KETCHIKAN GATEWAY BOROUGH
ALASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 1998

KETCHIKAN GATEWAY BOROUGH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 1998

Prepared by

DEPARTMENT OF ADMINISTRATIVE SERVICES

Alvin E. Hall, Director

KETCHIKAN GATEWAY BOROUGH

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1998

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STATISTICAL SECTION

INTRODUCTORY SECTION

December 21, 1998

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

The Comprehensive Annual Financial Report of the Ketchikan Gateway Borough, Alaska for the fiscal year ended June 30, 1998, 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 sections: introductory, financial, and statistical. It includes all funds and account groups of the Ketchikan Gateway Borough. The introductory section, which is 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 the combining and an 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 includes selected financial and demographic information, generally presented on a multi year basis. This year we have provided additional information which supports the financial statements and notes of disclosure.

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: assessment and collection of property taxes and sales tax collection for the Borough and cities within the Borough, planning and zoning, senior citizen funding and general administrative services. Non-areawide services represented by service areas provide for fire protection, water, sewer, roads and library services. The Ketchikan International Airport, Ferry and Transit System are enterprise funds operated by the Ketchikan Gateway Borough.

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, LOCAL ECONOMIC CONDITION AND OUTLOOK

The economy of the Ketchikan area is based on natural resources, primarily on 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 1900's, 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". In the 1950's timber moved to the forefront when the U. S. Forest Service offered a 50-year timber contact to a private company which resulted in the construction of a major pulp mill facility and several saw mills in Ketchikan. The closure of the pulp mill has reduced the timber base and area employment, only two production saw mills are operating in Ketchikan area.

Tourism and government are the major contributors to the local economy. Tourism is currently the fastest growing segment of the local economy. The growth in the industry has resulted in a surge of construction activity as new facilities are being constructed and existing facilities are improved and expanded to meet the needs of visitors to the community. Government accounts for 22 percent of the employment. Local government employs 52 percent of the government sector, the state government 32 percent, the federal government and the Ketchikan Gateway Borough with 5 percent.

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 a mayor and a seven-member assembly. The Assembly is responsible for, among other things, passing ordinances and resolutions, adopting the budget, appointing committees and hiring the Borough's manager, attorney, and clerk. The Borough's Manager is the chief administrative officer of the Borough. The Borough Manager has all of the 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 administrative departments, agencies, officers, except the borough attorney and borough clerk.

The Borough is a second class borough with boundaries extending throughout Revillagigedo Island, Gravina Island, Pennock Island and other smaller islands identified within the Borough.

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 also situated at the southern end of the Tongass National Forest (the Tongass) at 16.7 million acres. The Tongass is the largest national forest in the United States. Harvesting and promoting the natural resources of the Tongass and other natural resources in the area provides employment opportunities, directly or indirectly for the Borough.

Timber 1997-98 was not a good year for the timber industry. In October 1996, Louisiana Pacific Corporation, the owner and operator of the Ketchikan Pulp Company ("KPC"), announced it would be closing its pulp mill at Ketchikan and in March 1997 closed the mill. The announcement came after two years of unsuccessful negotiations with the U.S. Forest Service to extend its 50-year timber contract by an additional 15 years. KPC had requested the extension in order to justify the economics of spending $200 million to address environmental issues surrounding the operations of the pulp mill. KPC was also seeking to stabilize the supply of timber available for harvest.

The closure of the pulp mill created a severe blow to the local economy and resulted in the loss of 380 jobs, or 4.7 percent of the area wage and salary employment. Many of the jobs are highly paid positions occupied by skilled trades and generated year round employment.

Despite the closure of the pulp mill, KPC will continue to operate its two sawmills in Southeast Alaska. Approximately 400 jobs will be preserved at sawmills in Ketchikan and neighboring Annette Island and numerous logging operations throughout the area. While the role of the timber industry in our local economy has diminished, it has entered a new era which is expected to bring stability through the remainder of 1998 and for the next two years. The long term prospect for the industry is dependent on the outcome of the Tongass Land Management Plan, the recent decline in the real value of wood pulp, lumber and cants, while chips and softwood logs have realized more moderate decreases. Due to economic unrest in Asia, export data for 1998 is expected to show a sharp decline.

Fishing processing facilities and a large fishing fleet have made fishing the second most important industry in the Borough. On an annual basis, the industry provides employment for approximately 6% of the local work force.

The past several years has not been good for the area fisheries. In terms of gross tonnage, there was a significant decrease in the amount of seafood purchased by processors in 1997, likely in response to a poor salmon run. All fisheries combined saw moderate price erosion.

Tourism currently the most dynamic and positive sector of our local economy in the borough. Tourists travel into the borough either by air or water transportation, with the majority arriving by cruise ship. In 1997 cruise ships brought a record number of 520,000 visitors to Ketchikan. In addition, another 40,000 visitors arrive in the borough annually by airplane or on the Alaska Highway System. The outlook for tourism in 1998 is excellent.

Government. Of the three levels of government, local government has the most important role in the local economy. Despite the uncertainty about the future of the timber industry and the weakness of the fisheries industry, 1997-98 was a period of stability for local government. Employment was stable and local government finances improved. Assessed property values for 1998 continued with over one billion in value, with property tax delinquencies remaining constant. Locally generated sales tax revenues remained constant with the increase in tourists, and many of the business not dependent on tourism found sales volume down in varying levels. School enrollment declined by 4.4 percent and the local school district actually lost $27,226 in revenues. The role of the federal and state governments in the economy is expected to remain unchanged.

As a result of the closure of the pulp mill, the economy of Ketchikan is going through a period of major changes and will most likely experience some contraction. The loss of a major industry presents many challenges as well as opportunities. How a community reacts is critical to the final outcome. Business and civic leaders are working with state and federal officials to develop a strategic plan to positively address the closure of the pulp mill. The continued operation of the existing sawmills for three years and $25 million in federal economic disaster aid will give the community time to adequately explore alternatives and prepare a plan which maximizes the resources available to us and preserves the investments we have made in our community.

Several major private retail and industrial developments are in various stages of construction.

FINANCIAL INFORMATION

Borough Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Borough 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 reasonablely, 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, 1998, 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 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 department. 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 reapropriated 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, 1998 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues:	Amount	Percent of Total	Increase (Decrease) from 1997	Percent of Increase (Decrease)
Taxes	12,051,299	49.28%	-146,161	-1.23%
Payment in Lieu of Taxes	19,139	0.08%	-58	-.30%
Licences & Permits	13,075	0.05%	3,886	22.91%
Revenues from Other Governments	8,158,126	33.36%	13,030,218	61.50%
Charges for Services	577,774	2.36%	-132,933	-29.88%
Other Revenues	3,634,028	14.86%	5,446,623	59.98%
Total	$24,453,441	100.00%	$21,925,390	42.67%

The most significant increase 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 other governments resulted from Southeast Economic Disaster Funds.

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, 1998 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase (Decrease) From 1998	Percent Of Increase (Decrease)
General Government	$ 1,969,536	15.92%	-123,739	-6.70%
Public Services	7,396,100	59.79%	-2,287,306	-44.77%
Non-Departmental	142,888	1.16%	10,333	6.74%
Automation	23,980	0.19%	25,148	51.19%
Capital Projects	602,481	4.87%	4,294,492	-87.70%
Debt Service	2,235,728	18.07%	78,799	3.40%
Total	$12,370,713	100.00%	$1997727	100.00%

The significant increases in expenditures occurred in the general government with the opening of the Indoor Recreation Center and increase in additional personnel in the Administrative Services and Maintenance and Operations Departments. Debt service increased a s a result of the required payments for the 1995 IRC Bonds.

Enterprise Operations. The Ketchikan Gateway Borough enterprise operations consist of the Ketchikan International Airport, Bus Transit and Ferry System. 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.

Fiduciary Responsibility. The Ketchikan Gateway Borough has fiduciary responsibility in three 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 assets of the Borough and are reported in an agency fund.

Debt Administration. At June 30, 1998, the Ketchikan Gateway Borough had outstanding debt of $9,105,000. This is comprised of $9,015,000 in general obligation, and enterprise funds which have outstanding debt of $90,000 consisting of revenue bonds.

Cash Management. Cash temporarily idles during the year was invested in obligations of the U.S. Government, its agencies and instrumentalities, certificates of deposit, and repurchase agreements. Central treasury balances earned interest of $2,637,231 on all investments for the year ended June 30, 1998. Central Treasury balances consisted of the General Fund, special revenue funds, capital projects funds, and portions of the enterprise and agency funds.

The Borough's investment policy is to minimize credit and market risks while maintaining a competitive yield 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.

Y2K Issues. The Ketchikan Gateway Borough has addressed many of its Y2K issues. The Sales Tax database inits present program is not in compliance with the FY2000. This is being contracted with a local programmer and should be completed in advance of the fiscal year end 1999.

Software for the Assessment Department is in the process of conversion to be Y2K compliant.

Other issues that the Borough needs to address is equipment that may have chips that may not be Y2K compliant. Compliance issues with suppliers have not been addressed.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The legislature appropriated $1,500,000 for a new ferry at the Ketchikan International Airport. The State completed construction contract with Dawson Construction as the prime contractor for the ferry ramp on the airport side of the channel at a cost of approximately $2,500,000. This contract was administered by the State of Alaska.

The site plan was completed for the underground storage tanks. The contract for this project has been released for bid and awarded to TCI Environmental for removal and replacement of new tanks.

Site development for the Seeley sawmill facility has been completed. This facility was removed from its original site in Refuge Cove and relocated to the Airport Reserve. Sawmill production began early in 1998.

Implementation of the Passenger Facility Charges was contracted to assist the Borough in obtaining these charges to enhance the revenue stream. This new revenue stream will assist the Airport and Ferry Enterprise by providing additional funding for capital projects. It is expected that this new revenue stream will be in place by December 31, 1998.

Phase I of the airport parking lot has been completed. This project will make additional space available for short and long term parking.

Preliminary work has been completed on the Airport Ferry making possible for design and construction to occur in FY1999. Several military exercises were conducted utilizing the airport facilities during the year.

Shoup Street Service Area acquired a grant for $78,000 for assisting in correcting some long term health and safety issues. Funding for the appropriation of $2,000,000 for the Mountain Point Sewer and Water makes it possible to complete a project that has been on going for eight years.

The Borough has received $21,250,000 in economic disaster funds, and an additional $3,750,000 will be available to the Borough during the FY1998/99.

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 Hogan, Mecham, Richardson and Company, CPA's, 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 Gisele Denton for their help in preparing the CAFR Report.

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.

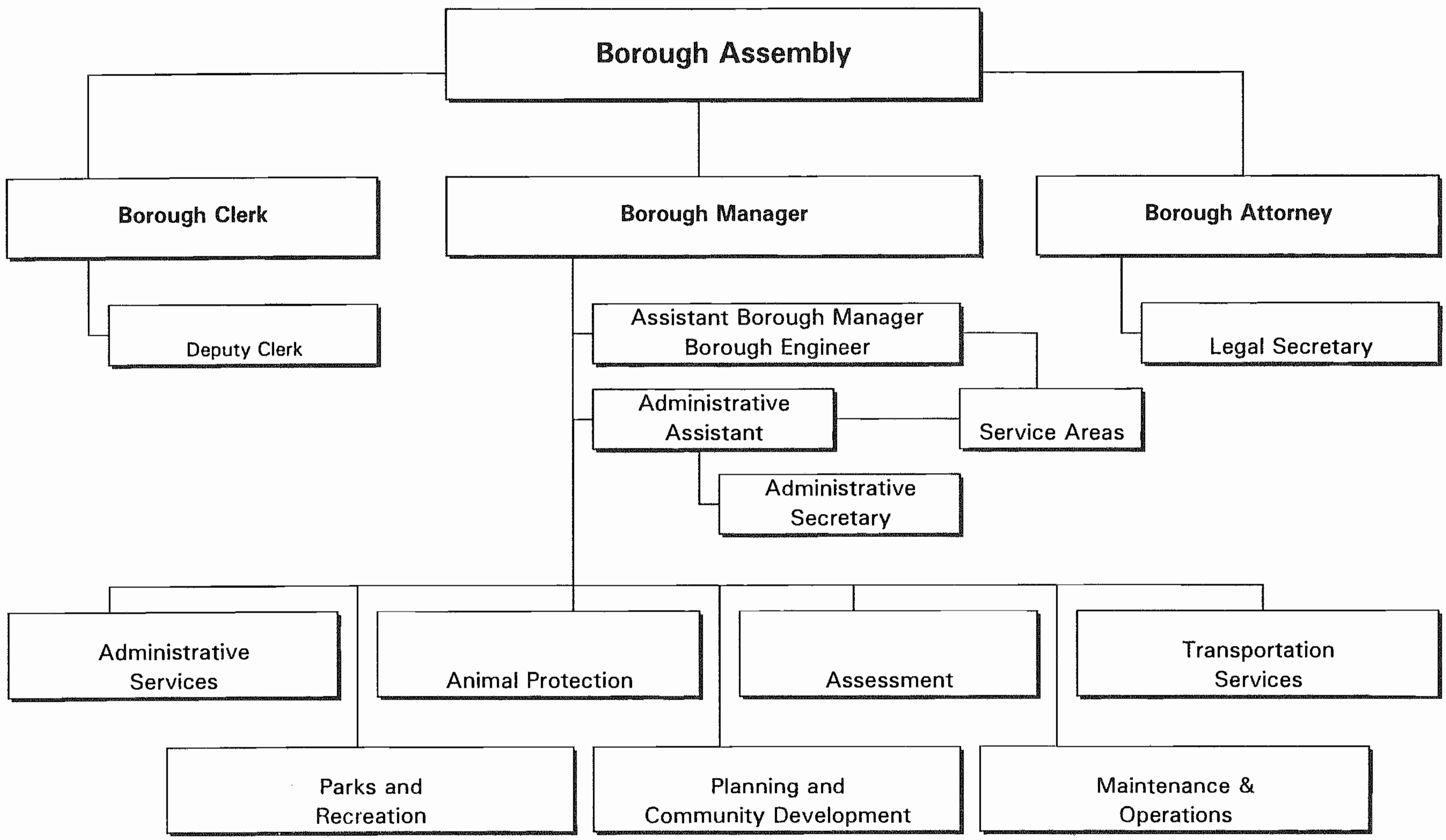
Respectfully submitted,

Alvin E. Hall

Alvin E. Hall
Director of Administrative Services

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 1998/99



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

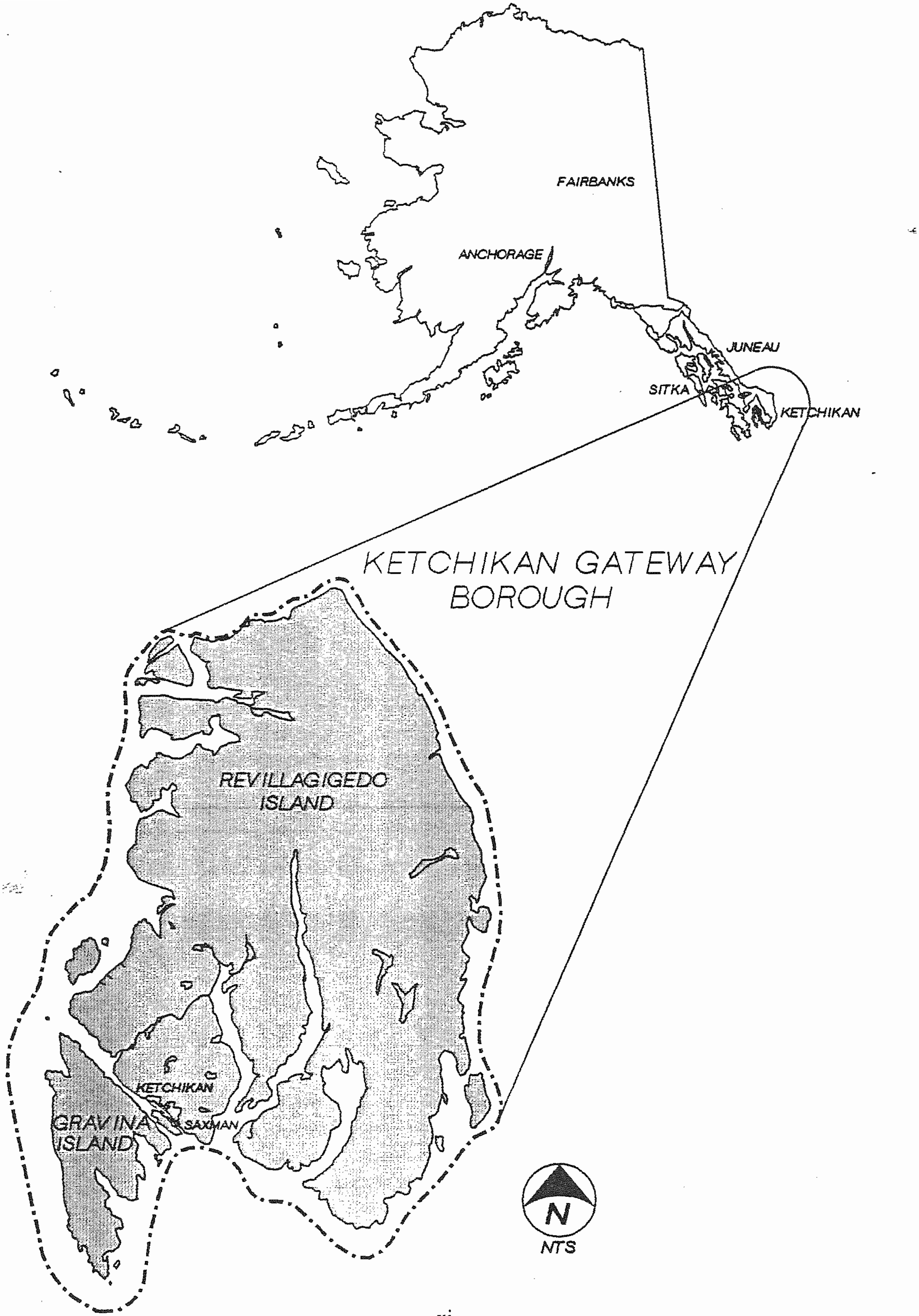
June 30, 1998

MAYOR AND ASSEMBLY

John W. "Jack" Shay Jr.	Mayor
George H. Tipton	Vice-Mayor
James L. Van Horn	Assembly Member
Angelo L. Martin	Assembly Member
Tom Coyne	Assembly Member
James B. Elkins	Assembly Member
Phyllis L. Yetka	Assembly Member
Richard L. Coose	Assembly Member

BOROUGH STAFF

Georgianna Zimmerle	Manager
John Hozey III	Assistant Manager
Scott A. Brandt-Erichsen	Borough Attorney
Sue Bethel	Borough Clerk
Alvin E. Hall	Director Administrative Services
Dennis Finegan	Director of Assessment
Eugene Martin	Animal Protection Supervisor
Susan Dickinson	Director of Planning
Don Chenhall	Director of Transportation Services
Greg Kolean	Director Parks and Recreation
Richard McAlpin	Maintenance & Operations Supervisor


FAIRBANKS
ANCHORAGE
JUNEAU
SITKA
KETCHIKAN
KETCHIKAN GATEWAY BOROUGH
REVILLAGIGEDO ISLAND
KETCHIKAN
GRAVINA ISLAND
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FINANCIAL SECTION
INDEPENDENT AUDITOR'S REPORT

HOGAN, MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Member of the AICPA Private Companies Practice Section

Partners
L. Pete Hogan, CPA
Edward B. Mecham, CPA
S. Dirk Richardson, CPA

CRAIG OFFICE:
333 COLD STORAGE ROAD
SUITE 304
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CRAIG, ALASKA 99921
(907) 826-5406
FAX (907) 826-5407

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, 1998. 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 generally accepted auditing standards, and *Governmental 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, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made 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

HOGAN, 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. 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 presented 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 *Governmental Auditing Standards*, we have also issued a report dated October 28, 1998 on our consideration of the Ketchikan Gateway Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Hogan, Mecham, Richardson and Company

October 28, 1998

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, Expenditures and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types

Combining Statement of Cash Flows – All Proprietary Fund Types

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KETCHIKAN GATEWAY BOROUGH

Exhibit 1

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

June 30, 1998

	Governmental Fund Types				Proprietary Type Funds	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash and Temporary Investments	$ 3,840,933	$ 38,875,335	$ -	$ 382,979	$ 99,417	$ 678,891
Funds with Fiscal Agents	-	-	-	-	-	46,561
Property Taxes Receivable	3,159	-	-	-	-	-
Due From Primary Government	-	-	-	-	-	-
Accounts Receivable	157,827	177,204	-	-	194,314	-
Due From Other Funds	550,327	-	-	-	-	-
Advances to Other Funds	-	832,878	-	-	-	-
Prepaid Insurance	5,974	-	-	-	-	-
Deferred Accounts Receivable	-	872,176	-	-	-	-
Inventory	-	-	-	-	-	-
Restricted Assets:						
Bond Redemption Fund Cash and Investments	-	-	-	-	59,733	-
Plant in Service:	-	-	-	-	9,808,837	-
Accumulated Depreciation	-	-	-	-	(5,434,310)	-
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Swimming Pools/Ballfields	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Amount to be Provided for Payment of Long Term Debt	-	-	-	-	-	-
Total Assets	$ 4,558,220	$ 40,757,593	$ -	$ 382,979	$ 4,727,991	$ 725,452
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts Payable	$ 500,067	$ 158,792	$ -	$ -	$ 43,957	$ 26,495
Retainage Payable	-	131,354	-	15,000	-	-
Due to Other Governments	37,265	-	-	-	-	-
Due to Other Funds	-	299,000	-	54,757	196,570	-
Due to Component Unit	352,970	-	-		-	-
Advances from Other Funds	-	400,000	-	432,741	-	-
Deposits	25,081	1,180	-	-	-	-
Accrued Interest Payable	-	-	-	-	2,200	-
Accrued Liabilities	292,928	-	-	-	155,863	-
Deferred Revenue	50,478	512,157	-	-	-	-
Deferred Compensation	-	-	-	-	-	-
Bonds Payable	-	-	-	-	90,000	-
Total Liabilities	1,258,789	1,502,483	-	502,498	488,590	26,495
Equity and Other Credits:						
Contributed Capital	-	-	-	-	1,791,617	-
Investment in General Fixed Assets	-	-	-	-	-	-
Retained Earnings:						
Reserved for Bond Retirement	-	-	-	-	59,733	-
Reserved for Premium Stabilization Reserve Fund	-	-	-	-	-	46,561
Unreserved	-	-	-	-	2,388,051	652,396
Fund Balances:						
Restricted for Advances	-	832,878	-	-	-	-
Restricted for KVB Guarantee	500,000	-	-	-	-	-
Reserved Federal Impact Aid	-	-	-	-	-	-
Reserved for Encumbrances	364,727	1,518,761	-	73,951	-	-
Reserved for Prepaid	5,974	-	-	-	-	-
Reserved for Inventory	-	-	-	-	-	-
Reserved for Endowments	-	-	-	-	-	-
Unreserved Fund Balance	2,428,730	36,903,471	-	(193,470)	-	-
Total Equity and Other Credits	3,299,431	39,255,110	-	(119,519)	4,239,401	698,957
Total Liabilities, Equity and Other Credits	$ 4,558,220	$ 40,757,593	$ -	$ 382,979	$ 4,727,991	$ 725,452

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

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

June 30, 1998

	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	$ -	$ -	$ -	$ 43,877,555	$ 307,422	$ 44,184,977
Funds with Fiscal Agents	1,288,092	-	-	1,334,653	-	1,334,653
Property Taxes Receivable	-	-	-	3,159	-	3,159
Due From Primary Government	-	-	-	-	352,970	352,970
Accounts Receivable	-	-	-	529,345	824,004	1,353,349
Due From Other Funds	-	-	-	550,327	-	550,327
Advances to Other Funds	-	-	-	832,878	-	832,878
Prepaid Insurance	-	-	-	5,974	-	5,974
Deferred Accounts Receivable	-	-	-	872,176	-	872,176
Inventory	-	-	-	-	19,455	19,455
Restricted Assets:						
Bond Redemption Fund Cash and Investments	-	-	-	59,733	201,126	260,859
Plant in Service:	-	-	-	9,808,837	-	9,808,837
Accumulated Depreciation	-	-	-	(5,434,310)	-	(5,434,310)
Land	-	285,000	-	285,000	117,216	402,216
Buildings	-	8,224,565	-	8,224,565	61,808,827	70,033,392
Equipment	-	1,739,358	-	1,739,358	7,846,035	9,585,393
Swimming Pools/Ballfields	-	2,648,285	-	2,648,285	-	2,648,285
Leasehold Improvements	-	-	-	-	17,867	17,867
Amount to be Provided for Payment of Long Term Debt	-	-	9,015,000	9,015,000	758,594	9,773,594
Total Assets	$ 1,288,092	$ 12,897,208	$ 9,015,000	$ 74,352,535	$ 72,253,516	$ 146,606,051
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts Payable	$ -	$ -	$ -	$ 729,311	$ 888,644	$ 1,617,955
Retainage Payable	-	-	-	146,354	-	146,354
Due to Other Governments	-	-	-	37,265	-	37,265
Due to Other Funds	-	-	-	550,327	-	550,327
Due to Component Unit	-	-	-	352,970	-	352,970
Advances from Other Funds	-	-	-	832,741	-	832,741
Deposits	-	-	-	26,261	-	26,261
Accrued Interest Payable	-	-	-	2,200	-	2,200
Accrued Liabilities	-	-	-	448,791	951,489	1,400,280
Deferred Revenue	-	-	-	562,635	4,661	567,296
Deferred Compensation	1,288,092	-	-	1,288,092	175,616	1,463,708
Bonds Payable	-	-	9,015,000	9,105,000	-	9,105,000
Total Liabilities	1,288,092	-	9,015,000	14,081,947	2,020,410	16,102,357
Equity and Other Credits:						
Contributed Capital	-	-	-	1,791,617	-	1,791,617
Investment in General Fixed Assets	-	12,897,208	-	12,897,208	69,789,945	82,687,153
Retained Earnings:						
Reserved for Bond Retirement	-	-	-	59,733	-	59,733
Reserved for Premium Stabilization Reserve Fund	-	-	-	46,561	-	46,561
Unreserved	-	-	-	3,040,447	-	3,040,447
Fund Balances:						
Restricted for Advances	-	-	-	832,878	-	832,878
Restricted for KVB Guarantee	-	-	-	500,000	-	500,000
Reserved Federal Impact Aid	-	-	-	-	760	760
Reserved for Encumbrances	-	-	-	1,957,439	275,558	2,232,997
Reserved for Prepaid	-	-	-	5,974	-	5,974
Reserved for Inventory	-	-	-	-	19,455	19,455
Reserved for Endowments	-	-	-	-	25,000	25,000
Unreserved Fund Balance	-	-	-	39,138,731	122,388	39,261,119
Total Equity and Other Credits	-	12,897,208	-	60,270,588	70,233,106	130,503,694
Total Liabilities, Equity and Other Credits	$ 1,288,092	$ 12,897,208	$ 9,015,000	$ 74,352,535	$ 72,253,516	$ 146,606,051

The notes to the financial statements are and 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, 1998

	General	Special Revenue	Debt Service	Capital Projects	Totals (memorandum only) Primary Government	Components Unit School District	Totals (memorandum only) Reporting Entity
REVENUES							
Taxes	$ 10,318,014	$ 1,733,285	$ -	$ -	$ 12,051,299	$ -	$ 12,051,299
Payments in Lieu of Taxes	19,139	-	-	-	19,139	-	19,139
Licenses and Permits	13,075	-	-	-	13,075	-	13,075
Revenues from Other Govts	1,073,294	7,084,832	-	-	8,158,126	11,845,938	20,004,064
Charges for Services	389,857	187,917	-	-	577,774	-	577,774
Other Revenues	477,932	3,129,384	-	26,712	3,634,028	-	3,634,028
Total Revenues	12,291,311	12,135,418	-	26,712	24,453,441	11,845,938	36,299,379
EXPENDITURES							
Current:							
General Government	1,969,536	-	-	-	1,969,536	-	1,969,536
Public Services	3,345,759	4,050,341	-	-	7,396,100	18,825,142	26,221,242
Non-Departmental	142,888	-	-	-	142,888	-	142,888
Automation	23,980	-	-	-	23,980	-	23,980
Capital Outlay	333,715	58,011	-	210,755	602,481	-	602,481
Debt Service	-	-	2,235,728	-	2,235,728	-	2,235,728
Total Expenditures	5,815,878	4,108,352	2,235,728	210,755	12,370,713	18,825,142	31,195,855
Excess (Deficit) of Revenues over Expenditures	6,475,433	8,027,066	(2,235,728)	(184,043)	12,082,728	(6,979,204)	5,103,524
Other Financing Sources (Uses)							
Operating Transfers In	632,820	5,271,071	2,235,728	213,672	8,353,291	-	8,353,291
Operating Transfers In from General Government	-	-	-	-	-	7,006,121	7,006,121
Operating Transfers Out	(79,150)	(8,319,141)	-	-	(8,398,291)	-	(8,398,291)
Operating Transfers Out to Component Unit	(7,006,121)	-	-	-	(7,006,121)	-	(7,006,121)
Total Other Financing Sources (Uses)	(6,452,451)	(3,048,070)	2,235,728	213,672	(7,051,121)	7,006,121	(45,000)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	22,982	4,978,996	-	29,629	5,031,607	26,917	5,058,524
Fund Balances, Beginning of Year	3,276,449	34,276,114	-	(149,148)	37,403,415	416,244	37,819,659
Fund Balances, End of Year	$ 3,299,431	$ 39,255,110	$ -	$ (119,519)	$ 42,435,022	$ 443,161	$ 42,878,183

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, 1998

	General			Annually Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 10,158,858	$ 10,318,014	$ 159,156	$ 1,690,594	$ 1,733,285	$ 42,691
Payments in Lieu of Taxes	15,000	19,139	4,139	-	-	-
Licenses and Permits	18,500	13,075	(5,425)	-	-	-
Revenue from Other Governments	1,127,826	1,073,294	(54,532)	4,911,768	7,084,832	2,173,064
Charges for Services	407,500	389,857	(17,643)	176,475	187,917	11,442
Other Revenues	75,000	477,932	402,932	2,326,844	3,129,384	802,540
Total Revenues	11,802,684	12,291,311	488,627	9,105,681	12,135,418	3,029,737
Expenditures						
Administration	2,085,185	1,969,536	115,649	-	-	-
Public Services	3,625,845	3,345,759	280,086	6,444,648	4,050,341	2,394,307
Non-Departmental	178,300	142,888	35,412	-	-	-
Automation	9,460	23,980	(14,520)	-	-	-
Capital Projects	654,608	333,715	320,893	3,536,613	58,011	3,478,602
Total Expenditures	6,553,398	5,815,878	737,520	9,981,261	4,108,352	5,872,909
Excess (Deficit) of Revenues over Expenditures	5,249,286	6,475,433	1,226,147	(875,580)	8,027,066	8,902,646
Other Financing Sources (Uses)						
Transfers from Other Funds	544,604	632,820	88,216	5,249,003	5,271,071	(22,068)
Transfers to Component Unit	(7,008,058)	(7,006,121)	(1,937)	-	-	-
Transfers to Other Funds	(79,150)	(79,150)	-	(8,318,925)	(8,319,141)	216
Total Other Financing Sources (Uses)	(6,542,604)	(6,452,451)	90,153	(3,069,922)	(3,048,070)	(21,852)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,293,318)	22,982	1,316,300	(3,945,502)	4,978,996	8,924,498
Fund Balance, Beginning of Year	3,276,449	3,276,449	-	34,090,070	34,276,114	186,044
Fund Balance, End of Year	$ 1,983,131	$ 3,299,431	$ 1,316,300	$ 30,144,568	$ 39,255,110	$ 9,110,542

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, 1998

	Proprietary Fund Types: Enterprise Funds	Proprietary Fund Types: Internal Service Funds	Total Primary Government (Memorandum) Only
OPERATING REVENUES			
Charges for Services	$ 2,548,005	$ 1,835,141	$ 4,383,146
Total Operating Revenues	2,548,005	1,835,141	4,383,146
OPERATING EXPENSES			
Personnel Services	1,688,247	-	1,688,247
Supplies and Services	721,636	-	721,636
Insurance	147,426	1,811,702	1,959,128
Depreciation	424,534	-	424,534
Total Expenses	2,981,843	1,811,702	4,793,545
Operating Income (Loss)	(433,838)	23,439	(410,399)
Non operating Revenues (Expenses)			
Interest Earnings	18,904	35,012	53,916
State Operating Grants	59,110	-	59,110
Other Revenues	125	-	125
Interest Expense	(11,200)	-	(11,200)
Total Nonoperating Revenues (Expenses)	66,939	35,012	101,951
Income (Loss) Before Operating Transfers	(366,899)	58,451	(308,448)
OTHER FINANCING SOURCES (USES)			
Transfers In	79,150	-	79,150
Transfers Out	(34,150)	-	(34,150)
Total Other Financing Sources (Uses)	45,000	-	45,000
Net Income (Loss)	(321,899)	58,451	(263,448)
Depreciation of Fixed Assets Acquired by Grant	102,441	-	102,441
Net Increase (Decrease)	(219,458)	58,451	(161,007)
Retained Earnings, Beginning of Year	2,667,242	640,506	3,307,748
Retained Earnings, End of Year	$ 2,447,784	$ 698,957	$ 3,146,741

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

Exhibit 5

KETCHIKAN GATEWAY BOROUGH

COMBINING STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended June 30, 1998

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,493,028	$ 1,835,141	$ 4,328,169
Due to Other Funds	133,217	-	133,217
Cash Payments for Insurance	(147,426)	(1,866,925)	(2,014,351)
Cash Payments to Employees for Services	(1,696,792)	-	(1,696,792)
Cash Payments to Suppliers for Goods and Services	(642,589)	-	(642,589)
Net Cash Provided by Operating Activities	139,438	(31,784)	107,654
Cash Flows from Noncapital Financing Activites:			
Transfer from the General Fund	74,150	-	74,150
Transfer to General Government	(29,150)	-	(29,150)
Grant Received from State	59,705	-	59,705
Net Cash Provided by Noncapital Financing Activities	104,705	-	104,705
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(267,599)	-	(267,599)
Loss on disposal of Asset	1,999	-	1,999
Principal Paid on G. O. and Revenue Bonds	(40,000)	-	(40,000)
Interest Paid on G. O. and Revenue Bonds	9,709	-	9,709
Net Cash Used for Capital and Related Financing	(295,891)	-	(295,891)
Cash Flow From Investing Activities:			
Interest on Investments	19,028	35,012	54,040
Net Cash Provided by Investing Activities	19,028	35,012	54,040
Net Increase (Decrease) in Cash and Cash Equivalents	(32,720)	3,228	(29,492)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	191,870	722,224	914,094
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 159,150	$ 725,452	$ 884,602
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	99,417	678,891	778,308
Cash and Temporary Investments - Restricted Assets	59,733	46,561	106,294
	$ 159,150	$ 725,452	$ 884,602
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	(433,838)	23,439	(410,399)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	424,534	-	424,534
(Increase) Decrease in Accounts Receivable	(54,977)	-	(54,977)
Increase (Decrease) in Due to General Fund	192,950	-	192,950
Increase (Decrease) in Accounts Payable	19,314	(55,223)	(35,909)
Increase (Decrease) in Accrued Liabilities	(8,545)	-	(8,545)
Total Adjustments	573,276	(55,223)	518,053
Net Cash Provided by Operating Activities	$ 139,438	$ (31,784)	$ 107,654

KETCHIKAN GATEWAY BOROUGH
Notes to the Financial Statements
June 30, 1998

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 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 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 are maintained 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.

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 asset 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 with original maturities of six months or less from date of acquisition. 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.

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.

Investments are stated at cost except for investments in the Deferred Compensation Fund, which are reported at market value.

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.

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/payable" (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 property tax receivable is equal to one and one half percent of outstanding property taxes at fiscal year end.

The Borough levies its real property taxes on July 1 of each fiscal year based upon the assessed valuation as of the previous January 1. Property taxes are considered due the following July 1 and are considered delinquent on October 1, which is also the lien date.

The Borough 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 rates are 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

Bond covenants of the Borough's enterprise funds require portions of the debt proceeds as well as other resources to be set aside for various purposes. These amounts are reported as 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.

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) are not 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 benefitting proprietary fund. Depreciation on these assets is recorded as and 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 earned vacation and sick pay benefits. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay 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. Unused sick pay is vested at 25% for the first five years of employment, an additional 25% is vested through year nine, and after 10 years of employment an employee is vested at 100%. Vested sick leave may only be received in cash by the employee upon termination of employment. For this reason, accumulated vacation and vested sick pay are fully funded within the fund type. The obligation of accumulated unpaid vacation and vested sick pay total $448,791 at June 30, 1998.

The Borough does not accrue a liability for non-vested sick pay, payable only in the event of employee absence due to illness.

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, result 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 who review in detail each of the requests, the director of administrative services compiles the requests and submits a comprehensive budget request document to the entire Borough Assembly prior to May 1. The Borough Assembly conducts public hearings on the proposed budget after May 1 but prior to June 15. On or before June 30 the budget is adopted by the Borough Assembly.

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 with 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 budgetary appropriations throughout the year, the effects of which are not material.

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
  - Permanent Fund
  - Shoup Street Service Area Fund
  - Economic Development Fund
  - Recreational Sales Tax Fund
- Enterprise Funds:
  - Airport Enterprise Fund
  - Transit Enterprise Fund
  - Ferry Enterprise Fund

During fiscal year 1998, the Borough Assembly made the following supplemental appropriations in the General and Special Revenue Funds:

(1) Ordinance No.1050 adopted September 15, 1997, appropriated $7,000 from the General Fund.

(2) Ordinance No. 1051 adopted October 6, 1997, appropriated $2,500,000 from the Airport Enterprise Fund, appropriated $1,500,000 from the Ferry Enterprise Fund, appropriated $30,000 from the Mud Bight Service Area Fund, appropriated $15,000 from the Gold Nugget Service Area Fund, appropriated $75,000 from the Economic Development Fund and restricting $185,000 from the Economic Development Fund to guarantee a loan from a local bank.

(3) Ordinance No. 1052 adopted October 20, 1997, appropriated $500,000 from the General Fund.

(4) Ordinance No. 1054 adopted November 17, 1997, appropriated $5,000 from the Gold Nugget Service Area Fund.

(5) Ordinance No. 1055 adopted December 15, 1997, appropriated $7,135 from the General Fund, appropriated $7,066 from the Ferry Enterprise Fund and appropriated $15,682 from the Transit Enterprise Fund.

(6) Ordinance No.1057 adopted January 19, 1998, appropriated $35,000 from the Economic Development Fund.

(7) Ordinance No. 1059 adopted March 2, 1998, appropriated $4,452,675 from the Economic Development Fund.

(8) Ordinance No.1063 adopted April 20, 1998, appropriated $35,000 from the Non Areawide Fund.

(9) Ordinance No. 1070 adopted June 15, 1998, appropriated $39,000 from the Airport Enterprise Fund, appropriated $82,195 from the Transit Enterprise Fund and appropriated $500,000 from the Economic Development Fund.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 1998, expenditures exceeded budget at the department level (i.e., the legal level of budgetary control) as follows:

Fund/Department	Excess
Special Revenue Funds:	
Forest Park Service Area	$ 3,096
School Bonds/Capital Improvements Fund	447

The over expenditures in the forest park service area fund were due to unanticipated road repairs. The School Bonds/Capital Improvements Fund experienced additional contractual services with bank services.

C. Deficit Fund Equity

Certain capital project funds have deficit fund balances in the amount of $502,498 which are summarized below. The revenue needed to reimburse the K-High/Valley Park swimming pool construction project fund will be collected from the recreational sales tax fund during the next fiscal year.

Capital Project Funds:	
K-High Reconstruction	(16,120)
K-High/Valley Park Pool	(486,378)
Total Negative Undesignated Fund Balance	$(502,498)

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Borough's and its discretely presented component unit (the Ketchikan Gateway Borough School District) bank balances of deposits at June 30, 1998, are entirely insured or collateralized with securities held by the Borough or by their agents in their respective names.

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 obligation, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements and certain corporate bonds. All investments are stated at cost or amortized cost, except for investments in the deferred compensation agency fund, which are stated at market value.

At fiscal year-end, the Borough's carrying amount of deposits was $1,149,939 and the bank balance was $1,549,702. Of the bank balance, $671,643 was covered by federal depository insurance or by collateral held by the Borough's agent in the Borough's name. The uninsured balance of $878,059 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, 1998.

The Component Unit deposits was $600,000 at June 30, 1998, the carrying value was $307,000. Of the bank balance, $131,000 was insured or collateralized with securities held by the component unit or its custodian in the components unit's name and $569,000 was collateralized with securities held by the pledging financial institution's trust department or custodian in the component unit's name.

<u>Investments</u> 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.

(2) Uninsured and unregistered, with securities held by the counter party's'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, 1998, the Borough's investment balances were as follows:

	Category 1	Carrying Amount	Market Value
U.S. Government security	40,257,529	40,257,529	40,043,683
TCD's	2,527,622	2,527,622	2,527,622
Total	$42,785,151	$42,785,151	$42,571,305

Investments Not Subject to Categorization:		
Deferred Compensation Contracts	1,288,092	1,288,092
Plans and Stabilization Reserve Funds	725,452	725,452
Component Unit		
US Government Securities	26,000	27,000
Mutual Funds	125,000	125,000
Insurance Deposits	50,000	50,000
Total	$44,999,695	$44,786,849

Short term investments of the component unit in the amount of $ 26,000 are classified as category #2 and have a market value of 27,000 at June 30, 1998.

B. Receivables

Receivables at June 30, 1998, consist of the following:

	General	Special Revenue	Enterprise	Total
Taxes	$ 3,159	$ -	$ -	$ 3,159
Accounts Receivables	157,827	177,204	194,314	529,345
Due From Other Funds	550,327	-	-	550,327
Due From Other Government	-	-	-	-
Deferred Accounts Receivable	-	872,176	-	872,176
Advances to Other Funds	-	832,878	-	832,878
Total Receivables	$ 711,313	$1,882,258	$194,314	$2,787,885

C. Fixed Assets

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

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Land	$ 285,000	$ -	$ -	$ 285,000
Buildings	8,160,988	63,577	-	8,224,565
Equipment	1,538,962	387,906	187,510	1,739,358
Infrastructure	2,531,177	117,108	-	2,648,285
Construction in Progress	16,408	-	16,408	-
Total	$12,532,535	$568,591	$ 203,918	$12,897,208

A summary of the enterprise fund property, plant and equipment at June 30, 1998 is as follows:

	Balance July 1, 1997	Net Change Current Year	Balance June 30, 1998
Field	$3,251,311	$ 58,199	$3,309,510
Terminal	4,292,190	73,142	4,365,332
Ferry	1,555,568	60,450	1,616,018
Administration	13,398	3,238	16,636

Murphy's Landing	12,875	-	12,875
Transit	525,184	(36,717)	488,467
	9,650,526	158,312	9,808,838
Accumulated Depreciation	(5,095,560)	(338,749)	(5,434,309)
Net Property, Plant, and Equipment	$4,554,966	$(180,437)	$4,374,529

D. Leases

The Borough leases the Ketchikan International Airport from the State of Alaska at the rate of $1.00 per year under a 42 year lease agreement that expires on 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, if the cost does not exceed $10,000, and that the State will pay for repair costs in excess of this amount. 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, 1998.

During the normal course of business the Borough has entered into subleases for portions of the terminal building and facilities. 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 represents 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
1999	$383,164	$ 69,454
2000	383,164	69,454
2001	357,602	46,065
2002	324,080	45,665
2003	7,929	45,665

There are leases that have not been renewed for space at the Airport. Taquan and the FAA have not signed the new leases, however, the leases continue on a month to month basis until signed. The negotiations are complete and we are awaiting signatures.

E. Long-Term Debt

The Ketchikan Gateway Borough has issued general obligation bonds for acquisition and construction of schools, recreation facilities and airports. School bonds are reported in the General Long-Term Debt Account Group while the Airport Enterprise Fund debt is included in the proprietary fund statements since it must be repaid from proprietary revenues. The IRC 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 general obligation school and IRC bonds pledge the full faith and credit of the Borough.

A summary of changes in General Long-term debt is as follows:

	July 1, 1997	Retirements	June 30, 1998
Areawide General Obligation Bonds	$10,670,000	$1,655,000	$9,015,000
Enterprise Fund:			
Revenue Bonds	130,000	40,000	90,000
	$ 10,800,000	$1,695,000	$9,105,000

Bonds payable at June 30, 1998 consist of the following individual issues:

General Obligation Bonds:

1995 IRC Bonds - 4.30 % - 6.00 % Interest	$ 6,615,000
1989 School Bonds due through 2000 at 6-6.7% interest	2,400,000
	9,015,000
Revenue Bonds:	
1980 Airport due through 2000 at 8% interest	90,000
	$9,105,000

The annual requirements to amortize all bonds outstanding as of June 30, 1998, including interest of $2,279,957 for general obligations and $11,200 for revenue bonds, are as follows:

Year Ending June 30, 1998	General Obligation Bonds	Revenue
1999	2,159,228	47,200
2000	2,075,662	54,000
2001	798,548	-
2002	795,228	-
2003	795,478	-
2004	799,028	-
2005	795,591	-
2006	795,037	-
2007	798,357	-
2008	799,650	-
2009	683,150	-
Total	$ 11,294,957	$ 101,200

The amount of $59,733 is available in the Airport Enterprise Revenue Redemption and Reserve Fund to service revenue bonds.

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 $1 million general liability, property and casualty coverage, workers' compensation at statutory amount, and marine coverage for the Borough's vessels.

The Ketchikan Gateway Borough purchases commercial insurance to insure its employees' and dependents health (including dental and vision), and to provide life insurance in case of death. The policy is retrospectively rated with the policyholder being entitled to any refunds. The carrier reserves the right to use the premium stabilization reserve fund (which is further described in note IV. H) to pay claims if the premiums collected during the plan year are insufficient to pay claims, expenses and other retention items. If the premium stabilization reserve fund is insufficient, then the carrier reserves the right to increase premiums in future years to recover the shortage. Claims, expenses, and other retention items have not exceeded premiums during the past three years.

B. Segment Information - Enterprise Funds

Ketchikan Gateway Borough maintains three enterprise funds which are intended to be self-supporting through user fees charged for services and use of the facilities. Financial segment information as of and for the year ended June 30, 1998 is presented below.

	Ketchikan Airport	Transit	Ferry	Total
Operating Revenues	$1,442,061	$136,907	$969,037	$2,548,005
Operating Grants, Entitlement and Shared Revenues	-	59,110	-	59,110
Depreciation Expense	301,268	57,930	65,336	424,534
Operating Income (Loss)	(128,692)	(258,565)	(46,581)	(433,838)
Operating Transfers In	29,150	50,000	-	79,150
Operating Transfers Out	(29,150)	-	(5,000)	(34,150)
Net Income (Loss)	(132,196)	(149,455)	(40,248)	(321,899)
Property, Plant and Equipment				
Additions	162,194	44,956	60,450	267,600
Deletions	(30,535)	(81,673)	-	(112,208)
Net Working Capital	(11,887)	(148,997)	11,025	(149,859)
Total Assets	3,618,115	279,336	830,540	4,729,911
Bonds and Other Long-term Liabilities	45,000	-	-	45,000
Total Equity	3,364,321	119,800	755,280	4,239,401
Contributed Capital	2,537,913	399,549	813,641	3,751,103
(Accumulated Amortization)	(1,364,250)	(212,754)	(382,481)	(1,959,485)

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

C. Contingent Liabilities

Litigation

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

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.

At June 30, 1998 the Ketchikan Gateway Borough is committed to professional contracts in the amount of $290,170 for oversight of the Whipple Creek Timber Contract, Economic Development, Legal Services and promotion of the Ketchikan area.

Loan Guarantee's

A loan guarantee was approved in 1997/98 to the First Bank in the amount of $500,000 for the construction of a new Ketchikan Visitors Bureau. In the event of a default on their loan with First Bank the Borough will be responsible for payment of the loan. It is not likely that this may occur.

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 plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property of the Borough and School District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Borough's and District's general creditors. Participants' rights under the plans are equal to those of general creditors in an amount equal to the fair market value of the deferred account for each participant.

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. It is unlikely that the Borough will use the assets to satisfy the claims of general creditors in the future.

The Borough's and School District's deferred compensation plans are accounted for as an agency fund. The assets in this fund are shown at market value.

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 Public Employees' System (TRS). Eligible Employees' in the APEA bargaining unit, the IBU bargaining unit, classified 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 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, 1998, 1997 and 1996 were $1,023,000, $1,104,000, and $1,121,000, respectively, equal to the required contribution for each year.

Public Employees' Retirement System (PERS)

The Ketchikan Gateway Borough and Component Unit's defined 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 is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 1998 was 7.02% for the Ketchikan Gateway Borough and 10.62% 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 1998, the Borough's annual pension cost of $190,658 and the Component Units annual pension cost of $185,000 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, 1995 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. Funding surpluses are amortized over five years. The following tables shows 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
6/30/96	275	100%	0
6/30/97	305	100%	0
6/30/98	191	100%	0

Component Unit:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/96	257	100%	0
6/30/97	263	100%	0
6/30/98	185	100%	0

Annual Post-employment Healthcare Cost (APHC) During FY 1998, the Borough and Component Units annual post-employment healthcare cost of $71,000 and $69,000 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, 1995 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: FY96 8.6%, 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 of five years. The following table shows the three-year trend information for PERS' (dollar amounts in thousands) for the Borough and Component Unit respectively:

Ketchikan Gateway Borough

Fiscal Year Ending	Annual Post-employment Healthcare Cost (APHC)	Percentage of APHC Contributed	Net Pension Obligation
6/30/96	108	100%	0
6/30/97	136	100%	0
6/30/98	71	100%	0

Component Unit:

Fiscal Year Ending	Annual Post-employment Healthcare Cost (APHC)	Percentage of APHC Contributed	Net Pension Obligation
6/30/96	101	100%	0
6/30/97	97	100%	0
6/30/98	69	100%	0

Retirement Incentive Program

The 1996 Alaska State Legislature passed a retirement incentive program for school districts and related agencies. Governor Knowles signed the bill on 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 to 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, and nine employee retired during the year ended June 30, 1998. The total employer's obligation for the employees who retired under this program is $981,952. The Component Unit expended $133,215 during FY 1997 and $90,143 during FY 1998 leaving $758,594 still to be paid.

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 $685 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 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 $685 per employee bimonthly. The Borough's total payroll for the year ended June 30, 1998 was $3,779,829 and the payroll for covered employees totaled $163,838.

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, 1998 was $3,779,829 and the payroll for covered employees totaled $379,965. The total amount contributed to the IBEW plan in FY 1998 was $63,927.

The Borough's obligation for retirement under the IBEW 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, 1998, were as follows:

	Transfers Out	Transfers In
General Fund	$ 79,150	$ 632,820
Special Revenue	8,319,141	5,271,071
Enterprise Funds	34,150	79,150
Debt Service	-	2,235,728
Capital Projects	-	213,672
Subtotals	$8,432,441	$8,432,441
Component Unit		
School District	-	$7,006,121
General Fund	$7,006,121	-
Internal Service Fund	-	-
Totals	$15,438,562	$15,438,562

G. Interfund Receivable and Payables

Interfund receivable and payable balances at June 30, 1998 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$550,327	-
State & Federal Grants	-	296,244
Southeast Economic Development	-	2,756
Airport Enterprise Fund	-	59,733
Transit Enterprise Fund	-	136,837
Capital Projects	-	54,757
Subtotals	550,327	550,327
Component Unit	352,970	-
General Fund	-	352,970
Totals	$903,297	$903,297

H. Medical and Life Insurance Premium Stabilization Reserve Fund

The Ketchikan Gateway Borough and Component Unit have established a partially self funded health plan. The result of this partially self funded health plan will require AETNA insurance company to provide a final accounting of the stabilization reserve fund prior to December 31, 1998. Control of the premium stabilization reserve fund rests with the Ketchikan Gateway Borough. The premium stabilization reserve fund is accounted for by the Ketchikan Gateway Borough as an Internal Service Fund in the FY 1998 financial statements. The financial reporting for the plan is on a fiscal year from September 1 through August 31. These balances are shown on the Borough's fiscal year ending June 30. Utilizing this information is not expected to have a material effect on the Borough's financial statements at June 30, 1998.

The following is a five year history of the premium stabilization reserve fund:

AETNA Stabilization Insurance Fund

Plan Year Ended	Component Unit	Borough	Combined Balance
August 31, 1994	$1,271,597	$412,963	$1,684,560
August 31, 1995	1,080,382	351,610	1,431,992
August 31, 1996	280,381	92,239	372,620
June 30, 1997 & 1998	(57,075)	103,636	46,561

Cash Reserve Account

	June 30, 1997	Deduction	June 30, 1998
June 30, 1998	$296,842	$32,288	$263,842

I. Health Insurance Plan

September 1, 1996 the Ketchikan Gateway Borough and Ketchikan Gateway Borough School District (component unit) established a partially self-funded health plan to cover its employee health (including dental and vision). It switched insurance carriers in order to do this. It purchases stop loss insurance at $50,000 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, 1997	$272,879	$34,011	$306,890
Paid into Internal Service Fund	1,251,205	583,936	1,835,141
Administration Fees	- 0 -	(101,926)	(101,926)
Claims Service	(1,162,372)	(508,166)	(1,670,538)
Refunds			
Interest Income	16,898	2,089	18,987
Balance June 30, 1998	$ 378,610	$ 9,944	$ 388,554

The Ketchikan Gateway Borough will provide an accounting of the internal service fund balances for the Borough and Component Unit on a quarterly basis. It has not been determined if this is a retrospectively rated policy with respect to the Borough or Component Unit.

J. Subsequent Events

The Ketchikan Gateway Borough from its Land Trust Fund has authorized a loan to the Mountain Point Service Area an amount of $717,400 for completion of the sewer treatment plant. This loan was for 20 years at the rate of 4 percent interest.

The Ketchikan Gateway Borough from Economic Development Fund has guaranteed a loan for the Inter Island Ferry an amount of $1,865,000. The Inter Island Ferry will provide service between the Prince of Wales and Ketchikan.

The Borough has guaranteed a loan in the amount of $300,000 for Alaska Forest Creations under Economic Development. Alaska Forest Creations utilizes facilities in the Saxman seaport.

The Ferry Enterprise Fund has entered into an agreement with the State of Alaska and the Federal Government to construct a new Ferry. The financing for this project comes from a loan from the

Land Trust Fund in the amount of $1,500,000 and a grant in the amount of $1,500,000 from the Federal Government, any additional costs will be guaranteed by the State.

The Ketchikan Gateway Borough has appropriated the Small Business Economic Development Group $70,000 to implement an office in the Ketchikan area. This organization will concentrate on providing financial guidance to small businesses seeking financing or assistance to further their operations.

K. Fund Equity

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

General Fund	
Reserved for encumbrances	$364,727
Reserved for inventories/prepaids	5,974
Reserved for Loan Guarantee	500,000
Reserved - General Fund	$870,701
Special Revenue Fund	
Reserved for encumbrances	1,518,761
Reserved for loan guarantees	-
Reserved for advances	832,878
Reserved - Special Revenues	$2,351,639
Enterprise Funds	
Restricted Bonds Payable	$59,733
Capital Projects Fund	
Reserved for encumbrances	$73,951

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GENERAL FUND STATEMENTS

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

The following statements are included in this section:

Balance Sheet – Comparative Balance Sheets

Comparative Statement 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, 1998 and 1997

	1998	1997
Assets		
Cash & Temporary Investments	$ 3,840,933	$ 3,323,033
Accounts Receivable	157,827	121,000
Due From Other Funds	550,327	1,284,521
Prepaid Expenses	5,974	8,599
Property Taxes Receivable	3,159	8,345
Total Assets	$ 4,558,220	$ 4,745,498
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	$ 500,067	$ 295,916
Due to Other Governments	37,265	39,969
Due to Component Unit	352,970	758,759
Deposits	25,081	88,949
Accrued Liabilities	292,928	249,796
Deferred Revenue	50,478	35,660
Total Liabilities	1,258,789	1,469,049
Fund Balance		
Reserved for KVB Loan Guarantee	500,000	500,000
Reserved for Prepaid Insurance	5,974	8,599
Reserved for Encumbrances	364,727	316,739
Unreserved	2,428,730	2,451,111
Total Fund Balance	3,299,431	3,276,449
Total Liabilities & Fund Balance	$ 4,558,220	$ 4,745,498

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, 1998 and 1997

	1998	1997
Revenues		
Taxes		
Real & Personal Property Taxes	$ 6,628,605	$ 6,599,064
Automobile & Boat Taxes	206,125	192,298
Sales Taxes	3,364,953	3,304,879
Penalty & Interest	118,331	117,889
Total Taxes	10,318,014	10,214,130
Alaska State Housing Authority	19,139	19,081
Licenses and Permits		
Zoning Fees	13,075	16,961
Revenues from Other Governments		
State Municipal Assistance	196,253	223,704
State Revenue Sharing	177,611	188,178
State License Refunds	280,605	343,942
State Child Care Assistance	43,908	49,077
Federal Tobacco Tax	67,945	70,747
Federal Revenue - PILT	255,977	193,727
Timber Stumpage	50,995	260,940
Total Revenues from Other Governments	1,073,294	1,330,315
Charges for Services		
Animal Control	26,618	27,145
Parks and Recreation	346,394	249,395
Other Charges	16,845	92,580
Total Charges	389,857	369,120
Other Revenues		
Interest Income	477,932	461,645
Transfers from Other Funds		
Land Trust Fund	578,000	288,350
Interdepartment Revenue	34,150	55,000
Service Area Funds	20,454	22,603
Permanent Fund	216	14,000
Total Transfers	632,820	379,953
Total Revenues & Transfers	$ 12,924,131	$ 12,791,205

Exhibit A-2, cont.

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Years Ended June 30, 1998 and 1997

	1998	1997
Expenditures		
Administration		
Mayor & Assembly	$ 101,675	$ 125,688
Law	337,010	344,249
Clerk	166,344	147,973
Manager	423,638	318,087
Finance-Accounting	568,605	520,745
Finance-Assessment	372,264	389,055
Total Administration	1,969,536	1,845,797
Public Services		
Animal Protection	260,934	245,661
Planning	418,428	523,166
OEDP	353,271	359,808
Community Education	587,767	566,252
Maintenance and Operations	543,944	477,281
Child Care Operations	51,182	49,176
Parks and Recreation	1,130,233	906,885
Total Public Services	3,345,759	3,128,229
Automation	23,980	49,128
Non Departmental	142,888	153,221
Capital Projects	333,715	147,653
Total Expenditures	5,815,878	5,324,028
Excess (Deficit) of Revenues & Transfers over Expenditures	7,108,253	7,467,177
Other Financing Sources (Uses)		
Transfers to Component Unit	(7,006,121)	(6,943,372)
Transfers to Transit Fund	(50,000)	(50,000)
Transfers to Airport Fund	(29,150)	-
Total Other Financing	(7,085,271)	(6,993,372)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	22,982	473,805
Fund Balance Beginning of Year	3,276,449	2,802,644
Fund Balance End of Year	$ 3,299,431	$ 3,276,449

Exhibit A-3

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

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

For the Fiscal Years Ended June 30, 1998 and 1997

	1998 Budget	1998 Actual	Variance Favorable (Unfavorable)	1997 Budget	1997 Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes						
Real & Personal Property Taxes	$ 6,643,108	$ 6,628,605	$ (14,503)	$ 6,696,000	$ 6,599,064	$ (96,936)
Automobile & Boat Taxes	181,000	206,125	25,125	173,500	192,298	18,798
Sales Taxes	3,220,000	3,364,953	144,953	3,237,000	3,304,879	67,879
Penalty & Interest	114,750	118,331	3,581	75,000	117,889	42,889
Total Taxes	10,158,858	10,318,014	159,156	10,181,500	10,214,130	32,630
Alaska State Housing Authority	15,000	19,139	4,139	15,000	19,081	4,081
Licenses and Permits						
Zoning Fees	18,500	13,075	(5,425)	18,500	16,961	(1,539)
Revenues from Other Governments						
State Municipal Assistance	209,980	196,253	(13,727)	220,383	223,704	3,321
State Revenue Sharing	182,356	177,611	(4,745)	177,715	188,178	10,463
State License Refunds	342,000	280,605	(61,395)	350,000	343,942	(6,058)
State Child Care Assistance	47,550	43,908	(3,642)	41,500	49,077	7,577
Federal Tobacco Tax	-	67,945	67,945	71,500	70,747	(753)
Federal Revenue - PILT	85,000	255,977	170,977	85,000	193,727	108,727
Timber Stumpage	260,940	50,995	(209,945)	325,000	260,940	(64,060)
Total Revenues from Other Governments	1,127,826	1,073,294	(54,532)	1,271,098	1,330,315	59,217
Charges for Services						
Animal Control	27,500	26,618	(882)	27,500	27,145	(355)
Parks and Recreation	354,000	346,394	(7,606)	268,000	249,395	(18,605)
Other Charges	26,000	16,845	(9,155)	41,000	92,580	51,580
Total Charges	407,500	389,857	(17,643)	336,500	369,120	32,620
Other Revenues						
Interest Income	75,000	477,932	402,932	75,000	461,645	386,645
Transfers from Other Funds						
Land Trust Fund	490,000	578,000	88,000	288,350	288,350	-
Inter-Departmental	34,150	34,150	-	90,000	55,000	(35,000)
Service Area Funds	20,454	20,454	-	22,149	22,603	454
Permanent Fund	-	216	216	-	14,000	14,000
Total Transfers	544,604	632,820	88,216	400,499	379,953	(20,546)
Total Revenues & Transfers	$ 12,347,288	$ 12,924,131	$ 576,843	$ 12,298,097	$ 12,791,205	$ 493,108

Exhibit A-3, cont.

KETCHIKAN GATEWAY BOROUGH

GENERAL FUND

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

For the Fiscal Years Ended June 30, 1998 and 1997

	1998		Variance	1997		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Expenditures						
Administration						
Mayor & Assembly	$ 111,426	$ 101,675	$ 9,751	$ 111,507	$ 125,688	$ (14,181)
Law	456,910	337,010	119,900	335,831	344,249	(8,418)
Clerk	168,500	166,344	2,156	178,250	147,973	30,277
Manager	373,091	423,638	(50,547)	371,079	318,087	52,992
Finance-Accounting	598,447	568,605	29,842	541,041	520,745	20,296
Finance-Assessment	376,811	372,264	4,547	395,266	389,055	6,211
Total Administration	2,085,185	1,969,536	115,649	1,932,974	1,845,797	87,177
Public Services						
Animal Protection	235,008	260,934	(25,926)	237,021	245,661	(8,640)
Planning	583,744	418,428	165,316	554,228	523,166	31,062
OEDP	409,434	353,271	56,163	1,063,148	359,808	703,340
Community Education	634,399	587,767	46,632	588,881	566,252	22,629
Maintenance and Operations	589,621	543,944	45,677	554,021	477,281	76,740
Child Care Operations	47,316	51,182	(3,866)	50,154	49,176	978
Parks and Recreation	1,126,323	1,130,233	(3,910)	982,134	906,885	75,249
Total Public Services	3,625,845	3,345,759	280,086	4,029,587	3,128,229	901,358
Automation	9,460	23,980	(14,520)	47,420	49,128	(1,708)
Non Departmental	178,300	142,888	35,412	165,300	153,221	12,079
Capital Projects	654,608	333,715	320,893	449,256	147,653	301,603
Total Expenditures	6,553,398	5,815,878	737,520	6,624,537	5,324,028	1,300,509
Excess (Deficit) of Revenues & Transfers over Expenditures	5,793,890	7,108,253	1,314,363	5,673,560	7,467,177	1,793,617
Other Financing Sources (Uses)						
Transfers to Component Unit	(7,008,058)	(7,006,121)	1,937	(6,943,372)	(6,943,372)	-
Transfers to Transit Fund	(50,000)	(50,000)	-	-	-	-
Transfers to Airport Fund	(29,150)	(29,150)	-	-	-	-
Transfers to Bond Debt Fund	-	-	-	(50,000)	(50,000)	-
Total Other Financing	(7,087,208)	(7,085,271)	1,937	(6,993,372)	(6,993,372)	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (1,293,318)	22,982	$ 1,316,300	$ (1,319,812)	473,805	$ 1,793,617
Fund Balance Beginning of Year		3,276,449			2,802,644	
Fund Balance End of Year		$ 3,299,431			$ 3,276,449	

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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 Balances Sheets:

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

Individual Statements of Revenues, Expenditures & Changes in Fund Balances
Budget & 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 Grands Fund
Southeast Economic Development Fund
School Bond/Capital Improvements Fund
Permanent Fund
Shoup Street Service Area Fund

YEAR 2000 COMPLIANCE

Year 2000 (Y2K) issues have been addressed and the Borough's computer systems and primary accounting and office software are all certified Y2K compatible.

The critical systems and subsystems were assessed and a remediation plan developed and followed.

All vendors were surveyed and each supplied a statement of compliance or completed a questionnaire. Those with non-compliance issues were identified and monitored. All were slated for computer or software upgrade or replacement by mid-1999, and the Borough does not anticipate Y2K problems that would impact taxpayers or vendors, nor does it anticipate interruptions to revenue collections, communications or services.

Critical support providers to the Borough, such as electricity, water and telephone, now or are expected to be Year 2000 compliant.

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KETCHIKAN GATEWAY BOROUGH

Exhibit B-1

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1998

	Recreation Sales Tax Fund	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund
Assets				
Cash & Temporary Investments	$ 943,897	$ 14,564,972	$ 43,741	$ 125,823
Accounts Receivable - General	-	-	1,561	-
Advances to Other Funds:	-	832,878	-	-
Deferred Accounts Receivable	-	872,176	-	-
Total Assets	$ 943,897	$ 16,270,026	$ 45,302	$ 125,823
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ -	$ 2,137	$ -	$ 1,183
Advances from Other Funds	400,000	-	-	-
Retainage Payable	-	-	-	-
Deposits	-	1,180	-	-
Deferred Revenue	-	106,071	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	400,000	109,388	-	1,183
Fund Balances				
Reserve for Advances	-	832,878	-	-
Encumbrances	-	83,383	19,650	-
Unreserved Fund Balance	543,897	15,244,377	25,652	124,640
Total Fund Balance	543,897	16,160,638	45,302	124,640
Total Liabilities and Fund Balances	$ 943,897	$ 16,270,026	$ 45,302	$ 125,823

KETCHIKAN GATEWAY BOROUGH

Exhibit B-1, cont.

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1998

	Mountain Point Service Area Fund	South Tongass Fire District Fund	Waterfall Service Area Fund	Nichols View Service Area Fund
Assets				
Cash & Temporary Investments	$ 248,907	$ 91,864	$ 112,953	$ 9,389
Accounts Receivable - General	9,116	-	283	-
Advances to Other Funds:	-	-	-	-
Deferred Accounts Receivable	-	-	-	-
Total Assets	$ 258,023	$ 91,864	$ 113,236	$ 9,389
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 12,413	$ 1,127	$ -	$ -
Advances from Other Funds	-	-	-	-
Retainage Payable	-	-	-	-
Deposits	-	-	-	-
Deferred Revenue	41,579	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	53,992	1,127	-	-
Fund Balances				
Reserve for Advances	-	-	-	-
Encumbrances	-	-	-	-
Unreserved Fund Balance	204,031	90,737	113,236	9,389
Total Fund Balance	204,031	90,737	113,236	9,389
Total Liabilities and Fund Balances	$ 258,023	$ 91,864	$ 113,236	$ 9,389

KETCHIKAN GATEWAY BOROUGH

Exhibit B-1, cont.

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1998

	Forest Park Service Area Fund	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund
Assets				
Cash & Temporary Investments	$ 276,832	$ 16,389	$ 4,755	$ 1,026,722
Accounts Receivable - General	-	77	-	152,733
Advances to Other Funds:	-	-	-	-
Deferred Accounts Receivable	-	-	-	-
Total Assets	$ 276,832	$ 16,466	$ 4,755	$ 1,179,455
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 12,753	$ -	$ -	$ 123,547
Advances from Other Funds	-	-	-	-
Retainage Payable	-	-	-	131,354
Deposits	-	-	-	-
Deferred Revenue	-	-	-	364,507
Due to Other Funds	-	-	-	296,244
Total Liabilities	12,753	-	-	915,652
Fund Balances				
Reserve for Advances	-	-	-	-
Encumbrances	-	-	-	1,415,728
Unreserved Fund Balance	264,079	16,466	4,755	(1,151,925)
Total Fund Balance	264,079	16,466	4,755	263,803
Total Liabilities and Fund Balances	$ 276,832	$ 16,466	$ 4,755	$ 1,179,455

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1998

	School Bond/ Capital mprovements Fund	Shoup Street Service Fund	Southeast Economic Development Funds	Total
Assets				
Cash & Temporary Investments	$ 99,429	$ 28,843	$ 21,280,819	$ 38,875,335
Accounts Receivable - General	12,885	549	-	177,204
Advances to Other Funds:	-	-	-	832,878
Deferred Accounts Receivable	-	-	-	872,176
Total Assets	$ 112,314	$ 29,392	$ 21,280,819	$ 40,757,593
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 500	$ 462	$ 4,670	$ 158,792
Advances from Other Funds	-	-	-	400,000
Retainage Payable	-	-	-	131,354
Deposits	-	-	-	1,180
Deferred Revenue	-	-	-	512,157
Due to Other Funds	-	-	2,756	299,000
Total Liabilities	500	462	7,426	1,502,483
Fund Balances				
Reserve for Advances	-	-	-	832,878
Encumbrances	-	-	-	1,518,761
Unreserved Fund Balance	111,814	28,930	21,273,393	36,903,471
Total Fund Balance	111,814	28,930	21,273,393	39,255,110
Total Liabilities and Fund Balances	$ 112,314	$ 29,392	$ 21,280,819	$ 40,757,593

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1998

	Recreation Sales Tax Fund	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund
REVENUES				
Taxes	$ 1,112,562	$ -	$ -	$ 57,226
State/Federal Revenues	-	-	-	300
Charges for Services	-	-	9,140	-
Sale of Land	-	35,132	-	-
Other Income	10,678	982,929	-	-
Interest Income	60,395	818,433	2,307	7,201
Total Revenues	1,183,635	1,836,494	11,447	64,727
EXPENDITURES				
Capital Improvements	-	-	-	3,378
Public Services	-	52,984	78	24,223
Total Expenditures	-	52,984	78	27,601
Excess (Deficit) of Revenues over Expenditures	1,183,635	1,783,510	11,369	37,126
Other Financing Sources (Uses)				
Interfund Transfers (In)	-	-	-	-
Operating Transfers (Out)	(1,010,000)	(600,068)	(200)	(4,500)
Total Other Financing	(1,010,000)	(600,068)	(200)	(4,500)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	173,635	1,183,442	11,169	32,626
Fund Balance, Beginning of Year	370,262	14,977,196	34,133	92,014
Fund Balance, End of Year	$ 543,897	$ 16,160,638	$ 45,302	$ 124,640

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1998

	Mountain Point Service Area Fund	South Tongass Fire District Fund	Waterfall Service Area Fund	Nichols View Service Area Fund
REVENUES				
Taxes	$ -	$ 95,976	$ -	$ -
State/Federal Revenues	-	5,000	-	-
Charges for Services	132,275	-	4,820	-
Sale of Land	-	-	-	-
Other Income	-	750	-	-
Interest Income	12,370	5,367	6,171	513
Total Revenues	144,645	107,093	10,991	513
EXPENDITURES				
Capital Improvements	-	14,692	-	-
Public Services	114,637	35,603	609	-
Total Expenditures	114,637	50,295	609	-
Excess (Deficit) of Revenues over Expenditures	30,008	56,798	10,382	513
Other Financing Sources (Uses)				
Interfund Transfers (In)	-	-	-	-
Operating Transfers (Out)	(5,050)	(3,960)	(219)	-
Total Other Financing	(5,050)	(3,960)	(219)	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	24,958	52,838	10,163	513
Fund Balance, Beginning of Year	179,073	37,899	103,073	8,876
Fund Balance, End of Year	$ 204,031	$ 90,737	$ 113,236	$ 9,389

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1998

	Forest Park Service Area Fund	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund
REVENUES				
Taxes	$ 77,063	$ -	$ 390,458	$ -
State/Federal Revenues	-	-	-	2,041,025
Charges for Services	-	7,720	-	-
Sale of Land	-	-	-	-
Other Income	300	-	-	6,805
Interest Income	16,923	1,107	5,111	27,849
Total Revenues	94,286	8,827	395,569	2,075,679
EXPENDITURES				
Capital Improvements	19,958	19,983	-	-
Public Services	70,888	2,406	385,780	1,997,920
Total Expenditures	90,846	22,389	385,780	1,997,920
Excess (Deficit) of Revenues over Expenditures	3,440	(13,562)	9,789	77,759
Other Financing Sources (Uses)				
Interfund Transfers (In)	-	-	-	-
Operating Transfers (Out)	(5,265)	(372)	-	-
Total Other Financing	(5,265)	(372)	-	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,825)	(13,934)	9,789	77,759
Fund Balance, Beginning of Year	265,904	30,400	(5,034)	186,044
Fund Balance, End of Year	$ 264,079	$ 16,466	$ 4,755	$ 263,803

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1998

	School Bond/ Capital Improvements Fund	Permanent Fund	Shoup Street Service Fund	Southeast Economic Development Fund	Total
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ 1,733,285
State/Federal Revenues	1,288,507	-	-	3,750,000	7,084,832
Charges for Services	-	-	33,862	100	187,917
Sale of Land	-	-	-	-	35,132
Other Income	-	-	1,132	-	1,002,594
Interest Income	31,306	1,008	767	1,094,830	2,091,658
Total Revenues	1,319,813	1,008	35,761	4,844,930	12,135,418
EXPENDITURES					
Capital Improvements	-	-	-	-	58,011
Public Services	8,447	791	19,528	1,336,447	4,050,341
Total Expenditures	8,447	791	19,528	1,336,447	4,108,352
Excess (Deficit) of Revenues over Expenditures	1,311,366	217	16,233	3,508,483	8,027,066
Other Financing Sources (Uses)					
Interfund Transfers (In)	796,328	-	22,068	4,452,675	5,271,071
Operating Transfers (Out)	(2,235,727)	(217)	(888)	(4,452,675)	(8,319,141)
Total Other Financing	(1,439,399)	(217)	21,180	-	(3,048,070)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(128,033)	-	37,413	3,508,483	4,978,996
Fund Balance, Beginning of Year	239,847	-	(8,483)	17,764,910	34,276,114
Fund Balance, End of Year	$ 111,814	$ -	$ 28,930	$ 21,273,393	$ 39,255,110

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Taxes	$ 1,081,330	$ 1,112,562	$ 31,232	$ 1,093,956
Penalties	10,000	10,678	678	-
Interest Revenue	-	60,395	60,395	11,910
Total Revenues	1,091,330	1,183,635	92,305	1,105,866
Excess (Deficit) of Revenues over Expenditures	1,091,330	1,183,635	92,305	1,105,866
Other Financing Sources (Uses)				
Operating Transfers Out	(1,010,000)	(1,010,000)	-	(1,080,051)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 81,330	173,635	$ 92,305	25,815
Fund Balance, Beginning of Year		370,262		344,447
Fund Balance, End of Year		$ 543,897		$ 370,262

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Sale of Land	$ 25,000	$ 35,132	$ 10,132	$ 51,236
Other Revenue	27,000	982,929	955,929	7,065,850
Interest Income	923,914	818,433	(105,481)	508,119
Total Revenues	975,914	1,836,494	860,580	7,625,205
EXPENDITURES:				
Capital Improvements	3,365,550	-	3,365,550	-
Public Services	80,000	52,984	27,016	104,631
Total Expenditures	3,445,550	52,984	3,392,566	104,631
Excess (Deficit) of Revenues over Expenditures	(2,469,636)	1,783,510	4,253,146	7,520,574
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	5,268,448
Operating Transfers Out	(600,068)	(600,068)		(5,438,350)
Total Other Financing	(600,068)	(600,068)	-	(169,902)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (3,069,704)	1,183,442	$ 4,253,146	7,350,672
Fund Balance, Beginning of Year		14,977,196		7,626,524
Fund Balance, End of Year		$ 16,160,638		$ 14,977,196

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
State Revenues	$ -	$ -	$ -	$ -
Public Services	10,000	9,140	(860)	8,433
Interest Income	2,040	2,307	267	2,906
Total Revenues	12,040	11,447	(593)	11,339
EXPENDITURES:				
Capital Improvements	30,000	-	30,000	36,040
Public Services	100	78	22	-
Total Expenditures	30,100	78	30,022	36,040
Excess (Deficit) of Revenues over Expenditures	(18,060)	11,369	29,429	(24,701)
Other Financing Sources (Uses) Operating Transfers Out	(200)	(200)	-	(200)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (18,260)	11,169	$ 29,429	(24,901)
Fund Balance, Beginning of Year		34,133		59,034
Fund Balance, End of Year		$ 45,302		$ 34,133

Exhibit B-6

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Real and Personal Taxes	$ 56,232	$ 56,704	$ 472	$ 55,736
Automobile and Boat Taxes	575	522	(53)	599
State Revenues	425	300	(125)	385
Interest Income	5,040	7,201	2,161	5,930
Total Revenues	62,272	64,727	2,455	62,650
EXPENDITURES:				
Capital Improvements	4,000	3,378	622	29,957
Public Services	33,217	24,223	8,994	26,869
Total Expenditures	37,217	27,601	9,616	56,826
Excess (Deficit) of Revenues over Expenditures	25,055	37,126	12,071	5,824
Other Financing Sources (Uses) Operating Transfers Out	(4,500)	(4,500)	-	(4,500)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 20,555	32,626	$ 12,071	1,324
Fund Balance, Beginning of Year		92,014		90,690
Fund Balance, End of Year		$ 124,640		$ 92,014

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Public Services	$ 117,500	$ 132,275	$ 14,775	$ 119,025
Interest Income	8,400	12,370	3,970	7,979
Total Revenues	125,900	144,645	18,745	127,004
EXPENDITURES:				
Public Services	145,373	114,637	30,736	90,280
Total Expenditures	145,373	114,637	30,736	90,280
Excess (Deficit) of Revenues over Expenditures	(19,473)	30,008	49,481	36,724
Other Financing Sources (Uses) Operating Transfers Out	(5,050)	(5,050)	-	(4,959)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (24,523)	24,958	$ 49,481	31,765
Fund Balance, Beginning of Year		179,073		147,308
Fund Balance, End of Year		$ 204,031		$ 179,073

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Real and Personal Taxes	$ 89,707	$ 94,372	$ 4,665	$ 93,362
Automobile and Boat Taxes	1,800	1,604	(196)	1,840
State Revenues	-	5,000	5,000	1,395
Other Revenues	-	750	750	-
Interest Income	2,510	5,367	2,857	11,789
Total Revenues	94,017	107,093	13,076	108,386
EXPENDITURES:				
Capital Improvements	20,000	14,692	5,308	239,490
Public Services	46,201	35,603	10,598	48,206
Total Expenditures	66,201	50,295	15,906	287,696
Excess (Deficit) of Revenues over Expenditures	27,816	56,798	28,982	(179,310)
Other Financing Sources (Uses)				
Operating Transfers Out	(3,960)	(3,960)	-	(5,262)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 23,856	52,838	$ 28,982	(184,572)
Fund Balance, Beginning of Year		37,899		222,471
Fund Balance, End of Year		$ 90,737		$ 37,899

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
State Revenues	$ 680	$ -	$ (680)	$ -
Public Services	6,000	4,820	(1,180)	4,728
Interest Income	6,315	6,171	(144)	4,967
Total Revenues	12,995	10,991	(2,004)	9,695
EXPENDITURES:				
Public Services	3,650	609	3,041	1,457
Total Expenditures	3,650	609	3,041	1,457
Excess (Deficit) of Revenues over Expenditures	9,345	10,382	1,037	8,238
Other Financing Sources (Uses) Operating Transfers Out	(219)	(219)	-	(195)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 9,126	10,163	$ 1,037	8,043
Fund Balance, Beginning of Year		103,073		95,030
Fund Balance, End of Year		$ 113,236		$ 103,073

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Interest Income	490	$ 513	$ 23	$ 426
Total Revenues	490	513	23	426
EXPENDITURES:				
Public Services	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	490	513	$ 23	426
Fund Balance, Beginning of Year		8,876		8,450
Fund Balance, End of Year		$ 9,389		$ 8,876

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Real and Personal Taxes	$ 69,775	$ 75,347	$ 5,572	$ 68,510
Automobile and Boat Taxes	1,700	1,716	16	1,968
State Revenues	2,850	-	(2,850)	1,094
Other Revenues	-	300	300	-
Interest Income	12,645	16,923	4,278	13,693
Total Revenues	86,970	94,286	7,316	85,265
EXPENDITURES:				
Capital Improvements	18,800	19,958	(1,158)	-
Public Services	68,950	70,888	(1,938)	65,384
Total Expenditures	87,750	90,846	(3,096)	65,384
Excess (Deficit) of Revenues over Expenditures	(780)	3,440	4,220	19,881
Other Financing Sources (Uses) Operating Transfers Out	(5,265)	(5,265)	-	(5,265)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (6,045)	(1,825)	$ 4,220	14,616
Fund Balance, Beginning of Year		265,904		251,288
Fund Balance, End of Year		$ 264,079		$ 265,904

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Public Services	$ 8,500	$ 7,720	$ (780)	$ 8,099
Interest Income	1,800	1,107	(693)	1,443
Total Revenues	10,300	8,827	(1,473)	9,542
EXPENDITURES:				
Capital Projects	20,000	19,983	17	-
Public Services	6,200	2,406	3,794	4,487
Total Expenditures	26,200	22,389	3,811	4,487
Excess (Deficit) of Revenues over Expenditures	(15,900)	(13,562)	2,338	5,055
Other Financing Sources (Uses))				
Operating Transfers Out	(372)	(372)	-	(372)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (16,272)	(13,934)	$ 2,338	4,683
Fund Balance, Beginning of Year		30,400		25,717
Fund Balance, End of Year		$ 16,466		$ 30,400

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Real and Personal Taxes	$ 389,475	$ 390,458	$ 983	$ 379,444
State Revenues	-	-	-	2,944
Interest Income	2,500	5,111	2,611	8,809
Total Revenues	391,975	395,569	3,594	391,197
EXPENDITURES:				
Public Services	37,400	37,400	-	-
Library Services	348,380	348,380	-	391,743
Total Expenditures	385,780	385,780	-	391,743
Excess (Deficit) of Revenues over Expenditures	$ 6,195	9,789	$ 3,594	(546)
Fund Balance, Beginning of Year		(5,034)		(4,488)
Fund Balance, End of Year		$ 4,755		$ (5,034)

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	1998	1997
REVENUES:		
State Sources	$ 2,041,025	$ 1,223,848
Other Revenues	6,805	24,776
Interest Income	27,849	-
Total Revenues	2,075,679	1,248,624
EXPENDITURES:		
Public Services	1,997,920	1,224,619
Total Expenditures	1,997,920	1,224,619
Excess (Deficit) of Revenues over Expenditures	77,759	24,005
Fund Balance, Beginning of Year	186,044	162,039
Fund Balance, End of Year	$ 263,803	$ 186,044

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
State Grant	$ 1,079,550	$ 1,288,507	$ 208,957	$ 1,576,435
Other Revenue	67,000	-	(67,000)	14,087
Interest Income	-	31,306	31,306	2,713
Total Revenues	1,146,550	1,319,813	173,263	1,593,235
EXPENDITURES:				
Capital Improvements	-	-	-	-
Public Services	8,000	8,447	(447)	14,705
Total Expenditures	8,000	8,447	(447)	14,705
Excess (Deficit) of Revenues over Expenditures	1,138,550	1,311,366	172,816	1,578,530
Other Financing Sources (Uses)				
Interfund Transfers (In)	796,328	796,328	-	947,127
Operating Transfers Out	(2,235,728)	(2,235,727)	1	(2,314,527)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (300,850)	(128,033)	$ 172,817	211,130
Fund Balance, Beginning of Year		239,847		28,717
Fund Balance, End of Year		$ 111,814		$ 239,847

Exhibit B-16

KETCHIKAN GATEWAY BOROUGH

PERMANENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Interest Income	$ -	$ 1,008	$ 1,008	$ -
Total Revenues	-	1,008	1,008	-
EXPENDITURES:				
Public Services	-	791	(791)	-
Total Expenditures	-	791	(791)	-
Excess (Deficit) of Revenues over Expenditures	-	217	217	-
Other Financing Sources (Uses)				
Operating Transfers Out	-	(217)	(217)	(268,448)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ -	-	$ -	(268,448)
Fund Balance, Beginning of Year		-		268,448
Fund Balance, End of Year		$ -		$ -

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
State Revenues	$ 78,263	$ -	$ (78,263)	$ -
Public Services	34,475	33,862	(613)	31,428
Other Revenues	-	1,132	1,132	-
Interest Income	-	767	767	1,349
Total Revenues	112,738	35,761	(76,977)	32,777
EXPENDITURES:				
Capital Improvements	78,263	-	78,263	-
Public Services	30,902	19,528	11,374	36,599
Total Expenditures	109,165	19,528	89,637	36,599
Excess (Deficit) of Revenues over Expenditures	3,573	16,233	12,660	(3,822)
Other Financing Sources (Uses))				
Operating Transfers In	-	22,068	22,068	-
Operating Transfers Out	(888)	(888)	-	(1,850)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 2,685	37,413	$ 34,728	(5,672)
Fund Balance, Beginning of Year		(8,483)		(2,811)
Fund Balance, End of Year		$ 28,930		$ (8,483)

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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1997 Actual
REVENUES:				
Federal Revenues	$ 3,750,000	$ 3,750,000	$ -	$ 17,050,000
Public Services	-	100	100	-
Interest Revenues	1,232,190	1,094,830	(137,360)	716,005
Total Revenues	4,982,190	4,844,930	(137,260)	17,766,005
EXPENDITURES:				
Public Services	$ 5,636,275	$ 1,336,447	$ 4,299,828	$ 1,095
Total Expenditures	5,636,275	1,336,447	4,299,828	1,095
Excess (Deficit) of Revenues over Expenditures	(654,085)	3,508,483	4,162,568	17,764,910
Other Financing Sources (Uses)				
Operating Transfers In	4,452,675	4,452,675	-	2,000,000
Operating Transfers Out	(4,452,675)	(4,452,675)	-	(2,000,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (654,085)	3,508,483	$ 4,162,568	17,764,910
Fund Balance, Beginning of Year		17,764,910		-
Fund Balance, End of Year		$ 21,273,393		$ 17,764,910

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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:

1989 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.

1995 General Obligation Bonds – IRC – To accumulate funds for the payment of principal & interest. Financing is provided through transfer from the Recreational Sales Tax 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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	1989 G.O. Bond Redemption Fund	1995 G.O. Bond Redemption Fund	Totals 1998	Totals 1997
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, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	1989 G.O. Bond Redemption Fund	1995 G.O. Bond-IRC Redemption Fund	Totals 1998	Totals 1997
EXPENDITURES				
Debt Service				
Principal	$ 1,200,000	$ 455,000	$ 1,655,000	$ 1,630,000
Interest	239,400	341,328	580,728	684,527
Total	1,439,400	796,328	2,235,728	2,314,527
Excess (Deficit) of Revenues over Expenditures	(1,439,400)	(796,328)	(2,235,728)	(2,314,527)
Other Financing Sources (Uses)				
Transfer from General Fund	1,439,400	-	1,439,400	1,517,400
Transfer from Recreational Capital Projects Fund	-	796,328	796,328	797,127
Total Other Financing Sources (Uses)	1,439,400	796,328	2,235,728	2,314,527
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 toobe used for the acquisition or constructior of major capital facilities. This does not include capital projects financed by proprietary funds and special assessment funds.

The following funds are included in this section:

Other Construction Projects
K-High Swimming Pool Remodel
School Bond Construction Fund – 1989

The following statements are included in this section:

Capital Projects Funds – Combining Balance Sheet

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

Exhibit D-1

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

June 30, 1998
(With Comparative Totals for June 30, 1997)

	Other Construction Projects	K-High/ Valley Park Swimming Pool Remodel	School Bond Construction Fund 1989	Total 1998	Total 1997
Assets					
Cash in Central Treasury	$ 382,979	$ -	$ -	$ 382,979	$ 891,044
	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Total Assets	$ 382,979	$ -	$ -	$ 382,979	$ 891,044
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	$ -	$ -	$ -	$ -	$ 325,142
Retainage Payable	-	-	15,000	15,000	15,000
Due to Other Funds	-	53,637	1,120	54,757	53,637
Advances-Inter Fund Loans	-	432,741	-	432,741	646,414
Total Liabilities	-	486,378	16,120	502,498	1,040,193
Fund Equity					
Encumbrances	45,018	-	28,933	73,951	98,501
Fund Balance	337,961	(486,378)	(45,053)	(193,470)	(247,650)
Total Fund Balances	382,979	(486,378)	(16,120)	(119,519)	(149,149)
Total Liabilities and Fund Equity	$ 382,979	$ -	$ -	$ 382,979	$ 891,044

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Other Construction Projects	K-High/ Valley Park Swimming Pool Remodel	School Bond Construction Fund 1989	Total 1998	Total 1997
REVENUES					
State Sources	$ -	$ -	$ -	$ -	$ -
Other Revenues	-	-	-	-	-
Interest	26,300	-	412	26,712	160,612
Total Revenues	26,300	-	412	26,712	160,612
EXPENDITURES					
Contractual Services	-	-	-	-	23,457
Educational Facilities	198,255	-	12,500	210,755	4,420,376
Total Expenditures	198,255	-	12,500	210,755	4,443,833
Excess (Deficit) of Revenues over Expenditures	(171,955)	-	(12,088)	(184,043)	(4,283,221)
Other Financing Sources (Uses)					
Proceeds of IRC Bond Sales					
Transfers from Other Funds	-	213,672	-	213,672	268,924
Total Other Financing Sources (Uses)	-	213,672	-	213,672	268,924
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(171,955)	213,672	(12,088)	29,629	(4,014,297)
Fund Balances, Beginning of Year	554,934	(700,050)	(4,032)	(149,148)	3,865,148
Fund Balances, End of Year	$ 382,979	$ (486,378)	$ (16,120)	$ (119,519)	$ (149,149)

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 Internationa 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.

FERRY ENTERPRISE FUND – An enterprise fund to account for the operation of the Ferry System. All of the financial transactions relating to the Recreation Programs 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 Statement of Revenues, Expenses and Changes in Retained Earnings
Comparative Statements of Cash Flows

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

<u>Ferry Enterprise Fund:</u>
Balance Sheet
Statement of Revenues, Expenses and Changes in Retained Earnings
Statements of Cash Flows

Exhibit E-1

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

June 30, 1998
(With Comparative Totals for June 30, 1997)

	Airport	Transit	Ferry	Totals June 30, 1998	Totals June 30, 1997
ASSETS					
Cash and Investments	$ 16,052	$ -	$ 83,365	$ 99,417	$ 132,137
Due From Other Governments	-	-	-	-	-
Accounts Receivable	180,855	10,539	2,920	194,314	139,337
Total Currrent Assets	196,907	10,539	86,285	293,731	271,474
Restricted Assets					
Bond Redemption Fund Cash & Investments	59,733	-	-	59,733	59,733
Plant in Service					
Buildings and Equipment	7,704,353	488,467	1,616,017	9,808,837	9,650,526
Construction in Progress	-	-	-	-	-
Less Accumulated Depreciation	(4,342,878)	(219,670)	(871,762)	(5,434,310)	(5,095,561)
Total Plant in Service	3,361,475	268,797	744,255	4,374,527	4,554,965
Total Assets	$ 3,618,115	$ 279,336	$ 830,540	$ 4,727,991	$ 4,886,172
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts Payable	$ 23,834	$ 16,230	$ 3,893	$ 43,957	$ 24,643
Due to Other Funds	59,733	136,837	-	196,570	3,620
Accrued Vacation & Sick Leave	78,027	6,469	71,367	155,863	164,408
Accrued Interest Payable	2,200	-	-	2,200	2,200
Current Portion of Long Term Debt	45,000	-	-	45,000	40,000
Total Current Liabilities	208,794	159,536	75,260	443,590	234,871
Long-term Debt	45,000	-	-	45,000	90,000
Total Liabilities	253,794	159,536	75,260	488,590	324,871
Fund Equity:					
Contributed Capital	1,173,663	186,794	431,160	1,791,617	1,894,059
Retained Earnings:					
Unreserved	2,130,925	(66,994)	324,120	2,388,051	2,607,509
Reserved	59,733	-	-	59,733	59,733
Total Retained Earnings	2,190,658	(66,994)	324,120	2,447,784	2,667,242
Total Fund Equity	3,364,321	119,800	755,280	4,239,401	4,561,301
Total Liabilities and Fund Equity	$ 3,618,115	$ 279,336	$ 830,540	$ 4,727,991	$ 4,886,172

Exhibit E-2

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 1998
(With Comparative Totals for the Year Ended June 30, 1997)

	Airport	Transit	Ferry	Totals June 30, 1998	Totals June 30, 1997
OPERATING REVENUES					
Charges for Services	$ 1,442,061	$ 136,907	$ 969,037	$ 2,548,005	$ 2,380,686
Total Operating Revenues	1,442,061	136,907	969,037	2,548,005	2,380,686
OPERATING EXPENSES					
Personnel Services	875,196	232,505	580,546	1,688,247	1,577,197
Supplies and Services	340,436	85,037	296,163	721,636	718,854
Insurance	53,853	20,000	73,573	147,426	136,191
Depreciation	301,268	57,930	65,336	424,534	398,638
Total Operating Expenses	1,570,753	395,472	1,015,618	2,981,843	2,830,880
Net Operating (Loss)	(128,692)	(258,565)	(46,581)	(433,838)	(450,194)
NON OPERATING REVENUES (EXPENSES)					
State Operating Grants	-	59,110	-	59,110	133,720
Interest Earnings	7,248	-	11,656	18,904	32,629
Other Revenues	-	-	125	125	-
Interest Expense	(10,752)	-	(448)	(11,200)	(20,811)
Total Nonoperating Revenues (Expenses)	(3,504)	59,110	11,333	66,939	145,538
Income (Loss) Before Operating Transfers	(132,196)	(199,455)	(35,248)	(366,899)	(304,656)
Other Financing Sources (Uses)					
Operating Transfers In	29,150	50,000	-	79,150	50,000
Operating Transfers Out	(29,150)	-	(5,000)	(34,150)	(55,000)
Total Other Financing Sources (Uses)	-	50,000	(5,000)	45,000	(5,000)
Net Income (Loss)	(132,196)	(149,455)	(40,248)	(321,899)	(309,656)
Depreciation of Fixed Assets:					
Acquired by Grants	77,813	15,044	9,584	102,441	169,832
Increase (Decrease) in Retained Earnings	(54,383)	(134,411)	(30,664)	(219,458)	(139,824)
Retained Earnings, Beginning of Year	2,245,041	67,417	354,784	2,667,242	2,807,066
Retained Earnings at End of Year	$ 2,190,658	$ (66,994)	$ 324,120	$ 2,447,784	$ 2,667,242

Exhibit E-3

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1998

	Airport	Transit	Ferry	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 1,396,644	$ 126,368	$ 970,016	$ 2,493,028
Due to other funds	-	133,217	-	133,217
Cash Payments for Insurance	(53,853)	(20,000)	(73,573)	(147,426)
Cash Payments to Employees for Services	(880,425)	(234,810)	(581,557)	(1,696,792)
Cash Payments to Suppliers for Goods and Services	(276,476)	(70,928)	(295,185)	(642,589)
Net Cash Provided by Operating Activities	185,890	(66,153)	19,701	139,438
Cash Flows from Noncapital Financing Activites:				
Transfers from General Fund	29,150	50,000	(5,000)	74,150
Transfers Out to General Fund	(29,150)	-	-	(29,150)
Grant Received from State	-	59,705	-	59,705
Net Cash Provided by Noncapital Financing Activities	-	109,705	(5,000)	104,705
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(162,194)	(44,956)	(60,449)	(267,599)
Loss on Disposal of Asset	-	1,999	-	1,999
Principal Paid on G. O. and Revenue Bonds	(40,000)	-	-	(40,000)
Interest Paid on G. O. and Revenue Bonds	10,752	(595)	(448)	9,709
Net Cash Used for Capital and Related Financing	(191,442)	(43,552)	(60,897)	(295,891)
Cash Flow From Investing Activities:				
Interest on Investments	7,248	-	11,780	19,028
Net Cash Provided by Investing Activities	7,248	-	11,780	19,028
Net Increase (Decrease) in Cash and Cash Equivalents	1,696	0	(34,416)	(32,720)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	74,089	-	117,781	191,870
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 75,785	$ 0	$ 83,365	$ 159,150
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Cash and Temporary Investments - Current Assets	16,052	-	83,365	99,417
Cash and Temporary Investments - Restricted Assets	59,733	-	-	59,733
	$ 75,785	$ -	$ 83,365	$ 159,150
Reconciliation of Operating Income to Cash Provided by Operating Activities:				
Operating Income (Loss)	(128,692)	(258,565)	(46,581)	(433,838)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	-		-	-
Depreciation	301,268	57,930	65,336	424,534
(Increase) Decrease in Accounts Receivable	(45,417)	(10,539)	979	(54,977)
Increase (Decrease) in Due to General Fund	59,733	133,217	-	192,950
Increase (Decrease) in Accounts Payable	4,227	14,109	978	19,314
Increase (Decrease) in Accrued Liabilities	(5,229)	(2,305)	(1,011)	(8,545)
Total Adjustments	314,582	192,412	66,282	573,276
Net Cash Provided by Operating Activities	$ 185,890	$ (66,153)	$ 19,701	$ 139,438

Exhibit E-4

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1998 and 1997

	1998	1997
ASSETS		
Cash and Cash Equivalents	$ 16,052	$ 14,356
Accounts Receivable	180,855	135,438
Total Currrent Assets	196,907	149,794
Restricted Assets		
Bond Redemption Fund Cash & Cash Equivalents	59,733	59,733
Plant in Service		
Field	3,309,510	3,251,311
Terminal	4,365,332	4,292,190
Administration	16,636	13,399
Murphy's Landing	12,875	12,875
Less Accumulated Depreciation	(4,342,878)	(4,047,722)
Total Plant in Service	3,361,475	3,522,053
Total Assets	$ 3,618,115	$ 3,731,580
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 23,834	$ 19,607
Due to Other Funds	59,733	-
Accrued Vacation & Sick Leave	78,027	83,256
Accrued Interest Payable	2,200	2,200
Current Portion of Long Term Debt	45,000	40,000
Total Current Liabilities	208,794	145,063
Long-term Debt	45,000	90,000
Total Liabilities	253,794	235,063
Fund Equity:		
Contributed Capital	1,173,663	1,251,476
Retained Earnings		
Unreserved	2,130,925	2,185,308
Reserved	59,733	59,733
Total Retained Earnings	2,190,658	2,245,041
Total Fund Equity	3,364,321	3,496,517
Total Liabilities and Fund Equity	$ 3,618,115	$ 3,731,580

Exhibit E-5

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 1998 and 1997

	June 30, 1998	June 30, 1997
OPERATING REVENUES		
Charges for Services	$ 1,442,061	$ 1,316,479
Total Operating Revenues	1,442,061	1,316,479
OPERATING EXPENSES		
Personnel Services	875,196	772,262
Supplies and Services	340,436	382,764
Insurance	53,853	46,655
Total Operation and Maintenance	1,269,485	1,201,681
Depreciation	301,268	269,127
Total Operating Expenses	1,570,753	1,470,808
Net Operating (Loss)	(128,692)	(154,329)
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	-	-
Interest Earnings	7,248	25,113
Interest Expense	(10,752)	(19,916)
Total Nonoperating Revenues (Expenses)	(3,504)	5,197
Income (Loss) Before Operating Transfers	(132,196)	(149,132)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	29,150	-
Operating Transfers Out	(29,150)	(29,150)
Total Operating Expenses	-	(29,150)
Net Income (Loss)	(132,196)	(178,282)
Depreciation of Fixed Assets Acquired by Grants	77,813	73,067
Increase (Decrease) in Retained Earnings	(54,383)	(105,215)
Retained Earnings, Beginning of Year	2,245,041	2,350,256
Retained Earnings at End of Year	$ 2,190,658	$ 2,245,041

Exhibit E-6

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1998 and 1997

	1998	1997
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 1,396,644	$ 1,371,233
Cash Payments for Insurance	(53,853)	(46,655)
Cash Payments to Employees for Services	(880,425)	(779,837)
Cash Payments to Suppliers for Goods and Services	(276,476)	(377,395)
Net Cash Provided by Operating Activities	185,890	167,346
Cash Flows Non Capital Financing Activies:		
Transfers In	29,150	-
Transfers Out	(29,150)	(29,150)
Net Cash Provided by Non Capital Financing Activities	-	(29,150)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(162,194)	(340,483)
Grant Received from State	-	167,977
Principal Paid on Bonds	(40,000)	(205,000)
Interest Paid on Bonds	10,752	(19,916)
Net Cash Provided by Capital and Related Financing Activities	(191,442)	(397,422)
Cash Flow from Investing Activities		
Interest on Investments	7,248	25,113
Net Cash Provided by Investing Activities	7,248	25,113
Net Increase (Decrease) in Cash and Cash Equivalents	1,696	(234,113)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	74,089	308,202
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 75,785	$ 74,089
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	$ 16,052	$ 14,356
Cash and Temporary Investments _ Restricted Assets	59,733	59,733
	$ 75,785	$ 74,089
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (128,692)	$ (154,329)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	301,268	269,127
(Increase) Decrease in Accounts Receivable	(45,417)	54,754
Increase (Decrease) in Accounts Payable	4,227	5,369
Increase (Decrease) in Due to Other Funds	59,733	
Increase (Decrease) in Accrued Liabilities	(5,229)	(7,575)
Total Adjustments	314,582	321,675
Net Cash Provided by Operating Activities	$ 185,890	$ 167,346

Exhibit E-7

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1998 and 1997

	1998	1997
ASSETS		
Accounts Receivable	$ 10,539	$ -
Due from Other Governments	-	-
Total Currrent Assets	10,539	-
Plant in Service		
Buses	488,467	525,183
Less Accumulated Depreciation	(219,670)	(241,412)
Net Plant in Service	268,797	283,771
Total Assets	$ 279,336	$ 283,771
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	$ 16,230	$ 2,121
Due to Other Funds	136,837	3,620
Accrued Vacation and Sick Leave	6,469	8,774
Total Current Liabilities	159,536	14,515
Fund Equity:		
Contributed Capital	186,794	201,839
Retained Earnings	(66,994)	67,417
Total Fund Equity	119,800	269,256
Total Liabilities and Fund Equity	$ 279,336	$ 283,771

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, 1998 and June 30, 1997

	June 30, 1998	June 30, 1997
OPERATING REVENUES		
Charges for Services	$ 136,907	$ 143,796
Total Operating Revenues	136,907	143,796
OPERATING EXPENSES		
Personnel Services	232,505	210,411
Supplies and Services	85,037	59,503
Insurance	20,000	19,897
Total Operation and Maintenance	337,542	289,811
Depreciation	57,930	69,435
Total Operating Expenses	395,472	359,246
Net Operating (Loss)	(258,565)	(215,450)
NON OPERATING REVENUES (EXPENSES)		
UMTA Grant for Ferry	-	-
State Operating Grants	59,110	116,621
Interest Earnings	-	462
Total Nonoperating Revenues (Expenses)	59,110	117,083
Income (Loss) Before Operating Transfers	(199,455)	(98,367)
Other Financing Sources (Uses)		
Operating Transfers In	50,000	50,000
Total Other Financing Sources (Uses)	50,000	50,000
Net Income (Loss)	(149,455)	(48,367)
Depreciation of Fixed Assets Acquired by Grants	15,044	58,115
Increase (Decrease) in Retained Earnings	(134,411)	9,748
Retained Earnings, Beginning of Year	67,417	57,669
Retained Earnings at End of Year	$ (66,994)	$ 67,417

Exhibit E-9

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1998 and 1997

	1998	1997
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 126,368	$ 143,796
Due to other funds	133,217	-
Cash Payments for Insurance	(20,000)	(19,897)
Cash Payments to Employees for Services	(234,810)	(213,371)
Cash Payments to Suppliers for Goods and Services	(70,928)	(76,918)
Net Cash Provided by Operating Activities	(66,153)	(166,390)
Cash Flows from Noncapital Financing Activities		
Transfer from General Fund	50,000	50,000
Grant Received from State	59,705	116,621
Net Cash Provided by Noncapital Financing Activities	109,705	166,621
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(44,956)	(693)
Loss on Disposal of Asset	1,999	
Capital Grant Received from State	(595)	-
Net Cash Used for Capital and Related Financing Activities	(43,552)	(693)
Cash Flow from Investing Activities		
Interest on Investments	-	462
Net Cash Provided by Investing Activities	-	462
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)	(258,565)	(215,450)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	57,930	69,435
(Increase) Decrease From Accounts Receivable	(10,539)	-
(Increase) Decrease From Other Governments	-	162
Increase (Decrease) in Other Funds	133,217	(7,423)
Increase (Decrease) in Accounts Payable	14,109	(10,154)
Increase (Decrease) in Accrued Liabilities	(2,305)	(2,960)
Total Adjustments	192,412	49,060
Net Cash Provided by Operating Activities	$ (66,153)	$ (166,390)

Exhibit E-10

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1998 and 1997

	1998	1997
ASSETS		
Cash & Investments	$ 83,365	$ 117,781
Accounts Receivable	2,920	3,899
Total Current Assets	86,285	121,680
Plant in Service		
Ferry	1,616,017	1,555,568
Less Accumulated Depreciation	(871,762)	(806,427)
Total Plant in Service	744,255	749,141
Total Assets	$ 830,540	$ 870,821
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 3,893	$ 2,915
Accrued Vacation & Sick Leave	71,367	72,378
Total Liabilities	75,260	75,293
Fund Equity:		
Contributed Capital	431,160	440,744
Retained Earnings		
Unreserved	324,120	354,784
Total Retained Earnings	324,120	354,784
Total Fund Equity	755,280	795,528
Total Liabilities and Fund Equity	$ 830,540	$ 870,821

Exhibit E-11

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 1998 and 1997

	June 30, 1998	June 30, 1997
OPERATING REVENUES		
Charges for Services	$ 969,037	$ 920,411
Total Operating Revenues	969,037	920,411
OPERATING EXPENSES		
Personnel Services	580,546	594,524
Supplies and Services	296,163	276,587
Insurance	73,573	69,639
Total Operation and Maintenance	950,282	940,750
Depreciation	65,336	60,076
Total Operating Expenses	1,015,618	1,000,826
Net Operating (Loss)	(46,581)	(80,415)
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	-	17,099
Interest Earnings	11,656	7,054
Other Revenues	125	-
Interest Expense	(448)	(895)
Total Nonoperating Revenues (Expenses)	11,333	23,258
Income (Loss) Before Operating Transfers	(35,248)	(57,157)
Other Financing Sources (Uses)		
Operating Transfers Out	(5,000)	(25,850)
Total Other Financing Sources (Uses)	(5,000)	(25,850)
Net Income (Loss)	(40,248)	(83,007)
Depreciation of Fixed Assets Acquired by Grants	9,584	38,650
Increase (Decrease) in Retained Earnings	(30,664)	(44,357)
Retained Earnings, Beginning of Year	354,784	399,141
Retained Earnings at End of Year	$ 324,120	$ 354,784

Exhibit E-12

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1998 and 1997

	1998	1997
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 970,016	$ 923,057
Cash Payments for Insurance	(73,573)	(69,639)
Cash Payments to Employees for Services	(581,557)	(587,027)
Cash Payments to Suppliers for Goods and Services	(295,185)	(279,768)
Net Cash Provided by Operating Activities	19,701	(13,377)
Cash Flow from Non-Capital Financing Activities		
Transfers to General Fund	(5,000)	(25,850)
Grant Received from State	-	17,099
Net Cash Provided by Non Capital Financing Activities	(5,000)	(8,751)
Cash Flows from Capital and Related Financing Activities:		
Capital Grant received from State	-	24,915
Acquisition and Construction of Capital Assets	(60,449)	(39,592)
Interest Paid on G.O. Bonds	(448)	(895)
Net Cash Used for Capital and Related Financing Activities	(60,897)	(15,572)
Cash Flow from Investing Activities		
Interest on Investments	11,780	7,054
Net Cash Provided by Investing Activities	11,780	7,054
Net Increase (Decrease) in Cash and Cash Equivalents	(34,416)	(30,646)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	117,781	148,427
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 83,365	$ 117,781
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	83,365	117,781
	$ 83,365	$ 117,781
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(46,581)	(80,415)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	-	-
Depreciation Expense	65,336	60,076
(Increase) Decrease in Accounts Receivable	979	2,646
Increase in Accounts Payable	978	(3,181)
Increase (Decrease) in Accrued Liabilities	(1,011)	7,497
Total Adjustments	66,282	67,038
Net Cash Provided by Operating Activities	$ 19,701	$ (13,377)

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 governmental units, on a cost reimbursement basis.

Internal Service Funds:

Balance Sheet

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

Statement of Cash Flows

Exhibit F-1

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUNDS

BALANCE SHEET

June 30, 1998

	Great West Insurance Fund	Insurance Stablization Fund	Total
ASSETS			
Cash & Temporary Investments	$ 415,049	$ 263,842	$ 678,891
Equity in Stabilization Insurance Fund	-	46,561	46,561
Total Currrent Assets	415,049	310,403	725,452
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	26,495	-	26,495
Total Liabilities	26,495	-	26,495
Fund Equity:			
Reserved	-	46,561	46,561
Unreserved	388,554	263,842	652,396
Total Retained Earnings	388,554	310,403	698,957
Total Fund Equity	388,554	310,403	698,957
Total Liabilities and Fund Equity	$ 415,049	$ 310,403	$ 725,452

Exhibit F-2

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ACTUAL

For the Fiscal Year Ended June 30, 1998

	Great West Insurance Fund	Insurance Stablization Fund	Total
OPERATING REVENUES			
Insurance Premiums	$ 1,835,141	$ -	$ 1,835,141
Total Operating Income	1,835,141	-	1,835,141
OPERATING EXPENSES			
Administration Costs	101,926	-	101,926
Expense - Claims Service	1,670,538	39,238	1,709,776
Total Operating Expenses	1,772,464	39,238	1,811,702
Net Operating Revenues(Loss)	62,677	(39,238)	23,439
NON OPERATING REVENUES (EXPENSES)			
Interest Income	18,987	16,025	35,012
Total Nonoperating Revenues (Expenses)	18,987	16,025	35,012
Net Income (Loss)	81,664	(23,213)	58,451
Retained Earnings, Beginning of Year	306,890	333,616	640,506
Retained Earnings at End of Year	$ 388,554	$ 310,403	$ 698,957

Exhibit F-3

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1998

	Great West Insurance Fund	Aetna Insurance Fund	Total 1998
Cash Flows from Operating Activities:			
Cash Received from Customers and Users	$ 1,835,141	$ -	$ 1,835,141
Cash Payments for Insurance	(1,827,687)	(39,238)	(1,866,925)
Net Cash Provided by Operating Activities	7,454	(39,238)	(31,784)
Cash Flow from Investing Activities:			
Interest on Investments	18,987	16,025	35,012
Net Cash Provided by Investing Activities	18,987	16,025	35,012
Net Increase (Decrease) in Cash and Cash Equivalents	26,441	(23,213)	3,228
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	388,608	333,616	722,224
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 415,049	$ 310,403	$ 725,452
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	$ 415,049	$ 263,842	$ 678,891
Cash and Temporary Investments - Restricted Assets	-	46,561	46,561
	$ 415,049	$ 310,403	$ 725,452
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ 62,677	$ (39,238)	$ 23,439
Adjustments to Reconcile Operating Income to Net Cash			
Increase (Decrease) in Accounts Payable	(55,223)	-	(55,223)
Total Adjustments	(55,223)	-	(55,223)
Net Cash Provided by Operating Activities	$ 7,454	$ (39,238)	$ (31,784)

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AGENCY FUNDS

Agency Funds are used to account for assets held by a governmental unit in an agency capacity for individuals, other governmental units and/or other funds.

Agency Funds

Agency Funds – Statement of Changes in Assets and Liabilities

Exhibit G-1

KETCHIKAN GATEWAY BOROUGH

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 1998

		Balance June 30, 1997		Additions		eductions		Balance June 30, 1998
DEFERRED COMPENSATION FUND								
Assets								
Funds with Fiscal Agents	$	1,183,475	$	118,295	$	13,678	$	1,288,092
Liabilities								
Deferred Compensation	$	1,183,475	$	118,295	$	13,678	$	1,288,092

The Accompanying Notes are an Integral Part of the Financial Statements.

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GENERAL FIXED ASSETS ACCOUNT GROUP

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

The following statements are included in this section:

Comparative Schedules of General Fixed Assets

Schedule of General Fixed Assets – by Function and Activity

Exhibit H-1

KETCHIKAN GATEWAY BOROUGH

GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS

June 30, 1998 and 1997

	1998	1997
GENERAL FIXED ASSETS		
Land	$ 285,000	$ 285,000
Buildings	8,224,565	8,160,988
Equipment	1,739,358	1,538,962
Infrastructure	2,648,285	2,531,177
Construction in Progress	-	16,408
Total	$ 12,897,208	$ 12,532,535

	1998	1997
INVESTMENT IN GENERAL FIXED ASSETS FROM:		
Federal and State Grants	$ 1,377,411	$ 1,337,811
General Revenues	11,519,797	11,194,724
Total	$ 12,897,208	$ 12,532,535

KETCHIKAN GATEWAY BOROUGH

SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY

June 30, 1998

Function and Activity	Land	Buildings	Machinery and Equipment	Infrastructure	Total
General Government:					
Manager	$ 150,000	$ 335,000	$ 29,210	$ -	$ 514,210
Clerk	-	-	23,650	-	23,650
Attorney	-	-	18,306	-	18,306
Administrative Services	-	-	66,733	-	66,733
Assessment	-	-	77,777	-	77,777
Total General Government	150,000	335,000	215,676	-	700,676
Services:					
Animal Protection	55,000	284,252	60,660	-	399,912
Parks and Recreation	-	7,192,535	364,156	-	7,556,691
Maintenance and Operations	80,000	273,287	282,231	2,608,343	3,243,861
Planning	-	-	81,669	-	81,669
Child Care Assistance	-	-	3,727	-	3,727
Non-Departmental	-	139,490	72,757	-	212,247
Local Emergency Planning Commission	-	-	12,388	-	12,388
Coastal Zone Management	-	-	7,548	-	7,548
Land Trust	-	-	10,714	-	10,714
	-	-	-	-	-
Total Services	135,000	7,889,565	895,850	2,608,343	11,528,757
Service Areas:					
Southend Fire District	-	-	429,020	-	429,020
Shoreline Service Area	-	-	190,799	-	190,799
Forest Park	-	-	-	19,958	19,958
Gold Nugget	-	-	-	19,983	19,983
Mt. Point Service Area	-	-	8,013	-	8,013
Total Service Areas	-	-	627,832	39,942	667,774
Total General Fixed Assets	$ 285,000	$ 8,224,565	$ 1,739,358	$ 2,648,285	$ 12,897,208

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 I-1

KETCHIKAN GATEWAY BOROUGH

GENERAL LONG-TERM DEBT ACCOUNT GROUP

COMPARATIVE STATEMENTS OF GENERAL LONG-TERM DEBT

June 30, 1998 and 1997

	June 30, 1998	June 30, 1997
Other Debits		
Amount to Provided-Bonds	$ 9,015,000	$ 10,670,000
Total Other Debits	$ 9,015,000	$ 10,670,000
Liabilities		
95 IRC Bonds	$ 6,615,000	$ 7,070,000
89 School Construction G.O. Bonds	2,400,000	3,600,000
Total General Long-term Debt	$ 9,015,000	$ 10,670,000

Exhibit I-2

KETCHIKAN GATEWAY BOROUGH

GENERAL LONG-TERM DEBT ACCOUNT GROUP

STATEMENT OF CHANGES IN LONG-TERM DEBT

For the Fiscal Year Ended June 30, 1998

	Balance June 30, 1997	Deletions	Balance June 30, 1998
Other Debits			
Amount to be Provided-Bonds	$ 10,670,000	$ 1,655,000	$ 9,015,000
Liabilities			
95 IRC Bonds	$ 7,070,000	$ 455,000	$ 6,615,000
89 School Construction G.O. Bonds	3,600,000	1,200,000	2,400,000
Total General Long-term Debt	$ 10,670,000	$ 1,655,000	$ 9,015,000

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 Requirement to Maturity

Exhibit J-1

KETCHIKAN GATEWAY BOROUGH
COMBINED SCHEDULE OF CASH AND INVESTMENT BALANCES - ALL FUNDS
June 30, 1998

CASH & INVESTMENTS CLASSIFIED BY FUND		
General Fund		$ 3,840,933
Special Revenue Funds:		
Land Trust	$14,564,972	
Non-Area Wide Fund	4,755	
SE Economic Disaster Fund	17,255,999	
Economic Development Loan Guarantee Fund	4,024,819	
School Bond/Capital Improvement Fund	99,429	
Recreation Capital Projects Fund	943,897	
South Tongass Fire District	91,864	
Shoreline Service Area Fund	125,823	
Mt. Point Service Area Fund	248,907	
Waterfall Service Area Fund	112,953	
Mud Bight Service Area	43,741	
Nichols View Service Area Fund	9,389	
Forest Park Service Area Fund	276,832	
Gold Nugget Service Area Fund	16,389	
Shoup Street Service Area	28,843	
State & Federal Grants Fund	1,026,723	38,875,336
Capital Projects Funds:		
Indoor Recreation Center Construction Project	347,617	
Walker Field Fund	35,362	382,979
Enterprise Funds:		
Airport Enterprise Fund - Unrestricted	16,052	
Airport Enterprise Fund - Restricted	59,733	
Ferry Enterprise Fund	83,365	159,150
Internal Service Funds:		
Great West Insurance Reserve	415,049	
Aetna Insurance Risk Management Fund	310,403	725,452
Agency Funds:		
Cash with Deferred Comp Agent	1,288,092	1,288,092
Total Cash by Fund		$ 45,271,942
CASH CLASSIFIED BY DEPOSITORY		
Change Funds & Petty Cash	$ 2,200	
Mikunda Cottrell Trust Account - Shoup Street	1,228	
Mikunda Cottrell Trust Account - Mountain Point	876,831	
First Bank of Ketchikan	4,524	
National Bank of Alaska	267,356	
Funds with Aetna Insurance Company	46,561	
Funds with Fiscal Agents	1,288,092	
Total Cash		2,486,792
Investments		
National Bank of Alaska - Trust	10,989,879	
National Bank of Alaska - Trust	20,660,201	
First Bank	2,527,622	
U.S. Trust	8,607,449	
Total Investments		42,785,150
Total Cash and Investments		$ 45,271,942

Exhibit J-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	Net Assets (at market) Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded (Overfunded) Pension Benefit Obligation	Annual Covered Payroll	Unfunded (Overfunded) Pension Benefit Obligation as a Percentage Covered Payroll
1988	3,489	3,508	99.5%	19	1,536	1.2%
1989	3,877	4,016	96.5%	139	1,645	8.4%
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%

Exhibit J-3

KETCHIKAN GATEWAY BOROUGH

COMBINED SCHEDULE OF BONDS PAYABLE

Year Ended June 30, 1998

	Interest Rate	Payment Dates	Issue Date	Final Maturity Date	Authorized	Issued	Retired	Outstanding
GENERAL OBLIGATION BONDS								
1989 Series "A" School Bonds	6.20 - 6.70	4/1 & 10/1	11/14/89	10/01/2000	9,600,000	9,600,000	7,200,000	2,400,000
1996 IRC Bonds	4.30 - 6.00	5/15 & 11/15	12/07/95	5/15/2009	7,500,000	7,500,000	885,000	6,615,000
					$ 17,100,000	$ 17,100,000	$ 8,085,000	$ 9,015,000
REVENUE BONDS								
1980 Airport Improvement Bonds	8.00	5/1 & 11/1	05/01/80	05/01/2000	$ 410,000	$ 410,000	$ 320,000	$ 90,000

Exhibit J-4

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 1998

Fiscal	G.O. Bonds-Education			G.O. Bonds-IRC			Revenue Bonds-Airport		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999	1,200,000	160,200	1,360,200	485,000	314,028	799,028	40,000	7,200	47,200
2000	1,200,000	80,400	1,280,400	505,000	290,262	795,262	50,000	4,000	54,000
2001				530,000	268,548	798,548			
2002				550,000	245,228	795,228			
2003				575,000	220,478	795,478			
2004				605,000	194,028	799,028			
2005				630,000	165,591	795,591			
2006				660,000	135,037	795,037			
2007				695,000	103,357	798,357			
2008				730,000	69,650	799,650			
2009				650,000	33,150	683,150			
	$ 2,400,000	$ 240,600	$ 2,640,600	$ 6,615,000	$ 2,039,357	$ 8,654,357	$ 90,000	$ 11,200	$ 101,200

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

UNAUDITED SECTION

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

Fiscal	General	Public	Education		Debt Service	
Year	Government	Services	Operating	Capital	Education	Total
1989	2,079	1,819	16,689	10	3,068	23,665
1990	2,230	2,046	16,752	779	3,244	25,051
1991	1,962	3,145	17,535	1,123	5,671	29,436
1992	1,974	4,132	17,761	4,060	5,490	33,417
1993	1,964	4,998	595	13,191	4,923	25,671
1994	1,833	5,564	588	15,705	4,859	28,549
1995	1,751	5,087	60	9,530	2,102	18,530
1996	1,611	4,718	168	9,666	1,997	18,160
1997	2,048	5,138	0	4,897	2,315	14,398
1998	2,136	7,396	0	602	2,236	12,370

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

TABLE 1 - UNAUDITED

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

Fiscal Year	Taxes	Inter - governmental Revenues	Charges for Services	Other Revenues	Total
1989	6,843	15,974	776	1,083	24,676
1990	7,312	16,365	954	1,026	25,657
1991	7,572	18,988	539	2,354	29,453
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

(1) General government expenditures and revenue figures taken from Exhibit 2, Comprehensive Annual Financial Report FY98

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
1989	4,520	2,323	(2)	(2)	6,843
1990	4,037	2,614	102	41	6,794
1991	4,278	2,795	104	29	7,206
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

(1) Information taken from Exhibit A-2, Comprehensive Annual Financial Report FY98
(2) Information not available

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
1989	4,491,458	4,420,026	98.4%	6,212	4,426,238	98.5%	212,692	4.7%
1990	4,540,936	4,426,772	97.5%	47,459	4,474,231	98.5%	315,991	7.0%
1991	4,413,036	4,304,335	97.5%	127,388	4,431,723	100.4%	297,304	6.7%
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%

TABLE 3 - UNAUDITED

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

	Real Property		Personal Property		Exemptions	Total		
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Real Property	Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value To Total Estimated Actual Value
1989	634,195,750	634,195,750	37,974,350	37,974,350	N/A	672,170,100	672,170,100	100%
1990	666,993,200	666,993,200	43,808,500	43,808,500	14,881,000	725,682,700	725,682,700	100%
1991	681,735,000	681,735,000	53,771,000	53,771,000	38,838,400	774,344,400	774,344,400	100%
1992	718,163,850	718,163,850	55,421,400	55,421,400	35,800,450	792,034,850	792,034,850	100%
1993	738,564,850	738,564,850	53,470,000	53,470,000	44,979,100	819,894,650	819,894,650	100%
1994	725,831,925	725,831,925	50,919,750	50,919,750	43,142,975	856,242,900	856,242,900	100%
1995	808,998,500	808,998,500	55,258,900	55,258,900	51,643,400	915,900,800	915,900,800	100%
1996	868,583,400	868,583,400	59,920,100	59,920,100	56,567,400	985,070,900	985,070,900	100%
1997	886,485,200	886,485,200	59,779,600	59,779,600	59,318,000	1,005,582,800	1,005,582,800	100%
1998	945,782,900	945,782,900	63,938,900	63,938,900	61,147,800	1,009,721,800	1,009,721,800	100%

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

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 End Fire Service Area	Mud Bight Service Area	Forest Park Service Area	Non Areawide	Ketchikan Gateway Borough	Total
1989	8.20	0.50	1.00	5.00		0.85	6.00	21.55
1990	8.80	0.50	1.00	5.00		0.85	6.00	22.15
1991	8.70	0.50	1.00	10.00		1.00	6.00	27.20
1992	8.10	1.00	1.00	10.00	5.00	0.60	6.60	32.30
1993	7.50	1.00	1.00	10.00	5.00	0.65	8.30	33.45
1994	7.50	1.00	1.00	0.00	5.00	0.65	8.30	23.45
1995	7.00	1.00	1.00	0.00	5.00	0.70	7.50	22.20
1996	6.70	1.00	1.00	0.00	3.50	0.84	7.10	20.14
1997	6.70	1.00	1.00	0.00	3.50	0.84	7.00	20.04
1998	6.40	1.00	1.00	0.00	3.50	0.92	7.00	19.82

TABLE 5 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PRINCIPAL TAXPAYERS
June 30, 1998
(amounts expressed in thousands)

Taxpayer	Business Type		Valuation	Percentage of Total Assessed Valuation
Ketchikan Pulp	Forest Products	$	50,552,800	5.01%
The Hames Group	Retail Stores		11,993,200	1.19%
Cape Fox Corporation (Includes Cape Fox Hotel Corp.)	Forest Products		11,468,200	1.14%
E. C. Phillips & Son, Inc.	Fish Processing		7,925,700	0.78%
Kanaway Seafoods	Seafood Processing		7,678,000	0.76%
Tongass Trading	Retail Stores		7,580,600	0.75%
Vanderweele, James & Ken	Commercial Property		6,623,400	0.66%
TF Acquisition	Seafood Processing		5,179,700	0.51%
Carr-Gottstein Foods Co.	Retail Stores		5,107,500	0.51%
Harbor Enterprises/Petro Marine	Petroleum		4,299,100	0.43%
Total Principal Taxpayers		$	118,408,200	11.73%
Total Assessed Valuation		$	1,009,721,800	100.00%

TABLE 6 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH

Computation of Legal Debt Margin

June 30, 1998

No Debt Limit is Mandated by Law

Direct and Overlapping Debt

Total Direct Debt			
Outstanding G.O. Bonds - Ketchikan Gateway Borough			$9,015,000
Less Self Supporting Debt:			
1972 Airport Improvement Bonds		(90,000)	
1995 Recreation Sales Tax Revenues		(6,615,000)	(6,705,000)
Total Direct Debt			2,310,000
City of Ketchikan Direct Debt			
Outstanding G.O. Bonds			$19,340,000
Less Self Supporting Debt:			
Bonds paid from Sales Tax Hospital Fund and Other Public Works Funds	$	1,000,000	
Bonds paid from Sales Tax Hospital Fund Revenues		10,700,000	
Bonds Paid from Ketchikan Port Fund Revenues		4,750,000	
Bonds Paid from Wastewater Fund Revenues		1,459,450	17,909,450
Total City of Ketchikan Direct Debt			1,430,550
Total Direct and Overlapping Debt			$3,740,550

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
1989	12,829	672,170,100	14,549,000	0	1,340,000	13,209,000	1.97%	1,030
1990	12,829	710,801,700	24,364,000	0	1,175,000	23,189,000	3.26%	1,808
1991	13,818	735,506,000	20,794,000	0	1,000,000	19,794,000	2.69%	1,432
1992	13,828	773,585,250	16,194,000	0	815,000	15,379,000	1.99%	1,112
1993	13,828	792,034,850	12,384,000	0	620,000	11,764,000	1.49%	851
1994	14,923	819,894,650	8,819,000	0	480,000	8,339,000	1.02%	559
1995	15,028	915,900,800	6,530,000	0	330,000	6,200,000	0.68%	413
1996	15,082	985,070,900	12,470,000	0	170,000	12,300,000	1.25%	816
1997	14,728	1,005,582,800	10,800,000	0	130,000	10,670,000	1.06%	724
1998	14,231	1,009,721,800	9,105,000	0	90,000	9,015,000	0.89%	633

(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, 1998

Fiscal Year	Debt Service Payments: Principal	Debt Service Payments: Interest	Debt Service Payments: Total	Total General Expenditures	Ratio of Debt Service to General Expenditures
1989	1,910,471	1,218,468	3,128,939	23,664,786	13.2%
1990	2,020,000	1,046,112	3,066,112	24,635,784	12.4%
1991	3,395,000	1,933,012	5,328,012	33,514,929	15.9%
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%

TABLE 9 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
DEMOGRAPHIC STATISTICS
Ten Year Period Ending June 30, 1998

Fiscal Year	(1) Borough Population	(2) Alaska Per Capita Income	(2) Median Age	(3) Borough School Enrollment	(2) Alaska Unemployment Rate	(2) Ketchikan Unemployment Rate
1989	12,829	21,173	(4)	2,507	10.8%	(4)
1990	12,829	21,668	32	2,618	6.7%	7.5%
1991	13,818	21,688	32	2,693	7.0%	7.9%
1992	13,828	21,067	32	2,664	8.5%	9.9%
1993	13,828	22,419	32	2,690	6.1%	5.9%
1994	14,923	23,395	30	2,735	7.5%	7.5%
1995	15,028	23,344	30	2,729	6.5%	5.2%
1996	15,082	24,044	31	2,850	7.3%	7.6%
1997	14,728	(4)	(4)	2,856	6.0%	6.6%
1998	14,231	(4)	(4)	2,731	6.0%	6.4%

Sources:
(1) Alaska Department of Community & Regional Affairs
(2) Alaska Department of Labor
(3) Ketchikan Gateway Borough School District (Average Daily Attendance)
(4) Information not available

TABLE 10 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
MISCELLANEOUS STATISTICS
FOR THE YEAR ENDED JUNE 30, 1998

Date of Incorporation	9/13/1963
Type of Government	Second Class Borough
Form of Government	Assembly/Manager
Area - Square Miles	1,242
Education (through Grade 12 only)	
Number of Attendance Centers	7
Number of Classrooms	145
Number of Teachers	153 FTE
Number of Students (Average Daily Attendance)	2,731
Elections	
Number of Registered Voters	11,196
Number of Votes in last regular election	2,848
Airport Operations	
Landings & Takeoffs per year - all Aircraft	34,024
Air Carrier Passengers per year	200,430
Ferry Passengers	401,593
Ferry Vehicles	93,201
Planning	
Number of zoning permits issued	128
Permanent Employees as of June 30, 1998	85

TABLE 11 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years

Fiscal Year	Property Value (1) Assessed Valuation	Construction Number of Units	Construction Value
1989	672,170,100	160	8,611,283
1990	725,682,700	204	12,911,660
1991	744,344,400	178	5,391,435
1992	809,385,700	153	18,818,175
1993	837,013,950	158	32,886,000
1994	819,894,650	158	11,172,000
1995	849,837,900	130	10,685,122
1996	985,070,900	76	2,905,700
1997	1,005,582,800	42	11,231,500
1998	1,009,721,800	39	17,954,800

TABLE 12 - UNAUDITED

KETCHIKAN GATEWAY BOROUGH
REVENUE BOND COVERAGE
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
1989	2,077,319	1,604,486	472,833	20,000	28,800	48,800	9.69
1990	2,352,058	1,814,229	537,829	20,000	27,200	47,200	11.39
1991	2,331,149	1,794,049	537,100	20,000	25,600	45,600	11.78
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

(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.

TABLE 13 - UNAUDITED