

**KODIAK ISLAND BOROUGH  
KODIAK, ALASKA**

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**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

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**JULY 1, 2013 - JUNE 30, 2014**

**KODIAK ISLAND BOROUGH**  
Comprehensive Annual Financial Report  
Year Ended June 30, 2014

Official Issuing Report  
Karleton G. Short  
Finance Director

# KODIAK ISLAND BOROUGH

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**INTRODUCTORY SECTION**



# *Kodiak Island Borough*

*Finance Department*

710 Mill Bay Road

Kodiak, Alaska 99615

Phone (907) 486-9323 Fax (907) 486-9392

December 31, 2014

Members of the Assembly  
Kodiak Island Borough, Alaska

State of Alaska statutes and local charter provisions require that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Kodiak Island Borough (Borough) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the Borough. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Borough has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Borough's financial statements have been audited by Altman, Rogers & Co., a firm of licensed certified public accountants. The goal of the independent audit was to form an opinion on whether the financial statements of the Borough, for the fiscal year ended June 30, 2014, are presented fairly, in all material respects, in accordance with generally accepted accounting principles in the United States of America. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unqualified opinion on the Borough's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Borough was part of broader, State and federally mandated "Single Audits" designed to meet the special needs of State and federal

grantor agencies. 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 State and federal awards. These reports are available in the Borough's separately issued Single Audit Report.

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

### **Profile of the Government**

The Kodiak Island Borough lies at the western border of the Gulf of Alaska, approximately 40 miles south of the Kenai Peninsula. Kodiak Island is the largest island in Alaska and the second largest in the United States. About two-thirds of the Borough lies in the Kodiak archipelago with the remaining third on the Alaska Peninsula, across the Shelikof Strait from Kodiak Island. The Shelikof Strait is only 20 miles wide in places. The Borough encompasses 7,130 square miles, making it slightly smaller than the State of Massachusetts and serves a population of 13,824.

The Borough was incorporated September 30, 1963, as a Second Class Borough by Chapter 146 Sessions, Laws of Alaska 1961, as amended. The powers granted to the Borough include area-wide powers and non area-wide powers. Area-wide powers are health, education, planning and zoning, emergency services planning, and assessment and collection of taxes for both the Borough and cities within the Borough. Non area-wide powers include parks and recreation, economic development, solid waste disposal, animal control, fire protection, street lighting and road maintenance and construction. A Manager form of government governs the Borough. The Mayor is elected at large while the Borough Assembly appoints the Manager. The Assembly is composed of seven members who are elected at-large.

The Borough provides a full range of services including fire protection, the construction and maintenance of roads and other infrastructure, community and economic development, health, culture and recreation and solid waste collection and disposal. The Borough also is financially accountable for a legally separate school district which is reported separately within the Borough's financial statements. Additional information on this legally separate entity can be found in the basic financial statements.

The annual budget serves as the foundation for the Borough's financial planning and control. All departments of the Borough are required to submit requests for appropriation to the Borough Manager. The Borough Manager uses these requests as the starting point for developing a proposed budget. The Borough Manager then presents this proposed budget to the Assembly for review by April 30. The assembly is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 10. The appropriated budget is prepared by fund and department. The Assembly makes appropriation transfers between funds and/or departments only after the adoption of an ordinance. Borough staff may execute transfers between line items

within a department. Amendments to the budget can occur anytime during the fiscal year through the Borough Assembly or administrative action. Expenditures may not legally exceed appropriations at the following levels: Capital Project Funds – project level, all other funds – department level. All funds, except Capital Project Funds, are budgeted on an annual basis encompassing a fiscal year. Budgets of Capital Project Funds generally encompass the period from start-up to project completion, which is generally greater than one year. Budget-to-actual comparisons are provided in this report for each individual governmental and proprietary fund for which an appropriated annual budget has been adopted. For the General Fund, the Education Support Special Revenue Fund and the Facilities Special Revenue Fund, this comparison is presented on pages 73-76 as part of required supplementary information. For governmental funds, other than the General Fund, the Education Support Special Revenue Fund and the Facilities Special Revenue Fund, this comparison is presented in the additional supplementary information subsection of this report, which starts on page 78. Also included in the additional supplementary information subsection are the Education and Health Debt Service Fund budget to actual. For proprietary funds, this comparison is presented in the proprietary funds subsection of this report, which starts on page 109.

#### **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 Borough operates.

**Local economy.** The economic condition of the Kodiak Island Borough remains healthy. The main industries of the Borough are commercial fishing, logging, and tourism. The commercial fishing industry in Kodiak has been very strong. Severance taxes on seafood increased from \$980,109 in FY2005 to \$1,715,496 in FY2014, a 75% increase. Logging has increased over the last ten years from \$17,013 to \$96,014 but it is not a material revenue source. Tourism continues to be strong in Kodiak. Bed tax revenues have increased from \$20,886 in FY2005 to \$75,042 in FY2014, an increase of 259%. Considering today's economy this is very good. To accommodate this demand, construction of fishing lodges, bed and breakfast accommodations and recreational facilities has increased along with an increase in charter boat and guide operations. Cruise ships continue to visit Kodiak.

The Kodiak Island Borough is also home to the aerospace industry, which began with construction of the Kodiak Launch Complex in 1998. Owned by the Alaska Aerospace Development Corporation (AADC), a public corporation of the State of Alaska, the Kodiak Launch complex is the first complete launch facility built in the United States since the 1960's and the first not owned by the Federal Government. 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.

Kodiak is home to the largest U.S. Coast Guard base in the country, employing nearly 1,350 people and providing vital services to the marine industries that are an integral part of Kodiak's make-up as well as making a significant contribution to the Kodiak community.

The seafood industry is by far the largest industry in the Kodiak Island Borough. This industry includes commercial fishing, fisheries research, management and enforcement, seafood processing, and maintenance and support services. Kodiak is home to the largest port in the State, housing over 500 commercial vessels and consistently ranks among the top ten ports in the United States in terms of amount and value of product delivered. In 2012 393,000,000 pounds of sea food was landed with a value of \$148,086,957.

Employment varies throughout the year with July, August, and September being the peak months due to the increased activity in the fisheries and related businesses, and then declines in November and December when fishing quotas are reached. The local unemployment rate has fluctuated from 5.2% to 8.3% over the last ten years, but the overall average has remained around 6.7%.

**Long-term financial planning.** Every year the Borough adopts a five-year strategic plan. In this plan the Borough decides what its goals and objectives are for the next five years. The Borough breaks these goals out based on our Mandatory and Adopted powers. To view the complete Strategic plan you can visit our web site at [www.kodiakak.us](http://www.kodiakak.us).

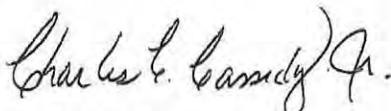
#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Borough for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-fourth consecutive year that the Borough has received 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 CAFR 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the administration and finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must be given to the mayor and the assembly for their unfailing support for maintaining the highest standards of professionalism in the management of the Borough's finances.

Respectfully submitted,



Charles E. Cassidy Jr.  
Borough Manager



Karleton G. Short  
Director of Finance



Government Finance Officers Association

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

Presented to

**Kodiak Island Borough  
Alaska**

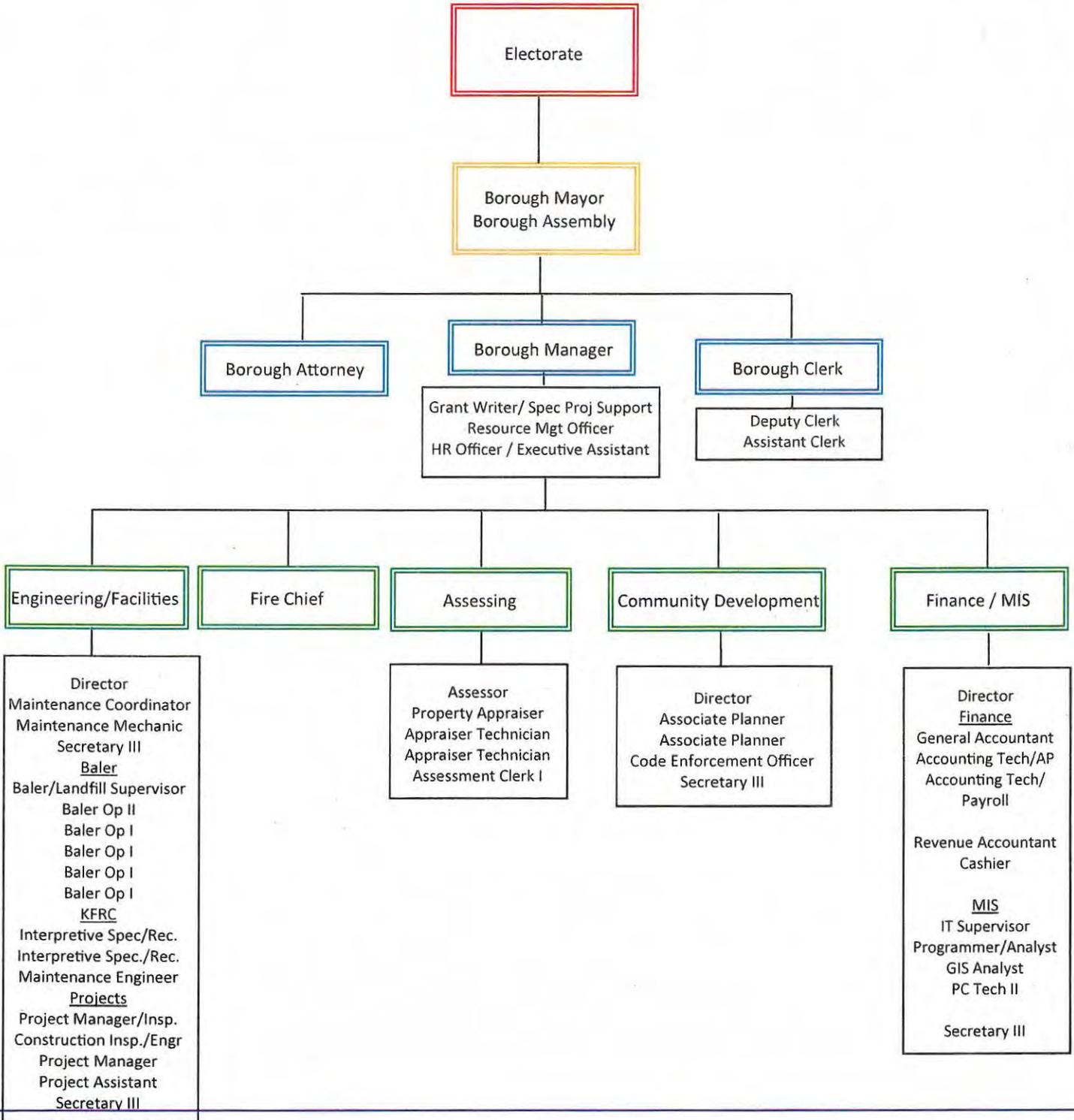
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

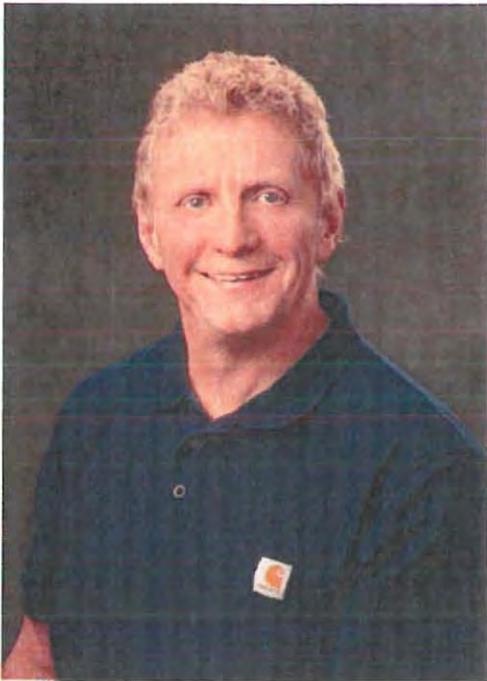
Executive Director/CEO

# Kodiak Island Borough

FY 2014



## MAYOR AND ASSEMBLY MEMBERS



**Jerrol Friend, Mayor, 2014**



**Carol Austerman,  
At Large, 2016**



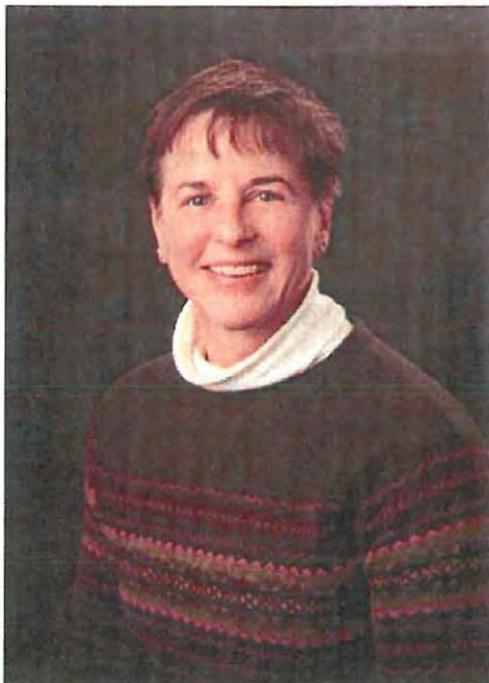
**Tuck Bonney,  
At Large, 2014**



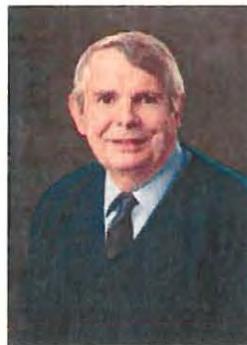
**Dave Kaplan,  
At Large, 2014**



**Aaron Griffin,  
At Large, 2015**



**Chris Lynch,  
Deputy Presiding Officer (DPO),  
At Large, 2015**



**Mel Stephens,  
At Large, 2014**



**Frank Peterson, Jr.,  
At Large, 2016**

**KODIAK ISLAND BOROUGH**

KODIAK, ALASKA  
BOROUGH OFFICIALS  
YEAR ENDED JUNE 30, 2014

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MAYOR

Jerrold Friend '14

ASSEMBLY

Carol Austerman '16

Tuck Bonney '14

Aaron Griffin '15

Dave Kaplan '14

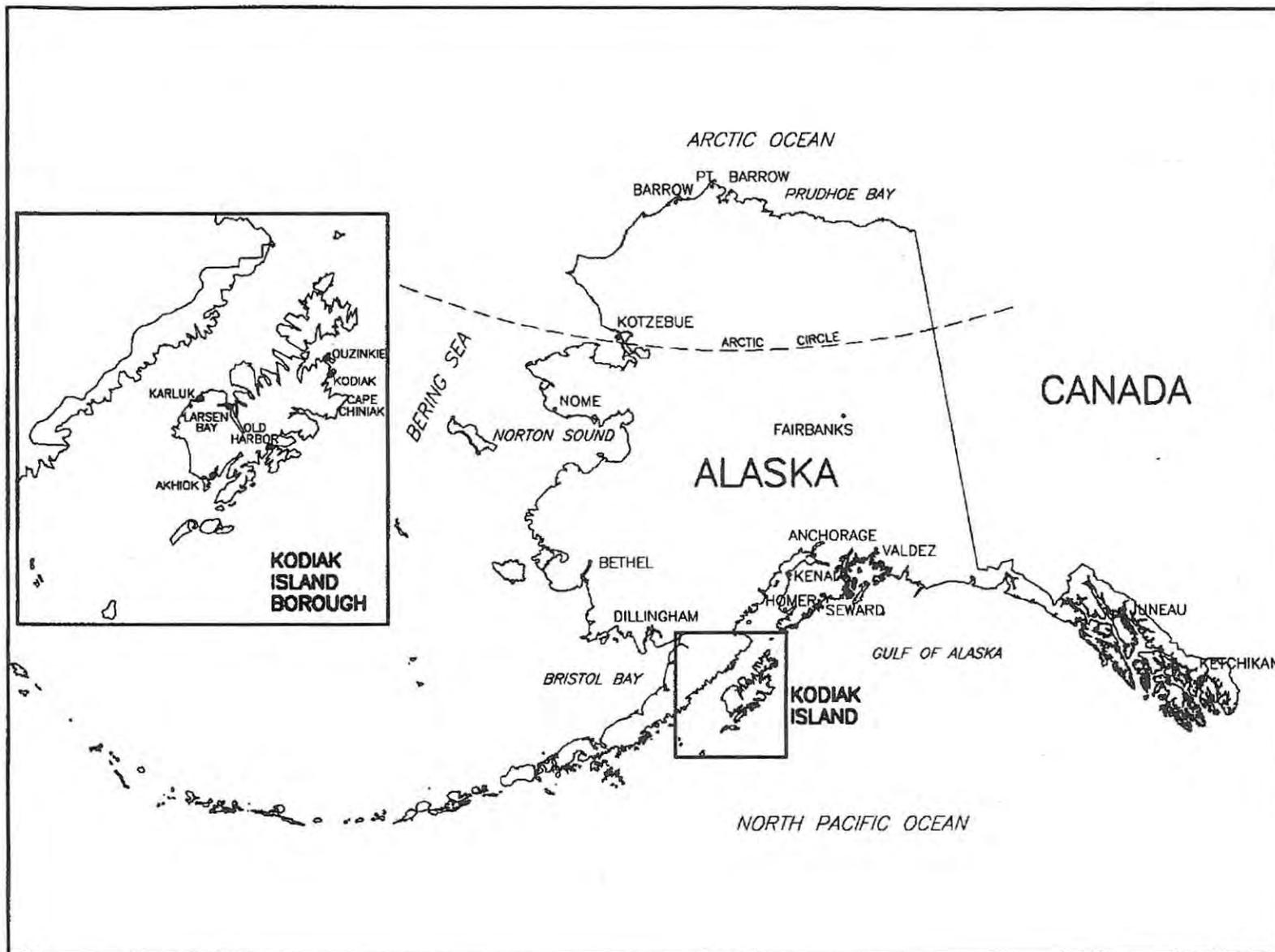
Chris Lynch '15

Mel Stephens '14

Frank R. Peterson '16

MANAGEMENT

Charles "Bud" Cassidy.....	Borough Manager
Karleton G. Short.....	Finance Director/Treasurer
Robert Tucker .....	Engineering and Facilities Director
Nova Javier, CMC.....	Borough Clerk
Bill Roberts .....	Borough Assessor
Robert A. Himes .....	Fire Chief
Levesque Law Group, LLC.....	Borough Attorney (Contracted Firm)
Stuart McDonald.....	Superintendent, School District
Dria Bray-Holloway.....	General Accountant
Dora Cross .....	Revenue Accountant
Paul Van Dyke .....	IT Supervisor
Lauri Whiddon .....	HR Officer/Executive Assistant



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**FINANCIAL SECTION**

## **Independent Auditor's Report**

The Honorable Mayor and Members of the Assembly  
Kodiak Island Borough  
Kodiak, Alaska

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kodiak Island Borough, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Borough'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.

The Honorable Mayor and Members of the Assembly  
Kodiak Island Borough

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kodiak Island Borough, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13-22 and the Budgetary Comparison Schedules and notes to RSI on pages 73-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kodiak Island Borough's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Budgetary Comparison Schedule – Debt Service Fund – Education and Health, Nonmajor Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Special Revenue Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), and Schedules of Revenues, Expenditures, and Changes in Fund Balance (Deficit) – Budget and Actual, Nonmajor Capital Project Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor and Members of the Assembly  
Kodiak Island Borough

The Additional Supplementary Information listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Supplementary Information listed above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, the Supplementary Bond Schedules and the Statistical Section, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of the Kodiak Island Borough'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 Kodiak Island Borough's internal control over financial reporting and compliance.

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 31, 2014

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## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis

June 30, 2014

As management of the Kodiak Island Borough, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Kodiak Island Borough for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 4 of this report.

#### Financial Highlights

- The assets of the Kodiak Island Borough exceeded its liabilities at the close of FY2014 by \$175,412,469. Of this amount, \$58,869,719 (unrestricted net position) may be used to meet the Borough's ongoing obligations to citizens and creditors.
- In FY2014 the Borough's total net position increased by \$13,110,572.
- Equity in our central treasury decreased \$11,792,274. This decrease was mainly due to capital expenditures.
- At the end of the current fiscal year, the Borough's governmental funds reported combined fund balances of \$72,318,860. This was a decrease of \$3,497,624, compared to the net change in the prior year of an increase of \$20,645,719. At the end of FY2014, unassigned fund balance for the general fund was \$3,502,489. This was 57% of total general fund expenditures.
- The Borough's bonds payable increased by \$20,991,442. This was due to the issuance of a \$22,660,000 general obligation bond with a premium of \$2,427,432 less payments of \$4,095,990 in bond principal and premium.

#### Overview of the Financial Statements

##### Government wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of the Kodiak Island Borough's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Kodiak Island Borough's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Kodiak Island Borough is improving or deteriorating.

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 this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government wide financial statements distinguish functions of the Kodiak Island Borough 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 Kodiak Island Borough include general government, public safety, community and economic development, emergency preparedness, health and sanitation, education, culture and recreation, parks and recreation, service district maintenance, and primary and secondary education. The business-type activities of the Kodiak Island Borough include a solid waste collection and disposal facility, a Borough owned hospital, the Kodiak Fisheries Research Center, and a 911 emergency system.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

The government wide financial statements include not only the Kodiak Island Borough itself (known as the primary government), but also the legally separate school district for which the Kodiak Island Borough is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government wide financial statements can be found on pages 23-24 of this report.

#### **Fund Financial 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 Kodiak Island Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Kodiak Island Borough can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Kodiak Island Borough maintains 30 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, the Education Support Special Revenue Fund, the Facilities Special Revenue Fund, the Education and Health Debt Service Fund, and the Kodiak High School Renovation Capital Project Fund, and the Renewel and Replacement Projects Capital Project Fund, which are all considered to be major funds. Data from the other nonmajor 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 elsewhere in the supplementary information section of this report.

The Kodiak Island Borough adopts an annual appropriated budget for its General Fund, Special Revenue Funds and Debt Service Fund. Budgetary comparison statements have been provided for the funds to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 23-32 of this report.

**Proprietary Funds** – The only Proprietary Fund type that the Kodiak Island Borough uses is enterprise funds. Enterprise funds are used to report the same functions presented as business type activities in the government wide financial statements. Proprietary Funds provide the same type of information as government wide financial statements, only in more detail. The Kodiak Island Borough uses enterprise funds to account for a solid waste collection and disposal facility, a Borough owned hospital leased to the Sisters of Providence d.b.a. Providence Kodiak Island Medical Center, rents and utilities of the Borough owned Kodiak Fisheries Research Center, and 911 phone charges and expenses.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

The Kodiak Island Borough adopts an annual appropriated budget for its proprietary funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

The basic Proprietary Fund financial statements can be found on pages 29-32 of this report.

**Notes to the Basic Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. The notes to the basic financial statements can be found on pages 33-72 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules for the General Fund, the Education Support Special Revenue Fund and the Facilities Special Revenue Fund. Required supplementary information can be found on pages 73-77 of this report.

#### Government wide Financial Analysis

##### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Kodiak Island Borough, assets exceeded liabilities by \$175,412,469 at the close of FY2014, the most recent fiscal year. The net position of the component unit were \$7,485,028 at the close of FY2014.

The largest portion of the Kodiak Island Borough's net position (\$116,542,750 or 66%) reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure) net of related debt. The Kodiak Island Borough uses these capital assets to provide services to citizens; consequently, these capital assets are not available for future spending. Although the Borough's investment in capital assets is reported net of 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.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 81,695,355	79,790,040	22,131,673	35,122,305	103,827,028	114,912,345
Capital assets	131,424,119	100,052,704	65,293,662	47,791,787	196,717,781	147,844,491
Total assets	<u>\$ 213,119,474</u>	<u>179,842,744</u>	<u>87,425,335</u>	<u>82,914,092</u>	<u>300,544,809</u>	<u>262,756,836</u>
Long-term liabilities	\$ 72,178,195	51,746,354	32,003,516	31,293,294	104,181,711	83,039,648
Other liabilities	14,027,297	8,172,957	6,923,352	9,242,334	20,950,649	17,415,291
Total liabilities	<u>\$ 86,205,492</u>	<u>59,919,311</u>	<u>38,926,868</u>	<u>40,535,628</u>	<u>125,132,360</u>	<u>100,454,939</u>
Net position:						
Net investment in capital assets	\$ 80,159,521	72,773,598	36,383,229	21,628,143	116,542,750	94,401,741
Unrestricted	46,754,461	47,149,835	12,115,258	20,750,321	58,869,719	67,900,156
Total net position	<u>\$ 126,913,982</u>	<u>119,923,433</u>	<u>48,498,487</u>	<u>42,378,464</u>	<u>175,412,469</u>	<u>162,301,897</u>

For more detailed information see the Statement of Net Position on page 23.

The remaining balance of unrestricted net position, \$58,869,719, may be used to meet the Borough's ongoing obligations to citizens and creditors.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

#### Statement of Activities

The following condensed table of changes in net position displays the revenues and expenses for the current and prior year.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 701,999	657,025	5,267,289	4,827,538	5,969,288	5,484,563
Operating grants and contributions	4,077,510	2,917,662	—	85,634	4,077,510	3,003,296
Capital grants	6,651,737	2,212,524	5,538,038	5,984,095	12,189,775	8,196,619
General revenues:						
Property taxes	13,741,190	12,910,512	—	—	13,741,190	12,910,512
Grants and entitlements not restricted to specific programs	4,142,583	4,458,203	—	—	4,142,583	4,458,203
Land sales	864,584	—	—	—	864,584	—
Severance taxes	1,843,819	1,774,700	—	—	1,843,819	1,774,700
Other	506,546	383,877	598,162	78,688	1,104,708	462,565
Investment earnings	1,106,717	528,676	178,851	117,702	1,285,568	646,378
Total revenues	33,636,685	25,843,179	11,582,340	11,093,657	45,219,025	36,936,836
Expenses:						
General government	6,990,640	7,398,899	—	—	6,990,640	7,398,899
Public safety	751,637	644,197	—	—	751,637	644,197
Community and economic development	964,377	1,070,991	—	—	964,377	1,070,991
Emergency preparedness	12,487	278,480	—	—	12,487	278,480
Health and sanitation department	326,700	290,800	—	—	326,700	290,800
Education, culture and recreation	218,013	84,273	—	—	218,013	84,273
Parks and recreation	37,795	21,100	—	—	37,795	21,100
Service district maintenance	631,572	479,264	—	—	631,572	479,264
Primary and secondary education	14,523,509	13,930,919	—	—	14,523,509	13,930,919
Interest on long-term debt	2,109,406	1,254,225	—	—	2,109,406	1,254,225
Municipal solid waste collection and disposal	—	—	2,080,864	2,342,006	2,080,864	2,342,006
Hospital facilities	—	—	1,740,525	1,091,035	1,740,525	1,091,035
Kodiak Fisheries Research Center	—	—	1,681,111	1,775,062	1,681,111	1,775,062
911 services	—	—	39,817	87,596	39,817	87,596
Total expenses	26,566,136	25,453,148	5,542,317	5,295,699	32,108,453	30,748,847
Change in net position before transfers	7,070,549	390,031	6,040,023	5,797,958	13,110,572	6,187,989
Transfers	(80,000)	(80,000)	80,000	80,000	—	—
Change in net position	6,990,549	310,031	6,120,023	5,877,958	13,110,572	6,187,989
Net position, beginning of year, as previously stated	119,923,433	133,550,817	42,378,464	36,500,506	162,301,897	170,051,323
Cummulative effect of a change in accounting principle	—	(196,453)	—	—	—	—
Prior period adjustment	—	(13,740,962)	—	—	—	(13,740,962)
Net position, beginning of year, as restated	119,923,433	119,613,402	42,378,464	36,500,506	162,301,897	156,113,908
Net position, end of year	\$ 126,913,982	119,923,433	48,498,487	42,378,464	175,412,469	162,301,897

Governmental activities increased the Kodiak Island Borough's net position by \$6,990,549. The major differences in revenues were an increase of \$5,599,061 in operating and capital grants due to successful grant applications, an increase of \$830,678 in property taxes due to increased assessed values and an increase in investment earnings of \$578,041 due to longer investment maturities. There were some major changes in expenses including an increase of \$855,181 in interest on long term debt due to issuance of general obligation bonds, and an increase of \$592,590 in primary and secondary education caused by an increase in non-capital expenditures.

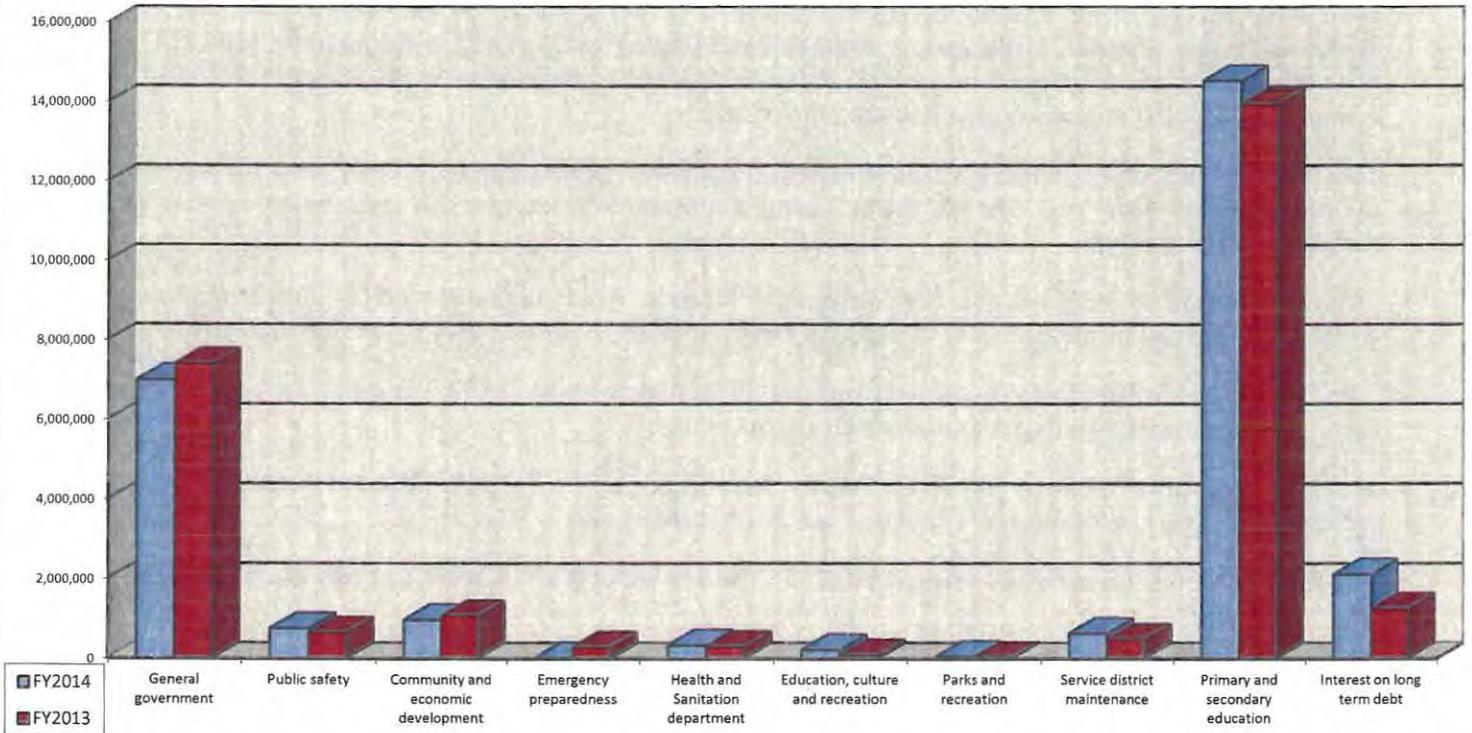
## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

Business type activities increased the Kodiak Island Borough's net position by \$6,120,023. This increase was due to an increase of \$439,751 in charges for services.

#### Current Year Versus Prior Year Prior Year Expenses

##### Governmental Activities



For more detailed information see the Statement of Activities on page 24.

#### Financial Analysis of the Government's Funds

As noted earlier, the Kodiak Island Borough uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the Kodiak Island Borough's governmental funds reported combined ending fund balances of \$72,318,860, a decrease of \$3,497,624 in comparison to the beginning of the year. \$515,224 of this total amount constitutes nonspendable fund balances, \$42,355,129 is committed fund balances, \$28,875,499 is assigned fund balances and \$573,008 is unassigned fund balances.

The main reasons for this decrease was \$34,749,847 spent on the Kodiak High School Renovation Project and \$5,849,028 spent on debt service. \$22,600,000 was realized from the sale of general obligation bonds and \$12,938,158 was received in state grants.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

The General Fund is the main operating fund of the Kodiak Island Borough. At the end of the current fiscal year, nonspendable fund balance of the General Fund was \$1,459 with an unassigned fund balance of \$3,502,489 for a total fund balance of \$3,503,948. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total expenditures. Unassigned fund balance represents 57% of total General Fund expenditures.

The fund balance of the Kodiak Island Borough's General Fund increased by \$156,962 during the current fiscal year. While overall there was no significant change it is worth noting an increase of \$109,700 in federal payments in lieu of taxes, a decrease in state revenue sharing of \$311,117, a decrease of \$100,717 in state fisheries business tax, a decrease in general administration and administration expenditures of \$286,424 and an increase of \$135,264 in management information services.

The fund balance of the Kodiak Island Borough's Facilities Special Revenue Fund increased by \$133,105 during the current fiscal year. The key factor leading to this minimal increase was increased investment earnings compared to the prior year.

The fund balance of the Education Support Special Revenue Fund decreased by \$184,223 during the current fiscal year. The key factor leading to this change were increases in capital outlay to the School District.

The fund balance of the Fire Protection Area No. 1 increased by \$172,894. The key factor leading to this increase was not spending monies budgeted for capital outlay.

The fund balance of Womens Bay Road Service Area increased by \$67,567. The key factors leading to this increase were lower snow removal and repair and maintenance costs.

The fund balance of Land Sales increased \$50,315. The key factor leading to this increase was a land sale.

The fund balance of the Fern Fuller Trust decreased \$64,207. The key factor leading to this decrease was low interest earnings.

The fund balance of the Kodiak Island Borough's Renewal and Replacement Projects Capital Project Fund decreased by \$936,578 during the current fiscal year. The key factor leading to this was a budgeted use of assigned fund balance to balance the FY2014 budget.

The fund balance of the Kodiak Island Borough's Kodiak High School Renovation Capital Project Fund decreased by \$2,933,587 during the current fiscal year. The key factor leading to this decrease was a budgeted use of assigned fund balance.

**Proprietary Funds** – The Kodiak Island Borough's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

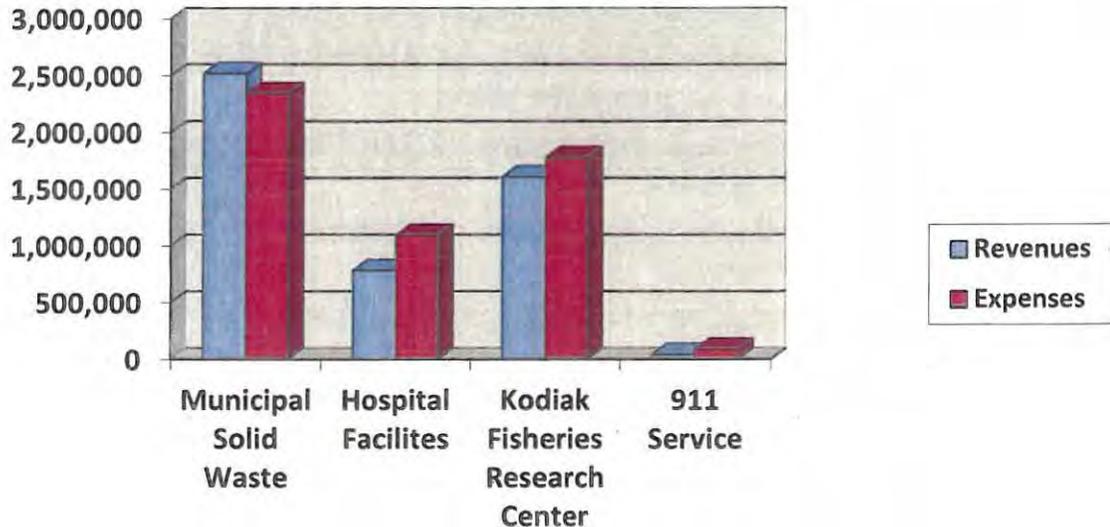
Net position of the Municipal Solid Waste Collection and Disposal Enterprise fund amounted to \$16,846,588, the Hospital Facilities Enterprise Fund amounted to \$21,263,713, the Kodiak Fisheries Research Center Enterprise Fund amounted to \$10,388,186 and the 911 Services Enterprise Fund amounted to \$0.

The total increase in net position for the Municipal Solid Waste Collection and Disposal Enterprise Fund was \$6,032,820. The total decrease in net position for the Hospital Facilities Enterprise Fund was \$121,997. The total increase in net position for the Kodiak Fisheries Research Center Enterprise Fund was \$209,200. The total change in net position in the 911 Service Enterprise Fund was \$0. Other factors concerning the finances of these four funds have already been addressed in the discussion of the Kodiak Island Borough's business-type activities.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

#### 2014 Program Revenues Versus Expenses



#### General Fund Budgetary Highlights

Differences between the original budget and final amended budget can be briefly summarized as follows:

- The revenue budget for PERS on-behalf was increased \$175,790.
- The revenue budget for use of fund balance was increased \$150,000.
- The expenditure budget for the Borough assembly department increased by \$1,500.
- The expenditure budget for the Borough clerk department increased by \$5,120.
- The expenditure budget for the finance department increased by \$44,910.
- The expenditure budget for the management information systems department increased by \$10,830.
- The expenditure budget for the assessing department increased by \$17,150.
- The expenditure budget for the engineering/facilities department increased by \$36,630.
- The expenditure budget for the community development department increased by \$59,650.
- The expenditure budget for the parks and recreation department increased by \$150,000.

Differences between the final amended budget and actual can be summarized as follows:

- Aircraft personal property taxes were \$15,900 more than budgeted. This was due to a change in tax rate not reflected in the budget.
- Severance taxes for fish were \$34,504 less than budgeted. This was due to an estimation error in harvest of wild fish.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

- Severance taxes for mining were \$22,309 more than budgeted. This was due to an estimation error when the budget was developed.
- Penalties and interest on taxes were \$71,942 less than budgeted. This was due to fewer late tax payments.
- State shared revenues were \$23,675 more than budgeted. This was due to an increase in the State's budget for aid to the various political subdivisions of the State.
- The Borough's share (50%) of state raw fish tax was \$103,692 less than budgeted. This was due to an estimation error in harvest of wild fish.
- State on-behalf PERS payments were \$37,543 more than budgeted. This was due to an estimation error when the budget was developed.
- Federal payments in lieu of taxes were \$315,152 more than budgeted. This was due to an estimation error when the budget was developed.
- Federal fish and wildlife revenue sharing were \$55,518 more than budgeted. This was due to an estimation error when the budget was developed.
- Building permit revenues were \$19,661 over budget. This was due to an estimation error when the budget was developed.
- Investment income was \$76,196 less than budgeted. This was due to an overall decrease in the market in the current year.
- The General Administration department came in \$68,163 under budget. This was due to lower insurance costs.
- The Borough Manager department came in \$60,661 under budget. This was due to vacant positions.
- The Borough Clerk department came in \$43,049 under budget. This was due to vacant positions, reduced records management costs, and other.
- The Management Information Systems department came in \$62,647 under budget. This was due to vacant positions and not purchasing all budgeted equipment expenditures.
- The Community Development department came in \$140,579 under budget. This was due to vacant positions.
- The Parks and Recreation department came in \$157,205 under budget. This was due to lack of staff to supervise projects.
- The Emergency Preparedness department was \$42,013 under budget. This was due to contracted services coming in under budget.

### Capital Assets and Debt Administration

**Capital Assets** – The Kodiak Island Borough's investment in capital assets for its governmental and business - type activities as of June 30, 2014, amounted to \$196,717,741 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, improvements other than buildings, machinery and equipment, and construction work-in-progress. The total net increase in the Kodiak Island Borough's investments in capital assets for the current fiscal year was \$48,873,250 which was mostly due to increases in construction work in process.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

The following table displays the capital assets (net of accumulated depreciation) for the current year.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Artwork	\$ —	—	16,091	16,091	16,091	16,091
Land	23,272,788	23,467,304	1,661,499	1,661,499	24,934,287	25,128,803
Construction work-in-progress	47,862,997	12,604,897	40,074,742	20,790,509	87,937,739	33,395,406
Buildings and improvements	44,588,590	47,085,283	20,387,522	21,782,249	64,976,112	68,867,532
Improvements other than building	13,889,667	14,987,459	1,651,121	1,833,395	15,540,788	16,820,854
Equipment	978,816	932,432	535,380	698,722	1,514,196	1,631,154
Infrastructure	831,261	975,329	—	—	831,261	975,329
Unclassified plant in service	—	—	967,267	1,009,322	967,267	1,009,322
	<u>\$ 131,424,119</u>	<u>100,052,704</u>	<u>65,293,622</u>	<u>47,791,787</u>	<u>196,717,741</u>	<u>147,844,491</u>

Additional information on the Kodiak Island Borough's capital assets can be found in note 7 on pages 44-48 of this report.

**Long-Term Debt** – At the end of the current fiscal year, the Kodiak Island Borough had total bonded debt outstanding of \$69,135,000. This entire amount is backed by the full faith and credit of the Borough. The remainder of the Kodiak Island Borough's debt represents loans and notes payable, compensated absences and landfill closure and post-closure costs.

The following table displays the long-term debt for the current year.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds, including premium	\$ 76,227,556	55,236,114	—	—	76,227,556	55,236,114
ADEC loans	37,042	42,992	—	—	37,042	42,992
Compensated absences	328,529	298,640	—	—	328,529	298,640
Landfill post closure care costs	—	—	3,968,123	5,389,650	3,968,123	5,389,650
Long term interfund borrowings	—	—	3,971,872	4,551,382	3,971,872	4,551,382
Notes payable	—	—	28,910,393	26,163,644	28,910,393	26,163,644
	<u>\$ 76,593,127</u>	<u>55,577,746</u>	<u>36,850,388</u>	<u>36,104,676</u>	<u>113,443,515</u>	<u>91,682,422</u>

The Kodiak Island Borough's total debt increased by \$21,761,093 during the current fiscal year. This increase was mostly due to the Kodiak High School Renovation Capital Project Fund selling \$22,660,000 in general obligation. Total debt service payments during the year were \$3,645,950 of principal of general obligation bonds.

There is no general obligation debt limit imposed on the Kodiak Island Borough by the State Constitution, state statutes or the Borough's charter or code.

Additional information on the Kodiak Island Borough's long-term debt can be found in note 9 on pages 53-63 of this report.

## KODIAK ISLAND BOROUGH

### Management's Discussion and Analysis, Continued

#### **Economic Factors and Next Year's Budgets and Rates**

- At June 30, 2014, the unemployment rate for the Kodiak Island Borough was 5.2 %, which is .6 % lower than last year's rate of 5.8%. The average unemployment rate for the last 10 years has been 6.67%.
- Property tax revenues received are projected to increase in future years as the Kodiak Island Borough's assessed valuation continues to increase.
- The PERS (Public Employees Retirement System) rate has increased from 0% in FY2004 to 35.68% in FY2014. The State of Alaska set a ceiling of 22% on all political subdivisions and contributed the additional 13.68 %.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Kodiak Island Borough's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Kodiak Island Borough, Director of Finance, 710 Mill Bay Kodiak, Alaska 99615.

**BASIC FINANCIAL STATEMENTS**

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**KODIAK ISLAND BOROUGH**

Statement of Net Position

June 30, 2014

(With summarized financial information for June 30, 2013)

Assets	Primary government			Component unit	Total reporting entity	
	Governmental activities	Business-type activities	Total	School District	2014	2013
Equity in central treasury	\$ 79,478,297	15,488,823	94,967,120	33,487	95,000,607	106,784,673
Due from primary government	—	—	—	8,708,251	8,708,251	5,764,927
Receivables:						
State of Alaska	611,868	4,086,058	4,697,926	3,095,115	7,793,041	9,625,483
Federal government	359,513	—	359,513	—	359,513	192,177
Property taxes, net of allowance of \$15,828	245,933	—	245,933	—	245,933	183,093
Severance taxes	396,798	—	396,798	—	396,798	394,984
Land sales contracts receivable	549,230	—	549,230	—	549,230	9,114
Accounts and other receivables, net	52,257	307,053	359,310	36,466	395,776	294,677
Inventories	—	597,932	597,932	501,735	1,099,667	767,668
Prepaid items	1,459	2,679	4,138	2,940	7,078	67,183
Restricted cash and equivalents	—	1,649,188	1,649,188	—	1,649,188	—
Capital assets:						
Non-depreciable	71,135,785	41,752,332	112,888,117	—	112,888,117	58,540,300
Depreciable, net	60,288,334	23,541,290	83,829,624	744,435	84,574,059	89,864,964
Total	\$ 213,119,474	87,425,355	300,544,829	13,122,429	313,667,258	272,489,243
<b>Liabilities and Net Position</b>						
Liabilities:						
Accounts payable	\$ 3,611,343	1,852,359	5,463,702	1,092,034	6,555,736	6,740,063
Accrued compensation and related liabilities	401,423	100,575	501,998	3,741,034	4,243,032	3,893,502
Other accrued liabilities	998,650	42,383	1,041,033	—	1,041,033	716,782
Customer deposits	1,100	27,000	28,100	—	28,100	14,750
Unearned revenues	134,815	—	134,815	98,651	233,466	204,546
Due to component unit	8,708,251	—	8,708,251	—	8,708,251	5,764,927
Internal balances	(4,026,035)	4,026,035	—	—	—	—
Noncurrent liabilities:						
Due within one year	4,197,750	875,000	5,072,750	609,278	5,682,028	4,537,923
Due in more than one year	72,178,195	28,035,393	100,213,588	96,404	100,309,992	77,649,998
Landfill closure costs	—	3,968,123	3,968,123	—	3,968,123	5,389,650
Total liabilities	86,205,492	38,926,868	125,132,360	5,637,401	130,769,761	104,912,141
Net position:						
Net investment in capital assets	80,159,521	36,383,229	116,542,750	618,900	117,161,650	94,962,514
Unrestricted	46,754,461	12,115,258	58,869,719	6,866,128	65,735,847	72,614,588
Net position	126,913,982	48,498,487	175,412,469	7,485,028	182,897,497	167,577,102
Total	\$ 213,119,474	87,425,355	300,544,829	13,122,429	313,667,258	272,489,243

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**

Statement of Activities

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			Component unit School District	Total reporting entity	
		Charges for services	Operating grants and contributions	Capital grants	Governmental activities	Primary government Business-type activities	Total		2014	2013
Primary government:										
Governmental activities:										
General government	\$ 6,990,640	577,350	392,183	10,007	(6,011,100)	—	(6,011,100)	—	(6,011,100)	(5,208,011)
Public safety	751,637	14,336	13,430	51,764	(672,107)	—	(672,107)	—	(672,107)	(528,757)
Community and economic development	964,377	—	71,150	160,730	(732,497)	—	(732,497)	—	(732,497)	(1,070,991)
Emergency preparedness	12,487	—	—	11,987	(500)	—	(500)	—	(500)	(278,480)
Health and sanitation department	326,700	—	—	—	(326,700)	—	(326,700)	—	(326,700)	(290,800)
Education, culture and recreation	218,013	—	—	—	(218,013)	—	(218,013)	—	(218,013)	(84,273)
Parks and recreation	37,795	—	—	—	(37,795)	—	(37,795)	—	(37,795)	(21,100)
Service district maintenance	631,572	110,313	—	—	(521,259)	—	(521,259)	—	(521,259)	(385,188)
Primary and secondary education	14,523,509	—	253,230	6,417,249	(7,853,030)	—	(7,853,030)	—	(7,853,030)	(12,811,391)
Interest on long-term debt	2,109,406	—	3,347,517	—	1,238,111	—	1,238,111	—	1,238,111	1,013,054
Total governmental activities	26,566,136	701,999	4,077,510	6,651,737	(15,134,890)	—	(15,134,890)	—	(15,134,890)	(19,665,937)
Business-type activities:										
Municipal solid waste collection and disposal	2,080,864	2,265,967	—	5,323,038	—	5,508,141	5,508,141	—	5,508,141	5,428,958
Hospital facilities	1,740,525	1,150,000	—	215,000	—	(375,525)	(375,525)	—	(375,525)	408,436
Kodiak Fisheries Research Center	1,681,111	1,851,322	—	—	—	170,211	170,211	—	170,211	(148,230)
911 service	39,817	—	—	—	—	(39,817)	(39,817)	—	(39,817)	(87,596)
Total business-type activities	5,542,317	5,267,289	—	5,538,038	—	5,263,010	5,263,010	—	5,263,010	5,601,568
Total primary government	32,108,453	5,969,288	4,077,510	12,189,775	(15,134,890)	5,263,010	(9,871,880)	—	(9,871,880)	(14,064,369)
Component unit:										
School District	\$ 53,240,623	243,260	12,726,590	6,820	—	—	—	(40,263,953)	(40,263,953)	(38,652,207)
General revenues:										
Property taxes	—	—	—	—	13,741,190	—	13,741,190	—	13,741,190	12,910,512
Grants and entitlements not restricted to specific programs	—	—	—	—	4,142,583	—	4,142,583	30,698,126	34,840,709	34,780,892
Land sales	—	—	—	—	864,584	—	864,584	—	864,584	—
Severance taxes	—	—	—	—	1,843,819	—	1,843,819	—	1,843,819	1,774,700
Support from primary government	—	—	—	—	—	—	—	10,651,976	10,651,976	10,250,350
Other	—	—	—	—	506,546	598,162	1,104,708	1,123,674	2,228,382	560,856
Investment earnings	—	—	—	—	1,106,717	178,851	1,285,568	—	1,285,568	646,378
Transfers	—	—	—	—	(80,000)	80,000	—	—	—	—
Total general revenues and transfers	—	—	—	—	22,125,439	857,013	22,982,452	42,473,776	65,456,228	60,923,688
Change in net position	—	—	—	—	6,990,549	6,120,023	13,110,572	2,209,823	15,320,395	8,207,112
Net position, at beginning of year, as previously stated	—	—	—	—	119,923,433	42,378,464	162,301,897	5,275,205	167,577,102	173,307,405
Cumulative effect of a change in accounting principle	—	—	—	—	—	—	—	—	—	(196,453)
Prior period adjustment	—	—	—	—	—	—	—	—	—	(13,740,962)
Net position, at beginning of year, as restated	—	—	—	—	119,923,433	42,378,464	162,301,897	5,275,205	167,577,102	159,369,990
Net position, at end of year	—	—	—	—	\$ 126,913,982	48,498,487	175,412,469	7,485,028	182,897,497	167,577,102

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**

Balance Sheet

Governmental Funds

June 30, 2014

(With summarized financial information for June 30, 2013)

Assets	General	Special Revenue Funds		Education and Health Debt Service Fund	Capital Project Funds		Other Governmental Funds	Totals	
		Education Support	Facilities		Kodiak High School Renovation	Renewal and Replacement Projects		2014	2013
Assets:									
Equity in central treasury	\$ 3,484,048	8,468,311	32,711,895	296,511	28,530,694	464	5,986,374	79,478,297	77,618,660
Receivables:									
State of Alaska	87,465	49,396	—	338,864	70,160	43,838	22,145	611,868	1,284,214
Federal government	205,518	—	—	—	—	—	153,995	359,513	192,177
Property taxes, net of allowance of \$15,828	21,885	170,206	—	33,486	—	2,580	17,776	245,933	183,093
Severance taxes	396,798	—	—	—	—	—	—	396,798	394,984
Land sales contracts	—	—	—	—	—	—	35,465	35,465	3,649
Accounts and other receivables, net	14,740	—	—	—	—	—	37,517	52,257	46,422
Prepaid items	1,459	—	—	—	—	—	—	1,459	61,376
Due from other funds	209,477	—	174,312	—	—	—	—	383,789	3,836,895
Land sales contracts, due after one year	—	—	—	—	—	—	513,765	513,765	5,465
Advances to other funds	—	—	6,716,900	—	—	—	—	6,716,900	4,576,459
<b>Total</b>	<b>\$ 4,421,390</b>	<b>8,687,913</b>	<b>39,603,107</b>	<b>668,861</b>	<b>28,600,854</b>	<b>46,882</b>	<b>6,767,037</b>	<b>88,796,044</b>	<b>88,203,394</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>									
Liabilities:									
Accounts payable	364,037	11,336	—	3,150	2,974,474	11,369	246,977	3,611,343	2,349,953
Accrued compensation and related liabilities	184,241	—	—	—	—	—	—	184,241	91,924
Customer deposits	—	—	—	—	—	—	1,100	1,100	1,250
Due to component unit	—	8,708,251	—	—	—	—	—	8,708,251	5,764,927
Due to other funds	174,312	—	—	—	—	95,072	60,242	329,626	3,773,983
Advances from other funds	—	—	—	—	—	2,745,028	—	2,745,028	25,077
Unearned revenues	—	—	—	—	—	—	134,815	134,815	188,756
<b>Total liabilities</b>	<b>722,590</b>	<b>8,719,587</b>	<b>—</b>	<b>3,150</b>	<b>2,974,474</b>	<b>2,851,469</b>	<b>443,134</b>	<b>15,714,404</b>	<b>12,195,870</b>
Deferred inflows of resources:									
Unavailable revenues	194,852	—	54,163	—	—	—	513,765	762,780	191,040
<b>Total liabilities and deferred inflows of resources</b>	<b>917,442</b>	<b>8,719,587</b>	<b>54,163</b>	<b>3,150</b>	<b>2,974,474</b>	<b>2,851,469</b>	<b>956,899</b>	<b>16,477,184</b>	<b>12,386,910</b>
Fund balances (deficits):									
Nonspendable	1,459	—	—	—	—	—	513,765	515,224	4,643,300
Committed	—	—	39,548,944	665,711	—	—	2,140,474	42,355,129	37,902,356
Assigned	—	—	—	—	25,626,380	—	3,249,119	28,875,499	29,981,503
Unassigned	3,502,489	(31,674)	—	—	—	(2,804,587)	(93,220)	573,008	3,289,325
<b>Total fund balances (deficits)</b>	<b>3,503,948</b>	<b>(31,674)</b>	<b>39,548,944</b>	<b>665,711</b>	<b>25,626,380</b>	<b>(2,804,587)</b>	<b>5,810,138</b>	<b>72,318,860</b>	<b>75,816,484</b>
<b>Total</b>	<b>\$ 4,421,390</b>	<b>8,687,913</b>	<b>39,603,107</b>	<b>668,861</b>	<b>28,600,854</b>	<b>46,882</b>	<b>6,767,037</b>	<b>88,796,044</b>	<b>88,203,394</b>

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**

Reconciliation of Net Position Between the  
Government-Wide Financial Statements and the Fund Financial Statements

June 30, 2014

Amount reported as fund balances on the governmental funds balance sheet		\$	72,318,860
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			131,424,119
Long-term receivables, delinquent property taxes and loans are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:			
Property taxes	\$	194,852	
Interest receivable		54,163	
Notes receivable - land sales		513,765	762,780
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds payable		(69,135,000)	
Bond premium		(7,092,556)	
ADEC loans		(37,042)	
Accrued interest expense		(998,650)	
Compensated absences		(328,529)	(77,591,777)
Net position of governmental activities		\$	<u>126,913,982</u>

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**  
Statement of Revenues, Expenditures and Changes  
in Fund Balances (Deficits)  
Governmental Funds

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Special Revenue Funds			Education and Health Debt Service Fund	Capital Project Funds		Other Governmental Funds	Totals	
	General	Education Support	Facilities		Kodiak High School Renovation	Renewal and Replacement Projects		2014	2013
<b>Revenues:</b>									
Property taxes and assessments	\$ 207,975	9,882,767	—	2,043,895	—	180,590	1,341,544	13,656,771	12,936,796
Transient accommodations tax	—	—	—	—	—	—	75,142	75,142	96,640
Severance taxes	1,843,819	—	—	—	—	—	—	1,843,819	1,774,700
<b>Intergovernmental:</b>									
State sources	2,859,246	253,230	—	3,347,517	6,342,993	74,256	60,916	12,938,158	7,929,017
Federal sources	1,746,670	—	—	—	—	—	187,002	1,933,672	1,659,372
Charges for services	3,136	—	—	—	—	—	586,300	589,436	562,199
Licenses, permits and fees	82,713	—	—	—	—	—	29,850	112,563	94,826
Investment income	23,804	—	655,470	3,182	385,835	—	47,175	1,115,466	536,903
Other	11,192	—	—	—	—	—	39,364	50,556	52,516
<b>Total revenues</b>	<b>6,778,555</b>	<b>10,135,997</b>	<b>655,470</b>	<b>5,394,594</b>	<b>6,728,828</b>	<b>254,846</b>	<b>2,367,293</b>	<b>32,315,583</b>	<b>25,642,969</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General government	4,495,294	—	—	6,045	—	90,749	857,417	5,449,505	5,307,199
Public safety	72,941	—	—	—	—	—	503,779	576,720	469,280
Community and economic development	880,251	—	—	—	—	—	84,126	964,377	1,070,991
Emergency preparedness	9,987	—	—	—	—	—	—	9,987	18,342
Health and sanitation department	326,700	—	—	—	—	—	—	326,700	290,800
Education, culture and recreation	95,625	—	—	—	—	—	—	95,625	84,273
Parks and recreation	37,795	—	—	—	—	—	—	37,795	21,100
Service district maintenance	—	—	—	—	—	—	631,572	631,572	479,264
Primary and secondary education	195,000	10,650,220	—	—	—	—	—	10,845,220	10,442,350
<b>Capital outlay:</b>									
Schools	—	—	—	—	34,749,847	—	122,388	34,872,235	5,486,672
General	24,500	—	—	—	—	1,262,638	234,858	1,521,996	2,041,674
<b>Debt service:</b>									
Principal	—	—	—	3,645,950	—	—	—	3,645,950	2,966,441
Interest	—	—	—	2,107,198	—	—	2,208	2,109,406	1,254,225
Debt issuance costs	—	—	—	89,835	—	—	—	89,835	20,809
<b>Total expenditures</b>	<b>6,138,093</b>	<b>10,650,220</b>	<b>—</b>	<b>5,849,028</b>	<b>34,749,847</b>	<b>1,353,387</b>	<b>2,436,348</b>	<b>61,176,923</b>	<b>29,953,420</b>
Excess (deficiency) of revenues over (under) expenditures	640,462	(514,223)	655,470	(454,434)	(28,021,019)	(1,098,541)	(69,055)	(28,861,340)	(4,310,451)
<b>Other financing sources (uses):</b>									
Proceeds from sale of bonds	—	—	—	—	22,660,000	—	—	22,660,000	21,595,000
Premium on bonds issued	—	—	—	—	2,427,432	—	—	2,427,432	3,424,819
Proceeds from sale of capital assets	—	—	—	—	—	—	—	—	9,564
Land sale proceeds	—	—	—	—	—	—	356,284	356,284	6,787
Transfers in	—	330,000	—	482,402	—	161,963	18,000	992,365	6,212,885
Transfers out	(483,500)	—	(522,365)	—	—	—	(66,500)	(1,072,365)	(6,292,885)
Net other financing sources (uses)	(483,500)	330,000	(522,365)	482,402	25,087,432	161,963	307,784	25,363,716	24,956,170
<b>Change in fund balances</b>	<b>156,962</b>	<b>(184,223)</b>	<b>133,105</b>	<b>27,968</b>	<b>(2,933,587)</b>	<b>(936,578)</b>	<b>238,729</b>	<b>(3,497,624)</b>	<b>20,645,719</b>
<b>Fund balances (deficits), at beginning of year</b>	<b>3,346,986</b>	<b>152,549</b>	<b>39,415,839</b>	<b>637,743</b>	<b>28,559,967</b>	<b>(1,868,009)</b>	<b>5,571,409</b>	<b>75,816,484</b>	<b>55,170,765</b>
<b>Fund balances (deficits), at end of year</b>	<b>\$ 3,503,948</b>	<b>(31,674)</b>	<b>39,548,944</b>	<b>665,711</b>	<b>25,626,380</b>	<b>(2,804,587)</b>	<b>5,810,138</b>	<b>72,318,860</b>	<b>75,816,484</b>

See accompanying notes to financial statements.

## KODIAK ISLAND BOROUGH

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities

Year ended June 30, 2014

Change in fund balances – total governmental funds		\$ (3,497,624)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 35,607,990	
Depreciation expense	<u>(4,042,059)</u>	31,565,931
Governmental funds only report the revenue from the sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of transactions involving capital assets is to decrease net position.		
Cost of assets sold	(194,516)	
Accumulated depreciation of assets sold	<u>—</u>	(194,516)
Certain revenues in the statement of activities do not provide current financial resources and are reported as unearned or unavailable revenues in the funds:		
Property tax	194,852	
Interest income	54,163	
Land sale proceeds	<u>513,765</u>	762,780
Certain revenues that were earned in a prior year provide current financial resources:		
Accrued property tax	(185,575)	
Accrued interest income	(62,912)	
Land sale contracts	<u>(5,465)</u>	(253,952)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds do not report the accrual of interest expense on debt when it is not payable from currently available resources:		
Interest expenditures applied to accrued interest	(376,689)	
Issuance of long term debt	(22,660,000)	
Principal repayments	3,645,950	
Bond premium	(2,427,432)	
Bond premium amortization	<u>455,990</u>	(21,362,181)
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:		
Compensated absences, net change		<u>(29,889)</u>
Change in net position of governmental activities		<u>\$ 6,990,549</u>

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**

Statement of Net Position

Proprietary Funds - Business - Type Activities - Enterprise Funds

June 30, 2014

(With summarized financial information for June 30, 2013)

Assets	Municipal Solid Waste Collection and Disposal	Hospital Facilities	Kodiak Fisheries Research Center	Other Nonmajor Enterprise Fund	Totals	
					2014	2013
Current assets:						
Equity in central treasury	\$ 5,737,395	6,449,638	3,271,181	30,609	15,488,823	29,140,734
Restricted cash and equivalents	302,500	1,346,688	—	—	1,649,188	—
Customer receivables	260,897	—	40,046	6,110	307,053	248,255
Accounts receivable - State of Alaska	4,047,505	38,553	—	—	4,086,058	5,456,114
Prepays	2,679	—	—	—	2,679	195
Total current assets	10,350,976	7,834,879	3,311,227	36,719	21,533,801	34,845,298
Inventories	320,925	277,007	—	—	597,932	277,007
Capital assets:						
Non-depreciable	19,753,655	20,967,304	1,031,373	—	41,752,332	22,468,099
Depreciable, net	2,287,465	11,770,723	9,483,102	—	23,541,290	25,323,688
Total capital assets	22,041,120	32,738,027	10,514,475	—	65,293,622	47,791,787
Total noncurrent assets	22,362,045	33,015,034	10,514,475	—	65,891,554	48,068,794
Total	\$ 32,713,021	40,849,913	13,825,702	36,719	87,425,355	82,914,092
<b>Liabilities and Net Position</b>						
Current liabilities:						
Accounts payable	\$ 1,551,020	5,830	258,790	36,719	1,852,359	4,164,291
Customer deposits	27,000	—	—	—	27,000	13,500
Accrued compensation and related liabilities	71,012	—	29,563	—	100,575	95,428
Other accrued liabilities	42,383	—	—	—	42,383	94,821
Current portion of advances from other funds	—	82,723	540,000	—	622,723	579,510
Current portion of notes payable	270,000	605,000	—	—	875,000	260,000
Due to other funds	—	—	54,163	—	54,163	62,912
Total current liabilities	1,961,415	693,553	882,516	36,719	3,574,203	5,270,462
Noncurrent liabilities:						
Notes payable	9,936,895	18,098,498	—	—	28,035,393	25,903,644
Advances from other funds	—	794,149	2,555,000	—	3,349,149	3,971,872
Accrual for landfill closure and postclosure costs	3,968,123	—	—	—	3,968,123	5,389,650
Total noncurrent liabilities	13,905,018	18,892,647	2,555,000	—	35,352,665	35,265,166
Total liabilities	15,866,433	19,586,200	3,437,516	36,719	38,926,868	40,535,628
Net position:						
Net investment in capital assets	11,834,225	14,034,529	10,514,475	—	36,383,229	21,628,143
Unrestricted (deficit)	5,012,363	7,229,184	(126,289)	—	12,115,258	20,750,321
Total net position	16,846,588	21,263,713	10,388,186	—	48,498,487	42,378,464
Total	\$ 32,713,021	40,849,913	13,825,702	36,719	87,425,355	82,914,092

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds - Business - Type Activities - Enterprise Funds  
 Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Municipal Solid Waste Collection and Disposal	Hospital Facilities	Kodiak Fisheries Research Center	Other Nonmajor Enterprise Fund	Totals	
					2014	2013
Operating revenues:						
Charges for services:						
Solid waste disposal	\$ 2,265,967	—	—	—	2,265,967	2,504,035
Lease income	—	1,150,000	1,851,322	—	3,001,322	2,323,503
Other	39,403	—	439	39,817	79,659	51,477
Total operating revenues	<u>2,305,370</u>	<u>1,150,000</u>	<u>1,851,761</u>	<u>39,817</u>	<u>5,346,948</u>	<u>4,879,015</u>
Operating expenses:						
Personnel services	876,354	10,100	359,783	3,000	1,249,237	1,292,778
Refuse disposal	—	—	—	—	—	—
Contracted services	185,284	—	—	—	185,284	352,132
Maintenance and repairs	141,309	—	1,144	—	142,453	38,981
Depreciation	278,342	867,913	636,143	—	1,782,398	1,774,135
General and administration	206,793	—	411,550	—	618,343	771,218
Miscellaneous	—	5,791	47,090	98	52,979	67,418
Telephone services	—	—	—	36,719	36,719	84,454
Recycling services	214,876	—	—	—	214,876	212,243
Contributions	39,106	—	—	—	39,106	37,011
Total operating expenses	<u>1,942,064</u>	<u>883,804</u>	<u>1,455,710</u>	<u>39,817</u>	<u>4,321,395</u>	<u>4,630,370</u>
Operating income (loss)	363,306	266,196	396,051	—	1,025,553	248,645
Other income (expense):						
Intergovernmental:						
State sources - grants	5,323,038	215,000	—	—	5,538,038	5,984,095
State of Alaska on-behalf payment	—	—	—	—	—	84,296
Federal sources - grants	—	—	—	—	—	1,338
Contribution to Providence Hospital	—	(108,000)	—	—	(108,000)	(108,000)
Investment income	67,094	73,207	38,550	—	178,851	117,702
Bond premium amortization	27,211	113,821	—	—	141,032	27,211
Bond issuance costs	—	—	—	—	—	(112,573)
Landfill closure and postclosure costs	377,471	—	—	—	377,471	—
Interest expense	(138,800)	(748,721)	(225,401)	—	(1,112,922)	(444,756)
Total other income (expense)	<u>5,656,014</u>	<u>(454,693)</u>	<u>(186,851)</u>	<u>—</u>	<u>5,014,470</u>	<u>5,549,313</u>
Income (loss) before transfers	6,019,320	(188,497)	209,200	—	6,040,023	5,797,958
Transfers in	13,500	66,500	—	—	80,000	80,000
Change in net position	6,032,820	(121,997)	209,200	—	6,120,023	5,877,958
Net position, at beginning of year	10,813,768	21,385,710	10,178,986	—	42,378,464	36,500,506
Net position, at end of year	<u>\$ 16,846,588</u>	<u>21,263,713</u>	<u>10,388,186</u>	<u>—</u>	<u>48,498,487</u>	<u>42,378,464</u>

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**

Statement of Cash Flows

Proprietary Funds - Business - Type Activities - Enterprise Funds

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Municipal Solid Waste Collection and Disposal	Hospital Facilities	Kodiak Fisheries Research Center	Other Nonmajor Enterprise Fund	Totals	
					2014	2013
Cash flows from operating activities:						
Cash received from customers	\$ 3,399,424	1,421,716	1,812,246	38,320	6,671,706	1,602,009
Payments to suppliers	(3,637,290)	(1,100,863)	(247,059)	(36,725)	(5,021,937)	1,888,395
Payments to employees	(870,866)	(10,100)	(359,783)	(3,000)	(1,243,749)	(1,350,745)
Net cash provided (used) by operating activities	(1,108,732)	310,753	1,205,404	(1,405)	406,020	2,139,659
Cash flows from noncapital financing activities:						
State sources - grants	5,323,038	215,000	—	—	5,538,038	5,984,095
Federal sources - grants	—	—	—	—	—	1,338
Contribution to Providence Hospital	—	(108,000)	—	—	(108,000)	(108,000)
Internal activity - payments to/from other funds	—	—	(8,749)	—	(8,749)	71,284
Transfers in	13,500	66,500	—	—	80,000	80,000
Net cash provided (used) by noncapital financing activities	5,336,538	173,500	(8,749)	—	5,501,289	6,028,717
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(8,470,829)	(9,969,269)	(844,135)	—	(19,284,233)	(10,249,728)
Interest paid on notes payable and interfund borrowings	(111,589)	(748,721)	(225,401)	—	(1,085,711)	(442,830)
Principal payments on long-term notes payable and interfund borrowing	(287,211)	(79,510)	(500,000)	—	(866,721)	(882,858)
Proceeds from issuance of notes payable	3,147,782	—	—	—	3,147,782	18,730,032
Net cash provided (used) by capital and related financing activities	(5,721,847)	(10,797,500)	(1,569,536)	—	(18,088,883)	7,154,616
Cash flows from investing activities:						
Interest and dividends received	67,094	73,207	38,550	—	178,851	117,702
Net change in cash and cash equivalents	(1,426,947)	(10,240,040)	(334,331)	(1,405)	(12,002,723)	15,440,694
Cash and equivalents, at beginning of year	7,466,842	18,036,366	3,605,512	32,014	29,140,734	13,700,040
Cash and equivalents, at end of year	\$ 6,039,895	7,796,326	3,271,181	30,609	17,138,011	29,140,734
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Equity in central treasury	\$ 5,737,395	6,449,638	3,271,181	30,609	15,488,823	29,140,734
Restricted cash and equivalents	302,500	1,346,688	—	—	1,649,188	—
	\$ 6,039,895	7,796,326	3,271,181	30,609	17,138,011	29,140,734

(continued)

**KODIAK ISLAND BOROUGH**

Statement of Cash Flows

Proprietary Funds - Business - Type Activities - Enterprise Funds, (Continued)

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Municipal Solid Waste Collection and Disposal	Hospital Facilities	Kodiak Fisheries Research Center	Other Nonmajor Enterprise Fund	Totals	
					2014	2013
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 363,306	266,196	396,051	—	1,025,553	248,645
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	278,342	867,913	636,143	—	1,782,398	1,774,135
State of Alaska on-behalf payments	—	—	—	—	—	84,296
Accrual for landfill closure and postclosure costs	—	—	—	—	—	(8,295)
Changes in assets and liabilities that provided (used) cash:						
(Increase) decrease in assets:						
Customer receivables	(17,786)	—	(39,515)	(1,497)	(58,798)	32,152
Accounts receivable - State of Alaska	1,098,340	271,716	—	—	1,370,056	(3,403,372)
Accounts receivable - Federal government	—	—	—	—	—	80,714
Prepays	(2,484)	—	—	—	(2,484)	(195)
Inventories	(320,925)	—	—	—	(320,925)	—
Increase (decrease) in liabilities:						
Accounts payable	(1,430,019)	(1,095,072)	213,066	92	(2,311,933)	3,357,643
Accrued compensation	5,488	—	—	—	5,488	(25,763)
Other accrued liabilities	(52,438)	—	(341)	—	(52,779)	(13,801)
Landfill closure and postclosure costs	(1,044,056)	—	—	—	(1,044,056)	—
Unearned revenues	13,500	—	—	—	13,500	13,500
Net cash provided (used) by operating activities	\$ (1,108,732)	310,753	1,205,404	(1,405)	406,020	2,139,659

See accompanying notes to financial statements.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements  
June 30, 2014

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

**(a) Reporting Entity**

The Kodiak Island Borough (the Borough), Alaska, was organized to perform the municipal duties allowed by Alaska Statutes and as directed by its residents. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in basic financial statements to emphasize it is legally separate from the government. The Borough reviewed its relationship with other organizations and determined that the following organization is a component unit.

**Discretely Presented Component Unit**

The Borough has delegated the operating responsibility for public education to the Kodiak Island Borough School District (School District). In accordance with statutes, the Borough retains ownership of the education related capital assets and incurs the debt, if necessary, to finance the acquisition and construction of school facilities. The Borough Assembly approves the total annual budget of the School District and may, during the year, increase the total appropriation.

Complete financial statements for the component unit may be obtained at the entity's administrative offices for the Kodiak Island Borough School District.

Kodiak Island Borough School District  
722 Mill Bay Road  
Kodiak, Alaska 99615

**(b) 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 of the activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

(c) ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for grant revenues which are recognized when the related expenditure is incurred irrespective of when the cash is received. Expenditures generally are 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 when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Education Support Special Revenue Fund* accounts for property taxes and assessments dedicated to school district support activity.

The *Facilities Special Revenue Fund* accounts for the proceeds from the sale of Shuyak Island. The single most important goal is to preserve the principal of the fund. Interest earnings, after inflation proofing, can be used for debt service, building insurance and capital projects.

The *Education and Health Debt Service Fund* was established to finance and account for the payment of interest and principal on all general obligation debts, serial and term, other than that payable exclusively from special assessments and revenue debt issued for and serviced by a government enterprise fund.

The *Kodiak High School Renovation Capital Project Fund* accounts for the construction and major maintenance activities for the Borough's educational facilities funded by school bonds.

The *Renewal and Replacement Projects Capital Project Fund* accounts for the construction and maintenance of various Borough facilities.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

The government reports the following major proprietary funds:

The *Municipal Solid Waste Collection and Disposal Fund* accounts for the collection and disposal of solid waste and recycling services for the Kodiak Island Borough.

The *Hospital Facilities Fund* accounts for rents on the Borough owned hospital; hospital related state revenue sharing; and other hospital related revenue. In turn, it purchases hospital equipment and makes debt service payments on hospital related debt.

The *Kodiak Fisheries Research Center Fund* accounts for rents and expenses on the Borough owned Kodiak Fisheries Research Center. The three tenants: NOAA, Alaska Department of Fish & Game and University of Alaska, Fairbanks pay lease funds to participate in this multi-agency research facility committed to the preservation of the North Pacific marine ecosystem and resources.

As a general rule the effect of inter-fund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 are charges to customers for sales and services and lease revenues. Operating expenses for enterprise 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.

**(d) *Assets, Liabilities, and Fund Balance/Net Position***

**Cash and Investments**

Cash and temporary investments of Borough funds are pooled in a central treasury. Each fund's portion of this pool is displayed on the Balance Sheet and Statement of Net Position as "Equity in Central Treasury".

The Borough participates in the Alaska Municipal League Investment Pool (AMLIP). AMLIP is not SEC registered and is unrated. 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 AMLIP manager is required to produce monthly disclosure statements to the pool. The pool has also retained an investment advisor to monitor the performance of the investment manager and to ensure compliance with investment policies. All participation in the pool is voluntary. The pool 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 in the pool are reviewed for fair value by an independent pricing service.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

All highly liquid investments, excluding restricted assets, with original maturities of ninety days or less are considered to be cash equivalents. For purposes of the Statements of Cash Flows, equity in central treasury held by enterprise funds are treated as cash equivalents.

Investments for the government, as well as the component unit, are reported at fair value, as determined by quoted market prices. The reported value of the pool is the same as the fair value of the pool shares.

#### **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/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). 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 a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### **Inventories and Prepaid Items/Expenses**

Expendable operating supplies of the Borough are accounted for using the purchases method. There are no significant amounts of such inventories on hand at year end. The entire Hospital Enterprise Fund inventory is assigned to Providence as of April 21, 1997. According to the terms of the lease agreement for the hospital facilities [see note 13(a)], those items are required to be returned to the Borough at the termination of the lease in at least equal value.

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items. The prepaid assets do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the fund financial statements. Prepaid items and expenses are based on the consumption method.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, street lights, and similar items including those acquired prior to fiscal years ended after June 30, 1980), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives 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. There was no interest capitalized during the year.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Improvements other than buildings	10-15 years
Equipment	5-10 years
Infrastructure	40 years

**Compensated Absences**

It is the Borough's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-term Obligations**

In the government wide 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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest on long-term obligations is recorded as an expenditure when due.

**Net Position**

In the government wide financial statements, net position is reported in three categories; net investment in capital assets, restricted net position and unrestricted net position.

Net position is reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors provisions or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Balance**

In the Fund Financial Statements, fund balance includes five classifications as follows:

Nonspendable Fund Balance – amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid expenses, supplies, and long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed Fund Balance – amounts that can be used only for the specific purposes determined by a formal action of the Borough Assembly, the Borough's highest level of decision-making authority. Commitments may be changed or lifted by the Assembly taking the same formal action that imposed the constraint originally. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is for the Assembly to pass a resolution.

Assigned Fund Balance – amounts that are constrained by the Borough for specific purposes. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed, but constrained for a specific purpose. Assignment of fund balance is made by the Borough Assembly or its designee, the Finance Director. Such constraint is binding unless modified or eliminated by the Borough Assembly or Finance Director. Assignment of fund balance is made during the budget process and reviewed at the end of the fiscal year. Assigned fund balance for FY2104 represents amounts constrained for capital project funds and was assigned by the Finance Director.

Unassigned Fund Balance – amounts not contained in the other classifications and available for any purpose. Positive unassigned amounts will be reported only in the General Fund. If another governmental fund, other than the General Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The Finance Director reports to the Assembly as close to the end of the year as possible the anticipated year-end fund balance or deficit. The Assembly takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

The Borough's Special Revenue Funds are used to account for school district support, fire and road service areas, federal and state grant programs, street lighting districts, and operations and maintenance programs that are restricted or committed.

#### **(e) Revenues, Expenditures, and Expenses**

##### **Property Taxes**

Property taxes are based on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute 29.45.240, the Borough establishes the mill rate on or before June 15th. Tax bills are then mailed on or before July 1st.

## **KODIAK ISLAND BOROUGH**

### **Notes to Basic Financial Statements, Continued**

Taxes are due when billed and generally become delinquent on or after October 16th. The Borough code also provides for split payments. If a taxpayer avails himself of this provision, one-half must be paid on or before August 15th and the remainder becomes due on or before November 15th (in lieu of October 15th). Borough property tax revenues are recognized in the fiscal year in which they become measurable and available, which is generally the year following the year the tax bills are mailed.

All taxes are delinquent on November 16th, and a tax foreclosure process may commence as outlined in Alaska Statutes Title 29. Briefly, this entails the petition for Judgment of Foreclosure signed by the District Court Judge and the publication of all delinquent taxes in the local newspaper for four consecutive weeks.

Real property tax liens are enforced by one general foreclosure proceeding against the delinquent properties.

Prior to FY2012 all area wide property taxes were deposited into the General Fund and then transferred to the other area wide funds. As of FY2012 the Borough has set a separate mill rate for each area wide function that was funded by property taxes. For FY2014 the Borough set a mill rate of 0.03 mills for the General Fund, 8.75 mills for the Education Support Special Revenue Fund, 1.81 mills for the Debt Service Fund and 0.16 mills for the Renewal and Replacement Projects Capital Project Fund for a total area wide mill rate of 10.75. This was the same mill rate as FY2013.

#### **Severance Taxes**

Severance taxes are based on the amount and value of natural resources severed from the environment. Types of resources taxed include seafood, gravel and mineral resources, and timber. Severance tax returns are sent to appropriate companies (as determined by the Borough Assessor) and are returned to the Borough Finance Department. The returns are filed quarterly, and are due by the end of the month following the quarter's end. Borough severance tax revenues are recognized in the fiscal year in which they become measurable and available.

#### **Intergovernmental Revenue**

State shared revenues, safe communities, State education related entitlement programs and State levied taxes, the proceeds of which are distributed to local governments, are recorded in the fiscal year to which they relate, including accrual at year end if final payments due are measurable and received within approximately two months after year end.

State of Alaska and Federal government cost reimbursable grants and contracts are recorded to the extent of allowable expenditures in the period in which the expenditures were incurred.

When both restricted and unrestricted resources are available for use for governmental activities, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

#### Operating and Nonoperating Revenue and Expenses

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 Municipal Solid Waste Collection and Disposal Fund and 911 Service Fund are charges to customers for services. The principal operating revenues of the Hospital Facilities Fund and the Kodiak Fisheries Research Center Fund are rents from customers. Operating expenses for proprietary funds include costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Revenue from Investments and Property

Amounts earned on investment of available cash balances and the rental of building facilities are recorded in the period to which they relate, including accrual at year end of the balance due, and unrealized gains and losses on investments held at fiscal year end.

#### Land Sales Proceeds and Other Local Revenues

Amounts received pursuant to land sale contracts are recorded on the modified accrual basis in the fund financial statements and the accrual basis in the government-wide financial statements.

Other local revenues are recorded on a basis consistent with their nature in relation to measurement and availability standards.

#### (f) Cash Flows

All highly liquid investments, excluding restricted assets, with original maturities of three months or less are considered cash equivalents for purposes of the statement of cash flows.

#### (g) Use of Estimates

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 amounts reported in these financial statements. Actual results may differ from the estimates. Significant estimates include the allowance for doubtful accounts, the useful lives of assets and related accumulated depreciation, and accrued landfill closure and post-closure care costs.

### (2) Stewardship, Compliance, and Accountability

#### (a) Excess of Expenditures over Appropriations

The following fund expenditures exceeded their budget:

Fund	Excess
Special Revenue Funds:	
Education Support	500
Kodiak Airport Fire District	59
Debt Service Fund -	
Education and Health	98,835
Total expenditures exceeding budgets	\$ 99,394

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

**(b) Deficit Fund Equity**

The individual fund deficits at June 30, 2014, are as follows:

Special Revenue Funds:		
Education Support	\$	31,674
L.E.P.C		17,821
Trinity Island Paving		11,985
Oil Spill Disaster		10,566
Renewal and Replacement Projects Capital Project Fund		<u>2,804,587</u>
Total fund deficits	\$	<u><u>2,876,633</u></u>

The deficit in Education Support Fund, L.E.P.C. Fund, and Trinity Island Paving Fund will all be funded by transfers in from the General Fund in FY2015.

The deficit in the Renewal and Replacement Projects Capital Projects Fund will be covered by a loan from the Facilities Special Revenue Fund, which will then be repaid by a mill rate increase.

**(3) Cash and Investments**

A portion of the Borough's investments are in the Alaska Municipal League Investment Pool (AMLIP). The investment in AMLIP represents the Borough's share of ownership in the pool rather than ownership of specific securities. The fair values of the investments in the pool approximates amortized cost and is equal to the value of pool shares. To obtain a copy of AMLIP's financial statements contact Key Trust of Alaska at 101 West Benson Blvd., Room 302, Anchorage, Alaska 99503.

As of June 30, 2014, the Borough had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
U.S. Agency Securities:				
Federal Home Loan Bank	\$ 12,738,306	8,260,897	4,477,409	-
Federal Home Loan Mortgage Corporation	5,118,445	2,007,145	3,111,300	-
Federal Home Loan Discount Note	19,999,500	19,999,500	-	-
Federal Farm Credit Bank	1,189,343	-	-	1,189,343
Federal National Mortgage Association	5,080,076	999,980	4,080,096	-
Municipal Obligations	29,401,333	5,428,793	2,699,419	21,273,121
Alaska Municipal League Investment Pool	14,657,777	14,657,777	-	-
Certificates of Deposit	948,897	-	948,897	-
	<u>\$ 89,133,677</u>	<u>51,354,092</u>	<u>15,317,121</u>	<u>22,462,464</u>

In addition to the investments listed above, Kodiak Island Borough also had cash equivalents of \$5,833,443.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

***Interest Rate Risk***

The Borough's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Statutes authorize the Borough to invest in obligations of the United States, the State of Alaska and its political subdivisions, savings accounts, certificates of deposit, banker's acceptances, repurchase agreements, and such other legal security instruments. The Borough does not have a formal investment policy that restricts investments based on credit risk.

At June 30, 2014, the Borough's U.S. agencies bonds were rated AAA by Standard & Poor and Fitch Ratings, and AAA by Moody's Investor Service. At June 30, 2014, the Borough's investment in the Alaska Municipal League Investment Pool was unrated.

***Concentration of Credit Risk***

The Borough places no limit on the amount the Borough may invest in any one issuer. At June 30, 2014, the Borough had 50% percent of its investments in U.S. Government agency securities.

***Custodial Credit Risk – Deposits***

The Borough maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reported on the Balance Sheet and Statements of Net Position as "Equity in Central Treasury" or amounts "due to/from other funds."

The Borough bank accounts are insured by the Federal Depository Insurance Corporation (FDIC) to a maximum of \$250,000. U.S. Treasury obligations collateralize the remaining bank balance, which is held by Bank of New York in a Tri-party collateral agreement with Wells Fargo, the pledging financial institution's agent, in the Borough's name.

***Custodial Credit Risk – Investments***

For an investment, this is a risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Borough manages its custodial credit risk in investments by requiring collateralization agreements. The Borough had no debt securities exposed to custodial credit risk at June 30, 2014.

**(4) Annual Appropriation to the School District**

An annual appropriation is made to the School District. In addition to the annual appropriation, the Borough provides the School District, without charge, general liability and property insurance, data processing services, the annual independent audit, mental health services, and grounds maintenance services.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

**(5) Receivables**

	Governmental Funds						
	General Fund	Education and Support Special Revenue Fund	Education and Health Debt Service Fund	Capital Project Funds			Total Governmental Funds
				Kodiak High School Renovation	Renewal and Replacement Projects	Other Governmental Funds	
Receivables:							
Grants	\$ 292,983	49,396	338,864	70,160	43,838	176,140	971,381
Taxes	434,511	170,206	33,486	—	2,580	17,776	658,559
Customers and other	14,740	—	—	—	—	72,982	87,722
Gross receivables	742,234	219,602	372,350	70,160	46,418	266,898	1,717,662
Less: allowance for uncollectibles	(15,828)	—	—	—	—	—	(15,828)
Net total receivables	\$ 726,406	219,602	372,350	70,160	46,418	266,898	1,701,834

	Enterprise Funds						
	Municipal Solid Waste Collection and Disposal	Hospital Facilities	Kodiak Fisheries Research Center	Other Nonmajor Enterprise Fund	Total Enterprise Funds	Total Governmental Funds	Total Primary Government
Receivables:							
Grants	\$ 4,047,505	38,553	—	—	4,086,058	971,381	5,057,439
Taxes	—	—	—	—	—	658,559	658,559
Customers and other	260,897	—	40,046	6,110	307,053	87,722	394,775
Gross receivables	4,308,402	38,553	40,046	6,110	4,393,111	1,717,662	6,110,773
Less: allowance for uncollectibles	—	—	—	—	—	(15,828)	(15,828)
Net total receivables	\$ 4,308,402	38,553	40,046	6,110	4,393,111	1,701,834	6,094,945

**(6) Deferred Inflows and Unearned Revenues**

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenues in connection with resources that have been received, but not yet earned. At June 30, 2014, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Unavailable property taxes receivable	\$ 194,852	-	194,852
Unavailable land sales receivable	513,765	-	513,765
Grant advances prior to expending all proceeds	<u>54,163</u>	<u>134,815</u>	<u>188,978</u>
Total unavailable/unearned revenue for governmental funds	\$ <u>762,780</u>	<u>134,815</u>	<u>897,595</u>

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

**(7) Capital Assets**

As noted in Footnote (12), the Borough leases the Kodiak Island Hospital and Care Center to Sisters of Providence. The value of the leased assets and associated depreciation are reflected in the Hospital Facilities Fund following.

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 23,467,304	—	(194,516)	23,272,788
Construction work-in-progress	<u>12,604,897</u>	<u>35,560,550</u>	<u>(302,450)</u>	<u>47,862,997</u>
<b>Total</b>	<u>36,072,201</u>	<u>35,560,550</u>	<u>(496,966)</u>	<u>71,135,785</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	111,772,770	55,011	—	111,827,781
Improvements other than buildings	21,164,554	53,084	—	21,217,638
Equipment	2,936,661	241,795	—	3,178,456
Infrastructure	<u>5,762,722</u>	<u>—</u>	<u>—</u>	<u>5,762,722</u>
<b>Total</b>	<u>141,636,707</u>	<u>349,890</u>	<u>—</u>	<u>141,986,597</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	64,687,487	2,551,704	—	67,239,191
Improvements other than buildings	6,177,095	1,150,876	—	7,327,971
Equipment	2,004,229	195,411	—	2,199,640
Infrastructure	<u>4,787,393</u>	<u>144,068</u>	<u>—</u>	<u>4,931,461</u>
<b>Total</b>	<u>77,656,204</u>	<u>4,042,059</u>	<u>—</u>	<u>81,698,263</u>
<b>Total capital assets being depreciated, net</b>	<u>63,980,503</u>	<u>(3,692,169)</u>	<u>—</u>	<u>60,288,334</u>
<b>Total governmental activities, net</b>	<u>\$ 100,052,704</u>	<u>31,868,381</u>	<u>(496,966)</u>	<u>131,424,119</u>

**KODIAK ISLAND BOROUGH**

Notes to Basic Financial Statements, Continued

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Municipal Solid Waste Collection and Disposal Fund capital assets, not being depreciated:</b>				
Land	\$ 1,651,248	—	—	1,651,248
Construction work-in-progress	9,631,578	8,470,829	—	18,102,407
Total	<u>11,282,826</u>	<u>8,470,829</u>	<u>—</u>	<u>19,753,655</u>
<b>Capital assets, being depreciated:</b>				
Unclassified utility plant in service	2,178,733	—	—	2,178,733
Improvements other than buildings	2,410,717	—	—	2,410,717
Machinery and equipment	1,928,803	—	—	1,928,803
Total	<u>6,518,253</u>	<u>—</u>	<u>—</u>	<u>6,518,253</u>
<b>Less accumulated depreciation for:</b>				
Unclassified utility plant in service	1,169,411	42,055	—	1,211,466
Improvements other than buildings	1,301,154	132,666	—	1,433,820
Machinery and equipment	1,481,881	103,621	—	1,585,502
Total	<u>3,952,446</u>	<u>278,342</u>	<u>—</u>	<u>4,230,788</u>
Total capital assets being depreciated, net	<u>2,565,807</u>	<u>(278,342)</u>	<u>—</u>	<u>2,287,465</u>
<b>Total Municipal Solid Waste Collection and Disposal Fund, net</b>	<b>\$ <u>13,848,633</u></b>	<b><u>8,192,487</u></b>	<b><u>—</u></b>	<b><u>22,041,120</u></b>

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Hospital Facilities Fund, Capital assets, not being depreciated:				
Artwork	\$ 16,091	—	—	16,091
Land	10,251	—	—	10,251
Construction work-in-progress	<u>10,971,693</u>	<u>9,969,269</u>	—	<u>20,940,962</u>
Total	<u>10,998,035</u>	<u>9,969,269</u>	—	<u>20,967,304</u>
Capital assets, being depreciated:				
Buildings	27,131,044	—	—	27,131,044
Improvements other than buildings	401,046	—	—	401,046
Machinery and equipment	<u>3,627,068</u>	—	—	<u>3,627,068</u>
Total	<u>31,159,158</u>	—	—	<u>31,159,158</u>
Less accumulated depreciation for:				
Buildings	14,922,012	800,044	—	15,722,056
Improvements other than buildings	197,122	14,176	—	211,298
Machinery and equipment	<u>3,401,388</u>	<u>53,693</u>	—	<u>3,455,081</u>
Total	<u>18,520,522</u>	<u>867,913</u>	—	<u>19,388,435</u>
Total capital assets being depreciated, net	<u>12,638,636</u>	<u>(867,913)</u>	—	<u>11,770,723</u>
Total Hospital Facilities Fund, net	<u>\$ 23,636,671</u>	<u>9,101,356</u>	—	<u>32,738,027</u>

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Kodiak Fisheries Research Center Fund				
Capital assets, not being depreciated:				
Construction work-in-progress	\$ 187,238	844,135	—	1,031,373
Capital assets, being depreciated:				
Buildings	17,840,410	—	—	17,840,410
Improvements other than buildings	1,058,261	—	—	1,058,261
Machinery and equipment	1,187,679	—	—	1,187,679
Total	<u>20,086,350</u>	<u>—</u>	<u>—</u>	<u>20,086,350</u>
Less accumulated depreciation for:				
Buildings	8,323,761	594,683	—	8,918,444
Improvements other than buildings	481,785	35,432	—	517,217
Machinery and equipment	1,161,559	6,028	—	1,167,587
Total	<u>9,967,105</u>	<u>636,143</u>	<u>—</u>	<u>10,603,248</u>
Total capital assets being depreciated, net	<u>10,119,245</u>	<u>(636,143)</u>	<u>—</u>	<u>9,483,102</u>
Total Kodiak Fisheries Research Center Fund, net	<u>\$ 10,306,483</u>	<u>207,992</u>	<u>—</u>	<u>10,514,475</u>

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Total business-type activities:				
Capital assets, not being depreciated:				
Artwork	\$ 16,091	—	—	16,091
Land	1,661,499	—	—	1,661,499
Construction work-in-progress	20,790,509	19,284,233	—	40,074,742
Total	<u>22,468,099</u>	<u>19,284,233</u>	<u>—</u>	<u>41,752,332</u>
Capital assets, being depreciated:				
Unclassified utility plant in service	2,178,733	—	—	2,178,733
Buildings	44,971,454	—	—	44,971,454
Improvements other than buildings	3,870,024	—	—	3,870,024
Machinery and equipment	6,743,550	—	—	6,743,550
Total	<u>57,763,761</u>	<u>—</u>	<u>—</u>	<u>57,763,761</u>
Less accumulated depreciation for:				
Unclassified utility plant in service	1,169,411	42,055	—	1,211,466
Buildings	23,189,205	1,394,727	—	24,583,932
Improvements other than buildings	2,036,629	182,274	—	2,218,903
Machinery and equipment	6,044,828	163,342	—	6,208,170
Total	<u>32,440,073</u>	<u>1,782,398</u>	<u>—</u>	<u>34,222,471</u>
Total capital assets being depreciated, net	<u>25,323,688</u>	<u>(1,782,398)</u>	<u>—</u>	<u>23,541,290</u>
Total business-type activities, net	<u>\$ 47,791,787</u>	<u>17,501,835</u>	<u>—</u>	<u>65,293,622</u>

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

Depreciation expense was charged to the departments and functions of the primary government as follows:

General government	\$	652,877
Public safety		174,917
Emergency preparedness		2,500
Primary and secondary education		3,211,765
Total – governmental activities		4,042,059
Business-type activities:		
Municipal solid waste collection and disposal		278,342
Hospital facilities		867,913
Kodiak fisheries research center		636,143
Total – business-type activities		1,782,398
Total primary government	\$	5,824,457

**(8) Interfund Receivables, Payables and Transfers**

**(a) Interfund Receivables and Payables**

Interfund balances at June 30, 2014 consisted of the following:

**(1) Due to / from other funds:**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Major governmental funds:		
General Fund	Renewal and Replacement Projects	\$ 95,072
General Fund	Other Governmental Funds	60,242
General Fund	Kodiak Fisheries Research Center Enterprise Fund	54,163
Facilities Special Revenue Fund	General Fund	174,312
Total primary government		\$ 383,789

**(2) Advances to / from other funds:**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Major governmental funds -		
Facilities Special Revenue Fund	Renewal and Replacement Project	\$ 2,745,028
	Hospital Facilities Enterprise Fund	876,872
	Kodiak Fisheries Research Center Enterprise Fund	3,095,000
Total primary government		\$ 6,716,900

**KODIAK ISLAND BOROUGH**

Notes to Basic Financial Statements, Continued

The balance of \$3,095,000 due the Facilities Fund from the K.F.R.C. Fund resulted from a loan of \$8,000,000 that was made to help pay for the construction of the building. \$2,555,000 is not scheduled to be paid in FY2015 and is recorded as a noncurrent liability in advances from other funds.

The balance of \$876,872 due the Facilities Special Revenue Fund from the Hospital Facilities Enterprise Fund resulted from a loan of \$1,600,000 that was made part of the cost of a lawsuit. \$794,149 is not scheduled to be paid in FY2015 and is recorded as a noncurrent liability in advances from other funds.

All remaining interfund balances were short term loans to cover negative cash balances at year end. The outstanding short term balances between funds result from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures or expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**(b) Long-term Interfund Borrowings**

In October 1997 the Facilities Special Revenue Fund loaned \$8,000,000 to the Kodiak Fisheries Research Center Enterprise Fund. This loan was to help finance the construction of the Kodiak Fisheries Research Center. The loan from the Facilities Special Revenue Fund is accounted for as a long-term inter-fund advance, while the liability in the Kodiak Fisheries Research Center Enterprise Fund is accounted for as a long-term inter-fund borrowing. The advance bears interest at 7%, and the scheduled payments for the next five fiscal years ended and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	\$ 540,000	197,750	737,750
2016	575,000	158,725	733,725
2017	615,000	117,075	732,075
2018	660,000	72,450	732,450
2019	705,000	24,675	729,675
	<u>\$ 3,095,000</u>	<u>570,675</u>	<u>3,665,675</u>

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

In July 2003, the Facilities Special Revenue Fund loaned \$1,600,000 to the Hospital Facilities Enterprise Fund in order to help fund current operations. The loan from the Facilities Special Revenue Fund is accounted for as a long-term interfund advance, while the liability in the Hospital Facilities Enterprise Fund is accounted for as a long-term interfund borrowing. The advance bears interest at 4%, and the scheduled payments for the next five fiscal years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	\$ 82,723	34,255	116,978
2016	86,065	30,913	116,978
2017	89,542	27,436	116,978
2018	93,159	23,819	116,978
2019	96,923	20,056	116,979
2020-2023	428,460	39,451	467,911
	<u>\$ 876,872</u>	<u>175,930</u>	<u>1,052,802</u>

**(c) Transfers**

Interfund transfers have been made in accordance with budget ordinances. Funds are transferred from one fund to support expenditures of other funds in accordance with the authority established for the individual fund. Transfers between funds during the year ended June 30, 2014, were as follows:

	<u>Transfers In</u>						<u>Totals</u>
	<u>Governmental Funds</u>				<u>Enterprise Funds</u>		
	<u>Education Support Special Revenue Fund</u>	<u>Education and Health Debt Service Fund</u>	<u>Renewal and Replacement Projects Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Municipal Solid Waste Collection and Disposal Fund</u>	<u>Hospital Facilities Fund</u>	
<b>Transfers Out</b>							
Major Governmental Funds:							
General Fund	\$ 220,000	250,000	—	—	13,500	—	483,500
Facilities Special Revenue Fund	110,000	232,402	161,963	18,000	—	—	522,365
Other Governmental Funds	—	—	—	—	—	66,500	66,500
Total transfers	<u>\$ 330,000</u>	<u>482,402</u>	<u>161,963</u>	<u>18,000</u>	<u>13,500</u>	<u>66,500</u>	<u>1,072,365</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$220,000 to the Education Support Special Revenue Fund to cover school district support.
- The General Fund transferred \$250,000 to the Education and Health Debt Service Fund to pay for debt service on school district and hospital bonds.
- The General Fund transferred \$13,500 to the Municipal Solid Waste Collection and Disposal Enterprise Fund to pay for garbage disposal for area thrift shops.

## **KODIAK ISLAND BOROUGH**

### Notes to Basic Financial Statements, Continued

- The Facilities Special Revenue Fund transferred \$110,000 to the Education Support Special Revenue Fund to cover school district insurance costs.
- The Facilities Special Revenue Fund transferred \$232,402 to the Education and Health Debt Service Fund for debt service on school district and hospital bonds.
- The Facilities Special Revenue Fund transferred \$161,963 to the Renewal and Replacement Projects Capital Project Fund to pay for capital improvements.
- The Facilities Special Revenue Fund transferred \$18,000 to the Building and Grounds Special Revenue Fund to pay additional snow removal costs at school sites.
- The Fern Fuller Trust Special Revenue Fund transferred \$66,500 to the Hospital Facilities Enterprise Fund for the purchase of new equipment.

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**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

**(9) Long Term Debt**

**(a) General Obligation Bonds and other Debt**

The Borough issues general obligation bonds and other debt to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Borough. General obligation bonds and other debt currently outstanding are as follows:

Type of debt	Interest		Issue dates	Maturity dates	Principal payments	
	Rates	Dates			Dates	Amount
General obligation bonds – 2004 C Series	4.0-5.0%	1/1-7/1	7/21/2004	7/1/2014	07/01/14	-
General obligation bonds – 2004 D Series	4.0%	5/1-11/1	12/1/2004	11/1/2014	11/01/14	530,000
						<u>530,000</u>
General obligation bonds – 2008 A Series	4.0-5.0%	4/1-10/1	11/1/2008	4/1/2028	04/01/15	335,000
					04/01/16	350,000
					04/01/17	370,000
					04/01/18	380,000
					04/01/19	400,000
					04/01/20	415,000
					04/01/21	430,000
					04/01/22	450,000
					04/01/23	470,000
					04/01/24	490,000
					04/01/25	515,000
					04/01/26	540,000
					04/01/27	565,000
					04/01/28	595,000
						<u>6,305,000</u>
General obligation bonds – 2009 A Series	3.54%	2/1-8/1	4/9/2009	2/1/2014	02/14/14	-

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Authorized</u>		<u>Prior years</u>		<u>Balance at</u>		<u>Retired/</u>	<u>Balance at</u>
<u>Fiscal year</u>	<u>Amount</u>	<u>Issued</u>	<u>Retired</u>	<u>July 1, 2013</u>	<u>Issued</u>	<u>Refunded</u>	<u>June 30, 2014</u>
2004	9,300,000	9,300,000	8,865,000	435,000	—	435,000	—
2004	11,050,000	11,050,000	10,010,000	1,040,000	—	510,000	530,000
2008	8,000,000	8,000,000	1,375,000	6,625,000	—	320,000	6,305,000
2009	6,740,000	6,740,000	5,295,000	1,445,000	—	1,445,000	—

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Type of debt</u>	<u>Interest</u>		<u>Issue date</u>	<u>Maturity dates</u>	<u>Principal payments</u>	
	<u>Rates</u>	<u>Dates</u>			<u>Dates</u>	<u>Amount</u>
General obligation bonds – 2011 Series One	2.05%-5.20%	9/1-3/1	3/1/2011	3/1/2031	03/01/15	305,000
					03/01/16	310,000
					03/01/17	320,000
					03/01/18	330,000
					03/01/19	340,000
					03/01/20	355,000
					03/01/21	370,000
					03/01/22	385,000
					03/01/23	405,000
					03/01/24	425,000
					03/01/25	445,000
					03/01/26	465,000
					03/01/27	485,000
					03/01/28	510,000
					03/01/29	535,000
					03/01/30	565,000
					03/01/31	595,000
						7,145,000
General obligation bonds – 2012 Series A	2.0-5.0%	3/1-9/1	5/24/2012	9/1/2024	9/1/2014	—
					9/1/2015	435,000
					9/1/2016	455,000
					9/1/2017	460,000
					9/1/2018	480,000
					9/1/2019	495,000
					9/1/2020	525,000
					9/1/2021	545,000
					9/1/2022	570,000
					9/1/2023	600,000
					9/1/2024	630,000
						5,195,000

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Fiscal year</u>	<u>Authorized Amount</u>	<u>Prior years</u>		<u>Balance at July 1, 2013</u>	<u>Issued</u>	<u>Retired/ Refunded</u>	<u>Balance at June 30, 2014</u>
		<u>Issued</u>	<u>Retired</u>				
2012	8,000,000	8,000,000	560,000	7,440,000	—	295,000	7,145,000
2012	5,230,000	5,230,000	35,000	5,195,000	—	—	5,195,000

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Type of debt</u>	<u>Interest</u>		<u>Issue dates</u>	<u>Maturity dates</u>	<u>Principal payments</u>	
	<u>Rates</u>	<u>Dates</u>			<u>Dates</u>	<u>Amount</u>
General obligation bonds – 2012 Series B	2.0-5.0%	3/1-9/1	5/24/2012	9/1/2024	9/1/2014	—
					9/1/2015	530,000
					9/1/2016	550,000
					9/1/2017	565,000
					9/1/2018	585,000
					9/1/2019	610,000
					9/1/2020	640,000
					9/1/2021	665,000
					9/1/2022	695,000
					9/1/2023	730,000
					9/1/2024	770,000
						6,340,000
General obligation bonds - 2013 Series One	3.8-5.0%	2/1-8/1	3/1/2013	2/1/2033	2/1/2015	730,000
					2/1/2016	760,000
					2/1/2017	790,000
					2/1/2018	820,000
					2/1/2019	855,000
					2/1/2020	895,000
					2/1/2021	935,000
					2/1/2022	970,000
					2/1/2023	1,010,000
					2/1/2024	1,050,000
					2/1/2025	1,100,000
					2/1/2026	1,155,000
					2/1/2027	1,215,000
					2/1/2028	1,275,000
					2/1/2029	1,340,000
					2/1/2030	1,405,000
					2/1/2031	1,475,000
					2/1/2032	1,550,000
					2/1/2033	1,630,000
						20,960,000

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Fiscal year</u>	<u>Authorized Amount</u>	<u>Prior years</u>		<u>Balance at July 1, 2013</u>	<u>Issued</u>	<u>Retired/ Refunded</u>	<u>Balance at June 30, 2014</u>
		<u>Issued</u>	<u>Retired</u>				
2012	6,385,000	6,385,000	45,000	6,340,000	—	—	6,340,000
2013	21,595,000	21,595,000	—	21,595,000	—	635,000	20,960,000

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Type of debt</u>	<u>Interest</u>		<u>Issue date</u>	<u>Maturity dates</u>	<u>Principal payments</u>	
	<u>Rates</u>	<u>Dates</u>			<u>Dates</u>	<u>Amount</u>
General obligation bonds - 2014 Series One	2.0-5.0%	3/1-9/1	3/1/2013	3/1/2034	3/1/2015	740,000
					3/1/2016	785,000
					3/1/2017	810,000
					3/1/2018	840,000
					3/1/2019	880,000
					3/1/2020	900,000
					3/1/2021	915,000
					3/1/2022	965,000
					3/1/2023	1,010,000
					3/1/2024	1,060,000
					3/1/2025	1,110,000
					3/1/2026	1,150,000
					3/1/2027	1,205,000
					3/1/2028	1,265,000
					3/1/2029	1,330,000
					3/1/2030	1,395,000
					3/1/2031	1,465,000
					3/1/2032	1,535,000
					3/1/2033	1,610,000
					3/1/2034	1,690,000
						22,660,000
Clean water – Karluk	3.92 – 4.05%	**	**	**	6/1/2015	6,039
					6/1/2016	6,130
					6/1/2017	6,222
					6/1/2018	6,315
					6/1/2019	6,410
					6/1/2020	5,926
						37,042
						\$ 69,172,042

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

<u>Fiscal year</u>	<u>Authorized</u>	<u>Prior years</u>		<u>Balance at</u>	<u>Issued</u>	<u>Retired/</u>	<u>Balance at</u>
	<u>Amount</u>	<u>Issued</u>	<u>Retired</u>	<u>July 1, 2013</u>		<u>Refunded</u>	<u>June 30, 2014</u>
2014	22,660,000	—	—	—	22,660,000	—	22,660,000
1998	<u>400,000</u>	<u>97,019</u>	<u>54,027</u>	<u>42,992</u>	<u>—</u>	<u>5,950</u>	<u>37,042</u>
\$	<u>99,360,000</u>	<u>76,397,019</u>	<u>26,239,027</u>	<u>50,157,992</u>	<u>22,660,000</u>	<u>3,645,950</u>	<u>69,172,042</u>

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

The annual requirements to amortize all general obligation bonded debt and the ADEC loan payable outstanding as of June 30, 2014, are as follows:

	<u>General obligation</u>	<u>ADEC loan payable</u>	<u>Total</u>	<u>Interest</u>
Year ending June 30:				
2015	\$ 2,640,000	6,039	2,646,039	3,119,885
2016	3,170,000	6,130	3,176,130	2,989,362
2017	3,295,000	6,222	3,301,222	2,869,212
2018	3,395,000	6,315	3,401,315	2,750,462
2019	3,540,000	6,410	3,546,410	2,617,362
2020-2024	19,980,000	5,926	19,985,926	10,756,373
2025-2029	18,200,000	—	18,200,000	6,158,180
2030-2034	14,915,000	—	14,915,000	1,964,556
	<u>\$ 69,135,000</u>	<u>37,042</u>	<u>69,172,042</u>	<u>33,225,392</u>

At June 30, 2014, there was \$665,711 available in the Education and Health Debt Service Fund to service general obligation bonds. There are a number of limitations and restrictions contained in the various bond indentures. The Borough is in compliance with all significant limitations and restrictions.

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**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

**(b) Notes Payable**

As of June 30, 2014, the Borough had the following notes payable outstanding in the Municipal Solid Waste Collection and Disposal Enterprise Fund:

Note payable (ACWF #505031) to Alaska Department of Environmental Conservation (ADEC), to be paid within 20 years. From June 2, 1999 until April 28, 2005 interest accrued at 2.5%. From April 29, 2005 to June 30, 2014 interest accrued at 1.5%. The first loan payment was made on April 1, 2012, with payments of \$100,000 being due on April 1 in each successive year. \$ 1,700,000

Note payable (ACWF #505041) to Alaska Department of Environmental Conservation (ADEC), to be paid within 20 years. Interest accrued at 3.8% over the life of the loan. The first loan payment is due one year following substantial completion and initiation of operation of the facility. \$ 4,441,653

Note payable (ACWF #505061) to Alaska Department of Environmental Conservation (ADEC), to be paid within 20 years. Interest accrued at 3.8% over the life of the loan. The first loan payment is due one year following substantial completion and initiation of operation of the facility. \$ 750,000

On September 15, 2011 the Borough issued a \$3,275,000 revenue bond, with a premium of \$384,379. The bond was marketed by the Alaska Municipal Bond Bank. Interest accrues at rates between 3.0 and 5.0% with payments due on September 1 and March 1 of each year. The bond will mature on September 1, 2026. \$ 3,315,242

As of June 30, 2014, the Borough had the following bond payable outstanding in the Hospital Facilities Enterprise Fund:

On June 19, 2013 the Borough issued a \$17,110,000 revenue bond, with a premium of \$1,707,320. The bond was marketed by the Alaska Municipal Bond Bank. Interest accrues at rates between 2.0 and 5.0% with payments due on June 1 of each year. The bond will mature on June 1, 2033. \$ 18,703,498

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

(c) **Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 50,115,000	22,660,000	3,640,000	69,135,000	3,640,000
Bond premium	5,121,114	2,427,432	455,990	7,092,556	334,618
	<u>55,236,114</u>	<u>25,087,432</u>	<u>4,095,990</u>	<u>76,227,556</u>	<u>3,974,618</u>
ADEC loans	42,992	—	5,950	37,042	5,950
Compensated absences	298,640	247,071	217,182	328,529	217,182
Total	<u>\$ 55,577,746</u>	<u>25,334,503</u>	<u>4,319,122</u>	<u>76,593,127</u>	<u>4,197,750</u>
Business-type activities:					
Municipal Solid Waste					
Collection and Disposal:					
Landfill closure and post-closure costs	\$ 5,389,650	—	1,421,527	3,968,123	—
Notes payable	7,346,324	3,147,783	287,212	10,206,895	270,000
Total	<u>\$ 12,735,974</u>	<u>3,147,783</u>	<u>1,708,739</u>	<u>14,175,018</u>	<u>270,000</u>
Hospital Facilities:					
Long term interfund					
borrowings	\$ 956,382	—	79,510	876,872	82,723
Bonds payable	18,817,320	—	113,822	18,703,498	605,000
Total	<u>\$ 19,773,702</u>	<u>—</u>	<u>193,332</u>	<u>19,580,370</u>	<u>687,723</u>
Kodiak Fisheries Research Center:					
Long term interfund					
borrowings	\$ 3,595,000	—	500,000	3,095,000	540,000
Total	<u>\$ 3,595,000</u>	<u>—</u>	<u>500,000</u>	<u>3,095,000</u>	<u>540,000</u>
Business-type activities:					
Landfill closure and post- closure costs					
Long term interfund borrowings	\$ 5,389,650	—	1,421,527	3,968,123	—
Notes/bonds payable	4,551,382	—	579,510	3,971,872	622,723
Notes/bonds payable	26,163,644	3,147,783	401,034	28,910,393	875,000
Total	<u>\$ 36,104,676</u>	<u>3,147,783</u>	<u>2,402,071</u>	<u>36,850,388</u>	<u>1,497,723</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

**(10) Fund Balances**

Detailed information related to amounts classified as nonspendable, committed and assigned fund balances in governmental funds at June 30, 2014 are as follows:

	General Fund	Facilities Special Revenue Fund	Education and Health Debt Service Fund	Kodiak High School Renovation Capital Project Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>						
Prepaid items	\$ 1,459	-	-	-	-	1,459
Long term receivables	-	-	-	-	513,765	513,765
Total nonspendable	<u>\$ 1,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>513,765</u>	<u>515,224</u>
<b>Committed:</b>						
Facility upgrades	-	39,548,944	-	-	-	39,548,944
Debt service	-	-	665,711	-	-	665,711
Fire and Road Service Areas	-	-	-	-	1,336,940	1,336,940
Buildings and Grounds	-	-	-	-	323,281	323,281
Street Lighting Districts	-	-	-	-	44,298	44,298
Tourism Development	-	-	-	-	133,682	133,682
Mission Lake Tide Gate	-	-	-	-	37,417	37,417
Fern Fuller Trust	-	-	-	-	264,856	264,856
Total committed	<u>\$ -</u>	<u>39,548,944</u>	<u>665,711</u>	<u>-</u>	<u>2,140,474</u>	<u>42,355,129</u>
<b>Assigned:</b>						
Capital projects and upgrades	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>25,626,380</u>	<u>3,249,119</u>	<u>28,875,499</u>

**(11) Solid Waste Landfill Closure and Post Closure Care Costs**

State and federal laws and regulations require that the Kodiak Island Borough place a final cover on its landfill when closed and perform certain maintenance for a number of years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are recognized based on the future closure and post closure care costs that will be incurred based on the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the landfill used during the year. The estimated liability of landfill closure and post closure care costs is \$3,968,123 as of June 30, 2014, which is based on 93% usage (filled) of the landfill.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

The landfill is estimated to be filled and unusable by the year 2016. During the year ended June 30, 2014, a reduction of \$1,421,527 was recorded. This reduction was due to approximately 5 acres of the existing landfill being closed during the year. The Borough incurred \$1,044,056 of expenses related to the closure of 5 acres, with the additional \$377,471 reduction resulting from a change in the accounting estimate. An estimated additional \$491,566 will be recognized as closure and post closure care expenses between the date of the Statement of Net Position and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and post closure care of \$4,459,689 is based on the amount that would be paid if the landfill were closed as of June 30, 2014. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Kodiak Island Borough is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The Kodiak Island Borough complies with these requirements by annually recording the liability based on the estimates provided by the Kodiak Island Borough's Engineering/Facilities Director. It is anticipated that future inflation costs and additional costs that might arise from changes in post closure requirements, due to changes in technology or more rigorous environmental regulations, for example, will be financed primarily by charges to future landfill users and secondarily by taxpayers.

In the fiscal year ended June 30, 1999 the Borough began initial planning for lateral expansion of the landfill (Phase 3). In May of 2012 bidding on the project was begun and work is ongoing and expected to continue through 2015. The lateral expansion has an estimated forty year capacity. Capital costs to complete is estimated at \$10,000,000.

#### **(12) Insurance and Risk Retention**

The Kodiak Island Borough is exposed to numerous risks of loss associated with the operations of a government. These potential losses include, but are not limited to, employee relations and injuries, contracts, theft, loss or damage of property and general liability. The Borough manages its risks from these potential losses by participating in the Alaska Municipal League Joint Insurance Association, as well as purchasing commercial insurance coverage. This insurance has provided the Borough with adequate coverage in the past. There were no significant changes in insurance coverage obtained and there were no claims or settlements that exceeded insurance coverage in any of the past three fiscal years.

The Borough is a member in good standing of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. Claims are covered on an occurrence basis. JIA provides risk management services, appraisal services and there is also a separate pool for policy liability. The Kodiak Island Borough Finance Director and the Kodiak Island Borough Mayor are members of the Board of Directors of the JIA.

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

The responsibilities of both JIA and the participants are as follows:

**(a) Responsibilities of JIA**

JIA shall perform the following instructions in discharging its responsibilities:

- Provide insurance coverage as necessary for property, including building and contents, automobile, mobile equipment and data processing equipment, casualty, including general liability, public officials' and employees' liability, auto liability and employee benefit liability; workers' compensation, including employers' liability; commercial blanket bond; and time element.
- Assist each participant's assigned risk manager with the implementation of that function.
- Provide loss prevention and safety and consulting services to participants as required.
- Provide claims adjusting and subrogation services for claims covered by the association's joint insurance arrangement.

**(b) Responsibilities of the Participants**

The Participants shall have the following responsibilities:

- The Borough Assembly or appointing official of each participant shall appoint a representative as provided in Article 5, Section 2 of the bylaws and at least one alternate representative to attend member meetings.
- Each participant shall appoint an employee of the participant to be responsible for the risk management function within that entity and to serve as a liaison between the participant and JIA with respect to risk management.
- Each participant shall maintain an active safety officer and/or committee, and shall comply with all recommendations of JIA concerning the development and implementation of a loss control policy to prevent unsafe practices.
- Each participant shall maintain its own set of records as a loss log, in all categories of loss to insure accuracy of JIA's loss reporting system.

**(13) Rental Revenues**

**(a) Hospital Facilities Enterprise Fund**

The Kodiak Island Borough Assembly leases the Kodiak Island Hospital and Care Center premise and equipment to Sisters of Providence d.b.a. Providence Kodiak Island Medical Center who assumed responsibility for the hospital's operations as of April 21, 1997. The lease agreement is effective for a term of twenty years from that date. The lease is cancelable by either party with a one year notice. The hospital capital assets, the lease income, and all other costs relating to the agreement are accounted for by the Borough in the Hospital Facilities Enterprise Fund.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

The agreement with Providence specifies that the Borough will contribute at least \$108,000 per year for the purchase of new and replacement equipment for the hospital. The Borough is also required to fund any major maintenance and repairs projects exceeding \$25,000 in cost. The Borough receives \$60,000 per month in rental revenue. In August, 2003, the lease was amended and required Providence to pay an additional lease payment of \$1,300,000 in 2004. In October 2005 the lease was amended to remove the requirement that Providence had to pay 50% of the net revenues of the hospital, up to \$600,000, in rental revenues. Providence now has to spend 50% or more of their net profit, up to \$200,000, on equipment. The lease was also amended to have the \$108,000 of equipment which the Borough was required to purchase annually to become Providence property rather than Borough property.

#### **(b) Kodiak Fisheries Research Center**

The Kodiak Fisheries Research Center (KFRC) leases its premise to the General Services Administration (GSA), Alaska Department of Fish and Game (ADF&G), the GSA on behalf of Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), and the University of Alaska Fairbanks (UAF).

The lease with the GSA is from March 1, 2003, through September 30, 2018, cancelable with 120 days notice. Annual rent varies from \$37,500 to \$41,000. Rent was \$41,000 in 2014.

The lease with ADF&G is from October 1, 1998 through September 30, 2018, with an option to extend for up to two additional five year periods. Annual rent is \$52,800. The annual rent from 2012 through 2018 will be adjusted for the tenant's proportionate share of building expenses and utilization of the seawater system.

The lease with NOAA is from October 1, 1998 through September 30, 2018, with an option to extend for up to four additional five year periods. Annual rent is \$756,000 plus operational and maintenance expenses of \$754,437. Operational and maintenance expenses are adjusted every five years to actual costs.

The lease with UAF was originally from October 1, 1998 through September 30, 2018, cancelable with 30 days notice, with an option to extend for up to two additional five year periods. The State of Alaska cancelled the lease for laboratory space effective September 1, 2012, but has continued leasing the dorm space. The State has not given notice to cancel this section of the lease in 2014.

#### **(14) Retirement Commitments**

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

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

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

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

*Termination Costs.* If the Borough decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular governmental function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The Borough must pay to have a termination study completed. The purpose of the study is to calculate the Borough's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. Borough must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2014 the past service rate is 24.19%.

*Plan Oversight.* The Borough contributes to the Alaska Public Employees Retirement System (PERS), which includes both a cost sharing multiple employer defined benefit pension and post-employment healthcare plan and a defined contribution plan. Both plans are administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). Both PERS plans provides retirement benefits including disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The authority to establish and amend benefit provisions is assigned to the ARMB. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811.

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

*Plan Description and Funding Agreement.* Benefits vest with five years of credited service. Employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

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

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

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

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

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in the benefits is 75% of the CPI increase up to a 9% maximum for recipients who are at least age 65 or on disability or 50% of the increase up to a 6% maximum for recipients who are at least age 60 but under age 65 or who have been receiving benefits for at least five years. Starting at age 65, or at any age for those employed before July 1, 1986, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10% of the base benefit or \$50 a month, whichever is greater.

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

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

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

*Funding Policy.* The Borough PERS active members are required to contribute 6.75% (3.26% pension cost and 3.49% post-employment healthcare costs) of their annual covered salary and the Borough is required to contribute at an actuarial determined rate; the current rate is 35.68%. The legislature capped the employer rate at 22% (10.64% pension cost and 11.36% post-employment health care cost) with the State of Alaska contributing an on behalf payment for the difference between the actuarial required contribution and the cap. On behalf payments by the State of Alaska for the Borough's employees are recognized as revenues and expenditures/expenses during the year. The contribution requirements of plan members and the Borough are established and may be amended by the ARMB.

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

**KODIAK ISLAND BOROUGH**

Notes to Basic Financial Statements, Continued

*Annual Pension Cost and On-Behalf Payments.* The Borough's annual pension cost for the years ended June 30, 2014, 2013, and 2012 were \$515,789, \$532,750 and \$572,822, respectively, which was equal to the Borough's actual contributions. For the year ended June 30, 2014 the State of Alaska contributed \$463,333 or 13.68% (7.74% pension cost and 5.94% post-employment health care cost) on behalf of the Borough, which was recognized as revenue and expenditures.

**Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan**

*Plan Description and Funding Requirements.* Boroughs and Public Employers in the State of Alaska have a defined contribution retirement plan for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute 0.48% to the retiree medical plan, 0.20% for occupational and death and disability benefits and 3% of employers average annual employee compensation to the health reimbursement arrangement (HRA). The employer effective contribution rate is 22%. Plan members are 100% vested with their contributions. Members become vested in employer's contributions as follows:

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

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2014 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution	\$ 184,399	67,039
Retiree medical plan	4,022	-
Occupational death and disability benefits	1,676	-
Health reimbursement agreement (HRA)	26,438	-
Defined benefit unfunded liability (DBUL)	110,327	-

Actual contributions were equal to the annual required contributions.

***Deferred Compensation Plan***

The Kodiak Island Borough has two deferred compensation plans created and amended in accordance with Internal Revenue Code Section 457. The plans are available to all regular Borough employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts deferred under these plans are held in trusts that were established for the exclusive benefit of plan participants. Amounts contributed to the plans by participants during the year ended June 30, 2014, was \$174,560.

## KODIAK ISLAND BOROUGH

### Notes to Basic Financial Statements, Continued

The first plan is managed by the International Borough Managers Association Retirement Corporation. \$73,675 was contributed to this plan during the year ended June 30, 2014. The Borough believes that the plan does not meet the criteria for inclusion as a fiduciary fund.

The second plan is managed by the MassMutual Financial Group. \$100,885 was contributed to this plan during the year ended June 30, 2014. The Borough believes that the plan does not meet the criteria for inclusion as a fiduciary fund.

#### (15) Contingencies

##### (a) General

The Borough, in the normal course of its activities, is involved in various claims and pending litigation. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Borough's future financial position or results of operations.

##### (b) Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the General or other applicable funds. In management's opinion, disallowances, if any, will not be material.

#### (16) Subsequent Events

Management have evaluated subsequent events through December 31, 2014, the date which the financial statements were available for issue.

#### (17) Construction Commitments

The Borough has outstanding commitments for construction at year end of \$46,195,669.

#### (18) Subsequent Accounting Pronouncements

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

- GASB 67 – *Financial Reporting for Pension Plans – an Amendment of GASB Statements No. 10 and No. 62. Effective for periods beginning after June 15, 2014.*
- GASB 68 – *Accounting and Reporting for Pensions – an Amendment of GASB Statement No.27. Effective for fiscal years beginning after June 15, 2014.*
- GASB 69 – *Government Combinations and Disposals of Government Operations. Effective for fiscal years beginning after December 15, 2014.*
- GASB 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees. Effective for fiscal years beginning after June 15, 2014.*

**KODIAK ISLAND BOROUGH**  
Notes to Basic Financial Statements, Continued

- GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. Effective for fiscal years beginning after June 15, 2014.*

Statements 67 and 69-71 are not expected to have any material impact on the financial statements of the District.

GASB Statement No. 68's objective is to improve accounting and reporting for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement establishes methods and assumptions used to project benefit payments to their actuarial present value and attribute that present value to the periods of employee services. Note disclosures and required supplementary information are addressed in this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**KODIAK ISLAND BOROUGH**

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014			Variance with Final Budget – Positive (Negative)	2013 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Property taxes and assessments:					
Real	\$ 29,900	29,900	34,167	4,267	33,406
Personal	3,300	3,300	—	(3,300)	—
Boat	22,000	22,000	24,350	2,350	21,545
Aircraft	5,500	5,500	21,400	15,900	4,900
Penalty and interest	200,000	200,000	128,058	(71,942)	201,420
Total property taxes and assessments	260,700	260,700	207,975	(52,725)	261,271
Severance taxes:					
Fish	1,750,000	1,750,000	1,715,496	(34,504)	1,654,149
Mining	10,000	10,000	32,309	22,309	9,432
Logging	100,000	100,000	96,014	(3,986)	111,119
Total severance taxes	1,860,000	1,860,000	1,843,819	(16,181)	1,774,700
Intergovernmental:					
State sources:					
State revenue sharing	707,639	707,639	731,314	23,675	1,042,431
Fisheries business tax	1,650,000	1,650,000	1,546,308	(103,692)	1,647,025
Fisheries resource landing tax	100,000	100,000	97,679	(2,321)	110,532
Commercial passenger vessel tax	25,000	25,000	4,600	(20,400)	23,473
Telephone and electric tax	26,000	26,000	15,792	(10,208)	27,075
On-behalf PERS payment	250,000	425,790	463,333	37,543	329,105
Liquor license	—	—	220	220	—
Total state sources	2,758,639	2,934,429	2,859,246	(75,183)	3,179,641
Federal sources:					
Payments in lieu of taxes	1,226,000	1,226,000	1,541,152	315,152	1,431,452
Fish and Wildlife revenue sharing	150,000	150,000	205,518	55,518	173,848
Schools and Roads - Grants to States	2,400	2,400	—	(2,400)	2,367
Total federal sources	1,378,400	1,378,400	1,746,670	368,270	1,607,667
Total intergovernmental revenue	4,137,039	4,312,829	4,605,916	293,087	4,787,308
Charges for services -					
Sale of copies and maps	5,000	5,000	3,136	(1,864)	6,139
Licenses, permits and fees:					
Building and trailer permits	40,000	40,000	59,661	19,661	37,243
Subdivision and zoning fees	18,500	18,500	16,183	(2,317)	24,540
Other permits	8,000	8,000	6,869	(1,131)	4,693
Total licenses, permits and fees	66,500	66,500	82,713	16,213	66,476
Investment income	100,000	100,000	23,804	(76,196)	39,078
Other	14,000	14,000	11,192	(2,808)	15,030
Total revenues	6,443,239	6,619,029	6,778,555	159,526	6,950,002

(continued)

**KODIAK ISLAND BOROUGH**

Budgetary Comparison Schedule

General Fund, continued

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014				
	Budget		Actual Amounts Budgetary Basis (see Note A)	Variance with Final Budget – Positive (Negative)	2013 Actual
	Original	Final			
Expenditures:					
General government:					
General and administration	\$ 249,100	249,100	180,937	68,163	467,361
Borough assembly	181,850	183,350	183,790	(440)	168,967
Borough manager	605,768	605,768	545,107	60,661	386,191
Borough clerk	563,365	568,485	525,436	43,049	546,655
Borough attorney	149,000	149,000	136,859	12,141	146,241
Finance department	897,962	942,872	921,132	21,740	887,515
Management information systems	1,065,775	1,076,605	1,013,958	62,647	878,694
Assessing department	670,312	687,462	680,158	7,304	605,500
Engineering/facilities department	276,663	313,293	307,917	5,376	314,693
Total general government	<u>4,659,795</u>	<u>4,775,935</u>	<u>4,495,294</u>	<u>280,641</u>	<u>4,401,817</u>
Public safety - animal control	85,000	85,000	72,941	12,059	28,000
Community and economic development:					
Community development department	747,218	806,868	666,289	140,579	721,760
Building official	151,484	151,484	153,324	(1,840)	126,941
Economic development	73,600	73,600	58,862	14,738	73,730
Total community and economic development	<u>972,302</u>	<u>1,031,952</u>	<u>878,475</u>	<u>153,477</u>	<u>922,431</u>
Emergency preparedness	52,000	52,000	9,987	42,013	18,342
Health and sanitation department	316,000	316,000	326,700	(10,700)	290,800
Education, culture, and recreation	90,000	90,000	95,625	(5,625)	84,273
Parks and recreation	45,000	195,000	37,795	157,205	21,100
Kodiak College and city libraries	195,000	195,000	195,000	—	192,000
Total expenditures	<u>6,415,097</u>	<u>6,740,887</u>	<u>6,111,817</u>	<u>629,070</u>	<u>5,958,763</u>
Excess of revenues over expenditures	28,142	(121,858)	666,738	788,596	991,239
Other financing (uses):					
Proceeds from sale of capital assets	5,000	5,000	—	(5,000)	9,564
Transfers in	—	—	—	—	29,335
Transfers out	(483,500)	(483,500)	(483,500)	—	(911,559)
Net other financing sources (uses)	<u>(478,500)</u>	<u>(478,500)</u>	<u>(483,500)</u>	<u>(5,000)</u>	<u>(872,660)</u>
Change in fund balance	\$ <u>(450,358)</u>	<u>(600,358)</u>	183,238	<u>783,596</u>	118,579
Fund balance, at beginning of year			3,348,732		3,230,153
Fund balance, at end of the year			\$ <u>3,531,970</u>		<u>3,348,732</u>

Note A: This schedule does not include expenditures of \$26,276 and a beginning fund (deficit) of (\$1,746) on a multi year community development project. These costs are accumulated in the Community Development Fund which is combined with the General Fund for the Basic Financial Statements.

Note B: See accompanying notes to required supplementary information.

**KODIAK ISLAND BOROUGH**  
 Budgetary Comparison Schedule  
 Special Revenue Fund – Education Support  
 Year ended June 30, 2014  
 (With financial information for the year ended June 30, 2013)

	<u>2014</u>		<u>Actual</u>	<u>Variance with Final Budget – Positive (Negative)</u>	<u>2013 Actual</u>
	<u>Budget</u>				
	<u>Original</u>	<u>Final</u>			
<b>Revenues:</b>					
Property taxes and assessments:					
Real	\$ 9,114,580	9,114,580	9,003,276	(111,304)	8,846,747
Personal	925,140	925,140	879,491	(45,649)	939,619
Intergovernmental - state sources					
Motor vehicle tax	280,000	280,000	253,230	(26,770)	259,252
Total revenues	<u>10,319,720</u>	<u>10,319,720</u>	<u>10,135,997</u>	<u>(183,723)</u>	<u>10,045,618</u>
<b>Expenditures:</b>					
Primary and secondary education	<u>10,649,720</u>	<u>10,649,720</u>	<u>10,650,220</u>	<u>(500)</u>	<u>10,250,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(330,000)</u>	<u>(330,000)</u>	<u>(514,223)</u>	<u>(184,223)</u>	<u>(204,732)</u>
<b>Other financing sources:</b>					
Transfers in	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>	<u>—</u>	<u>428,550</u>
Change in fund balance	<u>\$ —</u>	<u>—</u>	<u>(184,223)</u>	<u>(184,223)</u>	<u>223,818</u>
Fund balance (deficit), at beginning of year			<u>152,549</u>		<u>(71,269)</u>
Fund balance (deficit), at end of year			<u>\$ (31,674)</u>		<u>152,549</u>

See accompanying notes to required supplementary information.

**KODIAK ISLAND BOROUGH**

Budgetary Comparison Schedule

Special Revenue Fund – Facilities

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	<b>2014</b>			<b>Variance with Final Budget – Positive (Negative)</b>	<b>2013 Actual</b>
	<b>Budget</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
Revenues -					
Investment income	\$ 1,000,000	1,000,000	655,470	(344,530)	546,829
Expenditures	200,000	200,000	—	200,000	—
Excess of revenues over expenditures	800,000	800,000	655,470	(144,530)	546,829
Other financing sources (uses):					
Transfers out	(800,000)	(800,000)	(522,365)	277,635	(996,696)
Change in fund balance	\$ —	—	133,105	133,105	(449,867)
Fund balance, at beginning of year			39,415,839		39,865,706
Fund balance, at end of year			\$ 39,548,944		39,415,839

See accompanying notes to required supplementary information.

## KODIAK ISLAND BOROUGH

### Notes to Required Supplementary Information – Budgetary Comparison Schedules

June 30, 2014

The Borough follows these procedures in establishing the budgetary data reflected in the fund financial statements:

- The Borough Manager must submit to the Borough Assembly by April 30 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Borough Assembly to obtain citizen comments.
- By June 10, the budget is legally enacted through passage of an ordinance by Borough Assembly action. If the Borough Assembly fails to pass an ordinance, the budget submitted by the Borough Manager becomes the adopted budget.
- Amendments to the budget can occur anytime during the fiscal year through the Borough Assembly or administrative action. Generally, the following actions are required at the level of the particular change:
  - All new appropriations are authorized by an appropriation ordinance that amends the annual budget ordinance.
  - A resolution of the Borough Assembly is required to move (appropriate) amounts between departments and projects.
  - The administration is authorized and directed by the Borough Assembly to effect the necessary line item changes within the limits established by Items (1) and (2) above by project or department to properly monitor, account, and report receipts and expenditures.
- Expenditures may not legally exceed appropriations at the following levels: Capital Projects Funds – project level, all other funds – department level.
- All funds, except Capital Projects Funds, are budgeted on an annual basis encompassing a fiscal year. Budgets of Capital Projects Funds generally encompass the period from start-up to project completion, which is generally greater than one year.
- Appropriations lapse at year end to the extent that they have not been expended for all funds, except Capital Projects Funds, which lapse at project completion.
- Budgets adopted by the Borough Assembly are in accordance with accounting principles generally accepted in the United States of America.
- The Borough published a separate 2014 budget document. That document may be obtained from the Kodiak Island Borough, Finance Director, 710 Mill Bay Road, Kodiak, Alaska 99615.

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**ADDITIONAL SUPPLEMENTARY INFORMATION**

**KODIAK ISLAND BOROUGH**  
 Budgetary Comparison Schedule  
 Debt Service Fund - Education and Health  
 Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	<u>2014</u>		<b>Variance with Final Budget – Positive (Negative)</b>	<b>2013 Actual</b>
	<b>Original and Final Budget</b>	<b>Actual</b>		
Revenues:				
Property taxes and assessments	\$ 2,045,300	2,043,895	(1,405)	1,744,906
Intergovernmental:				
State sources	2,741,744	3,347,517	605,773	2,267,279
Investment income	15,200	3,182	(12,018)	2,221
Total revenues	<u>4,802,244</u>	<u>5,394,594</u>	<u>592,350</u>	<u>4,014,406</u>
Expenditures:				
General government	5,744	6,045	(301)	5,471
Debt service:				
Principal	3,645,950	3,645,950	—	2,966,441
Interest	2,098,499	2,107,198	(8,699)	1,244,233
Debt issuance	—	89,835	(89,835)	20,809
Total expenditures	<u>5,750,193</u>	<u>5,849,028</u>	<u>(98,835)</u>	<u>4,236,954</u>
Excess (deficiency) of revenues over (under) expenditures	(947,949)	(454,434)	493,515	(222,548)
Other financing sources:				
Transfers in	<u>650,000</u>	<u>482,402</u>	<u>(167,598)</u>	<u>1,057,858</u>
Change in fund balance	<u>\$ (297,949)</u>	<u>27,968</u>	<u>325,917</u>	<u>835,310</u>
Fund balance (deficit), at beginning of year		<u>637,743</u>		<u>(197,567)</u>
Fund balance, at end of year		<u>\$ <u>665,711</u></u>		<u><u>637,743</u></u>

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**NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue**

See Special Revenue section of this report.

**Capital Projects**

See Capital Projects section of this report.

## NONMAJOR SPECIAL REVENUE FUNDS

The **Fire Protection Area No. 1 Fund** accounts for the activities related to fire suppression and fire prevention services to the citizens of the service area.

The **Womens Bay Fire Department Fund** accounts for the activities related to fire suppression and fire prevention services to the citizens of the service area.

The **Kodiak Airport Fire District Fund** accounts for the activities related to fire suppression and fire prevention services to the citizens of the service area.

The **Monashka Bay Road Service Area Fund** accounts for the activities related to road services within the service area.

The **Service Area No. 1 Fund** accounts for the activities related to maintenance service to roads within the district, including snow removal, ditching and grading.

The **Womens Bay Road Service Area Fund** accounts for the activities related to maintenance service to roads within the service area, including snow and ice removal, ditching and culvert work.

The **Bay View Road Service Area Fund** accounts for the activities related to road services within the service area.

The **Service Area No. 2 Fund** accounts for the activities related to water and sewer services in the service area. This fund is in the design stage at present.

The **Local Emergency Planning Committee (L.E.P.C.) Fund** accounts for State of Alaska grants provided for regional emergency preparation, response, and mitigation planning.

The **Land Sales Fund** accounts for the disposal of Borough-owned lands. The proceeds of land disposals are generally used for the management of Borough lands and the repairs and maintenance of Borough school buildings.

The **Buildings and Grounds Fund** accounts for the operations and maintenance of certain buildings and grounds owned by the Borough which are jointly shared with the City of Kodiak, the Kodiak Island Borough School District, and certain nonprofit community organizations.

The **Woodland Acres Street Light Service Area Fund** accounts for activities related to the provision of street lighting within the service area.

The **Trinity Islands Street Light Service Area Fund** accounts for activities related to the provision of street lighting within the service area.

The **Tourism Development Fund** accounts for the collection of the Borough Transient Accommodation Tax (Bed Tax) and its subsequent transfer to the Kodiak Island Convention and Visitor Bureau.

The **Mission Lake Tide Gate Fund** accounts for activities related to maintaining the tide gate for the residents of the service area.

The **Fern Fuller Trust Fund** accounts for the distribution of funds to the beneficiaries of the trust.

The **Trinity Islands Paving Fund** accounts for activities related to the provision of paving within the service area.

The **Oil Spill Disaster Fund** accounts for activities related to the grounding of the drilling vessel *Kulluk*.

**KODIAK ISLAND BOROUGH**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

(With summarized financial information at June 30, 2013)

Assets	Special Revenue Funds	Capital Project Funds	Totals	
			2014	2013
Equity in central treasury	\$ 2,666,213	3,320,161	5,986,374	6,044,853
Receivables:				
State of Alaska	6,778	15,367	22,145	97,514
Federal government	—	153,995	153,995	18,329
Property taxes	17,776	—	17,776	16,662
Land sales contracts, due within one year	35,465	—	35,465	3,649
Other	29,898	7,619	37,517	34,483
Prepaid items	—	—	—	316
Land sale contracts, due after one year	513,765	—	513,765	5,465
Total	\$ 3,269,895	3,497,142	6,767,037	6,221,271
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 97,305	149,672	246,977	487,417
Customer deposits	1,100	—	1,100	1,250
Due to other funds	60,242	—	60,242	1,872,818
Advances from other funds	—	—	—	25,077
Unearned revenues	36,464	98,351	134,815	125,844
Total liabilities	195,111	248,023	443,134	2,512,406
Deferred inflows of resources:				
Unavailable revenues	513,765	—	513,765	5,465
Total liabilities and deferred inflows of resources	708,876	248,023	956,899	2,517,871
Fund balances:				
Nonspendable	513,765	—	513,765	5,781
Committed	2,140,474	—	2,140,474	2,272,684
Assigned	—	3,249,119	3,249,119	1,476,272
Unassigned	(93,220)	—	(93,220)	(51,337)
Total fund balances	2,561,019	3,249,119	5,810,138	3,703,400
Total	\$ 3,269,895	3,497,142	6,767,037	6,221,271

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**KODIAK ISLAND BOROUGH**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2014

(With summarized financial information for year ended June 30, 2013)

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Totals</b>	
			<b>2014</b>	<b>2013</b>
<b>Revenues:</b>				
Property taxes and assessments	\$ 1,341,544	—	1,341,544	1,144,253
Transient accommodations tax	75,142	—	75,142	96,640
<b>Intergovernmental:</b>				
State sources	13,430	47,486	60,916	1,433,134
Federal sources	—	187,002	187,002	51,705
Charges for services	586,300	—	586,300	556,060
Licenses, permits and fees	29,850	—	29,850	28,350
Investment income	19,579	27,596	47,175	77,884
Other	39,364	—	39,364	37,486
<b>Total revenues</b>	<b>2,105,209</b>	<b>262,084</b>	<b>2,367,293</b>	<b>3,425,512</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	857,417	—	857,417	899,911
Public safety	503,779	—	503,779	441,280
Community and economic development	84,126	—	84,126	84,910
Service district maintenance	631,572	—	631,572	479,264
<b>Capital outlay:</b>				
Schools	—	122,388	122,388	613,235
General	—	234,858	234,858	2,041,674
Debt service - interest	2,208	—	2,208	9,992
<b>Total expenditures</b>	<b>2,079,102</b>	<b>357,246</b>	<b>2,436,348</b>	<b>4,570,266</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>26,107</b>	<b>(95,162)</b>	<b>(69,055)</b>	<b>(1,144,754)</b>
<b>Other financing sources (uses):</b>				
Land sales proceeds	356,284	—	356,284	6,787
Transfers in	18,000	—	18,000	435,947
Transfers out	(66,500)	—	(66,500)	(4,384,630)
<b>Net other financing sources (uses)</b>	<b>307,784</b>	<b>—</b>	<b>307,784</b>	<b>(3,941,896)</b>
<b>Change in fund balances</b>	<b>333,891</b>	<b>(95,162)</b>	<b>238,729</b>	<b>(5,086,650)</b>
<b>Fund balances, at beginning of year</b>	<b>2,227,128</b>	<b>3,344,281</b>	<b>5,571,409</b>	<b>8,790,050</b>
<b>Fund balances, at end of year</b>	<b>\$ 2,561,019</b>	<b>3,249,119</b>	<b>5,810,138</b>	<b>3,703,400</b>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2014

(With summarized financial information at June 30, 2013)

Assets	Fire and Road Service Areas				
	Fire			Road	
	Fire Protection Area No. 1	Womens Bay Fire Department	Kodiak Airport Fire District	Monashka Bay Road Service Area	Service Area No. 1
Equity in central treasury	\$ 301,357	507,423	35,759	4,472	380,658
Receivables:					
State of Alaska	—	—	—	—	—
Property taxes	9,701	285	—	641	5,877
Land sales contracts, due within one year	—	—	—	—	—
Other	—	—	—	—	—
Prepaid items	—	—	—	—	—
Due from other funds	—	—	—	—	—
Land sale contracts, due after one year	—	—	—	—	—
Total	\$ 311,058	507,708	35,759	5,113	386,535
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>					
Liabilities:					
Accounts payable	19,439	764	—	1,574	37,947
Customer deposits	—	1,100	—	—	—
Due to other funds	—	—	—	—	—
Advance from other funds	—	—	—	—	—
Unearned revenues	—	—	—	—	—
Total liabilities	19,439	1,864	—	1,574	37,947
Deferred inflows of resources:					
Unavailable revenues	—	—	—	—	—
Total liabilities and deferred inflows of resources	19,439	1,864	—	1,574	37,947
Fund balances (deficits):					
Nonspendable	—	—	—	—	—
Committed	291,619	505,844	35,759	3,539	348,588
Unassigned	—	—	—	—	—
Total fund balances (deficits)	291,619	505,844	35,759	3,539	348,588
Total	\$ 311,058	507,708	35,759	5,113	386,535

Fire and Road Service Areas			State Grant Program	
Womens Bay Road Service Area	Road		L.E.P.C.	Land Sales
	Bay View Road Service Area	Service Area No. 2		
144,181	5,955	5,795	—	454,439
—	—	—	6,778	—
570	702	—	—	—
—	—	—	—	35,465
—	—	—	—	9,164
—	—	—	—	—
—	—	—	—	513,765
<u>144,751</u>	<u>6,657</u>	<u>5,795</u>	<u>6,778</u>	<u>1,012,833</u>
5,385	227	—	—	1,687
—	—	—	—	—
—	—	—	24,599	—
—	—	—	—	—
—	—	—	—	36,464
<u>5,385</u>	<u>227</u>	<u>—</u>	<u>24,599</u>	<u>38,151</u>
—	—	—	—	513,765
<u>5,385</u>	<u>227</u>	<u>—</u>	<u>24,599</u>	<u>551,916</u>
—	—	—	—	513,765
139,366	6,430	5,795	—	—
—	—	—	(17,821)	(52,848)
<u>139,366</u>	<u>6,430</u>	<u>5,795</u>	<u>(17,821)</u>	<u>460,917</u>
<u>144,751</u>	<u>6,657</u>	<u>5,795</u>	<u>6,778</u>	<u>1,012,833</u>

(continued)

**KODIAK ISLAND BOROUGH**  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet, (continued)  
 June 30, 2014

(With summarized financial information at June 30, 2013)

Assets	Street Lighting Districts			
	Buildings and Grounds	Woodland Acres Street Light Service Area	Trinity Islands Street Light Service Area	Tourism Development
Equity in central treasury	\$ 338,018	22,589	22,255	127,947
Receivables:				
State of Alaska	—	—	—	—
Property taxes	—	—	—	—
Land sales contracts, due within one year	—	—	—	—
Other	—	—	—	20,734
Prepaid items	—	—	—	—
Due from other funds	—	—	—	—
Land sale contracts, due after one year	—	—	—	—
Total	<u>\$ 338,018</u>	<u>22,589</u>	<u>22,255</u>	<u>148,681</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>				
Liabilities:				
Accounts payable	14,737	398	148	14,999
Customer deposits	—	—	—	—
Due to other funds	—	—	—	—
Advance from other funds	—	—	—	—
Unearned revenues	—	—	—	—
Total liabilities	<u>14,737</u>	<u>398</u>	<u>148</u>	<u>14,999</u>
Deferred inflows of resources:				
Unavailable revenues	—	—	—	—
Total liabilities and deferred inflows of resources	<u>14,737</u>	<u>398</u>	<u>148</u>	<u>14,999</u>
Fund balances (deficits):				
Nonspendable	—	—	—	—
Committed	323,281	22,191	22,107	133,682
Unassigned	—	—	—	—
Total fund balances (deficits)	<u>323,281</u>	<u>22,191</u>	<u>22,107</u>	<u>133,682</u>
Total	<u>\$ 338,018</u>	<u>22,589</u>	<u>22,255</u>	<u>148,681</u>

Mission Lake Tide Gate	Fern Fuller Trust	Trinity Islands Paving	Oil Spill Disaster	Totals	
				2014	2013
37,417	264,856	13,092	—	2,666,213	2,646,895
—	—	—	—	6,778	4,259
—	—	—	—	17,776	15,612
—	—	—	—	35,465	3,649
—	—	—	—	29,898	26,863
—	—	—	—	—	316
—	—	—	—	—	—
—	—	—	—	513,765	5,465
<u>37,417</u>	<u>264,856</u>	<u>13,092</u>	<u>—</u>	<u>3,269,895</u>	<u>2,703,059</u>
—	—	—	—	97,305	380,927
—	—	—	—	1,100	1,250
—	—	25,077	10,566	60,242	58,563
—	—	—	—	—	25,077
—	—	—	—	36,464	4,649
—	—	<u>25,077</u>	<u>10,566</u>	<u>195,111</u>	<u>470,466</u>
—	—	—	—	513,765	5,465
—	—	<u>25,077</u>	<u>10,566</u>	<u>708,876</u>	<u>475,931</u>
—	—	—	—	513,765	5,781
37,417	264,856	—	—	2,140,474	2,272,684
—	—	(11,985)	(10,566)	(93,220)	(51,337)
<u>37,417</u>	<u>264,856</u>	<u>(11,985)</u>	<u>(10,566)</u>	<u>2,561,019</u>	<u>2,227,128</u>
<u>37,417</u>	<u>264,856</u>	<u>13,092</u>	<u>—</u>	<u>3,269,895</u>	<u>2,703,059</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits)

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	<b>Fire and Road Service Areas</b>			
	<b>Fire Protection Area No. 1</b>	<b>Fire Womens Bay Fire Department</b>	<b>Kodiak Airport Fire District</b>	<b>Road Monashka Bay Road Service Area</b>
Revenues:				
Property taxes and assessments	\$ 552,353	95,537	13,602	61,032
Transient accommodations tax	—	—	—	—
Intergovernmental:				
State sources	—	—	—	—
Charges for services	—	14,336	—	—
Licenses, permits and fees	—	—	—	—
Investment income	3,470	4,478	362	145
Other	25,543	13,200	—	—
Total revenues	<u>581,366</u>	<u>127,551</u>	<u>13,964</u>	<u>61,177</u>
Expenditures:				
Current:				
General government	—	—	—	—
Public safety	408,472	66,459	14,359	—
Community and economic development	—	—	—	—
Health and sanitation department	—	—	—	—
Service district maintenance	—	—	—	55,293
Debt service - interest	—	—	—	—
Total expenditures	<u>408,472</u>	<u>66,459</u>	<u>14,359</u>	<u>55,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>172,894</u>	<u>61,092</u>	<u>(395)</u>	<u>5,884</u>
Other financing sources (uses):				
Land sale proceeds	—	—	—	—
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Net other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in fund balances	172,894	61,092	(395)	5,884
Fund balances (deficits), at beginning of year	<u>118,725</u>	<u>444,752</u>	<u>36,154</u>	<u>(2,345)</u>
Fund balances (deficits), at end of year	<u>\$ 291,619</u>	<u>505,844</u>	<u>35,759</u>	<u>3,539</u>

Fire and Road Service Areas				State Grant
Road				Program
Service Area No. 1	Womens Bay Road Service Area	Bay View Road Service Area	Service Area No. 2	L.E.P.C.
388,416	183,730	13,622	—	—
—	—	—	—	—
—	—	—	—	13,430
—	27,600	—	—	—
4,774	1,530	78	52	—
—	—	—	—	—
393,190	212,860	13,700	52	13,430
—	—	—	—	—
—	—	—	—	14,489
—	—	—	—	—
425,158	145,293	5,566	—	—
—	—	—	—	—
425,158	145,293	5,566	—	14,489
(31,968)	67,567	8,134	52	(1,059)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
(31,968)	67,567	8,134	52	(1,059)
380,556	71,799	(1,704)	5,743	(16,762)
348,588	139,366	6,430	5,795	(17,821)

(continued)

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits), (continued)

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Land Sales	Buildings and Grounds	Street Lighting Districts	
			Woodland Acres Street Light Service Area	Trinity Islands Street Light Service Area
Revenues:				
Property taxes and assessments	\$ —	—	12,067	5,753
Transient accommodations tax	—	—	—	—
Intergovernmental:				
State sources	—	—	—	—
Charges for services	34,765	537,199	—	—
Licenses, permits and fees	2,250	—	—	—
Investment income	(2,647)	2,937	208	200
Other	140	481	—	—
Total revenues	<u>34,508</u>	<u>540,617</u>	<u>12,275</u>	<u>5,953</u>
Expenditures:				
Current:				
General government	340,477	510,306	4,834	1,800
Public safety	—	—	—	—
Community and economic development	—	—	—	—
Health and sanitation department	—	—	—	—
Service district maintenance	—	—	—	—
Debt service - interest	—	—	—	—
Total expenditures	<u>340,477</u>	<u>510,306</u>	<u>4,834</u>	<u>1,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(305,969)</u>	<u>30,311</u>	<u>7,441</u>	<u>4,153</u>
Other financing sources (uses):				
Land sales proceeds	356,284	—	—	—
Transfers in	—	18,000	—	—
Transfers out	—	—	—	—
Net other financing sources (uses)	<u>356,284</u>	<u>18,000</u>	<u>—</u>	<u>—</u>
Change in fund balances	50,315	48,311	7,441	4,153
Fund balances (deficits), at beginning of year	410,602	274,970	14,750	17,954
Fund balances (deficits), at end of year	<u>\$ 460,917</u>	<u>323,281</u>	<u>22,191</u>	<u>22,107</u>

Tourism Development	Mission Lake Tide Gate	Fern Fuller Trust	Trinity Islands Paving	Oil Spill Disaster	Totals	
					2014	2013
—	5,448	—	9,984	—	1,341,544	1,057,551
75,142	—	—	—	—	75,142	96,640
—	—	—	—	—	13,430	62,026
—	—	—	—	—	586,300	556,060
—	—	—	—	—	29,850	28,350
1,150	333	2,293	216	—	19,579	16,090
—	—	—	—	—	39,364	37,486
<u>76,292</u>	<u>5,781</u>	<u>2,293</u>	<u>10,200</u>	<u>—</u>	<u>2,105,209</u>	<u>1,854,203</u>
—	—	—	—	—	857,417	899,911
—	—	—	—	—	503,779	441,280
84,126	—	—	—	—	84,126	84,910
—	—	—	—	—	—	—
—	245	—	17	—	631,572	479,264
—	—	—	2,208	—	2,208	9,992
<u>84,126</u>	<u>245</u>	<u>—</u>	<u>2,225</u>	<u>—</u>	<u>2,079,102</u>	<u>1,915,357</u>
<u>(7,834)</u>	<u>5,536</u>	<u>2,293</u>	<u>7,975</u>	<u>—</u>	<u>26,107</u>	<u>(61,154)</u>
—	—	—	—	—	356,284	6,787
—	—	—	—	—	18,000	45,600
—	—	(66,500)	—	—	(66,500)	(123,435)
—	—	(66,500)	—	—	307,784	(71,048)
<u>(7,834)</u>	<u>5,536</u>	<u>(64,207)</u>	<u>7,975</u>	<u>—</u>	<u>333,891</u>	<u>(132,202)</u>
<u>141,516</u>	<u>31,881</u>	<u>329,063</u>	<u>(19,960)</u>	<u>(10,566)</u>	<u>2,227,128</u>	<u>2,359,330</u>
<u>133,682</u>	<u>37,417</u>	<u>264,856</u>	<u>(11,985)</u>	<u>(10,566)</u>	<u>2,561,019</u>	<u>2,227,128</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Fire Protection Area No. 1

Schedule of Revenues, Expenditures,  
and Changes in Fund Balance (Deficit)

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Revenues:				
Property taxes and assessments	\$ 533,000	552,353	19,353	531,840
Intergovernmental -				
State sources - PERS on behalf payment	5,900	—	(5,900)	13,101
Investment income	1,440	3,470	2,030	(476)
Other	8,700	25,543	16,843	23,838
Total revenues	<u>549,040</u>	<u>581,366</u>	<u>32,326</u>	<u>568,303</u>
Expenditures:				
Public safety:				
Personnel	99,440	108,982	(9,542)	94,832
Volunteers	20,000	13,545	6,455	17,310
Fringe benefits	54,750	71,691	(16,941)	60,507
Professional services	1,000	75	925	—
Support goods and services	223,850	173,665	50,185	158,457
Capital outlay	150,000	40,514	109,486	6,943
Debt service -				
Interest	—	—	—	6,750
Total expenditures	<u>549,040</u>	<u>408,472</u>	<u>140,568</u>	<u>344,799</u>
Excess of revenues over expenditures	\$ <u>—</u>	<u>172,894</u>	<u>172,894</u>	<u>223,504</u>
Fund balance (deficit), at beginning of year		<u>118,725</u>		<u>(104,779)</u>
Fund balance, at end of year		\$ <u>291,619</u>		<u>118,725</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Womens Bay Fire Department

Schedule of Revenues, Expenditures,  
and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Revenues:				
Property taxes and assessments	\$ 92,000	95,537	3,537	94,271
Charges for services	13,000	14,336	1,336	13,849
Investment income	2,000	4,478	2,478	2,522
Other	12,000	13,200	1,200	13,200
Total revenues	119,000	127,551	8,551	123,842
Expenditures:				
Public safety:				
Personnel services	1,000	—	1,000	—
Fringe benefits	500	—	500	—
Support goods and services	94,500	38,806	55,694	48,939
Capital outlay	23,000	27,653	(4,653)	24,820
Total expenditures	119,000	66,459	52,541	73,759
Excess of revenues over expenditures	\$ —	61,092	61,092	50,083
Fund balance, at beginning of year		444,752		394,669
Fund balance, at end of year		\$ 505,844		444,752

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Kodiak Airport Fire District

Schedule of Revenues, Expenditures,  
and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014			2013
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Property taxes and assessments	\$ 13,800	13,602	(198)	13,743
Investment income	500	362	(138)	279
Total revenues	<u>14,300</u>	<u>13,964</u>	<u>(336)</u>	<u>14,022</u>
Expenditures:				
Public safety:				
Support goods and services	<u>14,300</u>	<u>14,359</u>	<u>(59)</u>	<u>13,883</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>—</u>	<u>(395)</u>	<u>(395)</u>	<u>139</u>
Fund balance, at beginning of year		<u>36,154</u>		<u>36,015</u>
Fund balance, at end of year		\$ <u><u>35,759</u></u>		<u><u>36,154</u></u>

**KODIAK ISLAND BOROUGH**  
**Nonmajor Special Revenue Funds**  
**Fire and Road Service Areas – Monashka Bay Road Service Area**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance (Deficit)**  
**Budget and Actual**  
**Year ended June 30, 2014**  
**(With financial information for the year ended June 30, 2013)**

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Property taxes and assessments	\$ 60,850	61,032	182	59,904
Investment income	—	145	145	481
<b>Total revenues</b>	<u>60,850</u>	<u>61,177</u>	<u>327</u>	<u>60,385</u>
<b>Expenditures:</b>				
Service district maintenance:				
Personnel services	500	1,091	(591)	249
Fringe benefits	—	589	(589)	204
Support goods and services	4,350	443	3,907	2,237
Snow removal/sanding	26,000	9,713	16,287	41,964
Road grading/ditching	5,000	11,131	(6,131)	42,856
Repairs and maintenance	25,000	32,326	(7,326)	—
<b>Total expenditures</b>	<u>60,850</u>	<u>55,293</u>	<u>5,557</u>	<u>87,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ —</u>	<u>5,884</u>	<u>5,884</u>	<u>(27,125)</u>
Fund balance (deficit), at beginning of year		(2,345)		24,780
Fund balance (deficit), at end of year		<u>\$ 3,539</u>		<u>(2,345)</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Service Area No. 1

Schedule of Revenues, Expenditures,  
and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Property taxes and assessments	\$ 490,500	388,416	(102,084)	123,944
Investment income	—	4,774	4,774	4,035
Total revenues	<u>490,500</u>	<u>393,190</u>	<u>(97,310)</u>	<u>127,979</u>
<b>Expenditures:</b>				
Service district maintenance:				
Personnel services	8,800	6,038	2,762	7,939
Fringe benefits	2,900	1,464	1,436	3,404
Support goods and services	2,100	1,732	368	4,195
Snow removal/sanding	200,000	73,000	127,000	98,548
Road grading/ditching	101,700	35,358	66,342	49,689
Repairs and maintenance	575,000	307,566	267,434	71,189
Total expenditures	<u>890,500</u>	<u>425,158</u>	<u>465,342</u>	<u>234,964</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(400,000)</u>	<u>(31,968)</u>	<u>368,032</u>	<u>(106,985)</u>
Fund balance, at beginning of year		<u>380,556</u>		<u>487,541</u>
Fund balance, at end of year		\$ <u><u>348,588</u></u>		<u><u>380,556</u></u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Womens Bay Road Service Area

Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Revenues:				
Property taxes and assessments	\$ 180,000	183,730	3,730	181,203
Licenses, permits and fees	25,000	27,600	2,600	27,600
Investment income	1,000	1,530	530	81
Total revenues	<u>206,000</u>	<u>212,860</u>	<u>6,860</u>	<u>208,884</u>
Expenditures:				
Service district maintenance:				
Personnel services	1,200	6	1,194	94
Fringe benefits	800	2	798	29
Support goods and services	31,000	337	30,663	507
Snow removal/sanding	60,000	48,925	11,075	86,972
Road grading/ditching	33,000	44,270	(11,270)	37,647
Repairs and maintenance	80,000	51,753	28,247	25,290
Total expenditures	<u>206,000</u>	<u>145,293</u>	<u>60,707</u>	<u>150,539</u>
Excess of revenues over expenditures	—	67,567	67,567	58,345
Other financing sources:				
Transfers in -				
Land Sales Special Revenue Fund	—	—	—	27,600
Change in fund balance	<u>\$ —</u>	<u>67,567</u>	<u>67,567</u>	<u>85,945</u>
Fund balance (deficit), at beginning of year		<u>71,799</u>		<u>(14,146)</u>
Fund balance, at end of year		<u>\$ 139,366</u>		<u>71,799</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Bay View Road Service Area

Schedule of Revenues, Expenditures, and Changes in Fund (Deficit)

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014			2013 Actual
	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Revenues:				
Property taxes and assessments	\$ 15,257	13,622	(1,635)	15,171
Investment income	—	78	78	13
Total revenues	<u>15,257</u>	<u>13,700</u>	<u>(1,557)</u>	<u>15,184</u>
Expenditures:				
Service district maintenance:				
Personnel services	—	187	(187)	—
Fringe benefits	—	161	(161)	—
Professional services	7,257	—	7,257	—
Support goods and services	—	252	(252)	69
Snow removal/sanding	5,400	4,966	434	6,125
Road grading/ditching	1,100	—	1,100	—
Repairs and maintenance	1,500	—	1,500	—
Total expenditures	<u>15,257</u>	<u>5,566</u>	<u>9,691</u>	<u>6,194</u>
Excess of revenues over expenditures	\$ <u>—</u>	8,134	<u>8,134</u>	8,990
Fund balance (deficit), at beginning of year		(1,704)		(10,694)
Fund balance (deficit), at end of year		\$ <u>6,430</u>		<u>(1,704)</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fire and Road Service Areas – Service Area No. 2

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014			2013 Actual
	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Revenues:				
Investment income	\$ 100	52	(48)	37
Expenditures:				
Service district maintenance - Support services	100	—	100	—
Excess of revenues over expenditures	\$ —	52	52	37
Fund balance, at beginning of year		5,743		5,706
Fund balance, at end of year		\$ 5,795		5,743

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

L.E.P.C.

Schedule of Revenues, Expenditures, and Changes in Fund (Deficit)

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Revenues:				
Intergovernmental:				
State sources – grants	\$ 57,120	13,430	(43,690)	15,589
Expenditures:				
Public safety:				
Personnel services	36,020	9,465	26,555	10,002
Fringe benefits	21,100	4,609	16,491	4,814
Support goods and services	—	415	(415)	773
Total expenditures	57,120	14,489	42,631	15,589
Excess (deficiency) of revenues over (under) expenditures	\$ —	(1,059)	(1,059)	—
Fund (deficit), at beginning of year		(16,762)		(16,762)
Fund (deficit), at end of year		\$ (17,821)		(16,762)

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Land Sales

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Intergovernmental:				
State sources - PERS on behalf payment	\$ —	—	—	13,439
Charges for services	50,000	34,765	(15,235)	9,684
Licenses, permits and fees	1,000	2,250	1,250	750
Investment income	20,000	(2,647)	(22,647)	4,988
Other	200	140	(60)	446
Total revenues	<u>71,200</u>	<u>34,508</u>	<u>(36,692)</u>	<u>29,307</u>
<b>Expenditures:</b>				
General government:				
Personnel services	168,470	170,861	(2,391)	162,960
Fringe benefits	87,210	87,350	(140)	82,359
Professional services	25,000	27,837	(2,837)	—
Support goods and services	881,750	54,429	827,321	108,118
Total expenditures	<u>1,162,430</u>	<u>340,477</u>	<u>821,953</u>	<u>353,437</u>
Excess (deficiency) of revenues over (under) expenditures	(1,091,230)	(305,969)	785,261	(324,130)
<b>Other financing sources:</b>				
Land sale proceeds	902,000	356,284	(545,716)	6,787
Transfer out - Womens Bay	—	—	—	(27,600)
Road Service Area Special Revenue Fund	—	—	—	(20,813)
Net other financing sources (uses)	<u>902,000</u>	<u>356,284</u>	<u>(545,716)</u>	<u>(20,813)</u>
Change in fund balance	\$ <u>(189,230)</u>	50,315	<u>239,545</u>	(344,943)
Fund balance, at beginning of year		410,602		755,545
Fund balance, at end of year		\$ <u>460,917</u>		<u>410,602</u>

**KODIAK ISLAND BOROUGH**

## Nonmajor Special Revenue Funds

## Buildings and Grounds

## Schedule of Revenues, Expenditures, and Changes in Fund Balance

## Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Revenues:				
Intergovernmental:				
State sources - PERS on behalf payment	\$ —	—	—	19,897
Charges for services	569,908	537,199	(32,709)	532,527
Investment income	1,000	2,937	1,937	(214)
Other	—	481	481	2
Total revenues	<u>570,908</u>	<u>540,617</u>	<u>(30,291)</u>	<u>552,212</u>
Expenditures:				
General government:				
School buildings	35,000	24,655	10,345	44,297
Chiniak School	25,000	1,875	23,125	897
Borough building	495,908	479,011	16,897	463,362
Mental health center	5,000	3,538	1,462	3,074
Various borough buildings	13,000	1,227	11,773	16,881
Project office	15,000	—	15,000	554
Total expenditures	<u>588,908</u>	<u>510,306</u>	<u>78,602</u>	<u>529,065</u>
Excess (deficiency) of revenues over (under) expenditures	(18,000)	30,311	48,311	23,147
Other financing sources:				
Transfers in - Facilities Special Revenue Fund	<u>18,000</u>	<u>18,000</u>	—	<u>18,000</u>
Change in fund balance	\$ <u>—</u>	<u>48,311</u>	<u>48,311</u>	<u>41,147</u>
Fund balance, at beginning of year		<u>274,970</u>		<u>233,823</u>
Fund balance, at end of year		\$ <u><u>323,281</u></u>		<u><u>274,970</u></u>

**KODIAK ISLAND BOROUGH**  
 Nonmajor Special Revenue Funds  
 Woodland Acres Street Light Service Area  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 Year ended June 30, 2014  
 (With financial information for the year ended June 30, 2013)

	<u>2014</u>		<b>Variance with Final Budget Positive (Negative)</b>	<u>2013 Actual</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues:				
Property taxes and assessments	\$ 11,650	12,067	417	11,550
Investment income	200	208	8	66
Total revenues	<u>11,850</u>	<u>12,275</u>	<u>425</u>	<u>11,616</u>
Expenditures:				
General government:				
Support goods and services	<u>11,850</u>	<u>4,834</u>	<u>7,016</u>	<u>5,008</u>
Excess of revenues over expenditures	<u>\$ —</u>	<u>7,441</u>	<u>7,441</u>	<u>6,608</u>
Fund balance, at beginning of year		<u>14,750</u>		<u>8,142</u>
Fund balance, at end of year		<u>\$ 22,191</u>		<u>14,750</u>

**KODIAK ISLAND BOROUGH**  
 Nonmajor Special Revenue Funds  
 Trinity Islands Street Light Service Area  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 Year ended June 30, 2014  
 (With financial information for the year ended June 30, 2013)

	<u>2014</u>		<b>Variance with Final Budget Positive (Negative)</b>	<b>2013 Actual</b>
	<b>Final Budget</b>	<b>Actual</b>		
Revenues:				
Property taxes and assessments	\$ 5,500	5,753	253	5,213
Investment income	100	200	100	98
Total revenues	<u>5,600</u>	<u>5,953</u>	<u>353</u>	<u>5,311</u>
Expenditures:				
General government:				
Support goods and services	5,600	1,800	3,800	1,835
Excess of revenues over expenditures	\$ —	4,153	<u>4,153</u>	3,476
Fund balance, at beginning of year		<u>17,954</u>		<u>14,478</u>
Fund balance, at end of year		<u>\$ 22,107</u>		<u>17,954</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Tourism Development

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014			2013 Actual
	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Revenues:				
Transient accommodations tax	\$ 115,000	75,142	(39,858)	96,640
Investment income	500	1,150	650	818
Total revenues	<u>115,500</u>	<u>76,292</u>	<u>(39,208)</u>	<u>97,458</u>
Expenditures:				
Community and economic development:				
Contributions	103,126	84,126	19,000	84,910
Support goods and services	12,374	—	12,374	—
Total expenditures	<u>115,500</u>	<u>84,126</u>	<u>31,374</u>	<u>84,910</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>—</u>	<u>(7,834)</u>	<u>(7,834)</u>	12,548
Fund balance, at beginning of year		141,516		<u>128,968</u>
Fund balance, at end of year		\$ <u>133,682</u>		<u>141,516</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Mission Lake Tide Gate

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014			2013 Actual
	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Revenues:				
Property taxes and assessments	\$ 3,740	5,448	1,708	5,117
Investment income	230	333	103	172
Total revenues	<u>3,970</u>	<u>5,781</u>	<u>1,811</u>	<u>5,289</u>
Expenditures:				
Service district maintenance:				
Personnel services	—	188	(188)	—
Fringe benefits	—	50	(50)	—
Contracted services	2,000	—	2,000	—
Support goods and services	1,970	7	1,963	9
Total expenditures	<u>3,970</u>	<u>245</u>	<u>3,725</u>	<u>9</u>
Excess of revenues over expenditures	\$ <u>—</u>	5,536	<u>5,536</u>	5,280
Fund balance, at beginning of year		31,881		26,601
Fund balance, at end of year		\$ <u>37,417</u>		<u>31,881</u>

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Fern Fuller Trust

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Revenues:				
Investment income	\$ 3,500	2,293	(1,207)	2,762
Expenditures:				
General government:	—	—	—	—
Excess of revenues over expenditures	3,500	2,293	(1,207)	2,762
Other financing (uses):				
Transfers out -				
Hospital Facilities Enterprise Fund	(66,500)	(66,500)	—	(66,500)
Change in fund balances	\$ (63,000)	(64,207)	(1,207)	(63,738)
Fund balance, at beginning of year		329,063		392,801
Fund balance, at end of year		\$ 264,856		329,063

**KODIAK ISLAND BOROUGH**

Nonmajor Special Revenue Funds

Trinity Islands Paving

Schedule of Revenues, Expenditures, and Changes in Fund (Deficit)

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	<b>2014</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>	<b>2013 Actual</b>
<b>Revenues:</b>				
Property taxes and assessments	\$ 10,000	9,984	(16)	15,595
Investment income	500	216	(284)	428
<b>Total revenues</b>	<u>10,500</u>	<u>10,200</u>	<u>(300)</u>	<u>16,023</u>
<b>Expenditures:</b>				
Service district maintenance - Support goods and services	8,290	17	8,273	48
Debt service - Interest	2,210	2,208	2	3,242
<b>Total expenditures</b>	<u>10,500</u>	<u>2,225</u>	<u>8,275</u>	<u>3,290</u>
<b>Excess of revenues over     expenditures</b>	<u>\$ —</u>	<u>7,975</u>	<u>7,975</u>	<u>12,733</u>
Fund (deficit), at beginning of year		(19,960)		(32,693)
Fund (deficit), at end of year		<u>\$ (11,985)</u>		<u>(19,960)</u>

**KODIAK ISLAND BOROUGH**  
 Nonmajor Special Revenue Funds  
 Oil Spill Disaster  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)  
 Budget and Actual  
 Year ended June 30, 2014  
 (With financial information for the year ended June 30, 2013)

	<u>2014</u>		<b>Variance with Final Budget Positive (Negative)</b>	<b>2013 Actual</b>
	<b>Final Budget</b>	<b>Actual</b>		
Revenues	\$ —	—	—	—
Expenditures:				
General government:				
Personnel services	—	—	—	6,036
Fringe benefits	—	—	—	3,644
Support goods and services	—	—	—	886
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>(10,566)</u>
Fund (deficit), at beginning of year		<u>(10,566)</u>		<u>—</u>
Fund (deficit), at end of year		<u>\$ (10,566)</u>		<u>(10,566)</u>

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## NONMAJOR CAPITAL PROJECT FUNDS

The **Borough Capital Projects Fund** accounts for capital improvement projects related to various financing sources.

The **School Bond Capital Projects Fund** accounts for educational related capital projects funded by general obligation bonds which will be paid for with property taxes and State of Alaska grants.

The **State Capital Grants Fund** accounts for capital improvement projects relating to grants received from the State of Alaska.

The **Other Capital Projects Fund** accounts for capital improvement projects related to various financing sources.

**KODIAK ISLAND BOROUGH**

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2014

(With summarized financial information at June 30, 2013)

Assets	Borough Capital Projects	School Bond Capital Projects	State Capital Grants	Other Capital Projects	Totals	
					2014	2013
Equity in central treasury	\$ 530,827	186,749	319,130	2,283,455	3,320,161	3,397,958
Receivables:						
State of Alaska	—	—	8,302	7,065	15,367	93,255
Federal government	—	—	152,900	1,095	153,995	18,329
Property taxes	—	—	—	—	—	1,050
Accounts and other receivables, net	4,466	—	3,153	—	7,619	7,620
Total	\$ 535,293	186,749	483,485	2,291,615	3,497,142	3,518,212
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	4,800	104,931	38,303	1,638	149,672	106,490
Due to other funds	—	—	—	—	—	1,814,255
Unearned revenues	—	—	8,962	89,389	98,351	121,195
Total liabilities	4,800	104,931	47,265	91,027	248,023	2,041,940
Fund balances -						
Assigned	530,493	81,818	436,220	2,200,588	3,249,119	1,476,272
Total	\$ 535,293	186,749	483,485	2,291,615	3,497,142	3,518,212

**KODIAK ISLAND BOROUGH**

Nonmajor Capital Project Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Borough Capital Projects	School Bond Capital Projects	State Capital Grants	Other Capital Projects	Totals	
					2014	2013
Revenues:						
Property taxes and assessments	\$ —	—	—	—	—	86,702
Intergovernmental:						
State sources	—	—	19,177	28,309	47,486	1,371,108
Federal sources	—	—	152,900	34,102	187,002	51,705
Investment income	4,708	66	3,652	19,170	27,596	61,794
Total revenues	<u>4,708</u>	<u>66</u>	<u>175,729</u>	<u>81,581</u>	<u>262,084</u>	<u>1,571,309</u>
Expenditures:						
Capital outlay:						
Schools	—	122,388	—	—	122,388	613,235
General	—	—	174,137	60,721	234,858	2,041,674
Total expenditures	<u>—</u>	<u>122,388</u>	<u>174,137</u>	<u>60,721</u>	<u>357,246</u>	<u>2,654,909</u>
Excess (deficiency) of revenues over (under) expenditures	4,708	(122,322)	1,592	20,860	(95,162)	(1,083,600)
Other financing sources:						
Transfers in	—	—	—	—	—	390,347
Transfers out	—	—	—	—	—	(4,261,195)
Net other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,870,848)</u>
Change in fund balances	4,708	(122,322)	1,592	20,860	(95,162)	(4,954,448)
Fund balances, at beginning of year	<u>525,785</u>	<u>204,140</u>	<u>434,628</u>	<u>2,179,728</u>	<u>3,344,281</u>	<u>6,430,720</u>
Fund balances, at end of year	\$ <u>530,493</u>	<u>81,818</u>	<u>436,220</u>	<u>2,200,588</u>	<u>3,249,119</u>	<u>1,476,272</u>

## ENTERPRISE FUNDS

The **Municipal Solid Waste Collection and Disposal Fund** accounts for the collection and disposal of solid waste and recycling services for the Kodiak Island Borough.

The **Hospital Facilities Fund** accounts for rents on the Borough-owned hospital, hospital related state revenue sharing, and other hospital related revenue. In turn, it purchases hospital equipment and makes debt service payments on hospital related debt.

The **Kodiak Fisheries Research Center Fund** accounts for rents and expenses on the Borough-owned Kodiak Fisheries Research Center. The three tenants: NOAA, Alaska Department of Fish & Game and University of Alaska, Fairbanks pay lease funds to participate in this multi-agency research facility committed to the preservation of the North Pacific marine ecosystem and resources.

The **911 Service Fund** accounts for funds collected from phone charges and pays for a 911 emergency system.

**KODIAK ISLAND BOROUGH**  
Enterprise Funds  
Municipal Solid Waste Collection and Disposal  
Schedule of Revenues, Expenses, and  
Changes in Net Position  
Budget and Actual  
Year ended June 30, 2014  
(With financial information for the year ended June 30, 2013)

	<u>2014</u>		<b>Variance with Final Budget Positive (Negative)</b>	<u>2013 Actual</u>
	<u>Final Budget</u>	<u>Actual</u>		
Operating revenues:				
Solid waste disposal	\$ 2,536,085	2,265,967	(270,118)	2,504,035
Other	—	39,403	39,403	11,708
Total operating revenues	<u>2,536,085</u>	<u>2,305,370</u>	<u>(230,715)</u>	<u>2,515,743</u>
Operating expenses:				
Personnel services	995,829	876,354	119,475	936,508
Contracted services	46,000	185,284	(139,284)	352,132
Maintenance and repairs	72,500	141,309	(68,809)	38,882
Landfill closure and postclosure costs	300,000	—	300,000	—
Depreciation	306,120	278,342	27,778	293,913
General and administration	287,600	206,793	80,807	301,707
Recycling services	280,000	214,876	65,124	212,243
Contributions	48,500	39,106	9,394	37,011
Total operating expenses	<u>2,336,549</u>	<u>1,942,064</u>	<u>394,485</u>	<u>2,172,396</u>
Operating income	199,536	363,306	163,770	343,347
Other income (expense):				
Intergovernmental:				
State sources - grants	—	5,323,038	5,323,038	5,205,962
State of Alaska on-behalf payment	—	—	—	60,967
Investment income	100,000	67,094	(32,906)	63,542
Bond premium amortization	—	27,211	27,211	27,211
Bond issuance costs	—	—	—	(25,285)
Landfill closure and postclosure costs	—	377,471	377,471	—
Interest expense	(25,000)	(138,800)	(113,800)	(144,325)
Total other income (expense)	<u>75,000</u>	<u>5,656,014</u>	<u>5,581,014</u>	<u>5,188,072</u>
Income before transfers	274,536	6,019,320	5,744,784	5,531,419
Transfers in	<u>13,500</u>	<u>13,500</u>	<u>—</u>	<u>13,500</u>
Change in net position	<u>\$ 288,036</u>	<u>6,032,820</u>	<u>5,744,784</u>	<u>5,544,919</u>
Net position, at beginning of year		<u>10,813,768</u>		<u>5,268,849</u>
Net position, at end of year		<u>\$ 16,846,588</u>		<u>10,813,768</u>

**KODIAK ISLAND BOROUGH**

Enterprise Funds

Hospital Facilities

Schedule of Revenues, Expenses, and  
Changes in Net Position

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Operating revenues:				
Lease income	\$ 720,000	1,150,000	430,000	720,000
Other	—	—	—	—
Total operating revenue	<u>720,000</u>	<u>1,150,000</u>	<u>430,000</u>	<u>720,000</u>
Operating expenses:				
Personnel services	10,000	10,100	(100)	10,000
Maintenance and repairs	—	—	—	—
Miscellaneous	—	5,791	(5,791)	—
Depreciation	885,000	867,913	17,087	845,191
Total operating expenses	<u>895,000</u>	<u>883,804</u>	<u>11,196</u>	<u>855,191</u>
Operating income (loss)	(175,000)	266,196	418,804	(135,191)
Other income (expense):				
Intergovernmental:				
State sources - grants	—	215,000	215,000	778,133
Federal sources - grants	—	—	—	1,338
Investment income	20,000	73,207	53,207	26,626
Bond premium amortization	—	113,821	113,821	—
Bond issue costs	—	—	—	(87,288)
Contribution to Providence Hospital	(108,000)	(108,000)	—	(108,000)
Interest expense	(37,470)	(748,721)	(711,251)	(40,556)
Total other income (expense)	<u>(125,470)</u>	<u>(454,693)</u>	<u>(329,223)</u>	<u>570,253</u>
Income (loss) before transfers	<u>(300,470)</u>	<u>(188,497)</u>	<u>89,581</u>	<u>435,062</u>
Transfers in	<u>66,500</u>	<u>66,500</u>	<u>—</u>	<u>66,500</u>
Change in net position	<u>\$ (233,970)</u>	<u>(121,997)</u>	<u>89,581</u>	<u>501,562</u>
Net position, at beginning of year		<u>21,385,710</u>		<u>20,884,148</u>
Net position, at end of year		<u>\$ 21,263,713</u>		<u>21,385,710</u>

**KODIAK ISLAND BOROUGH**

Enterprise Funds

Kodiak Fisheries Research Center

Schedule of Revenues, Expenses, and  
Changes in Net Position

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	<u>2014</u>		<b>Variance with Final Budget Positive (Negative)</b>	<b>2013 Actual</b>
	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Operating revenues:				
Lease income	\$ 1,543,500	1,851,322	307,822	1,603,503
Other	—	439	439	—
Total operating revenues	<u>1,543,500</u>	<u>1,851,761</u>	<u>308,261</u>	<u>1,603,503</u>
Operating expenses:				
Personnel services	351,882	359,783	(7,901)	343,270
Maintenance and repairs	95,000	1,144	93,856	99
Depreciation	750,200	636,143	114,057	635,031
General and administration:				
Cleaning and janitorial	55,700	50,114	5,586	48,908
Heating	205,000	155,290	49,710	210,977
Electrical	188,500	152,984	35,516	170,062
Plumbing	169,000	50,384	118,616	34,064
Air conditioning	—	628	(628)	5,500
Elevators	3,000	2,150	850	—
Miscellaneous	113,943	47,090	66,853	67,276
Total operating expenses	<u>1,932,225</u>	<u>1,455,710</u>	<u>476,515</u>	<u>1,515,187</u>
Operating income (loss)	(388,725)	396,051	784,337	88,316
Other income (expense):				
State of Alaska on-behalf payment	—	—	—	23,329
Investment income	—	38,550	38,550	27,534
Interest expense	225,400	(225,401)	(450,801)	(259,875)
Total other income (expense)	<u>225,400</u>	<u>(186,851)</u>	<u>(412,251)</u>	<u>(209,012)</u>
Change in net position	<u>\$ (163,325)</u>	209,200	<u>372,086</u>	(120,696)
Net position, at beginning of year		<u>10,178,986</u>		<u>10,299,682</u>
Net position, at end of year		<u>\$ 10,388,186</u>		<u>10,178,986</u>

**KODIAK ISLAND BOROUGH**

Enterprise Funds

911 Service Fund

Schedule of Revenues, Expenses, and  
Changes in Net Position

Budget and Actual

Year ended June 30, 2014

(With financial information for the year ended June 30, 2013)

	2014		Variance with Final Budget Positive (Negative)	2013 Actual
	Final Budget	Actual		
Operating revenues:				
Customer charges	\$ 50,000	39,817	(10,183)	39,769
Operating expenses:				
Personnel services	3,000	3,000	—	3,000
Miscellaneous	100	98	2	142
Telephone services	46,900	36,719	10,181	84,454
Total operating expenses	50,000	39,817	10,183	87,596
Operating income (loss)	\$ —	—	—	(47,827)
Net position, at beginning of year		—		47,827
Net position, at end of year		\$ —		—

**SUPPLEMENTARY SCHEDULES**

**KODIAK ISLAND BOROUGH**

**SUMMARY OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY**

June 30, 2014

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Annual principal and interest requirements on General Obligation Refunding and  
Construction Bonds.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,640,000	\$ 3,119,885	\$ 5,759,885
2016	3,170,000	2,989,362	6,159,362
2017	3,295,000	2,869,212	6,164,212
2018	3,395,000	2,750,462	6,145,462
2019	3,540,000	2,617,362	6,157,362
2020	3,670,000	2,478,487	6,148,487
2021	3,815,000	2,336,099	6,151,099
2022	3,980,000	2,166,550	6,146,550
2023	4,160,000	1,985,699	6,145,699
2024	4,355,000	1,789,538	6,144,538
2025	4,570,000	1,572,570	6,142,570
2026	3,310,000	1,402,026	4,712,026
2027	3,470,000	1,238,228	4,708,228
2028	3,645,000	1,064,122	4,709,122
2029	3,205,000	881,234	4,086,234
2030	3,365,000	720,316	4,085,316
2031	3,535,000	551,360	4,086,360
2032	3,085,000	381,190	3,466,190
2033	3,240,000	226,940	3,466,940
2034	1,690,000	84,750	1,774,750
	<u>\$ 69,135,000</u>	<u>\$ 33,225,392</u>	<u>\$ 102,360,392</u>

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**KODIAK ISLAND BOROUGH**  
**GENERAL OBLIGATION BOND, 2004 SERIES D**  
**RETIREMENT SCHEDULE**

June 30, 2014

**2004 D BOND ISSUE**

This issue, dated December 1, 2004, was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2004 Series D Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Wohlforth, Vassar, Johnson & Brecht of Anchorage, Alaska. This bond was issued to fund the acquisition and construction of school capital improvements in the Borough, including a new school pool and the Kodiak High School Voc Ed/Classroom reclamation.

<u>Fiscal year</u>	<u>Interest rate</u>	<u>Interest due November 01</u>	<u>Principal due November 01</u>	<u>Interest due May 01</u>	<u>Total</u>
2015	4.00%	<u>\$ 10,600</u>	<u>\$ 530,000</u>	<u>\$ -</u>	<u>\$ 540,600</u>

**KODIAK ISLAND BOROUGH**

**GENERAL OBLIGATION BOND, 2008 SERIES A**

**RETIREMENT SCHEDULE**

June 30, 2014

**2008 A BOND ISSUE**

This issue, dated April 15, 2008, was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2008 Series A Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Birch, Horton, Bittner and Cherot of Anchorage, Alaska. This bond was issued to fund the acquisition and construction of school capital improvements in the Borough, including a new school pool.

<u>Fiscal year</u>	<u>Interest rate</u>	<u>Interest due October 01</u>	<u>Principal due April 01</u>	<u>Interest due April 01</u>	<u>Total</u>
2015	5.00%	\$ 144,605	\$ 335,000	\$ 144,605	\$ 624,210
2016	5.00%	136,230	350,000	136,230	622,460
2017	4.00%	127,480	370,000	127,480	624,960
2018	4.00%	120,080	380,000	120,080	620,160
2019	4.00%	112,480	400,000	112,480	624,960
2020	4.25%	104,480	415,000	104,480	623,960
2021	4.25%	95,661	430,000	95,661	621,322
2022	4.38%	86,524	450,000	86,524	623,048
2023	4.50%	76,680	470,000	76,680	623,360
2024	4.70%	66,105	490,000	66,105	622,210
2025	4.80%	54,590	515,000	54,590	624,180
2026	4.90%	42,230	540,000	42,230	624,460
2027	5.00%	29,000	565,000	29,000	623,000
2028	5.00%	14,875	595,000	14,875	624,750
		<u>\$ 1,211,020</u>	<u>\$ 6,305,000</u>	<u>\$ 1,211,020</u>	<u>\$ 8,727,040</u>

**KODIAK ISLAND BOROUGH**

**GENERAL OBLIGATION BOND, 2011 SERIES ONE**

**RETIREMENT SCHEDULE**

June 30, 2014

**2011 SERIES ONE BOND ISSUE**

This issue, dated March 1, 2011, was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2011 Series One Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Birch, Horton, Bittner and Cherot of Anchorage, Alaska. This bond was issued to fund the High School Renovation and Renewal project.

<u>Fiscal year</u>	<u>Interest rate</u>	<u>Interest due September 01</u>	<u>Principal due April 01</u>	<u>Interest due March 01</u>	<u>Total</u>
2015	2.05%	\$ 160,500	\$ 305,000	\$ 160,500	\$ 626,000
2016	2.36%	155,925	310,000	155,925	621,850
2017	2.75%	151,275	320,000	151,275	622,550
2018	3.12%	146,475	330,000	146,475	622,950
2019	3.45%	140,700	340,000	140,700	621,400
2020	3.70%	133,900	355,000	133,900	622,800
2021	3.93%	126,800	370,000	126,800	623,600
2022	4.80%	119,400	385,000	119,400	623,800
2023	4.80%	110,256	405,000	110,256	625,512
2024	4.80%	100,638	425,000	100,638	626,276
2025	5.20%	90,544	445,000	90,544	626,088
2026	5.20%	79,975	465,000	79,975	624,950
2027	5.20%	68,931	485,000	68,931	622,862
2028	5.20%	56,503	510,000	56,503	623,006
2029	5.20%	43,434	535,000	43,434	621,868
2030	5.20%	29,725	565,000	29,725	624,450
2031	5.20%	15,247	595,000	15,247	625,494
		<u>\$ 1,730,228</u>	<u>\$ 7,145,000</u>	<u>\$ 1,730,228</u>	<u>\$ 10,605,456</u>

**KODIAK ISLAND BOROUGH**

**GENERAL OBLIGATION BOND, 2012 SERIES A**

**RETIREMENT SCHEDULE**

June 30, 2014

**2012 A BOND ISSUE**

This issue, dated May 24, 2012 was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2012 Series A Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Wohlforth, Vassar, Johnson & Brecht of Anchorage, Alaska. This bond was issued to refund part of the 2004C Bond which was issued to fund planning, design, and construction of capital improvements to the Larsen Bay School, Kodiak Middle School and Kodiak High School.

<u>Fiscal year</u>	<u>Interest rate</u>	<u>Interest due September 1</u>	<u>Principal due September 1</u>	<u>Interest due March 1</u>	<u>Total</u>
2015	2.00%	\$ 113,400	\$ -	\$ 113,400	\$ 226,800
2016	4.00%	113,400	435,000	104,700	653,100
2017	4.00%	104,700	455,000	95,600	655,300
2018	2.00%	95,600	460,000	91,000	646,600
2019	4.00%	91,000	480,000	81,400	652,400
2020	5.00%	81,400	495,000	69,025	645,425
2021	5.00%	69,025	525,000	55,900	649,925
2022	4.00%	55,900	545,000	45,000	645,900
2023	5.00%	45,000	570,000	30,750	645,750
2024	5.00%	30,750	600,000	15,750	646,500
2025	5.00%	15,750	630,000	-	645,750
		<u>\$ 815,925</u>	<u>\$ 5,195,000</u>	<u>\$ 702,525</u>	<u>\$ 6,713,450</u>

**KODIAK ISLAND BOROUGH**

GENERAL OBLIGATION BOND, 2012 SERIES B

RETIREMENT SCHEDULE

June 30, 2014

**2012 B BOND ISSUE**

This issue, dated May 24, 2012 was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2012 Series B Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Wohlforth, Vassar, Johnson & Brecht of Anchorage, Alaska. This bond was issued to refund part of the 2004D bond issue, which was used to fund the acquisition and construction of school capital improvements in the Borough, including a new school pool and the Kodiak High School Voc/Ed Classroom reclamation.

<u>Fiscal year</u>	<u>Interest rate</u>	<u>Interest due September 1</u>	<u>Principal due September 1</u>	<u>Interest due March 1</u>	<u>Total</u>
2015	2.00%	\$ 138,375	\$ -	\$ 138,375	\$ 276,750
2016	4.00%	138,375	530,000	127,775	796,150
2017	4.00%	127,775	550,000	116,775	794,550
2018	2.00%	116,775	565,000	111,125	792,900
2019	4.00%	111,125	585,000	99,425	795,550
2020	5.00%	99,425	610,000	84,175	793,600
2021	5.00%	84,175	640,000	68,175	792,350
2022	4.00%	68,175	665,000	54,875	788,050
2023	5.00%	54,875	695,000	37,500	787,375
2024	5.00%	37,500	730,000	19,250	786,750
2025	5.00%	19,250	770,000	-	789,250
		<u>\$ 995,825</u>	<u>\$ 6,340,000</u>	<u>\$ 857,450</u>	<u>\$ 8,193,275</u>

**KODIAK ISLAND BOROUGH**

GENERAL OBLIGATION BOND, 2013 SERIES ONE

RETIREMENT SCHEDULE

June 30, 2014

**2013 SERIES ONE BOND ISSUE**

This issue, dated March 1, 2013, was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2013 Series One Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Birch, Horton, Bittner and Cherot of Anchorage, Alaska. This bond was issued to fund the High School Renovation and Renewal project.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Interest Due August 01</u>	<u>Principal Due February 01</u>	<u>Interest due February 01</u>	<u>Total</u>
2015	4.00%	\$ 479,670	\$ 730,000	\$ 479,670	\$ 1,689,340
2016	4.00%	465,070	760,000	465,070	1,690,140
2017	4.00%	449,870	790,000	449,870	1,689,740
2018	4.00%	434,070	820,000	434,070	1,688,140
2019	5.00%	417,670	855,000	417,670	1,690,340
2020	4.00%	396,295	895,000	396,295	1,687,590
2021	4.00%	378,395	935,000	378,395	1,691,790
2022	4.00%	359,695	970,000	359,695	1,689,390
2023	4.00%	340,295	1,010,000	340,295	1,690,590
2024	5.00%	320,095	1,050,000	320,095	1,690,190
2025	5.00%	293,845	1,100,000	293,845	1,687,690
2026	5.00%	266,345	1,155,000	266,345	1,687,690
2027	5.00%	237,470	1,215,000	237,470	1,689,940
2028	5.00%	207,095	1,275,000	207,095	1,689,190
2029	5.00%	175,220	1,340,000	175,220	1,690,440
2030	5.00%	141,720	1,405,000	141,720	1,688,440
2031	5.00%	106,595	1,475,000	106,595	1,688,190
2032	5.00%	69,720	1,550,000	69,720	1,689,440
2033	3.80%	30,970	1,630,000	30,970	1,691,940
		<u>\$ 5,570,105</u>	<u>\$ 20,960,000</u>	<u>\$ 5,570,105</u>	<u>\$ 32,100,210</u>

**KODIAK ISLAND BOROUGH**

**GENERAL OBLIGATION BOND, 2014 SERIES ONE**

**RETIREMENT SCHEDULE**

June 30, 2014

**2014 SERIES ONE BOND ISSUE**

This issue, dated March 12, 2013, was issued under a book entry system registered in the name of Cede & Company, as Nominee of the Depository Trust Company, New York, New York, the securities depository for the 2013 Series One Bond. This issue was marketed by the Alaska Municipal Bond Bank. Legal opinion was rendered by bond council, Birch, Horton, Bittner and Cherot of Anchorage, Alaska. This bond was issued to fund the High School Renovation and Renewal project.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Interest Due September 01</u>	<u>Principal Due March 01</u>	<u>Interest Due March 01</u>	<u>Total</u>
2015	2.00%	\$ 533,454	\$ 740,000	\$ 502,731	\$ 1,776,185
2016	3.00%	495,331	785,000	495,331	1,775,662
2017	4.00%	483,556	810,000	483,556	1,777,112
2018	5.00%	467,356	840,000	467,356	1,774,712
2019	2.00%	446,356	880,000	446,356	1,772,712
2020	2.00%	437,556	900,000	437,556	1,775,112
2021	5.00%	428,556	915,000	428,556	1,772,112
2022	5.00%	405,681	965,000	405,681	1,776,362
2023	5.00%	381,556	1,010,000	381,556	1,773,112
2024	5.00%	356,306	1,060,000	356,306	1,772,612
2025	3.12%	329,806	1,110,000	329,806	1,769,612
2026	5.00%	312,463	1,150,000	312,463	1,774,926
2027	5.00%	283,713	1,205,000	283,713	1,772,426
2028	5.00%	253,588	1,265,000	253,588	1,772,176
2029	5.00%	221,963	1,330,000	221,963	1,773,926
2030	5.00%	188,713	1,395,000	188,713	1,772,426
2031	4.50%	153,838	1,465,000	153,838	1,772,676
2032	5.00%	120,875	1,535,000	120,875	1,776,750
2033	5.00%	82,500	1,610,000	82,500	1,775,000
2034	5.00%	42,250	1,690,000	42,500	1,774,750
		<u>\$ 6,425,417</u>	<u>\$ 22,660,000</u>	<u>\$ 6,394,944</u>	<u>\$ 35,480,361</u>

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**STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the Kodiak Island Borough'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 governments' overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	121-124
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	125-129
<b>Debt Capacity</b>	
<i>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.</i>	130-134
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	135-141

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



**KODIAK ISLAND BOROUGH**  
 Changes in Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 7,133,461	\$ 3,984,390	\$ 4,755,754	\$ 4,226,759	\$ 3,723,964	\$ 4,479,415	\$ 5,109,232	\$ 4,281,383	\$ 7,398,899	\$ 6,990,640
Public safety	-	-	-	509,697	579,710	612,763	664,349	622,396	644,197	751,637
Emergency preparedness	25,850	8,598	10,384	13,841	14,988	10,511	11,705	21,423	278,480	12,487
Community and economic development	509,680	784,002	786,614	1,105,156	908,501	1,034,686	1,211,189	1,195,237	1,070,991	964,377
Health and sanitation	387,619	403,866	414,144	449,792	371,673	406,087	392,011	391,996	290,800	326,700
Education, culture, and recreation	185,993	164,053	161,247	183,747	248,571	192,182	85,690	64,289	84,273	218,013
Parks and recreation	-	-	-	-	-	-	13,625	5,825	21,100	37,795
Service district maintenance	347,934	336,385	362,189	378,661	398,219	543,897	593,388	705,665	479,264	631,572
Education, culture, and recreation	10,207,757	10,831,588	10,788,188	11,524,160	12,354,129	12,423,691	12,834,349	11,998,842	13,930,919	14,523,509
Interest on long-term debt	1,101,398	1,700,089	1,290,216	1,270,423	1,408,045	1,336,068	1,508,052	1,188,945	1,254,225	2,109,406
Total governmental activities expenses	19,899,892	18,212,971	18,568,736	19,662,236	20,007,800	21,039,300	22,423,590	20,476,001	25,453,148	26,566,136
Business-type activities:										
Municipal solid waste collection and disposal	3,362,348	3,446,453	2,888,821	4,628,826	3,852,158	4,283,148	2,192,132	2,345,752	2,342,006	2,080,864
Hospital facilities	1,344,987	1,304,583	1,297,419	1,124,650	1,095,535	1,035,020	1,027,615	1,016,882	1,091,035	1,740,525
Kodiak fisheries research center	1,878,788	1,856,875	1,889,750	2,027,432	1,960,404	1,927,580	1,847,427	1,746,952	1,775,062	1,681,111
911 services	69,178	57,194	64,140	107,980	43,043	42,474	53,041	2,615	87,596	39,817
Total business-type activities expenses	6,655,301	6,665,105	6,140,130	7,888,888	6,951,140	7,288,222	5,120,215	5,112,201	5,295,699	5,542,317
Total primary government expenses	\$ 26,555,193	\$ 24,878,076	\$ 24,708,866	\$ 27,551,124	\$ 26,958,940	\$ 28,327,522	\$ 27,543,805	\$ 25,588,202	\$ 30,748,847	\$ 32,108,453
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 367,530	\$ 311,802	\$ 1,058,330	\$ 436,284	\$ 705,166	\$ 703,431	\$ 658,463	\$ 673,050	\$ 549,100	\$ 577,350
Public safety	-	-	-	-	12,361	12,762	33,755	11,646	13,849	14,336
Community and economic development	21,886	-	68,867	148,682	-	-	-	-	-	-
Health and sanitation	-	-	-	7,370	-	-	-	-	-	-
Education, culture, and recreation	56,704	108,218	-	-	-	-	-	-	-	-
Service district maintenance	20,000	20,000	20,015	28,345	25,000	25,000	27,600	1	94,076	110,313
Primary and secondary education	-	95,025	-	-	-	-	-	-	-	-
Operating grants and contributions	721,453	1,240,547	1,935,687	1,911,246	2,543,254	2,306,394	2,295,661	2,479,263	2,917,662	4,077,510
Capital grants	2,917,160	298,852	184,922	1,926,465	2,331,253	6,518,798	3,241,219	574,439	2,212,524	6,651,737
Total governmental activities program revenues	4,104,733	2,074,444	3,267,821	4,458,392	5,617,034	9,566,385	6,256,698	3,738,399	5,787,211	11,431,246
Business-type activities:										
Charges for services:										
Municipal solid waste collection and dispos:	3,141,856	3,665,289	3,932,985	3,911,771	3,603,995	4,350,369	2,397,979	2,301,757	2,504,035	2,265,967
Hospital facilities	1,153,333	1,153,333	1,081,110	720,000	3,575,835	1,867,990	720,000	720,000	720,000	1,150,000
Kodiak fisheries research center	1,566,686	1,572,474	1,581,850	1,614,532	1,598,260	1,610,775	2,018,747	1,636,728	1,603,503	1,851,322
911 services	26,721	65,614	62,698	54,925	52,654	42,474	53,041	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	75,819	85,634	-
Capital grants	-	-	-	-	-	-	-	97,534	5,984,095	5,538,038
Total business-type activities program revenues	5,888,596	6,456,710	6,658,643	6,301,228	8,830,744	7,871,608	5,189,767	4,831,838	10,897,267	10,805,327
Total primary government program revenues	\$ 9,993,329	\$ 8,531,154	\$ 9,926,464	\$ 10,759,620	\$ 14,447,778	\$ 17,437,993	\$ 11,446,465	\$ 8,570,237	\$ 16,684,478	\$ 22,236,573
Net(expense)/revenue:										
Governmental activities	\$ (15,795,159)	\$ (16,138,527)	\$ (15,300,915)	\$ (15,203,844)	\$ (14,390,766)	\$ (11,472,915)	\$ (16,166,892)	\$ (16,737,602)	\$ (19,665,937)	\$ (15,134,890)
Business-type activities	(766,705)	(208,395)	518,513	(1,587,660)	1,879,604	583,386	69,552	(280,363)	5,601,568	5,263,010
Total primary government net expense	\$ (16,561,864)	\$ (16,346,922)	\$ (14,782,402)	\$ (16,791,504)	\$ (12,511,162)	\$ (10,889,529)	\$ (16,097,340)	\$ (17,017,965)	\$ (14,064,369)	\$ (9,871,880)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 9,063,729	\$ 9,807,551	\$ 9,754,916	\$ 10,118,602	\$ 10,592,258	\$ 11,051,740	\$ 11,945,103	\$ 13,327,552	\$ 12,910,512	\$ 13,741,190
Severance taxes	1,005,539	1,186,908	1,316,689	1,436,210	1,311,188	1,336,075	1,649,275	1,970,265	1,774,700	1,843,819
Unrestricted grants and contributions	2,384,538	3,482,351	3,242,740	3,144,750	4,214,617	4,089,966	3,642,009	4,199,766	4,458,203	4,142,583
Land sales	-	-	-	-	26,369	760	2,383	4,540	-	864,584
Investment earnings	1,750,321	2,798,391	3,745,990	3,912,145	2,082,615	1,219,201	713,414	1,788,903	528,676	1,106,717
Other	55,692	779,328	(225,636)	380,550	226,586	619,948	739,113	327,540	383,877	506,546
Transfers	170,602	247,280	162,643	127,050	(765,490)	(80,000)	(80,000)	(80,000)	(80,000)	(80,000)
Extraordinary item	-	-	-	-	1,396,222	-	-	-	-	-
Total governmental activities	\$ 14,430,421	\$ 18,301,809	\$ 17,997,342	\$ 19,119,307	\$ 19,084,365	\$ 18,237,690	\$ 18,611,297	\$ 21,538,566	\$ 19,975,968	\$ 22,125,439
Business-type activities:										
Investment earnings	70,812	161,892	274,126	434,164	273,973	198,067	100,925	282,027	117,702	178,851
Other	-	391,895	35,747	4,380	50	-	-	110,442	78,688	598,162
Transfers	(170,602)	(247,280)	(162,643)	(127,050)	765,490	80,000	80,000	80,000	80,000	80,000
Extraordinary item	-	-	-	-	432,688	-	-	-	-	-
Total business-type activities	(99,790)	306,507	147,230	311,494	1,472,201	278,067	180,925	472,469	276,390	857,013
Total primary government	\$ 14,330,631	\$ 18,608,316	\$ 18,144,572	\$ 19,430,801	\$ 20,556,566	\$ 18,515,757	\$ 18,792,222	\$ 22,011,035	\$ 20,252,358	\$ 22,982,452
<b>Change in Net Position</b>										
Governmental activities	\$ (1,364,738)	\$ 2,163,282	\$ 2,696,427	\$ 3,915,463	\$ 4,693,599	\$ 6,764,775	\$ 2,444,405	\$ 4,800,964	\$ 310,031	\$ 6,990,549
Business-type activities	(866,495)	98,112	665,743	(1,276,166)	3,351,805	861,453	250,477	192,106	5,877,958	6,120,023
Total primary government	\$ (2,231,233)	\$ 2,261,394	\$ 3,362,170	\$ 2,639,297	\$ 8,045,404	\$ 7,626,228	\$ 2,694,882	\$ 4,993,070	\$ 6,187,989	\$ 13,110,572

**KODIAK ISLAND BOROUGH**  
Fund Balances of Governmental Funds  
Last Five Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund:					
Nonspendable	\$ 15,703	\$ 6,801	\$ 166,020	\$ 6,324	\$ 1,459
Committed	-	-	-	-	-
Unassigned	2,366,973	1,952,757	3,126,037	3,340,662	3,502,489
Total General Fund	<u>\$ 2,382,676</u>	<u>\$ 1,959,558</u>	<u>\$ 3,292,057</u>	<u>\$ 3,346,986</u>	<u>\$ 3,503,948</u>
All other governmental funds					
Nonspendable	\$ 34,342	\$ 21,704	\$ 5,114,902	\$ 4,636,976	\$ 513,765
Committed	52,453,871	57,633,409	37,288,510	37,902,356	42,355,129
Assigned	-	-	11,464,575	29,981,503	28,875,499
Unassigned	(805,499)	(1,179,132)	(1,989,279)	(51,337)	(2,929,481)
Total all other governmental funds	<u>\$ 51,682,714</u>	<u>\$ 56,475,981</u>	<u>\$ 51,878,708</u>	<u>\$ 72,469,498</u>	<u>\$ 68,814,912</u>

The Kodiak Island Borough implemented GASB 54 in Fiscal Year 2011. That is why there is only five years of data.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Property taxes and assessments	\$ 9,042,843	9,786,201	9,681,815	10,175,295	10,477,347	10,993,175	11,909,806	13,052,598	12,936,796	13,656,771
Transient accommodations tax	20,886	47,645	68,867	79,182	88,338	86,003	96,384	87,400	96,640	75,142
<b>Intergovernmental:</b>										
State sources	2,169,803	3,368,491	4,012,647	4,428,472	5,966,808	10,610,231	7,029,684	5,313,092	7,929,017	12,938,158
Federal sources	3,853,348	1,766,926	1,417,403	2,553,990	3,122,316	2,338,468	2,149,205	1,940,376	1,659,372	1,933,672
Severance taxes	1,005,539	1,186,908	1,316,689	1,436,210	1,311,188	1,336,075	1,649,275	1,970,265	1,774,700	1,843,819
Licenses, permits, fees, and other local revenues	692,540	820,286	690,962	658,381	742,527	766,193	719,818	684,697	657,025	701,999
Other revenues	75,841	125,040	633,925	353,850	418,741	459,412	720,659	44,304	52,516	50,556
Investment earnings	1,772,893	2,803,466	3,751,609	3,918,008	2,088,915	1,225,938	706,677	1,857,413	536,903	1,115,466
<b>Total revenues</b>	<b>18,633,693</b>	<b>19,904,963</b>	<b>21,573,917</b>	<b>23,603,388</b>	<b>24,216,180</b>	<b>27,815,495</b>	<b>24,981,508</b>	<b>24,950,145</b>	<b>25,642,969</b>	<b>32,315,583</b>
<b>Expenditures:</b>										
General government	2,713,633	3,950,927	4,504,052	3,818,544	4,067,024	4,600,601	4,818,287	4,848,805	5,307,199	5,449,505
Public safety	425,506	—	—	385,529	460,826	502,491	537,623	447,479	469,280	576,720
Emergency preparedness	23,521	6,098	7,884	5,713	12,488	8,011	11,705	18,323	18,342	9,987
Community and economic development	509,680	784,002	786,614	923,203	908,501	1,034,686	1,211,189	1,195,237	1,070,991	964,377
Health and sanitation department	329,738	363,520	373,132	387,053	333,747	371,321	392,011	391,996	290,800	326,700
Education, culture, and recreation	185,993	161,633	158,161	183,747	248,571	192,182	85,690	64,289	84,273	95,625
Parks and recreation	—	—	—	—	—	—	13,625	5,825	21,100	37,795
Maintenance and operations	698,119	—	—	—	—	—	—	—	—	—
Service district maintenance	347,934	336,385	498,539	374,320	398,219	543,897	593,388	705,665	479,264	631,572
Primary and secondary education	7,973,035	8,430,840	8,387,440	9,123,412	9,956,618	9,980,350	10,127,350	10,337,349	10,442,350	10,845,220
Fern Fuller trust	22,547	—	—	—	—	—	—	—	—	—
<b>Capital outlay:</b>										
Schools	68,109	464,142	1,436,639	7,029,628	14,857,064	7,359,932	1,881,069	5,255,037	5,486,672	34,872,235
General	2,972,174	332,398	373,038	887,189	1,277,106	4,319,438	4,839,652	562,007	2,041,674	1,521,996
<b>Debt service:</b>										
Principal	1,784,859	1,814,553	2,100,361	2,205,441	2,495,056	2,685,606	2,750,690	2,780,776	2,966,441	3,645,950
Interest	984,766	1,584,763	1,336,349	1,263,176	1,578,408	1,356,872	1,292,645	2,695,657	1,254,225	2,109,406
Other charges - bond issuance costs	43,661	—	—	—	68,635	—	40,689	100,149	20,809	89,835
<b>Total expenditures</b>	<b>19,083,275</b>	<b>18,229,261</b>	<b>19,962,209</b>	<b>26,586,955</b>	<b>36,662,263</b>	<b>32,955,387</b>	<b>28,595,613</b>	<b>29,409,194</b>	<b>29,953,420</b>	<b>61,176,923</b>
Excess of revenues over (under) expenditures	(449,582)	1,675,702	1,611,708	(2,983,567)	(12,446,083)	(5,139,892)	(3,614,105)	(4,459,049)	(4,310,451)	(28,861,340)
<b>Other Financing Sources (Uses):</b>										
Proceeds from sales of bonds	20,350,000	—	—	8,000,000	—	—	8,049,233	—	21,595,000	22,660,000
Bond premium	121,590	—	—	—	—	—	—	—	3,424,819	2,427,432
Refunding bonds issued	—	—	—	—	6,740,000	—	—	13,578,039	—	—
Payment to refunded bond escrow agent	—	—	—	—	(6,865,467)	—	—	(12,180,000)	—	—
Proceeds from sale of assets	—	—	—	—	—	—	—	—	9,564	—
Land sale proceeds	22,738	177,164	47,087	19,458	30,561	138,867	15,021	10,735	6,787	356,284
Transfers in	1,800,212	1,751,182	2,626,853	2,966,610	6,144,301	3,211,195	3,782,289	957,652	6,212,885	992,365
Transfers out	(1,629,610)	(1,503,902)	(2,464,210)	(2,839,560)	(6,909,791)	(3,291,195)	(3,862,289)	(1,037,652)	(6,292,885)	(1,072,365)
<b>Total other financing sources(uses)</b>	<b>20,664,930</b>	<b>424,444</b>	<b>209,730</b>	<b>8,146,508</b>	<b>(860,396)</b>	<b>58,867</b>	<b>7,984,254</b>	<b>1,328,774</b>	<b>24,956,170</b>	<b>25,363,716</b>
<b>Net change in fund balances</b>	<b>\$ 20,215,348</b>	<b>2,100,146</b>	<b>1,821,438</b>	<b>5,162,941</b>	<b>(13,306,479)</b>	<b>(5,081,025)</b>	<b>4,370,149</b>	<b>(3,130,275)</b>	<b>20,645,719</b>	<b>(3,497,624)</b>
Debt service as a percentage of noncapital expenditures	15.01 %	19.99 %	19.20 %	19.45 %	20.91 %	19.41 %	18.53 %	27.22 %	17.62 %	22.51 %

The Kodiak Island Borough implemented GASB 34 in Fiscal Year 2004.

**KODIAK ISLAND BOROUGH**

General Revenues by Source<sup>(a)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses, Permits and Fees</u>	<u>Inter-Governmental Revenue</u>	<u>Investment Income</u>	<u>Operating Transfers</u>	<u>Miscellaneous Revenue</u>	<u>Total</u>
2005	9,378,816	161,621	1,925,405	265,392	—	—	11,731,234
2006	10,257,023	171,962	2,369,185	469,913	—	—	13,268,083
2007	10,218,016	78,720	3,325,899	399,149	—	82,604	14,104,388
2008	10,792,741	100,256	3,276,741	544,926	—	—	14,714,664
2009	10,864,441	65,417	4,461,624	292,825	—	131,944	15,816,251
2010	11,219,182	71,319	4,123,507	178,567	—	38,352	15,630,927
2011	12,412,832	72,394	3,642,009	(21,628)	—	537,235	16,642,842
2012	2,291,625	65,421	4,425,447	281,792	—	16,177	7,080,462
2013	2,035,971	66,476	4,787,308	39,078	29,335	30,733	6,988,901
2014	2,051,794	82,713	4,605,916	23,804	—	14,328	6,778,555

(a) Includes General Fund only.

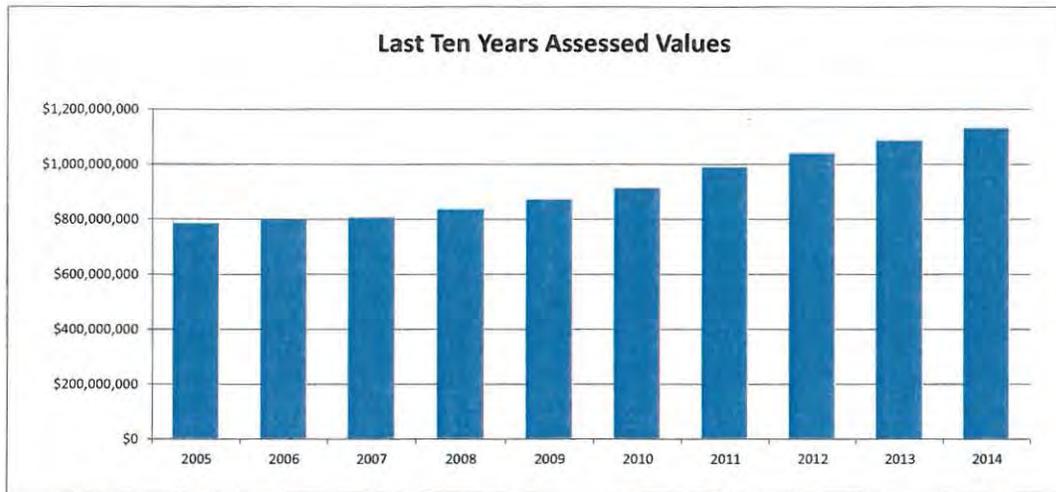
Source: Borough general ledger.

**KODIAK ISLAND BOROUGH**  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property		Personal Property		Total		Total Direct Tax Rate	Ratio of Total Taxable Assessed to Total Full Value Determination
	Net Taxable Assessed Value	Full Value Determination	Net Taxable Assessed Value	Full Value Determination	Net Taxable Assessed Value	Full Value Determination		
2005	678,425,914	731,267,000	105,481,537	300,735,600	783,907,451	1,032,002,600	10.25	75.96
2006	692,572,845	786,373,800	106,206,504	309,114,600	798,779,349	1,095,488,400	11.00	72.92
2007	710,848,299	836,778,900	94,833,515	297,380,200	805,681,814	1,134,159,100	10.50	71.04
2008	734,527,929	941,403,800	100,997,608	298,543,700	835,525,537	1,239,947,500	10.50	67.38
2009	765,152,958	817,641,308	105,320,027	233,623,664	870,472,985	1,051,264,972	10.50	82.80
2010	805,000,744	855,452,864	108,014,241	227,294,006	913,014,985	1,082,746,870	10.50	84.32
2011	875,787,940	931,330,970	113,091,185	250,671,059	988,879,125	1,182,002,029	10.50	83.66
2012	947,611,296	1,007,199,396	91,612,537	236,610,137	1,039,223,833	1,243,809,533	10.75	83.55
2013	984,146,580	1,049,746,680	101,821,700	237,074,800	1,085,968,280	1,286,821,480	10.75	84.39
2014	1,029,239,311	1,100,702,180	102,237,300	286,425,000	1,131,476,611	1,387,127,180	10.75	81.57

Sources: Borough assessment and tax records

Note: Property in Kodiak Island Borough is reassessed once every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.



**KODIAK ISLAND BOROUGH**  
 Direct and Overlapping Property Tax Rates and  
 Contributions to the School District  
 (per \$1,000 of Assessed Value)  
 Last Ten Fiscal Years\*

Fiscal Year Ended June 30,	Direct Rate				Overlapping Rates										
	Borough Basic Rate	Education Support Fund	Debt Service	Renewal and Replacement	City <sup>1</sup> of Kodiak	Woodland <sup>2</sup> Acres Street Lighting Area	Trinity <sup>2</sup> Islands Street Lighting Area	Mission <sup>2</sup> Lake Tide Gate Area	Road Services Areas <sup>2</sup>				Fire Areas <sup>2</sup>		
									Monashka Bay	Service District 1	Bay View Road	Womens Bay	Fire Protection Area No. 1	Womens Bay	Airport
2005	10.25	—	—	—	2.00	—	0.50	1.00	1.50	1.00	1.00	2.00	1.50	1.25	1.25
2006	11.00	—	—	—	2.00	—	0.50	1.00	2.50	1.25	1.00	2.00	1.50	1.25	1.25
2007	10.50	—	—	—	2.00	—	0.50	1.00	2.50	1.25	1.00	2.00	1.50	1.25	1.25
2008	10.50	—	—	—	2.00	—	0.50	1.00	2.50	1.25	1.00	2.00	1.50	1.25	1.25
2009	10.50	—	—	—	2.00	0.25	0.50	1.00	2.50	1.50	1.00	2.00	1.50	1.25	1.25
2010	10.50	—	—	—	2.00	0.25	0.50	1.00	2.50	1.50	1.00	2.00	1.50	1.25	1.25
2011	10.50	—	—	—	2.00	0.25	0.50	1.00	2.50	1.50	1.00	2.50	1.50	1.25	1.25
2012	0.03	9.09	1.55	0.08	2.00	0.25	0.50	1.00	2.50	1.50	1.00	2.50	1.50	1.25	1.25
2013	0.03	9.03	1.61	0.08	2.00	0.25	0.50	1.00	2.50	0.50	1.75	2.50	1.50	1.25	1.25
2014	0.03	8.75	1.81	0.16	2.00	0.25	0.50	1.00	2.50	1.50	1.50	2.50	1.50	1.25	1.25

Note: The maximum mill rate allowed by State code is 30 mills

<sup>1</sup> Overlapping rates are those of local governments that apply to property owners within the City of Kodiak.

<sup>2</sup> Overlapping rates are those which apply to property owners located within special taxing districts in the borough. They do not apply to every property owner in the Borough.

**KODIAK ISLAND BOROUGH**  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 8,756,263	8,602,243	98.2	153,837	8,756,080	100.0
2006	9,733,253	9,320,203	95.8	412,332	9,732,535	100.0
2007	9,298,329	9,169,456	98.6	126,255	9,295,711	100.0
2008	9,979,775	9,615,784	96.4	361,432	9,977,216	100.0
2009	10,231,461	10,201,209	99.7	24,891	10,229,858	100.0
2010	10,879,276	10,487,467	96.4	383,320	10,872,433	99.9
2011	11,536,758	11,499,457	99.7	38,109	11,537,566	100.0
2012	13,255,665	13,038,077	98.4	273,899	13,311,976	100.4
2013	13,581,524	13,477,005	99.2	113,296	13,590,301	100.1
2014	14,424,260	14,250,305	98.8	—	14,250,305	98.8

Source: Borough general ledger.

**KODIAK ISLAND BOROUGH**

Principal Property Tax Payers  
Current Year and Ten Years Ago

Taxpayer	2014			2004		
	Taxable Assessed Value	Rank	Percentage of Total Borough Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Borough Assessed Value
Ocean Beauty Seafoods	\$ 25,591,900	1	2.2%	\$ 9,824,538	3	1.3%
Trident Seafoods Corp	21,075,400	2	1.8%			1.4%
Int'l Seafoods of Alaska	16,459,000	3	1.4%	9,837,184	4	1.3%
Westward Seafoods Inc	14,762,500	4	1.3%			—
North Pacific Seafoods	14,113,600	5	1.2%			0.9%
Brechan Enterprises	11,442,200	6	1.0%	8,965,219	5	1.2%
Wal-Mart/Sams Club	9,609,000	7	0.8%	7,934,200	6	1.0%
Mill Bay Plaza Assoc LTD	8,952,200	8	0.8%	7,138,400	8	0.9%
GCI Communications Corp	7,641,000	9	0.7%			1.7%
Horizon Lines of Alaska LLC (a)	7,316,800	10	0.6%	7,252,942	9	1.7%
Western Alaska Fisheries	—	—	—	11,487,450	1	1.5%
Alaska Communications Systems	—	—	—	11,771,192	2	1.5%
Afognak Native Corporation	—	—	—	9,623,321	7	1.3%
Kodiak Fishmeal Company	—	—	—	7,409,320	10	0.9%
<b>Total</b>	<b>\$ 136,963,600</b>		<b>11.7%</b>	<b>\$ 91,243,766</b>		<b>11.5%</b>

Source: Borough tax records.

(a) In 2004 company name was CSX Lines LLC

**KODIAK ISLAND BOROUGH**

Ratios of Net Bonded Debt  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>		<u>Total Taxable Assessed Value</u>	<u>Net Bonded Debt</u>	<u>Per Capita</u>	<u>Net Debt Per Assessed Value</u>
2005	13,693	(b)	783,907,451	33,080,509	2,416	4.22%
2006	13,457	(c)	783,907,451	31,264,429	2,323	3.99%
2007	13,664	(a)	805,681,814	29,163,349	2,134	3.62%
2008	13,954	(a)	835,525,537	34,957,269	2,505	4.18%
2009	13,860	(a)	870,472,985	32,534,424	2,347	3.74%
2010	13,592	(a)	913,014,985	29,838,432	2,195	3.27%
2011	13,870	(a)	988,879,125	35,124,211	2,532	3.55%
2012	14,041	(a)	1,039,223,833	33,510,913	2,387	3.22%
2013	13,824	(a)	1,085,968,280	55,236,114	3,996	5.09%
2014	*	(a)	1,131,476,611	76,227,556	*	*

Sources: Information obtained from assessment records and Borough general ledger except as otherwise noted.

- (a) Information obtained from State of Alaska, Department of Community and Regional Affairs, Certified Population for Revenue Sharing Program.
- (b) Information obtained from State of Alaska, Department of Commerce, Community and Economic Development, Community Database.
- (c) Information obtained from State of Alaska, Department of Labor, Economic Information.

Note: Detail regarding the borough's outstanding debt can be found in the notes to the financial statements.

\* Information not available at report time

**KODIAK ISLAND BOROUGH**  
 Computation of Direct and Overlapping Debt  
 June 30, 2014

	<u>Net Debt Outstanding (a)</u>	<u>Percentage Applicable to this Governmental Unit (b)</u>	<u>Kodiak Island Borough Share of Debt (c)</u>
Kodiak Island Borough:			
General obligation bonds	\$ 76,264,598	100%	\$ 76,264,598
City of Kodiak:			
General obligation bonds	<u>7,075,000</u>	100%	<u>7,075,000</u>
Total	<u>\$ 83,339,598</u>		<u>\$ 83,339,598</u>

- (a) Gross debt outstanding less applicable amounts in the Debt Service Funds.
- (b) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.
- (c) Per Alaska Statute 29.45.090 there is a limit of 30 mills for ad valorem taxes.  
 Per Alaska Statute 29.45.100 the limitation on maximum mill rate does not apply to taxes levied to pay bonds.

Sources: Borough general ledger and City of Kodiak records.

**KODIAK ISLAND BOROUGH**

Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxable Assessed value	\$ 783,907,451	798,779,349	805,681,814	835,525,537	870,472,985	913,014,985	988,879,125	1,039,223,833	1,085,968,080	1,131,476,611
Plus exempt property	32,491,840	45,783,490	49,539,000	50,194,170	45,188,050	50,452,120	55,543,030	59,588,100	65,600,100	71,462,869
Total	<u>\$ 816,399,291</u>	<u>844,562,839</u>	<u>855,220,814</u>	<u>885,719,707</u>	<u>915,661,035</u>	<u>963,467,105</u>	<u>1,044,422,155</u>	<u>1,098,811,933</u>	<u>1,151,568,180</u>	<u>1,202,939,480</u>

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: Borough assessment records (certified tax rolls).

**KODIAK ISLAND BOROUGH**  
Ratio of Annual Debt Service Expenditures  
for General Bonded Debt to Total  
General Governmental Expenditures and Transfers  
Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Principal (a)</u>	<u>Interest and fees</u>	<u>Total debt service</u>	<u>Total General Fund expenditures and transfers</u>	<u>Ratio of debt service to general expenditures</u>
2005	1,780,417	983,195	2,763,612	12,027,717	23.0
2006	1,814,553	1,583,488	3,398,041	13,054,983	26.0
2007	2,100,361	1,329,456	3,429,817	13,337,188	25.7
2008	2,205,441	1,255,313	3,460,754	14,277,498	24.2
2009	2,495,056	1,571,295	4,066,351	15,922,441	25.5
2010	2,685,606	1,350,620	4,036,226	16,372,540	24.7
2011	2,750,690	1,287,822	4,083,335	17,065,960	23.9
2012	2,780,776	2,691,426	5,472,202	5,747,963	95.2
2013	2,966,441	1,244,233	4,210,674	6,933,972	60.7
2014	3,645,950	2,107,198	5,753,148	6,621,593	86.9

(a) Serial maturities in the case of serial bonds; annual Debt Service Fund requirements in the case of term bonds.

Sources: Borough general ledger and debt documents.

**KODIAK ISLAND BOROUGH**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percent of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Revenue Bonds	Notes Payable			
2005	33,080,509	88,243	—	1,270,210	34,438,962	8.31%	2,515
2006	31,264,429	83,690	—	1,270,210	32,618,329	7.36%	2,424
2007	29,163,349	77,470	—	1,636,924	30,877,743	6.57%	2,260
2008	34,957,269	72,028	—	1,768,660	36,797,957	7.47%	2,637
2009	32,534,424	66,505	—	1,864,503	34,465,432	6.29%	2,487
2010	29,838,432	60,899	—	1,989,995	31,889,326	5.52%	2,346
2011	35,124,211	55,209	—	2,735,778	37,915,198	6.13%	2,734
2012	33,510,913	49,433	—	7,603,249	41,163,595	6.25%	2,932
2013	55,236,114	42,992	18,817,320	7,346,324	81,442,750	12.07%	5,891
2014	76,227,556	37,042	18,703,498	10,206,895	105,174,991	*	*

Note: Detail regarding the Borough's outstanding debt can be found in the notes to the financial statements.

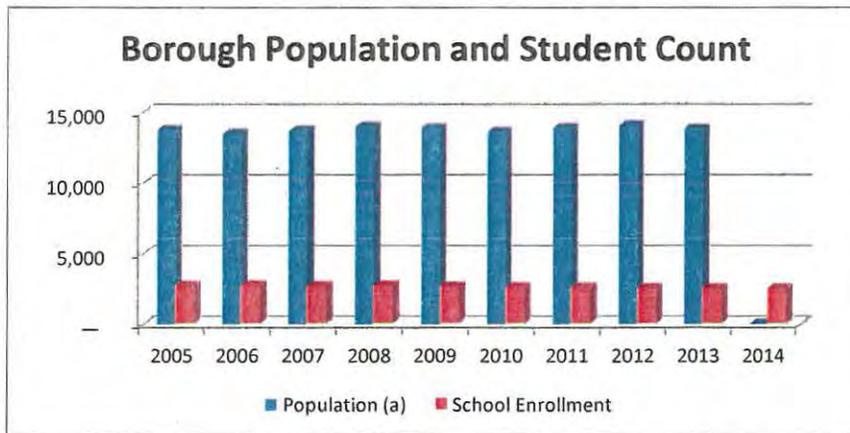
\* Information not available at report time.

**KODIAK ISLAND BOROUGH**  
Demographic and Economic Statistics  
Last Ten Years

<u>Calendar Year</u>	<u>Population (a)</u>	<u>Personal Income (c)</u>	<u>Per Capita Personal Income (c)</u>	<u>School Enrollment (b)</u>	<u>Percentage Unemployment Rate (c)</u>
2005	13,693	443,300,000	33,969	2,678	8.3
2006	13,457	469,512,000	35,860	2,718	7.3
2007	13,664	506,398,000	38,733	2,636	6.0
2008	13,954	548,099,000	41,617	2,671	6.6
2009	13,860	577,818,419	41,690	2,598	7.2
2010	13,592	566,433,008	41,764	2,567	7.2
2011	13,870	638,588,670	46,041	2,543	6.9
2012	14,041	682,097,739	48,579	2,517	6.2
2013	13,824	674,666,496	48,804	2,513	5.8
2014	*	*	*	2,468	5.2

Sources:

- (a) State of Alaska, DCRA certified population.
- (b) Alaska Dept of Education, Average Daily Membership by Fiscal Year at [www.eed.state.ak.us/stats](http://www.eed.state.ak.us/stats)
- (c) Bureau of Economic Analysis <https://www.bea.gov>
- \* Information not available at report time.



**KODIAK ISLAND BOROUGH**  
Average Monthly Employment & Earnings  
Last Ten Fiscal Years

	<u>Fiscal Year 2005</u>		<u>Fiscal Year 2006</u>		<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	<u>Average Monthly Employment</u>	<u>Average Monthly Earnings</u>						
Total Industries	5,381	\$ 2,871	5,553	\$ 2,926	5,616	\$ 3,060	5,803	\$ 3,111
Private Ownership	4,042	2,757	4,191	2,803	4,160	2,979	4,340	3,006
Total Government	1,339	3,214	1,361	3,306	1,456	3,291	1,483	3,424
Private Goods-Producing	1,659	3,489	1,691	3,382	1,631	3,555	1,778	3,484
Private Service-Providing	2,384	2,245	2,500	2,412	2,529	2,608	2,562	3,006

	<u>Fiscal Year 2009</u>		<u>Fiscal Year 2010</u>		<u>Fiscal Year 2011</u>		<u>Fiscal Year 2012</u>	
	<u>Average Monthly Employment</u>	<u>Average Monthly Earnings</u>						
Total Industries	5,961	\$ 3,100	5,961	\$ 3,100	6,416	\$ 3,362	6,461	\$ 3,488
Private Ownership	4,485	2,956	4,485	2,956	4,898	3,263	4,952	3,412
Total Government	1,475	3,538	1,475	3,538	1,518	3,681	1,501	3,742
Private Goods-Producing	1,814	3,290	1,814	3,290	2,113	3,619	2,193	3,801
Private Service-Providing	2,671	2,730	2,671	2,730	2,785	2,993	2,760	3,101

	<u>Fiscal Year 2013</u>		<u>Fiscal Year 2014</u>	
	<u>Average Monthly Employment</u>	<u>Average Monthly Earnings</u>	<u>Average Monthly Employment</u>	<u>Average Monthly Earnings</u>
Total Industries	6,411	\$ 3,459	6,472	\$ 3,575
Private Ownership	4,928	3,358	5,049	3,491
Total Government	1,483	3,795	1,423	3,875
Private Goods-Producing	2,138	3,704	2,219	3,831
Private Service-Providing	2,790	3,092	2,830	3,224

**KODIAK ISLAND BOROUGH**  
Miscellaneous Statistical Data  
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Land area - square miles	7,130	7,130	7,130	7,130	7,130	7,130	7,130	7,130	7,130	7,130
Miles of improved street	25.6	25.6	25.6	25.6	25.6	25.6	25.6	26.1	26.1	26.1
<b>Building permits:</b>										
Permits issued	205	222	190	190	192	208	204	167	219	155
Value of buildings (thousands)	12,689	11,928	12,058	33,145	15,007	16,445	30,832	10,171	91,619	36,652
<b>Fire Protection:</b>										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of employees	1	1	1	1	1	1	1	1	1	1
<b>Police Protection: none</b>										
(provided by the City of Kodiak within the city limits and by the State of Alaska outside the city boundaries.)										
<b>Recreation:</b>										
Parks (number of acres)	223	223	223	223	223	223	224	224	224	224
<b>Facilities:</b>										
Number of playgrounds	15	15	15	15	15	15	16	16	16	16
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
<b>Public Education:</b>										
<b>Number of schools:</b>										
Kodiak Area Elementary	4	4	4	4	4	4	4	4	4	4
Kodiak Area Middle School	1	1	1	1	1	1	1	1	1	1
Kodiak Area High School	1	1	1	1	1	1	1	1	1	1
Village Schools (a)	7	8	7	6	7	7	8	8	8	7
Number of support personnel (b)	146	151	202	205	217	217	215	215	193	181
Number of teachers (c)	217	206	209	218	203	218	201	201	207	162
Number of students	2,678	2,718	2,636	2,671	2,598	2,567	2,543	2,543	2,513	2,468
Number of Municipal Employees	41	41	43	43	43	43	43	45	45	48
<b>Elections:</b>										
Number of registered voters	9,282	9,300	9,417	9,587	9,599	9,649	9,619	9,479	9,585	9,100
Number voting in last election	2,181	2,200	2,407	2,105	2,477	2,477	2,311	2,139	1,250	1,968
Percent of registered voters	23%	24%	26%	22%	26%	26%	24%	23%	13%	22%

Sources: Borough Departments, Kodiak Island Borough School District and City of Kodiak

(a) The majority of Village Schools are grades K-12.

(c) School district personnel figures include staffing from the General Fund and Grants.

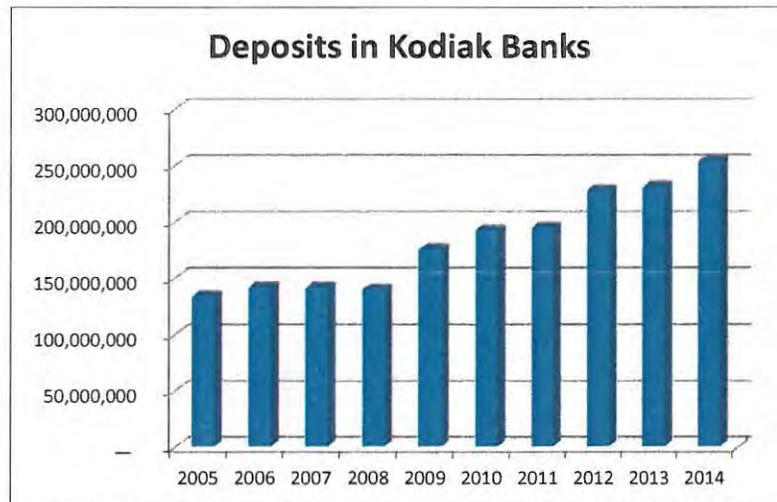
(b) All non-teaching employees.

**KODIAK ISLAND BOROUGH**  
Property Value, Construction, and Bank Deposits  
Last Ten Fiscal Years

Fiscal year	Construction				Deposits in local banks	Property Value*	
	Commercial		Residential			Commercial	Residential
	No. of permits	Value	No. of permits	Value			
2005	47	2,097,983	158	10,590,784	133,370,000	210,328,700	482,244,145
2006	30	1,555,718	192	10,372,416	141,434,000	213,258,488	497,589,811
2007	42	3,277,292	148	8,780,900	140,915,000	227,514,405	507,013,524
2008	53	25,269,361	129	7,875,188	139,416,000	275,369,008	542,272,300
2009	50	34,081,887	147	7,848,428	175,141,000	312,122,205	595,391,145
2010	52	4,756,124	156	11,689,178	192,000,000	327,248,533	661,630,592
2011	46	24,165,884	158	6,666,400	194,289,000	317,950,418	721,273,415
2012	48	5,693,295	119	4,477,641	227,392,000	345,529,161	738,505,519
2013	59	85,969,566	160	5,649,717	230,391,000	364,353,810	767,122,801
2014	44	33,062,171	111	3,589,833	252,999,000	386,480,100	788,418,800

\*Assessed value.

Sources: Borough assessing records and City of Kodiak building department and FDIC.



**KODIAK ISLAND BOROUGH**  
 Full-Time Equivalent Borough Employees by Function/Program  
 Last Ten Fiscal Years

Function:	Full-time Equivalent Employees as of June 30:									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	22	23	24	27	31	29	29	30	30	33
Community and Economic Development	6	6	5	5	5	5	5	6	6	5
Municipal Solid Waste Collection and Disposal	8	7	7	7	7	7	7	7	7	8
Kodiak Fisheries Research Center	2	2	2	2	2	2	2	2	2	2
<b>Total</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>41</b>	<b>45</b>	<b>43</b>	<b>43</b>	<b>45</b>	<b>45</b>	<b>48</b>

Source: Borough Finance Department

**KODIAK ISLAND BOROUGH**

Operating Indicators by Function

Last Ten Fiscal Years

<b>Function</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>General Government</b>										
Elections										
Number of registered voters	9,282	9,300	9,417	9,587	9,599	9,649	9,619	9,479	9,585	9,100
Number voting in last election	2,181	2,200	2,407	2,105	2,477	2,477	2,311	2,139	1,250	1,968
Percent of registered voters	23%	24%	26%	22%	26%	26%	24%	23%	13%	22%
Public Safety										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of employees	1	1	1	1	1	1	1	1	1	1
Community and economic development										
Zoning compliance permits issued	187	150	212	214	203	245	149	113	160	111
Junk cars removed	125	100	58	261	83	89	218	27	22	28
Primary and secondary education										
Number of students	2,678	2,718	2,636	2,671	2,598	2,567	2,543	2,517	2,513	2,468
Number of General Fund certified staff	217	206	209	218	225	224	217	211	207	186
Number of General Fund classified staff	146	151	143	137	135	135	162	166	193	161
Solid waste disposal										
Total solid waste disposal in tons	17,253	16,290	16,997	14,730	14,429	14,580	14,896	16,558	14,688	11,826
Baled waste in tons	11,557	11,444	10,831	10,843	10,212	10,527	10,846	10,153	11,535	10,005
Scrap metal in tons	1,162	416	282	360	205	282	260	147	251	172
Asbestos, cubic yards	300	73	166	112	324	218	230	116	399	390

Source: Borough Finance Department

**KODIAK ISLAND BOROUGH**  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

<u>Function program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>GOVERNMENTAL ACTIVITIES</b>										
Number of buildings (teachery housing, schools and office buildings)	19	20	19	18	18	18	18	19	19	19
Vehicles	8	8	9	10	13	13	15	15	15	14
<u>Roads</u>										
Streets (miles)	25.6	25.6	25.6	25.6	25.6	25.6	25.6	26.1	26.1	26.1
Land area - square miles	7,130	7,130	7,130	7,130	7,130	7,130	7,130	7,130	7,130	7,130
<u>Police: none</u> (provided by the City of Kodiak within the city limits and by the State of Alaska outside the city boundaries)										
<u>Fire and Emergency Services</u>										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of Emergency response vehicles	10	11	11	12	11	8	15	13	13	12
Emergency Tsunami Shelters	1	1	1	1	1	1	1	1	1	1
<b>BUSINESS-TYPE ACTIVITIES</b>										
<u>Municipal Solid Waste</u>										
Number of Baler Facilities (Landfills)	1	1	1	1	1	1	1	1	1	1
<u>Community Health &amp; Public Services</u>										
Mental Health Facilities	1	1	1	1	1	1	1	1	1	1
Hospital	1	1	1	1	1	1	1	1	1	1
<u>Culture, Parks and Recreation</u>										
Parks (number of acres)	223	223	223	223	223	223	224	224	224	224
Facilities:										
Number of Swimming Pools	1	1	1	1	1	1	1	1	1	1
Number of playgrounds	15	15	15	15	15	15	16	16	16	16
Kodiak Island Research Facilities (marine research)	1	1	1	1	1	1	1	1	1	1
Dorm facility (6 apartments)	1	1	1	1	1	1	1	1	1	1

**Sources** : Supplied by Kodiak Island Borough Department Heads

**Note:** No capital asset indicators are available for the library function

A description of the Kodiak Island Borough's Capitalization and Depreciation policy is included in the Notes To The Basic Financial Statements

**KODIAK ISLAND BOROUGH**

Federal and State Single Audit Reports  
and Supplementary Information

Year Ended June 30, 2014

KODIAK ISLAND BOROUGH  
Federal and State Single Audit Reports  
and Supplementary Information  
Year Ended June 30, 2014

# KODIAK ISLAND BOROUGH

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**REPORT REQUIRED UNDER  
GOVERNMENT AUDITING STANDARDS**

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government  
Auditing Standards***

**Independent Auditor's Report**

The Honorable Mayor  
and Members of the Assembly  
Kodiak Island Borough  
Kodiak, Alaska

Ladies and Gentlemen:

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Kodiak Island Borough, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Kodiak Island Borough's basic financial statements and have issued our report thereon dated December 31, 2014.

**Internal Control Over Financial Reporting**

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

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

The Honorable Mayor and  
Members of the Assembly  
Kodiak Island Borough

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 Kodiak Island Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 31, 2014

REPORT AND SCHEDULES REQUIRED  
UNDER OMB CIRCULAR A-133

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Independent Auditor's Report**

The Honorable Mayor  
and Members of the Assembly  
Kodiak Island Borough  
Kodiak, Alaska

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

We have audited Kodiak Island Borough's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Kodiak Island Borough's major federal programs for the year ended June 30, 2014. Kodiak Island Borough's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

Kodiak Island Borough's basic financial statements include the operations of its component unit, Kodiak Island Borough School District, which received \$5,493,151 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of Kodiak Island Borough School District because it was subjected to a separate audit performed in accordance with OMB Circular A-133.

**Management's Responsibility**

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

The Honorable Mayor and  
Members of the Assembly  
Kodiak Island Borough

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Kodiak Island Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kodiak Island Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Kodiak Island Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Federal Schedule of Findings and Questioned Costs as Finding 2014-01. Our opinion on each major federal program is not modified with respect to this matter.

Kodiak Island Borough's response to the noncompliance finding identified in our audit is described in the accompanying Federal Schedule of Findings and Questioned Costs and Corrective Action Plan. Kodiak Island Borough's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Honorable Mayor and  
Members of the Assembly  
Kodiak Island Borough

## **Report on Internal Control Over Compliance**

Management of Kodiak Island Borough 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 Kodiak Island Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Kodiak Island Borough's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Federal Schedule of Findings and Questioned Costs, as Finding 2014-001 that we consider to be a significant deficiency.

Kodiak Island Borough's response to the internal control over compliance finding identified in our audit is described in the accompanying Federal Schedule of Findings and Questioned Costs and Corrective Action Plan. Kodiak Island Borough's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and  
Members of the Assembly  
Kodiak Island Borough

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Kodiak Island Borough as of and for the year ended June 30, 2014, and have issued our report thereon dated December 31, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 31, 2014

KODIAK ISLAND BOROUGH

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

	Federal CFDA Number	Pass-through Grantor's Award Number	Program or Award Amount	Federal Expenditures
U.S. Department of Homeland Security - Passed through the State of Alaska, Department of Military and Veteran Affairs:				
2012 State Homeland Security Program	97.067	EMW-2012-SS-00127	\$ 31,651	31,651
Bioplug Sergeant Creek	97.036	DR-1865-AK	30,851	80
Panamaroff Creek Culverts	97.036	FEMA 1865-DR-AK	22,998	1,276
Total U.S. Department of Homeland Security			<u>85,500</u>	<u>33,007</u>
Denali Comission - Direct Programs - Anton Larsen Dock Replacement				
	90.100	01402-01	80,000	51,283
U.S. Department of Housing and Urban Development: Direct Program - FY 2009 EDI Special Project				
	14.251	B-09-SP-AK-0288	475,000	101,617
Passed through Kodiak Island Housing Authority - Payments in Lieu of Taxes				
	14.867	None	23,529	23,529
Passed through Alaska Housing Finance Corporation - Payment in Lieu of Taxes				
	14.881	None	15,654	15,654
Total US Department of Housing and Urban Development			<u>514,183</u>	<u>140,800</u>
U.S. Department of the Interior: Direct Programs: Payments in Lieu of Taxes (BLM)				
	15.226	None	1,501,969	1,501,969
Refuge Revenue Sharing	15.659	None	205,518	205,518
			<u>1,707,487</u>	<u>1,707,487</u>
Passed through Kodiak Soil and Water Conservation District - Lake Orbin Fish Paggage Project				
	15.631	F13AC00878	40,000	1,095
Total U.S. Department of the Interior			<u>1,747,487</u>	<u>1,708,582</u>
U.S. Environmental Protection Agency - Passed through the State of Alaska, Department of Environmental Conservation: Alaska Clean Water Revolving Loan Funds				
	66.458	Loan # 505041	11,787,792	1,955,880
Alaska Clean Water Revolving Loan Funds	66.458	Loan # 505061	1,500,000	375,468
Total U.S. Environmental Protection Agency			<u>13,287,792</u>	<u>2,331,348</u>
Total federal financial assistance			<u>\$ 15,714,962</u>	<u>4,265,020</u>
Reconciliation to federal source revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances: Total Federal financial assistance				
			\$ 4,265,020	
Clean Water Revolving Loan Funds are not treated as revenues in the financial statements; however, are required to be presented on this schedule in accordance with OMB Circular A-133. The loans are recorded in the Business-type activities and Enterprise funds.				
			<u>(2,331,348)</u>	
			<u>\$ 1,933,672</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

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KODIAK ISLAND BOROUGH

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

**(1) Basis of Accounting**

The schedule of expenditures of federal awards includes the federal grant activity of Kodiak Island Borough and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Reporting Entity**

The Kodiak Island Borough, for purposes of the supplementary schedule of expenditures of federal awards includes all the funds of the primary government. It does not include the component unit of the Kodiak Island Borough as follows:

***The Kodiak Island Borough School District***

The Kodiak Island Borough's basic financial statements include \$5,493,151 in federal awards expended for the Kodiak Island Borough School District, a component unit of the Kodiak Island Borough. These monies are excluded from this schedule. Separate reports on compliance and internal control dated November 14, 2014, were issued for the Kodiak Island Borough School District.

**(3) Pass-Through Funds**

The Borough did not pass any federal funds through to subrecipients during the year ended June 30, 2014.

**(4) Non-Cash Awards**

During the year ended June 30, 2014, the Borough received no federal awards in the form of non-cash awards.

**(5) Retainages Payable**

Retainages payable on contracts are not charged to the grants until they are paid to the contractor. Accordingly, expenditures exclude amounts payable for retainages on contracts.

KODIAK ISLAND BOROUGH

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

Financial Statements

Type of auditor's report issued: Unmodified

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

Internal control over financial reporting:  
Significant deficiency(ies) identified?      Yes   X   No  
Material weakness(es) identified?      Yes   X   No

Noncompliance material to financial statements noted?      Yes   X   No

Federal Awards

Internal Control over major programs (Section .510 (a)(1)):  
Significant deficiency(ies) identified?   X   Yes      No  
Material weakness(es) identified?      Yes   X   No

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements, related to a major program (Section .510 (a)(2))?      Yes   X   No

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) (3) or (4)?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Alaska Clean Water Revolving Loan Funds
14.251	EDI Special Project FY2009

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?      Yes   X   No

KODIAK ISLAND BOROUGH

Federal Schedule of Findings and Questioned Costs, Continued

**Section II - Financial Statement Findings**

The Kodiak Island Borough did not have any findings that related to the financial statements.

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

**Finding 2014-001**                      **Lack of Internal Control over Activities Allowed or Unallowed and Allowable Costs / Cost Principles**

**Significant Deficiency/  
Noncompliance**

**Federal Agency:**                      **U.S. Department of Housing and Urban Development**

**Program:**                                **FY 2009 EDI Special Project**

**Award Number/CFDA No.:**        **B-09-SP-AK-0288; CFDA No. 14.251**

**Award Year**                              **2009**

**Condition:**                              During our audit work over allowable costs, we noted that \$6,038 of salaries and administrative overhead were charged to the grant.

**Criteria:**                                 Provisions of the grant agreement state that "...no unobligated funds for EDI grants may be used for any purpose except acquisition, planning, design, purchase of equipment, revitalization, development or construction."

**Context:**                                 The number of transactions were relatively few compared to the program total. After the error was discovered the costs were moved to the General Fund and are not reported in the program for financial statement purposes in FY 2014. The Borough has set aside funds equivalent to the amount of unallowed costs already reimbursed and earmarked these funds for future allowable grant expenditures in FY 2015.

**Cause:**                                     Lack of internal control over allowable costs.

**Effect:**                                    Unallowed or questioned costs may lead to the granting agency requesting repayment of funds disbursed, withdrawal of the grant entirely, or a reduction in future funding from the agency.

KODIAK ISLAND BOROUGH

Federal Schedule of Findings and Questioned Costs, Continued

**Questioned Costs:** None. The unallowed costs were moved to the General Fund once the error was discovered.

**Recommendation:** We recommend the Borough finance personnel carefully review specific grant budgets and requirements to ensure unallowed costs are not charged to federal grant programs.

**Management's Response:** Management concurs with the finding. See corrective action plan.

***Section IV – Summary of Prior Audit Findings***

**Financial Statement Findings**

**Finding 2013-001**                      **Internal Control over Leases**

**Significant Deficiency**

**Condition:** During our audit work over lease revenue associated with the Kodiak Fisheries Research Center (KFRC), we noted that the Borough does not have adequate internal control procedures in place to monitor leases.

**Status:** This finding has been resolved.

**Finding 2013-002**                      **Internal Control over Construction Work In Progress**

**Material Weakness**

**Condition:** During our review of capital assets it was noted that the balance in construction work in progress (WIP) was overstated as it included construction projects that had been completed in FY12.

**Status:** This finding has been resolved.

KODIAK ISLAND BOROUGH, ALASKA

Corrective Action Plan

Year Ended June 30, 2014

**Finding 2014-001**

**Internal Control over Activities Allowed or Unallowed and Allowable Costs / Cost Principles**

**Name of Contact Person:**

Karleton Short, Finance Director

**Corrective Action:**

We will ensure that all grant award documents are reviewed to ensure that the Borough is aware of allowable costs under each award. We will also perform budget to actual checks when submitting financial reports to ensure that budget line items have not been exceeded.

**Proposal Completion Date:**

Immediately.

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STATE SINGLE AUDIT REPORT AND SCHEDULE

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

**Independent Auditor's Report**

The Honorable Mayor  
and Members of the Assembly  
Kodiak Island Borough  
Kodiak, Alaska

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

We have audited Kodiak Island Borough'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 Kodiak Island Borough's major state programs for the year ended June 30, 2014. Kodiak Island Borough's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Kodiak Island Borough's basic financial statements include the operations of its component unit, Kodiak Island Borough School District, which received \$36,993,884 in state awards which are not included in the Schedule of State Financial Assistance during the year ended June 30, 2014. Our audit, described below, did not include the operations of Kodiak Island Borough School District because it was subjected to a separate audit performed in accordance with the *State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits*.

**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 Kodiak Island Borough's major state programs based on our audit of the types of compliance requirements referred to above.

The Honorable Mayor and  
Members of the Assembly  
Kodiak Island Borough

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 Kodiak Island Borough'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 Kodiak Island Borough's compliance.

#### **Opinion on Each Major State Program**

In our opinion, Kodiak Island Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

#### **Report on Internal Control over Compliance**

Management of Kodiak Island Borough 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 Kodiak Island Borough'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 Kodiak Island Borough'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.

The Honorable Mayor and  
Members of the Assembly  
Kodiak Island Borough

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.

**Report on Schedule of State Financial Assistance required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audit***

We have audited the financial statements of Kodiak Island Borough as of and for the year ended June 30, 2014, and have issued our report thereon dated December 31, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State Financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Altman, Rogers & Co.*

Anchorage, Alaska  
December 31, 2014

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KODIAK ISLAND BOROUGH

Schedule of State Financial Assistance

Year ended June 30, 2014

	Program Number	Program or Award Amount	State Expenditures
Department of Commerce, Community and Economic Development -			
Direct Programs:			
* Community Revenue Sharing	None	\$ 731,314	731,314
Anton Larsen Dock	12-DC-388	2,000,000	7,830
* Emergency School Generators	12-DC-625	2,182,000	600,688
Womens Bay Tsunami Emergency Shelter	12-DC-390	1,025,000	7,317
Womens Bay Playground Upgrades	13-DC-134	100,000	7,130
Tsunami Sirens, Upgrades, Replacements, Additions	07-DC-329	100,000	4,030
Chiniak Warning Siren	12-DM-109	45,000	475
* Landfill Expansion Grant	13-DC-547	3,000,000	794,038
* Long Term Care Facility Planning and Design	12-DC-389	1,275,000	215,000
* Landfill Leachate Treatment Plant 7 Related Phase III	14-DC-074	4,529,000	4,529,000
Fire Protection Area No.1 Emergency Generator	13-DM-185	40,000	20,114
* Kodiak High School Vocation and Physical Education Facilities	13-DC-604	7,000,000	5,816,726
Total Department of Community and Economic Development		<u>22,027,314</u>	<u>12,733,662</u>
Department of Administration -			
Direct Programs:			
* HB 65 PERS Supplement on-behalf payment	None	463,333	463,333
* Motor Vehicle Tax	None	253,230	253,230
		<u>716,563</u>	<u>716,563</u>
Department of Education and Early Development -			
Direct Programs -			
* Debt Retirement Program	None	3,347,517	3,347,517
Department of Revenue:			
Direct Programs:			
* Fisheries Business Tax	None	1,546,308	1,546,308
Commercial Passenger Vessel Tax	None	4,600	4,600
Fisheries Resource Landing Tax	None	97,679	97,679
Telephone/Electric Tax	None	15,792	15,792
Liquor license	None	220	220
Total Department of Revenue		<u>1,664,599</u>	<u>1,664,599</u>
Department of Environmental Conservation -			
Direct Programs:			
* Clean Water Revolving Loan Funds 505041	None	2,675,756	441,902
* Clean Water Revolving Loan Funds 505061	None	1,500,000	374,532
Total Department of Environmental Conservation		<u>4,175,756</u>	<u>816,434</u>

(continued)

KODIAK ISLAND BOROUGH

Schedule of State Financial Assistance, continued

	<u>Program Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
Department of Military and Veterans Affairs:			
Direct Programs:			
Local Emergency Planning Committee	14LEPC-GR35602	\$ 13,430	13,430
Panamaroff Creek Culverts	FEMA-1865-DR-AK	7,666	425
Total Department of Military and Veteran Affairs		<u>21,096</u>	<u>13,855</u>
Total State of Alaska		<u>\$ 31,952,845</u>	<u>19,292,630</u>
Reconciliation to State of Alaska revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balances:			
Total State financial assistance		\$ 19,292,630	
State awards included in this schedule that are recorded in the Business-type activities:			
Landfill Expansion Grant	13-DC-547	(794,038)	
Long Term Care Facility Planning and Design	12-DC-389	(215,000)	
Landfill Leachate Treatment Plant 7 Related Phase III	14-DC-074	(4,529,000)	
Clean Water Revolving Loan Funds received in the current year are not treated as revenue in the financial statements; however, they are required to be presented on this schedule by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits. The loan is recorded in the Business-type activities and Enterprise Funds.		<u>(816,434)</u>	
		<u>\$ 12,938,158</u>	

See accompanying notes to the Schedule of State Financial Assistance.

KODIAK ISLAND BOROUGH  
Notes to Schedule of State Financial Assistance  
Year Ended June 30, 2014

**(1) Basis of Accounting**

This schedule was prepared on the modified accrual basis of accounting.

**(2) Reporting Entity**

The Kodiak Island Borough, for purposes of the supplementary Schedule of State Financial Assistance includes all the funds of the primary government. It does not include the component unit of the Kodiak Island Borough as follows:

***The Kodiak Island Borough School District***

The Kodiak Island Borough's basic financial statements include \$36,993,884 of State of Alaska funds expended for the Kodiak Island Borough School District, a component unit of the Kodiak Island Borough. These monies are excluded from this schedule. These monies were subjected to State of Alaska single audit procedures and are subject to separate reports issued for the Kodiak Island Borough School District dated November 14, 2014.

**(3) \* Major State Programs for Compliance:**

State Revenue Sharing  
Emergency School Generators  
Clean Water Revolving Loan Funds 505041  
Clean Water Revolving Loan Funds 505061  
Landfill Expansion Grant  
Long Term Care Facility Planning and Design  
Kodiak High School Vocational and Physical Education Facilities  
HB 65 PERS On-behalf Payment  
Motor Vehicle Tax  
Debt Retirement Program  
Fisheries Business Tax  
Landfill Leachate Treatment Plant 7 Related Phase III

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KODIAK ISLAND BOROUGH

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   No

Is a material noncompliance disclosed?        Yes   X   No

State Financial Assistance

Internal control over major programs:  
Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   No

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

Dollar threshold used to distinguish  
a state major program: \$ 100,000

**Section II – Financial Statement Findings**

The Kodiak Island Borough did not have any findings that related to the financial statements.

**Section III – State Award Findings and Questioned Costs**

The Kodiak Island Borough did not have any findings that related to State awards.

**Section IV – Summary of Prior Audit Findings**

The Kodiak Island Borough did not have any prior year findings related to State awards. See Federal Schedule of Findings and Questioned Costs for status of prior year financial statement findings.