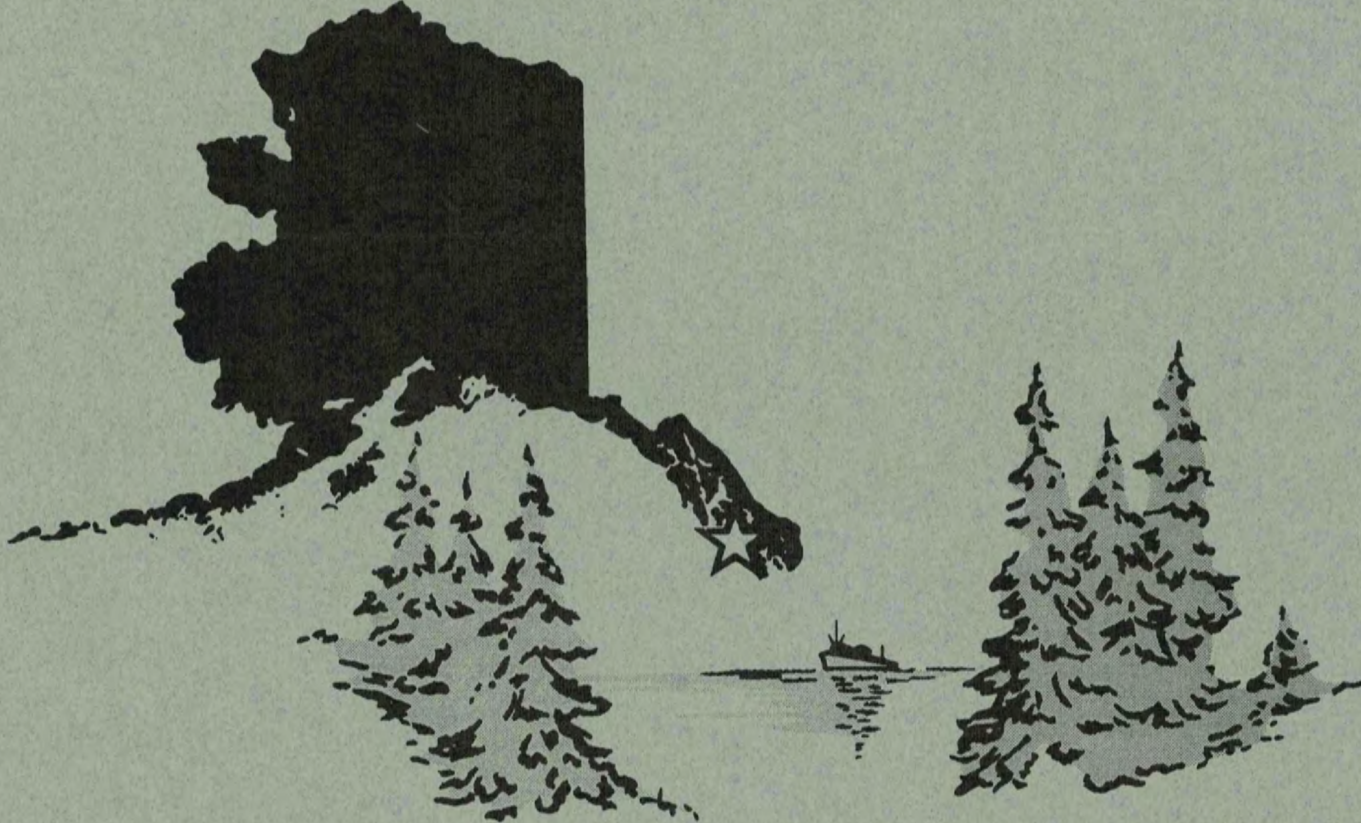
KETCHIKAN GATEWAY BOROUGH
ALASKA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2001

KETCHIKAN GATEWAY BOROUGH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2001

Prepared by

DEPARTMENT OF ADMINISTRATIVE SERVICES

Alvin E. Hall, Director

344 Front Street
Ketchikan Alaska 99901

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KETCHIKAN GATEWAY BOROUGH

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2001

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February 2, 2002

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, 2001, 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 are 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-areawide 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. She 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 is based on natural resources, primarily timber and fishing. Both industries have played significant roles in the development of the local economy since the turn of the century. During the first part of the 1900s, fishing was the primary industry with numerous canneries and fish processing facilities operating at the peak of the industry. At one point in its history Ketchikan was known as the "Salmon Capital of the World." Fish prices have fallen in recent times, but volume has boosted harvest figures. Although the 2001 salmon season brought an increase in harvest figures, prices for the salmon, bottom fish and dive fishery season have not been confirmed.

In the 1950s timber moved to the forefront when the U.S. Forest Service offered a 50-year timber contact to a private company, resulting in construction of a major pulp mill facility and several sawmills in Ketchikan. Much of the turmoil for this industry links to federal policies diminishing timber sales on federal lands and a decline in exports. The 1997 closure of the Ketchikan Pulp Co. Mill brought a sharp drop in employment, and only two production sawmills remain operating in the Ketchikan area. The result of the lack of timber sales was $25 million in federal economic impact aid in FY 1997. The funds will be used for grants, loans and infrastructure support. Included is a loan to Gateway Forest Products for a veneer plant at the former KPC site and two loan guarantee's to the Inter-Island Ferry Authority and the Ketchikan Visitor Bureau. In February 2001 Gateway Forest Products, Inc., filed for protection under Chapter 11 bankruptcy. The Ketchikan Gateway Borough has provided a $7,000,000 loan for plant construction, $2,500,000 in DIP financing, and purchased claims from local creditors of approximately $5,500,000.

Tourism is the fastest growing segment of the local economy. Packaged tours through cruise ship companies continue 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.

Despite a declining population and the loss of jobs tied to the pulp mill, there are a number of large construction projects completed or in progress. The City of Saxman is utilizing federal grant money, insurance proceeds and a Borough loan to finance the $2.4 million initial phase of a Community Hall, to be completed in spring 2002. The Wal-Mart corporation constructed a new retail store, and the full complex of businesses planned for this site, estimated at $14 million total, may include a grocery store and theater to be completed later. The Borough sold an additional $9,055,000 in General Obligation Bonds in December 2000 for constructing a new elementary school and renovation design work for Schoenbar Middle School.

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 are 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 judgements 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, 2001, 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, 2001 and the amount of increases and decreases in relation to prior year revenues.

	Amount	Percent of Total	Increase (Decrease) From 2000
Revenues:			
Taxes	$12,151,968	41.43%	$ (593,189)
Payment in Lieu of Taxes	16,907	0.06%	2,005
Licenses & Permits	31,080	0.11%	12,535
Revenues from Other Governments	6,473,634	22.07%	(1,672,977)
Charges for Services	912,844	3.11%	183,646
G.O. Bond Proceeds	9,085,436	30.97%	1,632,327

Other Revenues	660,161	2.25%	(3,228,814)
Total	$29,239,269	100.00%	$(3,664,467)

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 increase in Revenue from G.O. Bond proceeds resulted principally from the issuance of new debt.

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, 2001 and the increases and decreases in relation to prior year amounts.

	Amount	Percent of Total	Increase (Decrease) From 2000
Expenditures:			
Bad Debt Expense	$ 4,100,000	19.12%	$ 4,100,000
General Government	1,936,408	9.03%	(51,377)
Public Service	8,341,925	38.91%	(1,481,217)
Non-Departmental	100,001	.47%	(5,770)
Automation	56,845	.27%	22,495
Capital Projects	5,445,731	25.40%	847,932
Debt Service	1,458,804	6.80%	(16,858)
Total	$21,439,714	100.00%	$ 2,815,205

The significant increases in expenditures occurred in capital project improvements, decreases occurred in public services and debt service payments.

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.

Implemented early in 1999 is a Passenger Facilities Charge, a fee on air carriers based on per passenger coming through the Ketchikan International Airport. With federal approval, designated airport projects may be funded with these PFC revenues. A pending Revenue Bond issuance, planned for early 2001, will finance construction of a new airport ferry and terminal renovations, and is a prime example of how the PFC revenue will finance airport improvements.

Fiduciary Responsibility. The Ketchikan Gateway Borough has fiduciary responsibility in two areas. First, Alaska Statutes require the Borough to be responsible for 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, 2001, the Ketchikan Gateway Borough had outstanding debt of $21,610,000. This is comprised of $16,515,000 in General Obligation Bonds for school projects, and $5,095,000 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 $439,358 on all investments for the year ended June 30, 2001. 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, and public officials' liability.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

This past year brought decisions on the procedures for considering loans, grants and loan guarantees the Borough will make using the $25 million in federal Southeast Economic Assistance Funds. The Assembly adopted resolutions detailing the process, review, ratings and requirements for enterprises to qualify. Among key commitments, pending due diligence review and negotiations, are infrastructure and incentive grants to the Alaska Ship and Dry Dock Inc., a loan guarantee to Alaska Gateway Products (veneer plant at former Ketchikan Pulp Co. site), a loan guarantee to the Inter-Island Ferry Authority, and supporting grants to the University of Alaska Small Business Development Center and the Southern Southeast Regional Aquaculture Association.

The Borough anticipates issuing $4 million in Revenue Bonds in August 2001 to finance construction of a new airport ferry and renovations of the terminal. The Passenger Facilities Charges, initiated in 1999, will provide the revenue stream for repaying the bond.

General Obligation Bonds of $9,055,000 were sold in December 2000 to pay for a new elementary school to replace White Cliff, and for design and engineering of major renovations to Schoenbar Middle School.

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 received $1,880,000 in federal and state grant money to continue work on Shoup Street area water and sewer projects.

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 Vicki Campbell and Susan Fisher for their help in preparing the CAFR.

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

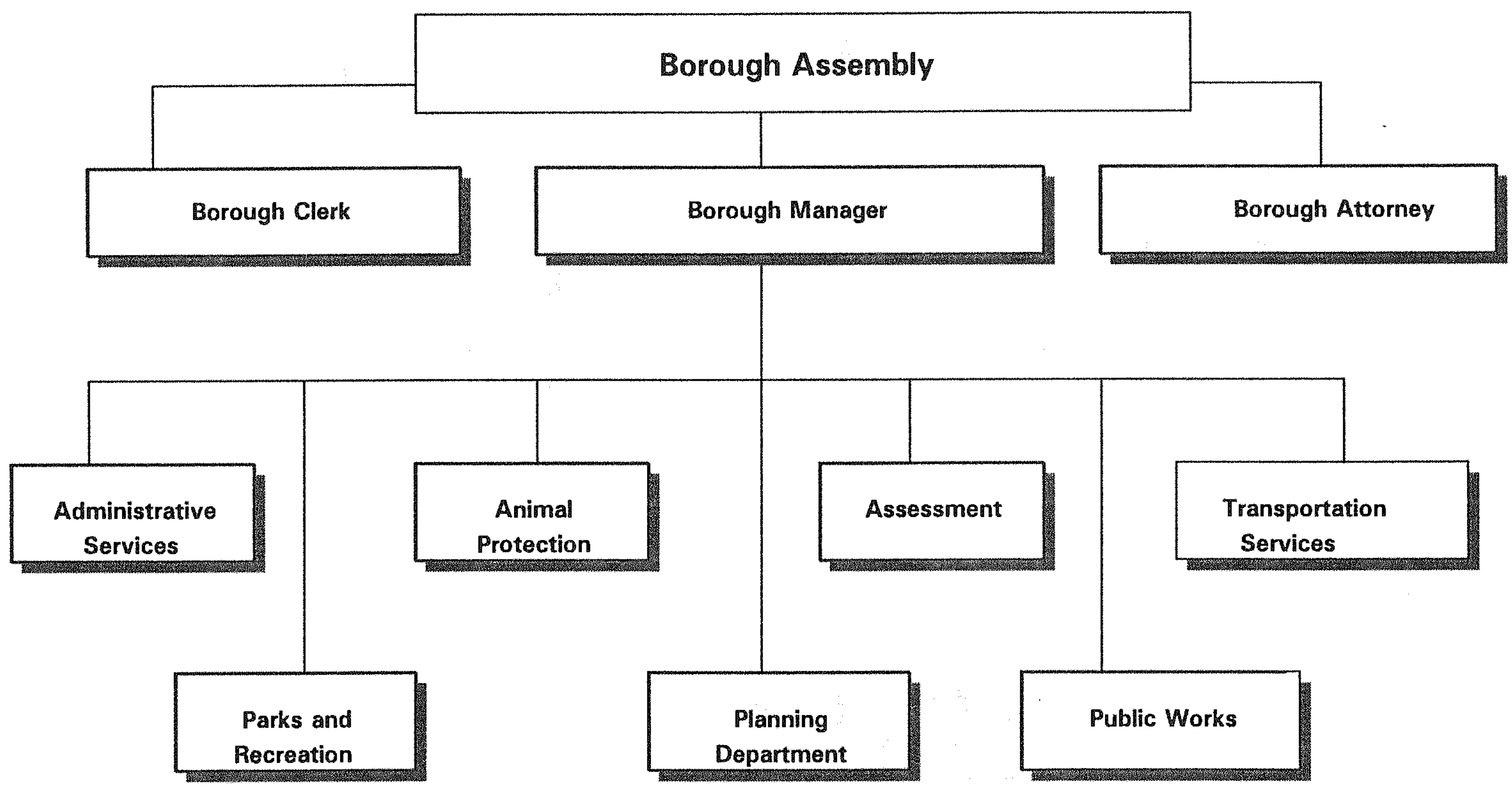
Respectfully submitted,

Alvin E Hall

Alvin E. Hall
Director of Administrative Services

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2000/2001



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2001

MAYOR AND ASSEMBLY

John W. "Jack" Shay Jr.	Mayor
John J. Conley	Vice Mayor
Richard L. Burton	Assembly Member
Richard L. Coose	Assembly Member
Maggie Sarber	Assembly Member
George Lybrand, P.E.	Assembly Member
Michael B. Salazar	Assembly Member
Michael J. Sallee	Assembly Member

BOROUGH STAFF

Georgianna Zimmerle	Manager
Scott A. Brandt-Erichsen	Borough Attorney
Sue Bethel	Borough Clerk
Alvin E. Hall	Director of Administrative Services
Dennis Finegan	Director of Assessment
Eugene Martin	Animal Protection Supervisor
Susan Dickinson	Director of Planning
David Allen	Director of Transportation Services
John Brown	Director Parks and Recreation
Richard McAlpin	Deputy Director of Public Works

KETCHIKAN GATEWAY BOROUGH

Boundary shown in broken line around Revillagigedo and Gravina Islands

Service Areas & Features:

1 Mountain Point Sewage Treatment
Mountain Point Water Treatment
Gold Nugget Road Service Area
Shoup Street Service Area
South Tongass Volunteer Fire Service Area
Nichols View Road Service Area

2 Forest Park Road Service Area

3 Shoreline Volunteer Fire Service Area

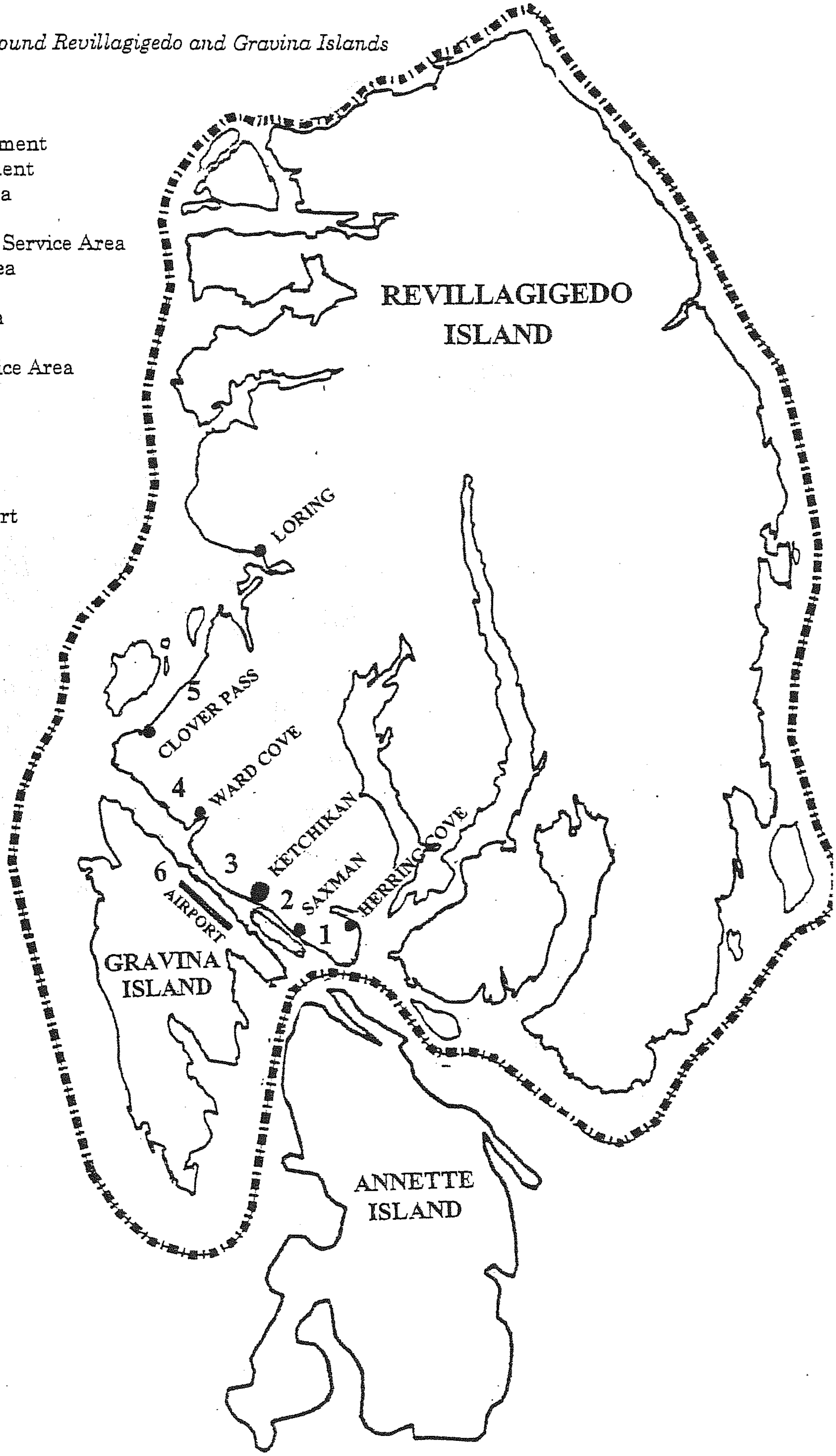
4 Mud Bight Road Service Area

5 Waterfall Road Service Area

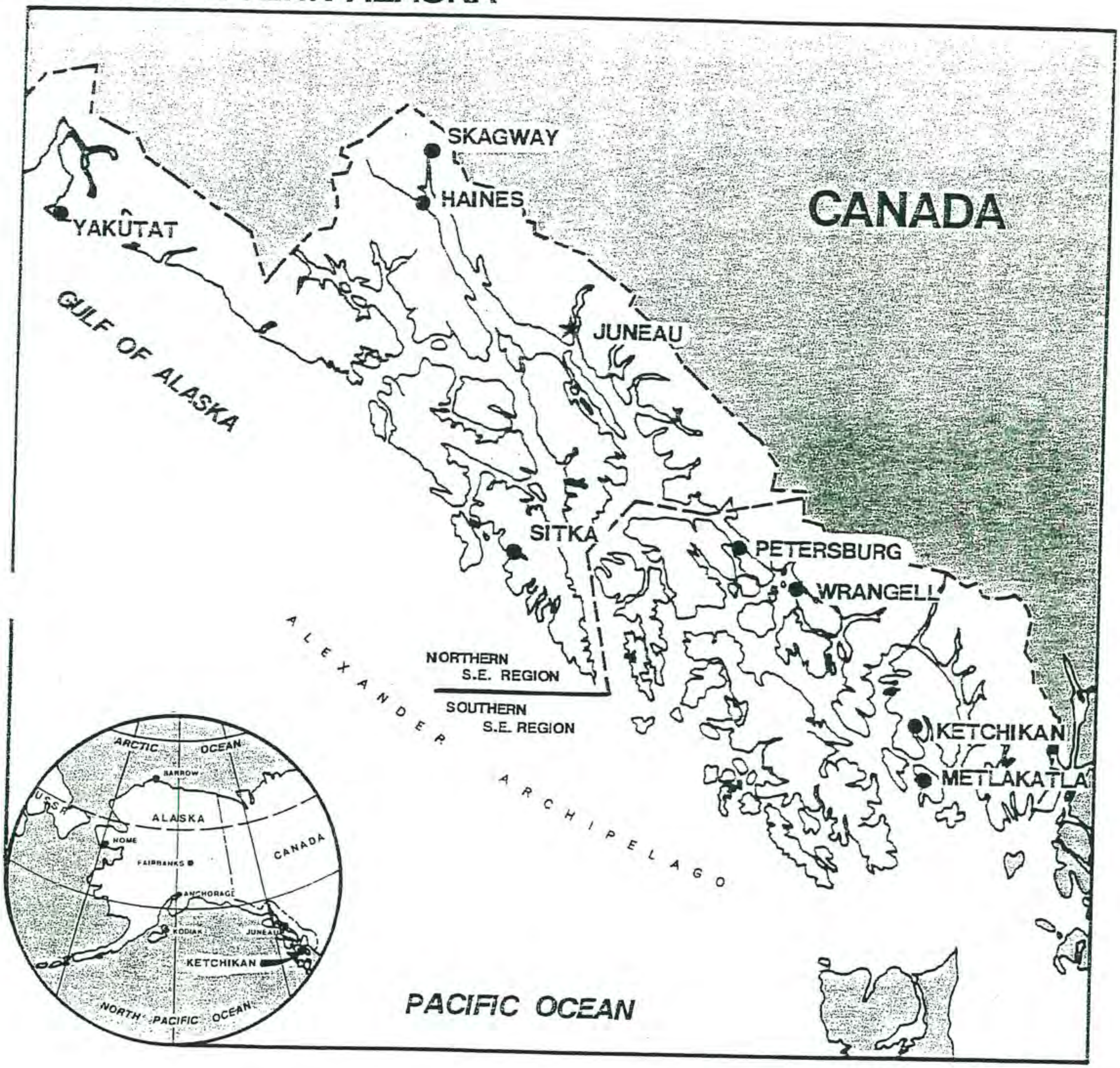
6 Ketchikan International Airport

Revillagigedo Island:
747,307 acres
1,168 square miles
309 miles of coastline

Gravina Island:
57,549 acres
89 square miles
71 miles of coastline



SOUTHEASTERN ALASKA



REGIONAL MAP

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Member of the AICPA Private Companies Practice Section

1734 TONGASS AVENUE
KETCHIKAN, ALASKA 99901
(907) 225-9688
FAX (907) 225-9687

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, 2001 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, 2001, 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 November 27, 2001 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

November 27, 2001

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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KETCHIKAN GATEWAY BOROUGH

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

June 30, 2001

	Governmental Fund Types				Proprietary Type Funds	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash and Temporary Investments	$ 3,619,918	$ 30,999,895	$ -	$ 9,575,971	$ 1,300	$ 1,024,656
Funds with Fiscal Agents	-	131,337	-	-	-	-
Property Taxes Receivable	2,820	-	-	-	-	-
Due From Primary Government	-	-	-	-	-	-
Accounts Receivable	117,648	5,186,346	-	86,908	129,112	-
Allowance for Doubtful Accounts	-	(4,100,000)	-	-	-	-
Due From Other Funds	177,553	-	-	-	-	-
Advances to Other Funds	-	1,952,968	-	-	-	-
Prepaid expenses	7,659	1,505	-	-	-	-
Notes Receivable	-	10,171,535	-	-	-	-
Inventory	-	-	-	-	-	-
Restricted Assets:						
Bond Redemption Fund Cash and Investments	-	-	-	-	-	-
Plant in Service:	-	-	-	-	10,158,829	-
Accumulated Depreciation	-	-	-	-	(6,782,476)	-
Land	-	-	-	-		-
Buildings	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Swimming Pools/Ballfields	-	-	-	-	-	-
Construction in Progress	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Amount to be Provided for Payment of Long Term Debt	-	-	-	-	-	-
Total Assets	$ 3,925,598	$ 44,343,586	$ -	$ 9,662,879	$ 3,506,765	$ 1,024,656
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts Payable	$ 126,895	$ 345,142	$ -	$ 91,578	$ 37,955	$ 67,536
Retainage Payable	-	12,893	-	-	-	-
Due to Other Governments	34,172	-	-	-	-	-
Unclaimed Bonds	-	7,845	-	-	-	-
Due to Other Funds	-	-	-	4,144	173,409	-
Due to Component Unit	584,075	-	-	-	-	-
Advances from Other Funds	-	859,364	-	1,000,000	93,604	-
Deposits	35,400	6,630	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	-
Accrued Liabilities	666,323	-	-	-	164,711	-
Deferred Revenue	41,147	381,783	-	-	-	-
Deferred Compensation	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Total Liabilities	1,488,012	1,613,657	-	1,095,722	469,679	67,536
Equity and Other Credits:						
Contributed Capital	-	-	-	-	1,301,822	-
Investment in General Fixed Assets	-	-	-	-	-	-
Retained Earnings:						
Reserved for Bond Retirement	-	-	-	-	-	-
Reserved for Premium Stabilization						
Unreserved	-	-	-	-	1,735,264	957,120
Fund Balances:						
Reserved for Accounts Receivables	-	621,403	-	-	-	-
Reserved for Outstanding Loans	-	10,170,836	-	-	-	-
Reserved for Loan Guarantees	432,051	1,865,000	-	-	-	-
Reserved for Advances to Other Funds	-	1,952,968	-	-	-	-
Reserved for Encumbrances	174,013	2,532,695	-	813,277	-	-
Reserved for Prepaid	7,659	-	-	-	-	-
Reserved for Inventory	-	-	-	-	-	-
Reserved for Endowments	-	-	-	-	-	-
Reserved for Capital Equipment Replacement	-	-	-	-	-	-
Designated for Ship Yard Maintenance	-	130,675	-	-	-	-
Unreserved Fund Balance	1,823,863	25,456,352	-	7,753,880	-	-
Total Equity and Other Credits	2,437,586	42,729,929	-	8,567,157	3,037,086	957,120
Total Liabilities, Equity and Other Credits	$ 3,925,598	$ 44,343,586	$ -	$ 9,662,879	$ 3,506,765	$ 1,024,656

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

KETCHIKAN GATEWAY BOROUGH

Exhibit 1

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

June 30, 2001

	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	-	$ -	$ -	$ 45,221,740	$ 334,587	$ 45,556,327
Funds with Fiscal Agents	-	-	-	131,337	-	131,337
Property Taxes Receivable	-	-	-	2,820	-	2,820
Due From Primary Government	-	-	-	-	584,075	584,075
Accounts Receivable	-	-	-	5,520,014	742,367	6,262,381
Allowance for Doubtful Accounts	-	-	-	(4,100,000)	-	(4,100,000)
Due From Other Funds	-	-	-	177,553	-	177,553
Advances to Other Funds	-	-	-	1,952,968	-	1,952,968
Prepaid expenses	-	-	-	9,164	-	9,164
Notes Receivable	-	-	-	10,171,535	-	10,171,535
Inventory	-	-	-	-	20,060	20,060
Restricted Assets:				-		
Bond Redemption Fund Cash and				-		
Investments	-	-	-	-	25,510	25,510
Plant in Service:	-	-	-	10,158,829	-	10,158,829
Accumulated Depreciation	-	-	-	(6,782,476)	-	(6,782,476)
Land	-	357,250	-	357,250	117,216	474,466
Buildings	-	8,548,999	-	8,548,999	69,630,135	78,179,134
Equipment	-	2,111,204	-	2,111,204	7,668,295	9,779,499
Swimming Pools/Ballfields	-	3,491,241	-	3,491,241	-	3,491,241
Construction in Progress	-	-	-	-	19,607	19,607
Leasehold Improvements	-	-	-	-	17,867	17,867
Amount to be Provided for				-		
Payment of Long Term Debt	-	-	21,610,000	21,610,000	-	21,610,000
Total Assets	-	$ 14,508,694	$ 21,610,000	$ 98,582,178	$ 79,159,719	$ 177,741,897
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts Payable	-	$ -	$ -	$ 669,106	$ 760,877	$ 1,429,983
Retainage Payable	-	-	-	12,893	-	12,893
Due to Other Governments	-	-	-	34,172	-	34,172
Unclaimed Bonds	-	-	-	7,845	-	7,845
Due to Other Funds	-	-	-	177,553	-	177,553
Due to Component Unit	-	-	-	584,075	-	584,075
Advances from Other Funds	-	-	-	1,952,968	-	1,952,968
Deposits	-	-	-	42,030	-	42,030
Accrued Interest Payable	-	-	-	-	-	-
Accrued Liabilities	-	-	-	831,034	446,883	1,277,917
Deferred Revenue	-	-	-	422,930	1,789	424,719
Deferred Compensation	-	-	-	-	-	-
Bonds Payable	-	-	21,610,000	21,610,000	-	21,610,000
Total Liabilities	-	-	21,610,000	26,344,606	1,209,549	27,554,155
Equity and Other Credits:						
Contributed Capital	-	-	-	1,301,822	-	1,301,822
Investment in General						
Fixed Assets	-	14,508,694	-	14,508,694	77,453,120	91,961,814
Retained Earnings:						
Reserved for Bond Retirement	-	-	-	-	-	-
Reserved for Premium Stabilization						
Unreserved	-	-	-	2,692,384	-	2,692,384
Fund Balances:						
Reserved for Accounts Receivables	-	-	-	621,403	-	621,403
Reserved for Outstanding Loans	-	-	-	10,170,836	-	10,170,836
Reserved for Loan Guarantees	-	-	-	2,297,051	-	2,297,051
Reserved for Advances to Other Funds	-	-	-	1,952,968	2,599	1,955,567
Reserved for Encumbrances	-	-	-	3,519,985	164,641	3,684,626
Reserved for Prepaid	-	-	-	7,659	-	7,659
Reserved for Inventory	-	-	-	-	20,060	20,060
Reserved for Endowments	-	-	-	-	60,105	60,105
Reserved for Capital Equipment Replacement	-	-	-	-	-	-
Designated for Ship Yard Maintenance	-	-	-	130,675	-	130,675
Unreserved Fund Balance	-	-	-	35,034,095	249,645	35,283,740
Total Equity and Other Credits	-	14,508,694	-	72,237,572	77,950,170	150,187,742
				-		
Total Liabilities, Equity and Other Credits	-	$ 14,508,694	$ 21,610,000	$ 98,582,178	$ 79,159,719	$ 177,741,897

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
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (memorandum only) Primary Government	Components Unit School District	Totals (memorandum only) Reporting Entity
REVENUES							
Taxes	$ 10,459,920	$ 1,692,048	$ -	$ -	$ 12,151,968	$ -	$ 12,151,968
Payments in Lieu of Taxes	16,907	-	-	-	16,907	-	16,907
Licenses and Permits	31,080	-	-	-	31,080	-	31,080
Sale of Land	-	40,939	-	-	40,939	-	40,939
Revenues from Other Govts	1,177,714	5,209,011	-	86,909	6,473,634	13,347,510	19,821,144
SDS (Principal and Interest)	-	151,885	-	-	151,885	-	151,885
Charges for Services	477,827	435,017	-	-	912,844	-	912,844
Investment Income (Loss)	(216,591)	(534,456)	-	311,689	(439,358)	-	(439,358)
Other Revenues	-	660,161	-	-	660,161	-	660,161
					-		-
Total Revenues	11,946,857	7,654,605	-	398,598	20,000,060	13,347,510	33,347,570
					-		-
					-		-
EXPENDITURES					-		-
Current:					-		-
Bad Debt Expense	-	4,100,000	-	-	4,100,000	-	4,100,000
General Government	1,936,408	-	-	-	1,936,408	-	1,936,408
Public Services	3,427,039	4,511,685	-	403,201	8,341,925	20,572,390	28,914,315
Non-Departmental	100,001	-	-	-	100,001	-	100,001
Automation	56,845	-	-	-	56,845	-	56,845
Capital Outlay	41,725	779,364	-	4,624,642	5,445,731	-	5,445,731
Debt Service	-	-	1,458,804	-	1,458,804	-	1,458,804
					-		-
Total Expenditures	5,562,018	9,391,049	1,458,804	5,027,843	21,439,714	20,572,390	42,012,104
					-		-
					-		-
Excess (Deficit) of Revenues over Expenditures	6,384,839	(1,736,444)	(1,458,804)	(4,629,245)	(1,439,654)	(7,224,880)	(8,664,534)
					-		-
Other Financing Sources (Uses)					-		-
G.O. Bond Proceeds	-	-	-	9,085,436	9,085,436	-	9,085,436
Operating Transfers In	1,063,536	1,359,791	1,458,804	383,496	4,265,627	-	4,265,627
Operating Transfers In from General Government	-	-	-	-	-	7,338,857	7,338,857
Operating Transfers Out	(435,499)	(3,974,396)	-	-	(4,409,895)	-	(4,409,895)
Operating Transfers Out to :					-	-	-
City of Ketchikan	-	(183,159)	-	-	(183,159)	-	(183,159)
Component Unit	(7,338,857)	-	-	-	(7,338,857)	-	(7,338,857)
Total Other Financing Sources (Uses)	(6,710,820)	(2,797,764)	1,458,804	9,468,932	1,419,152	7,338,857	8,758,009
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(325,981)	(4,534,208)	-	4,839,687	(20,502)	113,977	93,475
Fund Balances, Beginning of Year	2,763,567	47,264,137	-	3,727,470	53,755,174	383,073	54,138,247
Fund Balances, End of Year	$ 2,437,586	$ 42,729,929	$ -	$ 8,567,157	$ 53,734,672	$ 497,050	$ 54,231,722

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

Exhibit 3

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, 2001

	General			Annually Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 10,315,608	$ 10,459,920	$ 144,312	$ 1,592,149	$ 1,692,048	$ 99,899
Payments in Lieu of Taxes	15,000	16,907	1,907	-	-	-
Licenses and Permits	57,375	31,080	(26,295)	-	-	-
Revenue from Other Governments	1,049,810	1,177,714	127,904	3,468,647	3,455,280	(13,367)
SDS (Principal and Interest)	-	-	-	-	151,885	151,885
Sale of Land	-	-	-	92,787	40,939	(51,848)
Charges for Services	491,718	477,827	(13,891)	511,237	435,017	(76,220)
Other Income	-	-	-	44,867	660,161	615,294
Investment Income (Loss)	475,000	(216,591)	(691,591)	3,491,747	(547,241)	(4,038,988)
Total Revenues	12,404,511	11,946,857	(457,654)	9,201,434	5,888,089	(3,313,345)
Expenditures						
Administration	2,180,871	1,936,408	244,463	-	-	-
Public Services	3,525,859	3,427,039	98,820	23,557,272	2,799,958	20,757,314
Non-Departmental	143,188	100,001	43,187	-	-	-
Automation	51,128	56,845	(5,717)	-	-	-
Capital Projects	165,665	41,725	123,940	2,494,800	722,228	1,772,572
Total Expenditures	6,066,711	5,562,018	504,693	26,052,072	3,522,186	22,529,886
Excess (Deficit) of Revenues over Expenditures	6,337,800	6,384,839	47,039	(16,850,638)	2,365,903	19,216,541
Other Financing Sources (Uses)						
Transfers from Other Funds	1,086,964	1,063,536	(23,428)	2,919,450	1,359,791	(1,559,659)
Transfers to Component Unit	(7,496,187)	(7,338,857)	157,330	-	-	-
Transfers to Other Governments	-	-	-	-	(183,159)	(183,159)
Transfers to Other Funds	(469,099)	(435,499)	(33,600)	(3,802,084)	(3,974,396)	(172,312)
Total Other Financing Sources (Uses)	(6,878,322)	(6,710,820)	167,502	(882,634)	(2,797,764)	(1,915,130)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(540,522)	(325,981)	214,541	(17,733,272)	(431,861)	17,301,411
Fund Balance, Beginning of Year	2,763,567	2,763,567	-	47,214,885	47,214,885	-
Fund Balance, End of Year	$ 2,223,045	$ 2,437,586	$ 214,541	$ 29,481,613	$ 46,783,024	$ 17,301,411

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

Exhibit 4

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, 2001

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise Funds	Internal Service Funds	
OPERATING REVENUES			
Charges for Services	$ 2,646,947	$ 1,812,870	$ 4,459,817
Total Operating Revenues	2,646,947	1,812,870	4,459,817
OPERATING EXPENSES			
Personnel Services	2,015,016	2,021,309	4,036,325
Supplies and Services	662,553	-	662,553
Insurance	164,840	-	164,840
Depreciation	474,504	-	474,504
Total Expenses	3,316,913	2,021,309	5,338,222
Operating Income (Loss)	(669,966)	(208,439)	(878,405)
Non operating Revenues (Expenses)			
Investment Income (Loss)	368	(19,079)	(18,711)
State Operating Grants	57,147	-	57,147
Other Revenues	-	-	-
Interest Expense	(13,171)	-	(13,171)
Total Nonoperating Revenues (Expenses)	44,344	(19,079)	25,265
Income (Loss) Before Operating Transfers	(625,622)	(227,518)	(853,140)
OTHER FINANCING SOURCES (USES)			
Transfers In	321,103	-	321,103
Transfers Out	(176,835)	-	(176,835)
Total Other Financing Sources (Uses)	144,268	-	144,268
Net Income (Loss)	(481,354)	(227,518)	(708,872)
Depreciation of Fixed Assets Acquired by Grant	156,084	-	156,084
Net Increase (Decrease)	(325,270)	(227,518)	(552,788)
Retained Earnings, Beginning of Year	2,060,534	1,184,638	3,245,172
Retained Earnings, End of Year	$ 1,735,264	$ 957,120	$ 2,692,384

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

Exhibit 5

KETCHIKAN GATEWAY BOROUGH

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended June 30, 2001

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,727,826	$ 1,812,870	$ 4,540,696
Due to Other Funds	(93,114)	-	(93,114)
Cash Payments for Insurance	(164,840)	(2,029,629)	(2,194,469)
Cash Payments to Employees for Services	(2,010,076)	-	(2,010,076)
Cash Payments to Suppliers for Goods and Services	(699,044)	-	(699,044)
Net Cash Provided by Operating Activities	(239,248)	(216,759)	(456,007)
Cash Flows from Noncapital Financing Activites:			
Transfer from Other Funds	(321,391)	-	(321,391)
Transfer to Component Unit	(176,758)	-	(176,758)
Transfer to General Government	-	-	-
Grant Received from State	57,147	-	57,147
Net Cash Provided by Noncapital Financing Activities	(441,002)	-	(441,002)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(50,557)	-	(50,557)
Loss on disposal of Asset	-	-	-
Proceeds from Loan	101,690	-	101,690
Principal Paid on G. O. and Revenue Bonds	(8,086)	-	(8,086)
Interest Paid on G. O. and Revenue Bonds	(5,085)	-	(5,085)
Net Cash Used for Capital and Related Financing	37,962	-	37,962
Cash Flow From Investing Activities:			
Income (Loss) from Investments	368	(19,079)	(18,711)
Net Cash Provided by Investing Activities	368	(19,079)	(18,711)
Net Increase (Decrease) in Cash and Cash Equivalents	-	(235,838)	(235,838)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	1,300	1,260,494	1,261,794
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 1,300	$ 1,024,656	$ 1,025,956
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	1,300	1,024,656	1,025,956
Cash and Temporary Investments - Restricted Assets	-	-	-
	$ 1,300	$ 1,024,656	$ 1,025,956
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	(669,966)	(208,439)	(878,405)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	474,504	-	474,504
(Increase) Decrease in Accounts Receivable	80,879	-	80,879
(Increase) Decrease in Prepaid Insurance	-		-
Increase (Decrease) in Due to General Fund	49,263	-	49,263
Increase (Decrease) in Accounts Payable	(178,868)	(8,320)	(187,188)
Increase (Decrease) in Accrued Liabilities	4,940	-	4,940
Total Adjustments	430,718	(8,320)	422,398
Net Cash Provided by Operating Activities	$ (239,248)	$ (216,759)	$ (456,007)

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

KETCHIKAN GATEWAY BOROUGH
Notes to the Financial Statements
June 30, 2001

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 are 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 account 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 30 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 also is the lien date.

The Borough also 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 that remain unpaid to Borough cities at fiscal year end are recorded as liabilities of the General Fund.

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, 2001 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. Since accounting responsibility has been delegated to the Component Unit, these assets are included on the Component Unit's financial statements. The Ketchikan Gateway Borough and/or the Component Unit hold title to all equipment.

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

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

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.

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 $513,362 at June 30, 2001.

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 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/prepaids/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 departmental 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
  - Shoreline 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 2000/2001, the Borough Assembly made the following supplemental appropriations in the General and Special Revenue Funds:

(1) Ordinance No.1154 adopted on August 21, 2000, appropriated $57,200 from the Recreational Sales Tax Fund, appropriated $66,100 from the Land Trust Repair and Maintenance Fund and appropriated $48,750 Interfund Transfer from the General Fund for the Transit Enterprise Fund for the FY 2000/2001 to fund the creation of a Transit Supervisor position.

(2) Ordinance No. 1155 adopted on September 18, 2000 appropriated $10,025 from the Forest Park Service Area and $10,025 from the Non-areawide Sewer Fund for the FY 2000/2001.

(3) Ordinance No. 1159 adopted on October 16, 2000, appropriated $176,350 from the Shoreline Service Area Fire Department for the FY 2000/2001.

(4) Ordinance No. 1162 adopted on December 4, 2000, appropriated $157,602 from the Land Trust Repair and Maintenance Fund to include Interfund Transfers of $41,012 to the Airport Enterprise Fund and $116,560 to the Mike Smithers Pool Roof Repair and a supplemental appropriation for expenditures of $41,042 within the Airport Enterprise Fund as a grant to the Ketchikan Volunteer Rescue Squad for FY 2000/2001.

(5) Ordinance No.1164 adopted on January 2, 2001, appropriated $16,800 from the Land Trust Repair and Maintenance Fund as an Interfund Transfer to the Transit Enterprise Fund for leasing transit facilities for FY2000/2001.

(6) Ordinance No. 1176 adopted March 5, 2001, appropriated $79,326 from the General Fund which includes $49,000 to cover a legal settlement paid by the Administrative Services Department, $17,014 in a supplemental appropriation to the Animal Protection Department for Care and Transport of Horses, $13,312 to Interfund Transfers and an appropriation from the Transit Enterprise Fund to equip and furnish a classroom/training area, purchase shop equipment and to provide for a part time mechanic, a $1,457 supplemental appropriation to the Airport Enterprise Fund, and $30,000 from the Land Trust Fund to participate in an aerial photography project.

(7) Ordinance No. 1177 adopted April 2, 2001, appropriated $193,516 from the Economic Development Assistance Fund as an Interfund Transfer to the Non Areawide Sewer Fund for the purchase of equipment and construction of a building and installation of the related equipment for FY 2000/2001.

(8) Ordinance No. 1181 adopted April 16, 2001, appropriated $5,500,000 from the Economic Development Assistance Fund for the FY 2000/2001 for payments to fund local creditors relative to the Gateway Forest Products, Inc. (GFP) Chapter 11 Bankruptcy.

(9) Ordinance No. 1187 adopted June 20, 2001, appropriated $15,000 from the General Fund for opposing the consolidation proposition through an informational process that presented the facts objectively for consideration by the public for the FY 2000/2001.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2001, expenditures exceeded budget at the department level (i.e., the legal level of budgetary control) as follows:

Fund/Department	Excess
Special Revenue Funds:	
Recreation Sales Tax Fund	$ 71,065
South Tongass Fire District Fund	14,486
Gold Nugget Service Area Fund	204
Shoup Street Area Fund	3,081

C. Deficit Fund Equity

Certain Capital Project Funds have deficit fund balances in the amount of $1,269,511, 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. Ketchikan Gateway Borough has issued revenue bonds, which will cover the deficit in the Oral Freeman Construction Project. The Transit Enterprise Fund failed to generate revenue to cover expenses for the year.

Special Revenues:	
Mudbight Service Area Fund	$ (7,311)
Non-Areawide Fund	(267,283)
Capital Project Funds:	
Oral Freeman Construction Project	(885,153)
Mike Smithers Pool Roof Repair	(4,144)
Walker Field Restroom/Concession	(72)
Airport Renovation	(17,089)
Enterprise Funds:	
Transit Enterprise Fund	(88,459)
Total Negative Undesignated Fund Balance	$(1,269,511)

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, 2001, are entirely insured or collateralized with securities held by the Borough or by their agents in their respective names with the exception of $31,337. 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 30 percent of total. All investments are stated at fair market value.

At fiscal year-end, the Borough's carrying amount of deposits was $129,643 and the bank balance was $174,645. Of the bank balance, $142,808 was covered by federal depository insurance or by collateral held by the Borough's agent in the Borough's name. The uninsured balance of $31,337 is held in accounts controlled by agents of the Alaska Department of Environmental Conservation for construction of sewer and water projects. Change and petty cash funds represent $2,200 at June 30, 2001.

The Component Unit deposits were $1,249,000 at June 30, 2001, and the carrying value was $335,000. Of the bank balance, $1,249,000 was insured or collateralized with securities held by the component unit or its custodian in the components unit's name.

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, 2001, the Borough's investment balances were as follows:

	Category 1	Category 2	Carrying Amount	Market Value
US Government Securities	$36,691,564	-	$36,691,564	$36,691,564
Common Stock	-	8,048,645	8,048,645	8,048,645
TCD's	481,025	-	481,025	481,025
Total	$37,172,589	$8,048,645	$45,221,234	$45,221,234

<u>Investments Not Subject to Categorization:</u>

Component Unit		
US Government Securities	$ 26,000	$ 30,000
Total	$ 26,000	$ 30,000

Short-term investments of the component unit in the amount of $ 26,000 are classified as Category 2 and have a market value of $30,000 at June 30, 2001.

B. Receivables

The Borough has made a loan in the amount of $7,000,000 with (GFP) for construction of a new veneer mill. The loan is for 10 years. Interest shall be paid at 1% over prime rate as published in the Wall Street Journal on the first business day of the New Year. The loan is collateralized by real property with appraised values in excess of the loan amount. The loan is presently in default. Interest has not been booked because it is anticipated the property will be foreclosed. GFP filed for protection under Chapter 11 of the Bankruptcy Code for reorganization in February 2001.

The Borough provided DIP financing in the amount of $2,500,000, collateralized by real estate with appraised values in excess of the loan amount. The loan bears interest at 3% over prime as published in the Wall Street Journal and was to be repaid upon GFP receiving an approved financing plan through the Bankruptcy Court. It is unknown if GFP will be successful in obtaining that financing.

The Borough has also purchased from local unsecured creditors claims of approximately $5,500,000 of GFP. Approximately $1,400,000 is expected to be repaid. A charge of $4,100,000 has been recognized in the financial statements for the estimated uncollectible amount of those claims.

Receivables at June 30, 2001 consist of the following:

	General	Special Revenue	Capital Projects	Enterprise	Total
Taxes	$ 2,820	$ -	$ -	$ -	$ 2,820
Accounts Receivables	117,648	5,186,345	86,908	129,112	5,520,013
Allowance for Doubtful Accounts		(4,100,000)			(4,100,000)
Due From Other Funds	177,553	-	-	-	177,553
Notes Receivable	-	10,171,535	-	-	10,171,535
Advances to Other Funds	-	1,952,968	-	-	1,952,968
Total Receivables	$298,021	$13,210,848	$86,908	$129,112	$13,724,889

C. Fixed Assets

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

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	$ 335,000	$ 22,250	$ -	$ 357,250
Buildings	8,351,881	197,118	-	8,548,999
Equipment	2,149,439	-	38,235	2,111,204
Infrastructure	2,753,208	738,033	-	3,491,241
Construction in Progress	-	-	-	-
Total	$13,589,528	$957,401	$38,235	$14,508,694

A summary of the Enterprise Fund property, plant and equipment at June 30, 2001 is as follows:

	Balance July 1, 2000	Net Change Current Year	Balance June 30, 2001
Field	$ 3,452,975	$ 42,470	$ 3,495,445
Terminal	4,382,398	2,690	4,385,088
Ferry	1,730,429	-	1,730,429
Administration	23,753	2,615	26,368
Murphy's Landing	12,875	-	12,875
Transit	504,236	4,388	508,624
	10,106,666	52,163	10,158,829
Accumulated Depreciation	(6,302,116)	(480,360)	(6,782,476)
Net Property, Plant and Equipment	$ 3,804,550	$ (428,197)	$ 3,376,353

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 will 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, 2001.

As the leasor 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.

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

Year	Terminal Space	Other
2002	$411,759	$46,065
2003	378,237	46,064
2004	55,744	46,064
2005	55,744	45,998
2006	55,744	45,998

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:

	July 1, 2000	Additions	Retirements	June 30, 2001
Areawide General Obligation Bond	$13,185,000	$9,055,000	$ 630,000	$21,610,000

Bonds payable at June 30, 2001 consist of the following individual issues:

General Obligation Bonds:	
1995 GRC Bonds - 4.30 % - 6.00 % Interest	$ 5,095,000
1999 School Bonds due through 2019 at 4.75-5.65% interest	7,460,000
2000 School Bonds due through 2020 at 5.00-5.50% interest	9,055,000
	$21,610,000

The annual requirements to amortize all bonds outstanding as of June 30, 2001, including interest for General Obligations, are as follows:

June 30, 2001	General Obligation Bonds		
2002	2,257,282	2012	1,431,923
2003	2,236,966	2013	1,429,613
2004	2,236,216	2014	1,434,528
2005	2,232,254	2015	1,430,798
2006	2,229,560	2016	1,438,603
2007	2,234,110	2017	1,432,653
2008	2,229,570	2018	1,437,830
2009	2,115,570	2019	1,433,880
2010	1,432,920	2020	780,700
2011	1,431,030		
		Total	$32,886,006

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.

The Borough will comply with the Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2002, which will significantly change the manner in which infrastructure is reported (fixed assets and related depreciation). This restatement of the Borough's financial statements could materially affect the Borough's fund balance at that time.

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, 2001 is presented in the next table.

	Airport	Transit	Total
Operating Revenues	$2,471,039	$ 175,908	$2,646,947
Operating Grants, Entitlement	-	57,147	57,147
Depreciation Expense	399,860	74,644	474,504
Operating Income (Loss)	(290,187)	(379,779)	(669,966)
Operating Transfers In	68,804	252,299	321,103
Operating Transfers Out	(133,299)	(43,536)	(176,835)
Net Income (Loss)	(367,485)	(113,869)	(481,354)
Property, Plant & Equipment			
Additions	47,775	4,388	52,163
Deletions	-	-	-
Net Working Capital	(178,746)	(160,521)	(339,267)
Total Assets	3,385,311	121,454	3,506,765
Bonds & Other Long-term	-	-	-
Total Equity	3,077,293	(40,207)	3,037,086
Contributed Capital	3,091,686	398,255	3,489,941
(Accumulated Amortization)	(1,838,116)	(350,003)	(2,188,119)

The Airport Fund is responsible for the operation and maintenance of the airport facilities and ferry system. The Ferry Fund was merged into the Airport Fund in Fiscal Year 2001. 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 has acquired the services of a bankruptcy attorney to protect our interests in the Chapter 11 filing by GFP. It is anticipated the legal costs will be in the area of $150 to $200 thousand.

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 2002. 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, 2001 the Ketchikan Gateway Borough has encumbered in purchase orders professional and contractual service contracts in the amount of $288,037 for architectural services for major maintenance and construction services for Valley Park and Houghtaling Elementary Schools, oversight of the Whipple Creek Timber Contract, Economic Development, Financial Services, Personnel and Legal Services contracts and construction of a new Airport Ferry.

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, 2001 was $432,051.

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 will provide ferry service to the Prince of Wales Island, Wrangell, Petersburg 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 is scheduled to begin 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 12% of annual covered payroll. 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, 2001, 2000, and 1999 were $1,071,000, $1,079,000, and $1,036,000, respectively, equal to the required contribution for each year.

<u>**Public Employees' Retirement System (PERS)**</u>

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, 2001 was 6.88% for the Ketchikan Gateway Borough and 9.64% 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 2001, the Borough's annual pension cost of $153,134 and the Component Units annual pension cost of $188,000 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, 1996 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
6/30/99	91	100%	-
6/30/00	139	100%	-
6/30/01	153	100%	-

Component Unit:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/99	219	100%	-
6/30/00	182	100%	-
6/30/01	188	100%	-

Annual Post-employment Healthcare Cost (APHC) During FY 2001, the Borough and Component Unit's annual post-employment healthcare cost of $59,552 and $73,000 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: FY97, 7.5%; FY98, 6.5%; FY99 and thereafter, 5.5% 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
6/30/99	35	100%	-
6/30/00	56	100%	-
6/30/01	35	100%	-

Component Unit:

Fiscal Year Ending	Annual Post-employment Healthcare Cost	Percentage of APHC Contributed (APHC)	Net Pension Obligation
6/30/99	81	100%	-
6/30/00	70	100%	-
6/30/01	73	100%	-

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. 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			
6/30/96	$7,319	$6,269	117%	($1,050)	$2,373	(44%)
6/30/97	7,999	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%)
			Post Employment Health			
6/30/96	$2,728	$2,336	117%	($ 392)	$2,373	(17%)
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%)

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 June 19, 1996, the Component Unit agreed to participate in the retirement incentive program for its certified employees. Seventeen employees retired under this program during the year ended June 30, 1997, eight employees retired during the year ended June 30, 1998 and eight employees retired during the year ended June 30, 1999. The total employer's obligation for the employees who retired under this program is $1,224,742. The Component Unit expended $1,224,742.

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 $20,261 through June 30, 2001.

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, 2001 was $4,465,098 and the payroll for covered employees totaled $175,033. 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, 2001 was $4,465,098 and the payroll for covered employees totaled $489,280. The total amount contributed to the IBEW plan in FY 2001 was $87,539. 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, 2001, were as follows:

	Transfers In	Transfers Out
General Fund	$1,063,536	$ 435,499
Special Revenue Funds	1,359,791	3,974,396
Enterprise Funds	321,103	176,835
Internal Service Funds	-	-
Debt Service	1,458,804	-
Capital Projects	383,496	
Subtotals	$4,586,730	$4,586,730
Component Unit		
School District	7,338,857	-
General Fund	-	7,338,857
Totals	$11,925,587	$11,925,587

G. Interfund Receivable and Payables

Interfund receivable and payable balances at June 30, 2001 were as follows:

	Interfund Receivable	Interfund Payables
General Fund	$177,553	$ -
Enterprise Funds	-	173,409
Capital Projects	-	4,144
Subtotals	177,553	177,553
Component Unit	584,075	-
General Fund	-	584,075
Totals	$761,628	$761,628

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:

	Component Unit	Borough	Total
Balance June 30, 2000	$ 925,855	$ 258,783	$ 1,184,638
Paid into Internal Service Fund	1,180,091	632,779	1,812,870
Administration Fees	-	(126,027)	(126,027)
Claims Service	(1,468,464)	(426,818)	(1,895,282)
Refunds	-	-	-
Interest Income	(12,740)	(6,339)	(19,079)
Balance June 30, 2001	$ 624,742	$ 332,378	$ 957,120

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. Subsequent Events

The Ketchikan Gateway Borough on July 16, 2001 authorized the Borough Manager to execute a contract with Alaska Municipal Bond Bank to underwrite a revenue bond issue in the amount of $4,250,000 for renovation of the Airport Terminal and construction of a new ferry. It is anticipated these bonds will be issued in early August 2001. These bonds were authorized by bond ordinance in 2001.

In October 2001 the Assembly gave the Attorney direction to begin foreclosure on the $7,000,000 loan to GFP, described in Note III-B. This loan was initiated to provide Gateway interim funding to construct a Veneer Mill at the Ward Cove site. This site was originally owned by Ketchikan Pulp Company, which closed operations of the Pulp Mill.

On November 21, 2001 the Borough Assembly appointed an Interim Borough Manager while searching for a new Borough Manager.

KPC formerly Ketchikan Pulp Company has notified the Borough through Bankruptcy Court, of potential litigation proceedings associated with the Borough's purchase of claims of approximately $8,000,000. Grounds for the potential suit have not been provided to the Borough.

<u>Bond Guarantee</u>

Subsequent to June 30, 2001, Ketchikan Gateway Borough has provided Alaska Ship and Drydock with performance and payment bonding of up to $1,000,000, due to the fact that sureties are not providing insurance in the marine market at this time.

J. 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	$174,013
Reserved for Prepaid Insurance	7,659
Reserved for KVB Loan Guarantee	432,051
Reserved - General Fund	$613,723
Special Revenue Fund	
Reserved for Accounts Receivable	$ 621,403
Reserved for Encumbrances	2,532,695
Designated for Shipyard Maintenance	130,675
Reserved for Outstanding Loans	10,170,836
Reserved for Loan Guarantees	1,865,000
Reserved for Advances	1,952,968
Reserved - Special Revenues	$17,273,577
Capital Projects Funds	
Reserved for Encumbrances	$813,277

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 Sheets

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

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

Exhibit A-1

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE BALANCE SHEETS

June 30, 2001 and 2000

	2001	2000
Assets		
Cash & Temporary Investments	$ 3,619,918	$ 2,434,485
Accounts Receivable	117,648	100,850
Due From Other Funds	177,553	956,596
Prepaid Expenses	7,659	7,725
Property Taxes Receivable	2,820	14,699
Total Assets	$ 3,925,598	$ 3,514,355
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	$ 126,895	$ 72,495
Due to Other Governments	34,172	36,333
Due to Component Unit	584,075	194,971
Deposits	35,400	31,230
Accrued Liabilities	666,323	366,470
Deferred Revenue	41,147	49,289
Total Liabilities	1,488,012	750,788
Fund Balance		
Reserved for KVB Loan Guarantee	432,051	454,000
Reserved for Prepaid Expenses	7,659	7,725
Reserved for Encumbrances	174,013	21,905
Reserved for Capital Equipment Replacement	-	150,000
Unreserved	1,823,863	2,129,937
Total Fund Balance	2,437,586	2,763,567
Total Liabilities & Fund Balance	$ 3,925,598	$ 3,514,355

Exhibit A-2

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Years Ended June 30, 2001 and 2000

	2001	2000
Revenues		
Taxes		
Real & Personal Property Taxes	$ 6,379,815	$ 7,087,120
Automobile & Boat Taxes	190,674	185,642
Sales Taxes	3,790,484	3,439,736
Penalty & Interest	98,947	139,871
Total Taxes	10,459,920	10,852,369
Alaska State Housing Authority	16,907	14,902
Licenses and Permits		
Zoning Fees	31,080	18,545
Revenues from Other Governments		
State Municipal Assistance	103,709	118,628
State Revenue Sharing	84,949	95,705
State License Refunds	425,517	376,261
State Child Care Assistance	60,327	55,080
Federal Tobacco Tax	-	-
Federal Revenue - PILT	402,608	410,259
Timber Stumpage	100,604	86,399
Total Revenues from Other Governments	1,177,714	1,142,332
Charges for Services		
Animal Control	28,884	30,104
Parks and Recreation	387,902	394,473
Other Charges	61,041	17,396
Total Charges	477,827	441,973
Other Revenues		
Investment Income (Loss)	(216,591)	607,476
Transfers from Other Funds		
Land Trust Fund	535,000	635,000
Interdepartment Revenue	492,446	179,614
Service Area Funds	36,090	8,809
Internal Service	-	434,784
Total Transfers	1,063,536	1,258,207
Total Revenues & Transfers	$ 13,010,393	$ 14,335,804

Exhibit A-2, Continued

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Years Ended June 30, 2001 and 2000

	2001	2000
Expenditures		
Administration		
Mayor & Assembly	$ 100,547	$ 103,303
Law	212,661	253,636
Clerk	188,929	177,639
Manager	439,911	454,416
Finance-Accounting	573,729	594,556
Finance-Assessment	420,631	404,235
Total Administration	1,936,408	1,987,785
Public Services		
Animal Protection	290,286	287,224
Planning	573,239	581,535
OEDP	67,152	2,108,800
Community Education	284,082	394,983
Public Works	725,842	690,417
Child Care Operations	60,996	55,036
Parks and Recreation	1,425,442	1,374,613
Total Public Services	3,427,039	5,492,608
Automation	56,845	34,350
Non Departmental	100,001	105,770
Capital Projects	41,725	244,414
Total Expenditures	5,562,018	7,864,927
Excess (Deficit) of Revenues & Transfers over Expenditures	7,448,375	6,470,877
Other Financing Sources (Uses)		
Transfers to Component Unit	(7,338,857)	(7,651,703)
Transfers to Capital and Bonds Payment	(200,000)	(300,000)
Transfers to Transit Fund	(235,499)	(225,000)
Transfers to Airport Fund	-	(29,150)
Total Other Financing	(7,774,356)	(8,205,853)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(325,981)	(1,734,976)
Fund Balance Beginning of Year	2,763,567	4,498,543
Fund Balance End of Year	$ 2,437,586	$ 2,763,567

Exhibit A-3

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, 2001 and 2000

	2001		Variance	2000		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues						
Taxes						
Real & Personal Property Taxes	$ 6,478,866	$ 6,379,815	$ (99,051)	$ 7,125,704	$ 7,087,120	$ (38,584)
Automobile & Boat Taxes	188,410	190,674	2,264	194,700	185,642	(9,058)
Sales Taxes	3,533,832	3,790,484	256,652	3,216,500	3,439,736	223,236
Penalty & Interest	114,500	98,947	(15,553)	114,750	139,871	25,121
Total Taxes	10,315,608	10,459,920	144,312	10,651,654	10,852,369	200,715
Alaska State Housing Authority	15,000	16,907	1,907	15,000	14,902	(98)
Licenses and Permits						
Zoning Fees	57,375	31,080	(26,295)	16,500	18,545	2,045
Revenues from Other Governments						
State Municipal Assistance	105,579	103,709	(1,870)	124,734	118,628	(6,106)
State Revenue Sharing	70,181	84,949	14,768	101,841	95,705	(6,136)
State License Refunds	318,243	425,517	107,274	318,243	376,261	58,018
State Child Care Assistance	60,548	60,327	(221)	52,103	55,080	2,977
Federal Tobacco Tax	-	-	-	67,500	-	(67,500)
Federal Revenues	410,259	402,608	(7,651)	256,000	410,259	154,259
Timber Stumpage	85,000	100,604	15,604	100,827	86,399	(14,428)
Total Revenues from Other Governments	1,049,810	1,177,714	127,904	1,021,248	1,142,332	121,084
Charges for Services						
Animal Control	32,500	28,884	(3,616)	27,500	30,104	2,604
Parks and Recreation	423,218	387,902	(35,316)	358,500	394,473	35,973
Other Charges	36,000	61,041	25,041	34,250	17,396	(16,854)
Total Charges	491,718	477,827	(13,891)	420,250	441,973	21,723
Other Revenues						
Investment Income (Loss)	475,000	(216,591)	(691,591)	425,000	607,476	182,476
Transfers from Other Funds						
Land Trust Fund	535,000	535,000	-	635,000	635,000	-
Inter-Departmental	531,828	492,446	(39,382)	179,614	179,614	-
Service Area Funds	20,136	36,090	15,954	8,809	8,809	-
Internal Service Fund	-	-	-	432,806	434,784	1,978
Total Transfers	1,086,964	1,063,536	(23,428)	1,256,229	1,258,207	1,978
Total Revenues & Transfers	$ 13,491,475	$ 13,010,393	$ (481,082)	$ 13,805,881	$ 14,335,804	$ 529,923

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, 2001 and 2000

	2001		Variance Favorable	2000		Variance Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
Expenditures						
Administration						
Mayor & Assembly	$ 113,807	$ 100,547	$ 13,260	$ 136,814	$ 103,303	$ 33,511
Law	257,710	212,661	45,049	293,347	253,636	39,711
Clerk	176,744	188,929	(12,185)	185,389	177,639	7,750
Manager	604,084	439,911	164,173	547,168	454,416	92,752
Finance-Accounting	618,662	573,729	44,933	610,768	594,556	16,212
Finance-Assessment	409,864	420,631	(10,767)	414,094	404,235	9,859
Total Administration	2,180,871	1,936,408	244,463	2,187,580	1,987,785	199,795
Public Services						
Animal Protection	300,186	290,286	9,900	301,649	287,224	14,425
Planning	632,329	573,239	59,090	665,636	581,535	84,101
OEDP	67,152	67,152	-	2,111,800	2,108,800	3,000
Community Education	314,224	284,082	30,142	402,014	394,983	7,031
Public Works	822,983	725,842	97,141	963,837	690,417	273,420
Child Care Operations	60,548	60,996	(448)	51,153	55,036	(3,883)
Parks and Recreation	1,328,437	1,425,442	(97,005)	1,353,074	1,374,613	(21,539)
Total Public Services	3,525,859	3,427,039	98,820	5,849,163	5,492,608	356,555
Automation	51,128	56,845	(5,717)	61,109	34,350	26,759
Non Departmental	143,188	100,001	43,187	197,765	105,770	91,995
Capital Projects	165,665	41,725	123,940	316,933	244,414	72,519
Total Expenditures	6,066,711	5,562,018	504,693	8,612,550	7,864,927	747,623
Excess (Deficit) of Revenues & Transfers over Expenditures	7,424,764	7,448,375	23,611	5,193,331	6,470,877	1,277,546
Other Financing Sources (Uses)						
Transfers to Component Unit	(7,496,187)	(7,338,857)	157,330	(7,757,696)	(7,651,703)	105,993
Transfers to Transit Fund	(269,099)	(235,499)	33,600.00	(225,000)	(225,000)	-
Transfers to Airport Fund	-	-	-	(29,150)	(29,150)	-
Transfers to Bond Debt Fund	(200,000)	(200,000)	-	(300,000)	(300,000)	-
Total Other Financing	(7,965,286)	(7,774,356)	190,930	(8,311,846)	(8,205,853)	105,993
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (540,522)	(325,981)	$ 214,541	$ (3,118,515)	(1,734,976)	$ 1,383,539
Fund Balance Beginning of Year		2,763,567			4,498,543	
Fund Balance End of Year		$ 2,437,586			$ 2,763,567	

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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 specific 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 Statements 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
Shoreline 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

KETCHIKAN GATEWAY BOROUGH

Exhibit B-1

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2001

	Recreation Sales Tax Fund	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund
Assets				
Cash & Temporary Investments	$ 428,754	$ 12,540,729	$ 9,478	$ -
Funds wth Fiscal Agents	-	-	-	-
Accounts Receivable - General	2,491	-	1,629	-
Less Allowance for Doubtful Accounts	-	-	-	-
Advances to Other Funds	-	1,952,968	-	-
Road Credits	-	1,505	-	-
Notes Receivable	-	680,836	-	-
Total Assets	$ 431,245	$ 15,176,038	$ 11,107	$ -
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 12,961	$ 13,301	$ -	$ -
Advances from Other Funds	364,425	-	18,418	-
Retainage Payable	-	-	-	-
Unclaimed Bonds				
Deposits	-	6,630	-	-
Deferred Revenue	-	52,818	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	377,386	72,749	18,418	-
Fund Balances				
Reserved for Loan Guarantees	-	-	-	-
Reserved for Advances to Other Funds	-	1,952,968	-	-
Reserved for Outstanding Loans	-	680,836	-	-
Reserved for Accounts Receivable	-	-	-	-
Reserved for Encumbrances	49,539	217,639	-	-
Designated for Ship Yard Maintenance	-	-	-	-
Unreserved Fund Balance	4,320	12,251,846	(7,311)	-
Total Fund Balance	53,859	15,103,289	(7,311)	-
Total Liabilities and Fund Balances	$ 431,245	$ 15,176,038	$ 11,107	$ -

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2001

	Mountain Point Service Area Fund	South Tongass Fire District Fund	Waterfall Service Area Fund	Nichols View Service Area Fund
Assets				
Cash & Temporary Investments	$ 163,707	$ 50,580	$ 127,434	$ 10,312
Funds wth Fiscal Agents	-	-	-	-
Accounts Receivable - General	15,258	2,951	-	-
Less Allowance for Doubtful Accounts	-	-	-	-
Advances to Other Funds	-	-	-	-
Road Credits	-	-	-	-
Notes Receivable	-	-	-	-
Total Assets	$ 178,965	$ 53,531	$ 127,434	$ 10,312
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 651	$ 854	$ 4,232	$ -
Advances from Other Funds	-	-	-	-
Retainage Payable	-	-	-	-
Unclaimed Bonds				
Deposits	-	-	-	-
Deferred Revenue		-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	651	854	4,232	-
Fund Balances				
Reserved for Loan Guarantees	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	-
Reserved for Outstanding Loans	-	-	-	-
Reserved for Accounts Receivable	-	-	-	-
Reserved for Encumbrances	3,916	-	-	-
Designated for Ship Yard Maintenance	-	-	-	-
Unreserved Fund Balance	174,398	52,677	123,202	10,312
Total Fund Balance	178,314	52,677	123,202	10,312
Total Liabilities and Fund Balances	$ 178,965	$ 53,531	$ 127,434	$ 10,312

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2001

	Forest Park Service Area Fund	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund
Assets				
Cash & Temporary Investments	$ 152,114	$ 15,087	$ 195,193	$ 116,521
Funds wth Fiscal Agents	-	-	-	131,337
Accounts Receivable - General	-	-	90,878	145,312
Less Allowance for Doubtful Accounts	-	-	-	-
Advances to Other Funds	-	-	-	-
Road Credits	-	-	-	-
Notes Receivable	699	-	-	-
Total Assets	$ 152,813	$ 15,087	$ 286,071	393,170
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 4,009	$ 4,324	$ 4,008	$ 100,100
Advances from Other Funds	-	-	453,653	-
Retainage Payable	-	-	12,893	-
Unclaimed Bonds		-	-	
Deposits	-	-	-	-
Deferred Revenue	-	-	82,800	246,165
Due to Other Funds	-	-	-	-
Total Liabilities	4,009	4,324	553,354	346,265
Fund Balances				
Reserved for Loan Guarantees	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	-
Reserved for Outstanding Loans	-	-	-	-
Reserved for Accounts Receivable	-	-	-	-
Reserved for Encumbrances	-	-	134,887	89,146
Designated for Ship Yard Maintenance		-	-	-
Unreserved Fund Balance	148,804	10,763	(402,170)	(42,241)
Total Fund Balance	148,804	10,763	(267,283)	46,905
Total Liabilities and Fund Balances	$ 152,813	$ 15,087	$ 286,071	$ 393,170

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2001

	School Bond/ Capital Improvements Fund	Airport PFC Fund	Shoup Street Service Fund	Southeast Economic Development Fund	Total
Assets					
Cash & Temporary Investments	$ 27,031	$ 547,492	$ 29,481	$ 16,585,982	$ 30,999,895
Funds wth Fiscal Agents	-	-	-	-	131,337
Accounts Receivable - General	206,424	-	-	4,721,403	5,186,346
Less Allowance for Doubtful Accounts	-	-	-	(4,100,000)	(4,100,000)
Advances to Other Funds	-	-	-	-	1,952,968
Road Credits	-	-	-	-	1,505
Notes Receivable	-	-	-	9,490,000	10,171,535
Total Assets	$ 233,455	$ 547,492	$ 29,481	$ 26,697,385	$ 44,343,586
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$ -	$ 17,050	$ 292	$ 183,360	$ 345,142
Advances from Other Funds	-	-	22,868	-	859,364
Retainage Payable	-	-	-	-	12,893
Unclaimed Bonds	7,845	-			7,845
Deposits	-	-	-	-	6,630
Deferred Revenue	-	-	-	-	381,783
Due to Other Funds	-	-	-	-	-
Total Liabilities	7,845	17,050	23,160	183,360	1,613,657
Fund Balances					
Reserved for Loan Guarantees	-	-	-	1,865,000	1,865,000
Reserved for Advances to Other Funds	-	-	-	-	1,952,968
Reserved for Outstanding Loans	-	-	-	9,490,000	10,170,836
Reserved for Accounts Receivable	-	-	-	621,403	621,403
Reserved for Encumbrances	-	375,119	-	1,662,449	2,532,695
Designated for Ship Yard Maintenance	-	-	-	130,675	130,675
Unreserved Fund Balance	225,610	155,323	6,321	12,744,498	25,456,352
Total Fund Balance	225,610	530,442	6,321	26,514,025	42,729,929
Total Liabilities and Fund Balances	$ 233,455	$ 547,492	$ 29,481	$ 26,697,385	$ 44,343,586

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2001

	Recreation Sales Tax Fund	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund
REVENUES				
Taxes	$ 950,099	$ -	$ -	$ 210,778
State/Federal Revenues	-	-	-	-
Charges for Services	-	-	8,645	-
SDS (Principal/Interest)	-	-	-	-
Sale of Land	-	40,939	-	-
Other Income	5,785	375,765	-	-
Investment Income (Loss)	(34,460)	(170,061)	(153)	(6,468)
Total Revenues	921,424	246,643	8,492	204,310
EXPENDITURES				
Bad Debt Expense	-	-	-	-
Capital Improvements	-	393,578	-	112,491
Public Services	71,065	256,692	2,616	56,701
Total Expenditures	71,065	650,270	2,616	169,192
Excess (Deficit) of Revenues over Expenditures	850,359	(403,627)	5,876	35,118
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	-	-
Operating Transfers - City	-	-	-	(183,159)
Operating Transfers Out	(1,031,997)	(742,889)	(1,352)	(4,493)
Total Other Financing	(1,031,997)	(742,889)	(1,352)	(187,652)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(181,638)	(1,146,516)	4,524	(152,534)
Fund Balance, Beginning of Year	235,497	16,249,805	(11,835)	152,534
Fund Balance, End of Year	$ 53,859	$ 15,103,289	$ (7,311)	$ -

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2001

	Mountain Point Service Area Fund	South Tongass Fire District Fund	Waterfall Service Area Fund	Nichols View Service Area Fund
REVENUES				
Taxes	$ -	$ 121,887	$ -	$ -
State/Federal Revenues	-	635	-	-
Charges for Services	97,807	-	5,244	-
SDS (Principal/Interest)	-	-	-	-
Sale of Land	-	-	-	-
Other Income	-	100	-	-
Investment Income (Loss)	(2,368)	(5,609)	(2,303)	(177)
Total Revenues	95,439	117,013	2,941	(177)
EXPENDITURES				
Bad Debt Expense	-	-	-	-
Capital Improvements	15,808	163,791	-	-
Public Services	64,582	89,243	4,952	-
Total Expenditures	80,390	253,034	4,952	-
Excess (Deficit) of Revenues over Expenditures	15,049	(136,021)	(2,011)	(177)
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	-	-
Operating Transfers - City	-	-	-	-
Operating Transfers Out	(7,503)	(6,947)	(524)	-
Total Other Financing	(7,503)	(6,947)	(524)	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	7,546	(142,968)	(2,535)	(177)
Fund Balance, Beginning of Year	170,768	195,645	125,737	10,489
Fund Balance, End of Year	$ 178,314	$ 52,677	$ 123,202	$ 10,312

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2001

	Forest Park Service Area Fund	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund
REVENUES				
Taxes	$ 51,458	$ -	$ 311,389	$ -
State/Federal Revenues	568	-	1,822	1,753,731
Charges for Services	-	6,006	169,889	-
SDS (Principal/Interest)	-	-	151,885	-
Sale of Land	-	-	-	-
Other Income	-	-	900	-
Investment Income (Loss)	(3,842)	(343)	(5,528)	12,785
Total Revenues	48,184	5,663	630,357	1,766,516
EXPENDITURES				
Bad Debt Expense	-	-	-	-
Capital Improvements	-	-	-	57,136
Public Services	26,842	8,954	503,587	1,711,727
Total Expenditures	26,842	8,954	503,587	1,768,863
Excess (Deficit) of Revenues over Expenditures	21,342	(3,291)	126,770	(2,347)
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	237,422	-
Operating Transfers - City	-	-	-	-
Operating Transfers Out	(11,689)	(350)	(3,272)	-
Total Other Financing	(11,689)	(350)	234,150	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	9,653	(3,641)	360,920	(2,347)
Fund Balance, Beginning of Year	139,151	14,404	(628,203)	49,252
Fund Balance, End of Year	$ 148,804	$ 10,763	$ (267,283)	$ 46,905

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2001

	School Bond/ Capital Improvements Fund	PFC Fund	Shoup Street Service Fund	Southeast Economic Development Fund	Total
REVENUES					
Taxes	$ -	$ -	$ -	$ 46,437	$ 1,692,048
State/Federal Revenues	452,255	-	-	3,000,000	5,209,011
Charges for Services	-	-	31,279	116,147	435,017
SDS (Principal/Interest)	-	-	-	-	151,885
Sale of Land	-	-	-	-	40,939
Other Income	-	277,611	-	-	660,161
Investment Income (Loss)	1,930	(540)	226	(317,545)	(534,456)
Total Revenues	454,185	277,071	31,505	2,845,039	7,654,605
EXPENDITURES					
Bad Debt Expense	-	-	-	4,100,000	4,100,000
Capital Improvements	-	-	25,527	11,033	779,364
Public Services	2,155	21,506	38,948	1,652,115	4,511,685
Total Expenditures	2,155	21,506	64,475	5,763,148	9,391,049
Excess (Deficit) of Revenues over Expenditures	452,030	255,565	(32,970)	(2,918,109)	(1,736,444)
Other Financing Sources (Uses)					
Interfund Transfers In	998,548	-	-	123,821	1,359,791
Operating Transfers - City	-	-	-	-	(183,159)
Operating Transfers Out	(1,458,804)	-	22,761	(727,337)	(3,974,396)
Total Other Financing	(460,256)	-	22,761	(603,516)	(2,797,764)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(8,226)	255,565	(10,209)	(3,521,625)	(4,534,208)
Fund Balance, Beginning of Year	233,836	274,877	16,530	30,035,650	47,264,137
Fund Balance, End of Year	$ 225,610	$ 530,442	$ 6,321	$ 26,514,025	$ 42,729,929

Exhibit B-3

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Taxes	$ 883,494	$ 950,099	$ 66,605	$ 1,146,579
Penalties	9,865	5,785	(4,080)	13,922
Investment Income (Loss)	988	(34,460)	(35,448)	27,117
Total Revenues	894,347	921,424	27,077	1,187,618
EXPENDITURES:				
Public Services	-	71,065	(71,065)	-
Total Expenditures	-	71,065	(71,065)	-
Excess (Deficit) of Revenues over Expenditures	894,347	850,359	(43,988)	1,187,618
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(849,819)	(1,031,997)	(182,178)	(1,083,914)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 44,528	(181,638)	$ (226,166)	103,704
Fund Balance, Beginning of Year		235,497		131,793
Fund Balance, End of Year		$ 53,859		$ 235,497

Exhibit B-4

KETCHIKAN GATEWAY BOROUGH

LAND TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Principal Deferred Payments	$ 92,787	$ 40,939	$ (51,848)	$ -
Other Revenue	35,002	375,765	340,763	121,153
Investment Income (Loss)	1,510,976	(170,061)	(1,681,037)	965,331
Total Revenues	1,638,765	246,643	(1,392,122)	1,086,484
EXPENDITURES:				
Capital Improvements	160,000	393,578	(233,578)	452,353
Public Services	1,755,737	256,692	1,499,045	452,165
Total Expenditures	1,915,737	650,270	1,265,467	904,518
Excess (Deficit) of Revenues over Expenditures	(276,972)	(403,627)	(126,655)	181,966
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	73,170
Operating Transfers Out	(535,000)	(742,889)	(207,889)	(635,000)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (811,972)	(1,146,516)	$ (334,544)	(379,864)
Fund Balance, Beginning of Year		16,249,805		16,629,669
Fund Balance, End of Year		$ 15,103,289		$ 16,249,805

Exhibit B-5

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
State Revenues	$ 51	$ -	$ (51)	$ 60
Public Services	8,800	8,645	(155)	8,785
Investment Income (Loss)	925	(153)	(1,078)	2,682
Total Revenues	9,776	8,492	(1,284)	11,527
EXPENDITURES:				
Capital Improvements	-	-	-	61,875
Public Services	2,740	2,616	124	63
Total Expenditures	2,740	2,616	124	61,938
Excess (Deficit) of Revenues over Expenditures	7,036	5,876	(1,160)	(50,411)
Other Financing Sources (Uses) Operating Transfers Out	(1,352)	(1,352)	-	(904)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 5,684	4,524	$ (1,160)	(51,315)
Fund Balance, Beginning of Year		(11,835)		39,480
Fund Balance, End of Year		$ (7,311)		$ (11,835)

KETCHIKAN GATEWAY BOROUGH

SHORELINE SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Real and Personal Taxes	$ 63,890	$ 62,036	$ (1,854)	$ 62,630
Sales Taxes	40,000	146,372	106,372	49,458
Automobile and Boat Taxes	750	2,370	1,620	2,525
State Revenues	173	-	(173)	203
Investment Income (Loss)	9,838	(6,468)	(16,306)	10,441
Total Revenues	114,651	204,310	89,659	125,257
EXPENDITURES:				
Capital Improvements	157,000	112,491	44,509	4,588
Public Services	87,937	56,701	31,236	120,145
Total Expenditures	244,937	169,192	75,745	124,733
Excess (Deficit) of Revenues over Expenditures	(130,286)	35,118	165,404	524
Other Financing Sources (Uses)				
Operating Transfers Out - Other Governments	-	(183,159)	(183,159)	
Operating Transfers Out	(4,943)	(4,493)	450	(1,223)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (135,229)	(152,534)	$ (17,305)	(699)
Fund Balance, Beginning of Year		152,534		153,233
Fund Balance, End of Year		$ -		$ 152,534

Exhibit B-7

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Public Services	$ 82,182	$ 97,807	$ 15,625	$ 78,711
State Revenue Sharing	897	-	(897)	1,055
Investment Income (Loss)	9,000	(2,368)	(11,368)	17,669
Total Revenues	92,079	95,439	3,360	97,435
EXPENDITURES:				
Capital Improvements	-	15,808	(15,808)	21,755
Public Services	80,679	64,582	16,097	91,162
Total Expenditures	80,679	80,390	289	112,917
Excess (Deficit) of Revenues over Expenditures	11,400	15,049	3,649	(15,482)
Other Financing Sources (Uses)				
Operatiing Transfers In	-	-	-	-
Operating Transfers Out	(1,679)	(7,503)	(5,824)	(18,767)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 9,721	7,546	$ (2,175)	(34,249)
Fund Balance, Beginning of Year		170,768		205,017
Fund Balance, End of Year		$ 178,314		$ 170,768

Exhibit B-8

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Real and Personal Taxes	$ 103,915	$ 104,886	$ 971	$ 102,641
Automobile and Boat Taxes	2,500	17,001	14,501	8,280
State Revenues	1,864	635	(1,229)	2,193
Other Revenues	-	100	100.00	-
Investment Income (Loss)	7,150	(5,609)	(12,759)	13,688
Total Revenues	115,429	117,013	1,584	126,802
EXPENDITURES:				
Capital Improvements	179,700	163,791	15,909	23,060
Public Services	58,848	89,243	(30,395)	42,970
Total Expenditures	238,548	253,034	(14,486)	66,030
Excess (Deficit) of Revenues over Expenditures	(123,119)	(136,021)	(12,902)	60,772
Other Financing Sources (Uses) Operating Transfers Out	(6,947)	(6,947)	-	(1,589)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (130,066)	(142,968)	$ (12,902)	59,183
Fund Balance, Beginning of Year		195,645		136,462
Fund Balance, End of Year		$ 52,677		$ 195,645

Exhibit B-9

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
State Revenues	$ 27	$ -	$ (27)	$ 32
Public Services	6,725	5,244	(1,481)	4,854
Investment Income (Loss)	9,005	(2,303)	(11,308)	8,275
Total Revenues	15,757	2,941	(12,816)	13,161
EXPENDITURES:				
Public Services	13,100	4,952	8,148	8,635
Total Expenditures	13,100	4,952	8,148	8,635
Excess (Deficit) of Revenues over Expenditures	2,657	(2,011)	(4,668)	4,526
Other Financing Sources (Uses) Operating Transfers Out	(524)	(524)	-	(105)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 2,133	(2,535)	$ (4,668)	4,421
Fund Balance, Beginning of Year		125,737		121,316
Fund Balance, End of Year		$ 123,202		$ 125,737

Exhibit B-10

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Investment Income (Loss)	$ 740	$ (177)	$ (917)	$ 659
Total Revenues	740	(177)	(917)	659
EXPENDITURES:				
Public Services	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 740	(177)	$ (917)	659
Fund Balance, Beginning of Year		10,489		9,830
Fund Balance, End of Year		$ 10,312		$ 10,489

Exhibit B-11

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Real and Personal Taxes	$ 45,557	$ 47,410	$ 1,853	$ 53,596
Automobile and Boat Taxes	2,500	4,048	1,548	2,945
State Revenues	586	568	(18)	690
Other Revenues	-	-	-	-
Investment Income (Loss)	5,759	(3,842)	(9,601)	10,851
Total Revenues	54,402	48,184	(6,218)	68,082
EXPENDITURES:				
Capital Improvements	120,000	-	120,000	153,211
Public Services	46,021	26,842	19,179	38,661
Total Expenditures	166,021	26,842	139,179	191,872
Excess (Deficit) of Revenues over Expenditures	(111,619)	21,342	132,961	(123,790)
Other Financing Sources (Uses) Operating Transfers Out	(16,689)	(11,689)	5,000	(1,462)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (128,308)	9,653	$ 137,961	(125,252)
Fund Balance, Beginning of Year		139,151		264,403
Fund Balance, End of Year		$ 148,804		$ 139,151

Exhibit B-12

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Public Services	$ 6,465	$ 6,006	$ (459)	$ 6,082
State Revenue Sharing	41	-	(41)	48
Investment Income (Loss)	1,111	(343)	(1,454)	937
Total Revenues	7,617	5,663	(1,954)	7,067
EXPENDITURES:				
Capital Projects	-	-	-	-
Public Services	8,750	8,954	(204)	8,700
Total Expenditures	8,750	8,954	(204)	8,700
Excess (Deficit) of Revenues over Expenditures	(1,133)	(3,291)	(2,158)	(1,633)
Other Financing Sources (Uses))				
Operating Transfers Out	(350)	(350)	-	(182)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (1,483)	(3,641)	$ (2,158)	(1,815)
Fund Balance, Beginning of Year		14,404		16,219
Fund Balance, End of Year		$ 10,763		$ 14,404

Exhibit B-13

KETCHIKAN GATEWAY BOROUGH

NON AREAWIDE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Real and Personal Taxes	$ 308,582	$ 311,389	$ 2,807	$ 418,242
State Revenues	2,767	1,822	(945)	3,255
SDC (Principal/Interest)	-	151,885	151,885	-
Sewer Fees	136,320	169,889	33,569	141,165
Other Revenues	-	900	900	-
Investment Income (Loss)	9,545	(5,528)	(15,073)	8,580
Total Revenues	457,214	630,357	173,143	571,242
EXPENDITURES:				
Public Services	185,252	163,984	21,268	211,425
Capital Improvements	201,491	-	201,491	-
Library Services	339,603	339,603	-	357,818
Total Expenditures	726,346	503,587	222,759	569,243
Excess (Deficit) of Revenues over Expenditures	(269,132)	126,770	395,902	1,999
Other Financing Sources (Uses)				
Operating Transfers In	236,598	237,422	824	9,000
Operating Transfers Out	(3,272)	(3,272)	-	(90,071)
Total Other Financing	233,326	234,150	824	(81,071)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (35,806)	360,920	$ 396,726	(79,072)
Fund Balance, Beginning of Year		(628,203)		(549,131)
Fund Balance, End of Year		$ (267,283)		$ (628,203)

Exhibit B-14

KETCHIKAN GATEWAY BOROUGH

STATE AND FEDERAL GRANTS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	2001	2000
REVENUES:		
State Sources	$ 1,753,731	$ 1,972,414
Other Revenues	-	905
Investment Income	12,785	1,311
Total Revenues	1,766,516	1,974,630
EXPENDITURES:		
Capital Improvements	57,136	294,485
Public Services	1,711,727	1,674,046
Total Expenditures	1,768,863	1,968,531
Excess (Deficit) of Revenues over Expenditures	(2,347)	6,099
Fund Balance, Beginning of Year	49,252	43,153
Fund Balance, End of Year	$ 46,905	$ 49,252

Exhibit B-15

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
State Grant	$ 462,179	$ 452,255	$ (9,924)	$ 1,024,320
Other Revenue	-	-	-	-
Investment Income	317	1,930	1,613	64,645
Total Revenues	462,496	454,185	(8,311)	1,088,965
EXPENDITURES:				
Capital Improvements	-	-	-	-
Public Services	7,500	2,155	5,345	7,315
Total Expenditures	7,500	2,155	5,345	7,315
Excess (Deficit) of Revenues over Expenditures	454,996	452,030	(2,966)	1,081,650
Other Financing Sources (Uses)				
Interfund Transfers In	998,548	998,548	-	1,095,262
Operating Transfers Out	(1,460,727)	(1,458,804)	1,923	(2,075,662)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (7,183)	(8,226)	$ (1,043)	101,250
Fund Balance, Beginning of Year		233,836		132,586
Fund Balance, End of Year		$ 225,610		$ 233,836

Exhibit B-16

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
PFC Enplanement Revenue	$ 235,000	$ 277,611	$ 42,611	$ 224,312
Investment Income (Loss)	14,542	(540)	(15,082)	14,983
Total Revenues	249,542	277,071	27,529	239,295
EXPENDITURES:				
Capital Projects	1,620,000	-	1,620,000	55,711
Public Services	9,000	21,506	(12,506)	29
Total Expenditures	1,629,000	21,506	1,607,494	55,740
Excess (Deficit) of Revenues over Expenditures	(1,379,458)	255,565	1,635,023	183,555
Other Financing Sources (Uses)				
Inter Fund Transfer In - Land Trust	-	-	-	
Revenue Bond Proceeds	4,000,000	-	(4,000,000)	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 2,620,542	255,565	$ (2,364,977)	183,555
Fund Balance, Beginning of Year		274,877		91,322
Fund Balance, End of Year		$ 530,442		$ 274,877

Exhibit B-17

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
State Revenues	$ 8	$ -	$ (8)	$ 9
Public Services	35,250	31,279	(3,971)	32,628
Other Revenues	-	-	-	-
Investment Income	2,250	226	(2,024)	2,588
Total Revenues	37,508	31,505	(6,003)	35,225
EXPENDITURES:				
Capital Improvements	22,000	25,527	(3,527)	-
Public Services	39,394	38,948	446	23,868
Total Expenditures	61,394	64,475	(3,081)	23,868
Excess (Deficit) of Revenues over Expenditures	(23,886)	(32,970)	(9,084)	11,357
Other Financing Sources (Uses))				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(1,177)	22,761	(23,938)	(24,970)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (25,063)	(10,209)	$ 14,854	(13,613)
Fund Balance, Beginning of Year		16,530		30,143
Fund Balance, End of Year		$ 6,321		$ 16,530

Exhibit B-18

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, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 2000 Actual
REVENUES:				
Federal Revenues	$ 3,000,000	$ 3,000,000	$ -	$ 4,000,000
Transient Occupancy Tax	35,000	46,437	11,437	45,892
Public Services	-	116,147	116,147	15,000
Investment Income (Loss)	1,919,146	(317,545)	(2,236,691)	1,572,301
Total Revenues	4,954,146	2,845,039	(2,109,107)	5,633,193
EXPENDITURES:				
Bad Debt Expense		4,100,000	(4,100,000)	
Capital Outlaly		11,033	(11,033)	
Public Services	21,512,748	1,652,115	19,860,633	887,910
Total Expenditures	21,512,748	5,763,148	15,749,600	887,910
Excess (Deficit) of Revenues over Expenditures	(16,558,602)	(2,918,109)	13,640,493	4,745,283
Other Financing Sources (Uses)				
Operating Transfers In	111,902	123,821	11,919	21,166,038
Operating Transfers Out	(715,418)	(727,337)	(11,919)	(21,166,038)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (17,162,118)	(3,521,625)	$ 13,640,493	4,745,283
Fund Balance, Beginning of Year		30,035,650		25,290,367
Fund Balance, End of Year		$ 26,514,025		$ 30,035,650

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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 principle & 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

Exhibit C-1

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000

	2000 G.O. Bond Redemption Fund	1999 G.O. Bond Redemption Fund	1995 G.O. Bond Redemption Fund	Totals 2001	Totals 2000
ASSETS					
Due from Other Funds	$ -	$ -	$ -	$ -	$ -
Total Assets	$ -	$ -	$ -	$ -	$ -
FUND BALANCE					
Fund Balance	$ -	$ -	$ -	$ -	$ -
Total Fund Balance	$ -	$ -	$ -	$ -	$ -

Exhibit C-2

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000

	2000 G.O. Bond Redemption Fund	1999 G.O. Bond Redemption Fund	1995 G.O. Bond-IRC Redemption Fund	Totals 2001	Totals 2000
EXPENDITURES					
Debt Service					
Principal	$ -	$ 100,000	$ 530,000	$ 630,000	$ 1,705,000
Investment Income	-	560,256	268,548	828,804	370,662
Total	-	660,256	798,548	1,458,804	2,075,662
Excess (Deficit) of Revenues over Expenditures	-	(660,256)	(798,548)	(1,458,804)	(2,075,662)
Other Financing Sources (Uses)					
Transfer from School Bond/Capital Improvement Fund	-	660,256	-	660,256	1,280,400
Transfer from Recreational Capital Projects Fund	-	-	798,548	798,548	795,262
Total Other Financing Sources (Uses)	-	660,256	798,548	1,458,804	2,075,662
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	$ -	$ -	$ -	$ -	$ -

CAPITAL PROJECTS FUNDS

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

The following statements are included in this section:

Capital Projects Funds - Combined Balance Sheet

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

Exhibit D-1

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINED BALANCE SHEET

June 30, 2001
(With Comparative Totals for June 30, 2000)

	Capital Projects	Total 2001	Total 2000
Assets			
Cash in Central Treasury	$ 420,188	$ 420,188	$ 170,465
Accounts Receivable	86,908	86,908	-
Investments	9,155,783	9,155,783	5,149,778
Total Assets	$ 9,662,879	$ 9,662,879	$ 5,320,243
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	$ 91,578	$ 91,578	$ 1,440,225
Advances from Other Funds	1,000,000	1,000,000	-
Due to Other Funds	4,144	4,144	152,548
Total Liabilities	1,095,722	1,095,722	1,592,773
Fund Equity			
Reserved for Encumbrances	813,277	813,277	3,323,873
Fund Balance	7,753,880	7,753,880	403,597
Total Fund Balances	8,567,157	8,567,157	3,727,470
Total Liabilities and Fund Equity	$ 9,662,879	$ 9,662,879	$ 5,320,243

Exhibit D-2

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Capital Projects	Total 2001	Total 2000
REVENUES			
State Sources	86,909	86,909	-
Investment Income	311,689	311,689	199,149
Total Revenues	398,598	398,598	199,149
EXPENDITURES			
Contractual Services	403,201	403,201	349,911
Educational Facilities	4,624,642	4,624,642	3,342,058
Total Expenditures	5,027,843	5,027,843	3,691,969
Excess (Deficit) of Revenues over Expenditures	(4,629,245)	(4,629,245)	(3,492,820)
Other Financing Sources (Uses)			
G.O. Bond Proceeds	9,085,436	9,085,436	7,453,109
Transfers to Other Funds	-	-	-
Transfers from Other Funds	383,496	383,496	228,652
Total Other Financing Sources (Uses)	9,468,932	9,468,932	7,681,761
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	4,839,687	4,839,687	4,188,941
Fund Balances, Beginning of Year	3,727,470	3,727,470	(461,471)
Fund Balances, End of Year	$ 8,567,157	$ 8,567,157	$ 3,727,470

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 of 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

<u>Airport Enterprise Fund:</u>
Comparative Balance Sheets
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings
Comparative Statements of Cash Flows

<u>Transit Enterprise Fund:</u>
Comparative Balance Sheets
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings
Comparative Statements of Cash Flows

Exhibit E-1

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

June 30, 2001
(With Comparative Totals for June 30, 2000)

	Airport	Transit	Totals June 30, 2001	Totals June 30, 2000
ASSETS				
Cash and Investments	$ 1,300	$ -	$ 1,300	$ 1,300
Prepaid Insurance	-	-	-	-
Accounts Receivable	127,972	1,140	129,112	209,991
Total Currrent Assets	129,272	1,140	130,412	211,291
Restricted Assets				
Bond Redemption Fund Cash & Investments	-	-	-	-
Plant in Service				
Buildings and Equipment	9,650,205	508,624	10,158,829	10,106,666
Construction in Progress	-	-	-	-
Less Accumulated Depreciation	(6,394,166)	(388,310)	(6,782,476)	(6,302,116)
Total Plant in Service	3,256,039	120,314	3,376,353	3,804,550
Total Assets	$ 3,385,311	$ 121,454	$ 3,506,765	$ 4,015,841
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts Payable	$ 32,859	$ 5,096	$ 37,955	$ 74,446
Due to Other Funds	31,673	141,736	173,409	266,446
Advances from Other Funds	93,604		93,604	
Accrued Vacation & Sick Leave	149,882	14,829	164,711	159,771
Accrued Interest Payable	-	-	-	-
Total Current Liabilities	308,018	161,661	469,679	500,663
Total Liabilities	308,018	161,661	469,679	500,663
Fund Equity:				
Contributed Capital	1,253,570	48,252	1,301,822	1,454,644
Retained Earnings:				
Unreserved	1,823,723	(88,459)	1,735,264	2,060,534
Reserved	-	-	-	-
Total Retained Earnings	1,823,723	(88,459)	1,735,264	2,060,534
Total Fund Equity	3,077,293	(40,207)	3,037,086	3,515,178
Total Liabilities and Fund Equity	$ 3,385,311	$ 121,454	$ 3,506,765	$ 4,015,841

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	Airport	Transit	Totals June 30, 2001	Totals June 30, 2000
OPERATING REVENUES				
Charges for Services	$ 2,471,039	$ 175,908	$ 2,646,947	$ 2,459,874
Total Operating Revenues	2,471,039	175,908	2,646,947	2,459,874
OPERATING EXPENSES				
Personnel Services	1,675,135	339,881	2,015,016	1,844,044
Supplies and Services	530,002	132,551	662,553	670,645
Insurance	156,229	8,611	164,840	167,040
Depreciation	399,860	74,644	474,504	463,573
Total Operating Expenses	2,761,226	555,687	3,316,913	3,145,302
Net Operating (Loss)	(290,187)	(379,779)	(669,966)	(685,428)
NON OPERATING REVENUES (EXPENSES)				
State Operating Grants	-	57,147	57,147	57,147
Investment Income	368	-	368	1,915
Other Revenues	-	-	-	-
Interest Expense	(13,171)	-	(13,171)	(17,170)
Total Nonoperating Revenues (Expenses)	(12,803)	57,147	44,344	41,892
Income (Loss) Before Operating Transfers	(302,990)	(322,632)	(625,622)	(643,536)
Other Financing Sources (Uses)				
Operating Transfers In	68,804	252,299	321,103	283,157
Operating Transfers Out	(133,299)	(43,536)	(176,835)	(100,327)
Total Other Financing Sources (Uses)	(64,495)	208,763	144,268	182,830
Net Income (Loss)	(367,485)	(113,869)	(481,354)	(460,706)
Depreciation of Fixed Assets:				
Acquired by Grants	115,882	40,202	156,084	181,127
Increase (Decrease) in Retained Earnings	(251,603)	(73,667)	(325,270)	(279,579)
Retained Earnings, Beginning of Year	2,075,326	(14,792)	2,060,534	2,340,113
Retained Earnings at End of Year	$ 1,823,723	$ (88,459)	$ 1,735,264	$ 2,060,534

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2001

	Airport	Transit	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,518,522	$ 209,304	$ 2,727,826
Due to other funds	(138,151)	45,037	(93,114)
Cash Payments for Insurance	(156,229)	(8,611)	(164,840)
Cash Payments to Employees for Services	(1,672,278)	(337,798)	(2,010,076)
Cash Payments to Suppliers for Goods and Services	(525,776)	(173,268)	(699,044)
Net Cash Provided by Operating Activities	26,088	(265,336)	(239,248)
Cash Flows from Noncapital Financing Activites:			
Transfers from General Fund	68,804	252,587	321,391
Transfers Out to General Fund	(133,222)	(43,536)	(176,758)
Grant Received from State	-	57,147	57,147
Net Cash Provided by Noncapital Financing Activities	(64,418)	266,198	201,780
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(50,557)	(574)	(51,131)
Loss on Disposal of Asset	-	-	-
Proceeds from Loan	101,690	-	101,690
Principal Paid on Bonds/Notes Payable	(8,086)	-	(8,086)
Interest Paid on G. O. and Revenue Bonds	(5,085)	-	(5,085)
Net Cash Used for Capital and Related Financing	37,962	(574)	37,388
Cash Flow From Investing Activities:			
Income from Investments	368	-	368
Net Cash Provided by Investing Activities	368	-	368
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at July 1 (Including in	-	-	-
Restricted Accounts)	1,300	-	1,300
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 1,300	$ -	$ 1,300
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	-	-	-
Cash and Temporary Investments - Restricted Assets	1,300	-	1,300
	$ 1,300	$ -	$ 1,300
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	$ (290,187)	$ (379,779)	$ (669,966)
Adjustments to Reconcile Operating Income to Net Cash			-
Provided by Operating Activities:			-
Depreciation	399,860	74,644	474,504
(Increase) Decrease in Accounts Receivable	47,483	33,396	80,879
(Increase) Decrease in Prepaid Insurance	-	-	-
Increase (Decrease) in Due to General Fund	4,226	45,037	49,263
Increase (Decrease) in Accounts Payable	(138,151)	(40,717)	(178,868)
Increase (Decrease) in Accrued Liabilities	2,857	2,083	4,940
Total Adjustments	316,275	114,443	430,718
Net Cash Provided by Operating Activities	$ 26,088	$ (265,336)	$ (239,248)

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 2001 and 2000

	2001	2000
ASSETS		
Cash and Cash Equivalents	$ 1,300	$ 1,300
Prepaid Insurance	-	-
Accounts Receivable	127,972	175,455
Total Currrent Assets	129,272	176,755
Plant in Service		
Field	3,495,445	3,452,975
Terminal	4,385,088	4,382,398
Ferry	1,730,429	1,730,429
Administration	26,368	23,753
Murphy's Landing	12,875	12,875
Less Accumulated Depreciation	(6,394,166)	(5,991,098)
Total Plant in Service	3,256,039	3,611,332
Total Assets	$ 3,385,311	$ 3,788,087
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 32,859	$ 28,633
Due to Other Funds	31,673	169,747
Advances from Other Funds	93,604	
Accrued Vacation & Sick Leave	149,882	147,025
Current Portion of Long Term Debt	-	-
Total Current Liabilities	308,018	345,405
Fund Equity:		
Contributed Capital	1,253,570	1,367,356
Retained Earnings		
Unreserved	1,823,723	2,075,326
Reserved	-	-
Total Retained Earnings	1,823,723	2,075,326
Total Fund Equity	3,077,293	3,442,682
Total Liabilities and Fund Equity	$ 3,385,311	$ 3,788,087

Exhibit E-5

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 2001 and 2000

	June 30, 2001	June 30, 2000
OPERATING REVENUES		
Charges for Services	$ 2,471,039	$ 2,299,811
Total Operating Revenues	2,471,039	2,299,811
OPERATING EXPENSES		
Personnel Services	1,675,135	1,538,445
Supplies and Services	530,002	587,140
Insurance	156,229	154,511
Total Operation and Maintenance	2,361,366	2,280,096
Depreciation	399,860	396,654
Total Operating Expenses	2,761,226	2,676,750
Net Operating (Loss)	(290,187)	(376,939)
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	-	-
Investment Income	368	2,200
Interest Expense	(13,171)	(17,170)
Total Nonoperating Revenues (Expenses)	(12,803)	(14,970)
Income (Loss) Before Operating Transfers	(302,990)	(391,909)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	68,804	58,157
Operating Transfers Out	(133,299)	(56,320)
Total Operating Expenses	(64,495)	1,837
Net Income (Loss)	(367,485)	(390,072)
Depreciation of Fixed Assets Acquired by Grants	115,882	122,879
Increase (Decrease) in Retained Earnings	(251,603)	(267,193)
Retained Earnings, Beginning of Year	2,075,326	2,342,519
Retained Earnings at End of Year	$ 1,823,723	$ 2,075,326

Exhibit E-6

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2001 and 2000

	2001	2000
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 2,518,522	$ 2,448,334
Due to Other Funds	(138,074)	(110,718)
Cash Payments for Insurance	(156,229)	(146,202)
Cash Payments to Employees for Services	(1,672,278)	(1,526,085)
Cash Payments to Suppliers for Goods and Services	(525,776)	(612,277)
Net Cash Provided by Operating Activities	26,165	53,052
Cash Flows Non Capital Financing Activies:		
Transfers In	68,804	58,157
Transfers Out	(133,222)	(56,320)
Net Cash Provided by Non Capital Financing Activities	(64,418)	1,837
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(50,557)	(26,829)
Grant Received from State		-
Proceeds from Loan	101,690	
Principal Paid on Bonds/Long Term Notes	(8,086)	(50,000)
Interest Paid on Bonds/Notes Payable	(5,085)	(17,170)
Net Cash Provided by Capital and Related Financing Activities	37,962	(93,999)
Cash Flow from Investing Activities		
Income from Investments	368	2,200
Net Cash Provided by Investing Activities	368	2,200
Net Increase (Decrease) in Cash and Cash Equivalents	77.00	(36,910)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	1,300	38,210
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 1,377	$ 1,300
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	$ 1,300	$ 1,300
Cash and Temporary Investments Restricted Assets		-
	$ 1,300	$ 1,300
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (290,187)	$ (376,939)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	399,860	396,654
(Increase) Decrease in Accounts Receivable	47,483	148,523
(Increase) Decrease in Prepaid Insurance	-	8,309
Increase (Decrease) in Accounts Payable	4,226	(25,137)
Increase (Decrease) in Due to Other Funds	(138,074)	(110,718)
Increase (Decrease) in Accrued Liabilities	2,857	12,360
Increase (Decrease) in Current Portion of Long Term Debt		-
Total Adjustments	316,352	429,991
Net Cash Provided by Operating Activities	$ 26,165	$ 53,052

Exhibit E-7

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 2001 and 2000

	2001	2000
ASSETS		
Accounts Receivable	$ 1,140	$ 34,536
Due from Other Governments	-	-
Total Currrent Assets	1,140	34,536
Plant in Service		
Buses	508,624	504,236
Less Accumulated Depreciation	(388,310)	(311,018)
Net Plant in Service	120,314	193,218
Total Assets	$ 121,454	$ 227,754
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	$ 5,096	$ 45,813
Due to Other Funds	141,736	96,699
Accrued Vacation and Sick Leave	14,829	12,746
Total Current Liabilities	161,661	155,258
Fund Equity:		
Contributed Capital	48,252	87,288
Retained Earnings	(88,459)	(14,792)
Total Fund Equity	(40,207)	72,496
Total Liabilities and Fund Equity	$ 121,454	$ 227,754

Exhibit E-8

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Years Ended June 30, 2001 and June 30, 2000

	June 30, 2001	June 30, 2000
OPERATING REVENUES		
Advertising Revenue	$ 16,918	$ -
Charges for Services	158,990	160,063
Total Operating Revenues	175,908	160,063
OPERATING EXPENSES		
Personnel Services	339,881	305,599
Supplies and Services	132,551	83,505
Insurance	8,611	12,529
Total Operation and Maintenance	481,043	401,633
Depreciation	74,644	66,919
Total Operating Expenses	555,687	468,552
Net Operating (Loss)	(379,779)	(308,489)
NON OPERATING REVENUES (EXPENSES)		
UMTA Grant for Ferry	-	-
State Operating Grants	57,147	57,147
Gain on Disposal of Assets	-	(285)
Total Nonoperating Revenues (Expenses)	57,147	56,862
Income (Loss) Before Operating Transfers	(322,632)	(251,627)
Other Financing Sources (Uses)		
Operating Transfers Out	(43,536)	(44,007)
Operating Transfers In	252,299	225,000
Total Other Financing Sources (Uses)	208,763	180,993
Net Income (Loss)	(113,869)	(70,634)
Depreciation of Fixed Assets Acquired by Grants	40,202	58,248
Increase (Decrease) in Retained Earnings	(73,667)	(12,386)
Retained Earnings, Beginning of Year	(14,792)	(2,406)
Retained Earnings at End of Year	$ (88,459)	$ (14,792)

Exhibit E-9

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2001 and 2000

	2001	2000
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 209,304	$ 183,095
Due to other funds	45,037	(31,486)
Cash Payments for Insurance	(8,611)	(12,529)
Cash Payments to Employees for Services	(337,798)	(305,974)
Cash Payments to Suppliers for Goods and Services	(173,268)	(49,962)
Net Cash Provided by Operating Activities	(265,336)	(216,856)
Cash Flows from Noncapital Financing Activities		
Transfer from General Fund	252,587	225,000
Transfer to Airport	(43,536)	(44,007)
Grant Received from State	57,147	91,532
Net Cash Provided by Noncapital Financing Activities	266,198	272,525
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(574)	(56,384)
Gain on Disposal of Asset	-	715
Net Cash Used for Capital and Related Financing Activities	(574)	(55,669)
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	-	-
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ -	$ -
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	-	-
	$ -	$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(379,779)	(308,489)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	74,644	66,919
(Increase) Decrease From Accounts Receivable	33,396	23,032
Increase (Decrease) in Due to Other Funds	45,037	(31,486)
Increase (Decrease) in Accounts Payable	(40,717)	33,543
Increase (Decrease) in Accrued Liabilities	2,083	(375)
Total Adjustments	114,443	91,633
Net Cash Provided by Operating Activities	$ (265,336)	$ (216,856)

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or 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

Exhibit F-1

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 2001

	Great West School District	Great West Borough	Total
ASSETS			
Cash & Temporary Investments	$ 681,820	$ 342,836	$ 1,024,656
Total Current Assets	$ 681,820	$ 342,836	$ 1,024,656
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	$ 57,078	$ 10,458	$ 67,536
Total Liabilities	57,078	10,458	67,536
Fund Equity:			
Unreserved	624,742	332,378	957,120
Total Retained Earnings	624,742	332,378	957,120
Total Fund Equity	624,742	332,378	957,120
Total Liabilities and Fund Equity	$ 681,820	$ 342,836	$ 1,024,656

Exhibit F-2

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

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

For the Fiscal Year Ended June 30, 2001

	Great West School District	Great West Borough	Total
OPERATING REVENUES			
Investment Revenue	$ -	$ -	$ -
Insurance Premiums	1,180,091	632,779	1,812,870
Total Operating Income	1,180,091	632,779	1,812,870
OPERATING EXPENSES			
Administration Costs	-	126,027	126,027
Expense - Claims Service	1,468,464	426,818	1,895,282
Total Operating Expenses	1,468,464	552,845	2,021,309
Net Operating Revenues(Loss)	(288,373)	79,934	(208,439)
NON OPERATING REVENUES (EXPENSES)			
Investment Income (Loss)	(12,740)	(6,339)	(19,079)
Total Nonoperating Revenues (Expenses)	(12,740)	(6,339)	(19,079)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Income (Loss)	(301,113)	73,595	(227,518)
Retained Earnings, Beginning of Year	925,855	258,783	1,184,638
Retained Earnings at End of Year	$ 624,742	$ 332,378	$ 957,120

Exhibit F-3

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2001 and 2000

	Total 2001	Total 2000
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	$ 1,812,870	$ 2,002,417
Cash Payments for Insurance	(2,029,629)	(1,538,010)
Net Cash Provided by Operating Activities	(216,759)	464,407
Cash Flows from Noncapital Financing Activities:		
Transfers from Stabilization Reserves		-
Transfer to General Fund	-	(434,784)
Net Cash Provided by Noncapital Financing Activities	-	(434,784)
Cash Flow from Investing Activities:		
Interest on Investments	(19,079)	58,028
Net Cash Provided by Investing Activities	(19,079)	58,028
Net Increase (Decrease) in Cash and Cash Equivalents	(235,838)	87,651
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	1,260,494	1,172,843
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 1,024,656	$ 1,260,494
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	$ 1,024,656	$ 1,260,494
Cash and Temporary Investments - Restricted Assets		-
	$ 1,024,656	$ 1,260,494
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (208,439)	$ 424,511
Adjustments to Reconcile Operating Income to Net Cash		
Increase (Decrease) in Accounts Payable	(8,320)	39,896
Total Adjustments	(8,320)	39,896
Net Cash Provided by Operating Activities	$ (216,759)	$ 464,407

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

Exhibit G-1

KETCHIKAN GATEWAY BOROUGH

GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS

June 30, 2001 and 2000

	2001	2000
GENERAL FIXED ASSETS		
Land	$ 357,250	$ 335,000
Buildings	8,548,999	8,351,881
Equipment	2,111,204	2,149,439
Infrastructure	3,491,241	2,753,208
Total	$ 14,508,694	$ 13,589,528

	2001	2000
INVESTMENT IN GENERAL FIXED ASSETS FROM:		
Federal and State Grants	$ 1,385,984	$ 1,385,984
General Revenues	13,122,710	12,203,544
Total	$ 14,508,694	$ 13,589,528

Exhibit G-2

KETCHIKAN GATEWAY BOROUGH

SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY

June 30, 2001

Function and Activity	Land	Buildings	Machinery and Equipment	Infrastructure	Total
General Government:					
Manager	$ -	$ 335,000	$ 26,636	$ -	$ 361,636
Clerk	-	-	43,541	-	43,541
Law Department	-	-	20,691	-	20,691
Administrative Services	-	-	71,539	-	71,539
Assessment	-	-	78,768	-	78,768
Total General Government	-	335,000	241,175	-	576,175
Services:					
Animal Protection	55,000	284,252	85,137	-	424,389
Parks and Recreation	-	7,218,564	358,592	226,343	7,803,499
Public Works	80,000	349,514	526,018	1,143,977	2,099,509
Planning	-	-	112,792	-	112,792
Child Care Assistance	-	-	2,572	-	2,572
Non-Departmental	-	-	44,389	-	44,389
Local Emergency Planning Commission	-	-	12,388	-	12,388
Coastal Zone Management	-	-	7,548	-	7,548
Non Area Wide	-	-	10,999	-	10,999
Land Trust	200,000	266,806	13,302	-	480,108
Swimming Pools	-	-	78,022	1,830,439	1,908,461
Surplus Equipment	-	-	-	-	-
Total Services	335,000	8,119,136	1,251,761	3,200,759	12,906,656
Service Areas:					
South Tongass Fire District	-	-	596,303	-	596,303
Shoreline Service Area	-	-	-	-	-
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		6,239	4,765	33,254
Mt. Point Service Area	-	94,863.00	15,726	-	110,589
Total Service Areas	22,250	94,863.00	618,268	290,482	1,025,864
Total General Fixed Assets	$ 357,250	$ 8,548,999	$ 2,111,204	$ 3,491,241	$ 14,508,694

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

Exhibit H-1

KETCHIKAN GATEWAY BOROUGH

GENERAL LONG-TERM DEBT ACCOUNT GROUP

COMPARATIVE STATEMENTS OF GENERAL LONG-TERM DEBT

June 30, 2001 and 2000

	June 30, 2001	June 30, 2000
Other Debits		
Amount to Provided-Bonds	$ 21,610,000	$ 13,185,000
Total Other Debits	$ 21,610,000	$ 13,185,000
Liabilities		
95 IRC Bonds	$ 5,095,000	$ 5,625,000
99 School Bonds	7,460,000	7,560,000
00 School Construction Bonds	9,055,000	-
Total General Long-term Debt	$ 21,610,000	$ 13,185,000

Exhibit H-2

KETCHIKAN GATEWAY BOROUGH

GENERAL LONG-TERM DEBT ACCOUNT GROUP

STATEMENT OF CHANGES IN LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2001

	Balance June 30, 2000	Additions	Deletions	Balance June 30, 2001
Other Debits				
Amount to be Provided-Bonds	$ 13,185,000	$ 9,055,000	$ 630,000	$ 21,610,000
Liabilities				
99 School Bonds	$ 7,560,000	$ -	100,000	$ 7,460,000
95 IRC Bonds	5,625,000	-	$ 530,000	5,095,000
00 School Bonds	-	9,055,000	-	9,055,000
Total General Long-term Debt	$ 13,185,000	$ 9,055,000	$ 630,000	$ 21,610,000

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 Schedule 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

Exhibit I-1

KETCHIKAN GATEWAY BOROUGH
COMBINED SCHEDULE OF CASH AND INVESTMENT BALANCES - ALL FUNDS
June 30, 2001

CASH & INVESTMENTS CLASSIFIED BY FUND

General Fund		$ 3,619,919
Special Revenue Funds:		
Land Trust - Repair & Maintenance	$ 6,813,979	
Land Trust - Residential	2,852,204	
Land Trust - Commercial & Industrial	2,874,546	
Non-Area Wide Funds	195,194	
Recreation Capital Projects Fund	428,754	
School Bond/Capital Improvement Fund	27,031	
Airport Passenger Facility Fund	547,492	
Economic Development Fund	10,093,801	
Shipyard Repair & Maintenance	1,850,900	
Long Term Endowment Fund	4,641,281	
State & Federal Grants Fund	247,859	
South Tongass Fire District	50,580	
Mt. Point Service Area Fund	163,707	
Waterfall Service Area Fund	127,434	
Mud Bight Service Area	9,478	
Nichols View Service Area Fund	10,312	
Forest Park Service Area Fund	152,114	
Gold Nugget Service Area Fund	15,087	
Shoup Street Service Area	29,481	31,131,233
Capital Projects Funds		
Houghtaling/Valley Park Renovations	232,305	
New Elementary School	8,695,858	
Schoenbar Middle School	459,925	
Airport Terminal Renovation	132,950	
Oral Freeman Ferry Construction	54,931	9,575,969
Enterprise Funds:		
Airport Enterprise Fund - Unrestricted		1,300
Internal Service Funds:		
Great West Insurance Reserve-School District	681,820	
Great West Insurance Reserve-Borough	342,836	1,024,656
Total Cash by Fund		$ 45,353,076

CASH & INVESTMENTS CLASSIFIED BY DEPOSITORY

Cash		
Change Funds & Petty Cash	$ 2,200	
Mikunda Cottrell Trust Account - Shoup Street	131,337	
First Bank of Ketchikan	12,877	
National Bank of Alaska	(14,572)	
Total Cash		$ 131,843
Investments		
Wells Fargo - Trust	377,154	
First Bank	481,025	
Chase Manhattan - 365	8,724,804	
Chase Manhattan - 366	461,932	
U.S. Trust	35,176,320	
Total Investments		45,221,234
Total Cash and Investments		$ 45,353,076

02/02/2002

Exhibit I-2

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	Acturial Value of Assets (a)	Acturial Accrued 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%

Exhibit I-3

KETCHIKAN GATEWAY BOROUGH

COMBINED SCHEDULE OF BONDS PAYABLE

Year Ended June 30, 2001

	Interest Rate	Payment Dates	Issue Date	Final Maturity Date	Authorized	Issued	Retired	Outstanding
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	$ -	$ 9,055,000
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	100,000	7,460,000
1996 IRC Bonds	4.30 - 6.00	5/15 & 11/15	12/07/95	5/15/2009	7,500,000	7,500,000	2,405,000	5,095,000
					$ 24,115,000	$ 24,115,000	$ 2,505,000	$ 21,610,000

Exhibit I-4

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 2001

Fiscal	2000 G.O. Bonds-Education			1999 G.O. Bonds-Education			1995 G.O. Bonds-IRC		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2002	$ 140,000	$ 666,329	$ 806,329	$ 265,000	$ 390,725	$ 655,725	$ 550,000	$ 245,228	$ 795,228
2003	320,000	463,350	783,350	280,000	378,138	658,138	575,000	220,478	795,478
2004	335,000	447,350	782,350	290,000	364,838	654,838	605,000	194,028	799,028
2005	350,000	430,600	780,600	305,000	351,063	656,063	630,000	165,591	795,591
2006	365,000	413,100	778,100	320,000	336,423	656,423	660,000	135,037	795,037
2007	385,000	394,850	779,850	335,000	320,903	655,903	695,000	103,357	798,357
2008	400,000	375,600	775,600	350,000	304,320	654,320	730,000	69,650	799,650
2009	420,000	355,600	775,600	370,000	286,820	656,820	650,000	33,150	683,150
2010	440,000	334,600	774,600	390,000	268,320	658,320			
2011	465,000	312,600	777,600	405,000	248,430	653,430			
2012	485,000	289,350	774,350	430,000	227,573	657,573			
2013	510,000	264,615	774,615	450,000	204,998	654,998			
2014	540,000	238,605	778,605	475,000	180,923	655,923			
2015	565,000	210,525	775,525	500,000	155,273	655,273			
2016	600,000	180,580	780,580	530,000	128,023	658,023			
2017	630,000	148,780	778,780	555,000	98,873	653,873			
2018	665,000	114,760	779,760	590,000	68,070	658,070			
2019	700,000	78,850	778,850	620,000	35,030	655,030			
2020	740,000	40,700	780,700	-	-	-			
	$ 9,055,000	$ 5,760,744	$ 14,815,744	$ 7,460,000	$ 4,348,743	$ 11,808,743	$ 5,095,000	$ 1,166,519	$ 6,261,519

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 Operating	Education Capital	Debt Service Education	Total
1992	1,974	4,132	17,761	4,060	5,490	33,417
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	1,936	8,263	20,572	5,448	1,459	37,678

(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)

Fiscal Year	Taxes	Intergovernmental Revenues	Charges for Services	Other Revenues	Total
1992	8,235	19,461	348	2,150	30,194
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	8,163	729	11,372	33,009
2001	12,152	19,821	912	368	33,253

(1) General government expenditures and revenue figures taken from Exhibit 2, Comprehensive Annual Financial Report FY01

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
1992	4,846	2,808	143	33	7,830
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

(1) Information taken from Exhibit A-2, Comprehensive Annual Financial Report FY01

TABLE 2A - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts expressed in dollars)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1992	5,105,663	4,696,759	92.0%	148,936	4,845,695	94.9%	557,272	10.9%
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%

Source: Borough Assessment and Administrative Services

TABLE 3 - UNAUDITED

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

	Real Property		Personal Property		Exemptions	Total		Ratio of Total Assessed Value
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Real Property	Assessed Value	Estimated Actual Value	To Total Estimated Actual Value
1991	738,564,850	738,564,850	53,470,000	53,470,000	44,979,100	819,894,650	819,894,650	100%
1992	725,831,925	725,831,925	50,919,750	50,919,750	43,142,975	856,242,900	856,242,900	100%
1993	808,998,500	808,998,500	55,258,900	55,258,900	51,643,400	915,900,800	915,900,800	100%
1994	868,583,400	868,583,400	59,920,100	59,920,100	56,567,400	985,070,900	985,070,900	100%
1995	886,485,200	886,485,200	59,779,600	59,779,600	59,318,000	1,005,582,800	1,005,582,800	100%
1996	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%

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

Source: Borough Assessment and Administrative Services

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
1991	8.10	1.00	1.00	10.00	5.00	0.60	6.60	32.30
1992	7.50	1.00	1.00	10.00	5.00	0.65	8.30	33.45
1993	7.50	1.00	1.00	0.00	5.00	0.65	8.30	23.45
1994	7.00	1.00	1.00	0.00	5.00	0.70	7.50	22.20
1995	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

TABLE 5 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PRINCIPAL TAXPAYERS
June 30, 2001

Taxpayer	Business Type		Valuation	Percentage of Total Assessed Valuation
Gateway Forest Products	Forest Products	$	31,260,900	3.00%
Cape Fox Corporation (Includes Cape Fox Hotel Corp.)	Forest Products		12,250,000	1.17%
E. C. Phillips & Son, Inc.	Seafood Processing		7,832,700	0.75%
Tongass Trading	Retail Stores		7,156,400	0.69%
Alaska General Seafood Proc.	Seafood Processing		7,175,800	0.69%
Ketchikan Plaza Inc.	Retail Stores		6,152,700	0.59%
Vanderweele, James & Ken	Commercial Property		5,989,400	0.57%
TF Acquisition	Seafood Processing		5,210,900	0.50%
Carr-Gottstein Foods Co.	Retail Stores		5,184,800	0.50%
Tesoro Alaska Petroleum Co.	Petroleum		5,101,900	0.49%
Total Principal Taxpayers		$	93,315,500	8.94%
Total Assessed Valuation		$	1,043,607,300	100.00%

Source: Ketchikan Gateway Borough Assessment Department

TABLE 6 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH

Computation of Legal Debt Margin

June 30, 2001

No Debt Limit is Mandated by Law

Direct and Overlapping Debt

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough		$21,610,000
Less Self Supporting Debt:		
1995 Recreation Sales Tax Revenues	(5,095,000)	(5,095,000)
Total Direct Debt		16,515,000
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		$14,535,000
Less Self Supporting Debt:		
Bonds Paid from Ketchikan Port Fund Revenues	(2,730,000)	
1997 Hospital Construction Bonds		
Paid from Sales Tax Hospital Fund Revenues	(9,735,000)	
1997 Fire Truck Construction Funds		
Paid from Sales Tax Hospital and Other Public Works Funds	(535,000)	
1986 Refunding Bonds		
Paid from Wastewater and Harbor Fund Revenues	(775,175)	(13,775,175)
Total City of Ketchikan Direct Debt		759,825
Total Direct and Overlapping Debt		$17,274,825

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
1991	13,828	773,585,250	16,194,000	-	815,000	15,379,000	1.99%	1,112
1992	13,828	792,034,850	12,384,000	-	620,000	11,764,000	1.49%	851
1993	14,923	819,894,650	8,819,000	-	480,000	8,339,000	1.02%	559
1994	15,028	915,900,800	6,530,000	-	330,000	6,200,000	0.68%	413
1995	15,082	985,070,900	12,470,000	-	170,000	12,300,000	1.25%	816
1996	14,728	1,005,582,800	10,800,000	-	130,000	10,670,000	1.06%	724
1997	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	1,014,205,700	13,185,000	-	50,000	13,235,000	1.30%	945
2001	14,070	1,043,073,000	21,610,000	-	-	21,610,000	2.07%	1,536

(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.

TABLE 8 - UNUAUDITED

KETCHIKAN GATEWAY BOROUGH

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR

GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES

Ten Year Period Ending June 30, 2001

Fiscal Year	Debt Service Payments: Principal	Debt Service Payments: Interest	Debt Service Payments: Total	Total General Expenditures	Ratio of Debt Service to General Expenditures
1992	3,600,000	1,388,482	4,988,482	32,637,470	15.3%
1993	3,810,000	1,112,455	4,922,455	25,670,551	19.2%
1994	4,045,000	814,534	4,859,534	28,549,747	17.0%
1995	1,610,000	491,588	2,101,588	30,929,801	6.8%
1996	1,400,000	597,041	1,997,041	27,232,932	7.3%
1997	1,630,000	684,527	2,314,527	35,356,990	6.5%
1998	1,655,000	580,728	2,235,728	32,614,023	6.9%
1999	1,685,000	474,228	2,159,228	30,562,761	7.1%
2000	1,705,000	370,662	2,075,662	57,206,031	6.5%
2001	630,000	828,804	1,458,804	37,836,012	3.9%

Source: Exhibit C-2

TABLE 9 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
DEMOGRAPHIC STATISTICS
Ten Year Period Ending June 30, 2001

Fiscal Year	(1) Borough Population	(2) Alaska Per Capita Income	(3) Borough School Enrollment	(2) Annual Average Unemployment Rate
1992	13,828	21,067	2,664	9.7%
1993	13,828	22,419	2,690	8.8%
1994	14,923	23,395	2,735	8.3%
1995	15,028	23,344	2,729	7.7%
1996	15,082	24,044	2,850	8.7%
1997	14,728	24,969	2,856	9.5%
1998	14,231	24,675	2,731	7.2%
1999	13,961	Not Available	2,724	7.1%
2000	14,003	Not Available	2,463	7.6%
2001	14,070	Not Available	2,490	8.0%

Sources:
(1) Alaska Department of Community & Economic Development
(2) Alaska Department of Labor
(3) Ketchikan Gateway Borough School District (Average Daily Attendance)

TABLE 10 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
MISCELLANEOUS STATISTICS
FOR THE YEAR ENDED JUNE 30, 2001

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	145
Number of Teachers	156
Number of Students (Average Daily Attendance)	2,490
Elections	
Number of Registered Voters (October 2001)	9,953
Number of Votes in last regular election (Municipal Election, October 3, 2001)	3,025
Airport Operations	
Air Carrier Passengers per year	199,975
Ferry Passengers	381,656
Ferry Vehicles	92,983
Planning	
Number of zoning permits issued	116
Permanent Employees as of June 30, 2001	97

TABLE 11 - UNAUDITED

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

Fiscal Year	Construction: Number of Permits	Construction: Value (1)	Real & Personal Property Value (2)
1992	153	18,818,175	407,350,650
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	116	Not Available	
2001	116	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	Debt Service Requirements Principal	Debt Service Requirements Interest	Debt Service Requirements Total	Coverage
1992	2,632,412	2,088,504	543,908	25,000	24,000	49,000	11.10
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	(334,398)	50,000	17,170	67,170	(4.98)
2001	2,471,039	2,361,366	109,673	-	-	-	-

(1) Total revenues (including interest).
(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 Organizations. 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
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Grantor/Program Name	CFDA #	Grant/Program Number	Award Amount	Grant Receivable (Deferred Revenue) at July 1, 2000	Activity during the year ended June 30, 2001 Receipts	Expenditures	Grant Receivable (Deferred Revenue) at June 30, 2001
*** Major Programs**				-			
DIRECT FEDERAL PROGRAMS							
U. S. DEPARTMENT OF THE INTERIOR							
PILT	15.226	$	402,608	$	$ 402,608	$ 402,608	$ -
PASSED THROUGH THE STATE OF ALASKA DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT				-			
U. S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES				-			
Child PASS II & III - FY00	93.596		394,184	43,733	43,733	-	-
Child Care Conf. Travel Grant - FY00	93.596		1,110	-	-	-	-
Child Care PASS II & III - FY01	93.596		395,294	-	331,063	395,541	64,479
Child Care Conf. Travel Grant - FY01	93.596		1,280	-	1,033	1,033	-
U.S. DEPARTMENT OF AGRICULTURE - U.S. FOREST SERVICE							
Timber Receipts	10.665	811092	100,604	-	100,604	100,604	-
U. S. DEPARTMENT OF THE INTERIOR				-			
Coastal Zone Management FY 01	11.419	810535	56,528		33,191	56,258	23,067
Coastal Zone Management FY 00	11.419	800568	50,170	28,614	28,614	-	-
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION /PORT FACILITIES				-			
U.S. DEPARTMENT OF TRANSPORTATION				-			
FTA Capital Grant (Transit Lift)	20.5	AK18X017	34,385	34,385	34,385	-	-
FHWA Planning Grant (Transit)	20.514	68076	57,147		57,147	57,147	-
RTAP Training & Technical Assistance	20.503			-	1,671	1,227	(444)
RTAP Training & Technical Assistance	20.503			-	2,587	2,587	-
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 00	14.149		14,902	14,902	14,902	-	-
Low Rent Housing Program FY 01	14.149		16,907	-	-	16,907	16,907
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
Wetland Development Plan	66.461		15,546	146	15,546	15,400	-
State/Local Assistance (SLA)	83.503	8231	10,000	2,500	10,000	10,000	2,500
				$ 124,280	$ 1,077,083	$ 1,102,201	$ 149,398

Ketchikan Gateway Borough
Schedule of State Financial Assistance
Year Ended June 30, 2001

Grantor/Program Name	Grant/Program Number	Award Amount	Grant Receivable (Deferred Revenue) at July 1, 2000	Activity during the year ended June 30, 2001: Receipts	Activity during the year ended June 30, 2001: Expenditures	Grant Receivable (Deferred Revenue) at June 30, 2001
DEPARTMENT OF ADMINISTRATION						
Saxman Tribal House	9/88-507	$ 150,000	$ (55,971)	$ -	$ -	$ (55,971)
Lewis Reef Development	96/590-8-002	150,878	-	-	13,740	13,740
Airport Parking Lot Expansion	97/590-8-001	35,000	-	2,115	2,115	-
Airport Parking Lot	98/590-8-005	15,612	(3,122)	-	-	(3,122)
M&O Warehouse	98-590-9-002	29,256	(5,851)	-	-	(5,851)
Shoup Street Water & Sewer	98/590-4-006	56,195	(416)	2,441	3,535	678
Removal & Replacement of Revilla High School Roof	99/590-1-003	79,661	(15,932)	-	38,876	22,944
ADA Upgrade & Safety Upgrade for DOT Service	96/590-9-001	28,000	-	-	-	-
Ferry Ramp Upgrade	97/590-8-003	56,000	-	-	-	-
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)	-	-	(7,420)
Floating Dock Upgrade	00/590-8-003	31,500	(6,300)	-	-	(6,300)
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS						
State Revenue Sharing	810173	87,974	-	87,974	87,974 *	-
Municipal Assistance (Safe Communities)	810420	103,709	-	103,709	103,709 *	-
Shared Fisheries Business Tax	810996	16,911	-	16,911	16,911	-
					-	
DEPARTMENT OF REVENUE						
Raw Fish Tax	2000FISH	408,607	-	408,607	408,607 *	-
DEPARTMENT OF EDUCATION						
School Construction and Debt Retirement FY99	DOE	1,024,721	10,243	256,074	452,255 *	206,424
School Construction and Debt Retirement FY01	DOE	86,908			86,908	86,908
DEPARTMENT OF ENVIRONMENTAL CONSERVATION						
Local Emergency Planning Commission FY 99/00	8231	16,300	5,133	5,133	-	-
Local Emergency Planning Commission FY 00/01	8231	17,500	-	15,021	17,500	2,479
Shoup Street Area Water and Sewer	48306	1,230,000	183,144	1,368,571	1,186,809	1,382
Boroughwide Water and Sewer Feasibility Study	48307	95,000	49,322	90,026	40,704	-
DEPARTMENT OF NATURAL RESOURSES						
Point Higgins Gravel Trail	38237	10,000	(4,623)	-	-	(4,623)
DEPARTMENT OF TRANSPORTATION						
Tongass Avenue Capacity Improvements	69357	4,400	(4,400)	-	-	(4,400)
Hard Link Study	28495	100,000	(10,745)	-	-	(10,745)
			$ 117,082	$ 2,356,582	$ 2,459,643	$ 220,143

* Major Programs

KETCHIKAN GATEWAY BOROUGH

FEDERAL SINGLE AUDIT REPORTS

Year Ended June 30, 2001

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, 2001

Grantor/Program Name	CFDA #	Grant/Program Number	Award Amount	Grant Receivable (Deferred Revenue) at July 1, 2000	Activity during the year ended June 30, 2001 Receipts	Activity during the year ended June 30, 2001 Expenditures	Grant Receivable (Deferred Revenue) at June 30, 2001
* ***Major Programs***				-			
DIRECT FEDERAL PROGRAMS							
U. S. DEPARTMENT OF THE INTERIOR							
PILT	15.226	$	402,608 $	$	402,608 $	402,608 $	-
PASSED THROUGH THE STATE OF ALASKA DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT				-			
U. S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES				-			
Child PASS II & III - FY00	93.596		394,184	43,733	43,733	-	-
Child Care Conf. Travel Grant - FY00	93.596		1,110	-	-	-	-
Child Care PASS II & III - FY01	93.596		395,294	-	331,063	395,541	64,479
Child Care Conf. Travel Grant - FY01	93.596		1,280	-	1,033	1,033	-
U.S. DEPARTMENT OF AGRICULTURE - U.S. FOREST SERVICE							
Timber Receipts	10.665	811092	100,604	-	100,604	100,604	-
U. S. DEPARTMENT OF THE INTERIOR				-			
Coastal Zone Management FY 01	11.419	810535	56,528		33,191	56,258	23,067
Coastal Zone Management FY 00	11.419	800568	50,170	28,614	28,614	-	-
FEDERAL FUNDS PASSED THROUGH THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION /PORT FACILITIES				-			
U.S. DEPARTMENT OF TRANSPORTATION				-			
FTA Capital Grant (Transit Lift)	20.5	AK18X017	34,385	34,385	34,385	-	-
FHWA Planning Grant (Transit)	20.514	68076	57,147		57,147	57,147	-
RTAP Training & Technical Assistance	20.503			-	1,671	1,227	(444)
RTAP Training & Technical Assistance	20.503			-	2,587	2,587	-
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 00	14.149		14,902	14,902	14,902	-	-
Low Rent Housing Program FY 01	14.149		16,907	-	-	16,907	16,907
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
Wetland Development Plan	66.461		15,546	146	15,546	15,400	-
State/Local Assistance (SLA)	83.503	8231	10,000	2,500	10,000	10,000	2,500
			$	124,280 $	1,077,083 $	1,102,201 $	149,398

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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, 2001, and have issued our report thereon dated November 27, 2001. 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*.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the

MECHAM, RICHARDSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Borough's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-1.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the Borough's management in a separate letter dated November 27, 2001.

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

November 27, 2001

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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, 2001. 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, 2001.

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.

Schedule of Expenditures of Federal Awards
We have audited the general-purpose financial statements of the Ketchikan Gateway Borough (the "Borough"), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 27, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. 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.

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

November 27, 2001

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KETCHIKAN GATEWAY BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

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 was one reportable condition 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 PILT (CFDA No. AREF).

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*.

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

FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Condition

2001-1

Journal Entries

Condition:	We noted that a number of non-routine journal entries were not recorded, were double recorded, or were incorrectly recorded. The cause of this condition is attributed to understaffing in the Administrative Services department. Given the workload that was placed on the department, there was insufficient time available for the staff with the requisite technical knowledge and skills to give adequate attention to review of the journal entries and maintenance of the general ledger.
Criteria:	Journal entries should be made promptly and accurately to keep the general ledger current and reflecting the correct balances.
Effect:	The financial records were materially incorrect in several areas.
Recommendation:	The Borough should add knowledgeable staff with the requisite technical expertise to handle the accounting workload.
Response:	The Borough concurs with this recommendation. Action has already been taken and a knowledgeable staff person has been hired.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR YEAR FINDINGS

None

KETCHIKAN GATEWAY BOROUGH

STATE SINGLE AUDIT REPORTS

For the Year Ended June 30,2001

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

Ketchikan Gateway Borough
Schedule of State Financial Assistance
Year Ended June 30, 2001

Grantor/Program Name	Grant/Program Number	Award Amount	Grant Receivable (Deferred Revenue) at July 1, 2000	Activity during the year ended June 30, 2001 Receipts	Activity during the year ended June 30, 2001 Expenditures		Grant Receivable (Deferred Revenue) at June 30, 2001
	* *Major Programs*						
DEPARTMENT OF ADMINISTRATION							
Saxman Tribal House	9/88-507	$ 150,000	$ (55,971)	$ -	$ -		$ (55,971)
Lewis Reef Development	96/590-8-002	150,878	-	-	13,740		13,740
Airport Parking Lot Expansion	97/590-8-001	35,000	-	2,115	2,115		-
Airport Parking Lot	98/590-8-005	15,612	(3,122)	-	-		(3,122)
M&O Warehouse	98-590-9-002	29,256	(5,851)	-	-		(5,851)
Shoup Street Water & Sewer	98/590-4-006	56,195	(416)	2,441	3,535		678
Removal & Replacement of Revilla High School Roof	99/590-1-003	79,661	(15,932)	-	38,876		22,944
ADA Upgrade & Safety Upgrade for DOT Service	96/590-9-001	28,000	-	-	-		-
Ferry Ramp Upgrade	97/590-8-003	56,000	-	-	-		-
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)	-	-		(7,420)
Floating Dock Upgrade	00/590-8-003	31,500	(6,300)	-	-		(6,300)
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS							
State Revenue Sharing	810173	87,974	-	87,974	87,974	*	-
Municipal Assistance (Safe Communities)	810420	103,709	-	103,709	103,709	*	-
Shared Fisheries Business Tax	810996	16,911	-	16,911	16,911		-
					-		
DEPARTMENT OF REVENUE							
Raw Fish Tax	2000FISH	408,607	-	408,607	408,607	*	-
DEPARTMENT OF EDUCATION							
School Construction and Debt Retirement FY99	DOE	1,024,721	10,243	256,074	452,255	*	206,424
School Construction and Debt Retirement FY01	DOE	86,908			86,908		86,908
DEPARTMENT OF ENVIRONMENTAL CONSERVATION							
Local Emergency Planning Commission FY 99/00	8231	16,300	5,133	5,133	-		-
Local Emergency Planning Commission FY 00/01	8231	17,500	-	15,021	17,500		2,479
Shoup Street Area Water and Sewer	48306	1,230,000	183,144	1,368,571	1,186,809		1,382
Boroughwide Water and Sewer Feasibility Study	48307	95,000	49,322	90,026	40,704		-
DEPARTMENT OF NATURAL RESOURSES							
Point Higgins Gravel Trail	38237	10,000	(4,623)	-	-		(4,623)
DEPARTMENT OF TRANSPORTATION							
Tongass Avenue Capacity Improvements	69357	4,400	(4,400)	-	-		(4,400)
Hard Link Study	28495	100,000	(10,745)	-	-		(10,745)
			$ 117,082	$ 2,356,582	$ 2,459,643		$ 220,143

02/02/2002

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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, 2001, and have issued our report thereon dated November 27, 2001. 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*.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the

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

Borough's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-1.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the Borough's management in a separate letter dated November 27, 2001.

This report is intended solely for the information 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

November 27, 2001

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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, 2001. 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 other procedures as we consider 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, 2001.

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.

Schedule of State Financial Assistance
We have audited the general-purpose financial statements of the Ketchikan Gateway Borough ("the Borough"), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 27, 2001. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying *Schedule of State Financial Assistance* is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

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

November 27, 2001

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KETCHIKAN GATEWAY BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

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. One reportable condition 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 seven 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, School Construction, School Construction and Debt Retirement, and the Shoup Street Area Village Safe Water 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
CERTIFIED PUBLIC ACCOUNTANTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Condition

2001-1

Journal Entries

Condition:	We noted that a number of non-routine journal entries were not recorded, were double recorded, or were incorrectly recorded. The cause of this condition is attributed to understaffing in the Administrative Services department. Given the workload that was placed on the department, there was insufficient time available for the staff with the requisite technical knowledge and skills to give adequate attention to review of the journal entries and maintenance of the general ledger.
Criteria:	Journal entries should be made promptly and accurately to keep the general ledger current and reflecting the correct balances.
Effect:	The financial records were materially incorrect in several areas.
Recommendation:	The Borough should add knowledgeable staff with the requisite technical expertise to handle the accounting workload.
Response:	The Borough concurs with this recommendation. Action has already been taken and a knowledgeable staff person has been hired.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE AWARD PROGRAMS AUDIT

None

PRIOR YEAR FINDINGS

None