1,465,000	-	1,465,000	-
Revenue bonds payable	-	180,000	180,000	-
Long-Term Liabilities:				
Compensated absences payable (net of current portion)	368,666	-	368,666	-
General obligation bonds payable (net of current portion)	27,015,000	-	27,015,000	-
Revenue bonds payable (net of current portion)	-	4,020,000	4,020,000	-
Total Liabilities	30,746,773	4,586,924	35,333,697	1,433,972
Net Assets				
Invested in capital assets, net of related debt	68,654,590	15,871,103	84,525,693	2,946,477
Restricted for:				
Capital projects	18,993,185	-	18,993,185	-
Debt service	16,972	-	16,972	-
Program purposes	30,004,225	-	30,004,225	3,254
Unrestricted	2,272,697	533,371	2,806,068	190,218
Total Net Assets	\$ 119,941,669	\$ 16,404,474	\$ 136,346,143	\$ 3,139,949

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2003

	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 Business-Type Activities		
					Governmental Activities	Business-Type Activities	
Primary Government							
Administration	\$ 2,419,655	\$ -	\$ -	\$ -	\$ (2,419,655)	\$ (2,419,655)	\$ -
Public services	10,138,227	1,187,500	1,139,686	1,627,092	(6,183,949)	(6,183,949)	-
Automation	151,143	-	-	-	(151,143)	(151,143)	-
Education	8,726,887	-	-	999,084	(7,727,803)	(7,727,803)	-
Nondepartmental	2,081,507	1,530,772	-	-	(550,735)	(550,735)	-
Interest	1,206,535	-	-	-	(1,206,535)	(1,206,535)	-
Total Governmental Activities	24,723,954	2,718,272	1,139,686	2,626,176	(18,239,820)	(18,239,820)	-
Business-Type Activities:							
Airport	3,643,744	2,925,246	2,500	-	(715,998)	(715,998)	-
Wastewater	870,426	478,520	-	11,726,302	11,334,396	11,334,396	-
Total Business-Type Activities	4,514,170	3,403,766	2,500	11,726,302	10,618,398	10,618,398	-
Total - Primary Government	\$ 29,238,124	\$ 6,122,038	\$ 1,142,186	\$ 14,352,478	(18,239,820)	(7,621,422)	-
Component Unit							
Ketchikan Gateway Borough	\$ 21,694,484	\$ 215,328	\$ 3,641,073	\$ -			\$ (17,838,083)
School District							
General Revenues							
Property taxes levied for:							
General purposes					7,274,264	7,274,264	-
Sales taxes					4,961,299	4,961,299	-
Transient occupancy taxes					32,771	32,771	-
Payment in lieu of taxes					12,741	12,741	-
Grants and entitlements not restricted to specific programs					865,389	865,389	10,141,085
Primary government appropriation					-	-	7,329,446
Investment earnings					662,628	662,628	2,376
Miscellaneous					485,890	485,890	13,742
Total General Revenues					14,294,982	14,461,843	17,486,649
Transfers					188,185	(188,185)	-
Total General Revenues and Transfers					14,483,167	14,461,843	17,486,649
Change in Net Assets					(3,756,653)	6,840,421	(351,434)
Net Assets Beginning of Year - As Restated (Note 2D)					123,698,322	129,505,722	3,491,383
Net Assets End of Year					\$ 119,941,669	\$ 136,346,143	\$ 3,139,949

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Balance Sheet
Governmental Funds
June 30, 2003

	General	Land Trust	Southeast Economic Development	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 899,919	\$ 7,141,587	\$ 1,496,611	\$ 2,378,941	\$ 3,372,887	\$ 15,289,945
Cash with fiscal agent	-	-	5,445,504	-	-	5,445,504
Investments	-	-	-	15,487,817	-	15,487,817
Receivables:						
Accounts	146,798	-	35,001	-	1,767,705	1,949,504
Taxes	1,192,260	-	-	-	-	1,192,260
Notes	-	621,308	2,721,822	-	-	3,343,130
Interfund	1,518,694	-	-	-	-	1,518,694
Advances	-	3,378,774	-	-	-	3,378,774
Component unit	396,962	-	-	-	-	396,962
Land held for resale	-	-	9,052,337	-	-	9,052,337
Prepaid items	916	-	-	-	-	916
Total Assets	\$ 4,155,549	\$ 11,141,669	\$ 18,751,275	\$ 17,866,758	\$ 5,140,592	\$ 57,055,843
Liabilities						
Accounts payable	\$ 382,748	\$ 134	\$ 45,650	\$ 125,460	\$ 194,187	\$ 748,179
Accrued expenditures	18,388	-	-	-	-	18,388
Intergovernmental payable	70,789	-	-	-	-	70,789
Interfund payable	-	-	-	7,521	1,254,689	1,262,210
Advances payable	-	-	750,000	-	1,405,666	2,155,666
Due to component unit	-	-	-	-	-	-
Unclaimed bonds	-	-	-	-	7,845	7,845
Deposits	54,362	6,780	-	-	500	61,642
Deferred revenues	121,193	-	-	-	278,530	399,723
Total Liabilities	647,480	6,914	795,650	132,981	3,141,417	4,724,442
Fund Balances						
Reserved for :						
Encumbrances	157,230	68,980	756,842	169,087	1,292,279	2,444,418
Prepaid items	916	-	-	-	-	916
KVB loan guarantee	380,000	-	5,445,504	-	-	5,825,504
Land held for resale	-	-	9,052,337	-	-	9,052,337
Long-term loans	-	621,308	2,721,822	-	-	3,343,130
Accounts receivable	-	-	1,631	-	-	1,631
Advances to other funds	-	3,378,774	-	-	-	3,378,774
Debt service	-	-	-	-	16,972	16,972
Unreserved, undesignated, (deficit) reported in:						
General fund	2,969,923	-	-	-	-	2,969,923
Special revenue funds	-	7,065,693	(22,511)	-	689,924	7,733,106
Capital projects funds	-	-	-	17,564,690	-	17,564,690
Total Fund Balances	3,508,069	11,134,755	17,955,625	17,733,777	1,999,175	52,331,401
Total Liabilities and Fund Balances	\$ 4,155,549	\$ 11,141,669	\$ 18,751,275	\$ 17,866,758	\$ 5,140,592	\$ 57,055,843

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, 2003

Total Governmental Fund Balances	\$	52,331,401
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	\$	112,931,233
Less accumulated depreciation		<u>(15,796,643)</u>
		97,134,590
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.		
		(333,683)
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		63,793
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	\$	(244,415)
Interfund payables		<u>244,415</u>
		-
Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$	(28,480,000)
Compensated absences		(460,832)
Accrued interest		<u>(313,600)</u>
		<u>(29,254,432)</u>
Net Assets Of Governmental Activities	\$	<u>119,941,669</u>

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

	<u>General</u>	<u>Land Trust</u>	<u>Southeast Economic Development</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 10,671,143	\$ -	\$ 32,771	\$ -	\$ 1,564,420	\$ 12,268,334
Payments in lieu of taxes	12,741	-	-	-	-	12,741
Intergovernmental	1,569,850	-	-	-	3,058,961	4,628,811
Licenses and permits	33,002	-	-	-	-	33,002
SDC - Principal and interest	-	2,439	-	-	-	2,439
Charges for services	815,361	-	207,587	-	131,551	1,154,499
Investment earnings	117,031	255,017	122,088	119,592	52,423	666,151
Miscellaneous	-	86,981	-	5,043	393,866	485,890
Total Revenues	<u>13,219,128</u>	<u>344,437</u>	<u>362,446</u>	<u>124,635</u>	<u>5,201,221</u>	<u>19,251,867</u>
Expenditures						
Current:						
Administration	2,219,293	-	-	-	-	2,219,293
Public services	4,673,121	9,175	2,715,904	-	1,353,980	8,752,180
Automation	142,661	-	-	-	-	142,661
Education	7,329,446	-	-	-	-	7,329,446
Nondepartmental	158,085	-	-	-	-	158,085
Capital Outlay	217,485	1,056,788	287,406	851,743	1,798,307	4,211,729
Debt Service:						
Principal retirement	-	-	-	-	1,175,000	1,175,000
Interest and fiscal charges	-	-	-	-	1,061,841	1,061,841
Bond issuance costs	-	-	-	110,428	-	110,428
Total Expenditures	<u>14,740,091</u>	<u>1,065,963</u>	<u>3,003,310</u>	<u>962,171</u>	<u>5,389,128</u>	<u>25,160,663</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(1,520,963)</u>	<u>(721,526)</u>	<u>(2,640,864)</u>	<u>(837,536)</u>	<u>(187,907)</u>	<u>(5,908,796)</u>
Other Financing Sources (Uses)						
General obligation bonds issued	-	-	-	9,000,000	-	9,000,000
Premium on debt issuance	-	-	-	110,428	-	110,428
Transfers in	1,362,915	-	-	-	3,664,017	5,026,932
Transfers out	(454,661)	(1,100,000)	(15,000)	-	(3,269,086)	(4,838,747)
Total Other Financing Sources (Uses)	<u>908,254</u>	<u>(1,100,000)</u>	<u>(15,000)</u>	<u>9,110,428</u>	<u>394,931</u>	<u>9,298,613</u>
Net Change in Fund Balances	<u>(612,709)</u>	<u>(1,821,526)</u>	<u>(2,655,864)</u>	<u>8,272,892</u>	<u>207,024</u>	<u>3,389,817</u>
Fund Balances Beginning of Year - As Restated (Note 2-D)	<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>
Fund Balances End of Year	<u>\$ 3,508,069</u>	<u>\$ 11,134,755</u>	<u>\$ 17,955,625</u>	<u>\$ 17,733,777</u>	<u>\$ 1,999,175</u>	<u>\$ 52,331,401</u>

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2003

Net Changes In Fund Balances - Total Governmental Funds		\$ 3,389,817
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	\$ (1,939,784)	
Capital outlay	<u>3,578,567</u>	1,638,783
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 \$625,208 charged to governmental funds is reduced by the portion of the loss charged to the enterprise funds (\$63,793).		
		(561,415)
Book value of capital assets written off on the statement of activities but not reported in the governmental funds		
		(172,768)
Elimination of transfers between governmental funds:		
Transfers in	\$ (4,838,747)	
Transfers out	<u>4,838,747</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 @ 6/30/03	\$ (313,600)	
Liability @ 6/30/02	<u>168,906</u>	(144,694)
Other financing sources are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.		
		(9,000,000)
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,175,000
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 @ 6/30/03	\$ (460,832)	
Liability @ 6/30/02	<u>379,456</u>	<u>(81,376)</u>
Change In Net Assets of Governmental Activities		<u>\$ (3,756,653)</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, 2003

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 10,753,746	\$ 10,753,746	\$ 10,671,143	\$ (82,603)
Payments in lieu of taxes	16,900	16,900	12,741	(4,159)
Licenses and permits	29,675	29,675	33,002	3,327
Intergovernmental	1,678,088	1,678,088	1,569,850	(108,238)
Charges for services	924,300	924,300	815,361	(108,939)
Investment earnings	125,000	125,000	117,031	(7,969)
Total Revenues	13,527,709	13,527,709	13,219,128	(308,581)
Expenditures				
Current:				
Administration	2,111,079	2,188,079	2,219,293	(31,214)
Public services	4,500,966	4,693,416	4,673,121	20,295
Automation	113,836	113,836	142,661	(28,825)
Education	7,496,612	7,496,612	7,329,446	167,166
Nondepartmental	177,666	177,666	158,085	19,581
Capital Outlay	202,000	202,000	217,485	(15,485)
Total Expenditures	14,602,159	14,871,609	14,740,091	131,518
(Deficiency) of Revenues (Under) Expenditures	(1,074,450)	(1,343,900)	(1,520,963)	(177,063)
Other Financing Sources (Uses)				
Transfers in	1,339,513	1,339,513	1,362,915	23,402
Transfers out	(436,446)	(436,446)	(454,661)	(18,215)
Total Other Financing Sources (Uses)	903,067	903,067	908,254	5,187
Net Change in Fund Balances	\$ (171,383)	\$ (440,833)	(612,709)	\$ (171,876)
Fund Balances Beginning of Year - As Restated (Note 2D)			4,120,778	
Fund Balances End of Year			\$ 3,508,069	

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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	<u>2003</u>			<u>2002</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	167,055	167,055	2,439	(164,616)	8,553
Investment earnings	895,494	895,494	255,017	(640,477)	(173,126)
Miscellaneous	10,000	10,000	86,981	76,981	30,538
Total Revenues	<u>1,072,549</u>	<u>1,072,549</u>	<u>344,437</u>	<u>(728,112)</u>	<u>(134,035)</u>
Expenditures					
Current:					
Public services	-	5,000	9,175	(4,175)	157,774
Capital Outlay	-	1,000,000	1,056,788	(56,788)	112,399
Total Expenditures	<u>-</u>	<u>1,005,000</u>	<u>1,065,963</u>	<u>(60,963)</u>	<u>270,173</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,072,549	67,549	(721,526)	(789,075)	(404,208)
Other Financing (Uses)					
Transfers out	(1,100,000)	(1,100,000)	(1,100,000)	-	(1,742,800)
Net Change in Fund Balances	<u>\$ (27,451)</u>	<u>\$ (1,032,451)</u>	(1,821,526)	<u>\$ (789,075)</u>	(2,147,008)
Fund Balances Beginning of Year			<u>12,956,281</u>		<u>15,103,289</u>
Fund Balances End of Year			<u>\$ 11,134,755</u>		<u>\$ 12,956,281</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	<u>2003</u>			<u>2002</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Restated Actual</u>
Revenues					
Taxes	\$ 35,250	\$ 35,250	\$ 32,771	\$ (2,479)	\$ 28,218
Intergovernmental	-	-	-	-	3,000,000
Charges for services	-	-	207,587	207,587	5,050
Investment earnings	311,250	311,250	122,088	(189,162)	(168,900)
Total Revenues	<u>346,500</u>	<u>346,500</u>	<u>362,446</u>	<u>15,946</u>	<u>2,864,368</u>
Expenditures					
Current:					
Public services	705,078	1,562,368	1,870,704	(308,336)	6,929,180
Bad debt	-	-	845,200	(845,200)	357,367
Capital Outlay		<u>3,110,403</u>	<u>287,406</u>	<u>2,822,997</u>	<u>219,357</u>
Total Expenditures	<u>705,078</u>	<u>4,672,771</u>	<u>3,003,310</u>	<u>1,669,461</u>	<u>7,505,904</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(358,578)</u>	<u>(4,326,271)</u>	<u>(2,640,864)</u>	<u>1,685,407</u>	<u>(4,641,536)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	659,048
Transfers out	(15,000)	(15,000)	(15,000)	-	(1,920,048)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(1,261,000)</u>
Net Change in Fund Balances	<u>\$ (373,578)</u>	<u>\$ (4,341,271)</u>	<u>(2,655,864)</u>	<u>\$ 1,685,407</u>	<u>(5,902,536)</u>
Fund Balances Beginning of Year			<u>20,611,489</u>		<u>26,514,025</u>
Fund Balances End of Year			<u>\$ 17,955,625</u>		<u>\$ 20,611,489</u>

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Ketchikan Gateway Borough, Alaska
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 980,431	\$ 895,031	\$ 1,875,462	\$ 33,818
Receivables:				
Accounts	262,312	112,755	375,067	-
Prepaid items	2,465	-	2,465	-
Total Current Assets	<u>1,245,208</u>	<u>1,007,786</u>	<u>2,252,994</u>	<u>33,818</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	2,323,695	307,483	2,631,178	-
Depreciable, net	6,093,205	11,375,680	17,468,885	-
Total Noncurrent Assets	<u>8,416,900</u>	<u>11,683,163</u>	<u>20,100,063</u>	<u>-</u>
Total Assets	<u>9,662,108</u>	<u>12,690,949</u>	<u>22,353,057</u>	<u>33,818</u>
Liabilities				
Accounts payable	137,737	25,195	162,932	-
Interfund advances payable	76,197	1,221,669	1,297,866	181,726
Due to component unit	-	-	-	-
Compensated absences payable	160,418	-	160,418	-
Deferred revenue	-	34,614	34,614	-
Revenue bonds payable	180,000	-	180,000	-
Capital leases payable	28,960	-	28,960	-
Claims payable	-	-	-	185,775
Total Current Liabilities	<u>583,312</u>	<u>1,281,478</u>	<u>1,864,790</u>	<u>367,501</u>
Long-Term Liabilities:				
Revenue bonds payable (net of current portion)	<u>4,020,000</u>	<u>-</u>	<u>4,020,000</u>	<u>-</u>
Total Liabilities	<u>4,603,312</u>	<u>1,281,478</u>	<u>5,884,790</u>	<u>367,501</u>
Net Assets				
Invested in capital assets, net of related debt	4,187,940	11,683,163	15,871,103	-
Unrestricted	870,856	(273,692)	597,164	(333,683)
Total Net Assets - Fund Level	<u>\$ 5,058,796</u>	<u>\$ 11,409,471</u>	<u>16,468,267</u>	<u>\$ (333,683)</u>
Record internal service fund charge-back to enterprise funds resulting in an interfund payable to governmental activities.			<u>(63,793)</u>	
Total Net Assets - Government-wide Statement of Net Assets			<u>\$ 16,404,474</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, 2003

	Business-type Activities		Total	Governmental Activities - Internal Service Funds
	Airport	Wastewater		
Operating Revenues				
Charges for services	\$ 2,925,246	\$ 478,520	\$ 3,403,766	\$ 2,271,422
Operating Expenses				
Personal services	1,808,335	-	1,808,335	-
Supplies and services	725,200	550,075	1,275,275	-
Insurance	205,837	-	205,837	-
Administration	-	-	-	196,617
Claims	-	-	-	2,696,490
Depreciation	601,383	318,703	920,086	-
Total Operating Expenses	3,340,755	868,778	4,209,533	2,893,107
Operating (Loss)	(415,509)	(390,258)	(805,767)	(621,685)
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(207,544)	-	(207,544)	-
(Loss) on sale of capital assets	(33,300)	-	(33,300)	-
Investment earnings	100,091	66,770	166,861	(3,523)
Operating grants	2,500	-	2,500	-
Total Non-Operating Revenues (Expenses)	(138,253)	66,770	(71,483)	(3,523)
(Loss) before Capital Contributions and Transfers	(553,762)	(323,488)	(877,250)	(625,208)
Capital contributions	-	11,726,302	11,726,302	-
Transfers in	22,215	37,057	59,272	-
Transfers out	(217,057)	(30,400)	(247,457)	-
Change in Net Assets	(748,604)	11,409,471	10,660,867	(625,208)
Net Assets Beginning of Year - Restated (See Note 2D)	5,707,014	-	5,707,014	291,525
Prior Period Adjustment	100,386	-	100,386	-
Net Assets End of Year	\$ 5,058,796	\$ 11,409,471	16,468,267	\$ (333,683)
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Internal service fund charges (credits) to enterprise funds, resulting in changes to operating expenses.			(63,793)	
Net Assets End of Year			\$ 16,404,474	

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	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	\$ 2,871,992	\$ 400,379	\$ 3,272,371	\$ 2,271,422
Cash payments to employees for services	(1,813,272)	-	(1,813,272)	-
Cash payments for goods and services	(997,143)	(524,880)	(1,522,023)	(196,617)
Cash payments for claims	-	-	-	(2,551,905)
Net Cash Provided by (Used in) Operating Activities	<u>61,577</u>	<u>(124,501)</u>	<u>(62,924)</u>	<u>(477,100)</u>
Cash Flows from Noncapital Financing Activities				
Operating grants received	2,500	-	2,500	-
Interfund receivable	-	-	-	-
Interfund payable	-	1,221,669	1,221,669	181,726
Transfers in	22,215	37,057	59,272	-
Transfers out	(217,057)	(30,400)	(247,457)	-
Net Cash (Used in) Noncapital Financing Activities	<u>(192,342)</u>	<u>1,228,326</u>	<u>1,035,984</u>	<u>181,726</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	25,001	-	25,001	-
Principal paid on revenue bonds	(50,000)	-	(50,000)	-
Interest paid on revenue bonds	(207,544)	-	(207,544)	-
Payments for capital acquisitions	(2,206,407)	(275,564)	(2,481,971)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,438,950)</u>	<u>(275,564)</u>	<u>(2,714,514)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	100,091	66,770	166,861	(3,523)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,469,624)</u>	<u>895,031</u>	<u>(1,574,593)</u>	<u>(298,897)</u>
Cash and Cash Equivalents Beginning of Year	<u>3,450,055</u>	<u>-</u>	<u>3,450,055</u>	<u>332,715</u>
Cash and Cash Equivalents End of Year	<u>\$ 980,431</u>	<u>\$ 895,031</u>	<u>\$ 1,875,462</u>	<u>\$ 33,818</u>

(continued)

Ketchikan Gateway Borough, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Business-type Activities			Governmental Activities - Internal Service Fund
	Airport	Wastewater	Total	
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities				
Operating (Loss)	\$ (415,509)	\$ (390,258)	\$ (805,767)	\$ (621,685)
Adjustments:				
Depreciation	601,383	318,703	920,086	-
(Increase) Decrease in Assets:				
Accounts receivable	(53,254)	(112,755)	(166,009)	-
Prepaid items	(2,465)	-	(2,465)	-
Increase (Decrease) in Liabilities:				
Accounts payable	(54,724)	25,195	(29,529)	-
Interfund payable	(8,917)	-	(8,917)	-
Compensated absences payable	(4,937)	-	(4,937)	-
Claims payable	-	-	-	144,585
Deferred revenue	-	34,614	34,614	-
Net Cash Provided by (Used in) Operating Activities	\$ 61,577	\$ (124,501)	\$ (62,924)	\$ (477,100)
Contribution of capital assets from the State of Alaska	\$ -	\$ 11,726,302	\$ 11,726,302	\$ -

See accompanying notes to the basic financial statements

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Index

Summary of Significant Accounting Policies	1
Reporting Entity.....	1-A
Basis of Presentation.....	1-B
Measurement Focus	1-C
Basis of Accounting.....	1-D
Assets, Liabilities and Fund Equity	1-E
Cash, Cash Equivalents and Investments.....	1-E-1
Receivables	1-E-2
Interfund Balances.....	1-E-3
Consumable Inventories	1-E-4
Prepaid Items	1-E-5
Restricted Assets	1-E-6
Capital Assets.....	1-E-7
Compensated Absences	1-E-8
Accrued Liabilities and Long-term Obligations	1-E-9
Bond Premiums, Discounts and Issuance Costs	1-E-10
Fund Equity	1-E-11
Operating Revenues and Expenses.....	1-E-12
Contributions of Capital	1-E-13
Interfund Activity	1-E-14
Estimates	1-E-15
Comparative Data.....	1-E-16
 Changes in Accounting Principles, Fund Reclassifications, Restatement of Capital Asset Balances, and Restatement of Equity Balances.....	 2
Changes in Accounting Principles.....	2-A
Fund Reclassifications.....	2-B
Restatement of Capital Asset Balances	2-C
Restatement of Equity Balances	2-D
 Stewardship, Compliance and Accountability	 3
Budgetary Information	3-A
Excess of Expenditures over Appropriations	3-B
Deficit Fund Equities.....	3-C
 Detailed Notes on All Funds.....	 4
Deposits and Investments	4-A
Receivables.....	4-B
Property and Sales Taxes	4-C
Capital Assets.....	4-D
Interfund Balances and Transfers	4-E
Compensated Absences	4-F
Operating Leases	4-G
Long-Term Debt.....	4-H
Pensions	4-I
Net Assets	4-J
 Other Notes	 5
Risk Management.....	5-A
Contingent Liabilities	5-B
Subsequent Events.....	5-C

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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;

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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, 2003

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, 2003

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 4-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

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

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

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

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

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

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

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Borough and all investments in the cash central treasury. For purposes of the statement of cash flows, the Borough has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash central treasury regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account

The Borough utilizes a central treasury to aggregate cash from all funds for cash management and investment purposes. Each fund has an account titled "cash in treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Investment earnings are allocated monthly to participating funds based on their ending equity balance.

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

A Borough ordinance authorizes the Borough to invest in:

- 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2003.

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, 2003, 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 revenue bond construction account within the airport fund segregates cash and investments that are restricted for construction. 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, 2003

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. 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, 2003

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).

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

1-E-15 Estimates

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

1-E-16 Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. 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, 2003, 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

Transit Enterprise Fund

Non Areawide Fund

Fiscal Year 2003 Fund Classification

Combined with General Fund

A portion of this fund was eliminated and a portion was included in the new Wastewater Enterprise Fund

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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:

<u>Asset Class</u>	<u>Previously Reported Balance June 30, 2002</u>	<u>Adjustments To June 30, 2002 Data</u>	<u>Adjusted Balance June 30, 2002</u>
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	<u>\$ 85,054,254</u>	<u>\$ 24,552,717</u>	<u>\$ 109,606,971</u>

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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

	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	379,456	-	529	-	-	379,985
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>
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 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

During the year, Borough Assembly approved budget revisions.

All unexpended annual appropriations lapse at year-end.

3-B. Excess of Expenditures over Appropriations

South Tongass Fire District Fund	\$47,609
Land Trust Fund	60,963

3-C. Deficit Fund Equities

The following individual fund had a deficit fund balance at the fund reporting level at June 30, 2003:

Non Area Wide Fund	\$ 74,175
North Tongass Fire District Fund	116,875
Great West School District Fund	181,726
Great West Borough Fund	151,957

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, 2003:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Primary Government	<u>\$ 1,218,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,218,840</u>	<u>\$ (420,795)</u>
Component Unit:					
School District	<u>\$ 141,000</u>	<u>\$ 783,000</u>	<u>\$ -</u>	<u>\$ 924,000</u>	<u>\$ 326,000</u>

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

	Category			Fair Value/ Carrying Amount
	1	2	3	
Primary Government:				
U.S. Government Securities	\$ -	\$ 14,409,235	\$ -	\$ 14,409,235
Common Stock	-	4,470,703	-	4,470,703
TCD's	4,085,122	-	-	4,085,122
Cash equivalents	-	-	15,569,059	15,569,059
Total	\$ 4,085,122	\$ 18,879,938	\$ 15,569,059	\$ 38,534,119
Component Unit:				
U.S. Government Securities	\$ -	\$ 31,000	\$ -	\$ 31,000

Cash & Investment Reconciliation:

	Cash and		Per Above Categorization	
	Cash Equivalents	Investments		
Fund Reporting Level:				
Governmental Funds - Balance Sheet	\$ 15,323,763	\$ 15,487,817	Deposits	\$ (420,795)
Governmental Funds - Balance Sheet - fiscal agent	5,445,504	-	Investments	38,534,119
Proprietary Fund Type Statement of Net Assets	1,875,462	-		-
Less cash on hand and petty cash	(2,250)	-		-
Total	\$ 22,642,479	\$ 15,487,817		\$ 38,113,324

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

4-B. Receivables

Receivables at June 30, 2003, 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".

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. The receivable balance at June 30, 2003 is \$621,308. In the event of a default of the development project, the value of the improvements would exceed the loan value.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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% while the city rate is 3.5%.

4-D. Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Adjusted Balance 7/1/02	Additions	Deductions	Balance 6/30/03
Governmental activities:				
Nondepreciable capital assets				
Land - Borough	\$ 24,826,350	\$ -	\$ -	\$ 24,826,350
Land - School	6,413,416	984,027	-	7,397,443
Construction in progress - Borough	-	1,060,206	-	1,060,206
Construction in progress - School	19,607	928,926	-	948,533
Total nondepreciable capital assets	<u>31,259,373</u>	<u>2,973,159</u>	<u>-</u>	<u>34,232,532</u>
Depreciable capital assets:				
Buildings - School	64,200,998	107,427	-	64,308,425
Buildings - Borough	8,402,259	162,000	-	8,564,259
Equipment	1,687,048	335,981	254,305	1,768,724
Infrastructure	3,292,012	-	-	3,292,012
Transit	765,281	-	-	765,281
Total depreciable capital assets	<u>78,347,598</u>	<u>605,408</u>	<u>254,305</u>	<u>78,698,701</u>
Total cost of capital assets	<u>109,606,971</u>	<u>3,578,567</u>	<u>254,305</u>	<u>112,931,233</u>
Accumulated depreciation:				
Buildings - School	11,060,910	1,397,441	-	12,458,351
Buildings - Borough	829,428	186,586	-	1,016,014
Equipment	679,479	128,477	81,537	726,419
Infrastructure	908,161	176,400	-	1,084,561
Transit	460,418	50,880	-	511,298
Total accumulated depreciation	<u>13,938,396</u>	<u>1,939,784</u>	<u>81,537</u>	<u>15,796,643</u>
Governmental activities capital assets, net	<u>\$ 95,668,575</u>	<u>\$ 1,638,783</u>	<u>\$ 172,768</u>	<u>\$ 97,134,590</u>
Governmental activities depreciation expense				
Administration		\$ 7,843		
Public services		523,991		
Education		1,397,441		
Automation		4,146		
Non-departmental		<u>6,363</u>		
Total governmental activities depreciation expense		<u>\$ 1,939,784</u>		

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

	Adjusted Balance 7/1/2002	Additions	Deductions	Balance 6/30/2003
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ 212,441	\$ 2,418,737	\$ -	\$ 2,631,178
Depreciable capital assets:				
Field	3,440,469	40,349	23,636	3,457,182
Terminal building	4,351,172	39,685	39,267	4,351,590
Ferry	5,376,264	44,079	205,842	5,214,501
Administration	7,599	-	-	7,599
Murphy's landing	208,800	-	-	208,800
Sludge/compost	-	215,099	-	215,099
Wastewater	-	263,362	-	263,362
Mountain point wastewater	-	11,226,764	-	11,226,764
Total depreciable capital assets	13,384,304	11,829,338	268,745	24,944,897
Total capital assets	13,596,745	14,248,075	268,745	27,576,075
Accumulated depreciation:				
Field	2,542,612	116,173	24,922	2,633,863
Terminal building	2,919,333	188,200	30,161	3,077,372
Ferry	1,227,993	286,947	205,115	1,309,825
Administration	5,573	1,520	-	7,093
Murphy's landing	108,414	9,900	-	118,314
Sludge/compost	-	32,352	-	32,352
Wastewater	-	12,130	-	12,130
Mountain point wastewater	-	285,063	-	285,063
Total accumulated depreciation	6,803,925	932,285	260,198	7,476,012
Business-type activities capital assets, net	\$ 6,792,820	\$ 13,315,790	\$ 8,547	\$ 20,100,063
	Balance 7/1/2002	Additions	Deductions	Balance 6/30/2003
Component unit:				
Depreciable capital assets				
Improvements other than buildings	\$ 17,867	\$ -	\$ -	\$ 17,867
Equipment	6,242,042	341,585	60,179	6,523,448
Less accumulated depreciation	(3,180,561)	(437,186)	(56,616)	(3,561,131)
Component unit capital assets, net	\$ 3,079,348	\$ (95,601)	\$ 3,563	\$ 2,980,184

Capital Projects – At June 30, 2003, Ketchikan Gateway Borough had maintenance, supply, and contractual service commitments totaling \$68,045 for the enterprise funds and \$1,458,397 for the special revenue and capital projects funds, which are included in the encumbrance balances reported for the special revenue and capital projects funds.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

4-E. Interfund Balances and Transfers

Interfund balances at June 30, 2003, 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:						Total
	SE Economic Development fund	Capital projects fund	Non-major governmental funds	Airport fund	Wastewater fund	Great West School District fund	
General fund	\$ -	\$ 7,521	\$ 1,329,447	\$ -	\$ -	\$ 181,726	\$ 1,518,694
Land trust fund	750,000	-	1,330,908	76,197	1,221,669	-	3,378,774
Total	\$ 750,000	\$ 7,521	\$ 2,660,355	\$ 76,197	\$ 1,221,669	\$ 181,726	\$ 4,897,468

Interfund transfers for the year ended June 30, 2003, consisted of the following:

Transfer to	Transfers From:			
	General fund	Land trust fund	S.E. Economic development fund	Non-major governmental funds
General fund	\$ -	\$ 1,100,000	\$ 15,000	\$ 37,515
Non-major governmental funds	432,446	-	-	3,231,571
Airport fund	22,215	-	-	-
Wastewater fund	-	-	-	-
	\$ 454,661	\$ 1,100,000	\$ 15,000	\$ 3,269,086

	Transfers From:		
	Airport fund	Wastewater fund	Total
General fund	\$ 180,000	\$ 30,400	\$ 1,362,915
Non-major governmental funds	-	-	3,664,017
Airport fund	-	-	22,215
Wastewater fund	37,057	-	37,057
	\$ 217,057	\$ 30,400	\$ 5,086,204

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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, 2003.

As the lessor, the Borough subleases property described in the previous paragraph and those leases are established for five years with options for renewal being negotiated during the final year of the lease for the terminal building. Other facilities represent the hangers, maintenance building. Dravo Building and log storage site. These are negotiated for periods from three to fifty years. At June 30, 2003, a new lease for the terminal was being negotiated.

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

<u>Year</u>	<u>Terminal Space</u>	<u>Other</u>
2004	\$ ---	\$41,150
2005	---	41,150
2006	---	41,150
2007	---	41,150

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, 2003 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 605,000	\$ 194,028	\$ 799,028
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>\$ 3,970,000</u>	<u>\$ 700,813</u>	<u>\$ 4,670,813</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, 2003 follow:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Fiscal Year	Principal	Interest	Total
2004	\$ 290,000	\$ 364,838	\$ 654,838
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
2009-2013	2,045,000	1,236,141	3,281,141
2014-2018	2,650,000	631,162	3,281,162
2019	620,000	35,030	655,030
Total	<u>\$ 6,915,000</u>	<u>\$ 3,579,880</u>	<u>\$ 10,494,880</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, 2003 follow:

Fiscal Year	Principal	Interest	Total
2004	\$ 335,000	\$ 447,350	\$ 782,350
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
2009-2013	2,320,000	1,556,765	3,876,765
2014-2018	3,000,000	893,250	3,893,250
2019&2020	1,440,000	119,550	1,559,550
Total	<u>\$ 8,595,000</u>	<u>\$ 4,631,065</u>	<u>\$ 13,226,065</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, 2003 follow:

Fiscal Year	Principal	Interest	Total
2004	\$ 235,000	\$ 459,645	\$ 694,645
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
2009-2013	2,005,000	1,412,231	3,417,231
2014-2018	2,400,000	964,730	3,364,730
2019-2023	2,985,000	365,068	3,350,068
Total	<u>\$ 9,000,000</u>	<u>\$ 4,589,530</u>	<u>\$ 13,589,530</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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, 2003 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>

Year	Principal	Interest	Total
2004	\$ 180,000	\$ 197,664	\$ 377,664
2005	185,000	188,727	373,727
2006	195,000	179,421	374,421
2007	205,000	169,777	374,777
2008	220,000	159,795	379,795
2009-2013	1,245,000	634,508	1,879,508
2014-2018	1,600,000	299,063	1,899,063
2019	370,000	9,365	379,365
Total	\$ 4,200,000	\$ 1,838,320	\$ 6,038,320

Component Unit Capital Lease - In fiscal year 2002, the School District entered into a lease agreement as lessee for financing the acquisition of computers. This lease meets the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. The equipment acquired by the leases is included in School District's capital assets in the amount of \$60,745 (cost of \$101,243 less accumulated depreciation of \$40,498). The outstanding balance of the corresponding liabilities is included in governmental activities general long-term debt. The final principal amount of \$35,801 plus interest of \$2,094 are due in fiscal year 2004.

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2003:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Governmental Activities	Outstanding 7/1/2002	Additions	Reductions	Outstanding 6/30/2003	Amounts Due in One Year
General obligation bonds - 1995	\$ 4,545,000	\$ -	\$ 575,000	\$ 3,970,000	\$ 605,000
General obligation bonds - 1999	7,195,000	-	280,000	6,915,000	290,000
General obligation bonds - 2000	8,915,000	-	320,000	8,595,000	320,000
General obligation bonds - 2003	-	9,000,000	-	9,000,000	235,000
Compensated absences	379,456	81,376	-	460,832	92,166
Total Governmental Activities	\$ 21,034,456	\$ 9,081,376	\$ 1,175,000	\$ 28,940,832	\$ 1,542,166
Business-Type Activities					
Revenue bonds	\$ 4,250,000	\$ -	\$ 50,000	\$ 4,200,000	\$ 180,000
Compensated absences	165,355	-	4,937	160,418	-
Total Business-Type Activities	\$ 4,415,355	\$ -	\$ 54,937	\$ 4,360,418	\$ 180,000
Component Unit:					
Capital leases	\$ 65,442	\$ -	\$ 31,735	\$ 33,707	\$ 33,707
Compensated absences	181,000	23,000	-	204,000	-
Total Component Units	\$ 246,442	\$ 23,000	\$ 31,735	\$ 237,707	\$ 33,707

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:

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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 11% of annual covered payroll (12% prior to FY 2002). 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, 2003, 2002, and 2001 were \$1,024,000, \$997,000, and \$1,071,000, 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 7.5% 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, 2003 was 6.88% of covered payroll for the Borough and 9.49% for the School District. 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 2003, the Borough's annual pension cost of \$156,655 and the School District's annual pension cost of \$211,000 for PERS was equal to the Borough and the School District's 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 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 an open, rolling twenty-five year period. 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, 2003

Ketchikan Gateway Borough

Schedule of Employer Contributions				
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2001	\$ 153,000	100%	\$ 153,000	100%
2002	168,000	100%	168,000	100%
2003	157,000	100%	157,000	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
2001	\$ 188,000	100%	\$ 188,000	100%
2002	192,000	100%	192,000	100%
2003	211,000	100%	211,000	100%

Annual Post-employment Healthcare Cost (APHC). During fiscal year 2003, the Borough and School District's annual post-employment healthcare cost of \$108,862 and \$81,000 respectively for PERS was equal to the Borough's and School District's required and actual contribution. The required contribution was determined as part of the June 30, 1997 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; (c) 3.5% per year total inflation; and (d) health cost inflation: FY99 9.5%, FY00 8.5%, FY01 7.5%, FY02 6.5%, FY03 5.5%, and FY04 – FY05 5.0% per year. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PERS uses the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Funding surpluses are amortized over five years.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Ketchikan Gateway Borough

Schedule of Employer Contributions					
Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed	
2001	\$ 35,000	100%	\$ 35,000	100%	
2002	72,000	100%	72,000	100%	
2003	109,000	100%	109,000	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	
2001	\$ 73,000	100%	\$ 73,000	100%	
2002	74,000	100%	74,000	100%	
2003	81,000	100%	81,000	100%	

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
6/30/2001	\$ 11,033,000	\$ 10,693,000	103.2%	\$ (340,000)	\$ 3,128,000	-10.9%
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%

Post Employment Health

6/30/2001	\$ 4,672,000	\$ 4,528,000	103.2%	\$ (144,000)	\$ 3,128,000	-4.6%
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%

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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
6/30/2001	\$ 9,404,000	\$ 9,209,000	102.1%	\$ (195,000)	\$ 2,994,000	-6.5%
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%
Post Employment Health						
6/30/2001	\$ 3,983,000	\$ 3,900,000	102.1%	\$ (83,000)	\$ 2,994,000	-2.8%
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%

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, 2003 for covered employees totaled \$194,638. The total amount contributed to the MMP plan in FY 2003 was \$18,000. 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, 2003 for covered employees totaled \$465,655. The total amount contributed to the IBEW plan in FY 2003 was \$80,525. 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, 2003

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, 2003 is as follows:

	Governmental Activities	Business Type Activities	Component Unit
Investments in capital assets, net of related debt:			
Cost of capital assets	\$ 112,931,233	\$ 27,576,075	\$ 6,541,315
Less accumulated depreciation	15,796,643	7,476,012	3,561,131
Book value	97,134,590	20,100,063	2,980,184
Less capital related debt	28,480,000	4,200,000	33,707
Investments in capital assets, net of related debt	<u>\$ 68,654,590</u>	<u>\$ 15,900,063</u>	<u>\$ 2,946,477</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 an actuarially determined amount and the difference between incurred but unrecorded claims 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, 2003***

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, 2003. 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 \$3,400.00 per month. This case is still in process and a court date has been scheduled for March 2006.

The Borough is involved in a joint suit against the U.S. Forest service with the Alaska Forest Association. The cost to the Borough as of January 2006 is approximately \$70,000 for legal fees. The Borough will not be liable for additional costs in the event of an unfavorable ruling.

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, 2003 was \$380,000.

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.

On February 22, 2002, Ketchikan Gateway Borough entered into a Memorandum of Understanding (MOU) with Alaska Ship & Drydock, Inc. Under this agreement, the Borough agreed to provide bonding support as a co-indemnitor on a commercial bond through Gulf Insurance Company, Inc., in an amount of up to one million dollars for projects conducted by Alaska Ship & Drydock, Inc. An additional MOU was signed August 28, 2002. Under this agreement the Borough agreed to provide bonding support as a co-indemnitor on surety bonds through Gulf Insurance Company, Inc., in an amount of up to five million dollars for projects conducted by ASD until October 15, 2003, and completion of projects then in progress, or the completion of the work on the Fairweather project, whichever was later. 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, 2003, the Borough had on deposit \$3,553,457 with Wells Fargo Bank, which was the balance of the two TCDs and accrued interest. This \$3,553,457 is included in the \$5,445,504 reservation of Fund Balance presented on the Southeast Economic Development Fund balance sheet.

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 is scheduled to be completed in December 2005. Fawn Mountain will be the White Cliff School replacement.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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 June 30, 2005, 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 are scheduled to be sold in February 2006.

The Schoenbar Middle School Remodel project scheduled completion date is January 2006. Design and construction problems have extended the project approximately two years over the original schedule. The contractor presented a construction claim to the Borough in December 2005 for approximately \$5.0 million for primarily design problems. The Borough will be issuing a counter claim against the contractor and the architects for a similar total amount.

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 January 2006.

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Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,355,915	\$ 16,972	\$ 3,372,887
Receivables:			
Accounts	1,767,705	-	1,767,705
Advances	-	-	-
Total Assets	\$ 5,123,620	\$ 16,972	\$ 5,140,592
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 194,187	\$ -	\$ 194,187
Interfund payable	1,254,689	-	1,254,689
Advances payable	1,405,666	-	1,405,666
Unclaimed bonds	7,845	-	7,845
Deposits	500	-	500
Deferred revenues	278,530	-	278,530
Total Liabilities	3,141,417	-	3,141,417
Fund Balances			
Reserved for:			
Encumbrances	1,292,279	-	1,292,279
Debt service	-	16,972	16,972
Advances	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	689,924	-	689,924
Total Fund Balances	1,982,203	16,972	1,999,175
Total Liabilities and Fund Balances	\$ 5,123,620	\$ 16,972	\$ 5,140,592

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,554,744	\$ -	\$ 1,554,744
Penalties	9,676	-	9,676
Intergovernmental	3,058,961	-	3,058,961
Charges for services	131,551	-	131,551
Earnings on investments	52,423	-	52,423
Miscellaneous	393,866	-	393,866
Total Revenues	5,201,221	-	5,201,221
Expenditures			
Current:			
Public services	1,353,980	-	1,353,980
Capital Outlay	1,798,307	-	1,798,307
Debt Service:			
Principal retirement	-	1,175,000	1,175,000
Interest and fiscal charges	-	1,061,841	1,061,841
Total Expenditures	3,152,287	2,236,841	5,389,128
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,048,934	(2,236,841)	(187,907)
Other Financing Sources (Uses)			
Transfers in	1,427,051	2,236,966	3,664,017
Transfers out	(3,269,086)	-	(3,269,086)
Total Other Financing Sources (Uses)	(1,842,035)	2,236,966	394,931
Net Change in Fund Balances	206,899	125	207,024
Fund Balances Beginning of Year	1,775,304	16,847	1,792,151
Fund Balances End of Year	\$ 1,982,203	\$ 16,972	\$ 1,999,175

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>Restated 2002</u>
Assets		
Cash and temporary investments	\$ 899,919	\$ 3,001,959
Receivables:		
Accounts	146,798	100,639
Taxes	1,192,260	1,059,202
Interfund	1,518,694	686,279
Component unit	396,962	-
Prepaid items	916	43,931
Total Assets	<u>\$ 4,155,549</u>	<u>\$ 4,892,010</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 382,748	\$ 169,976
Accrued expenditures	18,388	303,590
Intergovernmental payable	70,789	38,242
Due to component unit	-	115,912
Deposits payable	54,362	37,342
Deferred revenues	121,193	106,170
Total Liabilities	<u>647,480</u>	<u>771,232</u>
Fund Balances		
Reserved for encumbrances	157,230	46,687
Reserved for prepaid items	916	43,931
Reserved for KGB loan guarantee	380,000	407,829
Unreserved - undesignated	2,969,923	3,622,331
Total Fund Balances	<u>3,508,069</u>	<u>4,120,778</u>
Total Liabilities and Fund Balances	<u>\$ 4,155,549</u>	<u>\$ 4,892,010</u>

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>Restated 2002</u>
Revenues and Transfers In		
Revenues		
Taxes		
Real and personal property	\$ 6,368,978	\$ 6,482,128
Automobile and boat	193,140	180,139
Sales	3,961,275	3,864,206
Penalties and interest	147,750	173,466
Total taxes	<u>10,671,143</u>	<u>10,699,939</u>
Alaska State Housing Authority	<u>12,741</u>	<u>18,756</u>
Licenses and permits		
Zoning fees	<u>33,002</u>	<u>25,155</u>
Intergovernmental		
State municipal assistance	118,634	111,380
State revenue sharing	78,381	83,168
State license refunds	390,358	320,576
State child care assistance/transit operations	121,419	61,362
Federal payment in lieu of taxes	516,305	1,228,839
Timber stumpage	344,753	342,006
Total intergovernmental	<u>1,569,850</u>	<u>2,147,331</u>
Charges for services		
Animal control	29,697	31,024
Bus system revenue	272,217	-
Parks and recreation	408,145	369,934
Other charges	105,302	131,468
Total charges for services	<u>815,361</u>	<u>532,426</u>
Other		
Investment earnings	<u>117,031</u>	<u>30,495</u>
Total revenues	<u>13,219,128</u>	<u>13,454,102</u>
Transfers in		
Land Trust Fund	1,100,000	775,000
Southeastern Economic Development Fund	15,000	761,000
Service Area Funds	37,515	14,070
Airport Fund	180,000	100,242
Wastewater Fund	30,400	-
Internal Service Funds	-	126,778
Total transfers in	<u>1,362,915</u>	<u>1,777,090</u>
Total Revenues and Transfers In	<u>14,582,043</u>	<u>15,231,192</u>

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2003 and 2002

(continued)

	<u>2003</u>	<u>As Restated 2002</u>
Expenditures and Transfers Out		
Expenditures		
Current:		
Administration		
Mayor and assembly	\$ 117,784	\$ 105,442
Law	244,019	333,034
Clerk	175,415	172,769
Manager	640,019	585,154
Finance - accounting	627,826	554,739
Finance - assessment	414,230	403,512
	<u>2,219,293</u>	<u>2,154,650</u>
Total administration		
Public services		
Animal protection	294,050	310,106
Planning	642,441	571,892
OEDP	70,000	84,400
Community education	256,687	297,820
Public works	2,005,801	853,637
Child care operations	64,459	60,312
Parks and recreation	1,339,683	1,420,169
	<u>4,673,121</u>	<u>3,598,336</u>
Total public services		
Automation	<u>142,661</u>	<u>172,170</u>
Non-departmental	<u>158,085</u>	<u>148,748</u>
Education	<u>7,329,446</u>	<u>7,564,426</u>
Capital	<u>217,485</u>	<u>103,022</u>
Total Expenditures	<u>14,740,091</u>	<u>13,741,352</u>
Transfers Out		
Transit Fund	-	361,693
Airport Fund	22,215	453,208
Recreation Fund	-	4,000
School Board Capital Improvements fund	432,446	440,000
	<u>454,661</u>	<u>1,258,901</u>
Total Transfers Out		
Total Expenditures and Transfers Out	<u>15,194,752</u>	<u>15,000,253</u>
Net Change in Fund Balances	(612,709)	230,939
Fund Balances Beginning of Year - As Restated (Note 2D)	<u>4,120,778</u>	<u>3,889,839</u>
Fund Balances End of Year	<u>\$ 3,508,069</u>	<u>\$ 4,120,778</u>

Ketchikan Gateway Borough, Alaska
Land Trust Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 7,141,587	\$ 10,828,509
Receivables:		
Notes	621,308	668,665
Advances	3,378,774	1,510,115
Road credits	-	3,372
Total Assets	<u>\$ 11,141,669</u>	<u>\$ 13,010,661</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 134	\$ 3,311
Deposits	6,780	6,805
Deferred revenues	-	44,264
Total Liabilities	<u>6,914</u>	<u>54,380</u>
Fund Balances		
Reserved for advances to other funds	3,378,774	1,510,115
Reserved for outstanding loans	621,308	668,665
Reserved for encumbrances	68,980	169,693
Unreserved - undesignated	7,065,693	10,607,808
Total Fund Balances	<u>11,134,755</u>	<u>12,956,281</u>
Total Liabilities and Fund Balances	<u>\$ 11,141,669</u>	<u>\$ 13,010,661</u>

Ketchikan Gateway Borough, Alaska
Southeast Economic Development Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>Restated 2002</u>
Assets		
Cash and cash equivalents	\$ 1,496,611	\$ 10,449,044
Funds with fiscal agents	5,445,504	-
Receivables:		
Accounts	35,001	1,631
Notes	2,721,822	10,246,282
Land held for resale	<u>9,052,337</u>	<u>-</u>
Total Assets	<u><u>\$ 18,751,275</u></u>	<u><u>\$ 20,696,957</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 45,650	\$ 85,468
Advances payable	<u>750,000</u>	<u>-</u>
Total Liabilities	<u>795,650</u>	<u>85,468</u>
Fund Balances		
Reserved for loan guarantees	5,445,504	1,865,000
Reserved for outstanding loans	2,721,822	10,246,282
Reserved for accounts receivable	1,631	1,631
Reserved for encumbrances	756,842	662,222
Reserved for land for resale	9,052,337	-
Unreserved - undesignated (deficit)	<u>(22,511)</u>	<u>7,836,354</u>
Total Fund Balances	<u>17,955,625</u>	<u>20,611,489</u>
Total Liabilities and Fund Balances	<u><u>\$ 18,751,275</u></u>	<u><u>\$ 20,696,957</u></u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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.

Non-Areawide 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.

State and Federal Grants Fund – This fund is used to account for the receipt of revenues and to account for the related expenditures.

School Bond/Capital Improvements Fund – This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and 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, 2003

	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	\$ 432,010	\$ 21,314	\$ 2,148	\$ 889,398	\$ 166,103	\$ 103,756
Receivables:						
Accounts	286,656	1,822	-		5,857	1,325
Advances	-	-	-		-	-
Total Assets	<u>\$ 718,666</u>	<u>\$ 23,136</u>	<u>\$ 2,148</u>	<u>\$ 889,398</u>	<u>\$ 171,960</u>	<u>\$ 105,081</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 6,273	\$ 5,309	\$ -
Interfund payable	-	-	-	-	-	-
Advances payable	296,673	14,987	-	1,000,000	19,248	-
Unclaimed bonds	-	-	-	-	-	-
Deposits	500	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Total Liabilities	<u>297,173</u>	<u>14,987</u>	<u>-</u>	<u>1,006,273</u>	<u>24,557</u>	<u>-</u>
Fund Balances						
Reserved for:						
Encumbrances	66,710	-	-	-	7,109	110,000
Advances to other funds	-	-	-	-	-	-
Unreserved, undesignated	354,783	8,149	2,148	(116,875)	140,294	(4,919)
Total Fund Balances	<u>421,493</u>	<u>8,149</u>	<u>2,148</u>	<u>(116,875)</u>	<u>147,403</u>	<u>105,081</u>
Total Liabilities and Fund Balances	<u>\$ 718,666</u>	<u>\$ 23,136</u>	<u>\$ 2,148</u>	<u>\$ 889,398</u>	<u>\$ 171,960</u>	<u>\$ 105,081</u>

Nichols View Service Area	Forest Park Service Area	Gold Nugget Service Area	Non Area Wide	State & Federal Grants	School Bond/ Capital Improvements	Airport PFC	Shoup Street Service	Total Nonmajor Special Revenue Funds
\$ 9,830	\$ 165,487	\$ 11,818	\$ -	\$ 296,351	\$ 180,780	\$ 1,068,445	\$ 8,475	\$ 3,355,915
-	1,620	-	583	1,459,851	9,991	-	-	1,767,705
-	-	-	-	-	-	-	-	-
<u>\$ 9,830</u>	<u>\$ 167,107</u>	<u>\$ 11,818</u>	<u>\$ 583</u>	<u>\$ 1,756,202</u>	<u>\$ 190,771</u>	<u>\$ 1,068,445</u>	<u>\$ 8,475</u>	<u>\$ 5,123,620</u>
\$ -	\$ 5,562	\$ 119	\$ -	\$ 176,486	\$ 438	\$ -	\$ -	\$ 194,187
-	-	-	-	1,254,689	-	-	-	1,254,689
-	-	-	74,758	-	-	-	-	1,405,666
-	-	-	-	-	7,845	-	-	7,845
-	-	-	-	-	-	-	-	500
-	-	-	-	278,530	-	-	-	278,530
-	5,562	119	74,758	1,709,705	8,283	-	-	3,141,417
-	84,594	-	-	1,023,866	-	-	-	1,292,279
-	-	-	-	-	-	-	-	-
9,830	76,951	11,699	(74,175)	(977,369)	182,488	1,068,445	8,475	689,924
9,830	161,545	11,699	(74,175)	46,497	182,488	1,068,445	8,475	1,982,203
<u>\$ 9,830</u>	<u>\$ 167,107</u>	<u>\$ 11,818</u>	<u>\$ 583</u>	<u>\$ 1,756,202</u>	<u>\$ 190,771</u>	<u>\$ 1,068,445</u>	<u>\$ 8,475</u>	<u>\$ 5,123,620</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, 2003

	Recreation Sales Tax	Mud Bight Service Area	Mountain Point Service Area	North Tongass Fire District	South Tongass Fire District	Waterfall Service Area
Revenues						
Taxes	\$ 990,348	\$ -	\$ -	\$ -	\$ 126,011	\$ -
Penalties	9,676	-	-	-	-	-
Intergovernmental	-	301	-	-	8,157	31
Charges for services	-	8,694	2,148	-	108,276	6,207
Investment earnings	16,019	559	-	-	2,408	2,235
Miscellaneous	-	-	-	-	4,185	-
Total Revenues	1,016,043	9,554	2,148	-	249,037	8,473
Expenditures						
Current:						
Public services	18,221	837	-	116,875	292,075	10,730
Capital Outlay	185,440	-	-	-	41,036	-
Total Expenditures	203,661	837	-	116,875	333,111	10,730
Excess (Deficiency) of Revenues Over (Under) Expenditures	812,382	8,717	2,148	(116,875)	(84,074)	(2,257)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	190,652	-
Transfers out	(795,478)	(500)	(190,652)	-	(20,698)	(6,000)
Total Other Financing Sources (Uses)	(795,478)	(500)	(190,652)	-	169,954	(6,000)
Net Change in Fund Balances	16,904	8,217	(188,504)	(116,875)	85,880	(8,257)
Fund Balances Beginning of Year - As Restated (Note 2D)	404,589	(68)	190,652	-	61,523	113,338
Fund Balances End of Year	\$ 421,493	\$ 8,149	\$ 2,148	\$ (116,875)	\$ 147,403	\$ 105,081

Nichols View Service Area	Forest Park Service Area	Gold Nugget Service Area	Non Area Wide	State & Federal Grants	School Bond/ Capital Improvements	Airport PFC	Shoup Street Service	Total Nonmajor Special Revenue Funds
\$ -	\$ 50,539	\$ -	\$ 387,846	\$ -	\$ -	\$ -	\$ -	\$ 1,554,744
-	-	-	-	-	-	-	-	9,676
-	413	49	-	2,050,926	999,084	-	-	3,058,961
-	-	6,226	-	-	-	-	-	131,551
206	3,386	236	242	-	5,120	22,012	-	52,423
-	-	-	-	-	-	389,681	-	393,866
206	54,338	6,511	388,088	2,050,926	1,004,204	411,693	-	5,201,221
-	39,247	3,445	389,572	479,576	3,402	-	-	1,353,980
-	292	-	-	1,571,539	-	-	-	1,798,307
-	39,539	3,445	389,572	2,051,115	3,402	-	-	3,152,287
206	14,799	3,066	(1,484)	(189)	1,000,802	411,693	-	2,048,934
-	-	-	-	-	1,227,924	-	8,475	1,427,051
(500)	(8,402)	(1,415)	-	-	(2,236,966)	-	(8,475)	(3,269,086)
(500)	(8,402)	(1,415)	-	-	(1,009,042)	-	-	(1,842,035)
(294)	6,397	1,651	(1,484)	(189)	(8,240)	411,693	-	206,899
10,124	155,148	10,048	(72,691)	46,686	190,728	656,752	8,475	1,775,304
\$ 9,830	\$ 161,545	\$ 11,699	\$ (74,175)	\$ 46,497	\$ 182,488	\$ 1,068,445	\$ 8,475	\$ 1,982,203

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 432,010	\$ 487,431
Accounts receivable	286,656	261,351
Total Assets	<u>\$ 718,666</u>	<u>\$ 748,782</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 12,318
Advances payable	296,673	331,375
Deposits	500	500
Total Liabilities	<u>297,173</u>	<u>344,193</u>
Fund Balances		
Reserved for encumbrances	66,710	70,261
Unreserved - undesignated	354,783	334,328
Total Fund Balances	<u>421,493</u>	<u>404,589</u>
Total Liabilities and Fund Balances	<u>\$ 718,666</u>	<u>\$ 748,782</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 986,927	\$ 986,927	\$ 990,348	\$ 3,421	\$ 967,442
Penalties	5,600	5,600	9,676	4,076	-
Investment earnings	2,250	2,250	16,019	13,769	(22,345)
Miscellaneous	-	-	-	-	6,124
Total Revenues	994,777	994,777	1,016,043	21,266	951,221
Expenditures					
Current:					
Public services	-	-	18,221	(18,221)	18,221
Capital Outlay	264,520	264,520	185,440	79,080	-
Total Expenditures	264,520	264,520	203,661	60,859	18,221
Excess of Revenues Over Expenditures	730,257	730,257	812,382	82,125	933,000
Other Financing (Uses)					
Transfers out	(846,749)	(846,749)	(795,478)	51,271	(858,171)
Net Change in Fund Balances	\$ (116,492)	\$ (116,492)	16,904	\$ 133,396	74,829
Fund Balances Beginning of Year			404,589		329,760
Fund Balances End of Year			\$ 421,493		\$ 404,589

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 21,314	\$ 14,107
Accounts receivable	1,822	2,574
Total Assets	<u>\$ 23,136</u>	<u>\$ 16,681</u>
Liabilities and Fund Balances		
Liabilities		
Advances payable	\$ 14,987	\$ 16,749
Fund Balances		
Unreserved - undesignated	8,149	(68)
Total Liabilities and Fund Balances	<u>\$ 23,136</u>	<u>\$ 16,681</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ 301	\$ 301	\$ 314
Charges for services	8,600	8,600	8,694	94	8,731
Investment earnings	-	-	559	559	(772)
Total Revenues	8,600	8,600	9,554	954	8,273
Expenditures					
Current:					
Public services	6,750	6,750	837	5,913	924
Excess of Revenues Over Expenditures	1,850	1,850	8,717	6,867	7,349
Other Financing (Uses)					
Transfers out	(500)	(500)	(500)	-	(106)
Net Change in Fund Balances	<u>\$ 1,350</u>	<u>\$ 1,350</u>	8,217	<u>\$ 6,867</u>	7,243
Fund Balances Beginning of Year			(68)		(7,311)
Fund Balances End of Year			<u>\$ 8,149</u>		<u>\$ (68)</u>

Ketchikan Gateway Borough, Alaska
Mountain Point Service Area Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 2,148	\$ 177,585
Accounts receivable	-	13,902
Total Assets	<u>\$ 2,148</u>	<u>\$ 191,487</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 835
Fund Balances		
Reserved for encumbrances	-	3,916
Unreserved - undesignated	2,148	186,736
Total Fund Balances	<u>2,148</u>	<u>190,652</u>
Total Liabilities and Fund Balances	<u>\$ 2,148</u>	<u>\$ 191,487</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Charges for services	\$ -	\$ -	\$ 2,148	\$ 2,148	\$ 88,733
Investment earnings	-	-	-	-	2,967
Total Revenues	-	-	2,148	2,148	91,700
Expenditures					
Current:					
Public services	-	-	-	-	78,947
Capital Outlay	-	-	-	-	(816)
Total Expenditures	-	-	-	-	78,131
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	2,148	2,148	14,183
Other Financing (Uses)					
Transfers out	-	-	(190,652)	(190,652)	(1,845)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(188,504)	<u>\$ (188,504)</u>	12,338
Fund Balances Beginning of Year			190,652		178,314
Fund Balances End of Year			<u>\$ 2,148</u>		<u>\$ 190,652</u>

Ketchikan Gateway Borough, Alaska
South Tongass Fire District Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 166,103	\$ 66,101
Receivables:		
Accounts	5,857	3,383
Advances	-	-
Total Assets	<u>\$ 171,960</u>	<u>\$ 69,484</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 5,309	\$ 7,961
Advances payable	19,248	-
Total Liabilities	<u>24,557</u>	<u>7,961</u>
Fund Balances		
Reserved for encumbrances	7,109	-
Reserved for advances	-	-
Unreserved - undesignated	140,294	61,523
Total Fund Balances	<u>147,403</u>	<u>61,523</u>
Total Liabilities and Fund Balances	<u>\$ 171,960</u>	<u>\$ 69,484</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	<u>2003</u>			<u>2002</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 115,253	\$ 115,253	\$ 126,011	\$ 10,758	\$ 120,642
State/federal revenues	1,872	1,872	8,157	6,285	1,906
Service area fees	115,182	115,182	108,276	(6,906)	-
Investment earnings	7,756	7,756	2,408	(5,348)	(319)
Miscellaneous	-	-	4,185	4,185	-
Total Revenues	<u>240,063</u>	<u>240,063</u>	<u>249,037</u>	<u>8,974</u>	<u>122,229</u>
Expenditures					
Current:					
Public services	218,902	247,402	292,075	(44,673)	84,237
Capital Outlay	<u>24,200</u>	<u>38,100</u>	<u>41,036</u>	<u>(2,936)</u>	<u>24,887</u>
Total Expenditures	<u>243,102</u>	<u>285,502</u>	<u>333,111</u>	<u>(47,609)</u>	<u>109,124</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,039)</u>	<u>(45,439)</u>	<u>(84,074)</u>	<u>(38,635)</u>	<u>13,105</u>
Other Financing Sources (Uses)					
Transfers in	-	-	190,652	190,652	-
Transfers out	<u>(20,698)</u>	<u>(20,698)</u>	<u>(20,698)</u>	<u>-</u>	<u>(4,259)</u>
Total Other Financing Sources (Uses)	<u>(20,698)</u>	<u>(20,698)</u>	<u>169,954</u>	<u>190,652</u>	<u>(4,259)</u>
Net Change in Fund Balances	<u>\$ (23,737)</u>	<u>\$ (66,137)</u>	<u>85,880</u>	<u>\$ 152,017</u>	<u>8,846</u>
Fund Balances Beginning of Year			<u>61,523</u>		<u>52,677</u>
Fund Balances End of Year			<u>\$ 147,403</u>		<u>\$ 61,523</u>

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 103,756	\$ 114,467
Accounts receivable	1,325	-
Total Assets	<u>\$ 105,081</u>	<u>\$ 114,467</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,129
Fund Balances		
Reserved for encumbrances	110,000	
Unreserved - undesignated	<u>(4,919)</u>	<u>113,338</u>
Total Fund Balances	<u>105,081</u>	<u>113,338</u>
Total Liabilities and Fund Balances	<u>\$ 105,081</u>	<u>\$ 114,467</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ 31	\$ 31	\$ 31
Charges for services	4,952	4,952	6,207	1,255	5,375
Interest earned	243	243	2,235	1,992	(2,143)
Total Revenues	5,195	5,195	8,473	3,278	3,263
Expenditures					
Current:					
Public services	6,100	11,100	10,730	370	12,885
Capital Outlay	110,000	110,000	-	110,000	-
Total Expenditures	116,100	121,100	10,730	110,370	12,885
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,905)	(115,905)	(2,257)	113,648	(9,622)
Other Financing (Uses)					
Transfers out	(6,000)	(6,000)	(6,000)	-	(242)
Net Change in Fund Balances	\$ (116,905)	\$ (121,905)	(8,257)	\$ 113,648	(9,864)
Fund Balances Beginning of Year			113,338		123,202
Fund Balances End of Year			\$ 105,081		\$ 113,338

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	<u>\$ 9,830</u>	<u>\$ 10,124</u>
Fund Balances		
Unreserved - undesignated	<u>\$ 9,830</u>	<u>\$ 10,124</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, 2003
 (With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Investment earnings	\$ 412	\$ 412	\$ 206	\$ (206)	\$ (188)
Miscellaneous	-	-	-	-	-
Total Revenues	412	412	206	(206)	(188)
Other Financing Uses					
Transfers out	500	500	500	-	-
Net Change in Fund Balances	<u>\$ (88)</u>	<u>\$ (88)</u>	(294)	<u>\$ (206)</u>	(188)
Fund Balances Beginning of Year			10,124		10,312
Fund Balances End of Year			<u>\$ 9,830</u>		<u>\$ 10,124</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 165,487	\$ 156,659
Receivables:		
Accounts	1,620	-
Advances		1,262
Total Assets	<u>\$ 167,107</u>	<u>\$ 157,921</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 5,562</u>	<u>\$ 2,773</u>
Fund Balances		
Reserved for encumbrances	84,594	-
Unreserved - undesignated	<u>76,951</u>	<u>155,148</u>
Total Fund Balance	<u>161,545</u>	<u>155,148</u>
Total Liabilities and Fund Balances	<u>\$ 167,107</u>	<u>\$ 157,921</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Taxes	\$ 48,622	\$ 48,622	\$ 50,539	\$ 1,917	\$ 50,562
Intergovernmental	560	560	413	(147)	428
Investment earnings	1,447	1,447	3,386	1,939	(2,475)
Total Revenues	50,629	50,629	54,338	3,709	48,515
Expenditures					
Current:					
Public services	46,200	46,200	39,247	6,953	40,331
Capital Outlay	120,000	120,000	292	119,708	-
Total Expenditures	166,200	166,200	39,539	126,661	40,331
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,571)	(115,571)	14,799	130,370	8,184
Other Financing (Uses)					
Transfers out	(8,402)	(8,402)	(8,402)	-	(1,840)
Net Change in Fund Balances	\$ (123,973)	\$ (123,973)	6,397	\$ 130,370	6,344
Fund Balances Beginning of Year			155,148		148,804
Fund Balances End of Year			\$ 161,545		\$ 155,148

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	<u>\$ 11,818</u>	<u>\$ 10,048</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 119</u>	<u>\$ -</u>
Fund Balances		
Unreserved - undesignated	<u>11,699</u>	<u>10,048</u>
Total Liabilities and Fund Balances	<u>\$ 11,818</u>	<u>\$ 10,048</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ 49	\$ 49	\$ 46
Charges for services	6,060	6,060	6,226	166	6,073
Investment earnings	-	-	236	236	(164)
Total Revenues	6,060	6,060	6,511	451	5,955
Expenditures					
Current:					
Public services	9,280	9,280	3,445	5,835	6,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,220)	(3,220)	3,066	6,286	(345)
Other Financing (Uses)					
Transfers out	(1,415)	(1,415)	(1,415)	-	(370)
Net Change in Fund Balances	<u>\$ (4,635)</u>	<u>\$ (4,635)</u>	1,651	<u>\$ 6,286</u>	(715)
Fund Balances Beginning of Year			<u>10,048</u>		<u>10,763</u>
Fund Balances End of Year			<u>\$ 11,699</u>		<u>\$ 10,048</u>

Ketchikan Gateway Borough, Alaska
Non Areawide Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ -	\$ 1,084,689
Accounts receivable	583	95,119
Total Assets	<u>\$ 583</u>	<u>\$ 1,179,808</u>
Liabilities and Fund Balances (Deficits)		
Liabilities		
Accounts payable	\$ -	\$ 37,265
Interfund payable	-	73,807
Advances payable	74,758	1,055,774
Retainage payable	-	12,893
Deferred revenues	-	82,800
Total Liabilities	<u>74,758</u>	<u>1,262,539</u>
Fund Balances (Deficits)		
Unreserved - undesignated (deficits)	<u>(74,175)</u>	<u>(82,731)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 583</u>	<u>\$ 1,179,808</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	<u>2003</u>			<u>2002</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Taxes	\$ 411,350	\$ 411,350	\$ 387,846	\$ (23,504)	\$ 309,559
Intergovernmental	-	-	-	-	1,796
Charges for services	-	-	-	-	238,803
SDC - principal/interest	-	-	-	-	951
Investment earnings	-	-	242	242	(4,128)
Miscellaneous	-	-	-	-	17,682
Total Revenues	<u>411,350</u>	<u>411,350</u>	<u>388,088</u>	<u>(23,262)</u>	<u>564,663</u>
Expenditures					
Current:					
Library services	-	-	-	-	351,387
Public services	389,572	389,572	389,572	-	294,410
Capital Outlay	-	-	-	-	231,444
Total Expenditures	<u>389,572</u>	<u>389,572</u>	<u>389,572</u>	<u>-</u>	<u>877,241</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,778</u>	<u>21,778</u>	<u>(1,484)</u>	<u>(23,262)</u>	<u>(312,578)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	500,857
Transfers out	-	-	-	-	(3,728)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,129</u>
Net Change in Fund Balances	<u>\$ 21,778</u>	<u>\$ 21,778</u>	(1,484)	<u>\$ (23,262)</u>	184,551
Fund Balances Beginning of Year			(72,691)		(267,282)
Restatement - Note 2D			<u>-</u>		<u>10,040</u>
Fund Balances End of Year			<u>\$ (74,175)</u>		<u>\$ (72,691)</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 296,351	\$ 294,908
Accounts receivable	1,459,851	148,467
Total Assets	<u>\$ 1,756,202</u>	<u>\$ 443,375</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 176,486	\$ 56,626
Interfund payable	1,254,689	50,097
Deferred revenues	278,530	289,966
Total Liabilities	<u>1,709,705</u>	<u>396,689</u>
Fund Balances		
Reserved for encumbrances	1,023,866	76,766
Unreserved - undesignated (deficit)	<u>(977,369)</u>	<u>(30,080)</u>
Total Fund Balances	<u>46,497</u>	<u>46,686</u>
Total Liabilities and Fund Balances	<u>\$ 1,756,202</u>	<u>\$ 443,375</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, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Intergovernmental	\$ 2,050,926	\$ 676,156
Investment earnings	-	958
Total Revenues	<u>2,050,926</u>	<u>677,114</u>
Expenditures		
Current:		
Public services	479,576	444,976
Capital Outlay	<u>1,571,539</u>	<u>232,357</u>
Total Expenditures	<u>2,051,115</u>	<u>677,333</u>
(Deficiency) of Revenues (Under) Expenditures	(189)	(219)
Fund Balances Beginning of Year	<u>46,686</u>	<u>46,905</u>
Fund Balances End of Year	<u><u>\$ 46,497</u></u>	<u><u>\$ 46,686</u></u>

Ketchikan Gateway Borough, Alaska
School Bond/Capital Improvements Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 180,780	\$ -
Accounts receivable	9,991	270,884
Total Assets	<u>\$ 190,771</u>	<u>\$ 270,884</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 438	\$ -
Interfund payable	-	72,311
Unclaimed bonds	7,845	7,845
Total Liabilities	8,283	80,156
Fund Balances		
Unreserved - undesignated	182,488	190,728
Total Liabilities and Fund Balances	<u>\$ 190,771</u>	<u>\$ 270,884</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	<u>2003</u>			<u>2002</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ 1,009,042	\$ 1,009,042	\$ 999,084	\$ (9,958)	\$ 1,001,824
Investment earnings	12,575	12,575	5,120	(7,455)	(12,140)
Total Revenues	1,021,617	1,021,617	1,004,204	(17,413)	989,684
Expenditures					
Current:					
Public services	7,500	7,500	3,402	4,098	2,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,014,117	1,014,117	1,000,802	(13,315)	987,172
Other Financing Sources (Uses)					
Transfers in	1,227,924	1,227,924	1,227,924	-	1,235,228
Transfers out	(2,236,966)	(2,236,966)	(2,236,966)	-	(2,257,282)
Total Other Financing Sources (Uses)	(1,009,042)	(1,009,042)	(1,009,042)	-	(1,022,054)
Net Change in Fund Balances	<u>\$ 5,075</u>	<u>\$ 5,075</u>	(8,240)	<u>\$ (13,315)</u>	(34,882)
Fund Balances Beginning of Year			190,728		225,610
Fund Balances End of Year			<u>\$ 182,488</u>		<u>\$ 190,728</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	<u>\$ 1,068,445</u>	<u>\$ 656,752</u>
Fund Balances		
Unreserved - undesignated	<u>\$ 1,068,445</u>	<u>\$ 656,752</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, 2003
(With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Investment earnings	\$ 39,500	\$ 39,500	\$ 22,012	\$ (17,488)	\$ (11,863)
Miscellaneous	325,200	325,200	389,681	64,481	274,511
Total Revenues	364,700	364,700	411,693	46,993	262,648
Other Financing (Uses)					
Transfers out	(253,289)	(253,289)	-	253,289	(136,338)
Net Change in Fund Balances	<u>\$ 111,411</u>	<u>\$ 111,411</u>	411,693	<u>\$ 300,282</u>	126,310
Fund Balances Beginning of Year			656,752		530,442
Fund Balances End of Year			<u>\$ 1,068,445</u>		<u>\$ 656,752</u>

Ketchikan Gateway Borough, Alaska
Shoup Street Service Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 8,475	\$ 29,962
Accounts receivable	-	234
Total Assets	<u>\$ 8,475</u>	<u>\$ 30,196</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 618
Advances payable	-	21,103
Total Liabilities	-	21,721
Fund Balances		
Unreserved - undesignated	8,475	8,475
Total Liabilities and Fund Balances	<u>\$ 8,475</u>	<u>\$ 30,196</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, 2003
 (With Comparative Actual Amounts for the Year Ended June 30, 2002)

	2003			2002	
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 374
Charges for services	-	-	-	-	31,233
Investment earnings	-	-	-	-	(617)
Total Revenues	-	-	-	-	30,990
Expenditures					
Current:					
Public services	-	-	-	-	26,798
Capital Outlay	-	-	-	-	358
Total Expenditures	-	-	-	-	27,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	3,834
Other Financing Sources (Uses)					
Transfers in	-	-	8,475	8,475	-
Transfers out	-	-	(8,475)	(8,475)	(1,680)
Total Other Financing Sources (Uses)	-	-	-	-	(1,680)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	2,154
Fund Balances Beginning of Year			<u>8,475</u>		<u>6,321</u>
Fund Balances End of Year			<u>\$ 8,475</u>		<u>\$ 8,475</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 2,378,941	\$ 155,078
Investments	15,487,817	9,368,225
Accounts receivable	-	3,333
Total Assets	<u>\$ 17,866,758</u>	<u>\$ 9,526,636</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 125,460	\$ 34,952
Interfund payable	7,521	27,799
Total Liabilities	<u>132,981</u>	<u>62,751</u>
Fund Balances		
Reserved for encumbrances	169,087	455,993
Unreserved - undesignated	17,564,690	9,004,892
Total Fund Balances	<u>17,733,777</u>	<u>9,460,885</u>
Total Liabilities and Fund Balances	<u>\$ 17,866,758</u>	<u>\$ 9,526,636</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Local sources	\$ 5,043	\$ -
Investment earnings	119,592	181,489
Total Revenues	<u>124,635</u>	<u>181,489</u>
Expenditures		
Capital Outlay		
Contractual services	834,745	(72)
Educational facilities	16,998	253,016
Total Expenditures	<u>851,743</u>	<u>252,944</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(727,108)</u>	<u>(71,455)</u>
Other Financing Sources		
Transfers in	-	62,944
General obligation bonds issued	9,000,000	-
Total Other Financing Sources	<u>9,000,000</u>	<u>62,944</u>
Net Change in Fund Balances	<u>8,272,892</u>	<u>(8,511)</u>
Fund Balances Beginning of Year	9,460,885	8,567,157
Prior Period Adjustment	<u>-</u>	<u>902,239</u>
Beginning Balance Restated	<u>9,460,885</u>	<u>9,469,396</u>
Fund Balance End of Year	<u>\$ 17,733,777</u>	<u>\$ 9,460,885</u>

Ketchikan Gateway Borough, Alaska
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2003

	1995 G.O. Bond Redemption Fund	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	Total Nonmajor Debt Service Funds
Assets				
Cash in central treasury	\$ -	\$ 95	\$ 16,877	\$ 16,972
Fund Balances				
Reserved for debt service	\$ -	\$ 95	\$ 16,877	\$ 16,972

Ketchikan Gateway Borough, Alaska
Combining Statement of Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2003

	<u>1995 G.O. Bond Redemption Fund</u>	<u>1999 G.O. Bond Redemption Fund</u>	<u>2000 G.O. Bond Redemption Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Expenditures				
Debt Service:				
Principal retirement	\$ 575,000	\$ 280,000	\$ 320,000	\$ 1,175,000
Interest and fiscal charges	220,478	378,043	463,320	1,061,841
Total Expenditures	795,478	658,043	783,320	2,236,841
Other Financing Sources				
Transfers in	795,478	658,138	783,350	2,236,966
Net Change in Fund Balances	-	95	30	125
Fund Balances Beginning of Year	-	-	16,847	16,847
Fund Balances End of Year	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 16,877</u>	<u>\$ 16,972</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Net Assets
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 980,431	\$ 889,539
Accounts receivable	262,312	209,058
Prepaid items	2,465	-
Total Current Assets	<u>1,245,208</u>	<u>1,098,597</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	-	2,560,516
Capital Assets:		
Non-depreciable	2,323,695	212,441
Depreciable, net	6,093,205	6,528,390
Total Noncurrent Assets	<u>8,416,900</u>	<u>9,301,347</u>
Total Assets	<u>9,662,108</u>	<u>10,399,944</u>
Liabilities		
Current Liabilities:		
Accounts payable	137,737	192,461
Interfund advances payable	76,197	85,114
Compensated absences payable	160,418	165,355
Revenue bonds payable	180,000	50,000
Capital leases payable	28,960	-
Total Current Liabilities	<u>583,312</u>	<u>492,930</u>
Long-Term Liabilities:		
Revenue bonds payable (net of current portion)	4,020,000	4,200,000
Total Liabilities	<u>4,603,312</u>	<u>4,692,930</u>
Net Assets		
Invested in capital assets, net of related debt	4,187,940	2,490,831
Unrestricted	870,856	3,216,183
Total Net Assets	<u>\$ 5,058,796</u>	<u>\$ 5,707,014</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Charges for services	\$ 2,925,246	2,423,738
Operating Expenses		
Personal services	1,808,335	1,894,102
Supplies and services	725,200	630,314
Insurance	205,837	250,503
Depreciation	601,383	480,209
Total Operating Expenses	<u>3,340,755</u>	<u>3,255,128</u>
Operating (Loss)	<u>(415,509)</u>	<u>(831,390)</u>
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(207,544)	(141,019)
Gain (loss) on sale of capital assets	(33,300)	5,742
Interest	100,091	68,265
Operating grants	2,500	246,919
Total Non-Operating Revenues (Expenses)	<u>(138,253)</u>	<u>179,907</u>
(Loss) Before Capital Contributions and Transfers	(553,762)	(651,483)
Capital contributions	-	1,780,326
Transfers in	22,215	1,634,177
Transfers out	(217,057)	(133,299)
Change in Net Assets	(748,604)	2,629,721
Net Assets Beginning of Year	5,707,014	3,077,293
Prior Period Adjustment	<u>100,386</u>	<u>-</u>
Net Assets End of Year	<u>\$ 5,058,796</u>	<u>\$ 5,707,014</u>

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,871,992	\$ 2,342,653
Cash payments to employees for services	(1,813,272)	(1,878,629)
Cash payments for goods and services	(997,143)	(721,215)
Other cash payments	-	(37,415)
Net Cash Provided by (Used in) Operating Activities	<u>61,577</u>	<u>(294,606)</u>
Cash Flows from Noncapital Financing Activities		
Operating grants received	2,500	-
Transfers in	22,215	1,634,177
Transfers out	(217,057)	(133,299)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(192,342)</u>	<u>1,500,878</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	25,001	-
Capital contribution from state	-	1,773,958
Proceeds from sale of revenue bonds	-	4,250,000
Capital grant	-	246,919
Principal paid on revenue bonds	(50,000)	(8,490)
Interest paid on revenue bonds	(207,544)	(141,019)
Payments for capital acquisitions	(2,206,407)	(3,947,150)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,438,950)</u>	<u>2,174,218</u>
Cash Flows from Investing Activities		
Investment earnings	<u>100,091</u>	<u>68,265</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,469,624)	3,448,755
Cash and Cash Equivalents Beginning of Year	<u>3,450,055</u>	<u>1,300</u>
Cash and Cash Equivalents End of Year	<u>\$ 980,431</u>	<u>\$ 3,450,055</u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2003 and 2002

(Continued)

	2003	2002
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating (Loss)	\$ (415,509)	\$ (831,390)
Adjustments:		
Depreciation	601,383	480,209
(Increase) Decrease in Assets:		
Accounts receivable	(53,254)	(81,085)
Prepaid items	(2,465)	-
Other	-	(5,742)
Increase (Decrease) in Liabilities:		
Accounts payable	(54,724)	159,602
Interfund payable	(8,917)	(31,673)
Accrued liabilities	-	15,473
Compensated absences payable	(4,937)	-
Net Cash Provided by (Used in) Operating Activities	\$ 61,577	\$ (294,606)

See accompanying notes to the basic financial statements

Ketchikan Gateway Borough, Alaska
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003

	<u>Great West School District</u>	<u>Great West Borough</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 33,818	\$ 33,818
Liabilities			
Current Liabilities:			
Interfund payable	181,726	-	181,726
Claims payable	-	185,775	185,775
Total Current Liabilities	<u>181,726</u>	<u>185,775</u>	<u>367,501</u>
Net Assets			
Unrestricted (deficits)	<u>\$ (181,726)</u>	<u>\$ (151,957)</u>	<u>\$ (333,683)</u>

Ketchikan Gateway Borough, Alaska
Combining Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2003

	Great West School District	Great West Borough	Total
Operating Revenues			
Insurance premiums	\$ 1,530,772	\$ 740,650	\$ 2,271,422
Operating Expenses			
Administration	-	196,617	196,617
Claims	1,917,059	779,431	2,696,490
Total Operating Expenses	<u>1,917,059</u>	<u>976,048</u>	<u>2,893,107</u>
Operating (Loss)	(386,287)	(235,398)	(621,685)
Non-Operating Revenues			
Investment earnings (loss)	<u>(1,302)</u>	<u>(2,221)</u>	<u>(3,523)</u>
Change in Net Assets	(387,589)	(237,619)	(625,208)
Net Assets Beginning of Year	<u>205,863</u>	<u>85,662</u>	<u>291,525</u>
Net Assets End of Year	<u>\$ (181,726)</u>	<u>\$ (151,957)</u>	<u>\$ (333,683)</u>

Ketchikan Gateway Borough, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2003

	Great West School District	Great West Borough	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,530,772	\$ 740,650	\$ 2,271,422
Cash payments for goods and services	-	(196,617)	(196,617)
Cash payments for claims	(1,917,059)	(634,846)	(2,551,905)
Net Cash (Used in) Operating Activities	(386,287)	(90,813)	(477,100)
Cash Flows from Noncapital Financing Activities			
Interfund payable	181,726		181,726
Cash Flows from Investing Activities			
Interest on investments	(1,302)	(2,221)	(3,523)
Net Increase (Decrease) in Cash and Cash Equivalents	(205,863)	(93,034)	(298,897)
Cash and Cash Equivalents Beginning of Year	205,863	126,852	332,715
Cash and Cash Equivalents End of Year	\$ -	\$ 33,818	\$ 33,818
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities			
Operating (Loss)	\$ (386,287)	\$ (235,398)	\$ (621,685)
Increase in Liabilities:			
Claims payable	-	144,585	144,585
Net Cash (Used in) Operating Activities	\$ (386,287)	\$ (90,813)	\$ (477,100)

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West School District Fund
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 205,863
Liabilities		
Current Liabilities:		
Interfund payable	181,726	-
Net Assets		
Unrestricted	<u>\$ (181,726)</u>	<u>\$ 205,863</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, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Insurance premiums	\$ 1,530,772	\$ 1,119,445
Operating Expenses		
Claims	<u>1,917,059</u>	<u>1,530,021</u>
Operating (Loss)	(386,287)	(410,576)
Non-Operating Revenues		
Investment earnings (loss)	<u>(1,302)</u>	<u>(8,303)</u>
Change in Net Assets	(387,589)	(418,879)
Net Assets Beginning of Year	<u>205,863</u>	<u>624,742</u>
Net Assets End of Year	<u><u>\$ (181,726)</u></u>	<u><u>\$ 205,863</u></u>

Ketchikan Gateway Borough, Alaska
Comparative Statement of Net Assets
Great West Borough Fund
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 33,818	\$ 126,852
Liabilities		
Current Liabilities:		
Claims payable	185,775	41,190
Net Assets		
Unrestricted	<u>\$ (151,957)</u>	<u>\$ 85,662</u>

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, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Insurance premiums	\$ 740,650	\$ 705,421
Operating Expenses		
Administration	196,617	164,834
Claims	779,431	658,792
Total Operating Expenses	<u>976,048</u>	<u>823,626</u>
Operating (Loss)	(235,398)	(118,205)
Non-Operating Revenues		
Investment earnings (loss)	<u>(2,221)</u>	<u>(1,733)</u>
Loss Before Transfers Out	(237,619)	(119,938)
Transfers Out	<u>-</u>	<u>(126,778)</u>
Net Change in Net Assets	(237,619)	(246,716)
Net Assets Beginning of Year	<u>85,662</u>	<u>332,378</u>
Net Assets End of Year	<u>\$ (151,957)</u>	<u>\$ 85,662</u>

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KETCHIKAN GATEWAY BOROUGH, ALASKA
 GOVERNMENT WIDE REVENUES
 Fiscal Year 2003

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

Table 1
Un-audited

General Revenues						
Sales Taxes	Transient Taxes	Payment in Lieu of Taxes	Unrestricted Intergovernmental	Investment Earnings	Miscellaneous	Total
4,961,299	32,771	12,741	865,389	662,628	485,890	35,911,684

KETCHIKAN GATEWAY BOROUGH, ALASKA
GOVERNMENT WIDE EXPENSES BY FUNCTIONS
Fiscal Year 2003

<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

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

Table 3
Un-audited

KETCHIKAN GATEWAY BOROUGH, ALASKA
GENERAL GOVERNMENTAL REVENUES BY SOURCE - (1)
1994 - 2003
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Charges for Services</u>	<u>Other Revenues</u>	<u>Intergovern- mental Revenues</u>	<u>Total</u>
93/94	10,961	378	1,319	22,505	35,163
94/95	11,525	355	641	10,899	23,420
95/96	11,636	443	3,313	11,039	26,431
96/97	11,905	446	9,099	21,207	42,657
97/98	12,051	578	3,647	8,177	24,453
98/99	12,130	633	2,500	9,000	24,263
99/00	12,745	729	11,372	8,180	33,026
00/01	12,152	916	368	3,474	16,910
01/02	12,176	916	1,985	6,831	21,908
02/03	12,268	1,155	855	4,629	18,907

(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)
1994 - 2003
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Services</u>	<u>Debt Service - Education</u>	<u>Education - Operating</u>	<u>Total</u>
93/94	1,833	5,564	4,859	23,578	35,834
94/95	1,751	5,087	2,102	20,471	29,411
95/96	1,611	4,718	1,997	18,647	26,973
96/97	2,048	5,138	2,315	19,442	28,943
97/98	2,136	7,396	2,236	18,825	30,593
98/99	2,172	5,551	2,159	19,783	29,665
99/00	2,128	9,823	2,076	20,589	34,616
00/01	2,093	8,342	1,459	20,572	32,466
01/02	2,478	12,307	2,240	21,001	38,026
02/03	2,219	8,895	2,347	21,695	35,156

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

KETCHIKAN GATEWAY BOROUGH
GENERAL FUND TAX REVENUES BY SOURCE - (1)
1994 - 2003
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Automobile Tax	Boat Tax	Total
93/94	6,443	3,021	135	34	9,633
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

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

KETCHIKAN GATEWAY BOROUGH, ALASKA
COVERAGE AND PER CAPITA COST OF EDUCATION APPROPRIATION
1994 - 2003

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
93/94	14,923	6,652,744	823,133,650	8.30	6,832,009	179,265	2.7%	446
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

(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
 1994 - 2003

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	
93/94	783,543,950	39,589,700	44,979,100	823,133,650	823,133,650	100%
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%

Source: Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH, ALASKA
 ASSESSED VALUE OF TAXABLE PROPERTY AND TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 1994 - 2003

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	Non- Areawide
93/94	823,133,650	7.50	8.30	15.80	1.00	1.00	5.00	0.65
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

- (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
1994 - 2003

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		
93/94	8.30	6,832,029	5,673,891	83.0%	1,154,807	6,828,698	100.0%	3,331 ^	0.05%
94/95	8.30	7,053,655	5,881,413	83.4%	1,170,645	7,052,058	100.0%	1,597 ^	0.02%
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%	1,176,850	6,989,501	99.9%	4,502 ^	0.06%
97/98	7.00	7,039,080	6,107,373	86.8%	927,083	7,034,456	99.9%	4,624 ^	0.07%
98/99	7.00	7,068,053	5,887,380	83.3%	1,169,943	7,057,323	99.8%	10,730 ^	0.15%
99/00	7.50	7,578,449	6,265,046	82.7%	1,301,047	7,566,093	99.8%	12,356 ^	0.16%
00/01	6.80	6,899,865	5,156,645	74.7%	1,721,374	6,878,019	99.7%	21,845 ^	0.32%
01/02	6.80	7,096,530	4,869,466	68.6%	2,059,140	6,928,606	97.6%	167,924 ^	2.37%
02/03	6.80	6,955,545	5,695,391	81.9%	1,122,807	6,818,197	98.0%	137,347 ^	1.97%

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

Source: Borough Assessment and Finance Department.

KETCHIKAN GATEWAY BOROUGH, ALASKA
PRINCIPAL TAXPAYERS
2003

Taxpayer	Type of Business	Valuation	Percent of Total Assessed Valuation
Cape Fox Corporation	Forest Products/Hotel	\$ 12,153,500	1.21%
Gateway Forest Products	Forest Products	10,229,300	1.02%
Tongass Trading Company	Retail Stores	7,155,400	0.71%
Carr-Gottstein Foods	Retail Stores	5,978,900	0.60%
Alaska General Seafood	Seafood Processing	5,696,900	0.57%
E.C. Phillips & Son Inc.	Seafood Processing	5,599,600	0.56%
Ketchikan Plaza Inc.	Retail Stores	5,387,600	0.54%
TF Acquisition Inc.	Seafood Processing	5,210,900	0.52%
Tesoro Alaska Petroleum Company	Petroleum	4,638,400	0.46%
Swan Bay Holding Inc.	Commercial/Industrial	4,362,700	0.44%
Total Principal Taxpayers		<u>66,413,200</u>	<u>6.63%</u>
Total Assessed Valuation		<u>1,001,896,000</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
1994 - 2003

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
93/94	14,923	823,133,650	8,819,000	480,000	8,339,000	1.01%	559
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	13,185,000	50,000	13,135,000	1.30%	934
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	24,905,000	-	24,905,000	2.39%	1,822
02/03	13,670	1,022,874,200	23,680,000	50,000	23,630,000	2.31%	1,729

- (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, 2003

No Debt Limit is Mandated by Law

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough		\$19,480,000
Less Self Supporting Debt:		
1995 Recreation Sales Tax Revenues	<u>(3,970,000)</u>	<u>(3,970,000)</u>
Total Direct Debt		15,510,000
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		\$12,060,000
Less Self Supporting Debt:		
1994 Port Bonds		
Paid from Ketchikan Port Fund Revenues	(2,415,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(8,950,000)	
1997 Fire Truck Construction Funds		
Paid from Sales Tax Hospital and Other Public Works Funds	(185,000)	
1986 Refunding Bonds		
Paid from Wastewater and Harbor Fund Revenues	<u>(257,550)</u>	<u>(11,807,550)</u>
Total City of Ketchikan Direct Debt		<u>252,450</u>
Total Direct and Overlapping Debt		<u><u>\$15,762,450</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
 1994 - 2003

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond/Capital Improvement Fund				Total Revenues
	Principal	Interest	Total	State School Debt Reimbursement	Tobacco Tax	Misc.	1/2 cent Sales Tax	
93/94	4,045,000	814,640	4,859,640	4,178,063	71,310	9,000		4,258,373
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

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.	Difference
(601,267)	14,923	40			-		
(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

KETCHIKAN GATEWAY BOROUGH, ALASKA
REVENUE BOND COVERAGE
KETCHIKAN INTERNATIONAL AIRPORT
1994 - 2003

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
93/94	2,431,970	1,989,319	442,651	25,000	20,000	45,000	9.84
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	203,289	253,289	2.76

- (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
1994 - 2003

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
93/94	14,923	25,141	8.30%	2,735	7	136	180	296
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

- (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
1994 - 2003

Calendar Year	Construction		Zoning Permits - (3)	Real & Personal Property Value - (2)
	Number of Permits - (1)	Value - (1)		
1994	158	11,172,000	184	428,992,800
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

(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, 2003

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
Revillagiedo 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			