

City of Kodiak, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by City of Kodiak Finance Department

City of Kodiak, Alaska

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January 12, 2016

To the Honorable Mayor and Members of the City Council,
The Citizens of the City of Kodiak:

We are pleased to present the City of Kodiak's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2015. The report is designed to fairly present the financial position and results of financial operations of the City in all material respects and to demonstrate compliance with applicable finance related legal and contractual provisions. The report adheres to the principle of full disclosure so that readers may gain a maximum understanding of the City's financial affairs. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various City funds. The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the City of Kodiak.

The finance department has prepared this report in accordance with the following standards:

- Generally Accepted Accounting Principles (GAAP) of the United States, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States.
- Governmental accounting and financial report statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB).

INDEPENDENT AUDIT

Article V, Section 21 of the City Charter requires an annual audit of the accounting and financial records of the City by independent certified public accountants. This charter section requires the auditor to examine all funds of the City in accordance with generally accepted auditing standards and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. In addition, the auditor must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of grants.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Kodiak for the fiscal year ended June 30, 2015, are free of material misstatement. The City of Kodiak has selected the licensed certified public accounting firm of BDO to perform these audit services. Their reports are presented in the Financial Statements Section and the Single Audit Section of this report. BDO has issued an unmodified ("clean") opinion on the City of Kodiak's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MDA). This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The City of Kodiak's MDA can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

Kodiak Island is the largest island in Alaska and the second largest in the United States. It is part of the Kodiak Island Archipelago, a group of islands that stretch roughly 177 miles along the Katmai Coast of the Alaska Peninsula in the Gulf of Alaska, about 250 miles southwest of Anchorage. The sixteen major and countless smaller islands that make up the group encompass over 5,000 square miles, roughly the size of Connecticut. In 2014 the estimated population of the Kodiak Region was 13,797 with a population of 6,434 in the City of Kodiak.

Its location in the Gulf of Alaska and North Pacific Ocean places Kodiak near some of the richest fishing grounds in the world. Kodiak is consistently one of the top three commercial fishing ports in the United States in terms of the value and volume of seafood landed. More than one-third of the jobs in Kodiak are directly involved in the fishing industry, in either the harvesting or processing sectors.

The City of Kodiak is located on the northeast tip of Kodiak Island, 50 minutes by air from Anchorage. The city is the economic, transportation and governmental hub of the region. It is located within the Kodiak Island Borough, which encompasses the entire island group, as well as a portion of the Katmai Coast on the Alaska Peninsula.

The Alaska Marine Highway System connects the City of Kodiak with Port Lions, Ouzinkie, Old Harbor and communities on the Alaska Mainland as well with communities along the Alaska Peninsula and the Aleutian Chain.

The City of Kodiak was incorporated in December 1940, and adopted a Home Rule Charter on March 16, 1964. The City operates under a Council-Manager form of government with six Council Members and a Mayor. Council Members and the Mayor are elected at-large for terms of three years and two years, respectively.

The Council appoints the City Manager who is responsible for appointing and supervising the various department heads and other employees (except those appointed by the Council) and preparing and administering the annual budget and the capital improvement program. Under the City Manager's general direction are eight functional areas (departments), each of which is supervised by a department head. These areas are: port and harbors, engineering, finance, fire and EMS, library, parks and recreation, police and jail, and public works. An administrative support function and certain non-departmental activities are provided by the Manager's office.

The City services provided by these departments includes police and fire protection, jail services, animal control, regional dispatch services (including E-911), ambulance services, boat harbors and port/cargo facilities, street maintenance, airport facilities, water and sewer services, building inspection services, recreation programs, park operations and maintenance, including museum and cemetery operations, and library services. The City also supplies water and accepts discharge to the wastewater treatment facility from the Kodiak Island Borough's Service District #1 located outside the City, local Honey Wagon collections outside of the City, and the United States Coast Guard (USCG).

The City Council also appoints the City Clerk, the City Attorney, and the members of various advisory boards.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The annual budget serves as the foundation of the City of Kodiak's financial planning and control. The City Charter, Article V, requires the City Manager to submit a balanced budget to the City Council at least three weeks before the beginning of the fiscal year. The annual budget process begins in January with the establishment of budget guidelines by the City Council and the City Manager. These guidelines encompass the delivery and scope of services; staffing levels of permanent personnel, increases in rates if any, and the use of fund balance. Each department head reviews their respective department's goals, objectives, performance indicators, assigned permanent personnel and funding levels and recommends any changes to the Finance Director and the City Manager for review prior to inclusion in the City's general operating and capital improvement budgets. The City Manager then submits the budget to the City Council for consideration in May.

The Council reviews the budget with the City Manager and changes to anticipated revenues and planned expenditures are incorporated into the budget ordinance, which is introduced for the first reading at a May Council meeting. The Council holds a public hearing on the proposed budget at least one week after a notice of the time of the hearing has been published. The budget is formally adopted after the public hearing by the City Council in June. The adoption of the budget by the City Council puts the budget into effect for the budget year July 1 through June 30. Throughout the year, it is customary for the City Council to review and approve supplemental budget amendments presented by the City Manager.

As a management tool, budgetary control is maintained in all funds at the departmental level and by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Upon the written request of a department head, the Finance Director and City Manager may transfer budgetary appropriations between or among budget line items within any department, program, or project, so long as the transfer does not increase the total appropriation for the department, program, or project. However, no transfer can be made for the purpose of adding permanent personnel or granting unscheduled salary increases, unless approved by the City Council. Likewise, anticipated revenues within a fund may be adjusted so long as there is not an increase or decrease of the total revenues of that fund. An ordinance of the City Council is required to move appropriated amounts between funds, departments, and projects, to add new appropriations, or increase the number of permanent personnel budgeted.

The City Manager is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute assurance that these objectives are met. In addition, the Finance Department provides controls through policies and procedures that create multiple checks and balances.

Budget-to-actual comparisons are provided in this report for various funds for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kodiak operates. The City of Kodiak has adopted maintenance budgets over the past few years sustaining the same level of service as provided in previous years without an increase in taxes. The City levies a 7% sales tax on all sales, services and rentals made within City limits. The maximum taxable sale is \$750 per transaction. The City first increased the rate from 3% to 5% in October 1979. The tax was then increased to 6%, effective July 1993 and has remained at that rate until October 2013 when it was raised to 7%. Sales tax continues to generate the City's largest portion of General Fund revenues. In fiscal year 2015 sales tax revenue was the largest source of General Fund revenues. Sales tax revenue has the greatest impact on the General Fund expenditures and has shown a steady increase each fiscal year. The City maintains the mill rate for the General Fund at 2.00 mill levy on property and is collected by the Kodiak Island Borough. The revenue generated by property tax is significantly lower than sales tax and does not have as large of an impact. The City has been able to maintain a stable workforce and has been able to keep all departmental expenditures within or lower than budgeted totals. The City's economy has experienced consistent, gradual growth and local indicators point to continued growth and stability.

LOCAL ECONOMY

The economic condition of Kodiak remains relatively stable. The main industries of the region are commercial fishing and tourism. While some segments of the commercial fishing industry have declined in recent years, others have grown. Tourism continues to grow in Kodiak with an increased number of visitors each year.

The Kodiak Chamber of Commerce, with funding assistance from the City of Kodiak and the Kodiak Island Borough, produces a Kodiak Community Profile and Economic Indicators report that it distributes to the public. The information below is from this report, as well as from information collected by the City.

SEAFOOD INDUSTRY

Commercial fishing is by far the largest private sector industry in Kodiak. In addition to being quite diverse, Kodiak's fishing industry is also one of its oldest, dating back to 1882 when the first cannery was built on the Karluk Spit. Kodiak is consistently one of the top three fishing ports in the United States. Kodiak is the center of fishing activities for the Gulf of Alaska. Its fishery is among the most diverse in the state. Residents participate in at least 27 different fisheries not including the numerous ground fish fisheries. Salmon has traditionally been the mainstay of Kodiak's fisheries. Because of the cyclic nature of the salmon fisheries, the annual volume and value of Kodiak's salmon catch varies greatly. Increased competition in world markets has also driven prices down. However, in the last few years, prices have been rebounding. During recent years, the ground fish fishery has become increasingly important to Kodiak's economy.

In addition to the fish harvesting and processing sectors, there are also several government and educational institutions that conduct fisheries-related research in Kodiak. The State of Alaska Department of Fish and Game, the National Marine Fisheries Service Utilization and Research Division, along with the University of Alaska's Fisheries Industrial Technology Center, provide lab services, quality and handling studies, product development assistance and other research efforts.

VISTOR INDUSTRY

Tourism, like many other Kodiak industries, is based on our natural resources. Tourists come to Kodiak to view the scenic beauty, hike, camp, visit historical and cultural sites, view and photograph wildlife, and hunt and fish. The visitor industry continues to grow in Kodiak.

As is true elsewhere in Alaska, Kodiak's visitor industry is seasonal with approximately 76% of all visitors arriving during the summer months. The total number of annual visitors to the Kodiak region is approximately 30,000, more than double the population of the entire Kodiak Island Borough.

Kodiak's share of the Southwest Alaska visitor market is approximately 31%. According to the Alaska Visitor Statistics Program, visitors to Kodiak and other Southwest Alaska destinations tend to stay longer than the average visitor to the state, and are significantly more likely to be repeat visitors. Additionally these visitors typically spend more than twice as much as the average visitor to other regions in Alaska. In recent years, the cruise ship industry has stopped at Kodiak with ships of up to 1,300 passengers embarking on the island to visit. The number of cruise ships arriving at Kodiak can vary greatly from year to year and impacts the revenues generated from tourism.

AEROSPACE INDUSTRY

The mission of the Alaska Aerospace Development Corporation (AADC) includes establishing and operating, in Alaska, a launch facility promoting aerospace-related economic growth and developing corresponding technologies and support services. The Kodiak Launch Complex (KLC) is the nation's first launch facility not located on federal property and is positioned to meet the challenges and define Alaska's future role in a highly competitive launch industry.

The KLC celebrated its first mission November 1998. The second successful launch from KLC lifted off September 1999. The state of the art facility includes a launch control center, payload processing facility, spacecraft assembly building and launch pad. It is designed to handle small to medium sized rockets used to launch low-earth orbit satellites, as well as military, scientific and research missions.

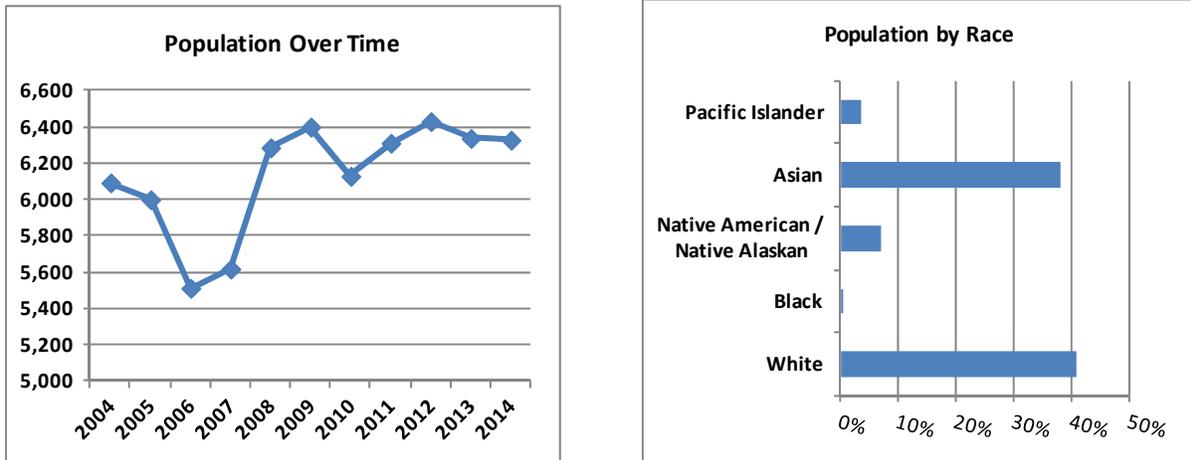
According to the independent research and consulting firm Northern Economics, Inc. (*The Economic Benefits of the Alaska Aerospace Corporation, FY 2010*. Prepared for Alaska Aerospace Corporation. February 2011) in 2010 the total direct, indirect and induced local impacts to Kodiak's regional economy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

POPULATION

The City of Kodiak is the sixth largest city in Alaska, in terms of population. It ranks behind Anchorage, Fairbanks, Juneau, Sitka, Ketchikan, Kenai, and Wasilla in that order. The estimated population for 2014 was 6,434 in the City of Kodiak and 13,797 in the Kodiak Island Borough.

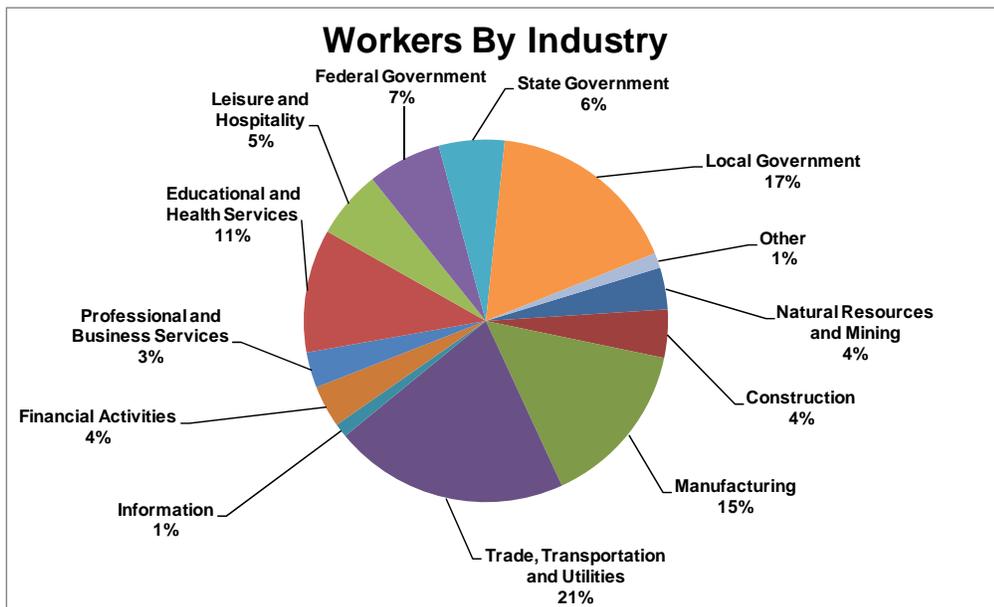
Approximately 25.4% of the population is under 18 years of age, approximately 0.7% higher than Alaska overall. The population consists of approximately 53.5% male and approximately 46.5% female. Approximately 22.8% of the adults, age 25 and older, hold at least a bachelor's degree, and 91.4% are estimated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

City of Kodiak Population

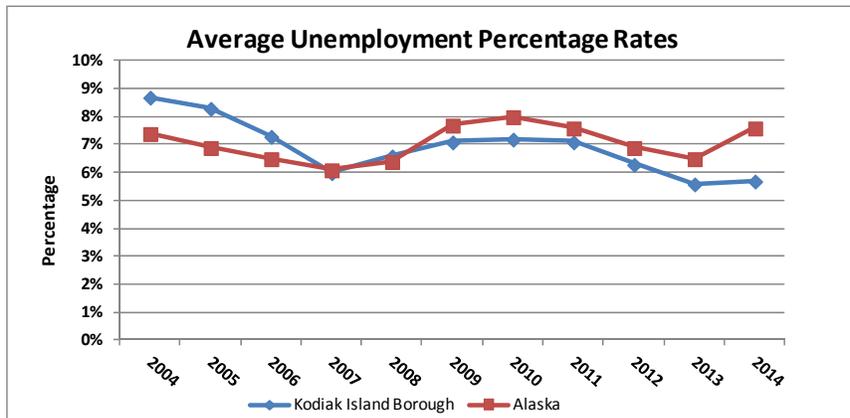


LABOR FORCE

In 2014, the state estimated the Kodiak region's average monthly employment to be 6,422 excluding fish harvesting and Coast Guard. This figure more accurately depicts the number of full and part-time jobs as opposed to the number of actual workers.



Kodiak's employment varies throughout the year due to the seasonal nature of the fishing industry. Employment usually peaks during the months of July, August, and September when fish harvesting is the busiest, and declines in November and December as yearly fishing quotas are reached. For this reason, Kodiak is characterized by large swings in its monthly unemployment rate throughout the year, from as low as 4.3% (Sep. 2013) to as high as 14.8% (Dec. 2003). The average annual unemployment rate for Kodiak in fiscal year 2014 was 5.7% compared to 7.6% for the state of Alaska.



INCOME

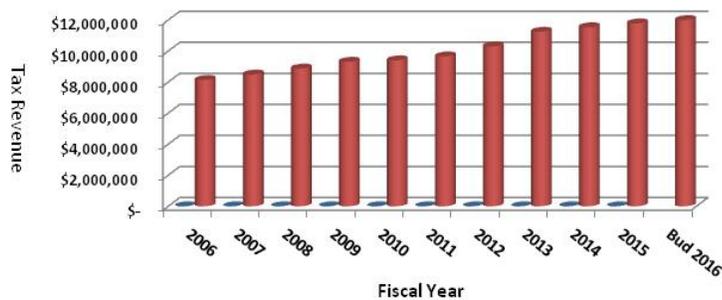
The U.S. Department of Commerce Bureau of Economic Analysis reported the 2013 per capita personal income was \$48,804 and 2013 total salaries and wages of \$360.8 million for the Kodiak Island Borough.

RETAIL SALES

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

Sales Tax has increased from \$6.9 million in 2000 to approximately \$11.8 million in 2015. The City's sales tax rate is 7% with a maximum sales tax of \$52.50 per transaction. This translates to taxing the first \$750 of a sale and exempting any amount over \$750 in any one transaction. The City also exempts its citizens over the age of 65 from sales tax. This growth will positively impact the City. The City will also have to grow to provide the same level of services to its residents.

Sales Tax Revenue



What Kodiak has to offer to its residents in terms of location, services, growth, and stability is also recognized by others outside of Alaska. Kodiak frequently receives national recognition for its livability by Outdoor Life magazine which sums up what residents of Kodiak already know.

LONG-TERM FINANCIAL PLANNING

1. Essential government services are to be provided at a level equal to or better than the level previously provided. Forecast and plan for revenues and expenses to create a government that is more efficient, less costly and more accountable to ensure a financially sustainable city for future generations.
2. All services are to be constantly examined to ensure that they are provided in an efficient and effective manner and that unnecessary program costs are eliminated.
3. Authorized capital projects are to be completed as soon as possible, consistent with sound engineering design and approved project cost estimates. Maintain a five year Capital Improvement Plan to ensure resources are planned for and available when needed.
4. As a means to ensure that policies of the City Council are observed, and to improve the City's overall management process, a management by objective program has been initiated. Under this program, each City Department Head is required to identify several performance objectives consistent with department goals and to maintain performance indicators, which measure progress toward the achievement of stated objectives. All goals and objectives are reviewed by the City Manager and the Department Heads and then reviewed with the City Council as part of the annual budget process (see each department summary in the budget found at <http://www.city.kodiak.ak.us> in the Finance Department documents for goal and objective statements).
5. Each department's progress in achieving their objectives is reviewed and monitored throughout the budget year.
6. All expenses will be reviewed for cost saving measures. All services will be reviewed for efficiency, purpose and need.
7. Ensure structural balance in all areas of City Operations.
 - Develop expenditure habits based on estimated revenues.
 - Minimize disruption to community services.
 - Minimize the disruption of workforce.
 - Create long-term financial and programmatic stability.
 - Focus on impacts of budget decisions and use of fund balances to maintain program levels.
 - A priority on employee safety to reduce expenses related to accidents.
 - Review department and capital projects budgets for corrections on a quarterly basis.
 - Maintain the economy, environment, and the community to create a balance and sustainable atmosphere for the City of Kodiak.

MAJOR INITIATIVES

1. The Mill Rate of 2.0 remained the same in fiscal year 2015.
2. The Sales Tax Cap remained at \$750.00.
3. The Hotel & Motel tax rate of 5% remained the same.
4. The fiscal year 2015 had no reductions of services, and all services were maintained at consistent levels.

FUTURE PROJECTS

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

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

2. Shelikof Street Bulkhead Parking Funding Request: \$1,650,000

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

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

In 2009 the City of Kodiak started work to improve pedestrian and roadway improvements along Shelikof Street (Cannery Row) from Pier II to downtown Kodiak to more safely accommodate cruise ship passengers who walk along the street and to improve the roadway and parking facilities for local residents and businesses that use the highly congested street and pier year round. The first phase, construction of an ADA accessible sidewalk, improved lighting and parking, retaining walls, and utility relocations was completed in 2013. The City wants to begin work on a portion of the next phase of improvements with design and construction of a visitor shelter-information kiosk-public restroom facility at Pier II. The shelter will benefit ferry and cruise ship passengers and visitors with a place to come in out of the weather, a location for the distribution of visitor information, and provide the only public restroom facility at Pier II. The City has 65% engineering design drawings and two drawings showing floor plans and elevations. The City of Kodiak is requesting state funding assistance in the amount of \$1,100,000 through the cruise ship excise tax fund for planning, permitting, design, and construction of this shelter for the community of Kodiak, its visitors, and residents.

FINANCIAL POLICIES

Formal financial policies, as well as informal operating practices, have helped the City maintain core services and minimize the impact to citizens and employees wherever possible. Formal policies exist on areas such as balanced budgets, revenue diversification, and use of one-time and unpredictable revenues, operating expenditures, and reserves.

Revenue Administration

The City's main source of revenue for operating expenditures is sales tax, which makes up more than half of the total revenues of the General Fund. In addition, the City carefully reviews all fees, fines, and charges for services on a regular basis to ensure they are covering cost projections. One-time and unpredictable revenues are spent on one-time costs, such as equipment replacement, or transferred to capital improvement funds for repair and rehabilitation projects.

Expenditure Administration

Expenditure budgets are carefully reviewed by both the implementing departments and the City Manager. Careful attention is paid to ensure departments are meeting projected City Council budget goals for the fiscal year. There were no increases in the number of full-time employees in fiscal year 2015. There were no changes in operational needs.

Reserves

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

Pension and Other Post-Employment Benefits

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

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

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kodiak for its comprehensive annual financial report for the fiscal year ending June 30, 2014. This was the eleventh consecutive year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Kodiak also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ending June 30, 2014. In order to qualify for the Distinguished Budget Presentation Award, the budget document must be judged to be proficient in specified categories, including its use as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully Submitted,

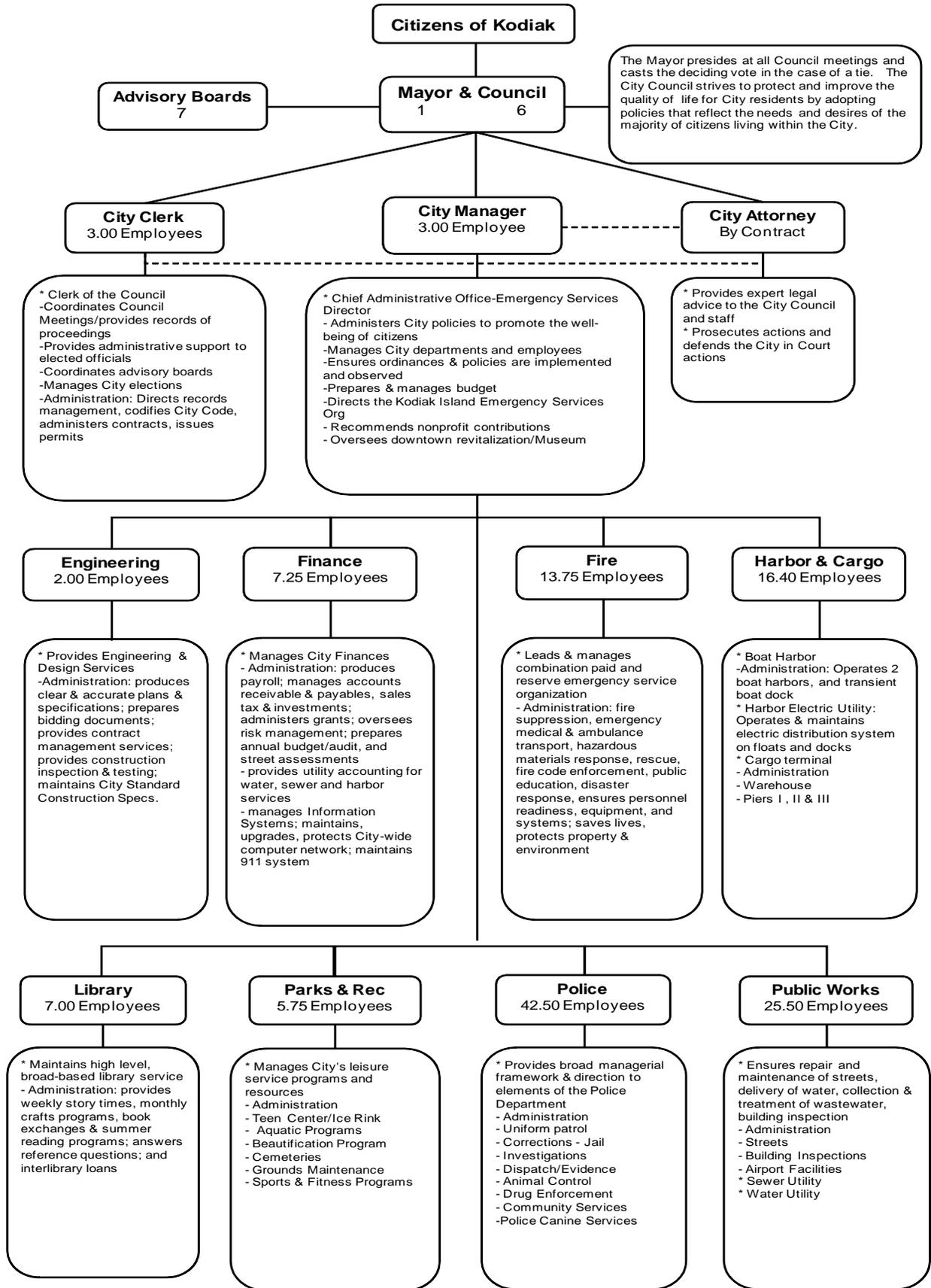


City Manager
Aimée Kniazowski



Finance Director
Kelly Mayes

**CITY OF KODIAK
ORGANIZATIONAL CHART**



**CITY OF KODIAK
FACT SHEET**

Form of Government

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

City Departments

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

Elected Officials

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

Advisory Boards

- Building Code Board of Appeals (as needed)
- Joint Building Code Review Committee (as needed)
- Parks & Recreation Advisory Board
- Personnel Board (as needed)
- Port & Harbor Advisory Board
- Employee Advisory Board (Board members are elected by City employees)
- Kodiak Public Library Association (an independent organization supporting the Library)



Government Finance Officers Association

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

Presented to

**City of Kodiak
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

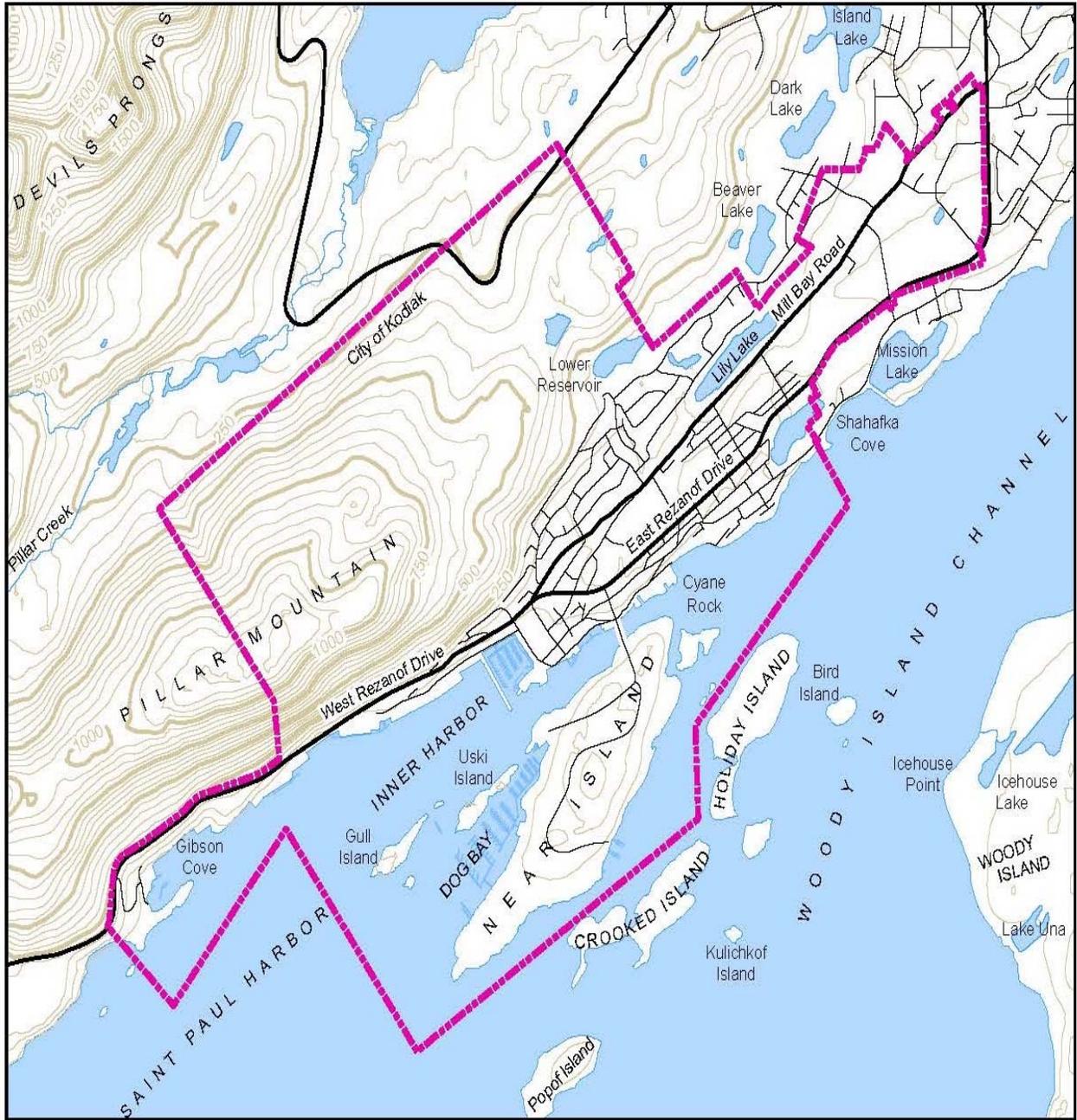
June 30, 2014

Executive Director/CEO

CITY OF KODIAK
KODIAK ISLAND, KODIAK



CITY OF KODIAK
CITY LIMITS - 6.2 SQUARE MILES



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www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Kodiak, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kodiak, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-17 the budgetary comparison information on page 58, and the Schedules of Net Pension Liability and Pension Contributions on pages 59-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Kodiak's basic financial statements. The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2015 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Kodiak as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated November 21, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016 on our consideration of City of Kodiak's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kodiak's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 12, 2016

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City of Kodiak, Alaska

Management's Discussion and Analysis

June 30, 2015

As management of the City of Kodiak, we offer readers of the City of Kodiak's financial statements this narrative overview and analysis of the financial activities of the City of Kodiak for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-XII of this report.

Financial Highlights

- The assets of the City of Kodiak exceeded its liabilities at the close of the most recent fiscal year by \$189,029,412 (*net position*). Of this amount, \$34,773,705 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$32,275,221 (19.6%). The governmental net position increased by \$1,789,235 (2.8%) and the business-type net position increased by \$30,485,986 (32.7%).
- As of the close of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,499,391, an increase of \$2,540,767 in comparison with the prior year. Approximately 41% of this total amount, (\$6,735,867) is available for spending at the government's discretion (*unassigned fund balance*).
- Total general revenues accounted for \$14,814,495 (24%) of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$48,095,311 (76%) of total revenues of \$62,909,806.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,735,867 (37%) of total General Fund expenditures and transfers of \$18,615,088.
- The City of Kodiak's total debt increased by \$5,880,174 during the current fiscal year. In fiscal year 2015 there was additional debt added for accrued leave, a sewer loan and a water loan in the amount of \$122,623, respectively. In addition, the City reports the net pension liability for the State of Alaska PERS retirement system attributed to the City of Kodiak. For fiscal year 2015, the net pension liability was \$7,889,699. Decreases can be contributed to payments on debt.

Overview of the Financial Statements

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

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

City of Kodiak, Alaska

Management's Discussion and Analysis

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

The City of Kodiak maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual statements elsewhere in this report.

- *Proprietary Funds:* When the City charges customers for the services it provides - either to outside customers or to other units of the City - these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Position and the Statement of Activities. The City's Enterprise Funds (one type of proprietary fund) are the same as business-type activities reported in the government-wide statements but provide more detail. The City uses an Internal Service Fund (the other kind of proprietary fund) to report activities of the City's Self Insurance Fund.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

City of Kodiak, Alaska

Management's Discussion and Analysis

- *Fiduciary Funds:* A fiduciary fund is used to account for assets held by the City in a trustee capacity or as an agent for others. Activities from the fiduciary fund are not included in the government-wide financial statements because the City cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The City closed its only agency fund in 2015.
3. *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements include notes that explain some of the information in the statements and provide more detailed data. The notes to the financial statements can be found on pages 29-56 of this report.
 4. *Other Information.* The basic statements are followed by additional supplementary information on individual fund activity. This report also presents certain *required supplementary information*. The required budgetary supplementary information can be found on page 58 of this report.
 - The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented on pages 64-68. Other combining and individual fund statements and schedules can be found on pages 70-126 of this report.

Government-Wide Financial Analysis of the City of Kodiak

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

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

Net position may serve over time as an indicator of a government's financial position. In the case of the City of Kodiak, assets exceeded liabilities by \$189,029,412 as of June 30, 2015.

City of Kodiak, Alaska

Management's Discussion and Analysis

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

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

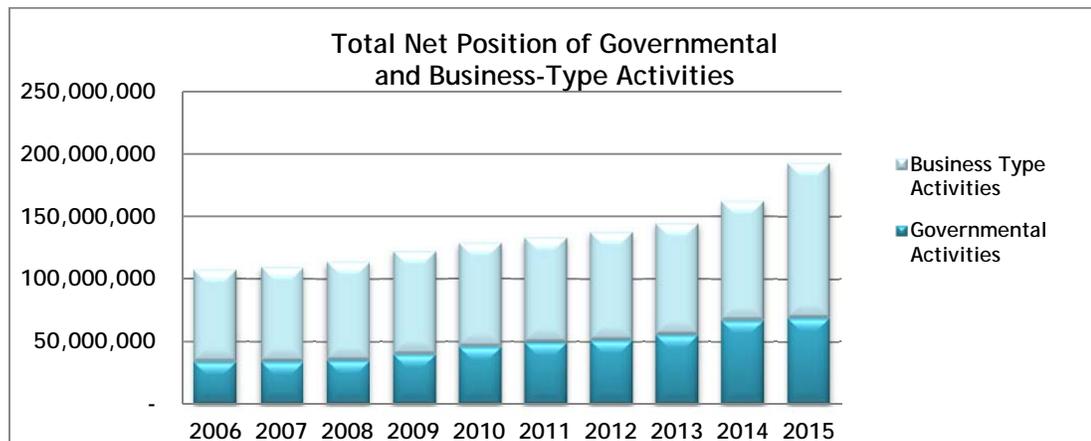
An additional portion of the City of Kodiak's net position, less than 1%, represents resources that are subject to external restrictions on how they may be used. Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts which makes up this restricted amount.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

At the end of the fiscal year 2015, the City of Kodiak is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$668,341 in net investment in capital assets in connection with the City of Kodiak's governmental activities. Most of this was from the construction of the new library. In the City's business activities there was an increase of \$28,099,801 in net investment in capital assets. This is primarily due to the Pier III replacement project which is scheduled to be finished in 2016.

During fiscal year 2015, the government's total net position increased by \$32,275,221. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

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



City of Kodiak, Alaska

Management's Discussion and Analysis

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

Table 2
Changes in Net Position

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

City of Kodiak, Alaska

Management's Discussion and Analysis

Governmental Activities

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

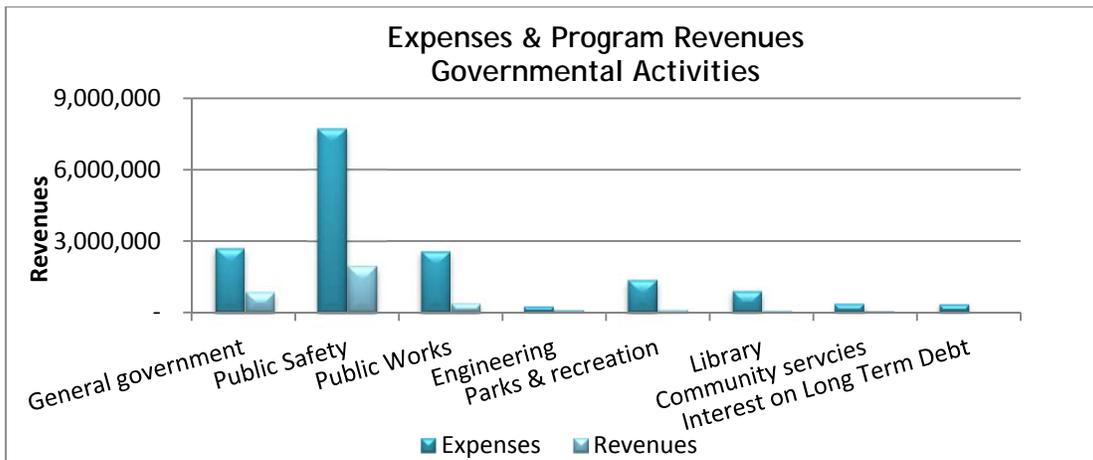
The primary source of revenue from governmental activities is sales tax revenues, which amounted to \$11,759,863, a 2% increase from 2014. The City sales tax rate in 2015 was at 7% on all sales. The City sales tax accounts for 64% of total governmental activity revenues. Other tax revenues like property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

City taxpayers financed most of the City's costs, bringing in tax revenues of \$12,927,429. The remaining costs were financed by charges for services, investment income, entitlements not restricted to a specific purpose, and other revenues. Charges for services and tax revenues accounted for most of the City's recurring governmental revenues.

The cost of all governmental activities financed by program revenues, such as charges for services, operating grants and capital grants, was \$3,717,215 (19%) of total governmental activities expenses.

The City's governmental activities expenses are predominately related to Public Safety 47%, Public Works 16%, and General Government 17%, or 80% of total governmental activities expenses. Engineering, Parks and Recreation, Library, and Community Services make up the remaining expenses.

Increases in expenses are due to increased costs and differences in grant funded operations. Overall the expenses decreased by 6% from the prior fiscal year. This was due primarily to a decrease in public safety by 11%, and a decrease in general government by 6%.



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

City of Kodiak, Alaska

Management's Discussion and Analysis

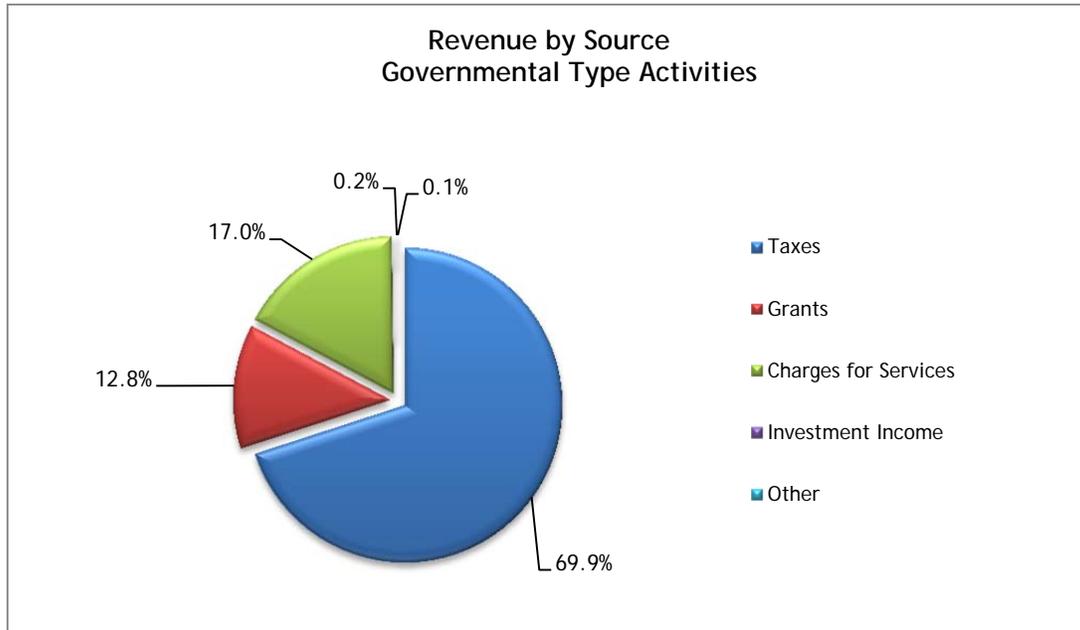


Table 3 shows, for governmental activities, the total cost of services and the net costs of services for fiscal year 2015. That is, it identified the cost of these services supported by charges for services, operating grants and capital grants.

Table 3
Governmental Activities in 2015

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

Business-type Activities

Business-type activities increased the City of Kodiak's net position by \$30,485,986 accounting for 94% of the total growth in the government's net position. Key elements of this are as follows:

Charges for services and capital grant revenues accounted for most of the City's total business-type revenues, with charges for services contributing 30% of the total revenues and capital grants 66% of the total revenues.

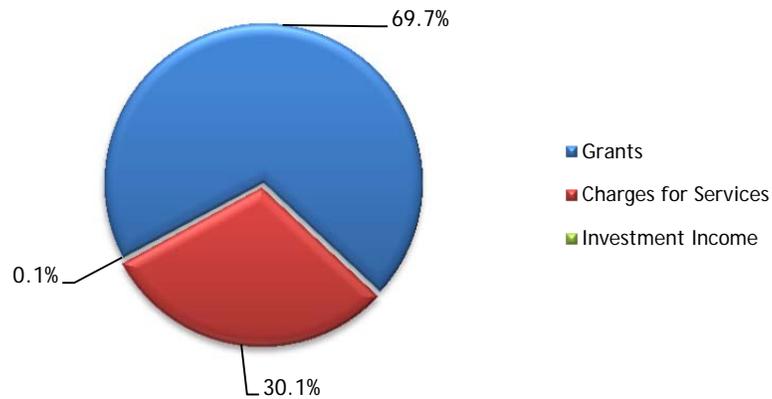
City of Kodiak, Alaska

Management's Discussion and Analysis

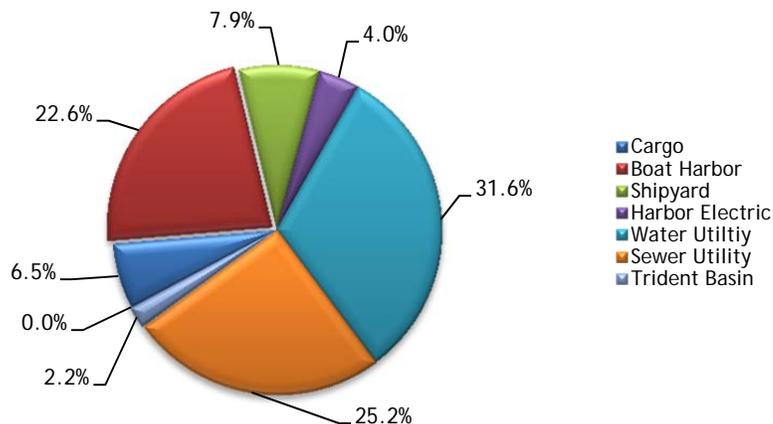
The primary source of revenue from business-type activities is capital grants, which amounted to \$29,177,990, a 315% increase from 2014. For the business-type activities, charges for services were 93% of the operating costs. Operating grants, interest income and miscellaneous revenues financed the remaining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

The City's business-type activities expenses are related to cargo 6%, boat harbor 23%, shipyard 8%, harbor electric 4%, water utility 32%, sewer utility 25%, the Trident Basin Airport 2% and E-911 Services, less than 1%. Total harbor related activities were 40% and total public works activities are 57% of the total business type activities in fiscal year 2015.

Revenue by Source
Business-Type Activities



Expenses
Business-Type Activities



City of Kodiak, Alaska

Management's Discussion and Analysis

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

Table 3-A
Business-Type Activities in 2015

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

Financial Analysis of the Governmental Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Kodiak's governmental funds reported combined ending fund balances of \$16,499,391, an increase of \$2,540,767 in comparison with the prior year. Approximately 41% of this total amount \$6,735,867 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City of Kodiak. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,735,867 while total fund balance was \$10,098,917. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

City of Kodiak, Alaska

Management's Discussion and Analysis

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

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

Total General Fund operating revenues of \$20,111,888 exceeded total expenditures and transfers of \$18,615,088. Sales tax revenues of the General Fund exceeded the budget by \$157,817. There has been a consistent upward trend in sales tax over the past ten years as a result of the opening of large retail stores within the City limits and an increase from 6% to 7% in fiscal year 2013. Expenditures were lower than budgeted primarily in general government by \$335,254, public safety by \$410,069, and public works by \$329,985. Transfers from the General Fund to other funds in the amount of \$1,992,355 were lower than prior years. Code requirements accounted for \$547,781 in transfers; other transfers included \$1,346,000 to General Capital Projects, and \$98,574 to the Vehicle Replacement Fund.

The Nonmajor Funds have a total fund balance of \$6,400,474. Of this balance, 6% is restricted for tourism, 50% is committed for economic stability in the Enhancement Fund, 42% assigned for capital projects, and 2% assigned for public works. There was an increase of \$1,043,967 in fund balances as a result of capital projects.

Proprietary Funds

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

Unrestricted net position of the major funds in the Harbor Facilities (Cargo Pier, Boat Harbor, and Shipyard) at the end of the year amount to \$9,123,238 and those in the Water, Sewer Facilities amounted to \$14,685,508. Nonmajor Enterprise Funds made up of the Trident Basin, Harbor Electric Funds and E-911 Services had a balance of \$566,186 in unrestricted net position. The total change in net position for all areas was an increase of \$30,455,932. This increase can be primarily attributed to the Pier III replacement project in the Cargo Fund.

General Fund Budgetary Highlights

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

During the year there was a \$218,891 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

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

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

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

City of Kodiak, Alaska

Management's Discussion and Analysis

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

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

\$42,965 supplemental increase in the appropriation to the police department in anticipation of canine professional vet services, canine dog house, animal control uniforms, corrections fingerprint scanner, corrections wheelchair, repairs and additional overtime.

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

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

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

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

The actual expenditures were \$1,385,093 less than budgeted. The City made a concentrated effort to control expenditures. Expenditures were less than the amount budgeted in all functions. The largest savings were in General Government, Public Works and Public Safety. Significant amounts and percentages are shown on below.

Table 4
General Fund Budget Highlights

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

City of Kodiak, Alaska

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

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

Table 5
Capital Assets at June 30
Net of Depreciation

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

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

Debt Administration

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

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

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

City of Kodiak, Alaska

Management's Discussion and Analysis

Table 6
Debt Outstanding at June 30

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

Economic Factors and Next Year's Budget and Rates

- Kodiak's role as a center for transportation, governmental offices, timber, and tourism complements its role as one of the nation's largest producers of seafood. The City of Kodiak has the largest and most diversified fishing port in Alaska and is consistently ranked in the top three largest fishing ports in the U.S. in terms of value landed. The main industries of the region are commercial fishing and tourism. While some segments of the commercial fishing industry have declined in recent years, others have grown. Tourism continues to grow in Kodiak with an increased number of visitors each year.
- Kodiak's unemployment varies throughout the year due to the seasonal nature of the fishing industry. The average unemployment rate in fiscal year 2014 in the Kodiak Island Borough is 5.7% compared to 7.6% Alaska wide.
- The cost of living index in Kodiak for the first quarter of 2014 was 133.1. Other Alaskan cities are Anchorage at 127.0, Juneau at 130.9 and Fairbanks at 136.4. In the American Chamber of Commerce Researchers Association (ACCRA) cost of living study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each reporting city is then converted into an index number that is used for comparative purposes.

All of these factors were considered in preparing the City of Kodiak's budget for the 2016 fiscal year.

In fiscal year 2015, the unassigned fund balance in the General Fund decreased by \$725,277 leaving a balance at the end of the year of \$6,735,867. The City has appropriated \$3,346,341 of its total fund balance of \$10,098,917 for spending in the 2016 fiscal year budget.

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

Requests for Information

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

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City of Kodiak, Alaska
Statement of Net Position

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

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Statement of Activities

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

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Governmental Funds
Balance Sheet

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

<i>Year Ended June 30, 2015</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Governmental Funds
Revenues			
Taxes:			
Property taxes	\$ 912,645	\$ -	\$ 912,645
Sales taxes	11,759,863	-	11,759,863
Other taxes, penalties and interest	27,954	212,228	240,182
Intergovernmental	4,240,387	66,999	4,307,386
Charges for services	1,923,897	-	1,923,897
Fines and forfeitures	14,739	-	14,739
Licenses and permits	135,769	-	135,769
Rental income	199,410	64,127	263,537
Interfund charges	871,909	-	871,909
Investment income	15,917	16,093	32,010
Special assessments	-	6,041	6,041
Donations	-	42,227	42,227
Other revenues	9,398	-	9,398
Total Revenues	20,111,888	407,715	20,519,603
Expenditures			
Current:			
General government	2,519,913	16,396	2,536,309
Public safety	8,194,773	4,090	8,198,863
Public works	2,185,115	529,527	2,714,642
Engineering	244,967	-	244,967
Parks and recreation	1,334,690	22,942	1,357,632
Library	935,048	-	935,048
Community services	208,862	156,150	365,012
Other - insurance and administration	468,125	-	468,125
Debt service:			
Bond principal	185,000	-	185,000
Bond interest	346,240	-	346,240
Capital outlay	-	245,998	245,998
Total Expenditures	16,622,733	975,103	17,597,836
Excess of revenues over (under) expenditures	3,489,155	(567,388)	2,921,767
Other Financing Sources (Uses)			
Transfers in	-	1,636,829	1,636,829
Transfers out	(1,992,355)	(25,474)	(2,017,829)
Net Other Financing Sources (Uses)	(1,992,355)	1,611,355	(381,000)
Net change in fund balances	1,496,800	1,043,967	2,540,767
Fund Balances, beginning of year	8,602,117	5,356,507	13,958,624
Fund Balances, end of year	\$ 10,098,917	\$ 6,400,474	\$ 16,499,391

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

**Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities**
Year Ended June 30, 2015

Net change in fund balances - total governmental funds		\$ 2,540,767
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$1,500,031) exceeded capital outlays (\$646,693).		
		(853,341)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Decrease in deferred special assessments	\$ (4,944)	
Decrease in deferred grant revenue	(59,689)	
Increase in deferred inflows related to pensions	1,929,461	
		1,864,828
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued leave	(57,931)	
Increase in deferred outflows related to pensions	(1,987,169)	
		(2,045,100)
Repayment of the principal of the long-term debt consumes current financial resources of governmental funds but does not have any effect on net position.		
		185,000
Internal service funds are used by management to charge the costs of certain insurance to individual funds. A portion of these activities is reported with governmental activities.		
		97,081
Change in Net Position of Governmental Activities		\$ 1,789,235

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Proprietary Funds
Statement of Net Position

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

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

254,605

Net Position of Business-type Activities

\$ 123,795,811

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

City of Kodiak, Alaska
Proprietary Funds
Statement of Cash Flows

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

See accompanying notes to basic financial statements.

City of Kodiak, Alaska

Notes to Basic Financial Statements June 30, 2015

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar programs are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position is reported as restricted when constraints placed on the net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation. The agency fund has no measurement focus, but uses the *accrual basis of accounting* for reporting its assets and liabilities.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

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

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

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

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

The *Cargo Pier Enterprise Fund* accounts for all activities of the cargo pier.

The *Boat Harbor Enterprise Fund* accounts for all activities of smaller crafts and all boat harbors within the City limits.

The *Water Utility Enterprise Fund* accounts for the distribution of water services.

The *Sewer Utility Enterprise Fund* accounts for the operations of the sewer distribution system.

The *Shipyard Enterprise Fund* accounts for the shipyard activities.

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

An agency fund is used to account for resources held for the Kodiak Fisheries Development Association. During fiscal year 2015, the Kodiak Fisheries Development Association fund was turned over and the agency fund was subsequently closed.

The effect of interfund activity has been eliminated from the government-wide financial statements with the exception of charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services and to other City departments for services provided. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

Central Treasury

The City maintains a central treasury for most of its cash and cash equivalents, which is utilized by all funds. Investment income is allocated to each fund quarterly based on the average monthly balance of each fund's equity in the central treasury.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Inventories

Enterprise Fund inventories consist of various supplies. Inventories are valued at the lower of cost (first-in, first-out) or market (net realizable value) and are recorded as expenses when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e. the current portion of interfund loans) or "advances to other funds" or "advances from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to other funds" or "due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All taxes receivable and other receivables are shown net of an allowance for uncollectible receivables. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for doubtful accounts.

Restricted Assets

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

Capital Assets

Government-wide Financial Statements

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows / Inflows of Resources

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

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

Compensated Absences

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

Long-term Debt

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

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

Fund Balances

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

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

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

Unearned Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

Pension Plan

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

Property Taxes

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

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying individual financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets and the Special Assessments Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, department, and object. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Council made several supplemental budgetary appropriations throughout the year.

City of Kodiak, Alaska

Notes to Basic Financial Statements

Encumbrance accounting is employed in governmental funds. Any encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above. The commitments will be reappropriated and honored during the subsequent year.

3. Cash and Investments

The City maintains a cash and investment pool (central treasury) that is available for use by all funds.

Cash

At year end, the carrying amount of the City's deposits in financial institutions was \$17,275,422 and the bank balance totaled \$18,175,297. Of the bank balance, \$250,000 was insured by FDIC insurance and \$30,156,743 was covered by collateral held by the pledging financial institutions' trust department or agent in the City's name. There were no uninsured cash balances. Included in the carrying amount above is \$505,050 of restricted cash for revenue bond reserves. Petty cash on hand at June 30, 2015 was \$2,750.

Investments

Investments are recorded at fair value. Chapter 3.16 of the City Code specifies that the City may invest in bonds, notes or other obligations, direct or otherwise, of the United States; bonds or other evidence of indebtedness of the State of Alaska or its political subdivisions or other states of the United States; Alaska Municipal League Investment Pool, Inc. (AMLIP); and savings accounts, certificates of deposit, bank acceptances, repurchase agreements, and such other security instruments as may be authorized by law. The investment policy requires collateralization of all deposits except direct purchases of securities and/or participation in AMLIP.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has no formal policy relating to interest rate risk.

Investment maturities at June 30, 2015 are as follows:

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

Credit Risk

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

The manager is required to produce monthly disclosure statements to its participants. AMLIP also has retained an investment advisor to ensure compliance with investment policies. Participation in AMLIP is voluntary. AMLIP must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments are reviewed for fair value by an independent pricing service. As of June 30, 2015 the fair value of the investment in AMLIP approximates amortized cost.

4. Accounts Receivable and Unearned Revenues

Receivables at June 30, 2015, for the City's individual major funds, and nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

	Major Governmental Funds		Nonmajor Governmental Funds	Totals
	General			
Taxes	\$ 3,064,469		\$ 60,016	\$ 3,124,485
Grants and shared revenues	12,677		-	12,677
Special assessments	-		62,584	62,584
Interest	-		1,877	1,877
Total receivables	3,077,146		124,477	3,201,623
Less allowance for doubtful accounts	-		-	-
Net Receivables	\$ 3,077,146		\$ 124,477	\$ 3,201,623

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2015, unearned revenues reported in the governmental funds were as follows:

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

Governmental funds report a deferred inflow when there is an acquisition of fund balance that is applicable to a future reporting period. At June 30, 2015, the various components of deferred inflows reported in the governmental funds were as follows:

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

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City of Kodiak, Alaska

Notes to Basic Financial Statements

5. Capital Assets

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

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

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City of Kodiak, Alaska

Notes to Basic Financial Statements

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 693,997	\$ -	\$ -	\$ 693,997
Construction in progress	14,965,214	32,175,741	-	47,140,955
Total assets not being depreciated	15,659,211	32,175,741	-	47,834,952
<i>Capital assets being depreciated:</i>				
Buildings	23,867,809	-	-	23,867,809
Improvements other than buildings	108,569,534	-	-	108,569,534
Machinery and equipment	21,037,154	6,599	-	21,043,753
Total assets being depreciated	153,474,497	6,599	-	153,481,096
Less accumulated depreciation for:				
Buildings	16,216,189	859,554	-	17,075,743
Improvements other than buildings	66,635,240	2,929,298	-	69,564,538
Machinery and equipment	4,653,718	624,652	-	5,278,370
Total accumulated depreciation	87,505,147	4,413,504	-	91,918,651
Total capital assets being depreciated, net	65,969,350	(4,406,905)	-	61,562,445
Business Type Activity Capital Assets, Net	\$ 81,628,561	\$ 27,768,836	\$ -	\$ 109,397,397

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

6. Long Term Debt

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

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

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

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Business-type Activities					
Revenue Bonds:					
\$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$45,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038	\$ 1,830,000	\$ -	\$ 40,000	\$ 1,790,000	\$ 45,000
\$4,000,000 2007 Series A Shipyard Revenue Bonds, due in annual installments of \$70,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,705,000	-	70,000	3,635,000	70,000
\$1,000,000 2009 Series One Shipyard Revenue Bonds, due in annual installments of \$20,000 to \$65,000 plus interest at 3.0% to 5.875% through 2037	910,000	-	20,000	890,000	20,000
Loans Payable:					
\$3,016,458 Sewer loan, due in annual installments of \$201,097, plus interest at 1.5% through 2016	402,197	-	201,097	201,100	201,097

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

Governmental Activities	General Obligation Bonds		
	Principal	Interest	Total
<i>Years Ending June 30,</i>			
2016	\$ 195,000	\$ 336,990	\$ 531,990
2017	205,000	327,240	532,240
2018	210,000	319,040	529,040
2019	195,000	310,640	505,640
2020	205,000	302,840	507,840
2021-2025	1,160,000	1,373,233	2,533,233
2026-2030	1,465,000	1,068,785	2,533,785
2031-2035	1,880,000	658,485	2,538,485
2036-2038	1,375,000	145,340	1,520,340
	\$ 6,890,000	\$ 4,842,593	\$ 11,732,593

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

Revenue Bond Requirements

Certain covenants of the revenue bonds require the establishment of bond redemption and reserve accounts. This requirement is reflected as restricted cash and investments in the Boat Harbor and Shipyard Enterprise Funds in the total amount of \$505,050.

City of Kodiak, Alaska

Notes to Basic Financial Statements

7. Fund Balances

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

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

8. Sales Tax Revenues

A sales tax of seven (7) percent of the sales price or charge is levied on all sales, rentals, and services made within the City. The maximum taxable sale is \$750 per transaction. An additional five (5) percent of the rental charge is levied on all transient room rentals within the City.

Net sales tax revenues and transient room taxes for the years ended June 30, 2015 and 2014 respectively, are as follows:

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

	Percentage	Maximum Proceeds
Fund		
General Fund	5.00%	N/A
Street Improvements Capital Projects Fund	0.90%	\$ 450,000
Parks and Recreation Capital Projects Fund	0.10%	50,000
Boat Harbor Enterprise Fund	1.00%	500,000
Total Sales Tax	7.00%	\$ 1,000,000

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

Sales tax revenues associated with the Capital Projects Funds are recorded as transfers from the General Fund to the applicable Capital Project Fund. Allocations to these funds for the years ended June 30, 2015 and 2014 were as follows:

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

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

9. Interfund Receivables and Transfers

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

Transfers

From General Fund to:

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

Total transfers from General Fund 1,992,355

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

49,000

From Sewer Utility Enterprise Fund to:

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

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

5,000

From Shipyard Enterprise Fund to Nonmajor governmental funds for capital costs

11,000

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

25,474

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

10. Defined Benefit Pension Plan

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

Historical Context and Special Funding Situation

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

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

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

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

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

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

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

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

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

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

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

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

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

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

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

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

Years Ending June 30,

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

Actuarial Assumptions

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

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

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

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

Discount Rate

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

Discount Rate Sensitivity

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

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

Pension Plan Fiduciary Net Position

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

11. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

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

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

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

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

12. Other Post-Employment Benefit (OPEB) Plans

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

Employer Contribution Rate

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

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

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

Defined Contribution OPEB

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

Employer Contribution Rates

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

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

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

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

City of Kodiak, Alaska

Notes to Basic Financial Statements

13. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e. errors and omissions, (d) environmental damage, (e) workers compensation, and (f) medical/dental/vision costs for employees. The City of Kodiak participates in the Alaska Public Entity Insurance Association (APEI) which covers property and contents, torts, general and auto liability, public officials and employees' liability, and workers compensation. APEI is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. APEI made no supplemental assessments during the year ended June 30, 2015. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

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

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

14. Enhancement Fund

The City has an Enhancement Fund in which the monies are to be held perpetually in trust for the benefit of the present and future generations of Kodiak residents through economic stability. Any principal portions of the Enhancement Fund cannot be appropriated without approval from at least five City Council members. The Enhancement Fund was originally established with a transfer of five (5) million dollars from the General Fund to a separate Special Revenue Fund. The ordinance creating the Enhancement Fund requires fifty percent of the General Fund surplus (which is calculated annually based upon excess revenues and other financing sources, less expenditures and other financing uses) to be transferred to the Enhancement Fund by January 1 of the succeeding year. The ordinance further requires 50% of municipal land sales and leased property revenues, as well as the fund's own investment earnings be committed to this purpose.

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

In addition, there is a provision for transferring to the General Fund any excess earnings over and above those earnings necessary for inflation-proofing of the Enhancement Fund. In years where investment earnings are not sufficient to inflation proof, the transfers are recorded from the General Fund to the Enhancement Fund. In 2015, the City reported an additional transfer from General Fund to the Enhancement Fund for the 2014 and 2015 inflation proofing, in the amount of \$58,141.

City of Kodiak, Alaska

Notes to Basic Financial Statements

15. Operating Lease

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

16. Conduit Debt

In 2010, the City Council authorized the issuance of nonrecourse revenue bonds for the purpose of providing funds to Kodiak Area Native Association to finance the acquisition, construction, and equipping of a condominium unit for their Community Services department. The bonds were issued in the amount of \$1,615,000 and the outstanding balance at June 30, 2015 was \$1,450,000.

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

17. Change in Accounting Principle

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

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

18. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be nominal.

City of Kodiak, Alaska

Notes to Basic Financial Statements

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

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

19. New Accounting Pronouncements

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

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

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

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

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

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

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

Required Supplementary Information

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

<i>Year Ended June 30, 2015</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 853,500	\$ 853,500	\$ 912,645	\$ 59,145
Sales taxes	11,630,000	11,630,000	11,787,817	157,817
Intergovernmental	3,128,847	3,143,847	4,240,387	1,096,540
Charges for services	1,774,115	1,829,115	1,923,897	94,782
Fines and forfeitures	15,500	25,834	14,739	(11,095)
Licenses and permits	90,100	102,100	135,769	33,669
Rental income	195,000	195,000	199,410	4,410
Interfund charges	858,692	871,909	871,909	-
Investment income	45,000	45,000	15,917	(29,083)
Other revenues	22,000	22,000	9,398	(12,602)
Total Revenues	18,612,754	18,718,305	20,111,888	1,393,583
Expenditures				
General government:				
Legislative	320,259	325,259	236,697	88,562
Legal	50,000	100,000	57,350	42,650
Executive	586,262	492,262	400,426	91,836
Emergency preparedness	56,500	56,500	32,173	24,327
City clerk	473,165	478,165	491,199	(13,034)
Finance	1,401,481	1,402,981	1,302,068	100,913
Police	6,922,782	6,965,747	6,602,540	363,207
Fire	2,148,335	2,170,335	2,123,473	46,862
Public works	2,485,224	2,515,100	2,185,115	329,985
Engineering	315,090	315,090	244,967	70,123
Parks and recreation	1,411,860	1,411,860	1,334,690	77,170
Library	1,010,833	1,010,833	935,048	75,785
Community service	213,300	213,500	208,862	4,638
Non-departmental	550,394	550,194	468,125	82,069
Total Expenditures	17,945,485	18,007,826	16,622,733	1,385,093
Excess of revenues over expenditures	667,269	710,479	3,489,155	2,778,676
Other Financing Uses -				
Transfers out	(1,799,357)	(1,955,907)	(1,992,355)	(36,448)
Net change in fund balance	<u>\$ (1,132,088)</u>	<u>\$ (1,245,428)</u>	1,496,800	<u>\$ 2,742,228</u>
Fund Balance, beginning of year			<u>8,602,117</u>	
Fund Balance, end of year			<u>\$ 10,098,917</u>	

See accompanying notes to required supplementary information.

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

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

See accompanying notes to required supplementary information.

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

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

See accompanying notes to required supplementary information.

City of Kodiak, Alaska

Notes to Required Supplementary Information June 30, 2015

1. Budgetary Comparison Schedules

The Required Budgetary Comparison Schedules are presented on the modified accrual basis of accounting. The City's adopted budget generally conforms to accounting principles generally accepted in the United States of America; therefore no reconciliation is required.

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

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

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

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

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

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

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

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Nonmajor Funds

City of Kodiak, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

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

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

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

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

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

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

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

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

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

General Fund

The General Fund accounts for the financial operations of the City which are not required to be accounted for in any other fund. It is the City's primary operating fund.

City of Kodiak, Alaska

General Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 7,553,513	\$ 5,578,883
Receivables:		
Taxes	3,064,469	3,078,286
Grants and shared revenues	12,677	132,629
Interest	-	12,517
Total receivables	3,077,146	3,223,432
Due from other funds	208,335	214,788
Prepaid items	16,709	8,885
Total Assets	\$ 10,855,703	\$ 9,025,988
Liabilities, Deferred Inflows and Fund Balance		
Liabilities		
Accounts payable	\$ 547,851	\$ 169,250
Accrued payroll and related liabilities	202,593	189,047
Customer deposits	6,342	5,885
Total Liabilities	756,786	364,182
Deferred Inflows - grant proceeds	-	59,689
Fund Balance		
Nonspendable - prepaid items	16,709	8,885
Assigned for subsequent year's expenditures	3,346,341	1,132,088
Unassigned	6,735,867	7,461,144
Total Fund Balance	10,098,917	8,602,117
Total Liabilities, Deferred Inflows and Fund Balance	\$ 10,855,703	\$ 9,025,988

City of Kodiak, Alaska

General Fund

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

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

City of Kodiak, Alaska

General Fund

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

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

City of Kodiak, Alaska

General Fund

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued				
Public safety:				
Police department:				
Administration:				
Operations	\$ 889,982	\$ 1,051,071	\$ (161,089)	\$ 764,525
Bond principal	185,000	185,000	-	175,000
Bond interest	531,240	346,240	185,000	354,990
Uniformed patrol	1,501,457	1,335,858	165,599	1,339,914
Corrections	1,382,362	1,432,833	(50,471)	1,310,600
Investigations	340,979	196,981	143,998	185,162
Support services	1,186,441	1,148,622	37,819	1,035,437
Animal control	246,404	248,809	(2,405)	170,253
Drug enforcement	145,402	146,243	(841)	126,441
Community services	230,376	179,594	50,782	172,821
Canine	177,195	170,567	6,628	250,353
Police school resources	148,909	160,722	(11,813)	127,160
Total police department	6,965,747	6,602,540	363,207	6,012,656
Fire department	2,170,335	2,123,473	46,862	1,970,848
Total public safety	9,136,082	8,726,013	410,069	7,983,504
Public works:				
Administration	120,968	147,454	(26,486)	116,705
Streets	1,667,839	1,369,244	298,595	1,129,279
Garage	325,588	286,259	39,329	249,178
Building inspection	375,105	362,985	12,120	322,928
Municipal airport facility	25,600	19,173	6,427	17,940
Total public works	2,515,100	2,185,115	329,985	1,836,030
Engineering	315,090	244,967	70,123	201,581

City of Kodiak, Alaska

General Fund

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance	Actual
Expenditures, continued				
Parks and recreation:				
Administration	\$ 637,047	\$ 604,036	\$ 33,011	\$ 529,988
Museum	105,000	101,708	3,292	91,214
Teen Center	255,575	264,908	(9,333)	206,657
Aquatics	237,741	209,647	28,094	227,201
Ice rink	160,497	144,970	15,527	153,924
Beautification program	16,000	9,421	6,579	4,766
Total parks and recreation	1,411,860	1,334,690	77,170	1,213,750
Library	1,010,833	935,048	75,785	847,134
Community services:				
Contributions	168,500	168,098	402	120,671
Downtown revitalization	45,000	40,764	4,236	42,703
Total community services	213,500	208,862	4,638	163,374
Other - insurance and general administration	550,194	468,125	82,069	577,733
Total Expenditures	18,007,826	16,622,733	1,385,093	15,134,537
Excess of revenues over expenditures	710,479	3,489,155	2,778,676	2,963,676
Other Financing Uses				
Transfers out	(1,955,907)	(1,992,355)	(36,448)	(2,934,396)
Net change in fund balance	<u>\$ (1,245,428)</u>	1,496,800	<u>\$ 2,742,228</u>	29,280
Fund Balance, beginning of year		<u>8,602,117</u>		<u>8,572,837</u>
Fund Balance, end of year		<u>\$ 10,098,917</u>		<u>\$ 8,602,117</u>

Special Revenue Funds

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

Tourism Development

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

Special Assessments

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

Enhancement Fund

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

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

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 329,159	\$ 301,462
Receivables - taxes	60,016	55,949
Total Assets	\$ 389,175	\$ 357,411
Fund Balance		
Committed for tourism	\$ 389,175	\$ 357,411

City of Kodiak, Alaska

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

<i>Year Ended June 30,</i>	2015			2014
	Budget	Actual	Variance	Actual
Revenues				
Room taxes	\$ 170,500	\$ 212,228	\$ 41,728	\$ 188,298
Investment income	-	686	686	540
Total Revenues	170,500	212,914	42,414	188,838
Expenditures - community services:				
Interfund services:				
Finance and administration	17,050	17,050	-	14,290
Public works services	12,100	12,100	-	6,570
Parks and recreation services	16,000	16,000	-	16,000
Community service contributions	111,000	111,000	-	96,000
Total Expenditures	156,150	156,150	-	132,860
Excess of revenues over expenditures	14,350	56,764	42,414	55,978
Other Financing Uses - transfers out	(25,000)	(25,000)	-	-
Net change in fund balance	<u>\$ (10,650)</u>	31,764	<u>\$ 42,414</u>	55,978
Fund Balance, beginning of year		<u>357,411</u>		<u>301,433</u>
Fund Balance, end of year		<u>\$ 389,175</u>		<u>\$ 357,411</u>

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

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

City of Kodiak, Alaska

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

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

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

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

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

<i>Year Ended June 30,</i>	2015			2014
	Budget	Actual	Variance	Actual
Revenues				
Rental income	\$ 50,000	\$ 64,127	\$ 14,127	\$ 57,802
Investment income	50,000	9,978	(40,022)	19,416
Total Revenues	100,000	74,105	(25,895)	77,218
Other Financing Sources				
Transfers in	36,333	72,781	36,448	921,584
Net change in fund balance	<u>\$ 136,333</u>	146,886	<u>\$ 10,553</u>	998,802
Fund Balance, beginning of year		<u>3,054,325</u>		<u>2,055,523</u>
Fund Balance, end of year		<u>\$ 3,201,211</u>		<u>\$ 3,054,325</u>

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Capital Project Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds.

General

This fund is used to account for various small capital projects.

Building

This fund is used to account for various building capital projects.

Street Improvements

This fund accounts for major capital outlay and repair and improvements on streets and roads owned by the City.

Parks and Recreation

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

General Fund Vehicle Replacement

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

City of Kodiak, Alaska
General Capital Projects Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 734,651	\$ 620,619
Grants receivable	-	33,152
Total Assets	\$ 734,651	\$ 653,771
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 7,937	\$ 120,633
Unearned revenue	1,323	1,323
Total Liabilities	9,260	121,956
Fund Balance - assigned for capital projects	725,391	531,815
Total Liabilities and Fund Balance	\$ 734,651	\$ 653,771

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

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

City of Kodiak, Alaska
Building Capital Project Fund
Balance Sheet

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

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

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

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

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

City of Kodiak, Alaska

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

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

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

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

City of Kodiak, Alaska

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

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

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

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

City of Kodiak, Alaska

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

<i>Year Ended June 30,</i>	2015	2014
Revenues - investment income	\$ 527	\$ 131
Excess of revenues over expenditures	527	131
Other Financing Sources - transfers in	98,574	85,312
Net change in fund balance	99,101	85,443
Fund Balance, beginning of year	174,199	88,756
Fund Balance, end of year	\$ 273,300	\$ 174,199

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Enterprise Funds

Cargo Pier

This fund accounts for all activities of the cargo pier.

Boat Harbor

This fund accounts for all activities of smaller crafts and all boat harbors within the City limits.

Harbor Electric

This fund accounts for the electricity used at the City's harbors.

Water Utility

This fund accounts for the distribution of water services.

Sewer Utility

This fund accounts for the operation of the sewer system.

Trident Basin

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

Shipyards

This fund accounts for the shipyard activities.

E-911 Services

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

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

<i>June 30,</i>	2015	2014
Assets and Deferred outflows		
Current Assets		
Cash and investments	\$ 2,530,215	\$ 1,362,065
Receivables:		
Accounts	65,238	40,691
Grants	4,759,233	5,273,442
Total Current Assets	7,354,686	6,676,198
Property, plant and equipment:		
Improvements other than buildings	20,619,826	20,619,826
Building	9,502	9,502
Machinery and equipment	1,154,957	1,154,957
Construction in progress	33,965,028	8,559,952
Accumulated depreciation	(16,910,016)	(16,472,125)
Net property, plant and equipment	38,839,297	13,872,112
Total Assets	46,193,983	20,548,310
Deferred Outflows related to pensions	19,300	-
Total Assets and Deferred Outflows	\$ 46,213,283	\$ 20,548,310
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 1,709,005	\$ 1,831,013
Accrued payroll and related liabilities	4,851	3,985
Current portion of accrued annual leave	3,228	2,645
Total Current Liabilities	1,717,084	1,837,643
Noncurrent Liabilities		
Long term portion of accrued annual leave	1,255	1,029
Net pension liability	166,936	-
Total Noncurrent Liabilities	168,191	1,029
Total Liabilities	1,885,275	1,838,672
Deferred Inflows related to pensions	19,287	-
Total Liabilities and Deferred Inflows	1,904,562	1,838,672
Net Position		
Net investment in capital assets	38,839,297	13,872,112
Unrestricted	5,469,424	4,837,526
Total Net Position	44,308,721	18,709,638
Total Liabilities, Deferred Inflows, and Net Position	\$ 46,213,283	\$ 20,548,310

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

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

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

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

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

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

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 4,594,828	\$ 3,594,449
Receivables:		
Accounts	85,885	76,097
Allowance for doubtful accounts	(15,647)	(15,647)
Total Current Assets	4,665,066	3,654,899
Noncurrent Assets		
Restricted cash and investments - bond reserve	129,581	129,581
Property, plant and equipment:		
Land	677,064	677,064
Buildings	1,523,154	1,523,154
Improvements other than buildings	35,334,087	35,334,087
Machinery and equipment	643,860	637,261
Accumulated depreciation	(26,510,632)	(25,194,948)
Net property, plant and equipment	11,667,533	12,976,618
Total Noncurrent Assets	11,797,114	13,106,199
Total Assets	16,462,180	16,761,098
Deferred Outflows related to pensions	83,608	-
Total Assets and Deferred Outflows	\$ 16,545,788	\$ 16,761,098
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 25,184	\$ 33,462
Accrued payroll and related liabilities	22,971	13,928
Accrued interest	28,340	29,140
Current portion of accrued annual leave	74,428	58,956
Customer deposits	238,091	223,215
Current portion of revenue bonds payable	45,000	40,000
Total Current Liabilities	434,014	398,701
Noncurrent Liabilities		
Long term portion of accrued annual leave	28,944	22,927
Long term portion of revenue bonds payable	1,745,000	1,790,000
Net pension liability	723,182	-
Total Noncurrent Liabilities	2,497,126	1,812,927
Total Liabilities	2,931,140	2,211,628
Deferred Inflows related to pensions	83,552	-
Total Liabilities and Deferred Inflows	3,014,692	2,211,628
Net Position		
Net investment in capital assets	9,877,533	11,146,618
Restricted for debt service	129,581	129,581
Unrestricted	3,523,982	3,273,271
Total Net Position	13,531,096	14,549,470
Total Liabilities, Deferred Inflows, and Net Position	\$ 16,545,788	\$ 16,761,098

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

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

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

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

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

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

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

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

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

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

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 9,010,216	\$ 7,988,904
Receivables:		
Grants	699,001	1,598,695
Accounts	291,501	392,818
Allowance for doubtful accounts	(2,224)	(2,224)
Inventory	246,308	224,424
Total Current Assets	10,244,802	10,202,617
Property, plant and equipment:		
Land	2	2
Buildings	3,313,419	3,313,419
Improvements other than buildings	30,655,361	30,655,361
Machinery and equipment	497,918	497,918
Construction in progress	11,242,142	5,729,627
Accumulated depreciation	(18,850,328)	(18,207,413)
Net property, plant and equipment	26,858,514	21,988,914
Total Assets	37,103,316	32,191,531
Deferred Outflows related to pensions	35,362	-
Total Assets and Deferred Outflows	\$ 37,138,678	\$ 32,191,531
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 269,809	\$ 1,060,059
Accrued payroll and related liabilities	8,402	7,787
Accrued annual leave	6,924	13,953
Accrued interest	23,613	-
Customer deposits	1,100	3,300
Current portion of loans payable	163,789	97,719
Total Current Liabilities	473,637	1,182,818
Noncurrent Liabilities		
Long term portion of accrued annual leave	2,693	5,426
Long term portion of loans payable	2,038,580	2,079,746
Net pension liability	305,872	-
Total Noncurrent Liabilities	2,347,145	2,085,172
Total Liabilities	2,820,782	3,267,990
Deferred Inflows related to pensions	35,339	-
Total Liabilities and Deferred Inflows	2,856,121	3,267,990
Net Position		
Net investment in capital assets	24,656,145	19,811,449
Unrestricted	9,626,412	9,112,092
Total Net Position	34,282,557	28,923,541
Total Liabilities, Deferred Inflows, and Net Position	\$ 37,138,678	\$ 32,191,531

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

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

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

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

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 5,540,164	\$ 5,861,997
Accounts receivable	358,896	337,120
Allowance for doubtful accounts	(2,867)	(2,867)
Inventory	11,598	9,978
Total Current Assets	5,907,791	6,206,228
Property, plant and equipment:		
Land	16,931	16,931
Buildings	19,021,734	19,021,734
Improvements other than buildings	16,370,667	16,370,667
Machinery and equipment	502,361	502,361
Construction in progress	1,933,783	675,636
Accumulated depreciation	(25,017,729)	(23,805,204)
Net property, plant and equipment	12,827,747	12,782,125
Total Assets	18,735,538	18,988,353
Deferred Outflows related to pensions	70,323	-
Total Assets and Deferred Outflows	\$ 18,805,861	\$ 18,988,353
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 134,429	\$ 136,023
Accrued payroll and related liabilities	20,054	13,397
Current portion of accrued annual leave	63,744	63,669
Accrued interest	13,324	2,011
Current portion of loans payable	334,987	301,996
Total Current Liabilities	566,538	517,096
Noncurrent Liabilities		
Long term portion of accrued annual leave	8,924	24,760
Long term portion of loans payable	1,186,317	1,398,680
Net pension liability	608,267	-
Total Noncurrent Liabilities	1,803,508	1,423,440
Total Liabilities	2,370,046	1,940,536
Deferred Inflows related to pensions	70,276	-
Total Liabilities and Deferred Inflows	2,440,322	1,940,536
Net Position		
Net investment in capital assets	11,306,443	11,081,449
Unrestricted	5,059,096	5,966,368
Total Net Position	16,365,539	17,047,817
Total Liabilities, Deferred Inflows, and Net Position	\$ 18,805,861	\$ 18,988,353

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

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

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

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

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

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

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

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

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

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

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 269,638	\$ 288,746
Accounts receivable	38,625	43,469
Total Current Assets	308,263	332,215
Noncurrent Assets		
Restricted cash and investments - bond reserve	375,469	375,469
Property, plant and equipment:		
Machinery and equipment	18,104,101	18,104,101
Accumulated depreciation	(2,652,406)	(2,122,424)
Net property, plant and equipment	15,451,695	15,981,677
Total Noncurrent Assets	15,827,164	16,357,146
Total Assets	16,135,427	16,689,361
Deferred Outflows related to pensions	9,041	-
Total Assets and Deferred Outflows	\$ 16,144,468	\$ 16,689,361
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities		
Accounts payable	\$ 9,496	\$ 4,296
Accrued payroll and related liabilities	3,163	1,672
Customer deposits	1,500	34,387
Current portion of accrued annual leave	3,426	4,177
Accrued interest	81,321	75,547
Current portion of bonds and loan payable	136,500	136,500
Total Current Liabilities	235,406	256,579
Noncurrent Liabilities		
Long term portion of accrued annual leave	1,332	1,624
Revenue bonds, net of current portion	4,435,000	4,525,000
Loan payable, net of current portion	651,000	697,500
Net pension liability	78,199	-
Total Noncurrent Liabilities	5,165,531	5,224,124
Total Liabilities	5,400,937	5,480,703
Deferred Inflows related to pensions	9,035	-
Total Liabilities and Deferred Inflows	5,409,972	5,480,703
Net Position		
Net investment in capital assets	10,229,195	10,622,677
Restricted for debt service	375,469	375,469
Unrestricted	129,832	210,512
Total Net Position	10,734,496	11,208,658
Total Liabilities, Deferred Inflows, and Net Position	\$ 16,144,468	\$ 16,689,361

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

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

City of Kodiak, Alaska

Shipyard Enterprise Fund

Statement of Cash Flows

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

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

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

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

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

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

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

Internal Service Fund

An internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Insurance

This fund is used to account for the purchase of insurance through a public risk pool and the subsequent payments of claims and insurance premiums.

City of Kodiak, Alaska
Insurance Internal Service Fund
Statement of Net Position

<i>June 30,</i>	2015	2014
Assets		
Current Assets		
Cash and investments	\$ 575,126	\$ 470,332
Liabilities and Net Position		
Current liabilities - accounts payable	\$ -	\$ 22,341
Net Position - unrestricted	575,126	447,991
Total Liabilities and Net Position	\$ 575,126	\$ 470,332

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

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

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

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

Agency Fund

An agency fund is used to account for resources received and held by the City in a fiduciary capacity.

Kodiak Fisheries Development Association

This fund is used to account for resources held for the Kodiak Fisheries Development Association. Note this fund was closed in 2015.

City of Kodiak, Alaska

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

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

State Expenditures

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

City of Kodiak, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2015

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

* Major program

City of Kodiak, Alaska

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

1. Basis of Presentation

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

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

3. PERS On-Behalf

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

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

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

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City of Kodiak, Alaska

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	132-136
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity	137-141
These schedules contain information to help the reader assess the government’s most significant local revenue source, sales tax, and other information on property taxes.	
Debt Capacity	142-145
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	146-147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	148-150
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

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

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

	Fiscal year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested in capital assets, net of related debt \$	17,363,043	18,423,911	19,715,240	19,649,138	32,822,868	39,687,520	42,372,752	51,181,346	55,757,774	55,089,433
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>17,069,035</u>	<u>17,120,507</u>	<u>20,490,905</u>	<u>26,532,000</u>	<u>16,890,514</u>	<u>11,819,026</u>	<u>13,398,387</u>	<u>16,207,289</u>	<u>13,635,655</u>	<u>10,144,168</u>
Total governmental activities net assets \$	<u>34,432,078</u>	<u>35,544,418</u>	<u>40,206,145</u>	<u>46,181,138</u>	<u>49,713,382</u>	<u>51,506,546</u>	<u>55,771,139</u>	<u>67,388,635</u>	<u>69,393,429</u>	<u>65,233,601</u>
Business-type activities:										
Invested in capital assets, net of related debt \$	55,710,846	59,739,871	63,002,311	69,899,848	73,486,875	69,703,124	69,584,419	66,792,402	70,561,423	98,661,224
Restricted	221,450	221,450	653,862	505,050	505,050	505,050	505,050	505,050	505,050	505,050
Unrestricted	<u>17,124,604</u>	<u>15,161,107</u>	<u>14,894,324</u>	<u>11,638,558</u>	<u>8,445,014</u>	<u>13,294,322</u>	<u>16,143,082</u>	<u>21,293,612</u>	<u>24,107,577</u>	<u>24,629,537</u>
Total business-type activities net assets \$	<u>73,056,900</u>	<u>75,122,428</u>	<u>78,550,497</u>	<u>82,043,456</u>	<u>82,436,939</u>	<u>83,502,496</u>	<u>86,232,551</u>	<u>88,591,064</u>	<u>95,174,050</u>	<u>123,795,811</u>
Primary government:										
Invested in capital assets, net of related debt \$	73,073,889	78,163,782	82,717,551	89,548,986	106,309,743	109,390,644	111,957,171	117,973,748	126,319,197	153,750,657
Restricted	221,450	221,450	653,862	505,050	505,050	505,050	505,050	505,050	505,050	505,050
Unrestricted	<u>34,193,639</u>	<u>32,281,614</u>	<u>35,385,229</u>	<u>38,170,558</u>	<u>25,335,528</u>	<u>25,113,348</u>	<u>29,541,469</u>	<u>37,500,901</u>	<u>37,743,232</u>	<u>34,773,705</u>
Total primary government net assets \$	<u>107,488,978</u>	<u>110,666,846</u>	<u>118,756,642</u>	<u>128,224,594</u>	<u>132,150,321</u>	<u>135,009,042</u>	<u>142,003,690</u>	<u>155,979,699</u>	<u>164,567,479</u>	<u>189,029,412</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 2,244,270	2,328,195	2,442,402	2,419,468	2,502,315	2,140,978	2,657,730	2,902,171	2,885,778	2,722,911
Public safety	5,054,994	5,384,713	5,987,605	5,932,145	6,089,332	6,340,579	7,809,554	8,013,832	8,587,842	7,736,192
Public works	2,503,999	1,825,719	2,113,620	4,268,602	2,526,468	4,283,775	2,493,956	2,738,860	2,577,384	2,584,167
Engineering	215,981	167,571	167,812	140,886	121,747	91,293	146,051	166,843	199,877	249,954
Parks & recreation	1,124,144	1,099,535	1,009,117	1,133,502	1,199,620	1,268,556	1,251,567	1,134,514	1,370,541	1,390,435
Library	639,399	669,518	711,172	697,856	712,625	680,410	847,458	864,533	930,313	894,605
Community services	262,834	213,032	126,562	435,970	277,041	259,692	306,906	296,352	305,457	374,235
Interest on long-term debt	-	-	75,410	398,252	383,928	906,057	369,052	361,177	352,803	346,240
Total governmental activities expenses	<u>12,045,621</u>	<u>11,688,283</u>	<u>12,633,700</u>	<u>15,426,681</u>	<u>13,813,076</u>	<u>15,971,340</u>	<u>15,882,274</u>	<u>16,478,282</u>	<u>17,209,995</u>	<u>16,298,739</u>
Business-type activities:										
Cargo Pier	\$ 1,714,611	1,796,372	1,438,477	1,046,188	1,692,841	1,192,406	1,466,240	1,463,402	1,466,892	926,136
Boat Harbor	2,329,106	2,397,171	2,867,113	2,782,150	2,912,689	3,148,865	3,207,233	3,253,074	3,331,649	3,235,531
Shipyards	-	-	-	35,019	528,977	1,117,928	1,078,009	1,263,689	1,285,600	1,136,632
Harbor Electric	488,004	640,125	648,498	611,387	605,989	804,834	657,379	675,474	675,474	575,261
Water Utility	1,740,225	2,893,352	2,864,069	5,598,768	2,952,723	2,280,910	2,635,421	3,279,097	6,137,608	4,533,126
Sewer Utility	2,659,591	5,288,305	3,800,645	3,016,736	2,665,150	3,058,490	3,261,989	3,082,518	3,398,824	3,611,837
Trident Basin	67,105	152,474	192,228	177,482	154,777	353,216	349,406	365,569	373,393	310,232
E-911 Services	-	-	-	-	37,553	5,518	5,548	5,890	158,923	7,091
Total business-type activities expenses	<u>8,998,642</u>	<u>13,167,799</u>	<u>11,811,030</u>	<u>13,267,730</u>	<u>11,550,699</u>	<u>11,790,646</u>	<u>12,808,680</u>	<u>13,350,618</u>	<u>16,828,363</u>	<u>14,335,846</u>
Total primary government expenses	<u>\$ 21,044,263</u>	<u>24,856,082</u>	<u>24,444,730</u>	<u>28,694,411</u>	<u>25,363,775</u>	<u>27,761,986</u>	<u>28,690,954</u>	<u>29,828,900</u>	<u>34,038,358</u>	<u>30,634,585</u>
Program revenues										
Governmental activities:										
Charges for services:										
Cargo Pier	\$ 589,054	520,490	671,690	625,030	597,860	531,322	722,265	764,935	839,586	812,220
Public safety	910,753	1,003,467	1,022,257	1,033,791	914,020	1,111,833	1,246,856	1,285,143	1,624,080	1,652,307
Public works	395,490	406,595	357,420	313,568	288,198	235,343	238,617	445,150	267,093	346,256
Engineering	60,000	89,250	88,740	142,175	224,241	226,355	294,424	215,598	198,051	113,849
Parks & recreation	117,795	125,332	115,562	117,173	135,733	133,100	134,440	116,663	120,135	125,120
Library	23,334	18,578	18,623	16,140	15,980	12,542	13,692	12,592	17,503	22,641
Community services	-	-	-	-	-	40,897	42,712	42,025	57,802	64,127
Operating grants and contributions	20,700	12,700	37,154	44,520	733,005	292,846	392,273	788,840	814,853	468,502
Capital grants and contributions	1,265,164	520,832	1,007,347	2,311,754	1,119,257	2,770,746	2,821,724	10,188,295	1,373,720	112,193
Total governmental activities program revenues	<u>3,382,290</u>	<u>2,697,244</u>	<u>3,318,793</u>	<u>4,604,151</u>	<u>4,028,294</u>	<u>5,354,984</u>	<u>5,907,003</u>	<u>13,859,241</u>	<u>5,312,823</u>	<u>3,717,215</u>
Business-type activities:										
Charges for services:										
Cargo Pier	\$ 1,069,814	1,140,213	1,193,416	1,264,758	1,251,294	1,281,292	1,223,352	1,222,828	1,203,476	1,270,961
Boat Harbor	1,616,940	1,894,868	1,999,486	2,183,999	2,233,292	2,394,368	2,507,552	2,602,989	2,344,260	2,371,246
Shipyards	-	-	-	-	320,574	293,845	239,889	642,020	722,665	746,002
Harbor Electric	547,840	678,706	682,471	708,714	654,986	707,770	834,600	724,632	674,425	617,572
Water Utility	2,096,333	2,120,037	2,276,688	2,254,850	2,458,561	2,896,130	3,192,048	3,597,677	4,251,004	4,432,749
Sewer Utility	1,882,108	2,213,233	2,501,624	2,821,293	3,180,800	3,531,627	3,638,220	3,696,903	3,705,634	3,866,656
Trident Basin	19,791	17,765	28,319	30,571	33,266	32,970	43,724	44,361	46,824	51,045
E-911 Services	-	-	-	-	66,901	67,428	66,287	69,140	36,718	30,869
Operating grants and contributions	-	-	-	-	136,560	252,109	385,985	1,391,896	2,725,086	1,813,006
Capital grants and contributions	2,647,341	4,631,660	4,933,513	8,182,722	1,207,047	1,183,596	3,930,175	1,642,653	7,033,027	29,177,990
Total business-type activities program revenues	<u>9,880,167</u>	<u>12,696,482</u>	<u>13,615,517</u>	<u>17,446,907</u>	<u>11,543,281</u>	<u>12,641,135</u>	<u>16,061,832</u>	<u>15,635,099</u>	<u>22,743,119</u>	<u>44,378,096</u>
Total primary government program revenues	<u>\$ 13,262,457</u>	<u>15,393,726</u>	<u>16,934,310</u>	<u>22,051,058</u>	<u>15,571,575</u>	<u>17,996,119</u>	<u>21,968,835</u>	<u>29,494,340</u>	<u>28,055,942</u>	<u>48,095,311</u>
Net (expense)/revenue:										
Governmental activities	\$ (8,663,331)	(8,991,039)	(9,314,907)	(10,822,530)	(9,784,782)	(10,616,356)	(9,975,271)	(2,619,041)	(11,897,172)	(12,581,524)
Business-type activities	<u>881,525</u>	<u>(471,317)</u>	<u>1,804,487</u>	<u>4,179,177</u>	<u>(7,418)</u>	<u>850,489</u>	<u>3,253,152</u>	<u>2,284,481</u>	<u>5,914,756</u>	<u>30,042,250</u>
Total primary government net expenses	<u>\$ (7,781,806)</u>	<u>(9,462,356)</u>	<u>(7,510,420)</u>	<u>(6,643,353)</u>	<u>(9,792,200)</u>	<u>(9,765,867)</u>	<u>(6,722,119)</u>	<u>(334,560)</u>	<u>(5,982,416)</u>	<u>17,460,726</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues										
Governmental activities:										
Taxes:										
Property taxes	\$ 632,495	632,102	655,943	651,699	665,999	921,052	917,599	708,684	879,280	912,645
Sales taxes	8,136,785	8,465,804	8,850,746	9,277,394	9,379,409	9,631,344	10,259,515	11,215,647	11,509,517	11,759,863
Other taxes, penalties and interest	2,246	125,284	174,443	199,832	179,427	23,199	209,156	240,261	224,983	254,921
Loss on disposal of assets	(213,435)	-	-	-	-	-	-	-	-	-
Grants and entitlements not restricted to a specific purpose	1,053,177	1,387,466	2,521,664	2,125,313	1,584,024	1,458,343	2,199,410	1,986,156	1,777,724	1,781,749
Investment income	402,339	946,861	993,447	730,096	270,673	238,969	94,331	65,053	51,161	33,183
Land sales	-	-	1,415,900	1,518,308	746,475	-	-	-	-	-
Other	249,022	172,748	64,491	1,168,070	651,281	271,973	19,471	45,736	59,301	9,398
Transfers	(1,380,000)	(1,626,886)	(700,000)	1,126,811	(160,262)	(135,360)	540,382	(25,000)	(600,000)	(381,000)
Total governmental activities	<u>8,882,629</u>	<u>10,103,379</u>	<u>13,976,634</u>	<u>16,797,523</u>	<u>13,317,026</u>	<u>12,409,520</u>	<u>14,239,864</u>	<u>14,236,537</u>	<u>13,901,966</u>	<u>14,370,759</u>
Business-type activities:										
Other taxes, penalties and interest	-	-	-	-	179,789	-	-	-	-	-
Grants and entitlements not restricted to a specific purpose	66,223	-	-	-	-	-	-	-	-	-
Loss on disposal of assets	(14,731)	-	-	-	-	-	-	-	-	-
Investment income	545,117	856,379	729,548	260,355	60,850	79,708	17,285	49,032	68,230	62,736
Other	(48,084)	53,580	194,034	180,238	-	-	-	-	-	-
Transfers	1,380,000	1,626,886	700,000	(1,126,811)	160,262	135,360	(540,382)	25,000	600,000	381,000
Total business-type activities	<u>1,928,525</u>	<u>2,536,845</u>	<u>1,623,582</u>	<u>(686,218)</u>	<u>400,901</u>	<u>215,068</u>	<u>(523,097)</u>	<u>74,032</u>	<u>668,230</u>	<u>443,736</u>
Total primary government	<u>\$ 10,811,154</u>	<u>12,640,224</u>	<u>15,600,216</u>	<u>16,111,305</u>	<u>13,717,927</u>	<u>12,624,588</u>	<u>13,716,767</u>	<u>14,310,569</u>	<u>14,570,196</u>	<u>14,814,495</u>
Change in Net Position										
Governmental activities	\$ 219,298	1,112,340	4,661,727	5,974,993	3,532,244	1,793,164	4,264,593	11,617,496	2,004,794	1,789,235
Business-type activities	<u>2,810,050</u>	<u>2,065,528</u>	<u>3,428,069</u>	<u>3,492,959</u>	<u>393,483</u>	<u>1,065,557</u>	<u>2,730,055</u>	<u>2,358,513</u>	<u>6,582,986</u>	<u>30,485,986</u>
Total primary government	<u>\$ 3,029,348</u>	<u>3,177,868</u>	<u>8,089,796</u>	<u>9,467,952</u>	<u>3,925,727</u>	<u>2,858,721</u>	<u>6,994,648</u>	<u>13,976,009</u>	<u>8,587,780</u>	<u>32,275,221</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Nonspendable - prepaid items	\$ -	-	-	-	-	2,117	-	13,741	8,885	16,709
Assigned:										
Subsequent year's expenditures	-	-	-	-	-	1,638,770	1,490,854	1,156,232	1,132,088	3,346,341
Unassigned	-	-	-	-	-	4,865,844	5,238,816	7,402,864	7,461,144	6,735,867
Total General Fund	\$ -	-	-	-	-	6,506,731	6,729,670	8,572,837	8,602,117	10,098,917
All other governmental funds:										
Committed for tourism	\$ -	-	-	-	-	206,694	236,859	301,433	357,411	389,175
Committed for Enhancement Fund						4,778,691	1,990,740	2,055,523	3,054,325	3,201,211
Assigned:										
Capital project funds	-	-	-	-	-	1,967,895	4,988,688	5,562,428	1,849,369	2,709,527
Public works	-	-	-	-	-	26,878	19,441	63,483	95,402	100,561
Unassigned (deficit)	-	-	-	-	-	(1,685,144)	(234,875)	-	-	-
Total other governmental funds	\$ -	-	-	-	-	5,295,014	7,000,853	7,982,867	5,356,507	6,400,474
General Fund:										
Reserved	\$ 4,410	251,108	48,735	14,622	13,618	-	-	-	-	-
Unreserved	4,868,452	5,322,163	8,261,482	7,689,501	8,838,952	-	-	-	-	-
Total General Fund	\$ 4,872,862	5,573,271	8,310,217	7,704,123	8,852,570	-	-	-	-	-
All other governmental funds:										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,996,074	4,141,849	5,410,939	3,743,007	4,432,351	-	-	-	-	-
Capital project funds	5,519,696	6,680,620	14,765,170	15,263,690	3,645,026	-	-	-	-	-
Total other governmental funds	\$ 11,515,770	10,822,469	20,176,109	19,006,697	8,077,377	-	-	-	-	-

Notes: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund balance has not been restated for prior years.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 8,929,890	9,223,190	9,681,132	10,128,925	10,224,835	10,575,595	11,386,270	12,150,131	12,604,298	12,912,690
Intergovernmental	2,249,839	1,897,112	3,566,165	4,481,587	3,436,286	4,521,935	5,411,721	12,462,294	3,261,608	4,307,386
Charges for services	1,204,864	1,304,629	1,219,155	1,232,892	1,194,380	1,356,105	1,602,132	1,538,470	1,911,039	1,923,897
Fines and forfeitures	55,934	29,452	55,479	20,122	23,514	6,156	3,619	15,308	9,482	14,739
Licenses and permits	43,064	51,535	102,748	76,679	70,489	93,193	71,957	237,950	83,253	135,769
Rental income	187,374	168,356	136,480	213,460	198,188	166,373	197,032	236,124	231,780	263,537
Interfund charges	605,160	609,740	760,430	690,920	678,820	662,872	813,225	865,152	895,876	871,909
Investment income	383,909	878,442	944,184	722,722	268,746	236,576	94,193	63,457	50,839	32,010
Special assessments	293,351	195,827	99,587	91,300	81,088	57,242	47,057	44,335	32,104	6,041
Sale of land	-	-	1,415,330	1,518,308	746,475	-	-	-	-	-
Donations	-	-	-	-	-	-	-	500,000	645,000	42,227
Other revenues	90,658	110,960	65,061	14,155	651,281	271,973	21,157	46,736	59,301	9,398
Total revenues	\$ 14,044,043	14,469,243	18,045,751	19,191,070	17,574,102	17,948,020	19,648,363	28,159,957	19,784,580	20,519,603
Expenditures										
General government	\$ 1,790,557	1,838,143	1,968,278	1,947,971	1,988,470	2,121,115	2,167,022	2,421,254	2,325,859	2,536,309
Public safety	5,204,895	5,422,461	5,806,415	5,686,969	5,980,113	6,454,474	7,130,363	7,408,485	7,872,405	8,198,863
Public works	1,729,607	2,032,734	1,816,084	4,274,007	2,270,267	4,060,798	2,763,027	2,376,153	2,234,955	2,714,642
Engineering	216,394	158,090	162,559	128,245	143,630	87,209	150,113	189,900	201,581	244,967
Parks and recreation	950,291	986,890	1,006,513	1,013,620	1,089,285	1,148,482	1,128,736	1,083,502	1,230,546	1,357,632
Library	650,423	668,146	704,219	695,715	720,071	680,345	778,930	825,732	847,134	935,048
Community services	260,513	262,754	267,839	426,747	267,818	250,469	297,683	287,129	296,234	365,012
Other - insurance and administration	497,178	461,949	484,548	474,613	525,528	529,442	517,399	487,673	577,733	468,125
Debt service principal	-	-	-	135,000	145,000	150,000	155,000	165,000	175,000	185,000
Debt service interest	-	-	15,344	377,227	385,740	378,490	370,990	363,240	354,990	346,240
Capital outlay	2,924,189	1,004,082	2,223,366	7,539,755	13,678,791	7,080,038	3,200,704	9,975,708	5,665,223	245,998
Total expenditures	\$ 14,224,047	12,835,249	14,455,165	22,699,869	27,194,713	22,940,862	18,659,967	25,583,776	21,781,660	17,597,836
Excess of revenues over (under) expenditures	(180,004)	1,633,994	3,590,586	(3,508,799)	(9,620,611)	(4,992,842)	988,396	2,576,181	(1,997,080)	2,921,767
Other financing sources (uses)										
General obligation bond issuance	-	-	8,000,000	-	-	-	-	-	-	-
Transfers in	3,512,057	5,416,011	11,422,989	11,180,416	2,664,564	4,206,656	5,753,450	2,005,699	2,334,396	1,636,829
Transfers out	(4,892,057)	(7,042,897)	(10,922,989)	(9,447,123)	(2,824,826)	(4,342,016)	(4,813,068)	(1,756,699)	(2,934,396)	(2,017,829)
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	(1,380,000)	(1,626,886)	8,500,000	1,733,293	(160,262)	(135,360)	940,382	249,000	(600,000)	(381,000)
Net change in fund balance	\$ (1,560,004)	7,108	12,090,586	(1,775,506)	(9,780,873)	(5,128,202)	1,928,778	2,825,181	(2,597,080)	2,540,767
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.13%	3.45%	4.00%	3.40%	3.58%	3.38%	3.32%	3.13%

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
2006	\$ 632,495	\$ 8,136,785	\$ 133,781	\$ 8,903,061
2007	632,102	8,465,804	101,294	9,199,200
2008	655,943	8,850,746	146,385	9,653,074
2009	651,699	9,277,394	168,267	10,097,360
2010	665,999	9,379,409	154,145	10,199,553
2011	765,539	9,631,344	155,513	10,552,396
2012	917,599	10,259,515	171,564	11,348,678
2013	708,684	11,215,647	196,687	12,121,017
2014	879,280	11,509,517	188,298	12,577,095
2015	912,645	11,759,863	212,228	12,884,736

CITY OF KODIAK
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2006	\$ 198,407,195	\$ 135,496,037	\$ 17,644,700	\$ 316,258,532	2.00	\$ 358,713,700	88.16%
2007	202,102,695	136,851,037	18,696,800	320,256,932	2.00	376,672,400	85.02%
2008	204,268,195	136,704,037	19,575,700	321,396,532	2.00	389,892,700	82.43%
2009	207,887,196	139,455,992	21,028,450	326,314,738	2.00	416,724,100	78.30%
2010	216,020,977	139,126,798	22,489,410	332,658,365	2.00	405,445,000	82.05%
2011	274,821,033	138,431,537	25,709,065	387,543,505	2.00	432,685,300	89.57%
2012	276,733,900	140,575,600	26,514,600	390,794,900	2.00	436,298,000	89.57%
2013	289,841,300	152,443,300	28,115,800	414,168,800	2.00	463,300,300	89.40%
2014	299,459,100	170,379,500	30,254,269	439,584,331	2.00	439,584,331	100.00%
2015	308,138,200	179,507,800	28,115,478	459,530,522	2.00	459,530,522	100.00%

Source: Kodiak Island Borough Assessing Department and the State of Alaska Department of Commerce & Economic Development

Note: Property tax is calculated at full value as of January 1 of the tax year. Annually the Borough reports to the State the taxable value of property. The State then evaluates the report and adds in optionally exempted property to determine the Estimated Actual Taxable Value. The total Tax Rate is based on \$1,000 of assessed value.

CITY OF KODIAK
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(per \$100 of Assessed Value)

Fiscal Year	City of Kodiak			Kodiak Island Borough			Total Direct & Overlapping Rates	
	Real Property Millage	Personal Property Millage	Total City Millage	Real Property Millage	Personal Property Millage	Total Borough Millage	Real Property	Personal Property
2006	2.00	0.00	2.00	11.00	11.00	11.00	13.00	11.00
2007	2.00	0.00	2.00	10.50	10.50	10.50	12.50	10.50
2008	2.00	0.00	2.00	10.50	10.50	10.50	12.50	10.50
2009	2.00	0.00	2.00	10.50	10.50	10.50	12.50	10.50
2010	2.00	0.00	2.00	10.50	10.50	10.50	12.50	10.50
2011	2.00	0.00	2.00	10.50	10.50	10.50	12.50	10.50
2012	2.00	0.00	2.00	10.75	10.75	10.75	12.75	10.75
2013	2.00	0.00	2.00	10.75	10.75	10.75	12.75	10.75
2014	2.00	0.00	2.00	10.75	10.75	10.75	12.75	10.75
2015	2.00	0.00	2.00	10.75	10.75	10.75	12.75	10.75

Source: City of Kodiak records and Kodiak Island Borough records

CITY OF KODIAK

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

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

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

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

Note: Effective October 1, 2012 the City sales tax rate is 7%, with a maximum taxable transaction amount of \$750; any amount over \$750 is tax exempt. The maximum tax to be charged on a transaction is \$52.50
Previous rate was 6% with a maximum tax to be charged on a transaction was \$45

CITY OF KODIAK
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 630,325	\$ 623,763	98.96%	\$ 8,732	\$ 632,495	100.00%
2007	632,517	599,261	94.74%	16,420	615,681	97.34%
2008	641,218	640,435	99.88%	15,508	655,943	100.00%
2009	653,397	644,857	98.69%	6,842	651,699	99.74%
2010	665,317	656,852	98.73%	4,848	661,700	99.46%
2011	781,590	759,262	97.14%	3,494	762,757	97.59%
2012	780,820	772,191	98.89%	15,893	788,083	100.00%
2013	830,179	817,304	98.45%	14,442	831,745	100.00%
2014	879,169	869,010	98.84%	4,164	873,174	99.32%
2015	925,976	902,839	97.50%	5,615	908,455	98.11%

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

Fiscal Year	Governmental	Business-Type Activities			Percentage of Personal Income	Per Capita
	Activities General Obligation Bonds	Revenue Bonds	Alaska Clean Water Fund Loans	Alaska Drinking Water Fund Loan		
2006	\$ -	\$ 620,000	\$ 2,010,973	\$ -	1.3%	\$ 443
2007	-	420,000	1,809,876	-	1.1%	392
2008	8,000,000	6,215,000	1,608,779	-	7.3%	2,649
2009	7,865,000	7,000,000	1,957,682	550,000	7.7%	2,908
2010	7,720,000	6,895,000	3,177,346	440,000	6.6%	2,752
2011	7,570,000	6,795,000	3,486,136	1,355,116	7.8%	3,133
2012	7,415,000	6,685,000	3,139,645	1,589,186	7.4%	2,983
2013	7,250,000	6,570,000	2,792,495	2,371,341	7.1%	2,952
2014	7,075,000	6,445,000	2,444,676	2,177,465	6.8%	2,862
2015	6,890,000	6,315,000	2,218,804	2,202,369	6.4%	2,785

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Kodiak			
General Obligation Bonds	\$ 6,890,000	100%	\$ <u>6,890,000</u>
Kodiak Island Borough			
General Obligation Bonds	<u>73,162,568</u>	43%	<u>31,460,744</u>
Total direct and overlapping debt	\$ <u>80,052,568</u>		\$ <u>38,350,744</u>

Source: Assessed value data used to estimate applicable percentages provided by the Kodiak Island Borough and the State of Alaska.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Kodiak Island Borough's taxable assessed value that is within the City of Kodiak's boundaries and dividing it by the Kodiak Island Borough's total taxable assessed value.

CITY OF KODIAK
Legal Debt Margin Information
As of June 30, 2015

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

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

Source: Kodiak Island Borough assessment reports

CITY OF KODIAK
Pledged-Revenue Coverage
Last Ten Fiscal Years

Boat Harbor Revenue Bond						
Fiscal Year	Boat Harbor Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2007	-	-	-	-	-	n/a
2008	1,999,486	2,038,080	(38,594)	-	-	n/a
2009	2,183,999	1,697,696	486,303	-	24,405	n/a
2010	2,233,292	1,518,404	714,888	30,000	96,721	n/a
2011	2,394,368	1,756,658	637,710	30,000	94,921	5.10
2012	2,507,552	1,806,778	700,774	35,000	92,971	5.48
2013	2,602,989	1,868,970	734,019	35,000	90,871	5.83
2014	2,344,260	1,926,330	417,930	40,000	88,621	3.25
2015	2,371,246	1,845,972	525,274	40,000	86,221	4.16

Operating expenses exclude depreciation.

Shipyard Revenue Bonds						
Fiscal Year	Shipyard Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ -	\$ -	\$ -	\$ -	\$ -	n/a
2007	-	-	-	-	-	n/a
2008	-	-	-	-	-	n/a
2009	-	35,004	(35,004)	-	-	n/a
2010	320,574	316,277	4,297	75,000	211,551	n/a
2011	293,845	350,274	(56,429)	70,000	236,870	-0.18
2012	239,889	308,101	(68,212)	75,000	237,693	-0.22
2013	642,020	492,924	149,096	80,000	233,543	0.48
2014	722,665	517,397	205,268	85,000	228,993	0.65
2015	746,002	366,823	379,179	90,000	224,143	1.21

Operating expenses exclude depreciation.

CITY OF KODIAK
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2006	5,937	\$ 194,989,036	\$ 32,843	2,736	8.7%
2007	5,689	206,202,418	36,246	2,685	6.8%
2008	5,974	216,662,949	36,268	2,650	7.0%
2009	5,974	226,719,274	37,951	2,661	7.9%
2010	6,626	275,754,242	41,617	2,595	6.7%
2011	6,130	245,028,360	39,972	2,565	6.4%
2012	6,312	254,651,328	40,344	2,524	5.8%
2013	6,431	269,175,936	41,856	2,559	5.6%
2014	6,338	268,097,400	42,300	2,524	5.4%
2015	6,329	277,513,992	43,848	2,477	4.8%

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

CITY OF KODIAK
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2015 Rank</u>	<u>2006 Rank</u>
Kodiak Island Borough School District		1
Trident Seafood Corporation		2
Ocean Beauty Seafoods		3
North Pacific Processors, Inc.		4
International Seafoods		5
City of Kodiak		6
Global Seafoods		7
Safeway		8
Kodiak Area Native Association		9
Sisters of Providence		10

Source: State of Alaska Department of Labor

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

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

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government	12.50	11.30	12.05	12.05	12.30	12.30	12.30	13.30	13.30	13.30
Public Safety:										
Police	35.00	35.00	37.00	37.00	37.00	41.50	42.50	42.50	42.50	42.50
Fire	12.75	12.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Public Works	10.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Engineering	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	5.00	5.00	5.00	6.00	5.00	7.25	5.75	5.75	5.75	5.75
Library	7.00	6.75	6.75	6.75	6.75	7.00	7.00	7.00	7.00	7.00
Harbor	14.00	14.00	14.00	14.00	16.40	16.40	16.40	16.40	16.40	16.40
Water	6.00	6.60	6.60	6.85	6.60	6.60	6.60	6.60	6.60	6.60
Sewer	<u>7.00</u>	<u>7.80</u>	<u>8.60</u>	<u>8.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>	<u>9.35</u>
Total	<u><u>112.25</u></u>	<u><u>110.70</u></u>	<u><u>115.25</u></u>	<u><u>116.25</u></u>	<u><u>118.65</u></u>	<u><u>125.65</u></u>	<u><u>125.15</u></u>	<u><u>126.15</u></u>	<u><u>126.15</u></u>	<u><u>126.15</u></u>

Note: Full-time equivalent employees are permanent employees.

CITY OF KODIAK
Operating Indicators by Function
Last Ten Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function										
Police:										
Complaints investigated	7,796	8,195	8,376	8,839	7,716	8,746	10,168	13,856	15,135	14,168
Motor vehicle collision reports	180	86	67	89	124	89	118	155	118	124
Bookings/admissions	1,000	959	850	917	917	864	849	1,030	973	1,196
Investigations conducted	264	200	147	125	188	158	201	293	299	271
Service calls received/dispatched	6,720	8,353	8,376	9,661	7,279	8,797	10,168	13,855	15,135	14,168
Fire:										
Fire response within 5 minutes	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
EMS response within 5 minutes	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Public Works:										
Streets										
Time spent on snow removal (man hours)	2,827	5,883	5,558	5,900	5,000	4,704	5,000	3,406	2,066	693
Garage										
Preventative maintenance checks	107	113	113	132	125	80	130	130	79	117
Building inspection										
Building permits issued	224	190	182	197	190	201	223	219	158	193
Engineering -										
Projects completed on schedule & within budget	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Parks and Recreation:										
Landscape maintenance (in acres)	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5	240.5
Teen center attendance	11,245	31,111	29,829	32,920	31,000	36,088	16,054	16,054	16,054	17,408
Number of aquatic participants	7,993	19,496	13,566	15,463	19,728	27,804	35,799	35,314	30,493	25,087
Ice rink attendance	10,000	10,000	19,594	32,679	34,480	34,480	6,598	8,492	12,200	14,535
Library:										
Number of visitors	149,757	149,702	149,572	149,300	149,800	149,273	149,264	149,000	149,300	152,000
Number of materials withdrawn	2,111	3,750	3,334	3,800	3,800	3,047	4,957	3,502	1,146	1,121
Harbor:										
Vehicle, boat and foot patrol hours	6,996	5,832	7,000	7,000	7,000	7,000	7,000	7,000	7,611	8,464
Number of owner accounts	1,543	1,314	1,400	1,400	1,400	1,400	1,400	1,400	1,500	1,500
Water -										
All regulations met	Yes									
Sewer:										
Treatment standards met	Yes									
Discharge effluent limits met	Yes									

CITY OF KODIAK
 Capital Asset Statistics by Function
 Last Ten Years

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	21	20	20	20	20	21	23	20	20	20
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	11	10	9	9	9	9	9	9	8	10
Public Works:										
Streets (miles)	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4	23.4
Runways (feet)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Parks and Recreation:										
Number of parks/ playgrounds	14	14	14	14	14	14	14	14	14	14
Teen center	1	1	1	1	1	1	1	1	1	1
Ice rink	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Harbor:										
Number of harbors	2	2	2	2	2	2	2	2	2	2
Piers & docks	6	6	6	6	6	6	6	6	6	6
Water:										
Water mains (miles)	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4
Number of reservoirs	4	4	4	4	4	4	4	4	4	4
Sewer:										
Sewer mains (miles)	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9
Lift stations	20	20	20	20	20	20	20	20	20	20



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and City Council
City of Kodiak, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kodiak, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Kodiak's basic financial statements and have issued our report thereon dated January 12, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kodiak's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
January 12, 2016



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

Honorable Mayor and City Council
City of Kodiak, Alaska

Report on Compliance for Each Major State Program

We have audited City of Kodiak's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Kodiak's major state programs for the year ended June 30, 2015. City of Kodiak's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kodiak's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Kodiak's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Kodiak's compliance.

Opinion on Each Major State Program

In our opinion, City of Kodiak complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of City of Kodiak is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kodiak's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kodiak's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BDO USA, LLP

Anchorage, Alaska
January 12, 2016

City of Kodiak, Alaska

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

Section I - Summary of Auditors' Results

Financial Statements

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

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Type of auditor's report issued on compliance for major state programs:	Unmodified	
Dollar threshold used to distinguish a State major program:		\$ 300,000

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

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

Section III - State Award Findings and Questioned Costs

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

City of Kodiak, Alaska

Summary Schedule of Prior Audit Findings *Year Ended June 30, 2015*

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

There were no findings in the prior year.

Federal Award Findings and Questioned Costs

There were no findings in the prior year.

State of Alaska Award Findings and Questioned Costs

There were no findings in the prior year.

City of Kodiak, Alaska

Corrective Action Plan *Year Ended June 30, 2015*

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