

City of Kodiak, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by City of Kodiak Finance Department

City of Kodiak, Alaska

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January 12, 2016

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, 2015. 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, 2015, are free of material misstatement. The City of Kodiak has selected the licensed certified public accounting firm of BDO 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 unmodified ("clean") opinion on the City of Kodiak's financial statements for the year ended June 30, 2015. 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 complement 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 2014 the estimated population of the Kodiak Region was 13,797 with a population of 6,434 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 2013 when it was raised to 7%. Sales tax continues to generate the City's largest portion of General Fund revenues. In fiscal year 2015 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.

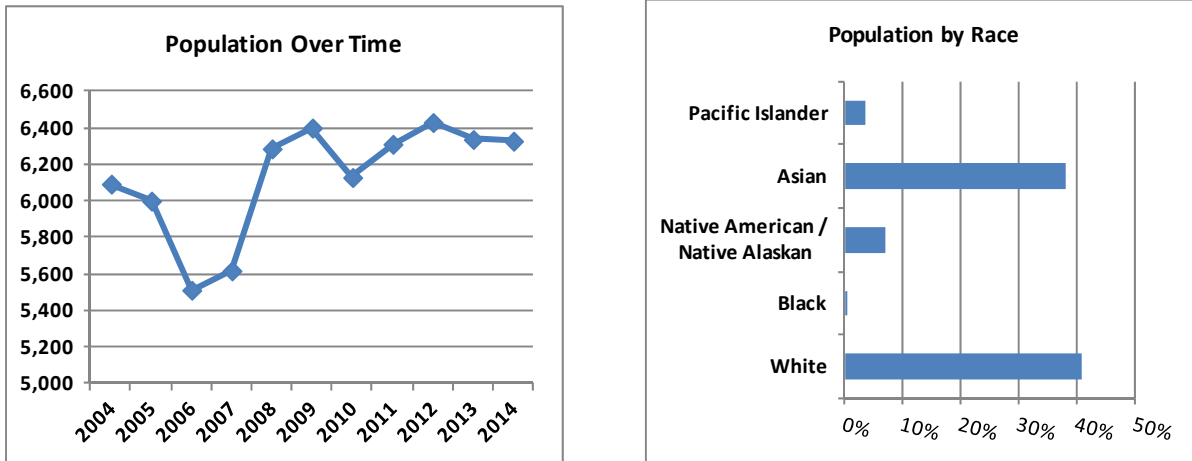
According to the independent research and consulting firm Northern Economics, Inc. (*The Economic Benefits of the Alaska Aerospace Corporation, FY 2010*. Prepared for Alaska Aerospace Corporation. February 2011) in 2010 the total direct, indirect and induced local impacts to Kodiak's regional economy 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 2014 was 6,434 in the City of Kodiak and 13,797 in the Kodiak Island Borough.

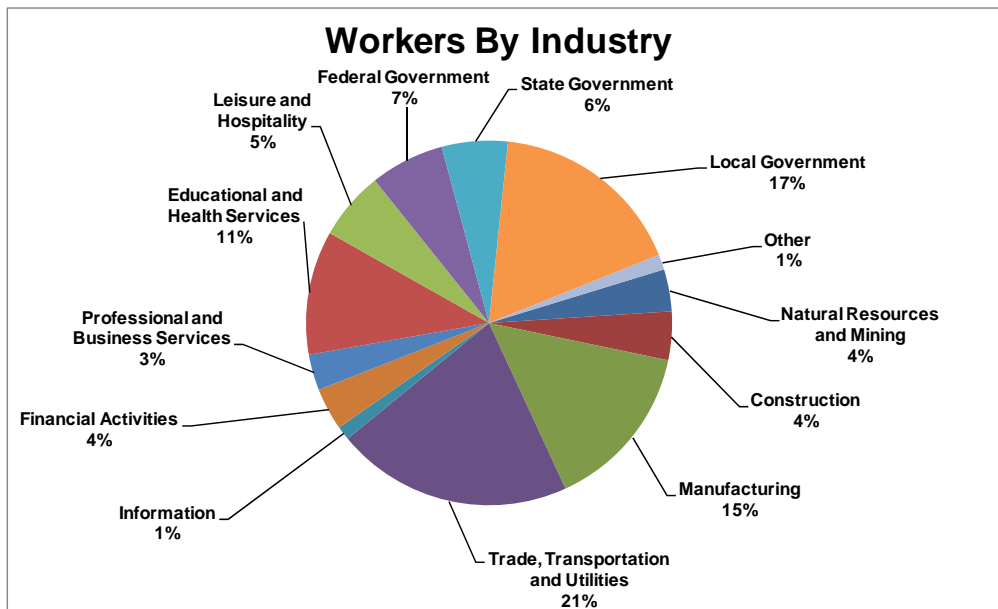
Approximately 25.4% of the population is under 18 years of age, approximately 0.7% higher than Alaska overall. The population consists of approximately 53.5% male and approximately 46.5% female. Approximately 22.8% of the adults, age 25 and older, hold at least a bachelor's degree, and 91.4% are estimated to have at least a high school diploma.

City of Kodiak Population

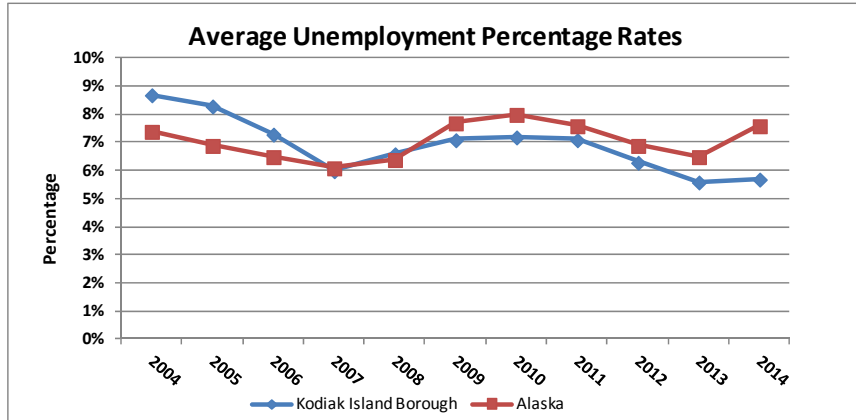


LABOR FORCE

In 2014, 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% (Sep. 2013) to as high as 14.8% (Dec. 2003). The average annual unemployment rate for Kodiak in fiscal year 2014 was 5.7% compared to 7.6% for the state of Alaska.



INCOME

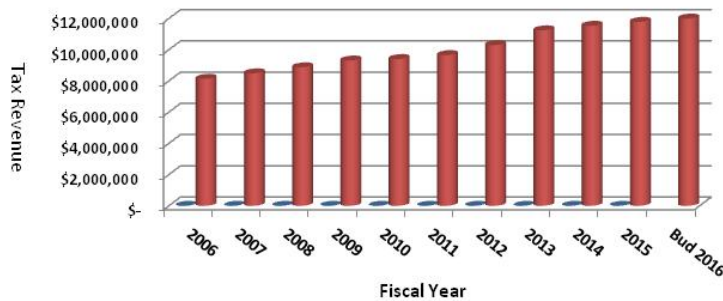
The U.S. Department of Commerce Bureau of Economic Analysis reported the 2013 per capita personal income was \$48,804 and 2013 total salaries and wages of \$360.8 million for the Kodiak Island Borough.

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 approximately \$11.8 million in 2015. 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. This growth will positively impact the City. The City will also have to grow to provide the same level of services to its residents.

Sales Tax Revenue



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> in the Finance Department documents 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 2015.
2. The Sales Tax Cap remained at \$750.00.
3. The Hotel & Motel tax rate of 5% remained the same.
4. The fiscal year 2015 had no reductions of services, and all services were maintained at consistent levels.

FUTURE PROJECTS

1. Mill Bay Road Pavement Rehabilitation Project: \$3,500,000

Mill Bay Road is a 2.5 mile major arterial that provides access to the City of Kodiak's main business district. It is the most traveled road in Kodiak with approximately 12,000 vehicle trips per day. The City took ownership of Mill Bay Road from the State after it was reconstructed by DOT in 1991. The road surface has developed extreme pavement wear in the driving lanes over the past 23 years. The City has maintained and repaired sections and the driving lanes were milled and overlaid twice, but the overall road condition has not been assessed. The most critical issue is the development of ruts in the driving lanes up to 3" deep in some lanes in major intersections. Ruts create drainage problems which further accelerate wear on the pavement. The need for further pavement rehabilitation is necessary to prevent areas of roadbed failure. The City must plan on full road width pavement rehabilitation for the most traveled 2 mile portion from the main intersection downtown (the "Y") to Island Lake Road (Walmart) and is completing an engineering study to assess the condition of the pavement, address drainage, and review the possibility of updating and reusing the original design segments to help reduce project costs. The total road rehabilitation cost, including engineering and construction, is estimated to be \$4,000,000 with funds coming from a combination of local funds for design & engineering and state funds for the remainder of the project. The City of Kodiak is requesting state funding assistance for permitting, redesign, and construction in the amount of \$3,500,000 to fully rehabilitate Mill Bay Road.

2. 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, new retaining walls, improved lighting and parking, and utility work was 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.

3. Shelikof Street Pedestrian Improvements Funding Request: \$1,100,000 Pier II to Downtown

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, retaining walls, and utility relocates was completed in 2013. The City wants to begin work on a portion of the next phase of improvements with design and construction of a visitor shelter-information kiosk-public restroom facility at Pier II. The shelter will benefit ferry and cruise ship passengers and visitors with a place to come in out of the weather, a location for the distribution of visitor information, and provide the only public restroom facility at Pier II. The City has 65% engineering design drawings and two drawings showing floor plans and elevations. The City of Kodiak is requesting state funding assistance in the amount of \$1,100,000 through the cruise ship excise tax fund for planning, permitting, design, and construction of this shelter 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 2015. 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.

In fiscal year 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability and related deferred inflows and outflows of resources related to pensions as of the beginning of the fiscal year.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Management Retirement Board. Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that the statute does

not create a legal obligation to assume the liabilities of the plans; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. Therefore, the State has determined that the Plan is not a special funding situation.

The City disagrees with the State's position and believes that AS 39.35.255 constitutes a special funding situation under GASB Statement No. 68 rules and has recorded all pension related liabilities, deferred inflows and deferred outflows related to pensions, and disclosures on this basis, pending final legal determination, as may be required to settle this matter.

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, 2014. 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 unflinching support for maintaining the highest standards of professionalism in the management of the City of Kodiak's finances.

Respectfully Submitted,

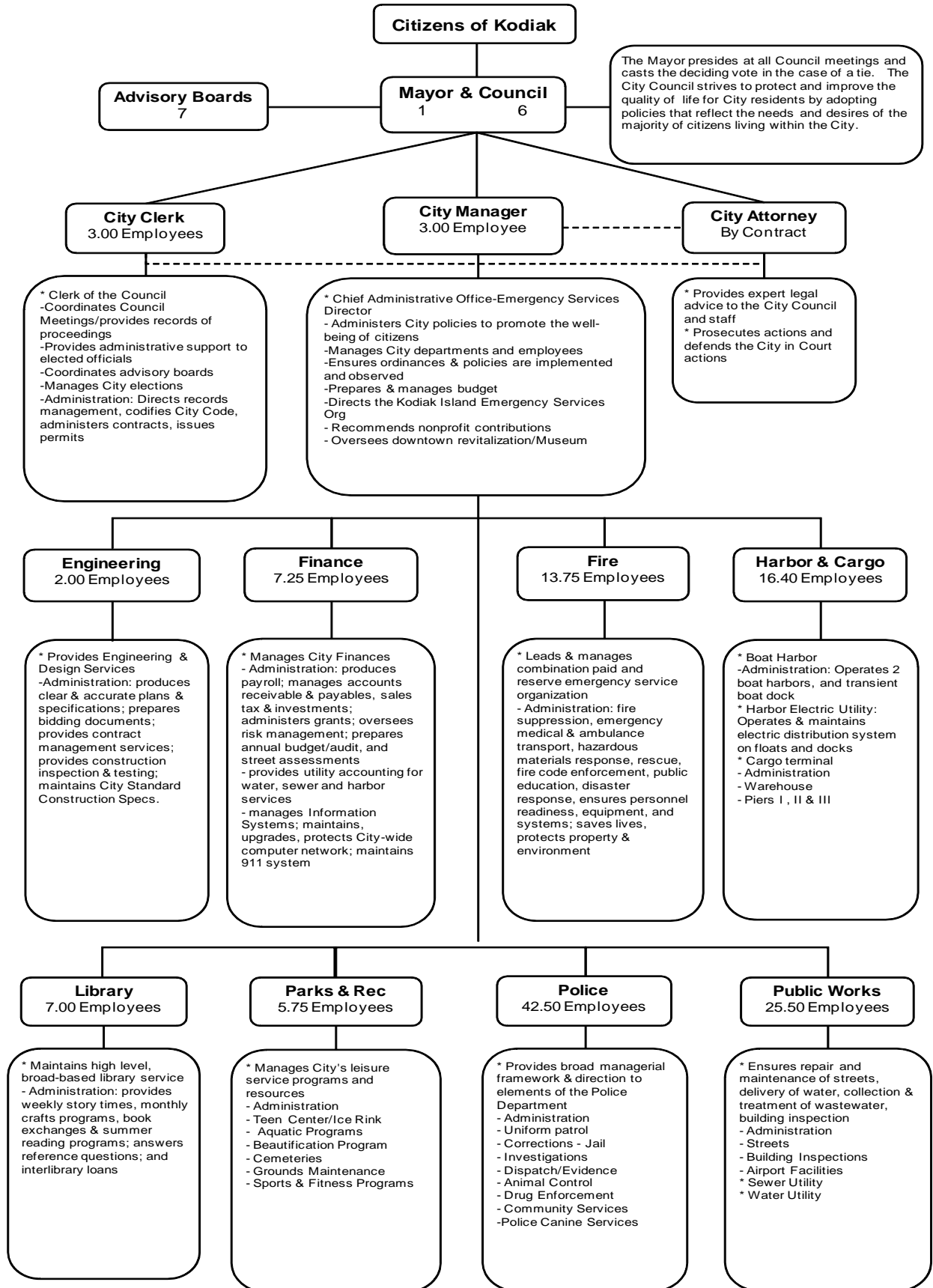


City Manager
Aimée Kniazowski



Finance Director
Kelly Mayes

**CITY OF KODIAK
ORGANIZATIONAL CHART**



**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 7:30p in the Kodiak Island Borough Assembly Chambers, 710 Mill Bay Road. The public is invited to attend.
- City Website - <http://www.city.kodiak.ak.us>

City Departments

| Name | Department | Email | Phone |
|------------------|--------------------|-------------------------------|--------------|
| Aimee Kniazowski | City Manager | akniazowski@city.kodiak.ak.us | 907-486-8640 |
| Debra Marlar | City Clerk | dmarlar@city.kodiak.ak.us | 907-486-8636 |
| Kelly Mayes | Finance | kmayes@city.kodiak.ak.us | 907-486-8659 |
| Ronda Wallace | Police | rwallace@city.kodiak.ak.us | 907-486-8000 |
| Jim Mullican | Fire | jmullican@city.kodiak.ak.us | 907-486-8040 |
| Mark Kozak | Public Works | mkozak@city.kodiak.ak.us | 907-486-8060 |
| Glenn Melvin | Engingeering | gmelvin@city.kodiak.ak.us | 907-486-8065 |
| Corey Gronn | Parks & Recreation | cgronn@city.kodiak.ak.us | 907-486-8655 |
| Kathleen Baxter | Library | kbaxter@city.kodiak.ak.us | 907-486-8688 |
| Lon White | Cargo & Harbor | lwhite@city.kodiak.ak.us | 907-486-8080 |

Elected Officials

| Name | Office | Email | 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)
- Joint Building Code Review Committee (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

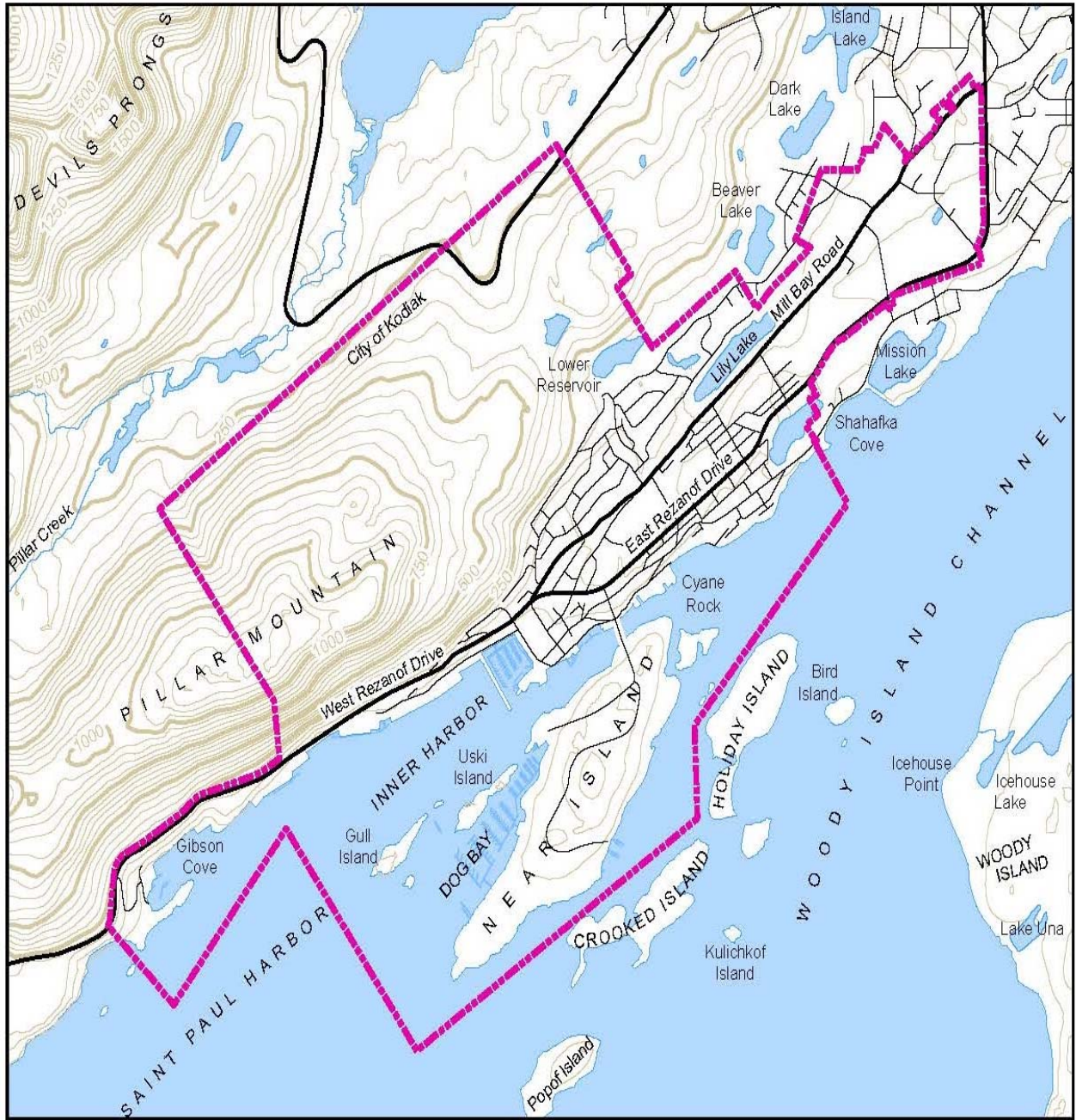
June 30, 2014

Executive Director/CEO

CITY OF KODIAK
KODIAK ISLAND, KODIAK



CITY OF KODIAK
CITY LIMITS - 6.2 SQUARE MILES



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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, 2015, 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, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in 2015 the City of Kodiak adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-17 the budgetary comparison information on page 58, and the Schedules of Net Pension Liability and Pension Contributions on pages 59-60 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, 2015 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, 2015 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, 2015.

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, 2014 (not presented herein), and have issued our report thereon dated November 21, 2014, 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, 2014 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 2014 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2014 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, 2014.

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 January 12, 2016 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
January 12, 2016

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City of Kodiak, Alaska

Management's Discussion and Analysis

June 30, 2015

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, 2015. 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 \$189,029,412 (*net position*). Of this amount, \$34,773,705 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$32,275,221 (19.6%). The governmental net position increased by \$1,789,235 (2.8%) and the business-type net position increased by \$30,485,986 (32.7%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,499,391, an increase of \$2,540,767 in comparison with the prior year. Approximately 41% of this total amount, (\$6,735,867) is available for spending at the government's discretion (*unassigned fund balance*).
- Total general revenues accounted for \$14,814,495 (24%) 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 \$48,095,311 (76%) of total revenues of \$62,909,806.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,735,867 (37%) of total General Fund expenditures and transfers of \$18,615,088.
- The City of Kodiak's total debt increased by \$5,880,174 during the current fiscal year. In fiscal year 2015 there was additional debt added for accrued leave, a sewer loan and a water loan in the amount of \$122,623, respectively. In addition, the City reports the net pension liability for the State of Alaska PERS retirement system attributed to the City of Kodiak. For fiscal year 2015, the net pension liability was \$7,889,699. 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 two categories: governmental funds and proprietary 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, which is considered to be a major fund. 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 City closed its only agency fund in 2015.
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 29-56 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 58 of this report.
 - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 64-68. Other combining and individual fund statements and schedules can be found on pages 70-126 of this report.

Government-Wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City's net position for 2015 compared to 2014:

| | Governmental | | Business-Type | | Total | |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Activities | | Activities | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Current assets | \$ 17,685,733 | \$ 14,844,505 | \$ 29,816,219 | \$ 28,324,191 | \$ 47,501,952 | \$ 43,168,696 |
| Capital assets | 61,979,433 | 62,832,774 | 109,397,397 | 81,628,564 | 171,376,830 | 144,461,338 |
| Total assets | 79,665,166 | 77,677,279 | 139,213,616 | 109,952,755 | 218,878,782 | 187,630,034 |
| Deferred Outflows | | | | | | |
| related to pensions | 694,512 | - | 217,634 | - | 912,146 | - |
| Total Assets and Deferred Outflows | \$ 80,359,678 | \$ 77,677,279 | \$ 139,431,250 | \$ 109,952,755 | \$ 219,790,928 | \$ 187,630,034 |
| Liabilities | | | | | | |
| Current liabilities | 910,595 | 642,582 | 2,604,423 | 3,512,398 | 3,515,018 | 4,154,980 |
| Long-term liabilities | 13,521,442 | 7,641,268 | 12,813,527 | 11,266,307 | 26,334,969 | 18,907,575 |
| Total liabilities | 14,432,037 | 8,283,850 | 15,417,950 | 14,778,705 | 29,849,987 | 23,062,555 |
| Deferred Inflows | | | | | | |
| related to pensions | 694,040 | - | 217,489 | - | 911,529 | - |
| Net Position | | | | | | |
| Invested in capital assets | 55,089,433 | 55,757,774 | 98,661,224 | 70,561,423 | 153,750,657 | 126,319,197 |
| Restricted | - | - | 505,050 | 505,050 | 505,050 | 505,050 |
| Unrestricted | 10,144,168 | 13,635,655 | 24,629,537 | 24,107,577 | 34,773,705 | 37,743,232 |
| Total net position, as restated | \$ 65,233,601 | \$ 69,393,429 | \$ 123,795,811 | \$ 95,174,050 | \$ 189,029,412 | \$ 164,567,479 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 80,359,678 | \$ 77,677,279 | \$ 139,431,250 | \$ 109,952,755 | \$ 219,790,928 | \$ 187,630,034 |

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 \$189,029,412 as of June 30, 2015.

City of Kodiak, Alaska

Management's Discussion and Analysis

The government's net position increased by \$32,275,221 during the current fiscal year compared to \$8,587,780 in the prior fiscal year. The increase resulted primarily from greater grant contributions than the prior year. The government's operating expenses are consistent with prior year.

By far the largest portion of the City of Kodiak's net position 81% reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Kodiak uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kodiak's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

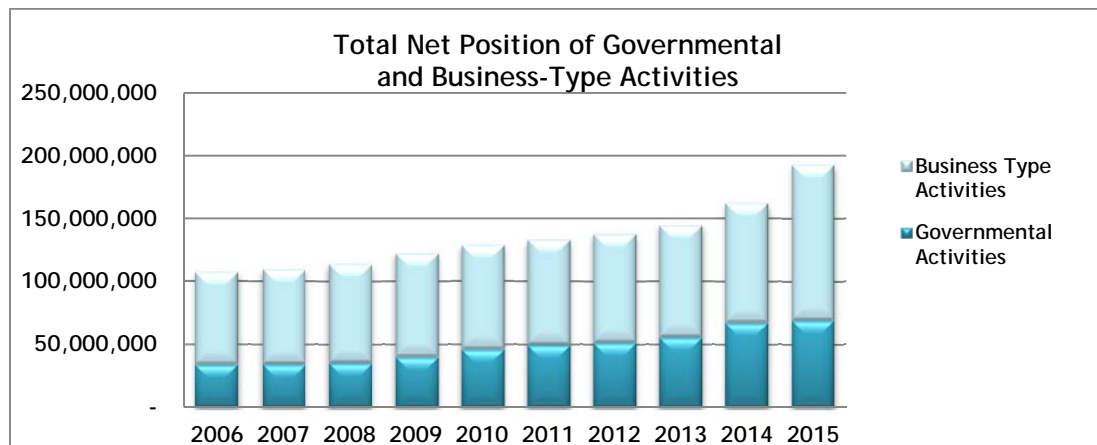
An additional portion of the City of Kodiak's net position, less than 1%, represents resources that are subject to external restrictions on how they may be used. Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts which makes up this restricted amount. The remaining balance of unrestricted net position 18% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year 2015, 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 decrease of \$668,341 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 \$28,099,801 in net investment in capital assets. This is primarily due to the Pier III replacement project which is scheduled to be finished in 2016.

During fiscal year 2015, the government's total net position increased by \$32,275,221. 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.



City of Kodiak, Alaska

Management's Discussion and Analysis

Table 2 shows the changes in net position for fiscal years 2015 and 2014 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak's net position by \$30,485,986 and the increase in the governmental activities was \$1,789,235.

Table 2
Changes in Net Position

| | Year Ended June 30, 2015 | | | Year Ended June 30, 2014 | | |
|---|----------------------------|---------------------------------|-----------------------|----------------------------|---------------------------------|-----------------------|
| | Governmental Activities | Business- Type Activities | Total | Governmental Activities | Business- Type Activities | Total |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,136,520 | \$ 13,387,100 | \$ 16,523,620 | \$ 3,124,250 | \$ 12,985,006 | \$ 16,109,256 |
| Operating grants and contributions | 468,502 | 1,813,006 | 2,281,508 | 814,853 | 2,725,086 | 3,539,939 |
| Capital grants and contributions | 112,193 | 29,177,990 | 29,290,183 | 1,373,720 | 7,033,027 | 8,406,747 |
| Total program revenues | <u>3,717,215</u> | <u>44,378,096</u> | <u>48,095,311</u> | <u>5,312,823</u> | <u>22,743,119</u> | <u>28,055,942</u> |
| General revenues: | | | | | | |
| Property taxes | 912,645 | - | 912,645 | 879,280 | - | 879,280 |
| Sale taxes | 11,759,863 | - | 11,759,863 | 11,509,517 | - | 11,509,517 |
| Other taxes, penalties and interest | 254,921 | - | 254,921 | 224,983 | - | 224,983 |
| Grants not restricted | 1,781,749 | - | 1,781,749 | 1,777,724 | - | 1,777,724 |
| Investment income | 33,183 | 62,736 | 95,919 | 51,161 | 68,230 | 119,391 |
| Miscellaneous | 9,398 | - | 9,398 | 59,301 | - | 59,301 |
| Total general revenues | <u>14,751,759</u> | <u>62,736</u> | <u>14,814,495</u> | <u>14,501,966</u> | <u>68,230</u> | <u>14,570,196</u> |
| Total revenues | <u>18,468,974</u> | <u>44,440,832</u> | <u>62,909,806</u> | <u>19,814,789</u> | <u>22,811,349</u> | <u>42,626,138</u> |
| Expenses: | | | | | | |
| General government | 2,722,911 | - | 2,722,911 | 2,885,778 | - | 2,885,778 |
| Public safety | 7,736,192 | - | 7,736,192 | 8,587,842 | - | 8,587,842 |
| Public works | 2,584,167 | - | 2,584,167 | 2,577,384 | - | 2,577,384 |
| Engineering | 249,954 | - | 249,954 | 199,877 | - | 199,877 |
| Parks & recreation | 1,390,435 | - | 1,390,435 | 1,370,541 | - | 1,370,541 |
| Library | 894,605 | - | 894,605 | 930,313 | - | 930,313 |
| Community services | 374,235 | - | 374,235 | 305,457 | - | 305,457 |
| Interest on long-term debt | 346,240 | - | 346,240 | 352,803 | - | 352,803 |
| Cargo Pier | - | 926,136 | 926,136 | - | 1,466,892 | 1,466,892 |
| Boat Harbor | - | 3,235,531 | 3,235,531 | - | 3,331,649 | 3,331,649 |
| Shipyard | - | 1,136,632 | 1,136,632 | - | 1,285,600 | 1,285,600 |
| Harbor Electric | - | 575,261 | 575,261 | - | 675,474 | 675,474 |
| Water | - | 4,533,126 | 4,533,126 | - | 6,137,608 | 6,137,608 |
| Sewer | - | 3,611,837 | 3,611,837 | - | 3,398,824 | 3,398,824 |
| Trident Basin | - | 310,232 | 310,232 | - | 373,393 | 373,393 |
| E-911 Services | - | 7,091 | 7,091 | - | 158,923 | 158,923 |
| Total expenses | <u>16,298,739</u> | <u>14,335,846</u> | <u>30,634,585</u> | <u>17,209,995</u> | <u>16,828,363</u> | <u>34,038,358</u> |
| Increase in net position before transfers | <u>2,170,235</u> | <u>30,104,986</u> | <u>32,275,221</u> | <u>2,604,794</u> | <u>5,982,986</u> | <u>8,587,780</u> |
| Transfers | (381,000) | 381,000 | - | (600,000) | 600,000 | - |
| Change in net position | <u>1,789,235</u> | <u>30,485,986</u> | <u>32,275,221</u> | <u>2,004,794</u> | <u>6,582,986</u> | <u>8,587,780</u> |
| Net position at beginning of year, as restated for 2015 | <u>63,444,366</u> | <u>93,309,825</u> | <u>156,754,191</u> | <u>67,388,635</u> | <u>88,591,064</u> | <u>155,979,699</u> |
| Net position at end of year | <u>\$ 65,233,601</u> | <u>\$ 123,795,811</u> | <u>\$ 189,029,412</u> | <u>\$ 69,393,429</u> | <u>\$ 95,174,050</u> | <u>\$ 164,567,479</u> |

City of Kodiak, Alaska

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the City of Kodiak's net position by \$1,789,235, thereby accounting for (5.5%) of the total growth in the net position of the City of Kodiak. Key elements of this increase are as follows:

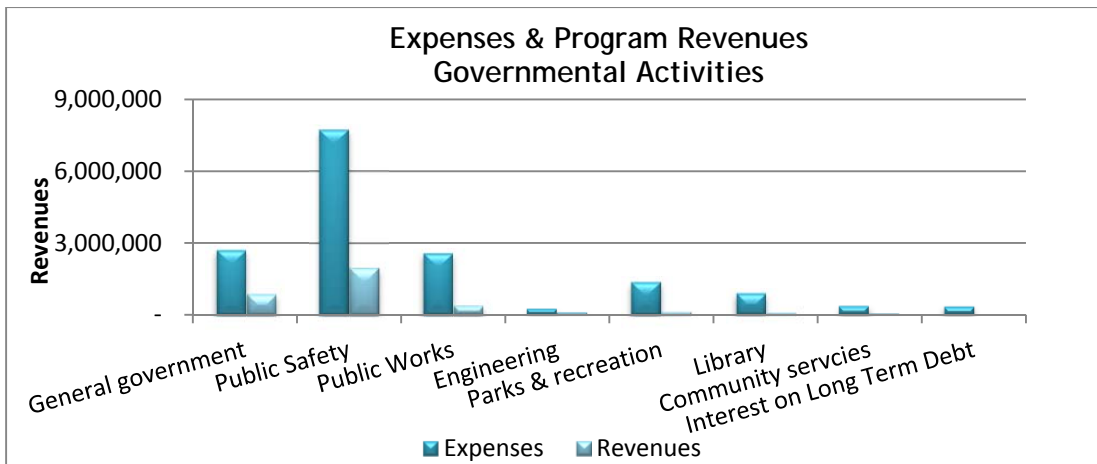
The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$11,759,863, a 2% increase from 2014. The City sales tax rate in 2015 was at 7% on all sales. The City sales tax accounts for 64% of total governmental activity revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for 6% of total governmental activities revenues in 2015.

City taxpayers financed most of the City's costs, bringing in tax revenues of \$12,927,429. 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 \$3,717,215 (19%) of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety 47%, Public Works 16%, and General Government 17%, or 80% 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 decreased by 6% from the prior fiscal year. This was due primarily to a decrease in public safety by 11%, and a decrease in general government by 6%.



The graph on the following page shows the revenues by source for governmental-type activities. Taxes comprise the largest revenue source at 43% of total governmental revenue. Other primary revenue sources include 17% for charges for services and 12.8% for grants.

City of Kodiak, Alaska

Management's Discussion and Analysis

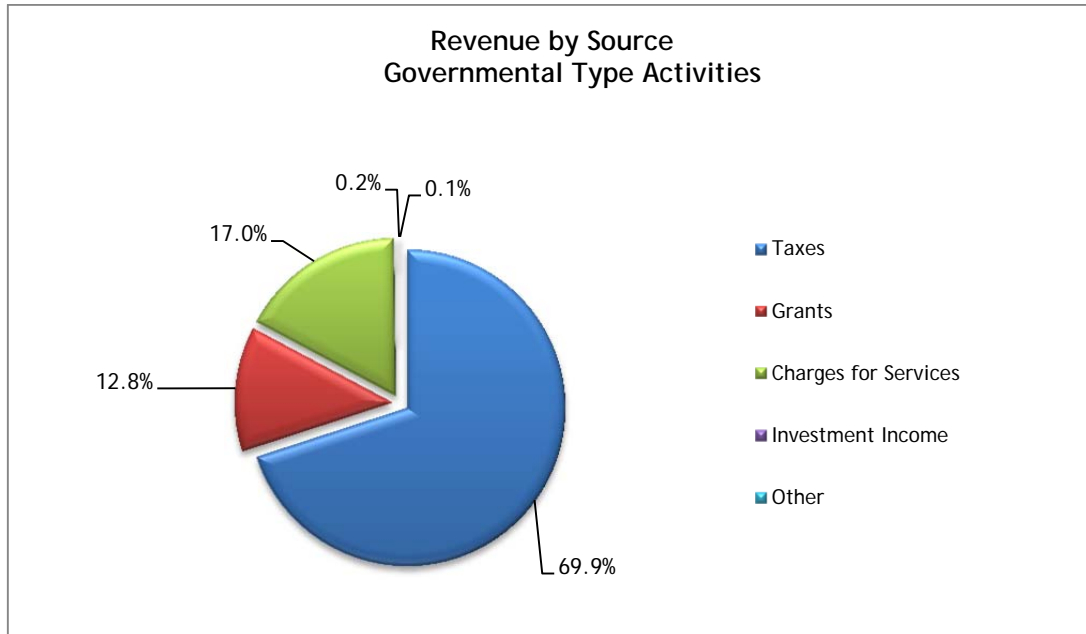


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2015. That is, it identified the cost of these services supported by charges for services, operating grants and capital grants.

Table 3
Governmental Activities in 2015

| | Total Cost of Services <u>2015</u> | Net Cost (Benefit) of Services <u>2015</u> | % of Total Costs |
|-------------------------------|--|--|---------------------|
| Governmental activities: | | | |
| General government | \$ 2,722,911 | \$ 1,828,700 | 17% |
| Public safety | 7,736,192 | 5,746,794 | 47% |
| Public works | 2,584,167 | 2,172,098 | 16% |
| Engineering | 249,954 | 136,105 | 2% |
| Parks & recreation | 1,390,435 | 1,246,070 | 9% |
| Library | 894,605 | 795,409 | 5% |
| Community services | 374,235 | 310,108 | 2% |
| Interest on long-term debt | 346,240 | 346,240 | 2% |
| Total governmental activities | <u>\$ 16,298,739</u> | <u>\$ 12,581,524</u> | <u>100%</u> |

Business-type Activities

Business-type activities increased the City of Kodiak's net position by \$30,485,986 accounting for 94% 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 30% of the total revenues and capital grants 66% of the total revenues.

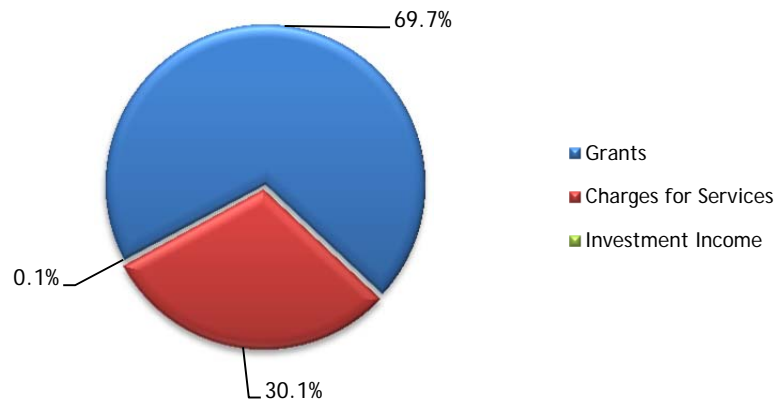
City of Kodiak, Alaska

Management's Discussion and Analysis

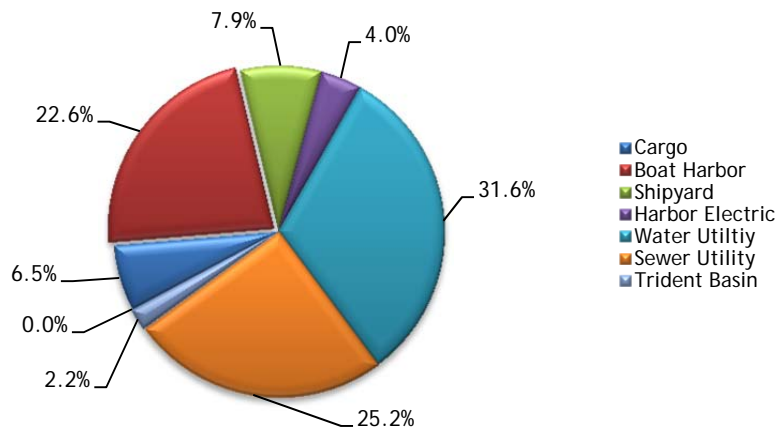
The primary source of revenue from business-type activities is capital grants, which amounted to \$29,177,990, a 315% increase from 2014. For the business-type activities, charges for services were 93% of the operating costs. Operating grants, interest income and miscellaneous revenues financed the remaining operating costs.

The City's business-type activities expenses are related to cargo 6%, boat harbor 23%, shipyard 8%, harbor electric 4%, water utility 32%, sewer utility 25%, 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 2015.

Revenue by Source
Business-Type Activities



Expenses
Business-Type Activities



City of Kodiak, Alaska

Management's Discussion and Analysis

Table 3-A shows, for business-type activities, the total cost of services and the net cost of services in 2015. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

Table 3-A
Business-Type Activities in 2015

| | Total Cost of Services 2015 | Net Cost (Benefit) of Services 2015 | % of Total Costs |
|--------------------------------|-----------------------------------|---|---------------------|
| | <u>2015</u> | <u>2015</u> | <u>Total Costs</u> |
| Business-type activities: | | | |
| Cargo | \$ 926,136 | \$ (25,761,872) | 6% |
| Boat Harbor | 3,235,531 | 810,394 | 23% |
| Water Utility | 4,533,126 | (5,368,526) | 32% |
| Sewer Utility | 3,611,837 | (300,147) | 25% |
| Shipyards | 1,136,632 | 384,803 | 8% |
| Harbor Electric | 575,261 | (42,311) | 4% |
| Trident Basin | 310,232 | 259,187 | 2% |
| E-911 Services | 7,091 | (23,778) | 0% |
| Total business-type activities | <u>\$ 14,335,846</u> | <u>\$ (30,042,250)</u> | <u>100%</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 governmental funds are accounted for using the modified accrual basis of accounting.

Governmental Funds

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

As of the end of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,499,391, an increase of \$2,540,767 in comparison with the prior year. Approximately 41% of this total amount \$6,735,867 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 \$6,735,867 while total fund balance was \$10,098,917. 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.

City of Kodiak, Alaska

Management's Discussion and Analysis

Unassigned fund balance of \$6,735,867 represents 37% of total General Fund expenditures and transfers of \$18,615,088. Total fund balance of \$10,098,917 represents 54% of total General Fund expenditures and transfers of \$18,615,088.

The fund balance of the City of Kodiak's General Fund increased in the amount of \$1,496,800 during the current fiscal year. Key factors in this increase are as follows:

Total General Fund operating revenues of \$20,111,888 exceeded total expenditures and transfers of \$18,615,088. Sales tax revenues of the General Fund exceeded the budget by \$157,817. 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 \$335,254, public safety by \$410,069, and public works by \$329,985. Transfers from the General Fund to other funds in the amount of \$1,992,355 were lower than prior years. Code requirements accounted for \$547,781 in transfers; other transfers included \$1,346,000 to General Capital Projects, and \$98,574 to the Vehicle Replacement Fund.

The Nonmajor Funds have a total fund balance of \$6,400,474. Of this balance, 6% is restricted for tourism, 50% is committed for economic stability in the Enhancement Fund, 42% assigned for capital projects, and 2% assigned for public works. There was an increase of \$1,043,967 in fund balances as a result of 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 \$9,123,238 and those in the Water, Sewer Facilities amounted to \$14,685,508. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$566,186 in unrestricted net position. The total change in net position for all areas was an increase of \$30,455,932. 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 \$218,891 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$5,000 supplemental increase in the appropriation to the legislative department in anticipation of increased data plan expenditures.

\$50,000 supplemental increase to the legal department in anticipation of legal advice required for certain capital projects and ventures and general City business.

\$94,000 supplemental decrease to the executive department due to anticipation of needed expenditures that were not necessary during the current fiscal year.

City of Kodiak, Alaska

Management's Discussion and Analysis

\$5,000 supplemental appropriation to the city clerk department in anticipation of salary and benefit adjustments and increased supply costs.

\$1,500 supplemental appropriation to the finance department in anticipation of salary and benefit adjustments and increased supply costs.

\$42,965 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.

\$22,000 supplemental increase in the appropriation to the fire department in anticipation of an ADEC equipment purchase and additional overtime.

\$29,876 supplemental increase in the appropriation to the public works department in anticipation of increased temporary worker costs due to road conditions.

\$72,781 supplemental appropriation to a General Fund transfer to the Enhancement Fund of one-half of the prior year General Fund surplus and interest earnings on investments for inflation proofing.

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 \$1,385,093 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

| | <u>Amount</u> <u>Under</u> <u>Budget</u> | <u>Percent</u> <u>Under</u> <u>Budget</u> |
|--------------------------------------|--|---|
| General government | \$ 335,254 | 12% |
| Public safety | 410,069 | 4% |
| Public works | 329,985 | 13% |
| Engineering | 70,123 | 22% |
| Parks and recreation | 77,170 | 5% |
| Library | 75,785 | 7% |
| Community services | 4,638 | 2% |
| Other - insurance and administration | 82,069 | 15% |
| Total under budget | <u>\$ 1,385,093</u> | 8% |

City of Kodiak, Alaska

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the City's capital assets have a total net book value of \$171,376,830. Table 5 compares the net book values at June 30, 2015 and 2014. The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, bridges, and construction in progress. The total increase in the City of Kodiak's investment in capital assets for the current fiscal year was \$26,915,495 (19%). The major increase was based on additional construction in progress related to the Pier III Cargo Terminal replacement project.

Table 5
Capital Assets at June 30
Net of Depreciation

| | Governmental | | Business-Type | | Total | |
|-------------------------------|---------------|---------------|----------------|---------------|----------------|----------------|
| | Activities | | Activities | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 2,501,384 | \$ 2,501,384 | \$ 693,997 | \$ 693,997 | \$ 3,195,381 | \$ 3,195,381 |
| Construction in progress | 18,651,017 | 19,024,269 | 47,140,955 | 14,965,214 | 65,791,972 | 33,989,483 |
| Buildings | 31,842,667 | 31,842,667 | 23,867,809 | 23,867,809 | 55,710,476 | 55,710,476 |
| Other improvements | 1,568,470 | 1,568,470 | 108,569,534 | 108,569,534 | 110,138,004 | 110,138,004 |
| Infrastructure | 18,681,299 | 18,681,299 | - | - | 18,681,299 | 18,681,299 |
| Machinery and equipment | 10,854,589 | 9,917,920 | 21,043,753 | 21,037,154 | 31,898,342 | 30,955,074 |
| Total capital assets | 84,099,426 | 83,536,009 | 201,316,048 | 169,133,708 | 285,415,474 | 252,669,717 |
| Less accumulated depreciation | 22,119,993 | 20,703,238 | 91,918,651 | 87,505,147 | 114,038,644 | 108,208,385 |
| Total capital assets, net | \$ 61,979,433 | \$ 62,832,771 | \$ 109,397,397 | \$ 81,628,561 | \$ 171,376,830 | \$ 144,461,332 |

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, 2015, the City had \$624,199 in accrued-term leave payable for governmental activities and \$194,898 for business-type activities. The City has a \$6,890,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$4,421,173 related to the Water and Sewer Enterprise Funds, and \$6,315,000 of revenue bonds related to the Harbor and Shipyard Enterprise Funds. At June 30, 2015, the City recognized a net pension liability obligation related to the State of Alaska PERS retirement plan for \$6,007,243 for governmental activities and \$1,882,456 for business-type activities.

Table 6 on the following page summarizes all outstanding debt at June 30, 2015 with a comparison to 2014. Significant changes in long term debt are primarily related to the net pension liability.

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

City of Kodiak, Alaska

Management's Discussion and Analysis

Table 6
Debt Outstanding at June 30

| | Governmental | | Business-Type | | Total | |
|--------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General obligation bonds | \$ 6,890,000 | \$ 7,075,000 | \$ - | \$ - | \$ 6,890,000 | \$ 7,075,000 |
| Accrued leave payable | 624,199 | 566,268 | 194,898 | 199,166 | 819,097 | 765,434 |
| Long-term notes payable | - | - | 4,421,173 | 4,622,141 | 4,421,173 | 4,622,141 |
| Revenue bonds payable | - | - | 6,315,000 | 6,445,000 | 6,315,000 | 6,445,000 |
| Net pension liability | 6,007,243 | - | 1,882,456 | - | 7,889,699 | - |
| Total liabilities | <u>\$ 13,521,442</u> | <u>\$ 7,641,268</u> | <u>\$ 12,813,527</u> | <u>\$ 11,266,307</u> | <u>\$ 26,334,969</u> | <u>\$ 18,907,575</u> |

Economic Factors and Next Year's Budget and Rates

- Kodiak's role as a center for transportation, governmental offices, timber, and tourism complements its role as one of the nation's largest producers of seafood. The City of Kodiak has the largest and most diversified fishing port in Alaska and is consistently ranked in the top three largest fishing ports in the U.S. in terms of value landed. The 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 2014 in the Kodiak Island Borough is 5.7% compared to 7.6% 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 2016 fiscal year.

In fiscal year 2015, the unassigned fund balance in the General Fund decreased by \$725,277 leaving a balance at the end of the year of \$6,735,867. The City has appropriated \$3,346,341 of its total fund balance of \$10,098,917 for spending in the 2016 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 projects 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, 2015</i> | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Assets and Deferred Outflows | | | |
| Cash and investments | \$ 14,467,401 | \$ 22,693,082 | \$ 37,160,483 |
| Receivables, net of allowance | 3,201,623 | 6,360,181 | 9,561,804 |
| Inventory | - | 257,906 | 257,906 |
| Restricted cash and investments | - | 505,050 | 505,050 |
| Prepays | 16,709 | - | 16,709 |
| Capital assets not being depreciated - land and construction in progress | 21,152,401 | 47,834,952 | 68,987,353 |
| Other capital assets, net of depreciation | 40,827,032 | 61,562,445 | 102,389,477 |
| Total Assets | 79,665,166 | 139,213,616 | 218,878,782 |
| Deferred Outflows related to pensions | 694,512 | 217,634 | 912,146 |
| Total Assets and Deferred Outflows | \$ 80,359,678 | \$ 139,431,250 | \$ 219,790,928 |
| Liabilities, Deferred Inflows and Net Position | | | |
| Accounts payable | \$ 567,507 | \$ 2,187,304 | \$ 2,754,811 |
| Accrued payroll and related liabilities | 202,593 | 59,564 | 262,157 |
| Customer deposits | 6,342 | 257,227 | 263,569 |
| Unearned revenue | 1,323 | - | 1,323 |
| Accrued interest | 86,560 | 146,598 | 233,158 |
| Internal balances | 46,270 | (46,270) | - |
| Noncurrent Liabilities | | | |
| Due within one year: | | | |
| Accrued leave | 463,363 | 151,750 | 615,113 |
| Bonds payable | 195,000 | 135,000 | 330,000 |
| Loans payable | - | 545,276 | 545,276 |
| Due in more than one year: | | | |
| Accrued leave | 160,836 | 43,148 | 203,984 |
| Bonds payable | 6,695,000 | 6,180,000 | 12,875,000 |
| Loans payable | - | 3,875,897 | 3,875,897 |
| Net pension liability | 6,007,243 | 1,882,456 | 7,889,699 |
| Total Liabilities | 14,432,037 | 15,417,950 | 29,849,987 |
| Deferred Inflows related to pensions | 694,040 | 217,489 | 911,529 |
| Total Liabilities and Deferred Inflows | 15,126,077 | 15,635,439 | 30,761,516 |
| Net Position | | | |
| Net investment in capital assets | 55,089,433 | 98,661,224 | 153,750,657 |
| Restricted for debt service | - | 505,050 | 505,050 |
| Unrestricted | 10,144,168 | 24,629,537 | 34,773,705 |
| Total Net Position | 65,233,601 | 123,795,811 | 189,029,412 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 80,359,678 | \$ 139,431,250 | \$ 219,790,928 |

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Statement of Activities

| Year Ended June 30, 2015 | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|------------------------------------|----------------------------------|--------------------------------|---|--------------------------|-----------------------|
| | | Fees, Fines & Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities | | | | | | | |
| General government | \$ 2,722,911 | \$ 812,220 | \$ 81,991 | \$ - | \$ (1,828,700) | \$ - | \$ (1,828,700) |
| Public safety | 7,736,192 | 1,652,307 | 267,125 | 69,966 | (5,746,794) | - | (5,746,794) |
| Public works | 2,584,167 | 346,256 | 65,813 | - | (2,172,098) | - | (2,172,098) |
| Engineering | 249,954 | 113,849 | - | - | (136,105) | - | (136,105) |
| Parks and recreation | 1,390,435 | 125,120 | 19,245 | - | (1,246,070) | - | (1,246,070) |
| Library | 894,605 | 22,641 | 34,328 | 42,227 | (795,409) | - | (795,409) |
| Community services | 374,235 | 64,127 | - | - | (310,108) | - | (310,108) |
| Interest on long-term debt | 346,240 | - | - | - | (346,240) | - | (346,240) |
| Total Governmental Activities | 16,298,739 | 3,136,520 | 468,502 | 112,193 | (12,581,524) | - | (12,581,524) |
| Business-type Activities | | | | | | | |
| Cargo Pier | 926,136 | 1,270,961 | 12,440 | 25,404,607 | - | 25,761,872 | 25,761,872 |
| Boat Harbor | 3,235,531 | 2,371,246 | 53,891 | - | - | (810,394) | (810,394) |
| Water Utility | 4,533,126 | 4,432,749 | 1,695,520 | 3,773,383 | - | 5,368,526 | 5,368,526 |
| Sewer Utility | 3,611,837 | 3,866,656 | 45,328 | - | - | 300,147 | 300,147 |
| Shipyard | 1,136,632 | 746,002 | 5,827 | - | - | (384,803) | (384,803) |
| Harbor Electric | 575,261 | 617,572 | - | - | - | 42,311 | 42,311 |
| Trident Basin | 310,232 | 51,045 | - | - | - | (259,187) | (259,187) |
| E-911 Services | 7,091 | 30,869 | - | - | - | 23,778 | 23,778 |
| Total Business-type Activities | 14,335,846 | 13,387,100 | 1,813,006 | 29,177,990 | - | 30,042,250 | 30,042,250 |
| Total | \$ 30,634,585 | \$ 16,523,620 | \$ 2,281,508 | \$ 29,290,183 | (12,581,524) | 30,042,250 | 17,460,726 |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 912,645 | - | 912,645 |
| Sales taxes | | | | | 11,759,863 | - | 11,759,863 |
| Other taxes, penalties and interest | | | | | 254,921 | - | 254,921 |
| Grants and entitlements not restricted to a specific purpose | | | | | | | |
| | | | | | 1,781,749 | - | 1,781,749 |
| Investment income | | | | | 33,183 | 62,736 | 95,919 |
| Other | | | | | 9,398 | - | 9,398 |
| Transfers | | | | | (381,000) | 381,000 | - |
| Total General Revenues and Transfers | | | | | 14,370,759 | 443,736 | 14,814,495 |
| Changes in net position | | | | | 1,789,235 | 30,485,986 | 32,275,221 |
| Net Position, beginning of year, as restated | | | | | 63,444,366 | 93,309,825 | 156,754,191 |
| Net Position, end of year | | | | | \$ 65,233,601 | \$123,795,811 | \$ 189,029,412 |

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Governmental Funds
Balance Sheet

| <i>June 30, 2015</i> | <u>Major Fund</u> | Nonmajor | Total |
|---|---------------------|---------------------|----------------------------|
| | General | Funds | Govern- mental Funds |
| Assets | | | |
| Cash and investments | \$ 7,553,513 | \$ 6,338,762 | \$ 13,892,275 |
| Receivables, net of allowance for uncollectible accounts: | | | |
| Taxes | 3,064,469 | 60,016 | 3,124,485 |
| Grants and shared revenues | 12,677 | - | 12,677 |
| Special assessments | - | 62,584 | 62,584 |
| Interest | - | 1,877 | 1,877 |
| Prepaid items | 16,709 | - | 16,709 |
| Due from other funds | 208,335 | - | 208,335 |
| Total Assets | \$10,855,703 | \$ 6,463,239 | \$ 17,318,942 |
| Liabilities, Deferred Inflows, and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 547,851 | \$ 19,656 | \$ 567,507 |
| Accrued payroll and related liabilities | 202,593 | - | 202,593 |
| Customer deposits | 6,342 | - | 6,342 |
| Unearned revenue | - | 1,323 | 1,323 |
| Total Liabilities | 756,786 | 20,979 | 777,765 |
| Deferred Inflows | | | |
| Deferred assessments | - | 41,786 | 41,786 |
| Fund Balances | | | |
| Nonspendable - prepaid items | 16,709 | - | 16,709 |
| Committed: | | | |
| Tourism | - | 389,175 | 389,175 |
| Economic Stability | - | 3,201,211 | 3,201,211 |
| Assigned: | | | |
| Subsequent year's expenditures | 3,346,341 | - | 3,346,341 |
| Capital projects | - | 2,709,527 | 2,709,527 |
| Public works | - | 100,561 | 100,561 |
| Unassigned | 6,735,867 | - | 6,735,867 |
| Total Fund Balances | 10,098,917 | 6,400,474 | 16,499,391 |
| Total Liabilities, Deferred Inflows, and Fund Balances | \$10,855,703 | \$ 6,463,239 | \$ 17,318,942 |

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2015

| | | |
|---|---------------------|----------------------|
| Total fund balances for governmental funds | | \$ 16,499,391 |
| Total net position reported for governmental activities in the Statement of Net Position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| Land | \$ 2,501,384 | |
| Construction in progress | 18,651,017 | |
| Buildings | 31,842,667 | |
| Improvements other than buildings | 1,568,470 | |
| Infrastructure | 18,681,299 | |
| Machinery and equipment | 10,854,589 | |
| Accumulated depreciation | <u>(22,119,993)</u> | |
| Total capital assets | | 61,979,433 |
| Other long-term assets (special assessments receivable) are not available to pay for current period expenditures and therefore, are deferred in the funds. | | |
| | | 41,786 |
| Deferred outflows of resources related to pensions are not deemed available to pay current period expenditures and therefore are not reported as governmental fund assets. | | |
| | | 694,512 |
| 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. | | |
| | | 320,521 |
| 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: | | |
| Net pension liability | (6,007,243) | |
| Bonds payable | (6,890,000) | |
| Accrued leave | (624,199) | |
| Accrued interest | <u>(86,560)</u> | |
| Total long-term liabilities | | (13,608,002) |
| Deferred inflows of resources related to pensions are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities. | | |
| | | <u>(694,040)</u> |
| Total Net Position of Governmental Activities | | \$ 65,233,601 |

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, 2015</i> | <u>Major Fund</u> | Nonmajor | Total |
|---|----------------------|---------------------|-----------------------|
| | General | Funds | Governmental Funds |
| Revenues | | | |
| Taxes: | | | |
| Property taxes | \$ 912,645 | \$ - | \$ 912,645 |
| Sales taxes | 11,759,863 | - | 11,759,863 |
| Other taxes, penalties and interest | 27,954 | 212,228 | 240,182 |
| Intergovernmental | 4,240,387 | 66,999 | 4,307,386 |
| Charges for services | 1,923,897 | - | 1,923,897 |
| Fines and forfeitures | 14,739 | - | 14,739 |
| Licenses and permits | 135,769 | - | 135,769 |
| Rental income | 199,410 | 64,127 | 263,537 |
| Interfund charges | 871,909 | - | 871,909 |
| Investment income | 15,917 | 16,093 | 32,010 |
| Special assessments | - | 6,041 | 6,041 |
| Donations | - | 42,227 | 42,227 |
| Other revenues | 9,398 | - | 9,398 |
| Total Revenues | 20,111,888 | 407,715 | 20,519,603 |
| Expenditures | | | |
| Current: | | | |
| General government | 2,519,913 | 16,396 | 2,536,309 |
| Public safety | 8,194,773 | 4,090 | 8,198,863 |
| Public works | 2,185,115 | 529,527 | 2,714,642 |
| Engineering | 244,967 | - | 244,967 |
| Parks and recreation | 1,334,690 | 22,942 | 1,357,632 |
| Library | 935,048 | - | 935,048 |
| Community services | 208,862 | 156,150 | 365,012 |
| Other - insurance and administration | 468,125 | - | 468,125 |
| Debt service: | | | |
| Bond principal | 185,000 | - | 185,000 |
| Bond interest | 346,240 | - | 346,240 |
| Capital outlay | - | 245,998 | 245,998 |
| Total Expenditures | 16,622,733 | 975,103 | 17,597,836 |
| Excess of revenues over (under) expenditures | 3,489,155 | (567,388) | 2,921,767 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 1,636,829 | 1,636,829 |
| Transfers out | (1,992,355) | (25,474) | (2,017,829) |
| Net Other Financing Sources (Uses) | (1,992,355) | 1,611,355 | (381,000) |
| Net change in fund balances | 1,496,800 | 1,043,967 | 2,540,767 |
| Fund Balances, beginning of year | 8,602,117 | 5,356,507 | 13,958,624 |
| Fund Balances, end of year | \$ 10,098,917 | \$ 6,400,474 | \$ 16,499,391 |

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, 2015

| | | |
|---|-------------|---------------------|
| Net change in fund balances - total governmental funds | | \$ 2,540,767 |
| 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 depreciation (\$1,500,031) exceeded capital outlays (\$646,693). | | |
| | | (853,341) |
| 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 | \$ (4,944) | |
| Decrease in deferred grant revenue | (59,689) | |
| Increase in deferred inflows related to pensions | 1,929,461 | |
| | | 1,864,828 |
| 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 | (57,931) | |
| Increase in deferred outflows related to pensions | (1,987,169) | |
| | | (2,045,100) |
| 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. | | |
| | | 185,000 |
| 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. | | |
| | | 97,081 |
| Change in Net Position of Governmental Activities | | \$ 1,789,235 |

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Proprietary Funds
Statement of Net Position

| June 30, 2015 | Major Enterprise Funds | | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|---------------------------------|------------------------------|-----------------------------|
| | Cargo Pier | Boat Harbor | Water Utility | Sewer Utility | Shipyard | | | |
| Assets and Deferred Outflows | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and investments | \$ 2,530,215 | \$ 4,594,828 | \$ 9,010,216 | \$ 5,540,164 | \$ 269,638 | \$ 748,021 | \$ 22,693,082 | \$ 575,126 |
| Receivables - net of allowances | 4,824,471 | 70,238 | 988,278 | 356,029 | 38,625 | 82,540 | 6,360,181 | - |
| Inventories | - | - | 246,308 | 11,598 | - | - | 257,906 | - |
| Total Current Assets | 7,354,686 | 4,665,066 | 10,244,802 | 5,907,791 | 308,263 | 830,561 | 29,311,169 | 575,126 |
| Noncurrent Assets | | | | | | | | |
| Restricted cash and investments | - | 129,581 | - | - | 375,469 | - | 505,050 | - |
| Property, plant and equipment, net | 38,839,297 | 11,667,533 | 26,858,514 | 12,827,747 | 15,451,695 | 3,752,611 | 109,397,397 | - |
| Total Noncurrent Assets | 38,839,297 | 11,797,114 | 26,858,514 | 12,827,747 | 15,827,164 | 3,752,611 | 109,902,447 | - |
| Total Assets | 46,193,983 | 16,462,180 | 37,103,316 | 18,735,538 | 16,135,427 | 4,583,172 | 139,213,616 | 575,126 |
| Deferred Outflows related to pensions | 19,300 | 83,608 | 35,362 | 70,323 | 9,041 | - | 217,634 | - |
| Total Assets and Deferred Outflows | \$ 46,213,283 | \$ 16,545,788 | \$ 37,138,678 | \$ 18,805,861 | \$ 16,144,468 | \$ 4,583,172 | \$ 139,431,250 | \$ 575,126 |
| Liabilities, Deferred Inflows, and Net Position | | | | | | | | |
| Liabilities | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Accounts payable | \$ 1,709,005 | \$ 25,184 | \$ 269,809 | \$ 134,429 | \$ 9,496 | \$ 39,381 | \$ 2,187,304 | \$ - |
| Accrued payroll and related liabilities | 4,851 | 22,971 | 8,402 | 20,054 | 3,163 | 123 | 59,564 | - |
| Customer deposits | - | 238,091 | 1,100 | - | 1,500 | 16,536 | 257,227 | - |
| Accrued interest | - | 28,340 | 23,613 | 13,324 | 81,321 | - | 146,598 | - |
| Due to other funds | - | - | - | - | - | 208,335 | 208,335 | - |
| Current portion: | | | | | | | | |
| Accrued annual leave | 3,228 | 74,428 | 6,924 | 63,744 | 3,426 | - | 151,750 | - |
| Revenue bonds | - | 45,000 | - | - | 90,000 | - | 135,000 | - |
| Loans payable | - | - | 163,789 | 334,987 | 46,500 | - | 545,276 | - |
| Total Current Liabilities | 1,717,084 | 434,014 | 473,637 | 566,538 | 235,406 | 264,375 | 3,691,054 | - |
| Noncurrent Liabilities | | | | | | | | |
| Long term portion: | | | | | | | | |
| Accrued annual leave | 1,255 | 28,944 | 2,693 | 8,924 | 1,332 | - | 43,148 | - |
| Revenue bonds | - | 1,745,000 | - | - | 4,435,000 | - | 6,180,000 | - |
| Loans payable | - | - | 2,038,580 | 1,186,317 | 651,000 | - | 3,875,897 | - |
| Net pension liability | 166,936 | 723,182 | 305,872 | 608,267 | 78,199 | - | 1,882,456 | - |
| Total Noncurrent Liabilities | 168,191 | 2,497,126 | 2,347,145 | 1,803,508 | 5,165,531 | - | 11,981,501 | - |
| Total Liabilities | 1,885,275 | 2,931,140 | 2,820,782 | 2,370,046 | 5,400,937 | 264,375 | 15,672,555 | - |
| Deferred Inflows related to pensions | 19,287 | 83,552 | 35,339 | 70,276 | 9,035 | - | 217,489 | - |
| Total Liabilities and Deferred Inflows | 1,904,562 | 3,014,692 | 2,856,121 | 2,440,322 | 5,409,972 | 264,375 | 15,890,044 | - |
| Net Position | | | | | | | | |
| Net investment in capital assets | 38,839,297 | 9,877,533 | 24,656,145 | 11,306,443 | 10,229,195 | 3,752,611 | 98,661,224 | - |
| Restricted for debt service | - | 129,581 | - | - | 375,469 | - | 505,050 | - |
| Unrestricted | 5,469,424 | 3,523,982 | 9,626,412 | 5,059,096 | 129,832 | 566,186 | 24,374,932 | 575,126 |
| Total Net Position | 44,308,721 | 13,531,096 | 34,282,557 | 16,365,539 | 10,734,496 | 4,318,797 | 123,541,206 | 575,126 |
| Total Liabilities, Deferred Inflows and Net Position | \$ 46,213,283 | \$ 16,545,788 | \$ 37,138,678 | \$ 18,805,861 | \$ 16,144,468 | \$ 4,583,172 | \$ 139,431,250 | \$ 575,126 |

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

254,605

Net Position of Business-type Activities

\$ 123,795,811

See accompanying notes to basic financial statements.

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

| Year Ended June 30, 2015 | Major Enterprise Funds | | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
|--|------------------------|----------------|------------------|------------------|---------------|---------------------------------|------------------------------|-----------------------------|
| | Cargo Pier | Boat Harbor | Water Utility | Sewer Utility | Shipyard | | | |
| Operating Revenues | \$ 1,270,961 | \$ 2,371,246 | \$ 4,432,749 | \$ 3,866,656 | \$ 746,002 | \$ 699,486 | \$ 13,387,100 | \$ 609,977 |
| Operating Expenses | | | | | | | | |
| Salaries and benefits | 287,405 | 1,175,782 | 590,537 | 1,105,908 | 130,893 | 7,091 | 3,297,616 | - |
| Professional | 33,393 | 66,636 | 8,352 | 81,029 | 26,680 | 3,351 | 219,441 | - |
| Contributions | - | 16,923 | - | - | - | - | 16,923 | - |
| Goods and services | 36,189 | 166,082 | 185,440 | 164,551 | 67,305 | 523,396 | 1,142,963 | 484,015 |
| Utilities and fuel | 25,976 | 179,946 | 424,008 | 707,394 | 39,099 | 13,619 | 1,390,042 | - |
| Administrative services | - | - | - | - | - | 2,808 | 2,808 | - |
| Machinery and equipment | - | 8,393 | 3,966 | 12,150 | - | - | 24,509 | - |
| Repairs and maintenance | 14,649 | 41,913 | - | 80,929 | 18,002 | 9,646 | 165,139 | - |
| Interfund charges | 93,298 | 190,297 | 177,006 | 195,864 | 84,844 | 58,166 | 799,475 | - |
| Depreciation | 437,891 | 1,315,684 | 642,915 | 1,212,525 | 529,982 | 274,507 | 4,413,504 | - |
| Total Operating Expenses | 928,801 | 3,161,656 | 2,032,224 | 3,560,350 | 896,805 | 892,584 | 11,472,420 | 484,015 |
| Earnings (loss) from operations | 342,160 | (790,410) | 2,400,525 | 306,306 | (150,803) | (193,098) | 1,914,680 | 125,962 |
| Nonoperating Revenues (Expenses) | | | | | | | | |
| Investment income | 10,195 | 19,745 | 18,448 | 12,497 | 331 | 1,520 | 62,736 | 1,173 |
| Interest expense | - | (85,421) | (53,270) | (33,817) | (241,076) | - | (413,584) | - |
| State PERS relief | 12,440 | 53,891 | 22,794 | 45,328 | 5,827 | - | 140,280 | - |
| Engineering and feasibility studies | - | - | (208,573) | (27,381) | - | - | (235,954) | - |
| Nonoperating grants | - | - | 1,672,726 | - | - | - | 1,672,726 | - |
| Noncapital repairs | - | - | (2,243,942) | - | - | - | (2,243,942) | - |
| Net Nonoperating Revenues (Expenses) | 22,635 | (11,785) | (791,817) | (3,373) | (234,918) | 1,520 | (1,017,738) | 1,173 |
| Earnings (loss) before contributions and transfers | 364,795 | (802,195) | 1,608,708 | 302,933 | (385,721) | (191,578) | 896,942 | 127,135 |
| Capital contributions | 25,404,607 | - | 3,773,383 | - | - | - | 29,177,990 | - |
| Transfers in | - | 500,000 | 328,835 | - | - | - | 828,835 | - |
| Transfers out | (5,000) | - | (49,000) | (382,835) | (11,000) | - | (447,835) | - |
| Change in net position | 25,764,402 | (302,195) | 5,661,926 | (79,902) | (396,721) | (191,578) | 30,455,932 | 127,135 |
| Net Position, beginning of year, as restated | 18,544,319 | 13,833,291 | 28,620,631 | 16,445,441 | 11,131,217 | 4,510,375 | | 447,991 |
| Net Position, end of year | \$ 44,308,721 | \$ 13,531,096 | \$ 34,282,557 | \$ 16,365,539 | \$ 10,734,496 | \$ 4,318,797 | | \$ 575,126 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | | | 30,054 | |
| Change in Net Position of Business-type Activities | | | | | | | \$ 30,485,986 | |

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Proprietary Funds
Statement of Cash Flows

| Year Ended June 30, 2015 | Major Enterprise Funds | | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
|---|------------------------|---------------------|---------------------|---------------------|-------------------|---------------------------------|------------------------------|-----------------------------|
| | Cargo Pier | Boat Harbor | Water Utility | Sewer Utility | Shipyard | | | |
| Cash Flows from Operating Activities | | | | | | | | |
| Receipts from customers and users | \$ 1,246,414 | \$ 2,305,044 | \$ 4,531,866 | \$ 3,844,880 | \$ 717,959 | \$ 711,632 | \$ 13,357,795 | \$ - |
| Receipts from interfund services provided | - | 71,290 | - | - | - | - | 71,290 | 609,977 |
| Payments for interfund services used | (93,298) | (190,297) | (177,006) | (195,864) | (84,844) | (58,166) | (799,475) | - |
| Payments to suppliers | (109,939) | (488,171) | (849,177) | (1,004,329) | (145,886) | (545,270) | (3,142,772) | (506,356) |
| Payments to employees | (271,686) | (1,084,412) | (573,951) | (1,063,840) | (123,866) | (7,040) | (3,124,795) | - |
| Net cash flows from operating activities | 771,491 | 613,454 | 2,931,732 | 1,580,847 | 363,363 | 101,156 | 6,362,043 | 103,621 |
| Cash Flows from Noncapital Financing Activities | | | | | | | | |
| Transfers in | - | 500,000 | 279,835 | - | - | - | 779,835 | - |
| Transfers out | (5,000) | - | - | (382,835) | (11,000) | - | (398,835) | - |
| Noncapital repairs and maintenance | - | - | (2,243,942) | - | - | - | (2,243,942) | - |
| Increase (decrease) due to other funds | - | - | - | - | - | (6,453) | (6,453) | - |
| Nonoperating grant received | - | - | 2,371,499 | - | - | - | 2,371,499 | - |
| Net cash flows from (for) noncapital financing activities | (5,000) | 500,000 | 407,392 | (382,835) | (11,000) | (6,453) | 502,104 | - |
| Cash Flows from (for) Capital and Related Financing Activities | | | | | | | | |
| Principal paid on long-term debt | - | (40,000) | (97,719) | (301,995) | (136,500) | - | (576,214) | - |
| Interest paid on long-term debt | - | (86,221) | (29,657) | (22,504) | (235,302) | - | (373,684) | - |
| Proceeds from issuance of long-term debt | - | - | 122,623 | 122,623 | - | - | 245,246 | - |
| Purchase of property, plant and equipment | (25,527,352) | (6,599) | (6,305,811) | (1,330,466) | - | - | (33,170,228) | - |
| Capital contributions received | 25,918,816 | - | 3,974,304 | - | - | - | 29,893,120 | - |
| Net cash flows from (for) capital and related financing activities | 391,464 | (132,820) | (2,336,260) | (1,532,342) | (371,802) | - | (3,981,760) | - |
| Cash Flows from Investing Activities | | | | | | | | |
| Investment income received | 10,195 | 19,745 | 18,448 | 12,497 | 331 | 1,520 | 62,736 | 1,173 |
| Net increase (decrease) in cash and investments | 1,168,150 | 1,000,379 | 1,021,312 | (321,833) | (19,108) | 96,223 | 2,945,123 | 104,794 |
| Cash and Investments, beginning of year | 1,362,065 | 3,724,030 | 7,988,904 | 5,861,997 | 664,215 | 651,798 | 20,253,009 | 470,332 |
| Cash and Investments, end of year | \$ 2,530,215 | \$ 4,724,409 | \$ 9,010,216 | \$ 5,540,164 | \$ 645,107 | \$ 748,021 | \$ 23,198,132 | \$ 575,126 |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities: | | | | | | | | |
| Earnings (loss) from operations | \$ 342,160 | \$ (790,410) | \$ 2,400,525 | \$ 306,306 | \$ (150,803) | \$ (193,098) | \$ 1,914,680 | \$ 125,962 |
| Adjustments to reconcile earnings (loss) from operations to net cash flow from operating activities: | | | | | | | | |
| Depreciation | 437,891 | 1,315,684 | 642,915 | 1,212,525 | 529,982 | 274,507 | 4,413,504 | - |
| Noncash expense - PERS relief | 12,440 | 53,891 | 22,794 | 45,328 | 5,827 | - | 140,280 | - |
| Other nonoperating revenues (expenses) | - | - | (208,573) | (27,381) | - | - | (235,954) | - |
| (Increase) decrease in assets: | | | | | | | | |
| Accounts receivable | (24,547) | (9,788) | 101,317 | (21,776) | 4,844 | 12,646 | 62,696 | - |
| Inventory | - | - | (21,884) | (1,620) | - | - | (23,504) | - |
| Increase in deferred outflows related to pensions | (5,572) | (24,138) | (10,209) | (20,303) | (2,610) | - | (62,832) | - |
| Increase (decrease) in liabilities: | | | | | | | | |
| Accounts payable | 268 | (8,278) | 3,046 | 70,725 | 5,200 | 7,550 | 78,511 | (22,341) |
| Accrued payroll and related liabilities | 866 | 9,043 | 615 | 6,657 | 1,491 | 51 | 18,723 | - |
| Accrued annual leave | 809 | 21,489 | (9,762) | (15,761) | (1,043) | - | (4,268) | - |
| Customer deposits | - | 14,876 | (2,200) | - | (32,887) | (500) | (20,711) | - |
| Net pension liability | (12,111) | (52,467) | (22,191) | (44,129) | 9,035 | - | (121,863) | - |
| Increase (decrease) in deferred inflows related to pensions | 19,287 | 83,552 | 35,339 | 70,276 | (5,673) | - | 202,781 | - |
| Net Cash Flows from Operating Activities | \$ 771,491 | \$ 613,454 | \$ 2,931,732 | \$ 1,580,847 | \$ 363,363 | \$ 101,156 | \$ 6,362,043 | \$ 103,621 |
| Non-cash capital and related financing activities: | | | | | | | | |
| Purchase of capital assets on account | \$ 1,705,171 | \$ - | \$ 218,359 | \$ 44,141 | \$ - | \$ - | \$ - | \$ - |

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Notes to Basic Financial Statements June 30, 2015

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. The agency fund has no measurement focus, but uses the *accrual basis of accounting* for reporting its assets and liabilities.

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 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. During fiscal year 2015, the Kodiak Fisheries Development Association fund was turned over and the agency fund was subsequently closed.

The effect of interfund activity has been eliminated from the government-wide financial statements with the exception of 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

The City is obligated by various sources to restrict the availability of certain assets. Specifically, assets are restricted from external sources such as creditors, grantors, contributors, or laws or regulations of other governments. Assets are also subject to restriction through constitutional law provisions or enabling legislation. The City's net position is restricted for debt service, capital projects, and certain funds that are restricted by state law. The City's restricted assets also include monies set aside per bond covenants.

Capital Assets

Government-wide Financial Statements

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.

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.

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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 |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (i.e. expense / expenditure) until then. The City currently reports only Pension Related deferred outflows. These items result from changes in assumption and relative share as well as pension contributions after the measurement date. These items will be recognized as expense in future periods.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (i.e. revenue) until that time. The City currently reports deferred inflows related to both pension items and assessments. The pension items result from changes in assumption and relative share. The deferred assessments occur when assessment districts are formed for repayment of city constructed projects that benefit those specific properties. The assessments are deferred until the billings come due or until the property is sold. Deferred inflows will result in future revenues or reduction of expense.

Compensated Absences

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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.

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$17,275,422 and the bank balance totaled \$18,175,297. Of the bank balance, \$250,000 was insured by FDIC insurance and \$30,156,743 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, 2015 was \$2,750.

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, 2015 are as follows:

| | Fair Value | Investment Maturity (in years) | |
|---|----------------------|--------------------------------|----------------------|
| | | Less than 1 | 1-5 |
| Investment Type | | | |
| U.S. government agencies | \$ 12,011,859 | \$ 500,000 | \$ 11,511,859 |
| Certificates of deposit | 4,474,749 | - | 4,474,749 |
| Alaska Municipal League Investment Pool | 3,900,753 | 3,900,753 | - |
| Total Investments | \$ 20,387,361 | \$ 4,400,753 | \$ 15,986,608 |

Credit Risk

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

The Alaska Municipal League Investment Pool is an external investment pool that is rated AAA 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, 2015 the fair value of the investment in AMLIP approximates amortized cost.

4. Accounts Receivable and Unearned Revenues

Receivables at June 30, 2015, 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 | \$ 3,064,469 | | \$ 60,016 | \$ 3,124,485 |
| Grants and shared revenues | 12,677 | | - | 12,677 |
| Special assessments | - | | 62,584 | 62,584 |
| Interest | - | | 1,877 | 1,877 |
| Total receivables | 3,077,146 | | 124,477 | 3,201,623 |
| Less allowance for doubtful accounts | - | | - | - |
| Net Receivables | \$ 3,077,146 | | \$ 124,477 | \$ 3,201,623 |

| | Major Enterprise Funds | | | | | Nonmajor Enterprise Funds | Totals |
|--------------------------------------|------------------------|------------------|-------------------|-------------------|------------------|---------------------------------|---------------------|
| | Cargo Pier | Boat Harbor | Water Utility | Sewer Utility | Shipyard | | |
| Accounts | \$ 65,238 | \$ 85,885 | \$ 291,501 | \$ 358,896 | \$ 38,625 | \$ 82,540 | \$ 922,685 |
| Grants | 4,759,233 | - | 699,001 | - | - | - | 5,458,234 |
| Total receivables | 4,824,471 | 85,885 | 990,502 | 358,896 | 38,625 | 82,540 | 6,380,919 |
| Less allowance for doubtful accounts | - | (15,647) | (2,224) | (2,867) | - | - | (20,738) |
| Net Receivables | \$ 4,824,471 | \$ 70,238 | \$ 988,278 | \$ 356,029 | \$ 38,625 | \$ 82,540 | \$ 6,360,181 |

City of Kodiak, Alaska

Notes to Basic Financial Statements

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, 2015, 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, 2015, the various components of deferred inflows reported in the governmental funds were as follows:

| | Nonmajor Funds | Totals |
|-------------------------------------|-------------------|-----------|
| Deferred Special Assessments | \$ 41,786 | \$ 41,786 |

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City of Kodiak, Alaska

Notes to Basic Financial Statements

5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|--|-------------------------|---------------------|-------------------|--------------------------|
| Governmental activities | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and land improvements | \$ 2,501,384 | \$ - | \$ - | \$ 2,501,384 |
| Construction in progress | 19,024,269 | 170,133 | 543,385 | 18,651,017 |
| Total assets not being depreciated | 21,525,653 | 170,133 | 543,385 | 21,152,401 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 31,842,667 | - | - | 31,842,667 |
| Improvements other than buildings | 1,568,470 | - | - | 1,568,470 |
| Infrastructure | 18,681,299 | - | - | 18,681,299 |
| Machinery and equipment | 9,917,920 | 1,019,945 | 83,276 | 10,854,589 |
| Total assets being depreciated | 62,010,356 | 1,019,945 | 83,276 | 62,947,025 |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,468,480 | 654,516 | - | 5,122,996 |
| Improvements other than buildings | 1,108,966 | 58,936 | - | 1,167,902 |
| Infrastructure | 7,584,382 | 275,155 | - | 7,859,537 |
| Machinery and equipment | 7,541,410 | 511,424 | 83,276 | 7,969,558 |
| Total accumulated depreciation | 20,703,238 | 1,500,031 | 83,276 | 22,119,993 |
| Total capital assets being depreciated, net | 41,307,118 | (480,086) | - | 40,827,032 |
| Governmental Activity Capital Assets, Net | \$ 62,832,771 | \$ (309,953) | \$ 543,385 | \$ 61,979,433 |

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City of Kodiak, Alaska

Notes to Basic Financial Statements

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|--|-------------------------|----------------------|-------------|--------------------------|
| Business-type Activities | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and land improvements | \$ 693,997 | \$ - | \$ - | \$ 693,997 |
| Construction in progress | 14,965,214 | 32,175,741 | - | 47,140,955 |
| Total assets not being depreciated | 15,659,211 | 32,175,741 | - | 47,834,952 |
| <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 | 21,037,154 | 6,599 | - | 21,043,753 |
| Total assets being depreciated | 153,474,497 | 6,599 | - | 153,481,096 |
| Less accumulated depreciation for: | | | | |
| Buildings | 16,216,189 | 859,554 | - | 17,075,743 |
| Improvements other than buildings | 66,635,240 | 2,929,298 | - | 69,564,538 |
| Machinery and equipment | 4,653,718 | 624,652 | - | 5,278,370 |
| Total accumulated depreciation | 87,505,147 | 4,413,504 | - | 91,918,651 |
| Total capital assets being depreciated, net | 65,969,350 | (4,406,905) | - | 61,562,445 |
| Business Type Activity Capital Assets, Net | \$ 81,628,561 | \$ 27,768,836 | \$ - | \$ 109,397,397 |

Depreciation expense was charged to the functions as follows, for the year ended June 30, 2015:

| | |
|--|---------------------|
| Governmental Activities | |
| General government | \$ 15,630 |
| Public safety | 783,954 |
| Public works | 492,891 |
| Engineering | 1,405 |
| Parks and recreation | 131,500 |
| Library | 65,428 |
| Community services | 9,223 |
| Total Governmental Activities Depreciation | \$ 1,500,031 |
| Business-type Activities | |
| Cargo Pier | \$ 437,891 |
| Boat Harbor | 1,315,684 |
| Water Utility | 642,915 |
| Sewer Utility | 1,212,525 |
| Shipyard | 529,982 |
| Harbor Electric | 10,402 |
| Trident Basin | 264,105 |
| Total Business-Type Activities Depreciation | \$ 4,413,504 |

City of Kodiak, Alaska

Notes to Basic Financial Statements

6. Long Term Debt

Long-term debt at June 30, 2015 is comprised of the following:

| | Balance at July 1, 2014 | Additions | Retirements | Balance at June 30, 2015 | Due Within One Year |
|---|----------------------------|-------------------|-------------------|-----------------------------|------------------------|
| Governmental Activities | | | | | |
| \$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$195,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038 | \$ 7,075,000 | \$ - | \$ 185,000 | \$ 6,890,000 | \$ 195,000 |
| Accrued leave | 566,268 | 478,290 | 420,359 | 624,199 | 463,363 |
| Total Governmental Activities | \$ 7,641,268 | \$ 478,290 | \$ 605,359 | \$ 7,514,199 | \$ 658,363 |

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

| | Balance July 1, 2014 | Additions | Retirements | Balance June 30, 2015 | Due Within One Year |
|---|-------------------------|-----------|-------------|--------------------------|------------------------|
| Business-type Activities | | | | | |
| Revenue Bonds: | | | | | |
| \$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$45,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038 | \$ 1,830,000 | \$ - | \$ 40,000 | \$ 1,790,000 | \$ 45,000 |
| \$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 | 3,705,000 | - | 70,000 | 3,635,000 | 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 | 910,000 | - | 20,000 | 890,000 | 20,000 |
| Loans Payable: | | | | | |
| \$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016 | 402,197 | - | 201,097 | 201,100 | 201,097 |

City of Kodiak, Alaska

Notes to Basic Financial Statements

| | Balance July 1, 2014 | Additions | Retirements | Balance June 30, 2015 | Due Within One Year |
|---|-------------------------|-------------------|-------------------|--------------------------|------------------------|
| Business-type Activities, continued | | | | | |
| Loans Payable, continued: | | | | | |
| \$550,000 Sewer loan, due in annual installments of \$55,000, plus interest at 1.5% through 2019 | \$ 275,000 | \$ - | \$ 55,000 | \$ 220,000 | \$ 55,000 |
| \$1,000,000 Sewer loan, due in annual installments of \$58,246, including interest at 1.5% through 2030 | 823,085 | - | 45,898 | 777,187 | 46,588 |
| \$930,000 Shipyard loan, due in annual installments of \$46,500, plus interest at 1.5% through 2030 | 744,000 | - | 46,500 | 697,500 | 46,500 |
| \$862,000 Water loan, due in annual installments of \$50,208, including interest at 1.5% through 2030 | 709,499 | - | 39,565 | 669,934 | 40,159 |
| \$341,930 (maximum) Water loan, due in annual installments of \$64,603 plus interest at 1.5% through 2019 | 200,394 | 122,623 | - | 323,017 | 64,603 |
| \$341,930 (maximum) Sewer loan, due in annual installments of \$32,302 plus interest at 1.5% through 2024 | 200,394 | 122,623 | - | 323,017 | 32,302 |
| \$5,982,000 (maximum) Water loan, due in annual installments of \$77,168, including interest at 1.5% through 2032 | 1,267,572 | - | 58,154 | 1,209,418 | 59,027 |
| Accrued leave | 199,166 | 161,439 | 165,707 | 194,898 | 151,750 |
| Total Business-type Activities | \$ 11,266,307 | \$ 406,685 | \$ 741,921 | \$ 10,931,071 | \$ 832,026 |

City of Kodiak, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity for all the above obligations and the accrued leave are as follows:

| Governmental Activities | General Obligation Bonds | | |
|------------------------------|--------------------------|--------------|---------------|
| | Principal | Interest | Total |
| <i>Years Ending June 30,</i> | | | |
| 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 | 205,000 | 302,840 | 507,840 |
| 2021-2025 | 1,160,000 | 1,373,233 | 2,533,233 |
| 2026-2030 | 1,465,000 | 1,068,785 | 2,533,785 |
| 2031-2035 | 1,880,000 | 658,485 | 2,538,485 |
| 2036-2038 | 1,375,000 | 145,340 | 1,520,340 |
| | \$ 6,890,000 | \$ 4,842,593 | \$ 11,732,593 |

| Business-type Activities | Revenue Bonds | | | Loans Payable | | |
|------------------------------|---------------|--------------|---------------|---------------|------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| <i>Years Ending June 30,</i> | | | | | | |
| 2016 | \$ 135,000 | \$ 303,939 | \$ 438,939 | \$ 545,276 | \$ 78,650 | \$ 623,926 |
| 2017 | 140,000 | 295,890 | 435,890 | 346,368 | 58,138 | 404,506 |
| 2018 | 155,000 | 287,263 | 442,263 | 348,585 | 52,944 | 401,529 |
| 2019 | 160,000 | 278,061 | 438,061 | 350,837 | 47,715 | 398,552 |
| 2020 | 170,000 | 269,864 | 439,864 | 298,127 | 42,452 | 340,579 |
| 2021-2025 | 975,000 | 1,229,651 | 2,204,651 | 1,203,117 | 154,167 | 1,357,284 |
| 2026-2030 | 1,285,000 | 973,530 | 2,258,530 | 1,104,143 | 66,863 | 1,171,006 |
| 2031-2035 | 1,905,000 | 585,192 | 2,490,192 | 224,720 | 6,775 | 231,495 |
| 2036-2038 | 1,390,000 | 104,798 | 1,494,798 | - | - | - |
| | \$ 6,315,000 | \$ 4,328,188 | \$ 10,643,188 | \$ 4,421,173 | \$ 507,704 | \$ 4,928,877 |

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 | Nonmajor Funds | Totals |
|--------------------------------|----------------------|---------------------|----------------------|
| Nonspendable - prepaid items | \$ 16,709 | \$ - | \$ 16,709 |
| Committed: | | | |
| Tourism | - | 389,175 | 389,175 |
| Economic stability | - | 3,201,211 | 3,201,211 |
| Assigned: | | | |
| Subsequent year's expenditures | 3,346,341 | - | 3,346,341 |
| Capital projects | - | 2,709,527 | 2,709,527 |
| Public works | - | 100,561 | 100,561 |
| Unassigned | 6,735,867 | - | 6,735,867 |
| Total Fund Balances | \$ 10,098,917 | \$ 6,400,474 | \$ 16,499,391 |

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. The maximum taxable sale is \$750 per transaction. 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, 2015 and 2014 respectively, are as follows:

| | 2015 | 2014 |
|---|---------------|---------------|
| General Fund general sales taxes | \$ 11,759,863 | \$ 11,509,517 |
| Tourism Development Special Revenue Fund room taxes | \$ 212,228 | \$ 188,298 |

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, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|---------------------|-------------------|
| Capital Projects Funds: | | |
| Street Improvements * | \$ 450,000 | \$ 350,000 |
| Parks and Recreation | 50,000 | 50,000 |
| Enterprise Fund - Boat Harbor | 500,000 | 500,000 |
| Total Sales Tax Revenues Transferred from the General Fund | \$ 1,000,000 | \$ 900,000 |

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

9. Interfund Receivables and Transfers

A schedule of interfund balances and transfers for the year ended June 30, 2015, follows:

| | |
|--|------------|
| Due from Other Funds | |
| Due to the General Fund from nonmajor enterprise funds | \$ 208,355 |

City of Kodiak, Alaska

Notes to Basic Financial Statements

Transfers

From General Fund to:

| | |
|--|------------|
| Boat Harbor Enterprise Fund for capital costs | \$ 500,000 |
| Nonmajor governmental funds for capital projects | 1,419,574 |
| Nonmajor governmental funds for operating costs | 72,781 |

Total transfers from General Fund 1,992,355

From Water Utility Enterprise Fund to nonmajor governmental funds for capital costs

49,000

From Sewer Utility Enterprise Fund to:

| | |
|---|---------|
| Water Utility Enterprise Fund for capital costs | 328,835 |
| Nonmajor governmental funds for capital costs | 54,000 |

From Cargo Pier Enterprise Fund to Nonmajor governmental funds for capital costs

5,000

From Shipyard Enterprise Fund to Nonmajor governmental funds for capital costs

11,000

From Nonmajor governmental funds to other Nonmajor governmental funds for capital costs

25,474

Total Transfers to Other Funds \$ 2,465,664

10. Defined Benefit Pension Plan

General Information About the Plan

The City participates in the Alaska 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. 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. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

City of Kodiak, Alaska

Notes to Basic Financial Statements

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these footnotes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board.

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that the Plan is *not* in a special funding situation.

Management of the City disagrees with the State's position and believes that AS 39.35.255 constitutes a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter.

The City records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the enterprise funds and government-wide financial statements.

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 several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

City of Kodiak, Alaska

Notes to Basic Financial Statements

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

GASB 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. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation.

| | Employer Effective Rate | ARM Board Adopted Rate | State Contribution Rate | GASB Rate |
|---|-------------------------------|------------------------------|-------------------------------|---------------|
| Pension | 12.54% | 25.09% | 42.41% | 33.05% |
| Postemployment healthcare (see Note 12) | 9.46% | 18.94% | - % | 55.07% |
| Total Contribution Rates | 22.00% | 44.03% | 42.41% | 88.12% |

In 2015, the City was credited with the following contributions into the pension plan.

| | Measurement Period City FY14 | City FY15 |
|---|---------------------------------|---------------------|
| Employer contributions (including DBUL) | \$ 648,804 | \$ 674,192 |
| Nonemployer contributions (on-behalf) | 587,937 | 3,197,815 |
| Total Contributions | \$ 1,236,741 | \$ 3,872,007 |

In addition, employee contributions to the plan totaled \$260,883 during the City fiscal year.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

| | 2015 |
|---|---------------|
| City proportionate share of NPL | \$ 7,889,699 |
| State's proportionate share of NPL associated with the City | 7,149,538 |
| Total Net Pension Liability | \$ 15,039,237 |

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the City's proportion was 0.16915663 percent, which was a decrease of 0.0080168 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$1,336,986 and on-behalf revenue of \$587,937 for support provided by the State. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 911,529 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 237,954 | - |
| City contributions subsequent to the measurement date | 674,192 | - |
| Total Deferred Outflows and Deferred Inflows | \$ 912,146 | \$ 911,529 |

City of Kodiak, Alaska

Notes to Basic Financial Statements

The \$674,192 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

| | |
|------|-----------|
| 2016 | \$ 44,481 |
| 2017 | 172,970 |
| 2018 | 227,882 |
| 2019 | 227,882 |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

| | |
|-----------------------------------|---|
| Inflation | 3.12% |
| Salary Increases | Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others. |
| Investment Return / Discount Rate | 8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%. |
| Mortality | Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination. |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Kodiak, Alaska

Notes to Basic Financial Statements

The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

| <i>Asset Class</i> | Long-Term Expected Real Rate of Return |
|----------------------|---|
| Domestic equity | 6.77% |
| International equity | 7.50% |
| Private equity | 10.86% |
| Fixed income | 2.05% |
| Real estate | 3.63% |
| Absolute return | 4.80% |

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|-----------------------|------------------------|-------------------------------------|------------------------|
| System Net Pension Liability | 100.0% | \$ 6,115,581,980 | \$ 4,664,148,458 | \$ 3,441,888,494 |
| City's proportionate share of the net pension liability | 0.16915663% | \$ 10,344,912 | \$ 7,889,699 | \$ 5,822,183 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

City of Kodiak, Alaska

Notes to Basic Financial Statements

11. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. 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. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2015, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2015 were \$161,161 and \$257,857, respectively. The City contribution amount was recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

The City is required to contribute 9.46% of covered payroll into the OPEB plan. Employees do not contribute.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

Actual contributions into the plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were \$451,202 and \$461,596, respectively.

| <i>Year Ended Jun 30,</i> | Annual OPEB Costs | City Contributions | % of Costs Contributed |
|---------------------------|-------------------------|-----------------------|---------------------------|
| 2015 | \$508,612 | \$508,612 | 100 % |
| 2014 | \$627,185 | \$627,185 | 100 % |
| 2013 | \$708,511 | \$708,511 | 100 % |

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

| | Other Tier IV | Police/Fire Tier IV |
|--|------------------|------------------------|
| Retiree medical plan | 1.66% | 1.66% |
| Occupational death and disability benefits | 0.22% | 1.06% |
| Total Contribution Rates | 1.88% | 2.72% |

In addition, PERS defined contribution members also participate in 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, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the City contributed \$184,792 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

City of Kodiak, Alaska

Notes to Basic Financial Statements

13. 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, 2015. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

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

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

14. 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 through economic stability. Any principal portions of the Enhancement Fund cannot be appropriated without approval from at least five City Council members. The Enhancement Fund was originally 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 ordinance further requires 50% of municipal land sales and leased property revenues, as well as the fund's own investment earnings be committed to this purpose.

The General Fund's net increase to fund balance or surplus for the year ended June 30, 2014 was \$29,280 and accordingly, \$14,640 was transferred to the Enhancement Fund during the current year. Lease and rental income was \$64,127 and investment earnings were \$9,978 for the year ended June 30, 2015.

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. In years where investment earnings are not sufficient to inflation proof, the transfers are recorded from the General Fund to the Enhancement Fund. In 2015, the City reported an additional transfer from General Fund to the Enhancement Fund for the 2014 and 2015 inflation proofing, in the amount of \$58,141.

City of Kodiak, Alaska

Notes to Basic Financial Statements

15. Operating Lease

The City occupies office space leased from the Kodiak Island Borough under a noncancellable operating lease that runs through June 30, 2020. The lease rate is \$7,577 per month. For the year ended June 30, 2015, the City recognized \$90,922 in rent expense paid to the Kodiak Island Borough.

16. 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, 2015 was \$1,450,000.

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.

17. Change in Accounting Principle

As discussed in Note 10 to the financial statements, the City participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

| | Opening net position, as originally presented | Change in accounting principle adjustment | Opening net position, as restated |
|-----------------------------|--|--|---|
| Governmental Activities | \$ 69,393,429 | \$ (5,949,063) | \$ 63,444,366 |
| Business-type Activities | 95,174,050 | (1,864,225) | 93,309,825 |
| Cargo Pier Enterprise Fund | 18,709,638 | (165,319) | 18,544,319 |
| Boat Harbor Enterprise Fund | 14,549,470 | (716,179) | 13,833,291 |
| Shipyards Enterprise Fund | 11,208,658 | (77,441) | 11,131,217 |
| Water Enterprise Fund | 28,923,541 | (302,910) | 28,620,631 |
| Sewer Enterprise Fund | 17,047,817 | (602,376) | 16,445,441 |

18. 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

The City has been notified of a construction contractor claim for cost overruns of approximately \$1 million on the Pier III project. The City is currently reviewing this claim and the claim procedures. However, as any additional payment amount cannot be determined at this time, no liability has been reflected in these financial statements associated with this matter.

From time to time, and in the normal course of operations, the City may be a party to litigation, claims, and assessments. It is the belief of management that such items do not currently represent any material loss contingency. Accordingly, no liability has been reflected in these financial statements.

19. New Accounting Pronouncements

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

GASB 72 - Fair Value Measurement and Application- Effective for year-end June 30, 2016 - This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting and for applying fair value to certain investments and disclosures related to all fair value investments.

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions within GASB Statements 67 and 68 - Effective for year-end June 30, 2016 - This statement establishes requirements for defined benefit pension plans that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statement 67 and GASB Statement 68.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end June 30, 2017 - This statement will improve the usefulness of information related to postemployment benefit plans other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end June 30, 2018 - This statement is a companion statement to GASB Statement 74. Its objective is to improve the usefulness of information related to postemployment benefit plans other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - Effective for year-end June 30, 2016 - This statement identifies the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

GASB 77 - Tax Abatement Disclosures - Effective for year-end June 30, 2017 - This statement identifies additional disclosure requirements by state and local governmental entities entering into tax abatement agreements.

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, 2015</i> | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|-----------------------|-----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 853,500 | \$ 853,500 | \$ 912,645 | \$ 59,145 |
| Sales taxes | 11,630,000 | 11,630,000 | 11,787,817 | 157,817 |
| Intergovernmental | 3,128,847 | 3,143,847 | 4,240,387 | 1,096,540 |
| Charges for services | 1,774,115 | 1,829,115 | 1,923,897 | 94,782 |
| Fines and forfeitures | 15,500 | 25,834 | 14,739 | (11,095) |
| Licenses and permits | 90,100 | 102,100 | 135,769 | 33,669 |
| Rental income | 195,000 | 195,000 | 199,410 | 4,410 |
| Interfund charges | 858,692 | 871,909 | 871,909 | - |
| Investment income | 45,000 | 45,000 | 15,917 | (29,083) |
| Other revenues | 22,000 | 22,000 | 9,398 | (12,602) |
| Total Revenues | 18,612,754 | 18,718,305 | 20,111,888 | 1,393,583 |
| Expenditures | | | | |
| General government: | | | | |
| Legislative | 320,259 | 325,259 | 236,697 | 88,562 |
| Legal | 50,000 | 100,000 | 57,350 | 42,650 |
| Executive | 586,262 | 492,262 | 400,426 | 91,836 |
| Emergency preparedness | 56,500 | 56,500 | 32,173 | 24,327 |
| City clerk | 473,165 | 478,165 | 491,199 | (13,034) |
| Finance | 1,401,481 | 1,402,981 | 1,302,068 | 100,913 |
| Police | 6,922,782 | 6,965,747 | 6,602,540 | 363,207 |
| Fire | 2,148,335 | 2,170,335 | 2,123,473 | 46,862 |
| Public works | 2,485,224 | 2,515,100 | 2,185,115 | 329,985 |
| Engineering | 315,090 | 315,090 | 244,967 | 70,123 |
| Parks and recreation | 1,411,860 | 1,411,860 | 1,334,690 | 77,170 |
| Library | 1,010,833 | 1,010,833 | 935,048 | 75,785 |
| Community service | 213,300 | 213,500 | 208,862 | 4,638 |
| Non-departmental | 550,394 | 550,194 | 468,125 | 82,069 |
| Total Expenditures | 17,945,485 | 18,007,826 | 16,622,733 | 1,385,093 |
| Excess of revenues over expenditures | 667,269 | 710,479 | 3,489,155 | 2,778,676 |
| Other Financing Uses - | | | | |
| Transfers out | (1,799,357) | (1,955,907) | (1,992,355) | (36,448) |
| Net change in fund balance | <u>\$ (1,132,088)</u> | <u>\$ (1,245,428)</u> | 1,496,800 | <u>\$ 2,742,228</u> |
| Fund Balance, beginning of year | | | <u>8,602,117</u> | |
| Fund Balance, end of year | | | <u>\$ 10,098,917</u> | |

See accompanying notes to required supplementary information.

City of Kodiak, Alaska
Public Employees Retirement System
Schedule of the City's Information on the Net Pension Liability
June 30, 2015

| | 2015 |
|--|------------------|
| City's proportion of the net pension liability | 0.16915663% |
| City's proportionate share of the net pension liability | \$ 7,889,699 |
| State of Alaska proportionate share of the net pension liability | <u>7,149,538</u> |
| Total net pension liability | \$ 15,039,237 |
| City's covered-employee payroll | \$ 4,054,065 |
| City's proportionate share of the net pension liability as a percentage of covered-employee payroll | 194.6% |
| Plan fiduciary net position as a percentage of the total pension liability | <u>62.37%</u> |

See accompanying notes to required supplementary information.

City of Kodiak, Alaska
Public Employees Retirement System
Schedule of City Contributions
June 30, 2015

| | 2015 |
|--|-----------------------|
| Contractually required contribution | \$ 674,192 |
| Contributions in relation to the contractually required contribution | 674,192 |
| Contribution deficiency (excess) | \$ <u> -</u> |
| City's covered-employee payroll | \$ 3,725,687 |
| Contributions as a percentage of covered-employee payroll | 18.10% |

See accompanying notes to required supplementary information.

City of Kodiak, Alaska

Notes to Required Supplementary Information June 30, 2015

1. Budgetary Comparison Schedules

The Required Budgetary Comparison Schedules are presented on 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.

2. Public Employee's Retirement System - Schedule of the City's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

3. Public Employee's Retirement System - Schedule of City Contributions

This table is based on the City's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

Both pension tables are intended to present 10 years of information. Additional years information will be added to the schedules as it becomes available.

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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 | Building | Street Improvements | Parks and Recreation | General Fund Vehicle Replacement | |
| <i>June 30, 2015</i> | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and investments | \$ 329,159 | \$ 79,763 | \$ 3,199,334 | \$ 734,651 | \$ 782,225 | \$ 705,682 | \$ 234,648 | \$ 273,300 | \$ 6,338,762 |
| Receivables: | | | | | | | | | |
| Taxes | 60,016 | - | - | - | - | - | - | - | 60,016 |
| Special assessments | - | 62,584 | - | - | - | - | - | - | 62,584 |
| Interest | - | - | 1,877 | - | - | - | - | - | 1,877 |
| Total Assets | \$ 389,175 | \$ 142,347 | \$ 3,201,211 | \$ 734,651 | \$ 782,225 | \$ 705,682 | \$ 234,648 | \$ 273,300 | \$ 6,463,239 |
| Liabilities, Deferred Inflows, and Fund Balances | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 7,937 | \$ 2,739 | \$ 8,980 | \$ - | \$ - | \$ 19,656 |
| Unearned revenue | - | - | - | 1,323 | - | - | - | - | 1,323 |
| Total Liabilities | - | - | - | 9,260 | 2,739 | 8,980 | - | - | 20,979 |
| Deferred Inflows - deferred assessments | | | | | | | | | |
| | - | 41,786 | - | - | - | - | - | - | 41,786 |
| Fund Balances | | | | | | | | | |
| Committed: | | | | | | | | | |
| Tourism | 389,175 | - | - | - | - | - | - | - | 389,175 |
| Economic stability | - | - | 3,201,211 | - | - | - | - | - | 3,201,211 |
| Assigned: | | | | | | | | | |
| Capital projects | - | - | - | 725,391 | 779,486 | 696,702 | 234,648 | 273,300 | 2,709,527 |
| Public works | - | 100,561 | - | - | - | - | - | - | 100,561 |
| Total Fund Balances | 389,175 | 100,561 | 3,201,211 | 725,391 | 779,486 | 696,702 | 234,648 | 273,300 | 6,400,474 |
| Total Liabilities, Deferred Inflows, and Fund Balances | \$ 389,175 | \$ 142,347 | \$ 3,201,211 | \$ 734,651 | \$ 782,225 | \$ 705,682 | \$ 234,648 | \$ 273,300 | \$ 6,463,239 |

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

| Year Ended June 30, 2015 | Special Revenue Funds | | | Capital Project Funds | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|---------------|-----------------------|----------------|---------------------|----------------------|----------------------------------|-----------------------------------|
| | Tourism Development | Special Assessments | Enhancement | General | Building | Street Improvements | Parks and Recreation | General Fund Vehicle Replacement | |
| Revenues | | | | | | | | | |
| Taxes | \$ 212,228 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 212,228 |
| Rental income | - | - | 64,127 | - | - | - | - | - | 64,127 |
| Intergovernmental | - | - | - | 66,999 | - | - | - | - | 66,999 |
| Investment income | 686 | 164 | 9,978 | 1,428 | 1,584 | 1,148 | 578 | 527 | 16,093 |
| Donations | - | - | - | - | 42,227 | - | - | - | 42,227 |
| Special assessments | - | 6,041 | - | - | - | - | - | - | 6,041 |
| Total Revenues | 212,914 | 6,205 | 74,105 | 68,427 | 43,811 | 1,148 | 578 | 527 | 407,715 |
| Expenditures | | | | | | | | | |
| General government | - | - | - | 16,396 | - | - | - | - | 16,396 |
| Public safety | - | - | - | 4,090 | - | - | - | - | 4,090 |
| Public works | - | 572 | - | - | - | 528,955 | - | - | 529,527 |
| Parks and recreation | - | - | - | - | - | - | 22,942 | - | 22,942 |
| Community services | 156,150 | - | - | - | - | - | - | - | 156,150 |
| Capital outlay | - | - | - | 83,365 | 57,660 | - | 104,973 | - | 245,998 |
| Total Expenditures | 156,150 | 572 | - | 103,851 | 57,660 | 528,955 | 127,915 | - | 975,103 |
| Excess of revenues over (under) expenditures | 56,764 | 5,633 | 74,105 | (35,424) | (13,849) | (527,807) | (127,337) | 527 | (567,388) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | - | - | 72,781 | 229,000 | 110,000 | 1,076,474 | 50,000 | 98,574 | 1,636,829 |
| Transfers out | (25,000) | (474) | - | - | - | - | - | - | (25,474) |
| Net Other Financing Sources (Uses) | (25,000) | (474) | 72,781 | 229,000 | 110,000 | 1,076,474 | 50,000 | 98,574 | 1,611,355 |
| Net change in fund balances | 31,764 | 5,159 | 146,886 | 193,576 | 96,151 | 548,667 | (77,337) | 99,101 | 1,043,967 |
| Fund Balances, beginning of year | 357,411 | 95,402 | 3,054,325 | 531,815 | 683,335 | 148,035 | 311,985 | 174,199 | 5,356,507 |
| Fund Balances, end of year | \$ 389,175 | \$ 100,561 | \$ 3,201,211 | \$ 725,391 | \$ 779,486 | \$ 696,702 | \$ 234,648 | \$ 273,300 | \$ 6,400,474 |

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

| <i>June 30, 2015</i> | Harbor Electric | Trident Basin | E-911 Services | Total Nonmajor Enterprise Funds |
|---|--------------------|---------------------|-------------------|--|
| Assets | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 713,388 | \$ - | \$ 34,633 | \$ 748,021 |
| Receivables | 49,099 | 2,572 | 30,869 | 82,540 |
| Total Current Assets | 762,487 | 2,572 | 65,502 | 830,561 |
| Noncurrent Assets - | | | | |
| property, plant and equipment, net | 21,667 | 3,730,944 | - | 3,752,611 |
| Total Assets | \$ 784,154 | \$ 3,733,516 | \$ 65,502 | \$ 4,583,172 |
| Liabilities and Net Position | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 37,750 | \$ 1,631 | \$ - | \$ 39,381 |
| Accrued payroll and related liabilities | - | - | 123 | 123 |
| Customer deposits | 15,000 | 1,536 | - | 16,536 |
| Due to other funds | - | 208,335 | - | 208,335 |
| Total Current Liabilities | 52,750 | 211,502 | 123 | 264,375 |
| Net Position | | | | |
| Net investment in capital assets | 21,667 | 3,730,944 | - | 3,752,611 |
| Unrestricted (deficit) | 709,737 | (208,930) | 65,379 | 566,186 |
| Total Net Position | 731,404 | 3,522,014 | 65,379 | 4,318,797 |
| Total Liabilities and Net Position | \$ 784,154 | \$ 3,733,516 | \$ 65,502 | \$ 4,583,172 |

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

| <i>Year Ended June 30, 2015</i> | Harbor Electric | Trident Basin | E-911 Services | Total Nonmajor Enterprise Funds |
|----------------------------------|--------------------|---------------------|-------------------|--|
| Operating Revenues | \$ 617,572 | \$ 51,045 | \$ 30,869 | \$ 699,486 |
| Operating Expenses | | | | |
| Salaries and benefits | - | - | 7,091 | 7,091 |
| Professional | - | 3,351 | - | 3,351 |
| Goods and services | 511,608 | 11,788 | - | 523,396 |
| Utilities and fuel | - | 13,619 | - | 13,619 |
| Administrative services | - | 2,808 | - | 2,808 |
| Repairs and maintenance | 9,646 | - | - | 9,646 |
| Interfund charges | 43,605 | 14,561 | - | 58,166 |
| Depreciation | 10,402 | 264,105 | - | 274,507 |
| Total Operating Expenses | 575,261 | 310,232 | 7,091 | 892,584 |
| Earnings (loss) from operations | 42,311 | (259,187) | 23,778 | (193,098) |
| Nonoperating Revenues | | | | |
| Investment income | 1,458 | - | 62 | 1,520 |
| Change in net position | 43,769 | (259,187) | 23,840 | (191,578) |
| Net Position, beginning of year | 687,635 | 3,781,201 | 41,539 | 4,510,375 |
| Net Position, end of year | \$ 731,404 | \$ 3,522,014 | \$ 65,379 | \$ 4,318,797 |

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

| <i>Year Ended June 30, 2015</i> | Harbor Electric | Trident Basin | E-911 Services | Total Nonmajor Enterprise Funds |
|---|--------------------|------------------|-------------------|--|
| Cash Flows from Operating Activities | | | | |
| Receipts from customers and users | \$ 622,412 | \$ 52,501 | \$ 36,719 | \$ 711,632 |
| Payments for interfund services used | (43,605) | (14,561) | - | (58,166) |
| Payments to suppliers | (513,783) | (31,487) | - | (545,270) |
| Payments to employees | - | - | (7,040) | (7,040) |
| Net cash flows from operating activities | 65,024 | 6,453 | 29,679 | 101,156 |
| Cash Flows for Noncapital Financing Activities | | | | |
| Decrease in due to other funds | - | (6,453) | - | (6,453) |
| Cash Flows from Investing Activities | | | | |
| Investment income received | 1,458 | - | 62 | 1,520 |
| Net increase in cash and investments | 66,482 | - | 29,741 | 96,223 |
| Cash and Investments, beginning of year | 646,906 | - | 4,892 | 651,798 |
| Cash and Investments, end of year | \$ 713,388 | \$ - | \$ 34,633 | \$ 748,021 |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities: | | | | |
| Earnings (loss) from operations | \$ 42,311 | \$ (259,187) | \$ 23,778 | \$ (193,098) |
| Adjustments to reconcile earnings (loss) from operations to net cash from operating activities: | | | | |
| Depreciation | 10,402 | 264,105 | - | 274,507 |
| (Increase) decrease in assets - accounts receivable | 5,340 | 1,456 | 5,850 | 12,646 |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 7,471 | 79 | - | 7,550 |
| Accrued payroll and related liabilities | - | - | 51 | 51 |
| Customer deposits | (500) | - | - | (500) |
| Net cash flows from operating activities | \$ 65,024 | \$ 6,453 | \$ 29,679 | \$ 101,156 |

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> | 2015 | 2014 |
|---|----------------------|---------------------|
| Assets | | |
| Cash and investments | \$ 7,553,513 | \$ 5,578,883 |
| Receivables: | | |
| Taxes | 3,064,469 | 3,078,286 |
| Grants and shared revenues | 12,677 | 132,629 |
| Interest | - | 12,517 |
| Total receivables | 3,077,146 | 3,223,432 |
| Due from other funds | 208,335 | 214,788 |
| Prepaid items | 16,709 | 8,885 |
| Total Assets | \$ 10,855,703 | \$ 9,025,988 |
| Liabilities, Deferred Inflows and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 547,851 | \$ 169,250 |
| Accrued payroll and related liabilities | 202,593 | 189,047 |
| Customer deposits | 6,342 | 5,885 |
| Total Liabilities | 756,786 | 364,182 |
| Deferred Inflows - grant proceeds | - | 59,689 |
| Fund Balance | | |
| Nonspendable - prepaid items | 16,709 | 8,885 |
| Assigned for subsequent year's expenditures | 3,346,341 | 1,132,088 |
| Unassigned | 6,735,867 | 7,461,144 |
| Total Fund Balance | 10,098,917 | 8,602,117 |
| Total Liabilities, Deferred Inflows and Fund Balance | \$ 10,855,703 | \$ 9,025,988 |

City of Kodiak, Alaska

General Fund

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

| <i>Year Ended June 30,</i> | 2015 | | | 2014 |
|---|-------------------|-------------------|------------------|-------------------|
| | Budget | Actual | Variance | Actual |
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 853,500 | \$ 912,645 | \$ 59,145 | \$ 879,280 |
| Sales taxes | 11,600,000 | 11,759,863 | 159,863 | 11,509,517 |
| Penalties and interest | 30,000 | 27,954 | (2,046) | 27,203 |
| Total taxes | 12,483,500 | 12,700,462 | 216,962 | 12,416,000 |
| Intergovernmental: | | | | |
| Grants | 40,000 | 23,812 | (16,188) | 22,926 |
| Revenue sharing | 394,074 | 397,792 | 3,718 | 402,490 |
| State PERS relief | 1,279,273 | 2,434,826 | 1,155,553 | 791,927 |
| Fisheries business tax | 1,283,000 | 1,164,404 | (118,596) | 1,189,750 |
| Shared fisheries business and landing tax | 75,000 | 90,093 | 15,093 | 106,436 |
| Liquor licenses | 20,000 | 28,300 | 8,300 | 13,500 |
| Fuel tax sharing | 7,500 | 11,186 | 3,686 | 5,859 |
| Telephone and electric sharing | 45,000 | 89,974 | 44,974 | - |
| Total intergovernmental | 3,143,847 | 4,240,387 | 1,096,540 | 2,532,888 |
| Charges for services: - | | | | |
| Public safety: | | | | |
| Boarding of State prisoners | 1,134,000 | 1,240,018 | 106,018 | 1,209,652 |
| State Trooper contract | 120,000 | 78,750 | (41,250) | 78,750 |
| Ambulance services | 205,000 | 221,370 | 16,370 | 257,737 |
| Other public safety charges | 126,415 | 112,169 | (14,246) | 77,941 |
| School lifeguard services | 16,000 | 17,068 | 1,068 | 20,300 |
| Borough building inspector charges | 100,000 | 113,849 | 13,849 | 141,761 |
| Library fees and charges | 17,200 | 22,641 | 5,441 | 17,503 |
| Parks and recreation fees and charges | 100,500 | 108,052 | 7,552 | 99,835 |
| Public works services | 10,000 | 9,980 | (20) | 7,560 |
| Total charges for services | 1,829,115 | 1,923,897 | 94,782 | 1,911,039 |

City of Kodiak, Alaska

General Fund

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

| Years Ended June 30, | 2015 | | | 2014 |
|---------------------------------|-------------------|-------------------|------------------|-------------------|
| | Budget | Actual | Variance | Actual |
| Revenues, continued | | | | |
| Fines and forfeitures | \$ 25,834 | \$ 14,739 | \$ (11,095) | \$ 9,482 |
| Licenses and permits | 102,100 | 135,769 | 33,669 | 83,253 |
| Rental income | 195,000 | 199,410 | 4,410 | 173,978 |
| Interfund charges: | | | | |
| Cargo Pier Fund | 58,039 | 58,039 | - | 85,270 |
| Boat Harbor Fund | 183,554 | 183,554 | - | 85,270 |
| Water Fund | 163,520 | 163,520 | - | 85,260 |
| Sewer Fund | 182,378 | 182,378 | - | 85,260 |
| Trident Basin Fund | 7,818 | 7,818 | - | 42,630 |
| Public works | 53,944 | 53,944 | - | 184,503 |
| Engineering and inspection fees | - | - | - | 56,290 |
| Tourism Development Fund | 45,150 | 45,150 | - | 36,860 |
| Shipyard Fund | 49,585 | 49,585 | - | 85,270 |
| Electric Fund | 29,347 | 29,347 | - | 63,951 |
| Vehicle replacement | 98,574 | 98,574 | - | 85,312 |
| Total interfund charges | 871,909 | 871,909 | - | 895,876 |
| Investment income | 45,000 | 15,917 | (29,083) | 16,396 |
| Other revenues | 22,000 | 9,398 | (12,602) | 59,301 |
| Total Revenues | 18,718,305 | 20,111,888 | 1,393,583 | 18,098,213 |
| Expenditures | | | | |
| General government: | | | | |
| Legislative | 325,259 | 236,697 | 88,562 | 198,685 |
| Legal | 100,000 | 57,350 | 42,650 | 40,059 |
| Executive | 492,262 | 400,426 | 91,836 | 387,153 |
| Emergency preparedness | 56,500 | 32,173 | 24,327 | 31,672 |
| City clerk | 478,165 | 491,199 | (13,034) | 418,962 |
| Finance | 1,402,981 | 1,302,068 | 100,913 | 1,234,900 |
| Total general government | 2,855,167 | 2,519,913 | 335,254 | 2,311,431 |

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> | 2015 | | | 2014 |
|--------------------------------|------------------|------------------|----------------|------------------|
| | Budget | Actual | Variance | Actual |
| Expenditures, continued | | | | |
| Public safety: | | | | |
| Police department: | | | | |
| Administration: | | | | |
| Operations | \$ 889,982 | \$ 1,051,071 | \$ (161,089) | \$ 764,525 |
| Bond principal | 185,000 | 185,000 | - | 175,000 |
| Bond interest | 531,240 | 346,240 | 185,000 | 354,990 |
| Uniformed patrol | 1,501,457 | 1,335,858 | 165,599 | 1,339,914 |
| Corrections | 1,382,362 | 1,432,833 | (50,471) | 1,310,600 |
| Investigations | 340,979 | 196,981 | 143,998 | 185,162 |
| Support services | 1,186,441 | 1,148,622 | 37,819 | 1,035,437 |
| Animal control | 246,404 | 248,809 | (2,405) | 170,253 |
| Drug enforcement | 145,402 | 146,243 | (841) | 126,441 |
| Community services | 230,376 | 179,594 | 50,782 | 172,821 |
| Canine | 177,195 | 170,567 | 6,628 | 250,353 |
| Police school resources | 148,909 | 160,722 | (11,813) | 127,160 |
| Total police department | 6,965,747 | 6,602,540 | 363,207 | 6,012,656 |
| Fire department | 2,170,335 | 2,123,473 | 46,862 | 1,970,848 |
| Total public safety | 9,136,082 | 8,726,013 | 410,069 | 7,983,504 |
| Public works: | | | | |
| Administration | 120,968 | 147,454 | (26,486) | 116,705 |
| Streets | 1,667,839 | 1,369,244 | 298,595 | 1,129,279 |
| Garage | 325,588 | 286,259 | 39,329 | 249,178 |
| Building inspection | 375,105 | 362,985 | 12,120 | 322,928 |
| Municipal airport facility | 25,600 | 19,173 | 6,427 | 17,940 |
| Total public works | 2,515,100 | 2,185,115 | 329,985 | 1,836,030 |
| Engineering | 315,090 | 244,967 | 70,123 | 201,581 |

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> | 2015 | | | 2014 |
|--|-----------------------|----------------------|---------------------|---------------------|
| | Budget | Actual | Variance | Actual |
| Expenditures, continued | | | | |
| Parks and recreation: | | | | |
| Administration | \$ 637,047 | \$ 604,036 | \$ 33,011 | \$ 529,988 |
| Museum | 105,000 | 101,708 | 3,292 | 91,214 |
| Teen Center | 255,575 | 264,908 | (9,333) | 206,657 |
| Aquatics | 237,741 | 209,647 | 28,094 | 227,201 |
| Ice rink | 160,497 | 144,970 | 15,527 | 153,924 |
| Beautification program | 16,000 | 9,421 | 6,579 | 4,766 |
| Total parks and recreation | 1,411,860 | 1,334,690 | 77,170 | 1,213,750 |
| Library | 1,010,833 | 935,048 | 75,785 | 847,134 |
| Community services: | | | | |
| Contributions | 168,500 | 168,098 | 402 | 120,671 |
| Downtown revitalization | 45,000 | 40,764 | 4,236 | 42,703 |
| Total community services | 213,500 | 208,862 | 4,638 | 163,374 |
| Other - insurance and general administration | 550,194 | 468,125 | 82,069 | 577,733 |
| Total Expenditures | 18,007,826 | 16,622,733 | 1,385,093 | 15,134,537 |
| Excess of revenues over expenditures | 710,479 | 3,489,155 | 2,778,676 | 2,963,676 |
| Other Financing Uses | | | | |
| Transfers out | (1,955,907) | (1,992,355) | (36,448) | (2,934,396) |
| Net change in fund balance | <u>\$ (1,245,428)</u> | 1,496,800 | <u>\$ 2,742,228</u> | 29,280 |
| Fund Balance, beginning of year | | <u>8,602,117</u> | | <u>8,572,837</u> |
| Fund Balance, end of year | | <u>\$ 10,098,917</u> | | <u>\$ 8,602,117</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> | 2015 | 2014 |
|-----------------------|-------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 329,159 | \$ 301,462 |
| Receivables - taxes | 60,016 | 55,949 |
| Total Assets | \$ 389,175 | \$ 357,411 |
| Fund Balance | | |
| Committed for tourism | \$ 389,175 | \$ 357,411 |

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> | 2015 | | | 2014 |
|---|--------------------|-------------------|------------------|-------------------|
| | Budget | Actual | Variance | Actual |
| Revenues | | | | |
| Room taxes | \$ 170,500 | \$ 212,228 | \$ 41,728 | \$ 188,298 |
| Investment income | - | 686 | 686 | 540 |
| Total Revenues | 170,500 | 212,914 | 42,414 | 188,838 |
| Expenditures - community services: | | | | |
| Interfund services: | | | | |
| Finance and administration | 17,050 | 17,050 | - | 14,290 |
| Public works services | 12,100 | 12,100 | - | 6,570 |
| Parks and recreation services | 16,000 | 16,000 | - | 16,000 |
| Community service contributions | 111,000 | 111,000 | - | 96,000 |
| Total Expenditures | 156,150 | 156,150 | - | 132,860 |
| Excess of revenues over expenditures | 14,350 | 56,764 | 42,414 | 55,978 |
| Other Financing Uses - transfers out | (25,000) | (25,000) | - | - |
| Net change in fund balance | <u>\$ (10,650)</u> | 31,764 | <u>\$ 42,414</u> | 55,978 |
| Fund Balance, beginning of year | | <u>357,411</u> | | <u>301,433</u> |
| Fund Balance, end of year | | <u>\$ 389,175</u> | | <u>\$ 357,411</u> |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 79,763 | \$ 70,804 |
| Receivables - special assessments | 62,584 | 71,328 |
| Total Assets | \$ 142,347 | \$ 142,132 |
| Deferred Inflows and Fund Balance | | |
| Deferred inflows - deferred assessments | \$ 41,786 | \$ 46,730 |
| Fund Balance - assigned for public works | 100,561 | 95,402 |
| Total Deferred Inflows and Fund Balance | \$ 142,347 | \$ 142,132 |

City of Kodiak, Alaska

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|------------|-----------|
| Revenues | | |
| Special assessments | \$ 6,041 | \$ 32,104 |
| Investment income | 164 | 86 |
| Total Revenues | 6,205 | 32,190 |
| Expenditures - public works - professional services | 572 | 271 |
| Excess of revenues over expenditures | 5,633 | 31,919 |
| Other Financing Uses - Transfers out | (474) | - |
| Net change in fund balance | 5,159 | 31,919 |
| Fund Balance, beginning of year | 95,402 | 63,483 |
| Fund Balance, end of year | \$ 100,561 | \$ 95,402 |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|---------------------|---------------------|
| Assets | | |
| Cash and investments | \$ 3,199,334 | \$ 3,028,108 |
| Interest receivable | 1,877 | 26,217 |
| Total Assets | \$ 3,201,211 | \$ 3,054,325 |
| Fund Balance | | |
| Fund Balance - committed for economic stability | \$ 3,201,211 | \$ 3,054,325 |

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> | 2015 | | | 2014 |
|---------------------------------|-------------------|---------------------|------------------|---------------------|
| | Budget | Actual | Variance | Actual |
| Revenues | | | | |
| Rental income | \$ 50,000 | \$ 64,127 | \$ 14,127 | \$ 57,802 |
| Investment income | 50,000 | 9,978 | (40,022) | 19,416 |
| Total Revenues | 100,000 | 74,105 | (25,895) | 77,218 |
| Other Financing Sources | | | | |
| Transfers in | 36,333 | 72,781 | 36,448 | 921,584 |
| Net change in fund balance | <u>\$ 136,333</u> | 146,886 | <u>\$ 10,553</u> | 998,802 |
| Fund Balance, beginning of year | | <u>3,054,325</u> | | <u>2,055,523</u> |
| Fund Balance, end of year | | <u>\$ 3,201,211</u> | | <u>\$ 3,054,325</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.

Building

This fund is used to account for various building 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.

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> | 2015 | 2014 |
|---|-------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 734,651 | \$ 620,619 |
| Grants receivable | - | 33,152 |
| Total Assets | \$ 734,651 | \$ 653,771 |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 7,937 | \$ 120,633 |
| Unearned revenue | 1,323 | 1,323 |
| Total Liabilities | 9,260 | 121,956 |
| Fund Balance - assigned for capital projects | 725,391 | 531,815 |
| Total Liabilities and Fund Balance | \$ 734,651 | \$ 653,771 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Revenues | | |
| Intergovernmental | \$ 66,999 | \$ 39,521 |
| Investment income | 1,428 | 2,063 |
| Total Revenues | 68,427 | 41,584 |
| Expenditures | | |
| Fire engine replacement | 5,340 | 444,137 |
| Demolition of police station | - | 382,204 |
| Fire department engine | - | 99,247 |
| Homeland security | - | 36,687 |
| Financial software | - | 27,328 |
| City land development | 14,058 | 8,080 |
| Comprehensive records management | - | 3,513 |
| Museum phase I | - | 2,835 |
| Downtown revitalization | 1,235 | - |
| Classification and compensation study | 1,103 | - |
| KFD deferred maintenance | 4,090 | - |
| Assistance to firefighters | 70,525 | - |
| City website development | 7,500 | - |
| Total Expenditures | 103,851 | 1,004,031 |
| Excess of revenues over (under) expenditures | (35,424) | (962,447) |
| Other Financing Sources - transfers in | 229,000 | 927,500 |
| Net change in fund balance | 193,576 | (34,947) |
| Fund Balance, beginning of year | 531,815 | 566,762 |
| Fund Balance, end of year | \$ 725,391 | \$ 531,815 |

City of Kodiak, Alaska
Building Capital Project Fund
Balance Sheet

| <i>June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 782,225 | \$ 706,484 |
| Total Assets | \$ 782,225 | \$ 706,484 |
| Liabilities and Fund Balance | | |
| Liabilities - accounts payable | \$ 2,739 | \$ 23,149 |
| Fund Balance - assigned for capital projects | 779,486 | 683,335 |
| Total Liabilities and Fund Balance | \$ 782,225 | \$ 706,484 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|------------|-------------|
| Revenues | | |
| Investment income | \$ 1,584 | \$ 7,331 |
| Donations | 42,227 | 645,000 |
| Total Revenues | 43,811 | 652,331 |
| Expenditures | | |
| Library building | 57,351 | 3,273,526 |
| Fire station | 309 | - |
| Total Expenditures | 57,660 | 3,273,526 |
| Excess of revenues over (under) expenditures | (13,849) | (2,621,195) |
| Other Financing Sources - Transfers in | 110,000 | - |
| Net change in fund balance | 96,151 | (2,621,195) |
| Fund Balance, beginning of year | 683,335 | 3,304,530 |
| Fund Balance, end of year | \$ 779,486 | \$ 683,335 |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 705,682 | \$ 156,905 |
| Liabilities and Fund Balance | | |
| Liabilities - accounts payable | \$ 8,980 | \$ 8,870 |
| Fund Balance - assigned for capital projects | 696,702 | 148,035 |
| Total Liabilities and Fund Balance | \$ 705,682 | \$ 156,905 |

City of Kodiak, Alaska

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|------------|------------|
| Revenues - investment income | \$ 1,148 | \$ 1,275 |
| Expenditures | | |
| Pavement repairs | 453,629 | 312,366 |
| Annual sidewalk, curb and gutter repair | 11,150 | 33,950 |
| Predesign snow dump storage | 56,027 | 31,757 |
| Pillar Mountain waste dump | - | 20,581 |
| Spill prevention containment and countermeasures plan | 8,149 | - |
| Total Expenditures | 528,955 | 398,654 |
| Excess of revenues over (under) expenditures | (527,807) | (397,379) |
| Other Financing Sources - transfers in | 1,076,474 | 350,000 |
| Net change in fund balance | 548,667 | (47,379) |
| Fund Balance, beginning of year | 148,035 | 195,414 |
| Fund Balance, end of year | \$ 696,702 | \$ 148,035 |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 234,648 | \$ 317,746 |
| Total Assets | \$ 234,648 | \$ 317,746 |
| Liabilities and Fund Balance | | |
| Liabilities - accounts payable | \$ - | \$ 5,761 |
| Fund Balance - assigned for capital projects | 234,648 | 311,985 |
| Total Liabilities and Fund Balance | \$ 234,648 | \$ 317,746 |

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> | 2015 | 2014 |
|---|------------|-------------|
| Revenues | | |
| Intergovernmental | \$ - | \$ 689,199 |
| Investment income | 578 | 3,601 |
| Total Revenues | 578 | 692,800 |
| Expenditures | | |
| Baranof baseball field | - | 5,278 |
| Baranof park and field | 131 | 1,790,278 |
| Baranof storage building | 5,129 | 30,707 |
| Major park maintenance | 22,942 | 10,368 |
| Building improvement weatherization | - | 1,150 |
| Skate park improvements | 99,713 | - |
| Total Expenditures | 127,915 | 1,837,781 |
| Excess of revenues over (under) expenditures | (127,337) | (1,144,981) |
| Other Financing Sources - transfers in | 50,000 | 50,000 |
| Net change in fund balance | (77,337) | (1,094,981) |
| Fund Balance, beginning of year | 311,985 | 1,406,966 |
| Fund Balance, end of year | \$ 234,648 | \$ 311,985 |

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

| <i>June 30,</i> | 2015 | 2014 |
|-------------------------------|------------|------------|
| Assets | | |
| Cash and investments | \$ 273,300 | \$ 174,199 |
| Fund Balance | | |
| Assigned for capital projects | \$ 273,300 | \$ 174,199 |

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> | 2015 | 2014 |
|--|------------|------------|
| Revenues - investment income | \$ 527 | \$ 131 |
| Excess of revenues over expenditures | 527 | 131 |
| Other Financing Sources - transfers in | 98,574 | 85,312 |
| Net change in fund balance | 99,101 | 85,443 |
| Fund Balance, beginning of year | 174,199 | 88,756 |
| Fund Balance, end of year | \$ 273,300 | \$ 174,199 |

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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 system.

Trident Basin

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

Shipyards

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> | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets and Deferred outflows | | |
| Current Assets | | |
| Cash and investments | \$ 2,530,215 | \$ 1,362,065 |
| Receivables: | | |
| Accounts | 65,238 | 40,691 |
| Grants | 4,759,233 | 5,273,442 |
| Total Current Assets | 7,354,686 | 6,676,198 |
| 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 | 33,965,028 | 8,559,952 |
| Accumulated depreciation | (16,910,016) | (16,472,125) |
| Net property, plant and equipment | 38,839,297 | 13,872,112 |
| Total Assets | 46,193,983 | 20,548,310 |
| Deferred Outflows related to pensions | 19,300 | - |
| Total Assets and Deferred Outflows | \$ 46,213,283 | \$ 20,548,310 |
| Liabilities, Deferred Inflows, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,709,005 | \$ 1,831,013 |
| Accrued payroll and related liabilities | 4,851 | 3,985 |
| Current portion of accrued annual leave | 3,228 | 2,645 |
| Total Current Liabilities | 1,717,084 | 1,837,643 |
| Noncurrent Liabilities | | |
| Long term portion of accrued annual leave | 1,255 | 1,029 |
| Net pension liability | 166,936 | - |
| Total Noncurrent Liabilities | 168,191 | 1,029 |
| Total Liabilities | 1,885,275 | 1,838,672 |
| Deferred Inflows related to pensions | 19,287 | - |
| Total Liabilities and Deferred Inflows | 1,904,562 | 1,838,672 |
| Net Position | | |
| Net investment in capital assets | 38,839,297 | 13,872,112 |
| Unrestricted | 5,469,424 | 4,837,526 |
| Total Net Position | 44,308,721 | 18,709,638 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 46,213,283 | \$ 20,548,310 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|------------------|------------------|
| Operating Revenues | | |
| Dockage | \$ 125,281 | \$ 135,266 |
| Wharfage and handling | 536,769 | 481,263 |
| Pier III | 295,930 | 303,778 |
| Cruise ship | 96,491 | 46,524 |
| Rentals | 214,649 | 217,972 |
| Other | 1,841 | 18,673 |
| Total Operating Revenues | 1,270,961 | 1,203,476 |
| Operating Expenses | | |
| General and administrative: | | |
| Salaries and benefits | 287,405 | 289,880 |
| Professional | 32,108 | 485,529 |
| Goods and services | 35,787 | 35,053 |
| Repairs and maintenance | 805 | 22 |
| Interfund charges: | | |
| Finance and administration | 58,039 | 85,270 |
| Public works services | 6,743 | 30,751 |
| Engineering | - | 10,230 |
| Harbormaster services | 28,516 | 55,483 |
| Total general and administrative | 449,403 | 992,218 |
| Warehouse: | | |
| Goods and services | 235 | 2,029 |
| Professional | 1,285 | 235 |
| Repairs and maintenance | 6,498 | - |
| Total warehouse | 8,018 | 2,264 |
| Pier II: | | |
| Salaries and benefits | - | 50 |
| Goods and services | 167 | 538 |
| Utilities and fuel | 24,351 | 21,385 |
| Machinery and equipment | - | 547 |
| Repairs and maintenance | 1,190 | 558 |
| Total pier II | 25,708 | 23,078 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|----------------|------------------|
| Operating expenses, continued: | | |
| Pier III: | | |
| Utilities and fuel | \$ 1,625 | \$ 1,034 |
| Repairs and maintenance | 2,771 | 516 |
| Total pier III | 4,396 | 1,550 |
| Other - repairs and maintenance | 3,385 | 6,760 |
| Depreciation | 437,891 | 442,662 |
| Total Operating Expenses | 928,801 | 1,468,532 |
| Earnings (loss) from operations | 342,160 | (265,056) |
| Nonoperating revenues: | | |
| Investment income | 10,195 | 12,773 |
| State PERS relief | 12,440 | 20,936 |
| Total nonoperating revenues | 22,635 | 33,709 |
| Earnings (loss) before contributions and transfers | 364,795 | (231,347) |
| Capital contributions | 25,404,607 | 7,033,027 |
| Transfers in | - | 100,000 |
| Transfers out | (5,000) | - |
| Change in net position | 25,764,402 | 6,901,680 |
| Net Position, beginning of year, as restated | 18,544,319 | 11,807,958 |
| Net Position, end of year | \$ 44,308,721 | \$ 18,709,638 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 1,246,414 | \$ 1,212,317 |
| Payments for interfund services used | (93,298) | (181,734) |
| Payments to suppliers | (109,939) | (552,079) |
| Payments to employees | (271,686) | (266,461) |
| Net cash flows from operating activities | 771,491 | 212,043 |
| Cash Flows for Noncapital Financing Activities | | |
| Transfers out | (5,000) | - |
| Cash Flows from (for) Capital and Related Financing Activities | | |
| Purchase of property, plant and equipment | (25,527,352) | (5,527,236) |
| Transfers in | - | 100,000 |
| Capital contributions received | 25,918,816 | 2,712,466 |
| Net cash flows (for) capital and related financing activities | 391,464 | (2,714,770) |
| Cash Flows from Investing Activities | | |
| Investment income received | 10,195 | 12,773 |
| Net increase (decrease) in cash and investments | 1,168,150 | (2,489,954) |
| Cash and Investments, beginning of year | 1,362,065 | 3,852,019 |
| Cash and Investments, end of year | \$ 2,530,215 | \$ 1,362,065 |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities: | | |
| Earnings (loss) from operations | \$ 342,160 | \$ (265,056) |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities: | | |
| Depreciation | 437,891 | 442,662 |
| Noncash expense - State PERS relief | 12,440 | 20,936 |
| (Increase) decrease in assets - accounts receivable | (24,547) | 8,841 |
| (Increase) decrease in deferred outflows related to pensions | (5,572) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 268 | 2,126 |
| Accrued payroll and related liabilities | 866 | 877 |
| Accrued annual leave | 809 | 1,657 |
| Net pension liability | (12,111) | - |
| Increase (decrease) in deferred inflows related to pensions | 19,287 | - |
| Net cash flows from operating activities | \$ 771,491 | \$ 212,043 |
| Noncash capital and related financing: | | |
| Capital assets purchased on account | \$ 1,705,171 | \$ 1,827,447 |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets and Deferred Outflows | | |
| Current Assets | | |
| Cash and investments | \$ 4,594,828 | \$ 3,594,449 |
| Receivables: | | |
| Accounts | 85,885 | 76,097 |
| Allowance for doubtful accounts | (15,647) | (15,647) |
| Total Current Assets | 4,665,066 | 3,654,899 |
| 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 | 643,860 | 637,261 |
| Accumulated depreciation | (26,510,632) | (25,194,948) |
| Net property, plant and equipment | 11,667,533 | 12,976,618 |
| Total Noncurrent Assets | 11,797,114 | 13,106,199 |
| Total Assets | 16,462,180 | 16,761,098 |
| Deferred Outflows related to pensions | 83,608 | - |
| Total Assets and Deferred Outflows | \$ 16,545,788 | \$ 16,761,098 |
| Liabilities, Deferred Inflows, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 25,184 | \$ 33,462 |
| Accrued payroll and related liabilities | 22,971 | 13,928 |
| Accrued interest | 28,340 | 29,140 |
| Current portion of accrued annual leave | 74,428 | 58,956 |
| Customer deposits | 238,091 | 223,215 |
| Current portion of revenue bonds payable | 45,000 | 40,000 |
| Total Current Liabilities | 434,014 | 398,701 |
| Noncurrent Liabilities | | |
| Long term portion of accrued annual leave | 28,944 | 22,927 |
| Long term portion of revenue bonds payable | 1,745,000 | 1,790,000 |
| Net pension liability | 723,182 | - |
| Total Noncurrent Liabilities | 2,497,126 | 1,812,927 |
| Total Liabilities | 2,931,140 | 2,211,628 |
| Deferred Inflows related to pensions | 83,552 | - |
| Total Liabilities and Deferred Inflows | 3,014,692 | 2,211,628 |
| Net Position | | |
| Net investment in capital assets | 9,877,533 | 11,146,618 |
| Restricted for debt service | 129,581 | 129,581 |
| Unrestricted | 3,523,982 | 3,273,271 |
| Total Net Position | 13,531,096 | 14,549,470 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 16,545,788 | \$ 16,761,098 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Moorage | \$ 1,743,532 | \$ 1,711,032 |
| Pier and dock fees | 274,061 | 244,493 |
| Administrative charges to other funds | 71,290 | 166,449 |
| Other fees and charges | 244,392 | 205,136 |
| Rentals | 15,765 | 15,765 |
| Other | 22,206 | 1,385 |
| Total Operating Revenues | 2,371,246 | 2,344,260 |
| Operating Expenses | | |
| Salaries and benefits | 1,175,782 | 1,246,651 |
| Professional | 66,636 | 69,388 |
| Contributions | 16,923 | 16,748 |
| Goods and services | 166,082 | 159,933 |
| Utilities and fuel | 179,946 | 169,047 |
| Administrative services | - | 19,417 |
| Machinery and equipment | 8,393 | 8,102 |
| Repairs and maintenance | 41,913 | 110,793 |
| Interfund charges: | | |
| Finance and administration | 183,554 | 85,270 |
| Public works services | 6,743 | 30,751 |
| Engineering and inspection | - | 10,230 |
| Depreciation | 1,315,684 | 1,324,132 |
| Total Operating Expenses | 3,161,656 | 3,250,462 |
| Loss from operations | (790,410) | (906,202) |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 19,745 | 20,061 |
| Interest expense | (85,421) | (88,421) |
| State PERS relief | 53,891 | 92,354 |
| Net Nonoperating Revenues (Expenses) | (11,785) | 23,994 |
| Loss before transfers | (802,195) | (882,208) |
| Transfers in | 500,000 | 500,000 |
| Change in net position | (302,195) | (382,208) |
| Net Position, beginning of year, as restated | 13,833,291 | 14,931,678 |
| Net Position, end of year | \$ 13,531,096 | \$ 14,549,470 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 2,305,044 | \$ 2,227,962 |
| Receipts from interfund services provided | 71,290 | 166,449 |
| Payments for interfund services used | (190,297) | (126,251) |
| Payments to suppliers | (488,171) | (552,743) |
| Payments to employees | (1,084,412) | (1,169,066) |
| Net cash flows from operating activities | 613,454 | 546,351 |
| Cash Flows from Noncapital Financing Activities | | |
| Transfers in | 500,000 | 500,000 |
| Cash Flows for Capital and Related Financing Activities | | |
| Principal paid on long-term debt | (40,000) | (40,000) |
| Interest paid on long-term debt | (86,221) | (88,621) |
| Purchase of property, plant and equipment | (6,599) | (22,920) |
| Net cash flows for capital and related financing activities | (132,820) | (151,541) |
| Cash Flows from Investing Activities | | |
| Investment income received | 19,745 | 20,061 |
| Net increase in cash and investments | 1,000,379 | 914,871 |
| Cash and Investments, beginning of year | 3,724,030 | 2,809,159 |
| Cash and Investments, end of year | \$ 4,724,409 | \$ 3,724,030 |
| Reconciliation to Statement of Net Position: | | |
| Cash and investments | \$ 4,594,828 | \$ 3,594,449 |
| Restricted cash and investments | 129,581 | 129,581 |
| Total Cash and Investments | \$ 4,724,409 | \$ 3,724,030 |
| Reconciliation of loss from operations to net cash flows from operating activities: | | |
| Loss from operations | \$ (790,410) | \$ (906,202) |
| Adjustments to reconcile loss from operations to net cash flows from operating activities: | | |
| Depreciation | 1,315,684 | 1,324,132 |
| Noncash expense - State PERS relief | 53,891 | 92,354 |
| (Increase) decrease in assets - accounts receivable | (9,788) | 59,999 |
| (Increase) decrease in deferred outflows related to pensions | (24,138) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (8,278) | 685 |
| Accrued payroll and related liabilities | 9,043 | 264 |
| Accrued annual leave | 21,489 | (15,033) |
| Customer deposits | 14,876 | (9,848) |
| Net pension liability | (52,467) | - |
| Increase (decrease) in deferred inflows related to pensions | 83,552 | - |
| Net cash flows from operating activities | \$ 613,454 | \$ 546,351 |

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

| <i>June 30,</i> | 2015 | 2014 |
|---|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments | \$ 713,388 | \$ 646,906 |
| Accounts receivable | 49,099 | 54,439 |
| Total Current Assets | 762,487 | 701,345 |
| Property, plant and equipment: | | |
| Machinery and equipment | 140,556 | 140,556 |
| Accumulated depreciation | (118,889) | (108,487) |
| Net property, plant and equipment | 21,667 | 32,069 |
| Total Assets | \$ 784,154 | \$ 733,414 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 37,750 | \$ 30,279 |
| Customer deposits | 15,000 | 15,500 |
| Total Current Liabilities | 52,750 | 45,779 |
| Net Position | | |
| Net investment in capital assets | 21,667 | 32,069 |
| Unrestricted | 709,737 | 655,566 |
| Total Net Position | 731,404 | 687,635 |
| Total Liabilities and Net Position | \$ 784,154 | \$ 733,414 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Operating Revenues | | |
| Energy charges | \$ 479,165 | \$ 541,654 |
| Customer charges | 109,953 | 107,415 |
| Other operating revenue | 28,454 | 25,356 |
| Total Operating Revenues | 617,572 | 674,425 |
| Operating Expenses | | |
| Goods and services | 511,608 | 522,294 |
| Repairs and maintenance | 9,646 | 7,969 |
| Interfund charges: | | |
| Finance and administration | 29,347 | 63,951 |
| Public works services | - | 15,375 |
| Harbormaster services | 14,258 | 55,483 |
| Depreciation | 10,402 | 10,402 |
| Total Operating Expenses | 575,261 | 675,474 |
| Earnings (loss) from operations | 42,311 | (1,049) |
| Nonoperating Revenues - investment income | 1,458 | 1,383 |
| Change in net position | 43,769 | 334 |
| Net Position, beginning of year | 687,635 | 687,301 |
| Net Position, end of year | \$ 731,404 | \$ 687,635 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 622,412 | \$ 673,594 |
| Payments for interfund services used | (43,605) | (134,809) |
| Payments to suppliers | (513,783) | (535,893) |
| Net cash flows from operating activities | 65,024 | 2,892 |
| Cash Flows from Investing Activities | | |
| Investment income received | 1,458 | 1,383 |
| Net increase in cash and investments | 66,482 | 4,275 |
| Cash and Investments, beginning of year | 646,906 | 642,631 |
| Cash and Investments, end of year | \$ 713,388 | \$ 646,906 |
| Reconciliation of earnings (loss) from operations to net cash flows from operating activities: | | |
| Earnings (loss) from operations | \$ 42,311 | \$ (1,049) |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities: | | |
| Depreciation | 10,402 | 10,402 |
| (Increase) decrease in assets - accounts receivable | 5,340 | (1,131) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 7,471 | (5,630) |
| Customer deposits | (500) | 300 |
| Net cash flows from operating activities | \$ 65,024 | \$ 2,892 |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets and Deferred Outflows | | |
| Current Assets | | |
| Cash and investments | \$ 9,010,216 | \$ 7,988,904 |
| Receivables: | | |
| Grants | 699,001 | 1,598,695 |
| Accounts | 291,501 | 392,818 |
| Allowance for doubtful accounts | (2,224) | (2,224) |
| Inventory | 246,308 | 224,424 |
| Total Current Assets | 10,244,802 | 10,202,617 |
| 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 | 11,242,142 | 5,729,627 |
| Accumulated depreciation | (18,850,328) | (18,207,413) |
| Net property, plant and equipment | 26,858,514 | 21,988,914 |
| Total Assets | 37,103,316 | 32,191,531 |
| Deferred Outflows related to pensions | 35,362 | - |
| Total Assets and Deferred Outflows | \$ 37,138,678 | \$ 32,191,531 |
| Liabilities, Deferred Inflows, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 269,809 | \$ 1,060,059 |
| Accrued payroll and related liabilities | 8,402 | 7,787 |
| Accrued annual leave | 6,924 | 13,953 |
| Accrued interest | 23,613 | - |
| Customer deposits | 1,100 | 3,300 |
| Current portion of loans payable | 163,789 | 97,719 |
| Total Current Liabilities | 473,637 | 1,182,818 |
| Noncurrent Liabilities | | |
| Long term portion of accrued annual leave | 2,693 | 5,426 |
| Long term portion of loans payable | 2,038,580 | 2,079,746 |
| Net pension liability | 305,872 | - |
| Total Noncurrent Liabilities | 2,347,145 | 2,085,172 |
| Total Liabilities | 2,820,782 | 3,267,990 |
| Deferred Inflows related to pensions | 35,339 | - |
| Total Liabilities and Deferred Inflows | 2,856,121 | 3,267,990 |
| Net Position | | |
| Net investment in capital assets | 24,656,145 | 19,811,449 |
| Unrestricted | 9,626,412 | 9,112,092 |
| Total Net Position | 34,282,557 | 28,923,541 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 37,138,678 | \$ 32,191,531 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Sales and user charges | \$ 2,477,472 | \$ 2,291,410 |
| Meters | 1,921,671 | 1,915,934 |
| Other | 33,606 | 43,660 |
| Total Operating Revenues | 4,432,749 | 4,251,004 |
| Operating Expenses | | |
| Water department: | | |
| Salaries and benefits | 590,537 | 626,430 |
| Professional | 2,653 | 1,872 |
| Goods and services | 99,455 | 123,957 |
| Utilities and fuel | 362,081 | 388,727 |
| Machinery and equipment | 3,966 | 4,946 |
| Total water department | 1,058,692 | 1,145,932 |
| Water treatment: | | |
| Professional | 5,699 | 9,767 |
| Goods and services | 85,985 | 83,223 |
| Utilities | 61,927 | 53,350 |
| Total water treatment | 153,611 | 146,340 |
| Interfund charges: | | |
| Finance and administration | 163,520 | 85,260 |
| Public works services | 13,486 | 30,750 |
| Engineering | - | 10,240 |
| Total interfund charges | 177,006 | 126,250 |
| Depreciation | 642,915 | 644,523 |
| Total Operating Expenses | 2,032,224 | 2,063,045 |
| Earnings from operations | 2,400,525 | 2,187,959 |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 18,448 | 16,792 |
| Interest expense | (53,270) | (24,153) |
| Engineering and feasibility studies | (208,573) | (576,174) |
| Noncapital repairs and maintenance | (2,243,942) | (3,477,374) |
| Nonoperating grants | 1,672,726 | 2,477,874 |
| State PERS relief | 22,794 | 40,054 |
| Net Nonoperating Revenues (Expenses) | (791,817) | (1,542,981) |
| Earnings before contributions and transfers | 1,608,708 | 644,978 |
| Capital contributions | 3,773,383 | - |
| Transfers in | 328,835 | 1,725,000 |
| Transfers out | (49,000) | - |
| Change in net position | 5,661,926 | 2,369,978 |
| Net Position, beginning of year, as restated | 28,620,631 | 26,553,563 |
| Net Position, end of year | \$ 34,282,557 | \$ 28,923,541 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 4,531,866 | \$ 4,093,491 |
| Payments for interfund services used | (177,006) | (126,250) |
| Payments to suppliers | (849,177) | (1,135,866) |
| Payments to employees | (573,951) | (586,673) |
| Net cash flows from operating activities | 2,931,732 | 2,244,702 |
| Cash Flows from (for) Noncapital Financing Activities | | |
| Transfers in | 328,835 | - |
| Transfers out | (49,000) | - |
| Noncapital repairs and maintenance | (2,243,942) | (3,477,374) |
| Nonoperating grant received | 2,371,499 | 1,601,757 |
| Net cash flows from (for) noncapital financing activities | 407,392 | (1,875,617) |
| Cash Flows from (for) Capital and Related Financing Activities | | |
| Capital contributions received | 3,974,304 | - |
| Transfers in | - | 1,725,000 |
| Principal paid on loans | (97,719) | (206,276) |
| Interest paid on loans | (29,657) | (24,153) |
| Proceeds from loans | 122,623 | 12,400 |
| Purchase of property, plant and equipment | (6,305,811) | (61,139) |
| Net cash flows from (for) capital and related financing activities | (2,336,260) | 1,445,832 |
| Cash Flows from Investing Activities | | |
| Investment income received | 18,448 | 16,792 |
| Net increase in cash and investments | 1,021,312 | 1,831,709 |
| Cash and Investments, beginning of year | 7,988,904 | 6,157,195 |
| Cash and Investments, end of year | \$ 9,010,216 | \$ 7,988,904 |
| Reconciliation of earnings from operations to net cash flows from operating activities: | | |
| Earnings from operations | \$ 2,400,525 | \$ 2,187,959 |
| Adjustments to reconcile earnings from operations to net cash flows from by operating activities: | | |
| Depreciation | 642,915 | 644,523 |
| Noncash expense - State PERS relief | 22,794 | 40,054 |
| Nonoperating expenses | (208,573) | (576,174) |
| (Increase) decrease in assets: | | |
| Accounts receivable | 101,317 | (135,513) |
| Inventory | (21,884) | 2,662 |
| (Increase) decrease in deferred outflows related to pensions | (10,209) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 3,046 | 103,488 |
| Accrued payroll and related liabilities | 615 | 1,922 |
| Accrued annual leave | (9,762) | (2,219) |
| Customer deposits | (2,200) | (22,000) |
| Net pension liability | (22,191) | - |
| Increase (decrease) in deferred inflows related to pensions | 35,339 | - |
| Net cash flows from operating activities | \$ 2,931,732 | \$ 2,244,702 |
| Noncash capital and related financing: | | |
| Capital assets purchased on account | \$ 218,359 | \$ 1,011,655 |

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

| <i>June 30,</i> | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets and Deferred Outflows | | |
| Current Assets | | |
| Cash and investments | \$ 5,540,164 | \$ 5,861,997 |
| Accounts receivable | 358,896 | 337,120 |
| Allowance for doubtful accounts | (2,867) | (2,867) |
| Inventory | 11,598 | 9,978 |
| Total Current Assets | 5,907,791 | 6,206,228 |
| 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 | 1,933,783 | 675,636 |
| Accumulated depreciation | (25,017,729) | (23,805,204) |
| Net property, plant and equipment | 12,827,747 | 12,782,125 |
| Total Assets | 18,735,538 | 18,988,353 |
| Deferred Outflows related to pensions | 70,323 | - |
| Total Assets and Deferred Outflows | \$ 18,805,861 | \$ 18,988,353 |
| Liabilities, Deferred Inflows, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 134,429 | \$ 136,023 |
| Accrued payroll and related liabilities | 20,054 | 13,397 |
| Current portion of accrued annual leave | 63,744 | 63,669 |
| Accrued interest | 13,324 | 2,011 |
| Current portion of loans payable | 334,987 | 301,996 |
| Total Current Liabilities | 566,538 | 517,096 |
| Noncurrent Liabilities | | |
| Long term portion of accrued annual leave | 8,924 | 24,760 |
| Long term portion of loans payable | 1,186,317 | 1,398,680 |
| Net pension liability | 608,267 | - |
| Total Noncurrent Liabilities | 1,803,508 | 1,423,440 |
| Total Liabilities | 2,370,046 | 1,940,536 |
| Deferred Inflows related to pensions | 70,276 | - |
| Total Liabilities and Deferred Inflows | 2,440,322 | 1,940,536 |
| Net Position | | |
| Net investment in capital assets | 11,306,443 | 11,081,449 |
| Unrestricted | 5,059,096 | 5,966,368 |
| Total Net Position | 16,365,539 | 17,047,817 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 18,805,861 | \$ 18,988,353 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Sewer charges | \$ 3,759,866 | \$ 3,610,479 |
| Septic truck fees | 78,456 | 67,983 |
| Lab testing fees | 23,970 | 22,280 |
| Other | 4,364 | 4,892 |
| Total Operating Revenues | 3,866,656 | 3,705,634 |
| Operating Expenses | | |
| Sewer department: | | |
| Salaries and benefits | 130,489 | 132,536 |
| Professional | 8,980 | 10 |
| Goods and services | 43,708 | 50,753 |
| Repairs and maintenance | 15,586 | 22,582 |
| Total sewer department | 198,763 | 205,881 |
| Wastewater treatment: | | |
| Salaries and benefits | 975,419 | 1,052,091 |
| Professional | 72,049 | 21,451 |
| Goods and services | 120,843 | 126,413 |
| Utilities and fuel | 707,394 | 558,566 |
| Machinery and equipment | 12,150 | 5,277 |
| Repairs and maintenance | 65,343 | 51,608 |
| Total wastewater treatment | 1,953,198 | 1,815,406 |
| Interfund charges: | | |
| Finance and administration | 182,378 | 85,260 |
| Public works services | 13,486 | 30,750 |
| Engineering | - | 10,240 |
| Total interfund charges | 195,864 | 126,250 |
| Depreciation | 1,212,525 | 1,213,467 |
| Total Operating Expenses | 3,560,350 | 3,361,004 |
| Earnings from operations | 306,306 | 344,630 |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 12,497 | 15,819 |
| Interest expense | (33,817) | (26,018) |
| Engineering and feasibility studies | (27,381) | (18,092) |
| State PERS relief | 45,328 | 80,296 |
| Net Nonoperating Revenues (Expenses) | (3,373) | 52,005 |
| Earnings before transfers | 302,933 | 396,635 |
| Transfers out | (382,835) | (1,725,000) |
| Change in net position | (79,902) | (1,328,365) |
| Net Position, beginning of year, as restated | 16,445,441 | 18,376,182 |
| Net Position, end of year | \$ 16,365,539 | \$ 17,047,817 |

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

| <i>Years Ended June 30,</i> | 2015 | 2014 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 3,844,880 | \$ 3,706,032 |
| Payments for interfund services used | (195,864) | (126,250) |
| Payments to suppliers | (1,004,329) | (791,394) |
| Payments to employees | (1,063,840) | (1,091,740) |
| Net cash flows from operating activities | 1,580,847 | 1,696,648 |
| Cash Flows for Noncapital Financing Activities | | |
| Transfers out | (382,835) | (1,725,000) |
| Cash Flows for Capital and Related Financing Activities | | |
| Principal paid on loans | (301,995) | (301,319) |
| Proceeds from loans | 122,623 | - |
| Interest paid on loans | (22,504) | (27,023) |
| Purchase of property, plant and equipment | (1,330,466) | (370,520) |
| Net cash flows for capital and related financing activities | (1,532,342) | (698,862) |
| Cash Flows from Investing Activities | | |
| Investment income received | 12,497 | 15,819 |
| Net decrease in cash and investments | (321,833) | (711,395) |
| Cash and Investments, beginning of year | 5,861,997 | 6,573,392 |
| Cash and Investments, end of year | \$ 5,540,164 | \$ 5,861,997 |
| Reconciliation of earnings from operations to net cash flows from operating activities: | | |
| Earnings from operations | \$ 306,306 | \$ 344,630 |
| Adjustments to reconcile earnings from operations to net cash flows from operating activities: | | |
| Depreciation | 1,212,525 | 1,213,467 |
| Noncash expense - State PERS relief | 45,328 | 80,296 |
| Other nonoperating expenses | (27,381) | (18,092) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (21,776) | 398 |
| Inventory | (1,620) | (714) |
| (Increase) decrease in deferred outflows related to pensions | | |
| | (20,303) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 70,725 | 64,072 |
| Accrued payroll and related liabilities | 6,657 | 1,549 |
| Accrued annual leave | (15,761) | 11,042 |
| Net pension liability | (44,129) | - |
| Increase (decrease) in deferred inflows related to pensions | | |
| | 70,276 | - |
| Net cash flows from operating activities | \$ 1,580,847 | \$ 1,696,648 |
| Noncash capital and related financing: | | |
| Capital assets purchased on account | \$ 44,141 | \$ 116,460 |

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

| <i>June 30,</i> | 2015 | 2014 |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Accounts receivable | \$ 2,572 | \$ 4,028 |
| Property, plant and equipment: | | |
| Improvements other than buildings | 5,589,593 | 5,589,593 |
| Accumulated depreciation | (1,858,649) | (1,594,544) |
| Net property, plant and equipment | 3,730,944 | 3,995,049 |
| Total Assets | \$ 3,733,516 | \$ 3,999,077 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,631 | \$ 1,552 |
| Customer deposits | 1,536 | 1,536 |
| Due to other funds | 208,335 | 214,788 |
| Total Current Liabilities | 211,502 | 217,876 |
| Net Position | | |
| Net investment in capital assets | 3,730,944 | 3,995,049 |
| Unrestricted (deficit) | (208,930) | (213,848) |
| Total Net Position | 3,522,014 | 3,781,201 |
| Total Liabilities and Net Position | \$ 3,733,516 | \$ 3,999,077 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|--------------|--------------|
| Operating Revenues | | |
| Moorage | \$ 13,309 | \$ 13,309 |
| Rentals | 37,736 | 33,515 |
| Total Operating Revenues | 51,045 | 46,824 |
| Operating Expenses | | |
| Professional | 3,351 | 14,750 |
| Goods and services | 11,788 | 11,321 |
| Utilities and fuel | 13,619 | 1,909 |
| Administrative services | 2,808 | 2,809 |
| Interfund charges: | | |
| Finance and administration | 7,818 | 42,630 |
| Public works services | 6,743 | 15,375 |
| Engineering | - | 5,120 |
| Depreciation | 264,105 | 279,479 |
| Total Operating Expenses | 310,232 | 373,393 |
| Loss from operations | (259,187) | (326,569) |
| Net Position, beginning of year | 3,781,201 | 4,107,770 |
| Net Position, end of year | \$ 3,522,014 | \$ 3,781,201 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|-----------------|--------------------|
| Cash Flows from (for) Operating Activities | | |
| Receipts from customers and users | \$ 52,501 | \$ 60,196 |
| Payments for interfund services used | (14,561) | (63,125) |
| Payments to suppliers | (31,487) | (30,713) |
| Net cash flows from (for) operating activities | 6,453 | (33,642) |
| Cash Flows from (for) Noncapital Financing Activities | | |
| (Decrease) increase in due to other funds | (6,453) | 33,642 |
| Net increase in cash and investments | - | - |
| Cash and Investments, beginning of year | - | - |
| Cash and Investments, end of year | \$ - | \$ - |
| Reconciliation of loss from operations to net cash flows from (for) operating activities: | | |
| Loss from operations | \$ (259,187) | \$ (326,569) |
| Adjustments to reconcile loss from operations to net cash flows from (for) operating activities: | | |
| Depreciation | 264,105 | 279,479 |
| (Increase) decrease in assets - accounts receivable | 1,456 | 13,372 |
| Increase (decrease) in liabilities - accounts payable | 79 | 76 |
| Net cash flows from (for) operating activities | \$ 6,453 | \$ (33,642) |

City of Kodiak, Alaska
Shipyard Enterprise Fund
Statement of Net Position

| <i>June 30,</i> | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets and Deferred Outflows | | |
| Current Assets | | |
| Cash and investments | \$ 269,638 | \$ 288,746 |
| Accounts receivable | 38,625 | 43,469 |
| Total Current Assets | 308,263 | 332,215 |
| 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 | (2,652,406) | (2,122,424) |
| Net property, plant and equipment | 15,451,695 | 15,981,677 |
| Total Noncurrent Assets | 15,827,164 | 16,357,146 |
| Total Assets | 16,135,427 | 16,689,361 |
| Deferred Outflows related to pensions | 9,041 | - |
| Total Assets and Deferred Outflows | \$ 16,144,468 | \$ 16,689,361 |
| Liabilities, Deferred Inflows, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 9,496 | \$ 4,296 |
| Accrued payroll and related liabilities | 3,163 | 1,672 |
| Customer deposits | 1,500 | 34,387 |
| Current portion of accrued annual leave | 3,426 | 4,177 |
| Accrued interest | 81,321 | 75,547 |
| Current portion of bonds and loan payable | 136,500 | 136,500 |
| Total Current Liabilities | 235,406 | 256,579 |
| Noncurrent Liabilities | | |
| Long term portion of accrued annual leave | 1,332 | 1,624 |
| Revenue bonds, net of current portion | 4,435,000 | 4,525,000 |
| Loan payable, net of current portion | 651,000 | 697,500 |
| Net pension liability | 78,199 | - |
| Total Noncurrent Liabilities | 5,165,531 | 5,224,124 |
| Total Liabilities | 5,400,937 | 5,480,703 |
| Deferred Inflows related to pensions | 9,035 | - |
| Total Liabilities and Deferred Inflows | 5,409,972 | 5,480,703 |
| Net Position | | |
| Net investment in capital assets | 10,229,195 | 10,622,677 |
| Restricted for debt service | 375,469 | 375,469 |
| Unrestricted | 129,832 | 210,512 |
| Total Net Position | 10,734,496 | 11,208,658 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 16,144,468 | \$ 16,689,361 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Charges for services | \$ 744,624 | \$ 719,331 |
| Other | 1,378 | 3,334 |
| Total Operating Revenues | 746,002 | 722,665 |
| Operating Expenses | | |
| Salaries and benefits | 130,893 | 180,010 |
| Professional | 26,680 | 29,540 |
| Goods and services | 67,305 | 67,627 |
| Machinery and equipment | - | 50 |
| Utilities and fuel | 39,099 | 36,612 |
| Repairs and maintenance | 18,002 | 21,824 |
| Interfund charges: | | |
| Finance and administration | 49,585 | 85,270 |
| Public works services | 6,743 | 30,751 |
| Engineering services | - | 10,230 |
| Harbor master services | 28,516 | 55,483 |
| Depreciation | 529,982 | 529,982 |
| Total Operating Expenses | 896,805 | 1,047,379 |
| Loss from operations | (150,803) | (324,714) |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 331 | 1,395 |
| State PERS relief | 5,827 | 13,572 |
| Interest expense | (241,076) | (239,284) |
| Net Nonoperating Revenues (Expenses) | (234,918) | (224,317) |
| Loss before transfers | (385,721) | (549,031) |
| Transfers out | (11,000) | - |
| Change in net position | (396,721) | (549,031) |
| Net Position, beginning of year, as restated | 11,131,217 | 11,757,689 |
| Net Position, end of year | \$ 10,734,496 | \$ 11,208,658 |

City of Kodiak, Alaska

Shipyard Enterprise Fund

Statement of Cash Flows

| Year Ended June 30, | 2015 | 2014 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 717,959 | \$ 746,777 |
| Payments for interfund services used | (84,844) | (181,734) |
| Payments to suppliers | (145,886) | (161,043) |
| Payments to employees | (123,866) | (163,945) |
| Net cash flows from operating activities | 363,363 | 240,055 |
| Cash Flows for Noncapital Financing Activities | | |
| Transfers out | (11,000) | - |
| Cash Flows for Capital and Related Financing Activities | | |
| Principal paid on long-term debt | (136,500) | (131,500) |
| Interest paid on long-term debt | (235,302) | (240,851) |
| Net cash flows for capital and related financing activities | (371,802) | (372,351) |
| Cash Flows from Investing Activities | | |
| Investment income received | 331 | 1,395 |
| Net decrease in cash and investments | (19,108) | (130,901) |
| Cash and Investments, beginning of year | 664,215 | 795,116 |
| Cash and Investments, end of year | \$ 645,107 | \$ 664,215 |
| Reconciliation to Statement of Net Position: | | |
| Cash and investments | \$ 269,638 | \$ 288,746 |
| Restricted cash and investments | 375,469 | 375,469 |
| Total Cash and Investments | \$ 645,107 | \$ 664,215 |
| Reconciliation of loss from operations to net cash flows from operating activities: | | |
| Loss from operations | \$ (150,803) | \$ (324,714) |
| Adjustments to reconcile loss from operations to net cash flows from operating activities: | | |
| Depreciation | 529,982 | 529,982 |
| Noncash expense - State PERS relief | 5,827 | 13,572 |
| (Increase) decrease in assets - accounts receivable | 4,844 | (5,760) |
| Increase deferred outflows related to pensions | (2,610) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 5,200 | (5,390) |
| Accrued payroll and related liabilities | 1,491 | (202) |
| Net pension liability | (5,673) | - |
| Accrued annual leave | (1,043) | 2,695 |
| Customer deposits | (32,887) | 29,872 |
| Increase in deferred inflows related to pensions | 9,035 | - |
| Net cash flows from operating activities | \$ 363,363 | \$ 240,055 |

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

| <i>June 30,</i> | 2015 | 2014 |
|---|------------------|------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments | \$ 34,633 | \$ 4,892 |
| Receivable from Kodiak Island Borough | 30,869 | 36,719 |
| Total Assets | \$ 65,502 | \$ 41,611 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accrued payroll and related liabilities | \$ 123 | \$ 72 |
| Net Position - unrestricted | 65,379 | 41,539 |
| Total Liabilities and Net Position | \$ 65,502 | \$ 41,611 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|------------------|------------------|
| Operating Revenues - charges for services | \$ 30,869 | \$ 36,718 |
| Operating Expenses - salaries and benefits | 7,091 | 6,751 |
| Earnings from operations | 23,778 | 29,967 |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 62 | 7 |
| Accounts written off | - | (152,172) |
| Net Nonoperating Revenues (Expenses) | 62 | (152,165) |
| Change in net position | 23,840 | (122,198) |
| Net Position, beginning of year | 41,539 | 163,737 |
| Net Position, end of year | \$ 65,379 | \$ 41,539 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|------------------|-----------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 36,719 | \$ 36,626 |
| Payments to employees | (7,040) | (6,679) |
| Net cash flows from operating activities | 29,679 | 29,947 |
| Cash Flows for Noncapital Financing Activities | | |
| Decrease in due to other funds | - | (25,062) |
| Cash Flows from Investing Activities | | |
| Investment income received | 62 | 7 |
| Net increase in cash and investments | 29,741 | 4,892 |
| Cash and Investments, beginning of year | 4,892 | - |
| Cash and Investment, end of year | \$ 34,633 | \$ 4,892 |
| Reconciliation of earnings from operations to net cash flows from operating activities: | | |
| Earnings from operations | \$ 23,778 | \$ 29,967 |
| Adjustments to reconcile earnings from operations to net cash flows from by operating activities: | | |
| Non-cash expense | - | (152,172) |
| Decrease in accounts receivable | 5,850 | 152,080 |
| Increase in accrued payroll and related liabilities | 51 | 72 |
| Net cash flows from operating activities | \$ 29,679 | \$ 29,947 |

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> | 2015 | 2014 |
|---|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments | \$ 575,126 | \$ 470,332 |
| Liabilities and Net Position | | |
| Current liabilities - accounts payable | \$ - | \$ 22,341 |
| Net Position - unrestricted | 575,126 | 447,991 |
| Total Liabilities and Net Position | \$ 575,126 | \$ 470,332 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|---|------------|------------|
| Operating Revenues - charges for services | \$ 609,977 | \$ 589,671 |
| Operating Expenses - insurance | 484,015 | 508,273 |
| Earnings from operations | 125,962 | 81,398 |
| Nonoperating Revenues - investment income | 1,173 | 322 |
| Change in net position | 127,135 | 81,720 |
| Net Position, beginning of year | 447,991 | 366,271 |
| Net Position, end of year | \$ 575,126 | \$ 447,991 |

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

| <i>Year Ended June 30,</i> | 2015 | 2014 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Receipts from interfund services provided | \$ 609,977 | \$ 589,671 |
| Receipt from insurance settlement | - | 279,372 |
| Payments to suppliers | (506,356) | (485,932) |
| Net cash flows from operating activities | 103,621 | 383,111 |
| Cash Flows from Investing Activities | | |
| Investment income received | 1,173 | 322 |
| Net increase in cash and investments | 104,794 | 383,433 |
| Cash and Investments, beginning of year | 470,332 | 86,899 |
| Cash and Investments, end of year | \$ 575,126 | \$ 470,332 |
| Reconciliation of earnings from operations to net cash flows from operating activities: | | |
| Earnings from operations | \$ 125,962 | \$ 81,398 |
| Adjustments to reconcile earnings from operations to net cash flows from operating activities: | | |
| Decrease in assets - accounts receivable | - | 279,372 |
| Increase (decrease) in liabilities - accounts payable | (22,341) | 22,341 |
| Net cash flows from operating activities | \$ 103,621 | \$ 383,111 |

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. Note this fund was closed in 2015.

City of Kodiak, Alaska

Kodiak Fisheries Development Association Agency Fund
Statement of Changes in Assets and Liabilities

| <i>Year Ended June 30, 2015</i> | Balance at July 1, 2014 | Additions | Deletions | Balance at June 30, 2015 |
|----------------------------------|-------------------------------|-------------------|-------------------|--------------------------------|
| Current Assets | | | | |
| Cash and investments | \$ 211,691 | \$ 320,750 | \$ 532,441 | \$ - |
| Accounts receivable | 75 | - | 75 | - |
| Total Current Assets | \$ 211,766 | \$ 320,750 | \$ 532,516 | \$ - |
| Current Liabilities | | | | |
| Accounts payable | \$ 36,834 | \$ 253,883 | \$ 290,717 | \$ - |
| Due to others | 174,932 | 66,723 | 241,655 | - |
| Total Current Liabilities | \$ 211,766 | \$ 320,606 | \$ 532,372 | \$ - |

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, 2015

| Name of Award | Grant Number | Total Grant Award | July 1, 2014 Receivable (Unearned) | State Share of Expenditures | State Receipts | June 30, 2015 Receivable (Unearned) |
|---|---------------|-------------------------|---|-----------------------------------|----------------------|--|
| Department of Commerce, Community and Economic Development | | | | | | |
| Monashka Pumphouse Upgrades | 14-DC-073 | \$ 500,000 | \$ - | \$ 139,406 | \$ - | \$ 139,406 |
| * Pier III Replacement | 13-GO-007 | 15,000,000 | - | 14,203,687 | 9,444,454 | 4,759,233 |
| * Pier III Replacement | 13-DC-628 | 18,100,000 | 5,273,442 | 11,200,920 | 16,474,362 | - |
| Cruise Ship Revenue | 2015 | 13,925 | - | 13,925 | 13,925 | - |
| Fisheries Business Tax | 2015 | 90,093 | 70,650 | 90,093 | 160,743 | - |
| Total Department of Commerce, Community and Economic Development | | | 5,344,092 | 25,648,031 | 26,093,484 | 4,898,639 |
| Department of Environmental Conservation | | | | | | |
| * Monashka Pumphouse Upgrade Design | 50339 | 4,380,986 | 380,478 | 3,633,977 | 3,685,590 | 328,865 |
| Aleutian Homes Water & Sewer Replacement, Phase V | 50338 | 1,300,000 | 65,000 | - | - | 65,000 |
| * Aleutian Homes Water & Sewer Replacement, Phase V, Segment B | 50340 | 2,995,792 | 1,153,218 | 1,672,726 | 2,660,213 | 165,731 |
| Total Department of Environmental Conservation | | | 1,598,696 | 5,306,703 | 6,345,803 | 559,596 |
| Department of Revenue | | | | | | |
| * Raw Fish Tax Sharing | 2015 | 1,164,403 | - | 1,164,403 | 1,164,403 | - |
| * State Revenue Sharing | 2015 | 397,792 | - | 397,792 | 397,792 | - |
| Aviation Gas Sharing | 2014 | 5,403 | - | 5,403 | 5,403 | - |
| Aviation Gas Sharing | 2015 | 5,783 | - | 5,783 | - | 5,783 |
| Alcohol Beverage Sharing | 2014 | 19,200 | - | 9,600 | 9,600 | - |
| Alcohol Beverage Sharing | 2015 | 18,700 | - | 18,700 | 18,700 | - |
| Telephone/Electric Cooperative | 2014 | 44,685 | - | 44,685 | 44,685 | - |
| Telephone/Electric Cooperative | 2015 | 45,288 | - | 45,288 | 45,288 | - |
| Total Department of Revenue | | | - | 1,691,654 | 1,685,871 | 5,783 |
| Department of Education and Early Development | | | | | | |
| Early Literacy Grant | ELM 1570211 | 819 | - | 819 | 819 | - |
| Public Library Assistance | PLA-14-702-44 | 6,650 | - | 6,650 | 6,650 | - |
| Total Department of Education and Early Development | | | - | 7,469 | 7,469 | - |
| Department of Administration | | | | | | |
| * PERS Relief | 2015 | 3,197,815 | - | 3,197,815 | 3,197,815 | - |
| Total State Financial Assistance | | | \$ 6,942,788 | \$ 35,851,672 | \$ 37,330,442 | \$ 5,464,018 |

* Major program

City of Kodiak, Alaska

Notes to the Schedule of State Financial Assistance June 30, 2015

1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of the City of Kodiak, Alaska under programs of the state government for the year ended June 30, 2015. 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*. Because the Schedule presents only a selected portion of the operations of City of Kodiak, Alaska, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Kodiak, Alaska.

Except as otherwise noted, expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

3. PERS On-Behalf

The City has recorded \$3,197,815 in PERS On-Behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during FY2015.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions, effectively creating a one-year timing difference between the cash contribution and revenue and expense recognition by the City.

As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

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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 | 132-136 |
| 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 | 137-141 |
| 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 | 142-145 |
| 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 | 146-147 |
| 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 | 148-150 |
| 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 | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt \$ | 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 | 55,089,433 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | <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> | <u>10,144,168</u> |
| Total governmental activities net assets \$ | <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> | <u>65,233,601</u> |
| Business-type activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt \$ | 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 | 98,661,224 |
| Restricted | 221,450 | 221,450 | 653,862 | 505,050 | 505,050 | 505,050 | 505,050 | 505,050 | 505,050 | 505,050 |
| Unrestricted | <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> | <u>24,629,537</u> |
| Total business-type activities net assets \$ | <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> | <u>123,795,811</u> |
| Primary government: | | | | | | | | | | |
| Invested in capital assets, net of related debt \$ | 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 | 153,750,657 |
| Restricted | 221,450 | 221,450 | 653,862 | 505,050 | 505,050 | 505,050 | 505,050 | 505,050 | 505,050 | 505,050 |
| Unrestricted | <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> | <u>34,773,705</u> |
| Total primary government net assets \$ | <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> | <u>189,029,412</u> |

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

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 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 | 2,722,911 |
| Public safety | 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 | 7,736,192 |
| Public works | 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 | 2,584,167 |
| Engineering | 215,981 | 167,571 | 167,812 | 140,886 | 121,747 | 91,293 | 146,051 | 166,843 | 199,877 | 249,954 |
| Parks & recreation | 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 | 1,390,435 |
| Library | 639,399 | 669,518 | 711,172 | 697,856 | 712,625 | 680,410 | 847,458 | 864,533 | 930,313 | 894,605 |
| Community services | 262,834 | 213,032 | 126,562 | 435,970 | 277,041 | 259,692 | 306,906 | 296,352 | 305,457 | 374,235 |
| Interest on long-term debt | - | - | 75,410 | 398,252 | 383,928 | 906,057 | 369,052 | 361,177 | 352,803 | 346,240 |
| Total governmental activities expenses | <u>12,045,621</u> | <u>11,688,283</u> | <u>12,633,700</u> | <u>15,426,681</u> | <u>13,813,076</u> | <u>15,971,340</u> | <u>15,882,274</u> | <u>16,478,282</u> | <u>17,209,995</u> | <u>16,298,739</u> |
| Business-type activities: | | | | | | | | | | |
| Cargo Pier | \$ 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 | 926,136 |
| Boat Harbor | 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 | 3,235,531 |
| Shipyards | - | - | - | 35,019 | 528,977 | 1,117,928 | 1,078,009 | 1,263,689 | 1,285,600 | 1,136,632 |
| Harbor Electric | 488,004 | 640,125 | 648,498 | 611,387 | 605,989 | 633,313 | 804,834 | 657,379 | 675,474 | 575,261 |
| Water Utility | 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 | 4,533,126 |
| Sewer Utility | 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 | 3,611,837 |
| Trident Basin | 67,105 | 152,474 | 192,228 | 177,482 | 154,777 | 353,216 | 349,406 | 365,569 | 373,393 | 310,232 |
| E-911 Services | - | - | - | - | 37,553 | 5,518 | 5,548 | 5,890 | 158,923 | 7,091 |
| Total business-type activities expenses | <u>8,998,642</u> | <u>13,167,799</u> | <u>11,811,030</u> | <u>13,267,730</u> | <u>11,550,699</u> | <u>11,790,646</u> | <u>12,808,680</u> | <u>13,350,618</u> | <u>16,828,363</u> | <u>14,335,846</u> |
| Total primary government expenses | <u>\$ 21,044,263</u> | <u>24,856,082</u> | <u>24,444,730</u> | <u>28,694,411</u> | <u>25,363,775</u> | <u>27,761,986</u> | <u>28,690,954</u> | <u>29,828,900</u> | <u>34,038,358</u> | <u>30,634,585</u> |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Cargo Pier | \$ 589,054 | 520,490 | 671,690 | 625,030 | 597,860 | 531,322 | 722,265 | 764,935 | 839,586 | 812,220 |
| Public safety | 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 | 1,652,307 |
| Public works | 395,490 | 406,595 | 357,420 | 313,568 | 288,198 | 235,343 | 238,617 | 445,150 | 267,093 | 346,256 |
| Engineering | 60,000 | 89,250 | 88,740 | 142,175 | 224,241 | 226,355 | 294,424 | 215,598 | 198,051 | 113,849 |
| Parks & recreation | 117,795 | 125,332 | 115,562 | 117,173 | 135,733 | 133,100 | 134,440 | 116,663 | 120,135 | 125,120 |
| Library | 23,334 | 18,578 | 18,623 | 16,140 | 15,980 | 12,542 | 13,692 | 12,592 | 17,503 | 22,641 |
| Community services | - | - | - | - | - | 40,897 | 42,712 | 42,025 | 57,802 | 64,127 |
| Operating grants and contributions | 20,700 | 12,700 | 37,154 | 44,520 | 733,005 | 292,846 | 392,273 | 788,840 | 814,853 | 468,502 |
| Capital grants and contributions | 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 | 112,193 |
| Total governmental activities program revenues | <u>3,382,290</u> | <u>2,697,244</u> | <u>3,318,793</u> | <u>4,604,151</u> | <u>4,028,294</u> | <u>5,354,984</u> | <u>5,907,003</u> | <u>13,859,241</u> | <u>5,312,823</u> | <u>3,717,215</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Cargo Pier | \$ 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 | 1,270,961 |
| Boat Harbor | 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 | 2,371,246 |
| Shipyards | - | - | - | - | 320,574 | 293,845 | 239,889 | 642,020 | 722,665 | 746,002 |
| Harbor Electric | 547,840 | 678,706 | 682,471 | 708,714 | 654,986 | 707,770 | 834,600 | 724,632 | 674,425 | 617,572 |
| Water Utility | 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 | 4,432,749 |
| Sewer Utility | 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 | 3,866,656 |
| Trident Basin | 19,791 | 17,765 | 28,319 | 30,571 | 33,266 | 32,970 | 43,724 | 44,361 | 46,824 | 51,045 |
| E-911 Services | - | - | - | - | 66,901 | 67,428 | 66,287 | 69,140 | 36,718 | 30,869 |
| Operating grants and contributions | - | - | - | - | 136,560 | 252,109 | 385,985 | 1,391,896 | 2,725,086 | 1,813,006 |
| Capital grants and contributions | 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 | 29,177,990 |
| Total business-type activities program revenues | <u>9,880,167</u> | <u>12,696,482</u> | <u>13,615,517</u> | <u>17,446,907</u> | <u>11,543,281</u> | <u>12,641,135</u> | <u>16,061,832</u> | <u>15,635,099</u> | <u>22,743,119</u> | <u>44,378,096</u> |
| Total primary government program revenues | <u>\$ 13,262,457</u> | <u>15,393,726</u> | <u>16,934,310</u> | <u>22,051,058</u> | <u>15,571,575</u> | <u>17,996,119</u> | <u>21,968,835</u> | <u>29,494,340</u> | <u>28,055,942</u> | <u>48,095,311</u> |
| Net (expense)/revenue: | | | | | | | | | | |
| Governmental activities | \$ (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) | (12,581,524) |
| Business-type activities | <u>881,525</u> | <u>(471,317)</u> | <u>1,804,487</u> | <u>4,179,177</u> | <u>(7,418)</u> | <u>850,489</u> | <u>3,253,152</u> | <u>2,284,481</u> | <u>5,914,756</u> | <u>30,042,250</u> |
| Total primary government net expenses | <u>\$ (7,781,806)</u> | <u>(9,462,356)</u> | <u>(7,510,420)</u> | <u>(6,643,353)</u> | <u>(9,792,200)</u> | <u>(9,765,867)</u> | <u>(6,722,119)</u> | <u>(334,560)</u> | <u>(5,982,416)</u> | <u>17,460,726</u> |

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

| | Fiscal Year | | | | | | | | | |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 632,495 | 632,102 | 655,943 | 651,699 | 665,999 | 921,052 | 917,599 | 708,684 | 879,280 | 912,645 |
| Sales taxes | 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 | 11,759,863 |
| Other taxes, penalties and interest | 2,246 | 125,284 | 174,443 | 199,832 | 179,427 | 23,199 | 209,156 | 240,261 | 224,983 | 254,921 |
| Loss on disposal of assets | (213,435) | - | - | - | - | - | - | - | - | - |
| Grants and entitlements not restricted to a specific purpose | 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 | 1,781,749 |
| Investment income | 402,339 | 946,861 | 993,447 | 730,096 | 270,673 | 238,969 | 94,331 | 65,053 | 51,161 | 33,183 |
| Land sales | - | - | 1,415,900 | 1,518,308 | 746,475 | - | - | - | - | - |
| Other | 249,022 | 172,748 | 64,491 | 1,168,070 | 651,281 | 271,973 | 19,471 | 45,736 | 59,301 | 9,398 |
| Transfers | (1,380,000) | (1,626,886) | (700,000) | 1,126,811 | (160,262) | (135,360) | 540,382 | (25,000) | (600,000) | (381,000) |
| Total governmental activities | <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> | <u>14,370,759</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 | 545,117 | 856,379 | 729,548 | 260,355 | 60,850 | 79,708 | 17,285 | 49,032 | 68,230 | 62,736 |
| Other | (48,084) | 53,580 | 194,034 | 180,238 | - | - | - | - | - | - |
| Transfers | 1,380,000 | 1,626,886 | 700,000 | (1,126,811) | 160,262 | 135,360 | (540,382) | 25,000 | 600,000 | 381,000 |
| Total business-type activities | <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> | <u>443,736</u> |
| Total primary government | <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> | <u>14,814,495</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 219,298 | 1,112,340 | 4,661,727 | 5,974,993 | 3,532,244 | 1,793,164 | 4,264,593 | 11,617,496 | 2,004,794 | 1,789,235 |
| Business-type activities | <u>2,810,050</u> | <u>2,065,528</u> | <u>3,428,069</u> | <u>3,492,959</u> | <u>393,483</u> | <u>1,065,557</u> | <u>2,730,055</u> | <u>2,358,513</u> | <u>6,582,986</u> | <u>30,485,986</u> |
| Total primary government | <u>\$ 3,029,348</u> | <u>3,177,868</u> | <u>8,089,796</u> | <u>9,467,952</u> | <u>3,925,727</u> | <u>2,858,721</u> | <u>6,994,648</u> | <u>13,976,009</u> | <u>8,587,780</u> | <u>32,275,221</u> |

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------|----------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund: | | | | | | | | | | |
| Nonspendable - prepaid items | \$ - | - | - | - | - | 2,117 | - | 13,741 | 8,885 | 16,709 |
| Assigned: | | | | | | | | | | |
| Subsequent year's expenditures | - | - | - | - | - | 1,638,770 | 1,490,854 | 1,156,232 | 1,132,088 | 3,346,341 |
| Unassigned | - | - | - | - | - | 4,865,844 | 5,238,816 | 7,402,864 | 7,461,144 | 6,735,867 |
| Total General Fund | \$ <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> | <u>10,098,917</u> |
| All other governmental funds: | | | | | | | | | | |
| Committed for tourism | \$ - | - | - | - | - | 206,694 | 236,859 | 301,433 | 357,411 | 389,175 |
| Committed for Enhancement Fund | - | - | - | - | - | 4,778,691 | 1,990,740 | 2,055,523 | 3,054,325 | 3,201,211 |
| Assigned: | | | | | | | | | | |
| Capital project funds | - | - | - | - | - | 1,967,895 | 4,988,688 | 5,562,428 | 1,849,369 | 2,709,527 |
| Public works | - | - | - | - | - | 26,878 | 19,441 | 63,483 | 95,402 | 100,561 |
| Unassigned (deficit) | - | - | - | - | - | (1,685,144) | (234,875) | - | - | - |
| Total other governmental funds | \$ <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> | <u>6,400,474</u> |
| General Fund: | | | | | | | | | | |
| Reserved | \$ 4,410 | 251,108 | 48,735 | 14,622 | 13,618 | - | - | - | - | - |
| Unreserved | 4,868,452 | 5,322,163 | 8,261,482 | 7,689,501 | 8,838,952 | - | - | - | - | - |
| Total General Fund | \$ <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> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| All other governmental funds: | | | | | | | | | | |
| Reserved | \$ - | - | - | - | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 5,996,074 | 4,141,849 | 5,410,939 | 3,743,007 | 4,432,351 | - | - | - | - | - |
| Capital project funds | 5,519,696 | 6,680,620 | 14,765,170 | 15,263,690 | 3,645,026 | - | - | - | - | - |
| Total other governmental funds | \$ <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> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</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 | | | | | | | | | |
|---|----------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 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 | 12,912,690 |
| Intergovernmental | 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 | 4,307,386 |
| Charges for services | 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 | 1,923,897 |
| Fines and forfeitures | 55,934 | 29,452 | 55,479 | 20,122 | 23,514 | 6,156 | 3,619 | 15,308 | 9,482 | 14,739 |
| Licenses and permits | 43,064 | 51,535 | 102,748 | 76,679 | 70,489 | 93,193 | 71,957 | 237,950 | 83,253 | 135,769 |
| Rental income | 187,374 | 168,356 | 136,480 | 213,460 | 198,188 | 166,373 | 197,032 | 236,124 | 231,780 | 263,537 |
| Interfund charges | 605,160 | 609,740 | 760,430 | 690,920 | 678,820 | 662,872 | 813,225 | 865,152 | 895,876 | 871,909 |
| Investment income | 383,909 | 878,442 | 944,184 | 722,722 | 268,746 | 236,576 | 94,193 | 63,457 | 50,839 | 32,010 |
| Special assessments | 293,351 | 195,827 | 99,587 | 91,300 | 81,088 | 57,242 | 47,057 | 44,335 | 32,104 | 6,041 |
| Sale of land | - | - | 1,415,330 | 1,518,308 | 746,475 | - | - | - | - | - |
| Donations | - | - | - | - | - | - | - | 500,000 | 645,000 | 42,227 |
| Other revenues | 90,658 | 110,960 | 65,061 | 14,155 | 651,281 | 271,973 | 21,157 | 46,736 | 59,301 | 9,398 |
| Total revenues | \$ 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 | 20,519,603 |
| Expenditures | | | | | | | | | | |
| General government | \$ 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 | 2,536,309 |
| Public safety | 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 | 8,198,863 |
| Public works | 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 | 2,714,642 |
| Engineering | 216,394 | 158,090 | 162,559 | 128,245 | 143,630 | 87,209 | 150,113 | 189,900 | 201,581 | 244,967 |
| Parks and recreation | 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 | 1,357,632 |
| Library | 650,423 | 668,146 | 704,219 | 695,715 | 720,071 | 680,345 | 778,930 | 825,732 | 847,134 | 935,048 |
| Community services | 260,513 | 262,754 | 267,839 | 426,747 | 267,818 | 250,469 | 297,683 | 287,129 | 296,234 | 365,012 |
| Other - insurance and administration | 497,178 | 461,949 | 484,548 | 474,613 | 525,528 | 529,442 | 517,399 | 487,673 | 577,733 | 468,125 |
| Debt service principal | - | - | - | 135,000 | 145,000 | 150,000 | 155,000 | 165,000 | 175,000 | 185,000 |
| Debt service interest | - | - | 15,344 | 377,227 | 385,740 | 378,490 | 370,990 | 363,240 | 354,990 | 346,240 |
| Capital outlay | 2,924,189 | 1,004,082 | 2,223,366 | 7,539,755 | 13,678,791 | 7,080,038 | 3,200,704 | 9,975,708 | 5,665,223 | 245,998 |
| Total expenditures | \$ 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 | 17,597,836 |
| Excess of revenues over (under) expenditures | (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) | 2,921,767 |
| Other financing sources (uses) | | | | | | | | | | |
| General obligation bond issuance | - | - | 8,000,000 | - | - | - | - | - | - | - |
| Transfers in | 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 | 1,636,829 |
| Transfers out | (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) | (2,017,829) |
| Proceeds from sale of assets | - | - | - | - | - | - | - | - | - | - |
| Net other financing sources (uses) | (1,380,000) | (1,626,886) | 8,500,000 | 1,733,293 | (160,262) | (135,360) | 940,382 | 249,000 | (600,000) | (381,000) |
| Net change in fund balance | \$ (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) | 2,540,767 |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.13% | 3.45% | 4.00% | 3.40% | 3.58% | 3.38% | 3.32% | 3.13% |

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

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Hotel/Motel Tax</u> | <u>Total</u> |
|------------------------|-------------------------|----------------------|----------------------------|--------------|
| 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 |
| 2015 | 912,645 | 11,759,863 | 212,228 | 12,884,736 |

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 | | | | | |
| 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% |
| 2015 | 308,138,200 | 179,507,800 | 28,115,478 | 459,530,522 | 2.00 | 459,530,522 | 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 |
| 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 |
| 2015 | 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 | 2015 | | | 2006 | | |
|---|-----------------------|------|------------------------------------|-----------------------|------|------------------------------------|
| | Total Sales Receipts | Rank | Percentage of Total Sales Receipts | Total Sales Receipts | Rank | Percentage of Total Sales Receipts |
| Wholesale/Retail Trade | \$ 222,017,693 | 1 | 51.07% | \$ 197,279,641 | 1 | 57.13% |
| Construction | 91,774,615 | 2 | 21.11% | 40,560,863 | 2 | 11.75% |
| Accommodation and Food Services | 24,418,831 | 3 | 5.62% | 17,947,985 | 5 | 5.20% |
| Utilities | 23,580,933 | 4 | 5.42% | 21,880,023 | 3 | 6.34% |
| Other Services (except Public Administration) | 15,024,943 | 5 | 3.46% | 9,538,536 | 7 | 2.76% |
| Real Estate and Rental and Leasing | 14,512,087 | 6 | 3.34% | 13,601,924 | 6 | 3.94% |
| Manufacturing | 11,639,813 | 7 | 2.68% | 20,845,188 | 4 | 6.04% |
| Information | 10,016,288 | 8 | 2.30% | 8,070,880 | 8 | 2.34% |
| Profession,Scientific & Technical Services | 6,547,126 | 9 | 1.51% | 4,302,707 | 10 | 1.25% |
| Transportation and Warehousing | 6,638,801 | 10 | 1.53% | 6,941,918 | 9 | 2.01% |
| | <u>\$ 426,171,130</u> | | <u>98.02%</u> | <u>\$ 340,969,665</u> | | <u>98.74%</u> |

| Taxpayer | 2015 | | | 2006 | | |
|----------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Trident Seafoods Corporation | \$ 32,091,700 | 1 | 6.98% | \$ 5,368,500 | 7 | 1.70% |
| Ocean Beauty Seafoods LLC | 28,438,600 | 2 | 6.19% | 5,634,200 | 6 | 1.78% |
| International Seafoods of Alaska | 17,333,000 | 3 | 3.77% | 6,485,600 | 3 | 2.05% |
| Mill Bay Plaza Associates, Ltd | 10,921,500 | 4 | 2.38% | 7,138,400 | 2 | 2.26% |
| Wal-Mart/Sams Club | 9,494,400 | 5 | 2.07% | 7,934,200 | 1 | 2.51% |
| North Pacific Seafoods Inc | 8,065,800 | 6 | 1.76% | 3,972,100 | 9 | 1.26% |
| Horizon Lines of Alaska, LLC | 7,809,800 | 7 | 1.70% | 6,023,900 | 5 | 1.90% |
| GCI Communication Corp | 7,804,500 | 8 | 1.70% | - | - | - |
| Leisnoi Inc | 7,563,800 | 9 | 1.65% | - | - | - |
| Island Fish Co LLC | 6,445,600 | 10 | 1.40% | - | - | - |
| Brechan Enterprises Inc | - | - | - | 3,923,895 | 10 | 1.24% |
| Westward Seafoods, Inc | - | - | - | 6,343,400 | 4 | 2.01% |
| Kodiak Area Native Association | - | - | - | 4,363,200 | 8 | 1.38% |
| | <u>\$ 135,968,700</u> | | <u>29.59%</u> | <u>\$ 57,187,395</u> | | <u>18.08%</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 |
| 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% |
| 2015 | 925,976 | 902,839 | 97.50% | 5,615 | 908,455 | 98.11% |

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

| Fiscal Year | Governmental | Business-Type Activities | | | Percentage of Personal Income | Per Capita |
|----------------|--|--------------------------|--|--|-------------------------------------|---------------|
| | Activities General Obligation Bonds | Revenue Bonds | Alaska Clean Water Fund Loans | Alaska Drinking Water Fund Loan | | |
| 2006 | \$ - | \$ 620,000 | \$ 2,010,973 | \$ - | 1.3% | \$ 443 |
| 2007 | - | 420,000 | 1,809,876 | - | 1.1% | 392 |
| 2008 | 8,000,000 | 6,215,000 | 1,608,779 | - | 7.3% | 2,649 |
| 2009 | 7,865,000 | 7,000,000 | 1,957,682 | 550,000 | 7.7% | 2,908 |
| 2010 | 7,720,000 | 6,895,000 | 3,177,346 | 440,000 | 6.6% | 2,752 |
| 2011 | 7,570,000 | 6,795,000 | 3,486,136 | 1,355,116 | 7.8% | 3,133 |
| 2012 | 7,415,000 | 6,685,000 | 3,139,645 | 1,589,186 | 7.4% | 2,983 |
| 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 |
| 2015 | 6,890,000 | 6,315,000 | 2,218,804 | 2,202,369 | 6.4% | 2,785 |

CITY OF KODIAK
Direct and Overlapping Debt
As of June 30, 2015

| <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 | \$ 6,890,000 | 100% | \$ <u>6,890,000</u> |
| Kodiak Island Borough | | | |
| General Obligation Bonds | <u>73,162,568</u> | 43% | <u>31,460,744</u> |
| Total direct and overlapping debt | \$ <u>80,052,568</u> | | \$ <u>38,350,744</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, 2015

| | |
|----------------------|-------------------|
| Assessed Value | \$ 487,646,000 |
| Less Exempt Property | <u>28,115,478</u> |
| Total | \$ 459,530,522 |

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 | |
| 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 |
| 2015 | 2,371,246 | 1,845,972 | 525,274 | 40,000 | 86,221 | 4.16 |

Operating expenses exclude depreciation.

| Shipyard Revenue Bonds | | | | | | |
|------------------------|----------------------------------|--------------------------------|-----------------------------|--------------|----------|----------|
| Fiscal Year | Shipyard Charges and Other | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 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 |
| 2015 | 746,002 | 366,823 | 379,179 | 90,000 | 224,143 | 1.21 |

Operating expenses exclude 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> |
|--------------------|-------------------|------------------------|-----------------------------------|--------------------------|--------------------------|
| 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% |
| 2015 | 6,329 | 277,513,992 | 43,848 | 2,477 | 4.8% |

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

CITY OF KODIAK
Principal Employers
Current Year and Nine Years Ago

| <u>Employer</u> | <u>2015 Rank</u> | <u>2006 Rank</u> |
|---------------------------------------|----------------------|----------------------|
| Kodiak Island Borough School District | | 1 |
| Trident Seafood Corporation | | 2 |
| Ocean Beauty Seafoods | | 3 |
| North Pacific Processors, Inc. | | 4 |
| International Seafoods | | 5 |
| City of Kodiak | | 6 |
| Global Seafoods | | 7 |
| Safeway | | 8 |
| Kodiak Area Native Association | | 9 |
| Sisters of Providence | | 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>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> | <u>2015</u> |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Government | 12.50 | 11.30 | 12.05 | 12.05 | 12.30 | 12.30 | 12.30 | 13.30 | 13.30 | 13.30 |
| Public Safety: | | | | | | | | | | |
| Police | 35.00 | 35.00 | 37.00 | 37.00 | 37.00 | 41.50 | 42.50 | 42.50 | 42.50 | 42.50 |
| Fire | 12.75 | 12.75 | 13.75 | 13.75 | 13.75 | 13.75 | 13.75 | 13.75 | 13.75 | 13.75 |
| Public Works | 10.00 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 |
| Engineering | 3.00 | 2.00 | 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 | 6.00 | 5.00 | 7.25 | 5.75 | 5.75 | 5.75 | 5.75 |
| Library | 7.00 | 6.75 | 6.75 | 6.75 | 6.75 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| Harbor | 14.00 | 14.00 | 14.00 | 14.00 | 16.40 | 16.40 | 16.40 | 16.40 | 16.40 | 16.40 |
| Water | 6.00 | 6.60 | 6.60 | 6.85 | 6.60 | 6.60 | 6.60 | 6.60 | 6.60 | 6.60 |
| Sewer | <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> | <u>9.35</u> |
| Total | <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> | <u>126.15</u> |

Note: Full-time equivalent employees are permanent employees.

CITY OF KODIAK
Operating Indicators by Function
Last Ten Years

| | <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> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Complaints investigated | 7,796 | 8,195 | 8,376 | 8,839 | 7,716 | 8,746 | 10,168 | 13,856 | 15,135 | 14,168 |
| Motor vehicle collision reports | 180 | 86 | 67 | 89 | 124 | 89 | 118 | 155 | 118 | 124 |
| Bookings/admissions | 1,000 | 959 | 850 | 917 | 917 | 864 | 849 | 1,030 | 973 | 1,196 |
| Investigations conducted | 264 | 200 | 147 | 125 | 188 | 158 | 201 | 293 | 299 | 271 |
| Service calls received/dispatched | 6,720 | 8,353 | 8,376 | 9,661 | 7,279 | 8,797 | 10,168 | 13,855 | 15,135 | 14,168 |
| 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) | 2,827 | 5,883 | 5,558 | 5,900 | 5,000 | 4,704 | 5,000 | 3,406 | 2,066 | 693 |
| Garage | | | | | | | | | | |
| Preventative maintenance checks | 107 | 113 | 113 | 132 | 125 | 80 | 130 | 130 | 79 | 117 |
| Building inspection | | | | | | | | | | |
| Building permits issued | 224 | 190 | 182 | 197 | 190 | 201 | 223 | 219 | 158 | 193 |
| 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 | 11,245 | 31,111 | 29,829 | 32,920 | 31,000 | 36,088 | 16,054 | 16,054 | 16,054 | 17,408 |
| Number of aquatic participants | 7,993 | 19,496 | 13,566 | 15,463 | 19,728 | 27,804 | 35,799 | 35,314 | 30,493 | 25,087 |
| Ice rink attendance | 10,000 | 10,000 | 19,594 | 32,679 | 34,480 | 34,480 | 6,598 | 8,492 | 12,200 | 14,535 |
| Library: | | | | | | | | | | |
| Number of visitors | 149,757 | 149,702 | 149,572 | 149,300 | 149,800 | 149,273 | 149,264 | 149,000 | 149,300 | 152,000 |
| Number of materials withdrawn | 2,111 | 3,750 | 3,334 | 3,800 | 3,800 | 3,047 | 4,957 | 3,502 | 1,146 | 1,121 |
| Harbor: | | | | | | | | | | |
| Vehicle, boat and foot patrol hours | 6,996 | 5,832 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,611 | 8,464 |
| Number of owner accounts | 1,543 | 1,314 | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 | 1,500 | 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 |

CITY OF KODIAK
 Capital Asset Statistics by Function
 Last Ten Years

| Function | <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> | <u>2015</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police: | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police vehicles | 21 | 20 | 20 | 20 | 20 | 21 | 23 | 20 | 20 | 20 |
| Fire: | | | | | | | | | | |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire vehicles | 11 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 8 | 10 |
| Public Works: | | | | | | | | | | |
| Streets (miles) | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 |
| Runways (feet) | 2,650 | 2,650 | 2,650 | 2,650 | 2,650 | 2,650 | 2,650 | 2,650 | 2,650 | 2,650 |
| Parks and Recreation: | | | | | | | | | | |
| Number of parks/ playgrounds | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Teen center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ice rink | 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 |



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

3601 C Street, Suite 600
Anchorage, AK 99503

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, 2015, 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 January 12, 2016.

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 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
January 12, 2016



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

3601 C Street, Suite 600
Anchorage, AK 99503

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, 2015. 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, 2015.

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
January 12, 2016

City of Kodiak, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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 state programs: | Unmodified | |
| Dollar threshold used to distinguish a State major program: | | \$ 300,000 |

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, 2015*

| |
|--|
| Section II - Financial Statement Findings Required to be Reported in Accordance with <i>Government Auditing Standards</i> |
|--|

There were no findings in the prior year.

| |
|--|
| Federal Award Findings and Questioned Costs |
|--|

There were no findings in the prior year.

| |
|--|
| State of Alaska Award Findings and Questioned Costs |
|--|

There were no findings in the prior year.

City of Kodiak, Alaska

Corrective Action Plan *Year Ended June 30, 2015*

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