

City of Kodiak, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

Prepared by City of Kodiak Finance Department

City of Kodiak, Alaska

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November 21, 2014

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, 2014. 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, 2014, are free of material misstatement. The City of Kodiak has selected the licensed certified public accounting firm of BDO USAA, LLP to perform these audit services. Their reports are presented in the Financial Statements Section and the Single Audit Section of this report. BDO has issued an unqualified (“clean”) opinion on the City of Kodiak’s financial statements for the year ended June 30, 2014. 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 2013 the estimated population of the Kodiak Region was 13,824 with a population of 6,338 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, Ouzinkie, Old Harbor 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 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 7% 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 6%, effective July, 1993 and has remained at that rate until October, 2014 when it was raised to 7%. Sales tax continues to generate the City's largest portion of General Fund revenues. In fiscal year 2014 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 1882 when the first cannery was built on the Karluk Spit. 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.

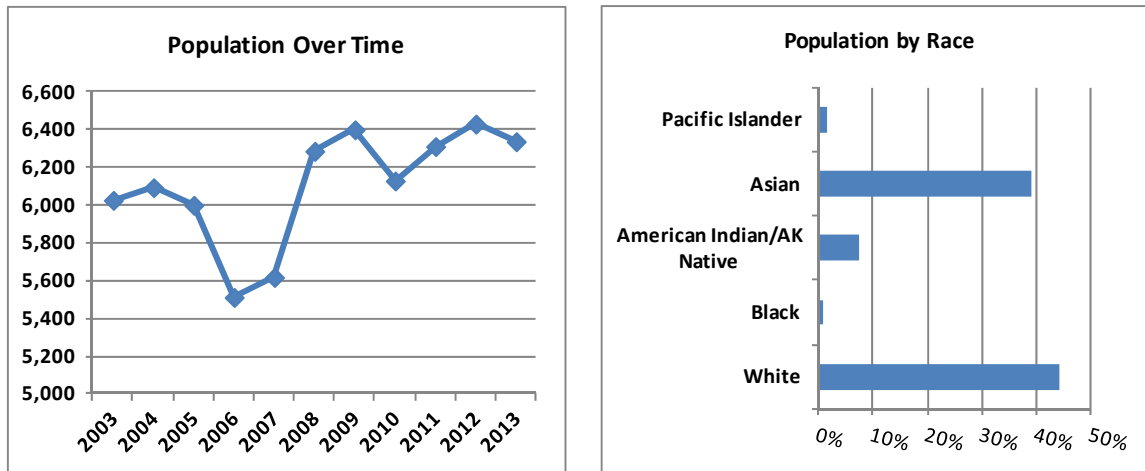
According to the independent research and consulting firm Northern Economics, Inc. (*The Economic Benefits of the Alaska Aerospace Corporation, FY 2010*. Prepared for Alaska Aerospace Corporation. February 2011) in 2010 the total direct, indirect and induced local impacts to Kodiak’s regional economy alone amounted to \$6.3 million, generating 59 local jobs with \$3.7 million in local payments for wages and salaries - AAC’s expenditures for goods and services, including subcontractor services, generated about \$4.6 million in direct payments to businesses operating in Kodiak. This spending was distributed among 44 local businesses and increased business activities in 25 different industries or sectors in the Kodiak regional economy. These sectors include construction, retail, various professional and technical services, computer system design, wholesale trade, and a variety of hospitality and leisure sectors.

POPULATION

The City of Kodiak is the sixth 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 2013 was 6,338 in the City of Kodiak and 13,824 in the Kodiak Island Borough.

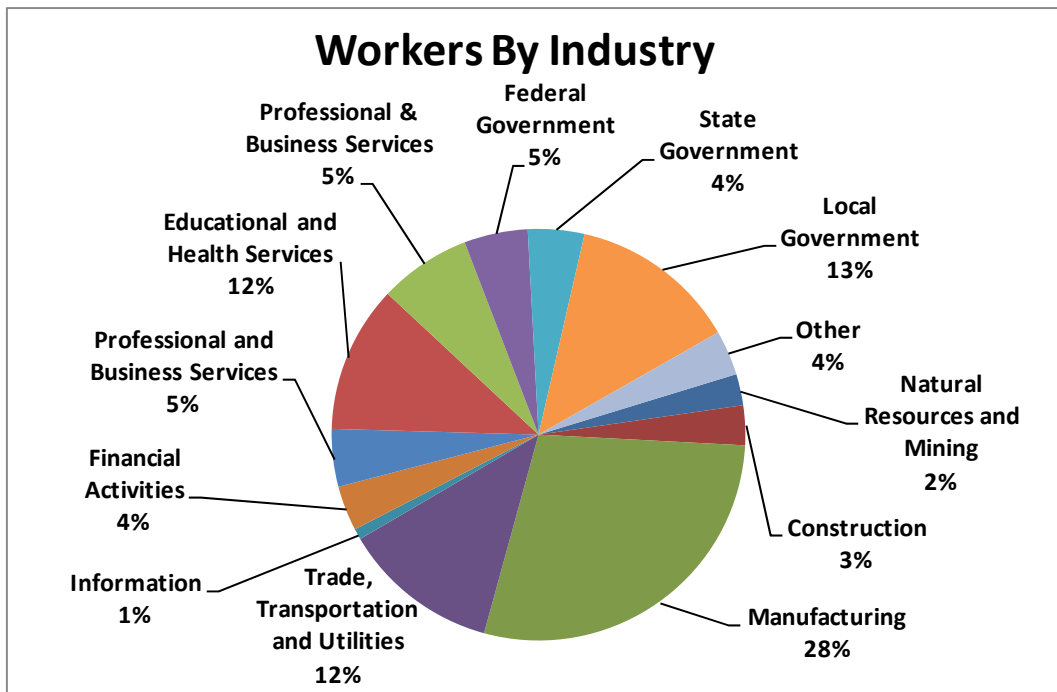
Approximately 28.7% of the population is under 18 years of age, about 2% higher than Alaska overall. 55% of the population is male and 45% female. Approximately 22.8% of the adults, age 25 and older, hold at least a bachelor’s degree, and 91.4% are estimated to have at least a high school diploma.

City of Kodiak Population

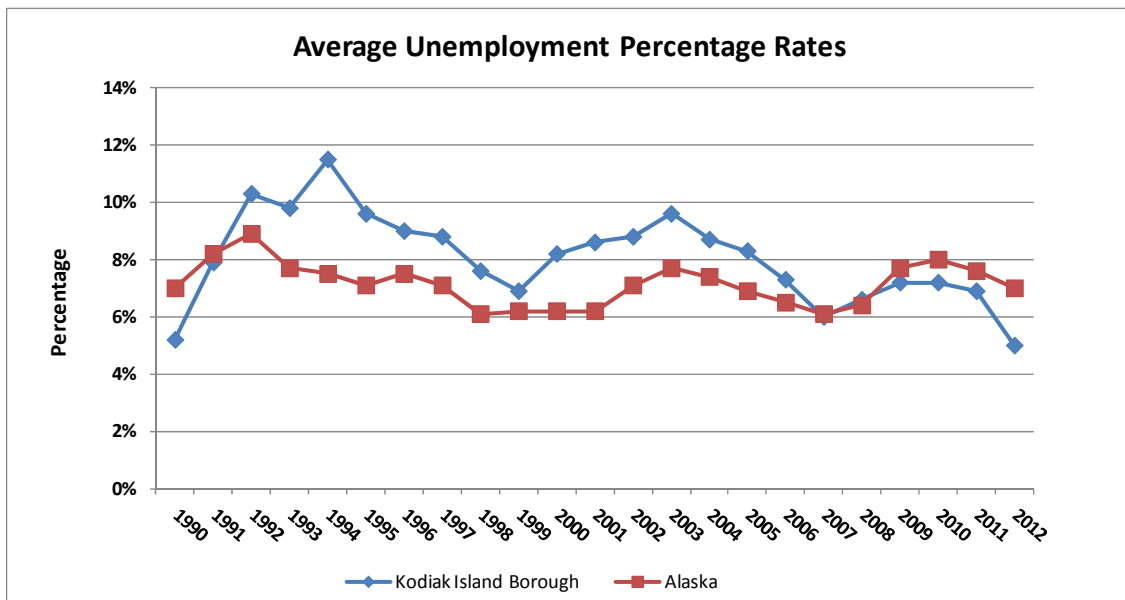


LABOR FORCE

In 2013, the state estimated the Kodiak region’s average monthly employment to be 6,422 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 4.3% (September 2013) to as high as 14.8% (December 2009). The average annual unemployment rate for Kodiak in fiscal year 2013 was 5.6% compared to 6.5% Alaska wide.



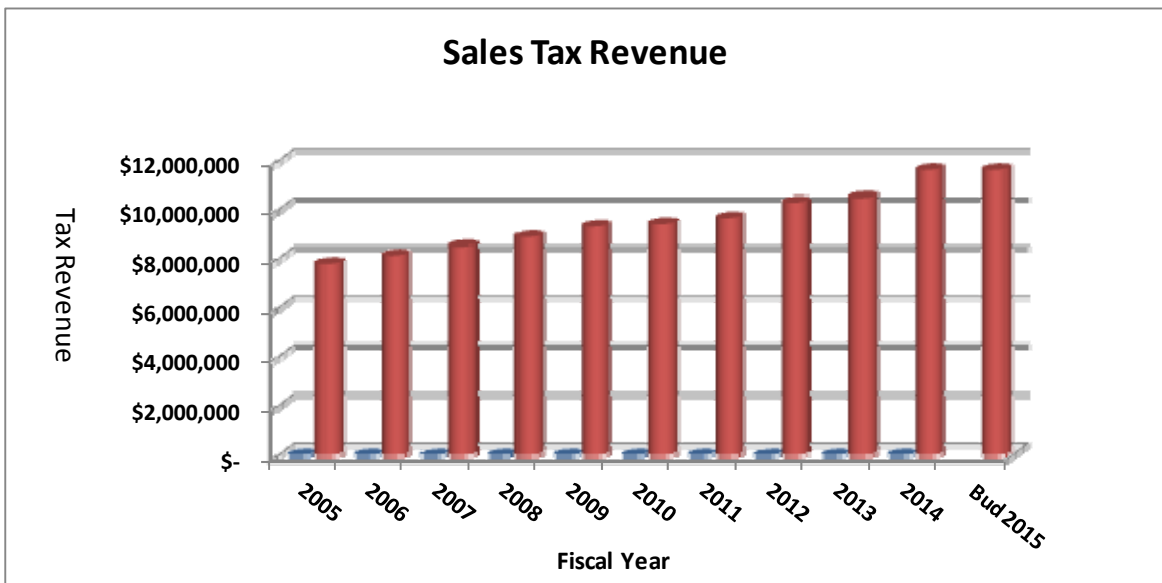
INCOME

The Alaska Department of Labor reported the 2012 per capital personal income for the Kodiak Island Borough was \$46,907. Total wages in 2013 went to \$194.3 million with a 3% increase from the previous year.

RETAIL SALES

Total retail sales within the city have increased more than 55% since 2000. There is a close correlation between retail sales and the strength of local fisheries. In 1995, after a record breaking salmon season, retail sales climbed 9%. In the second half of 1996, when the salmon harvest dropped and fish prices fell, retail sales went down approximately 10% to 12%. Retail sales have increased significantly since the opening of a local Wal-Mart store in the spring of 1999.

Sales Tax has increased from \$6.9 million in 2000 to \$11.6 million in 2014. The City's sales tax rate is 7% with a maximum sales tax of \$52.50 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 frequently receives national recognition for its livability 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 found at <http://www.city.kodiak.ak.us/Finance/Pages/BudgetDocuments.aspx> 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 2014.
2. The Sales Tax Cap remained at \$750.00.
3. The Hotel & Motel tax rate of 5% remained the same.
4. The fiscal year 2014 budget had no reductions of services, and all services were maintained at consistent levels.
5. Completed work on the Periodic Dam Safety Inspection Project with a budget of \$45,000 – total expensed \$42,178.
6. Completed work on the Harbor Security Camera Project with a budget of \$10,000 – total expensed \$10,000.

FUTURE PROJECTS

1. Monashka Pumphouse Replacement

Funding Request: \$2,500,000

The Monashka pumphouse provides almost the entire water supply for the City of Kodiak's public water system, averaging 4.73 million gallons per day but can produce as much as 10 million gallons per day during peak fish processing seasons. The pumphouse was constructed in the early 1970s, and only limited changes have been made to the system since it was built. The two story concrete building houses an electrical room and four pumps of 1940s vintage for which parts are no longer made. Some repairs to the old pumps require specialty machining which is costly since parts are no longer manufactured. The electrical system and pump motor starts are inadequate and out-of-date. The building is experiencing separation of wall panel connections and floor and roof systems. Due to its rapid deterioration it cannot be upgraded and must be replaced. The City is prepared to move into design with construction in the spring of 2014, providing funding is secured. The total project is estimated at \$6.8 million. The project will be funded using local funds, a state legislative grant, Alaska Municipal Matching Grant (AMMG) funds, and a low interest drinking water loan. So far the City has secured \$2.7 million in funding. The City of Kodiak is requesting support from the State Legislature for \$2,500,000 in the event the City is unable to receive this funding through the Department of Environmental Conservation's grant and loan programs.

2. E911 Replacement Equipment:

Funding Request: \$400,000

The City completed its new public safety building in 2010. One of the important aspects of the new facility is to continue to provide area-wide dispatch services and enhanced 911 (E911) service to the Kodiak area, including areas outside the City's corporate boundaries. The City completed a study in 2009 which advised replacement of the system. The study indicated that basic upgrades with future expansion capabilities will cost at least \$400,000. The current system is experiencing unexpected failures and replacement parts and service/maintenance agreements are no longer available due to the age of the system. The City has been unable to afford the full replacement costs or find grant funding to help offset the replacement costs. The City of Kodiak is requesting State funding assistance in the amount of \$400,000 to assist with the upgrade of this important public safety tool.

3. Shelikof Street Bulkhead Parking

Funding Request: \$1,650,000

In 2009, the City identified the need for pedestrian improvements from Pier II to downtown Kodiak to more safely accommodate pedestrian traffic and to improve facilities for local residents, workers, and businesses that use the pier, street, and access to the City's adjacent 250 slip boat harbor. The first phase of the project, construction of an ADA accessible sidewalk, improved lighting and parking, and utility relocates is under underway and will be completed in 2013. The City must plan and design the next parking improvement phase of this project, which is to construct a 30 space bulkhead parking area on the south side of Shelikof Street adjacent to St. Paul Harbor. The roadway area adjacent to the proposed bulkhead parking is dangerously congested. Due to lack of adequate parking, vehicles block walkways, equipment operates in the ROW, and access to businesses is often blocked, forcing pedestrians into the roadway. Construction of additional off-road parking will direct pedestrian traffic out of the congested roadway. The net increase in parking will benefit harbor users and retail businesses along Shelikof Street. It will provide improved and safer pedestrian access from Marine Way to the fish processors in the immediate area. Associated tasks for this phase of the project include geotechnical investigation, design, permitting, mapping, construction, improved lighting, and utility relocates. The City of Kodiak is requesting state funding assistance for planning, permitting, design, and construction in the amount of \$1,650,000 to construct this bulkhead parking project to enhance pedestrian and vehicle safety.

4. Shelikof Street Pedestrian Improvements Pier II to Downtown

Funding Request: \$3,800,000

In 2009 the City of Kodiak started work to improve pedestrian and roadway improvements along Shelikof Street (Cannery Row) from Pier II to downtown Kodiak to more safely accommodate cruise ship passengers who walk along the street and to improve the roadway and parking facilities for local residents and businesses that use the highly congested street and pier year round. The first phase, construction of an ADA accessible sidewalk, improved lighting and parking, and utility relocates is scheduled to be completed in 2013. The City wishes to plan the next phase of the project, which will carry pedestrian improvements further along Shelikof Street from Jack Hinkle Way to Marine Way. This phase includes a visitor shelter-information kiosk-public restroom facility at Pier II, rehabilitation of the sidewalk from Jack Hinkle Way to Marine Way, improved lighting, landscaping, benches, signage, redesign of existing on-street parking, a walkway along the harbor side of the street, and a scenic trail along the St. Paul Harbor breakwater. Additional tasks include permitting, ROW acquisition & mapping, geotechnical investigation, and utility relocates. The City of Kodiak is requesting state funding assistance in the amount of \$3,800,000 through the cruise ship excise tax fund for planning, permitting, design, and construction of this project for the community of Kodiak, its visitors, and residents.

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, and 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 more than half of the 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 2014 with the exception of one additional staff added to the executive department to for a human resource staff not previously funded. 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. The 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, 2013. This was the eleventh 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, 2014. 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 Finance Department staff. 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 Kniazowski



Finance Director
Karl Swanson

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
Katie Baxter	Library	kbaxter@city.kodiak.ak.us	907-486-8686
Vacant	Parks & Recreation		907-486-8665
Rhonda Wallace	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
Glenn Melvin	Engineering	gmelvin@city.kdoaik.ak.us	907-486-8065
Karl Swanson	Finance	kswanson@city.kodiak.ak.us	907-486-8659
Lon White	Boat Harbor	lwhite@city.kodiak.ak.us	907-486-8080

ELECTED OFFICIALS

NAME	OFFICE	E-Mail	PHONE
Pat Branson	Mayor	council@city.kodiak.ak.us	907-486-3641
Randall Bishop	Council Member	council@city.kodiak.ak.us	907-486-3364
Charles Davidson	Council Member	council@city.kodiak.ak.us	907-486-3896
Terry Haines	Council Member	council@city.kodiak.ak.us	907-942-0365
Gabriel Saravia	Council Member	council@city.kodiak.ak.us	907-486-5076
John Whiddon	Council Member	council@city.kodiak.ak.us	907-486-8130
Richard Walker	Council Member	council@city.kodiak.ak.us	907-481-3775

ADVISORY BOARDS

Building Code Board of Appeals (as needed)

Parks & Recreation Advisory Board

Personnel Board (as needed)

Port & Harbor Advisory Board

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

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

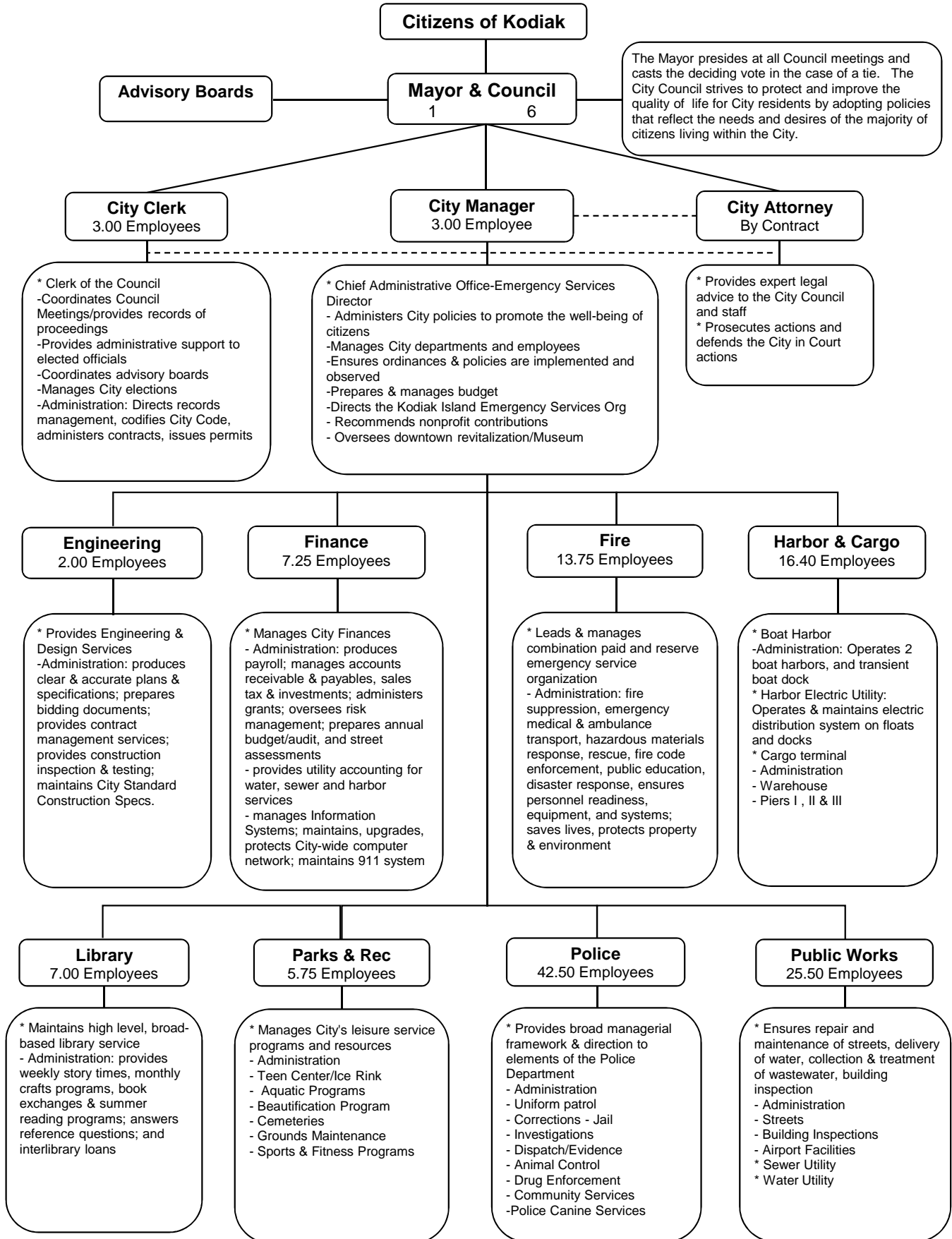
**City of Kodiak
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

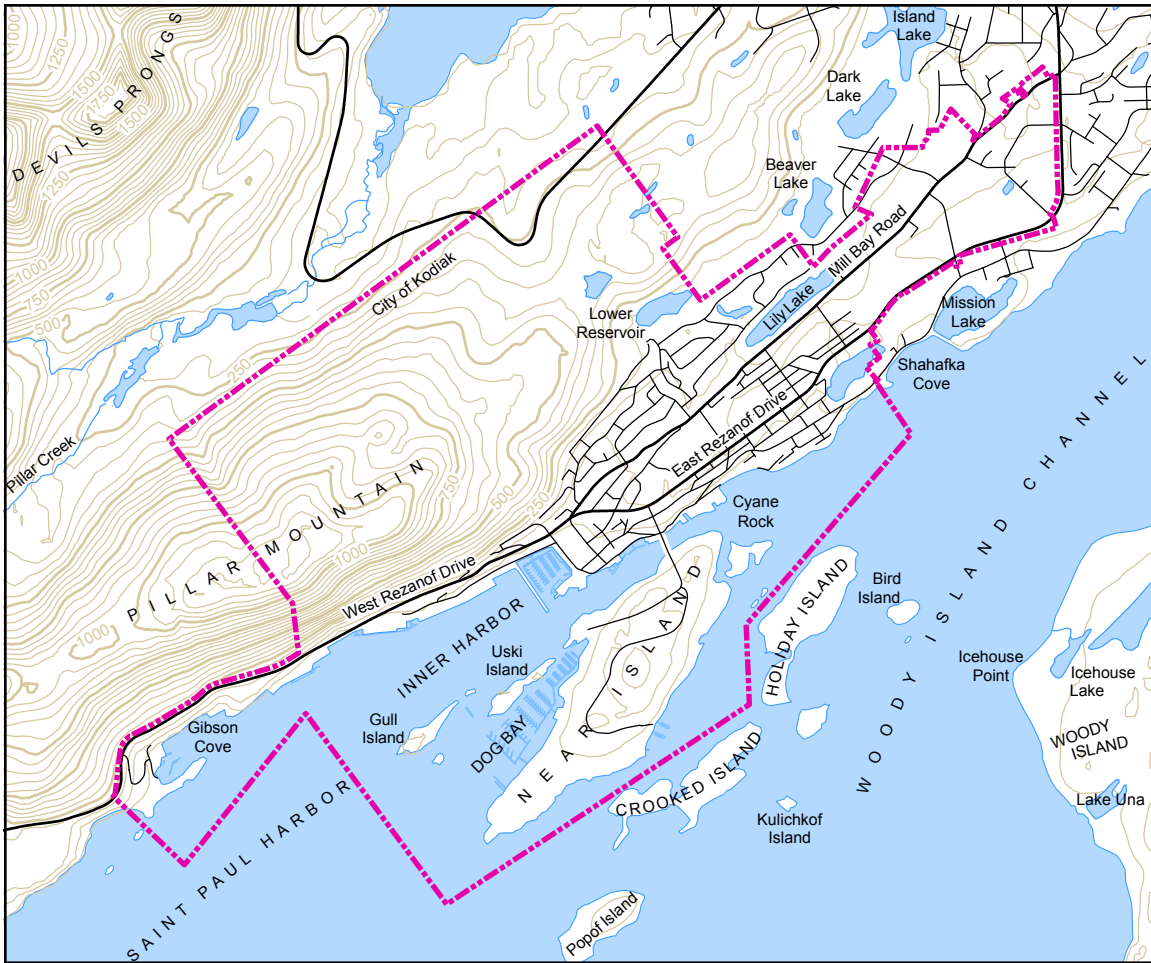
Executive Director/CEO

**CITY OF KODIAK
ORGANIZATIONAL CHART**





CITY OF KODIAK - CITY LIMITS



City - 6.2 square miles



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Kodiak, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-18 and the budgetary comparison information on page 54 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.

Supplementary Information

Our audit for the year ended June 30, 2014 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 State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2014 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 accompanying 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, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Kodiak as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 18, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2013 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 2013 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those 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 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, 2013.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kodiak's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 21, 2014

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City of Kodiak, Alaska

Management's Discussion and Analysis

June 30, 2014

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, 2014. 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-XII 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 \$164,584,506 (*net position*). Of this amount, \$37,760,259 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$8,604,807 (5.5%). The governmental net position increased by \$2,021,821 (3.0%) and the business-type net position increased by \$6,582,986 (7.4%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$13,958,624, a decrease of \$2,597,080 in comparison with the prior year. Approximately 53% of this total amount, (\$7,461,144) is available for spending at the government's discretion (*unassigned/(deficit)*).
- Total general revenues accounted for \$14,570,196 (34%) 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 \$28,055,942 (66%) of total revenues of \$42,626,138.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,461,144 (41%) of total General Fund expenditures and transfers of \$18,068,933.
- The City of Kodiak's total debt decreased by \$774,570 during the current fiscal year. In fiscal year 2014 there was additional debt added for accrued leave and a water loan in the amount of \$79,525. Decreases 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 position* presents information on all of the City of Kodiak's assets and liabilities, with the differences between the two reported as *net position*.
 - The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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).

City of Kodiak, Alaska

Management's Discussion and Analysis

- 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, shipyard/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 Building Capital Project Fund, 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 position 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 26-28 of this report.

City of Kodiak, Alaska

Management's Discussion and Analysis

- *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 29 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 30-51 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*. The required budgetary supplementary information can be found on page 54 of this report.
 - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 57-62. Other combining and individual fund statements and schedules can be found on pages 64-120 of this report.

Government-Wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City's net position for 2014 compared to 2013:

Table 1
Net Position of Governmental and Business-type Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current assets	\$ 14,844,505	\$ 18,378,552	\$ 28,324,191	\$ 23,798,250	\$ 43,168,696	\$ 42,176,802
Capital assets	62,832,774	58,431,346	81,628,564	78,526,238	144,461,338	136,957,584
Total assets	<u>77,677,279</u>	<u>76,809,898</u>	<u>109,952,755</u>	<u>102,324,488</u>	<u>187,630,034</u>	<u>179,134,386</u>
Liabilities						
Current liabilities	642,582	1,673,978	3,512,398	1,798,564	4,154,980	3,472,542
Long-term liabilities	7,641,268	7,747,285	11,266,307	11,934,860	18,907,575	19,682,145
Total liabilities	<u>8,283,850</u>	<u>9,421,263</u>	<u>14,778,705</u>	<u>13,733,424</u>	<u>23,062,555</u>	<u>23,154,687</u>
Net Position						
Invested in capital assets	55,757,774	51,181,346	70,561,423	66,792,402	126,319,197	117,973,748
Restricted	-	-	505,050	505,050	505,050	505,050
Unrestricted	13,635,655	16,207,289	24,107,577	21,293,612	37,743,232	37,500,901
Total net position	<u>\$ 69,393,429</u>	<u>\$ 67,388,635</u>	<u>\$ 95,174,050</u>	<u>\$ 88,591,064</u>	<u>\$ 164,567,479</u>	<u>\$ 155,979,699</u>

Net position 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 \$164,567,479 as of June 30, 2014.

The government's net position increased by \$8,587,780 during the current fiscal year compared to \$13,976,009 in the prior fiscal year. The decrease resulted primarily from greater expenses than the prior year. The most notable increase in expense over 2013 balances was noncapital repair and maintenance in the water utility that had expenses of \$3,477,374.

City of Kodiak, Alaska

Management's Discussion and Analysis

By far the largest portion of the City of Kodiak's net position 77% 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 position, 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 position 23% may be used to meet the government's ongoing obligations to citizens and creditors.

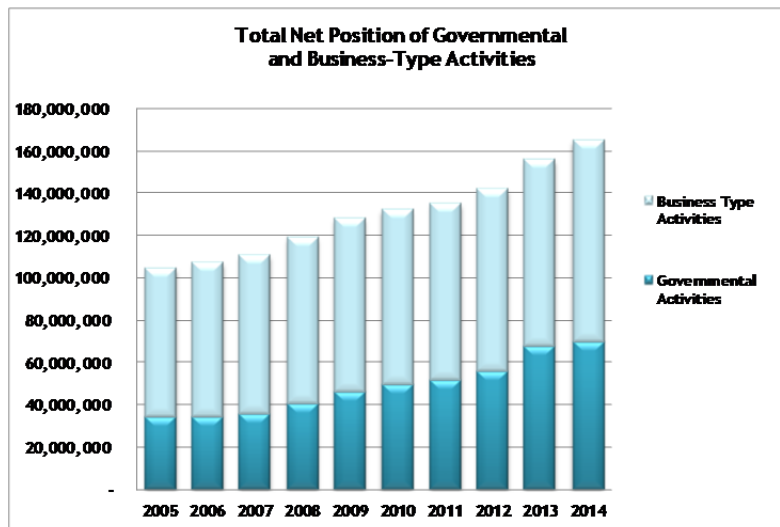
At the end of the fiscal year 2014, the City of Kodiak is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a increase of \$4,576,428 in net investment in capital assets in connection with the City of Kodiak's governmental activities. Most of this was from the construction of the new library. In the City's business activities there was an increase of \$3,769,021 in net investment in capital assets. This is primarily due to the Pier III replacement project which is scheduled to be finished in 2015.

During fiscal year 2014, the government's total net position increased by \$8,587,780. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Total net position has increased over the past seven years indicating an improving financial position of the City of Kodiak as illustrated in the graph below. The City of Kodiak has maintained a stable financial position.

Table 2, on the next page, shows the changes in net position for fiscal years 2014 and 2013 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak's net position by \$6,582,986 and the increase in the governmental activities was \$2,004,794.



City of Kodiak, Alaska

Management's Discussion and Analysis

Table 2
Changes in Net Position

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,124,250	\$ 12,985,006	\$ 16,109,256	\$ 2,882,106	\$ 12,600,550	\$ 15,482,656
Operating grants and contributions	814,853	2,725,086	3,539,939	788,840	1,391,896	2,180,736
Capital grants and contributions	1,373,720	7,033,027	8,406,747	10,188,295	1,642,653	11,830,948
Total program revenues	5,312,823	22,743,119	28,055,942	13,859,241	15,635,099	29,494,340
General revenues:						
Property taxes	879,280	-	879,280	708,684	-	708,684
Sale taxes	11,509,517	-	11,509,517	11,215,647	-	11,215,647
Other taxes, penalties and interest	224,983	-	224,983	240,261	-	240,261
Grants not restricted	1,777,724	-	1,777,724	1,986,156	-	1,986,156
Investment income	51,161	68,230	119,391	65,053	49,032	114,085
Miscellaneous	59,301	-	59,301	45,736	-	45,736
Total general revenues	14,501,966	68,230	14,570,196	14,261,537	49,032	14,310,569
Total revenues	19,814,789	22,811,349	42,626,138	28,120,778	15,684,131	43,804,909
Expenses:						
General government	2,885,778	-	2,885,778	2,902,171	-	2,902,171
Public safety	8,587,842	-	8,587,842	8,013,832	-	8,013,832
Public works	2,577,384	-	2,577,384	2,738,860	-	2,738,860
Engineering	199,877	-	199,877	166,843	-	166,843
Parks & recreation	1,370,541	-	1,370,541	1,134,514	-	1,134,514
Library	930,313	-	930,313	864,533	-	864,533
Community services	305,457	-	305,457	296,352	-	296,352
Interest on long-term debt	352,803	-	352,803	361,177	-	361,177
Cargo Pier	-	1,466,892	1,466,892	-	1,463,402	1,463,402
Boat Harbor	-	3,331,649	3,331,649	-	3,253,074	3,253,074
Shipyard	-	1,285,600	1,285,600	-	1,263,689	1,263,689
Harbor Electric	-	675,474	675,474	-	657,379	657,379
Water	-	6,137,608	6,137,608	-	3,279,097	3,279,097
Sewer	-	3,398,824	3,398,824	-	3,082,518	3,082,518
Trident Basin	-	373,393	373,393	-	345,569	345,569
E-911 Services	-	158,923	158,923	-	5,890	5,890
Total expenses	17,209,995	16,828,363	34,038,358	16,478,282	13,350,618	29,828,900
Increase in net position before transfers	2,604,794	5,982,986	8,587,780	11,642,496	2,333,513	13,976,009
Transfers	(600,000)	600,000	-	(25,000)	25,000	-
Change in net position	2,004,794	6,582,986	8,587,780	11,617,496	2,358,513	13,976,009
Net position at beginning of year	67,388,635	88,591,064	155,979,699	55,771,139	86,232,551	142,003,690
Net position at end of year	\$ 69,393,429	\$ 95,174,050	\$ 164,567,479	\$ 67,388,635	\$ 88,591,064	\$ 155,979,699

City of Kodiak, Alaska

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the City of Kodiak's net position by \$2,004,194, thereby accounting for (23%) of the total growth in the net position of the City of Kodiak. Key elements of this increase are as follows:

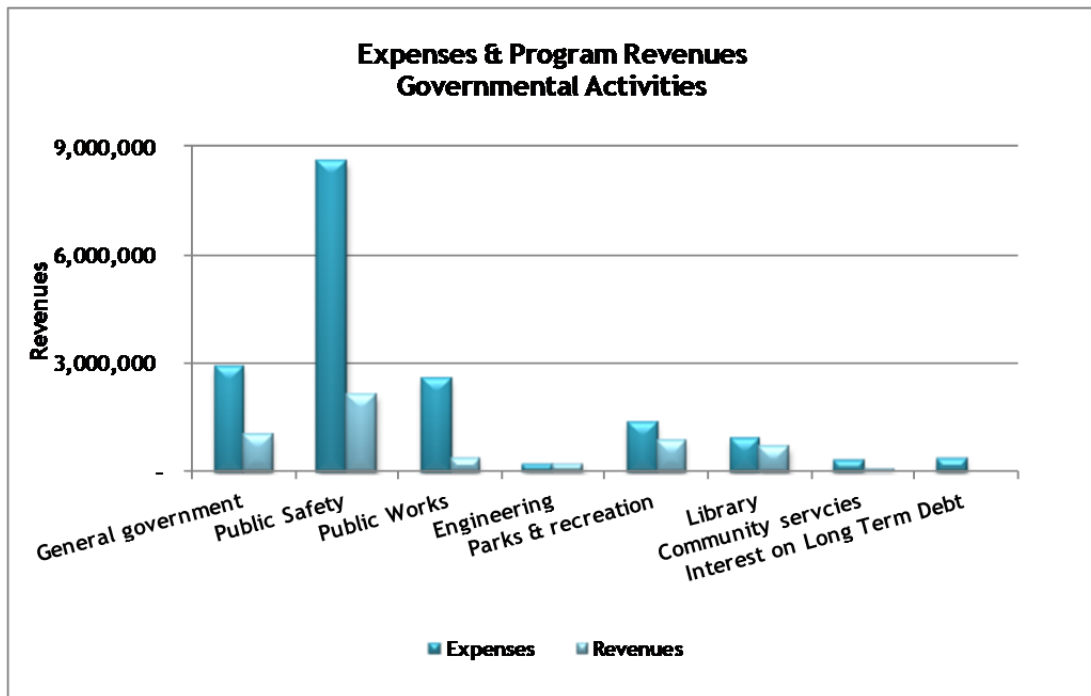
The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$11,509,517, a 3% increase from 2013. The City sales tax rate in 2014 was at 7% on all sales. The City sales tax accounts for 58% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for 6% of total governmental activities revenues in 2014.

City taxpayers financed most of the City's costs, bringing in tax revenues of \$12,613,780. The remaining costs were financed by charges for services, investment income, entitlements not restricted to a specific purpose, 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 program revenues, such as; charges for services, operating grants and capital grants, was \$5,312,823 (31%) of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety 50%, Public Works 15%, and General Government 17%, or 82% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

Increases in expenses are due to increased costs and differences in grant funded operations. Overall the expenses increased by 4% from the prior fiscal year. This was due primarily to an increase in public safety by 7%, and an increase in Parks and Recreation by 21%.



City of Kodiak, Alaska

Management's Discussion and Analysis

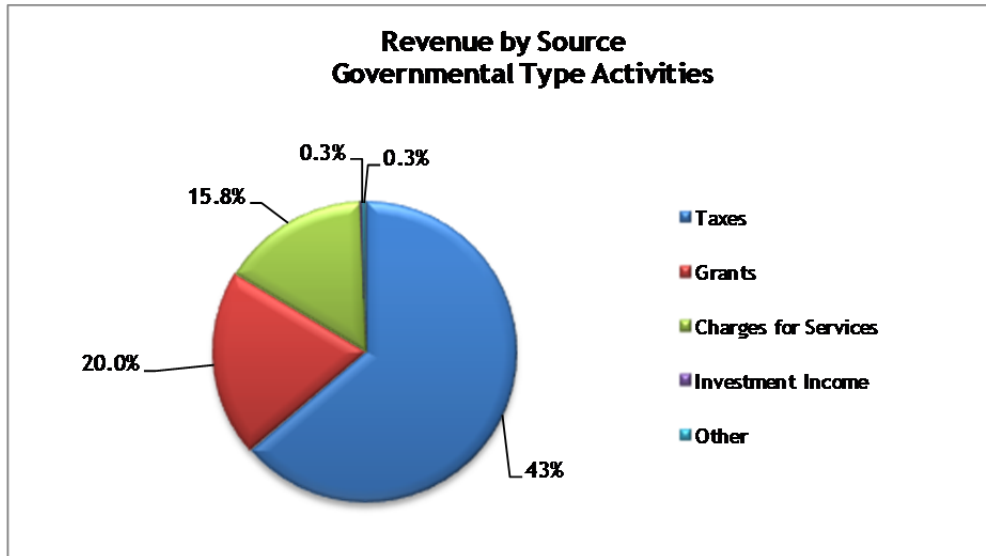


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2014. That is, it identified the cost of these services supported by charges for services, operating grants and capital grants.

Table 3
Governmental Activities in 2014

	Total Cost of Services	Net Cost (Benefit of Services
	<u>2014</u>	<u>2014</u>
Governmental activities:		
General government	\$ 2,885,778	\$ 1,878,867
Public safety	8,587,842	6,468,511
Public works	2,577,384	2,201,056
Engineering	199,877	1,826
Parks & recreation	1,370,541	519,312
Library	930,313	227,142
Community services	305,457	247,655
Interest on long-term debt	352,803	352,803
Total governmental activities	<u>\$ 17,209,995</u>	<u>\$ 11,897,172</u>

Business-type Activities

Business-type activities increased the City of Kodiak's net position by \$6,582,986 accounting for 77% of the total growth in the government's net position. 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 57% of the total revenues and grants 43% of the total revenues.

City of Kodiak, Alaska

Management's Discussion and Analysis

The primary source of revenue from business-type activities is charges for services, which amounted to \$12,985,006, a 3% increase from 2013. For the business-type activities, charges for services was 77% of the operating costs. Operating and capital grants, interest income and miscellaneous revenues financed the remaining costs.

The City's business-type activities expenses are related to cargo 9%, boat harbor 20%, shipyard 8%, harbor electric 4%, water utility 36%, sewer utility 20%, the Trident Basin Airport 2% and E-911 Services, less than 1%. Total harbor related activities were 40% and total public works activities are 57% of the total business type activities in fiscal year 2014.

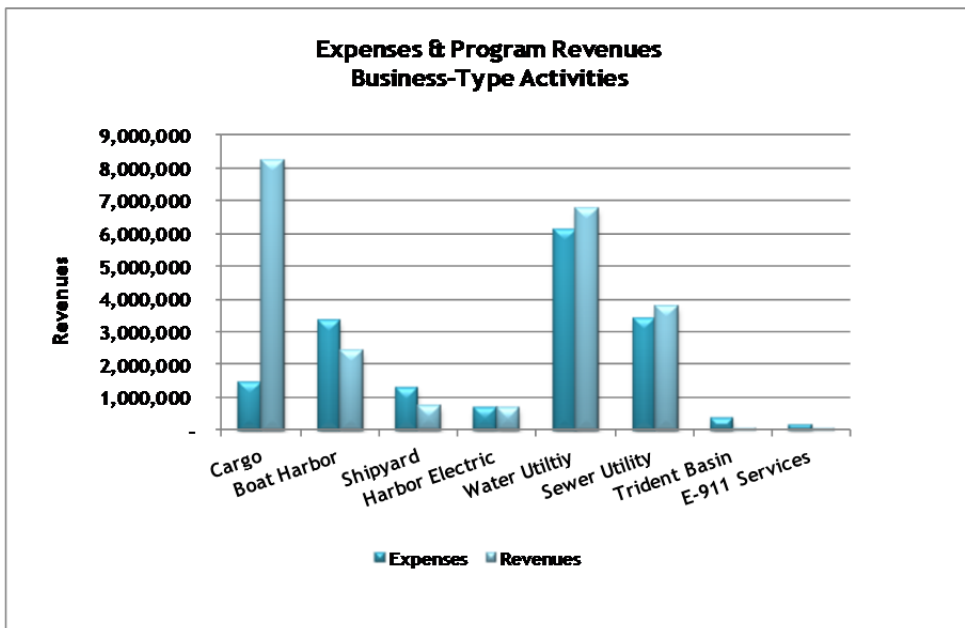
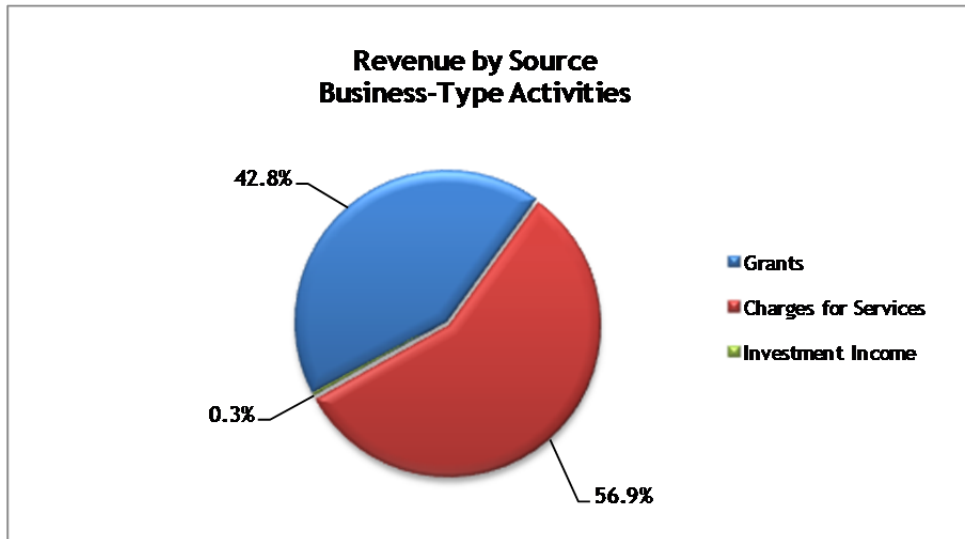


Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2014. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

City of Kodiak, Alaska

Management's Discussion and Analysis

Table 3-A
Business-Type Activities in 2014

	Total Cost of Services <u>2014</u>	Net Cost (Benefit) of Services <u>2014</u>
Business-type activities:		
Cargo	\$ 1,466,892	\$ (6,790,547)
Boat Harbor	3,331,649	895,035
Shipyards	1,285,600	549,363
Harbor Electric	675,474	1,049
Water Utility	6,137,608	(631,324)
Sewer Utility	3,398,824	(387,106)
Trident Basin	373,393	326,569
E-911 Services	158,923	122,205
Total business-type activities	<u>\$ 16,828,363</u>	<u>\$ (5,914,756)</u>

Financial Analysis of the Governmental Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$13,958,624, a decrease of \$2,597,080 in comparison with the prior year. Approximately 41% of this total amount \$7,461,144 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 \$7,461,144 while total fund balance was \$8,602,117. 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 \$7,461,144 represents 41% of total General Fund expenditures and transfers of \$18,098,213. Total fund balance of \$8,602,117 represents 48% of total General Fund expenditures and transfers of \$18,098,213.

City of Kodiak, Alaska

Management's Discussion and Analysis

The fund balance of the City of Kodiak's General Fund increased in the amount of \$29,280 during the current fiscal year. Key factors in this increase are as follows:

Total General Fund operating revenues of \$18,098,213 exceeded total expenditures and transfers of \$18,068,933. Sales tax revenues of the General Fund exceeded the budget by \$90,483. 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 and an increase from 6% to 7% in fiscal year 2013. Expenditures were lower than budgeted primarily in general government by \$458,190, public safety by \$855,009, and public works by \$495,929. Transfers from the General Fund to other funds in the amount of \$2,934,396 were higher than prior years. Code requirements accounted for \$1,821,584 in transfers; other transfers included \$927,500 to General Capital Projects, \$100,000 to the Cargo Capital Projects Fund, and \$85,312 to the Vehicle Replacement Fund.

The Building Capital Project Fund had a fund balance of \$683,335, the entire balance is assigned to capital projects.

The Nonmajor Funds have a total fund balance of \$4,673,172. Of this balance, 8% is restricted for tourism, 65% is committed for the Enhancement Fund, 25% assigned for capital projects, and 2% assigned for public works. There was a decrease of \$5,165 in fund balances 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 position of the major funds in the Harbor Facilities (Cargo Pier, Boat Harbor, and Shipyard) at the end of the year amount to \$8,321,309 and those in the Water, Sewer Facilities amounted to \$15,078,460. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$483,257 in unrestricted net position. The total change in net position for all areas was an increase of \$6,563,621. This increase can be primarily attributed to the Pier III replacement project in the Cargo Fund.

General Fund Budgetary Highlights

The City's budget is prepared according to Alaska law using a basis of accounting that is consistent with accounting principles generally accepted in the United States of America. The most significant budgeted areas are in the General Fund.

During the year there was a \$1,208,670 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$2,000 supplemental increase in the appropriation to the legislative department in anticipation of increased data plan expenses.

\$30,338 supplemental appropriation to the executive department in anticipation of the purchase of a new vehicle and associated fuel expense.

\$4,287 supplemental appropriation to the city clerk department in anticipation of salary and benefit adjustments and increased supply costs.

City of Kodiak, Alaska

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\$49,561 supplemental increase in the appropriation to the police department in anticipation of canine professional vet services, canine dog house, animal control uniforms, corrections fingerprint scanner, corrections wheelchair, repairs and additional overtime.

\$143,500 supplemental increase in the appropriation to the fire department in anticipation of an ADEC equipment purchase and additional overtime.

\$10,000 supplemental increase in the appropriation to the park and recreation department in anticipation of an increased temporary worker costs.

\$47,400 supplemental increase in the appropriation to the library department in anticipation of additional expenses related to the new building and interim library director.

\$921,584 supplemental appropriation to a General Fund transfer to the Enhancement Fund of one-half of the prior year general fund surplus.

The increases above were possible because of additional unanticipated revenues resulting from higher charges for services and required application of the prior year general fund surplus.

The actual expenditures were \$2,184,086 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 Works and Public Safety. Significant amounts and percentages are shown on below.

Table 4
General Fund Budget Highlights

	Amount Under <u>Budget</u>	Percent Under <u>Budget</u>
General government	\$ 458,190	17%
Public safety	855,009	10%
Public works	495,929	21%
Engineering	54,268	21%
Parks and recreation	156,195	11%
Library	167,071	16%
Community services	40,426	20%
Other - insurance and administration	(43,002)	-8%
Total under budget	<u>\$ 2,184,086</u>	13%

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the City's capital assets have a total net book value of \$144,461,338. Table 5 compares the net book values at June 30, 2014 and 2013. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, bridges, and construction in progress. The total increase in the City of Kodiak's investment in capital assets for the current fiscal

City of Kodiak, Alaska

Management's Discussion and Analysis

year was \$7,503,753 (5%). The major increase was based on the completion of a street improvement project and the replacement of the library roof.

Table 5
Capital Assets at June 30
Net of Depreciation

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 2,501,384	\$ 2,501,384	\$ 693,997	\$ 693,997	\$ 3,195,381	\$ 3,195,381
Construction in progress	19,024,269	13,430,568	14,965,215	7,441,162	33,989,484	20,871,730
Buildings	31,842,668	31,842,668	23,867,809	23,867,809	55,710,477	55,710,477
Other improvements	1,568,469	1,496,946	108,569,534	108,569,534	110,138,003	110,066,480
Infrastructure	18,681,299	18,681,299	-	-	18,681,299	18,681,299
Machinery and equipment	9,917,924	9,750,222	21,037,154	21,014,235	30,955,078	30,764,457
Total capital assets	<u>83,536,013</u>	<u>77,703,087</u>	<u>169,133,709</u>	<u>161,586,737</u>	<u>252,669,722</u>	<u>239,289,824</u>
Less accumulated depreciation	<u>20,703,239</u>	<u>19,271,741</u>	<u>87,505,145</u>	<u>83,060,498</u>	<u>108,208,384</u>	<u>102,332,239</u>
Total capital assets, net	<u>\$ 62,832,774</u>	<u>\$ 58,431,346</u>	<u>\$ 81,628,564</u>	<u>\$ 78,526,239</u>	<u>\$ 144,461,338</u>	<u>\$ 136,957,585</u>

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 39-40.

Debt Administration

At June 30, 2014, the City had \$566,268 in long-term leave payable for governmental activities and \$199,166 for business-type activities. The City has a \$7,075,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$4,622,141 related to the Water and Sewer Enterprise Funds, and \$6,445,000 of revenue bonds related to the Harbor and Shipyard Enterprise Funds. Table 6 summarizes all outstanding debt at June 30, 2014 with a comparison to 2013. There have not been significant changes in the long-term debt from fiscal year 2013.

Table 6
Debt Outstanding at June 30

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 7,075,000	\$ 7,250,000	\$ -	\$ -	\$ 7,075,000	\$ 7,250,000
Long-term leave payable	566,268	497,285	199,166	201,024	765,434	698,309
Long-term notes payable	-	-	4,622,141	5,163,836	4,622,141	5,163,836
Revenue bonds payable	-	-	6,445,000	6,570,000	6,445,000	6,570,000
Total liabilities	<u>\$ 7,641,268</u>	<u>\$ 7,747,285</u>	<u>\$ 11,266,307</u>	<u>\$ 11,934,860</u>	<u>\$ 18,907,575</u>	<u>\$ 19,682,145</u>

Additional information on the City's outstanding debt can be found in the notes to the financial statements on pages 41-43.

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

City of Kodiak, Alaska

Management's Discussion and Analysis

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 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.

- Kodiak's unemployment varies throughout the year due to the seasonal nature of the fishing industry. The average unemployment rate in fiscal year 2013 in the Kodiak Island Borough is 5.6% compared to 6.5% Alaska wide.
- The cost of living index in Kodiak for the first quarter of 2014 was 133.1. Other Alaskan cities are Anchorage at 127.0, Juneau at 130.9 and Fairbanks at 136.4. In the American Chamber of Commerce Researchers Association (ACCRA) cost of living study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each reporting city is then converted into an index number that is used for comparative purposes.

All of these factors were considered in preparing the City of Kodiak's budget for the 2015 fiscal year.

In fiscal year 2014, the unassigned fund balance in the General Fund increased by \$29,280 leaving a balance at the end of the year of \$7,461,144. The City has appropriated \$1,132,088 of its total fund balance of \$8,602,117 for spending in the 2015 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 capital project dealing with harbor improvement projects.

Requests for Information

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 221, Kodiak, Alaska 99615. The City of Kodiak has a web site at www.city.kodiak.ak.us.

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City of Kodiak, Alaska

Statement of Net Position

<i>June 30, 2014</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 11,425,542	\$ 19,747,959	\$ 31,173,501
Receivables, net of allowance	3,410,078	7,836,780	11,246,858
Inventory	-	234,402	234,402
Restricted cash and investments	-	505,050	505,050
Prepays	8,885	-	8,885
Capital assets not being depreciated - land and construction in progress	21,525,653	15,659,212	37,184,865
Other capital assets, net of depreciation	41,307,121	65,969,352	107,276,473
Total Assets	\$ 77,677,279	\$ 109,952,755	\$ 187,630,034
Liabilities			
Accounts payable	\$ 350,004	\$ 3,096,684	\$ 3,446,688
Accrued payroll and related liabilities	189,047	40,841	229,888
Customer deposits	5,885	277,938	283,823
Unearned revenue	1,323	-	1,323
Accrued interest	86,560	106,698	193,258
Internal balances	9,763	(9,763)	-
Noncurrent Liabilities			
Due within one year:			
Accrued leave	432,360	143,400	575,760
Bonds payable	185,000	130,000	315,000
Loans payable	-	446,215	446,215
Due in more than one year:			
Accrued leave	133,908	55,766	189,674
Bonds payable	6,890,000	6,315,000	13,205,000
Loans payable	-	4,175,926	4,175,926
Total Liabilities	8,283,850	14,778,705	23,062,555
Net Position			
Net investment in capital assets	55,757,774	70,561,423	126,319,197
Restricted for debt service	-	505,050	505,050
Unrestricted	13,635,655	24,107,577	37,743,232
Total Net Position	69,393,429	95,174,050	164,567,479
Total Liabilities and Net Position	\$ 77,677,279	\$ 109,952,755	\$ 187,630,034

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Statement of Activities

Year Ended June 30, 2014	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
Governmental Activities							
General government	\$ 2,885,778	\$ 839,586	\$ 130,638	\$ 36,687	\$ (1,878,867)	\$ -	\$ (1,878,867)
Public safety	8,587,842	1,624,080	495,251	-	(6,468,511)	-	(6,468,511)
Public works	2,577,384	267,093	109,235	-	(2,201,056)	-	(2,201,056)
Engineering	199,877	198,051	-	-	(1,826)	-	(1,826)
Parks and recreation	1,370,541	120,135	39,061	692,033	(519,312)	-	(519,312)
Library	930,313	17,503	40,668	645,000	(227,142)	-	(227,142)
Community services	305,457	57,802	-	-	(247,655)	-	(247,655)
Interest on long-term debt	352,803	-	-	-	(352,803)	-	(352,803)
Total Governmental Activities	17,209,995	3,124,250	814,853	1,373,720	(11,897,172)	-	(11,897,172)
Business-type Activities							
Cargo Pier	1,466,892	1,203,476	20,936	7,033,027	-	6,790,547	6,790,547
Boat Harbor	3,331,649	2,344,260	92,354	-	-	(895,035)	(895,035)
Water Utility	6,137,608	4,251,004	2,517,928	-	-	631,324	631,324
Sewer Utility	3,398,824	3,705,634	80,296	-	-	387,106	387,106
Shipyard	1,285,600	722,665	13,572	-	-	(549,363)	(549,363)
Harbor Electric	675,474	674,425	-	-	-	(1,049)	(1,049)
Trident Basin	373,393	46,824	-	-	-	(326,569)	(326,569)
E-911 Services	158,923	36,718	-	-	-	(122,205)	(122,205)
Total Business-type Activities	16,828,363	12,985,006	2,725,086	7,033,027	-	5,914,756	5,914,756
Total	\$ 34,038,358	\$ 16,109,256	\$ 3,539,939	\$ 8,406,747	(11,897,172)	5,914,756	(5,982,416)
General Revenues							
Taxes:							
Property taxes					879,280	-	879,280
Sales taxes					11,509,517	-	11,509,517
Other taxes, penalties and interest					224,983	-	224,983
Grants and entitlements not restricted to a specific purpose							
					1,777,724	-	1,777,724
Investment income					51,161	68,230	119,391
Other					59,301	-	59,301
Transfers					(600,000)	600,000	-
Total General Revenues and Transfers					13,901,966	668,230	14,570,196
Changes in net position					2,004,794	6,582,986	8,587,780
Net Position, beginning of year					67,388,635	88,591,064	155,979,699
Net Position, end of year					\$ 69,393,429	\$ 95,174,050	\$ 164,567,479

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Governmental Funds

Balance Sheet

	Major Funds			Total Govern- mental Funds
	General	Building Capital Project	Nonmajor Funds	
<i>June 30, 2014</i>				
Assets				
Cash and investments	\$ 5,578,883	\$ 706,484	\$ 4,669,843	\$ 10,955,210
Receivables, net of allowance for uncollectible accounts:				
Taxes	3,078,286	-	55,949	3,134,235
Grants and shared revenues	132,629	-	33,152	165,781
Special assessments	-	-	71,328	71,328
Interest	12,517	-	26,217	38,734
Prepaid items	8,885	-	-	8,885
Due from other funds	214,788	-	-	214,788
Total Assets	\$ 9,025,988	\$ 706,484	\$ 4,856,489	\$ 14,588,961
Liabilities, Deferred Inflows, and and Fund Balances				
Liabilities				
Accounts payable	\$ 169,250	\$ 23,149	\$ 135,264	\$ 327,663
Accrued payroll and related liabilities	189,047	-	-	189,047
Customer deposits	5,885	-	-	5,885
Unearned revenue	-	-	1,323	1,323
Total Liabilities	364,182	23,149	136,587	523,918
Deferred Inflows				
Grants	59,689	-	-	59,689
Deferred assessments	-	-	46,730	46,730
Total Deferred Inflows	59,689	-	46,730	106,419
Fund Balances				
Nonspendable - prepaid items	8,885	-	-	8,885
Committed:				
Tourism	-	-	357,411	357,411
Enhancement Fund	-	-	3,054,325	3,054,325
Assigned:				
Subsequent year's expenditures	1,132,088	-	-	1,132,088
Capital projects	-	683,335	1,166,034	1,849,369
Public works	-	-	95,402	95,402
Unassigned	7,461,144	-	-	7,461,144
Total Fund Balances	8,602,117	683,335	4,673,172	13,958,624
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 9,025,988	\$ 706,484	\$ 4,856,489	\$ 14,588,961

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2014

Total fund balances for governmental funds		\$ 13,958,624
<p>Total net position reported for governmental activities in the Statement of Net Position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$ 2,501,384	
Construction in progress	19,024,269	
Buildings	31,842,668	
Improvements other than buildings	1,568,469	
Infrastructure	18,681,299	
Machinery and equipment	9,917,924	
Accumulated depreciation	<u>(20,703,239)</u>	
Total capital assets		62,832,774
<p>Other long-term assets (grants receivable and special assessments receivable) are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		106,419
<p>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 Position.</p>		
		223,440
<p>Long-term Liabilities are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities. These long-term liabilities consist of:</p>		
Bonds payable	(7,075,000)	
Accrued leave	(566,268)	
Accrued interest	<u>(86,560)</u>	
Total long-term liabilities		<u>(7,727,828)</u>
Total Net Position of Governmental Activities		\$ <u>69,393,429</u>

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2014</i>	Major Funds			Total Governmental Funds
	General	Building Capital Project	Nonmajor Funds	
Revenues				
Taxes:				
Property taxes	\$ 879,280	\$ -	\$ -	\$ 879,280
Sales taxes	11,509,517	-	-	11,509,517
Other taxes, penalties and interest	27,203	-	188,298	215,501
Intergovernmental	2,532,888	-	728,720	3,261,608
Charges for services	1,911,039	-	-	1,911,039
Fines and forfeitures	9,482	-	-	9,482
Licenses and permits	83,253	-	-	83,253
Rental income	173,978	-	57,802	231,780
Interfund charges	895,876	-	-	895,876
Investment income	16,396	7,331	27,112	50,839
Special assessments	-	-	32,104	32,104
Donations	-	645,000	-	645,000
Other revenues	59,301	-	-	59,301
Total Revenues	18,098,213	652,331	1,034,036	19,784,580
Expenditures				
Current:				
General government	2,311,431	-	14,428	2,325,859
Public safety	7,453,514	-	418,891	7,872,405
Public works	1,836,030	-	398,925	2,234,955
Engineering	201,581	-	-	201,581
Parks and recreation	1,213,750	-	16,796	1,230,546
Library	847,134	-	-	847,134
Community services	163,374	-	132,860	296,234
Other - insurance and administration	577,733	-	-	577,733
Debt service:				
Bond principal	175,000	-	-	175,000
Bond interest	354,990	-	-	354,990
Capital outlay	-	3,273,526	2,391,697	5,665,223
Total Expenditures	15,134,537	3,273,526	3,373,597	21,781,660
Excess of revenues over (under) expenditures	2,963,676	(2,621,195)	(2,339,561)	(1,997,080)
Other Financing Sources (Uses)				
Transfers in	-	-	2,334,396	2,334,396
Transfers out	(2,934,396)	-	-	(2,934,396)
Net Other Financing Sources (Uses)	(2,934,396)	-	2,334,396	(600,000)
Net change in fund balances	29,280	(2,621,195)	(5,165)	(2,597,080)
Fund Balances, beginning of year	8,572,837	3,304,530	4,678,337	16,555,704
Fund Balances, end of year	\$ 8,602,117	\$ 683,335	\$ 4,673,172	\$ 13,958,624

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, 2014

Net change in fund balances - total governmental funds		\$ (2,597,080)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$5,832,926) exceeded depreciation (\$1,431,498).		
		4,401,428
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Decrease in deferred special assessments.	\$ (29,802)	
Increase in deferred grant revenue	59,689	
		29,887
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued leave	(68,983)	
Decrease in accrued interest payable	2,187	
		(66,796)
Repayment of the principal of the long-term debt consumes current financial resources of governmental funds but does not have any effect on net position.		
		175,000
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.		
		62,355
Change in Net Position of Governmental Activities		\$ 2,004,794

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Proprietary Funds
Statement of Net Position

June 30, 2014	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
Assets								
Current Assets								
Cash and investments	\$ 1,362,065	\$ 3,594,449	\$ 7,988,904	\$ 5,861,997	\$ 288,746	\$ 651,798	\$ 19,747,959	\$ 470,332
Receivables - net of allowances	5,314,133	60,450	1,989,289	334,253	43,469	95,186	7,836,780	-
Inventories	-	-	224,424	9,978	-	-	234,402	-
Total Current Assets	6,676,198	3,654,899	10,202,617	6,206,228	332,215	746,984	27,819,141	470,332
Noncurrent Assets								
Restricted cash and investments	-	129,581	-	-	375,469	-	505,050	-
Property, plant and equipment, net	13,872,112	12,976,618	21,988,914	12,782,125	15,981,677	4,027,118	81,628,564	-
Total Noncurrent Assets	13,872,112	13,106,199	21,988,914	12,782,125	16,357,146	4,027,118	82,133,614	-
Total Assets	\$ 20,548,310	\$ 16,761,098	\$ 32,191,531	\$ 18,988,353	\$ 16,689,361	\$ 4,774,102	\$ 109,952,755	\$ 470,332
Liabilities and Net Position								
Liabilities								
Current Liabilities								
Accounts payable	\$ 1,831,013	\$ 33,462	\$ 1,060,059	\$ 136,023	\$ 4,296	\$ 31,831	\$ 3,096,684	\$ 22,341
Accrued payroll and related liabilities	3,985	13,928	7,787	13,397	1,672	72	40,841	-
Customer deposits	-	223,215	3,300	-	34,387	17,036	277,938	-
Accrued interest	-	29,140	-	2,011	75,547	-	106,698	-
Due to other funds	-	-	-	-	-	214,788	214,788	-
Current portion:								
Accrued annual leave	2,645	58,956	13,953	63,669	4,177	-	143,400	-
Revenue bonds	-	40,000	-	-	90,000	-	130,000	-
Loans payable	-	-	97,719	301,996	46,500	-	446,215	-
Total Current Liabilities	1,837,643	398,701	1,182,818	517,096	256,579	263,727	4,456,564	22,341
Noncurrent Liabilities								
Long term portion:								
Accrued annual leave	1,029	22,927	5,426	24,760	1,624	-	55,766	-
Revenue bonds	-	1,790,000	-	-	4,525,000	-	6,315,000	-
Loans payable	-	-	2,079,746	1,398,680	697,500	-	4,175,926	-
Total Noncurrent Liabilities	1,029	1,812,927	2,085,172	1,423,440	5,224,124	-	10,546,692	-
Total Liabilities	1,838,672	2,211,628	3,267,990	1,940,536	5,480,703	263,727	15,003,256	22,341
Net Position								
Net investment in capital assets	13,872,112	11,146,618	19,811,449	11,081,449	10,622,677	4,027,118	70,561,423	-
Restricted for debt service	-	129,581	-	-	375,469	-	505,050	-
Unrestricted	4,837,526	3,273,271	9,112,092	5,966,368	210,512	483,257	23,883,026	447,991
Total Net Position	18,709,638	14,549,470	28,923,541	17,047,817	11,208,658	4,510,375	94,949,499	447,991
Total Liabilities and Net Position	\$ 20,548,310	\$ 16,761,098	\$ 32,191,531	\$ 18,988,353	\$ 16,689,361	\$ 4,774,102	\$ 109,952,755	\$ 470,332

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

224,551

Net Position of Business-type Activities

\$ 95,174,050

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2014</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
Operating revenues	\$ 1,203,476	\$ 2,344,260	\$ 4,251,004	\$ 3,705,634	\$ 722,665	\$ 757,967	\$ 12,985,006	\$ 589,671
Operating Expenses								
Salaries and benefits	289,930	1,246,651	626,430	1,184,627	180,010	6,751	3,534,399	-
Professional	485,781	69,388	11,639	21,461	29,540	14,750	632,559	-
Contributions	-	16,748	-	-	-	-	16,748	-
Goods and services	35,826	159,933	207,180	177,166	67,627	533,615	1,181,347	508,273
Utilities and fuel	22,419	169,047	442,077	558,566	36,612	1,909	1,230,630	-
Administrative services	-	19,417	-	-	-	2,809	22,226	-
Machinery and equipment	547	8,102	4,946	5,277	50	-	18,922	-
Repairs and maintenance	9,633	110,793	-	74,190	21,824	7,969	224,409	-
Interfund charges	181,734	126,251	126,250	126,250	181,734	197,934	940,153	-
Depreciation	442,662	1,324,132	644,523	1,213,467	529,982	289,881	4,444,647	-
Total Operating Expenses	1,468,532	3,250,462	2,063,045	3,361,004	1,047,379	1,055,618	12,246,040	508,273
Earnings (loss) from operations	(265,056)	(906,202)	2,187,959	344,630	(324,714)	(297,651)	738,966	81,398
Nonoperating Revenues (Expenses)								
Investment income	12,773	20,061	16,792	15,819	1,395	1,390	68,230	322
Interest expense	-	(88,421)	(24,153)	(26,018)	(239,284)	-	(377,876)	-
Accounts written off	-	-	-	-	-	(152,172)	(152,172)	-
State PERS relief	20,936	92,354	40,054	80,296	13,572	-	247,212	-
Engineering and feasibility studies	-	-	(576,174)	(18,092)	-	-	(594,266)	-
Nonoperating grants	-	-	2,477,874	-	-	-	2,477,874	-
Noncapital repairs	-	-	(3,477,374)	-	-	-	(3,477,374)	-
Net Nonoperating Revenues (Expenses)	33,709	23,994	(1,542,981)	52,005	(224,317)	(150,782)	(1,808,372)	322
Earnings (loss) before contributions and transfers	(231,347)	(882,208)	644,978	396,635	(549,031)	(448,433)	(1,069,406)	81,720
Capital contributions	7,033,027	-	-	-	-	-	7,033,027	-
Transfers in	100,000	500,000	1,725,000	-	-	-	2,325,000	-
Transfers out	-	-	-	(1,725,000)	-	-	(1,725,000)	-
Change in net position	6,901,680	(382,208)	2,369,978	(1,328,365)	(549,031)	(448,433)	6,563,621	81,720
Net Position, beginning of year	11,807,958	14,931,678	26,553,563	18,376,182	11,757,689	4,958,808		366,271
Net Position, end of year	\$ 18,709,638	\$ 14,549,470	\$ 28,923,541	\$ 17,047,817	\$ 11,208,658	\$ 4,510,375		\$ 447,991
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							19,365	
Change in Net Position of Business-type Activities							\$ 6,582,986	

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2014	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 1,212,317	\$ 2,227,962	\$ 4,093,491	\$ 3,706,032	\$ 746,777	\$ 770,416	\$ 12,756,995	\$ -
Receipts from interfund services provided	-	166,449	-	-	-	-	166,449	589,671
Receipt from insurance settlement	-	-	-	-	-	-	-	279,372
Payments for interfund services used	(181,734)	(126,251)	(126,250)	(126,250)	(181,734)	(197,934)	(940,153)	-
Payments to suppliers	(552,130)	(552,743)	(1,135,866)	(791,394)	(161,043)	(566,606)	(3,759,782)	(485,932)
Payments to employees	(266,410)	(1,169,066)	(586,673)	(1,091,740)	(163,945)	(6,679)	(3,284,513)	-
Net cash flows from (for) operating activities	212,043	546,351	2,244,702	1,696,648	240,055	(803)	4,938,996	383,111
Cash Flows from Noncapital Financing Activities								
Transfers in (out)	-	500,000	1,725,000	(1,725,000)	-	-	500,000	-
Noncapital repairs and maintenance	-	-	(3,477,374)	-	-	-	(3,477,374)	-
Increase due to other funds	-	-	-	-	-	8,580	8,580	-
Nonoperating grant received	-	-	1,601,757	-	-	-	1,601,757	-
Net cash flows from (for) noncapital financing activities	-	500,000	(150,617)	(1,725,000)	-	8,580	(1,367,037)	-
Cash Flows from (for) Capital and Related Financing Activities								
Principal paid on long-term debt	-	(40,000)	(206,276)	(301,319)	(131,500)	-	(679,095)	-
Interest paid on long-term debt	-	(88,621)	(24,153)	(27,023)	(240,851)	-	(380,648)	-
Proceeds from issuance of long-term debt	-	-	12,400	-	-	-	12,400	-
Purchase of property, plant and equipment	(5,527,236)	(22,920)	(61,139)	(370,520)	-	-	(5,981,815)	-
Transfers in	100,000	-	-	-	-	-	100,000	-
Capital contributions received	2,712,466	-	-	-	-	-	2,712,466	-
Net cash flows from (for) capital and related financing activities	(2,714,770)	(151,541)	(279,168)	(698,862)	(372,351)	-	(4,216,692)	-
Cash Flows from Investing Activities								
Investment income received	12,773	20,061	16,792	15,819	1,395	1,390	68,230	322
Net increase (decrease) in cash and investments	(2,489,954)	914,871	1,831,709	(711,395)	(130,901)	9,167	(576,503)	383,433
Cash and Investments, beginning of year	3,852,019	2,809,159	6,157,195	6,573,392	795,116	642,631	20,829,512	86,899
Cash and Investments, end of year	\$ 1,362,065	\$ 3,724,030	\$ 7,988,904	\$ 5,861,997	\$ 664,215	\$ 651,798	\$ 20,253,009	\$ 470,332
Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:								
Earnings (loss) from operations	\$ (265,056)	\$ (906,202)	\$ 2,187,959	\$ 344,630	\$ (324,714)	\$ (297,651)	\$ 738,966	\$ 81,398
Adjustments to reconcile earnings (loss) from operations to net cash from (for) operating activities:								
Depreciation	442,662	1,324,132	644,523	1,213,467	529,982	289,881	4,444,647	-
Noncash expense - PERS relief	20,936	92,354	40,054	80,296	13,572	-	247,212	-
Noncash - expense - accounts written off	-	-	-	-	-	(152,172)	(152,172)	-
Other nonoperating revenues (expenses)	-	-	(576,174)	(18,092)	-	-	(594,266)	-
(Increase) decrease in assets:								
Accounts receivable	8,841	59,999	(135,513)	398	(5,760)	164,321	92,286	279,372
Inventory	-	-	2,662	(714)	-	-	1,948	-
Increase (decrease) in liabilities:								
Accounts payable	2,126	685	103,488	64,072	(5,390)	(5,554)	159,427	22,341
Accrued payroll and related liabilities	877	264	1,922	1,549	(202)	72	4,482	-
Accrued annual leave	1,657	(15,033)	(2,219)	11,042	2,695	-	(1,858)	-
Customer deposits	-	(9,848)	(22,000)	-	29,872	300	(1,676)	-
Net Cash Flows from (for) Operating Activities	\$ 212,043	\$ 546,351	\$ 2,244,702	\$ 1,696,648	\$ 240,055	\$ (803)	\$ 4,938,996	\$ 383,111

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, 2014

Current Assets

Cash and investments	\$ 211,691
Accounts receivable	75

Total Assets	\$ 211,766
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Current Liabilities

Accounts payable	\$ 36,834
Due to others	174,932

Total Liabilities	\$ 211,766
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See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Notes to Basic Financial Statements June 30, 2014

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 position 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 position is reported as restricted when constraints placed on the net position 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

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 *Building Capital Project Fund* accounts for the construction of new City buildings.

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 *Shipyard Enterprise Fund* accounts for the shipyard activities.

Additionally, the City also reports an internal service fund. This fund accounts for the insurance activities of the City and provides this service to other departments and agencies of the City on a cost reimbursement basis.

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

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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:

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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 position. Bond premiums and discounts 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.

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 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 - Amounts are constrained by the City's intent to be used for specific purposes, but are not restricted or committed. The City Council may assign funds through the resolution process, or through the budgetary process. In addition, assigned fund balance includes all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not otherwise constrained. By the establishment of such governmental funds (other than the General Fund), the City Council has implicitly assigned the residual fund balance to that purpose.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

Unearned 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 unearned revenue.

Pension Plan

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

Property Taxes

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

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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 was \$13,911,453 and the bank balance totaled \$14,506,079. Of the bank balance, \$250,000 was insured by FDIC insurance and \$8,693,792 was covered by collateral held by the pledging financial institutions' trust department or agent in the City's name. There were no uninsured cash balances. Included in the carrying amount above is \$505,050 of restricted cash for revenue bond reserves. Petty cash on hand at June 30, 2014 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, 2014 are as follows:

	Fair Value	Investment Maturity (in years)	
		Less than 1	1-5
Investment Type			
U.S. government agencies	\$ 13,570,253	\$ 13,062,320	\$ 507,933
Municipal obligations	502,970	502,970	-
Alaska Municipal League Investment Pool	3,899,362	3,899,362	-
Total Investments	\$ 17,972,585	\$ 17,464,652	\$ 507,933

City of Kodiak, Alaska

Notes to Basic Financial Statements

Credit Risk

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

The Alaska Municipal League Investment Pool is an external investment pool that is rated AAAM by Standard and Poor's. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its Board of Directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

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, 2014 the fair value of the investment in AMLIP approximates amortized cost.

4. Accounts Receivable and Unearned Revenues

Receivables at June 30, 2014, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	Major Governmental Funds		Nonmajor Governmental Funds	Totals
	General			
Taxes	\$ 3,078,286	\$	55,949	\$ 3,134,235
Grants and shared revenues	132,629		33,152	165,781
Special assessments	-		71,328	71,328
Interest	12,517		26,217	38,734
Total receivables	3,223,432		186,646	3,410,078
Less allowance for doubtful accounts	-		-	-
Net Receivables	\$ 3,223,432	\$	186,646	\$ 3,410,078

City of Kodiak, Alaska

Notes to Basic Financial Statements

	Major Enterprise Funds					Nonmajor Enterprise Funds	Totals
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard		
Accounts	\$ 40,691	\$ 76,097	\$ 392,818	\$ 337,120	\$ 43,469	\$ 95,186	\$ 985,381
Grants	5,273,442	-	1,598,695	-	-	-	6,872,137
Total receivables	5,314,133	76,097	1,991,513	337,120	43,469	95,186	7,857,518
Less allowance for doubtful accounts	-	(15,647)	(2,224)	(2,867)	-	-	(20,738)
Net Receivables	\$ 5,314,133	\$ 60,450	\$ 1,989,289	\$ 334,253	\$ 43,469	\$ 95,186	\$ 7,836,780

Governmental funds report unearned 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, 2014, unearned revenues reported in the governmental funds were as follows:

	Nonmajor Funds	Totals
Unearned Revenues	\$ 1,323	\$ 1,323

Governmental funds report a deferred inflow when there is an acquisition of fund balance that is applicable to a future reporting period. At June 30, 2014, the various components of deferred inflows reported in the governmental funds were as follows:

	General	Nonmajor Funds	Totals
Deferred grants	\$ 59,689	\$ -	\$ 59,689
Deferred special assessments	-	46,730	46,730
Total Deferred Inflows	\$ 59,689	\$ 46,730	\$ 106,419

City of Kodiak, Alaska

Notes to Basic Financial Statements

5. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,501,384	\$ -	\$ -	\$ 2,501,384
Construction in progress	13,430,568	5,593,701	-	19,024,269
Total assets not being depreciated	15,931,952	5,593,701	-	21,525,653
<i>Capital assets being depreciated:</i>				
Buildings	31,842,668	-	-	31,842,668
Improvements other than buildings	1,496,946	71,523	-	1,568,469
Infrastructure	18,681,299	-	-	18,681,299
Machinery and equipment	9,750,222	167,702	-	9,917,924
Total assets being depreciated	61,771,135	239,225	-	62,010,360
Less accumulated depreciation for:				
Buildings	3,813,963	654,516	-	4,468,479
Improvements other than buildings	1,043,424	65,539	-	1,108,963
Infrastructure	7,309,227	275,155	-	7,584,382
Machinery and equipment	7,105,127	436,288	-	7,541,415
Total accumulated depreciation	19,271,741	1,431,498	-	20,703,239
Total capital assets being depreciated, net	42,499,394	(1,192,273)	-	41,307,121
Governmental Activity Capital Assets, Net	\$ 58,431,346	\$ 4,401,428	\$ -	\$ 62,832,774

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City of Kodiak, Alaska

Notes to Basic Financial Statements

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	\$ -	\$ -	\$ 693,997
Construction in progress	7,441,162	7,524,053	-	14,965,215
Total assets not being depreciated	8,135,159	7,524,053	-	15,659,212
<i>Capital assets being depreciated:</i>				
Buildings	23,867,809	-	-	23,867,809
Improvements other than buildings	108,569,534	-	-	108,569,534
Machinery and equipment	21,014,235	22,919	-	21,037,154
Total assets being depreciated	153,451,578	22,919	-	153,474,497
Less accumulated depreciation for:				
Buildings	15,355,933	860,256	-	16,216,189
Improvements other than buildings	63,680,639	2,954,601	-	66,635,240
Machinery and equipment	4,023,926	629,790	-	4,653,716
Total accumulated depreciation	83,060,498	4,444,647	-	87,505,145
Total capital assets being depreciated, net	70,391,080	(4,421,728)	-	65,969,352
Business Type Activity Capital Assets, Net	\$ 78,526,239	\$ 3,102,325	\$ -	\$ 81,628,564

Depreciation expense was charged to the functions as follows, for the year ended June 30, 2014:

Governmental Activities	
General government	\$ 17,199
Public safety	780,840
Public works	419,019
Engineering	1,686
Parks and recreation	138,103
Library	65,428
Community services	9,223
Total Governmental Activities Depreciation	\$ 1,431,498
Business-type Activities	
Cargo Pier	\$ 442,662
Boat Harbor	1,324,132
Water Utility	644,523
Sewer Utility	1,213,467
Shipyard	529,982
Harbor Electric	10,402
Trident Basin	279,479
Total Business-Type Activities Depreciation	\$ 4,444,647

City of Kodiak, Alaska

Notes to Basic Financial Statements

6. Long Term Debt

Long-term debt at June 30, 2014 is comprised of the following:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Governmental Activities					
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$185,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ 7,250,000	\$ -	\$ 175,000	\$ 7,075,000	\$ 185,000
Accrued leave	497,285	448,673	379,690	566,268	432,360
Total Governmental Activities	\$ 7,747,285	\$ 448,673	\$ 554,690	\$ 7,641,268	\$ 617,360

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Business-type Activities					
Revenue Bonds:					
\$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$40,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038	\$ 1,870,000	\$ -	\$ 40,000	\$ 1,830,000	\$ 40,000
\$4,000,000 2007 Series A Shipyard Revenue Bonds, due in annual installments of \$70,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,770,000	-	65,000	3,705,000	70,000
\$1,000,000 2009 Series One Shipyard Revenue Bonds, due in annual installments of \$20,000 to \$65,000 plus interest at 3.0% to 5.875% through 2037	930,000	-	20,000	910,000	20,000
Loans Payable:					
\$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	603,294	-	201,097	402,197	201,097

City of Kodiak, Alaska

Notes to Basic Financial Statements

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Business-type Activities, continued					
Loans Payable, continued:					
\$550,000 Water loan, due in annual installments of \$110,000, plus interest at 1.5% through 2014	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ -
\$550,000 Sewer loan, due in annual installments of \$55,000, plus interest at 1.5% through 2019	330,000	-	55,000	275,000	55,000
\$1,000,000 Sewer loan, due in annual installments of \$58,246, including interest at 1.5% through 2030	868,307	-	45,222	823,085	45,899
\$930,000 Shipyard loan, due in annual installments of \$46,500, plus interest at 1.5% through 2030	790,500	-	46,500	744,000	46,500
\$862,000 Water loan, due in annual installments of \$50,208, including interest at 1.5% through 2030	748,480	-	38,981	709,499	39,565
\$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, due in annual installments of \$77,168, including interest at 1.5% through 2032	1,312,467	12,400	57,295	1,267,572	58,154
Accrued leave	201,024	125,239	127,097	199,166	143,400
Total Business-type Activities	\$ 11,934,860	\$ 137,639	\$ 806,192	\$ 11,266,307	\$ 719,615

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

Governmental Activities	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 185,000	\$ 346,240	\$ 531,240
2016	195,000	336,990	531,990
2017	205,000	327,240	532,240
2018	210,000	319,040	529,040
2019	195,000	310,640	505,640
2020-2024	1,110,000	1,422,338	2,532,338
2025-2029	1,400,000	1,138,010	2,538,010
2030-2034	1,785,000	749,915	2,534,915
2035-2038	1,790,000	238,420	2,028,420
	\$ 7,075,000	\$ 5,188,833	\$ 12,263,833

Business-type Activities	Revenue Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 130,000	\$ 310,364	\$ 440,364	\$ 446,215	\$ 63,321	\$ 509,536
2016	135,000	302,714	437,714	448,374	56,627	505,001
2017	140,000	294,664	434,664	249,460	49,902	299,362
2018	155,000	286,039	441,039	251,680	46,160	297,840
2019	160,000	276,839	436,839	253,932	42,385	296,317
2020-2024	935,000	1,264,783	2,199,783	1,029,650	162,346	1,191,996
2025-2029	1,170,000	1,026,579	2,196,579	1,091,257	83,302	1,174,559
2030-2034	1,815,000	673,556	2,488,556	450,785	13,539	464,324
2035-2038	1,805,000	182,766	1,987,766	-	-	-
	\$ 6,445,000	\$ 4,618,304	\$ 11,063,304	\$ 4,221,353	\$ 517,582	\$ 4,738,935

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 Shipyard Enterprise Funds in the total amount of \$505,050.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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:

	General Fund	Building Capital Project Fund	Nonmajor Funds	Totals
Nonspendable - prepaid items	\$ 8,885	\$ -	\$ -	\$ 8,885
Committed:				
Tourism	-	-	357,411	357,411
Enhancement Fund	-	-	3,054,325	3,054,325
Assigned:				
Subsequent year's expenditures	1,132,088	-	-	1,132,088
Capital projects	-	683,335	1,166,034	1,849,369
Public works	-	-	95,402	95,402
Unassigned	7,461,144	-	-	7,461,144
Total Fund Balances	\$ 8,602,117	\$ 683,335	\$ 4,673,172	\$ 13,958,624

8. Sales Tax Revenues

A sales tax of seven (7) 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, 2014 and 2013 respectively, are as follows:

	2014	2013
General Fund general sales taxes	\$ 11,509,517	\$ 11,215,647
Tourism Development Special Revenue Fund room taxes	\$ 188,298	\$ 196,687

City of Kodiak, Alaska

Notes to Basic Financial Statements

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:

	Percentage	Maximum Proceeds
Fund		
General Fund	5.00%	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	1.00%	500,000
Total Sales Tax	7.00%	\$1,000,000

	Percentage	Maximum Proceeds
Fund		
Council approved tourism program	3.50%	N/A
Tourism enhancement projects	1.00%	N/A
Administrative costs associated with projects	0.50%	N/A
Total Transient Room Tax	5.00%	N/A

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, 2014 and 2013 were as follows:

	2014	2013
Capital Projects Funds:		
Street Improvements *	\$ 350,000	\$ 450,000
Parks and Recreation	50,000	50,000
Enterprise Fund - Boat Harbor	500,000	500,000
Total Sales Tax Revenues Transferred from the General Fund	\$ 900,000	\$ 1,000,000

*The amount transferred in 2014 was reduced by \$100,000 in accordance with budget amendment number 1.

City of Kodiak, Alaska

Notes to Basic Financial Statements

9. Interfund Receivables and Transfers

A schedule of interfund balances and transfers for the year ended June 30, 2014, follows:

Due from Other Funds

Due to the General Fund from nonmajor enterprise funds	\$ 214,788
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Transfers

From General Fund to:

Boat Harbor Enterprise Fund for capital costs	\$ 500,000
Cargo Pier Enterprise fund for capital costs	100,000
Nonmajor governmental funds for capital projects	1,327,500
Nonmajor governmental funds to cover operating costs	1,006,896

Total transfers from General Fund	2,934,396
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From Sewer Utility Enterprise Fund to:

Water Utility Enterprise Fund for capital costs	1,725,000
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Total Transfers to Other Funds	\$ 4,659,396
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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

PERS Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation 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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Contribution rates for the year ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	10.64%	18.38%	27.94%
Postemployment healthcare	11.36%	17.30%	52.55%
Total contribution rate	22.00%	35.68%	80.49%

Annual Pension and Postemployment Healthcare Cost - PERS

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, this contribution is considered an on-behalf payment and is recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of \$1,039,139, and \$990,465 for 2014 and 2013, respectively, have been excluded from pension and OPEB cost as shown below.

<i>Year Ended June 30,</i>	Required Pension Contribution	Required OPEB Contribution	Total Required Contribution	Actual City Contributions	Required % Contributed
2014	\$ 560,855	\$ 715,134	\$1,275,989	\$ 1,275,989	100%
2013	555,568	708,523	1,264,091	1,264,091	100%
2012	\$ 632,322	\$ 695,072	\$1,327,394	\$ 1,327,394	100%

11. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. 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.

Employee Contribution Rates

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Employer Contribution Rates

For the year ended June 30, 2014, the City was required to contribute the following amounts based on covered salary:

	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
	5.68%	6.62%

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,897 per year for each full-time employee, and \$1.22 per hour for part-time employees.

Finally, the total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Locally known as the defined benefit unfunded liability (DBUL) payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

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, 2014 were \$293,349 and \$246,413, respectively.

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, 2014. 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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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 monies are to be held perpetually in trust for the benefit of the present and future generations of Kodiak residents. Any principal portions of the Enhancement Fund cannot be appropriated without approval from at least five City council members. The Enhancement Fund was established with a transfer of five (5) million dollars from the General Fund to a separate Special Revenue Fund. The ordinance creating the Enhancement Fund requires fifty percent of the General Fund surplus (which is calculated annually based upon excess revenues and other financing sources, less expenditures and other financing uses) to be transferred to the Enhancement Fund by January 1 of the succeeding year. The General Fund's net increase to fund balance or surplus for the year ended June 30, 2013 was \$1,843,167 and accordingly, \$921,584 was transferred to the Enhancement Fund during the current year.

In addition, there is a provision for transferring to the General Fund any excess earnings over and above those earnings necessary for inflation-proofing of the Enhancement Fund. Based on the current year earnings, no excess earnings were transferred to the General Fund from the Enhancement Fund.

14. Operating Lease

The City occupies office space leased from the Kodiak Island Borough under a noncancellable operating lease that runs through June 30, 2014. The lease rate is \$7,577 per month. For the year ended June 30, 2014, 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, 2014 was \$1,486,000.

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

17. New Accounting Pronouncements

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

GASB 68 - Accounting and Financial Reporting for Pensions - Effective for year-end June 30, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan side reporting at GASB 67.

GASB 69 - Government Combinations and Disposals of Government Operations - Effective for year-end June 30, 2015 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - Effective for year-end June 30, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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Required Supplementary Information

City of Kodiak, Alaska
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2014</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 773,500	\$ 870,500	\$ 879,280	\$ 8,780
Sales taxes	11,630,000	11,630,000	11,536,720	(93,280)
Intergovernmental	2,589,448	2,548,639	2,532,888	(15,751)
Charges for services	1,633,193	1,930,434	1,911,039	(19,395)
Fines and forfeitures	20,500	20,500	9,482	(11,018)
Licenses and permits	76,800	91,800	83,253	(8,547)
Rental income	180,000	180,000	173,978	(6,022)
Interfund charges	882,869	882,869	895,876	13,007
Investment income	45,000	45,000	16,396	(28,604)
Other revenues	43,800	93,800	59,301	(34,499)
Total Revenues	17,875,110	18,293,542	18,098,213	(195,329)
Expenditures				
General government:				
Legislative	302,660	304,660	198,685	105,975
Legal	50,000	50,000	40,059	9,941
Executive	518,015	548,353	387,153	161,200
Emergency preparedness	56,500	56,500	31,672	24,828
City Clerk	454,300	458,587	418,962	39,625
Finance	1,351,521	1,351,521	1,234,900	116,621
Police	6,794,359	6,843,920	6,012,656	831,264
Fire	1,851,093	1,994,593	1,970,848	23,745
Public works	2,331,959	2,331,959	1,836,030	495,929
Engineering	255,849	255,849	201,581	54,268
Parks and recreation	1,359,945	1,369,945	1,213,750	156,195
Library	966,805	1,014,205	847,134	167,071
Non-departmental	738,531	738,531	741,107	(2,576)
Total Expenditures	17,031,537	17,318,623	15,134,537	2,184,086
Excess of revenues over (under) expenditures	843,573	974,919	2,963,676	1,988,757
Other Financing Uses -				
Transfers out	(1,999,805)	(2,921,389)	(2,934,396)	(13,007)
Net change in fund balance	<u>\$ (1,156,232)</u>	<u>\$ (1,946,470)</u>	29,280	<u>\$ 1,975,750</u>
Fund Balance, beginning of year			<u>8,572,837</u>	
Fund Balance, end of year			<u>\$ 8,602,117</u>	

See accompanying notes to required supplementary information.

City of Kodiak, Alaska

Notes to Required Supplementary Information June 30, 2014

- 1) The Required Budgetary Comparison Schedule for the General Fund is presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The City's adopted budget generally conforms to accounting principles generally accepted in the United States of America; therefore no reconciliation is required.

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Nonmajor Funds

City of Kodiak, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Govern- mental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	General	Street Improvements	Parks and Recreation	General Fund Vehicle Replacement	
<i>June 30, 2014</i>								
Assets								
Cash and investments	\$ 301,462	\$ 70,804	\$ 3,028,108	\$ 620,619	\$ 156,905	\$ 317,746	\$ 174,199	\$ 4,669,843
Receivables:								
Taxes	55,949	-	-	-	-	-	-	55,949
Grants	-	-	-	33,152	-	-	-	33,152
Special assessments	-	71,328	-	-	-	-	-	71,328
Interest	-	-	26,217	-	-	-	-	26,217
Total Assets	\$ 357,411	\$ 142,132	\$ 3,054,325	\$ 653,771	\$ 156,905	\$ 317,746	\$ 174,199	\$ 4,856,489
Liabilities, Deferred Inflows, and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 120,633	\$ 8,870	\$ 5,761	\$ -	\$ 135,264
Unearned revenue	-	-	-	1,323	-	-	-	1,323
Total Liabilities	-	-	-	121,956	8,870	5,761	-	136,587
Deferred Inflows - deferred assessments	-	46,730	-	-	-	-	-	46,730
Fund Balances								
Committed:								
Tourism	357,411	-	-	-	-	-	-	357,411
Enhancement Fund	-	-	3,054,325	-	-	-	-	3,054,325
Assigned:								
Capital projects	-	-	-	531,815	148,035	311,985	174,199	1,166,034
Public works	-	95,402	-	-	-	-	-	95,402
Total Fund Balances	357,411	95,402	3,054,325	531,815	148,035	311,985	174,199	4,673,172
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 357,411	\$ 142,132	\$ 3,054,325	\$ 653,771	\$ 156,905	\$ 317,746	\$ 174,199	\$ 4,856,489

City of Kodiak, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2014</i>	Special Revenue Funds			Capital Project Funds				Total Nonmajor Govern- mental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	General	Street Improvements	Parks and Recreation	General Fund Vehicle Replacement	
Revenues								
Taxes	\$ 188,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,298
Rental income	-	-	57,802	-	-	-	-	57,802
Intergovernmental	-	-	-	39,521	-	689,199	-	728,720
Investment income	540	86	19,416	2,063	1,275	3,601	131	27,112
Special assessments	-	32,104	-	-	-	-	-	32,104
Total Revenues	188,838	32,190	77,218	41,584	1,275	692,800	131	1,034,036
Expenditures								
General government	-	-	-	14,428	-	-	-	14,428
Public safety	-	-	-	418,891	-	-	-	418,891
Public works	-	271	-	-	398,654	-	-	398,925
Parks and recreation	-	-	-	-	-	16,796	-	16,796
Community services	132,860	-	-	-	-	-	-	132,860
Capital outlay	-	-	-	570,712	-	1,820,985	-	2,391,697
Total Expenditures	132,860	271	-	1,004,031	398,654	1,837,781	-	3,373,597
Excess of revenues over (under) expenditures	55,978	31,919	77,218	(962,447)	(397,379)	(1,144,981)	131	(2,339,561)
Other Financing Sources (Uses)								
Transfers in	-	-	921,584	927,500	350,000	50,000	85,312	2,334,396
Net change in fund balances	55,978	31,919	998,802	(34,947)	(47,379)	(1,094,981)	85,443	(5,165)
Fund Balances, beginning of year	301,433	63,483	2,055,523	566,762	195,414	1,406,966	88,756	4,678,337
Fund Balances, end of year	\$ 357,411	\$ 95,402	\$ 3,054,325	\$ 531,815	\$ 148,035	\$ 311,985	\$ 174,199	\$ 4,673,172

City of Kodiak, Alaska
Nonmajor Enterprise Funds
Combining Statement of Net Position

<i>June 30, 2014</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Assets				
Current Assets				
Cash and investments	\$ 646,906	\$ -	\$ 4,892	\$ 651,798
Receivables	54,439	4,028	36,719	95,186
Total Current Assets	701,345	4,028	41,611	746,984
Noncurrent assets - property, plant and equipment, net	32,069	3,995,049	-	4,027,118
Total Assets	\$ 733,414	\$ 3,999,077	\$ 41,611	\$ 4,774,102
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 30,279	\$ 1,552	\$ -	\$ 31,831
Accrued payroll and related liabilities	-	-	72	72
Customer deposits	15,500	1,536	-	17,036
Due to other funds	-	214,788	-	214,788
Total Current Liabilities	45,779	217,876	72	263,727
Net Position				
Net investment in capital assets	32,069	3,995,049	-	4,027,118
Unrestricted (deficit)	655,566	(213,848)	41,539	483,257
Total Net Position	687,635	3,781,201	41,539	4,510,375
Total Liabilities and Net Position	\$ 733,414	\$ 3,999,077	\$ 41,611	\$ 4,774,102

City of Kodiak, Alaska
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2014</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Operating revenues	\$ 674,425	\$ 46,824	\$ 36,718	\$ 757,967
Operating Expenses				
Salaries and benefits	-	-	6,751	6,751
Professional	-	14,750	-	14,750
Goods and services	522,294	11,321	-	533,615
Utilities and fuel	-	1,909	-	1,909
Administrative services	-	2,809	-	2,809
Repairs and maintenance	7,969	-	-	7,969
Interfund charges	134,809	63,125	-	197,934
Depreciation	10,402	279,479	-	289,881
Total Operating Expenses	675,474	373,393	6,751	1,055,618
Earnings (loss) from operations	(1,049)	(326,569)	29,967	(297,651)
Nonoperating Revenues (Expenses)				
Investment income	1,383	-	7	1,390
Accounts written off	-	-	(152,172)	(152,172)
Net Nonoperating Revenues (Expenses)	1,383	-	(152,165)	(150,782)
Change in net position	334	(326,569)	(122,198)	(448,433)
Net Position, beginning of year	687,301	4,107,770	163,737	4,958,808
Net Position, end of year	\$ 687,635	\$ 3,781,201	\$ 41,539	\$ 4,510,375

City of Kodiak, Alaska
Nonmajor Enterprise Funds
Combining Statement of Cash Flows

<i>Year Ended June 30, 2014</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 673,594	\$ 60,196	\$ 36,626	\$ 770,416
Payments for interfund services used	(134,809)	(63,125)	-	(197,934)
Payments to suppliers	(535,893)	(30,713)	-	(566,606)
Payments to employees	-	-	(6,679)	(6,679)
Net cash flows from (for) operating activities	2,892	(33,642)	29,947	(803)
Cash Flows from (for) Noncapital Financing Activities				
Increase (decrease) in due to other funds	-	33,642	(25,062)	8,580
Cash Flows from Investing Activities				
Investment income received	1,383	-	7	1,390
Net increase in cash and investments	4,275	-	4,892	9,167
Cash and Investments, beginning of year	642,631	-	-	642,631
Cash and Investments, end of year	\$ 646,906	\$ -	\$ 4,892	\$ 651,798
Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:				
Earnings (loss) from operations	\$ (1,049)	\$ (326,569)	\$ 29,967	\$ (297,651)
Adjustments to reconcile earnings (loss) from operations to net cash from (for) by operating activities:				
Depreciation	10,402	279,479	-	289,881
Noncash expense - accounts written off	-	-	(152,172)	(152,172)
(Increase) decrease in assets - accounts receivable	(1,131)	13,372	152,080	164,321
Increase (decrease) in liabilities:				
Accounts payable	(5,630)	76	-	(5,554)
Accrued payroll and related liabilities	-	-	72	72
Customer deposits	300	-	-	300
Net cash flows from (for) operating activities	\$ 2,892	\$ (33,642)	\$ 29,947	\$ (803)

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

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 5,578,883	\$ 5,560,219
Receivables:		
Taxes	3,078,286	3,099,771
Grants and shared revenues	132,629	54,537
Interest	12,517	-
Total receivables	3,223,432	3,154,308
Due from other funds	214,788	206,208
Prepaid items	8,885	13,741
Total Assets	\$ 9,025,988	\$ 8,934,476
Liabilities, Deferred Inflows and Fund Balance		
Liabilities		
Accounts payable	\$ 169,250	\$ 176,878
Accrued payroll and related liabilities	189,047	178,619
Customer deposits	5,885	6,142
Total Liabilities	364,182	361,639
Deferred Inflows - grant proceeds	59,689	-
Fund Balance		
Nonspendable - prepaid items	8,885	13,741
Advance to other fund	-	-
Assigned for subsequent year's expenditures	1,132,088	1,156,232
Unassigned	7,461,144	7,402,864
Total Fund Balance	8,602,117	8,572,837
Total Liabilities, Deferred Inflows and Fund Balance	\$ 9,025,988	\$ 8,934,476

City of Kodiak, Alaska

General Fund

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

<i>Year Ended June 30,</i>	2014			2013
	Budget	Actual	Variance	Actual
Revenues				
Taxes:				
Property taxes	\$ 870,500	\$ 879,280	\$ 8,780	\$ 708,684
Sales taxes	11,600,000	11,509,517	(90,483)	11,215,647
Penalties and interest	30,000	27,203	(2,797)	28,266
Total taxes	12,500,500	12,416,000	(84,500)	11,952,597
Intergovernmental:				
Grants	41,400	22,926	(18,474)	23,151
Revenue sharing	402,065	402,490	425	572,306
State PERS relief	804,999	791,927	(13,072)	765,692
Fisheries business tax	1,190,000	1,189,750	(250)	1,252,420
Shared fisheries business and landing tax	50,000	106,436	56,436	90,469
Liquor licenses	15,000	13,500	(1,500)	19,300
Fuel tax sharing	7,075	5,859	(1,216)	7,075
Telephone and electric sharing	38,100	-	(38,100)	44,586
Total intergovernmental	2,548,639	2,532,888	(15,751)	2,774,999
Charges for services: -				
Public safety:				
Boarding of State prisoners	1,208,290	1,209,652	1,362	1,134,144
State Trooper contract	120,000	78,750	(41,250)	78,750
Ambulance services	220,000	257,737	37,737	51,026
Other public safety charges	101,944	77,941	(24,003)	21,223
School lifeguard services	12,000	20,300	8,300	16,018
Borough building inspector charges	140,000	141,761	1,761	115,378
Library fees and charges	18,200	17,503	(697)	12,592
Parks and recreation fees and charges	100,000	99,835	(165)	100,645
Public works services	10,000	7,560	(2,440)	8,694
Total charges for services	1,930,434	1,911,039	(19,395)	1,538,470

City of Kodiak, Alaska

General Fund

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

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Revenues, continued:				
Fines and forfeitures	\$ 20,500	\$ 9,482	\$ (11,018)	\$ 15,308
Licenses and permits	91,800	83,253	(8,547)	237,950
Rental income	180,000	173,978	(6,022)	194,099
Interfund charges:				
Cargo Pier Fund	85,270	85,270	-	38,820
Boat Harbor Fund	85,270	85,270	-	97,070
Water Fund	85,260	85,260	-	97,080
Sewer Fund	85,260	85,260	-	97,080
Trident Basin Fund	42,630	42,630	-	19,410
Public works	184,503	184,503	-	253,500
Engineering and inspection fees	56,290	56,290	-	100,220
Tourism Development Fund	36,860	36,860	-	36,860
Shipyard Fund	85,270	85,270	-	38,820
Electric Fund	63,951	63,951	-	19,410
Vehicle replacement	72,305	85,312	13,007	66,882
Total interfund charges	882,869	895,876	13,007	865,152
Investment income	45,000	16,396	(28,604)	9,459
Other revenues	93,800	59,301	(34,499)	45,736
Total Revenues	18,293,542	18,098,213	(195,329)	17,633,770
Expenditures				
General government:				
Legislative	304,660	198,685	105,975	184,652
Legal	50,000	40,059	9,941	31,754
Executive	548,353	387,153	161,200	299,005
Emergency preparedness	56,500	31,672	24,828	28,869
City clerk	458,587	418,962	39,625	339,662
Finance	1,351,521	1,234,900	116,621	1,175,563
Total general government	2,769,621	2,311,431	458,190	2,059,505

City of Kodiak, Alaska

General Fund

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

Years Ended June 30,	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety:				
Police department:				
Administration:				
Operations	\$ 921,841	\$ 764,525	\$ 157,316	\$ 793,336
Bond principal	175,000	175,000	-	165,000
Bond interest	354,990	354,990	-	363,240
Uniformed patrol	1,456,711	1,339,914	116,797	1,314,597
Corrections	1,414,981	1,310,600	104,381	1,204,373
Investigations	336,100	185,162	150,938	226,547
Support services	1,193,581	1,035,437	158,144	972,145
Animal control	219,830	170,253	49,577	179,083
Drug enforcement	177,188	126,441	50,747	168,197
Community services	221,149	172,821	48,328	184,042
Canine	245,590	250,353	(4,763)	167,612
Police school resources	126,959	127,160	(201)	112,141
Fire department	1,994,593	1,970,848	23,745	1,792,511
Total public safety	8,838,513	7,983,504	855,009	7,642,824
Public works:				
Administration	115,415	116,705	(1,290)	102,482
Streets	1,537,541	1,129,279	408,262	1,157,108
Garage	308,835	249,178	59,657	268,625
Building inspection	344,568	322,928	21,640	293,387
Municipal airport facility	25,600	17,940	7,660	32,591
Total public works	2,331,959	1,836,030	495,929	1,854,193
Engineering	255,849	201,581	54,268	189,900
Parks and recreation:				
Administration	619,255	529,988	89,267	501,074
Museum	92,500	91,214	1,286	84,827
Teen Center	249,405	206,657	42,748	172,529
Aquatics	246,610	227,201	19,409	219,394
Ice rink	146,175	153,924	(7,749)	94,002
Beautification program	16,000	4,766	11,234	11,676
Total parks and recreation	1,369,945	1,213,750	156,195	1,083,502

City of Kodiak, Alaska

General Fund

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

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Library	\$ 1,014,205	\$ 847,134	\$ 167,071	\$ 825,732
Community services:				
Contributions	158,800	120,671	38,129	112,552
Downtown revitalization	45,000	42,703	2,297	41,717
Total community services	203,800	163,374	40,426	154,269
Other - insurance and general administration	534,731	577,733	(43,002)	487,673
Total Expenditures	17,318,623	15,134,537	2,184,086	14,297,598
Excess of revenues over expenditures	974,919	2,963,676	1,988,757	3,336,172
Other Financing Sources (Uses)				
Transfers in	-	-	-	131,847
Transfers out	(2,921,389)	(2,934,396)	(13,007)	(1,624,852)
Net Other Financing Sources (Uses)	(2,921,389)	(2,934,396)	(13,007)	(1,493,005)
Net change in fund balance	<u>\$ (1,946,470)</u>	29,280	<u>\$ 1,975,750</u>	1,843,167
Fund Balance, beginning of year		<u>8,572,837</u>		<u>6,729,670</u>
Fund Balance, end of year		<u>\$ 8,602,117</u>		<u>\$ 8,572,837</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

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 301,462	\$ 250,414
Receivables - taxes	55,949	51,019
Total Assets	\$ 357,411	\$ 301,433
Fund Balance		
Committed for tourism	\$ 357,411	\$ 301,433

City of Kodiak, Alaska

Tourism Development Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30,</i>	2014			2013
	Budget	Actual	Variance	Actual
Revenues				
Room taxes	\$ 142,260	\$ 188,298	\$ 46,038	\$ 197,027
Investment income	600	540	(60)	407
Total Revenues	142,860	188,838	45,978	197,434
Expenditures - community services:				
Interfund services:				
Finance and administration	14,290	14,290	-	14,290
Public works services	6,570	6,570	-	6,570
Parks and recreation services	16,000	16,000	-	16,000
Community service contributions	106,000	96,000	10,000	96,000
Total Expenditures	142,860	132,860	10,000	132,860
Net change in fund balance	<u>\$ -</u>	55,978	<u>\$ 35,978</u>	64,574
Fund Balance, beginning of year		<u>301,433</u>		<u>236,859</u>
Fund Balance, end of year		<u>\$ 357,411</u>		<u>\$ 301,433</u>

City of Kodiak, Alaska
Special Assessments Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 70,804	\$ 43,493
Receivables - special assessments	71,328	96,522
Total Assets	\$ 142,132	\$ 140,015
Deferred Inflows and Fund Balance		
Deferred inflows - deferred assessments	\$ 46,730	\$ 76,532
Fund Balance - assigned for public works	95,402	63,483
Total Deferred Inflows and Fund Balance	\$ 142,132	\$ 140,015

City of Kodiak, Alaska

Special Assessments Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance

<i>Year Ended June 30,</i>	2014	2013
Revenues		
Special assessments	\$ 32,104	\$ 44,335
Investment income	86	115
Total Revenues	32,190	44,450
Expenditures - public works - professional services	271	408
Net change in fund balance	31,919	44,042
Fund Balance, beginning of year	63,483	19,441
Fund Balance, end of year	\$ 95,402	\$ 63,483

City of Kodiak, Alaska
 Enhancement Fund Special Revenue Fund
 Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 3,028,108	\$ 2,029,306
Interest receivable	26,217	26,217
Total Assets	\$ 3,054,325	\$ 2,055,523
Fund Balance		
Fund Balance - committed for Enhancement Fund	\$ 3,054,325	\$ 2,055,523

City of Kodiak, Alaska
Enhancement Fund Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30,</i>	2014			2013
	Budget	Actual	Variance	Actual
Revenues				
Rental income	\$ 42,210	\$ 57,802	\$ 15,592	\$ 41,685
Investment income	19,416	19,416	-	43,475
Total Revenues	61,626	77,218	15,592	85,160
Other Financing Sources (Uses)				
Transfers in	921,584	921,584	-	111,470
Transfers out	-	-	-	(131,847)
Net Other Financing Sources (Uses)	921,584	921,584	-	(20,377)
Net change in fund balance	<u>\$ 983,210</u>	998,802	<u>\$ 15,592</u>	64,783
Fund Balance, beginning of year		<u>2,055,523</u>		<u>1,990,740</u>
Fund Balance, end of year		<u>\$ 3,054,325</u>		<u>\$ 2,055,523</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

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.

Parks and Recreation

This fund is used to account for the construction and improvements of City-owned parks and recreational facilities.

Building

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

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 620,619	\$ 591,255
Grants receivable	33,152	21,850
Total Assets	\$ 653,771	\$ 613,105
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 120,633	\$ 42,186
Unearned revenue	1,323	4,157
Total Liabilities	121,956	46,343
Fund Balance - assigned for capital projects	531,815	566,762
Total Liabilities and Fund Balance	\$ 653,771	\$ 613,105

City of Kodiak, Alaska
General Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

<i>Year Ended June 30,</i>	2014	2013
Revenues		
Intergovernmental	\$ 39,521	\$ 31,856
Investment income	2,063	894
Total Revenues	41,584	32,750
Expenditures		
Fire engine replacement	444,137	-
Demolition of police station	382,204	33,860
Fire department engine	99,247	-
Homeland security	36,687	725
Financial software	27,328	201,989
City land development	8,080	-
Comprehensive records management	3,513	8,556
Museum phase I	2,835	1,211
Ice rink	-	310,602
Paving police station parking	-	248,215
Class and computer study	-	37,450
Municipal airport improvements	-	25,994
KFD deferred maintenance	-	11,104
Energy efficiency	-	3,386
Gibson Cove	-	541
Total Expenditures	1,004,031	883,633
Excess of revenues over (under) expenditures	(962,447)	(850,883)
Other financing sources - transfers in	927,500	720,500
Net change in fund balance	(34,947)	(130,383)
Fund Balance at beginning of year	566,762	697,145
Fund Balance at end of year	\$ 531,815	\$ 566,762

City of Kodiak, Alaska
Street Improvements Capital Project Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 156,905	\$ 429,958
Liabilities and Fund Balance		
Liabilities - accounts payable	\$ 8,870	\$ 234,544
Fund Balance - assigned for capital projects	148,035	195,414
Total Liabilities and Fund Balance	\$ 156,905	\$ 429,958

City of Kodiak, Alaska
Street Improvements Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

<i>Year Ended June 30,</i>	2014	2013
Revenues - investment income	\$ 1,275	\$ 847
Expenditures		
Pavement repairs	312,366	137,860
Annual sidewalk, curb and gutter repair	33,950	39,314
Predesign snow dump storage	31,757	36,434
Pillar Mountain waste dump	20,581	10,157
Mission Road retaining wall replacement	-	182,222
Storm drain snow dump storage	-	70,000
Review/update construction specs	-	19,571
Total Expenditures	398,654	495,558
Excess of revenues over (under) expenditures	(397,379)	(494,711)
Other financing sources - transfers in	350,000	925,000
Net change in fund balance	(47,379)	430,289
Fund Balance (Deficit), beginning of year	195,414	(234,875)
Fund Balance, end of year	\$ 148,035	\$ 195,414

City of Kodiak, Alaska
Parks and Recreation Capital Project Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 317,746	\$ 1,406,378
Grants receivable	-	20,588
Total Assets	\$ 317,746	\$ 1,426,966
Liabilities and Fund Balance		
Liabilities - accounts payable	\$ 5,761	\$ 20,000
Fund Balance - assigned for capital projects	311,985	1,406,966
Total Liabilities and Fund Balance	\$ 317,746	\$ 1,426,966

City of Kodiak, Alaska

Parks and Recreation Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

<i>Year Ended June 30,</i>	2014	2013
Revenues		
Intergovernmental	\$ 689,199	\$ 3,460,801
Investment income	3,601	2,444
Other	-	1,000
Total Revenues	692,800	3,464,245
Expenditures		
Baranof baseball field	5,278	-
Baranof park and field	1,790,278	2,910,942
Baranof storage building	30,707	59,490
Major park maintenance	10,368	-
Building improvement weatherization	1,150	-
Total Expenditures	1,837,781	2,970,432
Excess of revenues over (under) expenditures	(1,144,981)	493,813
Other financing sources - transfers in	50,000	50,000
Net change in fund balance	(1,094,981)	543,813
Fund Balance, beginning of year	1,406,966	863,153
Fund Balance, end of year	\$ 311,985	\$ 1,406,966

City of Kodiak, Alaska
Building Capital Project Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 706,484	\$ 3,240,926
Grant receivable	-	987,331
Total Assets	\$ 706,484	\$ 4,228,257
Liabilities and Fund Balance		
Liabilities - accounts payable	\$ 23,149	\$ 923,727
Fund Balance - assigned for capital projects	683,335	3,304,530
Total Liabilities and Fund Balance	\$ 706,484	\$ 4,228,257

City of Kodiak, Alaska
Building Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

<i>Year Ended June 30,</i>	2014	2013
Revenues		
Intergovernmental	\$ -	\$ 6,194,638
Investment income	7,331	6,585
Donations	645,000	500,000
Total Revenues	652,331	6,701,223
Expenditures - library building	3,273,526	6,803,287
Net change in fund balance	(2,621,195)	(102,064)
Fund Balance, beginning of year	3,304,530	3,406,594
Fund Balance, end of year	\$ 683,335	\$ 3,304,530

City of Kodiak, Alaska
General Fund Vehicle Replacement Capital Project Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 174,199	\$ 88,756
Fund Balance		
Assigned for capital projects	\$ 174,199	\$ 88,756

City of Kodiak, Alaska

General Fund Vehicle Replacement Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

<i>Year Ended June 30,</i>	2014	2013
Revenues - investment income	\$ 131	\$ 78
Excess of revenues over expenditures	131	78
Other financing sources - transfers in	85,312	66,882
Net change in fund balance	85,443	66,960
Fund Balance at beginning of year	88,756	21,796
Fund Balance at end of year	\$ 174,199	\$ 88,756

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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.

Shipyard

This fund accounts for the shipyard 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 Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 1,362,065	\$ 3,852,019
Receivables:		
Accounts	40,691	49,532
Grants	5,273,442	952,881
Total Current Assets	6,676,198	4,854,432
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
Construction in progress	8,559,952	1,467,558
Accumulated depreciation	(16,472,125)	(16,029,463)
Net property, plant and equipment	13,872,112	7,222,380
Total Assets	\$ 20,548,310	\$ 12,076,812
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,831,013	\$ 263,729
Accrued payroll and related liabilities	3,985	3,108
Current portion of accrued annual leave	2,645	1,733
Total Current Liabilities	1,837,643	268,570
Noncurrent liabilities - long term portion of accrued annual leave	1,029	284
Total Liabilities	1,838,672	268,854
Net Position		
Net investment in capital assets	13,872,112	7,222,380
Unrestricted	4,837,526	4,585,578
Total Net Position	18,709,638	11,807,958
Total Liabilities and Net Position	\$ 20,548,310	\$ 12,076,812

City of Kodiak, Alaska
Cargo Pier Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Dockage	\$ 135,266	\$ 133,078
Wharfage and handling	481,263	478,309
Pier III	303,778	300,073
Cruise ship	46,524	95,786
Rentals	217,972	215,372
Other	18,673	210
Total Operating Revenues	1,203,476	1,222,828
Operating Expenses		
General and administrative:		
Salaries and benefits	289,880	277,765
Professional	485,529	470
Goods and services	35,053	44,919
Repairs and maintenance	22	-
Interfund charges:		
Finance and administration	85,270	38,820
Public works services	30,751	50,700
Engineering	10,230	27,840
Harbormaster services	55,483	55,910
Total general and administrative	992,218	496,424
Warehouse:		
Goods and services	235	1,050
Professional	252	5,500
Repairs and maintenance	1,777	1,452
Total warehouse	2,264	8,002
Pier II:		
Salaries and benefits	50	-
Goods and services	538	18,371
Utilities and fuel	21,385	19,751
Machinery and equipemnt	547	1,636
Repairs and maintenance	558	607
Total pier II	23,078	40,365

City of Kodiak, Alaska
Cargo Pier Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position, continued

<i>Year Ended June 30,</i>	2014	2013
Operating expenses, continued:		
Pier III:		
Utilities and fuel	\$ 1,034	\$ 1,230
Repairs and maintenance	516	467,448
Total pier III	1,550	468,678
Other		
Machinery and equipment	-	11,500
Repairs and maintenance	6,760	-
Total other	6,760	11,500
Depreciation	442,662	444,427
Total Operating Expenses	1,468,532	1,469,396
Loss from operations	(265,056)	(246,568)
Nonoperating revenues:		
Investment income	12,773	8,796
State PERS relief	20,936	20,275
State grant - pedestrian improvements	-	472,627
Total nonoperating revenues	33,709	501,698
Earnings (loss) before contributions and transfers	(231,347)	255,130
Capital contributions	7,033,027	-
Transfers In	100,000	1,467,558
Change in net position	6,901,680	1,722,688
Net Position, beginning of year	11,807,958	10,085,268
Net Position, end of year	\$ 18,709,638	\$ 11,807,956

City of Kodiak, Alaska
Cargo Pier Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,212,317	\$ 1,229,631
Payments for interfund services used	(181,734)	(173,270)
Payments to suppliers	(552,130)	(364,080)
Payments to employees	(266,410)	(264,297)
Net cash flows from operating activities	212,043	427,984
Cash Flows from Noncapital Financing Activities		
Nonoperating grant received	-	472,627
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(5,527,236)	(1,467,559)
Transfers in	100,000	-
Capital contributions received	2,712,466	515,052
Net cash flows (for) capital and related financing activities	(2,714,770)	(952,507)
Cash Flows from Investing Activities		
Investment income received	12,773	8,796
Net decrease in cash and investments	(2,489,954)	(43,100)
Cash and Investments, beginning of year	3,852,019	3,895,119
Cash and Investments, end of year	\$ 1,362,065	\$ 3,852,019
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (265,056)	\$ (246,566)
Adjustments to reconcile loss from operations to net cash from (for) by operating activities:		
Depreciation	442,662	444,427
Noncash expense - State PERS relief	20,936	20,275
(Increase) decrease in assets - accounts receivable	8,841	6,803
Increase (decrease) in liabilities:		
Accounts payable	2,126	209,852
Accrued payroll and related liabilities	877	83
Accrued annual leave	1,657	(6,890)
Net cash flows from operating activities	\$ 212,043	\$ 427,984

City of Kodiak, Alaska
Boat Harbor Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 3,594,449	\$ 2,679,578
Receivables:		
Accounts	76,097	136,096
Allowance for doubtful accounts	(15,647)	(15,647)
Total Current Assets	3,654,899	2,800,027
Noncurrent Assets		
Restricted cash and investments - bond reserve	129,581	129,581
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	637,261	614,341
Accumulated depreciation	(25,194,948)	(23,870,816)
Net property, plant and equipment	12,976,618	14,277,830
Total Noncurrent Assets	13,106,199	14,407,411
Total Assets	\$ 16,761,098	\$ 17,207,438
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 33,462	\$ 32,777
Accrued payroll and related liabilities	13,928	13,664
Accrued interest	29,140	29,340
Current portion of accrued annual leave	58,956	83,286
Deferred revenue - prepaid moorage fees	-	-
Customer deposits	223,215	233,063
Current portion of revenue bonds payable	40,000	40,000
Total Current Liabilities	398,701	432,130
Noncurrent Liabilities		
Long term portion of accrued annual leave	22,927	13,630
Long term portion of revenue bonds payable	1,790,000	1,830,000
Total Noncurrent Liabilities	1,812,927	1,843,630
Total Liabilities	2,211,628	2,275,760
Net Position		
Net investment in capital assets	11,146,618	12,407,830
Restricted for debt service	129,581	129,581
Unrestricted	3,273,271	2,394,267
Total Net Position	14,549,470	14,931,678
Total Liabilities and Net Position	\$ 16,761,098	\$ 17,207,438

City of Kodiak, Alaska
Boat Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Moorage	\$ 1,711,032	\$ 1,782,675
Pier and dock fees	244,493	365,032
Administrative charges to other funds	166,449	167,730
Other fees and charges	205,136	258,989
Rentals	15,765	15,609
Penalties and interest	-	225
Other	1,385	12,729
Total Operating Revenues	2,344,260	2,602,989
Operating Expenses		
Salaries and benefits	1,246,651	1,208,113
Professional	69,388	77,977
Contributions	16,748	18,271
Goods and services	159,933	214,846
Utilities and fuel	169,047	160,137
Administrative services	19,417	193
Machinery and equipment	8,102	5,309
Repairs and maintenance	110,793	8,514
Interfund charges:		
Finance and administration	85,270	97,070
Public works services	30,751	50,700
Engineering and inspection	10,230	27,840
Depreciation	1,324,132	1,320,097
Total Operating Expenses	3,250,462	3,189,067
Loss from operations	(906,202)	(586,078)
Nonoperating Revenues (Expenses)		
Investment income	20,061	19,212
Interest expense	(88,421)	(90,171)
State PERS relief	92,354	88,496
Net Nonoperating Revenues (Expenses)	23,994	17,537
Loss before transfers	(882,208)	(568,541)
Transfers in	500,000	500,000
Transfers out	-	(819,768)
Change in net position	(382,208)	(888,309)
Net Position, beginning of year	14,931,678	15,819,987
Net Position, end of year	\$ 14,549,470	\$ 14,931,678

City of Kodiak, Alaska
Boat Harbor Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 2,227,962	\$ 2,398,446
Receipts from interfund services provided	166,449	167,730
Payments for interfund services used	(126,251)	(175,610)
Payments to suppliers	(552,743)	(476,097)
Payments to employees	(1,169,066)	(1,110,204)
Net cash flows from operating activities	546,351	804,265
Cash Flows from (for) Noncapital Financing Activities		
Transfers out	-	(819,768)
Transfers in	500,000	500,000
Decrease in advance to other funds	-	187,000
Net cash flows from (for) noncapital financing activities	500,000	(132,768)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(40,000)	(35,000)
Interest paid on long-term debt	(88,621)	(90,871)
Purchase of property, plant and equipment	(22,920)	(29,812)
Net cash flows for capital and related financing activities	(151,541)	(155,683)
Cash Flows from Investing Activities		
Investment income received	20,061	19,212
Net increase in cash and investments	914,871	535,026
Cash and Investments, beginning of year	2,809,159	2,274,133
Cash and Investments, end of year	\$ 3,724,030	\$ 2,809,159
Reconciliation to Statement of Net Position:		
Cash and investments	3,594,449	2,679,578
Restricted cash and investments	129,581	129,581
	\$ 3,724,030	\$ 2,809,159
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(906,202)	(586,078)
Adjustments to reconcile loss from operations to net cash from (for) by operating activities:		
Depreciation	1,324,132	1,320,097
Noncash expense - State PERS relief	92,354	88,496
(Increase) decrease in assets - accounts receivable	59,999	(36,182)
Increase (decrease) in liabilities:		
Accounts payable	685	9,150
Accrued payroll and related liabilities	264	3,542
Accrued annual leave	(15,033)	5,871
Customer deposits	(9,848)	(631)
Net cash flows from operating activities	\$ 546,351	\$ 804,265

City of Kodiak, Alaska
Harbor Electric Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 646,906	\$ 642,631
Accounts receivable	54,439	53,308
Total Current Assets	701,345	695,939
Property, plant and equipment:		
Machinery and equipment	140,556	140,556
Accumulated depreciation	(108,487)	(98,085)
Net property, plant and equipment	32,069	42,471
Total Assets	\$ 733,414	\$ 738,410
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 30,279	\$ 35,909
Customer deposits	15,500	15,200
Total Current Liabilities	45,779	51,109
Net Position		
Net investment in capital assets	32,069	42,471
Unrestricted	655,566	644,830
Total Net Position	687,635	687,301
Total Liabilities and Net Position	\$ 733,414	\$ 738,410

City of Kodiak, Alaska
Harbor Electric Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Energy charges	\$ 541,654	\$ 587,438
Customer charges	107,415	111,075
Other operating revenue	25,356	26,119
Total Operating Revenues	674,425	724,632
Operating Expenses		
Goods and services	522,294	544,997
Repairs and maintenance	7,969	8,403
Interfund charges:		
Finance and administration	63,951	19,410
Public works services	15,375	16,900
Harbormaster services	55,483	55,910
Depreciation	10,402	11,759
Total Operating Expenses	675,474	657,379
Earnings (loss) from operations	(1,049)	67,253
Nonoperating revenues - investment income	1,383	949
Change in net position	334	68,202
Net Position, beginning of year	687,301	619,099
Net Position, end of year	\$ 687,635	\$ 687,301

City of Kodiak, Alaska
Harbor Electric Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 673,594	\$ 751,141
Payments for interfund services used	(134,809)	(92,220)
Payments to suppliers	(535,893)	(548,945)
Net cash flows from operating activities	2,892	109,976
Cash Flows from Investing Activities		
Investment income received	1,383	948
Net increase in cash and investments	4,275	110,924
Cash and Investments, beginning of year	642,631	531,707
Cash and Investments, end of year	\$ 646,906	\$ 642,631
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:		
Earnings (loss) from operations	\$ (1,049)	\$ 67,253
Adjustments to reconcile earnings (loss) from operations to net cash from (for) by operating activities:		
Depreciation	10,402	11,759
(Increase) decrease in assets - accounts receivable	(1,131)	26,209
Increase (decrease) in liabilities:		
Accounts payable	(5,630)	4,455
Customer deposits	300	300
Net cash flows from operating activities	\$ 2,892	\$ 109,976

City of Kodiak, Alaska
Water Utility Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 7,988,904	\$ 6,157,195
Receivables:		
Grants	1,598,695	722,578
Accounts	392,818	257,305
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	224,424	227,086
Total Current Assets	10,202,617	7,361,940
Property, plant and equipment:		
Land	2	2
Buildings	3,313,419	3,313,419
Improvements other than buildings	30,655,361	30,655,361
Machinery and equipment	497,918	497,918
Construction in progress	5,729,627	5,668,488
Accumulated depreciation	(18,207,413)	(17,562,890)
Net property, plant and equipment	21,988,914	22,572,298
Total Assets	\$ 32,191,531	\$ 29,934,238
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,060,059	\$ 956,571
Accrued payroll and related liabilities	7,787	5,865
Accrued annual leave	13,953	21,598
Customer deposits	3,300	25,300
Current portion of loans payable	97,719	148,981
Total Current Liabilities	1,182,818	1,158,315
Noncurrent Liabilities		
Long term portion of accrued annual leave	5,426	-
Long term portion of loans payable	2,079,746	2,222,360
Total Noncurrent Liabilities	2,085,172	2,222,360
Total Liabilities	3,267,990	3,380,675
Net Position		
Net investment in capital assets	19,811,449	20,200,957
Unrestricted	9,112,092	6,352,606
Total Net Position	28,923,541	26,553,563
Total Liabilities and Net Position	\$ 32,191,531	\$ 29,934,238

City of Kodiak, Alaska
Water Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Sales and user charges	\$ 2,291,410	\$ 2,124,895
Meters	1,915,934	1,434,137
Other	43,660	38,645
Total Operating Revenues	4,251,004	3,597,677
Operating Expenses		
Water department:		
Salaries and benefits	626,430	581,765
Professional	1,872	18,986
Goods and services	123,957	106,684
Utilities and fuel	388,727	346,158
Machinery and equipment	4,946	3,397
Total water department	1,145,932	1,056,990
Water treatment:		
Professional	9,767	5,027
Goods and services	83,223	62,733
Utilities	53,350	49,372
Total water treatment	146,340	117,132
Interfund charges:		
Finance and administration	85,260	97,080
Public works services	30,750	33,800
Engineering	10,240	13,920
Total interfund charges	126,250	144,800
Depreciation	644,523	648,966
Total Operating Expenses	2,063,045	1,967,888
Earnings from operations	2,187,959	1,629,789
Nonoperating Revenues (Expenses)		
Investment income	16,792	10,022
Interest expense	(24,153)	(15,103)
Engineering and feasibility studies	(576,174)	(156,520)
Noncapital repairs and maintenance	(3,477,374)	(1,152,281)
Nonoperating grants	2,477,874	694,496
State PERS relief	40,054	42,937
Net Nonoperating Revenues (Expenses)	(1,542,981)	(576,449)
Earnings before contributions and transfers	644,978	1,053,340
Capital contributions	-	175,095
Transfers in	1,725,000	463,500
Transfers out	-	(1,640,000)
Change in net position	2,369,978	51,935
Net Position, beginning of year	26,553,563	26,501,628
Net Position, end of year	\$ 28,923,541	\$ 26,553,563

City of Kodiak, Alaska
Water Utility Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 4,093,491	\$ 3,594,520
Payments for interfund services used	(126,250)	(144,800)
Payments to suppliers	(1,135,866)	73,690
Payments to employees	(586,673)	(539,486)
Net cash flows from operating activities	2,244,702	2,983,924
Cash Flows from Noncapital Financing Activities		
Transfers in	1,725,000	-
Transfers out	-	(1,640,000)
Noncapital repairs and maintenance	(3,477,374)	(1,152,281)
Nonoperating grant received	1,601,757	8,477
Net cash flows for noncapital financing activities	(150,617)	(2,783,804)
Cash Flows from Capital and Related Financing Activities		
Transfers in	-	463,500
Principal paid on loans	(206,276)	(148,405)
Interest paid on loans	(24,153)	(15,103)
Proceeds from loans	12,400	930,560
Purchase of property, plant and equipment	(61,139)	(175,095)
Capital contributions received	-	376,016
Net cash flows from capital and related financing activities	(279,168)	1,431,473
Cash Flows from Investing Activities		
Investment income received	16,792	10,022
Net increase in cash and investments	1,831,709	1,641,615
Cash and Investments, beginning of year	6,157,195	4,515,580
Cash and Investments, end of year	\$ 7,988,904	\$ 6,157,195
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 2,187,959	\$ 1,629,789
Adjustments to reconcile earnings from operations to net cash from (for) by operating activities:		
Depreciation	644,523	648,966
Noncash expense - State PERS relief	40,054	42,937
Nonoperating expenses	(576,174)	(156,520)
(Increase) decrease in assets:		
Accounts receivable	(135,513)	(6,457)
Inventory	2,662	13,725
Increase (decrease) in liabilities:		
Accounts payable	103,488	808,842
Accrued payroll and related liabilities	1,922	996
Accrued annual leave	(2,219)	(1,654)
Customer deposits	(22,000)	3,300
Net cash flows from operating activities	\$ 2,244,702	\$ 2,983,924

City of Kodiak, Alaska
Sewer Utility Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 5,861,997	\$ 6,573,392
Accounts receivable	337,120	337,518
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	9,978	9,264
Total Current Assets	6,206,228	6,917,307
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	502,361
Construction in progress	675,636	305,116
Accumulated depreciation	(23,805,204)	(22,591,737)
Net property, plant and equipment	12,782,125	13,625,072
Total Assets	\$ 18,988,353	\$ 20,542,379
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 136,023	\$ 71,951
Accrued payroll and related liabilities	13,397	11,848
Current portion of accrued annual leave	63,669	66,503
Accrued interest	2,011	3,016
Current portion of loans payable	301,996	301,318
Total Current Liabilities	517,096	454,636
Noncurrent Liabilities		
Long term portion of accrued annual leave	24,760	10,884
Long term portion of loans payable	1,398,680	1,700,677
Total Noncurrent Liabilities	1,423,440	1,711,561
Total Liabilities	1,940,536	2,166,197
Net Position		
Net investment in capital assets	11,081,449	11,623,077
Unrestricted	5,966,368	6,753,105
Total Net Position	17,047,817	18,376,182
Total Liabilities and Net Position	\$ 18,988,353	\$ 20,542,379

City of Kodiak, Alaska
Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Sewer charges	\$ 3,610,479	\$ 3,605,725
Septic truck fees	67,983	67,088
Lab testing fees	22,280	21,585
Other	4,892	-
Total Operating Revenues	3,705,634	3,694,398
Operating Expenses		
Sewer department:		
Salaries and benefits	132,536	127,199
Professional	10	711
Goods and services	50,753	43,899
Repairs and maintenance	22,582	18,479
Total sewer department	205,881	190,288
Wastewater treatment:		
Salaries and benefits	1,052,091	921,713
Professional	21,451	22,248
Goods and services	126,413	112,389
Utilities and fuel	558,566	387,680
Machinery and equipment	5,277	24,056
Repairs and maintenance	51,608	51,686
Total wastewater treatment	1,815,406	1,519,772
Interfund charges:		
Finance and administration	85,260	97,080
Public works services	30,750	33,800
Engineering	10,240	13,920
Total interfund charges	126,250	144,800
Depreciation	1,213,467	1,214,885
Total Operating Expenses	3,361,004	3,069,745
Earnings from operations	344,630	624,653
Nonoperating Revenues (Expenses)		
Investment income	15,819	8,514
Interest expense	(26,018)	(30,528)
Engineering and feasibility studies	(18,092)	-
State PERS relief	80,296	60,053
Other nonoperating revenues	-	2,505
Net Nonoperating Revenues (Expenses)	52,005	40,544
Earnings before transfers	396,635	665,197
Transfers in	-	1,200,000
Transfers out	(1,725,000)	(508,500)
Change in net position	(1,328,365)	1,356,697
Net Position, beginning of year	18,376,182	17,019,485
Net Position, end of year	\$ 17,047,817	\$ 18,376,182

City of Kodiak, Alaska
Sewer Utility Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 3,706,032	\$ 3,706,435
Payments for interfund services used	(126,250)	(144,800)
Payments to suppliers	(791,394)	(641,933)
Payments to employees	(1,091,740)	(979,244)
Net cash flows from (for) operating activities	1,696,648	1,940,458
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	-	1,200,000
Transfers out	(1,725,000)	(508,500)
Net cash flows from (for) noncapital financing activities	(1,725,000)	691,500
Cash Flows for Capital and Related Financing Activities		
Principal paid on loans	(301,319)	(300,650)
Interest paid on loans	(27,023)	(31,534)
Purchase of property, plant and equipment	(370,520)	(305,116)
Net cash flows (for) capital and related financing activities	(698,862)	(637,300)
Cash Flows from Investing Activities		
Investment income received	15,819	8,514
Net increase (decrease) in cash and investments	(711,395)	2,003,172
Cash and Investments at beginning of year	6,573,392	4,570,220
Cash and Investments at end of year	\$ 5,861,997	\$ 6,573,392
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 344,630	\$ 624,653
Adjustments to reconcile earnings from operations to net cash from (for) by operating activities:		
Depreciation	1,213,467	1,214,885
Noncash expense - State PERS relief	80,296	60,053
Other nonoperating revenues and expenses	(18,092)	2,505
(Increase) decrease in assets:		
Accounts receivable	398	9,532
Inventory	(714)	2,872
Increase (decrease) in liabilities:		
Accounts payable	64,072	16,343
Accrued payroll and related liabilities	1,549	2,666
Accrued annual leave	11,042	6,949
Net cash flows from operating activities	\$ 1,696,648	\$ 1,940,458

City of Kodiak, Alaska
Trident Basin Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Accounts receivable	\$ 4,028	\$ 17,400
Property, plant and equipment:		
Improvements other than buildings	5,589,593	5,589,593
Accumulated depreciation	(1,594,544)	(1,315,065)
Net property, plant and equipment	3,995,049	4,274,528
Total Assets	\$ 3,999,077	\$ 4,291,928
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,552	\$ 1,476
Customer deposits	1,536	1,536
Due to other funds	214,788	181,146
Total Current Liabilities	217,876	184,158
Net Position		
Net investment in capital assets	3,995,049	4,274,528
Unrestricted (deficit)	(213,848)	(166,758)
Total Net Position	3,781,201	4,107,770
Total Liabilities and Net Position	\$ 3,999,077	\$ 4,291,928

City of Kodiak, Alaska
Trident Basin Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Moorage	\$ 13,309	\$ 12,285
Rentals	33,515	32,076
Total Operating Revenues	46,824	44,361
Operating Expenses		
Professional	14,750	15,048
Goods and services	11,321	8,300
Utilities and fuel	1,909	843
Administrative services	2,809	2,808
Interfund charges:		
Finance and administration	42,630	19,410
Public works services	15,375	16,900
Engineering	5,120	2,780
Depreciation	279,479	279,480
Total Operating Expenses	373,393	345,569
Loss from operations	(326,569)	(301,208)
Net Position at beginning of year	4,107,770	4,408,978
Net Position at end of year	\$ 3,781,201	\$ 4,107,770

City of Kodiak, Alaska
Trident Basin Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 60,196	\$ 33,927
Payments for interfund services used	(63,125)	(39,090)
Payments to suppliers	(30,713)	(27,135)
Net cash flows for operating activities	(33,642)	(32,298)
Cash Flows from Noncapital Financing Activities		
Increase in due to other funds	33,642	32,146
Net decrease in cash and investments	-	(152)
Cash and Investments, beginning of year	-	152
Cash and Investments, end of year	\$ -	\$ -
Reconciliation of loss from operations to net cash flows for operating activities:		
Loss from operations	\$ (326,569)	\$ (301,208)
Adjustments to reconcile loss from operations to net cash from (for) by operating activities:		
Depreciation	279,479	279,480
(Increase) decrease in assets - accounts receivable	13,372	(10,434)
Increase (decrease) in liabilities - accounts payable	76	(136)
Net cash flows for operating activities	\$ (33,642)	\$ (32,298)

City of Kodiak, Alaska

Shipyard Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 288,746	\$ 419,647
Accounts receivable	43,469	37,709
Total Current Assets	332,215	457,356
Noncurrent Assets		
Restricted cash and investments - bond reserve	375,469	375,469
Property, plant and equipment:		
Machinery and equipment	18,104,101	18,104,101
Accumulated depreciation	(2,122,424)	(1,592,442)
Net property, plant and equipment	15,981,677	16,511,659
Total Noncurrent Assets	16,357,146	16,887,128
Total Assets	\$ 16,689,361	\$ 17,344,484
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 4,296	\$ 9,686
Accrued payroll and related liabilities	1,672	1,874
Customer deposits	34,387	4,515
Current portion of accrued annual leave	4,177	2,669
Accrued interest	75,547	77,114
Current portion of bonds and loan payable	136,500	131,500
Total Current Liabilities	256,579	227,358
Noncurrent Liabilities		
Long term portion of accrued annual leave	1,624	437
Revenue bonds, net of current portion	4,525,000	4,615,000
Loan payable, net of current portion	697,500	744,000
Total Noncurrent Liabilities	5,224,124	5,359,437
Total Liabilities	5,480,703	5,586,795
Net Position		
Net investment in capital assets	10,622,677	11,021,159
Restricted for debt service	375,469	375,469
Unrestricted	210,512	361,061
Total Net Position	11,208,658	11,757,689
Total Liabilities and Net Position	\$ 16,689,361	\$ 17,344,484

City of Kodiak, Alaska
Shipyard Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues		
Charges for services	\$ 719,331	\$ 624,526
Other	3,334	17,494
Total Operating Revenues	722,665	642,020
Operating Expenses		
Salaries and benefits	180,010	177,255
Professional	29,540	31,822
Goods and services	67,627	58,481
Machinery and equipment	50	-
Utilities and fuel	36,612	42,579
Repairs and maintenance	21,824	23,437
Interfund charges:		
Finance and administration	85,270	38,820
Public works services	30,751	50,700
Engineering services	10,230	13,920
Harbor master services	55,483	55,910
Depreciation	529,982	529,981
Total Operating Expenses	1,047,379	1,022,905
Loss from operations	(324,714)	(380,885)
Nonoperating Revenues (Expenses)		
Investment income	1,395	1,539
State PERS relief	13,572	13,012
Interest expense	(239,284)	(244,631)
Net Nonoperating Revenues (Expenses)	(224,317)	(230,080)
Loss before transfers	(549,031)	(610,965)
Transfers in	-	819,768
Change in net position	(549,031)	208,803
Net Position, beginning of year	11,757,689	11,548,886
Net Position, end of year	\$ 11,208,658	\$ 11,757,689

City of Kodiak, Alaska

Shipyard Enterprise Fund

Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 746,777	\$ 638,177
Payments for interfund services used	(181,734)	(159,350)
Payments to suppliers	(161,043)	(162,576)
Payments to employees	(163,945)	(163,293)
Net cash flows from operating activities	240,055	152,958
Cash Flows from (for) Capital and Related Financing Activities		
Transfers in	-	819,768
Principal paid on long-term debt	(131,500)	(126,500)
Interest paid on long-term debt	(240,851)	(246,098)
Decrease in advances from other funds	-	(187,000)
Net cash flows from (for) capital and related financing activities	(372,351)	260,170
Cash Flows from Investing Activities		
Investment income received	1,395	1,539
Net increase (decrease) in cash and investments	(130,901)	414,667
Cash and Investments, beginning of year	795,116	380,449
Cash and Investments, end of year	\$ 664,215	\$ 795,116
Reconciliation to Statement of Net Position:		
Cash and investments	288,746	419,647
Restricted cash and investments	375,469	375,469
	\$ 664,215	\$ 795,116
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (324,714)	\$ (380,885)
Adjustments to reconcile loss from operations to net cash from (for) by operating activities:		
Depreciation	529,982	529,981
Noncash expense - State PERS relief	13,572	13,012
Increase in assets - accounts receivable	(5,760)	(3,858)
Increase (decrease) in liabilities:		
Accounts payable	(5,390)	(6,257)
Accrued payroll and related liabilities	(202)	(154)
Accrued annual leave	2,695	1,104
Customer deposits	29,872	15
Net cash flows from operating activities	\$ 240,055	\$ 152,958

City of Kodiak, Alaska
E-911 Services Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash	\$ 4,892	\$ -
Receivable from Kodiak Island Borough	36,719	188,799
Total Assets	\$ 41,611	\$ 188,799
Liabilities and Net Position		
Current Liabilities		
Accrued payroll and related liabilities	\$ 72	\$ -
Due to other funds	-	25,062
Total Liabilities	72	25,062
Net position - unrestricted	41,539	163,737
Total Liabilities and Net Position	\$ 41,611	\$ 188,799

City of Kodiak, Alaska
E-911 Services Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating revenues - charges for services	\$ 36,718	\$ 69,140
Operating expenses - salaries and benefits	6,751	5,890
Earnings from operations	29,967	63,250
Nonoperating Revenues (Expenses)		
Investment income	7	-
Accounts written off	(152,172)	-
Net Nonoperating Revenues (Expenses)	(152,165)	-
Change in net position	(122,198)	63,250
Net Position at beginning of year	163,737	100,487
Net Position at end of year	\$ 41,539	\$ 163,737

City of Kodiak, Alaska
E-911 Services Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 36,626	\$ 47,828
Payments to suppliers	-	-
Payments to employees	(6,679)	(5,890)
Net cash flows from operating activities	29,947	41,938
Cash Flows for Noncapital Financing Activities		
Decrease in due to other funds	(25,062)	(41,938)
Cash Flows from Investing Activities		
Investment income received	7	-
Net increase in cash and investments	4,892	-
Cash and Investments at beginning of year	-	-
Cash and Investments at end of year	\$ 4,892	\$ -
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 29,967	\$ 63,250
Adjustments to reconcile earnings from operations to net cash from (for) by operating activities -		
Non-cash expense	(152,172)	-
Increase in accounts receivable	152,080	(21,312)
Increase in accrued payroll and related liabilities	72	-
Net cash flows from operating activities	\$ 29,947	\$ 41,938

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 Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 470,332	\$ 86,899
Insurance settlement accounts receivable	-	279,372
Total Assets	\$ 470,332	\$ 366,271
Liabilities and Net Position		
Current liabilities - accounts payable	\$ 22,341	\$ -
Net position - unrestricted	447,991	366,271
Total Liabilities and Net Position	\$ 470,332	\$ 366,271

City of Kodiak, Alaska
Insurance Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating revenues - charges for services	\$ 589,671	\$ 799,326
Operating expenses - insurance	508,273	506,491
Earnings from operations	81,398	292,835
Nonoperating revenues - investment income	322	749
Earnings before transfers	81,720	293,584
Transfers in	-	47,000
Transfers out	-	(311,000)
Change in net position	81,720	29,584
Net Position, beginning of year	366,271	336,687
Net Position, end of year	\$ 447,991	\$ 366,271

City of Kodiak, Alaska
Insurance Internal Service Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from interfund services provided	\$ 589,671	\$ 519,954
Receipt from insurance settlement	279,372	-
Payments to suppliers	(485,932)	(508,142)
Net cash flows from operating activities	383,111	11,812
Cash Flows for Noncapital Financing Activities		
Transfers in	-	47,000
Transfers out	-	(311,000)
Net cash flows for noncapital financing activities	-	(264,000)
Cash Flows from Investing Activities		
Investment income received	322	749
Net increase (decrease) in cash and investments	383,433	(251,439)
Cash and Investments, beginning of year	86,899	338,338
Cash and Investments, end of year	\$ 470,332	\$ 86,899
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 81,398	\$ 292,835
Adjustments to reconcile earnings from operations to net cash from (for) by operating activities:		
Decrease (increase) in assets - accounts receivable	279,372	(279,372)
Increase (decrease) in liabilities - accounts payable	22,341	(1,651)
Net cash flows from operating activities	\$ 383,111	\$ 11,812

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

<i>Year Ended June 30, 2014</i>	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Current Assets				
Cash and investments	\$ 172,155	\$ 83,036	\$ 43,500	\$ 211,691
Accounts receivable	-	75	-	75
Total Assets	\$ 172,155	\$ 83,111	\$ 43,500	\$ 211,766
Current Liabilities				
Accounts payable	\$ 34,228	\$ 36,834	\$ 34,228	\$ 36,834
Due to others	137,927	46,277	9,272	174,932
Total Liabilities	\$ 172,155	\$ 83,111	\$ 43,500	\$ 211,766

State Expenditures

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

City of Kodiak, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2014

Name of Award	Grant Number	Total Grant Award	July 1, 2013 Receivable (Unearned)	State Share of Expenditures	State Receipts	June 30, 2014 Receivable (Unearned)
Department of Commerce, Community and Economic Development						
* Baranof Park Improvements	13-DC-563	\$ 3,650,000	\$ 20,588	\$ 689,199	\$ 709,787	\$ -
Municipal Airport Improvements	07-DC-499	695,471	21,851	-	21,851	-
New Library Construction	12-DC-444	6,900,000	987,331	-	987,331	-
* Pier III Replacement	13-DC-628	18,100,000	113,033	6,333,970	1,173,561	5,273,442
* Pier and Downtown Pedestrian Improvements	12-DC-614	1,600,000	839,848	699,057	1,538,905	-
Cruise Ship Revenue	2014	4,600	-	4,600	4,600	-
* Fisheries Business Tax	2014	106,436	-	106,436	35,786	70,650
Total Department of Commerce, Community and Economic Development			1,982,651	7,833,262	4,471,821	5,344,092
Department of Environmental Conservation						
* Monashka Pumpphouse Upgrade Design	50339	1,885,534	79,789	654,489	353,801	380,477
* Aleutian Homes Water & Sewer Replacement, Phase V	50338	1,300,000	631,027	645,495	1,211,522	65,000
* Aleutian Homes Water & Sewer Replacement, Phase V, Segment B	50340	2,995,792	-	1,153,217	-	1,153,217
UV Secondary Water Treatment Facility	50337	4,483,396	11,761	24,673	36,434	-
Total Department of Environmental Conservation			722,577	2,477,874	1,601,757	1,598,694
Department of Revenue						
* Raw Fish Tax Sharing	2014	1,189,750	-	1,189,750	1,189,750	-
* State Revenue Sharing	2014	402,490	-	402,490	402,490	-
Aviation Gas Sharing	2014	11,263	-	11,263	5,859	5,404
Alcohol Beverage Sharing	2013	19,300	7,500	-	7,500	-
Alcohol Beverage Sharing	2014	23,100	-	23,100	13,500	9,600
Telephone/Electric Cooperative	2013	44,586	44,586	-	44,586	-
Telephone/Electric Cooperative	2014	44,685	-	44,685	-	44,685
Total Department of Revenue			52,086	1,611,599	1,611,599	52,086
Department of Education and Early Development						
Public Library Assistance	PLA-14-702-44	6,600	-	6,600	6,600	-
Department of Administration						
* PERS Relief	2014	1,039,139	-	1,039,139	1,039,139	-
Total State Financial Assistance			\$ 2,757,314	\$ 12,968,474	\$ 8,730,916	\$ 6,994,872

* Major program

City of Kodiak, Alaska

Notes to the Schedule of State Financial Assistance June 30, 2014

1. Basis of Presentation

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

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City of Kodiak, Alaska

Statistical Section

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

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

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

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

	Fiscal year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 15,861,107	17,363,043	18,423,911	19,715,240	19,649,138	32,822,868	39,687,520	42,372,752	51,181,346	55,757,774
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>18,351,673</u>	<u>17,069,035</u>	<u>17,120,507</u>	<u>20,490,905</u>	<u>26,532,000</u>	<u>16,890,514</u>	<u>11,819,026</u>	<u>13,398,387</u>	<u>16,207,289</u>	<u>13,635,655</u>
Total governmental activities net assets	\$ <u>34,212,780</u>	<u>34,432,078</u>	<u>35,544,418</u>	<u>40,206,145</u>	<u>46,181,138</u>	<u>49,713,382</u>	<u>51,506,546</u>	<u>55,771,139</u>	<u>67,388,635</u>	<u>69,393,429</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 52,631,132	55,710,846	59,739,871	63,002,311	69,899,848	73,486,875	69,703,124	69,584,419	66,792,402	70,561,423
Restricted	259,875	221,450	221,450	653,862	505,050	505,050	505,050	505,050	505,050	505,050
Unrestricted	<u>17,355,843</u>	<u>17,124,604</u>	<u>15,161,107</u>	<u>14,894,324</u>	<u>11,638,558</u>	<u>8,445,014</u>	<u>13,294,322</u>	<u>16,143,082</u>	<u>21,293,612</u>	<u>24,107,577</u>
Total business-type activities net assets	\$ <u>70,246,850</u>	<u>73,056,900</u>	<u>75,122,428</u>	<u>78,550,497</u>	<u>82,043,456</u>	<u>82,436,939</u>	<u>83,502,496</u>	<u>86,232,551</u>	<u>88,591,064</u>	<u>95,174,050</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 68,492,239	73,073,889	78,163,782	82,717,551	89,548,986	106,309,743	109,390,644	111,957,171	117,973,748	126,319,197
Restricted	259,875	221,450	221,450	653,862	505,050	505,050	505,050	505,050	505,050	505,050
Unrestricted	<u>35,707,516</u>	<u>34,193,639</u>	<u>32,281,614</u>	<u>35,385,229</u>	<u>38,170,558</u>	<u>25,335,528</u>	<u>25,113,348</u>	<u>29,541,469</u>	<u>37,500,901</u>	<u>37,743,232</u>
Total primary government activities net assets	\$ <u>104,459,630</u>	<u>107,488,978</u>	<u>110,666,846</u>	<u>118,756,642</u>	<u>128,224,594</u>	<u>132,150,321</u>	<u>135,009,042</u>	<u>142,003,690</u>	<u>155,979,699</u>	<u>164,567,479</u>

Table 2

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 1,968,566	2,244,270	2,328,195	2,442,402	2,419,468	2,502,315	2,140,978	2,657,730	2,902,171	2,885,778
Public safety	4,971,607	5,054,994	5,384,713	5,987,605	5,932,145	6,089,332	6,340,579	7,809,554	8,013,832	8,587,842
Public works	3,335,631	2,503,999	1,825,719	2,113,620	4,268,602	2,526,468	4,283,775	2,493,956	2,738,860	2,577,384
Engineering	157,750	215,981	167,571	167,812	140,886	121,747	91,293	146,051	166,843	199,877
Parks & recreation	2,642,528	1,124,144	1,099,535	1,009,117	1,133,502	1,199,620	1,268,556	1,251,567	1,134,514	1,370,541
Library	638,789	639,399	669,518	711,172	697,856	712,625	680,410	847,458	864,533	930,313
Community services	282,011	262,834	213,032	126,562	435,970	277,041	259,692	306,906	296,352	305,457
Interest on long-term debt	-	-	-	75,410	398,252	383,928	906,057	369,052	361,177	352,803
Total governmental activities expenses	13,996,882	12,045,621	11,688,283	12,633,700	15,426,681	13,813,076	15,971,340	15,882,274	16,478,282	17,209,995
Business-type activities:										
Cargo Pier	\$ 1,232,903	1,714,611	1,796,372	1,438,477	1,046,188	1,692,841	1,192,406	1,466,240	1,463,402	1,466,892
Boat Harbor	2,239,588	2,329,106	2,397,171	2,867,113	2,782,150	2,912,689	3,148,865	3,207,233	3,253,074	3,331,649
Shipyard	-	-	-	-	35,019	528,977	1,117,928	1,078,009	1,263,689	1,285,600
Harbor Electric	471,593	488,004	640,125	648,498	611,387	605,989	633,313	804,834	657,379	675,474
Water Utility	1,683,286	1,740,225	2,893,352	2,864,069	5,598,768	2,952,723	2,280,910	2,635,421	3,279,097	6,137,608
Sewer Utility	2,538,608	2,659,591	5,288,305	3,800,645	3,016,736	2,665,150	3,058,490	3,261,989	3,082,518	3,398,824
Trident Basin	-	67,105	152,474	192,228	177,482	154,777	353,216	349,406	345,569	373,393
E-911 Services	-	-	-	-	-	37,553	5,518	5,548	5,890	158,923
Total business-type activities expenses	8,165,978	8,998,642	13,167,799	11,811,030	13,267,730	11,550,699	11,790,646	12,808,680	13,350,618	16,828,363
Total primary government expenses	22,162,860	21,044,263	24,856,082	24,444,730	28,694,411	25,363,775	27,761,986	28,690,954	29,828,900	34,038,358
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 699,789	589,054	520,490	671,690	625,030	597,860	531,322	722,265	764,935	839,586
Public safety	908,256	910,753	1,003,467	1,022,257	1,033,791	914,020	1,111,833	1,246,856	1,285,143	1,624,080
Public works	376,077	395,490	406,595	357,420	313,568	288,198	235,343	238,617	445,150	267,093
Engineering	60,000	60,000	89,250	88,740	142,175	224,241	226,355	294,424	215,598	198,051
Parks & recreation	97,895	117,795	125,332	115,562	117,173	135,733	133,100	134,440	116,663	120,135
Library	24,451	23,334	18,578	18,623	16,140	15,980	12,542	13,692	12,592	17,503
Community services	-	-	-	-	-	-	40,897	42,712	42,025	57,802
Operating grants and contribution	10,500	20,700	12,700	37,154	44,520	733,005	292,846	392,273	788,840	814,853
Capital grants and contributions	1,394,878	1,265,164	520,832	1,007,347	2,311,754	1,119,257	2,770,746	2,821,724	10,188,295	1,373,720
Total governmental activities program revenues	3,571,846	3,382,290	2,697,244	3,318,793	4,604,151	4,028,294	5,354,984	5,907,003	13,859,241	5,312,823
Business-type activities:										
Charges for services:										
Cargo Pier	\$ 925,354	1,069,814	1,140,213	1,193,416	1,264,758	1,251,294	1,281,292	1,223,352	1,222,828	1,203,476
Boat Harbor	1,465,129	1,616,940	1,894,868	1,999,486	2,183,999	2,233,292	2,394,368	2,507,552	2,602,989	2,344,260
Shipyard	-	-	-	-	-	320,574	293,845	239,889	642,020	722,665
Harbor Electric	423,407	547,840	678,706	682,471	708,714	654,986	707,770	834,600	724,632	674,425
Water Utility	2,003,579	2,096,333	2,120,037	2,276,688	2,254,850	2,458,561	2,896,130	3,192,048	3,597,677	4,251,004
Sewer Utility	1,875,801	1,882,108	2,213,233	2,501,624	2,821,293	3,180,800	3,531,627	3,638,220	3,696,903	3,705,634
Trident Basin	-	19,791	17,765	28,319	30,571	33,266	32,970	43,724	44,361	46,824
E-911 Services	-	-	-	-	-	66,901	67,428	66,287	69,140	36,718
Operating grants and contribution	-	-	-	-	-	136,560	252,109	385,985	1,391,896	2,725,086
Capital grants and contributions	2,210,453	2,647,341	4,631,660	4,933,513	8,182,722	1,207,047	1,183,596	3,930,175	1,642,653	7,033,027
Total business-type activities program revenues	8,903,723	9,880,167	12,696,482	13,615,517	17,446,907	11,543,281	12,641,135	16,061,832	15,635,099	22,743,119
Total primary government program revenues	12,475,569	13,262,457	15,393,726	16,934,310	22,051,058	15,571,575	17,996,119	21,968,835	29,494,340	28,055,942
Net (expense)/revenue:										
Governmental activities	\$ (10,425,036)	(8,663,331)	(8,991,039)	(9,314,907)	(10,822,530)	(9,784,782)	(10,616,356)	(9,975,271)	(2,619,041)	(11,897,172)
Business-type activities	737,745	881,525	(471,317)	1,804,487	4,179,177	(7,418)	850,489	3,253,152	2,284,481	5,914,756
Total primary government net expenses	(9,687,291)	(7,781,806)	(9,462,356)	(7,510,420)	(6,643,353)	(9,792,200)	(9,765,867)	(6,722,119)	(334,560)	(5,982,416)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues										
Governmental activities:										
Taxes:										
Property taxes	\$ 630,567	632,495	632,102	655,943	651,699	665,999	921,052	917,599	708,684	879,280
Sales taxes	7,795,331	8,136,785	8,465,804	8,850,746	9,277,394	9,379,409	9,631,344	10,259,515	11,215,647	11,509,517
Other taxes, penalties and interest	171,318	2,246	125,284	174,443	199,832	179,427	23,199	209,156	240,261	224,983
Loss on disposal of assets	-	(213,435)	-	-	-	-	-	-	-	-
Grants and entitlements not restricted to a specific purpose	668,195	1,053,177	1,387,466	2,521,664	2,125,313	1,584,024	1,458,343	2,199,410	1,986,156	1,777,724
Investment income	509,793	402,339	946,861	993,447	730,096	270,673	238,969	94,331	65,053	51,161
Land sales	-	-	-	1,415,900	1,518,308	746,475	-	-	-	-
Other	13,798	249,022	172,748	64,491	1,168,070	651,281	271,973	19,471	45,736	59,301
Transfers	(381,683)	(1,380,000)	(1,626,886)	(700,000)	1,126,811	(160,262)	(135,360)	540,382	(25,000)	(600,000)
Total governmental activities	<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>	<u>14,236,537</u>	<u>13,901,966</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	284,567	545,117	856,379	729,548	260,355	60,850	79,708	17,285	49,032	68,230
Other	(166,436)	(48,084)	53,580	194,034	180,238	-	-	-	-	-
Transfers	381,683	1,380,000	1,626,886	700,000	(1,126,811)	160,262	135,360	(540,382)	25,000	600,000
Total business-type activities	<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>	<u>74,032</u>	<u>668,230</u>
Total primary government	<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>	<u>14,310,569</u>	<u>14,570,196</u>
Change in Net Assets										
Governmental activities	\$ 2,319,786	(1,542,407)	1,440,048	4,985,595	7,482,616	3,532,244	1,793,164	4,264,593	11,617,496	2,004,794
Business-type activities	(812,646)	2,666,270	3,418,370	1,152,265	1,118,269	393,483	1,065,557	2,730,055	2,358,513	6,582,986
Total primary government	<u>\$ 1,507,140</u>	<u>1,123,863</u>	<u>4,858,418</u>	<u>6,137,860</u>	<u>8,600,885</u>	<u>3,925,727</u>	<u>2,858,721</u>	<u>6,994,648</u>	<u>13,976,009</u>	<u>8,587,780</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Nonspendable - prepaid items	\$ -	-	-	-	-	-	2,117	-	13,741	8,885
Assigned:										
Subsequent year's expenditures	-	-	-	-	-	-	1,638,770	1,490,854	1,156,232	1,132,088
Unassigned	-	-	-	-	-	-	4,865,844	5,238,816	7,402,864	7,461,144
Total General Fund	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,506,731</u>	<u>6,729,670</u>	<u>8,572,837</u>	<u>8,602,117</u>
All other governmental funds:										
Restricted for tourism	\$ -	-	-	-	-	-	206,694	236,859	301,433	357,411
Committed for Enhancement Fund							4,778,691	1,990,740	2,055,523	3,054,325
Assigned:										
Capital project funds	-	-	-	-	-	-	1,967,895	4,988,688	5,562,428	1,849,369
Public works	-	-	-	-	-	-	26,878	19,441	63,483	95,402
Unassigned (deficit)	-	-	-	-	-	-	(1,685,144)	(234,875)	-	-
Total other governmental funds	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,295,014</u>	<u>7,000,853</u>	<u>7,982,867</u>	<u>5,356,507</u>
General Fund:										
Reserved	\$ 24,109	4,410	251,108	48,735	14,622	13,618	-	-	-	-
Unreserved	<u>6,071,577</u>	<u>4,868,452</u>	<u>5,322,163</u>	<u>8,261,482</u>	<u>7,689,501</u>	<u>8,838,952</u>	-	-	-	-
Total General Fund	\$ <u>6,095,686</u>	<u>4,872,862</u>	<u>5,573,271</u>	<u>8,310,217</u>	<u>7,704,123</u>	<u>8,852,570</u>	-	-	-	-
All other governmental funds:										
Reserved	\$ 1,200,000	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	6,021,936	5,996,074	4,141,849	5,410,939	3,743,007	4,432,351	-	-	-	-
Capital project funds	<u>4,631,014</u>	<u>5,519,696</u>	<u>6,680,620</u>	<u>14,765,170</u>	<u>15,263,690</u>	<u>3,645,026</u>	-	-	-	-
Total other governmental funds	\$ <u>11,852,950</u>	<u>11,515,770</u>	<u>10,822,469</u>	<u>20,176,109</u>	<u>19,006,697</u>	<u>8,077,377</u>	-	-	-	-

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									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 8,551,379	8,929,890	9,223,190	9,681,132	10,128,925	10,224,835	10,575,595	11,386,270	12,150,131	12,604,298
Intergovernmental	1,815,685	2,249,839	1,897,112	3,566,165	4,481,587	3,436,286	4,521,935	5,411,721	12,462,294	3,261,608
Charges for services	1,169,988	1,204,864	1,304,629	1,219,155	1,232,892	1,194,380	1,356,105	1,602,132	1,538,470	1,911,039
Fines and forfeitures	44,770	55,934	29,452	55,479	20,122	23,514	6,156	3,619	15,308	9,482
Licenses and permits	58,319	43,064	51,535	102,748	76,679	70,489	93,193	71,957	237,950	83,253
Rental income	231,496	187,374	168,356	136,480	213,460	198,188	166,373	197,032	236,124	231,780
Interfund charges	662,020	605,160	609,740	760,430	690,920	678,820	662,872	813,225	865,152	895,876
Investment income	509,793	383,909	878,442	944,184	722,722	268,746	236,576	94,193	63,457	50,839
Special assessments	246,921	293,351	195,827	99,587	91,300	81,088	57,242	47,057	44,335	32,104
Sale of land	-	-	-	1,415,330	1,518,308	746,475	-	-	-	-
Donations	-	-	-	-	-	-	-	-	500,000	645,000
Other revenues	13,673	90,658	110,960	65,061	14,155	651,281	271,973	21,157	46,736	59,301
Total revenues	\$ 13,304,044	14,044,043	14,469,243	18,045,751	19,191,070	17,574,102	17,948,020	19,648,363	28,159,957	19,784,580
Expenditures										
General government	\$ 1,542,525	1,790,557	1,838,143	1,968,278	1,947,971	1,988,470	2,121,115	2,167,022	2,421,254	2,325,859
Public safety	4,552,442	5,204,895	5,422,461	5,806,415	5,686,969	5,980,113	6,454,474	7,130,363	7,408,485	7,872,405
Public works	1,610,106	1,729,607	2,032,734	1,816,084	4,274,007	2,270,267	4,060,798	2,763,027	2,376,153	2,234,955
Engineering	168,871	216,394	158,090	162,559	128,245	143,630	87,209	150,113	189,900	201,581
Parks and recreation	850,848	950,291	986,890	1,006,513	1,013,620	1,089,285	1,148,482	1,128,736	1,083,502	1,230,546
Library	598,915	650,423	668,146	704,219	695,715	720,071	680,345	778,930	825,732	847,134
Community services	279,689	260,513	262,754	267,839	426,747	267,818	250,469	297,683	287,129	296,234
Other - insurance and administration	548,991	497,178	461,949	484,548	474,613	525,528	529,442	517,399	487,673	577,733
Debt service principal	-	-	-	-	135,000	145,000	150,000	155,000	165,000	175,000
Debt service interest	-	-	-	15,344	377,227	385,740	378,490	370,990	363,240	354,990
Capital outlay	<u>6,486,272</u>	<u>2,924,189</u>	<u>1,004,082</u>	<u>2,223,366</u>	<u>7,539,755</u>	<u>13,678,791</u>	<u>7,080,038</u>	<u>3,200,704</u>	<u>9,975,708</u>	<u>5,665,223</u>
Total expenditures	\$ 16,638,659	14,224,047	12,835,249	14,455,165	22,699,869	27,194,713	22,940,862	18,659,967	25,583,776	21,781,660
Excess of revenues over (under) expenditures	(3,334,615)	(180,004)	1,633,994	3,590,586	(3,508,799)	(9,620,611)	(4,992,842)	988,396	2,576,181	(1,997,080)
Other financing sources (uses)										
General obligation bond issuance	-	-	-	8,000,000	-	-	-	-	-	-
Transfers in	3,346,892	3,512,057	5,416,011	11,422,989	11,180,416	2,664,564	4,206,656	5,753,450	2,005,699	2,334,396
Transfers out	(3,728,575)	(4,892,057)	(7,042,897)	(10,922,989)	(9,447,123)	(2,824,826)	(4,342,016)	(4,813,068)	(1,756,699)	(2,934,396)
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	<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>	<u>249,000</u>	<u>(600,000)</u>
Net change in fund balance	\$ (3,716,298)	(1,560,004)	7,108	12,090,586	(1,775,506)	(9,780,873)	(5,128,202)	1,928,778	2,825,181	(2,597,080)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.13%	3.45%	4.00%	3.40%	3.58%	3.38%	4.13%

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

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Hotel/Motel</u> <u>Tax</u>	<u>Total</u>
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
2013	708,684	11,215,647	196,687	12,121,017
2014	879,280	11,509,517	188,298	12,577,095

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					
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%
2013	289,841,300	152,443,300	28,115,800	414,168,800	2.00	463,300,300	89.40%
2014	299,459,100	170,379,500	30,254,269	439,584,331	2.00	439,584,331	100.00%

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
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
2013	2.00	0.00	2.00	10.75	10.75	10.75	12.75	10.75
2014	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
Current Year and Nine Years Ago

Business Category	2014			2005		
	Total Sales Receipts	Rank	Percentage of Total Sales Receipts	Total Sales Receipts	Rank	Percentage of Total Sales Receipts
Wholesale/Retail Trade	\$ 244,935,672	1	51.68%	\$ 174,722,241	1	54.16%
Construction	94,990,112	2	20.04%	42,514,873	2	13.18%
Real Estate and Rental and Leasing	25,370,586	3	5.35%	14,913,772	6	4.62%
Utilities	23,600,926	4	4.98%	20,001,111	4	6.20%
Accommodation and Food Services	23,407,749	5	4.94%	16,881,474	5	5.23%
Manufacturing	18,388,859	6	3.88%	21,210,764	3	6.58%
Other Services (except Public Administration)	12,494,321	7	2.64%	9,111,702	7	2.82%
Information	10,178,495	8	2.15%	7,842,709	8	2.43%
Profession,Scientific & Technical Services	6,546,149	9	1.38%	5,048,552	10	1.56%
Transportation and Warehousing	6,446,786	10	1.36%	5,945,776	9	1.84%
	<u>\$ 466,359,655</u>		<u>98.40%</u>	<u>\$ 318,192,974</u>		<u>98.64%</u>

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ocean Beauty Seafoods LLC	\$ 25,476,100	1	5.80%	\$ 5,644,100	6	1.79%
International Seafoods of Alaska	15,289,100	2	3.48%	6,460,600	3	2.05%
Westward Seafoods, Inc	14,521,800	3	3.30%	6,343,400	4	2.01%
Trident Seafoods Corporation	13,624,400	4	3.10%	5,368,500	7	1.70%
GCI Communication Corp	9,997,500	5	2.27%	-	-	-
Brechan Enterprises Inc	9,817,500	6	2.23%	3,923,895	10	1.25%
Wal-Mart/Sams Club	9,794,000	7	2.23%	7,934,200	1	2.52%
Mill Bay Plaza Associates, Ltd	8,952,200	8	2.04%	7,138,400	2	2.26%
Alaska Communciations Systems	8,603,800	9	1.96%	-	-	-
North Pacific Seafoods Inc	7,617,900	10	1.73%	4,082,600	9	1.30%
Horizon Lines of Alaska, LLC	-	-	-	6,023,900	5	1.91%
Kodiak Area Native Association	-	-	-	4,363,200	8	1.38%
	<u>\$ 123,694,300</u>		<u>28.14%</u>	<u>\$ 57,282,795</u>		<u>18.18%</u>

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

Note: Effective October 1, 2012 the City sales tax rate is 7%, 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 \$52.50
Previous rate was 6% with a maximum tax to be charged on a transaction was \$45

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
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	99.46%
2011	781,590	759,262	97.14%	3,494	762,757	97.59%
2012	780,820	772,191	98.89%	15,893	788,083	100.00%
2013	830,179	817,304	98.45%	14,442	831,745	100.00%
2014	879,169	869,010	98.84%	4,164	873,174	99.32%

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		Alaska	Alaska		
	General		Clean	Drinking		
	Obligation	Revenue	Water	Water		
	<u>Bonds</u>	<u>Bonds</u>	<u>Fund Loans</u>	<u>Fund Loan</u>		
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%	1,310
2009	7,865,000	7,000,000	1,957,682	550,000	7.7%	2,816
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
2013	7,250,000	6,570,000	2,792,495	2,371,341	7.1%	2,952
2014	7,075,000	6,445,000	2,444,676	2,177,465	6.8%	2,862

CITY OF KODIAK
 Direct and Overlapping Debt
 As of June 30, 2014

<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	\$ 7,075,000	100%	\$ <u>7,075,000</u>
Kodiak Island Borough			
General Obligation Bonds	<u>69,135,000</u>	43%	<u>11,870,265</u>
Total direct and overlapping debt	\$ <u>76,210,000</u>		\$ <u>18,945,265</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, 2014

Assessed Value	\$ 469,838,600
Less Exempt Property	<u>30,254,269</u>
Total	\$ 439,584,331

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

Boat Harbor Revenue Bond						
Fiscal Year	Boat Harbor Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2006	-	-	-	-	-	n/a
2007	-	-	-	-	-	n/a
2008	1,999,486	2,038,080	(38,594)	-	-	n/a
2009	2,183,999	1,697,696	486,303	-	24,405	n/a
2010	2,233,292	1,518,404	714,888	30,000	96,721	n/a
2011	2,394,368	1,756,658	637,710	30,000	94,921	5.10
2012	2,507,552	1,806,778	700,774	35,000	92,971	5.48
2013	2,602,989	1,868,970	734,019	35,000	90,871	5.83
2014	2,344,260	1,926,330	417,930	40,000	88,621	3.25

Operating expenses excludes depreciation.

Shipyard Revenue Bonds						
Fiscal Year	Shipyard Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2006	-	-	-	-	-	n/a
2007	-	-	-	-	-	n/a
2008	-	-	-	-	-	n/a
2009	-	35,004	(35,004)	-	-	n/a
2010	320,574	316,277	4,297	75,000	211,551	n/a
2011	293,845	350,274	(56,429)	70,000	236,870	-0.18
2012	239,889	308,101	(68,212)	75,000	237,693	-0.22
2013	642,020	492,924	149,096	80,000	233,543	0.48
2014	722,665	517,397	205,268	85,000	228,993	0.65

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>
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%
2013	6,431	269,175,936	41,856	2,559	5.6%
2014	6,338	268,097,400	42,300	2,524	5.4%

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

CITY OF KODIAK
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2014 Rank</u>	<u>2005 Rank</u>
Kodiak Island Borough School District		1
Trident Seafood Corporation		2
North Pacific Processors, Inc.		3
Ocean Beauty Seafoods		4
Providence Hospital		5
City of Kodiak		6
International Seafoods		7
Wal-Mart Associates Inc		8
Safeway		9
Global Seafoods		10

Source: State of Alaska Department of Labor

With a 2009 change in Alaska Statute, specific employer information is no longer available.

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

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	12.50	12.50	11.30	12.05	12.05	12.30	12.30	12.30	13.30	13.30
Public Safety:										
Police	36.00	35.00	35.00	37.00	37.00	37.00	41.50	42.50	42.50	42.50
Fire	12.75	12.75	12.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Public Works	10.00	10.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Engineering	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	5.00	5.00	5.00	5.00	6.00	5.00	7.25	5.75	5.75	5.75
Library	7.00	7.00	6.75	6.75	6.75	6.75	7.00	7.00	7.00	7.00
Harbor	14.00	14.00	14.00	14.00	14.00	16.40	16.40	16.40	16.40	16.40
Water	6.00	6.00	6.60	6.60	6.85	6.60	6.60	6.60	6.60	6.60
Sewer	<u>8.00</u>	<u>7.00</u>	<u>7.80</u>	<u>8.60</u>	<u>8.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>
Total	<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>125.15</u>	<u>126.15</u>	<u>126.15</u>

Note: Full-time equivalent employees are permanent employees.

CITY OF KODIAK
Operating Indicators by Function
Last Ten Years

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police:										
Complaints investigated	7,352	7,796	8,195	8,376	8,839	7,716	8,746	10,168	13,856	10,106
Motor vehicle collision reports	126	180	86	67	89	124	89	118	155	123
Bookings/admissions	900	1,000	959	850	917	917	864	849	1,030	937
Investigations conducted	240	264	200	147	125	188	158	201	293	213
Service calls received/dispatched	6,725	6,720	8,353	8,376	9,661	7,279	8,797	10,168	13,855	9,977
Fire:										
Fire response within 5 minutes	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
EMS response within 5 minutes	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Public Works:										
Streets										
Time spent on snow removal (man hours)	1,274	2,827	5,883	5,558	5,900	5,000	4,704	5,000	3,406	4,000
Garage										
Preventative maintenance checks	150	107	113	113	132	125	80	130	56	60
Building inspection										
Building permits issued	203	224	190	182	197	190	201	223	219	70
Engineering -										
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Parks and Recreation:										
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5
Teen center attendance	16,283	11,245	31,111	29,829	32,920	31,000	36,088	16,054	16,054	16,054
Number of aquatic participants	10,386	7,993	19,496	13,566	15,463	19,728	27,804	35,799	35,314	31,700
Ice rink attendance	10,362	10,000	10,000	19,594	32,679	34,480	34,480	6,598	8,492	7,900
Library:										
Number of visitors	149,000	149,757	149,702	149,572	149,300	149,800	149,273	149,264	149,000	149,300
Number of materials withdrawn	3,500	2,111	3,750	3,334	3,800	3,800	3,047	4,957	3,502	4,000
Harbor:										
Vehicle, boat and foot patrol hours	10,500	6,996	5,832	7,000	7,000	7,000	7,000	7,000	7,000	8,700
Number of owner accounts	2,400	1,543	1,314	1,400	1,400	1,400	1,400	1,400	1,400	1,500
Water -										
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sewer:										
Treatment standards met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: In 2005 the swimming pool had a 3 month emergency closure.

CITY OF KODIAK
 Capital Asset Statistics by Function
 Last Ten Years

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	22	21	20	20	20	20	21	23	20	20
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	11	11	10	9	9	9	9	9	9	8
Public Works:										
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2650
Parks and Recreation:										
Number of parks/ playgrounds	14	14	14	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1	1	1	1
Ice rink	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Harbor:										
Number of harbors	2	2	2	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6	6	6	6
Water:										
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4	4	4	4
Sewer:										
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	20	20	20	20	20	20	20	20	20	20



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3601 C Street, Suite 600
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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, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise City of Kodiak's basic financial statements and have issued our report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kodiak's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kodiak's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kodiak's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 21, 2014



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Kodiak, Alaska

Report on Compliance for Each Major State Program

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 City of Kodiak's major state programs for the year ended June 30, 2014. City of Kodiak's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kodiak's major state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major state program. However, our audit does not provide a legal determination of City of Kodiak's compliance.

Opinion on Each Major State Program

In our opinion, City of Kodiak complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of City of Kodiak is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kodiak's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 21, 2014

City of Kodiak, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Dollar threshold used to distinguish a State major program:		\$ 100,000

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Award Findings and Questioned Costs

There were no findings or questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

City of Kodiak, Alaska

Summary Schedule of Prior Audit Findings *Year Ended June 30, 2014*

Federal Award Findings and Questioned Costs

None noted.

State of Alaska Award Findings and Questioned Costs

None noted.

City of Kodiak, Alaska

Corrective Action Plan *Year Ended June 30, 2014*

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