

CITY OF KODIAK, ALASKA

Comprehensive Annual
Financial Report

For the Year Ended June 30, 2008

Prepared by City of Kodiak Finance Department

CITY OF KODIAK, ALASKA

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INTRODUCTORY

SECTION



December 22, 2008

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 ending June 30, 2008. 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, 2008, 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, 2008. 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 2007 the estimated population of the Kodiak Region was 13,568 with a population of 5,689 in the City of Kodiak.

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

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

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

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

The Council appoints the City Manager who is responsible for appointing and supervising the various department heads and other employees (except those appointed by the Council) and preparing and administering the annual budget and the capital improvement program. Under the City Manager’s general direction are eight functional areas (departments), each of which is

supervised by a department head. These areas are: port and harbors, engineering, finance, fire and EMS, library, parks and recreation, police and jail, and public works. An administrative support function and certain non-departmental activities are provided by the Manager's office.

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

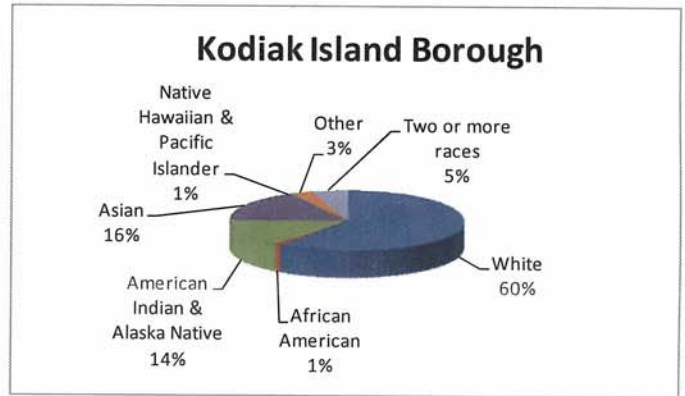
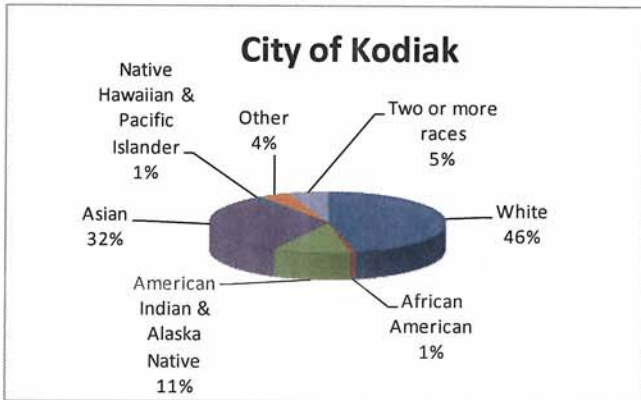
According to the independent research and consulting firms Information Insights, Inc. and Van Wyhe Rogers, LLC in 2005 AADC spending generated approximately \$24 million impact on the Kodiak economy - \$21.2 million from purchases and hospitality, and \$3.2 million in payroll. AADC spent \$6.7 million in the direct purchase of goods and services in the Kodiak Island Borough, which was distributed among 82 businesses. AADC and its launch customers also spend an estimated \$1.9 million on travel and contract workers on site, and its spending creates an additional 72 jobs in the Kodiak economy.

POPULATION

According to Alaska Department of Labor, the 2007 estimated population of the City of Kodiak is 5,689. The City of Kodiak is the eighth largest municipality in Alaska, in terms of population. It ranks behind Anchorage, Fairbanks, Juneau, Sitka, Ketchikan, Kenai, and Wasilla in that order.

The median age in Kodiak is 31.6 years. Approximately 32.4% of the population is under 18 years of age, about 1% higher than Alaska overall. 53% 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, and 85.3% are estimated to have at least a high school diploma.

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

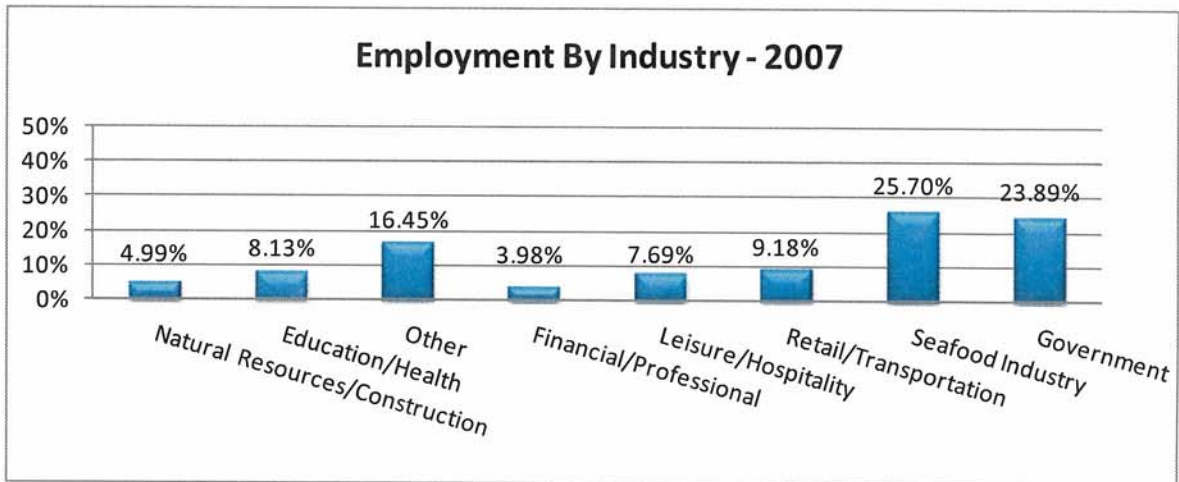


LABOR FORCE

In 2007, the state estimated the Kodiak region's average monthly employment to be 5,745, excluding fish harvesting and Coast Guard. This figure more accurately depicts the number of full and part-time jobs as opposed to the number of actual workers.

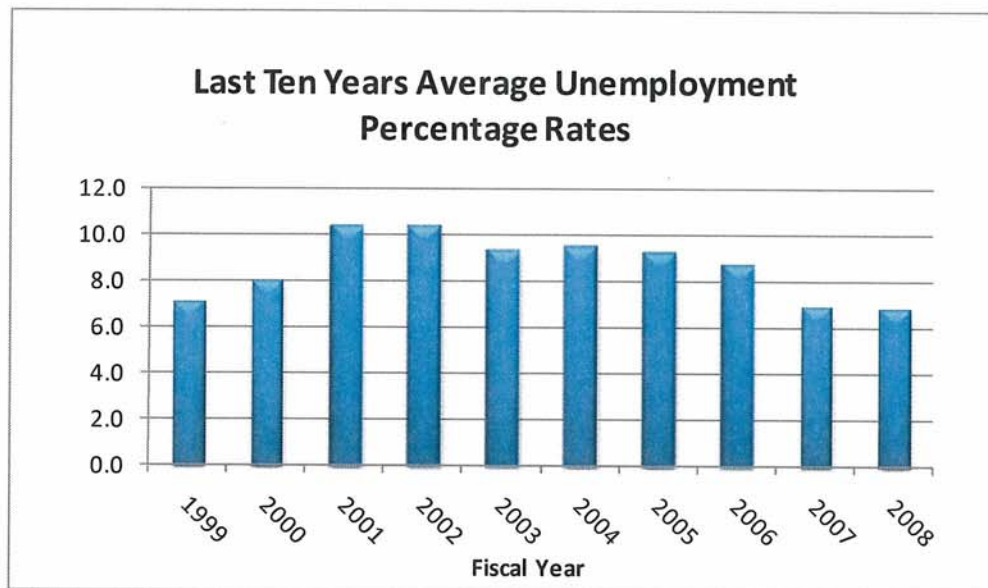
The seafood industry (includes fish harvesting and seafood processing) is the dominant industry, in terms of employment with 25.70% of the total. The U.S. Coast Guard and other government entities are the next largest employment sector, with 23.89%. Retail trade, transportation, and utilities account for about 9.10%, education and health 8.13%, leisure and hospitality 7.69%, natural resources and construction 4.99%, financial information, professional and business 3.98%, and other services 16.45%.

The following chart shows the distribution of the workforce in 2007.



Kodiak's employment varies throughout the year due to the seasonal nature of the fishing industry.

Employment usually peaks during the months of July, August, and September when fish harvesting is the 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 13.5%. The average annual unemployment rate for Kodiak in fiscal year 2008 was 6.8%.



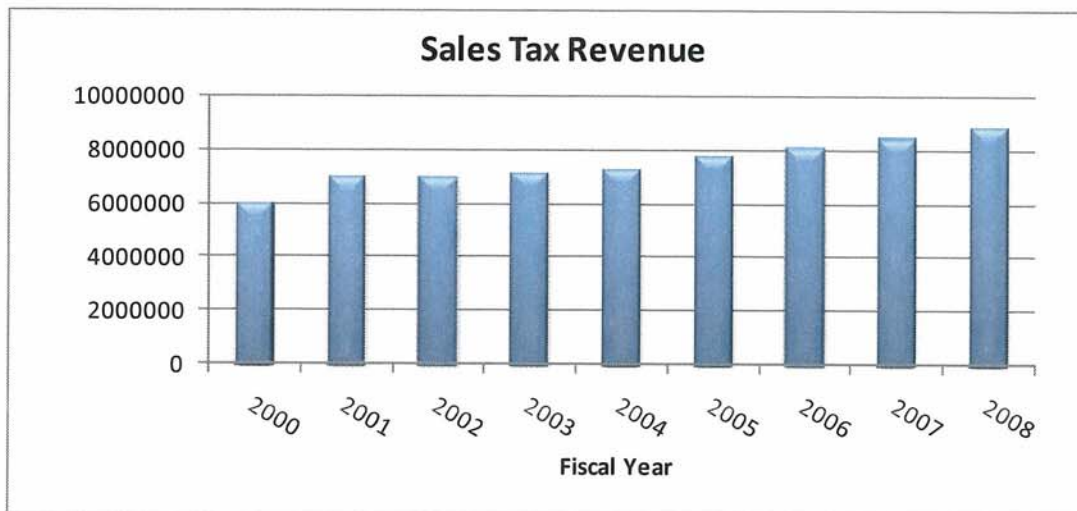
INCOME

In 2007, the Alaska Department of Labor reported the annual average monthly wage for workers in the Kodiak region was \$3,030. Total payroll in 2007 was \$206.2 million. In 2006 Kodiak's annual average wage was \$36,717 compared to a statewide average of \$43,524.

RETAIL SALES

Total retail sales within the city have increased more than 79% since 1994. There is a close correlation between retail sales and the strength of local fisheries. In 1995, after a record breaking salmon season, retail sales climbed 9%. In the second half of 1996, when the salmon harvest dropped and fish prices fell, retail sales went down approximately 10% to 12%. Retail sales have increased significantly since the opening of a local Wal-Mart store in the spring of 1999.

Sales tax has increased from \$6.8 million in 1999 to \$8.8 million in 2008. The City's sales tax rate is 6% with a maximum sales tax of \$45 per transaction. This translates to taxing the first \$750 of a sale and exempting any amount over \$750 in any one transaction. The City also exempts its citizens over the age of 65 from sales tax.



LONG-TERM FINANCIAL PLANNING

- Develop expenditure habits partially based on anticipated based on State Revenues.
- Minimize disruption to community services.
- Minimize disruption of city workforce.
- Create long-term financial and programmatic stability.
- Evaluate impacts of budget decisions and use of fund balance to maintain program levels.
- 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.
- Have no reduction of services, and maintain all services at consistent levels.
- 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:

- Projects that will be completed in early fiscal year 2009:
 - Continued implementation of comprehensive sewer and water system improvements – including the Aleutian Homes Phase II – (Cost estimate - \$3,260,200), and the downtown Phase II – (Cost estimate - \$850,000).
 - St. Herman Inner Harbor – Replacement of M and P Floats - (Cost estimate – \$9,600,000).
- Projects that will be completed by fiscal year 2010:
 - New Police Station – including dispatch, jail, and Emergency Operations Center (EOC). (Cost estimate - \$18,800,000).
 - 600 Ton Marine Lift and Boat Yard - partially secured funding (Cost estimate – \$16,500,000).
 - Secondary Water Treatment Facility. (Cost estimate - \$9,000,000).
- Future projects:
 - New Ferry Terminal – funding for this project has been secured by the Alaska State Department of Transportation (Cost estimate - \$7,500,000).
 - New Fire Hall and Emergency Operations Center (EOC) - Cost estimate - \$15,000,000).
 - New Library Building – (Cost estimate - \$10,000,000).
 - Baronof Park Improvements – (Cost estimate - \$7,000,000).

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

Like other local governments in the State of Alaska, the City of Kodiak faces the challenge of fulfilling its responsibilities as 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 the 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 revenue. The balancing process requires decisions on the types and levels of services that can 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.

The total for U.S. government agencies investments in fiscal year 2008 was \$22,234,121, and \$15,896,705 in investments in the Alaska Municipal League Investment Pool.

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 ending June 30, 2007. This was the sixth 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, 2008. 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
List of Principal Officials

FORM OF GOVERNMENT

- Home Rule City with Council-Manager form of government
- City residents elect a 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
Rome Kamai	Fire	rkamai@city.kodiak.ak.us	907-486-8040
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
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
Terry J. Haines	Council Member	council@city.kodiak.ak.us	907.486.4759
Jack L. Maker	Council Member	council@city.kodiak.ak.us	907.486.0353
Josephina F. Rosales	Council Member	council@city.kodiak.ak.us	907.486.6585
Gabriel T. Saravia	Council Member	council@city.kodiak.ak.us	907.486.3212
Thomas D. Walters	Council Member	council@city.kodiak.ak.us	907.486.6485

ADVISORY BOARDS

- Building Code Board of Appeals (as needed)
- Parks & Recreation Advisory Board
- Personnel Board (inactive)
- Port & Harbor Advisory Board
- Public Safety Advisory Board (inactive)
- Employee Advisory Board (Board members are elected by City employees)
- Kodiak Public Library Association (an independent organization supporting 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, 2007

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.



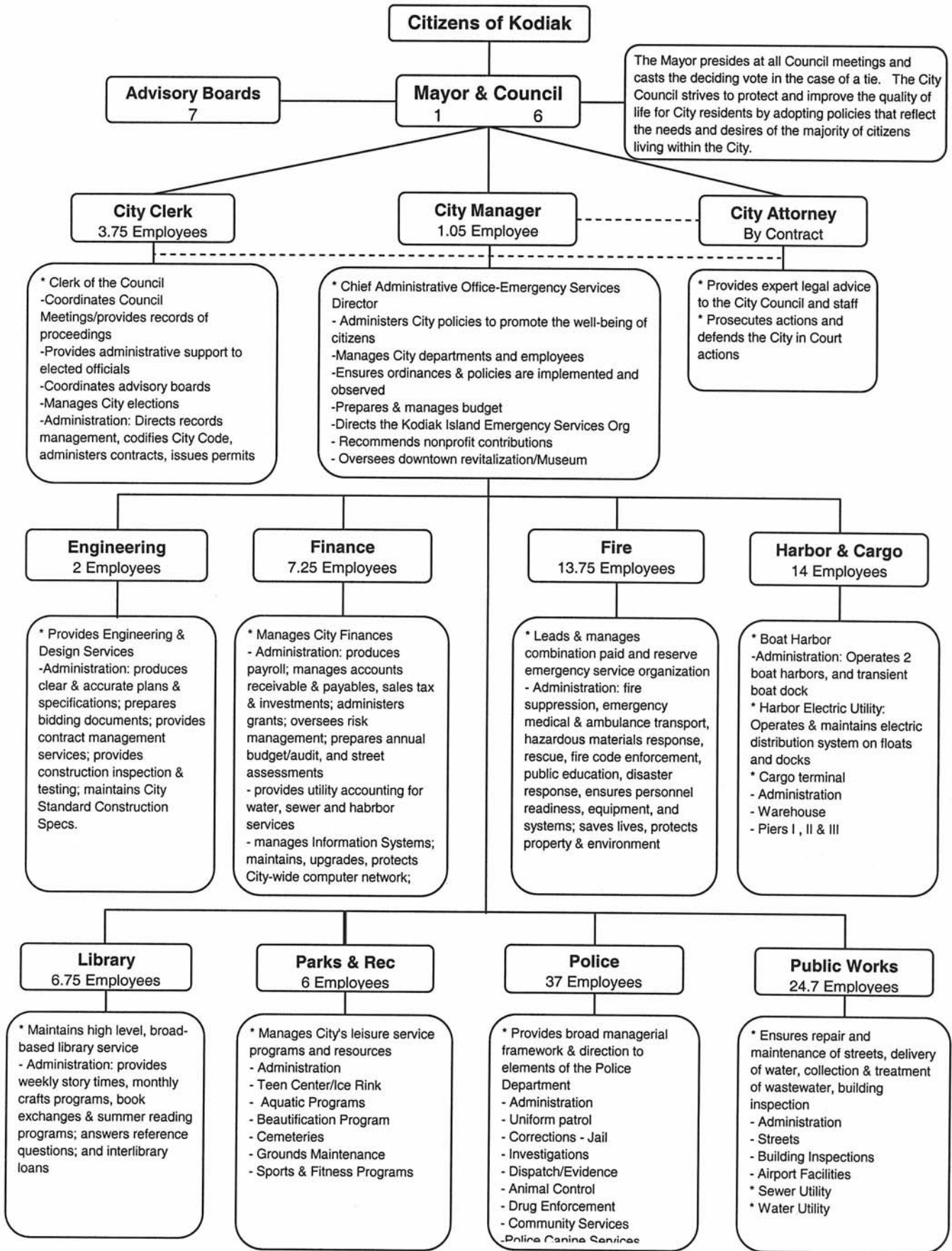
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF KODIAK ORGANIZATIONAL CHART

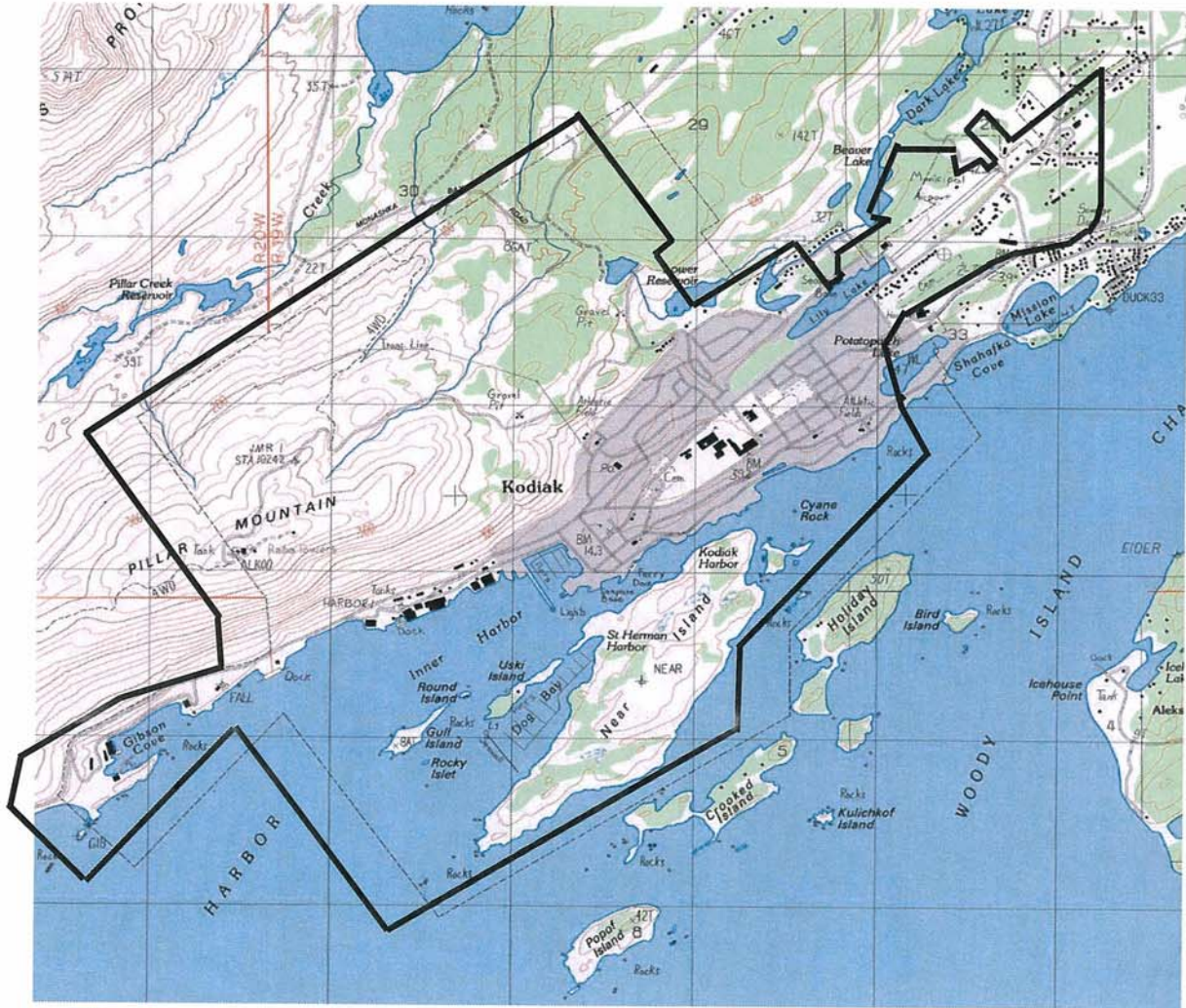


ALASKA - KODIAK ISLAND - CITY OF KODIAK



CITY OF KODIAK

CITY OF KODIAK - CITY LIMITS



City - 6.2 square miles

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, 2008 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General 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 11, 2008, 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 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 11, 2008

MANAGEMENT'S

DISCUSSION &

ANALYSIS

CITY OF KODIAK, ALASKA

Management's Discussion and Analysis

June 30, 2008

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, 2008. 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 \$118,756,642 (*net assets*). Of this amount, \$35,385,229 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$8,089,796. The majority of this increase resulted from the sale of land, and increases in grants, taxes, and rate increases.
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$28,486,326, an increase of \$12,090,586 in comparison with the prior year. Approximately 48% of this total amount, \$13,672,421 is available for spending at the government's discretion (*unreserved and undesignated fund balance*).
- Total general revenues accounted for \$15,600,216 or 48% 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 \$16,934,310 or 52% of total revenues of \$32,534,526.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$8,261,482, or 37% of total General Fund expenditures and transfers of \$22,074,504.
- The City of Kodiak's total debt increased by \$13,667,816 during the current fiscal year. The key factor in this increase was the addition of one general obligation bond of \$8,000,000 in governmental activities and two revenue bonds in the amount of \$6,000,000 in business type activities as well as the payments on a revenue bond and loan payable in the amount of (\$406,097).

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, boat yard/lift, 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 three categories: governmental funds, proprietary funds, and fiduciary 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 Public Safety Building Capital Project 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 Self Insurance Fund and the PERS Obligation Fund.
 - The basic proprietary fund financial statements can be found on pages 24-26 of this report.
 - *Fiduciary Funds:* A fiduciary fund is used to account for assets held by the City in a trustee capacity or as an agent for others. Activities from the fiduciary fund is not included in the government-wide financial statements because the City cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The fiduciary fund financial statement can be found on page 27 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 28-50 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 43-48 of this report.
 - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 52-56. Other combining and individual fund statements and schedules can be found on pages 58-120 of this report.

Government – wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City’s net assets for 2008 compared to 2007:

Table 1
Net Assets of Governmental and Business-type Activities

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets:						
Current assets	\$ 31,432,193	19,451,116	20,384,196	17,793,055	51,816,389	37,244,171
Capital assets	<u>20,348,054</u>	<u>18,423,911</u>	<u>67,693,212</u>	<u>61,967,890</u>	<u>88,041,266</u>	<u>80,391,801</u>
Total assets	<u>51,780,247</u>	<u>37,875,027</u>	<u>88,077,408</u>	<u>79,760,945</u>	<u>139,857,655</u>	<u>117,635,972</u>
Liabilities:						
Current liabilities	1,733,334	533,049	1,531,298	2,263,674	3,264,632	2,796,723
Long-term liabilities	<u>9,840,768</u>	<u>1,797,560</u>	<u>7,995,613</u>	<u>2,374,843</u>	<u>17,836,381</u>	<u>4,172,403</u>
Total liabilities	<u>11,574,102</u>	<u>2,330,609</u>	<u>9,526,911</u>	<u>4,638,517</u>	<u>21,101,013</u>	<u>6,969,126</u>
Net assets:						
Invested in capital assets	19,715,240	18,423,911	63,002,311	59,739,871	82,717,551	78,163,782
Restricted	-	-	653,862	221,450	653,862	221,450
Unrestricted	<u>20,490,905</u>	<u>17,120,507</u>	<u>14,894,324</u>	<u>15,161,107</u>	<u>35,385,229</u>	<u>32,281,614</u>
Total net assets	\$ <u>40,206,145</u>	<u>35,544,418</u>	<u>78,550,497</u>	<u>75,122,428</u>	<u>118,756,642</u>	<u>110,666,846</u>

As previously stated, the government’s net assets increased by \$8,089,796 during the current fiscal year. In the case of the City of Kodiak, assets exceeded liabilities by \$118,756,642, at the close of the fiscal year 2008. A large portion of this is due to a boat harbor capital grant, land sales, and 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 are 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 (30%) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the fiscal year 2008, 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 \$3,262,440 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 and harbor funds, and the water and sewer funds. Additionally there was an increase of \$1,291,329 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 Public Safety Building Capital Project Fund.

During fiscal year 2008, the government’s total net assets increased by \$8,089,796. 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 grants, land sales, 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.

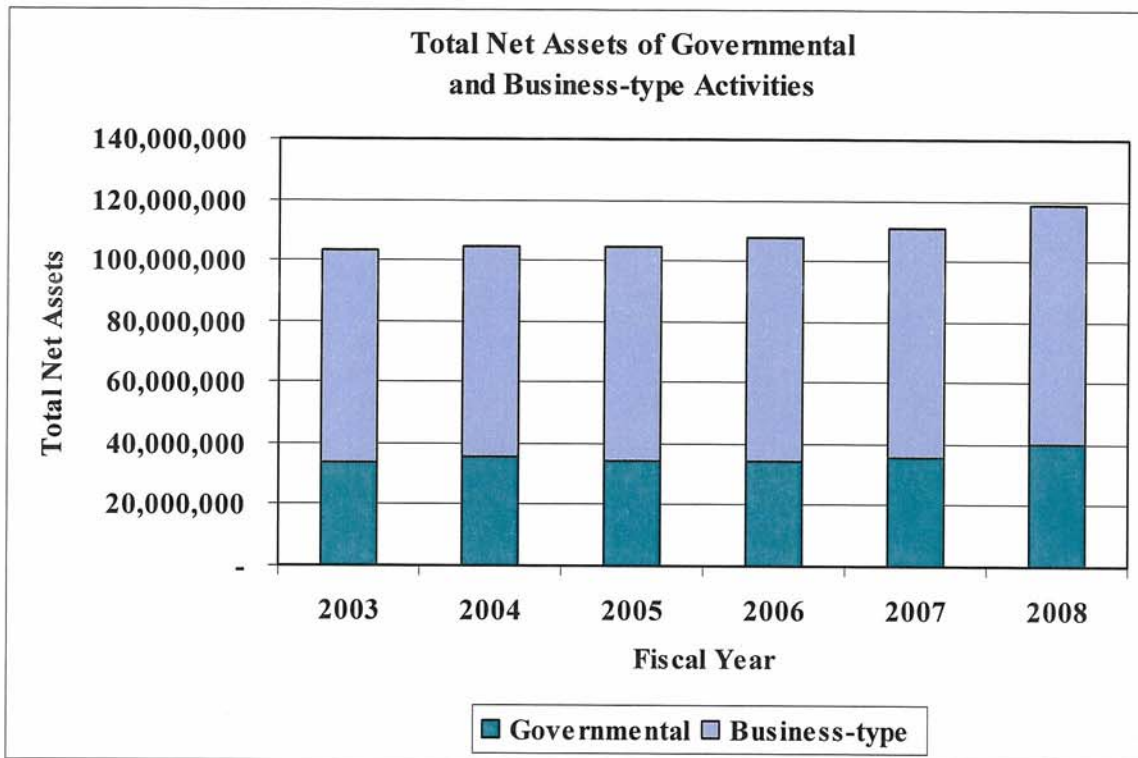


Table 2, on the next page, shows the changes in net assets for fiscal years 2008 and 2007 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak’s net assets by \$3,428,069 and the increase in the governmental activities was \$4,661,727.

Table 2
Changes in Net assets

	Year Ended June 30, 2008			Year Ended June 30, 2007		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,274,292	8,682,004	10,956,296	2,163,712	8,064,822	10,228,534
Operating grants and contributions	37,154	-	37,154	12,700	-	12,700
Capital grants and contributions	<u>1,007,347</u>	<u>4,933,513</u>	<u>5,940,860</u>	<u>520,832</u>	<u>4,631,660</u>	<u>5,152,492</u>
Total program revenues	<u>3,318,793</u>	<u>13,615,517</u>	<u>16,934,310</u>	<u>2,697,244</u>	<u>12,696,482</u>	<u>15,393,726</u>
General revenues:						
Property taxes	655,943	-	655,943	632,102	-	632,102
Sale taxes	8,850,746	-	8,850,746	8,465,804	-	8,465,804
Other taxes, penalties and interest	174,443	-	174,443	125,284	-	125,284
Grants not restricted	2,521,664	-	2,521,664	1,387,466	-	1,387,466
Investment income	993,447	729,548	1,722,995	946,861	856,379	1,803,240
Land sales	1,415,900	-	1,415,900	-	-	-
Miscellaneous	<u>64,491</u>	<u>194,034</u>	<u>258,525</u>	<u>172,748</u>	<u>53,580</u>	<u>226,328</u>
Total general revenues	<u>14,676,634</u>	<u>923,582</u>	<u>15,600,216</u>	<u>11,730,265</u>	<u>909,959</u>	<u>12,640,224</u>
Total revenues	<u>17,995,427</u>	<u>14,539,099</u>	<u>32,534,526</u>	<u>14,427,509</u>	<u>13,606,441</u>	<u>28,033,950</u>
Expenses:						
General government	2,442,402	-	2,442,402	2,328,195	-	2,328,195
Public safety	5,987,605	-	5,987,605	5,384,713	-	5,384,713
Public works	2,113,620	-	2,113,620	1,825,719	-	1,825,719
Engineering	167,812	-	167,812	167,571	-	167,571
Parks and recreation	1,009,117	-	1,009,117	1,099,535	-	1,099,535
Library	711,172	-	711,172	669,518	-	669,518
Community services	126,562	-	126,562	213,032	-	213,032
Interest on long-term debt	75,410	-	75,410	-	-	-
Cargo pier	-	1,438,477	1,438,477	-	1,796,372	1,796,372
Boat harbor	-	2,867,113	2,867,113	-	2,397,171	2,397,171
Electric	-	648,498	648,498	-	640,125	640,125
Water	-	2,864,069	2,864,069	-	2,893,352	2,893,352
Sewer	-	3,800,645	3,800,645	-	5,288,305	5,288,305
Trident basin	-	192,228	192,228	-	152,474	152,474
Total expenses	<u>12,633,700</u>	<u>11,811,030</u>	<u>24,444,730</u>	<u>11,688,283</u>	<u>13,167,799</u>	<u>24,856,082</u>
Increase in net assets before transfers	5,361,727	2,728,069	8,089,796	2,739,226	438,642	3,177,868
Transfers	<u>(700,000)</u>	<u>700,000</u>	<u>-</u>	<u>(1,626,886)</u>	<u>1,626,886</u>	<u>-</u>
Change in net assets	4,661,727	3,428,069	8,089,796	1,112,340	2,065,528	3,177,868
Net assets at beginning 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>
Net assets at end of year	\$ <u>40,206,145</u>	<u>78,550,497</u>	<u>118,756,642</u>	<u>35,544,418</u>	<u>75,122,428</u>	<u>110,666,846</u>

Governmental Activities

Governmental activities increased the City of Kodiak's net assets by \$4,661,727, thereby accounting for 58% 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 \$8,850,746 a 5% increase from 2007. The City sales tax rate in 2008 remained at 6% on all sales. The City sales tax accounts for 49% 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 2008.

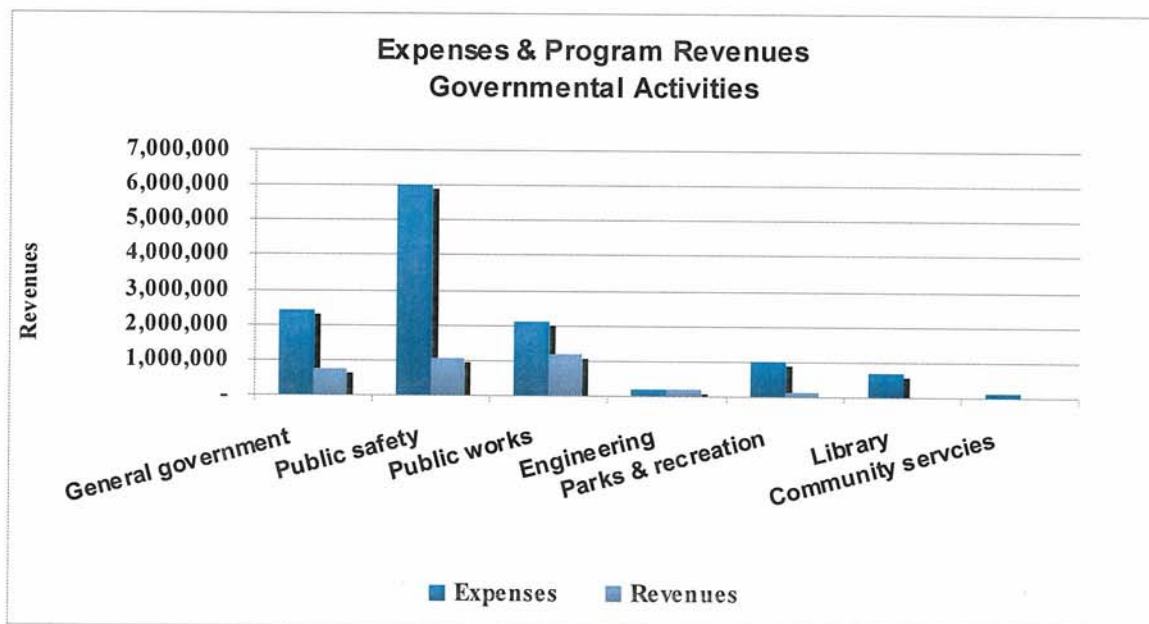
City taxpayers financed most of the City's costs at 77%. The remaining costs were financed by investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

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 \$3,318,793 or 26% of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety (47%), Public Works (17%), and General Government (19%) or 83% 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 increased by 8% from the prior fiscal year. This was due primarily to increased expenses in Public Safety and Public Works.



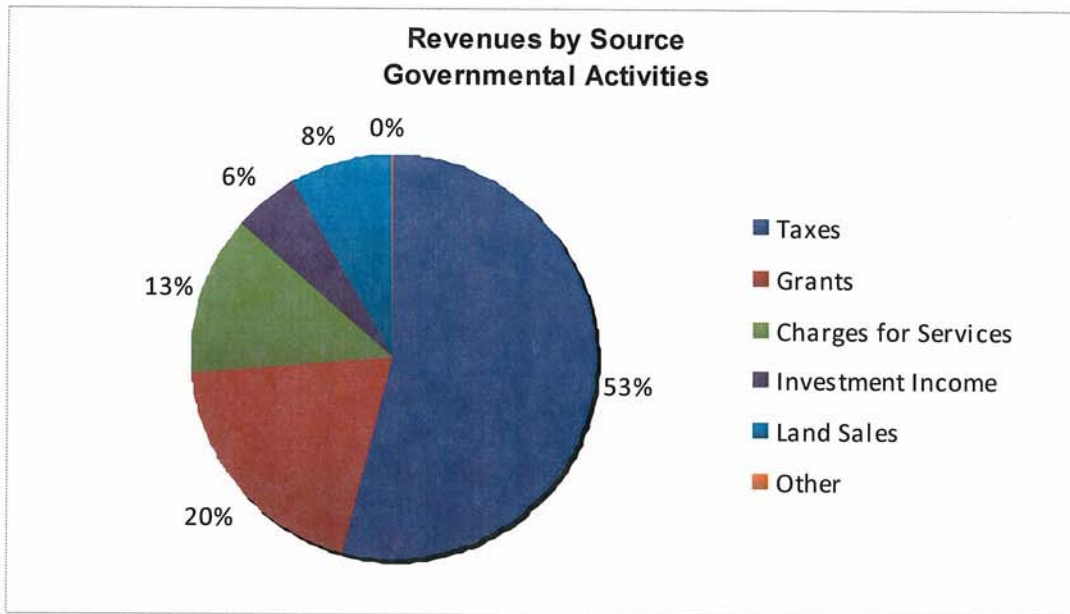


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2008. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3
Governmental Activities in 2008**

	Total cost of services <u>2008</u>	Net cost of services (net income) <u>2008</u>
General government	\$ 2,442,402	1,671,511
Public safety	5,987,605	4,928,194
Public works	2,113,620	952,747
Engineering	167,812	(25,621)
Parks and recreation	1,009,117	893,555
Library	711,172	692,549
Community services	126,562	126,562
Interest on long-term debt	<u>75,410</u>	<u>75,410</u>
Total governmental activities	<u>\$ 12,633,700</u>	<u>9,314,907</u>

Business-type Activities

Business-type activities increased the City of Kodiak's net assets by \$3,428,069 accounting for 42% 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 60% 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 \$8,682,004, an 8% increase from 2007. For the business-type activities, charges for services financed most of the City's costs at 74%. Operating and capital grants, interest income, and transfers financed the remaining costs.

The City's business-type activities expenses are predominately related to cargo (12%), boat harbor (24%), harbor electric (5%), water utility (24%), sewer utility (33%), and the Trident Basin Airport (2%). Total harbor related activities are 42% and total public works activities are 58% of the total business type activities.

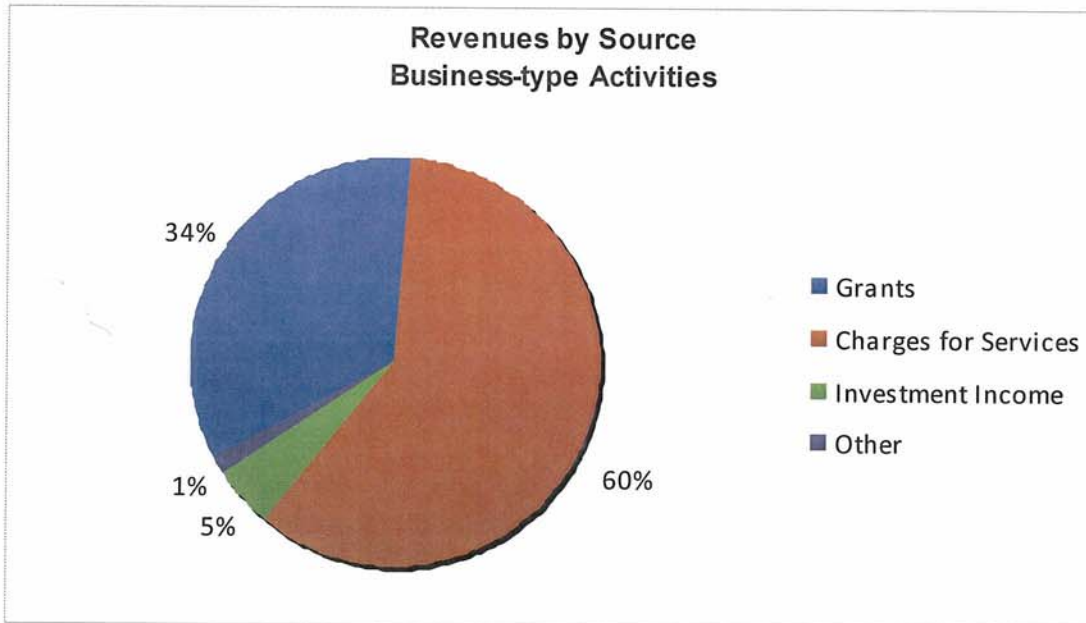
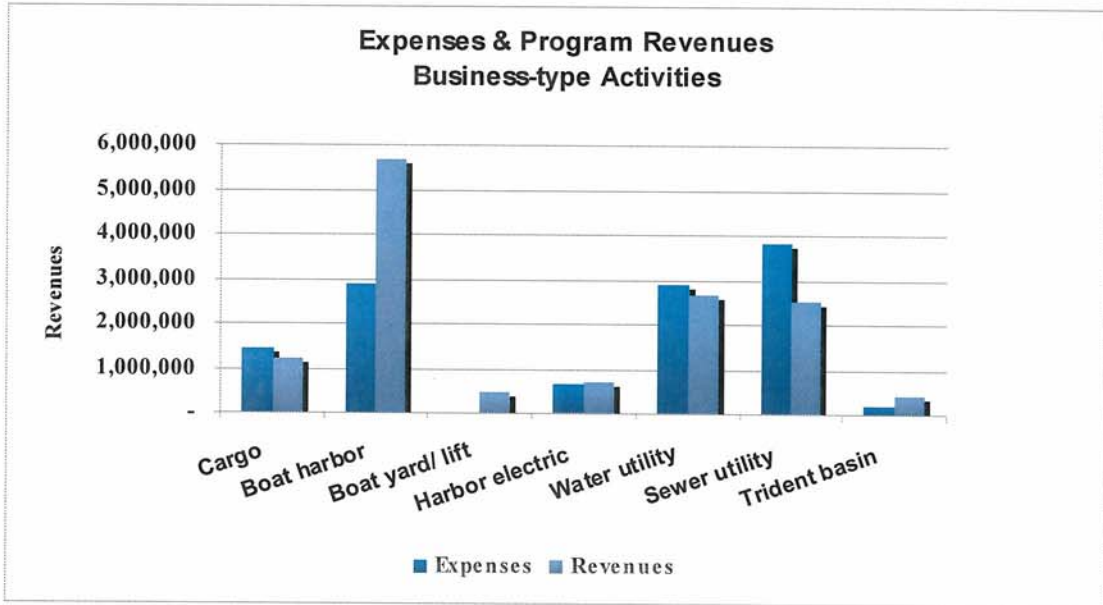


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2008. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

Table 3-A
Business-type Activities in 2008

	Total cost of services <u>2008</u>	Net cost of services (net income) <u>2008</u>
Cargo pier	\$ 1,438,477	245,061
Boat harbor	2,867,113	(2,819,173)
Boat yard/lift	-	(474,822)
Harbor electric	648,498	(33,973)
Water utility	2,864,069	218,099
Sewer utility	3,800,645	1,299,021
Trident basin	<u>192,228</u>	<u>(238,700)</u>
Total business-type activities	<u>\$ 11,811,030</u>	<u>(1,804,487)</u>

Financial Analysis of the Governmental 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 the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$28,486,326, an increase of \$12,090,586 in comparison with the prior year. More than 48% of this total amount \$13,672,421 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 and capital projects.

The General Fund is the chief operating fund of the City of Kodiak. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$8,261,482, while total fund balance reached \$8,310,217. 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. Both unreserved, undesignated fund balance and total fund balance represents 37% of total General Fund expenditures.

The fund balance of the City of Kodiak's General Fund increased in the amount of \$2,736,946 during the current fiscal year. Key factors in this growth are as follows:

Sales tax revenues of the General Fund exceeded the prior year by \$384,942. 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 \$1,158,652 primarily as a result of the State PERS rebate (\$428,035) as well as increases in the municipal energy assistance program, State PERS relief, and fisheries business tax.

Investment income revenues of the General Fund increased by \$65,882.

The Public Safety Building Capital Project Fund has a total fund balance of \$10,360,267, all of which is designated for capital projects. There was an increase of \$7,382,530 in fund balance as a result of a transfer from the General Fund of bond proceeds for the construction of the new public safety building.

The Nonmajor Funds have a total fund balance of \$9,815,842. Of this balance, 45% is unreserved but designated for capital projects. There was an increase of \$1,971,110 in fund balances primarily as a result of transfers for capital projects and the sale of land.

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 \$ 8,031,139, and those of the Water, Sewer and Trident Basin funds amounted to \$5,683,744. The total change in net assets for both areas was \$4,895,298 (17%) and (\$1,514,674) (-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 areas is the General Fund.

During the year there was a \$617,135 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$89,000 supplemental appropriation to the finance department in anticipation of additional information system equipment needs to upgrade efficiency of the City's computer needs.

(\$14,238) supplemental decrease in appropriation to the police department for decreased expenditures in the Uniform Patrol Department.

\$25,000 supplemental appropriation to the public works department for additional vehicle fuel, overtime, supplies, replacement of grader all due to the unusually harsh winter conditions.

\$3,168 supplemental appropriation to the public library for reimbursement from the net lenders program through the State of Alaska.

\$350,000 supplemental appropriation to the Enhancement Fund and \$164,000 supplemental appropriation to capital projects 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 expenditures were \$263,101 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in most functions. The largest savings was in General Government and then Engineering. Significant amounts and percentages are as follows:

Table 4
General Fund Budget Highlights

	Amount under (over) <u>budget</u>	Percent under (over) <u>budget</u>
General government	\$ 195,119	9.22%
Public safety	(31,863)	(0.57)%
Public works	11,935	0.69%
Engineering	60,901	27.25%
Parks and recreation	21,061	2.09%
Library	1,679	0.24%
Community services	18,661	11.11%
Other – insurance and administration	952	0.20%
Debt service costs	<u>(15,344)</u>	0.00%
Total under budget	\$ <u>263,101</u>	<u>2.19%</u>

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the City's capital assets have a total net book value of \$88,041,266. Table 5 compares the net book values at June 30, 2008 and 2007. 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 the current fiscal year was \$7,649,465 or 10%.

Table 5
Capital Assets at June 30
Net of Accumulated Depreciation

	Governmental <u>Activities</u>		Business-type <u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 2,501,390	2,505,396	693,997	693,997	3,195,387	3,199,393
Construction in progress	10,513,960	8,749,681	14,327,807	15,973,858	24,841,767	24,723,539
Buildings	5,232,723	5,017,723	23,840,189	23,840,189	29,072,912	28,857,912
Other improvements	1,408,227	1,033,421	89,149,523	78,506,429	90,557,750	79,539,850
Infrastructure	8,523,962	8,523,962	-	-	8,523,962	8,523,962
Machine and equipment	<u>7,010,955</u>	<u>6,958,447</u>	<u>2,640,504</u>	<u>2,623,112</u>	<u>9,651,459</u>	<u>9,581,559</u>
Total capital assets	<u>35,191,217</u>	<u>32,788,630</u>	<u>130,652,020</u>	<u>121,637,585</u>	<u>165,843,237</u>	<u>154,426,215</u>
Less accumulated depreciation	<u>14,843,163</u>	<u>14,364,719</u>	<u>62,958,808</u>	<u>59,669,695</u>	<u>77,801,971</u>	<u>74,034,414</u>
Total capital assets, net	\$ <u>20,348,054</u>	<u>18,423,911</u>	<u>67,693,212</u>	<u>61,967,890</u>	<u>88,041,266</u>	<u>80,391,801</u>

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

Debt Administration

At June 30, 2008, the City had \$686,853 in long-term leave payable for governmental activities and \$167,995 for business-type activities. The net pension obligation related to the Public Employee Retirement System (PERS) amounted to \$1,153,915. The City has an \$8,000,000 general obligation bond related to the construction of a new public safety building, a loan payable to the State of Alaska of \$1,608,779 related to the Sewer Enterprise Fund and \$6,215,000 of revenue bonds related to the Harbor and Water Enterprise Funds. Table 6 summarizes all outstanding debt at June 30, 2008 with a comparison to 2007. There have been significant changes in the long-term debt from fiscal year 2007 due to the sale of general obligation bonds and revenue bonds.

**Table 6
Debt Outstanding at June 30**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 8,000,000	-	-	-	8,000,000	-
Long-term leave payable	686,853	643,645	167,995	137,290	854,848	780,935
Net pension obligation	1,153,915	1,153,915	-	-	1,153,915	1,153,915
Long-term notes payable	-	-	1,608,779	1,809,876	1,608,779	1,809,876
Revenue bonds payable	-	-	6,215,000	420,000	6,215,000	420,000
Total liabilities	<u>\$ 9,840,768</u>	<u>1,797,560</u>	<u>7,991,774</u>	<u>2,367,166</u>	<u>17,832,542</u>	<u>4,164,726</u>

Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 39-41.

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 2007 were 319.1 million pounds, with a wholesale value of \$134.4.1 million and in 2006 were 380.9 million pounds, with a wholesale value of \$106.1 million.
- The average unemployment rate in the Kodiak Island Borough in 2008 was 6.8% decreasing from 8.5% in 2007.
- The cost of living in 2008 was 124.8 compared to a national average of 100. Other Alaskan cities are Anchorage at 122.5 and Fairbanks at 136.4. 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 2009 fiscal year.

In fiscal year 2008, the unreserved fund balance in the General Fund increased to \$8,261,482.

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 were increased beginning in fiscal year 2008. Acting upon the recommendation from the Port and Harbor Advisory Board (PHAB), the City Council increased the harbor fees effective July 1, 2004 and will continue to increase them each fiscal year for five years. The fee increase was spread over a five-year period and based on a linear foot rather than a square foot basis. All increases were necessary to finance planned capital projects.

Contacting the City's Financial Management

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

BASIC

FINANCIAL

STATEMENTS

CITY OF KODIAK, ALASKA

Statement of Net Assets

June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 28,370,687	14,063,835	42,434,522
Receivables, net	2,994,928	5,411,400	8,406,328
Inventory	-	250,332	250,332
Prepaid items	66,578	-	66,578
Restricted cash and investments	-	653,862	653,862
Deferred charges, net	-	4,767	4,767
Capital assets not being depreciated - land and construction in progress	13,015,350	15,021,804	28,037,154
Other capital assets, net of depreciation	<u>7,332,704</u>	<u>52,671,408</u>	<u>60,004,112</u>
 Total assets	 \$ <u>51,780,247</u>	 <u>88,077,408</u>	 <u>139,857,655</u>
 <u>Liabilities</u>			
Accounts payable	637,796	1,684,167	2,321,963
Accrued payroll and related liabilities	289,986	84,383	374,369
Customer deposits	2,917	223,170	226,087
Unearned revenue	68,693	80,511	149,204
Accrued interest	75,410	117,599	193,009
Internal balances	658,532	(658,532)	-
Noncurrent liabilities:			
Due within one year:			
Accrued leave	686,853	167,995	854,848
Bonds payable	135,000	215,000	350,000
Loans payable	-	201,907	201,907
Due in more than one year:			
Bonds payable	7,865,000	6,000,000	13,865,000
Unamortized bond premium	-	3,839	3,839
Net pension/OPEB obligation	1,153,915	-	1,153,915
Loans payable	-	1,406,872	1,406,872
Total liabilities	<u>11,574,102</u>	<u>9,526,911</u>	<u>21,101,013</u>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	19,715,240	63,002,311	82,717,551
Restricted for debt service	-	653,862	653,862
Unrestricted	<u>20,490,905</u>	<u>14,894,324</u>	<u>35,385,229</u>
Total net assets	<u>40,206,145</u>	<u>78,550,497</u>	<u>118,756,642</u>
 Total liabilities and net assets	 \$ <u>51,780,247</u>	 <u>88,077,408</u>	 <u>139,857,655</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Statement of Activities
Year Ended June 30, 2008

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 2,442,402	671,690	-	99,201	(1,671,511)	-	(1,671,511)
Public safety	5,987,605	1,022,257	37,154	-	(4,928,194)	-	(4,928,194)
Public works	2,113,620	357,420	-	803,453	(952,747)	-	(952,747)
Engineering	167,812	88,740	-	104,693	25,621	-	25,621
Parks and recreation	1,009,117	115,562	-	-	(893,555)	-	(893,555)
Library	711,172	18,623	-	-	(692,549)	-	(692,549)
Community services	126,562	-	-	-	(126,562)	-	(126,562)
Interest on long-term debt	75,410	-	-	-	(75,410)	-	(75,410)
Total governmental activities	<u>12,633,700</u>	<u>2,274,292</u>	<u>37,154</u>	<u>1,007,347</u>	<u>(9,314,907)</u>	<u>-</u>	<u>(9,314,907)</u>
Business-type:							
Cargo Pier	1,438,477	1,193,416	-	-	-	(245,061)	(245,061)
Boat Harbor	2,867,113	1,999,486	-	3,686,800	-	2,819,173	2,819,173
Boat Yard/Lift	-	-	-	474,822	-	474,822	474,822
Water Utility	2,864,069	2,276,688	-	369,282	-	(218,099)	(218,099)
Sewer Utility	3,800,645	2,501,624	-	-	-	(1,299,021)	(1,299,021)
Trident Basin	192,228	28,319	-	402,609	-	238,700	238,700
Harbor Electric	648,498	682,471	-	-	-	33,973	33,973
Total business-type activities	<u>11,811,030</u>	<u>8,682,004</u>	<u>-</u>	<u>4,933,513</u>	<u>-</u>	<u>1,804,487</u>	<u>1,804,487</u>
Total	\$ <u>24,444,730</u>	<u>10,956,296</u>	<u>37,154</u>	<u>5,940,860</u>	<u>(9,314,907)</u>	<u>1,804,487</u>	<u>(7,510,420)</u>
General revenues:							
Taxes:							
Property taxes				\$ 655,943	-	655,943	
Sales taxes				8,850,746	-	8,850,746	
Other taxes, penalties and interest				174,443	-	174,443	
Grants and entitlements not restricted to a specific purpose				2,521,664	-	2,521,664	
Investment income				993,447	729,548	1,722,995	
Land sales				1,415,900	-	1,415,900	
Other				64,491	194,034	258,525	
Transfers				(700,000)	700,000	-	
Total general revenues and transfers				<u>13,976,634</u>	<u>1,623,582</u>	<u>15,600,216</u>	
Changes in net assets				4,661,727	3,428,069	8,089,796	
Net assets at beginning of year				<u>35,544,418</u>	<u>75,122,428</u>	<u>110,666,846</u>	
Net assets at end of year				\$ <u>40,206,145</u>	<u>78,550,497</u>	<u>118,756,642</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Governmental Funds

Balance Sheet

June 30, 2008

<u>Assets</u>	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Public Safety Building Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 5,731,126	10,788,282	9,763,474	26,282,882
Receivables, net of allowance for uncollectible accounts:				
Taxes	2,353,984	-	42,587	2,396,571
Grants and shared revenues	58,537	1,142	6,000	65,679
Special assessments	-	-	373,665	373,665
Interest	27,423	50,871	80,719	159,013
Due from other funds	516,142	-	-	516,142
Prepaid items	48,735	-	-	48,735
Total assets	\$ 8,735,947	10,840,295	10,266,445	29,842,687
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	132,827	480,028	24,941	637,796
Accrued payroll and related liabilities	289,986	-	-	289,986
Customer deposits	2,917	-	-	2,917
Deferred revenue	-	-	68,693	68,693
Deferred assessments	-	-	356,969	356,969
Total liabilities	425,730	480,028	450,603	1,356,361
Fund balances:				
Reserved - prepaid items	48,735	-	-	48,735
Unreserved:				
Designated -				
Capital Project Funds capital projects	-	10,360,267	4,404,903	14,765,170
Undesignated:				
General Fund	8,261,482	-	-	8,261,482
Special Revenue Funds	-	-	5,410,939	5,410,939
Total fund balances	8,310,217	10,360,267	9,815,842	28,486,326
Total liabilities and fund balances	\$ 8,735,947	10,840,295	10,266,445	29,842,687

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2008

Total fund balances for governmental funds \$ 28,486,326

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	\$ 2,501,390	
Buildings	5,232,723	
Improvements other than buildings	1,408,227	
Infrastructure	8,523,962	
Machinery and equipment	7,010,955	
Construction in progress	10,513,960	
Accumulated depreciation	<u>(14,843,163)</u>	
Total capital assets		20,348,054

Other long-term assets (special assessments receivable) are not
 available to pay for current period expenditures and therefore
 are deferred in the funds. 356,969

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. (222,941)

Bonds payable are not deemed due and payable in the current period
 and therefore are not reported as governmental fund liabilities. (8,000,000)

Accrued leave and accrued interest are not deemed due and payable
 in the current period and therefore are not reported as governmental
 fund liabilities.

Accrued leave	(686,853)	
Accrued interest	<u>(75,410)</u>	
		<u>(762,263)</u>

Total net assets of governmental activities \$ 40,206,145

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Public Safety Building Capital Project</u>	<u>Nonmajor Funds</u>	
Revenues:				
Taxes:				
Property taxes	\$ 655,943	-	-	655,943
Sales taxes	8,850,746	-	-	8,850,746
Other taxes, penalties and interest	28,058	-	146,385	174,443
Intergovernmental	2,558,818	803,453	203,894	3,566,165
Charges for services	1,219,155	-	-	1,219,155
Fines and forfeitures	55,479	-	-	55,479
Licenses and permits	102,748	-	-	102,748
Rental income	97,030	-	39,450	136,480
Interfund charges	760,430	-	-	760,430
Investment income	283,603	139,775	520,806	944,184
Special assessments	-	-	99,587	99,587
Sale of land	707,665	-	707,665	1,415,330
Other revenues	64,491	-	570	65,061
Total revenues	<u>15,384,166</u>	<u>943,228</u>	<u>1,718,357</u>	<u>18,045,751</u>
Expenditures:				
Current:				
General government	1,921,681	-	46,597	1,968,278
Public safety	5,584,245	-	222,170	5,806,415
Public works	1,715,395	-	100,689	1,816,084
Engineering	162,559	-	-	162,559
Parks and recreation	987,069	-	19,444	1,006,513
Library	704,219	-	-	704,219
Community services	149,239	-	118,600	267,839
Other - insurance and administration	484,548	-	-	484,548
Debt service costs	15,344	-	-	15,344
Capital outlay	-	1,560,698	662,668	2,223,366
Total expenditures	<u>11,724,299</u>	<u>1,560,698</u>	<u>1,170,168</u>	<u>14,455,165</u>
Excess of revenues over (under) expenditures	3,659,867	(617,470)	548,189	3,590,586
Other financing sources (uses):				
General obligation bond issuance	8,000,000	-	-	8,000,000
Transfers in	1,427,284	8,000,000	1,995,705	11,422,989
Transfers out	(10,350,205)	-	(572,784)	(10,922,989)
Net other financing sources (uses)	<u>(922,921)</u>	<u>8,000,000</u>	<u>1,422,921</u>	<u>8,500,000</u>
Net change in fund balances	2,736,946	7,382,530	1,971,110	12,090,586
Fund balances at beginning of year	<u>5,573,271</u>	<u>2,977,737</u>	<u>7,844,732</u>	<u>16,395,740</u>
Fund balances at end of year	\$ <u>8,310,217</u>	<u>10,360,267</u>	<u>9,815,842</u>	<u>28,486,326</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, 2008

Net change in fund balances - total governmental funds		\$ 12,090,586
<p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$2,755,992) exceeded both depreciation (\$824,456) and loss on disposal of assets (\$7,393).</p>		1,924,143
<p>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.</p>		(99,586)
<p>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.</p>		
Increase in accrued leave	(43,208)	
Increase in accrued interest payable	(75,410)	
		(118,618)
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		(8,000,000)
<p>Internal service funds are used by management to charge the costs of certain insurance to individual funds. A portion of the net loss of these activities is reported with governmental activities.</p>		<u>(1,134,798)</u>
Change in net assets of governmental activities		\$ <u>4,661,727</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, 2008

	<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	655,943	25,943
Sales taxes	8,200,000	8,200,000	8,850,746	650,746
Other taxes, penalties and interest	17,500	18,500	28,058	9,558
Intergovernmental	1,233,830	1,347,248	2,558,818	1,211,570
Charges for services	1,186,920	1,241,420	1,219,155	(22,265)
Fines and forfeitures	41,500	41,500	55,479	13,979
Licenses and permits	38,000	38,000	102,748	64,748
Rental income	134,930	134,930	97,030	(37,900)
Interfund charges	760,430	760,430	760,430	-
Investment income	130,000	130,000	283,603	153,603
Sale of land	-	683,000	707,665	24,665
Other revenues	26,300	70,300	64,491	(5,809)
Total revenues	<u>12,399,410</u>	<u>13,295,328</u>	<u>15,384,166</u>	<u>2,088,838</u>
Expenditures:				
General government	2,027,800	2,116,800	1,921,681	195,119
Public safety	5,566,620	5,552,382	5,584,245	(31,863)
Public works	1,702,330	1,727,330	1,715,395	11,935
Engineering	223,460	223,460	162,559	60,901
Parks and recreation	1,008,130	1,008,130	987,069	21,061
Library	702,730	705,898	704,219	1,679
Community services	167,900	167,900	149,239	18,661
Other - insurance and administration	485,500	485,500	484,548	952
Debt service costs	-	-	15,344	(15,344)
Total expenditures	<u>11,884,470</u>	<u>11,987,400</u>	<u>11,724,299</u>	<u>263,101</u>
Excess of revenues over expenditures	<u>514,940</u>	<u>1,307,928</u>	<u>3,659,867</u>	<u>2,351,939</u>
Other financing sources (uses):				
General obligation bonds issued	-	-	8,000,000	8,000,000
Transfers in	1,287,500	1,287,500	1,427,284	139,784
Transfers out	<u>(2,000,000)</u>	<u>(2,514,205)</u>	<u>(10,350,205)</u>	<u>(7,836,000)</u>
Net other financing sources (uses)	<u>(712,500)</u>	<u>(1,226,705)</u>	<u>(922,921)</u>	<u>303,784</u>
Net change in fund balance	\$ <u>(197,560)</u>	<u>81,223</u>	2,736,946	<u>2,655,723</u>
Fund balance at beginning of year			<u>5,573,271</u>	
Fund balance at end of year			\$ <u>8,310,217</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Proprietary Funds
Statement of Net Assets
June 30, 2008

Assets	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Current assets:								
Cash and investments	\$ 1,847,661	3,110,074	4,503,551	701,990	3,605,903	294,656	14,063,835	2,087,805
Receivables - net of allowances	2,454	3,765,871	853,153	253,607	383,936	152,379	5,411,400	-
Inventories	-	-	231,902	18,430	-	-	250,332	-
Prepaid expenses	-	-	-	-	-	-	-	17,843
Total current assets	<u>1,850,115</u>	<u>6,875,945</u>	<u>5,588,606</u>	<u>974,027</u>	<u>3,989,839</u>	<u>447,035</u>	<u>19,725,567</u>	<u>2,105,648</u>
Noncurrent assets:								
Restricted cash and investments	-	129,581	221,450	-	302,831	-	653,862	-
Deferred charges, net	-	-	4,767	-	-	-	4,767	-
Property, plant and equipment, net	<u>7,980,764</u>	<u>18,467,927</u>	<u>15,415,670</u>	<u>19,353,739</u>	<u>1,338,105</u>	<u>5,137,007</u>	<u>67,693,212</u>	-
Total noncurrent assets	<u>7,980,764</u>	<u>18,597,508</u>	<u>15,641,887</u>	<u>19,353,739</u>	<u>1,640,936</u>	<u>5,137,007</u>	<u>68,351,841</u>	-
Total assets	\$ <u>9,830,879</u>	<u>25,473,453</u>	<u>21,230,493</u>	<u>20,327,766</u>	<u>5,630,775</u>	<u>5,584,042</u>	<u>88,077,408</u>	<u>2,105,648</u>
<u>Liabilities and Net Assets</u>								
Liabilities:								
Current liabilities:								
Accounts payable	1,619	378,902	226,530	79,550	960,665	36,901	1,684,167	-
Accrued payroll and related liabilities	7,425	32,604	18,033	26,321	-	-	84,383	-
Accrued annual and sick leave	6,382	72,651	16,392	72,570	-	-	167,995	-
Deferred revenue	-	-	-	-	80,511	-	80,511	-
Customer deposits	-	190,434	16,500	-	-	16,236	223,170	-
Accrued interest	-	32,540	12,238	8,044	64,777	-	117,599	-
Due to other funds	-	-	-	-	-	516,142	516,142	-
Current portion:								
Revenue bonds	-	-	215,000	-	-	-	215,000	-
Loans	-	-	-	201,907	-	-	201,907	-
Total current liabilities	<u>15,426</u>	<u>707,131</u>	<u>504,693</u>	<u>388,392</u>	<u>1,105,953</u>	<u>569,279</u>	<u>3,290,874</u>	-
Noncurrent liabilities:								
Revenue bonds	-	2,000,000	-	-	4,000,000	-	6,000,000	-
Unamortized bond premium	-	-	3,839	-	-	-	3,839	-
Net pension/OPEB obligation	-	-	-	-	-	-	-	1,153,915
Loans	-	-	-	1,406,872	-	-	1,406,872	-
Total noncurrent liabilities	-	<u>2,000,000</u>	<u>3,839</u>	<u>1,406,872</u>	<u>4,000,000</u>	-	<u>7,410,711</u>	<u>1,153,915</u>
Total liabilities	<u>15,426</u>	<u>2,707,131</u>	<u>508,532</u>	<u>1,795,264</u>	<u>5,105,953</u>	<u>569,279</u>	<u>10,701,585</u>	<u>1,153,915</u>
Net assets:								
Invested in capital assets, net of related debt	7,980,764	16,467,927	15,201,598	17,744,960	474,822	5,137,007	63,007,078	-
Restricted for debt service	-	129,581	221,450	-	302,831	-	653,862	-
Unrestricted (deficit)	<u>1,834,689</u>	<u>6,168,814</u>	<u>5,298,913</u>	<u>787,542</u>	<u>(252,831)</u>	<u>(122,244)</u>	<u>13,714,883</u>	<u>951,733</u>
Total net assets	<u>9,815,453</u>	<u>22,766,322</u>	<u>20,721,961</u>	<u>18,532,502</u>	<u>524,822</u>	<u>5,014,763</u>	<u>77,375,823</u>	<u>951,733</u>
Total liabilities and net assets	\$ <u>9,830,879</u>	<u>25,473,453</u>	<u>21,230,493</u>	<u>20,327,766</u>	<u>5,630,775</u>	<u>5,584,042</u>		<u>2,105,648</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>1,174,674</u>	
Net assets of business-type activities							<u>78,550,497</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, 2008

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Operating revenues	\$ 1,193,416	1,999,486	2,276,688	2,501,624	-	710,790	8,682,004	3,073,583
Operating expenses:								
Salaries and benefits	248,312	941,874	561,978	829,540	-	46,780	2,628,484	2,445,917
Professional	305	69,419	116,619	223,462	-	2,569	412,374	-
Contributions	-	15,607	-	-	-	-	15,607	-
Goods and services	82,393	262,192	111,465	205,176	-	601,729	1,262,955	598,587
Utilities and fuel	19,931	138,548	437,986	284,596	-	6,390	887,451	-
Machinery and equipment	10,179	21,890	12,264	8,207	-	6,358	58,898	-
Interfund charges	237,120	165,480	132,460	132,460	-	138,224	805,744	-
Repairs and maintenance	140,274	423,070	936,967	905,295	-	-	2,405,606	-
Depreciation	703,094	835,722	554,899	1,213,949	-	39,388	3,347,052	-
Total operating expenses	<u>1,441,608</u>	<u>2,873,802</u>	<u>2,864,638</u>	<u>3,802,685</u>	<u>-</u>	<u>841,438</u>	<u>11,824,171</u>	<u>3,044,504</u>
Earnings (loss) from operations	(248,192)	(874,316)	(587,950)	(1,301,061)	-	(130,648)	(3,142,167)	29,079
Nonoperating revenues (expenses):								
Investment income	77,218	318,074	235,394	60,440	-	4,117	695,243	83,568
Interest expense	-	-	(5,174)	(26,143)	-	-	(31,317)	-
State PERS relief	22,191	89,415	39,367	68,745	-	-	219,718	-
Other	1,600	-	(4,767)	8,801	-	-	5,634	-
Net nonoperating revenues (expenses)	<u>101,009</u>	<u>407,489</u>	<u>264,820</u>	<u>111,843</u>	<u>-</u>	<u>4,117</u>	<u>889,278</u>	<u>83,568</u>
Earnings (loss) before contributions and transfers	(147,183)	(466,827)	(323,130)	(1,189,218)	-	(126,531)	(2,252,889)	112,647
Capital contributions	-	3,686,800	369,282	-	474,822	402,609	4,933,513	-
Transfers in	-	1,300,000	200,000	-	50,000	-	1,550,000	-
Transfers out	-	(50,000)	(200,000)	(600,000)	-	-	(850,000)	(1,200,000)
Change in net assets	(147,183)	4,469,973	46,152	(1,789,218)	524,822	276,078	3,380,624	(1,087,353)
Net assets at beginning of year	9,962,636	18,296,349	20,675,809	20,321,720	-	4,738,685		2,039,086
Net assets at end of year	\$ <u>9,815,453</u>	<u>22,766,322</u>	<u>20,721,961</u>	<u>18,532,502</u>	<u>524,822</u>	<u>5,014,763</u>		<u>951,733</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							47,445	
Change in net assets of business-type activities						\$	<u>3,428,069</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2008

	Major Enterprise Funds					Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Cash flows from operating activities:								
Receipts from customers and users	\$ 1,172,530	1,886,963	2,253,898	2,482,848	-	695,591	8,491,830	-
Receipts from interfund services provided	-	71,640	-	-	-	-	71,640	3,073,583
Payments for interfund services used	(237,120)	(165,480)	(132,460)	(132,460)	-	(138,224)	(805,744)	-
Payments to suppliers	(259,026)	(643,029)	(1,814,529)	(2,294,510)	-	(888,041)	(5,899,135)	(2,619,759)
Payments to employees	(221,278)	(829,440)	(523,061)	(746,213)	-	(46,780)	(2,366,772)	-
Net cash flows from operating activities	<u>455,106</u>	<u>320,654</u>	<u>(216,152)</u>	<u>(690,335)</u>	<u>-</u>	<u>(377,454)</u>	<u>(508,181)</u>	<u>453,824</u>
Cash flows from noncapital financing activities - transfers out	-	(50,000)	(200,000)	(600,000)	-	-	(850,000)	(1,200,000)
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	-	-	(205,000)	(201,097)	-	-	(406,097)	-
Interest paid on long-term debt	-	-	(9,012)	(27,148)	-	-	(36,160)	-
Proceeds from issuance of long-term debt	-	2,000,000	-	-	4,000,000	-	6,000,000	-
Proceeds from sale of property, plant and equipment	1,600	-	-	-	-	-	1,600	-
Purchase of property, plant and equipment	-	(7,157,779)	(79,230)	(23,908)	(331,094)	(440,812)	(8,032,823)	-
Transfers in	-	1,300,000	200,000	-	50,000	-	1,550,000	-
Decrease in due to other funds	-	-	-	-	-	(989,363)	(989,363)	-
Capital contributions received	300,025	131,076	8,703	(4,568)	189,828	1,847,897	2,472,961	-
Net cash flows from capital and related financing activities	<u>301,625</u>	<u>(3,726,703)</u>	<u>(84,539)</u>	<u>(256,721)</u>	<u>3,908,734</u>	<u>417,722</u>	<u>560,118</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>77,218</u>	<u>303,562</u>	<u>214,621</u>	<u>60,440</u>	<u>-</u>	<u>4,117</u>	<u>659,958</u>	<u>83,568</u>
Net increase (decrease) in cash and investments	833,949	(3,152,487)	(286,070)	(1,486,616)	3,908,734	44,385	(138,105)	(662,608)
Cash and investments at beginning of year	<u>1,013,712</u>	<u>6,392,142</u>	<u>5,011,071</u>	<u>2,188,606</u>	<u>-</u>	<u>250,271</u>	<u>14,855,802</u>	<u>2,750,413</u>
Cash and investments at end of year	\$ <u>1,847,661</u>	<u>3,239,655</u>	<u>4,725,001</u>	<u>701,990</u>	<u>3,908,734</u>	<u>294,656</u>	<u>14,717,697</u>	<u>2,087,805</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:								
Earnings (loss) from operations	(248,192)	(874,316)	(587,950)	(1,301,061)	-	(130,648)	(3,142,167)	29,079
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:								
Depreciation	703,094	835,722	554,899	1,213,949	-	39,388	3,347,052	-
Noncash expense - PERS relief	22,191	89,415	39,367	68,745	-	-	219,718	-
Other nonoperating revenues	-	-	-	8,801	-	-	8,801	-
(Increase) decrease in assets:								
Accounts receivable	8,231	(43,412)	(32,690)	(27,577)	-	(18,499)	(113,947)	-
Inventory	-	-	(23,522)	(3,015)	-	-	(26,537)	-
Prepaid expenses	-	1,250	-	-	-	-	1,250	425,956
Increase (decrease) in liabilities:								
Accounts payable	(5,944)	286,447	(175,706)	(664,759)	-	(270,995)	(830,957)	(1,211)
Accrued payroll and related liabilities	1,965	6,977	1,009	1,338	-	-	11,289	-
Accrued annual and sick leave	2,878	16,042	(1,459)	13,244	-	-	30,705	-
Customer deposits	-	2,529	9,900	-	-	3,300	15,729	-
Deferred revenue	(29,117)	-	-	-	-	-	(29,117)	-
Net cash flows from operating activities	\$ <u>455,106</u>	<u>320,654</u>	<u>(216,152)</u>	<u>(690,335)</u>	<u>-</u>	<u>(377,454)</u>	<u>(508,181)</u>	<u>453,824</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Kodiak Fisheries Development Association Agency Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Current assets - cash and investments	\$ <u>31,308</u>
Current liabilities:	
Accounts payable	6,217
Due to others	<u>25,091</u>
Total liabilities	\$ <u>31,308</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements

June 30, 2008

(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, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund 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, 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 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 *Public Safety Building Capital Project Fund* accounts for the public safety building construction project.

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, 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 *Boat Yard/Lift Enterprise Fund* accounts for the boat yard/lift activities, including construction costs.

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.

An agency fund is used to account for resources held for the Kodiak Fisheries Development Association.

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 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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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

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.

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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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.

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.

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. During the current year, \$167,872 of interest expense was capitalized; \$56,132 in the Boat Harbor Enterprise Fund and \$111,740 in the Boat Yard/Lift Enterprise Fund.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets, continued

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.

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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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 15th and November 15th. 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, 2008, 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.

(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 and New Library Special Revenue Funds. 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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Stewardship, Compliance, and Accountability, continued

Budgetary Information, continued

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

(3) **Cash and Investments**

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

Cash

At year end, the carrying amount of the City's deposits in financial institutions, including time certificates of deposit, was \$4,986,706 and the bank balance was \$5,071,090. Of the bank balance, \$100,000 was insured and the balance of \$4,971,090 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, 2008 was \$2,160.

Investments

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

Interest Rate Risk

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, 2008 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	\$ 22,234,121	<u> - </u>	<u>22,234,121</u>
Alaska Municipal League Investment Pool	<u>15,896,705</u>		
Total investments	<u>\$ 38,130,826</u>		

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

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, 2008 the fair value of the investment in AMLIP approximates amortized cost.

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

Receivables at June 30, 2008, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	Major Governmental Funds		Nonmajor Governmental Funds	Totals
	General	Public Safety Building		
Taxes	\$ 2,353,984	-	42,587	2,396,571
Grants and shared revenues	58,537	1,142	6,000	65,679
Special assessments	-	-	373,665	373,665
Interest	<u>27,423</u>	<u>50,871</u>	<u>80,719</u>	<u>159,013</u>
Total receivables	2,439,944	52,013	502,971	2,994,928
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 2,439,944</u>	<u>52,013</u>	<u>502,971</u>	<u>2,994,928</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Deferred Revenues, continued

	<u>Major Enterprise Funds</u>					Nonmajor Enterprise Funds	Totals
	<u>Cargo Pier</u>	<u>Boat Harbor</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Boat Yard/Lift</u>		
Grants	\$ -	3,686,800	555,769	9,518	365,505	113,699	4,731,291
Interest	-	14,512	20,773	-	18,431	-	53,716
Accounts	<u>2,454</u>	<u>80,206</u>	<u>278,835</u>	<u>246,956</u>	<u>-</u>	<u>38,680</u>	<u>647,131</u>
Total receivables	2,454	3,781,518	855,377	256,474	383,936	152,379	5,432,138
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>\$ 2,454</u>	<u>3,765,871</u>	<u>853,153</u>	<u>253,607</u>	<u>383,936</u>	<u>152,379</u>	<u>5,411,400</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, 2008, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred special assessments	\$ 356,969
Grant drawdowns prior to meeting all eligibility requirements	<u>68,693</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 425,662</u>

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions and Reclassifications	Deletions and Reclassifications	Balance June 30, 2008
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,505,396	-	4,006	2,501,390
Construction in progress	<u>8,749,681</u>	<u>2,223,365</u>	<u>459,086</u>	<u>10,513,960</u>
Total assets not being depreciated	<u>11,255,077</u>	<u>2,223,365</u>	<u>463,092</u>	<u>13,015,350</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,017,723	215,000	-	5,232,723
Improvements other than buildings	1,033,421	427,867	53,061	1,408,227
Infrastructure	8,523,962	-	-	8,523,962
Machinery and equipment	<u>6,958,447</u>	<u>352,852</u>	<u>300,344</u>	<u>7,010,955</u>
Total capital assets being depreciated	<u>21,533,553</u>	<u>995,719</u>	<u>353,405</u>	<u>22,175,867</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance July 1, <u>2007</u>	Additions and <u>Reclassifications</u>	Deletions and <u>Reclassifications</u>	Balance June 30, <u>2008</u>
<u>Governmental activities, continued</u>				
Less accumulated depreciation for:				
Buildings	\$ 2,100,588	149,193	-	2,249,781
Improvements other than buildings	636,249	113,890	28,158	721,981
Infrastructure	6,210,802	135,617	-	6,346,419
Machinery and equipment	<u>5,417,080</u>	<u>425,756</u>	<u>317,854</u>	<u>5,524,982</u>
Total accumulated depreciation	<u>14,364,719</u>	<u>824,456</u>	<u>346,012</u>	<u>14,843,163</u>
Total capital assets being depreciated, net	<u>7,168,834</u>	<u>171,263</u>	<u>7,393</u>	<u>7,332,704</u>
Governmental activity capital assets, net	\$ <u>18,423,911</u>	<u>2,394,628</u>	<u>470,485</u>	<u>20,348,054</u>
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	-	-	693,997
Construction in progress	<u>15,973,858</u>	<u>8,997,041</u>	<u>10,643,092</u>	<u>14,327,807</u>
Total assets not being depreciated	<u>16,667,855</u>	<u>8,997,041</u>	<u>10,643,092</u>	<u>15,021,804</u>
<i>Capital assets being depreciated:</i>				
Buildings	23,840,189	-	-	23,840,189
Improvements other than buildings	78,506,429	10,643,094	-	89,149,523
Machinery and equipment	<u>2,623,112</u>	<u>75,331</u>	<u>57,939</u>	<u>2,640,504</u>
Total assets being depreciated	<u>104,969,730</u>	<u>10,718,425</u>	<u>57,939</u>	<u>115,630,216</u>
Less accumulated depreciation for:				
Buildings	10,193,795	859,964	-	11,053,759
Improvements other than buildings	47,657,707	2,309,409	-	49,967,116
Machinery and equipment	<u>1,818,193</u>	<u>177,679</u>	<u>57,939</u>	<u>1,937,933</u>
Total accumulated depreciation	<u>59,669,695</u>	<u>3,347,052</u>	<u>57,939</u>	<u>62,958,808</u>
Total capital assets being depreciated, net	<u>45,300,035</u>	<u>7,371,373</u>	<u>-</u>	<u>52,671,408</u>
Business-type activity capital assets, net	\$ <u>61,967,890</u>	<u>16,368,414</u>	<u>10,643,092</u>	<u>67,693,212</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 43,389
Public safety	245,667
Public works	265,841
Engineering	4,127
Parks and recreation	188,989
Library	2,720
Community services	<u>73,723</u>
Total depreciation expense – governmental activities	<u>\$ 824,456</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Business-type activities

Cargo Pier	\$ 703,094
Boat Harbor	835,722
Harbor Electric	8,638
Water Utility	554,899
Sewer Utility	1,213,949
Trident Basin	<u>30,750</u>
Total depreciation expense – business-type activities	\$ <u>3,347,052</u>

(6) **Long Term Debt**

Long-term debt at June 30, 2008 is comprised of the following:

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>Governmental activities</u>					
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$135,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ -	8,000,000	-	8,000,000	135,000
Accrued leave	643,645	486,908	443,700	686,853	686,853
Net pension/OPEB obligation	<u>1,153,915</u>	<u>2,445,916</u>	<u>2,445,916</u>	<u>1,153,915</u>	<u>-</u>
Total governmental activities	\$ <u>1,797,560</u>	<u>10,932,824</u>	<u>2,889,616</u>	<u>9,840,768</u>	<u>821,853</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, 2008, \$879,789 relates to governmental funds and \$274,126 relates to enterprise funds.

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>Business-type activities</u>					
Revenue Bonds: \$1,015,000 2003 Series C Water Revenue Bonds, due in final installment of \$215,000 plus interest at 3.0% in 2009	\$ 420,000	-	205,000	215,000	215,000

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Long Term Debt, continued

<u>Business-type activities, continued</u>	Balance July 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2008</u>	Due Within <u>One Year</u>
Revenue Bonds, continued:					
\$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$30,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038	\$ -	2,000,000	-	2,000,000	-
\$4,000,000 2007 Series A Boat Lift Revenue Bonds, due in annual installments of \$60,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	-	4,000,000	-	4,000,000	-
Loan payable - \$3,016,458 Sewer loan, due in annual installments of \$201,097, including interest at 1.5% through 2016	1,809,876	-	201,907	1,608,779	201,907
Accrued leave	<u>137,290</u>	<u>136,641</u>	<u>105,936</u>	<u>167,995</u>	<u>167,995</u>
Total business-type activities	\$ <u>2,367,166</u>	<u>6,136,641</u>	<u>512,843</u>	<u>7,991,774</u>	<u>584,902</u>

Annual debt service requirements to maturity for all the above obligations, except the accrued leave, and the net pension/OPEB obligation follow:

Governmental activities

Year Ending June 30,	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 135,000	377,227	512,227
2010	145,000	385,740	530,740
2011	150,000	378,490	528,490
2012	155,000	370,990	525,990
2013	165,000	363,240	528,240
2014-2018	970,000	1,684,500	2,654,500
2019-2023	1,065,000	1,467,963	2,532,963
2024-2028	1,335,000	1,203,265	2,538,265
2029-2033	1,695,000	836,055	2,531,055
2034-2038	<u>2,185,000</u>	<u>352,040</u>	<u>2,537,040</u>
	\$ <u>8,000,000</u>	<u>7,419,510</u>	<u>15,419,510</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Long Term Debt, continued
Business-type activities

Year Ending June 30,	Revenue Bonds			Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 215,000	295,176	510,176	201,907	23,322	225,229
2010	90,000	289,251	379,251	201,097	21,115	222,212
2011	85,000	284,001	369,001	201,097	18,099	219,196
2012	90,000	278,751	368,751	201,097	15,082	216,179
2013	95,000	273,201	368,201	201,097	12,066	213,163
2014-2018	580,000	1,268,356	1,848,356	602,484	18,098	620,582
2019-2023	755,000	1,091,790	1,846,790	-	-	-
2024-2028	950,000	905,228	1,855,228	-	-	-
2029-2033	1,445,000	636,900	2,081,900	-	-	-
2034-2038	<u>1,910,000</u>	<u>235,363</u>	<u>2,145,363</u>	-	-	-
	<u>\$ 6,215,000</u>	<u>5,558,017</u>	<u>11,773,017</u>	<u>1,608,779</u>	<u>107,782</u>	<u>1,716,561</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, Boat Harbor, and Boat Yard/Lift Enterprise Funds in the amount of \$653,862.

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

	<u>Water Fund</u>
Loss from operations	\$ (587,950)
Add:	
Depreciation	554,899
Investment income	<u>235,394</u>
Amount available for debt service	202,343
Requirement	<u>278,217</u>
Excess (deficiency) of revenue over requirement	\$ <u>(75,874)</u>

(7) **Sales Tax Revenues**

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. An additional five (5) percent of the rental charge is levied on all transient room rentals within the City.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Sales Tax Revenues, continued

Net sales tax revenues for the years ended June 30, 2008 and 2007, excluding hotel and motel tax of \$146,385 and \$101,294, respectively, reported in the Tourism Development Special Revenue Fund, and sales tax penalties and interest on delinquent sales taxes of \$28,058 and \$23,990, respectively, reported in the General Fund, are as follows:

	<u>2008</u>	<u>2007</u>
General Fund	\$ <u>8,850,746</u>	<u>8,465,804</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>	

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, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Capital Projects Funds:		
Street Improvements	\$ 450,000	450,000
Parks and Recreation	50,000	50,000
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>1,000,000</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(8) **Interfund Transfers**

The following is a summary of interfund transfers for the year ended June 30, 2008:

From Boat Harbor Enterprise Fund to Boat Yard/Lift Enterprise Fund for capital costs	\$ 50,000
From Water Utility Enterprise Fund to Boat Harbor Enterprise Fund for capital costs	200,000
From Sewer Utility Enterprise Fund to Boat Harbor Enterprise Fund for capital costs	600,000
From nonmajor governmental funds to Water Utility Enterprise Fund for capital costs	200,000
From General Fund to:	
Public Safety Building Capital Project Fund for capital costs	8,000,000
Boat Harbor Enterprise Fund for capital costs.	500,000
Nonmajor governmental funds for capital projects	1,500,000
Nonmajor governmental funds to cover operating costs	350,205
From nonmajor governmental funds to:	
Nonmajor governmental fund for capital costs	145,500
General Fund to cover operating costs	227,284
From internal service funds to	
General Fund to cover operating costs	<u>1,200,000</u>
Total transfers to other funds	\$ <u>12,972,989</u>

(9) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS), an agent multiple employer 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

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy

Employees are required to contribute 6.75% of their annual covered salary (1.86% for pension and 4.89% 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.

The City's contribution rates for 2008 are as follows:

	<u>Actuarial Rate</u>
Pension	10.54%
Postemployment healthcare	<u>27.80%</u>
Total contribution rate	<u>38.34%</u>

The employer contribution rate for the current year was actuarially calculated as a level percentage of payroll and was determined using the projected unit credit actuarial funding method. Unfunded accrued liabilities and future gains/losses are amortized over a fixed 25 year period as a level percentage of pay based on a 4.0% payroll growth assumption.

The current year required contribution was determined as part of the June 30, 2005 actuarial valuation. Effective with the June 30, 2006 valuation (which establishes the 2009 rates), the actuarial funding method has been changed to the Entry Age Actuarial Cost Method.

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.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

The significant actuarial assumptions used in the most recent 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 2006, trending downward 0.5% per year to 5.0% in FY15 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for 2006, trending downward 1.0% per year to 5.0% in FY15 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;
5. Mortality based on 1994 Group Annuity Mortality Basic Table, 1994 Base Year with 85% occupational for Peace Officer/Firefighter and 35% occupational for others;
6. Retirement rate based on 1997-1999 actual experience. Deferred vested members are assumed to retire at their earliest retirement date;
7. 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 are constrained to a range of 80% to 120% of market value of assets; and,
8. Valuation of Medical Benefit based on analysis of actual claims paid for July 2001 – June 2005, averaged and annualized and adjusted for other factors plus administrative costs.

Annual Pension and Postemployment Healthcare Cost

Effective July 1, 2007, the State of Alaska adopted contribution rates for each employer at an amount no less than 14.48% and no more than 22%. The actual rate for City of Kodiak is 38.34%. The Legislature then approved state funding (Senate Bill 53) in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rate. This on-behalf payment was transferred to the Alaska Division of Retirement and Benefits at July 1, but was allocated to the individual employer accounts on a prorata basis with each payroll reporting period. The City has recorded \$997,804 in these financial statements as PERS relief or state grant revenue and related PERS expenditures/expenses. This amount is also included in employer contributions for the purpose of calculating the ending net pension/OPEB obligation as noted below.

In addition, in fiscal year 2008, the State of Alaska passed legislation (Senate Bill 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension and Postemployment Healthcare Cost, continued

For the year ended June 30, 2008, 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	\$ 667,070	1,758,640	2,425,710
Interest on net pension/OPEB obligation	26,179	69,019	95,198
Adjustment to annual required contribution	<u>(20,623)</u>	<u>(54,369)</u>	<u>(74,992)</u>
Annual pension/OPEB cost	672,626	1,773,290	2,445,916
Contributions made	<u>672,626</u>	<u>1,773,290</u>	<u>2,445,916</u>
Increase in net pension/OPEB obligation	-	-	-
Net pension/OPEB obligation, beginning of year	<u>869,073</u>	<u>284,842</u>	<u>1,153,915</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	2006	\$ 931,560	\$ 726,944	78%	\$ 661,663
	2007	1,088,722	881,312	81%	869,073
	2008	672,626	672,626	100%	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	2006	\$ 624,395	\$ 485,843	78%	\$ 138,552
	2007	767,898	621,608	81%	284,842
	2008	1,773,290	1,773,290	100%	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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered 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%

PERS Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill 125 which converts the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor. In addition, the legislation provides for state contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions would be recognized by each employer as an on-behalf payment.

As a result of this change, the City will not be obligated to pay or to continue amortizing the currently recorded Net Pension/OPEB obligation. As such, these liabilities will be written off and the City will recognize a gain on the legislation's effective date, July 1, 2008.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(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>

*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, 2008 were \$63,350 and \$22,116, 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, 2008. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Risk Management, continued

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

The City maintains commercial insurance coverage for the health and medical benefit program which covers all full time employees.

(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. The General Fund's surplus for the year ended June 30, 2007 was \$700,409 and accordingly, \$350,205 was transferred to the Enhancement Fund during the current year. Based on an increase to fund balance of \$2,736,946 for the year ended June 30, 2008, a \$1,368,473 transfer will be required to be made to the Enhancement Fund in fiscal year 2009. In addition, there is a provision for transferring to the General Fund any excess earnings, over and above those earnings necessary for inflation-proofing of the Enhancement Fund. Based on the current year earnings, excess earnings of \$139,784 were transferred to the General Fund from the Enhancement 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 2007 and 2008. During 2008, 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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(14) **Subsequent Event**

In August 2008, the City was approved for four new loans from Alaska Department of Environmental Conservation to assist with various water and sewer projects. The City was also approved for a loan in November 2007. The total amount available under all five loans is \$2,533,860 and all of them bear interest at 1.5%. Terms of the loans range from five to ten years.

ADDITIONAL

INFORMATION

NONMAJOR FUNDS

CITY OF KODIAK, ALASKA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2008

<u>Assets</u>	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Tourism Develop- ment</u>	<u>Special Assess- ments</u>	<u>Enhance- ment</u>	<u>New Library</u>	<u>General Capital Projects</u>	<u>Street Improve- ments</u>	<u>Parks and Recreation</u>	
Cash and investments	\$ 62,825	12,999	5,210,838	583	900,856	3,283,664	291,709	9,763,474
Receivables:								
Taxes	42,587	-	-	-	-	-	-	42,587
Grants	-	-	-	-	6,000	-	-	6,000
Special assessments	-	373,665	-	-	-	-	-	373,665
Interest	-	-	65,235	-	-	15,484	-	80,719
	<u>-</u>	<u>-</u>	<u>65,235</u>	<u>-</u>	<u>-</u>	<u>15,484</u>	<u>-</u>	<u>80,719</u>
Total assets	\$ <u>105,412</u>	<u>386,664</u>	<u>5,276,073</u>	<u>583</u>	<u>906,856</u>	<u>3,299,148</u>	<u>291,709</u>	<u>10,266,445</u>
<u>Liabilities and Fund Balances</u>								
Liabilities								
Accounts payable	-	824	-	-	19,933	17	4,167	24,941
Deferred assessments	-	356,969	-	-	-	-	-	356,969
Deferred revenue	-	-	-	-	68,693	-	-	68,693
Total liabilities	<u>-</u>	<u>357,793</u>	<u>-</u>	<u>-</u>	<u>88,626</u>	<u>17</u>	<u>4,167</u>	<u>450,603</u>
Fund balances - unreserved:								
Designated for capital projects	-	-	-	-	818,230	3,299,131	287,542	4,404,903
Undesignated	<u>105,412</u>	<u>28,871</u>	<u>5,276,073</u>	<u>583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,410,939</u>
Total fund balances	<u>105,412</u>	<u>28,871</u>	<u>5,276,073</u>	<u>583</u>	<u>818,230</u>	<u>3,299,131</u>	<u>287,542</u>	<u>9,815,842</u>
Total liabilities and fund balances	\$ <u>105,412</u>	<u>386,664</u>	<u>5,276,073</u>	<u>583</u>	<u>906,856</u>	<u>3,299,148</u>	<u>291,709</u>	<u>10,266,445</u>

CITY OF KODIAK, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2008

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	New Library	General Capital Projects	Street Improve- ments	Parks and Recreation	
Revenues:								
Taxes	\$ 146,385	-	-	-	-	-	-	146,385
Rental	-	-	39,450	-	-	-	-	39,450
Intergovernmental	-	-	-	-	99,201	-	104,693	203,894
Investment income	2,790	23,117	304,894	13	17,371	155,560	17,061	520,806
Special assessments	-	99,587	-	-	-	-	-	99,587
Sale of land	-	-	707,665	-	-	-	-	707,665
Other revenues	-	-	-	570	-	-	-	570
Total revenues	<u>149,175</u>	<u>122,704</u>	<u>1,052,009</u>	<u>583</u>	<u>116,572</u>	<u>155,560</u>	<u>121,754</u>	<u>1,718,357</u>
Expenditures:								
General government	-	-	-	-	46,597	-	-	46,597
Public safety	-	-	-	-	222,170	-	-	222,170
Public works	-	1,702	-	-	29,457	69,530	-	100,689
Parks and recreation	-	-	-	-	-	-	19,444	19,444
Community services	118,600	-	-	-	-	-	-	118,600
Capital outlay	-	-	-	-	229,464	253,460	179,744	662,668
Total expenditures	<u>118,600</u>	<u>1,702</u>	<u>-</u>	<u>-</u>	<u>527,688</u>	<u>322,990</u>	<u>199,188</u>	<u>1,170,168</u>
Excess of revenues over (under) expenditures	30,575	121,002	1,052,009	583	(411,116)	(167,430)	(77,434)	548,189
Other financing sources (uses):								
Transfers in	-	-	350,205	-	1,000,000	595,500	50,000	1,995,705
Transfers out	-	(145,500)	(139,784)	-	-	(275,000)	(12,500)	(572,784)
Net other financing sources (uses)	<u>-</u>	<u>(145,500)</u>	<u>210,421</u>	<u>-</u>	<u>1,000,000</u>	<u>320,500</u>	<u>37,500</u>	<u>1,422,921</u>
Net change in fund balances	30,575	(24,498)	1,262,430	583	588,884	153,070	(39,934)	1,971,110
Fund balances at beginning of year	<u>74,837</u>	<u>53,369</u>	<u>4,013,643</u>	<u>-</u>	<u>229,346</u>	<u>3,146,061</u>	<u>327,476</u>	<u>7,844,732</u>
Fund balances at end of year	<u>\$ 105,412</u>	<u>28,871</u>	<u>5,276,073</u>	<u>583</u>	<u>818,230</u>	<u>3,299,131</u>	<u>287,542</u>	<u>9,815,842</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Balance Sheet
 June 30, 2008

<u>Assets</u>	<u>Harbor Electric</u>	<u>Trident Basin</u>	<u>Total Nonmajor Enterprise Funds</u>
Current assets:			
Cash and investments	\$ 294,656	-	294,656
Receivables - net of allowances	<u>36,349</u>	<u>116,030</u>	<u>152,379</u>
Total current assets	<u>331,005</u>	<u>116,030</u>	<u>447,035</u>
Noncurrent assets - property, plant and equipment, net	<u>73,173</u>	<u>5,063,834</u>	<u>5,137,007</u>
Total assets	\$ <u>404,178</u>	<u>5,179,864</u>	<u>5,584,042</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	35,838	1,063	36,901
Customer deposits	14,700	1,536	16,236
Due to other funds	<u>-</u>	<u>516,142</u>	<u>516,142</u>
Total current liabilities	<u>50,538</u>	<u>518,741</u>	<u>569,279</u>
Net assets:			
Invested in capital assets	73,173	5,063,834	5,137,007
Unrestricted (deficit)	<u>280,467</u>	<u>(402,711)</u>	<u>(122,244)</u>
Total net assets	<u>353,640</u>	<u>4,661,123</u>	<u>5,014,763</u>
Total liabilities and net assets	\$ <u>404,178</u>	<u>5,179,864</u>	<u>5,584,042</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2008

	Harbor <u>Electric</u>	Trident <u>Basin</u>	Total Nonmajor Enterprise <u>Funds</u>
Operating revenues	\$ <u>682,471</u>	<u>28,319</u>	<u>710,790</u>
Operating expenses:			
Salaries and benefits	44,878	1,902	46,780
Professional	-	2,569	2,569
Goods and services	588,624	13,105	601,729
Utilities and fuel	-	6,390	6,390
Machinery and equipment	6,358	-	6,358
Interfund charges	-	138,224	138,224
Depreciation	<u>8,638</u>	<u>30,750</u>	<u>39,388</u>
Total operating expenses	<u>648,498</u>	<u>192,940</u>	<u>841,438</u>
Earnings (loss) from operations	33,973	(164,621)	(130,648)
Nonoperating revenues (expenses) - investment income (loss)	<u>13,713</u>	<u>(9,596)</u>	<u>4,117</u>
Earnings (loss) before contributions	47,686	(174,217)	(126,531)
Capital contributions	<u>-</u>	<u>402,609</u>	<u>402,609</u>
Change in net assets	47,686	228,392	276,078
Net assets at beginning of year	<u>305,954</u>	<u>4,432,731</u>	<u>4,738,685</u>
Net assets at end of year	\$ <u>353,640</u>	<u>4,661,123</u>	<u>5,014,763</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2008

	<u>Harbor</u> <u>Electric</u>	<u>Trident</u> <u>Basin</u>	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 666,610	28,981	695,591
Payments for interfund services used	-	(138,224)	(138,224)
Payments to suppliers	(591,060)	(296,981)	(888,041)
Payments to employees	<u>(44,878)</u>	<u>(1,902)</u>	<u>(46,780)</u>
Net cash flows from operating activities	<u>30,672</u>	<u>(408,126)</u>	<u>(377,454)</u>
Cash flows from capital and related financing activities:			
Purchase of property, plant and equipment	-	(440,812)	(440,812)
Decrease in due to other funds	-	(989,363)	(989,363)
Capital contributions received	<u>-</u>	<u>1,847,897</u>	<u>1,847,897</u>
Net cash flows from capital and related financing activities	<u>-</u>	<u>417,722</u>	<u>417,722</u>
Cash flows from investing activities - investment income (loss)	<u>13,713</u>	<u>(9,596)</u>	<u>4,117</u>
Net increase in cash and investments	44,385	-	44,385
Cash and investments at beginning of year	<u>250,271</u>	<u>-</u>	<u>250,271</u>
Cash and investments at end of year	\$ <u>294,656</u>	<u>-</u>	<u>294,656</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities			
Earnings (loss) from operations	33,973	(164,621)	(130,648)
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:			
Depreciation	8,638	30,750	39,388
(Increase) decrease in assets:			
Accounts receivable	(19,161)	662	(18,499)
Increase (decrease) in liabilities:			
Accounts payable	3,922	(274,917)	(270,995)
Customer deposits	<u>3,300</u>	<u>-</u>	<u>3,300</u>
Net cash flows from operating activities	\$ <u>30,672</u>	<u>(408,126)</u>	<u>(377,454)</u>

GENERAL FUND

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

CITY OF KODIAK, ALASKA
 General Fund
 Balance Sheet
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ <u>5,731,126</u>	<u>2,238,050</u>
Receivables:		
Taxes	2,353,984	2,301,480
Grants and shared revenues	58,537	5,182
Interest	<u>27,423</u>	<u>-</u>
Total receivables	<u>2,439,944</u>	<u>2,306,662</u>
Due from other funds	516,142	1,505,505
Prepaid items	<u>48,735</u>	<u>251,108</u>
Total assets	\$ <u>8,735,947</u>	<u>6,301,325</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities:		
Accounts payable	132,827	190,931
Accrued payroll and related liabilities	289,986	533,096
Customer deposits	<u>2,917</u>	<u>4,027</u>
Total liabilities	<u>425,730</u>	<u>728,054</u>
Fund balance:		
Reserved for prepaid items	48,735	251,108
Unreserved:		
Designated for subsequent year's expenditures	-	192,560
Undesignated	<u>8,261,482</u>	<u>5,129,603</u>
Total fund balance	<u>8,310,217</u>	<u>5,573,271</u>
Total liabilities and fund balance	\$ <u>8,735,947</u>	<u>6,301,325</u>

CITY OF KODIAK, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Year Ended June 30, 2008

(With Comparative Amounts for 2007)

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 630,000	655,943	25,943	632,102
Sales taxes	8,200,000	8,850,746	650,746	8,465,804
Other taxes	3,500	3,497	(3)	-
Penalties and interest	15,000	24,561	9,561	23,990
Total taxes	<u>8,848,500</u>	<u>9,534,747</u>	<u>686,247</u>	<u>9,121,896</u>
Intergovernmental:				
Grants	34,418	37,154	2,736	30,335
Municipal energy assistance program	354,000	353,911	(89)	203,176
State PERS relief	-	778,085	778,085	240,365
State PERS rebate	-	428,035	428,035	-
Fisheries business tax	824,000	823,097	(903)	760,099
Shared fisheries business and landing tax	65,000	62,581	(2,419)	68,674
Liquor licenses	20,000	28,300	8,300	12,700
Fuel tax sharing	11,730	6,955	(4,775)	6,728
Telephone and electric sharing	38,100	40,700	2,600	78,089
Total intergovernmental	<u>1,347,248</u>	<u>2,558,818</u>	<u>1,211,570</u>	<u>1,400,166</u>
Charges for services:				
Public safety:				
Boarding of state prisoners	605,340	607,360	2,020	609,236
State Trooper contract	80,000	129,174	49,174	136,771
Borough animal control	72,380	72,380	-	72,380
Borough E911 access fees	95,000	65,000	(30,000)	58,000
Ambulance services	30,000	31,965	1,965	56,265
Other public safety charges	91,000	60,899	(30,101)	40,328
School crossing guard services	12,000	7,680	(4,320)	7,775
School lifeguard services	5,000	7,074	2,074	10,088
Borough building inspector charges	130,000	110,469	(19,531)	133,826
Library fees and charges	21,000	18,623	(2,377)	18,578
Parks and recreation fees and charges	90,500	100,808	10,308	107,469
Public works services	9,200	7,723	(1,477)	52,878
Other charges for services	-	-	-	1,035
Total charges for services	<u>1,241,420</u>	<u>1,219,155</u>	<u>(22,265)</u>	<u>1,304,629</u>

CITY OF KODIAK, ALASKA

General Fund

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

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Fines and forfeitures	\$ <u>41,500</u>	<u>55,479</u>	<u>13,979</u>	<u>29,452</u>
Licenses and permits	<u>38,000</u>	<u>102,748</u>	<u>64,748</u>	<u>51,535</u>
Rental income	<u>134,930</u>	<u>97,030</u>	<u>(37,900)</u>	<u>128,906</u>
Interfund charges:				
Cargo Pier Fund	99,390	99,390	-	73,260
Boat Harbor Fund	99,390	99,390	-	73,260
Water Fund	99,400	99,400	-	73,260
Sewer Fund	99,400	99,400	-	73,260
Trident Basin Fund	99,390	99,390	-	73,260
Public works	142,720	142,720	-	124,190
Engineering and inspection fees	88,740	88,740	-	89,250
Tourism Development Fund	<u>32,000</u>	<u>32,000</u>	-	<u>30,000</u>
Total interfund charges	<u>760,430</u>	<u>760,430</u>	-	<u>609,740</u>
Investment income	<u>130,000</u>	<u>283,603</u>	<u>153,603</u>	<u>217,721</u>
Sale of land	<u>683,000</u>	<u>707,665</u>	<u>24,665</u>	<u>-</u>
Other revenues	<u>70,300</u>	<u>64,491</u>	<u>(5,809)</u>	<u>59,773</u>
Total revenues	<u>13,295,328</u>	<u>15,384,166</u>	<u>2,088,838</u>	<u>12,923,818</u>
Expenditures:				
General government:				
Legislative	310,110	239,169	70,941	267,811
Legal	25,000	38,902	(13,902)	22,351
Executive	343,830	280,226	63,604	216,859
City clerk	344,040	333,282	10,758	294,602
Finance	<u>1,093,820</u>	<u>1,030,102</u>	<u>63,718</u>	<u>1,036,520</u>
Total general government	<u>2,116,800</u>	<u>1,921,681</u>	<u>195,119</u>	<u>1,838,143</u>

CITY OF KODIAK, ALASKA

General Fund

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

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety:				
Police department:				
Administration	\$ 354,270	403,177	(48,907)	377,951
Uniformed patrol	1,356,170	1,351,511	4,659	1,674,659
Corrections	552,152	550,440	1,712	582,120
Investigations	248,680	246,995	1,685	258,042
Support services	812,970	810,981	1,989	642,544
Animal control	151,150	150,737	413	147,620
Drug enforcement	144,870	144,490	380	137,375
Community services	265,950	265,656	294	105,166
Canine	103,130	101,739	1,391	-
Fire department	<u>1,563,040</u>	<u>1,558,519</u>	<u>4,521</u>	<u>1,496,984</u>
Total public safety	<u>5,552,382</u>	<u>5,584,245</u>	<u>(31,863)</u>	<u>5,422,461</u>
Public works:				
Administration	84,510	83,970	540	88,403
Streets	1,129,250	1,127,358	1,892	1,342,602
Garage	253,150	252,017	1,133	337,964
Building inspection	225,970	224,430	1,540	221,080
Municipal airport facility	<u>34,450</u>	<u>27,620</u>	<u>6,830</u>	<u>42,253</u>
Total public works	<u>1,727,330</u>	<u>1,715,395</u>	<u>11,935</u>	<u>2,032,302</u>
Engineering	<u>223,460</u>	<u>162,559</u>	<u>60,901</u>	<u>158,090</u>
Parks and recreation:				
Administration	518,580	517,310	1,270	516,714
Museum	68,000	67,988	12	60,000
Teen Center	234,280	233,900	380	230,096
Aquatics	78,700	62,714	15,986	88,477
Ice rink	92,570	91,250	1,320	77,635
Beautification program	<u>16,000</u>	<u>13,907</u>	<u>2,093</u>	<u>13,968</u>
Total parks and recreation	<u>1,008,130</u>	<u>987,069</u>	<u>21,061</u>	<u>986,890</u>
Library	<u>705,898</u>	<u>704,219</u>	<u>1,679</u>	<u>668,146</u>

CITY OF KODIAK, ALASKA

General Fund

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

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Community services:				
Contributions	\$ 123,400	104,740	18,660	105,642
Downtown revitalization	<u>44,500</u>	<u>44,499</u>	<u>1</u>	<u>41,112</u>
Total community services	<u>167,900</u>	<u>149,239</u>	<u>18,661</u>	<u>146,754</u>
Other:				
Insurance and general administration	485,500	484,548	952	461,949
Debt services costs	<u>-</u>	<u>15,344</u>	<u>(15,344)</u>	<u>-</u>
Total other	<u>485,500</u>	<u>499,892</u>	<u>(14,392)</u>	<u>461,949</u>
Total expenditures	<u>11,987,400</u>	<u>11,724,299</u>	<u>263,101</u>	<u>11,714,735</u>
Excess of revenues over expenditures	1,307,928	3,659,867	2,351,939	1,209,083
Other financing sources (uses):				
General obligation bond issuance	-	8,000,000	8,000,000	-
Transfers in	1,287,500	1,427,284	139,784	924,796
Transfers out	<u>(2,514,205)</u>	<u>(10,350,205)</u>	<u>(7,836,000)</u>	<u>(1,433,470)</u>
Net other financing sources (uses)	<u>(1,226,705)</u>	<u>(922,921)</u>	<u>303,784</u>	<u>(508,674)</u>
Net change in fund balance	\$ <u>81,223</u>	2,736,946	<u>2,655,723</u>	700,409
Fund balance at beginning of year		<u>5,573,271</u>		<u>4,872,862</u>
Fund balance at end of year	\$	<u>8,310,217</u>		<u>5,573,271</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 of the citizens of Kodiak.

New Library

This fund accounts for donations received for the future construction of a new library.

CITY OF KODIAK, ALASKA
Tourism Development Special Revenue Fund
Balance Sheet
June 30, 2008
(With Comparative Amounts for 2007)

	<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments		\$ 62,825	39,186
Receivables - taxes		<u>42,587</u>	<u>35,651</u>
Total assets		\$ <u>105,412</u>	<u>74,837</u>
	<u>Fund Balance</u>		
Fund balance - unreserved and undesignated		\$ <u>105,412</u>	<u>74,837</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, 2008
 (With Comparative Amounts for 2007)

	2008		Variance Positive (Negative)	2007
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Room taxes	\$ 119,000	146,385	27,385	101,294
Investment income	<u>1,000</u>	<u>2,790</u>	<u>1,790</u>	<u>1,897</u>
Total revenues	<u>120,000</u>	<u>149,175</u>	<u>29,175</u>	<u>103,191</u>
Expenditures - community services:				
Interfund services:				
Finance and administration	12,000	12,000	-	11,600
Public works services	4,000	4,000	-	4,400
Parks and recreation services	16,000	16,000	-	14,000
Other	2,000	600	1,400	-
Community service contributions	<u>86,000</u>	<u>86,000</u>	<u>-</u>	<u>86,000</u>
Total expenditures	<u>120,000</u>	<u>118,600</u>	<u>1,400</u>	<u>116,000</u>
Net change in fund balance	\$ <u>-</u>	30,575	<u>30,575</u>	(12,809)
Fund balance at beginning of year		<u>74,837</u>		<u>87,646</u>
Fund balance at end of year	\$	<u>105,412</u>		<u>74,837</u>

CITY OF KODIAK, ALASKA
Special Assessments Special Revenue Fund
Balance Sheet
June 30, 2008
(With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 12,999	42,528
Receivables - special assessments	<u>373,665</u>	<u>467,396</u>
 Total assets	 \$ <u>386,664</u>	 <u>509,924</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	824	-
Deferred assessments	<u>356,969</u>	<u>456,555</u>
Total liabilities	357,793	456,555
 Fund balance - unreserved and undesignated	 <u>28,871</u>	 <u>53,369</u>
 Total liabilities and fund balance	 \$ <u>386,664</u>	 <u>509,924</u>

CITY OF KODIAK, ALASKA
Special Assessments Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
Special assessments	\$ 99,587	195,827
Investment income	23,117	29,819
Total revenues	<u>122,704</u>	<u>225,646</u>
 Expenditures - public works - professional services	 <u>1,702</u>	 <u>432</u>
Excess of revenues over expenditures	121,002	225,214
 Other financing uses - transfers out	 <u>(145,500)</u>	 <u>(849,500)</u>
Net change in fund balance	(24,498)	(624,286)
 Fund balance at beginning of year	 <u>53,369</u>	 <u>677,655</u>
 Fund balance at end of year	 \$ <u>28,871</u>	 <u>53,369</u>

CITY OF KODIAK, ALASKA
Enhancement Fund Special Revenue Fund
Balance Sheet
June 30, 2008
(With Comparative Amounts for 2007)

	<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments		\$ 5,210,838	3,958,398
Interest receivable		<u>65,235</u>	<u>55,245</u>
Total assets		<u>\$ 5,276,073</u>	<u>4,013,643</u>
 <u>Fund Balance</u> 			
Fund balance - unreserved and undesignated		<u>\$ 5,276,073</u>	<u>4,013,643</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, 2008
 (With Comparative Amounts for 2007)

	2008			2007
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Rental income	\$ 40,000	39,450	(550)	39,450
Investment income	160,000	304,894	144,894	320,760
Sale of land	693,000	707,665	14,665	-
Other revenue	-	-	-	50,687
Total revenues	<u>893,000</u>	<u>1,052,009</u>	<u>159,009</u>	<u>410,897</u>
Other financing sources (uses):				
Transfers in	350,205	350,205	-	-
Transfers out	-	(139,784)	(139,784)	(1,628,027)
Net other financing sources (uses)	<u>350,205</u>	<u>210,421</u>	<u>(139,784)</u>	<u>(1,628,027)</u>
Net change in fund balance	\$ <u>1,243,205</u>	1,262,430	<u>19,225</u>	(1,217,130)
Fund balance at beginning of year		<u>4,013,643</u>		<u>5,230,773</u>
Fund balance at end of year		\$ <u>5,276,073</u>		<u>4,013,643</u>

CITY OF KODIAK, ALASKA
New Library Special Revenue Fund
Balance Sheet
June 30, 2008

Assets

Cash and investments \$ 583

Fund Balance

Fund balance - unreserved and undesignated \$ 583

CITY OF KODIAK, ALASKA
New Library Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2008

Revenues:		
Other		\$ 570
Investment income		<u>13</u>
Total revenues		583
Net change in fund balance		583
Fund balance at beginning of year		<u>-</u>
Fund balance at end of year		\$ <u>583</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.

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.

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, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 900,856	175,726
Receivables - grants	<u>6,000</u>	<u>184,833</u>
Total assets	<u>\$ 906,856</u>	<u>360,559</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	19,933	15,719
Deferred revenue	<u>68,693</u>	<u>115,494</u>
Total liabilities	<u>88,626</u>	<u>131,213</u>
Fund balance - designated for capital projects	<u>818,230</u>	<u>229,346</u>
Total liabilities and fund balance	<u>\$ 906,856</u>	<u>360,559</u>

CITY OF KODIAK, ALASKA
 General Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
Intergovernmental	\$ 99,201	491,782
Investment income	17,371	11,445
Total revenues	<u>116,572</u>	<u>503,227</u>
Expenditures:		
Communications improvements	38,964	193,076
Near Island development	12,852	4,764
City land development	-	250
Ambulance	190,500	-
Siren alert warning system	13,800	-
Comprehensive records management program	827	14,923
Museum building	45,770	14,647
Municipal airport improvement	16,605	10,550
KFD deferred maintenance	208,370	4,019
HAZMAT response vehicle	-	182,768
Total expenditures	<u>527,688</u>	<u>424,997</u>
Excess of revenues over (under) expenditures	(411,116)	78,230
Other financing sources (uses):		
Transfers in	1,000,000	222,045
Transfers out	-	(1,442,071)
Net other financing sources (uses)	<u>1,000,000</u>	<u>(1,220,026)</u>
Net change in fund balance	588,884	(1,141,796)
Fund balance at beginning of year	<u>229,346</u>	<u>1,371,142</u>
Fund balance at end of year	\$ <u>818,230</u>	<u>229,346</u>

CITY OF KODIAK, ALASKA
 Street Improvements Capital Project Fund
 Balance Sheet
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 3,283,664	3,146,077
Receivables - interest	<u>15,484</u>	<u>-</u>
Total assets	\$ <u>3,299,148</u>	<u>3,146,077</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	17	16
Fund balance - designated for capital projects	<u>3,299,131</u>	<u>3,146,061</u>
Total liabilities and fund balance	\$ <u>3,299,148</u>	<u>3,146,077</u>

CITY OF KODIAK, ALASKA
 Street Improvements Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues - investment income	\$ <u>155,560</u>	<u>140,554</u>
Expenditures:		
Seleif Lane paving	-	136
Annual sidewalk, curb and gutter repair	235,336	68,834
Natalia Lane/Alder Lane	83,945	156,835
Mill Bay rut repair	-	149,488
Mill Bay overlay	1,145	-
Steller Way improvements	-	72,689
Maple Street Aleutian PhIII	2,564	-
Other miscellaneous projects	-	(687)
Total expenditures	<u>322,990</u>	<u>447,295</u>
Excess of revenues over (under) expenditures	(167,430)	(306,741)
Other financing sources (uses):		
Transfers in	595,500	1,299,500
Transfers out	<u>(275,000)</u>	<u>(1,478,116)</u>
Net other financing sources (uses)	<u>320,500</u>	<u>(178,616)</u>
Net change in fund balance	153,070	(485,357)
Fund balance at beginning of year	<u>3,146,061</u>	<u>3,631,418</u>
Fund balance at end of year	\$ <u>3,299,131</u>	<u>3,146,061</u>

CITY OF KODIAK, ALASKA
 Public Safety Building Capital Project Fund
 Balance Sheet
 June 30, 2008
 (With Comparative Amounts for 2007)

	<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments		\$ 10,788,282	2,978,369
Receivables:			
Grants		1,142	599
Interest		<u>50,871</u>	<u>-</u>
Total assets		\$ <u>10,840,295</u>	<u>2,978,968</u>
<u>Liabilities and Fund Balance</u>			
Liabilities - accounts payable		480,028	1,231
Fund balance - designated for capital projects		<u>10,360,267</u>	<u>2,977,737</u>
Total liabilities and fund balance		\$ <u>10,840,295</u>	<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, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
Intergovernmental	\$ 803,453	1,974
Investment income	<u>139,775</u>	<u>135,093</u>
Total revenues	<u>943,228</u>	<u>137,067</u>
Expenditures:		
Engineering and design	1,557,016	79,000
Salaries and benefits	<u>3,682</u>	<u>-</u>
Total expenditures	<u>1,560,698</u>	<u>79,000</u>
Excess of revenues over (under) expenditures	(617,470)	58,067
Other financing sources - transfers in	<u>8,000,000</u>	<u>2,919,670</u>
Net change in fund balance	7,382,530	2,977,737
Fund balance at beginning of year	<u>2,977,737</u>	<u>-</u>
Fund balance at end of year	\$ <u>10,360,267</u>	<u>2,977,737</u>

CITY OF KODIAK, ALASKA
Parks and Recreation Capital Project Fund
Balance Sheet
June 30, 2008
(With Comparative Amounts for 2007)

	<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments		\$ <u>291,709</u>	<u>377,076</u>
<u>Liabilities and Fund Balance</u>			
Liabilities - accounts payable		4,167	49,600
Fund balance - designated for capital projects		<u>287,542</u>	<u>327,476</u>
Total liabilities and fund balance		\$ <u>291,709</u>	<u>377,076</u>

CITY OF KODIAK, ALASKA
Parks and Recreation Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Revenues:		
Intergovernmental	\$ 104,693	3,190
Investment income	<u>17,061</u>	<u>17,846</u>
Total revenues	<u>121,754</u>	<u>21,036</u>
Expenditures:		
Seleif Lane playground	82,386	-
Playground equipment and improvements	2,924	-
Baranof baseball field	19,445	-
Baranof facility	-	3,190
Ice rink	-	49,600
Multi-sport field and track	93,445	-
Baranof storage building	<u>988</u>	<u>-</u>
Total expenditures	<u>199,188</u>	<u>52,790</u>
Excess of revenues over (under) expenditures	(77,434)	(31,754)
Other financing sources (uses):		
Transfers in	50,000	50,000
Transfers out	<u>(12,500)</u>	<u>(23,500)</u>
Net other financing sources (uses)	<u>37,500</u>	<u>26,500</u>
Net change in fund balance	(39,934)	(5,254)
Fund balance at beginning of year	<u>327,476</u>	<u>332,730</u>
Fund balance at end of year	\$ <u>287,542</u>	<u>327,476</u>

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ENTERPRISE FUNDS

Cargo Pier

This fund accounts for all activities of the cargo pier.

Boat Harbor

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

Harbor Electric Utility

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

Water Utility

This fund accounts for the distribution of water services.

Sewer Utility

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

Trident Basin

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

Boat Yard/Lift

This fund accounts for the boat yard/lift activities.

CITY OF KODIAK, ALASKA
 Cargo Pier Enterprise Fund
 Statement of Net Assets
 June 30, 2008
 (With Comparative Amounts for 2007)

	<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:			
Cash and investments		\$ 1,847,661	1,013,712
Receivables:			
Grants		-	300,025
Accounts		2,454	10,685
Total current assets		<u>1,850,115</u>	<u>1,324,422</u>
Property, plant and equipment:			
Improvements other than buildings		20,619,826	12,715,989
Building		9,502	9,502
Machinery and equipment		1,154,957	1,177,743
Construction in progress		-	7,903,836
Accumulated depreciation		<u>(13,803,521)</u>	<u>(13,123,212)</u>
Net property, plant and equipment		<u>7,980,764</u>	<u>8,683,858</u>
Total assets		<u>\$ 9,830,879</u>	<u>10,008,280</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		1,619	7,563
Accrued payroll and related liabilities		7,425	5,460
Accrued annual and sick leave		6,382	3,504
Deferred revenue		-	29,117
Total current liabilities		<u>15,426</u>	<u>45,644</u>
Net assets:			
Invested in capital assets		7,980,764	8,683,858
Unrestricted		<u>1,834,689</u>	<u>1,278,778</u>
Total net assets		<u>9,815,453</u>	<u>9,962,636</u>
Total liabilities and net assets		<u>\$ 9,830,879</u>	<u>10,008,280</u>

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Dockage	\$ 131,510	108,697
Wharfage	549,559	527,378
Pier III	282,088	282,088
Cruise ship	52,130	44,814
Rentals	<u>178,129</u>	<u>177,236</u>
Total operating revenues	<u>1,193,416</u>	<u>1,140,213</u>
Operating expenses:		
General and administrative:		
Salaries and benefits	248,312	249,745
Professional	305	3,285
Goods and services	55,227	51,347
Interfund charges:		
Finance and administration	99,390	73,260
Public works services	66,090	60,330
Harbormaster services	<u>71,640</u>	<u>70,000</u>
Total general and administrative	<u>540,964</u>	<u>507,967</u>
Warehouse:		
Goods and services	7,377	8,540
Machinery and equipment	<u>10,179</u>	<u>6,275</u>
Total warehouse	<u>17,556</u>	<u>14,815</u>
Pier II:		
Goods and services	19,648	23,938
Utilities and fuel	18,606	14,392
Repairs and maintenance	140,274	8,100
Machinery and equipment	<u>-</u>	<u>3,609</u>
Total pier II	<u>178,528</u>	<u>50,039</u>

CITY OF KODIAK, ALASKA
 Cargo Pier Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets, continued

	<u>2008</u>	<u>2007</u>
Operating expenses, continued:		
Pier III:		
Goods and services	\$ 141	481
Utilities and fuel	1,325	1,670
Repairs and maintenance	-	<u>721,657</u>
Total pier III	<u>1,466</u>	<u>723,808</u>
Depreciation	<u>703,094</u>	<u>542,851</u>
Total operating expenses	<u>1,441,608</u>	<u>1,839,480</u>
Loss from operations	(248,192)	(699,267)
Nonoperating revenues:		
Investment income	77,218	50,445
State PERS relief	22,191	6,963
Other	<u>1,600</u>	<u>-</u>
Total nonoperating revenues	<u>101,009</u>	<u>57,408</u>
Loss before contributions and transfers	(147,183)	(641,859)
Capital contributions	-	600,000
Transfers in	<u>-</u>	<u>500,000</u>
Change in net assets	(147,183)	458,141
Net assets at beginning of year	<u>9,962,636</u>	<u>9,504,495</u>
Net assets at end of year	\$ <u>9,815,453</u>	<u>9,962,636</u>

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,172,530	1,140,752
Payments for interfund services used	(237,120)	(203,590)
Payments to suppliers	(259,026)	(847,155)
Payments to employees	<u>(221,278)</u>	<u>(266,161)</u>
Net cash flows from operating activities	<u>455,106</u>	<u>(176,154)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property, plant and equipment	1,600	-
Purchase of property, plant and equipment	-	(630,625)
Capital contributions received	300,025	549,975
Transfers in	<u>-</u>	<u>500,000</u>
Net cash flows from capital and related financing activities	<u>301,625</u>	<u>419,350</u>
Cash flows from investing activities -		
investment income received	<u>77,218</u>	<u>50,445</u>
Net increase in cash and investments	833,949	293,641
Cash and investments at beginning of year	<u>1,013,712</u>	<u>720,071</u>
Cash and investments at end of year	\$ <u>1,847,661</u>	<u>1,013,712</u>
Reconciliation of loss from operations to net cash		
flows from operating activities:		
Loss from operations	(248,192)	(699,267)
Adjustments to reconcile loss from operations		
to net cash flows provided (used) by operating activities:		
Depreciation	703,094	542,851
Noncash expense - PERS relief	22,191	6,963
(Increase) decrease in assets -		
accounts receivable	8,231	(6,217)
Increase (decrease) in liabilities:		
Accounts payable	(5,944)	(3,861)
Accrued payroll and related liabilities	1,965	(1,509)
Accrued annual and sick leave	2,878	(21,870)
Deferred revenue	<u>(29,117)</u>	<u>6,756</u>
Net cash flows from operating activities	\$ <u>455,106</u>	<u>(176,154)</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Net Assets
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and investments	\$ 3,110,074	6,392,142
Receivables:		
Grants	3,686,800	131,076
Accounts	80,206	36,794
Interest	14,512	-
Allowance for doubtful accounts	(15,647)	(15,647)
Prepaid expenses	-	1,250
Total current assets	<u>6,875,945</u>	<u>6,545,615</u>
Noncurrent assets:		
Restricted cash and investments - bond reserve	<u>129,581</u>	<u>-</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	476,627	456,157
Construction in progress	8,054,511	907,618
Accumulated depreciation	<u>(17,547,323)</u>	<u>(16,734,557)</u>
Net property, plant and equipment	<u>18,467,927</u>	<u>12,113,330</u>
Total noncurrent assets	<u>18,597,508</u>	<u>12,113,330</u>
Total assets	<u>\$ 25,473,453</u>	<u>18,658,945</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	378,902	92,455
Accrued payroll and related liabilities	32,604	25,627
Accrued interest	32,540	-
Accrued annual and sick leave	72,651	56,609
Customer deposits	<u>190,434</u>	<u>187,905</u>
Total current liabilities	<u>707,131</u>	<u>362,596</u>
Noncurrent liabilities - revenue bonds	<u>2,000,000</u>	<u>-</u>
Total liabilities	<u>2,707,131</u>	<u>362,596</u>
Net assets:		
Invested in capital assets, net of related debt	16,467,927	12,113,330
Restricted debt service	129,581	-
Unrestricted	<u>6,168,814</u>	<u>6,183,019</u>
Total net assets	<u>22,766,322</u>	<u>18,296,349</u>
Total liabilities and net assets	<u>\$ 25,473,453</u>	<u>18,658,945</u>

CITY OF KODIAK, ALASKA
Boat Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Moorage	\$ 1,500,403	1,366,121
Pier and dock fees	199,303	205,299
Administrative fees to other funds	71,640	70,000
Other fees and charges	189,373	213,162
Rentals	14,302	14,302
Penalties and interest	7,906	10,971
Other	<u>16,559</u>	<u>15,013</u>
Total operating revenues	<u>1,999,486</u>	<u>1,894,868</u>
Operating expenses:		
Salaries and benefits	941,874	961,408
Professional	69,419	52,999
Contributions	15,607	21,370
Goods and services	262,192	295,387
Utilities and fuel	138,548	129,000
Machinery and equipment	21,890	62,700
Interfund charges:		
Finance and administration	99,390	73,260
Public works services	43,910	38,020
Engineering and inspection	22,180	22,310
Repairs and maintenance	423,070	233
Depreciation	<u>835,722</u>	<u>839,963</u>
Total operating expenses	<u>2,873,802</u>	<u>2,496,650</u>
Loss from operations	(874,316)	(601,782)
Nonoperating revenues:		
Investment income	318,074	278,747
State PERS relief	<u>89,415</u>	<u>31,437</u>
Total nonoperating revenues	<u>407,489</u>	<u>310,184</u>
Loss before contributions and transfers	(466,827)	(291,598)
Capital contributions	3,686,800	340,373
Transfers in	1,300,000	500,000
Transfers out	<u>(50,000)</u>	<u>(500,000)</u>
Change in net assets	4,469,973	48,775
Net assets at beginning of year	<u>18,296,349</u>	<u>18,247,574</u>
Net assets at end of year	\$ <u>22,766,322</u>	<u>18,296,349</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,886,963	1,856,929
Receipts from interfund services provided	71,640	70,000
Payments for interfund services used	(165,480)	(133,590)
Payments to suppliers	(643,029)	(536,593)
Payments to employees	(829,440)	(931,230)
Net cash flows from operating activities	<u>320,654</u>	<u>325,516</u>
Cash flows from noncapital financing activities - transfers out	<u>(50,000)</u>	<u>(500,000)</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(7,157,779)	(639,472)
Transfers in	1,300,000	500,000
Proceeds from issuance of long-term debt	2,000,000	-
Capital contributions received	131,076	298,428
Net cash flows from capital and related financing activities	<u>(3,726,703)</u>	<u>158,956</u>
Cash flows from investing activities - investment income received	<u>303,562</u>	<u>318,120</u>
Net increase (decrease) in cash and investments	(3,152,487)	302,592
Cash and investments at beginning of year	<u>6,392,142</u>	<u>6,089,550</u>
Cash and investments at end of year	\$ <u>3,239,655</u>	<u>6,392,142</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	3,110,074	6,392,142
Restricted cash and investments	129,581	-
	\$ <u>3,239,655</u>	<u>6,392,142</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(874,316)	(601,782)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Depreciation	835,722	839,963
Noncash expense - PERS relief	89,415	31,437
(Increase) decrease in assets:		
Accounts receivable	(43,412)	32,211
Prepaid expenses	1,250	5,276
Increase (decrease) in liabilities:		
Accounts payable	286,447	19,820
Accrued payroll and related liabilities	6,977	2,213
Accrued annual and sick leave	16,042	(3,472)
Customer deposits	2,529	(150)
Net cash flows from operating activities	\$ <u>320,654</u>	<u>325,516</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Schedule of Harbor Capital Projects
 Year Ended June 30, 2008

	<u>St. Herman Harbor</u>
Funding sources:	
Grants	\$ 3,686,800
Boat Harbor Enterprise Fund	<u>3,551,350</u>
Total funding sources	\$ <u>7,238,150</u>
Expenditures:	
Salaries and benefits	12,603
Engineering and inspection	7,161,940
Other	<u>63,607</u>
Total expenditures	\$ <u>7,238,150</u>

CITY OF KODIAK, ALASKA
 Harbor Electric Utility Enterprise Fund
 Statement of Net Assets
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and investments	\$ 294,656	250,271
Accounts receivable	<u>36,349</u>	<u>17,188</u>
Total current assets	<u>331,005</u>	<u>267,459</u>
Property, plant and equipment - machinery and equipment	118,706	118,706
Accumulated depreciation	<u>(45,533)</u>	<u>(36,895)</u>
Net property, plant and equipment	<u>73,173</u>	<u>81,811</u>
Total assets	\$ <u>404,178</u>	<u>349,270</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	35,838	31,916
Customer deposits	<u>14,700</u>	<u>11,400</u>
Total current liabilities	<u>50,538</u>	<u>43,316</u>
Net assets:		
Invested in capital assets	73,173	81,811
Unrestricted	<u>280,467</u>	<u>224,143</u>
Total net assets	<u>353,640</u>	<u>305,954</u>
Total liabilities and net assets	\$ <u>404,178</u>	<u>349,270</u>

CITY OF KODIAK, ALASKA
Harbor Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Energy charges	\$ 544,184	536,585
Customer charges	110,145	114,684
Other operating revenue	<u>28,142</u>	<u>27,437</u>
Total operating revenues	<u>682,471</u>	<u>678,706</u>
Operating expenses:		
Salaries and benefits	44,878	42,043
Goods and services	588,624	583,513
Machinery and equipment	6,358	5,931
Depreciation	<u>8,638</u>	<u>8,638</u>
Total operating expenses	<u>648,498</u>	<u>640,125</u>
Earnings from operations	33,973	38,581
Nonoperating revenues - investment income	<u>13,713</u>	<u>9,836</u>
Change in net assets	47,686	48,417
Net assets at beginning of year	<u>305,954</u>	<u>257,537</u>
Net assets at end of year	\$ <u>353,640</u>	<u>305,954</u>

CITY OF KODIAK, ALASKA
 Harbor Electric Utility Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 666,610	678,519
Payments to suppliers	(591,060)	(590,183)
Payments to employees	<u>(44,878)</u>	<u>(42,043)</u>
Net cash flows from operating activities	<u>30,672</u>	<u>46,293</u>
Cash flows from investing activities - investment income received	<u>13,713</u>	<u>9,836</u>
Net increase in cash and investments	44,385	56,129
Cash and investments at beginning of year	<u>250,271</u>	<u>194,142</u>
Cash and investments at end of year	\$ <u>294,656</u>	<u>250,271</u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	33,973	38,581
Adjustments to reconcile earnings from operations to net cash flows provided (used) by operating activities:		
Depreciation	8,638	8,638
Increase in assets - accounts receivable	(19,161)	(2,787)
Increase (decrease) in liabilities:		
Accounts payable	3,922	(739)
Customer deposits	<u>3,300</u>	<u>2,600</u>
Net cash flows from operating activities	\$ <u>30,672</u>	<u>46,293</u>

CITY OF KODIAK, ALASKA
Water Utility Enterprise Fund
Statement of Net Assets
June 30, 2008
(With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and investments	\$ 4,503,551	4,789,621
Receivables:		
Grants	555,769	195,190
Accounts	278,835	246,145
Interest	20,773	-
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	231,902	208,380
Total current assets	<u>5,588,606</u>	<u>5,437,112</u>
Noncurrent assets:		
Restricted cash and investments	221,450	221,450
Deferred charges, net of accumulated amortization	4,767	9,534
Property, plant and equipment:		
Land	2	2
Buildings	3,299,523	3,299,523
Improvements other than buildings	26,260,136	23,520,880
Machinery and equipment	388,631	380,633
Construction in progress	71,232	2,739,256
Accumulated depreciation	(14,603,854)	(14,048,955)
Net property, plant and equipment	<u>15,415,670</u>	<u>15,891,339</u>
Total noncurrent assets	<u>15,641,887</u>	<u>16,122,323</u>
Total assets	<u>\$ 21,230,493</u>	<u>21,559,435</u>
Liabilities:		
Current liabilities:		
Accounts payable	226,530	402,236
Accrued payroll and related liabilities	18,033	17,024
Accrued annual and sick leave	16,392	17,851
Customer deposits	16,500	6,600
Accrued interest	12,238	12,238
Current portion of revenue bonds	215,000	205,000
Total current liabilities	<u>504,693</u>	<u>660,949</u>
Noncurrent liabilities:		
Unamortized bond premium	3,839	7,677
Revenue bonds, net of current portion	-	215,000
Total noncurrent liabilities	<u>3,839</u>	<u>222,677</u>
Total liabilities	<u>508,532</u>	<u>883,626</u>
Net assets:		
Invested in capital assets, net of related debt	15,201,598	15,473,196
Restricted for debt service	221,450	221,450
Unrestricted	5,298,913	4,981,163
Total net assets	<u>20,721,961</u>	<u>20,675,809</u>
Total liabilities and net assets	<u>\$ 21,230,493</u>	<u>21,559,435</u>

CITY OF KODIAK, ALASKA
 Water Utility Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sales and user charges	\$ 1,300,000	1,227,102
Meters	955,245	858,289
Other	<u>21,443</u>	<u>34,646</u>
Total operating revenues	<u>2,276,688</u>	<u>2,120,037</u>
 Operating expenses:		
Water department:		
Salaries and benefits	561,978	580,217
Professional	113,580	40,003
Goods and services	46,015	110,560
Utilities and fuel	416,493	352,599
Machinery and equipment	2,501	15,000
Interfund charges:		
Finance and administration	49,700	36,630
Public works services	16,530	15,090
Repairs and maintenance	936,967	1,104,517
Depreciation	<u>554,899</u>	<u>489,135</u>
Total water department	<u>2,698,663</u>	<u>2,743,751</u>
 Water treatment:		
Professional	3,039	3,794
Goods and services	65,450	62,648
Utilities	21,493	21,000
Machinery and equipment	9,763	18,534
Interfund charges:		
Finance and administration	49,700	36,630
Public works services	<u>16,530</u>	<u>15,390</u>
Total water treatment	<u>165,975</u>	<u>157,996</u>
 Total operating expenses	<u>2,864,638</u>	<u>2,901,747</u>
 Loss from operations	(587,950)	(781,710)

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

	<u>2008</u>	<u>2007</u>
Nonoperating revenues (expenses):		
Investment income	\$ 235,394	300,298
Interest expense	(5,174)	(10,237)
Amortization of bond issuance costs	(4,767)	(4,767)
Ultraviolet light feasibility study	-	(8,600)
State PERS relief	39,367	15,611
Other	-	30,601
Net nonoperating revenues (expenses)	<u>264,820</u>	<u>322,906</u>
Loss before contributions and transfers	(323,130)	(458,804)
Capital contributions	369,282	13,896
Transfers in	200,000	750,000
Transfers out	<u>(200,000)</u>	<u>(2,160,000)</u>
Change in net assets	46,152	(1,854,908)
Net assets at beginning of year	<u>20,675,809</u>	<u>22,530,717</u>
Net assets at end of year	\$ <u>20,721,961</u>	<u>20,675,809</u>

CITY OF KODIAK, ALASKA
Water Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,253,898	2,125,350
Payments for interfund services used	(132,460)	(103,740)
Payments to suppliers	(1,814,529)	(2,078,800)
Payments to employees	(523,061)	(566,993)
Net cash flows from operating activities	<u>(216,152)</u>	<u>(624,183)</u>
Cash flows from noncapital financing activities - transfers out	<u>(200,000)</u>	<u>(2,160,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(205,000)	(200,000)
Interest paid on long-term debt	(9,012)	(14,076)
Purchase of property, plant and equipment	(79,230)	(1,632,703)
Capital contributions received	8,703	201,161
Transfers in	200,000	750,000
Net cash flows from capital and related financing activities	<u>(84,539)</u>	<u>(895,618)</u>
Cash flows from investing activities - investment income received	<u>214,621</u>	<u>352,942</u>
Net decrease in cash and investments	(286,070)	(3,326,859)
Cash and investments at beginning of year	<u>5,011,071</u>	<u>8,337,930</u>
Cash and investments at end of year	\$ <u>4,725,001</u>	<u>5,011,071</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	4,503,551	4,789,621
Restricted cash and investments	221,450	221,450
	\$ <u>4,725,001</u>	<u>5,011,071</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(587,950)	(781,710)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Decrease in allowance for doubtful accounts	-	(1,341)
Depreciation	554,899	489,135
Noncash expense - PERS relief	39,367	15,611
Other nonoperating revenues	-	30,601
Other nonoperating expenses	-	(8,600)
(Increase) decrease in assets:		
Accounts receivable	(32,690)	(28,347)
Inventory	(23,522)	20,226
Increase (decrease) in liabilities:		
Accounts payable	(175,706)	(361,771)
Accrued payroll and related liabilities	1,009	3,267
Accrued annual and sick leave	(1,459)	(5,654)
Customer deposits	9,900	4,400
Net cash flows from operating activities	\$ <u>(216,152)</u>	<u>(624,183)</u>

CITY OF KODIAK, ALASKA
Water Utility Enterprise Fund
Schedule of Water Utility Capital Projects
Year Ended June 30, 2008

	<u>Replacement Project Phase IV</u>
Funding sources -	
Grants	\$ <u>71,232</u>
Expenditures:	
Salaries and benefits	1,773
Engineering and inspection	<u>69,459</u>
Total expenditures	\$ <u>71,232</u>

CITY OF KODIAK, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Net Assets
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and investments	\$ 701,990	2,188,606
Receivables:		
Grants	9,518	4,950
Accounts	246,956	219,379
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	18,430	15,415
Total current assets	<u>974,027</u>	<u>2,425,483</u>
Property, plant and equipment:		
Land	16,931	16,931
Buildings	19,008,010	19,008,010
Improvements other than buildings	16,370,667	16,370,666
Machinery and equipment	501,583	489,874
Accumulated depreciation	<u>(16,543,452)</u>	<u>(15,341,701)</u>
Net property, plant and equipment	<u>19,353,739</u>	<u>20,543,780</u>
Total assets	\$ <u>20,327,766</u>	<u>22,969,263</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	79,550	744,309
Accrued payroll and related liabilities	26,321	24,983
Accrued annual and sick leave	72,570	59,326
Accrued interest	8,044	9,049
Current portion of loans payable	<u>201,907</u>	<u>201,097</u>
Total current liabilities	388,392	1,038,764
Noncurrent liabilities - loans payable, net of current portion	<u>1,406,872</u>	<u>1,608,779</u>
Total liabilities	<u>1,795,264</u>	<u>2,647,543</u>
Net assets:		
Invested in capital assets, net of related debt	17,744,960	18,733,904
Unrestricted	<u>787,542</u>	<u>1,587,816</u>
Total net assets	<u>18,532,502</u>	<u>20,321,720</u>
Total liabilities and net assets	\$ <u>20,327,766</u>	<u>22,969,263</u>

CITY OF KODIAK, ALASKA

Sewer Utility Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2008

(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sewer charges	\$ 2,442,912	2,159,482
Septic truck fees	42,322	38,148
Lab testing fees	16,390	15,603
Total operating revenues	<u>2,501,624</u>	<u>2,213,233</u>
Operating expenses:		
Sewer department:		
Salaries and benefits	119,100	117,128
Professional	70,404	20,003
Goods and services	35,798	39,147
Repairs and maintenance	905,295	2,540,790
Machinery and equipment	3,584	1,436
Wastewater treatment:		
Salaries and benefits	710,440	642,999
Professional	153,058	225,495
Goods and services	169,378	168,865
Utilities and fuel	284,596	220,699
Machinery and equipment	4,623	22,499
Interfund services:		
Administrative	26,240	27,040
Finance and administration	73,160	46,220
Public works services	33,060	30,480
Depreciation	1,213,949	1,212,968
Total operating expenses	<u>3,802,685</u>	<u>5,315,769</u>
Loss from operations	(1,301,061)	(3,102,536)
Nonoperating revenues (expenses):		
Investment income	60,440	152,648
Interest expense	(26,143)	(29,159)
State PERS relief	68,745	19,992
Other nonoperating revenues	8,801	1,739
Net nonoperating revenues (expenses)	<u>111,843</u>	<u>145,220</u>
Loss before transfers	(1,189,218)	(2,957,316)
Transfers in	-	2,303,416
Transfers out	(600,000)	-
Change in net assets	(1,789,218)	(653,900)
Net assets at beginning of year	<u>20,321,720</u>	<u>20,975,620</u>
Net assets at end of year	\$ <u>18,532,502</u>	<u>20,321,720</u>

CITY OF KODIAK, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,482,848	2,170,909
Payments for interfund services used	(132,460)	(103,740)
Payments to suppliers	(2,294,510)	(2,538,908)
Payments to employees	<u>(746,213)</u>	<u>(722,615)</u>
Net cash flows from operating activities	<u>(690,335)</u>	<u>(1,194,354)</u>
Cash flows from noncapital financing activities - transfers out	<u>(600,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(201,097)	(201,097)
Interest paid on loans	(27,148)	(30,165)
Purchase of property, plant and equipment	(23,908)	-
Transfers in	-	2,303,416
Capital contributions received	<u>(4,568)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(256,721)</u>	<u>2,072,154</u>
Cash flows from investing activities - investment income received	<u>60,440</u>	<u>165,876</u>
Net increase (decrease) in cash and investments	(1,486,616)	1,043,676
Cash and investments at beginning of year	<u>2,188,606</u>	<u>1,144,930</u>
Cash and investments at end of year	\$ <u>701,990</u>	<u>2,188,606</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(1,301,061)	(3,102,536)
Adjustments to reconcile loss from operations to net cash flows provided (used) by operating activities:		
Decrease in allowance for doubtful accounts	-	(91)
Depreciation	1,213,949	1,212,968
Noncash expense - PERS relief	68,745	19,992
Other nonoperating revenues	8,801	1,739
(Increase) decrease in assets:		
Accounts receivable	(27,577)	(43,972)
Inventory	(3,015)	(1,026)
Increase (decrease) in liabilities:		
Accounts payable	(664,759)	701,052
Accrued payroll and related liabilities	1,338	7,050
Accrued annual and sick leave	<u>13,244</u>	<u>10,470</u>
Net cash flows from operating activities	\$ <u>(690,335)</u>	<u>(1,194,354)</u>

CITY OF KODIAK, ALASKA
 Trident Basin Enterprise Fund
 Statement of Net Assets
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets - receivables:		
Grants	\$ 113,699	1,558,987
Accounts	2,331	2,993
Total current assets	<u>116,030</u>	<u>1,561,980</u>
Property, plant and equipment:		
Improvements other than buildings	615,000	615,000
Construction in progress	4,863,959	4,423,147
Accumulated depreciation	<u>(415,125)</u>	<u>(384,375)</u>
Net property, plant and equipment	<u>5,063,834</u>	<u>4,653,772</u>
Total assets	\$ <u>5,179,864</u>	<u>6,215,752</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,063	275,980
Customer deposits	1,536	1,536
Due to other funds	<u>516,142</u>	<u>1,505,505</u>
Total current liabilities	<u>518,741</u>	<u>1,783,021</u>
Net assets:		
Invested in capital assets	5,063,834	4,653,772
Unrestricted (deficit)	<u>(402,711)</u>	<u>(221,041)</u>
Total net assets	<u>4,661,123</u>	<u>4,432,731</u>
Total liabilities and net assets	\$ <u>5,179,864</u>	<u>6,215,752</u>

CITY OF KODIAK, ALASKA
 Trident Basin Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Moorage	\$ 10,458	8,726
Rentals	17,861	9,039
Total operating revenues	<u>28,319</u>	<u>17,765</u>
Operating expenses:		
Salaries and benefits	1,902	-
Professional	2,569	12
Goods and services	13,105	18,767
Utilities and fuel	6,390	8,521
Interfund services:		
Finance and administration	99,390	73,260
Public works services	38,834	32,860
Depreciation	30,750	30,750
Total operating expenses	<u>192,940</u>	<u>164,170</u>
Loss from operations	(164,621)	(146,405)
Nonoperating revenues - investment income (loss)	<u>(9,596)</u>	<u>2,524</u>
Loss before contributions and transfers	(174,217)	(143,881)
Capital contributions	402,609	3,677,391
Transfers in	<u>-</u>	<u>233,470</u>
Change in net assets	228,392	3,766,980
Net assets at beginning of year	<u>4,432,731</u>	<u>665,751</u>
Net assets at end of year	\$ <u>4,661,123</u>	<u>4,432,731</u>

CITY OF KODIAK, ALASKA
 Trident Basin Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2008
 (With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 28,981	17,843
Payments for interfund services used	(138,224)	(106,120)
Payments to suppliers	(296,981)	(24,903)
Payments to employees	(1,902)	-
Net cash flows from operating activities	<u>(408,126)</u>	<u>(113,180)</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(440,812)	(3,598,018)
Transfers in	-	233,470
Increase (decrease) in due to other funds	(989,363)	1,325,091
Capital contributions received	<u>1,847,897</u>	<u>2,150,113</u>
Net cash flows from capital and related financing activities	<u>417,722</u>	<u>110,656</u>
Cash flows from investing activities -		
investment income (loss)	<u>(9,596)</u>	<u>2,524</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		
flows from operating activities:		
Loss from operations	(164,621)	(146,405)
Adjustments to reconcile loss from operations		
to net cash flows provided (used) by operating activities:		
Depreciation	30,750	30,750
Decrease in assets - accounts receivable	662	78
Increase (decrease) in liabilities - accounts payable	<u>(274,917)</u>	<u>2,397</u>
Net cash flows from operating activities	\$ <u>(408,126)</u>	<u>(113,180)</u>

CITY OF KODIAK, ALASKA
Trident Basin Enterprise Fund
Schedule of Trident Basin Capital Projects
Year Ended June 30, 2008

	<u>Seaplane Ramps</u>
Funding sources:	
Grants	\$ 402,609
Trident Basin Enterprise Fund	<u>38,203</u>
 Total funding sources	 \$ <u>440,812</u>
 Expenditures:	
Engineering and inspection	25,514
Construction and contractors	<u>415,298</u>
 Total expenditures	 \$ <u>440,812</u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Net Assets
 June 30, 2008

	<u>Assets</u>	<u>2008</u>
Current assets:		
Cash and investments		\$ 3,605,903
Receivables:		
Grants		365,505
Interest		18,431
Total current assets		<u>3,989,839</u>
Noncurrent assets:		
Restricted cash and investments - bond reserve		302,831
Property, plant and equipment - construction in progress		<u>1,338,105</u>
Total noncurrent assets		<u>1,640,936</u>
Total assets		\$ <u>5,630,775</u>
Liabilities:		
Current liabilities:		
Accounts payable		960,665
Accrued interest		64,777
Deferred revenue		80,511
Total current liabilities		<u>1,105,953</u>
Noncurrent liabilities - revenue bonds		<u>4,000,000</u>
Total liabilities		<u>5,105,953</u>
Net assets:		
Invested in capital assets, net of related debt		474,822
Restricted for debt service		302,831
Unrestricted (deficit)		<u>(252,831)</u>
Total net assets		<u>524,822</u>
Total liabilities and net assets		\$ <u>5,630,775</u>

CITY OF KODIAK, ALASKA
Boat Yard/Lift Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

Capital contributions and transfers:	
Capital contributions	\$ 474,822
Transfers in	<u>50,000</u>
Total capital contributions and transfers	<u>524,822</u>
Change in net assets	524,822
Net assets at beginning of year	<u>-</u>
Net assets at end of year	\$ <u>524,822</u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2008

Cash flows from capital and related financing activities:	
Purchase of property, plant and equipment	\$ (331,094)
Transfers in	50,000
Proceeds from issuance of long-term debt	4,000,000
Capital contributions received	<u>189,828</u>
Net cash flows from capital and related financing activities	<u>3,908,734</u>
Cash and investments at beginning of year	<u>-</u>
Cash and investments at end of year	<u>\$ 3,908,734</u>
Reconciliation to Statement of Net Assets:	
Cash and investments	3,605,903
Restricted cash and investments	<u>302,831</u>
	<u>\$ 3,908,734</u>

CITY OF KODIAK, ALASKA
Boat Yard/Lift Enterprise Fund
Schedule of Boat Yard/Lift Capital Projects
Year Ended June 30, 2008

	<u>600 Ton Lift</u>
Funding sources:	
Grants	\$ 474,822
Boat Yard/Lift Enterprise Fund	<u>863,283</u>
 Total funding sources	 \$ <u>1,338,105</u>
 Expenditures:	
Salaries and benefits	16,216
Engineering and inspection	200,577
Construction and contractors	993,369
Other	<u>127,943</u>
 Total expenditures	 \$ <u>1,338,105</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.

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, 2008

<u>Assets</u>	<u>Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Cash and investments	\$ 807,108	1,280,697	2,087,805
Prepaid insurance	<u>17,843</u>	<u>-</u>	<u>17,843</u>
Total assets	\$ <u>824,951</u>	<u>1,280,697</u>	<u>2,105,648</u>
<u>Liabilities and Net Assets</u>			
Noncurrent liabilities - net pension/OPEB obligation	-	1,153,915	1,153,915
Net assets - unrestricted	<u>824,951</u>	<u>126,782</u>	<u>951,733</u>
Total liabilities and net assets	\$ <u>824,951</u>	<u>1,280,697</u>	<u>2,105,648</u>

CITY OF KODIAK, ALASKA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

	<u>Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Operating revenues - charges for services	\$ <u>627,666</u>	<u>2,445,917</u>	<u>3,073,583</u>
Operating expenses:			
Insurance	598,587	-	598,587
Employee benefits	<u>-</u>	<u>2,445,917</u>	<u>2,445,917</u>
Total operating expenses	<u>598,587</u>	<u>2,445,917</u>	<u>3,044,504</u>
 Earnings from operations	 29,079	 -	 29,079
Nonoperating revenues - investment income	<u>33,933</u>	<u>49,635</u>	<u>83,568</u>
 Earnings before transfers	 63,012	 49,635	 112,647
Transfers out	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
 Change in net assets	 (1,136,988)	 49,635	 (1,087,353)
Net assets at beginning of year	<u>1,961,939</u>	<u>77,147</u>	<u>2,039,086</u>
Net assets at end of year	\$ <u>824,951</u>	<u>126,782</u>	<u>951,733</u>

CITY OF KODIAK, ALASKA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2008

	<u>Insurance</u>	<u>PERS</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 627,666	2,445,917	3,073,583
Payments to suppliers	<u>(173,842)</u>	<u>(2,445,917)</u>	<u>(2,619,759)</u>
Net cash flows from operating activities	453,824	-	453,824
Cash flows from noncapital financing activities - transfers out	(1,200,000)	-	(1,200,000)
Cash flows from investing activities - investment income received	<u>33,933</u>	<u>49,635</u>	<u>83,568</u>
Net increase (decrease) in cash and investments	(712,243)	49,635	(662,608)
Cash and investments at beginning of year	<u>1,519,351</u>	<u>1,231,062</u>	<u>2,750,413</u>
Cash and investments at end of year	\$ <u>807,108</u>	<u>1,280,697</u>	<u>2,087,805</u>
Reconciliation of earnings from operations to net cash flows from operating activities:			
Earnings from operations	29,079	-	29,079
Adjustments to reconcile earnings from operations to net cash flows provided (used) by operating activities:			
Decrease in assets - prepaid insurance	425,956	-	425,956
Decrease in liabilities - accounts payable	<u>(1,211)</u>	<u>-</u>	<u>(1,211)</u>
Net cash flows from operating activities	\$ <u>453,824</u>	<u>-</u>	<u>453,824</u>

CITY OF KODIAK, ALASKA
 Insurance Internal Service Fund
 Statement of Net Assets
 June 30, 2008
 (With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 807,108	1,519,351
Prepaid insurance	<u>17,843</u>	<u>443,799</u>
Total assets	<u>\$ 824,951</u>	<u>1,963,150</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable	-	1,211
Net assets - unrestricted	<u>824,951</u>	<u>1,961,939</u>
Total liabilities and net assets	<u>\$ 824,951</u>	<u>1,963,150</u>

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues - charges for services	\$ 627,666	991,643
Operating expenses - insurance	<u>598,587</u>	<u>586,792</u>
Earnings from operations	29,079	404,851
Nonoperating revenues - investment income	<u>33,933</u>	<u>69,769</u>
Earnings before transfers	63,012	474,620
Transfers out	<u>(1,200,000)</u>	<u>-</u>
Change in net assets	(1,136,988)	474,620
Net assets at beginning of year	<u>1,961,939</u>	<u>1,487,319</u>
Net assets at end of year	\$ <u>824,951</u>	<u>1,961,939</u>

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 627,666	991,643
Payments to suppliers	<u>(173,842)</u>	<u>(1,029,827)</u>
Net cash flows from operating activities	453,824	(38,184)
Cash flows from noncapital financing activities - transfers out	(1,200,000)	-
Cash flows from investing activities - investment income received	<u>33,933</u>	<u>69,769</u>
Net increase (decrease) in cash and investments	(712,243)	31,585
Cash and investments at beginning of year	<u>1,519,351</u>	<u>1,487,766</u>
Cash and investments at end of year	\$ <u>807,108</u>	<u>1,519,351</u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	29,079	404,851
Adjustments to reconcile earnings from operations to net cash flows provided (used) by operating activities:		
Decrease in assets - prepaid insurance	425,956	(443,799)
Increase (decrease) in liabilities - accounts payable	<u>(1,211)</u>	<u>764</u>
Net cash flows from operating activities	\$ <u>453,824</u>	<u>(38,184)</u>

CITY OF KODIAK, ALASKA
PERS Internal Service Fund
Statement of Net Assets
June 30, 2008
(With Comparative Amounts for 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets - cash and investments	\$ <u>1,280,697</u>	<u>1,231,062</u>
 <u>Liabilities and Net Assets</u> 		
Noncurrent liabilities - net pension/OPEB obligation	1,153,915	1,153,915
Net assets - unrestricted	<u>126,782</u>	<u>77,147</u>
Total liabilities and net assets	\$ <u>1,280,697</u>	<u>1,231,062</u>

CITY OF KODIAK, ALASKA
PERS Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues - charges for services	\$ 2,445,917	1,542,253
Operating expenses - employee benefits	<u>2,445,917</u>	<u>1,542,253</u>
Earnings from operations	-	-
Nonoperating revenues - investment income	<u>49,635</u>	<u>60,531</u>
Change in net assets	49,635	60,531
Net assets at beginning of year	<u>77,147</u>	<u>16,616</u>
Net assets at end of year	\$ <u>126,782</u>	<u>77,147</u>

CITY OF KODIAK, ALASKA
PERS Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2008
(With Comparative Amounts for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 2,445,917	1,542,253
Payments to suppliers	<u>(2,445,917)</u>	<u>(1,188,553)</u>
Net cash flows from operating activities	-	353,700
Cash flows from investing activities -		
investment income received	<u>49,635</u>	<u>60,531</u>
Net increase in cash and investments	49,635	414,231
Cash and investments at beginning of year	<u>1,231,062</u>	<u>816,831</u>
Cash and investments at end of year	\$ <u>1,280,697</u>	<u>1,231,062</u>
Reconciliation of earnings from operations to net cash		
flows from operating activities:		
Earnings from operations	-	-
Adjustments to reconcile earnings from operations to		
net cash flows provided by operating activities -		
Increase in liabilities - net pension/OPEB obligation	<u>-</u>	<u>353,700</u>
Net cash flows from operating activities	\$ <u>-</u>	<u>353,700</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, 2008

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Assistance Number</u>	<u>Total Grant Award</u>	<u>July 1, 2007 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Grant Receipts</u>	<u>June 30, 2008 Receivable (Deferred)</u>
Department of Interior							
Historic Preservation of the Erskine House/Baranov Museum	02-01-05	15.904	\$ 250,000	(114,465)	45,772	-	(68,693)
Department of Transportation							
Kodiak Trident Seaplane Base Passed through the State of Alaska Department of Transportation and Public Facilities:	AIP 3-02-0450-002-2006	20.106	4,080,000	1,554,292	402,609	1,843,202	113,699
Traffic Safety Equipment	-	20.600	7,814	-	4,238	4,238	-
In Car Video Equipment	154 AL 07-14-15-A	20.607	3,836	-	3,836	3,836	-
Total Department of Transportation				<u>1,554,292</u>	<u>410,683</u>	<u>1,851,276</u>	<u>113,699</u>
Department of Commerce							
Public Works & Economic Development Facilities Program	07-01-05717	11.300	2,300,000	230,870	134,635	-	365,505
Department of Homeland Security							
Passed through the State of Alaska Department of Military and Veterans Affairs:							
Emergency Management Program	07EMPG-GR35567	97.042	21,875	4,154	8,039	12,193	-
Emergency Management Program	08EMPG-GR35569	97.042	30,000	-	17,544	-	17,544
State Homeland Security Grant	2005-GE-T5-0031	97.073	507,666	174,768	-	174,768	-
Law Enforcement Terrorism Prevention	07LETPP-GR34238	97.074	25,000	-	13,800	7,800	6,000
Law Enforcement Terrorism Prevention	06LETPP-GR34232	97.074	22,000	-	22,000	22,000	-
Total Department of Homeland Security				<u>178,922</u>	<u>61,383</u>	<u>216,761</u>	<u>23,544</u>
Environmental Protection Agency							
Passed through the State of Alaska Department of Environmental Conservation:							
Monashka Dam Upgrade Phase II (75% federal)	50333	66.202	1,463,900	146,392	-	-	146,392
Infiltration/Inflow Study & Preliminary: Design (75% federal)	50331	66.202	37,125	3,712	-	3,712	-
Total Environmental Protection Agency				<u>150,104</u>	<u>-</u>	<u>3,712</u>	<u>146,392</u>
Department of Justice							
Bulletproof Vest Partnership	2007BUBX07039120	16.607	1,123	-	676	383	293
Bulletproof Vest Partnership	2003BUBX03017777	16.607	1,377	-	1,377	1,377	-
Total Department of Justice				<u>-</u>	<u>2,053</u>	<u>1,760</u>	<u>293</u>
Denali Commission							
Pier 3 Cargo Terminal Repair	300-07	90.100	300,000	300,000	-	300,000	-
Total Federal Financial Assistance			\$	<u>2,299,723</u>	<u>654,526</u>	<u>2,373,509</u>	<u>580,740</u>

CITY OF KODIAK, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2008

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2007 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2008 Receivable (Deferred)</u>
Department of Commerce, Community and Economic Development						
* Marine Travel Lift	06-DC-134	\$2,000,000	(99,794)	340,187	320,904	(80,511)
Replacement Multi-Sport Field & Track	05-DC-074	100,000	-	64,693	64,693	-
Municipal Airport Improvements	07-DC-499	700,000	9,136	16,604	25,737	3
Selief Lane Park Playground Equipment	07-DC-237	40,000	-	40,000	40,000	-
* Public Safety Building	07-DC-501	1,000,000	599	803,453	802,910	1,142
* PERS Rebate	-	428,035	-	428,035	428,035	-
* Municipal Energy Assistance Program	-	353,911	-	353,911	353,911	-
Shared Fisheries Landing Tax	-	399	-	399	399	-
Shared Fisheries Business Tax	-	62,181	-	62,181	62,181	-
Total Department of Commerce, Community and Economic Development			<u>(90,059)</u>	<u>2,109,463</u>	<u>2,098,770</u>	<u>(79,366)</u>
Department of Transportation & Public Facilities						
* St. Herman Harbor (M&P Float Replacement)	08-HG-001	4,608,500	-	3,686,800	-	3,686,800
Trident Basin Airport, Kodiak FY05 Matching Grant	58887	9,390	4,695	-	-	4,695
Kodiak Municipal Airports FY04 AIP Matching Grant	58889	9,558	928	-	-	928
Total Department of Transportation & Public Facilities			<u>5,623</u>	<u>3,686,800</u>	<u>-</u>	<u>3,692,423</u>
Department of Administration						
* State PERS relief	-	997,804	-	997,804	997,804	-
Department of Environmental Conservation						
Infiltration/Inflow Study & Preliminary Design (25% state)	50331	12,375	1,237	-	1,237	-
Memorandum of Understanding	-	11,790	-	11,790	11,790	-
Monashka Dam Upgrade Phase II (25% state)	50333	488,000	48,798	-	-	48,798
* Aleutian Home Water & Sewer Replacement, Phase II	50335	1,481,000	-	369,282	8,703	360,579
Total Department of Environmental Conservation			<u>50,035</u>	<u>381,072</u>	<u>21,730</u>	<u>409,377</u>
Department of Revenue						
Electric and Telephone Cooperative Tax FY08	-	40,700	-	40,700	40,700	-
Aviation Fuel	-	6,955	-	6,955	6,955	-
* Fisheries Business Tax	-	823,097	-	823,097	823,097	-
Liquor Licenses	-	28,300	-	28,300	28,300	-
Total Department of Revenue			<u>-</u>	<u>899,052</u>	<u>899,052</u>	<u>-</u>
Department of Education and Early Development						
Public Library Assistance	PLA-08-702-41	6,350	-	6,350	6,350	-
Interlibrary Cooperation Grant	ILC-08-702-111	3,168	-	3,168	3,168	-
Total Department of Education and Early Development			<u>-</u>	<u>9,518</u>	<u>9,518</u>	<u>-</u>
Total State Financial Assistance		\$	<u>(34,401)</u>	<u>8,083,709</u>	<u>4,026,874</u>	<u>4,022,434</u>

* Major program

CITY OF KODIAK, ALASKA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2008

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

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.

<u>Contents</u>	<u>Page</u>
Financial Trends	126-130
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	131-135
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	136-139
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	140-142
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	143-144
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 Seven Fiscal Years
(accrual basis of accounting)

	Fiscal year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
Invested in capital assets, net of related debt	\$ 10,806,885	11,164,043	13,184,178	15,861,107	17,363,043	18,423,911	19,715,240
Restricted	-	-	-	-	-	-	-
Unrestricted	22,058,706	22,489,743	22,046,319	18,351,673	17,069,035	17,120,507	20,490,905
Total governmental activities net assets	\$ 32,865,591	33,653,786	35,230,497	34,212,780	34,432,078	35,544,418	40,206,145
Business-type activities:							
Invested in capital assets, net of related debt	\$ 52,027,076	51,792,843	51,589,299	52,631,132	55,710,846	59,739,871	63,002,311
Restricted	628,530	-	-	259,875	221,450	221,450	653,862
Unrestricted	16,847,195	17,661,437	17,419,992	17,355,843	17,124,604	15,161,107	14,894,324
Total business-type activities net assets	\$ 69,502,801	69,454,280	69,009,291	70,246,850	73,056,900	75,122,428	78,550,497
Primary government:							
Invested in capital assets, net of related debt	\$ 62,833,961	62,956,886	64,773,477	68,492,239	73,073,889	78,163,782	82,717,551
Restricted	628,530	-	-	259,875	221,450	221,450	653,862
Unrestricted	38,905,901	40,151,180	39,466,311	35,707,516	34,193,639	32,281,614	35,385,229
Total primary government activities net assets	\$ 102,368,392	103,108,066	104,239,788	104,459,630	107,488,978	110,666,846	118,756,642

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

CITY OF KODIAK
Changes in Net Assets
Last Seven 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>	<u>2008</u>
Expenses							
Governmental activities:							
General government	\$ 1,237,263	1,674,970	1,783,346	1,968,566	2,244,270	2,328,195	2,442,402
Public safety	4,041,480	4,167,480	4,476,289	4,971,607	5,054,994	5,384,713	5,987,605
Public works	1,508,158	2,295,522	2,014,583	3,335,631	2,503,999	1,825,719	2,113,620
Engineering	272,670	263,998	147,284	157,750	215,981	167,571	167,812
Parks & recreation	865,306	961,792	1,024,215	2,642,528	1,124,144	1,099,535	1,009,117
Library	548,829	622,544	645,675	638,789	639,399	669,518	711,172
Community services	718,320	336,314	399,985	282,011	262,834	213,032	126,562
Interest on long-term debt	-	-	-	-	-	-	75,410
Construction in progress	1,196,614	-	-	-	-	-	-
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>	<u>12,633,700</u>
Business-type activities:							
Cargo Pier	\$ 1,558,369	1,246,889	1,127,264	1,232,903	1,714,611	1,796,372	1,438,477
Boat Harbor	2,359,262	2,319,251	2,329,622	2,239,588	2,329,106	2,397,171	2,867,113
Boat Yard/Lift	-	-	-	-	-	-	-
Harbor Electric	903,186	461,058	449,179	471,593	488,004	640,125	648,498
Water Utility	2,119,447	1,608,101	1,826,774	1,683,286	1,740,225	2,893,352	2,864,069
Sewer Utility	445,876	2,820,381	2,533,580	2,538,608	2,659,591	5,288,305	3,800,645
Trident Basin	-	-	-	-	67,105	152,474	192,228
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>	<u>11,811,030</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>	<u>24,444,730</u>
Program revenues							
Governmental activities:							
Charges for services:							
General government	\$ 93,306	682,442	584,789	699,789	589,054	520,490	671,690
Public safety	803,968	862,593	995,157	908,256	910,753	1,003,467	1,022,257
Public works	579,528	151,727	938,371	376,077	395,490	406,595	357,420
Engineering	194,219	189,264	60,000	60,000	60,000	89,250	88,740
Parks & recreation	94,490	110,903	101,114	97,895	117,795	125,332	115,562
Library	16,405	17,758	19,901	24,451	23,334	18,578	18,623
Community services	102,952	101,634	55,751	-	-	-	-
Operating grants and contributions	23,307	74,734	14,587	10,500	20,700	12,700	37,154
Capital grants and contributions	177,336	190,467	634,174	1,394,878	1,265,164	520,832	1,007,347
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>	<u>3,318,793</u>
Business-type activities:							
Charges for services:							
Cargo Pier	\$ 1,835,099	792,974	874,720	925,354	1,069,814	1,140,213	1,193,416
Boat Harbor	1,855,910	1,183,714	1,114,408	1,465,129	1,616,940	1,894,868	1,999,486
Boat Yard/Lift	-	-	-	-	-	-	-
Harbor Electric	680,462	456,923	442,330	423,407	547,840	678,706	682,471
Water Utility	1,102,429	1,917,796	1,955,759	2,003,579	2,096,333	2,120,037	2,276,688
Sewer Utility	463,421	1,864,475	1,856,773	1,875,801	1,882,108	2,213,233	2,501,624
Trident Basin	-	-	-	-	19,791	17,765	28,319
Operating grants and contributions	381,639	-	2,778	-	-	-	-
Capital grants and contributions	-	1,307,715	707,191	2,210,453	2,647,341	4,631,660	4,933,513
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>	<u>13,615,517</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>	<u>16,934,310</u>
Net (expense)/revenue:							
Governmental activities	\$ (8,303,129)	(7,941,098)	(7,087,533)	(10,425,036)	(8,663,331)	(8,991,039)	(9,314,907)
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>	<u>1,804,487</u>
Total primary government net expenses	\$ <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>	<u>(7,510,420)</u>

CITY OF KODIAK
 Changes in Net Assets
 Last Seven 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>	<u>2008</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property taxes	\$ 635,692	638,092	618,751	630,567	632,495	632,102	655,943
Sales taxes	6,990,918	7,115,078	7,316,442	7,795,331	8,136,785	8,465,804	8,850,746
Other taxes, penalties and interest	118,216	126,079	121,082	171,318	2,246	125,284	174,443
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	2,521,664
Investment income	1,086,768	583,096	183,015	509,793	402,339	946,861	993,447
Land sales	-	-	-	-	-	-	1,415,900
Other	158,453	72,398	-	13,798	249,022	172,748	64,491
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>	<u>(700,000)</u>
Total governmental activities	<u>9,802,545</u>	<u>9,044,147</u>	<u>8,793,424</u>	<u>9,407,319</u>	<u>8,882,629</u>	<u>10,103,379</u>	<u>13,976,634</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	729,548
Other	147,030	(15,640)	283,715	(166,436)	(48,084)	53,580	194,034
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>	<u>700,000</u>
Total business-type activities	<u>1,175,211</u>	<u>808,218</u>	<u>867,471</u>	<u>499,814</u>	<u>1,928,525</u>	<u>2,536,845</u>	<u>1,623,582</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>	<u>15,600,216</u>
Change in Net Assets							
Governmental activities	\$ 1,499,416	1,103,049	1,705,891	(1,017,717)	219,298	1,112,340	4,661,727
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>	<u>3,428,069</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>	<u>8,089,796</u>

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

CITY OF KODIAK
 Fund Balances of Governmental Funds
 Last Seven 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>	<u>2008</u>
General Fund:							
Reserved	\$ 67,727	1,535,196	876,022	24,109	4,410	251,108	48,735
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>	<u>8,261,482</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>	<u>8,310,217</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	5,410,939
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>	<u>14,765,170</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>	<u>20,176,109</u>

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

CITY OF KODIAK
Changes in Fund Balances of Governmental Funds
Last Seven 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>	<u>2008</u>
Revenues							
Taxes	\$ 7,740,939	7,879,249	8,056,275	8,551,379	8,929,890	9,223,190	9,681,132
Intergovernmental	1,427,806	1,211,605	1,672,895	1,815,685	2,249,839	1,897,112	3,566,165
Charges for services	1,125,387	1,237,887	1,150,469	1,169,988	1,204,864	1,304,629	1,219,155
Fines and forfeitures	-	19,180	36,890	44,770	55,934	29,452	55,479
Licenses and permits	44,628	38,063	54,758	58,319	43,064	51,535	102,748
Rental income	227,335	196,331	225,284	231,496	187,374	168,356	136,480
Interfund charges	714,853	616,410	516,477	662,020	605,160	609,740	760,430
Investment income	1,028,756	583,096	183,015	509,793	383,909	878,442	944,184
Special assessments	3,887	40,362	55,389	246,921	293,351	195,827	99,587
Sale of land	-	-	-	-	-	-	1,415,330
Other revenues	158,453	99,428	21,846	13,673	90,658	110,960	65,061
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>	<u>18,045,751</u>
Expenditures							
General government	\$ 1,220,408	1,306,947	1,447,188	1,542,525	1,790,557	1,838,143	1,968,278
Public safety	3,845,478	3,920,562	4,196,991	4,552,442	5,204,895	5,422,461	5,806,415
Public works	1,234,394	1,339,028	1,307,523	1,610,106	1,729,607	2,032,734	1,816,084
Engineering	269,282	246,621	142,789	168,871	216,394	158,090	162,559
Parks and recreation	745,949	771,511	903,068	850,848	950,291	986,890	1,006,513
Library	535,196	570,322	622,716	598,915	650,423	668,146	704,219
Community services	707,919	273,865	287,487	279,689	260,513	262,754	267,839
Other - insurance and administration	-	320,053	399,985	548,991	497,178	461,949	484,548
Debt service costs	-	-	-	-	-	-	15,344
Capital outlay	1,196,614	1,932,581	3,307,776	6,486,272	2,924,189	1,004,082	2,223,366
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>	<u>14,455,165</u>
Excess of revenues over (under) expenditures	2,716,804	1,240,121	(642,225)	(3,334,615)	(180,004)	1,633,994	3,590,586
Other financing sources (uses)							
General obligation bond issuance	-	-	-	-	-	-	8,000,000
Transfers in	3,191,937	3,683,891	3,652,752	3,346,892	3,512,057	5,416,011	11,422,989
Transfers out	(3,833,937)	(3,870,891)	(3,622,752)	(3,728,575)	(4,892,057)	(7,042,897)	(10,922,989)
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>	<u>8,500,000</u>
Net change in fund balance	\$ <u>2,074,804</u>	<u>1,053,121</u>	<u>(612,225)</u>	<u>(3,716,298)</u>	<u>(1,560,004)</u>	<u>7,108</u>	<u>12,090,586</u>

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

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
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
2008	655,943	8,850,746	146,385	9,653,074

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

Fiscal Year	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
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%
2008	204,268,195	136,704,037	19,575,700	321,396,532	2.00	389,892,700	82.43%

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
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
2008	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, 2008

<u>Business Category</u>	2008		Percentage of Total Sales <u>Receipts</u>
	Total Sales <u>Receipts</u>	<u>Rank</u>	
Retail Trade	\$ 168,413,846	1	40.85%
Construction	59,788,659	2	14.50%
Wholesale Trade	51,026,976	3	12.38%
Utilities	27,622,322	4	6.70%
Manufacturing	25,029,457	5	6.07%
Other Services (except Public Administration)	19,081,638	6	4.63%
Accommodation and Food Services	18,683,221	7	4.53%
Real Estate and Rental and Leasing	14,572,534	8	3.53%
Information	10,488,714	9	2.54%
Transportation and Warehousing	7,582,847	10	<u>1.84%</u>
	\$ <u>402,290,214</u>		<u>97.57%</u>

<u>Taxpayer</u>	2008		Percentage of Total Taxable Assessed <u>Value</u>
	Taxable Assessed <u>Value</u>	<u>Rank</u>	
Wal-Mart Real Estate Business Trust	\$ 7,934,200	1	2.47%
Mill Bay Plaza Associates, Ltd	7,138,400	2	2.22%
Ocean Beauty Seafoods Inc.	6,992,700	3	2.18%
International Seafoods of Alaska	6,485,600	4	2.02%
Westward Seafoods, Inc	6,352,900	5	1.98%
Horizon Lines of Alaska	6,023,900	6	1.87%
Trident Seafoods Corporation	5,368,500	7	1.67%
Kodiak Area Native Assoc.	4,363,200	8	1.36%
North Pacific Seafoods	3,972,100	9	1.24%
Worthington Trust	<u>3,126,200</u>	10	<u>0.97%</u>
	\$ <u>57,757,700</u>		<u>17.97%</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 sales tax information is not available until fiscal year 2001.

Comparative principal property taxpayers for 1999 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
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%
2008	641,218	640,435	99.88%	15,508	655,943	102.30%

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

Fiscal Year	Governmental	Business-Type Activities		Percentage of Personal Income	Per Capita
	Activities General Obligation Bonds	Revenue Bonds	Alaska Clean Water Fund Loan		
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	1.1%	392
2008	8,000,000	6,215,000	1,608,779	NA	NA

Note: The 2008 population figure is not available until January 2009.

CITY OF KODIAK
 Direct and Overlapping Debt
 As of June 30, 2008

<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	\$ 6,215,000	100%	\$ 6,215,000
General Obligation Bonds	<u>8,000,000</u>	100%	<u>8,000,000</u>
	\$ <u>14,215,000</u>		\$ <u>14,215,000</u>
Kodiak Island Borough			
General Obligation Bonds	\$ 27,272,028	38%	\$ 10,322,858

Source: City of Kodiak records and Kodiak Island Borough records

CITY OF KODIAK
Legal Debt Margin Information
As of June 30, 2008

Assessed Value	\$ 340,972,232
Less Exempt Property	<u>19,575,700</u>
Total	\$ 321,396,532

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	
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
2008	2,276,688	2,309,739	(33,051)	205,000	9,013	-0.15

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>
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	5,689	206,202,418	36,717	2,685	6.8%
2008	5,689	NA	NA	2,650	6.7%

Source: State of Alaska, Department of Commerce, Community, and Economic Development and the Department of Labor, and Kodiak Island Borough School District.
2008 population figures won't be released until January 2009. Personal income and per capita income are on a calendar year basis.

CITY OF KODIAK
Principal Employers
Current Year

<u>Employer</u>	<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Kodiak Island Borough School District	462	1	8.23%
Federal Government	342	2	6.09%
International Seafoods	251	3	4.47%
Trident Seafood Corporation	250	4	4.45%
Ocean Beauty Seafoods	222	5	3.95%
Providence Hospital	218	6	3.88%
North Pacific Processors, Inc.	217	7	3.86%
State Government	194	8	3.45%
City of Kodiak	159	9	2.83%
Safeway Inc.	139	10	2.48%

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

Note: Comparative principal employers for 1999 is not available.

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

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	12.0	12.0	11.0	12.5	12.5	11.30	12.05
Public Safety:							
Police	36.0	36.0	36.0	36.0	35.0	35.00	37.00
Fire	12.5	12.5	12.5	12.5	12.5	12.75	13.75
Public Works	10.0	10.0	10.0	10.0	10.0	9.50	9.50
Parks and Recreation	6.0	6.0	5.0	5.0	5.0	5.00	5.00
Library	7.0	7.0	7.0	7.0	7.0	6.75	6.75
Engineering	4.0	4.0	3.0	3.0	3.0	2.00	2.00
Harbor	13.0	13.0	14.0	14.0	14.0	14.00	14.00
Water	6.0	6.0	6.0	6.0	6.0	6.85	6.85
Sewer	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>7.0</u>	<u>7.80</u>	<u>8.35</u>
Total	<u>114.5</u>	<u>114.5</u>	<u>112.5</u>	<u>114.0</u>	<u>112.0</u>	<u>110.95</u>	<u>115.25</u>

Note: Full-time equivalent employees are permanent employees.

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

CITY OF KODIAK
Operating Indicators by Function
Last Seven Years

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:							
Complaints Investigated	7,525	7,304	7,512	7,352	7,796	8,195	8,376
Motor vehicle collision reports	207	223	191	126	180	86	67
Bookings/admissions	887	1,045	1,027	900	1,000	959	850
Investigations conducted	142	233	172	240	264	200	147
911 calls received & services dispatched	785	906	865	900	910	1,017	1,257
Fire:							
Fire response within 5 minutes	NA	NA	90%	90%	90%	90%	90%
EMS response within 5 minutes	NA	NA	90%	90%	90%	90%	90%
Public Works:							
Streets							
Time spent on snow removal (man hours)	3,500	3,100	3,000	1,274	2,827	5,883	5,558
Garage							
Preventative maintenance checks	150	160	150	150	107	113	113
Building inspection							
Building permits issued	107	201	223	203	224	190	182
Engineering -							
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%
Parks and Recreation:							
Landscape maintenance (in acres)	240.5	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	29,829
Number of aquatic participants	NA	12,123	13,274	10,386	7,993	19,402	13,288
Ice rink attendance	NA	NA	6,654	10,362	10,000	10,000	10,305
Library:							
Number of visitors	146,217	148,000	148,897	149,000	149,757	149,702	149,572
Number of materials withdrawn	4,177	2,500	4,225	3,500	2,111	3,750	3,334
Harbor:							
Vehicle, boat and foot patrol hours	9,543	8,188	10,489	10,500	6,996	5,832	7,000
Number of owner accounts	4,100	2,490	2,229	2,400	1,543	1,314	1,400
Water -							
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sewer:							
Treatment standards met	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	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 Statement No. 34 in fiscal year 2002.

CITY OF KODIAK
Capital Asset Statistics by Function
Last Seven Years

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:							
Police stations	1	1	1	1	1	1	1
Police vehicles	26	25	23	22	21	20	20
Fire:							
Fire stations	1	1	1	1	1	1	1
Fire vehicles	9	10	10	11	11	10	9
Public Works:							
Streets (miles)	23.4	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	2,650
Parks and Recreation:							
Number of parks/playgrounds	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1
Ice rink	0	0	1	1	1	1	1
Library	1	1	1	1	1	1	1
Harbor:							
Number of harbors	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6
Water:							
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4
Sewer:							
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	18	18	20	20	20	20	20

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

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2008. 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 others within the entity, and federal and state awarding agencies, and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 11, 2008

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 the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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, 2008.

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 the 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 the 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, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 11, 2008

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, 2008. 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, 2008.

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 the 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 the 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 the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 11, 2008

CITY OF KODIAK, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes 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 no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of Transportation	20.106	Kodiak Trident Seaplane Base

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Unqualified

CITY OF KODIAK, ALASKA

Schedule of Findings and Questioned Costs, continued

Summary of Auditor's Results, continued

State Financial Assistance, continued

Dollar threshold used to distinguish a state
major program?

\$100,000

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

None noted.

CITY OF KODIAK, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2008

Federal

There were no prior year audit findings.

State of Alaska

There were no prior year audit findings.

CITY OF KODIAK, ALASKA

Corrective Action Plan

Year Ended June 30, 2008

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