

**CITY OF KODIAK, ALASKA**

Comprehensive Annual  
Financial Report

For the Year Ended June 30, 2010

Prepared by City of Kodiak Finance Department

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# CITY OF KODIAK, ALASKA

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# Introductory Section



December 20, 2010

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, 2010. 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 reporting 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, 2010, 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, 2010. 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 2010 the estimated population of the Kodiak Region was 13,568 with a population of 6,626 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 January with the establishment of budget guidelines by the City Council and the City Manager. These guidelines encompass the delivery and scope of services; staffing levels of permanent personnel, increases in rates if any, and the use of fund balance. Each department head reviews their respective department's goals, objectives, performance indicators, assigned permanent personnel and funding levels and recommends any changes to the Finance Director and the City Manager for review prior to inclusion in the City's general operating and capital improvement budgets. The City Manager then submits the budget to the City Council for consideration in early May.

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

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

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kodiak operates. The City of Kodiak has adopted maintenance budgets over the past few years sustaining the same level of service as provided in previous years without an increase in taxes. The City levies a 6% sales tax on all sales, services and rentals made within City limits. The maximum taxable sale is \$750 per transaction. The City first increased the rate from 3% to 5% in October 1979. The tax was then increased to its current rate of 6%, effective July, 1993 and has remained at that rate. Sales tax continues to generate the City's largest portion of General Fund revenues. In fiscal year 2010 sales tax revenue was nearly 60% of total General Fund revenues. Sales tax revenue has the greatest impact on the General Fund expenditures and has shown a steady increase each fiscal year. The City maintains the mill rate for the General Fund at 2.00 mill levy on property and is collected by the Kodiak Island Borough. The assessed value for property in the City of Kodiak for fiscal year 2010 was \$332,658,365 and generated \$665,999 in revenues. 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. The City's economy has experienced consistent, gradual growth and local indicators point to continued growth and stability.

## **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.

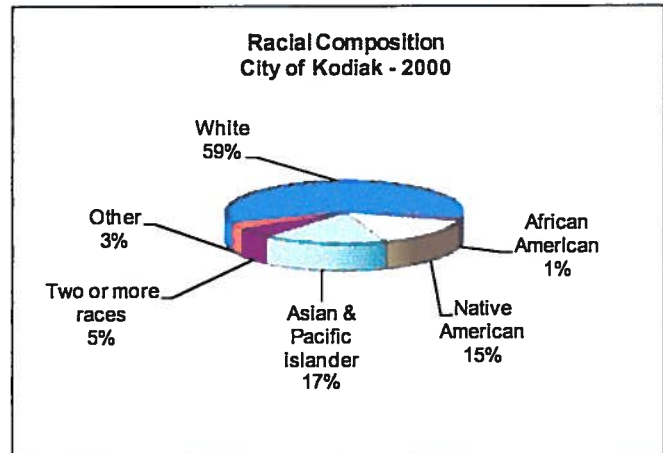
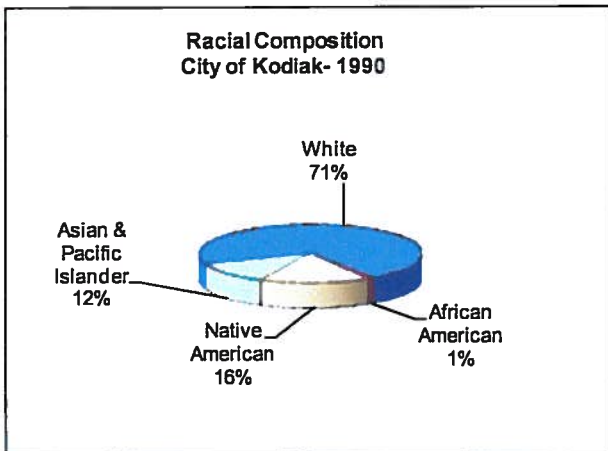
According to the independent research and consulting firms Information Insights, Inc. and Van Wyhe Rogers, LLC in 2005 AADC spending generated approximately \$24 million impact on the Kodiak economy - \$21.2 million from purchases and hospitality, and \$3.2 million in payroll. AADC spent \$6.7 million 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 2010 estimated population of the City of Kodiak is 6,626. The City of Kodiak is the eighth largest city 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

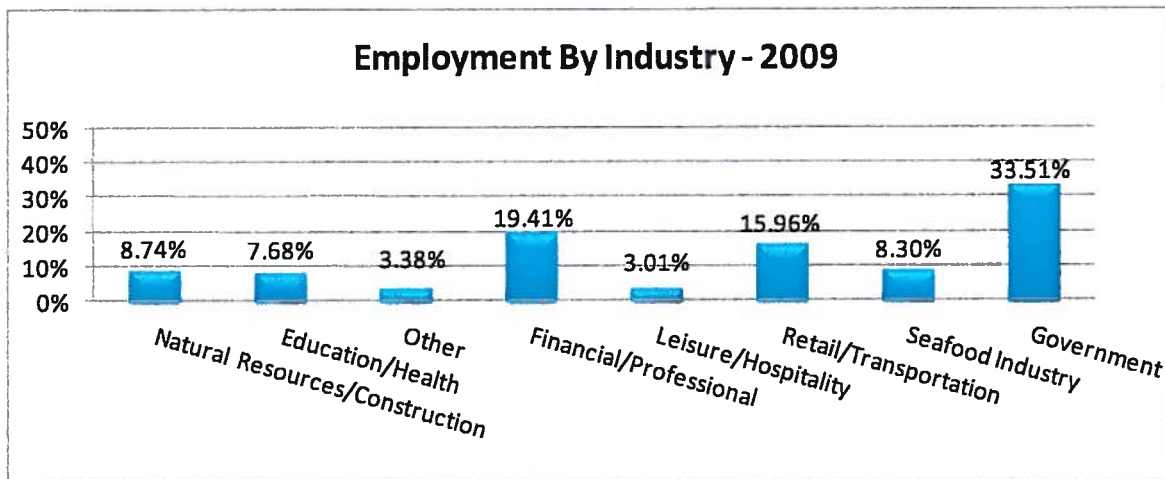


**LABOR FORCE**

In 2009, the state estimated the Kodiak region's average monthly employment to be 6,127 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.

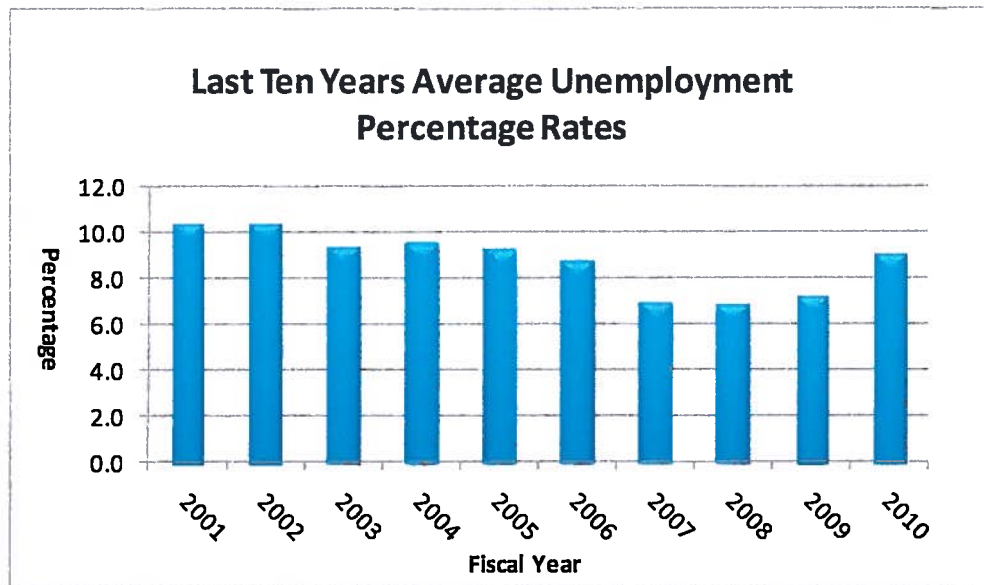
The U.S. Coast Guard and other government entities is the dominant industry, in terms of employment with 34% of the total. The seafood industry (includes fish harvesting and seafood processing) accounted for 8%. Retail trade/transportation /utilities accounted for about 16%, education/health 8%, financial/information/professional and business 19%, leisure and hospitality 3%, natural resources/construction 9% and other services 3%.

The following chart shows the distribution of the workforce in 2009.



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 6.8% to as high as 10.4%. The average annual unemployment rate for Kodiak in year 2010 is 7.2%.



### **INCOME**

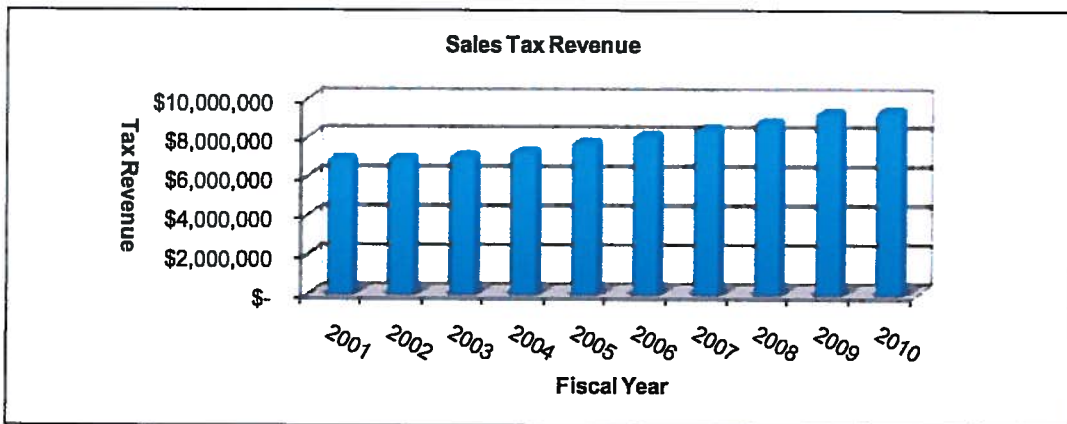
In 2009, the Alaska Department of Labor reported the annual average monthly wage for workers in the Kodiak region was \$3,111. Total payroll in 2008 was \$216.6 million. In 2008 Kodiak's annual average wage was \$37,332 compared to a statewide average of \$45,348.

### **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 \$6.9 million in 2000 to \$9.4 million in 2010. 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 based on estimated 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 fiscal year 2010 budget returned funds to the General Fund, Fund Balance.
- The Mill Rate of 2.0 remained the same in fiscal year 2010.
- The Sales Tax rate of 6% remained the same.
- The Sales Tax Cap remained at \$750.00.
- The Hotel & Motel tax rate of 5% remained the same.
- The fiscal year 2010 budget had no reductions of services, and all services were maintained at consistent levels.
- Completed work on the Aleutian Homes Water & Sewer Replacement Project Phase II Willow Street with a project budget of \$3,385,000 – total expensed \$3,595,066.
- Completed work on the Upgrade Water Main Armstrong & Rezanof with a budget of \$880,000 – total expensed \$871,398.
- Completed work on the Boat Yard Lift Project with a project budget of \$18,700,000 – total expensed \$17,616,000.
- Construction in Progress on the Police Station – Replacement of the Police Station Building with a budget of \$22,000,000. Total expensed to date is \$20,583,734.
- Implemented the fourth year of the Water & Sewer fee increases.

Future projects:

- **New Community Contract Jail Completion Funding Request: \$2,100,000**

The State of Alaska has contracted with the City of Kodiak for many years for the operation of the regional community jail in a City-owned building. The building in which the contract jail is located is the oldest (65 years old) operational law enforcement/correctional facility in the State of Alaska. After many years of working to replace the police station and contract jail, construction of a new facility began in March 2009. The City is unable to fund the jail portion of the facility and still faces a \$2.1 million shortfall. Timing is critical because substantial completion of the project is expected in March 2011, and transition to the new facility is scheduled for July 2011. Without the additional funding, the City will lose the option to keep the construction contract open for completion of the jail and be forced to rebid when funding has been obtained. The estimated completed cost of the facility is \$23.7 million. The City of Kodiak has contributed \$17.7 million to the project and was awarded a \$1 million federal grant. To date the State has contributed \$3 million to the cost of constructing this much needed facility. In order to complete construction of the jail portion of the new Kodiak police station, the City of Kodiak requires State of Alaska financial support in the amount of \$2.1 million.

- **New Public Library Design Funding Request: \$500,000**

The Kodiak Public Library, which serves the entire Kodiak region and beyond, has outgrown its current building, a building that has also reached the end of its useful life. The current estimated cost of a new public library is approximately \$15 million. A local citizen's group, the Kodiak Public Library Association, has committed to raising private funds to assist the City in efforts to build a new library for the Kodiak community. The City is in the process of completing an application to the Rasmussen Foundation for inclusion of this project in their pre-development program. The City of Kodiak is requesting State funding support of \$500,000 to complete a feasibility study and preliminary design work for a new public library facility.

- **Baranof Park Improvements Funding Request: \$3,250,000**

This project will replace the aging track, field drainage, and bleacher area in Baranof Park. Improvements to the track include replacement of the existing six-lane synthetic surface track (the only regulation track in the Kodiak region) with an eight-lane synthetic surface track to allow for regional meets. Infield improvements will include a synthetic surface for multipurpose use and a "D" zone for field events. In addition, a synthetic surface is planned for the second multi-purpose field located in the Park. Baranof Park is a regional recreational facility that serves not only City residents, but the entire region. The Park serves as an important educational facility for both the Kodiak Middle School and the Kodiak High School, neither of which have any other outdoor educational facilities. Improvements to Baranof Park are estimated to cost \$6.5 million, with at least half the cost of these improvements attributed to Kodiak Island Borough School District.

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. First National Bank Alaska 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 fair value for U.S. government agencies investments in fiscal year 2010 was \$14,118,323, and \$3,897,241 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, 2009. This was the seventh 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, 2010. 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,



City Manager  
Aimée Kniaziowski



Finance Director  
Mary C. Munk

**CITY OF KODIAK  
FACT SHEET**

**FORM OF GOVERNMENT**

- o Home Rule City with Council-Manager form of government
- o City residents elect a Mayor and Six Council members to serve at-large
- o 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.
- o City Web Site – <http://www.city.kodiak.ak.us>

**CITY DEPARTMENTS**

| NAME              | DEPARTMENT         | E-Mail                         | PHONE        |
|-------------------|--------------------|--------------------------------|--------------|
| Aimee Kniaziowski | City Manager       | akniaziowski@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 |
| Vacant            | Engineering        |                                | 907-486-8065 |

**ELECTED OFFICIALS**

| NAME                 | OFFICE         | E-Mail                    | PHONE        |
|----------------------|----------------|---------------------------|--------------|
| Carolyn L. Floyd     | Mayor          | mayor@city.kodiak.ak.us   | 907-486-5142 |
| John B. Whiddon      | Council Member | council@city.kodiak.ak.us | 907-486-8575 |
| Patricia B. Branson  | Council Member | council@city.kodiak.ak.us | 907-486-3641 |
| Charles E. Davidson  | Council Member | council@city.kodiak.ak.us | 907-486-3896 |
| 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, 2009

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.



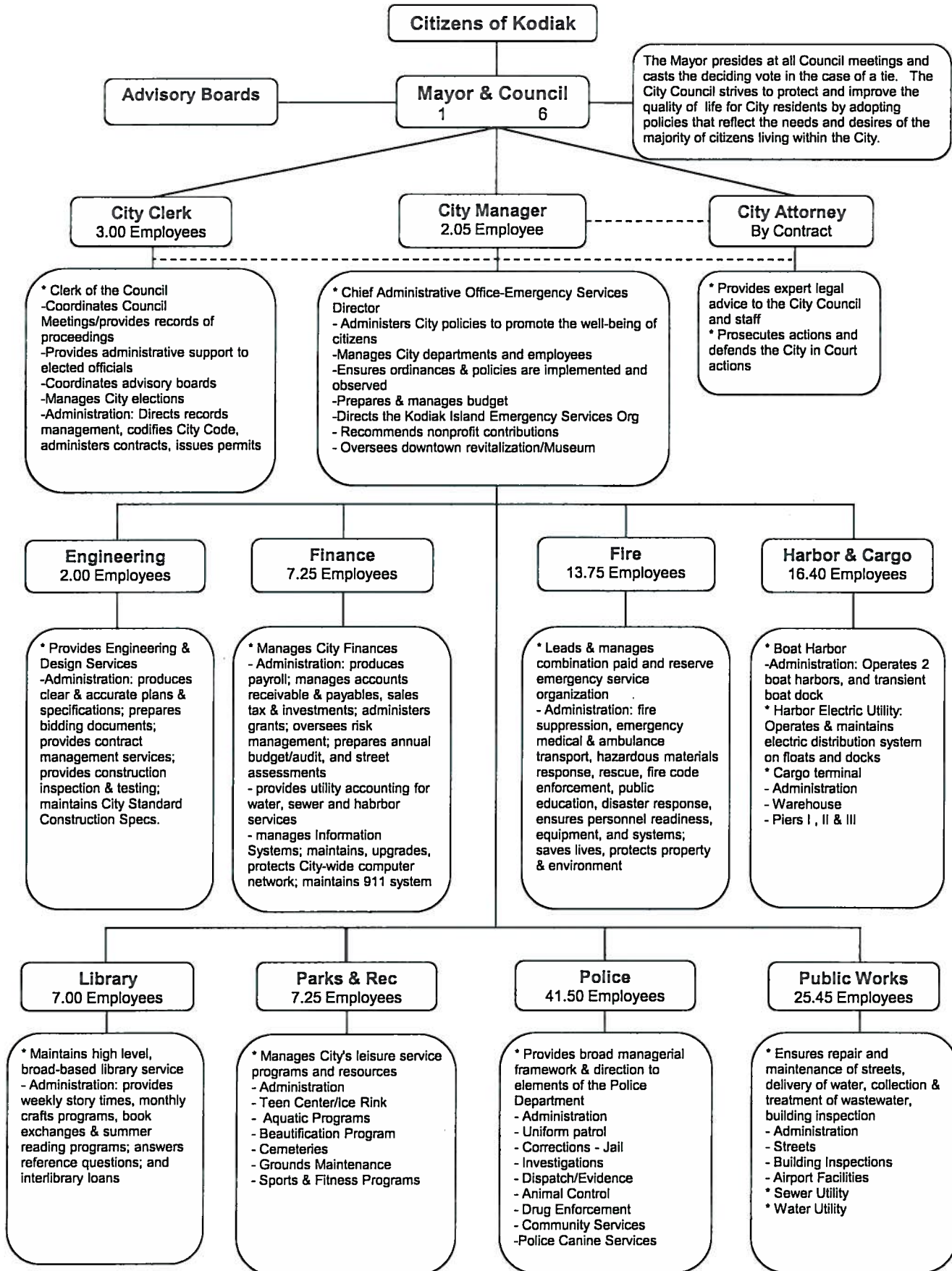
A stylized, handwritten signature in black ink, appearing to be "J.R. Emer".

President

A handwritten signature in black ink, clearly legible as "Jeffrey R. Emer".

Executive Director

**CITY OF KODIAK  
ORGANIZATIONAL CHART**



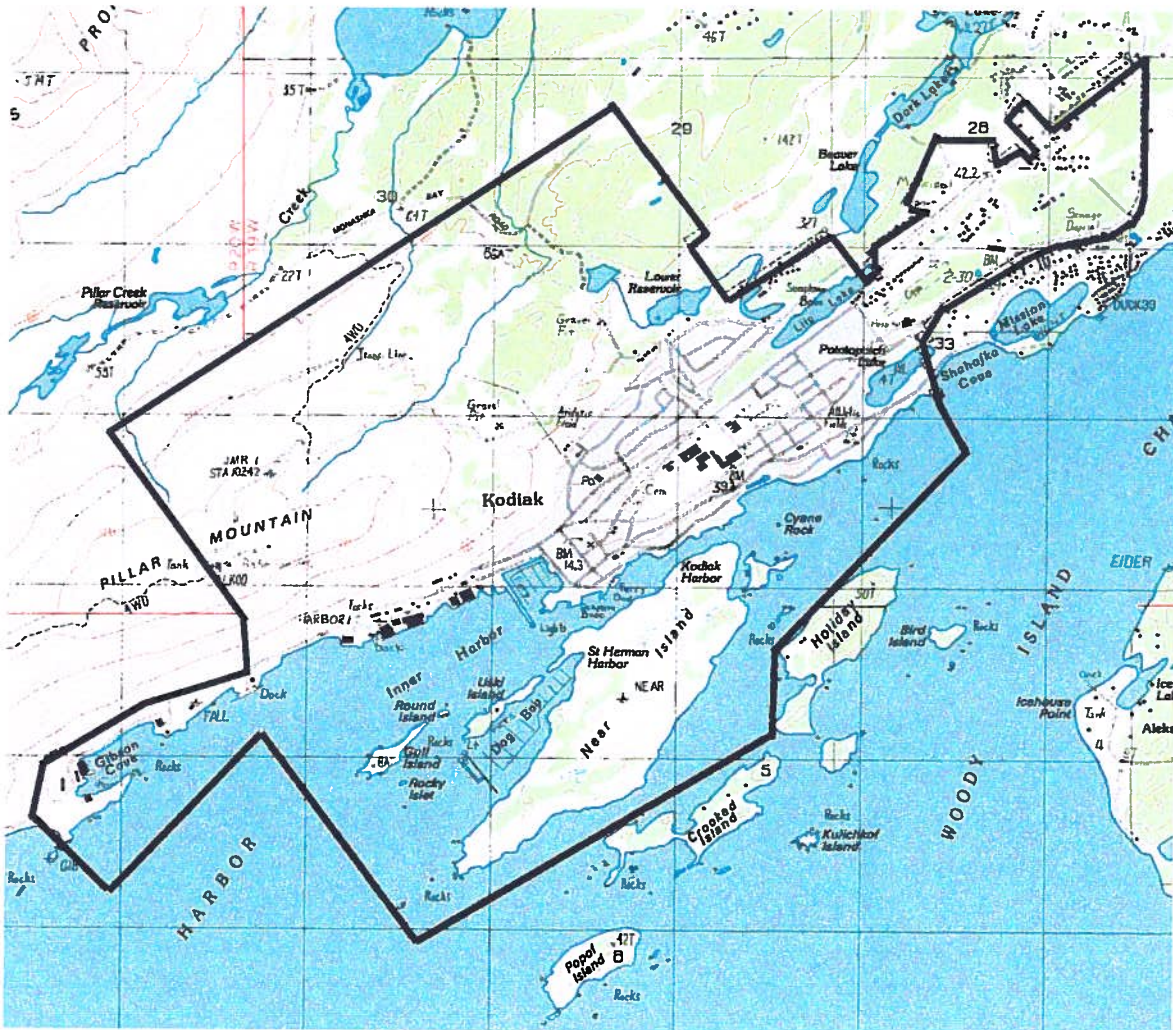
# CITY OF KODIAK, ALASKA

Map of Area





# 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, 2010 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, 2010, 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 7, 2010, 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 7, 2010

# Management Discussion and Analysis

## CITY OF KODIAK, ALASKA

### Management's Discussion and Analysis

June 30, 2010

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, 2010. 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 \$132,150,321 (*net assets*). Of this amount, \$25,335,528 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$3,925,727 (3.1%). The governmental net assets increased by 3,532,244 (7.6%) and the business-type net assets increased by 395,483 (.5%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,929,947, a decrease of \$9,780,873 in comparison with the prior year. Approximately 70% of this total amount, \$11,829,979 is available for spending at the government's discretion (*undesignated fund balance*).
- Total general revenues accounted for \$13,717,927 or 47% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$15,571,575 or 53% of total revenues of \$29,289,502.
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$7,398,628, or 49% of total General Fund expenditures and transfers of \$15,015,399.
- The City of Kodiak's total debt increased by \$846,993 during the current fiscal year. The key factor in this increase was in the business-type activities where a new Water and Sewer loan and Boat Yard/Lift loan were added in the amount of \$545,761 and \$930,000, respectively. In the business-type activities, there were revenue bond payments in the amount of \$105,000 and loan payments in the amount of \$366,097. In the governmental activities, there was a payment on the general obligation bond in the amount of \$145,000.

#### 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.
2. *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, Street Improvements Capital Project Fund, and Public Safety Building Capital Project Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual statements elsewhere in this report

- *Proprietary Funds:* When the City charges customers for the services it provides – either to outside customers or to other units of the City – these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Assets and the Statement of Activities. The City’s Enterprise Funds (one type of proprietary fund) are the same as business-type activities reported in the government-wide statements but provide more detail. The City uses Internal Service Funds (the other kind of proprietary fund) to report activities of the City’s Self Insurance Fund and the PERS Obligation Fund.
  - The basic proprietary fund financial statements can be found on pages 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 are 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.
3. *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 28-48 of this report.
4. *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 44-46 of this report.
- The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 50-54. Other combining and individual fund statements and schedules can be found on pages 56-117 of this report.



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

Table 1 provides a summary of the City’s net assets for 2010 compared to 2009:

**Table 1**  
**Net Assets of Governmental and Business-type Activities**

|                            | Governmental<br>Activities |                   | Business-Type<br>Activities |                   | Total              |                    |
|----------------------------|----------------------------|-------------------|-----------------------------|-------------------|--------------------|--------------------|
|                            | <u>2010</u>                | <u>2009</u>       | <u>2010</u>                 | <u>2009</u>       | <u>2010</u>        | <u>2009</u>        |
| <b>Assets:</b>             |                            |                   |                             |                   |                    |                    |
| Current assets             | \$ 16,841,691              | 26,954,979        | 12,736,258                  | 18,755,409        | 29,577,949         | 45,710,388         |
| Capital assets             | <u>40,637,491</u>          | <u>27,514,138</u> | <u>83,999,221</u>           | <u>79,407,530</u> | <u>124,636,712</u> | <u>106,921,668</u> |
| Total assets               | <u>57,479,182</u>          | <u>54,469,117</u> | <u>96,735,479</u>           | <u>98,162,939</u> | <u>154,214,661</u> | <u>152,632,056</u> |
| <b>Liabilities:</b>        |                            |                   |                             |                   |                    |                    |
| Current liabilities        | (604,150)                  | (264,422)         | 3,558,870                   | 6,409,257         | 2,954,720          | 6,144,835          |
| Long-term liabilities      | <u>8,369,950</u>           | <u>8,552,401</u>  | <u>10,739,670</u>           | <u>9,710,226</u>  | <u>19,109,620</u>  | <u>18,262,627</u>  |
| Total liabilities          | <u>7,765,800</u>           | <u>8,287,979</u>  | <u>14,298,540</u>           | <u>16,119,483</u> | <u>22,064,340</u>  | <u>24,407,462</u>  |
| <b>Net assets:</b>         |                            |                   |                             |                   |                    |                    |
| Invested in capital assets | 32,822,868                 | 19,649,138        | 73,486,875                  | 69,899,848        | 106,309,743        | 89,548,986         |
| Restricted                 | -                          | -                 | 505,050                     | 505,050           | 505,050            | 505,050            |
| Unrestricted               | <u>16,890,514</u>          | <u>26,532,000</u> | <u>8,445,014</u>            | <u>11,638,558</u> | <u>25,335,528</u>  | <u>38,170,558</u>  |
| Total net assets           | <u>\$ 49,713,382</u>       | <u>46,181,138</u> | <u>82,436,939</u>           | <u>82,043,456</u> | <u>132,150,321</u> | <u>128,224,594</u> |

Net assets may serve over time as an indicator of a government’s financial position. In the case of the City of Kodiak, assets exceeded liabilities by \$132,150,321 as of June 30, 2010.

The government’s net assets increased by \$3,925,727 during the current fiscal year compared to \$9,467,952 in the prior fiscal year. The increase resulted from expenses decreasing at a faster rate than revenues. The majority of the increase was in governmental activities. The variance resulted in a decrease in capital grants, and a decrease in public works and water department expenses.

By far the largest portion of the City of Kodiak’s net assets (80%) 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 bonds require the establishment of bond redemption and reserve accounts which makes up this restricted amount. The remaining balance of unrestricted net assets (19%) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the fiscal year 2010, 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 \$3,587,027 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 Boat Yard-Lift Capital Fund and the Water Improvement Fund. Additionally there was an increase of \$13,173,730 in invested in capital assets net of related debt in connection with the City of Kodiak’s governmental activities. This was due to large projects in the Street Improvements Capital Fund, the Public Safety Capital Fund and the Parks and Recreation Capital Improvement Fund.

During fiscal year 2010, the government’s total net assets increased by \$3,925,727. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

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.

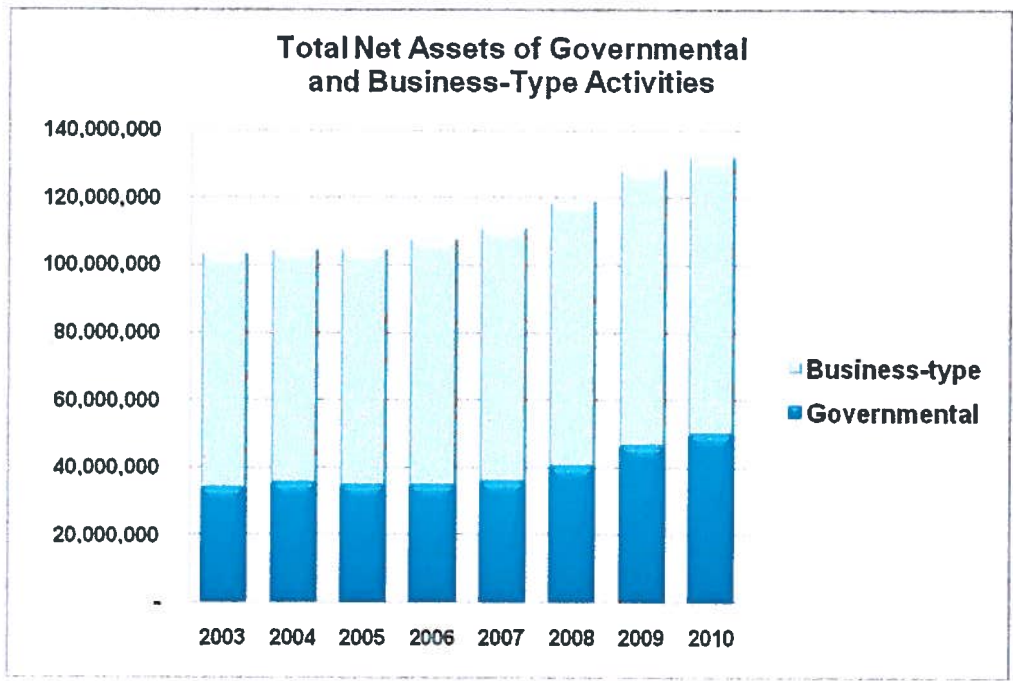


Table 2, on the next page, shows the changes in net assets for fiscal years 2010 and 2009 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak’s net assets by \$393,483 and the increase in the governmental activities was \$3,532,244.

**Table 2**  
**Change in Net Assets**

|   | Year Ended June 30, 2010   |                                 |                    | Year Ended June 30, 2009   |                                 |                    |
|---|----------------------------|---------------------------------|--------------------|----------------------------|---------------------------------|--------------------|
|   | Governmental<br>Activities | Business-<br>type<br>Activities | Total              | Governmental<br>Activities | Business-<br>type<br>Activities | Total              |
| <b>Revenues:</b>                        |                            |                                 |                    |                            |                                 |                    |
| Program revenues:                       |                            |                                 |                    |                            |                                 |                    |
| Charges for services                    | \$ 2,176,032               | 10,199,674                      | 12,375,706         | 2,247,877                  | 9,264,185                       | 11,512,062         |
| Operating grants and contributions      | 733,005                    | 136,560                         | 869,565            | 44,520                     | -                               | 44,520             |
| Capital grants and contributions        | <u>1,119,257</u>           | <u>1,207,047</u>                | <u>2,326,304</u>   | <u>2,311,754</u>           | <u>8,182,722</u>                | <u>10,494,476</u>  |
| Total program revenues                  | <u>4,028,294</u>           | <u>11,543,281</u>               | <u>15,571,575</u>  | <u>4,604,151</u>           | <u>17,446,907</u>               | <u>22,051,058</u>  |
| General revenues:                       |                            |                                 |                    |                            |                                 |                    |
| Property taxes                          | 665,999                    | -                               | 665,999            | 651,699                    | -                               | 651,999            |
| Sale taxes                              | 9,379,409                  | -                               | 9,379,409          | 9,277,394                  | -                               | 9,277,394          |
| Other taxes, penalties and interest     | 179,427                    | 179,789                         | 359,216            | 199,832                    | -                               | 199,832            |
| Grants not restricted                   | 1,584,024                  | -                               | 1,584,024          | 2,125,313                  | -                               | 2,125,313          |
| Investment income                       | 270,673                    | 60,850                          | 331,523            | 730,096                    | 260,355                         | 990,451            |
| Land sales                              | 746,475                    | -                               | 746,475            | 1,518,308                  | -                               | 1,518,308          |
| Miscellaneous                           | 651,281                    | -                               | 651,281            | 14,155                     | 180,238                         | 194,393            |
| Total general revenues                  | <u>13,477,288</u>          | <u>240,639</u>                  | <u>13,717,927</u>  | <u>14,516,797</u>          | <u>440,593</u>                  | <u>14,957,390</u>  |
| Total revenues                          | <u>17,505,582</u>          | <u>11,783,920</u>               | <u>29,289,502</u>  | <u>19,120,948</u>          | <u>17,887,500</u>               | <u>37,008,448</u>  |
| <b>Expenses:</b>                        |                            |                                 |                    |                            |                                 |                    |
| General government                      | 2,502,315                  | -                               | 2,502,315          | 2,419,468                  | -                               | 2,419,468          |
| Public safety                           | 6,089,332                  | -                               | 6,089,332          | 5,932,145                  | -                               | 5,932,145          |
| Public works                            | 2,526,468                  | -                               | 2,526,468          | 4,268,602                  | -                               | 4,268,602          |
| Engineering                             | 121,747                    | -                               | 121,747            | 140,886                    | -                               | 140,886            |
| Parks & recreation                      | 1,199,620                  | -                               | 1,199,620          | 1,133,502                  | -                               | 1,133,502          |
| Library                                 | 712,625                    | -                               | 712,625            | 697,856                    | -                               | 697,856            |
| Community services                      | 277,041                    | -                               | 277,041            | 435,970                    | -                               | 435,970            |
| Interest on long-term debt              | 383,928                    | -                               | 383,928            | 398,252                    | -                               | 398,252            |
| Cargo Pier                              | -                          | 1,692,841                       | 1,692,841          | -                          | 1,046,188                       | 1,046,188          |
| Boat Harbor                             | -                          | 2,912,689                       | 2,912,689          | -                          | 2,782,150                       | 2,782,150          |
| Boat Yard/Lift                          | -                          | 528,977                         | 528,977            | -                          | 35,019                          | 35,019             |
| Harbor Electric                         | -                          | 605,989                         | 605,989            | -                          | 611,387                         | 611,387            |
| Water                                   | -                          | 2,952,723                       | 2,952,723          | -                          | 5,598,768                       | 5,598,768          |
| Sewer                                   | -                          | 2,665,150                       | 2,665,150          | -                          | 3,016,736                       | 3,016,736          |
| Trident Basin                           | -                          | 154,777                         | 154,777            | -                          | 177,482                         | 177,482            |
| E-911 Services                          | -                          | 37,553                          | 37,553             | -                          | -                               | -                  |
| Total expenses                          | <u>13,813,076</u>          | <u>11,550,699</u>               | <u>25,363,775</u>  | <u>15,426,681</u>          | <u>13,267,730</u>               | <u>28,694,411</u>  |
| Increase in net assets before transfers | 3,692,506                  | 233,221                         | 3,925,727          | 3,694,267                  | 4,619,770                       | 8,314,037          |
| Transfers                               | (160,262)                  | 160,262                         | -                  | 1,126,811                  | (1,126,811)                     | -                  |
| Special item - write off NPO/OPEB       | -                          | -                               | -                  | <u>1,153,915</u>           | -                               | <u>1,153,915</u>   |
| Change in net assets                    | 3,532,244                  | 393,483                         | 3,925,727          | 5,974,993                  | 3,492,959                       | 9,467,952          |
| Net assets at beginning of year         | <u>46,181,138</u>          | <u>82,043,456</u>               | <u>128,224,594</u> | <u>40,206,145</u>          | <u>78,550,497</u>               | <u>118,756,642</u> |
| Net assets at end of year               | \$ <u>49,713,382</u>       | <u>82,436,939</u>               | <u>132,150,321</u> | <u>46,181,138</u>          | <u>82,043,456</u>               | <u>128,224,594</u> |

**Governmental Activities**

Governmental activities increased the City of Kodiak’s net assets by \$3,532,244, thereby accounting for 90% 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 \$9,379,409 a 1% increase from 2009. The City sales tax rate in 2010 remained at 6% on all sales. The City sales tax accounts for 54% 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 2010.

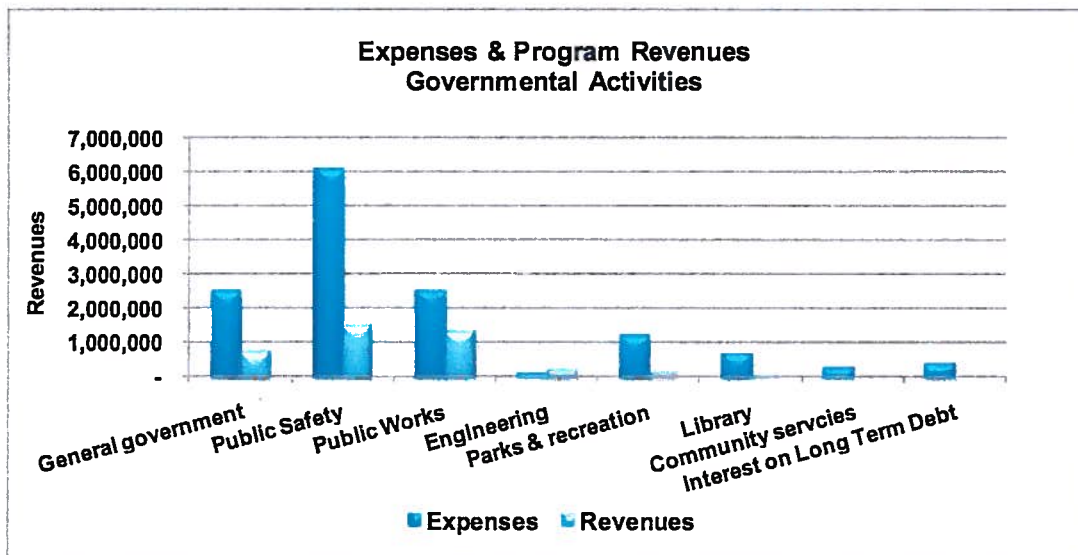
City taxpayers financed most of the City’s costs at 74%. The remaining costs were financed by charges for services, investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

Charges for services and tax revenues accounted for most of the City’s recurring governmental revenues.

The cost of all governmental activities financed by charges for services, operating grants and capital grants was \$4,028,294 or 29% of total governmental activities expenses.

The City’s governmental activities expenses are predominately related to Public Safety (44%), Public Works (18%), and General Government (18%) or 80% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

For the most part, decreases in expenses closely paralleled the decrease in grant revenues, the mild winter and vacant positions. Overall the expenses decreased by 9% from the prior fiscal year. This was due primarily to decreased expenses in General Government (-17%) due to few expenses in travel and equipment, Public Works (-11%) due to a very mild winter resulting in less road maintenance, Community Services (-22%) due to lower revenues and Engineering (-29%) due to a vacancy in the director’s position.



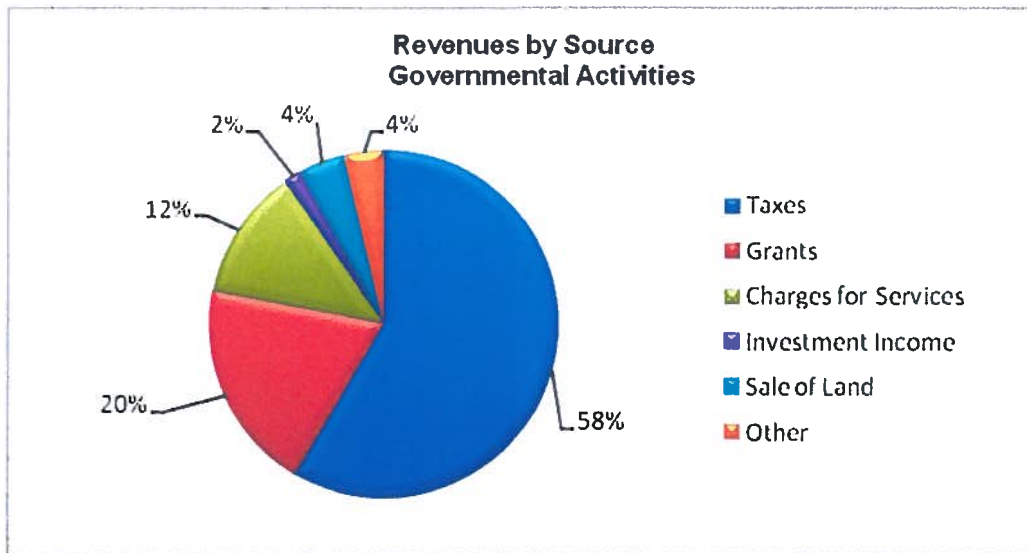


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2010. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3**  
**Governmental Activities in 2010**

|                               | Total Cost<br>of Services<br><u>2010</u> | Net Cost (Benefit)<br>of Services<br><u>2010</u> |
|-------------------------------|--|--|
| Governmental activities:      |  |  |
| General government            | \$ 2,502,315                             | \$ 1,740,042                                     |
| Public safety                 | 6,089,332                                | 4,556,322  |
| Public works                  | 2,526,468                                | 1,198,197  |
| Engineering                   | 121,747                                  | (102,494)  |
| Parks and recreation          | 1,199,620                                | 1,050,200  |
| Library                       | 712,625                                  | 681,546  |
| Community services            | 277,041                                  | 277,041  |
| Interest on long-term debt    | <u>383,928</u>                           | <u>383,928</u>                                   |
| Total governmental activities | <u>\$ 13,813,076</u>                     | <u>\$ 9,784,782</u>                              |

***Business-type Activities***

Business-type activities increased the City of Kodiak’s net assets by \$393,483 accounting for 10% 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 87% of the total revenues and capital grants 10% of the total revenues.

The primary source of revenue from business-type activities is charges for services, which amounted to \$10,199,674, a 10% increase from 2009. For the business-type activities, charges for services financed most of the City's costs at 88%. Operating and capital grants, interest income and miscellaneous revenues financed the remaining costs.

The City's business-type activities expenses are related to cargo (15%), boat harbor (25%), boat yard lift (5%), harbor electric (5%), water utility (26%), sewer utility (23%), the Trident Basin Airport (1%) and E-911 Services (less than 1%). Total harbor related activities are 50% and total public works activities are 50% of the total business type activities.

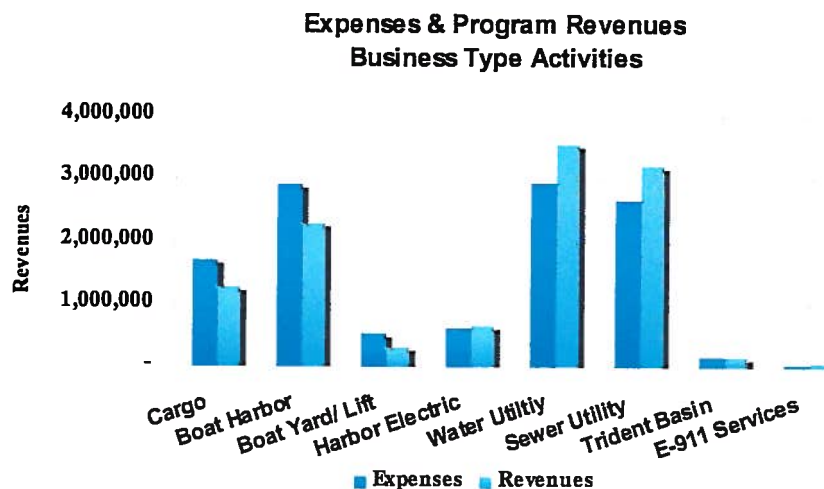
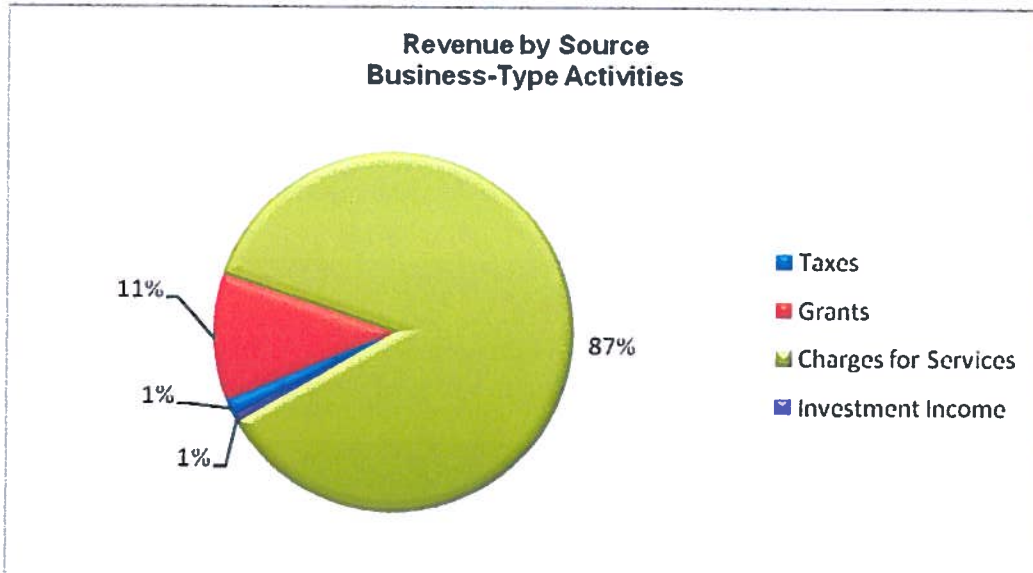


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2010. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3-A**  
**Business-type Activities in 2010**

|                                | <u>Total Cost of</u><br><u>Services 2010</u> | <u>Net Cost (Benefit)</u><br><u>of Services 2010</u> |
|--------------------------------|--|--|
| Business-type activities:      |  |  |
| Cargo                          | \$ 1,692,841                                 | \$ 430,209   |
| Boat harbor                    | 2,912,689                                    | 629,380  |
| Boat yard/lift                 | 528,977                                      | 205,872  |
| Harbor electric                | 605,989                                      | (50,149)   |
| Water utility                  | 2,952,723                                    | (619,816)  |
| Sewer utility                  | 2,665,150                                    | (559,539)  |
| Trident basin                  | 154,777                                      | 809  |
| E-911 services                 | <u>37,553</u>                                | <u>(29,348)</u>                                      |
| Total business-type activities | \$ <u>11,550,699</u>                         | \$ <u>7,418</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 \$16,929,947, a decrease of \$9,780,873 in comparison with the prior year. Approximately 78% of this total amount \$13,270,303 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 \$8,838,952 while total fund balance was \$8,852,570. 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 59% of total General Fund expenditures and transfers.

The fund balance of the City of Kodiak's General Fund increased in the amount of \$1,148,447 during the current fiscal year. Key factors in this increase are as follows:

Total operating General Fund revenues of \$15,631,976 exceeded total expenditures of \$12,696,573. Sales tax revenues of the General Fund exceeded the budget by \$679,409. 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. The sale of land exceeded the budget by \$143,946. Expenditures were lower than budgeted primarily in general government by \$391,812, public safety by \$536,090 and public works by \$219,715.

The Street Improvements Capital Project Fund has a total fund balance of \$1,129,898 all of which is designated for capital projects. There was a decrease of \$1,198,437 in fund balance as a result of the completion of large street capital projects.

The Public Safety Building Capital Project Fund has a total fund balance of \$839,368 all of which is designated for capital projects. There was a decrease of \$10,580,633 in fund balance as a result of the construction of the new public safety building.

The Nonmajor Funds have a total fund balance of \$6,108,111. Of this balance, 27% is unreserved but designated for capital projects. There was an increase of \$849,750 in fund balances primarily as a result of interest income and sale of land in the Enhancement Fund.

### ***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 major funds in the Harbor Facilities (Cargo Pier, Boat Harbor, and Boat Yard/Lift) at the end of the year amount to \$3,345,159 and those in the Water, Sewer Facilities amounted to \$4,693,374. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$345,565 in unrestricted net assets. The total change in net assets for all areas was an increase of \$332,567. This increase can be primarily attributed to the large construction projects in the water/sewer funds.

### ***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 are in the General Fund.

During the year there was a \$1,382,835 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$102,800 supplemental appropriation to the legislative and legal departments in anticipation of additional legal fees related to union activity, and legal assistance with bid awards.

\$1,000 supplemental appropriation to the executive department for increased cost for Fourth of July celebrations.

\$10,000 supplemental increase in appropriation to the emergency preparedness department for a repair to a tsunami siren.

\$5,500 supplemental increase in the appropriation to the city clerk department for elections and professional services increase.

\$3,900 supplemental increase in the appropriation to the finance department for equipment consisting of a new desk and computer for new hire.



\$75,003 supplemental increase in the appropriation to the police department salaries and benefits (\$5,500), professional services (\$3,000), vehicle towing for City clean up day (\$10,000), repair of antenna (\$14,000), equipment (\$42,500). The equipment expenditures added were for a portable radio for corrections, finger print machine, corrections escape door, and a forensic computer.

\$16,500 supplemental increase in the appropriation to the public works department for annual clean up in street department (\$10,000), replacement of failed welder and diagnostic tools (\$4,000), and repair and maintenance (\$2,500).

\$1,168,132 supplemental increase in the appropriation to the General Fund transfer department to the Trident Basin project (\$413,132), the roof and building evaluations and repairs project (\$715,000), and the paint exterior of the library project (\$40,000).

The increases above were possible because of additional unanticipated revenues. These revenues included an increase from the State of Alaska, a grant from the Community Economic Stimulus Program, and Exxon claim settlement and the use of fund balance.

The actual expenditures were \$1,287,789 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 were in Public Safety and General Government. Significant amounts and percentages are shown on the following page.

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

|                                      | Amount<br>Under (Over)<br><u>Budget</u> | Percent<br>Under<br><u>Budget</u> |
|--------------------------------------|---|-----------------------------------|
| General government                   | \$ 391,812                              | 17%                               |
| Public safety                        | 536,090                                 | 8%                                |
| Public works                         | 219,715                                 | 11%                               |
| Engineering                          | 58,730                                  | 29%                               |
| Parks and recreation                 | (3,090)                                 | 0%                                |
| Library                              | 39,079                                  | 5%                                |
| Community services                   | 39,281                                  | 22%                               |
| Other – insurance and administration | <u>6,172</u>                            | 1%                                |
| Total under budget                   | \$ <u>1,287,789</u>                     | 9%                                |

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At June 30, 2010, the City's capital assets have a total net book value of \$124,636,712. Table 5 compares the net book values at June 30, 2010 and 2009. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, bridges, and construction in progress. The total increase in the City of Kodiak's investment in capital assets for the current fiscal year was \$17,715,044 or 17%. The major increase was based on equipment in the Police Department, the completion of major capital projects, and construction of the public safety building.

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

|                                  | Governmental<br>Activities |                   | Business-Type<br>Activities |                    | Total              |                    |
|----------------------------------|----------------------------|-------------------|-----------------------------|--------------------|--------------------|--------------------|
|                                  | 2010                       | 2009              | 2010                        | 2009               | 2010               | 2009               |
| Land                             | \$ 2,501,384               | 2,501,384         | 693,997                     | 693,997            | 3,195,381          | 3,195,381          |
| Construction in<br>progress      | 23,668,905                 | 10,078,833        | 4,282,621                   | 19,276,022         | 27,951,526         | 29,354,855         |
| Buildings                        | 5,268,442                  | 5,268,442         | 23,840,189                  | 23,840,189         | 29,108,631         | 29,108,631         |
| Other improvements               | 1,496,946                  | 1,408,227         | 104,174,310                 | 99,199,717         | 105,671,256        | 100,607,944        |
| Infrastructure                   | 14,621,822                 | 14,621,822        | -                           | -                  | 14,621,822         | 14,621,822         |
| Machinery and<br>equipment       | <u>9,384,530</u>           | <u>9,151,601</u>  | <u>20,893,131</u>           | <u>2,698,134</u>   | <u>30,277,661</u>  | <u>11,849,735</u>  |
| Total capital assets             | <u>56,942,029</u>          | <u>43,030,309</u> | <u>153,884,248</u>          | <u>145,708,059</u> | <u>210,826,277</u> | <u>188,738,368</u> |
| Less accumulated<br>depreciation | <u>16,304,538</u>          | <u>15,516,171</u> | <u>69,885,027</u>           | <u>66,300,529</u>  | <u>86,189,565</u>  | <u>81,816,700</u>  |
| Total capital<br>assets, net     | \$ <u>40,637,491</u>       | <u>27,514,138</u> | <u>83,999,221</u>           | <u>79,407,530</u>  | <u>124,636,712</u> | <u>106,921,668</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, 2010, the City had \$649,950 in long-term leave payable for governmental activities and \$227,324 for business-type activities. The City has a \$7,720,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$3,617,346 related to the Water and Sewer Enterprise Funds and \$6,895,000 of revenue bonds related to the Harbor and Boat Yard/Lift Enterprise Funds. In fiscal year 2010 there was a new State of Alaska loan for Sewer in the amount of \$545,761 and a new loan for the boat yard-lift for \$930,000. Table 6 summarizes all outstanding debt at June 30, 2010 with a comparison to 2009. There have been significant changes in the long-term debt from fiscal year 2009 due to the increase in loans from the State of Alaska.

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

|                          | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total             |                   |
|--------------------------|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
|                          | 2010                       | 2009             | 2010                        | 2009             | 2010              | 2009              |
| General obligation bonds | \$ 7,720,000               | 7,865,000        | -                           | -                | 7,720,000         | 7,865,000         |
| Long-term leave payable  | 649,950                    | 687,401          | 227,324                     | 202,544          | 877,274           | 889,945           |
| Long-term notes payable  | -                          | -                | 3,617,346                   | 2,507,682        | 3,617,346         | 2,507,682         |
| Revenue bonds payable    | -                          | -                | <u>6,895,000</u>            | <u>7,000,000</u> | <u>6,895,000</u>  | <u>7,000,000</u>  |
| Total liabilities        | \$ <u>8,369,950</u>        | <u>8,552,401</u> | <u>10,739,670</u>           | <u>9,710,226</u> | <u>19,109,620</u> | <u>18,262,627</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 2009 were 296.6 million pounds, with a wholesale value of \$149.1 million.
- The average unemployment rate in the Kodiak Island Borough in 2010 is 7.25% this is an increase from 2009.
- The cost of living in 2010 was 126.2 compared to a national average of 100. Other Alaskan cities are Anchorage at 125.4 and Fairbanks at 134.2. 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 2010 fiscal year.

In fiscal year 2010, the unreserved fund balance in the General Fund increased to \$1,148,447 leaving a balance at the end of the year of \$8,852,570. The City of Kodiak has appropriated \$1,440,324 of this amount for spending in the 2011 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2011 fiscal year.

The sewer rates were increased beginning in fiscal year 2007 and the water rates were increased beginning in fiscal year 2008. Rate increases are reflected in these funds in the fiscal year 2011 budget. Fiscal year 2011 is the last year of increases. A new rate study is underway to evaluate the next five years. Acting upon the recommendation from the Port and Harbor Advisory Board, the City Council increased the harbor fees effective July 1, 2004 and these increases continued to increase 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. A new rate review is underway to evaluate the need for future increases in the Port and Harbor fees.

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

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

# Basic Financial Statements

**CITY OF KODIAK, ALASKA**  
Statement of Net Assets  
June 30, 2010

|   | <u>Governmental</u>      | <u>Business-type</u>  | <u>Total</u>           |
|---|--------------------------|-----------------------|------------------------|
| <u>Assets</u>   | <u>Activities</u>        | <u>Activities</u>     |                        |
| Cash and investments  | \$ 13,906,259            | 10,696,089            | 24,602,348             |
| Receivables, net  | 2,921,814                | 1,291,545             | 4,213,359              |
| Inventory   | -                        | 243,574               | 243,574                |
| Prepaid items   | 13,618                   | -                     | 13,618                 |
| Restricted cash and investments   | -                        | 505,050               | 505,050                |
| Capital assets not being depreciated - land<br>and construction in progress | 26,170,289               | 4,976,618             | 31,146,907             |
| Other capital assets, net of depreciation                                   | <u>14,467,202</u>        | <u>79,022,603</u>     | <u>93,489,805</u>      |
| <br>Total assets  | <br><u>\$ 57,479,182</u> | <br><u>96,735,479</u> | <br><u>154,214,661</u> |
| <br><u>Liabilities</u>  |                          |                       |                        |
| Accounts payable  | 990,147                  | 534,191               | 1,524,338              |
| Accrued payroll and related liabilities                                     | 332,338                  | 108,832               | 441,170                |
| Customer deposits   | 3,551                    | 286,702               | 290,253                |
| Unearned revenue  | 18,693                   | 466,506               | 485,199                |
| Accrued interest  | 94,623                   | 119,137               | 213,760                |
| Internal balances   | (2,043,502)              | 2,043,502             | -                      |
| Noncurrent liabilities:   |                          |                       |                        |
| Due within one year:  |                          |                       |                        |
| Accrued leave   | 450,000                  | 227,324               | 677,324                |
| Bonds payable   | 150,000                  | 100,000               | 250,000                |
| Loans payable   | -                        | 366,097               | 366,097                |
| Due in more than one year:  |                          |                       |                        |
| Accrued leave   | 199,950                  | -                     | 199,950                |
| Bonds payable   | 7,570,000                | 6,795,000             | 14,365,000             |
| Loans payable   | -                        | 3,251,249             | 3,251,249              |
| Total liabilities   | <u>7,765,800</u>         | <u>14,298,540</u>     | <u>22,064,340</u>      |
| <br><u>Net Assets</u>   |                          |                       |                        |
| Invested in capital assets,<br>net of related debt                          | 32,822,868               | 73,486,875            | 106,309,743            |
| Restricted for debt service   | -                        | 505,050               | 505,050                |
| Unrestricted  | <u>16,890,514</u>        | <u>8,445,014</u>      | <u>25,335,528</u>      |
| Total net assets  | <u>49,713,382</u>        | <u>82,436,939</u>     | <u>132,150,321</u>     |
| <br>Total liabilities and net assets  | <br><u>\$ 57,479,182</u> | <br><u>96,735,479</u> | <br><u>154,214,661</u> |

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

## Statement of Activities

Year Ended June 30, 2010

| Functions  | Expenses             | Program Revenues                            |   |   | Net (Expense) Revenue and<br>Changes in Net Assets |                                 |                    |
|--|----------------------|---|---|---|--|---------------------------------|--------------------|
|  |                      | Fees,<br>Fines &<br>Charges for<br>Services | Operating<br>Grants &<br>Contri-<br>butions | Capital<br>Grants &<br>Contri-<br>butions | Govern-<br>mental<br>Activities                    | Business-<br>type<br>Activities | Total              |
| <b>Governmental:</b>   |                      |   |   |   |  |                                 |                    |
| General government   | \$ 2,502,315         | 597,860                                     | 45,156                                      | 119,257                                   | (1,740,042)  | -                               | (1,740,042)        |
| Public safety  | 6,089,332            | 914,020                                     | 618,990                                     | -   | (4,556,322)  | -                               | (4,556,322)        |
| Public works   | 2,526,468            | 288,198                                     | 40,073                                      | 1,000,000                                 | (1,198,197)  | -                               | (1,198,197)        |
| Engineering  | 121,747              | 224,241                                     | -   | -   | 102,494  | -                               | 102,494            |
| Parks and recreation   | 1,199,620            | 135,733                                     | 13,687                                      | -   | (1,050,200)  | -                               | (1,050,200)        |
| Library  | 712,625              | 15,980                                      | 15,099                                      | -   | (681,546)  | -                               | (681,546)          |
| Community services   | 277,041              | -   | -   | -   | (277,041)  | -                               | (277,041)          |
| Interest on long-term debt                                   | 383,928              | -   | -   | -   | (383,928)  | -                               | (383,928)          |
| Total governmental activities                                | <u>13,813,076</u>    | <u>2,176,032</u>                            | <u>733,005</u>                              | <u>1,119,257</u>                          | <u>(9,784,782)</u>                                 | <u>-</u>                        | <u>(9,784,782)</u> |
| <b>Business-type:</b>  |                      |   |   |   |  |                                 |                    |
| Cargo Pier   | 1,692,841            | 1,251,294                                   | 11,338                                      | -   | -  | (430,209)                       | (430,209)          |
| Boat Harbor  | 2,912,689            | 2,233,292                                   | 50,017                                      | -   | -  | (629,380)                       | (629,380)          |
| Boat Yard/Lift   | 528,977              | 320,574                                     | 2,531                                       | -   | -  | (205,872)                       | (205,872)          |
| Water Utility  | 2,952,723            | 2,458,561                                   | 27,633                                      | 1,086,345                                 | -  | 619,816                         | 619,816            |
| Sewer Utility  | 2,665,150            | 3,180,800                                   | 43,889                                      | -   | -  | 559,539                         | 559,539            |
| Trident Basin  | 154,777              | 33,266                                      | -   | 120,702                                   | -  | (809)                           | (809)              |
| Harbor Electric  | 605,989              | 654,986                                     | 1,152                                       | -   | -  | 50,149                          | 50,149             |
| E-911 Services   | 37,553               | 66,901                                      | -   | -   | -  | 29,348                          | 29,348             |
| Total business-type activities                               | <u>11,550,699</u>    | <u>10,199,674</u>                           | <u>136,560</u>                              | <u>1,207,047</u>                          | <u>-</u>   | <u>(7,418)</u>                  | <u>(7,418)</u>     |
| Total  | \$ <u>25,363,775</u> | <u>12,375,706</u>                           | <u>869,565</u>                              | <u>2,326,304</u>                          | <u>(9,784,782)</u>                                 | <u>(7,418)</u>                  | <u>(9,792,200)</u> |
| General revenues:  |                      |   |   |   |  |                                 |                    |
| Taxes:   |                      |   |   |   |  |                                 |                    |
| Property taxes   |                      |   |   | \$ 665,999                                | -  |                                 | 665,999            |
| Sales taxes  |                      |   |   | 9,379,409                                 | -  |                                 | 9,379,409          |
| Other taxes, penalties and interest                          |                      |   |   | 179,427                                   | 179,789  |                                 | 359,216            |
| Grants and entitlements not restricted to a specific purpose |                      |   |   | 1,584,024                                 | -  |                                 | 1,584,024          |
| Investment income  |                      |   |   | 270,673                                   | 60,850   |                                 | 331,523            |
| Sale of land   |                      |   |   | 746,475                                   | -  |                                 | 746,475            |
| Other  |                      |   |   | 651,281                                   | -  |                                 | 651,281            |
| Transfers  |                      |   |   | (160,262)                                 | 160,262  |                                 | -                  |
| Total general revenues and transfers                         |                      |   |   | <u>13,317,026</u>                         | <u>400,901</u>                                     |                                 | <u>13,717,927</u>  |
| Changes in net assets  |                      |   |   | 3,532,244                                 | 393,483  |                                 | 3,925,727          |
| Net assets at beginning of year                              |                      |   |   | <u>46,181,138</u>                         | <u>82,043,456</u>                                  |                                 | <u>128,224,594</u> |
| Net assets at end of year                                    |                      |   |   | \$ <u>49,713,382</u>                      | <u>82,436,939</u>                                  |                                 | <u>132,150,321</u> |

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

## Governmental Funds

## Balance Sheet

June 30, 2010

| <u>Assets</u>  | <u>Major Funds</u>  |  |   |                           | <u>Total<br/>Govern-<br/>mental<br/>Funds</u> |
|--|---------------------|--|---|---------------------------|---|
|  | <u>General</u>      | <u>Street<br/>Improvements<br/>Capital<br/>Project</u> | <u>Public Safety<br/>Building<br/>Capital<br/>Project</u> | <u>Nonmajor<br/>Funds</u> |   |
| Cash and investments   | \$ 4,760,835        | 1,725,747  | 960,365   | 5,995,682                 | 13,442,629                                    |
| Receivables, net of allowance for<br>uncollectible accounts: |                     |  |   |                           |   |
| Taxes  | 2,490,701           | -  | -   | 40,754                    | 2,531,455                                     |
| Grants and shared revenues                                   | 9,632               | -  | -   | 51,084                    | 60,716  |
| Special assessments  | -                   | -  | -   | 222,347                   | 222,347                                       |
| Interest   | 47,367              | 2,422  | 5,988   | 51,519                    | 107,296                                       |
| Due from other funds   | 2,104,418           | -  | -   | -                         | 2,104,418                                     |
| Prepaid items  | 13,618              | -  | -   | -                         | 13,618  |
| <b>Total assets</b>  | <b>\$ 9,426,571</b> | <b>1,728,169</b>                                       | <b>966,353</b>  | <b>6,361,386</b>          | <b>18,482,479</b>                             |
| <u>Liabilities and Fund Balances</u>                         |                     |  |   |                           |   |
| Liabilities:   |                     |  |   |                           |   |
| Accounts payable   | 238,112             | 598,271  | 126,985   | 25,557                    | 988,925                                       |
| Accrued payroll and related liabilities                      | 332,338             | -  | -   | -                         | 332,338                                       |
| Customer deposits  | 3,551               | -  | -   | -                         | 3,551   |
| Deferred revenue   | -                   | -  | -   | 18,693                    | 18,693  |
| Deferred assessments   | -                   | -  | -   | 209,025                   | 209,025                                       |
| <b>Total liabilities</b>                                     | <b>574,001</b>      | <b>598,271</b>   | <b>126,985</b>  | <b>253,275</b>            | <b>1,552,532</b>                              |
| Fund balances:   |                     |  |   |                           |   |
| Reserved - prepaid items                                     | 13,618              | -  | -   | -                         | 13,618  |
| Unreserved:  |                     |  |   |                           |   |
| Designated:  |                     |  |   |                           |   |
| Capital Project Funds -<br>capital projects                  | -                   | 1,129,898  | 839,368   | 1,675,760                 | 3,645,026                                     |
| Subsequent year's expenditures:                              |                     |  |   |                           |   |
| General Fund   | 1,440,324           | -  | -   | -                         | 1,440,324                                     |
| Special Revenue Funds  | -                   | -  | -   | 1,000                     | 1,000   |
| Undesignated:  |                     |  |   |                           |   |
| General Fund   | 7,398,628           | -  | -   | -                         | 7,398,628                                     |
| Special Revenue Funds  | -                   | -  | -   | 4,431,351                 | 4,431,351                                     |
| <b>Total fund balances</b>                                   | <b>8,852,570</b>    | <b>1,129,898</b>                                       | <b>839,368</b>  | <b>6,108,111</b>          | <b>16,929,947</b>                             |
| <b>Total liabilities and<br/>fund balances</b>               | <b>\$ 9,426,571</b> | <b>1,728,169</b>                                       | <b>966,353</b>  | <b>6,361,386</b>          | <b>18,482,479</b>                             |

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2010

Total fund balances for governmental funds \$ 16,929,947

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                              | \$ 2,501,384        |            |
| Buildings                         | 5,268,442           |            |
| Improvements other than buildings | 1,496,946           |            |
| Infrastructure                    | 14,621,822          |            |
| Machinery and equipment           | 9,384,530           |            |
| Construction in progress          | 23,668,905          |            |
| Accumulated depreciation          | <u>(16,304,538)</u> |            |
| Total capital assets              |                     | 40,637,491 |

Other long-term assets (special assessments receivable) are not  
 available to pay for current period expenditures and therefore  
 are deferred in the funds. 209,025

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. A portion of the  
 internal service fund assets and liabilities are included in the  
 governmental activities in the Statement of Net Assets. 401,492

Bonds payable are not deemed due and payable in the current period  
 and therefore are not reported as governmental fund liabilities. (7,720,000)

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    | (649,950)       |                  |
| Accrued interest | <u>(94,623)</u> |                  |
|                  |                 | <u>(744,573)</u> |

Total net assets of governmental activities \$ 49,713,382

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, 2010

|   | Major Funds        |   |  | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|---|--|-------------------|--------------------------------|
|   | General            | Street<br>Improvements<br>Capital Project | Public Safety<br>Building<br>Capital Project |                   |                                |
| <b>Revenues:</b>                                |                    |   |  |                   |                                |
| Taxes:  |                    |   |  |                   |                                |
| Property taxes                                  | \$ 665,999         | -   | -  | -                 | 665,999                        |
| Sales taxes                                     | 9,379,409          | -   | -  | -                 | 9,379,409                      |
| Other taxes, penalties and interest             | 25,282             | -   | -  | 154,145           | 179,427                        |
| Intergovernmental                               | 2,317,029          | -   | 1,000,000                                    | 119,257           | 3,436,286                      |
| Charges for services                            | 1,194,380          | -   | -  | -                 | 1,194,380                      |
| Fines and forfeitures                           | 23,514             | -   | -  | -                 | 23,514                         |
| Licenses and permits                            | 70,489             | -   | -  | -                 | 70,489                         |
| Rental income                                   | 157,686            | -   | -  | 40,502            | 198,188                        |
| Interfund charges                               | 678,820            | -   | -  | -                 | 678,820                        |
| Investment income                               | 31,162             | 11,453                                    | 20,441                                       | 205,690           | 268,746                        |
| Special assessments                             | -                  | -   | -  | 81,088            | 81,088                         |
| Sale of land                                    | 436,946            | -   | -  | 309,529           | 746,475                        |
| Other revenues                                  | 651,260            | -   | -  | 21                | 651,281                        |
| <b>Total revenues</b>                           | <b>15,631,976</b>  | <b>11,453</b>                             | <b>1,020,441</b>                             | <b>910,232</b>    | <b>17,574,102</b>              |
| <b>Expenditures:</b>                            |                    |   |  |                   |                                |
| Current:  |                    |   |  |                   |                                |
| General government                              | 1,937,558          | -   | -  | 50,912            | 1,988,470                      |
| Public safety                                   | 5,863,536          | -   | -  | 116,577           | 5,980,113                      |
| Public works                                    | 1,774,155          | 413,451                                   | -  | 82,661            | 2,270,267                      |
| Engineering                                     | 143,630            | -   | -  | -                 | 143,630                        |
| Parks and recreation                            | 1,060,336          | -   | -  | 28,949            | 1,089,285                      |
| Library   | 720,071            | -   | -  | -                 | 720,071                        |
| Community services                              | 141,019            | -   | -  | 126,799           | 267,818                        |
| Other - insurance and administration            | 525,528            | -   | -  | -                 | 525,528                        |
| Debt service:                                   |                    |   |  |                   |                                |
| Bond principal                                  | 145,000            | -   | -  | -                 | 145,000                        |
| Bond interest                                   | 385,740            | -   | -  | -                 | 385,740                        |
| Capital outlay                                  | -                  | 1,967,439                                 | 11,703,714                                   | 7,638             | 13,678,791                     |
| <b>Total expenditures</b>                       | <b>12,696,573</b>  | <b>2,380,890</b>                          | <b>11,703,714</b>                            | <b>413,536</b>    | <b>27,194,713</b>              |
| Excess of revenues over<br>(under) expenditures | 2,935,403          | (2,369,437)                               | (10,683,273)                                 | 496,696           | (9,620,611)                    |
| Other financing sources (uses):                 |                    |   |  |                   |                                |
| Transfers in                                    | 531,870            | 1,177,000                                 | 102,640                                      | 853,054           | 2,664,564                      |
| Transfers out                                   | (2,318,826)        | (6,000)                                   | -  | (500,000)         | (2,824,826)                    |
| <b>Net other financing sources (uses)</b>       | <b>(1,786,956)</b> | <b>1,171,000</b>                          | <b>102,640</b>                               | <b>353,054</b>    | <b>(160,262)</b>               |
| <b>Net change in fund balances</b>              | <b>1,148,447</b>   | <b>(1,198,437)</b>                        | <b>(10,580,633)</b>                          | <b>849,750</b>    | <b>(9,780,873)</b>             |
| Fund balances at beginning of year              | 7,704,123          | 2,328,335                                 | 11,420,001                                   | 5,258,361         | 26,710,820                     |
| Fund balances at end of year                    | \$ 8,852,570       | 1,129,898                                 | 839,368                                      | 6,108,111         | 16,929,947                     |

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, 2010

|  |        |                     |
|--|--------|---------------------|
| Net change in fund balances - total governmental funds   |        | \$ (9,780,873)      |
| The change in net assets reported for governmental activities in the Statement of Activities is different because:   |        |                     |
| Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$13,911,720) exceeded depreciation (\$788,367). |        | 13,123,353          |
| 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.   |        | (70,447)            |
| 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.  |        |                     |
| Increase in accrued leave  | 37,451 |                     |
| Increase in accrued interest payable   | 1,812  |                     |
|  |        | 39,263              |
| Repayment of the principal of the long-term debt consumes current financial resources of governmental funds but does not have any effect on net assets.  |        | 145,000             |
| Internal service funds are used by management to charge the costs of certain insurance and pension obligations to individual funds. A portion of these activities is reported with governmental activities.  |        | 75,948              |
| Change in net assets of governmental activities  |        | \$ <u>3,532,244</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, 2010**

|   | <u>Budgeted Amounts</u> |                    | <u>Actual</u>      | Variance with                          |
|---|-------------------------|--------------------|--------------------|--|
|   | <u>Original</u>         | <u>Final</u>       |                    | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues:</b>                            |                         |                    |                    |  |
| <b>Taxes:</b>                               |                         |                    |                    |  |
| Property taxes                              | \$ 653,500              | 653,500            | 665,999            | 12,499                                 |
| Sales taxes                                 | 8,700,000               | 8,700,000          | 9,379,409          | 679,409                                |
| Other taxes, penalties and interest         | 24,000                  | 24,000             | 25,282             | 1,282                                  |
| Intergovernmental                           | 2,357,440               | 2,656,239          | 2,317,029          | (339,210)                              |
| Charges for services                        | 1,187,665               | 1,227,868          | 1,194,380          | (33,488)                               |
| Fines and forfeitures                       | 39,100                  | 39,100             | 23,514             | (15,586)                               |
| Licenses and permits                        | 65,500                  | 65,500             | 70,489             | 4,989                                  |
| Rental income                               | 103,000                 | 103,000            | 157,686            | 54,686                                 |
| Interfund charges                           | 678,820                 | 678,820            | 678,820            | -                                      |
| Investment income                           | 190,000                 | 190,000            | 31,162             | (158,838)                              |
| Sale of land                                | -                       | 293,000            | 436,946            | 143,946                                |
| Other revenues                              | 303,800                 | 765,028            | 651,260            | (113,768)                              |
| <b>Total revenues</b>                       | <u>14,302,825</u>       | <u>15,396,055</u>  | <u>15,631,976</u>  | <u>235,921</u>                         |
| <b>Expenditures:</b>                        |                         |                    |                    |  |
| General government                          | 1,816,950               | 2,329,370          | 1,937,558          | 391,812                                |
| <b>Public safety:</b>                       |                         |                    |                    |  |
| Operations                                  | 6,272,138               | 6,399,626          | 5,863,536          | 536,090                                |
| Debt service                                | 1,108,745               | 530,740            | 530,740            | -                                      |
| Public works                                | 1,977,370               | 1,993,870          | 1,774,155          | 219,715                                |
| Engineering                                 | 202,360                 | 202,360            | 143,630            | 58,730                                 |
| Parks and recreation                        | 1,816,396               | 1,057,246          | 1,060,336          | (3,090)                                |
| Library                                     | 531,700                 | 759,150            | 720,071            | 39,079                                 |
| Community services                          | 44,000                  | 180,300            | 141,019            | 39,281                                 |
| Other - insurance and administration        | -                       | 531,700            | 525,528            | 6,172                                  |
| <b>Total expenditures</b>                   | <u>13,769,659</u>       | <u>13,984,362</u>  | <u>12,696,573</u>  | <u>1,287,789</u>                       |
| <b>Excess of revenues over expenditures</b> | <u>533,166</u>          | <u>1,411,693</u>   | <u>2,935,403</u>   | <u>1,523,710</u>                       |
| <b>Other financing sources (uses):</b>      |                         |                    |                    |  |
| Transfers in                                | 531,870                 | 531,870            | 531,870            | -                                      |
| Transfers out                               | (1,020,000)             | (2,188,132)        | (2,318,826)        | (130,694)                              |
| <b>Net other financing sources (uses)</b>   | <u>(488,130)</u>        | <u>(1,656,262)</u> | <u>(1,786,956)</u> | <u>(130,694)</u>                       |
| <b>Net change in fund balance</b>           | <u>\$ 45,036</u>        | <u>(244,569)</u>   | 1,148,447          | <u>1,393,016</u>                       |
| Fund balance at beginning of year           |                         |                    | <u>7,704,123</u>   |  |
| Fund balance at end of year                 |                         | \$                 | <u>8,852,570</u>   |  |

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

 Proprietary Funds  
 Statement of Net Assets  
 June 30, 2010

| Assets   | Major Enterprise Funds |                   |                   |                   |                   | Nonmajor<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
|--|------------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------|------------------------------|------------------------------|
|  | Cargo<br>Pier          | Boat<br>Harbor    | Water<br>Utility  | Sewer<br>Utility  | Boat<br>Yard/Lift |                                 |                              |                              |
| Current assets:  |                        |                   |                   |                   |                   |                                 |                              |                              |
| Cash and investments   | \$ 2,796,112           | 3,360,599         | 1,710,311         | 2,398,026         | -                 | 431,041                         | 10,696,089                   | 463,630                      |
| Receivables - net of allowances  | 94,444                 | 50,314            | 560,961           | 303,398           | 2,780             | 279,648                         | 1,291,545                    | -                            |
| Inventories  | -                      | -                 | 231,638           | 11,936            | -                 | -                               | 243,574                      | -                            |
| Total current assets   | <u>2,890,556</u>       | <u>3,410,913</u>  | <u>2,502,910</u>  | <u>2,713,360</u>  | <u>2,780</u>      | <u>710,689</u>                  | <u>12,231,208</u>            | <u>463,630</u>               |
| Noncurrent assets:   |                        |                   |                   |                   |                   |                                 |                              |                              |
| Restricted cash and investments  | -                      | 129,581           | -                 | -                 | 375,469           | -                               | 505,050                      | -                            |
| Property, plant and equipment, net   | 7,088,102              | 18,049,739        | 18,600,967        | 16,968,096        | 18,101,602        | 5,190,715                       | 83,999,221                   | -                            |
| Total noncurrent assets  | <u>7,088,102</u>       | <u>18,179,320</u> | <u>18,600,967</u> | <u>16,968,096</u> | <u>18,477,071</u> | <u>5,190,715</u>                | <u>84,504,271</u>            | <u>-</u>                     |
| Total assets   | \$ <u>9,978,658</u>    | <u>21,590,233</u> | <u>21,103,877</u> | <u>19,681,456</u> | <u>18,479,851</u> | <u>5,901,404</u>                | <u>96,735,479</u>            | <u>463,630</u>               |
| <u>Liabilities and Net Assets</u>  |                        |                   |                   |                   |                   |                                 |                              |                              |
| Liabilities:   |                        |                   |                   |                   |                   |                                 |                              |                              |
| Current liabilities:   |                        |                   |                   |                   |                   |                                 |                              |                              |
| Accounts payable   | 58,236                 | 22,561            | 273,073           | 53,952            | 85,248            | 41,121                          | 534,191                      | 1,222                        |
| Accrued payroll and related liabilities  | 8,219                  | 40,274            | 20,582            | 32,455            | 7,302             | -                               | 108,832                      | -                            |
| Accrued annual and sick leave  | 11,431                 | 101,604           | 17,081            | 96,687            | 521               | -                               | 227,324                      | -                            |
| Customer deposits  | -                      | 222,274           | 23,000            | -                 | 28,092            | 13,336                          | 286,702                      | -                            |
| Accrued interest   | -                      | 31,940            | -                 | 6,066             | 81,131            | -                               | 119,137                      | -                            |
| Deferred revenue   | -                      | 466,506           | -                 | -                 | -                 | -                               | 466,506                      | -                            |
| Due to other funds   | -                      | -                 | -                 | -                 | 1,793,751         | 310,667                         | 2,104,418                    | -                            |
| Current portion:   |                        |                   |                   |                   |                   |                                 |                              |                              |
| Revenue bonds  | -                      | 30,000            | -                 | -                 | 70,000            | -                               | 100,000                      | -                            |
| Loans payable  | -                      | -                 | 110,000           | 256,097           | -                 | -                               | 366,097                      | -                            |
| Total current liabilities  | <u>77,886</u>          | <u>915,159</u>    | <u>443,736</u>    | <u>445,257</u>    | <u>2,066,045</u>  | <u>365,124</u>                  | <u>4,313,207</u>             | <u>1,222</u>                 |
| Noncurrent liabilities:  |                        |                   |                   |                   |                   |                                 |                              |                              |
| Revenue bonds  | -                      | 1,940,000         | -                 | -                 | 4,855,000         | -                               | 6,795,000                    | -                            |
| Loans payable  | -                      | -                 | 330,000           | 1,991,249         | 930,000           | -                               | 3,251,249                    | -                            |
| Total noncurrent liabilities   | <u>-</u>               | <u>1,940,000</u>  | <u>330,000</u>    | <u>1,991,249</u>  | <u>5,785,000</u>  | <u>-</u>                        | <u>10,046,249</u>            | <u>-</u>                     |
| Total liabilities  | <u>77,886</u>          | <u>2,855,159</u>  | <u>773,736</u>    | <u>2,436,506</u>  | <u>7,851,045</u>  | <u>365,124</u>                  | <u>14,359,456</u>            | <u>1,222</u>                 |
| Net assets:  |                        |                   |                   |                   |                   |                                 |                              |                              |
| Invested in capital assets, net of related debt  | 7,088,102              | 16,079,739        | 18,160,967        | 14,720,750        | 12,246,602        | 5,190,715                       | 73,486,875                   | -                            |
| Restricted for debt service  | -                      | 129,581           | -                 | -                 | 375,469           | -                               | 505,050                      | -                            |
| Unrestricted (deficit)   | 2,812,670              | 2,525,754         | 2,169,174         | 2,524,200         | (1,993,265)       | 345,565                         | 8,384,098                    | 462,408                      |
| Total net assets   | <u>9,900,772</u>       | <u>18,735,074</u> | <u>20,330,141</u> | <u>17,244,950</u> | <u>10,628,806</u> | <u>5,536,280</u>                | <u>82,376,023</u>            | <u>462,408</u>               |
| Total liabilities and net assets   | \$ <u>9,978,658</u>    | <u>21,590,233</u> | <u>21,103,877</u> | <u>19,681,456</u> | <u>18,479,851</u> | <u>5,901,404</u>                |                              | <u>463,630</u>               |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. |                        |                   |                   |                   |                   |                                 | <u>60,916</u>                |                              |
| Net assets of business-type activities   |                        |                   |                   |                   |                   |                                 | <u>82,436,939</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, 2010

|  | Major Enterprise Funds |                |                  |                  |                   | Nonmajor<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
|--|------------------------|----------------|------------------|------------------|-------------------|---------------------------------|------------------------------|------------------------------|
|  | Cargo<br>Pier          | Boat<br>Harbor | Water<br>Utility | Sewer<br>Utility | Boat<br>Yard/Lift |                                 |                              |                              |
| Operating revenues   | \$ 1,251,294           | 2,233,292      | 2,458,561        | 3,180,800        | 320,574           | 755,153                         | 10,199,674                   | 699,376                      |
| Operating expenses:  |                        |                |                  |                  |                   |                                 |                              |                              |
| Salaries and benefits  | 363,061                | 850,531        | 840,978          | 646,267          | 79,994            | 56,333                          | 2,837,164                    | -                            |
| Professional   | 1,981                  | 75,654         | 313,439          | 351,294          | 27,477            | 33,806                          | 803,651                      | -                            |
| Contributions  | -                      | 21,672         | -                | -                | -                 | -                               | 21,672                       | -                            |
| Goods and services   | 93,448                 | 264,827        | 104,628          | 217,681          | 120,080           | 536,431                         | 1,337,095                    | 565,984                      |
| Utilities and fuel   | 16,522                 | 124,438        | 308,723          | 159,653          | -                 | 8,906                           | 618,242                      | -                            |
| Machinery and equipment  | -                      | 11,657         | 7,879            | 4,351            | 74,397            | 11,059                          | 109,343                      | -                            |
| Interfund charges  | 234,180                | 157,399        | 115,740          | 57,870           | -                 | 112,760                         | 677,949                      | -                            |
| Repairs and maintenance  | 541,500                | 12,226         | 711,956          | -                | 14,329            | -                               | 1,280,011                    | -                            |
| Other  | 8,725                  | -              | -                | -                | -                 | 3,104                           | 11,829                       | -                            |
| Depreciation   | 445,696                | 1,330,590      | 551,099          | 1,215,226        | 2,499             | 39,388                          | 3,584,498                    | -                            |
| Total operating expenses   | 1,705,113              | 2,848,994      | 2,954,442        | 2,652,342        | 318,776           | 801,787                         | 11,281,454                   | 565,984                      |
| Earnings (loss) from operations  | (453,819)              | (615,702)      | (495,881)        | 528,458          | 1,798             | (46,634)                        | (1,081,780)                  | 133,392                      |
| Nonoperating revenues (expenses):  |                        |                |                  |                  |                   |                                 |                              |                              |
| Investment income  | 10,188                 | 5,374          | 14,115           | 6,799            | 21,211            | 1,618                           | 59,305                       | 3,472                        |
| Interest expense   | -                      | (96,121)       | (949)            | (21,115)         | (210,201)         | -                               | (328,386)                    | -                            |
| State PERS relief  | 7,718                  | 32,827         | 16,162           | 26,353           | 2,531             | -                               | 85,591                       | -                            |
| State cruise ship tax  | 179,789                | -              | -                | -                | -                 | -                               | 179,789                      | -                            |
| Federal grant - insurance coverage   | 3,620                  | 17,190         | 11,471           | 17,536           | -                 | 1,152                           | 50,969                       | -                            |
| Other nonoperating expenses  | -                      | -              | -                | (230)            | -                 | -                               | (230)                        | -                            |
| Net nonoperating revenues (expenses)   | 201,315                | (40,730)       | 40,799           | 29,343           | (186,459)         | 2,770                           | 47,038                       | 3,472                        |
| Earnings (loss) before contributions and transfers   | (252,504)              | (656,432)      | (455,082)        | 557,801          | (184,661)         | (43,864)                        | (1,034,742)                  | 136,864                      |
| Capital contributions  | -                      | -              | 1,086,345        | -                | -                 | 120,702                         | 1,207,047                    | -                            |
| Transfers in   | -                      | -              | 673,761          | -                | 4,945,260         | 413,132                         | 6,032,153                    | -                            |
| Transfers out  | -                      | (4,470,260)    | (217,000)        | (1,158,761)      | -                 | (25,870)                        | (5,871,891)                  | -                            |
| Change in net assets   | (252,504)              | (5,126,692)    | 1,088,024        | (600,960)        | 4,760,599         | 464,100                         | 332,567                      | 136,864                      |
| Net assets at beginning of year  | 10,153,276             | 23,861,766     | 19,242,117       | 17,845,910       | 5,868,207         | 5,072,180                       |                              | 325,544                      |
| Net assets at end of year  | \$ 9,900,772           | 18,735,074     | 20,330,141       | 17,244,950       | 10,628,806        | 5,536,280                       |                              | 462,408                      |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. |                        |                |                  |                  |                   |                                 | 60,916                       |                              |
| Change in net assets of business-type activities   |                        |                |                  |                  |                   | \$                              | 393,483                      |                              |

See accompanying notes to basic financial statements

## CITY OF KODIAK, ALASKA

 Proprietary Funds  
 Statement of Cash Flows  
 Year Ended June 30, 2010

|   | Major Enterprise Funds |                    |                    |                    |                   | Nonmajor<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
|---|------------------------|--------------------|--------------------|--------------------|-------------------|---------------------------------|------------------------------|------------------------------|
|   | Cargo<br>Pier          | Boat<br>Harbor     | Water<br>Utility   | Sewer<br>Utility   | Boat<br>Yard/Lift |                                 |                              |                              |
| <b>Cash flows from operating activities:</b>  |                        |                    |                    |                    |                   |                                 |                              |                              |
| Receipts from customers and users   | \$ 1,254,831           | 2,638,490          | 2,428,506          | 3,147,525          | 345,886           | 740,257                         | 10,555,495                   | -                            |
| Receipts from interfund services provided   | -                      | 82,140             | -                  | -                  | -                 | -                               | 82,140                       | 699,376                      |
| Payments for interfund services used  | (234,180)              | (157,399)          | (115,740)          | (57,870)           | -                 | (112,760)                       | (677,949)                    | -                            |
| Payments to suppliers   | (615,170)              | (519,925)          | (2,573,436)        | (732,246)          | (1,092,764)       | (584,401)                       | (6,117,942)                  | (573,824)                    |
| Payments to employees   | (351,998)              | (799,103)          | (825,306)          | (610,976)          | (69,640)          | (56,333)                        | (2,713,356)                  | -                            |
| Net cash flows from operating activities  | <u>53,483</u>          | <u>1,244,203</u>   | <u>(1,085,976)</u> | <u>1,746,433</u>   | <u>(816,518)</u>  | <u>(13,237)</u>                 | <u>1,128,388</u>             | <u>125,552</u>               |
| <b>Cash flows from noncapital financing activities:</b>   |                        |                    |                    |                    |                   |                                 |                              |                              |
| Decrease in due to other funds  | -                      | -                  | -                  | -                  | -                 | (3,478)                         | (3,478)                      | -                            |
| Transfers out   | -                      | (4,470,260)        | (217,000)          | (1,158,761)        | -                 | (25,870)                        | (5,871,891)                  | -                            |
| Federal grant received  | 3,620                  | 17,190             | 11,471             | 17,536             | -                 | 1,152                           | 50,969                       | -                            |
| Cruise ship tax received  | 179,789                | -                  | -                  | -                  | -                 | -                               | 179,789                      | -                            |
| Net cash flows from noncapital financing activities   | <u>183,409</u>         | <u>(4,453,070)</u> | <u>(205,529)</u>   | <u>(1,141,225)</u> | <u>-</u>          | <u>(28,196)</u>                 | <u>(5,644,611)</u>           | <u>-</u>                     |
| <b>Cash flows from capital and related financing activities:</b>  |                        |                    |                    |                    |                   |                                 |                              |                              |
| Principal paid on long-term debt  | -                      | (30,000)           | (110,000)          | (256,097)          | (75,000)          | -                               | (471,097)                    | -                            |
| Interest paid on long-term debt   | -                      | (96,721)           | (949)              | (22,087)           | (211,551)         | -                               | (331,308)                    | -                            |
| Proceeds from issuance of long-term debt  | -                      | -                  | -                  | 545,761            | 930,000           | -                               | 1,475,761                    | -                            |
| Purchase of property, plant and equipment   | -                      | -                  | (2,927,710)        | (40,555)           | (5,186,074)       | (21,850)                        | (8,176,189)                  | -                            |
| Transfers in  | -                      | -                  | 673,761            | -                  | 4,945,260         | 413,132                         | 6,032,153                    | -                            |
| Decrease in due to other funds  | -                      | -                  | -                  | -                  | (1,030,059)       | (416,746)                       | (1,446,805)                  | -                            |
| Capital contributions received  | -                      | -                  | 1,591,872          | -                  | 1,422,731         | 96,632                          | 3,111,235                    | -                            |
| Net cash flows from capital and related financing activities  | <u>-</u>               | <u>(126,721)</u>   | <u>(773,026)</u>   | <u>227,022</u>     | <u>795,307</u>    | <u>71,168</u>                   | <u>193,750</u>               | <u>-</u>                     |
| <b>Cash flows from investing activities - investment income received</b>  | <u>13,589</u>          | <u>19,867</u>      | <u>19,355</u>      | <u>9,951</u>       | <u>21,211</u>     | <u>1,618</u>                    | <u>85,591</u>                | <u>3,472</u>                 |
| Net increase (decrease) in cash and investments   | 250,481                | (3,315,721)        | (2,045,176)        | 842,181            | -                 | 31,353                          | (4,236,882)                  | 129,024                      |
| Cash and investments at beginning of year   | 2,545,631              | 6,805,901          | 3,755,487          | 1,555,845          | 375,469           | 399,688                         | 15,438,021                   | 334,606                      |
| Cash and investments at end of year   | \$ 2,796,112           | 3,490,180          | 1,710,311          | 2,398,026          | 375,469           | 431,041                         | 11,201,139                   | 463,630                      |
| <b>Reconciliation of earnings (loss) from operations to net cash flows from operating activities:</b>               |                        |                    |                    |                    |                   |                                 |                              |                              |
| Earnings (loss) from operations   | (453,819)              | (615,702)          | (495,881)          | 528,458            | 1,798             | (46,634)                        | (1,081,780)                  | 133,392                      |
| Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities: |                        |                    |                    |                    |                   |                                 |                              |                              |
| Depreciation  | 445,696                | 1,330,590          | 551,099            | 1,215,226          | 2,499             | 39,388                          | 3,584,498                    | -                            |
| Noncash expense - PERS relief   | 7,718                  | 32,827             | 16,162             | 26,353             | 2,531             | -                               | 85,591                       | -                            |
| Other nonoperating expenses   | -                      | -                  | -                  | (230)              | -                 | -                               | (230)                        | -                            |
| (Increase) decrease in assets:  |                        |                    |                    |                    |                   |                                 |                              |                              |
| Accounts receivable   | 3,537                  | 18,156             | (33,055)           | (33,275)           | (2,780)           | (12,196)                        | (59,613)                     | -                            |
| Inventory   | -                      | -                  | 5,535              | 2,304              | -                 | -                               | 7,839                        | -                            |
| Prepaid expenses  | 2,000                  | -                  | -                  | -                  | -                 | -                               | 2,000                        | -                            |
| Increase (decrease) in liabilities:   |                        |                    |                    |                    |                   |                                 |                              |                              |
| Accounts payable  | 45,006                 | (9,451)            | (1,132,346)        | (1,341)            | (856,481)         | 8,905                           | (1,945,708)                  | (7,840)                      |
| Accrued payroll and related liabilities   | 186                    | 3,011              | 1,647              | 1,291              | 7,302             | -                               | 13,437                       | -                            |
| Accrued annual and sick leave   | 3,159                  | 15,590             | (2,137)            | 7,647              | 521               | -                               | 24,780                       | -                            |
| Deferred revenue  | -                      | 466,506            | -                  | -                  | -                 | -                               | 466,506                      | -                            |
| Customer deposits   | -                      | 2,676              | 3,000              | -                  | 28,092            | (2,700)                         | 31,068                       | -                            |
| Net cash flows from operating activities  | <u>\$ 53,483</u>       | <u>1,244,203</u>   | <u>(1,085,976)</u> | <u>1,746,433</u>   | <u>(816,518)</u>  | <u>(13,237)</u>                 | <u>1,128,388</u>             | <u>125,552</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, 2010

|                                       |                  |
|---------------------------------------|------------------|
| Current assets - cash and investments | \$ <u>42,086</u> |
| Current liabilities:                  |                  |
| Accounts payable                      | 18,032           |
| Due to others                         | <u>24,054</u>    |
| Total liabilities                     | \$ <u>42,086</u> |

See accompanying notes to basic financial statements.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements

June 30, 2010

(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 works, parks and recreation, community services, library, 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 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.

**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.



## 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**

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, charges for services, 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 based on the quantitative criteria:

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 fund as major based on public interest:

The *Street Improvements Capital Project Fund* accounts for new road construction, paving, and major road maintenance.

The City reports the following major proprietary funds based on the quantitative criteria:

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

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

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

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

## 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 *Boat Yard/Lift Enterprise Fund* accounts for the boat yard/lift activities.

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 was used to account for the accumulation and payments to the Public Employees Retirement System. However this fund was closed effective July 1, 2008.

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.

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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

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

##### 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) and are recorded as expenses when consumed rather than when purchased.

##### Prepaid Items

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

##### Receivables and Payables

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

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

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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

##### 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, \$31,317 of interest expense was capitalized in the Boat Harbor Enterprise Fund.

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

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

##### Compensated Absences

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

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

##### Long-term Debt

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

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

##### Fund Equity

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

##### Deferred Grant Revenue

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

##### Pension Plan

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

##### Property Taxes

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

At June 30, 2010, the delinquent real property taxes not currently available are reflected as deferred revenues of the General Fund.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

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

##### **Comparative Data**

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

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

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets and the Special Assessments 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.

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 \$7,131,372 and the bank balances totaled \$7,296,005. Of the bank balances, \$500,000 was insured and the rest of the amount was covered by collateral held by the pledging financial institutions' trust department or agent in the City's name. Included in the carrying amount above is \$505,050 of restricted cash for revenue bond reserves. Petty cash on hand at June 30, 2010 was \$2,548.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Cash and Investments, continued**

##### **Investments**

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

##### *Interest Rate Risk*

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. The City has no formal policy relating to interest rate risk.

Investment maturities at June 30, 2010 are as follows:

| <u>Investment Type</u>                  | <u>Investment Maturities (in Years)</u> |                    |                   |
|---|---|--------------------|-------------------|
|   | <u>Fair Value</u>                       | <u>Less Than 1</u> | <u>1-5</u>        |
| U.S. government agencies                | \$ 14,118,323                           | -                  | 14,118,323        |
| Alaska Municipal League Investment Pool | <u>3,897,241</u>                        | <u>3,897,241</u>   | <u>-</u>          |
| Total investments                       | \$ <u>18,015,564</u>                    | <u>3,897,241</u>   | <u>14,118,323</u> |

##### *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City has no formal policy relating to credit risk. However, 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 that is rated AAAM by Standard and Poor's. 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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Cash and Investments, continued

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, 2010 the fair value of the investment in AMLIP approximates amortized cost.

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

Receivables at June 30, 2010, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

|   | <u>Major Governmental Funds</u> |                             |                              | Nonmajor<br>Govern-<br>mental<br>Funds | <u>Totals</u>    |
|---|---------------------------------|-----------------------------|------------------------------|--|------------------|
|   | <u>General</u>                  | Street<br>Improve-<br>ments | Public<br>Safety<br>Building |  |                  |
| Taxes                                   | \$ 2,490,701                    | -                           | -                            | 40,754                                 | 2,531,455        |
| Grants and shared revenues              | 9,632                           | -                           | -                            | 51,084                                 | 60,716           |
| Special assessments                     | -                               | -                           | -                            | 222,347                                | 222,347          |
| Interest                                | <u>47,367</u>                   | <u>2,422</u>                | <u>5,988</u>                 | <u>51,519</u>                          | <u>107,296</u>   |
| Total receivables                       | 2,547,700                       | 2,422                       | 5,988                        | 365,704                                | 2,921,814        |
| Less allowance for<br>doubtful accounts | <u>-</u>                        | <u>-</u>                    | <u>-</u>                     | <u>-</u>                               | <u>-</u>         |
| Net receivables                         | \$ <u>2,547,700</u>             | <u>2,422</u>                | <u>5,988</u>                 | <u>365,704</u>                         | <u>2,921,814</u> |

|   | <u>Major Enterprise Funds</u> |                        |                          |                          |                           | Nonmajor<br>Enterprise<br>Funds | <u>Totals</u>    |
|---|-------------------------------|------------------------|--------------------------|--------------------------|---------------------------|---------------------------------|------------------|
|   | <u>Cargo<br/>Pier</u>         | <u>Boat<br/>Harbor</u> | <u>Water<br/>Utility</u> | <u>Sewer<br/>Utility</u> | <u>Boat<br/>Yard/Lift</u> |                                 |                  |
| Grants                                  | \$ -                          | -                      | 250,477                  | -                        | -                         | 120,702                         | 250,477          |
| Interest                                | 4,389                         | 5,936                  | 6,252                    | 1,609                    | -                         | -                               | 18,186           |
| Accounts                                | <u>90,055</u>                 | <u>60,025</u>          | <u>306,456</u>           | <u>304,656</u>           | <u>2,780</u>              | <u>158,946</u>                  | <u>1,043,620</u> |
| Total receivables                       | 94,444                        | 65,961                 | 563,185                  | 306,265                  | 2,780                     | 279,648                         | 1,312,283        |
| Less allowance for<br>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>94,444</u>              | <u>50,314</u>          | <u>560,961</u>           | <u>303,398</u>           | <u>2,780</u>              | <u>279,648</u>                  | <u>1,291,545</u> |



## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Accounts Receivable and Deferred Revenues, continued**

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, 2010, the various components of deferred revenue reported in the governmental funds were as follows:

|   |                          |
|---|--------------------------|
| Deferred special assessments                                  | \$ 209,025               |
| Grant drawdowns prior to meeting all eligibility requirements | <u>18,693</u>            |
| <b>Total deferred/unearned revenue for governmental funds</b> | <b>\$ <u>227,718</u></b> |

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

|  | Balance<br>July 1,<br><u>2009</u> | Additions<br>and<br>Reclass-<br>ifications | Deletions<br>and<br>Reclass-<br>ifications | Balance<br>June 30,<br><u>2010</u> |
|--|-----------------------------------|--|--|------------------------------------|
| <b><u>Governmental activities</u></b>        |                                   |  |  |                                    |
| <i>Capital assets not being depreciated:</i> |                                   |  |  |                                    |
| Land and land improvements                   | \$ 2,501,384                      | -  | -  | 2,501,384                          |
| Construction in progress                     | <u>10,078,833</u>                 | <u>13,678,791</u>                          | <u>88,719</u>                              | <u>23,668,905</u>                  |
| Total assets not being depreciated           | <u>12,580,217</u>                 | <u>13,678,791</u>                          | <u>88,719</u>                              | <u>26,170,289</u>                  |
| <i>Capital assets being depreciated:</i>     |                                   |  |  |                                    |
| Buildings                                    | 5,268,442                         | -  | -  | 5,268,442                          |
| Improvements other than buildings            | 1,408,227                         | 88,719                                     | -  | 1,496,946                          |
| Infrastructure                               | 14,621,822                        | -  | -  | 14,621,822                         |
| Machinery and equipment                      | <u>9,151,601</u>                  | <u>232,929</u>                             | -  | <u>9,384,530</u>                   |
| Total capital assets being depreciated       | <u>30,450,092</u>                 | <u>321,648</u>                             | <u>-</u>                                   | <u>30,771,740</u>                  |
| Less accumulated depreciation for:           |                                   |  |  |                                    |
| Buildings                                    | 2,334,474                         | 85,050                                     | -  | 2,419,524                          |
| Improvements other than buildings            | 784,807                           | 61,997                                     | -  | 846,804                            |
| Infrastructure                               | 6,414,705                         | 185,768                                    | -  | 6,600,473                          |
| Machinery and equipment                      | <u>5,982,185</u>                  | <u>455,552</u>                             | -  | <u>6,437,737</u>                   |
| Total accumulated depreciation               | <u>15,516,171</u>                 | <u>788,367</u>                             | <u>-</u>                                   | <u>16,304,538</u>                  |
| Total capital assets being depreciated, net  | <u>14,933,921</u>                 | <u>(466,719)</u>                           | <u>-</u>                                   | <u>14,467,202</u>                  |
| Governmental activity capital assets, net    | <b>\$ <u>27,514,138</u></b>       | <b><u>13,212,072</u></b>                   | <b><u>88,719</u></b>                       | <b><u>40,637,491</u></b>           |

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Capital Assets, continued**

|  | Balance<br>July 1,<br>2009 | Additions<br>and<br>Reclass-<br>ifications | Deletions<br>and<br>Reclass-<br>ifications | Balance<br>June 30,<br>2010 |
|--|----------------------------|--|--|-----------------------------|
| <b><u>Business-type activities</u></b>       |                            |  |  |                             |
| <i>Capital assets not being depreciated:</i> |                            |  |  |                             |
| Land and land improvements                   | \$ 693,997                 | -  | -  | 693,997                     |
| Construction in progress                     | <u>19,276,022</u>          | <u>7,881,429</u>                           | <u>22,874,830</u>                          | <u>4,282,621</u>            |
| Total assets not being depreciated           | <u>19,970,019</u>          | <u>7,881,429</u>                           | <u>22,874,830</u>                          | <u>4,976,618</u>            |
| <i>Capital assets being depreciated:</i>     |                            |  |  |                             |
| Buildings                                    | 23,840,189                 | -  | -  | 23,840,189                  |
| Improvements other than buildings            | 99,199,717                 | 4,974,593                                  | -  | 104,174,310                 |
| Machinery and equipment                      | <u>2,698,134</u>           | <u>18,194,997</u>                          | -  | <u>20,893,131</u>           |
| Total assets being depreciated               | <u>125,738,040</u>         | <u>23,169,590</u>                          | -  | <u>148,907,630</u>          |
| Less accumulated depreciation for:           |                            |  |  |                             |
| Buildings                                    | 11,913,726                 | 862,132                                    | -  | 12,775,856                  |
| Improvements other than buildings            | 53,321,048                 | 2,601,316                                  | -  | 54,992,365                  |
| Machinery and equipment                      | <u>2,065,755</u>           | <u>121,050</u>                             | -  | <u>2,186,806</u>            |
| Total accumulated depreciation               | <u>66,300,529</u>          | <u>3,584,498</u>                           | -  | <u>69,885,027</u>           |
| Total capital assets being depreciated, net  | <u>59,437,511</u>          | <u>19,585,092</u>                          | -  | <u>79,022,603</u>           |
| Business-type activity capital assets, net   | \$ <u>79,407,530</u>       | <u>27,466,521</u>                          | <u>22,874,830</u>                          | <u>83,999,221</u>           |

Depreciation expense was charged to the functions as follows:

**Governmental activities**

|  |                   |
|--|-------------------|
| General government                                   | \$ 48,966         |
| Public safety  | 293,586           |
| Public works   | 296,724           |
| Engineering  | 4,127             |
| Parks and recreation                                 | 133,021           |
| Library  | 2,720             |
| Community services                                   | <u>9,223</u>      |
| Total depreciation expense – governmental activities | \$ <u>788,367</u> |

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Capital Assets, continued

##### Business-type activities

|   |                     |
|---|---------------------|
| Cargo Pier  | \$ 445,696          |
| Boat Harbor   | 1,330,590           |
| Water Utility   | 551,099             |
| Sewer Utility   | 1,215,226           |
| Boat Yard Lift  | 2,499               |
| Harbor Electric                                       | 8,638               |
| Trident Basin   | <u>30,750</u>       |
| Total depreciation expense – business-type activities | <u>\$ 3,584,498</u> |

(6) Long Term Debt

Long-term debt at June 30, 2010 is comprised of the following:

|  | Balance<br>July 1,<br><u>2009</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br>June 30,<br><u>2010</u> | Due<br>Within<br><u>One Year</u> |
|--|-----------------------------------|------------------|------------------|------------------------------------|----------------------------------|
| <u>Governmental activities</u>   |                                   |                  |                  |                                    |                                  |
| \$8,000,000 2008 Series A<br>Public Safety Building<br>General Obligation Bonds,<br>due in annual installments<br>of \$150,000 to \$480,000<br>plus interest at 4.0% to<br>5.2% through 2038 | \$ 7,865,000                      | -                | 145,000          | 7,720,000                          | 150,000                          |
| Accrued leave  | <u>687,401</u>                    | <u>432,227</u>   | <u>469,678</u>   | <u>649,950</u>                     | <u>450,000</u>                   |
| Total governmental<br>activities   | \$ <u>8,552,401</u>               | <u>432,227</u>   | <u>614,678</u>   | <u>8,369,950</u>                   | <u>600,000</u>                   |

The accrued leave related to governmental activities is generally liquidated by the General Fund.

|  | Balance<br>July 1,<br><u>2009</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br>June 30,<br><u>2010</u> | Due<br>Within<br><u>One Year</u> |
|--|-----------------------------------|------------------|------------------|------------------------------------|----------------------------------|
| <u>Business-type activities</u>  |                                   |                  |                  |                                    |                                  |
| Revenue Bonds:   |                                   |                  |                  |                                    |                                  |
| \$2,000,000 2007 Series A<br>Boat Harbor Revenue Bonds,<br>due in annual installments<br>of \$30,000 to \$125,000<br>plus interest at 4.0% to<br>6.0% through 2038 | 2,000,000                         | -                | 30,000           | 1,970,000                          | 30,000                           |

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Long Term Debt, continued**

|  | Balance<br>July 1,<br><u>2009</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br>June 30,<br><u>2010</u> | Due<br>Within<br><u>One Year</u> |
|--|-----------------------------------|------------------|------------------|------------------------------------|----------------------------------|
| <b><u>Business-type activities, continued</u></b>  |                                   |                  |                  |                                    |                                  |
| Revenue Bonds, continued:  |                                   |                  |                  |                                    |                                  |
| \$4,000,000 2007 Series A<br>Boat Yard/Lift Revenue<br>Bonds, due in annual installments<br>of \$55,000 to \$295,000<br>plus interest at 4.0% to<br>6.0% through 2038    | \$ 4,000,000                      | -                | 60,000           | 3,940,000                          | 55,000                           |
| \$1,000,000 2009 Series One<br>Boat Yard/Lift Revenue Bonds,<br>due in annual installments<br>of \$15,000 to \$65,000 plus<br>interest at 3.0% to 5.875%<br>through 2037 | 1,000,000                         | -                | 15,000           | 985,000                            | 15,000                           |
| Loans Payable:   |                                   |                  |                  |                                    |                                  |
| \$3,016,458 Sewer loan, due<br>in annual installments of<br>\$201,097, including interest<br>at 1.5% through 2016  | 1,407,682                         | -                | 201,097          | 1,206,585                          | 201,097                          |
| \$550,000 Water loan, due in<br>annual installments of \$110,000,<br>including interest at 1.5%  | 550,000                           | -                | 110,000          | 440,000                            | 110,000                          |
| \$550,000 Sewer loan, due in,<br>annual installments of \$55,000,<br>including interest at 1.5%  | 550,000                           | -                | 55,000           | 495,000                            | 55,000                           |
| \$1,000,000 Sewer loan, terms<br>not yet established, interest<br>at 1.5%  | -                                 | 545,761          | -                | 545,761                            | -                                |
| \$930,000 Boat Yard/Lift loan, terms<br>not yet established, interest<br>at 1.5%   | -                                 | 930,000          | -                | 930,000                            | -                                |
| Accrued leave  | <u>202,544</u>                    | <u>144,378</u>   | <u>119,598</u>   | <u>227,324</u>                     | <u>227,324</u>                   |
| Total business-type<br>activities  | \$ <u>9,710,226</u>               | <u>1,620,139</u> | <u>590,695</u>   | <u>10,739,670</u>                  | <u>693,421</u>                   |

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Long Term Debt, continued**

Annual debt service requirements to maturity for all the above obligations, except the two loans not yet in repayment status and the accrued leave follow:

#### **Governmental activities**

| Year Ending<br>June 30, | <u>General Obligation Bonds</u> |                  |                   |
|-------------------------|---------------------------------|------------------|-------------------|
|                         | <u>Principal</u>                | <u>Interest</u>  | <u>Total</u>      |
| 2011                    | \$ 150,000                      | 378,490          | 528,490           |
| 2012                    | 155,000                         | 370,990          | 525,990           |
| 2013                    | 165,000                         | 363,240          | 528,240           |
| 2014                    | 175,000                         | 354,990          | 529,990           |
| 2015                    | 185,000                         | 346,240          | 531,240           |
| 2016-2020               | 1,010,000                       | 1,596,750        | 2,606,750         |
| 2021-2025               | 1,160,000                       | 1,373,233        | 2,533,233         |
| 2026-2030               | 1,465,000                       | 1,068,785        | 2,533,785         |
| 2031-2035               | 1,570,000                       | 658,485          | 2,228,485         |
| 2036-2038               | <u>1,685,000</u>                | <u>146,990</u>   | <u>1,831,990</u>  |
|                         | <u>\$ 7,720,000</u>             | <u>6,658,193</u> | <u>14,378,193</u> |

#### **Business-type activities**

| Year Ending<br>June 30, | <u>Revenue Bonds</u> |                  |                   | <u>Loans Payable</u> |                 |                  |
|-------------------------|----------------------|------------------|-------------------|----------------------|-----------------|------------------|
|                         | <u>Principal</u>     | <u>Interest</u>  | <u>Total</u>      | <u>Principal</u>     | <u>Interest</u> | <u>Total</u>     |
| 2011                    | \$ 100,000           | 336,439          | 436,439           | 366,097              | 32,124          | 398,221          |
| 2012                    | 110,000              | 330,664          | 440,664           | 366,097              | 26,632          | 392,729          |
| 2013                    | 115,000              | 324,414          | 439,414           | 366,097              | 21,141          | 387,238          |
| 2014                    | 125,000              | 317,614          | 442,614           | 366,097              | 15,649          | 381,746          |
| 2015                    | 130,000              | 310,364          | 440,364           | 256,097              | 10,158          | 266,255          |
| 2016-2020               | 760,000              | 1,428,894        | 2,188,894         | 421,000              | 11,266          | 432,266          |
| 2021-2025               | 975,000              | 1,222,813        | 2,197,813         | -                    | -               | -                |
| 2026-2030               | 1,285,000            | 968,844          | 2,253,844         | -                    | -               | -                |
| 2031-2035               | 1,905,000            | 582,950          | 2,487,950         | -                    | -               | -                |
| 2036-2038               | <u>1,390,000</u>     | <u>104,438</u>   | <u>1,494,438</u>  | <u>-</u>             | <u>-</u>        | <u>-</u>         |
|                         | <u>\$ 6,895,000</u>  | <u>5,927,434</u> | <u>12,822,434</u> | <u>2,141,485</u>     | <u>116,970</u>  | <u>2,258,455</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 Boat Harbor and Boat Yard/Lift Enterprise Funds in the amount of \$505,050.

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

(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.

Net sales tax revenues and transient room taxes for the years ended June 30, 2010 and 2009 respectively, are as follows:

|  | <u>2010</u>         | <u>2009</u>      |
|--|---------------------|------------------|
| General Fund general sales taxes                       | \$ <u>9,379,409</u> | <u>9,277,394</u> |
| Tourism Development Special<br>Revenue Fund room taxes | \$ <u>154,145</u>   | <u>168,267</u>   |

The sales tax and transient room 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<br/>Proceeds</u> |
|--|-------------------|-----------------------------|
| General Fund                               | 5.00%             | N/A                         |
| Street Improvements Capital Projects Fund  | 0.45%             | \$ 900,000                  |
| Parks and Recreation Capital Projects Fund | 0.05%             | 100,000                     |
| Boat Harbor Enterprise Fund                | <u>0.05%</u>      | 1,000,000                   |
| <br>Total sales tax                        | <br><u>6.00%</u>  |                             |

| <u>Fund or Program</u>                        | <u>Percentage</u> | <u>Maximum<br/>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                         |
| <br>Total transient room tax                  | <br><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, 2010 and 2009 were as follows:

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Sales Tax Revenues, continued

|   | <u>2010</u>         | <u>2009</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<br>from the General Fund | <u>\$ 1,000,000</u> | <u>1,000,000</u> |

(8) **Interfund Transfers**

The following is a summary of interfund transfers for the year ended June 30, 2010:

|   |                     |
|---|---------------------|
| From General Fund to:   |                     |
| Public Safety Building Capital Project Fund for capital costs | \$ 102,640          |
| Street Improvements Capital Project Fund for capital costs    | 450,000             |
| Boat Yard/Lift Enterprise Fund for capital costs              | 500,000             |
| Nonmajor enterprise funds for capital costs                   | 413,132             |
| Nonmajor governmental funds for capital projects              | 825,000             |
| Nonmajor governmental funds to cover operating costs          | 28,054              |
| From Street Improvements Capital Project Fund to              |                     |
| General Fund to cover operating costs                         | 6,000               |
| From Water Utility Enterprise Fund to                         |                     |
| Street Improvements Capital Project Fund for capital costs    | 217,000             |
| From Sewer Utility Enterprise Fund to:                        |                     |
| Water Utility Enterprise Fund for capital costs               | 673,761             |
| Street Improvements Capital Project Fund for capital costs    | 485,000             |
| From Harbor Enterprise Fund to:                               |                     |
| Boat Yard/Lift Enterprise Fund for capital costs              | 4,445,260           |
| Street Improvements Capital Project Fund for capital costs    | 25,000              |
| From nonmajor governmental fund to General Fund to            |                     |
| cover operating costs   | 500,000             |
| From nonmajor enterprise funds to                             |                     |
| General Fund to cover operating costs                         | <u>25,870</u>       |
| Total transfers to other funds                                | <u>\$ 8,696,717</u> |

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

(9) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The plan was established and is administered by the State of Alaska Department of Administration 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

**Conversion to Cost Sharing**

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. 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 are recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 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.

**Funding Policy**

Regular employees are required to contribute 6.75% of their annual covered salary (2.5% for pension and 4.25% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.78% for pension and 4.72% 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 assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.



## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### Defined Benefit Pension Plan, continued

##### Funding Policy, continued

The City's contribution rates for 2010 were determined as part of the June 30, 2007 actuarial valuation and are as follows:

|                           | Contractual<br>Rate | ARM Board<br>Adopted<br>Rate | GASB 45*      |
|---------------------------|---------------------|------------------------------|---------------|
| Pension                   | 8.16%               | 10.25%                       | 10.72%        |
| Postemployment healthcare | <u>13.84%</u>       | <u>17.40%</u>                | <u>53.96%</u> |
| Total contribution rate   | <u>22.00%</u>       | <u>27.65%</u>                | <u>64.68%</u> |

\* This rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

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.

#### Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 5.65% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of \$355,183 as revenue and expenditure/expense in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here. Only two years of information are available at this time.

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

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

| <u>Year<br/>Ended<br/>June 30</u> | <u>Annual<br/>Pension<br/>Cost</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Total<br/>Benefit<br/>Cost<br/>(TBC)</u> | <u>City<br/>Contri-<br/>butions</u> | <u>% of<br/>TBC<br/>Contributed</u> |
|-----------------------------------|------------------------------------|---------------------------------|---|-------------------------------------|-------------------------------------|
| 2010                              | \$ 477,916                         | \$ 811,310                      | \$ 1,289,226                                | \$ 1,289,226                        | 100%                                |
| 2009                              | 383,381                            | 904,232                         | 1,287,613                                   | 1,287,613                           | 100%                                |

(10) **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, 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:

|  | <u>Others<br/>Tier IV</u> | <u>Police/Fire<br/>Tier IV</u> |
|--|---------------------------|--------------------------------|
| Individual account                         | 5.00%                     | 5.00%                          |
| Health reimbursement arrangement (HRA) *   | 3.00                      | 3.00                           |
| Retiree medical plan                       | 0.99                      | 0.99                           |
| Occupational death and disability benefits | <u>0.58</u>               | <u>1.33</u>                    |
|  | <u>9.57 %</u>             | <u>10.32%</u>                  |

\*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average 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.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2010 were \$119,856 and \$94,698, respectively.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

(11) **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 (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, 2010. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

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

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

(12) **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 deficit for the year ended June 30, 2009 was \$606,094. The General Fund had a positive change to fund balance of \$1,148,447 for the year ended June 30, 2010. 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. However to inflation – proof the Enhancement Fund, \$28,054 was transferred from the General Fund during the current year.

(13) **Operating Lease**

The City occupies office space leased from the Kodiak Island Borough under a noncancellable operating lease that runs through June 30, 2011. The lease rate is \$7,006 per month. For the year ended June 30, 2010, the City recognized \$86,432 in rent expense paid to the Kodiak Island Borough.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

(14) **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.

(15) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- GASB 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*
- GASB 59 – *Financial Instruments Omnibus*

Of these statements, GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions will have a significant impact on the City's future financial reporting presentation. This statement will recategorize all existing fund balance classifications into five new categories:

- ✓ Nonspendable
- ✓ Restricted
- ✓ Committed
- ✓ Assigned
- ✓ Unassigned

The statement will require an analysis of all funds of the City to determine ongoing compliance with fund type categories as defined in this statement. GASB Statement 54 will be in effect for the City financial statements for the year ended June 30, 2011. Statements 57 through 59 are not expected to have any material impact on the City's financial statements.

## Additional Information

**NONMAJOR FUNDS**

**CITY OF KODIAK, ALASKA**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

|  | Special Revenue Funds       |                             |                  |                | Capital Project Funds          |                                 | Total<br>Nonmajor<br>Govern-<br>mental<br>Funds |
|--|-----------------------------|-----------------------------|------------------|----------------|--------------------------------|---------------------------------|---|
|  | Tourism<br>Develop-<br>ment | Special<br>Assess-<br>ments | Enhance-<br>ment | New<br>Library | General<br>Capital<br>Projects | Parks<br>and<br>Recre-<br>ation |   |
| <u>Assets</u>                            |                             |                             |                  |                |                                |                                 |   |
| Cash and investments                     | \$ 136,845                  | 98,549                      | 4,088,229        | 5,423          | 1,295,594                      | 371,042                         | 5,995,682                                       |
| Receivables:                             |                             |                             |                  |                |                                |                                 |   |
| Taxes                                    | 40,754                      | -                           | -                | -              | -                              | -                               | 40,754  |
| Grants                                   | -                           | -                           | -                | -              | 51,084                         | -                               | 51,084  |
| Special assessments                      | -                           | 222,347                     | -                | -              | -                              | -                               | 222,347   |
| Interest                                 | -                           | -                           | 49,701           | -              | 1,818                          | -                               | 51,519  |
|  | -                           | -                           | 49,701           | -              | 1,818                          | -                               | 51,519  |
| Total assets                             | \$ <u>177,599</u>           | <u>320,896</u>              | <u>4,137,930</u> | <u>5,423</u>   | <u>1,348,496</u>               | <u>371,042</u>                  | <u>6,361,386</u>                                |
| <u>Liabilities and<br/>Fund Balances</u> |                             |                             |                  |                |                                |                                 |   |
| Liabilities:                             |                             |                             |                  |                |                                |                                 |   |
| Accounts payable                         | -                           | 472                         | -                | -              | 23,139                         | 1,946                           | 25,557  |
| Deferred assessments                     | -                           | 209,025                     | -                | -              | -                              | -                               | 209,025   |
| Deferred revenue                         | -                           | -                           | -                | -              | 18,693                         | -                               | 18,693  |
| Total liabilities                        | -                           | 209,497                     | -                | -              | 41,832                         | 1,946                           | 253,275   |
| Fund balances - unreserved:              |                             |                             |                  |                |                                |                                 |   |
| Designated:                              |                             |                             |                  |                |                                |                                 |   |
| Capital projects                         | -                           | -                           | -                | -              | 1,306,664                      | 369,096                         | 1,675,760                                       |
| Subsequent year's<br>expenditures        | 1,000                       | -                           | -                | -              | -                              | -                               | 1,000   |
| Undesignated                             | <u>176,599</u>              | <u>111,399</u>              | <u>4,137,930</u> | <u>5,423</u>   | <u>-</u>                       | <u>-</u>                        | <u>4,431,351</u>                                |
| Total fund balances                      | <u>177,599</u>              | <u>111,399</u>              | <u>4,137,930</u> | <u>5,423</u>   | <u>1,306,664</u>               | <u>369,096</u>                  | <u>6,108,111</u>                                |
| Total liabilities and<br>fund balances   | \$ <u>177,599</u>           | <u>320,896</u>              | <u>4,137,930</u> | <u>5,423</u>   | <u>1,348,496</u>               | <u>371,042</u>                  | <u>6,361,386</u>                                |

**CITY OF KODIAK, ALASKA**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2010**

|   | Special Revenue Funds       |                             |                  |                | Capital Project Funds          |                                 | Total<br>Nonmajor<br>Govern-<br>mental<br>Funds |
|---|-----------------------------|-----------------------------|------------------|----------------|--------------------------------|---------------------------------|---|
|   | Tourism<br>Develop-<br>ment | Special<br>Assess-<br>ments | Enhance-<br>ment | New<br>Library | General<br>Capital<br>Projects | Parks<br>and<br>Recre-<br>ation |   |
| <b>Revenues:</b>  |                             |                             |                  |                |                                |                                 |   |
| Taxes   | \$ 154,145                  | -                           | -                | -              | -                              | -                               | 154,145   |
| Rental income   | -                           | -                           | 40,502           | -              | -                              | -                               | 40,502  |
| Intergovernmental   | -                           | -                           | -                | -              | 119,257                        | -                               | 119,257   |
| Investment income   | 404                         | 395                         | 202,375          | -              | 1,101                          | 1,415                           | 205,690   |
| Special assessments   | -                           | 81,088                      | -                | -              | -                              | -                               | 81,088  |
| Sale of land  | -                           | -                           | 309,529          | -              | -                              | -                               | 309,529   |
| Other revenues  | -                           | -                           | -                | 21             | -                              | -                               | 21  |
| <b>Total revenues</b>   | <u>154,549</u>              | <u>81,483</u>               | <u>552,406</u>   | <u>21</u>      | <u>120,358</u>                 | <u>1,415</u>                    | <u>910,232</u>                                  |
| <b>Expenditures:</b>  |                             |                             |                  |                |                                |                                 |   |
| General government  | -                           | -                           | -                | -              | 50,912                         | -                               | 50,912  |
| Public safety   | -                           | -                           | -                | -              | 116,577                        | -                               | 116,577   |
| Public works  | -                           | 370                         | -                | -              | 82,291                         | -                               | 82,661  |
| Parks and recreation  | -                           | -                           | -                | -              | -                              | 28,949                          | 28,949  |
| Community services  | 122,101                     | -                           | -                | 4,698          | -                              | -                               | 126,799   |
| Capital outlay  | -                           | -                           | -                | -              | -                              | 7,638                           | 7,638   |
| <b>Total expenditures</b>   | <u>122,101</u>              | <u>370</u>                  | <u>-</u>         | <u>4,698</u>   | <u>249,780</u>                 | <u>36,587</u>                   | <u>413,536</u>                                  |
| <b>Excess of revenues<br/>    over (under)<br/>    expenditures</b> | 32,448                      | 81,113                      | 552,406          | (4,677)        | (129,422)                      | (35,172)                        | 496,696   |
| <b>Other financing sources (uses):</b>                              |                             |                             |                  |                |                                |                                 |   |
| Transfers in  | -                           | -                           | 28,054           | -              | 775,000                        | 50,000                          | 853,054   |
| Transfers out   | -                           | -                           | -                | -              | (500,000)                      | -                               | (500,000)                                       |
| <b>Net other financing<br/>    sources (uses)</b>                   | <u>-</u>                    | <u>-</u>                    | <u>28,054</u>    | <u>-</u>       | <u>275,000</u>                 | <u>50,000</u>                   | <u>353,054</u>                                  |
| <b>Net change in fund<br/>    balances</b>                          | 32,448                      | 81,113                      | 580,460          | (4,677)        | 145,578                        | 14,828                          | 849,750   |
| <b>Fund balances at beginning<br/>of year</b>                       | <u>145,151</u>              | <u>30,286</u>               | <u>3,557,470</u> | <u>10,100</u>  | <u>1,161,086</u>               | <u>354,268</u>                  | <u>5,258,361</u>                                |
| <b>Fund balances at end<br/>of year</b>                             | \$ <u>177,599</u>           | <u>111,399</u>              | <u>4,137,930</u> | <u>5,423</u>   | <u>1,306,664</u>               | <u>369,096</u>                  | <u>6,108,111</u>                                |



**CITY OF KODIAK, ALASKA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2010**

| <u>Assets</u>                      | <u>Harbor<br/>Electric</u> | <u>Trident<br/>Basin</u> | <u>E-911<br/>Services</u> | <u>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</u> |
|------------------------------------|----------------------------|--------------------------|---------------------------|--|
| Current assets:                    |                            |                          |                           |  |
| Cash and investments               | \$ 431,041                 | -                        | -                         | 431,041  |
| Receivables - net of allowances    | <u>55,254</u>              | <u>125,963</u>           | <u>98,431</u>             | <u>279,648</u>                                     |
| Total current assets               | <u>486,295</u>             | <u>125,963</u>           | <u>98,431</u>             | <u>710,689</u>                                     |
| Noncurrent assets -                |                            |                          |                           |  |
| property, plant and equipment, net | <u>77,747</u>              | <u>5,112,968</u>         | <u>-</u>                  | <u>5,190,715</u>                                   |
| Total assets                       | \$ <u>564,042</u>          | <u>5,238,931</u>         | <u>98,431</u>             | <u>5,901,404</u>                                   |
| <u>Liabilities and Net Assets</u>  |                            |                          |                           |  |
| Liabilities:                       |                            |                          |                           |  |
| Current liabilities:               |                            |                          |                           |  |
| Accounts payable                   | 39,719                     | 1,402                    | -                         | 41,121   |
| Customer deposits                  | 11,800                     | 1,536                    | -                         | 13,336   |
| Due to other funds                 | <u>-</u>                   | <u>215,714</u>           | <u>94,953</u>             | <u>310,667</u>                                     |
| Total current liabilities          | <u>51,519</u>              | <u>218,652</u>           | <u>94,953</u>             | <u>365,124</u>                                     |
| Net assets:                        |                            |                          |                           |  |
| Invested in capital assets         | 77,747                     | 5,112,968                | -                         | 5,190,715  |
| Unrestricted (deficit)             | <u>434,776</u>             | <u>(92,689)</u>          | <u>3,478</u>              | <u>345,565</u>                                     |
| Total net assets                   | <u>512,523</u>             | <u>5,020,279</u>         | <u>3,478</u>              | <u>5,536,280</u>                                   |
| Total liabilities and net assets   | \$ <u>564,042</u>          | <u>5,238,931</u>         | <u>98,431</u>             | <u>5,901,404</u>                                   |

**CITY OF KODIAK, ALASKA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2010

|   | <u>Harbor</u>     | <u>Trident</u>   | <u>E-911</u>    | Total            |
|---|-------------------|------------------|-----------------|------------------|
|   | <u>Electric</u>   | <u>Basin</u>     | <u>Services</u> | Nonmajor         |
|   |                   |                  |                 | Enterprise       |
|   |                   |                  |                 | Funds            |
| Operating revenues                                    | \$ <u>654,986</u> | <u>33,266</u>    | <u>66,901</u>   | <u>755,153</u>   |
| Operating expenses:                                   |                   |                  |                 |                  |
| Salaries and benefits                                 | 50,330            | -                | 6,003           | 56,333           |
| Professional  | -                 | 2,256            | 31,550          | 33,806           |
| Goods and services                                    | 535,962           | 469              | -               | 536,431          |
| Utilities and fuel                                    | -                 | 8,906            | -               | 8,906            |
| Administrative services                               | -                 | 3,104            | -               | 3,104            |
| Machinery and equipment                               | 11,059            | -                | -               | 11,059           |
| Interfund charges                                     | -                 | 112,760          | -               | 112,760          |
| Depreciation  | <u>8,638</u>      | <u>30,750</u>    | <u>-</u>        | <u>39,388</u>    |
| Total operating expenses                              | <u>605,989</u>    | <u>158,245</u>   | <u>37,553</u>   | <u>801,787</u>   |
| Earnings (loss) from operations                       | 48,997            | (124,979)        | 29,348          | (46,634)         |
| Nonoperating revenues:                                |                   |                  |                 |                  |
| Investment income                                     | 1,466             | 152              | -               | 1,618            |
| Federal grant - insurance coverage                    | <u>1,152</u>      | <u>-</u>         | <u>-</u>        | <u>1,152</u>     |
| Total nonoperating revenues                           | <u>2,618</u>      | <u>152</u>       | <u>-</u>        | <u>2,770</u>     |
| Earnings (loss) before contributions<br>and transfers | 51,615            | (124,827)        | 29,348          | (43,864)         |
| Capital contributions                                 | -                 | 120,702          | -               | 120,702          |
| Transfers in  | -                 | 413,132          | -               | 413,132          |
| Transfers out   | <u>-</u>          | <u>-</u>         | <u>(25,870)</u> | <u>(25,870)</u>  |
| Change in net assets                                  | 51,615            | 409,007          | 3,478           | 464,100          |
| Net assets at beginning of year                       | <u>460,908</u>    | <u>4,611,272</u> | <u>-</u>        | <u>5,072,180</u> |
| Net assets at end of year                             | \$ <u>512,523</u> | <u>5,020,279</u> | <u>3,478</u>    | <u>5,536,280</u> |

**CITY OF KODIAK, ALASKA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2010**

|   | <u>Harbor</u><br><u>Electric</u> | <u>Trident</u><br><u>Basin</u> | <u>E-911</u><br><u>Services</u> | <u>Total</u><br><u>Nonmajor</u><br><u>Enterprise</u><br><u>Funds</u> |
|---|----------------------------------|--------------------------------|---------------------------------|--|
| Cash flows from operating activities:   |                                  |                                |                                 |  |
| Receipts from customers and users   | \$ 639,067                       | 34,289                         | 66,901                          | 740,257  |
| Payments for interfund services used  | -                                | (112,760)                      | -                               | (112,760)  |
| Payments to suppliers   | (538,152)                        | (14,699)                       | (31,550)                        | (584,401)  |
| Payments to employees   | (50,330)                         | -                              | (6,003)                         | (56,333)   |
| Net cash flows from operating activities  | <u>50,585</u>                    | <u>(93,170)</u>                | <u>29,348</u>                   | <u>(13,237)</u>  |
| Cash flows from noncapital financing activities:  |                                  |                                |                                 |  |
| Decrease in due to other funds  | -                                | -                              | (3,478)                         | (3,478)  |
| Transfers out   | -                                | -                              | (25,870)                        | (25,870)   |
| Federal grant received  | <u>1,152</u>                     | <u>-</u>                       | <u>-</u>                        | <u>1,152</u>   |
| Net cash flows from noncapital financing activities   | <u>1,152</u>                     | <u>-</u>                       | <u>(29,348)</u>                 | <u>(28,196)</u>  |
| Cash flows from capital and related financing activities:   |                                  |                                |                                 |  |
| Purchase of property, plant and equipment   | (21,850)                         | -                              | -                               | (21,850)   |
| Decrease in due to other funds  | -                                | (416,746)                      | -                               | (416,746)  |
| Capital contributions received  | -                                | 96,632                         | -                               | 96,632   |
| Transfers in  | <u>-</u>                         | <u>413,132</u>                 | <u>-</u>                        | <u>413,132</u>   |
| Net cash flows from capital and related financing activities  | <u>(21,850)</u>                  | <u>93,018</u>                  | <u>-</u>                        | <u>71,168</u>  |
| Cash flows from investing activities -  |                                  |                                |                                 |  |
| investment income received  | <u>1,466</u>                     | <u>152</u>                     | <u>-</u>                        | <u>1,618</u>   |
| Net increase in cash and investments  | 31,353                           | -                              | -                               | 31,353   |
| Cash and investments at beginning of year   | <u>399,688</u>                   | <u>-</u>                       | <u>-</u>                        | <u>399,688</u>   |
| Cash and investments at end of year   | \$ <u>431,041</u>                | <u>-</u>                       | <u>-</u>                        | <u>431,041</u>   |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities         |                                  |                                |                                 |  |
| Earnings (loss) from operations   | 48,997                           | (124,979)                      | 29,348                          | (46,634)   |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities: |                                  |                                |                                 |  |
| Depreciation  | 8,638                            | 30,750                         | -                               | 39,388   |
| (Increase) decrease in assets - accounts receivable   | (13,219)                         | 1,023                          | -                               | (12,196)   |
| Increase (decrease) in liabilities:   |                                  |                                |                                 |  |
| Accounts payable  | 8,869                            | 36                             | -                               | 8,905  |
| Customer deposits   | (2,700)                          | -                              | -                               | (2,700)  |
| Net cash flows from operating activities  | \$ <u>50,585</u>                 | <u>(93,170)</u>                | <u>29,348</u>                   | <u>(13,237)</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, 2010  
 (With Comparative Amounts for 2009)

|   | <u>2010</u>             | <u>2009</u>          |
|---|-------------------------|----------------------|
| <u>Assets</u>                                 |                         |                      |
| Cash and investments                          | \$ 4,760,835            | 2,169,550            |
| Receivables:                                  |                         |                      |
| Taxes   | 2,490,701               | 2,478,957            |
| Grants and shared revenues                    | 9,632                   | 55,907               |
| Interest                                      | 47,367                  | 6,639                |
| Total receivables                             | <u>2,547,700</u>        | <u>2,541,503</u>     |
| Due from other funds                          | 2,104,418               | 3,456,270            |
| Prepaid items                                 | <u>13,618</u>           | <u>14,622</u>        |
| <br>Total assets                              | <br>\$ <u>9,426,571</u> | <br><u>8,181,945</u> |
| <u>Liabilities and Fund Balance</u>           |                         |                      |
| Liabilities:                                  |                         |                      |
| Accounts payable                              | 238,112                 | 172,429              |
| Accrued payroll and related liabilities       | 332,338                 | 301,643              |
| Customer deposits                             | <u>3,551</u>            | <u>3,750</u>         |
| Total liabilities                             | <u>574,001</u>          | <u>477,822</u>       |
| Fund balance:                                 |                         |                      |
| Reserved for prepaid items                    | 13,618                  | 14,622               |
| Unreserved:                                   |                         |                      |
| Designated for subsequent year's expenditures | 1,440,324               | -                    |
| Undesignated                                  | <u>7,398,628</u>        | <u>7,689,501</u>     |
| Total fund balance                            | <u>8,852,570</u>        | <u>7,704,123</u>     |
| <br>Total liabilities and fund balance        | <br>\$ <u>9,426,571</u> | <br><u>8,181,945</u> |

## CITY OF KODIAK, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Year Ended June 30, 2010  
(With Comparative Amounts for 2009)

|   | 2010             |                   | Variance<br>Positive<br>(Negative) | 2009             |
|---|------------------|-------------------|------------------------------------|------------------|
|   | <u>Budget</u>    | <u>Actual</u>     |                                    | <u>Actual</u>    |
| <b>Revenues:</b>                          |                  |                   |                                    |                  |
| <b>Taxes:</b>                             |                  |                   |                                    |                  |
| Property taxes                            | \$ 653,500       | 665,999           | 12,499                             | 651,699          |
| Sales taxes                               | 8,700,000        | 9,379,409         | 679,409                            | 9,277,394        |
| Penalties and interest                    | 24,000           | 25,282            | 1,282                              | 31,565           |
| Total taxes                               | <u>9,377,500</u> | <u>10,070,690</u> | <u>693,190</u>                     | <u>9,960,658</u> |
| <b>Intergovernmental:</b>                 |                  |                   |                                    |                  |
| Grants                                    | 302,910          | 463,413           | 160,503                            | 44,520           |
| Revenue sharing                           | 400,759          | 400,759           | -                                  | 389,286          |
| State PERS relief                         | 760,460          | 269,592           | (490,868)                          | 640,340          |
| Fisheries business tax                    | 1,046,010        | 1,046,010         | -                                  | 946,635          |
| Shared fisheries business and landing tax | 63,000           | 68,818            | 5,818                              | 70,855           |
| Liquor licenses                           | 31,000           | 22,500            | (8,500)                            | 31,600           |
| Fuel tax sharing                          | 14,000           | 5,993             | (8,007)                            | 6,634            |
| Telephone and electric sharing            | 38,100           | 39,944            | 1,844                              | 39,963           |
| Total intergovernmental                   | <u>2,656,239</u> | <u>2,317,029</u>  | <u>(339,210)</u>                   | <u>2,169,833</u> |
| <b>Charges for services:</b>              |                  |                   |                                    |                  |
| <b>Public safety:</b>                     |                  |                   |                                    |                  |
| Boarding of State prisoners               | 605,340          | 605,335           | (5)                                | 607,135          |
| State Trooper contract                    | 120,000          | 98,438            | (21,562)                           | 128,877          |
| Borough animal control                    | 84,125           | 84,125            | -                                  | 84,125           |
| Borough E911 access fees                  | -                | -                 | -                                  | 64,000           |
| Ambulance services                        | 35,000           | 52,923            | 17,923                             | 44,070           |
| Other public safety charges               | 104,903          | 49,685            | (55,218)                           | 85,462           |
| School crossing guard services            | 12,000           | 9,060             | (2,940)                            | 8,060            |
| School lifeguard services                 | 7,500            | 6,373             | (1,127)                            | 7,918            |
| Borough building inspector charges        | 130,000          | 143,281           | 13,281                             | 76,285           |
| Library fees and charges                  | 20,000           | 15,980            | (4,020)                            | 16,140           |
| Parks and recreation fees and charges     | 99,000           | 120,300           | 21,300                             | 101,195          |
| Public works services                     | 10,000           | 8,880             | (1,120)                            | 9,625            |
| Total charges for services                | <u>1,227,868</u> | <u>1,194,380</u>  | <u>(33,488)</u>                    | <u>1,232,892</u> |

**CITY OF KODIAK, ALASKA**  
General Fund

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

|                                 | 2010              |                   | Variance<br>Positive<br>(Negative) | 2009              |
|---------------------------------|-------------------|-------------------|------------------------------------|-------------------|
|                                 | <u>Budget</u>     | <u>Actual</u>     |                                    | <u>Actual</u>     |
| Revenues, continued:            |                   |                   |                                    |                   |
| Fines and forfeitures           | \$ 39,100         | 23,514            | (15,586)                           | 20,122            |
| Licenses and permits            | 65,500            | 70,489            | 4,989                              | 76,679            |
| Rental income                   | 103,000           | 157,686           | 54,686                             | 173,089           |
| Interfund charges:              |                   |                   |                                    |                   |
| Cargo Pier Fund                 | 79,420            | 79,420            | -                                  | 85,830            |
| Boat Harbor Fund                | 79,420            | 79,420            | -                                  | 85,830            |
| Water Fund                      | 79,420            | 79,420            | -                                  | 85,820            |
| Sewer Fund                      | 79,420            | 79,420            | -                                  | 85,820            |
| Trident Basin Fund              | 79,420            | 79,420            | -                                  | 85,830            |
| Public works                    | 170,260           | 170,260           | -                                  | 165,400           |
| Engineering and inspection fees | 80,960            | 80,960            | -                                  | 65,890            |
| Tourism Development Fund        | 30,500            | 30,500            | -                                  | 30,500            |
| Total interfund charges         | <u>678,820</u>    | <u>678,820</u>    | -                                  | <u>690,920</u>    |
| Investment income               | 190,000           | 31,162            | (158,838)                          | 234,671           |
| Sale of land                    | 293,000           | 436,946           | 143,946                            | 759,154           |
| Other revenues                  | 765,028           | 651,260           | (113,768)                          | 3,123             |
| Total revenues                  | <u>15,396,055</u> | <u>15,631,976</u> | <u>235,921</u>                     | <u>15,321,141</u> |
| Expenditures:                   |                   |                   |                                    |                   |
| General government:             |                   |                   |                                    |                   |
| Legislative                     | 267,710           | 171,861           | 95,849                             | 197,297           |
| Legal                           | 80,000            | 86,571            | (6,571)                            | 29,944            |
| Executive                       | 350,430           | 279,861           | 70,569                             | 324,283           |
| City clerk                      | 360,650           | 300,684           | 59,966                             | 286,258           |
| Finance                         | 1,270,580         | 1,098,581         | 171,999                            | 1,099,886         |
| Total general government        | <u>2,329,370</u>  | <u>1,937,558</u>  | <u>391,812</u>                     | <u>1,937,668</u>  |

**CITY OF KODIAK, ALASKA**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual, continued

|                            | 2010             |                  | Variance<br>Positive<br>(Negative) | 2009             |
|----------------------------|------------------|------------------|------------------------------------|------------------|
|                            | <u>Budget</u>    | <u>Actual</u>    |                                    | <u>Actual</u>    |
| Expenditures, continued:   |                  |                  |                                    |                  |
| Public safety:             |                  |                  |                                    |                  |
| Police department:         |                  |                  |                                    |                  |
| Administration:            |                  |                  |                                    |                  |
| Operations                 | \$ 581,505       | 556,816          | 24,689                             | 551,075          |
| Bond principal             | 145,000          | 145,000          | -                                  | 135,000          |
| Bond interest              | 385,740          | 385,740          | -                                  | 377,227          |
| Uniformed patrol           | 1,371,385        | 1,150,430        | 220,955                            | 1,244,333        |
| Corrections                | 686,718          | 634,521          | 52,197                             | 566,501          |
| Investigations             | 300,830          | 272,403          | 28,427                             | 266,637          |
| Support services           | 896,250          | 780,581          | 115,669                            | 765,839          |
| Animal control             | 182,190          | 159,510          | 22,680                             | 170,210          |
| Drug enforcement           | 137,570          | 117,442          | 20,128                             | 110,310          |
| Community services         | 312,180          | 287,391          | 24,789                             | 219,463          |
| Canine                     | 139,808          | 140,750          | (942)                              | 133,651          |
| Fire department            | 1,791,190        | 1,763,692        | 27,498                             | 1,632,849        |
| Total public safety        | <u>6,930,366</u> | <u>6,394,276</u> | <u>536,090</u>                     | <u>6,173,095</u> |
| Public works:              |                  |                  |                                    |                  |
| Administration             | 96,720           | 84,849           | 11,871                             | 87,876           |
| Streets                    | 1,319,620        | 1,184,049        | 135,571                            | 1,269,716        |
| Garage                     | 280,480          | 237,831          | 42,649                             | 271,523          |
| Building inspection        | 259,100          | 229,609          | 29,491                             | 248,903          |
| Municipal airport facility | 37,950           | 37,817           | 133                                | 22,470           |
| Total public works         | <u>1,993,870</u> | <u>1,774,155</u> | <u>219,715</u>                     | <u>1,900,488</u> |
| Engineering                | <u>202,360</u>   | <u>143,630</u>   | <u>58,730</u>                      | <u>128,245</u>   |
| Parks and recreation:      |                  |                  |                                    |                  |
| Administration             | 493,610          | 514,597          | (20,987)                           | 538,464          |
| Museum                     | 75,000           | 70,619           | 4,381                              | 74,061           |
| Teen Center                | 184,480          | 166,978          | 17,502                             | 145,814          |
| Aquatics                   | 160,086          | 165,615          | (5,529)                            | 100,807          |
| Ice rink                   | 128,070          | 130,247          | (2,177)                            | 115,634          |
| Beautification program     | 16,000           | 12,280           | 3,720                              | 12,123           |
| Total parks and recreation | <u>1,057,246</u> | <u>1,060,336</u> | <u>(3,090)</u>                     | <u>986,903</u>   |



**CITY OF KODIAK, ALASKA**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual, continued

|  | 2010         |             | Variance               | 2009        |
|--|--------------|-------------|------------------------|-------------|
|  | Budget       | Actual      | Positive<br>(Negative) | Actual      |
| Expenditures, continued:                     |              |             |                        |             |
| Library                                      | \$ 759,150   | 720,071     | 39,079                 | 695,715     |
| Community services:                          |              |             |                        |             |
| Contributions                                | 136,300      | 106,189     | 30,111                 | 100,085     |
| Downtown revitalization                      | 44,000       | 34,830      | 9,170                  | 38,793      |
| Total community services                     | 180,300      | 141,019     | 39,281                 | 138,878     |
| Other - insurance and general administration | 531,700      | 525,528     | 6,172                  | 474,613     |
| Total expenditures                           | 13,984,362   | 12,696,573  | 1,287,789              | 12,435,605  |
| Excess of revenues over expenditures         | 1,411,693    | 2,935,403   | 1,523,710              | 2,885,536   |
| Other financing sources (uses):              |              |             |                        |             |
| Transfers in                                 | 531,870      | 531,870     | -                      | 1,626,843   |
| Transfers out                                | (2,188,132)  | (2,318,826) | (130,694)              | (5,118,473) |
| Net other financing sources (uses)           | (1,656,262)  | (1,786,956) | (130,694)              | (3,491,630) |
| Net change in fund balance                   | \$ (244,569) | 1,148,447   | 1,393,016              | (606,094)   |
| Fund balance at beginning of year            |              | 7,704,123   |                        | 8,310,217   |
| Fund balance at end of year                  | \$           | 8,852,570   |                        | 7,704,123   |

## **SPECIAL REVENUE FUNDS**

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

### **Tourism Development**

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

### **Special Assessments**

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

### **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, 2010  
 (With Comparative Amounts for 2009)

|   | <u>2010</u>           | <u>2009</u>        |
|---|-----------------------|--------------------|
| <u>Assets</u>                                 |                       |                    |
| Cash and investments                          | \$ 136,845            | 98,443             |
| Receivables - taxes                           | <u>40,754</u>         | <u>46,708</u>      |
| <br>Total assets                              | <br>\$ <u>177,599</u> | <br><u>145,151</u> |
| <br><u>Fund Balance</u>                       |                       |                    |
| Fund balance - unreserved:                    |                       |                    |
| Designated for subsequent year's expenditures | 1,000                 | 1,000              |
| Undesignated                                  | <u>176,599</u>        | <u>144,151</u>     |
| <br>Total fund balance                        | <br>\$ <u>177,599</u> | <br><u>145,151</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, 2010  
 (With Comparative Amounts for 2009)

|                                    | 2010          |               | Variance<br>Positive<br>(Negative) | 2009          |
|------------------------------------|---------------|---------------|------------------------------------|---------------|
|                                    | <u>Budget</u> | <u>Actual</u> |                                    | <u>Actual</u> |
| Revenues:                          |               |               |                                    |               |
| Room taxes                         | \$ 120,000    | 154,145       | 34,145                             | 168,267       |
| Investment income                  | 1,500         | 404           | (1,096)                            | 2,148         |
| Total revenues                     | 121,500       | 154,549       | 33,049                             | 170,415       |
| Expenditures - community services: |               |               |                                    |               |
| Interfund services:                |               |               |                                    |               |
| Finance and administration         | 12,150        | 12,150        | -                                  | 12,150        |
| Public works services              | 2,350         | 2,350         | -                                  | 2,350         |
| Parks and recreation services      | 16,000        | 16,000        | -                                  | 16,000        |
| Other                              | -             | 601           | (601)                              | 600           |
| Community service contributions    | 91,000        | 91,000        | -                                  | 99,576        |
| Total expenditures                 | 121,500       | 122,101       | (601)                              | 130,676       |
| Net change in fund balance         | \$ -          | 32,448        | 32,448                             | 39,739        |
| Fund balance at beginning of year  |               | 145,151       |                                    | 105,412       |
| Fund balance at end of year        | \$            | 177,599       |                                    | 145,151       |

**CITY OF KODIAK, ALASKA**  
**Special Assessments Special Revenue Fund**  
**Balance Sheet**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>           | <u>2009</u>        |
|--|-----------------------|--------------------|
| <u>Assets</u>                                  |                       |                    |
| Cash and investments                           | \$ 98,549             | 18,305             |
| Receivables - special assessments              | <u>222,347</u>        | <u>291,925</u>     |
| <br>Total assets                               | <br>\$ <u>320,896</u> | <br><u>310,230</u> |
| <br><u>Liabilities and Fund Balance</u>        |                       |                    |
| Liabilities:                                   |                       |                    |
| Accounts payable                               | 472                   | 472                |
| Deferred assessments                           | <u>209,025</u>        | <u>279,472</u>     |
| Total liabilities                              | 209,497               | 279,944            |
| <br>Fund balance - unreserved and undesignated | <br><u>111,399</u>    | <br><u>30,286</u>  |
| <br>Total liabilities and fund balance         | <br>\$ <u>320,896</u> | <br><u>310,230</u> |

**CITY OF KODIAK, ALASKA**  
**Special Assessments Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>       | <u>2009</u>     |
|---|-------------------|-----------------|
| Revenues:   |                   |                 |
| Special assessments                                 | \$ 81,088         | 91,300          |
| Investment income                                   | <u>395</u>        | <u>505</u>      |
| Total revenues                                      | 81,483            | 91,805          |
| <br>  |                   |                 |
| Expenditures - public works - professional services | <u>370</u>        | <u>390</u>      |
| <br>  |                   |                 |
| Excess of revenues over expenditures                | 81,113            | 91,415          |
| <br>  |                   |                 |
| Other financing uses - transfers out                | <u>-</u>          | <u>(90,000)</u> |
| <br>  |                   |                 |
| Net change in fund balance                          | 81,113            | 1,415           |
| <br>  |                   |                 |
| Fund balance at beginning of year                   | <u>30,286</u>     | <u>28,871</u>   |
| <br>  |                   |                 |
| Fund balance at end of year                         | \$ <u>111,399</u> | <u>30,286</u>   |

**CITY OF KODIAK, ALASKA**  
**Enhancement Fund Special Revenue Fund**  
**Balance Sheet**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>         | <u>2009</u>      |
|--|---------------------|------------------|
| <u>Assets</u>                              |                     |                  |
| Cash and investments                       | \$ 4,088,229        | 3,476,036        |
| Interest receivable                        | <u>49,701</u>       | <u>81,434</u>    |
| Total assets                               | \$ <u>4,137,930</u> | <u>3,557,470</u> |
| <u>Fund Balance</u>                        |                     |                  |
| Fund balance - unreserved and undesignated | \$ <u>4,137,930</u> | <u>3,557,470</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, 2010**  
**(With Comparative Amounts for 2009)**

|                                    | 2010              |                  | Variance<br>Positive<br>(Negative) | 2009               |
|------------------------------------|-------------------|------------------|------------------------------------|--------------------|
|                                    | Budget            | Actual           |                                    | Actual             |
| Revenues:                          |                   |                  |                                    |                    |
| Rental income                      | \$ 40,500         | 40,502           | 2                                  | 40,371             |
| Investment income                  | 180,000           | 202,375          | 22,375                             | 265,589            |
| Sale of land                       | <u>93,000</u>     | <u>309,529</u>   | <u>216,529</u>                     | <u>759,154</u>     |
| Total revenues                     | <u>313,500</u>    | <u>552,406</u>   | <u>238,906</u>                     | <u>1,065,114</u>   |
| Other financing sources (uses):    |                   |                  |                                    |                    |
| Transfers in                       | -                 | 28,054           | 28,054                             | 1,368,473          |
| Transfers out                      | <u>-</u>          | <u>-</u>         | <u>-</u>                           | <u>(4,152,190)</u> |
| Net other financing sources (uses) | <u>-</u>          | <u>28,054</u>    | <u>28,054</u>                      | <u>(2,783,717)</u> |
| Net change in fund balance         | \$ <u>313,500</u> | 580,460          | <u>266,960</u>                     | (1,718,603)        |
| Fund balance at beginning of year  |                   | <u>3,557,470</u> |                                    | <u>5,276,073</u>   |
| Fund balance at end of year        | \$                | <u>4,137,930</u> |                                    | <u>3,557,470</u>   |



**CITY OF KODIAK, ALASKA**  
**New Library Special Revenue Fund**  
**Balance Sheet**  
**June 30, 2010**  
 (With Comparative Amounts for 2009)

|  | <u>2010</u>     | <u>2009</u>   |
|--|-----------------|---------------|
| <u>Assets</u>                              |                 |               |
| Cash and investments                       | \$ <u>5,423</u> | <u>10,100</u> |
| <br><u>Fund Balance</u>                    |                 |               |
| Fund balance - unreserved and undesignated | \$ <u>5,423</u> | <u>10,100</u> |

**CITY OF KODIAK, ALASKA**  
**New Library Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|  | <u>2010</u>     | <u>2009</u>   |
|--|-----------------|---------------|
| Revenues - other                             | \$ <u>21</u>    | <u>1,032</u>  |
| Expenditures - new library - administration  | <u>4,698</u>    | <u>1,515</u>  |
| Excess of revenues over (under) expenditures | (4,677)         | (483)         |
| Other financing sources - transfers in       | <u>-</u>        | <u>10,000</u> |
| Net change in fund balance                   | (4,677)         | 9,517         |
| Fund balance at beginning of year            | <u>10,100</u>   | <u>583</u>    |
| Fund balance at end of year                  | \$ <u>5,423</u> | <u>10,100</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, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>         | <u>2009</u>      |
|--|---------------------|------------------|
| <u>Assets</u>                                  |                     |                  |
| Cash and investments                           | \$ 1,295,594        | 1,271,816        |
| Receivables:                                   |                     |                  |
| Grants   | 51,084              | 8,400            |
| Interest                                       | <u>1,818</u>        | <u>3,892</u>     |
| Total assets                                   | \$ <u>1,348,496</u> | <u>1,284,108</u> |
| <u>Liabilities and Fund Balance</u>            |                     |                  |
| Liabilities:                                   |                     |                  |
| Accounts payable                               | 23,139              | 104,329          |
| Deferred revenue                               | <u>18,693</u>       | <u>18,693</u>    |
| Total liabilities                              | <u>41,832</u>       | <u>123,022</u>   |
| Fund balance - designated for capital projects | <u>1,306,664</u>    | <u>1,161,086</u> |
| Total liabilities and fund balance             | \$ <u>1,348,496</u> | <u>1,284,108</u> |

**CITY OF KODIAK, ALASKA**  
**General Capital Projects Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>                | <u>2009</u>             |
|---|----------------------------|-------------------------|
| <b>Revenues:</b>                                    |                            |                         |
| Intergovernmental                                   | \$ 119,257                 | 60,200                  |
| Investment income                                   | <u>1,101</u>               | <u>25,713</u>           |
| <b>Total revenues</b>                               | <u>120,358</u>             | <u>85,913</u>           |
| <b>Expenditures:</b>                                |                            |                         |
| Hazmat technician course                            | 46,309                     | -                       |
| Near Island development                             | 40,157                     | 432                     |
| City land development                               | 1,293                      | 7,143                   |
| Paint exterior of library                           | 28                         | -                       |
| Siren alert warning system                          | 10,415                     | 8,400                   |
| Comprehensive records management program            | -                          | 10,303                  |
| Museum building phase I                             | -                          | 50,000                  |
| Museum building phase II                            | 34,322                     | 105,675                 |
| Municipal airport improvement                       | 40,841                     | 1,022                   |
| KFD deferred maintenance                            | 15,808                     | 16,387                  |
| Roof and building evaluation                        | 16,562                     | 122,381                 |
| Law enforcement simulator                           | 36,000                     | -                       |
| Alaska shield hazmat exercise                       | 8,045                      | -                       |
| Homeland security                                   | <u>-</u>                   | <u>1,314</u>            |
| <b>Total expenditures</b>                           | <u>249,780</u>             | <u>323,057</u>          |
| <b>Excess of revenues over (under) expenditures</b> | <b>(129,422)</b>           | <b>(237,144)</b>        |
| <b>Other financing sources (uses):</b>              |                            |                         |
| Transfers in  | 775,000                    | 580,000                 |
| Transfers out                                       | <u>(500,000)</u>           | <u>-</u>                |
| <b>Net other financing sources (uses)</b>           | <u>275,000</u>             | <u>580,000</u>          |
| <b>Net change in fund balance</b>                   | <b>145,578</b>             | <b>342,856</b>          |
| Fund balance at beginning of year                   | <u>1,161,086</u>           | <u>818,230</u>          |
| Fund balance at end of year                         | <b>\$ <u>1,306,664</u></b> | <b><u>1,161,086</u></b> |

**CITY OF KODIAK, ALASKA**  
**Street Improvements Capital Project Fund**  
**Balance Sheet**  
**June 30, 2010**  
 (With Comparative Amounts for 2009)

|  | <u>2010</u>             | <u>2009</u>          |
|--|-------------------------|----------------------|
| <u>Assets</u>                                  |                         |                      |
| Cash and investments                           | \$ 1,725,747            | 2,593,927            |
| Receivables - interest                         | <u>2,422</u>            | <u>7,937</u>         |
| <br>Total assets                               | <br>\$ <u>1,728,169</u> | <br><u>2,601,864</u> |
| <br><u>Liabilities and Fund Balance</u>        |                         |                      |
| Liabilities - accounts payable                 | 598,271                 | 273,529              |
| Fund balance - designated for capital projects | <u>1,129,898</u>        | <u>2,328,335</u>     |
| <br>Total liabilities and fund balance         | <br>\$ <u>1,728,169</u> | <br><u>2,601,864</u> |

**CITY OF KODIAK, ALASKA**  
**Street Improvements Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|  | <u>2010</u>         | <u>2009</u>      |
|--|---------------------|------------------|
| Revenues - investment income                 | \$ <u>11,453</u>    | <u>57,538</u>    |
| Expenditures:                                |                     |                  |
| Annual sidewalk, curb and gutter repair      | 25,249              | 42,062           |
| Gibson Cove strip                            | -                   | 275              |
| Mill Bay overlay                             | 388,202             | 2,199,816        |
| Maple Street Aleutian Phase III              | <u>1,967,439</u>    | <u>44,821</u>    |
| Total expenditures                           | <u>2,380,890</u>    | <u>2,286,974</u> |
| Excess of revenues over (under) expenditures | (2,369,437)         | (2,229,436)      |
| Other financing sources (uses):              |                     |                  |
| Transfers in                                 | 1,177,000           | 1,345,100        |
| Transfers out                                | <u>(6,000)</u>      | <u>(86,460)</u>  |
| Net other financing sources (uses)           | <u>1,171,000</u>    | <u>1,258,640</u> |
| Net change in fund balance                   | (1,198,437)         | (970,796)        |
| Fund balance at beginning of year            | <u>2,328,335</u>    | <u>3,299,131</u> |
| Fund balance at end of year                  | \$ <u>1,129,898</u> | <u>2,328,335</u> |



**CITY OF KODIAK, ALASKA**  
**Public Safety Building Capital Project Fund**  
**Balance Sheet**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>       | <u>2009</u>       |
|--|-------------------|-------------------|
| <u>Assets</u>                                  |                   |                   |
| Cash and investments                           | \$ 960,365        | 13,570,081        |
| Receivables - interest                         | <u>5,988</u>      | <u>41,524</u>     |
| Total assets                                   | \$ <u>966,353</u> | <u>13,611,605</u> |
| <u>Liabilities and Fund Balance</u>            |                   |                   |
| Liabilities - accounts payable                 | 126,985           | 2,191,604         |
| Fund balance - designated for capital projects | <u>839,368</u>    | <u>11,420,001</u> |
| Total liabilities and fund balance             | \$ <u>966,353</u> | <u>13,611,605</u> |

**CITY OF KODIAK, ALASKA**  
Public Safety Building Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2010  
(With Comparative Amounts for 2009)

|  | <u>2010</u>              | <u>2009</u>              |
|--|--------------------------|--------------------------|
| Revenues:                                    |                          |                          |
| Intergovernmental                            | \$ 1,000,000             | 2,194,573                |
| Investment income                            | <u>20,441</u>            | <u>129,317</u>           |
| Total revenues                               | <u>1,020,441</u>         | <u>2,323,890</u>         |
| Expenditures:                                |                          |                          |
| Construction, engineering and design         | 11,687,764               | 7,441,648                |
| Salaries and benefits                        | <u>15,950</u>            | <u>22,508</u>            |
| Total expenditures                           | <u>11,703,714</u>        | <u>7,464,156</u>         |
| Excess of revenues over (under) expenditures | (10,683,273)             | (5,140,266)              |
| Other financing sources - transfers in       | <u>102,640</u>           | <u>6,200,000</u>         |
| Net change in fund balance                   | (10,580,633)             | 1,059,734                |
| Fund balance at beginning of year            | <u>11,420,001</u>        | <u>10,360,267</u>        |
| Fund balance at end of year                  | \$ <u><u>839,368</u></u> | <u><u>11,420,001</u></u> |

**CITY OF KODIAK, ALASKA**  
**Parks and Recreation Capital Project Fund**  
**Balance Sheet**  
**June 30, 2010**  
**(With Comparative Amounts for 2009)**

|  | <u>2010</u>       | <u>2009</u>    |
|--|-------------------|----------------|
| <u>Assets</u>                                  |                   |                |
| Cash and investments                           | \$ <u>371,042</u> | <u>374,170</u> |
| <br><u>Liabilities and Fund Balance</u>        |                   |                |
| Liabilities - accounts payable                 | 1,946             | 19,902         |
| Fund balance - designated for capital projects | <u>369,096</u>    | <u>354,268</u> |
| Total liabilities and fund balance             | \$ <u>371,042</u> | <u>374,170</u> |

**CITY OF KODIAK, ALASKA**  
**Parks and Recreation Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>       | <u>2009</u>    |
|---|-------------------|----------------|
| <b>Revenues:</b>                                    |                   |                |
| Intergovernmental                                   | \$ -              | 56,981         |
| Investment income                                   | 1,415             | 7,241          |
| Other income  | -                 | 10,000         |
| <b>Total revenues</b>                               | <u>1,415</u>      | <u>74,222</u>  |
| <b>Expenditures:</b>                                |                   |                |
| Seleif Lane playground                              | -                 | 6,333          |
| Playground equipment and improvements               | 1,632             | 19,286         |
| Baranof baseball field                              | (5,230)           | 26,486         |
| Major park maintenance                              | 22,059            | 231            |
| Multi-sport field and track                         | -                 | 1,606          |
| Baranof storage building                            | 6,006             | 3,554          |
| Building weatherization                             | 12,120            | -              |
| <b>Total expenditures</b>                           | <u>36,587</u>     | <u>57,496</u>  |
| <b>Excess of revenues over (under) expenditures</b> | (35,172)          | 16,726         |
| <b>Other financing sources - transfers in</b>       | <u>50,000</u>     | <u>50,000</u>  |
| <b>Net change in fund balance</b>                   | 14,828            | 66,726         |
| <b>Fund balance at beginning of year</b>            | <u>354,268</u>    | <u>287,542</u> |
| <b>Fund balance at end of year</b>                  | <u>\$ 369,096</u> | <u>354,268</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

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.

### E-911 Services

Accounts for funds collected from phone charges and pays for a 911 emergency system.

**CITY OF KODIAK, ALASKA**  
**Cargo Pier Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

| <u>Assets</u>                           | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| Current assets:                         |                     |                     |
| Cash and investments                    | \$ 2,796,112        | 2,545,631           |
| Receivables:                            |                     |                     |
| Accounts                                | 90,055              | 93,592              |
| Interest                                | 4,389               | 7,790               |
| Prepaid expenses                        | -                   | 2,000               |
| Total current assets                    | <u>2,890,556</u>    | <u>2,649,013</u>    |
| Property, plant and equipment:          |                     |                     |
| Improvements other than buildings       | 20,619,826          | 20,619,826          |
| Building                                | 9,502               | 9,502               |
| Machinery and equipment                 | 1,154,957           | 1,154,957           |
| Accumulated depreciation                | <u>(14,696,183)</u> | <u>(14,250,487)</u> |
| Net property, plant and equipment       | <u>7,088,102</u>    | <u>7,533,798</u>    |
| Total assets                            | <u>\$ 9,978,658</u> | <u>10,182,811</u>   |
| <u>Liabilities and Net Assets</u>       |                     |                     |
| Current liabilities:                    |                     |                     |
| Accounts payable                        | 58,236              | 13,230              |
| Accrued payroll and related liabilities | 8,219               | 8,033               |
| Accrued annual and sick leave           | <u>11,431</u>       | <u>8,272</u>        |
| Total current liabilities               | <u>77,886</u>       | <u>29,535</u>       |
| Net assets:                             |                     |                     |
| Invested in capital assets              | 7,088,102           | 7,533,798           |
| Unrestricted                            | <u>2,812,670</u>    | <u>2,619,478</u>    |
| Total net assets                        | <u>9,900,772</u>    | <u>10,153,276</u>   |
| Total liabilities and net assets        | <u>\$ 9,978,658</u> | <u>10,182,811</u>   |

**CITY OF KODIAK, ALASKA**  
**Cargo Pier Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|                                  | <u>2010</u>      | <u>2009</u>      |
|----------------------------------|------------------|------------------|
| Operating revenues:              |                  |                  |
| Dockage                          | \$ 129,365       | 138,153          |
| Wharfage                         | 514,272          | 514,043          |
| Pier III                         | 282,088          | 305,595          |
| Cruise ship                      | 117,040          | 113,493          |
| Rentals                          | <u>208,529</u>   | <u>193,474</u>   |
| Total operating revenues         | <u>1,251,294</u> | <u>1,264,758</u> |
| Operating expenses:              |                  |                  |
| General and administrative:      |                  |                  |
| Salaries and benefits            | 363,061          | 237,606          |
| Professional                     | 1,130            | -                |
| Goods and services               | 43,402           | 53,241           |
| Repairs and maintenance          | 541,500          | 27,467           |
| Interfund charges:               |                  |                  |
| Finance and administration       | 99,660           | 85,830           |
| Public works services            | 52,380           | 50,900           |
| Harbormaster services            | 82,140           | 89,010           |
| Other                            | <u>8,725</u>     | <u>3,771</u>     |
| Total general and administrative | <u>1,191,998</u> | <u>547,825</u>   |
| Warehouse:                       |                  |                  |
| Goods and services               | 8,669            | 10,078           |
| Professional                     | <u>851</u>       | <u>851</u>       |
| Total warehouse                  | <u>9,520</u>     | <u>10,929</u>    |
| Pier II:                         |                  |                  |
| Goods and services               | 27,167           | 22,079           |
| Utilities and fuel               | <u>15,737</u>    | <u>16,944</u>    |
| Total pier II                    | <u>42,904</u>    | <u>39,023</u>    |



## CITY OF KODIAK, ALASKA

## Cargo Pier Enterprise Fund

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

|                                    | <u>2010</u>         | <u>2009</u>       |
|------------------------------------|---------------------|-------------------|
| Operating expenses, continued:     |                     |                   |
| Pier III:                          |                     |                   |
| Goods and services                 | \$ 14,210           | 34                |
| Utilities and fuel                 | <u>785</u>          | <u>970</u>        |
| Total pier III                     | <u>14,995</u>       | <u>1,004</u>      |
| Depreciation                       | <u>445,696</u>      | <u>446,966</u>    |
| Total operating expenses           | <u>1,705,113</u>    | <u>1,045,747</u>  |
| Earnings (loss) from operations    | (453,819)           | 219,011           |
| Nonoperating revenues:             |                     |                   |
| Investment income                  | 10,188              | 45,995            |
| State PERS relief                  | 7,718               | 18,508            |
| State cruise ship tax              | 179,789             | 24,778            |
| Federal grant - insurance coverage | <u>3,620</u>        | <u>-</u>          |
| Total nonoperating revenues        | <u>201,315</u>      | <u>89,281</u>     |
| Earnings (loss) before transfers   | (252,504)           | 308,292           |
| Transfers in                       | <u>-</u>            | <u>29,531</u>     |
| Change in net assets               | (252,504)           | 337,823           |
| Net assets at beginning of year    | <u>10,153,276</u>   | <u>9,815,453</u>  |
| Net assets at end of year          | \$ <u>9,900,772</u> | <u>10,153,276</u> |

**CITY OF KODIAK, ALASKA**  
**Cargo Pier Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>         | <u>2009</u>      |
|--|---------------------|------------------|
| Cash flows from operating activities:  |                     |                  |
| Receipts from customers and users  | \$ 1,254,831        | 1,148,842        |
| Payments for interfund services used   | (234,180)           | (225,740)        |
| Payments to suppliers  | (615,170)           | (125,824)        |
| Payments to employees  | <u>(351,998)</u>    | <u>(191,822)</u> |
| Net cash flows from operating activities   | <u>53,483</u>       | <u>605,456</u>   |
| Cash flows from noncapital financing activities:   |                     |                  |
| Federal grant received   | 3,620               | -                |
| Cruise ship tax received   | <u>179,789</u>      | <u>24,778</u>    |
| Net cash flows from noncapital financing activities  | <u>183,409</u>      | <u>24,778</u>    |
| Cash flows from capital and related financing activities -<br>transfers in                               | <u>-</u>            | <u>29,531</u>    |
| Cash flows from investing activities -<br>investment income received                                     | <u>13,589</u>       | <u>38,205</u>    |
| Net increase in cash and investments   | 250,481             | 697,970          |
| Cash and investments at beginning of year  | <u>2,545,631</u>    | <u>1,847,661</u> |
| Cash and investments at end of year  | \$ <u>2,796,112</u> | <u>2,545,631</u> |
| Reconciliation of earnings (loss) from operations to net cash<br>flows from operating activities:        |                     |                  |
| Earnings (loss) from operations  | (453,819)           | 219,011          |
| Adjustments to reconcile earnings (loss) from operations<br>to net cash flows from operating activities: |                     |                  |
| Depreciation   | 445,696             | 446,966          |
| Noncash expense - State PERS relief  | 7,718               | 18,508           |
| (Increase) decrease in assets:   |                     |                  |
| Accounts receivable  | 3,537               | (91,138)         |
| Prepaid expenses   | 2,000               | (2,000)          |
| Increase (decrease) in liabilities:  |                     |                  |
| Accounts payable   | 45,006              | 11,611           |
| Accrued payroll and related liabilities  | 186                 | 608              |
| Accrued annual and sick leave  | <u>3,159</u>        | <u>1,890</u>     |
| Net cash flows from operating activities   | \$ <u>53,483</u>    | <u>605,456</u>   |

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Net Assets  
 June 30, 2010  
 (With Comparative Amounts for 2009)

| <u>Assets</u>                                   | <u>2010</u>          | <u>2009</u>         |
|---|----------------------|---------------------|
| Current assets:                                 |                      |                     |
| Cash and investments                            | \$ 3,360,599         | 6,676,320           |
| Receivables:                                    |                      |                     |
| Accounts  | 60,025               | 78,181              |
| Interest  | 5,936                | 20,429              |
| Allowance for doubtful accounts                 | (15,647)             | (15,647)            |
| Total current assets                            | <u>3,410,913</u>     | <u>6,759,283</u>    |
| Noncurrent assets:                              |                      |                     |
| Restricted cash and investments - bond reserve  | <u>129,581</u>       | <u>129,581</u>      |
| Property, plant and equipment:                  |                      |                     |
| Land  | 677,064              | 677,064             |
| Buildings                                       | 1,523,154            | 1,523,154           |
| Improvements other than buildings               | 35,334,088           | 35,334,088          |
| Machinery and equipment                         | 476,627              | 476,627             |
| Accumulated depreciation                        | <u>(19,961,194)</u>  | <u>(18,630,604)</u> |
| Net property, plant and equipment               | <u>18,049,739</u>    | <u>19,380,329</u>   |
| Total noncurrent assets                         | <u>18,179,320</u>    | <u>19,509,910</u>   |
| Total assets                                    | <u>\$ 21,590,233</u> | <u>26,269,193</u>   |
| <u>Liabilities and Net Assets</u>               |                      |                     |
| Current liabilities:                            |                      |                     |
| Accounts payable                                | 22,561               | 32,012              |
| Accrued payroll and related liabilities         | 40,274               | 37,263              |
| Accrued interest                                | 31,940               | 32,540              |
| Accrued annual and sick leave                   | 101,604              | 86,014              |
| Deferred revenue - prepaid moorage fees         | 466,506              | -                   |
| Customer deposits                               | 222,274              | 219,598             |
| Current portion of bonds payable                | <u>30,000</u>        | <u>30,000</u>       |
| Total current liabilities                       | <u>915,159</u>       | <u>437,427</u>      |
| Noncurrent liabilities - revenue bonds          | <u>1,940,000</u>     | <u>1,970,000</u>    |
| Total liabilities                               | <u>2,855,159</u>     | <u>2,407,427</u>    |
| Net assets:                                     |                      |                     |
| Invested in capital assets, net of related debt | 16,079,739           | 17,380,329          |
| Restricted for debt service                     | 129,581              | 129,581             |
| Unrestricted                                    | <u>2,525,754</u>     | <u>6,351,856</u>    |
| Total net assets                                | <u>18,735,074</u>    | <u>23,861,766</u>   |
| Total liabilities and net assets                | <u>\$ 21,590,233</u> | <u>26,269,193</u>   |

**CITY OF KODIAK, ALASKA**  
**Boat Harbor Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>          | <u>2009</u>       |
|---|----------------------|-------------------|
| Operating revenues:                     |                      |                   |
| Moorage                                 | \$ 1,705,895         | 1,690,576         |
| Pier and dock fees                      | 213,333              | 221,697           |
| Administrative fees to other funds      | 82,140               | 72,540            |
| Other fees and charges                  | 187,679              | 170,304           |
| Rentals                                 | 13,888               | 15,000            |
| Other                                   | <u>30,357</u>        | <u>13,882</u>     |
| Total operating revenues                | <u>2,233,292</u>     | <u>2,183,999</u>  |
| Operating expenses:                     |                      |                   |
| Salaries and benefits                   | 850,531              | 981,316           |
| Professional                            | 75,654               | 57,792            |
| Contributions                           | 21,672               | 31,309            |
| Goods and services                      | 264,827              | 293,540           |
| Utilities and fuel                      | 124,438              | 129,735           |
| Machinery and equipment                 | 11,657               | 7,415             |
| Repairs and maintenance                 | 12,226               | 43,389            |
| Interfund charges:                      |                      |                   |
| Finance and administration              | 84,779               | 85,830            |
| Public works services                   | 52,380               | 50,900            |
| Engineering and inspection              | 20,240               | 16,470            |
| Depreciation                            | <u>1,330,590</u>     | <u>1,083,281</u>  |
| Total operating expenses                | <u>2,848,994</u>     | <u>2,780,977</u>  |
| Loss from operations                    | (615,702)            | (596,978)         |
| Nonoperating revenues (expenses):       |                      |                   |
| Investment income                       | 5,374                | 104,655           |
| Interest expense                        | (96,121)             | (24,405)          |
| Federal grant - insurance coverage      | 17,190               | -                 |
| State PERS relief                       | <u>32,827</u>        | <u>76,051</u>     |
| Net nonoperating revenues (expenses)    | <u>(40,730)</u>      | <u>156,301</u>    |
| Loss before contributions and transfers | (656,432)            | (440,677)         |
| Capital contributions                   | -                    | 921,700           |
| Transfers in                            | -                    | 614,421           |
| Transfers out                           | <u>(4,470,260)</u>   | <u>-</u>          |
| Change in net assets                    | (5,126,692)          | 1,095,444         |
| Net assets at beginning of year         | <u>23,861,766</u>    | <u>22,766,322</u> |
| Net assets at end of year               | \$ <u>18,735,074</u> | <u>23,861,766</u> |

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2010  
 (With Comparative Amounts for 2009)

|  | <u>2010</u>         | <u>2009</u>      |
|--|---------------------|------------------|
| Cash flows from operating activities:  |                     |                  |
| Receipts from customers and users  | \$ 2,638,490        | 2,142,648        |
| Receipts from interfund services provided  | 82,140              | 72,540           |
| Payments for interfund services used   | (157,399)           | (153,200)        |
| Payments to suppliers  | (519,925)           | (910,070)        |
| Payments to employees  | (799,103)           | (887,243)        |
| Net cash flows from operating activities   | <u>1,244,203</u>    | <u>264,675</u>   |
| Cash flows from noncapital financing activities:   |                     |                  |
| Transfers out  | (4,470,260)         | -                |
| Federal grant received   | 17,190              | -                |
| Net cash flows from noncapital financing activities  | <u>(4,453,070)</u>  | <u>-</u>         |
| Cash flows from capital and related financing activities:                                  |                     |                  |
| Principal paid on long-term debt   | (30,000)            | -                |
| Interest paid on long-term debt  | (96,721)            | (24,405)         |
| Purchase of property, plant and equipment  | -                   | (1,995,683)      |
| Transfers in   | -                   | 614,421          |
| Capital contributions received   | -                   | 4,608,500        |
| Net cash flows from capital and related financing activities                               | <u>(126,721)</u>    | <u>3,202,833</u> |
| Cash flows from investing activities - investment income received                          | <u>19,867</u>       | <u>98,738</u>    |
| Net increase (decrease) in cash and investments  | (3,315,721)         | 3,566,246        |
| Cash and investments at beginning of year  | <u>6,805,901</u>    | <u>3,239,655</u> |
| Cash and investments at end of year  | \$ <u>3,490,180</u> | <u>6,805,901</u> |
| Reconciliation to Statement of Net Assets:   |                     |                  |
| Cash and investments   | 3,360,599           | 6,676,320        |
| Restricted cash and investments  | <u>129,581</u>      | <u>129,581</u>   |
|  | \$ <u>3,490,180</u> | <u>6,805,901</u> |
| Reconciliation of loss from operations to net cash flows from operating activities:        |                     |                  |
| Loss from operations   | (615,702)           | (596,978)        |
| Adjustments to reconcile loss from operations to net cash flows from operating activities: |                     |                  |
| Depreciation   | 1,330,590           | 1,083,281        |
| Noncash expense - State PERS relief  | 32,827              | 76,051           |
| Decrease in assets - accounts receivable   | 18,156              | 2,025            |
| Increase (decrease) in liabilities:  |                     |                  |
| Accounts payable   | (9,451)             | (346,890)        |
| Accrued payroll and related liabilities  | 3,011               | 4,659            |
| Accrued annual and sick leave  | 15,590              | 13,363           |
| Deferred revenue   | 466,506             | -                |
| Customer deposits  | <u>2,676</u>        | <u>29,164</u>    |
| Net cash flows from operating activities   | \$ <u>1,244,203</u> | <u>264,675</u>   |

**CITY OF KODIAK, ALASKA**  
Harbor Electric Enterprise Fund  
Statement of Net Assets  
June 30, 2010  
(With Comparative Amounts for 2009)

|                                   | <u>2010</u>       | <u>2009</u>     |
|-----------------------------------|-------------------|-----------------|
| <u>Assets</u>                     |                   |                 |
| Current assets:                   |                   |                 |
| Cash and investments              | \$ 431,041        | 399,688         |
| Accounts receivable               | <u>55,254</u>     | <u>42,035</u>   |
| Total current assets              | <u>486,295</u>    | <u>441,723</u>  |
| Property, plant and equipment:    |                   |                 |
| Machinery and equipment           | 140,556           | 118,706         |
| Accumulated depreciation          | <u>(62,809)</u>   | <u>(54,171)</u> |
| Net property, plant and equipment | <u>77,747</u>     | <u>64,535</u>   |
| Total assets                      | <u>\$ 564,042</u> | <u>506,258</u>  |
| <u>Liabilities and Net Assets</u> |                   |                 |
| Current liabilities:              |                   |                 |
| Accounts payable                  | 39,719            | 30,850          |
| Customer deposits                 | <u>11,800</u>     | <u>14,500</u>   |
| Total current liabilities         | <u>51,519</u>     | <u>45,350</u>   |
| Net assets:                       |                   |                 |
| Invested in capital assets        | 77,747            | 64,535          |
| Unrestricted                      | <u>434,776</u>    | <u>396,373</u>  |
| Total net assets                  | <u>512,523</u>    | <u>460,908</u>  |
| Total liabilities and net assets  | <u>\$ 564,042</u> | <u>506,258</u>  |

**CITY OF KODIAK, ALASKA**  
**Harbor Electric Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|                                    | <u>2010</u>       | <u>2009</u>    |
|------------------------------------|-------------------|----------------|
| Operating revenues:                |                   |                |
| Energy charges                     | \$ 510,087        | 549,492        |
| Customer charges                   | 113,088           | 122,077        |
| Other operating revenue            | <u>31,811</u>     | <u>37,145</u>  |
| Total operating revenues           | <u>654,986</u>    | <u>708,714</u> |
| Operating expenses:                |                   |                |
| Salaries and benefits              | 50,330            | 46,632         |
| Goods and services                 | 535,962           | 543,410        |
| Machinery and equipment            | 11,059            | 12,449         |
| Depreciation                       | <u>8,638</u>      | <u>8,638</u>   |
| Total operating expenses           | <u>605,989</u>    | <u>611,129</u> |
| Earnings from operations           | 48,997            | 97,585         |
| Nonoperating revenues:             |                   |                |
| Investment income                  | 1,466             | 7,851          |
| Federal grant - insurance coverage | <u>1,152</u>      | <u>-</u>       |
| Total nonoperating revenues        | <u>2,618</u>      | <u>7,851</u>   |
| Earnings before transfers          | 51,615            | 105,436        |
| Transfers in                       | <u>-</u>          | <u>1,832</u>   |
| Change in net assets               | 51,615            | 107,268        |
| Net assets at beginning of year    | <u>460,908</u>    | <u>353,640</u> |
| Net assets at end of year          | \$ <u>512,523</u> | <u>460,908</u> |

**CITY OF KODIAK, ALASKA**  
Harbor Electric Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2010  
(With Comparative Amounts for 2009)

|  | <u>2010</u>              | <u>2009</u>           |
|--|--------------------------|-----------------------|
| Cash flows from operating activities:  |                          |                       |
| Receipts from customers and users  | \$ 639,067               | 702,828               |
| Payments to suppliers  | (538,152)                | (560,847)             |
| Payments to employees  | <u>(50,330)</u>          | <u>(46,632)</u>       |
| Net cash flows from operating activities   | <u>50,585</u>            | <u>95,349</u>         |
| <br>   |                          |                       |
| Cash flows from noncapital financing activities -  |                          |                       |
| Federal grant received   | <u>1,152</u>             | <u>-</u>              |
| <br>   |                          |                       |
| Cash flows from capital and related financing activities:                                      |                          |                       |
| Transfers in   | -                        | 1,832                 |
| Purchase of property, plant and equipment  | <u>(21,850)</u>          | <u>-</u>              |
| Net cash flows from capital and related financing activities                                   | <u>(21,850)</u>          | <u>1,832</u>          |
| <br>   |                          |                       |
| Cash flows from investing activities - investment income received                              | <u>1,466</u>             | <u>7,851</u>          |
| <br>   |                          |                       |
| Net increase in cash and investments   | 31,353                   | 105,032               |
| <br>   |                          |                       |
| Cash and investments at beginning of year  | <u>399,688</u>           | <u>294,656</u>        |
| <br>   |                          |                       |
| Cash and investments at end of year  | \$ <u><u>431,041</u></u> | <u><u>399,688</u></u> |
| <br>   |                          |                       |
| Reconciliation of earnings from operations to net cash flows from operating activities:        |                          |                       |
| Earnings from operations   | 48,997                   | 97,585                |
| Adjustments to reconcile earnings from operations to net cash flows from operating activities: |                          |                       |
| Depreciation   | 8,638                    | 8,638                 |
| Increase in assets - accounts receivable   | (13,219)                 | (5,686)               |
| Increase (decrease) in liabilities:  |                          |                       |
| Accounts payable   | 8,869                    | (4,988)               |
| Customer deposits  | <u>(2,700)</u>           | <u>(200)</u>          |
| Net cash flows from operating activities   | \$ <u><u>50,585</u></u>  | <u><u>95,349</u></u>  |



**CITY OF KODIAK, ALASKA**  
**Water Utility Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

| <u>Assets</u>                                   | <u>2010</u>          | <u>2009</u>         |
|---|----------------------|---------------------|
| Current assets:                                 |                      |                     |
| Cash and investments                            | \$ 1,710,311         | 3,755,487           |
| Receivables:                                    |                      |                     |
| Grants  | 250,477              | 756,004             |
| Accounts  | 306,456              | 273,401             |
| Interest  | 6,252                | 11,492              |
| Allowance for doubtful accounts                 | (2,224)              | (2,224)             |
| Inventory                                       | <u>231,638</u>       | <u>237,173</u>      |
| Total current assets                            | <u>2,502,910</u>     | <u>5,031,333</u>    |
| Property, plant and equipment:                  |                      |                     |
| Land  | 2                    | 2                   |
| Buildings                                       | 3,299,523            | 3,299,523           |
| Improvements other than buildings               | 26,260,136           | 26,260,136          |
| Machinery and equipment                         | 470,252              | 441,761             |
| Construction in progress                        | 4,282,621            | 1,383,402           |
| Accumulated depreciation                        | <u>(15,711,567)</u>  | <u>(15,160,468)</u> |
| Net property, plant and equipment               | <u>18,600,967</u>    | <u>16,224,356</u>   |
| Total assets                                    | <u>\$ 21,103,877</u> | <u>21,255,689</u>   |
| <u>Liabilities and Net Assets</u>               |                      |                     |
| Liabilities:                                    |                      |                     |
| Current liabilities:                            |                      |                     |
| Accounts payable                                | 273,073              | 1,405,419           |
| Accrued payroll and related liabilities         | 20,582               | 18,935              |
| Accrued annual and sick leave                   | 17,081               | 19,218              |
| Customer deposits                               | 23,000               | 20,000              |
| Current portion of loan payable                 | <u>110,000</u>       | <u>-</u>            |
| Total current liabilities                       | <u>443,736</u>       | <u>1,463,572</u>    |
| Noncurrent liabilities - loan payable           | <u>330,000</u>       | <u>550,000</u>      |
| Total liabilities                               | <u>773,736</u>       | <u>2,013,572</u>    |
| Net assets:                                     |                      |                     |
| Invested in capital assets, net of related debt | 18,160,967           | 15,674,356          |
| Unrestricted                                    | <u>2,169,174</u>     | <u>3,567,761</u>    |
| Total net assets                                | <u>20,330,141</u>    | <u>19,242,117</u>   |
| Total liabilities and net assets                | <u>\$ 21,103,877</u> | <u>21,255,689</u>   |

**CITY OF KODIAK, ALASKA**  
**Water Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|                            | <u>2010</u>      | <u>2009</u>      |
|----------------------------|------------------|------------------|
| Operating revenues:        |                  |                  |
| Sales and user charges     | \$ 1,446,772     | 1,367,408        |
| Meters                     | 971,256          | 852,077          |
| Other                      | 40,533           | 35,365           |
| Total operating revenues   | <u>2,458,561</u> | <u>2,254,850</u> |
| Operating expenses:        |                  |                  |
| Water department:          |                  |                  |
| Salaries and benefits      | 840,978          | 614,681          |
| Professional               | 303,167          | 365,201          |
| Goods and services         | 48,047           | 55,419           |
| Utilities and fuel         | 291,689          | 323,185          |
| Interfund charges:         |                  |                  |
| Finance and administration | 39,710           | 42,910           |
| Public works services      | 18,160           | 16,840           |
| Repairs and maintenance    | 711,956          | 3,447,635        |
| Depreciation               | 551,099          | 556,614          |
| Total water department     | <u>2,804,806</u> | <u>5,422,485</u> |
| Water treatment:           |                  |                  |
| Professional               | 10,272           | 6,137            |
| Goods and services         | 56,581           | 85,199           |
| Utilities                  | 17,034           | 18,071           |
| Machinery and equipment    | 7,879            | -                |
| Interfund charges:         |                  |                  |
| Finance and administration | 44,770           | 42,910           |
| Public works services      | 13,100           | 16,840           |
| Total water treatment      | <u>149,636</u>   | <u>169,157</u>   |
| Total operating expenses   | <u>2,954,442</u> | <u>5,591,642</u> |
| Loss from operations       | (495,881)        | (3,336,792)      |

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

|   | <u>2010</u>          | <u>2009</u>       |
|---|----------------------|-------------------|
| Nonoperating revenues (expenses):       |                      |                   |
| Investment income                       | \$ 14,115            | 60,850            |
| Interest expense                        | (949)                | -                 |
| Amortization of bond issuance costs     | -                    | (4,767)           |
| Federal grant - insurance coverage      | 11,471               | -                 |
| State PERS relief                       | <u>16,162</u>        | <u>42,547</u>     |
| Net nonoperating revenues (expenses)    | <u>40,799</u>        | <u>98,630</u>     |
| <br>                                    |                      |                   |
| Loss before contributions and transfers | (455,082)            | (3,238,162)       |
| <br>                                    |                      |                   |
| Capital contributions                   | 1,086,345            | 1,793,672         |
| Transfers in                            | 673,761              | 799,746           |
| Transfers out                           | <u>(217,000)</u>     | <u>(835,100)</u>  |
| <br>                                    |                      |                   |
| Change in net assets                    | 1,088,024            | (1,479,844)       |
| <br>                                    |                      |                   |
| Net assets at beginning of year         | <u>19,242,117</u>    | <u>20,721,961</u> |
| <br>                                    |                      |                   |
| Net assets at end of year               | \$ <u>20,330,141</u> | <u>19,242,117</u> |

**CITY OF KODIAK, ALASKA**  
Water Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2010  
(With Comparative Amounts for 2009)

|   | <u>2010</u>           | <u>2009</u>        |
|---|-----------------------|--------------------|
| Cash flows from operating activities:   |                       |                    |
| Receipts from customers and users   | \$ 2,428,506          | 2,263,784          |
| Payments for interfund services used  | (115,740)             | (119,500)          |
| Payments to suppliers   | (2,573,436)           | (4,338,034)        |
| Payments to employees   | (825,306)             | (568,406)          |
| Net cash flows from operating activities  | <u>(1,085,976)</u>    | <u>(2,762,156)</u> |
| Cash flows from noncapital financing activities:  |                       |                    |
| Transfers out   | (217,000)             | (835,100)          |
| Federal grant received  | 11,471                | -                  |
| Net cash flows from noncapital financing activities   | <u>(205,529)</u>      | <u>(835,100)</u>   |
| Cash flows from capital and related financing activities:                                     |                       |                    |
| Principal paid on long-term debt  | (110,000)             | (215,000)          |
| Interest paid on long-term debt   | (949)                 | (16,077)           |
| Proceeds from loan  | -                     | 550,000            |
| Purchase of property, plant and equipment   | (2,927,710)           | (154,495)          |
| Capital contributions received  | 1,591,872             | 1,593,437          |
| Transfers in  | 673,761               | 799,746            |
| Net cash flows from capital<br>and related financing activities                               | <u>(773,026)</u>      | <u>2,557,611</u>   |
| Cash flows from investing activities - investment income received                             | <u>19,355</u>         | <u>70,131</u>      |
| Net decrease in cash and investments  | (2,045,176)           | (969,514)          |
| Cash and investments at beginning of year   | <u>3,755,487</u>      | <u>4,725,001</u>   |
| Cash and investments at end of year   | \$ <u>1,710,311</u>   | <u>3,755,487</u>   |
| Reconciliation of loss from operations to net cash<br>flows from operating activities:        |                       |                    |
| Loss from operations  | (495,881)             | (3,336,792)        |
| Adjustments to reconcile loss from operations<br>to net cash flows from operating activities: |                       |                    |
| Depreciation  | 551,099               | 556,614            |
| Noncash expense - State PERS relief   | 16,162                | 42,547             |
| (Increase) decrease in assets:  |                       |                    |
| Accounts receivable   | (33,055)              | 5,434              |
| Inventory   | 5,535                 | (5,271)            |
| Increase (decrease) in liabilities:   |                       |                    |
| Accounts payable  | (1,132,346)           | (31,916)           |
| Accrued payroll and related liabilities   | 1,647                 | 902                |
| Accrued annual and sick leave   | (2,137)               | 2,826              |
| Customer deposits   | 3,000                 | 3,500              |
| Net cash flows from operating activities  | \$ <u>(1,085,976)</u> | <u>(2,762,156)</u> |

**CITY OF KODIAK, ALASKA**  
 Water Utility Enterprise Fund  
 Schedule of Water Utility Capital Projects  
 Year Ended June 30, 2010

|                               | <u>Replacement<br/>Project<br/>Phase IV</u> |
|-------------------------------|---|
| <b>Funding sources:</b>       |   |
| Grants                        | \$ 1,086,345                                |
| Water Utility Enterprise Fund | <u>1,812,874</u>                            |
| Total funding sources         | \$ <u><u>2,899,219</u></u>                  |
| <br><b>Expenditures:</b>      |   |
| Salaries and benefits         | 40,963                                      |
| Professional services         | 166,604                                     |
| Construction                  | <u>2,691,652</u>                            |
| Total expenditures            | \$ <u><u>2,899,219</u></u>                  |

**CITY OF KODIAK, ALASKA**  
Sewer Utility Enterprise Fund  
Statement of Net Assets  
June 30, 2010  
(With Comparative Amounts for 2009)

|  | <u>2010</u>          | <u>2009</u>       |
|--|----------------------|-------------------|
| <u>Assets</u>  |                      |                   |
| Current assets:  |                      |                   |
| Cash and investments   | \$ 2,398,026         | 1,555,845         |
| Receivables:   |                      |                   |
| Accounts   | 304,656              | 271,381           |
| Interest   | 1,609                | 4,761             |
| Allowance for doubtful accounts                                | (2,867)              | (2,867)           |
| Inventory  | 11,936               | 14,240            |
| Total current assets   | <u>2,713,360</u>     | <u>1,843,360</u>  |
| Property, plant and equipment:                                 |                      |                   |
| Land   | 16,931               | 16,931            |
| Buildings  | 19,008,010           | 19,008,010        |
| Improvements other than buildings                              | 16,370,667           | 16,370,667        |
| Machinery and equipment  | 546,638              | 506,083           |
| Accumulated depreciation                                       | (18,974,150)         | (17,758,924)      |
| Net property, plant and equipment                              | <u>16,968,096</u>    | <u>18,142,767</u> |
| Total assets   | <u>\$ 19,681,456</u> | <u>19,986,127</u> |
| <u>Liabilities and Net Assets</u>                              |                      |                   |
| Liabilities:   |                      |                   |
| Current liabilities:   |                      |                   |
| Accounts payable   | 53,952               | 55,293            |
| Accrued payroll and related liabilities                        | 32,455               | 31,164            |
| Accrued annual and sick leave                                  | 96,687               | 89,040            |
| Accrued interest   | 6,066                | 7,038             |
| Current portion of loans payable                               | 256,097              | 201,097           |
| Total current liabilities                                      | <u>445,257</u>       | <u>383,632</u>    |
| Noncurrent liabilities - loans payable, net of current portion | <u>1,991,249</u>     | <u>1,756,585</u>  |
| Total liabilities  | <u>2,436,506</u>     | <u>2,140,217</u>  |
| Net assets:  |                      |                   |
| Invested in capital assets, net of related debt                | 14,720,750           | 16,185,085        |
| Unrestricted   | <u>2,524,200</u>     | <u>1,660,825</u>  |
| Total net assets   | <u>17,244,950</u>    | <u>17,845,910</u> |
| Total liabilities and net assets                               | <u>\$ 19,681,456</u> | <u>19,986,127</u> |

**CITY OF KODIAK, ALASKA**  
**Sewer Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|  | <u>2010</u>          | <u>2009</u>       |
|--|----------------------|-------------------|
| Operating revenues:                    |                      |                   |
| Sewer charges                          | \$ 3,088,475         | 2,741,693         |
| Septic truck fees                      | 54,852               | 58,433            |
| Lab testing fees                       | 19,722               | 21,167            |
| Other                                  | 17,751               | -                 |
| Total operating revenues               | <u>3,180,800</u>     | <u>2,821,293</u>  |
| Operating expenses:                    |                      |                   |
| Sewer department:                      |                      |                   |
| Salaries and benefits                  | 117,230              | 116,462           |
| Professional                           | 152,197              | 204,735           |
| Goods and services                     | 37,182               | 46,335            |
| Wastewater treatment:                  |                      |                   |
| Salaries and benefits                  | 529,037              | 759,695           |
| Professional                           | 199,097              | 154,752           |
| Goods and services                     | 180,499              | 158,561           |
| Utilities and fuel                     | 159,653              | 235,756           |
| Machinery and equipment                | 4,351                | 4,196             |
| Interfund services:                    |                      |                   |
| Administrative                         | 15,740               | 28,640            |
| Finance and administration             | 23,970               | 57,180            |
| Public works services                  | 18,160               | 33,680            |
| Depreciation                           | 1,215,226            | 1,215,472         |
| Total operating expenses               | <u>2,652,342</u>     | <u>3,015,464</u>  |
| Earnings (loss) from operations        | 528,458              | (194,171)         |
| Nonoperating revenues (expenses):      |                      |                   |
| Investment income                      | 6,799                | 27,845            |
| Interest expense                       | (21,115)             | (23,126)          |
| State PERS relief                      | 26,353               | 61,502            |
| Federal grant - insurance coverage     | 17,536               | -                 |
| Other nonoperating revenues (expenses) | (230)                | 4,384             |
| Net nonoperating revenues (expenses)   | <u>29,343</u>        | <u>70,605</u>     |
| Earnings (loss) before transfers       | 557,801              | (123,566)         |
| Transfers in                           | -                    | 86,974            |
| Transfers out                          | <u>(1,158,761)</u>   | <u>(650,000)</u>  |
| Change in net assets                   | (600,960)            | (686,592)         |
| Net assets at beginning of year        | <u>17,845,910</u>    | <u>18,532,502</u> |
| Net assets at end of year              | \$ <u>17,244,950</u> | <u>17,845,910</u> |

**CITY OF KODIAK, ALASKA**  
 Sewer Utility Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2010  
 (With Comparative Amounts for 2009)

|   | <u>2010</u>         | <u>2009</u>      |
|---|---------------------|------------------|
| Cash flows from operating activities:   |                     |                  |
| Receipts from customers and users   | \$ 3,147,525        | 2,801,252        |
| Payments for interfund services used  | (57,870)            | (119,500)        |
| Payments to suppliers   | (732,246)           | (824,402)        |
| Payments to employees   | (610,976)           | (793,342)        |
| Net cash flows from operating activities  | <u>1,746,433</u>    | <u>1,064,008</u> |
| Cash flows from noncapital financing activities:  |                     |                  |
| Transfers out   | (1,158,761)         | (650,000)        |
| Federal grant received  | 17,536              | -                |
| Net cash flows from noncapital financing activities   | <u>(1,141,225)</u>  | <u>(650,000)</u> |
| Cash flows from capital and related financing activities:   |                     |                  |
| Principal paid on loans   | (256,097)           | (201,097)        |
| Interest paid on loans  | (22,087)            | (24,132)         |
| Proceeds from loan  | 545,761             | 550,000          |
| Purchase of property, plant and equipment   | (40,555)            | (4,500)          |
| Transfers in  | -                   | 86,974           |
| Capital contributions received  | -                   | 9,518            |
| Net cash flows from capital and related financing activities  | <u>227,022</u>      | <u>416,763</u>   |
| Cash flows from investing activities - investment income received                                     | <u>9,951</u>        | <u>23,084</u>    |
| Net increase in cash and investments  | 842,181             | 853,855          |
| Cash and investments at beginning of year   | <u>1,555,845</u>    | <u>701,990</u>   |
| Cash and investments at end of year   | \$ <u>2,398,026</u> | <u>1,555,845</u> |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities:        |                     |                  |
| Earnings (loss) from operations   | 528,458             | (194,171)        |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities: |                     |                  |
| Depreciation  | 1,215,226           | 1,215,472        |
| Noncash expense - State PERS relief   | 26,353              | 61,502           |
| Other nonoperating revenues (expenses)  | (230)               | 4,384            |
| (Increase) decrease in assets:  |                     |                  |
| Accounts receivable   | (33,275)            | (24,425)         |
| Inventory   | 2,304               | 4,190            |
| Increase (decrease) in liabilities:   |                     |                  |
| Accounts payable  | (1,341)             | (24,257)         |
| Accrued payroll and related liabilities   | 1,291               | 4,843            |
| Accrued annual and sick leave   | 7,647               | 16,470           |
| Net cash flows from operating activities  | \$ <u>1,746,433</u> | <u>1,064,008</u> |



**CITY OF KODIAK, ALASKA**  
**Trident Basin Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

|                                      | <u>2010</u>             | <u>2009</u>          |
|--------------------------------------|-------------------------|----------------------|
| <u>Assets</u>                        |                         |                      |
| Current assets - receivables:        |                         |                      |
| Grants                               | \$ 120,702              | 96,632               |
| Accounts                             | <u>5,261</u>            | <u>6,284</u>         |
| Total current assets                 | <u>125,963</u>          | <u>102,916</u>       |
| Property, plant and equipment:       |                         |                      |
| Improvements other than buildings    | 5,589,593               | 615,000              |
| Construction in progress             | -                       | 4,974,593            |
| Accumulated depreciation             | <u>(476,625)</u>        | <u>(445,875)</u>     |
| Net property, plant and equipment    | <u>5,112,968</u>        | <u>5,143,718</u>     |
| <br>Total assets                     | <br>\$ <u>5,238,931</u> | <br><u>5,246,634</u> |
| <u>Liabilities and Net Assets</u>    |                         |                      |
| Current liabilities:                 |                         |                      |
| Accounts payable                     | 1,402                   | 1,366                |
| Customer deposits                    | 1,536                   | 1,536                |
| Due to other funds                   | <u>215,714</u>          | <u>632,460</u>       |
| Total current liabilities            | <u>218,652</u>          | <u>635,362</u>       |
| Net assets:                          |                         |                      |
| Invested in capital assets           | 5,112,968               | 5,143,718            |
| Unrestricted (deficit)               | <u>(92,689)</u>         | <u>(532,446)</u>     |
| Total net assets                     | <u>5,020,279</u>        | <u>4,611,272</u>     |
| <br>Total liabilities and net assets | <br>\$ <u>5,238,931</u> | <br><u>5,246,634</u> |

**CITY OF KODIAK, ALASKA**  
**Trident Basin Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>         | <u>2009</u>      |
|---|---------------------|------------------|
| Operating revenues:                       |                     |                  |
| Moorage                                   | \$ 11,718           | 11,954           |
| Rentals                                   | <u>21,548</u>       | <u>18,617</u>    |
| Total operating revenues                  | <u>33,266</u>       | <u>30,571</u>    |
| Operating expenses:                       |                     |                  |
| Salaries and benefits                     | -                   | 2,417            |
| Professional                              | 2,256               | 4,274            |
| Goods and services                        | 469                 | 15,597           |
| Utilities and fuel                        | 8,906               | 5,909            |
| Administrative services                   | 3,104               | 3,440            |
| Interfund services:                       |                     |                  |
| Finance and administration                | 64,830              | 57,830           |
| Public works services                     | 47,930              | 57,190           |
| Depreciation                              | <u>30,750</u>       | <u>30,750</u>    |
| Total operating expenses                  | <u>158,245</u>      | <u>177,407</u>   |
| Loss from operations                      | (124,979)           | (146,836)        |
| Nonoperating revenues - investment income | <u>152</u>          | <u>353</u>       |
| Loss before contributions and transfers   | (124,827)           | (146,483)        |
| Capital contributions                     | 120,702             | 96,632           |
| Transfers in                              | <u>413,132</u>      | <u>-</u>         |
| Change in net assets                      | 409,007             | (49,851)         |
| Net assets at beginning of year           | <u>4,611,272</u>    | <u>4,661,123</u> |
| Net assets at end of year                 | \$ <u>5,020,279</u> | <u>4,611,272</u> |

**CITY OF KODIAK, ALASKA**  
**Trident Basin Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>        | <u>2009</u>      |
|--|--------------------|------------------|
| Cash flows from operating activities:                        |                    |                  |
| Receipts from customers and users                            | \$ 34,289          | 26,618           |
| Payments for interfund services used                         | (112,760)          | (115,020)        |
| Payments to suppliers  | (14,699)           | (28,917)         |
| Payments to employees  | <u>-</u>           | <u>(2,417)</u>   |
| Net cash flows from operating activities                     | <u>(93,170)</u>    | <u>(119,736)</u> |
| Cash flows from capital and related financing activities:    |                    |                  |
| Purchase of property, plant and equipment                    | -                  | (110,634)        |
| Transfers in   | 413,132            | -                |
| (Decrease) increase in due to other funds                    | (416,746)          | 116,318          |
| Capital contributions received                               | <u>96,632</u>      | <u>113,699</u>   |
| Net cash flows from capital and related financing activities | <u>93,018</u>      | <u>119,383</u>   |
| Cash flows from investing activities -                       |                    |                  |
| investment income received                                   | <u>152</u>         | <u>353</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   | (124,979)          | (146,836)        |
| Adjustments to reconcile loss from operations                |                    |                  |
| to net cash flows from operating activities:                 |                    |                  |
| Depreciation   | 30,750             | 30,750           |
| (Increase) decrease in assets - accounts receivable          | 1,023              | (3,953)          |
| Increase (decrease) in liabilities - accounts payable        | <u>36</u>          | <u>303</u>       |
| Net cash flows from operating activities                     | \$ <u>(93,170)</u> | <u>(119,736)</u> |

**CITY OF KODIAK, ALASKA**  
**Boat Yard/Lift Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
(With Comparative Amounts for 2009)

|   | <u>2010</u>          | <u>2009</u>        |
|---|----------------------|--------------------|
| <u>Assets</u>                                   |                      |                    |
| Current assets:                                 |                      |                    |
| Receivables:                                    |                      |                    |
| Accounts  | \$ 2,780             | -                  |
| Grants  | -                    | 1,422,731          |
| Total current assets                            | <u>2,780</u>         | <u>1,422,731</u>   |
| Noncurrent assets:                              |                      |                    |
| Restricted cash and investments - bond reserve  | <u>375,469</u>       | <u>375,469</u>     |
| Property, plant and equipment:                  |                      |                    |
| Machinery and equipment                         | 18,104,101           | -                  |
| Construction in progress                        | -                    | 12,918,027         |
| Accumulated depreciation                        | <u>(2,499)</u>       | <u>-</u>           |
| Net property, plant and equipment               | <u>18,101,602</u>    | <u>12,918,027</u>  |
| Total noncurrent assets                         | <u>18,477,071</u>    | <u>13,293,496</u>  |
| Total assets                                    | <u>\$ 18,479,851</u> | <u>14,716,227</u>  |
| <u>Liabilities and Net Assets</u>               |                      |                    |
| Liabilities:                                    |                      |                    |
| Current liabilities:                            |                      |                    |
| Accounts payable                                | 85,248               | 941,729            |
| Accrued interest                                | 81,131               | 82,481             |
| Accrued payroll and related liabilities         | 7,302                | -                  |
| Accrued leave                                   | 521                  | -                  |
| Due to other funds                              | 1,793,751            | 2,823,810          |
| Current portion of bonds payable                | 70,000               | 75,000             |
| Customer deposits                               | <u>28,092</u>        | <u>-</u>           |
| Total current liabilities                       | <u>2,066,045</u>     | <u>3,923,020</u>   |
| Noncurrent liabilities:                         |                      |                    |
| Revenue bonds                                   | 4,855,000            | 4,925,000          |
| Loan payable                                    | <u>930,000</u>       | <u>-</u>           |
| Total noncurrent liabilities                    | <u>5,785,000</u>     | <u>4,925,000</u>   |
| Total liabilities                               | <u>7,851,045</u>     | <u>8,848,020</u>   |
| Net assets:                                     |                      |                    |
| Invested in capital assets, net of related debt | 12,246,602           | 7,918,027          |
| Restricted for debt service                     | 375,469              | 375,469            |
| Unrestricted (deficit)                          | <u>(1,993,265)</u>   | <u>(2,425,289)</u> |
| Total net assets                                | <u>10,628,806</u>    | <u>5,868,207</u>   |
| Total liabilities and net assets                | <u>\$ 18,479,851</u> | <u>14,716,227</u>  |

**CITY OF KODIAK, ALASKA**  
**Boat Yard/Lift Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>          | <u>2009</u>      |
|---|----------------------|------------------|
| Operating revenues:                     |                      |                  |
| Charges for service                     | \$ 308,716           | -                |
| Other                                   | <u>11,858</u>        | <u>-</u>         |
| Total operating revenues                | <u>320,574</u>       | <u>-</u>         |
| Operating expenses:                     |                      |                  |
| Salaries and benefits                   | 79,994               | -                |
| Professional                            | 27,477               | 16,184           |
| Goods and services                      | 120,080              | 1,518            |
| Machinery and equipment                 | 74,397               | 17,302           |
| Repairs and maintenance                 | 14,329               | -                |
| Depreciation                            | <u>2,499</u>         | <u>-</u>         |
| Total operating expenses                | <u>318,776</u>       | <u>35,004</u>    |
| Earnings (loss) from operations         | 1,798                | (35,004)         |
| Nonoperating revenues (expenses):       |                      |                  |
| Investment income                       | 21,211               | 7,671            |
| State PERS relief                       | 2,531                | -                |
| Interest expense                        | <u>(210,201)</u>     | <u>-</u>         |
| Net nonoperating revenues (expenses)    | <u>(186,459)</u>     | <u>7,671</u>     |
| Loss before contributions and transfers | (184,661)            | (27,333)         |
| Transfers in                            | 4,945,260            | -                |
| Capital contributions                   | <u>-</u>             | <u>5,370,718</u> |
| Change in net assets                    | 4,760,599            | 5,343,385        |
| Net assets at beginning of year         | <u>5,868,207</u>     | <u>524,822</u>   |
| Net assets at end of year               | \$ <u>10,628,806</u> | <u>5,868,207</u> |

**CITY OF KODIAK, ALASKA**  
**Boat Yard/Lift Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
(With Comparative Amounts for 2009)

|   | <u>2010</u>                | <u>2009</u>            |
|---|----------------------------|------------------------|
| Cash flows from operating activities:   |                            |                        |
| Receipts from customers and users   | \$ 345,886                 | -                      |
| Payments to suppliers   | (1,092,764)                | (35,004)               |
| Payments to employees   | <u>(69,640)</u>            | <u>-</u>               |
| Net cash flows from operating activities  | <u>(816,518)</u>           | <u>(35,004)</u>        |
| Cash flows from capital and related financing activities:   |                            |                        |
| Purchase of property, plant and equipment   | (5,186,074)                | (11,562,723)           |
| Transfers in  | 4,945,260                  | -                      |
| Proceeds from issuance of long-term debt  | 930,000                    | 1,000,000              |
| Principal paid on long-term debt  | (75,000)                   | -                      |
| Interest paid on long-term debt   | (211,551)                  | -                      |
| Capital contributions received  | 1,422,731                  | 4,232,981              |
| (Decrease) increase in due to other funds   | <u>(1,030,059)</u>         | <u>2,823,810</u>       |
| Net cash flows from capital and related financing activities  | <u>795,307</u>             | <u>(3,505,932)</u>     |
| Cash flows from investing activities -  |                            |                        |
| investment income received  | <u>21,211</u>              | <u>7,671</u>           |
| Net increase (decrease) in cash and investments   | -                          | (3,533,265)            |
| Cash and investments at beginning of year   | <u>375,469</u>             | <u>3,908,734</u>       |
| Cash and investments at end of year   | \$ <u><u>375,469</u></u>   | <u><u>375,469</u></u>  |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities:        |                            |                        |
| Earnings (loss) from operations   | 1,798                      | (35,004)               |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities: |                            |                        |
| Depreciation  | 2,499                      | -                      |
| Noncash expense - State PERS relief   | 2,531                      | -                      |
| Increase in assets - accounts receivable  | (2,780)                    | -                      |
| Increase (decrease) in liabilities:   |                            |                        |
| Accounts payable  | (856,481)                  | -                      |
| Accrued payroll and related liabilities   | 7,302                      | -                      |
| Accrued leave   | 521                        | -                      |
| Customer deposits   | <u>28,092</u>              | <u>-</u>               |
| Net cash flows from operating activities  | \$ <u><u>(816,518)</u></u> | <u><u>(35,004)</u></u> |

**CITY OF KODIAK, ALASKA**  
**Boat Yard/Lift Enterprise Fund**  
**Schedule of Boat Yard/Lift Capital Projects**  
**Year Ended June 30, 2010**

600 Ton Lift

|  |                     |
|--|---------------------|
| Funding sources - Boat Yard/Lift Enterprise Fund | \$ <u>4,948,704</u> |
| Expenditures:                                    |                     |
| Salaries and benefits                            | 9,505               |
| Engineering and inspection                       | 140,455             |
| Construction and equipment                       | <u>4,798,744</u>    |
| Total expenditures                               | \$ <u>4,948,704</u> |

**CITY OF KODIAK, ALASKA**  
E-911 Services Enterprise Fund  
Statement of Net Assets  
June 30, 2010

Assets

Current assets - receivables \$ 98,431

Liabilities and Net Assets

Current liabilities - due to other funds 94,953

Net assets - unrestricted 3,478

Total liabilities and net assets \$ 98,431



**CITY OF KODIAK, ALASKA**  
**E-911 Services Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**

|   |  |                        |
|---|--|------------------------|
| Operating revenues - charges for services |  | \$ <u>66,901</u>       |
| Operating expenses:                       |  |                        |
| Salaries and benefits                     |  | 6,003                  |
| Professional                              |  | <u>31,550</u>          |
| Total operating expenses                  |  | <u>37,553</u>          |
| Earnings before transfers                 |  | 29,348                 |
| Transfers out                             |  | <u>(25,870)</u>        |
| Change in net assets                      |  | 3,478                  |
| Net assets at beginning of year           |  | <u>-</u>               |
| Net assets at end of year                 |  | \$ <u><u>3,478</u></u> |

## CITY OF KODIAK, ALASKA

E-911 Services Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2010

|   |                         |
|---|-------------------------|
| Cash flows from operating activities:   |                         |
| Receipts from customers and users   | \$ 66,901               |
| Payments to suppliers   | (31,550)                |
| Payments to employees   | <u>(6,003)</u>          |
| Net cash flows from operating activities  | <u>29,348</u>           |
| Cash flows from noncapital financing activities:  |                         |
| Decrease in due to other funds  | (3,478)                 |
| Transfers out   | <u>(25,870)</u>         |
| Net cash flows from noncapital financing activities                                     | <u>(29,348)</u>         |
| Net increase in cash and investments  | -                       |
| Cash and investments at beginning of year   | <u>-</u>                |
| Cash and investments at end of year   | \$ <u><u>-</u></u>      |
| Reconciliation of earnings from operations to net cash flows from operating activities: |                         |
| Earnings from operations  | \$ <u><u>29,348</u></u> |

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## 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. This fund was closed effective July 1, 2008.

**CITY OF KODIAK, ALASKA**  
Insurance Internal Service Fund  
Statement of Net Assets  
June 30, 2010  
(With Comparative Amounts for 2009)

|  | <u>2010</u>              | <u>2009</u>           |
|--|--------------------------|-----------------------|
| <u>Assets</u>                          |                          |                       |
| Cash and investments                   | \$ <u>463,630</u>        | <u>334,606</u>        |
| <u>Liabilities and Net Assets</u>      |                          |                       |
| Current liabilities - accounts payable | 1,222                    | 9,062                 |
| Net assets - unrestricted              | <u>462,408</u>           | <u>325,544</u>        |
| Total liabilities and net assets       | \$ <u><u>463,630</u></u> | <u><u>334,606</u></u> |

**CITY OF KODIAK, ALASKA**  
**Insurance Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|   | <u>2010</u>              | <u>2009</u>           |
|---|--------------------------|-----------------------|
| Operating revenues - charges for services | \$ 699,376               | 597,974               |
| Operating expenses - insurance            | <u>565,984</u>           | <u>609,890</u>        |
| Earnings (loss) from operations           | 133,392                  | (11,916)              |
| Nonoperating revenues - investment income | <u>3,472</u>             | <u>12,509</u>         |
| Earnings before transfers                 | 136,864                  | 593                   |
| Transfers out                             | <u>-</u>                 | <u>(500,000)</u>      |
| Change in net assets                      | 136,864                  | (499,407)             |
| Net assets at beginning of year           | <u>325,544</u>           | <u>824,951</u>        |
| Net assets at end of year                 | \$ <u><u>462,408</u></u> | <u><u>325,544</u></u> |

**CITY OF KODIAK, ALASKA**  
**Insurance Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
(With Comparative Amounts for 2009)

|  | <u>2010</u>       | <u>2009</u>      |
|--|-------------------|------------------|
| Cash flows from operating activities:  |                   |                  |
| Receipts from interfund services provided  | \$ 699,376        | 597,974          |
| Payments to suppliers  | <u>(573,824)</u>  | <u>(582,985)</u> |
| Net cash flows from operating activities   | <u>125,552</u>    | <u>14,989</u>    |
| Cash flows from noncapital financing activities -<br>transfers out                                       | <u>-</u>          | <u>(500,000)</u> |
| Cash flows from investing activities -<br>investment income received                                     | <u>3,472</u>      | <u>12,509</u>    |
| Net increase (decrease) in cash and investments  | 129,024           | (472,502)        |
| Cash and investments at beginning of year  | <u>334,606</u>    | <u>807,108</u>   |
| Cash and investments at end of year  | \$ <u>463,630</u> | <u>334,606</u>   |
| Reconciliation of earnings (loss) from operations to net cash<br>flows from operating activities:        |                   |                  |
| Earnings (loss) from operations  | 133,392           | (11,916)         |
| Adjustments to reconcile earnings (loss) from operations to<br>net cash flows from operating activities: |                   |                  |
| (Decrease) increase in liabilities - accounts payable  | <u>(7,840)</u>    | <u>9,062</u>     |
| Net cash flows from operating activities   | \$ <u>125,552</u> | <u>14,989</u>    |

**CITY OF KODIAK, ALASKA**  
**PERS Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**(With Comparative Amounts for 2009)**

|                                   | <u>2010</u>        | <u>2009</u>      |
|-----------------------------------|--------------------|------------------|
| Transfers out                     | \$ -               | (1,280,697)      |
| Special item - write off NPO/OPEB | <u>-</u>           | <u>1,153,915</u> |
| Change in net assets              | -                  | (126,782)        |
| Net assets at beginning of year   | <u>-</u>           | <u>126,782</u>   |
| Net assets at end of year         | <u><u>\$ -</u></u> | <u><u>-</u></u>  |



**CITY OF KODIAK, ALASKA**  
PERS Internal Service Fund  
Statement of Cash Flows  
Year Ended June 30, 2010  
(With Comparative Amounts for 2009)

|  | <u>2010</u>        | <u>2009</u>        |
|--|--------------------|--------------------|
| Cash flows from noncapital financing activities -<br>transfers out | \$ <u>-</u>        | <u>(1,280,697)</u> |
| Net decrease in cash and investments                               | -                  | (1,280,697)        |
| Cash and investments at beginning of year                          | <u>-</u>           | <u>1,280,697</u>   |
| Cash and investments at end of year                                | \$ <u><u>-</u></u> | <u><u>-</u></u>    |

**CITY OF KODIAK, ALASKA**  
**Kodiak Fisheries Development Association Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2010**

|                                       | Balance<br>at July 1,<br><u>2009</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br>at June 30,<br><u>2010</u> |
|---------------------------------------|--------------------------------------|------------------|------------------|---------------------------------------|
| Current assets - cash and investments | \$ <u>23,406</u>                     | <u>44,159</u>    | <u>25,479</u>    | <u>42,086</u>                         |
| Current liabilities:                  |                                      |                  |                  |                                       |
| Accounts payable                      | 210                                  | 43,363           | 25,541           | 18,032                                |
| Due to others                         | <u>23,196</u>                        | <u>44,159</u>    | <u>43,301</u>    | <u>24,054</u>                         |
| Total liabilities                     | \$ <u>23,406</u>                     | <u>87,522</u>    | <u>68,842</u>    | <u>42,086</u>                         |

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### **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, 2010

| <u>Federal Grant Title</u>  | <u>Grant Number</u>    | <u>Catalog of Federal Domestic Assistance Number</u> | <u>Total Grant Award</u> | <u>July 1, 2009 Receivable (Deferred)</u> | <u>Federal Share of Expenditures</u> | <u>Federal Grant Receipts</u> | <u>June 30, 2010 Receivable (Deferred)</u> |
|---|------------------------|--|--------------------------|---|--------------------------------------|-------------------------------|--|
| <b>Department of Interior</b>                                       |                        |  |                          |   |                                      |                               |  |
| Historic Preservation of the Erskine House/Baranov Museum           | 02-01-05               | 15.904   | \$ 250,000               | (18,693)                                  | -                                    | -                             | (18,693)                                   |
| <b>Department of Transportation</b>                                 |                        |  |                          |   |                                      |                               |  |
| 2009 Hazardous Materials Emergency Preparedness                     | 09HMEP-GR34299         | 20.703   | 46,309                   | -   | 46,309                               | 46,309                        | -  |
| Kodiak Trident Seaplane Base  | AIP 3-02-0450-002-2006 | 20.106   | 4,200,702                | -   | 120,702                              | -                             | 120,702                                    |
| Total Department of Transportation                                  |                        |  |                          | -   | 167,011                              | 46,309                        | 120,702                                    |
| <b>Department of Commerce</b>                                       |                        |  |                          |   |                                      |                               |  |
| Public Works & Economic Development Facilities Program              | 07-01-05717            | 11.300   | 2,300,000                | 560,178                                   | -                                    | 560,178                       | -  |
| <b>Department of Homeland Security</b>                              |                        |  |                          |   |                                      |                               |  |
| Passed through the State of Alaska                                  |                        |  |                          |   |                                      |                               |  |
| Department of Military and Veterans Affairs:                        |                        |  |                          |   |                                      |                               |  |
| Assistance to Firefighters Grant Program                            | EMW-2008-FO-07430      | 97.044   | 76,950                   | -   | 76,950                               | 76,950                        | -  |
| Emergency Management Program  | 09EMPG-GR35565         | 97.042   | 37,500                   | 15,944                                    | 21,556                               | 37,500                        | -  |
| Emergency Operations Center   | 09EOC-GR35926          | 97.001   | 1,000,000                | -   | 1,000,000                            | 995,360                       | 4,640                                      |
| State Homeland Security Grant                                       | 08SHSP-GR34057         | 97.067   | 14,500                   | -   | 8,045                                | -                             | 8,045                                      |
| Law Enforcement Terrorism Prevention                                | 07LETPP-GR34238        | 97.074   | 32,615                   | 8,400                                     | 10,415                               | 18,815                        | -  |
| Total Department of Homeland Security                               |                        |  |                          | 24,344                                    | 1,116,966                            | 1,128,625                     | 12,685                                     |
| <b>Department of Education</b>                                      |                        |  |                          |   |                                      |                               |  |
| State Fiscal Stabilization Fund (SFSF) - Government Services - ARRA | 800192                 | 84.397   | 179,530                  | -   | 179,530                              | 179,530                       | -  |
| <b>Institute of Museum and Library Services</b>                     |                        |  |                          |   |                                      |                               |  |
| Grants to States  | CED-10-702-165         | 45.310   | 1,000                    | -   | 1,000                                | 1,000                         | -  |
| <b>Department of Justice</b>  |                        |  |                          |   |                                      |                               |  |
| Bulletproof Vest Partnership  | 2007BUBX07039120       | 16.607   | 13,643                   | -   | 3,035                                | 2,712                         | 323  |
| Law Enforcement Training Simulator                                  | 2009-SB-B9-0930        | 16.804   | 36,117                   | -   | 36,000                               | -                             | 36,000                                     |
| Total Department of Justice   |                        |  |                          | -   | 39,035                               | 2,712                         | 36,323                                     |
| Total Federal Financial Assistance                                  |                        |  | \$                       | 565,829                                   | 1,503,542                            | 1,918,354                     | 151,017                                    |

**CITY OF KODIAK, ALASKA**  
 Schedule of State Financial Assistance  
 Year Ended June 30, 2010

| <u>Name of Award</u>  | <u>Grant Number</u> | <u>Total<br/>Grant<br/>Award</u> | <u>July 1,<br/>2009<br/>Receivable<br/>(Deferred)</u> | <u>State<br/>Share of<br/>Expenditures</u> | <u>State<br/>Receipts</u> | <u>June 30,<br/>2010<br/>Receivable<br/>(Deferred)</u> |
|---|---------------------|----------------------------------|---|--|---------------------------|--|
| <b>Department of Commerce, Community and Economic Development</b> |                     |                                  |   |  |                           |  |
| * State Revenue Sharing   | N/A                 | 400,759                          | -   | 400,759                                    | 400,759                   | -  |
| Municipal Airport Improvements                                    | 07-DC-499           | 700,000                          | -   | 18,488                                     | 11,449                    | 7,039  |
| Cruise Ship /Pier II Master Plan                                  | 09-DC-557           | 250,000                          | -   | 3,228                                      | 3,228                     | -  |
| * Pedestrian Improve between Dock/Downtown                        | 10-DC-020           | 700,000                          | -   | 176,561                                    | 154,225                   | 22,336   |
| Large Vessel Lift and Boat Yard                                   | 09-DC-847           | 2,000,000                        | 862,553   | -  | 862,553                   | -  |
| Fisheries Business Tax  | N/A                 | 69,875                           | -   | 69,875                                     | 69,875                    | -  |
| Total Department of Commerce, Community and Economic Development  |                     |                                  | <u>862,553</u>  | <u>668,911</u>                             | <u>1,502,089</u>          | <u>29,375</u>  |
| <b>Department of Transportation &amp; Public Facilities</b>       |                     |                                  |   |  |                           |  |
| AHSO Travel   | 410K8-10-00-00 (C)  | 729                              | -   | 729  | 729                       | -  |
| Kodiak Trident Basin FY 07 AIP Match Grant                        | N/A                 | 107,368                          | 96,632  | -  | 96,632                    | -  |
| Total Department of Transportation & Public Facilities            |                     |                                  | <u>96,632</u>   | <u>729</u>                                 | <u>97,361</u>             | <u>-</u>   |
| <b>Department of Environmental Conservation</b>                   |                     |                                  |   |  |                           |  |
| Aleutian Home Water & Sewer Replacement, Phase II                 | 50335               | 1,481,000                        | 74,050  | -  | -                         | 74,050   |
| * Aleutian Home Water & Sewer Replacement, Phase 4                | 50336               | 1,764,000                        | 681,841   | 1,082,159                                  | 1,587,600                 | 176,400  |
| ADEC Memorandum of Understanding                                  | N/A                 | 10,400                           | -   | 9,832                                      | 9,832                     | -  |
| UV Secondary Water Treatment Facility                             | 50337               | 2,800,000                        | 113   | 4,186                                      | 4,272                     | 27   |
| Total Department of Environmental Conservation                    |                     |                                  | <u>756,004</u>  | <u>1,096,177</u>                           | <u>1,601,704</u>          | <u>250,477</u>   |
| <b>Department of Revenue</b>                                      |                     |                                  |   |  |                           |  |
| * Raw Fish Tax Sharing  | N/A                 | 1,046,010                        | -   | 1,046,010                                  | 1,046,010                 | -  |
| * Commercial Passenger Vessel Tax                                 | N/A                 | 179,789                          | -   | 179,789                                    | 179,789                   | -  |
| Aviation Gas Sharing  | N/A                 | 5,993                            | -   | 5,993                                      | 5,993                     | -  |
| Alcohol Beverage Sharing  | N/A                 | 22,500                           | -   | 22,500                                     | 15,400                    | 7,100  |
| Telephone/Electric Cooperative                                    | N/A                 | 39,963                           | -   | 39,963                                     | 39,963                    | -  |
| Total Department of Revenue                                       |                     |                                  | <u>-</u>  | <u>1,294,255</u>                           | <u>1,287,155</u>          | <u>7,100</u>   |
| <b>Department of Education and Early Development</b>              |                     |                                  |   |  |                           |  |
| Public Library Assistance   | PLA-10-702-42       | 6,350                            | -   | 6,350                                      | 6,350                     | -  |
| Dept of Education & Early Development                             | ILC-10-702-150      | 2,262                            | -   | 2,262                                      | 2,262                     | -  |
| Total Department of Education and Early Development               |                     |                                  | <u>-</u>  | <u>8,612</u>                               | <u>8,612</u>              | <u>-</u>   |
| <b>Department of Administration</b>                               |                     |                                  |   |  |                           |  |
| * PERS Relief   | N/A                 | 355,183                          | -   | 355,183                                    | 355,183                   | -  |
| Total State Financial Assistance                                  |                     |                                  | <u>\$ 1,715,189</u>                                   | <u>3,423,867</u>                           | <u>4,852,103</u>          | <u>286,952</u>   |

\* Major program

## CITY OF KODIAK, ALASKA

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

Year Ended June 30, 2010

#### 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   | 124-128     |
| 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   | 129-133     |
| 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  | 134-137     |
| 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   | 138-140     |
| 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  | 141-142     |
| 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 Nine Fiscal Years**  
 (accrual basis of accounting)

|                                  | Fiscal year |             |             |             |             |             |             |             |             |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                  | 2002        | 2003        | 2004        | 2005        | 2006        | 2007        | 2008        | 2009        | 2010        |
| <b>Governmental activities:</b>  |             |             |             |             |             |             |             |             |             |
| Invested in capital assets,      |             |             |             |             |             |             |             |             |             |
| net of related debt \$           | 10,806,885  | 11,164,043  | 13,184,178  | 15,861,107  | 17,363,043  | 18,423,911  | 19,715,240  | 19,649,138  | 32,822,868  |
| Restricted                       | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Unrestricted                     | 22,058,706  | 22,489,743  | 22,046,319  | 18,351,673  | 17,069,035  | 17,120,507  | 20,490,905  | 26,532,000  | 16,890,514  |
| 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  | 46,181,138  | 49,713,382  |
| <b>Business-type activities:</b> |             |             |             |             |             |             |             |             |             |
| Invested in capital assets,      |             |             |             |             |             |             |             |             |             |
| net of related debt \$           | 52,027,076  | 51,792,843  | 51,589,299  | 52,631,132  | 55,710,846  | 59,739,871  | 63,002,311  | 69,899,848  | 73,486,875  |
| Restricted                       | 628,530     | -           | -           | 259,875     | 221,450     | 221,450     | 653,862     | 505,050     | 505,050     |
| Unrestricted                     | 16,847,195  | 17,661,437  | 17,419,992  | 17,355,843  | 17,124,604  | 15,161,107  | 14,894,324  | 11,638,558  | 8,445,014   |
| 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  | 82,043,456  | 82,436,939  |
| <b>Primary government:</b>       |             |             |             |             |             |             |             |             |             |
| Invested in capital assets,      |             |             |             |             |             |             |             |             |             |
| net of related debt \$           | 62,833,961  | 62,956,886  | 64,773,477  | 68,492,239  | 73,073,889  | 78,163,782  | 82,717,551  | 89,548,986  | 106,309,743 |
| Restricted                       | 628,530     | -           | -           | 259,875     | 221,450     | 221,450     | 653,862     | 505,050     | 505,050     |
| Unrestricted                     | 38,905,901  | 40,151,180  | 39,466,311  | 35,707,516  | 34,193,639  | 32,281,614  | 35,385,229  | 38,170,558  | 25,335,528  |
| 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 | 128,224,594 | 132,150,321 |

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

Table 2

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

|  | Fiscal Year           |                    |                    |                    |                    |                    |                    |                    |                    |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | 2002                  | 2003               | 2004               | 2005               | 2006               | 2007               | 2008               | 2009               | 2010               |
| <b>Expenses</b>  |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Governmental activities:</b>                        |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| General government                                     | \$ 1,237,263          | 1,674,970          | 1,783,346          | 1,968,566          | 2,244,270          | 2,328,195          | 2,442,402          | 2,419,468          | 2,502,315          |
| Public safety  | 4,041,480             | 4,167,480          | 4,476,289          | 4,971,607          | 5,054,994          | 5,384,713          | 5,987,605          | 5,932,145          | 6,089,332          |
| Public works   | 1,508,158             | 2,295,522          | 2,014,583          | 3,335,631          | 2,503,999          | 1,825,719          | 2,113,620          | 4,268,602          | 2,526,468          |
| Engineering  | 272,670               | 263,998            | 147,284            | 157,750            | 215,981            | 167,571            | 167,812            | 140,886            | 121,747            |
| Parks & recreation                                     | 865,306               | 961,792            | 1,024,215          | 2,642,528          | 1,124,144          | 1,099,535          | 1,009,117          | 1,133,502          | 1,199,620          |
| Library  | 548,829               | 622,544            | 645,675            | 638,789            | 639,399            | 669,518            | 711,172            | 697,856            | 712,625            |
| Community services                                     | 718,320               | 336,314            | 399,985            | 282,011            | 262,834            | 213,032            | 126,562            | 435,970            | 277,041            |
| Interest on long-term debt                             | -                     | -                  | -                  | -                  | -                  | -                  | 75,410             | 398,252            | 383,928            |
| Construction in progress                               | 1,196,614             | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>Total governmental activities expenses</b>          | <b>10,388,640</b>     | <b>10,322,620</b>  | <b>10,491,377</b>  | <b>13,996,882</b>  | <b>12,045,621</b>  | <b>11,688,283</b>  | <b>12,633,700</b>  | <b>15,426,681</b>  | <b>13,813,076</b>  |
| <b>Business-type activities:</b>                       |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| Cargo Pier   | \$ 1,558,369          | 1,246,889          | 1,127,264          | 1,232,903          | 1,714,611          | 1,796,372          | 1,438,477          | 1,046,188          | 1,692,841          |
| Boat Harbor  | 2,359,262             | 2,319,251          | 2,329,622          | 2,239,588          | 2,329,106          | 2,397,171          | 2,867,113          | 2,782,150          | 2,912,689          |
| Boat Yard/Lift   | -                     | -                  | -                  | -                  | -                  | -                  | -                  | 35,019             | 528,977            |
| Harbor Electric  | 903,186               | 461,058            | 449,179            | 471,593            | 488,004            | 640,125            | 648,498            | 611,387            | 605,989            |
| Water Utility  | 2,119,447             | 1,608,101          | 1,826,774          | 1,683,286          | 1,740,225          | 2,893,352          | 2,864,069          | 5,598,768          | 2,952,723          |
| Sewer Utility  | 445,876               | 2,820,381          | 2,533,580          | 2,538,608          | 2,659,591          | 5,288,305          | 3,800,645          | 3,016,736          | 2,665,150          |
| Trident Basin  | -                     | -                  | -                  | -                  | 67,105             | 152,474            | 192,228            | 177,482            | 154,777            |
| E-911 Services   | -                     | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 37,553             |
| <b>Total business-type activities expenses</b>         | <b>7,386,140</b>      | <b>8,455,680</b>   | <b>8,266,419</b>   | <b>8,165,978</b>   | <b>8,998,642</b>   | <b>13,167,799</b>  | <b>11,811,030</b>  | <b>13,267,730</b>  | <b>11,550,699</b>  |
| <b>Total primary government expenses</b>               | <b>\$ 17,774,780</b>  | <b>18,778,300</b>  | <b>18,757,796</b>  | <b>22,162,860</b>  | <b>21,044,263</b>  | <b>24,856,082</b>  | <b>24,444,730</b>  | <b>28,694,411</b>  | <b>25,363,775</b>  |
| <b>Program revenues</b>                                |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Governmental activities:</b>                        |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Charges for services:</b>                           |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| General government                                     | \$ 93,306             | 682,442            | 584,789            | 699,789            | 589,054            | 520,490            | 671,690            | 625,030            | 597,860            |
| Public safety  | 803,968               | 862,593            | 995,157            | 908,256            | 910,753            | 1,003,467          | 1,022,257          | 1,033,791          | 914,020            |
| Public works   | 579,528               | 151,727            | 938,371            | 376,077            | 395,490            | 406,595            | 357,420            | 313,568            | 288,198            |
| Engineering  | 194,219               | 189,264            | 60,000             | 60,000             | 60,000             | 89,250             | 88,740             | 142,175            | 224,241            |
| Parks & recreation                                     | 94,490                | 110,903            | 101,114            | 97,895             | 117,795            | 125,332            | 115,562            | 117,173            | 135,733            |
| Library  | 16,405                | 17,758             | 19,901             | 24,451             | 23,334             | 18,578             | 18,623             | 16,140             | 15,980             |
| 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             | 44,520             | 733,005            |
| Capital grants and contributions                       | 177,336               | 190,467            | 634,174            | 1,394,878          | 1,265,164          | 520,832            | 1,007,347          | 2,311,754          | 1,119,257          |
| <b>Total governmental activities program revenues</b>  | <b>2,085,511</b>      | <b>2,381,522</b>   | <b>3,403,844</b>   | <b>3,571,846</b>   | <b>3,382,290</b>   | <b>2,697,244</b>   | <b>3,318,793</b>   | <b>4,604,151</b>   | <b>4,028,294</b>   |
| <b>Business-type activities:</b>                       |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Charges for services:</b>                           |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| Cargo Pier   | \$ 1,835,099          | 792,974            | 874,720            | 925,354            | 1,069,814          | 1,140,213          | 1,193,416          | 1,264,758          | 1,251,294          |
| Boat Harbor  | 1,855,910             | 1,183,714          | 1,114,408          | 1,465,129          | 1,616,940          | 1,894,868          | 1,999,486          | 2,183,999          | 2,233,292          |
| Boat Yard/Lift   | -                     | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 320,574            |
| Harbor Electric  | 680,462               | 456,923            | 442,330            | 423,407            | 547,840            | 678,706            | 682,471            | 708,714            | 654,986            |
| Water Utility  | 1,102,429             | 1,917,796          | 1,955,759          | 2,003,579          | 2,096,333          | 2,120,037          | 2,276,688          | 2,254,850          | 2,458,561          |
| Sewer Utility  | 463,421               | 1,864,475          | 1,856,773          | 1,875,801          | 1,882,108          | 2,213,233          | 2,501,624          | 2,821,293          | 3,180,800          |
| Trident Basin  | -                     | -                  | -                  | -                  | 19,791             | 17,765             | 28,319             | 30,571             | 33,266             |
| E-911 Services   | -                     | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 66,901             |
| Operating grants and contributions                     | 381,639               | -                  | 2,778              | -                  | -                  | -                  | -                  | -                  | 136,560            |
| Capital grants and contributions                       | -                     | 1,307,715          | 707,191            | 2,210,453          | 2,647,341          | 4,631,660          | 4,933,513          | 8,182,722          | 1,207,047          |
| <b>Total business-type activities program revenues</b> | <b>6,318,960</b>      | <b>7,523,597</b>   | <b>6,953,959</b>   | <b>8,903,723</b>   | <b>9,880,167</b>   | <b>12,696,482</b>  | <b>13,615,517</b>  | <b>17,446,907</b>  | <b>11,543,281</b>  |
| <b>Total primary government program revenues</b>       | <b>\$ 8,404,471</b>   | <b>9,905,119</b>   | <b>10,357,803</b>  | <b>12,475,569</b>  | <b>13,262,457</b>  | <b>15,393,726</b>  | <b>16,934,310</b>  | <b>22,051,058</b>  | <b>15,571,575</b>  |
| <b>Net (expense)/revenue:</b>                          |                       |                    |                    |                    |                    |                    |                    |                    |                    |
| Governmental activities                                | \$ (8,303,129)        | (7,941,098)        | (7,087,533)        | (10,425,036)       | (8,663,331)        | (8,991,039)        | (9,314,907)        | (10,822,530)       | (9,784,782)        |
| Business-type activities                               | (1,067,180)           | (932,083)          | (1,312,460)        | 737,745            | 881,525            | (471,317)          | 1,804,487          | 4,179,177          | (7,418)            |
| <b>Total primary government net expenses</b>           | <b>\$ (9,370,309)</b> | <b>(8,873,181)</b> | <b>(8,399,993)</b> | <b>(9,687,291)</b> | <b>(7,781,806)</b> | <b>(9,462,356)</b> | <b>(7,510,420)</b> | <b>(6,643,353)</b> | <b>(9,792,200)</b> |

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

|  | Fiscal Year          |                  |                  |                  |                   |                   |                   |                   |                   |
|--|----------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2002                 | 2003             | 2004             | 2005             | 2006              | 2007              | 2008              | 2009              | 2010              |
| <b>Governmental activities:</b>                              |                      |                  |                  |                  |                   |                   |                   |                   |                   |
| Taxes:   |                      |                  |                  |                  |                   |                   |                   |                   |                   |
| Property taxes   | \$ 635,692           | 638,092          | 618,751          | 630,567          | 632,495           | 632,102           | 655,943           | 651,699           | 665,999           |
| Sales taxes  | 6,990,918            | 7,115,078        | 7,316,442        | 7,795,331        | 8,136,785         | 8,465,804         | 8,850,746         | 9,277,394         | 9,379,409         |
| Other taxes, penalties and interest                          | 118,216              | 126,079          | 121,082          | 171,318          | 2,246             | 125,284           | 174,443           | 199,832           | 179,427           |
| 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         | 2,125,313         | 1,584,024         |
| Investment income  | 1,086,768            | 583,096          | 183,015          | 509,793          | 402,339           | 946,861           | 993,447           | 730,096           | 270,673           |
| Land sales   | -                    | -                | -                | -                | -                 | -                 | 1,415,900         | 1,518,308         | 746,475           |
| Other  | 158,453              | 72,398           | -                | 13,798           | 249,022           | 172,748           | 64,491            | 1,168,070         | 651,281           |
| Transfers  | (642,000)            | (437,000)        | (470,000)        | (381,683)        | (1,380,000)       | (1,626,886)       | (700,000)         | 1,126,811         | (160,262)         |
| <b>Total governmental activities</b>                         | <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> | <u>16,797,523</u> | <u>13,317,026</u> |
| <b>Business-type activities:</b>                             |                      |                  |                  |                  |                   |                   |                   |                   |                   |
| Other taxes, penalties and interest                          | -                    | -                | -                | -                | -                 | -                 | -                 | -                 | 179,789           |
| 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           | 260,355           | 60,850            |
| Other  | 147,030              | (15,640)         | 283,715          | (166,436)        | (48,084)          | 53,580            | 194,034           | 180,238           | -                 |
| Transfers  | 642,000              | 437,000          | 470,000          | 381,683          | 1,380,000         | 1,626,886         | 700,000           | (1,126,811)       | 160,262           |
| <b>Total business-type activities</b>                        | <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>  | <u>(686,218)</u>  | <u>400,901</u>    |
| <b>Total primary government</b>                              | <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> | <u>16,111,305</u> | <u>13,717,927</u> |
| <b>Change in Net Assets</b>                                  |                      |                  |                  |                  |                   |                   |                   |                   |                   |
| Governmental activities                                      | \$ 1,499,416         | 1,103,049        | 1,705,891        | (1,017,717)      | 219,298           | 1,112,340         | 4,661,727         | 5,974,993         | 3,532,244         |
| Business-type activities                                     | 108,031              | (123,865)        | (444,989)        | 1,237,559        | 2,810,050         | 2,065,528         | 3,428,069         | 3,492,959         | 393,483           |
| <b>Total primary government</b>                              | <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>  | <u>9,467,952</u>  | <u>3,925,727</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 Nine 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>       | <u>2009</u>       | <u>2010</u>      |
| General Fund:                  |                      |                   |                   |                   |                   |                   |                   |                   |                  |
| Reserved                       | \$ 67,727            | 1,535,196         | 876,022           | 24,109            | 4,410             | 251,108           | 48,735            | 14,622            | 13,618           |
| Unreserved                     | 5,959,288            | 3,757,730         | 4,620,192         | 6,071,577         | 4,868,452         | 5,322,163         | 8,261,482         | 7,689,501         | 8,838,952        |
| 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>  | <u>7,704,123</u>  | <u>8,852,570</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         | 3,743,007         | 4,432,351        |
| Capital project funds          | 5,827,019            | -                 | -                 | 4,631,014         | 5,519,696         | 6,680,620         | 14,765,170        | 15,263,690        | 3,645,026        |
| 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> | <u>19,006,697</u> | <u>8,077,377</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 Nine Fiscal Years**  
**(modified accrual basis of accounting)**

|  | Fiscal Year          |                   |                   |                    |                    |                    |                   |                    |                    |  |
|--|----------------------|-------------------|-------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--|
|  | 2002                 | 2003              | 2004              | 2005               | 2006               | 2007               | 2008              | 2009               | 2010               |  |
| <b>Revenues</b>  |                      |                   |                   |                    |                    |                    |                   |                    |                    |  |
| Taxes  | \$ 7,740,939         | 7,879,249         | 8,056,275         | 8,551,379          | 8,929,890          | 9,223,190          | 9,681,132         | 10,128,925         | 10,224,835         |  |
| Intergovernmental  | 1,427,806            | 1,211,605         | 1,672,895         | 1,815,685          | 2,249,839          | 1,897,112          | 3,566,165         | 4,481,587          | 3,436,286          |  |
| Charges for services   | 1,125,387            | 1,237,887         | 1,150,469         | 1,169,988          | 1,204,864          | 1,304,629          | 1,219,155         | 1,232,892          | 1,194,380          |  |
| Fines and forfeitures  | -                    | 19,180            | 36,890            | 44,770             | 55,934             | 29,452             | 55,479            | 20,122             | 23,514             |  |
| Licenses and permits   | 44,628               | 38,063            | 54,758            | 58,319             | 43,064             | 51,535             | 102,748           | 76,679             | 70,489             |  |
| Rental income  | 227,335              | 196,331           | 225,284           | 231,496            | 187,374            | 168,356            | 136,480           | 213,460            | 198,188            |  |
| Interfund charges  | 714,853              | 616,410           | 516,477           | 662,020            | 605,160            | 609,740            | 760,430           | 690,920            | 678,820            |  |
| Investment income  | 1,028,756            | 583,096           | 183,015           | 509,793            | 383,909            | 878,442            | 944,184           | 722,722            | 268,746            |  |
| Special assessments  | 3,887                | 40,362            | 55,389            | 246,921            | 293,351            | 195,827            | 99,587            | 91,300             | 81,088             |  |
| Sale of land   | -                    | -                 | -                 | -                  | -                  | -                  | 1,415,330         | 1,518,308          | 746,475            |  |
| Other revenues   | 158,453              | 99,428            | 21,846            | 13,673             | 90,658             | 110,960            | 65,061            | 14,155             | 651,281            |  |
| <b>Total revenues</b>  | <b>\$ 12,472,044</b> | <b>11,921,611</b> | <b>11,973,298</b> | <b>13,304,044</b>  | <b>14,044,043</b>  | <b>14,469,243</b>  | <b>18,045,751</b> | <b>19,191,070</b>  | <b>17,574,102</b>  |  |
| <b>Expenditures</b>  |                      |                   |                   |                    |                    |                    |                   |                    |                    |  |
| General government   | \$ 1,220,408         | 1,306,947         | 1,447,188         | 1,542,525          | 1,790,557          | 1,838,143          | 1,968,278         | 1,947,971          | 1,988,470          |  |
| Public safety  | 3,845,478            | 3,920,562         | 4,196,991         | 4,552,442          | 5,204,895          | 5,422,461          | 5,806,415         | 5,686,969          | 5,980,113          |  |
| Public works   | 1,234,394            | 1,339,028         | 1,307,523         | 1,610,106          | 1,729,607          | 2,032,734          | 1,816,084         | 4,274,007          | 2,270,267          |  |
| Engineering  | 269,282              | 246,621           | 142,789           | 168,871            | 216,394            | 158,090            | 162,559           | 128,245            | 143,630            |  |
| Parks and recreation   | 745,949              | 771,511           | 903,068           | 850,848            | 950,291            | 986,890            | 1,006,513         | 1,013,620          | 1,089,285          |  |
| Library  | 535,196              | 570,322           | 622,716           | 598,915            | 650,423            | 668,146            | 704,219           | 695,715            | 720,071            |  |
| Community services   | 707,919              | 273,865           | 287,487           | 279,689            | 260,513            | 262,754            | 267,839           | 426,747            | 267,818            |  |
| Other - insurance and administration                           | -                    | 320,053           | 399,985           | 548,991            | 497,178            | 461,949            | 484,548           | 474,613            | 525,528            |  |
| Debt service principal   | -                    | -                 | -                 | -                  | -                  | -                  | -                 | 135,000            | 145,000            |  |
| Debt service interest  | -                    | -                 | -                 | -                  | -                  | -                  | 15,344            | 377,227            | 385,740            |  |
| Capital outlay   | 1,196,614            | 1,932,581         | 3,307,776         | 6,486,272          | 2,924,189          | 1,004,082          | 2,223,366         | 7,539,755          | 13,678,791         |  |
| <b>Total expenditures</b>                                      | <b>\$ 9,755,240</b>  | <b>10,681,490</b> | <b>12,615,523</b> | <b>16,638,659</b>  | <b>14,224,047</b>  | <b>12,835,249</b>  | <b>14,455,165</b> | <b>22,699,869</b>  | <b>27,194,713</b>  |  |
| <b>Excess of revenues over (under) expenditures</b>            | <b>2,716,804</b>     | <b>1,240,121</b>  | <b>(642,225)</b>  | <b>(3,334,615)</b> | <b>(180,004)</b>   | <b>1,633,994</b>   | <b>3,590,586</b>  | <b>(3,508,799)</b> | <b>(9,620,611)</b> |  |
| <b>Other financing sources (uses)</b>                          |                      |                   |                   |                    |                    |                    |                   |                    |                    |  |
| 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        | 11,180,416         | 2,664,564          |  |
| Transfers out  | (3,833,937)          | (3,870,891)       | (3,622,752)       | (3,728,575)        | (4,892,057)        | (7,042,897)        | (10,922,989)      | (9,447,123)        | (2,824,826)        |  |
| Proceeds from sale of assets                                   | -                    | 7,700             | -                 | -                  | -                  | -                  | -                 | -                  | -                  |  |
| <b>Net other financing sources (uses)</b>                      | <b>(642,000)</b>     | <b>(187,000)</b>  | <b>30,000</b>     | <b>(381,683)</b>   | <b>(1,380,000)</b> | <b>(1,626,886)</b> | <b>8,500,000</b>  | <b>1,733,293</b>   | <b>(160,262)</b>   |  |
| <b>Net change in fund balance</b>                              | <b>\$ 2,074,804</b>  | <b>1,053,121</b>  | <b>(612,225)</b>  | <b>(3,716,298)</b> | <b>(1,560,004)</b> | <b>7,108</b>       | <b>12,090,586</b> | <b>(1,775,506)</b> | <b>(9,780,873)</b> |  |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>0.00%</b>         | <b>0.00%</b>      | <b>0.00%</b>      | <b>0.00%</b>       | <b>0.00%</b>       | <b>0.00%</b>       | <b>0.13%</b>      | <b>3.45%</b>       | <b>4.00%</b>       |  |

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</u><br><u>Year</u> | <u>Property</u><br><u>Tax</u> | <u>Sales</u><br><u>Tax</u> | <u>Hotel/Motel</u><br><u>Tax</u> | <u>Total</u> |
|------------------------------|-------------------------------|----------------------------|----------------------------------|--------------|
| 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    |
| 2009                         | 651,699                       | 9,277,394                  | 168,267                          | 10,097,360   |
| 2010                         | 665,999                       | 9,379,409                  | 154,145                          | 10,199,553   |

**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 |                                |                              |                       |                                |  |
| 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%   |
| 2009        | 207,887,196          | 139,455,992         | 21,028,450                     | 326,314,738                  | 2.00                  | 416,724,100                    | 78.30%   |
| 2010        | 216,020,977          | 139,126,798         | 22,489,410                     | 332,658,365                  | 2.00                  | 405,445,000                    | 82.05%   |

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<br>Year | City of Kodiak              |                                 |                          | Kodiak Island Borough       |                                 |                             | Total Direct &<br>Overlapping Rates |                      |
|----------------|-----------------------------|---------------------------------|--------------------------|-----------------------------|---------------------------------|-----------------------------|-------------------------------------|----------------------|
|                | Real<br>Property<br>Millage | Personal<br>Property<br>Millage | Total<br>City<br>Millage | Real<br>Property<br>Millage | Personal<br>Property<br>Millage | Total<br>Borough<br>Millage | Real<br>Property                    | Personal<br>Property |
| 2001           | 2.00                        | 0.00                            | 2.00                     | 9.25                        | 9.25                            | 9.25                        | 11.25                               | 9.25                 |
| 2002           | 2.00                        | 0.00                            | 2.00                     | 9.25                        | 9.25                            | 9.25                        | 11.25                               | 9.25                 |
| 2003           | 2.00                        | 0.00                            | 2.00                     | 9.25                        | 9.25                            | 9.25                        | 11.25                               | 9.25                 |
| 2004           | 2.00                        | 0.00                            | 2.00                     | 9.25                        | 9.25                            | 9.25                        | 11.25                               | 9.25                 |
| 2005           | 2.00                        | 0.00                            | 2.00                     | 10.25                       | 10.25                           | 10.25                       | 12.25                               | 10.25                |
| 2006           | 2.00                        | 0.00                            | 2.00                     | 11.00                       | 11.00                           | 11.00                       | 13.00                               | 11.00                |
| 2007           | 2.00                        | 0.00                            | 2.00                     | 10.50                       | 10.50                           | 10.50                       | 12.50                               | 10.50                |
| 2008           | 2.00                        | 0.00                            | 2.00                     | 10.50                       | 10.50                           | 10.50                       | 12.50                               | 10.50                |
| 2009           | 2.00                        | 0.00                            | 2.00                     | 10.50                       | 10.50                           | 10.50                       | 12.50                               | 10.50                |
| 2010           | 2.00                        | 0.00                            | 2.00                     | 10.50                       | 10.50                           | 10.50                       | 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, 2010

| <u>Business Category</u>                      | 2010                        |             |   |
|---|-----------------------------|-------------|---|
|   | <u>Total Sales Receipts</u> | <u>Rank</u> | <u>Percentage of Total Sales Receipts</u> |
| Retail Trade                                  | \$ 162,193,715              | 1           | 39.17%                                    |
| Construction                                  | 77,014,238                  | 2           | 18.60%                                    |
| Wholesale Trade                               | 40,911,242                  | 3           | 9.88%                                     |
| Utilities                                     | 28,980,012                  | 4           | 7.00%                                     |
| Manufacturing                                 | 23,651,477                  | 5           | 5.71%                                     |
| Accommodation and Food Services               | 19,769,816                  | 6           | 4.77%                                     |
| Other Services (except Public Administration) | 18,957,950                  | 7           | 4.58%                                     |
| Real Estate and Rental and Leasing            | 13,901,106                  | 8           | 3.36%                                     |
| Information                                   | 11,386,523                  | 9           | 2.75%                                     |
| Transportation and Warehousing                | 8,004,737                   | 10          | 1.93%                                     |
|   | <u>\$ 404,770,816</u>       |             | <u>97.75%</u>                             |

| <u>Taxpayer</u>                     | Percentage of Total Taxable Assessed |             |               |
|-------------------------------------|--------------------------------------|-------------|---------------|
|                                     | <u>Taxable Assessed Value</u>        | <u>Rank</u> | <u>Value</u>  |
| Ocean Beauty Seafoods Inc.          | \$ 15,963,774                        | 1           | 4.80%         |
| Westward Seafoods, Inc              | 11,430,705                           | 2           | 3.44%         |
| Alaska Communciations Systems       | 11,053,885                           | 3           | 3.32%         |
| International Seafoods of Alaska    | 10,028,365                           | 4           | 3.01%         |
| Wal-Mart Real Estate Business Trust | 9,926,522                            | 5           | 2.98%         |
| Trident Seafoods Corporation        | 8,865,179                            | 6           | 2.66%         |
| Mill Bay Plaza Associates, Ltd      | 8,648,400                            | 7           | 2.60%         |
| Brechan Enterprises Inc             | 8,331,857                            | 8           | 2.50%         |
| Horizon Lines of Alaska LLC         | 6,823,954                            | 9           | 2.05%         |
| Afognak Native Corp                 | 5,973,346                            | 10          | 1.80%         |
|                                     | <u>\$ 97,045,987</u>                 |             | <u>29.17%</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**

| Fiscal<br>Year | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in<br>Subsequent<br>Years | Total Collections to Date |                       |
|----------------|--------------------------------------|---|-----------------------|--|---------------------------|-----------------------|
|                |                                      | Amount  | Percentage<br>of Levy |  | Amount                    | Percentage<br>of Levy |
| 2001           | \$ 623,993                           | \$ 602,134                                      | 96.50%                | \$ 20,533                                | \$ 622,667                | 99.79%                |
| 2002           | 624,485                              | 614,242   | 98.36%                | 21,450                                   | 635,692                   | 100.00%               |
| 2003           | 630,930                              | 621,970   | 98.58%                | 18,122                                   | 640,092                   | 100.00%               |
| 2004           | 626,232                              | 616,172   | 98.39%                | 2,579                                    | 618,751                   | 98.81%                |
| 2005           | 631,536                              | 628,516   | 99.52%                | 2,051                                    | 630,567                   | 99.85%                |
| 2006           | 630,325                              | 623,763   | 98.96%                | 8,732                                    | 632,495                   | 100.00%               |
| 2007           | 632,517                              | 599,261   | 94.74%                | 16,420                                   | 615,681                   | 97.34%                |
| 2008           | 641,218                              | 640,435   | 99.88%                | 15,508                                   | 655,943                   | 100.00%               |
| 2009           | 653,397                              | 644,857   | 98.69%                | 6,842                                    | 651,699                   | 99.74%                |
| 2010           | 665,317                              | 656,852   | 98.73%                | 4,848                                    | 665,999                   | 100.00%               |

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

| Fiscal<br>Year | Governmental | Business-Type Activities |              |           | Percentage<br>of Personal<br>Income | Per<br>Capita |
|----------------|--------------|--------------------------|--------------|-----------|-------------------------------------|---------------|
|                | Activities   | Revenue                  | Alaska       | Alaska    |                                     |               |
|                | General      |                          | Clean        | Drinking  |                                     |               |
|                | Obligation   | Bonds                    | Water        | Water     |                                     |               |
|                | Bonds        |                          | Fund Loans   | Fund Loan |                                     |               |
| 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    | -         | 7.3%                                | 2,649         |
| 2009           | 7,865,000    | 7,000,000                | 1,957,682    | 550,000   | 7.7%                                | 2,908         |
| 2010           | 7,720,000    | 6,895,000                | 3,177,346    | 440,000   | 6.6%                                | 2,752         |

**CITY OF KODIAK**  
 Direct and Overlapping Debt  
 As of June 30, 2010

| <u>Governmental Unit</u>          | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|-----------------------------------|-----------------------------|--|--|
| City of Kodiak                    |                             |  |  |
| General Obligation Bonds          | \$ 7,720,000                | 100%   | \$ <u>7,720,000</u>                                    |
| Kodiak Island Borough             |                             |  |  |
| General Obligation Bonds          | <u>29,565,000</u>           | 41%  | <u>12,121,650</u>                                      |
| Total direct and overlapping debt | \$ <u><u>37,285,000</u></u> |  | \$ <u><u>19,841,650</u></u>                            |

Source: Assessed value data used to estimate applicable percentages provided by the Kodiak Island Borough and the State of Alaska.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Kodiak Island Borough's taxable assessed value that is within the City of Kodiak's boundaries and dividing it by the Kodiak Island Borough's total taxable assessed value.

**CITY OF KODIAK**  
Legal Debt Margin Information  
As of June 30, 2010

|                      |                   |
|----------------------|-------------------|
| Assessed Value       | \$ 355,147,775    |
| Less Exempt Property | <u>22,489,410</u> |
| Total                | \$ 332,658,365    |

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<br>Year | Water Utility Revenue Bonds           |                                |                             |              |           |        | Coverage |
|----------------|---------------------------------------|--------------------------------|-----------------------------|--------------|-----------|--------|----------|
|                | Water Utility<br>Charges<br>and Other | Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |           |        |          |
|                |                                       |                                |                             | Principal    | Interest  |        |          |
| 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  |          |
| 2009           | 2,254,850                             | 5,035,028                      | (2,780,178)                 | 215,000      | 3,225     | -12.74 |          |
| 2010           | 2,458,561                             | 2,403,343                      | 55,218                      | -            | -         | -      |          |

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> |
|--------------------|-------------------|------------------------|-----------------------------------|--------------------------|--------------------------|
| 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               | 5,974             | 216,662,949            | 36,268                            | 2,650                    | 7.0%                     |
| 2009               | 5,974             | 226,719,274            | 37,951                            | 2,661                    | 7.9%                     |
| 2010               | 6,626             | 275,754,242            | 41,617                            | 2,595                    | 6.7%                     |

Source: State of Alaska, Department of Commerce, Community, and Economic Development and the Department of Labor, and Kodiak Island Borough School District.



**CITY OF KODIAK**  
Principal Employers  
Current Year and Nine Years Ago

| <u>Employer</u>                       | <u>2010<br/>Rank</u> | <u>2001<br/>Rank</u> |
|---------------------------------------|----------------------|----------------------|
| Kodiak Island Borough School District | 1                    | 1                    |
| Federal Government                    | 2                    | 5                    |
| Trident Seafood Corporation           | 3                    | 4                    |
| International Seafoods                | 4                    | -                    |
| Providence Hospital                   | 5                    | 6                    |
| North Pacific Processors, Inc.        | 6                    | 3                    |
| Ocean Beauty Seafoods                 | 7                    | 2                    |
| United States Seafoods LLC            | 8                    | -                    |
| City of Kodiak                        | 9                    | 7                    |
| Carrs/Safeway                         | 10                   | 10                   |
| Cook Inlet Processing                 | -                    | 8                    |
| Wal-Mart Associates Inc               | -                    | 9                    |

Source: State of Alaska Department of Labor

Note: Employers are ranked by number of workers listed in Alaska Department of Labor and Workforce Development, Research and Analysis Section.  
The State of Alaska has passed legislation that prevents disclosure of the number of employees for each employer.

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

| <b>Function</b>      | <u>2001</u>   | <u>2002</u>   | <u>2003</u>   | <u>2004</u>   | <u>2005</u>   | <u>2006</u>   | <u>2007</u>   | <u>2008</u>   | <u>2009</u>   | <u>2010</u>   |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government   | 12.00         | 12.00         | 12.00         | 11.00         | 12.50         | 12.50         | 11.30         | 12.05         | 12.30         | 12.30         |
| Public Safety:       |               |               |               |               |               |               |               |               |               |               |
| Police               | 36.00         | 36.00         | 36.00         | 36.00         | 36.00         | 35.00         | 35.00         | 37.00         | 37.00         | 37.00         |
| Fire                 | 12.50         | 12.50         | 12.50         | 12.75         | 12.75         | 12.75         | 12.75         | 13.75         | 13.75         | 13.75         |
| Public Works         | 10.00         | 10.00         | 10.00         | 10.00         | 10.00         | 10.00         | 9.50          | 9.50          | 9.50          | 9.50          |
| Engineering          | 4.00          | 4.00          | 4.00          | 3.00          | 3.00          | 3.00          | 2.00          | 2.00          | 2.00          | 2.00          |
| Parks and Recreation | 6.00          | 6.00          | 6.00          | 5.00          | 5.00          | 5.00          | 5.00          | 5.00          | 5.00          | 5.00          |
| Library              | 7.00          | 7.00          | 7.00          | 7.00          | 7.00          | 7.00          | 6.75          | 6.75          | 6.75          | 6.75          |
| Harbor               | 13.00         | 13.00         | 13.00         | 14.00         | 14.00         | 14.00         | 14.00         | 14.00         | 16.40         | 16.40         |
| Water                | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          | 6.60          | 6.60          | 6.60          | 6.60          |
| Sewer                | 8.00          | 8.00          | 8.00          | 8.00          | 8.00          | 7.00          | 7.80          | 8.60          | 9.35          | 9.35          |
| <b>Total</b>         | <u>114.50</u> | <u>114.50</u> | <u>114.50</u> | <u>112.75</u> | <u>114.25</u> | <u>112.25</u> | <u>110.70</u> | <u>115.25</u> | <u>118.65</u> | <u>118.65</u> |

Note: Full-time equivalent employees are permanent employees.

Table 17

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

| Function                                       | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Police:</b>                                 |             |             |             |             |             |             |             |             |             |
| Complaints investigated                        | 7,525       | 7,304       | 7,512       | 7,352       | 7,796       | 8,195       | 8,376       | 8,839       | 7,716       |
| Motor vehicle collision reports                | 207         | 223         | 191         | 126         | 180         | 86          | 67          | 89          | 124         |
| Bookings/admissions                            | 887         | 1,045       | 1,027       | 900         | 1,000       | 959         | 850         | 917         | 917         |
| Investigations conducted                       | 142         | 233         | 172         | 240         | 264         | 200         | 147         | 125         | 188         |
| 911 calls received & services dispatched       | 785         | 906         | 865         | 900         | 910         | 1,257       | 1,777       | 1,021       | 1,350       |
| <b>Fire:</b>                                   |             |             |             |             |             |             |             |             |             |
| Fire response within 5 minutes                 | NA          | NA          | 90%         | 90%         | 90%         | 90%         | 90%         | 90%         | 90%         |
| EMS response within 5 minutes                  | NA          | NA          | 90%         | 90%         | 90%         | 90%         | 90%         | 90%         | 90%         |
| <b>Public Works:</b>                           |             |             |             |             |             |             |             |             |             |
| <b>Streets</b>                                 |             |             |             |             |             |             |             |             |             |
| Time spent on snow removal (man hours)         | 3,500       | 3,100       | 3,000       | 1,274       | 2,827       | 5,883       | 5,558       | 5,900       | 5,000       |
| <b>Garage</b>                                  |             |             |             |             |             |             |             |             |             |
| Preventative maintenance checks                | 150         | 160         | 150         | 150         | 107         | 113         | 113         | 132         | 125         |
| <b>Building inspection</b>                     |             |             |             |             |             |             |             |             |             |
| Building permits issued                        | 107         | 201         | 223         | 203         | 224         | 190         | 182         | 197         | 190         |
| <b>Engineering -</b>                           |             |             |             |             |             |             |             |             |             |
| Projects completed on schedule & within budget | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        |
| <b>Parks and Recreation:</b>                   |             |             |             |             |             |             |             |             |             |
| Landscape maintenance (in acres)               | 240.5       | 240.5       | 240.5       | 240.5       | 240.5       | 240.5       | 240.5       | 240.5       | 240.5       |
| Teen center attendance                         | NA          | 17,058      | 17,453      | 16,283      | 11,245      | 31,111      | 29,829      | 32,920      | 31,000      |
| Number of aquatic participants                 | NA          | 12,123      | 13,274      | 10,386      | 7,993       | 19,496      | 13,566      | 15,463      | 19,728      |
| Ice rink attendance                            | NA          | NA          | 6,654       | 10,362      | 10,000      | 10,000      | 19,594      | 32,679      | 34,480      |
| <b>Library:</b>                                |             |             |             |             |             |             |             |             |             |
| Number of visitors                             | 146,217     | 148,000     | 148,897     | 149,000     | 149,757     | 149,702     | 149,572     | 149,320     | 149,800     |
| Number of materials withdrawn                  | 4,177       | 2,500       | 4,225       | 3,500       | 2,111       | 3,750       | 3,334       | 3,800       | 3,800       |
| <b>Harbor:</b>                                 |             |             |             |             |             |             |             |             |             |
| Vehicle, boat and foot patrol hours            | 9,543       | 8,188       | 10,489      | 10,500      | 6,996       | 5,832       | 7,000       | 7,000       | 7,000       |
| Number of owner accounts                       | 4,100       | 2,490       | 2,229       | 2,400       | 1,543       | 1,314       | 1,400       | 1,400       | 1,400       |
| <b>Water -</b>                                 |             |             |             |             |             |             |             |             |             |
| All regulations met                            | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| <b>Sewer:</b>                                  |             |             |             |             |             |             |             |             |             |
| Treatment standards met                        | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| Discharge effluent limits met                  | Yes         | Yes         | 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 Nine Years**

|                                 | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Function</b>                 |             |             |             |             |             |             |             |             |             |
| <b>Police:</b>                  |             |             |             |             |             |             |             |             |             |
| Police stations                 | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Police vehicles                 | 26          | 25          | 23          | 22          | 21          | 20          | 20          | 20          | 20          |
| <b>Fire:</b>                    |             |             |             |             |             |             |             |             |             |
| Fire stations                   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Fire vehicles                   | 9           | 10          | 10          | 11          | 11          | 10          | 9           | 9           | 9           |
| <b>Public Works:</b>            |             |             |             |             |             |             |             |             |             |
| Streets (miles)                 | 23.4        | 23.4        | 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       | 2,650       | 2,650       |
| <b>Parks and Recreation:</b>    |             |             |             |             |             |             |             |             |             |
| Number of parks/<br>playgrounds | 14          | 14          | 14          | 14          | 14          | 14          | 14          | 14          | 14          |
| Teen center                     | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Ice rink                        | 0           | 0           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Library                         | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Harbor:</b>                  |             |             |             |             |             |             |             |             |             |
| Number of harbors               | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Piers & docks                   | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| <b>Water:</b>                   |             |             |             |             |             |             |             |             |             |
| Water mains (miles)             | 52.4        | 52.4        | 52.4        | 52.4        | 52.4        | 52.4        | 52.4        | 52.4        | 52.4        |
| Number of reservoirs            | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| <b>Sewer:</b>                   |             |             |             |             |             |             |             |             |             |
| Sewer mains (miles)             | 43.9        | 43.9        | 43.9        | 43.9        | 43.9        | 43.9        | 43.9        | 43.9        | 43.9        |
| Lift stations                   | 18          | 18          | 20          | 20          | 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2010. 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 *deficiency in internal control* exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Honorable Mayor and City Council  
City of Kodiak, Alaska

Compliance and Other Matters

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

This report is intended solely for the information and use of the City Council, management, others within the entity, 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 7, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.



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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 7, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 7, 2010

**CITY OF KODIAK, ALASKA**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

**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 Homeland Security | 97.001             | Emergency Operations Center               |

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?

\$75,000

**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, 2010

**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, 2010

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