

**CITY OF KODIAK, ALASKA**

Comprehensive Annual  
Financial Report

For the Year Ended June 30, 2007

Prepared by City of Kodiak Finance Department

# CITY OF KODIAK, ALASKA

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# **INTRODUCTORY SECTION**



CITY OF KODIAK  
POST OFFICE BOX 1397, KODIAK, ALASKA 99615

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December 21, 2007

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, 2007. 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, 2007, 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, 2007. 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.

## **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 250 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 2006 the estimated population of the Kodiak Region was 13,506 with a population of 5,937 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, 1965. 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 the Kodiak Island Borough's Service District #1 located outside the City.

The City Council also 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 early 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 May 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 after the public hearing 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 through June 30. Throughout the year, it is customary for the City Council to review and 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 provides 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 a portion of this liability. The City has been able to maintain a stable workforce without increasing the number of 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 a mainstay of Kodiak's fisheries. Because of the cyclic nature of the salmon fishery the volume and value of Kodiak's salmon catch varies greatly from year to year. Increased competition in world markets had driven salmon prices to 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 seen some growth over the past five years.

As is true elsewhere in Alaska, Kodiak's visitor industry is primarily 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; 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 of Alaska.

## **AEROSPACE INDUSTRY**

The mission of the Alaska Aerospace Development Corporation (AADC) includes 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 the 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. Additional support structures have been constructed in recent years. KLC is designed to handle small to medium sized rockets used to launch low-earth satellites, as well as military, scientific and research missions.

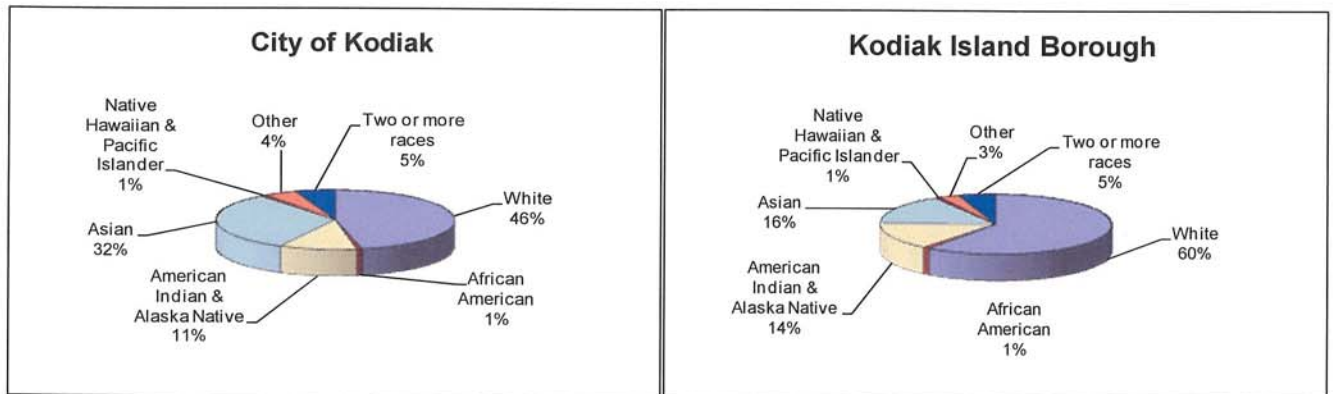
According to the independent research and consulting firm Information Insights, Inc., in 2004 AADC spending generated approximately \$20 million impact on the Kodiak economy - \$16.3 million from purchases and hospitality, and \$3.6 million in payroll. AADC spent \$6 million in the direct purchase of 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 2006 estimated population of the City of Kodiak is 5,937. The City of Kodiak is the eighth largest city in Alaska, in terms of population. It ranks behind Anchorage, Juneau, Fairbanks, Sitka, Ketchikan, Kenai, and Wasilla 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

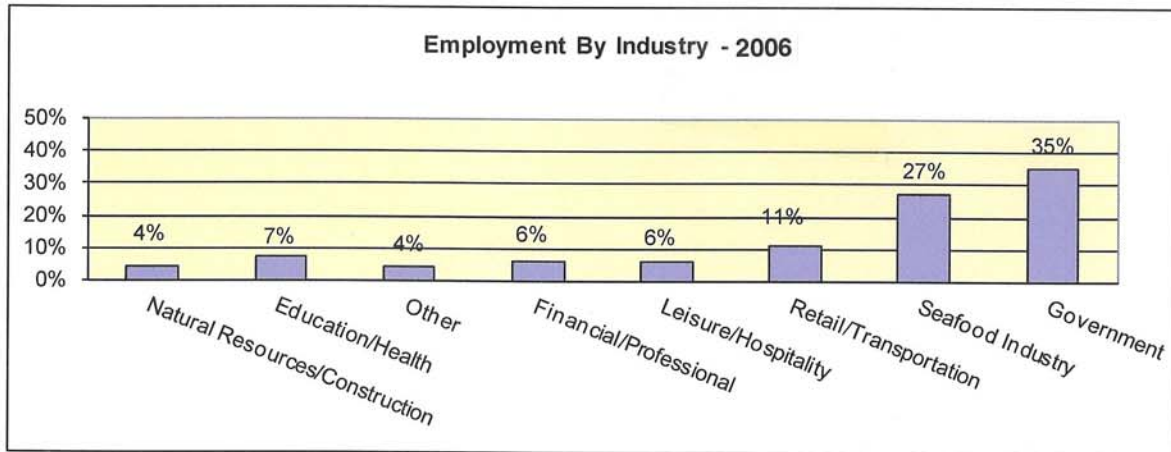


## LABOR FORCE

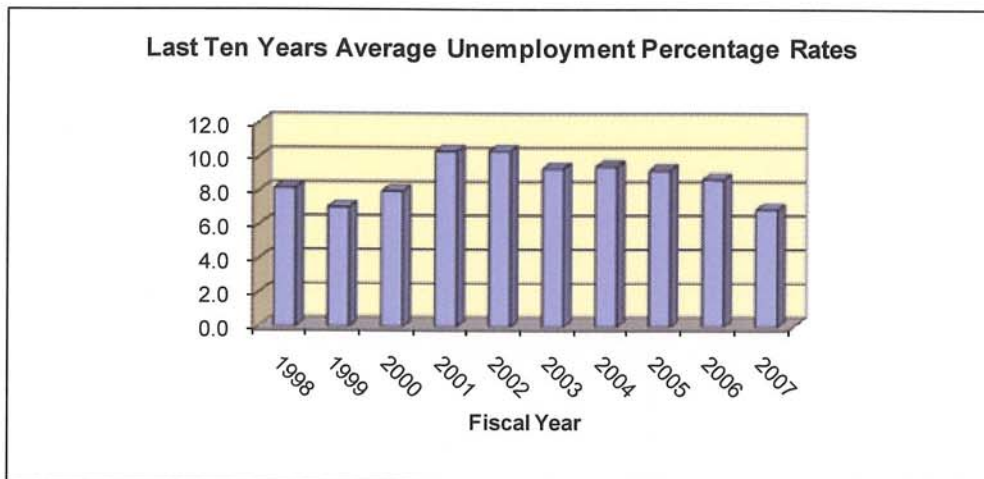
In 2006, the State of Alaska estimated the Kodiak region's average monthly employment to be 5,597, excluding fish harvesting and the U.S. Coast Guard. This figure more accurately depicts the number of full and part-time jobs as opposed to the number of actual workers.

The U.S. Coast Guard and other government entities are the dominant industry, in terms of non-fishery employment with 35% of the total. The seafood industry (only includes seafood processing employment and not fish harvesting employment) is the next largest employment sector, based on government data which is limited 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 2006.



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 processing 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 5.4% to as high as 10.4%. The average to date unemployment rate for Kodiak in fiscal year 2007 is 6.9%.





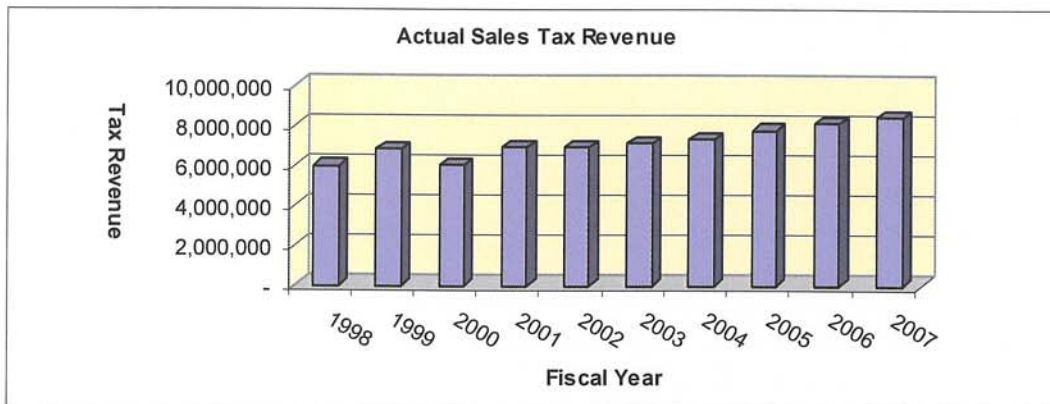
## INCOME

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 decreased approximately 10% to 12%. Retail sales have increased significantly since the opening of the Wal-Mart store in the spring of 1999.

Sales Tax revenue has increased from \$5.4 million in 1997 to over \$8 million in 2007. 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 2008 has been projected at \$8.2 million.



## LONG-TERM FINANCIAL PLANNING

- Develop expenditure habits based on anticipated revenues.
- Minimize disruption to community services.
- Minimize disruption to the workforce.
- Create long-term financial and programmatic stability.
- Focus on impacts of budget decisions and use of fund balance to maintain program levels.
- Assess the long-term effects of the Public Employees Retirement System (PERS) unfunded liability.

- Reduce expenses related to accidents by keeping employee safety a high priority.
- Maintain the economy, environment, and the community to create a balance and sustainable atmosphere for the City of Kodiak.
- Review and implement rate studies to ensure proper fee structures for all services.

## **MAJOR INITIATIVES**

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

- New Police Station – including regional dispatch and jail (Cost estimate - \$15,000,000)
- New Fire Hall (Cost estimate \$15,000,000)
- New Library Building – (Cost estimate - \$12,000,000)
- New Ferry Terminal – funding for this project has been secured by the Alaska State Department of Transportation (Cost estimate - \$7,500,000)
- Complete Trident Basin Seaplane Improvements – secured funding with project nearly completed (Cost estimate - \$4,600,000)
- 600 Ton Marine Lift and Boat Yard - secured funding (Cost estimate – \$13,000,000)
- Continued implementation of comprehensive sewer and water system improvements – including the Aleutian Homes Phase II – (Cost estimate - \$3,000,000), and downtown Phase II – (Cost estimate - \$800,000)
- St. Herman Inner Harbor – Replacement of M and P Floats - (Cost estimate \$9,300,000)
- Ultraviolet (UV) Secondary Water Treatment Facility. (Cost estimate - \$10,000,000)
- Baronof Park Improvements – (Cost estimate - \$5,000,000)
- Mill Bay Road Rehabilitation – (Cost estimate - \$1,500,000)

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 some 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 2007 was \$25,458,400. The City earned interest income during fiscal year 2007 at an average annual rate of return of 4.3%.

### **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 and, has joined a risk management pool. 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 both a defined benefit and a defined contribution, multiple-employer public employee retirement system that covers both State and Local Government employees. The plan was established and is administered by 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, 2006. This was the fifth 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, 2007. 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 must also 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



Mary C. Munk  
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	mayor@city.kodiak.ak.us	907.486.5142
Charles E. Davidson	Council Member	council@city.kodiak.ak.us	907.486.3896
Dennis McMurry	Council Member	council@city.kodiak.ak.us	907.486.5528
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	council@city.kodiak.ak.us	907.486.6485
Mary A. Monroe	Council Member	council@city.kodiak.ak.us	907.486.5367

**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, 2006

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.

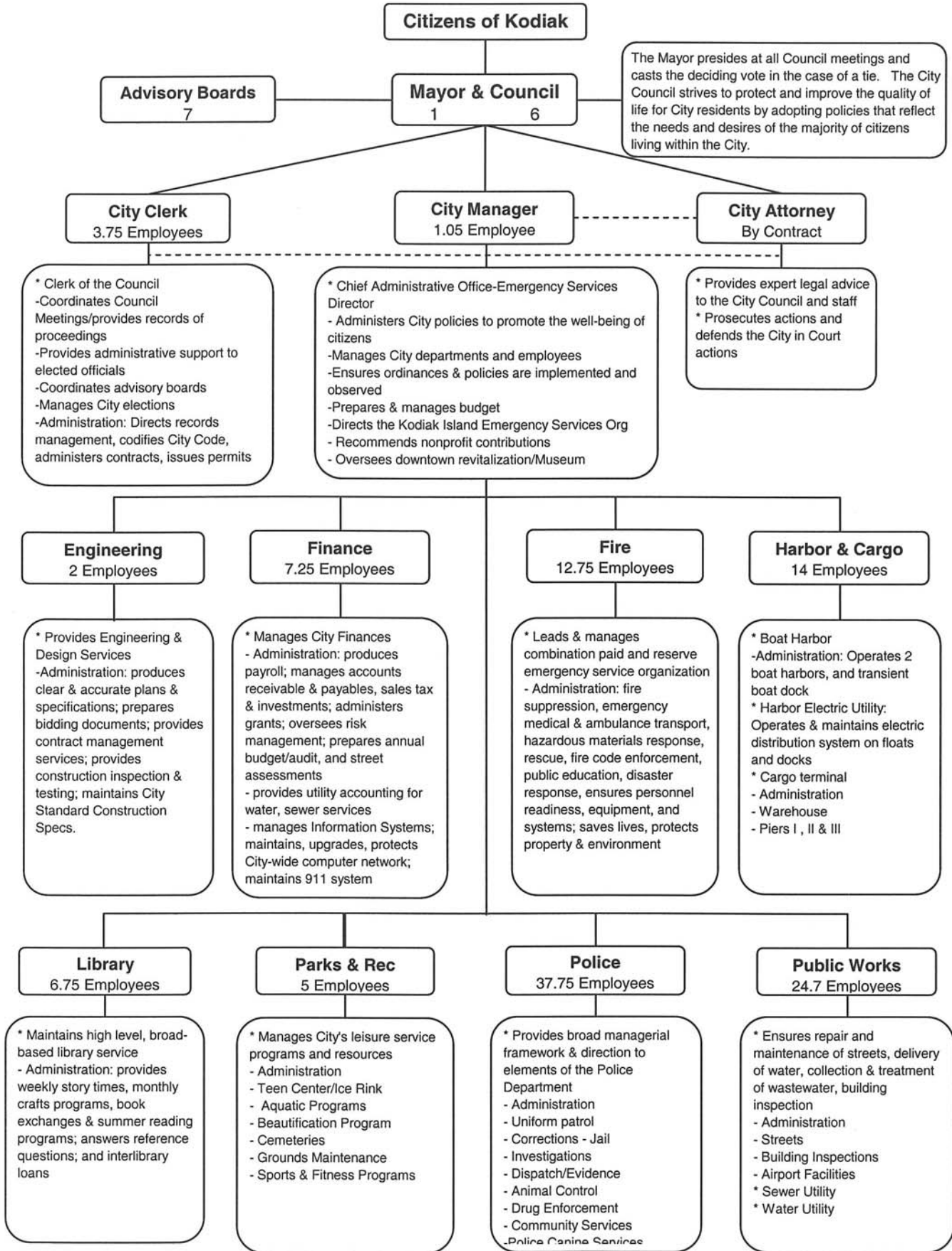


President



Executive Director

# CITY OF KODIAK ORGANIZATIONAL CHART



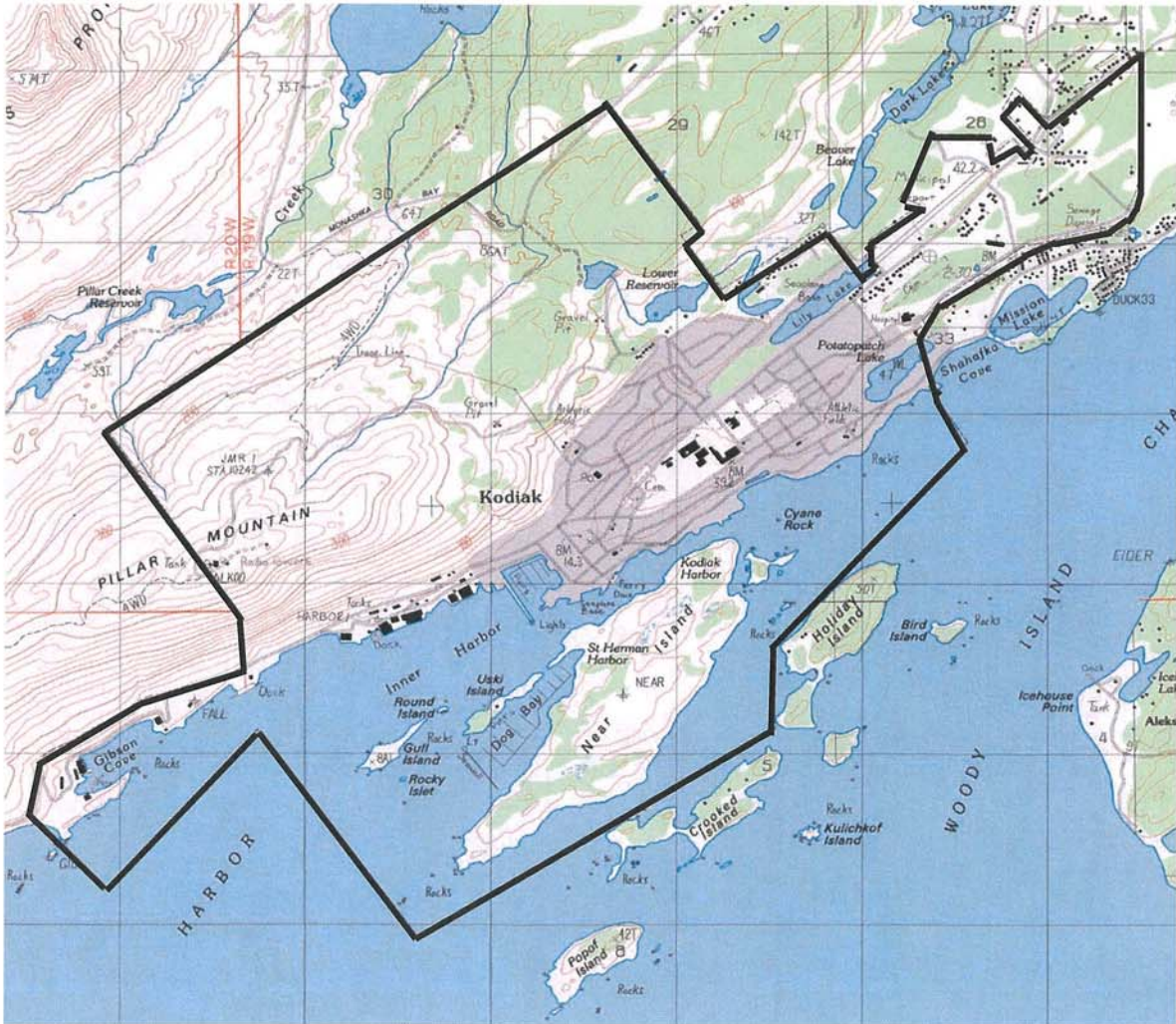
# ALASKA - KODIAK ISLAND - CITY OF KODIAK



**CITY OF KODIAK**



# CITY OF KODIAK - CITY LIMITS



City - 6.2 square miles

**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, 2007 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, 2007, 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 December 14, 2007, 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.*

Anchorage, Alaska  
December 14, 2007

**MANAGEMENT DISCUSSION**  
**& ANALYSIS**



# CITY OF KODIAK, ALASKA

## Management's Discussion and Analysis

June 30, 2007

As management of the City of Kodiak, we offer readers of the City of Kodiak's financial statements this narrative overview and analysis of the financial activities of the City of Kodiak for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-XI of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Kodiak exceeded its liabilities at the close of the most recent fiscal year by \$110,666,846 (*net assets*). Of this amount, \$32,281,614 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$3,177,868. The majority of this increase occurred in business-type activities due to an increase in capital grants.
- As of the close of fiscal year 2007, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,395,740, an increase of \$7,108 in comparison with the prior year. Approximately 56% of this total amount, \$9,271,452, is available for spending at the government's discretion (*unreserved and undesignated fund balance*).
- Total general revenues and transfers accounted for \$12,640,224 or 45% 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 \$15,393,726 or 55% of total revenues of \$28,033,950.
- At the end of fiscal year 2007, unreserved, undesignated fund balance for the General Fund was \$5,129,603, or 39% of total General Fund expenditures and transfers of \$13,148,205.
- The City of Kodiak's total debt decreased by \$1,101 during fiscal year 2007. The decrease was primarily due to the payments on a revenue bond and loan payable in business type activities in the amount of (\$401,097) and an increase in the net pension obligation in governmental type activities in the amount of \$353,700. In October 2006, voters approved an \$8 million general obligation bond to be used to finance the design and construction of a new public safety building. As of June 30, 2007, the bond had not been issued.

### 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 17-18 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, and Special Assessments Special Revenue Fund, both 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 Insurance Fund and the PERS Obligation Fund.
  - The basic proprietary fund financial statements can be found on pages 24-26 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 27-46 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 41-45 of this report.
    - The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 48-49. Other combining and individual fund statements and schedules can be found on pages 52-110 of this report.

## Government-wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

**Table 1**

### **Net Assets of Governmental and Business-type Activities**

	Governmental Type Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
	Assets:					
Current assets	\$ 19,451,116	20,116,755	17,793,055	18,075,915	37,244,171	38,192,670
Capital assets	<u>18,423,911</u>	<u>17,363,043</u>	<u>61,967,890</u>	<u>58,339,034</u>	<u>80,391,801</u>	<u>75,702,077</u>
Total assets	<u>37,875,027</u>	<u>37,479,798</u>	<u>79,760,945</u>	<u>76,414,949</u>	<u>117,635,972</u>	<u>113,894,747</u>
Liabilities:						
Current liabilities	533,049	1,670,683	2,263,674	557,744	2,796,723	2,228,427
Long-term liabilities	<u>1,797,560</u>	<u>1,377,037</u>	<u>2,374,843</u>	<u>2,800,305</u>	<u>4,172,403</u>	<u>4,177,342</u>
Total liabilities	<u>2,330,609</u>	<u>3,047,720</u>	<u>4,638,517</u>	<u>3,358,049</u>	<u>6,969,126</u>	<u>6,405,769</u>
Net assets:						
Invested in capital assets	18,423,911	17,363,043	59,739,871	55,710,846	78,163,782	73,073,889
Restricted	-	-	221,450	221,450	221,450	221,450
Unrestricted	<u>17,120,507</u>	<u>17,069,035</u>	<u>15,161,107</u>	<u>17,124,604</u>	<u>32,281,614</u>	<u>34,193,639</u>
Total net assets	<u>\$ 35,544,418</u>	<u>34,432,078</u>	<u>75,122,428</u>	<u>73,056,900</u>	<u>110,666,846</u>	<u>107,488,978</u>

As previously stated, the government's net assets increased by \$3,177,868 during fiscal year 2007. In the case of the City of Kodiak, assets exceeded liabilities by \$110,666,846, at the close of the fiscal year 2007. 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.

By far the largest portion of the City of Kodiak's net assets (70%) reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Kodiak uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kodiak's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Kodiak's net assets (less than 1%) represents resources that are subject to external restrictions on how they may be used. Certain covenants of the revenue bond require the establishment of bond redemption and reserve accounts which makes up this restricted amount. The remaining balance of unrestricted net assets (29%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of fiscal year 2007, 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 \$4,029,025 in invested in capital assets net of related debt in connection with the City of Kodiak's business-type activities. This was due to large projects in the Cargo Fund, the Water Fund and the Trident Basin Improvement Fund. Additionally there was an increase of \$1,060,868 in invested in capital assets net of related debt in connection with the City of Kodiak's governmental activities. This was due to large projects in the Street Improvement Fund.

The government's total net assets increased by \$3,177,868 during fiscal year 2007. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. It can be attributable to increases in investment income, grants and rate increases.

Total net assets have increased over the past five 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 has adjusted to lower funding from the State of Alaska.

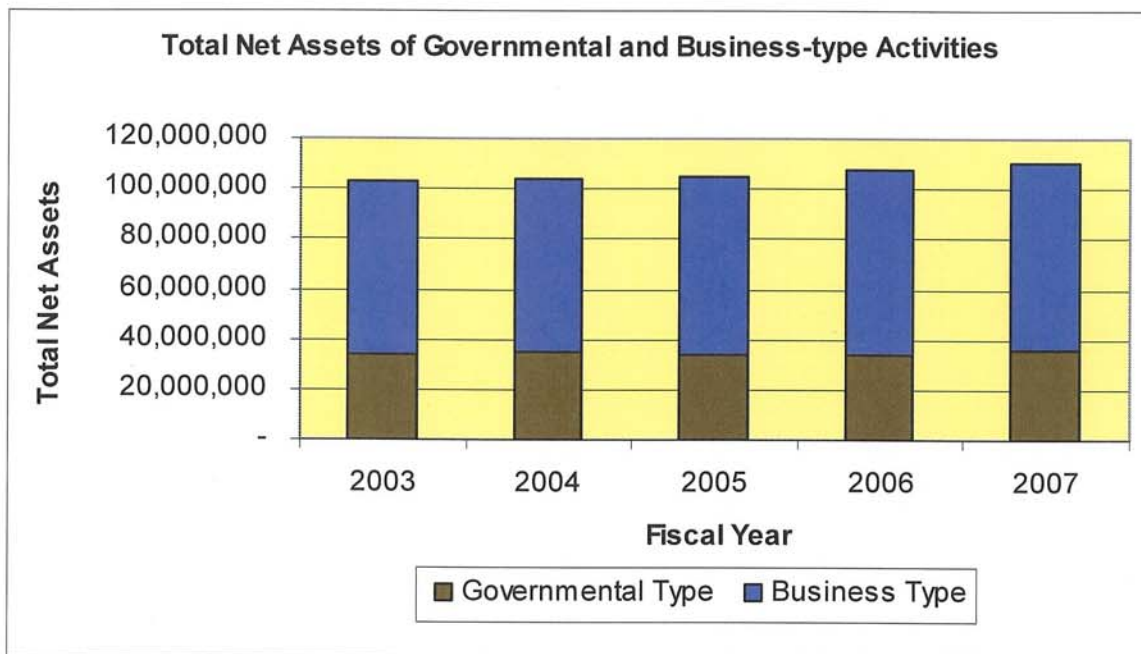


Table 2, on the next page, shows the changes in net assets for fiscal years 2007 and 2006 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak's net assets by \$2,065,528, and the increase in the governmental activities was in the amount of \$1,112,340.

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

	Year Ended June 30, 2007			Year Ended June 30, 2006		
	Governmental Activities	Business - Type Activities	Total	Governmental Activities	Business - Type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,163,712	8,064,822	10,228,534	2,096,426	7,232,826	9,329,252
Operating grants and contributions	12,700	-	12,700	20,700	-	20,700
Capital grants and contributions	<u>520,832</u>	<u>4,631,660</u>	<u>5,152,492</u>	<u>1,265,164</u>	<u>2,647,341</u>	<u>3,912,505</u>
Total program revenues	<u>2,697,244</u>	<u>12,696,482</u>	<u>15,393,726</u>	<u>3,382,290</u>	<u>9,880,167</u>	<u>13,262,457</u>
General revenues:						
Property taxes	632,102	-	632,102	632,495	-	632,495
Sales taxes	8,465,804	-	8,465,804	8,136,785	-	8,136,785
Other taxes, penalties and interest	125,284	-	125,284	2,246	-	2,246
Grants not restricted	1,387,466	-	1,387,466	1,053,177	66,223	1,119,400
Investment income	946,861	856,379	1,803,240	402,339	545,117	947,456
Loss on sale of assets	-	-	-	(213,435)	(14,731)	(228,166)
Miscellaneous	<u>172,748</u>	<u>53,580</u>	<u>226,328</u>	<u>249,022</u>	<u>(48,084)</u>	<u>200,938</u>
Total general revenues	<u>11,730,265</u>	<u>909,959</u>	<u>12,640,224</u>	<u>10,262,629</u>	<u>548,525</u>	<u>10,811,154</u>
Total revenues	<u>14,427,509</u>	<u>13,606,441</u>	<u>28,033,950</u>	<u>13,644,919</u>	<u>10,428,692</u>	<u>24,073,611</u>
<b>Expenses:</b>						
General government	2,328,195	-	2,328,195	2,244,270	-	2,244,270
Public safety	5,384,713	-	5,384,713	5,054,994	-	5,054,994
Public works	1,825,719	-	1,825,719	2,503,999	-	2,503,999
Engineering	167,571	-	167,571	215,981	-	215,981
Parks & recreation	1,099,535	-	1,099,535	1,124,144	-	1,124,144
Library	669,518	-	669,518	639,399	-	639,399
Community service	213,032	-	213,032	262,834	-	262,834
Cargo pier	-	1,796,372	1,796,372	-	1,714,611	1,714,611
Boat harbor	-	2,397,171	2,397,171	-	2,329,106	2,329,106
Harbor electric	-	640,125	640,125	-	488,004	488,004
Water	-	2,893,352	2,893,352	-	1,740,225	1,740,225
Sewer	-	5,288,305	5,288,305	-	2,659,591	2,659,591
Trident basin	-	152,474	152,474	-	67,105	67,105
Total expenses	<u>11,688,283</u>	<u>13,167,799</u>	<u>24,856,082</u>	<u>12,045,621</u>	<u>8,998,642</u>	<u>21,044,263</u>
Increase in net assets before transfers	2,739,226	438,642	3,177,868	1,599,298	1,430,050	3,029,348
Transfers	<u>(1,626,886)</u>	<u>1,626,886</u>	<u>-</u>	<u>(1,380,000)</u>	<u>1,380,000</u>	<u>-</u>
Change in net assets	1,112,340	2,065,528	3,177,868	219,298	2,810,050	3,029,348
Net assets, beginning of year	<u>34,432,078</u>	<u>73,056,900</u>	<u>107,488,978</u>	<u>34,212,780</u>	<u>70,246,850</u>	<u>104,459,630</u>
Net assets, end of year	<u>\$ 35,544,418</u>	<u>75,122,428</u>	<u>110,666,846</u>	<u>34,432,078</u>	<u>73,056,900</u>	<u>107,488,978</u>

## Governmental Activities

Governmental activities increased the City of Kodiak's net assets by \$1,112,340, thereby accounting for 35% of the total growth in the net assets of the City of Kodiak. Key elements of this increase are as follows:

The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$8,465,804, a 4% increase from 2006. The City sales tax rate in 2007 remained at 6% on all sales. The City sales tax accounts for 59% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for 5% of total governmental activities revenues in 2007.

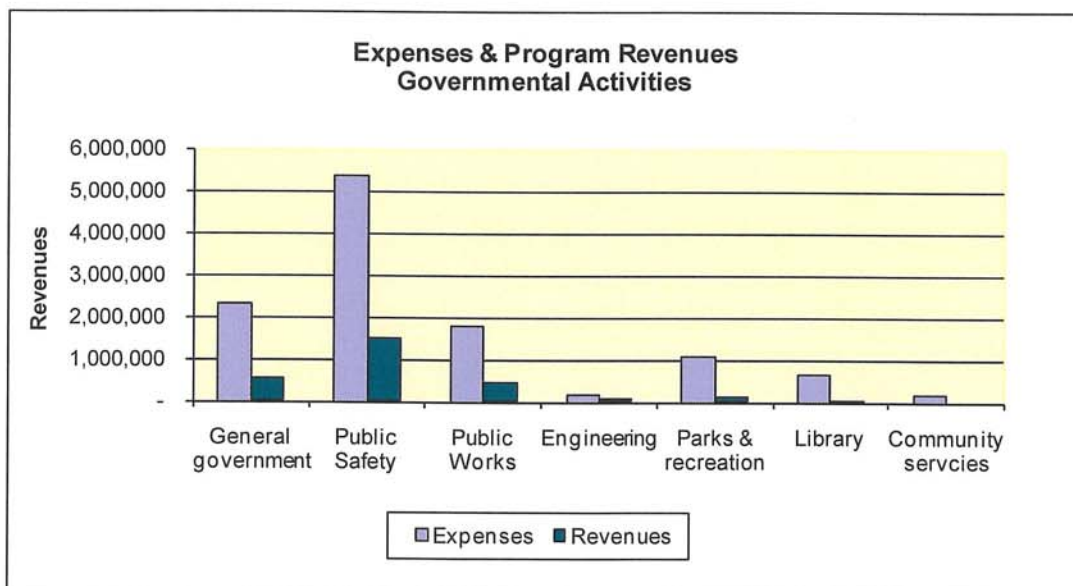
City taxpayers financed most of the City's costs at 79% of total governmental activities expenses not including transfers. The remaining costs were financed by investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

Charges for services and tax revenues accounted for most of the City's reoccurring governmental revenues.

The cost of all governmental activities financed by charges for services, operating grants and capital grants was \$2,697,244 or 23% of total governmental activities expenses not including transfers.

The City's governmental activities expenses are predominately related to Public Safety (46%), and Public Works (16%), and General Government at (20%) or 82% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Overall the expenses decreased by 3% from the prior fiscal year. This was due to lower equipment expenses in Public Works, Engineering and Parks and Recreation.



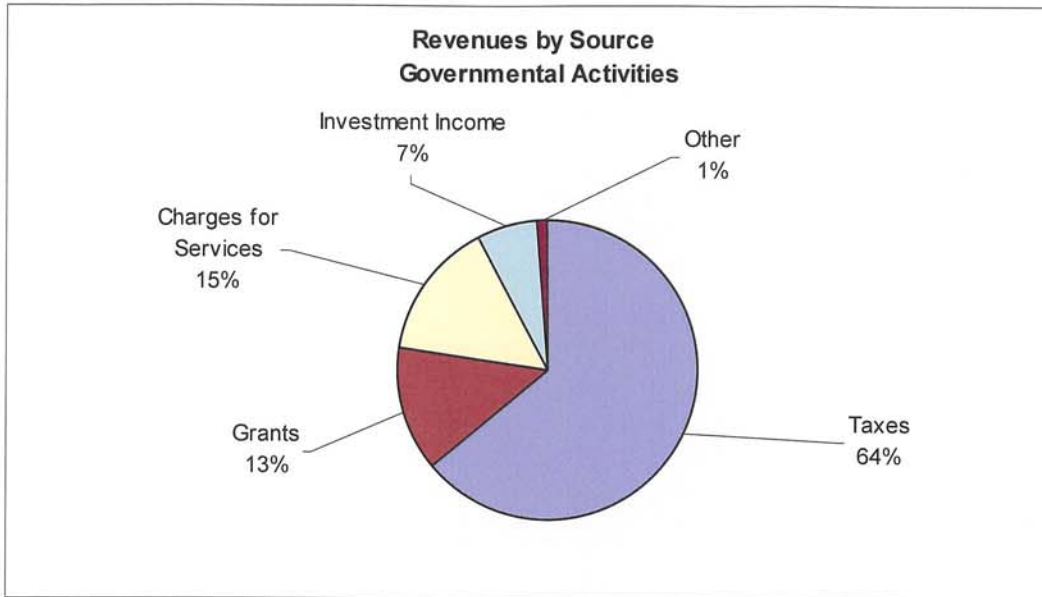


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2007. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3**  
**Governmental Activities in 2007**

	Total cost of services <u>2007</u>	Net cost of services <u>2007</u>
General government	\$ 2,328,195	1,793,059
Public safety	5,384,713	3,899,662
Public works	1,825,719	1,385,012
Engineering	167,571	78,321
Parks & recreation	1,099,535	971,013
Library	669,518	650,940
Community services	<u>213,032</u>	<u>213,032</u>
Total governmental activities	\$ <u>11,688,283</u>	<u>8,991,039</u>

***Business-type Activities***

Business-type activities increased the City of Kodiak’s net assets by \$2,065,528, accounting for 65% of the total growth in the government’s net assets. Key elements of this are as follows:

Charges for services and capital grant revenues accounted for most of the City’s total business-type revenues, with charges for services contributing 59% of the total revenues and capital grants 34% of the total revenues.



The primary source of revenue from business-type activities is charges for services, which amounted to \$8,064,822, a 12% increase from 2006. For the business-type activities, charges for services financed most of the City's costs at 61% of total business-type activities expenses not including transfers. Operating and capital grants, interest income, and transfers financed the remaining costs.

The City's business-type activities expenses are predominately related to cargo (14%), boat harbor (18%), harbor electric (5%), water utility (22%), sewer utility (40%), and the Trident Basin Airport (1%). Total harbor related activities are 37% and total public works activities are 63% of the total business type activities.

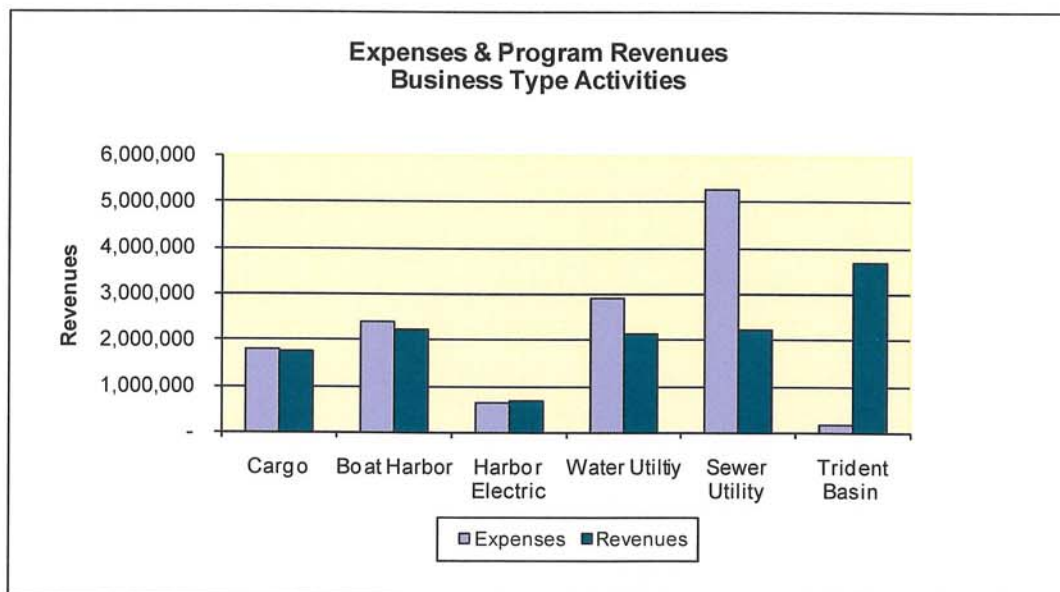
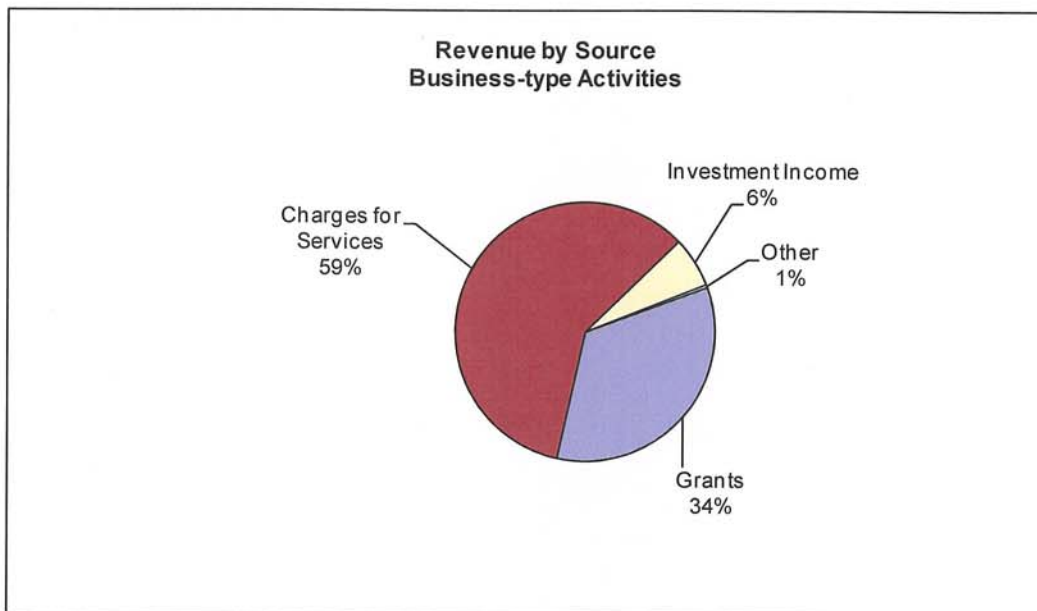


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2007. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3-A**

**Business-type Activities in 2007**

	Total cost of services <u>2007</u>	Net cost of services (net income) <u>2007</u>
Cargo	\$ 1,796,372	56,159
Boat Harbor	2,397,171	161,930
Water Utility	2,893,352	759,419
Sewer Utility	5,288,305	3,075,072
Trident Basin	152,474	(3,542,682)
Harbor Electric	<u>640,125</u>	<u>(38,581)</u>
Total business-type activities	<u>\$ 13,167,799</u>	<u>471,317</u>

**Financial Analysis of the Government Funds**

The City of Kodiak uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. These funds are accounted for using the modified accrual basis of accounting.

***Governmental Funds***

The focus of the City of Kodiak’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kodiak’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2007, the City of Kodiak’s governmental funds reported combined ending fund balances of \$16,395,740, an increase of \$7,108 in comparison with the prior year. More than 50% of this total amount (\$9,271,452) constitutes unreserved, undesignated fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay for prepaid items, subsequent year’s expenditures, and capital projects.

The General Fund is the chief operating fund of the City of Kodiak. At the end of fiscal year 2007, unreserved, undesignated fund balance of the General Fund was \$5,129,603, while total fund balance reached \$5,573,271. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 39% of total general fund expenditures and transfers, while total fund balance represents 42% of the same amount.

The fund balance of the City of Kodiak's General Fund increased in the amount of \$700,409 during fiscal year 2007. Key factors in this growth are as follows:

Sales tax revenues of the General Fund exceeded the prior year in the amount of \$329,019. There has been a consistent upward trend in sales tax over the past ten years as a result of the opening of large retail stores within the City limits.

Intergovernmental revenues of the General Fund increased significantly as well, by \$326,289, as a result of funds for the municipal energy assistance program not received the prior year and an increase in the fisheries business tax.

Investment income revenues of the General Fund increased by \$118,902 as a result of a more favorable investment market as compared to the prior year.

The Special Assessments Special Revenue Fund had a total fund balance of \$53,369, all of which is unreserved, undesignated fund balance. There was a decrease of \$624,286 in fund balance as a result of a transfer to Capital Projects for Street Improvements.

The Non-major Funds have a total fund balance of \$10,769,100, 62% as unreserved, designated for capital projects. There was a decrease of \$69,015 in fund balance as a result of transfers for capital projects.

### ***Proprietary Funds***

The City of Kodiak's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Harbor Facilities at the end of the year amount to \$ 7,685,940, and those of the Water, Sewer and Trident Basin Funds amounted to \$6,347,938. The total growth in net assets for both groups was \$555,333 (2%) and \$1,258,172 (3%) respectively.

### ***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.

During the year there was a \$623,360 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$60,300 supplemental appropriation to the finance department in anticipation of additional information system equipment needs to upgrade efficiency of the City's computer needs.

(\$19,500) supplemental appropriation to the police department for increased training, vehicle purchases, overtime and the removal of the canine vehicle purchase based on a donation.

\$379,500 supplemental appropriation to the public works department for additional vehicle fuel, overtime, supplies, replacement of grader all due to the unusually harsh winter conditions

\$3,060 supplemental appropriation to the public library for reimbursement from the net lenders program through the State of Alaska.

\$200,000 supplemental appropriation to the general capital projects to purchase a new ambulance through a transfer from the General Fund.

The increase was possible because of additional anticipated revenues. These revenues included an increase from the State of Alaska, increase from transfers to the General Fund, and increases due to upturns in charges for services.

The actual General Fund expenditures were \$723,945 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in every function. The largest dollar savings were in Public Safety and then General Government. The majority of these savings in the General Government is from Legislative, Finance and Clerk expenses. The majority of these savings in the Public Safety is from Uniform Patrol, Support Services, and Fire. Significant amounts and percentages are as follows:

**Table 4**

**General Fund Budget Highlights**

	<u>Amount under Budget</u>	<u>Percent under Budget</u>
General government	\$ 219,587	10.67%
Public safety	227,529	4.03%
Public works	64,758	3.09%
Engineering	51,290	24.50%
Parks and recreation	62,660	5.97%
Library	65,624	8.94%
Community services	22,346	13.21%
Other – insurance and administration	<u>10,151</u>	2.15%
Total under budget	<u>\$ 723,945</u>	5.82%

**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2007, the City’s capital assets have a total net book value of \$80,391,801. Table 5 compares the net book values at June 30, 2007 and 2006. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and bridges. The total increase in the City of Kodiak’s investment in capital assets for fiscal year 2007 was 6%.

**Table 5**

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

	Governmental Type Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 2,505,396	2,505,396	693,997	693,997	3,199,393	3,199,393
Construction in progress	8,749,681	8,532,319	15,973,858	9,475,105	24,723,539	18,007,424
Buildings	5,017,723	4,965,680	23,840,189	23,840,189	28,857,912	28,805,869
Other improvements	1,033,421	1,033,421	78,506,429	78,308,291	79,539,850	79,341,712
Infrastructure	8,523,962	7,743,388	-	-	8,523,962	7,743,388
Machinery and equipment	<u>6,958,447</u>	<u>6,586,460</u>	<u>2,623,112</u>	<u>2,523,924</u>	<u>9,581,559</u>	<u>9,110,384</u>
Total capital assets	<u>32,788,630</u>	<u>31,366,664</u>	<u>121,637,585</u>	<u>114,841,506</u>	<u>154,426,215</u>	<u>146,208,170</u>
Less accumulated depreciation	<u>14,364,719</u>	<u>14,003,621</u>	<u>59,669,695</u>	<u>56,502,472</u>	<u>74,034,414</u>	<u>70,506,093</u>
Total capital assets, net	\$ <u>18,423,911</u>	<u>17,363,043</u>	<u>61,967,890</u>	<u>58,339,034</u>	<u>80,391,801</u>	<u>75,702,077</u>

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

**Debt Administration**

At June 30, 2007, the City had \$643,645 in long-term leave payable for governmental activities and \$137,290 for business-type activities. The net pension obligation related to the Public Employee Retirement System (PERS) amounted to \$1,153,915. A loan payable to the State of Alaska of \$1,809,876 related to the Sewer Enterprise Fund and \$420,000 of revenue bonds related to the Water Enterprise Fund are recorded in the business-type activities column. Table 6 summarizes all outstanding debt at June 30, 2007 with a comparison to 2006. There have been no significant changes in debt administration from fiscal year 2006.

**Table 6**

**Debt Outstanding at June 30**

	Governmental Type Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Long-term leave payable	\$ 643,645	576,822	137,290	157,816	780,935	734,638
Net pension obligation	1,153,915	800,215	-	-	1,153,915	800,215
Long-term notes payable	-	-	1,809,876	2,010,973	1,809,876	2,010,973
Revenue bonds payable	-	-	<u>420,000</u>	<u>620,000</u>	<u>420,000</u>	<u>620,000</u>
Total liabilities	\$ <u>1,797,560</u>	<u>1,377,037</u>	<u>2,367,166</u>	<u>2,788,789</u>	<u>4,164,726</u>	<u>4,165,826</u>

Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 37-39.



### ***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 2006 were 380.9 million pounds, with a wholesale value of \$106.1 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 2005 was 8.5% decreasing to 7.7% in 2006.
- The cost of living in 2007 was 120.7 compared to a national average of 100. Other Alaskan cities are Anchorage at 124.6 and Fairbanks at 130.7. 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 2008 fiscal year.

In fiscal year 2007, the unreserved fund balance in the General Fund increased to \$5,322,163. The City of Kodiak has appropriated \$192,560 of this balance in the fiscal year 2008 budget in order to balance the budget. This still leaves a comfortable fund balance in the General Fund.

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 213, 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, 2007

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 15,705,823	14,634,352	30,340,175
Receivables, net	3,050,386	2,702,674	5,753,060
Inventory	-	223,795	223,795
Prepaid items	694,907	1,250	696,157
Restricted cash and investments	-	221,450	221,450
Deferred charges, net	-	9,534	9,534
Capital assets not being depreciated - land and construction in progress	11,255,077	16,667,855	27,922,932
Other capital assets, net of depreciation	<u>7,168,834</u>	<u>45,300,035</u>	<u>52,468,869</u>
 Total assets	 \$ <u>37,875,027</u>	 <u>79,760,945</u>	 <u>117,635,972</u>
<u>Liabilities</u>			
Accounts payable	258,708	1,554,459	1,813,167
Accrued payroll and related liabilities	533,096	73,094	606,190
Customer deposits	4,027	207,441	211,468
Unearned revenue	115,494	29,117	144,611
Accrued interest	-	21,287	21,287
Internal balances	(378,276)	378,276	-
Noncurrent liabilities:			
Due within one year:			
Accrued leave	643,645	137,290	780,935
Bonds payable	-	205,000	205,000
Loans payable	-	201,097	201,097
Due in more than one year:			
Bonds payable	-	215,000	215,000
Unamortized bond premium	-	7,677	7,677
Net pension/OPEB obligation	1,153,915	-	1,153,915
Loans payable	<u>-</u>	<u>1,608,779</u>	<u>1,608,779</u>
Total liabilities	<u>2,330,609</u>	<u>4,638,517</u>	<u>6,969,126</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	18,423,911	59,739,871	78,163,782
Restricted for debt service	-	221,450	221,450
Unrestricted	<u>17,120,507</u>	<u>15,161,107</u>	<u>32,281,614</u>
Total net assets	<u>35,544,418</u>	<u>75,122,428</u>	<u>110,666,846</u>
 Total liabilities and net assets	 \$ <u>37,875,027</u>	 <u>79,760,945</u>	 <u>117,635,972</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA  
Statement of Activities  
Year Ended June 30, 2007

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	\$ 2,328,195	520,490	-	14,646	(1,793,059)	-	(1,793,059)
Public safety	5,384,713	1,003,467	12,700	468,884	(3,899,662)	-	(3,899,662)
Public works	1,825,719	406,595	-	34,112	(1,385,012)	-	(1,385,012)
Engineering	167,571	89,250	-	-	(78,321)	-	(78,321)
Parks and recreation	1,099,535	125,332	-	3,190	(971,013)	-	(971,013)
Library	669,518	18,578	-	-	(650,940)	-	(650,940)
Community services	213,032	-	-	-	(213,032)	-	(213,032)
Total governmental activities	<u>11,688,283</u>	<u>2,163,712</u>	<u>12,700</u>	<u>520,832</u>	<u>(8,991,039)</u>	<u>-</u>	<u>(8,991,039)</u>
<b>Business-type:</b>							
Cargo Pier	1,796,372	1,140,213	-	600,000	-	(56,159)	(56,159)
Boat Harbor	2,397,171	1,894,868	-	340,373	-	(161,930)	(161,930)
Water Utility	2,893,352	2,120,037	-	13,896	-	(759,419)	(759,419)
Sewer Utility	5,288,305	2,213,233	-	-	-	(3,075,072)	(3,075,072)
Trident Basin	152,474	17,765	-	3,677,391	-	3,542,682	3,542,682
Harbor Electric	640,125	678,706	-	-	-	38,581	38,581
Total business-type activities	<u>13,167,799</u>	<u>8,064,822</u>	<u>-</u>	<u>4,631,660</u>	<u>-</u>	<u>(471,317)</u>	<u>(471,317)</u>
Total	\$ <u>24,856,082</u>	<u>10,228,534</u>	<u>12,700</u>	<u>5,152,492</u>	<u>(8,991,039)</u>	<u>(471,317)</u>	<u>(9,462,356)</u>
General revenues:							
Taxes:							
Property taxes				\$ 632,102	-		632,102
Sales taxes				8,465,804	-		8,465,804
Other taxes, penalties and interest				125,284	-		125,284
Grants and entitlements not restricted to a specific purpose				1,387,466	-		1,387,466
Investment income				946,861	856,379		1,803,240
Other				172,748	53,580		226,328
Transfers				(1,626,886)	1,626,886		-
Total general revenues and transfers				<u>10,103,379</u>	<u>2,536,845</u>		<u>12,640,224</u>
Changes in net assets				1,112,340	2,065,528		3,177,868
Net assets at beginning of year				<u>34,432,078</u>	<u>73,056,900</u>		<u>107,488,978</u>
Net assets at end of year				\$ <u>35,544,418</u>	<u>75,122,428</u>		<u>110,666,846</u>

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2007

<u>Assets</u>	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	Special Assessments <u>Special Revenue</u>	Nonmajor Funds	
Cash and investments	\$ 2,238,050	42,528	10,674,832	12,955,410
Receivables, net of allowance for uncollectible accounts:				
Taxes	2,301,480	-	35,651	2,337,131
Grants and shared revenues	5,182	-	185,432	190,614
Special assessments	-	467,396	-	467,396
Interest	-	-	55,245	55,245
Due from other funds	1,505,505	-	-	1,505,505
Prepaid items	251,108	-	-	251,108
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>6,301,325</u>	<u>509,924</u>	<u>10,951,160</u>	<u>17,762,409</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	190,931	-	66,566	257,497
Accrued payroll and related liabilities	533,096	-	-	533,096
Customer deposits	4,027	-	-	4,027
Deferred revenue	-	-	115,494	115,494
Deferred assessments	-	456,555	-	456,555
Total liabilities	<u>728,054</u>	<u>456,555</u>	<u>182,060</u>	<u>1,366,669</u>
Fund balances:				
Reserved - prepaid items	251,108	-	-	251,108
Unreserved:				
Designated:				
Subsequent year's expenditures	192,560	-	-	192,560
Capital Project Funds - capital projects	-	-	6,680,620	6,680,620
Undesignated:				
General Fund	5,129,603	-	-	5,129,603
Special Revenue Funds	-	53,369	4,088,480	4,141,849
Total fund balances	<u>5,573,271</u>	<u>53,369</u>	<u>10,769,100</u>	<u>16,395,740</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	\$ <u>6,301,325</u>	<u>509,924</u>	<u>10,951,160</u>	<u>17,762,409</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, 2007

Total fund balances for governmental funds		\$ 16,395,740
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	5,017,723	
Improvements other than buildings	1,033,421	
Infrastructure	8,523,962	
Machinery and equipment	6,958,447	
Construction in progress	8,749,681	
Accumulated depreciation	<u>(14,364,719)</u>	
Total capital assets		18,423,911
Other long-term assets (special assessments receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.		
		456,555
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.		
		911,857
Accrued leave is not deemed due and payable in the current period and therefore is not reported as governmental fund liabilities.		
		<u>(643,645)</u>
Total net assets of governmental activities		\$ <u>35,544,418</u>

See accompanying notes to basic financial statement.

**CITY OF KODIAK, ALASKA**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2007

	<u>Major Funds</u>			Total Governmental Funds
	<u>General</u>	Special Assessments <u>Special Revenue</u>	Nonmajor Funds	
Revenues:				
Taxes:				
Property taxes	\$ 632,102	-	-	632,102
Sales taxes	8,465,804	-	-	8,465,804
Other taxes, penalties and interest	23,990	-	101,294	125,284
Intergovernmental	1,400,166	-	496,946	1,897,112
Charges for services	1,304,629	-	-	1,304,629
Fines and forfeitures	29,452	-	-	29,452
Licenses and permits	51,535	-	-	51,535
Rental income	128,906	-	39,450	168,356
Interfund charges	609,740	-	-	609,740
Investment income	217,721	29,819	630,902	878,442
Special assessments	-	195,827	-	195,827
Other revenues	59,773	-	51,187	110,960
Total revenues	<u>12,923,818</u>	<u>225,646</u>	<u>1,319,779</u>	<u>14,469,243</u>
Expenditures:				
Current:				
General government	1,838,143	-	-	1,838,143
Public safety	5,422,461	-	-	5,422,461
Public works	2,032,302	432	-	2,032,734
Engineering	158,090	-	-	158,090
Parks and recreation	986,890	-	-	986,890
Library	668,146	-	-	668,146
Community services	146,754	-	116,000	262,754
Other - insurance and administration	461,949	-	-	461,949
Capital outlay	-	-	1,004,082	1,004,082
Total expenditures	<u>11,714,735</u>	<u>432</u>	<u>1,120,082</u>	<u>12,835,249</u>
Excess of revenues over (under) expenditures	1,209,083	225,214	199,697	1,633,994
Other financing sources (uses):				
Transfers in	924,796	-	4,491,215	5,416,011
Transfers out	(1,433,470)	(849,500)	(4,759,927)	(7,042,897)
Net other financing sources (uses)	<u>(508,674)</u>	<u>(849,500)</u>	<u>(268,712)</u>	<u>(1,626,886)</u>
Net change in fund balances	700,409	(624,286)	(69,015)	7,108
Fund balances at beginning of year	<u>4,872,862</u>	<u>677,655</u>	<u>10,838,115</u>	<u>16,388,632</u>
Fund balances at end of year	\$ <u>5,573,271</u>	<u>53,369</u>	<u>10,769,100</u>	<u>16,395,740</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, 2007

Net change in fund balances - total governmental funds	\$	7,108
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 (\$1,675,037) exceeded both depreciation (\$326,642) and loss on disposal of assets (\$287,527)		1,060,868
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.		(171,941)
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.		(66,823)
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>283,128</u>
Change in net assets of governmental activities	\$	<u><u>1,112,340</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, 2007

	<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	632,102	2,102
Sales taxes	7,500,000	7,500,000	8,465,804	965,804
Other taxes, penalties and interest	18,000	18,000	23,990	5,990
Intergovernmental	1,286,510	1,431,558	1,400,166	(31,392)
Charges for services	1,277,920	1,310,205	1,304,629	(5,576)
Fines and forfeitures	57,300	57,300	29,452	(27,848)
Licenses and permits	38,000	38,000	51,535	13,535
Rental income	127,400	127,400	128,906	1,506
Interfund charges	609,740	609,740	609,740	-
Investment income	80,000	80,000	217,721	137,721
Other revenues	26,800	55,740	59,773	4,033
Total revenues	<u>11,651,670</u>	<u>11,857,943</u>	<u>12,923,818</u>	<u>1,065,875</u>
Expenditures:				
General government	1,997,430	2,057,730	1,838,143	219,587
Public safety	5,669,490	5,649,990	5,422,461	227,529
Public works	1,717,560	2,097,060	2,032,302	64,758
Engineering	209,380	209,380	158,090	51,290
Parks and recreation	1,049,550	1,049,550	986,890	62,660
Library	730,710	733,770	668,146	65,624
Community services	169,100	169,100	146,754	22,346
Other - insurance and administration	472,100	472,100	461,949	10,151
Total expenditures	<u>12,015,320</u>	<u>12,438,680</u>	<u>11,714,735</u>	<u>723,945</u>
Excess of revenues over (under) expenditures	<u>(363,650)</u>	<u>(580,737)</u>	<u>1,209,083</u>	<u>1,789,820</u>
Other financing sources (uses):				
Transfers in	2,005,600	2,246,600	924,796	(1,321,804)
Transfers out	(1,233,470)	(1,433,470)	(1,433,470)	-
Net other financing sources (uses)	<u>772,130</u>	<u>813,130</u>	<u>(508,674)</u>	<u>(1,321,804)</u>
Net change in fund balance	\$ <u>408,480</u>	<u>232,393</u>	700,409	<u>468,016</u>
Fund balance at beginning of year			4,872,862	
Fund balance at end of year			\$ <u>5,573,271</u>	

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

## Proprietary Funds

## Statement of Net Assets

June 30, 2007

Assets	Major Enterprise Funds					Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Trident Basin	Harbor Electric		
Current assets:								
Cash and investments	\$ 1,013,712	6,392,142	4,789,621	2,188,606	-	250,271	14,634,352	2,750,413
Receivables - net of allowances	310,710	152,223	439,111	221,462	1,561,980	17,188	2,702,674	-
Inventories	-	-	208,380	15,415	-	-	223,795	-
Prepaid expenses	-	1,250	-	-	-	-	1,250	443,799
Total current assets	<u>1,324,422</u>	<u>6,545,615</u>	<u>5,437,112</u>	<u>2,425,483</u>	<u>1,561,980</u>	<u>267,459</u>	<u>17,562,071</u>	<u>3,194,212</u>
Noncurrent assets:								
Restricted cash and investments	-	-	221,450	-	-	-	221,450	-
Deferred charges, net	-	-	9,534	-	-	-	9,534	-
Property, plant and equipment, net	8,683,858	12,113,330	15,891,339	20,543,780	4,653,772	81,811	61,967,890	-
Total noncurrent assets	<u>8,683,858</u>	<u>12,113,330</u>	<u>16,122,323</u>	<u>20,543,780</u>	<u>4,653,772</u>	<u>81,811</u>	<u>62,198,874</u>	<u>-</u>
Total assets	\$ <u>10,008,280</u>	<u>18,658,945</u>	<u>21,559,435</u>	<u>22,969,263</u>	<u>6,215,752</u>	<u>349,270</u>	<u>79,760,945</u>	<u>3,194,212</u>
<u>Liabilities and Net Assets</u>								
Liabilities:								
Current liabilities:								
Accounts payable	7,563	92,455	402,236	744,309	275,980	31,916	1,554,459	1,211
Accrued payroll and related liabilities	5,460	25,627	17,024	24,983	-	-	73,094	-
Accrued annual and sick leave	3,504	56,609	17,851	59,326	-	-	137,290	-
Deferred revenue	29,117	-	-	-	-	-	29,117	-
Customer deposits	-	187,905	6,600	-	1,536	11,400	207,441	-
Accrued interest	-	-	12,238	9,049	-	-	21,287	-
Due to other funds	-	-	-	-	1,505,505	-	1,505,505	-
Current portion:								
Revenue bonds	-	-	205,000	-	-	-	205,000	-
Loans	-	-	-	201,097	-	-	201,097	-
Total current liabilities	<u>45,644</u>	<u>362,596</u>	<u>660,949</u>	<u>1,038,764</u>	<u>1,783,021</u>	<u>43,316</u>	<u>3,934,290</u>	<u>1,211</u>
Noncurrent liabilities:								
Revenue bonds	-	-	215,000	-	-	-	215,000	-
Unamortized bond premium	-	-	7,677	-	-	-	7,677	-
Net pension/OPEB obligation	-	-	-	-	-	-	-	1,153,915
Loans	-	-	-	1,608,779	-	-	1,608,779	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>222,677</u>	<u>1,608,779</u>	<u>-</u>	<u>-</u>	<u>1,831,456</u>	<u>1,153,915</u>
Total liabilities	<u>45,644</u>	<u>362,596</u>	<u>883,626</u>	<u>2,647,543</u>	<u>1,783,021</u>	<u>43,316</u>	<u>5,765,746</u>	<u>1,155,126</u>
Net assets:								
Invested in capital assets, net of related debt	8,683,858	12,113,330	15,473,196	18,733,904	4,653,772	81,811	59,739,871	-
Restricted for debt service	-	-	221,450	-	-	-	221,450	-
Unrestricted (deficit)	1,278,778	6,183,019	4,981,163	1,587,816	(221,041)	224,143	14,033,878	2,039,086
Total net assets	<u>9,962,636</u>	<u>18,296,349</u>	<u>20,675,809</u>	<u>20,321,720</u>	<u>4,432,731</u>	<u>305,954</u>	<u>73,995,199</u>	<u>2,039,086</u>
Total liabilities and net assets	\$ <u>10,008,280</u>	<u>18,658,945</u>	<u>21,559,435</u>	<u>22,969,263</u>	<u>6,215,752</u>	<u>349,270</u>	<u>79,760,945</u>	<u>3,194,212</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>1,127,229</u>	
Net assets of business-type activities							<u>75,122,428</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, 2007

	Major Enterprise Funds					Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Trident Basin	Harbor Electric		
Operating revenues	\$ 1,140,213	1,894,868	2,120,037	2,213,233	17,765	678,706	8,064,822	2,533,896
Operating expenses:								
Salaries and benefits	249,745	961,408	580,217	760,127	-	42,043	2,593,540	1,542,253
Professional	3,285	52,999	43,797	245,498	12	-	345,591	-
Contributions	-	21,370	-	-	-	-	21,370	-
Goods and services	84,306	295,387	173,208	208,012	18,767	583,513	1,363,193	586,792
Utilities and fuel	16,062	129,000	373,599	220,699	8,521	-	747,881	-
Machinery and equipment	9,884	62,700	33,534	23,935	-	5,931	135,984	-
Interfund charges	203,590	133,590	103,740	103,740	106,120	-	650,780	-
Repairs and maintenance	729,757	233	1,104,517	2,540,790	-	-	4,375,297	-
Depreciation	542,851	839,963	489,135	1,212,968	30,750	8,638	3,124,305	-
Total operating expenses	<u>1,839,480</u>	<u>2,496,650</u>	<u>2,901,747</u>	<u>5,315,769</u>	<u>164,170</u>	<u>640,125</u>	<u>13,357,941</u>	<u>2,129,045</u>
Earnings (loss) from operations	(699,267)	(601,782)	(781,710)	(3,102,536)	(146,405)	38,581	(5,293,119)	404,851
Nonoperating revenues (expenses):								
Investment income	50,445	278,747	300,298	152,648	2,524	9,836	794,498	130,300
Interest expense	-	-	(10,237)	(29,159)	-	-	(39,396)	-
State PERS relief	6,963	31,437	15,611	19,992	-	-	74,003	-
Other	-	-	17,234	1,739	-	-	18,973	-
Net nonoperating revenues (expenses)	<u>57,408</u>	<u>310,184</u>	<u>322,906</u>	<u>145,220</u>	<u>2,524</u>	<u>9,836</u>	<u>848,078</u>	<u>130,300</u>
Earnings (loss) before contributions and transfers	(641,859)	(291,598)	(458,804)	(2,957,316)	(143,881)	48,417	(4,445,041)	535,151
Capital contributions	600,000	340,373	13,896	-	3,677,391	-	4,631,660	-
Transfers in	500,000	500,000	750,000	2,303,416	233,470	-	4,286,886	-
Transfers out	-	(500,000)	(2,160,000)	-	-	-	(2,660,000)	-
Change in net assets	458,141	48,775	(1,854,908)	(653,900)	3,766,980	48,417	1,813,505	535,151
Net assets at beginning of year	<u>9,504,495</u>	<u>18,247,574</u>	<u>22,530,717</u>	<u>20,975,620</u>	<u>665,751</u>	<u>257,537</u>		<u>1,503,935</u>
Net assets at end of year	\$ <u>9,962,636</u>	<u>18,296,349</u>	<u>20,675,809</u>	<u>20,321,720</u>	<u>4,432,731</u>	<u>305,954</u>		<u>2,039,086</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>252,023</u>	
Change in net assets of business-type activities							<u>2,065,528</u>	

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2007

	Major Enterprise Funds					Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Trident Basin	Harbor Electric		
Cash flows from operating activities:								
Receipts from customers and users	\$ 1,140,752	1,856,929	2,125,350	2,170,909	17,843	678,519	7,990,302	-
Receipts from interfund services provided	-	70,000	-	-	-	-	70,000	2,533,896
Payments for interfund services used	(203,590)	(133,590)	(103,740)	(103,740)	(106,120)	-	(650,780)	-
Payments to suppliers	(847,155)	(536,593)	(2,078,800)	(2,538,908)	(24,903)	(590,183)	(6,616,542)	(2,218,380)
Payments to employees	(266,161)	(931,230)	(566,993)	(722,615)	-	(42,043)	(2,529,042)	-
Net cash flows from operating activities	(176,154)	325,516	(624,183)	(1,194,354)	(113,180)	46,293	(1,736,062)	315,516
Cash flows from noncapital financing activities - transfers out	-	(500,000)	(2,160,000)	-	-	-	(2,660,000)	-
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	-	-	(200,000)	(201,097)	-	-	(401,097)	-
Interest paid on long-term debt	-	-	(14,076)	(30,165)	-	-	(44,241)	-
Purchase of property, plant and equipment	(630,625)	(639,472)	(1,632,703)	-	(3,598,018)	-	(6,500,818)	-
Transfers in	500,000	500,000	750,000	2,303,416	233,470	-	4,286,886	-
Increase in due to other funds	-	-	-	-	1,325,091	-	1,325,091	-
Capital contributions received	549,975	298,428	201,161	-	2,150,113	-	3,199,677	-
Net cash flows from capital and related financing activities	419,350	158,956	(895,618)	2,072,154	110,656	-	1,865,498	-
Cash flows from investing activities - investment income received	50,445	318,120	352,942	165,876	2,524	9,836	899,743	130,300
Net increase (decrease) in cash and investments	293,641	302,592	(3,326,859)	1,043,676	-	56,129	(1,630,821)	445,816
Cash and investments at beginning of year	720,071	6,089,550	8,337,930	1,144,930	-	194,142	16,486,623	2,304,597
Cash and investments at end of year	\$ 1,013,712	6,392,142	5,011,071	2,188,606	-	250,271	14,855,802	2,750,413
Reconciliation of earnings (loss) from operations to net cash provided (used) by operating activities:								
Earnings (loss) from operations	(699,267)	(601,782)	(781,710)	(3,102,536)	(146,405)	38,581	(5,293,119)	404,851
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:								
Depreciation	542,851	839,963	489,134	1,212,968	30,750	8,638	3,124,304	-
Noncash expense - PERS relief	6,963	31,437	15,611	19,992	-	-	74,003	-
Other nonoperating revenues	-	-	30,601	1,739	-	-	32,340	-
Other nonoperating expenses	-	-	(8,600)	-	-	-	(8,600)	-
Decrease in allowance for doubtful accounts	-	-	(1,341)	(91)	-	-	(1,432)	-
(Increase) decrease in assets:								
Accounts receivable	(6,217)	32,211	(28,347)	(43,972)	78	(2,787)	(49,034)	-
Inventory	-	-	20,226	(1,026)	-	-	19,200	-
Prepaid expenses	-	5,276	-	-	-	-	5,276	(443,799)
Increase (decrease) in liabilities:								
Accounts payable	(3,861)	19,820	(361,771)	701,052	2,397	(739)	356,898	764
Accrued payroll and related liabilities	(1,509)	2,213	3,267	7,050	-	-	11,021	-
Accrued annual and sick leave	(21,870)	(3,472)	(5,654)	10,470	-	-	(20,526)	-
Customer deposits	-	(150)	4,400	-	-	2,600	6,850	-
Net pension/OPEB obligation	-	-	-	-	-	-	-	353,700
Deferred revenue	6,756	-	-	-	-	-	6,756	-
Net cash flows from operating activities	\$ (176,154)	325,516	(624,184)	(1,194,354)	(113,180)	46,293	(1,736,063)	315,516

See accompanying notes to basic financial statements.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements

June 30, 2007

(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 all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year 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 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.



## 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 *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.

The *Trident Basin Enterprise Fund* accounts for the seaplane moorage activities of the Trident Basin.

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 Governmental Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type activities and enterprise 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 doubtful accounts.

#### 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.

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.

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.

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 and 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.

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, 2007, the delinquent real property taxes not currently available are reflected as deferred revenues of the General Fund.

##### 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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### (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 \$1,407,019 and the bank balance was \$2,567,956. Of the bank balance, \$100,000 was insured and the balance of \$2,467,956 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, 2007 was \$2,260.

##### 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.



# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### Cash and Investments, continued

#### Investments, continued

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities at June 30, 2007 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	\$ 25,458,400	<u>7,463,873</u>	<u>17,994,527</u>
Alaska Municipal League Investment Pool	<u>3,693,946</u>		
Total investments	\$ <u>29,152,346</u>		

##### *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the U.S. government agency investments are rated AAA by Standard and Poor's.

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, 2007 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, 2007, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	<u>Major Governmental Fund</u>		Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
	<u>General</u>	<u>Special Assessments</u>		
Taxes	\$ 2,301,480	-	35,651	2,337,131
Grants and shared revenues	5,182	-	185,432	190,614
Special assessments	-	467,396	-	467,396
Interest	-	-	<u>55,245</u>	<u>55,245</u>
Total receivables	<u>2,306,662</u>	<u>467,396</u>	<u>276,328</u>	<u>3,050,386</u>
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	\$ <u>2,306,662</u>	<u>467,396</u>	<u>276,328</u>	<u>3,050,386</u>

	<u>Major Enterprise Funds</u>					Nonmajor Enterprise <u>Fund</u>	<u>Totals</u>
	<u>Cargo Pier</u>	<u>Boat Harbor</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Trident Basin</u>		
Grants	\$ 300,025	131,076	195,190	4,950	1,558,987	-	2,190,228
Accounts	<u>10,685</u>	<u>36,794</u>	<u>246,145</u>	<u>219,379</u>	<u>2,993</u>	<u>17,188</u>	<u>533,184</u>
Total receivables	310,710	167,870	441,335	224,329	1,561,980	17,188	2,723,412
Less allowance for doubtful accounts	<u>-</u>	<u>(15,647)</u>	<u>(2,224)</u>	<u>(2,867)</u>	<u>-</u>	<u>-</u>	<u>(20,738)</u>
Net receivables	\$ <u>310,710</u>	<u>152,223</u>	<u>439,111</u>	<u>221,462</u>	<u>1,561,980</u>	<u>17,188</u>	<u>2,702,674</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, 2007, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred special assessments	\$ 456,555
Grant drawdowns prior to meeting all eligibility requirements	<u>115,494</u>
Total deferred/unearned revenue for governmental funds	\$ <u>572,049</u>

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, <u>2006</u>	Additions and <u>Reclassifications</u>	Deletions and <u>Reclassifications</u>	Balance June 30, <u>2007</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,505,396	-	-	2,505,396
Construction in progress	<u>8,532,319</u>	<u>1,024,121</u>	<u>806,759</u>	<u>8,749,681</u>
Total assets not being depreciated	<u>11,037,715</u>	<u>1,024,121</u>	<u>806,759</u>	<u>11,255,077</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,965,680	52,043	-	5,017,723
Improvements other than buildings	1,033,421	-	-	1,033,421
Infrastructure	7,743,388	780,574	-	8,523,962
Machinery and equipment	<u>6,620,918</u>	<u>625,058</u>	<u>287,529</u>	<u>6,958,447</u>
Total capital assets being depreciated	<u>20,363,407</u>	<u>1,457,675</u>	<u>287,529</u>	<u>21,533,553</u>
Less accumulated depreciation for:				
Buildings	2,022,797	77,791	-	2,100,588
Improvements other than buildings	592,948	43,301	-	636,249
Infrastructure	6,032,051	178,751	-	6,210,802
Machinery and equipment	<u>5,390,281</u>	<u>313,256</u>	<u>286,457</u>	<u>5,417,080</u>
Total accumulated depreciation	<u>14,038,077</u>	<u>613,099</u>	<u>286,457</u>	<u>14,364,719</u>
Total capital assets being depreciated, net	<u>6,325,330</u>	<u>844,576</u>	<u>1,072</u>	<u>7,168,834</u>
Governmental activity capital assets, net	\$ <u>17,363,045</u>	<u>1,868,697</u>	<u>807,831</u>	<u>18,423,911</u>
<b><u>Business-type activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	-	-	693,997
Construction in progress	<u>9,475,105</u>	<u>6,696,891</u>	<u>198,138</u>	<u>15,973,858</u>
Total assets not being depreciated	<u>10,169,102</u>	<u>6,696,891</u>	<u>198,138</u>	<u>16,667,855</u>
<i>Capital assets being depreciated:</i>				
Buildings	23,840,189	-	-	23,840,189
Improvements other than buildings	78,308,291	198,138	-	78,506,429
Machinery and equipment	<u>2,523,924</u>	<u>134,200</u>	<u>35,012</u>	<u>2,623,112</u>
Total assets being depreciated	<u>104,672,404</u>	<u>332,338</u>	<u>35,012</u>	<u>104,969,730</u>
Less accumulated depreciation for:				
Buildings	9,333,829	859,966	-	10,193,795
Improvements other than buildings	45,624,699	2,033,008	-	47,657,707
Machinery and equipment	<u>1,543,944</u>	<u>231,330</u>	<u>(42,919)</u>	<u>1,818,193</u>
Total accumulated depreciation	<u>56,502,472</u>	<u>3,124,304</u>	<u>(42,919)</u>	<u>59,669,695</u>
Total capital assets being depreciated, net	<u>48,169,932</u>	<u>(2,791,966)</u>	<u>(77,931)</u>	<u>45,300,035</u>
Business-type activity capital assets, net	\$ <u>58,339,034</u>	<u>3,904,925</u>	<u>276,069</u>	<u>61,967,890</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	\$ 43,280
Public safety	199,920
Public works	239,455
Engineering	4,127
Parks and recreation	107,244
Library	16,752
Community services	<u>2,321</u>
Total depreciation expense – governmental activities	\$ <u>613,099</u>

**Business-type activities**

Cargo Pier	\$ 542,851
Boat Harbor	839,963
Harbor Electric	8,638
Water Utility	489,134
Sewer Utility	1,212,968
Trident Basin	<u>30,750</u>
Total depreciation expense – business-type activities	\$ <u>3,124,304</u>

(6) **Long Term Debt**

In October 2006, voters approved an \$8 million general obligation bond to be used to finance the design and construction of a new public safety building. As of June 30, 2007, none of the bonds have been issued.

Long-term debt at June 30, 2007 is comprised of the following:

	Balance July 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2007</u>	Due Within <u>One Year</u>
<b><u>Governmental activities</u></b>					
Accrued leave	\$ 576,822	423,890	357,067	643,645	643,645
Net pension/OPEB obligation	<u>800,215</u>	<u>1,856,620</u>	<u>1,502,920</u>	<u>1,153,915</u>	<u>-</u>
Total governmental activities	\$ <u>1,377,037</u>	<u>2,280,510</u>	<u>1,859,987</u>	<u>1,797,560</u>	<u>643,645</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, 2007, \$880,133 relates to governmental funds and \$273,782 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>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2007</u>	Due Within <u>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	\$ 620,000	-	200,000	420,000	205,000
Loan payable - \$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	2,010,973	-	201,097	1,809,876	201,097
Accrued leave	<u>157,816</u>	<u>121,541</u>	<u>142,067</u>	<u>137,290</u>	<u>137,290</u>
Total business-type activities	\$ <u>2,788,789</u>	<u>121,541</u>	<u>543,164</u>	<u>2,367,166</u>	<u>543,387</u>

The annual requirements to retire the revenue bonds and loan as of June 30, 2007 are as follows:

Year Ending June 30,	<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>
2008	\$ 205,000	9,013	214,013	201,097	27,148	228,245
2009	215,000	3,225	218,225	201,097	24,132	225,229
2010	-	-	-	201,097	21,115	222,212
2011	-	-	-	201,097	18,099	219,196
2012	-	-	-	201,097	15,082	216,179
2013-2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>804,391</u>	<u>30,164</u>	<u>834,555</u>
	\$ <u>420,000</u>	<u>12,238</u>	<u>432,238</u>	<u>1,809,876</u>	<u>135,740</u>	<u>1,945,616</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.



**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Long Term Debt, continued**

	<u>Water Fund</u>
Loss from operations	\$ (781,710)
Add:	
Depreciation	489,134
Investment income	<u>300,298</u>
Amount available for debt service	7,722
Requirement	<u>281,548</u>
Excess (deficiency) of revenue over requirement	\$ <u>(273,826)</u>

(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, 2007 and 2006, excluding hotel and motel tax of \$101,294 and \$133,781, respectively, reported in the Tourism Development Special Revenue Fund, and sales tax penalties and interest on delinquent sales taxes of \$23,990 and \$26,829, respectively, reported in the General Fund, are as follows:

	<u>2007</u>	<u>2006</u>
General Fund	\$ <u>8,465,804</u>	<u>8,136,785</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	<u>6.00%</u>	

<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, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Capital Projects Funds:		
Street Improvements	\$ 450,000	900,000
Parks and Recreation	50,000	100,000
Harbor & Port Improvement	<u>500,000</u>	<u>500,000</u>
Total sales tax revenues transferred from the General Fund	<u>\$ 1,000,000</u>	<u>1,500,000</u>

(8) **Interfund Transfers**

The following is a summary of interfund transfers for the year ended June 30, 2007:

From Boat Harbor Enterprise Fund to Cargo Pier Enterprise Fund for capital costs	\$ 500,000
From Water Utility Enterprise Fund to Sewer Utility Enterprise Fund for capital costs	2,160,000
From nonmajor governmental funds to:	
Sewer Utility Enterprise Fund for capital costs	143,416
Water Utility Enterprise Fund for capital costs	750,000
From Special Assessments Special Revenue Fund to nonmajor governmental funds for capital projects	849,500
From General Fund to:	
Boat Harbor Enterprise Fund for capital costs	500,000
Nonmajor governmental funds for capital projects	700,000
Trident Basin Enterprise Fund for capital costs	233,470
From nonmajor governmental funds to:	
Nonmajor governmental fund for capital costs	2,941,715
General Fund to cover operating costs	<u>924,796</u>
Total transfers to other funds	<u>\$ 9,702,897</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 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 (3.95% for pension and 2.80% for 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.

Through June 30, 2007, employer rates cannot be increased by more than five percentage points, which may result in differences between the actuarial rate and the actual pay-in rate. The five percentage point limit regulation was repealed in 2005, with an effective date of July 1, 2007. Rates are established three years in advance of their effective date.

The City's contribution rates for PERS for the year ended June 30, 2007 as follows:

	Adjusted Actual <u>Rate</u>	Actuarially Required <u>Rate</u>
Pension	12.44%	19.27%
Postemployment healthcare	<u>8.77%</u>	<u>13.60%</u>
Total contribution rate	<u>21.21%</u>	<u>32.87%</u>

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

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

Employer contribution rates are a fixed percentage of payroll and are determined using the projected unit credit actuarial funding method. Unfunded liabilities and future gains/losses are amortized over a 25 year period as a level percentage of pay. The net amortization period will not exceed 30 years.

The required contribution for the plan was determined as part of the June 30, 2004 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 plan 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. Medical cost inflation of 9.5% for 2005, trending downward 0.5% per year to 5.0% in FY14 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for 2005, trending downward 1.0% per year to 5.0% in FY14 and remaining at 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 accrual basis. Valuation assets cannot be outside the range of 80% to 120% of market value of assets.

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

For the year ended June 30, 2007, the City's annual pension and other post-employment benefit (OPEB) costs were as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution	\$ 1,080,118	761,830	1,841,948
Interest on net pension/OPEB obligation	38,713	27,305	66,018
Adjustment to annual required contribution	<u>(30,109)</u>	<u>(21,237)</u>	<u>(51,346)</u>
Annual pension/OPEB cost	1,088,722	767,898	1,856,620
Contributions made	<u>881,312</u>	<u>621,608</u>	<u>1,502,920</u>
Increase in net pension/OPEB obligation	207,410	146,290	353,700
Net pension/OPEB obligation, beginning of year	<u>661,663</u>	<u>138,552</u>	<u>800,215</u>
Net pension/OPEB obligation, end of year	\$ <u>869,073</u>	<u>284,842</u>	<u>1,153,915</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	2005	\$ 852,970	\$ 395,923	46%	\$ 457,047
	2006	931,560	726,944	78%	661,663
	2007	1,088,722	881,312	81%	869,073

	<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	2005	\$ 518,144	\$ 240,507	46%	\$ 277,637
	2006	624,395	485,843	78%	138,552
	2007	767,898	621,608	81%	284,842



**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 <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability</u>	Unfunded <u>Liability</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	Unfunded Liability as Percentage of Covered <u>Payroll</u>
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%
June 30, 2006:						
Pension	19,423,174	30,921,652	11,498,478	63%	5,687,286	202%
Post employment healthcare	8,313,570	21,675,332	13,361,762	38%	5,687,286	235%

(7) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration Commissioner, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary and the City is required to make the following contributions:

Individual account	5.00 %
Health reimbursement arrangement (HRA) *	3.00
Retiree medical plan	1.75
Occupational death and disability benefits	<u>.30</u>
	<u>10.05 %</u>

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Contribution Pension Plan, continued**

\*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2007 were \$22,116 and \$16,370, respectively.

#### (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, 2007. 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.

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 \$45,000 for individual claims and \$1,000,000 for aggregate claims. Health and medical insurance expense was \$1,765,021 for the year ended June 30, 2007, 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, 2007 amounted to \$77,129. Changes in the claims liability amount for the current and previous year follow:

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### Risk Management, continued

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Insurance Expensed</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2006	\$ 257,581	\$ 1,505,599	\$ 1,678,070	\$ 85,110
2007	85,110	1,765,021	1,773,002	77,129

(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 an increase to fund balance of \$700,409 for the year ended June 30, 2007, a \$350,205 deposit will be 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 \$128,027 were transferred to the General Fund.

(12) **Operating Lease**

The City occupies office space leased from the Kodiak Island Borough under a noncancellable operating lease. Scheduled lease payments were \$76,520 per year for fiscal years 2006 and 2007. During 2007, the City recognized \$76,520 in rent expense paid to the Kodiak Island Borough.

(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 2007, City of Kodiak voters approved the issuance of \$7,000,000 of revenue bonds. \$5,000,000 of the bonds will be used for the boat lift and \$2,000,000 will be used for the dock float project.

# **ADDITIONAL INFORMATION**

**NONMAJOR FUNDS**



CITY OF KODIAK, ALASKA  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2007

<u>Assets</u>	Special Revenue Funds		Capital Project Funds				Total Nonmajor Governmental Funds
	Tourism Develop- ment	Enhance- ment	General Capital Projects	Street Improvements	Public Safety Building	Parks and Recreation	
Cash and investments	\$ 39,186	3,958,398	175,726	3,146,077	2,978,369	377,076	10,674,832
Receivables:							
Taxes	35,651	-	-	-	-	-	35,651
Grants	-	-	184,833	-	599	-	185,432
Interest	-	55,245	-	-	-	-	55,245
 Total assets	 \$ <u>74,837</u>	 <u>4,013,643</u>	 <u>360,559</u>	 <u>3,146,077</u>	 <u>2,978,968</u>	 <u>377,076</u>	 <u>10,951,160</u>
 <u>Liabilities and Fund Balances</u>							
Liabilities							
Accounts payable	-	-	15,719	16	1,231	49,600	66,566
Deferred revenue	-	-	115,494	-	-	-	115,494
Total liabilities	<u>-</u>	<u>-</u>	<u>131,213</u>	<u>16</u>	<u>1,231</u>	<u>49,600</u>	<u>182,060</u>
Fund balances - unreserved:							
Designated for capital projects	-	-	229,346	3,146,061	2,977,737	327,476	6,680,620
Undesignated	74,837	4,013,643	-	-	-	-	4,088,480
Total fund balances	<u>74,837</u>	<u>4,013,643</u>	<u>229,346</u>	<u>3,146,061</u>	<u>2,977,737</u>	<u>327,476</u>	<u>10,769,100</u>
 Total liabilities and fund balances	 \$ <u>74,837</u>	 <u>4,013,643</u>	 <u>360,559</u>	 <u>3,146,077</u>	 <u>2,978,968</u>	 <u>377,076</u>	 <u>10,951,160</u>

**CITY OF KODIAK, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2007

	Special Revenue Funds		Capital Project Funds					Total Nonmajor Governmental Funds
	Tourism Develop- ment	Enhance- ment	General Capital Projects	Street Improve- ments	Public Safety Building	Building Improve- ments	Parks and Recreation	
Revenues:								
Taxes	\$ 101,294			-	-	-	-	101,294
Rental	-	39,450	-	-	-	-	-	39,450
Intergovernmental	-		491,782	-	1,974	-	3,190	496,946
Investment income	1,897	320,760	11,445	140,554	135,093	3,307	17,846	630,902
Other revenues	-	50,687	-	-	-	500	-	51,187
Total revenues	<u>103,191</u>	<u>410,897</u>	<u>503,227</u>	<u>140,554</u>	<u>137,067</u>	<u>3,807</u>	<u>21,036</u>	<u>1,319,779</u>
Expenditures:								
Community services	116,000	-	-	-	-	-	-	116,000
Capital outlay	-	-	424,997	447,295	79,000	-	52,790	1,004,082
Total expenditures	<u>116,000</u>	<u>-</u>	<u>424,997</u>	<u>447,295</u>	<u>79,000</u>	<u>-</u>	<u>52,790</u>	<u>1,120,082</u>
Excess of revenues over (under) expenditures	(12,809)	410,897	78,230	(306,741)	58,067	3,807	(31,754)	199,697
Other financing sources (uses):								
Transfers in	-	-	222,045	1,299,500	2,919,670	-	50,000	4,491,215
Transfers out	-	(1,628,027)	(1,442,071)	(1,478,116)	-	(188,213)	(23,500)	(4,759,927)
Net other financing sources (uses)	<u>-</u>	<u>(1,628,027)</u>	<u>(1,220,026)</u>	<u>(178,616)</u>	<u>2,919,670</u>	<u>(188,213)</u>	<u>26,500</u>	<u>(268,712)</u>
Net change in fund balances	(12,809)	(1,217,130)	(1,141,796)	(485,357)	2,977,737	(184,406)	(5,254)	(69,015)
Fund balances at beginning of year	<u>87,646</u>	<u>5,230,773</u>	<u>1,371,142</u>	<u>3,631,418</u>	<u>-</u>	<u>184,406</u>	<u>332,730</u>	<u>10,838,115</u>
Fund balances at end of year	\$ <u>74,837</u>	<u>4,013,643</u>	<u>229,346</u>	<u>3,146,061</u>	<u>2,977,737</u>	<u>-</u>	<u>327,476</u>	<u>10,769,100</u>

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## **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, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ <u>2,238,050</u>	<u>3,030,231</u>
Receivables:		
Taxes	2,301,480	2,117,527
Grants and shared revenues	5,182	32,569
Interest	<u>-</u>	<u>18,276</u>
Total receivables	<u>2,306,662</u>	<u>2,168,372</u>
Due from other funds	1,505,505	180,414
Prepaid items	<u>251,108</u>	<u>4,410</u>
Total assets	\$ <u>6,301,325</u>	<u>5,383,427</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	190,931	201,699
Accrued payroll and related liabilities	533,096	302,751
Customer deposits	4,027	3,615
Deferred revenue	<u>-</u>	<u>2,500</u>
Total liabilities	<u>728,054</u>	<u>510,565</u>
Fund balance:		
Reserved for prepaid items	251,108	4,410
Unreserved:		
Designated for subsequent year's expenditures	192,560	-
Undesignated	<u>5,129,603</u>	<u>4,868,452</u>
Total fund balance	<u>5,573,271</u>	<u>4,872,862</u>
Total liabilities and fund balance	\$ <u>6,301,325</u>	<u>5,383,427</u>



**CITY OF KODIAK, ALASKA**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	2007		Variance Positive (Negative)	2006
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 630,000	632,102	2,102	632,495
Sales taxes	7,500,000	8,465,804	965,804	8,136,785
Other taxes	3,000	-	(3,000)	2,246
Penalties and interest	15,000	23,990	8,990	24,583
Total taxes	<u>8,148,000</u>	<u>9,121,896</u>	<u>973,896</u>	<u>8,796,109</u>
Intergovernmental:				
Grants	31,060	30,335	(725)	71,311
Municipal energy assistance program	203,200	203,176	(24)	-
State PERS relief	314,368	240,365	(74,003)	227,478
Fisheries business tax	760,100	760,099	(1)	655,636
Shared fisheries business and landing tax	58,000	68,674	10,674	56,788
Liquor licenses	20,000	12,700	(7,300)	20,700
Fuel tax sharing	6,730	6,728	(2)	5,576
Telephone and electric sharing	38,100	78,089	39,989	36,388
Total intergovernmental	<u>1,431,558</u>	<u>1,400,166</u>	<u>(31,392)</u>	<u>1,073,877</u>
Charges for services:				
Public safety:				
Boarding of state prisoners	605,340	609,236	3,896	554,580
State Trooper contract	80,000	136,771	56,771	87,459
Borough animal control	72,380	72,380	-	60,000
Borough E911 access fees	58,000	58,000	-	56,962
Ambulance services	120,000	56,265	(63,735)	68,197
Other public safety charges	42,285	40,328	(1,957)	12,363
School crossing guard services	12,000	7,775	(4,225)	9,400
School lifeguard services	7,500	10,088	2,588	5,828
Borough building inspector charges	130,000	133,826	3,826	156,505
Library fees and charges	24,000	18,578	(5,422)	23,334
Parks and recreation fees and charges	105,000	107,469	2,469	117,795
Public works services	52,500	52,878	378	51,611
Other charges for services	1,200	1,035	(165)	830
Total charges for services	<u>1,310,205</u>	<u>1,304,629</u>	<u>(5,576)</u>	<u>1,204,864</u>

## CITY OF KODIAK, ALASKA

## General Fund

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

	2007		Variance Positive (Negative)	2006
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Fines and forfeitures	\$ <u>57,300</u>	<u>29,452</u>	<u>(27,848)</u>	<u>55,934</u>
Licenses and permits	<u>38,000</u>	<u>51,535</u>	<u>13,535</u>	<u>43,064</u>
Rental income	<u>127,400</u>	<u>128,906</u>	<u>1,506</u>	<u>147,924</u>
Interfund charges:				
Cargo Pier Fund	73,260	73,260	-	95,520
Boat Harbor Fund	73,260	73,260	-	95,520
Water Fund	73,260	73,260	-	149,950
Sewer Fund	73,260	73,260	-	149,950
Trident Basin Fund	73,260	73,260	-	24,220
Public works	124,190	124,190	-	-
Engineering and inspection fees	89,250	89,250	-	60,000
Tourism Development Fund	<u>30,000</u>	<u>30,000</u>	-	<u>30,000</u>
Total interfund charges	<u>609,740</u>	<u>609,740</u>	-	<u>605,160</u>
Investment income	<u>80,000</u>	<u>217,721</u>	<u>137,721</u>	<u>98,819</u>
Other revenues	<u>55,740</u>	<u>59,773</u>	<u>4,033</u>	<u>61,058</u>
Total revenues	<u>11,857,943</u>	<u>12,923,818</u>	<u>1,065,875</u>	<u>12,086,809</u>
Expenditures:				
General government:				
Legislative	352,140	267,811	84,329	307,188
Legal	30,000	22,351	7,649	21,234
Executive	236,660	216,859	19,801	206,883
City Clerk	326,150	294,602	31,548	277,070
Finance	<u>1,112,780</u>	<u>1,036,520</u>	<u>76,260</u>	<u>978,182</u>
Total general government	<u>2,057,730</u>	<u>1,838,143</u>	<u>219,587</u>	<u>1,790,557</u>

## CITY OF KODIAK, ALASKA

## General Fund

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

	2007		Variance Positive (Negative)	2006
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety:				
Police department:				
Administration	\$ 384,430	377,951	6,479	361,841
Uniformed patrol	1,640,580	1,674,659	(34,079)	1,596,759
Corrections	643,920	582,120	61,800	558,730
Investigations	276,360	258,042	18,318	242,326
Support services	724,940	642,544	82,396	697,108
Animal control	146,390	147,620	(1,230)	148,012
Drug enforcement	155,340	137,375	17,965	143,087
Community services	105,150	105,166	(16)	-
Fire department	<u>1,572,880</u>	<u>1,496,984</u>	<u>75,896</u>	<u>1,457,032</u>
Total public safety	<u>5,649,990</u>	<u>5,422,461</u>	<u>227,529</u>	<u>5,204,895</u>
Public works:				
Administration	99,620	88,403	11,217	146,484
Streets	1,339,350	1,342,602	(3,252)	975,939
Garage	369,520	337,964	31,556	257,246
Building inspection	240,920	221,080	19,840	230,414
Municipal airport facility	<u>47,650</u>	<u>42,253</u>	<u>5,397</u>	<u>48,440</u>
Total public works	<u>2,097,060</u>	<u>2,032,302</u>	<u>64,758</u>	<u>1,658,523</u>
Engineering	<u>209,380</u>	<u>158,090</u>	<u>51,290</u>	<u>216,394</u>
Parks and recreation:				
Administration	539,740	516,714	23,026	505,565
Museum	60,000	60,000	-	56,752
Teen Center	263,990	230,096	33,894	230,690
Aquatics	94,090	88,477	5,613	81,962
Ice rink	77,730	77,635	95	65,305
Beautification program	<u>14,000</u>	<u>13,968</u>	<u>32</u>	<u>10,017</u>
Total parks and recreation	<u>1,049,550</u>	<u>986,890</u>	<u>62,660</u>	<u>950,291</u>

## CITY OF KODIAK, ALASKA

## General Fund

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

	2007		Variance Positive (Negative)	2006
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Library	\$ <u>733,770</u>	<u>668,146</u>	<u>65,624</u>	<u>650,423</u>
Community services:				
Contributions	124,600	105,642	18,958	106,745
Downtown revitalization	<u>44,500</u>	<u>41,112</u>	<u>3,388</u>	<u>37,768</u>
Total community services	<u>169,100</u>	<u>146,754</u>	<u>22,346</u>	<u>144,513</u>
Other - insurance and general administration	<u>472,100</u>	<u>461,949</u>	<u>10,151</u>	<u>497,178</u>
Total expenditures	<u>12,438,680</u>	<u>11,714,735</u>	<u>723,945</u>	<u>11,112,774</u>
Excess of revenues over (under) expenditures	(580,737)	1,209,083	1,789,820	974,035
Other financing sources (uses):				
Transfers in	2,246,600	924,796	(1,321,804)	270,099
Transfers out	<u>(1,433,470)</u>	<u>(1,433,470)</u>	<u>-</u>	<u>(2,466,958)</u>
Net other financing sources (uses)	<u>813,130</u>	<u>(508,674)</u>	<u>(1,321,804)</u>	<u>(2,196,859)</u>
Net change in fund balance	\$ <u>232,393</u>	700,409	<u>468,016</u>	(1,222,824)
Fund balance at beginning of year		<u>4,872,862</u>		<u>6,095,686</u>
Fund balance at end of year	\$	<u>5,573,271</u>		<u>4,872,862</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.

### Tourism Development

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

### 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, 2007  
(With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 42,528	661,122
Receivables - special assessments	<u>467,396</u>	<u>645,501</u>
 Total assets	 \$ <u>509,924</u>	 <u>1,306,623</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	-	472
Deferred assessments	<u>456,555</u>	<u>628,496</u>
Total liabilities	456,555	628,968
 Fund balance - unreserved and undesignated	 <u>53,369</u>	 <u>677,655</u>
 Total liabilities and fund balance	 \$ <u>509,924</u>	 <u>1,306,623</u>

**CITY OF KODIAK, ALASKA**  
Special Assessments Special Revenue Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Revenues:		
Special assessments	\$ 195,827	293,351
Investment income	<u>29,819</u>	<u>15,562</u>
Total revenues	225,646	308,913
Expenditures - public works - professional services	<u>432</u>	<u>71,084</u>
Excess of revenues over expenditures	225,214	237,829
Other financing uses - transfers out	<u>(849,500)</u>	<u>-</u>
Net change in fund balance	(624,286)	237,829
Fund balance at beginning of year	<u>677,655</u>	<u>439,826</u>
Fund balance at end of year	\$ <u><u>53,369</u></u>	<u><u>677,655</u></u>

**CITY OF KODIAK, ALASKA**  
 Tourism Development Special Revenue Fund  
 Balance Sheet  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 39,186	48,945
Receivables - taxes	<u>35,651</u>	<u>38,701</u>
 Total assets	 \$ <u>74,837</u>	 <u>87,646</u>
 <u>Fund Balance</u>		
Fund balance - unreserved:		
Designated for subsequent year's expenditures	-	5,000
Undesignated	<u>74,837</u>	<u>82,646</u>
 Total fund balance	 \$ <u>74,837</u>	 <u>87,646</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, 2007  
 (With Comparative Amounts for 2006)

	2007		Variance	2006
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Room taxes	\$ 110,000	101,294	(8,706)	133,781
Investment income	-	1,897	1,897	1,092
Total revenues	110,000	103,191	(6,809)	134,873
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	86,000	86,000	-	86,000
Total expenditures	116,000	116,000	-	116,000
Net change in fund balance	\$ (6,000)	(12,809)	(6,809)	18,873
Fund balance at beginning of year		87,646		68,773
Fund balance at end of year	\$	74,837		87,646

**CITY OF KODIAK, ALASKA**  
 Enhancement Fund Special Revenue Fund  
 Balance Sheet  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 3,958,398	5,175,528
Interest receivable	<u>55,245</u>	<u>55,245</u>
 Total assets	 \$ <u>4,013,643</u>	 <u>5,230,773</u>
<u>Fund Balance</u>		
Fund balance:		
Unreserved:		
Designated for subsequent year's expenditures	-	1,340,000
Undesignated	<u>4,013,643</u>	<u>3,890,773</u>
 Total fund balance	 \$ <u>4,013,643</u>	 <u>5,230,773</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, 2007  
 (With Comparative Amounts for 2006)

	2007			2006
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Rental income	\$ 40,000	39,450	(550)	39,450
Investment income	120,000	320,760	200,760	106,349
Other revenue	<u>50,800</u>	<u>50,687</u>	<u>(113)</u>	<u>26,000</u>
Total revenues	<u>210,800</u>	<u>410,897</u>	<u>200,097</u>	<u>171,799</u>
Other financing sources (uses):				
Transfers in	-	-	-	299,736
Transfers out	<u>(1,500,000)</u>	<u>(1,628,027)</u>	<u>(128,027)</u>	<u>(1,954,099)</u>
Net other financing sources (uses)	<u>(1,500,000)</u>	<u>(1,628,027)</u>	<u>(128,027)</u>	<u>(1,654,363)</u>
Net change in fund balance	\$ <u>(1,289,200)</u>	(1,217,130)	<u>72,070</u>	(1,482,564)
Fund balance at beginning of year		<u>5,230,773</u>		<u>6,713,337</u>
Fund balance at end of year		\$ <u>4,013,643</u>		<u>5,230,773</u>

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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.

### Public Safety Building

This fund is used to account for the costs associated with the new public safety building.

### 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, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 175,726	1,219,654
Receivables:		
Grants	184,833	440,746
Interest	<u>          -</u>	<u>      7,932</u>
Total assets	\$ <u>      360,559</u>	<u>      1,668,332</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	15,719	297,190
Deferred revenue	<u>      115,494</u>	<u>                  -</u>
Total liabilities	<u>      131,213</u>	<u>      297,190</u>
Fund balance - designated for capital projects	<u>      229,346</u>	<u>      1,371,142</u>
Total liabilities and fund balance	\$ <u>      360,559</u>	<u>      1,668,332</u>

**CITY OF KODIAK, ALASKA**  
**General Capital Projects Fund**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Revenues:		
Intergovernmental	\$ 491,782	1,124,608
Investment income	11,445	32,932
Total revenues	<u>503,227</u>	<u>1,157,540</u>
Expenditures:		
Communications improvements	193,076	1,373,212
Near Island development	4,764	-
City land development	250	2,750
Municipal building feasibility study	-	280,040
Municipal airport plan	-	66,586
Financial software system	-	910
Comprehensive records management program	14,923	108,757
Museum building	14,647	-
Municipal airport improvement	10,550	-
KFD deferred maintenance	4,019	-
HAZMAT response vehicle	182,768	-
City wide safety analysis	-	37,357
Police department safety suite	-	44,000
Total expenditures	<u>424,997</u>	<u>1,913,612</u>
Excess of revenues over (under) expenditures	78,230	(756,072)
Other financing sources (uses):		
Transfers in	222,045	1,927,222
Transfers out	<u>(1,442,071)</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,220,026)</u>	<u>1,927,222</u>
Net change in fund balance	(1,141,796)	1,171,150
Fund balance at beginning of year	<u>1,371,142</u>	<u>199,992</u>
Fund balance at end of year	\$ <u><u>229,346</u></u>	<u><u>1,371,142</u></u>



**CITY OF KODIAK, ALASKA**  
 Street Improvements Capital Project Fund  
 Balance Sheet  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 3,146,077	3,639,782
Receivables - interest	<u>          -</u>	<u>23,734</u>
 Total assets	 \$ <u>3,146,077</u>	 <u>3,663,516</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities - accounts payable	<u>          16</u>	<u>32,098</u>
Fund balance - designated for capital projects	<u>3,146,061</u>	<u>3,631,418</u>
 Total liabilities and fund balance	 \$ <u>3,146,077</u>	 <u>3,663,516</u>

**CITY OF KODIAK, ALASKA**  
 Street Improvements Capital Project Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Revenues:		
Investment income	\$ 140,554	110,206
Other income	-	1,100
Total revenues	<u>140,554</u>	<u>111,306</u>
Expenditures:		
Seleif Lane paving	136	16,480
Annual sidewalk, curb and gutter repair	68,834	40,242
Natalia Lane/Alder Lane	156,835	569,067
Mill Bay rut repair	149,488	-
Annual asphalt repair	-	113
Steller Way improvements	72,689	241,387
Pier II sidewalk extension	-	243
Maple Street	-	3,592
Other miscellaneous projects	(687)	11
Total expenditures	<u>447,295</u>	<u>871,135</u>
Excess of revenues over (under) expenditures	(306,741)	(759,829)
Other financing sources (uses):		
Transfers in	1,299,500	900,000
Transfers out	(1,478,116)	(471,000)
Net other financing sources (uses)	<u>(178,616)</u>	<u>429,000</u>
Net change in fund balance	(485,357)	(330,829)
Fund balance at beginning of year	<u>3,631,418</u>	<u>3,962,247</u>
Fund balance at end of year	\$ <u>3,146,061</u>	<u>3,631,418</u>

**CITY OF KODIAK, ALASKA**  
Public Safety Building Capital Project Fund  
Balance Sheet  
June 30, 2007

Assets

Cash and investments	\$ 2,978,369
Receivables - grants	<u>599</u>
Total assets	\$ <u>2,978,968</u>

Liabilities and Fund Balance

Liabilities - accounts payable	1,231
Fund balance - designated for capital projects	<u>2,977,737</u>
Total liabilities and fund balance	\$ <u>2,978,968</u>

**CITY OF KODIAK, ALASKA**  
 Public Safety Building Capital Project Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2007

Revenues:	
Intergovernmental	\$ 1,974
Investment income	<u>135,093</u>
Total revenues	<u>137,067</u>
Expenditures - engineering and design	<u>79,000</u>
Excess of revenues over expenditures	58,067
Other financing sources - transfers in	<u>2,919,670</u>
Net change in fund balance	2,977,737
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u><u>2,977,737</u></u>

**CITY OF KODIAK, ALASKA**  
 Building Improvements Capital Project Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Revenues:		
Intergovernmental	\$ -	19,237
Investment income	3,307	9,537
Other income	500	2,500
Total revenues	<u>3,807</u>	<u>31,274</u>
Expenditures:		
Building improvements	-	9,632
Museum building	-	20,266
Total expenditures	<u>-</u>	<u>29,898</u>
Excess of revenues over expenditures	3,807	1,376
Other financing sources (uses):		
Transfers in	-	15,000
Transfers out	(188,213)	-
Net other financing sources (uses)	<u>(188,213)</u>	<u>15,000</u>
Net change in fund balance	(184,406)	16,376
Fund balance at beginning of year	<u>184,406</u>	<u>168,030</u>
Fund balance at end of year	\$ <u>-</u>	<u>184,406</u>

**CITY OF KODIAK, ALASKA**  
Parks and Recreation Capital Project Fund  
Balance Sheet  
June 30, 2007  
(With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments	\$ <u>377,076</u>	<u>337,709</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	49,600	4,979
Fund balance - designated for capital projects	<u>327,476</u>	<u>332,730</u>
Total liabilities and fund balance	\$ <u>377,076</u>	<u>337,709</u>



**CITY OF KODIAK, ALASKA**  
Parks and Recreation Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Revenues:		
Intergovernmental	\$ 3,190	32,117
Investment income	17,846	9,412
Total revenues	<u>21,036</u>	<u>41,529</u>
Expenditures:		
Potato Patch Lake access	-	53,438
Playground equipment and improvements	-	1,156
Baranof facility	3,190	-
Ice rink	49,600	-
Multi-sport field and track	-	32,117
Baranof storage building	-	22,833
Total expenditures	<u>52,790</u>	<u>109,544</u>
Excess of revenues over (under) expenditures	(31,754)	(68,015)
Other financing sources (uses):		
Transfers in	50,000	100,000
Transfers out	(23,500)	-
Net other financing sources (uses)	<u>26,500</u>	<u>100,000</u>
Net change in fund balance	(5,254)	31,985
Fund balance at beginning of year	<u>332,730</u>	<u>300,745</u>
Fund balance at end of year	\$ <u>327,476</u>	<u>332,730</u>

## **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.

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**CITY OF KODIAK, ALASKA**  
Cargo Pier Enterprise Fund  
Statement of Net Assets  
June 30, 2007  
(With Comparative Amounts for 2006)

	<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:			
Cash and investments		\$ 1,013,712	720,071
Receivables:			
Grants		300,025	250,000
Accounts		10,685	4,468
Total current assets		<u>1,324,422</u>	<u>974,539</u>
Property, plant and equipment:			
Improvements other than buildings		12,715,989	12,517,851
Building		9,502	9,502
Machinery and equipment		1,177,743	1,158,580
Construction in progress		7,903,836	7,490,512
Accumulated depreciation		<u>(13,123,212)</u>	<u>(12,580,361)</u>
Net property, plant and equipment		<u>8,683,858</u>	<u>8,596,084</u>
Total assets		<u>\$ 10,008,280</u>	<u>9,570,623</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		7,563	11,424
Accrued payroll and related liabilities		5,460	6,969
Accrued annual and sick leave		3,504	25,374
Deferred revenue		29,117	22,361
Total current liabilities		<u>45,644</u>	<u>66,128</u>
Net assets:			
Invested in capital assets		8,683,858	8,596,084
Unrestricted		<u>1,278,778</u>	<u>908,411</u>
Total net assets		<u>9,962,636</u>	<u>9,504,495</u>
Total liabilities and net assets		<u>\$ 10,008,280</u>	<u>9,570,623</u>

**CITY OF KODIAK, ALASKA**  
Cargo Pier Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Dockage	\$ 108,697	112,890
Wharfage	527,378	509,146
Pier III	282,088	281,485
Cruise ship	44,814	34,477
Rentals	<u>177,236</u>	<u>131,816</u>
Total operating revenues	<u>1,140,213</u>	<u>1,069,814</u>
Operating expenses:		
General and administrative:		
Salaries and benefits	249,745	249,959
Professional	3,285	1,674
Goods and services	51,347	60,449
Machinery and equipment	-	10,800
Interfund charges:		
Finance and administration	73,260	63,830
Public works services	60,330	66,690
Harbormaster services	<u>70,000</u>	<u>70,000</u>
Total general and administrative	<u>507,967</u>	<u>523,402</u>
Warehouse:		
Goods and services	8,540	14,987
Machinery and equipment	<u>6,275</u>	<u>12,205</u>
Total warehouse	<u>14,815</u>	<u>27,192</u>
Pier II:		
Utilities and fuel	23,938	28,572
Repairs and maintenance	14,392	16,174
Machinery and equipment	8,100	82,655
Machinery and equipment	<u>3,609</u>	<u>4,613</u>
Total pier II	<u>50,039</u>	<u>132,014</u>

## CITY OF KODIAK, ALASKA

## Cargo Pier Enterprise Fund

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

	<u>2007</u>	<u>2006</u>
Operating expenses, continued:		
Pier III:		
Goods and services	\$ 481	6,677
Utilities and fuel	1,670	1,325
Repairs and maintenance	721,657	513,530
Machinery and equipment	-	43
Total pier III	<u>723,808</u>	<u>521,575</u>
Depreciation	<u>542,851</u>	<u>541,482</u>
Total operating expenses	<u>1,839,480</u>	<u>1,745,665</u>
Loss from operations	(699,267)	(675,851)
Nonoperating revenues:		
Investment income	50,445	36,748
State PERS relief	6,963	6,909
Total nonoperating revenues	<u>57,408</u>	<u>43,657</u>
Loss before contributions and transfers	(641,859)	(632,194)
Capital contributions	600,000	1,722,729
Transfers in	<u>500,000</u>	<u>500,000</u>
Change in net assets	458,141	1,590,535
Net assets at beginning of year	<u>9,504,495</u>	<u>7,913,960</u>
Net assets at end of year	\$ <u>9,962,636</u>	<u>9,504,495</u>



**CITY OF KODIAK, ALASKA**  
Cargo Pier Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,140,752	1,137,646
Payments for interfund services used	(203,590)	(200,520)
Payments to suppliers	(847,155)	(790,610)
Payments to employees	<u>(266,161)</u>	<u>(251,325)</u>
Net cash flows from operating activities	<u>(176,154)</u>	<u>(104,809)</u>
Cash flows from capital and related financing activities:		
Payments on interfund loan	-	(1,200,000)
Purchase of property, plant and equipment	(630,625)	(3,664,891)
Capital contributions received	549,975	3,452,305
Transfers in	<u>500,000</u>	<u>500,000</u>
Net cash flows from capital and related financing activities	<u>419,350</u>	<u>(912,586)</u>
Cash flows from investing activities -		
investment income received	<u>50,445</u>	<u>42,650</u>
Net increase (decrease) in cash and investments	293,641	(974,745)
Cash and investments at beginning of year	<u>720,071</u>	<u>1,694,816</u>
Cash and investments at end of year	\$ <u><u>1,013,712</u></u>	<u><u>720,071</u></u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:	(699,267)	(675,851)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	542,851	541,482
Noncash expense - PERS relief	6,963	6,909
(Increase) decrease in assets -		
accounts receivable	(6,217)	45,471
Increase (decrease) in liabilities:		
Accounts payable	(3,861)	(36,906)
Accrued payroll and related liabilities	(1,509)	(9,853)
Accrued annual and sick leave	(21,870)	1,578
Deferred revenue	<u>6,756</u>	<u>22,361</u>
Net cash flows from operating activities	\$ <u><u>(176,154)</u></u>	<u><u>(104,809)</u></u>

**CITY OF KODIAK, ALASKA**  
 Cargo Pier Enterprise Fund  
 Schedule of Cargo Pier Capital Projects  
 Year Ended June 30, 2007

	<u>Pier II Reconstruction</u>
Funding sources:	
Grants	\$ 600,000
Cargo Pier Enterprise Fund	<u>11,463</u>
Total funding sources	\$ <u>611,463</u>
Expenditures:	
Salaries and benefits	3,682
Engineering and inspection	11,853
Construction and contractors	<u>595,928</u>
Total expenditures	\$ <u>611,463</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Net Assets  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and investments	\$ 6,392,142	6,089,550
Receivables:		
Grants	131,076	89,131
Accounts	36,794	69,005
Interest	-	39,373
Allowance for doubtful accounts	(15,647)	(15,647)
Prepaid expenses	1,250	6,526
Total current assets	<u>6,545,615</u>	<u>6,277,938</u>
Property, plant and equipment:		
Land	677,064	677,064
Buildings	1,523,154	1,523,154
Improvements other than buildings	25,283,894	25,283,894
Machinery and equipment	456,157	484,131
Construction in progress	907,618	274,653
Accumulated depreciation	(16,734,557)	(15,929,075)
Net property, plant and equipment	<u>12,113,330</u>	<u>12,313,821</u>
Total assets	<u>\$ 18,658,945</u>	<u>18,591,759</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	92,455	72,635
	25,627	23,414
Accrued annual and sick leave	56,609	60,081
Customer deposits	187,905	188,055
Total current liabilities	<u>362,596</u>	<u>344,185</u>
Net assets:		
Invested in capital assets	12,113,330	12,313,821
Unrestricted	6,183,019	5,933,753
Total net assets	<u>18,296,349</u>	<u>18,247,574</u>
Total liabilities and net assets	<u>\$ 18,658,945</u>	<u>18,591,759</u>

**CITY OF KODIAK, ALASKA**  
**Boat Harbor Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Moorage	\$ 1,366,121	1,183,387
Pier and dock fees	205,299	161,147
Administrative fees to other funds	70,000	70,000
Other fees and charges	213,162	173,896
Rentals	14,302	14,161
Penalties and interest	10,971	14,349
Other	15,013	-
Total operating revenues	<u>1,894,868</u>	<u>1,616,940</u>
Operating expenses:		
Salaries and benefits	961,408	862,295
Professional	52,999	63,618
Contributions	21,370	20,225
Goods and services	295,387	259,153
Utilities and fuel	129,000	128,672
Administrative services	-	16,814
Machinery and equipment	62,700	10,695
Interfund charges:		
Finance and administration	73,260	63,830
Public works services	38,020	31,690
Engineering and inspection	22,310	25,000
Repairs and maintenance	233	60,374
Depreciation	839,963	842,194
Total operating expenses	<u>2,496,650</u>	<u>2,384,560</u>
	(601,782)	(767,620)
Nonoperating revenues (expenses):		
Investment income	278,747	181,141
Loss on disposal of asset	-	(23,701)
State PERS relief	31,437	25,553
Other	-	2,657
Net nonoperating revenues (expenses)	<u>310,184</u>	<u>185,650</u>
Loss before contributions and transfers	(291,598)	(581,970)
Capital contributions	340,373	114,087
Transfers in	500,000	500,000
Transfers out	<u>(500,000)</u>	<u>(292,125)</u>
Change in net assets	48,775	(260,008)
Net assets at beginning of year	<u>18,247,574</u>	<u>18,507,582</u>
Net assets at end of year	\$ <u>18,296,349</u>	<u>18,247,574</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,856,929	1,515,709
Receipts from interfund services provided	70,000	70,000
Payments for interfund services used	(133,590)	(120,520)
Payments to suppliers	(536,593)	(531,107)
Payments to employees	(931,230)	(875,117)
Net cash flows from operating activities	<u>325,516</u>	<u>58,965</u>
Cash flows from noncapital financing activities - transfers out	<u>(500,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(639,472)	(284,568)
Transfers in	500,000	500,000
Capital contributions received	298,428	24,956
Net cash flows from capital and related financing activities	<u>158,956</u>	<u>240,388</u>
Cash flows from investing activities - investment income received	<u>318,120</u>	<u>164,278</u>
Net increase in cash and investments	302,592	463,631
Cash and investments at beginning of year	<u>6,089,550</u>	<u>5,625,919</u>
Cash and investments at end of year	\$ <u>6,392,142</u>	<u>6,089,550</u>
provided (used) by operating activities:		
Loss from operations	(601,782)	(767,620)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	839,963	842,194
Noncash expense - PERS relief	31,437	25,553
Other nonoperating revenues	-	2,657
(Increase) decrease in assets:		
Accounts receivable	32,211	(31,996)
Prepaid expenses	5,276	(5,918)
Increase (decrease) in liabilities:		
Accounts payable	19,820	34,362
Accrued payroll and related liabilities	2,213	(48,056)
Accrued annual and sick leave	(3,472)	9,681
Customer deposits	(150)	(1,892)
Net cash flows from operating activities	\$ <u>325,516</u>	<u>58,965</u>
Noncash capital and related financing activities - transfer of property, plant and equipment at net book value to Trident Basin Enterprise Fund	\$ <u>-</u>	<u>(292,125)</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Schedule of Harbor Capital Projects  
 Year Ended June 30, 2007

	St. Herman <u>Harbor</u>	<u>600 Ton Lift</u>	Harbor <u>Landscaping</u>	<u>Total</u>
Funding sources:				
Grants	\$ -	340,373	-	340,373
Boat Harbor Enterprise Fund	<u>221,747</u>	<u>35,334</u>	<u>25,000</u>	<u>282,081</u>
 Total funding sources	 \$ <u>221,747</u>	 <u>375,707</u>	 <u>25,000</u>	 <u>622,454</u>
Expenditures:				
Salaries and benefits	6,337	9,194	-	15,531
Engineering and inspection	215,410	366,513	-	581,923
Construction and contractors	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
 Total expenditures	 \$ <u>221,747</u>	 <u>375,707</u>	 <u>25,000</u>	 <u>622,454</u>

**CITY OF KODIAK, ALASKA**  
 Harbor Electric Utility Enterprise Fund  
 Statement of Net Assets  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and investments	\$ 250,271	194,142
Accounts receivable	<u>17,188</u>	<u>14,401</u>
Total current assets	<u>267,459</u>	<u>208,543</u>
Property, plant and equipment - machinery and equipment	118,706	118,706
Accumulated depreciation	<u>(36,895)</u>	<u>(28,257)</u>
Net property, plant and equipment	<u>81,811</u>	<u>90,449</u>
Total assets	<u>\$ 349,270</u>	<u>298,992</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	31,916	32,655
Customer deposits	<u>11,400</u>	<u>8,800</u>
Total current liabilities	<u>43,316</u>	<u>41,455</u>
Net assets:		
Invested in capital assets	81,811	90,449
Unrestricted	<u>224,143</u>	<u>167,088</u>
Total net assets	<u>305,954</u>	<u>257,537</u>
Total liabilities and net assets	<u>\$ 349,270</u>	<u>298,992</u>



**CITY OF KODIAK, ALASKA**  
 Harbor Electric Utility Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Energy charges	\$ 536,585	406,406
Customer charges	114,684	116,021
Other operating revenue	<u>27,437</u>	<u>25,413</u>
Total operating revenues	<u>678,706</u>	<u>547,840</u>
Operating expenses:		
Salaries and benefits	42,043	41,169
Goods and services	583,513	439,555
Machinery and equipment	5,931	-
Depreciation	<u>8,638</u>	<u>7,280</u>
Total operating expenses	<u>640,125</u>	<u>488,004</u>
Earnings from operations	38,581	59,836
Nonoperating revenues:		
Investment income	9,836	4,436
State PERS relief	<u>-</u>	<u>1,390</u>
Total nonoperating revenues	<u>9,836</u>	<u>5,826</u>
Change in net assets	48,417	65,662
Net assets at beginning of year	<u>257,537</u>	<u>191,875</u>
Net assets at end of year	\$ <u>305,954</u>	<u>257,537</u>

**CITY OF KODIAK, ALASKA**  
 Harbor Electric Utility Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 678,519	552,532
Payments to suppliers	(590,183)	(431,210)
Payments to employees	<u>(42,043)</u>	<u>(39,779)</u>
Net cash flows from operating activities	<u>46,293</u>	<u>81,543</u>
Cash flows from capital and related financing activities -		
Purchase of property, plant and equipment	<u>-</u>	<u>(9,500)</u>
Cash flows from investing activities -		
investment income received	<u>9,836</u>	<u>4,436</u>
Net increase in cash and investments	56,129	76,479
Cash and investments at beginning of year	<u>194,142</u>	<u>117,663</u>
Cash and investments at end of year	\$ <u>250,271</u>	<u>194,142</u>
Reconciliation of earnings from operations to net cash provided (used) by operating activities:		
Earnings from operations	38,581	59,836
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	8,638	7,280
Noncash expense - PERS relief	-	1,390
	<u>(2,787)</u>	<u>3,192</u>
Increase (decrease) in liabilities:		
Accounts payable	(739)	8,345
Customer deposits	<u>2,600</u>	<u>1,500</u>
Net cash flows from operating activities	\$ <u>46,293</u>	<u>81,543</u>

CITY OF KODIAK, ALASKA  
Water Utility Enterprise Fund  
Statement of Net Assets  
June 30, 2007  
(With Comparative Amounts for 2006)

	<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:			
Cash and investments		\$ 4,789,621	8,116,480
Receivables:			
Grants		195,190	382,455
Accounts		246,145	217,798
Interest		-	52,644
Allowance for doubtful accounts		(2,224)	(3,565)
Inventory		208,380	228,606
Total current assets		<u>5,437,112</u>	<u>8,994,418</u>
Noncurrent assets:			
Restricted cash and investments		221,450	221,450
Deferred charges, net of accumulated amortization		9,534	14,301
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		380,633	350,032
Construction in progress		2,739,256	1,137,154
Accumulated depreciation		(14,048,955)	(13,559,820)
Net property, plant and equipment		<u>15,891,339</u>	<u>14,747,771</u>
Total noncurrent assets		<u>16,122,323</u>	<u>14,983,522</u>
Total assets		<u>\$ 21,559,435</u>	<u>23,977,940</u>
Liabilities:			
Current liabilities:			
Accounts payable		402,236	764,007
Accrued payroll and related liabilities		17,024	13,757
Accrued annual and sick leave		17,851	23,505
Customer deposits		6,600	2,200
Accrued interest		12,238	12,238
Current portion of revenue bonds		205,000	200,000
Total current liabilities		<u>660,949</u>	<u>1,015,707</u>
Noncurrent liabilities:			
Unamortized bond premium		7,677	11,516
Revenue bonds, net of current portion		215,000	420,000
Total noncurrent liabilities		<u>222,677</u>	<u>431,516</u>
Total liabilities		<u>883,626</u>	<u>1,447,223</u>
Net assets:			
Invested in capital assets, net of related debt		15,473,196	14,130,556
Restricted for debt service		221,450	221,450
Unrestricted		4,981,163	8,178,711
Total net assets		<u>20,675,809</u>	<u>22,530,717</u>
Total liabilities and net assets		<u>\$ 21,559,435</u>	<u>23,977,940</u>

**CITY OF KODIAK, ALASKA**  
 Water Utility Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Sales and user charges	\$ 1,227,102	1,225,250
Meters	858,289	847,447
Other	34,646	23,636
Total operating revenues	<u>2,120,037</u>	<u>2,096,333</u>
Operating expenses:		
Water department:		
Salaries and benefits	580,217	504,223
Professional	40,003	24,243
Goods and services	110,560	(4,905)
Utilities and fuel	352,599	361,782
Machinery and equipment	15,000	54,835
Interfund charges:		
Finance and administration	36,630	59,130
Public works services	15,090	15,845
Repairs and maintenance	1,104,517	62,160
Depreciation	489,135	493,891
Total water department	<u>2,743,751</u>	<u>1,571,204</u>
Water treatment:		
Professional	3,794	-
Goods and services	62,648	63,753
Utilities	21,000	740
Machinery and equipment	18,534	35,524
Finance and administration	36,630	59,130
Public works services	15,390	-
Total water treatment	<u>157,996</u>	<u>159,147</u>
Total operating expenses	<u>2,901,747</u>	<u>1,730,351</u>
Earnings (loss) from operations	(781,710)	365,982

**CITY OF KODIAK, ALASKA**  
 Water Utility Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets, continued

	<u>2007</u>	<u>2006</u>
Nonoperating revenues (expenses):		
Investment income	\$ 300,298	230,986
Interest expense	(10,237)	(14,736)
Amortization of bond issuance costs	(4,767)	(4,767)
Ultraviolet light feasibility study	(8,600)	(6,130)
Rate study	-	(23,750)
Watershed plan update	-	(200)
State PERS relief	15,611	14,700
Other	30,601	-
Net nonoperating revenues (expenses)	<u>322,906</u>	<u>196,103</u>
Earnings (loss) before contributions and transfers	(458,804)	562,085
Capital contributions	13,896	444,331
Transfers in	750,000	330,000
Transfers out	<u>(2,160,000)</u>	<u>(10,000)</u>
Change in net assets	(1,854,908)	1,326,416
Net assets at beginning of year	<u>22,530,717</u>	<u>21,204,301</u>
Net assets at end of year	\$ <u>20,675,809</u>	<u>22,530,717</u>

CITY OF KODIAK, ALASKA  
Water Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,125,350	2,150,987
Payments for interfund services used	(103,740)	(149,950)
Payments to suppliers	(2,078,800)	(48,990)
Payments to employees	(566,993)	(508,453)
Net cash flows from operating activities	<u>(624,183)</u>	<u>1,443,594</u>
Cash flows from noncapital financing activities - transfers out	<u>(2,160,000)</u>	<u>(10,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(200,000)	(200,000)
Interest paid on long-term debt	(14,076)	(18,575)
Purchase of property, plant and equipment	(1,632,703)	(1,145,216)
Capital contributions received	201,161	62,904
Transfers in	750,000	330,000
Net cash flows from capital and related financing activities	<u>(895,618)</u>	<u>(970,887)</u>
Cash flows from investing activities - investment income received	<u>352,942</u>	<u>208,137</u>
Net increase (decrease) in cash and investments	(3,326,859)	670,844
Cash and investments at beginning of year	<u>8,337,930</u>	<u>7,667,086</u>
	<u>\$ 5,011,071</u>	<u>8,337,930</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	4,789,621	8,116,480
Restricted cash and investments	<u>221,450</u>	<u>221,450</u>
	<u>\$ 5,011,071</u>	<u>8,337,930</u>
Reconciliation of earnings (loss) from operations to net cash provided (used) by operating activities:		
Earnings (loss) from operations	(781,710)	365,982
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:		
Increase (decrease) in allowance for doubtful accounts	(1,341)	168
Depreciation	489,135	493,891
Noncash expense - PERS relief	15,611	14,700
Other nonoperating revenues	30,601	-
Other nonoperating expenses	(8,600)	(30,080)
(Increase) decrease in assets:		
Accounts receivable	(28,347)	69,186
Inventory	20,226	(63,761)
Increase (decrease) in liabilities:		
Accounts payable	(361,771)	627,138
Accrued payroll and related liabilities	3,267	(24,668)
Accrued annual and sick leave	(5,654)	5,738
Customer deposits	4,400	(14,700)
Net cash flows from operating activities	<u>\$ (624,183)</u>	<u>1,443,594</u>

**CITY OF KODIAK, ALASKA**  
 Water Utility Enterprise Fund  
 Schedule of Water Utility Capital Projects  
 Year Ended June 30, 2007

	<u>Willow Street</u>	<u>Water Treatment Plant Fence</u>	<u>Total</u>
Funding sources:			
Grants	\$ -	13,896	13,896
Water Utility Enterprise Fund	<u>1,588,206</u>	<u>-</u>	<u>1,588,206</u>
 Total funding sources	 \$ <u>1,588,206</u>	 <u>13,896</u>	 <u>1,602,102</u>
Expenditures:			
Salaries and benefits	6,437	-	6,437
Engineering and inspection	77,048	-	77,048
Construction and contractors	<u>1,504,721</u>	<u>13,896</u>	<u>1,518,617</u>
 Total expenditures	 \$ <u>1,588,206</u>	 <u>13,896</u>	 <u>1,602,102</u>



**CITY OF KODIAK, ALASKA**  
 Sewer Utility Enterprise Fund  
 Statement of Net Assets  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and investments	\$ 2,188,606	1,144,930
Receivables:		
Grants	4,950	4,950
Accounts	219,379	175,407
Interest	-	13,228
Allowance for doubtful accounts	(2,867)	(2,958)
Inventory	15,415	14,389
Total current assets	<u>2,425,483</u>	<u>1,349,946</u>
Property, plant and equipment:		
Land	16,931	16,931
Buildings	19,008,010	19,008,010
Improvements other than buildings	16,370,666	16,370,666
Machinery and equipment	489,874	489,874
Accumulated depreciation	(15,341,701)	(14,128,733)
Net property, plant and equipment	<u>20,543,780</u>	<u>21,756,748</u>
Total assets	<u>\$ 22,969,263</u>	<u>23,106,694</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accrued payroll and related liabilities	744,309	43,257
Accrued annual and sick leave	24,983	17,933
Accrued interest	59,326	48,856
Accrued interest	9,049	10,055
Current portion of loans payable	201,097	201,097
Total current liabilities	<u>1,038,764</u>	<u>321,198</u>
Noncurrent liabilities - loans payable, net of current portion	<u>1,608,779</u>	<u>1,809,876</u>
Total liabilities	<u>2,647,543</u>	<u>2,131,074</u>
Net assets:		
Invested in capital assets, net of related debt	18,733,904	19,745,775
Unrestricted	1,587,816	1,229,845
Total net assets	<u>20,321,720</u>	<u>20,975,620</u>
Total liabilities and net assets	<u>\$ 22,969,263</u>	<u>23,106,694</u>

**CITY OF KODIAK, ALASKA**  
**Sewer Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2007**  
**(With Comparative Amounts for 2006)**

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Sewer charges	\$ 2,159,482	1,820,406
Septic truck fees	38,148	42,423
Lab testing fees	15,603	19,279
Total operating revenues	<u>2,213,233</u>	<u>1,882,108</u>
Operating expenses:		
Sewer department:		
Salaries and benefits	117,128	95,656
Professional	20,003	17,474
Goods and services	39,147	27,492
Repairs and maintenance	2,540,790	70,008
Machinery and equipment	1,436	-
Wastewater treatment:		
Salaries and benefits	642,999	559,907
Professional	225,495	142,986
Goods and services	168,865	155,577
Utilities and fuel	220,699	215,652
Machinery and equipment	22,499	6,463
Interfund services:		
Administrative	27,040	22,280
Finance and administration	46,220	95,980
Public works services	30,480	31,690
Depreciation	1,212,968	1,201,697
Total operating expenses	<u>5,315,769</u>	<u>2,642,862</u>
	(3,102,536)	(760,754)
Nonoperating revenues (expenses):		
Investment income	152,648	57,209
Interest expense	(29,159)	(34,519)
Infiltration/inflow study	-	(25,521)
State PERS relief	19,992	17,671
Other nonoperating revenues	1,739	9,627
Gain on disposal of equipment	-	8,970
Net nonoperating revenues (expenses)	<u>145,220</u>	<u>33,437</u>
Loss before transfers	(2,957,316)	(727,317)
Transfers in	<u>2,303,416</u>	<u>-</u>
Change in net assets	(653,900)	(727,317)
Net assets at beginning of year	<u>20,975,620</u>	<u>21,702,937</u>
Net assets at end of year	\$ <u>20,321,720</u>	<u>20,975,620</u>

**CITY OF KODIAK, ALASKA**  
Sewer Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,170,909	1,901,078
Payments for interfund services used	(103,740)	(149,950)
Payments to suppliers	(2,538,908)	(709,942)
Payments to employees	(722,615)	(671,306)
Net cash flows from operating activities	<u>(1,194,354)</u>	<u>369,880</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(201,097)	(201,097)
Interest paid on loans	(30,165)	(36,696)
Purchase of property, plant and equipment	-	(144,609)
Proceeds on disposal of property, plant and equipment	-	10,000
Transfers in	2,303,416	-
Capital contributions received	-	4,064
Net cash flows from capital and related financing activities	<u>2,072,154</u>	<u>(368,338)</u>
Cash flows from investing activities -		
investment income received	<u>165,876</u>	<u>51,541</u>
Net increase in cash and investments	1,043,676	53,083
Cash and investments at beginning of year	<u>1,144,930</u>	<u>1,091,847</u>
Cash and investments at end of year	\$ <u>2,188,606</u>	<u>1,144,930</u>
Reconciliation of loss from operations to net cash		
Loss from operations	(3,102,536)	(760,754)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Increase (decrease) in allowance for doubtful accounts	(91)	138
Depreciation	1,212,968	1,201,697
Noncash expense - PERS relief	19,992	17,671
Other nonoperating revenues	1,739	9,627
Other nonoperating expenses	-	(25,521)
(Increase) decrease in assets:		
Accounts receivable	(43,972)	9,205
Inventory	(1,026)	2,087
Increase (decrease) in liabilities:		
Accounts payable	701,052	(50,856)
Accrued payroll and related liabilities	7,050	(38,431)
Accrued annual and sick leave	10,470	5,017
Net cash flows from operating activities	\$ <u>(1,194,354)</u>	<u>369,880</u>

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Statement of Net Assets  
 June 30, 2007  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets - receivables		
Grants	\$ 1,558,987	31,709
Accounts	2,993	3,071
Total current assets	<u>1,561,980</u>	<u>34,780</u>
Property, plant and equipment:		
Improvements other than buildings	615,000	615,000
Construction in progress	4,423,147	572,786
Accumulated depreciation	<u>(384,375)</u>	<u>(353,625)</u>
Net property, plant and equipment	<u>4,653,772</u>	<u>834,161</u>
 Total assets	 \$ <u>6,215,752</u>	 <u>868,941</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	275,980	21,240
Customer deposits	1,536	1,536
Due to other funds	<u>1,505,505</u>	<u>180,414</u>
Total current liabilities	<u>1,783,021</u>	<u>203,190</u>
Net assets:		
Invested in capital assets	4,653,772	834,161
Unrestricted (deficit)	<u>(221,041)</u>	<u>(168,410)</u>
	<u>4,432,731</u>	<u>665,751</u>
 Total liabilities and net assets	 \$ <u>6,215,752</u>	 <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, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Moorage	\$ 8,726	9,828
Rentals	9,039	9,963
Total operating revenues	<u>17,765</u>	<u>19,791</u>
Operating expenses:		
Professional	12	37
Goods and services	18,767	-
Utilities and fuel	8,521	4,999
Interfund services:		
Finance and administration	73,260	21,680
Public works services	32,860	15,100
Depreciation	30,750	30,750
Total operating expenses	<u>164,170</u>	<u>72,566</u>
Loss from operations	(146,405)	(52,775)
Nonoperating revenues - investment income	<u>2,524</u>	<u>207</u>
Loss before contributions and transfers	(143,881)	(52,568)
Capital contributions	3,677,391	366,194
Transfers in	<u>233,470</u>	<u>352,125</u>
	3,766,980	665,751
Net assets at beginning of year	<u>665,751</u>	<u>-</u>
Net assets at end of year	\$ <u>4,432,731</u>	<u>665,751</u>

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 17,843	16,720
Payments for interfund services used	(106,120)	(36,780)
Payments to suppliers	(24,903)	17,740
Net cash flows from operating activities	<u>(113,180)</u>	<u>(2,320)</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(3,598,018)	(572,786)
Transfers in	233,470	60,000
Increase in due to other funds	1,325,091	180,414
Capital contributions received	2,150,113	334,485
Net cash flows from capital and related financing activities	<u>110,656</u>	<u>2,113</u>
Cash flows from investing activities - investment income received	<u>2,524</u>	<u>207</u>
Net increase in cash and investments	-	-
Cash and investments at beginning of year	<u>-</u>	<u>-</u>
Cash and investments at end of year	\$ <u>-</u>	<u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(146,405)	(52,775)
to net cash flows from operating activities:		
Depreciation	30,750	30,750
(Increase) decrease in assets - accounts receivable	78	(3,071)
Increase in liabilities:		
Accounts payable	2,397	21,240
Customer deposits	-	1,536
Net cash flows from operating activities	\$ <u>(113,180)</u>	<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>-</u>	<u>292,125</u>

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Schedule of Trident Basin Capital Projects  
 Year Ended June 30, 2007

	<u>Seaplane Ramps</u>
Funding sources:	
Grants	\$ 3,677,391
Trident Basin Enterprise Fund	<u>172,971</u>
Total funding sources	\$ <u><u>3,850,362</u></u>
Expenditures:	
Salaries and benefits	6,242
Engineering and inspection	56,482
Construction and contractors	<u>3,787,638</u>
Total expenditures	\$ <u><u>3,850,362</u></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, 2007

<u>Assets</u>	<u>Self- Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Cash and investments	\$ 1,519,351	1,231,062	2,750,413
Prepaid insurance	<u>443,799</u>	<u>-</u>	<u>443,799</u>
 Total assets	 \$ <u>1,963,150</u>	 <u>1,231,062</u>	 <u>3,194,212</u>
 <u>Liabilities and Net Assets</u>			
Current liabilities - accounts payable	1,211	-	1,211
Noncurrent liabilities - net pension/OPEB obligation	<u>-</u>	<u>1,153,915</u>	<u>1,153,915</u>
 Total liabilities	 1,211	 1,153,915	 1,155,126
Net assets - unrestricted	<u>1,961,939</u>	<u>77,147</u>	<u>2,039,086</u>
 Total liabilities and net assets	 \$ <u>1,963,150</u>	 <u>1,231,062</u>	 <u>3,194,212</u>

**CITY OF KODIAK, ALASKA**  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2007

	<u>Self- Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Operating revenues - charges for services	\$ <u>991,643</u>	<u>1,542,253</u>	<u>2,533,896</u>
Operating expenses:			
Insurance	586,792	-	586,792
Employee benefits	<u>-</u>	<u>1,542,253</u>	<u>1,542,253</u>
Total operating expenses	<u>586,792</u>	<u>1,542,253</u>	<u>2,129,045</u>
Earnings from operations	404,851	-	404,851
Nonoperating revenues - investment income	<u>69,769</u>	<u>60,531</u>	<u>130,300</u>
Change in net assets	474,620	60,531	535,151
Net assets at beginning of year	<u>1,487,319</u>	<u>16,616</u>	<u>1,503,935</u>
Net assets at end of year	\$ <u>1,961,939</u>	<u>77,147</u>	<u>2,039,086</u>

**CITY OF KODIAK, ALASKA**  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2007

	<u>Self- Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 991,643	1,542,253	2,533,896
Payments to suppliers	<u>(1,029,827)</u>	<u>(1,188,553)</u>	<u>(2,218,380)</u>
Net cash flows from operating activities	(38,184)	353,700	315,516
Cash flows from investing activities -			
investment income received	<u>69,769</u>	<u>60,531</u>	<u>130,300</u>
Net increase in cash and investments	31,585	414,231	445,816
Cash and investments at beginning of year	<u>1,487,766</u>	<u>816,831</u>	<u>2,304,597</u>
Cash and investments at end of year	\$ <u>1,519,351</u>	<u>1,231,062</u>	<u>2,750,413</u>
Reconciliation of earnings from operations to net cash provided (used) by operating activities:			
Earnings from operations	404,851	-	404,851
Adjustments to reconcile earnings from operations to net cash flows from operating activities:			
Increase in assets - prepaid insurance	(443,799)	-	(443,799)
Increase in liabilities:			
Accounts payable	764	-	764
Net pension/OPEB obligation	<u>-</u>	<u>353,700</u>	<u>353,700</u>
Net cash flows from operating activities	\$ <u>(38,184)</u>	<u>353,700</u>	<u>315,516</u>

**CITY OF KODIAK, ALASKA**  
 Self-Insurance Internal Service Fund  
 Statement of Net Assets  
 June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and investments		\$ 1,519,351	1,487,766
Prepaid insurance		<u>443,799</u>	<u>-</u>
Total assets		\$ <u>1,963,150</u>	<u>1,487,766</u>
<u>Liabilities and Net Assets</u>			
Current liabilities - accounts payable		1,211	447
Net assets - unrestricted		<u>1,961,939</u>	<u>1,487,319</u>
Total liabilities and net assets		\$ <u>1,963,150</u>	<u>1,487,766</u>

**CITY OF KODIAK, ALASKA**  
 Self-Insurance Internal Service Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Operating revenues - charges for services	\$ 991,643	805,466
Operating expenses - insurance	<u>586,792</u>	<u>559,911</u>
Earnings from operations	404,851	245,555
Nonoperating revenues - investment income	<u>69,769</u>	<u>36,204</u>
Change in net assets	474,620	281,759
Net assets at beginning of year	<u>1,487,319</u>	<u>1,205,560</u>
Net assets at end of year	\$ <u>1,961,939</u>	<u>1,487,319</u>

**CITY OF KODIAK, ALASKA**  
 Self-Insurance Internal Service Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2007  
 (With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 991,643	805,466
Payments to suppliers	<u>(1,029,827)</u>	<u>(559,464)</u>
Net cash flows from operating activities	(38,184)	246,002
 Cash flows from investing activities - investment income received	 <u>69,769</u>	 <u>36,204</u>
 Net increase in cash and investments	 31,585	 282,206
 Cash and investments at beginning of year	 <u>1,487,766</u>	 <u>1,205,560</u>
 Cash and investments at end of year	 \$ <u>1,519,351</u>	 <u>1,487,766</u>
 Reconciliation of earnings from operations to net cash provided (used) by operating activities:		
Earnings from operations	404,851	245,555
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Increase in assets - prepaid insurance	(443,799)	-
Increase in liabilities - accounts payable	<u>764</u>	<u>447</u>
Net cash flows from operating activities	\$ <u>(38,184)</u>	<u>246,002</u>



**CITY OF KODIAK, ALASKA**  
**PERS Internal Service Fund**  
**Statement of Net Assets**  
**June 30, 2007**  
 (With Comparative Amounts for 2006)

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets - cash and investments	\$ <u>1,231,062</u>	<u>816,831</u>
<u>Liabilities and Net Assets</u>		
Noncurrent liabilities - net pension/OPEB obligation	1,153,915	800,215
Net assets - unrestricted	<u>77,147</u>	<u>16,616</u>
Total liabilities and net assets	\$ <u>1,231,062</u>	<u>816,831</u>

**CITY OF KODIAK, ALASKA**  
PERS Internal Service Fund  
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Operating revenues - charges for services	\$ 1,542,253	1,903,447
Operating expenses - employee benefits	<u>1,542,253</u>	<u>1,555,956</u>
Earnings from operations	-	347,491
Nonoperating revenues - investment income	<u>60,531</u>	<u>16,616</u>
Change in net assets	60,531	364,107
Net assets (deficit) at beginning of year	<u>16,616</u>	<u>(347,491)</u>
Net assets at end of year	\$ <u>77,147</u>	<u>16,616</u>

**CITY OF KODIAK, ALASKA**  
PERS Internal Service Fund  
Statement of Cash Flows  
Year Ended June 30, 2007  
(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,542,253	1,903,447
Payments to suppliers	<u>(1,188,553)</u>	<u>(1,212,788)</u>
Net cash flows from operating activities	353,700	690,659
Cash flows from investing activities -		
investment income received	<u>60,531</u>	<u>16,616</u>
Net increase in cash and investments	414,231	707,275
Cash and investments at beginning of year	<u>816,831</u>	<u>109,556</u>
Cash and investments at end of year	\$ <u>1,231,062</u>	<u>816,831</u>
Reconciliation of earnings from operations to net cash provided by operating activities:		
Earnings from operations	-	347,491
Adjustments to reconcile earnings from operations to net cash flows from operating activities -		
Increase in liabilities - net pension/OPEB obligation	<u>353,700</u>	<u>343,168</u>
Net cash flows from operating activities	\$ <u>353,700</u>	<u>690,659</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, 2007

<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, 2006 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Grant Receipts</u>	<u>June 30, 2007 Receivable (Deferred)</u>
<b>Department of Interior</b>							
Historic Preservation of the Erskine House/Baranov Museum	02-01-05	15.904	\$ 250,000	(130,140)	14,646	-	(115,494)
<b>Department of Transportation</b>							
Kodiak Municipal Airport System Plan	AIP 3-02-0465-0104	20.106	363,196	9,275	-	9,275	-
Kodiak Trident Seaplane Base	AIP 3-02-0450-002-2006	20.106	4,080,000	-	3,677,391	2,123,099	1,554,292
Seaplane Ramp Phase I Design	AIP 3-02-0450-001-2005	20.106	356,804	27,014	-	27,014	-
Passed through the State of Alaska Department of Transportation and Public Facilities - Highway Safety Grant	060503PT	20.600	25,570	21,095	-	21,095	-
Total Department of Transportation				<u>57,384</u>	<u>3,677,391</u>	<u>2,180,483</u>	<u>1,554,292</u>
<b>Department of Homeland Security</b>							
Passed Through the State of Alaska Department of Military and Veterans Affairs:							
Emergency Management Program	FFY 2006	97.042	17,500	4,061	4,689	8,750	-
Emergency Management Program	FFY 2007	97.042	21,875	-	13,836	9,682	4,154
State Homeland Security Program	2003 TE TX 0204	97.004	54,577	-	54,577	54,577	-
State Homeland Security Program	2003-MU-T3-0050	97.004	13,896	-	13,896	13,896	-
State Homeland Security Grant	35549	97.004	665,243	298,046	-	298,046	-
State Homeland Security Grant	2005-GE-T5-0031	97.073	507,666	128,647	249,976	203,855	174,768
Law Enforcement Terrorism Prevention	2005-GE-T5-0031	97.074	226,269	-	162,357	162,357	-
Total Department of Homeland Security				<u>430,754</u>	<u>499,331</u>	<u>751,163</u>	<u>178,922</u>
<b>Environmental Protection Agency</b>							
Passed Through the State of Alaska Department of Environmental Conservation:							
Monashka Dam Upgrade Phase II (75% federal)	50333	66.202	1,463,900	286,841	-	140,449	146,392
Infiltration/Inflow Study & Preliminary Design (75% federal)	50331	66.202	37,125	3,713	-	-	3,713
Total Environmental Protection Agency				<u>290,554</u>	<u>-</u>	<u>140,449</u>	<u>150,105</u>
<b>Department of Justice</b>							
Bulletproof Vest Partnership	02012514	16.607	11,545	246	45	291	-
<b>Denali Commission</b>							
Pier 3 Cargo Terminal Repair	300-07	90.100	300,000	-	300,000	-	300,000
Total Federal Financial Assistance			\$	<u>648,798</u>	<u>4,491,413</u>	<u>3,072,386</u>	<u>2,067,825</u>

**CITY OF KODIAK, ALASKA**  
 Schedule of State Financial Assistance  
 Year Ended June 30, 2007

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2006 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2007 Receivable (Deferred)</u>
<b>Department of Commerce, Community and Economic Development</b>						
* Marine Travel Lift	06-DC-134	\$2,000,000	89,131	340,373	298,429	131,075
Replacement Multi-Sport Field & Track	05-DC-074	100,000	-	3,190	3,190	-
* Pier III Repairs	07-DC-500	300,000	-	300,000	300,000	-
Municipal Airport Improvements	07-DC-499	700,000	-	10,505	1,368	9,137
Public Safety Building	07-DC-501	1,000,000	-	1,975	1,376	599
* Municipal Energy Assistance Program	-	203,176	-	203,176	203,176	-
* Shared Fisheries Business Tax	-	68,674	-	68,674	68,674	-
Total Department of Commerce, Community and Economic Development			<u>89,131</u>	<u>927,893</u>	<u>876,213</u>	<u>140,811</u>
<b>Department of Transportation &amp; Public Facilities</b>						
Trident Basin Airport, Kodiak FY05 Matching Grant	58887	9,390	4,695	-	-	4,695
Kodiak Municipal Airports FY04 AIP Matching Grant	58889	9,558	4,779	(279)	3,572	928
Total Department of Transportation & Public Facilities			<u>9,474</u>	<u>(279)</u>	<u>3,572</u>	<u>5,623</u>
<b>Department of Administration</b>						
* State PERS relief	-	314,368	-	314,368	314,368	-
<b>Department of Environmental Conservation</b>						
Infiltration/Inflow Study & Preliminary Design (25% state)	50331	12,375	1,237	-	-	1,237
Monashka Dam Upgrade Phase II (25% state)	50333	488,000	95,614	-	46,816	48,798
Total Department of Environmental Conservation			<u>96,851</u>	<u>-</u>	<u>46,816</u>	<u>50,035</u>
<b>Department of Revenue</b>						
Electric and Telephone Cooperative Tax FY06	-	38,090	-	38,090	38,090	-
Electric and Telephone Cooperative Tax FY07	-	39,999	-	39,999	39,999	-
Aviation Fuel	-	6,728	-	6,728	6,728	-
* Fisheries Business Tax	-	760,099	-	760,099	760,099	-
Liquor Licenses	-	12,700	-	12,700	12,700	-
Total Department of Revenue			<u>-</u>	<u>857,616</u>	<u>857,616</u>	<u>-</u>
<b>Department of Education and Early Development</b>						
Public Library Assistance	PLA-07-702-44	6,250	-	6,250	6,250	-
Interlibrary Cooperation Grant	ILC-07-702-110	3,060	-	3,060	3,060	-
Total Department of Education and Early Development			<u>-</u>	<u>9,310</u>	<u>9,310</u>	<u>-</u>
<b>Department of Military and Veterans Affairs</b>						
Local Emergency Planning Committee	06-16.03c11	17,800	6,004	-	6,004	-
Total State Financial Assistance		\$	<u>201,460</u>	<u>2,108,908</u>	<u>2,113,899</u>	<u>196,469</u>

\* Major program

## CITY OF KODIAK, ALASKA

### Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2007

#### 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**

**STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the City of Kodiak’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
Financial Trends	117-121
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity	122-126
These schedules contain information to help the reader assess the government’s most significant local revenue source, sales tax, and other information on property taxes.	
Debt Capacity	127-130
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	131-133
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	134-135
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

## CITY OF KODIAK

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

	Fiscal year					
	2002	2003	2004	2005	2006	2007
<b>Governmental activities</b>						
Invested in capital assets, net of related debt \$	10,806,885	11,164,043	13,184,178	15,861,107	17,363,043	18,423,911
Unrestricted	22,058,706	22,489,743	22,046,319	18,351,673	17,069,035	17,120,507
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>	<u>35,544,418</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt \$	52,027,076	51,792,843	51,589,299	52,631,132	55,710,846	59,739,871
Restricted	628,530	-	-	259,875	221,450	221,450
Unrestricted	16,847,195	17,661,437	17,419,992	17,355,843	17,124,604	15,161,107
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>	<u>75,122,428</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt \$	62,833,961	62,956,886	64,773,477	68,492,239	73,073,889	78,163,782
Restricted	628,530	-	-	259,875	221,450	221,450
Unrestricted	38,905,901	40,151,180	39,466,311	35,707,516	34,193,639	32,281,614
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>	<u>110,666,846</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 Six Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>						
Governmental activities:						
General government	\$ 1,237,263	1,674,970	1,783,346	1,968,566	2,244,270	2,328,195
Public safety	4,041,480	4,167,480	4,476,289	4,971,607	5,054,994	5,384,713
Public works	1,508,158	2,295,522	2,014,583	3,335,631	2,503,999	1,825,719
Engineering	272,670	263,998	147,284	157,750	215,981	167,571
Parks & recreation	865,306	961,792	1,024,215	2,642,528	1,124,144	1,099,535
Library	548,829	622,544	645,675	638,789	639,399	669,518
Community service	718,320	336,314	399,985	282,011	262,834	213,032
Construction in progress	<u>1,196,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>11,688,283</u>
Business-type activities:						
Cargo Pier	\$ 1,558,369	1,246,889	1,127,264	1,232,903	1,714,611	1,796,372
Boat Harbor	2,359,262	2,319,251	2,329,622	2,239,588	2,329,106	2,397,171
Harbor Electric	903,186	461,058	449,179	471,593	488,004	640,125
Water Utility	2,119,447	1,608,101	1,826,774	1,683,286	1,740,225	2,893,352
Sewer Utility	445,876	2,820,381	2,533,580	2,538,608	2,659,591	5,288,305
Trident Basin	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,105</u>	<u>152,474</u>
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>	<u>13,167,799</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>	<u>24,856,082</u>
<b>Program revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 93,306	682,442	584,789	699,789	589,054	520,490
Public safety	803,968	862,593	995,157	908,256	910,753	1,003,467
Public works	579,528	151,727	938,371	376,077	395,490	406,595
Engineering	194,219	189,264	60,000	60,000	60,000	89,250
Parks & recreation	94,490	110,903	101,114	97,895	117,795	125,332
Library	16,405	17,758	19,901	24,451	23,334	18,578
Community service	102,952	101,634	55,751	-	-	-
Operating grants and contributions	23,307	74,734	14,587	10,500	20,700	12,700
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>	<u>520,832</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>	<u>2,697,244</u>
Business-type activities:						
Charges for services:						
Cargo Pier	\$ 1,835,099	792,974	874,720	925,354	1,069,814	1,140,213
Boat Harbor	1,855,910	1,183,714	1,114,408	1,465,129	1,616,940	1,894,868
Harbor Electric	680,462	456,923	442,330	423,407	547,840	678,706
Water Utility	1,102,429	1,917,796	1,955,759	2,003,579	2,096,333	2,120,037
Sewer Utility	463,421	1,864,475	1,856,773	1,875,801	1,882,108	2,213,233
Trident Basin	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,791</u>	<u>17,765</u>
Operating grants and contributions	381,639	-	2,778	-	-	-
Capital grants and contributions	<u>-</u>	<u>1,307,715</u>	<u>707,191</u>	<u>2,210,453</u>	<u>2,647,341</u>	<u>4,631,660</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>	<u>12,696,482</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>	<u>15,393,726</u>
Net (expense)/revenue						
Governmental activities	\$ (8,303,129)	(7,941,098)	(7,087,533)	(10,425,036)	(8,663,331)	(8,991,039)
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>	<u>(471,317)</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>	<u>(9,462,356)</u>

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

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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	632,102
Sales taxes	6,990,918	7,115,078	7,316,442	7,795,331	8,136,785	8,465,804
Other taxes, penalties and interest	118,216	126,079	121,082	171,318	2,246	125,284
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	1,387,466
Investment income	1,086,768	583,096	183,015	509,793	402,339	946,861
Other	158,453	72,398	-	13,798	249,022	172,748
Transfers	<u>(642,000)</u>	<u>(437,000)</u>	<u>(470,000)</u>	<u>(381,683)</u>	<u>(1,380,000)</u>	<u>(1,626,886)</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>	<u>10,103,379</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	856,379
Other	147,030	(15,640)	283,715	(166,436)	(48,084)	53,580
Transfers	<u>642,000</u>	<u>437,000</u>	<u>470,000</u>	<u>381,683</u>	<u>1,380,000</u>	<u>1,626,886</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>	<u>2,536,845</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>	<u>12,640,224</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 1,499,416	1,103,049	1,705,891	(1,017,717)	219,298	1,112,340
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>	<u>2,065,528</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>	<u>3,177,868</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 Six Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund:						
Reserved	\$ 67,727	1,535,196	876,022	24,109	4,410	251,108
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>	<u>5,322,163</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>	<u>5,573,271</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	4,141,849
Capital project funds	<u>5,827,019</u>	<u>-</u>	<u>-</u>	<u>4,631,014</u>	<u>5,519,696</u>	<u>6,680,620</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>	<u>10,822,469</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 Six Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>						
Taxes	\$ 7,740,939	7,879,249	8,056,275	8,551,379	8,929,890	9,223,190
Intergovernmental	1,427,806	1,211,605	1,672,895	1,815,685	2,249,839	1,897,112
Charges for services	1,125,387	1,237,887	1,150,469	1,169,988	1,204,864	1,304,629
Fines and forfeitures	-	19,180	36,890	44,770	55,934	29,452
Licenses and permits	44,628	38,063	54,758	58,319	43,064	51,535
Rental income	227,335	196,331	225,284	231,496	187,374	168,356
Interfund charges	714,853	616,410	516,477	662,020	605,160	609,740
Investment income	1,028,756	583,096	183,015	509,793	383,909	878,442
Special assessments	3,887	40,362	55,389	246,921	293,351	195,827
Other revenues	158,453	99,428	21,846	13,673	90,658	110,960
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>	<u>14,469,243</u>
<b>Expenditures</b>						
General government	\$ 1,220,408	1,306,947	1,447,188	1,542,525	1,790,557	1,838,143
Public safety	3,845,478	3,920,562	4,196,991	4,552,442	5,204,895	5,422,461
Public works	1,234,394	1,339,028	1,307,523	1,610,106	1,729,607	2,032,734
Engineering	269,282	246,621	142,789	168,871	216,394	158,090
Parks and recreation	745,949	771,511	903,068	850,848	950,291	986,890
Library	535,196	570,322	622,716	598,915	650,423	668,146
Community services	707,919	273,865	287,487	279,689	260,513	262,754
Other - insurance and administration	-	320,053	399,985	548,991	497,178	461,949
Capital outlay	1,196,614	1,932,581	3,307,776	6,486,272	2,924,189	1,004,082
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>	<u>12,835,249</u>
Excess of revenues over (under) expenditures	2,716,804	1,240,121	(642,225)	(3,334,615)	(180,004)	1,633,994
<b>Other financing sources (uses)</b>						
Transfers in	3,191,937	3,683,891	3,652,752	3,346,892	3,512,057	5,416,011
Transfers out	(3,833,937)	(3,870,891)	(3,622,752)	(3,728,575)	(4,892,057)	(7,042,897)
Proceeds from sale of assets	-	7,700	-	-	-	-
Net 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>	<u>(1,626,886)</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>	<u>7,108</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</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Hotel/Motel</u> <u>Tax</u>	<u>Total</u>
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
2007	632,102	8,465,804	101,294	9,199,200

## 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		Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property		Assessed Value	Value			
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%	
2007	202,102,695	136,851,037	18,696,800	320,256,932	2.00	376,672,400	85.02%	

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
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
2007	2.00	0.00	2.00	10.50	10.50	21.00	12.50	10.50

Source: City of Kodiak records and Kodiak Island Borough records

**CITY OF KODIAK**  
 Top Ten Sales Tax Business Categories & Principal Property Taxpayers  
 June 30, 2007

<u>Business Category</u>	<u>2007</u>			<u>1998</u>		
	<u>Total Sales Receipts</u>	<u>Rank</u>	<u>Percentage of Total Sales Receipts</u>	<u>Total Sales Receipts</u>	<u>Rank</u>	<u>Percentage of Total Sales Receipts</u>
Retail Sales	\$ 144,510,195	1	41.12%	\$ 78,692,884	1	33.86%
Grocery Stores	34,668,510	2	9.87%	35,316,961	3	15.20%
Utilities	27,652,030	3	7.87%	19,405,157	4	8.35%
Contractors	27,465,887	4	7.82%	36,099,279	2	15.53%
Canneries	19,911,116	5	5.67%	5,729,146	8	2.47%
Miscellaneous Services	15,139,056	6	4.31%	3,596,471	10	1.55%
Service Stations	10,704,055	7	3.05%	5,703,202	9	2.45%
Bars/Liquor Stores	10,055,309	8	2.86%	7,899,620	6	3.40%
Rentals/Leases	9,921,766	9	2.82%	9,668,034	5	4.16%
Restaurants	<u>8,076,442</u>	10	<u>2.30%</u>	<u>6,342,388</u>	7	<u>2.73%</u>
	\$ <u>308,104,366</u>		<u>87.68%</u>	\$ <u>208,453,142</u>		<u>89.69%</u>

<u>Taxpayer</u>	<u>2007</u>		<u>Percentage of Total Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Value</u>
Wal-Mart Real Estate Business Trust	\$ 7,934,200	1	2.48%
Mill Bay Plaza Associates, Ltd	7,138,400	2	2.23%
International Seafoods of Alaska	6,485,600	3	2.03%
Western Alaska Fisheries	6,352,900	4	1.98%
Horizon Lines of Alaska	6,023,900	5	1.88%
Ocean Beauty Seafoods Inc.	5,624,200	6	1.76%
Trident Seafoods Corporation	5,368,500	7	1.68%
North Pacific Seafoods	3,972,100	8	1.24%
Waldo's Enterprises Ltd	3,008,100	9	0.94%
Kodiak Associates	<u>2,725,700</u>	10	<u>0.85%</u>
	\$ <u>54,633,600</u>		<u>17.06%</u>

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

Note: City sales tax rate is 6%, with a maximum taxable transaction amount of \$750; any amount over \$750 is tax exempt. The maximum tax to be charged on a transaction is \$45.

Comparative principal property taxpayers for 1998 is not available.

**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
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%
2007	640,514	599,261	93.56%	16,420	615,681	96.12%

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

Fiscal Year	Business-Type Activities		Percentage of Personal Income	Per Capita
	Revenue Bonds	Alaska Clean Water Fund Loan		
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	1.3%	443
2007	420,000	1,809,876	NA	NA

Note: The 2007 population figure is not available until January 2008.

**CITY OF KODIAK**  
 Direct and Overlapping Debt  
 As of June 30, 2007

<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	\$ 420,000	100%	\$ 420,000
Kodiak Island Borough			
General Obligation Bonds	\$ 29,464,023	39%	\$ 11,565,668

Source: City of Kodiak records and Kodiak Island Borough records

**CITY OF KODIAK**  
Legal Debt Margin Information  
As of June 30, 2007

Assessed Value	\$ 338,953,732
Less Exempt Property	<u>18,696,800</u>
Total	\$ 357,650,532

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	
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
2007	2,120,037	2,412,612	(292,575)	200,000	16,575	-1.35

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>
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	5,937	194,989,036	35,114	2,736	8.7%
2007	5,937	NA	NA	2,685	6.9%

Source: State of Alaska, Department of Commerce, Community, and Economic Development and the Department of Labor, and Kodiak Island Borough School District.  
2007 population figures won't be released until January 2008. Personal income and per capita income are on a calendar year basis.

**CITY OF KODIAK**  
Principal Employers  
Current Year

<u>Employer</u>	<u>2007</u>		<u>Percentage of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Kodiak Island Borough School District	450	1	8.10%
Trident Seafood Group	314	2	5.65%
North Pacific Processors, Inc.	234	3	4.21%
Providence Hospital	210	4	3.78%
Ocean Beauty Seafoods	201	5	3.62%
International Seafoods	199	6	3.58%
City of Kodiak	162	7	2.92%
Safeway Inc	129	8	2.32%
Global Seafoods	120	9	2.16%
Department of Transportation	118	10	2.12%

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

Note: Comparative principal employers for 1998 is not available.

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

<b>Function</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	12.0	12.0	11.0	12.5	12.5	11.30
Public safety:						
Police	36.0	36.0	36.0	36.0	35.0	35.00
Fire	12.5	12.5	12.5	12.5	12.5	12.50
Public works	10.0	10.0	10.0	10.0	10.0	9.50
Parks and recreation	6.0	6.0	5.0	5.0	5.0	5.00
Library	7.0	7.0	7.0	7.0	7.0	6.75
Engineering	4.0	4.0	3.0	3.0	3.0	2.00
Harbor	13.0	13.0	14.0	14.0	14.0	14.00
Water	6.0	6.0	6.0	6.0	6.0	6.60
Sewer	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>7.0</u>	<u>8.60</u>
Total	<u>114.5</u>	<u>114.5</u>	<u>112.5</u>	<u>114.0</u>	<u>112.0</u>	<u>111.25</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 Six Years

<b>Function</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Police:</b>						
Complaints investigated	7,525	7,304	7,512	7,352	7,796	8,195
Motor vehicle collision reports	207	223	191	126	180	86
Bookings/admissions	887	1,045	1,027	900	1,000	594
Investigations conducted	142	233	172	240	264	200
911 calls received & services dispatched	785	906	865	900	910	1,017
<b>Fire:</b>						
Fire response within 5 minutes	NA	NA	90%	90%	90%	90%
EMS response within 5 minutes	NA	NA	90%	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	5,883
<b>Garage</b>						
Preventative maintenance checks	150	160	150	150	107	113
<b>Building inspection</b>						
Building permits issued	107	201	223	203	224	190
<b>Engineering -</b>						
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%
<b>Parks and Recreation:</b>						
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5
Teen center attendance	NA	17,058	17,453	16,283	11,245	31,111
Number of aquatic participants	NA	12,123	13,274	10,386	7,993	19,402
Ice rink attendance	NA	NA	6,654	10,362	10,000	10,000
<b>Library:</b>						
Number of visitors	146,217	148,000	148,897	149,000	149,757	149,702
Number of materials withdrawn	4,177	2,500	4,225	3,500	2,111	3,750
<b>Harbor:</b>						
Vehicle, boat and foot patrol hours	9,543	8,188	10,489	10,500	6,996	5,832
Number of owner accounts	4,100	2,490	2,229	2,400	1,543	1,314
<b>Water:</b>						
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes
<b>Sewer:</b>						
Treatment standards met	Yes	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	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 Six Years

<b>Function</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Police:</b>						
Police stations	1	1	1	1	1	1
Police vehicles	26	25	23	22	21	20
<b>Fire:</b>						
Fire stations	1	1	1	1	1	1
Fire vehicles	9	10	10	11	11	10
<b>Public Works:</b>						
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650
<b>Parks and Recreation:</b>						
Number of parks/playgrounds	14	14	14	14	14	14
Teen center	1	1	1	1	1	1
Ice rink	0	0	1	1	1	1
Library	1	1	1	1	1	1
<b>Harbor:</b>						
Number of harbors	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6
<b>Water:</b>						
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4
<b>Sewer:</b>						
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	18	18	20	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**



**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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kodiak's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kodiak's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Honorable Mayor and City Council  
City of Kodiak, Alaska

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.*

Anchorage, Alaska  
December 14, 2007

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, 2007. 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, 2007.



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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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.*

Anchorage, Alaska  
December 14, 2007

# CITY OF KODIAK, ALASKA

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

### 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

- Significant deficiencies 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

- Significant deficiencies 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

Denali Commission  
Department of  
Transportation

90.100

20.106

Pier 3 Cargo Terminal Repair

Kodiak Trident Seaplane Base

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, 2007

There were no prior year audit findings.

**CITY OF KODIAK, ALASKA**

Corrective Action Plan

Year Ended June 30, 2007

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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kodiak's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kodiak's internal control over financial reporting

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and City Council  
City of Kodiak, Alaska

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.*

Anchorage, Alaska  
December 14, 2007

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, 2007. 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 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, 2007.



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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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.*

Anchorage, Alaska  
December 14, 2007