

**CITY OF KODIAK, ALASKA**

Comprehensive Annual  
Financial Report

For the Year Ended June 30, 2012

Prepared by City of Kodiak Finance Department

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# CITY OF KODIAK, ALASKA

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December 10, 2012

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, 2012. 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, 2012, 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, 2012. 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 2011 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, local Honey Wagon collections outside of the City, and the United States Coast Guard (USCG).

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 2012 sales tax revenue was the largest source of 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 revenue generated by property tax is significantly lower than sales tax and does not have as large of an impact. 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. 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 State of Alaska Department of Fish and Game, 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. The number of cruise ships arriving at Kodiak can vary greatly from year to year and impacts the revenues generated from tourism.

## **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.

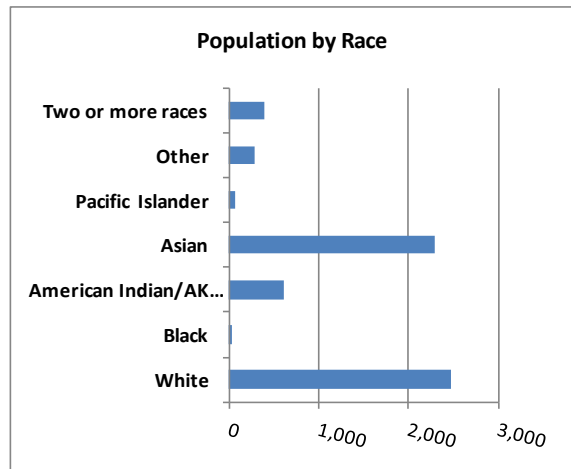
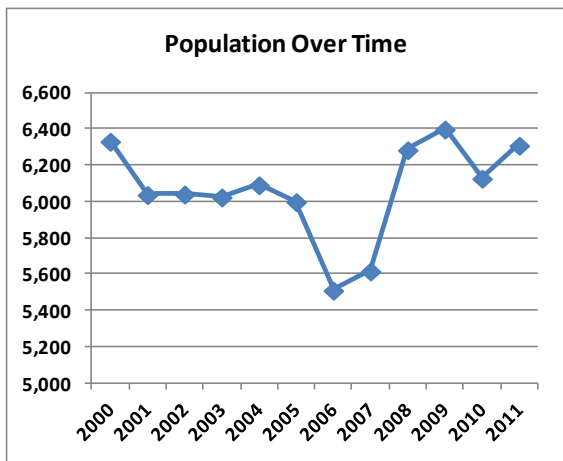
According to the independent research and consulting firms Information Insights, Inc. and Van Wyhe Rogers, LLC, in 2005 AADC spending generates approximately \$24 million impact on the Kodiak economy - \$21.2 million from purchases and hospitality, and \$3.2 million in payroll. AADC has spent \$6.7 million 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 2011 was 6,130, a slight gain since the 2000 census. About 68% of the resident population over sixteen years old worked in 2010. Manufacturing was the main industry in 2010, employing 36% of the area’s workers. More workers were employed as Meat, Poultry, and Fish Cutters and Trimmers than any other occupation.

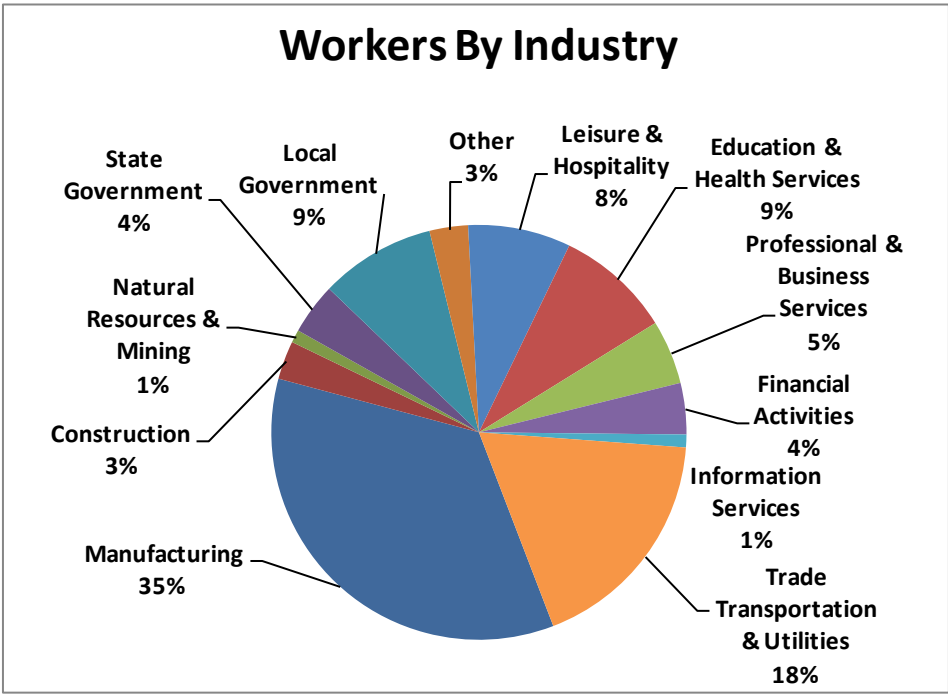
The median age in Kodiak is 35.1 years. Approximately 32.4% of the population is under 18 years of age, about 1% higher than Alaska overall. 53% of the population is male and 47% female. Approximately 18.7% of the adults, age 25 and older, hold at least a bachelor’s degree, and 85.3% are estimated to have at least a high school diploma.

### City of Kodiak Population

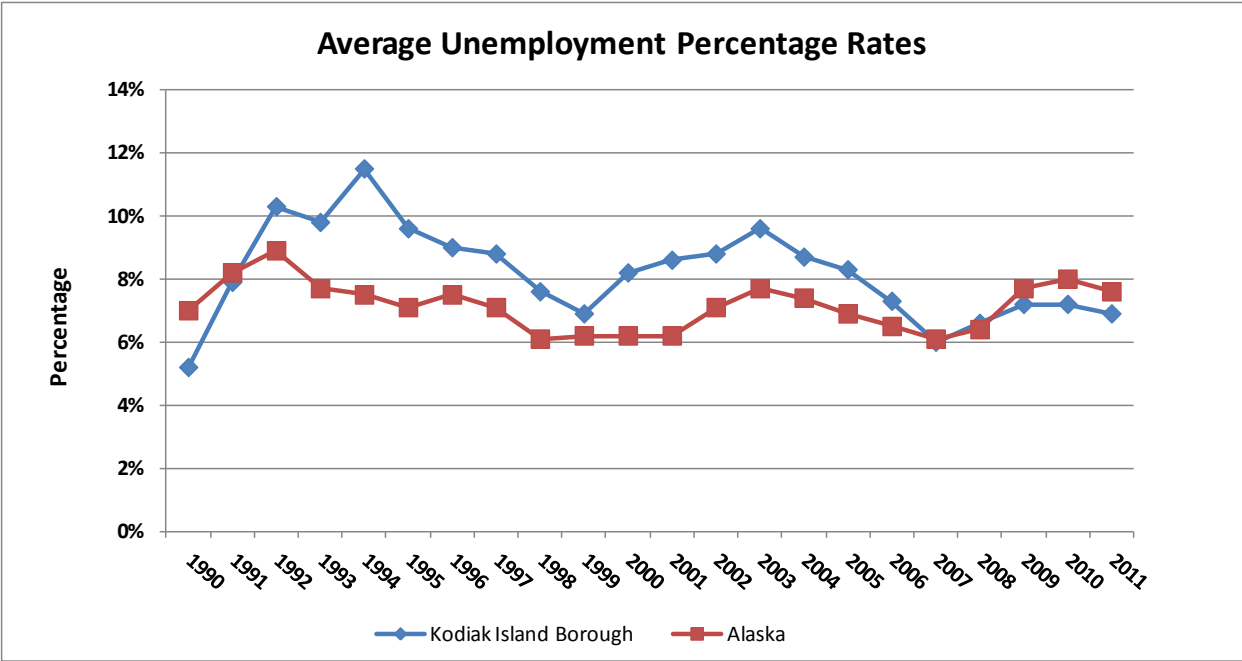


## LABOR FORCE

In 2011, the state estimated the Kodiak region’s average monthly employment to be 6,537 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 5.4% to as high as 11.3%. The average annual unemployment rate for Kodiak in fiscal year 2011 was 6.9%.



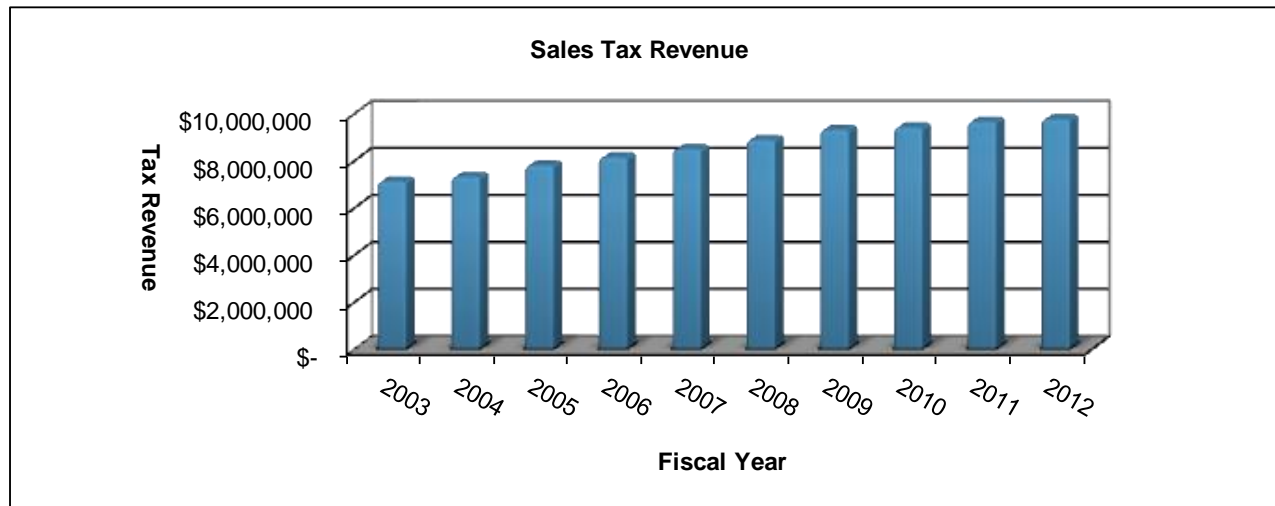
## INCOME

The Alaska Department of Labor reported the annual average monthly wage for workers in the Kodiak Island Borough was \$3,331. Total payroll in 2010 went to \$243.9 million with a 20% increase. In 2010 Kodiak's average annual average wage was \$39,972.

## 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 \$7.1 million in 2003 to \$10.3 million in 2012. Sales Tax increases on an average of 4% per year depending on the economy and the level of activity within the City of Kodiak. 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**

1. Essential government services are to be provided at a level equal to or better than the level previously provided. Forecast and plan for revenues and expenses to create a government that is more efficient, less costly and more accountable to ensure a financially sustainable city for future generations.
2. 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.
3. Authorized capital projects are to be completed as soon as possible, consistent with sound engineering design and approved project cost estimates. Maintain a five year Capital Improvement Plan to ensure resources are planned for and available when needed.
4. 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).
5. Each department's progress in achieving their objectives is reviewed and monitored throughout the budget year.
6. All expenses will be reviewed for cost saving measures. All services will be reviewed for efficiency, purpose and need.
7. Ensure structural balance in all areas of City Operations.
  - Develop expenditure habits based on estimated revenues.
  - Minimize disruption to community services.
  - Minimize the disruption of workforce.
  - Create long-term financial and programmatic stability.
  - Focus on impacts of budget decisions and use of fund balances to maintain program levels.
  - A priority on employee safety to reduce expenses related to accidents.
  - Review department and capital projects budgets for corrections on a quarterly basis.
  - Maintain the economy, environment, and the community to create a balance and sustainable atmosphere for the City of Kodiak.

## **MAJOR INITIATIVES**

1. The Mill Rate of 2.0 remained the same in fiscal year 2012.
2. The Sales Tax Cap remained at \$750.00.
3. The Hotel & Motel tax rate of 5% remained the same.

4. The fiscal year 2012 budget had no reductions of services, and all services were maintained at consistent levels.
5. Completed work on the Maple Street and Aleutian Homes Phase II Repairs with a project budget of \$4,160,200 – total expensed \$3,786,249.
6. Completed work on the Spill Prevention Control and Counter Measures (SPCC) with a budget of \$216,000 – total expensed \$211,117.
7. Completed work on the Baranof Museum Retaining Wall with a project budget of \$293,000 – total expenses \$273,228.

## **FUTURE PROJECTS**

**1. Planning, Permitting and Design Costs for Pier III Replacement:  
Funding Request: \$2,500,000**

Pier III is one of the City of Kodiak's main cargo piers and its only facility for handling containerized cargo. Pier III is a critical piece of infrastructure to sustain the local economy and enable future development in Kodiak. The current pile-supported structure will reach the end of its design life within the next 4-5 years. The existing pier experiences corrosion, wear, and limited capacity, and requires extensive maintenance to keep it operational. Replacement costs are currently estimated to be between \$25-30 million, depending on the type of dock structure selected. This year the City must select the optimal dock alignment and complete geotechnical work and a wave motion study to determine the appropriate structure type (sheet pile bulkhead or pile supported). Once complete, these steps will help further refine preliminary costs estimates and design and permitting work can begin. The City needs to complete final design in 2012. The project will be funded through a combination of local Port and Harbor revenues, tenant fees, General Fund revenues, and State and Federal grants. The City of Kodiak requested \$2,500,000 in funding support to assist with completion of planning, permitting, and design costs for this critical piece of infrastructure. The City actually received \$33,100,000 in legislative grant funding for this project.

**2. Phase III - Pedestrian Improvements Pier II to Downtown:  
Funding Request: \$5,000,000**

The City identified the need for pedestrian improvements from Pier II to downtown Kodiak to accommodate the increasing number of cruise ship passengers arriving annually and to improve facilities for local residents and businesses that use the street and pier year round. The project was started in 2009, and Phase II of this project, construction of an ADA accessible sidewalk, improved lighting and parking, and utility relocates is scheduled to be completed in 2012. The City is now planning Phase III of the project, which will carry pedestrian improvements further along Shelikof Street from Jack Hinkle Way to Marine Way by rehabilitating the sidewalk and associated tasks such as ROW acquisition and mapping, geotechnical investigation, improved lighting, utility relocates, landscaping, benches, signage, a walkway along the harbor side of the street, and additional off-street parking to direct pedestrian traffic out of this congested roadway. The City of Kodiak requested State funding assistance for planning, permitting, design, and construction through the cruise ship excise tax for \$5,000,000 to complete Phase III of the project.

**3. Phase II Baranof Park Improvements:  
Funding Request: \$1,750,000**

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 total 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 use of the facility. The City has completed 95% engineering plans and bid specifications for this project. Phase I, which includes removal and replacement of the deteriorating synthetic surface track and turf infield area used for football, soccer, physical education classes, and other sports, and replacement with a new synthetic track and synthetic surface infield better suited to multi-purpose use is expected to be completed during 2012. Phase II includes the installation of synthetic surface D zones and the adjacent baseball infield and is estimated to cost up to \$2 million. The project will be funded with City of Kodiak funds and grants, but the city requires funding assistance to compete this phase of the project. The community requested funding support for \$1,750,000 to assist with constructing Phase II of this important community and school district facility. The City actually received \$3,600,000 in legislative grant funding for this project.

**4. Fire Apparatus Replacement:  
Funding Request: \$400,000**

The City of Kodiak must replace its aging Fire Engine 3, a 1986 E-One Cyclone Pumper that was purchased in 1986. Engine 3 has exceeded its recommended replacement schedule of 20 years by more than 5 years, and is showing problems in multiple areas, including the fire pump, chassis, cab and motor. Due to its condition and recurring maintenance needs, it must often be taken out of service. The three-sided cab is no longer a recommended configuration due to the increased rollover safety standards, and Fire Department personnel cannot ride in the two back positions. When operational, Engine 3 is used as a “third out” response vehicle and may move up in a response category if the first and/or second response vehicles are out of service. The City of Kodiak needs this third engine response capability within the City limits and in response to local Mutual Aid agreements. The estimated cost to replace this engine is \$450,000, an amount that exceeds the City’s resources. The City of Kodiak is requesting state funding assistance in the amount of \$400,000, with the remainder of the funds coming from local appropriations.

## **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 62% 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. There is significant pressure to spend reserves to meet capital repair, replacement, and expansion needs. In addition, the City's reserve levels are at risk due to: significant health care costs, enterprise fund critical needs, unforeseen emergencies and natural disasters, potential sustained reduction in visitors and other similar risks. Any of these risks can have a significant adverse impact on the City's financial condition, enhancing the need for a healthy level of unassigned reserves.

### **Pension and Other Post-Employment Benefits**

The City provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The system consists of four defined benefit (DB) Tiers, and one defined contribution (DC) Tier. This City has no obligations in connection with employee benefits offered through these plans beyond its annual required payments to the plans. The City has always paid its annual required contribution rates on time. The City anticipates near-term annual contribution rates to be capped at 22% of covered payroll for both DB and DC plans, based on legislative action agreeing to State of Alaska coverage of costs exceeding 22%. The transition from a single-agent, multiple-employer plan, to a cost-sharing plan as of July 1, 2008, provides a single rate for all participating PERS employers, eliminating the previous methodology of assessing each employer its own rate. The City now shares in the pooled liability of the PERS plan. The legislature's cap on local government contribution rates brings stability to Kodiak's retirement rates, mitigating the recent trend of significant annual rate increases, although it is important to note that a future State legislature can eliminate the contributions.

### **Fiduciary Funds**

The City of Kodiak has a Kodiak Fisheries Development Association fiduciary fund to account for resources received and held by the City of Kodiak in a fiduciary capacity. This fund is used to account for resources held for the Kodiak Fisheries Development Association. The Kodiak Fisheries Development Association holds certain Bering Sea crab processing quota shares issued under the Bering Sea Crab rationalization program implemented by Federal regulations at 50 CFR

680. The Association enters into lease agreements for individual processing quotas to crab processors for use at processing plants on shore within the boundaries of the Kodiak Island Borough.

The government-wide statements exclude the Kodiak Fisheries Development fund.

## **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, 2011. This was the tenth 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, 2012. 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 Kniaziowski	City Manager	akniaziowski@city.kodiak.ak.us	907-486-8640
Joseph D'Elia	Library	jdelia@city.kodiak.ak.us	907-486-8686
Ian Fulp	Parks & Recreation	ifulp@city.kodiak.ak.us	907-486-8665
T.C. Kamai	Police	ckamai@city.kodiak.ak.us	907-486-8000
Rome Kamai	Fire	rkamai@city.kodiak.ak.us	907-486-8040
Mark Kozak	Public Works	mkozak@city.kodiak.ak.us	907-486-8060
Debra Marlar	City Clerk	dmarlar@city.kodiak.ak.us	907-486-8636
Mary Munk	Finance	mmunk@city.kodiak.ak.us	907-486-8659
Marty Owen	Boat Harbor	mowen@city.kodiak.ak.us	907-486-8080
Vacant	Engineering		907-486-8065

**ELECTED OFFICIALS**

NAME	OFFICE	E-Mail	PHONE
Carolyn L. Floyd	Mayor	mayor@city.kodiak.ak.us	907-486-5142
John B. Whiddon	Council Member	council@city.kodiak.ak.us	907-486-8575
Patricia B. Branson	Council Member	council@city.kodiak.ak.us	907-486-3641
Charles E. Davidson	Council Member	council@city.kodiak.ak.us	907-486-3896
Josephina F. Rosales	Council Member	council@city.kodiak.ak.us	907-486-6585
Gabriel T. Saravia	Council Member	council@city.kodiak.ak.us	907-486-3212
Thomas D. Walters	Council Member	council@city.kodiak.ak.us	907-486-6485

**ADVISORY BOARDS**

Building Code Board of Appeals (as needed)

Parks & Recreation Advisory Board

Personnel Board (inactive)

Port & Harbor Advisory Board

Public Safety Advisory Board (inactive)

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

Kodiak Public Library Association (an independent organization supporting the Library)

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kodiak  
Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



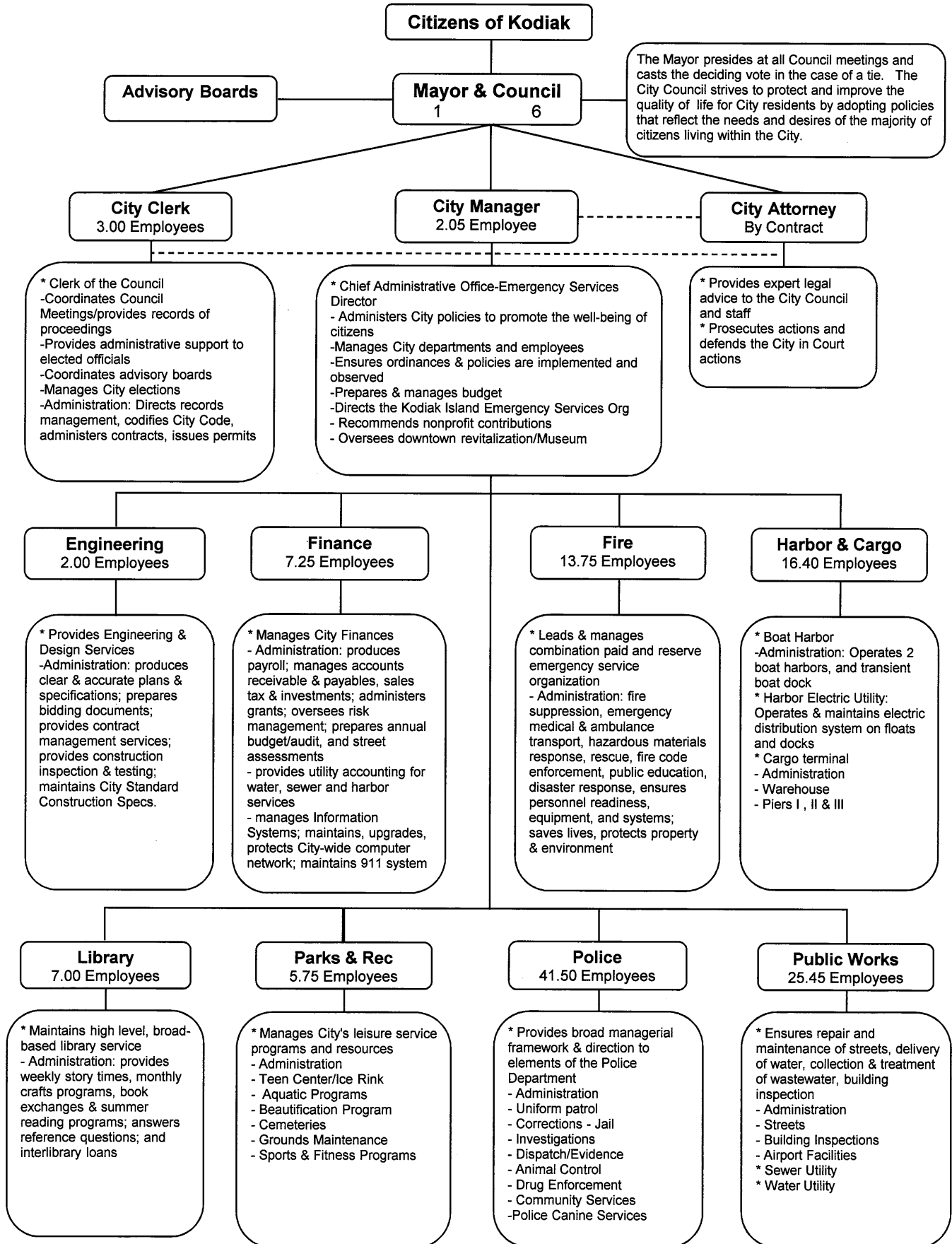
*Linda C. Dandson*

President

*Jeffrey R. Emer*

Executive Director

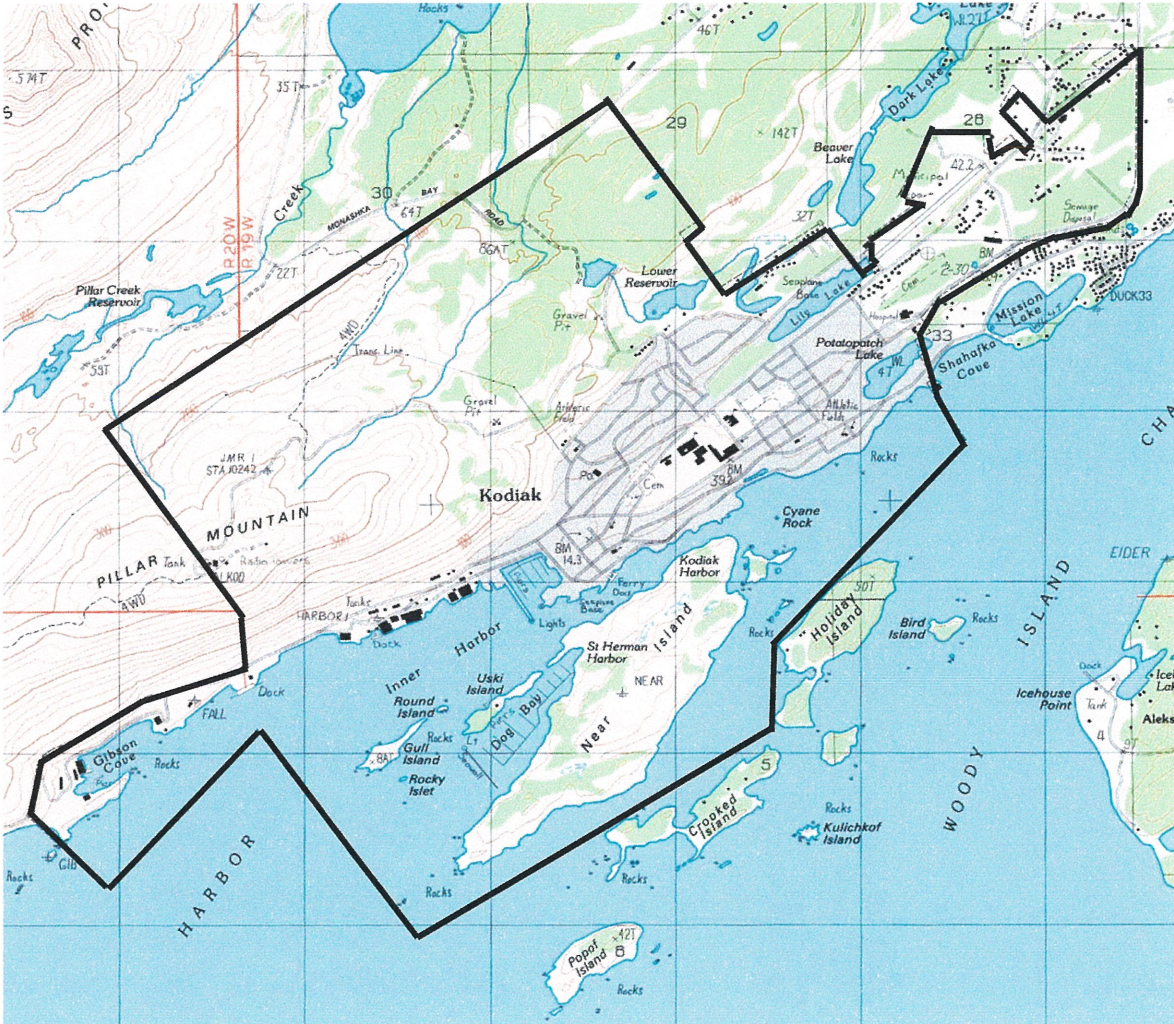
**CITY OF KODIAK  
ORGANIZATIONAL CHART**







# 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 City of Kodiak, Alaska, as of and for the year ended June 30, 2012 which collectively comprise City of Kodiak's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 City of Kodiak, Alaska, as of June 30, 2012, 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, 2012, 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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit for the year ended June 30, 2012 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Kodiak's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

Honorable Mayor and City Council  
City of Kodiak, Alaska

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, City of Kodiak's basic financial statements as of and for the year ended June 30, 2011 which are not presented with the accompanying financial statements. In our report dated December 7, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Kodiak's basic financial statements as a whole. The individual fund financial statements and schedules related to the June 30, 2011 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

The other data included in this report, designated as the "introductory" 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 do not express an opinion or provide any assurance on them.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
December 7, 2012

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## CITY OF KODIAK, ALASKA

### Management's Discussion and Analysis

June 30, 2012

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, 2012. 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-XIII 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 \$142,003,690 (*net assets*). Of this amount, \$29,541,496 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$6,994,648 (5.2%). The governmental net assets increased by \$4,264,593 (8.3%) and the business-type net assets increased by \$2,730,055 (3.3%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$13,730,523, an increase of \$1,928,788 in comparison with the prior year. Approximately 36% of this total amount, \$5,003,941 is available for spending at the government's discretion (*unassigned/(deficit)*).
- Total general revenues accounted for \$13,716,767 or 38% 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 \$21,968,835 or 62% of total revenues of \$35,685,602.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,238,816 or 31% of total General Fund expenditures and transfers of \$16,742,164.
- The City of Kodiak's total debt decreased by \$416,995 during the current fiscal year. In fiscal year 2012 there was no additional debt added. The decrease can be contributed to payments on debt.

#### 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 20-21 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, and Parks and Recreation Capital Project Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual statements elsewhere in this report.

- *Proprietary Funds:* When the City charges customers for the services it provides – either to outside customers or to other units of the City – these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Assets and the Statement of Activities. The City’s Enterprise Funds (one type of proprietary fund) are the same as business-type activities reported in the government-wide statements but provide more detail. The City uses 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 27-29 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 30 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 31-54 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 49-51 of this report.
- The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 56-60. Other combining and individual fund statements and schedules can be found on pages 62-120 of this report.

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

Table 1 provides a summary of the City’s net assets for 2012 compared to 2011:

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Current assets	\$ 15,791,753	12,922,957	17,679,392	15,423,659	33,471,145	28,346,616
Capital assets	<u>49,787,752</u>	<u>47,257,520</u>	<u>80,998,250</u>	<u>81,339,376</u>	<u>130,786,002</u>	<u>128,596,896</u>
Total assets	<u>65,579,505</u>	<u>60,180,477</u>	<u>98,677,642</u>	<u>96,763,035</u>	<u>164,257,147</u>	<u>156,943,512</u>
<b>Liabilities:</b>						
Current liabilities	1,827,624	502,558	835,616	1,426,817	2,663,240	1,929,375
Long-term liabilities	<u>7,980,742</u>	<u>8,173,490</u>	<u>11,609,475</u>	<u>11,833,722</u>	<u>19,590,217</u>	<u>20,007,212</u>
Total liabilities	<u>9,808,366</u>	<u>8,676,048</u>	<u>12,445,091</u>	<u>13,260,539</u>	<u>22,253,457</u>	<u>21,936,587</u>
<b>Net assets:</b>						
Invested in capital assets	42,372,752	39,687,520	69,584,419	69,703,124	111,957,171	109,390,644
Restricted	-	-	505,050	505,050	505,050	505,050
Unrestricted	<u>13,398,387</u>	<u>11,819,026</u>	<u>16,143,082</u>	<u>13,294,322</u>	<u>29,541,469</u>	<u>25,113,348</u>
Total net assets	<u>\$ 55,771,139</u>	<u>51,506,546</u>	<u>86,232,551</u>	<u>83,502,496</u>	<u>142,003,690</u>	<u>135,009,042</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 \$142,003,690 as of June 30, 2012.

The government’s net assets increased by \$6,994,648 during the current fiscal year compared to \$2,858,721 in the prior fiscal year. The increase resulted primarily in more revenues than the prior year. Increases in revenue over 2011 balances follow; charges for services (\$941,856), capital grants and contributions (\$2,797,557), and sales taxes (\$628,171).

By far the largest portion of the City of Kodiak’s net assets (79%) 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 (21%) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the fiscal year 2012, 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 \$(118,705) 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 \$4,450,796 of depreciation expense. Additionally there was an increase of \$2,685,232 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 Building Improvements and Parks & Recreation Capital Funds.

During fiscal year 2012, the government’s total net assets increased by \$6,994,648. 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 eight 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.

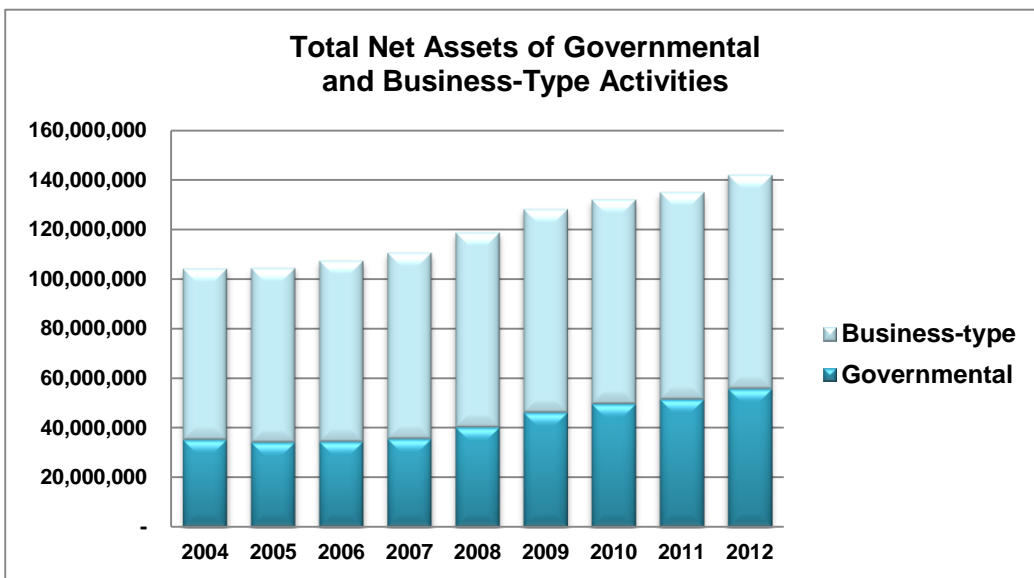


Table 2, on the next page, shows the changes in net assets for fiscal years 2012 and 2011 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak’s net assets by \$2,730,055 and the increase in the governmental activities was \$4,264,593.

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

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,693,006	11,745,672	14,438,678	2,291,392	11,205,430	13,496,822
Operating grants and contributions	392,273	385,985	778,258	292,846	252,109	544,955
Capital grants and contributions	2,821,724	3,930,175	6,751,899	2,770,746	1,183,596	3,954,342
Total program revenues	<u>5,907,003</u>	<u>16,061,832</u>	<u>21,968,835</u>	<u>5,354,984</u>	<u>12,641,135</u>	<u>17,996,119</u>
General revenues:						
Property taxes	917,599	-	917,599	921,052	-	921,052
Sales taxes	10,259,515	-	10,259,515	9,631,344	-	9,631,344
Other taxes, penalties and interest	209,156	-	209,156	23,199	-	23,199
Grants not restricted	2,199,410	-	2,199,410	1,458,343	-	1,458,343
Investment income	94,331	17,285	111,616	238,969	79,708	318,677
Miscellaneous	19,471	-	19,471	271,973	-	271,973
Total general revenues	<u>13,699,482</u>	<u>17,285</u>	<u>13,716,767</u>	<u>12,544,880</u>	<u>79,708</u>	<u>12,624,588</u>
Total revenues	<u>19,606,485</u>	<u>16,079,117</u>	<u>35,685,602</u>	<u>17,899,864</u>	<u>12,720,843</u>	<u>30,620,707</u>
<b>Expenses:</b>						
General government	2,657,730	-	2,657,730	2,140,978	-	2,140,978
Public safety	7,809,554	-	7,809,554	6,340,579	-	6,340,579
Public works	2,493,956	-	2,493,956	4,283,775	-	4,283,775
Engineering	146,051	-	146,051	91,293	-	91,293
Parks and recreation	1,251,567	-	1,251,567	1,268,556	-	1,268,556
Library	847,458	-	847,458	680,410	-	680,410
Community services	306,906	-	306,906	259,692	-	259,692
Interest on long-term debt	369,052	-	369,052	906,057	-	906,057
Cargo Pier	-	1,466,240	1,466,240	-	1,192,406	1,192,406
Boat Harbor	-	3,207,233	3,207,233	-	3,148,865	3,148,865
Boat Yard/Lift	-	1,078,009	1,078,009	-	1,117,928	1,117,928
Harbor Electric	-	804,834	804,834	-	633,313	633,313
Water	-	2,635,421	2,635,421	-	2,280,910	2,280,910
Sewer	-	3,261,989	3,261,989	-	3,058,490	3,058,490
Trident Basin	-	349,406	349,406	-	353,216	353,216
E-911 Services	-	5,548	5,548	-	5,518	5,518
Total expenses	<u>15,882,274</u>	<u>12,808,680</u>	<u>28,690,954</u>	<u>15,971,340</u>	<u>11,790,646</u>	<u>27,761,986</u>
Increase in net assets before transfers	3,724,211	3,270,437	6,994,648	1,928,524	930,197	2,858,721
Transfers	<u>540,382</u>	<u>(540,382)</u>	<u>-</u>	<u>(135,360)</u>	<u>135,360</u>	<u>-</u>
Change in net assets	4,264,593	2,730,055	6,994,648	1,793,164	1,065,557	2,858,721
Net assets at beginning 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>
Net assets at end of year	\$ <u>55,771,139</u>	<u>86,232,551</u>	<u>142,003,690</u>	<u>51,506,546</u>	<u>83,502,496</u>	<u>135,009,042</u>

**Governmental Activities**

Governmental activities increased the City of Kodiak’s net assets by \$4,264,593, thereby accounting for 61% 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 \$10,259,515 a 7% increase from 2011. The City sales tax rate in 2012 remained at 6% on all sales. The City sales tax accounts for 52% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for 6% of total governmental activities revenues in 2012.

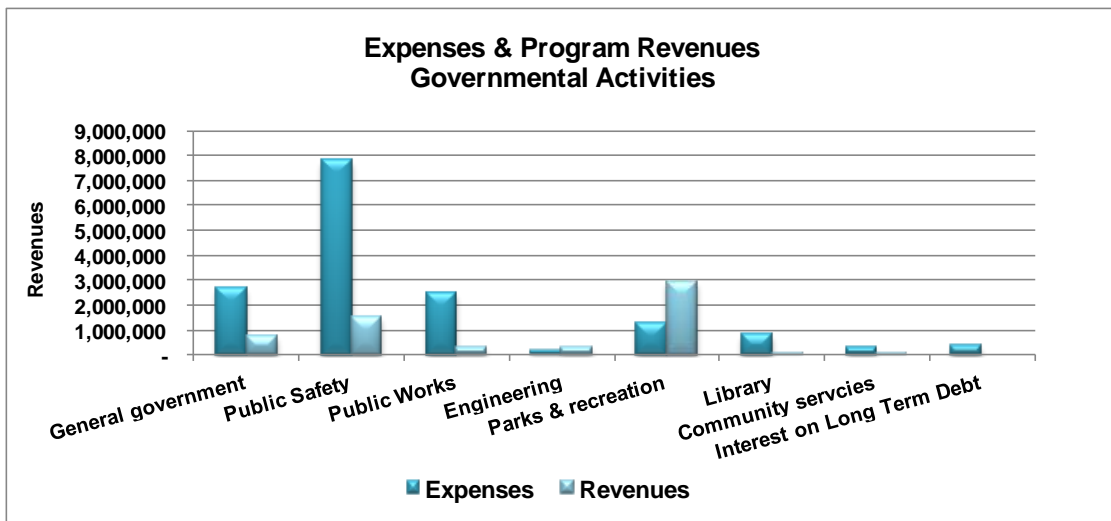
City taxpayers financed most of the City’s costs at 72%. The remaining costs were financed by charges for services, investment income, entitlements not restricted to a specific purpose, transfers from other funds, and other revenues.

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 \$5,907,003 or 37% of total governmental activities expenses.

The City’s governmental activities expenses are predominately related to Public Safety (49%), Public Works (16%), and General Government (17%) or 82% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

For the most part, increases in expenses closely paralleled the increase in grant revenues, increases due to weather related operations such as snow removal and road repairs and added personnel costs due to overtime and vacancies impact expenses from year to year. Overall the expenses decreased by 1% from the prior fiscal year. This was due primarily to an increase in general government by 24%, an increase in public safety by 23%, a decrease in public works by 42%, an increase in Engineering by 60%, a decrease in Parks & Recreation by 1%, an increase in Library by 25%, an increase in community services by 18% and a decrease in interest on long term debt by 59%.



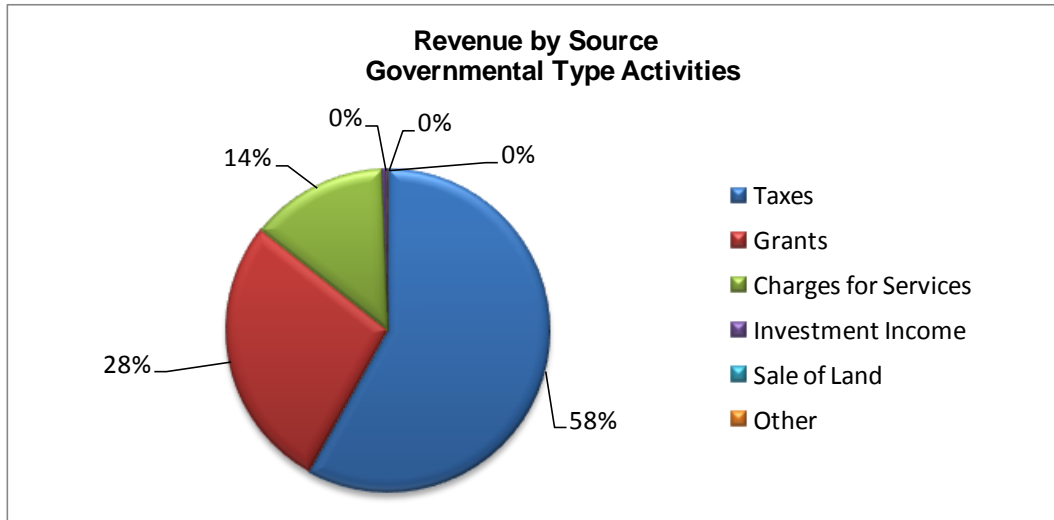


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2012. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3**  
**Governmental Activities in 2012**

	Total Cost of Services <u>2012</u>	Net Cost (Benefit) of Services <u>2012</u>
Governmental activities:		
General government	\$ 2,657,730	1,882,063
Public safety	7,809,554	6,284,440
Public works	2,493,956	2,207,231
Engineering	146,051	(148,373)
Parks & recreation	1,251,567	(1,702,003)
Library	847,458	818,667
Community services	306,906	264,194
Interest on long-term debt	369,052	369,052
Total governmental activities	\$ <u>15,882,274</u>	<u>9,975,271</u>

***Business-type Activities***

Business-type activities increased the City of Kodiak’s net assets by \$2,730,055 accounting for 39% 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 73% of the total revenues and grants 27% of the total revenues.

The primary source of revenue from business-type activities is charges for services, which amounted to \$11,745,672, a 5% increase from 2011. For the business-type activities, charges for services financed most of the City's costs at 92%. Operating and capital grants, interest income and miscellaneous revenues financed the remaining costs.

The City's business-type activities expenses are related to cargo (11%), boat harbor (25%), boat yard lift (8%), harbor electric (6%), water utility (21%), sewer utility (25%), the Trident Basin Airport (3%) and E-911 Services (less than 1%). Total harbor related activities are 51% and total public works activities are 49% of the total business type activities.

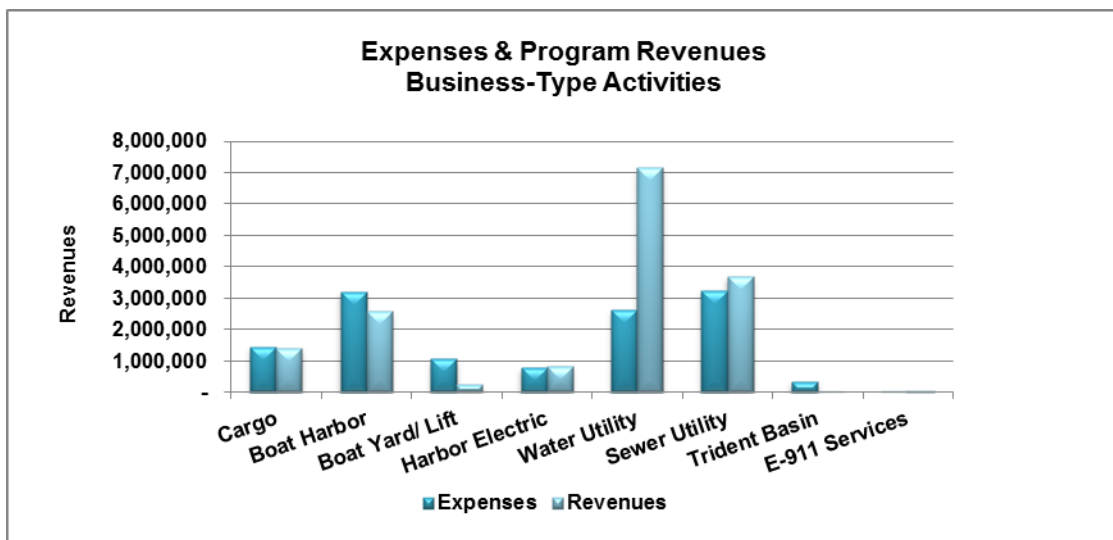
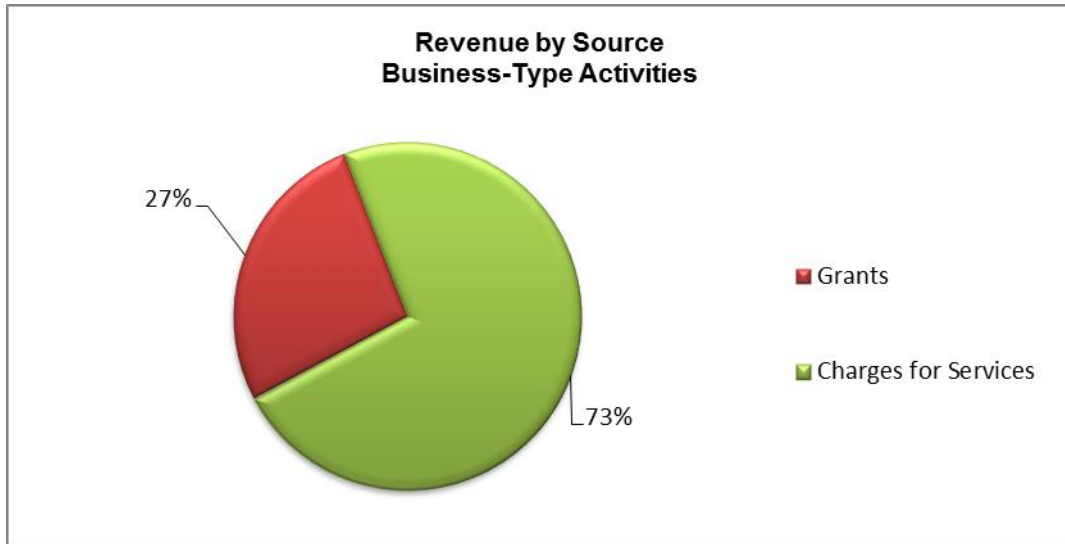


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2012. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3-A**  
**Business-Type Activities in 2012**

	Total Cost of Services <u>2012</u>	Net Cost (Benefit) of Services <u>2012</u>
Business-type activities:		
Cargo	\$ 1,466,240	41,567
Boat Harbor	3,207,233	631,912
Boat Yard/Lift	1,078,009	825,042
Water Utility	2,635,421	(4,529,096)
Sewer Utility	3,261,989	(437,754)
Trident Basin	349,406	305,682
Harbor Electric	804,834	(29,766)
E-911 Services	5,548	(60,739)
Total business-type activities	\$ <u>12,808,680</u>	<u>(3,253,152)</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, unassigned 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 \$13,730,523, an increase of \$1,928,778 in comparison with the prior year. Approximately 36% of this total amount \$5,003,941 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 \$5,238,816 while total fund balance was \$6,729,670. 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 \$5,238,816 represents 31% of total General Fund expenditures and transfers of \$16,742,164. Total fund balance of \$6,729,670 represents 40% of total General Fund expenditures and transfers of \$16,742,164.



The fund balance of the City of Kodiak's General Fund increased in the amount of \$222,939 during the current fiscal year. Key factors in this increase are as follows:

Total General Fund operating revenues of \$16,472,414 exceeded total expenditures of \$15,075,975. Sales tax revenues of the General Fund exceeded the budget by \$921,865. 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. Expenditures were lower than budgeted primarily in general government by \$352,043, public safety by \$292,466, and public works by \$196,888. Transfers from the General Fund to other funds in the amount of \$1,666,189 were lower than prior years. Code requirements accounted for \$1,078,877 in transfers, other transfers included \$290,500 to General Capital Projects, \$275,000 to the E-911 Fund, and \$21,813 to the Vehicle Replacement Fund.

The Parks & Recreation Capital Project Fund has a total fund balance of \$863,153 all of which is assigned to capital projects. There was an increase of \$492,378 in fund balance as a result of the extensive project to replace the track and field at Baronof Park.

The Nonmajor Funds have a total fund balance of \$6,137,700. Of this balance, 4% is committed for tourism, 32% is committed for the Enhancement Fund, 67% assigned for capital projects, and 1% assigned for public works. There was an increase of \$1,213,461 in fund balances primarily as a result capital projects.

### ***Proprietary Funds***

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

Unrestricted net assets of the major funds in the Harbor Facilities (Cargo Pier, Boat Harbor, and Boat Yard/Lift) at the end of the year amount to \$5,662,088 and those in the Water, Sewer Facilities amounted to \$9,831,934. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$520,327 in unrestricted net assets. The total change in net assets for all areas was an increase of \$2,712,802. This increase can be primarily attributed to the large construction projects in the capital improvement 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 an \$834,426 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$20,000 supplemental appropriation to the legislative department in anticipation of additional professional services related to the services of a fisheries analysis.

\$14,180 supplemental appropriation to the executive department in anticipation of additional Public Employee Retirement System (PERS) relief, professional services for assets management consultant, and vehicle replacement expense.

\$6,150 supplemental appropriation to the city clerk department in anticipation of PERS relief.

\$19,730 supplemental increase in appropriation to the finance department in anticipation of PERS relief, and additional professional services for Information Systems maintenance agreement expense.

\$(71,560) supplemental decrease in the appropriation to the police department in anticipation of PERS relief, repairs, additional overtime, warehouse rental and parking lot paving reduction due to moving the expense to a project fund.

\$81,930 supplemental increase in the appropriation to the fire department in anticipation of PERS relief, protective gear expense and Alaska Shield exercise expense with grant funding offsetting the gear and exercise expense.

\$130,960 supplemental increase in the appropriation to the public works department in anticipation of PERS relief, vehicle purchase, and Community Development Software upgrade expense.

\$3,200 supplemental increase in the appropriation to the engineering department in anticipation of PERS relief.

\$6,850 supplemental increase in the appropriation to the parks and recreation department in anticipation of PERS relief.

\$10,636 supplemental increase in the appropriation to the library department in anticipation of PERS relief, and expenses offset by a continuing education grant.

\$40,000 supplemental increase in the appropriation to the non-departmental department in anticipation for increased expense related to the utilities for the old police station.

\$572,350 supplemental increase in the appropriation to the General Fund transfer department; \$275,000 to the E-911 Fund, \$253,000 to General Capital Projects for Police Station Parking Lot Paving Project, \$22,500 to General Capital Projects for Fire Engine Replacement, and \$21,850 to the Vehicle Replacement Fund.

The increases above were possible because of additional unanticipated revenues resulting from higher taxes and intergovernmental revenues.

The actual expenditures were \$1,142,729 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 General Government, Public Safety and Public Works. Significant amounts and percentages are shown on below.

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

	Amount	Percent
	Under	Under
	<u>Budget</u>	<u>Budget</u>
General government	\$ 352,043	14%
Public safety	292,466	4%
Public works	196,888	7%
Engineering	105,707	41%
Parks and recreation	88,121	7%
Library	66,026	8%
Community services	3,377	2%
Other - insurance and administration	<u>38,101</u>	7%
Total under budget	\$ <u>1,142,729</u>	7%

## Capital Assets and Debt Administration

### *Capital Assets*

At June 30, 2012, the City's capital assets have a total net book value of \$130,786,002. Table 5 compares the net book values at June 30, 2012 and 2011. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, bridges, and construction in progress. The net increase in the City of Kodiak's investment in capital assets for the current fiscal year was \$2,189,106 or 2%. The increase was primarily the result of the following projects: Baranof Park and field replacement, library project, and water treatment facility.

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Land	\$ 2,501,384	2,501,384	693,997	693,997	3,195,381	3,195,381
Construction in progress	3,454,860	527,384	5,493,393	1,498,446	8,948,253	2,025,830
Buildings	31,842,668	31,842,668	23,853,913	23,853,913	55,696,581	55,696,581
Other improvements	1,496,946	1,496,946	108,583,430	108,583,430	110,080,376	110,080,376
Infrastructure	18,681,299	18,408,071	-	-	18,681,299	18,408,071
Machinery and equipment	<u>10,007,895</u>	<u>9,373,494</u>	<u>20,984,422</u>	<u>20,902,768</u>	<u>30,992,317</u>	<u>30,276,262</u>
Total capital assets	67,985,052	64,149,947	159,609,155	155,532,554	227,594,207	219,682,501
Less accumulated depreciation	<u>18,197,300</u>	<u>16,892,427</u>	<u>78,610,905</u>	<u>74,193,178</u>	<u>96,808,205</u>	<u>91,085,605</u>
Total capital assets, net	\$ <u>49,787,752</u>	<u>47,257,520</u>	<u>80,998,250</u>	<u>81,339,376</u>	<u>130,786,002</u>	<u>128,596,896</u>

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 40-42.

### *Debt Administration*

At June 30, 2012, the City had \$565,742 in long-term leave payable for governmental activities and \$195,644 for business-type activities. The City has a \$7,415,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$4,728,831 related to the Water and Sewer Enterprise Funds, and \$6,685,000 of revenue bonds related to the Harbor and Boat Yard/Lift Enterprise Funds. Table 6 summarizes all outstanding debt at June 30, 2012 with a comparison to 2011. There have not been any significant changes in the long-term debt from fiscal year 2011.

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
General obligation bonds	\$ 7,415,000	7,570,000	-	-	7,415,000	7,570,000
Long-term leave payable	565,742	603,490	195,644	197,470	761,386	800,960
Long-term notes payable	-	-	4,728,831	4,841,252	4,728,831	4,841,252
Revenue bonds payable	-	-	<u>6,685,000</u>	<u>6,795,000</u>	<u>6,685,000</u>	<u>6,795,000</u>
Total liabilities	\$ <u>7,980,742</u>	<u>8,173,490</u>	<u>11,609,475</u>	<u>11,833,722</u>	<u>19,590,217</u>	<u>20,007,212</u>

Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 42-45.

### ***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. The 2010 ex-vessel value of all fish coming into Kodiak was \$132.3 million, and volume was 313.0 million pounds.
- The average unemployment rate from January 2012 through October 2012 in the Kodiak Island Borough is 6.9% compared to 7.6% Alaska wide.
- The cost of living in 2011 was 127.6 compared to a national average of 100. Other Alaskan cities are Anchorage at 130.6, Juneau at 139.0 and Fairbanks at 137.0. 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 2013 fiscal year.

In fiscal year 2012, the unassigned fund balance in the General Fund increased by \$372,972 leaving a balance at the end of the year of \$5,238,816. The City has appropriated \$1,490,854 of its total fund balance of \$6,729,670 for spending in the 2013 fiscal year budget.

The water and sewer rates undergo a rate study every five years resulting in a recommendation to the City Council on the projected rate increases anticipated to fund operations and capital projects dealing with water and sewer improvement projects. The boat harbor rates are reviewed on a regular basis to anticipate rates needed to fund operations and harbor improvement projects.

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

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

## **BASIC FINANCIAL STATEMENTS**

## CITY OF KODIAK, ALASKA

## Statement of Net Assets

June 30, 2012

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 10,457,129	15,662,310	26,119,439
Receivables, net of allowance	5,334,624	1,259,085	6,593,709
Inventory	-	252,947	252,947
Restricted cash and investments	-	505,050	505,050
Capital assets not being depreciated - land and construction in progress	5,956,244	6,187,390	12,143,634
Other capital assets, net of depreciation	<u>43,831,508</u>	<u>74,810,860</u>	<u>118,642,368</u>
 Total assets	 \$ <u>65,579,505</u>	 <u>98,677,642</u>	 <u>164,257,147</u>
<u>Liabilities</u>			
Accounts payable	1,658,625	329,850	1,988,475
Accrued payroll and related liabilities	154,086	29,226	183,312
Customer deposits	5,462	272,130	277,592
Unearned revenue	5,908	4,500	10,408
Accrued interest	90,810	112,643	203,453
Internal balances	(87,267)	87,267	-
Noncurrent liabilities:			
Due within one year:			
Accrued leave	450,000	195,644	645,644
Bonds payable	165,000	115,000	280,000
Loans payable	-	495,555	495,555
Due in more than one year:			
Accrued leave	115,742	-	115,742
Bonds payable	7,250,000	6,570,000	13,820,000
Loans payable	-	4,233,276	4,233,276
Total liabilities	<u>9,808,366</u>	<u>12,445,091</u>	<u>22,253,457</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	42,372,752	69,584,419	111,957,171
Restricted for debt service	-	505,050	505,050
Unrestricted	<u>13,398,387</u>	<u>16,143,082</u>	<u>29,541,469</u>
Total net assets	<u>55,771,139</u>	<u>86,232,551</u>	<u>142,003,690</u>
 Total liabilities and net assets	 \$ <u>65,579,505</u>	 <u>98,677,642</u>	 <u>164,257,147</u>

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
Statement of Activities  
Year Ended June 30, 2012

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
<b>Governmental:</b>							
General government	\$ 2,657,730	722,265	45,156	8,246	(1,882,063)	-	(1,882,063)
Public safety	7,809,554	1,246,856	278,258	-	(6,284,440)	-	(6,284,440)
Public works	2,493,956	238,617	40,073	8,035	(2,207,231)	-	(2,207,231)
Engineering	146,051	294,424	-	-	148,373	-	148,373
Parks and recreation	1,251,567	134,440	13,687	2,805,443	1,702,003	-	1,702,003
Library	847,458	13,692	15,099	-	(818,667)	-	(818,667)
Community services	306,906	42,712	-	-	(264,194)	-	(264,194)
Interest on long-term debt	369,052	-	-	-	(369,052)	-	(369,052)
Total governmental activities	<u>15,882,274</u>	<u>2,693,006</u>	<u>392,273</u>	<u>2,821,724</u>	<u>(9,975,271)</u>	<u>-</u>	<u>(9,975,271)</u>
<b>Business-type:</b>							
Cargo Pier	1,466,240	1,223,352	201,321	-	-	(41,567)	(41,567)
Boat Harbor	3,207,233	2,507,552	67,769	-	-	(631,912)	(631,912)
Boat Yard/Lift	1,078,009	239,889	13,078	-	-	(825,042)	(825,042)
Water Utility	2,635,421	3,192,048	42,294	3,930,175	-	4,529,096	4,529,096
Sewer Utility	3,261,989	3,638,220	61,523	-	-	437,754	437,754
Trident Basin	349,406	43,724	-	-	-	(305,682)	(305,682)
Harbor Electric	804,834	834,600	-	-	-	29,766	29,766
E-911 Services	5,548	66,287	-	-	-	60,739	60,739
Total business-type activities	<u>12,808,680</u>	<u>11,745,672</u>	<u>385,985</u>	<u>3,930,175</u>	<u>-</u>	<u>3,253,152</u>	<u>3,253,152</u>
Total	\$ <u>28,690,954</u>	<u>14,438,678</u>	<u>778,258</u>	<u>6,751,899</u>	<u>(9,975,271)</u>	<u>3,253,152</u>	<u>(6,722,119)</u>
General revenues:							
Taxes:							
Property taxes				\$ 917,599	-	917,599	
Sales taxes				10,259,515	-	10,259,515	
Other taxes, penalties and interest				209,156	-	209,156	
Grants and entitlements not restricted to a specific purpose				2,199,410	-	2,199,410	
Investment income				94,331	17,285	111,616	
Other				19,471	-	19,471	
Transfers				540,382	(540,382)	-	
Total general revenues and transfers				<u>14,239,864</u>	<u>(523,097)</u>	<u>13,716,767</u>	
Changes in net assets				4,264,593	2,730,055	6,994,648	
Net assets at beginning of year				<u>51,506,546</u>	<u>83,502,496</u>	<u>135,009,042</u>	
Net assets at end of year				\$ <u>55,771,139</u>	<u>86,232,551</u>	<u>142,003,690</u>	

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2012

<u>Assets</u>	<u>Major Funds</u>			Total Govern- mental Funds
	<u>General</u>	Parks and Recreation Capital Project	Nonmajor Funds	
Cash and investments	\$ 3,822,985	254,829	6,040,975	10,118,789
Receivables, net of allowance for uncollectible accounts:				
Taxes	2,741,808	-	46,320	2,788,128
Grants and shared revenues	-	1,969,158	338,780	2,307,938
Special assessments	-	-	134,823	134,823
Interest	69,566	-	34,169	103,735
Due from other funds	<u>445,000</u>	<u>-</u>	<u>-</u>	<u>445,000</u>
Total assets	\$ <u><u>7,079,359</u></u>	<u><u>2,223,987</u></u>	<u><u>6,595,067</u></u>	<u><u>15,898,413</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	190,141	1,360,834	105,999	1,656,974
Due to other funds	-	-	229,000	229,000
Accrued payroll and related liabilities	154,086	-	-	154,086
Customer deposits	5,462	-	-	5,462
Unearned revenue	-	-	5,908	5,908
Deferred assessments	-	-	116,460	116,460
Total liabilities	<u>349,689</u>	<u>1,360,834</u>	<u>457,367</u>	<u>2,167,890</u>
Fund balances:				
Committed:				
Tourism	-	-	236,859	236,859
Enhancement Fund	-	-	1,990,740	1,990,740
Assigned:				
Subsequent years expenditures	1,490,854	-	-	1,490,854
Capital projects	-	863,153	4,125,535	4,988,688
Public works	-	-	19,441	19,441
Unassigned (deficit)	<u>5,238,816</u>	<u>-</u>	<u>(234,875)</u>	<u>5,003,941</u>
Total fund balances	<u>6,729,670</u>	<u>863,153</u>	<u>6,137,700</u>	<u>13,730,523</u>
Total liabilities and fund balances	\$ <u><u>7,079,359</u></u>	<u><u>2,223,987</u></u>	<u><u>6,595,067</u></u>	<u><u>15,898,413</u></u>

See accompanying notes to basic financial statements.



**CITY OF KODIAK, ALASKA**  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2012

Total fund balances for governmental funds		\$ 13,730,523
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	
Construction in progress	3,454,860	
Buildings	31,842,668	
Improvements other than buildings	1,496,946	
Infrastructure	18,681,299	
Machinery and equipment	10,007,895	
Accumulated depreciation	<u>(18,197,300)</u>	
Total capital assets		49,787,752
Other long-term assets (special assessments receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.		
		116,460
Internal service funds are used by the City to charge the cost of certain activities such as insurance 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.		
		207,956
Bonds payable are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities.		
		(7,415,000)
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	(565,742)	
Accrued interest	<u>(90,810)</u>	
		<u>(656,552)</u>
Total net assets of governmental activities		\$ <u><u>55,771,139</u></u>

See accompanying notes to basic financial statements.

**CITY OF KODIAK, ALASKA**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2012

	Major Funds			Total Governmental Funds
	General	Parks and Recreation Capital Project	Nonmajor Funds	
Revenues:				
Taxes:				
Property taxes	\$ 917,599	-	-	917,599
Sales taxes	10,259,515	-	-	10,259,515
Other taxes, penalties and interest	37,592	-	171,564	209,156
Intergovernmental	2,591,683	2,098,395	721,643	5,411,721
Charges for services	1,602,132	-	-	1,602,132
Fines and forfeitures	3,619	-	-	3,619
Licenses and permits	71,957	-	-	71,957
Rental income	154,320	-	42,712	197,032
Interfund charges	813,225	-	-	813,225
Investment income	1,301	615	92,277	94,193
Special assessments	-	-	47,057	47,057
Other revenues	19,471	1,686	-	21,157
Total revenues	16,472,414	2,100,696	1,075,253	19,648,363
Expenditures:				
Current:				
General government	2,104,857	-	62,165	2,167,022
Public safety	7,092,319	-	38,044	7,130,363
Public works	2,632,665	-	130,362	2,763,027
Engineering	150,113	-	-	150,113
Parks and recreation	1,118,879	9,857	-	1,128,736
Library	778,930	-	-	778,930
Community services	154,823	-	142,860	297,683
Other - insurance and administration	517,399	-	-	517,399
Debt service:				
Bond principal	155,000	-	-	155,000
Bond interest	370,990	-	-	370,990
Capital outlay	-	2,148,461	1,052,243	3,200,704
Total expenditures	15,075,975	2,158,318	1,425,674	18,659,967
Excess of revenues over (under) expenditures	1,396,439	(57,622)	(350,421)	988,396
Other financing sources (uses):				
Transfers in	492,689	550,000	4,710,761	5,753,450
Transfers out	(1,666,189)	-	(3,146,879)	(4,813,068)
Net other financing sources (uses)	(1,173,500)	550,000	1,563,882	940,382
Net change in fund balances	222,939	492,378	1,213,461	1,928,778
Fund balances at beginning of year	6,506,731	370,775	4,924,239	11,801,745
Fund balances at end of year	\$ 6,729,670	863,153	6,137,700	13,730,523

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, 2012

Net change in fund balances - total governmental funds	\$	1,928,778
<p>The change in net assets reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$3,947,231) exceeded depreciation (\$1,404,833) and loss on disposal (\$12,166).</p>		2,530,232
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred special assessments.</p>		(42,016)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in accrued leave	\$	37,748
Decrease in accrued interest payable		1,938
		39,686
<p>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.</p>		155,000
<p>Internal service funds are used by management to charge the costs of certain insurance to individual funds. A portion of these activities is reported with governmental activities.</p>		(347,087)
Change in net assets of governmental activities	\$	4,264,593

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, 2012

	<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	\$ 773,500	773,500	917,599	144,099
Sales taxes	9,100,000	9,337,650	10,259,515	921,865
Other taxes, penalties and interest	25,000	25,000	37,592	12,592
Intergovernmental	2,043,140	2,496,016	2,591,683	95,667
Charges for services	1,391,540	1,394,040	1,602,132	208,092
Fines and forfeitures	20,500	20,500	3,619	(16,881)
Licenses and permits	75,000	75,000	71,957	(3,043)
Rental income	150,000	150,000	154,320	4,320
Interfund charges	790,378	812,228	813,225	997
Investment income	60,000	60,000	1,301	(58,699)
Other revenues	<u>503,800</u>	<u>503,800</u>	<u>19,471</u>	<u>(484,329)</u>
Total revenues	<u>14,932,858</u>	<u>15,647,734</u>	<u>16,472,414</u>	<u>824,680</u>
Expenditures:				
General government	2,396,840	2,456,900	2,104,857	352,043
Public safety:				
Operations	7,379,415	7,389,785	7,092,319	297,466
Debt service	520,990	520,990	525,990	(5,000)
Public works	2,698,593	2,829,553	2,632,665	196,888
Engineering	252,620	255,820	150,113	105,707
Parks and recreation	1,200,150	1,207,000	1,118,879	88,121
Library	834,320	844,956	778,930	66,026
Community services	158,200	158,200	154,823	3,377
Other - insurance and administration	<u>515,500</u>	<u>555,500</u>	<u>517,399</u>	<u>38,101</u>
Total expenditures	<u>15,956,628</u>	<u>16,218,704</u>	<u>15,075,975</u>	<u>1,142,729</u>
Excess of revenues over (under) expenditures	<u>(1,023,770)</u>	<u>(570,970)</u>	<u>1,396,439</u>	<u>1,967,409</u>
Other financing sources (uses):				
Transfers in	2,038,770	2,158,320	492,689	(1,665,631)
Transfers out	<u>(1,015,000)</u>	<u>(1,587,350)</u>	<u>(1,666,189)</u>	<u>(78,839)</u>
Net other financing sources (uses)	<u>1,023,770</u>	<u>570,970</u>	<u>(1,173,500)</u>	<u>(1,744,470)</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	222,939	<u>222,939</u>
Fund balance at beginning of year			<u>6,506,731</u>	
Fund balance at end of year			\$ <u>6,729,670</u>	

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

Proprietary Funds  
Statement of Net Assets  
June 30, 2012

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	\$ 3,895,119	2,144,552	4,515,580	4,570,220	4,980	531,859	15,662,310	338,338
Receivables - net of allowances	56,710	84,267	486,104	344,183	33,851	253,970	1,259,085	-
Inventories	-	-	240,811	12,136	-	-	252,947	-
Total current assets	<u>3,951,829</u>	<u>2,228,819</u>	<u>5,242,495</u>	<u>4,926,539</u>	<u>38,831</u>	<u>785,829</u>	<u>17,174,342</u>	<u>338,338</u>
Noncurrent assets:								
Advance to other fund	-	187,000	-	-	-	-	187,000	-
Restricted cash and investments	-	129,581	-	-	375,469	-	505,050	-
Property, plant and equipment, net	<u>6,199,248</u>	<u>15,568,115</u>	<u>23,046,169</u>	<u>14,534,841</u>	<u>17,041,640</u>	<u>4,608,237</u>	<u>80,998,250</u>	<u>-</u>
Total noncurrent assets	<u>6,199,248</u>	<u>15,884,696</u>	<u>23,046,169</u>	<u>14,534,841</u>	<u>17,417,109</u>	<u>4,608,237</u>	<u>81,690,300</u>	<u>-</u>
Total assets	\$ <u>10,151,077</u>	<u>18,113,515</u>	<u>28,288,664</u>	<u>19,461,380</u>	<u>17,455,940</u>	<u>5,394,066</u>	<u>98,864,642</u>	<u>338,338</u>
<u>Liabilities and Net Assets</u>								
Liabilities:								
Current liabilities:								
Accounts payable	53,877	23,627	147,729	55,608	15,943	33,066	329,850	1,651
Accrued payroll and related liabilities	3,025	10,122	4,869	9,182	2,028	-	29,226	-
Accrued annual leave	8,907	91,045	23,252	70,438	2,002	-	195,644	-
Customer deposits	-	233,694	22,000	-	-	16,436	272,130	-
Accrued interest	-	30,040	-	4,022	78,581	-	112,643	-
Unearned revenue	-	-	-	-	4,500	-	4,500	-
Due to other funds	-	-	-	-	-	216,000	216,000	-
Current portion:								
Revenue bonds	-	35,000	-	-	80,000	-	115,000	-
Loans payable	-	-	148,405	300,650	46,500	-	495,555	-
Total current liabilities	<u>65,809</u>	<u>423,528</u>	<u>346,255</u>	<u>439,900</u>	<u>229,554</u>	<u>265,502</u>	<u>1,770,548</u>	<u>1,651</u>
Noncurrent liabilities:								
Revenue bonds	-	1,870,000	-	-	4,700,000	-	6,570,000	-
Loans payable	-	-	1,440,781	2,001,995	790,500	-	4,233,276	-
Advance from other funds	-	-	-	-	187,000	-	187,000	-
Total noncurrent liabilities	<u>-</u>	<u>1,870,000</u>	<u>1,440,781</u>	<u>2,001,995</u>	<u>5,677,500</u>	<u>-</u>	<u>10,990,276</u>	<u>-</u>
Total liabilities	<u>65,809</u>	<u>2,293,528</u>	<u>1,787,036</u>	<u>2,441,895</u>	<u>5,907,054</u>	<u>265,502</u>	<u>12,760,824</u>	<u>1,651</u>
Net assets:								
Invested in capital assets, net of related debt	6,199,248	13,663,115	21,456,983	12,232,196	11,424,640	4,608,237	69,584,419	-
Restricted for debt service	-	129,581	-	-	375,469	-	505,050	-
Unrestricted (deficit)	<u>3,886,020</u>	<u>2,027,291</u>	<u>5,044,645</u>	<u>4,787,289</u>	<u>(251,223)</u>	<u>520,327</u>	<u>16,014,349</u>	<u>336,687</u>
Total net assets	<u>10,085,268</u>	<u>15,819,987</u>	<u>26,501,628</u>	<u>17,019,485</u>	<u>11,548,886</u>	<u>5,128,564</u>	<u>86,103,818</u>	<u>336,687</u>
Total liabilities and net assets	\$ <u>10,151,077</u>	<u>18,113,515</u>	<u>28,288,664</u>	<u>19,461,380</u>	<u>17,455,940</u>	<u>5,394,066</u>		<u>338,338</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>128,733</u>	
Net assets of business-type activities						\$	<u>86,232,551</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, 2012

	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	\$ 1,223,352	2,507,552	3,192,048	3,635,157	239,889	944,611	11,742,609	537,521
Operating expenses:								
Salaries and benefits	301,049	1,124,584	706,951	1,064,477	167,334	5,653	3,370,048	-
Professional	14,013	85,312	43,021	24,683	35,120	14,457	216,606	-
Contributions	-	20,255	-	-	-	-	20,255	-
Goods and services	86,363	228,229	188,328	189,853	91,454	700,820	1,485,047	467,495
Utilities and fuel	23,345	155,280	420,606	570,786	-	4,010	1,174,027	-
Administrative services	-	1,076	-	-	-	3,248	4,324	-
Machinery and equipment	-	18,757	369,231	7,860	14,193	-	410,041	-
Interfund charges	189,212	171,744	139,422	139,422	-	135,124	774,924	-
Repairs and maintenance	387,154	1,541	-	19,408	-	5,237	413,340	-
Other	22,209	-	-	-	-	-	22,209	-
Depreciation	444,427	1,314,554	654,886	1,215,709	529,981	291,239	4,450,796	-
Total operating expenses	<u>1,467,772</u>	<u>3,121,332</u>	<u>2,522,445</u>	<u>3,232,198</u>	<u>838,082</u>	<u>1,159,788</u>	<u>12,341,617</u>	<u>467,495</u>
Earnings (loss) from operations	(244,420)	(613,780)	669,603	402,959	(598,193)	(215,177)	(599,008)	70,026
Nonoperating revenues (expenses):								
Investment income	1,770	11,474	2,458	1,388	-	195	17,285	138
Interest expense	-	(91,671)	(17,321)	(35,028)	(241,040)	-	(385,060)	-
State PERS relief	17,978	67,769	42,294	61,523	13,078	-	202,642	-
State grant	183,343	-	-	-	-	-	183,343	-
Engineering and feasibility studies	-	-	(99,256)	-	-	-	(99,256)	-
Other	-	-	-	3,063	-	-	3,063	-
Net nonoperating revenues (expenses)	<u>203,091</u>	<u>(12,428)</u>	<u>(71,825)</u>	<u>30,946</u>	<u>(227,962)</u>	<u>195</u>	<u>(77,983)</u>	<u>138</u>
Earnings (loss) before contributions and transfers	(41,329)	(626,208)	597,778	433,905	(826,155)	(214,982)	(676,991)	70,164
Capital contributions	-	-	3,930,175	-	-	-	3,930,175	-
Transfers in	-	500,000	-	-	800,000	275,000	1,575,000	-
Transfers out	-	(800,000)	(800,382)	(515,000)	-	-	(2,115,382)	(400,000)
Change in net assets	(41,329)	(926,208)	3,727,571	(81,095)	(26,155)	60,018	2,712,802	(329,836)
Net assets at beginning of year	<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>666,523</u>
Net assets at end of year	\$ <u>10,085,268</u>	<u>15,819,987</u>	<u>26,501,628</u>	<u>17,019,485</u>	<u>11,548,886</u>	<u>5,128,564</u>		<u>336,687</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>17,253</u>	
Change in net assets of business-type activities						\$	<u>2,730,055</u>	

See accompanying notes to basic financial statements.

## CITY OF KODIAK, ALASKA

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2012

	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	\$ 1,256,894	2,439,957	3,191,569	3,601,798	209,196	894,169	11,593,583	-
Receipts from interfund services provided	-	69,878	-	-	-	-	69,878	537,521
Payments for interfund services used	(189,212)	(171,744)	(139,422)	(139,422)	-	(135,124)	(774,924)	-
Payments to suppliers	(480,906)	(521,262)	(1,390,198)	(805,784)	(129,953)	(729,526)	(4,057,629)	(465,844)
Payments to employees	(290,301)	(1,094,995)	(680,657)	(1,028,164)	(157,855)	(5,653)	(3,257,625)	-
Net cash flows from operating activities	<u>296,475</u>	<u>721,834</u>	<u>981,292</u>	<u>1,628,428</u>	<u>(78,612)</u>	<u>23,866</u>	<u>3,573,283</u>	<u>71,677</u>
Cash flows from noncapital financing activities:								
Decrease in due to other funds	-	-	-	-	-	(319,412)	(319,412)	-
Transfers in (out)	-	(800,000)	(800,382)	(515,000)	-	275,000	(1,840,382)	(400,000)
Decrease in advance to other funds	-	352,568	-	-	-	-	352,568	-
State grant received	182,968	-	-	-	-	-	182,968	-
Net cash flows from noncapital financing activities	<u>182,968</u>	<u>(447,432)</u>	<u>(800,382)</u>	<u>(515,000)</u>	<u>-</u>	<u>(44,412)</u>	<u>(1,624,258)</u>	<u>(400,000)</u>
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	-	(35,000)	(147,837)	(299,991)	(121,500)	-	(604,328)	-
Interest paid on long-term debt	-	(92,971)	(17,321)	(36,033)	(242,340)	-	(388,665)	-
Proceeds from issuance of long-term debt	-	-	381,907	-	-	-	381,907	-
Purchase of property, plant and equipment	-	(101,857)	(4,007,813)	-	-	-	(4,109,670)	-
Transfers in	-	500,000	-	-	800,000	-	1,300,000	-
Increase in due to other funds	-	-	-	-	-	29,116	29,116	-
Capital contributions received	-	-	4,859,559	-	-	-	4,859,559	-
Decrease in advances from other funds	-	-	-	-	(352,568)	-	(352,568)	-
Net cash flows from capital and related financing activities	<u>-</u>	<u>270,172</u>	<u>1,068,495</u>	<u>(336,024)</u>	<u>83,592</u>	<u>29,116</u>	<u>1,115,351</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>1,770</u>	<u>11,474</u>	<u>2,458</u>	<u>1,388</u>	<u>-</u>	<u>195</u>	<u>17,285</u>	<u>138</u>
Net increase (decrease) in cash and investments	481,213	556,048	1,251,863	778,792	4,980	8,765	3,081,661	(328,185)
Cash and investments at beginning 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>
Cash and investments at end of year	\$ <u>3,895,119</u>	<u>2,274,133</u>	<u>4,515,580</u>	<u>4,570,220</u>	<u>380,449</u>	<u>531,859</u>	<u>16,167,360</u>	<u>338,338</u>
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:								
Earnings (loss) from operations	(244,420)	(613,780)	669,603	402,959	(598,193)	(215,177)	(599,008)	70,026
Adjustments to reconcile earnings (loss) from operations to net cash provided (used) by operating activities:								
Depreciation	444,427	1,314,554	654,886	1,215,709	529,981	291,239	4,450,796	-
Noncash expense - PERS relief	17,978	67,769	42,294	61,523	13,078	-	202,642	-
Other nonoperating revenues (expenses)	-	-	(99,256)	3,063	-	-	(96,193)	-
(Increase) decrease in assets:								
Accounts receivable	33,542	(7,305)	(15,879)	(36,422)	(33,408)	(52,142)	(111,614)	-
Inventory	-	-	6,907	1,626	-	-	8,533	-
Increase (decrease) in liabilities:								
Accounts payable	52,178	(10,812)	(276,663)	5,180	10,814	(1,754)	(221,057)	1,651
Accrued payroll and related liabilities	(293)	(34,529)	(18,097)	(26,266)	(3,326)	-	(82,511)	-
Accrued annual leave	(6,937)	(3,651)	2,097	1,056	(273)	-	(7,708)	-
Deferred revenue	-	-	-	-	2,715	-	2,715	-
Customer deposits	-	9,588	15,400	-	-	1,700	26,688	-
Net cash flows from operating activities	\$ <u>296,475</u>	<u>721,834</u>	<u>981,292</u>	<u>1,628,428</u>	<u>(78,612)</u>	<u>23,866</u>	<u>3,573,283</u>	<u>71,677</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, 2012

Current assets:	
Cash and investments	\$ 158,838
Accounts receivable	<u>119</u>
Total assets	\$ <u><u>158,957</u></u>
Current liabilities:	
Accounts payable	52,141
Due to others	<u>106,816</u>
Total liabilities	\$ <u><u>158,957</u></u>

See accompanying notes to basic financial statements.



# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements

June 30, 2012

### (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 *Parks and Recreation Capital Project Fund* accounts for all the construction and improvements of City-owned parks and recreational facilities.

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.

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

## 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

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.

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.

#### 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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

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

##### 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.

##### 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.

# CITY OF KODIAK, ALASKA

## Notes to Basic Financial Statements, continued

### Summary of Significant Accounting Policies, continued

#### Capital Assets, continued

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.

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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

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

##### Fund Balances, continued

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.

##### 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.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

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

##### **Property Taxes**

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

At June 30, 2012, 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 \$7,981,791 and the bank balances totaled \$8,296,733. Of the bank balances, \$500,000 was insured by FDIC insurance, \$6,376,980 was covered by collateral held by the pledging financial institutions’ trust department or agent in the City’s name, and \$1,419,793 was uninsured. Included in the carrying amount above is \$505,050 of restricted cash for revenue bond reserves. Petty cash on hand at June 30, 2012 was \$2,600.

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, 2012 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
U.S. government agencies	\$ 14,900,530	-	14,900,530
Alaska Municipal League Investment Pool	<u>3,898,406</u>	<u>3,898,406</u>	<u>-</u>
Total investments	<u>\$ 18,798,936</u>	<u>3,898,406</u>	<u>14,900,530</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, 2012 the fair value of the investment in AMLIP approximates amortized cost.

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

Receivables at June 30, 2012, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	<u>Major Governmental Funds</u>			<u>Totals</u>
	<u>General</u>	Parks and Recreation Capital <u>Project</u>	Nonmajor Govern- mental <u>Funds</u>	
Taxes	\$ 2,741,808	-	46,320	2,788,128
Grants and shared revenues	-	1,969,158	338,780	2,307,938
Special assessments	-	-	134,823	134,823
Interest	<u>69,566</u>	<u>-</u>	<u>34,169</u>	<u>103,735</u>
Total receivables	2,811,374	1,969,158	554,092	5,334,624
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	\$ <u>2,811,374</u>	<u>1,969,158</u>	<u>554,092</u>	<u>5,334,624</u>

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Accounts Receivable and Deferred Revenues, continued**

	<u>Major Enterprise Funds</u>					<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
	<u>Cargo Pier</u>	<u>Boat Harbor</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Boat Yard/Lift</u>		
Grants	\$ 375	-	237,480	-	-	-	237,855
Accounts	<u>56,335</u>	<u>99,914</u>	<u>250,848</u>	<u>347,050</u>	<u>33,851</u>	<u>253,970</u>	<u>1,041,968</u>
Total receivables	56,710	99,914	488,328	347,050	33,851	253,970	1,279,823
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>56,710</u>	<u>84,267</u>	<u>486,104</u>	<u>344,183</u>	<u>33,851</u>	<u>253,970</u>	<u>1,259,085</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, 2012, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred special assessments \$ 116,460

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions and Reclass- ifications</u>	<u>Deletions and Reclass- ifications</u>	<u>Balance June 30, 2012</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,501,384	-	-	2,501,384
Construction in progress	<u>527,384</u>	<u>2,927,476</u>	<u>-</u>	<u>3,454,860</u>
Total assets not being depreciated	<u>3,028,768</u>	<u>2,927,476</u>	<u>-</u>	<u>5,956,244</u>
<i>Capital assets being depreciated:</i>				
Buildings	31,842,668	-	-	31,842,668
Improvements other than buildings	1,496,946	-	-	1,496,946
Infrastructure	18,408,071	273,228	-	18,681,299
Machinery and equipment	<u>9,373,494</u>	<u>746,527</u>	<u>112,126</u>	<u>10,007,895</u>
Total capital assets being depreciated	<u>61,121,179</u>	<u>1,019,755</u>	<u>112,126</u>	<u>62,028,808</u>

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **Capital Assets, continued**

	Balance July 1, <u>2011</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, <u>2012</u>
<b><u>Governmental activities, continued</u></b>				
Less accumulated depreciation for:				
Buildings	\$ 2,504,931	654,516	-	3,159,447
Improvements other than buildings	912,344	65,540	-	977,884
Infrastructure	6,786,241	261,493	-	7,047,734
Machinery and equipment	<u>6,688,911</u>	<u>423,284</u>	<u>99,960</u>	<u>7,012,235</u>
Total accumulated depreciation	<u>16,892,427</u>	<u>1,404,833</u>	<u>99,960</u>	<u>18,197,300</u>
 Total capital assets being depreciated, net	 <u>44,228,752</u>	 <u>(385,078)</u>	 <u>12,166</u>	 <u>43,831,508</u>
 Governmental activity capital assets, net	 \$ <u>47,257,520</u>	 <u>2,542,398</u>	 <u>12,166</u>	 <u>49,787,752</u>
<b><u>Business-type activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	-	-	693,997
Construction in progress	<u>1,498,446</u>	<u>3,994,974</u>	<u>-</u>	<u>5,493,393</u>
Total assets not being depreciated	<u>2,192,443</u>	<u>3,994,947</u>	<u>-</u>	<u>6,187,390</u>
<i>Capital assets being depreciated:</i>				
Buildings	23,853,913	-	-	23,853,913
Improvements other than buildings	108,583,430	-	-	108,583,430
Machinery and equipment	<u>20,902,768</u>	<u>114,723</u>	<u>33,069</u>	<u>20,984,422</u>
Total assets being depreciated	<u>153,340,111</u>	<u>114,723</u>	<u>33,069</u>	<u>153,421,765</u>
Less accumulated depreciation for:				
Buildings	13,636,507	860,652	-	14,497,159
Improvements other than buildings	57,767,681	2,955,541	-	60,723,222
Machinery and equipment	<u>2,788,990</u>	<u>634,603</u>	<u>33,069</u>	<u>3,390,524</u>
Total accumulated depreciation	<u>74,193,178</u>	<u>4,450,796</u>	<u>33,069</u>	<u>78,610,905</u>
 Total capital assets being depreciated, net	 <u>79,146,933</u>	 <u>(4,336,073)</u>	 <u>-</u>	 <u>74,810,860</u>
 Business-type activity capital assets, net	 \$ <u>81,339,376</u>	 <u>(341,126)</u>	 <u>-</u>	 <u>80,998,250</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	\$ 16,023
Public safety	799,465
Public works	385,529
Engineering	(4,418)
Parks and recreation	133,583
Library	65,428
Community services	<u>9,223</u>
Total depreciation expense – governmental activities	\$ <u>1,404,833</u>

**Business-type activities**

Cargo Pier	\$ 444,427
Boat Harbor	1,314,554
Water Utility	654,886
Sewer Utility	1,215,709
Boat Yard Lift	529,981
Harbor Electric	11,759
Trident Basin	<u>279,480</u>
Total depreciation expense – business-type activities	\$ <u>4,450,796</u>

(6) **Long Term Debt**

Long-term debt at June 30, 2012 is comprised of the following:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2012</u>	Due Within <u>One Year</u>
<b><u>Governmental activities</u></b>					
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$165,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ 7,570,000	-	155,000	7,415,000	165,000
Accrued leave	<u>603,490</u>	<u>451,423</u>	<u>489,171</u>	<u>565,742</u>	<u>450,000</u>
Total governmental activities	\$ <u>8,173,490</u>	<u>451,423</u>	<u>644,171</u>	<u>7,980,742</u>	<u>615,000</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>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2012</u>	Due Within <u>One Year</u>
<b><u>Business-type activities</u></b>					
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	\$ 1,940,000	-	35,000	1,905,000	35,000
\$4,000,000 2007 Series A Boat Yard/Lift Revenue Bonds, due in annual install- ments of \$60,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,885,000	-	55,000	3,830,000	60,000
\$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	970,000	-	20,000	950,000	20,000
Loans Payable:					
\$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	1,005,488	-	201,097	804,391	201,097
\$550,000 Water loan, due in annual installments of \$110,000, plus interest at 1.5% through 2014	330,000	-	110,000	220,000	110,000
\$550,000 Sewer loan, due in annual installments of \$55,000, plus interest at 1.5% through 2019	440,000	-	55,000	385,000	55,000

**CITY OF KODIAK, ALASKA**

Notes to Basic Financial Statements, continued

**Long Term Debt, continued**

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2012</u>	Due Within <u>One Year</u>
<b><u>Business-type activities, continued</u></b>					
Loans Payable, continued:					
\$1,000,000 Sewer loan, due in annual installments of \$58,246, including interest at 1.5% through 2030	\$ 956,754	-	43,894	912,860	44,553
\$930,000 Boat Yard/Lift loan, due in annual installments of \$46,500, plus interest at 1.5% through 2030	883,500	-	46,500	837,000	46,500
\$862,000 Water loan, due in annual installments of \$50,208, including interest at 1.5% through 2030	824,722	-	37,837	786,885	38,405
\$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	-
\$5,982,000 (maximum) Water loan, terms not yet established, interest at 1.5%	-	381,907	-	381,907	-
Accrued leave	<u>197,470</u>	<u>155,128</u>	<u>156,954</u>	<u>195,644</u>	<u>195,644</u>
Total business-type activities	\$ <u>11,833,722</u>	<u>537,035</u>	<u>761,282</u>	<u>11,609,475</u>	<u>806,199</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 three loans not yet in repayment status and the accrued leave follow:

#### **Governmental activities**

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	205,000	327,240	532,240
2018-2022	1,045,000	1,511,638	2,556,638
2023-2027	1,270,000	1,264,120	2,534,120
2028-2032	1,615,000	917,820	2,532,820
2033-2037	2,080,000	459,825	2,539,825
2038	<u>480,000</u>	<u>24,960</u>	<u>504,960</u>
	<u>\$ 7,415,000</u>	<u>5,907,063</u>	<u>13,322,063</u>

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

Year Ending <u>June 30,</u>	<u>Revenue Bonds</u>			<u>Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	140,000	294,664	434,664	201,458	37,859	239,317
2018-2022	850,000	1,346,438	2,196,438	846,584	123,049	969,633
2023-2027	1,070,000	1,130,446	2,200,446	679,277	57,069	736,346
2028-2032	1,530,000	834,697	2,364,697	449,055	18,158	467,213
2033-2037	2,105,000	387,097	2,492,097	-	-	-
2038-2039	<u>485,000</u>	<u>11,884</u>	<u>496,884</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,685,000</u>	<u>5,260,332</u>	<u>11,945,332</u>	<u>3,946,136</u>	<u>429,879</u>	<u>4,376,015</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**

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	<u>General Fund</u>	<u>Parks and Rec Capital Project</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Restricted for tourism	\$ -	-	236,859	236,859
Committed for Enhancement Fund	-	-	1,990,740	1,990,740
Assigned:				
Subsequent years expenditures	1,490,854	-	-	1,490,854
Capital projects	-	863,153	4,125,535	4,988,688
Public works	-	-	19,441	19,441
Unassigned (deficit)	<u>5,238,816</u>	<u>-</u>	<u>(234,875)</u>	<u>5,003,941</u>
Total fund balances	\$ <u>6,729,670</u>	<u>863,153</u>	<u>6,137,700</u>	<u>13,730,523</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, 2012 and 2011 respectively, are as follows:

	<u>2012</u>	<u>2011</u>
General Fund general sales taxes	\$ <u>10,259,515</u>	<u>9,631,344</u>
Tourism Development Special Revenue Fund room taxes	\$ <u>171,564</u>	<u>155,513</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, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</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, 2012, follows:

**Due from other funds:**

Due to the General Fund from:	
Nonmajor governmental fund	\$ 229,000
Nonmajor enterprise funds	<u>216,000</u>
Total due from other funds	\$ <u>445,000</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>187,000</u>
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##### **Transfers:**

From General Fund to:

Boat Harbor Enterprise Fund for capital costs	500,000
Parks and Recreation Capital Project Fund for capital costs	50,000
Nonmajor governmental funds for capital projects	762,312
Nonmajor governmental funds to cover operating costs	78,877
Nonmajor enterprise funds to cover operating costs	<u>275,000</u>
Total transfers from General Fund	<u>1,666,189</u>

From Water Utility Enterprise Fund to nonmajor governmental funds for capital costs	800,382
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From Sewer Utility Enterprise Fund to nonmajor governmental funds for capital costs	515,000
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From Boat Harbor Enterprise Fund to Boat Yard/Lift Enterprise Fund for capital costs	800,000
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From nonmajor governmental funds to:

General Fund to close out fund	92,689
Parks and Recreation Capital Project Fund for capital costs	500,000
Other nonmajor governmental funds for capital costs	<u>2,554,190</u>
Total transfers from nonmajor governmental funds	<u>3,146,879</u>

From Internal Service Fund to General Fund for return of capital	<u>400,000</u>
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Total transfers to other funds	\$ <u>7,328,450</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 (3.21% for pension and 3.54% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.57% for pension and 3.93% 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 which is 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 2012 were determined as part of the June 30, 2009 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 43* <u>Rate</u>
Pension	9.92%	15.10%	23.10%
Postemployment healthcare	<u>12.08%</u>	<u>18.39%</u>	<u>32.74%</u>
Total contribution rate	<u>22.00%</u>	<u>33.49%</u>	<u>55.84%</u>

\* GASB 43 uses an 8.25% pension discount rate and a 7.43% healthcare discount rate. The healthcare rate 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 11.49% 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 \$822,600 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

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contributions</u>	<u>% of TBC Contributed</u>
2012	\$ 598,497	\$ 728,897	\$ 1,327,394	\$ 1,327,394	100%
2011	454,482	819,225	1,273,707	1,273,707	100%
2010	477,916	811,310	1,289,226	1,289,226	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	0.51	0.51
Occupational death and disability benefits	<u>0.11</u>	<u>0.97</u>
	<u>8.62 %</u>	<u>9.48%</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, 2012 were \$204,102 and \$171,390, 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, 2012. 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 had a decrease to fund balance for the year ended June 30, 2011 of \$2,345,839, therefore, no surplus transfer was recorded. \$78,877 was transferred for mandatory inflation proofing as required by City Code.

## 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, 2012. The lease rate is \$7,577 per month. For the year ended June 30, 2012, the City recognized \$90,922 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, 2012 was \$1,558,000.

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.

(17) **New Accounting Pronouncements**

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

*GASB 60 – Service Concession Arrangements* – Effective for year end June 30, 2013 – This statement provides guidance on proper accounting for service concession arrangements, a type of public private partnership associated with the operation of a public facility.

*GASB 61 – The Financial Reporting Entity* – Effective for year end June 30, 2013 – This statement will require a review of all entities reported as component units.

*GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – Effective for year end June 30, 2013 – This statement will result in a change to the government's presentation of proprietary fund statements and government-wide statements from a traditional "Balance Sheet" format to a new "Statement of Net Position" format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively.

## CITY OF KODIAK, ALASKA

### Notes to Basic Financial Statements, continued

#### **New Accounting Pronouncements, continued**

*GASB 65 – Items Previously Reported as Assets and Liabilities* – Effective for year end June 30, 2014 – This statement is a companion to GASB Statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, and certain regulatory assets and liabilities will be reclassified to deferred inflows and outflows.

*GASB 66 – Technical Corrections – 2012* – Effective for year end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

*GASB 68 – Accounting and Financial Reporting for Pensions* – Effective for year end June 30, 2015 – This statement will require all governments that participate in defined benefit pension plans to report any “net pension liability” (as newly defined). An additional GASB statement provides guidance for the Plan reporting with a one year earlier implementation.



**NONMAJOR FUNDS**

## CITY OF KODIAK, ALASKA

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2012

	Special Revenue Funds			Capital Project Funds				Total Nonmajor
	Tourism Development	Special Assessments	Enhancement	General	Street Improvements	Public Safety Building	General Fund Vehicle Replacement	Governmental Funds
<u>Assets</u>								
Cash and investments	\$ 190,539	1,078	1,956,571	699,566	465	3,170,960	21,796	6,040,975
Receivables:								
Taxes	46,320	-	-	-	-	-	-	46,320
Grants	-	-	-	3,593	-	335,187	-	338,780
Special assessments	-	134,823	-	-	-	-	-	134,823
Interest	-	-	34,169	-	-	-	-	34,169
<b>Total assets</b>	<b>\$ 236,859</b>	<b>135,901</b>	<b>1,990,740</b>	<b>703,159</b>	<b>465</b>	<b>3,506,147</b>	<b>21,796</b>	<b>6,595,067</b>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	-	-	-	106	6,340	99,553	-	105,999
Due to other funds	-	-	-	-	229,000	-	-	229,000
Deferred assessments	-	116,460	-	-	-	-	-	116,460
Unearned revenue	-	-	-	5,908	-	-	-	5,908
<b>Total liabilities</b>	<b>-</b>	<b>116,460</b>	<b>-</b>	<b>6,014</b>	<b>235,340</b>	<b>99,553</b>	<b>-</b>	<b>457,367</b>
Fund balances:								
Committed:								
Tourism	236,859	-	-	-	-	-	-	236,859
Enhancement Fund	-	-	1,990,740	-	-	-	-	1,990,740
Assigned:								
Capital projects	-	-	-	697,145	-	3,406,594	21,796	4,125,535
Public works	-	19,441	-	-	-	-	-	19,441
Unassigned (deficit)	-	-	-	-	(234,875)	-	-	(234,875)
<b>Total fund balances</b>	<b>236,859</b>	<b>19,441</b>	<b>1,990,740</b>	<b>697,145</b>	<b>(234,875)</b>	<b>3,406,594</b>	<b>21,796</b>	<b>6,137,700</b>
<b>Total liabilities and fund balances</b>	<b>\$ 236,859</b>	<b>135,901</b>	<b>1,990,740</b>	<b>703,159</b>	<b>465</b>	<b>3,506,147</b>	<b>21,796</b>	<b>6,595,067</b>

## CITY OF KODIAK, ALASKA

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Year Ended June 30, 2012

	Special Revenue Funds			Capital Project Funds				General Fund Vehicle Replacement	Total Nonmajor Governmental Funds
	Tourism Development	Special Assessments	Enhancement	General	Street Improvements	Public Safety Building	Building		
<b>Revenues:</b>									
Taxes	\$ 171,564	-	-	-	-	-	-	-	171,564
Rental income	1,421	-	41,291	-	-	-	-	-	42,712
Intergovernmental	-	-	-	16,281	-	-	705,362	-	721,643
Investment income (loss)	40	63	91,881	83	-	(32)	259	(17)	92,277
Special assessments	-	47,057	-	-	-	-	-	-	47,057
<b>Total revenues</b>	<u>173,025</u>	<u>47,120</u>	<u>133,172</u>	<u>16,364</u>	<u>-</u>	<u>(32)</u>	<u>705,621</u>	<u>(17)</u>	<u>1,075,253</u>
<b>Expenditures:</b>									
General government	-	-	-	62,165	-	-	-	-	62,165
Public safety	-	-	-	38,044	-	-	-	-	38,044
Public works	-	367	-	-	129,995	-	-	-	130,362
Community services	142,860	-	-	-	-	-	-	-	142,860
Capital outlay	-	-	-	2,714	239,307	-	810,222	-	1,052,243
<b>Total expenditures</b>	<u>142,860</u>	<u>367</u>	<u>-</u>	<u>102,923</u>	<u>369,302</u>	<u>-</u>	<u>810,222</u>	<u>-</u>	<u>1,425,674</u>
Excess of revenues over (under) expenditures	30,165	46,753	133,172	(86,559)	(369,302)	(32)	(104,601)	(17)	(350,421)
<b>Other financing sources (uses):</b>									
Transfers in	-	-	78,877	290,500	1,819,571	-	2,500,000	21,813	4,710,761
Transfers out	-	(54,190)	(3,000,000)	-	-	(92,689)	-	-	(3,146,879)
Net other financing sources (uses)	-	(54,190)	(2,921,123)	290,500	1,819,571	(92,689)	2,500,000	21,813	1,563,882
Net change in fund balances	30,165	(7,437)	(2,787,951)	203,941	1,450,269	(92,721)	2,395,399	21,796	1,213,461
Fund balances (deficit) at beginning of year	206,694	26,878	4,778,691	493,204	(1,685,144)	92,721	1,011,195	-	4,924,239
Fund balances (deficit) at end of year	\$ <u>236,859</u>	<u>19,441</u>	<u>1,990,740</u>	<u>697,145</u>	<u>(234,875)</u>	<u>-</u>	<u>3,406,594</u>	<u>21,796</u>	<u>6,137,700</u>

**CITY OF KODIAK, ALASKA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Net Assets  
 June 30, 2012

<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	\$ 531,707	152	-	531,859
Receivables - net of allowances	<u>79,517</u>	<u>6,966</u>	<u>167,487</u>	<u>253,970</u>
Total current assets	<u>611,224</u>	<u>7,118</u>	<u>167,487</u>	<u>785,829</u>
Noncurrent assets -				
property, plant and equipment, net	<u>54,229</u>	<u>4,554,008</u>	<u>-</u>	<u>4,608,237</u>
Total assets	\$ <u>665,453</u>	<u>4,561,126</u>	<u>167,487</u>	<u>5,394,066</u>
 <u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	31,454	1,612	-	33,066
Customer deposits	14,900	1,536	-	16,436
Due to other funds	<u>-</u>	<u>149,000</u>	<u>67,000</u>	<u>216,000</u>
Total current liabilities	<u>46,354</u>	<u>152,148</u>	<u>67,000</u>	<u>265,502</u>
Net assets:				
Invested in capital assets	54,229	4,554,008	-	4,608,237
Unrestricted (deficit)	<u>564,870</u>	<u>(145,030)</u>	<u>100,487</u>	<u>520,327</u>
Total net assets	<u>619,099</u>	<u>4,408,978</u>	<u>100,487</u>	<u>5,128,564</u>
Total liabilities and net assets	\$ <u>665,453</u>	<u>4,561,126</u>	<u>167,487</u>	<u>5,394,066</u>

**CITY OF KODIAK, ALASKA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2012

	<u>Harbor Electric</u>	<u>Trident Basin</u>	<u>E-911 Services</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues	\$ <u>834,600</u>	<u>43,724</u>	<u>66,287</u>	<u>944,611</u>
Operating expenses:				
Salaries and benefits	105	-	5,548	5,653
Professional	-	14,457	-	14,457
Goods and services	692,320	8,500	-	700,820
Utilities and fuel	-	4,010	-	4,010
Administrative services	-	3,248	-	3,248
Repairs and maintenance	5,237	-	-	5,237
Interfund charges	95,413	39,711	-	135,124
Depreciation	<u>11,759</u>	<u>279,480</u>	<u>-</u>	<u>291,239</u>
Total operating expenses	<u>804,834</u>	<u>349,406</u>	<u>5,548</u>	<u>1,159,788</u>
Earnings (loss) from operations	29,766	(305,682)	60,739	(215,177)
Nonoperating revenues - investment income	<u>195</u>	<u>-</u>	<u>-</u>	<u>195</u>
Earnings (loss) before transfers	29,961	(305,682)	60,739	(214,982)
Transfers in	<u>-</u>	<u>-</u>	<u>275,000</u>	<u>275,000</u>
Change in net assets	29,961	(305,682)	335,739	60,018
Net assets at beginning of year	<u>589,138</u>	<u>4,714,660</u>	<u>(235,252)</u>	<u>5,068,546</u>
Net assets at end of year	\$ <u><u>619,099</u></u>	<u><u>4,408,978</u></u>	<u><u>100,487</u></u>	<u><u>5,128,564</u></u>

**CITY OF KODIAK, ALASKA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Cash Flows  
 Year Ended June 30, 2012

	Harbor <u>Electric</u>	Trident <u>Basin</u>	E-911 <u>Services</u>	Total Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 803,714	40,495	49,960	894,169
Payments for interfund services used	(95,413)	(39,711)	-	(135,124)
Payments to suppliers	(699,477)	(30,049)	-	(729,526)
Payments to employees	(105)	-	(5,548)	(5,653)
Net cash flows from operating activities	<u>8,719</u>	<u>(29,265)</u>	<u>44,412</u>	<u>23,866</u>
Cash flows from noncapital financing activities:				
Decrease in due to other funds	-	-	(319,412)	(319,412)
Transfers in	-	-	275,000	275,000
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>(44,412)</u>	<u>(44,412)</u>
Cash flows from capital and related financing activities -				
increase in due to other funds	<u>-</u>	<u>29,116</u>	<u>-</u>	<u>29,116</u>
Cash flows from investing activities -				
investment income received	<u>195</u>	<u>-</u>	<u>-</u>	<u>195</u>
Net increase (decrease) in cash and investments	8,914	(149)	-	8,765
Cash and investments at beginning of year	<u>522,793</u>	<u>301</u>	<u>-</u>	<u>523,094</u>
Cash and investments at end of year	\$ <u><u>531,707</u></u>	<u><u>152</u></u>	<u><u>-</u></u>	<u><u>531,859</u></u>
Reconciliation of earnings (loss) from operations to				
net cash flows from operating activities				
Earnings (loss) from operations	29,766	(305,682)	60,739	(215,177)
Adjustments to reconcile earnings (loss) from operations				
to net cash provided (used) by operating activities:				
Depreciation	11,759	279,480	-	291,239
(Increase) decrease in assets - accounts receivable	(32,586)	(3,229)	(16,327)	(52,142)
Increase (decrease) in liabilities:				
Accounts payable	(1,920)	166	-	(1,754)
Customer deposits	1,700	-	-	1,700
Net cash flows from operating activities	\$ <u><u>8,719</u></u>	<u><u>(29,265)</u></u>	<u><u>44,412</u></u>	<u><u>23,866</u></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, 2012  
 (With Comparative Amounts for 2011)

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and investments	\$ 3,822,985	2,319,109
Receivables:		
Taxes	2,741,808	2,565,503
Interest	<u>69,566</u>	<u>45,689</u>
Total receivables	<u>2,811,374</u>	<u>2,611,192</u>
Due from other funds	445,000	2,191,440
Prepaid items	<u>-</u>	<u>2,117</u>
 Total assets	 \$ <u><u>7,079,359</u></u>	 <u><u>7,123,858</u></u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	190,141	250,391
Accrued payroll and related liabilities	154,086	363,469
Customer deposits	<u>5,462</u>	<u>3,267</u>
Total liabilities	<u>349,689</u>	<u>617,127</u>
Fund balance:		
Nonspendable - prepaid items	-	2,117
Assigned for subsequent year's expenditures	1,490,854	1,638,770
Unassigned	<u>5,238,816</u>	<u>4,865,844</u>
Total fund balance	<u>6,729,670</u>	<u>6,506,731</u>
 Total liabilities and fund balance	 \$ <u><u>7,079,359</u></u>	 <u><u>7,123,858</u></u>



**CITY OF KODIAK, ALASKA**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 773,500	917,599	144,099	765,539
Sales taxes	9,337,650	10,259,515	921,865	9,631,344
Penalties and interest	25,000	37,592	12,592	23,199
Total taxes	10,136,150	11,214,706	1,078,556	10,420,082
Intergovernmental:				
Grants	128,036	122,681	(5,355)	23,254
Revenue sharing	534,300	534,336	36	428,304
State PERS relief	564,880	619,957	55,077	407,269
Fisheries business tax	1,123,200	1,123,205	5	740,229
Shared fisheries business and landing tax	70,000	120,822	50,822	87,810
Liquor licenses	31,000	22,500	(8,500)	16,200
Fuel tax sharing	6,500	6,882	382	6,215
Telephone and electric sharing	38,100	41,300	3,200	41,908
Total intergovernmental	2,496,016	2,591,683	95,667	1,751,189
Charges for services:				
Public safety:				
Boarding of State prisoners	905,340	1,134,810	229,470	906,203
State Trooper contract	120,000	78,750	(41,250)	78,750
Borough animal control	-	-	-	84,125
Ambulance services	40,000	23,294	(16,706)	23,925
Other public safety charges	24,000	6,383	(17,617)	12,674
School crossing guard services	12,000	-	(12,000)	-
School lifeguard services	7,500	14,319	6,819	8,412
Borough building inspector charges	140,000	203,464	63,464	94,805
Library fees and charges	19,000	13,692	(5,308)	12,542
Parks and recreation fees and charges	116,000	120,121	4,121	124,688
Public works services	10,200	7,299	(2,901)	9,981
Total charges for services	1,394,040	1,602,132	208,092	1,356,105

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

	2012		Variance Positive (Negative)	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
Fines and forfeitures	\$ 20,500	3,619	(16,881)	6,156
Licenses and permits	75,000	71,957	(3,043)	93,193
Rental income	150,000	154,320	4,320	125,476
Interfund charges:				
Cargo Pier Fund	34,940	34,940	-	20,780
Boat Harbor Fund	87,350	88,385	1,035	69,870
Water Fund	87,360	87,360	-	71,080
Sewer Fund	87,360	87,360	-	71,080
Trident Basin Fund	17,470	17,470	-	14,220
Public works	295,668	295,668	-	216,222
Engineering and inspection fees	90,960	90,960	-	131,550
Tourism Development Fund	36,860	36,860	-	30,500
Boat Yard Fund	34,940	34,940	-	24,500
Electric Fund	17,470	17,470	-	13,070
Vehicle replacement	21,850	21,812	(38)	-
Total interfund charges	<u>812,228</u>	<u>813,225</u>	<u>997</u>	<u>662,872</u>
Investment income	60,000	1,301	(58,699)	24,500
Other revenues	503,800	19,471	(484,329)	271,973
Total revenues	<u>15,647,734</u>	<u>16,472,414</u>	<u>824,680</u>	<u>14,711,546</u>
Expenditures:				
General government:				
Legislative	255,640	147,552	108,088	199,859
Emergency preparedness	56,500	-	56,500	620
Legal	80,000	37,054	42,946	45,495
Executive	329,780	350,066	(20,286)	300,069
City clerk	411,200	349,121	62,079	346,854
Finance	1,323,780	1,221,064	102,716	1,185,983
Total general government	<u>2,456,900</u>	<u>2,104,857</u>	<u>352,043</u>	<u>2,078,880</u>

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

	2012		Variance Positive (Negative)	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety:				
Police department:				
Administration:				
Operations	\$ 791,415	785,487	5,928	702,462
Bond principal	150,000	155,000	(5,000)	150,000
Bond interest	370,990	370,990	-	378,490
Uniformed patrol	1,365,570	1,218,421	147,149	1,257,173
Corrections	1,199,595	1,198,957	638	967,157
Investigations	307,780	298,845	8,935	265,422
Support services	1,064,891	998,779	66,112	878,843
Animal control	217,374	194,998	22,376	158,565
Drug enforcement	157,620	155,007	2,613	65,729
Community services	195,280	162,424	32,856	143,487
Canine	151,185	150,544	641	134,946
Police school resources	115,095	105,099	9,996	-
Fire department	1,823,980	1,823,758	222	1,697,860
Total public safety	<u>7,910,775</u>	<u>7,618,309</u>	<u>292,466</u>	<u>6,800,134</u>
Public works:				
Administration	106,290	103,174	3,116	93,481
Streets	2,031,538	1,904,987	126,551	1,144,600
Garage	300,070	252,525	47,545	232,613
Building inspection	353,705	343,548	10,157	257,822
Municipal airport facility	37,950	28,431	9,519	27,914
Total public works	<u>2,829,553</u>	<u>2,632,665</u>	<u>196,888</u>	<u>1,756,430</u>
Engineering	<u>255,820</u>	<u>150,113</u>	<u>105,707</u>	<u>87,209</u>
Parks and recreation:				
Administration	554,270	512,010	42,260	500,297
Museum	85,000	84,677	323	83,543
Teen Center	234,420	211,768	22,652	177,603
Aquatics	183,490	182,171	1,319	200,812
Ice rink	133,820	116,654	17,166	124,604
Beautification program	16,000	11,599	4,401	11,781
Total parks and recreation	<u>1,207,000</u>	<u>1,118,879</u>	<u>88,121</u>	<u>1,098,640</u>

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

	2012		Variance	2011
	<u>Budget</u>	<u>Actual</u>	Positive	<u>Actual</u>
			(Negative)	
Expenditures, continued:				
Library	\$ <u>844,956</u>	<u>778,930</u>	<u>66,026</u>	<u>680,345</u>
Community services:				
Contributions	118,200	116,756	1,444	89,018
Downtown revitalization	<u>40,000</u>	<u>38,067</u>	<u>1,933</u>	<u>34,351</u>
Total community services	<u>158,200</u>	<u>154,823</u>	<u>3,377</u>	<u>123,369</u>
Other - insurance and general administration	<u>555,500</u>	<u>517,399</u>	<u>38,101</u>	<u>529,442</u>
Total expenditures	<u>16,218,704</u>	<u>15,075,975</u>	<u>1,142,729</u>	<u>13,154,449</u>
Excess of revenues over (under) expenditures	(570,970)	1,396,439	1,967,409	1,557,097
Other financing sources (uses):				
Transfers in	2,158,320	492,689	(1,665,631)	96,288
Transfers out	<u>(1,587,350)</u>	<u>(1,666,189)</u>	<u>(78,839)</u>	<u>(3,999,224)</u>
Net other financing sources (uses)	<u>570,970</u>	<u>(1,173,500)</u>	<u>(1,744,470)</u>	<u>(3,902,936)</u>
Net change in fund balance	\$ <u><u>-</u></u>	222,939	<u>222,939</u>	(2,345,839)
Fund balance at beginning of year		<u>6,506,731</u>		<u>8,852,570</u>
Fund balance at end of year	\$	<u><u>6,729,670</u></u>		<u><u>6,506,731</u></u>

## **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.

**CITY OF KODIAK, ALASKA**  
 Tourism Development Special Revenue Fund  
 Balance Sheet  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 190,539	166,347
Receivables - taxes	<u>46,320</u>	<u>40,347</u>
 Total assets	 \$ <u>236,859</u>	 <u>206,694</u>
 <u>Fund Balance</u>		
 Fund balance - committed for tourism	 \$ <u>236,859</u>	 <u>206,694</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, 2012  
 (With Comparative Amounts for 2011)

	2012		Variance	2011
	Budget	Actual	Positive	Actual
			(Negative)	
Revenues:				
Room taxes	\$ 142,860	171,564	28,704	155,513
Investment income	-	40	40	682
Rental income	-	1,421	1,421	-
Total revenues	142,860	173,025	30,165	156,195
Expenditures - community services:				
Interfund services:				
Finance and administration	14,290	14,290	-	12,150
Public works services	6,570	6,570	-	2,350
Parks and recreation services	16,000	16,000	-	16,000
Other	-	-	-	600
Community service contributions	106,000	106,000	-	96,000
Total expenditures	142,860	142,860	-	127,100
Net change in fund balance	\$ -	30,165	30,165	29,095
Fund balance at beginning of year		206,694		177,599
Fund balance at end of year	\$	236,859		206,694

**CITY OF KODIAK, ALASKA**  
Special Assessments Special Revenue Fund  
Balance Sheet  
June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 1,078	11,933
Receivables - special assessments	<u>134,823</u>	<u>173,893</u>
Total assets	<u>\$ 135,901</u>	<u>185,826</u>
 <u>Liabilities and Fund Balance</u>  		
Liabilities:		
Accounts payable	-	472
Deferred assessments	<u>116,460</u>	<u>158,476</u>
Total liabilities	116,460	158,948
Fund balance - assigned for public works	<u>19,441</u>	<u>26,878</u>
Total liabilities and fund balance	<u>\$ 135,901</u>	<u>185,826</u>



**CITY OF KODIAK, ALASKA**  
Special Assessments Special Revenue Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Revenues:		
Special assessments	\$ 47,057	57,242
Investment income	<u>63</u>	<u>280</u>
Total revenues	47,120	57,522
Expenditures - public works - professional services	<u>367</u>	<u>322</u>
Excess of revenues over expenditures	46,753	57,200
Other financing uses - transfers out	<u>(54,190)</u>	<u>(141,721)</u>
Net change in fund balance	(7,437)	(84,521)
Fund balance at beginning of year	<u>26,878</u>	<u>111,399</u>
Fund balance at end of year	\$ <u><u>19,441</u></u>	<u><u>26,878</u></u>

**CITY OF KODIAK, ALASKA**  
 Enhancement Fund Special Revenue Fund  
 Balance Sheet  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 1,956,571	4,678,518
Interest receivable	<u>34,169</u>	<u>100,173</u>
Total assets	\$ <u><u>1,990,740</u></u>	<u><u>4,778,691</u></u>
 <u>Fund Balance</u>		
Fund balance - committed for Enhancement Fund	\$ <u><u>1,990,740</u></u>	<u><u>4,778,691</u></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, 2012  
 (With Comparative Amounts for 2011)

	2012			2011
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Rental income	\$ 40,500	41,291	791	40,897
Investment income	55,000	91,881	36,881	200,288
Sale of land	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Total revenues	<u>195,500</u>	<u>133,172</u>	<u>(62,328)</u>	<u>241,185</u>
Other financing sources (uses):				
Transfers in	2,804,500	78,877	(2,725,623)	574,224
Transfers out	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>(174,648)</u>
Net other financing sources (uses)	<u>(195,500)</u>	<u>(2,921,123)</u>	<u>(2,725,623)</u>	<u>399,576</u>
Net change in fund balance	\$ <u>-</u>	(2,787,951)	<u>(2,787,951)</u>	640,761
Fund balance at beginning of year		<u>4,778,691</u>		<u>4,137,930</u>
Fund balance at end of year		\$ <u>1,990,740</u>		<u>4,778,691</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.

### **General Fund Vehicle Replacement**

This fund is used to accumulate resources for future vehicle replacements.

**CITY OF KODIAK, ALASKA**  
 General Capital Projects Fund  
 Balance Sheet  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 699,566	619,881
Grants receivable	<u>3,593</u>	<u>40,668</u>
 Total assets	 \$ <u>703,159</u>	 <u>660,549</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	106	153,401
Unearned revenue	<u>5,908</u>	<u>13,944</u>
Total liabilities	<u>6,014</u>	<u>167,345</u>
 Fund balance - assigned for capital projects	 <u>697,145</u>	 <u>493,204</u>
 Total liabilities and fund balance	 \$ <u>703,159</u>	 <u>660,549</u>

**CITY OF KODIAK, ALASKA**  
 General Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental	\$ 16,281	670,746
Investment income	83	5,190
Total revenues	<u>16,364</u>	<u>675,936</u>
Expenditures:		
City land development	49	-
Museum building	-	4,832
Municipal airport improvements	-	600,505
KFD deferred maintenance	38,044	178,600
Roof and building evaluation and repair	5,190	1,115,249
Gibson Cove	8,036	-
Class and computer study	40,644	3,866
Energy efficiency	8,246	38,369
Financial software	2,714	263,745
Homeland security	-	4,230
Total expenditures	<u>102,923</u>	<u>2,209,396</u>
Excess of revenues over (under) expenditures	(86,559)	(1,533,460)
Other financing sources - transfers in	<u>290,500</u>	<u>720,000</u>
Net change in fund balance	203,941	(813,460)
Fund balance at beginning of year	<u>493,204</u>	<u>1,306,664</u>
Fund balance at end of year	<u>\$ 697,145</u>	<u>493,204</u>

**CITY OF KODIAK, ALASKA**  
 Street Improvements Capital Project Fund  
 Balance Sheet  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ <u>465</u>	<u>-</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	6,340	-
Due to other funds	<u>229,000</u>	<u>1,685,144</u>
Total liabilities	235,340	1,685,144
Fund balance (deficit)	<u>(234,875)</u>	<u>(1,685,144)</u>
Total liabilities and fund balance	\$ <u>465</u>	<u>-</u>



**CITY OF KODIAK, ALASKA**  
 Street Improvements Capital Project Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Revenues - investment income	\$ -	122
Expenditures:		
Annual sidewalk, curb and gutter repair	38,192	40,839
Gibson Cove strip	-	28
Mill Bay overlay	-	833,277
Maple Street Aleutian Phase III	-	1,707,424
Pavement repairs	70	684,839
Baranof Museum retaining wall	239,307	33,921
SPCC spill prevention	66,560	144,557
Review/update construction specs	25,173	-
Total expenditures	<u>369,302</u>	<u>3,444,885</u>
Excess of revenues over (under) expenditures	(369,302)	(3,444,763)
Other financing sources (uses):		
Transfers in	1,819,571	650,721
Transfers out	-	(21,000)
Net other financing sources (uses)	<u>1,819,571</u>	<u>629,721</u>
Net change in fund balance	1,450,269	(2,815,042)
Fund balance (deficit) at beginning of year	<u>(1,685,144)</u>	<u>1,129,898</u>
Deficit at end of year	\$ <u><u>(234,875)</u></u>	<u><u>(1,685,144)</u></u>

**CITY OF KODIAK, ALASKA**  
 Public Safety Building Capital Project Fund  
 Balance Sheet  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ <u>          -</u>	<u>      112,084</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	-	19,363
Fund balance - assigned for capital projects	<u>          -</u>	<u>      92,721</u>
Total liabilities and fund balance	\$ <u>          -</u>	<u>      112,084</u>

**CITY OF KODIAK, ALASKA**  
Public Safety Building Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental	\$ -	2,100,000
Investment income (loss)	(32)	517
Total revenues	<u>(32)</u>	<u>2,100,517</u>
Expenditures:		
Construction, engineering and design	-	3,945,651
Salaries and benefits	-	1,513
Total expenditures	<u>-</u>	<u>3,947,164</u>
Excess of revenues over (under) expenditures	(32)	(1,846,647)
Other financing sources (uses):		
Transfers in	-	1,100,000
Transfers out	(92,689)	-
Net other financing sources (uses)	<u>(92,689)</u>	<u>1,100,000</u>
Net change in fund balance	(92,721)	(746,647)
Fund balance at beginning of year	<u>92,721</u>	<u>839,368</u>
Fund balance at end of year	\$ <u><u>-</u></u>	<u><u>92,721</u></u>

**CITY OF KODIAK, ALASKA**  
Parks and Recreation Capital Project Fund  
Balance Sheet  
June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 254,829	371,094
Grants receivable	<u>1,969,158</u>	<u>-</u>
Total assets	\$ <u>2,223,987</u>	<u>371,094</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	1,360,834	319
Fund balance - assigned for capital projects	<u>863,153</u>	<u>370,775</u>
Total liabilities and fund balance	\$ <u>2,223,987</u>	<u>371,094</u>

**CITY OF KODIAK, ALASKA**  
Parks and Recreation Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental	\$ 2,098,395	-
Investment income	615	1,852
Other	1,686	-
Total revenues	<u>2,100,696</u>	<u>1,852</u>
Expenditures:		
Playground equipment and improvements	-	5,413
Baranof baseball field	754	1,362
Major park maintenance	-	43,648
Baranof park and field	2,148,461	(250)
Building weatherization	9,103	-
Total expenditures	<u>2,158,318</u>	<u>50,173</u>
Excess of revenues over (under) expenditures	(57,622)	(48,321)
Other financing sources - transfers in	<u>550,000</u>	<u>50,000</u>
Net change in fund balance	492,378	1,679
Fund balance at beginning of year	<u>370,775</u>	<u>369,096</u>
Fund balance at end of year	\$ <u><u>863,153</u></u>	<u><u>370,775</u></u>

**CITY OF KODIAK, ALASKA**  
 Building Capital Project Fund  
 Balance Sheet  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 3,170,960	1,011,195
Grant receivable	<u>335,187</u>	<u>-</u>
Total assets	\$ <u>3,506,147</u>	<u>1,011,195</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	99,553	-
Fund balance - assigned for capital projects	<u>3,406,594</u>	<u>1,011,195</u>
Total liabilities and fund balance	\$ <u>3,506,147</u>	<u>1,011,195</u>

**CITY OF KODIAK, ALASKA**  
**Building Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2012**  
**(With Comparative Amounts for 2011)**

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental	\$ 705,362	-
Investment income	<u>259</u>	<u>3,145</u>
Total revenues	705,621	3,145
Expenditures - library building - professional	<u>810,222</u>	<u>7,373</u>
Excess of revenues over (under) expenditures	(104,601)	(4,228)
Other financing sources - transfers in	<u>2,500,000</u>	<u>1,015,423</u>
Net change in fund balance	2,395,399	1,011,195
Fund balance at beginning of year	<u>1,011,195</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>3,406,594</u></u>	<u><u>1,011,195</u></u>

**CITY OF KODIAK, ALASKA**  
General Fund Vehicle Replacement Capital Project Fund  
Balance Sheet  
June 30, 2012

2012

Assets

Cash and investments \$ 21,796

Fund Balance

Fund balance - assigned for capital projects \$ 21,796



**CITY OF KODIAK, ALASKA**  
General Fund Vehicle Replacement Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2012

	<u>2012</u>
Revenues - investment income (loss)	\$ <u>      (17)</u>
Excess of revenues over (under) expenditures	(17)
Other financing sources - transfers in	<u>      21,813</u>
Net change in fund balance	21,796
Fund balance at beginning of year	<u>          -</u>
Fund balance at end of year	\$ <u><u>      21,796</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, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 3,895,119	3,413,906
Receivables:		
Accounts	56,335	89,877
Grants	375	-
Total current assets	<u>3,951,829</u>	<u>3,503,783</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>(15,585,037)</u>	<u>(15,140,610)</u>
Net property, plant and equipment	<u>6,199,248</u>	<u>6,643,675</u>
Total assets	<u>\$ 10,151,077</u>	<u>10,147,458</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	53,877	1,699
Accrued payroll and related liabilities	3,025	9,200
Accrued annual leave	8,907	9,962
Total current liabilities	<u>65,809</u>	<u>20,861</u>
Net assets:		
Invested in capital assets	6,199,248	6,643,675
Unrestricted	<u>3,886,020</u>	<u>3,482,922</u>
Total net assets	<u>10,085,268</u>	<u>10,126,597</u>
Total liabilities and net assets	<u>\$ 10,151,077</u>	<u>10,147,458</u>

**CITY OF KODIAK, ALASKA**  
**Cargo Pier Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2012**  
**(With Comparative Amounts for 2011)**

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Dockage	\$ 122,595	119,749
Wharfage and handling	422,094	433,389
Pier III	292,754	285,614
Cruise ship	131,220	177,447
Rentals	211,706	241,368
Other	42,983	23,725
Total operating revenues	<u>1,223,352</u>	<u>1,281,292</u>
Operating expenses:		
General and administrative:		
Salaries and benefits	301,049	242,264
Professional	12,158	5,356
Goods and services	47,401	48,082
Repairs and maintenance	12,660	-
Interfund charges:		
Finance and administration	34,940	20,780
Public works services	59,134	21,609
Engineering	25,260	35,550
Harbormaster services	69,878	89,043
Other	22,209	8,860
Total general and administrative	<u>584,689</u>	<u>471,544</u>
Warehouse:		
Goods and services	8,865	7,913
Professional	1,855	55
Total warehouse	<u>10,720</u>	<u>7,968</u>
Pier II:		
Goods and services	30,097	23,181
Utilities and fuel	22,435	17,723
Professional	-	64,118
Repairs and maintenance	188,961	109,728
Total pier II	<u>241,493</u>	<u>214,750</u>

## CITY OF KODIAK, ALASKA

## Cargo Pier Enterprise Fund

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

	<u>2012</u>	<u>2011</u>
Operating expenses, continued:		
Pier III:		
Utilities and fuel	\$ 910	765
Repairs and maintenance	<u>185,533</u>	<u>57,265</u>
Total pier III	<u>186,443</u>	<u>58,030</u>
Depreciation	<u>444,427</u>	<u>444,427</u>
Total operating expenses	<u>1,467,772</u>	<u>1,196,719</u>
Earnings (loss) from operations	(244,420)	84,573
Nonoperating revenues:		
Investment income	1,770	16,896
State PERS relief	17,978	11,620
State grant - pedestrian improvements	<u>183,343</u>	<u>112,736</u>
Total nonoperating revenues	<u>203,091</u>	<u>141,252</u>
Change in net assets	(41,329)	225,825
Net assets at beginning of year	<u>10,126,597</u>	<u>9,900,772</u>
Net assets at end of year	\$ <u>10,085,268</u>	<u>10,126,597</u>

**CITY OF KODIAK, ALASKA**  
Cargo Pier Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,256,894	1,281,470
Payments for interfund services used	(189,212)	(166,982)
Payments to suppliers	(480,906)	(399,583)
Payments to employees	<u>(290,301)</u>	<u>(231,132)</u>
Net cash flows from operating activities	<u>296,475</u>	<u>483,773</u>
Cash flows from noncapital financing activities -		
State grant received	<u>182,968</u>	<u>112,736</u>
Cash flows from investing activities -		
investment income received	<u>1,770</u>	<u>21,285</u>
Net increase in cash and investments	481,213	617,794
Cash and investments at beginning of year	<u>3,413,906</u>	<u>2,796,112</u>
Cash and investments at end of year	\$ <u><u>3,895,119</u></u>	<u><u>3,413,906</u></u>
Reconciliation of earnings (loss) from operations to net cash		
flows from operating activities:		
Earnings (loss) from operations	(244,420)	84,573
Adjustments to reconcile earnings (loss) from operations		
to net cash provided (used) by operating activities:		
Depreciation	444,427	444,427
Noncash expense - State PERS relief	17,978	11,620
(Increase) decrease in assets:		
Accounts receivable	33,542	178
Increase (decrease) in liabilities:		
Accounts payable	52,178	(56,537)
Accrued payroll and related liabilities	(6,175)	981
Accrued annual leave	<u>(1,055)</u>	<u>(1,469)</u>
Net cash flows from operating activities	\$ <u><u>296,475</u></u>	<u><u>483,773</u></u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Net Assets  
 June 30, 2012  
 (With Comparative Amounts for 2011)

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 2,144,552	1,588,504
Receivables:		
Accounts	99,914	92,609
Allowance for doubtful accounts	(15,647)	(15,647)
Total current assets	<u>2,228,819</u>	<u>1,665,466</u>
Noncurrent assets:		
Advance to other fund	187,000	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	35,334,087
Machinery and equipment	584,529	505,187
Accumulated depreciation	(22,550,719)	(21,258,680)
Net property, plant and equipment	<u>15,568,115</u>	<u>16,780,812</u>
Total noncurrent assets	<u>15,884,696</u>	<u>17,449,961</u>
Total assets	<u>\$ 18,113,515</u>	<u>19,115,427</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	23,627	34,439
Accrued payroll and related liabilities	10,122	44,651
Accrued interest	30,040	31,340
Accrued annual leave	91,045	94,696
Customer deposits	233,694	224,106
Current portion of bonds payable	35,000	35,000
Total current liabilities	<u>423,528</u>	<u>464,232</u>
Noncurrent liabilities - revenue bonds	<u>1,870,000</u>	<u>1,905,000</u>
Total liabilities	<u>2,293,528</u>	<u>2,369,232</u>
Net assets:		
Invested in capital assets, net of related debt	13,663,115	14,840,812
Restricted for debt service	129,581	129,581
Unrestricted	<u>2,027,291</u>	<u>1,775,802</u>
Total net assets	<u>15,819,987</u>	<u>16,746,195</u>
Total liabilities and net assets	<u>\$ 18,113,515</u>	<u>19,115,427</u>



## CITY OF KODIAK, ALASKA

## Boat Harbor Enterprise Fund

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

Year Ended June 30, 2012

(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Moorage	\$ 1,769,683	1,688,728
Pier and dock fees	263,190	237,405
Administrative charges to other funds	69,878	233,738
Other fees and charges	360,504	200,021
Rentals	15,455	16,564
Other	<u>28,842</u>	<u>17,912</u>
Total operating revenues	<u>2,507,552</u>	<u>2,394,368</u>
Operating expenses:		
Salaries and benefits	1,124,584	1,049,934
Professional	85,312	82,197
Contributions	20,255	21,711
Goods and services	228,229	252,924
Utilities and fuel	155,280	144,407
Administration services	1,076	5,097
Machinery and equipment	18,757	22,798
Repairs and maintenance	1,541	28
Interfund charges:		
Finance and administration	87,350	69,620
Public works services	59,134	72,392
Engineering and inspection	25,260	35,550
Depreciation	<u>1,314,554</u>	<u>1,316,172</u>
Total operating expenses	<u>3,121,332</u>	<u>3,072,830</u>
Loss from operations	(613,780)	(678,462)
Nonoperating revenues (expenses):		
Investment income	11,474	38,065
Interest expense	(91,671)	(94,321)
State PERS relief	<u>67,769</u>	<u>49,270</u>
Net nonoperating revenues (expenses)	<u>(12,428)</u>	<u>(6,986)</u>
Loss before transfers	(626,208)	(685,448)
Transfers in	500,000	500,000
Transfers out	<u>(800,000)</u>	<u>(1,803,431)</u>
Change in net assets	(926,208)	(1,988,879)
Net assets at beginning of year	<u>16,746,195</u>	<u>18,735,074</u>
Net assets at end of year	\$ <u>15,819,987</u>	<u>16,746,195</u>

**CITY OF KODIAK, ALASKA**  
 Boat Harbor Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,439,957	1,663,372
Receipts from interfund services provided	69,878	233,738
Payments for interfund services used	(171,744)	(177,562)
Payments to suppliers	(521,262)	(517,284)
Payments to employees	<u>(1,094,995)</u>	<u>(1,003,195)</u>
Net cash flows from operating activities	<u>721,834</u>	<u>199,069</u>
Cash flows from noncapital financing activities:		
Transfers out	(800,000)	(1,803,431)
(Increase) decrease in advance to other funds	<u>352,568</u>	<u>(539,568)</u>
Net cash flows from noncapital financing activities	<u>(447,432)</u>	<u>(2,342,999)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(35,000)	(30,000)
Interest paid on long-term debt	(92,971)	(94,921)
Purchase of property, plant and equipment	(101,857)	(47,245)
Transfers in	<u>500,000</u>	<u>500,000</u>
Net cash flows from capital and related financing activities	<u>270,172</u>	<u>327,834</u>
Cash flows from investing activities - investment income received	<u>11,474</u>	<u>44,001</u>
Net increase (decrease) in cash and investments	556,048	(1,772,095)
Cash and investments at beginning of year	<u>1,718,085</u>	<u>3,490,180</u>
Cash and investments at end of year	\$ <u><u>2,274,133</u></u>	<u><u>1,718,085</u></u>
Reconciliation to Statement of Net Assets:		
Cash and investments	2,144,552	1,588,504
Restricted cash and investments	<u>129,581</u>	<u>129,581</u>
	\$ <u><u>2,274,133</u></u>	<u><u>1,718,085</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(613,780)	(678,462)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	1,314,554	1,316,172
Noncash expense - State PERS relief	67,769	49,270
(Increase) decrease in assets - accounts receivable	(7,305)	(32,584)
Increase (decrease) in liabilities:		
Accounts payable	(10,812)	11,878
Accrued payroll and related liabilities	(34,529)	4,377
Accrued annual leave	(3,651)	(6,908)
Deferred revenue	-	(466,506)
Customer deposits	<u>9,588</u>	<u>1,832</u>
Net cash flows from operating activities	\$ <u><u>721,834</u></u>	<u><u>199,069</u></u>

**CITY OF KODIAK, ALASKA**  
Harbor Electric Enterprise Fund  
Statement of Net Assets  
June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 531,707	522,793
Accounts receivable	<u>79,517</u>	<u>46,931</u>
Total current assets	<u>611,224</u>	<u>569,724</u>
Property, plant and equipment:		
Machinery and equipment	140,556	140,556
Accumulated depreciation	<u>(86,327)</u>	<u>(74,568)</u>
Net property, plant and equipment	<u>54,229</u>	<u>65,988</u>
Total assets	<u>\$ 665,453</u>	<u>635,712</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	31,454	33,374
Customer deposits	<u>14,900</u>	<u>13,200</u>
Total current liabilities	<u>46,354</u>	<u>46,574</u>
Net assets:		
Invested in capital assets	54,229	65,988
Unrestricted	<u>564,870</u>	<u>523,150</u>
Total net assets	<u>619,099</u>	<u>589,138</u>
Total liabilities and net assets	<u>\$ 665,453</u>	<u>635,712</u>

**CITY OF KODIAK, ALASKA**  
Harbor Electric Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Energy charges	\$ 679,770	553,866
Customer charges	113,351	113,372
Other operating revenue	<u>41,479</u>	<u>40,532</u>
Total operating revenues	<u>834,600</u>	<u>707,770</u>
 Operating expenses:		
Salaries and benefits	105	-
Goods and services	692,320	531,672
Machinery and equipment	-	471
Repairs and maintenance	5,237	7,096
Interfund charges:		
Finance and administration	17,470	13,070
Public works services	19,711	13,593
Harbormaster services	58,232	55,652
Depreciation	<u>11,759</u>	<u>11,759</u>
Total operating expenses	<u>804,834</u>	<u>633,313</u>
 Earnings from operations	29,766	74,457
 Nonoperating revenues - investment income	<u>195</u>	<u>2,158</u>
 Change in net assets	29,961	76,615
 Net assets at beginning of year	<u>589,138</u>	<u>512,523</u>
 Net assets at end of year	\$ <u><u>619,099</u></u>	<u><u>589,138</u></u>

**CITY OF KODIAK, ALASKA**  
Harbor Electric Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 803,714	717,493
Payments for interfund services used	(95,413)	(82,315)
Payments to suppliers	(699,477)	(545,584)
Payments to employees	(105)	-
Net cash flows from operating activities	<u>8,719</u>	<u>89,594</u>
 Cash flows from investing activities - investment income received	 <u>195</u>	 <u>2,158</u>
 Net increase in cash and investments	 8,914	 91,752
 Cash and investments at beginning of year	 <u>522,793</u>	 <u>431,041</u>
 Cash and investments at end of year	 \$ <u><u>531,707</u></u>	 <u><u>522,793</u></u>
 Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	29,766	74,457
Adjustments to reconcile earnings from operations to net cash provided (used) by operating activities:		
Depreciation	11,759	11,759
(Increase) decrease in assets - accounts receivable	(32,586)	8,323
Increase (decrease) in liabilities:		
Accounts payable	(1,920)	(6,345)
Customer deposits	1,700	1,400
Net cash flows from operating activities	<u><u>\$ 8,719</u></u>	<u><u>89,594</u></u>

**CITY OF KODIAK, ALASKA**  
Water Utility Enterprise Fund  
Statement of Net Assets  
June 30, 2012  
(With Comparative Amounts for 2011)

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Cash and investments		\$ 4,515,580	3,263,717
Receivables:			
Grants		237,480	1,166,864
Accounts		250,848	234,969
Allowance for doubtful accounts		(2,224)	(2,224)
Inventory		240,811	247,718
Total current assets		<u>5,242,495</u>	<u>4,911,044</u>
Property, plant and equipment:			
Land		2	2
Buildings		3,299,523	3,299,523
Improvements other than buildings		30,669,257	30,669,257
Machinery and equipment		497,918	485,052
Construction in progress		5,493,393	1,498,446
Accumulated depreciation		<u>(16,913,924)</u>	<u>(16,259,038)</u>
Net property, plant and equipment		<u>23,046,169</u>	<u>19,693,242</u>
Total assets		<u>\$ 28,288,664</u>	<u>24,604,286</u>
	<u>Liabilities and Net Assets</u>		
Liabilities:			
Current liabilities:			
Accounts payable		147,729	424,392
Accrued payroll and related liabilities		4,869	22,966
Accrued annual leave		23,252	21,155
Customer deposits		22,000	6,600
Current portion of loans payable		148,405	147,837
Total current liabilities		<u>346,255</u>	<u>622,950</u>
Noncurrent liabilities - loans payable, net of current portion		<u>1,440,781</u>	<u>1,207,279</u>
Total liabilities		<u>1,787,036</u>	<u>1,830,229</u>
Net assets:			
Invested in capital assets, net of related debt		21,456,983	18,338,126
Unrestricted		5,044,645	4,435,931
Total net assets		<u>26,501,628</u>	<u>22,774,057</u>
Total liabilities and net assets		<u>\$ 28,288,664</u>	<u>24,604,286</u>

**CITY OF KODIAK, ALASKA**  
Water Utility Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Sales and user charges	\$ 1,845,701	1,706,047
Meters	1,328,381	1,154,230
Other	17,966	35,853
Total operating revenues	<u>3,192,048</u>	<u>2,896,130</u>
Operating expenses:		
Water department:		
Salaries and benefits	706,951	578,184
Professional	35,749	41,707
Goods and services	98,176	82,315
Utilities and fuel	388,793	324,300
Machinery and equipment	369,231	10,916
Total water department	<u>1,598,900</u>	<u>1,037,422</u>
Water treatment:		
Professional	7,272	4,350
Goods and services	90,152	60,831
Utilities	31,813	15,882
Total water treatment	<u>129,237</u>	<u>81,063</u>
Interfund charges:		
Finance and administration	87,360	71,080
Public works services	39,422	33,260
Engineering	12,640	17,780
Total interfund charges	<u>139,422</u>	<u>122,120</u>
Depreciation	<u>654,886</u>	<u>547,472</u>
Total operating expenses	<u>2,522,445</u>	<u>1,788,077</u>
Earnings from operations	<u>669,603</u>	<u>1,108,053</u>
Nonoperating revenues (expenses):		
Investment income	2,458	23,207
Interest expense	(17,321)	(6,600)
Engineering and feasibility studies	(99,256)	(495,778)
State PERS relief	42,294	25,718
Net nonoperating revenues (expenses)	<u>(71,825)</u>	<u>(453,453)</u>
Earnings before contributions and transfers	597,778	654,600
Capital contributions	3,930,175	1,169,683
Transfers in	-	654,633
Transfers out	<u>(800,382)</u>	<u>(35,000)</u>
Change in net assets	3,727,571	2,443,916
Net assets at beginning of year	<u>22,774,057</u>	<u>20,330,141</u>
Net assets at end of year	<u>\$ 26,501,628</u>	<u>22,774,057</u>

**CITY OF KODIAK, ALASKA**  
 Water Utility Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,191,569	2,951,217
Payments for interfund services used	(139,422)	(122,120)
Payments to suppliers	(1,390,198)	(900,840)
Payments to employees	(680,657)	(546,008)
Net cash flows from operating activities	<u>981,292</u>	<u>1,382,249</u>
Cash flows from noncapital financing activities - transfers out	<u>(800,382)</u>	<u>(35,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(147,837)	(147,278)
Interest paid on loans	(17,321)	(6,600)
Proceeds from loans	381,907	1,062,394
Purchase of property, plant and equipment	(4,007,813)	(1,639,747)
Capital contributions received	4,859,559	253,296
Transfers in	-	654,633
Net cash flows from capital and related financing activities	<u>1,068,495</u>	<u>176,698</u>
Cash flows from investing activities - investment income received	<u>2,458</u>	<u>29,459</u>
Net increase in cash and investments	1,251,863	1,553,406
Cash and investments at beginning of year	<u>3,263,717</u>	<u>1,710,311</u>
Cash and investments at end of year	\$ <u>4,515,580</u>	<u>3,263,717</u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	669,603	1,108,053
Adjustments to reconcile earnings from operations to net cash provided (used) by operating activities:		
Depreciation	654,886	547,472
Noncash expense - State PERS relief	42,294	25,718
Nonoperating expenses	(99,256)	(495,778)
(Increase) decrease in assets:		
Accounts receivable	(15,879)	71,487
Inventory	6,907	(16,080)
Increase (decrease) in liabilities:		
Accounts payable	(276,663)	151,319
Accrued payroll and related liabilities	(18,097)	2,384
Accrued annual leave	2,097	4,074
Customer deposits	15,400	(16,400)
Net cash flows from operating activities	\$ <u>981,292</u>	<u>1,382,249</u>



**CITY OF KODIAK, ALASKA**  
 Sewer Utility Enterprise Fund  
 Statement of Net Assets  
 June 30, 2012  
 (With Comparative Amounts for 2011)

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 4,570,220	3,791,428
Receivables:		
Accounts	347,050	310,628
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	12,136	13,762
Total current assets	<u>4,926,539</u>	<u>4,112,951</u>
Property, plant and equipment:		
Land	16,931	16,931
Buildings	19,021,734	19,021,734
Improvements other than buildings	16,370,667	16,370,667
Machinery and equipment	502,361	512,915
Accumulated depreciation	<u>(21,376,852)</u>	<u>(20,171,697)</u>
Net property, plant and equipment	<u>14,534,841</u>	<u>15,750,550</u>
Total assets	<u>\$ 19,461,380</u>	<u>19,863,501</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	55,608	50,428
Accrued payroll and related liabilities	9,182	35,448
Accrued annual leave	70,438	69,382
Accrued interest	4,022	5,027
Current portion of loans payable	<u>300,650</u>	<u>299,991</u>
Total current liabilities	439,900	460,276
Noncurrent liabilities - loans payable, net of current portion	<u>2,001,995</u>	<u>2,302,645</u>
Total liabilities	<u>2,441,895</u>	<u>2,762,921</u>
Net assets:		
Invested in capital assets, net of related debt	12,232,196	13,147,914
Unrestricted	<u>4,787,289</u>	<u>3,952,666</u>
Total net assets	<u>17,019,485</u>	<u>17,100,580</u>
Total liabilities and net assets	<u>\$ 19,461,380</u>	<u>19,863,501</u>

## CITY OF KODIAK, ALASKA

Sewer Utility Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Sewer charges	\$ 3,559,577	3,449,952
Septic truck fees	48,489	47,091
Lab testing fees	24,938	16,960
Other	2,153	17,624
Total operating revenues	<u>3,635,157</u>	<u>3,531,627</u>
Operating expenses:		
Sewer department:		
Salaries and benefits	124,728	118,681
Professional	16,595	39,461
Goods and services	36,502	37,631
Repairs and maintenance	19,408	6,286
Total sewer department	<u>197,233</u>	<u>202,059</u>
Wastewater treatment:		
Salaries and benefits	939,749	852,833
Professional	8,088	5,120
Goods and services	153,351	161,589
Utilities and fuel	570,786	485,525
Machinery and equipment	7,860	980
Total wastewater treatment	<u>1,679,834</u>	<u>1,506,047</u>
Interfund charges:		
Finance and administration	87,360	71,080
Public works services	39,422	33,260
Engineering	12,640	17,780
Total interfund charges	<u>139,422</u>	<u>122,120</u>
Depreciation	<u>1,215,709</u>	<u>1,217,546</u>
Total operating expenses	<u>3,232,198</u>	<u>3,047,772</u>
Earnings from operations	402,959	483,855
Nonoperating revenues (expenses):		
Investment income	1,388	15,389
Interest expense	(35,028)	(25,756)
State PERS relief	61,523	40,516
Other nonoperating revenues	3,063	5,259
Net nonoperating revenues (expenses)	<u>30,946</u>	<u>35,408</u>
Earnings before transfers	433,905	519,263
Transfers in	-	15,000
Transfers out	<u>(515,000)</u>	<u>(678,633)</u>
Change in net assets	(81,095)	(144,370)
Net assets at beginning of year	<u>17,100,580</u>	<u>17,244,950</u>
Net assets at end of year	<u>\$ 17,019,485</u>	<u>17,100,580</u>

**CITY OF KODIAK, ALASKA**  
Sewer Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,601,798	3,539,646
Payments for interfund services used	(139,422)	(122,120)
Payments to suppliers	(805,784)	(741,942)
Payments to employees	<u>(1,028,164)</u>	<u>(955,310)</u>
Net cash flows from operating activities	<u>1,628,428</u>	<u>1,720,274</u>
Cash flows from noncapital financing activities - transfers out	<u>(515,000)</u>	<u>(678,633)</u>
Cash flows from capital and related financing activities:		
Principal paid on loans	(299,991)	(299,343)
Interest paid on loans	(36,033)	(26,795)
Proceeds from loans	-	654,633
Transfers in	<u>-</u>	<u>15,000</u>
Net cash flows from capital and related financing activities	<u>(336,024)</u>	<u>343,495</u>
Cash flows from investing activities - investment income received	<u>1,388</u>	<u>8,266</u>
Net increase in cash and investments	778,792	1,393,402
Cash and investments at beginning of year	<u>3,791,428</u>	<u>2,398,026</u>
Cash and investments at end of year	\$ <u><u>4,570,220</u></u>	<u><u>3,791,428</u></u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	402,959	483,855
Adjustments to reconcile earnings from operations to net cash provided (used) by operating activities:		
Depreciation	1,215,709	1,217,546
Noncash expense - State PERS relief	61,523	40,516
Other nonoperating revenues	3,063	5,259
(Increase) decrease in assets:		
Accounts receivable	(36,422)	2,760
Inventory	1,626	(1,826)
Increase (decrease) in liabilities:		
Accounts payable	5,180	(3,524)
Accrued payroll and related liabilities	(26,266)	2,993
Accrued annual leave	<u>1,056</u>	<u>(27,305)</u>
Net cash flows from operating activities	\$ <u><u>1,628,428</u></u>	<u><u>1,720,274</u></u>

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Statement of Net Assets  
 June 30, 2012  
 (With Comparative Amounts for 2011)

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 152	301
Accounts receivable	6,966	3,737
Total current assets	7,118	4,038
Property, plant and equipment:		
Improvements other than buildings	5,589,593	5,589,593
Accumulated depreciation	(1,035,585)	(756,105)
Net property, plant and equipment	4,554,008	4,833,488
Total assets	\$ 4,561,126	4,837,526
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,612	1,446
Customer deposits	1,536	1,536
Due to other funds	149,000	119,884
Total current liabilities	152,148	122,866
Net assets:		
Invested in capital assets	4,554,008	4,833,488
Unrestricted (deficit)	(145,030)	(118,828)
Total net assets	4,408,978	4,714,660
Total liabilities and net assets	\$ 4,561,126	4,837,526

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Moorage	\$ 13,372	10,852
Rentals	<u>30,352</u>	<u>22,118</u>
Total operating revenues	<u>43,724</u>	<u>32,970</u>
Operating expenses:		
Professional	14,457	3,515
Goods and services	8,500	19,221
Utilities and fuel	4,010	10,276
Administrative services	3,248	2,760
Interfund charges:		
Finance and administration	17,470	14,220
Public works services	19,711	16,634
Engineering	2,530	7,110
Depreciation	<u>279,480</u>	<u>279,480</u>
Total operating expenses	<u>349,406</u>	<u>353,216</u>
Loss from operations	(305,682)	(320,246)
Nonoperating revenues - investment income	<u>-</u>	<u>714</u>
Loss before contributions	(305,682)	(319,532)
Capital contributions	<u>-</u>	<u>13,913</u>
Change in net assets	(305,682)	(305,619)
Net assets at beginning of year	<u>4,714,660</u>	<u>5,020,279</u>
Net assets at end of year	\$ <u>4,408,978</u>	<u>4,714,660</u>

**CITY OF KODIAK, ALASKA**  
 Trident Basin Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 40,495	34,494
Payments for interfund services used	(39,711)	(37,964)
Payments to suppliers	<u>(30,049)</u>	<u>(35,728)</u>
Net cash flows from operating activities	<u>(29,265)</u>	<u>(39,198)</u>
 Cash flows from capital and related financing activities:		
Increase (decrease) in due to other funds	29,116	(95,830)
Capital contributions received	<u>-</u>	<u>134,615</u>
Net cash flows from capital and related financing activities	<u>29,116</u>	<u>38,785</u>
 Cash flows from investing activities -		
investment income received	<u>-</u>	<u>714</u>
 Net increase (decrease) in cash and investments	(149)	301
 Cash and investments at beginning of year	<u>301</u>	<u>-</u>
 Cash and investments at end of year	\$ <u><u>152</u></u>	<u><u>301</u></u>
 Reconciliation of loss from operations to net cash		
flows from operating activities:		
Loss from operations	(305,682)	(320,246)
Adjustments to reconcile loss from operations		
to net cash provided (used) by operating activities:		
Depreciation	279,480	279,480
(Increase) decrease in assets - accounts receivable	(3,229)	1,524
Increase in liabilities - accounts payable	<u>166</u>	<u>44</u>
Net cash flows from operating activities	\$ <u><u>(29,265)</u></u>	<u><u>(39,198)</u></u>

**CITY OF KODIAK, ALASKA**  
 Boat Yard/Lift Enterprise Fund  
 Statement of Net Assets  
 June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 4,980	-
Accounts receivable	33,851	443
Total current assets	<u>38,831</u>	<u>443</u>
Noncurrent assets:		
Restricted cash and investments - bond reserve	<u>375,469</u>	<u>375,469</u>
Property, plant and equipment:		
Machinery and equipment	18,104,101	18,104,101
Accumulated depreciation	<u>(1,062,461)</u>	<u>(532,480)</u>
Net property, plant and equipment	<u>17,041,640</u>	<u>17,571,621</u>
Total noncurrent assets	<u>17,417,109</u>	<u>17,947,090</u>
Total assets	\$ <u>17,455,940</u>	<u>17,947,533</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	15,943	5,129
Accrued payroll and related liabilities	2,028	5,354
Accrued annual leave	2,002	2,275
Accrued interest	78,581	79,881
Current portion of bonds and loan payable	126,500	121,500
Deferred revenue	4,500	1,785
Total current liabilities	<u>229,554</u>	<u>215,924</u>
Noncurrent liabilities:		
Revenue bonds, net of current portion	4,700,000	4,780,000
Loan payable, net of current portion	790,500	837,000
Advance from other funds	187,000	539,568
Total noncurrent liabilities	<u>5,677,500</u>	<u>6,156,568</u>
Total liabilities	<u>5,907,054</u>	<u>6,372,492</u>
Net assets:		
Invested in capital assets, net of related debt	11,424,640	11,833,121
Restricted for debt service	375,469	375,469
Unrestricted (deficit)	<u>(251,223)</u>	<u>(633,549)</u>
Total net assets	<u>11,548,886</u>	<u>11,575,041</u>
Total liabilities and net assets	\$ <u>17,455,940</u>	<u>17,947,533</u>

**CITY OF KODIAK, ALASKA**  
 Boat Yard/Lift Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for service	\$ 228,873	280,031
Other	<u>11,016</u>	<u>13,814</u>
Total operating revenues	<u>239,889</u>	<u>293,845</u>
Operating expenses:		
Salaries and benefits	167,334	159,037
Professional	35,120	76,838
Goods and services	91,454	97,895
Machinery and equipment	14,193	16,504
Depreciation	<u>529,981</u>	<u>529,981</u>
Total operating expenses	<u>838,082</u>	<u>880,255</u>
Loss from operations	(598,193)	(586,410)
Nonoperating revenues (expenses):		
Investment income (loss)	-	(17,509)
State PERS relief	13,078	6,990
Interest expense	<u>(241,040)</u>	<u>(240,267)</u>
Net nonoperating revenues (expenses)	<u>(227,962)</u>	<u>(250,786)</u>
Loss before transfers	(826,155)	(837,196)
Transfers in	<u>800,000</u>	<u>1,783,431</u>
Change in net assets	(26,155)	946,235
Net assets at beginning of year	<u>11,575,041</u>	<u>10,628,806</u>
Net assets at end of year	\$ <u>11,548,886</u>	<u>11,575,041</u>



**CITY OF KODIAK, ALASKA**  
 Boat Yard/Lift Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 209,196	269,875
Payments to suppliers	(129,953)	(271,356)
Payments to employees	(157,855)	(152,241)
Net cash flows from operating activities	<u>(78,612)</u>	<u>(153,722)</u>
Cash flows from capital and related financing activities:		
Transfers in	800,000	1,783,431
Principal paid on long-term debt	(121,500)	(116,500)
Interest paid on long-term debt	(242,340)	(241,517)
Decrease in advances from other funds	(352,568)	(1,254,183)
Net cash flows from capital and related financing activities	<u>83,592</u>	<u>171,231</u>
Cash flows from investing activities -		
investment income received (loss)	<u>-</u>	<u>(17,509)</u>
Net increase in cash and investments	4,980	-
Cash and investments at beginning of year	<u>375,469</u>	<u>375,469</u>
Cash and investments at end of year	\$ <u>380,449</u>	<u>375,469</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	4,980	-
Restricted cash and investments	<u>375,469</u>	<u>375,469</u>
	\$ <u>380,449</u>	<u>375,469</u>
Reconciliation of loss from operations to net cash		
flows from operating activities:		
Loss from operations	(598,193)	(586,410)
Adjustments to reconcile loss from operations		
to net cash provided (used) by operating activities:		
Depreciation	529,981	529,981
Noncash expense - State PERS relief	13,078	6,990
(Increase) decrease in assets - accounts receivable	(33,408)	2,337
Increase (decrease) in liabilities:		
Accounts payable	10,814	(80,119)
Accrued payroll and related liabilities	(3,326)	(1,948)
Accrued annual leave	(273)	1,754
Customer deposits	-	(28,092)
Deferred revenue	<u>2,715</u>	<u>1,785</u>
Net cash flows from operating activities	\$ <u>(78,612)</u>	<u>(153,722)</u>

**CITY OF KODIAK, ALASKA**  
E-911 Services Enterprise Fund  
Statement of Net Assets  
June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets - receivable from Kodiak Island Borough	\$ <u>167,487</u>	<u>151,160</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - due to other funds	67,000	386,412
Net assets - unrestricted (deficit)	<u>100,487</u>	<u>(235,252)</u>
Total liabilities and net assets	\$ <u>167,487</u>	<u>151,160</u>

**CITY OF KODIAK, ALASKA**  
E-911 Services Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues - charges for services	\$ <u>66,287</u>	<u>67,428</u>
Operating expenses - salaries and benefits	<u>5,548</u>	<u>5,518</u>
Earnings before transfers	60,739	61,910
Transfers in	275,000	-
Transfers out	<u>-</u>	<u>(300,640)</u>
Change in net assets	335,739	(238,730)
Net assets (deficit) at beginning of year	<u>(235,252)</u>	<u>3,478</u>
Net assets (deficit) at end of year	\$ <u><u>100,487</u></u>	<u><u>(235,252)</u></u>

**CITY OF KODIAK, ALASKA**  
E-911 Services Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 49,960	14,699
Payments to employees	<u>(5,548)</u>	<u>(5,518)</u>
Net cash flows from operating activities	<u>44,412</u>	<u>9,181</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in due to other funds	(319,412)	291,459
Transfers in	275,000	-
Transfers out	<u>-</u>	<u>(300,640)</u>
Net cash flows from noncapital financing activities	<u>(44,412)</u>	<u>(9,181)</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	60,739	61,910
Adjustments to reconcile earnings from operations to net cash provided (used) by operating activities - increase in accounts receivable	<u>(16,327)</u>	<u>(52,729)</u>
Net cash flows from operating activities	\$ <u><u>44,412</u></u>	<u><u>9,181</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, 2012  
 (With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ <u>338,338</u>	<u>666,523</u>
<u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable	1,651	-
Net assets - unrestricted	<u>336,687</u>	<u>666,523</u>
Total liabilities and net assets	\$ <u>338,338</u>	<u>666,523</u>

**CITY OF KODIAK, ALASKA**  
Insurance Internal Service Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Operating revenues - charges for services	\$ 537,521	676,889
Operating expenses - insurance	<u>467,495</u>	<u>475,955</u>
Earnings from operations	70,026	200,934
Nonoperating revenues - investment income	<u>138</u>	<u>3,181</u>
Earnings before transfers	70,164	204,115
Transfers out	<u>(400,000)</u>	<u>-</u>
Change in net assets	(329,836)	204,115
Net assets at beginning of year	<u>666,523</u>	<u>462,408</u>
Net assets at end of year	\$ <u>336,687</u>	<u>666,523</u>

**CITY OF KODIAK, ALASKA**  
Insurance Internal Service Fund  
Statement of Cash Flows  
Year Ended June 30, 2012  
(With Comparative Amounts for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 537,521	676,889
Payments to suppliers	<u>(465,844)</u>	<u>(477,177)</u>
Net cash flows from operating activities	<u>71,677</u>	<u>199,712</u>
Cash flows from noncapital financing activities - transfers out	<u>(400,000)</u>	<u>-</u>
Cash flows from investing activities - investment income received	<u>138</u>	<u>3,181</u>
Net increase (decrease) in cash and investments	(328,185)	202,893
Cash and investments at beginning of year	<u>666,523</u>	<u>463,630</u>
Cash and investments at end of year	\$ <u><u>338,338</u></u>	<u><u>666,523</u></u>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	70,026	200,934
Adjustments to reconcile earnings from operations to net cash provided (used) by operating activities - increase (decrease) in liabilities - accounts payable	<u>1,651</u>	<u>(1,222)</u>
Net cash flows from operating activities	\$ <u><u>71,677</u></u>	<u><u>199,712</u></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, 2012

	Balance at July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2012</u>
Current assets:				
Cash and investments	\$ 110,036	123,667	74,865	158,838
Accounts receivable	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>
Total assets	\$ <u>110,036</u>	<u>123,786</u>	<u>74,865</u>	<u>158,957</u>
Current liabilities:				
Accounts payable	43,090	83,534	74,483	52,141
Due to others	<u>66,946</u>	<u>123,786</u>	<u>83,916</u>	<u>106,816</u>
Total liabilities	\$ <u>110,036</u>	<u>207,320</u>	<u>158,399</u>	<u>158,957</u>

## **FEDERAL AND STATE EXPENDITURES**

The Schedules of Expenditures of Federal Awards and State Financial Assistance itemizes the sources of grant funds received by the City during the year and corresponding expenditures as required by Government Auditing Standards.

**CITY OF KODIAK, ALASKA**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2012

<u>Federal Grant Title</u>	<u>Grant Number</u>	Catalog of Federal Domestic Assistance <u>Number</u>	Total Grant Award	July 1, 2011 Receivable (Deferred)	Federal Share of Expend- itures	Federal Grant Receipts	June 30, 2012 Receivable (Deferred)
<b>Department of Interior</b>							
Historic Preservation of the Erskine House/Baranov Museum	02-01-05	15.904	\$250,000	(13,944)	8,036	-	(5,908)
<b>Department of Homeland Security</b>							
Passed through the State of Alaska							
Department of Military and Veterans Affairs:							
Emergency Management Program	10EMPG-GR35581	97.042	37,500	3,388	-	3,388	-
Emergency Management Program	11EMPG-GR35584	97.042	15,000	-	15,000	14,262	738
Total CFDA 97.042				<u>3,388</u>	<u>15,000</u>	<u>17,650</u>	<u>738</u>
State Homeland Security Grant	08SHSP-GR34057	97.067	4,230	3,227	-	3,227	-
State Homeland Security Grant	09SHSP-GR34058	97.067	29,947	-	29,947	29,947	-
State Homeland Security Grant	11SHSP-GR34076	97.067	25,000	-	24,650	-	24,650
Total CFDA 97.067				<u>3,227</u>	<u>54,597</u>	<u>33,174</u>	<u>24,650</u>
Total Department of Homeland Security				<u>6,615</u>	<u>69,597</u>	<u>50,824</u>	<u>25,388</u>
<b>Department of Energy</b>							
ARRA - Energy Efficiency and Conservation	RW0000047	81.128	50,000	29,756	8,246	34,408	3,594
<b>Institute of Museum and Library Services</b>							
Continuing Education Block Grant	CED-12-702-169	45.310	1,000	-	1,000	1,000	-
<b>Environmental Protection Agency</b>							
UV Disinfection Facility	XP-00J33001-0	66.202	768,000	200,022	567,978	743,207	24,793
<b>Department of Justice</b>							
Bulletproof Vest Partnership	APP #02012514	16.607	15,159	393	377	393	377
Total Federal Financial Assistance			\$	<u>222,842</u>	<u>655,234</u>	<u>829,832</u>	<u>48,244</u>

**CITY OF KODIAK, ALASKA**  
 Schedule of State Financial Assistance  
 Year Ended June 30, 2012

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2011 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2012 Receivable (Deferred)</u>
<b>Department of Commerce, Community and Economic Development</b>						
Baranof Park Improvements	09-DC-096	\$ 100,000	-	98,395	98,395	-
* Baranof Park Improvements	12-DC-387	2,000,000	-	2,000,000	30,840	1,969,160
Municipal Airport Improvements	07-DC-499	700,000	7,687	-	7,687	-
* New Library Construction	12-DC-444	6,900,000	-	705,362	370,175	335,187
* Pedestrian Improve between Dock/Downtown	(2) 10-DC-020	700,000	-	183,343	182,968	375
* Fisheries Business Tax	821080	120,822	-	120,822	120,822	-
Cruise Ship Revenue	2012	32,623	-	32,623	32,623	-
Total Department of Commerce, Community and Economic Development			<u>7,687</u>	<u>3,140,545</u>	<u>843,510</u>	<u>2,304,722</u>
<b>Department of Corrections</b>						
Local Community Jails Program	N/A	41,000	-	41,000	41,000	-
<b>Department of Environmental Conservation</b>						
Aleutian Home Water & Sewer Replacement, Phase II	50335	1,481,000	74,050	-	74,050	-
Aleutian Home Water & Sewer Replacement, Phase 4	50336	1,764,000	176,400	-	176,400	-
* UV Secondary Water Treatment Facility	50337	5,404,452	716,391	3,362,197	3,865,902	212,686
Total Department of Environmental Conservation			<u>966,841</u>	<u>3,362,197</u>	<u>4,116,352</u>	<u>212,686</u>
<b>Department of Revenue</b>						
* Raw Fish Tax Sharing	2012	1,123,205	-	1,123,205	1,123,205	-
* State Revenue Sharing	2012	534,336	-	534,336	534,336	-
Aviation Gas Sharing	2012	6,882	-	6,882	6,882	-
Alcohol Beverage Sharing	2012	22,500	-	22,500	22,500	-
Telephone/Electric Cooperative	2012	41,300	-	41,300	41,300	-
Total Department of Revenue			<u>-</u>	<u>1,728,223</u>	<u>1,728,223</u>	<u>-</u>
<b>Department of Education and Early Development</b>						
Public Library Assistance	PLA-12-702-42	6,500	-	6,500	6,500	-
Interlibrary Cooperation Grant	ILC-12-702-142	1,836	-	1,836	1,836	-
Total Department of Education and Early Development			<u>-</u>	<u>8,336</u>	<u>8,336</u>	<u>-</u>
<b>Department of Administration</b>						
* PERS Relief	2012	822,600	-	822,600	822,600	-
Total State Financial Assistance		\$	<u>974,528</u>	<u>9,102,901</u>	<u>7,560,021</u>	<u>2,517,408</u>

\* Major program

## CITY OF KODIAK, ALASKA

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

Year Ended June 30, 2012

1) Basis of Presentation

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

2) Grant Cost Reallocation

The City is administrating a large capital project that is being funded by various funding sources. In 2012, the City reclassified certain prior year costs from one grant to another. The City coordinated this change with the granting agency. Both grants follow the same audit compliance supplement and agency provided audit program. Costs were tested and deemed eligible under both programs. Because the underlying expenses were incurred in a prior year, they are not reflected on the 2012 Schedule of State Financial Assistance.

Department of Commerce, Community, and Economic Development:

09-DC-557	Cruise Ship/Pier II Master plan	\$246,772
10-DC-020	Pedestrian Improvements between Cruise Ship Dock (Pier II)	(\$246,772)

## STATISTICAL SECTION

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
Financial Trends	126-130
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity	131-135
These schedules contain information to help the reader assess the government’s most significant local revenue source, sales tax, and other information on property taxes.	
Debt Capacity	136-139
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	140-142
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	143-144
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

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

**CITY OF KODIAK**  
 Net Assets by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
Invested in capital assets,										
net of related debt \$	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	42,372,752
Unrestricted	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	13,398,387
Total governmental activities										
net assets \$	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	55,771,139
<b>Business-type activities:</b>										
Invested in capital assets,										
net of related debt \$	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	69,584,419
Restricted	-	-	259,875	221,450	221,450	653,862	505,050	505,050	505,050	505,050
Unrestricted	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	16,143,082
Total business-type activities										
net assets \$	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	86,232,551
<b>Primary government:</b>										
Invested in capital assets,										
net of related debt \$	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	111,957,171
Restricted	-	-	259,875	221,450	221,450	653,862	505,050	505,050	505,050	505,050
Unrestricted	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	29,541,469
Total primary government										
activities net assets \$	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	142,003,690



Table 2

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	2,657,730
Public safety	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	7,809,554
Public works	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	2,493,956
Engineering	263,998	147,284	157,750	215,981	167,571	167,812	140,886	121,747	91,293	146,051
Parks & recreation	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	1,251,567
Library	622,544	645,675	638,789	639,399	669,518	711,172	697,856	712,625	680,410	847,458
Community services	336,314	399,985	282,011	262,834	213,032	126,562	435,970	277,041	259,692	306,906
Interest on long-term debt	-	-	-	-	-	75,410	398,252	383,928	906,057	369,052
Total governmental activities expenses	10,322,620	10,491,377	13,996,882	12,045,621	11,688,283	12,633,700	15,426,681	13,813,076	15,971,340	15,882,274
Business-type activities:										
Cargo Pier	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	1,466,240
Boat Harbor	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	3,207,233
Boat Yard/Lift	-	-	-	-	-	-	35,019	528,977	1,117,928	1,078,009
Harbor Electric	461,058	449,179	471,593	488,004	640,125	648,498	611,387	605,989	633,313	804,834
Water Utility	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	2,635,421
Sewer Utility	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	3,261,989
Trident Basin	-	-	-	67,105	152,474	192,228	177,482	154,777	353,216	349,406
E-911 Services	-	-	-	-	-	-	-	37,553	5,518	5,548
Total business-type activities expenses	8,455,680	8,266,419	8,165,978	8,998,642	13,167,799	11,811,030	13,267,730	11,550,699	11,790,646	12,808,680
Total primary government expenses	\$ 18,778,300	18,757,796	22,162,860	21,044,263	24,856,082	24,444,730	28,694,411	25,363,775	27,761,986	28,690,954
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 682,442	584,789	699,789	589,054	520,490	671,690	625,030	597,860	531,322	722,265
Public safety	862,593	995,157	908,256	910,753	1,003,467	1,022,257	1,033,791	914,020	1,111,833	1,246,856
Public works	151,727	938,371	376,077	395,490	406,595	357,420	313,568	288,198	235,343	238,617
Engineering	189,264	60,000	60,000	60,000	89,250	88,740	142,175	224,241	226,355	294,424
Parks & recreation	110,903	101,114	97,895	117,795	125,332	115,562	117,173	135,733	133,100	134,440
Library	17,758	19,901	24,451	23,334	18,578	18,623	16,140	15,980	12,542	13,692
Community services	101,634	55,751	-	-	-	-	-	-	40,897	42,712
Operating grants and contributions	74,734	14,587	10,500	20,700	12,700	37,154	44,520	733,005	292,846	392,273
Capital grants and contributions	190,467	634,174	1,394,878	1,265,164	520,832	1,007,347	2,311,754	1,119,257	2,770,746	2,821,724
Total governmental activities program revenues	2,381,522	3,403,844	3,571,846	3,382,290	2,697,244	3,318,793	4,604,151	4,028,294	5,354,984	5,907,003
Business-type activities:										
Charges for services:										
Cargo Pier	792,974	874,720	925,354	1,069,814	1,140,213	1,193,416	1,264,758	1,251,294	1,281,292	1,223,352
Boat Harbor	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	2,507,552
Boat Yard/Lift	-	-	-	-	-	-	320,574	293,845	239,889	239,889
Harbor Electric	456,923	442,330	423,407	547,840	678,706	682,471	708,714	654,986	707,770	834,600
Water Utility	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	3,192,048
Sewer Utility	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	3,638,220
Trident Basin	-	-	-	19,791	17,765	28,319	30,571	33,266	32,970	43,724
E-911 Services	-	-	-	-	-	-	-	66,901	67,428	66,287
Operating grants and contributions	-	2,778	-	-	-	-	-	136,560	252,109	385,985
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	3,930,175
Total business-type activities program revenues	7,523,597	6,953,959	8,903,723	9,880,167	12,696,482	13,615,517	17,446,907	11,543,281	12,641,135	16,061,832
Total primary government program revenues	\$ 9,905,119	10,357,803	12,475,569	13,262,457	15,393,726	16,934,310	22,051,058	15,571,575	17,996,119	21,968,835
Net (expense)/revenue:										
Governmental activities	\$ (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)	(9,975,271)
Business-type activities	(932,083)	(1,312,460)	737,745	881,525	(471,317)	1,804,487	4,179,177	(7,418)	850,489	3,253,152
Total primary government net expenses	\$ (8,873,181)	(8,399,993)	(9,687,291)	(7,781,806)	(9,462,356)	(7,510,420)	(6,643,353)	(9,792,200)	(9,765,867)	(6,722,119)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 638,092	618,751	630,567	632,495	632,102	655,943	651,699	665,999	921,052	917,599
Sales taxes	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	10,259,515
Other taxes, penalties and interest	126,079	121,082	171,318	2,246	125,284	174,443	199,832	179,427	23,199	209,156
Loss on disposal of assets	-	-	-	(213,435)	-	-	-	-	-	-
Grants and entitlements not restricted to a specific purpose	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	2,199,410
Investment income	583,096	183,015	509,793	402,339	946,861	993,447	730,096	270,673	238,969	94,331
Land sales	-	-	-	-	-	1,415,900	1,518,308	746,475	-	-
Other	72,398	-	13,798	249,022	172,748	64,491	1,168,070	651,281	271,973	19,471
Transfers	(437,000)	(470,000)	(381,683)	(1,380,000)	(1,626,886)	(700,000)	1,126,811	(160,262)	(135,360)	540,382
Total governmental activities	<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>	<u>14,239,864</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	386,858	113,756	284,567	545,117	856,379	729,548	260,355	60,850	79,708	17,285
Other	(15,640)	283,715	(166,436)	(48,084)	53,580	194,034	180,238	-	-	-
Transfers	437,000	470,000	381,683	1,380,000	1,626,886	700,000	(1,126,811)	160,262	135,360	(540,382)
Total business-type activities	<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>	<u>(523,097)</u>
Total primary government	\$ <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>	\$ <u>13,716,767</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ 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	4,264,593
Business-type activities	(123,865)	(444,989)	1,237,559	2,810,050	2,065,528	3,428,069	3,492,959	393,483	1,065,557	2,730,055
Total primary government	\$ <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>	\$ <u>6,994,648</u>

## CITY OF KODIAK

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Nonspendable - prepaid items	\$ -	-	-	-	-	-	-	-	2,117	-
Assigned:										
Subsequent year's expenditures	-	-	-	-	-	-	-	-	1,638,770	1,490,854
Unassigned	-	-	-	-	-	-	-	-	4,865,844	5,238,816
Total General Fund	\$ -	-	-	-	-	-	-	-	6,506,731	6,729,670
All other governmental funds:										
Committed:										
Tourism	\$ -	-	-	-	-	-	-	-	206,694	236,859
Enhancement Fund	-	-	-	-	-	-	-	-	4,778,691	1,990,740
Assigned:										
Capital projects	-	-	-	-	-	-	-	-	1,967,895	4,988,688
Public works	-	-	-	-	-	-	-	-	26,878	19,441
Unassigned (deficit)	-	-	-	-	-	-	-	-	(1,685,144)	(234,875)
Total other governmental funds	\$ -	-	-	-	-	-	-	-	5,295,014	7,000,853
General Fund:										
Reserved	\$ 1,535,196	876,022	24,109	4,410	251,108	48,735	14,622	13,618	-	-
Unreserved	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	\$ 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	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	-	-	4,631,014	5,519,696	6,680,620	14,765,170	15,263,690	3,645,026	-	-
Total other governmental funds	\$ 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.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 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	11,386,270
Intergovernmental	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	5,411,721
Charges for services	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	1,602,132
Fines and forfeitures	19,180	36,890	44,770	55,934	29,452	55,479	20,122	23,514	6,156	3,619
Licenses and permits	38,063	54,758	58,319	43,064	51,535	102,748	76,679	70,489	93,193	71,957
Rental income	196,331	225,284	231,496	187,374	168,356	136,480	213,460	198,188	166,373	197,032
Interfund charges	616,410	516,477	662,020	605,160	609,740	760,430	690,920	678,820	662,872	813,225
Investment income	583,096	183,015	509,793	383,909	878,442	944,184	722,722	268,746	236,576	94,193
Special assessments	40,362	55,389	246,921	293,351	195,827	99,587	91,300	81,088	57,242	47,057
Sale of land	-	-	-	-	-	1,415,330	1,518,308	746,475	-	-
Other revenues	99,428	21,846	13,673	90,658	110,960	65,061	14,155	651,281	271,973	21,157
Total revenues	\$ <u>11,921,611</u>	<u>11,973,298</u>	<u>13,304,044</u>	<u>14,044,043</u>	<u>14,469,243</u>	<u>18,045,751</u>	<u>19,191,070</u>	<u>17,574,102</u>	<u>17,948,020</u>	<u>19,648,363</u>
<b>Expenditures</b>										
General government	\$ 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	2,167,022
Public safety	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	7,130,363
Public works	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	2,763,027
Engineering	246,621	142,789	168,871	216,394	158,090	162,559	128,245	143,630	87,209	150,113
Parks and recreation	771,511	903,068	850,848	950,291	986,890	1,006,513	1,013,620	1,089,285	1,148,482	1,128,736
Library	570,322	622,716	598,915	650,423	668,146	704,219	695,715	720,071	680,345	778,930
Community services	273,865	287,487	279,689	260,513	262,754	267,839	426,747	267,818	250,469	297,683
Other - insurance and administration	320,053	399,985	548,991	497,178	461,949	484,548	474,613	525,528	529,442	517,399
Debt service principal	-	-	-	-	-	-	135,000	145,000	150,000	155,000
Debt service interest	-	-	-	-	-	15,344	377,227	385,740	378,490	370,990
Capital outlay	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	3,200,704
Total expenditures	\$ <u>10,681,490</u>	<u>12,615,523</u>	<u>16,638,659</u>	<u>14,224,047</u>	<u>12,835,249</u>	<u>14,455,165</u>	<u>22,699,869</u>	<u>27,194,713</u>	<u>22,940,862</u>	<u>18,659,967</u>
Excess of revenues over (under) expenditures	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)	988,396
<b>Other financing sources (uses)</b>										
General obligation bond issuance	-	-	-	-	-	8,000,000	-	-	-	-
Transfers in	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	5,753,450
Transfers out	(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)	(4,813,068)
Proceeds from sale of assets	7,700	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>(187,000)</u>	<u>30,000</u>	<u>(381,683)</u>	<u>(1,380,000)</u>	<u>(1,626,886)</u>	<u>8,500,000</u>	<u>1,733,293</u>	<u>(160,262)</u>	<u>(135,360)</u>	<u>940,382</u>
Net change in fund balances	\$ <u>1,053,121</u>	<u>(612,225)</u>	<u>(3,716,298)</u>	<u>(1,560,004)</u>	<u>7,108</u>	<u>12,090,586</u>	<u>(1,775,506)</u>	<u>(9,780,873)</u>	<u>(5,128,202)</u>	<u>1,928,778</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	3.45%	4.00%	3.40%	3.58%

**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>
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
2012	917,599	10,259,515	171,564	11,348,678

**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					
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%
2012	276,733,900	140,575,600	26,514,600	390,794,900	2.00	436,298,000	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
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
2012	2.00	0.00	2.00	10.75	10.75	10.75	12.75	10.75

Source: City of Kodiak records and Kodiak Island Borough records

## CITY OF KODIAK

Top Ten Sales Tax Business Categories & Principal Property Taxpayers  
June 30, 2012

<u>Business Category</u>	2012		Percentage of Total Sales Receipts
	Total Sales Receipts	Rank	
Retail Trade	\$ 170,477,621	1	39.41%
Wholesale Trade	67,651,260	2	15.64%
Construction	48,988,464	3	11.32%
Utilities	35,613,152	4	8.23%
Manufacturing	26,389,508	5	6.10%
Accommodation and Food Services	22,962,481	6	5.31%
Real Estate and Rental and Leasing	15,871,309	7	3.67%
Other Services (except Public Administration)	13,973,306	8	3.23%
Information	10,875,109	9	2.51%
Transportation and Warehousing	7,694,998	10	1.78%
	\$ <u>420,497,208</u>		<u>97.20%</u>

<u>Taxpayer</u>	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed
			Value
Westward Seafoods, Inc	\$ 13,005,300	1	3.33%
International Seafoods of Alaska	12,172,100	2	3.11%
Alaska Communciations Systems	10,238,700	3	2.62%
Wal-Mart/Sams Club	9,540,700	4	2.44%
Ocean Beauty Seafoods LLC	9,351,400	5	2.39%
Brechan Enterprises Inc	8,468,200	6	2.17%
Mill Bay Plaza Associates, Ltd	6,841,700	7	1.75%
Trident Seafoods Corporation	5,368,500	8	1.37%
Alaska Pacific Seafoods	5,170,300	9	1.32%
GCI Communication Corp	4,942,700	10	1.26%
	\$ <u>85,099,600</u>		<u>21.76%</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
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	661,700	100.00%
2011	775,087	759,262	97.96%	3,494	762,756	98.41%
2012	780,820	772,189	98.89%	1,488	773,677	99.09%

**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		
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
2012	7,415,000	6,685,000	3,139,645	1,589,186	7.4%	2,983

**CITY OF KODIAK**  
 Direct and Overlapping Debt  
 As of June 30, 2012

<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	\$ 7,415,000	100%	\$ <u>7,415,000</u>
Kodiak Island Borough			
General Obligation Bonds	<u>28,951,867</u>	41%	<u>11,870,265</u>
Total direct and overlapping debt	\$ <u><u>36,366,867</u></u>		\$ <u><u>19,285,265</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, 2012

Assessed Value	\$ 417,309,500
Less Exempt Property	<u>26,514,600</u>
Total	\$ 390,794,900

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

Source: Kodiak Island Borough assessment reports

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

Fiscal Year	Water Utility Revenue Bonds					
	Water Utility Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	-	-	-
2012	3,192,048	1,867,559	1,324,489	-	-	-

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>
2003	6,161	\$ 169,690,463	\$ 27,542	2,697	10.2%
2004	6,194	179,615,748	28,998	2,696	10.3%
2005	6,088	185,356,421	30,446	2,701	8.8%
2006	5,937	194,989,036	32,843	2,736	8.7%
2007	5,689	206,202,418	36,246	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%
2012	6,312	254,651,328	40,344	2,524	5.8%

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>2012 Rank</u>	<u>2003 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

<b>Function</b>	<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>	<u>2012</u>
General Government	12.00	11.00	12.50	12.50	11.30	12.05	12.05	12.30	12.30	12.30
Public Safety:										
Police	36.00	36.00	36.00	35.00	35.00	37.00	37.00	37.00	41.50	41.50
Fire	12.50	12.75	12.75	12.75	12.75	13.75	13.75	13.75	13.75	13.75
Public Works	10.00	10.00	10.00	10.00	9.50	9.50	9.50	9.50	9.50	9.50
Engineering	4.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	6.00	5.00	5.00	5.00	5.00	5.00	6.00	5.00	7.25	5.75
Library	7.00	7.00	7.00	7.00	6.75	6.75	6.75	6.75	7.00	7.00
Harbor	13.00	14.00	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	6.60	6.60	6.85	6.60	6.60	6.60
Sewer	8.00	8.00	8.00	7.00	7.80	8.60	8.35	9.35	9.35	9.35
<b>Total</b>	<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>116.25</u>	<u>118.65</u>	<u>125.65</u>	<u>124.15</u>

Note: Full-time equivalent employees are permanent employees.



Table 17

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

<b>Function</b>	<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>	<u>2012</u>
<b>Police:</b>										
Complaints investigated	7,304	7,512	7,352	7,796	8,195	8,376	8,839	7,716	8,746	10,168
Motor vehicle collision reports	223	191	126	180	86	67	89	124	89	118
Bookings/admissions	1,045	1,027	900	1,000	959	850	917	917	864	849
Investigations conducted	233	172	240	264	200	147	125	188	158	201
Service calls received/dispatched	6,704	6,710	6,725	6,720	8,353	8,376	9,661	7,279	8,797	10,168
<b>Fire:</b>										
Fire response within 5 minutes	NA	90%	90%	90%	90%	90%	90%	90%	90%	90%
EMS response within 5 minutes	NA	90%	90%	90%	90%	90%	90%	90%	90%	90%
<b>Public Works:</b>										
<b>Streets</b>										
Time spent on snow removal (man hours)	3,100	3,000	1,274	2,827	5,883	5,558	5,900	5,000	4,704	5,000
<b>Garage</b>										
Preventative maintenance checks	160	150	150	107	113	113	132	125	80	130
<b>Building inspection</b>										
Building permits issued	201	223	203	224	190	182	197	190	201	223
<b>Engineering -</b>										
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Parks and Recreation:</b>										
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5
Teen center attendance	17,058	17,453	16,283	11,245	31,111	29,829	32,920	31,000	36,088	16,054
Number of aquatic participants	12,123	13,274	10,386	7,993	19,496	13,566	15,463	19,728	27,804	35,799
Ice rink attendance	NA	6,654	10,362	10,000	10,000	19,594	32,679	34,480	34,480	6,598
<b>Library:</b>										
Number of visitors	148,000	148,897	149,000	149,757	149,702	149,572	149,300	149,800	149,273	149,264
Number of materials withdrawn	2,500	4,225	3,500	2,111	3,750	3,334	3,800	3,800	3,047	4,957
<b>Harbor:</b>										
Vehicle, boat and foot patrol hours	8,188	10,489	10,500	6,996	5,832	7,000	7,000	7,000	7,000	7,000
Number of owner accounts	2,490	2,229	2,400	1,543	1,314	1,400	1,400	1,400	1,400	1,400
<b>Water -</b>										
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Sewer:</b>										
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**

<b>Function</b>	<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>	<u>2012</u>
<b>Police:</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	25	23	22	21	20	20	20	20	21	23
<b>Fire:</b>										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	10	10	11	11	10	9	9	9	9	9
<b>Public Works:</b>										
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
<b>Parks and Recreation:</b>										
Number of parks/ 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	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
<b>Harbor:</b>										
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
<b>Water:</b>										
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
<b>Sewer:</b>										
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	20	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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2012. 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

Management of City of Kodiak is responsible for establishing and maintaining effective 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, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council  
City of Kodiak, Alaska

Compliance

We have audited City of Kodiak's compliance 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 City of Kodiak's major federal programs for the year ended June 30, 2012. 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, 2012.

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 federal programs. In planning and performing our audit, we considered City of Kodiak's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and, 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, 2012

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 City of Kodiak's compliance 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, 2012. 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, 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, 2012.

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, 2012



**CITY OF KODIAK, ALASKA**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

**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   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.202	UV Disinfection Facility

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

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

Dollar threshold used to distinguish a State major program: \$ 100,000

**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, 2012

**State of Alaska**

There were no prior year audit findings.

**CITY OF KODIAK, ALASKA**

Corrective Action Plan

Year Ended June 30, 2012

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