

City of Kodiak, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

Prepared by City of Kodiak Finance Department

City of Kodiak, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		I-XI
Fact Sheet		XII
Certificate of Achievement for Excellence in Financial Reporting		XIII
Organizational Chart		XIV
Map of Area		XV
Map of City Limits		XVI
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Management's Discussion and Analysis		5-17
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20
Statement of Activities	A-2	21
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	22
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Position	B-2	23
Statement of Revenues, Expenditures and Changes in		
Fund Balances	B-3	24
Reconciliation of Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	25
Proprietary Funds:		
Statement of Net Position	C-1	26
Statement of Revenues, Expenses and Changes		
in Net Position	C-2	27
Statement of Cash Flows	C-3	28
Notes to Basic Financial Statements		29-56
Required Supplementary Information		
General Fund -		
Schedule of Revenues, Expenditures and Changes in Fund		
Balance - Budget and Actual	D-1	58
Public Employees Retirement System:		
Schedule of the City's Information on the Net Pension Liability	E-1	59
Schedule of the City's Contributions	E-2	60
Notes to Required Supplementary Information		61

City of Kodiak, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	F-2	65
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	G-1	66
Combining Statement of Revenues, Expenses and Changes in Net Position	G-2	67
Combining Statement of Cash Flows	G-3	68
General Fund:		
Balance Sheet	H-1	70
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-2	71-74
Special Revenue Funds:		
Tourism Development:		
Balance Sheet	I-1	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-2	77
Special Assessments:		
Balance Sheet	I-3	78
Statement of Revenues, Expenditures and Changes in Fund Balance	I-4	79
Enhancement Fund:		
Balance Sheet	I-5	80
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-6	81
Disaster Administration Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-7	82
Capital Project Funds:		
General:		
Balance Sheet	J-1	84
Statement of Revenues, Expenditures and Changes in Fund Balance	J-2	85

City of Kodiak, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued: Capital Project Funds, continued:		
Building:		
Balance Sheet	J-3	86
Statement of Revenues, Expenditures and Changes in Fund Balance	J-4	87
Street Improvements:		
Balance Sheet	J-5	88
Statement of Revenues, Expenditures and Changes in Fund Balance	J-6	89
Parks and Recreation:		
Balance Sheet	J-7	90
Statement of Revenues, Expenditures and Changes in Fund Balance	J-8	91
General Fund Vehicle Replacement:		
Balance Sheet	J-9	92
Statement of Revenues, Expenditures and Changes in Fund Balance	J-10	93
Enterprise Funds:		
Cargo Pier:		
Statement of Net Position	K-1	96
Statement of Revenues, Expenses and Changes in Net Position	K-2	97-98
Statement of Cash Flows	K-3	99
Boat Harbor:		
Statement of Net Position	K-4	100
Statement of Revenues, Expenses and Changes in Net Position	K-5	101
Statement of Cash Flows	K-6	102
Harbor Electric:		
Statement of Net Position	K-7	103
Statement of Revenues, Expenses and Changes in Net Position	K-8	104
Statement of Cash Flows	K-9	105

City of Kodiak, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Enterprise Funds, continued:		
Water Utility:		
Statement of Net Position	K-10	106
Statement of Revenues, Expenses and Changes in Net Position	K-11	107
Statement of Cash Flows	K-12	108
Sewer Utility:		
Statement of Net Position	K-13	109
Statement of Revenues, Expenses and Changes in Net Position	K-14	110
Statement of Cash Flows	K-15	111
Trident Basin:		
Statement of Net Position	K-16	112
Statement of Revenues, Expenses and Changes in Net Position	K-17	113
Statement of Cash Flows	K-18	114
Shipyard:		
Statement of Net Position	K-19	115
Statement of Revenues, Expenses and Changes in Net Position	K-20	116
Statement of Cash Flows	K-21	117
E-911 Services:		
Statement of Net Position	K-22	118
Statement of Revenues, Expenses and Changes in Net Position	K-23	119
Statement of Cash Flows	K-24	120
Insurance Internal Service Fund:		
Statement of Net Position	L-1	122
Statement of Revenues, Expenses and Changes in Net Position	L-2	123
Statement of Cash Flows	L-3	124
Schedule of State Financial Assistance	N-1	126
Notes to the Schedule of State Financial Assistance		127

City of Kodiak, Alaska

Contents

	<u>Table</u>	<u>Page</u>
STATISTICAL SECTION		
Net Position by Component	1	130
Changes in Net Position	2	131-132
Fund Balances of Governmental Funds	3	133
Changes in Fund Balances of Governmental Funds	4	134
General Governmental Tax Revenues by Source	5	135
Assessed Value and Estimated Actual Value of Taxable Property	6	136
Property Tax Rates - Direct and Overlapping Governments	7	137
Top Ten Sales Tax Business Categories and Principal Property Taxpayers	8	138
Property Tax Levies and Collections	9	139
Ratios of Outstanding Debt by Type	10	140
Direct and Overlapping Debt	11	141
Legal Debt Margin Information	12	142
Pledged-Revenue Coverage	13	143
Demographic and Economic Statistics	14	144
Principal Employers	15	145
Full-time Equivalent City Government Employees by Function	16	146
Operating Indicators by Function	17	147
Capital Asset Statistics by Function	18	148
		<u>Page</u>
SINGLE AUDIT SECTION		
Single Audit Reports		
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 <i>Government Auditing Standards</i>		149-150
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		151-152
Schedule of Findings and Questioned Costs		153
Summary Schedule of Prior Audit Findings		154
Corrective Action Plan		155



December 29, 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, 2016. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. The City, however, did not meet the threshold for an audit in accordance with Uniform Guidance for fiscal year 2016. 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, 2016, 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, 2016. 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 2015 the estimated population of the Kodiak Region was 13,819 with a population of 6,288 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, 1965. 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 2016 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.

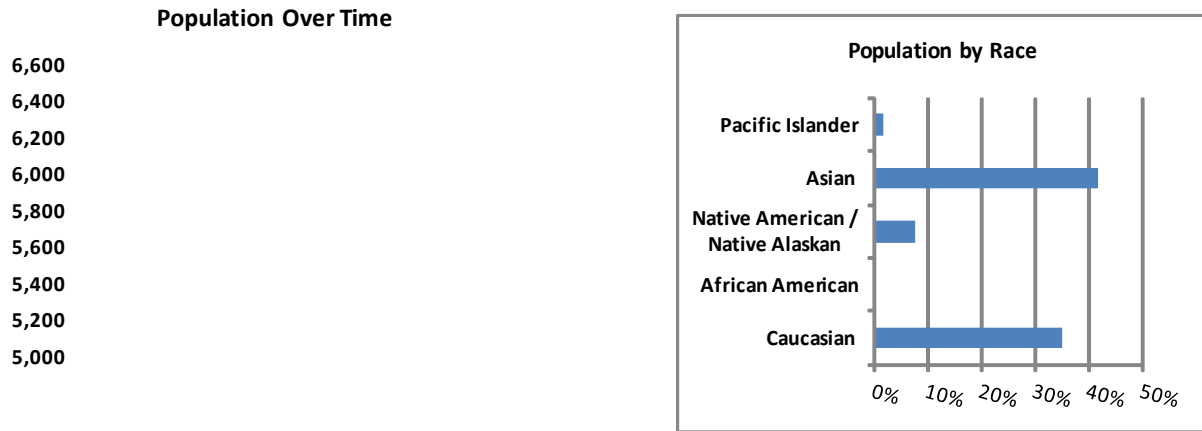
According to the independent research and consulting firm Northern Economics, Inc. (*The Economic Benefits of the Alaska Aerospace Corporation, FY 2010*. Prepared for Alaska Aerospace Corporation. February 2011) in 2010 the total direct, indirect and induced local impacts to Kodiak's regional economy 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 2015 was 6,288 in the City of Kodiak and 13,819 in the Kodiak Island Borough.

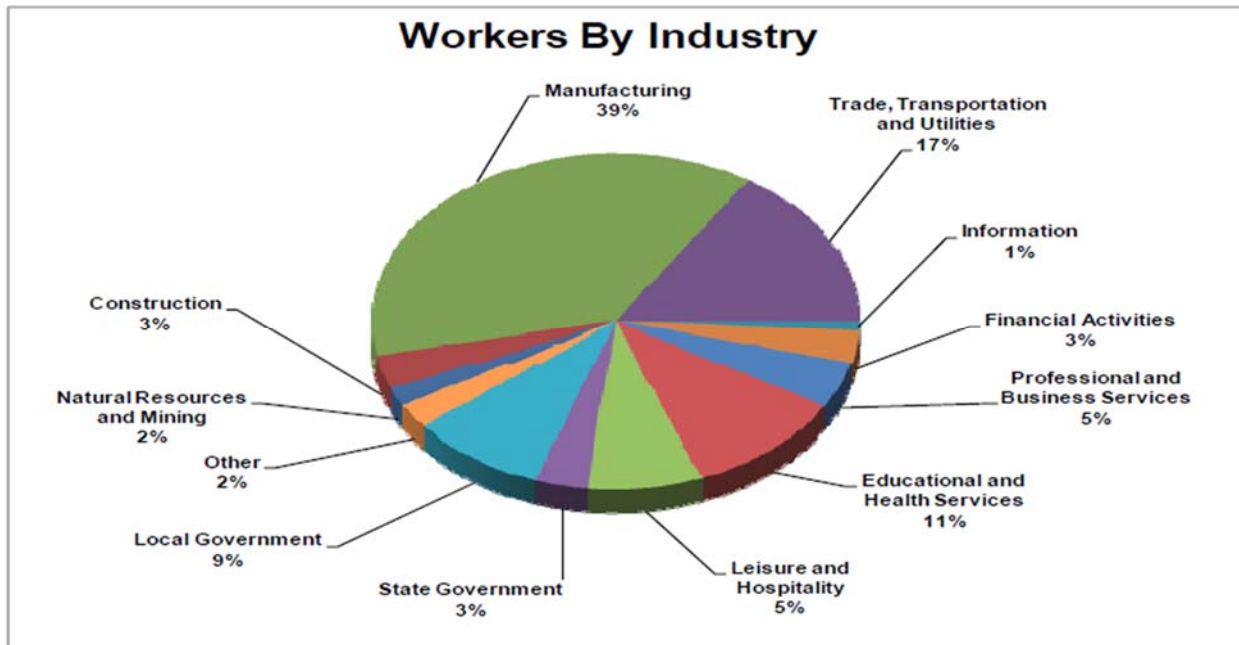
Approximately 25.4% of the population is under 18 years of age, approximately 0.7% higher than Alaska overall. The population consists of approximately 53.5% male and approximately 46.5% female. Approximately 22.8% of the adults, age 25 and older, hold at least a bachelor's degree, and 91.4% are estimated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

City of Kodiak Population

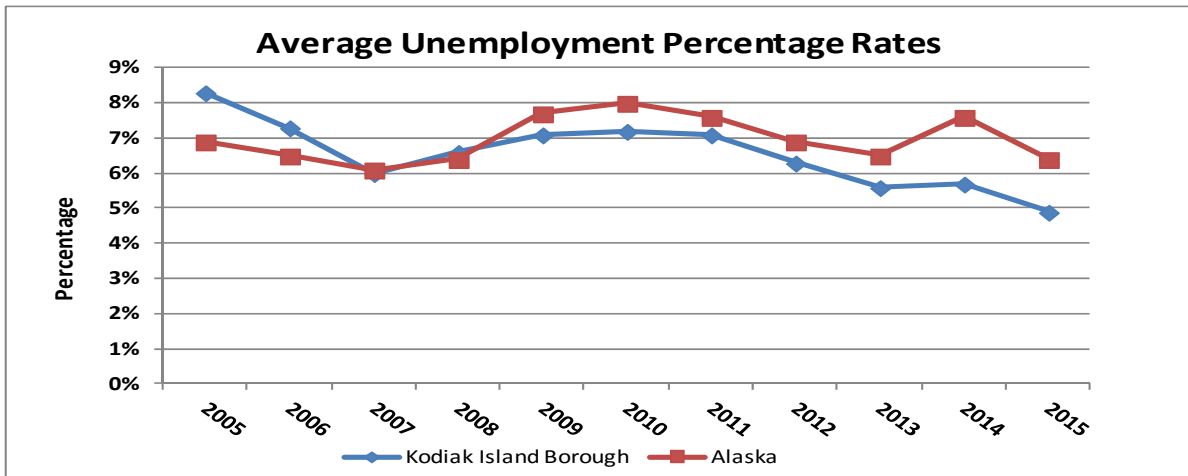


LABOR FORCE

In 2015, the state estimated the Kodiak region's average monthly employment to be 3,152 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 2015 was 4.9% compared to 6.4% for the state of Alaska.



INCOME

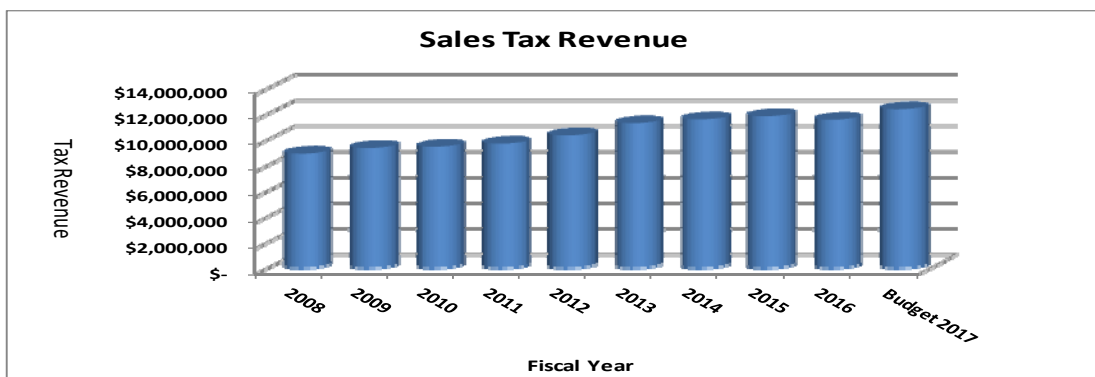
The U.S. Department of Commerce Bureau of Economic Analysis reported the 2014 per capita personal income was \$53,792, an increase of 6.1%, as compared to \$50,697 reported for 2014 for the Kodiak Island Borough.

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 \$11.5 million in 2016. 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.

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 2016.
2. The Sales Tax Cap remained at \$750.00.
3. The Hotel & Motel tax rate of 5% remained the same.
4. The fiscal year 2016 had no reductions of services, and all services were maintained at consistent levels.

FUTURE PROJECTS

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

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 and the City milled and repaved in 2001 and 2008. The road continues to deteriorate due to weather and traffic so the City completed a pavement assessment study which recommended repair for the full length of the road. Due to rapid deterioration of the road, the City developed a successful rehabilitation approach and milled and overlaid approximately 6,100 ft. of road to repair the worst sections at a cost of over \$2 million. The remaining 5,480 ft. of repair needed is estimated to cost \$1.5 million. The total road rehabilitation cost, including engineering and construction, is \$4 million. The City has contributed over \$2.5 million to the road rehabilitation project in the past three years. The City is requesting funding assistance for permitting, redesign, and construction for the remaining 5,480 ft. of the road in the amount of \$1,500,000 to fully rehabilitate Mill Bay Road.

2. State Municipal Matching Grant & Harbor Facilities Grant Programs \$1,650,000

The economy of the City of Kodiak is based upon commercial fishing and all the work, such as local, state and federal governmental activities associated with support of the fisheries as well as research and enforcement activities are based on Kodiak's fishing industry. Each year Kodiak ranks as a top commercial fishing port. In 2014, NOAA statistics put Kodiak as the second largest commercial fishing port in the United States in terms of volume and third in terms of value. This activity requires an infrastructure from potable water, replacement of aging water, sewer, and storm drain systems, and harbor and dock infrastructure that is much larger than its population might suggest. The City of Kodiak relies heavily on the Department of Environmental Conservation Municipal Matching Grant Program to help fund repairs and replacement of the City's water, sewer, and storm drainage systems. The Kodiak Harbor Department relies on the State's Harbor Facilities Grant Program to help match costs for dock replacements. The City of Kodiak urges the State to continue to support these matching grant programs to avoid shifting the burden of costs back on local governments.

3. State Revenue Sharing \$1,100,000

As the cost of providing governmental services rise, the City of Kodiak must rely on and use all sources of revenue carefully to meet its obligations. The City received \$377,926 in revenue sharing this year, a substantial drop from the \$572,936 received three years ago. The City urges the State to continue to provide revenue sharing to local governments through this program.

4. Replacement Ambulance \$200,000

The City of Kodiak's Fire Department provides advance emergency medical services to the residents, fishermen, and visitors to the City, as well as area Fire Protection Districts 1, 2, and 3, U.S. Coast Guard Base Kodiak, and all non-covered road system areas, with a total population estimate of over 10,000. The Department currently operates three Type 1 Advanced Life Support (ALS) ambulances which respond to an average of 850 medical calls a year. Service life of each ambulance is 10 years. The City has replaced two ambulances, but currently one ambulance has exceeded its expected service life by three years and reliability has become a serious issue with ongoing mechanical and electrical issues. The City will continue to look for funds to help offset the full cost of replacement of this important piece of emergency response equipment and will contribute local General Fund money to replace the equipment associated with the ALS type ambulance. Therefore, the City is requesting funding assistance from the Legislature to help fund the replacement of one Type 1 ambulance for an estimated total of \$200,000.

5. Firefighting and Safety Equipment

\$62,550

The City of Kodiak’s Fire Department is a paid department of 13.75 FTEs that serves both the City residents, including two commercial boat harbors containing 600 slips and vessels, and those who live and have businesses in mutual aid response districts. The services provided are heavily dependent upon safety and other response equipment for the firefighters, EMTs, and public. The Department purchases necessary equipment through the General Fund and grants. Much of the equipment purchased must meet National Fire Protection Association (NFPA) and OSHA standards and be replaced periodically to maintain certification and ensure safety. The City is finding it more financially demanding to replace the life safety equipment while continuing normal operations as funding sources become more limited. Therefore, the City is requesting funding assistance from the Legislature to fund the replacement of 10 firefighting turnouts which firefighters wear when responding to an incident, 25 SCBA bottles needed to enter a fire or other hazardous environment, and 4 automatic external defibrillators (AEDs) to be placed in response vehicles for an estimated total of \$63,000.

6. Shelikof Street Bulkhead Parking

\$1,565,000

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 is planning for and preparing the permitting and design of 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 relocations. The City of Kodiak is requesting state funding assistance for permitting, design, and construction in the amount of \$1,565,000 to complete design, permit, and construct this bulkhead parking project to enhance pedestrian and vehicle safety.

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 council approved increases in the number of full-time employees in fiscal year 2016 for the addition of the compost facility. 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 healthcare 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.

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.

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, 2015. This was the thirteenth 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, 2015. In order to qualify for the Distinguished Budget Presentation Award, the budget document must be judged to be proficient in specified categories, including its use as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. We would like to express our appreciation to all the members of the finance department who assisted in the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support and 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 Maye

**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
Mike Tvenge	Deputy City Manager	mtvenge@city.kodiak.ak.us	907-486-8642
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
Laura Arboleda	Council Member	council@city.kodiak.ak.us	907-539-2027
Randall Bishop	Council Member	council@city.kodiak.ak.us	907-486-3364
Charles Davidson	Council Member	council@city.kodiak.ak.us	907-486-3896
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

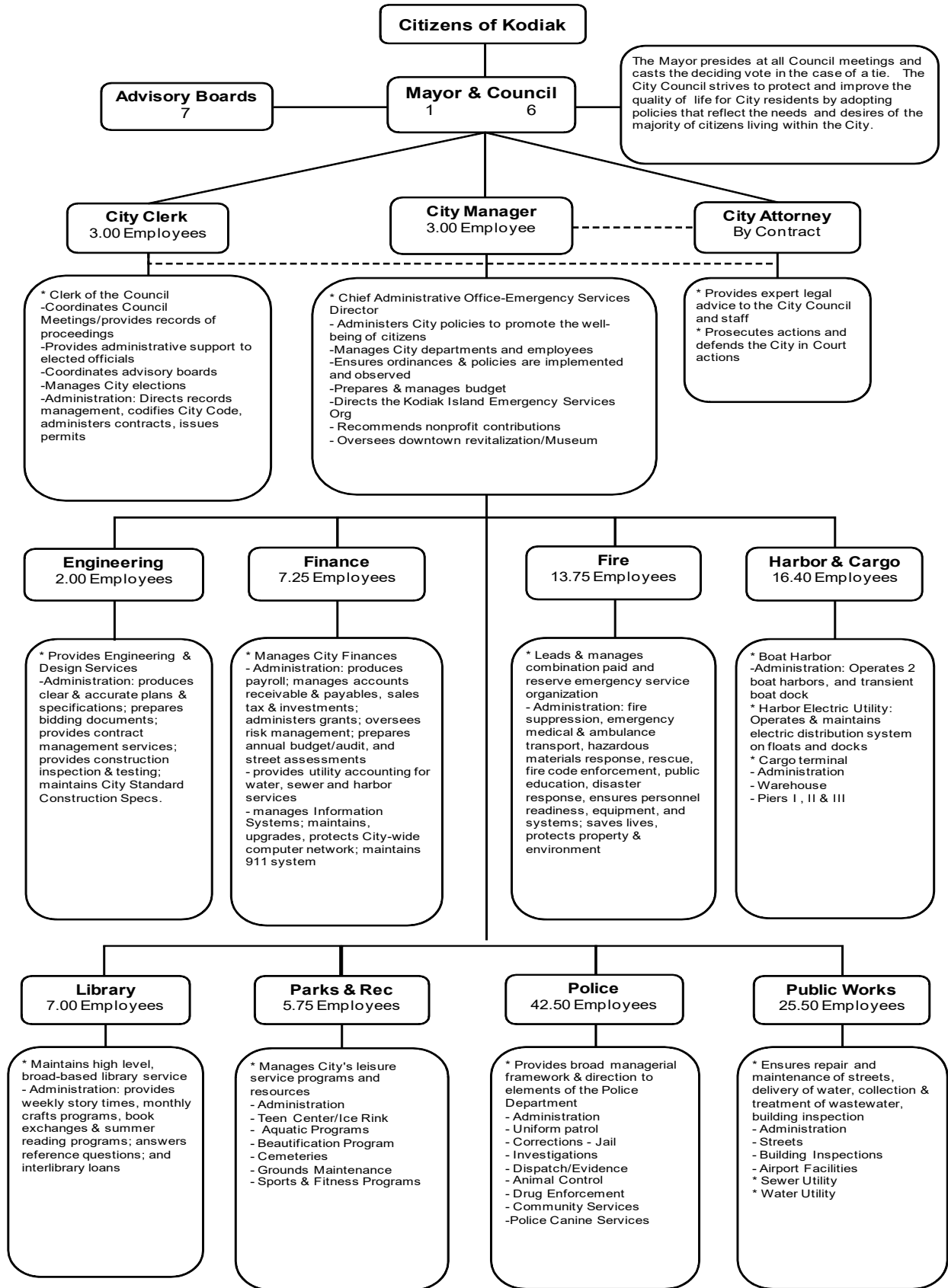
**City of Kodiak
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

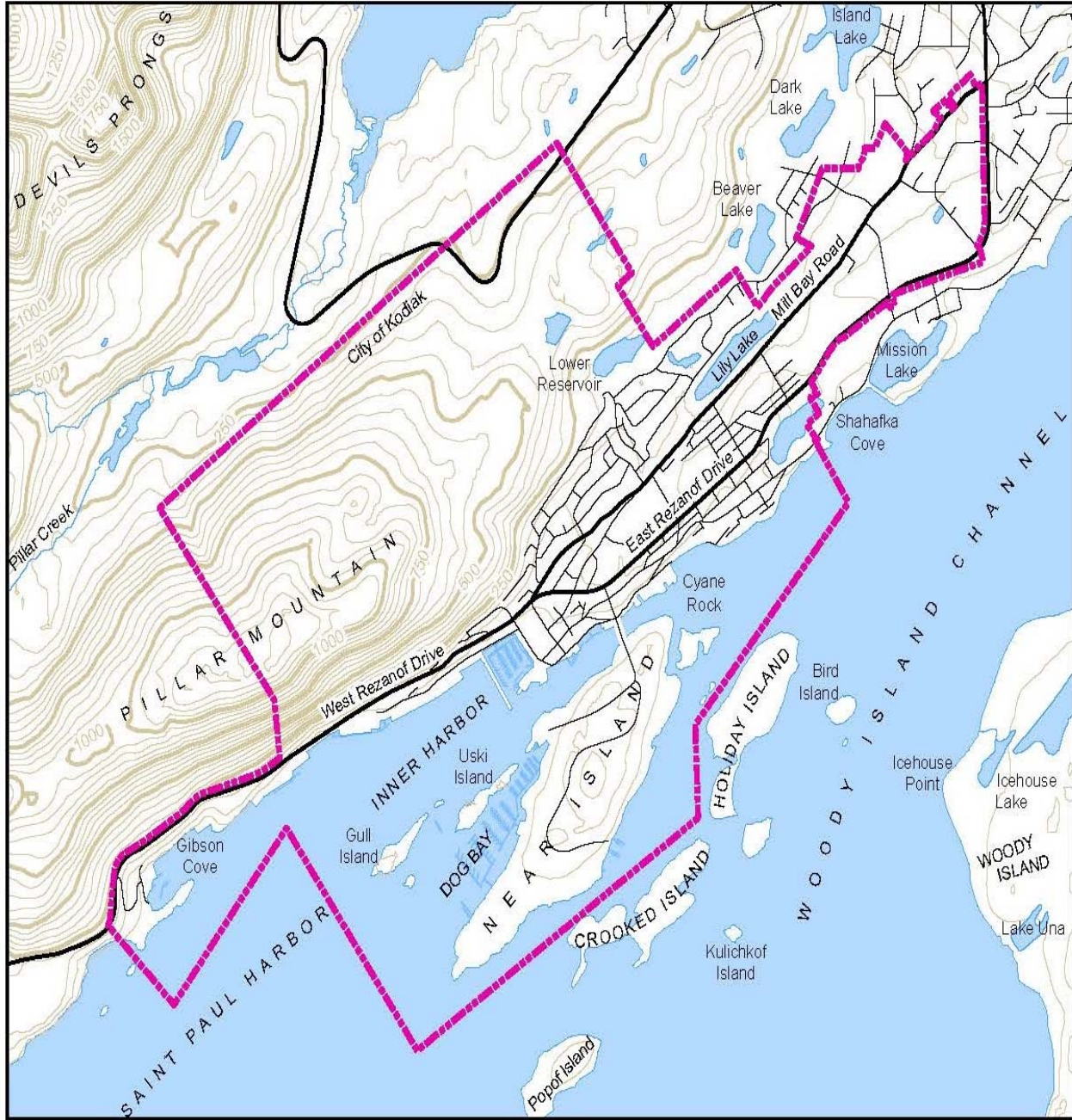
**CITY OF KODIAK
ORGANIZATIONAL CHART**



CITY OF KODIAK
KODIAK ISLAND, KODIAK



CITY OF KODIAK
CITY LIMITS - 6.2 SQUARE MILES





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

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Kodiak, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Kodiak'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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-17, 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, 2016 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, 2016 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, 2016.

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, 2015 (not presented herein), and have issued our report thereon dated January 12, 2016, 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, 2015 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 2015 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2015 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, 2015.

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 December 29, 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
December 29, 2016

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City of Kodiak, Alaska

Management's Discussion and Analysis

June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-XI of this report.

Financial Highlights

- The assets of the City of Kodiak exceeded its liabilities at the close of the most recent fiscal year by \$192,064,014 (*net position*). Of this amount, \$34,454,857 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$3,034,602 (1.61%). The governmental net position decreased by \$504,992 (0.77%) and the business-type net position increased by \$3,539,594 (2.86%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$18,246,230, an increase of \$1,746,839 in comparison with the prior year. Approximately 47.52% of this total amount, (\$8,670,767) is available for spending at the government's discretion (*unassigned fund balance*).
- Total general revenues accounted for \$14,878,204 (44%) 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 \$18,989,131 (11%) of total revenues of \$33,867,335.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,670,767 (45%) of total General Fund expenditures and transfers of \$19,256,610.
- The City of Kodiak's total debt increased by \$4,945,312 during the current fiscal year. In fiscal year 2016 there was additional debt added for accrued leave, and one water loan in the amount of \$1,878,491. In addition, the City reports the net pension liability for the State of Alaska PERS retirement system attribution to the City of Kodiak. For fiscal year 2016, the net pension liability was \$11,877,818. Decreases can be contributed to payments on debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Kodiak's basic financial statements are comprised of 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains 4) other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

1. *Government-wide financial statements* are designed to provide readers with a broad overview of the City of Kodiak's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the City of Kodiak's assets and liabilities, with the differences between the two reported as *net position*.
 - The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Kodiak, Alaska

Management's Discussion and Analysis

- Both of the government-wide financial statements distinguish functions of the City of Kodiak that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kodiak include general government, public safety, public works, engineering, parks and recreation, library and community services. The business-type activities of the City of Kodiak include cargo pier, boat harbor, shipyard/lift, harbor electric, water and sewer utilities, and airport facility.
 - The government-wide financial statements can be found on pages 20-21 of this report.
2. *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kodiak, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Kodiak can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.
- *Governmental Funds:* Most of the City's basic services are included in governmental funds. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kodiak maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, 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 does not currently have any fiduciary funds.
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 2016 compared to 2015:

Table 1
Net Position of Governmental and Business-type Activities

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 19,095,835	\$ 17,685,733	\$ 29,210,479	\$ 29,816,219	\$ 48,306,314	\$ 47,501,952
Capital assets	61,158,057	61,979,433	114,575,434	109,397,397	175,733,491	171,376,830
Total assets	<u>80,253,892</u>	<u>79,665,166</u>	<u>143,785,913</u>	<u>139,213,616</u>	<u>224,039,805</u>	<u>218,878,782</u>
Deferred Outflows						
related to pensions	1,796,735	694,512	530,863	217,634	2,327,598	912,146
Total Assets and Deferred Outflows	<u>\$ 82,050,627</u>	<u>\$ 80,359,678</u>	<u>\$ 144,316,776</u>	<u>\$ 139,431,250</u>	<u>\$ 226,367,403</u>	<u>\$ 219,790,928</u>
Liabilities						
Current liabilities	706,008	1,105,595	2,106,813	3,436,449	2,812,821	4,542,044
Long-term liabilities	16,453,685	13,326,442	14,826,596	11,981,501	31,280,281	25,307,943
Total liabilities	<u>17,159,693</u>	<u>14,432,037</u>	<u>16,933,409</u>	<u>15,417,950</u>	<u>34,093,102</u>	<u>29,849,987</u>
Deferred Inflows						
related to pensions	162,325	694,040	47,962	217,489	210,287	911,529
Net Position						
Invested in capital assets	54,463,057	55,089,433	102,641,050	98,661,224	157,104,107	153,750,657
Restricted	-	-	505,050	505,050	505,050	505,050
Unrestricted	10,265,552	10,144,168	24,189,305	24,629,537	34,454,857	34,773,705
Total net position	<u>\$ 64,728,609</u>	<u>\$ 65,233,601</u>	<u>\$ 127,335,405</u>	<u>\$ 123,795,811</u>	<u>\$ 192,064,014</u>	<u>\$ 189,029,412</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 82,050,627</u>	<u>\$ 80,359,678</u>	<u>\$ 144,316,776</u>	<u>\$ 139,431,250</u>	<u>\$ 226,367,403</u>	<u>\$ 219,790,928</u>

Net position may serve over time as an indicator of a government's financial position. In the case of the City of Kodiak, assets exceeded liabilities by \$192,064,014 as of June 30, 2016.

City of Kodiak, Alaska

Management's Discussion and Analysis

The government's net position increased by \$3,034,602 during the current fiscal year compared to \$32,275,221 in the prior fiscal year. The decrease resulted primarily from greater grant contributions in 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 82% 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.

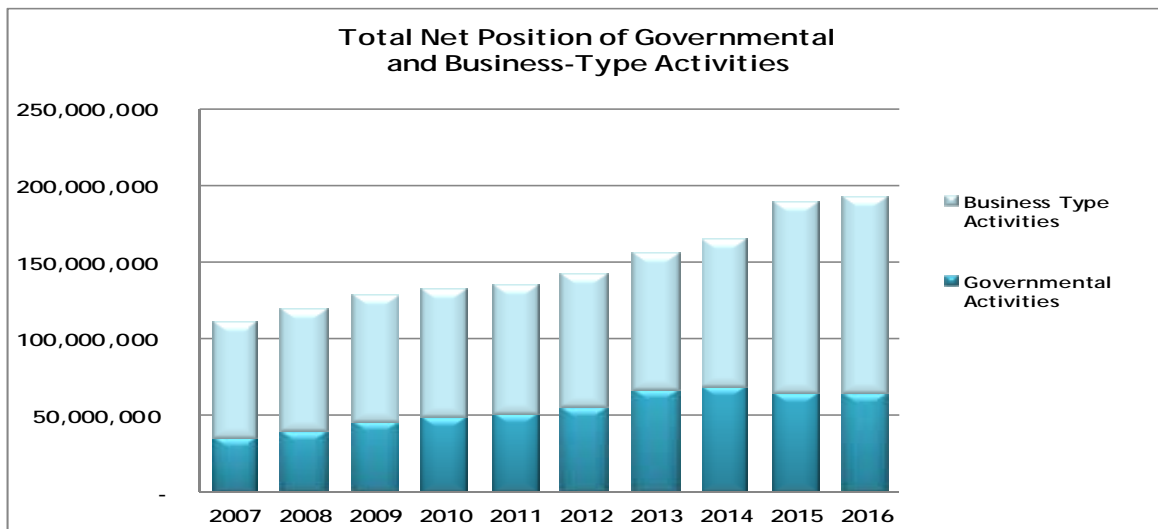
An additional portion of the City of Kodiak's net position, less than 1%, represents resources that are subject to external restrictions on how they may be used. Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts which makes up this restricted amount. 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 2016, 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 \$626,376 in net investment in capital assets in connection with the City of Kodiak's governmental activities. This was primarily due to the increase in accumulated depreciation exceeding continued street improvements and design of the new fire station. In the City's business activities there was an increase of \$3,979,826 in net investment in capital assets. This is primarily due to the Pier III replacement project which is scheduled to be completed in early fiscal year 2017.

During fiscal year 2016, the government's total net position increased by \$3,034,602. 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 2016 and 2015 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak's net position by \$3,539,594 and the decrease in the governmental activities was \$504,992.

Table 2
Changes in Net Position

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,196,010	\$ 13,739,140	\$ 16,935,150	\$ 3,136,520	\$ 13,387,100	\$ 16,523,620
Operating grants and contributions	457,644	128,475	586,119	468,502	1,813,006	2,281,508
Capital grants and contributions	66,945	1,400,917	1,467,862	112,193	29,177,990	29,290,183
Total program revenues	<u>3,720,599</u>	<u>15,268,532</u>	<u>18,989,131</u>	<u>3,717,215</u>	<u>44,378,096</u>	<u>48,095,311</u>
General revenues:						
Property taxes	921,916	-	921,916	912,645	-	912,645
Sale taxes	11,481,933	-	11,481,933	11,759,863	-	11,759,863
Other taxes, penalties and interest	244,483	-	244,483	254,921	-	254,921
Grants not restricted	1,566,434	-	1,566,434	1,781,749	-	1,781,749
Investment income	76,050	104,564	180,614	33,183	62,736	95,919
Miscellaneous	361,197	121,627	482,824	9,398	-	9,398
Total general revenues	<u>14,652,013</u>	<u>226,191</u>	<u>14,878,204</u>	<u>14,751,759</u>	<u>62,736</u>	<u>14,814,495</u>
Total revenues	<u>18,372,612</u>	<u>15,494,723</u>	<u>33,867,335</u>	<u>18,468,974</u>	<u>44,440,832</u>	<u>62,909,806</u>
Expenses:						
General government	3,566,984	-	3,566,984	2,722,911	-	2,722,911
Public safety	8,346,122	-	8,346,122	7,736,192	-	7,736,192
Public works	3,342,453	-	3,342,453	2,584,167	-	2,584,167
Engineering	163,832	-	163,832	249,954	-	249,954
Parks & recreation	1,426,761	-	1,426,761	1,390,435	-	1,390,435
Library	1,025,482	-	1,025,482	894,605	-	894,605
Community services	393,730	-	393,730	374,235	-	374,235
Interest on long-term debt	332,240	-	332,240	346,240	-	346,240
Cargo Pier	-	942,898	942,898	-	926,136	926,136
Boat Harbor	-	3,410,754	3,410,754	-	3,235,531	3,235,531
Shipyard	-	1,213,745	1,213,745	-	1,136,632	1,136,632
Harbor Electric	-	585,739	585,739	-	575,261	575,261
Water	-	2,192,228	2,192,228	-	4,533,126	4,533,126
Sewer	-	3,583,227	3,583,227	-	3,611,837	3,611,837
Trident Basin	-	300,096	300,096	-	310,232	310,232
E-911 Services	-	6,442	6,442	-	7,091	7,091
Total expenses	<u>18,597,604</u>	<u>12,235,129</u>	<u>30,832,733</u>	<u>16,298,739</u>	<u>14,335,846</u>	<u>30,634,585</u>
Increase in net position before transfers	(224,992)	3,259,594	3,034,602	2,170,235	30,104,986	32,275,221
Transfers	(280,000)	280,000	-	(381,000)	381,000	-
Change in net position	(504,992)	3,539,594	3,034,602	1,789,235	30,485,986	32,275,221
Net position at beginning of year	<u>65,233,601</u>	<u>123,795,811</u>	<u>189,029,412</u>	<u>63,444,366</u>	<u>93,309,825</u>	<u>156,754,191</u>
Net position at end of year	<u>\$ 64,728,609</u>	<u>\$ 127,335,405</u>	<u>\$ 192,064,014</u>	<u>\$ 65,233,601</u>	<u>\$ 123,795,811</u>	<u>\$ 189,029,412</u>

City of Kodiak, Alaska

Management's Discussion and Analysis

Governmental Activities

Governmental activities decreased the City of Kodiak's net position by \$504,992, thereby accounting for (16.64%) of the total net position of the City of Kodiak. Key elements of this decrease are as follows:

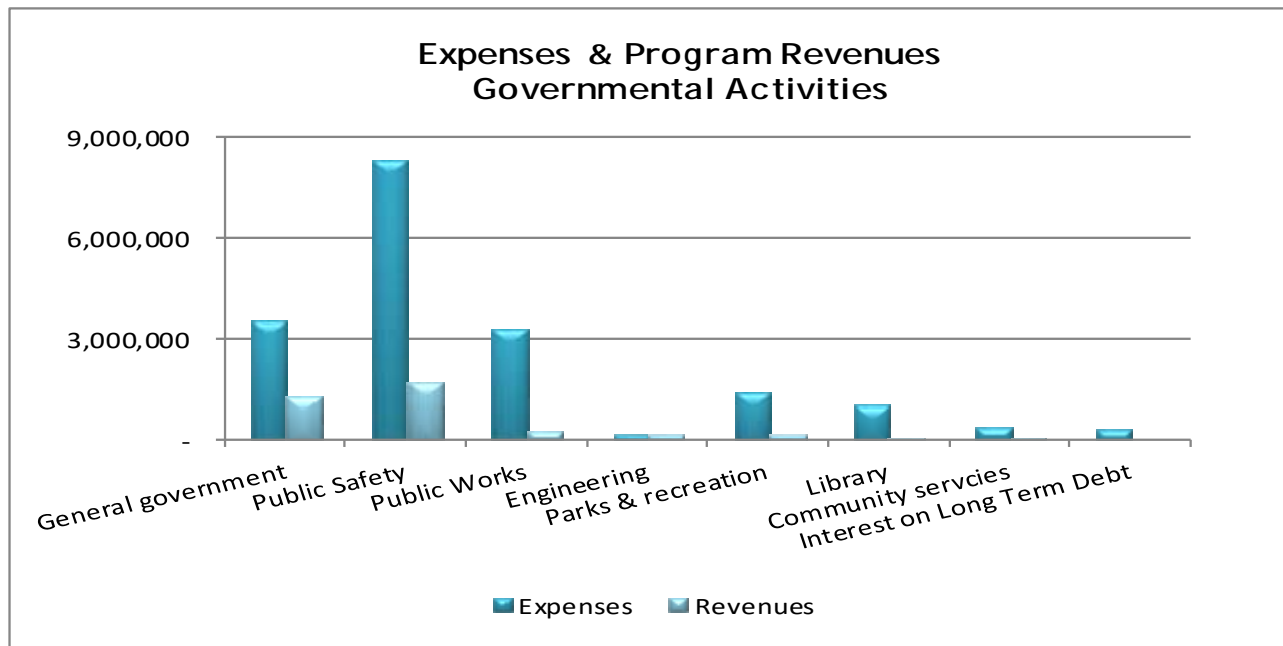
The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$11,481,933, a 2.36% decrease from 2015. The City sales tax rate in 2016 was at 7% on all sales. The City sales tax accounts for 62% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for less than 1% of total governmental activities revenues in 2016.

City taxpayers financed most of the City's costs, bringing in tax revenues of \$12,648,332. 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 \$3,720,599 (20%) of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety 45%, Public Works 18%, and General Government 19%, or 82% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses

Increases in expenses are due to increased costs and differences in grant funded operations. Overall the expenses increased by 12% from the prior fiscal year. This was due primarily to an increase in general government by 24%, and an increase in public works by 23%.



The graph on the following page shows the revenues by source for governmental-type activities. Taxes comprise the largest revenue source at 69% of total governmental revenue. Other primary revenue sources include 17% for charges for services and 11% for grants.

City of Kodiak, Alaska

Management's Discussion and Analysis

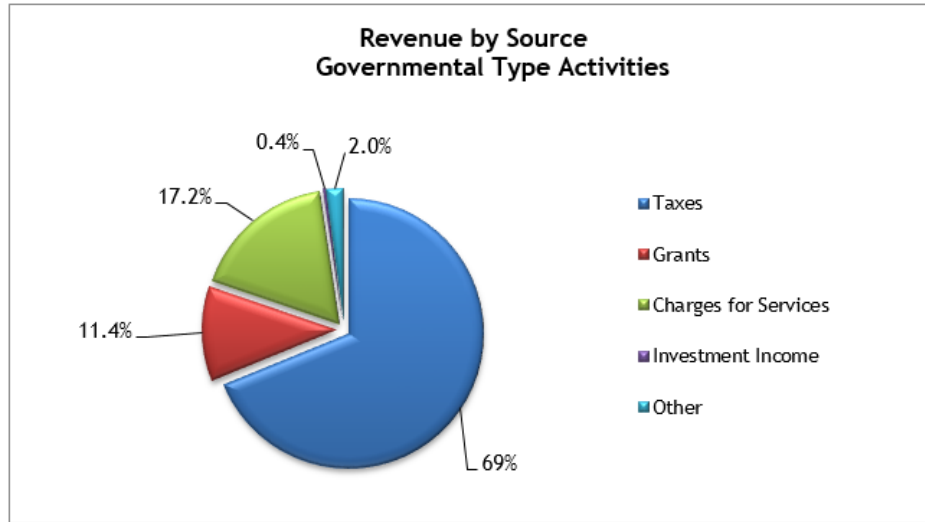


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2016. That is, it identified the cost of these services supported by charges for services, operating grants and capital grants.

Table 3
Governmental Activities in 2016

	Total Cost of Services	Net Cost (Benefit) of Services	% of Total Costs
	<u>2016</u>	<u>2016</u>	
Governmental activities:			
General government	\$ 3,566,984	\$ 2,260,162	19%
Public safety	8,346,122	6,632,693	44%
Public works	3,342,453	3,065,349	18%
Engineering	163,832	16,342	1%
Parks & recreation	1,426,761	1,287,912	8%
Library	1,025,482	961,060	6%
Community services	393,730	321,247	2%
Interest on long-term debt	332,240	332,240	2%
Total governmental activities	\$ 18,597,604	\$ 14,877,005	100%

Business-type Activities

Business-type activities increased the City of Kodiak's net position by \$3,539,594 accounting for 116.64% of the total growth in the government's net position. Key elements of this are as follows:

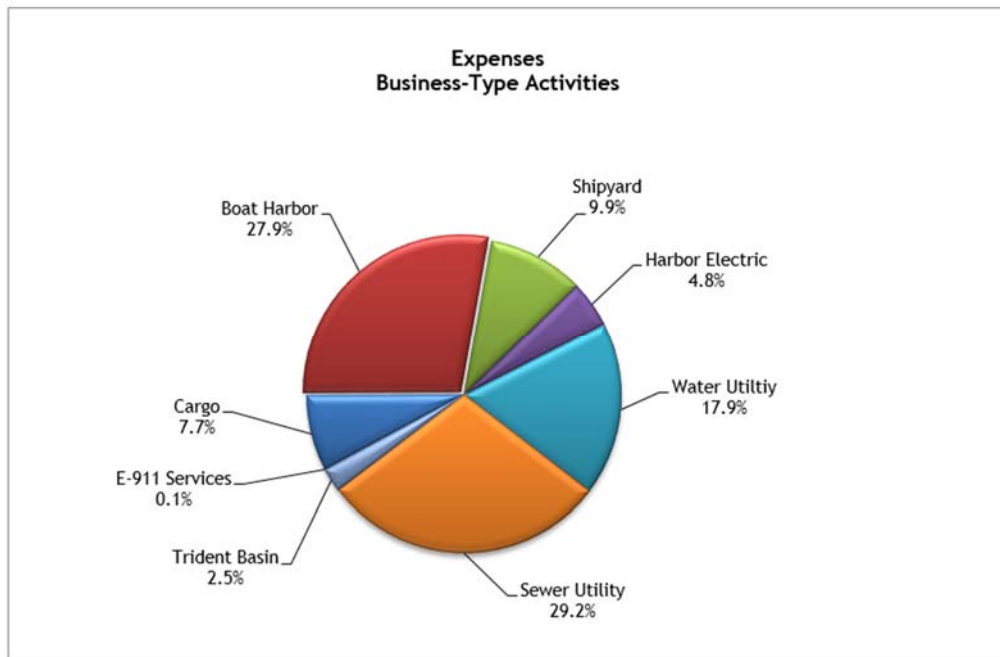
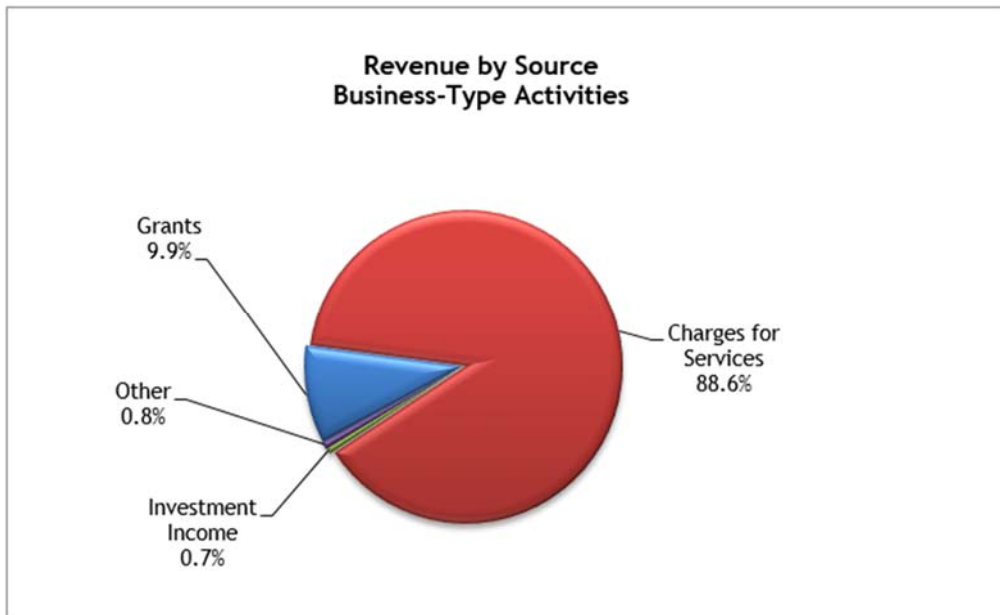
Charges for services and capital grant revenues accounted for most of the City's total business-type revenues, with charges for services contributing 89% of the total revenues and grants 10% of the total revenues.

City of Kodiak, Alaska

Management's Discussion and Analysis

The primary source of revenue from business-type activities is charges for services, which amounted to \$13,739,140, a 3% increase from 2015. For the business-type activities, operating costs were 89% of the charges for services. Operating and capital grants, interest income and miscellaneous revenues financed the remaining costs.

The City's business-type activities expenses are related to cargo 8%, boat harbor 28%, shipyard 10%, harbor electric 5%, water utility 18%, sewer utility 29%, the Trident Basin Airport 2% and E-911 Services, less than 1%. Total harbor related activities were 50% and total public works activities are 50% of the total business type activities in fiscal year 2016.



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 2016. 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 2016

	Total Cost of Services 2016	Net Cost (Benefit) of Services 2016	% of Total Costs
	2016	2016	Total Costs
Business-type activities:			
Cargo	\$ 942,898	\$ (1,458,902)	8%
Boat Harbor	3,410,754	1,129,922	28%
Shipyard	1,213,745	606,651	10%
Harbor Electric	585,739	(87,914)	5%
Water Utility	2,192,228	(2,941,844)	18%
Sewer Utility	3,583,227	(505,584)	29%
Trident Basin	300,096	246,644	2%
E-911 Services	6,442	(22,376)	0%
Total business-type activities	\$ 12,235,129	\$ (3,033,403)	100%

Financial Analysis of the Governmental Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$18,246,230, an increase of \$1,746,839 in comparison with the prior year. Approximately 47.52% of this total amount, \$8,670,767, 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 \$8,670,767 while total fund balance was \$8,693,021. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Unassigned fund balance of \$8,670,767 represents 45% of total General Fund expenditures and transfers of \$19,256,610. Total fund balance of \$8,693,021 represents 45% of total General Fund expenditures and transfers of \$19,256,610.

City of Kodiak, Alaska

Management's Discussion and Analysis

The fund balance of the City of Kodiak's General Fund decreased in the amount of \$1,405,896 during the current fiscal year. Key factors in this increase are as follows:

Total General Fund total expenditures and transfers of \$19,256,610 exceeded operating revenues of \$17,850,714. Budgeted Sales tax revenues of the General Fund exceeded actual sales tax revenues by \$514,564. Until this year, 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 public safety by \$1,937,692, public works by \$949,315, and general government by \$702,362. Transfers from the General Fund to other funds in the amount of \$4,920,949 were higher than prior years. Code requirements accounted for \$1,748,400 in transfers; other transfers included \$7,886 for disaster administration, \$1,990,000 to General Capital Projects, \$1,000,000 for building projects, and \$174,663 to the Vehicle Replacement Fund.

The Nonmajor Funds have a total fund balance of \$9,553,209. Of this balance, 5% is restricted for tourism, 42% is committed for the Enhancement Fund, 52% assigned for capital projects, and 1% assigned for public works. There was an increase of \$3,152,735 in fund balances as a result capital projects.

Proprietary Funds

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

Unrestricted net position of the major funds in the Harbor Facilities (Cargo Pier, Boat Harbor, and Shipyard) at the end of the year amount to \$6,512,560 and those in the Water, Sewer Facilities amounted to \$16,704,463. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$692,097 in unrestricted net position. The total change in net position for all areas was an increase of \$3,514,014. This increase can be primarily attributed to lower expenses in the major funds as compared to prior years.

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 \$639,919 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

\$150,000 supplemental increase to the legal department in anticipation of legal advice required for certain capital projects and ventures and general city business.

\$7,886 supplemental decrease from non-departmental administration to the disaster administration special revenue fund for needed expenditures related to the Twin Peaks/Chiniak fire that occurred in August 2016.

\$57,738 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.

\$8,475 supplemental increase in the appropriation to the fire department for an unforeseen printer equipment purchase.

City of Kodiak, Alaska

Management's Discussion and Analysis

\$333,961 supplemental increase across all general fund departments for discounts received from the City's health insurance provider.

\$748,400 supplemental appropriation for a General Fund transfer to the Enhancement Fund of one-half of the prior year general fund surplus and interest earnings on investments.

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 \$4,287,624 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in all functions. The largest savings were in General Government, Public Works and Public Safety. Significant amounts and percentages are shown on below.

Table 4
General Fund Budget Highlights

	Amount Under Budget	Percent Under Budget
	<hr/>	<hr/>
General government	\$ 702,362	16%
Public safety	1,937,692	46%
Public works	949,315	22%
Engineering	128,843	3%
Parks and recreation	229,038	5%
Library	280,805	8%
Community services	8,287	0%
Other - insurance and administration	51,282	1%
Total under budget	<u>\$ 4,287,624</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the City's capital assets have a total net book value of \$175,733,491. Table 5 on the following page compares the net book values at June 30, 2016 and 2015. 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 \$4,356,661 (2%). The major increase was based on additional construction in progress related to the Pier III Cargo Terminal replacement project.

City of Kodiak, Alaska

Management's Discussion and Analysis

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 2,501,384	\$ 2,501,384	\$ 693,997	\$ 693,997	\$ 3,195,381	\$ 3,195,381
Construction in progress	399,838	18,651,018	54,185,322	47,140,955	54,585,160	65,791,973
Buildings	42,425,826	31,842,667	23,853,913	23,867,809	66,279,739	55,710,476
Other improvements	8,524,025	1,568,470	110,711,163	108,569,532	119,235,188	110,138,002
Infrastructure	18,681,299	18,681,299	-	-	18,681,299	18,681,299
Machinery and equipment	12,301,947	10,854,589	21,425,210	21,043,753	33,727,157	31,898,342
Total capital assets	84,834,319	84,099,427	210,869,605	201,316,046	295,703,924	285,415,473
Less accumulated depreciation	23,676,262	22,119,994	96,294,171	91,918,649	119,970,433	114,038,643
Total capital assets, net	\$ 61,158,057	\$ 61,979,433	\$ 114,575,434	\$ 109,397,397	\$ 175,733,491	\$ 171,376,830

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, 2016, the City had \$589,878 in long-term leave payable for governmental activities and \$183,201 for business-type activities. The City has a \$6,695,000 balance on a general obligation bond related to the construction of a new public safety building, loans payable to the State of Alaska of \$5,754,384 related to the Water and Sewer Enterprise Funds, and \$6,180,000 of revenue bonds related to the Harbor and Shipyard Enterprise Funds. At June 30, 2016, the City recognized a net pension liability obligation related to the State of Alaska PERS retirement plan for \$9,168,807 for governmental activities and \$2,709,011 for business-type activities.

Table 6 below summarizes all outstanding debt at June 30, 2016 with a comparison to 2015. 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.

Table 6
Debt Outstanding at June 30

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 6,695,000	\$ 6,890,000	\$ -	\$ -	\$ 6,695,000	\$ 6,890,000
Long-term leave payable	589,878	624,199	183,201	194,898	773,079	819,097
Long-term notes payable	-	-	5,754,384	4,421,173	5,754,384	4,421,173
Revenue bonds payable	-	-	6,180,000	6,315,000	6,180,000	6,315,000
Net pension liability	9,168,807	6,007,243	2,709,011	1,882,456	11,877,818	7,889,699
Total liabilities	\$ 16,453,685	\$ 13,521,442	\$ 14,826,596	\$ 12,813,527	\$ 31,280,281	\$ 26,334,969

City of Kodiak, Alaska

Management's Discussion and Analysis

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 2015 in the Kodiak Island Borough is 4.9% compared to 6.4% Alaska wide.
- The cost of living index in Kodiak for the first quarter of 2015 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 2016, the unassigned fund balance in the General Fund decreased by \$1,934,900 leaving a balance at the end of the year of \$8,670,767. The City has appropriated \$-0- of its total fund balance of \$8,670,767 for spending in the 2017 fiscal year budget.

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

Requests for Information

This financial report is designed to provide the City's citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have a question about this report or need additional information, contact the City's office, City of Kodiak, 710 Mill Bay Road, Room 221, Kodiak, Alaska 99615. The City of Kodiak has a web site at www.city.kodiak.ak.us.

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City of Kodiak, Alaska

Statement of Net Position

<i>June 30, 2016</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Cash and investments	\$ 15,933,879	\$ 27,238,059	\$ 43,171,938
Receivables, net of allowance	3,139,702	1,213,834	4,353,536
Inventory	-	253,416	253,416
Restricted cash and investments	-	505,050	505,050
Prepays	22,254	120	22,374
Capital assets not being depreciated - land and construction in progress	2,901,222	54,879,319	57,780,541
Other capital assets, net of depreciation	58,256,835	59,696,115	117,952,950
Total Assets	80,253,892	143,785,913	224,039,805
Deferred Outflows of Resources - related to pensions	1,796,735	530,863	2,327,598
Total Assets and Deferred Outflows of Resources	\$ 82,050,627	\$ 144,316,776	\$ 226,367,403
Liabilities, Deferred Inflows of Resources, and Net Position			
Accounts payable	\$ 293,143	\$ 1,712,936	\$ 2,006,079
Accrued payroll and related liabilities	251,657	71,577	323,234
Customer deposits	3,517	272,105	275,622
Accrued interest	81,810	126,076	207,886
Internal balances	75,881	(75,881)	-
Noncurrent Liabilities			
Due within one year:			
Accrued leave	480,088	81,958	562,046
Bonds payable	205,000	140,000	345,000
Loans payable	-	346,364	346,364
Due in more than one year:			
Accrued leave	109,790	101,243	211,033
Bonds payable	6,490,000	6,040,000	12,530,000
Loans payable	-	5,408,020	5,408,020
Net pension liability	9,168,807	2,709,011	11,877,818
Total Liabilities	17,159,693	16,933,409	34,093,102
Deferred Inflows of Resources - related to pensions	162,325	47,962	210,287
Total Liabilities and Deferred Inflows of Resources	17,322,018	16,981,371	34,303,389
Net Position			
Net investment in capital assets	54,463,057	102,641,050	157,104,107
Restricted for debt service	-	505,050	505,050
Unrestricted	10,265,552	24,189,305	34,454,857
Total Net Position	64,728,609	127,335,405	192,064,014
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 82,050,627	\$ 144,316,776	\$ 226,367,403

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Statement of Activities

Year Ended June 30, 2016	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
Governmental Activities							
General government	\$ 3,566,984	\$ 1,210,409	\$ 96,413	\$ -	\$ (2,260,162)	\$ -	\$ (2,260,162)
Public safety	8,346,122	1,399,008	253,726	60,695	(6,632,693)	-	(6,632,693)
Public works	3,342,453	218,393	58,711	-	(3,065,349)	-	(3,065,349)
Engineering	163,832	147,490	-	-	(16,342)	-	(16,342)
Parks and recreation	1,426,761	120,231	18,618	-	(1,287,912)	-	(1,287,912)
Library	1,025,482	27,996	30,176	6,250	(961,060)	-	(961,060)
Community services	393,730	72,483	-	-	(321,247)	-	(321,247)
Interest on long-term debt	332,240	-	-	-	(332,240)	-	(332,240)
Total Governmental Activities	18,597,604	3,196,010	457,644	66,945	(14,877,005)	-	(14,877,005)
Business-type Activities							
Cargo Pier	942,898	1,349,684	11,793	1,040,323	-	1,458,902	1,458,902
Boat Harbor	3,410,754	2,231,594	49,238	-	-	(1,129,922)	(1,129,922)
Water Utility	2,192,228	4,758,057	15,421	360,594	-	2,941,844	2,941,844
Sewer Utility	3,583,227	4,045,199	43,612	-	-	505,584	505,584
Shipyard	1,213,745	598,683	8,411	-	-	(606,651)	(606,651)
Harbor Electric	585,739	673,653	-	-	-	87,914	87,914
Trident Basin	300,096	53,452	-	-	-	(246,644)	(246,644)
E-911 Services	6,442	28,818	-	-	-	22,376	22,376
Total Business-type Activities	12,235,129	13,739,140	128,475	1,400,917	-	3,033,403	3,033,403
Total	\$ 30,832,733	\$ 16,935,150	\$ 586,119	\$ 1,467,862	(14,877,005)	3,033,403	(11,843,602)
General Revenues							
Taxes:							
Property taxes					921,916	-	921,916
Sales taxes					11,481,933	-	11,481,933
Other taxes, penalties and interest					244,483	-	244,483
Grants and entitlements not restricted to a specific purpose					1,566,434	-	1,566,434
Investment income					76,050	104,564	180,614
Other					361,197	121,627	482,824
Transfers					(280,000)	280,000	-
Total General Revenues and Transfers					14,372,013	506,191	14,878,204
Changes in net position					(504,992)	3,539,594	3,034,602
Net Position, beginning of year					65,233,601	123,795,811	189,029,412
Net Position, end of year					\$ 64,728,609	\$127,335,405	\$ 192,064,014

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Governmental Funds

Balance Sheet

<i>June 30, 2016</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Govern- mental Funds
Assets			
Cash and investments	\$ 5,932,243	\$ 9,537,830	\$ 15,470,073
Receivables, net of allowance for uncollectible accounts:			
Taxes	2,928,759	56,025	2,984,784
Grants and shared revenues	57,362	31,346	88,708
Special assessments	-	62,584	62,584
Interest	-	3,626	3,626
Prepaid items	22,254	-	22,254
Due from other funds	204,304	-	204,304
Total Assets	\$ 9,144,922	\$ 9,691,411	\$ 18,836,333
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 196,727	\$ 96,416	\$ 293,143
Accrued payroll and related liabilities	251,657	-	251,657
Customer deposits	3,517	-	3,517
Total Liabilities	451,901	96,416	548,317
Deferred Inflows of Resources			
Deferred assessments	-	41,786	41,786
Fund Balances			
Nonspendable - prepaid items	22,254	-	22,254
Committed:			
Tourism	-	430,735	430,735
Economic stability	-	4,058,411	4,058,411
Assigned:			
Capital projects	-	4,963,239	4,963,239
Public works	-	100,824	100,824
Unassigned	8,670,767	-	8,670,767
Total Fund Balances	8,693,021	9,553,209	18,246,230
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,144,922	\$ 9,691,411	\$ 18,836,333

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2016

Total fund balances for governmental funds		\$ 18,246,230
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	399,838	
Buildings	42,425,826	
Improvements other than buildings	8,524,025	
Infrastructure	18,681,299	
Machinery and equipment	12,301,947	
Accumulated depreciation	<u>(23,676,262)</u>	
Total capital assets		61,158,057
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.		
		1,796,735
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.		
		183,621
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	(9,168,807)	
Bonds payable	(6,695,000)	
Accrued leave	(589,878)	
Accrued interest	<u>(81,810)</u>	
Total long-term liabilities		(16,535,495)
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>(162,325)</u>
Total Net Position of Governmental Activities		\$ 64,728,609

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, 2016</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Governmental Funds
Revenues			
Taxes:			
Property taxes	\$ 921,916	\$ -	\$ 921,916
Sales taxes	11,481,933	-	11,481,933
Other taxes, penalties and interest	31,003	210,098	241,101
Intergovernmental	1,907,583	61,487	1,969,070
Charges for services	1,705,250	-	1,705,250
Fines and forfeitures	3,382	-	3,382
Licenses and permits	59,599	-	59,599
Rental income	148,269	72,483	220,752
Interfund charges	1,210,409	-	1,210,409
Investment income	20,173	54,352	74,525
Donations	-	6,250	6,250
Other revenues	361,197	-	361,197
Total Revenues	17,850,714	404,670	18,255,384
Expenditures			
Current:			
General government	2,527,903	281,304	2,809,207
Public safety	6,673,326	91,606	6,764,932
Public works	1,799,536	1,258,621	3,058,157
Engineering	165,227	-	165,227
Parks and recreation	1,250,316	32,222	1,282,538
Library	763,875	-	763,875
Community services	186,613	197,894	384,507
Other - insurance and administration	436,875	-	436,875
Debt service:			
Bond principal	195,000	-	195,000
Bond interest	336,990	-	336,990
Capital outlay	-	256,237	256,237
Total Expenditures	14,335,661	2,117,884	16,453,545
Excess of revenues over (under) expenditures	3,515,053	(1,713,214)	1,801,839
Other Financing Sources (Uses)			
Transfers in	-	4,865,949	4,865,949
Transfers out	(4,920,949)	-	(4,920,949)
Net Other Financing Sources (Uses)	(4,920,949)	4,865,949	(55,000)
Net change in fund balances	(1,405,896)	3,152,735	1,746,839
Fund Balances, beginning of year	10,098,917	6,400,474	16,499,391
Fund Balances, end of year	\$ 8,693,021	\$ 9,553,209	\$ 18,246,230

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, 2016

Net change in fund balances - total governmental funds		\$ 1,746,839
<p>The change in net position reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$1,556,268) exceeded capital outlays (\$734,892).</p>		
		(821,376)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Increase in accrued leave	34,321	
Decrease in accrued interest payable	4,750	
Increase in net pension liabilities and related accounts	<u>(1,527,626)</u>	
		(1,488,555)
<p>Repayment of the principal of the long-term debt consumes current financial resources of governmental funds but does not have any effect on net position.</p>		
		195,000
<p>Internal service funds are used by management to charge the costs of certain insurance to individual funds. A portion of these activities is reported with governmental activities.</p>		
		<u>(136,900)</u>
Change in Net Position of Governmental Activities		<u>\$ (504,992)</u>

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Proprietary Funds
Statement of Net Position

June 30, 2016	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 of Resources								
Current Assets								
Cash and investments	\$ 3,157,252	\$ 5,382,805	\$ 13,923,669	\$ 3,806,388	\$ 106,053	\$ 861,892	\$ 27,238,059	\$ 463,806
Receivables - net of allowances	295,384	87,555	340,800	346,780	54,225	89,090	1,213,834	-
Inventories	-	-	241,530	11,886	-	-	253,416	-
Prepaid Expenses	-	120	-	-	-	-	120	-
Total Current Assets	3,452,636	5,470,480	14,505,999	4,165,054	160,278	950,982	28,705,429	463,806
Noncurrent Assets								
Restricted cash and investments	-	129,581	-	-	375,469	-	505,050	-
Property, plant and equipment, net	43,353,927	10,421,284	27,178,143	15,206,887	14,921,714	3,493,479	114,575,434	-
Total Noncurrent Assets	43,353,927	10,550,865	27,178,143	15,206,887	15,297,183	3,493,479	115,080,484	-
Total Assets	46,806,563	16,021,345	41,684,142	19,371,941	15,457,461	4,444,461	143,785,913	463,806
Deferred Outflows of Resources								
related to pensions	48,727	203,453	63,720	180,206	34,757	-	530,863	-
Total Assets and Deferred Outflows of Resources	\$ 46,855,290	\$ 16,224,798	\$ 41,747,862	\$ 19,552,147	\$ 15,492,218	\$ 4,444,461	\$ 144,316,776	\$ 463,806
Liabilities, Deferred Inflows of Resources, and Net Position								
Current Liabilities								
Accounts payable	\$ 799,999	\$ 53,629	\$ 264,529	\$ 549,583	\$ 7,102	\$ 38,094	\$ 1,712,936	\$ -
Accrued payroll and related liabilities	6,776	27,805	10,495	22,993	3,357	151	71,577	-
Customer deposits	-	241,819	13,200	-	750	16,336	272,105	-
Accrued interest	-	27,440	14,548	5,097	78,991	-	126,076	-
Due to other funds	-	-	-	-	-	204,304	204,304	-
Current portion:								
Accrued annual leave	3,480	38,713	9,618	27,476	2,671	-	81,958	-
Revenue bonds	-	45,000	-	-	95,000	-	140,000	-
Loans payable	-	-	165,276	134,588	46,500	-	346,364	-
Total Current Liabilities	810,255	434,406	477,666	739,737	234,371	258,885	2,955,320	-
Noncurrent Liabilities								
Long term portion:								
Accrued annual leave	1,201	72,924	6,611	19,567	940	-	101,243	-
Revenue bonds	-	1,700,000	-	-	4,340,000	-	6,040,000	-
Loans payable	-	-	3,751,795	1,051,725	604,500	-	5,408,020	-
Net pension liability	248,655	1,038,230	325,165	919,596	177,365	-	2,709,011	-
Total Noncurrent Liabilities	249,856	2,811,154	4,083,571	1,990,888	5,122,805	-	14,258,274	-
Total Liabilities	1,060,111	3,245,560	4,561,237	2,730,625	5,357,176	258,885	17,213,594	-
Deferred Inflows of Resources								
related to pensions	4,402	18,381	5,757	16,281	3,141	-	47,962	-
Total Liabilities and Deferred Inflows of Resources	1,064,513	3,263,941	4,566,994	2,746,906	5,360,317	258,885	17,261,556	-
Net Position								
Net investment in capital assets	43,353,927	8,676,284	23,261,072	14,020,574	9,835,714	3,493,479	102,641,050	-
Restricted for debt service	-	129,581	-	-	375,469	-	505,050	-
Unrestricted (deficit)	2,436,850	4,154,992	13,919,796	2,784,667	(79,282)	692,097	23,909,120	463,806
Total Net Position	45,790,777	12,960,857	37,180,868	16,805,241	10,131,901	4,185,576	127,055,220	463,806
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 46,855,290	\$ 16,224,798	\$ 41,747,862	\$ 19,552,147	\$ 15,492,218	\$ 4,444,461		\$ 463,806
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							280,185	
Net Position of Business-type Activities							\$ 127,335,405	

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, 2016	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
Operating Revenues	\$ 1,349,684	\$ 2,231,594	\$ 4,758,057	\$ 4,045,199	\$ 598,683	\$ 755,923	\$ 13,739,140	\$ 704,701
Operating Expenses								
Salaries and benefits	303,260	1,252,034	439,427	1,150,162	233,349	6,442	3,384,674	-
Professional	6,066	92,846	15,033	37,714	21,683	3,690	177,032	-
Contributions	-	17,580	-	-	-	-	17,580	-
Goods and services	27,691	179,919	159,046	336,580	58,756	520,822	1,282,814	592,546
Repairs and maintenance	36,268	72,895	14,610	51,660	11,429	8,301	195,163	-
Utilities and fuel	22,981	180,453	411,165	484,836	37,288	15,323	1,152,046	-
Administrative services	-	15,526	-	-	-	4,082	19,608	-
Machinery and equipment	259	4,023	18,158	11,789	-	5,000	39,229	-
Interfund charges	123,103	219,399	269,372	283,914	95,758	69,485	1,061,031	-
Depreciation	425,619	1,303,111	643,238	1,214,440	529,981	259,132	4,375,521	-
Total Operating Expenses	945,247	3,337,786	1,970,049	3,571,095	988,244	892,277	11,704,698	592,546
Earnings (loss) from operations	404,437	(1,106,192)	2,788,008	474,104	(389,561)	(136,354)	2,034,442	112,155
Nonoperating Revenues (Expenses)								
Investment income	13,433	29,605	45,790	12,522	379	2,835	104,564	1,525
Discounts received	12,070	39,881	23,747	40,279	5,352	298	121,627	-
Interest expense	-	(82,771)	(30,079)	(20,815)	(227,176)	-	(360,841)	-
State PERS relief	11,793	49,238	15,421	43,612	8,411	-	128,475	-
Engineering and feasibility studies	-	-	(33,354)	-	-	-	(33,354)	-
Noncapital repairs	-	-	(161,816)	-	-	-	(161,816)	-
Net Nonoperating Revenues (Expenses)	37,296	35,953	(140,291)	75,598	(213,034)	3,133	(201,345)	1,525
Earnings (loss) before contributions and transfers	441,733	(1,070,239)	2,647,717	549,702	(602,595)	(133,221)	1,833,097	113,680
Capital contributions	1,040,323	-	360,594	-	-	-	1,400,917	-
Transfers in	-	500,000	-	-	-	-	500,000	-
Transfers out	-	-	(110,000)	(110,000)	-	-	(220,000)	(225,000)
Change in net position	1,482,056	(570,239)	2,898,311	439,702	(602,595)	(133,221)	3,514,014	(111,320)
Net Position, beginning of year	44,308,721	13,531,096	34,282,557	16,365,539	10,734,496	4,318,797		575,126
Net Position, end of year	\$ 45,790,777	\$ 12,960,857	\$ 37,180,868	\$ 16,805,241	\$ 10,131,901	\$ 4,185,576		\$ 463,806
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							25,580	
Change in Net Position of Business-type Activities							\$ 3,539,594	

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Proprietary Funds
Statement of Cash Flows

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
<i>Year Ended June 30, 2016</i>								
Cash Flows from Operating Activities								
Receipts from customers and users	\$ 1,172,959	\$ 2,147,570	\$ 4,718,634	\$ 4,054,448	\$ 582,333	\$ 749,173	\$ 13,425,117	\$ -
Receipts from interfund services provided	-	70,435	-	-	-	-	70,435	704,701
Payments for interfund services used	(123,103)	(219,399)	(269,372)	(283,914)	(95,758)	(69,485)	(1,061,031)	-
Payments to suppliers	(77,211)	(544,887)	(648,412)	(961,922)	(131,550)	(558,505)	(2,922,487)	(592,546)
Payments to employees	(239,867)	(1,019,784)	(430,201)	(941,506)	(152,983)	(6,116)	(2,790,457)	-
Net cash flows from operating activities	732,778	433,935	3,370,649	1,867,106	202,042	115,067	6,721,577	112,155
Cash Flows from Noncapital Financing Activities								
Transfers in	-	500,000	-	-	-	-	500,000	-
Transfers out	-	-	(110,000)	(110,000)	-	-	(220,000)	(225,000)
Noncapital repairs and maintenance	-	-	(161,816)	-	-	-	(161,816)	-
Increase (decrease) due to other funds	-	-	-	-	-	(4,031)	(4,031)	-
Nonoperating grant received	-	-	230,731	-	-	-	230,731	-
Net cash flows from (for) noncapital financing activities	-	500,000	(41,085)	(110,000)	-	(4,031)	344,884	(225,000)
Cash Flows from (for) Capital and Related Financing Activities								
Principal paid on long-term debt	-	(45,000)	(163,789)	(334,991)	(136,500)	-	(680,280)	-
Interest paid on long-term debt	-	(83,671)	(39,144)	(29,042)	(229,506)	-	(381,363)	-
Proceeds from issuance of long-term debt	-	-	1,878,491	-	-	-	1,878,491	-
Purchase of property, plant and equipment	(5,865,309)	(46,892)	(966,323)	(3,139,371)	-	-	(10,017,895)	-
Capital contributions received	5,746,135	-	828,864	-	-	-	6,574,999	-
Net cash flows from (for) capital and related financing activities	(119,174)	(175,563)	1,538,099	(3,503,404)	(366,006)	-	(2,626,048)	-
Cash Flows from Investing Activities								
Investment income received	13,433	29,605	45,790	12,522	379	2,835	104,564	1,525
Net increase (decrease) in cash and investments	627,037	787,977	4,913,453	(1,733,776)	(163,585)	113,871	4,544,977	(111,320)
Cash and Investments, beginning of year	2,530,215	4,724,409	9,010,216	5,540,164	645,107	748,021	23,198,132	575,126
Cash and Investments, end of year	\$ 3,157,252	\$ 5,512,386	\$13,923,669	\$ 3,806,388	\$ 481,522	\$ 861,892	\$ 27,743,109	\$ 463,806
Reconciliation of Earnings (Loss) from Operations								
to net cash flows from operating activities:								
Earnings (loss) from operations	\$ 404,437	\$(1,106,192)	\$ 2,788,008	\$ 474,104	\$(389,561)	\$(136,354)	\$ 2,034,442	\$ 112,155
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:								
Depreciation	425,619	1,303,111	643,238	1,214,440	529,981	259,132	4,375,521	-
Noncash discounts received	12,070	39,881	23,747	40,279	5,352	298	121,627	-
Noncash State PERS relief	11,793	49,238	15,421	43,612	8,411	-	128,475	-
Other nonoperating revenues (expenses)	-	-	(33,354)	-	-	-	(33,354)	-
(Increase) decrease in assets:								
Accounts receivable	(176,725)	(17,317)	(51,523)	9,249	(15,600)	(6,550)	(258,466)	-
Inventory	-	-	4,778	(288)	-	-	4,490	-
Prepaid expenses	-	(120)	-	-	-	-	(120)	-
Increase in deferred outflows of resources related to pensions	(29,427)	(119,845)	(28,358)	(109,883)	(25,716)	-	(313,229)	-
Increase (decrease) in liabilities:								
Accounts payable	16,054	18,475	(1,824)	(39,055)	(2,394)	(1,287)	(10,031)	-
Accrued payroll and related liabilities	1,925	4,834	2,093	2,939	194	28	12,013	-
Accrued annual leave	198	8,265	6,612	(25,625)	(1,147)	-	(11,697)	-
Customer deposits	-	3,728	12,100	-	(750)	(200)	14,878	-
Net pension liability	81,719	315,048	19,293	311,329	99,166	-	826,555	-
Decrease in deferred inflows of resources related to pensions	(14,885)	(65,171)	(29,582)	(53,995)	(5,894)	-	(169,527)	-
Net Cash Flows from Operating Activities	\$ 732,778	\$ 433,935	\$ 3,370,649	\$ 1,867,106	\$ 202,042	\$ 115,067	\$ 6,721,577	\$ 112,155
Non-cash Capital and Related Financing Activities:								
Purchase of capital assets on account	\$ 780,111	\$ 9,970	\$ 214,903	\$ 498,350	\$ -	\$ -	\$ 1,705,376	\$ -

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Notes to Basic Financial Statements June 30, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Kodiak (the City) was formed by a Home Rule Charter on March 16, 1965 under the provisions of Alaska Statute, Title 29, as amended. The City operates under a council-manager form of government and provides the following services: public safety (police and fire), public works, parks and recreation, community services, library, boat harbor, port, water, sewer, harbor electric utilities, airport facilities and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

The City of Kodiak is a municipal corporation governed by an elected council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Kodiak. There are no component units based on operational and financial relationship criteria.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support. The effect of interfund activity, for the most part, has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who use, purchase, or directly benefit from goods, services, or privileges provided by a given segment or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar programs are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position is reported as restricted when constraints placed on the net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Governmental fund type financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only to the extent they have matured.

Sales taxes, property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when received by the government.

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

The *General Fund* is the City's primary operating fund - it accounts for all financial resources of the City, except those required to be accounted for in another fund.

The 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.

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.

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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."

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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 assumptions 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 of resources related to both pension items and assessments. The pension items result from changes in assumptions 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.

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

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 \$29,643,482 and the bank balance totaled \$29,539,563. Of the bank balance, \$250,000 was insured by FDIC insurance and \$30,963,402 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, 2016 was \$2,750.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Investments

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.

Investments are reported at fair value with unrealized gain or loss in investments reflected in the investment income. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy inputs are as follows:

- *Level 1 inputs* - quoted prices in active markets for identical assets
- *Level 2 inputs* - significant other observable inputs which are valued using models with various inputs, such as but not limited to daily cash flow, snapshots of market indices and spread scales
- *Level 3 inputs* - significant unobservable inputs

The City has the following fair value measurements as of June 30, 2016:

<i>Investments by fair value level</i>	June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US government agencies	\$ 4,011,114	-	\$ 4,011,114	-
Certificates of deposit	6,218,445	6,218,445	-	-
Total Investment by fair value level	10,229,559	\$ 6,218,445	\$ 4,011,114	-

Investments Measured at Net Asset Value

Alaska Municipal League Investment Pool	3,905,109
Total investments at fair value level	\$ 14,134,668

City of Kodiak, Alaska

Notes to Basic Financial Statements

Investment maturities at June 30, 2016 are as follows:

Investment Type	Fair Value	Investment Maturity (in years)	
		Less than 1	1-5
U.S. government agencies	\$ 4,011,114	\$ 2,500,827	\$ 1,510,287
Certificates of deposit	6,218,445	4,477,460	1,740,985
Alaska Municipal League Investment Pool	3,905,109	3,905,109	-
Total Investments	\$ 14,134,668	\$ 10,883,396	\$ 3,251,272

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.

Credit Risk

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

The Alaska Municipal League Investment Pool is an external investment pool that is rated 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, 2016 the fair value of the investment in AMLIP approximates amortized cost.

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City of Kodiak, Alaska

Notes to Basic Financial Statements

4. Accounts Receivable and Unearned Revenues

Receivables at June 30, 2016, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	Major Governmental Fund		Nonmajor Governmental Funds	Totals
	General			
Taxes	\$ 2,928,759		\$ 56,025	\$ 2,984,784
Grants and shared revenues	57,362		31,346	88,708
Special assessments	-		62,584	62,584
Interest	-		3,626	3,626
Total receivables	2,986,121		153,581	3,139,702
Less allowance for doubtful accounts	-		-	-
Net Receivables	\$ 2,986,121		\$ 153,581	\$ 3,139,702

	Major Enterprise Funds					Nonmajor Enterprise Funds	Totals
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard		
Accounts	\$ 241,963	\$ 103,202	\$ 343,024	\$ 349,647	\$ 54,225	\$ 89,090	\$ 1,181,151
Grants	53,421	-	-	-	-	-	53,421
Total receivables	295,384	103,202	343,024	349,647	54,225	89,090	1,234,572
Less allowance for doubtful accounts	-	(15,647)	(2,224)	(2,867)	-	-	(20,738)
Net Receivables	\$ 295,384	\$ 87,555	\$ 340,800	\$ 346,780	\$ 54,225	\$ 89,090	\$ 1,213,834

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, 2016, unearned revenues reported in the governmental funds were \$-0-.

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, 2016, the various components of deferred inflows reported in the governmental funds were as follows:

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,501,384	\$ -	\$ -	\$ 2,501,384
Construction in progress	18,651,018	-	18,251,180	399,838
Total assets not being depreciated	21,152,402	-	18,251,180	2,901,222
<i>Capital assets being depreciated:</i>				
Buildings	31,842,667	10,583,159	-	42,425,826
Improvements other than buildings	1,568,470	6,955,555	-	8,524,025
Infrastructure	18,681,299	-	-	18,681,299
Machinery and equipment	10,854,589	1,447,358	-	12,301,947
Total assets being depreciated	62,947,025	18,986,072	-	81,933,097
Less accumulated depreciation for:				
Buildings	5,122,996	760,348	-	5,883,344
Improvements other than buildings	1,167,902	46,743	-	1,214,645
Infrastructure	7,859,537	275,154	-	8,134,691
Machinery and equipment	7,969,559	474,023	-	8,443,582
Total accumulated depreciation	22,119,994	1,556,268	-	23,676,262
Total capital assets being depreciated, net	40,827,031	17,429,804	-	58,256,835
Governmental Activity Capital Assets, net	\$ 61,979,433	\$ 17,429,804	\$18,251,180	\$ 61,158,057

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City of Kodiak, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	\$ -	\$ -	\$ 693,997
Construction in progress	47,140,955	7,044,367	-	54,185,322
Total assets not being depreciated	47,834,952	7,044,367	-	54,879,319
<i>Capital assets being depreciated:</i>				
Buildings	23,867,809	-	13,896	23,853,913
Improvements other than buildings	108,569,532	2,141,631	-	110,711,163
Machinery and equipment	21,043,753	381,457	-	21,425,210
Total assets being depreciated	153,481,094	2,523,088	13,896	155,990,286
Less accumulated depreciation for:				
Buildings	17,075,742	858,770	-	17,934,512
Improvements other than buildings	69,564,538	2,895,029	-	72,459,567
Machinery and equipment	5,278,370	621,722	-	5,900,092
Total accumulated depreciation	91,918,650	4,375,521	-	96,294,171
Total capital assets being depreciated, net	61,562,444	(1,852,433)	13,896	59,696,115
Business-type Activity Capital Assets, net	\$ 109,397,396	\$ 5,191,934	\$ 13,896	\$ 114,575,434

Depreciation expense was charged to the functions as follows, for the year ended June 30, 2016:

Governmental Activities	
General government	\$ 14,127
Public safety	802,945
Public works	414,410
Parks and recreation	123,044
Library	192,519
Community services	9,223
Total Governmental Activities Depreciation	\$ 1,556,268
Business-type Activities	
Cargo Pier	\$ 425,619
Boat Harbor	1,303,111
Water Utility	643,238
Sewer Utility	1,214,440
Shipyard	529,981
Harbor Electric	10,402
Trident Basin	248,730
Total Business-type Activities Depreciation	\$ 4,375,521

City of Kodiak, Alaska

Notes to Basic Financial Statements

6. Long-term Debt

Long-term debt at June 30, 2016 is comprised of the following:

Governmental Activities	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$205,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ 6,890,000	\$ -	\$ 195,000	\$ 6,695,000	\$ 205,000
Net pension liability	6,007,243	3,161,564	-	9,168,807	-
Accrued leave	624,199	473,700	508,021	589,878	480,088
Total Governmental Activities	\$ 13,521,442	\$ 3,635,264	\$ 703,021	\$ 16,453,685	\$ 685,088

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

Business-type Activities	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
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	\$ 1,790,000	\$ -	\$ 45,000	\$ 1,745,000	\$ 45,000
\$4,000,000 2007 Series A Shipyard Revenue Bonds, due in annual installments of \$75,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,635,000	-	70,000	3,565,000	75,000
\$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	890,000	-	20,000	870,000	20,000
Loans Payable: \$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	201,100	-	201,100	-	-

City of Kodiak, Alaska

Notes to Basic Financial Statements

Business-type Activities, continued	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Loans Payable, continued:					
\$550,000 Sewer loan, due in annual installments of \$55,000, plus interest at 1.5% through 2019	\$ 220,000	\$ -	\$ 55,000	\$ 165,000	\$ 55,000
\$1,000,000 Sewer loan, due in annual installments of \$58,246, including interest at 1.5% through 2030	777,187	-	46,589	730,598	47,286
\$930,000 Shipyard loan, due in annual installments of \$46,500, plus interest at 1.5% through 2030	697,500	-	46,500	651,000	46,500
\$862,000 Water loan, due in annual installments of \$50,208, including interest at 1.5% through 2030	669,934	-	40,159	629,775	40,761
\$341,930 (maximum) Water loan, due in annual installments of \$64,603 plus interest at 1.5% through 2019	323,017	-	64,603	258,414	64,603
\$341,930 (maximum) Sewer loan, due in annual installments of \$32,302 plus interest at 1.5% through 2024	323,017	-	32,302	290,715	32,302
\$5,982,000 (maximum) Water loan, due in annual installments of \$77,168, including interest at 1.5% through 2032	1,209,418	-	59,027	1,150,391	59,912
\$1,878,491 Water loan, due in annual installments including interest of 1.5% beginning March 2017	-	1,878,491	-	1,878,491	-
Net pension liability	1,882,456	826,555	-	2,709,011	-
Accrued leave	194,898	165,646	177,343	183,201	81,958
Total Business-type Activities	\$12,813,527	\$2,870,692	\$ 857,623	\$ 14,826,596	\$ 568,322

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

Governmental Activities	General Obligation Bonds		
	Principal	Interest	Total
<i>Years Ending June 30,</i>			
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	215,000	294,128	509,128
2022-2026	1,210,000	1,320,600	2,530,600
2027-2031	1,540,000	995,480	2,535,480
2032-2036	1,975,000	561,795	2,536,795
2037-2038	940,000	73,840	1,013,840
	\$ 6,695,000	\$ 4,505,603	\$ 11,200,603

Business-type Activities	Revenue Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
<i>Years Ending June 30,</i>						
2017	\$ 140,000	\$ 294,664	\$ 434,664	\$ 346,364	\$ 58,139	\$ 404,503
2018	155,000	286,039	441,039	348,586	52,942	401,528
2019	160,000	276,839	436,839	350,839	47,714	398,553
2020	170,000	268,639	438,639	298,127	42,452	340,579
2021	175,000	261,395	436,395	235,842	37,979	273,821
2022-2026	1,025,000	1,178,033	2,203,033	1,182,952	136,122	1,319,074
2027-2031	1,405,000	905,028	2,310,028	962,252	50,300	1,012,552
2032-2036	2,000,000	487,253	2,487,253	150,931	3,404	154,335
2037-2038	950,000	47,063	997,063	-	-	-
	\$ 6,180,000	\$ 4,004,953	\$ 10,184,953	\$ 3,875,893	\$ 429,052	\$ 4,304,945

At June 30, 2016, the City had one loan still in drawdown status with an outstanding balance of \$1,878,491. As a result, no final repayment schedule has been determined. The loan balance has been omitted from the above schedule.

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

Debt Issued Subsequent to Year-End

On November 3, 2016, the City issued General Obligation Refunding Bond 2016 Series Three (1-4), totaling \$12,395,000 to advance refund \$12,320,000 of outstanding bond principal at June 30, 2016. The net present value savings of the refunding was \$1,570,000. The bonds are due in annual installments of \$5,000 to \$440,000, plus interest rates from 2% to 5%. The City also increased outstanding loans payable in the Water Utility Fund by \$548,128.

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	\$	22,254	\$	-	\$	22,254
Committed:						
Tourism		-		430,735		430,735
Economic stability		-		4,058,411		4,058,411
Assigned:						
Capital projects		-		4,963,239		4,963,239
Public works		-		100,824		100,824
Unassigned		8,670,767		-		8,670,767
Total Fund Balances	\$	8,693,021	\$	9,553,209	\$	18,246,230

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, 2016 and 2015 respectively, are as follows:

	2016	2015
General Fund general sales taxes	\$ 11,481,933	\$ 11,759,863
Tourism Development Special Revenue Fund room taxes	\$ 210,098	\$ 212,228

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 of sales taxes to these funds for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Capital Projects Funds:		
Street Improvements	\$ 450,000	\$ 450,000
Parks and Recreation	50,000	50,000
Enterprise Fund - Boat Harbor	500,000	500,000
Total Sales Tax Revenues Transferred from the General Fund	\$ 1,000,000	\$ 1,000,000

9. Interfund Receivables and Transfers

A schedule of interfund balances and transfers for the year ended June 30, 2016, follows:

Due from Other Funds	
Due to the General Fund from nonmajor enterprise fund	\$ 204,304

City of Kodiak, Alaska

Notes to Basic Financial Statements

Transfers

From General Fund to:

Boat Harbor Enterprise Fund for capital costs	\$ 500,000
Enhancement Special Revenue Fund for economic stability	748,400
Disaster Administration Special Revenue Fund for disaster relief	7,886
Nonmajor governmental funds for capital projects	3,664,663

Total transfers from General Fund 4,920,949

From Water Utility Enterprise Fund to nonmajor governmental funds for capital costs 110,000

From Sewer Utility Enterprise Fund to:
Nonmajor governmental funds for capital costs 110,000

From Nonmajor internal service funds to Nonmajor governmental funds for capital costs 225,000

Total Transfers to Other Funds **\$ 5,365,949**

10. Defined Benefit (DB) 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.

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.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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 notes.

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. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

The City records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

It is important to note that the legislature has the power and the authority to change the aforementioned statute through the legislative process.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary, while police and firefighters are required to contribute 7.5% of their annual covered salary.

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.

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. 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 change results in lower ARM Board Rates than previously adopted.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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. 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 in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

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 FY16, the rate uses an 8.00% pension discount rate and a 4.55% 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, 2016 were determined in the June 30, 2013 actuarial valuation and are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63%	37.79%
Postemployment healthcare (see Note 12)	8.75%	10.81%	1.56%	58.73%
Total Contribution Rates	22.00%	27.19%	5.19%	96.52%

In 2016, the City was credited with the following contributions to the pension plan.

	Measurement Period City FY15	Measurement Period City FY16
Employer contributions (including DBUL)	\$ 674,192	\$ 720,391
Nonemployer contributions (on-behalf)	3,197,815	289,467
Total Contributions	\$ 3,872,007	\$ 1,009,858

In addition, employee contributions to the Plan totaled \$253,441 during the City’s 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, 2016, 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:

	2016
City proportionate share of NPL	\$ 11,877,818
State's proportionate share of NPL associated with the City	3,181,492
Total Net Pension Liability	\$ 15,059,310

The net pension liability was measured as of June 30, 2015, 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, 2016, the City's proportion was 0.24490 percent, which was an increase of 0.07574 from its proportion measured as of the prior measurement date.

For the year ended June 30, 2016, the City recognized pension expense of \$2,590,550 and on-behalf revenue of \$439,354 for support provided by the State. At June 30, 2016, 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	\$ 13,845	\$ -
Changes in assumptions	694,508	-
Net difference between projected and actual earnings on pension plan investments	-	(210,287)
Changes in proportion and differences between City contributions and proportionate share of contributions	898,854	-
City contributions subsequent to the measurement date	720,391	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 2,327,598	\$ (210,287)

City of Kodiak, Alaska

Notes to Basic Financial Statements

The \$720,391 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2017	\$ 1,331,037
2018	6,065
2019	(135,053)
2020	194,872

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2015 (City fiscal year 2016) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	<p>Amounts for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively.</p> <p>Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.</p>
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	<p>Inflation - 3.12% per year</p> <p>Productivity - 0.50% per year</p> <p>Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92%</p> <p>All others - graded by age and years of service from 8.55% to 4.34%</p>
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	<p>Pre-termination - Based on the 2010-2013 actual mortality experience</p> <p>Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.</p>

City of Kodiak, Alaska

Notes to Basic Financial Statements

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. 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	5.35%
Global equity (non-U.S.)	5.55%
Private equity	6.25%
Fixed income	0.80%
Real estate	3.65%
Alternative equity	4.70%

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 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%)
City's proportionate share of the net pension liability	0.24490 %	\$ 15,790,554	\$ 11,877,818	\$ 8,583,700

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 (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution 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, 2016, the City was required to contribute 5% of covered salary into the Plan. In addition, during 2016, the State on-behalf contribution rate for OPEB was 1.56%.

The City and employee contributions to PERS for pensions for the year ended June 30, 2016 were \$177,312 and \$283,700, respectively. The City contribution amount was recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB Plan

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 8.75% 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 2016, on-behalf contributions into the OPEB Plan were \$123,957. There were no on-behalf contributions to the OPEB Plan in 2015; however, on-behalf contributions to the OPEB Plan in 2014 were \$451,202.

<i>Year Ended June 30,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2016	\$ 474,923	\$ 474,923	100 %
2015	508,612	508,612	100 %
2014	627,185	627,185	100 %

Defined Contribution OPEB Plan

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, 2016 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.68%	1.68%
Occupational death and disability benefits	0.22%	1.05%
Total Contribution Rates	1.90%	2.73%

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, 2015, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,005 per year for each full-time employee, and \$1.28 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2016, the City contributed \$199,902 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

13. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. In accordance with the Internal Revenue Code, all assets and income of the Plan are held in trust for

City of Kodiak, Alaska

Notes to Basic Financial Statements

the exclusive benefit of participants and their beneficiaries. The City does not report these assets and income in the financial statements. The City believes that the Plan does not meet the reporting criteria for inclusion as a fiduciary fund.

14. 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, 2016. 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.

15. 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, 2015 was \$1,496,800 and accordingly, \$748,400 was transferred to the Enhancement Fund during the current year. Lease and rental income was \$72,483 and investment earnings were \$36,317 for the year ended June 30, 2016.

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 not recorded from the General Fund to the Enhancement Fund. As of June 30, 2016, investment earnings did not exceed earnings necessary for inflation-proofing therefore no additional transfers from the General Fund to the Enhancement fund were recognized.

City of Kodiak, Alaska

Notes to Basic Financial Statements

16. 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 \$10,397 per month. For the year ended June 30, 2016, the City recognized \$122,674 in rent expense paid to the Kodiak Island Borough.

17. 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, 2016 was \$1,414,000.

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.

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.

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 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 statement 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 statement and local governmental OPEB plans for making decisions and assessing accountability.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - Effective for year-end June 30, 2017 - This statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB 80 - Blending Requirements for Certain Component Units - an amendment - Effective for year-end June 30, 2017 - This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB 81 - Irrevocable Split Interest Agreements - Effective for year-end June 30, 2018 - This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end June 30, 2019 - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

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, 2016</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 1,003,500	\$ 1,003,500	\$ 921,916	\$ (81,584)
Sales taxes	12,027,500	12,027,500	11,512,936	(514,564)
Intergovernmental	2,948,420	2,963,420	1,907,583	(1,055,837)
Charges for services	1,660,317	1,660,317	1,705,250	44,933
Fines and forfeitures	15,000	15,000	3,382	(11,618)
Licenses and permits	89,800	89,800	59,599	(30,201)
Rental income	230,000	230,000	148,269	(81,731)
Interfund charges	1,198,832	1,210,409	1,210,409	-
Investment income	10,000	10,000	20,173	10,173
Other revenues	22,000	344,384	361,197	16,813
Total Revenues	19,205,369	19,554,330	17,850,714	(1,703,616)
Expenditures				
General government:				
Legislative	296,454	296,454	240,504	55,950
Legal	50,000	200,000	141,453	58,547
Executive	663,067	663,067	513,908	149,159
Emergency preparedness	56,500	48,614	20,622	27,992
City clerk	492,970	492,970	401,328	91,642
Finance	1,529,160	1,529,160	1,210,088	319,072
Police	6,868,059	6,925,797	5,406,252	1,519,545
Fire	2,208,736	2,217,211	1,799,064	418,147
Public works	2,748,851	2,748,851	1,799,536	949,315
Engineering	294,070	294,070	165,227	128,843
Parks and recreation	1,479,354	1,479,354	1,250,316	229,038
Library	1,044,680	1,044,680	763,875	280,805
Community services	194,900	194,900	186,613	8,287
Non-departmental	463,890	488,157	436,875	51,282
Total Expenditures	18,390,691	18,623,285	14,335,661	4,287,624
Excess of revenues over expenditures	814,678	931,045	3,515,053	2,584,008
Other Financing Uses -				
Transfers out	(4,161,019)	(4,917,305)	(4,920,949)	(3,644)
Net change in fund balance	<u>\$ (3,346,341)</u>	<u>\$ (3,986,260)</u>	<u>(1,405,896)</u>	<u>\$ 2,580,364</u>
Fund Balance, beginning of year			<u>10,098,917</u>	
Fund Balance, end of year			<u>\$ 8,693,021</u>	

See accompanying notes to required supplementary information.

City of Kodiak, Alaska
Public Employees Retirement System (PERS)
Schedule of the City's Information on the Net Pension Liability

<i>Years Ended June 30,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.16916%	\$ 7,889,699	\$ 7,149,538	\$ 15,039,237	\$ 6,711,285	117.56%	62.37%
2016	0.24490%	\$ 11,877,818	\$ 3,181,492	\$ 15,059,310	\$ 6,958,225	170.70%	63.96%

See accompanying notes to Required Supplementary Information.

City of Kodiak, Alaska
Public Employees Retirement System (PERS)
Schedule of the City's Contributions

<i>Years Ended June 30,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 674,192	\$ 674,192	\$ -	\$ 6,958,225	9.69%
2016	\$ 720,391	\$ 720,391	\$ -	\$ 7,169,399	10.05%

See accompanying notes to Required Supplementary Information.

City of Kodiak, Alaska

Notes to Required Supplementary Information June 30, 2016

1. Budgetary Comparison Schedules

The Required Budgetary Comparison Schedule is 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 Employees' 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, 2016, the Plan measurement date is June 30, 2015.

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

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

There was a material change in the allocation methodology from the prior measurement period. The measurement period ended June 30, 2014 allocated the net pension liability based on actual contributions for 2014. The measurement period ended June 30, 2015 allocated the net pension liability based on the present value of contributions for FY2017-FY2039, as determined by projections based on the June 30, 2014 actuarial valuation.

3. Public Employees' Retirement System - Schedule of City Contributions

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow on the Statement of Net Position.

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 Project 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, 2016</i>									
Assets									
Cash and investments	\$ 374,710	\$ 80,026	\$ 4,054,785	\$ 588,203	\$ 1,725,190	\$ 2,042,308	\$ 223,167	\$ 449,441	\$ 9,537,830
Receivables:									
Taxes	56,025	-	-	-	-	-	-	-	56,025
Grant	-	-	-	31,346	-	-	-	-	31,346
Special assessments	-	62,584	-	-	-	-	-	-	62,584
Interest	-	-	3,626	-	-	-	-	-	3,626
Total Assets	\$ 430,735	\$ 142,610	\$ 4,058,411	\$ 619,549	\$ 1,725,190	\$ 2,042,308	\$ 223,167	\$ 449,441	\$ 9,691,411
Liabilities, Deferred Inflows of Resources, and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ 17,925	\$ 7,551	\$ 70,940	\$ -	\$ -	\$ 96,416
Deferred Inflows of Resources									
deferred assessments	-	41,786	-	-	-	-	-	-	41,786
Fund Balances									
Committed:									
Tourism	430,735	-	-	-	-	-	-	-	430,735
Economic stability	-	-	4,058,411	-	-	-	-	-	4,058,411
Assigned:									
Capital projects	-	-	-	601,624	1,717,639	1,971,368	223,167	449,441	4,963,239
Public works	-	100,824	-	-	-	-	-	-	100,824
Total Fund Balances	430,735	100,824	4,058,411	601,624	1,717,639	1,971,368	223,167	449,441	9,553,209
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 430,735	\$ 142,610	\$ 4,058,411	\$ 619,549	\$ 1,725,190	\$ 2,042,308	\$ 223,167	\$ 449,441	\$ 9,691,411

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

Year Ended June 30, 2016	Special Revenue Funds				Capital Project Funds				General Fund Vehicle Replacement	Total Nonmajor Govern- mental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	Disaster Administration	General	Building Improvements	Street Recreation	Parks and Recreation		
Revenues										
Taxes	\$ 210,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,098
Intergovernmental	-	-	-	2,470	59,017	-	-	-	-	61,487
Rental income	-	-	72,483	-	-	-	-	-	-	72,483
Investment income	1,232	263	36,317	-	1,935	5,675	6,718	734	1,478	54,352
Donations	-	-	-	-	-	6,250	-	-	-	6,250
Total Revenues	211,330	263	108,800	2,470	60,952	11,925	6,718	734	1,478	404,670
Expenditures										
General government	-	-	-	10,356	270,948	-	-	-	-	281,304
Public safety	-	-	-	-	91,606	-	-	-	-	91,606
Public works	-	-	-	-	-	1,258,621	-	-	-	1,258,621
Parks and recreation	-	-	-	-	-	-	32,222	-	-	32,222
Community services	169,770	-	-	-	28,124	-	-	-	-	197,894
Capital outlay	-	-	-	-	39,041	73,772	113,431	29,993	-	256,237
Total Expenditures	169,770	-	-	10,356	429,719	73,772	1,372,052	62,215	-	2,117,884
Excess of revenues over (under) expenditures	41,560	263	108,800	(7,886)	(368,767)	(61,847)	(1,365,334)	(61,481)	1,478	(1,713,214)
Other Financing Sources										
Transfers in	-	-	748,400	7,886	245,000	1,000,000	2,640,000	50,000	174,663	4,865,949
Net Other Financing Sources	-	-	748,400	7,886	245,000	1,000,000	2,640,000	50,000	174,663	4,865,949
Net change in fund balances	41,560	263	857,200	-	(123,767)	938,153	1,274,666	(11,481)	176,141	3,152,735
Fund Balances, beginning of year	389,175	100,561	3,201,211	-	725,391	779,486	696,702	234,648	273,300	6,400,474
Fund Balances, end of year	\$ 430,735	\$ 100,824	\$ 4,058,411	\$ -	\$ 601,624	\$ 1,717,639	\$ 1,971,368	\$ 223,167	\$ 449,441	\$ 9,553,209

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

<i>June 30, 2016</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Assets				
Current Assets				
Cash and investments	\$ 802,310	\$ -	\$ 59,582	\$ 861,892
Receivables	59,551	721	28,818	89,090
Total Current Assets	861,861	721	88,400	950,982
Noncurrent Assets -				
property, plant and equipment, net	11,265	3,482,214	-	3,493,479
Total Assets	\$ 873,126	\$ 3,482,935	\$ 88,400	\$ 4,444,461
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 36,369	\$ 1,725	\$ -	\$ 38,094
Accrued payroll and related liabilities	-	-	151	151
Customer deposits	14,800	1,536	-	16,336
Due to other funds	-	204,304	-	204,304
Total Current Liabilities	51,169	207,565	151	258,885
Net Position				
Net investment in capital assets	11,265	3,482,214	-	3,493,479
Unrestricted (deficit)	810,692	(206,844)	88,249	692,097
Total Net Position	821,957	3,275,370	88,249	4,185,576
Total Liabilities and Net Position	\$ 873,126	\$ 3,482,935	\$ 88,400	\$ 4,444,461

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

<i>Year Ended June 30, 2016</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 673,653	\$ 53,452	\$ 28,818	\$ 755,923
Operating Expenses				
Salaries and benefits	-	-	6,442	6,442
Professional	-	3,690	-	3,690
Goods and services	509,085	11,737	-	520,822
Repairs and maintenance	8,301	-	-	8,301
Utilities and fuel	-	15,323	-	15,323
Administrative services	-	4,082	-	4,082
Machinery and equipment	5,000	-	-	5,000
Interfund charges	52,951	16,534	-	69,485
Depreciation	10,402	248,730	-	259,132
Total Operating Expenses	585,739	300,096	6,442	892,277
Earnings (loss) from operations	87,914	(246,644)	22,376	(136,354)
Nonoperating Revenues				
Investment income	2,639	-	196	2,835
Discounts received	-	-	298	298
Net Nonoperating Revenues	2,639	-	494	3,133
Change in net position	90,553	(246,644)	22,870	(133,221)
Net Position, beginning of year	731,404	3,522,014	65,379	4,318,797
Net Position, end of year	\$ 821,957	\$ 3,275,370	\$ 88,249	\$ 4,185,576

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

<i>Year Ended June 30, 2016</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 663,001	\$ 55,303	\$ 30,869	\$ 749,173
Payments for interfund services used	(52,951)	(16,534)	-	(69,485)
Payments to suppliers	(523,767)	(34,738)	-	(558,505)
Payments to employees	-	-	(6,116)	(6,116)
Net cash flows from operating activities	86,283	4,031	24,753	115,067
Cash Flows for Noncapital Financing Activities				
Decrease in due to other funds	-	(4,031)	-	(4,031)
Cash Flows from Investing Activities				
Investment income received	2,639	-	196	2,835
Net increase in cash and investments	88,922	-	24,949	113,871
Cash and Investments, beginning of year	713,388	-	34,633	748,021
Cash and Investments, end of year	\$ 802,310	\$ -	\$ 59,582	\$ 861,892
Reconciliation of Earnings (Loss) from Operations to Net Cash Flows from Operating Activities				
Earnings (loss) from operations	\$ 87,914	\$ (246,644)	\$ 22,376	\$ (136,354)
Adjustments to reconcile earnings (loss) from operations to net cash from operating activities:				
Depreciation	10,402	248,730	-	259,132
Noncash discounts received	-	-	298	298
(Increase) decrease in assets - accounts receivable	(10,452)	1,851	2,051	(6,550)
Increase (decrease) in liabilities:				
Accounts payable	(1,381)	94	-	(1,287)
Accrued payroll and related liabilities	-	-	28	28
Customer deposits	(200)	-	-	(200)
Net cash flows from operating activities	\$ 86,283	\$ 4,031	\$ 24,753	\$ 115,067

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>	2016	2015
Assets		
Cash and investments	\$ 5,932,243	\$ 7,553,513
Receivables:		
Taxes	2,928,759	3,064,469
Grants and shared revenues	57,362	12,677
Total receivables	2,986,121	3,077,146
Prepaid items	22,254	16,709
Due from other funds	204,304	208,335
Total Assets	\$ 9,144,922	\$ 10,855,703
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 196,727	\$ 547,851
Accrued payroll and related liabilities	251,657	202,593
Customer deposits	3,517	6,342
Total Liabilities	451,901	756,786
Fund Balance		
Nonspendable - prepaid items	22,254	16,709
Assigned for subsequent year's expenditures	-	3,346,341
Unassigned	8,670,767	6,735,867
Total Fund Balance	8,693,021	10,098,917
Total Liabilities and Fund Balance	\$ 9,144,922	\$ 10,855,703

City of Kodiak, Alaska

General Fund

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

Year Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Revenues				
Taxes:				
Property taxes	\$ 1,003,500	\$ 921,916	\$ (81,584)	\$ 912,645
Sales taxes	12,000,000	11,481,933	(518,067)	11,759,863
Penalties and interest	27,500	31,003	3,503	27,954
Total taxes	13,031,000	12,434,852	(596,148)	12,700,462
Intergovernmental:				
Grants	25,000	24,486	(514)	23,812
Revenue sharing	150,000	377,926	227,926	397,792
State PERS relief	1,357,920	319,133	(1,038,787)	2,434,826
Fisheries business tax	1,283,000	1,021,500	(261,500)	1,164,404
Shared fisheries business and landing tax	75,000	88,138	13,138	90,093
Liquor licenses	20,000	23,100	3,100	28,300
Fuel tax sharing	7,500	7,663	163	11,186
Telephone and electric sharing	45,000	45,637	637	89,974
Total intergovernmental	2,963,420	1,907,583	(1,055,837)	4,240,387
Charges for services:				
Public safety:				
Boarding of State prisoners	991,552	991,552	-	1,240,018
State Trooper contract	78,750	78,750	-	78,750
Ambulance services	200,000	214,958	14,958	221,370
Other public safety charges	121,415	113,748	(7,667)	112,169
School lifeguard services	15,000	16,433	1,433	17,068
Borough building inspector charges	120,000	147,490	27,490	113,849
Library fees and charges	16,100	27,996	11,896	22,641
Parks and recreation fees and charges	108,500	103,798	(4,702)	108,052
Public works services	9,000	10,525	1,525	9,980
Total charges for services	1,660,317	1,705,250	44,933	1,923,897

City of Kodiak, Alaska

General Fund

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

Years Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Revenues, continued				
Fines and forfeitures	\$ 15,000	\$ 3,382	\$ (11,618)	\$ 14,739
Licenses and permits	89,800	59,599	(30,201)	135,769
Rental income	230,000	148,269	(81,731)	199,410
Interfund charges:				
Cargo Pier Fund	86,996	86,996	-	58,039
Boat Harbor Fund	211,466	211,466	-	183,554
Water Fund	253,506	253,506	-	163,520
Sewer Fund	268,048	268,048	-	182,378
Trident Basin Fund	8,601	8,601	-	7,818
Public works	63,464	63,464	-	53,944
Tourism Development Fund	45,150	45,150	-	45,150
Shipyard Fund	59,651	59,651	-	49,585
Electric Fund	38,864	38,864	-	29,347
Vehicle replacement	174,663	174,663	-	98,574
Total interfund charges	1,210,409	1,210,409	-	871,909
Investment income	10,000	20,173	10,173	15,917
Other revenues	344,384	361,197	16,813	9,398
Total Revenues	19,554,330	17,850,714	(1,703,616)	20,111,888
Expenditures				
General government:				
Legislative	296,454	240,504	55,950	236,697
Legal	200,000	141,453	58,547	57,350
Executive	663,067	513,908	149,159	400,426
Emergency preparedness	48,614	20,622	27,992	32,173
City clerk	492,970	401,328	91,642	491,199
Finance	1,529,160	1,210,088	319,072	1,302,068
Total general government	3,230,265	2,527,903	702,362	2,519,913

City of Kodiak, Alaska

General Fund

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

Years Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued				
Public safety:				
Police department:				
Administration:				
Operations	\$ 952,607	\$ 795,307	\$ 157,300	\$ 1,051,071
Bond principal	195,000	195,000	-	185,000
Bond interest	336,990	336,990	-	346,240
Uniformed patrol	1,504,823	1,171,590	333,233	1,335,858
Corrections	1,442,206	1,183,329	258,877	1,432,833
Investigations	355,625	153,514	202,111	196,981
Support services	1,225,646	947,691	277,955	1,148,622
Animal control	212,768	193,995	18,773	248,809
Drug enforcement	146,453	128,405	18,048	146,243
Community services	222,449	141,848	80,601	179,594
Canine	171,815	29,590	142,225	170,567
Police school resources	159,415	128,993	30,422	160,722
Total police department	6,925,797	5,406,252	1,519,545	6,602,540
Fire department	2,217,211	1,799,064	418,147	2,123,473
Total public safety	9,143,008	7,205,316	1,937,692	8,726,013
Public works:				
Administration	125,400	100,250	25,150	147,454
Streets	1,935,218	1,199,358	735,860	1,369,244
Garage	292,810	179,712	113,098	286,259
Building inspection	369,173	308,122	61,051	362,985
Municipal airport facility	26,250	12,094	14,156	19,173
Total public works	2,748,851	1,799,536	949,315	2,185,115
Engineering	294,070	165,227	128,843	244,967

City of Kodiak, Alaska

General Fund

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

Years Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Expenditures, continued				
Parks and recreation:				
Administration	\$ 697,804	\$ 559,878	\$ 137,926	\$ 604,036
Museum	108,650	102,344	6,306	101,708
Teen Center	259,560	236,119	23,441	264,908
Aquatics	236,960	192,809	44,151	209,647
Ice rink	160,380	144,090	16,290	144,970
Beautification program	16,000	15,076	924	9,421
Total parks and recreation	1,479,354	1,250,316	229,038	1,334,690
Library	1,044,680	763,875	280,805	935,048
Community services:				
Contributions	149,900	149,900	-	168,098
Downtown revitalization	45,000	36,713	8,287	40,764
Total community services	194,900	186,613	8,287	208,862
Other - insurance and general administration	488,157	436,875	51,282	468,125
Total Expenditures	18,623,285	14,335,661	4,287,624	16,622,733
Excess of revenues over expenditures	931,045	3,515,053	2,584,008	3,489,155
Other Financing Uses				
Transfers out	(4,917,305)	(4,920,949)	(3,644)	(1,992,355)
Net change in fund balance	<u>\$ (3,986,260)</u>	<u>(1,405,896)</u>	<u>\$ 2,580,364</u>	1,496,800
Fund Balance, beginning of year		<u>10,098,917</u>		<u>8,602,117</u>
Fund Balance, end of year		<u>\$ 8,693,021</u>		<u>\$ 10,098,917</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.

Disaster Administration Fund

This fund accounts for monies received from intergovernmental sources and transfers from the General Fund to administer disaster efforts when the need arises. This fund is only used when disasters occur that required City Emergency Operations Center (EOC) activation.

City of Kodiak, Alaska
Tourism Development Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 374,710	\$ 329,159
Receivables - taxes	56,025	60,016
Total Assets	\$ 430,735	\$ 389,175
Fund Balance		
Committed for tourism	\$ 430,735	\$ 389,175

City of Kodiak, Alaska

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

Year Ended June 30,	2016			2015
	Budget	Actual	Variance	Actual
Revenues				
Room taxes	\$ 170,500	\$ 210,098	\$ 39,598	\$ 212,228
Investment income	-	1,232	1,232	686
Total Revenues	170,500	211,330	40,830	212,914
Expenditures - community services:				
Interfund services:				
Finance and administration	17,050	17,050	-	17,050
Public works services	12,100	12,100	-	12,100
Parks and recreation services	16,000	16,000	-	16,000
Community service contributions	115,000	124,620	(9,620)	111,000
Total Expenditures	160,150	169,770	(9,620)	156,150
Excess of revenues over expenditures	10,350	41,560	31,210	56,764
Other Financing Uses - transfers out	-	-	-	(25,000)
Net change in fund balance	<u>\$ 10,350</u>	41,560	<u>\$ 31,210</u>	31,764
Fund Balance, beginning of year		<u>389,175</u>		<u>357,411</u>
Fund Balance, end of year		<u>\$ 430,735</u>		<u>\$ 389,175</u>

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 80,026	\$ 79,763
Receivables - special assessments	62,584	62,584
Total Assets	\$ 142,610	\$ 142,347
Deferred Inflows of Resources and Fund Balance		
Deferred Inflows of Resources - deferred assessments	\$ 41,786	\$ 41,786
Fund Balance - assigned for public works	100,824	100,561
Total Deferred Inflows of Resources and Fund Balance	\$ 142,610	\$ 142,347

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

<i>Year Ended June 30,</i>	2016	2015
Revenues		
Special assessments	\$ -	\$ 6,041
Investment income	263	164
Total Revenues	263	6,205
Expenditures - public works - professional services	-	572
Excess of Revenues Over Expenditures	263	5,633
Other Financing Uses - transfers out	-	(474)
Net change in fund balance	263	5,159
Fund Balance, beginning of year	100,561	95,402
Fund Balance, end of year	\$ 100,824	\$ 100,561

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 4,054,785	\$ 3,199,334
Interest receivable	3,626	1,877
Total Assets	\$ 4,058,411	\$ 3,201,211
Fund Balance		
Fund Balance - committed for economic stability	\$ 4,058,411	\$ 3,201,211

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>	2016			2015
	Budget	Actual	Variance	Actual
Revenues				
Rental income	\$ 66,800	\$ 72,483	\$ 5,683	\$ 64,127
Investment income	40,000	36,317	(3,683)	9,978
Total Revenues	106,800	108,800	2,000	74,105
Other Financing Sources				
Transfers in	748,400	748,400	-	72,781
Net change in fund balance	<u>\$ 855,200</u>	857,200	<u>\$ 2,000</u>	146,886
Fund Balance, beginning of year		<u>3,201,211</u>		<u>3,054,325</u>
Fund Balance, end of year		<u>\$ 4,058,411</u>		<u>\$ 3,201,211</u>

City of Kodiak, Alaska

Disaster Administration Fund Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30,</i>	2016			2015
	Budget	Actual	Variance	Actual
Revenues				
Intergovernmental income	\$ 2,470	\$ 2,470	\$ -	\$ -
Expenditures - general government:				
Salaries and wages	7,692	7,692		
Employee benefits	2,129	2,137	(8)	-
Support goods and services	535	527	8	-
Total Expenditures	10,356	10,356	-	-
Excess of revenues over (under) expenditures	(7,886)	(7,886)	-	-
Other Financing Sources				
Transfers in	7,886	7,886	-	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund Balance, beginning of year		<u>-</u>		<u>-</u>
Fund Balance, end of year		<u>\$ -</u>		<u>\$ -</u>

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>	2016	2015
Assets		
Cash and investments	\$ 588,203	\$ 734,651
Grants receivable	31,346	-
Total Assets	\$ 619,549	\$ 734,651
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 17,925	\$ 7,937
Unearned revenue	-	1,323
Total Liabilities	17,925	9,260
Fund Balance - assigned for capital projects	601,624	725,391
Total Liabilities and Fund Balance	\$ 619,549	\$ 734,651

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

<i>Year Ended June 30,</i>	2016	2015
Revenues		
Intergovernmental	\$ 59,017	\$ 66,999
Investment income	1,935	1,428
Total Revenues	60,952	68,427
Expenditures		
City land development	73,212	14,058
Comprehensive records management	5,343	-
Museum phase I	1,323	-
KFD deferred maintenance	33,912	4,090
Financial software upgrade	28,666	-
Classification and compensation study	-	1,103
Fire engine replacement	-	5,340
Downtown revitalization	28,124	1,235
Assistance to firefighters	-	70,525
City website development	10,375	7,500
2015 SHSP	42,694	-
Storm damage	191,070	-
DOJ-KPD equipment	15,000	-
Total Expenditures	429,719	103,851
Excess of revenues over (under) expenditures	(368,767)	(35,424)
Other Financing Sources - transfers in	245,000	229,000
Net change in fund balance	(123,767)	193,576
Fund Balance, beginning of year	725,391	531,815
Fund Balance, end of year	\$ 601,624	\$ 725,391

City of Kodiak, Alaska
Building Capital Project Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 1,725,190	\$ 782,225
Liabilities and Fund Balance		
Liabilities - accounts payable	\$ 7,551	\$ 2,739
Fund Balance - assigned for capital projects	1,717,639	779,486
Total Liabilities and Fund Balance	\$ 1,725,190	\$ 782,225

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

<i>Year Ended June 30,</i>	2016	2015
Revenues		
Investment income	\$ 5,675	\$ 1,584
Donations	6,250	42,227
Total Revenues	11,925	43,811
Expenditures		
Library building	32,218	57,351
Fire station	41,554	309
Total Expenditures	73,772	57,660
Excess of revenues over (under) expenditures	(61,847)	(13,849)
Other Financing Sources - transfers in	1,000,000	110,000
Net change in fund balance	938,153	96,151
Fund Balance, beginning of year	779,486	683,335
Fund Balance, end of year	\$ 1,717,639	\$ 779,486

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 2,042,308	\$ 705,682
Liabilities and Fund Balance		
Liabilities - accounts payable	\$ 70,940	\$ 8,980
Fund Balance - assigned for capital projects	1,971,368	696,702
Total Liabilities and Fund Balance	\$ 2,042,308	\$ 705,682

City of Kodiak, Alaska

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

<i>Year Ended June 30,</i>	2016	2015
Revenues - investment income	\$ 6,718	\$ 1,148
Expenditures		
Annual sidewalk, curb and gutter repair	19,541	11,150
Pavement repairs	5,662	453,629
Predesign snow dump storage	113,431	56,027
Spill prevention containment and countermeasures plan	44,634	8,149
Mill Bay Road Rebuild	1,183,880	-
Underground Storage Tank I.T & M	4,904	-
Total Expenditures	1,372,052	528,955
Excess of revenues over (under) expenditures	(1,365,334)	(527,807)
Other Financing Sources - transfers in	2,640,000	1,076,474
Net change in fund balance	1,274,666	548,667
Fund Balance, beginning of year	696,702	148,035
Fund Balance, end of year	\$ 1,971,368	\$ 696,702

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 223,167	\$ 234,648
Fund Balance		
Fund Balance - assigned for capital projects	\$ 223,167	\$ 234,648

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>	2016	2015
Revenues		
Investment income	\$ 734	\$ 578
Expenditures		
Baranof park and field	-	131
Playground equipment and improvements	806	-
Baranof storage building	9,878	5,129
Major park maintenance	9,738	22,942
Building improvement weatherization	21,678	-
Skate park improvements	-	99,713
Teen Center floor replacement	20,115	-
Total Expenditures	62,215	127,915
Excess of revenues over (under) expenditures	(61,481)	(127,337)
Other Financing Sources - transfers in	50,000	50,000
Net change in fund balance	(11,481)	(77,337)
Fund Balance, beginning of year	234,648	311,985
Fund Balance, end of year	\$ 223,167	\$ 234,648

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 449,441	\$ 273,300
Fund Balance		
Assigned for capital projects	\$ 449,441	\$ 273,300

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>	2016	2015
Revenues - investment income	\$ 1,478	\$ 527
Excess of revenues over expenditures	1,478	527
Other Financing Sources - transfers in	174,663	98,574
Net change in fund balance	176,141	99,101
Fund Balance, beginning of year	273,300	174,199
Fund Balance, end of year	\$ 449,441	\$ 273,300

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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>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 3,157,252	\$ 2,530,215
Receivables:		
Accounts	241,963	65,238
Grants	53,421	4,759,233
Total Current Assets	3,452,636	7,354,686
Property, plant and equipment:		
Improvements other than buildings	22,747,558	20,619,826
Building	9,502	9,502
Machinery and equipment	1,154,957	1,154,957
Construction in progress	36,777,544	33,965,028
Accumulated depreciation	(17,335,634)	(16,910,016)
Net property, plant and equipment	43,353,927	38,839,297
Total Assets	46,806,563	46,193,983
Deferred Outflows of Resources - related to pensions	48,727	19,300
Total Assets and Deferred Outflows of Resources	\$ 46,855,290	\$ 46,213,283
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 799,999	\$ 1,709,005
Accrued payroll and related liabilities	6,776	4,851
Current portion of accrued annual leave	3,480	3,228
Total Current Liabilities	810,255	1,717,084
Noncurrent Liabilities		
Long term portion of accrued annual leave	1,201	1,255
Net pension liability	248,655	166,936
Total Noncurrent Liabilities	249,856	168,191
Total Liabilities	1,060,111	1,885,275
Deferred Inflows of Resources - related to pensions	4,402	19,287
Total Liabilities and Deferred Inflows of Resources	1,064,513	1,904,562
Net Position		
Net investment in capital assets	43,353,927	38,839,297
Unrestricted	2,436,850	5,469,424
Total Net Position	45,790,777	44,308,721
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 46,855,290	\$ 46,213,283

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues		
Dockage	\$ 152,256	\$ 125,281
Wharfage and handling	538,214	536,769
Pier III	280,235	295,930
Cruise ship	151,913	96,491
Rentals	225,914	214,649
Other	1,152	1,841
Total Operating Revenues	1,349,684	1,270,961
Operating Expenses		
General and administrative:		
Salaries and benefits	303,260	287,405
Professional	4,421	32,108
Goods and services	26,023	32,127
Machinery and equipment	259	3,660
Repairs and maintenance	161	805
Interfund charges:		
Finance and administration	86,996	58,039
Public works services	7,933	6,743
Harbormaster services	28,174	28,516
Total general and administrative	457,227	449,403
Warehouse:		
Goods and services	130	235
Professional	1,645	1,285
Repairs and maintenance	767	6,498
Total warehouse	2,542	8,018
Pier II:		
Goods and services	1,538	167
Utilities and fuel	20,901	24,351
Repairs and maintenance	30,586	1,190
Total pier II	53,025	25,708

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

<i>Year Ended June 30,</i>	2016	2015
Operating Expenses, continued:		
Pier III:		
Utilities and fuel	\$ 2,080	\$ 1,625
Repairs and maintenance	4,754	2,771
Total pier III	6,834	4,396
Other - repairs and maintenance	-	3,385
Depreciation	425,619	437,891
Total Operating Expenses	945,247	928,801
Earnings from operations	404,437	342,160
Nonoperating Revenues		
Investment income	13,433	10,195
Discounts received	12,070	-
State PERS relief	11,793	12,440
Total Nonoperating Revenues	37,296	22,635
Earnings before contributions and transfers	441,733	364,795
Capital contributions	1,040,323	25,404,607
Transfers out	-	(5,000)
Change in net position	1,482,056	25,764,402
Net Position, beginning of year	44,308,721	18,544,319
Net Position, end of year	\$ 45,790,777	\$ 44,308,721

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

Year Ended June 30,	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,172,959	\$ 1,246,414
Payments for interfund services used	(123,103)	(93,298)
Payments to suppliers	(77,211)	(109,939)
Payments to employees	(239,867)	(271,686)
Net cash flows from operating activities	732,778	771,491
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	(5,865,309)	(25,527,352)
Capital contributions received	5,746,135	25,918,816
Net cash flows (for) capital and related financing activities	(119,174)	391,464
Cash Flows from Investing Activities		
Investment income received	13,433	10,195
Net increase in cash and investments	627,037	1,168,150
Cash and Investments, beginning of year	2,530,215	1,362,065
Cash and Investments, end of year	\$ 3,157,252	\$ 2,530,215
Reconciliation of Earnings from Operations to Net Cash		
Flows from Operating Activities		
Earnings from operations	\$ 404,437	\$ 342,160
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:		
Depreciation	425,619	437,891
Noncash Discounts received	12,070	-
Noncash State PERS relief	11,793	12,440
Increase in assets - accounts receivable	(176,725)	(24,547)
Increase in deferred outflows of resources related to pensions	(29,427)	(5,572)
Increase (decrease) in liabilities:		
Accounts payable	16,054	268
Accrued payroll and related liabilities	1,925	866
Accrued annual leave	198	809
Net pension liability	81,719	(12,111)
Increase (decrease) in deferred inflows of resources related to pensions	(14,885)	19,287
Net cash flows from operating activities	\$ 732,778	\$ 771,491
Noncash Capital and Related Financing		
Capital assets purchased on account	\$ 780,111	\$ 1,705,171

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 5,382,805	\$ 4,594,828
Receivables:		
Accounts	103,202	85,885
Allowance for doubtful accounts	(15,647)	(15,647)
Prepaid expenses	120	-
Total Current Assets	5,470,480	4,665,066
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	656,863	643,860
Construction in progress	43,859	-
Accumulated depreciation	(27,813,743)	(26,510,632)
Net property, plant and equipment	10,421,284	11,667,533
Total Noncurrent Assets	10,550,865	11,797,114
Total Assets	16,021,345	16,462,180
Deferred Outflows of Resources - related to pensions	203,453	83,608
Total Assets and Deferred Outflows of Resources	\$ 16,224,798	\$ 16,545,788
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 53,629	\$ 25,184
Accrued payroll and related liabilities	27,805	22,971
Accrued interest	27,440	28,340
Current portion of accrued annual leave	38,713	74,428
Customer deposits	241,819	238,091
Current portion of revenue bonds payable	45,000	45,000
Total Current Liabilities	434,406	434,014
Noncurrent Liabilities		
Long term portion of accrued annual leave	72,924	28,944
Long term portion of revenue bonds payable	1,700,000	1,745,000
Net pension liability	1,038,230	723,182
Total Noncurrent Liabilities	2,811,154	2,497,126
Total Liabilities	3,245,560	2,931,140
Deferred Inflows of Resources - related to pensions	18,381	83,552
Total Liabilities and Deferred Inflows of Resources	3,263,941	3,014,692
Net Position		
Net investment in capital assets	8,676,284	9,877,533
Restricted for debt service	129,581	129,581
Unrestricted	4,154,992	3,523,982
Total Net Position	12,960,857	13,531,096
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 16,224,798	\$ 16,545,788

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues		
Moorage	\$ 1,712,763	\$ 1,743,532
Pier and dock fees	186,233	274,061
Administrative charges to other funds	70,435	71,290
Other fees and charges	194,714	244,392
Rentals	17,365	15,765
Other	50,084	22,206
Total Operating Revenues	2,231,594	2,371,246
Operating Expenses		
Salaries and benefits	1,252,034	1,175,782
Professional	92,846	66,636
Contributions	17,580	16,923
Goods and services	179,919	166,082
Utilities and fuel	180,453	179,946
Administrative services	15,526	-
Machinery and equipment	4,023	8,393
Repairs and maintenance	72,895	41,913
Interfund charges:		
Finance and administration	211,466	183,554
Public works services	7,933	6,743
Depreciation	1,303,111	1,315,684
Total Operating Expenses	3,337,786	3,161,656
Loss from operations	(1,106,192)	(790,410)
Nonoperating Revenues (Expenses)		
Investment income	29,605	19,745
Discounts received	39,881	-
Interest expense	(82,771)	(85,421)
State PERS relief	49,238	53,891
Net Nonoperating Revenues (Expenses)	35,953	(11,785)
Loss before transfers	(1,070,239)	(802,195)
Transfers in	500,000	500,000
Change in net position	(570,239)	(302,195)
Net Position, beginning of year	13,531,096	13,833,291
Net Position, end of year	\$ 12,960,857	\$ 13,531,096

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

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 2,147,570	\$ 2,305,044
Receipts from interfund services provided	70,435	71,290
Payments for interfund services used	(219,399)	(190,297)
Payments to suppliers	(544,887)	(488,171)
Payments to employees	(1,019,784)	(1,084,412)
Net cash flows from operating activities	433,935	613,454
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	(45,000)	(40,000)
Interest paid on long-term debt	(83,671)	(86,221)
Purchase of property, plant and equipment	(46,892)	(6,599)
Net cash flows for capital and related financing activities	(175,563)	(132,820)
Cash Flows from Investing Activities		
Investment income received	29,605	19,745
Net increase in cash and investments	787,977	1,000,379
Cash and Investments, beginning of year	4,724,409	3,724,030
Cash and Investments, end of year	\$ 5,512,386	\$ 4,724,409
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 5,382,805	\$ 4,594,828
Restricted cash and investments	129,581	129,581
Total Cash and Investments	\$ 5,512,386	\$ 4,724,409
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (1,106,192)	\$ (790,410)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	1,303,111	1,315,684
Noncash discounts received	39,881	-
Noncash State PERS relief	49,238	53,891
Increase in assets - accounts receivable	(17,317)	(9,788)
Increase in prepaid expenses	(120)	-
Increase in deferred outflows of resources related to pensions	(119,845)	(24,138)
Increase (decrease) in liabilities:		
Accounts payable	18,475	(8,278)
Accrued payroll and related liabilities	4,834	9,043
Accrued annual leave	8,265	21,489
Customer deposits	3,728	14,876
Net pension liability	315,048	(52,467)
Increase (decrease) in deferred inflows of resources related to pensions	(65,171)	83,552
Net cash flows from operating activities	\$ 433,935	\$ 613,454
Noncash Capital and Related Financing		
Capital assets purchased on account	\$ 9,970	\$ -

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

<i>June 30,</i>	2016	2015
Assets		
Current Assets		
Cash and investments	\$ 802,310	\$ 713,388
Accounts receivable	59,551	49,099
Total Current Assets	861,861	762,487
Property, plant and equipment:		
Machinery and equipment	140,556	140,556
Accumulated depreciation	(129,291)	(118,889)
Net property, plant and equipment	11,265	21,667
Total Assets	\$ 873,126	\$ 784,154
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 36,369	\$ 37,750
Customer deposits	14,800	15,000
Total Current Liabilities	51,169	52,750
Net Position		
Net investment in capital assets	11,265	21,667
Unrestricted	810,692	709,737
Total Net Position	821,957	731,404
Total Liabilities and Net Position	\$ 873,126	\$ 784,154

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues		
Energy charges	\$ 537,100	\$ 479,165
Customer charges	110,955	109,953
Other operating revenue	25,598	28,454
Total Operating Revenues	673,653	617,572
Operating Expenses		
Goods and services	509,085	506,884
Repairs and maintenance	8,301	9,646
Machinery and equipment	5,000	4,724
Interfund charges:		
Finance and administration	38,864	29,347
Harbormaster services	14,087	14,258
Depreciation	10,402	10,402
Total Operating Expenses	585,739	575,261
Earnings from operations	87,914	42,311
Nonoperating Revenues - investment income	2,639	1,458
Change in net position	90,553	43,769
Net Position, beginning of year	731,404	687,635
Net Position, end of year	\$ 821,957	\$ 731,404

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

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 663,001	\$ 622,412
Payments for interfund services used	(52,951)	(43,605)
Payments to suppliers	(523,767)	(513,783)
Net cash flows from operating activities	86,283	65,024
Cash Flows from Investing Activities		
Investment income received	2,639	1,458
Net increase in cash and investments	88,922	66,482
Cash and Investments, beginning of year	713,388	646,906
Cash and Investments, end of year	\$ 802,310	\$ 713,388
Reconciliation of Earnings from Operations to Net Cash Flows from Operating Activities		
Earnings from operations	\$ 87,914	\$ 42,311
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	(10,452)	5,340
Increase (decrease) in liabilities:		
Accounts payable	(1,381)	7,471
Customer deposits	(200)	(500)
Net cash flows from operating activities	\$ 86,283	\$ 65,024

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

June 30,	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 13,923,669	\$ 9,010,216
Receivables:		
Grants	-	699,001
Accounts	343,024	291,501
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	241,530	246,308
Total Current Assets	14,505,999	10,244,802
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	551,793	497,918
Construction in progress	12,151,134	11,242,142
Accumulated depreciation	(19,493,566)	(18,850,328)
Net property, plant and equipment	27,178,143	26,858,514
Total Assets	41,684,142	37,103,316
Deferred Outflows of Resources - related to pensions	63,720	35,362
Total Assets and Deferred Outflows of Resources	\$ 41,747,862	\$ 37,138,678
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 264,529	\$ 269,809
Accrued payroll and related liabilities	10,495	8,402
Accrued annual leave	9,618	6,924
Accrued interest	14,548	23,613
Customer deposits	13,200	1,100
Current portion of loans payable	165,276	163,789
Total Current Liabilities	477,666	473,637
Noncurrent Liabilities		
Long term portion of accrued annual leave	6,611	2,693
Long term portion of loans payable	3,751,795	2,038,580
Net pension liability	325,165	305,872
Total Noncurrent Liabilities	4,083,571	2,347,145
Total Liabilities	4,561,237	2,820,782
Deferred Inflows of Resources - related to pensions	5,757	35,339
Total Liabilities and Deferred Inflows of Resources	4,566,994	2,856,121
Net Position		
Net investment in capital assets	23,261,072	24,656,145
Unrestricted	13,919,796	9,626,412
Total Net Position	37,180,868	34,282,557
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 41,747,862	\$ 37,138,678

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues		
Sales and user charges	\$ 2,653,270	\$ 2,477,472
Meters	2,071,705	1,921,671
Other	33,082	33,606
Total Operating Revenues	4,758,057	4,432,749
Operating Expenses		
Water department:		
Salaries and benefits	433,839	590,537
Professional	4,976	2,653
Goods and services	86,619	78,916
Repairs and maintenance	5,231	20,539
Utilities and fuel	354,855	362,081
Machinery and equipment	9,386	3,966
Total water department	894,906	1,058,692
Water treatment:		
Salaries and benefits	5,588	-
Professional	10,057	5,699
Goods and services	72,427	60,705
Repairs and maintenance	9,379	25,280
Utilities and fuel	56,310	61,927
Machinery and equipment	8,772	-
Total water treatment	162,533	153,611
Interfund charges:		
Finance and administration	253,506	163,520
Public works services	15,866	13,486
Total interfund charges	269,372	177,006
Depreciation	643,238	642,915
Total Operating Expenses	1,970,049	2,032,224
Earnings from operations	2,788,008	2,400,525
Nonoperating Revenues (Expenses)		
Investment income	45,790	18,448
Discounts received	23,747	-
Interest expense	(30,079)	(53,270)
Engineering and feasibility studies	(33,354)	(208,573)
Noncapital repairs and maintenance	(161,816)	(2,243,942)
Nonoperating grants	-	1,672,726
State PERS relief	15,421	22,794
Net Nonoperating Revenues (Expenses)	(140,291)	(791,817)
Earnings before contributions and transfers	2,647,717	1,608,708
Capital contributions	360,594	3,773,383
Transfers in	-	328,835
Transfers out	(110,000)	(49,000)
Change in net position	2,898,311	5,661,926
Net Position, beginning of year	34,282,557	28,620,631
Net Position, end of year	\$ 37,180,868	\$ 34,282,557

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

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 4,718,634	\$ 4,531,866
Payments for interfund services used	(269,372)	(177,006)
Payments to suppliers	(648,412)	(849,177)
Payments to employees	(430,201)	(573,951)
Net cash flows from operating activities	3,370,649	2,931,732
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	-	328,835
Transfers out	(110,000)	(49,000)
Noncapital repairs and maintenance	(161,816)	(2,243,942)
Nonoperating grant received	230,731	2,371,499
Net cash flows from (for) noncapital financing activities	(41,085)	407,392
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on loans	(163,789)	(97,719)
Interest paid on loans	(39,144)	(29,657)
Proceeds from loans	1,878,491	122,623
Purchase of property, plant and equipment	(966,323)	(6,305,811)
Capital contributions received	828,864	3,974,304
Net cash flows from (for) capital and related financing activities	1,538,099	(2,336,260)
Cash Flows from Investing Activities		
Investment income received	45,790	18,448
Net increase in cash and investments	4,913,453	1,021,312
Cash and Investments, beginning of year	9,010,216	7,988,904
Cash and Investments, end of year	\$ 13,923,669	\$ 9,010,216
Reconciliation of Earnings from Operations to Net Cash		
Flows from Operating Activities		
Earnings from operations	\$ 2,788,008	\$ 2,400,525
Adjustments to reconcile earnings from operations to net cash flows from by operating activities:		
Depreciation	643,238	642,915
Noncash discounts received	23,747	
Noncash State PERS relief	15,421	22,794
Nonoperating expenses	(33,354)	(208,573)
(Increase) decrease in assets:		
Accounts receivable	(51,523)	101,317
Inventory	4,778	(21,884)
Increase in deferred outflows of resources related to pensions	(28,358)	(10,209)
Increase (decrease) in liabilities:		
Accounts payable	(1,824)	3,046
Accrued payroll and related liabilities	2,093	615
Accrued annual leave	6,612	(9,762)
Customer deposits	12,100	(2,200)
Net pension liability	19,293	(22,191)
Increase (decrease) in deferred inflows of resources related to pensions	(29,582)	35,339
Net cash flows from operating activities	\$ 3,370,649	\$ 2,931,732
Noncash Capital and Related Financing		
Capital assets purchased on account	\$ 214,903	\$ 218,359

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 3,806,388	\$ 5,540,164
Accounts receivable	349,647	358,896
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	11,886	11,598
Total Current Assets	4,165,054	5,907,791
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	816,939	502,361
Construction in progress	5,212,785	1,933,783
Accumulated depreciation	(26,232,169)	(25,017,729)
Net property, plant and equipment	15,206,887	12,827,747
Total Assets	19,371,941	18,735,538
Deferred Outflows of Resources - related to pensions	180,206	70,323
Total Assets and Deferred Outflows of Resources	\$ 19,552,147	\$ 18,805,861
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 549,583	\$ 134,429
Accrued payroll and related liabilities	22,993	20,054
Current portion of accrued annual leave	27,476	63,744
Accrued interest	5,097	13,324
Current portion of loans payable	134,588	334,987
Total Current Liabilities	739,737	566,538
Noncurrent Liabilities		
Long term portion of accrued annual leave	19,567	8,924
Long term portion of loans payable	1,051,725	1,186,317
Net pension liability	919,596	608,267
Total Noncurrent Liabilities	1,990,888	1,803,508
Total Liabilities	2,730,625	2,370,046
Deferred Inflows of Resources - related to pensions	16,281	70,276
Total Liabilities and Deferred Inflows of Resources	2,746,906	2,440,322
Net Position		
Net investment in capital assets	14,020,574	11,306,443
Unrestricted	2,784,667	5,059,096
Total Net Position	16,805,241	16,365,539
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 19,552,147	\$ 18,805,861

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

Year Ended June 30,	2016	2015
Operating Revenues		
Sewer charges	\$ 3,932,655	\$ 3,759,866
Septic truck fees	86,586	78,456
Lab testing fees	23,810	23,970
Other	2,148	4,364
Total Operating Revenues	4,045,199	3,866,656
Operating Expenses		
Sewer department:		
Salaries and benefits	155,513	130,489
Professional	15,124	8,980
Goods and services	20,699	43,708
Repairs and maintenance	16,305	13,324
Machinery and equipment	666	2,262
Total sewer department	208,307	198,763
Wastewater treatment:		
Salaries and benefits	959,800	975,419
Professional	8,124	72,049
Goods and services	140,766	120,843
Utilities and fuel	474,616	707,394
Repairs and maintenance	33,522	65,343
Machinery and equipment	7,796	12,150
Total wastewater treatment	1,624,624	1,953,198
Compost facility:		
Salaries and benefits	34,849	-
Professional	14,466	-
Goods and services	175,115	-
Utilities and fuel	10,220	-
Repairs and maintenance	1,833	-
Machinery and equipment	3,327	-
Total compost facility	239,810	-
Interfund charges:		
Finance and administration	268,048	182,378
Public works services	15,866	13,486
Total interfund charges	283,914	195,864
Depreciation	1,214,440	1,212,525
Total Operating Expenses	3,571,095	3,560,350
Earnings from operations	474,104	306,306
Nonoperating Revenues (Expenses)		
Investment income	12,522	12,497
Discounts received	40,279	-
Interest expense	(20,815)	(33,817)
Engineering and feasibility studies	-	(27,381)
State PERS relief	43,612	45,328
Net Nonoperating Revenues (Expenses)	75,598	(3,373)
Earnings before transfers	549,702	302,933
Transfers out	(110,000)	(382,835)
Change in net position	439,702	(79,902)
Net Position, beginning of year	16,365,539	16,445,441
Net Position, end of year	\$ 16,805,241	\$ 16,365,539

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 4,054,448	\$ 3,844,880
Payments for interfund services used	(283,914)	(195,864)
Payments to suppliers	(961,922)	(1,004,329)
Payments to employees	(941,506)	(1,063,840)
Net cash flows from operating activities	1,867,106	1,580,847
Cash Flows for Noncapital Financing Activities		
Transfers out	(110,000)	(382,835)
Cash Flows for Capital and Related Financing Activities		
Principal paid on loans	(334,991)	(301,995)
Proceeds from loans	-	122,623
Interest paid on loans	(29,042)	(22,504)
Purchase of property, plant and equipment	(3,139,371)	(1,330,466)
Net cash flows for capital and related financing activities	(3,503,404)	(1,532,342)
Cash Flows from Investing Activities		
Investment income received	12,522	12,497
Net decrease in cash and investments	(1,733,776)	(321,833)
Cash and Investments, beginning of year	5,540,164	5,861,997
Cash and Investments, end of year	\$ 3,806,388	\$ 5,540,164
Reconciliation of Earnings from Operations to Net Cash Flows Provided by Operating Activities		
Earnings from operations	\$ 474,104	\$ 306,306
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	1,214,440	1,212,525
Noncash discounts received	40,279	-
Noncash State PERS relief	43,612	45,328
Other nonoperating expenses	-	(27,381)
(Increase) decrease in assets:		
Accounts receivable	9,249	(21,776)
Inventory	(288)	(1,620)
Increase in deferred outflows of resources related to pensions	(109,883)	(20,303)
Increase (decrease) in liabilities:		
Accounts payable	(39,055)	70,725
Accrued payroll and related liabilities	2,939	6,657
Accrued annual leave	(25,625)	(15,761)
Net pension liability	311,329	(44,129)
Increase (decrease) in deferred inflows of resources related to pensions	(53,995)	70,276
Net cash flows from operating activities	\$ 1,867,106	\$ 1,580,847
Noncash Capital and Related Financing		
Capital assets purchased on account	\$ 498,350	\$ 44,141

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

<i>June 30,</i>	2016	2015
Assets		
Current Assets		
Accounts receivable	\$ 721	\$ 2,572
Property, plant and equipment:		
Improvements other than buildings	5,589,593	5,589,593
Accumulated depreciation	(2,107,379)	(1,858,649)
Net property, plant and equipment	3,482,214	3,730,944
Total Assets	\$ 3,482,935	\$ 3,733,516
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,725	\$ 1,631
Customer deposits	1,536	1,536
Due to other funds	204,304	208,335
Total Current Liabilities	207,565	211,502
Net Position		
Net investment in capital assets	3,482,214	3,730,944
Unrestricted (deficit)	(206,844)	(208,930)
Total Net Position	3,275,370	3,522,014
Total Liabilities and Net Position	\$ 3,482,935	\$ 3,733,516

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues		
Moorage	\$ 13,309	\$ 13,309
Rentals	40,143	37,736
Total Operating Revenues	53,452	51,045
Operating Expenses		
Professional	3,690	3,351
Goods and services	11,737	11,788
Utilities and fuel	15,323	13,619
Administrative services	4,082	2,808
Interfund charges:		
Finance and administration	8,601	7,818
Public works services	7,933	6,743
Depreciation	248,730	264,105
Total Operating Expenses	300,096	310,232
Loss from operations	(246,644)	(259,187)
Net Position, beginning of year	3,522,014	3,781,201
Net Position, end of year	\$ 3,275,370	\$ 3,522,014

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

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 55,303	\$ 52,501
Payments for interfund services used	(16,534)	(14,561)
Payments to suppliers	(34,738)	(31,487)
Net cash flows from operating activities	4,031	6,453
Cash Flows for Noncapital Financing Activities		
Decrease in due to other funds	(4,031)	(6,453)
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 Operating Activities		
Loss from operations	\$ (246,644)	\$ (259,187)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	248,730	264,105
(Increase) decrease in assets - accounts receivable	1,851	1,456
Increase (decrease) in liabilities - accounts payable	94	79
Net cash flows from operating activities	\$ 4,031	\$ 6,453

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 106,053	\$ 269,638
Accounts receivable	54,225	38,625
Total Current Assets	160,278	308,263
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	(3,182,387)	(2,652,406)
Net property, plant and equipment	14,921,714	15,451,695
Total Noncurrent Assets	15,297,183	15,827,164
Total Assets	15,457,461	16,135,427
Deferred Outflows of Resources - related to pensions	34,757	9,041
Total Assets and Deferred Outflows of Resources	\$ 15,492,218	\$ 16,144,468
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 7,102	\$ 9,496
Accrued payroll and related liabilities	3,357	3,163
Customer deposits	750	1,500
Current portion of accrued annual leave	2,671	3,426
Accrued interest	78,991	81,321
Current portion of bonds and loan payable	141,500	136,500
Total Current Liabilities	234,371	235,406
Noncurrent Liabilities		
Long term portion of accrued annual leave	940	1,332
Revenue bonds, net of current portion	4,340,000	4,435,000
Loan payable, net of current portion	604,500	651,000
Net pension liability	177,365	78,199
Total Noncurrent Liabilities	5,122,805	5,165,531
Total Liabilities	5,357,176	5,400,937
Deferred Inflows of Resources - related to pensions	3,141	9,035
Total Liabilities and Deferred Inflows of Resources	5,360,317	5,409,972
Net Position		
Net investment in capital assets	9,835,714	10,229,195
Restricted for debt service	375,469	375,469
Unrestricted	(79,282)	129,832
Total Net Position	10,131,901	10,734,496
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 15,492,218	\$ 16,144,468

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues		
Charges for services	\$ 597,298	\$ 744,624
Other	1,385	1,378
Total Operating Revenues	598,683	746,002
Operating Expenses		
Salaries and benefits	233,349	130,893
Professional	21,683	26,680
Goods and services	58,756	67,305
Repairs and maintenance	11,429	18,002
Utilities and fuel	37,288	39,099
Interfund charges:		
Finance and administration	59,651	49,585
Public works services	7,933	6,743
Harbormaster services	28,174	28,516
Depreciation	529,981	529,982
Total Operating Expenses	988,244	896,805
Loss from operations	(389,561)	(150,803)
Nonoperating Revenues (Expenses)		
Investment income	379	331
Discounts received	5,352	-
Interest expense	(227,176)	(241,076)
State PERS relief	8,411	5,827
Net Nonoperating Revenues (Expenses)	(213,034)	(234,918)
Loss before transfers	(602,595)	(385,721)
Transfers out	-	(11,000)
Change in net position	(602,595)	(396,721)
Net Position, beginning of year	10,734,496	11,131,217
Net Position, end of year	\$ 10,131,901	\$ 10,734,496

City of Kodiak, Alaska
Shipyard Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 582,333	\$ 717,959
Payments for interfund services used	(95,758)	(84,844)
Payments to suppliers	(131,550)	(145,886)
Payments to employees	(152,983)	(123,866)
Net cash flows from operating activities	202,042	363,363
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)	(136,500)
Interest paid on long-term debt	(229,506)	(235,302)
Net cash flows for capital and related financing activities	(366,006)	(371,802)
Cash Flows from Investing Activities		
Investment income received	379	331
Net decrease in cash and investments	(163,585)	(19,108)
Cash and Investments, beginning of year	645,107	664,215
Cash and Investments, end of year	\$ 481,522	\$ 645,107
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 106,053	\$ 269,638
Restricted cash and investments	375,469	375,469
Total Cash and Investments	\$ 481,522	\$ 645,107
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (389,561)	\$ (150,803)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	529,981	529,982
Noncash discounts received	5,352	-
Noncash State PERS relief	8,411	5,827
(Increase) decrease in assets - accounts receivable	(15,600)	4,844
Increase in deferred outflows of resources related to pensions	(25,716)	(2,610)
Increase (decrease) in liabilities:		
Accounts payable	(2,394)	5,200
Accrued payroll and related liabilities	194	1,491
Accrued annual leave	(1,147)	(1,043)
Customer deposits	(750)	(32,887)
Net pension liability	99,166	(5,673)
Increase (decrease) in deferred inflows of resources related to pensions	(5,894)	9,035
Net cash flows from operating activities	\$ 202,042	\$ 363,363

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

<i>June 30,</i>	2016	2015
Assets		
Current Assets		
Cash and investments	\$ 59,582	\$ 34,633
Receivable from Kodiak Island Borough	28,818	30,869
Total Assets	\$ 88,400	\$ 65,502
Liabilities and Net Position		
Current Liabilities		
Accrued payroll and related liabilities	\$ 151	\$ 123
Net Position - unrestricted	88,249	65,379
Total Liabilities and Net Position	\$ 88,400	\$ 65,502

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues - charges for services	\$ 28,818	\$ 30,869
Operating Expenses - salaries and benefits	6,442	7,091
Earnings from operations	22,376	23,778
Nonoperating Revenues		
Investment income	196	62
Discounts received	298	-
Net Nonoperating Revenues	494	62
Change in net position	22,870	23,840
Net Position, beginning of year	65,379	41,539
Net Position, end of year	\$ 88,249	\$ 65,379

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

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 30,869	\$ 36,719
Payments to employees	(6,116)	(7,040)
Net cash flows from operating activities	24,753	29,679
Cash Flows from Investing Activities		
Investment income received	196	62
Net increase in cash and investments	24,949	29,741
Cash and Investments, beginning of year	34,633	4,892
Cash and Investment, end of year	\$ 59,582	\$ 34,633
Reconciliation of Earnings from Operations to Net Cash Flows from Operating Activities		
Earnings from operations	\$ 22,376	\$ 23,778
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Noncash discounts received	298	-
Decrease in accounts receivable	2,051	5,850
Increase in accrued payroll and related liabilities	28	51
Net cash flows from operating activities	\$ 24,753	\$ 29,679

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>	2016	2015
Assets		
Current Assets		
Cash and investments	\$ 463,806	\$ 575,126
Net Position		
Net Position - unrestricted	\$ 463,806	\$ 575,126

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

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues - charges for services	\$ 704,701	\$ 609,977
Operating Expenses - insurance	592,546	484,015
Earnings from operations	112,155	125,962
Nonoperating Revenues - investment income	1,525	1,173
Change in net position	113,680	127,135
Transfers out	(225,000)	-
Change in net position	(111,320)	127,135
Net Position, beginning of year	575,126	447,991
Net Position, end of year	\$ 463,806	\$ 575,126

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

<i>Year Ended June 30,</i>	2016	2015
Cash Flows From Operating Activities		
Receipts from interfund services provided	\$ 704,701	\$ 609,977
Payments to suppliers	(592,546)	(506,356)
Net cash flows from operating activities	112,155	103,621
Cash Flows For Noncapital Financing Activities		
Transfers to other funds	(225,000)	-
Cash Flows From Investing Activities		
Investment income received	1,525	1,173
Net (decrease) increase in cash and investments	(111,320)	104,794
Cash and Investments, beginning of year	575,126	470,332
Cash and Investments, end of year	\$ 463,806	\$ 575,126
Reconciliation of Earnings from Operations to Net Cash		
Flows from Operating Activities		
Earnings from operations	\$ 112,155	\$ 125,962
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Increase (decrease) in liabilities - accounts payable	-	(22,341)
Net cash flows from operating activities	\$ 112,155	\$ 103,621

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 the *State of Alaska Audit Guide and Compliance Supplement*.

City of Kodiak, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2016

Name of Award	Grant Number	Total Grant Award	July 1, 2015 Receivable (Unearned)	State Share of Expenditures	State Receipts	June 30, 2016 Receivable (Unearned)
Department of Commerce, Community and Economic Development						
* Monashka Pumphouse Upgrades	14-DC-073	\$ 500,000	\$ 139,406	\$ 360,594	\$ 500,000	\$ -
* Pier III Replacement	13-GO-007	15,000,000	4,759,233	796,313	5,555,546	-
* Pedestrian Pathway Planning and Design	12-DC-613	384,000	-	244,010	190,588	53,422
Cruise Ship Revenue	2016	30,255	-	30,255	30,255	-
* Fisheries Business Tax	2016	77,280	-	77,280	77,280	-
Total Department of Commerce, Community and Economic Development			4,898,639	1,508,452	6,353,669	53,422
Department of Environmental Conservation						
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	165,731	-	165,731	-
Monashka Pumphouse Upgrades	50339	4,380,986	328,865	-	328,865	-
Total Department of Environmental Conservation			559,596	-	559,596	-
Department of Revenue						
* Raw Fish Tax Sharing	2016	1,021,500	-	1,021,500	1,021,500	-
* State Revenue Sharing	2016	377,926	-	377,926	377,926	-
Aviation Gas Sharing	2016	5,783	5,783	7,662	5,783	7,662
Alcohol Beverage Sharing	2016	23,100	-	23,100	20,600	2,500
Telephone/Electric Cooperative	2016	45,637	-	45,637	-	45,637
Shared Fish Landing Tax	2016	10,858	-	10,858	10,858	-
Total Department of Revenue			5,783	1,486,683	1,436,667	55,799
Department of Education and Early Development						
Early Literacy Grant	ELM 1570211	819	-	-	-	-
Public Library Assistance	PLA-16-702-01	6,650	-	6,650	6,650	-
Total Department of Education and Early Development			-	6,650	6,650	-
Department of Administration						
* PERS Relief	2016	413,424	-	413,424	413,424	-
Total State Financial Assistance			\$ 5,464,018	\$ 3,415,209	\$ 8,770,006	\$ 109,221

* Major program

City of Kodiak, Alaska

Notes to the Schedule of State Financial Assistance June 30, 2016

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, 2016. 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.

2. PERS On-Behalf

The City has recorded \$413,424 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 FY2016.

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	130-134
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	135-139
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	140-143
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	144-145
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	146-148
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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Invested in capital assets, net of related debt	\$ 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	54,463,057
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<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>	<u>10,265,552</u>
Total governmental activities net position	\$ <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>	<u>64,728,609</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 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	102,641,050
Restricted	221,450	653,862	505,050	505,050	505,050	505,050	505,050	505,050	505,050	505,050
Unrestricted	<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>	<u>24,189,305</u>
Total business-type activities net position	\$ <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>	<u>127,335,405</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 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	157,104,107
Restricted	221,450	653,862	505,050	505,050	505,050	505,050	505,050	505,050	505,050	505,050
Unrestricted	<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>	<u>34,454,857</u>
Total primary government net position	\$ <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>	<u>192,064,014</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 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	3,566,984
Public safety	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	8,346,122
Public works	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	3,342,453
Engineering	167,571	167,812	140,886	121,747	91,293	146,051	166,843	199,877	249,954	163,832
Parks & recreation	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	1,426,761
Library	669,518	711,172	697,856	712,625	680,410	847,458	864,533	930,313	894,605	1,025,482
Community services	213,032	126,562	435,970	277,041	259,692	306,906	296,352	305,457	374,235	393,730
Interest on long-term debt	-	75,410	398,252	383,928	906,057	369,052	361,177	352,803	346,240	332,240
Total governmental activities expenses	<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>	<u>18,597,604</u>
Business-type activities:										
Cargo Pier	\$ 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	942,898
Boat Harbor	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	3,410,754
Shipyard	-	-	35,019	528,977	1,117,928	1,078,009	1,263,689	1,285,600	1,136,632	1,213,745
Harbor Electric	640,125	648,498	611,387	605,989	633,313	804,834	657,379	675,474	575,261	585,739
Water Utility	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	2,192,228
Sewer Utility	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	3,583,227
Trident Basin	152,474	192,228	177,482	154,777	353,216	349,406	345,569	373,393	310,232	300,096
E-911 Services	-	-	-	37,553	5,518	5,548	5,890	158,923	7,091	6,442
Total business-type activities expenses	<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>	<u>12,235,129</u>
Total primary government expenses	\$ <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>	<u>30,832,733</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 520,490	671,690	625,030	597,860	531,322	722,265	764,935	839,586	812,220	1,210,409
Public safety	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	1,399,008
Public works	406,595	357,420	313,568	288,198	235,343	238,617	445,150	267,093	346,256	218,393
Engineering	89,250	88,740	142,175	224,241	226,355	294,424	215,598	198,051	113,849	147,490
Parks & recreation	125,332	115,562	117,173	135,733	133,100	134,440	116,663	120,135	125,120	120,231
Library	18,578	18,623	16,140	15,980	12,542	13,692	12,592	17,503	22,641	27,996
Community services	-	-	-	-	40,897	42,712	42,025	57,802	64,127	72,483
Operating grants and contributions	12,700	37,154	44,520	733,005	292,846	392,273	788,840	814,853	468,502	457,644
Capital grants and contributions	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	66,945
Total governmental activities program revenues	<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>	<u>3,720,599</u>
Business-type activities:										
Charges for services:										
Cargo Pier	\$ 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	1,349,684
Boat Harbor	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	2,231,594
Shipyard	-	-	-	320,574	293,845	239,889	642,020	722,665	746,002	598,683
Harbor Electric	678,706	682,471	708,714	654,986	707,770	834,600	724,632	674,425	617,572	673,653
Water Utility	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	4,758,057
Sewer Utility	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	4,045,199
Trident Basin	17,765	28,319	30,571	33,266	32,970	43,724	44,361	46,824	51,045	53,452
E-911 Services	-	-	-	66,901	67,428	66,287	69,140	36,718	30,869	28,818
Operating grants and contributions	-	-	-	136,560	252,109	385,985	1,391,896	2,725,086	1,813,006	128,475
Capital grants and contributions	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	1,400,917
Total business-type activities program revenues	<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>	<u>15,268,532</u>
Total primary government program revenues	\$ <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>	<u>18,989,131</u>
Net (expense)/revenue:										
Governmental activities	\$ (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)	(14,877,005)
Business-type activities	(471,317)	1,804,487	4,179,177	(7,418)	850,489	3,253,152	2,284,481	5,914,756	30,042,250	3,033,403
Total primary government net expenses	\$ <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>	<u>(11,843,602)</u>

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

	Fiscal Year									
	<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>	<u>2016</u>
General Revenues										
Governmental activities:										
Taxes:										
Property taxes	\$ 632,102	655,943	651,699	665,999	921,052	917,599	708,684	879,280	912,645	921,916
Sales taxes	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	11,481,933
Other taxes, penalties and interest	125,284	174,443	199,832	179,427	23,199	209,156	240,261	224,983	254,921	244,483
Grants and entitlements not restricted to a specific purpose	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	1,566,434
Investment income	946,861	993,447	730,096	270,673	238,969	94,331	65,053	51,161	33,183	76,050
Land sales	-	1,415,900	1,518,308	746,475	-	-	-	-	-	-
Other	172,748	64,491	1,168,070	651,281	271,973	19,471	45,736	59,301	9,398	361,197
Transfers	(1,626,886)	(700,000)	1,126,811	(160,262)	(135,360)	540,382	(25,000)	(600,000)	(381,000)	(280,000)
Total governmental activities	<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>	<u>14,372,013</u>
Business-type activities:										
Other taxes, penalties and interest	-	-	-	179,789	-	-	-	-	-	-
Investment income	856,379	729,548	260,355	60,850	79,708	17,285	49,032	68,230	62,736	104,564
Other	53,580	194,034	180,238	-	-	-	-	-	-	121,627
Transfers	1,626,886	700,000	(1,126,811)	160,262	135,360	(540,382)	25,000	600,000	381,000	280,000
Total business-type activities	<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>	<u>506,191</u>
Total primary government	<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>	<u>14,878,204</u>
Change in Net Position										
Governmental activities	\$ 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	(504,992)
Business-type activities	2,065,528	3,428,069	3,492,959	393,483	1,065,557	2,730,055	2,358,513	6,582,986	30,485,986	3,539,594
Total primary government	<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>	<u>3,034,602</u>

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

		Fiscal Year									
		<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>	<u>2016</u>
General Fund:											
Nonspendable - prepaid items	\$	-	-	-	-	2,117	-	13,741	8,885	16,709	22,254
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	8,670,767
Total General Fund	\$	<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>	<u>8,693,021</u>
All other governmental funds:											
Committed for tourism	\$	-	-	-	-	206,694	236,859	301,433	357,411	389,175	430,735
Committed for Enhancement Fund						4,778,691	1,990,740	2,055,523	3,054,325	3,201,211	4,058,411
Assigned:											
Capital project funds		-	-	-	-	1,967,895	4,988,688	5,562,428	1,849,369	2,709,527	4,963,239
Public works		-	-	-	-	26,878	19,441	63,483	95,402	100,561	100,824
Unassigned (deficit)		-	-	-	-	(1,685,144)	(234,875)	-	-	-	-
Total other governmental funds	\$	<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>	<u>9,553,209</u>
General Fund:											
Reserved	\$	251,108	48,735	14,622	13,618	-	-	-	-	-	-
Unreserved		5,322,163	8,261,482	7,689,501	8,838,952	-	-	-	-	-	-
Total General Fund	\$	<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>	<u>-</u>
All other governmental funds:											
Unreserved, reported in:											
Special revenue funds		4,141,849	5,410,939	3,743,007	4,432,351	-	-	-	-	-	-
Capital project funds		6,680,620	14,765,170	15,263,690	3,645,026	-	-	-	-	-	-
Total other governmental funds	\$	<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>	<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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	12,644,950
Intergovernmental	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	1,969,070
Charges for services	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	1,705,250
Fines and forfeitures	29,452	55,479	20,122	23,514	6,156	3,619	15,308	9,482	14,739	3,382
Licenses and permits	51,535	102,748	76,679	70,489	93,193	71,957	237,950	83,253	135,769	59,599
Rental income	168,356	136,480	213,460	198,188	166,373	197,032	236,124	231,780	263,537	220,752
Interfund charges	609,740	760,430	690,920	678,820	662,872	813,225	865,152	895,876	871,909	1,210,409
Investment income	878,442	944,184	722,722	268,746	236,576	94,193	63,457	50,839	32,010	74,525
Special assessments	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	6,250
Other revenues	110,960	65,061	14,155	651,281	271,973	21,157	46,736	59,301	9,398	361,197
Total revenues	\$ 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	18,255,384
Expenditures										
General government	\$ 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	2,809,207
Public safety	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	6,764,932
Public works	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	3,058,157
Engineering	158,090	162,559	128,245	143,630	87,209	150,113	189,900	201,581	244,967	165,227
Parks and recreation	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	1,282,538
Library	668,146	704,219	695,715	720,071	680,345	778,930	825,732	847,134	935,048	763,875
Community services	262,754	267,839	426,747	267,818	250,469	297,683	287,129	296,234	365,012	384,507
Other - insurance and administration	461,949	484,548	474,613	525,528	529,442	517,399	487,673	577,733	468,125	436,875
Debt service principal	-	-	135,000	145,000	150,000	155,000	165,000	175,000	185,000	195,000
Debt service interest	-	15,344	377,227	385,740	378,490	370,990	363,240	354,990	346,240	336,990
Capital outlay	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	256,237
Total expenditures	\$ 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	16,453,545
Excess of revenues over (under) expenditures	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	1,801,839
Other financing sources (uses)										
General obligation bond issuance	-	8,000,000	-	-	-	-	-	-	-	-
Transfers in	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	4,865,949
Transfers out	(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)	(4,920,949)
Net other financing sources (uses)	(1,626,886)	8,500,000	1,733,293	(160,262)	(135,360)	940,382	249,000	(600,000)	(381,000)	(55,000)
Net change in fund balance	\$ 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	1,746,839
Debt service as a percentage of noncapital expenditures	0.00%	0.13%	3.38%	3.93%	3.33%	3.40%	3.38%	3.29%	3.13%	3.38%

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

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Hotel/Motel</u> <u>Tax</u>	<u>Total</u>
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
2016	921,916	11,481,933	210,098	12,613,947

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					
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%
2016	308,918,400	188,048,292	33,120,200	463,846,492	2.00	546,459,838	84.88%

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
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
2016	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

<u>Business Category</u>	2016			2007		
	<u>Total Sales Receipts</u>	<u>Rank</u>	<u>Percentage of Total Sales Receipts</u>	<u>Total Sales Receipts</u>	<u>Rank</u>	<u>Percentage of Total Sales Receipts</u>
Wholesale/Retail Trade	\$ 209,605,765	1	51.48%	\$ 203,022,372	1	55.52%
Construction	75,009,994	2	18.42%	45,033,323	2	12.32%
Accommodation and Food Services	24,819,369	3	6.10%	18,144,879	5	4.96%
Utilities	23,614,826	4	5.80%	25,483,073	3	6.97%
Other Services (except Public Administration)	16,019,452	5	3.93%	9,745,211	7	2.67%
Real Estate and Rental and Leasing	14,783,322	6	3.63%	13,730,220	6	3.76%
Manufacturing	10,970,111	7	2.69%	23,512,857	4	6.43%
Information	9,463,940	8	2.32%	9,356,013	8	2.56%
Transportation and Warehousing	7,466,135	9	1.83%	8,058,874	9	2.20%
Profession,Scientific & Technical Services	6,282,148	10	1.54%	4,758,644	10	1.30%
	<u>\$ 398,035,062</u>		<u>97.75%</u>	<u>\$ 360,845,466</u>		<u>98.69%</u>

<u>Taxpayer</u>	2016			2007		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Trident Seafoods Corporation	\$ 73,267,600	1	15.80%	\$ 5,368,500	7	1.68%
Matson Navigation Co. of Alaska	41,599,900	2	8.97%	6,023,900	5	1.88%
Ocean Beauty Seafoods LLC	35,626,000	3	7.68%	5,624,200	6	1.76%
North Pacific Seafoods Inc	21,024,700	4	4.53%	3,972,100	8	1.24%
International Seafoods of Alaska	20,862,000	5	4.50%	6,485,600	3	2.03%
Mill Bay Plaza Associates, Ltd	11,641,800	6	2.51%	7,138,400	2	2.23%
Wal-Mart/Sams Club	9,750,200	7	2.10%	7,934,200	1	2.48%
GCI Communication Corp	9,144,400	8	1.97%	-		
Island Fish Co LLC	6,779,100	9	1.46%	-		
Koncor Forest Products	6,151,700	10	1.33%	-		
Western Alaska Fisheries	-		-	6,352,900	4	1.98%
Waldo's Enterprises Ltd	-		-	3,008,100	9	0.94%
Kodiak Associates	-		-	2,725,700	10	0.85%
	<u>\$ 235,847,400</u>		<u>50.85%</u>	<u>\$ 54,633,600</u>		<u>17.06%</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
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	919,061	902,839	98.23%	5,615	908,455	98.85%
2016	927,693	909,428	98.03%	7,090	916,518	98.80%

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 <u>Bonds</u>	Revenue <u>Bonds</u>	Alaska Clean Water <u>Fund Loans</u>	Alaska Drinking Water <u>Fund Loan</u>		
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	2,218,803	2,177,465	6.3%	2,781
2016	6,695,000	6,180,000	1,837,313	3,917,071	6.6%	2,963

CITY OF KODIAK
 Direct and Overlapping Debt
 As of June 30, 2016

<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	\$ 6,695,000	100%	\$ <u>6,695,000</u>
Kodiak Island Borough			
General Obligation Bonds	<u>78,325,000</u>	43%	<u>33,505,661</u>
Total direct and overlapping debt	\$ <u>85,020,000</u>		\$ <u>40,200,661</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, 2016

Assessed Value	\$ 496,966,692
Less Exempt Property	<u>33,120,200</u>
Total	\$ 463,846,492

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	
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
2016	2,231,594	2,034,675	196,919	45,000	83,671	1.53

Operating expenses exclude depreciation.

Shipyard Revenue Bonds						
Fiscal Year	Shipyard Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2016	598,683	458,263	140,420	90,000	219,043	0.45

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>
2007	5,689	\$ 206,203,494	\$ 36,246	2,685	6.8%
2008	5,974	216,665,032	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%
2016	6,288	282,280,896	44,892	2,437	4.9%

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>2016 Rank</u>	<u>2007 Rank</u>
Kodiak Island Borough School District		1
Trident Seafood Corporation		2
North Pacific Processors, Inc.		3
Providence Hospital		4
Ocean Beauty Seafoods		5
International Seafoods		6
City of Kodiak		7
Safeway		8
Global Seafoods		9
Department of Transportation		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>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>	<u>2016</u>
General Government	11.30	12.05	12.05	12.30	12.30	12.30	13.30	13.30	13.30	13.30
Public Safety:										
Police	35.00	37.00	37.00	37.00	41.50	42.50	42.50	42.50	42.50	42.50
Fire	12.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Public Works	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Engineering	2.00	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	6.00	5.00	7.25	5.75	5.75	5.75	5.75	5.75
Library	6.75	6.75	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00
Harbor	14.00	14.00	14.00	16.40	16.40	16.40	16.40	16.40	16.40	16.40
Water	6.60	6.60	6.85	6.60	6.60	6.60	6.60	6.60	6.60	6.60
Sewer	<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>	<u>11.35</u>
Total	<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>	<u>128.15</u>

Note: Full-time equivalent employees are permanent employees.

CITY OF KODIAK
Operating Indicators by Function
Last Ten Years

Function	<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>	<u>2016</u>
Police:										
Complaints investigated	8,195	8,376	8,839	7,716	8,746	10,168	13,856	15,135	14,168	14,100
Motor vehicle collision reports	86	67	89	124	89	118	155	118	124	132
Bookings/admissions	959	850	917	917	864	849	1,030	973	1,196	1,704
Investigations conducted	200	147	125	188	158	201	293	299	271	140
Service calls received/dispatched	8,353	8,376	9,661	7,279	8,797	10,168	13,855	15,135	14,202	14,397
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)	5,883	5,558	5,900	5,000	4,704	5,000	3,406	2,066	693	700
Garage										
Preventative maintenance checks	113	113	132	125	80	130	130	79	117	217
Building inspection										
Building permits issued	190	182	197	190	201	223	219	158	193	224
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	31,111	29,829	32,920	31,000	36,088	16,054	16,054	16,054	17,408	26,365
Number of aquatic participants	19,496	13,566	15,463	19,728	27,804	35,799	35,314	30,493	25,087	33,451
Ice rink attendance	10,000	19,594	32,679	34,480	34,480	6,598	8,492	12,200	14,535	8,988
Library:										
Number of visitors	149,702	149,572	149,300	149,800	149,273	149,264	149,000	149,300	152,000	181,188
Number of materials withdrawn	3,750	3,334	3,800	3,800	3,047	4,957	3,502	1,146	1,121	3,000
Harbor:										
Vehicle, boat and foot patrol hours	5,832	7,000	7,000	7,000	7,000	7,000	7,000	7,611	8,464	8,425
Number of owner accounts	1,314	1,400	1,400	1,400	1,400	1,400	1,400	1,500	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>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>	<u>2016</u>
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	20	20	20	20	21	23	20	20	20	19
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	10	9	9	9	9	9	9	8	10	9
Public Works:										
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Parks and Recreation:										
Number of parks/ playgrounds	14	14	14	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1	1	1	1
Ice rink	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Harbor:										
Number of harbors	2	2	2	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6	6	6	6
Water:										
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4	4	4	4
Sewer:										
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	20	20	20	20	20	20	20	20	20	20



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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, 2016, 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 December 29, 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
December 29, 2016



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

Honorable Mayor and City Council
City of Kodiak, Alaska

Report on Compliance for Each Major State Program

We have audited City of Kodiak's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Kodiak's major state programs for the year ended June 30, 2016. 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, 2016.

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
December 29, 2016

City of Kodiak, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

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:		\$ 75,000

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, 2016*

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

There were no findings in the prior year.

State of Alaska Award Findings and Questioned Costs
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There were no findings in the prior year.

City of Kodiak, Alaska

Corrective Action Plan *Year Ended June 30, 2016*

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