KETCHIKAN GATEWAY BOROUGH
ALASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 1997

KETCHIKAN GATEWAY BOROUGH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 1997

Prepared by

DEPARTMENT OF ADMINISTRATIVE SERVICES

Alvin E. Hall, Director

KETCHIKAN GATEWAY BOROUGH
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1997

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INTRODUCTORY SECTION

December 10, 1997

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, 1997, 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, 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.

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 to say that 1996-97 was not a good year for the timber industry is an understatement. 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 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 will be a severe blow to the local economy and result in the loss of approximately 500 jobs, or 6 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. In 1995, the timber industry payroll was $48 million. KPC alone generated $26 million. The closure of the pulp mill is expected to impact employment in other sectors of the economy. The loss of indirect jobs is estimated as high as 650 employees.

Despite the closure of the pulp mill, KPC will continue to operate its two sawmills in Southeast Alaska. An agreement was reached between the United States Department of Agriculture and the Louisiana Pacific which would guarantee a three-year supply of timber totaling 300 million board feet. This agreement ensures that 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 1997 and for the next two years. The long term prospect for the industry is dependent on the outcome of the Tongass Land Management Plan which is presently undergoing public discussion.

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. During the season's summer peak, the industry's share can exceed 30%.

The past several years has not been good for the area fisheries. Near record salmon harvest levels have been offset by low market prices, large inventories, and diminished demand for Alaska salmon products, especially pink salmon. Competition from fish farms has also eroded Alaska's market share. These trends continued during the 1996 and 1997 seasons. The pink salmon catch and escapement were the largest on record for the Ketchikan area, but the market price dropped to as low as five cents a pound. As a result, many operators elected to sit out the season.

The non-salmon fisheries are beginning to show some promise. The value of the catch for the non-salmon fisheries is expected to increase to approximately $10 million. A new sea urchin fishery added in December 1996 is expected to further promote the development of the non-salmon fisheries.

Until the market equilibrium between supply and demand has been reestablished, the outlook for Southeast Alaska's fishing industry remains less than optimistic. Sluggish consumer and record harvest levels in 1996 have made it difficult to reduce existing inventories of canned salmon. The pink salmon harvest is projected to equal the amount harvested in 1996. Prices continue to remain low and the number of jobs generated by the industry is expected to remain at 1996 levels or decline slightly.

Tourism currently the most dynamic and positive sector of our local economy is now the third largest industry in the borough. Tourists travel into the borough either by air or water transportation, with the majority arriving by cruise ship. In 1996 cruise ships brought a record number of 426,000 visitors to Ketchikan. This does not include two local operations serving the Southeast with a capacity of 50 passengers making scheduled weekly stops in 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 1997 is excellent. Thirty-three cruise ships are expected to make 470 stops and bring 495,000 passengers, an increase of 16 percent over 1996.

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, 1996-97 was a period of stability for local government. Employment was stable and local government finances improved. Assessed property values for 1997 reached a milestone of 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 is expected to decline by approximately 5 percent and the local school district is expected to lose $1 million in state funding. 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 will be 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.

According to the McDowell study pulp and sawmill closure impacts the housing markets and the near term is highly speculative. Although property values increased in Sitka despite mill closure, the situations between the communities of Sitka and Ketchikan are not identical. Property values may not rise as they did in Sitka, they are not expected to plummet as they did in Juneau when the State budget was cut severely in the mid 1980's. The Borough continues to build infrastructures with construction of the Indoor Recreation Center scheduled for completion in early 1997. 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, 1997, 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, 1997 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues:	Amount	Percent of Total	Increase (Decrease) from 1995	Percent of Increase (Decrease)
Taxes	11,905,138	27.91%	268,745	1.23%
Payment in Lieu of Taxes	19,081	0.04%	(593)	0.00%
Licences & Permits	16,961	0.04%	(196)	0.00%
Revenues from Other Governments	21,188,344	49.67%	16,115,603	73.50%
Charges for Services	444,841	1.04%	1,673	0.01%
Other Revenues	9,080,651	21.29%	5,540,158	25.27%
Total	$42,655,016	100.00%	$21,925,390	100.00%

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.

Other revenues derived from the Whipple Creek timber sales had a substantial impact on revenues for 1996/97.

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, 1997 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase (Decrease) From 1994	Percent Of Increase (Decrease)
General Government	$ 1,845,797	12.85%	235,160	46.09%
Public Services	5,108,794	35.56%	47,399	9.29%
Non-Departmental	153,221	1.07%	18,991	3.72%
Automation	49,128	0.34%	15,194	2.98%
Capital Projects	4,896,973	34.08%	(123,972)	-24.30%
Debt Service	2,314,527	16.11%	317,486	62.22%
Total	$14,368,440	100.00%	$510,258	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, 1997, the Ketchikan Gateway Borough had outstanding debt of $10,800,000. This is comprised of $10,670,000 in general obligation, and enterprise funds which have outstanding debt of $130,000 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 $1,951,487 on all investments for the year ended June 30, 1997. 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.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The legislature appropriated $1,500,000 for a new ferry at the Ketchikan International Airport. The funding 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 State has appropriated $2,500,000 for relocating the ferry ramp. A study was completed for the Shoup Street Service Area for water and sewer needs were completed in FY 1996/97. In addition another grant for $78,000 was appropriated with an additional loan for $78,000 to assist in correcting some long term health and safety issues.

The completion of the float plane dock at the Ketchikan International Airport is recognized as a much needed addition to the transportation link in the Southeast. The Ketchikan Gateway Borough completed the much needed Indoor Recreation Center at a cost of $7,500,000. Also, completed was the replacement of the Valley Park Swimming Pool at a cost of $400,000.

KPC closed their pulp operations at Ward Cove. This closure is having an adverse effect on the overall economic condition of the area. The impact on property and sales taxes is presently under review. This closure will also impact the local education system with declining numbers as reported by the McDowell study in 1996.

Whipple Creek Timber sale was consummated with Sealaska Corporation in the amount of $10,752,000. The contract provides for progress payments and is scheduled for completion in 1998. The Borough received $17,050,000 in economic disaster funds during 1997, and an additional $7,500,000 will be available to the Borough over the next two years.

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 1984 and related OMB Circular A-128 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.

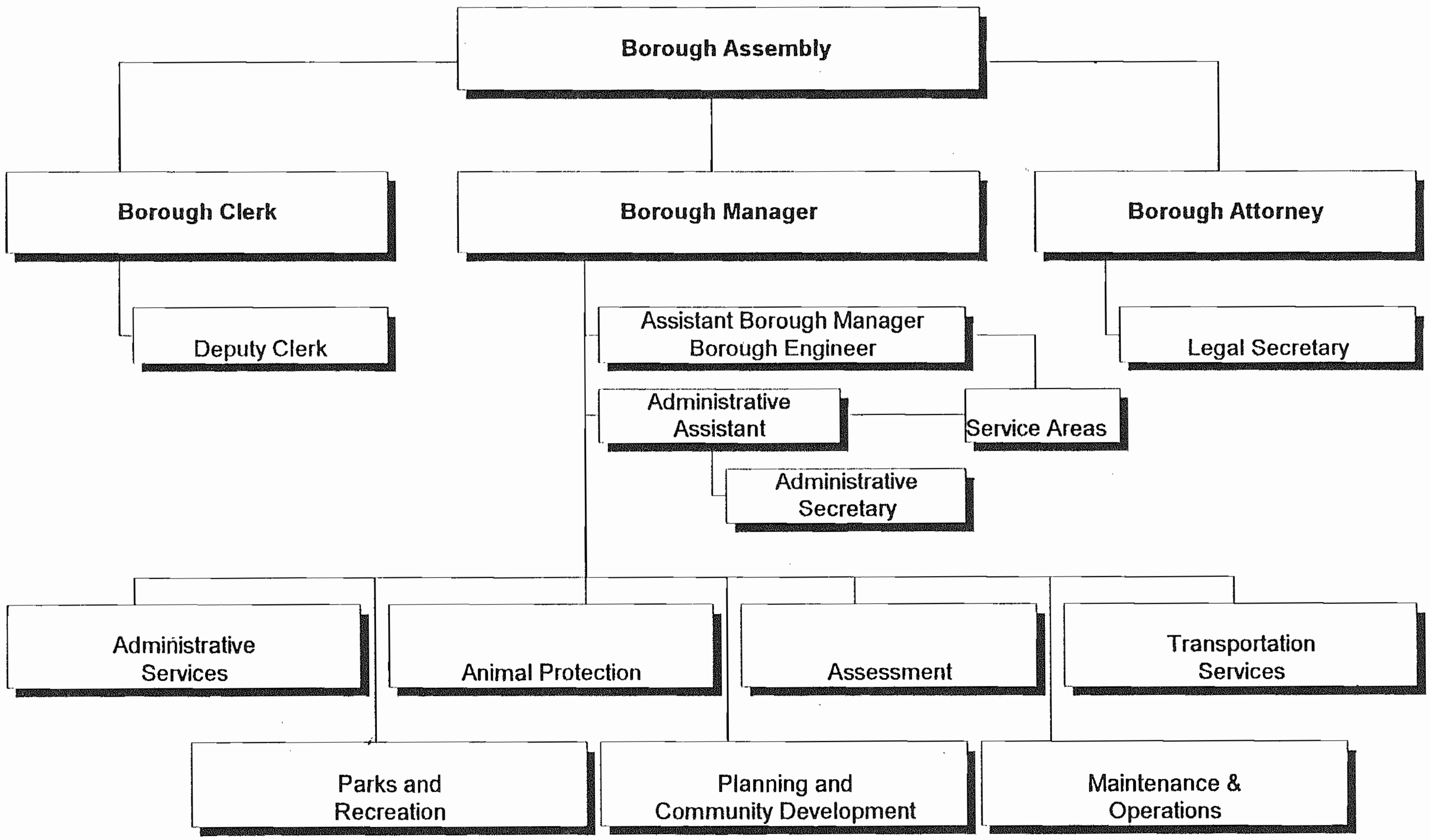
Respectfully submitted,

Alvin E Hall

Alvin E. Hall
Director of Administrative Services

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 1996/97



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

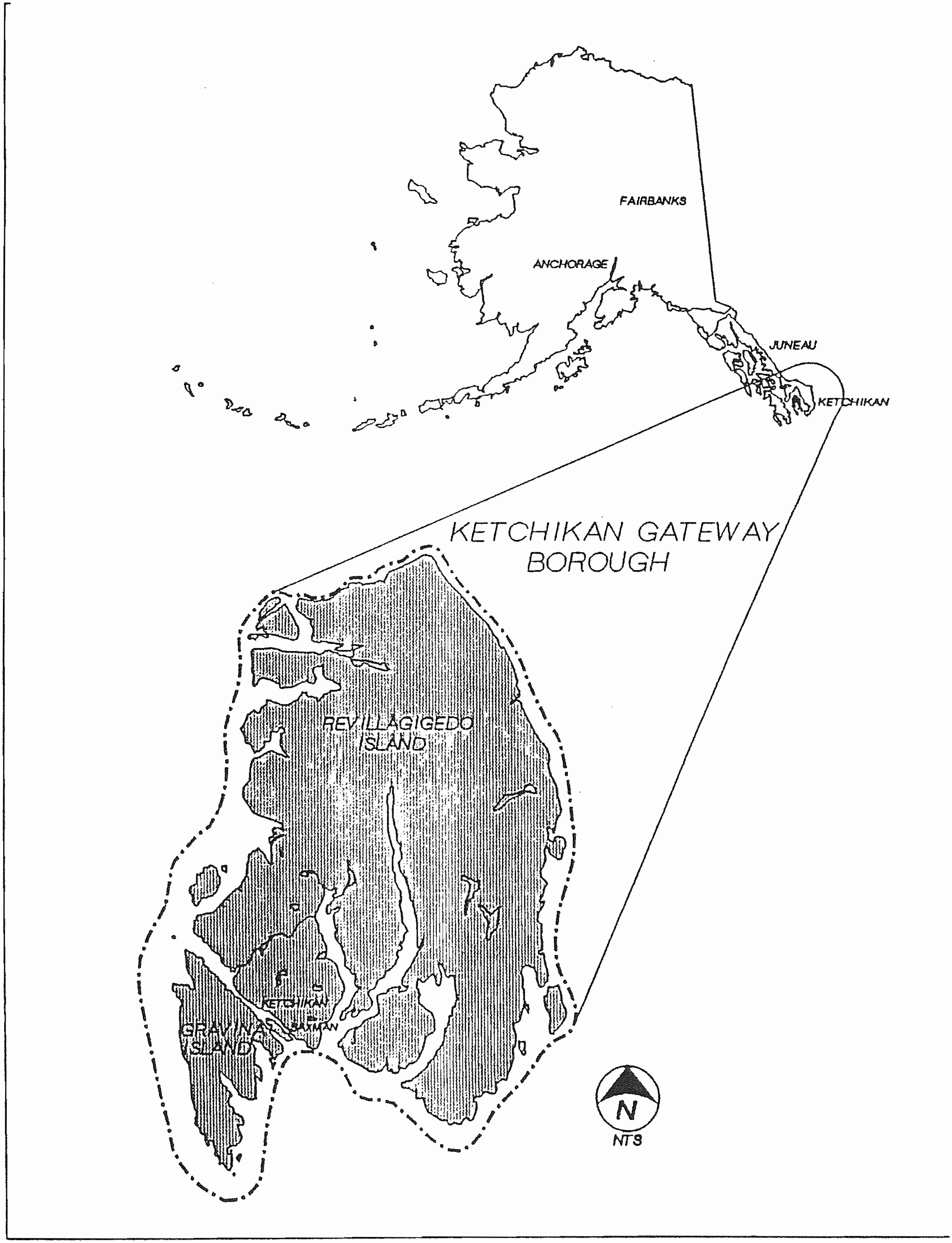
June 30, 1997

MAYOR AND ASSEMBLY

John Shay	Mayor
John Conley	Assemblymember
Tom Coyne	Assemblymember
James B. Elkins	Assemblymember
Jim Vanhorn	Assemblymember
Angelo Martin	Assemblymember
George H. Tipton	Assemblymember
Meredith Marshall	Assemblymember

BOROUGH STAFF

Georgianna Zimmerle	Manager
Don Chenhall	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
Robert Bright	Director of Planning
Don Chenhall	Acting Director Transportation Services
Greg Kolean	Director Parks and Recreation
Richard McAlpin	Maintenance & Operations Supervisor


FAIRBANKS
ANCHORAGE
JUNEAU
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KETCHIKAN GATEWAY BOROUGH
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FINANCIAL SECTION

HOGAN, MECHAM, RICHARDSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

A Member of the
AICPA Private
Company Practice
Section

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, 1997. 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, 1997, 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 10, 1997 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 10, 1997

GENERAL PURPOSE FINANCIAL STATEMENTS

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

The following statements are included in this section:

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

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

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

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

Combining Statement of Cash Flows - All Proprietary Fund Types

Exhibit 1

KETCHIKAN GATEWAY BOROUGH

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

June 30, 1997

	Governmental Fund Types				Proprietary Type Funds	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash and Temporary Investments	$ 3,323,033	$ 35,859,876		$ 891,044	$ 132,137	$ 675,663
Funds with Fiscal Agents						46,561
Property Taxes Receivable	8,345					
Due From Primary Government						
Accounts Receivable	121,000	115,829			139,337	
Due From Other Funds	1,284,521					
Advances to Other Funds		1,046,414				
Prepaid Insurance	8,599					
Deferred Accounts Receivable		1,084,727				
Inventory						
Restricted Assets						
Bond Redemption Fund Cash and Investments					59,733	
Plant in Service					9,650,526	
Accumulated Depreciation					(5,095,561)	
Land						
Buildings						
Equipment						
Swimming Pools/Ballfields						
Construction in Progress						
Leasehold Improvements						
Amount to be Provided for Payment of Long Term Debt						
Total Assets	$ 4,745,498	$ 38,106,846	$	$ 891,044	$ 4,886,172	$ 722,224
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	$ 295,916	$ 61,495		$ 325,142	$ 24,643	$ 81,718
Retainage Payable				15,000		
Due to Other Governments	39,969					
Due to Other Funds		1,227,264		53,637	3,620	
Due to Component Unit	758,759					
Advances from Other Funds		400,000		646,414		
Deposits	88,949	590				
Accrued Interest Payable					2,200	
Accrued Liabilities	249,796					
Deferred Revenue	35,660	2,141,383				
Deferred Compensation					164,408	
Bonds Payable					130,000	
Total Liabilities	1,469,049	3,830,732		1,040,193	324,871	81,718
Equity and Other Credits:						
Contributed Capital					1,894,059	
Investment in General Fixed Assets						
Retained Earnings:						
Reserved for Bond Retirement					59,733	
Reserved for Premium Stabilization Reserve Fund						46,561
Unreserved					2,607,509	593,945
Fund Balances:						
Reserved for KVB Guarantee	500,000					
Reserved for Encumbrances	316,739	248,170		98,501		
Reserved for Prepaid	8,599					
Reserved for Inventory						
Reserved for Endowments						
Unreserved Fund Balance	2,451,111	34,027,944		(247,650)		
Total Equity and Other Credits	3,276,449	34,276,114		(149,149)	4,561,301	640,506
Total Liabilities, Equity and Other Credits	$ 4,745,498	$ 38,106,846	$	$ 891,044	$ 4,886,172	$ 722,224

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

'KETCHIKAN GATEWAY BOROUGH

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

June 30, 1997

	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				$ 40,881,753	$ 302,027	$ 41,183,780
Funds with Fiscal Agents	$ 1,183,475			1,230,036		1,230,036
Property Taxes Receivable				8,345		8,345
Due From Primary Government					758,759	758,759
Accounts Receivable				376,166	431,754	807,920
Due From Other Funds				1,284,521		1,284,521
Advances to Other Funds				1,046,414		1,046,414
Prepaid Insurance				8,599		8,599
Deferred Accounts Receivable				1,084,727		1,084,727
Inventory					17,848	17,848
Restricted Assets						
Bond Redemption Fund Cash and Investments				59,733	195,002	254,735
Plant in Service				9,650,526		9,650,526
Accumulated Depreciation				(5,095,561)		(5,095,561)
Land		$ 285,000		285,000	117,216	402,216
Buildings		8,160,988		8,160,988	61,808,827	69,969,815
Equipment		1,536,050		1,536,050	7,497,888	9,033,938
Swimming Pools/Ballfields		2,531,177		2,531,177		2,531,177
Construction in Progress		16,408		16,408		16,408
Leasehold Improvements					17,867	17,867
Amount to be Provided for Payment of Long Term Debt			$ 10,670,000	10,670,000	536,857	11,206,857
Total Assets	$ 1,183,475	$ 12,529,623	$ 10,670,000	$ 73,734,882	$ 71,684,045	$ 145,418,927
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable				$ 788,914	$ 888,918	$ 1,677,832
Retainage Payable				15,000		15,000
Due to Other Governments				39,969		39,969
Due to Other Funds				1,284,521		1,284,521
Due to Component Unit				758,759		758,759
Advances from Other Funds				1,046,414		1,046,414
Deposits				89,539		89,539
Accrued Interest Payable				2,200		2,200
Accrued Liabilities				249,796	745,461	995,257
Deferred Revenue				2,177,043	22,132	2,199,175
Deferred Compensation	$ 1,183,475			1,347,883	169,492	1,517,375
Bonds Payable			$ 10,670,000	10,800,000		10,800,000
Total Liabilities	1,183,475		10,670,000	18,600,038	1,826,003	20,426,041
Equity and Other Credits:						
Contributed Capital				1,894,059		1,894,059
Investment in General Fixed Assets		$ 12,529,623		12,529,623	69,441,798	81,971,421
Retained Earnings:						
Reserved for Bond Retirement				59,733		59,733
Reserved for Premium Stabilization Reserve Fund				46,561		46,561
Unreserved				3,201,454		3,201,454
Fund Balances:						
Reserved for KVB Guarantee				500,000		500,000
Reserved for Encumbrances				663,410	192,206	855,616
Reserved for Prepaid				8,599		8,599
Reserved for Inventory					17,848	17,848
Reserved for Endowments					25,000	25,000
Unreserved Fund Balance				36,231,405	181,190	36,412,595
Total Equity and Other Credits		12,529,623		55,134,844	69,858,042	124,992,886
Total Liabilities, Equity and Other Credits	$ 1,183,475	$ 12,529,623	$ 10,670,000	$ 73,734,882	$ 71,684,045	$ 145,418,927

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

Exhibit 2

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, 1997

	General	Special Revenue	Debt Service	Capital Projects	Totals (memorandum only) Primary Government	Components Unit School District	Totals (memorandum only) Reporting Entity
REVENUES							
Taxes	$ 10,214,130	$ 1,691,008			$ 11,905,138		$ 11,905,138
Payments in Lieu of Taxes	19,081				19,081		19,081
Licenses and Permits	16,961				16,961		16,961
Revenues from Other Govts	1,330,315	19,887,529			21,217,844	$ 12,315,893	33,533,737
Charges for Services	369,120	140,285			509,405		509,405
Other Revenues	461,645	8,458,394		$ 160,612	9,080,651		9,080,651
Total Revenues	12,411,252	30,177,216		160,612	42,749,080	12,315,893	55,064,973
EXPENDITURES							
Current							
General Government	1,845,797				1,845,797		1,845,797
Public Services	3,128,229	2,010,075			5,138,304	19,442,165	24,580,469
Non-Departmental	153,221				153,221		153,221
Automation	49,128				49,128		49,128
Capital Outlay	147,653	305,487		4,443,833	4,896,973		4,896,973
Debt Service			$ 2,314,527		2,314,527		2,314,527
Total Expenditures	5,324,028	2,315,562	2,314,527	4,443,833	14,397,950	19,442,165	33,840,115
Excess (Deficit) of Revenues over Expenditures	7,087,224	27,861,654	(2,314,527)	(4,283,221)	28,351,130	(7,126,272)	21,224,858
Other Financing Sources (Uses)							
Operating Transfers In	379,953	8,215,575	2,314,527	268,924	11,178,979		11,178,979
Operating Transfers In from General Government						6,943,372	6,943,372
RIP Payment to State of Alaska						(133,215)	(133,215)
Operating Transfers Out	(50,000)	(11,123,979)			(11,173,979)		(11,173,979)
Operating Transfers Out to Component Unit	(6,943,372)				(6,943,372)		(6,943,372)
Total Other Financing Sources (Uses)	(6,613,419)	(2,908,404)	2,314,527	268,924	(6,938,372)	6,810,157	(128,215)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	473,805	24,953,250		(4,014,297)	21,412,758	(316,115)	21,096,643
Fund Balances, Beginning of Year	2,802,644	9,322,864		3,865,148	15,990,656	732,359	16,723,015
Fund Balances, End of Year	$ 3,276,449	$ 34,276,114	$	$ (149,149)	$ 37,403,414	$ 416,244	$ 37,819,658

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, 1997

	General			Annually Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 10,181,500	$ 10,214,130	$ 32,630	$ 607,454	$ 597,052	$ (10,402)
Payments in Lieu of Taxes	15,000	19,081	4,081			
Licenses and Permits	18,500	16,961	(1,539)			
Revenue from Other Governments	1,271,098	1,330,315	59,217	1,578,486	18,663,681	17,085,195
Charges for Services	336,500	369,120	32,620	168,455	140,285	(28,170)
Other Revenues	75,000	461,645	386,645	3,076,766	8,421,708	5,344,942
Total Revenues	11,897,598	12,411,252	513,654	5,431,161	27,822,726	22,391,565
Expenditures						
Administration	1,932,974	1,845,797	87,177			
Public Services	4,029,587	3,128,229	901,358	1,323,614	785,456	538,158
Non-Departmental	165,300	153,221	12,079			
Automation	47,420	49,128	(1,708)			
Capital Projects	449,256	147,653	301,603	324,270	305,487	18,783
Total Expenditures	6,624,537	5,324,028	1,300,509	1,647,884	1,090,943	556,941
Excess (Deficit) of Revenues over Expenditures	5,273,061	7,087,224	1,814,163	3,783,277	26,731,783	22,948,506
Other Financing Sources (Uses)						
Transfers from Other Funds	400,499	379,953	(20,546)	8,215,575	8,215,575	
Transfers from Component Unit						
Transfers to Other Funds	(6,993,372)	(6,993,372)		(10,043,928)	(10,043,928)	
Total Other Financing Sources (Uses)	(6,592,873)	(6,613,419)	(20,546)	(1,828,353)	(1,828,353)	
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,319,812)	473,805	1,793,617	1,954,924	24,903,430	22,948,506
Fund Balance, Beginning of Year	2,802,644	2,802,644		8,816,378	8,816,378	
Fund Balance, End of Year	$ 1,482,832	$ 3,276,449	$ 1,793,617	$ 10,771,302	$ 33,719,808	$ 22,948,506

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, 1997

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise Funds	Internal Service Funds	
OPERATING REVENUES			
Charges for Services	$ 2,380,686	$ 1,477,541	$ 3,858,227
Total Operating Revenues	2,380,686	1,477,541	3,858,227
OPERATING EXPENSES			
Personnel Services	1,577,197		1,577,197
Supplies and Services	718,854		718,854
Insurance	136,191	1,515,087	1,651,278
Depreciation	398,638		398,638
Total Expenses	2,830,880	1,515,087	4,345,967
Operating Loss	(450,194)	(37,546)	(487,740)
Non operating Revenues (Expenses)			
Interest Earnings	32,629	21,851	54,480
State Operating Grants	133,720		133,720
Contingency Credits		10,109	10,109
Interest Expense	(20,811)		(20,811)
Total Nonoperating Revenues (Expenses)	145,538	31,960	177,498
Income (Loss) Before Operating Transfers	(304,656)	(5,586)	(310,242)
OTHER FINANCING SOURCES (USES)			
Transfers In	50,000		50,000
Transfers Out	(55,000)		(55,000)
Total Other Financing Sources (Uses)	(5,000)		(5,000)
Net Income	(309,656)	(5,586)	(315,242)
Depreciation of Fixed Assets Acquired by Grant	169,832		169,832
Net Increase	(139,824)	(5,586)	(145,410)
Retained Earnings, Beginning of Year	2,807,066	646,092	3,453,158
Retained Earnings, End of Year	$ 2,667,242	$ 640,506	$ 3,307,748

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, 1997

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,438,086	$ 1,477,541	$ 3,915,627
Cash Payments for Insurance	(136,191)	(1,433,369)	(1,569,560)
Cash Payments to Employees for Services	(1,580,235)		(1,580,235)
Cash Payments to Suppliers for Goods and Services	(734,081)		(734,081)
Net Cash Provided by Operating Activities	(12,421)	44,172	31,751
Cash Flows from Noncapital Financing Activites:			
Transfer from the General Fund	50,000		50,000
Transfer to Component Unit			
Transfer to General Government	(55,000)		(55,000)
Contingency Credits			
Funds Received Through Refunds		10,109	10,109
Grant Received from State	133,720		133,720
Net Cash Provided by Noncapital Financing Activities	128,720	10,109	138,829
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(380,768)		(380,768)
Capital Grant from State	192,892		192,892
Principal Paid on G. O. and Revenue Bonds	(205,000)		(205,000)
Interest Paid on G. O. and Revenue Bonds	(20,811)		(20,811)
Net Cash Used for Capital and Related Financing	(413,687)		(413,687)
Cash Flow From Investing Activities:			
Interest on Investments	32,629	21,851	54,480
Net Cash Provided by Investing Activities	32,629	21,851	54,480
Net Increase (Decrease) in Cash and Cash Equivalents	(264,759)	76,132	(188,627)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	456,629	646,092	1,102,721
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 191,870	$ 722,224	$ 914,094
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	132,137	675,663	807,800
Cash and Temporary Investments - Restricted Assets	59,733	46,561	106,294
	$ 191,870	$ 722,224	$ 914,094
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	(450,194)	(37,546)	(487,740)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	398,638		398,638
(Increase) Decrease From Other Governments	162		162
(Increase) Decrease in Accounts Receivable	57,400		57,400
Increase (Decrease) in Due to General Fund	(7,423)		(7,423)
Increase (Decrease) in Accounts Payable	(7,966)	81,718	73,752
Increase (Decrease) in Accrued Liabilities	(3,038)		(3,038)
Total Adjustments	437,773	81,718	519,491
Net Cash Provided by Operating Activities	$ (12,421)	$ 44,172	$ 31,751

KETCHIKAN GATEWAY BOROUGH
Notes to the Financial Statements
June 30, 1997

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.

As required by generally accepted accounting principles, these financial statements present the government and component units, entities for which the Borough is considered to be financially accountable. Each discretely presented component unit, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Borough.

Discretely Presented Component Units. The Ketchikan Gateway School District (District) is responsible for elementary and secondary education within the Borough's jurisdiction. The members of the District's governing board are elected by the voters. However, the District is fiscally dependent upon the Borough because the Borough Assembly approves the District's budget, levies taxes and must approve any debt issuances. The District is presented as a governmental fund type.

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. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Borough considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, licenses, interest and special assessment are susceptible to accrual. Sales taxes collected and held by the Borough at year end are also recognized as revenue or liabilities to other governments. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlement and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The *General Fund* is the Borough's primary operating fund. It accounts for all financial resources 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 (not including expendable trusts or major capital projects).

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

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 are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Borough applies those FASB pronouncements in accounting and reporting that have been adopted by GASB for its proprietary operations. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Assembly has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds account for assets held by the Borough in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Borough under the terms of a formal trust agreement.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Borough holds for others in an agency capacity.

Account Groups are used to account for fixed assets not accounted for in proprietary or trust funds, and the general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Cash and Investments and Equity

1. Deposits and Investments

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.

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

Certain accounts within funds have made disbursements from the central treasury in excess of their individual equities. Consequently the General Fund has made a short-term loan to these funds. Short-term interfund loans are classified as "due from other funds" on the balance sheet.

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and payable on September 30. The Borough bills and collects its own property taxes as well as those of the special Revenue Funds and cities within the Borough. The taxes collected on behalf of Borough cities are recorded as liabilities of the General Fund. The Borough property tax revenues are recognized when levied to the extent that they result in current receivables. The Borough is permitted by State law to levy up to $3 per $100 of assessed valuation for general government services other than the payment of principal and interest on long-term debt. State law prohibits taxation that will result in revenues from all sources exceeding $1,500 per year for each person residing within the municipal boundaries or upon value that, when combined with the value of property otherwise taxable by the Borough, exceeds the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents. The Borough is within these limits.

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 for

Borough cities 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.

Other inventories of materials and supplies are considered immaterial and are recorded as expenditures when purchased.

Prepaid Items are for services that will benefit periods beyond June 30, 1996.

4. Restricted Assets

Certain proceeds of the Borough Airport Enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The current portion of long term debt account is used to segregate resources accumulated for debt service payments over the next twelve months.

5. Fixed Assets

General fixed assets are not capitalized in the funds used to construct or acquire them. Instead, capital acquisition and construction are reflected as expenditures in the governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or extend the asset life are not included in the general fixed asset account group or capitalized in the proprietary funds. Improvements to proprietary fund assets are capitalized and depreciated over the remaining useful life of the related fixed asset, as applicable, using straight line method.

Public domain or infrastructure consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems, are not capitalized since they are immovable and of value only to the Borough. Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary funds types is computed using the straight-line method. 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.

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized in 1997.

Depreciation is recorded for fixed assets in the Enterprise funds. Estimated useful lives by major class of depreciable fixed assets is as follows:

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

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 $414,204 at June 30, 1997.

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

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-term Debt Account Group. Long-term debt expected to be financed from proprietary fund operations is accounted for in those funds. Capital lease obligations are recognized in the general long-term debt account group at the net present value of the future minimum lease payments or the market value of the equipment as appropriate. A capital expenditure and other financing source are recognized in the appropriate governmental fund in the year the lease is executed.

8. Fund Equity

Contributed capital is recorded in proprietary funds for those monies received from capital grants or inter-governmental revenues. Reserves for legal costs, Federal Impact Aid, bond retirement, premium stabilization funds, encumbrances, endowments, prepaids and inventories represent those portions of fund equity legally segregated for future use.

9. Memorandum Only-Total Columns

Total columns in the combined statements are captioned "Memorandum Only" to indicate that they are to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Such data are not comparable to a consolidation since the basis of accounting differs among the various funds and because interfund eliminations have not been made in the aggregation of this data.

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations.

10. Comparative Data/Reclassification

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Borough's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. BUDGETARY AND LEGAL COMPLIANCE

A. Budgetary Data

Budgets are adopted annually for the General, Special Revenue and Enterprise funds; all encumbered appropriations lapse at fiscal year end. Capital Projects fund budgets are adopted on a project length basis.

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 End Fire District Fund
- Waterfall Service Area Fund
- South Tongass 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

Enterprise Funds:

- Airport Enterprise Fund
- Transit Enterprise Fund
- Ferry Enterprise Fund

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year end are treated as reservations of fund balances since the commitments will be honored in the next year. Borough code allows an additional appropriation to subsequent years' appropriation to the extent of the open encumbrance.

The budgetary data presented in the financial statements is reflective of the following procedure:

The Ketchikan Gateway Borough Board of Education is required by Alaska law to adopt and submit their annual budget to the Ketchikan Gateway Borough Assembly by May 1 of each year for approval by the Assembly of the total amount. Within 30 days after receipt of the School District budget, the Borough Assembly must determine the total amount of funds to be made available from local sources for school purposes and must furnish the Board of Education with a statement of this amount. By May 31 the Assembly must appropriate the local share of funding. Any subsequent increases in the School District budget must be authorized by the Borough Assembly.

The Borough Manager shall prepare and submit to the Assembly, no later than the first regular assembly meeting in May of each year, a proposed annual budget and capital program for the next fiscal year, which shall contain detailed estimates of anticipated revenues and proposed expenditures for the year. The total of such proposed expenditures shall not exceed the total of such anticipated revenues. The Assembly then conducts public hearings to obtain taxpayer comment. The Assembly may add to, subtract from, or change appropriations but may not change the form of the budget. These budgets are legally enacted by passage of an ordinance and mill levies established. Alaska law mandates that tax levies be adopted no later than midnight of June 15 each year. The Borough prepares its budget on a GAAP basis.

Subsequent to the formal budget adoption, the Assembly may, by ordinance, transfer unencumbered balances between funds. The Borough Manager may transfer unencumbered balances within a fund, which is then reported to the Assembly at their next meeting. The legal level of control is at the fund level.

Emergency appropriations to meet public emergencies affecting life, health, welfare, or property may be made by the Assembly by ordinance without notice of public hearing. An Emergency appropriation is effective for 60 days. Other supplemental appropriations may be made only after a 30-day notice of public hearing.

During fiscal year 1997, the Borough Assembly made the following supplemental appropriations in the General and Special Revenue Funds:

(1) Ordinance No. 999 adopted September 3, 1996, appropriated $25,000 from the General Fund.

(2) Ordinance No. 1000 adopted September 16, 1996, appropriated $110,000 from the General Fund.

(3) Ordinance No. 1012 adopted January 20, 1997, appropriated $50,000 from the Mud Bight Service Area Fund.

(4) Ordinance No. 1013 adopted January 20, 1997, appropriated $70,000 from the General Fund.

(5) Ordinance No. 1011 adopted February 3, 1997, appropriated $500,000 from the General Fund.

(6) Ordinance No. 1015 adopted February 3, 1997, appropriated $250,000 from the Special Revenue Funds.

(7) Ordinance No. 1016 adopted February 18, 1997, appropriated $50,000 from the General Fund and $2,186,188 from Special Revenue Funds.

(8) Ordinance No. 1039 adopted August 8, 1997, appropriated $182,580 from the Enterprise Funds and $5,045,905 from Special Revenue Funds.

Open encumbrances at fiscal year end are honored in the next year. Borough Code allows an additional appropriation in the subsequent year to the extent of the open encumbrance.

All budgetary data presented in this report has been prepared on the modified accrual basis of accounting for government type funds. Under current budgetary procedures, expenditures and encumbrances for a specific fund must not exceed the appropriation for that fund. In addition, the unexpended and encumbered balance of appropriation for each fund lapses at the end of each fiscal year.

B. Excess of Expenditures Over Appropriations

The following individual funds had expenditures in excess of appropriations:

Fund	Appropriation	Actual Expenditures
Special Revenue Funds:		
Shoup Street Service Area	$ 37,343	$ 38,449
School Bonds/Capital Improvements Fund	2,324,932	2,329,232
South End Fire District	289,082	292,958
Mt. Point Service Area Funds	92,607	95,239
Non Areawide Fund	391,623	391,743
Shoreline	48,895	61,326

The expenditures in excess of appropriation resulted from expenditures in excess of expected amounts.

In the special revenue funds, certain funds are not budgeted. As such, they are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. A reconciliation of the entity differences in the excess of revenues and other financing sources over expenditures and other financing uses at June 30, 1997 is as follows:

Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for all budgeted special revenue funds	$24,903,430
Adjustments:	
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for unbudgeted special revenue funds	
Federal Grants	24,005
Recreation Sales Tax Fund	25,815
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for all special revenue funds	$24,953,250

C. Deficit Fund Equity

Negative undesignated fund equity is the result of inflows from external sources not materializing at the end of the current fiscal year.

Special Revenue Fund:	
Shoup Street Service Funds	$ (8,483)
Non Areawide Fund	(5,034)
Capital Project Funds:	
K-High Reconstruction	(4,032)
K-High Renovation - Phase II	(302,975)
Valley Park Pool	(397,076)
Total Negative Undesignated Fund Balance	$(717,600)

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Borough maintains a cash and investment pool that is available for use by all funds except agency funds and the internal service fund, which is handled by an independent trustee institution. Each fund type's portion of the pool is displayed on the combined balance sheet as "Cash and Investments".

Deposits. At fiscal year-end, the carrying amount of the Borough's deposits was $4,027,757 and the bank balance was $4,111,001. Of the bank balance, $2,964,326 was covered by federal depository insurance or by collateral held by the Borough's agent in the Borough's name. The uninsured balance of $1,063,431 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 $2,150 at June 30, 1997.

The Component Unit deposits was $705,000 at June 30, 1997, the carrying value was $302,027. Of the bank balance, $133,000 was insured or collateralized with securities held by the component unit or its custodian in the components unit's name and $572,000 was collateralized with securities held by the pledging financial institution's trust department or custodian in the component unit's name.

Investments

Category 1 — Includes investments that are insured or registered or for which the securities are held bythe Ketchikan Gateway Borough or its agent in the Borough's name.

Category 2 — Includes uninsured and unregistered investments for which the securities held by the financial institution's trust department or agent in the Borough's name.

Category 3 — Includes uninsured and unregistered investments for which the securities are held by the pledging financial institution, or by its trust department or agent but not in the Borough's name.

	Category 1	Category 3	Carrying Amount	Market Value
Bank Certificates of Deposit	$ 1,087,029		$ 1,087,029	$ 1,087,029
U.S. Government Securities	$35,763,432	$ 61,118	$35,824,550	$35,824,550
Total	$36,850,461	$ 61,118	$36,911,579	$36,911,579
Investments Not Subject to Categorization:				
Investment in Deferred Compensation Plans and Stabilization Reserve Funds			1,230,036	1,230,036
Component Unit				
US Government Securities			26,000	27,000
Mutual Funds			121,000	121,000
Insurance Deposits			48,000	48,000
Total			$38,336,615	$38,337,615

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, 1997.

B. Receivables

Receivables at June 30, 1997, consist of the following:

	General	Special Revenue	Enterprise	Total
Taxes	$ 8,345			$ 8,345
Accounts Receivables	121,000	$ 115,829	$139,337	376,166
Due From Other Funds	1,284,521	1,046,414		2,330,935
Due From Other Governments				
Deferred Accounts Receivable		1,084,727		1,084,727
Advances to Other Funds				
Total Receivables	$1,413,866	$2,246,970	$139,337	$3,800,173

C. Fixed Assets

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

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Land	$ 285,000			$ 285,000
Buildings	968,453	$7,208,944		8,177,397
Equipment	985,972	649,108	$ 99,030	1,536,050
Pools and Ballfields	2,531,177			2,531,177
Construction in Progress	4,405,646		4,405,646	
Total	$9,176,248	$7,858,052	$4,504,676	$12,529,624

A summary of the enterprise fund property, plant and equipment at June 30, 1997 is as follows:

	Balance July 1, 1996	Net Change Current Year	Balance June 30, 1997
Field	$3,215,047	$ 36,264	$3,251,311
Terminal	4,007,831	284,359	4,292,190
Ferry	1,515,976	39,592	1,555,568
Administration	19,840	(6,441)	13,399
Murphy's Landing	12,875		12,875
Buses	524,490	693	525,183
	9,296,059	354,467	9,650,526
Accumulated Depreciation	(4,722,526)	(373,035)	(5,095,561)
Net Property, Plant, and Equipment	$4,573,533	$(18,568)	$4,554,965

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, 1997.

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
1998	438,466	44,539
1999	376,466	44,539
2000	374,860	44,539
2001	349,673	11,150
2002	316,151	10,250

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 airport bonds pledge the full faith and credit of the Borough.

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

	July 1, 1996	Retirements	June 30, 1997
Areawide General Obligation Bonds	$12,300,000	$1,630,000	$10,670,000
Enterprise Fund:			
General Obligation Bonds	170,000	170,000	
Revenue Bonds	165,000	35,000	130,000
	$ 12,635,000	$1,835,000	$10,800,000

Bonds payable at June 30, 1997 consist of the following individual issues:

General Obligation Bonds:

1995 IRC Bonds - 4.30 % - 6.00 % Interest	$ 7,070,000
1989 School Bonds due through 2000 at 6-6.7% interest	3,600,000
	10,670,000
Revenue Bonds:	
1980 Airport due through 2000 at 8% interest	130,000
	$10,800,000

The annual requirements to amortize all bonds outstanding as of June 30, 1997, including interest of $2,860,685 for general obligations and $21,600 for revenue bonds, are as follows:

Year Ending June 30	General Obligation Bonds	Revenue
1998	2,235,728	50,400
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	$ 13,530,685	$ 151,600

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, 1997 is presented below.

	Ketchikan Airport	Transit	Ferry	Total
Operating Revenues	$1,316,479	$143,796	$920,411	$2,380,686
Operating Grants, Entitlement and Shared Revenues		116,621	17,099	133,720
Depreciation Expense	269,127	69,435	60,076	398,638
Operating Income (Loss)	(154,329)	(215,450)	(80,415)	(450,194)
Operating Transfers In				
Net Income (Loss)	(178,282)	(48,367)	(83,007)	(309,656)
Property, Plant and Equipment				
Additions	340,483	693	39,592	380,768
Deletions	(26,303)			(26,303)
Net Working Capital	4731	(14,515)	46,387	36,603
Total Assets	3,731,580	283,771	870,821	4,886,172
Bonds and Other Long-term Liabilities	90,000			90,000
Total Equity	3,496,517	269,256	795,528	4,561,301
Contributed Capital	2,535,673	356,478	782,914	3,675,065
(Accumulated Amortization)	(1,284,197)	(154,639)	(342,170)	(1,781,006)

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, 1997 the Ketchikan Gateway Borough is committed to professional contracts in the amount of $750,000 for oversight of the Whipple Creek Timber Contract, Economic Development, Legal Services and promotion of the Ketchikan area.

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

Substantially all regular full-time and part-time (regular part-time is defined as an employee who regularly works at least 15 but less than 30 hours per week) employees of the Borough are members of the State of Alaska Public Employees' Retirement System (PERS) except for employees who are members of the Masters, Mates & Pilots (MMP) or International Brotherhood of Electrical Workers (IBEW) in addition the component unit certificated employees participate in the State of Alaska Teachers' Retirement System (TRS).

State of Alaska Teachers' Retirement System (TRS)

All Ketchikan Gateway Borough School District certificated employees participate in the TRS, a multiple-employer cost-sharing public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 1997 was $9,199,000: the Ketchikan Gateway Borough School District's total payroll was $12,021,000. The plan covers 181 employees.

Certificated employees are required to participate in the System. Employees who retire at or after age 60 (age 55 if they participated in the plan prior to July 1, 1990) with 8 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their average salary for each year of their first 20 years of credited service, and 2.5% of service after that, provided it is after June 30, 1990. Final-average salary is the employee's average salary over the highest three years of credited service.

Benefits fully vest on reaching 8 years of fully paid membership service or 12 years of combined part-time and full time fully paid membership service. Vested employees may retire at or after age 60 (age 55 if they participated in the plan prior to July 1, 1990) and receive reduced retirement benefits. TRS also provides death and disability benefits, major medical benefits, cost of living allowance and early retirement benefits. Benefits are established by State statute.

Prior to January 1, 1991, employees contributed 7% of their base salary as required by statute. Effective January 1, 1991, employees contribute 8.65% of their base salary as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional 1% of their salary under the supplemental contribution provision. Employees contributions earn interest at the rate of 4.5% per annum, compounded annually.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The Plan uses the level dollar method to amortize the unfunded liability over a rolling twenty-five year period. funding surpluses are amortized over five years.

The contribution requirement for the year ended June 30, 1997 consisted of $1,104,000 from the Ketchikan Gateway Borough School District and $796,000 from employees. These contributions represented 12.00% and 8.65% of covered payroll respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the TRS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among TRS and among employers. TRS does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligate at June 30, 1996 for the System as a whole, determined through an actuarial valuation performed as of that date, was $2.94 billion.

TRS's net assets available for benefits on that date (valued at market) were $2.86 billion, leaving an unfunded pension benefit obligation of $.08 billion. Ketchikan Gateway Borough School District's contribution represented 2 percent of total contributions required of all participating entities.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1996. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% a year compounded annually, (b) projected salary increases of 5.5% for the first five years; 4.5% per year thereafter and (c) health care cost inflation on a decreasing scale with 7.5% for 1997, 6.5% for 1998, and 5.5% for 1999 and thereafter.

Ten-year historical trend information showing the TRS progress in accumulating sufficient assets to pay benefits when due is presented in the TRS June 30, 1996 comprehensive annual financial report.

Alaska Public Employee Retirement System (PERS)

The PERS is a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions with the State of Alaska. The plan was created by State statutes and political subdivision participation is optional. Employee participation in the PERS is mandatory for regular employees scheduled to work at least 15 hours a week. There is no optional participation for other employees. Peace officers and firemen are required to contribute 7.5% of their eligible compensation and all other employees contribute 6.75%. The Borough is required to contribute remaining amounts necessary to fund the plan using the actuarial basis specified by the State Retirement Board. The employer rate for amortizing all future service liabilities is uniform for all participating employers, and a separate rate is determined for amortizing each employer's unfunded past service liability.

Benefits vest after five years of credited service. Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. Employer rates are adjusted annually on July 1 and are based on actuarial valuations made two years prior to that date. For employees hired after June 30, 1986, the normal annual pension benefit is equal to 2% of the member's highest three-year average monthly compensation for the first ten years of service, 2.25% for the second ten years of service and 2.50% for the third ten years of service. All service earned prior to July 1, 1986 is calculated using the 2% multiplier. For peace officers and firemen, the normal annual pension benefit is equal to 2% of the employee's highest three-year average monthly compensation for the first ten years of service and 2.50% for all remaining years of service. Employees with 30 or more years of credited service (20 years for peace officers and firemen) may retire at any age and receive a normal benefit. Minimum benefits for employees eligible for retirement are $25 per month for each year of credited service. The plan also provides for both occupational and non-occupational disability and death benefits.

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in the benefits is 75% of the CPI increase up to a 9% maximum for recipients who are at least age 65 or on disability or 50% of the increase up to a 6% maximum for recipients who are at least 60 but under 65 or who have been receiving benefits for at least five (5) years. Starting at age 65, or at any age for those employed before July 1, 1986, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10% of the base benefit or $50 per month, whichever is greater. Retirement benefits are life only, level income or optional joint and survivor benefits (actuarially reduced).

Major medical benefits are provided without cost to all members first hired before July 1, 1986. Members first hired after June 30, 1986, may elect major medical benefits.

Employees can voluntarily contribute up to an additional 5% of their salary to the plan. Voluntary contributions are recorded in a separate account. Interest is paid on all employee contributions at the rate of 4.5%, compounded semiannually on June 30 and December 31.

The Borough's total payroll for the fiscal year ended June 30, 1997 was $3,469,768 and the payroll for covered employee totaled $2,438,601.

FUNDING STATUS AND PROGRESS

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. This measure is intended to assist users assessing funding status of the PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of the credited projected benefits and is independent of the funding method used to determine contributions to the PERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1995, which is the latest date this information is available as of the date of these financial statements. Significant actuarial assumptions used in the valuations as of June 30, 1996 include (a) a rate of return of 8.25% per year, compounded annually, net of expenses, (b) projected salary increases of 5.5% for the first five years and 4.5% per year thereafter, with 4% attributable to inflation and the remainder attributable to merit and seniority, and (c) health inflation cost trend of 7.5% in 1997, 6.5% in 1998 and 5.5% in 1999 and later.

The unfunded pension benefit obligation applicable to the Borough's employees was $(1,442,000) at June 30, 1996, as follows (in thousands):

Pension Benefit Obligation	June 30, 1996
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$4,358
Current employees:	
Accumulated employee contributions including allocated investment earnings	1,122
Employer financed - vested	2,917
Employer financed - non-vested	207
Total pension benefit obligation	8,605
Net assets available for benefits	10,047
Over funded pension benefit obligation	$ (1,442)

Actuarially Determined Contribution Requirements and Contribution

The funding policies for PERS provide for actuarially determined periodic contribution rates that change over time to assure sufficient assets are accumulated to pay benefits when due. The rate for Borough employee group as a whole is equal to a consolidated rate and a past service rate. The consolidated rate (12.02% for fiscal year 1997) is a uniform rate for all participating employers sufficient to amortize all future service liabilities (less value of employee contributions) over future working lifetimes of the covered group. It is determined using the projected credit actuarial funding method. The past service rate is determined separately for each employer using the level percentage of payroll method sufficient to amortize each employer's unfunded past service liability over 25 years. Funding surpluses are amortized over five years. The Borough's past service rate for the fiscal year ended June 30, 1997, was 1.66%. The Actuarial method and assumptions used to compute the contribution rates are the same as those used to compute the pension benefit obligation.

The contributions to PERS during the fiscal year ended June 30, 1997, were $294,204 ($167,829 employee and $305,543 employer; 6.75 to 7.50 percent and 12.02 percent of covered payroll, respectively) and were made in accordance with actuarial determined requirements determined by an actuarial valuation of PERS as of June 30, 1996. Of the employers portion $294,204, (12.02 percent of covered payroll of $2,438,601) covered the normal cost and the Borough had a credit of $11,339 and $(1,442,000) amortization of the overfunded actuarial accrued liability, (59.13) percent of covered payroll.

Trend Information

The required ten-year trend information for the plan is located in the supplementary information section of the Borough's statistical section (Table 11) of the Borough's comprehensive annual financial report. However, prior to 1987, trend information for the PERS was available for the total plan only, not by individual employer.
Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. In addition to (Table 11) three year trend information for the Ketchikan Gateway Borough is included in the tables below (thousands omitted).

	1996	1995	1994
Net assets available for benefits	10,047	8,929	8,149
Pension benefit obligation	8,605	8,835	8,564
Percent funded	117%	101%	95%
Unfunded pension benefit obligation	(1,442)	(95)	415
Annual covered payroll	2,447	2,373	2,212
Unfunded pension benefit obligation as a percent of annual covered payroll	(58.93%)	(4.00%)	18.78%

Contributions which were made in accordance with actuarially determined requirements as a percentage of annual covered payroll for the following years, except where noted:

	Employer
July 1, 1996 - June 3, 1997	12.02%
July 1, 1995 - June 30, 1996	11.62%
July 1, 1994 - June 30, 1995	11.90%
July 1, 1993 - June 30, 1994	11.75%
July 1, 1992 - June 30, 1993	12.83%
July 1, 1991 - June 30, 1992	12.80%

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, 1997 was $3,469,768 and the payroll for covered employees totaled $160,895.

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, 1997 was $3,469,768 and the payroll for covered employees totaled $311,212. The total amount contributed to the IBEW plan in FY 1997 was $50,367.

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, 1997, were as follows:

	Transfers Out	Transfers In
General Fund	$ 50,000	$ 379,953
Special Revenue	11,123,979	8,215,575
Enterprise Funds	55,000	50,000
Debt Service		2,314,527
Capital Projects		268,924
Subtotals	$11,228,979	$11,228,979
Component Unit		
School District	$	$ 6,943,372
General Fund	6,943,372	
Internal Service Fund		
Totals	$18,172,351	$18,172,351

G. Interfund Receivable and Payables

Interfund receivable and payable balances at June 30, 1997 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$1,284,521	
Non Areawide Fund		$ 5,034
State & Federal Grants		20,239
Southeast Economic Development		1,194,300
Transit Enterprise Fund		3,620
Shoup Street Service Area		7,691
Capital Projects		53,637
Subtotals	1,284,521	1,284,521
Component Unit	758,759	
General Fund		758,759
Totals	$2,043,280	$2,043,280

H. Medical and Life Insurance Premium Stabilization Reserve Fund

The Ketchikan Gateway Borough along with its component unit purchases commercial insurance to insure its employees' health and to provide life insurance in case of death. The carrier maintains a premium stabilization reserve fund on behalf of the Ketchikan Gateway Borough and component unit. The carrier places premiums collected in excess of claims, administrative expenses and other items into this fund at the end of the plan year, which begins September 1. The carrier reserves the right to use these funds to pay claims if the premiums collected during the plan year are insufficient to pay claims, administrative expenses and other retention items. The carrier has the right to cross apply funds between the Borough and the component unit. Funds may be withdrawn from the premium stabilization fund with thirty -one (31) days after receiving the official notification of the financial results for the plan year then ended. Or, the Ketchikan Gateway Borough and component unit may choose to have the carrier treat these funds, or portion of them, as premiums for the following plan year. Both the Ketchikan Gateway Borough and component unit agreed to maintain $300,000 in the premium stabilization reserve fund as a contingency against future claims for the plan year ended August 31, 1995. The carrier credits interest on these funds at the rate of 4.5-5.5% per annum.

For the year ended June 30, 1996, the component unit elected to have the carrier treat $300,000 of the premium stabilization reserve fund as premium payments. The component unit did not withhold the employees portion of the premium from their paychecks during the two months that the component unit chose to fund the premium from the premium stabilization reserve fund.

During FY 1996, the District withdrew $574,620 from the premium stabilization reserve fund, but subsequently returned $74,620. The $500,000 is reported as local revenue in the operating fund, and carried into FY 1997 as a designated fund balance to be expended for instructional materials, technology update, major maintenance, or insurance costs.

Negotiated labor agreements typically call for 10% premium contribution from component unit employees. It has been determined that the premium paid by component unit employees is expended at the time of collection. Surpluses or deficits have been determined to be the assets of the Borough and component unit. The employee is not expected to pay additional premiums in the event of deficits in the fund.

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 1997 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, 1997.

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

Plan Year Ended	Component Unit	Borough	Combined Balance
August 31, 1993	1,204,084	350,691	1,554,775
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	(57,075)	103,636	46,561
Cash in "Internal Service Fund Account":			
June 30, 1997	11,508	275,547	287,055
Total Internal Service Fund	$ (45,567)	$379,183	$ 333,616

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
Paid into Internal Service Fund	$1,057,060	$420,481	$1,477,541
Administration Fees	- 0 -	(65,338)	(65,338)
Claims Service	(797,513)	(326,177)	(1,123,690)
Refunds	9,377	732	10,109
Interest Income	3,955	4,313	8,268
Balance June 30, 1997	272,879	34,011	306,890

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 Pulp Company closed the Pulp Mill at Ward Cove in March 1997. The closure will have an adverse impact on the community through the loss of jobs, property and sales taxes. Ketchikan Pulp Corporation is the largest single property owner in the Borough with an assessed valuation of $78,961,500 or 8.02% of the assessed valuation in the Borough. Although the pulp mill itself did not collect a significant amount in sales taxes, a reduction in personnel will impact the retail community. Approximately 350 positions at the pulp mill have been eliminated as a result of the mill closure. The extent of the impact of the mill closure is not determinable at this time.

The Ketchikan Gateway Borough initiated a contract with McGraw Construction for the completion of the Mountain Point sewer Facility in the amount of $2,800,000.

An Economic Development loan and lease contract was implemented to Seley in the amount of $800,000. This project includes the construction and operation of value added facilities in the Timber Industry.

The Borough has guaranteed a loan in the amount of $500,000 for the Ketchikan Visitors

Bureau for the construction of facilities. Both the City of Ketchikan and the Borough provide substantially the operational budget for the Visitors Bureau.

The Borough has recently adopted an investment policy. This policy will cover current surplus funds, funds needed within 3 to 5 year for infrastructure and funds for which there is no present plans for construction.

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GENERAL FUND STATEMENTS

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, 1997 and 1996

	1997	1996
Assets		
Cash & Temporary Investments	$3,323,033	$ 3,698,323
Accounts Receivable	121,000	96,270
Due From Other Funds	1,284,521	1,372,197
Prepaid Expenses	8,599	8,276
Property Taxes Receivable	8,345	30,448
Total Assets	$4,745,498	$ 5,205,514
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	$ 295,916	$ 315,235
Due to Other Governments	39,969	709,991
Due to Component Unit	758,759	982,850
Deposits	88,949	72,954
Accrued Liabilities	249,796	210,026
Deferred Revenue	35,660	111,814
Total Liabilities	1,469,049	2,402,870
Fund Balance		
Reserved for Legal Costs		150,000
Reserved for KVB Loan Guarantee	500,000	
Reserved for Prepaid Insurance	8,599	8,276
Reserved for Encumbrances	316,739	66,936
Unreserved	2,451,111	2,577,432
Total Fund Balance	3,276,449	2,802,644
Total Liabilities & Fund Balance	$4,745,498	$ 5,205,514

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, 1997 and 1996

	1997	1996
Revenues		
Taxes		
Real & Personal Property Taxes	$ 6,599,064	$ 6,491,997
Automobile & Boat Taxes	192,298	168,899
Sales Taxes	3,304,879	3,253,992
Penalty & Interest	117,889	117,192
Total Taxes	10,214,130	10,032,080
Alaska State Housing Authority	19,081	19,674
Licenses and Permits		
Zoning Fees	16,961	17,157
Revenues from Other Governments		
State Municipal Assistance	223,704	239,547
State Revenue Sharing	188,178	193,168
State License Refunds	343,942	372,913
State Child Care Assistance	49,077	41,895
Federal Tobacco Tax	70,747	
Federal Revenue - PILT	193,727	738,695
Timber Stumpage	260,940	337,366
Total Revenues from Other Governments	1,330,315	1,923,584
Charges for Services		
Animal Control	27,145	33,487
Parks and Recreation	249,395	217,761
Other Charges	92,580	53,167
Total Charges	369,120	304,415
Other Revenues		
Interest Income	461,645	373,740
Transfers from Other Funds		
Land Trust Fund	288,350	125,000
Interdepartment Revenue	55,000	55,000
Service Area Funds	22,603	22,149
Permanent Fund	14,000	9,568
Transfers from Component Unit		52,153
Total Transfers	379,953	263,870
Total Revenues	$ 12,791,205	$ 12,934,520

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, 1997 and 1996

	1997	1996
Expenditures		
Administration		
Mayor & Assembly	$ 125,688	$ 116,503
Law	344,249	167,493
Clerk	147,973	165,398
Manager	318,087	299,846
Finance-Accounting	520,745	502,565
Finance-Assessment	389,055	358,832
Total Administration	1,845,797	1,610,637
Public Services		
Animal Protection	245,661	233,653
Planning	523,166	501,457
OEDP	359,808	220,427
Community Education	566,252	537,339
Maintenance and Operations	477,281	436,495
Child Care Operations	49,176	51,631
Parks and Recreation	906,885	706,112
Total Public Services	3,128,229	2,687,114
Automation	49,128	33,934
Non Departmental	153,221	134,230
Capital Projects	147,653	136,448
Total Expenditures	5,324,028	4,602,363
Excess (Deficit) of Revenues over Expenditures	7,467,177	8,332,157
Other Financing Sources (Uses)		
Transfers to Component Unit	(6,943,372)	(6,338,311)
Transfers to Recreation Capital Fund		
Transfers to Recreation Fund		
Transfers to Transit Fund	(50,000)	
Transfers to Airport Fund		
Transfers to Bond Debt Fund		(450,000)
Total Other Financing	(6,993,372)	(6,788,311)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	473,805	1,543,846
Fund Balance Beginning of Year	2,802,644	1,258,798
Fund Balance End of Year	$ 3,276,449	$ 2,802,644

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, 1997 and 1996

	1997		Variance Favorable	1996		Variance Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
Revenues						
Taxes						
Real & Personal Property Taxes	$ 6,696,000	6,599,064	$ (96,936)	$ 6,483,169	$ 6,491,997	$ 8,828
Automobile & Boat Taxes	173,500	192,298	18,798	160,000	168,899	8,899
Sales Taxes	3,237,000	3,304,879	67,879	3,075,000	3,253,992	178,992
Penalty & Interest	75,000	117,889	42,889	90,000	117,192	27,192
Total Taxes	10,181,500	10,214,130	32,630	9,808,169	10,032,080	223,911
Alaska State Housing Authority	15,000	19,081	4,081	20,000	19,674	(326)
Licenses and Permits						
Zoning Fees	18,500	16,961	(1,539)	15,000	17,157	2,157
Revenues from Other Governments						
State Municipal Assistance	220,383	223,704	3,321	241,000	239,547	(1,453)
State Revenue Sharing	177,715	188,178	10,463	206,931	193,168	(13,763)
State License Refunds	350,000	343,942	(6,058)	300,024	372,913	72,889
State Child Care Assistance	41,500	49,077	7,577	57,500	41,895	(15,605)
Federal Tobacco Tax	71,500	70,747	(753)			
Federal Revenue - PILT	85,000	193,727	108,727	74,664	738,695	664,031
Timber Stumpage	325,000	260,940	(64,060)	175,000	337,366	162,366
Total Revenues from Other Governments	1,271,098	1,330,315	59,217	1,055,119	1,923,584	868,465
Charges for Services						
Animal Control	27,500	27,145	(355)	27,500	33,487	5,987
Parks and Recreation	268,000	249,395	(18,605)	165,000	217,761	52,761
Other Charges	41,000	92,580	51,580	29,750	53,167	23,417
Total Charges	336,500	369,120	32,620	222,250	304,415	82,165
Other Revenues						
Interest Income	75,000	461,645	386,645	150,000	373,740	223,740
Transfers from Other Funds						
Day Care Fund						
Land Trust Fund	288,350	288,350		125,000	125,000	
Inter-Departmental	90,000	55,000	(35,000)	90,710	55,000	(35,710)
Service Area Funds	22,149	22,603	454	17,000	22,149	5,149
Permanent Fund		14,000	14,000	9,568	9,568	
Transfers from Component Funds			0		52,153	52,153
Total Transfers	400,499	379,953	(20,546)	242,278	263,870	21,592
Total Revenues	$ 12,298,097	$ 12,791,205	$ 493,108	$ 11,512,816	$ 12,934,520	$ 1,421,704

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, 1997 and 1996

	1997 Budget	1997 Actual	Variance Favorable (Unfavorable)	1996 Budget	1996 Actual	Variance Favorable (Unfavorable)
Expenditures						
Administration						
Mayor & Assembly	$ 111,507	$ 125,688	$ (14,181)	$ 119,537	$ 116,503	$ 3,034
Law	335,831	344,249	(8,418)	173,502	167,493	6,009
Clerk	178,250	147,973	30,277	176,262	165,398	10,864
Manager	371,079	318,087	52,992	326,583	299,846	26,737
Finance-Accounting	541,041	520,745	20,296	492,657	502,565	(9,908)
Finance-Assessment	395,266	389,055	6,211	365,534	358,832	6,702
Total Administration	1,932,974	1,845,797	87,177	1,654,075	1,610,637	43,438
Public Services						
Animal Protection	237,021	245,661	(8,640)	242,645	233,653	8,992
Planning	554,228	523,166	31,062	482,460	501,457	(18,997)
OEDP	1,063,148	359,808	703,340	234,700	220,427	14,273
Community Education	588,881	566,252	22,629	559,480	537,339	22,141
Maintenance and Operations	554,021	477,281	76,740	518,841	436,495	82,346
Child Care Operations	50,154	49,176	978	56,056	51,631	4,425
Parks and Recreation	982,134	906,885	75,249	726,964	706,112	20,852
Total Public Services	4,029,587	3,128,229	901,358	2,821,146	2,687,114	134,032
Automation	47,420	49,128	(1,708)	45,950	33,934	12,016
Non Departmental	165,300	153,221	12,079	169,544	134,230	35,314
Capital Projects	449,256	147,653	301,603	271,493	136,448	135,045
Total Expenditures	6,624,537	5,324,028	1,300,509	4,962,208	4,602,363	359,845
Excess (Deficit) of Revenues over Expenditures	5,673,560	7,467,177	1,793,617	6,550,608	8,332,157	1,781,549
Other Financing Sources (Uses)						
Transfers to Component Unit	(6,943,372)	(6,943,372)		(6,338,311)	(6,338,311)	
Transfers to Recreation Capital Fund						
Transfers to Recreation Fund						
Transfers to Transit Fund						
Transfers to Airport Fund						
Transfers to Bond Debt Fund	(50,000)	(50,000)		(450,000)	(450,000)	
Unusual Sales Tax Refund						
Total Other Financing	(6,993,372)	(6,993,372)		(6,788,311)	(6,788,311)	
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (1,319,812)	473,805	$ 1,793,617	$ (237,703)	1,543,846	$ 1,781,549
Fund Balance Beginning of Year		2,802,644			1,258,798	
Fund Balance End of Year		$ 3,276,449			$ 2,802,644	

SPECIAL REVENUE FUND STATEMENTS

SPECIAL REVENUE FUND STATEMENTS

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

The following statements are included in this section:

Special Revenue Funds - Combining Balance Sheets:

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

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

The following individual funds are included in this section:

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

Exhibit B-1

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1997

	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund	Mountain Point Service Area Fund
Assets				
Cash & Temporary Investments	$ 13,931,848	$ 33,098	$ 93,468	$ 175,941
Accounts Receivable - General		1,035		5,519
Advances to Other Funds:	1,046,414			
Deferred Accounts Receivable	1,084,727			
Total Assets	$ 16,062,989	$ 34,133	$ 93,468	$ 181,460
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$		$ 1,454	$ 2,387
Advances from Other Funds				
Deposits	590			
Deferred Revenue	1,085,203			
Due to Other Funds				
Total Liabilities	1,085,793		1,454	2,387
Fund Balances				
Encumbrances	97,053			
Unreserved Fund Balance	14,880,143	$ 34,133	92,014	179,073
Total Fund Balance	14,977,196	34,133	92,014	179,073
Total Liabilities and Fund Balances	$ 16,062,989	$ 34,133	$ 93,468	$ 181,460

Exhibit B-1, cont.

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1997

	South End Fire District Fund	Waterfall Service Area Fund	So Tongass Service Area Fund	Forest Park Service Area Fund
Assets				
Cash & Temporary Investments	$ 45,539	$ 103,001	$ 8,876	$ 270,069
Accounts Receivable - General		72		
Advances to Other Funds:				
Deferred Accounts Receivable				
Total Assets	$ 45,539	$ 103,073	$ 8,876	$ 270,069
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 7,640			$ 4,165
Advances from Other Funds				
Deposits				
Deferred Revenue				
Due to Other Funds				
Total Liabilities	7,640			4,165
Fund Balances				
Encumbrances		1,578		5,962
Unreserved Fund Balance	37,899	$ 101,495	$ 8,876	259,942
Total Fund Balance	37,899	103,073	8,876	265,904
Total Liabilities and Fund Balances	$ 45,539	$ 103,073	$ 8,876	$ 270,069

Exhibit B-1, cont.

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1997

	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund	School Bond/ Capital Improvements Fund
Assets				
Cash & Temporary Investments	$ 30,478	$	$ 1,209,190	228,896
Accounts Receivable - General			92,956	$ 15,764
Advances to Other Funds:				
Deferred Accounts Receivable				
Total Assets	$ 30,478	$	$ 1,302,146	$ 244,660
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	78	$	$ 39,683	$ 4,813
Advances from Other Funds				
Deposits				
Deferred Revenue			1,056,180	
Due to Other Funds		5,034	20,239	
Total Liabilities	78	5,034	1,116,102	4,813
Fund Balances				
Encumbrances			143,577	
Unreserved Fund Balance	$ 30,400	(5,034)	42,467	239,847
Total Fund Balance	30,400	(5,034)	186,044	239,847
Total Liabilities and Fund Balances	$ 30,478	$	$ 1,302,146	$ 244,660

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1997

	Permanent Fund	Shoup Street Service Fund	Southeast Economic Disaster Funds	Recreation Sales Tax Fund	Total
Assets					
Cash & Temporary Investments	$		$ 18,959,210	$ 770,262	$ 35,859,876
Accounts Receivable - General		$ 483			115,829
Advances to Other Funds:					1,046,414
Deferred Accounts Receivable					1,084,727
Total Assets	$	$ 483	$ 18,959,210	$ 770,262	$ 38,106,846
Liabilities and Fund Balances					
Liabilities					
Accounts Payable		$ 1,275			$ 61,495
Advances from Other Funds				$ 400,000	400,000
Deposits					590
Deferred Revenue					2,141,383
Due to Other Funds		7,691	1,194,300		1,227,264
Total Liabilities		8,966	1,194,300	400,000	3,830,732
Fund Balances					
Encumbrances					248,170
Unreserved Fund Balance	$	(8,483)	$ 17,764,910	370,262	34,027,944
Total Fund Balance		(8,483)	17,764,910	370,262	34,276,114
Total Liabilities and Fund Balances	$	$ 483	$ 18,959,210	$ 770,262	$ 38,106,846

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1997

	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund	Mountain Point Service Area Fund
REVENUES				
Taxes			$ 55,736	
State/Federal Revenues		$	385	$
Charges for Services		8,433		119,025
Sale of Land	$ 51,236			
Other Income	7,065,850		599	
Interest Income	508,119	2,906	5,930	7,979
Total Revenues	7,625,205	11,339	62,650	127,004
EXPENDITURES				
Capital Improvements		36,040	29,957	
Public Services	104,631		26,869	90,280
Total Expenditures	104,631	36,040	56,826	90,280
Excess (Deficit) of Revenues over Expenditures	7,520,574	(24,701)	5,824	36,724
Other Financing Sources (Uses)				
Interfund Transfers (In)	5,268,448			
Operating Transfers (Out)	(5,438,350)	(200)	(4,500)	(4,959)
Total Other Financing	(169,902)	(200)	(4,500)	(4,959)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	7,350,672	(24,901)	1,324	31,765
Fund Balance, Beginning of Year	7,626,524	59,034	90,690	147,308
Fund Balance, End of Year	$ 14,977,196	$ 34,133	$ 92,014	$ 179,073

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1997

	South End Fire District Fund	Waterfall Service Area Fund	So Tongass Service Area Fund	Forest Park Service Area Fund
REVENUES				
Taxes	$ 93,362			$ 68,510
State/Federal Revenues	1,395	$		1,094
Charges for Services		4,728		
Sale of Land				
Other Income	1,840			1,968
Interest Income	11,789	4,967	$ 426	13,693
Total Revenues	108,386	9,695	426	85,265
EXPENDITURES				
Capital Improvements	239,490			
Public Services	48,206	1,457		65,384
Total Expenditures	287,696	1,457		65,384
Excess (Deficit) of Revenues over Expenditures	(179,310)	8,238	426	19,881
Other Financing Sources (Uses)				
Interfund Transfers (In)				
Operating Transfers (Out)	(5,262)	(195)		(5,265)
Total Other Financing	(5,262)	(195)		(5,265)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(184,572)	8,043	426	14,616
Fund Balance, Beginning of Year	222,471	95,030	8,450	251,288
Fund Balance, End of Year	$ 37,899	$ 103,073	$ 8,876	$ 265,904

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1997

	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund	School Bond/ Capital Improvements Fund
REVENUES				
Taxes		$ 379,444		
State/Federal Revenues	$	2,944	$1,223,848	$ 1,576,435
Charges for Services	8,099			
Sale of Land				
Other Income			24,776	14,087
Interest Income	1,443	8,809		2,713
Total Revenues	9,542	391,197	1,248,624	1,593,235
EXPENDITURES				
Capital Improvements				
Public Services	4,487	391,743	1,224,619	14,705
Total Expenditures	4,487	391,743	1,224,619	14,705
Excess (Deficit) of Revenues over Expenditures	5,055	(546)	24,005	1,578,530
Other Financing Sources (Uses)				
Interfund Transfers (In)				947,127
Operating Transfers (Out)	(372)			(2,314,527)
Total Other Financing	(372)			(1,367,400)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	4,683	(546)	24,005	211,130
Fund Balance, Beginning of Year	25,717	(4,488)	162,039	28,717
Fund Balance, End of Year	$ 30,400	$ (5,034)	$ 186,044	$ 239,847

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1997

	Southeast Economic Development Fund	Permanent Fund	Shoup Street Service Fund	Recreation Sales Tax Fund	Total
REVENUES					
Taxes				$ 1,093,956	$ 1,691,008
State/Federal Revenues	17,050,000		$ 31,428		19,887,529
Charges for Services					140,285
Sale of Land					51,236
Other Income			1,349		7,110,469
Interest Income	$ 716,005			11,910	1,296,689
Total Revenues	17,766,005		32,777	1,105,866	30,177,216
EXPENDITURES					
Capital Improvements					305,487
Public Services	1,095		36,599		2,010,075
Total Expenditures	1,095		36,599		2,315,562
Excess (Deficit) of Revenues over Expenditures	17,764,910		(3,822)	1,105,866	27,861,654
Other Financing Sources (Uses)					
Interfund Transfers (In)	2,000,000				8,215,575
Operating Transfers (Out)	(2,000,000)	(268,448)	(1,850)	(1,080,051)	(11,123,979)
Total Other Financing		(268,448)	(1,850)	(1,080,051)	(2,908,404)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	17,764,910	(268,448)	(5,672)	25,815	24,953,250
Fund Balance, Beginning of Year		268,448	(2,811)	344,447	9,322,864
Fund Balance, End of Year	$ 17,764,910		$ (8,483)	$ 370,262	$ 34,276,114

Exhibit B-3

KETCHIKAN GATEWAY BOROUGH

RECREATION SALES TAX FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	1997	1996
REVENUES:		
Taxes	$ 1,093,956	$ 1,073,031
Interest Revenue	11,910	14,793
Total Revenues	1,105,866	1,087,824
Excess (Deficit) of Revenues over Expenditures	1,105,866	1,087,824
Other Financing Sources (Uses)		
Operating Transfers Out	(1,080,051)	(1,075,341)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	25,815	12,483
Fund Balance, Beginning of Year	344,447	331,964
Fund Balance, End of Year	$ 370,262	$ 344,447

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Interest Income	$ 464,150	$ 508,119	$ 43,969	258,800
Other Revenue	2,500,000	7,065,850	4,565,850	2,686,580
Sale of Land	50,000	51,236	1,236	34,831
Total Revenues	3,014,150	7,625,205	4,611,055	2,980,211
EXPENDITURES:				
Capital Improvements			0	
Public Services	460,500	104,631	355,869	348,619
Total Expenditures	460,500	104,631	355,869	348,619
Excess (Deficit) of Revenues over Expenditures	2,553,650	7,520,574	4,966,924	2,631,592
Other Financing Sources (Uses)				
Operating Transfers In	5,268,448	5,268,448		
Operating Transfers Out	(5,438,350)	(5,438,350)		(125,000)
Total Other Financing	(169,902)	(169,902)		
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 2,383,748	7,350,672	$4,966,924	2,506,592
Fund Balance, Beginning of Year		7,626,524		5,119,932
Fund Balance, End of Year		$14,977,196		$7,626,524

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
State Revenues	$ 114		$ (114)	$ 124
Public Services	9,740	$ 8,433	(1,307)	9,786
Interest Income	3,630	2,906	(724)	2,292
Total Revenues	13,484	11,339	(2,145)	12,202
EXPENDITURES:				
Capital Improvements	50,000	36,040	13,960	
Public Services	100		100	24
Total Expenditures	50,100	36,040	14,060	24
Excess (Deficit) of Revenues over Expenditures	(36,616)	(24,701)	11,915	12,178
Other Financing Sources (Uses) Operating Transfers Out	(200)	(200)		(200)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (36,816)	(24,901)	$ 11,915	11,978
Fund Balance, Beginning of Year		59,034		47,056
Fund Balance, End of Year		$ 34,133		$ 59,034

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Real and Personal Taxes	$ 55,648	$ 55,736	$ 88	$ 54,958
Automobile and Boat Taxes	550	599	49	572
State Revenues	453	385	(68)	492
Interest Income	4,400	5,930	1,530	3,998
Total Revenues	61,051	62,650	1,599	60,020
EXPENDITURES:				
Capital Improvements	10,000	29,957	(19,957)	2,543
Public Services	34,395	26,869	7,526	29,384
Total Expenditures	44,395	56,826	(12,431)	31,927
Excess (Deficit) of Revenues over Expenditures	16,656	5,824	(10,832)	28,093
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	$ 12,156	1,324	$ (10,832)	23,593
Fund Balance, Beginning of Year		90,690		67,097
Fund Balance, End of Year		$ 92,014		$ 90,690

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Public Services	$ 108,500	$ 119,025	$ 10,525	$ 110,810
State Revenue				1,095
Interest Income	8,180	7,979	(201)	5,463
Total Revenues	116,680	127,004	10,324	117,368
EXPENDITURES:				
Public Services	87,648	90,280	(2,632)	73,590
Total Expenditures	87,648	90,280	(2,632)	73,590
Excess (Deficit) of Revenues over Expenditures	29,032	36,724	7,692	43,778
Other Financing Sources (Uses) Operating Transfers Out	(4,959)	(4,959)		(4,527)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 24,073	31,765	$ 7,692	39,251
Fund Balance, Beginning of Year		147,308		108,057
Fund Balance, End of Year		$ 179,073		$ 147,308

Exhibit B-8

KETCHIKAN GATEWAY BOROUGH

SOUTH END FIRE DISTRICT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Real and Personal Taxes	$ 93,587	$ 93,362	$ (225)	$ 85,149
Automobile and Boat Taxes	1,800	1,840	40	1,757
State Revenues	1,104	1,395	291	1,200
Interest Income	12,345	11,789	(556)	9,513
Total Revenues	108,836	108,386	(450)	97,619
EXPENDITURES:				
Capital Improvements	243,620	239,490	4,130	
Public Services	40,200	48,206	(8,006)	49,459
Total Expenditures	283,820	287,696	(3,876)	49,459
Excess (Deficit) of Revenues over Expenditures	(174,984)	(179,310)	(4,326)	48,160
Other Financing Sources (Uses) Operating Transfers Out	(5,262)	(5,262)		(5,412)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (180,246)	(184,572)	$ (4,326)	42,748
Fund Balance, Beginning of Year		222,471		179,723
Fund Balance, End of Year		$ 37,899		$ 222,471

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
State Revenues	$ 725		$ (725)	$ 789
Public Services	9,800	$ 4,728	(5,072)	9,783
Interest Income	5,115	4,967	(148)	3,877
Total Revenues	15,640	9,695	(5,945)	14,449
EXPENDITURES:				
Public Services	3,762	1,457	2,305	2,270
Total Expenditures	3,762	1,457	2,305	2,270
Excess (Deficit) of Revenues over Expenditures	11,878	8,238	(3,640)	12,179
Other Financing Sources (Uses)				
Operating Transfers Out	(195)	(195)		(237)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 11,683	8,043	$ (3,640)	11,942
Fund Balance, Beginning of Year		95,030		83,088
Fund Balance, End of Year		$ 103,073		$ 95,030

Exhibit B-10

KETCHIKAN GATEWAY BOROUGH

SOUTH TONGASS SERVICE AREA FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Interest Income	$ 470	$ 426	$ (44)	$ 347
Total Revenues	470	426	(44)	347
EXPENDITURES:				
Public Services				
Total Expenditures				
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 470	426	$ (44)	347
Fund Balance, Beginning of Year		8,450		8,103
Fund Balance, End of Year		$ 8,876		$ 8,450

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Real and Personal Taxes	$ 70,427	$ 68,510	$ (1,917)	$ 88,153
Automobile and Boat Taxes	1,700	1,968	268	1,693
State Revenues	2,850	1,094	(1,756)	3,049
Interest Income	13,750	13,693	(57)	12,888
Total Revenues	88,727	85,265	(3,462)	105,783
EXPENDITURES:				
Capital Improvements	20,650		20,650	76,585
Public Services	67,100	65,384	1,716	63,039
Total Expenditures	87,750	65,384	22,366	139,624
Excess (Deficit) of Revenues over Expenditures	977	19,881	18,904	(33,841)
Other Financing Sources (Uses) Operating Transfers Out	(5,265)	(5,265)		(5,114)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (4,288)	14,616	$ 18,904	(38,955)
Fund Balance, Beginning of Year		251,288		290,243
Fund Balance, End of Year		$ 265,904		$ 251,288

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Public Services	$ 8,465	$ 8,099	$ (366)	$ 8,374
State Revenues	558		(558)	606
Interest Income	1,426	1,443	17	1,017
Total Revenues	10,449	9,542	(907)	9,997
EXPENDITURES:				
Public Services	6,200	4,487	1,713	4,916
Total Expenditures	6,200	4,487	1,713	4,916
Excess (Deficit) of Revenues over Expenditures	4,249	5,055	806	5,081
Other Financing Sources (Uses)) Operating Transfers Out	(372)	(372)		(309)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 3,877	4,683	$ 806	4,772
Fund Balance, Beginning of Year		25,717		20,945
Fund Balance, End of Year		$ 30,400		$ 25,717

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Real and Personal Taxes	$ 383,742	$ 379,444	$ (4,298)	$ 299,000
State Revenues	2,844	2,944	100	3,091
Interest Income	2,500	8,809	6,309	8,689
Total Revenues	389,086	391,197	2,111	310,780
EXPENDITURES:				
Library Services	391,623	391,743	(120)	312,853
Total Expenditures	391,623	391,743	(120)	312,853
Excess (Deficit) of Revenues over Expenditures	$ (2,537)	(546)	$ 1,991	(2,073)
Fund Balance, Beginning of Year		(4,488)		(2,415)
Fund Balance, End of Year		$ (5,034)		$ (4,488)

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	1997	1996
REVENUES:		
State Sources	$ 1,223,848	$ 1,446,864
Other Revenues	24,776	12,943
Total Revenues	1,248,624	1,459,807
EXPENDITURES:		
Public Services	1,224,619	1,446,484
Total Expenditures	1,224,619	1,446,484
Excess (Deficit) of Revenues over Expenditures	24,005	13,323
Fund Balance, Beginning of Year	162,039	(81,752)
Residual Equity Transfer		230,468
Fund Balance, End of Year	$ 186,044	$ 162,039

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
State Grant	$ 1,569,838	$ 1,576,435	$ 6,597	$ 1,701,707
Interest Income		2,713	2,713	2,515
Other Revenue	10,800	14,087	3,287	9,900
Total Revenues	1,580,638	1,593,235	12,597	1,714,122
EXPENDITURES:				
Public Services	10,405	14,705	(4,300)	10,856
Total Expenditures	10,405	14,705	(4,300)	10,856
Excess (Deficit) of Revenues over Expenditures	1,570,233	1,578,530	8,297	1,703,266
Other Financing Sources (Uses)				
Interfund Transfers (In)	947,127	947,127		450,000
Operating Transfers Out	(2,314,527)	(2,314,527)		(1,799,200)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 202,833	211,130	$ 8,297	354,066
Fund Balance, Beginning of Year		28,717		(325,349)
Fund Balance, End of Year		$ 239,847		$ 28,717

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Interest Income				$ 11,169
Total Revenues				11,169
Excess (Deficit) of Revenues over Expenditures				11,169
Other Financing Sources (Uses) Operating Transfers Out	$ (268,448)	$ (268,448)	$	(9,568)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (268,448)	(268,448)	$	1,601
Fund Balance, Beginning of Year		268,448		266,847
Fund Balance, End of Year		$		$ 268,448

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1996 Actual
REVENUES:				
Public Services	$ 31,950	$ 31,428	$ (522)	$ 30,477
Other Revenues		1,349	1,349	
Total Revenues	31,950	32,777	827	30,477
EXPENDITURES:				
Public Services	35,493	36,599	(1,106)	32,787
Total Expenditures	35,493	36,599	(1,106)	32,787
Excess (Deficit) of Revenues over Expenditures	(3,543)	(3,822)	(279)	(2,310)
Other Financing Sources (Uses)) Operating Transfers Out	(1,850)	(1,850)		(1,850)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (5,393)	(5,672)	$ (279)	(4,160)
Fund Balance, Beginning of Year		(2,811)		1,349
Fund Balance, End of Year		$ (8,483)		$ (2,811)

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Public Services			
Federal Revenues		$ 17,050,000	$ 17,050,000
Interest Revenues		716,005	716,005
Total Revenues		17,766,005	17,766,005
EXPENDITURES:			
Public Services	$ 186,188	1,095	185,093
Total Expenditures	186,188	1,095	185,093
Excess (Deficit) of Revenues over Expenditures	(186,188)	17,764,910	17,951,098
Other Financing Sources (Uses))			
Operating Transfers In	2,000,000	2,000,000	
Operating Transfers Out	(2,000,000)	(2,000,000)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (186,188)	17,764,910	$ 17,951,098
Fund Balance, Beginning of Year			
Fund Balance, End of Year		$ 17,764,910	

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DEBT SERVICE FUNDS

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 principle & 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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	1989 G.O. Bond Redemption Fund	1995 G.O. Bond Redemption Fund	Totals 1997	Totals 1996
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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	1989 G.O. Bond Redemption Fund	1995 G.O. Bond-IRC Redemption Fund	Totals 1997	Totals 1996
EXPENDITURES				
Debt Service				
Principal	$ 1,200,000	430,000	$ 1,630,000	$ 1,400,000
Interest	317,400	$ 367,127	684,527	597,041
Total	1,517,400	797,127	2,314,527	1,997,041
Excess (Deficit) of Revenues over Expenditures	(1,517,400)	(797,127)	(2,314,527)	(1,997,041)
Other Financing Sources (Uses)				
Transfer from General Fund	1,517,400		1,517,400	1,799,200
Transfer from Recreational Capital Projects Fund		797,127	797,127	197,841
Total Other Financing Sources (Uses)	1,517,400	797,127	2,314,527	1,997,041
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	$	$	$	$

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CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. This does not include capital projects financed by proprietary funds 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, 1997
(With Comparative Totals for June 30, 1996)

	Other Construction Projects	K-High/ Valley Park Swimming Pool Remodel	School Bond Construction Fund 1989	Total 1997	Total 1996
Assets					
Cash in Central Treasury	$ 880,076	$	$ 10,968	$ 891,044	$ 1,607,311
					3,680,413
Accounts Receivable					1,293,230
Total Assets	$ 880,076	$	$ 10,968	$ 891,044	$ 6,580,954
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	$ 325,142	$	$	$ 325,142	$ 574,972
Retainage Payable			15,000	15,000	15,000
Due to Other Funds		53,637		53,637	1,233,334
Advances-Inter Fund Loans		646,414		646,414	892,500
Total Liabilities	325,142	700,051	15,000	1,040,193	2,715,806
Fund Equity					
Encumbrances	56,168		42,333	98,501	3,701,743
Fund Balance	498,766	(700,051)	(46,365)	(247,650)	163,405
Total Fund Balances	554,934	(700,051)	(4,032)	(149,149)	3,865,148
Total Liabilities and Fund Equity	$ 880,076	$	$ 10,968	$ 891,044	$ 6,580,954

Exhibit D-2

KETCHIKAN GATEWAY BOROUGH

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Other Construction Projects	K-High/ Valley Park Swimming Pool Remodel	School Bond Construction Fund 1989	Total 1997	Total 1996
REVENUES					
State Sources					$ (40,337)
Other Revenues					411
Interest	$ 160,524		$ 88	$ 160,612	86,727
Total Revenues	160,524		88	160,612	46,801
EXPENDITURES					
Contractual Services		$ 23,457		23,457	4,406,335
Educational Facilities	3,951,471	434,889	34,016	4,420,376	399,034
Total Expenditures	3,951,471	458,346	34,016	4,443,833	4,805,369
Excess (Deficit) of Revenues over Expenditures	(3,790,947)	(458,346)	(33,928)	(4,283,221)	(4,758,568)
Other Financing Sources (Uses)					
Proceeds of IRC Bond Sales					7,500,000
Transfers from Other Funds		268,924		268,924	877,500
Total Other Financing Sources (Uses)		268,924		268,924	8.377,500
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(3,790,947)	(189,422)	(33,928)	(4,014,297)	3,618,932
Fund Balances, Beginning of Year	4,345,881	(510,629)	29,896	3,865,148	476,721
Residual Equity Transfer (Out)					(230,505)
Fund Balances, End of Year	$ 554,934	$ (700,051)	$ (4,032)	$ (149,149)	$ 3,865,148

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ENTERPRISE FUNDS

ENTERPRISE FUNDS

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

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

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

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

Airport Enterprise Fund:
Comparative Balance Sheets
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings - Budget and Actual
Comparative Statements of Cash Flows

Transit Enterprise Fund:
Comparative Balance Sheets
Comparative Statement of Revenues, Expenses and Changes in Retained Earnings - Budget and Actual
Comparative Statements of Cash Flows

Ferry Enterprise Fund
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, 1997
(With Comparative Totals for June 30, 1996)

	Airport	Transit	Ferry	Totals June 30, 1997	Totals June 30, 1996
ASSETS					
Cash and Investments	$ 14,356		$ 117,781	$ 132,137	$ 396,895
Due From Other Governments					162
Accounts Receivable	135,438		3,899	139,337	196,737
Total Currrent Assets	149,794		121,680	271,474	593,794
Restricted Assets					
Bond Redemption Fund Cash & Investments	59,733			59,733	59,733
Plant in Service					
Buildings and Equipment	7,569,775	$ 525,183	1,555,568	9,650,526	9,296,059
Construction in Progress					
Less Accumulated Depreciation	(4,047,722)	(241,412)	(806,427)	(5,095,561)	(4,722,526)
Total Plant in Service	3,522,053	283,771	749,141	4,554,965	4,573,533
Total Assets	$ 3,731,580	$ 283,771	$ 870,821	$ 4,886,172	$ 5,227,060
LIABILITIES AND FUND EQUITY					
Current Liabilities					
Accounts Payable	$ 19,607	$ 2,121	$ 2,915	$ 24,643	$ 32,609
Due to Other Funds		3,620		3,620	11,043
Accrued Vacation & Sick Leave	83,256	8,774	72,378	164,408	165,888
Accrued Interest Payable	2,200			2,200	3,758
Current Portion of Long Term Debt	40,000			40,000	205,000
Total Current Liabilities	145,063	14,515	75,293	234,871	418,298
Long-term Debt	90,000			90,000	130,000
Total Liabilities	235,063	14,515	75,293	324,871	548,298
Fund Equity:					
Contributed Capital	1,251,476	201,839	440,744	1,894,059	1,871,696
Retained Earnings					
Unreserved	2,185,308	67,417	354,784	2,607,509	2,747,333
Reserved	59,733			59,733	59,733
Total Retained Earnings	2,245,041	67,417	354,784	2,667,242	2,807,066
Total Fund Equity	3,496,517	269,256	795,528	4,561,301	4,678,762
Total Liabilities and Fund Equity	$ 3,731,580	$ 283,771	$ 870,821	$ 4,886,172	$ 5,227,060

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, 1997
(With Comparative Totals for the Year Ended June 30, 1996)

	Airport	Transit	Ferry	Totals June 30, 1997	Totals June 30, 1996
OPERATING REVENUES					
Charges for Services	$ 1,316,479	$ 143,796	$ 920,411	$ 2,380,686	$ 2,505,611
Total Operating Revenues	1,316,479	143,796	920,411	2,380,686	2,505,611
OPERATING EXPENSES					
Personnel Services	772,262	210,411	594,524	1,577,197	1,472,947
Supplies and Services	382,764	59,503	276,587	718,854	725,957
Insurance	46,655	19,897	69,639	136,191	145,881
Depreciation	269,127	69,435	60,076	398,638	384,574
Total Operating Expenses	1,470,808	359,246	1,000,826	2,830,880	2,729,359
Net Operating (Loss)	(154,329)	(215,450)	(80,415)	(450,194)	(223,748)
NON OPERATING REVENUES (EXPENSES)					
State Operating Grants		116,621	17,099	133,720	148,349
Interest Earnings	25,113	462	7,054	32,629	32,958
Interest Expense	(19,916)		(895)	(20,811)	(22,972)
Total Nonoperating Revenues (Expenses)	5,197	117,083	23,258	145,538	158,335
Income (Loss) Before Operating Transfers	(149,132)	(98,367)	(57,157)	(304,656)	(65,413)
Other Financing Sources (Uses)					
Operating Transfers In		50,000		50,000	
Operating Transfers Out	(29,150)		(25,850)	(55,000)	(55,000)
Total Other Financing Sources (Uses)	(29,150)	50,000	(25,850)	(5,000)	(55,000)
Net Income (Loss)	(178,282)	(48,367)	(83,007)	(309,656)	(120,413)
Depreciation of Fixed Assets Acquired by Grants	73,067	58,115	38,650	169,832	166,916
Increase (Decrease) in Retained Earnings	(105,215)	9,748	(44,357)	(139,824)	46,503
Retained Earnings, Beginning of Year	2,350,256	57,669	399,141	2,807,066	2,760,563
Retained Earnings at End of Year	$ 2,245,041	$ 67,417	$ 354,784	$ 2,667,242	$ 2,807,066

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1997

	Airport	Transit	Ferry	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 1,371,233	$ 143,796	$ 923,057	$ 2,438,086
Cash Payments for Insurance	(46,655)	(19,897)	(69,639)	(136,191)
Cash Payments to Employees for Services	(779,837)	(213,371)	(587,027)	(1,580,235)
Cash Payments to Suppliers for Goods and Services	(377,395)	(76,918)	(279,768)	(734,081)
Net Cash Provided by Operating Activities	167,346	(166,390)	(13,377)	(12,421)
Cash Flows from Noncapital Financing Activites:				
Transfers from General Fund		50,000		50,000
Transfers Out to General Fund	(29,150)		(25,850)	(55,000)
Grant Received from State		116,621	17,099	133,720
Net Cash Provided by Noncapital Financing Activities	(29,150)	166,621	(8,751)	128,720
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(340,483)	(693)	(39,592)	(380,768)
Grant from State	167,977		24,915	192,892
Principal Paid on G. O. and Revenue Bonds	(205,000)			(205,000)
Interest Paid on G. O. and Revenue Bonds	(19,916)		(895)	(20,811)
Net Cash Used for Capital and Related Financing	(397,422)	(693)	(15,572)	(413,687)
Cash Flow From Investing Activities:				
Interest on Investments	25,113	462	7,054	32,629
Net Cash Provided by Investing Activities	25,113	462	7,054	32,629
Net Increase (Decrease) in Cash and Cash Equivalents	(234,113)		(30,646)	(264,759)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	308,202		148,427	456,629
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 74,089	$	$ 117,781	$ 191,870
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Cash and Temporary Investments - Current Assets	14,356		117,781	132,137
Cash and Temporary Investments - Restricted Assets	59,733			59,733
	$ 74,089	$	$ 117,781	$ 191,870
Reconciliation of Operating Income to Cash Provided by Operating Activities:				
Operating Income (Loss)	(154,329)	(215,450)	(80,415)	(450,194)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	269,127	69,435	60,076	398,638
(Increase) Decrease From Other Governments		162		162
(Increase) Decrease in Accounts Receivable	54,754		2,646	57,400
Increase (Decrease) in Due to General Fund		(7,423)		(7,423)
Increase (Decrease) in Accounts Payable	5,369	(10,154)	(3,181)	(7,966)
Increase (Decrease) in Accrued Liabilities	(7,575)	(2,960)	7,497	(3,038)
Total Adjustments	321,675	49,060	67,038	437,773
Net Cash Provided by Operating Activities	$ 167,346	$ (166,390)	$ (13,377)	$ (12,421)

Exhibit E-4

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1997 and 1996

	1997	1996
ASSETS		
Cash and Cash Equivalents	$ 14,356	$ 248,468
Accounts Receivable	135,438	190,192
Total Currrent Assets	149,794	438,660
Restricted Assets		
Bond Redemption Fund Cash & Cash Equivalents	59,733	59,733
Plant in Service		
Field	3,251,311	3,215,047
Terminal	4,292,190	4,007,831
Administration	13,399	19,840
Murphy's Landing	12,875	12,875
Less Accumulated Depreciation	(4,047,722)	(3,804,199)
Total Plant in Service	3,522,053	3,451,394
Total Assets	$ 3,731,580	$ 3,949,787
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 19,607	$ 14,238
Accrued Vacation & Sick Leave	83,256	89,273
Accrued Interest Payable	2,200	3,758
Current Portion of Long Term Debt	40,000	205,000
Total Current Liabilities	145,063	312,269
Long-term Debt	90,000	130,000
Total Liabilities	235,063	442,269
Fund Equity:		
Contributed Capital	1,251,476	1,157,262
Retained Earnings		
Unreserved	2,185,308	2,290,523
Reserved	59,733	59,733
Total Retained Earnings	2,245,041	2,350,256
Total Fund Equity	3,496,517	3,507,518
Total Liabilities and Fund Equity	$ 3,731,580	$ 3,949,787

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, 1997 and 1996

	June 30, 1997	June 30, 1996
OPERATING REVENUES		
Charges for Services	$ 1,316,479	$ 1,406,992
Total Operating Revenues	1,316,479	1,406,992
OPERATING EXPENSES		
Personnel Services	772,262	719,355
Supplies and Services	382,764	306,412
Insurance	46,655	52,539
Total Operation and Maintenance	1,201,681	1,078,306
Depreciation	269,127	257,621
Total Operating Expenses	1,470,808	1,335,927
Net Operating (Loss)	(154,329)	71,065
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants		42,587
Interest Earnings	25,113	31,310
Interest Expense	(19,916)	(22,053)
Total Nonoperating Revenues (Expenses)	5,197	51,844
Income (Loss) Before Operating Transfers	(149,132)	122,909
OTHER FINANCING SOURCES (USES)		
Operating Transfers Out	(29,150)	(29,150)
Total Operating Expenses	(29,150)	(29,150)
Net Income (Loss)	(178,282)	93,759
Depreciation of Fixed Assets Acquired by Grants	73,067	70,980
Increase (Decrease) in Retained Earnings	(105,215)	164,739
Retained Earnings, Beginning of Year	2,350,256	2,185,517
Retained Earnings at End of Year	$ 2,245,041	$ 2,350,256

Exhibit E-6

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1997 and 1996

	1997	1996
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 1,371,233	$ 1,404,513
Cash Payments for Insurance	(46,655)	(52,539)
Cash Payments to Employees for Services	(779,837)	(721,599)
Cash Payments to Suppliers for Goods and Services	(377,395)	(324,491)
Net Cash Provided by Operating Activities	167,346	305,884
Cash Flows Non Capital Financing Activies:		
Transfers Out	(29,150)	(29,150)
Net Cash Provided by Non Capital Financing Activities	(29,150)	(29,150)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(340,483)	(78,804)
Grant Received from State	167,977	42,587
Principal Paid on G.O. Bonds	(205,000)	(190,000)
Interest Paid on G.O. Bonds	(19,916)	(22,053)
Net Cash Provided by Capital and Related Financing Activities	(397,422)	(248,270)
Cash Flow from Investing Activities		
Interest on Investments	25,113	31,311
Net Cash Provided by Investing Activities	25,113	31,311
Net Increase (Decrease) in Cash and Cash Equivalents	(234,113)	59,775
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	308,202	248,427
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 74,089	$ 308,202
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	$ 14,356	$ 248,469
Cash and Temporary Investments _ Restricted Assets	59,733	59,733
	$ 74,089	$ 308,202
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (154,329)	$ 71,065
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	269,127	257,621
(Increase) Decrease in Accounts Receivable	54,754	(2,479)
Increase (Decrease) in Accounts Payable	5,369	(18,079)
Increase (Decrease) in Accrued Liabilities	(7,575)	(2,244)
Total Adjustments	321,675	234,819
Net Cash Provided by Operating Activities	$ 167,346	$ 305,884

Exhibit E-7

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1997 and 1996

	1997	1996
ASSETS		
Due from Other Governments	$	$ 162
Total Currrent Assets		162
Plant in Service		
Buses	$ 525,183	524,490
Less Accumulated Depreciation	(241,412)	(171,977)
Net Plant in Service	283,771	352,513
Total Assets	$ 283,771	$ 352,675
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	$ 2,121	$ 12,275
Due to Other Funds	3,620	11,043
Accrued Vacation and Sick Leave	8,774	11,734
Total Current Liabilities	14,515	35,052
Fund Equity:		
Contributed Capital	201,839	259,954
Retained Earnings	67,417	57,669
Total Fund Equity	269,256	317,623
Total Liabilities and Fund Equity	$ 283,771	$ 352,675

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, 1997 and June 30, 1996

	June 30, 1997	June 30, 1996
OPERATING REVENUES		
Charges for Services	$ 143,796	$ 144,736
Total Operating Revenues	143,796	144,736
OPERATING EXPENSES		
Personnel Services	210,411	209,281
Supplies and Services	59,503	60,747
Insurance	19,897	14,861
Total Operation and Maintenance	289,811	284,889
Depreciation	69,435	69,418
Total Operating Expenses	359,246	354,307
Net Operating (Loss)	(215,450)	(209,571)
NON OPERATING REVENUES (EXPENSES)		
UMTA Grant for Ferry		
State Operating Grants	116,621	77,916
Interest Earnings	462	1,470
Total Nonoperating Revenues (Expenses)	117,083	79,386
Income (Loss) Before Operating Transfers	(98,367)	(130,185)
Other Financing Sources (Uses)		
Operating Transfers In	50,000	
Total Other Financing Sources (Uses)	50,000	
Net Income (Loss)	(48,367)	(130,185)
Depreciation of Fixed Assets Acquired by Grants	58,115	58,116
Increase (Decrease) in Retained Earnings	9,748	(72,069)
Retained Earnings, Beginning of Year	57,669	129,738
Retained Earnings at End of Year	$ 67,417	$ 57,669

Exhibit E-9

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1997 and 1996

	1997	1996
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 143,796	$ 144,736
Cash Payments for Insurance	(19,897)	(14,861)
Cash Payments to Employees for Services	(213,371)	(195,923)
Cash Payments to Suppliers for Goods and Services	(76,918)	(61,841)
Net Cash Provided by Operating Activities	(166,390)	(127,889)
Cash Flows from Noncapital Financing Activities		
Transfer from General Fund	50,000	
Payments to Other Funds		
Grant Received from State	116,621	77,916
Net Cash Provided by Noncapital Financing Activities	166,621	77,916
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(693)	
Capital Grant Received from State		
Net Cash Used for Capital and Related Financing Activities	(693)	
Cash Flow from Investing Activities		
Interest on Investments	462	1,470
Net Cash Provided by Investing Activities	462	1,470
Net Increase (Decrease) in Cash and Cash Equivalents		(48,503)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)		48,503
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)	(215,450)	(209,571)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	69,435	69,418
(Increase) Decrease From Other Governments	162	
Increase (Decrease) to Other Funds	(7,423)	11,043
Increase (Decrease) in Accounts Payable	(10,154)	(1,094)
Increase (Decrease) in Accrued Liabilities	(2,960)	2,315
Total Adjustments	49,060	81,682
Net Cash Provided by Operating Activities	$ (166,390)	$ (127,889)

Exhibit E-10

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1997 and 1996

	1997	1996
ASSETS		
Cash & Investments	$ 117,781	$ 148,427
Accounts Receivable	3,899	6,545
Total Current Assets	121,680	154,972
Plant in Service		
Ferry	1,555,568	1,515,976
Less Accumulated Depreciation	(806,427)	(746,350)
Total Plant in Service	749,141	769,626
Total Assets	$ 870,821	$ 924,598
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 2,915	$ 6,096
Accrued Vacation & Sick Leave	72,378	64,881
Total Liabilities	75,293	70,977
Fund Equity:		
Contributed Capital	440,744	454,480
Retained Earnings		
Unreserved	354,784	399,141
Total Retained Earnings	354,784	399,141
Total Fund Equity	795,528	853,621
Total Liabilities and Fund Equity	$ 870,821	$ 924,598

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, 1997 and 1996

	June 30, 1997	June 30, 1996
OPERATING REVENUES		
Charges for Services	$ 920,411	$ 953,883
Total Operating Revenues	920,411	953,883
OPERATING EXPENSES		
Personnel Services	594,524	544,311
Supplies and Services	276,587	358,798
Insurance	69,639	78,481
Total Operation and Maintenance	940,750	981,590
Depreciation	60,076	57,535
Total Operating Expenses	1,000,826	1,039,125
Net Operating (Loss)	(80,415)	(85,242)
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	17,099	27,846
Interest Earnings	7,054	178
Interest Expense	(895)	(919)
Total Nonoperating Revenues (Expenses)	23,258	27,105
Income (Loss) Before Operating Transfers	(57,157)	(58,137)
Other Financing Sources (Uses)		
Operating Transfers Out	(25,850)	(25,850)
Total Other Financing Sources (Uses)	(25,850)	(25,850)
Net Income (Loss)	(83,007)	(83,987)
Depreciation of Fixed Assets Acquired by Grants	38,650	37,820
Increase (Decrease) in Retained Earnings	(44,357)	(46,167)
Retained Earnings, Beginning of Year	399,141	445,308
Retained Earnings at End of Year	$ 354,784	$ 399,141

Exhibit E-12

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1997 and 1996

	1997	1996
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 923,057	$ 947,338
Cash Payments for Insurance	(69,639)	(78,481)
Cash Payments to Employees for Services	(587,027)	(544,467)
Cash Payments to Suppliers for Goods and Services	(279,768)	(529,690)
Net Cash Provided by Operating Activities	(13,377)	(205,300)
Cash Flow from Non-Capital Financing Activities		
Transfers to General Fund	(25,850)	(25,850)
Grant Received from State	17,099	27,846
Net Cash Provided by Non Capital Financing Activities	(8,751)	1,996
Cash Flows from Capital and Related Financing Activities:		
Capital Grant received from State	24,915	
Acquisition and Construction of Capital Assets	(39,592)	(1,960)
Interest Paid on G.O. Bonds	(895)	(919)
Net Cash Used for Capital and Related Financing Activities	(15,572)	(2,879)
Cash Flow from Investing Activities		
Interest on Investments	7,054	178
Net Cash Provided by Investing Activities	7,054	178
Net Increase (Decrease) in Cash and Cash Equivalents	(30,646)	(206,005)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	148,427	354,432
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 117,781	$ 148,427
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	117,781	148,427
	$ 117,781	$ 148,427
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(80,415)	(85,242)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	60,076	57,535
(Increase) in Accounts Receivable	2,646	(6,545)
Increase (Decrease) in due to General Fund		(172,762)
Increase in Accounts Payable	(3,181)	1,870
Increase in Accrued Liabilities	7,497	(156)
Total Adjustments	67,038	(120,058)
Net Cash Provided by Operating Activities	$ (13,377)	$ (205,300)

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

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

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, 1997

	Great West Insurance Fund	Insurance Stablization Fund	Total
ASSETS			
Cash & Temporary Investments	$ 388,608	$ 287,055	$ 675,663
Equity in Stabilization Insurance Fund		46,561	46,561
Total Currrent Assets	388,608	333,616	722,224
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	81,718		81,718
Total Liabilities	81,718		81,718
Fund Equity:			
Reserved		46,561	46,561
Unreserved	306,890	287,055	593,945
Total Retained Earnings	306,890	333,616	640,506
Total Fund Equity	306,890	333,616	640,506
Total Liabilities and Fund Equity	$ 388,608	$ 333,616	$ 722,224

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, 1997

	Great West Insurance Fund	Insurance Stablization Fund	Total
OPERATING REVENUES			
Insurance Premiums	$ 1,477,541		$ 1,477,541
Total Operating Income	1,477,541		1,477,541
OPERATING EXPENSES			
Administration Costs	65,338		65,338
Expense - Claims Service	1,123,690	$ 326,059	1,449,749
Total Operating Expenses	1,189,028	326,059	1,515,087
Net Operating Revenues(Loss)	288,513	(326,059)	(37,546)
NON OPERATING REVENUES (EXPENSES)			
Interest Income	8,268	13,583	21,851
Refunds	10,109		10,109
Total Nonoperating Revenues (Expenses)	18,377	13,583	31,960
Net Income (Loss)	306,890	(312,476)	(5,586)
Retained Earnings, Beginning of Year		646,092	646,092
Retained Earnings at End of Year	$ 306,890	$ 333,616	$ 640,506

Exhibit F-3

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1997

	Great West Insurance Fund	Aetna Insurance Fund	Total 1997
Cash Flows from Operating Activities:			
Cash Received from Customers and Users	$ 1,477,541		$ 1,477,541
Cash Payments for Insurance	(1,107,310)	$ (326,059)	(1,433,369)
Net Cash Provided by Operating Activities	370,231	(326,059)	44,172
Cash Flows from Noncapital Financing Activities			
Funds Received Through Refunding	10,109		10,109
Net Cash Provided by Noncapital Financing Activities	10,109		10,109
Cash Flow from Investing Activities:			
Interest on Investments	8,268	13,583	21,851
Net Cash Provided by Investing Activities	8,268	13,583	21,851
Net Increase (Decrease) in Cash and Cash Equivalents	388,608	(312,476)	76,132
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)		646,092	646,092
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 388,608	$ 333,616	$ 722,224
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	$ 388,608	$ 287,055	$ 675,663
Cash and Temporary Investments _ Restricted Assets		46,561	46,561
	$ 388,608	$ 333,616	$ 722,224
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ 288,513	$ (326,059)	$ (37,546)
'Adjustments to Reconcile Operating Income to Net Cash			
Increase (Decrease) in Accounts Payable	81,718		81,718
Total Adjustments	81,718		81,718
Net Cash Provided by Operating Activities	$ 370,231	$ (326,059)	$ 44,172

AGENCY FUNDS

AGENCY FUNDS

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

The following funds and statements are included in this section:

<u>Agency Funds</u>

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, 1997

	Balance June 30, 1996	Additions	Deductions	Balance June 30, 1997
DEFERRED COMPENSATION FUND				
Assets				
Funds with Fiscal Agents	$ 1,136,939	$ 112,823	$ 66,287	$ 1,183,475
Liabilities				
Deferred Compensation	$ 1,136,939	$ 112,823	$ 66,287	$ 1,183,475

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, 1997 and 1996

	1997	1996
GENERAL FIXED ASSETS		
Land	$ 285,000	$ 285,000
Buildings	8,160,988	968,453
Equipment	1,536,050	985,972
Swimming Pools/Ballfields	2,531,177	2,531,177
Construction in Progress	16,408	4,405,646
Total	$ 12,529,623	$ 9,176,248

	1997	1996
INVESTMENT IN GENERAL FIXED ASSETS FROM:		
Federal and State Grants	$ 1,337,811	$ 1,337,811
General Revenues	11,191,812	7,838,437
Total	$ 12,529,623	$ 9,176,248

Exhibit H-2

KETCHIKAN GATEWAY BOROUGH

SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY

June 30, 1997

Function and Activity	Land	Buildings	Machinery and Equipment	Ballfields / Pools	Total
General Government:					
Manager	$ 150,000	$ 335,000	$ 29,693		$ 514,693
Clerk			24,172		24,172
Attorney			18,306		18,306
Administrative Services			55,573		55,573
Assessment			60,367		60,367
Total General Government	150,000	335,000	188,111		673,111
Services:					
Animal Protection	55,000	284,252	57,383		396,635
Parks and Recreation		7,192,535	232,772	$ 2,531,177	9,956,484
Maintenance and Operations	80,000	209,711	216,962		506,673
Planning			81,829		81,829
Child Care Assistance			3,727		3,727
Non-Departmental		139,490	118,623		258,113
Local Emergency Planning Commission			15,223		15,223
Coastal Zone Management			4,319		4,319
Total Services	135,000	7,825,988	730,838	2,531,177	11,223,003
Service Areas:					
Southend Fire District			424,921		424,921
Shoreline Service Area			188,392		188,392
Mt. Point Service Area			3,788		3,788
Total Service Areas			617,101		617,101
Construction in Progress		16,408			16,408
Total General Fixed Assets	$ 285,000	$ 8,177,396	$ 1,536,050	$ 2,531,177	$ 12,529,623

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GENERAL LONG-TERM DEBT

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, 1997 and 1996

	June 30, 1997	June 30, 1996
Other Debits		
Amount to Provided-Bonds	$ 10,670,000	$ 12,300,000
Total Other Debits	$ 10,670,000	$ 12,300,000
Liabilities		
95 IRC Bonds	$ 7,070,000	$ 7,500,000
89 School Construction G.O. Bonds	3,600,000	4,800,000
Total General Long-term Debt	$ 10,670,000	$ 12,300,000

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, 1997

	Balance June 30, 1996	Deletions	Balance June 30, 1997
Other Debits			
Amount to be Provided-Bonds	$ 12,300,000	$ 1,630,000	$ 10,670,000
Liabilities			
95 IRC Bonds	$ 7,500,000	$ 430,000	$ 7,070,000
89 School Construction G.O. Bonds	4,800,000	1,200,000	3,600,000
Total General Long-term Debt	$ 12,300,000	$ 1,630,000	$ 10,670,000

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ADDITIONAL INFORMATION

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, 1997

CASH & INVESTMENTS CLASSIFIED BY FUND		
General Fund		$ 3,323,033
Special Revenue Funds:		
Land Trust Fund	$ 13,931,848	
Southeast Economic Disaster Fund	18,959,210	
Recreation Sales Tax Fund	770,262	
South End Fire District Fund	45,539	
Shoreline Service Area Fund	93,468	
Mt. Point Service Area Fund	175,941	
Waterfall Service Area Fund	103,001	
Mud Bight Service Area	33,098	
South Tongass Service Area Fund	8,876	
Forest Park Service Area Fund	270,069	
Gold Nugget Service Area Fund	30,478	
School Bond/Capital Improvements	228,896	
State & Federal Grants Fund	1,209,190	35,859,876
Capital Projects Fund:		
Other Construction Projects	880,076	
K-High Reconstruction	10,968	891,044
Enterprise Funds:		
Airport Fund - Unrestricted	14,356	
Airport Fund - Restricted	59,733	
Ferry Fund	117,781	191,870
Internal Service Fund:		
Great West Insurance Reserve	388,608	
Aetna Insurance Risk Management Fund	333,616	722,224
Agency:		
Cash with Deferred Comp Agent		1,183,475
Total Cash by Fund		$ 42,171,522
CASH CLASSIFIED BY DEPOSITORY		
Change Funds & Petty Cash	$ 2,150	
Mikunda Cottrell Trust Account - Mountain Point	1,063,431	
First Bank of Ketchikan	4,245	
National Bank of Alaska	2,960,081	
Funds with Aetna Insurance Company	46,561	
Funds with Fiscal Agents	1,183,475	
Total Cash		5,259,943
Investments		
National Bank of Alaska - Trust	11,881,201	
National Bank of Alaska - Trust	15,851,588	
First Bank	1,087,029	
U.S. Trust	8,091,761	
Total Investments		36,911,579
Total Cash and Investments		$ 42,171,522

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
1987	2,921	2,925	99.9%	4	est. 1,200	0.3%
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%

Exhibit J-3

KETCHIKAN GATEWAY BOROUGH

COMBINED SCHEDULE OF BONDS PAYABLE

Year Ended June 30, 1997

	Interest Rate	Payment Dates	Issue Date	Final Maturity Date	Authorized	Issued	Retired	Outstanding
GENERAL OBLIGATION BONDS								
1972 Airport Bonds	5.50 - 6.50	5/1 & 11/1	05/01/72	05/01/1997	2,200,000	2,200,000	2,200,000	0
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	6,000,000	3,600,000
1996 IRC Bonds	4.30 - 6.00	5/15 & 11/15	12/07/95	5/15/2009	7,500,000	7,500,000	430,000	7,070,000
					$19,300,000	$19,300,000	$ 8,630,000	$10,670,000
REVENUE BONDS								
1980 Airport Improvement Bonds	8.00	5/1 & 11/1	05/01/80	05/01/2000	$ 410,000	$ 410,000	$ 280,000	$ 130,000

Exhibit J-4

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 1997

Fiscal	G.O. Bonds-Education			G.O. Bonds-IRC			Revenue Bonds-Airport		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	$ 1,200,000	$ 239,400	$ 1,439,400	$ 455,000	$ 341,328	$ 796,328	$ 40,000	$ 10,400	$ 50,400
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			
	$ 3,600,000	$ 480,000	$ 4,080,000	$ 7,070,000	$ 2,380,685	$ 9,450,685	$ 130,000	$ 21,600	$ 151,600

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STATISTICAL SECTION

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

Table 1

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

Fiscal Year	General Government	Public Services	Education Operating	Education Capital	Debt Service Education	Total
1988	2,238	1,438	15,896	32	3,074	22,678
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

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

UNAUDITED

Table 2

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
1988	6,052	22,729	771	850	30,402
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	21,218	509		33,632

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

UNAUDITED

Table 2A

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

Fiscal Year	Property Tax	Sales Tax	Automobile Tax	Boat Tax	Total
1988	3,979	2,073	(2)	(2)	6,052
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

(1) General government expenditures and revenue figures include data for all funds except proprietary and fiduciary fund types.
(2) Information not available

UNAUDITED

Table 3

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
1988	3,866,473	3,717,544	96.1%	89,302	3,806,846	98.5%	195,702	5.1%
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%

UNAUDITED

Table 4

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
1988	612,622,700	612,622,700	32,068,900	32,068,900	N/A	644,691,600	644,691,600	100%
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%

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

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Table 5

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
1988	9.10	0.50	1.00	7.50		0.60	5.70	24.40
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

Table 6

KETCHIKAN GATEWAY BOROUGH
PRINCIPAL TAXPAYERS
June 30, 1997
(amounts expressed in thousands)

Taxpayer	Business Type	Valuation	Percentage of Total Assessed Valuation
Ketchikan Pulp	Forest Products	$ 78,402,400	7.80%
The Hames Group	Retail Stores	12,167,000	1.21%
Cape Fox Corporation	Forest Products	11,548,200	1.15%
(Includes Cape Fox Hotel Corp.)			
E. C. Phillips & Son, Inc.	Fish Processing	7,925,700	0.79%
Kanaway Seafoods	Seafood Processing	7,912,700	0.79%
Vanderweele, James & Ken	Commercial Property	6,623,400	0.66%
Union Oil Company	Petroleum Products	5,910,200	0.59%
Carr-Gottstein Foods Co.	Retail Stores	5,424,000	0.54%
TF Acquisition	Seafood Processing	5,179,700	0.52%
Main Street Associates, Ltd.	Retail/Commercial	4,701,600	0.47%
Total Principal Taxpayers		$ 141,093,300	14.03%
Total Assessed Valuation		$1,005,582,800	100.00%

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Table 7

KETCHIKAN GATEWAY BOROUGH

Computation of Legal Debt Margin

June 30, 1997

No Debt Limit is Mandated by Law

Direct and Overlapping Debt

Total Direct Debt			
Outstanding G.O. Bonds - Ketchikan Gateway Borough		$	10,800,000
Less Self Supporting Debt:			
1972 Airport Improvement Bonds	(130,000)		
1995 Recreation Sales Tax Revenues	(7,070,000)		(7,200,000)
Total Direct Debt			3,600,000
City of Ketchikan Direct Debt			
Outstanding G.O. Bonds		$	8,735,000
Less Self Supporting Debt:			
Bonds Paid from Ketchikan Port Fund Revenues	$ (5,425,000)		
Bonds Paid from Wastewater Fund Revenues	(1,671,550)		(7,096,550)
Total City of Ketchikan Direct Debt			1,638,450
Total Direct and Overlapping Debt		$	5,238,450

Source: Ketchikan Gateway Borough and City of Ketchikan Financial Records

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Table 8

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
1988	12,829	644,691,600	16,559,000	0	1,500,000	15,059,000	2.34%	1,174
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	10,670,000	0	130,000	10,670,000	1.06%	724

(1) Alaska Department of Community & Regional Affairs
(2) From Table 4.
(3) Amounts do not include revenue bonds.
(4) Amount available for repayment of general obligation bonds.
(5) Amounts include the general obligation bonds that are being repaid from the Airport Enterprise Fund.

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Table 9

KETCHIKAN GATEWAY BOROUGH
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Ten Year Period Ending June 30, 1997

Fiscal Year	Debt Service Payments: Principal	Debt Service Payments: Interest	Debt Service Payments: Total	Total General Expenditures	Ratio of Debt Service to General Expenditures
1988	1,695,000	1,379,125	3,074,125	20,242,597	15.2%
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%

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Table 10

KETCHIKAN GATEWAY BOROUGH
DEMOGRAPHIC STATISTICS
Ten Year Period Ending June 30, 1997

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
1988	12,829	17,886	(4)	2,537	9.7%	(4)
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%

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

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Table 11

KETCHIKAN GATEWAY BOROUGH
MISCELLANEOUS STATISTICS
FOR THE YEAR ENDED JUNE 30, 1997

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	163 FTE
Number of Students (Average Daily Attendance)	2,856
Elections	
Number of Registered Voters	10,857
Number of Votes in last regular election	3,650
Airport Operations	
Landings & Takeoffs per year - all Aircraft	27,072
Air Carrier Passengers per year	159,837
Ferry Passengers	335,187
Ferry Vehicles	79,815
Planning	
Number of zoning permits issued	165
Permanent Employees as of June 30, 1997	79

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Table 12

KETCHIKAN GATEWAY BOROUGH
PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years

Fiscal Year	Property Value (1) Assessed Valuation	Construction Number of Units	Construction Value
1988	644,691,600	129	2,002,125
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

Table 13

KETCHIKAN GATEWAY BOROUGH
REVENUE BOND COVERAGE
AIRPORT

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
1988	2,014,112	1,681,202	332,910	20,000	30,400	50,400	6.61
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

(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.

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