

# City of Kodiak, Alaska

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

Prepared by City of Kodiak Finance Department

*Altman, Rogers  
& Co.* | CERTIFIED  
PUBLIC  
ACCOUNTANTS

# City of Kodiak, Alaska

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December 28, 2017

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, 2017. 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 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 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, 2017, are free of material misstatement. The City of Kodiak has selected the licensed certified public accounting firm of Altman, Rogers & Co. to perform these audit services. Their reports are presented in the Financial Statements Section and the Single Audit Section of this report. Altman, Rogers & Co. has issued an unmodified ("clean") opinion on the City of Kodiak's financial statements for the year ended June 30, 2017. 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 (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Kodiak's MD&A 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 2016 the estimated population of the Kodiak Region was 13,563 with a population of 6,293 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 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. A resolution or 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 2017 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 decreased for fiscal year 2017 as compared to previous years. 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 remained stable and local indicators point to maintained stability within the City. The State of Alaska has experienced budget shortfalls in the most recent periods and these factors are impacting the communities within the state due to decreased state grant funding and decreased revenue sharing.

## **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.

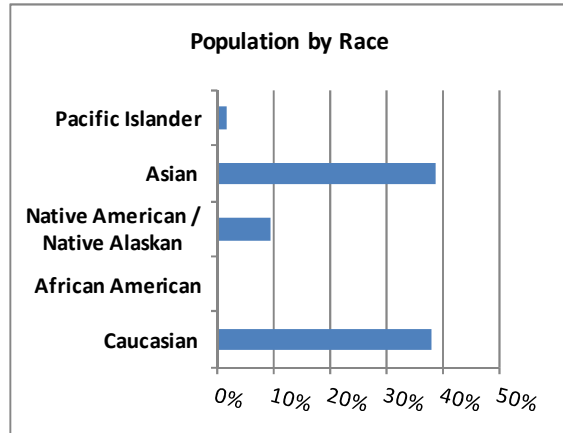
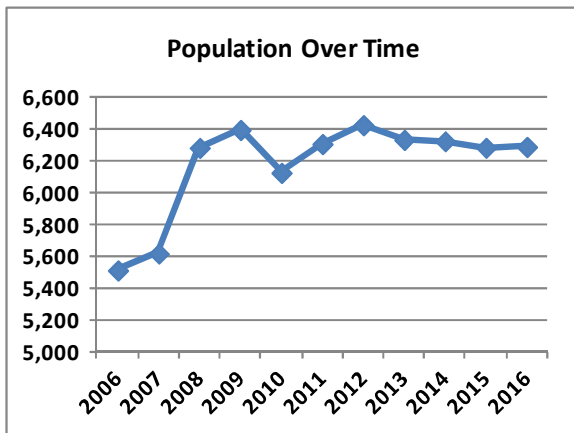
According to the independent research and consulting firm Northern Economics, Inc. (*The Economic Benefits of the Alaska Aerospace Corporation, FY 2010*. Prepared for Alaska Aerospace Corporation. February 2011) in 2010 the total direct, indirect and induced local impacts to Kodiak’s regional economy 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 eighth largest city in Alaska, in terms of population. It ranks behind Anchorage, Fairbanks, Juneau, Sitka, Ketchikan, Kenai, and Wasilla in that order. The estimated population for 2016 was 6,293 in the City of Kodiak and 13,563 in the Kodiak Island Borough.

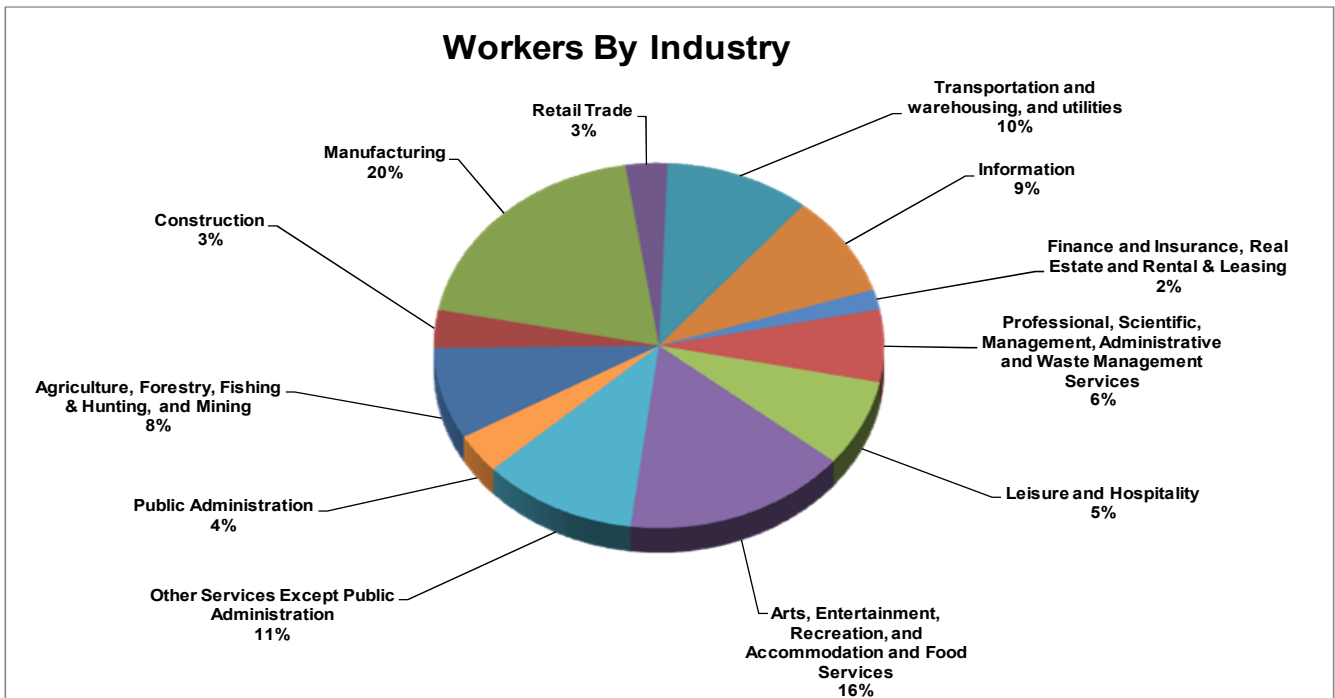
Approximately 24.85% of the population is under 18 years of age, approximately 1.26% lower than Alaska overall. The population consists of approximately 51.9% male and approximately 48.1% female. Approximately 22.1% of the adults, age 25 and older, hold at least a bachelor’s degree, and 87.1% are estimated to have at least a high school diploma.

City of Kodiak Population

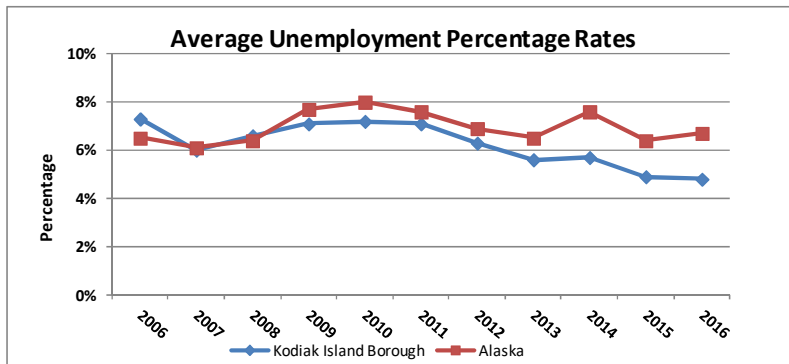


### LABOR FORCE

In 2016, the state estimated the Kodiak region’s average monthly employment to be 3,625 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% (October 2016) to as high as 13.2% (December 2011). The average annual unemployment rate for Kodiak in fiscal year 2016 was 4.8% compared to 6.7% for the state of Alaska.



### INCOME

The U.S. Department of Commerce Bureau of Economic Analysis reported the 2016 per capita personal income was \$58,843, a decrease of 1.40%, as compared to \$59,691 reported for 2015 for the Kodiak Island Borough.

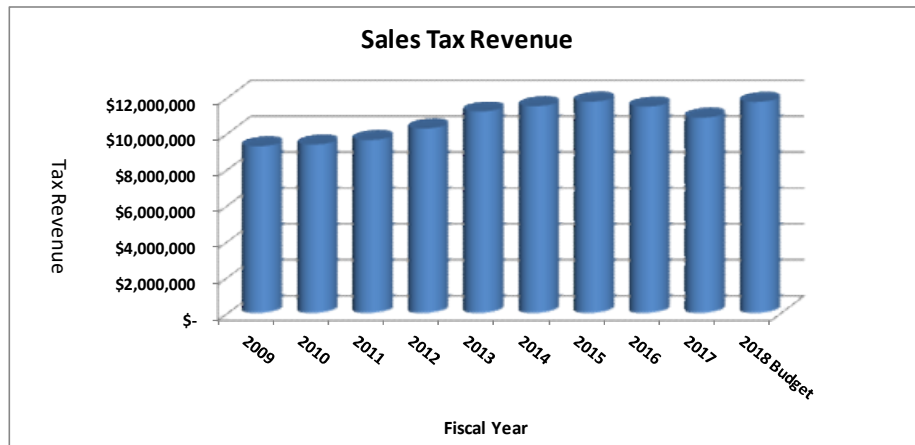
### RETAIL SALES

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 \$8.8 million in 2008 to approximately \$10.8 million in 2017. 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. Sales taxes have continued to decrease over the most recent two fiscal years. The decrease for fiscal year 2016 was \$274,000 and the decrease for fiscal year 2017 was \$616,000. The City will 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 2017.
2. The Sales Tax Cap remained at \$750.00.
3. The Hotel & Motel tax rate of 5% remained the same.
4. The fiscal year 2017 had no reductions of services, and all services were maintained at consistent levels.

**FUTURE PROJECTS**

1. **New Fire Station Phase II:** **\$4,000,000**

The City of Kodiak identified the need to replace its fire station and has been working toward a replacement plan since 2004. The building has clearly outlived its design life. The building is composed of three structures and sits on a site that is currently very limited as it abuts the tsunami inundation zone. The structure is built of cement block type construction built in the 1940s with two block and wood frame additions added in the 1960s and 1975. The structure poses a significant risk of failure in a seismic event. Cracks in the walls and initial separation of one of the additions from the rest of the structure occurred following the large 7+ earthquake in 2016. It has ongoing plumbing, drainage, and water infiltration issues. The facility houses personnel, fire and rescue apparatus, three ambulances, and many types of specialty equipment and medical supplies that support the Advanced Life Support services offered to the entire Kodiak area well beyond the City boundaries. The building condition poses constant challenges and problems to the crews who work and live in the structure. Work to replace this building must continue because it is a key emergency response and life-safety facility for Kodiak and continues to require constant maintenance.

The City proposes completion of the project in three phases. Phase I of this project with a budget of \$1,110,000 and funded by the City was used to study the site, for a new facility once a derelict building is removed. It included the removal of the old building, site grading, and other work following the demolition of the old building. Phase I is 95% complete.

Phase II would include a new site acquisition and design completed prior to construction. Relocation would make the project more affordable to do in phases, would reduce the impact to the active fire station, and benefit the transition to a new building. Phase II costs would total \$4,000,000 with site acquisition and building design anticipated during FY2019. The remainder, an estimated \$10,000,000, would be required to complete construction and furnish the facility.

The City of Kodiak is requesting funding for Phase II of the New Fire Station project from the State in an amount of \$4,000,000 to ensure the project continues to move forward. This project may also be suitable for a GO Bond package in the event the legislature pursues bonds as a capital budget financing mechanism.

**2. Community Assistance Program**

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 is budgeted to receive \$109,300 this fiscal year, a substantial reduction from previous years.

\$249,981 in FY2017

\$377,926 in FY2016

\$397,792 in FY2015

\$402,490 in FY2014

The City urges the State to continue to provide revenue sharing to local governments through this program.

**3. Shelikof Street Bulkhead Parking**

**\$1,100,000**

In 2009, the City identified the need for pedestrian improvements from Pier II to downtown Kodiak as the preferred pedestrian route for cruise ship passengers to safely walk the street into the town center 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 second phase of the project was completed in January 2017. This phase covered geotechnical investigation, design, permitting, mapping, preparation for permitting through the Army Corps of Engineers, and 95% completion of the design to accommodate 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 highly 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. The task for this phase will be to complete construction of the bulkhead parking area, including curb and gutter, paving, lighting, and utility relocates.

The City of Kodiak is requesting state funding assistance for the final construction of this project, including administration, in the amount of \$1,100,000 to enhance pedestrian and vehicle safety. Funds are requested through the Cruise Ship Excise Tax program or through a legislative grant. This project may also be suitable for a GO Bond package in the event the legislature pursues bonds as a capital budget financing mechanism.

**5. St. Herman Harbor Infrastructure Replacement**

**\$28,000,000**

The economy of the City of Kodiak is based upon commercial fishing including local, state and federal governmental activities associated with support of the fisheries as well as research and enforcement activities. Each year Kodiak ranks as a top commercial fishing port. In 2015, NOAA statistics again 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, electrical systems, and harbor and dock infrastructure that is much larger than its population might suggest.

The Kodiak Harbor Department relies on the generation of user fees and the State of Alaska's Harbor Facilities Grant Program to help match municipal costs for dock replacements. The City's request of federal funding assistance in the amount of \$28,000,000 would help the City develop a plan, including replacement of this aging infrastructure which supports the nations scientific and food source needs.

**6. Waste Water Treatment Plant Facility**

**\$19,000,000**

The first phase of a larger project is to evaluate the condition of the Waste Water Treatment Plant facility (WWTP) and design a necessary upgrade to the City of Kodiak facility. The prior upgrade to the facility was in 1999. The condition and evaluation assessment will include all major components such as the building and aeration basins; including equipment replacement needs. Alaska Pollution Discharge Elimination System (APDES) permitting requirements will also be considered during this assessment. The City of Kodiak has received the Alaska Department of Environmental Conservation (ADEC) preliminary draft APDES permit. This new regulation of compliance is expected to require upgrades to our facility which we will factor in our condition and evaluation assessment.

The City of Kodiak is requesting federal funding in the amount of \$19,000,000 to assess, design and construct this WWTP project that will help support the wastewater needs of the community for the next twenty years.

**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 2017 for the addition of the Human Resources manager. There were no changes in operational needs.

**Reserves**

The City’s policy for reserves states that use of fund balance will be for working capital, budgetary stabilization and responding to extreme events. At a minimum, the General Fund will not have an unassigned fund balance that falls below two months of regular General Fund operating expenditures. The replenishment of fund balance will come from non-recurring revenues, budget surpluses, and excess resources in other funds when legally permissible and when there is defensible rationale. There is significant pressure to spend reserves to meet capital repair, replacement, and expansion needs. In addition, the City’s reserve levels are at risk due to: significant health care costs, enterprise fund critical needs, unforeseen emergencies and natural disasters, potential sustained reduction in visitors and other similar risks. Any of these risks can have a significant adverse impact on the City’s financial condition, enhancing the need for a healthy level of unassigned reserves.

**Pension and Other Post-Employment Benefits**

The City provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The system consists of four defined benefit (DB) Tiers, and one defined contribution (DC) Tier. The City has no obligations in connection with employee benefits offered through these plans beyond its annual required payments to the plans. The City has always paid its annual required contribution rates on time. The City anticipates near-term annual contribution rates to be capped at 22% of covered payroll for both DB and DC plans, based on legislative action agreeing to State of Alaska coverage of costs exceeding 22%. The transition from a single-agent, multiple-employer plan, to a cost-sharing plan as of July 1, 2008, provides a single rate for all participating PERS employers, eliminating

the previous methodology of assessing each employer its own rate. The City now shares in the pooled liability of the PERS plan. The legislature's cap on local government contribution rates brings stability to Kodiak's retirement rates, mitigating the recent trend of significant annual rate increases, although it is important to note that a future State legislature can eliminate the contributions.

In a prior year 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.

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, 2016. This was the fourteenth 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, 2017. In order to qualify for the Distinguished Budget Presentation Award, the budget document must be judged to be proficient in specified categories, including its use as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully Submitted,

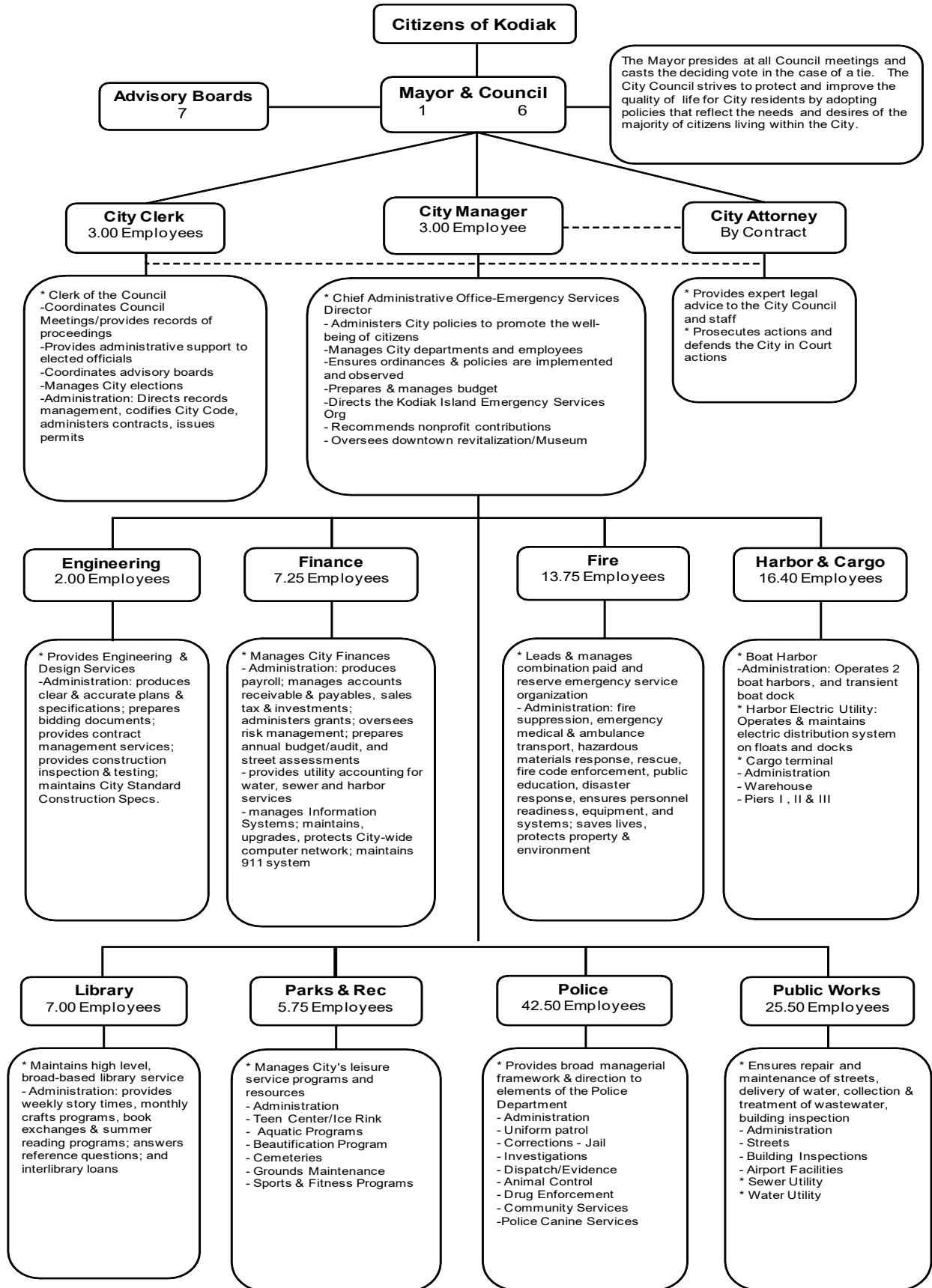


**City Manager**  
Mike Tvenge



**Finance Director**  
Kelly Mayes

**CITY OF KODIAK  
ORGANIZATIONAL CHART**



**CITY OF KODIAK  
FACT SHEET**

**Form of Government**

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

**City Departments**

Name	Department	Email	Phone
Mike Tvenge	City Manager	mtvenge@city.kodiak.ak.us	907-486-8640
Debra Marlar	City Clerk	dmarlar@city.kodiak.ak.us	907-486-8636
Matt Van Daele	Deputy City Manager	mvandaele@city.kodiak.ak.us	907-486-8640
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, 2016**

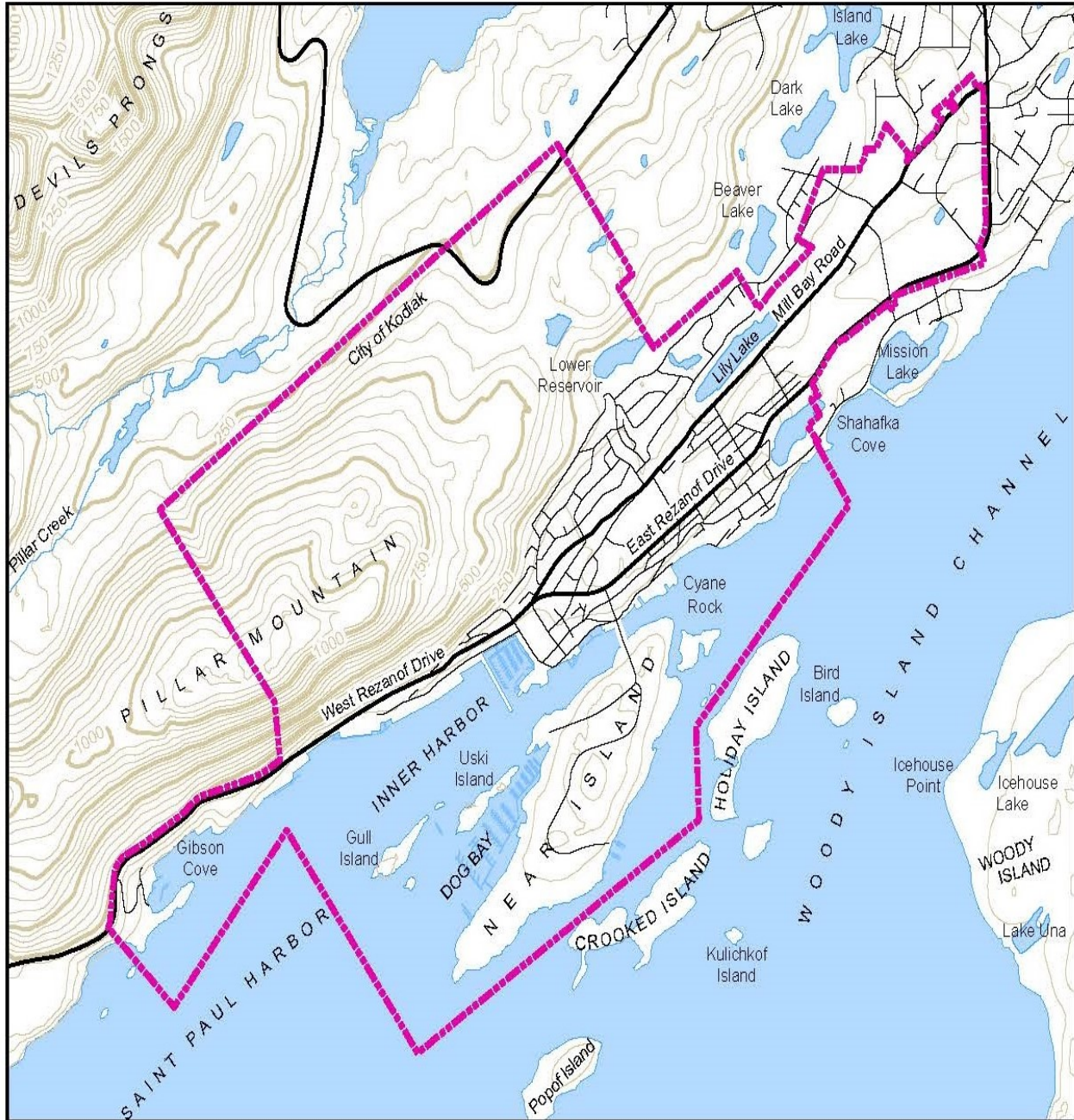
Executive Director/CEO



CITY OF KODIAK  
KODIAK ISLAND, KODIAK



CITY OF KODIAK  
CITY LIMITS - 6.2 SQUARE MILES



## **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, 2017, 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, Alaska, as of June 30, 2017, 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 the management's discussion and analysis on pages 5-17, budgetary comparison information on page 59, and the Schedules of Proportionate Share of the Net Pension Liability and Pension Contributions on pages 60-61 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kodiak's basic financial statements. The information listed in the table of contents as "Supplementary Information", which includes the combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the accompanying Schedule of State Financial Assistance is presented for the purpose of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules listed in the table of contents as “Supplementary Information”, the Schedule of Expenditures of Federal Awards, and the Schedule of State Financial Assistance, 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 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 combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards, and the Schedule of State Financial Assistance, are fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Kodiak, Alaska’s basic financial statements for the year ended June 30, 2016, which are not presented with the accompanying financial statements and were audited by other auditors whose report thereon dated December 29, 2016 expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Their audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kodiak, Alaska’s basic financial statements as a whole. The combining and individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of 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 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2016 basic financial statements and certain additional auditing 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 and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

The 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 them.

Honorable Mayor and City Council  
City of Kodiak, Alaska

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the City of Kodiak's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Kodiak's 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 the City of Kodiak's internal control over financial reporting and compliance.

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 28, 2017

# City of Kodiak, Alaska

## Management's Discussion and Analysis

June 30, 2017

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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, 2017. 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

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- The assets of the City of Kodiak exceeded its liabilities at the close of the most recent fiscal year by \$190,176,537 (*net position*). Of this amount, \$35,096,836 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$1,887,477 (0.98%). The governmental net position decreased by \$3,700,712 (6.06%) and the business-type net position increased by \$1,813,235 (1.40%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$17,350,420, a decrease of \$895,810 from the prior year. Approximately 37.92% of this total amount, (\$6,578,439) is available for spending at the government's discretion (*unassigned fund balance*).
- Total general revenues accounted for \$13,591,031 (43%) 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 \$18,372,648 (57%) of total revenues of \$31,963,679.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,578,439, or (39%) of total General Fund expenditures and transfers of \$16,813,874.
- The City of Kodiak's total debt increased by \$5,979,594 during the current fiscal year. In fiscal year 2017 there was additional debt added for one water loan and one sewer loan for an increase in loans in the amount of \$2,342,734. 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 2017, the net pension liability was \$15,572,347.

### Overview of the Financial Statements

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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, 3) notes to the financial statements, and 4) required supplementary information. This report also contains 5) 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

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- 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 E-911 services.
  - The government-wide financial statements can be found on pages 18-19 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 Insurance Fund.

The basic proprietary fund financial statements can be found on pages 24-26 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 27-58 of this report.
  4. **Required Supplementary Information** includes the required budgetary supplementary information and the schedules of the proportionate share of the net pension liability and pension contributions. The required supplementary information can be found on pages 59-61.
  5. **Other Information.** The basic statements are followed by additional supplementary information on individual fund activity.
    - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 67-71. Other combining and individual fund statements and schedules can be found on pages 72-119 of this report.

## Government-Wide Financial Analysis of the City of Kodiak

Table 1 provides a summary of the City's net position for 2017 compared to 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current assets	\$ 18,136,071	\$ 19,095,835	\$ 31,791,089	\$ 29,210,479	\$ 49,927,160	\$ 48,306,314
Capital assets	60,267,718	61,158,057	115,312,819	114,575,434	175,580,537	175,733,491
<b>Total assets</b>	<b>78,403,789</b>	<b>80,253,892</b>	<b>147,103,908</b>	<b>143,785,913</b>	<b>225,507,697</b>	<b>224,039,805</b>
<b>Deferred outflows of resources</b>						
Related to pensions	2,464,833	1,796,735	783,069	530,863	3,247,902	2,327,598
Deferred charge on bond refunding	201,330	-	92,685	-	294,015	-
<b>Total deferred outflows of resources</b>	<b>2,666,163</b>	<b>1,796,735</b>	<b>875,754</b>	<b>530,863</b>	<b>3,541,917</b>	<b>2,327,598</b>
<b>Total assets and deferred outflows of resources</b>	<b>81,069,952</b>	<b>82,050,627</b>	<b>147,979,662</b>	<b>144,316,776</b>	<b>229,049,614</b>	<b>226,367,403</b>
<b>Liabilities</b>						
Current liabilities	612,592	706,008	827,030	2,106,813	1,439,622	2,812,821
Long-term liabilities	19,297,733	16,453,685	17,962,142	14,826,596	37,259,875	31,280,281
<b>Total liabilities</b>	<b>19,910,325</b>	<b>17,159,693</b>	<b>18,789,172</b>	<b>16,933,409</b>	<b>38,699,497</b>	<b>34,093,102</b>
<b>Deferred inflows of resources</b>						
Related to pensions	131,730	162,325	41,850	47,962	173,580	210,287
<b>Total deferred inflows of resources</b>	<b>131,730</b>	<b>162,325</b>	<b>41,850</b>	<b>47,962</b>	<b>173,580</b>	<b>210,287</b>
<b>Net position</b>						
Invested in capital assets	53,313,320	54,463,057	101,304,800	102,641,050	154,618,120	157,104,107
Restricted	-	-	461,581	505,050	461,581	505,050
Unrestricted	7,714,577	10,265,552	27,382,259	24,189,305	35,096,836	34,454,857
<b>Total net position</b>	<b>61,027,897</b>	<b>64,728,609</b>	<b>129,148,640</b>	<b>127,335,405</b>	<b>190,176,537</b>	<b>192,064,014</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 81,069,952</b>	<b>\$ 82,050,627</b>	<b>\$ 147,979,662</b>	<b>\$ 144,316,776</b>	<b>\$ 229,049,614</b>	<b>\$ 226,367,403</b>

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 \$190,176,537 as of June 30, 2017.

# City of Kodiak, Alaska

## Management's Discussion and Analysis

The government's net position decreased by \$1,887,477 during the current fiscal year compared to an increase of \$3,034,602 in the prior fiscal year. The decrease resulted primarily from greater sales taxes and greater grant contributions in the prior year. The government's operating expenses were up slightly in the current years as a result of increased salaries and benefits.

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

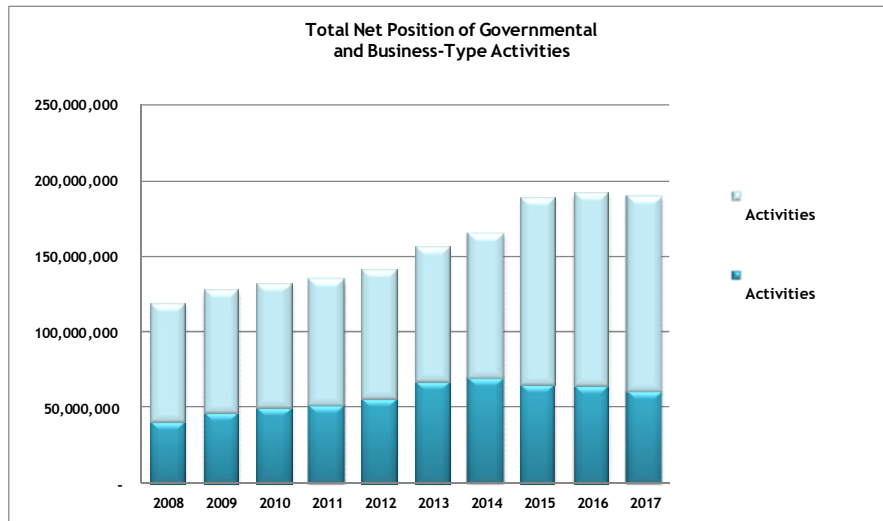
An additional portion of the City of Kodiak's net position, less than 1%, represents resources that are subject to external restrictions on how they may be used. Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts which makes up this restricted amount.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

At the end of the fiscal year 2017, 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 \$1,149,737 in net investment in capital assets in connection with the City of Kodiak's governmental activities. This was primarily due to continued street improvements and design of the new fire station in addition to an increase in accumulated depreciation. In the City's business activities there was a decrease of \$1,336,250 in net investment in capital assets. This is primarily due to the Pier III replacement project which is in the final completion stages in addition to an increase in accumulated depreciation.

During fiscal year 2017, the government's total net position decreased by \$1,887,477. The decrease represents the degree to which decreases in ongoing revenues have outstripped similar increases in ongoing expenses.

Total net position has increased over the past nine years, excluding the current year, 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 2017 and 2016 for both the governmental and business-type activities. Business-type activities increased the City of Kodiak's net position by \$1,813,235 and governmental activities decreased the City's net position by \$3,700,712.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,611,949	\$ 13,488,214	\$ 17,100,163	\$ 3,196,010	\$ 13,739,140	\$ 16,935,150
Operating grants and contributions	212,123	63,682	275,805	457,644	128,475	586,119
Capital grants and contributions	25,357	971,323	996,680	66,945	1,400,917	1,467,862
Total program revenues	<u>3,849,429</u>	<u>14,523,219</u>	<u>18,372,648</u>	<u>3,720,599</u>	<u>15,268,532</u>	<u>18,989,131</u>
General revenues:						
Property taxes	1,083,234	-	1,083,234	921,916	-	921,916
Sales taxes	10,876,981	-	10,876,981	11,481,933	-	11,481,933
Other taxes, penalties and interest	217,934	-	217,934	244,483	-	244,483
Grants not restricted	978,701	-	978,701	1,566,434	-	1,566,434
Investment income	65,458	99,646	165,104	76,050	104,564	180,614
Miscellaneous	190,385	78,692	269,077	361,197	121,627	482,824
Total general revenues	<u>13,412,693</u>	<u>178,338</u>	<u>13,591,031</u>	<u>14,652,013</u>	<u>226,191</u>	<u>14,878,204</u>
Total revenues	<u>17,262,122</u>	<u>14,701,557</u>	<u>31,963,679</u>	<u>18,372,612</u>	<u>15,494,723</u>	<u>33,867,335</u>
<b>Expenses:</b>						
General government	3,716,834	-	3,716,834	3,566,984	-	3,566,984
Public safety	9,727,361	-	9,727,361	8,346,122	-	8,346,122
Public works	3,324,991	-	3,324,991	3,342,453	-	3,342,453
Engineering	214,091	-	214,091	163,832	-	163,832
Parks & recreation	1,870,555	-	1,870,555	1,426,761	-	1,426,761
Library	1,140,829	-	1,140,829	1,025,482	-	1,025,482
Community services	414,094	-	414,094	393,730	-	393,730
Interest on long-term debt	54,079	-	54,079	332,240	-	332,240
Cargo Pier	-	1,106,868	1,106,868	-	942,898	942,898
Boat Harbor	-	3,717,907	3,717,907	-	3,410,754	3,410,754
Water Utility	-	2,842,116	2,842,116	-	2,192,228	2,192,228
Sewer Utility	-	3,423,537	3,423,537	-	3,583,227	3,583,227
Shipyard	-	1,334,428	1,334,428	-	1,213,745	1,213,745
Harbor Electric	-	660,605	660,605	-	585,739	585,739
Trident Basin	-	295,638	295,638	-	300,096	300,096
E-911 Services	-	7,223	7,223	-	6,442	6,442
Total expenses	<u>20,462,834</u>	<u>13,388,322</u>	<u>33,851,156</u>	<u>18,597,604</u>	<u>12,235,129</u>	<u>30,832,733</u>
Increase in net position before transfers	(3,200,712)	1,313,235	(1,887,477)	(224,992)	3,259,594	3,034,602
Transfers	(500,000)	500,000	-	(280,000)	280,000	-
Change in net position	<u>(3,700,712)</u>	<u>1,813,235</u>	<u>(1,887,477)</u>	<u>(504,992)</u>	<u>3,539,594</u>	<u>3,034,602</u>
Net position at beginning 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>
Net position at end of year	<u>\$ 61,027,897</u>	<u>\$ 129,148,640</u>	<u>\$ 190,176,537</u>	<u>\$ 64,728,609</u>	<u>\$ 127,335,405</u>	<u>\$ 192,064,014</u>

# City of Kodiak, Alaska

## Management's Discussion and Analysis

### Governmental Activities

Governmental activities decreased the City of Kodiak's net position by \$3,700,712. Key elements of this decrease are as follows:

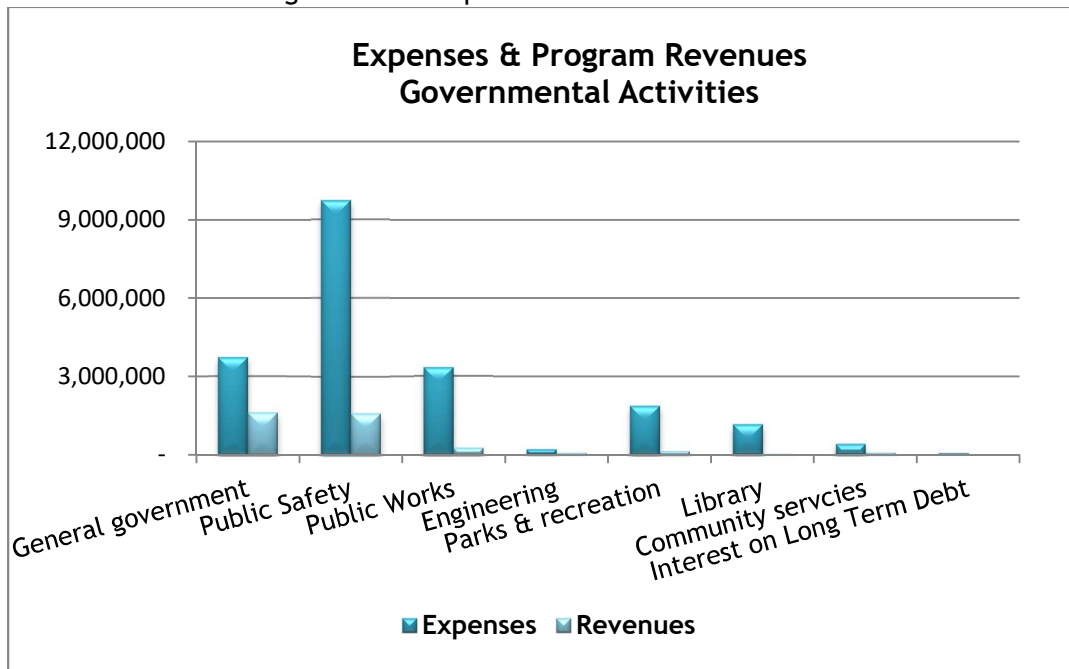
The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$10,876,981, a 5.56% decrease from 2016. The City sales tax rate in 2017 was at 7% on all sales. The City sales tax accounts for 65% of total governmental revenues. Other tax revenues like property tax, tax penalties, interest, and hotel and motel tax accounted for less than 1% of total governmental activities revenues in 2017.

City taxpayers financed most of the City's costs, bringing in tax revenues of \$12,178,149. 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 \$3,849,429 (19%) of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety 48%, Public Works 16%, and General Government 18%, or 82% of total governmental activities expenses. Engineering, Parks and Recreation, Library, Community Services, and Interest on Long-Term Debt make up the remaining expenses.

Increases in expenses are due to increased costs and differences in grant funded operations. Overall the expenses increased by 10% from the prior fiscal year. This was due primarily to an increase in public safety by 16%, parks and recreation by 31% and engineering by 31%. These increases are attributable to differences in grant funded operations.



The graph on the following page shows the revenues by source for governmental-type activities. Taxes comprise of the largest revenue source at 71% of total governmental revenue. Other primary revenue sources include 21% for charges for services and 7% for grants.

# City of Kodiak, Alaska

## Management's Discussion and Analysis

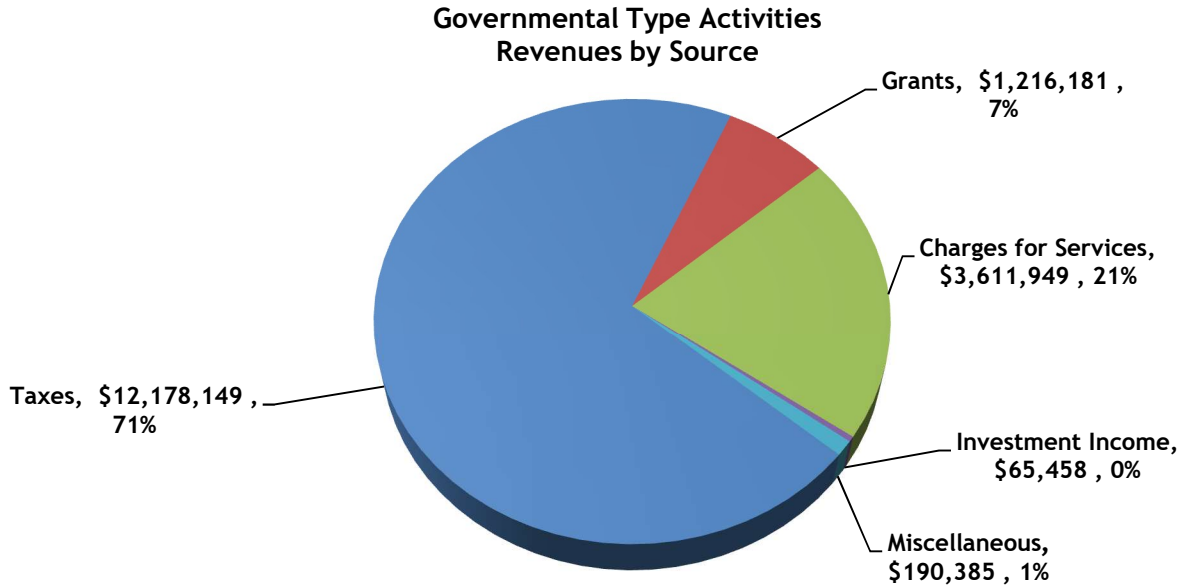


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2017. That is, it identifies the cost of these services supported by charges for services, operating grants and capital grants.

**Table 3  
Governmental Activities in 2017**

	Total Cost of Services 2017	Net Cost (Benefit) of Services 2017	% of Total Costs
Governmental activities:			
General government	\$ 3,716,834	\$ 2,092,657	18.16%
Public safety	9,727,361	8,135,440	47.54%
Public works	3,324,991	3,044,267	16.25%
Engineering	214,091	137,458	1.05%
Parks & recreation	1,870,555	1,716,700	9.14%
Library	1,140,829	1,104,905	5.58%
Community services	414,094	327,899	2.02%
Interest on long-term debt	54,079	54,079	0.26%
Total governmental activities	\$ 20,462,834	\$ 16,613,405	100%

### ***Business-type Activities***

Business-type activities increased the City of Kodiak's net position by \$1,813,235. Key elements of this are as follows:

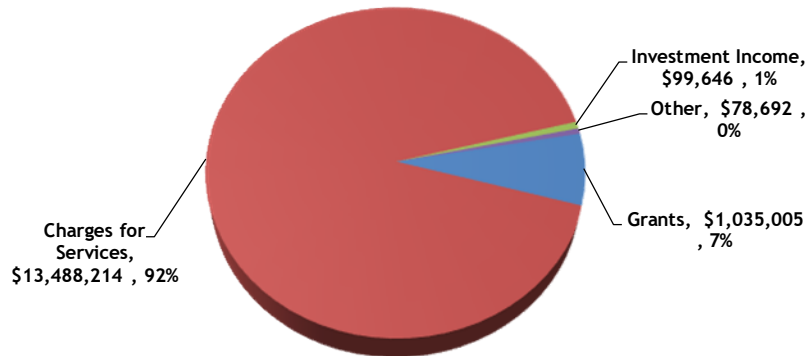
Charges for services and capital grant revenues accounted for most of the City's total business-type revenues, with charges for services contributing 92% of the total revenues and grants 7% of the total revenues.

# City of Kodiak, Alaska

## Management's Discussion and Analysis

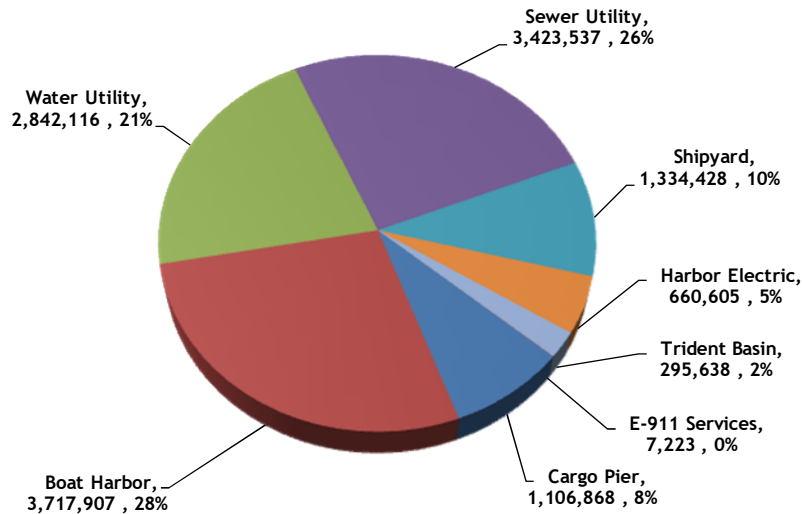
The primary source of revenue from business-type activities is charges for services, which amounted to \$13,488,214, a 2% decrease from 2016. For the business-type activities, operating costs were less than charges for services by \$99,892. Operating and capital grants, interest income and miscellaneous revenues increased net position by an additional \$1,213,343.

### Business Type Activities Revenues by Source



The City's business-type activities expenses are related to cargo 8%, boat harbor 28%, shipyard 10%, harbor electric 5%, water utility 21%, sewer utility 26%, 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 2017.

### Business Type Activities Expenses



# City of Kodiak, Alaska

## Management's Discussion and Analysis

Table 3-A shows the total cost of services and the net cost of services for business-type activities in 2017. 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 2017

	Total Cost of Services 2017	Net Cost (Benefit) of Services 2017	% of Total Costs
Business-type activities:			
Cargo	\$ 1,106,868	\$ (234,241)	8.27%
Boat Harbor	3,717,907	596,465	27.77%
Water Utility	2,842,116	(1,702,925)	21.23%
Sewer Utility	3,423,537	(785,053)	25.57%
Shipyard	1,334,428	922,045	9.97%
Harbor Electric	660,605	(150,071)	4.93%
Trident Basin	295,638	238,516	2.21%
E-911 Services	7,223	(19,633)	0.05%
Total business-type activities	<u>\$ 13,388,322</u>	<u>\$ (1,134,897)</u>	<u>100.00%</u>

### Financial Analysis of the Governmental Funds

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

#### *Governmental Funds*

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

As of the end of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$17,350,420, a decrease of \$895,810 from the prior year. Approximately 37.92% of this total amount, \$6,578,439, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City of Kodiak. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,578,439 while total fund balance was \$8,828,601. 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 \$6,578,439 represents 39% of total General Fund expenditures and transfers of \$16,813,874. Total fund balance of \$8,828,601 represents 53% of total General Fund expenditures and transfers of \$16,813,874.

# City of Kodiak, Alaska

## Management's Discussion and Analysis

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The fund balance of the City of Kodiak's General Fund increased in the amount of \$135,580 during the current fiscal year. Key factors in this increase are as follows:

Total General Fund total operating revenues of \$16,952,129 exceeded total expenditures and transfers of \$16,813,874. Budgeted sales tax revenues of the General Fund exceeded actual sales tax revenues by \$1,431,205. 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 \$1,383,631, public works by \$570,943, and general government by \$484,234. Transfers from the General Fund to other funds in the amount of \$1,258,298 were lower than prior years primarily due to the delay in capital projects that would replace aging City infrastructure. Code requirements accounted for \$1,000,000 in transfers; other transfers included \$21,000 to General Capital Projects for continued repairs and maintenance at the Kodiak Fire Station and \$20,010 for additional requirements under the Code Blue grant to replace the City's ambulance, and the remainder was transferred to the Vehicle Replacement fund for ongoing City vehicle replacements.

The Nonmajor Funds have a total fund balance of \$8,521,819. Of this balance, 5% is restricted for tourism, 49% is committed for economic stability, 44% assigned for capital projects, and 1% assigned for public works. There was a decrease of \$1,031,390 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 \$5,579,639 and those in the Water, Sewer Facilities amounted to \$20,647,484. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$885,305 in unrestricted net position. The total change in net position for all areas was an increase of \$1,823,589. This increase can be primarily attributed to increased grants in the current year, higher returns on investments, increased health insurance discounts, and recent rate studies performed for the water utility and boat harbor.

### ***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 \$13,630 decrease in appropriations between the original and final amended budget. Following are the main components of the increase:

\$100,000 supplemental increase to the legal department in anticipation of legal advice required for certain capital projects and ventures and general city business.

\$51,250 supplemental increase to executive administration from the police department, finance department, and public works department for the addition of the HR manager position.

\$51,250 supplemental decrease from the police department, finance department, and public works department for the addition of the HR manager position.

\$29,500 supplemental increase in the finance department for citywide information technology services, increased citywide telephone expenses, and increased citywide internet expenses.



# City of Kodiak, Alaska

## Management's Discussion and Analysis

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\$7,400 supplemental increase in the executive administration department for additional rent expense of office space for addition of the HR manager position.

\$20,010 transfer to General Capital Projects for additional requirements under the Code Blue grant.

\$21,000 transfer to General Capital Projects for additional repairs and maintenance at the Kodiak Fire Station.

\$15,000 supplemental increase in revenues for federal grant funds received.

\$169,140 supplemental increase in revenues for health insurance discounts received.

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 revenues were \$2,882,938 less than budgeted. The actual expenditures were \$2,948,554 less than budgeted. The City made a concentrated effort to control expenditures and delay capital infrastructure projects. 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
General government	\$ 484,234	16%
Public safety	1,383,631	47%
Public works	570,943	19%
Engineering	67,339	2%
Parks and recreation	145,244	5%
Library	233,090	8%
Community services	1,134	0%
Other - insurance and administration	62,939	2%
Total under budget	<u>\$ 2,948,554</u>	

## Capital Assets and Debt Administration

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### *Capital Assets*

At June 30, 2017, the City's capital assets have a total net book value of \$175,580,537. Table 5 on the following page compares the net book values at June 30, 2017 and 2016. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, park facilities, bridges, and construction in progress. The total decrease in the City of Kodiak's investment in capital assets for the current fiscal year was \$152,955 (0.09%). The decrease is primarily related to the disposal of multiple capital assets.

# City of Kodiak, Alaska

## Management's Discussion and Analysis

Table 5  
Capital Assets at June 30  
Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,501,384	\$ 2,501,384	\$ 693,997	\$ 693,997	\$ 3,195,381	\$ 3,195,381
Construction in progress	939,988	399,838	59,236,342	54,185,323	60,176,330	54,585,161
Buildings	42,544,161	42,425,826	23,853,913	23,853,913	66,398,074	66,279,739
Other improvements	8,524,025	8,524,025	110,763,027	110,711,162	119,287,052	119,235,187
Infrastructure	18,681,299	18,681,299	-	-	18,681,299	18,681,299
Machinery and equipment	12,586,149	12,301,947	21,566,027	21,425,210	34,152,176	33,727,157
Total capital assets	85,777,006	84,834,319	216,113,306	210,869,605	301,890,312	295,703,924
Less accumulated depreciation	25,509,288	23,676,262	100,800,487	96,294,170	126,309,775	119,970,432
Total capital assets, net	\$ 60,267,718	\$ 61,158,057	\$ 115,312,819	\$ 114,575,435	\$ 175,580,537	\$ 175,733,492

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 37-38.

### Debt Administration

At June 30, 2017, the City had \$525,481 in long-term leave payable for governmental activities and \$199,630 for business-type activities. The City has a \$6,954,398 balance on general obligation bonds related to the construction of a new public safety building, loans payable to the State of Alaska of \$7,656,828 related to the Water and Sewer Enterprise Funds, and \$6,351,191 of revenue bonds related to the Harbor and Shipyard Enterprise Funds. The City's outstanding bonds were refunded during 2017 which will result in interest expense savings over the life of the bonds. At June 30, 2017, the City recognized a net pension liability obligation related to the State of Alaska PERS retirement plan for \$11,817,854 for governmental activities and \$3,754,493 for business-type activities.

Table 6 below summarizes all outstanding debt at June 30, 2017 with a comparison to 2016. 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 39-43.

Table 6  
Debt Outstanding at June 30

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 6,954,398	\$ 6,695,000	\$ -	\$ -	\$ 6,954,398	\$ 6,695,000
Long-term leave payable	525,481	589,879	199,630	183,201	725,111	773,080
Long-term notes payable	-	-	7,656,828	5,849,384	7,656,828	5,849,384
Revenue bonds payable	-	-	6,351,191	6,085,000	6,351,191	6,085,000
Net pension liability	11,817,854	9,168,807	3,754,493	2,709,011	15,572,347	11,877,818
Total noncurrent liabilities	\$ 19,297,733	\$ 16,453,686	\$ 17,962,142	\$ 14,826,596	\$ 37,259,875	\$ 31,280,282

# City of Kodiak, Alaska

## Management's Discussion and Analysis

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### *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 2016 in the Kodiak Island Borough is 4.8% compared to 6.7% Alaska wide.
- The cost of living index in Kodiak for the first quarter of 2016 was 136.0. Other Alaskan cities are Anchorage at 131.3, Juneau at 131.2 and Fairbanks at 132.8. 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 2017 fiscal year.

In fiscal year 2017, the unassigned fund balance in the General Fund decreased by \$2,092,328 leaving a balance at the end of the year of \$6,578,439. The City has appropriated \$2,238,227 of its total fund balance of \$6,578,439 for spending in the 2018 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**

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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](http://www.city.kodiak.ak.us).

**City of Kodiak, Alaska**  
**Statement of Net Position**

<i>June 30, 2017</i>	Governmental Activities	Business-type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
Cash and investments	\$ 15,165,849	\$ 29,667,309	\$ 44,833,158
Receivables, net of allowance	2,958,287	1,385,351	4,343,638
Inventory	-	276,848	276,848
Restricted cash and investments	-	461,581	461,581
Prepays	11,935	-	11,935
Capital assets not being depreciated - land and construction in progress	3,441,372	59,930,339	63,371,711
Other capital assets, net of depreciation	56,826,346	55,382,480	112,208,826
<b>Total Assets</b>	<b>78,403,789</b>	<b>147,103,908</b>	<b>225,507,697</b>
<b>Deferred Outflows of Resources</b>			
Related to pensions	2,464,833	783,069	3,247,902
Deferred charge on bond refunding	201,330	92,685	294,015
<b>Total Deferred Outflows of Resources</b>	<b>2,666,163</b>	<b>875,754</b>	<b>3,541,917</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 81,069,952</b>	<b>\$ 147,979,662</b>	<b>\$ 229,049,614</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 259,448	\$ 488,075	\$ 747,523
Accrued payroll and related liabilities	250,426	87,095	337,521
Customer deposits	5,484	265,503	270,987
Accrued interest	20,671	62,920	83,591
Internal balances	76,563	(76,563)	-
<b>Noncurrent Liabilities</b>			
Due within one year:			
Accrued leave	518,335	76,692	595,027
Bonds payable	234,470	184,819	419,289
Loans payable	-	561,088	561,088
Due in more than one year:			
Accrued leave	7,146	122,938	130,084
Bonds payable	6,719,928	6,166,372	12,886,300
Loans payable	-	7,095,740	7,095,740
Net pension liability	11,817,854	3,754,493	15,572,347
<b>Total Liabilities</b>	<b>19,910,325</b>	<b>18,789,172</b>	<b>38,699,497</b>
<b>Deferred Inflows of Resources</b>			
Related to pensions	131,730	41,850	173,580
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>20,042,055</b>	<b>18,831,022</b>	<b>38,873,077</b>
<b>Net Position</b>			
Net investment in capital assets	53,313,320	101,304,800	154,618,120
Restricted for debt service	-	461,581	461,581
Unrestricted	7,714,577	27,382,259	35,096,836
<b>Total Net Position</b>	<b>61,027,897</b>	<b>129,148,640</b>	<b>190,176,537</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 81,069,952</b>	<b>\$ 147,979,662</b>	<b>\$ 229,049,614</b>

*See accompanying notes to basic financial statements.*

## City of Kodiak, Alaska

## Statement of Activities

Year Ended June 30, 2017	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	
<b>Governmental Activities</b>							
General government	\$ 3,716,834	\$ 1,579,673	\$ 44,504	\$ -	\$ (2,092,657)	\$ -	\$ (2,092,657)
Public safety	9,727,361	1,441,495	125,069	25,357	(8,135,440)	-	(8,135,440)
Public works	3,324,991	256,835	23,889	-	(3,044,267)	-	(3,044,267)
Engineering	214,091	76,633	-	-	(137,458)	-	(137,458)
Parks and recreation	1,870,555	144,730	9,125	-	(1,716,700)	-	(1,716,700)
Library	1,140,829	26,388	9,536	-	(1,104,905)	-	(1,104,905)
Community services	414,094	86,195	-	-	(327,899)	-	(327,899)
Interest on long-term debt	54,079	-	-	-	(54,079)	-	(54,079)
<b>Total Governmental Activities</b>	<b>20,462,834</b>	<b>3,611,949</b>	<b>212,123</b>	<b>25,357</b>	<b>(16,613,405)</b>	<b>-</b>	<b>(16,613,405)</b>
<b>Business-type Activities</b>							
Cargo Pier	1,106,868	1,244,759	5,611	90,739	-	234,241	234,241
Boat Harbor	3,717,907	2,216,952	23,906	880,584	-	(596,465)	(596,465)
Water Utility	2,842,116	4,531,896	13,145	-	-	1,702,925	1,702,925
Sewer Utility	3,423,537	4,191,047	17,543	-	-	785,053	785,053
Shipyard	1,334,428	408,906	3,477	-	-	(922,045)	(922,045)
Harbor Electric	660,605	810,676	-	-	-	150,071	150,071
Trident Basin	295,638	57,122	-	-	-	(238,516)	(238,516)
E-911 Services	7,223	26,856	-	-	-	19,633	19,633
<b>Total Business-type Activities</b>	<b>13,388,322</b>	<b>13,488,214</b>	<b>63,682</b>	<b>971,323</b>	<b>-</b>	<b>1,134,897</b>	<b>1,134,897</b>
<b>Total</b>	<b>\$ 33,851,156</b>	<b>\$ 17,100,163</b>	<b>\$ 275,805</b>	<b>\$ 996,680</b>	<b>(16,613,405)</b>	<b>1,134,897</b>	<b>(15,478,508)</b>
<b>General Revenues</b>							
Taxes:							
Property taxes					1,083,234	-	1,083,234
Sales taxes					10,876,981	-	10,876,981
Other taxes, penalties and interest					217,934	-	217,934
Grants and entitlements not restricted to a specific purpose							
					978,701	-	978,701
Investment income					65,458	99,646	165,104
Other					190,385	78,692	269,077
Transfers					(500,000)	500,000	-
<b>Total General Revenues and Transfers</b>					<b>12,912,693</b>	<b>678,338</b>	<b>13,591,031</b>
Changes in net position					(3,700,712)	1,813,235	(1,887,477)
<b>Net Position, beginning of year</b>					<b>64,728,609</b>	<b>127,335,405</b>	<b>192,064,014</b>
<b>Net Position, end of year</b>					<b>\$ 61,027,897</b>	<b>\$129,148,640</b>	<b>\$ 190,176,537</b>

See accompanying notes to basic financial statements.

**City of Kodiak, Alaska**  
**Governmental Funds**  
**Balance Sheet**

<i>June 30, 2017</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 6,276,017	\$ 8,468,057	\$ 14,744,074
Receivables, net of allowance for uncollectible accounts:			
Taxes	2,810,217	54,043	2,864,260
Grants and shared revenues	11,569	13,359	24,928
Special assessments	-	62,584	62,584
Interest	-	6,515	6,515
Prepaid items	11,935	-	11,935
Due from other funds	193,268	-	193,268
<b>Total Assets</b>	<b>\$ 9,303,006</b>	<b>\$ 8,604,558</b>	<b>\$ 17,907,564</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 218,495	\$ 40,953	\$ 259,448
Accrued payroll and related liabilities	250,426	-	250,426
Customer deposits	5,484	-	5,484
<b>Total Liabilities</b>	<b>474,405</b>	<b>40,953</b>	<b>515,358</b>
<b>Deferred Inflows of Resources</b>			
Deferred assessments	-	41,786	41,786
<b>Fund Balances</b>			
Nonspendable - prepaid items	11,935	-	11,935
Committed:			
Tourism	-	464,650	464,650
Economic stability	-	4,169,804	4,169,804
Assigned:			
Subsequent year's expenditures	2,238,227	-	2,238,227
Capital projects	-	3,786,306	3,786,306
Public works	-	101,059	101,059
Unassigned	6,578,439	-	6,578,439
<b>Total Fund Balances</b>	<b>8,828,601</b>	<b>8,521,819</b>	<b>17,350,420</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 9,303,006</b>	<b>\$ 8,604,558</b>	<b>\$ 17,907,564</b>

*See accompanying notes to basic financial statements.*

**City of Kodiak, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
*June 30, 2017*

Total fund balances for governmental funds		\$ 17,350,420
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	939,988	
Buildings	42,544,161	
Improvements other than buildings	8,524,025	
Infrastructure	18,681,299	
Machinery and equipment	12,586,149	
Accumulated depreciation	<u>(25,509,288)</u>	
Total capital assets		60,267,718
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.		
		2,464,833
Deferred outflows of resources related to bond refundings are not deemed available to pay current period expenditures and therefore are not reported as governmental fund assets.		
		201,330
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.		
		151,944
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	(11,817,854)	
Bonds payable	(6,565,000)	
Bond premium	(389,398)	
Accrued leave	(525,481)	
Accrued interest	<u>(20,671)</u>	
Total long-term liabilities		(19,318,404)
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>(131,730)</u>
<b>Total Net Position of Governmental Activities</b>		<b>\$ 61,027,897</b>

*See accompanying notes to basic financial statements.*

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

Year Ended June 30, 2017	Major Fund General	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes:			
Property taxes	\$ 1,083,234	\$ -	\$ 1,083,234
Sales taxes	10,876,981	-	10,876,981
Other taxes, penalties and interest	19,314	196,945	216,259
Intergovernmental	1,248,871	23,645	1,272,516
Charges for services	1,700,272	-	1,700,272
Fines and forfeitures	1,675	-	1,675
Licenses and permits	118,571	-	118,571
Rental income	127,238	86,195	213,433
Interfund charges	1,579,673	-	1,579,673
Investment income	19,726	44,820	64,546
Other revenues	176,574	-	176,574
<b>Total Revenues</b>	<b>16,952,129</b>	<b>351,605</b>	<b>17,303,734</b>
<b>Expenditures</b>			
Current:			
General government	2,771,887	50,245	2,822,132
Public safety	7,623,602	56,477	7,680,079
Public works	1,636,718	1,123,726	2,760,444
Engineering	213,112	-	213,112
Parks and recreation	1,368,463	26,588	1,395,051
Library	755,262	-	755,262
Community services	223,366	181,505	404,871
Other - insurance and administration	441,618	-	441,618
Debt service:			
Bond principal	205,000	-	205,000
Bond interest	316,548	-	316,548
Capital outlay	-	702,752	702,752
<b>Total Expenditures</b>	<b>15,555,576</b>	<b>2,141,293</b>	<b>17,696,869</b>
Excess of revenues over (under) expenditures	1,396,553	(1,789,688)	(393,135)
<b>Other Financing Sources (Uses)</b>			
Proceeds from bond refunding	6,368,811	-	6,368,811
Premium on bond refunding	389,398	-	389,398
Payment to bond refunding escrow agent	(6,682,661)	-	(6,682,661)
Bond refunding issuance costs	(78,223)	-	(78,223)
Transfers in	-	758,298	758,298
Transfers out	(1,258,298)	-	(1,258,298)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,260,973)</b>	<b>758,298</b>	<b>(502,675)</b>
Net change in fund balances	135,580	(1,031,390)	(895,810)
<b>Fund Balances, beginning of year</b>	<b>8,693,021</b>	<b>9,553,209</b>	<b>18,246,230</b>
<b>Fund Balances, end of year</b>	<b>\$ 8,828,601</b>	<b>\$ 8,521,819</b>	<b>\$ 17,350,420</b>

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, 2017

Net change in fund balances - total governmental funds		\$ (895,810)
<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 (\$2,189,669) exceeded capital outlays (\$1,299,330).</p>		
		(890,339)
<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>		
Change in accrued leave	64,397	
Change in accrued interest payable	61,139	
Change in deferred outflows related to bond refunding	201,330	
Change in the unfunded pension liability	<u>(2,649,047)</u>	
		(2,322,181)
<p>Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report and adjustments to reflect employee and non-employee contributions based on the measurement date of the liability.</p>		
Change in pension related deferred inflows and outflows		698,693
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position:</p>		
Issuance of long-term debt	(6,744,398)	
Principal repayments	<u>6,485,000</u>	
		(259,398)
<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>(31,677)</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ (3,700,712)</u></b>

*See accompanying notes to basic financial statements.*

## City of Kodiak, Alaska

Proprietary Funds  
Statement of Net Position

June 30, 2017	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
<b>Assets and Deferred Outflows of Resources</b>								
<b>Current Assets</b>								
Cash and investments	\$ 2,966,265	\$ 4,291,123	\$ 16,529,394	\$ 4,892,244	\$ 3	\$ 988,280	\$ 29,667,309	\$ 421,775
Receivables - net of allowances	176,663	267,369	371,719	372,584	56,599	140,417	1,385,351	-
Due from other funds	-	242,027	-	-	-	-	242,027	-
Inventories	-	-	262,198	14,650	-	-	276,848	-
<b>Total Current Assets</b>	<b>3,142,928</b>	<b>4,800,519</b>	<b>17,163,311</b>	<b>5,279,478</b>	<b>56,602</b>	<b>1,128,697</b>	<b>31,571,535</b>	<b>421,775</b>
<b>Noncurrent Assets</b>								
Restricted cash and investments	-	119,556	-	-	342,025	-	461,581	-
Property, plant and equipment, net	43,198,197	11,515,216	26,757,894	16,215,432	14,391,733	3,234,347	115,312,819	-
<b>Total Noncurrent Assets</b>	<b>43,198,197</b>	<b>11,634,772</b>	<b>26,757,894</b>	<b>16,215,432</b>	<b>14,733,758</b>	<b>3,234,347</b>	<b>115,774,400</b>	<b>-</b>
<b>Total Assets</b>	<b>46,341,125</b>	<b>16,435,291</b>	<b>43,921,205</b>	<b>21,494,910</b>	<b>14,790,360</b>	<b>4,363,044</b>	<b>147,345,935</b>	<b>421,775</b>
<b>Deferred Outflows of Resources</b>								
Related to pensions	68,856	293,935	161,421	215,985	42,872	-	783,069	-
Deferred charge on bond refunding	-	35,706	-	-	56,979	-	92,685	-
<b>Total Deferred Outflows of Resources</b>	<b>68,856</b>	<b>329,641</b>	<b>161,421</b>	<b>215,985</b>	<b>99,851</b>	<b>-</b>	<b>875,754</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 46,409,981</b>	<b>\$ 16,764,932</b>	<b>\$ 44,082,626</b>	<b>\$ 21,710,895</b>	<b>\$ 14,890,211</b>	<b>\$ 4,363,044</b>	<b>\$ 148,221,689</b>	<b>\$ 421,775</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>								
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts payable	\$ 22,041	\$ 256,704	\$ 71,879	\$ 97,772	\$ 5,865	\$ 33,814	\$ 488,075	\$ -
Accrued payroll and related liabilities	7,880	31,930	17,259	25,904	3,948	174	87,095	-
Customer deposits	-	243,867	5,500	-	-	16,136	265,503	-
Accrued interest	-	5,359	33,185	4,616	19,760	-	62,920	-
Due to other funds	-	-	-	-	242,027	193,268	435,295	-
Current portion:								
Accrued leave	2,267	44,367	10,750	17,677	1,631	-	76,692	-
Bonds payable	-	59,624	-	-	125,195	-	184,819	-
Loans payable	-	-	289,560	225,028	46,500	-	561,088	-
<b>Total Current Liabilities</b>	<b>32,188</b>	<b>641,851</b>	<b>428,133</b>	<b>370,997</b>	<b>444,926</b>	<b>243,392</b>	<b>2,161,487</b>	<b>-</b>
<b>Noncurrent Liabilities</b>								
Long term portion:								
Accrued leave	365	56,273	11,770	46,722	7,808	-	122,938	-
Bonds payable	-	1,717,474	-	-	4,448,898	-	6,166,372	-
Loans payable	-	-	3,916,439	2,621,301	558,000	-	7,095,740	-
Net pension liability	330,134	1,409,297	773,946	1,035,561	205,555	-	3,754,493	-
<b>Total Noncurrent Liabilities</b>	<b>330,499</b>	<b>3,183,044</b>	<b>4,702,155</b>	<b>3,703,584</b>	<b>5,220,261</b>	<b>-</b>	<b>17,139,543</b>	<b>-</b>
<b>Total Liabilities</b>	<b>362,687</b>	<b>3,824,895</b>	<b>5,130,288</b>	<b>4,074,581</b>	<b>5,665,187</b>	<b>243,392</b>	<b>19,301,030</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>								
Related to pensions	3,680	15,709	8,627	11,543	2,291	-	41,850	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>366,367</b>	<b>3,840,604</b>	<b>5,138,915</b>	<b>4,086,124</b>	<b>5,667,478</b>	<b>243,392</b>	<b>19,342,880</b>	<b>-</b>
<b>Net Position</b>								
Net investment in capital assets	43,198,197	9,738,118	22,551,895	13,369,103	9,213,140	3,234,347	101,304,800	-
Restricted for debt service	-	119,556	-	-	342,025	-	461,581	-
Unrestricted (deficit)	2,845,417	3,066,654	16,391,816	4,255,668	(332,432)	885,305	27,112,428	421,775
<b>Total Net Position</b>	<b>46,043,614</b>	<b>12,924,328</b>	<b>38,943,711</b>	<b>17,624,771</b>	<b>9,222,733</b>	<b>4,119,652</b>	<b>128,878,809</b>	<b>421,775</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 46,409,981</b>	<b>\$ 16,764,932</b>	<b>\$ 44,082,626</b>	<b>\$ 21,710,895</b>	<b>\$ 14,890,211</b>	<b>\$ 4,363,044</b>	<b>\$ 148,221,689</b>	<b>\$ 421,775</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							269,831	
<b>Net Position of Business-type Activities</b>							<b>\$ 129,148,640</b>	

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, 2017	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
<b>Operating Revenues</b>	\$ 1,244,759	\$ 2,216,952	\$ 4,531,896	\$ 4,191,047	\$ 408,906	\$ 894,654	\$ 13,488,214	\$ 531,650
<b>Operating Expenses</b>								
Salaries and benefits	362,835	1,498,313	1,047,364	1,152,753	198,015	7,223	4,266,503	-
Professional	1,751	65,626	45,338	47,050	18,185	-	177,950	-
Contributions	-	16,819	-	-	-	-	16,819	-
Goods and services	28,135	177,378	137,243	235,043	58,596	595,564	1,231,959	574,593
Repairs and maintenance	11,546	75,751	47,565	82,468	7,156	7,537	232,023	-
Utilities and fuel	27,997	201,965	371,881	234,772	33,815	17,295	887,725	-
Administrative services	-	3,781	-	-	-	-	3,781	-
Machinery and equipment	-	7,106	4,150	10,831	-	-	22,087	-
Interfund charges	141,686	248,084	394,908	418,943	111,157	76,715	1,391,493	-
Depreciation	532,005	1,302,809	648,990	1,221,511	529,981	259,132	4,494,428	-
<b>Total Operating Expenses</b>	<b>1,105,955</b>	<b>3,597,632</b>	<b>2,697,439</b>	<b>3,403,371</b>	<b>956,905</b>	<b>963,466</b>	<b>12,724,768</b>	<b>574,593</b>
Earnings (loss) from operations	138,804	(1,380,680)	1,834,457	787,676	(547,999)	(68,812)	763,446	(42,943)
<b>Nonoperating Revenues (Expenses)</b>								
Other income	-	4,089	-	-	9,385	-	13,474	-
Investment income	11,115	29,762	45,057	10,970	16	2,726	99,646	912
Discounts received	6,568	22,198	12,725	20,654	2,911	162	65,218	-
Interest expense	-	(92,557)	(49,217)	(17,313)	(325,147)	-	(484,234)	-
Bond refunding issuance costs	-	(23,831)	-	-	(51,811)	-	(75,642)	-
State PERS relief	5,611	23,906	13,145	17,543	3,477	-	63,682	-
Engineering and feasibility studies	-	-	(21,215)	-	-	-	(21,215)	-
Noncapital repairs	-	-	(72,109)	-	-	-	(72,109)	-
<b>Nonoperating Revenues (Expenses), net</b>	<b>23,294</b>	<b>(36,433)</b>	<b>(71,614)</b>	<b>31,854</b>	<b>(361,169)</b>	<b>2,888</b>	<b>(411,180)</b>	<b>912</b>
Earnings (loss) before contributions and transfers	162,098	(1,417,113)	1,762,843	819,530	(909,168)	(65,924)	352,266	(42,031)
Capital contributions	90,739	880,584	-	-	-	-	971,323	-
Transfers in	-	500,000	-	-	-	-	500,000	-
Change in net position	252,837	(36,529)	1,762,843	819,530	(909,168)	(65,924)	1,823,589	(42,031)
<b>Net Position, beginning of year</b>	<b>45,790,777</b>	<b>12,960,857</b>	<b>37,180,868</b>	<b>16,805,241</b>	<b>10,131,901</b>	<b>4,185,576</b>		<b>463,806</b>
<b>Net Position, end of year</b>	<b>\$ 46,043,614</b>	<b>\$ 12,924,328</b>	<b>\$ 38,943,711</b>	<b>\$ 17,624,771</b>	<b>\$ 9,222,733</b>	<b>\$ 4,119,652</b>		<b>\$ 421,775</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(10,354)	
<b>Change in Net Position of Business-type Activities</b>							<b>\$ 1,813,235</b>	

See accompanying notes to basic financial statements.

**City of Kodiak, Alaska**  
**Proprietary Funds**  
**Statement of Cash Flows**

Year Ended June 30, 2017	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard			
<b>Cash Flows from (for) Operating Activities</b>								
Receipts from customers and users	\$ 1,311,080	\$ 2,137,792	\$ 4,493,277	\$ 4,165,243	\$ 405,782	\$ 843,127	\$ 13,356,301	\$ -
Receipts from interfund services provided	-	74,258	-	-	-	-	74,258	531,650
Payments for interfund services used	(141,686)	(248,084)	(394,908)	(418,943)	(111,157)	(76,715)	(1,391,493)	-
Payments to suppliers	(87,198)	(564,830)	(626,659)	(635,039)	(118,989)	(624,676)	(2,657,391)	(574,593)
Payments to employees	(290,973)	(1,181,168)	(654,489)	(1,018,841)	(165,983)	(7,038)	(3,318,492)	-
<b>Net cash flows from (for) operating activities</b>	<b>791,223</b>	<b>217,968</b>	<b>2,817,221</b>	<b>2,092,420</b>	<b>9,653</b>	<b>134,698</b>	<b>6,063,183</b>	<b>(42,943)</b>
<b>Cash Flows from Noncapital Financing Activities</b>								
Transfers in	-	500,000	-	-	-	-	500,000	-
Noncapital repairs and maintenance	-	-	(72,109)	-	-	-	(72,109)	-
(Increase) decrease due from other funds	-	(242,027)	-	-	-	-	(242,027)	-
Increase (decrease) due to other funds	-	-	-	-	242,027	(11,036)	230,991	-
<b>Net cash flows from (for) noncapital financing activities</b>	<b>-</b>	<b>257,973</b>	<b>(72,109)</b>	<b>-</b>	<b>242,027</b>	<b>(11,036)</b>	<b>416,855</b>	<b>-</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>								
Bond issuance	-	1,648,383	-	-	4,312,406	-	5,960,789	-
Premium on refunded bonds	-	97,098	-	-	214,093	-	311,191	-
Refunding of revenue bonds	-	(1,700,000)	-	-	(4,340,000)	-	(6,040,000)	-
Bond refunding issuance costs	-	(23,831)	-	-	(51,811)	-	(75,642)	-
Principal paid on long-term debt	-	(45,000)	(259,201)	(134,588)	(141,500)	-	(580,289)	-
Interest paid on long-term debt	-	(114,638)	(30,581)	(17,794)	(384,378)	-	(547,391)	-
Proceeds from issuance of long-term debt	-	-	548,130	1,794,604	-	-	2,342,734	-
Purchase of property, plant and equipment	(1,136,464)	(2,177,142)	(442,792)	(2,659,756)	-	-	(6,416,154)	-
Capital contributions received	143,139	707,720	-	-	-	-	850,859	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(993,325)</b>	<b>(1,607,410)</b>	<b>(184,444)</b>	<b>(1,017,534)</b>	<b>(391,190)</b>	<b>-</b>	<b>(4,193,903)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>								
Investment income received	11,115	29,762	45,057	10,970	16	2,726	99,646	912
<b>Net increase (decrease) in cash and investments</b>	<b>(190,987)</b>	<b>(1,101,707)</b>	<b>2,605,725</b>	<b>1,085,856</b>	<b>(139,494)</b>	<b>126,388</b>	<b>2,385,781</b>	<b>(42,031)</b>
<b>Cash and Investments, beginning of year</b>	<b>3,157,252</b>	<b>5,512,386</b>	<b>13,923,669</b>	<b>3,806,388</b>	<b>481,522</b>	<b>861,892</b>	<b>27,743,109</b>	<b>463,806</b>
<b>Cash and Investments, end of year</b>	<b>\$ 2,966,265</b>	<b>\$ 4,410,679</b>	<b>\$ 16,529,394</b>	<b>\$ 4,892,244</b>	<b>\$ 342,028</b>	<b>\$ 988,280</b>	<b>\$ 30,128,890</b>	<b>\$ 421,775</b>
<b>Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:</b>								
Earnings (loss) from operations	\$ 138,804	\$(1,380,680)	\$ 1,834,457	\$ 787,676	\$ (547,999)	\$ (68,812)	\$ 763,446	\$ (42,943)
Adjustments to reconcile earnings (loss) from operations to net cash flow from (for) operating activities:								
Depreciation	532,005	1,302,809	648,990	1,221,511	529,981	259,132	4,494,428	-
Noncash Discounts received	6,568	22,198	12,725	20,654	2,911	162	65,218	-
Noncash State PERS relief	5,611	23,906	13,145	17,543	3,477	-	63,682	-
Other nonoperating revenues (expenses)	-	-	(21,215)	-	-	-	(21,215)	-
(Increase) decrease in assets:								
Accounts receivable	66,321	(6,950)	(30,919)	(25,804)	(2,374)	(51,327)	(51,053)	-
Inventory	-	-	(20,668)	(2,764)	-	-	(23,432)	-
Prepaid expenses	-	120	-	-	-	-	120	-
Increase in deferred outflows of resources related to pensions	(20,129)	(90,482)	(97,701)	(35,779)	(8,115)	-	(252,206)	-
Increase (decrease) in liabilities:								
Accounts payable	(17,769)	(16,524)	21,401	(22,111)	(1,237)	(4,280)	(40,520)	-
Accrued payroll and related liabilities	1,104	4,125	6,764	2,911	591	23	15,518	-
Accrued leave	(2,049)	(10,997)	6,291	17,356	5,828	-	16,429	-
Customer deposits	-	2,048	(7,700)	-	(750)	(200)	(6,602)	-
Net pension liability	81,479	371,067	448,781	115,965	28,190	-	1,045,482	-
Increase (decrease) in deferred inflows of resources related to pensions	(722)	(2,672)	2,870	(4,738)	(850)	-	(6,112)	-
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 791,223</b>	<b>\$ 217,968</b>	<b>\$ 2,817,221</b>	<b>\$ 2,092,420</b>	<b>\$ 9,653</b>	<b>\$ 134,698</b>	<b>\$ 6,063,183</b>	<b>\$ (42,943)</b>
<b>Noncash capital and related financing activities:</b>								
Purchase of capital assets on account	\$ 19,922	\$ 229,569	\$ 852	\$ 68,650	\$ -	\$ -	\$ 318,993	\$ -

See accompanying notes to basic financial statements.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements June 30, 2017

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### 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, Alaska. 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, Continued

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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 *Shipyards 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, Continued

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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."

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.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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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 acquisition 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

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### ***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.



# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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### ***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 pension related and bond refunding related deferred outflows. These items result from changes in assumption and relative share as well as pension contributions after the measurement date and changes related to bond refunding. These items will be recognized as expense in future periods.

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

### ***Compensated Absences***

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

### ***Long-term Debt***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***Fund Balances***

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

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

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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*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.

### ***Property Taxes***

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

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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### *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**

### *a) 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.

### *b) Excess of Expenditures over Appropriations*

The following fund expenditures exceeded their budget:

Fund	Excess
General Fund:	
Legal	\$ 19,778
Enhancement Fund Special Revenue Fund	5,816
Total expenditures exceeding budgets	\$ <u>25,594</u>

## **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 \$24,321,203 and the reconciled balance totaled \$25,552,910. Of the bank balance, \$250,000 was insured by FDIC insurance and up to \$34,848,886 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 \$461,581 of restricted cash for revenue bond reserves. Petty cash on hand at June 30, 2017 was \$2,742.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

### *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, 2017:

		Investments Measured at Fair Value			
		Fair Value Measurement Using			
<i>Investments by fair value level</i>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
US Agencies	\$ 3,688,255	\$ 3,688,255	\$ -	\$ -	-
Certificates of Deposit	2,223,284	2,223,284	-	-	-
Municipal Obligations	607,683	607,683	-	-	-
U.S. Treasury Obligations	9,293,222	9,293,222	-	-	-
Alaska Municipal League Investment Pool	3,926,643	-	3,926,643	-	-
<b>Total investments at fair value level</b>	<b>\$ 19,739,087</b>	<b>\$ 15,812,444</b>	<b>\$ 3,926,643</b>	<b>\$ -</b>	<b>-</b>

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

Investment maturities at June 30, 2017 are as follows:

Investment Type	Fair Value	Investment Maturity (in years)	
		Less than 1	1-5
U.S. government agencies	\$ 3,688,255	\$ 2,438,300	\$ 1,249,955
Certificates of deposit	2,223,284	1,978,789	244,495
Municipal Obligations	607,683	607,683	-
U.S. Treasury Obligations	9,293,222	6,704,046	2,589,176
Alaska Municipal League Investment Pool	3,926,643	3,926,643	-
<b>Total Investments</b>	<b>\$ 19,739,087</b>	<b>\$ 15,655,461</b>	<b>\$ 4,083,626</b>

### *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, 2017 the fair value of the investment in AMLIP approximates amortized cost.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

### 4. Accounts Receivable and Unearned Revenues

Receivables at June 30, 2017, for the City's individual major fund, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	Major Governmental Fund		Nonmajor Governmental Funds	Totals
	General			
Taxes	\$ 2,810,217		\$ 54,043	\$ 2,864,260
Grants and shared revenues	11,569		13,359	24,928
Special assessments	-		62,584	62,584
Interest	-		6,515	6,515
<b>Total receivables</b>	<b>2,821,786</b>		<b>136,501</b>	<b>2,958,287</b>
Less allowance for doubtful accounts	-		-	-
<b>Net Receivables</b>	<b>\$ 2,821,786</b>		<b>\$ 136,501</b>	<b>\$ 2,958,287</b>

	Major Enterprise Funds					Nonmajor Enterprise Funds	Totals
	Cargo Pier	Boat Harbor	Water Utility	Sewer Utility	Shipyard		
Accounts	\$ 175,642	\$ 110,152	\$ 373,943	\$ 375,451	\$ 56,599	\$ 140,417	\$ 1,232,204
Grants	1,021	172,864	-	-	-	-	173,885
<b>Total receivables</b>	<b>176,663</b>	<b>283,016</b>	<b>373,943</b>	<b>375,451</b>	<b>56,599</b>	<b>140,417</b>	<b>1,406,089</b>
Less allowance for doubtful accounts	-	(15,647)	(2,224)	(2,867)	-	-	(20,738)
<b>Net Receivables</b>	<b>\$ 176,663</b>	<b>\$ 267,369</b>	<b>\$ 371,719</b>	<b>\$ 372,584</b>	<b>\$ 56,599</b>	<b>\$ 140,417</b>	<b>\$ 1,385,351</b>

Governmental funds report deferred inflows of resources when there is an acquisition of fund balance that is applicable to a future reporting period. At June 30, 2017, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Nonmajor Funds	Totals
<b>Deferred Special Assessments</b>	<b>\$ 41,786</b>	<b>\$ 41,786</b>

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

### 5. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

<b>Governmental Activities</b>	Balance July 1, 2016	Additions	Deletions and Reclassifications	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,501,384	\$ -	\$ -	\$ 2,501,384
Construction in progress	399,838	664,865	124,715	939,988
<b>Total assets not being depreciated</b>	<b>2,901,222</b>	<b>664,865</b>	<b>124,715</b>	<b>3,441,372</b>
<i>Capital assets being depreciated:</i>				
Buildings	42,425,826	118,335	-	42,544,161
Improvements other than buildings	8,524,025	-	-	8,524,025
Infrastructure	18,681,299	-	-	18,681,299
Machinery and equipment	12,301,946	640,845	356,642	12,586,149
<b>Total assets being depreciated</b>	<b>81,933,096</b>	<b>759,180</b>	<b>356,642</b>	<b>82,335,634</b>
<i>Less accumulated depreciation for:</i>				
Buildings	5,883,344	864,820	-	6,748,164
Improvements other than buildings	1,214,645	392,509	-	1,607,154
Infrastructure	8,134,691	275,155	-	8,409,846
Machinery and equipment	8,443,581	657,185	356,642	8,744,124
<b>Total accumulated depreciation</b>	<b>23,676,261</b>	<b>2,189,669</b>	<b>356,642</b>	<b>25,509,288</b>
<b>Total capital assets being depreciated, net</b>	<b>58,256,835</b>	<b>(1,430,489)</b>	<b>-</b>	<b>56,826,346</b>
<b>Governmental Activity Capital Assets, net</b>	<b>\$ 61,158,057</b>	<b>\$ (765,624)</b>	<b>\$ 124,715</b>	<b>\$ 60,267,718</b>

During the year, the governmental activities transferred \$69,467 of assets to the business-type activities. The amount represented two vehicles which were both fully depreciated and were contributed to the Sewer Utility Enterprise Fund.

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# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

<b>Business-type Activities</b>	Balance July 1, 2016	Additions and Reclassifications	Deletions	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	\$ -	\$ -	\$ 693,997
Construction in progress	54,185,322	5,051,020	-	59,236,342
<b>Total assets not being depreciated</b>	<b>54,879,319</b>	<b>5,051,020</b>	<b>-</b>	<b>59,930,339</b>
<i>Capital assets being depreciated:</i>				
Buildings	23,853,913	-	-	23,853,913
Improvements other than buildings	110,711,163	51,864	-	110,763,027
Machinery and equipment	21,425,212	198,394	57,577	21,566,029
<b>Total assets being depreciated</b>	<b>155,990,288</b>	<b>250,258</b>	<b>57,577</b>	<b>156,182,969</b>
<i>Less accumulated depreciation for:</i>				
Buildings	17,934,512	858,131	-	18,792,643
Improvements other than buildings	72,459,567	3,001,051	-	75,460,618
Machinery and equipment	5,900,092	704,713	57,577	6,547,228
<b>Total accumulated depreciation</b>	<b>96,294,171</b>	<b>4,563,895</b>	<b>57,577</b>	<b>100,800,489</b>
<b>Total capital assets being depreciated, net</b>	<b>59,696,117</b>	<b>(4,313,637)</b>	<b>-</b>	<b>55,382,480</b>
<b>Business Type Activity Capital Assets, net</b>	<b>\$ 114,575,436</b>	<b>\$ 737,383</b>	<b>\$ -</b>	<b>\$ 115,312,819</b>

Depreciation expense was charged to the functions as follows, for the year ended June 30, 2017:

<b>Governmental Activities</b>	
General government	\$ 127,350
Public safety	808,109
Public works	395,549
Parks and recreation	531,189
Library	318,249
Community services	9,223
<b>Total Governmental Activities Depreciation</b>	<b>\$ 2,189,669</b>
<b>Business-type Activities</b>	
Cargo Pier	\$ 532,005
Boat Harbor	1,302,809
Water Utility	648,990
Sewer Utility	1,221,511
Shipyard	529,981
Harbor Electric	10,402
Trident Basin	248,730
<b>Total Business-Type Activities Depreciation</b>	<b>\$ 4,494,428</b>



# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

### 6. Long Term Debt

Long-term debt at June 30, 2017 is comprised of the following:

<b>Governmental Activities</b>	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017	Due Within One Year
\$8,000,000 2008 Series A Public Safety Building General Obligation Bonds, due in annual installments of \$195,000 to \$480,000 plus interest at 4.0% to 5.2% through 2038	\$ 6,695,000	\$ -	\$ 6,485,000	\$ 210,000	\$ 210,000
\$8,000,000 2016 Series Three Public Safety Building General Obligation Bonds, due in annual installments of \$205,000 to \$440,000 plus interest at 2.0% to 5.0% through 2038	-	6,355,000	-	6,355,000	5,000
Bond premium	-	389,398	-	389,398	19,470
Net pension liability	9,168,807	2,649,047	-	11,817,854	-
Accrued leave	589,878	517,460	581,857	525,481	518,335
<b>Total Governmental Activities</b>	<b>\$ 16,453,685</b>	<b>\$ 9,910,905</b>	<b>\$ 7,066,857</b>	<b>\$ 19,297,733</b>	<b>\$ 752,805</b>

The net pension liability and accrued leave related to governmental activities is generally liquidated by the General Fund.

<b>Business-type Activities</b>	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	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	\$ 1,745,000	\$ -	\$ 1,745,000	\$ -	-
\$2,000,000 2016 Series Three Boat Harbor Revenue Bonds, due in annual installments of \$55,000 to \$115,000 plus interest at 2.0% to 5.0% through 2038	-	1,680,000	-	1,680,000	55,000
\$4,000,000 2007 Series A Shipyard Revenue Bonds, due in annual installments of \$70,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,565,000	-	3,565,000	-	-

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

Business-type Activities, continued	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Revenue Bonds, continued:					
\$4,000,000 2016 Series Three Shipyard Revenue Bonds, due in annual installments of \$85,000 to \$270,000 plus interest at 2.0% to 5.0% through 2038	\$ -	\$ 3,485,000	\$ -	\$ 3,485,000	\$ 85,000
\$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	870,000	-	870,000	-	-
\$1,000,000 2016 Series Three Shipyard Revenue Bonds, due in annual installments of \$30,000 to \$60,000 plus interest at 2.0% to 5.0% through 2037	-	875,000	-	875,000	30,000
Loans Payable:					
\$550,000 Sewer loan, due in annual installments of \$55,000, plus interest at 1.5% through 2019	165,000	-	55,000	110,000	55,000
\$1,000,000 Sewer loan, due in annual installments of \$47,287, including interest at 1.5% through 2030	730,598	-	47,287	683,311	47,997
\$930,000 Shipyard loan, due in annual installments of \$46,500, plus interest at 1.5% through 2030	651,000	-	46,500	604,500	46,500
\$862,000 Water loan, due in annual installments of \$50,208, including interest at 1.5% through 2030	629,775	-	40,761	589,014	41,373
\$341,930 (maximum) Water loan, due in annual installments of \$64,603 plus interest at 1.5% through 2019	258,414	-	64,603	193,811	64,603
\$341,930 (maximum) Sewer loan, due in annual installments of \$32,302 plus interest at 1.5% through 2024	290,715	-	32,302	258,413	32,302

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

Business-type Activities, continued	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Loans Payable, continued:					
\$5,982,000 (maximum) Water loan, due in annual installments of \$77,168, including interest at 1.5% through 2032	\$ 1,150,391	\$ -	\$ 59,912	\$ 1,090,479	\$ 60,811
\$1,878,492 Water loan, due in annual installments of \$122,773 plus interest of 1.5% through 2036	1,878,491	548,130	93,925	2,332,696	122,772
\$1,794,604 Sewer loan, due in annual installments of \$89,730 plus interest of 1.5% through 2037	-	1,794,604	-	1,794,604	89,730
Bond premium	-	311,191	-	311,191	14,819
Net pension liability	2,709,011	1,045,482	-	3,754,493	-
Accrued leave	183,201	168,665	152,236	199,630	76,692
<b>Total Business-type Activities</b>	<b>\$ 14,826,596</b>	<b>\$ 9,908,072</b>	<b>\$ 6,772,526</b>	<b>\$ 17,962,142</b>	<b>\$ 822,599</b>

Annual debt service requirements to maturity for all the above Governmental Activities general obligation bonded debt outstanding as of June 30, 2017, are as follows:

Governmental Activities	General Obligation Bonds		
	Principal	Interest	Total
<i>Years Ending June 30,</i>			
2018	\$ 215,000	\$ 256,400	\$ 471,400
2019	205,000	243,850	448,850
2020	215,000	235,450	450,450
2021	225,000	226,650	451,650
2022	230,000	217,550	447,550
2023-2027	1,340,000	904,000	2,244,000
2028-2032	1,690,000	554,469	2,244,469
2033-2037	2,005,000	246,844	2,251,844
2038	440,000	7,425	447,425
	<b>\$ 6,565,000</b>	<b>\$ 2,892,638</b>	<b>\$ 9,457,638</b>

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

Annual debt service requirements to maturity for all the above Business-type Activities revenue bonds and loans payable obligations outstanding as of June 30, 2017, are as follows:

Business-type Activities	Revenue Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
<i>Years Ending June 30,</i>						
2018	\$ 170,000	\$ 227,194	\$ 397,194	\$ 561,088	\$ 87,212	\$ 648,300
2019	170,000	222,094	392,094	563,341	100,480	663,821
2020	180,000	215,094	395,094	510,627	97,986	608,613
2021	185,000	207,794	392,794	448,345	90,326	538,671
2022	195,000	200,194	395,194	450,700	83,602	534,302
2023-2027	1,120,000	846,469	1,966,469	2,225,487	316,358	2,541,845
2028-2032	1,575,000	548,813	2,123,813	1,881,469	154,228	2,035,697
2033-2037	2,010,000	246,413	2,256,413	1,015,771	39,747	1,055,518
2038	435,000	7,338	442,338	-	-	-
	<b>\$ 6,040,000</b>	<b>\$ 2,721,403</b>	<b>\$ 8,761,403</b>	<b>\$ 7,656,828</b>	<b>\$ 969,939</b>	<b>\$ 8,626,767</b>

### **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 \$461,581.

### **7. Advance Refunding of Debt**

In November 2016, the City issued \$6,355,000 of 2016 Series Three and Four general obligation bonds with an average interest rate of 3.692% to advance refund \$6,280,000 of outstanding 2008 Series A bonds with an average interest rate of 5.073%. The net proceeds of \$6,682,661 (after payment of \$61,738 in issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trusts with an escrow agent to provide for all future debt service payments on the 2008 Series A bonds. As a result, the 2008 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2017, the amount of defeased debt still outstanding was \$6,280,000.

The City advance refunded the 2008 Series A bonds to reduce its total debt service payments over the next 20 years by \$1,222,727, and to obtain an economic gain (difference of the present value of the debt service payments on the old and new debt) of \$848,935.

In November 2016, the Boat Harbor Fund issued \$1,680,000 of 2016 Series Three and Four Bonds with an average interest rate of 3.675% to advance refund \$1,700,000 of outstanding 2007 Series A bonds with an average interest rate of 4.686%. The net proceeds of \$1,760,432 (after payment of \$16,665 in issuance costs) plus \$10,981 in additional resources were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trusts with and escrow agent to provide for all future debt service payments on the 2007 Series A bonds. As a result, the 2007 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2017, the amount of defeased debt still outstanding was \$1,700,000.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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The Boat Harbor Fund advance refunded the 2007 Series A bonds to reduce its total debt service payments over the next 20 years by \$253,860, and to obtain an economic gain (difference of the present value of the debt service payments on the old and new debt) of \$187,540.

In November 2016, the Shipyard Fund issued \$3,485,000 of 2016 Series Three and Four Bonds with an average interest rate of 3.599% to advance refund \$3,490,000 of outstanding 2007 Series A bonds with an average interest rate of 4.698%. The net proceeds of \$3,610,306 (after payment of \$33,808 in issuance costs) plus \$26,571 in additional resources were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trusts with and escrow agent to provide for all future debt service payments on the 2007 Series A bonds. As a result, the 2007 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2017, the amount of defeased debt still outstanding was \$3,490,000.

The Shipyard Fund advance refunded the 2007 Series A bonds to reduce its total debt service payments over the next 20 years by \$548,776, and to obtain an economic gain (difference of the present value of the debt service payments on the old and new debt) of \$394,172.

In November 2016, the Shipyard Fund also issued \$875,000 of 2016 Series 3 Bonds with an average interest rate of 3.711% to advance refund \$850,000 of outstanding 2009 Series 1 bonds with an average interest rate of 5.091%. The net proceeds of \$921,397 (after payment of \$8,581 in issuance costs) plus 9,642 in additional resources were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trusts with and escrow agent to provide for all future debt service payments on the 2007 Series A bonds. As a result, the 2007 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2017, the amount of defeased debt still outstanding was \$850,000.

The Shipyard Fund advance refunded the 2009 Series 1 bonds to reduce its total debt service payments over the next 20 years by \$199,281, and to obtain an economic gain (difference of the present value of the debt service payments on the old and new debt) of \$139,376.

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# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

### 8. 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	\$ 11,935	\$ -	\$ 11,935
Committed:			
Tourism	-	464,650	464,650
Economic stability	-	4,169,804	4,169,804
Assigned:			
Subsequent year's expenditures	2,238,227	-	2,238,227
Capital projects	-	3,786,306	3,786,306
Public works	-	101,059	101,059
Unassigned	6,578,439	-	6,578,439
<b>Total Fund Balances</b>	<b>\$ 8,828,601</b>	<b>\$ 8,521,819</b>	<b>\$ 17,350,420</b>

### 9. 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, 2017 and 2016 respectively, are as follows:

	2017	2016
General Fund general sales taxes	\$ 10,876,981	\$ 11,481,933
Tourism Development Special Revenue Fund room taxes	\$ 196,945	\$ 210,098

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

The sales tax and transient room tax proceeds are allocated in accordance with Ordinance Number 964, amending City Code Chapter 3.08 relating to taxes, in the following manner:

	Percentage	Maximum Proceeds
<b>Fund</b>		
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
<b>Total Sales Tax</b>	<b>7.00%</b>	<b>\$ 1,000,000</b>

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

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, 2017 and 2016 were as follows:

	2017	2016
<b>Capital Projects Funds:</b>		
Street Improvements	\$ 450,000	\$ 450,000
Parks and Recreation	50,000	50,000
Enterprise Fund - Boat Harbor	500,000	500,000
<b>Total Sales Tax Revenues Transferred from the General Fund</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>

### 10. Interfund Receivables and Transfers

A schedule of interfund balances and transfers for the year ended June 30, 2017, follows:

<b>Due from Other Funds</b>	
Due to the General Fund from nonmajor enterprise funds	\$ 193,268
Due to the Boat Harbor Enterprise Fund from Shipyard Enterprise Fund	\$ 242,027

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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### Transfers

From General Fund to:

Boat Harbor Enterprise Fund for capital costs	\$ 500,000
Nonmajor governmental funds for capital projects	758,298
<hr/>	
Total transfers from General Fund	1,258,298
<hr/>	
<b>Total Transfers to Other Funds</b>	<b>\$ 1,258,298</b>

### 11. Employee Retirement Systems and Plans

The City follows *Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees* and *GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan the system also administers other post-employment benefit plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

*Summary of Significant Accounting Policies.* The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.



# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

### Other Postemployment Benefit Plans (OPEB)

#### *Occupational Death and Disability Plan (DB)*

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

#### *Alaska Retiree Healthcare Trust Plan (DB)*

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

#### *Healthcare Reimbursement Arrangement Plan (DC)*

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

### ***Alaska Public Employee Retirement System (PERS) - Defined Benefit Plan (DB)***

***Plan Description.*** The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/dr/pers>.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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*Pension Benefits.* All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

*Post Retirement Pension Adjustments.* Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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*Funding Policy.* In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

*Salary Floor.* During the 25<sup>th</sup> legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

*Termination Costs.* If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2017 the past service rate is 16.02%.

*Employee Contribution Rate.* The City PERS active members are required to contribute 6.75% (4.59% pension costs and 2.16% OPEB).

*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 actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (14.96% pension costs and 7.04% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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*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. This rate is 26.14% (17.78% pension and 8.36% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

*On-behalf Contribution Rate:* This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2017 is 4.14% (2.82% pension and 1.32% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

*GASB Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.30% healthcare discount rate. The current rate is 83.90% (27.26% pension and 56.64% OPEB).

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2017	\$ 509,835	\$ 239,930	\$ 749,765
2016	480,061	317,033	797,094
2015	467,194	352,457	819,651

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$332,990 (pension) and \$156,702 (OPEB).

For the year ended June 30, 2017 the State of Alaska contributed \$338,367 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2016 to a total of \$264,135, to represent the pension expense attributable to the State under the full accrual basis of accounting.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2017, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 15,572,347
State's proportionate share of the net pension liability	<u>1,959,442</u>
Total	\$ <u>17,531,789</u>

\$11,817,854 of the net pension liability is reported in the governmental activities and \$3,754,493 is reported in the business-type activities.

The net pension liability was measured as of June 30, 2016, 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 the present value of contributions for FY2018 through FY2039, as determined by projections based on the June 30, 2016 valuation. At June 30, 2017, the City's proportion was 0.2786%, which is an increase of 0.0337% from June 30, 2016.

Based on the measurement date of June 30, 2016, the City recognized pension expense of \$3,843,993 for the year ended June 30, 2017. At June 30, 2017, 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
Differences between expected and actual experience	\$ 1,432	\$ (173,580)
Changes of assumptions	71,823	-
Net difference between projected and actual earnings on pension plan investments	1,530,687	-
Changes in proportion and differences between City contributions and proportionate share of contributions	801,135	-
City contributions subsequent to the measurement date	<u>842,825</u>	<u>-</u>
Total	\$ <u>3,247,902</u>	\$ <u>(173,580)</u>

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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\$842,825 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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 Ended June 30,	
2018	\$ 901,169
2019	300,511
2020	625,749
2021	404,068
Total	\$ <u>2,231,497</u>

For the year ended June 30, 2017, the City recognized \$1,480,690 of amortization of the net deferred outflows and inflows of resources.

*Actuarial Assumptions:* The total pension liability in the June 30, 2016 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation - 3.12% per year Productivity - 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

The long-term expected rate of return on pension plan investments was determined using the 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 adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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%

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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*Discount Rate:* The discount rate used to measure the total pension liability was 8.00%. The projection of the 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 pension 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.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
Net pension liability	\$ <u>20,056,393</u>	<u>15,572,347</u>	<u>11,790,259</u>

### Alaska Public Employee Retirement System (PERS) - Defined Contribution Plan (DC)

*Plan Description and Funding Requirements.* The City and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.18% for the retiree medical plan (DB), 0.17% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service - 25%
- 3 years of service - 50%
- 4 years of service - 75%
- 5 years of service - 100%



# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2017 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution (DC)	\$ 203,071	\$ 324,913
Other post-employment benefits (DB):		
Retiree medical plan	47,924	-
Occupational death and disability benefits	12,083	-
Other post-employment benefits (DC) -		
Health reimbursement agreement (HRA)	140,863	-
Defined benefit unfunded liability (DBUL)	489,692	-
	<u>\$ 893,633</u>	<u>\$ 324,913</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 68% pension and 32% OPEB.

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

	<u>Contributions/ Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2017	\$ 536,062	\$ 357,571	\$ 893,633
2016	417,642	362,560	780,202
2015	368,159	340,947	709,106

### 12. 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 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.

### 13. 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 \$12,749 per month. For the year ended June 30, 2017, the City recognized \$143,761 in rent expense paid to the Kodiak Island Borough.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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### 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, 2017. 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 decrease to fund balance or deficit for the year ended June 30, 2016 was \$1,405,896 and accordingly, \$-0- was transferred to the Enhancement Fund during the current year. Lease and rental income was \$86,195 and investment earnings were \$31,014 for the year ended June 30, 2017.

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, 2017, 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, Continued

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### 16. Conduit Debt

In 2010, the City Council authorized the issuance of nonrecourse revenue bonds for the purpose of providing funds to Kodiak Area Native Association to finance the acquisition, construction, and equipping of a condominium unit for their Community Services department. The bonds were issued in the amount of \$1,615,000 and the outstanding balance at June 30, 2017 was \$1,378,000.

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

### 17. 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.

In the normal course of operations, the City becomes involved in various litigation matters including, among other things, claims by third parties for alleged property damages, personal injuries, and other matters. The City believes that it has meritorious defenses against these claims and has used multiple factors in determining potential exposure.

Potential exposure is determined based on multiple factors, such as (1) severity of the injury and estimated potential liability based on past judgments and settlements, (2) advice from legal counsel based on its assessment of the facts of the case and its experience in other cases, (3) probability of pre-trial settlement which would mitigate legal costs, and (4) historical experience on claims for each specific type. It is reasonably possible that changes in the City's potential exposure may occur from time to time as these factors can be subject to some volatility.

Although it is difficult to predict the costs of ultimately resolving such issues, the City has determined that current insurance coverage is sufficient to limit any additional exposure to an amount that would not be material to the City's financial position. Accordingly, the City has not recorded a potential estimate for loss in the liabilities.

### 18. New Accounting Pronouncements

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

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 81 - *Irrevocable Split-Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 83 - *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*. Effective for fiscal years beginning after June 15, 2017.

# City of Kodiak, Alaska

## Notes to Basic Financial Statements, Continued

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- GASB 86 - *Certain Debt Extinguishment Issues*. Effective for fiscal years beginning after June 15, 2017.
- GASB 87 - *Leases*. Effective for fiscal years beginning after December 15, 2019.

Statements 81, 83, and 84 are not expected to have any significant impact on the financial statements of the City.

GASB Statements No. 75, the primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

GASB Statement No. 85, the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## Required Supplementary Information

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

Year Ended June 30, 2017	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 953,500	\$ 953,500	\$ 1,083,234	\$ 129,734
Sales taxes	12,327,500	12,327,500	10,896,295	(1,431,205)
Intergovernmental	2,813,431	2,828,431	1,248,871	(1,579,560)
Charges for services	1,661,217	1,661,217	1,700,272	39,055
Fines and forfeitures	15,000	15,000	1,675	(13,325)
Licenses and permits	52,300	52,300	118,571	66,271
Rental income	230,000	230,000	127,238	(102,762)
Interfund charges	1,565,979	1,565,979	1,579,673	13,694
Investment income	10,000	10,000	19,726	9,726
Other revenues	22,000	191,140	176,574	(14,566)
<b>Total Revenues</b>	<b>19,650,927</b>	<b>19,835,067</b>	<b>16,952,129</b>	<b>(2,882,938)</b>
<b>Expenditures</b>				
General government:				
Legislative	288,404	288,404	239,844	48,560
Legal	100,000	200,000	219,778	(19,778)
Executive	704,353	755,603	621,143	134,460
Emergency preparedness	38,000	38,000	23,157	14,843
City clerk	540,296	540,296	440,725	99,571
Finance	1,421,001	1,433,818	1,227,240	206,578
Public Safety:				
Police	7,139,995	7,118,410	5,937,771	1,180,639
Fire	2,410,371	2,410,371	2,207,379	202,992
Public works	2,228,043	2,207,661	1,636,718	570,943
Engineering	280,451	280,451	213,112	67,339
Parks and recreation	1,513,707	1,513,707	1,368,463	145,244
Library	988,352	988,352	755,262	233,090
Community service	224,500	224,500	223,366	1,134
Non-departmental	497,157	504,557	441,618	62,939
<b>Total Expenditures</b>	<b>18,374,630</b>	<b>18,504,130</b>	<b>15,555,576</b>	<b>2,948,554</b>
Excess of revenues over expenditures	1,276,297	1,330,937	1,396,553	65,616
<b>Other Financing Sources (Uses)</b>				
Proceeds from bond refunding	-	-	6,368,811	6,368,811
Premium on bond refunding	-	-	389,398	389,398
Payment to bond refunding escrow agent	-	-	(6,682,661)	(6,682,661)
Bond refunding issuance costs	-	-	(78,223)	(78,223)
Transfers out	(1,203,594)	(1,244,604)	(1,258,298)	(13,694)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,203,594)</b>	<b>(1,244,604)</b>	<b>(1,260,973)</b>	<b>(16,369)</b>
Change in fund balance	<u>\$ 72,703</u>	<u>\$ 86,333</u>	135,580	<u>\$ 49,247</u>
Fund Balance, beginning of year			<u>8,693,021</u>	
Fund Balance, end of year			<u>\$ 8,828,601</u>	

*The 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.*

## City of Kodiak, Alaska

### Schedule of the City's Proportionate Share of the Net Pension Liability

#### Public Employees' Retirement System (PERS)

June 30, 2017

Year	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 Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1692%	\$ 7,889,699	\$ 7,149,538	\$ 15,039,237	\$ 7,133,264	111%	62.37%
2016	0.2449%	\$ 11,877,818	\$ 3,181,492	\$ 15,059,310	\$ 6,948,895	171%	63.96%
2017	0.2786%	\$ 15,572,347	\$ 1,959,442	\$ 17,531,789	\$ 7,169,527	217%	59.55%

**Notes to Schedule:**

1. Information presented for 2017 is based upon Plan measurement date June 30, 2016.
2. Measurement date is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## City of Kodiak, Alaska

## Schedule of the City's Contributions

## Public Employees' Retirement System (PERS)

June 30, 2017

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 674,192	\$ (674,192)	\$ -	\$ 6,948,895	9.70%
2016	\$ 720,391	\$ (720,391)	\$ -	\$ 7,169,527	10.05%
2017	\$ 842,825	\$ (842,825)	\$ -	\$ 7,469,991	11.28%

Notes to schedule

- Valuation date: June 30, 2015, which was rolled forward to June 30, 2016.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

## Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 6.36% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.35% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013. Actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 95% of all rates of the RP - 2000 Table Base Year provided to 2018 with projected scale BB.
- In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.



## **General Fund**

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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>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 6,276,017	\$ 5,932,243
Receivables:		
Taxes	2,810,217	2,928,759
Grants and shared revenues	11,569	57,362
Total receivables	2,821,786	2,986,121
Prepaid items	11,935	22,254
Due from other funds	193,268	204,304
<b>Total Assets</b>	<b>\$ 9,303,006</b>	<b>\$ 9,144,922</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	218,495	\$ 196,727
Accrued payroll and related liabilities	250,426	251,657
Customer deposits	5,484	3,517
<b>Total Liabilities</b>	<b>474,405</b>	<b>451,901</b>
<b>Fund Balance</b>		
Nonspendable - prepaid items	11,935	22,254
Assigned for subsequent year's expenditures	2,238,227	-
Unassigned	6,578,439	8,670,767
<b>Total Fund Balance</b>	<b>8,828,601</b>	<b>8,693,021</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 9,303,006</b>	<b>\$ 9,144,922</b>

## City of Kodiak, Alaska

## General Fund

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

Year Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 953,500	\$ 1,083,234	\$ 129,734	\$ 916,518
Sales taxes	12,300,000	10,876,981	(1,423,019)	11,481,933
Penalties and interest	27,500	19,314	(8,186)	31,003
<b>Total taxes</b>	<b>13,281,000</b>	<b>11,979,529</b>	<b>(1,301,471)</b>	<b>12,429,454</b>
Intergovernmental:				
KIHA payment in lieu of taxes	-	6,416	6,416	5,398
Grants	25,000	13,382	(11,618)	24,486
Revenue sharing	249,635	249,981	346	377,926
State PERS relief	1,323,556	256,788	(1,066,768)	319,133
Fisheries business tax	1,025,000	525,670	(499,330)	1,021,500
Fisheries resource landing tax	135,240	126,865	(8,375)	88,138
Liquor licenses	20,000	18,700	(1,300)	23,100
Fuel tax sharing	5,000	6,417	1,417	7,663
Telephone and electric sharing	45,000	44,152	(848)	45,637
State marijuana license fees	-	500	500	-
<b>Total intergovernmental</b>	<b>2,828,431</b>	<b>1,248,871</b>	<b>(1,579,560)</b>	<b>1,912,981</b>
Charges for services:				
Public safety:				
Boarding of State prisoners	991,552	991,851	299	991,552
State Trooper contract	78,750	78,750	-	78,750
Ambulance services	200,000	244,149	44,149	214,958
Other public safety charges	118,415	126,745	8,330	113,748
School lifeguard services	15,000	17,193	2,193	16,433
Borough building inspector charges	120,000	76,633	(43,367)	147,490
Library fees and charges	18,300	26,388	8,088	27,996
Parks and recreation fees and charges	108,700	127,537	18,837	103,798
Public works services	10,500	11,026	526	10,525
<b>Total charges for services</b>	<b>1,661,217</b>	<b>1,700,272</b>	<b>39,055</b>	<b>1,705,250</b>

## City of Kodiak, Alaska

## General Fund

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenues, continued</b>				
Fines and forfeitures	\$ 15,000	\$ 1,675	\$ (13,325)	\$ 3,382
Licenses and permits	52,300	118,571	66,271	59,599
Rental income	230,000	127,238	(102,762)	148,269
Interfund charges:				
Cargo Pier Fund	104,561	104,561	-	86,996
Boat Harbor Fund	240,662	240,662	-	211,466
Water Fund	380,064	380,064	-	253,506
Sewer Fund	404,099	404,099	-	268,048
Trident Basin Fund	7,451	7,451	-	8,601
Public works	59,376	59,376	-	63,464
Tourism Development Fund	45,150	45,150	-	45,150
Shipyard Fund	74,032	74,032	-	59,651
Electric Fund	46,990	46,990	-	38,864
Vehicle replacement	203,594	217,288	13,694	174,663
Total interfund charges	1,565,979	1,579,673	13,694	1,210,409
Investment income	10,000	19,726	9,726	20,173
Other revenues	191,140	176,574	(14,566)	361,197
<b>Total Revenues</b>	<b>19,835,067</b>	<b>16,952,129</b>	<b>(2,882,938)</b>	<b>17,850,714</b>
<b>Expenditures</b>				
General government:				
Legislative	288,404	239,844	48,560	240,504
Legal	200,000	219,778	(19,778)	141,453
Executive	755,603	621,143	134,460	513,908
Emergency preparedness	38,000	23,157	14,843	20,622
City clerk	540,296	440,725	99,571	401,328
Finance	1,433,818	1,227,240	206,578	1,210,088
Total general government	3,256,121	2,771,887	484,234	2,527,903

## City of Kodiak, Alaska

## General Fund

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public safety:				
Police department:				
Administration:				
Operations	\$ 989,508	\$ 813,027	\$ 176,481	\$ 795,307
Bond principal	205,000	205,000	-	195,000
Bond interest	327,240	316,548	10,692	336,990
Uniformed patrol	1,594,160	1,394,141	200,019	1,171,590
Corrections	1,458,828	1,269,635	189,193	1,183,329
Investigations	350,270	202,052	148,218	153,514
Support services	1,224,737	1,011,520	213,217	947,691
Animal control	221,358	180,271	41,087	193,995
Drug enforcement	131,181	106,078	25,103	128,405
Community services	208,147	183,017	25,130	141,848
Canine	240,273	117,383	122,890	29,590
Police school resources	167,708	139,099	28,609	128,993
Total police department	7,118,410	5,937,771	1,180,639	5,406,252
Fire department	2,410,371	2,207,379	202,992	1,799,064
Total public safety	9,528,781	8,145,150	1,383,631	7,205,316
Public works:				
Administration	127,629	106,825	20,804	100,250
Streets	1,472,133	1,084,299	387,834	1,199,358
Garage	294,995	250,327	44,668	179,712
Building inspection	294,354	178,858	115,496	308,122
Municipal airport facility	18,550	16,409	2,141	12,094
Total public works	2,207,661	1,636,718	570,943	1,799,536
Engineering	280,451	213,112	67,339	165,227

## City of Kodiak, Alaska

## General Fund

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Parks and recreation:				
Administration	\$ 717,073	\$ 668,306	\$ 48,767	\$ 559,878
Museum	109,700	104,966	4,734	102,344
Teen Center	267,317	231,785	35,532	236,119
Aquatics	242,625	212,914	29,711	192,809
Ice rink	163,992	140,241	23,751	144,090
Beautification program	13,000	10,251	2,749	15,076
<b>Total parks and recreation</b>	<b>1,513,707</b>	<b>1,368,463</b>	<b>145,244</b>	<b>1,250,316</b>
Library	988,352	755,262	233,090	763,875
Community services:				
Contributions	184,500	184,500	-	149,900
Downtown revitalization	40,000	38,866	1,134	36,713
<b>Total community services</b>	<b>224,500</b>	<b>223,366</b>	<b>1,134</b>	<b>186,613</b>
Other - insurance and general administration	504,557	441,618	62,939	436,875
<b>Total Expenditures</b>	<b>18,504,130</b>	<b>15,555,576</b>	<b>2,948,554</b>	<b>14,335,661</b>
Excess of revenues over expenditures	1,330,937	1,396,553	65,616	3,515,053
<b>Other Financing Sources (Uses)</b>				
Proceeds from bond refunding	-	6,368,811	6,368,811	-
Premium on bond refunding	-	389,398	389,398	-
Payment to bond refunding escrow agent	-	(6,682,661)	(6,682,661)	-
Bond refunding issuance costs	-	(78,223)	(78,223)	-
Transfers out	(1,244,604)	(1,258,298)	(13,694)	(4,920,949)
Change in fund balance	<u>\$ 86,333</u>	135,580	<u>\$ 49,247</u>	(1,405,896)
Fund Balance, beginning of year		<u>8,693,021</u>		<u>10,098,917</u>
Fund Balance, end of year		<u>\$ 8,828,601</u>		<u>\$ 8,693,021</u>

## Nonmajor Funds

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**City of Kodiak, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Govern- mental Funds
	Tourism Develop- ment	Special Assess- ments	Enhance- ment	General	Building	Street Improvements	Parks and Recreation	General Fund Vehicle Replacement	
<i>June 30, 2017</i>									
<b>Assets</b>									
Cash and investments	\$ 410,607	\$ 80,261	\$ 4,164,315	\$ 494,355	\$ 1,324,378	\$ 1,201,313	\$ 124,367	\$ 668,461	\$ 8,468,057
Receivables:									
Taxes	54,043	-	-	-	-	-	-	-	54,043
Grants	-	-	-	13,359	-	-	-	-	13,359
Special assessments	-	62,584	-	-	-	-	-	-	62,584
Interest	-	-	6,515	-	-	-	-	-	6,515
<b>Total Assets</b>	<b>\$ 464,650</b>	<b>\$ 142,845</b>	<b>\$ 4,170,830</b>	<b>\$ 507,714</b>	<b>\$ 1,324,378</b>	<b>\$ 1,201,313</b>	<b>\$ 124,367</b>	<b>\$ 668,461</b>	<b>\$ 8,604,558</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ 1,026	\$ 20,590	\$ -	\$ 19,337	\$ -	\$ -	\$ 40,953
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,026</b>	<b>20,590</b>	<b>-</b>	<b>19,337</b>	<b>-</b>	<b>-</b>	<b>40,953</b>
<b>Deferred Inflows of Resources</b>									
Deferred assessments	-	41,786	-	-	-	-	-	-	41,786
<b>Fund Balances</b>									
<b>Committed:</b>									
Tourism	464,650	-	-	-	-	-	-	-	464,650
Economic stability	-	-	4,169,804	-	-	-	-	-	4,169,804
<b>Assigned:</b>									
Capital projects	-	-	-	487,124	1,324,378	1,181,976	124,367	668,461	3,786,306
Public works	-	101,059	-	-	-	-	-	-	101,059
<b>Total Fund Balances</b>	<b>464,650</b>	<b>101,059</b>	<b>4,169,804</b>	<b>487,124</b>	<b>1,324,378</b>	<b>1,181,976</b>	<b>124,367</b>	<b>668,461</b>	<b>8,521,819</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 464,650</b>	<b>\$ 142,845</b>	<b>\$ 4,170,830</b>	<b>\$ 507,714</b>	<b>\$ 1,324,378</b>	<b>\$ 1,201,313</b>	<b>\$ 124,367</b>	<b>\$ 668,461</b>	<b>\$ 8,604,558</b>



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

Year Ended June 30, 2017	Special Revenue Funds			Capital Project Funds				General Fund Vehicle Replacement	Total Nonmajor Governmental Funds
	Tourism Development	Special Assessments	Enhancement	General	Building	Street Improvements	Parks and Recreation		
<b>Revenues</b>									
Taxes	\$ 196,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,945
Intergovernmental	-	-	-	23,645	-	-	-	-	23,645
Rental income	-	-	86,195	-	-	-	-	-	86,195
Investment income	1,120	235	31,014	1,614	4,416	4,271	418	1,732	44,820
<b>Total Revenues</b>	<b>198,065</b>	<b>235</b>	<b>117,209</b>	<b>25,259</b>	<b>4,416</b>	<b>4,271</b>	<b>418</b>	<b>1,732</b>	<b>351,605</b>
<b>Expenditures</b>									
General government	-	-	5,816	44,429	-	-	-	-	50,245
Public safety	-	-	-	56,477	-	-	-	-	56,477
Public works	-	-	-	-	-	1,123,726	-	-	1,123,726
Parks and recreation	-	-	-	-	-	-	26,588	-	26,588
Community services	164,150	-	-	17,355	-	-	-	-	181,505
Capital outlay	-	-	-	62,508	397,677	119,937	122,630	-	702,752
<b>Total Expenditures</b>	<b>164,150</b>	<b>-</b>	<b>5,816</b>	<b>180,769</b>	<b>397,677</b>	<b>1,243,663</b>	<b>149,218</b>	<b>-</b>	<b>2,141,293</b>
Excess of revenues over (under) expenditures	33,915	235	111,393	(155,510)	(393,261)	(1,239,392)	(148,800)	1,732	(1,789,688)
<b>Other Financing Sources</b>									
Transfers in	-	-	-	41,010	-	450,000	50,000	217,288	758,298
Change in fund balances	33,915	235	111,393	(114,500)	(393,261)	(789,392)	(98,800)	219,020	(1,031,390)
<b>Fund Balances, beginning of year</b>									
	430,735	100,824	4,058,411	601,624	1,717,639	1,971,368	223,167	449,441	9,553,209
<b>Fund Balances, end of year</b>									
	\$ 464,650	\$ 101,059	\$ 4,169,804	\$ 487,124	\$ 1,324,378	\$ 1,181,976	\$ 124,367	\$ 668,461	\$ 8,521,819

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

<i>June 30, 2017</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 906,672	\$ -	\$ 81,608	\$ 988,280
Receivables	113,561	-	26,856	140,417
<b>Total Current Assets</b>	<b>1,020,233</b>	<b>-</b>	<b>108,464</b>	<b>1,128,697</b>
<b>Noncurrent Assets</b>				
Property, plant and equipment, net	863	3,233,484	-	3,234,347
<b>Total Assets</b>	<b>\$ 1,021,096</b>	<b>\$ 3,233,484</b>	<b>\$ 108,464</b>	<b>\$ 4,363,044</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 31,988	\$ 1,826	\$ -	\$ 33,814
Accrued payroll and related liabilities	-	-	174	174
Customer deposits	14,600	1,536	-	16,136
Due to other funds	-	193,268	-	193,268
<b>Total Current Liabilities</b>	<b>46,588</b>	<b>196,630</b>	<b>174</b>	<b>243,392</b>
<b>Net Position</b>				
Net investment in capital assets	863	3,233,484	-	3,234,347
Unrestricted (deficit)	973,645	(196,630)	108,290	885,305
<b>Total Net Position</b>	<b>974,508</b>	<b>3,036,854</b>	<b>108,290</b>	<b>4,119,652</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,021,096</b>	<b>\$ 3,233,484</b>	<b>\$ 108,464</b>	<b>\$ 4,363,044</b>

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

<i>Year Ended June 30, 2017</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 810,676	\$ 57,122	\$ 26,856	\$ 894,654
<b>Operating Expenses</b>				
Salaries and benefits	-	-	7,223	7,223
Goods and services	581,040	14,524	-	595,564
Repairs and maintenance	7,321	216	-	7,537
Utilities and fuel	-	17,295	-	17,295
Interfund charges	61,842	14,873	-	76,715
Depreciation	10,402	248,730	-	259,132
<b>Total Operating Expenses</b>	660,605	295,638	7,223	963,466
Earnings (loss) from operations	150,071	(238,516)	19,633	(68,812)
<b>Nonoperating Revenues</b>				
Investment income	2,480	-	246	2,726
Discounts received	-	-	162	162
<b>Nonoperating Revenues, net</b>	2,480	-	408	2,888
Change in net position	152,551	(238,516)	20,041	(65,924)
<b>Net Position, beginning of year</b>	821,957	3,275,370	88,249	4,185,576
<b>Net Position, end of year</b>	\$ 974,508	\$ 3,036,854	\$ 108,290	\$ 4,119,652

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

<i>Year Ended June 30, 2017</i>	Harbor Electric	Trident Basin	E-911 Services	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 756,466	\$ 57,843	\$ 28,818	\$ 843,127
Payments for interfund services used	(61,842)	(14,873)	-	(76,715)
Payments to suppliers	(592,742)	(31,934)	-	(624,676)
Payments to employees	-	-	(7,038)	(7,038)
Net cash flows from operating activities	101,882	11,036	21,780	134,698
<b>Cash Flows for Noncapital Financing Activities</b>				
Decrease in due to other funds	-	(11,036)	-	(11,036)
<b>Cash Flows from Investing Activities</b>				
Investment income received	2,480	-	246	2,726
Net increase in cash and investments	104,362	-	22,026	126,388
<b>Cash and Investments, beginning of year</b>	802,310	-	59,582	861,892
<b>Cash and Investments, end of year</b>	\$ 906,672	\$ -	\$ 81,608	\$ 988,280
Reconciliation of earnings (loss) from operations to net cash flows from operating activities:				
Earnings (loss) from operations	\$ 150,071	\$ (238,516)	\$ 19,633	\$ (68,812)
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:				
Depreciation	10,402	248,730	-	259,132
Noncash Discounts received	-	-	162	162
(Increase) decrease in assets - accounts receivable	(54,010)	721	1,962	(51,327)
Increase (decrease) in liabilities:				
Accounts payable	(4,381)	101	-	(4,280)
Accrued payroll and related liabilities	-	-	23	23
Customer deposits	(200)	-	-	(200)
Net cash flows from operating activities	\$ 101,882	\$ 11,036	\$ 21,780	\$ 134,698

## Special Revenue Funds

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Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

### *Tourism Development*

This fund is used to account for the receipt and distribution of hotel and motel tax revenues.

### *Special Assessments*

This fund is used to account for assessments levied on street projects. No annual budget is prepared for this fund.

### *Enhancement Fund*

This fund accounts for investment income and transfers from the General Fund as determined by ordinance and is for the future benefit and use of the citizens of Kodiak.

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

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<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 410,607	\$ 374,710
Receivables - taxes	54,043	56,025
<b>Total Assets</b>	<b>\$ 464,650</b>	<b>\$ 430,735</b>
<b>Fund Balance</b>		
Committed for tourism	\$ 464,650	\$ 430,735

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## City of Kodiak, Alaska

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

<i>Year Ended June 30,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Room taxes	\$ 170,500	\$ 196,945	\$ 26,445	\$ 210,098
Investment income	-	1,120	1,120	1,232
<b>Total Revenues</b>	170,500	198,065	27,565	211,330
<b>Expenditures - community services:</b>				
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	119,000	119,000	-	124,620
<b>Total Expenditures</b>	164,150	164,150	-	169,770
Excess of revenues over expenditures	\$ 6,350	33,915	27,565	41,560
<b>Fund Balance, beginning of year</b>		430,735		389,175
<b>Fund Balance, end of year</b>		\$ 464,650		\$ 430,735

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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 80,261	\$ 80,026
Receivables - special assessments	62,584	62,584
<b>Total Assets</b>	<b>\$ 142,845</b>	<b>\$ 142,610</b>
<b>Deferred Inflows of Resources and Fund Balance</b>		
Deferred inflows of resources - deferred assessments	\$ 41,786	\$ 41,786
Fund Balance - assigned for public works	101,059	100,824
<b>Total Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 142,845</b>	<b>\$ 142,610</b>



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

<i>Year Ended June 30,</i>	2017	2016
<b>Revenues</b>		
Investment income	\$ 235	\$ 263
<b>Total Revenues</b>	235	263
<b>Expenditures</b>	-	-
<b>Excess of revenues over expenditures</b>	235	263
<b>Fund Balance, beginning of year</b>	100,824	100,561
<b>Fund Balance, end of year</b>	\$ 101,059	\$ 100,824

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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 4,164,315	\$ 4,054,785
Interest receivable	6,515	3,626
<b>Total Assets</b>	<b>\$ 4,170,830</b>	<b>\$ 4,058,411</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,026	\$ -
<b>Total Liabilities</b>	<b>1,026</b>	<b>-</b>
<b>Fund Balance</b>		
Committed for economic stability	4,169,804	4,058,411
<b>Total Fund Balance</b>	<b>4,169,804</b>	<b>4,058,411</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,170,830</b>	<b>\$ 4,058,411</b>

**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>	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Rental income	\$ 66,800	\$ 86,195	\$ 19,395	\$ 72,483
Investment income	40,000	31,014	(8,986)	36,317
<b>Total Revenues</b>	<b>106,800</b>	<b>117,209</b>	<b>10,409</b>	<b>108,800</b>
<b>Expenditures - General government -</b>				
Investment fees	-	5,816	(5,816)	-
<b>Total Expenditures</b>	<b>-</b>	<b>5,816</b>	<b>(5,816)</b>	<b>-</b>
Excess of revenues over expenditures	106,800	111,393	4,593	108,800
<b>Other Financing Sources</b>				
Transfers in	-	-	-	748,400
Change in fund balance	<u>\$ 106,800</u>	111,393	<u>\$ 4,593</u>	857,200
<b>Fund Balance, beginning of year</b>		<u>4,058,411</u>		<u>3,201,211</u>
<b>Fund Balance, end of year</b>		<u>\$ 4,169,804</u>		<u>\$ 4,058,411</u>

## Capital Project Funds

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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>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 494,355	\$ 588,203
Grants receivable	13,359	31,346
<b>Total Assets</b>	<b>\$ 507,714</b>	<b>\$ 619,549</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 20,590	\$ 17,925
<b>Total Liabilities</b>	<b>20,590</b>	<b>17,925</b>
<b>Fund Balance - assigned for capital projects</b>	<b>487,124</b>	<b>601,624</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 507,714</b>	<b>\$ 619,549</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Revenues</b>		
Intergovernmental	\$ 23,645	\$ 59,017
Investment income	1,614	1,935
<b>Total Revenues</b>	<b>25,259</b>	<b>60,952</b>
<b>Expenditures</b>		
City land development	25,459	73,212
Comprehensive Records Management	10,356	5,343
Museum Phase I	-	1,323
KFD Deferred Maintenance	59,161	33,912
Financial Software Upgrade	-	28,666
E911 system upgrade	10,286	-
Downtown revitalization	17,355	28,124
City website development	-	10,375
Long term records storage	7,874	-
2015 SHSP	-	42,694
Storm Damage	740	191,070
DOJ-KPD Equipment	-	15,000
Animal Shelter kennel replacement	31,278	-
Police equipment	18,260	-
<b>Total Expenditures</b>	<b>180,769</b>	<b>429,719</b>
Excess of revenues over (under) expenditures	(155,510)	(368,767)
Other Financing Sources - transfers in	41,010	245,000
Change in fund balance	(114,500)	(123,767)
<b>Fund Balance, beginning of year</b>	<b>601,624</b>	<b>725,391</b>
<b>Fund Balance, end of year</b>	<b>\$ 487,124</b>	<b>\$ 601,624</b>

**City of Kodiak, Alaska**  
**Building Capital Project Fund**  
**Balance Sheet**

<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 1,324,378	\$ 1,725,190
<b>Total Assets</b>	<b>\$ 1,324,378</b>	<b>\$ 1,725,190</b>
<b>Liabilities and Fund Balance</b>		
Liabilities - accounts payable	\$ -	\$ 7,551
Fund Balance - assigned for capital projects	1,324,378	1,717,639
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,324,378</b>	<b>\$ 1,725,190</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Revenues</b>		
Investment income	\$ 4,416	\$ 5,675
Donations	-	6,250
<b>Total Revenues</b>	4,416	11,925
<b>Expenditures</b>		
Library building	37,887	32,218
Fire station	359,790	41,554
<b>Total Expenditures</b>	397,677	73,772
Excess of revenues (under) expenditures	(393,261)	(61,847)
<b>Other Financing Sources - transfers in</b>	-	1,000,000
Change in fund balance	(393,261)	938,153
<b>Fund Balance, beginning of year</b>	1,717,639	779,486
<b>Fund Balance, end of year</b>	\$ 1,324,378	\$ 1,717,639



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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 1,201,313	\$ 2,042,308
<b>Liabilities and Fund Balance</b>		
Liabilities - accounts payable	\$ 19,337	\$ 70,940
Fund Balance - assigned for capital projects	1,181,976	1,971,368
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,201,313</b>	<b>\$ 2,042,308</b>

## City of Kodiak, Alaska

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

<i>Year Ended June 30,</i>	2017	2016
<b>Revenues - investment income</b>	\$ 4,271	\$ 6,718
<b>Expenditures</b>		
Annual sidewalk, curb and gutter repair	46,936	19,541
Pavement repairs	41	5,662
Predesign snow dump storage	119,937	113,431
Pillar Mountain waste materials site	24,015	-
Spill prevention containment and countermeasures plan	210	44,634
Mill Bay Road Rebuild	1,046,224	1,183,880
Underground Storage Tank I.T & M	6,300	4,904
<b>Total Expenditures</b>	<b>1,243,663</b>	<b>1,372,052</b>
Excess of revenues (under) expenditures	(1,239,392)	(1,365,334)
<b>Other Financing Sources - transfers in</b>	<b>450,000</b>	<b>2,640,000</b>
Change in fund balance	(789,392)	1,274,666
<b>Fund Balance, beginning of year</b>	<b>1,971,368</b>	<b>696,702</b>
<b>Fund Balance, end of year</b>	<b>\$ 1,181,976</b>	<b>\$ 1,971,368</b>

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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 124,367	\$ 223,167
<b>Total Assets</b>	<b>124,367</b>	<b>223,167</b>
<b>Liabilities and Fund Balance</b>		
Fund Balance - assigned for capital projects	124,367	223,167
<b>Total Liabilities and Fund Balance</b>	<b>\$ 124,367</b>	<b>\$ 223,167</b>

**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>	2017	2016
<b>Revenues</b>		
Investment income	\$ 418	\$ 734
<b>Total Revenues</b>	<b>418</b>	<b>734</b>
<b>Expenditures</b>		
Playground equipment and improvements	-	806
Baranof storage building	-	9,878
Major park maintenance	26,588	9,738
Building improvement weatherization	-	21,678
Skate park improvements	116,730	-
Teen Center floor replacement	5,900	20,115
<b>Total Expenditures</b>	<b>149,218</b>	<b>62,215</b>
Excess of revenues (under) expenditures	(148,800)	(61,481)
<b>Other Financing Sources</b> - transfers in	<b>50,000</b>	<b>50,000</b>
Change in fund balance	(98,800)	(11,481)
<b>Fund Balance, beginning of year</b>	<b>223,167</b>	<b>234,648</b>
<b>Fund Balance, end of year</b>	<b>\$ 124,367</b>	<b>\$ 223,167</b>

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

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<i>June 30,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 668,461	\$ 449,441
<b>Fund Balance</b>		
Assigned for capital projects	\$ 668,461	\$ 449,441

## 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>	2017	2016
<b>Revenues - investment income</b>	\$ 1,732	\$ 1,478
Excess of revenues over expenditures	1,732	1,478
<b>Other Financing Sources - transfers in</b>	217,288	174,663
Change in fund balance	219,020	176,141
<b>Fund Balance, beginning of year</b>	449,441	273,300
<b>Fund Balance, end of year</b>	\$ 668,461	\$ 449,441

## Enterprise Funds

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### ***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.

### ***Shipyard***

This fund accounts for the shipyard activities.

### ***E-911 Services***

This fund accounts for funds collected from phone charges and pays for a 911 emergency system.

**City of Kodiak, Alaska**  
**Cargo Pier Enterprise Fund**  
**Statement of Net Position**

<i>June 30,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 2,966,265	\$ 3,157,252
Receivables:		
Accounts	175,642	241,963
Grants	1,021	53,421
<b>Total Current Assets</b>	<b>3,142,928</b>	<b>3,452,636</b>
Property, plant and equipment:		
Building	9,502	9,502
Improvements other than buildings	22,747,558	22,747,558
Machinery and equipment	1,118,018	1,154,957
Construction in progress	37,153,819	36,777,544
Accumulated depreciation	(17,830,700)	(17,335,634)
Property, plant and equipment, net	43,198,197	43,353,927
<b>Total Assets</b>	<b>46,341,125</b>	<b>46,806,563</b>
<b>Deferred Outflows of Resources - related to pensions</b>	<b>68,856</b>	<b>48,727</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 46,409,981</b>	<b>\$ 46,855,290</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 22,041	\$ 799,999
Accrued payroll and related liabilities	7,880	6,776
Current portion of accrued leave	2,267	3,480
<b>Total Current Liabilities</b>	<b>32,188</b>	<b>810,255</b>
<b>Noncurrent Liabilities</b>		
Long term portion of accrued leave	365	1,201
Net pension liability	330,134	248,655
<b>Total Noncurrent Liabilities</b>	<b>330,499</b>	<b>249,856</b>
<b>Total Liabilities</b>	<b>362,687</b>	<b>1,060,111</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>3,680</b>	<b>4,402</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>366,367</b>	<b>1,064,513</b>
<b>Net Position</b>		
Net investment in capital assets	43,198,197	43,353,927
Unrestricted	2,845,417	2,436,850
<b>Total Net Position</b>	<b>46,043,614</b>	<b>45,790,777</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 46,409,981</b>	<b>\$ 46,855,290</b>



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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b>		
Dockage	\$ 140,709	\$ 152,256
Wharfage and handling	396,927	538,214
Pier III	285,823	280,235
Cruise ship	168,479	151,913
Rentals	250,105	225,914
Other	2,716	1,152
<b>Total Operating Revenues</b>	<b>1,244,759</b>	<b>1,349,684</b>
<b>Operating Expenses</b>		
General and administrative:		
Salaries and benefits	362,835	303,260
Professional	131	4,421
Goods and services	26,000	26,023
Repairs and maintenance	9,804	161
Machinery and equipment	-	259
Interfund charges:		
Finance and administration	104,561	86,996
Public works services	7,422	7,933
Harbormaster services	29,703	28,174
<b>Total general and administrative</b>	<b>540,456</b>	<b>457,227</b>
Warehouse:		
Professional	1,620	1,645
Goods and services	54	130
Repairs and maintenance	1,171	767
<b>Total warehouse</b>	<b>2,845</b>	<b>2,542</b>
Pier II:		
Goods and services	2,081	1,538
Repairs and maintenance	205	30,586
Utilities and fuel	25,962	20,901
<b>Total pier II</b>	<b>28,248</b>	<b>53,025</b>

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

<i>Year Ended June 30,</i>	2017	2016
Operating expenses, continued:		
Pier III:		
Repairs and maintenance	\$ 366	\$ 4,754
Utilities and fuel	2,035	2,080
<b>Total pier III</b>	<b>2,401</b>	<b>6,834</b>
Depreciation	532,005	425,619
<b>Total Operating Expenses</b>	<b>1,105,955</b>	<b>945,247</b>
Earnings from operations	138,804	404,437
<b>Nonoperating revenues</b>		
Investment income	11,115	13,433
Discounts received	6,568	12,070
State PERS relief	5,611	11,793
<b>Total nonoperating revenues</b>	<b>23,294</b>	<b>37,296</b>
Earnings before contributions and transfers	162,098	441,733
Capital contributions	90,739	1,040,323
Change in net position	252,837	1,482,056
<b>Net Position, beginning of year</b>	<b>45,790,777</b>	<b>44,308,721</b>
<b>Net Position, end of year</b>	<b>\$ 46,043,614</b>	<b>\$ 45,790,777</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,311,080	\$ 1,172,959
Payments for interfund services used	(141,686)	(123,103)
Payments to suppliers	(87,198)	(77,211)
Payments to employees	(290,973)	(239,867)
<b>Net cash flows from operating activities</b>	<b>791,223</b>	<b>732,778</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(1,136,464)	(5,865,309)
Capital contributions received	143,139	5,746,135
<b>Net cash flows (for) capital and related financing activities</b>	<b>(993,325)</b>	<b>(119,174)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	11,115	13,433
<b>Net increase (decrease) in cash and investments</b>	<b>(190,987)</b>	<b>627,037</b>
<b>Cash and Investments, beginning of year</b>	<b>3,157,252</b>	<b>2,530,215</b>
<b>Cash and Investments, end of year</b>	<b>\$ 2,966,265</b>	<b>\$ 3,157,252</b>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 138,804	\$ 404,437
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	532,005	425,619
Noncash Discounts received	6,568	12,070
Noncash State PERS relief	5,611	11,793
(Increase) decrease in assets - accounts receivable	66,321	(176,725)
(Increase) decrease in deferred outflows of resources related to pensions	(20,129)	(29,427)
Increase (decrease) in liabilities:		
Accounts payable	(17,769)	16,054
Accrued payroll and related liabilities	1,104	1,925
Accrued leave	(2,049)	198
Net pension liability	81,479	81,719
Increase (decrease) in deferred inflows of resources related to pensions	(722)	(14,885)
<b>Net cash flows from operating activities</b>	<b>\$ 791,223</b>	<b>\$ 732,778</b>
Noncash capital and related financing:		
Capital assets purchased on account	\$ 19,922	\$ 780,111

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

<i>June 30,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 4,291,123	\$ 5,382,805
Receivables:		
Accounts	110,152	103,202
Grants	172,864	-
Allowance for doubtful accounts	(15,647)	(15,647)
Due from Shipyard Enterprise Fund	242,027	-
Prepaid Expenses	-	120
<b>Total Current Assets</b>	<b>4,800,519</b>	<b>5,470,480</b>
<b>Noncurrent Assets</b>		
Restricted cash and investments - bond reserve	119,556	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	683,063	656,863
Construction in progress	2,414,399	43,859
Accumulated depreciation	(29,116,551)	(27,813,743)
Property, plant and equipment, net	11,515,216	10,421,284
<b>Total Noncurrent Assets</b>	<b>11,634,772</b>	<b>10,550,865</b>
<b>Total Assets</b>	<b>16,435,291</b>	<b>16,021,345</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	293,935	203,453
Deferred charge on bond refunding	35,706	-
<b>Total Deferred Outflows of Resources</b>	<b>329,641</b>	<b>203,453</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 16,764,932</b>	<b>\$ 16,224,798</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 256,704	\$ 53,629
Accrued payroll and related liabilities	31,930	27,805
Customer deposits	243,867	241,819
Accrued interest	5,359	27,440
Current portion of accrued leave	44,367	38,713
Current portion of bonds payable	59,624	45,000
<b>Total Current Liabilities</b>	<b>641,851</b>	<b>434,406</b>
<b>Noncurrent Liabilities</b>		
Long term portion:		
Accrued leave	56,273	72,924
Bonds payable	1,717,474	1,700,000
Net pension liability	1,409,297	1,038,230
<b>Total Noncurrent Liabilities</b>	<b>3,183,044</b>	<b>2,811,154</b>
<b>Total Liabilities</b>	<b>3,824,895</b>	<b>3,245,560</b>
<b>Deferred Inflows of Resources</b>		
Related to pensions	15,709	18,381
<b>Total Deferred Inflows of Resources</b>	<b>15,709</b>	<b>18,381</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>3,840,604</b>	<b>3,263,941</b>
<b>Net Position</b>		
Net investment in capital assets	9,738,118	8,676,284
Restricted for debt service	119,556	129,581
Unrestricted	3,066,654	4,154,992
<b>Total Net Position</b>	<b>12,924,328</b>	<b>12,960,857</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 16,764,932</b>	<b>\$ 16,224,798</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b>		
Moorage	\$ 1,761,649	\$ 1,712,763
Pier and dock fees	203,930	186,233
Administrative charges to other funds	74,258	70,435
Other fees and charges	159,573	194,714
Rentals	15,765	17,365
Other	1,777	50,084
<b>Total Operating Revenues</b>	<b>2,216,952</b>	<b>2,231,594</b>
<b>Operating Expenses</b>		
Salaries and benefits	1,498,313	1,252,034
Professional	65,626	92,846
Contributions	16,819	17,580
Goods and services	177,378	179,919
Repairs and maintenance	75,751	72,895
Utilities and fuel	201,965	180,453
Administrative services	3,781	15,526
Machinery and equipment	7,106	4,023
Interfund charges:		
Finance and administration	240,662	211,466
Public works services	7,422	7,933
Depreciation	1,302,809	1,303,111
<b>Total Operating Expenses</b>	<b>3,597,632</b>	<b>3,337,786</b>
Loss from operations	(1,380,680)	(1,106,192)
<b>Nonoperating Revenues (Expenses)</b>		
Other income	4,089	-
Investment income	29,762	29,605
Discounts received	22,198	39,881
Interest expense	(92,557)	(82,771)
Bond Refunding Issuance costs	(23,831)	-
State PERS relief	23,906	49,238
<b>Nonoperating Revenues (Expenses), net</b>	<b>(36,433)</b>	<b>35,953</b>
Loss before contributions and transfers	(1,417,113)	(1,070,239)
Capital contributions	880,584	-
Transfers in	500,000	500,000
Change in net position	(36,529)	(570,239)
<b>Net Position, beginning of year</b>	<b>12,960,857</b>	<b>13,531,096</b>
<b>Net Position, end of year</b>	<b>\$ 12,924,328</b>	<b>\$ 12,960,857</b>

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

Year Ended June 30,	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 2,137,792	\$ 2,147,570
Receipts from interfund services provided	74,258	70,435
Payments for interfund services used	(248,084)	(219,399)
Payments to suppliers	(564,830)	(544,887)
Payments to employees	(1,181,168)	(1,019,784)
<b>Net cash flows from operating activities</b>	<b>217,968</b>	<b>433,935</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in	500,000	500,000
Increase in due from Shipyard Enterprise Fund	(242,027)	-
<b>Net cash flows from noncapital financing activities</b>	<b>257,973</b>	<b>500,000</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Bond issuance	1,648,383	-
Premium on refunded bonds	97,098	-
Refunding of revenue bonds	(1,700,000)	-
Bond refunding issuance costs	(23,831)	-
Principal paid on long-term debt	(45,000)	(45,000)
Interest paid on long-term debt	(114,638)	(83,671)
Purchase of property, plant and equipment	(2,177,142)	(46,892)
Capital contributions received	707,720	-
<b>Net cash flows for capital and related financing activities</b>	<b>(1,607,410)</b>	<b>(175,563)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	29,762	29,605
<b>Net increase (decrease) in cash and investments</b>	<b>(1,101,707)</b>	<b>787,977</b>
<b>Cash and Investments, beginning of year</b>	<b>5,512,386</b>	<b>4,724,409</b>
<b>Cash and Investments, end of year</b>	<b>\$ 4,410,679</b>	<b>\$ 5,512,386</b>
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 4,291,123	\$ 5,382,805
Restricted cash and investments	119,556	129,581
<b>Total Cash and Investments</b>	<b>\$ 4,410,679</b>	<b>\$ 5,512,386</b>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (1,380,680)	\$ (1,106,192)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	1,302,809	1,303,111
Noncash Discounts received	22,198	39,881
Noncash State PERS relief	23,906	49,238
(Increase) decrease in assets:		
Accounts receivable	(6,950)	(17,317)
Prepaid expenses	120	(120)
(Increase) decrease in deferred outflows of resources related to pensions	(90,482)	(119,845)
Increase (decrease) in liabilities:		
Accrued payroll and related liabilities	4,125	4,834
Accrued leave	(10,997)	8,265
Customer deposits	2,048	3,728
Net pension liability	371,067	315,048
Increase (decrease) in deferred inflows of resources related to pensions	(2,672)	(65,171)
<b>Net cash flows from operating activities</b>	<b>\$ 217,968</b>	<b>\$ 433,935</b>
<b>Noncash capital and related financing: Capital assets purchased on account</b>	<b>\$ 229,569</b>	<b>\$ 9,970</b>

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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 906,672	\$ 802,310
Accounts receivable	113,561	59,551
<b>Total Current Assets</b>	<b>1,020,233</b>	<b>861,861</b>
Property, plant and equipment:		
Machinery and equipment	140,556	140,556
Accumulated depreciation	(139,693)	(129,291)
Property, plant and equipment, net	863	11,265
<b>Total Assets</b>	<b>\$ 1,021,096</b>	<b>\$ 873,126</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 31,988	\$ 36,369
Customer deposits	14,600	14,800
<b>Total Current Liabilities</b>	<b>46,588</b>	<b>51,169</b>
<b>Net Position</b>		
Net investment in capital assets	863	11,265
Unrestricted	973,645	810,692
<b>Total Net Position</b>	<b>974,508</b>	<b>821,957</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,021,096</b>	<b>\$ 873,126</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b>		
Energy charges	\$ 661,905	\$ 537,100
Customer charges	110,535	110,955
Other operating revenue	38,236	25,598
<b>Total Operating Revenues</b>	<b>810,676</b>	<b>673,653</b>
<b>Operating Expenses</b>		
Goods and services	581,040	509,085
Repairs and maintenance	7,321	8,301
Machinery and equipment	-	5,000
Interfund charges:		
Finance and administration	46,990	38,864
Harbormaster services	14,852	14,087
Depreciation	10,402	10,402
<b>Total Operating Expenses</b>	<b>660,605</b>	<b>585,739</b>
Earnings from operations	150,071	87,914
<b>Nonoperating Revenues - investment income</b>	<b>2,480</b>	<b>2,639</b>
Change in net position	152,551	90,553
<b>Net Position, beginning of year</b>	<b>821,957</b>	<b>731,404</b>
<b>Net Position, end of year</b>	<b>\$ 974,508</b>	<b>\$ 821,957</b>



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

<i>Year Ended June 30,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 756,466	\$ 663,001
Payments for interfund services used	(61,842)	(52,951)
Payments to suppliers	(592,742)	(523,767)
Net cash flows from operating activities	101,882	86,283
<b>Cash Flows from Investing Activities</b>		
Investment income received	2,480	2,639
Net increase in cash and investments	104,362	88,922
<b>Cash and Investments, beginning of year</b>	802,310	713,388
<b>Cash and Investments, end of year</b>	\$ 906,672	\$ 802,310
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 150,071	\$ 87,914
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	10,402	10,402
(Increase) decrease in assets - accounts receivable	(54,010)	(10,452)
Increase (decrease) in liabilities:		
Accounts payable	(4,381)	(1,381)
Customer deposits	(200)	(200)
Net cash flows from operating activities	\$ 101,882	\$ 86,283

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

<i>June 30,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 16,529,394	\$ 13,923,669
Receivables:		
Accounts	373,943	343,024
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	262,198	241,530
<b>Total Current Assets</b>	<b>17,163,311</b>	<b>14,505,999</b>
Property, plant and equipment:		
Land	2	2
Buildings	3,365,283	3,313,419
Improvements other than buildings	30,655,361	30,655,361
Machinery and equipment	633,884	551,793
Construction in progress	12,225,282	12,151,134
Accumulated depreciation	(20,121,918)	(19,493,566)
Property, plant and equipment, net	26,757,894	27,178,143
<b>Total Assets</b>	<b>43,921,205</b>	<b>41,684,142</b>
Deferred Outflows of Resources - related to pensions	161,421	63,720
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 44,082,626</b>	<b>\$ 41,747,862</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 71,879	\$ 264,529
Accrued payroll and related liabilities	17,259	10,495
Customer deposits	5,500	13,200
Accrued interest	33,185	14,548
Accrued leave	10,750	9,618
Current portion of loans payable	289,560	230,276
<b>Total Current Liabilities</b>	<b>428,133</b>	<b>542,666</b>
<b>Noncurrent Liabilities</b>		
Long term portion:		
Accrued leave	11,770	6,611
Loans payable	3,916,439	3,686,795
Net pension liability	773,946	325,165
<b>Total Noncurrent Liabilities</b>	<b>4,702,155</b>	<b>4,018,571</b>
<b>Total Liabilities</b>	<b>5,130,288</b>	<b>4,561,237</b>
Deferred Inflows of Resources - related to pensions	8,627	5,757
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>5,138,915</b>	<b>4,566,994</b>
<b>Net Position</b>		
Net investment in capital assets	22,551,895	23,261,072
Unrestricted	16,391,816	13,919,796
<b>Total Net Position</b>	<b>38,943,711</b>	<b>37,180,868</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 44,082,626</b>	<b>\$ 41,747,862</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b>		
Sales and user charges	\$ 2,619,886	\$ 2,653,270
Meters	1,890,297	2,071,705
Other	21,713	33,082
<b>Total Operating Revenues</b>	<b>4,531,896</b>	<b>4,758,057</b>
<b>Operating Expenses</b>		
Water department:		
Salaries and benefits	926,215	433,839
Professional	27,553	4,976
Goods and services	66,880	86,619
Repairs and maintenance	24,425	5,231
Utilities and fuel	315,156	354,855
Machinery and equipment	479	9,386
<b>Total water department</b>	<b>1,360,708</b>	<b>894,906</b>
Water treatment:		
Salaries and benefits	121,149	5,588
Professional	17,785	10,057
Goods and services	70,363	72,427
Repairs and maintenance	23,140	9,379
Utilities and fuel	56,725	56,310
Machinery and equipment	3,671	8,772
<b>Total water treatment</b>	<b>292,833</b>	<b>162,533</b>
Interfund charges:		
Finance and administration	380,064	253,506
Public works services	14,844	15,866
<b>Total interfund charges</b>	<b>394,908</b>	<b>269,372</b>
Depreciation	648,990	643,238
<b>Total Operating Expenses</b>	<b>2,697,439</b>	<b>1,970,049</b>
Earnings from operations	1,834,457	2,788,008
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	45,057	45,790
Discounts received	12,725	23,747
Interest expense	(49,217)	(30,079)
Engineering and feasibility studies	(21,215)	(33,354)
Noncapital repairs and maintenance	(72,109)	(161,816)
State PERS relief	13,145	15,421
<b>Nonoperating Revenues (Expenses), net</b>	<b>(71,614)</b>	<b>(140,291)</b>
Earnings before contributions and transfers	1,762,843	2,647,717
Capital contributions	-	360,594
Transfers out	-	(110,000)
Change in net position	1,762,843	2,898,311
<b>Net Position, beginning of year</b>	<b>37,180,868</b>	<b>34,282,557</b>
<b>Net Position, end of year</b>	<b>\$ 38,943,711</b>	<b>\$ 37,180,868</b>

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

Year Ended June 30,	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 4,493,277	\$ 4,718,634
Payments for interfund services used	(394,908)	(269,372)
Payments to suppliers	(626,659)	(648,412)
Payments to employees	(654,489)	(430,201)
<b>Net cash flows from operating activities</b>	<b>2,817,221</b>	<b>3,370,649</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers out	-	(110,000)
Noncapital repairs and maintenance	(72,109)	(161,816)
Nonoperating grant received	-	230,731
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(72,109)</b>	<b>(41,085)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal paid on long term debt	(259,201)	(163,789)
Interest paid on long term debt	(30,581)	(39,144)
Proceeds from issuance of long term debt	548,130	1,878,491
Purchase of property, plant and equipment	(442,792)	(966,323)
Capital contributions received	-	828,864
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(184,444)</b>	<b>1,538,099</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	45,057	45,790
<b>Net increase in cash and investments</b>	<b>2,605,725</b>	<b>4,913,453</b>
<b>Cash and Investments, beginning of year</b>	<b>13,923,669</b>	<b>9,010,216</b>
<b>Cash and Investments, end of year</b>	<b>\$ 16,529,394</b>	<b>\$ 13,923,669</b>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 1,834,457	\$ 2,788,008
Adjustments to reconcile earnings from operations to net cash flows from by operating activities:		
Depreciation	648,990	643,238
Noncash Discounts received	12,725	23,747
Noncash State PERS relief	13,145	15,421
Other nonoperating expenses	(21,215)	(33,354)
(Increase) decrease in assets:		
Accounts receivable	(30,919)	(51,523)
Inventory	(20,668)	4,778
(Increase) decrease in deferred outflows of resources related to pensions	(97,701)	(28,358)
Increase (decrease) in liabilities:		
Accounts payable	21,401	(1,824)
Accrued payroll and related liabilities	6,764	2,093
Accrued leave	6,291	6,612
Customer deposits	(7,700)	12,100
Net pension liability	448,781	19,293
Increase (decrease) in deferred inflows of resources related to pensions	2,870	(29,582)
<b>Net cash flows from operating activities</b>	<b>\$ 2,817,221</b>	<b>\$ 3,370,649</b>
Noncash capital and related financing:		
Capital assets purchased on account	\$ 852	\$ 214,903

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

<i>June 30,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 4,892,244	\$ 3,806,388
Accounts receivable	375,451	349,647
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	14,650	11,886
<b>Total Current Assets</b>	<b>5,279,478</b>	<b>4,165,054</b>
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	886,405	816,939
Construction in progress	7,442,842	5,212,785
Accumulated depreciation	(27,523,147)	(26,232,169)
Property, plant and equipment, net	16,215,432	15,206,887
<b>Total Assets</b>	<b>21,494,910</b>	<b>19,371,941</b>
<b>Deferred Outflows of Resources - related to pensions</b>	<b>215,985</b>	<b>180,206</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 21,710,895</b>	<b>\$ 19,552,147</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 97,772	\$ 549,583
Accrued payroll and related liabilities	25,904	22,993
Accrued interest	4,616	5,097
Current portion of accrued leave	17,677	27,476
Current portion of loans payable	225,028	134,588
<b>Total Current Liabilities</b>	<b>370,997</b>	<b>739,737</b>
<b>Noncurrent Liabilities</b>		
Long term portion:		
Accrued leave	46,722	19,567
Loans payable	2,621,301	1,051,725
Net pension liability	1,035,561	919,596
<b>Total Noncurrent Liabilities</b>	<b>3,703,584</b>	<b>1,990,888</b>
<b>Total Liabilities</b>	<b>4,074,581</b>	<b>2,730,625</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>11,543</b>	<b>16,281</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,086,124</b>	<b>2,746,906</b>
<b>Net Position</b>		
Net investment in capital assets	13,369,103	14,020,574
Unrestricted	4,255,668	2,784,667
<b>Total Net Position</b>	<b>17,624,771</b>	<b>16,805,241</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 21,710,895</b>	<b>\$ 19,552,147</b>

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

Year Ended June 30,	2017	2016
<b>Operating Revenues</b>		
Sewer charges	\$ 4,070,036	\$ 3,932,655
Septic truck fees	85,432	86,586
Lab testing fees	27,620	23,810
Compost fees	1,700	-
Other	6,259	2,148
<b>Total Operating Revenues</b>	<b>4,191,047</b>	<b>4,045,199</b>
<b>Operating Expenses</b>		
Sewer department:		
Salaries and benefits	141,419	155,513
Professional	18,102	15,124
Goods and services	24,571	20,699
Repairs and maintenance	33,302	16,305
Machinery and equipment	897	666
<b>Total sewer department</b>	<b>218,291</b>	<b>208,307</b>
Wastewater treatment:		
Salaries and benefits	816,600	959,800
Professional	9,415	8,124
Goods and services	114,793	140,766
Repairs and maintenance	45,252	33,522
Utilities and fuel	216,469	474,616
Machinery and equipment	4,129	7,796
<b>Total wastewater treatment</b>	<b>1,206,658</b>	<b>1,624,624</b>
Compost facility:		
Salaries and benefits	194,734	34,849
Professional	19,533	14,466
Goods and services	95,679	175,115
Repairs and maintenance	3,914	1,833
Utilities and fuel	18,303	10,220
Machinery and equipment	5,805	3,327
<b>Total compost facility</b>	<b>337,968</b>	<b>239,810</b>
Interfund charges:		
Finance and administration	404,099	268,048
Public works services	14,844	15,866
<b>Total interfund charges</b>	<b>418,943</b>	<b>283,914</b>
Depreciation	1,221,511	1,214,440
<b>Total Operating Expenses</b>	<b>3,403,371</b>	<b>3,571,095</b>
Earnings from operations	787,676	474,104
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	10,970	12,522
Discounts received	20,654	40,279
Interest expense	(17,313)	(20,815)
State PERS relief	17,543	43,612
<b>Nonoperating Revenues (Expenses), net</b>	<b>31,854</b>	<b>75,598</b>
Earnings before transfers	819,530	549,702
Transfers out	-	(110,000)
Change in net position	819,530	439,702
<b>Net Position, beginning of year</b>	<b>16,805,241</b>	<b>16,365,539</b>
<b>Net Position, end of year</b>	<b>\$17,624,771</b>	<b>\$ 16,805,241</b>

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

<i>Years Ended June 30,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 4,165,243	\$ 4,054,448
Payments for interfund services used	(418,943)	(283,914)
Payments to suppliers	(635,039)	(961,922)
Payments to employees	(1,018,841)	(941,506)
<b>Net cash flows from operating activities</b>	<b>2,092,420</b>	<b>1,867,106</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers out	-	(110,000)
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal paid on long term debt	(134,588)	(334,991)
Interest paid on long term debt	(17,794)	(29,042)
Proceeds from issuance of long term debt	1,794,604	-
Purchase of property, plant and equipment	(2,659,756)	(3,139,371)
<b>Net cash flows for capital and related financing activities</b>	<b>(1,017,534)</b>	<b>(3,503,404)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	10,970	12,522
<b>Net increase (decrease) in cash and investments</b>	<b>1,085,856</b>	<b>(1,733,776)</b>
<b>Cash and Investments, beginning of year</b>	<b>3,806,388</b>	<b>5,540,164</b>
<b>Cash and Investments, end of year</b>	<b>\$ 4,892,244</b>	<b>\$ 3,806,388</b>
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 787,676	\$ 474,104
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	1,221,511	1,214,440
Noncash Discounts received	20,654	40,279
Noncash State PERS relief	17,543	43,612
(Increase) decrease in assets:		
Accounts receivable	(25,804)	9,249
Inventory	(2,764)	(288)
(Increase) decrease in deferred outflows of resources related to pensions	(35,779)	(109,883)
Increase (decrease) in liabilities:		
Accounts payable	(22,111)	(39,055)
Accrued payroll and related liabilities	2,911	2,939
Accrued leave	17,356	(25,625)
Net pension liability	115,965	311,329
Increase (decrease) in deferred inflows of resources related to pensions	(4,738)	(53,995)
<b>Net cash flows from operating activities</b>	<b>\$ 2,092,420</b>	<b>\$ 1,867,106</b>
Noncash capital and related financing:		
Capital assets purchased on account	\$ 68,650	\$ 498,350

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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Accounts receivable	\$ -	\$ 721
Property, plant and equipment:		
Improvements other than buildings	5,589,593	5,589,593
Accumulated depreciation	(2,356,109)	(2,107,379)
Property, plant and equipment, net	3,233,484	3,482,214
<b>Total Assets</b>	<b>\$ 3,233,484</b>	<b>\$ 3,482,935</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,826	\$ 1,725
Customer deposits	1,536	1,536
Due to other funds	193,268	204,304
<b>Total Current Liabilities</b>	<b>196,630</b>	<b>207,565</b>
<b>Net Position</b>		
Net investment in capital assets	3,233,484	3,482,214
Unrestricted (deficit)	(196,630)	(206,844)
<b>Total Net Position</b>	<b>3,036,854</b>	<b>3,275,370</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,233,484</b>	<b>\$ 3,482,935</b>



## City of Kodiak, Alaska

## Trident Basin Enterprise Fund

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b>		
Moorage	\$ 15,278	\$ 13,309
Rentals	41,844	40,143
<b>Total Operating Revenues</b>	<b>57,122</b>	<b>53,452</b>
<b>Operating Expenses</b>		
Professional	-	3,690
Goods and services	14,524	11,737
Repairs and maintenance	216	-
Utilities and fuel	17,295	15,323
Administrative services	-	4,082
Interfund charges:		
Finance and administration	7,451	8,601
Public works services	7,422	7,933
Depreciation	248,730	248,730
<b>Total Operating Expenses</b>	<b>295,638</b>	<b>300,096</b>
Loss from operations	(238,516)	(246,644)
<b>Net Position, beginning of year</b>	<b>3,275,370</b>	<b>3,522,014</b>
<b>Net Position, end of year</b>	<b>\$ 3,036,854</b>	<b>\$ 3,275,370</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 57,843	\$ 55,303
Payments for interfund services used	(14,873)	(16,534)
Payments to suppliers	(31,934)	(34,738)
<b>Net cash flows from operating activities</b>	<b>11,036</b>	<b>4,031</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Decrease in due to other funds	(11,036)	(4,031)
<b>Net increase in cash and investments</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, end of year</b>	<b>\$ -</b>	<b>\$ -</b>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (238,516)	\$ (246,644)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	248,730	248,730
(Increase) decrease in assets - accounts receivable	721	1,851
Increase (decrease) in liabilities - accounts payable	101	94
<b>Net cash flows from operating activities</b>	<b>\$ 11,036</b>	<b>\$ 4,031</b>

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

<i>June 30,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 3	\$ 106,053
Accounts receivable	56,599	54,225
<b>Total Current Assets</b>	<b>56,602</b>	<b>160,278</b>
<b>Noncurrent Assets</b>		
Restricted cash and investments - bond reserve	342,025	375,469
Property, plant and equipment:		
Machinery and equipment	18,104,101	18,104,101
Accumulated depreciation	(3,712,368)	(3,182,387)
Property, plant and equipment, net	14,391,733	14,921,714
<b>Total Noncurrent Assets</b>	<b>14,733,758</b>	<b>15,297,183</b>
<b>Total Assets</b>	<b>14,790,360</b>	<b>15,457,461</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	42,872	34,757
Deferred charge on bond refunding	56,979	-
<b>Total Deferred Outflows of Resources</b>	<b>99,851</b>	<b>34,757</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 14,890,211</b>	<b>\$ 15,492,218</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,865	\$ 7,102
Accrued payroll and related liabilities	3,948	3,357
Customer deposits	-	750
Accrued interest	19,760	78,991
Due to Boat Harbor Enterprise Fund	242,027	-
Current portion of accrued leave	1,631	2,671
Current portion of bonds and loan payable	171,695	141,500
<b>Total Current Liabilities</b>	<b>444,926</b>	<b>234,371</b>
<b>Noncurrent Liabilities</b>		
Long term portion:		
Accrued leave	7,808	940
Bonds payable	4,448,898	4,340,000
Loans payable	558,000	604,500
Net pension liability	205,555	177,365
<b>Total Noncurrent Liabilities</b>	<b>5,220,261</b>	<b>5,122,805</b>
<b>Total Liabilities</b>	<b>5,665,187</b>	<b>5,357,176</b>
<b>Deferred Inflows of Resources</b>		
Related to pensions	2,291	3,141
<b>Total Deferred Inflows of Resources</b>	<b>2,291</b>	<b>3,141</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>5,667,478</b>	<b>5,360,317</b>
<b>Net Position</b>		
Net investment in capital assets	9,213,140	9,835,714
Restricted for debt service	342,025	375,469
Unrestricted (Deficit)	(332,432)	(79,282)
<b>Total Net Position</b>	<b>9,222,733</b>	<b>10,131,901</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 14,890,211</b>	<b>\$ 15,492,218</b>

## City of Kodiak, Alaska

## Shipyard Enterprise Fund

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b>		
Charges for services	\$ 408,898	\$ 597,298
Other	8	1,385
<b>Total Operating Revenues</b>	<b>408,906</b>	<b>598,683</b>
<b>Operating Expenses</b>		
Salaries and benefits	198,015	233,349
Professional	18,185	21,683
Goods and services	58,596	58,756
Repairs and maintenance	7,156	11,429
Utilities and fuel	33,815	37,288
Interfund charges:		
Finance and administration	74,032	59,651
Public works services	7,422	7,933
Harbormaster services	29,703	28,174
Depreciation	529,981	529,981
<b>Total Operating Expenses</b>	<b>956,905</b>	<b>988,244</b>
Loss from operations	(547,999)	(389,561)
<b>Nonoperating Revenues (Expenses)</b>		
Other income	9,385	-
Investment income	16	379
Discounts received	2,911	5,352
Interest expense	(325,147)	(227,176)
Bond Refunding Issuance costs	(51,811)	-
State PERS relief	3,477	8,411
<b>Nonoperating Revenues (Expenses), net</b>	<b>(361,169)</b>	<b>(213,034)</b>
Change in net position	(909,168)	(602,595)
<b>Net Position, beginning of year</b>	<b>10,131,901</b>	<b>10,734,496</b>
<b>Net Position, end of year</b>	<b>\$ 9,222,733</b>	<b>\$ 10,131,901</b>

## City of Kodiak, Alaska

## Shipyards Enterprise Fund

## Statement of Cash Flows

Year Ended June 30,	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 405,782	\$ 582,333
Payments for interfund services used	(111,157)	(95,758)
Payments to suppliers	(118,989)	(131,550)
Payments to employees	(165,983)	(152,983)
Net cash flows from operating activities	9,653	202,042
<b>Cash Flows for Noncapital Financing Activities</b>		
Increases in due to Boat Harbor Enterprise Fund	242,027	-
<b>Cash Flows for Capital and Related Financing Activities</b>		
Bond issuance	4,312,406	-
Premium on refunded bonds	214,093	-
Refunding of revenue bonds	(4,340,000)	-
Bond refunding issuance costs	(51,811)	-
Principal paid on long-term debt	(141,500)	(136,500)
Interest paid on long-term debt	(384,378)	(229,506)
Net cash flows for capital and related financing activities	(391,190)	(366,006)
<b>Cash Flows from Investing Activities</b>		
Investment income received	16	379
Net decrease in cash and investments	(139,494)	(163,585)
<b>Cash and Investments, beginning of year</b>	481,522	645,107
<b>Cash and Investments, end of year</b>	\$ 342,028	\$ 481,522
Reconciliation to Statement of Net Position:		
Cash and investments	\$ 3	\$ 106,053
Restricted cash and investments	342,025	375,469
<b>Total Cash and Investments</b>	\$ 342,028	\$ 481,522
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (547,999)	\$ (389,561)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	529,981	529,981
Noncash Discounts received	2,911	5,352
Noncash State PERS relief	3,477	8,411
(Increase) decrease in assets - accounts receivable	(2,374)	(15,600)
Increase deferred outflows of resources related to pensions	(8,115)	(25,716)
Increase (decrease) in liabilities:		
Accounts payable	(1,237)	(2,394)
Accrued payroll and related liabilities	591	194
Accrued leave	5,828	(1,147)
Customer deposits	(750)	(750)
Net pension liability	28,190	99,166
(Decrease) Increase in deferred inflows of resources related to pensions	(850)	(5,894)
Net cash flows from operating activities	\$ 9,653	\$ 202,042

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

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 81,608	\$ 59,582
Receivable from Kodiak Island Borough	26,856	28,818
<b>Total Assets</b>	<b>\$ 108,464</b>	<b>\$ 88,400</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accrued payroll and related liabilities	\$ 174	\$ 151
<b>Net Position - unrestricted</b>	<b>108,290</b>	<b>88,249</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 108,464</b>	<b>\$ 88,400</b>

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b> - charges for services	\$ 26,856	\$ 28,818
<b>Operating Expenses</b> - salaries and benefits	7,223	6,442
Earnings from operations	19,633	22,376
<b>Nonoperating Revenues</b>		
Investment income	246	196
Discounts received	162	298
<b>Total Nonoperating Revenues</b>	408	494
Change in net position	20,041	22,870
<b>Net Position, beginning of year</b>	88,249	65,379
<b>Net Position, end of year</b>	\$ 108,290	\$ 88,249

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

<i>Year Ended June 30,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 28,818	\$ 30,869
Payments to employees	(7,038)	(6,116)
Net cash flows from operating activities	21,780	24,753
<b>Cash Flows from Investing Activities</b>		
Investment income received	246	196
Net increase in cash and investments	22,026	24,949
<b>Cash and Investments, beginning of year</b>	59,582	34,633
<b>Cash and Investment, end of year</b>	\$ 81,608	\$ 59,582
Reconciliation of earnings from operations to net cash flows from operating activities:		
Earnings from operations	\$ 19,633	\$ 22,376
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Noncash Discounts received	162	298
Decrease in accounts receivable	1,962	2,051
Increase in accrued payroll and related liabilities	23	28
Net cash flows from operating activities	\$ 21,780	\$ 24,753



## Internal Service Fund

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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**

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<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 421,775	\$ 463,806
<b>Liabilities and Net Position</b>		
<b>Net Position - unrestricted</b>	421,775	463,806
<b>Total Liabilities and Net Position</b>	\$ 421,775	\$ 463,806

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

<i>Year Ended June 30,</i>	2017	2016
<b>Operating Revenues</b> - charges for services	\$ 531,650	\$ 704,701
<b>Operating Expenses</b> - insurance	574,593	592,546
Earnings (loss) from operations	(42,943)	112,155
<b>Nonoperating Revenues</b> - investment income	912	1,525
Change in net position	(42,031)	113,680
Transfers out	-	(225,000)
Change in net position	(42,031)	(111,320)
<b>Net Position</b> , beginning of year	463,806	575,126
<b>Net Position</b> , end of year	\$ 421,775	\$ 463,806

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

<i>Year Ended June 30,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from interfund services provided	\$ 531,650	\$ 704,701
Payments to suppliers	(574,593)	(592,546)
Net cash flows from (for) operating activities	(42,943)	112,155
<b>Cash Flows For Noncapital Financing Activities</b>		
Transfers to other funds	-	(225,000)
Net cash flows for noncapital financing activities	-	(225,000)
<b>Cash Flows From Investing Activities</b>		
Investment income received	912	1,525
Net (decrease) increase in cash and investments	(42,031)	(111,320)
<b>Cash and Investments, beginning of year</b>	463,806	575,126
<b>Cash and Investments, end of year</b>	\$ 421,775	\$ 463,806
Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:		
Earnings (loss) from operations	\$ (42,943)	\$ 112,155
Net cash flows from operating activities	\$ (42,943)	\$ 112,155

## Federal Expenditures

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The Schedule of Expenditures of Federal Awards itemizes the sources of federal grant funds received by the City during the year and corresponding expenditures as required by *Government Auditing Standards*.

## City of Kodiak, Alaska

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor	Federal CFDA Number	Pass-through Grantor's Award Number	Program or Award Amount	Federal Expenditures
U.S. Department of the Interior: Passed through the Kodiak Island Housing Authority - Payment in lieu of taxes	15.226	None	\$ 6,416	6,416
U.S. Department of Justice: Direct programs:				
Bulletproof Vest Partnership Program	16.607	APP# 02012514	5,140	1,712
Law Enforcement Equipment	16.738	2016-DJ-BX-1048	13,359	13,359
Total U.S. Department of Justice			18,499	15,071
U.S. Department of Homeland Security: Passed through State of Alaska Department of Homeland Security and Energy Management - Emergency Management Performance	97.042	EMS-2016-EP-00001-SO1	15,000	8,281
U.S. Environmental Protection Agency: Passed through the State of Alaska, Department of Environmental Conservation:				
Alaska Clean Water Revolving Loan Funds	66.458	Loan #503131	630,722	630,722
Alaska Clean Water Revolving Loan Funds	66.458	Loan #503101	160,681	144,613
Alaska Clean Water Revolving Loan Funds	66.458	Loan #503121	808,487	590,679
			1,599,890	1,366,014
Alaska Drinking Water Revolving Loan Funds	66.468	Loan #503071	87,080	69,664
Alaska Drinking Water Revolving Loan Funds	66.468	Loan #503161	693,090	693,090
			780,170	762,754
Total U.S. Environmental Protection Agency			2,380,060	2,128,768
U.S. Department of Transportation: Passed through State of Alaska, Department of Transportation - High Visibility Enforcement - DUI	20.616	405D M5HVE-16-01-00(A)-11	\$ 8,484	3,389
Total federal financial assistance			\$ 2,428,459	2,161,925
Reconciliation to Intergovernmental Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Total Federal financial assistance			\$ 2,161,925	
Total State financial assistance (Exhibit N-1)			2,323,149	
Clean Water Revolving Loan Funds are not treated as revenues in the financial statements; however, are required to be presented on this schedule in accordance with the Uniform Guidance. The loans are recorded in the Enterprise funds.			(2,128,768)	
State financial assistance reported in the Enterprise Funds as Capital Contributions			(971,323)	
State cruise ship revenue recorded in the Enterprise Funds			(30,888)	
PERS supplement on-behalf recorded in the Enterprise funds prior to adjustment to match the measurement of the net pension liability as required by GASB Statement 68.			(81,579)	
Total Intergovernmental Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B-3)			\$ 1,272,516	

See accompanying notes to Schedule of Expenditures of Federal Awards.

# City of Kodiak, Alaska

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

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**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Kodiak, Alaska, under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Kodiak it is not intended to and does not present the basic financial statements of the City of Kodiak.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Kodiak has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**(3) Pass-Through Funds**

The City did not pass any federal funds through to subrecipients during the year ended June 30, 2017.

**(4) Federal Loan Balances**

The federal portion of the outstanding balances for the Alaska Clean Water Resolving Loan Funds are as follows:

Loan # 503131	\$	630,722
Loan # 503101		128,545
Loan # 503121		552,448
Loan # 503071		52,248
Loan # 503161		<u>666,263</u>
Total	\$	<u>2,030,226</u>

## State Expenditures

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



**City of Kodiak, Alaska**  
**Schedule of State Financial Assistance**  
**Year Ended June 30, 2017**

State Grantor	Program Number	Program or Award Amount	State Expenditures
Department of Commerce, Community and Economic Development -			
Direct Programs:			
E911 Equipment Replacement	15-RR-065	\$ 381,472	10,286
# Pedestrian Pathway Planning and Design	12-DC-613	384,000	90,739
# Fisheries Resource Landing Tax	None	126,865	126,865
Cruise Ship Revenue	None	30,888	30,888
Marijuana License Fees	None	500	500
Total Department of Community and Economic Development		<u>923,725</u>	<u>259,278</u>
Department of Administration -			
Direct Program -			
# PERS Supplement on-behalf payment	None	<u>338,367</u>	<u>338,367</u>
Department of Transportation -			
Direct Programs:			
# Harbor Facilities	17-HG-001	<u>1,100,733</u>	<u>880,584</u>
Department of Revenue -			
Direct Programs:			
# Fisheries Business Tax	None	525,670	525,670
# State Revenue Sharing	None	249,981	249,981
Aviation Gas Sharing	None	6,417	6,417
Alcohol Beverage Sharing	None	18,700	18,700
Telephone/Electric Cooperative	None	44,152	44,152
Total Department of Revenue		<u>844,920</u>	<u>844,920</u>
Total State financial assistance		<u>\$ 3,207,745</u>	<u>2,323,149</u>

See accompanying notes to the Schedule of State Financial Assistance.

**City of Kodiak, Alaska**  
**Notes to the Schedule of State Financial Assistance**  
**Year Ended June 30, 2017**

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**(1) Basis of Accounting**

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of City of Kodiak, Alaska, under programs of the State of Alaska for the year ended June 30, 2017. The information in this 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 it is not intended to and does not present the basic financial statements of City of Kodiak.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

**(3) Major Programs**

# denotes a major program for compliance audit purposes

**(4) Pass-Through Funds**

No state awards were passed through to subrecipients.

## Statistical Section

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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	120-124
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	125-129
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	130-133
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	134-135
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	136-138
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, Alaska

Table 1

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

	Fiscal year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Invested in capital assets, net of related debt	\$ 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	53,313,320
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	20,490,905	26,532,000	16,890,514	11,819,026	13,398,387	16,207,289	13,635,655	10,144,168	10,265,552	7,714,577
Total governmental activities net position	\$ 40,206,145	46,181,138	49,713,382	51,506,546	55,771,139	67,388,635	69,393,429	65,233,601	64,728,609	61,027,897
Business-type activities:										
Invested in capital assets, net of related debt	\$ 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	101,304,800
Restricted	653,862	505,050	505,050	505,050	505,050	505,050	505,050	505,050	505,050	461,581
Unrestricted	14,894,324	11,638,558	8,445,014	13,294,322	16,143,082	21,293,612	24,107,577	24,629,537	24,189,305	27,382,259
Total business-type activities net position	\$ 78,550,497	82,043,456	82,436,939	83,502,496	86,232,551	88,591,064	95,174,050	123,795,811	127,335,405	129,148,640
Primary government:										
Invested in capital assets, net of related debt	\$ 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	154,618,120
Restricted	653,862	505,050	505,050	505,050	505,050	505,050	505,050	505,050	505,050	461,581
Unrestricted	35,385,229	38,170,558	25,335,528	25,113,348	29,541,469	37,500,901	37,743,232	34,773,705	34,454,857	35,096,836
Total primary government net position	\$ 118,756,642	128,224,594	132,150,321	135,009,042	142,003,690	155,979,699	164,567,479	189,029,412	192,064,014	190,176,537

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 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	3,716,834
Public safety	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	9,727,361
Public works	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	3,324,991
Engineering	167,812	140,886	121,747	91,293	146,051	166,843	199,877	249,954	163,832	214,091
Parks & recreation	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	1,870,555
Library	711,172	697,856	712,625	680,410	847,458	864,533	930,313	894,605	1,025,482	1,140,829
Community services	126,562	435,970	277,041	259,692	306,906	296,352	305,457	374,235	393,730	414,094
Interest on long-term debt	75,410	398,252	383,928	906,057	369,052	361,177	352,803	346,240	332,240	54,079
<b>Total governmental activities expenses</b>	<b>12,633,700</b>	<b>15,426,681</b>	<b>13,813,076</b>	<b>15,971,340</b>	<b>15,882,274</b>	<b>16,478,282</b>	<b>17,209,995</b>	<b>16,298,739</b>	<b>18,597,604</b>	<b>20,462,834</b>
<b>Business-type activities:</b>										
Cargo Pier	\$ 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	1,106,868
Boat Harbor	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	3,717,907
Water Utility	2,864,069	5,998,768	2,952,723	2,280,910	2,635,421	3,279,097	6,137,608	4,533,126	2,192,228	2,842,116
Sewer Utility	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	3,423,537
Shipyard	-	35,019	528,977	1,117,928	1,078,009	1,263,689	1,285,600	1,136,632	1,213,745	1,334,428
Harbor Electric	648,498	611,387	605,989	633,313	804,834	657,379	675,474	575,261	585,739	660,605
Trident Basin	192,228	177,482	154,777	353,216	349,406	345,569	373,993	310,232	300,096	295,638
E-911 Services	-	-	37,553	5,518	5,548	5,890	158,923	7,091	6,442	7,223
<b>Total business-type activities expenses</b>	<b>11,811,030</b>	<b>13,267,730</b>	<b>11,550,699</b>	<b>11,790,646</b>	<b>12,808,680</b>	<b>13,350,618</b>	<b>16,828,363</b>	<b>14,335,846</b>	<b>12,235,129</b>	<b>13,388,322</b>
<b>Total primary government expenses</b>	<b>\$ 24,444,730</b>	<b>28,694,411</b>	<b>25,363,775</b>	<b>27,761,986</b>	<b>28,690,954</b>	<b>29,828,900</b>	<b>34,038,358</b>	<b>30,634,585</b>	<b>30,832,733</b>	<b>33,851,156</b>
<b>Program revenues</b>										
<b>Government activities:</b>										
Charges for services:										
General government	\$ 671,690	625,030	597,860	531,322	722,265	764,935	839,586	812,220	1,210,409	1,579,673
Public safety	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	1,441,495
Public works	357,420	313,568	288,198	235,343	238,617	445,150	267,093	346,256	218,393	256,835
Engineering	88,740	142,175	224,241	226,355	294,424	215,598	198,051	113,849	147,490	76,633
Parks & recreation	115,562	117,173	135,733	133,100	134,440	116,663	120,135	125,120	120,231	144,730
Library	18,623	16,140	15,980	12,542	13,692	12,592	17,503	22,641	27,996	26,388
Community services	-	-	-	40,897	42,712	42,025	57,802	64,127	72,483	86,195
Operating grants and contributions	37,154	44,520	733,005	292,846	392,273	788,840	814,853	468,502	457,644	212,123
Capital grants and contributions	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	25,357
<b>Total governmental activities program revenues</b>	<b>3,318,793</b>	<b>4,604,151</b>	<b>4,028,294</b>	<b>5,354,984</b>	<b>5,907,003</b>	<b>13,859,241</b>	<b>5,312,823</b>	<b>3,717,215</b>	<b>3,720,599</b>	<b>3,849,429</b>
<b>Business-type activities:</b>										
Charges for services:										
Cargo Pier	\$ 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	1,244,759
Boat Harbor	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	2,216,952
Water Utility	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	4,531,896
Sewer Utility	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	4,191,047
Shipyard	-	320,574	293,845	239,889	642,020	722,665	746,002	746,002	598,683	408,906
Harbor Electric	682,471	708,714	654,986	707,770	834,600	724,632	674,425	617,572	673,653	810,676
Trident Basin	28,319	30,571	33,266	32,970	43,724	44,361	46,824	51,045	53,452	57,122
E-911 Services	-	-	66,901	67,428	66,287	69,140	36,718	30,869	28,818	26,856
Operating grants and contributions	-	-	136,560	252,109	385,985	1,391,896	2,725,086	1,813,006	128,475	63,682
Capital grants and contributions	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	971,323
<b>Total business-type activities program revenues</b>	<b>13,615,517</b>	<b>17,446,907</b>	<b>11,543,281</b>	<b>12,641,135</b>	<b>16,061,832</b>	<b>15,635,099</b>	<b>22,743,119</b>	<b>44,378,096</b>	<b>15,268,532</b>	<b>14,523,219</b>
<b>Total primary government program revenues</b>	<b>\$ 16,934,310</b>	<b>22,051,058</b>	<b>15,571,575</b>	<b>17,996,119</b>	<b>21,968,835</b>	<b>29,494,340</b>	<b>28,055,942</b>	<b>48,095,311</b>	<b>18,989,131</b>	<b>18,372,648</b>
<b>Net (expense)/revenue:</b>										
Governmental activities	\$ (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)	(16,613,405)
Business-type activities	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	1,134,897
<b>Total primary government net expenses</b>	<b>\$ (7,510,420)</b>	<b>(6,643,353)</b>	<b>(9,792,200)</b>	<b>(9,765,867)</b>	<b>(6,722,119)</b>	<b>(334,560)</b>	<b>(5,982,416)</b>	<b>17,460,726</b>	<b>(11,843,602)</b>	<b>(15,478,508)</b>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 655,943	651,699	665,999	921,052	917,599	708,684	879,280	912,645	921,916	1,083,234
Sales taxes	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	10,876,981
Other taxes, penalties and interest	174,443	199,832	179,427	23,199	209,156	240,261	224,983	254,921	244,483	217,934
Grants and entitlements not restricted to a specific purpose	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	978,701
Investment income	993,447	730,096	270,673	238,969	94,331	65,053	51,161	33,183	76,050	65,458
Land sales	1,415,900	1,518,308	746,475	-	-	-	-	-	-	-
Other	64,491	1,168,070	651,281	271,973	19,471	45,736	59,301	9,398	361,197	190,385
Transfers	(700,000)	1,126,811	(160,262)	(135,360)	540,382	(25,000)	(600,000)	(381,000)	(280,000)	(500,000)
Total governmental activities	13,976,634	16,797,523	13,317,026	12,409,520	14,239,864	14,236,537	13,901,966	14,370,759	14,372,013	12,912,693
Business-type activities:										
Other taxes, penalties and interest	-	-	179,789	-	-	-	-	-	-	-
Investment income	729,548	260,355	60,850	79,708	17,285	49,032	68,230	62,736	104,564	99,646
Other	194,034	180,238	-	-	-	-	-	-	121,627	78,692
Transfers	700,000	(1,126,811)	160,262	135,360	(540,382)	25,000	600,000	381,000	280,000	500,000
Total business-type activities	1,623,582	(686,218)	400,901	215,068	(523,097)	74,032	668,230	443,736	506,191	678,338
Total primary government	\$ 15,600,216	16,111,305	13,717,927	12,624,588	13,716,767	14,310,569	14,570,196	14,814,495	14,878,204	13,591,031
<b>Change in Net Position</b>										
Governmental activities	\$ 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)	(3,700,712)
Business-type activities	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	1,813,235
Total primary government	\$ 8,089,796	9,467,952	3,925,727	2,858,721	6,994,648	13,976,009	8,587,780	32,275,221	3,034,602	(1,887,477)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Nonspendable - prepaid items	\$ -	-	-	2,117	-	13,741	8,885	16,709	22,254	11,935
Assigned:										
Subsequent year's expenditures	-	-	-	1,638,770	1,490,854	1,156,232	1,132,088	3,346,341	-	2,238,227
Unassigned	-	-	-	4,865,844	5,238,816	7,402,864	7,461,144	6,735,867	8,670,767	6,578,439
Total General Fund	<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>	<u>8,828,601</u>
All other governmental funds:										
Committed for tourism	\$ -	-	-	206,694	236,859	301,433	357,411	389,175	430,735	464,650
Committed for Enhancement Fund				4,778,691	1,990,740	2,055,523	3,054,325	3,201,211	4,058,411	4,169,804
Assigned:										
Capital project funds	-	-	-	1,967,895	4,988,688	5,562,428	1,849,369	2,709,527	4,963,239	3,786,306
Public works	-	-	-	26,878	19,441	63,483	95,402	100,561	100,824	101,059
Unassigned (deficit)	-	-	-	(1,685,144)	(234,875)	-	-	-	-	-
Total other governmental funds	<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>	<u>8,521,819</u>
General Fund:										
Reserved	\$ 48,735	14,622	13,618	-	-	-	-	-	-	-
Unreserved	8,261,482	7,689,501	8,838,952	-	-	-	-	-	-	-
Total General Fund	<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>	<u>-</u>
All other governmental funds:										
Unreserved, reported in:										
Special revenue funds	5,410,939	3,743,007	4,432,351	-	-	-	-	-	-	-
Capital project funds	14,765,170	15,263,690	3,645,026	-	-	-	-	-	-	-
Total other governmental funds	<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>	<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.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 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	12,176,474
Intergovernmental	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	1,272,516
Charges for services	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	1,700,272
Fines and forfeitures	55,479	20,122	23,514	6,156	3,619	15,308	9,482	14,739	3,382	1,675
Licenses and permits	102,748	76,679	70,489	93,193	71,957	237,950	83,253	135,769	59,599	118,571
Rental income	136,480	213,460	198,188	166,373	197,032	236,124	231,780	263,537	220,752	213,433
Interfund charges	760,430	690,920	678,820	662,872	813,225	865,152	895,876	871,909	1,210,409	1,579,673
Investment income	944,184	722,722	268,746	236,576	94,193	63,457	50,839	32,010	74,525	64,546
Special assessments	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	65,061	14,155	651,281	271,973	21,157	46,736	59,301	9,398	361,197	176,574
Total revenues	\$ 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	17,303,734
<b>Expenditures</b>										
General government	\$ 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	2,822,132
Public safety	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	7,680,079
Public works	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	2,760,444
Engineering	162,559	128,245	143,630	87,209	150,113	189,900	201,581	244,967	165,227	213,112
Parks and recreation	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	1,395,051
Library	704,219	695,715	720,071	680,345	778,930	825,732	847,134	935,048	763,875	755,262
Community services	267,839	426,747	267,818	250,469	297,683	287,129	296,234	365,012	384,507	404,871
Other - insurance and administration	484,548	474,613	525,528	529,442	517,399	487,673	577,733	468,125	436,875	441,618
Debt service principal	-	135,000	145,000	150,000	155,000	165,000	175,000	185,000	195,000	205,000
Debt service interest	15,344	377,227	385,740	378,490	370,990	363,240	354,990	346,240	336,990	316,548
Capital outlay	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	702,752
Total expenditures	\$ 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	17,696,869
Excess of revenues over (under) expenditures	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	(393,135)
<b>Other financing sources (uses)</b>										
General obligation bond issuance	8,000,000	-	-	-	-	-	-	-	-	-
Proceeds from bond refunding	-	-	-	-	-	-	-	-	-	6,368,811
Premium on bond refunding	-	-	-	-	-	-	-	-	-	389,398
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	-	(6,682,661)
Bond refunding issuance costs	-	-	-	-	-	-	-	-	-	(78,223)
Transfers in	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	758,298
Transfers out	(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)	(1,258,298)
Net other financing sources (uses)	8,500,000	1,733,293	(160,262)	(135,360)	940,382	249,000	(600,000)	(381,000)	(55,000)	(502,675)
Net change in fund balance	\$ 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	(895,810)
Debt services as a percentage of noncapital expenditures	0.13%	3.38%	3.93%	3.33%	3.40%	3.38%	3.29%	3.06%	3.28%	3.07%



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

Fiscal Year	Property Tax	Sales Tax	Hotel/Motel Tax	Total
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	12,121,018
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
2017	1,083,234	10,876,981	196,945	12,157,160

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					
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%
2017	286,250,122	254,754,196	36,638,578	504,365,740	2.00	642,478,178	78.50%

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, Alaska**

**Table 7**

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
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
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	10.50	10.50	12.75	10.50
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
2017	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

Top Ten Sales Tax Business Categories & Principal Property Taxpayers  
Current Year and Nine Years Ago

Business Category	2017			2008		
	Total Sales Receipts	Rank	Percentage of Total Sales Receipts	Total Sales Receipts	Rank	Percentage of Total Sales Receipts
Wholesale/Retail Trade	\$ 200,597,167	1	51.75%	\$ 226,485,229	1	54.89%
Construction	65,132,062	2	16.80%	59,872,474	2	14.51%
Utilities	23,686,569	3	6.11%	27,622,322	3	6.69%
Accommodation and Food Services	23,514,750	4	6.07%	18,638,445	5	4.52%
Other	15,921,243	5	4.11%	11,542,076	7	2.80%
Real Estate and Rental and Leasing	14,852,917	6	3.83%	14,635,794	6	3.55%
Manufacturing	11,012,629	7	2.84%	25,632,117	4	6.21%
Information	8,625,738	8	2.23%	10,493,716	8	2.54%
Transportation and Warehousing	7,667,887	9	1.98%	7,340,541	9	1.78%
Profession,Scientific & Technical Services	7,398,376	10	1.91%	5,785,363	10	1.40%
	<u>\$ 378,409,338</u>		<u>97.63%</u>	<u>\$ 408,048,077</u>		<u>98.88%</u>

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Trident Seafoods Corporation	\$ 75,767,400	1	15.02%	\$ 5,368,500	7	1.67%
Matson Navigation Co. of Alaska	45,755,600	2	9.07%	6,023,900	6	1.87%
Ocean Beauty Seafoods LLC	35,989,000	3	7.14%	6,992,700	3	2.18%
North Pacific Seafoods Inc	20,673,200	4	4.10%	3,972,100	9	1.24%
International Seafoods of Alaska	15,921,700	5	3.16%	6,485,600	4	2.02%
Mill Bay Plaza Assoc Ltd	12,588,800	6	-	7,138,400	2	2.22%
GCI Communication Corp	10,558,000	7	2.09%	-	-	-
Wal-mart / Sams Club	9,737,600	8	-	7,934,200	1	2.47%
Island Fish Co LLC	6,733,400	9	1.34%	-	-	-
Brechan Enterprises	5,850,300	10	1.16%	-	-	-
Western Alaska Fisheries	-	-	-	6,352,900	5	1.98%
Kodiak Area Native Association	-	-	-	4,363,200	8	1.36%
Worthington Trust	-	-	-	3,126,200	10	0.97%
	<u>\$ 239,575,000</u>		<u>43.07%</u>	<u>\$ 57,757,700</u>		<u>17.97%</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

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
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	788,084	100.00%
2013	830,179	817,304	98.45%	14,442	831,745	100.19%
2014	879,169	869,010	98.84%	4,164	873,174	100.00%
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%
2017	1,082,009	1,069,715	98.86%	13,519	1,083,234	100.00%

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-Type Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Alaska Clean Water Fund Loans	Alaska Drinking Water Fund Loan		
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	1,837,314	3,917,072	6.6%	2,963
2017	6,565,000	6,040,000	3,450,828	4,206,000	7.7%	3,309

**City of Kodiak, Alaska**

**Table 11**

Direct and Overlapping Debt  
As of June 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Kodiak			
General Obligation Bonds	\$ 6,565,000	100%	\$ 6,565,000
Kodiak Island Borough			
General Obligation Bonds	<u>82,302,899</u>	43%	<u>35,502,856</u>
Total direct and overlapping debt	<u>\$ 88,867,899</u>		<u>\$ 42,067,856</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.

Legal Debt Margin Information  
As of June 30, 2017

Assessed Value	\$	541,004,318
Less Exempt Property		<u>36,638,578</u>
Total	\$	504,365,740

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

Source: Kodiak Island Borough assessment reports



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	
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
2017	2,216,952	2,294,823	(77,871)	1,745,000	78,931	-0.04

Operating expenses exclude depreciation.

Shipyard Revenue Bonds						
Fiscal Year	Shipyard Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	408,906	426,924	(18,018)	4,435,000	203,675	0.00

Operating expenses exclude depreciation.

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
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%
2017	6,124	263,454,480	43,020	2,425	4.8%

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

Principal Employers  
Current Year and Nine Years Ago

<u>Employer</u>	<u>2017 Rank</u>	<u>2008 Rank</u>
Kodiak Island Borough School District		1
Federal Government		2
International Seafoods		3
Trident Seafood Corporation		4
Ocean Beauty Seafoods		5
Providence Hospital		6
North Pacific Processors, Inc.		7
State Government		8
City of Kodiak		9
Safeway		10

Source: State of Alaska Department of Labor

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

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

Function	<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>	<u>2017</u>
General Government	12.05	12.05	12.30	12.30	12.30	13.30	13.30	13.30	13.30	14.30
Public Safety:										
Police	37.00	37.00	37.00	41.50	42.50	41.50	41.50	42.50	42.50	42.50
Fire	13.75	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	6.00	5.00	7.25	5.75	5.75	5.75	5.75	5.75	5.75
Library	6.75	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Harbor	14.00	14.00	16.40	16.40	16.40	16.40	16.40	16.40	16.40	16.40
Water	6.60	6.85	6.60	6.60	6.60	6.60	6.60	6.60	6.60	7.60
Sewer	8.60	8.35	9.35	9.35	9.35	9.35	9.35	9.35	11.35	10.35
Total	<u>115.25</u>	<u>116.25</u>	<u>118.65</u>	<u>125.65</u>	<u>125.15</u>	<u>125.15</u>	<u>125.15</u>	<u>126.15</u>	<u>128.15</u>	<u>129.15</u>

Note: Full-time equivalent employees are permanent employees.

Operating Indicators by Function  
Last Ten Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police:</b>										
Complaints investigated	8,376	8,839	7,716	8,746	10,168	13,856	15,135	14,168	14,100	11,452
Motor vehicle collision reports	67	89	124	89	118	155	118	124	132	30
Bookings/admissions	850	917	917	864	894	1,030	1,054	1,196	932	787
Investigations conducted	147	125	188	158	201	293	299	271	140	699
Service calls received/dispatched	8,376	9,661	7,279	8,797	10,168	13,855	15,135	14,202	14,397	12,953
<b>Fire:</b>										
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%
<b>Public Works:</b>										
<b>Streets:</b>										
Time spent on snow removal (man hours)	5,558	5,900	5,000	4,704	5,000	3,406	2,066	693	700	2,181
<b>Garage:</b>										
Preventative maintenance checks	113	132	125	80	130	130	79	117	217	193
<b>Building inspection</b>										
Building permits issued	182	197	190	201	223	219	158	193	224	264
<b>Engineering:</b>										
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Parks and Recreation:</b>										
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5
Teen center attendance	29,829	32,920	31,000	36,088	16,054	16,054	16,054	17,408	26,365	30,650
Number of aquatic participants	13,566	15,463	19,728	27,804	35,799	35,314	30,493	25,087	33,451	38,625
Ice rink attendance	19,594	32,679	34,480	34,480	6,598	8,492	12,200	14,535	8,988	5,000
<b>Library:</b>										
Number of visitors	149,572	149,300	149,800	149,273	149,264	149,000	149,300	152,000	181,188	185,350
Number of materials withdrawn	3,334	3,800	3,800	3,047	4,957	3,502	1,146	1,121	3,000	4,354
<b>Harbor:</b>										
Vehicle, boat and foot patrol hours	7,000	7,000	7,000	7,000	7,000	7,000	7,611	8,464	8,425	8,788
Number of owner accounts	1,400	1,400	1,400	1,400	1,400	1,400	1,500	1,500	1,500	1,500
<b>Water:</b>										
All regulations met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Sewer:</b>										
Treatment standards met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Discharge effluent limits met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Capital Asset Statistics by Function  
Last Ten Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police:</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	20	20	20	20	21	23	20	20	19	21
<b>Fire:</b>										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	9	9	9	9	9	9	8	10	9	9
<b>Public Works:</b>										
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
<b>Parks and Recreation:</b>										
Number of parks/ playgrounds	14	14	14	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1	1	1	1
Ice rink	1	1	1	1	1	1	1	1	1	1
<b>Library</b>	1	1	1	1	1	1	1	1	1	1
<b>Harbor:</b>										
Number of harbors	2	2	2	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6	6	6	6
<b>Water:</b>										
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4	4	4	4
<b>Sewer:</b>										
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	20	20	20	20	20	20	20	20	20	20

# **COMPLIANCE REPORTS**

**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**

**Independent Auditor's Report**

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 the City of Kodiak, Alaska, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Kodiak's basic financial statements, and have issued our report thereon dated December 28, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Kodiak's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.



Honorable Mayor and City Council  
City of Kodiak, Alaska

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 28, 2017

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance as Required by the Uniform Guidance**

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Kodiak, Alaska

**Report on Compliance for Each Major Federal Program**

We have audited the City of Kodiak, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Kodiak's major federal programs for the year ended June 30, 2017. The City of Kodiak's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Kodiak's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 federal program. However, our audit does not provide a legal determination of the City of Kodiak's compliance.

### Opinion on Each Major Federal Program

In our opinion, the 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 federal programs for the year ended June 30, 2017.

### Report on Internal Control Over Compliance

Management of the 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 the City of Kodiak's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the City of Kodiak's internal control over compliance.

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



Anchorage, Alaska  
December 28, 2017

# City of Kodiak, Alaska

## Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report  Yes  No

Internal control over financial reporting:  
Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):  
Material weakness(es) identified  Yes  No  
Significant deficiency(ies) identified?  Yes  None reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?  Yes  No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516(a)(3) or (4)?  Yes  No

Identification of major programs:

CFDA Number(s)/Cluster  
66.458  
66.468

Name of Federal Program or Cluster  
Clean Water State Revolving Funds  
Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

## City of Kodiak, Alaska

### Federal Schedule of Findings and Questioned Costs, Continued

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#### *Section II - Financial Statement Findings*

The City of Kodiak did not have any findings that related to the financial statements.

#### *Section III - Federal Award Findings and Questioned Costs*

The City of Kodiak did not have any findings that related to federal awards.

#### *Section IV - Summary of Prior Year Audit Findings*

The City of Kodiak did not have any prior year audit findings.

**Report on Compliance for Each Major State Program and on Internal Control over Compliance Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits**

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Kodiak, Alaska

**Report on Compliance for Each Major State Program**

We have audited the 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 the City of Kodiak's major State programs for the year ended June 30, 2017. The 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 audit requirements of 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.

Honorable Mayor and City Council  
City of Kodiak, Alaska

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, 2017.

### **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 the 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.

Honorable Mayor and City Council  
City of Kodiak, Alaska

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.

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 28, 2017



# City of Kodiak, Alaska

## State Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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### *Section I - Summary of Auditor's Results*

#### Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X None reported

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

#### State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X None reported

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

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 75,000

### *Section II - Financial Statement Findings*

The City of Kodiak did not have any findings that related to the financial statements.

### *Section III - State Award Findings and Questioned Costs*

The City of Kodiak did not have any findings that related to state awards.

### *Section IV - Summary of Prior Year Audit Findings*

The City of Kodiak did not have any prior year audit findings.