

**CITY OF KODIAK, ALASKA**

Comprehensive Annual  
Financial Report

For the Year Ended June 30, 2006

Prepared by City of Kodiak Finance Department

# CITY OF KODIAK, ALASKA

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## **INTRODUCTORY SECTION**



December 8, 2006

To the Honorable Mayor and Members of the City Council,  
The Citizens of the City of Kodiak:

We are pleased to present the City of Kodiak's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The report is designed to fairly present the financial position and results of financial operations of the City in all material respects and to demonstrate compliance with applicable finance related legal and contractual provisions. The report adheres to the principle of full disclosure so that readers may gain a maximum understanding of the City's financial affairs. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various City funds. The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the City of Kodiak.

The finance department has prepared this report in accordance with the following standards:

- Generally Accepted Accounting Principles (GAAP) of the United States, which are uniform minimum standards and guidelines for financial accounting and reports in the United States.
- Governmental accounting and financial report statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB).

### **INDEPENDENT AUDIT**

Article V, Section 21 of the City Charter requires an annual audit of the accounting and financial records of the City by independent certified public accountants. This charter section requires the auditor to examine all funds of the City in accordance with generally accepted auditing standards and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. In addition, the auditor must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of grants.



The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Kodiak for the fiscal year ended June 30, 2006, are free of material misstatement. The City of Kodiak has selected the licensed certified public accounting firm of Mikunda, Cottrell & Company to perform these audit services. Their reports are presented in the Financial Statements Section and the Single Audit Section of this report. Mikunda, Cottrell & Company has issued an unqualified ("clean") opinion on the City of Kodiak's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MDA). This letter of transmittal is designed to compliment the MDA and should be read in conjunction with it. The City of Kodiak's MDA can be found immediately following the report of the independent auditors.

## **REPORT FORMAT**

The City's Finance Department has prepared this CAFR in an effort to present all the information necessary to meet the needs of the many persons and groups that have an interest in the City's financial affairs. The objective of this report is to present financial information on a comparative basis with other governmental entities in Alaska and in accordance with established national standards.

The CAFR is presented in four sections: introductory, financial, statistical, and single audit.

The INTRODUCTORY section includes a list of principal officials, the City's organizational chart, a map of the area, and this transmittal letter.

The FINANCIAL section includes the management discussion and analysis (MDA), basic and fund financial statements including budgetary information on major funds, footnotes to financial statements, and additional information. The independent auditor's report on the MDA, financial statements and the required and additional information as of June 30, 2006 is also included in this section.

The STATISTICAL section includes selected financial and demographic information, generally presented on a multi-year basis. Historical data was not reported in a government wide format using GASB No. 34; therefore, in some tables the information presented starts with fiscal year 2002 when the City of Kodiak early implemented GASB No. 34.

The SINGLE AUDIT section contains information on City programs that are financed by state and federal grants. This information is required by the State of Alaska and Federal Single Audit Acts.

## **PROFILE OF THE CITY**

Kodiak Island is the largest island in Alaska and the second largest in the United States. It is part of the Kodiak Island Archipelago, a group of islands that stretch roughly 177 miles along the Katmai Coast of the Alaska Peninsula in the Gulf of Alaska, about 200 miles southwest of Anchorage. The sixteen major and countless smaller islands that make up the group encompass over 5,000 square miles, roughly the size of Connecticut. In 2005 the estimated population of the Kodiak Region was 13,638 with a population of 6,088 in the City of Kodiak.

Its location in the Gulf of Alaska and North Pacific Ocean places Kodiak near some of the richest fishing grounds in the world. Kodiak is consistently one of the top three commercial fishing ports in the United States in terms of the value and volume of seafood landed. More than one-third of the jobs in Kodiak are directly involved in the fishing industry, in either the harvesting or processing sectors.

The City of Kodiak is located on the northeast tip of Kodiak Island, 50 minutes by air from Anchorage. The city is the economic, transportation and governmental hub of the region. It is located within the Kodiak Island Borough, which encompasses the entire island group, as well as a portion of the Katmai Coast on the Alaska Peninsula.

The Alaska Marine Highway System connects the City of Kodiak with Port Lions and communities on the Alaska Mainland as well with communities along the Alaska Peninsula and the Aleutian Chain.

The City of Kodiak was incorporated in December 1940, and adopted a Home Rule Charter on March 16, 1964. The City operates under a Council-Manager form of government with six Council Members and a Mayor. Council Members and the Mayor are elected at-large for terms of three years and two years, respectively.

The Council appoints the City Manager who is responsible for appointing and supervising the various department heads and other employees (except those appointed by the Council) and preparing and administering the annual budget and the capital improvement program. Under the City Manager's general direction are eight functional areas (departments), each of which is supervised by a department head. These areas are: port and harbors, engineering, finance, fire and EMS, library, parks and recreation, police and jail, and public works. An administrative support function and certain non-departmental activities are provided by the Manager's office.

The City services provided by these departments includes police and fire protection, jail services, animal control, regional dispatch services (including E-911), ambulance services, boat harbors and port/cargo facilities, street maintenance, airport facilities, water and sewer services, building inspection services, recreation programs, park operations and maintenance, including museum and cemetery operations, and library services. The City also supplies water and accepts discharge to the wastewater treatment facility from Service District #1 located outside the City.

The City Council appoints the City Clerk, the City Attorney, and the members of various advisory boards.

## **BUDGETARY ACCOUNTING AND INTERNAL CONTROLS**

The annual budget serves as the foundation of the City of Kodiak's financial planning and control. The City Charter, Article V, requires the City Manager to submit a balanced budget to the City Council at least three weeks before the beginning of the fiscal year. The annual budget process begins in February with the establishment of budget guidelines by the City Council and the City Manager. These guidelines encompass the delivery and scope of services; staffing levels of permanent personnel, increases in rates if any, and the use of fund balance. Each department head reviews their respective department's goals, objectives, performance indicators, assigned permanent personnel, and funding levels and recommends any changes to the Finance Director and the City Manager for review prior to inclusion in the City's general operating and capital improvement budgets. The City Manager then submits the budget to the City Council for consideration in May.

The Council reviews the budget with the City Manager and changes to anticipated revenues and planned expenditures are incorporated into the budget ordinance, which is introduced for the first reading at a June Council meeting. The Council holds a public hearing on the proposed budget at least one week after a notice of the time of the hearing has been published. The budget is formally adopted by the City Council in June. The adoption of the budget by the City Council puts the budget into effect for the budget year July 1 thorough June 30. Throughout the year, it is customary for the City Council to approve supplemental budget amendments presented by the City Manager.

As a management tool, budgetary control is maintained in all funds at the departmental level and by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Upon the written request of a department head, the Finance Director and City Manager may transfer budgetary appropriations between or among budget line items within any department, program, or project, so long as the transfer does not increase the total appropriation for the department, program, or project. However, no transfer can be made for the purpose of adding permanent personnel or granting unscheduled salary increases, unless approved by the City Council. Likewise, anticipated revenues within a fund may be adjusted so long as there is not an increase or decrease of the total revenues of that fund. An ordinance of the City Council is required to move appropriated amounts between funds, departments, and projects, to add new appropriations, or increase the number of permanent personnel budgeted.

The City Manager is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute assurance that these objectives are met. In addition, the Finance Department performs controls through policies and procedures that create multiple checks and balances.

Budget-to-actual comparisons are provided in this report for various funds for which an appropriated annual budget has been adopted.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kodiak operates. The City of Kodiak has adopted maintenance budgets over the past few years sustaining the same level of service as provided in previous years without an increase in taxes. The Public Employee Retirement System (PERS) has a statewide multi-billion dollar unfunded liability causing financial issues for many municipalities in the State of Alaska. The City of Kodiak has taken a proactive approach to this issue and has set up an Internal Service Fund to reserve funds to offset this liability. The City has been able to maintain a stable workforce without increasing employees, and has been able to keep all departmental expenditures within or lower than budgeted totals.

## **LOCAL ECONOMY**

The economic condition of Kodiak remains relatively stable. The main industries of the region are commercial fishing and tourism. While some segments of the commercial fishing industry have declined, others have grown. Tourism continues to grow in Kodiak with an increased number of visitors each year.

The Kodiak Chamber of Commerce, with funding assistance from the City of Kodiak and the Kodiak Island Borough, produces a Kodiak Community Profile and Economic Indicators report that it distributes to the public. The information below is from this report, as well as from information collected by the City.

## **SEAFOOD INDUSTRY**

Kodiak is the center of fishing activities for the Gulf of Alaska. Its fishing industry is among the most diverse in the State of Alaska. Residents participate in at least 27 different fisheries not including the numerous groundfish fisheries. Kodiak is consistently one of the top three fishing ports in the United States. Salmon has traditionally been the mainstay of Kodiak's fisheries. Because of the cyclic nature of the salmon fisheries the volume and value of Kodiak's salmon catch varies greatly from year to year. Increased competition in world markets has also driven salmon prices to new lows although prices have rebounded in the past few years. During recent years, the groundfish fishery has become increasingly important to Kodiak's economy.

In addition to the fish harvesting and processing sectors, there are also several government and educational institutions that conduct fisheries-related research in Kodiak. The National Marine Fisheries Service Utilization and Research Division, along with the University of Alaska's Fisheries Industrial Technology Center, provide lab services, quality and handling studies, product development assistance and other fishery related research efforts.

## **VISITOR INDUSTRY**

Tourism, like many other Kodiak industries, is based on our natural resources. Tourists come to Kodiak to view the scenic beauty, hike, camp, visit historical and cultural sites, view and photograph wildlife, and hunt and fish. The visitor industry has remained relatively stable for the past five years.

As is true elsewhere in Alaska, Kodiak's visitor industry is seasonal with approximately 76% of all visitors arriving during the summer months. The total number of annual visitors to the Kodiak region is approximately 30,000; that's more than double the population of the region.

Kodiak's share of the Southwest Alaska visitor market is approximately 31%. According to the Alaska Visitor Statistics Program, visitors to Kodiak and other Southwest Alaska destinations tend to stay longer than the average visitor to the state, and are significantly more likely to be repeat visitors. Additionally these visitors typically spend more than twice as much as the average visitor to other regions in Alaska.

Results from the Alaska Visitor Arrivals and Profile Summer 2001 Study show the average per person/per trip expenditures by visitors to Alaska during summer 2001 was \$1,258. The majority was spent on tours and recreation.

## **AEROSPACE INDUSTRY**

The mission of the Alaska Aerospace Development Corporation (AADC) includes establishing and operating, in Alaska, a launch facility promoting aerospace-related economic growth and developing corresponding technologies and support services. The Kodiak Launch Complex (KLC) is the nation's first launch facility not located on federal property and is positioned to meet the challenges and define Alaska's future role in a highly competitive launch industry.

The KLC celebrated its first mission in November 1998. The second successful launch from KLC lifted off in September 1999. The state of the art facility includes a launch control center, payload processing facility, spacecraft assembly building and launch pad. It is designed to handle small to medium sized rockets used to launch low-earth satellites, as well as military, scientific and research missions.

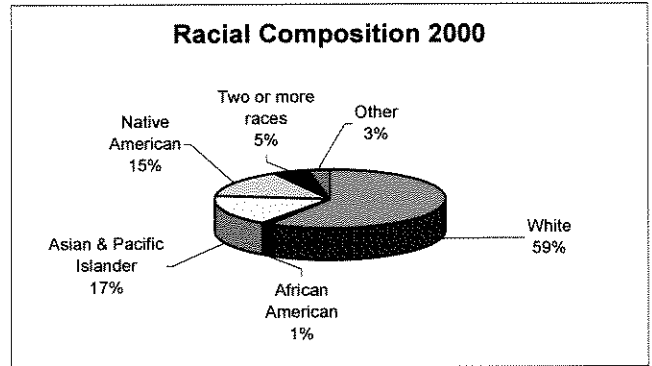
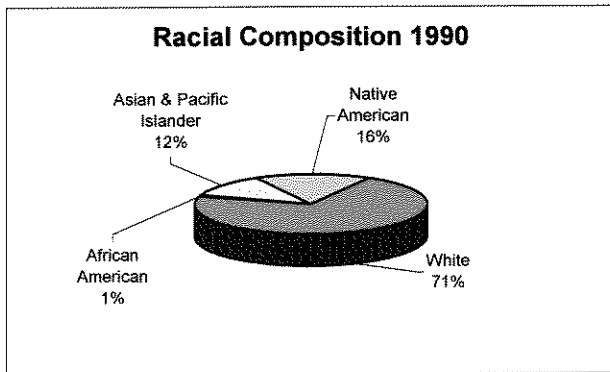
According to the independent research and consulting firm Information Insights, Inc., in 2004 AADC spending generated approximately \$20 million impact on the Kodiak economy - \$16.3 million from purchases and hospitality, and \$3.6 million in payroll. AADC spent \$6 million in the direct purchase of goods and services in the Kodiak Island Borough, which was distributed among more than 80 local businesses. AADC and its launch customers also spend an estimated \$1.25 million on travel and hospitality during launch operations. AADC employs an average of 45 employees and contract workers on site, and its spending creates an additional 80 jobs in the Kodiak economy.

## POPULATION

According to Alaska Department of Labor, the 2005 estimated population of the City of Kodiak is 6,088. The City of Kodiak is the seventh largest city in Alaska, in terms of population. It ranks behind Anchorage, Juneau, Fairbanks, Sitka, Ketchikan, and Kenai in that order. It is interesting to note that some of these communities are combined city/borough governments, unlike the City of Kodiak.

The median age in the Kodiak region is 31.6 years. Approximately 32.4% of the population is under 18 years of age, about 1% higher than Alaska overall. Fifty-three percent of the population is male and 47% female. Approximately 18.7% of the adults, age 25 and older, hold at least a bachelor's degree. The number of adults, 25 years and older, estimated to have at least a high school diploma is 85.3 percent.

### Comparison of Ethnic Diversity U S Census Bureau, Census 2000 Kodiak Island Borough

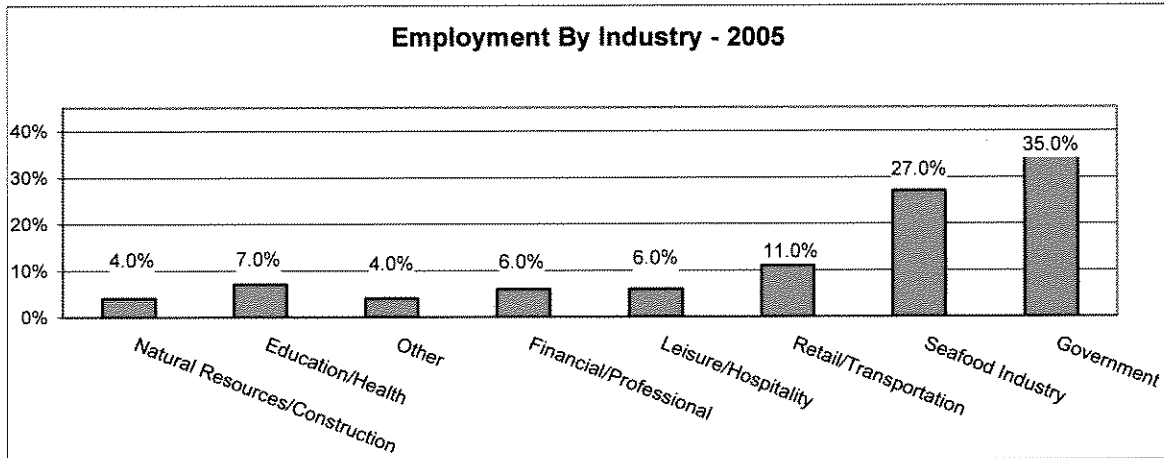


## LABOR FORCE

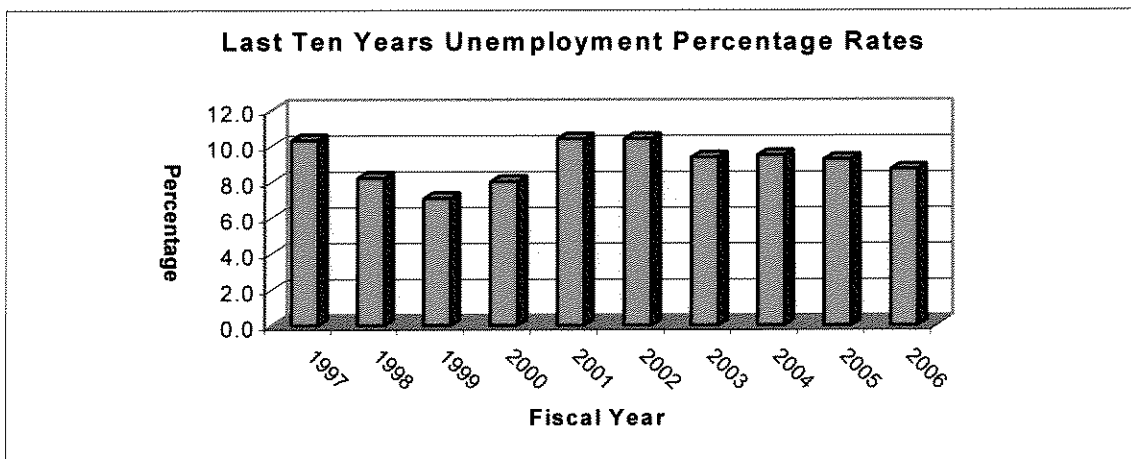
In 2005, the State of Alaska estimated the Kodiak region's average monthly employment to be 5,381, excluding fish harvesting and U.S.Coast Guard. This figure more accurately depicts the number of full and part-time jobs as opposed to the number of actual workers.

The U.S. Coast Guard and other government entities are the dominant industry, in terms of employment with 35% of the total. The seafood industry (which includes fish harvesting and seafood processing) is the next largest employment sector, with 27%. Retail trade, transportation, and utilities account for about 11%, education and health 7%, financial, information, professional and business 6%, leisure and hospitality 6%, natural resources and construction 4%, and other services 4%.

The following chart shows the distribution of the workforce in 2005.



Kodiak's employment varies throughout the year due to the seasonal nature of the fishing industry. Employment usually peaks during the months of July, August, and September when fish harvesting is busiest, and declines in November and December as yearly fishing quotas are reached. For this reason, Kodiak is characterized by large swings in its monthly unemployment rate throughout the year, from as low as 6.0% to as high as 14.1%. The average fiscal year unemployment rate for Kodiak in fiscal year 2006 was 8.7%.



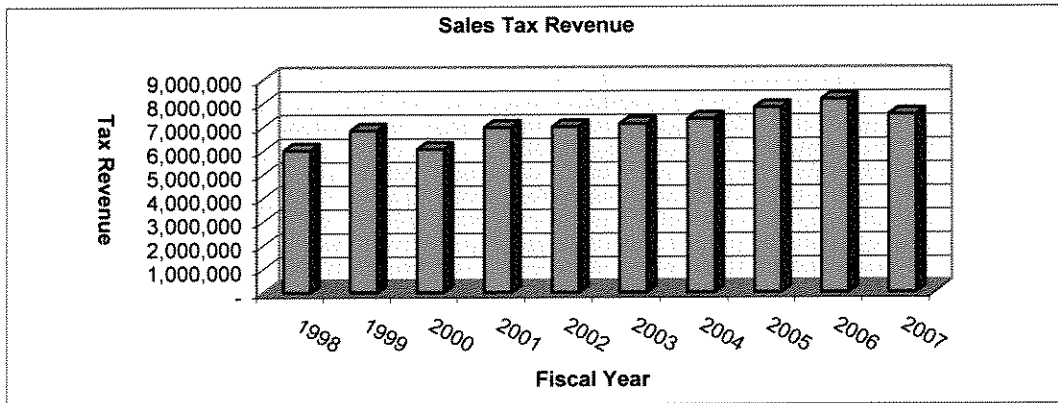
## INCOME

In 2005, the Alaska Department of Labor reported the annual average monthly wage for workers in the Kodiak region was \$2,870. Total payroll in 2005 was \$185.3 million. In 2005 Kodiak's annual average wage was \$34,445 compared to a statewide average of \$39,702.

## RETAIL SALES

Total retail sales within the city have increased more than 60% since 1993. There is a close correlation between retail sales and the strength of local fisheries. In 1995, after a record breaking salmon season, retail sales climbed 9%. In the second half of 1996, when the salmon harvest dropped and fish prices fell, retail sales went down approximately 10% to 12%. Retail sales have increased significantly since the opening of a Wal-Mart store in the spring of 1999.

Sales Tax revenue has increased from \$5.4 million in 1997 to an estimated \$8.1 million in 2006. The City's sales tax rate is 6% with a maximum sales tax of \$45 per transaction. This translates to taxing the first \$750.00 of a sale and exempting any amount over \$750.00 in any one transaction. The City also exempts residents over the age of 65 from sales tax. Sales tax for fiscal year 2007 has been projected at \$7.5 million.



## LONG-TERM FINANCIAL PLANNING

- The fiscal year 2006 budget used less General Fund fund balance than budgeted.
- The Mill Rate of 2.0 remained the same in fiscal year 2006.
- The Sales Tax rate of 6% remained the same.
- The Sales Tax Cap remained at \$750.00.
- The Hotel & Motel tax rate of 5% remained the same.
- The fiscal year 2006 budget had no reductions of services, and all services were maintained at consistent levels.
- A review of employee benefits and options for reductions in costs was begun in fiscal year 2006.
- Nearly completed work on Pier II – Replacement of the old section of Pier II with a project budget of \$8,200,000 – the total amount expended in fiscal year 2006 was \$1,786,045.
- Began work on the new Public Safety Building with a total estimated budget of \$12,000,000.
- Completed the Water and Sewer Rate Study under budget at \$83,041 with a project budget of \$100,000. The study entailed the development of a five-year implementation of new fees beginning in fiscal year 2007.



- Completed the Municipal Airports Plan under budget in the amount of \$377,562 with a budget of \$383,200.
- Engineering and design work began on the St. Herman Inner Harbor project with a budgeted amount of \$3,000,000.
- Completed the new Communications Systems Upgrade for the regional dispatch center under budget in the amount of \$1,466,358 with a budget of \$1,600,000.
- Completed a City-Wide Safety Plan under budget in the amount of \$79,789 with a budget of \$80,000.
- Implemented the third year of the Boat Harbor fee increase.
- Completed a comprehensive review of all the City of Kodiak's fees.

## **MAJOR INITIATIVES**

The City of Kodiak is working to complete the following Capital Improvement projects:

- New Police Station, City Contract Jail, and Regional Dispatch Facilities – including the police station, dispatch and jail. (Cost estimate - \$12,000,000)
- New Fire Station – Cost estimate - \$12,000,000)
- New Library Building – (Cost estimate - \$8,000,000)
- New Ferry Terminal – funding for this project held by the Alaska State Department of Transportation (Cost estimate - \$8,500,000).
- Complete Trident Basin Seaplane Improvements – (Cost estimate - \$4,600,000)
- 600 Ton Marine Lift and Boat Yard - partially secured funding (Cost estimate – \$12,000,000)
- Continued implementation of comprehensive sewer and water system improvements – including the Aleutian Homes Phase II – (Cost estimate - \$3,500,000), and the Downtown Phase II – (Cost estimate - \$4,000,000).
- St. Herman Inner Harbor – Replacement of M and P Floats - (Cost estimate – \$8,000,000).
- Secondary Water Treatment Facility. (Cost estimate - \$8,000,000)

Strong fiscal management remains a hallmark of the City of Kodiak and has enabled the City to respond to priority needs quickly.

Like other local governments in the State of Alaska, the City of Kodiak faces the challenge of fulfilling its responsibilities as traditional sources of revenue are becoming less certain. State law and local ordinances require that the City provide specific services and programs. Other programs and services have been implemented either to meet specific needs of Kodiak residents, or to replace services that were once provided to local residents by the state and federal governments. The City of Kodiak must balance the provision of services with available revenue. The balancing process requires decisions on the types and levels of services that will be provided to the public.

## **CASH MANAGEMENT**

The primary objective of the City's cash management and investment program is the safety and preservation of principal, liquidity, and yield.

The City takes full advantage of temporarily idle cash and the scheduling of vendor payments. To ensure the most competitive rates on investments, the cash resources of individual funds are combined to form a pool of cash and investments. The investment portfolio is composed of obligations of the U.S. Government and its agencies and the Alaska Municipal League Investment Pool. The maturities of investments range from 30 days to 2 years for the general operating funds, and 30 days to 5 years for the City's enhancement fund. Wells Fargo Bank holds the City's investments in obligations of the U.S. Government and its agencies in an account in the City's name. All investments are stated at fair market value.

For cash and investment pool investments the average portfolio value in fiscal year 2006 was \$28,731,397. The City earned interest income during fiscal year 2006 at an average annual rate of return of 3.30%.

## **RISK MANAGEMENT PROGRAM**

The City's risk management program is designed to protect against accidental losses that would significantly affect personnel, property, the budget, or the City's ability to fulfill its responsibility to the taxpayers and the public. To limit its exposure to the various risks of loss, the City carries several types of insurance, has joined a risk management pool, and is self-insured for employee health benefits. In addition, the risk management program includes employee training to improve safety and reduce claims.

## **PENSION BENEFITS**

The City of Kodiak participates in the Alaska Public Employees' Retirement System (PERS). PERS is a defined benefit, multiple-employer public employee retirement system that acts as a common administrative investment agent for political subdivisions within the State of Alaska. Participation in the plan is mandatory for regular full-time City employees. There is no optional participation for other employees. City of Kodiak PERS members are required to contribute a percentage of their covered salary and the City is required to contribute at an actuarial determined rate, to the system.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kodiak for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the fourth consecutive year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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.

In addition, the City of Kodiak also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ending June 30, 2006. In order to qualify for the Distinguished Budget Presentation Award, the budget document must be judged to be proficient in specified categories, including its use as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the members of the finance department who assisted in the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Kodiak's finances.

Respectfully Submitted,

  
Linda L. Freed, City Manager

Linda L. Freed  
City Manager

  
Finance Director

Mary C. Munk  
Finance Director

## CITY OF KODIAK FACT SHEET

### FORM OF GOVERNMENT

- Home Rule City with Council-Manager form of government
- City residents elect Mayor and Six Council members to serve at-large
- City Council meets on the second and fourth Thursday of each month at 7:30 p.m. in the Borough Assembly Chambers, 710 Mill Bay Road. The public is invited to attend.
- City Web Site – <http://www.city.kodiak.ak.us>

### CITY DEPARTMENTS

NAME	DEPARTMENT	E-Mail	PHONE
Linda Freed	City Manager	lfreed@city.kodiak.ak.us	907-486-8640
Joseph D'Elia	Library	jdelia@city.kodiak.ak.us	907-486-8686
Ian Fulp	Parks & Recreation	ifulp@city.kodiak.ak.us	907-486-8665
T.C. Kamai	Police	ckamai@city.kodiak.ak.us	907-486-8000
Mark Kozak	Public Works	mkozak@city.kodiak.ak.us	907-486-8060
Debra Marlar	City Clerk	dmarlar@city.kodiak.ak.us	907-486-8636
Mary Munk	Finance	mmunk@city.kodiak.ak.us	907-486-8659
Andy Nault	Fire	anault@city.kodiak.ak.us	907-486-8040
Marty Owen	Boat Harbor	mowen@city.kodiak.ak.us	907-486-8080
Howard Weston	Engineering	hweston@city.kodiak.ak.us	907-486-8065

### ELECTED OFFICIALS

NAME	OFFICE	E-Mail	PHONE
Carolyn L. Floyd	Mayor	joeandcarolyn@ak.net	907-486-5142
Charles E. Davidson	Council Member	crat@ptialaska.net	907-486-3896
Dennis McMurry	Council Member	Dmcmurry@gci.net	907-486-6585
Gabriel T. Saravia	Council Member	council@city.kodiak.ak.us	907-486-3212
Josephina F. Rosales	Council Member	council@city.kodiak.ak.us	907-486-6585
Thomas D. Walters	Council Member	katbears@ptialaska.net	907-486-6485
David M. Woodruff	Council Member	woodruff@gci.net	907-486-3792

### ADVISORY BOARDS

Building Code Board of Appeals

Parks & Recreation Advisory Board

Personnel Board

Port & Harbor Advisory Board

Public Safety Advisory Board

Employee Advisory Board (Board members are elected by City employees)

Kodiak Public Library Association (An independent organization serving the Library)

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kodiak,  
Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



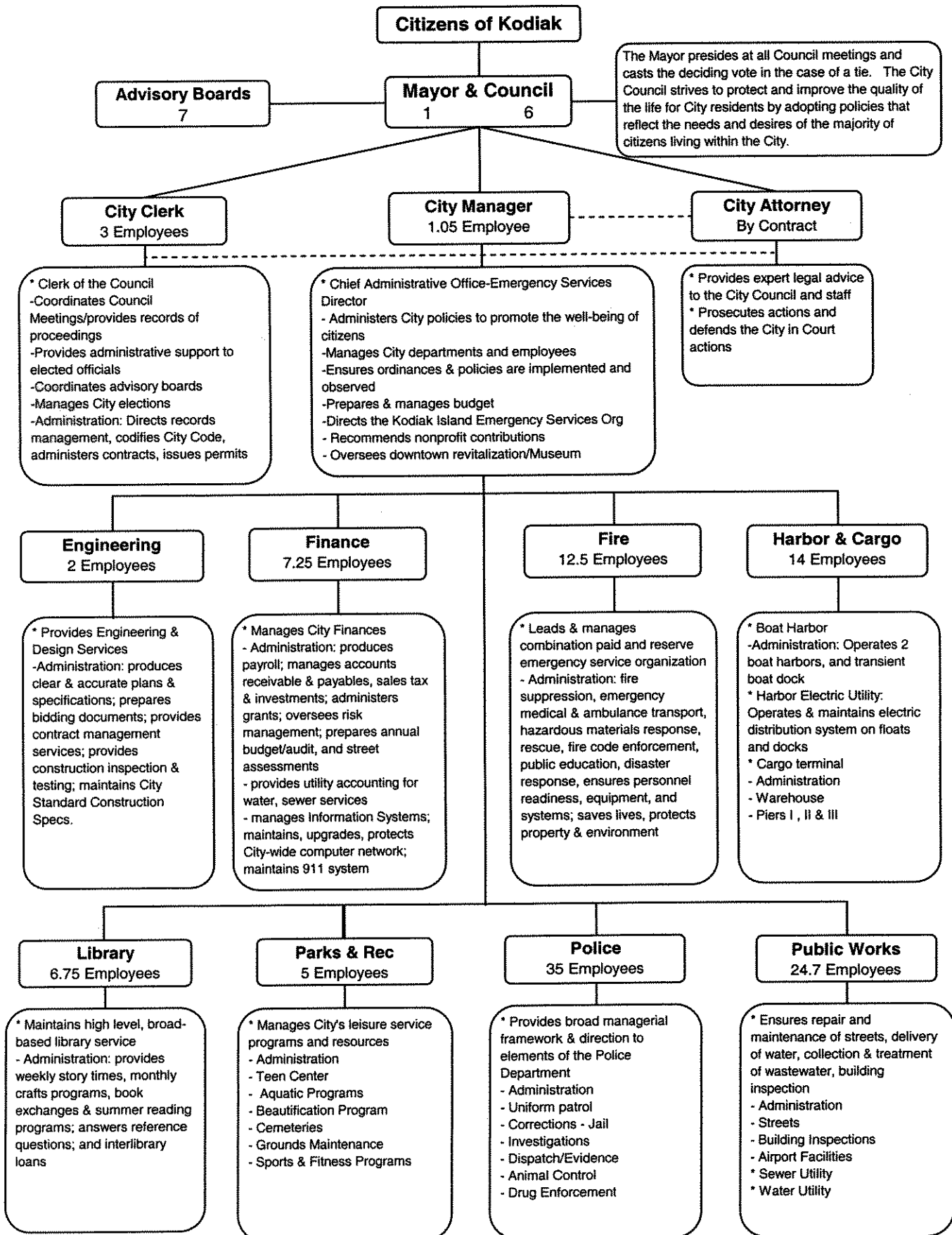
*Carla E. Perry*

President

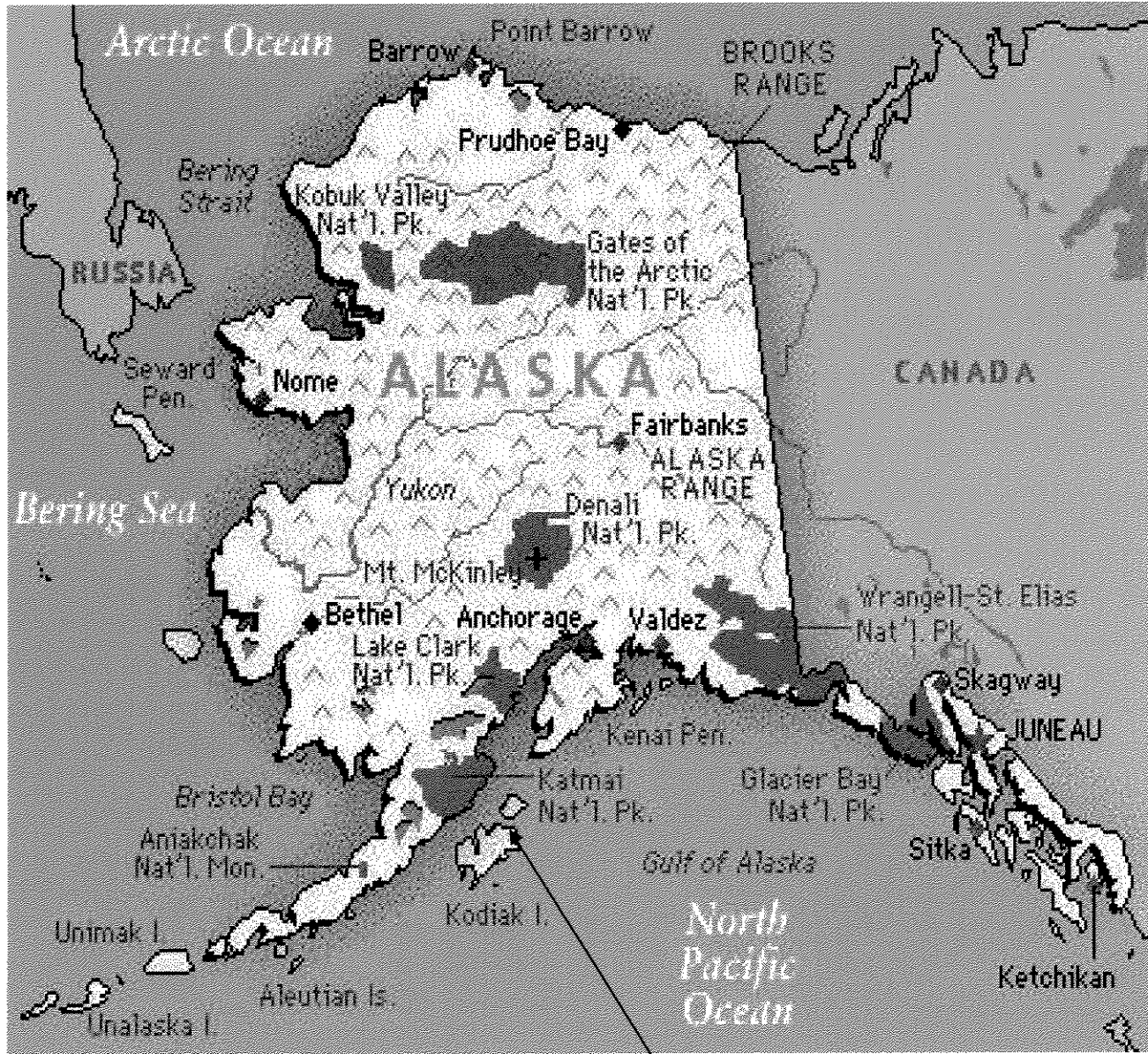
*Jeffrey R. Emer*

Executive Director

**CITY OF KODIAK  
ORGANIZATIONAL CHART**



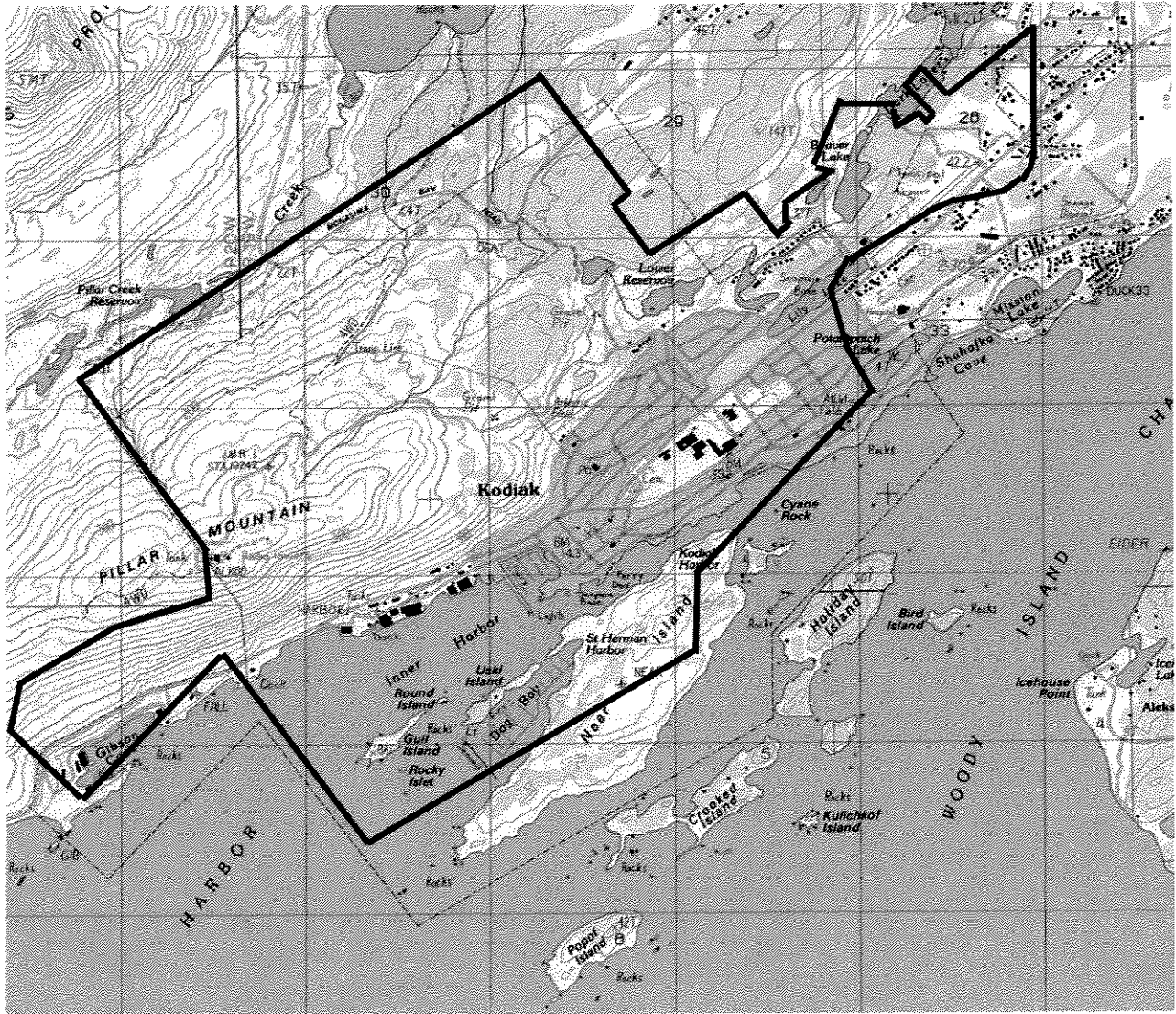
# ALASKA - KODIAK ISLAND - CITY OF KODIAK



**CITY OF KODIAK**



# CITY OF KODIAK - CITY LIMITS



City - 6.2 square miles  
City Owns Near Island



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# **INDEPENDENT AUDITOR'S REPORT**

Independent Auditor's Report

Honorable Mayor and City Council  
City of Kodiak, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kodiak's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Enhancement Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of City of Kodiak's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council  
City of Kodiak, Alaska

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kodiak's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the State of Alaska Office of Management and Budget, *State of Alaska Audit Guide, and Compliance Supplement for the State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in the introductory section and statistical section in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on such data.

*Mikunda, Cottrell & Co.*

October 13, 2006

**MANAGEMENT DISCUSSION AND  
ANALYSIS**

# CITY OF KODIAK, ALASKA

## Management's Discussion and Analysis

June 30, 2006

This section of the City of Kodiak's annual financial report presents the City management's discussion and analysis of the City's financial activities for the fiscal year ended June 30, 2006. This discussion and analysis should be read in conjunction with the letter of transmittal found on pages I-XII and the City's financial statements, which begin on page 15.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Kodiak exceeded its liabilities at the close of the most recent fiscal year by \$107,488,978 (*net assets*). Of this amount, \$34,193,639 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$3,029,348. The majority of this increase occurred in business-type activities due to an increase in capital grants.
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,388,632, a decrease of \$1,560,004, in comparison with the prior year. Approximately 58% of this total amount, \$9,519,526, is available for spending at the government's discretion (*unreserved and undesignated fund balance*).
- Total general revenues accounted for \$10,811,154 or 44.9% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$13,262,457 or 55.1% of total revenues of \$24,073,611.
- The City had \$12,045,621 in expenses related to governmental activities; \$3,382,290 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues (primarily from taxes, state and federal shared revenues, investments, and transfers) of \$10,262,629 paid for the remainder of these services.
- Among major funds in the governmental fund type, the General Fund had \$12,086,809 in revenues and \$270,099 of transfers from other funds. General Fund expenditures were \$11,112,774 and transfers to other funds were \$2,466,958. The General Fund's fund balance decreased by \$1,222,824 in 2006, from \$6,095,686 in 2005 to \$4,872,862 in 2006.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Kodiak's basic financial statements are comprised of 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains 4) other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

1. *Government-wide financial statements* are designed to provide readers with a broad overview of the City of Kodiak's finances, in a manner similar to a private-sector business.
  - The *statement of net assets* presents information on all of the City of Kodiak's assets and liabilities, with the differences between the two reported as *net assets*.
  - The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).
  - Both of the government-wide financial statements distinguish functions of the City of Kodiak that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kodiak include general government, public safety, public works, engineering, parks and recreation, library and community services. The business-type activities of the City of Kodiak include cargo pier, boat harbor, harbor electric, water and sewer utilities, and airport facility.
  - The government-wide financial statements can be found on pages 15-16 of this report.
  - *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kodiak, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Kodiak can be divided into two categories: governmental funds and proprietary funds.
    - *Governmental Funds*: Most of the City's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kodiak maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Assessments Special Revenue Fund, Enhancement Special Revenue Fund, and General Capital Project Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual statements elsewhere in this report

- *Proprietary Funds:* When the City charges customers for the services it provides – either to outside customers or to other units of the City – these services are generally reported in the proprietary funds. Proprietary Funds are reported in the same manner in the Statement of Net Assets and the Statement of Activities. The City’s Enterprise Funds (one type of proprietary fund) are the same as business-type activities reported in the government-wide statements but provide more detail. The City uses Internal Service Funds (the other kind of proprietary fund) to report activities of the City’s Self Insurance Fund and the PERS Obligation Fund.
  - The basic proprietary fund financial statements can be found on pages 23-25 of this report.
2. *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements include notes that explain some of the information in the statements and provide more detailed data. The notes to the financial statements can be found on pages 26-45 of this report.
  3. *Other Information.* The basic statements are followed by additional supplementary information on individual fund activity. This report also presents certain *required supplementary information* concerning the City of Kodiak’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 40-43 of this report.
    - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 48-52. Other combining and individual fund statements and schedules can be found on pages 53-112 of this report.



## Financial Analysis of the City as a Whole

Table 1 provides a summary of the City's net assets for 2006 compared to 2005:

Table 1						
<u>Net Assets of Governmental and Business-type Activities</u>						
	Governmental Type		Business Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets:</b>						
Current assets	\$ 20,116,755	21,408,698	18,075,915	17,807,986	38,192,670	39,216,684
Capital assets	<u>17,363,043</u>	<u>15,861,107</u>	<u>58,339,034</u>	<u>55,659,489</u>	<u>75,702,077</u>	<u>71,520,596</u>
Total assets	<u>37,479,798</u>	<u>37,269,805</u>	<u>76,414,949</u>	<u>73,467,475</u>	<u>113,894,747</u>	<u>110,737,280</u>
<b>Liabilities:</b>						
Current liabilities	1,670,683	2,038,496	557,744	37,398	2,228,427	2,075,894
Long-term liabilities	<u>1,377,037</u>	<u>1,018,529</u>	<u>2,800,305</u>	<u>3,183,227</u>	<u>4,177,342</u>	<u>4,201,756</u>
Total liabilities	<u>3,047,720</u>	<u>3,057,025</u>	<u>3,358,049</u>	<u>3,220,625</u>	<u>6,405,769</u>	<u>6,277,650</u>
<b>Net Assets:</b>						
Invested in capital assets	17,363,043	15,861,107	55,710,846	52,631,132	73,073,889	68,492,239
Restricted	-	-	221,450	259,875	221,450	259,875
Unrestricted	<u>17,069,035</u>	<u>18,351,673</u>	<u>17,124,604</u>	<u>17,355,843</u>	<u>34,193,639</u>	<u>35,707,516</u>
Total net assets	<u>\$ 34,432,078</u>	<u>34,212,780</u>	<u>73,056,900</u>	<u>70,246,850</u>	<u>107,488,978</u>	<u>104,459,630</u>

As previously stated, the government's net assets increased by \$3,029,348 during the current fiscal year. A large portion of this is due to an increase in ongoing revenues being greater than the ongoing expenses. The remainder of the growth largely reflects rate increases, and an increase in operating grants and capital projects.

At the end of the current fiscal year, the City of Kodiak is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$219,298 in net assets reported in connection with the City of Kodiak governmental type activities. This net increase was attributed to an increased effort in capital projects relating to a communication study within the public safety function, and street improvement capital projects resulting in the repair and replacement of several streets within the City and a decrease in an interfund loan.

There was an increase of \$2,810,050 in net assets reported in connection with the City of Kodiak business-type activities. This net increase was largely due to an increase in capital grants.

Total Net Assets have increased over the past four years indicating an improving financial position of the City of Kodiak as illustrated in the graph below. The City of Kodiak has maintained a stable financial position and adjusted to lower funding from the State of Alaska. In the case of the City of Kodiak, assets exceeded liabilities by \$107,488,978 at the close of the most recent fiscal year.

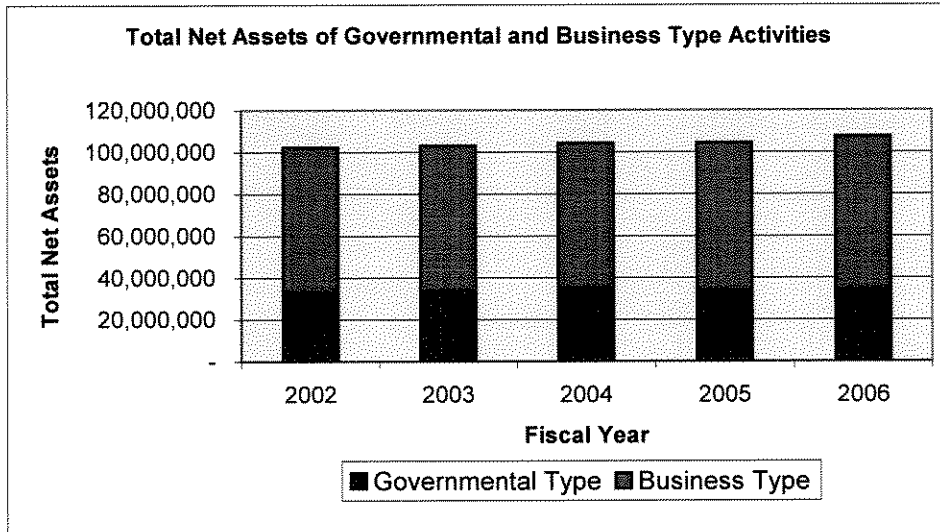


Table 2 shows the changes in net assets for fiscal years 2006 and 2005. Business-type activities increased the City of Kodiak's net assets by \$2,810,050, and the increase in the governmental activities in the amount of \$219,298.

The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$8,136,785, a 4.4% increase from 2005. The City sales tax rate in 2006 remained at 6% on all sales. The City sales tax accounts for 59.6% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for 4.7% of total governmental activities revenues in 2006. The primary source of revenue from business-type activities is charges for services, which amounted to \$7,232,826, an 8.1% increase from 2005.

The cost of all governmental activities financed by charges for services, operating grants and capital grants was \$3,382,290 or 28.1% of total governmental activities expenses.

City taxpayers financed most of the City's costs at 72.8%. The remaining costs were financed by investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

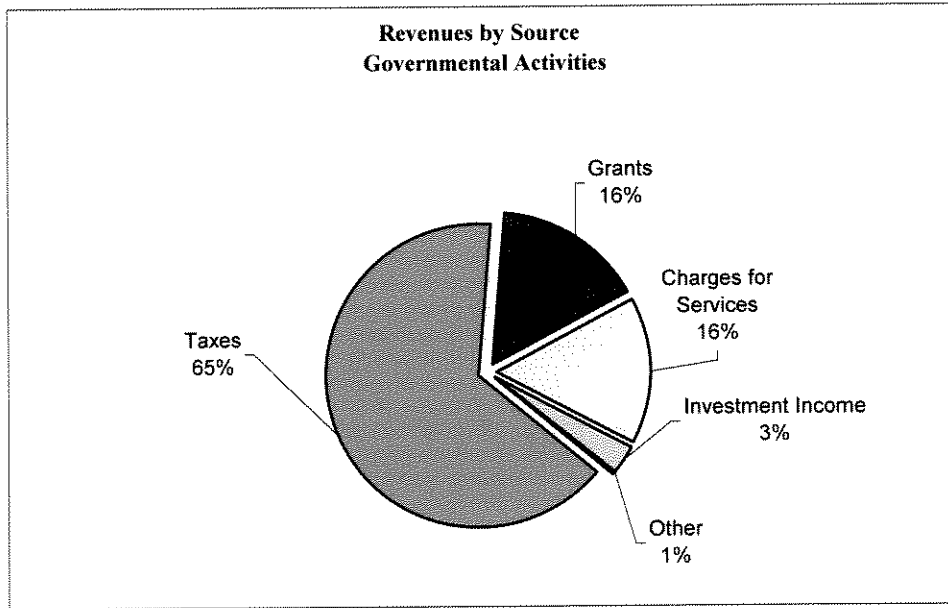
For the business-type activities, charges for services financed most of the City's costs at 80.4%. Operating and capital grants, interest income, and transfers financed the remaining costs.

**Table 2**  
**Changes in Net Assets**

	Year Ended June 30, 2006			Year Ended June 30, 2005		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 2,096,426	7,232,826	9,329,252	2,166,468	6,693,270	8,859,738
Operating grants and contributions	20,700	-	20,700	10,500	-	10,500
Capital grants and contributions	1,265,164	2,647,341	3,912,505	1,394,878	2,210,453	3,605,331
Total program revenues	<u>3,382,290</u>	<u>9,880,167</u>	<u>13,262,457</u>	<u>3,571,846</u>	<u>8,903,723</u>	<u>12,475,569</u>
<b>General revenues:</b>						
Property taxes	632,495	-	632,495	630,567	-	630,567
Sale taxes	8,136,785	-	8,136,785	7,795,331	-	7,795,331
Other taxes, penalties and interest	2,246	-	2,246	171,318	-	171,318
Grants not restricted	1,053,177	66,223	1,119,400	668,195	-	668,195
Investment income	402,339	545,117	947,456	509,793	284,567	794,360
Loss on sale of assets	(213,435)	(14,731)	(228,166)	-	-	-
Miscellaneous	249,022	(48,084)	200,938	13,798	(166,436)	(152,638)
Total general revenues	<u>10,262,629</u>	<u>548,525</u>	<u>10,811,154</u>	<u>9,789,002</u>	<u>118,131</u>	<u>9,907,133</u>
Total revenues	<u>13,644,919</u>	<u>10,428,692</u>	<u>24,073,611</u>	<u>13,360,848</u>	<u>9,021,854</u>	<u>22,382,702</u>
<b>Expenses:</b>						
General government	\$ 2,244,270	-	2,244,270	1,968,566	-	1,968,566
Public safety	5,054,994	-	5,054,994	4,971,607	-	4,971,607
Public works	2,503,999	-	2,503,999	3,335,631	-	3,335,631
Engineering	215,981	-	215,981	157,750	-	157,750
Parks & recreation	1,124,144	-	1,124,144	2,642,528	-	2,642,528
Library	639,399	-	639,399	638,789	-	638,789
Community service	262,834	-	262,834	282,011	-	282,011
Construction in progress	-	-	-	-	-	-
Cargo pier	-	1,714,611	1,714,611	-	1,232,903	1,232,903
Boat harbor	-	2,329,106	2,329,106	-	2,239,588	2,239,588
Electric	-	488,004	488,004	-	471,593	471,593
Water	-	1,740,225	1,740,225	-	1,683,286	1,683,286
Sewer	-	2,659,591	2,659,591	-	2,538,608	2,538,608
Trident basin	-	67,105	67,105	-	-	-
Total expenses	<u>12,045,621</u>	<u>8,998,642</u>	<u>21,044,263</u>	<u>13,996,882</u>	<u>8,165,978</u>	<u>22,162,860</u>
Transfers	<u>(1,380,000)</u>	<u>1,380,000</u>	<u>-</u>	<u>(381,683)</u>	<u>381,683</u>	<u>-</u>
Change in net assets	<u>\$ 219,298</u>	<u>2,810,050</u>	<u>3,029,348</u>	<u>(1,017,717)</u>	<u>1,237,559</u>	<u>219,842</u>

**Governmental Funds**

Charges for services and tax revenues accounted for most of the City's reoccurring governmental revenues, with charges for services contributing 15% of the total revenues and sales tax revenues contributing 65% of total revenue.



The City's governmental activities expenses are predominately related to public safety (42%), and public works (21%), or 63% of total governmental activities expenses. General government, engineering, parks and recreation, library, and community services make up the remaining expenses.

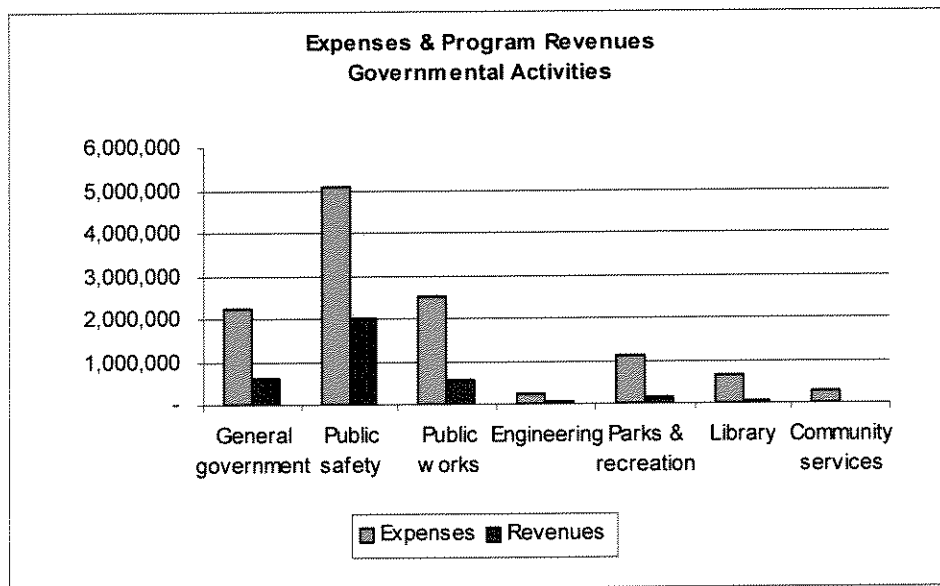


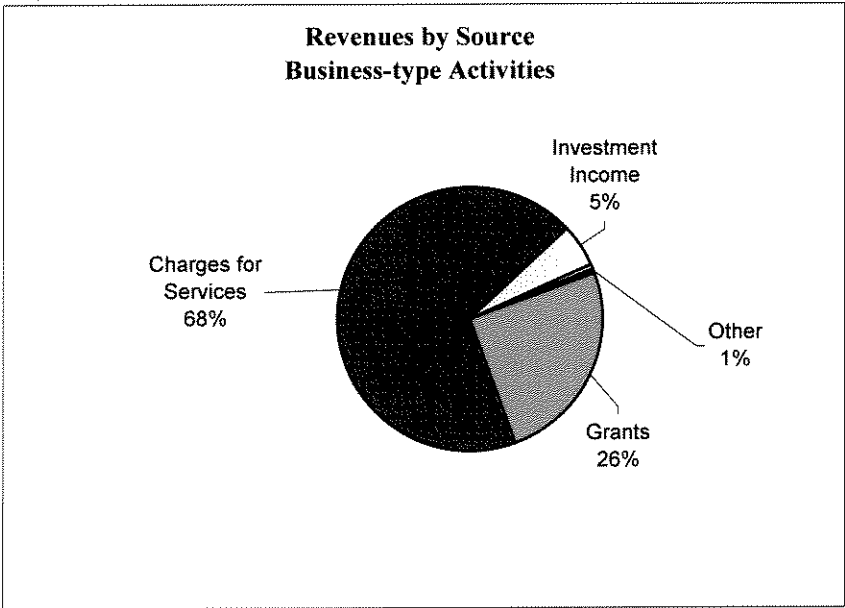
Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2006. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

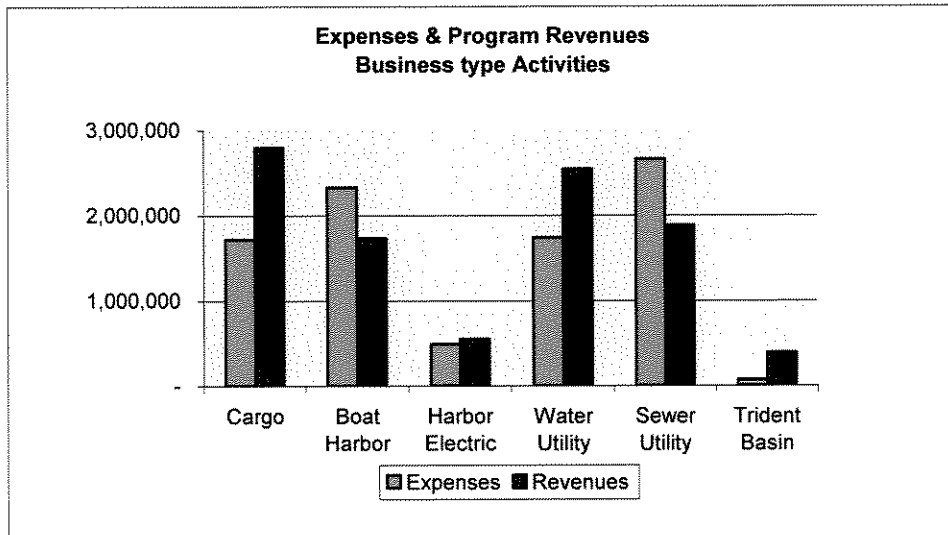
**Table 3**  
**Governmental Activities in 2006**

	Total cost of services <u>2006</u>	Net cost of services <u>2006</u>
General government	\$ 2,244,270	\$ 1,655,216
Public safety	5,054,994	3,075,255
Public works	2,503,999	1,923,748
Engineering	215,981	155,981
Parks & recreation	1,124,144	974,232
Library	639,399	616,065
Community services	<u>262,834</u>	<u>262,834</u>
Total governmental activities	<u>\$ 12,045,621</u>	<u>\$ 8,663,331</u>

***Business-type Activities***

Charges for services and capital grant revenues accounted for most of the City’s total business-type revenues, with charges for services contributing 68% of the total revenues and capital grants 25% of the total revenues.





The City's business-type activities expenses are predominately related to cargo (19%), boat harbor (26%), harbor electric (5%), water utility (19%), sewer utility (30%), and the Trident Basin Airport (1%). Total harbor related activities are 51% and total public works activities are 49% of the total business type activities.

Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2006. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3-A**  
**Business-type Activities in 2006**

	Total cost of services <u>2006</u>	Net cost of services (net income) <u>2006</u>
Cargo	\$ 1,714,611	(1,077,932)
Boat Harbor	2,329,106	598,079
Harbor Electric	488,004	(59,836)
Water Utility	1,740,225	(800,439)
Sewer Utility	2,659,591	777,483
Trident Basin	<u>67,105</u>	<u>(318,880)</u>
Total governmental activities	<u>\$ 8,998,642</u>	<u>(881,525)</u>

## Financial Analysis of the City's Funds

Information about the City's major governmental funds starts on page 17. These funds are accounted for using the modified accrual basis. All governmental funds have total revenues of \$14,044,043 and expenditures of \$14,224,047. Governmental funds transferred \$1,380,000 (net of transfers in) to proprietary funds. This activity resulted in a decrease in total fund balances of \$1,560,004. The most significant decreases occurred in the General Fund (\$1,222,824), and the Enhancement Fund (\$1,482,564) and the most significant increase in the General Capital Project Fund (\$1,171,150). The remainder of the changes occurred in the Special Assessments Fund with an increase of (\$237,829) and the Non-major Funds with a decrease of (\$263,595).

### *General Fund Budgetary Highlights*

The City's budget is prepared according to Alaska law using a basis of accounting that is consistent with accounting principles generally accepted in the United States of America. The most significant budgeted fund is the General Fund.

The City Council amended the General Fund budget for fiscal year 2006. The amended budget provided for increases in revenues totaling \$838,978 and no change in transfers from other funds, an increase in expenditures totaling \$478,601 and an increase in transfers to other funds totaling \$360,377.

The actual revenues were \$463,571 greater than the amount budgeted primarily due to receipt of more sales tax revenues, \$341,785, than budgeted.

The actual expenditures were \$875,672 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in every function. The largest savings was in Public Safety and then Public Works. Significant amounts and percentages are as follows:

**Table 4**  
**General Fund Budget Highlights**

	Amount under <u>budget</u>	Percent under <u>budget</u>
General government	\$ 165,777	8.47%
Public safety	265,912	4.86%
Public works	213,857	11.42%
Engineering	48,746	18.39%
Parks and recreation	55,509	5.52%
Library	107,701	14.21%
Community services	14,187	8.94%
Other - insurance and administration	3,983	0.79%
Total under budget	<u>\$ 875,672</u>	<u>7.30%</u>

## Capital Assets and Debt Administration

### *Capital Assets*

At June 30, 2006, the City's capital assets have a total net book value of \$75,702,077. Table 5 compares the net book values at June 30, 2006 and 2005.

**Table 5**  
**Capital Assets at June 30**  
**Net of Depreciation**

	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 2,505,396	2,666,762	693,997	718,728	3,199,393	3,385,490
Construction in progress	8,532,319	6,611,206	9,475,105	3,899,972	18,007,424	10,511,178
Buildings	2,942,883	3,022,158	14,506,360	15,366,318	17,449,243	18,388,476
Other Improvements	440,473	528,774	32,683,592	34,734,112	33,124,065	35,262,886
Infrastructure	1,711,337	1,890,088	-	-	1,711,337	1,890,088
Machinery and equipment	1,230,635	1,142,119	979,980	940,359	2,210,615	2,082,478
<b>Totals</b>	<b><u>\$ 17,363,043</u></b>	<b><u>15,861,107</u></b>	<b><u>58,339,034</u></b>	<b><u>55,659,489</u></b>	<b><u>75,702,077</u></b>	<b><u>71,520,596</u></b>

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 35-36.

### *Debt Administration*

At June 30, 2006, the City had \$576,822 in long-term leave payable for governmental activities and \$157,816 for business-type activities. A loan payable to the State of Alaska of \$2,010,973 related to the Sewer Enterprise Fund and \$620,000 of revenue bonds related to the Water Enterprise Fund are recorded in the business-type activities column of the Statement of Net Assets. Table 6 summarizes all outstanding debt at June 30, 2006 with a comparison to 2005.

**Table 6**  
**Debt Outstanding at June 30**

	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Long-term leave payable	\$ 576,822	561,482	157,816	135,802	734,638	697,284
Net pension/OPEB obligation	800,215	457,047	-	-	800,215	457,047
Long-term notes payable	-	-	2,010,973	2,212,070	2,010,973	2,212,070
Revenue bonds payable	-	-	620,000	820,000	620,000	820,000
<b>Total liabilities</b>	<b><u>\$ 1,377,037</u></b>	<b><u>1,018,529</u></b>	<b><u>2,788,789</u></b>	<b><u>3,167,872</u></b>	<b><u>4,165,826</u></b>	<b><u>4,186,401</u></b>



Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 36-37.

### ***Economic Factors and Next Year's Budget and Rates***

- Kodiak's role as a center for transportation, governmental offices, timber, and tourism complements its role as one of the nation's largest producers of seafood. The City of Kodiak has the largest and most diversified fishing port in Alaska and is consistently ranked in the top three largest fishing ports in the U.S. in terms of value landed. Landings in the Port of Kodiak in 2004 were 274.4 million pounds, with a wholesale value of \$82.9 million and in 2005 were 366.3 million pounds, with a wholesale value of \$95.2 million.
- The average unemployment rate in the Kodiak Island Borough in 2004 was 9.7% decreasing to 8.5% in 2005.
- The cost of living in 2005 was 127.4 compared to a national average of 100. Other Alaskan cities are Anchorage at 117.9, Fairbanks at 127.5 and Juneau at 136.3. In the American Chamber of Commerce Researchers Association (ACCRA) cost of living study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each reporting city is then converted into an index number that is used for comparative purposes.

All of these factors were considered in preparing the City of Kodiak's budget for the 2007 fiscal year.

During the current fiscal year, the unreserved fund balance in the general fund decreased to \$4,868,452. The City of Kodiak has not appropriated any of this balance in the fiscal year 2007 budget in order to maintain the fund balance at reasonable levels.

After completion of an extensive water and sewer rate study, the fees for these services were increased effective July 1, 2006 with an annual increase adopted for the next four years. The sewer rates were increased beginning in fiscal year 2007 and the water rates will increase beginning in fiscal year 2008. Acting upon the recommendation from the Port and Harbor Advisory Board (PHAB), the City Council increased the harbor fees effective July 1, 2004 and will continue to increase them each fiscal year for five years. The fee increase was spread over a five-year period and based on a linear foot rather than a square foot basis. All increases were necessary to finance planned capital projects.

### **Contacting the City's Financial Management**

This financial report is designed to provide the City's citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have a question about this report or need additional information, contact the City's office, City of Kodiak, 710 Mill Bay Road, Room 217, Kodiak, Alaska 99615. The City of Kodiak has a web site at [www.city.kodiak.ak.us](http://www.city.kodiak.ak.us).

## **BASIC FINANCIAL STATEMENTS**

## CITY OF KODIAK, ALASKA

## Statement of Net Assets

June 30, 2006

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 16,732,114	16,265,173	32,997,287
Receivables, net	3,380,231	1,325,470	4,705,701
Inventory	-	242,995	242,995
Prepaid items	4,410	6,526	10,936
Restricted cash and investments	-	221,450	221,450
Deferred charges, net	-	14,301	14,301
Capital assets not being depreciated - land and construction in progress	11,037,715	10,169,103	21,206,818
Other capital assets, net of depreciation	<u>6,325,328</u>	<u>48,169,931</u>	<u>54,495,259</u>
 Total assets	 \$ <u>37,479,798</u>	 <u>76,414,949</u>	 <u>113,894,747</u>
<u>Liabilities</u>			
Accounts payable	536,885	945,218	1,482,103
Accrued payroll and related liabilities	302,751	62,073	364,824
Customer deposits	3,615	200,591	204,206
Unearned revenue	132,640	22,361	155,001
Accrued interest	-	22,293	22,293
Internal balances	694,792	(694,792)	-
Noncurrent liabilities:			
Due within one year:			
Accrued leave	576,822	157,816	734,638
Bonds payable	-	200,000	200,000
Loans payable	-	201,097	201,097
Due in more than one year:			
Bonds payable	-	420,000	420,000
Unamortized bond premium	-	11,516	11,516
Net pension/OPEB obligation	800,215	-	800,215
Loans payable	-	1,809,876	1,809,876
Total liabilities	<u>3,047,720</u>	<u>3,358,049</u>	<u>6,405,769</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	17,363,043	55,710,846	73,073,889
Restricted for debt service	-	221,450	221,450
Unrestricted	<u>17,069,035</u>	<u>17,124,604</u>	<u>34,193,639</u>
Total net assets	<u>34,432,078</u>	<u>73,056,900</u>	<u>107,488,978</u>
 Total liabilities and net assets	 \$ <u>37,479,798</u>	 <u>76,414,949</u>	 <u>113,894,747</u>

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
Statement of Activities  
Year Ended June 30, 2006

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
<b>Governmental:</b>							
General government	\$ 2,244,270	589,054	-	-	(1,655,216)	-	(1,655,216)
Public safety	5,054,994	910,753	20,700	1,048,286	(3,075,255)	-	(3,075,255)
Public works	2,503,999	395,490	-	184,761	(1,923,748)	-	(1,923,748)
Engineering	215,981	60,000	-	-	(155,981)	-	(155,981)
Parks and recreation	1,124,144	117,795	-	32,117	(974,232)	-	(974,232)
Library	639,399	23,334	-	-	(616,065)	-	(616,065)
Community services	262,834	-	-	-	(262,834)	-	(262,834)
Total governmental activities	<u>12,045,621</u>	<u>2,096,426</u>	<u>20,700</u>	<u>1,265,164</u>	<u>(8,663,331)</u>	<u>-</u>	<u>(8,663,331)</u>
<b>Business-type:</b>							
Cargo Pier	1,714,611	1,069,814	-	1,722,729	-	1,077,932	1,077,932
Boat Harbor	2,329,106	1,616,940	-	114,087	-	(598,079)	(598,079)
Sewer Utility	2,659,591	1,882,108	-	-	-	(777,483)	(777,483)
Water Utility	1,740,225	2,096,333	-	444,331	-	800,439	800,439
Trident Basin	67,105	19,791	-	366,194	-	318,880	318,880
Harbor Electric	488,004	547,840	-	-	-	59,836	59,836
Total business-type activities	<u>8,998,642</u>	<u>7,232,826</u>	<u>-</u>	<u>2,647,341</u>	<u>-</u>	<u>881,525</u>	<u>881,525</u>
<b>Total</b>	<b>\$ 21,044,263</b>	<b>9,329,252</b>	<b>20,700</b>	<b>3,912,505</b>	<b>(8,663,331)</b>	<b>881,525</b>	<b>(7,781,806)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes				\$ 632,495	-		632,495
Sales taxes				8,136,785	-		8,136,785
Other taxes, penalties and interest				2,246	-		2,246
Loss on disposal of assets				(213,435)	(14,731)		(228,166)
Grants and entitlements not restricted to a specific purpose				1,053,177	66,223		1,119,400
Investment income				402,339	545,117		947,456
Other				249,022	(48,084)		200,938
Transfers				(1,380,000)	1,380,000		-
Total general revenues and transfers				<u>8,882,629</u>	<u>1,928,525</u>		<u>10,811,154</u>
Changes in net assets				219,298	2,810,050		3,029,348
Net assets at beginning of year				<u>34,212,780</u>	<u>70,246,850</u>		<u>104,459,630</u>
Net assets at end of year				<u>\$ 34,432,078</u>	<u>73,056,900</u>		<u>107,488,978</u>

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

## Governmental Funds

## Balance Sheet

June 30, 2006

<u>Assets</u>	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Assessments Special Revenue</u>	<u>Enhancement Fund Special Revenue</u>	<u>General Capital Projects</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 3,030,231	661,122	5,175,528	1,219,654	4,340,982	14,427,517
Receivables, net of allowance for uncollectible accounts:						
Taxes	2,117,527	-	-	-	38,701	2,156,228
Grants and shared revenues	32,569	-	-	440,746	-	473,315
Special assessments	-	645,501	-	-	-	645,501
Interest	18,276	-	55,245	7,932	23,734	105,187
Due from other funds	180,414	-	-	-	-	180,414
Prepaid items	4,410	-	-	-	-	4,410
Interfund loan receivable	-	-	-	-	-	-
Total assets	\$ <u>5,383,427</u>	<u>1,306,623</u>	<u>5,230,773</u>	<u>1,668,332</u>	<u>4,403,417</u>	<u>17,992,572</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	201,699	472	-	297,190	37,077	536,438
Accrued payroll and related liabilities	302,751	-	-	-	-	302,751
Customer deposits	3,615	-	-	-	-	3,615
Deferred revenue	2,500	-	-	-	130,140	132,640
Deferred assessments	-	628,496	-	-	-	628,496
Total liabilities	<u>510,565</u>	<u>628,968</u>	<u>-</u>	<u>297,190</u>	<u>167,217</u>	<u>1,603,940</u>
Fund balances:						
Reserved - prepaid items	4,410	-	-	-	-	4,410
Unreserved:						
Designated:						
Special Revenue Funds - subsequent year's expenditures	-	-	1,340,000	-	5,000	1,345,000
Capital Project Funds - capital projects	-	-	-	1,371,142	4,148,554	5,519,696
Undesignated:						
General Fund	4,868,452	-	-	-	-	4,868,452
Special Revenue Funds	-	677,655	3,890,773	-	82,646	4,651,074
Total fund balances	<u>4,872,862</u>	<u>677,655</u>	<u>5,230,773</u>	<u>1,371,142</u>	<u>4,236,200</u>	<u>16,388,632</u>
Total liabilities and fund balances	\$ <u>5,383,427</u>	<u>1,306,623</u>	<u>5,230,773</u>	<u>1,668,332</u>	<u>4,403,417</u>	<u>17,992,572</u>

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2006

Total fund balances for governmental funds \$ 16,388,632

Total net assets reported for governmental activities in the  
 Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. These  
 assets consist of:

Land	\$ 2,505,396	
Buildings	4,965,680	
Improvements other than buildings	1,033,421	
Infrastructure	7,743,388	
Machinery and equipment	6,586,460	
Construction in progress	8,532,319	
Accumulated depreciation	<u>(14,003,621)</u>	
Total capital assets		17,363,043

Other long-term assets (special assessments receivable) are not available to pay  
 for current period expenditures and therefore are deferred in the funds. 628,496

Internal service funds are used by the City to charge the cost of certain  
 activities such as insurance, and pension and other post employment  
 benefits to individual funds. Internal service fund assets and liabilities,  
 and a portion of the equity is included in the governmental activities in  
 the Statement of Net Assets. 628,729

Accrued leave is not deemed due and payable in the current period  
 and therefore is not reported as governmental fund liabilities. (576,822)

Total net assets of governmental activities \$ 34,432,078

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2006

	Major Funds					Total Governmental Funds
	General	Special Assessments Special Revenue	Enhancement Fund Special Revenue	General Capital Projects	Nonmajor Funds	
<b>Revenues:</b>						
<b>Taxes:</b>						
Property taxes	\$ 632,495	-	-	-	-	632,495
Sales taxes	8,136,785	-	-	-	-	8,136,785
Other taxes, penalties and interest	26,829	-	-	-	133,781	160,610
Intergovernmental	1,073,877	-	-	1,124,608	51,354	2,249,839
Charges for services	1,204,864	-	-	-	-	1,204,864
Fines and forfeitures	55,934	-	-	-	-	55,934
Licenses and permits	43,064	-	-	-	-	43,064
Rental income	147,924	-	39,450	-	-	187,374
Interfund charges	605,160	-	-	-	-	605,160
Investment income	98,819	15,562	106,349	32,932	130,247	383,909
Special assessments	-	293,351	-	-	-	293,351
Other revenues	61,058	-	26,000	-	3,600	90,658
<b>Total revenues</b>	<u>12,086,809</u>	<u>308,913</u>	<u>171,799</u>	<u>1,157,540</u>	<u>318,982</u>	<u>14,044,043</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,790,557	-	-	-	-	1,790,557
Public safety	5,204,895	-	-	-	-	5,204,895
Public works	1,658,523	71,084	-	-	-	1,729,607
Engineering	216,394	-	-	-	-	216,394
Parks and recreation	950,291	-	-	-	-	950,291
Library	650,423	-	-	-	-	650,423
Community services	144,513	-	-	-	116,000	260,513
Other - insurance and administration	497,178	-	-	-	-	497,178
Capital outlay	-	-	-	1,913,612	1,010,577	2,924,189
<b>Total expenditures</b>	<u>11,112,774</u>	<u>71,084</u>	<u>-</u>	<u>1,913,612</u>	<u>1,126,577</u>	<u>14,224,047</u>
<b>Excess of revenues over (under) expenditures</b>	974,035	237,829	171,799	(756,072)	(807,595)	(180,004)
<b>Other financing sources (uses):</b>						
Transfers in	270,099	-	299,736	1,927,222	1,015,000	3,512,057
Transfers out	(2,466,958)	-	(1,954,099)	-	(471,000)	(4,892,057)
<b>Net other financing sources (uses)</b>	<u>(2,196,859)</u>	<u>-</u>	<u>(1,654,363)</u>	<u>1,927,222</u>	<u>544,000</u>	<u>(1,380,000)</u>
<b>Net change in fund balances</b>	(1,222,824)	237,829	(1,482,564)	1,171,150	(263,595)	(1,560,004)
<b>Fund balances at beginning of year</b>	<u>6,095,686</u>	<u>439,826</u>	<u>6,713,337</u>	<u>199,992</u>	<u>4,499,795</u>	<u>17,948,636</u>
<b>Fund balances at end of year</b>	<u>\$ 4,872,862</u>	<u>677,655</u>	<u>5,230,773</u>	<u>1,371,142</u>	<u>4,236,200</u>	<u>16,388,632</u>

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Reconciliation of Change in Fund Balances of Governmental Funds  
 to Statement of Activities  
 Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ (1,560,004)
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$2,372,744) exceeded both depreciation (\$422,551) and loss on disposal of assets (\$448,257)	1,501,936
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred special assessments.	(204,149)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the increase in accrued leave.	(15,340)
Internal service funds are used by management to charge the costs of certain insurance to individual funds. A portion of the net revenue of these activities is reported with governmental activities.	<u>496,855</u>
Change in net assets of governmental activities	\$ <u><u>219,298</u></u>

See accompanying notes to basic financial statements.



**CITY OF KODIAK, ALASKA**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 630,000	630,000	632,495	2,495
Sales taxes	7,300,000	7,795,000	8,136,785	341,785
Other taxes, penalties and interest	18,000	18,000	26,829	8,829
Intergovernmental	732,800	1,049,778	1,073,877	24,099
Charges for services	1,196,000	1,203,000	1,204,864	1,864
Fines and forfeitures	28,000	37,800	55,934	18,134
Licenses and permits	35,500	35,500	43,064	7,564
Rental income	110,000	110,000	147,924	37,924
Interfund charges	605,160	605,160	605,160	-
Investment income	80,000	80,000	98,819	18,819
Other revenues	48,800	59,000	61,058	2,058
Total revenues	<u>10,784,260</u>	<u>11,623,238</u>	<u>12,086,809</u>	<u>463,571</u>
Expenditures:				
General government	1,730,186	1,956,334	1,790,557	165,777
Public safety	4,935,423	5,470,807	5,204,895	265,912
Public works	1,697,310	1,872,380	1,658,523	213,857
Engineering	265,140	265,140	216,394	48,746
Parks and recreation	932,360	1,005,800	950,291	55,509
Library	685,560	758,124	650,423	107,701
Community services	158,700	158,700	144,513	14,187
Other - insurance and administration	1,105,166	501,161	497,178	3,983
Total expenditures	<u>11,509,845</u>	<u>11,988,446</u>	<u>11,112,774</u>	<u>875,672</u>
Excess of revenues over (under) expenditures	<u>(725,585)</u>	<u>(365,208)</u>	<u>974,035</u>	<u>1,339,243</u>
Other financing sources (uses):				
Transfers in	131,000	131,000	270,099	139,099
Transfers out	<u>(2,106,581)</u>	<u>(2,466,958)</u>	<u>(2,466,958)</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,975,581)</u>	<u>(2,335,958)</u>	<u>(2,196,859)</u>	<u>139,099</u>
Net change in fund balance	<u>\$ (2,701,166)</u>	<u>(2,701,166)</u>	<u>(1,222,824)</u>	<u>1,478,342</u>
Fund balance at beginning of year			<u>6,095,686</u>	
Fund balance at end of year			<u>\$ 4,872,862</u>	

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
**Enhancement Fund Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2006**

	Budget Original and Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Rental income	\$ 39,450	39,450	-
Investment income	120,000	106,349	(13,651)
Other revenue	-	26,000	26,000
Total revenues	159,450	171,799	12,349
Other financing sources (uses):			
Transfers in	330,000	299,736	(30,264)
Transfers out	(1,815,000)	(1,954,099)	(139,099)
Net other financing sources (uses)	(1,485,000)	(1,654,363)	(169,363)
Net change in fund balance	\$ (1,325,550)	(1,482,564)	(157,014)
Fund balance at beginning of year		6,713,337	
Fund balance at end of year		\$ 5,230,773	

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Proprietary Funds  
 Statement of Net Assets  
 June 30, 2006

Assets	Major Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility			
<b>Current assets:</b>							
Cash and investments	\$ 720,071	6,089,550	8,116,480	1,144,930	194,142	16,265,173	2,304,597
Receivables - net of allowances	254,468	181,862	649,332	190,627	49,181	1,325,470	-
Inventories	-	-	228,606	14,389	-	242,995	-
Prepaid expenses	-	6,526	-	-	-	6,526	-
Total current assets	<u>974,539</u>	<u>6,277,938</u>	<u>8,994,418</u>	<u>1,349,946</u>	<u>243,323</u>	<u>17,840,164</u>	<u>2,304,597</u>
<b>Noncurrent assets:</b>							
Restricted cash and investments	-	-	221,450	-	-	221,450	-
Deferred charges, net	-	-	14,301	-	-	14,301	-
Property, plant and equipment, net	<u>8,596,084</u>	<u>12,313,821</u>	<u>14,747,771</u>	<u>21,756,748</u>	<u>924,610</u>	<u>58,339,034</u>	<u>-</u>
Total noncurrent assets	<u>8,596,084</u>	<u>12,313,821</u>	<u>14,983,522</u>	<u>21,756,748</u>	<u>924,610</u>	<u>58,574,785</u>	<u>-</u>
Total assets	\$ <u>9,570,623</u>	<u>18,591,759</u>	<u>23,977,940</u>	<u>23,106,694</u>	<u>1,167,933</u>	<u>76,414,949</u>	<u>2,304,597</u>
<b>Liabilities and Net Assets</b>							
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
Accounts payable	11,424	72,635	764,007	43,257	53,895	945,218	447
Accrued payroll and related liabilities	6,969	23,414	13,757	17,933	-	62,073	-
Accrued annual and sick leave	25,374	60,081	23,505	48,856	-	157,816	-
Deferred revenue	22,361	-	-	-	-	22,361	-
Customer deposits	-	188,055	2,200	-	10,336	200,591	-
Accrued interest	-	-	12,238	10,055	-	22,293	-
Due to other funds	-	-	-	-	180,414	180,414	-
<b>Current portion:</b>							
Revenue bonds	-	-	200,000	-	-	200,000	-
Loans	-	-	-	201,097	-	201,097	-
Total current liabilities	<u>66,128</u>	<u>344,185</u>	<u>1,015,707</u>	<u>321,198</u>	<u>244,645</u>	<u>1,991,863</u>	<u>447</u>
<b>Noncurrent liabilities:</b>							
Revenue bonds	-	-	420,000	-	-	420,000	-
Unamortized bond premium	-	-	11,516	-	-	11,516	-
Net pension/OPEB obligation	-	-	-	-	-	-	800,215
Loans	-	-	-	1,809,876	-	1,809,876	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>431,516</u>	<u>1,809,876</u>	<u>-</u>	<u>2,241,392</u>	<u>800,215</u>
Total liabilities	<u>66,128</u>	<u>344,185</u>	<u>1,447,223</u>	<u>2,131,074</u>	<u>244,645</u>	<u>4,233,255</u>	<u>800,662</u>
<b>Net assets:</b>							
Invested in capital assets, net of related debt	8,596,084	12,313,821	14,130,556	19,745,775	924,610	55,710,846	-
Restricted for debt service	-	-	221,450	-	-	221,450	-
Unrestricted (deficit)	<u>908,411</u>	<u>5,933,753</u>	<u>8,178,711</u>	<u>1,229,845</u>	<u>(1,322)</u>	<u>16,249,398</u>	<u>1,503,935</u>
Total net assets	<u>9,504,495</u>	<u>18,247,574</u>	<u>22,530,717</u>	<u>20,975,620</u>	<u>923,288</u>	<u>72,181,694</u>	<u>1,503,935</u>
Total liabilities and net assets	\$ <u>9,570,623</u>	<u>18,591,759</u>	<u>23,977,940</u>	<u>23,106,694</u>	<u>1,167,933</u>	<u>77,616,643</u>	<u>2,304,597</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>875,206</u>	
Net assets of business-type activities						<u>73,056,900</u>	

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Proprietary Funds  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006

	Major Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility			
Operating revenues	\$ 1,069,814	1,616,940	2,096,333	1,882,108	567,631	7,232,826	2,708,913
Operating expenses:							
Salaries and benefits	249,959	862,295	504,223	655,563	41,169	2,313,209	1,555,956
Professional	1,674	63,618	24,243	160,460	37	250,032	-
Contributions	-	20,225	-	-	-	20,225	-
Goods and services	110,685	259,153	58,848	183,069	439,555	1,051,310	559,911
Utilities and fuel	17,499	128,672	362,522	215,652	4,999	729,344	-
Administrative services	-	16,814	-	-	-	16,814	-
Machinery and equipment	27,661	10,695	74,514	6,463	-	119,333	-
Interfund charges	200,520	120,520	149,950	149,950	36,780	657,720	-
Repairs and maintenance	596,185	60,374	62,160	70,008	-	788,727	-
Depreciation	541,482	842,194	493,891	1,201,697	38,030	3,117,294	-
Total operating expenses	<u>1,745,665</u>	<u>2,384,560</u>	<u>1,730,351</u>	<u>2,642,862</u>	<u>560,570</u>	<u>9,064,008</u>	<u>2,115,867</u>
Earnings (loss) from operations	(675,851)	(767,620)	365,982	(760,754)	7,061	(1,831,182)	593,046
Nonoperating revenues (expenses):							
Investment income	36,748	181,141	230,986	57,209	4,643	510,727	52,820
Gain (loss) on disposal of equipment	-	(23,701)	-	8,970	-	(14,731)	-
Interest expense	-	-	(14,736)	(34,519)	-	(49,255)	-
State PERS relief	6,909	25,553	14,700	17,671	1,390	66,223	-
Other	-	2,657	(34,847)	(15,894)	-	(48,084)	-
Net nonoperating revenues (expenses)	<u>43,657</u>	<u>185,650</u>	<u>196,103</u>	<u>33,437</u>	<u>6,033</u>	<u>464,880</u>	<u>52,820</u>
Earnings (loss) before contributions and transfers	(632,194)	(581,970)	562,085	(727,317)	13,094	(1,366,302)	645,866
Capital contributions	1,722,729	114,087	444,331	-	366,194	2,647,341	-
Transfers in	500,000	500,000	330,000	-	352,125	1,682,125	-
Transfers out	-	(292,125)	(10,000)	-	-	(302,125)	-
Change in net assets	1,590,535	(260,008)	1,326,416	(727,317)	731,413	2,661,039	645,866
Net assets at beginning of year	<u>7,913,960</u>	<u>18,507,582</u>	<u>21,204,301</u>	<u>21,702,937</u>	<u>191,875</u>	<u>858,069</u>	<u>858,069</u>
Net assets at end of year	\$ <u>9,504,495</u>	<u>18,247,574</u>	<u>22,530,717</u>	<u>20,975,620</u>	<u>923,288</u>	<u>1,503,935</u>	<u>1,503,935</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>149,011</u>	
Change in net assets of business-type activities						<u>2,810,050</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA  
Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2006

	Major Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility			
Cash flows from operating activities:							
Receipts from customers and users	\$ 1,137,646	1,515,709	2,150,987	1,901,078	569,252	7,274,672	-
Receipts from interfund services provided	-	70,000	-	-	-	70,000	2,708,913
Payments for interfund services used	(200,520)	(120,520)	(149,950)	(149,950)	(36,780)	(657,720)	-
Payments to suppliers	(790,610)	(531,107)	(48,990)	(709,942)	(413,470)	(2,494,119)	(1,772,252)
Payments to employees	(251,325)	(875,117)	(508,453)	(671,306)	(39,779)	(2,345,980)	-
Net cash flows from operating activities	(104,809)	58,965	1,443,594	369,880	79,223	1,846,853	936,661
Cash flows from capital and related financing activities:							
Principal paid on long-term debt	-	-	(200,000)	(201,097)	-	(401,097)	-
Payments on interfund loan	(1,200,000)	-	-	-	-	(1,200,000)	-
Interest paid on long-term debt	-	-	(18,575)	(36,696)	-	(55,271)	-
Purchase of property, plant and equipment	(3,664,891)	(284,568)	(1,145,216)	(144,609)	(582,286)	(5,821,570)	-
Proceeds on disposal of property, plant and equipment	-	-	-	10,000	-	10,000	-
Transfers in	500,000	500,000	330,000	-	60,000	1,390,000	-
Transfers out	-	-	(10,000)	-	-	(10,000)	-
Increase in due to other funds	-	-	-	-	180,414	180,414	-
Capital contributions received	3,452,305	24,956	62,904	4,064	334,485	3,878,714	-
Net cash flows from capital and related financing activities	(912,586)	240,388	(980,887)	(368,338)	(7,387)	(2,028,810)	-
Cash flows from investing activities - investment income received	42,650	164,278	208,137	51,541	4,643	471,249	52,820
Net increase (decrease) in cash and investments	(974,745)	463,631	670,844	53,083	76,479	289,292	989,481
Cash and investments at beginning of year	1,694,816	5,625,919	7,667,086	1,091,847	117,663	16,197,331	1,315,116
Cash and investments at end of year	\$ 720,071	6,089,550	8,337,930	1,144,930	194,142	16,486,623	2,304,597
Reconciliation of earnings (loss) from operations to net cash provided (used) by operating activities:							
Earnings (loss) from operations	(675,851)	(767,620)	365,982	(760,754)	7,061	(1,831,182)	593,046
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:							
Depreciation	541,482	842,194	493,891	1,201,697	38,030	3,117,294	-
Noncash expense - PERS relief	6,909	25,553	14,700	17,671	1,390	66,223	-
Other nonoperating revenues	-	2,657	-	9,627	-	12,284	-
Other nonoperating expenses	-	-	(30,080)	(25,521)	-	(55,601)	-
Increase in allowance for doubtful accounts	-	-	168	138	-	306	-
(Increase) decrease in assets:							
Accounts receivable	45,471	(31,996)	69,186	9,205	121	91,987	-
Inventory	-	-	(63,761)	2,087	-	(61,674)	-
Prepaid expenses	-	(5,918)	-	-	-	(5,918)	-
Increase (decrease) in liabilities:							
Accounts payable	(36,906)	34,362	627,138	(50,856)	29,585	603,323	447
Accrued payroll, leave and related liabilities	(8,275)	(38,375)	(18,930)	(33,414)	-	(98,994)	-
Customer deposits	-	(1,892)	(14,700)	-	3,036	(13,556)	-
Net pension/OPEB obligation	-	-	-	-	-	-	343,168
Deferred revenue	22,361	-	-	-	-	22,361	-
Net cash flows from operating activities	\$ (104,809)	58,965	1,443,594	369,880	79,223	1,846,853	936,661
Noncash capital and related financing activities - transfer of property, plant and equipment between funds at net book value	\$ -	(292,125)	-	-	292,125	-	-

See accompanying notes to basic financial statements.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements

June 30, 2006

(1) **Summary of Significant Accounting Policies**

**Reporting Entity**

The City of Kodiak was formed by a Home Rule Charter on March 16, 1965 under the provisions of Alaska Statute, Title 29, as amended. The City operates under a council-manager form of government and provides the following services: public safety (police and fire), public improvements, parks and recreation, community services, boat harbor, port, water, sewer, harbor electric utilities, airport facilities and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

The City of Kodiak is a municipal corporation governed by an elected council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Kodiak. There are no component units based on operational and financial relationship criteria.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support. The effect of the interfund activity, for the most part, has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who use, purchase, or directly benefit from goods, services, or privileges provided by a given segment or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar programs are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net assets are reported as restricted when constraints placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation.

Governmental fund type financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only to the extent they have matured.

Sales taxes, property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund - it accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Special Assessments Special Revenue Fund* accounts for street assessments for improvement districts.

The *Enhancement Fund Special Revenue Fund* accounts for investment income and transfers from the General Fund as determined by ordinance and is for the future benefit and use for the citizens of Kodiak.

The *General Capital Projects Fund* accounts for numerous small capital projects.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

#### **Measurement Focus and Basis of Accounting and Financial Statement Presentation, continued**

The City reports the following major proprietary funds:

The *Cargo Pier Enterprise Fund* accounts for all activities of the cargo pier.

The *Boat Harbor Enterprise Fund* accounts for all activities of smaller crafts and all boat harbors within the City limits.

The *Water Utility Enterprise Fund* accounts for the distribution of water services.

The *Sewer Utility Enterprise Fund* accounts for the operations of the sewer distribution system.

Additionally, the City also reports two internal service funds. One accounts for the insurance activities of the City and provides this service to other departments and agencies of the City on a cost reimbursement basis. The other is used to account for the accumulation and payments to the Public Employees Retirement System.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services and to other City departments for services provided. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### Measurement Focus and Basis of Accounting and Financial Statement Presentation, continued

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

##### Use of Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Central Treasury

The City maintains a central treasury for most of its cash and cash equivalents, which is utilized by all funds. Investment income is allocated to each fund quarterly based on the average monthly balance of each fund's equity in the central treasury.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

##### Inventories

Enterprise Fund inventories consist of various supplies. Inventories are valued at the lower of cost (first-in, first-out) or market (net realizable value).

##### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e. the current portion of interfund loans) or "advances to other funds" or "advances from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to other funds" or "due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

#### Receivables and Payables, continued

All taxes receivable and other receivables are shown net of an allowance for uncollectible receivables. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible receivables.

#### Restricted Assets

Monies or other resources, the use of which is restricted by legal or contractual requirements are recorded as restricted assets. Restricted assets include monies set aside per bond covenants.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	7
Office equipment	5
Computer equipment	5

#### Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignation or retirement.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

#### Long-term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Deferred Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as deferred revenue.

#### Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

#### Property Taxes

Property taxes are liens on the assessed value of taxable property as of January 1. Pursuant to Alaska Statutes, the City establishes the mill rate and tax levy on or before June 15. The City is located within the Kodiak Island Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills are mailed on or before July 1 and are payable in two installments on August 15<sup>th</sup> and November 15<sup>th</sup>. City property tax revenues are recognized in the fiscal year in which they are collectible and available (collected within 60 days after year end) to finance expenditures of the fiscal year.

At June 30, 2006, the delinquent real property taxes not currently available are reflected as deferred revenues of the General Fund.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### **Summary of Significant Accounting Policies, continued**

#### **Comparative Data**

Comparative data for the prior year have been presented in some of the accompanying individual financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

#### (2) **Stewardship, Compliance, and Accountability**

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets and the Special Assessments Special Revenue Fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, department and object. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Council made several supplemental budgetary appropriations throughout the year.

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

#### (3) **Cash and Investments**

The City maintains a cash and investment pool (central treasury) that is available for use by all funds.

##### **Cash**

At year end, the carrying amount of the City's deposits in financial institutions, including time certificates of deposit, was \$4,717,910 and the bank balance was \$5,384,397. Of the bank balance, \$100,000 was insured and the balance of \$5,284,397 was covered by collateral held by the pledging financial institutions' trust department or agent in the City's name. Petty cash on hand at June 30, 2006 was \$2,260.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Cash and Investments, continued

##### Investments

Investments are recorded at fair value. Chapter 3.16 of the City Code specifies that the City may invest in bonds, notes or other obligations, direct or otherwise, of the United States; bonds or other evidence of indebtedness of the State of Alaska or its political subdivisions or other states of the United States; Alaska Municipal League Investment Pool, Inc. (AMLIP); and savings accounts, certificates of deposit, bank acceptances, repurchase agreements, and such other security instruments as may be authorized by law. The investment policy requires collateralization of all deposits except direct purchases of securities and/or participation in AMLIP.

##### *Interest Rate Risk*

Investment maturities at June 30, 2006 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
U.S. government agencies	\$ 24,986,577	<u>4,959,290</u>	<u>20,027,287</u>
Alaska Municipal League Investment Pool	<u>3,511,990</u>		
Total investments	\$ <u>28,498,567</u>		

##### *Credit Risk*

The Alaska Municipal League Investment Pool is an external investment pool which is not SEC-registered and is not rated for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its Board of Directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements to its participants. AMLIP also has retained an investment advisor to ensure compliance with investment policies. Participation in AMLIP is voluntary. AMLIP must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments are reviewed for fair value by an independent pricing service. As of June 30, 2006 the fair value of the investment in AMLIP approximates amortized cost.

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

(4) **Accounts Receivable and Deferred Revenues**

Receivables at June 30, 2006, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts, are as follows:

	<u>Major Governmental Funds</u>				Nonmajor	<u>Totals</u>
	<u>General</u>	<u>Special Assessments</u>	<u>Enhancement Fund</u>	<u>General Capital Projects</u>	<u>Governmental Funds</u>	
Taxes	\$ 2,117,527	-	-	-	38,701	2,156,228
Grants and shared revenues	32,569	-	-	440,746	-	473,315
Special assessments	-	645,501	-	-	-	645,501
Interest	<u>18,276</u>	<u>-</u>	<u>55,245</u>	<u>7,932</u>	<u>23,734</u>	<u>105,187</u>
Total receivables	2,168,372	645,501	55,245	448,678	62,435	3,380,231
Less allowance for doubtful receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 2,168,372</u>	<u>645,501</u>	<u>55,245</u>	<u>448,678</u>	<u>62,435</u>	<u>3,380,231</u>
	<u>Major Enterprise Funds</u>				Nonmajor	<u>Totals</u>
	<u>Cargo Pier</u>	<u>Boat Harbor</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Enterprise Fund</u>	
Grants	\$ 250,000	89,131	382,455	4,950	31,709	758,245
Accounts	4,468	69,005	217,798	175,407	17,472	484,150
Interest	<u>-</u>	<u>39,373</u>	<u>52,644</u>	<u>13,228</u>	<u>-</u>	<u>105,245</u>
Total receivables	254,468	197,509	652,897	193,585	49,181	1,347,640
Less allowance for doubtful receivables	<u>-</u>	<u>(15,647)</u>	<u>(3,565)</u>	<u>(2,958)</u>	<u>-</u>	<u>(22,170)</u>
Net receivables	<u>\$ 254,468</u>	<u>181,862</u>	<u>649,332</u>	<u>190,627</u>	<u>49,181</u>	<u>1,325,470</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2006, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred special assessments	\$ 628,496
Grant drawdowns prior to meeting all eligibility requirements	<u>132,640</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 761,136</u>

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, <u>2005</u>	Additions and <u>Reclassifications</u>	Deletions and <u>Reclassifications</u>	Balance June 30, <u>2006</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,666,762	-	161,366	2,505,396
Construction in progress	<u>6,611,206</u>	<u>2,120,962</u>	<u>199,849</u>	<u>8,532,319</u>
Total assets not being depreciated	<u>9,277,968</u>	<u>2,120,962</u>	<u>361,215</u>	<u>11,037,715</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,965,680	-	-	4,965,680
Improvements other than buildings	1,153,421	-	120,000	1,033,421
Infrastructure	7,743,388	-	-	7,743,388
Machinery and equipment	<u>6,301,720</u>	<u>451,631</u>	<u>166,891</u>	<u>6,586,460</u>
Total capital assets being depreciated	<u>20,164,209</u>	<u>451,631</u>	<u>286,891</u>	<u>20,328,949</u>
Less accumulated depreciation for:				
Buildings	1,943,522	79,275	-	2,022,797
Improvements other than buildings	624,647	43,301	75,000	592,948
Infrastructure	5,853,300	178,751	-	6,032,051
Machinery and equipment	<u>5,159,601</u>	<u>356,046</u>	<u>159,822</u>	<u>5,355,825</u>
Total accumulated depreciation	<u>13,581,070</u>	<u>657,373</u>	<u>234,822</u>	<u>14,003,621</u>
Total capital assets being depreciated, net	<u>6,583,139</u>	<u>(205,742)</u>	<u>52,069</u>	<u>6,325,328</u>
Governmental activity capital assets, net	\$ <u>15,861,107</u>	<u>1,915,220</u>	<u>413,284</u>	<u>17,363,043</u>
<b><u>Business-type activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 718,728	-	24,731	693,997
Construction in progress	<u>3,899,972</u>	<u>5,575,133</u>	-	<u>9,475,105</u>
Total assets not being depreciated	<u>4,618,700</u>	<u>5,575,133</u>	<u>24,731</u>	<u>10,169,102</u>
<i>Capital assets being depreciated:</i>				
Buildings	23,840,189	-	-	23,840,189
Improvements other than buildings	78,308,291	-	-	78,308,291
Machinery and equipment	<u>2,269,487</u>	<u>254,437</u>	-	<u>2,523,924</u>
Total assets being depreciated	<u>104,417,967</u>	<u>254,437</u>	-	<u>104,672,404</u>
Less accumulated depreciation for:				
Buildings	8,473,865	859,964	-	9,333,829
Improvements other than buildings	43,574,185	2,050,514	-	45,624,699
Machinery and equipment	<u>1,337,128</u>	<u>206,816</u>	-	<u>1,543,944</u>
Total accumulated depreciation	<u>53,385,178</u>	<u>3,117,294</u>	-	<u>56,502,472</u>
Total capital assets being depreciated, net	<u>51,032,789</u>	<u>(2,862,857)</u>	-	<u>48,169,932</u>
Business-type activity capital assets, net	\$ <u>55,651,489</u>	<u>2,712,276</u>	<u>24,731</u>	<u>58,339,034</u>

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Capital Assets, continued**

Depreciation expense was charged to the functions as follows:

**Governmental activities**

General government	\$ 3,128
Public safety	247,453
Public works	271,429
Engineering	4,127
Parks and recreation	112,106
Library	16,809
Community services	<u>2,321</u>
Total depreciation expense – governmental activities	<u>657,373</u>

**Business-type activities**

Cargo Pier	541,482
Boat Harbor	842,194
Harbor Electric	7,280
Water Utility	493,891
Sewer Utility	1,201,697
Trident Basin	<u>30,750</u>
Total depreciation expense – business-type activities	<u>3,117,294</u>
Total depreciation expense	<u>\$ 3,774,667</u>

(6) **Long Term Debt**

Long-term debt at June 30, 2006 is comprised of the following:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>	Due Within <u>One Year</u>
<b><u>Governmental activities</u></b>					
Accrued leave	\$ 561,482	357,057	341,717	576,822	576,822
Net pension/OPEB obligation	<u>457,047</u>	<u>343,168</u>	<u>-</u>	<u>800,215</u>	<u>-</u>
Total governmental activities	\$ <u>1,018,529</u>	<u>700,225</u>	<u>341,717</u>	<u>1,377,037</u>	<u>576,822</u>

The accrued leave related to governmental activities is generally liquidated by the General Fund. The net pension/OPEB obligation has been recorded in the PERS Internal Service Fund where assets and liabilities have been combined with governmental activities for reporting purposes in accordance with generally accepted accounting principles. Of the balance at June 30, 2006, \$609,734 relates to governmental funds and \$190,481 relates to enterprise funds.



# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### Long Term Debt, continued

<u>Business-type activities</u>	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>	<u>Due Within One Year</u>
Revenue bonds – \$1,015,000 2003 Series C Water Revenue Bonds, due in annual installments of \$200,000 to \$215,000 plus interest at 2.5% to 3.0% through 2009	\$ 820,000	-	200,000	620,000	200,000
Loan payable - \$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	2,212,070	-	201,097	2,010,973	201,097
Accrued leave	<u>135,802</u>	<u>124,941</u>	<u>102,927</u>	<u>157,816</u>	<u>157,816</u>
Total business-type activities	\$ <u>3,167,872</u>	<u>124,941</u>	<u>504,024</u>	<u>2,788,789</u>	<u>558,913</u>

The annual requirements to retire the revenue bonds and loan as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>			<u>Loan Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	200,000	16,575	216,575	201,097	30,165	231,262
2008	205,000	11,575	216,575	201,097	27,148	228,245
2009	215,000	6,450	221,450	201,097	24,132	225,229
2010	-	-	-	201,097	21,115	222,212
2011	-	-	-	201,097	18,099	219,196
2012-2016	-	-	-	<u>1,005,488</u>	<u>45,246</u>	<u>1,050,734</u>
	<u>\$ 620,000</u>	<u>34,600</u>	<u>654,600</u>	<u>2,010,973</u>	<u>165,905</u>	<u>2,176,878</u>

### Revenue Bond Requirements

Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts. This requirement is reflected as restricted cash and investments in the Water Utility Enterprise Fund in the amount of \$221,450.

The water revenue bond also requires that rates be maintained at a level that will produce net revenues after certain adjustments, equal to 1.30 times the amount required each year to pay the principal and interest.

	<u>Water Fund</u>
Earnings from operations	\$ 365,982
Add:	
Depreciation	493,891
Investment income	<u>230,986</u>
Amount available for debt service	1,090,859
Requirement	<u>286,748</u>
Excess of revenue over requirement	\$ <u>804,111</u>

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

(7) **Sales Tax Revenues**

A sales tax of eleven (11) percent of the rental charge is levied on all transient room rentals within the City. A sales tax of six (6) percent of the sales price or charge is levied on all sales, rentals, and services made within the City, other than rentals of transient rooms. Therefore, the sales tax is six (6) percent and the transient room tax is five (5) percent.

Net sales tax revenues for the years ended June 30, 2006 and 2005, excluding hotel and motel tax of \$133,781 and \$105,992, respectively, reported in the Tourism Development Special Revenue Fund, and sales tax penalties and interest on delinquent sales taxes of \$26,829 and \$19,489, respectively, reported in the General Fund, are as follows:

	<u>2006</u>	<u>2005</u>
General Fund	\$ <u>8,136,785</u>	<u>7,795,331</u>

The sales tax and transient bed tax proceeds are allocated in accordance with Ordinance Number 964, amending City Code Chapter 3.08 relating to taxes, in the following manner:

<u>Fund</u>	<u>Percentage</u>	<u>Maximum Proceeds</u>
General Fund	4.00%	N/A
Street Improvements Capital Projects Fund	0.90%	\$ 900,000
Parks and Recreation Capital Projects Fund	0.10%	100,000
Boat Harbor Enterprise Fund	<u>1.00%</u>	1,000,000

Total sales tax 6.00%

<u>Fund or Program</u>	<u>Percentage</u>	<u>Maximum Proceeds</u>
Council Approved Tourism Program	3.50%	N/A
Tourism Enhancement Projects	1.00%	N/A
Administrative Costs Associated with Projects	<u>0.50%</u>	N/A
Total transient bed tax	<u>5.00%</u>	

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Sales Tax Revenues, continued**

Sales tax revenues associated with the Capital Projects Funds are recorded as transfers from the General Fund to the applicable Capital Project Fund. Allocations to these funds for the years ended June 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Capital Projects Funds:		
Street Improvements	\$ 900,000	900,000
Parks and Recreation	100,000	100,000
Harbor & Port Improvement	<u>500,000</u>	<u>1,000,000</u>
Total sales tax revenues transferred from the General Fund	<u>\$ 1,500,000</u>	<u>2,000,000</u>

(8) **Interfund Transfers**

The following is a summary of interfund transfers for the year ended June 30, 2006:

From Boat Harbor Enterprise Fund to nonmajor enterprise fund to transfer capital asset	\$ 292,125
From Water Utility Enterprise Fund to General Fund to cover operating costs	10,000
From Enhancement Fund Special Revenue Fund to:	
General Fund for amount in excess of inflation- proofing	139,099
General Fund to cover operating costs	1,800,000
Nonmajor governmental funds for capital projects	15,000
From General Fund to:	
Enhancement Fund Special Revenue Fund in accordance with City Code	299,736
General Capital Projects Fund for capital costs	127,222
Boat Harbor Enterprise Fund for capital costs	500,000
Cargo Pier Enterprise Fund for capital costs	500,000
Nonmajor governmental funds for capital projects	1,000,000
Nonmajor enterprise fund for capital costs	40,000
From nonmajor governmental funds to:	
Water Utility Enterprise Fund for capital costs	330,000
General Fund to cover operating costs	121,000
Nonmajor enterprise fund for capital costs	<u>20,000</u>
Total transfers to other funds	<u>\$ 5,194,182</u>

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

(9) **Defined Benefit Pension Plan**

The following information conforms to the requirements of Governmental Accounting Standards Board (GASB) Statement 27, *Accounting for Pensions by State and Local Government Employers*. In addition, this note includes the information required by GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City has elected to early implement GASB Statement 45 effective with this financial statement.

The City participates in the Public Employees' Retirement System (PERS), an agent multiple employer, defined benefit plan which covers eligible State and local government employees. The plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

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

**Funding Policy**

Employees are required to contribute 6.75% of their annual covered salary (4.05% for pension and 2.70% for healthcare). Peace officers and firefighters must contribute 7.5% (4.5% pension and 3.0% healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due, subject to an increase limitation. Under current regulations, employer rates cannot be increased by more than five percentage points annually.

As a result of the five percentage point limit, a significant difference exists between the actuarial rate and the actual pay-in rate during fiscal year 2006. The five percentage point limit regulation has been repealed in 2005, but will not affect rates until fiscal year 2008, since the rates are established three years in advance of their effective date.

The City's contribution rates for PERS for the year ended June 30, 2006:

	Adjusted Actual <u>Rate</u>	Actuarially Required <u>Rate</u>
Pension	12.82%	16.48%
Postemployment healthcare	<u>8.57%</u>	<u>11.01%</u>
Total contribution rate	<u>21.39%</u>	<u>27.49%</u>

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

Employer contribution rates are a level percentage 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 an open, rolling twenty-five year period. Funding surpluses are also amortized over twenty-five years.

The required contribution for the plan was determined as part of the June 30, 2003 actuarial valuation. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

The significant actuarial assumptions used in the valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years and 4.0% thereafter (Police and Fire 6.0% for the first five years and 4.5% thereafter);
3. Health cost inflation of 12.0% for 2004 through 2005, trending downward 0.5% per year to 7.0% in FY15, 6.0% in FY16, and 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually; and
5. Asset valuation – recognizes 20% of the investment gain or loss in each of the current and preceding four years. Assets are valued at market value and are accounted for on an accrued basis. Valuation assets cannot be outside the range of 80% to 120% of market value of assets.

#### **Annual Pension and Postemployment Healthcare Cost**

During 2005, the State of Alaska Legislature approved Senate Bill 46 which granted fiscal relief related to increased cost of the FY06 contribution rates. This relief was in the form of a cash payment made directly to the PERS system on behalf of the participating employers. The amount of the fiscal relief payment for City of Kodiak was \$293,700. For financial statement purposes, this amount has been reported as grant revenue and PERS expenditures/expenses and is included in the amount reported as “contributions made” as noted below.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### **Defined Benefit Pension Plan, continued**

#### **Annual Pension and Postemployment Healthcare Cost, continued**

The provisions of GASB Statement 45 allow for prospective reporting of the net other post-employment benefit (OPEB) liability. As such, these financial statements include a liability relating to the 2006 end of year net OPEB obligation; however, no liability was recorded for the 2005 net OPEB obligation. In accordance with the provisions of GASB Statement 27, a net pension obligation was recorded for the year ended June 30, 2005.

For the year ended June 30, 2006, the City's annual pension and OPEB costs were as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution	\$ 934,255	624,395	1,558,650
Interest on net pension obligation	37,706	-	37,706
Adjustment to annual required contribution	<u>(40,401)</u>	<u>-</u>	<u>(40,401)</u>
Annual pension cost	931,560	624,395	1,555,955
Contributions made	<u>726,944</u>	<u>485,843</u>	<u>1,212,787</u>
Increase in net pension/OPEB obligation	204,616	138,552	343,168
Net pension/OPEB obligation, beginning of year	<u>457,047</u>	<u>-</u>	<u>457,047</u>
Net pension/OPEB obligation, end of year	<u>\$ 661,663</u>	<u>138,552</u>	<u>800,215</u>

Three-year trend information for PERS follows:

	<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Pension	2004	\$ 206,803	\$ 206,803	100%	\$ -
	2005	852,970	395,923	46%	457,047
	2006	931,560	726,944	78%	204,616
	<u>Year Ending June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
Postemployment healthcare	2004	\$ 138,213	\$ 138,213	100%	\$ -
	2005	518,144	240,507	46%	277,637
	2006	624,395	485,843	78%	138,552

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### **Defined Benefit Pension Plan, continued**

#### **Funding Progress**

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
June 30, 2003:						
Pension	\$ 17,994,000	\$ 25,185,000	\$ 7,191,000	71%	\$ 5,280,000	136%
Post employment healthcare	12,027,000	16,832,000	4,805,000	71%	5,280,000	91%
June 30, 2004:						
Pension	16,923,000	26,813,000	9,890,000	63%	5,483,000	180%
Post employment healthcare	11,933,000	18,906,000	6,973,000	63%	5,483,000	127%
June 30, 2005:						
Pension	16,656,548	29,006,097	12,349,549	57%	5,904,796	209%
Post employment healthcare	12,820,219	22,325,425	9,505,205	57%	5,904,796	161%

(10) **Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e. errors and omissions, (d) environmental damage, (e) workers compensation, and (f) medical/dental/vision costs for employees. The City of Kodiak participates in the Alaska Municipal League Joint Insurance Association, Inc. (AMLJIA), which covers property and contents, torts, general and auto liability, public officials and employees liability, and workers compensation. AMLJIA is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2006. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### **Risk Management, continued**

In addition to the AMLJIA coverage, the City has commercial insurance coverage for storage tanks third party liability, and aviation liability for the two City-owned airports; Kodiak Municipal Airport, and the Trident Basin Seaplane Base.

The City maintains a health and medical benefit program which covers all full time employees. The City has retained a major portion of the risk for this plan and, accordingly, is liable for any employees' health claims that are approved for payment. Stop-loss coverage limits were \$40,000 for individual claims and \$1,000,000 for aggregate claims. Health and medical insurance expense was \$1,505,599 for the year ended June 30, 2006, and consisted of paid claims, stop-loss premiums, and administrative fees.

Accruals were made based upon estimates of the health claims at year-end including claims incurred but not reported. Such accruals were accounted for in the General Fund under the liability "Accrued payroll and related liabilities." The total estimated liability at June 30, 2006 amounted to \$85,110. Changes in the claims liability amount for the current and previous year follow:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Insurance Expensed</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2005	\$279,086	1,618,250	1,639,755	257,581
2006	257,581	1,505,599	1,678,070	85,110

### (11) **Enhancement Fund**

The City has an Enhancement Fund in which the moneys are to be held perpetually in trust for the benefit of the present and future generations of Kodiak residents. Any principal portions of the Enhancement Fund cannot be appropriated without approval from at least five City council members. The Enhancement Fund was established with a transfer of \$5 million dollars from the General Fund to a separate Special Revenue Fund. The ordinance creating the Enhancement Fund requires fifty percent of the General Fund surplus (which is calculated annually based upon excess revenues and other financing sources, less expenditures and other financing uses) to be deposited in the Enhancement Fund by January 1 of the succeeding year. Based on a decrease to fund balance of \$1,222,824 for the year ended June 30, 2006, there is no deposit required to be made to the Enhancement Fund. In addition, there is a provision for transferring to the General Fund any excess earnings, over and above those earnings necessary for inflation-proofing of the Enhancement Fund. Based on the current year earnings, excess earnings of \$139,099 were transferred to the General Fund.



## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

(12) **Operating Lease**

The City occupies office space leased from the Kodiak Island Borough under a noncancellable operating lease. Scheduled lease payments were \$72,387 per year for fiscal years 2005 and 2006. During 2006, the City recognized \$72,387 in rent expense paid to the Kodiak Island Borough. Effective July 1, 2006, the lease payment was increased to \$76,520 per year.

(13) **Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 City expects such amounts, if any, to be nominal.

In October 2006, City of Kodiak voters approved an \$8,000,000 general obligation bond issuance. The bond proceeds will be used to finance construction of a public safety building.

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## **ADDITIONAL INFORMATION**

**NONMAJOR FUNDS**

**CITY OF KODIAK, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2006

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Tourism Develop- ment	Street Improvements	Building Improve- ments	Parks and Recreation	
<u>Assets</u>					
Cash and investments	\$ 48,945	3,639,782	314,546	337,709	4,340,982
Receivables:					
Interest	-	23,734	-	-	23,734
Taxes	<u>38,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,701</u>
 Total assets	 \$ <u>87,646</u>	 <u>3,663,516</u>	 <u>314,546</u>	 <u>337,709</u>	 <u>4,403,417</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	-	32,098	-	4,979	37,077
Deferred revenue	<u>-</u>	<u>-</u>	<u>130,140</u>	<u>-</u>	<u>130,140</u>
Total liabilities	<u>-</u>	<u>32,098</u>	<u>130,140</u>	<u>4,979</u>	<u>167,217</u>
Fund balances - unreserved:					
Designated:					
Capital projects	-	3,631,418	184,406	332,730	4,148,554
Subsequent year's expenditures	5,000	-	-	-	5,000
Undesignated	<u>82,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,646</u>
Total fund balances	<u>87,646</u>	<u>3,631,418</u>	<u>184,406</u>	<u>332,730</u>	<u>4,236,200</u>
 Total liabilities and fund balances	 \$ <u>87,646</u>	 <u>3,663,516</u>	 <u>314,546</u>	 <u>337,709</u>	 <u>4,403,417</u>

## CITY OF KODIAK, ALASKA

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2006

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Tourism Develop- ment	Street Improvements	Building Improve- ments	Parks and Recreation	
Revenues:					
Taxes	\$ 133,781	-	-	-	133,781
Intergovernmental	-	-	19,237	32,117	51,354
Investment income	1,092	110,206	9,537	9,412	130,247
Other income	-	1,100	2,500	-	3,600
Total revenues	<u>134,873</u>	<u>111,306</u>	<u>31,274</u>	<u>41,529</u>	<u>318,982</u>
Expenditures:					
Community services	116,000	-	-	-	116,000
Capital outlay	-	871,135	29,898	109,544	1,010,577
Total expenditures	<u>116,000</u>	<u>871,135</u>	<u>29,898</u>	<u>109,544</u>	<u>1,126,577</u>
Excess of revenues over (under) expenditures	18,873	(759,829)	1,376	(68,015)	(807,595)
Other financing sources (uses):					
Transfers in	-	900,000	15,000	100,000	1,015,000
Transfers out	-	(471,000)	-	-	(471,000)
Net other financing sources (uses)	-	<u>429,000</u>	<u>15,000</u>	<u>100,000</u>	<u>544,000</u>
Net change in fund balances	18,873	(330,829)	16,376	31,985	(263,595)
Fund balances at beginning of year	<u>68,773</u>	<u>3,962,247</u>	<u>168,030</u>	<u>300,745</u>	<u>4,499,795</u>
Fund balances at end of year	\$ <u>87,646</u>	<u>3,631,418</u>	<u>184,406</u>	<u>332,730</u>	<u>4,236,200</u>

## CITY OF KODIAK, ALASKA

## Nonmajor Enterprise Funds

## Combining Balance Sheet

June 30, 2006

<u>Assets</u>	<u>Harbor Electric</u>	<u>Trident Basin</u>	<u>Total Nonmajor Enterprise Funds</u>
Current assets:			
Cash and investments	\$ 194,142	-	194,142
Receivables - net of allowances	<u>14,401</u>	<u>34,780</u>	<u>49,181</u>
Total current assets	<u>208,543</u>	<u>34,780</u>	<u>243,323</u>
Noncurrent assets -			
Property, plant and equipment, net	<u>90,449</u>	<u>834,161</u>	<u>924,610</u>
Total assets	<u>\$ 298,992</u>	<u>868,941</u>	<u>1,167,933</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	32,655	21,240	53,895
Customer deposits	8,800	1,536	10,336
Due to other funds	<u>-</u>	<u>180,414</u>	<u>180,414</u>
Total liabilities	<u>41,455</u>	<u>203,190</u>	<u>244,645</u>
Net assets:			
Invested in capital assets	90,449	834,161	924,610
Unrestricted (deficit)	<u>167,088</u>	<u>(168,410)</u>	<u>(1,322)</u>
Total net assets	<u>257,537</u>	<u>665,751</u>	<u>923,288</u>
Total liabilities and net assets	<u>\$ 298,992</u>	<u>868,941</u>	<u>1,167,933</u>

**CITY OF KODIAK, ALASKA**  
**Nonmajor Enterprise Funds**  
 Combining Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006

	<u>Harbor</u>	<u>Trident</u>	<u>Total</u>
	<u>Electric</u>	<u>Basin</u>	<u>Nonmajor</u>
			<u>Enterprise</u>
			<u>Funds</u>
Operating revenues	\$ <u>547,840</u>	<u>19,791</u>	<u>567,631</u>
Operating expenses:			
Salaries and benefits	41,169	-	41,169
Professional	-	37	37
Goods and services	439,555	-	439,555
Utilities and fuel	-	4,999	4,999
Interfund charges	-	36,780	36,780
Depreciation	<u>7,280</u>	<u>30,750</u>	<u>38,030</u>
Total operating expenses	<u>488,004</u>	<u>72,566</u>	<u>560,570</u>
Earnings (loss) from operations	59,836	(52,775)	7,061
Nonoperating revenues:			
Investment income	4,436	207	4,643
State PERS relief	<u>1,390</u>	<u>-</u>	<u>1,390</u>
Total nonoperating revenues	<u>5,826</u>	<u>207</u>	<u>6,033</u>
Earnings (loss) before contributions and transfers	65,662	(52,568)	13,094
Capital contributions	-	366,194	366,194
Transfers in	<u>-</u>	<u>352,125</u>	<u>352,125</u>
Change in net assets	65,662	665,751	731,413
Net assets at beginning of year	<u>191,875</u>	<u>-</u>	<u>191,875</u>
Net assets at end of year	\$ <u>257,537</u>	<u>665,751</u>	<u>923,288</u>



**CITY OF KODIAK, ALASKA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Cash Flows  
 Year Ended June 30, 2006

	<u>Harbor</u> <u>Electric</u>	<u>Trident</u> <u>Basin</u>	<u>Total</u> <u>Nonmajor</u> <u>Enterprise</u> <u>Funds</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 552,532	16,720	569,252
Payments for interfund services used	-	(36,780)	(36,780)
Payments to suppliers	(431,210)	17,740	(413,470)
Payments to employees	(39,779)	-	(39,779)
Net cash flows from operating activities	<u>81,543</u>	<u>(2,320)</u>	<u>79,223</u>
Cash flows from capital and related financing activities:			
Purchase of property, plant and equipment	(9,500)	(572,786)	(582,286)
Transfers in	-	60,000	60,000
Increase in due to other funds	-	180,414	180,414
Capital contributions received	-	334,485	334,485
Net cash flows from capital and related financing activities	<u>(9,500)</u>	<u>2,113</u>	<u>(7,387)</u>
Cash flows from investing activities - investment income received	<u>4,436</u>	<u>207</u>	<u>4,643</u>
Net increase (decrease) in cash and investments	76,479	-	76,479
Cash and investments at beginning of year	<u>117,663</u>	<u>-</u>	<u>117,663</u>
Cash and investments at end of year	\$ <u>194,142</u>	<u>-</u>	<u>194,142</u>
Reconciliation of earnings (loss) from operations to net cash provided (used) by operating activities:			
Earnings (loss) from operations	59,836	(52,775)	7,061
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:			
Depreciation	7,280	30,750	38,030
Noncash expense - PERS relief	1,390	-	1,390
(Increase) decrease in assets:			
Accounts receivable	3,192	(3,071)	121
Increase (decrease) in liabilities:			
Accounts payable	8,345	21,240	29,585
Customer deposits	1,500	1,536	3,036
Net cash flows from operating activities	\$ <u>81,543</u>	<u>(2,320)</u>	<u>79,223</u>
Noncash capital and related financing activities - transfer of property, plant and equipment at net book value between funds	\$ <u>-</u>	<u>292,125</u>	<u>292,125</u>

## **GENERAL FUND**

The General Fund accounts for the financial operations of the City which are not required to be accounted for in any other fund. It is the City's primary operating fund.

**CITY OF KODIAK, ALASKA**  
 General Fund  
 Balance Sheet  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u>3,030,231</u>	<u>4,477,207</u>
Receivables:		
Taxes	2,117,527	2,070,200
Grants and shared revenues	32,569	14,642
Interest	<u>18,276</u>	<u>18,286</u>
Total receivables	<u>2,168,372</u>	<u>2,103,128</u>
Due from other funds	180,414	-
Prepaid items	<u>4,410</u>	<u>24,109</u>
Total assets	\$ <u>5,383,427</u>	<u>6,604,444</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities:		
Accounts payable	201,699	188,228
Accrued payroll and related liabilities	302,751	310,050
Customer deposits	3,615	5,480
Deferred revenue	<u>2,500</u>	<u>5,000</u>
Total liabilities	<u>510,565</u>	<u>508,758</u>
Fund balance:		
Reserved for prepaid items	4,410	24,109
Unreserved:		
Designated for subsequent year's expenditures	-	2,701,166
Undesignated	<u>4,868,452</u>	<u>3,370,411</u>
Total fund balance	<u>4,872,862</u>	<u>6,095,686</u>
Total liabilities and fund balance	\$ <u>5,383,427</u>	<u>6,604,444</u>

## CITY OF KODIAK, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Year Ended June 30, 2006  
(With Comparative Amounts for 2005)

	2006		Variance Positive (Negative)	2005
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 630,000	632,495	2,495	630,567
Sales taxes	7,795,000	8,136,785	341,785	7,795,331
Other taxes	3,000	2,246	(754)	6,189
Penalties and interest	15,000	24,583	9,583	13,300
Total taxes	<u>8,443,000</u>	<u>8,796,109</u>	<u>353,109</u>	<u>8,445,387</u>
Intergovernmental:				
Grants	50,800	71,311	20,511	32,372
State PERS relief	227,478	227,478	-	-
Fisheries business tax	655,000	655,636	636	597,723
Shared fisheries business and landing tax	55,000	56,788	1,788	45,837
Liquor licenses	20,000	20,700	700	10,500
Fuel tax sharing	5,500	5,576	76	3,788
Telephone and electric sharing	36,000	36,388	388	34,312
Total intergovernmental	<u>1,049,778</u>	<u>1,073,877</u>	<u>24,099</u>	<u>724,532</u>
Charges for services:				
Public safety:				
Boarding of state prisoners	550,300	554,580	4,280	502,677
State Trooper contract	85,000	87,459	2,459	84,845
Borough animal control	60,000	60,000	-	60,000
Borough E911 access fees	54,000	56,962	2,962	67,000
Ambulance services	120,000	68,197	(51,803)	118,278
Other public safety charges	16,000	12,363	(3,637)	16,785
School crossing guard services	12,000	9,400	(2,600)	9,595
School lifeguard services	2,500	5,828	3,328	4,306
Borough building inspector charges	130,000	156,505	26,505	128,346
Library fees and charges	19,000	23,334	4,334	24,451
Parks and recreation fees and charges	100,500	117,795	17,295	97,895
Public works services	52,500	51,611	(889)	55,685
Other charges for services	1,200	830	(370)	125
Total charges for services	<u>1,203,000</u>	<u>1,204,864</u>	<u>1,864</u>	<u>1,169,988</u>

## CITY OF KODIAK, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2006		Variance Positive (Negative)	2005
	Budget	Actual		Actual
Revenues, continued:				
Fines and forfeitures	\$ 37,800	55,934	18,134	44,770
Licenses and permits	35,500	43,064	7,564	58,319
Rental income	110,000	147,924	37,924	109,754
Interfund charges:				
Cargo Pier Fund	95,520	95,520	-	121,440
Boat Harbor Fund	95,520	95,520	-	121,440
Water Fund	149,950	149,950	-	164,570
Sewer Fund	149,950	149,950	-	164,570
Trident Basin Fund	24,220	24,220	-	-
Engineering and inspection fees	60,000	60,000	-	60,000
Tourism Development Fund	30,000	30,000	-	30,000
Total interfund charges	605,160	605,160	-	662,020
Investment income	80,000	98,819	18,819	95,282
Other revenues (loss)	59,000	61,058	2,058	(12,327)
Total revenues	11,623,238	12,086,809	463,571	11,297,725
Expenditures:				
General government:				
Legislative	348,495	307,188	41,307	279,341
Legal	22,000	21,234	766	18,191
Executive	227,010	206,883	20,127	161,911
City Clerk	304,796	277,070	27,726	260,842
Finance	1,054,033	978,182	75,851	822,240
Total general government	1,956,334	1,790,557	165,777	1,542,525

## CITY OF KODIAK, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2006		Variance Positive (Negative)	2005
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety:				
Police department:				
Administration	\$ 375,771	361,841	13,930	322,544
Uniformed patrol	1,669,682	1,596,759	72,923	1,354,438
Corrections	578,259	558,730	19,529	535,509
Investigations	264,131	242,326	21,805	202,446
Support services	726,615	697,108	29,507	602,142
Animal control	153,303	148,012	5,291	106,712
Drug enforcement	148,850	143,087	5,763	142,792
Fire department	<u>1,554,196</u>	<u>1,457,032</u>	<u>97,164</u>	<u>1,273,011</u>
Total public safety	<u>5,470,807</u>	<u>5,204,895</u>	<u>265,912</u>	<u>4,539,594</u>
Public works:				
Administration	199,694	146,484	53,210	129,303
Streets	1,082,631	975,939	106,692	1,039,416
Garage	266,258	257,246	9,012	217,871
Building inspection	268,597	230,414	38,183	187,087
Municipal airport facility	<u>55,200</u>	<u>48,440</u>	<u>6,760</u>	<u>36,429</u>
Total public works	<u>1,872,380</u>	<u>1,658,523</u>	<u>213,857</u>	<u>1,610,106</u>
Engineering	<u>265,140</u>	<u>216,394</u>	<u>48,746</u>	<u>168,871</u>
Parks and recreation:				
Administration	527,426	505,565	21,861	443,828
Museum	57,500	56,752	748	57,372
Teen Center	241,500	230,690	10,810	205,151
Aquatics	98,834	81,962	16,872	80,220
Ice rink	67,040	65,305	1,735	51,640
Beautification program	13,500	10,017	3,483	11,926
Cemeteries	-	-	-	711
Total parks and recreation	<u>1,005,800</u>	<u>950,291</u>	<u>55,509</u>	<u>850,848</u>

## CITY OF KODIAK, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2006		Variance Positive (Negative)	2005
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Library	\$ <u>758,124</u>	<u>650,423</u>	<u>107,701</u>	<u>598,915</u>
Community services:				
Contributions	120,800	106,745	14,055	126,690
Downtown revitalization	<u>37,900</u>	<u>37,768</u>	<u>132</u>	<u>36,999</u>
Total community services	<u>158,700</u>	<u>144,513</u>	<u>14,187</u>	<u>163,689</u>
Other - insurance and general administration	<u>501,161</u>	<u>497,178</u>	<u>3,983</u>	<u>548,991</u>
Total expenditures	<u>11,988,446</u>	<u>11,112,774</u>	<u>875,672</u>	<u>10,023,539</u>
Excess of revenues over (under) expenditures	(365,208)	974,035	1,339,243	1,274,186
Other financing sources (uses):				
Transfers in	131,000	270,099	139,099	1,526,930
Transfers out	<u>(2,466,958)</u>	<u>(2,466,958)</u>	<u>-</u>	<u>(2,201,644)</u>
Net other financing sources (uses)	<u>(2,335,958)</u>	<u>(2,196,859)</u>	<u>139,099</u>	<u>(674,714)</u>
Net change in fund balance	\$ <u>(2,701,166)</u>	(1,222,824)	<u>1,478,342</u>	599,472
Fund balance at beginning of year		<u>6,095,686</u>		<u>5,496,214</u>
Fund balance at end of year	\$	<u>4,872,862</u>		<u>6,095,686</u>

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

### **Special Assessments**

This fund is used to account for assessments levied on street projects. No annual budget is prepared for this fund.

### **Small Grant Programs**

This fund is used to account for various small grants and related activities.

### **Tourism Development**

This fund is used to account for the receipt and distribution of hotel and motel tax revenues.

### **Land Development**

This fund is used to account for projects specifically related to purchase and development of the City's land holdings.

### **Enhancement Fund**

This fund accounts for investment income and transfers from the General Fund as determined by ordinance and is for the future benefit and use for the citizens of Kodiak.



**CITY OF KODIAK, ALASKA**  
Special Assessments Special Revenue Fund  
Balance Sheet  
June 30, 2006  
(With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 661,122	431,539
Receivables - special assessments	<u>645,501</u>	<u>842,046</u>
 Total assets	 \$ <u>1,306,623</u>	 <u>1,273,585</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	472	1,114
Deferred assessments	<u>628,496</u>	<u>832,645</u>
Total liabilities	628,968	833,759
 Fund balance - unreserved and undesignated	 <u>677,655</u>	 <u>439,826</u>
 Total liabilities and fund balance	 \$ <u>1,306,623</u>	 <u>1,273,585</u>

**CITY OF KODIAK, ALASKA**  
 Special Assessments Special Revenue Fund  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Revenues:		
Special assessments	\$ 293,351	246,921
Investment income	<u>15,562</u>	<u>3,852</u>
Total revenues	308,913	250,773
Expenditures - public works - professional services	<u>71,084</u>	<u>-</u>
Net change in fund balance	237,829	250,773
Fund balance at beginning of year	<u>439,826</u>	<u>189,053</u>
Fund balance at end of year	\$ <u><u>677,655</u></u>	<u><u>439,826</u></u>

**CITY OF KODIAK, ALASKA**  
 Small Grant Programs Special Revenue Fund  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

		<u>2006</u>	<u>2005</u>
Revenues	\$	<u>-</u>	<u>-</u>
Expenditures - public safety - machinery and equipment		<u>-</u>	<u>12,848</u>
Excess of revenues over (under) expenditures		-	(12,848)
Other financing uses - transfers out		<u>-</u>	<u>(2,256)</u>
Net change in fund balance		-	(15,104)
Fund balance at beginning of year		<u>-</u>	<u>15,104</u>
Fund balance at end of year	\$	<u>-</u>	<u>-</u>

**CITY OF KODIAK, ALASKA**  
Tourism Development Special Revenue Fund  
Balance Sheet  
June 30, 2006  
(With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 48,945	35,851
Receivables - taxes	<u>38,701</u>	<u>32,922</u>
Total assets	\$ <u>87,646</u>	<u>68,773</u>
 <u>Fund Balance</u>		
Fund balance - unreserved:		
Designated for subsequent year's expenditures	5,000	5,000
Undesignated	<u>82,646</u>	<u>63,773</u>
Total fund balance	\$ <u>87,646</u>	<u>68,773</u>

**CITY OF KODIAK, ALASKA**  
 Tourism Development Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Room taxes	\$ 110,000	133,781	23,781	105,992
Investment income	<u>1,000</u>	<u>1,092</u>	<u>92</u>	<u>911</u>
Total revenues	<u>111,000</u>	<u>134,873</u>	<u>23,873</u>	<u>106,903</u>
Expenditures - community services:				
Interfund services:				
Finance and administration	11,600	11,600	-	11,600
Public works services	4,400	4,400	-	4,400
Parks and recreation services	14,000	14,000	-	14,000
Community service contributions	<u>86,000</u>	<u>86,000</u>	<u>-</u>	<u>86,000</u>
Total expenditures	<u>116,000</u>	<u>116,000</u>	<u>-</u>	<u>116,000</u>
Net change in fund balance	\$ <u>(5,000)</u>	18,873	<u>23,873</u>	(9,097)
Fund balance at beginning of year		<u>68,773</u>		<u>77,870</u>
Fund balance at end of year		\$ <u>87,646</u>		<u>68,773</u>

**CITY OF KODIAK, ALASKA**  
 Land Development Special Revenue Fund  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Revenues - rental income	\$ -	82,292
Other financing uses - transfers out	<u>-</u>	<u>(151,980)</u>
Net change in fund balance	-	(69,688)
Fund balance at beginning of year	<u>-</u>	<u>69,688</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>

**CITY OF KODIAK, ALASKA**  
 Enhancement Fund Special Revenue Fund  
 Balance Sheet  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 5,175,528	5,441,249
Interest receivable	55,245	72,088
Interfund loan receivable - Cargo Pier Enterprise Fund	<u>-</u>	<u>1,200,000</u>
 Total assets	 \$ <u>5,230,773</u>	 <u>6,713,337</u>
 <u>Fund Balance</u>		
Fund balance:		
Reserved for interfund loan receivable	-	1,200,000
Unreserved:		
Designated for subsequent year's expenditures	1,340,000	1,325,000
Undesignated	<u>3,890,773</u>	<u>4,188,337</u>
 Total fund balance	 \$ <u>5,230,773</u>	 <u>6,713,337</u>

**CITY OF KODIAK, ALASKA**  
**Enhancement Fund Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2006**  
**(With Comparative Amounts for 2005)**

	2006		Variance Positive (Negative)	2005
	Budget	Actual		Actual
Revenues:				
Rental income	\$ 39,450	39,450	-	39,450
Investment income	120,000	106,349	(13,651)	270,281
Other revenue	-	26,000	26,000	26,000
Total revenues	159,450	171,799	12,349	335,731
Other financing sources (uses):				
Transfers in	330,000	299,736	(30,264)	101,644
Transfers out	(1,815,000)	(1,954,099)	(139,099)	(1,086,695)
Net other financing sources (uses)	(1,485,000)	(1,654,363)	(169,363)	(985,051)
Net change in fund balance	\$ <u>(1,325,550)</u>	(1,482,564)	<u>(157,014)</u>	(649,320)
Fund balance at beginning of year		6,713,337		7,362,657
Fund balance at end of year		\$ <u>5,230,773</u>		6,713,337



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## **CAPITAL PROJECT FUNDS**

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

### **General Capital Projects**

This fund is used to account for various small capital projects.

### **Street Improvements**

This fund accounts for major capital outlay and repair and improvements on streets and roads owned by the City.

### **Building Improvements**

This fund is used to account for the construction and improvements of buildings held by the City.

### **Parks and Recreation**

This fund is used to account for the construction and improvements of City-owned parks and recreational facilities.

**CITY OF KODIAK, ALASKA**  
 General Capital Projects Fund  
 Balance Sheet  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 1,219,654	151,325
Receivables:		
Grants	440,746	284,657
Interest	<u>7,932</u>	<u>-</u>
 Total assets	 \$ <u>1,668,332</u>	 <u>435,982</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	297,190	235,990
Fund balance - designated for capital projects	<u>1,371,142</u>	<u>199,992</u>
 Total liabilities and fund balance	 \$ <u>1,668,332</u>	 <u>435,982</u>

**CITY OF KODIAK, ALASKA**  
**General Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2006**  
**(With Comparative Amounts for 2005)**

	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
Intergovernmental	\$ 1,124,608	477,268
Investment income	<u>32,932</u>	<u>6,126</u>
Total revenues	<u>1,157,540</u>	<u>483,394</u>
<b>Expenditures:</b>		
Communications improvements	1,373,212	81,271
City land development	2,750	2,893
Municipal building feasibility study	280,040	253,993
Municipal airport plan	66,586	255,647
Financial software system	910	10,780
Comprehensive records management program	108,757	83,854
City wide safety analysis	37,357	33,316
Police department safety suite	44,000	-
Homeland security	<u>-</u>	<u>189,276</u>
Total expenditures	<u>1,913,612</u>	<u>911,030</u>
Excess of revenues over (under) expenditures	(756,072)	(427,636)
Other financing sources - transfers in	<u>1,927,222</u>	<u>100,000</u>
Net change in fund balance	1,171,150	(327,636)
Fund balance at beginning of year	<u>199,992</u>	<u>527,628</u>
Fund balance at end of year	\$ <u>1,371,142</u>	<u>199,992</u>

**CITY OF KODIAK, ALASKA**  
 Street Improvements Capital Project Fund  
 Balance Sheet  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 3,639,782	3,896,902
Receivables:		
Grants	-	433,700
Interest	<u>23,734</u>	<u>15,585</u>
Total assets	\$ <u>3,663,516</u>	<u>4,346,187</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	32,098	382,840
Customer deposits	<u>-</u>	<u>1,100</u>
Total liabilities	32,098	383,940
Fund balance - designated for capital projects	<u>3,631,418</u>	<u>3,962,247</u>
Total liabilities and fund balance	\$ <u>3,663,516</u>	<u>4,346,187</u>

**CITY OF KODIAK, ALASKA**  
**Street Improvements Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2006**  
**(With Comparative Amounts for 2005)**

	<u>2006</u>	<u>2005</u>
Revenues:		
Intergovernmental	\$ -	493,176
Investment income	110,206	118,360
Other income	1,100	-
Total revenues	<u>111,306</u>	<u>611,536</u>
Expenditures:		
Seleif Lane paving	16,480	717,386
Annual sidewalk, curb and gutter repair	40,242	51,659
Natalia Lane/Alder Lane	569,067	1,593,671
Annual asphalt repair	113	283,401
Upper Erskine Street improvements	-	680,318
Steller Way improvements	241,387	1,054,619
Pier II sidewalk extension	243	-
Maple Street	3,592	-
Street improvements	-	804,811
Other miscellaneous projects	11	96
Total expenditures	<u>871,135</u>	<u>5,185,961</u>
Excess of revenues over (under) expenditures	(759,829)	(4,574,425)
Other financing sources (uses):		
Transfers in	900,000	1,518,318
Transfers out	<u>(471,000)</u>	<u>(286,000)</u>
Net other financing sources (uses)	<u>429,000</u>	<u>1,232,318</u>
Net change in fund balance	(330,829)	(3,342,107)
Fund balance at beginning of year	<u>3,962,247</u>	<u>7,304,354</u>
Fund balance at end of year	\$ <u><u>3,631,418</u></u>	<u><u>3,962,247</u></u>

**CITY OF KODIAK, ALASKA**  
 Building Improvements Capital Project Fund  
 Balance Sheet  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u>314,546</u>	<u>350,230</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	-	32,823
Deferred revenue	<u>130,140</u>	<u>149,377</u>
Total liabilities	130,140	182,200
 Fund balance - designated for capital projects	 <u>184,406</u>	 <u>168,030</u>
 Total liabilities and fund balance	 \$ <u>314,546</u>	 <u>350,230</u>

**CITY OF KODIAK, ALASKA**  
**Building Improvements Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2006**  
**(With Comparative Amounts for 2005)**

	<u>2006</u>	<u>2005</u>
Revenues:		
Intergovernmental	\$ 19,237	42,703
Investment income	9,537	8,133
Other income	2,500	-
Total revenues	<u>31,274</u>	<u>50,836</u>
Expenditures:		
Building improvements	9,632	93,539
Museum building	20,266	-
Cemetery improvements	-	460
Total expenditures	<u>29,898</u>	<u>93,999</u>
Excess of revenues over (under) expenditures	1,376	(43,163)
Other financing sources - transfers in	<u>15,000</u>	<u>-</u>
Net change in fund balance	16,376	(43,163)
Fund balance at beginning of year	<u>168,030</u>	<u>211,193</u>
Fund balance at end of year	\$ <u>184,406</u>	<u>168,030</u>



**CITY OF KODIAK, ALASKA**  
Parks and Recreation Capital Project Fund  
Balance Sheet  
June 30, 2006  
(With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 337,709	245,793
Receivables - grants	<u>-</u>	<u>55,251</u>
 Total assets	 \$ <u>337,709</u>	 <u>301,044</u>
 <u>Liabilities and Fund Balance</u>		
 Liabilities - accounts payable	 4,979	 299
Fund balance - designated for capital projects	<u>332,730</u>	<u>300,745</u>
 Total liabilities and fund balance	 \$ <u>337,709</u>	 <u>301,044</u>

**CITY OF KODIAK, ALASKA**  
**Parks and Recreation Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2006**  
**(With Comparative Amounts for 2005)**

	<u>2006</u>	<u>2005</u>
Revenues:		
Intergovernmental	\$ 32,117	78,006
Investment income	9,412	6,848
Total revenues	<u>41,529</u>	<u>84,854</u>
Expenditures:		
Potato Patch Lake access	53,438	148,285
Playground equipment and improvements	1,156	-
Baranof facility	22,833	65,512
Parks and recreation equipment	-	73,579
Multi-sport field and track	32,117	-
Baranof storage building	-	7,906
Total expenditures	<u>109,544</u>	<u>295,282</u>
Excess of revenues over (under) expenditures	(68,015)	(210,428)
Other financing sources - transfers in	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	31,985	(110,428)
Fund balance at beginning of year	<u>300,745</u>	<u>411,173</u>
Fund balance at end of year	\$ <u>332,730</u>	<u>300,745</u>

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## **ENTERPRISE FUNDS**

### **Cargo Pier**

This fund accounts for all activities of the cargo pier.

### **Boat Harbor**

This fund accounts for all activities of smaller crafts and all boat harbors within the City limits.

### **Harbor Electric Utility**

This fund accounts for the electricity used at the City's harbors.

### **Water Utility**

This fund accounts for the distribution of water services.

### **Sewer Utility**

This fund accounts for the operation of the sewer distribution system.

### **Trident Basin**

This fund accounts for the seaplane moorage activities at the Trident Basin.

**CITY OF KODIAK, ALASKA**  
**Cargo Pier Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2006**  
(With Comparative Amounts for 2005)

	<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:			
Cash and investments		\$ 720,071	1,694,816
Receivables:			
Grants		250,000	1,979,576
Accounts		4,468	49,939
Interest		-	5,902
Total current assets		<u>974,539</u>	<u>3,730,233</u>
Property, plant and equipment:			
Improvements other than buildings		12,517,851	12,517,851
Building		9,502	9,502
Machinery and equipment		1,158,580	1,158,580
Construction in progress		7,490,512	3,825,621
Accumulated depreciation		<u>(12,580,361)</u>	<u>(12,038,879)</u>
Net property, plant and equipment		<u>8,596,084</u>	<u>5,472,675</u>
Total assets		<u>\$ 9,570,623</u>	<u>9,202,908</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable		11,424	48,330
Accrued payroll and related liabilities		6,969	16,822
Accrued annual and sick leave		25,374	23,796
Deferred revenue		22,361	-
Total current liabilities		<u>66,128</u>	<u>88,948</u>
Noncurrent liabilities - interfund loan payable		<u>-</u>	<u>1,200,000</u>
Total liabilities		<u>66,128</u>	<u>1,288,948</u>
Net assets:			
Invested in capital assets		8,596,084	5,472,675
Unrestricted		<u>908,411</u>	<u>2,441,285</u>
Total net assets		<u>9,504,495</u>	<u>7,913,960</u>
Total liabilities and net assets		<u>\$ 9,570,623</u>	<u>9,202,908</u>

**CITY OF KODIAK, ALASKA**  
 Cargo Pier Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Dockage	\$ 112,890	130,763
Wharfage	509,146	406,887
Pier III	281,485	271,951
Cruise ship	34,477	(2,556)
Rentals	<u>131,816</u>	<u>118,309</u>
Total operating revenues	<u>1,069,814</u>	<u>925,354</u>
Operating expenses:		
General and administrative:		
Salaries and benefits	249,959	234,969
Professional	1,674	7,248
Goods and services	60,449	52,047
Machinery and equipment	10,800	23,624
Interfund charges:		
Finance and administration	63,830	92,850
Public works services	66,690	63,590
Harbormaster services	<u>70,000</u>	<u>70,000</u>
Total general and administrative	<u>523,402</u>	<u>544,328</u>
Warehouse:		
Goods and services	14,987	13,511
Machinery and equipment	<u>12,205</u>	<u>-</u>
Total warehouse	<u>27,192</u>	<u>13,511</u>
Pier II:		
Goods and services	28,572	40,608
Utilities and fuel	16,174	11,220
Repairs and maintenance	82,655	2,060
Machinery and equipment	<u>4,613</u>	<u>2,122</u>
Total pier II	<u>132,014</u>	<u>56,010</u>

## CITY OF KODIAK, ALASKA

## Cargo Pier Enterprise Fund

## Statement of Revenues, Expenses and Changes in Net Assets, continued

	<u>2006</u>	<u>2005</u>
Operating expenses, continued:		
Pier III:		
Goods and services	\$ 6,677	2,459
Utilities and fuel	1,325	1,535
Repairs and maintenance	513,530	122,989
Machinery and equipment	43	27,690
Total pier III	<u>521,575</u>	<u>154,673</u>
Depreciation	<u>541,482</u>	<u>539,109</u>
Total operating expenses	<u>1,745,665</u>	<u>1,307,631</u>
Loss from operations	(675,851)	(382,277)
Nonoperating revenues:		
Investment income	36,748	49,816
State PERS relief	6,909	-
Total nonoperating revenues	<u>43,657</u>	<u>49,816</u>
Loss before contributions and transfers	(632,194)	(332,461)
Capital contributions	1,722,729	1,979,576
Transfers in	<u>500,000</u>	<u>635,000</u>
Change in net assets	1,590,535	2,282,115
Net assets at beginning of year	<u>7,913,960</u>	<u>5,631,845</u>
Net assets at end of year	\$ <u>9,504,495</u>	<u>7,913,960</u>

**CITY OF KODIAK, ALASKA**  
Cargo Pier Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2006  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,137,646	918,721
Payments for interfund services used	(200,520)	(226,440)
Payments to suppliers	(790,610)	(370,876)
Payments to employees	<u>(251,325)</u>	<u>(222,793)</u>
Net cash flows from operating activities	<u>(104,809)</u>	<u>98,612</u>
Cash flows from capital and related financing activities:		
Proceeds from interfund loan	-	1,200,000
Payments on interfund loan	(1,200,000)	-
Purchase of property, plant and equipment	(3,664,891)	(3,445,549)
Capital contributions received	3,452,305	-
Transfers in	<u>500,000</u>	<u>635,000</u>
Net cash flows from capital and related financing activities	<u>(912,586)</u>	<u>(1,610,549)</u>
Cash flows from investing activities - investment income received	<u>42,650</u>	<u>54,426</u>
Net decrease in cash and investments	(974,745)	(1,457,511)
Cash and investments at beginning of year	<u>1,694,816</u>	<u>3,152,327</u>
Cash and investments at end of year	\$ <u><u>720,071</u></u>	<u><u>1,694,816</u></u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(675,851)	(382,277)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	541,482	539,109
Noncash expense - PERS relief	6,909	-
(Increase) decrease in assets - accounts receivable	45,471	(6,633)
Increase (decrease) in liabilities:		
Accounts payable	(36,906)	(63,763)
Accrued payroll, leave and related liabilities	(8,275)	12,176
Deferred revenue	<u>22,361</u>	<u>-</u>
Net cash flows from operating activities	\$ <u><u>(104,809)</u></u>	<u><u>98,612</u></u>



**CITY OF KODIAK, ALASKA**  
 Cargo Pier Enterprise Fund  
 Schedule of Cargo Pier Capital Projects  
 Year Ended June 30, 2006

	<u>Pier II Reconstruction</u>	<u>Pier II Fencing</u>	<u>Total</u>
Funding sources:			
Grants	\$ 1,520,424	198,000	1,718,424
Cargo Pier Enterprise Fund	<u>1,950,943</u>	<u>138</u>	<u>1,951,081</u>
 Total funding sources	 \$ <u>3,471,367</u>	 <u>198,138</u>	 <u>3,669,505</u>
Expenditures:			
Salaries and benefits	10,519	-	10,519
Engineering and inspection	118,613	138	118,751
Construction and contractors	<u>3,342,235</u>	<u>198,000</u>	<u>3,540,235</u>
 Total expenditures	 \$ <u>3,471,367</u>	 <u>198,138</u>	 <u>3,669,505</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Net Assets  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and investments	\$ 6,089,550	5,625,919
Receivables:		
Grants	89,131	-
Accounts	69,005	37,009
Interest	39,373	22,510
Allowance for doubtful accounts	(15,647)	(15,647)
Prepaid expenses	6,526	608
Total current assets	<u>6,277,938</u>	<u>5,670,399</u>
Property, plant and equipment:		
Land	677,064	700,765
Buildings	1,523,154	1,523,154
Improvements other than buildings	25,283,894	25,898,894
Machinery and equipment	484,131	444,166
Construction in progress	274,653	30,050
Accumulated depreciation	<u>(15,929,075)</u>	<u>(15,409,756)</u>
Net property, plant and equipment	<u>12,313,821</u>	<u>13,187,273</u>
Total assets	\$ <u>18,591,759</u>	<u>18,857,672</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	72,635	38,273
Accrued payroll and related liabilities	23,414	71,470
Accrued annual and sick leave	60,081	50,400
Customer deposits	188,055	189,947
Total current liabilities	<u>344,185</u>	<u>350,090</u>
Net assets:		
Invested in capital assets	12,313,821	13,187,273
Unrestricted	<u>5,933,753</u>	<u>5,320,309</u>
Total net assets	<u>18,247,574</u>	<u>18,507,582</u>
Total liabilities and net assets	\$ <u>18,591,759</u>	<u>18,857,672</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Moorage	\$ 1,183,387	1,040,705
Pier and dock fees	161,147	145,923
Administrative fees to other funds	70,000	70,000
Other fees and charges	173,896	155,934
Rentals	14,161	14,021
Penalties and interest	14,349	10,798
Other	-	27,748
Total operating revenues	<u>1,616,940</u>	<u>1,465,129</u>
Operating expenses:		
Salaries and benefits	862,295	831,071
Professional	63,618	40,789
Contributions	20,225	18,759
Goods and services	259,153	313,512
Utilities and fuel	128,672	96,712
Administrative services	16,814	23,081
Machinery and equipment	10,695	8,889
Interfund charges:		
Finance and administration	63,830	92,850
Public works services	31,690	28,590
Engineering and inspection	25,000	25,000
Repairs and maintenance	60,374	39,468
Depreciation	842,194	877,231
Total operating expenses	<u>2,384,560</u>	<u>2,395,952</u>
Loss from operations	(767,620)	(930,823)
Nonoperating revenues (expenses):		
Investment income	181,141	119,463
Loss on disposal of asset	(23,701)	-
State PERS relief	25,553	-
Other	2,657	17,845
Net nonoperating revenues (expenses)	<u>185,650</u>	<u>137,308</u>
Loss before contributions and transfers	(581,970)	(793,515)
Capital contributions	114,087	656
Transfers in	500,000	1,000,000
Transfers out	<u>(292,125)</u>	<u>(635,000)</u>
Change in net assets	(260,008)	(427,859)
Net assets at beginning of year	<u>18,507,582</u>	<u>18,935,441</u>
Net assets at end of year	\$ <u>18,247,574</u>	<u>18,507,582</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,515,709	1,475,094
Receipts from interfund services provided	70,000	70,000
Payments for interfund services used	(120,520)	(146,440)
Payments to suppliers	(531,107)	(566,022)
Payments to employees	(875,117)	(804,536)
Net cash flows from operating activities	<u>58,965</u>	<u>28,096</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(284,568)	(30,050)
Transfers in	500,000	1,000,000
Transfers out	-	(635,000)
Capital contributions received	24,956	1,312
Net cash flows from capital and related financing activities	<u>240,388</u>	<u>336,262</u>
Cash flows from investing activities - investment income received	<u>164,278</u>	<u>114,154</u>
Net increase in cash and investments	463,631	478,512
Cash and investments at beginning of year	<u>5,625,919</u>	<u>5,147,407</u>
Cash and investments at end of year	\$ <u>6,089,550</u>	<u>5,625,919</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(767,620)	(930,823)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	842,194	877,231
Noncash expense - PERS relief	25,553	-
Other nonoperating revenues	2,657	17,845
(Increase) decrease in assets:		
Accounts receivable	(31,996)	12,012
Prepaid expenses	(5,918)	(608)
Increase (decrease) in liabilities:		
Accounts payable	34,362	(24,204)
Accrued payroll, leave and related liabilities	(38,375)	26,535
Customer deposits	(1,892)	50,108
Net cash flows from operating activities	\$ <u>58,965</u>	<u>28,096</u>
Noncash capital and related financing activities - transfer of property, plant and equipment at net book value to Trident Basin Enterprise Fund	\$ <u>(292,125)</u>	<u>-</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Schedule of Harbor Capital Projects  
 Year Ended June 30, 2006

	St. Herman <u>Harbor</u>	<u>600 Ton Lift</u>	<u>Total</u>
Funding sources:			
Grants	\$ -	114,087	114,087
Boat Harbor Enterprise Fund	<u>130,516</u>	<u>-</u>	<u>130,516</u>
 Total funding sources	 <u>\$ 130,516</u>	 <u>114,087</u>	 <u>244,603</u>
Expenditures:			
Salaries and benefits	681	3,825	4,506
Engineering and inspection	<u>129,835</u>	<u>110,262</u>	<u>240,097</u>
 Total expenditures	 <u>\$ 130,516</u>	 <u>114,087</u>	 <u>244,603</u>

**CITY OF KODIAK, ALASKA**  
 Harbor Electric Utility Enterprise Fund  
 Statement of Net Assets  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and investments	\$ 194,142	117,663
Accounts receivable	<u>14,401</u>	<u>17,593</u>
Total current assets	<u>208,543</u>	<u>135,256</u>
Property, plant and equipment - machinery and equipment	118,706	109,206
Accumulated depreciation	<u>(28,257)</u>	<u>(20,977)</u>
Net property, plant and equipment	<u>90,449</u>	<u>88,229</u>
Total assets	\$ <u>298,992</u>	<u>223,485</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	32,655	24,310
Customer deposits	<u>8,800</u>	<u>7,300</u>
Total current liabilities	<u>41,455</u>	<u>31,610</u>
Net assets:		
Invested in capital assets	90,449	88,229
Unrestricted	<u>167,088</u>	<u>103,646</u>
Total net assets	<u>257,537</u>	<u>191,875</u>
Total liabilities and net assets	\$ <u>298,992</u>	<u>223,485</u>

**CITY OF KODIAK, ALASKA**  
 Harbor Electric Utility Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Energy charges	\$ 406,406	325,921
Customer charges	116,021	78,125
Other operating revenue	<u>25,413</u>	<u>19,361</u>
Total operating revenues	<u>547,840</u>	<u>423,407</u>
Operating expenses:		
Salaries and benefits	41,169	36,835
Goods and services	439,555	417,181
Machinery and equipment	-	10,296
Depreciation	<u>7,280</u>	<u>7,281</u>
Total operating expenses	<u>488,004</u>	<u>471,593</u>
Earnings (loss) from operations	59,836	(48,186)
Nonoperating revenues:		
Investment income	4,436	2,407
State PERS relief	<u>1,390</u>	<u>-</u>
Total nonoperating revenues	<u>5,826</u>	<u>2,407</u>
Change in net assets	65,662	(45,779)
Net assets at beginning of year	<u>191,875</u>	<u>237,654</u>
Net assets at end of year	\$ <u>257,537</u>	<u>191,875</u>

**CITY OF KODIAK, ALASKA**  
 Harbor Electric Utility Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 552,532	474,871
Payments to suppliers	(431,210)	(427,203)
Payments to employees	<u>(39,779)</u>	<u>(36,835)</u>
Net cash flows from operating activities	<u>81,543</u>	<u>10,833</u>
Cash flows from capital and related financing activities -		
Purchase of property, plant and equipment	<u>(9,500)</u>	<u>-</u>
Cash flows from investing activities -		
investment income received	<u>4,436</u>	<u>2,407</u>
Net increase in cash and investments	76,479	13,240
Cash and investments at beginning of year	<u>117,663</u>	<u>104,423</u>
Cash and investments at end of year	\$ <u>194,142</u>	<u>117,663</u>
Reconciliation of earnings (loss) from operations to net cash provided (used) by operating activities:		
Earnings (loss) from operations	59,836	(48,186)
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:		
Depreciation	7,280	7,281
Noncash expense - PERS relief	1,390	-
Decrease in assets - accounts receivable	3,192	49,764
Increase in liabilities:		
Accounts payable	8,345	274
Customer deposits	<u>1,500</u>	<u>1,700</u>
Net cash flows from operating activities	\$ <u>81,543</u>	<u>10,833</u>



**CITY OF KODIAK, ALASKA**  
**Water Utility Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2006**  
(With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and investments	\$ 8,116,480	7,407,211
Receivables:		
Grants	382,455	1,028
Accounts	217,798	286,984
Interest	52,644	29,795
Allowance for doubtful accounts	(3,565)	(3,397)
Inventory	<u>228,606</u>	<u>164,845</u>
Total current assets	<u>8,994,418</u>	<u>7,886,466</u>
Noncurrent assets:		
Restricted cash and investments	221,450	259,875
Deferred charges, net of accumulated amortization	14,301	19,068
Property, plant and equipment:		
Land	2	2
Buildings	3,299,523	3,299,523
Improvements other than buildings	23,520,880	23,520,880
Machinery and equipment	272,633	220,270
Construction in progress	1,137,154	44,301
Accumulated depreciation	<u>(13,482,421)</u>	<u>(12,988,530)</u>
Net property, plant and equipment	<u>14,747,771</u>	<u>14,096,446</u>
Total noncurrent assets	<u>14,983,522</u>	<u>14,375,389</u>
Total assets	<u>\$ 23,977,940</u>	<u>22,261,855</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	764,007	136,869
Accrued payroll and related liabilities	13,757	38,425
Accrued annual and sick leave	23,505	17,767
Customer deposits	2,200	16,900
Accrued interest	12,238	12,238
Current portion of revenue bonds	<u>200,000</u>	<u>200,000</u>
Total current liabilities	<u>1,015,707</u>	<u>422,199</u>
Noncurrent liabilities:		
Unamortized bond premium	11,516	15,355
Revenue bonds, net of current portion	<u>420,000</u>	<u>620,000</u>
Total noncurrent liabilities	<u>431,516</u>	<u>635,355</u>
Total liabilities	<u>1,447,223</u>	<u>1,057,554</u>
Net assets:		
Invested in capital assets, net of related debt	14,130,556	13,280,159
Restricted for debt service	221,450	259,875
Unrestricted	<u>8,178,711</u>	<u>7,664,267</u>
Total net assets	<u>22,530,717</u>	<u>21,204,301</u>
Total liabilities and net assets	<u>\$ 23,977,940</u>	<u>22,261,855</u>

**CITY OF KODIAK, ALASKA**  
**Water Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2006**  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Sales and user charges	\$ 1,225,250	1,219,318
Meters	847,447	762,725
Other	23,636	21,511
Total operating revenues	<u>2,096,333</u>	<u>2,003,554</u>
Operating expenses:		
Salaries and benefits	504,223	477,989
Professional	24,243	25,931
Goods and services	58,848	138,859
Utilities and fuel	362,522	324,107
Machinery and equipment	74,514	12,515
Interfund charges:		
Finance and administration	118,260	135,980
Public works services	31,690	28,590
Repairs and maintenance	62,160	46,590
Depreciation	493,891	505,958
Total operating expenses	<u>1,730,351</u>	<u>1,696,519</u>
Earnings from operations	365,982	307,035
Nonoperating revenues (expenses):		
Investment income	230,986	152,520
Interest expense	(14,736)	(30,924)
Amortization of bond issuance costs	(4,767)	(4,767)
Ultraviolet light feasibility study	(6,130)	(39,984)
Rate study	(23,750)	(59,291)
Watershed plan update	(200)	(60,632)
State PERS relief	14,700	-
Net nonoperating revenues (expenses)	<u>196,103</u>	<u>(43,078)</u>
Earnings before contributions and transfers	562,085	263,957
Capital contributions	444,331	25,221
Transfers in	330,000	1,089,225
Transfers out	<u>(10,000)</u>	<u>(333,445)</u>
Change in net assets	1,326,416	1,044,958
Net assets at beginning of year	<u>21,204,301</u>	<u>20,159,343</u>
Net assets at end of year	\$ <u>22,530,717</u>	<u>21,204,301</u>

**CITY OF KODIAK, ALASKA**  
**Water Utility Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2006**  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,150,987	1,974,035
Payments for interfund services used	(149,950)	(164,570)
Payments to suppliers	(48,990)	(701,640)
Payments to employees	(508,453)	(469,989)
Net cash flows from operating activities	<u>1,443,594</u>	<u>637,836</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(200,000)	(195,000)
Interest paid on long-term debt	(18,575)	(22,524)
Purchase of property, plant and equipment	(1,145,216)	(70,223)
Capital contributions received	62,904	46,043
Transfers in	330,000	1,089,225
Transfers out	(10,000)	(333,445)
Net cash flows from capital and related financing activities	<u>(980,887)</u>	<u>514,076</u>
Cash flows from investing activities - investment income received	<u>208,137</u>	<u>136,571</u>
Net increase in cash and investments	670,844	1,288,483
Cash and investments at beginning of year	<u>7,667,086</u>	<u>6,378,603</u>
Cash and investments at end of year	\$ <u>8,337,930</u>	<u>7,667,086</u>
Reconciliation to Statement of Net Assets		
Cash and investments	8,116,480	7,407,211
Restricted cash and investments	<u>221,450</u>	<u>259,875</u>
	\$ <u>8,337,930</u>	<u>7,667,086</u>
Reconciliation of earnings from operations to net cash provided (used) by operating activities:		
Earnings from operations	365,982	307,060
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Increase (decrease) in allowance for doubtful accounts	168	(192)
Depreciation	493,891	505,958
Noncash expense - PERS relief	14,700	-
Other nonoperating expenses	(30,080)	(159,932)
(Increase) decrease in assets:		
Accounts receivable	69,186	(33,752)
Inventory	(63,761)	(16,133)
Increase (decrease) in liabilities:		
Accounts payable	627,138	22,427
Accrued payroll, leave and related liabilities	(18,930)	8,000
Customer deposits	(14,700)	4,400
Net cash flows from operating activities	\$ <u>1,443,594</u>	<u>637,836</u>

**CITY OF KODIAK, ALASKA**  
 Water Utility Enterprise Fund  
 Schedule of Water Utility Capital Projects  
 Year Ended June 30, 2006

		<u>Willow Street</u>
Funding sources:		
Grants	\$	444,331
Water Utility Enterprise Fund		<u>648,522</u>
Total funding sources	\$	<u>1,092,853</u>
Expenditures:		
Salaries and benefits		16,497
Engineering and inspection		140,737
Construction and contractors		<u>935,619</u>
Total expenditures	\$	<u>1,092,853</u>

**CITY OF KODIAK, ALASKA**  
**Sewer Utility Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2006**  
**(With Comparative Amounts for 2005)**

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and investments	\$ 1,144,930	1,091,847
Receivables:		
Grants	4,950	9,014
Accounts	175,407	184,612
Interest	13,228	7,560
Allowance for doubtful accounts	(2,958)	(2,820)
Inventory	14,389	16,476
Total current assets	<u>1,349,946</u>	<u>1,306,689</u>
Property, plant and equipment:		
Land	16,931	17,961
Buildings	19,008,010	19,008,010
Improvements other than buildings	16,370,666	16,370,666
Machinery and equipment	489,874	345,265
Accumulated depreciation	<u>(14,128,733)</u>	<u>(12,927,036)</u>
Net property, plant and equipment	<u>21,756,748</u>	<u>22,814,866</u>
Total assets	<u>\$ 23,106,694</u>	<u>24,121,555</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	43,257	94,113
Accrued payroll and related liabilities	17,933	56,364
Accrued annual and sick leave	48,856	43,839
Accrued interest	10,055	12,232
Current portion of loans payable	<u>201,097</u>	<u>201,097</u>
Total current liabilities	321,198	407,645
Noncurrent liabilities - loans payable, net of current portion	<u>1,809,876</u>	<u>2,010,973</u>
Total liabilities	<u>2,131,074</u>	<u>2,418,618</u>
Net assets:		
Invested in capital assets, net of related debt	19,745,775	20,602,796
Unrestricted	<u>1,229,845</u>	<u>1,100,141</u>
Total net assets	<u>20,975,620</u>	<u>21,702,937</u>
Total liabilities and net assets	<u>\$ 23,106,694</u>	<u>24,121,555</u>

**CITY OF KODIAK, ALASKA**  
 Sewer Utility Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Sewer charges	\$ 1,820,406	1,801,939
Septic truck fees	42,423	53,287
Lab testing fees	19,279	20,575
Total operating revenues	<u>1,882,108</u>	<u>1,875,801</u>
Operating expenses:		
Sewer department:		
Salaries and benefits	95,656	88,822
Professional	17,474	11,251
Goods and services	27,492	18,545
Repairs and maintenance	70,008	22,179
Administrative services	-	32
Machinery and equipment	-	3,723
Wastewater treatment:		
Salaries and benefits	559,907	551,499
Professional	142,986	136,624
Goods and services	155,577	180,199
Utilities and fuel	215,652	189,896
Machinery and equipment	6,463	24,597
Interfund services:		
Administrative	22,280	21,750
Finance and administration	95,980	114,230
Public works services	31,690	28,590
Depreciation	<u>1,201,697</u>	<u>1,198,412</u>
Total operating expenses	<u>2,642,862</u>	<u>2,590,349</u>
Loss from operations	(760,754)	(714,548)
Nonoperating revenues (expenses):		
Investment income	57,209	43,736
Interest expense	(34,519)	(52,451)
Infiltration/inflow study	(25,521)	(47,608)
State PERS relief	17,671	-
Other nonoperating revenues	9,627	28,026
Gain on disposal of equipment	8,970	-
Net nonoperating revenues (expenses)	<u>33,437</u>	<u>(28,297)</u>
Loss before contributions and transfers	(727,317)	(742,845)
Capital contributions	-	205,000
Transfers out	-	(1,374,098)
Change in net assets	(727,317)	(1,911,943)
Net assets at beginning of year	<u>21,702,937</u>	<u>23,614,880</u>
Net assets at end of year	<u>\$ 20,975,620</u>	<u>21,702,937</u>

**CITY OF KODIAK, ALASKA**  
**Sewer Utility Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2006**  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,901,078	1,894,001
Payments for interfund services used	(149,950)	(164,570)
Payments to suppliers	(709,942)	(582,367)
Payments to employees	<u>(671,306)</u>	<u>(616,207)</u>
Net cash flows from operating activities	<u>369,880</u>	<u>530,857</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(201,097)	(201,097)
Interest paid on loans	(36,696)	(60,329)
Purchase of property, plant and equipment	(144,609)	(204,999)
Proceeds on disposal of property, plant and equipment	10,000	-
Transfers out	-	(1,374,098)
Capital contributions received	<u>4,064</u>	<u>203,279</u>
Net cash flows from capital and related financing activities	<u>(368,338)</u>	<u>(1,637,244)</u>
Cash flows from investing activities - investment income received	<u>51,541</u>	<u>36,176</u>
Net increase (decrease) in cash and investments	53,083	(1,070,211)
Cash and investments at beginning of year	<u>1,091,847</u>	<u>2,162,058</u>
Cash and investments at end of year	\$ <u>1,144,930</u>	<u>1,091,847</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(760,754)	(714,548)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Increase (decrease) in allowance for doubtful accounts	138	(38)
Depreciation	1,201,697	1,198,412
Noncash expense - PERS relief	17,671	-
Other nonoperating revenues	9,627	28,026
Other nonoperating expenses	(25,521)	(47,608)
(Increase) decrease in assets:		
Accounts receivable	9,205	(9,788)
Inventory	2,087	(804)
Increase (decrease) in liabilities:		
Accounts payable	(50,856)	53,091
Accrued payroll, leave and related liabilities	<u>(33,414)</u>	<u>24,114</u>
Net cash flows from operating activities	\$ <u>369,880</u>	<u>530,857</u>

**CITY OF KODIAK, ALASKA**  
**Trident Basin Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2006**

Assets

Current assets:

Receivables:

Grants	\$ 31,709
Accounts	<u>3,071</u>
Total current assets	<u>34,780</u>

Property, plant and equipment:

Improvements other than buildings	615,000
Construction in progress	572,786
Accumulated depreciation	<u>(353,625)</u>
Net property, plant and equipment	<u>834,161</u>

Total assets	\$ <u>868,941</u>
--------------	-------------------

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accounts payable	21,240
Customer deposits	1,536
Due to other funds	<u>180,414</u>
Total current liabilities	<u>203,190</u>

Net assets:

Invested in capital assets	834,161
Unrestricted (deficit)	<u>(168,410)</u>
Total net assets	<u>665,751</u>

Total liabilities and net assets	\$ <u>868,941</u>
----------------------------------	-------------------



**CITY OF KODIAK, ALASKA**  
**Trident Basin Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2006**

Operating revenues:	
Moorage	\$ 9,828
Rentals	<u>9,963</u>
Total operating revenues	<u>19,791</u>
Operating expenses:	
Professional	37
Utilities and fuel	4,999
Interfund services:	
Finance and administration	21,680
Public works services	15,100
Depreciation	<u>30,750</u>
Total operating expenses	<u>72,566</u>
Loss from operations	(52,775)
Nonoperating revenues - investment income	<u>207</u>
Loss before contributions and transfers	(52,568)
Capital contributions	366,194
Transfers in	<u>352,125</u>
Change in net assets	665,751
Net assets at beginning of year	<u>-</u>
Net assets at end of year	\$ <u>665,751</u>

## CITY OF KODIAK, ALASKA

## Trident Basin Enterprise Fund

## Statement of Cash Flows

Year Ended June 30, 2006

Cash flows from operating activities:	
Receipts from customers and users	\$ 16,720
Payments for interfund services used	(36,780)
Payments to suppliers	<u>17,740</u>
Net cash flows from operating activities	<u>(2,320)</u>
Cash flows from capital and related financing activities:	
Purchase of property, plant and equipment	(572,786)
Transfers in	60,000
Increase in due to other funds	180,414
Capital contributions received	<u>334,485</u>
Net cash flows from capital and related financing activities	<u>2,113</u>
Cash flows from investing activities -	
investment income received	<u>207</u>
Net increase in cash and investments	-
Cash and investments at beginning of year	<u>-</u>
Cash and investments at end of year	\$ <u>-</u>
Reconciliation of loss from operations to net cash	
provided (used) by operating activities:	
Loss from operations	(52,775)
Adjustments to reconcile loss from operations	
to net cash flows from operating activities:	
Depreciation	30,750
Increase in assets - accounts receivable	(3,071)
Increase in liabilities:	
Accounts payable	21,240
Customer deposits	<u>1,536</u>
Net cash flows from operating activities	\$ <u>(2,320)</u>
Noncash capital and related financing activities - transfer	
of property, plant and equipment at net book value	
from Boat Harbor Enterprise Fund	\$ <u>292,125</u>

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Schedule of Trident Basin Capital Projects  
 Year Ended June 30, 2006

	<u>Seaplane Ramps</u>
Funding sources:	
Grants	\$ 366,194
Trident Basin Enterprise Fund	<u>206,592</u>
Total funding sources	\$ <u>572,786</u>
Expenditures:	
Salaries and benefits	4,465
Engineering and inspection	407,692
Construction and contractors	<u>160,629</u>
Total expenditures	\$ <u>572,786</u>

## **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.

### **Self-Insurance**

This fund is used to account for the purchase of insurance through a public risk pool and the subsequent payments of claims and insurance premiums.

### **PERS**

This fund is used to account for the accumulation of pension and other post employment benefits and corresponding payments to the Public Employees Retirement System.

**CITY OF KODIAK, ALASKA**  
 Internal Service Funds  
 Combining Statement of Net Assets  
 June 30, 2006

<u>Assets</u>	<u>Self- Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Current assets - cash and investments	\$ <u>1,487,766</u>	<u>816,831</u>	<u>2,304,597</u>
<u>Liabilities and Net Assets</u>			
Current liabilities - accounts payable	447	-	447
Noncurrent liabilities - net pension/OPEB obligation	<u>-</u>	<u>800,215</u>	<u>800,215</u>
Total liabilities	447	800,215	800,662
Net assets - unrestricted	<u>1,487,319</u>	<u>16,616</u>	<u>1,503,935</u>
Total liabilities and net assets	\$ <u>1,487,766</u>	<u>816,831</u>	<u>2,304,597</u>

**CITY OF KODIAK, ALASKA**  
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2006

	<u>Self- Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Operating revenues - charges for services	\$ <u>805,466</u>	<u>1,903,447</u>	<u>2,708,913</u>
Operating expenses:			
Insurance	559,911	-	559,911
Employee benefits	<u>-</u>	<u>1,555,956</u>	<u>1,555,956</u>
Total operating expenses	<u>559,911</u>	<u>1,555,956</u>	<u>2,115,867</u>
Earnings from operations	245,555	347,491	593,046
Nonoperating revenues - investment income	<u>36,204</u>	<u>16,616</u>	<u>52,820</u>
Change in net assets	281,759	364,107	645,866
Net assets (deficit) at beginning of year	<u>1,205,560</u>	<u>(347,491)</u>	<u>858,069</u>
Net assets at end of year	\$ <u>1,487,319</u>	<u>16,616</u>	<u>1,503,935</u>

**CITY OF KODIAK, ALASKA**  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2006

	<u>Self- Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 805,466	1,903,447	2,708,913
Payments to suppliers	<u>(559,464)</u>	<u>(1,212,788)</u>	<u>(1,772,252)</u>
Net cash flows from operating activities	246,002	690,659	936,661
 Cash flows from investing activities - investment income received	 <u>36,204</u>	 <u>16,616</u>	 <u>52,820</u>
Net increase in cash and investments	282,206	707,275	989,481
 Cash and investments at beginning of year	 <u>1,205,560</u>	 <u>109,556</u>	 <u>1,315,116</u>
 Cash and investments at end of year	 \$ <u>1,487,766</u>	 <u>816,831</u>	 <u>2,304,597</u>
 Reconciliation of earnings from operations to net cash provided (used) by operating activities:			
Earnings from operations	245,555	347,491	593,046
Adjustments to reconcile earnings from operations to net cash flows from operating activities:			
Increase in liabilities:			
Accounts payable	447	-	447
Net pension/OPEB obligation	<u>-</u>	<u>343,168</u>	<u>343,168</u>
Net cash flows from operating activities	\$ <u>246,002</u>	<u>690,659</u>	<u>936,661</u>

**CITY OF KODIAK, ALASKA**  
 Self-Insurance Internal Service Fund  
 Statement of Net Assets  
 June 30, 2006  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets - cash and investments	\$ <u>1,487,766</u>	<u>1,205,560</u>
 <u>Liabilities and Net Assets</u>  		
Current liabilities - accounts payable	447	-
Net assets - unrestricted	<u>1,487,319</u>	<u>1,205,560</u>
Total liabilities and net assets	\$ <u>1,487,766</u>	<u>1,205,560</u>



**CITY OF KODIAK, ALASKA**  
 Self-Insurance Internal Service Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues - charges for services	\$ 805,466	1,253,814
Operating expenses - insurance	<u>559,911</u>	<u>605,761</u>
Earnings from operations	245,555	648,053
Nonoperating revenues:		
Insurance refund	-	1,733
Investment income	<u>36,204</u>	<u>21,082</u>
Total nonoperating revenues	<u>36,204</u>	<u>22,815</u>
Change in net assets	281,759	670,868
Net assets at beginning of year	<u>1,205,560</u>	<u>534,692</u>
Net assets at end of year	\$ <u>1,487,319</u>	<u>1,205,560</u>

**CITY OF KODIAK, ALASKA**  
 Self-Insurance Internal Service Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2006  
 (With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 805,466	1,253,814
Receipts from insurance refund	-	1,733
Payments to suppliers	<u>(559,464)</u>	<u>(605,843)</u>
Net cash flows from operating activities	246,002	649,704
Cash flows from investing activities - investment income received	<u>36,204</u>	<u>21,082</u>
Net increase in cash and investments	282,206	670,786
Cash and investments at beginning of year	<u>1,205,560</u>	<u>534,774</u>
Cash and investments at end of year	\$ <u>1,487,766</u>	<u>1,205,560</u>
Reconciliation of earnings from operations to net cash provided (used) by operating activities:		
Earnings from operations	245,555	648,053
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Other nonoperating revenues	-	1,733
Increase (decrease) in liabilities - accounts payable	<u>447</u>	<u>(82)</u>
Net cash flows from operating activities	\$ <u>246,002</u>	<u>649,704</u>

**CITY OF KODIAK, ALASKA**  
**PERS Internal Service Fund**  
**Statement of Net Assets**  
**June 30, 2006**  
 (With Comparative Amounts for 2005)

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets - cash and investments	\$ <u>816,831</u>	<u>109,556</u>
 <u>Liabilities and Net Assets</u>  		
Noncurrent liabilities - net pension/OPEB obligation	800,215	457,047
Net assets - unrestricted (deficit)	<u>16,616</u>	<u>(347,491)</u>
Total liabilities and net assets	\$ <u>816,831</u>	<u>109,556</u>

**CITY OF KODIAK, ALASKA****PERS Internal Service Fund**

## Statement of Revenues, Expenses and Changes in Net Assets (Deficit)

Year Ended June 30, 2006

(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Operating revenues - charges for services	\$ 1,903,447	109,556
Operating expenses - employee benefits	<u>1,555,956</u>	<u>457,047</u>
Earnings (loss) from operations	347,491	(347,491)
Nonoperating revenues - investment income	<u>16,616</u>	<u>-</u>
Change in net assets	364,107	(347,491)
Net assets (deficit) at beginning of year	<u>(347,491)</u>	<u>-</u>
Net assets (deficit) at end of year	\$ <u>16,616</u>	<u>(347,491)</u>

**CITY OF KODIAK, ALASKA**  
**PERS Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2006**  
(With Comparative Amounts for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,903,447	109,556
Payments to suppliers	<u>(1,212,788)</u>	<u>-</u>
Net cash flows from operating activities	690,659	109,556
Cash flows from investing activities - investment income received	<u>16,616</u>	<u>-</u>
Net increase in cash and investments	707,275	109,556
Cash and investments at beginning of year	<u>109,556</u>	<u>-</u>
Cash and investments at end of year	\$ <u>816,831</u>	<u>109,556</u>
Reconciliation of earnings (loss) from operations to net cash provided (used) by operating activities:		
Earnings (loss) from operations	347,491	(347,491)
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities -		
Increase in liabilities - net pension/OPEB obligation	<u>343,168</u>	<u>457,047</u>
Net cash flows from operating activities	\$ <u>690,659</u>	<u>109,556</u>

## **FEDERAL AND STATE EXPENDITURES**

The schedules of expenditures of federal awards and state financial assistance itemize the sources of grant funds received by the City during the year and corresponding expenditures as required by Government Auditing Standards.

**CITY OF KODIAK, ALASKA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2006

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>July 1, 2005 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Grant Receipts</u>	<u>June 30, 2006 Receivable (Deferred)</u>
<b>Department of Interior</b>							
Historic Preservation of the Erskine House/Baranov Museum	02-01-05	15.904	\$ 250,000	(149,377)	19,237	-	(130,140)
<b>Department of Transportation</b>							
Kodiak Municipal Airport System Plan	AIP 3-02-0465-0104	20.106	363,196	96,343	57,526	144,594	9,275
Seaplane Ramp Phase I Design	AIP 3-02-0450-001-2005	20.106	356,804	-	356,804	329,790	27,014
Total Department of Transportation				96,343	414,330	474,384	36,289
<b>Department of Homeland Security</b>							
Passed Through the State of Alaska							
Department of Military and Veterans Affairs:							
Emergency Management Program	FFY 2005	97.042	17,500	13,125	4,375	17,500	-
Emergency Management Program	FFY 2006	97.042	17,500	-	12,811	8,750	4,061
Kenai Peninsula Borough Fall Flood Disaster ( federal Share)	FEMA 1445-DR-AK	97.036	3,260	-	3,260	3,260	-
Critical Infrastructure Protection	2003-MU-T3-0050	97.004	198,000	-	198,000	198,000	-
State Homeland Security Grant	35549	97.004	665,243	37,191	628,052	367,197	298,046
State Homeland Security Grant	2005-GE-T5-0031	97.073	296,000	-	257,657	129,010	128,647
Law Enforcement Terrorism Prevention	2005-GE-T5-0031	97.074	226,269	-	63,912	63,912	-
Total Department of Homeland Security				50,316	1,168,067	787,629	430,754
<b>Environmental Protection Agency</b>							
Passed Through the State of Alaska							
Department of Environmental Conservation:							
Monashka Dam Upgrade Phase II (75% federal)	50333	66.606	1,463,900	771	333,248	47,178	286,841
Infiltration/Inflow Study & Preliminary Design (75% federal)	50331	66.606	37,125	6,760	6,977	10,024	3,713
Total Environmental Protection Agency				7,531	340,225	57,202	290,554
<b>Department of Justice</b>							
Bulletproof Vest Partnership	02012514	16.607	11,545	(45)	291	-	246
COPS 2005 Technology Grant	2005 CKWX0244	16.710	98,664	-	98,664	98,664	-
Total Department of Justice				(45)	98,955	98,664	246
Total Federal Financial Assistance			\$	4,768	2,040,814	1,417,879	627,703

**CITY OF KODIAK, ALASKA**  
 Schedule of State Financial Assistance  
 Year Ended June 30, 2006

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2005 Reccivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2006 Reccivable (Deferred)</u>
<b>Department of Commerce, Community and Economic Development</b>						
* Marine Travel Lift	06-DC-134	\$2,000,000	-	114,087	24,956	89,131
Community Projects & Improvements	05-MG-022	41,839	-	9,239	9,239	-
Replacement Multi-Sport Field & Track	05-DC-074	100,000	-	32,117	32,117	-
* Shared Fisheries Business Tax	-	56,788	-	56,788	56,788	-
Total Department of Commerce, Community and Economic Development			-	212,231	123,100	89,131
<b>Department of Transportation &amp; Public Facilities</b>						
Trident Basin Airport, Kodiak FY05 Matching Grant	58887	9,390	-	9,390	4,695	4,695
Kodiak Municipal Airports FY04 AIP Matching Grant	58889	9,558	-	9,558	4,779	4,779
Highway Safety Grant Program	060503PT	25,570	-	21,095	-	21,095
Total Department of Transportation & Public Facilities			-	40,043	9,474	30,569
<b>Department of Administration</b>						
* State PERS relief	-	293,700	-	293,700	293,700	-
<b>Department of Environmental Conservation</b>						
Infiltration/Inflow Study & Preliminary Design (25% state)	50331	12,375	2,254	2,324	3,341	1,237
* Monashka Dam Upgrade Phase II (25% state)	50333	488,000	257	111,083	15,726	95,614
Total Department of Environmental Conservation			2,511	113,407	19,067	96,851
<b>Department of Revenue</b>						
Electric and Telephone Cooperative Tax	-	36,388	-	36,388	36,388	-
Aviation Fuel	-	5,576	-	5,576	5,576	-
* Fisheries Business Tax	-	655,636	-	655,636	655,636	-
Total Department of Department of Revenue			-	697,600	697,600	-
<b>Department of Education and Early Development</b>						
Public Library Assistance	PLA-06-702-44	6,200	-	6,200	6,200	-
Interlibrary Cooperation Grant	ILC-06-702-110	2,484	-	2,484	2,484	-
Staying Connected Matching Grant	ILC-06-702-194	1,300	-	1,300	1,300	-
Total Department of Education and Early Development			-	9,984	9,984	-
<b>Department of Military and Veterans Affairs</b>						
Local Emergency Planning Committee	06-16.03c11	17,800	-	17,800	11,796	6,004
Kenai Peninsula Borough Fall Flood Disaster (State Share)	FEMA 1445-DR-AK	1,045	-	1,045	1,045	-
Total Department of Military and Veterans Affairs			-	18,845	12,841	6,004
Total State Financial Assistance			\$ 2,511	1,385,810	1,165,766	222,555

\* Major program



## CITY OF KODIAK, ALASKA

### Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2006

#### Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of City of Kodiak and are presented on the modified accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

## **STATISTICAL SECTION**

## CITY OF KODIAK

Net Assets by Component  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 10,806,885	11,164,043	13,184,178	15,861,107	17,363,043
Restricted	-	-	-	-	-
Unrestricted	<u>22,058,706</u>	<u>22,489,743</u>	<u>22,046,319</u>	<u>18,351,673</u>	<u>17,069,035</u>
Total governmental activities net assets	\$ <u>32,865,591</u>	<u>33,653,786</u>	<u>35,230,497</u>	<u>34,212,780</u>	<u>34,432,078</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 52,027,076	51,792,843	51,589,299	52,631,132	55,710,846
Restricted	628,530	-	-	259,875	221,450
Unrestricted	<u>16,847,195</u>	<u>17,661,437</u>	<u>17,419,992</u>	<u>17,355,843</u>	<u>17,124,604</u>
Total business-type activities net assets	\$ <u>69,502,801</u>	<u>69,454,280</u>	<u>69,009,291</u>	<u>70,246,850</u>	<u>73,056,900</u>
Primary government					
Invested in capital assets, net of related debt	\$ 62,833,961	62,956,886	64,773,477	68,492,239	73,073,889
Restricted	628,530	-	-	259,875	221,450
Unrestricted	<u>38,905,901</u>	<u>40,151,180</u>	<u>39,466,311</u>	<u>35,707,516</u>	<u>34,193,639</u>
Total primary government activities net assets	\$ <u>102,368,392</u>	<u>103,108,066</u>	<u>104,239,788</u>	<u>104,459,630</u>	<u>107,488,978</u>

There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002..

**CITY OF KODIAK**  
Changes in Net Assets  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 1,237,263	1,674,970	1,783,346	1,968,566	2,244,270
Public Safety	4,041,480	4,167,480	4,476,289	4,971,607	5,054,994
Public Works	1,508,158	2,295,522	2,014,583	3,335,631	2,503,999
Engineering	272,670	263,998	147,284	157,750	215,981
Parks & Recreation	865,306	961,792	1,024,215	2,642,528	1,124,144
Library	548,829	622,544	645,675	638,789	639,399
Community service	718,320	336,314	399,985	282,011	262,834
Construction in progress	<u>1,196,614</u>	-	-	-	-
Total governmental activities expenses	<u>10,388,640</u>	<u>10,322,620</u>	<u>10,491,377</u>	<u>13,996,882</u>	<u>12,045,621</u>
Business-type activities:					
Cargo Pier	\$ 1,558,369	1,246,889	1,127,264	1,232,903	1,714,611
Boat Harbor	2,359,262	2,319,251	2,329,622	2,239,588	2,329,106
Harbor Electric	903,186	461,058	449,179	471,593	488,004
Water Utility	2,119,447	1,608,101	1,826,774	1,683,286	1,740,225
Sewer Utility	445,876	2,820,381	2,533,580	2,538,608	2,659,591
Trident Basin	-	-	-	-	67,105
Total business-type activities expenses	<u>7,386,140</u>	<u>8,455,680</u>	<u>8,266,419</u>	<u>8,165,978</u>	<u>8,998,642</u>
Total primary government expenses	<u>\$ 17,774,780</u>	<u>18,778,300</u>	<u>18,757,796</u>	<u>22,162,860</u>	<u>21,044,263</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 93,306	682,442	584,789	699,789	589,054
Public Safety	803,968	862,593	995,157	908,256	910,753
Public Works	579,528	151,727	938,371	376,077	395,490
Engineering	194,219	189,264	60,000	60,000	60,000
Parks & Recreation	94,490	110,903	101,114	97,895	117,795
Library	16,405	17,758	19,901	24,451	23,334
Community service	102,952	101,634	55,751	-	-
Operating grants and contributions	23,307	74,734	14,587	10,500	20,700
Capital grants and contributions	<u>177,336</u>	<u>190,467</u>	<u>634,174</u>	<u>1,394,878</u>	<u>1,265,164</u>
Total governmental activities program revenues	<u>2,085,511</u>	<u>2,381,522</u>	<u>3,403,844</u>	<u>3,571,846</u>	<u>3,382,290</u>
Business-type activities:					
Charges for services:					
Cargo Pier	\$ 1,835,099	792,974	874,720	925,354	1,069,814
Boat Harbor	1,855,910	1,183,714	1,114,408	1,465,129	1,616,940
Harbor Electric	680,462	456,923	442,330	423,407	547,840
Water Utility	1,102,429	1,917,796	1,955,759	2,003,579	2,096,333
Sewer Utility	463,421	1,864,475	1,856,773	1,875,801	1,882,108
Trident Basin	-	-	-	-	19,791
Operating grants and contributions	381,639	-	2,778	-	-
Capital grants and contributions	-	<u>1,307,715</u>	<u>707,191</u>	<u>2,210,453</u>	<u>2,647,341</u>
Total business-type activities program revenues	<u>6,318,960</u>	<u>7,523,597</u>	<u>6,953,959</u>	<u>8,903,723</u>	<u>9,880,167</u>
Total primary government program revenues	<u>\$ 8,404,471</u>	<u>9,905,119</u>	<u>10,357,803</u>	<u>12,475,569</u>	<u>13,262,457</u>
Net (expense)/revenue					
Governmental activities	\$ (8,303,129)	(7,941,098)	(7,087,533)	(10,425,036)	(8,663,331)
Business-type activities	<u>(1,067,180)</u>	<u>(932,083)</u>	<u>(1,312,460)</u>	<u>737,745</u>	<u>881,525</u>
Total primary government net expense	<u>\$ (9,370,309)</u>	<u>(8,873,181)</u>	<u>(8,399,993)</u>	<u>(9,687,291)</u>	<u>(7,781,806)</u>

**CITY OF KODIAK**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 635,692	638,092	618,751	630,567	632,495
Sales taxes	6,990,918	7,115,078	7,316,442	7,795,331	8,136,785
Other taxes, penalties and interest	118,216	126,079	121,082	171,318	2,246
Loss on disposal of assets	-	-	-	-	(213,435)
Grants and entitlements not restricted to a specific purpose	1,454,498	946,404	1,024,134	668,195	1,053,177
Investment income	1,086,768	583,096	183,015	509,793	402,339
Other	158,453	72,398		13,798	249,022
Transfers	<u>(642,000)</u>	<u>(437,000)</u>	<u>(470,000)</u>	<u>(381,683)</u>	<u>(1,380,000)</u>
Total governmental activities	<u>9,802,545</u>	<u>9,044,147</u>	<u>8,793,424</u>	<u>9,407,319</u>	<u>8,882,629</u>
Business-type activities:					
Grants and entitlements not restricted to a specific purpose	-	-	-	-	66,223
Loss on disposal of assets	-	-	-	-	(14,731)
Investment income	386,181	386,858	113,756	284,567	545,117
Other	147,030	(15,640)	283,715	(166,436)	(48,084)
Transfers	<u>642,000</u>	<u>437,000</u>	<u>470,000</u>	<u>381,683</u>	<u>1,380,000</u>
Total business-type activities	<u>1,175,211</u>	<u>808,218</u>	<u>867,471</u>	<u>499,814</u>	<u>1,928,525</u>
Total primary government	\$ <u>10,977,756</u>	<u>9,852,365</u>	<u>9,660,895</u>	<u>9,907,133</u>	<u>10,811,154</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 1,499,416	1,103,049	1,705,891	(1,017,717)	219,298
Business-type activities	<u>108,031</u>	<u>(123,865)</u>	<u>(444,989)</u>	<u>1,237,559</u>	<u>2,810,050</u>
Total primary government	\$ <u>1,607,447</u>	<u>979,184</u>	<u>1,260,902</u>	<u>219,842</u>	<u>3,029,348</u>

There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002.

**CITY OF KODIAK**  
**Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 67,727	1,535,196	876,022	24,109	4,410
Unreserved	<u>5,959,288</u>	<u>3,757,730</u>	<u>4,620,192</u>	<u>6,071,577</u>	<u>4,868,452</u>
Total General Fund	\$ <u>6,027,015</u>	<u>5,292,926</u>	<u>5,496,214</u>	<u>6,095,686</u>	<u>4,872,862</u>
All other governmental funds					
Reserved	\$ -	8,458,704	8,454,348	1,200,000	-
Unreserved, reported in:					
Special revenue funds	9,100,024	8,525,529	7,714,372	6,021,936	5,996,074
Capital project funds	<u>5,827,019</u>	<u>-</u>	<u>-</u>	<u>4,631,014</u>	<u>5,519,696</u>
Total other governmental funds	\$ <u>14,927,043</u>	<u>16,984,233</u>	<u>16,168,720</u>	<u>11,852,950</u>	<u>11,515,770</u>

There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002.

**CITY OF KODIAK**  
**Changes in Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Revenues</b>					
Taxes	\$ 7,740,939	7,879,249	8,056,275	8,551,379	8,929,890
Intergovernmental	1,427,806	1,211,605	1,672,895	1,815,685	2,249,839
Charges for services	1,125,387	1,237,887	1,150,469	1,169,988	1,204,864
Fines and forfeitures	-	19,180	36,890	44,770	55,934
Licenses and permits	44,628	38,063	54,758	58,319	43,064
Rental income	227,335	196,331	225,284	231,496	187,374
Interfund charges	714,853	616,410	516,477	662,020	605,160
Investment income	1,028,756	583,096	183,015	509,793	383,909
Special assessments	3,887	40,362	55,389	246,921	293,351
Other revenues (loss)	158,453	99,428	21,846	13,673	90,658
Total revenues	\$ <u>12,472,044</u>	<u>11,921,611</u>	<u>11,973,298</u>	<u>13,304,044</u>	<u>14,044,043</u>
<b>Expenditures</b>					
General government	\$ 1,220,408	1,306,947	1,447,188	1,542,525	1,790,557
Public safety	3,845,478	3,920,562	4,196,991	4,552,442	5,204,895
Public works	1,234,394	1,339,028	1,307,523	1,610,106	1,729,607
Engineering	269,282	246,621	142,789	168,871	216,394
Parks and recreation	745,949	771,511	903,068	850,848	950,291
Library	535,196	570,322	622,716	598,915	650,423
Community services	707,919	273,865	287,487	279,689	260,513
Other - insurance and administration	-	320,053	399,985	548,991	497,178
Capital outlay	1,196,614	1,932,581	3,307,776	6,486,272	2,924,189
Total expenditures	\$ <u>9,755,240</u>	<u>10,681,490</u>	<u>12,615,523</u>	<u>16,638,659</u>	<u>14,224,047</u>
Excess of revenues over (under) expenditures	2,716,804	1,240,121	(642,225)	(3,334,615)	(180,004)
<b>Other financing sources (uses)</b>					
Transfers in	3,191,937	3,683,891	3,652,752	3,346,892	3,512,057
Transfers out	(3,833,937)	(3,870,891)	(3,622,752)	(3,728,575)	(4,892,057)
Proceeds from sale of assets	-	7,700	-	-	-
Total other financing sources (uses)	<u>(642,000)</u>	<u>(187,000)</u>	<u>30,000</u>	<u>(381,683)</u>	<u>(1,380,000)</u>
Net change in fund balance	\$ <u>2,074,804</u>	<u>1,053,121</u>	<u>(612,225)</u>	<u>(3,716,298)</u>	<u>(1,560,004)</u>

There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002.

**CITY OF KODIAK**  
 General Governmental Tax Revenues By Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
1997	\$ 588,752	\$ 5,470,039	\$ 93,096	\$ 6,151,887
1998	578,175	6,495,755	91,129	7,165,059
1999	616,411	6,533,861	113,687	7,263,959
2000	584,528	7,182,194	115,185	7,881,907
2001	626,018	6,967,355	113,433	7,706,806
2002	635,692	6,990,918	101,795	7,728,405
2003	638,092	7,115,078	126,079	7,879,249
2004	618,751	7,316,442	109,243	8,044,436
2005	630,567	7,795,331	105,992	8,531,890
2006	632,495	8,136,785	133,781	8,903,061



**CITY OF KODIAK**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
1997	\$ 186,602,836	\$ 121,783,364	\$ 13,732,536	\$ 294,653,664	2.00	\$ 301,769,800	97.64%
1998	191,940,820	125,163,264	15,268,236	301,835,848	2.00	307,552,600	98.14%
1999	194,113,531	121,938,564	15,269,636	300,782,459	2.00	311,000,300	96.71%
2000	196,580,732	127,452,559	17,410,836	306,622,455	2.00	317,825,644	96.48%
2001	198,442,285	131,401,005	17,846,690	311,996,600	2.00	318,562,700	97.94%
2002	200,426,095	132,563,595	20,752,850	312,236,840	2.00	320,636,000	97.38%
2003	203,166,495	132,939,363	20,613,100	315,492,758	2.00	333,023,400	94.74%
2004	204,930,695	132,993,636	22,156,200	315,768,131	2.00	328,154,600	96.23%
2005	198,553,895	133,377,637	16,769,000	315,162,532	2.00	339,253,700	92.90%
2006	198,407,195	135,496,037	17,644,700	316,258,532	2.00	358,713,700	88.16%

Source: Kodiak Island Borough Assessing Department and the State of Alaska Department of Commerce & Economic Development  
Note: Property tax is calculated at full value as of January 1 of the tax year. Annually the Borough reports to the State the taxable value of property. The State then evaluates the report and adds in optionally exempted property to determine the Estimated Actual Taxable Value. The total Tax Rate is based on \$1,000 of assessed value.

**CITY OF KODIAK**  
 Property Tax Rates  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years  
 (per \$100 of Assessed Value)

Fiscal Year	City of Kodiak			Kodiak Island Borough			Total Direct & Overlapping Rates	
	Real Property Millage	Personal Property Millage	Total City Millage	Real Property Millage	Personal Property Millage	Total Borough Millage	Real Property	Personal Property
1997	2.00	0.00	2.00	6.75	6.75	13.50	8.75	6.75
1998	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
1999	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2000	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2001	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2002	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2003	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2004	2.00	0.00	2.00	9.25	9.25	18.50	11.25	9.25
2005	2.00	0.00	2.00	10.25	10.25	20.50	12.25	10.25
2006	2.00	0.00	2.00	11.00	11.00	22.00	13.00	11.00

Source: City of Kodiak records and Kodiak Island Borough records

## CITY OF KODIAK

## Top Ten Sales Tax Business Categories &amp; Principal Property Taxpayers

June 30, 2006

<u>Business Category</u>	2006		
	<u>Total Sales Receipts</u>	<u>Rank</u>	<u>Percentage of Total Sales Receipts</u>
Retail Sales	\$ 145,172,997	1	42.35%
Contracting	38,636,962	2	11.27%
Grocers	33,290,855	3	9.71%
Utilities	23,898,864	4	6.97%
Canneries	17,654,088	5	5.15%
Miscellaneous Services	10,296,258	6	3.00%
Bars	10,072,886	7	2.94%
Rentals	9,725,934	8	2.84%
Restaurants	7,701,626	9	2.25%
General Repair Service	<u>7,375,779</u>	10	<u>2.15%</u>
	\$ <u>303,826,249</u>		<u>88.63%</u>

<u>Taxpayer</u>	Percentage of Total Taxable Assessed		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Value</u>
Wal-Mart Real Estate Business Trust	\$ 7,934,200	1	2.52%
Mill Bay Plaza Associates, LTD	7,138,400	2	2.26%
International Seafoods of Alaska	6,485,600	3	2.06%
Western Alaska Fisheries	6,343,400	4	2.01%
Horizon Lines of Alaska	6,023,900	5	1.91%
Ocean Beauty Seafoods Inc.	5,634,200	6	1.79%
Trident Seafoods Corporation	5,368,500	7	1.70%
Kodiak Area Native Association	4,363,200	8	1.38%
North Pacific Seafoods	3,972,100	9	1.26%
Breachan Enterprises Inc.	<u>3,923,895</u>	10	<u>1.25%</u>
	\$ <u>57,187,395</u>		<u>18.15%</u>

Source: City of Kodiak records and Kodiak Island Borough records.

Note: Comparative business category taxpayers is not available until fiscal year 1998.

Note: Comparative principal property taxpayers for 1997 is not available because the first year the City of Kodiak started the principal property taxpayers list was fiscal year 2002.

**CITY OF KODIAK**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 589,307	\$ 588,752	99.91%	\$ -	\$ 588,752	99.91%
1998	603,672	578,175	95.78%	-	578,175	95.78%
1999	601,565	594,429	98.81%	21,982	616,411	102.47%
2000	613,245	590,713	96.33%	6,205	596,918	97.34%
2001	623,993	602,134	96.50%	20,533	622,667	99.79%
2002	624,485	614,242	98.36%	21,450	635,692	101.79%
2003	630,930	621,970	98.58%	18,122	640,092	101.45%
2004	626,232	616,172	98.39%	2,579	618,751	98.81%
2005	630,325	628,516	99.71%	2,051	630,567	100.04%
2006	632,517	623,763	98.62%	8,732	632,495	100.00%

**CITY OF KODIAK**  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Business-Type Activities</u>		<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>Revenue Bonds</u>	<u>Alaska Clean Water Fund Loan</u>		
1997	\$ 4,955,000	\$ -	3.1%	\$ 734
1998	4,465,000	-	2.9%	651
1999	3,955,000	-	2.4%	574
2000	3,420,000	-	2.0%	540
2001	2,870,000	3,016,458	3.5%	969
2002	2,290,000	2,815,361	3.0%	837
2003	1,675,000	2,614,264	2.5%	696
2004	1,015,000	2,413,167	1.9%	553
2005	820,000	2,212,070	1.6%	498
2006	620,000	2,010,973	NA	NA

Note: The 2006 population figure is not available until January 2007.

**CITY OF KODIAK**  
 Direct and Overlapping Debt  
 As of June 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Kodiak Revenue Bonds	\$ 620,000	100%	\$ 620,000
Kodiak Island Borough General Obligation Bonds	\$ 31,155,000	40%	\$ 12,335,114

Source: City of Kodiak records and Kodiak Island Borough records

**CITY OF KODIAK**  
Legal Debt Margin Information  
As of June 30, 2006

Assessed Value	\$ 333,903,232
Less Exempt Property	<u>(17,644,700)</u>
Total	\$ 316,258,532

The State of Alaska does not mandate a debt limit to its municipalities and political subdivisions. Debt capacity is ultimately determined by the voters and the marketplace.

Source: Kodiak Island Borough assessment reports

**CITY OF KODIAK**  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water Utility Revenue Bonds					
	Water Utility Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 1,772,498	\$ 955,325	\$ 817,173	\$ 130,000	\$ 11,120	5.79
1998	1,754,063	969,294	784,769	135,000	105,920	3.26
1999	1,913,085	1,067,419	845,666	140,000	100,250	3.52
2000	1,937,868	1,171,457	766,411	150,000	94,090	3.14
2001	1,844,466	1,281,907	562,559	155,000	87,265	2.32
2002	1,847,576	981,400	866,176	160,000	76,000	3.67
2003	1,917,796	908,158	1,009,638	170,000	68,135	4.24
2004	1,955,759	1,136,290	819,469	200,000	12,170	3.86
2005	2,003,554	1,190,561	812,993	195,000	24,475	3.70
2006	2,096,333	1,236,460	859,873	200,000	20,575	3.90

Operating expenses excludes depreciation.



**CITY OF KODIAK**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1997	6,749	\$ 159,980,094	\$ 25,832	2,809	11.1%
1998	6,859	156,034,213	27,198	2,897	9.0%
1999	6,893	163,954,960	28,263	2,815	7.7%
2000	6,334	168,954,477	29,636	2,798	8.6%
2001	6,076	170,108,974	27,928	2,750	11.2%
2002	6,100	168,070,000	29,927	2,828	11.2%
2003	6,161	169,690,463	32,384	2,697	10.2%
2004	6,194	179,615,748	32,616	2,696	10.3%
2005	6,088	185,356,421	34,446	2,701	8.8%
2006	6,088	NA	NA	2,736	8.7%

Source: State of Alaska, Department of Commerce, Community, and Economic Development and the Department of Labor, and Kodiak Island Borough School District.  
2006 population figures won't be released until January 2007.

**CITY OF KODIAK**  
Principal Employers  
Current Year

<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Kodiak Island Borough School District	441	1	8.20%
Trident Seafood Group	257	2	4.78%
Ocean Beauty Seafoods	201	3	3.74%
North Pacific Processors, Inc.	194	4	3.61%
International Seafoods	182	5	3.38%
City of Kodiak	159	6	2.95%
Global Seafoods	132	7	2.45%
Safeway Inc	129	8	2.40%
Kodiak Area Native Association	128	9	2.38%
Sisters of Providence	124	10	2.30%

Source: Kodiak Chamber of Commerce Quarterly Economic report and the  
State of Alaska Department of Labor.

Note: Comparative principal employers for 1997 is not available.

**CITY OF KODIAK**  
 Full-time Equivalent City Government Employees by Function  
 Last Five Fiscal Years

<b>Function</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government	12.0	12.0	11.0	12.5	12.5
Public Safety					
Police	36.0	36.0	36.0	36.0	35.0
Fire	12.5	12.5	12.5	12.5	12.5
Public Works	10.0	10.0	10.0	10.0	10.0
Parks and Recreation	6.0	6.0	5.0	5.0	5.0
Library	7.0	7.0	7.0	7.0	7.0
Engineering	4.0	4.0	3.0	3.0	3.0
Harbor	13.0	13.0	14.0	14.0	14.0
Water	6.0	6.0	6.0	6.0	6.0
Sewer	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>7.0</u>
Total	<u>114.5</u>	<u>114.5</u>	<u>112.5</u>	<u>114.0</u>	<u>112.0</u>

Note: Full-time equivalent employees are permanent employees.

There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002.

**CITY OF KODIAK**  
 Operating Indicators by Function  
 Last Five Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Function</b>					
<b>Police</b>					
Complaints Investigated	7,525	7,304	7,512	7,351	7,334
Motor vehicle collision reports	207	223	191	126	180
Bookings/admissions	887	1,045	1,027	900	1,000
Investigations conducted	142	233	172	240	264
911 calls received & services dispatched	785	906	865	900	910
<b>Fire</b>					
Fire response within 5 minutes	NA	NA	90%	90%	90%
EMS response within 5 minutes	NA	NA	90%	90%	90%
<b>Public Works</b>					
<b>Streets</b>					
Time spent on snow removal (man hours)	3,500	3,100	3,000	1,274	2,827
<b>Garage</b>					
Preventative maintenance checks	150	160	150	150	107
<b>Building inspection</b>					
Building permits issued	107	201	223	200	463
<b>Engineering</b>					
Projects completed on schedule & within budget	100%	100%	100%	100%	100%
<b>Parks and Recreation</b>					
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5
Teen center attendance	NA	17,058	17,453	16,283	11,245
Number of aquatic participants	NA	12,123	13,274	10,386	7,993
Ice rink attendance	NA	NA	6,654	10,362	10,000
<b>Library</b>					
Number of visitors	146,217	148,000	148,897	149,000	149,757
Number of materials withdrawn	4,177	2,500	4,225	3,500	2,111
<b>Harbor</b>					
Vehicle, boat and foot patrol hours	9,543	8,188	10,489	10,500	6,996
Number of owner accounts	4,100	2,490	2,229	2,400	1,543
<b>Water</b>					
All regulations met	Yes	Yes	Yes	Yes	Yes
<b>Sewer</b>					
Treatment standards met	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	Yes	Yes	Yes	Yes

Note: In 2005 the swimming pool had a 3 month emergency closure. The ice rink was new in 2004.  
 There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002.

**CITY OF KODIAK**  
**Capital Asset Statistics by Function**  
**Last Five Years**

<b>Function</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Police</b>					
Police stations	1	1	1	1	1
Police vehicles	26	25	23	22	21
<b>Fire</b>					
Fire stations	1	1	1	1	1
Fire vehicles	9	10	10	11	11
<b>Public Works</b>					
Streets (miles)	25.3	25.3	25.3	25.3	25.3
Runways (feet)	2,650	2,650	2,650	2,650	2,650
<b>Parks and Recreation</b>					
Number of parks/playgrounds	14	14	14	14	14
Teen center	1	1	1	1	1
Ice rink	0	0	1	1	1
<b>Library</b>					
Library	1	1	1	1	1
<b>Harbor</b>					
Number of harbors	2	2	2	2	2
Piers & docks	6	6	6	6	6
<b>Water</b>					
Water mains (miles)	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4
<b>Sewer</b>					
Sewer mains (miles)	44.0	44.0	44.0	44.0	44.0
Lift stations	18	18	20	20	20

There is no history in this format prior to the early implementation of GASB No. 34 in fiscal year 2002.

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# **SINGLE AUDIT SECTION**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council  
City of Kodiak, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kodiak, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Kodiak's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kodiak's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management and appropriate federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

October 13, 2006



Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council  
City of Kodiak, Alaska

Compliance

We have audited the compliance of City of Kodiak with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. City of Kodiak's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Kodiak's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kodiak's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Kodiak's compliance with those requirements.

In our opinion, the City of Kodiak complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Honorable Mayor and City Council  
City of Kodiak, Alaska

Internal Control Over Compliance

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

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

This report is intended solely for the information of the City Council, management and appropriate federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

October 13, 2006

**CITY OF KODIAK, ALASKA**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

**AUDIT RESULT**

**I. Summary of Auditor's Results:**

Financial Statements:

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified?

\_\_\_yes x no

- Reportable conditions identified that are not considered to be material weaknesses?

\_\_\_yes x none reported

Noncompliance material to financial statements noted?

\_\_\_ yes x no

Federal Awards:

Internal control over major programs:

- Material weaknesses identified?

\_\_\_yes x no

- Reportable conditions identified that are not considered to be material weaknesses?

\_\_\_yes x none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_yes x no

Major programs - Agency

CFDA Number

Program

Department of  
Homeland Security

97.004

State Homeland Security Grant

Department of  
Transportation

20.106

20.106

Kodiak Municipal Airport System Plan  
Seaplane Ramp Phase I Design

Dollar threshold used to distinguish between Type A and B programs

\$300,000

Low-risk auditee?

Yes

**II. Financial Statement Findings**

None noted

**III. Federal Awards Findings and Questioned Costs**

None noted

**CITY OF KODIAK, ALASKA**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2006

There were no prior year audit findings.

**CITY OF KODIAK, ALASKA**

Corrective Action Plan

Year Ended June 30, 2006

There are no current year findings; therefore no corrective action plan is required.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council  
City of Kodiak, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kodiak, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Kodiak's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kodiak's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management and appropriate state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

October 13, 2006

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

Honorable Mayor and City Council  
City of Kodiak, Alaska

Compliance

We have audited the compliance of City of Kodiak with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2006. City of Kodiak's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with the requirements of laws, regulations, contracts and grants, general requirements, and specific requirements applicable to each of its major state programs is the responsibility of City of Kodiak's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Kodiak's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Kodiak's compliance with those requirements.

In our opinion, the City of Kodiak complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2006.

Honorable Mayor and City Council  
City of Kodiak, Alaska

Internal Control Over Compliance

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

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

This report is intended solely for the information of the City Council, management and appropriate state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

October 13, 2006