KETCHIKAN GATEWAY BOROUGH
ALASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 1996

KETCHIKAN GATEWAY BOROUGH
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KETCHIKAN GATEWAY BOROUGH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 1996

Prepared by

DEPARTMENT OF ADMINISTRATIVE SERVICES

Alvin E. Hall, Director

KETCHIKAN GATEWAY BOROUGH

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1996

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KETCHIKAN GATEWAY BOROUGH

Office of Administrative Services • 344 Front Street • Ketchikan, Alaska 99901

Alvin E. Hall
Director
(907) 228-6630
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December 31, 1996

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, 1996, 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, certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 1995, 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 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-128,"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 primarily on forest products, fishing, and tourism. This results in the economy of Ketchikan being more stable than in other areas of Alaska that are much more dependent on oil production revenues. Although both fishing and forest products industries experience economic fluctuations, the long term outlook for both of these industries remains favorable. In addition, Ketchikan has experienced a large growth in tourism during the last few years as the number of visitors arriving on cruise ships, planes and boats has increased substantially. This trend of increased tourism is expected to continue for fiscal year 1996 and then growth is expected to level.

The government currently has a land area of 1,242 square miles and a population of 15,082. The government is empowered to levy a property tax on both real and business personal property located within its boundaries.

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. He 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 is the single largest source of employment. Approximately 15% of the local labor force is directly employed in the timber industry. Because of timber industry's role, the upturns and downswings of the local economy frequently parallel those of the industry. A significant portion of the timber activity in the borough revolves around the operations of Louisiana Pacific Corporation d/b/a Ketchikan Pulp Company which owns and operates a dissolving pulp mill and a sawmill located in Ward Cove.

The strong demand for wood and lumber products, driven in part by the improvement of the housing continues to improve through 1996. Weak economies in both Europe and Japan have decreased demand for rayon, a product made from dissolving pulp, pulp prices have continued to decrease in price over a number of years, this along with the failure of KPC to obtain additional years on the present contract for timber harvest had a significant impact on the decision to close the pulp mill.

Substantial portions of Southeast Alaska's forest products are exported to Japan and other Pacific rim countries. The combined value of Alaskan wood product exports was nearly $510 million for the 1994 fiscal year. Japan remained Alaska's primary market for wood products, accounting for 67% of the total dollar value of fiscal year 1994 exports. Although recessionary forces linger, a recovering housing market and a strong Japanese yen have allowed only a slight drop in Japanese lumber imports. Approximately 95% of Alaska's lumber and cant exports were shipped to Japan, along with 17% of exported pulp and 72% of the exported logs.

A reliable supply of harvestable timber remains an important economic issue with the timber industry. Some relief was granted in 1993 when the U.S. Forest Service approved the Central Prince of Wales sale to Ketchikan Pulp Company. This sale is expected to provide a dependable supply of timber for the next three years and will be instrumental in maintaining timber harvest levels at the projected 140 million board feet for 1995.

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%.

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 1995 cruise ships brought 380,822 visitors to Ketchikan. In 1996 cruise ships brought 420,000 visitors to Ketchikan. This is an increase of 39,178 visitors or (10.2)%. 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.

Outlook. Timber is expected to continue to be a large part of our local economy. Valid concerns continue to exist regarding the availability of a reliable source of timber to supply the pulp mill and the sawmill. Because of changes to the Tongass National Forest timber management policies, the timber harvest for the next several years is expected to decrease by another 25%. The harvest of timber from private lands is also expected to decline. The final outcome is dependent on the industry's ability to adapt to the new management policies, development of new products to stimulate demand, and investment in the infrastructure and technology necessary to remain competitive. Strong housing starts, a favorable foreign currency exchange rate, and low inventories of wood products work favorably towards continuing a strong demand for wood products from Southeast Alaska..

The prospects for fishing depend primarily on quantity and the quality of the salmon harvest. More seafood processors are exploring opportunities to expand their product lines and future growth in this area is promising. This process is still in the development stage and future years operations are where contributions may be recognized.

Tourism continues to be a growth industry because of additional visitors arriving in Ketchikan by cruise ship. Ketchikan completed the Ted Ferry Civic Center and marketing is underway to promote the facility as a convention center. This is expected to attract additional visitors into the community.

According to the McDowell study pulp and sawmill closure impacts the housing market 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 infrastructure 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 reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgements by management.

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

As a part of the single audit performed by the Borough's independent accountants, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs and state awards, as well as to determine that the Borough has complied with applicable laws and regulations. The results of the Borough's single audit for the fiscal year ended June 30, 1995, 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 reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the Ketchikan Gateway Borough continues to meet its responsibility for sound financial management.

General 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, 1996 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	$11,636,393	56.13%	$ 110,978	.95%
Payments in Lieu of Taxes	19,674	.10	1,144	6.17
Licenses and Permits	17,157	.08	(1,368)	(7.38)
Revenue from Other Governments	5,072,741	24.47	(5,826,518)	(53.46)
Charges for Services	443,168	2.14	88,472	24.94
Other Revenue	3,540,493	17.08	2,936,431	486.11
Total	$20,729,626	100.00%	$(2,690,861)	

The most significant increase in actual continued revenue sources was derived from taxes and revenues from other governments. Tax revenues are a combination of three distinct resources: property taxes, sales tax, and automobile and boat taxes. A large portion of the tax revenue increase was a result of a 1/2 cent Borough wide increase in sales taxes.

The decrease in Revenue from other governments resulted from completion of Ketchikan Gateway High School which was funded through grants.

Other revenues derived from the Whipple Creek timber sales had a substantial impact on revenues for 1995/96.

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, 1996 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)
Administration	$ 1,610,637	11.62%	$ 62,218	4.02%
Public Services	5,061,395	36.53	(25,230)	(.50)
Non-Departmental	134,230	.97	(28,617)	(17.57)
Automation)	33,934	.24	(5,588)	(16.47)
Capital Projects	5,020,945	36.23	(4,569,458)	(47.65)
Debt Service	1,997,041	14.41	(104,547)	(.50)
Total	$13,858,182	100.00%	$(4,671,222)	

The significant decrease in capital projects is due to the construction of the Ketchikan High School, a multi-phase project, which was completed during the 1995 fiscal year. Other significant decreases are in debt service with the maturing of debt with no new issues coming due in fiscal year 1996.

Enterprise Operations. The Ketchikan Gateway Borough enterprise operations are comprised 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 be 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, 1996, the Ketchikan Gateway Borough had outstanding debt of $12,635,000. This is comprised of $12,300,000 in general obligation, and enterprise funds which have outstanding debt of $335,000 comprised of $170,000 in general obligation bonds and $165,000 in revenue bonds.

Cash Management. Cash temporarily idle 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 $855,830 on all investments for the year ended June 30, 1996. 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 $3,600,000 for the float plane dock at the Ketchikan International Airport, $35,000 for an EIS study for Murphy's Seaplane Dock, $28,000 for ADA upgrades for the Airport, $232,500 for Mountain Point Sewer and Water, $50,000 for sewer and water feasibility study for the Shoup Street Service Area, and other projects have been approved under the matching fund program.

G.O. Bonds in the amount of $7,500,000 were issued for construction of the Indoor Recreation Center, Phase V on the Mountain Point Sewer and Water was completed, and renovations to the Valley Park swimming pool was advertised for construction.

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 $450,000 in economic disaster funds during 1996, an additional $25,000,000 will be available to the Borough over the next four 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 statements 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.

Awards. The Government Finance Officers Association ("the GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Borough for its comprehensive annual financial report for the fiscal year ended June 30, 1995. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. 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 Jodi Tarr 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 Ketichikan Gateway Borough.

Respectfully submitted,

Alvin E. Hall
Director of Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ketchikan Gateway Borough, Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1995

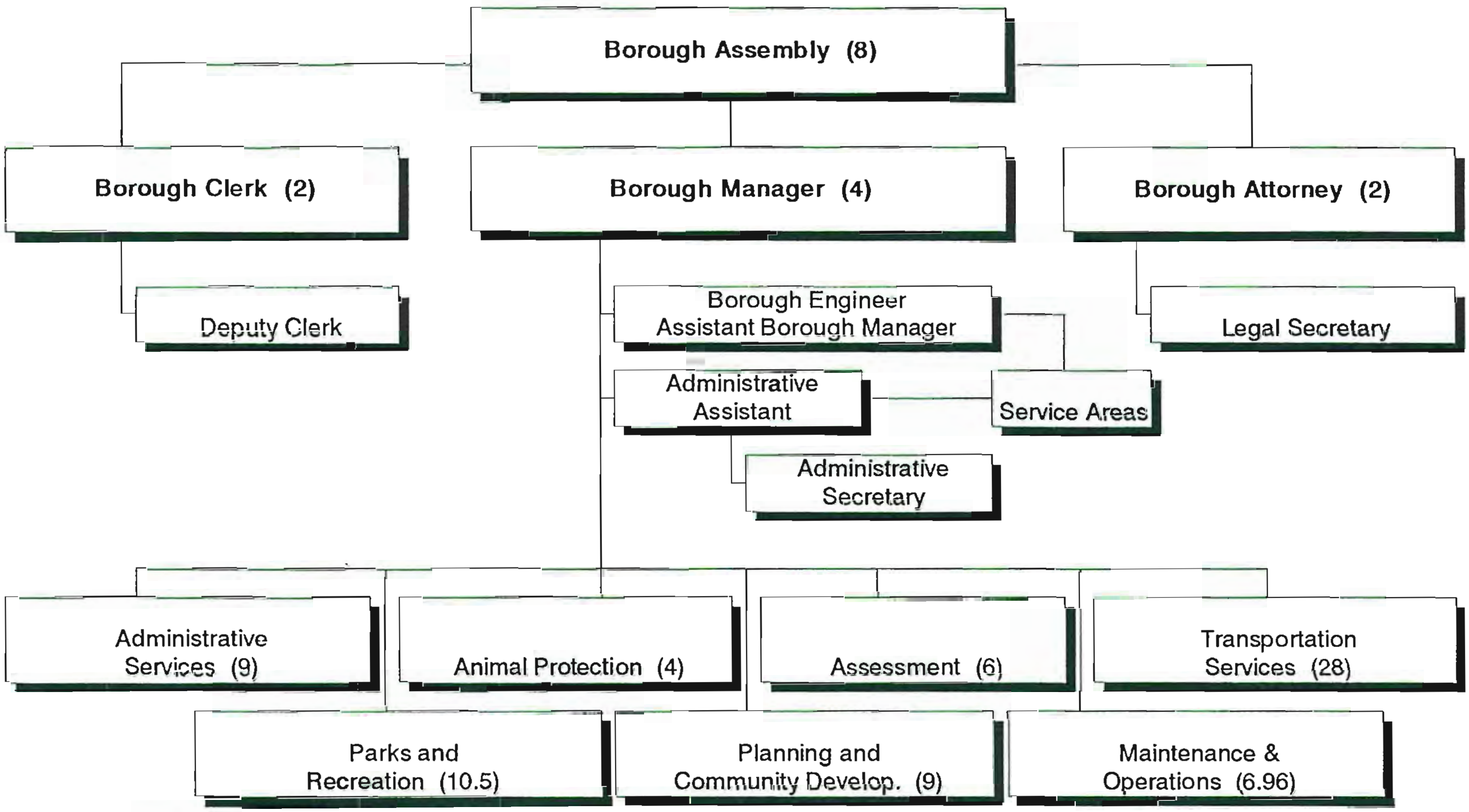
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Arthur R. Lynch
President

Jeffrey L. Esser
Executive Director

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 1996/97



( ) Indicates number of full–time employees in each Activity/Department.

KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

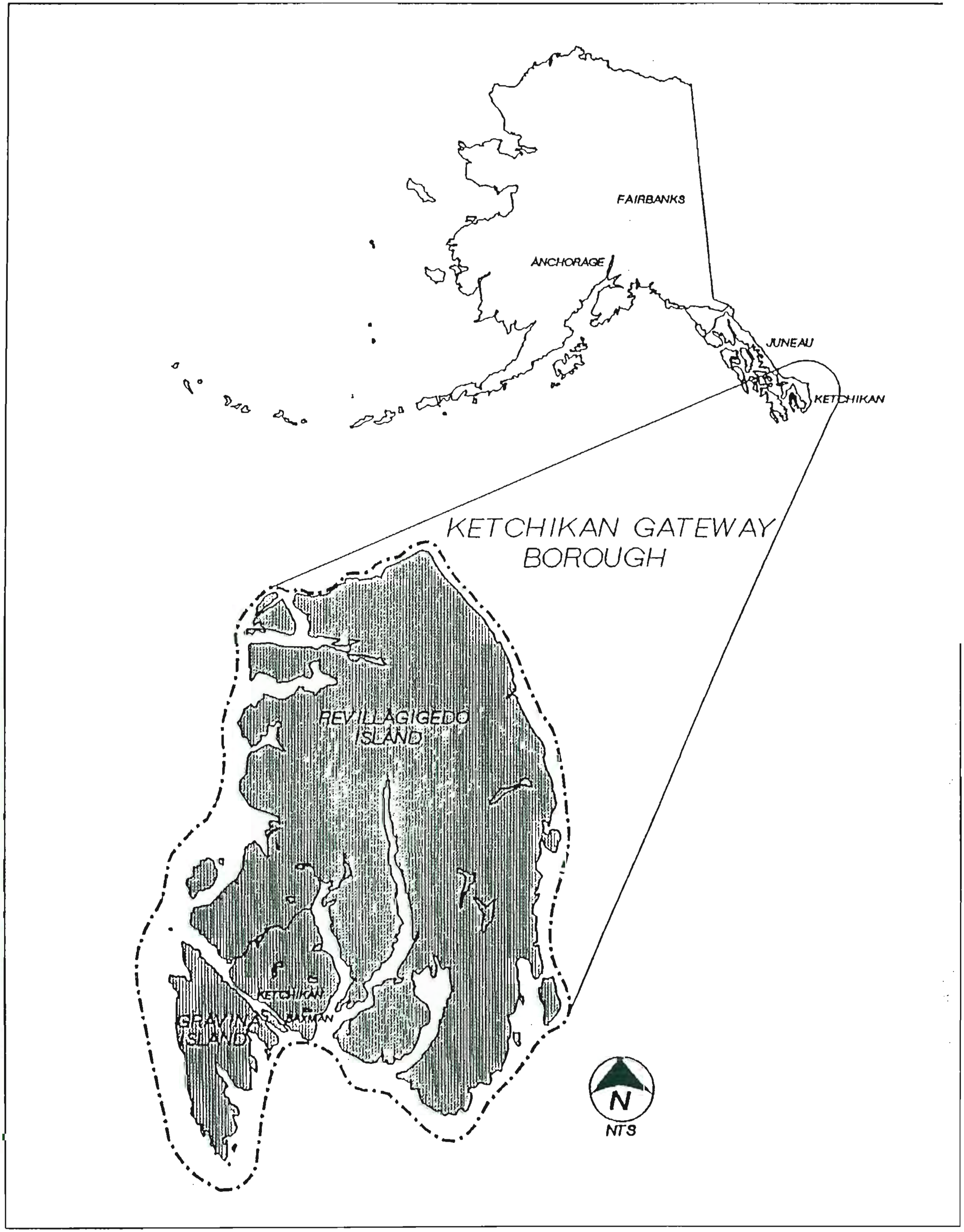
June 30, 1996

MAYOR AND ASSEMBLY

James Carlton	Mayor
Darrell Thomas	Assemblymember
John Conley	Assemblymember
Tom Coyne	Assemblymember
James B. Elkins	Assemblymember
Donald Mitchel	Assemblymember
George H. Tipton	Assemblymember
Phyllis Yetka	Assemblymember

BOROUGH STAFF

Michael D. Rody	Manager
Don Chenhall	Assistant Manager
Scott A. Brandt-Erichsen	Borough Attorney
Georgianna Zimmerle	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


FAIRBANKS
ANCHORAGE
JUNEAU
KETCHIKAN
KETCHIKAN GATEWAY
BOROUGH
REVILLAGIGEDO
ISLAND
KETCHIKAN
SAXMAN
GRAVINA
ISLAND
N
NTS

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

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

We have audited the Schedule of Interest Proceeds for Bonds Approved by Voters for School Construction after July 1, 1986 (Form DOE/SF 05-94-036) and the Schedule of Payments Made for Principal and Interest on Bonds to Fund School Construction (Form DOE/SF 05-94-035) of the Ketchikan Gateway Borough School District for the year ended June 30, 1996. These forms are the responsibility of management. Our responsibility is to express an opinion on these forms based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Interest Proceeds for Bonds Approved by Voters for School Construction after July 1, 1986 and the Schedule of Payments Made for Principal and Interest on Bonds to Fund School Construction are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts included on the Schedule of Interest Proceeds from Bonds Approved by Voters for School Construction after July 1, 1986 and the Schedule of Payments Made for Principal and Interest on Bonds to Fund School Construction. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Interest Proceeds from Bonds Approved by Voters for School Construction after July 1, 1986 and the Schedule of Payments Made for Principal and Interest on Bonds to Fund School Construction referred to above present fairly, in all material respects, the interest proceeds for bonds approved by voters and the principal and interest expenditures on bonds for school construction of the Ketchikan Gateway Borough School District for the year ended June 30, 1996, in conformity with generally accepted accounting principles.

HOGAN, MECHAM, RICHARSON AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

This report is intended solely for the use of the Ketchikan Gateway Borough, the Ketchikan Gateway Borough School District, and the State of Alaska Department of Education and should not be used for any other purpose.

Hogan, Mecham, Richardson and Company

November 5, 1996

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, 1996

	Governmental Fund Types				Proprietary Type Funds	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS						
Cash and Temporary Investments	$ 3,698,323	$ 9,295,449		$ 1,607,311	$ 396,895	$ 273,472
Funds with Fiscal Agents						372,620
Property Taxes Receivable	30,448					
Due From Other Governments					162	
Due From Primary Government						
Accounts Receivable	96,270	94,510		1,293,230	196,737	
Due From Other Funds	1,372,197					
Advances to Other Funds		892,500				
Prepaid Insurance	8,276					
Deferred Accounts Receivable		8,194,270				
Inventory						
Restricted Assets						
Bond Redemption Fund Cash and Investments				3,680,413	59,733	
Plant in Service					9,296,059	
Accumulated Depreciation					(4,722,526)	
Land						
Buildings						
Equipment						
Swimming Pools						
Leasehold Improvements						
Amount to be Provided for Payment of Long Term Debt						
Total Assets	$ 5,205,514	$ 18,476,729	$	$ 6,580,954	$ 5,227,060	$ 646,092
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	$ 315,235	$ 146,258		$ 574,972	$ 32,609	
Retainage Payable		34,119		15,000		
Due to Other Governments	709,991					
Due to Other Funds		127,819		1,233,334	11,043	
Due to Component Unit	982,850					
Advances from Other Funds				892,500		
Deposits	72,954					
Accrued Interest Payable					3,758	
Accrued Liabilities	210,026				165,888	
Deferred Revenue	111,814	8,845,669				
Deferred Compensation						
Bonds Payable					335,000	
Total Liabilities	2,402,870	9,153,865		2,715,806	548,298	
Equity and Other Credits:						
Contributed Capital					1,871,696	
Investment in General Fixed Assets						
Retained Earnings:						
Reserved for Bond Retirement					59,733	
Reserved for Premium Stabilization Reserve Fund						$ 150,000
Unreserved					2,747,333	496,092
Fund Balances:						
Reserved for Federal Impact Aid						
Reserved for Legal Costs	150,000					
Reserved for Encumbrances	66,936	391,103		3,701,743		
Reserved for Prepaid	8,276					
Reserved for Inventory						
Reserved for Endowments						
Unreserved Fund Balance	2,577,432	8,931,761		163,405		
Total Equity and Other Credits	2,802,644	9,322,864		3,865,148	4,678,762	646,092
Total Liabilities, Equity and Other Credits	$ 5,205,514	$ 18,476,729	$	$ 6,580,954	$ 5,227,060	$ 646,092

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, 1996

	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				$ 15,271,450	$ 271,789	$ 15,543,239
Funds with Fiscal Agents	$ 1,136,939			1,509,559		1,509,559
Property Taxes Receivable				30,448		30,448
Due From Other Governments				162		162
Due From Primary Government					982,850	982,850
Accounts Receivable				1,680,747	397,019	2,077,766
Due From Other Funds				1,372,197		1,372,197
Advances to Other Funds				892,500		892,500
Prepaid Insurance				8,276		8,276
Deferred Accounts Receivable				8,194,270		8,194,270
Inventory					26,640	26,640
Restricted Assets						
Bond Redemption Fund Cash and Investments				3,740,146	178,550	3,918,696
Plant in Service				9,296,059		9,296,059
Accumulated Depreciation				(4,722,526)		(4,722,526)
Land		$ 285,000		285,000	117,216	402,216
Buildings		968,453		968,453	61,808,827	62,777,280
Equipment		985,972		985,972	7,295,866	8,281,838
Swimming Pools/Ballfields		2,531,177		2,531,177		2,531,177
Construction in Progress		4,405,646		4,405,646		4,405,646
Leasehold Improvements					17,867	17,867
Amount to be Provided for Payment of Long Term Debt			$ 12,300,000	12,300,000		12,300,000
Total Assets	$ 1,136,939	$ 9,176,248	$ 12,300,000	$ 58,749,536	$ 71,096,624	$ 129,846,160
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable				$ 1,069,074	$ 741,334	$ 1,810,408
Retainage Payable				49,119		49,119
Due to Other Governments				709,991		709,991
Due to Other Funds				1,372,196		1,372,196
Due to Component Unit				982,850		982,850
Advances from Other Funds				892,500		892,500
Deposits				72,954		72,954
Accrued Interest Payable				3,758		3,758
Accrued Liabilities				375,914	230,115	606,029
Deferred Revenue				8,957,483		8,957,483
Deferred Compensation	$ 1,136,939			1,136,939	153,040	1,289,979
Bonds Payable			$ 12,300,000	12,635,000		12,635,000
Total Liabilities	1,136,939		12,300,000	28,257,778	1,124,489	29,382,267
Equity and Other Credits:						
Contributed Capital				1,871,696		1,871,696
Investment in General Fixed Assets		$ 9,176,248		9,176,248	69,239,776	78,416,024
Retained Earnings:						
Reserved for Bond Retirement				59,733		59,733
Reserved for Premium Stabilization Reserve Fund				150,000		150,000
Unreserved				3,243,425		3,243,425
Fund Balances:						
Reserved for Federal Impact Aid					15,990	15,990
Reserved for Legal Costs				150,000		150,000
Reserved for Encumbrances				4,159,782	76,163	4,235,945
Reserved for Prepaid				8,276		8,276
Reserved for Inventory					26,640	26,640
Reserved for Endowments					25,000	25,000
Unreserved Fund Balance				11,672,598	588,566	12,261,164
Total Equity and Other Credits		9,176,248		30,491,758	69,972,135	100,463,893
Total Liabilities, Equity and Other Credits	$ 1,136,939	$ 9,176,248	$ 12,300,000	$ 58,749,536	$ 71,096,624	$ 129,846,160

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

KETCHIKAN GATEWAY BOROUGH

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

For the Fiscal Year Ended June 30, 1996

	General	Special Revenue	Debt Service	Capital Projects	Totals (memorandum only) Primary Government	Components Unit School District	Totals (memorandum only) Reporting Entity
REVENUES							
Taxes	$ 10,032,080	$ 1,604,313			$ 11,636,393		$ 11,636,393
Payments in Lieu of Taxes	19,674				19,674		19,674
Licenses and Permits	17,157				17,157		17,157
Revenues from Other Govts	1,923,584	3,189,494		$ (40,337)	5,072,741	$ 12,463,221	17,535,962
Charges for Services	304,415	138,753			443,168		443,168
Other Revenues	373,740	3,079,615		87,138	3,540,493		3,540,493
Total Revenues	12,670,650	8,012,175		46,801	20,729,626	12,463,221	33,192,847
EXPENDITURES							
Current							
General Government	1,610,637				1,610,637		1,610,637
Public Services	2,687,114	2,374,281			5,061,395	18,646,610	23,708,005
Non-Departmental	134,230				134,230		134,230
Automation	33,934				33,934		33,934
Capital Outlay	136,448	79,128		4,805,369	5,020,945		5,020,945
Debt Service			$ 1,997,041		1,997,041		1,997,041
Total Expenditures	4,602,363	2,453,409	1,997,041	4,805,369	13,858,182	18,646,610	32,504,792
Excess (Deficit) of Revenues over Expenditures	8,068,287	5,558,766	(1,997,041)	(4,758,568)	6,871,444	(6,183,389)	688,055
Other Financing Sources (Uses)							
Operating Transfers In	211,717	450,000	1,997,041	877,500	3,536,258		3,536,258
Operating Transfers In from General Government						6,838,311	6,838,311
Operating Transfers In from Component Unit	52,153				52,153		52,153
Proceeds of IRC Bonds				7,500,000	7,500,000		7,500,000
Operating Transfers Out	(450,000)	(3,031,258)			(3,481,258)		(3,481,258)
Operating Transfers Out to Component Unit	(6,338,311)				(6,338,311)		(6,338,311)
Operating Transfers Out to General Fund						(52,153)	(52,153)
Total Other Financing Sources (Uses)	(6,524,441)	(2,581,258)	1,997,041	8,377,500	1,268,842	6,786,158	8,055,000
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,543,846	2,977,508		3,618,932	8,140,286	602,769	8,743,055
Fund Balances, Beginning of Year	1,258,798	6,114,888		476,721	7,850,407	129,590	7,979,997
Residual Equity Transfer		230,468		(230,505)	(37)		(37)
Fund Balances, End of Year	$ 2,802,644	$ 9,322,864	$	$ 3,865,148	$ 15,990,656	$ 732,359	$ 16,723,015

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, 1996

	General			Annually Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 9,808,169	$10,032,080	$ 223,911	$ 512,018	$ 531,282	$ 19,264
Payments in Lieu of Taxes	20,000	19.674	(326)			
Licenses and Permits	15,000	17,157	2,157			
Revenue from Other Governments	1,055,119	1,923,584	868,465	1,789,355	1,742,630	(46,725)
Charges for Services	222.250	304,415	82,165	160.220	138.753	(21,467)
Other Revenues	150,000	373.740	223,740	952.427	3,051,879	2,099,452
Total Revenues	11,270,538	12,670.650	1,400,112	3,414,020	5.464,544	2,050,524
Expenditures						
Administration	1,654,075	1,610,637	43,438			
Public Services	2,821,146	2,687,114	134,032	596,023	927,797	(331,774)
Non-Departmental	169,544	134,230	35,314			
Automation	45,950	33,934	12,016			
Capital Projects	271,493	136,448	135,045	279,551	79,128	200,423
Total Expenditures	4,962,208	4,602,363	359,845	875,574	1,006,925	(131,351)
Excess (Deficit) of Revenues over Expenditures	6,308,330	8,068,287	1,759,957	2,538,446	4,457,619	1,919,173
Other Financing Sources (Uses)						
Transfers from Other Funds	242,278	211,717	(30,561)	450,000	450,000	
Transfers from Component Unit		52,173	52,173			
Transfers to Other Funds	(6,788,311)	(6,788,311)		(1,955,947)	(1,955,917)	30
Total Other Financing Sources (Uses)	(6,546,033)	(6,524,421)	21,612	(1,505,947)	(1.505,917)	30
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(237,703)	1,543,866	1,781,569	1,032,499	2,951,702	1,919,203
Fund Balance, Beginning of Year	1,258,798	1,258,798		6,345,356	5,864,676	(480,680)
Fund Balance, End of Year	$ 1,021,095	$ 2,802,664	$ 1,781,569	$ 7,377,855	$ 8,816,378	$ 1,438,523

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, 1996

	Proprietary Fund Types		Total
	Enterprise Funds	Internal Service Funds	Primary Government (Memorandum) Only
OPERATING REVENUES			
Charges for Services	$ 2,505,611	$ 1,660,210	$ 4,165,821
Total Operating Revenues	2,505,611	1,660,210	4,165,821
OPERATING EXPENSES			
Personnel Services	1,472,947		1,472,947
Supplies and Services	725,957		725,957
Insurance	145,881	1,960,210	2,106,091
Depreciation	384,574		384,574
Total Expenses	2,729,359	1,960,210	4,689,569
Operating Loss	(223,748)	(300,000)	(523,748)
Non operating Revenues (Expenses)			
Interest Earnings	32,958	14,100	47,058
State Operating Grants	148,349		148,349
Contingency Credits			0
Fund Adjustment - Deficit			0
Interest Expense	(22,972)		(22,972)
Other Revenue			0
Total Nonoperating Revenues (Expenses)	158,335	14,100	172,435
Income (Loss) Before Operating Transfers	(65,413)	(285,900)	(351,313)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(55,000)	(500,000)	(555,000)
Total Other Financing Sources (Uses)	(55,000)	(500,000)	(555,000)
Net Income	(120,413)	(785,900)	(906,313)
Depreciation of Fixed Assets Acquired by Grant	166,916		166,916
Net Increase	46,503	(785,900)	(739,397)
Retained Earnings, Beginning of Year	2,760,563	1,431,992	4,192,555
Retained Earnings, End of Year	$ 2,807,066	$ 646,092	$ 3,453,158

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, 1996

	Proprietary Fund Types		Total Primary Government (Memorandum) Only
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 2,496,587	$ 1,660,210	$ 4,156,797
Cash Payments for Insurance	(145,881)	(1,960,210)	(2,106,091)
Cash Payments to Employees for Services	(1,461,989)		(1,461,989)
Cash Payments to Suppliers for Goods and Services	(916,022)		(916,022)
Net Cash Provided by Operating Activities	(27,305)	(300,000)	(327,305)
Cash Flows from Noncapital Financing Activites:			
Transfer to Component Unit		(500,000)	(500,000)
Transfer to General Government	(55,000)		(55,000)
Contingency Credits			
Fund Adjustment - Deficit			
Grant Received from State	105,762		105,762
Net Cash Provided by Noncapital Financing Activities	50,762	(500,000)	(449,238)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(80,764)		(80,764)
Capital Grant from State	42,587		42,587
Principal Paid on G. O. and Revenue Bonds	(190,000)		(190,000)
Interest Paid on G. O. and Revenue Bonds	(22,972)		(22,972)
Net Cash Used for Capital and Related Financing	(251,149)		(251,149)
Cash Flow From Investing Activities:			
Interest on Investments	32,958	14,100	47,058
Net Cash Provided by Investing Activities	32,958	14,100	47,058
Net Increase (Decrease) in Cash and Cash Equivalents	(194,734)	(785,900)	(980,634)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	651,362	1,431,992	2,083,354
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 456,628	$ 646,092	$ 1,102,720
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Cash and Temporary Investments - Current Assets	396,895	496,092	892,987
Cash and Temporary Investments - Restricted Assets	59,733	150,000	209,733
	$ 456,628	$ 646,092	$ 1,102,720
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income (Loss)	(223,748)	(300,000)	(523,748)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	384,574		384,574
(Increase) Decrease in Accounts Receivable	(9,024)		(9,024)
Increase (Decrease) in Due to General Fund	(161,719)		(161,719)
Increase (Decrease) in Accounts Payable	(17,303)		(17,303)
Increase (Decrease) in Accrued Liabilities	(85)		(85)
Total Adjustments	196,443		196,443
Net Cash Provided by Operating Activities	$ (27,305)	$ (300,000)	$ (327,305)

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
Ketcnikan, 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:

<u>Governmental funds</u> 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 1996.

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 $375,115 at June 30, 1996.

The Borough does not accrue a liability for nonvested 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 1996, the Borough Assembly made the following supplemental appropriations in the General and Special Revenue Funds:

(1) Ordinance No. 973 adopted July 17,1995, appropriated $150,000 from the Forest park Service Area Fund.

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:		
School Bonds/Capital Improvements Fund	$ 5,500	$ 10,856
Land Trust Fund	64,662	348,619
Mt. Point Service Area Funds	71,696	73,590

The expenditures in excess of appropriation resulted from expenditures in excess of expected amounts. Actual expenditures for Land Trust Fund consisted of a consulting contract appropriated by the assembly in the previous fiscal year in the amount of $438,000.

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, 1995 is as follows:

Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for all budgeted special revenue funds	$2,951,702
Adjustments:	
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for unbudgeted special revenue funds	
Federal Grants	13,323
Recreation Sales Tax Fund	12,483
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses for all special revenue funds	$2,977,508

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	$ (2,811)
Non Areawide Fund	(4,488)
Capital Project Funds:	
K-High Renovation - Phase II	(505,386)
Valley Park Pool	(5,243)
Total Negative Undesignated Fund Balance	$(517,928)

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 $2,120,394 and the bank balance was $2,330,001. Of the bank balance, $1,236,594 was covered by federal depository insurance or by collateral held by the Borough's agent in the Borough's name. The uninsured balance of $883,800 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 $1,947 at June 30, 1996.

The Component Unit deposits was $583,000 at June 30, 1996, the carrying value was $272,000. Of the bank balance, $153,000 was insured or collateralized with securities held by the component unit or its custodian in the components unit's name and $430,000 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 by the 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 Repurchase Agreements	$ 3,500,000		$ 3,500,000	$ 3,500,000
U.S. Government Securities	$13,302,576	$ 86,679	$13,389,255	$13,314,661
Total	$16,802,576	$ 86,679	$16,889,255	$16,814,661
Investments Not Subject to Categorization:				
Investment in Deferred Compensation Plans and Stabilization Reserve Funds			1,509,559	1,509,559
Component Unit				
Mutual Funds			107,000	107,000
Insurance Deposits			46,000	46,000
Total			$18,551,814	$18,551,220

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, 1996.

B. Receivables

Receivables at June 30, 1996, consist of the following:

	General	Special Revenue	Capital Projects	Enterprise	Total
Taxes	$ 30,448				$ 30,448
Accounts Receivables	96,270	$ 94,510	$1,293,230	$196,737	1,680,747
Due From Other Funds	1,372,197				1,372,197
Due From Other Governments				162	162
Deferred Accounts Receivable		8,194,270			8,194,270
Advances to Other Funds		892,500			892,500
Total Receivables	$1,498,915	$9,181,280	$1,293,230	$196,899	$12,170,324

C. Fixed Assets

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

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Land	$ 30,865	$ 254,135		$ 285,000
Buildings	932,877	209,711	$174,135	968,453
Equipment	865,092	147,418	26,538	985,972
Pools and Ballfields	2,531,177			2,531,177
Construction in Progress		4,405,646		4,405,646
Total	$4,360,011	$5,016,910	$200,673	$9,176,248

A summary of the enterprise fund property, plant and equipment at June 30, 1996 is as follows:

	Balance July 1, 1995	Net Change Current Year	Balance June 30, 1996
Field	$3,129,827	$ 85,220	$3,215,047
Terminal	3,962,705	45,126	4,007,831
Ferry	1,514,016	1,960	1,515,976
Administration	19,840		19,840
Murphy's Landing	12,875		12,875
Buses	524,490		524,490
	9,163,753	132,306	9,296,059
Accumulated Depreciation	(4,331,210)	(391,316)	(4,722,526)
Net Property, Plant, and Equipment	$4,832,543	$(259,010)	$4,573,533

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 exits in the Airport Enterprise Fund as of June 30, 1996.

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 with a total future lease amount of $378,590.

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

Year	Terminal Space	Other
1997	$ 401,271	$ 33,239
1998	80,397	32,339
1999	1,586	32,339
2000		32,339
2001		32,339

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, 1995	Additions	Retirements	June 30, 1996
Areawide General Obligation Bonds	$ 6,200,000	$7,500,000	$1,400,000	$12,300,000
Enterprise Fund:				
General Obligation Bonds	330,000		160,000	170,000
Revenue Bonds	195,000		30,000	165,000
	$ 6,725,000	$7,500,000	$1,590,000	$12,635,000

Bonds payable at June 30, 1996 consist of the following individual issues:

General Obligation Bonds:

1995 IRC Bonds - 4.30 % - 6.00 % Interest	$ 7,500,000
1972 Airport Bonds	170,000
1989 School Bonds due through 2000 at 6-6.7% interest	4,800,000
	12,470,000
Revenue Bonds:	
1980 Airport due through 2000 at 8% interest	165,000
	$12,635,000

The annual requirements to amortize all bonds outstanding as of June 30, 1996, including interest of $3,554,562 for general obligations and $34,800 for revenue bonds, are as follows:

Year Ending June 30	General Obligation Bonds	Revenue
1997	2,493,877	48,200
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	$ 16,024,562	$ 199,800

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 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, 1996 is presented below.

	Ketchikan Airport	Transit	Ferry	Total
Operating Revenues	$1,406,992	$144,736	$953,883	$2,505,611
Operating Grants, Entitlement and Shared Revenues	42,587	77,916	27,846	148,349
Depreciation Expense	257,621	69,418	57,535	384,574
Operating Income (Loss)	71,065	(209,571)	(85,242)	(223,748)
Operating Transfers In				
Net Income (Loss)	93,759	(130,185)	(83,987)	(120,413)
Property, Plant and Equipment				
Additions	135,103		1,960	137,063
Deletions	(4,757)			(4,757)
Net Working Capital	126,392		83,995	210,387
Total Assets	3,949,788	352,675	924,598	5,227,060
Bonds and Other Long-term Liabilities	130,000			130,000
Total Equity	3,507,519	317,623	853,621	4,678,763
Contributed Capital	2,368,392	356,478	758,000	3,482,870
(Accumulated Amortization)	(1,211,130)	(96,524)	(303,520)	(1,611,174)

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, 1996, the Ketchikan Gateway Borough is committed for the completion of various projects in the amount of $4,636,202 accounted for in the Capital Projects Funds.

Indoor Recreation Center	$4,417,219
Mt. Point Sewer & Water	218,983

At June 30, 1996 the Ketchikan Gateway Borough is committed to professional contracts in the amount of $147,187 for services for the Whipple Creek Timber Sale.

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, 1996 was $9,344,000: the Ketchikan Gateway Borough School District's total payroll was $12,067,000. The plan covers 188 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, 1996 consisted of $1,121,000 from the Ketchikan Gateway Borough School District and $808,000 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 bassi, 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, 1995 for the System as a whole, determined through an actuarial valuation performed as of that date, was $2.91 billion.

TRS's net assets available for benefits on that date (valued at market) were $2.65 billion, leaving an unfunded pension benefit obligation of $.26 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 1995. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.00% a year compounded annually, (b) projected salary increases of 5.0% for the first five years; 4.0% per year thereafter and (c) heath care cost inflation on a decreasing scale with 8.5% for 1996, 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, 1995 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 contribute remaining amounts necessary to fund the plan using the actuarial basis specified by the State Retirement Board. Employer rates are adjusted annually on July 1 and are based on actuarial valuations made two years prior to that date. 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. 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, 1996 was $3,131,161 and the payroll for covered employee totaled $2,372,964.

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, 1995 include (a) a rate of return of 8.00% 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, 8.5% in 1996, 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 $(94,000) at June 30, 1995, as follows (in thousands):

Pension Benefit Obligation	June 30, 1995
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$4,536
Current employees:	
Accumulated employee contributions including allocated investment earnings	1,088
Employer financed - vested	2,928
Employer financed - nonvested	283
Total pension benefit obligation	8,835
Net assets available for benefits	8,929
Overfunded pension benefit obligation	$ (94)

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 (11.62% for fiscal year 1996) 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, 1996, 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, 1996, were $328,969 ($122,273 employee and $206,696 employer; 6.75 to 7.50 percent and 11.62 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, 1995. Of the employers portion $275,707, (11.62) percent of covered payroll of $2,372,964) covered the normal cost and the Borough had a credit of $24,989 and $(94,000) amortization of the unfunded actuarial accrued liability, (4.00) 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 and 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).

	1995	1994	1993
Net assets available for benefits	8,929	8,149	7,218
Pension benefit obligation	8,835	8,564	7,294
Percent funded	101%	95%	99%
Unfunded pension benefit obligation	(95)	415	76
Annual covered payroll	2,373	2,209	2,281
Unfunded pension benefit obligation as a percent of annual covered payroll	(4.00%)	18.78%	3.33%

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, 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, 1996 was $3,258,799 and the payroll for covered employees totaled $152,187.

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, 1996 was $3,258,799 and the payroll for covered employees totaled $249,632. The total amount contributed to the IBEW plan in FY 1996 was $35,356.

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, 1996, were as follows:

	Transfers Out	Transfers In
General Fund	$ 450,000	$ 211,717
Special Revenue	3,031,258	450,000
Enterprise Funds	55,000	
Debt Service		1,997,041
Capital Projects		877,500
Subtotals	$ 3,536,258	$ 3,536,258
Component Unit		
School District	$ 52,153	$ 6,838,311
General Fund	6,338,311	52,153
Internal Service Fund	500,000	
Totals	$10,426,722	$10,426,722

G. Interfund Receivable and Payables

Interfund receivable and payable balances at June 30, 1996 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$1,372,197	
High School Renovation Project		$1,233,334
State & Federal Grants		120,461
Non Areawide Fund		4,488
Transit Enterprise Fund		11,043
Shoup Street Service Area		2,871
Subtotals	1,372,197	1,372,197
Component Unit	982,850	
General Fund		982,850
Totals	$2,355,047	$2,355,047

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 1996 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, 1996.

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

Plan Year Ended	Component Unit	Borough	Combined Balance
August 31, 1992	$ 837,857	$293,071	$1,130,928
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
Cash in "Internal Service Fund Account":			
August 31, 1996	10,963	262,509	273,472
Total Internal Service Fund	$ 291,344	$354,748	$ 646,092

I. Reconciliation of Beginning Fund Balances

Special revenue funds reconciliation to beginning fund balances are summarized below:

Ending Fund Balance at June 30, 1995	$6,114,888
Transfer to Capital Project Funds	230,468
Beginning Fund Balance July 1, 1995	$6,345,356

Capital project funds reconciliation to beginning fund balances are summarized below:

Ending Fund Balance at June 30, 1995	$ 476,721
Transfer from Special Revenue Funds	(230,505)
Beginning Fund Balance July 1, 1995	$ 246,216

J. Subsequent Events

Recently, Ketchikan Pulp Company announced the closure of the Pulp Mill at Ward Cove for March 1997. The closure will have an adverse impact on the community through the loss of jobs, property and sales taxes. The extent of the impact of the mill closure is not determinable at this time.

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 does not collect a significant amount in sales taxes, a reduction in personnel will impact the retail community. Approximately 350 positions at the pulp mill will be eliminated as a result of the mill closure.

GENERAL FUND

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, 1996 and 1995

	1996	1995
Expenditures		
Administration		
Mayor & Assembly	$ 116,503	$ 99,185
Law	167,493	145,741
Clerk	165,398	166,564
Manager	299,846	305,167
Finance–Accounting	502,565	470,729
Finance–Assessment	358,832	361,033
Total Administration	1,610,637	1,548,419
Public Services		
Animal Protection	233,653	236,501
Planning	501,457	484,542
OEDP	220,427	208,522
Community Education	537,339	541,363
Maintenance and Operations	436,495	436,942
Child Care Operations	51,631	69,702
Parks and Recreation	706,112	655,354
Total Public Services	2,687,114	2,632,926
Automation	33,934	39,522
Non Departmental	134,230	162,847
Capital Projects	136,448	60,519
Total Expenditures	4,602,363	4,444,233
Excess (Deficit) of Revenues over Expenditures	8,332,157	7,761,651
Other Financing Sources (Uses)		
Transfers to Component Unit	(6,338,311)	(6,347,993)
Transfers to Recreation Capital Fund		
Transfers to Recreation Fund		
Transfers to Transit Fund		(150,000)
Transfers to Airport Fund		
Transfers to Bond Debt Fund	(450,000)	(300,000)
Total Other Financing	(6,788,311)	(6,797,993)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	1,543,846	963,658
Fund Balance Beginning of Year	1,258,798	295,140
Fund Balance End of Year	$ 2,802,644	$ 1,258,798

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, 1996 and 1995

	1996		Variance Favorable	1995		Variance Favorable
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
Revenues						
Taxes						
Real & Personal Property Taxes	$ 6,483,169	6,491,997	$ 8,828	$ 6,663,500	$ 6,658,096	$ (5,404)
Automobile & Boat Taxes	160,000	168,899	8,899	149,000	173,432	24,432
Sales Taxes	3,075,000	3,253,992	178,992	3,084,582	3,089,749	5,167
Penalty & Interest	90,000	117,192	27,192	101,350	127,650	26,300
Total Taxes	9,808,169	10,032,080	223,911	9,998,432	10,048,927	50,495
Alaska State Housing Authority	20,000	19,674	(326)	20,000	18,530	(1,470)
Licenses and Permits						
Zoning Fees	15,000	17,157	2,157	13,000	18,525	5,525
Revenues from Other Governments						
State Municipal Assistance	241,000	239,547	(1,453)	275,537	261,977	(13,560)
State Revenue Sharing	206,931	193,168	(13,763)	222,884	222,359	(525)
State License Refunds	300,024	372,913	72,889	250,000	310,000	60,000
State Child Care Assistance	57,500	41,895	(15,605)	67,510	67,194	(316)
Federal Revenue - PILT	74,664	738,695	664,031	266,241	287,877	21,636
Timber Stumpage	175,000	337,366	162,366	150,000	389,463	239,463
Total Revenues from Other Governments	1,055,119	1,923,584	868,465	1,232,172	1,538,870	306,698
Charges for Services						
Animal Control	27,500	33,487	5,987	27,500	33,756	6,256
Parks and Recreation	165,000	217,761	52,761	179,745	186,351	6,606
Other Charges	29,750	53,167	23,417	32,476	23,208	(9,268)
Total Charges	222,250	304,415	82,165	239,721	243,315	3,594
Other Revenues						
Interest Income	150,000	373,740	223,740	135,000	181,739	46,739
Transfers from Other Funds						
Day Care Fund						
Land Trust Fund	125,000	125,000		125,000	125,000	
Inter-Departmental	90,710	55,000	(35,710)			
Service Area Funds	17,000	22,149	5,149	16,950	20,978	4,028
Permanent Fund	9,568	9,568		10,000	10,000	
Transfers from Component Funds		52,153	52,153			
Total Transfers	242,278	263,870	21,592	151,950	155,978	4,028
Total Revenues	$ 11,512,816	$ 12,934,520	$ 1,421,704	$ 11,790,275	$ 12,205,884	$ 415,609

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, 1996 and 1995

	1996 Budget	1996 Actual	Variance Favorable (Unfavorable)	1995 Budget	1995 Actual	Variance Favorable (Unfavorable)
Expenditures						
Administration						
Mayor & Assembly	$ 119,537	$ 116,503	$ 3,034	$ 116,787	$ 99,185	$ 17,602
Law	173,502	167,493	6,009	172,448	145,741	26,707
Clerk	176,262	165,398	10,864	168,561	166,564	1,997
Manager	326,583	299,846	26,737	306,130	305,167	963
Finance-Accounting	492,657	502,565	(9,908)	488,376	470,729	17,647
Finance-Assessment	365,534	358,832	6,702	362,200	361,033	1,167
Total Administration	1,654,075	1,610,637	43,438	1,614,502	1,548,419	66,083
Public Services						
Animal Protection	242,645	233,653	8,992	228,200	236,501	(8,301)
Planning	482,460	501,457	(18,997)	487,759	484,542	3,217
OEDP	234,700	220,427	14,273	188,014	208,522	(20,508)
Community Education	559,480	537,339	22,141	525,195	541,363	(16,168)
Maintenance and Operations	518,841	436,495	82,346	505,823	436,942	68,881
Child Care Operations	56,056	51,631	4,425	67,510	69,702	(2,192)
Parks and Recreation	726,964	706,112	20,852	630,211	655,354	(25,143)
Total Public Services	2,821,146	2,687,114	134,032	2,632,712	2,632,926	(214)
Automation	45,950	33,934	12,016	68,250	39,522	28,728
Non Departmental	169,544	134,230	35,314	153,639	162,847	(9,208)
Capital Projects	271,493	136,448	135,045	84,860	60,519	24,341
Total Expenditures	4,962,208	4,602,363	359,845	4,553,963	4,444,233	109,730
Excess (Deficit) of Revenues over Expenditures	6,550,608	8,332,157	1,781,549	7,236,312	7,761,651	525,339
Other Financing Sources (Uses)						
Transfers to Component Unit	(6,338,311)	(6,338,311)		(6,347,991)	(6,347,993)	(2)
Transfers to Recreation Capital Fund						
Transfers to Recreation Fund						
Transfers to Transit Fund				(150,000)	(150,000)	
Transfers to Airport Fund						
Transfers to Bond Debt Fund	(450,000)	(450,000)		(300,000)	(300,000)	
Unusual Sales Tax Refund						
Total Other Financing	(6,788,311)	(6,788,311)		(6,797,991)	(6,797,993)	(2)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (237,703)	1,543,846	$ 1,781,549	$ 438,321	963,658	$ 525,337
Fund Balance Beginning of Year		1,258,798			295,140	
Fund Balance End of Year		$ 2,802,644			$ 1,258,798	

SPECIAL REVENUE FUNDS

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
School Bond/Capital Improvements Fund
Permanent Fund
Shoup Street Service Area Fund

Exhibit B-1

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1996

	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund	Mountain Point Service Area Fund
Assets				
Cash & Temporary Investments	$ 6,734,830	$ 57,600	$ 97,794	$ 143,743
Due from Other Governments				
Accounts Receivable - General	1,030	1,434	95	4,960
Advances to Other Funds:				
K-High Pool - Phase II	507,500			
Valley Park - Swiming Pool Construction	385,000			
Deferred Accounts Receivable	8,194,270			
Total Assets	$ 15,822,630	$ 59,034	$ 97,889	$ 148,703
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 1,836		$ 7,199	$ 1,395
Retainage Payable				
Deferred Revenue	8,194,270			
Due to Other Funds				
Total Liabilities	8,196,106		7,199	1,395
Fund Balances				
Encumbrances	145,351		3,400	1,467
Unreserved Fund Balance	7,481,173	$ 59,034	87,290	145,841
Total Fund Balance	7,626,524	59,034	90,690	147,308
Total Liabilities and Fund Balances	$ 15,822,630	$ 59,034	$ 97,889	$ 148,703

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1996

	South End Fire District Fund	Waterfall Service Area Fund	So Tongass Service Area Fund	Forest Park Service Area Fund
Assets				
Cash & Temporary Investments	$ 228,595	$ 94,962	$ 8,450	$ 252,738
Due from Other Governments				
Accounts Receivable - General	293	68		313
Advances to Other Funds:				
K-High Pool - Phase II				
Valley Park - Swiming Pool Construction				
Deferred Accounts Receivable				
Total Assets	$ 228,888	$ 95,030	$ 8,450	$ 253,051
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 6,417			$ 1,763
Retainage Payable				
Deferred Revenue				
Due to Other Funds				
Total Liabilities	6,417			1,763
Fund Balances				
Encumbrances	2,060	866		7,334
Unreserved Fund Balance	220,411	$ 94,164	$ 8,450	243,954
Total Fund Balance	222,471	95,030	8,450	251,288
Total Liabilities and Fund Balances	$ 228,888	$ 95,030	$ 8,450	$ 253,051

Exhibit B-1, cont.

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1996

	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund	School Bond/ Capital Improvements Fund
Assets				
Cash & Temporary Investments	$ 25,717	$	$ 1,024,146	13,979
Due from Other Governments				
Accounts Receivable - General			69,014	$ 16,337
Advances to Other Funds:				
K-High Pool - Phase II				
Valley Park - Swiming Pool Construction				
Deferred Accounts Receivable				
Total Assets	$ 25,717	$	$ 1,093,160	$ 30,316
Liabilities and Fund Balances				
Liabilities				
Accounts Payable		$	$ 125,143	$ 1,599
Retainage Payable			34,119	
Deferred Revenue			651,399	
Due to Other Funds		4,488	120,460	
Total Liabilities		4,488	931,121	1,599
Fund Balances				
Encumbrances	937		229,688	
Unreserved Fund Balance	$ 24,780	(4,488)	(67,649)	28,717
Total Fund Balance	25,717	(4,488)	162,039	28,717
Total Liabilities and Fund Balances	$ 25,717	$	$ 1,093,160	$ 30,316

Exhibit B-1, cont.

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1996

	Permanent Fund	Shoup Street Service Fund	Recreation Sales Tax Fund	Total
Assets				
Cash & Temporary Investments	$ 268,448		$ 344,447	$ 9,295,449
Due from Other Governments				
Accounts Receivable - General		$ 966		94,510
Advances to Other Funds:				
K-High Pool - Phase II				507,500
Valley Park - Swiming Pool Construction				385,000
Deferred Accounts Receivable				8,194,270
Total Assets	$ 268,448	$ 966	$ 344,447	$ 18,476,729
Liabilities and Fund Balances				
Liabilities				
Accounts Payable		$ 906		$ 146,258
Retainage Payable				34,119
Deferred Revenue				8,845,669
Due to Other Funds		2,871		127,819
Total Liabilities		3,777		9,153,865
Fund Balances				
Encumbrances				391,103
Unreserved Fund Balance	$ 268,448	(2,811)	$ 344,447	8,931,761
Total Fund Balance	268,448	(2,811)	344,447	9,322,864
Total Liabilities and Fund Balances	$ 268,448	$ 966	$ 344,447	$ 18,476,729

Exhibit B-2

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1996

	Land Trust Fund	Mud Bight Service Area Fund	Shoreline Service Area Fund	Mountain Point Service Area Fund
REVENUES				
Taxes			$ 55,530	
State Revenues		$ 124	492	$ 1,095
Charges for Services		9,786		110,810
Sale of Land	$ 34,831			
Other Income	2,686,580			
Interest Income	258,800	2,292	3,998	5,463
Total Revenues	2,980,211	12,202	60,020	117,368
EXPENDITURES				
Capital Improvements			2,543	
Public Services	348,619	24	29,384	73,590
Total Expenditures	348,619	24	31,927	73,590
Excess (Deficit) of Revenues over Expenditures	2,631,592	12,178	28,093	43,778
Other Financing Sources (Uses)				
Interfund Transfers (In)				
Operating Transfers (Out)	(125,000)	(200)	(4,500)	(4,527)
Total Other Financing	(125,000)	(200)	(4,500)	(4,527)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	2,506,592	11,978	23,593	39,251
Fund Balance, Beginning of Year	5,119,932	47,056	67,097	108,057
Residual Equity Transfer				
Fund Balance, End of Year	$ 7,626,524	$ 59,034	$ 90,690	$ 147,308

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1996

	South End Fire District Fund	Waterfall Service Area Fund	So Tongass Service Area Fund	Forest Park Service Area Fund
REVENUES				
Taxes	$ 86,906			$ 89,846
State Revenues	1,200	$ 789		3,049
Charges for Services		9,783		
Sale of Land				
Other Income				
Interest Income	9,513	3,877	$ 347	12,888
Total Revenues	97,619	14,449	347	105,783
EXPENDITURES				
Capital Improvements				76,585
Public Services	49,459	2,270		63,039
Total Expenditures	49,459	2,270		139,624
Excess (Deficit) of Revenues over Expenditures	48,160	12,179	347	(33,841)
Other Financing Sources (Uses)				
Interfund Transfers (In)				
Operating Transfers (Out)	(5,412)	(237)		(5,114)
Total Other Financing	(5,412)	(237)		(5,114)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	42,748	11,942	347	(38,955)
Fund Balance, Beginning of Year	179,723	83,088	8,103	290,243
Residual Equity Transfer				
Fund Balance, End of Year	$ 222,471	$ 95,030	$ 8,450	$ 251,288

Exhibit B-2, cont.

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1996

	Gold Nugget Service Area Fund	Non Areawide Fund	State & Federal Grants Fund	School Bond/ Capital Improvements Fund
REVENUES				
Taxes		$ 299,000		
State Revenues	$ 606	3,091	$ 1,446,864	$ 1,701,707
Charges for Services	8,374			
Sale of Land				
Other Income				9,900
Interest Income	1,017	8,689	12,943	2,515
Total Revenues	9,997	310,780	1,459,807	1,714,122
EXPENDITURES				
Capital Improvements				
Public Services	4,916	312,853	1,446,484	10,856
Total Expenditures	4,916	312,853	1,446,484	10,856
Excess (Deficit) of Revenues over Expenditures	5,081	(2,073)	13,323	1,703,266
Other Financing Sources (Uses)				
Interfund Transfers (In)				450,000
Operating Transfers (Out)	(309)			(1,799,200)
Total Other Financing	(309)			(1,349,200)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	4,772	(2,073)	13,323	354,066
Fund Balance, Beginning of Year	20,945	(2,415)	(81,752)	(325,349)
Residual Equity Transfer			230,468	
Fund Balance, End of Year	$ 25,717	$ (4,488)	$ 162,039	$ 28,717

KETCHIKAN GATEWAY BOROUGH

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1996

	Permanent Fund	Shoup Street Service Fund	Recreation Sales Tax Fund	Total
REVENUES				
Taxes			$ 1,073,031	$ 1,604,313
State Revenues		$ 30,477		3,189,494
Charges for Services				138,753
Sale of Land				34,831
Other Income				2,696,480
Interest Income	$ 11,169		14,793	348,304
Total Revenues	11,169	30,477	1,087,824	8,012,175
EXPENDITURES				
Capital Improvements				79,128
Public Services		32,787		2,374,281
Total Expenditures		32,787		2,453,409
Excess (Deficit) of Revenues over Expenditures	11,169	(2,310)	1,087,824	5,558,766
Other Financing Sources (Uses)				
Interfund Transfers (In)				450,000
Operating Transfers (Out)	(9,568)	(1,850)	(1,075,341)	(3,031,258)
Total Other Financing	(9,568)	(1,850)	(1,075,341)	(2,581,258)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	1,601	(4,160)	12,483	2,977,508
Fund Balance, Beginning of Year	266,847	1,349	331,964	6,114,888
Residual Equity Transfer				230,468
Fund Balance, End of Year	$ 268,448	$ (2,811)	$ 344,447	$ 9,322,864

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	1996	1995
REVENUES:		
Taxes	$ 1,073,031	$ 1,022,827
Other Revenue	14,793	7,788
Total Revenues	1,087,824	1,030,615
Excess (Deficit) of Revenues over Expenditures	1,087,824	1,030,615
Other Financing Sources (Uses)		
Operating Transfers Out	(1,075,341)	(844,716)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	12,483	185,899
Fund Balance, Beginning of Year	331,964	146,065
Fund Balance, End of Year	$ 344,447	$ 331,964

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Interest Income	$ 335,975	$ 258,800	$ (77,175)	161,267
Other Revenue	500,000	2,686,580	2,186,580	72
Sale of Land	50,000	34,831	(15,169)	85,887
Total Revenues	885,975	2,980,211	2,094,236	247,226
EXPENDITURES:				
Capital Improvements	64,662		64,662	
Public Services		348,619	(348,619)	33,536
Total Expenditures	64,662	348,619	(283,957)	33,536
Excess (Deficit) of Revenues over Expenditures	821,313	2,631,592	1,810,279	213,690
Other Financing Sources (Uses) Operating Transfers Out	(125,000)	(125,000)		(125,000)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 696,313	2,506,592	$1,810,279	88,690
Fund Balance, Beginning of Year		5,119,932		5,031,242
Fund Balance, End of Year		$7,626,524		$5,119,932

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Real and Personal Taxes	$	$	$ 0	$ 201
State Revenues	50	124	74	
Public Services	9,120	9,786	666	9,131
Interest Income	2,435	2,292	(143)	2,261
Total Revenues	11,605	12,202	597	11,593
EXPENDITURES:				
Public Services	100	24	76	39
Total Expenditures	100	24	76	39
Excess (Deficit) of Revenues over Expenditures	11,505	12,178	673	11,554
Other Financing Sources (Uses)				
Operating Transfers Out	(200)	(200)		(1,392)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 11,305	11,978	$ 673	10,162
Fund Balance, Beginning of Year		47,056		36,894
Fund Balance, End of Year		$ 59,034		$ 47,056

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Real and Personal Taxes	$ 52,340	$ 54,958	$ 2,618	$ 42,853
Automobile and Boat Taxes	550	572	22	
State Revenues	45	492	447	
Interest Income	3,225	3,998	773	3,090
Total Revenues	56,160	60,020	3,860	45,943
EXPENDITURES:				
Capital Improvements	3,000	2,543	457	
Public Services	40,321	29,384	10,937	34,745
Total Expenditures	43,321	31,927	11,394	34,745
Excess (Deficit) of Revenues over Expenditures	12,839	28,093	15,254	11,198
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	$ 8,339	23,593	$ 15,254	6,698
Fund Balance, Beginning of Year		67,097		60,399
Fund Balance, End of Year		$ 90,690		$ 67,097

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Public Services	$ 90,000	$ 110,810	$ 20,810	$ 84,600
State Revenue		1,095	1,095	
Interest Income	5,000	5,463	463	4,967
Total Revenues	95,000	117,368	22,368	89,567
EXPENDITURES:				
Public Services	71,696	73,590	(1,894)	58,073
Total Expenditures	71,696	73,590	(1,894)	58,073
Excess (Deficit) of Revenues over Expenditures	23,304	43,778	20,474	31,494
Other Financing Sources (Uses)				
Operating Transfers Out	(4,527)	(4,527)		(4,107)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 18,777	39,251	$ 20,474	27,387
Fund Balance, Beginning of Year		108,057		80,670
Fund Balance, End of Year		$ 147,308		$ 108,057

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, 1996
With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Real and Personal Taxes	$ 88,667	$ 85,149	$ (3,518)	$ 75,079
Automobile and Boat Taxes	1,800	1,757	(43)	1,819
State Revenues	373	1,200	827	
Interest Income	7,500	9,513	2,013	7,384
Other Revenue	3,000		(3,000)	2,000
Total Revenues	101,340	97,619	(3,721)	86,282
EXPENDITURES:				
Capital Improvements	50,000		50,000	
Public Services	40,200	49,459	(9,259)	61,525
Total Expenditures	90,200	49,459	40,741	61,525
Excess (Deficit) of Revenues over Expenditures	11,140	48,160	37,020	24,757
Other Financing Sources (Uses) Operating Transfers Out	(5,412)	(5,412)		(5,242)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 5,728	42,748	$ 37,020	19,515
Fund Balance, Beginning of Year		179,723		160,208
Fund Balance, End of Year		$ 222,471		$ 179,723

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
State Revenues	542	$ 789	$ 247	$ 720
Public Services	$ 9,600	9,783	183	9,602
Interest Income	4,751	3,877	(874)	3,356
Total Revenues	14,893	14,449	(444)	13,678
EXPENDITURES:				
Public Services	3,755	2,270	1,485	1,356
Total Expenditures	3,755	2,270	1,485	1,356
Excess (Deficit) of Revenues over Expenditures	11,138	12,179	1,041	12,322
Other Financing Sources (Uses) Operating Transfers Out	(237)	(237)		(723)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 10,901	11,942	$ 1,041	11,599
Fund Balance, Beginning of Year		83,088		71,489
Fund Balance, End of Year		$ 95,030		$ 83,088

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, 1996
With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Interest Income	$ 400	$ 347	$ (53)	$ 392
Total Revenues	400	347	(53)	392
EXPENDITURES:				
Public Services				
Total Expenditures				
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 400	347	$ (53)	392
Fund Balance, Beginning of Year		8,103		7,711
Fund Balance, End of Year		$ 8,450		$ 8,103

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Real and Personal Taxes	88,925	$ 88,153	$ (772)	$ 74,914
Automobile and Boat Taxes	1,700	1,693	(7)	1,946
State Revenues	2,241	3,049	808	844
Interest Income	19,303	12,888	(6,415)	13,348
Total Revenues	112,169	105,783	(6,386)	91,052
EXPENDITURES:				
Capital Improvements	161,889	76,585	85,304	
Public Services	73,350	63,039	10,311	78,805
Total Expenditures	235,239	139,624	95,615	78,805
Excess (Deficit) of Revenues over Expenditures	(123,070)	(33,841)	89,229	12,247
Other Financing Sources (Uses) Operating Transfers Out	(5,114)	(5,114)		(4,632)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ (128,184)	(38,955)	$ 89,229	7,615
Fund Balance, Beginning of Year		290,243		282,628
Fund Balance, End of Year		$ 251,288		$ 290,243

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, 1996
With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Public Services	$ 11,500	$ 8,374	$ (3,126)	$ 20,048
State Revenues		606	606	372
Interest Income	440	1,017	577	423
Total Revenues	11,940	9,997	(1,943)	20,843
EXPENDITURES:				
Public Services	5,150	4,916	234	13,715
Total Expenditures	5,150	4,916	234	13,715
Excess (Deficit) of Revenues over Expenditures	6,790	5,081	(1,709)	7,128
Other Financing Sources (Uses))				
Operating Transfers Out	(309)	(309)		(382)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 6,481	4,772	$ (1,709)	6,746
Fund Balance, Beginning of Year		20,945		14,199
Fund Balance, End of Year		$ 25,717		$ 20,945

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Real and Personal Taxes	$ 278,036	$ 299,000	$ 20,964	$ 256,849
State Revenues	9,600	3,091	(6,509)	
Interest Income		8,689	8,689	2,343
Total Revenues	287,636	310,780	23,144	259,192
EXPENDITURES:				
Library Services	313,147	312,853	294	308,973
Total Expenditures	313,147	312,853	294	308,973
Excess (Deficit) of Revenues over Expenditures	$ (25,511)	(2,073)	$ 23,438	(49,781)
Fund Balance, Beginning of Year		(2,415)		47,366
Fund Balance, End of Year		$ (4,488)		$ (2,415)

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	1996	1995
REVENUES:		
State Sources	$ 1,446,864	$ 1,647,355
Other Revenues	12,943	20,531
Total Revenues	1,459,807	1,667,886
EXPENDITURES:		
Public Services	1,446,484	1,849,909
Total Expenditures	1,446,484	1,849,909
Excess (Deficit) of Revenues over Expenditures	13,323	(182,023)
Fund Balance, Beginning of Year	(81,752)	100,271
Residual Equity Transfer	230,468	
Fund Balance, End of Year	$ 162,039	$ (81,752)

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
State Grant	$ 1,776,504	$ 1,701,707	$ (74,797)	$ 1,763,906
Interest Income		2,515	2,515	
Other Revenue	10,800	9,900	(900)	10,800
Total Revenues	1,787,304	1,714,122	(73,182)	1,774,706
EXPENDITURES:				
Public Services	5,500	10,856	(5,356)	1,823
Capital Outlay				
Total Expenditures	5,500	10,856	(5,356)	1,823
Excess (Deficit) of Revenues over Expenditures	1,781,804	1,703,266	(78,538)	1,772,883
Other Financing Sources (Uses)				
Interfund Transfers (In)	450,000	450,000		300,000
Operating Transfers Out	(1,799,200)	(1,799,200)		(2,101,588)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$ 432,604	354,066	$ (78,538)	(28,705)
Fund Balance, Beginning of Year		(325,349)		(296,644)
Fund Balance, End of Year		$ 28,717		$ (325,349)

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1995 Actual
REVENUES:				
Interest Income	$ 9,598	$ 11,169	$ 1,571	$ 13,449
Total Revenues	9,598	11,169	1,571	13,449
Excess (Deficit) of Revenues over Expenditures	9,598	11,169	1,571	13,449
Other Financing Sources (Uses) Operating Transfers Out	(9,598)	(9,568)	30	(10,000)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	$	1,601	$ 1,601	3,449
Fund Balance, Beginning of Year		266,847		263,398
Fund Balance, End of Year		$ 268,448		$ 266,847

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, 1996
With Comparative Totals for the Year Ended June 30, 1995)

	Budget	Actual	Varianc Favorab (UNFA	Year Ended June 30, 1995 Actual
REVENUES:				
Public Services	$ 40,000	$ 30,477	$ (9,523)	$ 24,549
Total Revenues	40,000	30,477	(9,523)	24,549
EXPENDITURES:				
Public Services	42,804	32,787	10,017	23,200
Total Expenditures	42,804	32,787	10,017	23,200
Excess (Deficit) of Revenues over Expenditures	(2,804)	(2,310)	494	1,349
Other Financing Sources (Uses))				
Operating Transfers Out	(1,850)	(1,850)		
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (4,654)	(4,160)	$ 494	1,349
Fund Balance, Beginning of Year		1,349		
Fund Balance, End of Year		$ (2,811)		$ 1,349

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:

1974 GENERAL OBLIGATION BOND REDEMPTION FUND - To accumulate funds for the payment of principal and interest on the 1974 High School Expansion General Obligation Refunding Bonds due through 1995 at 5% to 8% interest. Financing is provided through transfers from the School Bond/Capital Improvements Fund which are partially funded through the State in the form of debt reimbursement payments.

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	1974 G.O. Bond Redemption Fund	1989 G.O. Bond Redemption Fund	Totals 1996	Totals 1995
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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	1974 G.O. Bond Redemption Fund	1989 G.O. Bond Redemption Fund	1995 G.O. Bond-IRC Redemption Fund	Totals 1996	Totals 1995
EXPENDITURES					
Debt Service					
Principal	$ 200,000	$ 1,200,000		$ 1,400,000	$ 1,610,000
Interest	5,000	394,200	$ 197,841	597,041	491,588
Total	205,000	1,594,200	197,841	1,997,041	2,101,588
Excess (Deficit) of Revenues over Expenditures	(205,000)	(1,594,200)	(197,841)	(1,997,041)	(2,101,588)
Other Financing Sources (Uses)					
Transfer from General Fund	205,000	1,594,200		1,799,200	2,101,588
Transfer from Recreational Capital Projects Fund			197,841	197,841	
Total Other Financing Sources (Uses)	205,000	1,594,200	197,841	1,997,041	2,101,588
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, 1996
(With Comparative Totals for June 30, 1995)

	Other Construction Projects	K-High/ Valley Park Swimming Pool Remodel	School Bond Construction Fund 1989	Total 1996	Total 1995
Assets					
Cash in Central Treasury	$ 1,219,934	$ 387,377		$ 1,607,311	$ 48,579
Investments	3,680,413			3,680,413	
Accounts Receivable			$ 1,293,230	1,293,230	1,293,230
Total Assets	$ 4,900,347	$ 387,377	$ 1,293,230	$ 6,580,954	$ 1,341,809
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	$ 554,551	$ 5,421	$ 15,000	$ 574,972	$ 21,153
Retainage Payable			15,000	15,000	15,000
Due to Other Funds			1,233,334	1,233,334	828,935
Advances-Inter Fund Loans		892,500		892,500	
Total Liabilities	554,551	897,921	1,263,334	2,715,806	865,088
Fund Equity					
Encumbrances	3,316,143	385,600		3,701,743	1,835,105
Fund Balance	1,029,653	(896,144)	29,896	163,405	(1,358,384)
Total Fund Balances	4,345,796	(510,544)	29,896	3,865,148	476,721
Total Liabilities and Fund Equity	$ 4,900,347	$ 387,377	$ 1,293,230	$ 6,580,954	$ 1,341,809

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, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Other Construction Projects	K-High/ Valley Park Swimming Pool Remodel	School Bond Construction Fund 1989	Total 1996	Total 1995
REVENUES					
Local Sources					
State Sources	$ (40,337)			$ (40,337)	$ 5,922,643
Other Revenues	100	$ 311		411	
Interest	86,727			86,727	82,965
Total Revenues	46,490	311		46,801	6,005,608
EXPENDITURES					
Contractual Services	3,016,345	1,389,990		4,406,335	844,774
Educational Facilities			$ 399,034	399,034	8,685,110
Total Expenditures	3,016,345	1,389,990	399,034	4,805,369	9,529,884
Excess (Deficit) of Revenues over Expenditures	(2,969,855)	(1,389,679)	(399,034)	(4,758,568)	(3,524,276)
Other Financing Sources (Uses)					
Proceeds of IRC Bond Sales	7,500,000			7,500,000	
Transfers from Other Funds		877,500		877,500	844,716
Total Other Financing Sources (Uses)	7,500,000	877,500		8,377,500	844,716
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	4,530,145	(512,179)	(399,034)	3,618,932	(2,679,560)
Fund Balances, Beginning of Year	46,156	1,635	428,930	476,721	3,156,281
Residual Equity Transfers (Out)	(230,505)			(230,505)	
Fund Balances, End of Year	$ 4,345,796	$ (510,544)	$ 29,896	$ 3,865,148	$ 476,721

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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, 1996
(With Comparative Totals for June 30, 1995)

	Airport	Transit	Ferry	Totals June 30, 1996	Totals June 30, 1995
ASSETS					
Cash and Investments	$ 248,468	$	148,427	$ 396,895	$ 591,629
Due From Other Governments		162		162	162
Accounts Receivable	190,192		6,545	196,737	187,713
Total Currrent Assets	438,660	162	154,972	593,794	779,504
Restricted Assets					
Bond Redemption Fund Cash & Investments	59,733			59,733	59,733
Plant in Service					
Buildings and Equipment	7,255,593	524,490	1,515,976	9,296,059	9,163,753
Construction in Progress					
Less Accumulated Depreciation	(3,804,199)	(171,977)	(746,350)	(4,722,526)	(4,331,210)
Total Plant in Service	3,451,394	352,513	769,626	4,573,533	4,832,543
Total Assets	$ 3,949,787	$ 352,675	$ 924,598	$ 5,227,060	$ 5,671,780
LIABILITIES AND FUND EQUITY					
Current Liabilities					
Accounts Payable	$ 14,238	$ 12,275	$ 6,096	$ 32,609	$ 49,912
Due to Other Funds		11,043		11,043	172,762
Deferred Revenue					
Accrued Vacation & Sick Leave	89,273	11,734	64,881	165,888	165,973
Accrued Interest Payable	3,758			3,758	14,308
Current Portion of Long Term Debt	205,000			205,000	190,000
Total Current Liabilities	312,269	35,052	70,977	418,298	592,955
Long-term Debt	130,000			130,000	335,000
Total Liabilities	442,269	35,052	70,977	548,298	927,955
Fund Equity:					
Contributed Capital	1,157,262	259,954	454,480	1,871,696	1,983,262
Retained Earnings					
Unreserved	2,290,523	57,669	399,141	2,747,333	2,700,830
Reserved	59,733			59,733	59,733
Total Retained Earnings	2,350,256	57,669	399,141	2,807,066	2,760,563
Total Fund Equity	3,507,518	317,623	853,621	4,678,762	4,743,825
Total Liabilities and Fund Equity	$ 3,949,787	$ 352,675	$ 924,598	$ 5,227,060	$ 5,671,780

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 1996
(With Comparative Totals for the Year Ended June 30, 1995)

	Airport	Transit	Ferry	Totals June 30, 1996	Totals June 30, 1995
OPERATING REVENUES					
Charges for Services	$ 1,406,992	$ 144,736	$ 953,883	$ 2,505,611	$ 2,425,314
Total Operating Revenues	1,406,992	144,736	953,883	2,505,611	2,425,314
OPERATING EXPENSES					
Personnel Services	719,355	209,281	544,311	1,472,947	1,336,741
Supplies and Services	306,412	60,747	358,798	725,957	618,246
Insurance	52,539	14,861	78,481	145,881	169,879
Depreciation	257,621	69,418	57,535	384,574	330,760
Total Operating Expenses	1,335,927	354,307	1,039,125	2,729,359	2,455,626
Net Operating (Loss)	71,065	(209,571)	(85,242)	(223,748)	(30,312)
NON OPERATING REVENUES (EXPENSES)					
State Operating Grants	42,587	77,916	27,846	148,349	121,712
Interest Earnings	31,310	1,470	178	32,958	
Interest Expense	(22,053)		(919)	(22,972)	(45,358)
Other Revenue					1,833
Total Nonoperating Revenues (Expenses)	51,844	79,386	27,105	158,335	78,187
Income (Loss) Before Operating Transfers	122,909	(130,185)	(58,137)	(65,413)	47,875
Other Financing Sources (Uses)					
Operating Transfers In					150,000
Operating Transfers Out	(29,150)		(25,850)	(55,000)	
Total Other Financing Sources (Uses)	(29,150)		(25,850)	(55,000)	150,000
Net Income (Loss)	93,759	(130,185)	(83,987)	(120,413)	197,875
Depreciation of Fixed Assets Acquired by Grants	70,980	58,116	37,820	166,916	104,348
Increase (Decrease) in Retained Earnings	164,739	(72,069)	(46,167)	46,503	302,223
Retained Earnings, Beginning of Year	2,185,517	129,738	445,308	2,760,563	2,458,340
Retained Earnings at End of Year	$ 2,350,256	$ 57,669	$ 399,141	$ 2,807,066	$ 2,760,563

Exhibit E-3

KETCHIKAN GATEWAY BOROUGH

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1996

	Airport	Transit	Ferry	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 1,404,513	$ 144,736	$ 947,338	$ 2,496,587
Cash Payments for Insurance	(52,539)	(14,861)	(78,481)	(145,881)
Cash Payments to Employees for Services	(721,599)	(195,923)	(544,467)	(1,461,989)
Cash Payments to Suppliers for Goods and Services	(324,491)	(61,841)	(529,690)	(916,022)
Net Cash Provided by Operating Activities	305,884	(127,889)	(205,300)	(27,305)
Cash Flows from Noncapital Financing Activites:				
Transfers Out to General Fund	(29,150)		(25,850)	(55,000)
Grant Received from State		77,916	27,846	105,762
Net Cash Provided by Noncapital Financing Activities	(29,150)	77,916	1,996	50,762
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(78,804)		(1,960)	(80,764)
Grant from State	42,587			42,587
Principal Paid on G. O. and Revenue Bonds	(190,000)			(190,000)
Interest Paid on G. O. and Revenue Bonds	(22,053)		(919)	(22,972)
Net Cash Used for Capital and Related Financing	(248,270)		(2,879)	(251,149)
Cash Flow From Investing Activities:				
Interest on Investments	31,310	1,470	178	32,958
Net Cash Provided by Investing Activities	31,310	1,470	178	32,958
Net Increase (Decrease) in Cash and Cash Equivalents	59,774	(48,503)	(206,005)	(194,734)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	248,427	48,503	354,432	651,362
Cash and Cash Equivalents at June (Including in Restricted Accounts)	$ 308,201	$	$ 148,427	$ 456,628
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Cash and Temporary Investments - Current Assets	248,468		148,427	396,895
Cash and Temporary Investments - Restricted Assets	59,733			59,733
	$ 308,201	$	$ 148,427	$ 456,628
Reconciliation of Operating Income to Cash Provided by Operating Activities:				
Operating Income (Loss)	71,065	(209,571)	(85,242)	(223,748)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	257,621	69,418	57,535	384,574
(Increase) Decrease in Accounts Receivable	(2,479)		(6,545)	(9,024)
Increase (Decrease) in Due to General Fund		11,043	(172,762)	(161,719)
Increase (Decrease) in Accounts Payable	(18,079)	(1,094)	1,870	(17,303)
Increase (Decrease) in Accrued Liabilities	(2,244)	2,315	(156)	(85)
Total Adjustments	234,819	81,682	(120,058)	196,443
Net Cash Provided by Operating Activities	$ 305,884	$ (127,889)	$ (205,300)	$ (27,305)

Exhibit E-4

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1996 and 1995

	1996	1995
ASSETS		
Cash and Cash Equivalents	$ 248,468	$ 188,694
Accounts Receivable	190,192	187,713
Total Currrent Assets	438,660	376,407
Restricted Assets		
Bond Redemption Fund Cash & Cash Equivalents	59,733	59,733
Plant in Service		
Field	3,215,047	3,129,827
Terminal	4,007,831	3,962,705
Administration	19,840	19,840
Murphy's Landing	12,875	12,875
Less Accumulated Depreciation	(3,804,199)	(3,539,835)
Total Plant in Service	3,451,394	3,585,412
Total Assets	$ 3,949,787	$ 4,021,552
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 14,238	$ 32,317
Accrued Vacation & Sick Leave	89,273	91,517
Accrued Interest Payable	3,758	14,308
Current Portion of Long Term Debt	205,000	190,000
Total Current Liabilities	312,269	328,142
Long-term Debt	130,000	335,000
Total Liabilities	442,269	663,142
Fund Equity:		
Contributed Capital	1,157,262	1,172,893
Retained Earnings		
Unreserved	2,290,523	2,125,784
Reserved	59,733	59,733
Total Retained Earnings	2,350,256	2,185,517
Total Fund Equity	3,507,518	3,358,410
Total Liabilities and Fund Equity	$ 3,949,787	$ 4,021,552

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, 1996 and 1995

	June 30, 1996	June 30, 1995
OPERATING REVENUES		
Charges for Services	$ 1,406,992	$ 1,374,069
Total Operating Revenues	1,406,992	1,374,069
OPERATING EXPENSES		
Personnel Services	719,355	628,309
Supplies and Services	306,412	285,322
Insurance	52,539	94,030
Total Operation and Maintenance	1,078,306	1,007,661
Depreciation	257,621	252,451
Total Operating Expenses	1,335,927	1,260,112
Net Operating (Loss)	71,065	113,957
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	42,587	
Interest Earnings	31,310	
Interest Expense	(22,053)	(43,548)
Total Nonoperating Revenues (Expenses)	51,844	(43,548)
Income (Loss) Before Operating Transfers	122,909	70,409
OTHER FINANCING SOURCES (USES)		
Operating Transfers Out	(29,150)	
Total Operating Expenses	(29,150)	
Net Income (Loss)	93,759	70,409
Depreciation of Fixed Assets Acquired by Grants	70,980	62,965
Increase (Decrease) in Retained Earnings	164,739	133,374
Retained Earnings, Beginning of Year	2,185,517	2,052,143
Retained Earnings at End of Year	$ 2,350,256	$ 2,185,517

Exhibit E-6

KETCHIKAN GATEWAY BOROUGH

AIRPORT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1996 and 1995

	1996	1995
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 1,404,513	$ 1,380,114
Cash Payments for Insurance	(52,539)	(94,030)
Cash Payments to Employees for Services	(721,599)	(696,408)
Cash Payments to Suppliers for Goods and Services	(324,491)	(274,783)
Net Cash Provided by Operating Activities	305,884	314,893
Cash Flows Non Capital Financing Activies:		
Transfers Out	(29,150)	
Net Cash Provided by Non Capital Financing Activities	(29,150)	
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(78,804)	(32,584)
Transfer of Assets to Ferry		
Grant Received from State	42,587	
Principal Paid on G.O. Bonds	(190,000)	(180,000)
Interest Paid on G.O. Bonds	(22,053)	(43,548)
Net Cash Provided by Capital and Related Financing Activities	(248,270)	(256,132)
Cash Flow from Investing Activities		
Interest on Investments	31,311	
Net Cash Provided by Investing Activities	31,311	
Net Increase (Decrease) in Cash and Cash Equivalents	59,775	58,761
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	248,427	189,666
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 308,202	$ 248,427
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	$ 248,469	$ 188,694
Cash and Temporary Investments _ Restricted Assets	59,733	59,733
	$ 308,202	$ 248,427
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 71,065	$ 113,957
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	257,621	252,451
(Increase) Decrease in Accounts Receivable	(2,479)	6,045
Increase (Decrease) in Accounts Payable	(18,079)	10,539
Increase (Decrease) in Accrued Liabilities	(2,244)	(68,099)
Total Adjustments	234,819	200,936
Net Cash Provided by Operating Activities	$ 305,884	$ 314,893

Exhibit E-7

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1996 and 1995

	1996	1995
ASSETS		
Cash and Cash Equivalents	$	$ 48,503
Due from Other Governments	162	162
Total Currrent Assets	162	48,665
Plant in Service		
Buses	524,490	524,490
Less Accumulated Depreciation	(171,977)	(102,560)
Net Plant in Service	352,513	421,930
Total Assets	$ 352,675	$ 470,595
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	$ 12,275	$ 13,369
Due to Other Funds	11,043	
Accrued Vacation and Sick Leave	11,734	9,419
Total Current Liabilities	35,052	22,788
Fund Equity:		
Contributed Capital	259,954	318,069
Retained Earnings	57,669	129,738
Total Fund Equity	317,623	447,807
Total Liabilities and Fund Equity	$ 352,675	$ 470,595

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Years Ended June 30, 1996 and June 30, 1995

	June 30, 1996	June 30, 1995
OPERATING REVENUES		
Charges for Services	$ 144,736	$ 138,051
Total Operating Revenues	144,736	138,051
OPERATING EXPENSES		
Personnel Services	209,281	162,655
Supplies and Services	60,747	72,023
Insurance	14,861	8,500
Total Operation and Maintenance	284,889	243,178
Depreciation	69,418	18,958
Total Operating Expenses	354,307	262,136
Net Operating (Loss)	(209,571)	(124,085)
NON OPERATING REVENUES (EXPENSES)		
UMTA Grant for Ferry		
State Operating Grants	77,916	46,712
Interest Earnings	1,470	1,783
Total Nonoperating Revenues (Expenses)	79,386	48,495
Income (Loss) Before Operating Transfers	(130,185)	(75,590)
Other Financing Sources (Uses)		
Operating Transfers In		150,000
Total Other Financing Sources (Uses)		150,000
Net Income (Loss)	(130,185)	74,410
Depreciation of Fixed Assets Acquired by Grants	58,116	3,563
Increase (Decrease) in Retained Earnings	(72,069)	77,973
Retained Earnings, Beginning of Year	129,738	51,765
Retained Earnings at End of Year	$ 57,669	$ 129,738

Exhibit E-9

KETCHIKAN GATEWAY BOROUGH

TRANSIT ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1996 and 1995

	1996	1995
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 144,736	$ 138,051
Cash Payments for Insurance	(14,861)	(8,500)
Cash Payments to Employees for Services	(195,923)	(160,611)
Cash Payments to Suppliers for Goods and Services	(61,841)	(68,810)
Net Cash Provided by Operating Activities	(127,889)	(99,870)
Cash Flows from Noncapital Financing Activities		
Transfer from General Fund		150,000
Payments to Other Funds		
Grant Received from State	77,916	46,712
Net Cash Provided by Noncapital Financing Activities	77,916	196,712
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets		(400,743)
Capital Grant Received from State		244,000
Net Cash Used for Capital and Related Financing Activities		(156,743)
Cash Flow from Investing Activities		
Interest on Investments	1,470	1,783
Net Cash Provided by Investing Activities	1,470	1,783
Net Increase (Decrease) in Cash and Cash Equivalents	(48,503)	(58,118)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	48,503	106,621
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$	$ 48,503
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets		48,503
	$	$ 48,503
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(209,571)	(124,085)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	69,418	18,958
Increase (Decrease) to Other Funds	11,043	
Increase (Decrease) in Accounts Payable	(1,094)	3,213
Increase (Decrease) in Accrued Liabilities	2,315	2,044
Total Adjustments	81,682	24,215
Net Cash Provided by Operating Activities	$ (127,889)	$ (99,870)

Exhibit E-10

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1996 and 1995

	1996	1995
ASSETS		
Cash & Investments	148,427	354,432
Accounts Receivable	6,545	
Plant in Service		
Ferry	$ 1,515,976	$ 1,514,016
Less Accumulated Depreciation	(746,350)	(688,815)
Total Plant in Service	769,626	825,201
Total Assets	$ 924,598	$ 1,179,633
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 6,096	$ 4,226
Due to Other Funds		172,762
Accrued Vacation & Sick Leave	64,881	65,037
Total Liabilities	70,977	242,025
Fund Equity:		
Contributed Capital	454,480	492,300
Retained Earnings		
Unreserved	399,141	445,308
Total Retained Earnings	399,141	445,308
Total Fund Equity	853,621	937,608
Total Liabilities and Fund Equity	$ 924,598	$ 1,179,633

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, 1996 and 1995

	June 30, 1996	June 30, 1995
OPERATING REVENUES		
Charges for Services	$ 953,883	$ 913,194
Total Operating Revenues	953,883	913,194
OPERATING EXPENSES		
Personnel Services	544,311	545,777
Supplies and Services	358,798	260,901
Insurance	78,481	67,349
Total Operation and Maintenance	981,590	874,027
Depreciation	57,535	59,351
Total Operating Expenses	1,039,125	933,378
Net Operating (Loss)	(85,242)	(20,184)
NON OPERATING REVENUES (EXPENSES)		
State Operating Grants	27,846	75,000
Interest Earnings	178	50
Interest Expense	(919)	(1,810)
Total Nonoperating Revenues (Expenses)	27,105	73,240
Income (Loss) Before Operating Transfers	(58,137)	53,056
Other Financing Sources (Uses)		
Operating Transfers Out	(25,850)	
Total Other Financing Sources (Uses)	(25,850)	
Net Income (Loss)	(83,987)	53,056
Depreciation of Fixed Assets Acquired by Grants	37,820	37,820
Increase (Decrease) in Retained Earnings	(46,167)	90,876
Retained Earnings, Beginning of Year	445,308	354,432
Retained Earnings at End of Year	$ 399,141	$ 445,308

Exhibit E-12

KETCHIKAN GATEWAY BOROUGH

FERRY ENTERPRISE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1996 and 1995

	1996	1995
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 947,338	$ 913,194
Cash Payments for Insurance	(78,481)	
Cash Payments to Employees for Services	(544,467)	(375,327)
Cash Payments to Suppliers for Goods and Services	(529,690)	(256,675)
Net Cash Provided by Operating Activities	(205,300)	281,192
Cash Flow from Non-Capital Financing Activities		
Transfers to General Fund	(25,850)	
Grant Received from State	27,846	75,000
Net Cash Provided by Non Capital Financing Activities	1,996	75,000
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,960)	
Transfer of Capital Assets (net)		
Interest Paid on G.O. Bonds	(919)	(1,810)
Net Cash Used for Capital and Related Financing Activities	(2,879)	(1,810)
Cash Flow from Investing Activities		
Interest on Investments	178	50
Net Cash Provided by Investing Activities	178	50
Net Increase (Decrease) in Cash and Cash Equivalents	(206,005)	354,432
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)	354,432	
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$ 148,427	$ 354,432
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments - Current Assets	148,427	354,432
Cash and Temporary Investments - Restricted Assets		
	$ 148,427	$ 354,432
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	(85,242)	(20,184)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	57,535	59,351
(Increase) in Accounts Receivable	(6,545)	
Increase (Decrease) in due to General Fund	(172,762)	172,762
Increase in Accrued Liabilities	(156)	65,037
Increase in Accounts Payable	1,870	4,226
Total Adjustments	(120,058)	301,376
Net Cash Provided by Operating Activities	$ (205,300)	$ 281,192

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Internal Service Fund

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, 1996

	Insurance Stablization Fund
ASSETS	
Cash & Temporary Investments	$ 273,472
Equity in Stabilization Insurance Fund	222,620
Restricted Assets	150,000
Total Currrent Assets	646,092
LIABILITIES AND FUND EQUITY	
Fund Equity:	
Reserved	150,000
Unreserved	496,092
Total Retained Earnings	646,092
Total Fund Equity	646,092
Total Liabilities and Fund Equity	$ 646,092

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, 1996

	Insurance Stablization Fund
OPERATING REVENUES	
Insurance Premiums	$ 1,660,210
Total Operating Income	1,660,210
OPERATING EXPENSES	
Expense - Claims Service	1,960,210
Total Operating Expenses	1,960,210
Net Operating Revenues(Loss)	(300,000)
OTHER FINANCING SOURCES (USES)	
Transfers to Component Unit	(500,000)
Total Other Financing	(500,000)
NON OPERATING REVENUES (EXPENSES)	
Interest Income	14,100
Contingency Credits	
Fund Adjustment - Deficit	
Total Nonoperating Revenues (Expenses)	14,100
Net Income (Loss)	(785,900)
Retained Earnings, Beginning of Year	1,431,992
Retained Earnings at End of Year	$ 646,092

Exhibit F-3

KETCHIKAN GATEWAY BOROUGH

INTERNAL SERVICE FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1996

		1996
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	$	1,660,210
Contingency Credits		
Fund Adjustment – Deficit		
Cash Payments for Insurance		(1,960,210)
Net Cash Provided by Operating Activities		(300,000)
Cash Flows from Noncapital Financing Activities		
Transfer to Component Unit		(500,000)
Net Cash Provided by Noncapital Financing Activities		(500,000)
Cash Flow from Investing Activities:		
Interest on Investments		14,100
Net Cash Provided by Investing Activities		14,100
Net Increase (Decrease) in Cash and Cash Equivalents		(785,900)
Cash and Cash Equivalents at July 1 (Including in Restricted Accounts)		1,431,992
Cash and Cash Equivalents at June 30 (Including in Restricted Accounts)	$	646,092
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Cash and Temporary Investments – Current Assets		496,092
Cash and Temporary Investments _ Restricted Assets		150,000
	$	646,092
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)		(300,000)
Total Adjustments		
Net Cash Provided by Operating Activities	$	(300,000)

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, 1996

	Balance June 30, 1995	Additions	Deductions	Balance June 30, 1996
DEFERRED COMPENSATION FUND				
Assets				
Funds with Fiscal Agents	$ 1,039,602	$ 106,467	$ 9,130	$ 1,136,939
Liabilities	$ 1,039,602	$ 106,467	$ 9,130	$ 1,136,939
Deferred Compensation				

GENERAL FIXED ASSETS

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, 1996 and 1995

	1996	1995
GENERAL FIXED ASSETS		
Land	$ 285,000	$ 30,865
Buildings	968,453	932,877
Equipment	985,972	865,092
Swimming Pools/Ballfields	2,531,177	2,531,177
Construction in Progress	4,405,646	
Total	$ 9,176,248	$ 4,360,011

	1996	1995
INVESTMENT IN GENERAL FIXED ASSETS FROM:		
Federal and State Grants	$ 1,337,811	$ 1,080,811
General Revenues	7,838,437	3,279,200
Total	$ 9,176,248	$ 4,360,011

Exhibit H-2

KETCHIKAN GATEWAY BOROUGH

SCHEDULE OF GENERAL FIXED ASSETS-BY FUNCTION AND ACTIVITY

June 30, 1996

Function and Activity	Land	Buildings	Machinery and Equipment	Ballfields / Pools	Total
General Government:					
Manager	150,000	335,000	$ 23,894		$ 508,894
Attorney			18,549		18,549
Clerk			26,674		26,674
Administrative Services			75,158		75,158
Assessment			52,557		52,557
Total General Government	150,000	335,000	196,832		681,832
Services:					
Animal Protection	$ 55,000	$ 284,252	61,938		401,190
Parks and Recreation		139,490	54,512	$ 2,531,177	2,725,179
Maintenance and Operations	80,000	209,711	164,679		454,390
Planning			79,869		79,869
Child Care Assistance			3,727		3,727
Non-Departmental			49,652		49,652
Local Emergency Planning Commission			15,223		15,223
Total Services	135,000	633,453	429,600	2,531,177	3,729,230
Service Areas:					
Southend Fire District			196,689		196,689
Shoreline Service Area			160,569		160,569
Mt. Point Service Area			2,282		2,282
Total Service Areas			359,540		359,540
Construction in Progress		4,405,646			4,405,646
Total General Fixed Assets	$ 285,000	$ 5,374,099	$ 985,972	$ 2,531,177	$ 9,176,248

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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, 1996 and 1995

	June 30, 1996	June 30, 1995
Other Debits		
Amount to Provided-Bonds	$ 12,300,000	$ 6,200,000
Total Other Debits	$ 12,300,000	$ 6,200,000
Liabilities		
74 School Refunding G.O. Bonds		$ 200,000
95 IRC Bonds	$ 7,500,000	
89 School Construction G.O. Bonds	4,800,000	6,000,000
Total General Long-term Debt	$ 12,300,000	$ 6,200,000

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, 1996

	Balance June 30, 1995	Additions	Deletions	Balance June 30, 1996
Other Debits				
Amount to be Provided-Bonds	$ 6,200,000	$ 7,500,000	$ 1,400,000	$ 12,300,000
Liabilities				
95 IRC Bonds		$ 7,500,000		7,500,000
74 School Refunding G.O. Bonds	$ 200,000		$ 200,000	$
89 School Construction G.O. Bonds	6,000,000		1,200,000	4,800,000
Total General Long-term Debt	$ 6,200,000	$ 7,500,000	$ 1,400,000	$ 12,300,000

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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, 1996

CASH & INVESTMENTS CLASSIFIED BY FUND		
General Fund		$ 3,698,323
Special Revenue Funds:		
Land Trust Fund	$ 6,734,830	
Permanent Fund	268,448	
Recreation Sales Tax Fund	344,447	
South End Fire District Fund	228,595	
Shoreline Service Area Fund	97,794	
Mt. Point Service Area Fund	143,743	
Waterfall Service Area Fund	94,962	
Mud Bight Service Area	57,600	
South Tongass Service Area Fund	8,450	
Forest Park Service Area Fund	252,738	
Gold Nugget Service Area Fund	25,717	
School Bond/Capital Improvements	13,979	
State & Federal Grants Fund	1,024,146	9,295,449
Capital Projects Fund:		
Other Construction Projects		
Indoor Recreation Center - Construction Project	4,854,142	
Rotary Beach Development	2,936	
Walker Field Fund	43,268	
K-High/Valley Park Swimming Pool Remodel		
Valley Park Pool Construction	385,263	
K-High Pool Renovation - Phase II	2,114	5,287,723
Enterprise Funds:		
Airport Fund - Unrestricted	248,468	
Airport Fund - Restricted	59,733	
Ferry Fund	148,427	456,628
Internal Service Fund:		
Risk Management Funds		646,092
Agency:		
Cash with Deferred Comp Agent		1,136,939
Total Cash by Fund		$ 20,521,155
CASH CLASSIFIED BY DEPOSITORY		
Change Funds & Petty Cash	$ 1,947	
Mikunda Cottrell Trust Account - Shoup Street	50,465	
Mikunda Cottrell Trust Account - Mountain Point	833,335	
First Bank of Ketchikan	4,132	
National Bank of Alaska	1,232,462	
Funds with Aetna Insurance Company	372,620	
Funds with Fiscal Agents	1,136,939	
Total Cash		3,631,900
Investments		
National Bank of Alaska - Trust	2,006,295	
National Bank of Alaska - Trust	3,680,413	
National Bank of Alaska	3,500,000	
U.S. Trust	7,702,547	
Total Investments		16,889,255
Total Cash and Investments		$ 20,521,155

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. The pension benefit obligation has not been determined by the actuary for years prior to June 30, 1987; therefore, historical trend information beyond the five year period shown below is not available (in thousands).

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	2,212	18.8%
1995	8,929	8,835	101.1%	(94)	2,373	-4.0%

Exhibit J-3

KETCHIKAN GATEWAY BOROUGH

COMBINED SCHEDULE OF BONDS PAYABLE

Year Ended June 30, 1996

	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	2,030,000	170,000
1974 School Refunding	5.00 - 8.00	3/1 & 9/1	03/01/74	09/01/1995	4,835,000	4,835,000	4,835,000	
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	4,800,000	4,800,000
1995 IRC Bonds	4.30 - 6.00	5/15 & 11/15	12/07/95	5/15/2009	7,500,000	7,500,000		7,500,000
					$24,135,000	$24,135,000	$11,665,000	$12,470,000
REVENUE BONDS								
1980 Airport Improvement Bonds	8.00	5/1 & 11/1	05/01/80	05/01/2000	$ 410,000	$ 410,000	$ 245,000	$ 165,000

Exhibit J-4

KETCHIKAN GATEWAY BOROUGH

DEBT SERVICE REQUIREMENTS TO MATURITY

June 30, 1996

Fiscal	G.O. Bonds-Education			G.O. Bonds-IRC			G. O. Bonds-Airport			Revenue Bonds-Airport		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1997	1,200,000	317,400	1,517,400	430,000	367,127	797,127	170,000	9,350	179,350	35,000	13,200	48,200
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						
	$ 4,800,000	$ 797,400	$ 5,597,400	7,500,000	$2,747,812	$10,247,812	$ 170,000	$ 9,350	$ 179,350	$ 165,000	$ 34,800	$ 199,800

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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
1987	3,021	978	14,684	2,029	3,085	23,797
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

(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
1987	4,260	15,436	580	1,051	21,327
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

(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
1987	2,305	1,955	(2)	(2)	4,260
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

(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
1987	1,958,321	1,947,614	99.5%	7,236	1,954,850	99.8%	7,236	0.4%
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%

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
1987	619,258,100	619,258,100	33,515,650	33,515,650	N/A	652,773,750	652,773,750	100%
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%

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

UNAUDITED

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
1987	9.50	0.50	1.00	15.00		0.58	3.00	29.58
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

UNAUDITED

Table 6

KETCHIKAN GATEWAY BOROUGH
PRINCIPAL TAXPAYERS
June 30, 1996
(amounts expressed in thousands)

Taxpayer	Business Type	Valuation	Percentage of Total Assessed Valuation
Ketchikan Pulp	Forest Products	$ 78,961,500	8.02%
The Hames Group	Retail Stores	12,167,000	1.24%
Cape Fox Corporation	Forest Products	11,326,400	1.15%
(Includes Cape Fox Hotel Corp.)			
E. C. Phillips & Son, Inc.	Fish Processing	7,925,700	0.80%
Kanaway Seafoods	Seafood Processing	7,876,600	0.80%
Vanderweele, James & Ken	Commercial Property	6,623,400	0.67%
Union Oil Company	Petroleum Products	5,622,600	0.57%
Carr-Gottstein Foods Co.	Retail Stores	4,823,900	0.49%
Main Street Associates, Ltd.	Retail/Commercial	4,701,600	0.48%
Ward's Cove Packing Co., Inc.	Seafood Processing	4,594,700	0.47%
Total Principal Taxpayers		$ 144,623,400	14.68%
Total Assessed Valuation		$ 985,070,900	100.00%

UNAUDITED

Table 7

KETCHIKAN GATEWAY BOROUGH
Computation of Legal Debt Margin
June 30, 1996

No Debt Limit is Mandated by Law

Computation of Direct and Overlapping Debt

Total Direct Debt		
Outstanding G.O. Bonds - Ketchikan Gateway Borough		$ 12,470,000
Less Self Supporting Debt:		
1972 Airport Improvement Bonds		0
Total Direct Debt		12,470,000
City of Ketchikan Direct Debt		
Outstanding G.O. Bonds		10,654,000
Less Self Supporting Debt:		
Bonds Paid from Ketchikan Port Fund Revenues	(6,100,000)	
Bonds Paid from Sales Tax Hospital Fund Revenues	(651,536)	
Bonds Paid from Wastewater Fund Revenues	(208,464)	
Bonds Paid from Refunding Bonds	(1,865,470)	(8,825,470)
Total City of Ketchikan Direct Debt		1,828,530
Total Direct and Overlapping Debt		14,298,530

Source: Ketchikan Gateway Borough and City of Ketchikan Financial Records

UNAUDITED

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
1987	14,314	652,773,750	18,404,000	0	1,650,000	16,754,000	2.57%	1,170
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

(1) U.S. Government Census
(2) From Table 4.
(3) Amounts do not include revenue bonds.
(4) Amount available for repayment of general obligation bonds.
(5) These amounts include the general obligation bonds that are being repaid from the Airport Enterprise Fund.

UNAUDITED

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, 1996

Fiscal Year	Debt Service Payments: Principal	Interest	Total	Total General Expenditures	Ratio of Debt Service to General Expenditures
1987	1,555,000	1,529,952	3,084,952	20,712,172	14.9%
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%

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Table 10

KETCHIKAN GATEWAY BOROUGH
DEMOGRAPHIC STATISTICS
Ten Year Period Ending June 30, 1996

Fiscal Year	(1) Borough Population	(1) Alaska Per Capita Income	(1) Median Age	(2) Borough School Enrollment	(1) Alaska Unemployment Rate	(1) Ketchikan Unemployment Rate
1987	14,314	17,744	(3)	2,605	10.9%	(3)
1988	12,829	17,886	(3)	2,594	9.7%	(3)
1989	12,829	21,173	(3)	2,480	10.8%	(3)
1990	12,829	21,668	32	2,757	6.7%	7.5%
1991	13,818	21,688	32	2,823	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	2,728	6.5%	5.2%
1996	15,082	(3)	(3)	2,850	7.3%	7.6%

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

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Table 11

KETCHIKAN GATEWAY BOROUGH
MISCELLANEOUS STATISTICS
FOR THE YEAR ENDED JUNE 30, 1996

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	170FTE
Number of Students (Average Daily Attendance)	2,850
Elections	
Number of Registered Voters	10,317
Number of Votes in last regular election	4,670
Airport Operations	
Landings & Takeoffs per year - all Aircraft	37,918
Air Carrier Passengers per year	194,472
Ferry Passengers	395,499
Ferry Vehicles	88,750
Planning	
Number of zoning permits issued	200
Permanent Employees as of June 30, 1996	77

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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
1986	660,988,333	185	7,122,328
1987	652,773,750	156	6,117,550
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

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			Coverage
				Principal	Interest	Total	
1987	1,922,882	1,735,890	186,992	15,000	31,600	46,600	4.01
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	1,437,034	1,007,661	429,373	30,000	18,000	48,000	8.95
1996	1,480,890	1,409,299	71,591	35,000	22,053	57,053	1.25

(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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