

**KETCHIKAN GATEWAY BOROUGH
ALASKA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2002

KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2002

Prepared by

DEPARTMENT OF ADMINISTRATIVE SERVICES

Alvin E. Hall, Director

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KETCHIKAN GATEWAY BOROUGH

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2002

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INTRODUCTORY SECTION

KETCHIKAN GATEWAY BOROUGH

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January 2, 2003

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

The Comprehensive Annual Financial Report (CAFR) of the Ketchikan Gateway Borough, Alaska for the fiscal year ended June 30, 2002, is hereby submitted as mandated by local ordinances and state statutes. These ordinances and statutes require that the Ketchikan Gateway Borough issue an annual report on its financial position and activity, and that this report be audited by an independent firm of Certified Public Accountants. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the Ketchikan Gateway Borough. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three major parts: 1) Introductory, 2) Financial, and 3) Statistical. This report includes all funds and account groups of the Ketchikan Gateway Borough. The Introductory Section (unaudited) includes this transmittal letter, an organizational chart, a list of elected and staff officials and a map showing the Borough Boundaries. The Financial Section includes the general purpose financial statements and both combining and individual fund and account group financial statements and schedules, as well as the Auditor's Report on the financial statements and schedules. The Statistical Section (unaudited) includes selected financial and demographic information, generally presented on a multi-year basis.

The Borough is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments." State of Alaska Regulation 2 AAC 45.010, the Single Audit Information related to single audit, including schedules of federal and state financial assistance, the independent Auditor's Reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separate issued single audit report.

The financial reporting entity (Ketchikan Gateway Borough) includes all the funds and account groups of the primary government (i.e., Ketchikan Gateway Borough as legally defined), as well as all of its component units. Component units are legally separate units for which the primary government is financially accountable. The Borough provides the following areawide services: education (schools), property tax assessments, tax collections, senior citizen tax exemptions, parks and recreation, land use planning and zoning, animal protection. The Borough provides

non-area-wide services for library services, refuse collection and sewage treatment, and on a service area basis for road construction and maintenance, fire protection, and water treatment. The Borough operates enterprise (fund) services for the Ketchikan International Airport, including the airport ferry and the Transit System (buses).

The School District is reported as a discretely presented component unit. 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 within the reporting entity and, accordingly, are excluded from this report.

GOVERNMENTAL STRUCTURE

The Borough has operated under the Assembly-Manager form of government since 1963. Policy-making and legislative authority are vested in the Borough Assembly, which consists of an elected mayor and a seven-member assembly. The Assembly is responsible for, among other things, adopting ordinances and resolutions, adopting the annual budget, appointing committees and hiring the Borough's Manager, Attorney, and Clerk. The Borough Manager is the chief administrative officer and has all powers and duties set forth in the Alaska Statute presently numbered AS 29.23.140, and other powers and duties elsewhere prescribed by law. He has supervision and control, directly and indirectly, over all operational departments, agencies, and officers, except the Attorney and Clerk.

Ketchikan Gateway Borough is organized as a second class borough. Its boundaries extend around Revillagigedo Island, Gravina Island, Pennock Island and other smaller islands within the defined boundaries. The Ketchikan Gateway Borough is in Southeast Alaska, approximately 650 miles north of Seattle, Washington. 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.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The economy of the Ketchikan area in past years has been based on natural resources, primarily timber and fishing. Both industries have played significant roles in the development of the local economy. Changes are occurring with the closing of the Pulp Mill and with lower fish prices.

Gateway Forest Products being released from Chapter 11 without an approved plan requires the Borough to proceed with foreclosure on the properties the Borough has a secured interest. It is our desire to return those properties into private ownership as rapidly as possible. While the timber and fishing industry is being threatened by external factors the Borough has some bright spots to take up the slack. The potential for a bridge to Gravina will have a positive impact on the community, not only from construction but development of lands for commercial and private dwellings. Projects presently being placed into the construction phase include renovation of the Airport Terminal Building and Parking Facility, Construction of a new elementary school, renovations to the Schoenbar Middle School, major Sewer and Water projects, Alaska Ship and Drydock expansion, renovations to the Ward Cove site to ready it for commercial long term development, construction of a sludge facility and development of Ward Cove for expansion of

Marine operations. Formation of the KEDA board will allow for new growth which may bring new jobs to the community.

With a year behind us, Wal-Mart's operation has added additional needed jobs into the community. Retail sales have increased leading us to believe that more people are shopping in Ketchikan with less dollars being removed from our economy through mail orders and other leakage. The InterIsland Ferry provides daily service to the Prince of Wales which bring visitors to Ketchikan to conduct business.

The 9-11 incident in New York has impacted our operations at the Ketchikan International Airport, but it is our belief that passengers traffic arriving by air will return to normal in the near future. The homeporting of just a few cruise ships would greatly increase the airline traffic through the Ketchikan International Airport. This could require the need of additional air carriers during the tourist season.

Tourism is the fastest growing segment of the local economy. Packaged tours through cruise ship companies continues to dominate this segment, but increased focus is being given to independent travelers and off-season convention and conference activity. More than a half million tourists arrive each summer on cruise ships.

City, Borough and School District employment account for three of the top ten employers in Ketchikan.

A growing private venture is the Alaska Ship and Dry Dock Inc., which exceeded its own plans and expectations this year with close to \$20 million in projected revenues. The facilities are owned by the state, but the shipyard and dry dock operations are privately managed. A five-year, \$40 million development plan for the shipyard envisions 220 full-time-equivalent jobs.

FINANCIAL INFORMATION

Borough management is responsible for establishing and maintaining an internal control structure designed to ensure that the Borough assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the Borough also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the single audit performed by the Borough's independent accountants, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs and state awards, as well as to determine that the Borough has complied with applicable laws and regulations. The results of the Borough's single audit for

the fiscal year ended June 30, 2002, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls. Formal budgetary integration is employed as a management control device during the year for the General Fund and certain Special Revenue Funds. The Debt Service Funds do not use formal budgetary integration because effective budgetary control is alternatively achieved through General Obligation Bond indenture provisions. The remaining Special Revenue Funds and the Capital Projects Funds are budgeted on a project length basis, and formal budgetary control is achieved as such.

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. Resources are allocated to and accounted for in individual funds, based upon the purposes for which those funds were created. The Assembly may, by ordinance, transfer appropriations between funds and amend the original budget in total. The Borough Manager may transfer amounts between line items within a fund. The legal level of control (that is, the level at which expenditures cannot legally exceed the appropriation) is at the fund level.

Capital projects and grant activities are budgeted on project length basis. Activities of the General Fund and certain Special Revenue Funds are included in the annual appropriating budget, and appropriations lapse at year end. The Borough also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Open encumbered amounts lapse at year end; however, they are reappropriated as part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the Ketchikan Gateway Borough continues to meet its responsibility for sound financial management.

Combined General Government Fund Balance. The following schedule presents a summary of general fund, special revenue funds, debt service fund and capital projects fund revenues for the fiscal year ended June 30, 2002 and the amount of increases and decreases in relation to prior year revenues.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2001</u>
Revenues			
Taxes	\$12,176,362	59.99%	\$24,394
Payment in Lieu of Taxes	18,756	.09%	1,849
Licenses & Permits	25,155	.12%	(5,925)
Revenues From Other			
Governments	6,830,820	33.66%	357,186
Charges for Services	916,424	4.52%	3,580
G.O. Bond Proceeds	-0-	0.00%	(9,085,436)
Other Revenues	328,855	1.62%	(331,306)
	<u>\$20,296,372</u>	<u>100.00%</u>	<u>\$(8,373,046)</u>

The most significant decrease in actual revenue sources was derived from other governments and other revenues. Tax revenues are a combination of three distinct resources: property taxes, sales tax, and automobile and boat taxes. The decrease in Revenue from G.O. Bond proceeds resulted because there was no new debt issued during FY02.

The following schedule presents a summary of general fund, special revenue funds, debt service and capital projects fund expenditures for the fiscal year ended June 30, 2002 and the increases and decreases in relation to prior year amounts.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2001</u>
Expenditures:			
Bad Debt Expense	\$ 357,367	1.95%	\$ 357,367
General Government	2,154,962	11.76%	218,554
Public Service	12,307,146	67.15%	3,965,221
Non-Departmental	148,748	.81%	48,747
Automation	174,708	.95%	117,863
Capital Projects	944,508	5.16%	(4,501,223)
Debt Service	2,240,434	12.22%	781,630
	<u>\$18,327,873</u>	<u>100.00%</u>	<u>\$ 988,159</u>

The significant increases in expenditures occurred in Public Services, decreases occurred in Capital Projects.

Enterprise Operations. The Ketchikan Gateway Borough enterprise operations consist of the Ketchikan International Airport (airport and ferry operations) and the Transit System (buses). The intent of the Borough is that the cost of operations and providing services to the general public are financed primarily through user charges. The acquisition and improvements of the facilities are financed from existing cash resources from operations, tax levies, the issuance of general obligation and revenue bonds.

At June 30, 2002, the Ketchikan Gateway Borough Enterprise Fund at the Airport had outstanding debt of \$4,250,000.

Fiduciary Responsibility. The Ketchikan Gateway Borough has fiduciary responsibility in two areas. First, Alaska Statutes require the Borough to be responsible for the collection and distribution of property and sales taxes for cities within the Borough. The second area of fiduciary responsibility involves participation by Borough employees in a deferred compensation plan. While the Borough does not administer the plan, contributions are employee assets held in trust by the Borough for the employee through various investment institutions. These have been shown in past reports in the Agency Fund. Reporting standards do not require an Agency Fund report in this year's CAFR.

Debt Administration. At June 30, 2002, the Ketchikan Gateway Borough had outstanding debt of \$20,655,000. This is comprised of \$16,110,000 in General Obligation Bonds for school projects, and \$4,545,000 General Obligation Bonds for the Gateway (Indoor) Recreation Center.

Cash Management. The Borough Assembly acted to direct that certain long-term monies be invested through a portfolio manager into the equities market, with restrictions on type of investments. Central treasury balances had negative investment income of \$124,898 on all investments for the year ended June 30, 2002. Central Treasury balances consist of the General Fund, Special Revenue Funds, Capital Projects Funds, and portions of the Enterprise Funds. As stated, an Agency Fund report is not required in this CAFR.

The Borough's investment policy is to minimize credit and market risks while maintaining a competitive yield (return) on its portfolio. Normally all bank balances are covered by federal depository insurance, or by collateral held by the Borough's agent in the Borough's name. Borough investments are insured, registered, or are securities which are held by the Borough or its agent in the Borough's name, which places them in the lowest risk category as defined by Statement No. 3 of the Governmental Accounting Standards Board.

Risk Management. The Borough currently maintains coverage for comprehensive general liability, automobile liability, building and contents, education errors and omissions, pollution and public officials' liability.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The Borough issued \$4,250,000 in Revenue Bonds in August 2001 to finance construction of a new airport ferry and renovations of the terminal. Passenger Facilities Charges, initiated in 1999, will provide the revenue stream for repaying the bond. The Airport Ferry has been constructed and placed in service.

In October 2001 the Borough Manager terminated her services with the Borough and was replaced with an Interim Manager through June 30, 2002. The Interim Borough Manager was responsible for several organizational changes, which included the hiring of a Public Works Director, a KEDA Director and an Assistant Manager. A search was conducted nationwide for a new Borough Manager, and a new Borough Manager was hired as of October 1, 2002.

The access project will have a major impact on the community, depending on decisions to construct a bridge, an underground tunnel or to continue ferry operations, in addition to longer term prospects for commercial development on Gravina Island.

The Borough restructured its capital program and applied for several grants to assist with sewer and water projects.

Gateway Forest Products, Inc. was released from Chapter 11 Bankruptcy, however; were unsuccessful in obtaining the necessary financial assistance to continue operations. The Borough is pursuing its remedies to foreclose on all properties it has a secured interest in.

OTHER INFORMATION

Independent Audit. Alaska State Statutes 29.35.120 requires an annual independent audit of the accounts and financial transactions of the Borough by a Certified Public Accountant. The accounting firm of Mecham, Richardson and Company, CPAs, was selected and ratified by the Borough Assembly. In addition to meeting the requirements set forth in the State Statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133 and the State of Alaska Single Audit Act 2 AAC 45.010. The Auditor's report on the general purpose financial statement is included in the financial section of this report. The combining, individual fund and account group financial statements and schedules are presented for purposes of additional analysis. The auditor's reports related specifically to the single audit are contained in a separate report.

Acknowledgments. The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the Administrative Services Department. Each member of the department has our sincere appreciation for their contribution. A special thanks goes to Maureen Crosby CPA, Charlanne Heath, Vicki Campbell and Marva Otos for their help in preparing the CAFR.

The Department of Administrative Services would like to express its continued appreciation to the Mayor and Members of the Borough Assembly for their interest, support, cooperation and involvement throughout the year in issues pertaining to the finances of the Ketchikan Gateway Borough.

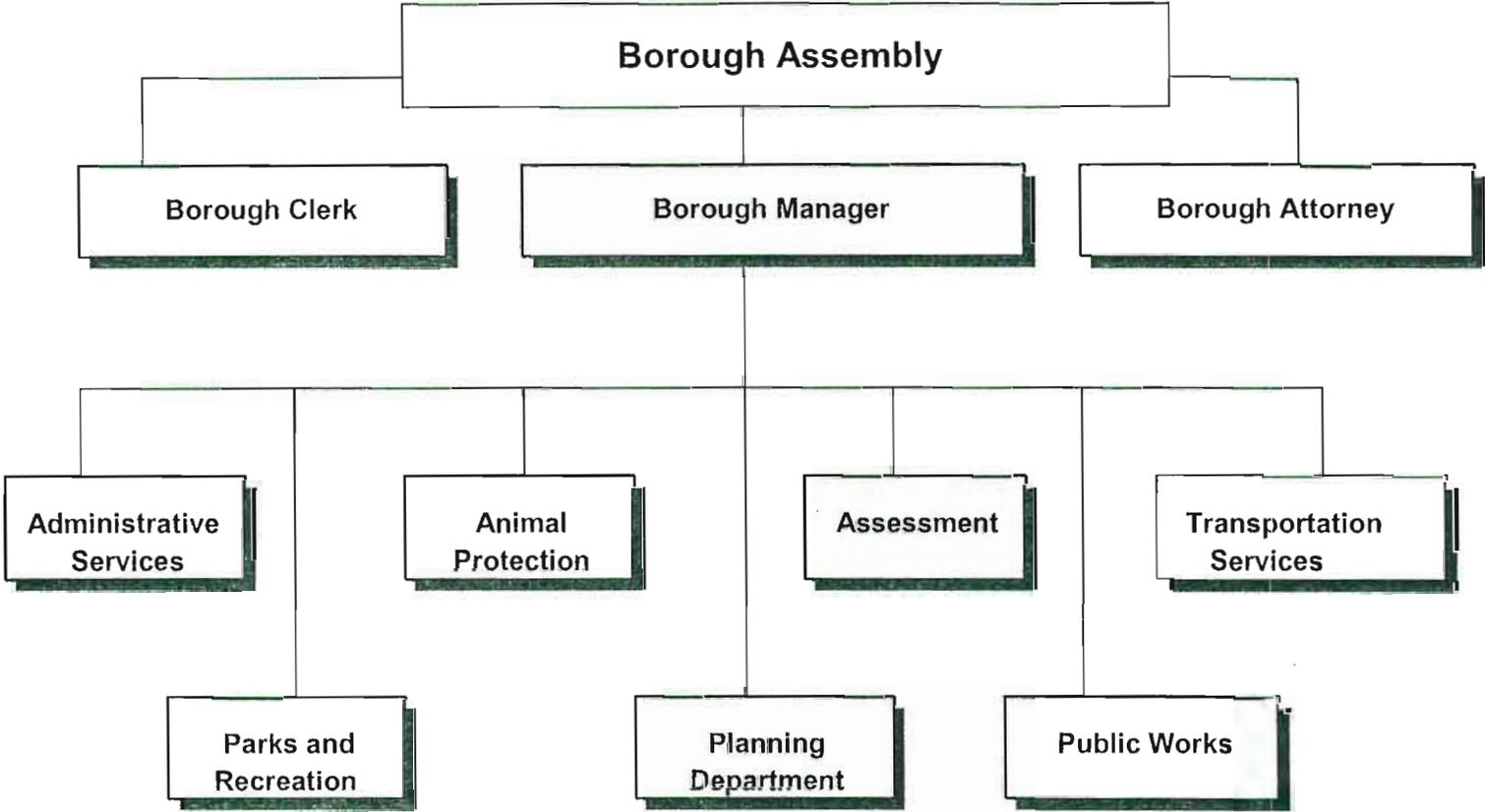
Respectfully submitted,



Alvin E. Hall
Director of Administrative Services

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2001/2002



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2002

MAYOR AND ASSEMBLY

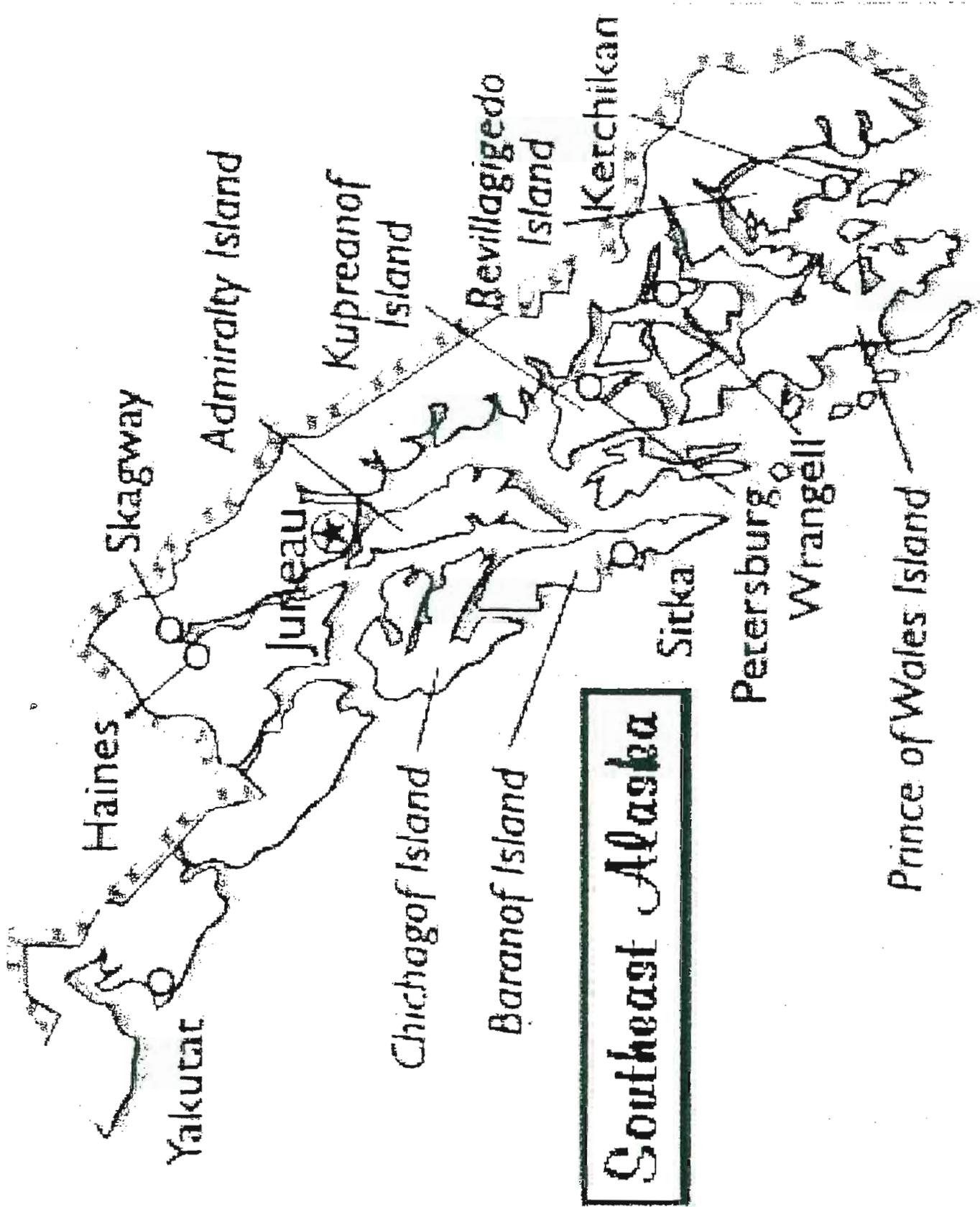
John W. "Jack" Shay Jr.
Michael B. Salazar
Samuel Bergerson
Richard L. Burton
Richard L. Coose
Maggie Sarber
George Lybrand, P.E.
Michael J. Sallee

Mayor
Vice-Mayor
Assembly Member
Assembly Member
Assembly Member
Assembly Member
Assembly Member
Assembly Member

BOROUGH STAFF

Steve Corporon
Scott A. Brandt-Erichsen
Sue Bethel
Alvin E. Hall
Dennis Finegan
Eugene Martin
Susan Dickinson
David Allen
John Brown
Richard Smith

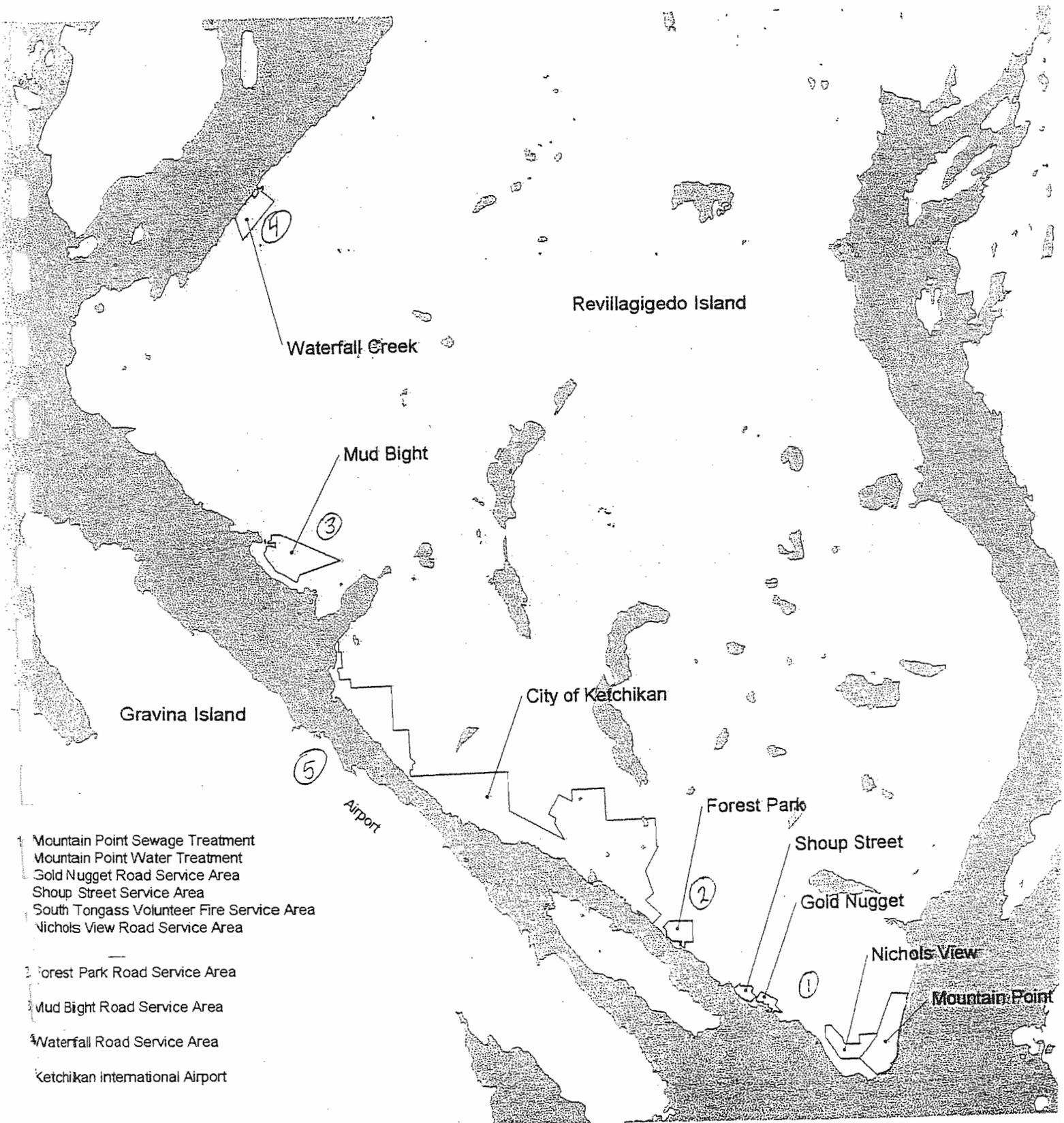
Acting Borough Manager
Borough Attorney
Borough Clerk
Director of Administrative Services
Director of Assessment
Animal Protection Supervisor
Director of Planning
Director of Transportation Services
Director Parks and Recreation
Director of Public Works



Southeast Alaska

REGIONAL MAP

KGB Service Areas



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**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 general-purpose financial statements of the Ketchikan Gateway Borough ("the Borough") as of and for the year ended June 30, 2002 as listed in the table of contents. These general-purpose financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ketchikan Gateway Borough as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the

MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

general-purpose financial statements of the Ketchikan Gateway Borough. Additionally, the accompanying schedules of state financial assistance and expenditures of federal awards are presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the general-purpose financial statements of the Ketchikan Gateway Borough. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The other data included in this report, designated as the "Statistical Section - Unaudited" in the table of contents, has not been audited by us and, accordingly, we do not express an opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Mecham, Richardson and Company

October 25, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

The financial statements in this section provide a summary overview of the financial position of all funds and account groups including summary operating results of all funds.

The following statements are included in this section:

Combined Balance Sheet – All Fund Types and Account Groups and Discretely Presented Component Units

Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund Types and Discretely Presented Component Units

Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget & Actual – General, Budgeted, Special Revenue Fund Types

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types

Combined Statement of Cash Flows – All Proprietary Fund Types

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COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2002

	Governmental Fund Types				Proprietary Type Funds	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash and Temporary Investments	\$ 3,001,959	\$ 24,380,386	\$ 16,847	\$ 9,523,303	\$ 889,539	\$ 332,715
Restricted Assets:	-	-	-	-	-	-
Bond Redemption Fund Cash & Investments	-	-	-	-	2,560,516	-
Taxes Receivable	1,059,202	-	-	-	-	-
Due From Primary Government	-	-	-	-	-	-
Accounts Receivable	100,639	798,807	-	333	502,358	-
Due From Other Funds	686,279	-	-	-	-	-
Advances to Other Funds	-	1,510,115	-	-	-	-
Prepaid expenses	43,931	3,372	-	-	-	-
Notes Receivable - Net	-	10,914,947	-	-	-	-
Inventory	-	-	-	-	-	-
Restricted Assets:						
Bond Redemption Fund Cash and Investments	-	-	-	-	-	-
Plant in Service:	-	-	-	-	14,193,682	-
Accumulated Depreciation	-	-	-	-	(7,363,350)	-
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Swimming Pools/Ballfields	-	-	-	-	-	-
Construction in Progress	-	-	-	-	212,441	-
Intangible Assets	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Amount to be Provided for Capital Leases	-	-	-	-	-	-
Payment of Long Term Debt	-	-	-	-	-	-
Total Assets	\$ 4,892,010	\$ 37,607,627	\$ 16,847	\$ 9,523,636	\$ 10,995,186	\$ 332,715
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts Payable	\$ 169,976	\$ 208,304	\$ -	\$ 34,952	\$ 218,865	\$ 41,190
Retainage Payable	-	12,893	-	-	-	-
Due to Other Governments	38,242	-	-	-	-	-
Unclaimed Bonds	-	7,845	-	-	-	-
Due to Other Funds	-	196,215	-	27,799	462,265	-
Due to Component Unit	115,912	-	-	-	-	-
Advances from Other Funds	-	1,425,001	-	-	85,114	-
Deposits	37,342	7,305	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	-
Accrued Liabilities	683,046	529	-	-	192,513	-
Deferred Revenue	106,170	417,030	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	4,250,000	-
Total Liabilities	1,150,688	2,275,122	-	62,751	5,208,757	41,190
Equity and Other Credits:						
Contributed Capital	-	-	-	-	1,156,968	-
Investment in General	-	-	-	-	-	-
Fixed Assets	-	-	-	-	-	-
Retained Earnings:						
Reserved for Revenue Bond Current Debt Service	-	-	-	-	50,000	-
Reserved for Premium Stabilization	-	-	-	-	-	-
Unreserved	-	-	-	-	4,579,461	291,525
Fund Balances:						
Reserved for Accounts Receivable	-	1,631	-	-	-	-
Reserved for Outstanding Loans	-	10,914,947	-	-	-	-
Reserved for Loan Guarantees	407,829	1,865,000	-	-	-	-
Reserved for Advances to Other Funds	-	1,510,115	-	-	-	-
Reserved for Encumbrances	46,687	982,858	-	455,993	-	-
Reserved for Prepaid	43,931	-	-	-	-	-
Reserved for Inventory	-	-	-	-	-	-
Reserved for Endowments	-	-	-	-	-	-
Reserved for Renovations and Replacement	-	-	-	-	-	-
Reserved for Federal Impact Aid	-	-	-	-	-	-
Unreserved Fund Balance	3,242,875	20,057,954	16,847	9,004,892	-	-
Total Equity and Other Credits	3,741,322	35,332,505	16,847	9,460,885	4,629,461	291,525
Total Liabilities, Equity and Other Credits	\$ 4,892,010	\$ 37,607,627	\$ 16,847	\$ 9,523,636	\$ 10,995,186	\$ 332,715

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2002

	Fiduciary Fund Types		Account Groups		Totals (Memorandum only)	Component Unit	Totals (memorandum only)
	Trust and Agency Funds	General Fixed Assets	General Long Term Debt	Primary Government	School District	Reporting Entity	
ASSETS							
Cash and Temporary Investments	\$ -	\$ -	\$ -	\$ 38,144,749	\$ 245,517	\$ 38,390,266	
Restricted Assets:	-	-	-	-	-	-	
Bond Redemption Fund Cash & Investments	-	-	-	2,560,516	-	2,560,516	
Taxes Receivable	-	-	-	1,059,202	-	1,059,202	
Due From Primary Government	-	-	-	-	115,912	115,912	
Accounts Receivable	-	-	-	1,402,137	1,169,781	2,571,918	
Due From Other Funds	-	-	-	686,279	-	686,279	
Advances to Other Funds	-	-	-	1,510,115	-	1,510,115	
Prepaid expenses	-	-	-	47,303	-	47,303	
Notes Receivable - Net	-	-	-	10,914,947	-	10,914,947	
Inventory	-	-	-	-	21,724	21,724	
Restricted Assets:	-	-	-	-	-	-	
Bond Redemption Fund Cash and Investments	-	-	-	-	25,510	25,510	
Plant in Service:	-	-	-	14,193,682	-	14,193,682	
Accumulated Depreciation	-	-	-	(7,363,350)	-	(7,363,350)	
Land	-	474,466	-	474,466	-	474,466	
Buildings	-	78,658,441	-	78,658,441	-	78,658,441	
Equipment	-	2,403,275	-	2,403,275	6,242,042	8,645,317	
Swimming Pools/Ballfields	-	3,491,241	-	3,491,241	-	3,491,241	
Construction in Progress	-	19,607	-	232,048	-	232,048	
Intangible Assets	-	7,224	-	7,224	-	7,224	
Leasehold Improvements	-	-	-	-	17,867	17,867	
Amount to be Provided for Capital Leases	-	-	-	-	65,442	65,442	
Payment of Long Term Debt	-	-	20,655,000	20,655,000	-	20,655,000	
Total Assets	\$ -	\$ 85,054,254	\$ 20,655,000	\$ 169,077,275	\$ 7,903,795	\$ 176,981,070	
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ 673,287	\$ 548,398	\$ 1,221,685	
Retainage Payable	-	-	-	12,893	-	12,893	
Due to Other Governments	-	-	-	38,242	-	38,242	
Unclaimed Bonds	-	-	-	7,845	-	7,845	
Due to Other Funds	-	-	-	686,279	-	686,279	
Due to Component Unit	-	-	-	115,912	-	115,912	
Advances from Other Funds	-	-	-	1,510,115	-	1,510,115	
Deposits	-	-	-	44,647	-	44,647	
Accrued Interest Payable	-	-	-	-	-	-	
Accrued Liabilities	-	-	-	876,088	487,229	1,363,317	
Deferred Revenue	-	-	-	523,200	500	523,700	
Capital Leases Payable	-	-	-	-	65,442	65,442	
Bonds Payable	-	-	20,655,000	24,905,000	-	24,905,000	
Total Liabilities	\$ -	\$ -	\$ 20,655,000	\$ 29,393,508	\$ 1,101,569	\$ 30,495,077	
Equity and Other Credits:							
Contributed Capital	-	-	-	1,156,968	-	1,156,968	
Investment in General Fixed Assets	-	85,054,254	-	85,054,254	6,259,909	91,314,163	
Retained Earnings:							
Reserved for Revenue Bond Current Debt Serv	-	-	-	50,000	-	50,000	
Reserved for Premium Stabilization	-	-	-	-	-	-	
Unreserved	-	-	-	4,870,986	-	4,870,986	
Fund Balances:							
Reserved for Accounts Receivable	-	-	-	1,631	-	1,631	
Reserved for Outstanding Loans	-	-	-	10,914,947	-	10,914,947	
Reserved for Loan Guarantees	-	-	-	2,272,829	-	2,272,829	
Reserved for Advances to Other Funds	-	-	-	1,510,115	-	1,510,115	
Reserved for Encumbrances	-	-	-	1,485,538	281,883	1,767,421	
Reserved for Prepaid	-	-	-	43,931	-	43,931	
Reserved for Inventory	-	-	-	-	21,724	21,724	
Reserved for Endowments	-	-	-	-	60,105	60,105	
Reserved for Renovations and Replacement	-	-	-	-	-	-	
Reserved for Federal Impact Aid	-	-	-	-	14,146	14,146	
Unreserved Fund Balance	-	-	-	32,322,568	164,459	32,487,027	
Total Equity and Other Credits	\$ -	\$ 85,054,254	\$ -	\$ 138,526,799	\$ 6,802,226	\$ 145,329,025	
Total Liabilities, Equity and Other Credits	\$ -	\$ 85,054,254	\$ 20,655,000	\$ 169,077,275	\$ 7,903,795	\$ 176,981,070	

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KETCHIKAN GATEWAY BOROUGH

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (memorandum only) Primary Government	Components Unit School District	Totals (memorandum only) Reporting Entity
REVENUES							
Taxes	\$ 10,699,939	\$ 1,476,423	\$ -	\$ -	\$ 12,176,362	\$ -	\$ 12,176,362
Payments in Lieu of Taxes	18,756	-	-	-	18,756	-	18,756
Licenses and Permits	25,155	-	-	-	25,155	-	25,155
Sale of Land	-	-	-	-	-	-	-
Revenues from Other Govts	2,147,331	4,683,489	-	-	6,830,820	13,380,357	20,211,177
SDS (Principal and Interest)	-	9,504	-	-	9,504	-	9,504
Charges for Services	532,426	383,998	-	-	916,424	-	916,424
Investment Income (Loss)	30,495	(395,255)	-	181,489	(183,271)	-	(183,271)
Other Revenues	-	328,855	-	-	328,855	-	328,855
Total Revenues	13,454,102	6,487,014	-	181,489	20,122,605	13,380,357	33,502,962
EXPENDITURES							
Current:							
Bad Debt Expense	-	357,367	-	-	357,367	-	357,367
General Government	2,154,962	-	-	-	2,154,962	-	2,154,962
Public Services	3,626,291	8,680,855	-	-	12,307,146	21,000,759	33,307,905
Non-Departmental	148,748	-	-	-	148,748	-	148,748
Automation	174,708	-	-	-	174,708	-	174,708
Capital Outlay	103,022	588,542	-	252,944	944,508	-	944,508
Debt Service	-	-	2,240,434	-	2,240,434	-	2,240,434
Total Expenditures	6,207,731	9,626,764	2,240,434	252,944	18,327,873	21,000,759	39,328,632
Excess (Deficit) of Revenues over Expenditures	7,246,371	(3,139,750)	(2,240,434)	(71,455)	1,794,732	(7,620,402)	(5,825,670)
Other Financing Sources (Uses)							
G.O. Bond Proceeds	-	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	101,243	101,243
Operating Transfers In	1,777,090	2,395,133	2,257,281	62,944	6,492,448	-	6,492,448
Operating Transfers In from General Government	-	-	-	-	-	7,564,426	7,564,426
Operating Transfers Out	(1,258,901)	(6,928,709)	-	-	(8,187,610)	-	(8,187,610)
Operating Transfers Out to : Component Unit	(7,564,426)	-	-	-	(7,564,426)	-	(7,564,426)
Total Other Financing Sources (Uses)	(7,046,237)	(4,533,576)	2,257,281	62,944	(9,259,588)	7,665,669	(1,593,919)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	200,134	(7,673,326)	16,847	(8,511)	(7,464,856)	45,267	(7,419,589)
Beginning Fund Balance	2,437,586	42,729,930	-	8,567,157	53,734,673	497,050	54,231,723
Prior Period Adjustment	1,103,602	275,901	-	902,239	2,281,742	-	2,281,742
Beginning Fund Balance (Restated)	3,541,188	43,005,831	-	9,469,396	56,016,415	497,050	56,513,465
Fund Balances, End of Year	\$ 3,741,322	\$ 35,332,505	\$ 16,847	\$ 9,460,885	\$ 48,551,559	\$ 542,317	\$ 49,093,876

The notes to the financial statements are an integral part of this statement.

KETCHIKAN GATEWAY BOROUGH

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GENERAL AND BUDGETED SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2002

	General			Annually Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 10,790,373	\$ 10,699,939	\$ (90,434)	\$ 1,456,565	\$ 1,476,423	\$ 19,858
Payments in Lieu of Taxes	15,000	18,756	3,756	-	-	-
Licenses and Permits	57,375	25,155	(32,220)	-	-	-
Revenue from Other Governmen	1,606,187	2,147,331	541,144	4,209,818	4,007,333	(202,485)
SDS (Principal and Interest)	-	-	-	-	9,504	9,504
Sale of Land	-	-	-	120,355	-	(120,355)
Charges for Services	532,547	532,426	(121)	638,311	383,998	(254,313)
Other Income	-	-	-	190,821	328,855	138,034
Investment Income (Loss)	191,625	30,495	(161,130)	3,035,814	(396,213)	(3,432,027)
Total Revenues	13,193,107	13,454,102	260,995	9,651,684	5,809,900	(3,841,784)
Expenditures						
Administration	2,308,335	2,154,962	153,373	-	-	-
Public Services	3,810,902	3,626,291	184,611	10,131,901	8,593,246	1,538,655
Automation	188,617	174,708	13,909	-	-	-
Non-Departmental	161,692	148,748	12,944	-	-	-
Capital Projects	373,587	103,022	270,565	1,950,177	356,185	1,593,992
Total Expenditures	6,843,133	6,207,731	635,402	12,082,078	8,949,431	3,132,647
Excess (Deficit) of Revenues over Expenditures	6,349,974	7,246,371	896,397	(2,430,394)	(3,139,531)	(709,137)
Other Financing Sources (Uses)						
Revenue Bond Proceeds	-	-	-	4,225,000	-	-
Transfers from Other Funds	1,786,736	1,777,090	(9,646)	2,584,016	2,395,133	(188,883)
Transfers to Component Unit	(7,570,638)	(7,564,426)	6,212	-	-	-
Transfers to Other Governments	-	-	-	-	-	-
Transfers to Other Funds	(1,258,901)	(1,258,901)	-	(5,990,271)	(6,928,709)	(938,438)
Total Other Financing Sources (Uses)	(7,042,803)	(7,046,237)	(3,434)	818,745	(4,533,576)	(5,352,321)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(692,829)	200,134	892,963	(1,611,649)	(7,673,107)	(6,061,458)
Fund Balance, Beginning of Year	2,437,586	2,437,586	-	42,683,025	42,683,025	-
Prior Period Adjustment	-	1,103,602	-	275,901	275,901	-
Beginning Fund Balance (Restated)	2,437,586	3,541,188	1,103,602	42,958,926	42,958,926	-
Fund Balance, End of Year	\$ 1,744,757	\$ 3,741,322	\$ 1,996,565	\$ 41,347,277	\$ 35,285,819	\$ (6,061,458)

The notes to the financial statements are an integral part of this statement.

KETCHIKAN GATEWAY BOROUGH

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES

ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise Funds	Internal Service Funds	
OPERATING REVENUES			
Charges for Services	\$ 2,645,379	\$ 1,824,866	\$ 4,470,245
Total Operating Revenues	<u>2,645,379</u>	<u>1,824,866</u>	<u>4,470,245</u>
OPERATING EXPENSES			
Personnel Services	2,354,192	2,353,647	4,707,839
Supplies and Services	828,962	-	828,962
Insurance	269,882	-	269,882
Depreciation	571,862	-	571,862
Total Expenses	<u>4,024,898</u>	<u>2,353,647</u>	<u>6,378,545</u>
Operating Income (Loss)	<u>(1,379,519)</u>	<u>(528,781)</u>	<u>(1,908,300)</u>
Non operating Revenues (Expenses)			
State Operating Grants	593,465	-	593,465
Contributed Capital State	1,773,958	-	1,773,958
Investment Income (Loss)	68,409	(10,036)	58,373
Gain/(Loss) Sale of Assets	5,742	-	5,742
Interest Expense	(141,019)	-	(141,019)
Total Nonoperating Revenues (Expenses)	<u>2,300,555</u>	<u>(10,036)</u>	<u>2,290,519</u>
Income (Loss) Before Operating Transfers	<u>921,036</u>	<u>(538,817)</u>	<u>382,219</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,995,870	-	1,995,870
Transfers Out	(173,930)	(126,778)	(300,708)
Total Other Financing Sources (Uses)	<u>1,821,940</u>	<u>(126,778)</u>	<u>1,695,162</u>
Net Income (Loss)	<u>2,742,976</u>	<u>(665,595)</u>	<u>2,077,381</u>
Depreciation of Fixed Assets Acquired by Grant	<u>151,221</u>	<u>-</u>	<u>151,221</u>
Net Increase (Decrease)	<u>2,894,197</u>	<u>(665,595)</u>	<u>2,228,602</u>
Retained Earnings, Beginning of Year	<u>1,735,264</u>	<u>957,120</u>	<u>2,692,384</u>
Retained Earnings, End of Year	\$ <u>4,629,461</u>	\$ <u>291,525</u>	\$ <u>4,920,986</u>

The notes to the financial statements are an integral part of this statement.

KETCHIKAN GATEWAY BOROUGH
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		Total Primary Government (Memorandum)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Only</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,272,134	\$ 1,824,866	\$ 4,097,000
Due to Other Funds	288,856	-	288,856
Cash Payments for Insurance	(269,882)	(2,379,993)	(2,649,875)
Cash Payments to Employees for Services	(2,326,390)	-	(2,326,390)
Cash Payments to Suppliers for Goods and Services	(648,052)	-	(648,052)
Gain on Disposal of Assets	(5,742)	-	-
Net Cash Provided by Operating Activities	<u>(689,076)</u>	<u>(555,127)</u>	<u>(1,244,203)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Transfers In	1,995,870	-	1,995,870
Operating Transfers Out	(173,930)	-	(173,930)
Transfer to General Government	-	(126,778)	(126,778)
Net Cash Provided by Noncapital Financing Activities	<u>1,821,940</u>	<u>(126,778)</u>	<u>1,695,162</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(4,220,432)	-	(4,220,432)
Operating/Capital Grants Received from State	593,465	-	593,465
Bond Proceeds	4,250,000	-	4,250,000
Principal Paid on Bonds/Notes Payable	(8,490)	-	(8,490)
Interest Paid on Bonds/Notes Payable	(141,019)	-	(141,019)
Contributed Capital from State	1,773,958	-	1,773,958
Net Cash Used for Capital and Related Financing	<u>2,247,482</u>	<u>-</u>	<u>2,247,482</u>
Cash Flow From Investing Activities:			
Income (Loss) from Investments	68,409	(10,036)	58,373
Net Cash Provided by Investing Activities	<u>68,409</u>	<u>(10,036)</u>	<u>58,373</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,448,755	(691,941)	2,756,814
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	<u>1,300</u>	<u>1,024,656</u>	<u>1,025,956</u>
Cash and Cash Equivalents at June (Including in Restricted Accounts)	<u>\$ 3,450,055</u>	<u>\$ 332,715</u>	<u>\$ 3,782,770</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	889,539	332,715	1,222,254
Cash and Temporary Investments - Restricted Assets	<u>2,560,516</u>	<u>-</u>	<u>2,560,516</u>
	<u>\$ 3,450,055</u>	<u>\$ 332,715</u>	<u>\$ 3,782,770</u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	(1,379,519)	(528,784)	(1,908,300)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	571,862	-	571,862
Gain on Disposal of Assets	(5,742)	-	(5,742)
(Increase) Decrease in Accounts Receivable	(373,245)	-	(373,245)
Increase (Decrease) in Due to Other Funds	288,856	-	288,856
Increase (Decrease) in Accounts Payable	180,910	(26,346)	154,564
Increase (Decrease) in Accrued Liabilities	27,802	-	27,802
Total Adjustments	<u>690,443</u>	<u>(26,346)</u>	<u>664,097</u>
Net Cash Provided by Operating Activities	<u>\$ (689,076)</u>	<u>\$ (555,127)</u>	<u>\$ (1,244,203)</u>

The notes to the financial statement are an integral part of this statement.

KETCHIKAN GATEWAY BOROUGH
Notes to the Financial Statements
June 30, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Ketchikan Gateway Borough (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. These financial statements present all the fund types and account groups of the Borough. The Ketchikan Gateway Borough School District is a discretely presented component unit and is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Borough.

Complete financial statements for the component unit may be obtained at the entity's administrative office:

Ketchikan Gateway Borough School District
Pouch Z
Ketchikan, Alaska 99901

B. Measurement Focus and Basis of Accounting and Basis of Presentation

The accounts of the Borough are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded in those funds.

The Borough has the following fund types and account groups:

Governmental funds are used to account for the Borough's general government activities. The General Fund is the Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (excluding major capital projects), the Debt Service Funds account for the servicing of general long-term debt not being financed by proprietary funds and the Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

Proprietary funds account for activities of the Borough similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. Enterprise Funds are used to account for those operations that provide services to the public, while Internal Service Funds account for operations on a cost-reimbursement basis that provide services to other departments of the Borough and the Component Unit.

The Governmental Accounting Standards Board (GASB) allows proprietary activities to elect either to follow, or not to follow, Financial Accounting Standards Board (FASB) Statements and Interpretations which are not in conflict with GASB Pronouncements and have been issued after November 30, 1989. All of the Borough's funds which use proprietary fund accounting have elected to follow only Government Accounting Standards Board (GASB) pronouncements subsequent to November 30, 1989.

Fiduciary funds account for assets held by the Borough on behalf of others in a fiduciary capacity. Agency Funds account for assets the Borough holds on behalf of others.

Account Groups. The General Fixed Assets Account Group accounts for fixed assets not accounted for in proprietary or trust funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Deposits and Investments

1. Cash and Investments.

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments and all investments in the cash central treasury. 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. Interest income on investments is allocated monthly to participating funds based on their ending equity balance. 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.

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, highest rated commercial paper, repurchase agreements, fully collateralized certificates of deposits, and highest rated bonds and notes issued by a state or political subdivision thereof. Borough ordinance places limitations on maturity of investments, and Borough investment procedures limit the level of investment by type.

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

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of a fiscal year are referred to as either Interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of Interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of an allowance for doubtful accounts. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance.

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%. The sales tax collections remaining unpaid to Borough cities at fiscal year end are recognized as income at year end and recorded as a receivable in the General Fund. A prior period adjustment is made to the financial statements as not to distort revenues for the current year.

3. Inventories and Prepaid Items

Inventories in the Component Unit are carried at cost on the first-in, first-out method. These inventories consist of expendable supplies, equipment, and foodstuffs held at the central warehouse for issuance to schools or other district locations. The cost of inventory items is included in expenditures when issued for consumption. A portion of fund balance is reserved for inventory to indicate that inventory does not represent available, spendable resources even though it is a component of assets.

Expenditures are recognized when a purchase is made. Certain insurance premiums representing costs applicable to future accounting periods are recorded as prepaid assets. The inventories and prepaid assets recorded in the governmental fund types do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

4. Restricted Assets

The revenue bond construction account segregates cash and investments that are restricted for use in 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.

5. Fixed Assets

Fixed assets used in governmental fund types are recorded in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at the estimated fair market value at the date of donation. Assets in the General Fixed Assets Account Group are not depreciated. As of June 30, 2002 no Assets have been booked at estimated costs.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Public domain general fixed assets or infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Borough) have not been capitalized in the past. As a result of impending government accounting standards requirements to be implemented in the next few years, these are now being capitalized. Property, plant and equipment donated to proprietary fund type operations are recorded at cost or the estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary and similar trust funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

Land and Buildings used rent free by the Component Unit are owned by the Ketchikan Gateway Borough. In prior years these assets have been carried on the Component Units financial reports. Land and Buildings that have appeared in the Component Units financial reports have been transferred to the Ketchikan Gateway Borough.

Property, plant and equipment are depreciated in the proprietary and similar trust funds using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Airport Field Facilities	15-30
Vehicle and Moving Equipment	6-10
Airport Terminal Building	40
Equipment	6-10
Ferry Slip	40
Ferries	20

Prior to FY 02 fixed assets acquired from resources externally restricted for capital acquisition (e.g., capital grants) are recorded as contributed capital in the benefiting proprietary fund. Depreciation on these assets is recorded as an expense, but is closed to contributed capital rather than to retained earnings.

Due to the implementation of GASB33 in FY 02 capital contributions to proprietary funds are recognized as revenues, in the year received, not contributed capital. GASB33 does state that governments should not restate contributed capital arising from prior periods to the implementation date of this statement at this time.

6. Compensated Absences

It is the Borough's policy to permit employees to accumulate Paid Time Off (PTO) benefits. PTO is accrued when incurred in proprietary funds and reported as a fund liability. PTO that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Employees may receive cash payment for unused PTO only upon termination or for hours in excess of 720 at the end of any calendar year. For this reason, accumulated PTO hours are fully funded within the fund type. The obligation of accumulated PTO totals \$571,970 at June 30, 2002.

7. Long-Term Obligations

The Borough records long-term debt of the governmental funds at face value in the General Long-Term Debt Account Group. Other governmental fund obligations not expected to be financed with current available financial resources are also recorded in the General Long-Term Debt account group. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.

8. Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through grants and capital contributions from developers, customers or other funds.

The types of reserves and designations of the Borough's fund balances and retained earnings are as follows:

Reserves for encumbrances - represents outstanding purchase orders and contracts as of the fiscal year end that will be honored by the Borough in the next fiscal year.

Reserves for inventories/prepays/advances - portion of governmental fund assets that do not represent available expendable financial resources.

Reserve for debt service - portion of debt service fund balance restricted for payment of debt service.

Reserves in capital projects fund - represents amounts legally restricted by bond covenants.

9. Memorandum only-total columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations and changes in cash flows in accordance with generally accepted accounting principals. Interfund eliminations have not been made in the aggregation of this data.

II. BUDGETARY AND LEGAL COMPLIANCE

A. Budgetary Data

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except Capital Project Funds. Capital Projects Funds adopt project-length budgets. All annual appropriations lapse at fiscal year end.

On or before April 1, heads of all Borough departments and agencies submit requests for appropriations to the Borough budget committee which reviews in detail each of the requests. The Director of Administrative Services compiles the requests and the Manager submits a comprehensive budget request document to the Borough Assembly prior to May 1. The Borough Assembly conducts public hearings on the proposed budget after May 1 but prior to June 15. A budget is adopted by the Borough Assembly on or before June 30.

The appropriated budget is prepared by fund, object and department. Borough department heads may make transfers of appropriations within a department and the Manager may authorize transfers of appropriations within an individual fund. Transfers of appropriations between funds require the approval of the Borough Assembly. The legal level of budgetary control is the fund level. The Borough Assembly made several supplementary budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities. The commitments will be re-appropriated and honored during the subsequent year.

All governmental fund budgets are adopted annually on a cash basis with the following exceptions: the debt service funds and community projects grant (Special Revenue) funds do not adopt budgets and all capital project funds adopt a project-length budget.

Budgets were legally adopted by the Borough Assembly for the following funds:

General Fund

Special Revenue Funds:

- Land Trust Fund
- Mud Bight Service Area Fund
- Mountain Point Service Area Fund
- South Tongass Fire District Fund
- Waterfall Service Area Fund
- Nichols View Service Area Fund
- Forest Park Service Area Fund
- Gold Nugget Service Area Fund
- Non Areawide Fund
- School Bond/Capital Improvement Fund
- Shoup Street Service Area Fund
- Economic Development Fund
- Recreational Sales Tax Fund
- Passenger Facility Charges Fund (PFC)

Enterprise Funds:

- Airport Enterprise Fund
- Transit Enterprise Fund

During Fiscal Year 2001/2002, the Borough Assembly made the following supplemental appropriations in the General and Special Revenue Funds:

- (1) Ordinance No. 1196 adopted on October 15, 2001, appropriated \$17,500 from the General Fund (\$7,800 for Mike Smithers Pool security and a \$9,700 Interfund Transfer to the Transit Enterprise Fund); a supplemental appropriation of \$9,700 from the Transit Enterprise Fund for paratransit services; a supplemental appropriation \$36,000 from the Land Trust Fund for cleanup of Ketchikan and Schoenbar Creeks; and a supplemental appropriation of \$10,726 from the Economic Development Fund in additional costs for the sludge press facility construction.
- (2) Ordinance No. 1202 adopted on January 21, 2002 appropriated up to \$293,000 from the General Fund to the Transit Enterprise Fund for the purchase of 3 transit buses; \$500,000 from the Land Trust Fund for an airport renovation project; and a supplemental appropriation of \$11,500,000 from the Economic Development

Assistance Fund (\$5,000,000 to Ketchikan Public Utilities for construction of the Swan Lake/Lake Tye Intertie, \$6,000,000 to Alaska Ship and Drydock and \$500,000 for an airport renovation project).

- (3) Ordinance No. 1203 adopted on February 4, 2002, appropriated \$625,000 loan from the Land Trust Fund – Repair and Maintenance Fund for the purpose of establishing a sludge disposal site and operation in the Ward Cove Area.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2002, expenditures exceeded budget at the department level (i.e., the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
Special Revenue Funds:	
Non Areawide Fund	357,972
South Tongass Fire District Fund	2,645
Waterfall Service Area Fund	6,835
Recreation Sales Tax Fund	18,221

C. Deficit Fund Equity

Certain Capital Project and Special Revenue Funds have deficit fund balances in the amount of \$86,943, which are summarized below. The revenue needed to meet the deficit in the Non-Areawide Fund likely will be made up by additional taxes or user sewage fees, or a loan from the Land Trust Fund. The Mud Bight Service Area anticipates loans to cover its deficit. Assembly action is needed to close the pool project. The pool roof repairs are a result of issues involving design and construction.

<u>Special Revenues:</u>	
Mudbight Service Area Fund	\$ (68)
Non-Areawide Fund	(82,731)
<u>Capital Project Funds:</u>	
Mike Smithers Pool Roof Repair	(4,144)
Total Negative Undesignated Fund Balance	\$ <u>(86,943)</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Borough and its discretely presented component unit (the Ketchikan Gateway Borough School District) bank balances of deposits at June 30, 2002, are entirely insured or collateralized with securities held by the Borough or by their agents in their respective names. See I.C.1 (page 11) for additional information regarding Cash & Investments.

Local ordinances authorize the Borough to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements and certain corporate bonds, and limited equity stocks not to exceed 25 percent of total. All investments are stated at fair market value.

At fiscal year-end, the Borough's carrying amount of deposits was \$330,779 and the bank balance was \$1,625,811. Of the bank balance, \$1,625,811 was covered by federal depository insurance or by collateral held by the Borough's agent in the Borough's name. Petty cash funds represent \$2,200 at June 30, 2002.

At fiscal year-end, the Component Unit deposits were classified as follows: \$146,000 in Category 1 – Insured or collateralized with securities held by the District or its custodian in the District's name, and \$744,000 in Category 2 – collateralized with securities held by the pledging financial institution's trust department or custodian in the District's name.

The Component Unit invested \$35,000 of a scholarship fund in a time certificate of deposit. The value of the certificate of deposit with interest was \$35,605 as of June 30, 2002. The terms of the scholarship fund restrict the principal of the fund (\$35,105) for re-investment purposes only. The remainder is available for scholarships.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the Borough or its agent in the Ketchikan Gateway Borough's name.
- (2) Uninsured and unregistered, with securities and stocks held by the counter party's trust department or agent in the Borough's name.
- (3) Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the Borough's name.

At June 30, 2002, the Borough's investment balances were as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
US Government Securities		21,368,695		21,368,695	21,368,695
Common Stock		5,271,102		5,271,102	5,271,102
TCD's	1,791,877			1,791,877	1,791,877
Cash Equivalents			11,928,741	11,928,741	11,928,741
Total	<u>\$1,791,877</u>	<u>\$26,639,797</u>	<u>\$11,928,741</u>	<u>\$40,360,415</u>	<u>\$40,360,415</u>

Investments Not Subject to Categorization:

Component Unit		
US Government Securities	\$ 26,000	\$ 29,000
Total	<u>\$ 26,000</u>	<u>\$ 29,000</u>

Short-term investments of the component unit in the amount of \$ 26,000 are classified as Category 2 and have a market value of \$29,000 at June 30, 2002.

B. Receivables

The Borough has made loans in the amount of \$9,500,000 with (GFP) for construction of a new veneer mill and secure additional operational capital. The loan is collateralized by real property with appraised values in excess of the loan amount. The properties are in the process of being foreclosed. It is anticipated that the properties being foreclosed will have sufficient value to pay the principal, interest and taxes.

The Borough has purchased local unsecured creditors claims of Gateway Forest Products for approximately \$5,500,000. A charge of \$4,457,367 has been recognized in the financial statements for the estimated uncollectible amount of those claims.

The Borough has a receivable with a contractor who developed property and constructed a small sawmill. The original \$800,000 note is calculated at 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, 2002 is \$666,226. In the event of a default of the development project, the value of the improvements would exceed the loan value.

Receivables at June 30, 2002 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Taxes	\$1,059,202	\$ -	\$ -	\$ -	\$1,059,202
Accounts Receivables	100,639	798,807	333	502,358	1,402,137
Allowance for Doubtful Accounts Due From Other Funds		(4,457,367)			(4,457,367)
Notes Receivable	686,279	-	-	-	686,279
Advances to Other Funds	-	15,372,314	-	-	15,372,314
Total Receivables	<u>\$1,846,120</u>	<u>\$13,223,869</u>	<u>\$ 333</u>	<u>\$502,358</u>	<u>\$15,572,680</u>

C. Fixed Assets

A summary of changes in general fixed assets is as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land	\$ 357,250	117,216	\$ -	\$ 474,466
Buildings	8,548,999	70,109,442	-	78,658,441
Equipment	2,111,204	292,071	-	2,403,275
Infrastructure	3,491,241	-	-	3,491,241
Intangible	-	7,224	-	7,224
Construction in Progress	-	19,607	-	19,607
Total	<u>\$14,508,694</u>	<u>70,545,560</u>	<u>-</u>	<u>\$85,054,254</u>

A summary of the Enterprise Fund property, plant and equipment at June 30, 2002 is as follows:

	Balance July 1, 2001	Net Change Current Year	Balance June 30, 2002
Field	\$ 3,495,445	\$ 55,954	\$3,551,399
Terminal	4,385,088	38,430	4,423,518
Ferry	1,730,429	3,671,371	5,401,800
Administration	26,368	463	26,831
Murphy's Landing	12,875	-	12,875
Transit	508,624	268,635	777,259
Construction In Progress	-	212,441	212,441
	<u>10,158,829</u>	<u>4,247,294</u>	<u>14,406,123</u>
Accumulated Depreciation	<u>(6,782,476)</u>	<u>(580,874)</u>	<u>(7,363,350)</u>
Net Property, Plant and Equipment	<u>\$ 3,376,353</u>	<u>\$ 3,666,420</u>	<u>\$ 7,042,773</u>

D. 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 the State 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, 2002.

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.

*Correct
5 years*

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

<u>Year</u>	<u>Terminal Space</u>	<u>Other</u>
2003	7,928	41,765
2004	-0-	41,150
2005	-0-	41,150
2006	-0-	41,150
2007	-0-	41,150

The Federal Aviation Administration has not signed a new lease, however, the lease continues on a month-to-month basis until a new lease is signed.

E. Long-Term Debt

School bonds are reported in the General Long-Term Debt Account Group. The Gateway Recreation Center (GRC) bonds are to be paid 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 on the school and GRC General Obligation Bonds.

A summary of changes in General Long-Term Debt is as follows:

	<u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2002</u>
Areawide General Obligation Bond	\$21,610,000	\$ -0-	\$ 955,000	\$20,655,000

Bonds payable at June 30, 2002 consist of the following individual issues:

General Obligation Bonds:

1995 GRC Bonds - 4.30 % - 6.00 % Interest	\$ 4,545,000
1999 School Bonds due through 2019 at 4.75-5.65% interest	7,195,000
2000 School Bonds due through 2020 at 5.00-5.50% interest	<u>8,915,000</u>
	<u>\$20,655,000</u>

The annual requirements to amortize all bonds outstanding as of June 30, 2002, including interest for General Obligations, are as follows:

<u>Year Ending – June 30</u>	<u>Principal</u>	<u>Interest</u>
2003	1,175,000	1,061,966
2004	1,230,000	1,006,216
2005	1,285,000	947,254
2006	1,345,000	884,560
2007	1,415,000	819,110
2008-2012	5,535,000	3,106,013
2013-2017	5,355,000	1,811,195
2018-2020	<u>3,315,000</u>	<u>337,410</u>
Totals	<u>20,655,000</u>	<u>9,973,724</u>

Revenue Bonds

In August 2001, Ketchikan Gateway Borough issued \$4,250,000 in Revenue Bonds to finance construction of a new airport ferry and for renovations to the Airport terminal. Passenger Facilities Charges, which were initiated in 1999, will provide the revenue stream for repaying the bond debt. Revenue bonds outstanding at year end are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Airport Ferry	4.75 – 4.90%	\$1,725,000
Terminal Renovations	5.00 – 5.20%	2,525,000
		<u>\$4,250,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending – June 30</u>	<u>Principal</u>	<u>Interest</u>
2003	50,000	203,289
2004	180,000	197,664
2005	185,000	188,727
2006	195,000	179,421
2007	205,000	169,777
2008-2012	1,190,000	691,114
2013-2017	1,525,000	374,677
2018-2019	720,000	36,970
Totals	<u>4,250,000</u>	<u>2,041,639</u>

IV. OTHER INFORMATION

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 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 Ketchikan Gateway Borough has two loan guarantees at present; one is through the General Fund and one through the Economic Development Fund (for details of these loans see: C. Contingent Liabilities, Loan Guarantees). There is some risk of loss in these guarantees, but attempts are to minimize risk through due diligence review and proof of collateral.

B. Segment Information - Enterprise Funds

Ketchikan Gateway Borough maintains two Enterprise Funds which are intended to be self-supporting through user fees charged for services and use of the facilities. Both of these Funds were subsidized from the General Fund. Financial segment information as of and for the year ended June 30, 2002 is presented in the next table.

	<u>Airport</u>	<u>Transit</u>	<u>Total</u>
Operating Revenues	\$2,423,738	\$221,641	\$2,645,379
Operating Grants, Entitlement	246,919	58,222	305,141
Depreciation Expense	480,209	91,653	571,862
Operating Income (Loss)	(831,390)	(548,129)	(1,379,519)
Operating Transfers In	1,613,546	361,693	1,975,239
Operating Transfers Out	(133,299)	(20,000)	(153,299)
Net Income (Loss)	2,602,722	140,254	2,742,976
Property, Plant & Equipment			
Additions	3,978,659	268,635	4,247,294
Deletions	-	-	-
Net Working Capital	(282,572)	(222,527)	(505,099)
Total Assets	10,399,944	595,242	10,995,186

Bonds & Other Long-term	4,200,000	-	4,200,000
Total Equity	5,707,014	79,415	5,786,429
Contributed Capital	3,098,054	363,870	3,461,924
(Accumulated Amortization)	(1,953,998)	(350,958)	(2,304,956)

The Airport Fund is responsible for the operation and maintenance of the airport facilities and ferry system. The Transit Fund is responsible for the operation and maintenance of the Borough's bus system.

C. Contingent Liabilities

Litigation

The Ketchikan Gateway Borough, in the normal course of its activities, is involved in various claims and pending litigations. It is the opinion of management and the Borough's legal staff that the disposition of these matters is not expected to have a material adverse impact on the Borough's financial position.

The Borough is involved in a joint suit against the U.S. Forest service with the Alaska Forest Association. The cost to the Borough is anticipated at \$120,000 for legal fees. The Borough will not be liable for additional costs in the event of an unfavorable ruling.

Pending Claims

Grievances have been filed by two employees for wrongful discharge; the Borough is opposing these grievance actions. Neither of these claims are anticipated to have a material adverse impact on the Borough's overall financial condition.

One of these grievances has gone to arbitration and is expected to cost the Borough an amount as yet to be determined. The second grievance is expected to go to arbitration in January 2003. We expect the Borough's chances of prevailing to be good.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Borough expects such amounts, if any, to be immaterial.

Professional and Contractual Commitments

At June 30, 2002 the Ketchikan Gateway Borough has encumbered in purchase orders professional and contractual service contracts in the amount of \$1,698,088 for architectural services for major maintenance and construction services for Schoenbar Middle School,

Economic Development, Financial Services, Personnel and Legal Services contracts and Renovations to the Airport Terminal.

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 Visitors 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, 2002 was \$407,829.

A \$1,865,000 loan is guaranteed for the Inter-Island Ferry Authority (IFA), which has a bond issue in that amount to construct a new ferry. This loan is guaranteed by the Economic Development 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.

D. Deferred Compensation Plan

The Borough and the School District offer their employees deferred compensation plans created in accordance with Internal Revenue Code, Section 457. The plans, available to all full-time employees at their option, permit participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights (until paid or made available to the employee or other beneficiary) were transferred to a trust effective January 1, 1999.

It is the opinion of legal counsel that the Borough has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

E. Employee Retirement Systems & Plans

The Ketchikan Gateway Borough and Component Unit employees participate in four pension plans. All certified 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 component unit contributes to the State of Alaska Teachers' Retirement System, a cost-sharing multiple-employer defined benefits pension plan administered by the Division of Retirements and Benefits. TRS provides retirement and disability benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The Division of Retirements and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for TRS. That report may be obtained by writing to:

Department of Administration
Division of Retirements and Benefits
P. O. Box 110203
Juneau, Alaska 99811-0203

or by calling (907) 465-4460.

Funding Policy Plan members are required to contribute 8.65% of their annual covered salary and the Component Unit 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 Component Unit's contributions to TRS for the years ended June 30, 2002, 2001, and 2000 were \$997,000, \$1,071,000, and \$1,079,000, respectively, equal to the required contribution for each year.

Public Employees' Retirement System (PERS)

The Ketchikan Gateway Borough and Component Unit'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 Ketchikan Gateway Borough and its Component Unit are required to contribute at actuarially determined rates; the rate for the year ended June 30, 2002 was 6.88% for the Ketchikan Gateway Borough and 9.49% for the Component Unit of covered payroll. The contribution requirements of plan members are set by statute. The Borough's and Component Unit's contribution requirements are established and may be amended by the Public Employees' Retirement System Board.

Annual Pension Cost (APC). During FY 2002, the Borough's annual pension cost of \$167,792 and the Component Units annual pension cost of \$192,000 for PERS was equal to the Borough and Component Unit's required and actual contribution. The required contribution was determined as part of the June 30, 1999 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) 4% 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 Ketchikan Gateway Borough and the Component Unit:

Ketchikan Gateway Borough:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/00	139	100%	-
6/30/01	153	100%	-
6/30/02	168	100%	-

Component Unit:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/00	182	100%	-
6/30/01	188	100%	-
6/30/02	192	100%	-

Annual Post-employment Healthcare Cost (APHC) During FY 2002, the Borough and Component Unit's annual post-employment healthcare cost of \$71,912 and \$74,000 respectively for PERS was equal to the Borough's and Component Unit'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) 4% per year total inflation; and (d) health cost inflation: FY99 9.5%, FY00 8.5%, FY01 7.5%, FY02 6.0%, 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 Component Unit respectively:

Ketchikan Gateway Borough:

Fiscal Year Ending	Annual Post- Employment Healthcare Cost	Percentage of APHC Contributed (APHC)	Net Pension Obligation
6/30/00	56	100%	-
6/30/01	35	100%	-
6/30/02	72	100%	-

Component Unit:

Fiscal Year Ending	Annual Post-employment Healthcare Cost	Percentage of APHC Contributed (APHC)	Net Pension Obligation
6/30/00	70	100%	-
6/30/01	73	100%	-
6/30/02	74	100%	-

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The trend information below does not show data for 6/30/00 because an *Actuarial Valuation* Report for the State of Alaska Public Employees' Retirement System was not prepared as of 6/30/00. Four-year trend information for the Ketchikan Gateway Borough is included in the following tables (dollar amounts shown in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a)/(b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/(c)
Pension						
6/30/97	8,000	7,232	111%	(767)	2,358	(33%)
6/30/98	8,696	8,185	106%	(511)	2,534	(20%)
6/30/99	9,226	8,727	106%	(499)	2,923	(17%)
6/30/01	11,033	10,693	103%	(344)	3,094	(7%)
Post Employment Health						
6/30/97	2,982	2,696	111%	(286)	2,358	(12%)
6/30/98	3,469	3,265	106%	(204)	2,534	(8%)
6/30/99	3,741	3,539	106%	(202)	2,923	(7%)
6/30/01	4,672	4,528	103%	(144)	3,128	(5%)

Retirement Incentive Program

The 1996 Alaska State Legislature passed a retirement incentive program for school districts and related agencies. Governor Tony Knowles signed the bill June 18, 1996, making it effective immediately. The program provides eligible employees with an additional three years to be applied in the following order: to meet the age eligibility criteria; reduce the actuarial adjustment required for early retirement; or as years of credited service. Participating employees must agree to pay the retirement system the equivalent to three years' withholding on their salaries. The employer incurs a cost equivalent of the actuarial difference for the additional benefit in excess of the employee's obligation. The employer's cost creates a debt obligation to be repaid over three years to the retirement system.

On April 19, 1999 the Ketchikan Gateway Borough agreed to participate in the retirement incentive program for its eligible employees. Two employees participated in this program with a total cost to the Borough of \$60,782. The Borough has expended \$40,522 through June 30, 2002.

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 \$700 per employee, paid bimonthly. 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.

Contributions for members who were employed in Borough positions during the year was \$700 per employee bimonthly. The Borough's total payroll for the year ended June 30, 2002 was \$4,934,940 and the payroll for covered employees totaled \$181,162. 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 non-premium hour worked. The Borough's total payroll for the year ended June 30, 2002 was \$4,934,940 and the payroll for covered employees totaled \$533,267. The total amount contributed to the IBEW plan in FY 2002 was \$93,061. The Borough's obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

F. Interfund Transfers

Interfund operating transfers have been made in accordance with appropriating ordinances. Funds are transferred from one fund to support expenditures of other funds in accordance with the authority established for the individual fund. Transfers between funds for the year ended June 30, 2002, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,777,090	\$ 1,258,901
Special Revenue Funds	2,395,133	6,928,709
Enterprise Funds	1,995,870	173,930
Internal Service Funds	-	126,778
Debt Service	2,257,281	-
Capital Projects	62,944	
Subtotals	<u>\$8,488,318</u>	<u>\$8,488,318</u>
 <u>Component Unit</u>		
School District	7,564,426	-
General Fund	-	7,564,426
Totals	<u>\$16,052,744</u>	<u>\$16,052,744</u>

G. Interfund Receivable and Payables

Interfund receivable and payable balances at June 30, 2002 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$686,279	-
Special Revenues		196,215
Enterprise Funds	-	462,265
Capital Projects	-	27,799
Subtotals	686,279	686,279
Component Unit	115,912	-
General Fund	-	115,912
Totals	<u>\$802,191</u>	<u>\$802,191</u>

H. Health Insurance Plan

The Ketchikan Gateway Borough and Ketchikan Gateway Borough School District (component unit) utilize a partially self-funded health plan to cover its employees' health (including dental and vision). It purchases stop loss insurance at \$100,000 per covered and in 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 participated in the internal service fund established to record transactions involving the partially self-funded health plan. The following shows the payments made by the Borough and the component unit to the Borough's internal service fund and the payments from the fund to pay administration and employee health care claims:

Budget Item

	Component Unit	Borough	Total
Balance June 30, 2001	\$ 624,742	\$ 332,378	\$ 957,120
Paid into Internal Service Fund	1,119,445	705,421	1,824,866
Administration Fees	-	(164,834)	(164,834)
Claims Service	(1,530,021)	(658,792)	(2,188,813)
Transfers	-	(126,778)	(126,778)
Interest Income	(8,303)	(1,733)	(10,036)
Balance June 30, 2002	<u>\$ 205,863</u>	<u>\$ 85,662</u>	<u>\$ 291,525</u>

The Ketchikan Gateway Borough will provide 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.

I. Prior Period Adjustments

Due to the implementation of GASB 33 – Accounting and Financial Reporting for Nonexchange Transactions – a prior period adjustment was made to Beginning Fund Balance in the General Fund in the Amount of \$1,103,602, and to Beginning Fund Balance in the Recreation Sales Tax Fund in the amount of \$275,901. GASB 33 requires that governments recognize assets from derived tax revenue transactions in the period when the exchange transaction took place. As a result of this requirement, the tax revenues collected during July and August 2001 are shown as an adjustment to Beginning Fund Balance so as not to distort total tax revenue for FY02.

A prior period adjustment was made to Beginning Fund Balance in the Capital Projects Fund in the amount of \$902,239 due to construction costs in FY00, and FY01 for the M/V Oral Freeman. This project was reported in FY00 and FY01 as a capital project, but should have been reported in the Airport Enterprise Fund. The Oral Freeman was completed in FY02 and the total cost of the vessel was capitalized in the Airport Enterprise Fund.

J. Subsequent Events

On July 16, 2002, the Ketchikan Gateway Borough purchased the Veneer Mill for approximately \$2,700,000, which includes amounts for the forgiveness of property taxes, foreclosure costs, and some transportation reimbursements for prospective buyers who traveled to Ketchikan for the auction of the Veneer Mill.

Ketchikan Gateway Borough has filed documents for repossession of properties at the Ward Cove site. These properties are collateral for a \$7,000,000 loan that was made to Gateway Forest Products by the Borough.

Ketchikan Gateway Borough secured a lease for Tidelands and the Veneer Mill site. The Veneer Mill site is being foreclosed on by Foothill Capital Corporation. Upon completion of the foreclosure, the properties will be deeded to the Borough.

The Borough plans to issue bonds within the next few months in the amount of \$9,000,000 for renovations to Schoenbar Middle School as a result of the passage of the Bond proposition on October 1, 2002.

Subsequent to June 30, 2002, Ketchikan Gateway Borough has provided Alaska Ship and Drydock with performance and payment bonding of up to \$6,000,000, due to the fact that sureties are not providing insurance in the marine market at this time.

K. Fund Equity

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings and designated fund balance are comprised of the following:

General Fund

Reserved for Encumbrances	\$ 46,687
Reserved for Prepaid Insurance	43,931
Reserved for KVB Loan Guarantee	<u>407,829</u>
Reserved - General Fund	<u>498,447</u>

Special Revenue Fund

Reserved for Accounts Receivable	\$ 1,631
Reserved for Encumbrances	982,858
Reserved for Outstanding Loans	10,246,282
Reserved for Loan Guarantees	1,865,000
Reserved for Advances	<u>1,510,115</u>
Reserved - Special Revenues	<u>\$14,605,886</u>

Capital Projects Funds

Reserved for Encumbrances	<u>\$455,993</u>
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GENERAL FUND STATEMENTS

The General Fund is the operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in separate funds.

The following statements are included in this section:

Balance Sheet – Comparative Balance Sheet

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE BALANCE SHEETS

June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Assets		
Cash & Temporary Investments	\$ 3,001,959	\$ 3,619,918
Accounts Receivable	100,639	117,648
Due From Other Funds	686,279	177,553
Prepaid Expenses	43,931	7,659
Taxes Receivable	<u>1,059,202</u>	<u>2,820</u>
Total Assets	<u>\$ 4,892,010</u>	<u>\$ 3,925,598</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts Payable	\$ 169,976	\$ 126,895
Due to Other Governments	38,242	34,172
Due to Component Unit	115,912	584,075
Deposits	37,342	35,400
Accrued Liabilities	683,046	666,323
Deferred Revenue	<u>106,170</u>	<u>41,147</u>
Total Liabilities	<u>1,150,688</u>	<u>1,488,012</u>
 Fund Balance		
Reserved for KVB Loan Guarantee	407,829	432,051
Reserved for Prepaid Expenses	43,931	7,659
Reserved for Encumbrances	46,687	174,013
Unreserved	<u>3,242,875</u>	<u>1,823,863</u>
Total Fund Balance	<u>3,741,322</u>	<u>2,437,586</u>
Total Liabilities & Fund Balance	<u>\$ 4,892,010</u>	<u>\$ 3,925,598</u>

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues		
Taxes		
Real & Personal Property Taxes	\$ 6,482,128	\$ 6,379,815
Automobile & Boat Taxes	180,139	190,674
Sales Taxes	3,864,206	3,790,484
Penalty & Interest	<u>173,466</u>	<u>98,947</u>
Total Taxes	<u>10,699,939</u>	<u>10,459,920</u>
Alaska State Housing Authority	<u>18,756</u>	<u>16,907</u>
Licenses and Permits		
Zoning Fees	<u>25,155</u>	<u>31,080</u>
Revenues from Other Governments		
State Municipal Assistance	111,380	103,709
State Revenue Sharing	83,168	84,949
State License Refunds	320,576	425,517
State Child Care Assistance	61,362	60,327
Federal Revenue - PILT	1,228,839	402,608
Timber Stumpage	<u>342,006</u>	<u>100,604</u>
Total Revenues from Other Governments	<u>2,147,331</u>	<u>1,177,714</u>
Charges for Services		
Animal Control	31,024	28,884
Parks and Recreation	369,934	387,902
Other Charges	<u>131,468</u>	<u>61,041</u>
Total Charges	<u>532,426</u>	<u>477,827</u>
Other Revenues		
Investment Income (Loss)	<u>30,495</u>	<u>(216,591)</u>
Transfers from Other Funds		
Land Trust Fund	775,000	535,000
Economic Development Fund	761,000	492,446
Service Area Funds	14,070	36,090
Airport Enterprise Fund	100,242	-
Internal Service	<u>126,778</u>	<u>-</u>
Total Transfers	<u>1,777,090</u>	<u>1,063,536</u>
Total Revenues & Transfers	<u>\$ 15,231,192</u>	<u>\$ 13,010,393</u>

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Expenditures		
Administration		
Mayor & Assembly	\$ 105,442	\$ 100,547
Law	332,861	212,661
Clerk	172,207	188,929
Manager	571,850	439,911
Finance-Accounting	561,846	573,729
Finance-Assessment	<u>410,756</u>	<u>420,631</u>
Total Administration	2,154,962	1,936,408
Public Services		
Animal Protection	319,166	290,286
Planning	578,681	573,239
OEDP	84,400	67,152
Community Education	297,820	284,082
Public Works	861,339	725,842
Child Care Operations	61,445	60,996
Parks and Recreation	<u>1,423,440</u>	<u>1,425,442</u>
Total Public Services	3,626,291	3,427,039
Automation	174,708	56,845
Non Departmental	148,748	100,001
Capital Projects	<u>103,022</u>	<u>41,725</u>
Total Expenditures	<u>6,207,731</u>	<u>5,562,018</u>
Excess (Deficit) of Revenues & Transfers over Expenditures	<u>9,023,461</u>	<u>7,448,375</u>
Transfers to Other Funds		
Transfers to Component Unit	(7,564,426)	(7,338,857)
Transfers to Transit Fund	(361,693)	(235,499)
Transfers to Airport Fund	(453,208)	-
Transfers to Recreation CIP	(4,000)	-
Transfers to Bond Debt Fund	<u>(440,000)</u>	<u>(200,000)</u>
Total Other Financing	<u>(8,823,327)</u>	<u>(7,774,356)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	200,134	(325,981)
Beginning Fund Balance	2,437,586	<u>2,763,567</u>
Prior Period Adjustment	1,103,602	
Beginning Fund Balance (Restated)	<u>3,541,188</u>	
Fund Balance End of Year	37 \$ <u>3,741,322</u>	\$ <u>2,437,586</u>

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Fiscal Years Ended June 30, 2002 and 2001

	2002		Variance Favorable (Unfavorable)	2001		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
Revenues						
Taxes						
Real & Personal Property Taxes	\$ 6,671,195	\$ 6,482,128	\$ (189,067)	\$ 6,478,866	\$ 6,379,815	\$ (99,051)
Automobile & Boat Taxes	188,410	180,139	(8,271)	188,410	190,674	2,264
Sales Taxes	3,816,768	3,864,206	47,438	3,533,832	3,790,484	256,652
Penalty & Interest	114,000	173,466	59,466	114,500	98,947	(15,553)
Total Taxes	10,790,373	10,699,939	(90,434)	10,315,608	10,459,920	144,312
Alaska State Housing Authority	15,000	18,756	3,756	15,000	16,907	1,907
Licenses and Permits						
Zoning Fees	57,375	25,155	(32,220)	57,375	31,080	(26,295)
Revenues from Other Governments						
State Municipal Assistance	105,579	111,380	5,801	105,579	103,709	(1,870)
State Revenue Sharing	87,974	83,168	(4,806)	70,181	84,949	14,768
State License Refunds	350,000	320,576	(29,424)	318,243	425,517	107,274
State Child Care Assistance	62,285	61,362	(923)	60,548	60,327	(221)
Federal Revenues	599,349	1,228,839	629,490	410,259	402,608	(7,651)
Timber Stumpage	401,000	342,006	(58,994)	85,000	100,604	15,604
Total Revenues from Other Governments	1,606,187	2,147,331	541,144	1,049,810	1,177,714	127,904
Charges for Services						
Animal Control	32,500	31,024	(1,476)	32,500	28,884	(3,616)
Parks and Recreation	423,218	369,934	(53,284)	423,218	387,902	(35,316)
Other Charges	76,829	131,468	54,639	36,000	61,041	25,041
Total Charges	532,547	532,426	(121)	491,718	477,827	(13,891)
Other Revenues						
Investment Income (Loss)	191,625	30,495	(161,130)	475,000	(216,591)	(691,591)
Transfers from Other Funds						
Land Trust Fund	775,000	775,000	-	535,000	535,000	-
Inter-Departmental	761,000	761,000	-	531,828	492,446	(39,382)
Service Area Funds	18,870	14,070	(4,800)	20,136	36,090	15,954
Airport Enterprise Fund	105,088	100,242	(4,846)	-	-	-
Internal Service Fund	126,778	126,778	-	-	-	-
Total Transfers	1,786,736	1,777,090	(9,646)	1,086,964	1,063,536	(23,428)
Total Revenues & Transfers	\$ 14,979,843	\$ 15,231,192	\$ 251,349	\$ 13,491,475	\$ 13,010,393	\$ (481,082)

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For the Fiscal Years Ended June 30, 2002 and 2001

	2002		Variance Favorable (Unfavorable)	2001		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
Expenditures						
Administration						
Mayor & Assembly	\$ 117,743	105,442 ✓	\$ 12,301	\$ 113,807	\$ 100,547	\$ 13,260
Law	383,060	332,861 ✓	50,199	257,710	212,661	45,049
Clerk	186,506	172,207 ✓	14,299	176,744	188,929	(12,185)
Manager	631,330	571,850 ✓	59,480	604,084	439,911	164,173
Finance-Accounting	570,137	561,846 ✓	8,291	618,662	573,729	44,933
Finance-Assessment	419,559	410,756 ✓	8,803	409,864	420,631	(10,767)
Total Administration	2,308,335	2,154,962	153,373	2,180,871	1,936,408	244,463
Public Services						
Animal Protection	286,188	319,166 ✓	(32,978)	300,186	290,286	9,900
Planning	763,648	578,681 ✓	184,967	632,329	573,239	59,090
OEDP	88,000	84,400 ✓	3,600	67,152	67,152	-
Community Education	299,566	297,820 ✓	1,746	314,224	284,082	30,142
Public Works	856,863	861,339 ✓	(4,476)	822,983	725,842	97,141
Child Care Operations	62,284	61,445 ✓	839	60,548	60,996	(448)
Parks and Recreation	1,454,353	1,423,440 ✓	30,913	1,328,437	1,425,442	(97,005)
Total Public Services	3,810,902	3,626,291	184,611	3,525,859	3,427,039	98,820
Automation	188,617	174,708 ✓	13,909	51,128	56,845	(5,717)
Non Departmental	161,692	148,748 ✓	12,944	143,188	100,001	43,187
Capital Projects	373,587	103,022 ✓	270,565	165,665	41,725	123,940
Total Expenditures	6,843,133	6,207,731	635,402	6,066,711	5,562,018	504,693
Excess (Deficit) of Revenues & Transfers over Expenditures	8,136,710	9,023,461	886,751	7,424,764	7,448,375	23,611
Transfers to Other Funds						
Transfers to Component Unit	(7,570,638)	(7,564,426) ✓	6,212	(7,496,187)	(7,338,857)	157,330
Transfers to Transit Fund	(361,693)	(361,693) ✓	-	(269,099)	(235,499)	33,600
Transfers to Airport Fund	(453,208)	(453,208) ✓	-	-	-	-
Transfers to Recreation CIP	(4,000)	(4,000) ✓	-	-	-	-
Transfers to Bond Debt Fund	(440,000)	(440,000) ✓	-	(200,000)	(200,000)	-
Total Other Financing	(8,829,539)	(8,823,327)	6,212	(7,965,286)	(7,774,356)	190,930
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (692,829)	200,134	\$ 892,963	\$ (540,522)	(325,981)	\$ 214,541
Beginning Fund Balance		2,437,586			2,763,567	
Prior Period Adjustment		1,103,602				
Beginning Fund Balance (Restated)		3,541,188				
Fund Balance End of Year	\$	3,741,322		\$	2,437,586	

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SPECIAL REVENUE FUND STATEMENTS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for special purposes. This does not include debt service resources, expendable trusts or major capital projects.

The following statements are included in this section:

Special Revenue Funds – Combining Balance Sheets:

Special Revenue Funds – Combining Statement of Revenues, Expenditures & Changes in Fund Balances

Individual Statement of Revenues, Expenditures & Changes in Fund Balances Budget and Actual for each Special Revenue Fund for which a Budget is developed

The following individual funds are included in this section:

Recreation Sales Tax Fund
Land Trust Fund
Mud Bight Service Area Fund
Mountain Point Service Area Fund
South Tongass Fire District Fund
Waterfall Service Area Fund
Nichols View Service Area Fund
Forest Park Service Area Fund
Gold Nugget Service Area Fund
Non Areawide Fund
State and Federal Grants Fund
School Bond/Capital Improvements Fund
Passenger Facilities Charges
Shoup Street Service Area Fund
Southeast Economic Development Fund

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2002

	Recreation Sales Tax Fund	Land Trust Fund	Mud Bight Service Area Fund	Mountain Point Service Area Fund
Assets				
Cash & Temporary Investments	\$ 487,431	\$ 10,828,509	\$ 14,107	\$ 177,585
Funds wth Fiscal Agents	-	-	-	-
Accounts Receivable - General	261,351	-	2,574	13,902
Advances to Other Funds	-	1,510,115	-	-
Road Credits	-	3,372	-	-
Notes Receivable - Net	-	668,665	-	-
Total Assets	\$ 748,782	\$ 13,010,661	\$ 16,681	\$ 191,487
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 12,318	\$ 3,311	\$	\$ 835
Advances from Other Funds	331,375	-	16,749	-
Retainage Payable	-	-	-	-
Unclaimed Bonds	-	-	-	-
Deposits	500	6,805	-	-
Accrued Vaction and Sick Leace	-	-	-	-
Deferred Revenue	-	44,264	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	344,193	54,380	16,749	835
Fund Balances				
Reserved for Loan Guarantees	-	-	-	-
Reserved for Advances to Other Funds	-	1,510,115	-	-
Reserved for Outstanding Loans	-	668,665	-	-
Reserved for Accounts Receivable	-	-	-	-
Reserved for Encumbrances	70,261	169,693	-	3,916
Designated for Ship Yard Maintenance	-	-	-	-
Unreserved Fund Balance	334,328	10,607,808	(68)	186,736
Total Fund Balance	404,589	12,956,281	(68)	190,652
Total Liabilities and Fund Balances	\$ 748,782	\$ 13,010,661	\$ 16,681	\$ 191,487

KETCHIKAN GATEWAY BOROUGH

Exhibit B-1

Continued

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2002

	South Tongass Fire District Fund	Waterfall Service Area Fund	Nichols View Service Area Fund	Forest Park Service Area Fund
Assets				
Cash & Temporary Investments	\$ 66,101	\$ 114,467	\$ 10,124	\$ 156,659
Funds with Fiscal Agents	-	-	-	-
Accounts Receivable - General	3,383	-	-	1,262
Advances to Other Funds	-	-	-	-
Road Credits	-	-	-	-
Notes Receivable - Net	-	-	-	-
Total Assets	\$ <u>69,484</u>	\$ <u>114,467</u>	\$ <u>10,124</u>	\$ <u>157,921</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 7,961	\$ 1,129	\$ -	\$ 2,773
Advances from Other Funds	-	-	-	-
Retainage Payable	-	-	-	-
Unclaimed Bonds	-	-	-	-
Deposits	-	-	-	-
Accrued Vacation and Sick Leave	-	-	-	-
Deferred Revenue	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>7,961</u>	<u>1,129</u>	<u>-</u>	<u>2,773</u>
Fund Balances				
Reserved for Loan Guarantees	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	-
Reserved for Outstanding Loans	-	-	-	-
Reserved for Accounts Receivable	-	-	-	-
Reserved for Encumbrances	-	-	-	-
Designated for Ship Yard Maintenance	-	-	-	-
Unreserved Fund Balance	<u>61,523</u>	<u>113,338</u>	<u>10,124</u>	<u>155,148</u>
Total Fund Balance	<u>61,523</u>	<u>113,338</u>	<u>10,124</u>	<u>155,148</u>
Total Liabilities and Fund Balances	\$ <u>69,484</u>	\$ <u>114,467</u>	\$ <u>10,124</u>	\$ <u>157,921</u>

KETCHIKAN GATEWAY BOROUGH

Exhibit B-1

Continued

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2002

	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund	School Bond/ Capital Improvements Fund
Assets				
Cash & Temporary Investments	\$ 10,048	\$ 1,084,689	\$ 294,908	\$ -
Funds with Fiscal Agents	-	-	-	-
Accounts Receivable - General	-	95,119	148,467	270,884
Advances to Other Funds	-	-	-	-
Road Credits	-	-	-	-
Notes Receivable - Net	-	-	-	-
Total Assets	\$ 10,048	\$ 1,179,808	\$ 443,375	\$ 270,884
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ -	\$ 37,265	\$ 56,626	\$ -
Advances from Other Funds	-	1,055,774	-	-
Retainage Payable	-	12,893	-	-
Unclaimed Bonds	-	-	-	7,845
Deposits	-	-	-	-
Accrued Vacation and Sick Leave	-	-	-	-
Deferred Revenue	-	82,800	289,966	-
Due to Other Funds	-	73,807	50,097	72,311
Total Liabilities	-	1,262,539	396,689	80,156
Fund Balances				
Reserved for Loan Guarantees	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	-
Reserved for Outstanding Loans	-	-	-	-
Reserved for Accounts Receivable	-	-	-	-
Reserved for Encumbrances	-	-	76,766	-
Designated for Ship Yard Maintenance	-	-	-	-
Unreserved Fund Balance	10,048	(82,731)	(30,080)	190,728
Total Fund Balance	10,048	(82,731)	46,686	190,728
Total Liabilities and Fund Balances	\$ 10,048	\$ 1,179,808	\$ 443,375	\$ 270,884

KETCHIKAN GATEWAY BOROUGH

Exhibit B-1

Continued

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2002

	Airport PFC Fund	Shoup Street Service Fund	Southeast Economic Development Fund	Total
Assets				
Cash & Temporary Investments	\$ 656,752	\$ 29,962	\$ 10,449,044	\$ 24,380,386
Funds wth Fiscal Agents	-	-	-	-
Accounts Receivable - General	-	234	1,631	798,807
Advances to Other Funds	-	-	-	1,510,115
Road Credits	-	-	-	3,372
Notes Receivable - Net	-	-	10,246,282	10,914,947
Total Assets	\$ 656,752	\$ 30,196	\$ 20,696,957	\$ 37,607,627
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	-	\$ 618	\$ 85,468	\$ 208,304
Advances from Other Funds	-	21,103	-	1,425,001
Retainage Payable	-	-	-	12,893
Unclaimed Bonds	-	-	-	7,845
Deposits	-	-	-	7,305
Accrued Vaction and Sick Leace	-	-	529	529
Deferred Revenue	-	-	-	417,030
Due to Other Funds	-	-	-	196,215
Total Liabilities	-	21,721	85,997	2,275,122
Fund Balances				
Reserved for Loan Guarantees	-	-	1,865,000	1,865,000
Reserved for Advances to Other Funds	-	-	-	1,510,115
Reserved for Outstanding Loans	-	-	10,246,282	10,914,947
Reserved for Accounts Receivable	-	-	1,631	1,631
Reserved for Encumbrances	-	-	662,222	982,858
Designated for Ship Yard Maintenance	-	-	-	-
Unreserved Fund Balance	656,752	8,475	7,835,825	20,057,954
Total Fund Balance	656,752	8,475	20,610,960	35,332,505
Total Liabilities and Fund Balances	\$ 656,752	\$ 30,196	\$ 20,696,957	\$ 37,607,627

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2002

	Recreation Sales Tax Fund	Land Trust Fund	Mud Bight Service Area Fund	Mountain Point Service Area Fund
REVENUES				
Taxes	\$ 967,442	\$ -	\$ -	\$ -
State/Federal Revenues	-	-	314	614
Charges for Services	-	-	8,731	88,733
SDS (Principal/Interest)	-	8,553	-	-
Sale of Land	-	-	-	-
Other Income	6,124	30,538	-	-
Investment Income (Loss)	(22,345)	(173,126)	(772)	2,967
Total Revenues	951,221	(134,035)	8,273	92,314
EXPENDITURES				
Bad Debt Expense	-	-	-	-
Capital Improvements	-	112,399	-	(816)
Public Services	18,221	157,774	924	78,947
Total Expenditures	18,221	270,173	924	78,131
Excess (Deficit) of Revenues over Expenditures	933,000	(404,208)	7,349	14,183
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(858,171)	(1,742,800)	(106)	(1,845)
Total Other Financing	(858,171)	(1,742,800)	(106)	(1,845)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	74,829	(2,147,008)	7,243	12,338
Fund Balance, Beginning of Year	53,859	15,103,289	(7,311)	178,314
Prior Period Adjustment	275,901	-	-	-
Beginning Fund Balance (Restated)	329,760	15,103,289	(7,311)	178,314
Fund Balance, End of Year	\$ 404,589	\$ 12,956,281	\$ (68)	\$ 190,652

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2002

	South Tongass Fire District Fund	Waterfall Service Area Fund	Nichols View Service Area Fund	Forest Park Service Area Fund
REVENUES				
Taxes	\$ 120,642	\$ -	\$ -	\$ 50,562
State/Federal Revenues	1,906	31	-	428
Charges for Services	-	5,375	-	-
SDS (Principal/Interest)	-	-	-	-
Sale of Land	-	-	-	-
Other Income	-	-	-	-
Investment Income (Loss)	(319)	(2,143)	(188)	(2,475)
Total Revenues	<u>122,229</u>	<u>3,263</u>	<u>(188)</u>	<u>48,515</u>
EXPENDITURES				
Bad Debt Expense	-	-	-	-
Capital Improvements	24,887	-	-	-
Public Services	84,237	12,885	-	40,331
Total Expenditures	<u>109,124</u>	<u>12,885</u>	<u>-</u>	<u>40,331</u>
Excess (Deficit) of Revenues over Expenditures	<u>13,105</u>	<u>(9,622)</u>	<u>(188)</u>	<u>8,184</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(4,259)	(242)	-	(1,840)
Total Other Financing	<u>(4,259)</u>	<u>(242)</u>	<u>-</u>	<u>(1,840)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>8,846</u>	<u>(9,864)</u>	<u>(188)</u>	<u>6,344</u>
Fund Balance, Beginning of Year	52,677	123,202	10,312	148,804
Prior Period Adjustment	-	-	-	-
Beginning Fund Balance (Restated)	<u>52,677</u>	<u>123,202</u>	<u>10,312</u>	<u>148,804</u>
Fund Balance, End of Year	<u>\$ 61,523</u>	<u>\$ 113,338</u>	<u>\$ 10,124</u>	<u>\$ 155,148</u>

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2002

	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund	School Bond/ Capital Improvements Fund
REVENUES				
Taxes	\$ -	\$ 309,559	\$ -	\$ -
State/Federal Revenues	46	1,796	676,156	1,001,824
Charges for Services	6,073	238,803	-	-
SDS (Principal/Interest)	-	951	-	-
Sale of Land	-	-	-	-
Other Income	-	17,682	-	-
Investment Income (Loss)	(164)	(4,128)	958	(12,140)
Total Revenues	5,955	564,663	677,114	989,684
EXPENDITURES				
Bad Debt Expense	-	-	-	-
Capital Improvements	-	-	232,357	-
Public Services	6,300	877,241	444,976	2,512
Total Expenditures	6,300	877,241	677,333	2,512
Excess (Deficit) of Revenues over Expenditures	(345)	(312,578)	(219)	987,172
Other Financing Sources (Uses)				
Operating Transfers In	-	500,857	-	1,235,228
Operating Transfers Out	(370)	(3,728)	-	(2,257,282)
Total Other Financing	(370)	497,129	-	(1,022,054)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(715)	184,551	(219)	(34,882)
Fund Balance, Beginning of Year	10,763	(267,282)	46,905	225,610
Prior Period Adjustment	-	-	-	-
Beginning Fund Balance (Restated)	10,763	(267,282)	46,905	225,610
Fund Balance, End of Year	\$ 10,048	\$ (82,731)	\$ 46,686	\$ 190,728

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2002

	PFC Fund	Shoup Street Service Fund	Southeast Economic Development Fund	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 28,218	\$ 1,476,423
State/Federal Revenues	-	374	3,000,000	4,683,489
Charges for Services	-	31,233	5,050	383,998
SDS (Principal/Interest)	-	-	-	9,504
Sale of Land	-	-	-	-
Other Income	274,511	-	-	328,855
Investment Income (Loss)	(11,863)	(617)	(168,900)	(395,255)
Total Revenues	262,648	30,990	2,864,368	6,487,014
EXPENDITURES				
Bad Debt Expense	-	-	357,367	357,367
Capital Improvements	-	358	219,357	588,542
Public Services	-	26,798	6,929,709	8,680,855
Total Expenditures	-	27,156	7,506,433	9,626,764
Excess (Deficit) of Revenues over Expenditures	262,648	3,834	(4,642,065)	(3,139,750)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	659,048	2,395,133
Operating Transfers Out	(136,338)	(1,680)	(1,920,048)	(6,928,709)
Total Other Financing	(136,338)	(1,680)	(1,261,000)	(4,533,576)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	126,310	2,154	(5,903,065)	(7,673,326)
Fund Balance, Beginning of Year	530,442	6,321	26,514,025	42,729,930
Prior Period Adjustment	-	-	-	275,901
Beginning Fund Balance (Restated)	530,442	6,321	26,514,025	43,005,831
Fund Balance, End of Year	\$ 656,752	\$ 8,475	\$ 20,610,960	\$ 35,332,505

KETCHIKAN GATEWAY BOROUGH

RECREATION SALES TAX FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2002
(With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
Taxes	\$ 954,192	967,442	\$ 13,250	\$ 950,099
Penalties	9,520	6,124	(3,396)	5,785
Investment Income (Loss)	9,304	(22,345)	(31,649)	(34,460)
Total Revenues	<u>973,016</u>	<u>951,221</u>	<u>(21,795)</u>	<u>921,424</u>
EXPENDITURES:				
Public Services	-	18,221	(18,221)	71,065
Total Expenditures	<u>-</u>	<u>18,221</u>	<u>(18,221)</u>	<u>71,065</u>
Excess (Deficit) of Revenues over Expenditures	973,016	933,000	(40,016)	850,359
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(846,499)	(858,171)	(11,672)	(1,031,997)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>126,517</u>	74,829	\$ <u>(51,688)</u>	(181,638)
Fund Balance, Beginning of Year		53,859		235,497
Prior Period Adjustment		275,901		-
Beginning Fund Balance (Reinstated)		<u>329,760</u>		<u>235,497</u>
Fund Balance, End of Year		\$ <u>404,589</u>		\$ <u>53,859</u>

KETCHIKAN GATEWAY BOROUGH

LAND TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2001 Actual
REVENUES:				
Revenues from State	180,134			
Principal Deferred Payments	\$ 120,355	8,553	\$ (111,802)	\$ 40,939
Other Revenue	31,301	30,538	(763)	375,765
Investment Income (Loss)	1,170,873	(173,126)	(1,343,999)	(170,061)
Total Revenues	1,502,663	(134,035)	(1,456,564)	246,643
EXPENDITURES:				
Capital Improvements	952,257	112,399	839,858	393,578
Public Services	266,239	157,774	108,465	256,692
Total Expenditures	1,218,496	270,173	948,323	650,270
Excess (Deficit) of Revenues over Expenditures	284,167	(404,208)	(688,375)	(403,627)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(1,742,800)	(1,742,800)	-	(742,889)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (1,458,633)	(2,147,008)	\$ (688,375)	(1,146,516)
Fund Balance, Beginning of Year		15,103,289		16,249,805
Fund Balance, End of Year		\$ 12,956,281		\$ 15,103,289

KETCHIKAN GATEWAY BOROUGH

MUD BIGHT SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Year Ended June 30, 2001 <u>Actual</u>
REVENUES:				
State Revenues	\$ 51	314	\$ 263	\$ -
Public Services	8,600	8,731	131	8,645
Investment Income (Loss)	<u>1,080</u>	<u>(772)</u>	<u>(1,852)</u>	<u>(153)</u>
Total Revenues	<u>9,731</u>	<u>8,273</u>	<u>(1,458)</u>	<u>8,492</u>
EXPENDITURES:				
Capital Improvements	-	-	-	-
Public Services	<u>2,640</u>	<u>924</u>	<u>1,716</u>	<u>2,616</u>
Total Expenditures	<u>2,640</u>	<u>924</u>	<u>1,716</u>	<u>2,616</u>
Excess (Deficit) of Revenues over Expenditures	7,091	7,349	258	5,876
Other Financing Sources (Uses) Operating Transfers Out	<u>(106)</u>	<u>(106)</u>	<u>-</u>	<u>(1,352)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>6,985</u>	7,243	\$ <u>258</u>	4,524
Fund Balance, Beginning of Year		<u>(7,311)</u>		<u>(11,835)</u>
Fund Balance, End of Year		\$ <u>(68)</u>		\$ <u>(7,311)</u>

KETCHIKAN GATEWAY BOROUGH

MOUNTAIN POINT SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
Public Services	\$ 82,182	88,733	\$ 6,551	\$ 97,807
State Revenue Sharing	897	614	(283)	-
Investment Income (Loss)	9,000	2,967	(6,033)	(2,368)
Total Revenues	<u>92,079</u>	<u>92,314</u>	<u>235</u>	<u>95,439</u>
EXPENDITURES:				
Capital Improvements	11,000	(816)	11,816	15,808
Public Services	<u>76,252</u>	<u>78,947</u>	<u>(2,695)</u>	<u>64,582</u>
Total Expenditures	<u>87,252</u>	<u>78,131</u>	<u>9,121</u>	<u>80,390</u>
Excess (Deficit) of Revenues over Expenditures	4,827	14,183	9,356	15,049
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(1,845)</u>	<u>(1,845)</u>	<u>-</u>	<u>(7,503)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>2,982</u>	12,338	\$ <u>9,356</u>	7,546
Fund Balance, Beginning of Year		<u>178,314</u>		<u>170,768</u>
Fund Balance, End of Year		\$ <u>190,652</u>		\$ <u>178,314</u>

KETCHIKAN GATEWAY BOROUGH

SOUTH TONGASS FIRE DISTRICT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2001 Actual
REVENUES:				
Real and Personal Taxes	\$ 103,915	104,707	\$ 792	\$ 104,886
Automobile and Boat Taxes	9,150	15,935	6,785	17,001
State Revenues	1,864	1,906	42	635
Other Revenues			-	100
Investment Income (Loss)	<u>4,500</u>	<u>(319)</u>	<u>(4,819)</u>	<u>(5,609)</u>
Total Revenues	<u>119,429</u>	<u>122,229</u>	<u>2,800</u>	<u>117,013</u>
EXPENDITURES:				
Capital Improvements	25,385	24,887	498	163,791
Public Services	<u>81,094</u>	<u>84,237</u>	<u>(3,143)</u>	<u>89,243</u>
Total Expenditures	<u>106,479</u>	<u>109,124</u>	<u>(2,645)</u>	<u>253,034</u>
Excess (Deficit) of Revenues over Expenditures	12,950	13,105	155	(136,021)
Other Financing Sources (Uses) Operating Transfers Out	<u>(4,259)</u>	<u>(4,259)</u>	-	<u>(6,947)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>8,691</u>	8,846	\$ <u>155</u>	(142,968)
Fund Balance, Beginning of Year		<u>52,677</u>		<u>195,645</u>
Fund Balance, End of Year		\$ <u>61,523</u>		\$ <u>52,677</u>

KETCHIKAN GATEWAY BOROUGH

WATERFALL SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
State Revenues	\$ 32	31	\$ (1)	\$ -
Public Services	4,600	5,375	775	5,244
Investment Income (Loss)	9,550	(2,143)	(11,693)	(2,303)
Total Revenues	<u>14,182</u>	<u>3,263</u>	<u>(10,919)</u>	<u>2,941</u>
EXPENDITURES:				
Public Services	<u>6,050</u>	<u>12,885</u>	<u>(6,835)</u>	<u>4,952</u>
Total Expenditures	<u>6,050</u>	<u>12,885</u>	<u>(6,835)</u>	<u>4,952</u>
Excess (Deficit) of Revenues over Expenditures	8,132	(9,622)	(17,754)	(2,011)
Other Financing Sources (Uses)				
Operating Transfers Out	<u>(242)</u>	<u>(242)</u>	<u>-</u>	<u>(524)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>7,890</u>	(9,864)	\$ <u>(17,754)</u>	(2,535)
Fund Balance, Beginning of Year		<u>123,202</u>		<u>125,737</u>
Fund Balance, End of Year		\$ <u>113,338</u>		\$ <u>123,202</u>

KETCHIKAN GATEWAY BOROUGH

NICHOLS VIEW SERVICE AREA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Year Ended 06/30/01 Actual</u>
REVENUES:				
Investment Income (Loss)	\$ <u>787</u>	\$ <u>(188)</u>	\$ <u>(975)</u>	\$ <u>(177)</u>
Total Revenues	<u>787</u>	<u>(188)</u>	<u>(975)</u>	<u>(177)</u>
EXPENDITURES:				
Public Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u><u>787</u></u>	<u>(188)</u>	\$ <u><u>(975)</u></u>	<u>(177)</u>
Fund Balance, Beginning of Year		<u>10,312</u>		<u>10,489</u>
Fund Balance, End of Year		\$ <u><u>10,124</u></u>		\$ <u><u>10,312</u></u>

KETCHIKAN GATEWAY BOROUGH

FOREST PARK SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Year Ended 06/30/01 <u>Actual</u>
REVENUES:				
Real and Personal Taxes	\$ 45,622	47,174	\$ 1,552	\$ 47,410
Automobile and Boat Taxes	2,550	3,388	838	4,048
State Revenues	586	428	(158)	568
Other Revenues			-	-
Investment Income (Loss)	<u>9,430</u>	<u>(2,475)</u>	<u>(11,905)</u>	<u>(3,842)</u>
Total Revenues	<u>58,188</u>	<u>48,515</u>	<u>(9,673)</u>	<u>48,184</u>
EXPENDITURES:				
Capital Improvements	120,000	-	120,000	-
Public Services	<u>46,001</u>	<u>40,331</u>	<u>5,670</u>	<u>26,842</u>
Total Expenditures	<u>166,001</u>	<u>40,331</u>	<u>125,670</u>	<u>26,842</u>
Excess (Deficit) of Revenues over Expenditures	(107,813)	8,184	115,997	21,342
Other Financing Sources (Uses) Operating Transfers Out	<u>(6,640)</u>	<u>(1,840)</u>	4,800	<u>(11,689)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ (114,453)</u>	6,344	<u>\$ 120,797</u>	9,653
Fund Balance, Beginning of Year		<u>148,804</u>		<u>139,151</u>
Fund Balance, End of Year		<u>\$ 155,148</u>		<u>\$ 148,804</u>

KETCHIKAN GATEWAY BOROUGH

GOLD NUGGET SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Year Ended 06/30/01 Actual</u>
REVENUES:				
Public Services	\$ 6,345	6,073	\$ (272)	\$ 6,006
State Revenue Sharing	41	46	5	-
Investment Income (Loss)	<u>1,150</u>	<u>(164)</u>	<u>(1,314)</u>	<u>(343)</u>
Total Revenues	<u>7,536</u>	<u>5,955</u>	<u>(1,581)</u>	<u>5,663</u>
EXPENDITURES:				
Capital Projects	-	-	-	-
Public Services	<u>9,250</u>	<u>6,300</u>	<u>2,950</u>	<u>8,954</u>
Total Expenditures	<u>9,250</u>	<u>6,300</u>	<u>2,950</u>	<u>8,954</u>
Excess (Deficit) of Revenues over Expenditures	(1,714)	(345)	1,369	(3,291)
Other Financing Sources (Uses))				
Operating Transfers Out	<u>(370)</u>	<u>(370)</u>	<u>-</u>	<u>(350)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ <u>(2,084)</u>	(715)	\$ <u>1,369</u>	(3,641)
Fund Balance, Beginning of Year		<u>10,763</u>		<u>14,404</u>
Fund Balance, End of Year		\$ <u>10,048</u>		\$ <u>10,763</u>

KETCHIKAN GATEWAY BOROUGH

NON AREAWIDE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002

(With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
Real and Personal Taxes	\$ 321,136	309,559	\$ (11,577)	\$ 311,389
State Revenues	2,767	1,796	(971)	1,822
SDC (Principal/Interest)	-	951	951	151,885
Sewer Fees	169,350	238,803	69,453	169,889
Other Revenues	-	17,682	17,682	900
Investment Income (Loss)	3,259	(4,128)	(7,387)	(5,528)
Total Revenues	496,512	564,663	68,151	630,357
EXPENDITURES:				
Public Services	167,882	294,410	(126,528)	163,984
Capital Improvements		231,444	(231,444)	-
Library Services	351,387	351,387	-	339,603
Total Expenditures	519,269	877,241	(357,972)	503,587
Excess (Deficit) of Revenues over Expenditures	(22,757)	(312,578)	(289,821)	126,770
Other Financing Sources (Uses)				
Operating Transfers In	689,740	500,857	(188,883)	237,422
Operating Transfers Out	(3,728)	(3,728)	-	(3,272)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>663,255</u>	184,551	\$ <u>(478,704)</u>	360,920
Fund Balance, Beginning of Year		<u>(267,282)</u>		<u>(628,202)</u>
Fund Balance, End of Year		\$ <u>(82,731)</u>		\$ <u>(267,282)</u>

KETCHIKAN GATEWAY BOROUGH

STATE AND FEDERAL GRANTS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	<u>2002</u>	<u>2001</u>
REVENUES:		
State Sources	\$ 676,156	\$ 1,753,731
Other Revenues		-
Investment Income	<u>958</u>	<u>12,785</u>
Total Revenues	<u>677,114</u>	<u>1,766,516</u>
EXPENDITURES:		
Capital Improvements	232,357	57,136
Public Services	<u>444,976</u>	<u>1,711,727</u>
Total Expenditures	<u>677,333</u>	<u>1,768,863</u>
Excess (Deficit) of Revenues over Expenditures	(219)	(2,347)
Fund Balance, Beginning of Year	<u>46,905</u>	<u>49,252</u>
Fund Balance, End of Year	<u>\$ 46,686</u>	<u>\$ 46,905</u>

KETCHIKAN GATEWAY BOROUGH

SCHOOL BONDS/CAPITAL IMPROVEMENTS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
State Grant	\$ 1,023,438	1,001,824	\$ (21,614)	\$ 452,255
Other Revenue			-	-
Investment Income	16,413	(12,140)	(28,553)	1,930
Total Revenues	<u>1,039,851</u>	<u>989,684</u>	<u>(50,167)</u>	<u>454,185</u>
EXPENDITURES:				
Capital Improvements		-	-	-
Public Services	7,500	2,512	4,988	2,155
Total Expenditures	<u>7,500</u>	<u>2,512</u>	<u>4,988</u>	<u>2,155</u>
Excess (Deficit) of Revenues over Expenditures	1,032,351	987,172	(45,179)	452,030
Other Financing Sources (Uses)				
Interfund Transfers In	1,235,228	1,235,228	-	998,548
Interfund Transfers Out	(2,257,282)	(2,257,282)	-	(1,458,804)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ <u>10,297</u>	(34,882)	\$ <u>(45,179)</u>	(8,226)
Fund Balance, Beginning of Year		<u>225,610</u>		<u>233,836</u>
Fund Balance, End of Year		\$ <u><u>190,728</u></u>		\$ <u><u>225,610</u></u>

KETCHIKAN GATEWAY BOROUGH

PASSENGER FACILITY CHARGES (PFC)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002

(With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
PFC Enplanement Revenue	\$ 334,234	\$ 274,511	\$ (59,723)	\$ 277,611
Investment Income (Loss)	225,000	(11,863)	(236,863)	(540)
Miscellaneous Revenue	150,000		(150,000)	
Total Revenues	<u>709,234</u>	<u>262,648</u>	<u>(446,586)</u>	<u>277,071</u>
EXPENDITURES:				
Capital Projects	849,289	-	849,289	-
Public Services	-		-	21,506
Total Expenditures	<u>849,289</u>	<u>-</u>	<u>849,289</u>	<u>21,506</u>
Excess (Deficit) of Revenues over Expenditures	<u>(140,055)</u>	<u>262,648</u>	<u>402,703</u>	<u>255,565</u>
Other Financing Sources (Uses)				
Inter Fund Transfer Out	-	(136,338)	(136,338)	
Revenue Bond Proceeds	<u>4,225,000</u>	<u>-</u>	<u>(4,225,000)</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ 4,084,945</u>	<u>126,310</u>	<u>\$ (3,958,635)</u>	<u>255,565</u>
Fund Balance, Beginning of Year		<u>530,442</u>		<u>274,877</u>
Fund Balance, End of Year		<u>\$ 656,752</u>		<u>\$ 530,442</u>

KETCHIKAN GATEWAY BOROUGH

SHOUP STREET SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
State Revenues	\$ 8	374	\$ 366	\$ -
Public Services	33,000	31,233	(1,767)	31,279
Other Revenues			-	-
Investment Income	700	(617)	(1,317)	226
Total Revenues	33,708	30,990	(2,718)	31,505
EXPENDITURES:				
Capital Improvements	-	358	(358)	25,527
Public Services	40,349	26,798	13,551	38,948
Total Expenditures	40,349	27,156	13,193	64,475
Excess (Deficit) of Revenues over Expenditures	(6,641)	3,834	10,475	(32,970)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(1,680)	(1,680)	-	22,761
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ <u>(8,321)</u>	2,154	\$ <u>10,475</u>	(10,209)
Fund Balance, Beginning of Year		6,321		16,530
Fund Balance, End of Year		\$ <u>8,475</u>		\$ <u>6,321</u>

KETCHIKAN GATEWAY BOROUGH
SOUTHEAST ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2002
(With Comparative Totals for the Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended 06/30/01 Actual
REVENUES:				
Federal Revenues	\$ 3,000,000	3,000,000	\$ -	\$ 3,000,000
Transient Occupancy Tax	20,000	28,218	8,218	46,437
Public Services		5,050	5,050	116,147
Investment income (Loss)	<u>1,574,768</u>	<u>(168,900)</u>	<u>(1,743,668)</u>	<u>(317,545)</u>
Total Revenues	<u>4,594,768</u>	<u>2,864,368</u>	<u>(1,730,400)</u>	<u>2,845,039</u>
EXPENDITURES:				
Bad Debt Expense		357,367	(357,367)	4,100,000
Capital Outlay		219,357	(219,357)	11,033
Public Services	<u>8,282,029</u>	<u>6,929,709</u>	<u>1,352,320</u>	<u>1,652,115</u>
Total Expenditures	<u>8,282,029</u>	<u>7,506,433</u>	<u>775,596</u>	<u>5,763,148</u>
Excess (Deficit) of Revenues over Expenditures	(3,687,261)	(4,642,065)	(954,804)	(2,918,109)
Other Financing Sources (Uses)				
Operating Transfers In	659,048	659,048	-	123,821
Operating Transfers Out	<u>(1,920,048)</u>	<u>(1,920,048)</u>	<u>-</u>	<u>(727,337)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ <u>(4,948,261)</u>	(5,903,065)	\$ <u>(954,804)</u>	(3,521,625)
Fund Balance, Beginning of Year		<u>26,514,025</u>		<u>30,035,650</u>
Fund Balance, End of Year		\$ <u>20,610,960</u>		\$ <u>26,514,025</u>

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DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The following funds are included in this section:

1995 GENERAL OBLIGATION BONDS – IRC – To accumulate funds for the payment of principal and interest. Financing is provided through transfer from the Recreational Sales Tax Fund.

1999 GENERAL OBLIGATION BOND REDEMPTION FUND – To accumulate funds for the payment of principal and interest. Financing is provided through transfers from the School Bond/Capital Improvements Fund.

2000 GENERAL OBLIGATION BOND REDEMPTION FUND – To accumulate funds for the payment of principal and interest. Financing is provided through transfers from the School Bond/Capital Improvements Fund.

The following statements are included in this section:

Debt Service Funds – Combining Balance Sheet

Debt Service Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2002

(With Comparative Totals for the Year Ended June 30, 2001)

	2000 G.O. Bond Redemption Fund	1999 G.O. Bond Redemption Fund	1995 G.O. Bond Redemption Fund	Totals	
				2002	2001
ASSETS					
Cash in Central Treasury	\$ 16,847	\$ -	\$ -	\$ 16,847	\$ -
Total Assets	\$ 16,847	\$ -	\$ -	\$ 16,847	\$ -
 FUND BALANCE					
Fund Balance	\$ 16,847	\$ -	\$ -	\$ 16,847	\$ -
Total Fund Balance	\$ 16,847	\$ -	\$ -	\$ 16,847	\$ -

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2002
 (With Comparative Totals for the Year Ended June 30, 2001)

	1995 G.O. Bond-IRC Redemption Fund	1999 G.O. Bond Redemption Fund	2000 G.O. Bond Redemption Fund	Totals	
				2002	2001
EXPENDITURES					
Debt Service					
Principal	\$ 550,000	265,000	140,000	\$ 955,000	\$ 630,000
Interest Expense	245,227	390,725	649,482	1,285,434	828,804
Total	<u>795,227</u>	<u>655,725</u>	<u>789,482</u>	<u>2,240,434</u>	<u>1,458,804</u>
Excess (Deficit) of Revenues over Expenditures	<u>(795,227)</u>	<u>(655,725)</u>	<u>(789,482)</u>	<u>(2,240,434)</u>	<u>(1,458,804)</u>
Other Financing Sources (Uses)					
Transfer from School Bond/Capital Improvement Fund		655,725	806,329	1,462,054	660,256
Transfer from Recreational Capital Projects Fund	<u>795,227</u>			<u>795,227</u>	<u>798,548</u>
Total Other Financing Sources (Uses)	<u>795,227</u>	<u>655,725</u>	<u>806,329</u>	<u>2,257,281</u>	<u>1,458,804</u>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	16,847	16,847	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,847</u>	\$ <u>16,847</u>	\$ <u>-</u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major facilities. This does not include capital projects financed by proprietary funds.

The following statements are included in this section:

Capital Projects Fund – Combined Balance Sheet

Capital Projects Funds – Combined Statement of Revenues, Expenditures and Changes in Fund Balances

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINED BALANCE SHEET

June 30, 2002

(With Comparative Totals for June 30, 2001)

	Capital Projects	Total	
		2002	2001
Assets			
Cash in Central Treasury	\$ 155,078	\$ 155,078	\$ 420,188
Investments	9,368,225	9,368,225	9,155,783
Accounts Receivable	333	333	86,908
Total Assets	\$ 9,523,636	\$ 9,523,636	\$ 9,662,879
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 34,952	\$ 34,952	\$ 91,578
Advances from Other Funds	-	-	1,000,000
Due to Other Funds	27,799	27,799	4,144
Total Liabilities	62,751	62,751	1,095,722
Fund Equity			
Reserved for Encumbrances	455,993	455,993	813,277
Fund Balance	9,004,892	9,004,892	7,753,880
Total Fund Balances	9,460,885	9,460,885	8,567,157
Total Liabilities and Fund Equity	\$ 9,523,636	\$ 9,523,636	\$ 9,662,879

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2002

(With Comparative Totals for the Year Ended June 30, 2001)

	Capital Projects	Total	
		2002	2001
REVENUES			
State Sources	\$ -	-	86,909
Investment Income	<u>181,489</u>	<u>181,489</u>	<u>311,689</u>
Total Revenues	<u>181,489</u>	<u>181,489</u>	<u>398,598</u>
EXPENDITURES			
Contractual Services	(72)	(72)	403,201
Educational Facilities	<u>253,016</u>	<u>253,016</u>	<u>4,624,642</u>
Total Expenditures	<u>252,944</u>	<u>252,944</u>	<u>5,027,843</u>
Excess (Deficit) of Revenues over Expenditures	<u>(71,455)</u>	<u>(71,455)</u>	<u>(4,629,245)</u>
Other Financing Sources (Uses)			
G.O. Bond Proceeds		-	9,085,436
Transfers to Other Funds		-	-
Transfers from Other Funds	<u>62,944</u>	<u>62,944</u>	<u>383,496</u>
Total Other Financing Sources (Uses)	<u>62,944</u>	<u>62,944</u>	<u>9,468,932</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(8,511)	(8,511)	4,839,687
Fund Balances, Beginning of Year	8,567,157	8,567,157	<u>3,727,470</u>
Prior Year Adjustment	<u>902,239</u>	<u>902,239</u>	
Beginning Balance - (Restated)	<u>9,469,396</u>	<u>9,469,396</u>	
Fund Balances, End of Year	<u>\$ 9,460,885</u>	<u>\$ 9,460,885</u>	<u>\$ 8,567,157</u>

ENTERPRISE FUNDS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs providing these services on a continuing basis be financed or recovered primarily through user charges. Costs include an allocation of depreciation expense.

AIRPORT ENTERPRISE FUND – An enterprise fund to account for the operations of the Ketchikan International Airport. All of the financial transactions relating to the Ketchikan International Airport are accounted for in this fund.

TRANSIT ENTERPRISE FUND – An enterprise fund to account for the operation of the Borough Bus System. All of the financial transactions relating to the Borough Buses are accounted for in this fund.

The following statements are included in this section:

Enterprise Funds – Combining Balance Sheet
Enterprise Funds – Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Funds – Combining Statement of Cash Flows

Airport Enterprise Fund:

Comparative Balance Sheets
Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
Comparative Statements of Cash Flows

Transit Enterprise Fund:

Comparative Balance Sheets
Earnings
Comparative Statements of Cash Flows

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

June 30, 2002

(With Comparative Totals for June 30, 2001)

	Airport	Transit	Totals	
			June 30, 2002	June 30, 2001
ASSETS				
Cash and Investments	\$ 889,539	\$ -	\$ 889,539	\$ 1,300
Accounts Receivable	209,058	293,300	502,358	129,112
Total Current Assets	1,098,597	293,300	1,391,897	130,412
Restricted Assets				
Bond Redemption Fund Cash & Investments	2,560,516	-	2,560,516	-
Plant in Service				
Buildings and Equipment	13,416,423	777,259	14,193,682	10,158,829
Construction in Progress	212,441	-	212,441	-
Less Accumulated Depreciation	(6,888,033)	(475,317)	(7,363,350)	(6,782,476)
Total Plant in Service	6,740,831	301,942	7,042,773	3,376,353
Total Assets	\$ 10,399,944	\$ 595,242	\$ 10,995,186	\$ 3,506,765
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts Payable	\$ 192,461	\$ 26,404	\$ 218,865	\$ 37,955
Due to Other Funds	-	462,265	462,265	173,409
Advances from Other Funds	85,114	-	85,114	93,604
Accrued Vacation & Sick Leave	165,355	27,158	192,513	164,711
Current Portion Long Term Debt	50,000	-	50,000	-
Total Current Liabilities	492,930	515,827	1,008,757	469,679
Noncurrent Liabilities				
Revenue Bonds Payable	4,200,000	-	4,200,000	-
Total Liabilities	4,692,930	515,827	5,208,757	469,679
Fund Equity:				
Contributed Capital	1,144,056	12,912	1,156,968	1,301,822
Retained Earnings:				
Reserved for Revenue Bond Current Debt Service	50,000	-	50,000	1,735,264
Unreserved	4,512,958	66,503	4,579,461	-
Total Retained Earnings	4,562,958	66,503	4,629,461	1,735,264
Total Fund Equity	5,707,014	79,415	5,786,429	3,037,086
Total Liabilities and Fund Equity	\$ 10,399,944	\$ 595,242	\$ 10,995,186	\$ 3,506,765

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 2002
(With Comparative Totals for the Year Ended June 30, 2001)

	Airport	Transit	Totals	
			June 30, 2002	June 30, 2001
OPERATING REVENUES				
Charges for Services	\$ 2,423,738	\$ 221,641	\$ 2,645,379	\$ 2,646,947
Total Operating Revenues	<u>2,423,738</u>	<u>221,641</u>	<u>2,645,379</u>	<u>2,646,947</u>
OPERATING EXPENSES				
Personnel Services	1,894,102	460,090	2,354,192	2,015,016
Supplies and Services	630,314	198,648	828,962	662,553
Insurance	250,503	19,379	269,882	164,840
Depreciation	<u>480,209</u>	<u>91,653</u>	<u>571,862</u>	<u>474,504</u>
Total Operating Expenses	<u>3,255,128</u>	<u>769,770</u>	<u>4,024,898</u>	<u>3,316,913</u>
Net Operating (Loss)	<u>(331,390)</u>	<u>(548,129)</u>	<u>(1,379,519)</u>	<u>(669,966)</u>
NON OPERATING REVENUES (EXPENSES)				
State Operating Grants	246,919	346,546	593,465	57,147
Contributed Capital State	1,773,958	-	1,773,958	-
Investment Income	68,265	144	68,409	368
Gain/(Loss) Sale of Assets	5,742	-	5,742	-
Interest Expense	<u>(141,019)</u>	<u>-</u>	<u>(141,019)</u>	<u>(13,171)</u>
Total Nonoperating Revenues (Expenses)	<u>1,953,865</u>	<u>346,690</u>	<u>2,300,555</u>	<u>44,344</u>
Income (Loss) Before Operating Transfer:	<u>1,122,475</u>	<u>(201,439)</u>	<u>921,036</u>	<u>(625,622)</u>
Other Financing Sources (Uses)				
Operating Transfers In	1,634,177	361,693	1,995,870	321,103
Operating Transfers Out	<u>(133,299)</u>	<u>(40,631)</u>	<u>(173,930)</u>	<u>(176,835)</u>
Total Other Financing Sources (Uses)	<u>1,500,878</u>	<u>321,062</u>	<u>1,821,940</u>	<u>144,268</u>
Net Income (Loss)	2,623,353	119,623	2,742,976	(481,354)
Depreciation of Fixed Assets:				
Acquired by Grants	<u>115,882</u>	<u>35,339</u>	<u>151,221</u>	<u>156,084</u>
Increase (Decrease) in Retained Earnings	2,739,235	154,962	2,894,197	(325,270)
Retained Earnings, Beginning of Year	<u>1,823,723</u>	<u>(88,459)</u>	<u>1,735,264</u>	<u>2,060,534</u>
Retained Earnings at End of Year	\$ <u>4,562,958</u>	\$ <u>66,503</u>	\$ <u>4,629,461</u>	\$ <u>1,735,264</u>

KETCHIKAN GATEWAY BOROUGH
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2002

	<u>Airport</u>	<u>Transit</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,342,653	\$ (70,519)	\$ 2,272,134
Due to Other Funds	(31,673)	320,529	288,856
Cash Payments for Insurance	(250,503)	(19,379)	(269,882)
Cash Payments to Employees for Services	(1,878,629)	(447,761)	(2,326,390)
Cash Payments to Suppliers for Goods and Services	(470,712)	(177,340)	(648,052)
Gain on Disposal of Assets	(5,742)		(5,742)
Net Cash Provided by Operating Activities	<u>(294,606)</u>	<u>(394,470)</u>	<u>(689,076)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	1,634,177	361,693	1,995,870
Transfers Out	(133,299)	(40,631)	(173,930)
Net Cash Provided by Noncapital Financing Activities	<u>1,500,878</u>	<u>321,062</u>	<u>1,821,940</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(3,947,150)	(273,282)	(4,220,432)
Operating/Capital Grants Received from State	246,919	346,546	593,465
Proceeds from Loan	4,250,000	-	4,250,000
Principal Paid on Bonds/Notes Payable	(8,490)	-	(8,490)
Interest Paid on Bonds/Notes Payable	(141,019)	-	(141,019)
Contributed Capital from State	1,773,958	-	1,773,958
Net Cash Used for Capital and Related Financing	<u>2,174,218</u>	<u>73,264</u>	<u>2,247,482</u>
Cash Flow From Investing Activities:			
Income from Investments	68,265	144	68,409
Net Cash Provided by Investing Activities	<u>68,265</u>	<u>144</u>	<u>68,409</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,448,755	-	3,448,755
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Cash and Cash Equivalents at June (Including in Restricted Accounts)	<u>\$ 3,450,055</u>	<u>\$ -</u>	<u>\$ 3,450,055</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	889,539	-	889,539
Cash and Temporary Investments - Restricted Assets	<u>2,560,516</u>	<u>-</u>	<u>2,560,516</u>
	<u>\$ 3,450,055</u>	<u>\$ -</u>	<u>\$ 3,450,055</u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (831,390)	\$ (548,129)	\$ (1,379,519)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	480,209	91,653	571,862
Gain on Disposal of Assets	(5,742)		(5,742)
(Increase) Decrease in Accounts Receivable	(81,085)	(292,160)	(373,245)
Increase (Decrease) in Due to Other Funds	(31,673)	320,529	288,856
Increase (Decrease) in Accounts Payable	159,602	21,308	180,910
Increase (Decrease) in Accrued Liabilities	15,473	12,329	27,802
Total Adjustments	<u>536,784</u>	<u>153,659</u>	<u>690,443</u>
Net Cash Provided by Operating Activities	<u>\$ (294,606)</u>	<u>\$ (394,470)</u>	<u>\$ (689,076)</u>

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KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Cash and Cash Equivalents	\$ 889,539	\$ 1,300
Accounts Receivable	<u>209,058</u>	<u>127,972</u>
Total Current Assets	<u>1,098,597</u>	<u>129,272</u>
Restricted Assets		
Bond Redemption Fund Cash & Investments	<u>2,560,516</u>	<u>-</u>
Plant in Service		
Field	3,551,399	3,495,445
Terminal	4,423,518	4,385,088
Ferry	5,401,800	1,730,429
Administration	26,831	26,368
Murphy's Landing	12,875	12,875
Construction In Progress	212,441	-
Less Accumulated Depreciation	<u>(6,888,033)</u>	<u>(6,394,166)</u>
Total Plant in Service	<u>6,740,831</u>	<u>3,256,039</u>
Total Assets	<u>\$ 10,399,944</u>	<u>\$ 3,385,311</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	\$ 192,461	\$ 32,859
Due to Other Funds	-	31,673
Advances from Other Funds	85,114	93,604
Accrued Vacation & Sick Leave	165,355	149,882
Current Portion of Long Term Debt	<u>50,000</u>	<u>-</u>
Total Current Liabilities	<u>492,930</u>	<u>308,018</u>
Noncurrent Liabilities		
Revenue Bonds Payable	<u>4,200,000</u>	<u>-</u>
Total Liabilities	<u>4,692,930</u>	<u>308,018</u>
Equity		
Contributed Capital - Government	<u>1,144,056</u>	<u>1,253,570</u>
Retained Earnings		
Reserved for Revenue Bond Current Debt Service	50,000	-
Unreserved	<u>4,512,958</u>	<u>1,823,723</u>
Total Retained Earnings	<u>4,562,958</u>	<u>1,823,723</u>
Total Fund Equity	<u>5,707,014</u>	<u>3,077,293</u>
Total Liabilities and Fund Equity	<u>\$ 10,399,944</u>	<u>\$ 3,385,311</u>

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 2002 and 2001

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
OPERATING REVENUES		
Charges for Services	\$ 2,423,738	\$ 2,471,039
Total Operating Revenues	<u>2,423,738</u>	<u>2,471,039</u>
OPERATING EXPENSES		
Personnel Services	1,894,102	1,675,135
Supplies and Services	630,314	530,002
Insurance	<u>250,503</u>	<u>156,229</u>
Total Operation and Maintenance	2,774,919	2,361,366
Depreciation	<u>480,209</u>	<u>399,860</u>
Total Operating Expenses	<u>3,255,128</u>	<u>2,761,226</u>
Net Operating (Loss)	<u>(831,390)</u>	<u>(290,187)</u>
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	246,919	-
Contributed Capital from State	1,773,958	-
Investment Income	68,265	368
Gain/(Loss) Sale of Assets	5,742	-
Bond Interest Expense	(136,338)	-
Interest Expense	<u>(4,681)</u>	<u>(13,171)</u>
Total Nonoperating Revenues (Expenses)	<u>1,953,865</u>	<u>(12,803)</u>
Income (Loss) Before Operating Transfers	<u>1,122,475</u>	<u>(302,990)</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	1,634,177	68,804
Operating Transfers Out	<u>(133,299)</u>	<u>(133,299)</u>
Total Other Financing Sources (Uses)	<u>1,500,878</u>	<u>(64,495)</u>
Net Income (Loss)	2,623,353	(367,485)
Depreciation of Fixed Assets Acquired by Grants	<u>115,882</u>	<u>115,882</u>
Increase (Decrease) in Retained Earnings	2,739,235	(251,603)
Retained Earnings, Beginning of Year	<u>1,823,723</u>	<u>2,075,326</u>
Retained Earnings at End of Year	<u>\$ 4,562,958</u>	<u>\$ 1,823,723</u>

KETCHIKAN GATEWAY BOROUGH
 AIRPORT ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,342,653	\$ 2,518,522
Due to General Other Fund	(31,673)	(138,074)
Cash Payments for Insurance	(250,503)	(156,229)
Cash Payments to Employees for Services	(1,878,629)	(1,672,278)
Cash Payments to Suppliers for Goods and Services	(470,712)	(525,776)
Gain on Disposal of Assets	(5,742)	
Net Cash Provided by Operating Activities	<u>(294,606)</u>	<u>26,165</u>
Cash Flows Non Capital Financing Activities:		
Transfers In	1,634,177	68,804
Transfers Out	(133,299)	(133,299)
Net Cash Provided by Non Capital Financing Activities	<u>1,500,878</u>	<u>(64,495)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(3,947,150)	(50,557)
Grant Received from State	246,919	-
Proceeds from Loans	-	101,690
Proceeds from Revenue Bonds	4,250,000	-
Principal Paid on Bonds/Long Term Notes	(8,490)	(8,086)
Interest Paid on Bonds/Notes Payable	(141,019)	(5,085)
Contributed Capital from State	1,773,958	-
Net Cash Provided by Capital and Related Financing Activities	<u>2,174,218</u>	<u>37,962</u>
Cash Flow from Investing Activities		
Income from Investments	68,265	368
Net Cash Provided by Investing Activities	<u>68,265</u>	<u>368</u>
Net increase (Decrease) in Cash and Cash Equivalents	<u>3,448,755</u>	<u>-</u>
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	<u>1,300</u>	<u>1,300</u>
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	\$ <u>3,450,055</u>	\$ <u>1,300</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	\$ 889,539	\$ 1,300
Cash and Temporary Investments _ Restricted Assets	<u>2,560,516</u>	<u>-</u>
	\$ <u>3,450,055</u>	\$ <u>1,300</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (831,390)	\$ (290,187)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	480,209	399,860
Gain on Disposal of Assets	(5,742)	
(Increase) Decrease in Accounts Receivable	(81,085)	47,483
Increase (Decrease) in Due to Other Funds	(31,673)	(138,074)
Increase (Decrease) in Accounts Payable	159,602	4,226
Increase (Decrease) in Accrued Liabilities	15,473	2,857
Total Adjustments	<u>536,784</u>	<u>316,352</u>
Net Cash Provided by Operating Activities	\$ <u>(294,606)</u>	\$ <u>26,165</u>

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KETCHIKAN GATEWAY BOROUGH
TRANSIT ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS

June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Accounts Receivable	\$ 293,300	\$ 1,140
Due from Other Governments	<u>-</u>	<u>-</u>
Total Current Assets	<u>293,300</u>	<u>1,140</u>
Plant in Service		
Buses	777,259	508,624
Less Accumulated Depreciation	<u>(475,317)</u>	<u>(388,310)</u>
Net Plant in Service	<u>301,942</u>	<u>120,314</u>
Total Assets	<u>\$ 595,242</u>	<u>\$ 121,454</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	\$ 26,404	\$ 5,096
Due to Other Funds	462,265	141,736
Accrued Vacation and Sick Leave	<u>27,158</u>	<u>14,829</u>
Total Current Liabilities	<u>515,827</u>	<u>161,661</u>
Equity		
Contributed Capital - Government	<u>12,912</u>	<u>48,252</u>
Retained Earnings		
Reserved		
Unreserved	<u>66,503</u>	<u>(88,459)</u>
Total Fund Equity	<u>79,415</u>	<u>(40,207)</u>
Total Liabilities and Fund Equity	<u>\$ 595,242</u>	<u>\$ 121,454</u>

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Years Ended June 30, 2002 and June 30, 2001

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
OPERATING REVENUES		
Advertising Revenue	\$ 32,863	\$ 16,918
Charges for Services	<u>188,778</u>	<u>158,990</u>
Total Operating Revenues	<u>221,641</u>	<u>175,908</u>
OPERATING EXPENSES		
Personnel Services	460,090	339,881
Supplies and Services	198,648	132,551
Insurance	<u>19,379</u>	<u>8,611</u>
Total Operation and Maintenance	678,117	481,043
Depreciation	<u>91,653</u>	<u>74,644</u>
Total Operating Expenses	<u>769,770</u>	<u>555,687</u>
Net Operating (Loss)	<u>(548,129)</u>	<u>(379,779)</u>
NON OPERATING REVENUES (EXPENSES)		
State Operating/Capital Grants	346,546	57,147
Interest / Investment Income	<u>144</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>346,690</u>	<u>57,147</u>
Income (Loss) Before Operating Transfers	<u>(201,439)</u>	<u>(322,632)</u>
Other Financing Sources (Uses)		
Operating Transfers In	361,693	252,299
Operating Transfers Out	<u>(40,631)</u>	<u>(43,536)</u>
Total Other Financing Sources (Uses)	<u>321,062</u>	<u>208,763</u>
Net Income (Loss)	119,623	(113,869)
Depreciation of Fixed Assets Acquired by Grants	<u>35,339</u>	<u>40,202</u>
Increase (Decrease) in Retained Earnings	154,962	(73,667)
Retained Earnings, Beginning of Year	<u>(88,459)</u>	<u>(14,792)</u>
Retained Earnings at End of Year	<u>\$ 66,503</u>	<u>\$ (88,459)</u>

KETCHIKAN GATEWAY BOROUGH
 TRANSIT ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ (70,519)	\$ 209,304
Due to other funds	320,529	45,037
Cash Payments for Insurance	(19,379)	(8,611)
Cash Payments to Employees for Services	(447,761)	(337,798)
Cash Payments to Suppliers for Goods and Services	<u>(177,340)</u>	<u>(173,268)</u>
Net Cash Provided by Operating Activities	<u>(394,470)</u>	<u>(265,336)</u>
Cash Flows from Non Capital Financing Activities		
Transfer from General Fund	361,693	252,299
Transfer to Airport	<u>(40,631)</u>	<u>(43,536)</u>
Net Cash Provided by Noncapital Financing Activities	<u>321,062</u>	<u>208,763</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(273,282)	(574)
Capital/Operating Grants Received from Other Governments	<u>346,546</u>	<u>57,147</u>
Net Cash Provided for Capital and Related Financing Activities	<u>73,264</u>	<u>56,573</u>
Cash Flows Provided from Investing Activities		
Income from Investments	<u>144</u>	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>144</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(548,129)	(379,779)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	91,653	74,644
(Increase) Decrease From Accounts Receivable	(292,160)	33,396
Increase (Decrease) in Due to Other Funds	320,529	45,037
Increase (Decrease) in Accounts Payable	21,308	(40,717)
Increase (Decrease) in Accrued Liabilities	<u>12,329</u>	<u>2,083</u>
Total Adjustments	<u>153,659</u>	<u>114,443</u>
Net Cash Provided by Operating Activities	<u>\$ (394,470)</u>	<u>\$ (265,336)</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The following statements are included in this section:

Combining Balance Sheet

Combining Statement of Revenues, Expenses and Changes in Retained Earnings
– Actual

Comparative Statements of Cash Flows

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2002

	Great West School District	Great West Borough	Total
ASSETS			
Cash & Temporary Investments	\$ 205,863	\$ 126,852	\$ 332,715
Total Current Assets	<u>\$ 205,863</u>	<u>\$ 126,852</u>	<u>\$ 332,715</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	\$ _____	\$ 41,190	\$ 41,190
Total Liabilities	<u>-</u>	<u>41,190</u>	<u>41,190</u>
Fund Equity:			
Unreserved	<u>205,863</u>	<u>85,662</u>	<u>291,525</u>
Total Retained Earnings	<u>205,863</u>	<u>85,662</u>	<u>291,525</u>
Total Fund Equity	<u>205,863</u>	<u>85,662</u>	<u>291,525</u>
Total Liabilities and Fund Equity	<u>\$ 205,863</u>	<u>\$ 126,852</u>	<u>\$ 332,715</u>

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ACTUAL

For the Fiscal Year Ended June 30, 2002

	Great West School District	Great West Borough	Total
OPERATING REVENUES			
Investment Revenue	\$ -	\$ -	\$ -
Insurance Premiums	<u>1,119,445</u>	<u>705,421</u>	<u>1,824,866</u>
Total Operating Income	<u>1,119,445</u>	<u>705,421</u>	<u>1,824,866</u>
OPERATING EXPENSES			
Administration Costs	-	164,834	164,834
Expense - Claims Service	<u>1,530,021</u>	<u>658,792</u>	<u>2,188,813</u>
Total Operating Expenses	<u>1,530,021</u>	<u>823,626</u>	<u>2,353,647</u>
Net Operating Revenues(Loss)	<u>(410,576)</u>	<u>(118,205)</u>	<u>(528,781)</u>
NON OPERATING REVENUES (EXPENSES)			
Investment Income (Loss)	<u>(8,303)</u>	<u>(1,733)</u>	<u>(10,036)</u>
Total Nonoperating Revenues (Expenses)	<u>(8,303)</u>	<u>(1,733)</u>	<u>(10,036)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>-</u>	<u>(126,778)</u>	<u>(126,778)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(126,778)</u>	<u>(126,778)</u>
Net Income (Loss)	<u>(418,879)</u>	<u>(246,716)</u>	<u>(665,595)</u>
Retained Earnings, Beginning of Year	<u>624,742</u>	<u>332,378</u>	<u>957,120</u>
Retained Earnings at End of Year	<u>\$ 205,863</u>	<u>\$ 85,662</u>	<u>\$ 291,525</u>

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2002 and 2001

	Total 2002	Total 2001
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	\$ 1,824,866	\$ 1,812,870
Cash Payments for Insurance	<u>(2,379,993)</u>	<u>(2,029,629)</u>
Net Cash Provided by Operating Activities	<u>(555,127)</u>	<u>(216,759)</u>
Cash Flows from Noncapital Financing Activities:		
Transfers from Stabilization Reserves		-
Transfer to General Fund	<u>(126,778)</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>(126,778)</u>	<u>-</u>
Cash Flow from Investing Activities:		
Interest on Investments	<u>(10,036)</u>	<u>(19,079)</u>
Net Cash Provided by Investing Activities	<u>(10,036)</u>	<u>(19,079)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(691,941)	(235,838)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	<u>1,024,656</u>	<u>1,260,494</u>
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	<u>\$ 332,715</u>	<u>\$ 1,024,656</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	\$ 332,715	\$ 1,024,656
Cash and Temporary Investments - Restricted Assets	<u>-</u>	<u>-</u>
	<u>\$ 332,715</u>	<u>\$ 1,024,656</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (528,781)	\$ (208,439)
Adjustments to Reconcile Operating Income to Net Cash		
Increase (Decrease) in Accounts Payable	<u>(26,346)</u>	<u>(8,320)</u>
Total Adjustments	<u>(26,346)</u>	<u>(8,320)</u>
Net Cash Provided by Operating Activities	<u>\$ (555,127)</u>	<u>\$ (216,759)</u>

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GENERAL FIXED ASSETS ACCOUNT GROUP

This account group accounts for all fixed assets of the Borough that are not used in the proprietary fund operations. They do not represent financial resources available for expenditures. They are items for which financial resources have been used and for which accountability should be maintained.

The following statements are included in this section:

Comparative Schedules of General Fixed Assets

Schedule of General Fixed Assets-by Function and Activity

KETCHIKAN GATEWAY BOROUGH
 GENERAL FIXED ASSETS ACCOUNT GROUP
 COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS
 June 30, 2002 and 2001

	2002	2001
GENERAL FIXED ASSETS		
Land	\$ 474,466	\$ 357,250
Buildings	78,658,441	8,548,999
Equipment	2,403,275	2,111,204
Infrastructure	3,491,241	3,491,241
Intangible Assets	7,224	-
Work in Progress - School Buildings	19,607	-
Total	\$ 85,054,254	\$ 14,508,694
 INVESTMENT IN GENERAL FIXED ASSETS FROM:		
Federal and State Grants	\$ 1,385,984	\$ 1,385,984
General Revenues	83,668,270	13,122,710
Total	\$ 85,054,254	\$ 14,508,694

KETCHIKAN GATEWAY BOROUGH
 SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY
 June 30, 2002

Function and Activity	Land	Buildings	Machinery and Equipment	Intangible Assets	Infrastructure	Total
General Government:						
Manager	\$	\$ 335,000	\$ 2,403,275	7,224	\$	\$ 2,745,499
School Facilities	117,216	69,954,434				70,071,650
Total General Government	117,216	70,289,434	2,403,275	7,224	-	72,817,149
Services:						
Animal Protection	55,000	359,691				414,691
Parks and Recreation		7,218,564			226,343	7,444,907
Public Works	80,000	349,514			1,143,976	1,573,490
Planning						-
Child Care Assistance						-
Non-Departmental						-
Local Emergency Planning Commission						-
Coastal Zone Management						-
Non Area Wide						-
Land Trust	200,000	266,806				466,806
Swimming Pools		-			1,830,439	1,830,439
School - Work In Progress		19,607			-	19,607
Total Services	335,000	8,214,182	-	-	3,200,758	11,749,940
Service Areas:						
South Tongass Fire District						-
Mud Bight					76,875	76,875
Forest Park Service Area					188,859	188,859
Gold Nugget Service Area					19,983	19,983
Shoup Street Service Area	22,250				4,765	27,015
Mt. Point Service Area	-	174,432			-	174,432
Total Service Areas	22,250	174,432	-	-	290,483	487,165
Total General Fixed Assets	\$ 474,466	\$ 78,678,048	\$ 2,403,275	7,224	\$ 3,491,241	\$ 85,054,254

GENERAL LONG-TERM DEBT ACCOUNT GROUP

This account group accounts for all the unmatured general long-term liabilities of the Borough that are payable from revenue sources other than from proprietary and trust funds and for which the Borough is obligated in some manner. The liabilities are secured by the general credit and revenue raising power of the Borough rather than specific assets acquired or specific fund resources.

The following schedules are included in this section:

Comparative Statements of General Long-Term Debt

Statement of Changes in Long-Term Debt

KETCHIKAN GATEWAY BOROUGH
 GENERAL LONG-TERM DEBT ACCOUNT GROUP
 COMPARATIVE STATEMENTS OF GENERAL LONG-TERM DEBT
 June 30, 2002 and 2001

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Other Debits		
Amount to Provided-Bonds	\$ <u>20,655,000</u>	\$ <u>21,610,000</u>
Total Other Debits	\$ <u>20,655,000</u>	\$ <u>21,610,000</u>
Liabilities		
95 IRC Bonds	\$ 4,545,000	\$ 5,095,000
99 School Bonds	7,195,000	7,460,000
00 School Construction Bonds	<u>8,915,000</u>	<u>9,055,000</u>
Total General Long-term Debt	\$ <u>20,655,000</u>	\$ <u>21,610,000</u>

KETCHIKAN GATEWAY BOROUGH
 GENERAL LONG-TERM DEBT ACCOUNT GROUP
 STATEMENT OF CHANGES IN LONG-TERM DEBT
 For the Fiscal Year Ended June 30, 2002

	<u>Balance</u> <u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
Other Debits				
Amount to be Provided-Bonds	\$ <u>21,610,000</u>	<u> </u>	\$ <u>955,000</u>	\$ <u>20,655,000</u>
Liabilities				
99 School Bonds	\$ 7,460,000	\$ -	265,000	\$ 7,195,000
95 IRC Bonds	5,095,000	-	\$ 550,000	4,545,000
00 School Bonds	<u>9,055,000</u>	<u> </u>	<u>140,000</u>	<u>8,915,000</u>
Total General Long-term Debt	\$ <u>21,610,000</u>	<u> </u>	\$ <u>955,000</u>	\$ <u>20,655,000</u>

ADDITIONAL INFORMATION

Additional information provides fiscal data considered useful in meeting informational needs and providing a better understanding of Municipal finances.

The following schedules are included in this section:

Combined Statement of Cash and Investment Balances – All Funds

Public Employees Retirement System – Required Supplementary Ten Year Trend Information

Combined Schedule of Bonds Payable

Debt Service Requirements to Maturity

KETCHIKAN GATEWAY BOROUGH
COMBINED SCHEDULE OF CASH AND INVESTMENT BALANCES - ALL FUNDS
June 30, 2002

CASH & INVESTMENTS CLASSIFIED BY FUND

General Fund		\$	3,149,519
Special Revenue Funds:			
Land Trust - Repair & Maintenance	\$	5,236,117	
Land Trust - Residential		2,785,228	
Land Trust - Commercial & Industrial		2,807,164	
Non Areawide Fund		1,010,881	
Recreation Capital Projects Fund		487,431	
Airport Passenger Facility Fund		656,752	
Economic Development Funds		4,620,057	
Shipyards Repair & Maintenance		1,685,490	
Long Term Endowment Fund		4,143,496	
State & Federal Grants Fund		244,812	
South Tongass Fire District		66,101	
Mt. Point Service Area Fund		177,585	
Waterfall Service Area Fund		114,467	
Mud Bight Service Area		14,107	
Nichols View Service Area Fund		10,124	
Forest Park Service Area Fund		156,659	
Gold Nugget Service Area Fund		10,048	
Shoup Street Service Area		<u>29,962</u>	24,256,480
Capital Projects Funds:			
Houghtaling/Valley Park Renovations		149,512	
New Elementary School Construction		8,902,761	
Schoenbar Middle School		<u>447,375</u>	9,499,649
Enterprise Funds:			
Airport Enterprise Fund		3,450,055	3,450,055
Internal Service Funds:			
Great West Insurance Reserve-School District		205,863	
Great West Insurance Reserve-Borough		<u>126,852</u>	332,715
Debt Service Funds:			
2000 G.L. School Bonds		<u>16,847</u>	<u>16,847</u>
Total Cash by Fund			\$ <u>40,705,265</u>

CASH CLASSIFIED BY DEPOSITORY

Change Funds & Petty Cash	\$	2,200	
First Bank of Ketchikan		11,870	
Wells Fargo		<u>330,779</u>	
Total Cash			344,849

Investments

Wells Fargo	-	
First Bank - Investments	-	
First Bank - KVB	512,114	
First Bank - Shipyards Bonds	279,763	
Wells Fargo - Shipyards Bonds	1,000,000	
U.S. Trust	26,639,797	
JPMorgan/Chase	11,928,741	
Total Investments		<u>40,360,415</u>
Total Cash and Investments		\$ <u>40,705,265</u>

KETCHIKAN GATEWAY BOROUGH
Public Employees Retirement System
Required Supplementary Ten Year Trend Information

The required supplementary information for PERS gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	Unfunded (Overfunded) Pension	UAAL as a Percentage of Covered Payroll Total ((b-a)/c)
1990	4,666	4,090	114.1%	(576)	1,841	-31.3%	
1991	4,940	5,280	93.6%	340	2,101	16.2%	
1992	5,974	6,200	96.4%	226	2,366	9.6%	
1993	7,218	7,294	99.0%	76	2,210	3.4%	
1994	8,149	8,564	95.2%	415	2,210	18.8%	
1995	8,929	8,835	101.1%	(94)	2,212	-4.2%	
1996	10,047	8,605	117.0%	(1,442)	2,373	-60.8%	
1997	10,981	9,928	110.6%	(1,053)	2,716	-38.8%	
1998	12,170	10,961	111.0%	(1,209)	2,534	-47.7%	
1999	9,226	8,727	106.0%	(499)	2,923	-17.7%	
2001	15,705	15,221	103.0%	(484)	3,094	16.0%	

KETCHIKAN GATEWAY BOROUGH
 COMBINED SCHEDULE OF BONDS PAYABLE

Year Ended June 30, 2002

	<u>Interest Rate</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
GENERAL OBLIGATION BONDS								
2000 Series "A" School Bonds	5.00 - 5.50	5/1 & 11/1	12/01/00	5/01/2020	\$ 9,055,000	\$ 9,055,000	\$ 140,000	\$ 8,915,000
1999 Series "A" School Bonds	4.75 - 5.65	5/1 & 11/1	12/01/99	5/01/2019	7,560,000	7,560,000	365,000	7,195,000
1996 IRC Bonds	4.30 - 6.00	5/15 & 11/15	12/07/95	5/15/2009	7,500,000	7,500,000	2,955,000	4,545,000
					<u>\$ 24,115,000</u>	<u>\$ 24,115,000</u>	<u>\$ 3,460,000</u>	<u>\$ 20,655,000</u>
REVENUE BONDS								
2001 Airport Revenue Bonds - Series A	4.75 - 4.90	4/1 & 10/1	08/07/01	10/01/19	1,725,000	1,725,000		1,725,000
2001 Airport Revenue Bonds - Series B	5.00 - 5.20	4/1 & 10/1	08/07/01	10/01/19	2,525,000	2,525,000		2,525,000
					<u>\$ 4,250,000</u>	<u>\$ 4,250,000</u>	<u>\$</u>	<u>\$ 4,250,000</u>

KETCHIKAN GATEWAY BOROUGH

Exhibit I-4

DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2002

Fiscal Year	2000 G.O. Bonds - Education			1999 G.O. Bond - Education			1995 G.O. Bonds - IRC			2001 Airport Revenue Bond - Series A			2001 Airport Revenue Bond - Series B		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	320,000	463,350	783,350	280,000	378,138	658,138	575,000	220,478	795,478	25,000	79,831	104,831	25,000	123,458	148,458
2004	335,000	447,350	782,350	290,000	364,838	654,838	605,000	194,028	799,028	75,000	77,456	152,456	105,000	120,208	225,208
2005	350,000	430,600	780,600	305,000	351,063	656,063	630,000	165,591	795,591	75,000	73,894	148,894	110,000	114,833	224,833
2006	365,000	413,100	778,100	320,000	336,423	656,423	660,000	135,037	795,037	80,000	70,213	150,213	115,000	109,208	224,208
2007	385,000	394,850	779,850	335,000	320,903	655,903	695,000	103,357	798,357	85,000	66,294	151,294	120,000	103,483	223,483
2008	400,000	375,600	775,600	350,000	304,320	654,320	730,000	69,650	799,650	90,000	62,250	152,250	130,000	97,545	227,545
2009	420,000	355,600	775,600	370,000	286,820	656,820	650,000	33,150	683,150	90,000	58,200	148,200	135,000	91,251	226,251
2010	440,000	334,600	774,600	390,000	268,320	658,320			658,320	95,000	54,038	149,038	140,000	84,720	224,720
2011	465,000	312,600	777,600	405,000	248,430	653,430			653,430	100,000	49,650	149,650	150,000	77,833	227,833
2012	485,000	289,350	774,350	430,000	227,573	657,573			657,573	105,000	45,038	150,038	155,000	70,589	225,589
2013	510,000	264,615	774,615	450,000	204,998	654,998			654,998	110,000	40,200	150,200	165,000	62,989	227,989
2014	540,000	238,605	778,605	475,000	180,923	655,923			655,923	115,000	35,138	150,138	175,000	54,870	229,870
2015	565,000	210,525	775,525	500,000	159,273	655,273			655,273	125,000	29,675	154,675	180,000	46,260	226,260
2016	600,000	180,580	780,580	530,000	128,023	658,023			658,023	130,000	23,745	153,745	190,000	37,100	227,100
2017	630,000	148,780	778,780	555,000	98,873	653,873			653,873	135,000	17,450	152,450	200,000	27,250	227,250
2018	665,000	114,760	779,760	590,000	68,070	658,070			658,070	140,000	10,780	150,780	210,000	16,795	226,795
2019	700,000	78,850	778,850	620,000	35,030	655,030			655,030	150,000	3,675	153,675	220,000	5,720	225,720
2020	740,000	40,700	780,700												
	\$8,915,000	\$5,094,415	\$14,009,415	\$7,195,000	\$3,958,018	\$11,153,018	\$4,545,000	\$921,291	\$5,466,291	\$1,725,000	\$797,527	\$2,522,527	\$2,525,000	\$1,244,112	\$3,769,112

STATISTICAL SECTION – (UNAUDITED)

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

The following Schedules are included in this section:

- General Governmental Expenditures by Function
- General Governmental Revenues by Source
- Property Tax Levies and Collections
- Assessed and Estimated Actual Value of Taxable Property
- Property Tax Rates – Direct and Overlapping Governments
- Principal Taxpayers
- Computation of Legal Debt Margin and Computation of Direct and Overlapping Debt
- Ratio of Net General Obligation Bond Debt to Assessed Value and Net General Obligation Debt per Capita
- Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures
- Demographic Statistics
- Miscellaneous Statistics
- Property Value and Construction
- Revenue Bond Coverage

KETCHIKAN GATEWAY BOROUGH
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	General Government	Public Services	Education		Debt Service Education	Total
			Operating	Capital		
1993	1,964	4,998	22,498	13,191	4,923	47,574
1994	1,833	5,564	23,578	15,705	4,859	51,539
1995	1,751	5,087	20,471	9,530	2,102	38,941
1996	1,611	4,718	18,647	9,666	1,997	36,639
1997	2,048	5,138	19,442	4,897	2,315	33,840
1998	2,136	7,396	18,825	602	2,236	31,195
1999	2,172	5,551	19,783	1,882	2,159	31,547
2000	2,128	9,823	20,589	4,599	2,076	39,215
2001	2,093	8,342	20,572	5,446	1,459	37,912
2002	2,478	12,307	20,998	945	2,240	38,968

(1) General government expenditures and revenue figures include data for all funds except proprietary and fiduciary fund types. (Source: Exhibit 2)

TABLE 1 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Intergovernmental Revenues</u>	<u>Charges for Services</u>	<u>Other Revenues</u>	<u>Total</u>
1993	9,991	13,680	296	2,255	26,222
1994	10,961	22,505	378	1,319	35,163
1995	11,525	10,899	355	641	23,420
1996	11,636	11,039	443	3,313	26,431
1997	11,905	21,207	446	9,099	42,657
1998	12,051	8,177	578	3,647	24,453
1999	12,130	9,000	633	2,500	24,263
2000	12,745	8,180	729	11,372	33,026
2001	12,152	3,474	912	368	16,906
2002	12,176	6,831	916	1,985	21,908

(1) General government expenditures and revenue figures taken from Exhibit 2, Comprehensive Annual Financial Report FY02

TABLE 2 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
GENERAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Automobile Tax	Boat Tax	Total
1993	6,273	2,965	114	35	9,387
1994	6,443	3,021	135	34	9,633
1995	6,658	3,217	138	36	10,049
1996	6,492	3,254	133	36	9,915
1997	6,599	3,305	156	36	10,096
1998	6,628	3,364	172	34	10,198
1999	6,671	3,317	161	32	10,181
2000	7,087	3,440	157	29	10,713
2001	6,380	3,790	163	28	10,361
2002	6,482	3,864	150	30	10,526

(1) Information taken from Exhibit A-2, Comprehensive Annual Financial Report FY02

KETCHIKAN GATEWAY BOROUGH
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(amounts expressed in dollars)

Fiscal Year	Total Tax Levy	Percent of		Delinquent		Total Tax Collections	Ratio of		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Current Tax Collections	Current Taxes Collected	Tax Collections	Tax		Total Tax Collections to Total Tax Levy	Delinquent Taxes		
1993	6,573,889	6,447,090	98.1%	113,928	6,561,018	99.8%	557,272	8.5%		
1994	6,832,029	6,403,390	93.7%	39,452	6,442,842	94.3%	21,715	0.3%		
1995	7,053,655	6,611,215	93.7%	46,881	6,658,096	94.4%	393,296	5.6%		
1996	6,869,256	6,827,379	99.4%	27,756	6,855,135	99.8%	307,764	4.5%		
1997	6,994,003	6,994,687	100.0%	4,782	6,999,469	100.1%	242,902	3.5%		
1998	6,640,018	7,055,888	106.3%	3,558	7,059,446	106.3%	284,108	4.3%		
1999	7,123,454	7,120,436	100.0%	4,198	7,124,634	100.0%	192,366	2.7%		
2000	7,090,934	7,561,185	106.6%	14,037	7,547,148	106.4%	132,490	1.9%		
2001	6,925,138	6,792,596	98.1%	50,903	6,843,499	98.8%	214,129	3.1%		
2002	6,384,355	5,987,883	93.8%	63,730	6,051,613	94.8%	610,601	9.6%		

Source: Borough Assessment and Finance Department

TABLE 3 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
 Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Exemptions		Total		Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Real Property	Assessed Value	Estimated Actual Value		
1993	783,543,950	783,543,950	53,470,000	53,470,000	44,979,100	837,013,950	837,013,950	100%	
1994	768,974,900	768,974,900	50,919,750	50,919,750	43,142,975	819,894,650	819,894,650	100%	
1995	860,641,900	860,641,900	55,258,900	55,258,900	51,643,400	915,900,800	915,900,800	100%	
1996	925,150,800	925,150,800	59,920,100	59,920,100	56,567,400	985,070,900	985,070,900	100%	
1997	945,803,200	945,803,200	59,779,600	59,779,600	59,318,000	1,005,582,800	1,005,582,800	100%	
1998	945,782,900	945,782,900	63,938,900	63,938,900	61,147,800	1,009,721,800	1,009,721,800	100%	
1999	946,063,200	946,063,200	64,396,700	64,396,700	60,666,100	1,010,459,900	1,010,459,900	100%	
2000	941,920,800	941,920,800	72,765,200	72,765,200	61,911,500	1,014,686,000	1,014,686,000	100%	
2001	974,516,600	974,516,600	69,090,700	69,090,700	62,469,800	1,043,607,300	1,043,607,300	100%	
2002	959,208,600	959,208,600	63,665,600	63,665,600	64,125,200	1,022,874,200	1,022,874,200	100%	

(1) Total assessed value based on 100% of estimated actual value.

Source: Borough Assessment and Finance Department

TABLE 4 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PROPERTY TAX RATES
Direct and Overlapping Governments
Last Ten Fiscal Years

Property Tax Millage Rates

Fiscal Year	City of Ketchikan	Shoreline Service Area	South Tongass Fire Service Area	Mud Bight Service Area	Forest Park Service Area	Non Areawide	Ketchikan Gateway Borough	Total
1993	7.50	1.00	1.00	10.00	5.00	0.65	8.30	33.45
1994	7.50	1.00	1.00	0.00	5.00	0.65	8.30	23.45
1995	7.00	1.00	1.00	0.00	5.00	0.70	7.50	22.20
1996	6.70	1.00	1.00	0.00	3.50	0.84	7.10	20.14
1997	6.70	1.00	1.00	0.00	3.50	0.84	7.00	20.04
1998	6.40	1.00	1.00	0.00	3.50	0.92	7.00	19.82
1999	6.40	1.00	1.00	0.00	2.20	0.93	7.50	19.03
2000	6.40	1.00	1.00	0.00	2.20	0.70	6.80	18.10
2001	6.40	1.00	1.00	0.00	2.20	0.80	6.80	18.20
2002	6.40	0.00	1.00	0.00	2.20	1.05	6.80	17.45

TABLE 5 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PRINCIPAL TAXPAYERS
June 30, 2002

<u>Taxpayer</u>	<u>Business Type</u>	<u>Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Gateway Forest Products	Forest Products	\$ 19,939,000	1.95%
Cape Fox Corporation (Includes Cape Fox Hotel Corp.)	Forest Products/Hotel	12,245,000	1.20%
Alaska General Seafood Proc.	Seafood Processing	7,179,400	0.70%
Tongass Trading	Retail Stores	7,162,500	0.70%
E. C. Phillips & Son, Inc.	Seafood Processing	5,599,600	0.55%
Ketchikan Plaza Inc.	Retail Stores	5,387,600	0.53%
TF Acquisition	Seafood Processing	5,210,900	0.51%
Carr-Gottstein Foods Co.	Retail Stores	5,184,800	0.51%
Tesoro Alaska Petroleum Co.	Petroleum	5,101,900	0.50%
Swan Bay Holding Inc.	Commercial/Industrial	4,821,600	0.47%
 Total Principal Taxpayers		 \$ <u>77,832,300</u>	 <u>7.61%</u>
 Total Assessed Valuation		 \$ <u>1,022,874,200</u>	 <u>100.00%</u>

Source: Ketchikan Gateway Borough Assessment Department

TABLE 6 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH

Computation of Legal Debt Margin

June 30, 2002

No Debt Limit is Mandated by Law

Direct and Overlapping Debt

Total Direct Debt

Outstanding G.O. Bonds - Ketchikan Gateway Borough		
Less Self Supporting Debt:		24,905,000
1995 Recreation Sales Tax Revenues	(4,545,000)	(4,545,000)
Total Direct Debt		20,360,000

City of Ketchikan Direct Debt

Outstanding G.O. Bonds		\$13,320,000
Less Self Supporting Debt:		
Bonds Paid from Ketchikan Port Fund Revenues	(2,575,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(9,350,000)	
1997 Fire Truck Construction Funds		
Paid from Sales Tax Hospital and Other Public Works Funds	(365,000)	
1986 Refunding Bonds		
Paid from Wastewater and Harbor Fund Revenues	(520,150)	(12,810,150)
Total City of Ketchikan Direct Debt		509,850
Total Direct and Overlapping Debt		\$20,869,850

Source: Ketchikan Gateway Borough and City of Ketchikan Financial Records

TABLE 7 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT
 TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund (4)	Debt Payable from Enterprise Revenues (5)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1993	13,828	837,013,950	12,384,000	-	620,000	11,764,000	1.41%	851
1994	14,923	819,894,650	8,819,000	-	480,000	8,339,000	1.02%	559
1995	15,028	915,900,800	6,530,000	-	330,000	6,200,000	0.68%	413
1996	15,082	985,070,900	12,470,000	-	170,000	12,300,000	1.25%	816
1997	14,728	1,005,582,800	10,800,000	-	130,000	10,670,000	1.06%	724
1998	14,231	1,009,721,800	9,105,000	-	90,000	9,015,000	0.89%	633
1999	13,961	1,010,459,900	7,380,000	-	50,000	7,380,000	0.73%	529
2000	14,003	1,014,686,000	13,185,000	-	50,000	13,235,000	1.30%	945
2001	14,070	1,043,607,300	21,610,000	-	-	21,610,000	2.07%	1,536
2002	14,070	1,022,874,200	24,905,000	-	-	24,905,000	2.43%	1,770

(1) Alaska Department of Community & Regional Affairs

(2) From Table 4.

(3) Amount includes revenue bonds.

(4) Amount available for repayment of general obligation bonds.

(5) Includes G.O. Bonds being repaid from Airport Enterprise Fund.

KETCHIKAN GATEWAY BOROUGH
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
 Ten Year Period Ending June 30, 2002

Fiscal Year	Debt Service Payments		Total General Expenditures	Ratio of Debt Service to General Expenditures
	Principal	Interest		
1993	3,810,000	1,112,455	25,670,551	19.2%
1994	4,045,000	814,534	28,549,747	17.0%
1995	1,610,000	491,588	30,929,801	6.8%
1996	1,400,000	597,041	27,232,932	7.3%
1997	1,630,000	684,527	35,356,990	6.5%
1998	1,655,000	580,728	32,614,023	6.9%
1999	1,685,000	474,228	30,562,761	7.1%
2000	1,705,000	370,662	57,206,031	3.6%
2001	630,000	828,804	37,836,012	3.9%
2002	955,000	1,302,282	40,802,219	3.6%

15,672,672

Source: Exhibit I-4

TABLE 9 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
 DEMOGRAPHIC STATISTICS
 Ten Year Period Ending June 30, 2002

Fiscal Year	(1) Borough <u>Population</u>	(2) Alaska Per Capita <u>Income</u>	(3) Borough School <u>Enrollment</u>	(2) Annual Average Unemployment <u>Rate</u>
1993	13,828	24,671	2,690	8.8%
1994	14,923	25,141	2,735	8.3%
1995	15,028	25,667	2,729	7.7%
1996	15,082	25,901	2,850	8.7%
1997	14,728	26,898	2,856	9.5%
1998	14,231	27,645	2,731	7.0%
1999	13,961	27,994	2,724	7.1%
2000	14,003	29,642	2,463	7.6%
2001	14,070	30,997	2,490	7.7%
2002	14,070	Not Available	2,401	8.6%

Sources:

- (1) Alaska Department of Community & Economic Development
- (2) Alaska Department of Labor and Workforce Development - (Research & Analysis Section)
- (3) Ketchikan Gateway Borough School District (Average Daily Attendance)

TABLE 10 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
 MISCELLANEOUS STATISTICS
 FOR THE YEAR ENDED JUNE 30, 2002

Date of Incorporation	9/13/1963
Type of Government	Second Class Borough
Form of Government	Assembly/Manager
Area - Square Miles (Revillagigedo and Gravina Islands)	1,242
Education (through Grade 12 only)	
Number of Attendance Centers	7
Number of Classrooms	137
Number of Teachers	152
Number of Students (Average Daily Attendance)	2,401
Elections	
Number of Registered Voters (October 2002)	
Number of Votes in last regular election (Municipal Election, October 3, 2002)	
Airport Operations	
Air Carrier Passengers per year - (Inbound)	95,695
Ferry Passengers	374,284
Ferry Vehicles	89,883
Planning	
Number of zoning permits issued	115
Permanent Employees as of June 30, 2002	113

TABLE 11 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PROPERTY VALUE AND CONSTRUCTION
Last Ten (Calendar) Years

Fiscal Year	Construction		Real & Personal Property Value (2)
	Number of Permits	Value (1)	
1993	158	32,900,000	415,272,600
1994	158	11,172,000	428,992,800
1995	135	11,300,000	462,507,200
1996	180	11,656,652	504,116,300
1997	146	8,600,500	508,823,000
1998	169	17,272,900	530,101,000
1999	156	12,890,000	528,989,700
2000	142	9,167,000	535,803,200
2001	141	6,602,522	607,216,600
2002	115	Not Available	

(1) City of Ketchikan Finance Department

(2) Ketchikan Gateway Borough Department of Assessment

Note: Previous Borough tables for property value and construction gave statistics for fiscal years June - July; this table departs from that and is stated in calendar years, with city information only.

Table 12 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
REVENUE BOND COVERAGE
KETCHIKAN INTERNATIONAL AIRPORT

Fiscal Year	Gross Revenues (1)		Operating Expenses (2)	Net Revenue Available		Debt Service Requirements			Coverage
	Revenues (1)	Operating Expenses (2)		Debt Service	Principal	Interest	Total		
1993	2,374,679	1,862,324	512,355	25,000	22,000	47,000	10.90		
1994	2,431,970	1,989,319	442,651	25,000	20,000	45,000	9.84		
1995	1,374,069	1,007,661	366,408	30,000	18,000	48,000	7.63		
1996	1,480,889	1,107,456	373,433	35,000	22,053	57,053	6.55		
1997	1,341,592	1,230,831	110,761	35,000	13,200	48,200	2.30		
1998	1,449,309	1,269,485	179,824	40,000	10,400	50,400	3.57		
1999	1,464,148	1,464,983	(835)	50,000	4,000	54,000	(0.02)		
2000	2,237,555	2,634,209	(396,654)	50,000	17,170	67,170	(5.91)		
2001	2,471,407	2,361,366	110,041	-	-	-	-		
2002	3,001,570	2,774,919	226,651	-	136,338	136,338	1.66		

(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.

See: Exhibit E-5.

TABLE 13 - UNAUDITED

SINGLE AUDIT SECTION

The Borough is required to undergo an annual single audit in conformity with the provisions of the State of Alaska Single Audit Regulation 2AAC 45.010, the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organization. This section includes supplemental Schedules of State and Federal Financial Assistance. A separate single audit report is published which provides all the data required under the Single Audit Act.

KETCHIKAN GATEWAY BOROUGH
FEDERAL SINGLE AUDIT REPORTS
Year Ended June 30, 2002

This report includes the following:

- Schedule of Expenditures of Federal Awards
- Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*
- Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance with
OMB Circular A-133
- Schedule of Findings and Questioned Costs

Ketchikan Gateway Borough
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2002

Grantor/Program Name * Major Programs	CFDA #	Grant/Program Number	Award Amount	Grant Receivable (Deferred Revenue) at July 1, 2001	Activity during the year ended June 30, 2002		Grant Receivable (Deferred Revenue) at June 30, 2002
					Receipts	Expenditures	
DIRECT FEDERAL PROGRAMS							
U.S. DEPARTMENT OF THE INTERIOR							
PILT - (FY 2001)	15.226		\$ 602,772	\$	\$ 602,772	\$	\$ -
PILT - (FY 2002)	15.226		\$ 626,067	\$	\$ 626,067	\$	\$ -
PASSED THROUGH THE STATE OF ALASKA DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT							
U.S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES							
Child Care PASS II & III - FY01	93.596		395,294	64,479	64,479	-	-
Child PASS II & III - FY02	93.596		395,294	327,352	373,594	46,241	46,241
Child Care Conf. Travel Grant - FY02	93.596		985	8	985	977	977
PASSED THROUGH THE STATE OF ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT							
U.S. DEPARTMENT OF AGRICULTURE - U.S. FOREST SERVICE							
Timber Receipts	10.665	811092	402,359	402,359	342,005	(60,354)	(60,354)
U.S. DEPARTMENT OF THE INTERIOR							
Coastal Zone Management FY 01	11.419	810535	56,528	23,067	23,067	-	-
Coastal Zone Management FY 02	11.419	800568	38,250	18,578	28,873	10,295	10,295
Coastal Zone Management FY 02	11.419	NA170Z2050	75,000	-	-	-	-
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION /PORT FACILITIES							
U.S. DEPARTMENT OF TRANSPORTATION							
FHWA Operating Grant (Transit)	20.514	68076	58,222	58,222	58,222	-	-
FHWA Capital Grant (Transit)	20.514	68485	266,087	(444)	262,288	262,288	262,288
RTAP Training & Technical Assistance - 2000 RT	20.503		7,000	-	444	-	-
RTAP Training & Technical Assistance - 2001 RT	20.503		10,000	2,836	2,836	5,830	5,830
RTAP Training & Technical Assistance - 2002 RT	20.503		134,182	134,182	134,182	-	-
Homeland Security FAA Operating 2002 Grant	20.106		-	-	-	-	-
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA HOUSING AND URBAN DEVELOPMENT							
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Low Rent Housing Program FY 01	14.149		16,907	16,907	16,907	-	-
Low Rent Housing Program FY 02	14.149		18,756	-	18,756	-	18,756
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA ENVIRONMENTAL PROTECTION ASSOCIATION							
U.S. DEPARTMENT OF ENVIRONMENT PROTECTION AGENCY							
Brownfields Initiative - Ward Cove Pulp Mill	66.296	V990969-01-2	60,287	42,889	42,889	-	-
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA DEPARTMENT OF MILITARY and VETERANS AFFAIRS							
FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)							
State/Local Assistance (SLA) - FY01	83.503	8231	10,000	2,500	2,500	-	-
State/Local Assistance (SLA) - FY02	83.503	8231	10,000	7,500	7,500	10,000	2,500
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA DEPT. OF ENVIRONMENTAL CONSERVATION FACILITY CONSTRUCTION & OPERATION							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Shoup Street Area Water and Sewer	66.606	48306	5,058,333	1,037	69,732	48,072	48,072
			\$	\$ 150,735	\$ 2,399,450	\$ 116,767	\$ 48,072
					\$ 2,583,621		\$ 334,906

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

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the general-purpose financial statements of the Ketchikan Gateway Borough (the "Borough"), as of and for the year ended June 30, 2002, and have issued our report thereon dated October 25, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Borough's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Borough in a separate letter dated October 25, 2002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Borough's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material

MECHAM, RICHARDSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Borough Mayor, Assembly, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mecham, Richardson and Company

October 25, 2002

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Ketchikan Gateway Borough (the "Borough") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough's compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough's compliance with those requirements.

In our opinion, the Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

MECHAM, RICHARDSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Internal Control over Compliance

The management of the Borough is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Borough's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Borough Mayor, Assembly, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mecham, Richardson and Company

October 25, 2002

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**KETCHIKAN GATEWAY BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

SUMMARY OF AUDIT RESULTS

- I. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the Ketchikan Gateway Borough.
- II. There were no reportable conditions disclosed during the audit of the financial statements.
- III. No instances of noncompliance material to the financial statements of the Ketchikan Gateway Borough were disclosed during the audit.
- IV. No reportable conditions with respect to major programs are disclosed.
- V. The auditor's report on compliance for the major federal award programs for the Ketchikan Gateway Borough expresses an unqualified opinion on all major federal programs.
- VI. The audit did not disclose audit findings which are required to be reported.
- VII. The Borough had two major programs as defined by Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These programs are Day Care PASS II and PASS III (CFDA No. 93.596) and FHWA Operating and Capital Grants (CFDA No. 20.514).
- VIII. The dollar threshold used to distinguish between Type A and Type B programs is federal awards with expenditures greater than \$300,000.
- IX. The Borough was determined to be a low-risk auditee as defined by Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

MECHAM, RICHARDSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Condition

None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

PRIOR YEAR FINDINGS

Reportable Condition 2001-1 Journal Entries was resolved in the current year.

KETCHIKAN GATEWAY BOROUGH

STATE SINGLE AUDIT REPORTS

For the Year Ended June 30,2002

This report includes the following:

Schedule of State Financial Assistance

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control over Compliance in Accordance with
the *State of Alaska Audit Guide and Compliance Supplement for State
Single Audits*

Schedule of Findings and Questioned Costs

Ketichikan Gateway Borough
Schedule of State Financial Assistance
Year Ended June 30, 2002

Grantor/Program Name	Grant/Program Number	Award Amount	Grant Receivable (Deferred Revenue) at July 1, 2001	Activity during the year ended June 30, 2002		Grant Receivable (Deferred Revenue) at June 30, 2002
				Receipts	Expenditures	
* Major Programs						
DEPARTMENT OF COMMUNITY and ECONOMIC DEVELOPMENT						
Saxman Tribal House	9/88-507	\$ 150,000	\$ (55,971)	\$ 2,965	\$	(53,006)
ADA Upgrade & Safety Upgrade for DOT Service	96/590-9-001	28,000				
Lewis Reef Development	96/590-8-002	150,878	13,740	53,188	43,347	3,899
Ferry Ramp Upgrade	97/590-8-003	56,000				
Airport Parking Lot Expansion	07/590-9-001	35,000		2,159	2,159	
Airport Parking Lot	98/590-8-005	15,612	(3,122)	9,334	15,612	3,156
M&O Warehouse - (Grant Closed - Advance Returned)	98-590-9-002	29,255	(5,851)	-	5,851	
Shoup Street Water & Sewer	98/590-4-006	56,195	678	1,515	837	
Removal & Replacement of Revilla High School Roof	99/590-1-003	79,661	22,944	63,729	40,785	0
Airport Terminal Door Replacement	99/590-8-002	16,100	(3,220)			(3,220)
Airport Perimeter Fence	98/590-8-004	21,000	(4,200)			(4,200)
Airport Terminal Ceiling & Lighting	00/590-8-004	21,802	(4,360)			(4,360)
Airport Terminal Smart Key System	00/590-8-002	21,000	(4,200)			(4,200)
Cabling Connection Borough Computer	00/590-8-001	37,100	(7,420)		35,404	27,984
Floating Dock Upgrade	00/590-8-003	31,500	(6,300)		5,088	(1,212)
Multi-Purpose Maintenance Facility Phase 1	01-MG-081	108,473				
Shipyard Development Match	02-DC-044	1,000,000		200,000		(200,000)
Restroom Construction & Improvements	02-MG-076	108,218				
Municipal Assistance (Safe Communities)	810420	111,380		111,380	111,380	
Shared Fisheries Business Tax	810996	8,122		8,122	8,122	
State Revenue Sharing	810173	88,677		88,677	88,677	
DEPARTMENT OF REVENUE						
Raw Fish Tax	2001FISH	312,454		312,454	312,454	
DEPARTMENT OF EDUCATION						
School Construction and Debt Retirement FY99	DOE	1,024,721	206,424	206,424		
School Construction and Debt Retirement FY01	DOE	86,908	86,908	86,908		
School Construction and Debt Retirement FY02	DOE	1,001,824		730,940	1,001,824	270,884
DEPARTMENT OF ENVIRONMENTAL CONSERVATION						
Local Emergency Planning Commission FY 00/01	8231	17,500	2,479	2,479		
Local Emergency Planning Commission FY 01/02	8231	15,000		12,513	15,000	2,487
Shoup Street Area Water and Sewer	48306	2,286,667	345	23,244	38,923	16,024
DEPARTMENT OF NATURAL RESOURCES						
Point Higgins Gravel Trail	38237	10,000	(4,623)			(4,623)
DEPARTMENT OF TRANSPORTATION						
FHWA Capital Grant (Transit)	68485	26,413			26,036	26,036
Tongass Avenue Capacity Improvements	69357	4,400	(4,400)			(4,400)
Hard Link Study	28495	100,000	(10,745)			(10,745)
		\$	\$	\$	\$	\$
		219,106	1,913,066	1,754,464	60,504	

**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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the general-purpose financial statements of the Ketchikan Gateway Borough ("the Borough"), as of and for the year ended June 30, 2002, and have issued our report thereon dated October 25, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Borough's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the Borough's management in a separate letter dated October 25, 2002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Borough's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material

MECHAM, RICHARDSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Borough Mayor, Assembly, management, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mecham, Richardson and Company

October 25, 2002

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE
SUPPLEMENT FOR STATE SINGLE AUDITS**

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

Compliance

We have audited the compliance of the Ketchikan Gateway Borough (the "Borough"), with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2002. The Borough's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with laws, regulations, contracts, and grants, general requirements, and the specific requirements applicable to each of its major state programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough's compliance based on our audit.

We conducted our audit of compliance 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 and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Borough's compliance with those requirements.

MECHAM, RICHARDSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

In our opinion, the Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Borough's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Borough Mayor, Assembly, management and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mecham, Richardson and Company

October 25, 2002

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**KETCHIKAN GATEWAY BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

SUMMARY OF AUDIT RESULTS

- I. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the Ketchikan Gateway Borough.
- II. No reportable conditions and no material weaknesses are reported in the Schedule of Findings and Questioned Costs.
- III. No instances of noncompliance material to the financial statements of the Ketchikan Gateway Borough were disclosed during the audit.
- IV. There were no reportable conditions or material weaknesses with respect to major programs disclosed during the audit.
- V. The auditor's report on compliance for the major state award programs for the Ketchikan Gateway Borough expresses an unqualified opinion on all major state programs.
- VI. The audit did not disclose audit findings that are required to be reported.
- VII. The Borough had four major programs as defined by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. These programs are State Revenue Sharing, Municipal Assistance (Safe Communities), Raw Fish Tax, and School Construction and Debt Retirement Programs.
- VIII. The dollar threshold used to distinguish between Major and Non-major programs are state awards with expenditures greater than \$50,000.

MECHAM, RICHARDSON & COMPANY
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To the Honorable Mayor and
Members of the Borough Assembly
Ketchikan Gateway Borough

FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Condition

None

**FINDINGS AND QUESTIONED COSTS - MAJOR STATE AWARD PROGRAMS
AUDIT**

None

PRIOR YEAR FINDINGS

Reportable Condition 2001-1 Journal Entries was resolved in the current year.