

CITY OF KODIAK, ALASKA

Comprehensive Annual
Financial Report

For the Year Ended June 30, 2011

Prepared by City of Kodiak Finance Department

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CITY OF KODIAK, ALASKA

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December 8, 2011

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, 2011. 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, 2011, 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, 2011. 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 13,860 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 2011 sales tax revenue was nearly 66% 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 2011 was \$387,543,505 and generated \$765,539 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

Commercial fishing is by far the largest private sector industry in Kodiak. In addition to being quite diverse, Kodiak's fishing industry is also one of its oldest, dating back to the early 1800s when Russians built the first salmon cannery on Kodiak Island. Kodiak is consistently one of the top three fishing ports in the United States. The 2009 ex-vessel value of all fish coming into Kodiak was \$115.5 million, and volume in 2009 was 293.9 million pounds.

Kodiak is the center of fishing activities for the Gulf of Alaska. Its fishery is among the most diverse in the state. Residents participate in at least 27 different fisheries not including the numerous ground fish fisheries. Salmon has traditionally been the mainstay of Kodiak's fisheries. Because of the cyclic nature of the salmon fisheries, the annual volume and value of Kodiak's salmon catch varies greatly. Increased competition in world markets has also driven prices down. However, in the last few years, prices have been rebounding. During recent years, the ground fish 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 research efforts.

VISTOR 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 continues to grow in Kodiak.

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

Kodiak's share of the Southwest Alaska visitor market is approximately 31%. According to the Alaska Visitor Statistics Program, visitors to Kodiak and other Southwest Alaska destinations tend to stay longer than the average visitor to the state, and are significantly more likely to be repeat visitors. Additionally these visitors typically spend more than twice as much as the average visitor to other regions in Alaska. In recent years, the cruise ship industry has stopped at Kodiak with ships of up to 1,300 passengers embarking on the island to visit.

In 2006 the total yearly visitor spending was approximately \$9 million and in 2009 it was approximately \$32 million for the Kodiak region.

AEROSPACE INDUSTRY

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

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

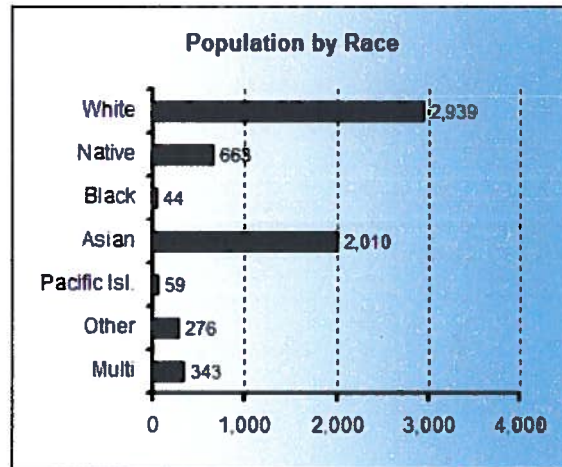
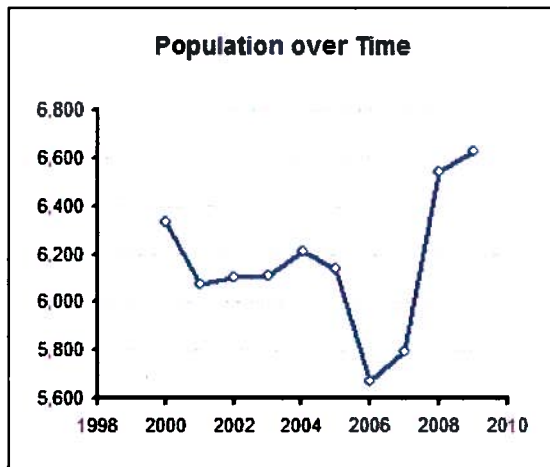
According to the independent research and consulting firms Information Insights, Inc. and Van Wyhe Rogers, LLC, in 2005 AADC spending generated approximately \$24 million impact on the Kodiak economy - \$21.2 million from purchases and hospitality, and \$3.2 million in payroll. AADC spent \$6.7 million 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

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 estimated population for 2010 was 6,626, a gain of about 292 since the 2000 census. About 68% of the resident population over sixteen years old worked in 2009. Manufacturing was the main industry in 2009, employing 36% of the area’s workers. More workers were employed as Meat, Poultry, and Fish Cutters and Trimmers than any other occupation.

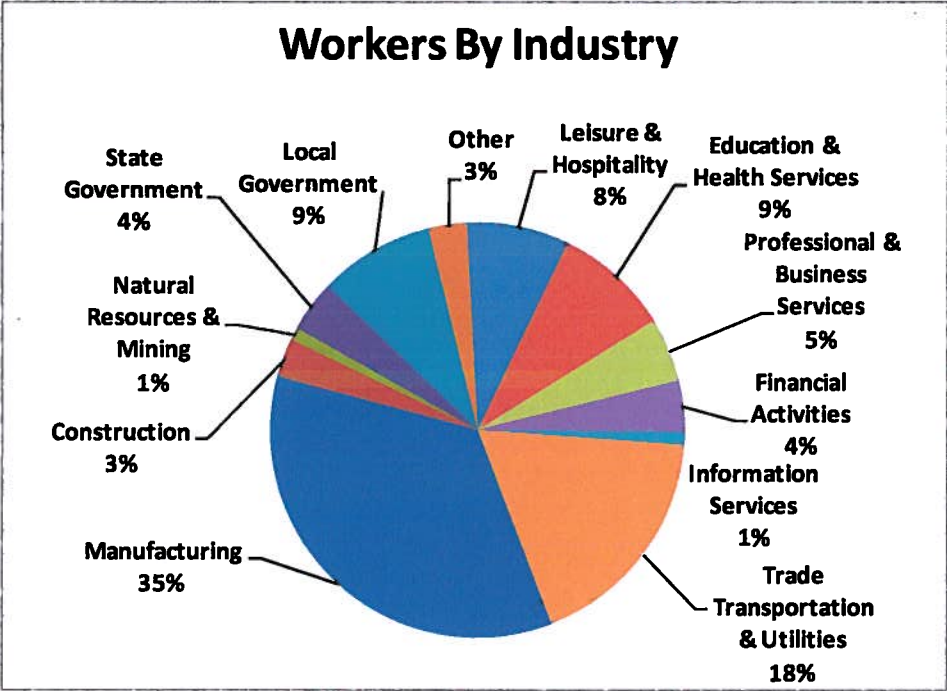
The median age in Kodiak is 31.6 years. Approximately 32.4% of the population is under 18 years of age, about 1% higher than Alaska overall. 53% of the population is male and 47% female. Approximately 18.7% of the adults, age 25 and older, hold at least a bachelor’s degree, and 85.3% are estimated to have at least a high school diploma.

City of Kodiak Population

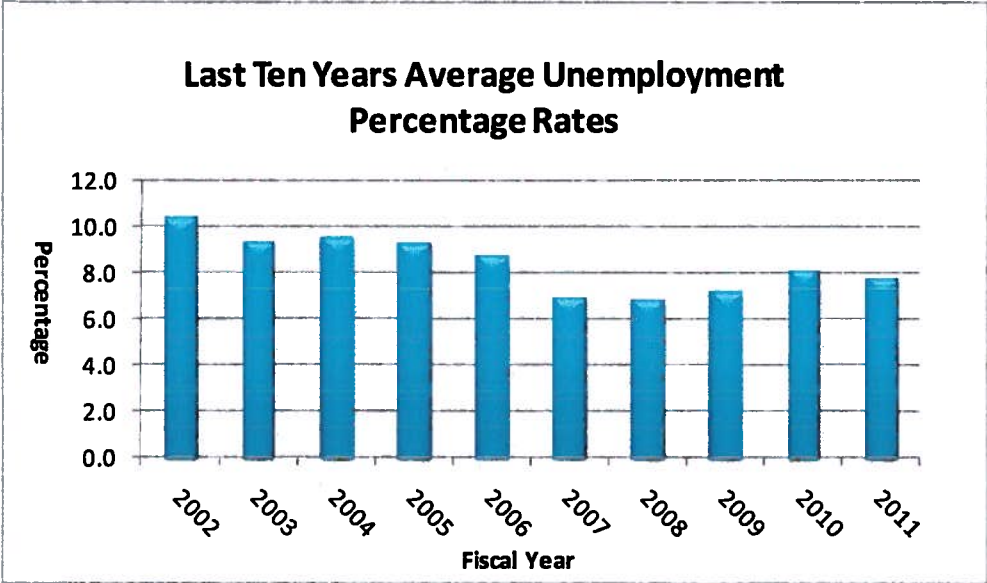


LABOR FORCE

In 2010, the state estimated the Kodiak region’s average monthly employment to be 6,237 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.



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 fiscal year 2011 was 7.8%.



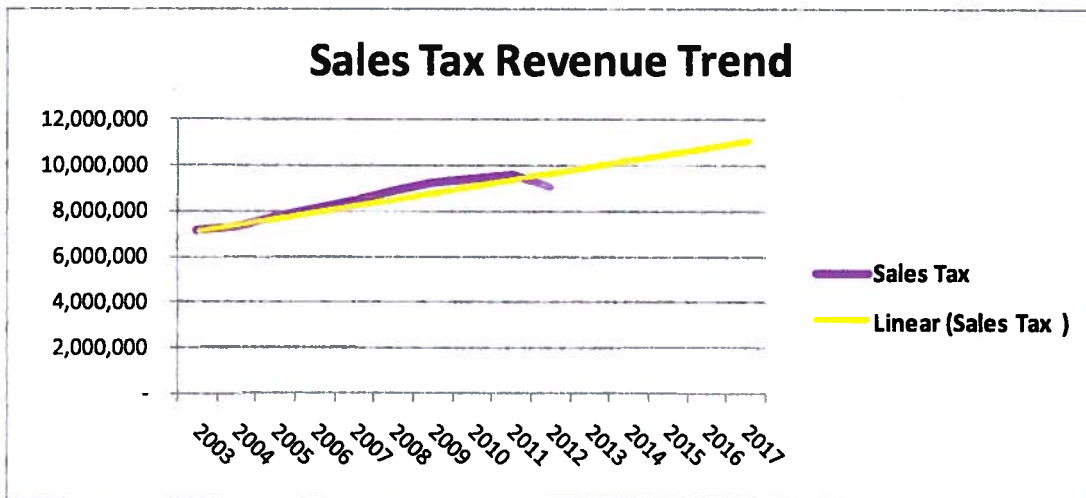
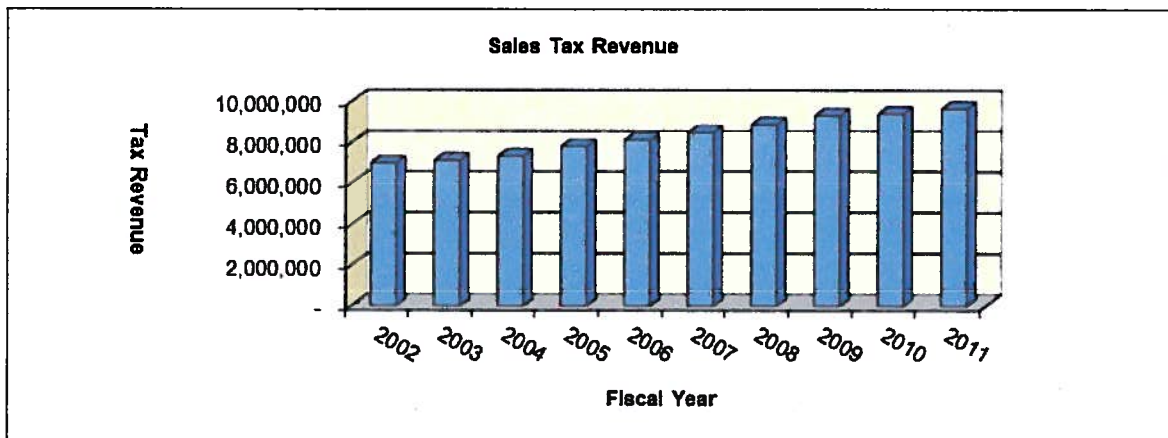
INCOME

Total payroll in 2009 was \$84,354,539. In 2009 Kodiak's per capita income was \$21,522, median family income was \$60,484, and median household income was \$55,142.

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 \$9.6 million in 2011. 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.



Based on current projections, the City of Kodiak will continue to grow and prosper. This growth will positively impact the City. The City will also have to grow to provide the same level of services to its residents.

What Kodiak has to offer to its residents in terms of location, services, growth, and stability is also recognized by others outside of Alaska. Kodiak received national recognition for its livability this year by Outdoor Life magazine which sums up what residents of Kodiak already know.

LONG-TERM FINANCIAL PLANNING

- Essential government services are to be provided at a level equal to or better than the level previously provided.
- All services are to be constantly examined to ensure that they are provided in an efficient and effective manner and that unnecessary program costs are eliminated.
- Authorized capital projects are to be completed as soon as possible, consistent with sound engineering design and approved project cost estimates.
- As a means to ensure that policies of the City Council are observed, and to improve the City's overall management process, a management by objective program has been initiated. Under this program, each City Department Head is required to identify several performance objectives consistent with department goals and to maintain performance indicators, which measure progress toward the achievement of stated objectives. All goals and objectives are reviewed by the City Manager and the Department Heads and then reviewed with the City Council as part of the annual budget process (see each department summary in the budget for goal and objective statements).
- Each department's progress in achieving their objectives is reviewed and monitored throughout the budget year.
- All expenses will be reviewed for cost saving measures. All services will be reviewed for efficiency, purpose and need.
- Ensure structural balance in all areas of City Operations.

MAJOR INITIATIVES

- The Mill Rate of 2.0 remained the same in fiscal year 2011.
- 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 2011 budget had no reductions of services, and all services were maintained at consistent levels.

- Completed work on the Municipal Airport Improvements with a project budget of \$700,000 – total expensed \$669,522.
- Completed work on the Roof and Building Evaluations with a budget of \$1,225,000 – total expensed \$1,254,162.
- Completed work on the Mill Bay Road and Spot Patching with a project budget of \$3,449,720 – total expensed \$3,422,442.
- Completed work on the Police Station with a project budget of \$25,302,640 – total expensed \$25,249,259.
- Completed work on the UV Pre/Final Design Secondary Water Treatment Facility with a project budget of \$900,000 – total expensed \$873,151.
- Completed work on the Aleutian Homes Water & Sewer Replacement Project: Phase IV with a project budget of \$4,885,460 – total expensed \$4,409,121.
- Completed work on the Periodic Dam Safety Inspections with a project budget of \$40,000 – total expensed \$30,533.
- Completed work on the Pier III Fender Timber with a project budget of \$360,000 – total expensed \$359,358.
- Completed work on the Boat Yard Lift with a project budget of \$18,700,000 – total expensed \$17,615,905.
- Completed work on the Ferry Dock/Fender & Bull Rails with a project budget of \$33,000 – total expensed \$27,931.
- Completed work on the Trident Basin Airport Improvements with a project budget of \$5,110,584 – total expensed \$4,974,593.

FUTURE PROJECTS

- **UV Water Treatment Facility Construction: \$3,528,000**

The Federal Enhanced Surface Water Treatment Rule requires all unfiltered surface water drinking supplies, such as the City of Kodiak's, to use a minimum of two disinfectant methods. The City of Kodiak completed a feasibility study of the different treatment methods available, and based on a number of factors, including our water quality and the Federal "disinfection by-products" rule, the City determined that UV disinfection is the most appropriate secondary water treatment option. This mandated project is anticipated to cost approximately \$9 million and is funded by local revenues and Federal and State grants and loans. The City of Kodiak completed engineering and purchased the UV reactors for this project at a combined cost of \$1,240,000. The project went out to bid in November 2010 with construction to be done in the spring of 2011. The City is requesting funding support for this project from the Alaska Department of Environmental Conservation's Municipal Matching Grant program.

- **New Public Library: \$6,888,110**

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, and the City has been working to replace the facility since 2004. The City and a local citizen's group, the Kodiak Public Library Association, have been working closely with the Rasmuson Foundation and the Foraker Pre-Development Program on this project and recently completed

the pre-design phase. The size of the new facility will meet the community and region's needs at approximately 17,000 square feet, and total project costs are estimated to be \$13,614,219. The City submitted its grant application to the State Department of Commerce, Community, and Economic Development for the Library Construction and Major Expansion Matching Grant Program. This project will be funded for up to \$6.8 million through the State's matching grant program, and up to \$6.8 million through Federal and private grantors. The City of Kodiak is requesting State funding support of \$6,888,110 from the Alaska Department of Commerce, Community, and Economic Development's Construction and Major Expansion Matching Grant Program with support from the State Legislature, to assist in construction of this important public facility.

- **Phase I Baranof Park Improvements: \$2,000,000**

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 has outdoor educational facilities. This project requires the replacement of the aging track, replacement of two playing fields, necessary drainage improvements, fencing, and some utility improvements, with an estimated total cost of \$7 million. At least half of the needs for this project are due to Kodiak Island Borough School District's use of the facility. Preliminary engineering plans and bid specifications for this project were completed in 2007. Phase I of this project is estimated to cost \$2.9 million. Phase I includes removal of deteriorating synthetic surface track and infield area used for football, soccer, physical education classes, and other sports and replacement with a new synthetic surface infield better suited to multi-purpose use. The project will be funded with City of Kodiak funds and grants, but the City requires funding assistance to complete this phase of the project. The community is requesting funding support of \$2 million to assist with constructing Phase I of this important community and school district facility.

- **Pedestrian Improvements Pier II to Downtown: \$1,000,000**

The City recently completed planning and initial design work for pedestrian improvements from Pier II to downtown Kodiak to better accommodate an increasing number of cruise ship passengers arriving annually and to improve pedestrian facilities for local residents and businesses that use this street year round. The project consists of construction of an eight-foot ADA accessible sidewalk along a portion of Shelikof Street, which links Pier II to downtown. Total project costs are estimated at \$1,800,000. The City received a \$700,000 State grant for construction in 2009. Additional construction costs are necessary to build the sidewalk and retain existing road width, including excavation, utility relocates, and parking modifications to direct pedestrian traffic out of this congested roadway. The City of Kodiak is requesting State funding assistance through the cruise ship excise tax for \$1,000,000 to complete the project.

- **Pathway Design from Pier II to Kodiak City Boundary at Deadman's Curve: \$384,000**

The City of Kodiak, in conjunction with the Kodiak Island Borough and interested community members, is working to develop a continuous designated pathway system to

compliment Kodiak's road system. This segment of the pathway will extend from Pier II, where cruise ships dock in Kodiak, to the City boundary and a well used scenic overlook and integrate with the pedestrian improvements already under development from Pier II to downtown Kodiak. This pathway will benefit bicyclists and pedestrians alike by significantly improving safety and access and benefit cruise ship passengers who want to view the Kodiak road system coastline from an inviting and scenic location. A planning level scoping document has already been completed for this project. Total project costs for this City phase of the pathway project is estimated at \$2.9 million, including \$384,000 in design and engineering costs and \$325,000 for environmental, permitting, and right-of-way acquisition. The City of Kodiak is requesting State funding assistance through the cruise ship excise tax for design and engineering costs for this pathway segment.

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.

FINANCIAL POLICIES

Formal financial policies, as well as informal operating practices, have helped the City maintain core services and minimize the impact to citizens and employees wherever possible. Formal policies exist on areas such as balanced budgets, revenue diversification, use of one-time and unpredictable revenues, operating expenditures, and reserves.

Revenue Administration

The City's main source of revenue for operating expenditures is sales tax, which makes up 66% of total revenues of the General Fund. In addition, the City carefully reviews all fees, fines, and charges for services on a regular basis to ensure they are covering cost projections. One-time and unpredictable revenues are spent on one-time costs, such as equipment replacement, or transferred to capital improvement funds for repair and rehabilitation projects.

Expenditure Administration

Expenditure budgets are carefully reviewed by both the implementing departments and the City Manager. Careful attention is paid to ensure departments are meeting projected City Council budget goals for the fiscal year. There were no increases in the number of full-time employees in fiscal year 2011 with the exception of four additional staff added to the jail in the newly constructed Police Station. This increase was off-set by additional funds from the Department of Justice. There were no changes in operational needs.

Reserves

The City's policy for reserves states that use of fund balance will be for working capital, budgetary stabilization and responding to extreme events. At a minimum, the General Fund will not have an unassigned fund balance that falls below two months of regular General Fund operating expenditures. The replenishment of fund balance will come from non-recurring revenues, budget surpluses, and excess resources in other funds when legally permissible and when there is defensible rationale.

Debt Administration

The State of Alaska and the City of Kodiak do not establish a legal debt margin. The City will not fund current operations from the proceeds of borrowed funds. The City will confine long-term borrowing to funding of capital improvement projects that cannot be financed from current revenues. When the City finances capital projects by issuing bonds, it will repay the debt within a period not to exceed the expected useful life of the project. Whenever possible, the City will utilize special assessments, revenue or other self-supporting bonds instead of General Obligation Bonds. The City issued a General Obligation Bond in fiscal year 2008 in the amount of \$8,000,000 for construction of the Police Station. The City issued Revenue Bonds for the Boat Yard Lift in fiscal year 2008 in the amount of \$4,000,000 and in fiscal year 2009 in the amount of \$1,000,000, and for the M & P Float Replacement in fiscal year 2008 in the amount of \$2,000,000.

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 2011 was \$12,685,574, and \$3,897,922 in investments in the Alaska Municipal League Investment Pool.

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, 2010. 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, 2011. 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

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

CITY DEPARTMENTS

NAME	DEPARTMENT	E-Mail	PHONE
Aimee Kniazowski	City Manager	akniazowski@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
Pat Branson	Mayor	mayor@city.kodiak.ak.us	907-486-3641
Randall Bishop	Council Member	council@city.kodiak.ak.us	907-486-3364
Charles Davidson	Council Member	council@city.kodiak.ak.us	907-486-3896
Terry Haines	Council Member	council@city.kodiak.ak.us	907-486-0365
Josie Rosales	Council Member	council@city.kodiak.ak.us	907-486-6585
Gabriel Saravia	Council Member	council@city.kodiak.ak.us	907-486-5076
John Whiddon	Council Member	council@city.kodiak.ak.us	907-486-8130

ADVISORY BOARDS

Building Code Board of Appeals (as needed)

Parks & Recreation Advisory Board

Personnel Board as needed

Port & Harbor Advisory Board

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, 2010

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.



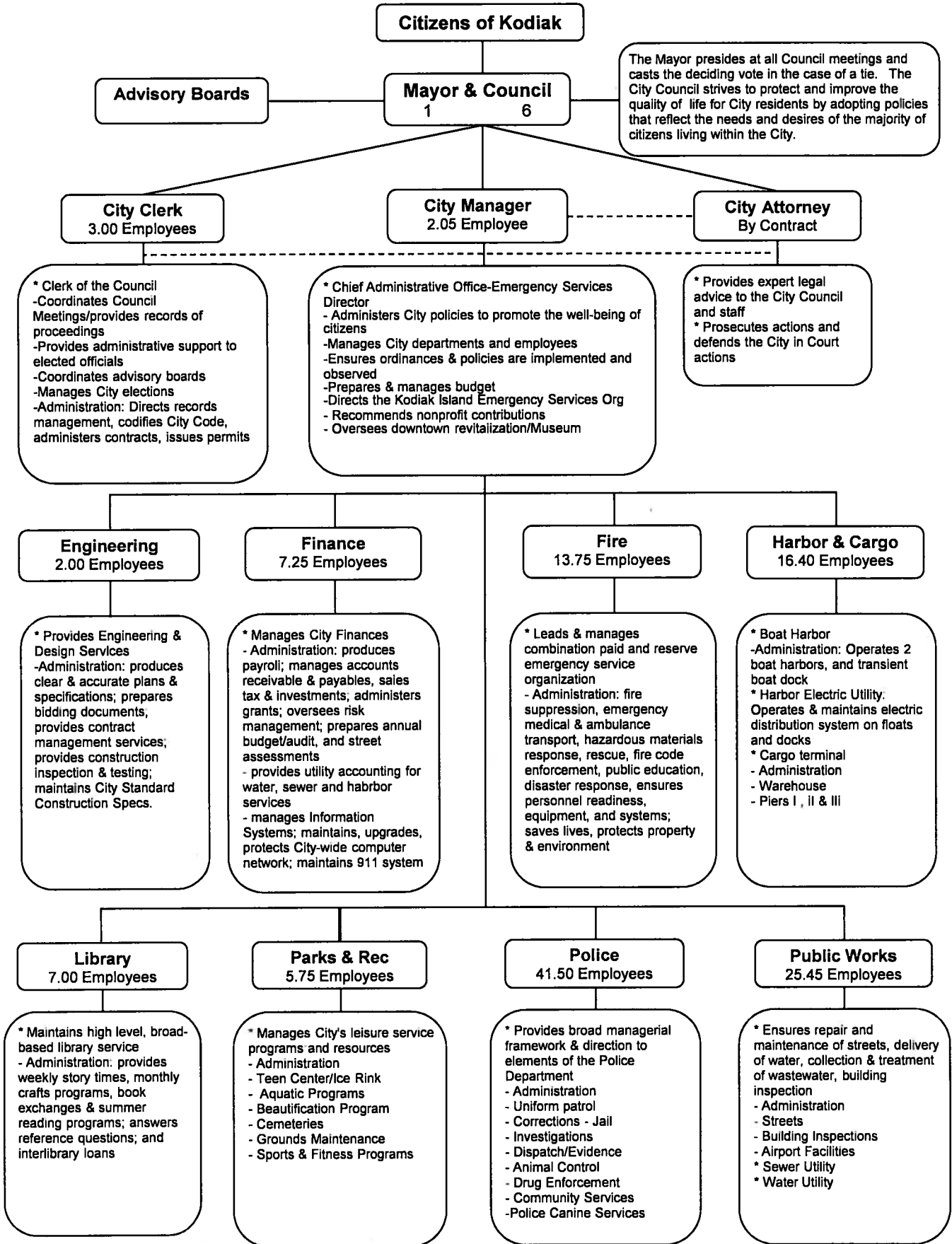
A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

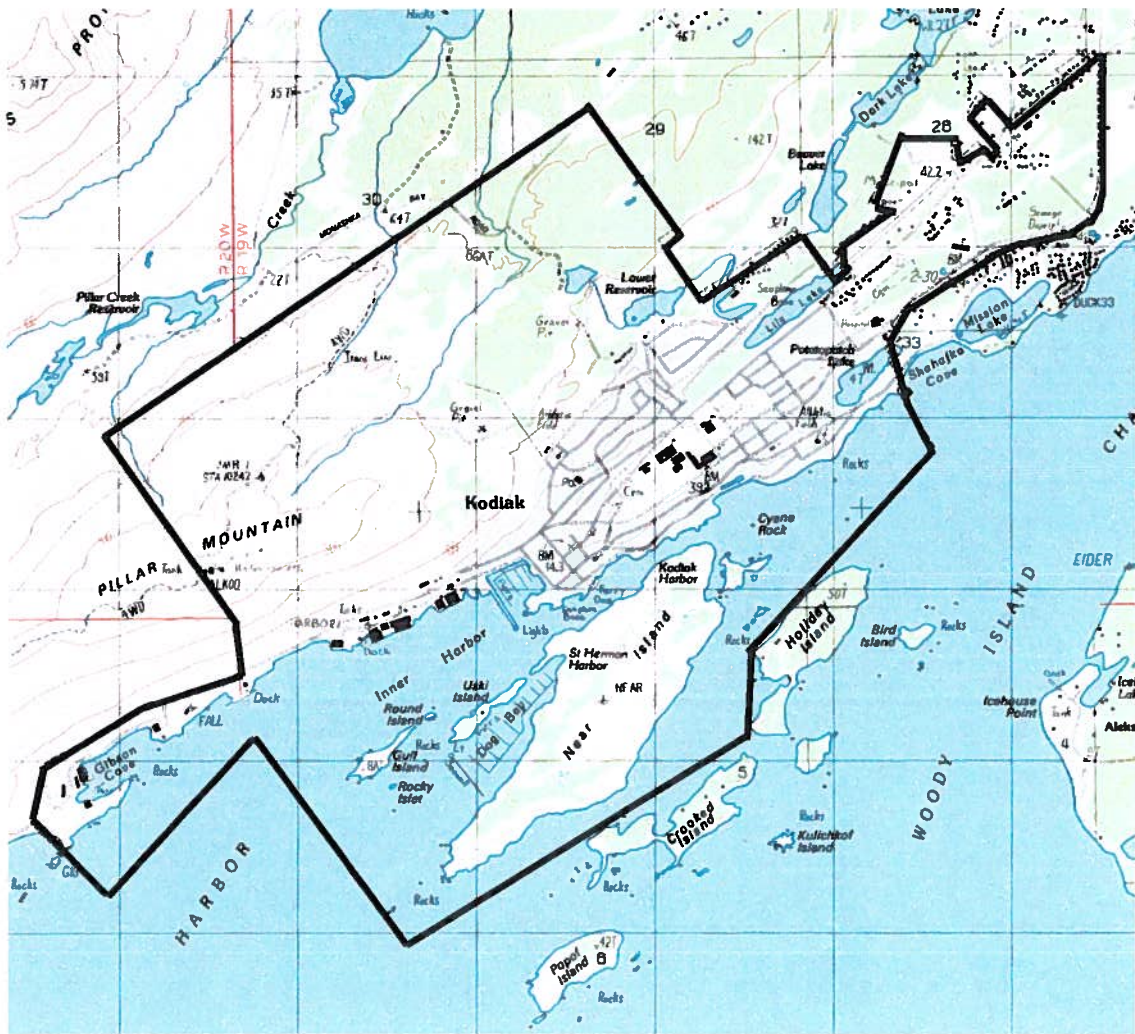
Executive Director

**CITY OF KODIAK
ORGANIZATIONAL CHART**





CITY OF KODIAK - CITY LIMITS



City - 6.2 square miles

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, 2011 which collectively comprise the City of Kodiak'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, 2011, 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, 2011, 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 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 State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for 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, 2011

CITY OF KODIAK, ALASKA

Management's Discussion and Analysis

June 30, 2011

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, 2011. 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-XIX 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 \$135,009,042 (*net assets*). Of this amount, \$25,113,348 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$2,858,721 (2.2%). The governmental net assets increased by \$1,793,164 (3.6%) and the business-type net assets increased by \$1,065,557 (1.3%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$11,801,745, a decrease of \$5,128,202 in comparison with the prior year. Approximately 27% of this total amount, \$3,180,700 is available for spending at the government's discretion (*unassigned/(deficit)*).
- Total general revenues accounted for \$12,624,588 or 41% 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 \$17,996,119 or 59% of total revenues of \$30,620,707.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,865,844 or 28% of total General Fund expenditures and transfers of \$17,153,673.
- The City of Kodiak's total debt increased by \$897,592 during the current fiscal year. The key factor in this increase was in the business-type activities where new Water and Sewer loans were added in the amount of \$1,062,394 and \$654,633 respectively. In the business-type activities, there were revenue bond payments in the amount of \$100,000 and loan payments in the amount of \$493,121. In the governmental activities, there was a payment on the general obligation bond in the amount of \$150,000.

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 an Internal Service Fund (the other kind of proprietary fund) to report activities of the City’s Self Insurance 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 28-50 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 46-48 of this report.
- The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 52-56. Other combining and individual fund statements and schedules can be found on pages 58-118 of this report.

Government – wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City’s net assets for 2011 compared to 2010:

Table 1
Net Assets of Governmental and Business-type Activities

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current assets	\$ 12,922,957	\$ 16,841,691	15,423,659	12,736,258	28,346,616	29,577,949
Capital assets	47,257,520	40,637,491	81,339,376	83,999,221	128,596,896	124,636,712
Total assets	<u>60,180,477</u>	<u>57,479,182</u>	<u>96,763,035</u>	<u>96,735,479</u>	<u>156,943,512</u>	<u>154,214,661</u>
Liabilities						
Current liabilities	502,558	(604,150)	1,426,817	3,558,870	1,929,375	2,954,720
Long-term liabilities	8,173,490	8,369,950	11,833,722	10,739,670	20,007,212	19,109,620
Total liabilities	<u>8,676,048</u>	<u>7,765,800</u>	<u>13,260,539</u>	<u>14,298,540</u>	<u>21,936,587</u>	<u>22,064,340</u>
Net Assets						
Invested in capital assets	39,687,520	32,822,868	69,703,124	73,486,875	109,390,644	106,309,743
Restricted	-	-	505,050	505,050	505,050	505,050
Unrestricted	11,819,026	16,890,514	13,294,322	8,445,014	25,113,348	25,335,528
Total net assets	<u>\$ 51,506,546</u>	<u>\$ 49,713,382</u>	<u>83,502,496</u>	<u>82,436,939</u>	<u>135,009,042</u>	<u>132,150,321</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 \$135,009,042 as of June 30, 2011.

The government’s net assets increased by \$2,858,721 during the current fiscal year compared to \$3,925,727 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 an increase in capital grants, and an increase in the Street Improvement Capital Fund expenses.

By far the largest portion of the City of Kodiak’s net assets (81%) 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 2011, 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 a decrease of \$3,783,751 in invested in capital assets net of related debt in connection with the City of Kodiak’s business type activities. This was due to fewer project additions in the Cargo, Boat Harbor, Boat Yard Lift and Sewer Capital Funds to offset the \$4,346,837 of depreciation expense. Additionally there was an increase of \$6,864,652 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.

During fiscal year 2011, the government’s total net assets increased by \$2,858,721. 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 seven 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.

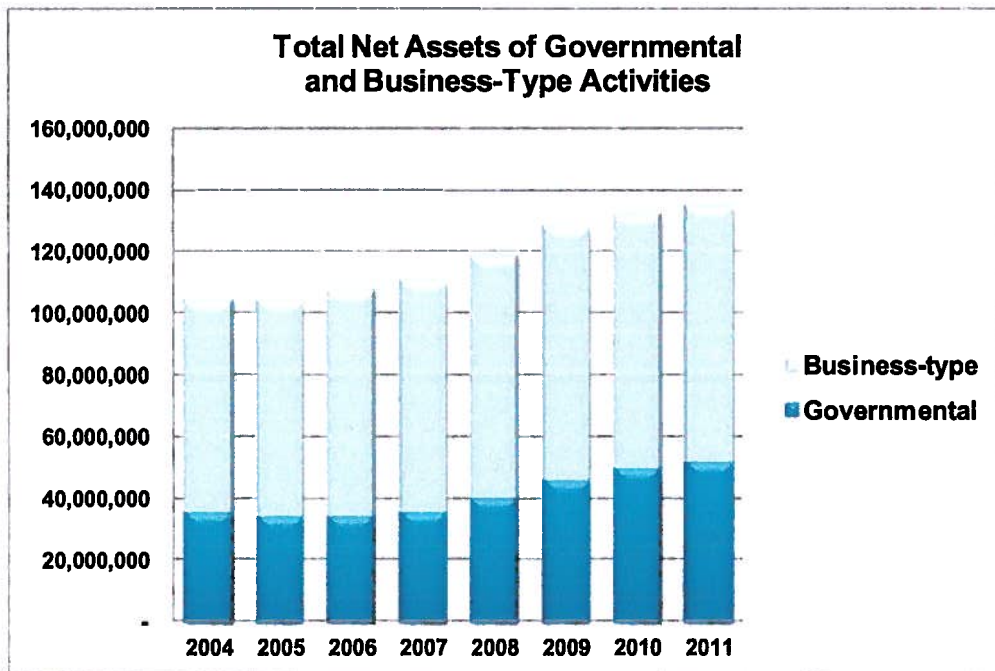


Table 2, on the next page, shows the changes in net assets for fiscal years 2011 and 2010 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak’s net assets by \$1,065,557 and the increase in the governmental activities was \$1,793,164.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011			Year Ended June 30, 2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,291,392	11,205,430	13,496,822	\$ 2,176,032	10,199,674	12,375,706
Operating grants and contributions	292,846	252,109	544,955	733,005	136,560	869,565
Capital grants and contributions	2,770,746	1,183,596	3,954,342	1,119,257	1,207,047	2,326,304
Total program revenues	<u>5,354,984</u>	<u>12,641,135</u>	<u>17,996,119</u>	<u>4,028,294</u>	<u>11,543,281</u>	<u>15,571,575</u>
General revenues:						
Property taxes	921,052	-	921,052	665,999	-	665,999
Sale taxes	9,631,344	-	9,631,344	9,379,409	-	9,379,409
Other taxes, penalties and interest	23,199	-	23,199	179,427	179,789	359,216
Grants not restricted	1,458,343	-	1,458,343	1,584,024	-	1,584,024
Investment income	238,969	79,708	318,677	270,673	60,850	331,523
Land sales	-	-	-	746,475	-	746,475
Miscellaneous	271,973	-	271,973	651,281	-	651,281
Total general revenues	<u>12,544,880</u>	<u>79,708</u>	<u>12,624,588</u>	<u>13,477,288</u>	<u>240,639</u>	<u>13,717,927</u>
Total revenues	<u>17,899,864</u>	<u>12,720,843</u>	<u>30,620,707</u>	<u>17,505,582</u>	<u>11,783,920</u>	<u>29,289,502</u>
Expenses:						
General government	2,140,978	-	2,140,978	2,502,315	-	2,502,315
Public safety	6,340,579	-	6,340,579	6,089,332	-	6,089,332
Public works	4,283,775	-	4,283,775	2,526,468	-	2,526,468
Engineering	91,293	-	91,293	121,747	-	121,747
Parks & recreation	1,268,556	-	1,268,556	1,199,620	-	1,199,620
Library	680,410	-	680,410	712,625	-	712,625
Community services	259,692	-	259,692	277,041	-	277,041
Interest on long-term debt	906,057	-	906,057	383,928	-	383,928
Cargo Pier	-	1,192,406	1,192,406	-	1,692,841	1,692,841
Boat Harbor	-	3,148,865	3,148,865	-	2,912,689	2,912,689
Boat Yard/Lift	-	1,117,928	1,117,928	-	528,977	528,977
Harbor Electric	-	633,313	633,313	-	605,989	605,989
Water	-	2,280,910	2,280,910	-	2,952,723	2,952,723
Sewer	-	3,058,490	3,058,490	-	2,665,150	2,665,150
Trident Basin	-	353,216	353,216	-	154,777	154,777
E-911 Services	-	5,518	5,518	-	37,553	37,553
Total expenses	<u>15,971,340</u>	<u>11,790,646</u>	<u>27,761,986</u>	<u>13,813,076</u>	<u>11,550,699</u>	<u>25,363,775</u>
Increase in net assets before transfers	1,928,524	930,197	2,858,721	3,692,506	233,221	3,925,727
Transfers	(135,360)	135,360	-	(160,262)	160,262	-
Change in net assets	1,793,164	1,065,557	2,858,721	3,532,244	393,483	3,925,727
Net assets at beginning 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>
Net assets at end of year	<u>\$ 51,506,546</u>	<u>83,502,496</u>	<u>135,009,042</u>	<u>\$ 49,713,382</u>	<u>82,436,939</u>	<u>132,150,321</u>

Governmental Activities

Governmental activities increased the City of Kodiak’s net assets by \$1,793,164, thereby accounting for 63% 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 \$9,631,344 a 3% increase from 2010. The City sales tax rate in 2011 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 2011.

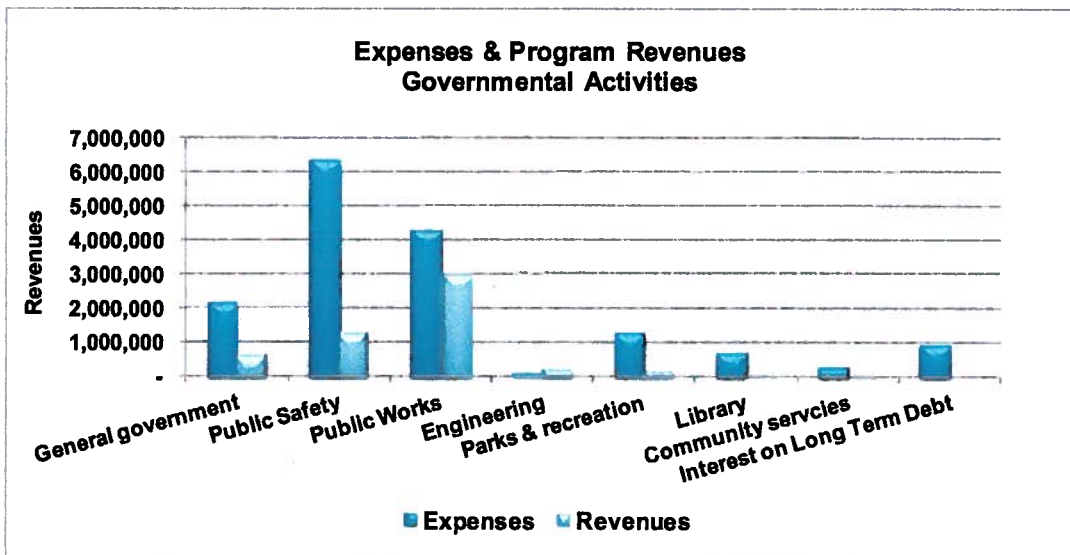
City taxpayers financed most of the City’s costs at 66%. The remaining costs were financed by charges for services, investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

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 \$5,354,984 or 34% of total governmental activities expenses.

The City’s governmental activities expenses are predominately related to Public Safety (40%), Public Works (27%), and General Government (13%) or 80% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

For the most part, increases in expenses closely paralleled the increase in grant revenues, increases in interest expense, the mild winter and vacant positions. Overall the expenses increased by 16% from the prior fiscal year. This was due primarily to an increase in Public Works expenses (70%), a decrease in General Government expenses (-14%), Engineering (-25%) due to a vacancy in the director’s position, and an increase in interest on Long Term Debt (136%). All other categories had less than a 10% variance from the prior year.



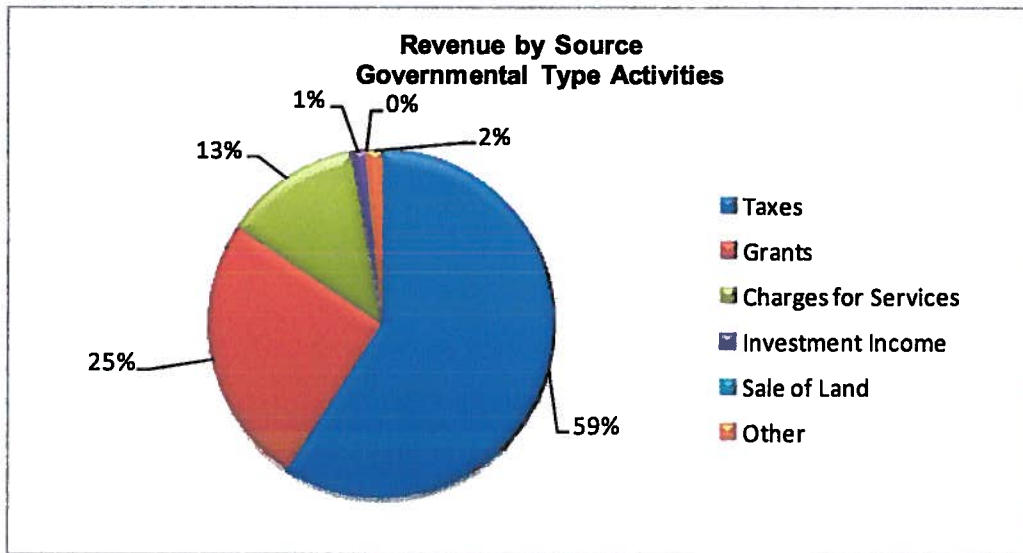


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2011. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3
Governmental Activities in 2011**

	Total Cost of Services <u>2011</u>	Net Cost (Benefit) of Services <u>2011</u>
Governmental activities:		
General government	\$ 2,140,978	\$ 1,526,131
Public safety	6,340,579	5,045,685
Public works	4,283,775	1,284,961
Engineering	91,293	(135,062)
Parks & recreation	1,268,556	1,117,020
Library	680,410	652,769
Community services	259,692	218,795
Interest on long-term debt	906,057	906,057
Total governmental activities	<u>\$ 15,971,340</u>	<u>\$ 10,616,356</u>

Business-type Activities

Business-type activities increased the City of Kodiak's net assets by \$1,065,557 accounting for 37% 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 88% of the total revenues and grants 11% of the total revenues.

The primary source of revenue from business-type activities is charges for services, which amounted to \$11,205,430, a 10% increase from 2010. For the business-type activities, charges for services financed most of the City's costs at 95%. Operating and capital grants, interest income and miscellaneous revenues financed the remaining costs.

The City's business-type activities expenses are related to cargo (10%), boat harbor (27%), boat yard lift (9%), harbor electric (5%), water utility (19%), sewer utility (26%), the Trident Basin Airport (3%) and E-911 Services (less than 1%). Total harbor related activities are 52% and total public works activities are 48% of the total business type activities.

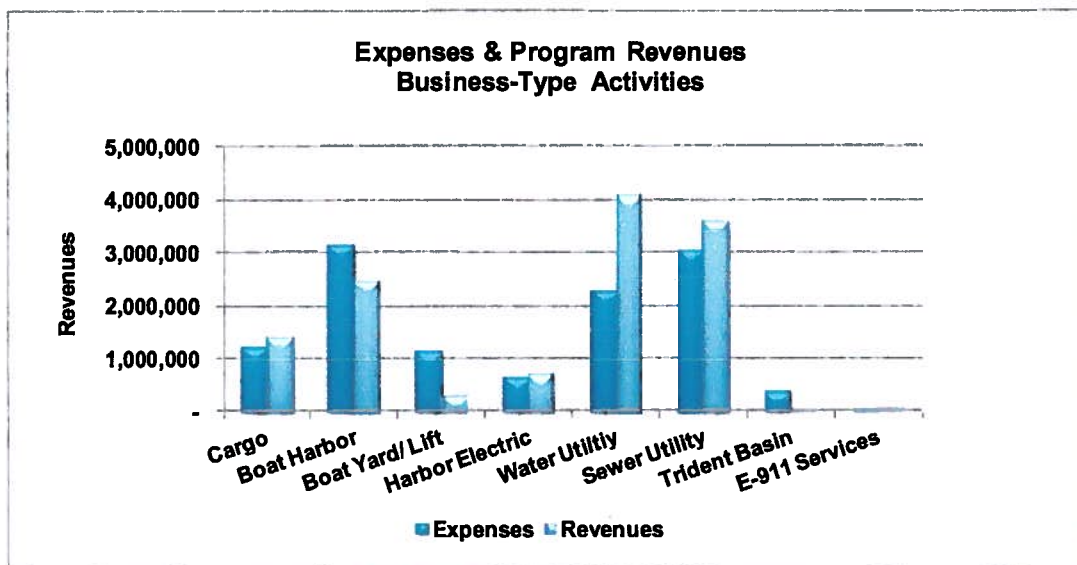
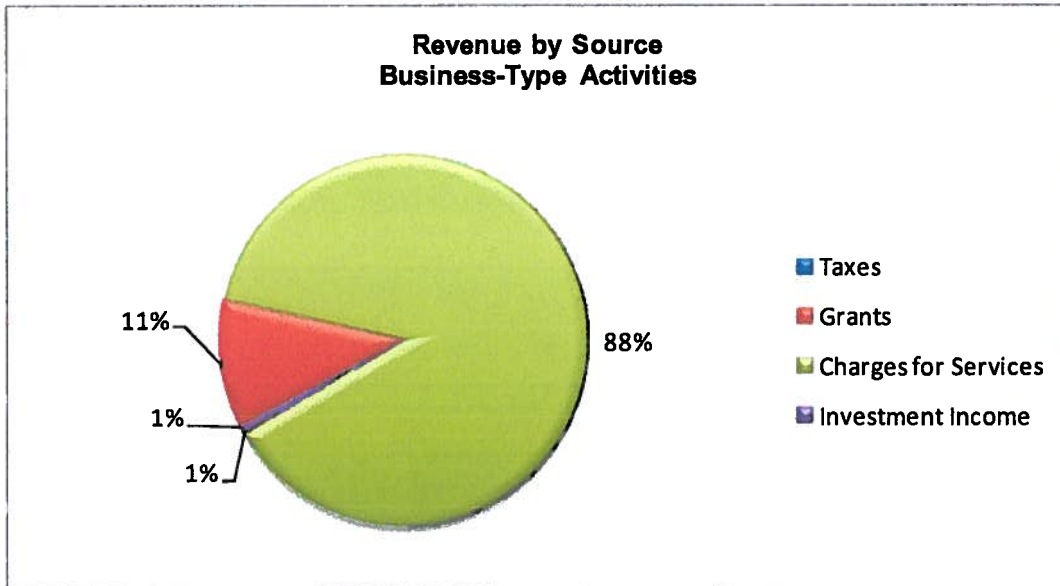


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2011. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

Table 3-A
Business-Type Activities in 2011

	Total Cost of Services <u>2011</u>	Net Cost (Benefit) of Services <u>2011</u>
Business-type activities:		
Cargo	\$ 1,192,406	\$ (213,242)
Boat Harbor	3,148,865	705,227
Boat Yard/Lift	1,117,928	817,093
Water Utility	2,280,910	(1,810,621)
Sewer Utility	3,058,490	(518,912)
Tridant Basin	353,216	306,333
Harbor Electric	633,313	(74,457)
E-911 Services	5,518	(61,910)
Total business-type activities	<u>\$ 11,790,646</u>	<u>\$ (850,489)</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 \$11,801,745, a decrease of \$5,128,202 in comparison with the prior year. Approximately 27% of this total amount \$3,180,700 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City of Kodiak. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,865,844 while total fund balance was \$6,506,731. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Unassigned fund balance of \$4,865,844 represents 28% of total General Fund expenditures and transfers of \$17,153,673. Total fund balance of \$6,506,731 represents 38% of total General Fund expenditures and transfers of \$17,153,673.

The fund balance of the City of Kodiak's General Fund decreased in the amount of \$2,345,839 during the current fiscal year. Key factors in this decrease are as follows:

Total General Fund operating revenues of \$14,711,546 exceeded total expenditures of \$13,154,449. Sales tax revenues of the General Fund exceeded the budget by \$931,344. 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 was \$0 compared to \$436,946 in the prior year. Expenditures were lower than budgeted primarily in general government by \$235,627, public safety by \$404,168, and public works by \$591,960. Transfers from the General Fund to other funds in the amount of

\$3,999,224 accounted for the decrease in the fund balance. Code requirements accounted for \$1,574,224 in transfers, other transfers included \$325,000 to General Capital Projects, \$1,000,000 to the New Library Capital Project, and \$1,100,000 to the completion of the Public Safety Project.

The Street Improvements Capital Project Fund has a total fund deficit of (\$1,685,144) all of which is unassigned. There was a decrease of \$2,815,042 in fund balance as a result of the large street capital projects.

The Public Safety Building Capital Project Fund has a total fund balance of \$92,721 all of which is assigned for capital projects. There was a decrease of \$746,647 in fund balance as a result of the construction of the new public safety building. This project has been completed and the fund will be closed once all expenditures are finalized.

The Nonmajor Funds have a total fund balance of \$6,887,437. Of this balance, 3% is restricted for tourism, 69% is committed for the Enhancement Fund, 27% assigned for capital projects, and 1% assigned for public works. There was an increase of \$779,326 in fund balances primarily as a result of interest income and transient sales tax from the tourism department.

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 \$4,625,175 and those in the Water, Sewer Facilities amounted to \$8,388,597. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$169,070 in unrestricted net assets. The total change in net assets for all areas was an increase of \$1,014,993. This increase can be primarily attributed to the large construction projects in the water 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 \$2,778,526 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$10,000 supplemental appropriation to the executive department in anticipation of additional phone related costs due to a new phone system implemented the prior year.

\$(5,198) supplemental appropriation to the city clerk department in anticipation of increased translation fees, recodification of City Code, and a transfer to the records audit to existing capital project.

\$24,500 supplemental increase in appropriation to the finance department for an additional SQL server and increased phone expenses.

\$7,000 supplemental increase in the appropriation to the police department for additional uniform expense and professional services.

\$25,000 supplemental increase in the appropriation to the fire department for replacement of damaged equipment consisting of a defibrillator.

\$15,000 supplemental increase in the appropriation to the parks and recreation department for an additional \$10,000 to the Kodiak Historical Society and additional expense due to leave payoff changes in the personnel rules and regulations.

\$500 supplemental increase in the appropriation to the library department for additional phone expenses.

\$2,500 supplemental increase in the appropriation to the non-departmental department for additional expenses for collection fees, and supplies.

\$2,699,224 supplemental increase in the appropriation to the General Fund transfer department to the New Library Fund \$1,000,000, \$574,224 to the Enhancement Fund, and \$1,100,000 to the Public Safety Building Project.

The increases above were possible because of additional unanticipated revenues. These revenues included an increase Exxon claim settlement and the use of fund balance.

The actual expenditures were \$1,549,130 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in all functions. The largest savings were in Public Safety and Public Works. Significant amounts and percentages are shown on the following page.

Table 4
General Fund Budget Highlights

	Amount Under <u>Budget</u>	Percent Under <u>Budget</u>
General government	\$ 235,627	10%
Public safety	404,168	6%
Public works	591,960	25%
Engineering	148,301	63%
Parks and recreation	42,570	4%
Library	71,255	9%
Community services	53,431	30%
Other - insurance and administration	1,818	0%
Total under budget	<u>\$ 1,549,130</u>	11%

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the City's capital assets have a total net book value of \$128,596,896. Table 5 compares the net book values at June 30, 2011 and 2010. 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 \$3,960,184 or 3%. The major increase was based on the completion of a street improvement project and the replacement of the library roof.

Table 5
Capital Assets at June 30
Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,501,384	\$ 2,501,384	693,997	693,997	3,195,381	3,195,381
Construction in progress	527,384	23,668,905	1,498,446	4,282,621	2,025,830	27,951,526
Buildings	31,842,668	5,268,442	23,853,913	23,840,189	55,696,581	29,108,631
Other improvements	1,496,946	1,496,946	108,583,430	104,174,310	110,080,376	105,671,256
Infrastructure	18,408,071	14,621,822	-	-	18,408,071	14,621,822
Machinery and equipment	9,373,494	9,384,530	20,902,768	20,893,131	30,276,262	30,277,661
Total capital assets	<u>64,149,947</u>	<u>56,942,029</u>	<u>155,532,554</u>	<u>153,884,248</u>	<u>219,682,501</u>	<u>210,826,277</u>
Less accumulated depreciation	<u>16,892,427</u>	<u>16,304,538</u>	<u>74,193,178</u>	<u>69,885,027</u>	<u>91,085,605</u>	<u>86,189,565</u>
Total capital assets, net	<u>\$ 47,257,520</u>	<u>\$ 40,637,491</u>	<u>81,339,376</u>	<u>83,999,221</u>	<u>128,596,896</u>	<u>124,636,712</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, 2011, the City had \$603,490 in long-term leave payable for governmental activities and \$197,470 for business-type activities. The City has a \$7,570,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$4,841,252 related to the Water and Sewer Enterprise Funds, and \$6,795,000 of revenue bonds related to the Harbor and Boat Yard/Lift Enterprise Funds. In fiscal year 2011 there were new State of Alaska loans for Sewer in the amount of \$654,633 and for Water in the amount of \$1,062,394. Table 6 summarizes all outstanding debt at June 30, 2011 with a comparison to 2010. There have been significant changes in the long-term debt from fiscal year 2010 due to the increase in loans from the State of Alaska.

Table 6
Debt Outstanding at June 30

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 7,570,000	\$ 7,720,000	-	-	7,570,000	7,720,000
Long-term leave payable	603,490	649,950	197,470	227,324	800,960	877,274
Long-term notes payable	-	-	4,841,252	3,617,346	4,841,252	3,617,346
Revenue bonds payable	-	-	6,795,000	6,895,000	6,795,000	6,895,000
Total liabilities	<u>\$ 8,173,490</u>	<u>\$ 8,369,950</u>	<u>11,833,722</u>	<u>10,739,670</u>	<u>20,007,212</u>	<u>19,109,620</u>

Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 39-42.

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 2010 were 131 million pounds, with a wholesale value of \$132.3 million.
- The average unemployment rate from January 2011 through October 2011 in the Kodiak Island Borough is 6.41%. This is a decrease from 2010.
- The cost of living in 2010 was 128.3 compared to a national average of 100. Other Alaskan cities are Anchorage at 128.3 and Fairbanks at 137.3. In the American Chamber of Commerce Researchers Association (ACCRA) cost of living study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each reporting city is then converted into an index number that is used for comparative purposes.

All of these factors were considered in preparing the City of Kodiak's budget for the 2012 fiscal year.

In fiscal year 2011, the unassigned fund balance in the General Fund decreased by \$739,033 leaving a balance at the end of the year of \$4,865,844. The City has appropriated \$1,638,770 of its total fund balance of \$6,506,731 for spending in the 2012 fiscal year budget.

The sewer rates were increased beginning in fiscal year 2007 and the water rates were increased beginning in fiscal year 2008. Rate increases were reflected in these funds in the fiscal year 2011 budget. Fiscal year 2011 was 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. Both of these rate studies will be implemented in the fiscal year 2012 and 2013 budgets.

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.

CITY OF KODIAK, ALASKA

Statement of Net Assets

June 30, 2011

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 9,956,684	12,580,649	22,537,333
Receivables, net	2,966,273	2,076,480	5,042,753
Inventory	-	261,480	261,480
Prepaid items	2,117	-	2,117
Restricted cash and investments	-	505,050	505,050
Capital assets not being depreciated - land and construction in progress	3,028,768	2,192,443	5,221,211
Other capital assets, net of depreciation	<u>44,228,752</u>	<u>79,146,933</u>	<u>123,375,685</u>
 Total assets	 \$ <u>60,182,594</u>	 <u>96,763,035</u>	 <u>156,945,629</u>
<u>Liabilities</u>			
Accounts payable	423,946	550,907	974,853
Accrued payroll and related liabilities	363,469	117,619	481,088
Customer deposits	3,267	245,442	248,709
Unearned revenue	13,944	1,785	15,729
Accrued interest	92,748	116,248	208,996
Internal balances	(394,816)	394,816	-
Noncurrent liabilities:			
Due within one year:			
Accrued leave	450,000	197,470	647,470
Bonds payable	155,000	110,000	265,000
Loans payable	-	494,328	494,328
Due in more than one year:			
Accrued leave	153,490	-	153,490
Bonds payable	7,415,000	6,685,000	14,100,000
Loans payable	-	4,346,924	4,346,924
Total liabilities	<u>8,676,048</u>	<u>13,260,539</u>	<u>21,936,587</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	39,687,520	69,703,124	109,390,644
Restricted for debt service	-	505,050	505,050
Unrestricted	<u>11,819,026</u>	<u>13,294,322</u>	<u>25,113,348</u>
Total net assets	<u>51,506,546</u>	<u>83,502,496</u>	<u>135,009,042</u>
 Total liabilities and net assets	 \$ <u>60,182,594</u>	 <u>96,763,035</u>	 <u>156,945,629</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Statement of Activities
Year Ended June 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 2,140,978	531,322	45,156	38,369	(1,526,131)	-	(1,526,131)
Public safety	6,340,579	1,111,833	178,831	4,230	(5,045,685)	-	(5,045,685)
Public works	4,283,775	235,343	40,073	2,723,398	(1,284,961)	-	(1,284,961)
Engineering	91,293	226,355	-	-	135,062	-	135,062
Parks and recreation	1,268,556	133,100	13,687	4,749	(1,117,020)	-	(1,117,020)
Library	680,410	12,542	15,099	-	(652,769)	-	(652,769)
Community services	259,692	40,897	-	-	(218,795)	-	(218,795)
Interest on long-term debt	906,057	-	-	-	(906,057)	-	(906,057)
Total governmental activities	<u>15,971,340</u>	<u>2,291,392</u>	<u>292,846</u>	<u>2,770,746</u>	<u>(10,616,356)</u>	<u>-</u>	<u>(10,616,356)</u>
Business-type:							
Cargo Pier	1,192,406	1,281,292	124,356	-	-	213,242	213,242
Boat Harbor	3,148,865	2,394,368	49,270	-	-	(705,227)	(705,227)
Boat Yard/Lift	1,117,928	293,845	6,990	-	-	(817,093)	(817,093)
Water Utility	2,280,910	2,896,130	25,718	1,169,683	-	1,810,621	1,810,621
Sewer Utility	3,058,490	3,531,627	45,775	-	-	518,912	518,912
Trident Basin	353,216	32,970	-	13,913	-	(306,333)	(306,333)
Harbor Electric	633,313	707,770	-	-	-	74,457	74,457
E-911 Services	5,518	67,428	-	-	-	61,910	61,910
Total business-type activities	<u>11,790,646</u>	<u>11,205,430</u>	<u>252,109</u>	<u>1,183,596</u>	<u>-</u>	<u>850,489</u>	<u>850,489</u>
Total	\$ <u>27,761,986</u>	<u>13,496,822</u>	<u>544,955</u>	<u>3,954,342</u>	<u>(10,616,356)</u>	<u>850,489</u>	<u>(9,765,867)</u>
General revenues:							
Taxes:							
Property taxes				\$ 921,052	-		921,052
Sales taxes				9,631,344	-		9,631,344
Other taxes, penalties and interest				23,199	-		23,199
Grants and entitlements not restricted to a specific purpose				1,458,343	-		1,458,343
Investment income				238,969	79,708		318,677
Other				271,973	-		271,973
Transfers				(135,360)	135,360		-
Total general revenues and transfers				<u>12,409,520</u>	<u>215,068</u>		<u>12,624,588</u>
Changes in net assets				1,793,164	1,065,557		2,858,721
Net assets at beginning of year				<u>49,713,382</u>	<u>82,436,939</u>		<u>132,150,321</u>
Net assets at end of year				\$ <u>51,506,546</u>	<u>83,502,496</u>		<u>135,009,042</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Governmental Funds

Balance Sheet

June 30, 2011

Assets	Major Funds				Total Governmental Funds
	General	Street Improvements Capital Project	Public Safety Building Capital Project	Nonmajor Funds	
Cash and investments	\$ 2,319,109	-	112,084	6,858,968	9,290,161
Receivables, net of allowance for uncollectible accounts:					
Taxes	2,565,503	-	-	40,347	2,605,850
Grants and shared revenues	-	-	-	40,668	40,668
Special assessments	-	-	-	173,893	173,893
Interest	45,689	-	-	100,173	145,862
Due from other funds	2,191,440	-	-	-	2,191,440
Prepaid items	2,117	-	-	-	2,117
Total assets	\$ 7,123,858	-	112,084	7,214,049	14,449,991
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	250,391	-	19,363	154,192	423,946
Due to other funds	-	1,685,144	-	-	1,685,144
Accrued payroll and related liabilities	363,469	-	-	-	363,469
Customer deposits	3,267	-	-	-	3,267
Deferred revenue	-	-	-	13,944	13,944
Deferred assessments	-	-	-	158,476	158,476
Total liabilities	617,127	1,685,144	19,363	326,612	2,648,246
Fund balances:					
Nonspendable - prepaid items	2,117	-	-	-	2,117
Restricted for tourism	-	-	-	206,694	206,694
Committed for Enhancement Fund	-	-	-	4,778,691	4,778,691
Assigned:					
Capital projects	-	-	92,721	1,875,174	1,967,895
Subsequent year's expenditures	1,638,770	-	-	-	1,638,770
Public works	-	-	-	26,878	26,878
Unassigned (deficit)	4,865,844	(1,685,144)	-	-	3,180,700
Total fund balances	6,506,731	(1,685,144)	92,721	6,887,437	11,801,745
Total liabilities and fund balances	\$ 7,123,858	-	112,084	7,214,049	14,449,991

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2011

Total fund balances for governmental funds \$ 11,801,745

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	31,842,668	
Improvements other than buildings	1,496,946	
Infrastructure	18,408,071	
Machinery and equipment	9,373,494	
Construction in progress	527,384	
Accumulated depreciation	<u>(16,892,427)</u>	
Total capital assets		47,257,520

Other long-term assets (special assessments receivable) are not
 available to pay for current period expenditures and therefore
 are deferred in the funds. 158,476

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. 555,043

Bonds payable are not deemed due and payable in the current period
 and therefore are not reported as governmental fund liabilities. (7,570,000)

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	(603,490)	
Accrued interest	<u>(92,748)</u>	
		<u>(696,238)</u>

Total net assets of governmental activities \$ 51,506,546

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year Ended June 30, 2011

	Major Funds				Total Governmental Funds
	General	Street Improvements Capital Project	Public Safety Building Capital Project	Nonmajor Funds	
Revenues:					
Taxes:					
Property taxes	\$ 765,539	-	-	-	765,539
Sales taxes	9,631,344	-	-	-	9,631,344
Other taxes, penalties and interest	23,199	-	-	155,513	178,712
Intergovernmental	1,751,189	-	2,100,000	670,746	4,521,935
Charges for services	1,356,105	-	-	-	1,356,105
Fines and forfeitures	6,156	-	-	-	6,156
Licenses and permits	93,193	-	-	-	93,193
Rental income	125,476	-	-	40,897	166,373
Interfund charges	662,872	-	-	-	662,872
Investment income	24,500	122	517	211,437	236,576
Special assessments	-	-	-	57,242	57,242
Other revenues	271,973	-	-	-	271,973
Total revenues	<u>14,711,546</u>	<u>122</u>	<u>2,100,517</u>	<u>1,135,835</u>	<u>17,948,020</u>
Expenditures:					
Current:					
General government	2,078,880	-	-	42,235	2,121,115
Public safety	6,271,644	-	-	182,830	6,454,474
Public works	1,756,430	1,703,541	-	600,827	4,060,798
Engineering	87,209	-	-	-	87,209
Parks and recreation	1,098,640	-	-	49,842	1,148,482
Library	680,345	-	-	-	680,345
Community services	123,369	-	-	127,100	250,469
Other - insurance and administration	529,442	-	-	-	529,442
Debt service:					
Bond principal	150,000	-	-	-	150,000
Bond interest	378,490	-	-	-	378,490
Capital outlay	-	1,741,344	3,947,164	1,391,530	7,080,038
Total expenditures	<u>13,154,449</u>	<u>3,444,885</u>	<u>3,947,164</u>	<u>2,394,364</u>	<u>22,940,862</u>
Excess of revenues over (under) expenditures	1,557,097	(3,444,763)	(1,846,647)	(1,258,529)	(4,992,842)
Other financing sources (uses):					
Transfers in	96,288	650,721	1,100,000	2,359,647	4,206,656
Transfers out	(3,999,224)	(21,000)	-	(321,792)	(4,342,016)
Net other financing sources (uses)	<u>(3,902,936)</u>	<u>629,721</u>	<u>1,100,000</u>	<u>2,037,855</u>	<u>(135,360)</u>
Net change in fund balances	(2,345,839)	(2,815,042)	(746,647)	779,326	(5,128,202)
Fund balances at beginning of year	<u>8,852,570</u>	<u>1,129,898</u>	<u>839,368</u>	<u>6,108,111</u>	<u>16,929,947</u>
Fund balances (deficit) at end of year	\$ <u>6,506,731</u>	<u>(1,685,144)</u>	<u>92,721</u>	<u>6,887,437</u>	<u>11,801,745</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
 Reconciliation of Change in Fund Balances of Governmental Funds
 to Statement of Activities
 Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (5,128,202)

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 (\$7,404,012) exceeded depreciation (\$783,983). 6,620,029

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. (50,549)

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.

Decrease in accrued leave	46,460	
Decrease in accrued interest payable	<u>1,875</u>	
		48,335

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. 150,000

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. 153,551

Change in net assets of governmental activities \$ 1,793,164

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 693,500	693,500	765,539	72,039
Sales taxes	8,700,000	8,700,000	9,631,344	931,344
Other taxes, penalties and interest	24,000	24,000	23,199	(801)
Intergovernmental	2,037,530	2,067,530	1,751,189	(316,341)
Charges for services	1,483,665	1,486,665	1,356,105	(130,560)
Fines and forfeitures	39,100	39,100	6,156	(32,944)
Licenses and permits	68,500	68,500	93,193	24,693
Rental income	119,600	119,600	125,476	5,876
Interfund charges	662,618	662,618	662,872	254
Investment income	120,000	120,000	24,500	(95,500)
Other revenues	503,800	740,410	271,973	(468,437)
Total revenues	<u>14,452,313</u>	<u>14,721,923</u>	<u>14,711,546</u>	<u>(10,377)</u>
Expenditures:				
General government	2,285,205	2,314,507	2,078,880	235,627
Public safety:				
Operations	6,643,812	6,675,812	6,271,644	404,168
Debt service	528,490	528,490	528,490	-
Public works	2,348,390	2,348,390	1,756,430	591,960
Engineering	235,510	235,510	87,209	148,301
Parks and recreation	1,126,210	1,141,210	1,098,640	42,570
Library	751,100	751,600	680,345	71,255
Community services	176,800	176,800	123,369	53,431
Other - insurance and administration	528,760	531,260	529,442	1,818
Total expenditures	<u>14,624,277</u>	<u>14,703,579</u>	<u>13,154,449</u>	<u>1,549,130</u>
Excess of revenues over (under) expenditures	<u>(171,964)</u>	<u>18,344</u>	<u>1,557,097</u>	<u>1,538,753</u>
Other financing sources (uses):				
Transfers in	31,640	31,640	96,288	64,648
Transfers out	(1,300,000)	(3,999,224)	(3,999,224)	-
Net other financing sources (uses)	<u>(1,268,360)</u>	<u>(3,967,584)</u>	<u>(3,902,936)</u>	<u>64,648</u>
Net change in fund balance	\$ <u>(1,440,324)</u>	<u>(3,949,240)</u>	<u>(2,345,839)</u>	<u>1,603,401</u>
Fund balance at beginning of year			<u>8,852,570</u>	
Fund balance at end of year			\$ <u>6,506,731</u>	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Proprietary Funds
Statement of Net Assets
June 30, 2011

Assets	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Current assets:								
Cash and investments	\$ 3,413,906	1,588,504	3,263,717	3,791,428	-	523,094	12,580,649	666,523
Receivables - net of allowances	89,877	76,962	1,399,609	307,761	443	201,828	2,076,480	-
Inventories	-	-	247,718	13,762	-	-	261,480	-
Total current assets	<u>3,503,783</u>	<u>1,665,466</u>	<u>4,911,044</u>	<u>4,112,951</u>	<u>443</u>	<u>724,922</u>	<u>14,918,609</u>	<u>666,523</u>
Noncurrent assets:								
Advance to other funds	-	539,568	-	-	-	-	539,568	-
Restricted cash and investments	-	129,581	-	-	375,469	-	505,050	-
Property, plant and equipment, net	<u>6,643,675</u>	<u>16,780,812</u>	<u>19,693,242</u>	<u>15,750,550</u>	<u>17,571,621</u>	<u>4,899,476</u>	<u>81,339,376</u>	-
Total noncurrent assets	<u>6,643,675</u>	<u>17,449,961</u>	<u>19,693,242</u>	<u>15,750,550</u>	<u>17,947,090</u>	<u>4,899,476</u>	<u>82,383,994</u>	-
Total assets	\$ <u>10,147,458</u>	<u>19,115,427</u>	<u>24,604,286</u>	<u>19,863,501</u>	<u>17,947,533</u>	<u>5,624,398</u>	<u>97,302,603</u>	<u>666,523</u>
<u>Liabilities and Net Assets</u>								
Liabilities:								
Current liabilities:								
Accounts payable	1,699	34,439	424,392	50,428	5,129	34,820	550,907	-
Accrued payroll and related liabilities	9,200	44,651	22,966	35,448	5,354	-	117,619	-
Accrued annual leave	9,962	94,696	21,155	69,382	2,275	-	197,470	-
Customer deposits	-	224,106	6,600	-	-	14,736	245,442	-
Accrued interest	-	31,340	-	5,027	79,881	-	116,248	-
Deferred revenue	-	-	-	-	1,785	-	1,785	-
Due to other funds	-	-	-	-	-	506,296	506,296	-
Current portion:								
Revenue bonds	-	35,000	-	-	75,000	-	110,000	-
Loans payable	-	-	147,837	299,991	46,500	-	494,328	-
Total current liabilities	<u>20,861</u>	<u>464,232</u>	<u>622,950</u>	<u>460,276</u>	<u>215,924</u>	<u>555,852</u>	<u>2,340,095</u>	-
Noncurrent liabilities:								
Revenue bonds	-	1,905,000	-	-	4,780,000	-	6,685,000	-
Loans payable	-	-	1,207,279	2,302,645	837,000	-	4,346,924	-
Advance from other funds	-	-	-	-	539,568	-	539,568	-
Total noncurrent liabilities	-	<u>1,905,000</u>	<u>1,207,279</u>	<u>2,302,645</u>	<u>6,156,568</u>	-	<u>11,571,492</u>	-
Total liabilities	<u>20,861</u>	<u>2,369,232</u>	<u>1,830,229</u>	<u>2,762,921</u>	<u>6,372,492</u>	<u>555,852</u>	<u>13,911,587</u>	-
Net assets:								
Invested in capital assets, net of related debt	6,643,675	14,840,812	18,338,126	13,147,914	11,833,121	4,899,476	69,703,124	-
Restricted for debt service	-	129,581	-	-	375,469	-	505,050	-
Unrestricted (deficit)	<u>3,482,922</u>	<u>1,775,802</u>	<u>4,435,931</u>	<u>3,952,666</u>	<u>(633,549)</u>	<u>169,070</u>	<u>13,182,842</u>	<u>666,523</u>
Total net assets	<u>10,126,597</u>	<u>16,746,195</u>	<u>22,774,057</u>	<u>17,100,580</u>	<u>11,575,041</u>	<u>5,068,546</u>	<u>83,391,016</u>	<u>666,523</u>
Total liabilities and net assets	\$ <u>10,147,458</u>	<u>19,115,427</u>	<u>24,604,286</u>	<u>19,863,501</u>	<u>17,947,533</u>	<u>5,624,398</u>		<u>666,523</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							111,480	
Net assets of business-type activities						\$	<u>83,502,496</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, 2011

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Operating revenues	\$ 1,281,292	2,394,368	2,896,130	3,531,627	293,845	808,168	11,205,430	676,889
Operating expenses:								
Salaries and benefits	242,264	1,049,934	578,184	971,514	159,037	5,518	3,006,451	-
Professional	69,529	82,197	46,057	105,641	76,838	3,515	383,777	-
Contributions	-	21,711	-	-	-	-	21,711	-
Goods and services	79,176	252,924	143,146	199,220	97,895	550,893	1,323,254	475,955
Utilities and fuel	18,488	144,407	340,182	485,525	-	10,276	998,878	-
Administrative services	-	5,097	-	-	-	2,760	7,857	-
Machinery and equipment	-	22,798	10,916	980	16,504	7,567	58,765	-
Interfund charges	131,432	177,562	122,120	61,060	-	120,279	612,453	-
Repairs and maintenance	166,993	28	-	6,286	-	-	173,307	-
Engineering	35,550	-	-	-	-	-	35,550	-
Other	8,860	-	-	-	-	-	8,860	-
Depreciation	444,427	1,316,172	547,472	1,217,546	529,981	291,239	4,346,837	-
Total operating expenses	1,196,719	3,072,830	1,788,077	3,047,772	880,255	992,047	10,977,700	475,955
Earnings (loss) from operations	84,573	(678,462)	1,108,053	483,855	(586,410)	(183,879)	227,730	200,934
Nonoperating revenues (expenses):								
Investment income (loss)	16,896	38,065	23,207	15,389	(17,509)	2,872	78,920	3,181
Interest expense	-	(94,321)	(6,600)	(25,756)	(240,267)	-	(366,944)	-
State PERS relief	11,620	49,270	25,718	40,516	6,990	-	134,114	-
State grant	112,736	-	-	-	-	-	112,736	-
Engineering and feasibility studies	-	-	(495,778)	-	-	-	(495,778)	-
Other nonoperating revenues	-	-	-	5,259	-	-	5,259	-
Net nonoperating revenues (expenses)	141,252	(6,986)	(453,453)	35,408	(250,786)	2,872	(531,693)	3,181
Earnings (loss) before contributions and transfers	225,825	(685,448)	654,600	519,263	(837,196)	(181,007)	(303,963)	204,115
Capital contributions	-	-	1,169,683	-	-	13,913	1,183,596	-
Transfers in	-	500,000	654,633	15,000	1,783,431	-	2,953,064	-
Transfers out	-	(1,803,431)	(35,000)	(678,633)	-	(300,640)	(2,817,704)	-
Change in net assets	225,825	(1,988,879)	2,443,916	(144,370)	946,235	(467,734)	1,014,993	204,115
Net assets at beginning of year	9,900,772	18,735,074	20,330,141	17,244,950	10,628,806	5,536,280		462,408
Net assets at end of year	\$ 10,126,597	16,746,195	22,774,057	17,100,580	11,575,041	5,068,546		666,523
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							50,564	
Change in net assets of business-type activities						\$	1,065,557	

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2011

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift			
Cash flows from operating activities:								
Receipts from customers and users	\$ 1,281,470	1,663,372	2,951,217	3,539,646	269,875	766,686	10,472,266	-
Receipts from interfund services provided	-	233,738	-	-	-	-	233,738	676,889
Payments for interfund services used	(166,982)	(177,562)	(122,120)	(61,060)	-	(120,279)	(648,003)	-
Payments to suppliers	(399,583)	(517,284)	(900,840)	(803,002)	(271,356)	(581,312)	(3,473,377)	(477,177)
Payments to employees	(231,132)	(1,003,195)	(546,008)	(955,310)	(152,241)	(5,518)	(2,893,404)	-
Net cash flows from operating activities	<u>483,773</u>	<u>199,069</u>	<u>1,382,249</u>	<u>1,720,274</u>	<u>(153,722)</u>	<u>59,577</u>	<u>3,691,220</u>	<u>199,712</u>
Cash flows from noncapital financing activities:								
Decrease in due to other funds	-	-	-	-	-	291,459	291,459	-
Transfers out	-	(1,803,431)	(35,000)	(678,633)	-	(300,640)	(2,817,704)	-
Increase in advance to other funds	-	(539,568)	-	-	-	-	(539,568)	-
State grant received	<u>112,736</u>	-	-	-	-	-	<u>112,736</u>	-
Net cash flows from noncapital financing activities	<u>112,736</u>	<u>(2,342,999)</u>	<u>(35,000)</u>	<u>(678,633)</u>	<u>-</u>	<u>(9,181)</u>	<u>(2,953,077)</u>	<u>-</u>
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	-	(30,000)	(147,278)	(299,343)	(116,500)	-	(593,121)	-
Interest paid on long-term debt	-	(94,921)	(6,600)	(26,795)	(241,517)	-	(369,833)	-
Proceeds from issuance of long-term debt	-	-	1,062,394	654,633	-	-	1,717,027	-
Purchase of property, plant and equipment	-	(47,245)	(1,639,747)	-	-	-	(1,686,992)	-
Transfers in	-	500,000	654,633	15,000	1,783,431	-	2,953,064	-
Decrease in due to other funds	-	-	-	-	-	(95,830)	(95,830)	-
Capital contributions received	-	-	253,296	-	-	134,615	387,911	-
Decrease in advances from other funds	-	-	-	-	(1,254,183)	-	(1,254,183)	-
Net cash flows from capital and related financing activities	<u>-</u>	<u>327,834</u>	<u>176,698</u>	<u>343,495</u>	<u>171,231</u>	<u>38,785</u>	<u>1,058,043</u>	<u>-</u>
Cash flows from investing activities - investment income (loss)	<u>21,285</u>	<u>44,001</u>	<u>29,459</u>	<u>8,266</u>	<u>(17,509)</u>	<u>2,872</u>	<u>88,374</u>	<u>3,181</u>
Net increase (decrease) in cash and investments	617,794	(1,772,095)	1,553,406	1,393,402	-	92,053	1,884,560	202,893
Cash and investments at beginning of year	<u>2,796,112</u>	<u>3,490,180</u>	<u>1,710,311</u>	<u>2,398,026</u>	<u>375,469</u>	<u>431,041</u>	<u>11,201,139</u>	<u>463,630</u>
Cash and investments at end of year	\$ <u>3,413,906</u>	<u>1,718,085</u>	<u>3,263,717</u>	<u>3,791,428</u>	<u>375,469</u>	<u>523,094</u>	<u>13,085,699</u>	<u>666,523</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:								
Earnings (loss) from operations	84,573	(678,462)	1,108,053	483,855	(586,410)	(183,879)	227,730	200,934
Adjustments to reconcile earnings (loss) from operations to net cash flows provided (used) by operating activities:								
Depreciation	444,427	1,316,172	547,472	1,217,546	529,981	291,239	4,346,837	-
Noncash expense - PERS relief	11,620	49,270	25,718	40,516	6,990	-	134,114	-
Other nonoperating expenses	-	-	(495,778)	5,259	-	-	(490,519)	-
(Increase) decrease in assets:								
Accounts receivable	178	(32,584)	71,487	2,760	2,337	(42,882)	1,296	-
Inventory	-	-	(16,080)	(1,826)	-	-	(17,906)	-
Increase (decrease) in liabilities:								
Accounts payable	(56,537)	11,878	151,319	(3,524)	(80,119)	(6,301)	16,716	(1,222)
Accrued payroll and related liabilities	981	4,377	2,384	2,993	(1,948)	-	8,787	-
Accrued annual leave	(1,469)	(6,908)	4,074	(27,305)	1,754	-	(29,854)	-
Deferred revenue	-	(466,506)	-	-	1,785	-	(464,721)	-
Customer deposits	-	1,832	(16,400)	-	(28,092)	1,400	(41,260)	-
Net cash flows from operating activities	\$ <u>483,773</u>	<u>199,069</u>	<u>1,382,249</u>	<u>1,720,274</u>	<u>(153,722)</u>	<u>59,577</u>	<u>3,691,220</u>	<u>199,712</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, 2011

Current assets - cash and investments	\$ <u>110,036</u>
Current liabilities:	
Accounts payable	43,090
Due to others	<u>66,946</u>
Total liabilities	\$ <u>110,036</u>

See accompanying notes to basic financial statements.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Reporting Entity

The City of Kodiak (the City) 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 *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 an internal service fund. This fund 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.

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.

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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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 nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Restricted Assets

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

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-term Debt

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

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Long-term Debt, continued

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 Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Deferred Grant Revenue

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

Pension Plan

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

Property Taxes

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

At June 30, 2011, the delinquent real property taxes not currently available are reflected as deferred revenues of the General Fund.

Comparative Data

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

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

Budgetary Information

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

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

Encumbrance accounting is employed in governmental funds. Any encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above. The commitments will be reappropriated and honored during the subsequent year.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(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 \$6,566,375 and the bank balances totaled \$6,615,824. 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, 2011 was \$2,548.

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, 2011 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	\$ 12,685,574	-	12,685,574
Alaska Municipal League Investment Pool	<u>3,897,922</u>	<u>3,897,922</u>	<u>-</u>
Total investments	\$ <u>16,583,496</u>	<u>3,987,922</u>	<u>12,685,574</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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Credit Risk, continued

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.

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, 2011 the fair value of the investment in AMLIP approximates amortized cost.

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

Receivables at June 30, 2011, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	Major Governmental <u>Funds</u> <u>General</u>	Nonmajor Govern- mental <u>Funds</u>	<u>Totals</u>
Taxes	\$ 2,565,503	40,347	2,605,850
Grants and shared revenues	-	40,668	40,668
Special assessments	-	173,893	173,893
Interest	<u>45,689</u>	<u>100,173</u>	<u>145,862</u>
Total receivables	2,611,192	355,081	2,966,273
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	\$ <u>2,611,192</u>	<u>355,081</u>	<u>2,966,273</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Deferred Revenues, continued

	Major Enterprise Funds					Nonmajor Enterprise Funds	Totals
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Boat Yard/Lift		
Grants	\$ -	-	1,166,864	-	-	301	1,167,165
Interest	-	-	-	8,732	-	-	8,732
Accounts	<u>89,877</u>	<u>92,609</u>	<u>234,969</u>	<u>301,896</u>	<u>443</u>	<u>201,828</u>	<u>921,622</u>
Total receivables	89,877	92,609	1,401,833	310,628	443	202,129	2,097,519
Less allowance for doubtful accounts	<u>-</u>	<u>(15,647)</u>	<u>(2,224)</u>	<u>(2,867)</u>	<u>-</u>	<u>-</u>	<u>(20,738)</u>
Net receivables	\$ <u>89,877</u>	<u>76,962</u>	<u>1,399,609</u>	<u>307,761</u>	<u>443</u>	<u>202,129</u>	<u>2,076,781</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2011, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred special assessments	\$ 158,476
Grant drawdowns prior to meeting all eligibility requirements	<u>13,944</u>
Total deferred/unearned revenue for governmental funds	\$ <u>172,420</u>

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, 2011
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,501,384	-	-	2,501,384
Construction in progress	<u>23,668,905</u>	<u>310,201</u>	<u>23,451,722</u>	<u>527,384</u>
Total assets not being depreciated	<u>26,170,289</u>	<u>310,201</u>	<u>23,451,722</u>	<u>3,028,768</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,268,442	26,574,226	-	31,842,668
Improvements other than buildings	1,496,946	-	-	1,496,946
Infrastructure	14,621,822	3,786,249	-	18,408,071
Machinery and equipment	<u>9,384,530</u>	<u>185,058</u>	<u>196,094</u>	<u>9,373,494</u>
Total capital assets being depreciated	<u>30,771,740</u>	<u>30,545,533</u>	<u>196,094</u>	<u>61,121,179</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance July 1, 2010	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, 2011
<u>Governmental activities, continued</u>				
Less accumulated depreciation for:				
Buildings	\$ 2,419,524	85,407	-	2,504,931
Improvements other than buildings	846,804	65,540	-	912,344
Infrastructure	6,600,473	185,768	-	6,786,241
Machinery and equipment	<u>6,437,737</u>	<u>447,268</u>	<u>196,094</u>	<u>6,688,911</u>
Total accumulated depreciation	<u>16,304,538</u>	<u>783,983</u>	<u>196,094</u>	<u>16,892,427</u>
 Total capital assets being depreciated, net	 <u>14,467,202</u>	 <u>29,761,550</u>	 <u>-</u>	 <u>44,228,752</u>
 Governmental activity capital assets, net	 <u>\$ 40,637,491</u>	 <u>30,071,751</u>	 <u>23,451,722</u>	 <u>47,257,520</u>
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	-	-	693,997
Construction in progress	<u>4,282,621</u>	<u>1,624,945</u>	<u>4,409,120</u>	<u>1,498,446</u>
Total assets not being depreciated	<u>4,976,618</u>	<u>1,624,945</u>	<u>4,409,120</u>	<u>2,192,443</u>
<i>Capital assets being depreciated:</i>				
Buildings	23,840,189	13,724	-	23,853,913
Improvements other than buildings	104,174,310	4,409,120	-	108,583,430
Machinery and equipment	<u>20,893,131</u>	<u>62,048</u>	<u>52,411</u>	<u>20,902,768</u>
Total assets being depreciated	<u>148,907,630</u>	<u>4,484,892</u>	<u>52,411</u>	<u>153,340,111</u>
Less accumulated depreciation for:				
Buildings	2,775,856	860,651	-	13,636,507
Improvements other than buildings	54,922,365	2,845,316	-	57,767,681
Machinery and equipment	<u>2,186,806</u>	<u>640,870</u>	<u>38,686</u>	<u>2,788,990</u>
Total accumulated depreciation	<u>69,885,027</u>	<u>4,346,837</u>	<u>38,686</u>	<u>74,193,178</u>
 Total capital assets being depreciated, net	 <u>79,022,603</u>	 <u>138,055</u>	 <u>13,725</u>	 <u>79,146,933</u>
 Business-type activity capital assets, net	 <u>\$ 83,999,221</u>	 <u>1,763,000</u>	 <u>4,422,845</u>	 <u>81,339,376</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 55,205
Public safety	283,207
Public works	298,360
Engineering	1,685
Parks and recreation	133,583
Library	2,720
Community services	<u>9,223</u>
Total depreciation expense – governmental activities	\$ <u>783,983</u>

Business-type activities

Cargo Pier	\$ 444,427
Boat Harbor	1,316,172
Water Utility	547,472
Sewer Utility	1,217,546
Boat Yard Lift	529,981
Harbor Electric	11,759
Trident Basin	<u>279,480</u>
Total depreciation expense – business-type activities	\$ <u>4,346,837</u>

(6) **Long Term Debt**

Long-term debt at June 30, 2011 is comprised of the following:

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2011</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$155,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ 7,720,000	-	150,000	7,570,000	155,000
Accrued leave	<u>649,950</u>	<u>395,342</u>	<u>441,802</u>	<u>603,490</u>	<u>450,000</u>
Total governmental activities	\$ <u>8,369,950</u>	<u>395,342</u>	<u>591,802</u>	<u>8,173,490</u>	<u>605,000</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Long Term Debt, continued

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

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2011</u>	Due Within <u>One Year</u>
<u>Business-type activities</u>					
Revenue Bonds:					
\$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$35,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038	\$ 1,970,000	-	30,000	1,940,000	35,000
\$4,000,000 2007 Series A Boat Yard/Lift Revenue Bonds, due in annual install- ments of \$55,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,940,000	-	55,000	3,885,000	55,000
\$1,000,000 2009 Series One Boat Yard/Lift Revenue Bonds, due in annual installments of \$20,000 to \$65,000 plus interest at 3.0% to 5.875% through 2037	985,000	-	15,000	970,000	20,000
Loans Payable:					
\$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	1,206,585	-	201,097	1,005,488	201,097
\$550,000 Water loan, due in annual installments of \$110,000, plus interest at 1.5% through 2014	440,000	-	110,000	330,000	110,000
\$550,000 Sewer loan, due in annual installments of \$55,000, plus interest at 1.5% through 2019	495,000	-	55,000	440,000	55,000

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Long Term Debt, continued

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2011</u>	Due Within <u>One Year</u>
<u>Business-type activities, continued</u>					
Loans Payable, continued:					
\$1,000,000 Sewer loan, due in annual installments of \$58,246, including interest at 1.5% through 2030	\$ 545,761	454,239	43,246	956,754	43,894
\$930,000 Boat Yard/Lift loan, due in annual installments of \$46,500, plus interest at 1.5% through 2030	930,000	-	46,500	883,500	46,500
\$862,000 Water loan, due in annual installments of \$50,208, including interest at 1.5% through 2030	-	862,000	37,278	824,722	37,837
\$341,930 (maximum) Water loan, terms not yet established, interest at 1.5%	-	200,394	-	200,394	-
\$341,930 (maximum) Sewer loan, terms not yet established, interest at 1.5%	-	200,394	-	200,394	-
Accrued leave	<u>227,324</u>	<u>153,939</u>	<u>183,793</u>	<u>197,470</u>	<u>197,470</u>
Total business-type activities	\$ <u>10,739,670</u>	<u>1,870,966</u>	<u>776,914</u>	<u>11,833,722</u>	<u>801,798</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 June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	195,000	336,990	531,990
2017-2021	1,030,000	1,553,887	2,583,887
2022-2026	1,210,000	1,320,600	2,530,600
2027-2031	1,540,000	995,480	2,535,480
2032-2036	1,975,000	561,795	2,536,795
2037-2038	940,000	73,840	1,013,840
	<u>\$ 7,570,000</u>	<u>6,278,052</u>	<u>13,848,052</u>

Business-type activities

Year Ending June 30,	Revenue Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 110,000	330,664	440,664	494,328	58,001	552,329
2013	115,000	324,414	439,414	495,555	59,192	554,747
2014	125,000	317,614	442,614	496,799	51,759	548,558
2015	130,000	310,364	440,364	388,061	44,307	432,368
2016	135,000	302,714	437,714	389,347	38,486	427,833
2017-2021	800,000	1,387,575	2,187,575	851,146	135,423	986,569
2022-2026	1,025,000	1,178,033	2,203,033	721,205	77,976	799,181
2027-2031	1,405,000	905,029	2,310,029	604,023	22,736	626,759
2032-2036	2,000,000	487,524	2,487,524	-	-	-
2037-2038	950,000	47,063	997,063	-	-	-
	<u>\$ 6,795,000</u>	<u>5,590,994</u>	<u>12,385,994</u>	<u>4,440,464</u>	<u>487,880</u>	<u>4,928,344</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) **Fund Balances**

The City has implemented the provisions of GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2011. Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Street Improvements Capital Project	Public Safety Building Capital Project	Nonmajor Funds	<u>Totals</u>
Nonspendable - prepaid items	\$ 2,117	-	-	-	2,117
Restricted for tourism	-	-	-	206,694	206,694
Committed for Enhancement Fund	-	-	-	4,778,691	4,778,691
Assigned:					
Capital projects	-	-	92,721	1,875,174	1,967,895
Subsequent year's expenditures	1,638,770	-	-	-	1,638,770
Public works	-	-	-	26,878	26,878
Unassigned (deficit)	<u>4,865,844</u>	<u>(1,685,144)</u>	<u>-</u>	<u>-</u>	<u>3,180,700</u>
Total fund balances (deficit)	\$ <u>6,506,731</u>	<u>(1,685,144)</u>	<u>92,721</u>	<u>6,887,437</u>	<u>11,801,745</u>

(8) **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, 2011 and 2010 respectively, are as follows:

	<u>2011</u>	<u>2010</u>
General Fund general sales taxes	\$ <u>9,631,344</u>	<u>9,379,409</u>
Tourism Development Special Revenue Fund room taxes	\$ <u>155,513</u>	<u>154,145</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Sales Tax Revenues, continued

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 Proceeds</u>
General Fund	4.00%	N/A
Street Improvements Capital Projects Fund	0.90%	\$ 450,000
Parks and Recreation Capital Projects Fund	0.10%	50,000
Boat Harbor Enterprise Fund	<u>1.00%</u>	500,000
 Total sales tax	 <u>6.00%</u>	

<u>Fund or Program</u>	<u>Percentage</u>	<u>Maximum Proceeds</u>
Council approved tourism program	3.50%	N/A
Tourism enhancement projects	1.00%	N/A
Administrative costs associated with projects	<u>0.50%</u>	N/A
 Total transient room tax	 <u>5.00%</u>	

Sales tax revenues associated with the Capital Projects Funds are recorded as transfers from the General Fund to the applicable Capital Project Fund. Allocations to these funds for the years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Capital Projects Funds:		
Street Improvements	\$ 450,000	450,000
Parks and Recreation	50,000	50,000
Harbor & Port Improvement	<u>500,000</u>	<u>500,000</u>
 Total sales tax revenues transferred from the General Fund	 \$ <u>1,000,000</u>	 <u>1,000,000</u>

(9) **Interfund Receivables and Transfers**

A schedule of interfund balances and transfers for the year ended June 30, 2011, follows:

Due from other funds:

Due to the General Fund from:	
Street Improvements Capital Project Fund	\$ 1,685,144
Nonmajor enterprise funds	<u>506,296</u>
Total due from other funds	\$ <u>2,191,440</u>

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Interfund Transfers, continued

Advances to other funds:

Advance from the Boat Harbor Enterprise Fund to the Boat/Yard Lift Enterprise Fund	\$ <u>539,568</u>
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Transfers:

From General Fund to:

Public Safety Building Capital Project Fund for capital costs	\$ 1,100,000
Street Improvements Capital Project Fund for capital costs	450,000
Boat Harbor Enterprise Fund for capital costs	500,000
Nonmajor governmental funds for capital projects	1,375,000
Nonmajor governmental funds to cover operating costs	574,224

From Street Improvements Capital Project Fund to:

General Fund to cover operating costs	6,000
Sewer Utility Enterprise Fund for capital costs	15,000

From Water Utility Enterprise Fund to

Street Improvements Capital Project Fund for capital costs	35,000
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From Sewer Utility Enterprise Fund to:

Water Utility Enterprise Fund for capital costs	654,633
Street Improvements Capital Project Fund for capital costs	24,000

From Boat Harbor Enterprise Fund to:

Boat Yard/Lift Enterprise Fund for capital costs	1,783,431
Nonmajor governmental funds for capital costs	20,000

From nonmajor governmental funds to:

General Fund to cover operating costs	64,648
Street Improvements Capital Project Fund for capital costs	141,721
Other nonmajor governmental funds for capital costs	115,423

From nonmajor enterprise funds to:

General Fund to cover operating costs	25,640
Nonmajor governmental funds for capital costs	<u>275,000</u>

Total transfers to other funds	\$ <u>7,159,720</u>
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CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(10) **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 (2.41% for pension and 4.34% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.68% for pension and 4.82% 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 2011 were determined as part of the June 30, 2008 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 45* <u>Rate</u>
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	<u>14.15%</u>	<u>17.98%</u>	<u>55.87%</u>
Total contribution rate	<u>22.00%</u>	<u>27.96%</u>	<u>69.36%</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 8.25% (2.29 percentage points higher than the 5.96% required amount) of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State PERS on behalf payment of \$541,384 as revenues and expenditures/expenses in the 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.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension and Postemployment Healthcare Cost, continued

Year Ended June 30	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contri- butions	% of TBC Contributed
2011	\$ 454,482	\$ 819,225	\$ 1,273,707	\$ 1,273,707	100%
2010	477,916	811,310	1,289,226	1,289,226	100%
2009	383,381	904,232	1,287,613	1,287,613	100%

(11) **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 Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.56	0.48
Occupational death and disability benefits	<u>0.31</u>	<u>1.18</u>
	<u>8.87 %</u>	<u>9.66%</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, 2011 were \$169,520 and \$138,815, respectively.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(12) **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 Public Entity Insurance Association (APEI) which covers property and contents, torts, general and auto liability, public officials and employees' liability, and workers compensation. APEI is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. APEI'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. APEI made no supplemental assessments during the year ended June 30, 2011. 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 APEI 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.

(13) **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 five (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 transferred to the Enhancement Fund by January 1 of the succeeding year. The General Fund's net increase to fund balance or surplus for the year ended June 30, 2010 was \$1,148,447 and accordingly, \$574,224 was transferred to the Enhancement Fund during the current year.

In addition, there is a provision for transferring to the General Fund any excess earnings over and above those earnings necessary for inflation-proofing of the Enhancement Fund. Based on the current year earnings, excess earnings of \$64,648 were transferred to the General Fund from the Enhancement Fund.

CITY OF KODIAK, ALASKA

Notes to Basic Financial Statements, continued

(14) **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, 2011, the City recognized \$86,432 in rent expense paid to the Kodiak Island Borough.

(15) **Conduit Debt**

In 2010, the City Council authorized the issuance of nonrecourse revenue bonds for the purpose of providing funds to Kodiak Area Native Association to finance the acquisition, construction, and equipping of a condominium unit for their Community Services department. The bonds were issued in the amount of \$1,615,000 and the outstanding balance at June 30, 2011 was \$1,594,000.

The bonds do not constitute a general obligation debt or pledge of the full faith and credit of the City and accordingly, the bonds and related assets are not reflected in the accompanying financial statements.

(16) **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.

NONMAJOR FUNDS

CITY OF KODIAK, ALASKA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds			Capital Project Funds			Total
	Tourism	Special		General	Parks	Building	Nonmajor
	<u>Development</u>	<u>Assess- ments</u>	<u>Enhance- ment</u>	<u>Capital Projects</u>	<u>and Recre- ation</u>	<u>Capital Projects</u>	<u>Govern- mental Funds</u>
<u>Assets</u>							
Cash and investments	\$ 166,347	11,933	4,678,518	619,881	371,094	1,011,195	6,858,968
Receivables:							
Taxes	40,347	-	-	-	-	-	40,347
Grants	-	-	-	40,668	-	-	40,668
Special assessments	-	173,893	-	-	-	-	173,893
Interest	-	-	100,173	-	-	-	100,173
Total assets	<u>\$ 206,694</u>	<u>185,826</u>	<u>4,778,691</u>	<u>660,549</u>	<u>371,094</u>	<u>1,011,195</u>	<u>7,214,049</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	-	472	-	153,401	319	-	154,192
Deferred assessments	-	158,476	-	-	-	-	158,476
Deferred revenue	-	-	-	13,944	-	-	13,944
Total liabilities	-	<u>158,948</u>	-	<u>167,345</u>	<u>319</u>	-	<u>326,612</u>
Fund balances:							
Restricted for tourism	206,694	-	-	-	-	-	206,694
Committed for							
Enhancement Fund	-	-	4,778,691	-	-	-	4,778,691
Assigned:							
Capital projects	-	-	-	493,204	370,775	1,011,195	1,875,174
Public works	-	<u>26,878</u>	-	-	-	-	<u>26,878</u>
Total fund balances	<u>206,694</u>	<u>26,878</u>	<u>4,778,691</u>	<u>493,204</u>	<u>370,775</u>	<u>1,011,195</u>	<u>6,887,437</u>
Total liabilities and fund balances	<u>\$ 206,694</u>	<u>185,826</u>	<u>4,778,691</u>	<u>660,549</u>	<u>371,094</u>	<u>1,011,195</u>	<u>7,214,049</u>

CITY OF KODIAK, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	New Library	General Capital Projects	Parks and Recre- ation	Building Capital Projects	
Revenues:								
Taxes	\$ 155,513	-	-	-	-	-	-	155,513
Rental income	-	-	40,897	-	-	-	-	40,897
Intergovernmental	-	-	-	-	670,746	-	-	670,746
Investment income	682	280	200,288	-	5,190	1,852	3,145	211,437
Special assessments	-	57,242	-	-	-	-	-	57,242
Total revenues	<u>156,195</u>	<u>57,522</u>	<u>241,185</u>	<u>-</u>	<u>675,936</u>	<u>1,852</u>	<u>3,145</u>	<u>1,135,835</u>
Expenditures:								
General government	-	-	-	-	42,235	-	-	42,235
Public safety	-	-	-	-	182,830	-	-	182,830
Public works	-	322	-	-	600,505	-	-	600,827
Parks and recreation	-	-	-	-	4,832	45,010	-	49,842
Community services	127,100	-	-	-	-	-	-	127,100
Capital outlay	-	-	-	-	1,378,994	5,163	7,373	1,391,530
Total expenditures	<u>127,100</u>	<u>322</u>	<u>-</u>	<u>-</u>	<u>2,209,396</u>	<u>50,173</u>	<u>7,373</u>	<u>2,394,364</u>
Excess of revenues over (under) expenditures	29,095	57,200	241,185	-	(1,533,460)	(48,321)	(4,228)	(1,258,529)
Other financing sources (uses):								
Transfers in	-	-	574,224	-	720,000	50,000	1,015,423	2,359,647
Transfers out	-	(141,721)	(174,648)	(5,423)	-	-	-	(321,792)
Net other financing sources (uses)	<u>-</u>	<u>(141,721)</u>	<u>399,576</u>	<u>(5,423)</u>	<u>720,000</u>	<u>50,000</u>	<u>1,015,423</u>	<u>2,037,855</u>
Net change in fund balances	29,095	(84,521)	640,761	(5,423)	(813,460)	1,679	1,011,195	779,326
Fund balances at beginning of year	<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>-</u>	<u>6,108,111</u>
Fund balances at end of year	\$ <u>206,694</u>	<u>26,878</u>	<u>4,778,691</u>	<u>-</u>	<u>493,204</u>	<u>370,775</u>	<u>1,011,195</u>	<u>6,887,437</u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Net Assets
 June 30, 2011

<u>Assets</u>	<u>Harbor Electric</u>	<u>Trident Basin</u>	<u>E-911 Services</u>	<u>Total Nonmajor Enterprise Funds</u>
Current assets:				
Cash and investments	\$ 522,793	301	-	523,094
Receivables - net of allowances	<u>46,931</u>	<u>3,737</u>	<u>151,160</u>	<u>201,828</u>
Total current assets	<u>569,724</u>	<u>4,038</u>	<u>151,160</u>	<u>724,922</u>
Noncurrent assets -				
property, plant and equipment, net	<u>65,988</u>	<u>4,833,488</u>	<u>-</u>	<u>4,899,476</u>
Total assets	\$ <u><u>635,712</u></u>	<u><u>4,837,526</u></u>	<u><u>151,160</u></u>	<u><u>5,624,398</u></u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Current liabilities:				
Accounts payable	33,374	1,446	-	34,820
Customer deposits	13,200	1,536	-	14,736
Due to other funds	<u>-</u>	<u>119,884</u>	<u>386,412</u>	<u>506,296</u>
Total current liabilities	<u>46,574</u>	<u>122,866</u>	<u>386,412</u>	<u>555,852</u>
Net assets:				
Invested in capital assets	65,988	4,833,488	-	4,899,476
Unrestricted (deficit)	<u>523,150</u>	<u>(118,828)</u>	<u>(235,252)</u>	<u>169,070</u>
Total net assets	<u>589,138</u>	<u>4,714,660</u>	<u>(235,252)</u>	<u>5,068,546</u>
Total liabilities and net assets	\$ <u><u>635,712</u></u>	<u><u>4,837,526</u></u>	<u><u>151,160</u></u>	<u><u>5,624,398</u></u>

CITY OF KODIAK, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011

	Harbor <u>Electric</u>	Trident <u>Basin</u>	E-911 <u>Services</u>	Total Nonmajor Enterprise <u>Funds</u>
Operating revenues	\$ <u>707,770</u>	<u>32,970</u>	<u>67,428</u>	<u>808,168</u>
Operating expenses:				
Salaries and benefits	-	-	5,518	5,518
Professional	-	3,515	-	3,515
Goods and services	531,672	19,221	-	550,893
Utilities and fuel	-	10,276	-	10,276
Administrative services	-	2,760	-	2,760
Machinery and equipment	7,567	-	-	7,567
Interfund charges	82,315	37,964	-	120,279
Depreciation	<u>11,759</u>	<u>279,480</u>	<u>-</u>	<u>291,239</u>
Total operating expenses	<u>633,313</u>	<u>353,216</u>	<u>5,518</u>	<u>992,047</u>
Earnings (loss) from operations	74,457	(320,246)	61,910	(183,879)
Nonoperating revenues - investment income	<u>2,158</u>	<u>714</u>	<u>-</u>	<u>2,872</u>
Earnings (loss) before contributions and transfers	76,615	(319,532)	61,910	(181,007)
Capital contributions	-	13,913	-	13,913
Transfers out	<u>-</u>	<u>-</u>	<u>(300,640)</u>	<u>(300,640)</u>
Change in net assets	76,615	(305,619)	(238,730)	(467,734)
Net assets at beginning of year	<u>512,523</u>	<u>5,020,279</u>	<u>3,478</u>	<u>5,536,280</u>
Net assets at end of year	\$ <u><u>589,138</u></u>	<u><u>4,714,660</u></u>	<u><u>(235,252)</u></u>	<u><u>5,068,546</u></u>

CITY OF KODIAK, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2011

	<u>Harbor</u>	<u>Trident</u>	<u>E-911</u>	Total
	<u>Electric</u>	<u>Basin</u>	<u>Services</u>	Nonmajor
				Enterprise
				Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 717,493	34,494	14,699	766,686
Payments for interfund services used	(82,315)	(37,964)	-	(120,279)
Payments to suppliers	(545,584)	(35,728)	-	(581,312)
Payments to employees	-	-	(5,518)	(5,518)
Net cash flows from operating activities	<u>89,594</u>	<u>(39,198)</u>	<u>9,181</u>	<u>59,577</u>
Cash flows from noncapital financing activities:				
Increase in due to other funds	-	-	291,459	291,459
Transfers out	-	-	(300,640)	(300,640)
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>(9,181)</u>	<u>(9,181)</u>
Cash flows from capital and related financing activities:				
Decrease in due to other funds	-	(95,830)	-	(95,830)
Capital contributions received	-	134,615	-	134,615
Net cash flows from capital and related financing activities	<u>-</u>	<u>38,785</u>	<u>-</u>	<u>38,785</u>
Cash flows from investing activities -				
investment income received	<u>2,158</u>	<u>714</u>	<u>-</u>	<u>2,872</u>
Net increase in cash and investments	91,752	301	-	92,053
Cash and investments at beginning of year	<u>431,041</u>	<u>-</u>	<u>-</u>	<u>431,041</u>
Cash and investments at end of year	\$ <u>522,793</u>	<u>301</u>	<u>-</u>	<u>523,094</u>
Reconciliation of earnings (loss) from operations to				
net cash flows from operating activities				
Earnings (loss) from operations	74,457	(320,246)	61,910	(183,879)
Adjustments to reconcile earnings (loss) from operations				
to net cash flows from operating activities:				
Depreciation	11,759	279,480	-	291,239
(Increase) decrease in assets - accounts receivable	8,323	1,524	(52,729)	(42,882)
Increase (decrease) in liabilities:				
Accounts payable	(6,345)	44	-	(6,301)
Customer deposits	1,400	-	-	1,400
Net cash flows from operating activities	\$ <u>89,594</u>	<u>(39,198)</u>	<u>9,181</u>	<u>59,577</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, 2011
 (With Comparative Amounts for 2010)

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and investments	\$ <u>2,319,109</u>	<u>4,760,835</u>
Receivables:		
Taxes	2,565,503	2,490,701
Grants and shared revenues	-	9,632
Interest	<u>45,689</u>	<u>47,367</u>
Total receivables	<u>2,611,192</u>	<u>2,547,700</u>
Due from other funds	2,191,440	310,667
Prepaid items	2,117	13,618
Advance to other fund	<u>-</u>	<u>1,793,751</u>
 Total assets	 \$ <u>7,123,858</u>	 <u>9,426,571</u>
 <u>Liabilities and Fund Balance</u> 		
Liabilities:		
Accounts payable	250,391	238,112
Accrued payroll and related liabilities	363,469	332,338
Customer deposits	<u>3,267</u>	<u>3,551</u>
Total liabilities	<u>617,127</u>	<u>574,001</u>
Fund balance:		
Nonspendable:		
Prepaid items	2,117	13,618
Advance to other fund	-	1,793,751
Assigned for subsequent year's expenditures	1,638,770	1,440,324
Unassigned	<u>4,865,844</u>	<u>5,604,877</u>
Total fund balance	<u>6,506,731</u>	<u>8,852,570</u>
 Total liabilities and fund balance	 \$ <u>7,123,858</u>	 <u>9,426,571</u>

CITY OF KODIAK, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 693,500	765,539	72,039	665,999
Sales taxes	8,700,000	9,631,344	931,344	9,379,409
Penalties and interest	24,000	23,199	(801)	25,282
Total taxes	<u>9,417,500</u>	<u>10,420,082</u>	<u>1,002,582</u>	<u>10,070,690</u>
Intergovernmental:				
Grants	38,930	23,254	(15,676)	463,413
Revenue sharing	430,000	428,304	(1,696)	400,759
State PERS relief	452,500	407,269	(45,231)	269,592
Fisheries business tax	1,000,000	740,229	(259,771)	1,046,010
Shared fisheries business and landing tax	63,000	87,810	24,810	68,818
Liquor licenses	31,000	16,200	(14,800)	22,500
Fuel tax sharing	14,000	6,215	(7,785)	5,993
Telephone and electric sharing	38,100	41,908	3,808	39,944
Total intergovernmental	<u>2,067,530</u>	<u>1,751,189</u>	<u>(316,341)</u>	<u>2,317,029</u>
Charges for services:				
Public safety:				
Boarding of State prisoners	905,340	906,203	863	605,335
State Trooper contract	120,000	78,750	(41,250)	98,438
Borough animal control	84,125	84,125	-	84,125
Ambulance services	45,000	23,925	(21,075)	52,923
Other public safety charges	22,500	12,674	(9,826)	49,685
School crossing guard services	12,000	-	(12,000)	9,060
School lifeguard services	7,500	8,412	912	6,373
Borough building inspector charges	130,000	94,805	(35,195)	143,281
Library fees and charges	20,200	12,542	(7,658)	15,980
Parks and recreation fees and charges	129,000	124,688	(4,312)	120,300
Public works services	11,000	9,981	(1,019)	8,880
Total charges for services	<u>1,486,665</u>	<u>1,356,105</u>	<u>(130,560)</u>	<u>1,194,380</u>

CITY OF KODIAK, ALASKA

General Fund

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

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Fines and forfeitures	\$ <u>39,100</u>	<u>6,156</u>	<u>(32,944)</u>	<u>23,514</u>
Licenses and permits	<u>68,500</u>	<u>93,193</u>	<u>24,693</u>	<u>70,489</u>
Rental income	<u>119,600</u>	<u>125,476</u>	<u>5,876</u>	<u>157,686</u>
Interfund charges:				
Cargo Pier Fund	20,780	20,780	-	79,420
Boat Harbor Fund	69,620	69,870	250	79,420
Water Fund	71,080	71,080	-	79,420
Sewer Fund	71,080	71,080	-	79,420
Trident Basin Fund	14,220	14,220	-	79,420
Public works	216,218	216,222	4	170,260
Engineering and inspection fees	131,550	131,550	-	80,960
Tourism Development Fund	30,500	30,500	-	30,500
Boat Yard Fund	24,500	24,500	-	-
Electric Fund	<u>13,070</u>	<u>13,070</u>	<u>-</u>	<u>-</u>
Total interfund charges	<u>662,618</u>	<u>662,872</u>	<u>254</u>	<u>678,820</u>
Investment income	<u>120,000</u>	<u>24,500</u>	<u>(95,500)</u>	<u>31,162</u>
Sale of land	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,946</u>
Other revenues	<u>740,410</u>	<u>271,973</u>	<u>(468,437)</u>	<u>651,260</u>
Total revenues	<u>14,721,923</u>	<u>14,711,546</u>	<u>(10,377)</u>	<u>15,631,976</u>
Expenditures:				
General government:				
Legislative	252,720	199,859	52,861	171,861
Emergency preparedness	65,800	620	65,180	-
Legal	80,000	45,495	34,505	86,571
Executive	276,570	300,069	(23,499)	279,861
City clerk	380,867	346,854	34,013	300,684
Finance	<u>1,258,550</u>	<u>1,185,983</u>	<u>72,567</u>	<u>1,098,581</u>
Total general government	<u>2,314,507</u>	<u>2,078,880</u>	<u>235,627</u>	<u>1,937,558</u>

CITY OF KODIAK, ALASKA
General Fund

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

	2011		Variance Positive (Negative)	2010
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety:				
Police department:				
Administration:				
Operations	\$ 717,251	702,462	14,789	556,816
Bond principal	150,000	150,000	-	145,000
Bond interest	378,490	378,490	-	385,740
Uniformed patrol	1,323,591	1,257,173	66,418	1,150,430
Corrections	1,014,210	967,157	47,053	634,521
Investigations	286,664	265,422	21,242	272,403
Support services	901,289	878,843	22,446	780,581
Animal control	190,690	158,565	32,125	159,510
Drug enforcement	128,750	65,729	63,021	117,442
Community services	262,650	143,487	119,163	287,391
Canine	138,518	134,946	3,572	140,750
Fire department	1,712,199	1,697,860	14,339	1,763,692
Total public safety	<u>7,204,302</u>	<u>6,800,134</u>	<u>404,168</u>	<u>6,394,276</u>
Public works:				
Administration	96,550	93,481	3,069	84,849
Streets	1,673,360	1,144,600	528,760	1,184,049
Garage	263,260	232,613	30,647	237,831
Building inspection	267,310	257,822	9,488	229,609
Municipal airport facility	47,910	27,914	19,996	37,817
Total public works	<u>2,348,390</u>	<u>1,756,430</u>	<u>591,960</u>	<u>1,774,155</u>
Engineering	<u>235,510</u>	<u>87,209</u>	<u>148,301</u>	<u>143,630</u>
Parks and recreation:				
Administration	516,870	500,297	16,573	514,597
Museum	85,000	83,543	1,457	70,619
Teen Center	197,550	177,603	19,947	166,978
Aquatics	200,840	200,812	28	165,615
Ice rink	124,950	124,604	346	130,247
Beautification program	16,000	11,781	4,219	12,280
Total parks and recreation	<u>1,141,210</u>	<u>1,098,640</u>	<u>42,570</u>	<u>1,060,336</u>

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

	2011		Variance	2010
	Budget	Actual	Positive (Negative)	Actual
Expenditures, continued:				
Library	\$ 751,600	680,345	71,255	720,071
Community services:				
Contributions	132,800	89,018	43,782	106,189
Downtown revitalization	44,000	34,351	9,649	34,830
Total community services	176,800	123,369	53,431	141,019
Other - insurance and general administration	531,260	529,442	1,818	525,528
Total expenditures	14,703,579	13,154,449	1,549,130	12,696,573
Excess of revenues over (under) expenditures	18,344	1,557,097	1,538,753	2,935,403
Other financing sources (uses):				
Transfers in	31,640	96,288	64,648	531,870
Transfers out	(3,999,224)	(3,999,224)	-	(2,318,826)
Net other financing sources (uses)	(3,967,584)	(3,902,936)	64,648	(1,786,956)
Net change in fund balance	\$ (3,949,240)	(2,345,839)	1,603,401	1,148,447
Fund balance at beginning of year		8,852,570		7,704,123
Fund balance at end of year		\$ 6,506,731		8,852,570

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, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 166,347	136,845
Receivables - taxes	<u>40,347</u>	<u>40,754</u>
 Total assets	 \$ <u>206,694</u>	 <u>177,599</u>
 <u>Fund Balance</u>		
Fund balance - restricted for tourism	\$ <u>206,694</u>	<u>177,599</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, 2011
 (With Comparative Amounts for 2010)

	2011		Variance	2010
	Budget	Actual	Positive	Actual
			(Negative)	
Revenues:				
Room taxes	\$ 120,000	155,513	35,513	154,145
Investment income	<u>1,500</u>	<u>682</u>	<u>(818)</u>	<u>404</u>
Total revenues	<u>121,500</u>	<u>156,195</u>	<u>34,695</u>	<u>154,549</u>
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	1,000	600	400	601
Community service contributions	<u>96,000</u>	<u>96,000</u>	<u>-</u>	<u>91,000</u>
Total expenditures	<u>127,500</u>	<u>127,100</u>	<u>400</u>	<u>122,101</u>
Net change in fund balance	\$ <u>(6,000)</u>	29,095	<u>35,095</u>	32,448
Fund balance at beginning of year		<u>177,599</u>		<u>145,151</u>
Fund balance at end of year	\$	<u>206,694</u>		<u>177,599</u>

CITY OF KODIAK, ALASKA
Special Assessments Special Revenue Fund
Balance Sheet
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 11,933	98,549
Receivables - special assessments	<u>173,893</u>	<u>222,347</u>
Total assets	\$ <u>185,826</u>	<u>320,896</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	472	472
Deferred assessments	<u>158,476</u>	<u>209,025</u>
Total liabilities	158,948	209,497
Fund balance - assigned for public works	<u>26,878</u>	<u>111,399</u>
Total liabilities and fund balance	\$ <u>185,826</u>	<u>320,896</u>

CITY OF KODIAK, ALASKA
Special Assessments Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues:		
Special assessments	\$ 57,242	81,088
Investment income	280	395
Total revenues	<u>57,522</u>	<u>81,483</u>
Expenditures - public works - professional services	<u>322</u>	<u>370</u>
Excess of revenues over expenditures	57,200	81,113
Other financing uses - transfers out	<u>(141,721)</u>	<u>-</u>
Net change in fund balance	(84,521)	81,113
Fund balance at beginning of year	<u>111,399</u>	<u>30,286</u>
Fund balance at end of year	\$ <u><u>26,878</u></u>	<u><u>111,399</u></u>

CITY OF KODIAK, ALASKA
 Enhancement Fund Special Revenue Fund
 Balance Sheet
 June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 4,678,518	4,088,229
Interest receivable	<u>100,173</u>	<u>49,701</u>
Total assets	\$ <u>4,778,691</u>	<u>4,137,930</u>
 <u>Fund Balance</u>		
Fund balance - committed for Enhancement Fund	\$ <u>4,778,691</u>	<u>4,137,930</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, 2011
 (With Comparative Amounts for 2010)

	2011		Variance	2010
	Budget	Actual	Positive	Actual
			(Negative)	
Revenues:				
Rental income	\$ 40,500	40,897	397	40,502
Investment income	100,000	200,288	100,288	202,375
Sale of land	100,000	-	(100,000)	309,529
Total revenues	240,500	241,185	685	552,406
Other financing sources (uses):				
Transfers in	574,224	574,224	-	28,054
Transfers out	(110,000)	(174,648)	(64,648)	-
Net other financing sources (uses)	464,224	399,576	(64,648)	28,054
Net change in fund balance	\$ 704,724	640,761	(63,963)	580,460
Fund balance at beginning of year		4,137,930		3,557,470
Fund balance at end of year		\$ 4,778,691		4,137,930

CITY OF KODIAK, ALASKA
New Library Special Revenue Fund
Balance Sheet
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ <u>-</u>	<u>5,423</u>
<u>Fund Balance</u>		
Fund balance	\$ <u>-</u>	<u>5,423</u>

CITY OF KODIAK, ALASKA
 New Library Special Revenue Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues - other	\$ <u>-</u>	<u>21</u>
Expenditures - new library - administration	<u>-</u>	<u>4,698</u>
Excess of revenues over (under) expenditures	-	(4,677)
Other financing uses - transfers out	<u>(5,423)</u>	<u>-</u>
Net change in fund balance	(5,423)	(4,677)
Fund balance at beginning of year	<u>5,423</u>	<u>10,100</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>5,423</u></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.

Building Capital Projects

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

CITY OF KODIAK, ALASKA
 General Capital Projects Fund
 Balance Sheet
 June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 619,881	1,295,594
Receivables:		
Grants	40,668	51,084
Interest	<u>-</u>	<u>1,818</u>
 Total assets	 \$ <u>660,549</u>	 <u>1,348,496</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	153,401	23,139
Deferred revenue	<u>13,944</u>	<u>18,693</u>
Total liabilities	<u>167,345</u>	<u>41,832</u>
 Fund balance - assigned for capital projects	 <u>493,204</u>	 <u>1,306,664</u>
 Total liabilities and fund balance	 \$ <u>660,549</u>	 <u>1,348,496</u>

CITY OF KODIAK, ALASKA
 General Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues:		
Intergovernmental	\$ 670,746	119,257
Investment income	5,190	1,101
Total revenues	<u>675,936</u>	<u>120,358</u>
Expenditures:		
Hazmat technician course	-	46,309
Near Island development	-	40,157
City land development	-	1,293
Paint exterior of library	-	28
Siren alert warning system	-	10,415
Museum building	4,832	34,322
Municipal airport improvements	600,505	40,841
KFD deferred maintenance	178,600	15,808
Roof and building evaluation and repair	1,115,249	16,562
Law enforcement simulator	-	36,000
Class and computer study	3,866	-
Energy efficiency	38,369	-
Financial software	263,745	-
Alaska shield hazmat exercise	-	8,045
Homeland security	4,230	-
Total expenditures	<u>2,209,396</u>	<u>249,780</u>
Excess of revenues over (under) expenditures	(1,533,460)	(129,422)
Other financing sources (uses):		
Transfers in	720,000	775,000
Transfers out	-	(500,000)
Net other financing sources (uses)	<u>720,000</u>	<u>275,000</u>
Net change in fund balance	(813,460)	145,578
Fund balance at beginning of year	<u>1,306,664</u>	<u>1,161,086</u>
Fund balance at end of year	\$ <u>493,204</u>	<u>1,306,664</u>

CITY OF KODIAK, ALASKA
 Street Improvements Capital Project Fund
 Balance Sheet
 June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ -	1,725,747
Receivables - interest	-	<u>2,422</u>
 Total assets	 \$ <u>-</u>	 <u>1,728,169</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	-	598,271
Due to other funds	<u>1,685,144</u>	<u>-</u>
Total liabilities	1,685,144	598,271
 Fund balance - assigned for capital projects (deficit)	 <u>(1,685,144)</u>	 <u>1,129,898</u>
 Total liabilities and fund balance	 \$ <u>-</u>	 <u>1,728,169</u>

CITY OF KODIAK, ALASKA
 Street Improvements Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues - investment income	\$ <u>122</u>	<u>11,453</u>
Expenditures:		
Annual sidewalk, curb and gutter repair	40,839	25,249
Gibson Cove strip	28	-
Mill Bay overlay	833,277	388,202
Maple Street Aleutian Phase III	1,707,424	1,967,439
Pavement repairs	684,839	-
Baranof Museum retaining wall	33,921	-
SPCC spill prevention	<u>144,557</u>	<u>-</u>
Total expenditures	<u>3,444,885</u>	<u>2,380,890</u>
Excess of revenues over (under) expenditures	(3,444,763)	(2,369,437)
Other financing sources (uses):		
Transfers in	650,721	1,177,000
Transfers out	<u>(21,000)</u>	<u>(6,000)</u>
Net other financing sources (uses)	<u>629,721</u>	<u>1,171,000</u>
Net change in fund balance	(2,815,042)	(1,198,437)
Fund balance at beginning of year	<u>1,129,898</u>	<u>2,328,335</u>
Fund balance at end of year	\$ <u><u>(1,685,144)</u></u>	<u><u>1,129,898</u></u>

CITY OF KODIAK, ALASKA
Public Safety Building Capital Project Fund
Balance Sheet
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 112,084	960,365
Receivables - interest	<u>-</u>	<u>5,988</u>
Total assets	\$ <u>112,084</u>	<u>966,353</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	19,363	126,985
Fund balance - assigned for capital projects	<u>92,721</u>	<u>839,368</u>
Total liabilities and fund balance	\$ <u>112,084</u>	<u>966,353</u>

CITY OF KODIAK, ALASKA
 Public Safety Building Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues:		
Intergovernmental	\$ 2,100,000	1,000,000
Investment income	<u>517</u>	<u>20,441</u>
Total revenues	<u>2,100,517</u>	<u>1,020,441</u>
Expenditures:		
Construction, engineering and design	3,945,651	11,687,764
Salaries and benefits	<u>1,513</u>	<u>15,950</u>
Total expenditures	<u>3,947,164</u>	<u>11,703,714</u>
Excess of revenues over (under) expenditures	(1,846,647)	(10,683,273)
Other financing sources - transfers in	<u>1,100,000</u>	<u>102,640</u>
Net change in fund balance	(746,647)	(10,580,633)
Fund balance at beginning of year	<u>839,368</u>	<u>11,420,001</u>
Fund balance at end of year	\$ <u><u>92,721</u></u>	<u><u>839,368</u></u>

CITY OF KODIAK, ALASKA
 Parks and Recreation Capital Project Fund
 Balance Sheet
 June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ <u>371,094</u>	<u>371,042</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	319	1,946
Fund balance - assigned for capital projects	<u>370,775</u>	<u>369,096</u>
Total liabilities and fund balance	\$ <u>371,094</u>	<u>371,042</u>

CITY OF KODIAK, ALASKA
Parks and Recreation Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues - investment income	\$ <u>1,852</u>	<u>1,415</u>
Expenditures:		
Playground equipment and improvements	5,413	1,632
Baranof baseball field	1,362	(5,230)
Major park maintenance	43,648	22,059
Baranof storage building	(250)	6,006
Building weatherization	<u>-</u>	<u>12,120</u>
Total expenditures	<u>50,173</u>	<u>36,587</u>
Excess of revenues over (under) expenditures	(48,321)	(35,172)
Other financing sources - transfers in	<u>50,000</u>	<u>50,000</u>
Net change in fund balance	1,679	14,828
Fund balance at beginning of year	<u>369,096</u>	<u>354,268</u>
Fund balance at end of year	\$ <u><u>370,775</u></u>	<u><u>369,096</u></u>

CITY OF KODIAK, ALASKA
Building Capital Project Fund
Balance Sheet
June 30, 2011

2011

Assets

Cash and investments \$ 1,011,195

Fund Balance

Fund balance - assigned for capital projects \$ 1,011,195

CITY OF KODIAK, ALASKA
 Building Capital Project Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2011

	<u>2011</u>
Revenues - investment income	\$ 3,145
Expenditures - professional	<u>7,373</u>
Excess of revenues over (under) expenditures	(4,228)
Other financing sources - transfers in	<u>1,015,423</u>
Net change in fund balance	1,011,195
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u><u>1,011,195</u></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

This fund 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, 2011
(With Comparative Amounts for 2010)

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 3,413,906	2,796,112
Receivables:		
Accounts	89,877	90,055
Interest	-	4,389
Total current assets	<u>3,503,783</u>	<u>2,890,556</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>(15,140,610)</u>	<u>(14,696,183)</u>
Net property, plant and equipment	<u>6,643,675</u>	<u>7,088,102</u>
Total assets	<u>\$ 10,147,458</u>	<u>9,978,658</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,699	58,236
Accrued payroll and related liabilities	9,200	8,219
Accrued annual leave	9,962	11,431
Total current liabilities	<u>20,861</u>	<u>77,886</u>
Net assets:		
Invested in capital assets	6,643,675	7,088,102
Unrestricted	<u>3,482,922</u>	<u>2,812,670</u>
Total net assets	<u>10,126,597</u>	<u>9,900,772</u>
Total liabilities and net assets	<u>\$ 10,147,458</u>	<u>9,978,658</u>

CITY OF KODIAK, ALASKA

Cargo Pier Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Dockage	\$ 119,749	129,365
Wharfage	433,389	514,272
Pier III	285,614	282,088
Cruise ship	177,447	117,040
Rentals	241,368	208,529
Other	23,725	-
Total operating revenues	<u>1,281,292</u>	<u>1,251,294</u>
Operating expenses:		
General and administrative:		
Salaries and benefits	242,264	363,061
Professional	5,356	1,130
Goods and services	48,082	43,402
Repairs and maintenance	-	541,500
Interfund charges:		
Finance and administration	20,780	79,420
Public works services	21,609	52,380
Engineering	35,550	20,240
Harbormaster services	89,043	82,140
Other	8,860	8,725
Total general and administrative	<u>471,544</u>	<u>1,191,998</u>
Warehouse:		
Goods and services	7,913	8,669
Professional	55	851
Total warehouse	<u>7,968</u>	<u>9,520</u>
Pier II:		
Goods and services	23,181	27,167
Utilities and fuel	17,723	15,737
Professional	64,118	-
Repairs and maintenance	109,728	-
Total pier II	<u>214,750</u>	<u>42,904</u>

CITY OF KODIAK, ALASKA

Cargo Pier Enterprise Fund

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

	<u>2011</u>	<u>2010</u>
Operating expenses, continued:		
Pier III:		
Goods and services	\$ -	14,210
Utilities and fuel	765	785
Repairs and maintenance	<u>57,265</u>	<u>-</u>
Total pier III	<u>58,030</u>	<u>14,995</u>
Depreciation	<u>444,427</u>	<u>445,696</u>
Total operating expenses	<u>1,196,719</u>	<u>1,705,113</u>
Earnings (loss) from operations	84,573	(453,819)
Nonoperating revenues:		
Investment income	16,896	10,188
State PERS relief	11,620	7,718
State grant - pedestrian improvements	112,736	-
State cruise ship tax	-	179,789
Federal grant - insurance coverage	<u>-</u>	<u>3,620</u>
Total nonoperating revenues	<u>141,252</u>	<u>201,315</u>
Change in net assets	225,825	(252,504)
Net assets at beginning of year	<u>9,900,772</u>	<u>10,153,276</u>
Net assets at end of year	\$ <u>10,126,597</u>	<u>9,900,772</u>

CITY OF KODIAK, ALASKA
Cargo Pier Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,281,470	1,254,831
Payments for interfund services used	(166,982)	(234,180)
Payments to suppliers	(399,583)	(615,170)
Payments to employees	(231,132)	(351,998)
Net cash flows from operating activities	<u>483,773</u>	<u>53,483</u>
Cash flows from noncapital financing activities:		
Federal grant received	-	3,620
State grant received	112,736	-
Cruise ship tax received	-	179,789
Net cash flows from noncapital financing activities	<u>112,736</u>	<u>183,409</u>
Cash flows from investing activities - investment income received	<u>21,285</u>	<u>13,589</u>
Net increase in cash and investments	617,794	250,481
Cash and investments at beginning of year	<u>2,796,112</u>	<u>2,545,631</u>
Cash and investments at end of year	\$ <u><u>3,413,906</u></u>	<u><u>2,796,112</u></u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:		
Earnings (loss) from operations	84,573	(453,819)
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:		
Depreciation	444,427	445,696
Noncash expense - State PERS relief	11,620	7,718
(Increase) decrease in assets:		
Accounts receivable	178	3,537
Prepaid expenses	-	2,000
Increase (decrease) in liabilities:		
Accounts payable	(56,537)	45,006
Accrued payroll and related liabilities	981	186
Accrued annual leave	(1,469)	3,159
Net cash flows from operating activities	\$ <u><u>483,773</u></u>	<u><u>53,483</u></u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Net Assets
 June 30, 2011
 (With Comparative Amounts for 2010)

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 1,588,504	3,360,599
Receivables:		
Accounts	92,609	60,025
Interest	-	5,936
Allowance for doubtful accounts	<u>(15,647)</u>	<u>(15,647)</u>
Total current assets	<u>1,665,466</u>	<u>3,410,913</u>
Noncurrent assets:		
Advance to other fund	539,568	-
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	35,334,087	35,334,088
Machinery and equipment	505,187	476,627
Accumulated depreciation	<u>(21,258,680)</u>	<u>(19,961,194)</u>
Net property, plant and equipment	<u>16,780,812</u>	<u>18,049,739</u>
Total noncurrent assets	<u>17,449,961</u>	<u>18,179,320</u>
Total assets	<u>\$ 19,115,427</u>	<u>21,590,233</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	34,439	22,561
Accrued payroll and related liabilities	44,651	40,274
Accrued interest	31,340	31,940
Accrued annual leave	94,696	101,604
Deferred revenue - prepaid moorage fees	-	466,506
Customer deposits	224,106	222,274
Current portion of bonds payable	<u>35,000</u>	<u>30,000</u>
Total current liabilities	<u>464,232</u>	<u>915,159</u>
Noncurrent liabilities - revenue bonds	<u>1,905,000</u>	<u>1,940,000</u>
Total liabilities	<u>2,369,232</u>	<u>2,855,159</u>
Net assets:		
Invested in capital assets, net of related debt	14,840,812	16,079,739
Restricted for debt service	129,581	129,581
Unrestricted	<u>1,775,802</u>	<u>2,525,754</u>
Total net assets	<u>16,746,195</u>	<u>18,735,074</u>
Total liabilities and net assets	<u>\$ 19,115,427</u>	<u>21,590,233</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Moorage	\$ 1,688,728	1,705,895
Pier and dock fees	237,405	213,333
Administrative charges to other funds	233,738	97,140
Other fees and charges	200,021	172,679
Rentals	16,564	13,888
Other	17,912	30,357
Total operating revenues	<u>2,394,368</u>	<u>2,233,292</u>
Operating expenses:		
Salaries and benefits	1,049,934	850,531
Professional	82,197	75,654
Contributions	21,711	21,672
Goods and services	252,924	264,827
Utilities and fuel	144,407	124,438
Administration services	5,097	5,359
Machinery and equipment	22,798	11,657
Repairs and maintenance	28	12,226
Interfund charges:		
Finance and administration	69,620	79,420
Public works services	72,392	52,380
Engineering and inspection	35,550	20,240
Depreciation	1,316,172	1,330,590
Total operating expenses	<u>3,072,830</u>	<u>2,848,994</u>
Loss from operations	(678,462)	(615,702)
Nonoperating revenues (expenses):		
Investment income	38,065	5,374
Interest expense	(94,321)	(96,121)
Federal grant - insurance coverage	-	17,190
State PERS relief	49,270	32,827
Net nonoperating revenues (expenses)	<u>(6,986)</u>	<u>(40,730)</u>
Loss before transfers	(685,448)	(656,432)
Transfers in	500,000	-
Transfers out	<u>(1,803,431)</u>	<u>(4,470,260)</u>
Change in net assets	(1,988,879)	(5,126,692)
Net assets at beginning of year	<u>18,735,074</u>	<u>23,861,766</u>
Net assets at end of year	\$ <u>16,746,195</u>	<u>18,735,074</u>

CITY OF KODIAK, ALASKA
 Boat Harbor Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,663,372	2,638,490
Receipts from interfund services provided	233,738	82,140
Payments for interfund services used	(177,562)	(157,399)
Payments to suppliers	(517,284)	(519,925)
Payments to employees	<u>(1,003,195)</u>	<u>(799,103)</u>
Net cash flows from operating activities	<u>199,069</u>	<u>1,244,203</u>
Cash flows from noncapital financing activities:		
Transfers out	(1,803,431)	(4,470,260)
Increase in advance to other funds	(539,568)	-
Federal grant received	<u>-</u>	<u>17,190</u>
Net cash flows from noncapital financing activities	<u>(2,342,999)</u>	<u>(4,453,070)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(30,000)	(30,000)
Interest paid on long-term debt	(94,921)	(96,721)
Purchase of property, plant and equipment	(47,245)	-
Transfers in	<u>500,000</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>327,834</u>	<u>(126,721)</u>
Cash flows from investing activities - investment income received	<u>44,001</u>	<u>19,867</u>
Net decrease in cash and investments	(1,772,095)	(3,315,721)
Cash and investments at beginning of year	<u>3,490,180</u>	<u>6,805,901</u>
Cash and investments at end of year	\$ <u>1,718,085</u>	<u>3,490,180</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	1,588,504	3,360,599
Restricted cash and investments	<u>129,581</u>	<u>129,581</u>
	\$ <u>1,718,085</u>	<u>3,490,180</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(678,462)	(615,702)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	1,316,172	1,330,590
Noncash expense - State PERS relief	49,270	32,827
(Increase) decrease in assets - accounts receivable	(32,584)	18,156
Increase (decrease) in liabilities:		
Accounts payable	11,878	(9,451)
Accrued payroll and related liabilities	4,377	3,011
Accrued annual leave	(6,908)	15,590
Deferred revenue	(466,506)	466,506
Customer deposits	<u>1,832</u>	<u>2,676</u>
Net cash flows from operating activities	\$ <u>199,069</u>	<u>1,244,203</u>

CITY OF KODIAK, ALASKA
Harbor Electric Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 522,793	431,041
Accounts receivable	<u>46,931</u>	<u>55,254</u>
Total current assets	<u>569,724</u>	<u>486,295</u>
Property, plant and equipment:		
Machinery and equipment	140,556	140,556
Accumulated depreciation	<u>(74,568)</u>	<u>(62,809)</u>
Net property, plant and equipment	<u>65,988</u>	<u>77,747</u>
Total assets	<u>\$ 635,712</u>	<u>564,042</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	33,374	39,719
Customer deposits	<u>13,200</u>	<u>11,800</u>
Total current liabilities	<u>46,574</u>	<u>51,519</u>
Net assets:		
Invested in capital assets	65,988	77,747
Unrestricted	<u>523,150</u>	<u>434,776</u>
Total net assets	<u>589,138</u>	<u>512,523</u>
Total liabilities and net assets	<u>\$ 635,712</u>	<u>564,042</u>

CITY OF KODIAK, ALASKA
 Harbor Electric Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Energy charges	\$ 553,866	510,087
Customer charges	113,372	113,088
Other operating revenue	<u>40,532</u>	<u>31,811</u>
Total operating revenues	<u>707,770</u>	<u>654,986</u>
Operating expenses:		
Salaries and benefits	-	50,330
Goods and services	531,672	535,962
Machinery and equipment	7,567	11,059
Interfund charges:		
Finance and administration	13,070	-
Public works services	13,593	-
Harbormaster services	55,652	-
Depreciation	<u>11,759</u>	<u>8,638</u>
Total operating expenses	<u>633,313</u>	<u>605,989</u>
Earnings from operations	74,457	48,997
Nonoperating revenues:		
Investment income	2,158	1,466
Federal grant - insurance coverage	<u>-</u>	<u>1,152</u>
Total nonoperating revenues	<u>2,158</u>	<u>2,618</u>
Change in net assets	76,615	51,615
Net assets at beginning of year	<u>512,523</u>	<u>460,908</u>
Net assets at end of year	\$ <u>589,138</u>	<u>512,523</u>

CITY OF KODIAK, ALASKA
 Harbor Electric Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 717,493	639,067
Payments for interfund services used	(82,315)	-
Payments to suppliers	(545,584)	(538,152)
Payments to employees	-	(50,330)
Net cash flows from operating activities	<u>89,594</u>	<u>50,585</u>
Cash flows from noncapital financing activities -		
Federal grant received	<u>-</u>	<u>1,152</u>
Cash flows from capital and related financing activities -		
Purchase of property, plant and equipment	<u>-</u>	<u>(21,850)</u>
Cash flows from investing activities - investment income received	<u>2,158</u>	<u>1,466</u>
Net increase in cash and investments	91,752	31,353
Cash and investments at beginning of year	<u>431,041</u>	<u>399,688</u>
Cash and investments at end of year	\$ <u><u>522,793</u></u>	<u><u>431,041</u></u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	74,457	48,997
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	11,759	8,638
(Increase) decrease in assets - accounts receivable	8,323	(13,219)
Increase (decrease) in liabilities:		
Accounts payable	(6,345)	8,869
Customer deposits	<u>1,400</u>	<u>(2,700)</u>
Net cash flows from operating activities	\$ <u><u>89,594</u></u>	<u><u>50,585</u></u>

CITY OF KODIAK, ALASKA

Water Utility Enterprise Fund

Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 3,263,717	1,710,311
Receivables:		
Grants	1,166,864	250,477
Accounts	234,969	306,456
Interest	-	6,252
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	247,718	231,638
Total current assets	<u>4,911,044</u>	<u>2,502,910</u>
Property, plant and equipment:		
Land	2	2
Buildings	3,299,523	3,299,523
Improvements other than buildings	30,669,257	26,260,136
Machinery and equipment	485,052	470,252
Construction in progress	1,498,446	4,282,621
Accumulated depreciation	(16,259,038)	(15,711,567)
Net property, plant and equipment	<u>19,693,242</u>	<u>18,600,967</u>
Total assets	<u>\$ 24,604,286</u>	<u>21,103,877</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	424,392	273,073
Accrued payroll and related liabilities	22,966	20,582
Accrued annual leave	21,155	17,081
Customer deposits	6,600	23,000
Current portion of loans payable	147,837	110,000
Total current liabilities	<u>622,950</u>	<u>443,736</u>
Noncurrent liabilities - loans payable, net of current portion	<u>1,207,279</u>	<u>330,000</u>
Total liabilities	<u>1,830,229</u>	<u>773,736</u>
Net assets:		
Invested in capital assets, net of related debt	18,338,126	18,160,967
Unrestricted	4,435,931	2,169,174
Total net assets	<u>22,774,057</u>	<u>20,330,141</u>
Total liabilities and net assets	<u>\$ 24,604,286</u>	<u>21,103,877</u>

CITY OF KODIAK, ALASKA
 Water Utility Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Sales and user charges	\$ 1,706,047	1,446,772
Meters	1,154,230	971,256
Other	35,853	40,533
Total operating revenues	<u>2,896,130</u>	<u>2,458,561</u>
Operating expenses:		
Water department:		
Salaries and benefits	578,184	840,978
Professional	41,707	303,167
Goods and services	82,315	48,047
Utilities and fuel	324,300	291,689
Machinery and equipment	10,916	-
Interfund charges:		
Finance and administration	35,540	39,710
Public works services	25,520	18,160
Depreciation	547,472	551,099
Total water department	<u>1,645,954</u>	<u>2,092,850</u>
Water treatment:		
Professional	4,350	10,272
Goods and services	60,831	56,581
Utilities	15,882	17,034
Machinery and equipment	-	7,879
Interfund charges:		
Finance and administration	35,540	44,770
Public works services	25,520	13,100
Total water treatment	<u>142,123</u>	<u>149,636</u>
Total operating expenses	<u>1,788,077</u>	<u>2,242,486</u>
Earnings from operations	1,108,053	216,075

CITY OF KODIAK, ALASKA

Water Utility Enterprise Fund

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

	<u>2011</u>	<u>2010</u>
Nonoperating revenues (expenses):		
Investment income	\$ 23,207	14,115
Interest expense	(6,600)	(949)
Engineering and feasibility studies	(495,778)	(711,956)
Federal grant	-	11,471
State PERS relief	<u>25,718</u>	<u>16,162</u>
Net nonoperating revenues (expenses)	<u>(453,453)</u>	<u>(671,157)</u>
Income (loss) before contributions and transfers	654,600	(455,082)
Capital contributions	1,169,683	1,086,345
Transfers in	654,633	673,761
Transfers out	<u>(35,000)</u>	<u>(217,000)</u>
Change in net assets	2,443,916	1,088,024
Net assets at beginning of year	<u>20,330,141</u>	<u>19,242,117</u>
Net assets at end of year	\$ <u><u>22,774,057</u></u>	<u><u>20,330,141</u></u>

CITY OF KODIAK, ALASKA
Water Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,951,217	2,428,506
Payments for interfund services used	(122,120)	(115,740)
Payments to suppliers	(900,840)	(2,573,436)
Payments to employees	(546,008)	(825,306)
Net cash flows from operating activities	<u>1,382,249</u>	<u>(1,085,976)</u>
Cash flows from noncapital financing activities:		
Transfers out	(35,000)	(217,000)
Federal grant received	-	11,471
Net cash flows from noncapital financing activities	<u>(35,000)</u>	<u>(205,529)</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(147,278)	(110,000)
Interest paid on loans	(6,600)	(949)
Proceeds from loans	1,062,394	-
Purchase of property, plant and equipment	(1,639,747)	(2,927,710)
Capital contributions received	253,296	1,591,872
Transfers in	654,633	673,761
Net cash flows from capital and related financing activities	<u>176,698</u>	<u>(773,026)</u>
Cash flows from investing activities - investment income received	<u>29,459</u>	<u>19,355</u>
Net increase (decrease) in cash and investments	1,553,406	(2,045,176)
Cash and investments at beginning of year	<u>1,710,311</u>	<u>3,755,487</u>
Cash and investments at end of year	\$ <u>3,263,717</u>	<u>1,710,311</u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	1,108,053	216,075
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	547,472	551,099
Noncash expense - State PERS relief	25,718	16,162
Nonoperating expenses	(495,778)	(711,956)
(Increase) decrease in assets:		
Accounts receivable	71,487	(33,055)
Inventory	(16,080)	5,535
Increase (decrease) in liabilities:		
Accounts payable	151,319	(1,132,346)
Accrued payroll and related liabilities	2,384	1,647
Accrued annual leave	4,074	(2,137)
Customer deposits	(16,400)	3,000
Net cash flows from operating activities	\$ <u>1,382,249</u>	<u>(1,085,976)</u>

CITY OF KODIAK, ALASKA
 Water Utility Enterprise Fund
 Schedule of Water Utility Capital Projects
 Year Ended June 30, 2011

	Aleutian Homes Water and Sewer	UV Water Treatment Facility	Total
Funding sources:			
Grants	\$ -	1,169,683	1,169,683
Water Utility Enterprise Fund	<u>133,236</u>	<u>322,028</u>	<u>455,264</u>
Total funding sources	<u>\$ 133,236</u>	<u>1,491,711</u>	<u>1,624,947</u>
Expenditures:			
Salaries and benefits	814	7,521	8,335
Professional services	-	514,766	514,766
Construction	<u>132,422</u>	<u>969,424</u>	<u>1,101,846</u>
Total expenditures	<u>\$ 133,236</u>	<u>1,491,711</u>	<u>1,624,947</u>

CITY OF KODIAK, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Net Assets
 June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 3,791,428	2,398,026
Receivables:		
Accounts	301,896	304,656
Interest	8,732	1,609
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	<u>13,762</u>	<u>11,936</u>
Total current assets	<u>4,112,951</u>	<u>2,713,360</u>
Property, plant and equipment:		
Land	16,931	16,931
Buildings	19,021,734	19,008,010
Improvements other than buildings	16,370,667	16,370,667
Machinery and equipment	512,915	546,638
Accumulated depreciation	<u>(20,171,697)</u>	<u>(18,974,150)</u>
Net property, plant and equipment	<u>15,750,550</u>	<u>16,968,096</u>
Total assets	\$ <u>19,863,501</u>	<u>19,681,456</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	50,428	53,952
Accrued payroll and related liabilities	35,448	32,455
Accrued annual leave	69,382	96,687
Accrued interest	5,027	6,066
Current portion of loans payable	<u>299,991</u>	<u>256,097</u>
Total current liabilities	460,276	445,257
Noncurrent liabilities - loans payable, net of current portion	<u>2,302,645</u>	<u>1,991,249</u>
Total liabilities	<u>2,762,921</u>	<u>2,436,506</u>
Net assets:		
Invested in capital assets, net of related debt	13,147,914	14,720,750
Unrestricted	<u>3,952,666</u>	<u>2,524,200</u>
Total net assets	<u>17,100,580</u>	<u>17,244,950</u>
Total liabilities and net assets	\$ <u>19,863,501</u>	<u>19,681,456</u>

CITY OF KODIAK, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Sewer charges	\$ 3,449,952	3,088,475
Septic truck fees	47,091	54,852
Lab testing fees	16,960	19,722
Other	17,624	17,751
Total operating revenues	<u>3,531,627</u>	<u>3,180,800</u>
Operating expenses:		
Sewer department:		
Salaries and benefits	118,681	117,230
Professional	100,521	152,197
Goods and services	37,631	37,182
Repairs and maintenance	6,286	-
Wastewater treatment:		
Salaries and benefits	852,833	529,037
Professional	5,120	199,097
Goods and services	161,589	180,499
Utilities and fuel	485,525	159,653
Machinery and equipment	980	4,351
Interfund services:		
Administrative	13,450	15,740
Finance and administration	22,090	23,970
Public works services	25,520	18,160
Depreciation	1,217,546	1,215,226
Total operating expenses	<u>3,047,772</u>	<u>2,652,342</u>
Earnings from operations	483,855	528,458
Nonoperating revenues (expenses):		
Investment income	15,389	6,799
Interest expense	(25,756)	(21,115)
State PERS relief	40,516	26,353
Federal grant - insurance coverage	-	17,536
Other nonoperating revenues (expenses)	5,259	(230)
Net nonoperating revenues (expenses)	<u>35,408</u>	<u>29,343</u>
Earnings before transfers	519,263	557,801
Transfers in	15,000	-
Transfers out	<u>(678,633)</u>	<u>(1,158,761)</u>
Change in net assets	(144,370)	(600,960)
Net assets at beginning of year	<u>17,244,950</u>	<u>17,845,910</u>
Net assets at end of year	<u>\$ 17,100,580</u>	<u>17,244,950</u>

CITY OF KODIAK, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,539,646	3,147,525
Payments for interfund services used	(61,060)	(57,870)
Payments to suppliers	(803,002)	(732,246)
Payments to employees	(955,310)	(610,976)
Net cash flows from operating activities	<u>1,720,274</u>	<u>1,746,433</u>
Cash flows from noncapital financing activities:		
Transfers out	(678,633)	(1,158,761)
Federal grant received	-	17,536
Net cash flows from noncapital financing activities	<u>(678,633)</u>	<u>(1,141,225)</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(299,343)	(256,097)
Interest paid on loans	(26,795)	(22,087)
Proceeds from loans	654,633	545,761
Purchase of property, plant and equipment	-	(40,555)
Transfers in	15,000	-
Net cash flows from capital and related financing activities	<u>343,495</u>	<u>227,022</u>
Cash flows from investing activities - investment income received	<u>8,266</u>	<u>9,951</u>
Net increase in cash and investments	1,393,402	842,181
Cash and investments at beginning of year	<u>2,398,026</u>	<u>1,555,845</u>
Cash and investments at end of year	\$ <u>3,791,428</u>	<u>2,398,026</u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	483,855	528,458
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	1,217,546	1,215,226
Noncash expense - State PERS relief	40,516	26,353
Other nonoperating revenues (expenses)	5,259	(230)
(Increase) decrease in assets:		
Accounts receivable	2,760	(33,275)
Inventory	(1,826)	2,304
Increase (decrease) in liabilities:		
Accounts payable	(3,524)	(1,341)
Accrued payroll and related liabilities	2,993	1,291
Accrued annual leave	(27,305)	7,647
Net cash flows from operating activities	\$ <u>1,720,274</u>	<u>1,746,433</u>

CITY OF KODIAK, ALASKA
Trident Basin Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets - receivables:		
Cash and investments	\$ 301	-
Receivables:		
Accounts	3,737	5,261
Grants	-	120,702
Total current assets	<u>4,038</u>	<u>125,963</u>
Property, plant and equipment:		
Improvements other than buildings	5,589,593	5,589,593
Accumulated depreciation	<u>(756,105)</u>	<u>(476,625)</u>
Net property, plant and equipment	<u>4,833,488</u>	<u>5,112,968</u>
Total assets	<u>\$ 4,837,526</u>	<u>5,238,931</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,446	1,402
Customer deposits	1,536	1,536
Due to other funds	<u>119,884</u>	<u>215,714</u>
Total current liabilities	<u>122,866</u>	<u>218,652</u>
Net assets:		
Invested in capital assets	4,833,488	5,112,968
Unrestricted (deficit)	<u>(118,828)</u>	<u>(92,689)</u>
Total net assets	<u>4,714,660</u>	<u>5,020,279</u>
Total liabilities and net assets	<u>\$ 4,837,526</u>	<u>5,238,931</u>

CITY OF KODIAK, ALASKA
 Trident Basin Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Moorage	\$ 10,852	11,718
Rentals	<u>22,118</u>	<u>21,548</u>
Total operating revenues	<u>32,970</u>	<u>33,266</u>
 Operating expenses:		
Professional	3,515	2,256
Goods and services	19,221	469
Utilities and fuel	10,276	8,906
Administrative services	2,760	3,104
Interfund services:		
Finance and administration	14,220	64,830
Public works services	23,744	47,930
Depreciation	<u>279,480</u>	<u>30,750</u>
Total operating expenses	<u>353,216</u>	<u>158,245</u>
 Loss from operations	(320,246)	(124,979)
 Nonoperating revenues - investment income	<u>714</u>	<u>152</u>
 Loss before contributions and transfers	(319,532)	(124,827)
 Capital contributions	13,913	120,702
Transfers in	<u>-</u>	<u>413,132</u>
 Change in net assets	(305,619)	409,007
 Net assets at beginning of year	<u>5,020,279</u>	<u>4,611,272</u>
 Net assets at end of year	\$ <u>4,714,660</u>	<u>5,020,279</u>

CITY OF KODIAK, ALASKA
Trident Basin Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 34,494	34,289
Payments for interfund services used	(37,964)	(112,760)
Payments to suppliers	<u>(35,728)</u>	<u>(14,699)</u>
Net cash flows from operating activities	<u>(39,198)</u>	<u>(93,170)</u>
Cash flows from capital and related financing activities:		
Transfers in	-	413,132
Decrease in due to other funds	(95,830)	(416,746)
Capital contributions received	<u>134,615</u>	<u>96,632</u>
Net cash flows from capital and related financing activities	<u>38,785</u>	<u>93,018</u>
Cash flows from investing activities -		
investment income received	<u>714</u>	<u>152</u>
Net increase in cash and investments	301	-
Cash and investments at beginning of year	<u>-</u>	<u>-</u>
Cash and investments at end of year	\$ <u><u>301</u></u>	<u><u>-</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(320,246)	(124,979)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	279,480	30,750
Decrease in assets - accounts receivable	1,524	1,023
Increase in liabilities - accounts payable	<u>44</u>	<u>36</u>
Net cash flows from operating activities	\$ <u><u>(39,198)</u></u>	<u><u>(93,170)</u></u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Net Assets
 June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets - accounts receivable	\$ 443	2,780
Noncurrent assets:		
Restricted cash and investments - bond reserve	375,469	375,469
Property, plant and equipment:		
Machinery and equipment	18,104,101	18,104,101
Accumulated depreciation	(532,480)	(2,499)
Net property, plant and equipment	17,571,621	18,101,602
Total noncurrent assets	17,947,090	18,477,071
Total assets	\$ 17,947,533	18,479,851
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	5,129	85,248
Accrued payroll and related liabilities	5,354	7,302
Accrued annual leave	2,275	521
Accrued interest	79,881	81,131
Current portion of bonds and loan payable	121,500	70,000
Deferred revenue	1,785	-
Customer deposits	-	28,092
Total current liabilities	215,924	272,294
Noncurrent liabilities:		
Revenue bonds, net of current portion	4,780,000	4,855,000
Loan payable, net of current portion	837,000	930,000
Advance from other funds	539,568	1,793,751
Total noncurrent liabilities	6,156,568	7,578,751
Total liabilities	6,372,492	7,851,045
Net assets:		
Invested in capital assets, net of related debt	11,833,121	12,246,602
Restricted for debt service	375,469	375,469
Unrestricted (deficit)	(633,549)	(1,993,265)
Total net assets	11,575,041	10,628,806
Total liabilities and net assets	\$ 17,947,533	18,479,851

CITY OF KODIAK, ALASKA
Boat Yard/Lift Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Charges for service	\$ 280,031	308,716
Other	13,814	11,858
Total operating revenues	<u>293,845</u>	<u>320,574</u>
Operating expenses:		
Salaries and benefits	159,037	79,994
Professional	76,838	27,477
Goods and services	97,895	120,080
Machinery and equipment	16,504	74,397
Repairs and maintenance	-	14,329
Depreciation	529,981	2,499
Total operating expenses	<u>880,255</u>	<u>318,776</u>
Earnings (loss) from operations	(586,410)	1,798
Nonoperating revenues (expenses):		
Investment income (loss)	(17,509)	21,211
State PERS relief	6,990	2,531
Interest expense	(240,267)	(210,201)
Net nonoperating revenues (expenses)	<u>(250,786)</u>	<u>(186,459)</u>
Loss before contributions and transfers	(837,196)	(184,661)
Transfers in	<u>1,783,431</u>	<u>4,945,260</u>
Change in net assets	946,235	4,760,599
Net assets at beginning of year	<u>10,628,806</u>	<u>5,868,207</u>
Net assets at end of year	\$ <u>11,575,041</u>	<u>10,628,806</u>

CITY OF KODIAK, ALASKA
 Boat Yard/Lift Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 269,875	345,886
Payments to suppliers	(271,356)	(1,092,764)
Payments to employees	(152,241)	(69,640)
Net cash flows from operating activities	<u>(153,722)</u>	<u>(816,518)</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	-	(5,186,074)
Transfers in	1,783,431	4,945,260
Proceeds from issuance of long-term debt	-	930,000
Principal paid on long-term debt	(116,500)	(75,000)
Interest paid on long-term debt	(241,517)	(211,551)
Capital contributions received	-	1,422,731
Decrease in advances from other funds	(1,254,183)	(1,030,059)
Net cash flows from capital and related financing activities	<u>171,231</u>	<u>795,307</u>
Cash flows from investing activities -		
investment income received (loss)	<u>(17,509)</u>	<u>21,211</u>
Net increase in cash and investments	-	-
Cash and investments at beginning of year	<u>375,469</u>	<u>375,469</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	(586,410)	1,798
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:		
Depreciation	529,981	2,499
Noncash expense - State PERS relief	6,990	2,531
(Increase) decrease in assets - accounts receivable	2,337	(2,780)
Increase (decrease) in liabilities:		
Accounts payable	(80,119)	(856,481)
Accrued payroll and related liabilities	(1,948)	7,302
Accrued annual leave	1,754	521
Customer deposits	(28,092)	28,092
Deferred revenue	1,785	-
Net cash flows from operating activities	\$ <u><u>(153,722)</u></u>	<u><u>(816,518)</u></u>

CITY OF KODIAK, ALASKA
E-911 Services Enterprise Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets - receivable from Kodiak Island Borough	\$ <u>151,160</u>	<u>98,431</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - due to other funds	386,412	94,953
Net assets - unrestricted (deficit)	<u>(235,252)</u>	<u>3,478</u>
Total liabilities and net assets	\$ <u>151,160</u>	<u>98,431</u>

CITY OF KODIAK, ALASKA
E-911 Services Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues - charges for services	\$ <u>67,428</u>	<u>66,901</u>
Operating expenses:		
Salaries and benefits	5,518	6,003
Professional	<u>-</u>	<u>31,550</u>
Total operating expenses	<u>5,518</u>	<u>37,553</u>
Earnings before transfers	61,910	29,348
Transfers out	<u>(300,640)</u>	<u>(25,870)</u>
Change in net assets	(238,730)	3,478
Net assets at beginning of year	<u>3,478</u>	<u>-</u>
Net assets (deficit) at end of year	\$ <u><u>(235,252)</u></u>	<u><u>3,478</u></u>

CITY OF KODIAK, ALASKA
E-911 Services Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 14,699	66,901
Payments to suppliers	-	(31,550)
Payments to employees	<u>(5,518)</u>	<u>(6,003)</u>
Net cash flows from operating activities	<u>9,181</u>	<u>29,348</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in due to other funds	291,459	(3,478)
Transfers out	<u>(300,640)</u>	<u>(25,870)</u>
Net cash flows from noncapital financing activities	<u>(9,181)</u>	<u>(29,348)</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>	<u><u>-</u></u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	61,910	29,348
Adjustments to reconcile earnings from operations to net cash flows from operating activities - increase in accounts receivable	<u>(52,729)</u>	<u>-</u>
Net cash flows from operating activities	\$ <u><u>9,181</u></u>	<u><u>29,348</u></u>

INTERNAL SERVICE FUND

An internal service fund is 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.

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Net Assets
June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ <u>666,523</u>	<u>463,630</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable	-	1,222
Net assets - unrestricted	<u>666,523</u>	<u>462,408</u>
Total liabilities and net assets	\$ <u>666,523</u>	<u>463,630</u>

CITY OF KODIAK, ALASKA
 Insurance Internal Service Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 (With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Operating revenues - charges for services	\$ 676,889	699,376
Operating expenses - insurance	<u>475,955</u>	<u>565,984</u>
Earnings from operations	200,934	133,392
Nonoperating revenues - investment income	<u>3,181</u>	<u>3,472</u>
Change in net assets	204,115	136,864
Net assets at beginning of year	<u>462,408</u>	<u>325,544</u>
Net assets at end of year	\$ <u>666,523</u>	<u>462,408</u>

CITY OF KODIAK, ALASKA
Insurance Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2011
(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 676,889	699,376
Payments to suppliers	<u>(477,177)</u>	<u>(573,824)</u>
Net cash flows from operating activities	<u>199,712</u>	<u>125,552</u>
Cash flows from investing activities -		
investment income received	<u>3,181</u>	<u>3,472</u>
Net increase in cash and investments	202,893	129,024
Cash and investments at beginning of year	<u>463,630</u>	<u>334,606</u>
Cash and investments at end of year	\$ <u>666,523</u>	<u>463,630</u>
Reconciliation of earnings from operations to net cash		
flows from operating activities:		
Earnings from operations	200,934	133,392
Adjustments to reconcile earnings from operations to		
net cash flows from operating activities -		
decrease in liabilities - accounts payable	<u>(1,222)</u>	<u>(7,840)</u>
Net cash flows from operating activities	\$ <u>199,712</u>	<u>125,552</u>

AGENCY FUND

An agency fund is used to account for resources received and held by the City in a fiduciary capacity.

Kodiak Fisheries Development Association

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

CITY OF KODIAK, ALASKA
Kodiak Fisheries Development Association Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2011

	Balance at July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2011</u>
Current assets - cash and investments	\$ <u>42,086</u>	<u>95,839</u>	<u>27,889</u>	<u>110,036</u>
Current liabilities:				
Accounts payable	18,032	53,086	28,028	43,090
Due to others	<u>24,054</u>	<u>95,839</u>	<u>52,947</u>	<u>66,946</u>
Total liabilities	\$ <u>42,086</u>	<u>148,925</u>	<u>80,975</u>	<u>110,036</u>

STATE EXPENDITURES

The Schedule of State Financial Assistance itemizes the sources of state 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, 2011

<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, 2010 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Grant Receipts</u>	<u>June 30, 2011 Receivable (Deferred)</u>
Department of Interior							
Historic Preservation of the Erskine House/Baranov Museum	02-01-05	15.904	\$ 250,000	(18,693)	4,749	-	(13,944)
Department of Transportation							
Kodiak Trident Seaplane Base	AIP 3-02-0450-002-2006	20.106	4,200,702	120,702	-	120,702	-
Department of Homeland Security							
Passed through the State of Alaska							
Department of Military and Veterans Affairs:							
Emergency Management Program	10EMPG-GR35581	97.042	37,500	-	12,126	8,738	3,388
Emergency Operations Center	09EOC-GR35926	97.001	1,000,000	4,640	-	4,640	-
State Homeland Security Grant	08SHSP-GR34057	97.067	12,275	8,045	4,230	9,048	3,227
Total Department of Homeland Security				<u>12,685</u>	<u>16,356</u>	<u>22,426</u>	<u>6,615</u>
Institute of Museum and Library Services							
Grants to States	CED-11-702-146	45.310	1,000	-	1,000	1,000	-
Department of Justice							
Bulletproof Vest Partnership	2007BUBX07039120	16.607	15,159	323	947	877	393
Law Enforcement Training Simulator	2009-SB-B9-0930	16.804	36,117	36,000	-	36,000	-
Total Department of Justice				<u>36,323</u>	<u>947</u>	<u>36,877</u>	<u>393</u>
Department of Energy							
Energy Efficiency and Conservation Block Grant	RW0000047	81.128	50,000	-	38,369	8,613	29,756
Environmental Protection Agency							
Passed through State of Alaska Department of Environmental Conservation:							
Alaska Clean Water Loan - Downtown Comprehensive Design	503101	66.458	165,813	-	165,813	165,813	-
Alaska Clean Water Loan - Aleutian Homes Sewer Replacem	503121	66.458	375,854	-	375,854	375,854	-
Total CFDA 66.458				<u>-</u>	<u>541,667</u>	<u>541,667</u>	<u>-</u>
UV Disinfection Facility	XP-00J33001-0	66.202	768,000	-	200,022	-	200,022
Total Environmental Protection Agency				<u>-</u>	<u>741,689</u>	<u>541,667</u>	<u>200,022</u>
Total Federal Financial Assistance			<u>\$</u>	<u>151,017</u>	<u>803,110</u>	<u>731,285</u>	<u>222,842</u>

CITY OF KODIAK, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2011

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2010 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2011 Receivable (Deferred)</u>
Department of Commerce, Community and Economic Development						
* State Revenue Sharing	N/A	\$ 428,304	-	428,304	428,304	-
* Municipal Airport Improvements	07-DC-499	700,000	7,039	623,399	622,751	7,687
* Pedestrian Improve between Dock/Downtown	10-DC-020	700,000	22,336	112,736	135,072	-
* Public Safety Building Community Jail	11-DC-259	2,100,000	-	2,100,000	2,100,000	-
* Fisheries Business Tax	N/A	87,810	-	87,810	87,810	-
Total Department of Commerce, Community and Economic Development			<u>29,375</u>	<u>3,352,249</u>	<u>3,373,937</u>	<u>7,687</u>
Department of Transportation & Public Facilities						
AHSO Travel	154AL-11-01-00	698	-	698	698	-
Kodiak Trident Basin FY 07 AIP Match Grant	N/A	110,545	-	13,913	13,913	-
Total Department of Transportation & Public Facilities			<u>-</u>	<u>14,611</u>	<u>14,611</u>	<u>-</u>
Department of Environmental Conservation						
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	176,400	-	-	176,400
* UV Secondary Water Treatment Facility	50337	2,800,000	27	785,998	253,297	532,728
Total Department of Environmental Conservation			<u>250,477</u>	<u>785,998</u>	<u>253,297</u>	<u>783,178</u>
Department of Revenue						
* Raw Fish Tax Sharing	N/A	740,229	-	740,229	740,229	-
Aviation Gas Sharing	N/A	6,215	-	6,215	6,215	-
Alcohol Beverage Sharing	N/A	16,200	-	16,200	16,200	-
Telephone/Electric Cooperative	N/A	41,908	-	41,908	41,908	-
Total Department of Revenue			<u>-</u>	<u>804,552</u>	<u>804,552</u>	<u>-</u>
Department of Education and Early Development						
Public Library Assistance	PLA-11-702-42	6,300	-	6,300	6,300	-
Interlibrary Cooperation Grant	ILC-11-702-138	2,184	-	2,184	2,184	-
Total Department of Education and Early Development			<u>-</u>	<u>8,484</u>	<u>8,484</u>	<u>-</u>
Department of Administration						
* PERS Relief	N/A	541,384	-	541,384	541,384	-
Total State Financial Assistance			<u>\$ 279,852</u>	<u>5,507,278</u>	<u>4,996,265</u>	<u>790,865</u>

* Major program

CITY OF KODIAK, ALASKA

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

Year Ended June 30, 2011

Schedule of Expenditures of Federal Awards

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Kodiak and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Schedule of State Financial Assistance

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the State grant activity of City of Kodiak and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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 Ten Fiscal Years
(accrual basis of accounting)

	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of related debt \$	10,806,885	11,164,043	13,184,178	15,861,107	17,363,043	18,423,911	19,715,240	19,649,138	32,822,868	39,687,520
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	11,819,026
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	51,506,546
Business-type activities:										
Invested in capital assets, net of related debt \$	52,027,076	51,792,843	51,589,299	52,631,132	55,710,846	59,739,871	63,002,311	69,899,848	73,486,875	69,703,124
Restricted	628,530	-	-	259,875	221,450	221,450	653,862	505,050	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	13,294,322
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	83,502,496
Primary government:										
Invested in capital assets, net of related debt \$	62,833,961	62,956,886	64,773,477	68,492,239	73,073,889	78,163,782	82,717,551	89,548,986	106,309,743	109,390,644
Restricted	628,530	-	-	259,875	221,450	221,450	653,862	505,050	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	25,113,348
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	135,009,042

Table 2

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 1,237,263	1,674,970	1,783,346	1,968,566	2,244,270	2,328,195	2,442,402	2,419,468	2,502,315	2,140,978
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	6,340,579
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	4,283,775
Engineering	272,670	263,998	147,284	157,750	215,981	167,571	167,812	140,886	121,747	91,293
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	1,268,556
Library	548,829	622,544	645,675	638,789	639,399	669,518	711,172	697,856	712,625	680,410
Community services	718,320	336,314	399,985	282,011	262,834	213,032	126,562	435,970	277,041	259,692
Interest on long-term debt	-	-	-	-	-	-	75,410	398,252	383,928	906,057
Construction in progress	1,196,614	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>10,388,640</u>	<u>10,322,620</u>	<u>10,491,377</u>	<u>13,996,882</u>	<u>12,045,621</u>	<u>11,688,283</u>	<u>12,633,700</u>	<u>15,426,681</u>	<u>13,813,076</u>	<u>15,971,340</u>
Business-type activities:										
Cargo Pier	\$ 1,558,369	1,246,889	1,127,264	1,232,903	1,714,611	1,796,372	1,438,477	1,046,188	1,692,841	1,192,406
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	3,148,865
Boat Yard/Lift	-	-	-	-	-	-	-	35,019	528,977	1,117,928
Harbor Electric	903,186	461,058	449,179	471,593	488,004	640,125	648,498	611,387	605,989	633,313
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	2,280,910
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	3,058,490
Trident Basin	-	-	-	-	67,105	152,474	192,228	177,482	154,777	353,216
E-911 Services	-	-	-	-	-	-	-	-	37,553	5,518
Total business-type activities expenses	<u>7,386,140</u>	<u>8,455,680</u>	<u>8,266,419</u>	<u>8,165,978</u>	<u>8,998,642</u>	<u>13,167,799</u>	<u>11,811,030</u>	<u>13,267,730</u>	<u>11,550,699</u>	<u>11,790,646</u>
Total primary government expenses	<u>\$ 17,774,780</u>	<u>18,778,300</u>	<u>18,757,796</u>	<u>22,162,860</u>	<u>21,044,263</u>	<u>24,856,082</u>	<u>24,444,730</u>	<u>28,694,411</u>	<u>25,363,775</u>	<u>27,761,986</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 93,306	682,442	584,789	699,789	589,054	520,490	671,690	625,030	597,860	531,322
Public safety	803,968	862,593	995,157	908,256	910,753	1,003,467	1,022,257	1,033,791	914,020	1,111,833
Public works	579,528	151,727	938,371	376,077	395,490	406,595	357,420	313,568	288,198	235,343
Engineering	194,219	189,264	60,000	60,000	60,000	89,250	88,740	142,175	224,241	226,355
Parks & recreation	94,490	110,903	101,114	97,895	117,795	125,332	115,562	117,173	135,733	133,100
Library	16,405	17,758	19,901	24,451	23,334	18,578	18,623	16,140	15,980	12,542
Community services	102,952	101,634	55,751	-	-	-	-	-	-	40,897
Operating grants and contributions	23,307	74,734	14,587	10,500	20,700	12,700	37,154	44,520	733,005	292,846
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	2,770,746
Total governmental activities program revenues	<u>2,085,511</u>	<u>2,381,522</u>	<u>3,403,844</u>	<u>3,571,846</u>	<u>3,382,290</u>	<u>2,697,244</u>	<u>3,318,793</u>	<u>4,604,151</u>	<u>4,028,294</u>	<u>5,354,984</u>
Business-type activities:										
Charges for services:										
Cargo Pier	\$ 1,835,099	792,974	874,720	925,354	1,069,814	1,140,213	1,193,416	1,264,758	1,251,294	1,281,292
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	2,394,368
Boat Yard/Lift	-	-	-	-	-	-	-	-	320,574	293,845
Harbor Electric	680,462	456,923	442,330	423,407	547,840	678,706	682,471	708,714	654,986	707,770
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	2,896,130
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	3,531,627
Trident Basin	-	-	-	-	19,791	17,765	28,319	30,571	33,266	32,970
E-911 Services	-	-	-	-	-	-	-	-	66,901	67,428
Operating grants and contributions	381,639	-	2,778	-	-	-	-	-	136,560	252,109
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	1,183,596
Total business-type activities program revenues	<u>6,318,960</u>	<u>7,523,597</u>	<u>6,953,959</u>	<u>8,903,723</u>	<u>9,880,167</u>	<u>12,696,482</u>	<u>13,615,517</u>	<u>17,446,907</u>	<u>11,543,281</u>	<u>12,641,135</u>
Total primary government program revenues	<u>\$ 8,404,471</u>	<u>9,905,119</u>	<u>10,357,803</u>	<u>12,475,569</u>	<u>13,262,457</u>	<u>15,393,726</u>	<u>16,934,310</u>	<u>22,051,058</u>	<u>15,571,575</u>	<u>17,996,119</u>
Net (expense)/revenue:										
Governmental activities	\$ (8,303,129)	(7,941,098)	(7,087,533)	(10,425,036)	(8,663,331)	(8,991,039)	(9,314,907)	(10,822,530)	(9,784,782)	(10,616,356)
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)	850,489
Total primary government net expenses	<u>\$ (9,370,309)</u>	<u>(8,873,181)</u>	<u>(8,399,993)</u>	<u>(9,687,291)</u>	<u>(7,781,806)</u>	<u>(9,462,356)</u>	<u>(7,510,420)</u>	<u>(6,643,353)</u>	<u>(9,792,200)</u>	<u>(9,765,867)</u>

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Taxes:										
Property taxes	\$ 635,692	638,092	618,751	630,567	632,495	632,102	655,943	651,699	665,999	921,052
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	9,631,344
Other taxes, penalties and interest	118,216	126,079	121,082	171,318	2,246	125,284	174,443	199,832	179,427	23,199
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	1,458,343
Investment income	1,086,768	583,096	183,015	509,793	402,339	946,861	993,447	730,096	270,673	238,969
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	271,973
Transfers	(642,000)	(437,000)	(470,000)	(381,683)	(1,380,000)	(1,626,886)	(700,000)	1,126,811	(160,262)	(135,360)
Total governmental activities	<u>9,802,545</u>	<u>9,044,147</u>	<u>8,793,424</u>	<u>9,407,319</u>	<u>8,882,629</u>	<u>10,103,379</u>	<u>13,976,634</u>	<u>16,797,523</u>	<u>13,317,026</u>	<u>12,409,520</u>
Business-type activities:										
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	79,708
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	135,360
Total business-type activities	<u>1,175,211</u>	<u>808,218</u>	<u>867,471</u>	<u>499,814</u>	<u>1,928,525</u>	<u>2,536,845</u>	<u>1,623,582</u>	<u>(686,218)</u>	<u>400,901</u>	<u>215,068</u>
Total primary government	<u>\$ 10,977,756</u>	<u>9,852,365</u>	<u>9,660,895</u>	<u>9,907,133</u>	<u>10,811,154</u>	<u>12,640,224</u>	<u>15,600,216</u>	<u>16,111,305</u>	<u>13,717,927</u>	<u>12,624,588</u>
Change in Net Assets										
Governmental activities	\$ 1,499,416	1,103,049	1,705,891	(1,017,717)	219,298	1,112,340	4,661,727	5,974,993	3,532,244	1,793,164
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	1,065,557
Total primary government	<u>\$ 1,607,447</u>	<u>979,184</u>	<u>1,260,902</u>	<u>219,842</u>	<u>3,029,348</u>	<u>3,177,868</u>	<u>8,089,796</u>	<u>9,467,952</u>	<u>3,925,727</u>	<u>2,858,721</u>

CITY OF KODIAK

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:										
Nonspendable - prepaid items	\$ -	-	-	-	-	-	-	-	-	2,117
Assigned:										
Subsequent year's expenditures	-	-	-	-	-	-	-	-	-	1,638,770
Unassigned	-	-	-	-	-	-	-	-	-	4,865,844
Total General Fund	\$ -	-	-	-	-	-	-	-	-	6,506,731
All other governmental funds:										
Restricted for tourism	\$ -	-	-	-	-	-	-	-	-	206,694
Committed for Enhancement Fund										4,778,691
Assigned:										
Capital project funds	-	-	-	-	-	-	-	-	-	1,967,895
Public works	-	-	-	-	-	-	-	-	-	26,878
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	(1,685,144)
Total other governmental funds	\$ -	-	-	-	-	-	-	-	-	5,295,014
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	\$ 6,027,015	5,292,926	5,496,214	6,095,686	4,872,862	5,573,271	8,310,217	7,704,123	8,852,570	-
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	\$ 14,927,043	16,984,233	16,168,720	11,852,950	11,515,770	10,822,469	20,176,109	19,006,697	8,077,377	-

Notes: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund balance has not been restated for prior years.

Table 4

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
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	10,575,595
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	4,521,935
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	1,356,105
Fines and forfeitures	-	19,180	36,890	44,770	55,934	29,452	55,479	20,122	23,514	6,156
Licenses and permits	44,628	38,063	54,758	58,319	43,064	51,535	102,748	76,679	70,489	93,193
Rental income	227,335	196,331	225,284	231,496	187,374	168,356	136,480	213,460	198,188	166,373
Interfund charges	714,853	616,410	516,477	662,020	605,160	609,740	760,430	690,920	678,820	662,872
Investment income	1,028,756	583,096	183,015	509,793	383,909	878,442	944,184	722,722	268,746	236,576
Special assessments	3,887	40,362	55,389	246,921	293,351	195,827	99,587	91,300	81,088	57,242
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	271,973
Total revenues	\$ 12,472,044	11,921,611	11,973,298	13,304,044	14,044,043	14,469,243	18,045,751	19,191,070	17,574,102	17,948,020
Expenditures										
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	2,121,115
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	6,454,474
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	4,060,798
Engineering	269,282	246,621	142,789	168,871	216,394	158,090	162,559	128,245	143,630	87,209
Parks and recreation	745,949	771,511	903,068	850,848	950,291	986,890	1,006,513	1,013,620	1,089,285	1,148,482
Library	535,196	570,322	622,716	598,915	650,423	668,146	704,219	695,715	720,071	680,345
Community services	707,919	273,865	287,487	279,689	260,513	262,754	267,839	426,747	267,818	250,469
Other - insurance and administration	-	320,053	399,985	548,991	497,178	461,949	484,548	474,613	525,528	529,442
Debt service principal	-	-	-	-	-	-	-	135,000	145,000	150,000
Debt service interest	-	-	-	-	-	-	15,344	377,227	385,740	378,490
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	7,080,038
Total expenditures	\$ 9,755,240	10,681,490	12,615,523	16,638,659	14,224,047	12,835,249	14,455,165	22,699,869	27,194,713	22,940,862
Excess of revenues over (under) expenditures	2,716,804	1,240,121	(642,225)	(3,334,615)	(180,004)	1,633,994	3,590,586	(3,508,799)	(9,620,611)	(4,992,842)
Other financing sources (uses)										
General obligation bond issuance	-	-	-	-	-	-	8,000,000	-	-	-
Transfers in	3,191,937	3,683,891	3,652,752	3,346,892	3,512,057	5,416,011	11,422,989	11,180,416	2,664,564	4,206,656
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)	(4,342,016)
Proceeds from sale of assets	-	7,700	-	-	-	-	-	-	-	-
Net other financing sources (uses)	(642,000)	(187,000)	30,000	(381,683)	(1,380,000)	(1,626,886)	8,500,000	1,733,293	(160,262)	(135,360)
Net change in fund balance	\$ 2,074,804	1,053,121	(612,225)	(3,716,298)	(1,560,004)	7,108	12,090,586	(1,775,506)	(9,780,873)	(5,128,202)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	3.45%	4.00%	3.33%

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
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
2011	765,539	9,631,344	155,513	10,552,396

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					
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%
2011	274,821,033	138,431,537	25,709,065	387,543,505	2.00	432,685,300	89.57%

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

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

Fiscal Year	City of Kodiak			Kodiak Island Borough			Total Direct & Overlapping Rates	
	Real Property Millage	Personal Property Millage	Total City Millage	Real Property Millage	Personal Property Millage	Total Borough Millage	Real Property	Personal Property
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
2011	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, 2011

<u>Business Category</u>	2011		Percentage of Total Sales <u>Receipts</u>
	<u>Total Sales Receipts</u>	<u>Rank</u>	
Retail Trade	\$ 157,248,855	1	40.37%
Wholesale Trade	48,821,928	2	12.53%
Construction	42,693,886	3	10.96%
Utilities	32,052,898	4	8.23%
Manufacturing	28,370,802	5	7.28%
Accommodation and Food Services	21,553,193	6	5.53%
Other Services (except Public Administration)	16,801,662	7	4.31%
Real Estate and Rental and Leasing	13,433,612	8	3.45%
Information	11,144,761	9	2.86%
Transportation and Warehousing	6,399,428	10	1.64%
	<u>\$ 378,521,025</u>		<u>97.18%</u>

<u>Taxpayer</u>	2011		Percentage of Total Taxable Assessed <u>Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
Ocean Beauty Seafoods Inc.	\$ 15,963,774	1	4.12%
Westward Seafoods, Inc.	11,430,705	2	2.95%
Alaska Communciations Systems	11,053,885	3	2.85%
International Seafoods of Alaska	10,028,365	4	2.59%
Wal-Mart Real Estate Business Trust	9,926,522	5	2.56%
Trident Seafoods Corporation	8,865,179	6	2.29%
Mill Bay Plaza Associates, Ltd.	8,648,400	7	2.23%
Brechan Enterprises Inc.	8,331,857	8	2.15%
Horizon Lines of Alaska LLC	6,823,954	9	1.76%
Afognak Native Corp.	5,973,346	10	1.54%
	<u>\$ 97,045,987</u>		<u>25.04%</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 Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2011	775,087	759,262	97.96%	3,494	762,757	98.41%

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

Fiscal Year	Governmental	Business-Type Activities			Percentage of Personal Income	Per Capita
	Activities General Obligation Bonds	Revenue Bonds	Alaska Clean Water Fund Loans	Alaska Drinking Water Fund Loan		
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
2011	7,570,000	6,795,000	3,486,136	1,355,116	7.8%	3,133

CITY OF KODIAK
 Direct and Overlapping Debt
 As of June 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Kodiak General Obligation Bonds	\$ 7,570,000	100%	\$ <u>7,570,000</u>
Kodiak Island Borough General Obligation Bonds	<u>34,820,000</u>	44%	<u>15,320,800</u>
Total direct and overlapping debt	\$ <u><u>42,390,000</u></u>		\$ <u><u>22,890,800</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, 2011

Assessed Value	\$ 413,252,570
Less Exempt Property	<u>25,709,065</u>
Total	\$ <u>387,543,505</u>

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

Source: Kodiak Island Borough assessment reports

CITY OF KODIAK
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Utility Revenue Bonds						Coverage
	Water Utility Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	-	-	-	
2011	2,896,130	1,240,605	1,655,525	-	-	-	

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>
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%
2011	6,130	245,028,360	39,972	2,565	6.4%

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>2011 Rank</u>	<u>2002 Rank</u>
Kodiak Island Borough School District	1	2
Federal Government	2	4
International Seafoods	3	7
Trident Seafood Corporation	4	5
Providence Hospital	5	6
Ocean Beauty Seafoods	6	1
North Pacific Processors, Inc.	7	3
United States Seafoods LLC	8	-
City of Kodiak	9	8
Safeway	10	-
Wal-Mart Associates Inc	-	9
Western Alaska Fisheries	-	10

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

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>	<u>2011</u>
General Government	12.00	12.00	11.00	12.50	12.50	11.30	12.05	12.30	12.30	12.30
Public Safety:										
Police	36.00	36.00	36.00	36.00	35.00	35.00	37.00	37.00	37.00	41.50
Fire	12.50	12.50	12.75	12.75	12.75	12.75	13.75	13.75	13.75	13.75
Public Works	10.00	10.00	10.00	10.00	10.00	9.50	9.50	9.50	9.50	9.50
Engineering	4.00	4.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.25
Library	7.00	7.00	7.00	7.00	7.00	6.75	6.75	6.75	6.75	7.00
Harbor	13.00	13.00	14.00	14.00	14.00	14.00	14.00	16.40	16.40	16.40
Water	6.00	6.00	6.00	6.00	6.00	6.60	6.60	6.60	6.60	6.60
Sewer	8.00	8.00	8.00	8.00	7.00	7.80	8.60	9.35	9.35	9.35
Total	<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>	<u>125.65</u>

Note: Full-time equivalent employees are permanent employees.

CITY OF KODIAK
Operating Indicators by Function
Last Ten 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>	<u>2011</u>
Police:										
Complaints investigated	7,525	7,304	7,512	7,352	7,796	8,195	8,376	8,839	7,716	8,746
Motor vehicle collision reports	207	223	191	126	180	86	67	89	124	89
Bookings/admissions	887	1,045	1,027	900	1,000	959	850	917	917	864
Investigations conducted	142	233	172	240	264	200	147	125	188	158
911 calls received & services dispatched	785	906	865	900	910	1,257	1,777	1,021	1,350	1,350
Fire:										
Fire response within 5 minutes	NA	NA	90%	90%	90%	90%	90%	90%	90%	90%
EMS response within 5 minutes	NA	NA	90%	90%	90%	90%	90%	90%	90%	90%
Public Works:										
Streets										
Time spent on snow removal (man hours)	3,500	3,100	3,000	1,274	2,827	5,883	5,558	5,900	5,000	4,704
Garage										
Preventative maintenance checks	150	160	150	150	107	113	113	132	125	80
Building inspection										
Building permits issued	107	201	223	203	224	190	182	197	190	201
Engineering -										
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Parks and Recreation:										
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5	240.5	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	36,088
Number of aquatic participants	NA	12,123	13,274	10,386	7,993	19,496	13,566	15,463	19,728	27,804
Ice rink attendance	NA	NA	6,654	10,362	10,000	10,000	19,594	32,679	34,480	34,480
Library:										
Number of visitors	146,217	148,000	148,897	149,000	149,757	149,702	149,572	149,300	149,800	149,273
Number of materials withdrawn	4,177	2,500	4,225	3,500	2,111	3,750	3,334	3,800	3,800	3,047
Harbor:										
Vehicle, boat and foot patrol hours	9,543	8,188	10,489	10,500	6,996	5,832	7,000	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	1,400
Water -										
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sewer:										
Treatment standards met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	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.

CITY OF KODIAK
Capital Asset Statistics by Function
Last Ten 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>	<u>2011</u>
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	26	25	23	22	21	20	20	20	20	21
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	9	10	10	11	11	10	9	9	9	9
Public Works:										
Streets (miles)	23.4	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	2,650
Parks and Recreation:										
Number of parks/ playgrounds	14	14	14	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1	1	1	1
Ice rink	0	0	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Harbor:										
Number of harbors	2	2	2	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6	6	6	6
Water:										
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4	4	4	4
Sewer:										
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	18	18	20	20	20	20	20	20	20	20

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2011. 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, 2011

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 Members of the City Council
City of Kodiak, Alaska

Compliance

We have audited the compliance of City of Kodiak, Alaska 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, 2011. City of Kodiak's major federal programs are identified in the summary of auditor's results section of 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 City of Kodiak'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, 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, 2011.

Honorable Mayor and Members of the City Council
City of Kodiak, Alaska

Internal Control Over Compliance

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 A133, 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.

Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated December 7, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. 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.

Honorable Mayor and Members of the City Council
City of Kodiak, Alaska

This report is intended solely for the information and use of the City of Kodiak's management, Honorable Mayor and City Council, others within the entity, 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 21, 2011

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, 2011. 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, 2011.

Honorable Mayor and City Council
City of Kodiak, Alaska

Internal Control Over Compliance

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, 2011

CITY OF KODIAK, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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? 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? 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>
Environmental Protection Agency	66.458	Alaska Clean Water Loans

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

CITY OF KODIAK, ALASKA

Schedule of Findings and Questioned Costs, continued

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, 2011

Federal Awards

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, 2011

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