

CITY OF UNALASKA ALASKA



*Photograph by -Patricia Soule
Unalaska - Summer 2015*

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

CITY OF UNALASKA, ALASKA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

CITY OF UNALASKA, ALASKA

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INTRODUCTION SECTION

CITY OF UNALASKA

P.O. BOX 610
UNALASKA, ALASKA 99685-0610
(907) 581-1251 FAX (907) 581-1417



December 23, 2015

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

State law requires that all cities annually publish a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles 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 City of Unalaska, Alaska for the fiscal year ended June 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KPMG, Certified Public Accountants, has issued an unmodified (clean) opinion on the City of Unalaska's financial statements for the year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report. The independent audit of the financial statements of the City of Unalaska was part of a broader, federal and state-mandated "Single Audit" designed to meet the special needs of federal and state 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 federal and state awards. These reports will be available in the City of Unalaska's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Unalaska, incorporated as a first class city in 1942, is located on an island within an archipelago in the southwestern part of the state. The Bering Sea to the north is considered to have one of the most productive fisheries in the country. Located nearly 800 miles from Anchorage, the City of Unalaska, which serves a population of 4,768, currently occupies an area of 215 square miles, of which 46% is seawater. The City of Unalaska is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council. Annexation authority was exercised once in 1986.

The City of Unalaska has operated under the council-manager form of government since 1968. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible for, among other things, passing ordinances, adopting the budget,

appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members are elected to serve three-year, staggered terms, with two council members elected every year. The mayor is also elected to serve a three-year term. The mayor and council members are all elected at large.

The City of Unalaska provides a full range of services including the following: police and fire protection; emergency medical services; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; electrical, water, wastewater, and landfill services; port, harbor, and airport terminal services; and limited housing for city employees. The City of Unalaska is also financially accountable for a legally separate school district, which is reported separately within the City of Unalaska's financial statements. Additional information on the Unalaska City School District can be found in note 1(a).

The city council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Unalaska's fiscal year. This annual budget serves as the foundation for the City of Unalaska's financial planning and control. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The city manager is authorized to transfer appropriations within a function. Transfers of appropriations between functions, however, require the special approval of the city council.

Local Economy

With continued well-managed fisheries in the federal and state waters of the Bering Sea/Aleutian Islands (BSAI), the City of Unalaska, which has been active in the effort of supporting the best science practices and achievements for continued sustainability of those BSAI fisheries, will be able to maintain strong fishery-related revenues in future years.

Unalaska is the number one fishing port in the nation in terms of tons of seafood landed and has been for 18 straight years, according to the 2014 report by the National Marine Fishery Service (NMFS). A catch of 761.8 million pounds was landed in Unalaska in 2014, with a value of \$191.4 million dollars, positioning Unalaska as the number two port in value in the United States for income derived from fishing. In 2013, NMFS shows that Alaska led all states in volume with landing of 5.7 billion pounds with a value of 1.7 billion.

Because the City of Unalaska's economy centers on a single industry, seafood, the tax base is subject to change with fluctuations in fishery harvest levels. One mitigating factor to revenue volatility is the sustainability and good management of the fishery resources in both the state and federal waters of the Bering Sea and Aleutian Islands (BSAI). The continued use of management measures, such as rationalized fisheries, allow fishing and processing seasons throughout the year, providing the City a steady income stream from state and local seafood taxes.

Processed seafood products are sold both domestically and internationally. It is estimated that as much as 60% of Unalaska's fish products are exported, and as a consequence, changes in fisheries, currency rates, and markets around the world affect the local economy. For example, the increase in allocations for the Barents Sea cod fishery off the coasts of Norway and Russia have resulted in less demand in Europe for H/G cod and cod fillets from Alaska. Japan is the largest market for seafood produced in Alaska, closely followed by China. Currently, prices for Surimi are improving so we anticipate increased production on surimi especial with the very weak market in for Pollock block production in Europe. Pollock roe production will continue to be strong with the large Pollock allocation in the Bering Sea the due market to increased volume and currency issues will affect sales prices. Pollock fillets are more valuable than Surimi, and demand for the fillets is expected to remain weak in Europe, but domestic production on cod is increasing with market prices improving hopefully that trend will continue.

Unalaska's economic outlook is tied closely to the Bering Sea and Aleutian Island fisheries. Nearly 97% of the seafood sales tax comes from Pollock, Pacific Cod, Red King Crab, Snow Crab, Halibut, Sablefish, and Brown King Crab. Without exception, the fisheries in the BSAI are well-managed with no over-fished ground fish species. The exception is a species of Pribilof Island Blue King Crab that is listed as over-fished, and is in a rebuilding plan. This is not due to fishery activity, but because of ecosystem changes. Harvest levels for Bering Sea Snow Crab will decrease for the 2016 season by 40% from 68 million pounds harvested in the 2014/2015 season to 40 million pounds during the 2016 season, this is not due to overfishing but uncertainty of the data in the survey models. The ex-vessel value to the snow crab fleet should increase due to the reduced allocation levels. The ex-vessel value for the snow crab fishery has not been established at this time. The Bristol Bay Red King Crab stocks have increased slightly from 10 million pounds harvested in 2015 to 10 million pounds for the 2016 season. The ex-vessel value is having increased to a base price to the fleet of \$7.00 per pound price range for the 2015 fishing season, putting the total value of the fishery at 70 million dollars with profit sharing that amount could go higher. The Bering Sea Biardi Tanner Crab fishery saw a 25% increase for the 2015 season and increase from 14 million pounds in 2014 to 20 million pounds in 2015, with an ex-vessel base price of \$2.15 per pound which puts the total ex-vessel value of the fishery at \$43 million dollars. The Aleutian Island Golden King Crab fishery remains stable for the 2015/16 season with a harvest level of 6.3 million pounds and an ex-vessel value increased to \$3.70 per pound, putting the total ex-vessel value of the fishery at \$23.3 million dollars.

The Eastern Bering Sea Pollock fishery is the nation's largest and most valuable. The quota for the 2015 fishery was 1.27 million metric tons, or 2.79 billion pounds, with wholesale value well in excess of \$1 billion. The Pollock allocation for the 2016 season is expected to be very close to the 2015 allocation. The harvest amount for Unalaska's processing plants should be approximately 355,000 metric tons, or 775 million pounds. Ex-vessel value to the Pollock catcher vessels may remain at status-quo levels in 2016 due to the market conditions worldwide on Pollock block fillets but there is some optimism that the Pollock surimi market share may see an increase in production due to increased sales and stronger market prices in 2016. The allocation for the Pacific Cod fishery in the Bering Sea is expected to have a slight decrease for 2016 season, the ABC amount has been set at range of 255,000 metric tons' market conditions worldwide continue to be soft due to supply issues, currency exchange rates play a role as well, domestic cod sales are improving we believe the ex-vessel value for this fishery in the mid \$0.30 per pound range for shore side deliveries. The overall outlook for Bering Sea ground fish stocks is positive across the board and there are no overfished stocks. Bering Sea Pollock stock saw a 50% increase in the overall 10-year average for the total Pollock biomass and the North Pacific Council ground fish plan team just increased the Allowable Biological Catch (ABC) for Pollock to 1.55 million metric tons. The Pollock roe market which is very important for the harvesters and processors has been very weak due to currency and supply issues hopefully there will be a turnaround in 2016 season.

The National Marine Fisheries Service and the State of Alaska are using the successful management practices of the North Pacific Fisheries Management Council and the State of Alaska Board of Fisheries as a model to improve management in other fishery regions nationwide. The Fisheries in the Bering Sea and Aleutian Islands, which Unalaska depends on for its economic livelihood, are expected to remain sustainable, well managed, and healthy for the foreseeable future.

U.S. fishermen landed 9.5 billion pounds of fish and shellfish, valued at \$5.4 billion, in 2014, according to the new edition of NOAA Fisheries' annual report, Fisheries of the United States 2014 the report shows the total landings for Pollock was up five percent since 2013 to 3.1 billion pounds, valued at \$400 million. The report also shows that for the 18th consecutive year, the Alaska port of Unalaska Dutch Harbor led the nation with the highest amount of seafood landed 761.8 million pounds 8% of the nation total harvest of 9.5 billion pounds the Unalaska/Dutch Harbor harvest was valued at \$191.4 million. The Dutch Harbor catch was primarily walleye Pollock, which accounted for 87% of the volume.

Long-Term Financial Planning and Major Initiatives

In continuing efforts to improve budgeting and long-term capital planning, the council, once again, set formal goals before the fiscal year 14 budget process and prior to preparing the five-year Capital and Major Maintenance Plan (CMMP). Development of long-term maintenance and replacement schedules for capital assets continue to be developed.

The new powerhouse came online in 2010 with two 5.2-megawatt generators. In 2012, a third generator (4.4 megawatt) was installed. A fourth generator was installed in the summer of 2015 as was a waste heat recovery system, which generates approximately 50 kilowatts of electricity from the hot water from the diesel generators cooling systems. The City also is committed to investigating other sources of electrical power including LNG and geothermal.

To comply with new federal regulations, a new water treatment plant in Pyramid Valley will be completed in 2016. This new plant, with an estimated cost of \$17 million, will provide treatment for Cryptosporidium, a microorganism that is resistant to chlorine and other disinfectants, and has caused waterborne disease outbreaks in the lower 48.

The City is finishing construction of a new chemically enhanced primary treatment wastewater facility as required by federal law. The final cost of the facility is estimated to be \$32 million, with more than \$20 million in State of Alaska grants and low interest loans. The wastewater facility is scheduled to be completed December 2015.

In 2013, Summer Bay Road was moved closer to the shoreline to accommodate the construction of two new Landfill Cells. Additionally, a 1.3 million gallon leachate holding tank was constructed, which holds water contaminated by the landfill to be later treated at the wastewater plant. In January 2014, the City received bids to build two Landfill Cells. These bids were not acceptable to the City so the City went back out to bid for the project. In July 2014, the City accepted a bid for the construction of the new cells. The first new cell was put in service in October 2015. The City is continuing to research ways of recycling. At this time, the City is removing monofil items, predominantly fishnets, and metal from the island to increase the life of the landfill. The City is currently in the process of purchasing a tire baler to facilitate the shipping of tires off Island.

The City's road improvement plan continued with the repaving of Biorca Drive, South Channel Bridge, Community Park Trail, City Hall Parking Lot, Library Parking Lot, and High School Parking lot. New Paving included Henry Swanson Drive, Airport Long Term Parking, Ballyhoo Road, and Mill/overlay on Airport Beach Road and Broadway Road.

Awards and Acknowledgements

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

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

The preparation of this report would not have been possible without the efficient and dedicated services of the City of Unalaska staff. We would like to express our appreciation to all who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their support for maintaining the highest standards of professionalism in the management of the City of Unalaska's finances.

Respectfully submitted,



David A. Martinson
City Manager



Patricia Soule
Finance Director



Government Finance Officers Association

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

Presented to

**City of Unalaska
Alaska**

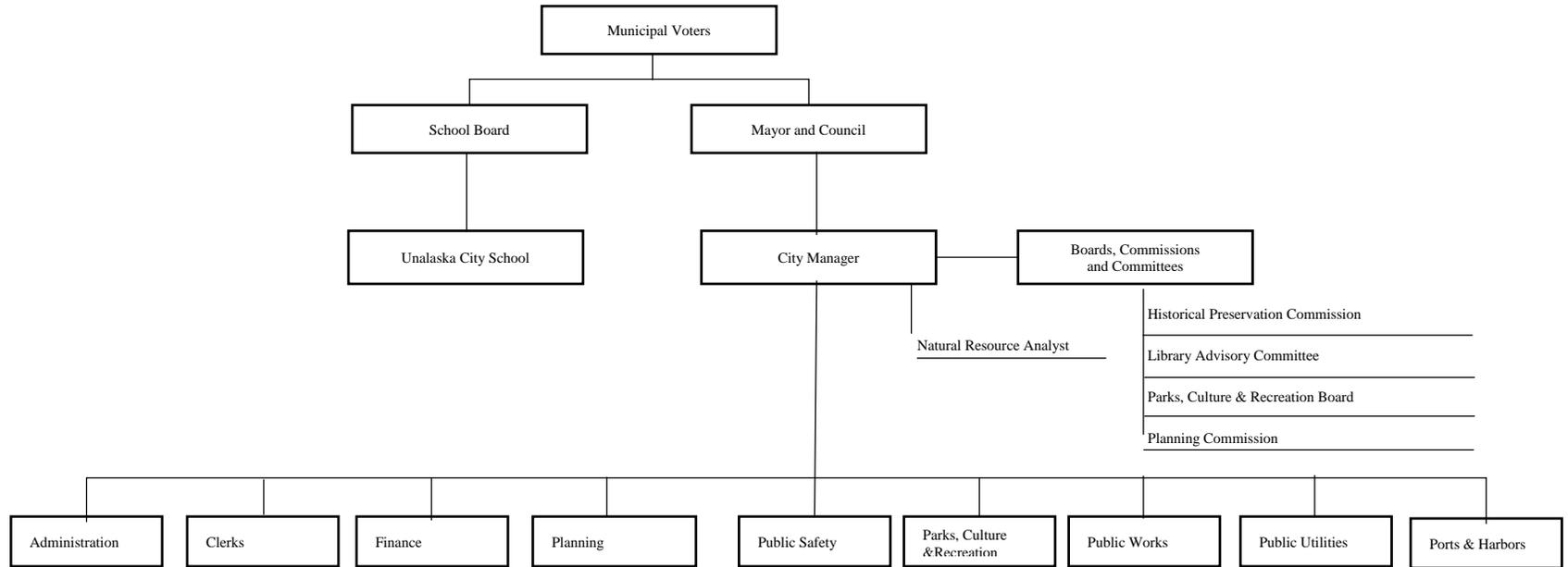
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF UNALASKA, ALASKA

Organizational Chart



Administration	Assessing	Accounting	Platting	Police Service	Community Center	Maintenance	Electric	Ports & Harbors
Human Resources	Records	Information Systems	Zoning	Corrections	Library	Administration	Solid Waste	Airport
Risk Management	Tax Billing	Purchasing	Planning	Communications	Community Pool	Supply	Water	
Housing		Grants Management		Fire Service	Parks	Streets & Roads	Wastewater	
				Emergency Med. Service				

PRINCIPAL EXECUTIVE OFFICERS

June 30, 2015

Unalaska City Council

Mayor	Shirley Marquardt
Council Member	Zoya Johnson
Council Member	Alejandro Tungul
Council Member	Dave Gregory
Council Member	Roger Rowland
Council Member	Yudelka Leclere
Council Member	Tom Enlow

City Management

City Manager	David A. Martinson
Assistant City Manager	Patrick Jordan
City Clerk	Cat Hazen
Finance Director	Patricia Soule
Parks, Culture, and Recreation Director	D. Tyler McGirt
Planning Director	Erin Reinders
Ports and Harbors Director	Peggy McLaughlin
Public Safety Director	Jamie Sunderland
Public Works Director	Tom Cohenour
Public Utilities Director	Dan Winters

Special Services

Attorney	Boyd, Chandler & Falconer, LLP
Auditors	KPMG LLP

School Board

President	Melanie Magnusen
Clerk/Treasurer	Denise M. Rankin
Member	Cathy Jordan
Member	Fernando Barrara
Member	Frank Kelty
Student Representative	Taylor Holman

School Officials

Superintendent	John Conwell
Secondary Principal	Jim Wilson
Elementary Principal	Eric Andersen
Business Manager	Holly Holman

FINANCIAL SECTION



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
City of Unalaska, Alaska:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, based on our audit and the report of other auditors, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and 1% Sales Tax Special Revenue Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

Change in Accounting Principle

As discussed in note 1 to the basic financial statements, in 2015, the City adopted new accounting guidance as contained in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of the City's proportionate share of the net pension liability and contributions on pages 4–13 and 59–60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual nonmajor fund financial statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections 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 23, 2015 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

KPMG LLP

December 23, 2015

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2015

Management of the City of Unalaska offers readers of the City of Unalaska's financial statements this narrative overview and analysis of the financial activities of the City of Unalaska for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The assets of the City of Unalaska exceeded its liabilities at the close of the most recent fiscal year by \$383,644,736 (*net position*).
- The city's total net position increased by \$19,364,864, or 5.32%.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$68,861,597, which is an increase of \$613,470 from the prior year. Most of this total amount, \$29,441,167, is either committed or assigned for emergency operations and general fund projects identified in the City's Capital and Major Maintenance Plan (CMMP).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$37,887,552, or 156% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Unalaska's basic financial statements. The City of Unalaska's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the City of Unalaska's finances in a manner similar to that of a private-sector business.

The *statement of net position* presents information on all of the City of Unalaska's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the City's net position will serve as indicators of whether the financial position of the City of Unalaska 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Unalaska that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Unalaska include general government; public safety; public works; parks, culture, and recreation; community support; and education. The business-type activities of the City of Unalaska include electric, water, wastewater, solid waste, ports and harbors, airport terminal, and housing operations.

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2015

The government-wide financial statements include not only the City of Unalaska itself (known as the *primary government*), but also the Unalaska City School District (known as *component unit*), a legally separate entity for which the City of Unalaska is financially accountable. Financial information for the *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 14 – 16 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 City of Unalaska, 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 City of Unalaska 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 financial 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 will 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. In doing so, a better understanding of the long-term impact of the government's near-term financing decisions may be obtained. Both the governmental fund balance sheet and the 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 City of Unalaska maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 1% Sales Tax Special Revenue Fund, and the Equipment Capital Project Fund, all of which are considered major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements and schedules*, which can be found on pages 61 – 62.

The City of Unalaska adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 – 22 of this report.

Proprietary Funds

The City of Unalaska maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Unalaska uses enterprise funds to account for its electric, water, wastewater, solid waste, ports and harbors, airport terminal, and housing operations.

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2015

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, ports and harbors, and solid waste, all of which are considered to be major funds of the City of Unalaska. Wastewater, airport terminal, and housing operations are accounted for in separate funds but are not presented as major funds.

The basic proprietary fund financial statements can be found on pages 23 – 26 of this report.

Notes to 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 financial statements can be found on pages 27 – 58 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Unalaska, assets exceeded liabilities by \$383,644,736 at the close of the most recent fiscal year.

Approximately 74% of the City of Unalaska’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Unalaska uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Unalaska’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

	City of Unalaska’s Changes in Net Position				Total*	
	Governmental activities		Business-type activities		2015	2014
	2015	2014	2015	2014		
Current and other assets	\$ 129,485,183	122,533,161	48,648,955	52,103,565	178,134,138	174,636,726
Capital assets	103,405,182	97,652,022	224,422,818	202,825,916	327,828,000	300,477,938
Total assets	<u>\$ 232,890,365</u>	<u>220,185,183</u>	<u>273,071,773</u>	<u>254,929,481</u>	<u>505,962,138</u>	<u>475,114,664</u>
Deferred outflows of resources	\$ 993,802	598,542	3,491,725	638,294	4,485,527	1,236,836
Long-term liabilities	\$ 12,348,991	5,885,462	51,833,231	40,554,506	64,182,222	46,439,968
Other liabilities	53,880,864	46,032,564	7,384,538	7,235,060	61,265,402	53,267,624
Total liabilities	<u>\$ 66,229,855</u>	<u>51,918,026</u>	<u>59,217,769</u>	<u>47,789,566</u>	<u>125,447,624</u>	<u>99,707,592</u>
Deferred inflows of resources	\$ 842,132	—	513,173	—	1,355,305	—
Net position:						
Net investment in capital assets	\$ 99,475,910	92,388,803	185,022,770	164,239,596	284,498,680	256,628,399
Unrestricted	67,336,270	68,794,378	31,809,786	38,857,095	99,146,056	107,651,473
Net position	<u>\$ 166,812,180</u>	<u>161,183,181</u>	<u>216,832,556</u>	<u>203,096,691</u>	<u>383,644,736</u>	<u>364,279,872</u>

* To facilitate ease of presentation, the total columns do not include the elimination of \$54,240,965 of internal balances.

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The balance of unrestricted net position, \$99,146,056, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Unalaska is able to report positive balances in both categories of net position, both for the government as a whole, and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Deferred outflows of resources increased \$3,248,691 during 2015 and has two components, deferred outflows of resources pension related and deferred charge on refunding. The balance increased primarily as the result of the advance refunding of 2009-1 general obligation bonds which resulted in a reacquisition price that exceeded the net carrying amount by \$2,765,838. The remainder of the increase is a result of the adoption of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and the recognition of a deferred outflow of resources for changes in proportion and differences between contributions and proportionate share of contributions of \$476,911.

Deferred inflows of resources increased \$1,355,305 during 2015 solely due to the adoption of GASB Statement 68 which resulted in the recognition of a deferred inflow of resources for the net differences between projected and actual earnings on pension plan investments.

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Table 2

	City of Unalaska's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 322,048	229,185	30,898,795	32,085,207	31,220,843	32,314,392
Operating grants and contributions	1,623,195	1,539,504	754,999	1,071,460	2,378,194	2,610,964
Capital grants and contributions	919,282	750,144	9,130,646	7,834,322	10,049,928	8,584,466
General revenues:						
Property taxes	5,709,059	5,209,589	—	—	5,709,059	5,209,589
General sales tax	12,220,034	12,553,826	—	—	12,220,034	12,553,826
Raw seafood tax	4,981,770	4,449,921	—	—	4,981,770	4,449,921
Fisheries tax	7,197,808	8,956,377	—	—	7,197,808	8,956,377
Investment earnings	635,855	741,672	—	—	635,855	741,672
Other	1,880,373	2,378,162	—	—	1,880,373	2,378,162
Total revenues	<u>35,489,424</u>	<u>36,808,380</u>	<u>40,784,440</u>	<u>40,990,989</u>	<u>76,273,864</u>	<u>77,799,369</u>
Expenses:						
General government	4,206,444	4,772,656	—	—	4,206,444	4,772,656
Public safety	4,728,249	5,228,759	—	—	4,728,249	5,228,759
Public works	9,504,441	6,782,357	—	—	9,504,441	6,782,357
Parks, culture, and recreation	3,482,024	3,669,574	—	—	3,482,024	3,669,574
Community support	1,105,626	1,046,944	—	—	1,105,626	1,046,944
Education	4,456,201	4,683,947	—	—	4,456,201	4,683,947
Interest on long-term debt	147,975	185,188	—	—	147,975	185,188
Electric	—	—	15,363,376	18,003,696	15,363,376	18,003,696
Water	—	—	2,331,646	2,599,758	2,331,646	2,599,758
Wastewater	—	—	1,740,178	2,053,962	1,740,178	2,053,962
Solid waste	—	—	2,669,979	2,238,173	2,669,979	2,238,173
Ports and harbors	—	—	5,928,185	6,404,553	5,928,185	6,404,553
Airport	—	—	809,087	798,887	809,087	798,887
Housing	—	—	435,589	462,721	435,589	462,721
Total expenses	<u>27,630,960</u>	<u>26,369,425</u>	<u>29,278,040</u>	<u>32,561,750</u>	<u>56,909,000</u>	<u>58,931,175</u>
Increase in net position before transfers	7,858,464	10,438,955	11,506,400	8,429,239	19,364,864	18,868,194
Transfers	(2,229,465)	980,230	2,229,465	(980,230)	—	—
Change in net position	5,628,999	11,419,185	13,735,865	7,449,009	19,364,864	18,868,194
Net position, beginning of year, <i>as adjusted</i>	<u>161,183,181</u>	<u>149,763,996</u>	<u>203,096,691</u>	<u>195,647,682</u>	<u>364,279,872</u>	<u>345,411,678</u>
Net position, end of year	<u>\$ 166,812,180</u>	<u>161,183,181</u>	<u>216,832,556</u>	<u>203,096,691</u>	<u>383,644,736</u>	<u>364,279,872</u>

The government's net position increased by \$19,364,864 during the current fiscal year. Revenues overall went down by 2%. The only significant decrease was to fisheries tax in governmental activities (\$1.8 million). The decrease in fisheries tax in governmental activities is due to the price of seafood and the amount of seafood that is allowed to be caught.

Total expenses were approximately \$2 million less than last year. Approximately \$2.6 million of this decrease was in the Electric Fund, which was due to lower fuel costs. There were modest decreases in all of the other enterprise funds except the Solid Waste Fund and the Airport Fund. There were slight decreases in all of the

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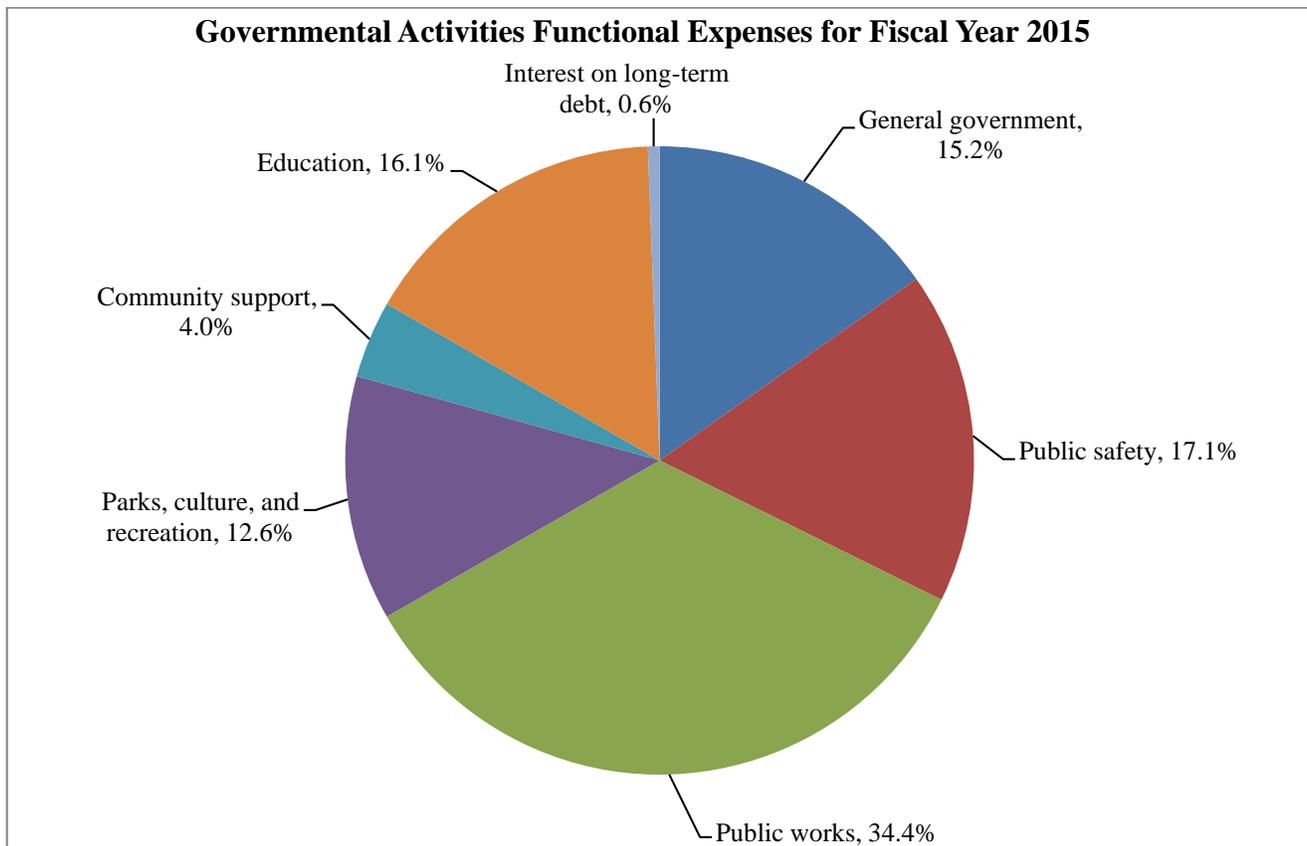
Management Discussion and Analysis (MD&A)

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governmental functions except public works and community support. The increase in public work expenses was due to pavement resurfacing of \$3 million.

Governmental Activities

Governmental activities increased the City of Unalaska's net position by \$5,628,999, which is due to many factors including collecting more revenue than budgeted, spending less than budgeted and transferring less to capital projects and proprietary funds than in the past.



Business-Type Activities

Business-type activities increased the City of Unalaska's net position by \$13,735,865 (table 2); this is largely due to grant funded capital improvements within the Wastewater, Electric and Water Enterprise Funds. Other key elements of the increase are in transfers that are discussed in detail in the notes to the financial statements (p. 44).

Financial Analysis of the Government's Funds

As noted earlier, the City of Unalaska uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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Governmental Funds

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

As of the end of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$68,861,597, which is an increase of \$613,470 from the prior year. Approximately 97% of this total amount, \$66,524,799 constitutes spendable fund balance much of which has been committed for projects identified by the government.

The General Fund is the chief operating fund of the City of Unalaska. At the end of the current fiscal year, spendable fund balance of the General Fund was \$52,421,603, while total fund balance reached \$54,758,401. As a measure of the General Fund's liquidity, both spendable fund balance and total fund balance may be compared to total fund expenditures. Spendable fund balance represents 215% of total General Fund expenditures, while total fund balance represents 225% of that same amount.

The fund balance of the City of Unalaska's General Fund increased by \$9,064,000 during this fiscal year. This increase is primarily due to excess of revenues over expenditures of approximately \$10.2 million.

The fund balance of the City of Unalaska's 1% Sales Tax Fund increased by \$1,034,706. This fund is used to fund capital projects only, and the city was intentionally building a balance for projects in the future. This year, \$3,000,000 was transferred to governmental capital project funds for paving projects. Another \$1.2 million was transferred to continue a 10-year repayment schedule to the general fund for the Carl E. Moses Small Boat Harbor. All of the transfers can be seen in the notes to the financial statements.

Proprietary Funds

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$31,809,786. The business-type activities net position increased \$13,735,865 – most of which is due to the capital contributions to the wastewater, electric and water enterprise funds and transfers from governmental funds for capital improvements.

General Fund Budgetary Highlights

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

- Public Safety Homeland Security Grant \$25,000, and PERS on behalf for increase in Title III compensation totaling \$1,316,903 increased budgeted general fund revenues from the original amounts.
- The final budget for expenditures and transfers was significantly more than the original budget. The major reasons for the increases are as follows:

The general government budget increased from its original amount primarily by increases in PCR Union negotiations \$38,531, increase internet speed \$24,000, the artic deep draft study projected costs of \$40,000. The public safety budget increases were due to expenses associated with the public safety grants of \$25,000,

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Public Safety, Public Works, and PCR were increased for the citywide stormwater discharge and spill prevention and control countermeasures plans, and all funds were increased for the added state nonemployer PERS contributions of \$1,316,903.

In FY15, the following transfers out to other funds were added to the budget:

- Transfers totaling \$1,273,628 were made to capital project funds for FY15 Paving Project, Lake Restoration Project Design Services, and Expedition Park Project.
- The Electric Fund had \$341,200 transferred for the Alyeska Electric Tie-in Project.
- The Airport had \$7,500 transferred for the Airport Parking Lot Paving Project changes.
- The Wastewater Treatment Plant had \$3,668,350 transferred for additional Engineering, Construction and Administrative costs.

Capital Asset and Debt Administration

Capital Assets

The City of Unalaska's net investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$327,828,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The increase in the City of Unalaska's investment in capital assets for the current fiscal year was approximately \$27.4 million.

Major capital asset events during the current fiscal year included the following:

- Ballyhoo Road Paving project finished with \$263,276 from the general fund.
- Public Works finished work on the Pavement Resurfacing project using \$6,522,633 from the general fund and started FY16 Paving with \$360,094 from the general fund.
- Final completion of paving and utilities at Henry Swanson drive and the Carl E. Moses Small Boat Harbor used \$1,008,844 from the general fund.
- Improvements and paving of the Junior/Senior High School parking lot finished and used \$377,410 from the general fund.
- Summer Bay Bridge was completed using \$1,315,246 from the General Fund.
- The Waste Heat Recovery System for the powerhouse finished with \$716,942.
- The Alyeska Electrical Tie-In project started with initial spending of \$34,213.
- The Powerhouse Engine 4 project continued costs were \$4,585,046 and was operational during FY15.
- The Power Control System projects had spending of \$278,053.
- The Water Treatment Plant project continued with costs of \$6,738,061.
- Pyramid Water Storage Tank costs were \$88,978.
- The Wastewater Pump Station #3 Force Main upgrade continued with \$408,564.

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- The Wastewater Treatment Plant Improvements construction continued with spending of \$9,761,668.
- Solid Waste Cell 2-1 Project costs of \$2,581,546 were incurred this year.
- The Leachate Flow leveling project costs finished this year with \$121,591.
- The Unalaska Marine Center back reach grading and drainage project cost the Port \$22,176.
- The Unalaska Marine Center replacement project costs were \$193,877.
- The Robert Storrs Improvement costs this year were \$2,002,217.
- The Port incurred \$1,057,541 in the High mast Lights and LED project.
- The USCG Paving project began with \$105,994 this year.
- The Airport Parking lot improvements finished with \$166,739.

Table 3

		City of Unalaska Capital Assets (Net of Accumulated Depreciation)					
		Governmental activities		Business-type activities		Total	
		2015	2014	2015	2014	2015	2014
Land	\$	31,147,603	31,147,603	3,309,476	3,309,476	34,457,079	34,457,079
Buildings		33,544,479	30,071,565	43,775,509	45,416,306	77,319,988	75,487,871
Infrastructure		33,933,277	13,354,087	108,227,831	92,988,807	142,161,108	106,342,894
Machinery and equipment		1,845,621	2,385,160	23,140,843	15,939,202	24,986,464	18,324,362
Construction in progress		2,934,202	20,693,607	45,969,159	45,172,125	48,903,361	65,865,732
Total capital assets	\$	<u>103,405,182</u>	<u>97,652,022</u>	<u>224,422,818</u>	<u>202,825,916</u>	<u>327,828,000</u>	<u>300,477,938</u>

Additional information on the City of Unalaska’s capital assets can be found in note 3(b) on pages 41 – 43 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Unalaska had total debt outstanding of \$42,663,388 (table 4). Of this amount, \$7,875,000 comprises debt backed by the full faith and credit of the government.

Table 4

		City of Unalaska Debt					
		Governmental activities		Business-type activities		Total	
		2015	2014	2015	2014	2015	2014
General obligation bonds	\$	3,810,000	4,665,000	4,065,000	4,260,000	7,875,000	8,925,000
Revenue bonds		—	—	28,085,000	27,845,000	28,085,000	27,845,000
Other contracts and loans		—	—	6,703,388	2,275,371	6,703,388	2,275,371
Total long-term debt	\$	<u>3,810,000</u>	<u>4,665,000</u>	<u>38,853,388</u>	<u>34,380,371</u>	<u>42,663,388</u>	<u>39,045,371</u>

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The City of Unalaska's total debt increased by \$3,618,017 (9.3%) during the current fiscal year. State statutes do not limit the amount of debt a governmental entity may issue. Additional information on the City of Unalaska's long-term debt can be found in note 3(e) on pages 46 – 51 of this report.

Economic Factors and Next Year's Budgets and Rates

The average unemployment rate for the Aleutians West Region, which includes Unalaska, was 4.1% for calendar year 2014, which is a decrease from a rate of 7% in calendar year 2013. Management does not believe either figure is indicative of unemployment within the City's limits. Since the seafood economy is robust in Unalaska while other communities that are more reliant on snow crab and salmon may be experiencing higher unemployment, neither unemployment rate for the region is indicative of unemployment in Unalaska.

Lower oil prices have negatively impacted the City's sales tax through marine fuel. Fuel sales generate over half of the City's sales tax. Total sales tax is 31% of governmental activities revenue.

The City council authorized rate increases in the City's Proprietary funds as of July 1, 2013. Water rates increased 7.12%, wastewater rates increased by 14.1% and landfill rates increased 10.7%. This followed a year without rate increases other than the Cost of Power Adjustment (COPA) charges in the electrical fund that reflect changes in the price of fuel. The goal in approving the increases was to improve self-sufficiency of the operation and reduce taxpayer subsidies. Each enterprise fund is kept on a three-year rate study program when possible. With the new powerhouse and plans for a new water treatment facility, wastewater treatment plant, and a new landfill cell, rate studies will extend beyond the three-year period but the total costs will be included when the rate studies are conducted.

Requests for Information

This financial report is designed to provide a general overview of the City of Unalaska's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Unalaska, P.O. Box 610, Unalaska, Alaska 99685.

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Statement of Net Position

June 30, 2015

Assets and Deferred Outflows of Resources	Primary government				Component unit
	Governmental activities	Business-type activities	Eliminations	Total	Unalaska City School District
Assets:					
Cash and cash equivalents	\$ 1,245,995	150	—	1,246,145	3,201,441
Temporary investments	20,079,492	—	—	20,079,492	—
Receivables:					
Interest	238,680	—	—	238,680	—
Taxes	2,480,463	—	—	2,480,463	—
Accounts, net of allowance for uncollectible amounts of \$30,000	1,259	2,176,379	—	2,177,638	—
Special assessments	—	27,685	—	27,685	—
Intergovernmental	6,826,724	3,665,375	—	10,492,099	100,889
Internal balances	16,898,934	37,342,031	(54,240,965)	—	—
Inventories	735,598	1,205,639	—	1,941,237	25,097
Prepaid items	—	1,200	—	1,200	158,113
Restricted assets:					
Cash for health insurance	—	—	—	—	382,982
Cash held by fiscal agent	—	4,230,496	—	4,230,496	—
Long-term investments	80,978,038	—	—	80,978,038	—
Capital assets:					
Not being depreciated	34,081,805	49,278,635	—	83,360,440	42,500
Being depreciated, net	69,323,377	175,144,183	—	244,467,560	307,836
Total assets	<u>232,890,365</u>	<u>273,071,773</u>	<u>(54,240,965)</u>	<u>451,721,173</u>	<u>4,218,858</u>
Deferred outflows of resources:					
Deferred charge on refunding	54,767	2,919,503	—	2,974,270	—
Pension related	939,035	572,222	—	1,511,257	198,774
Total deferred outflows of resources	<u>993,802</u>	<u>3,491,725</u>	<u>—</u>	<u>4,485,527</u>	<u>198,774</u>
Liabilities and Deferred Inflows of Resources					
Liabilities:					
Accounts payable	722,127	2,946,823	—	3,668,950	106,570
Retainage payable	29,921	2,862,990	—	2,892,911	—
Accrued payroll and payroll liabilities	418,915	684,952	—	1,103,867	888,395
Accrued interest	62,090	371,591	—	433,681	—
Deposit payable	710	309,942	—	310,652	10,815
Unearned revenue	7,336	—	—	7,336	3,579
Internal balances	52,639,765	208,240	(52,848,005)	—	—
Due to student groups	—	—	—	—	88,103
Noncurrent liabilities:					
Internal balances	—	1,392,960	(1,392,960)	—	—
Net pension liability	7,289,040	4,441,743	—	11,730,783	2,866,011
Due within one year	1,946,262	3,675,447	—	5,621,709	—
Due in more than one year	3,113,689	42,323,081	—	45,436,770	—
Total liabilities	<u>66,229,855</u>	<u>59,217,769</u>	<u>(54,240,965)</u>	<u>71,206,659</u>	<u>3,963,473</u>
Deferred inflows of resources:					
Pension related	842,132	513,173	—	1,355,305	249,862
Net position:					
Net investment in capital assets	99,475,910	185,022,770	—	284,498,680	350,336
Unrestricted	67,336,270	31,809,786	—	99,146,056	(146,039)
Net position	<u>\$ 166,812,180</u>	<u>216,832,556</u>	<u>—</u>	<u>383,644,736</u>	<u>204,297</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2015

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
Current:				
General government	\$ 4,206,444	21,331	—	—
Public safety	4,728,249	82,886	880,277	—
Public works	9,504,441	—	—	919,282
Parks, culture, and recreation	3,482,024	217,831	82,629	—
Community support	1,105,626	—	—	—
Education	4,456,201	—	—	—
Interest on long-term debt	147,975	—	660,289	—
Total governmental activities	<u>27,630,960</u>	<u>322,048</u>	<u>1,623,195</u>	<u>919,282</u>
Business-type activities:				
Electric	15,363,376	16,571,260	169,450	1,549,143
Water	2,331,646	2,560,141	34,155	4,816,624
Wastewater	1,740,178	2,262,181	28,062	2,613,145
Solid waste	2,669,979	2,196,544	33,251	(24,026)
Ports and harbors	5,928,185	6,538,076	479,136	175,760
Airport	809,087	511,376	6,125	—
Housing	435,589	259,217	4,820	—
Total business-type activities	<u>29,278,040</u>	<u>30,898,795</u>	<u>754,999</u>	<u>9,130,646</u>
Total primary government	<u>\$ 56,909,000</u>	<u>31,220,843</u>	<u>2,378,194</u>	<u>10,049,928</u>
Component unit:				
Unalaska City School District	\$ 9,318,804	370,846	2,626,982	12,000
General revenues:				
Property taxes				
Personal property taxes				
General sales tax				
Raw seafood sales tax				
Fisheries tax				
Other taxes				
Payment in lieu of taxes				
Grants not restricted to specific programs				
Gain/loss on disposal of capital assets				
Investment earnings				
Support from City of Unalaska				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, <i>as adjusted</i>				
Net position, end of year				

Net (expense) revenue and changes in net position

Primary government			Component Unit Unalaska City School District
Governmental activities	Business- type activities	Total	
\$ (4,185,113)	—	(4,185,113)	—
(3,765,086)	—	(3,765,086)	—
(8,585,159)	—	(8,585,159)	—
(3,181,564)	—	(3,181,564)	—
(1,105,626)	—	(1,105,626)	—
(4,456,201)	—	(4,456,201)	—
512,314	—	512,314	—
<u>(24,766,435)</u>	<u>—</u>	<u>(24,766,435)</u>	<u>—</u>
—	2,926,477	2,926,477	—
—	5,079,274	5,079,274	—
—	3,163,210	3,163,210	—
—	(464,210)	(464,210)	—
—	1,264,787	1,264,787	—
—	(291,586)	(291,586)	—
—	(171,552)	(171,552)	—
—	<u>11,506,400</u>	<u>11,506,400</u>	<u>—</u>
<u>(24,766,435)</u>	<u>11,506,400</u>	<u>(13,260,035)</u>	<u>—</u>
			(6,308,976)
3,857,412	—	3,857,412	—
1,851,647	—	1,851,647	—
12,220,034	—	12,220,034	—
4,981,770	—	4,981,770	—
7,197,808	—	7,197,808	—
88,631	—	88,631	—
826,669	—	826,669	—
807,858	—	807,858	4,639,531
11,078	—	11,078	1,949
635,855	—	635,855	752
—	—	—	2,843,983
146,137	—	146,137	74,389
<u>(2,229,465)</u>	<u>2,229,465</u>	<u>—</u>	<u>—</u>
<u>30,395,434</u>	<u>2,229,465</u>	<u>32,624,899</u>	<u>7,560,604</u>
5,628,999	13,735,865	19,364,864	1,251,628
161,183,181	203,096,691	364,279,872	(1,047,331)
<u>\$ 166,812,180</u>	<u>216,832,556</u>	<u>383,644,736</u>	<u>204,297</u>

CITY OF UNALASKA, ALASKA

Governmental Funds

Balance Sheet

June 30, 2015

Assets	General Fund	1% Sales Tax Special Revenue Fund	Street Paving	Total nonmajor funds	Total governmental funds
Cash and cash equivalents	\$ 1,245,995	—	—	—	1,245,995
Temporary investments	20,079,492	—	—	—	20,079,492
Receivables, net:					
General	1,259	—	—	—	1,259
Interest	238,680	—	—	—	238,680
Taxes	1,738,258	586,951	—	155,254	2,480,463
Intergovernmental	6,826,724	—	—	—	6,826,724
Due from other funds	803,920	4,407,593	8,129,674	1,956,547	15,297,734
Inventories	735,598	—	—	—	735,598
Advances to other funds	1,601,200	—	—	—	1,601,200
Long-term investments	80,978,038	—	—	—	80,978,038
Total assets	\$ 114,249,164	4,994,544	8,129,674	2,111,801	129,485,183
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 425,645	4,778	288,328	3,376	722,127
Retainage payable	—	—	29,921	—	29,921
Accrued payroll liabilities	418,915	—	—	—	418,915
Customer deposits	710	—	—	—	710
Due to other funds	51,835,845	—	—	803,920	52,639,765
Unearned revenues	7,336	—	—	—	7,336
Total liabilities	52,688,451	4,778	318,249	807,296	53,818,774
Deferred inflows of resources:					
Unavailable revenue – taxes	6,802,312	2,500	—	—	6,804,812
Fund balances:					
Nonspendable:					
Inventories	735,598	—	—	—	735,598
Advances to other funds	1,601,200	—	—	—	1,601,200
Committed:					
Emergency operations	13,000,000	—	—	—	13,000,000
Compensated absences	1,000,000	—	—	—	1,000,000
Community support	—	—	—	200,650	200,650
Capital projects	300,000	4,987,266	—	—	5,287,266
Assigned	234,051	—	7,811,425	1,907,775	9,953,251
Unassigned	37,887,552	—	—	(803,920)	37,083,632
Total fund balances	54,758,401	4,987,266	7,811,425	1,304,505	68,861,597
Total liabilities, deferred inflows of resources, and fund balances	\$ 114,249,164	4,994,544	8,129,674	2,111,801	129,485,183

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

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

June 30, 2015

Amounts reported as fund balances on the governmental funds balance sheet	\$ 68,861,597
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	103,405,182
Pension related deferred outflows of resources that are not financial resources and, therefore, are not reported in the funds	
City contributions subsequent to the measurement date	642,702
Changes in proportion and differences between City contributions and proportional share of contributions	296,333
	<u>939,035</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:	
Shared fisheries business tax	3,752,155
Shared fisheries resource landing tax	2,989,207
Real property	55,442
Personal property	508
Sales taxes	7,500
	<u>6,804,812</u>
Interest payable on long-term debt and capital leases are not due and payable in the current period and, therefore, are not reported in the funds	(62,090)
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	(3,810,000)
Premium on general obligation bonds	(144,118)
Deferred charge on refunding	54,767
Net pension liability	(7,289,040)
Compensated absences	(1,105,833)
	<u>(12,294,224)</u>
Pension related deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Net difference between projected and actual earnings on pension plan investments	(842,132)
Net position of governmental activities	\$ <u><u>166,812,180</u></u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2015

	<u>General Fund</u>	<u>1% Sales Tax Special Revenue Fund</u>	<u>Street Paving</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
Revenues:					
Taxes:					
General sales	\$ 8,020,397	4,010,250	—	189,387	12,220,034
Seafood sales	4,981,770	—	—	—	4,981,770
Real property	3,862,354	—	—	—	3,862,354
Personal property	1,907,363	—	—	—	1,907,363
Other	88,631	—	—	—	88,631
Intergovernmental:					
Fisheries business tax	3,639,448	—	—	—	3,639,448
Fisheries resource landing tax	5,014,309	—	—	—	5,014,309
PERS nonemployer contributions	3,074,091	—	—	—	3,074,091
Payments in lieu of taxes	826,669	—	—	—	826,669
Corrections contract	784,012	—	—	—	784,012
Debt reimbursement	660,289	—	—	—	660,289
Other	561,797	—	—	769,282	1,331,079
Charges for services	322,048	—	—	—	322,048
Investment income	635,855	—	—	—	635,855
Other revenues	146,137	—	—	150,000	296,137
Total revenues	<u>34,525,170</u>	<u>4,010,250</u>	<u>—</u>	<u>1,108,669</u>	<u>39,644,089</u>
Expenditures:					
Current:					
General government	4,578,064	—	—	—	4,578,064
Public safety	5,416,938	—	—	—	5,416,938
Public works	5,861,293	—	—	—	5,861,293
Parks, culture, and recreation	2,722,429	—	—	—	2,722,429
Community support	930,626	—	—	175,000	1,105,626
Education	3,868,791	—	—	—	3,868,791
Debt service:					
Principal	780,000	—	—	—	780,000
Interest	173,441	—	—	—	173,441
Issuance costs	10,365	—	—	—	10,365
Capital projects	—	—	7,111,585	3,782,545	10,894,130
Total expenditures	<u>24,341,947</u>	<u>—</u>	<u>7,111,585</u>	<u>3,957,545</u>	<u>35,411,077</u>
Excess revenues over expenditures	<u>10,183,223</u>	<u>4,010,250</u>	<u>(7,111,585)</u>	<u>(2,848,876)</u>	<u>4,233,012</u>
Other financing sources (uses):					
Proceeds from sale of assets	11,078	—	—	—	11,078
Proceeds from the issuance of bonds	1,929,767	—	—	—	1,929,767
Payment to refunded bond escrow agent	(1,929,767)	—	—	—	(1,929,767)
Transfers in	5,294,569	1,224,456	3,928,642	1,374,113	11,821,780
Transfers out	(6,424,870)	(4,200,000)	(928,930)	(3,898,600)	(15,452,400)
Net other financing sources (uses)	<u>(1,119,223)</u>	<u>(2,975,544)</u>	<u>2,999,712</u>	<u>(2,524,487)</u>	<u>(3,619,542)</u>
Net change in fund balances	<u>9,064,000</u>	<u>1,034,706</u>	<u>(4,111,873)</u>	<u>(5,373,363)</u>	<u>613,470</u>
Fund balances, beginning of year	45,694,401	3,952,560	11,923,298	6,677,868	68,248,127
Fund balances, end of year	<u>\$ 54,758,401</u>	<u>4,987,266</u>	<u>7,811,425</u>	<u>1,304,505</u>	<u>68,861,597</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

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

Year ended June 30, 2015

Net change in fund balance – total governmental funds	\$	613,470
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		7,564,585
Transfer of capital assets from business-type activities		1,401,155
Depreciation expense		<u>(3,212,580)</u>
		<u>5,753,160</u>
Governmental funds report pension payments as expenditures. However, in the statement of activities, the pension costs are actuarially determined – change in:		
City contributions subsequent to the measurement date		44,159
Proportion and differences between City contributions and proportional share of contributions		296,333
Net difference between projected and actual earnings on pension plan investments		<u>(842,132)</u>
		<u>(501,640)</u>
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds – change in:		
Shared fisheries business tax		445,133
Shared fisheries resource landing tax		(1,901,082)
Real property tax		(4,942)
Personal property tax		<u>(55,716)</u>
		<u>(1,516,607)</u>
The issuance of long-term debt and accrual of compensated absences 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 report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Principal repayments		2,655,000
Issuance of general obligation bonds		(1,929,767)
Deferred charges on refunding		54,767
Change in net pension liability		393,479
Change in compensated absences		81,671
Amortization of deferred amounts		<u>18,607</u>
		<u>1,273,757</u>
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:		
Accrued interest payable		<u>6,859</u>
Change in net position of governmental activities	\$	<u><u>5,628,999</u></u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances – Original and Final Budget and Actual

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
General sales	\$ 7,700,000	7,700,000	8,020,397	320,397
Seafood sales	5,250,000	5,250,000	4,981,770	(268,230)
Real property	3,500,000	3,500,000	3,862,354	362,354
Personal property	1,700,000	1,700,000	1,907,363	207,363
Other	55,000	55,000	88,631	33,631
Intergovernmental:				
Fisheries business tax	4,350,000	4,350,000	3,639,448	(710,552)
Fisheries resource landing tax	6,600,000	6,600,000	5,014,309	(1,585,691)
PERS nonemployer contributions	1,522,218	2,839,121	3,074,091	234,970
Payments in lieu of taxes	763,585	763,585	826,669	63,084
Corrections contract	625,000	625,000	784,012	159,012
Debt reimbursement	688,179	688,179	660,289	(27,890)
Other	614,510	639,510	561,797	(77,713)
Charges for services	351,100	348,193	322,048	(26,145)
Investment income	1,000,000	1,000,000	635,855	(364,145)
Other revenues	94,600	94,600	146,137	51,537
Total revenues	<u>34,814,192</u>	<u>36,153,188</u>	<u>34,525,170</u>	<u>(1,628,018)</u>
Expenditures:				
Current:				
General government	4,958,721	5,324,914	4,578,064	746,850
Public safety	5,661,383	6,157,314	5,416,938	740,376
Public works	6,201,148	6,585,094	5,861,293	723,801
Parks, culture, and recreation	2,913,920	3,127,390	2,722,429	404,961
Community support	967,701	967,701	930,626	37,075
Education	3,868,791	3,868,791	3,868,791	—
Debt service:				
Principal	755,000	755,000	780,000	(25,000)
Interest	233,313	233,313	173,441	59,872
Issuance costs	—	—	10,365	(10,365)
Total expenditures	<u>25,559,977</u>	<u>27,019,517</u>	<u>24,341,947</u>	<u>2,677,570</u>
Excess of revenues over expenditures	<u>9,254,215</u>	<u>9,133,671</u>	<u>10,183,223</u>	<u>1,049,552</u>
Other financing sources (uses):				
Proceeds from the sale of assets	100,000	100,000	11,078	(88,922)
Proceeds from the issuance of bonds	—	—	1,929,767	1,929,767
Payment to refunded bond escrow agent	—	—	(1,929,767)	(1,929,767)
Transfers in	1,200,000	1,200,000	5,294,569	4,094,569
Transfers out	<u>(1,134,192)</u>	<u>(6,424,870)</u>	<u>(6,424,870)</u>	<u>—</u>
Net other financing uses	<u>165,808</u>	<u>(5,124,870)</u>	<u>(1,119,223)</u>	<u>4,005,647</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 9,420,023</u>	<u>4,008,801</u>	<u>9,064,000</u>	<u>5,055,199</u>
Fund balances, beginning of year			<u>45,694,401</u>	
Fund balances, end of year			<u>\$ 54,758,401</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

1% Sales Tax Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund balances – Original and Final Budget and Actual
Year ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General sales	\$ 3,850,000	3,850,000	4,010,250	160,250
Total revenues	<u>3,850,000</u>	<u>3,850,000</u>	<u>4,010,250</u>	<u>160,250</u>
Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenditures	3,850,000	3,850,000	4,010,250	160,250
Other financing sources (uses):				
Transfers in	—	—	1,224,456	1,224,456
Transfers out	<u>(1,200,000)</u>	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>—</u>
Net change in fund balance	<u>\$ 2,650,000</u>	<u>(350,000)</u>	1,034,706	<u>1,384,706</u>
Fund balances, beginning of year			<u>3,952,560</u>	
Fund balances, end of year			<u>\$ 4,987,266</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Net Position

June 30, 2015

Assets and Deferred Outflows of Resources	Electric	Water	Wastewater	Solid waste	Ports and harbors	Other proprietary funds	Total
Current assets:							
Cash	\$ —	—	—	—	150	—	150
Accounts receivables (net of allowance for uncollectibles)	869,463	190,359	159,878	222,037	598,507	136,135	2,176,379
Assessments receivable	—	1,086	26,599	—	—	—	27,685
Accounts receivable – Intergovernmental	366,765	2,480,478	416,093	32,451	369,588	—	3,665,375
Due from General Fund	3,006,365	2,301,296	5,213,455	6,535,112	17,664,225	2,621,578	37,342,031
Inventories	777,339	332,284	34,881	61,135	—	—	1,205,639
Prepaid expenses	—	—	—	—	—	1,200	1,200
Total current assets	5,019,932	5,305,503	5,850,906	6,850,735	18,632,470	2,758,913	44,418,459
Noncurrent assets:							
Restricted assets:							
Cash held by fiscal agent	4,227,996	—	—	—	2,500	—	4,230,496
Capital assets, net	62,390,983	20,843,224	33,587,021	18,484,133	80,719,175	8,398,282	224,422,818
Total noncurrent assets	66,618,979	20,843,224	33,587,021	18,484,133	80,721,675	8,398,282	228,653,314
Total assets	71,638,911	26,148,727	39,437,927	25,334,868	99,354,145	11,157,195	273,071,773
Deferred outflows of resources:							
Deferred charge on refunding	2,919,503	—	—	—	—	—	2,919,503
Pension related	214,816	75,821	62,294	73,814	121,179	24,298	572,222
Total deferred outflows of resources	3,134,319	75,821	62,294	73,814	121,179	24,298	3,491,725
Liabilities and Deferred Inflows of Resources							
Current liabilities:							
Accounts payable	313,141	450,251	176,105	850,777	1,119,085	37,464	2,946,823
Retainage payable	—	725,490	1,720,246	240,731	176,523	—	2,862,990
Accrued payroll and payroll liabilities	258,876	87,537	121,258	88,570	124,549	4,162	684,952
Accrued interest	313,857	—	1,447	—	56,287	—	371,591
Bonds, loans, and other liabilities	1,057,181	—	43,461	272,290	2,302,515	—	3,675,447
Advances from General Fund	208,240	—	—	—	—	—	208,240
Customer deposits	203,022	48,275	21,778	10,667	—	26,200	309,942
Total current liabilities	2,354,317	1,311,553	2,084,295	1,463,035	3,778,959	67,826	11,059,985
Noncurrent liabilities:							
Bonds and loans payable	29,175,260	—	3,959,531	603,383	3,947,536	—	37,685,710
Advances from General Fund	1,392,960	—	—	—	—	—	1,392,960
Net pension liability	1,667,461	588,544	483,546	572,964	940,623	188,605	4,441,743
Accrued landfill closure and post closure costs	—	—	—	4,637,371	—	—	4,637,371
Total noncurrent liabilities	32,235,681	588,544	4,443,077	5,813,718	4,888,159	188,605	48,157,784
Total liabilities	34,589,998	1,900,097	6,527,372	7,276,753	8,667,118	256,431	59,217,769
Deferred inflows of resources:							
Pension related	192,649	67,997	55,866	66,197	108,674	21,790	513,173
Net Position							
Net investment in capital assets	39,206,580	19,687,762	27,694,488	16,848,419	73,193,897	8,391,624	185,022,770
Unrestricted	784,003	4,568,692	5,222,495	1,217,313	17,505,635	2,511,648	31,809,786
Total net position	\$ 39,990,583	24,256,454	32,916,983	18,065,732	90,699,532	10,903,272	216,832,556

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Revenues, Expenditures, and Changes in Net Position

Year ended June 30, 2015

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Operating revenues:							
Charges for services	\$ 16,571,260	2,560,141	2,262,181	2,196,544	6,538,076	770,593	30,898,795
Total operating revenues	<u>16,571,260</u>	<u>2,560,141</u>	<u>2,262,181</u>	<u>2,196,544</u>	<u>6,538,076</u>	<u>770,593</u>	<u>30,898,795</u>
Operating expenses:							
Operations	10,793,448	996,877	850,607	1,691,871	2,313,079	623,687	17,269,569
General and administrative	986,957	440,132	368,273	307,562	728,170	143,507	2,974,601
Landfill closure and post closure care costs	—	—	—	259,732	—	—	259,732
Depreciation and amortization	<u>2,162,429</u>	<u>893,616</u>	<u>516,985</u>	<u>410,814</u>	<u>2,664,327</u>	<u>477,482</u>	<u>7,125,653</u>
Total operating expenses	<u>13,942,834</u>	<u>2,330,625</u>	<u>1,735,865</u>	<u>2,669,979</u>	<u>5,705,576</u>	<u>1,244,676</u>	<u>27,629,555</u>
Operating income (loss)	<u>2,628,426</u>	<u>229,516</u>	<u>526,316</u>	<u>(473,435)</u>	<u>832,500</u>	<u>(474,083)</u>	<u>3,269,240</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	169,450	34,155	28,062	33,251	479,136	10,945	754,999
Interest expense	<u>(1,420,542)</u>	<u>(1,021)</u>	<u>(4,313)</u>	<u>—</u>	<u>(222,609)</u>	<u>—</u>	<u>(1,648,485)</u>
Net nonoperating revenues (expenses)	<u>(1,251,092)</u>	<u>33,134</u>	<u>23,749</u>	<u>33,251</u>	<u>256,527</u>	<u>10,945</u>	<u>(893,486)</u>
Income (loss) before capital contributions and transfers	1,377,334	262,650	550,065	(440,184)	1,089,027	(463,138)	2,375,754
Capital contributions	1,549,143	4,816,624	2,613,145	(24,026)	175,760	—	9,130,646
Transfer of capital assets to governmental activities	—	—	—	(1,401,155)	—	—	(1,401,155)
Transfers in	341,200	105,065	3,723,350	—	—	7,500	4,177,115
Transfers out	<u>(186,417)</u>	<u>—</u>	<u>(24,851)</u>	<u>(335,227)</u>	<u>—</u>	<u>—</u>	<u>(546,495)</u>
Change in net position	3,081,260	5,184,339	6,861,709	(2,200,592)	1,264,787	(455,638)	13,735,865
Net position, beginning of year, <i>as adjusted</i>	<u>36,909,323</u>	<u>19,072,115</u>	<u>26,055,274</u>	<u>20,266,324</u>	<u>89,434,745</u>	<u>11,358,910</u>	<u>203,096,691</u>
Net position, end of year	\$ <u><u>39,990,583</u></u>	<u><u>24,256,454</u></u>	<u><u>32,916,983</u></u>	<u><u>18,065,732</u></u>	<u><u>90,699,532</u></u>	<u><u>10,903,272</u></u>	<u><u>216,832,556</u></u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2015

	<u>Electric utility</u>	<u>Water utility</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Cash flows from operating activities:							
Receipts from customers and users	\$ 17,068,515	2,588,389	2,263,413	2,111,036	6,633,277	771,466	31,436,096
Payments to employees	(2,272,098)	(919,786)	(704,927)	(851,598)	(1,359,755)	(285,679)	(6,393,843)
Payments to vendors	(9,509,521)	(553,302)	(468,330)	(1,100,431)	(1,687,317)	(484,217)	(13,803,118)
Net cash provided by operating activities	<u>5,286,896</u>	<u>1,115,301</u>	<u>1,090,156</u>	<u>159,007</u>	<u>3,586,205</u>	<u>1,570</u>	<u>11,239,135</u>
Cash flows from noncapital and related financing activities:							
Cash received from other governments	—	—	—	—	422,404	—	422,404
Transfers out	(186,417)	—	(24,851)	(335,227)	—	—	(546,495)
Transfers in	341,200	105,065	3,723,350	—	—	7,500	4,177,115
Net cash provided by (used for) noncapital and related financing activities	<u>154,783</u>	<u>105,065</u>	<u>3,698,499</u>	<u>(335,227)</u>	<u>422,404</u>	<u>7,500</u>	<u>4,053,024</u>
Cash flows from capital and related financing activities:							
Interest payments on long-term obligations	(1,362,178)	(1,021)	(5,242)	—	(231,000)	—	(1,599,441)
Increase in cash held by fiscal agent	(1,855,779)	—	—	—	—	—	(1,855,779)
Proceeds from issuance of long-term obligations	22,431,808	—	3,868,095	603,383	—	—	26,903,286
Principal and refunding payments on long-term debt obligations	(22,971,188)	—	(43,461)	—	(195,000)	—	(23,209,649)
Advances for capital projects from General Fund	341,200	—	—	—	—	—	341,200
Repayment of capital projects advances from General Fund	(140,000)	—	—	—	—	—	(140,000)
Acquisition and construction of capital assets	(7,235,548)	(6,611,162)	(10,669,390)	(2,265,767)	(2,664,865)	(342,880)	(29,789,612)
Capital contributions	1,633,578	3,052,094	4,568,521	—	175,760	—	9,429,953
Net cash used for capital and related financing activities	<u>(9,158,107)</u>	<u>(3,560,089)</u>	<u>(2,281,477)</u>	<u>(1,662,384)</u>	<u>(2,915,105)</u>	<u>(342,880)</u>	<u>(19,920,042)</u>
Change in cash and due from General Fund	<u>(3,716,428)</u>	<u>(2,339,723)</u>	<u>2,507,178</u>	<u>(1,838,604)</u>	<u>1,093,504</u>	<u>(333,810)</u>	<u>(4,627,883)</u>
Cash and due from other funds, beginning of year	6,722,793	4,641,019	2,706,277	8,373,716	16,570,871	2,955,388	41,970,064
Cash and due from other funds, end of year	<u>\$ 3,006,365</u>	<u>2,301,296</u>	<u>5,213,455</u>	<u>6,535,112</u>	<u>17,664,375</u>	<u>2,621,578</u>	<u>37,342,181</u>
Reconciliation to the statement of net position:							
Cash and cash equivalents	\$ —	—	—	—	150	—	150
Due from other funds	3,006,365	2,301,296	5,213,455	6,535,112	17,664,225	2,621,578	37,342,031
Cash and due from General Fund, June 30, 2015	<u>\$ 3,006,365</u>	<u>2,301,296</u>	<u>5,213,455</u>	<u>6,535,112</u>	<u>17,664,375</u>	<u>2,621,578</u>	<u>37,342,181</u>

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2015

	<u>Electric utility</u>	<u>Water utility</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 2,628,426	229,516	526,316	(473,435)	832,500	(474,083)	3,269,240
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	2,162,429	893,616	516,985	410,814	2,664,327	477,482	7,125,653
Pension related	194,194	42,889	35,237	41,753	68,546	13,744	396,363
Amortization of landfill costs	—	—	—	259,732	—	—	259,732
Changes in assets and liabilities that provided by (used for) cash:							
Accounts receivable	497,255	3,737	3,863	(86,108)	95,201	4,507	518,455
Assessments receivable	—	1,104	4,530	—	—	—	5,634
Prepaid expenses	—	—	—	—	—	(1,200)	(1,200)
Inventories	(58,539)	(54,751)	8,793	(9,023)	—	—	(113,520)
Accounts payable	(71,152)	8,277	(14,235)	23,114	(69,230)	(8,107)	(131,333)
Accrued payroll and payroll liabilities	(22,422)	(32,494)	15,828	(8,440)	(5,139)	(8,139)	(60,806)
Customer deposits	(43,295)	23,407	(7,161)	600	—	(2,634)	(29,083)
Net cash provided by operating activities	\$ <u>5,286,896</u>	<u>1,115,301</u>	<u>1,090,156</u>	<u>159,007</u>	<u>3,586,205</u>	<u>1,570</u>	<u>11,239,135</u>
Schedule of noncash capital and noncapital and related financing activities:							
Acquisition and construction of capital assets through accounts and retainages payable	\$ 99,461	1,155,462	1,889,541	1,032,331	1,275,227	6,658	5,458,680
Transfer of capital assets to governmental activities	—	—	—	1,401,155	—	—	1,401,155
Intergovernmental nonemployer pension contributions	169,450	34,155	28,062	33,251	54,588	10,945	330,451

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The City of Unalaska, Alaska (the City), was incorporated in 1942 as a first class city and operates under a Council – Manager form of government. The City provides a variety of services including police and fire protections; electric, water, wastewater, and solid waste services; port harbor and airport terminal services; the construction and maintenance of streets and infrastructure; and recreational activities and cultural events.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the City and its component unit (an entity for which the City is considered to be financially accountable). The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Unit – Unalaska City School District

The Unalaska City School District (School District) is responsible for elementary and secondary education within the City's jurisdiction. The members of the School District's governing board are elected by registered voters of the City. However, the School District is fiscally dependent upon the City because the City Council approves the School District's budget, levies taxes to finance operations (if necessary), and must approve any debt issuances.

Complete financial statements of the School District can be obtained from the Unalaska City School District, P.O. Box 570, Unalaska, Alaska 99685.

(b) *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and 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 interfund activity has been eliminated from the total columns in the 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 are reported as separate columns in the fund financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

(c) ***Measurement Focus, Basis of Accounting, and Basis of 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 45 days of the end of the current fiscal period. 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 tax, sales tax, licenses, and interest are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants, including capital grants, recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

- The *General Fund* is the City'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 *1% Sales Tax Special Revenue Fund* accounts for special projects financed by a percentage of sales tax revenues generated.
- The *Street Paving Fund* accounts for the construction costs of paving the City's roadways.

The City reports the following major proprietary funds:

- The *Electric Utility Fund* accounts for the operations of the City-owned Electric Utility.
- The *Water Utility Fund* accounts for the operations of the City-owned Water Utility.
- The *Wastewater Utility Fund* accounts for the operations of the City-owned Wastewater Utility.
- The *Solid Waste Fund* accounts for the operations of the City-owned landfill.
- The *Ports and Harbors Fund* accounts for operations at six marine facilities at the International Port of Dutch Harbor.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Additionally, the City reports the following fund types:

Special Revenue Funds – account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Capital Project Funds – account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Proprietary Funds – account for business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's various utility functions and various other 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, including special assessments. 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. Other operating income consists primarily of late fees on unpaid balances and connection fees intended to recover the cost of connecting new customers to the applicable system. 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.

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

(d) *Assets, Liabilities, and Net Position*

1. **Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from date of acquisition. In proprietary funds, the City considers changes in amounts due to/from other funds as cash and cash equivalent transactions on the statement of cash flows because the proprietary funds are able to withdraw cash at any time without prior notice or penalty.

There are no statutory limitations on the type of investments allowed; however, there are policies in place listing accepted investment vehicles as noted below:

- a. obligations of the United States and of an agency or instrumentality of the United States;

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

- b. certificates of deposit; those over the FDIC insurance limit must be secured by eligible collateral as defined in Section 10.0;
- c. repurchase and agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the United States, including agency mortgage-backed securities (MBS). A Master Repurchase Agreement must be signed with the bank or dealer, before repurchase agreements are entered into;
- d. the Alaska Municipal League Investment Pool, Inc. made in accordance with the terms of that Pool's "Common Investment Agreement;" and in accordance with AS 37.23.010-37.23.900;
- e. commercial paper and other short-term taxable instruments that, at the time of investment, maintain the highest rating by at least two nationally recognized rating services;
- f. obligations of a corporation or municipality if the obligations are investment grade (rated BBB or higher by at least one nationally recognized rating service) at the time of investment; this includes asset-backed securities (ABS); and
- g. money market funds in which the securities of the funds consist of obligations listed in this section and otherwise meet the requirements of this investment policy.

Investments shall not be purchased through the use of leveraged funds.

Collateralization is required on two types of investments: certificates of deposit over FDIC insurance limit and repurchase agreements. In order to anticipate market changes and provide a level of security for all monies, the collateralization level is 102% of market value of principal and accrued interest.

All investments are recorded at fair value when quoted market prices are available. Changes in fair value are included as a component of investment income. The City's budget ordinance requires that all investment income be recorded in the General Fund unless state or federal laws, regulations, or grant conditions require otherwise.

The City's budget ordinance requires that all investment earnings that are not legally or contractually required to be recorded in a specific fund must be recorded in the General Fund. The amount of investment earnings that would have otherwise been assigned to other funds is not known.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal balances" on the statement of net position and as "advances to/from other funds" in the fund level financial statements. In the fund level financial statements, advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

All outstanding current balances between funds are reported as “due to/from other funds” in the fund level financial statements. These balances represent the numerous transactions that occur during the course of operations between individual funds for goods provided or services rendered. On the statement of cash flows for proprietary funds, these are treated as cash and cash equivalent transactions.

All trade and property tax receivables are shown net of an allowance for doubtful receivables. The allowance for doubtful receivables is an estimate of the amount uncollectible based on past experience.

Property taxes are levied as of January 1 on property values assessed by an appraisal company. Assessment notices are mailed on or before March 31. Tax bills are mailed on or before June 30. The first half of the payment is due in August and the second half is due in October. Personal property supplemental and involuntary tax rolls are not eligible for two payment dates and are due in full in August. Penalties and interest are assessed the day after the due date.

3. Inventories and Prepaid Items

Inventories are valued at cost using the weighted average method. The costs of governmental and proprietary fund inventories are recorded as expenditures when consumed rather than when purchased.

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$50,000 (amount not rounded) in governmental funds and \$10,000 (amount not rounded) in proprietary funds and an estimated useful life in excess of two years. All capital assets are reported including those purchased or acquired before June 30, 1980. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets or capital assets received in exchange are recorded at their estimated fair value at the date of donation or exchange. Interest incurred during construction is not capitalized on general government capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

All capital assets acquired or constructed for general governmental and School District purposes are reported as expenditures in the fund that finances the asset acquisition.

Property and equipment acquired by proprietary funds are reported in those funds at cost or at estimated fair market value at time of donation.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Utility distribution system and improvements	20–40 years
Buildings and improvements	20–40 years
Motor vehicles and motorized equipment	5–10 years
Furniture, machinery, and equipment	5–10 years
Dock and improvements	20–40 years

5. Deposits Payable

The General Fund holds a customer deposit of \$710 to cover damage or additional costs incurred by the City in leasing its recreational facilities.

The Airport Fund holds refundable customer deposits of \$11,000 to cover damage or additional costs incurred by the City in its leasing operations.

The Housing Fund holds refundable customer deposits of \$15,200 to cover damage to its rental properties.

The Electric Utility Fund, Water Utility Fund, Wastewater Utility Fund, and the Solid Waste Fund hold refundable customer deposits of \$203,022, \$48,275, \$21,778, and \$10,667, respectively, to cover equipment held by customers and in the event of nonpayment of utility bills.

6. Compensated Absences

It is the City’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. During 2015 and in prior years, the General Fund has liquidated the liability for compensated absences.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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 reported as expenses or expenditures in the period incurred.

In the governmental fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Pensions

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualifies for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports two pension related items in this category, changes in proportion and differences between City contributions and proportionate share of contributions, and contributions made subsequent to the measurement date. Changes in proportion and differences between City contributions and proportionate share of contributions are deferred and amortized into pension expense over the average of the expected remaining service lives of all employees that are provided with pensions through PERS (active employees and inactive employees). Contributions made subsequent to the measurement date are deferred in the year they are contributed and recognized as a reduction in the net pension liability in the subsequent year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualifies for reporting in this category, one arises only under a modified accrual basis of accounting and one only arises under an accrual basis of accounting. Accordingly, the first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: real property taxes, personal property taxes, sales taxes, shared fisheries business taxes, and shared fisheries resources landing taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, net differences between projected and actual earnings on pension plan investments, is reported only in the government-wide statement of net position. These amounts are amortized into pension expense over five years.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

10. Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

At June 30, 2015, the Road to LSA capital projects fund, a nonmajor fund, has a deficit fund balance of \$803,920. The reason for the deficit is that a contractor performed faulty work and the settlement received was not sufficient to fund the cost of repaving. This deficit will be eliminated as resources are obtained (e.g., from transfers in from the general fund).

11. 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 position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

12. Recently Adopted and Recently Issued Accounting Pronouncements

On July 1, 2014, the City adopted GASB Statement No. 68, *Accounting for Pensions* (GASB 68). Issued in June 2012, this Statement provides guidance for employers offering defined benefit pensions through plans administered as trusts or equivalent arrangements. It replaces certain requirements related to plan trusts in Statement No. 27 *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The City also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71), effective for the City upon of adoption of GASB 68. This statement addresses an issue in GASB 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that statement by employers and nonemployer contributing entities.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

The impact on the City from adoption of GASB's 68 and 71 was as follows:

	<u>As previously reported</u>	<u>As adjusted</u>
Government-wide financial statements:		
Statement of activities:		
Net position at beginning of year		
Governmental activities	\$ 168,267,157	161,183,181
Business-type activities	207,413,473	203,096,691
Proprietary fund statements:		
Statement of revenues, expenses, and changes in net position:		
Net position at beginning of year		
Electric Fund	\$ 38,529,873	36,909,323
Water Fund	19,644,101	19,072,115
Wastewater Fund	26,525,217	26,055,274
Solid Waste Fund	20,823,169	20,266,324
Ports and Harbors Fund	90,348,905	89,434,745
Nonmajor Proprietary Funds	11,542,208	11,358,910

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. The City will be required to adopt this Statement for the year ending June 30, 2018.

(2) Stewardship, Compliance, and Accountability

(a) Budgetary Information

City

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Capital Projects Funds, which adopt project-length budgets. Governmental funds with adopted annual budgets include the General Fund and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Enterprise funds are financed through user

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

charges related to providing goods and services to the general public and have annually adopted operating budgets and project length capital budgets.

The appropriated budget is prepared by fund, function, and department. Budgetary control is exercised at the function level as stated and presented in the ordinance adopting the budget. The City Manager is authorized to transfer budget amounts between expenditure categories within any function; however, any supplemental appropriations that amend the total expenditures of any function or fund require a City ordinance. Reported budgeted amounts are as originally adopted or as amended by ordinance.

The City Council made supplemental budgetary appropriations throughout the year, the majority of which were increases in the Capital Project Funds related to major construction projects. Other supplemental budgetary appropriations in other funds were not considered material.

The City's original budget document is available from the City at P.O. Box 610, Unalaska, Alaska 99685-0610 or on the Web at: www.unalaska-ak.us.

Project budgets are adopted for various Capital Project Funds based on the lives of the construction projects. Expenditure authority is limited to the actual revenue and transfers in.

School District

The adopted School Operating Fund budget is submitted to the City for approval of the local appropriation, then to the State of Alaska, Department of Education and Early Development for review to determine compliance with Alaska statutes and Department regulations.

(b) Equity

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes, the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city council has by resolution authorized the finance director to assign fund balance, including removal and modification of assigned amounts. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

The following table shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2015:

	<u>General fund</u>	<u>1% Sales tax</u>	<u>Street paving</u>	<u>Total nonmajor funds</u>
Nonspendable:				
Inventories	\$ 735,598	—	—	—
Advances to other funds	1,601,200	—	—	—
Total nonspendable	<u>2,336,798</u>	<u>—</u>	<u>—</u>	<u>—</u>
Committed:				
Emergency operations	13,000,000	—	—	—
Community support	—	—	—	200,650
Capital projects	300,000	4,987,266	—	—
Compensated absences	1,000,000	—	—	—
Total committed	<u>14,300,000</u>	<u>4,987,266</u>	<u>—</u>	<u>200,650</u>
Assigned:				
Purchases on order	234,051	—	—	—
Capital projects	—	—	7,811,425	1,907,775
Total assigned	234,051	—	7,811,425	1,907,775
Unassigned	37,887,552	—	—	(803,920)
Total fund balance	\$ <u>54,758,401</u>	<u>4,987,266</u>	<u>7,811,425</u>	<u>1,304,505</u>

(3) Detailed Notes on All Funds

(a) Cash and Investments

The City maintains a cash and investment pool for use by all funds.

Deposits

At June 30, 2015, the City's carrying amount of bank deposits was \$1,004,495 and the bank balance was \$2,590,554. The \$1,586,059 difference represents outstanding checks and other reconciling items.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. As of June 30, 2015, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits the City’s investment portfolio to maturities of less than five years.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City is authorized by City Council resolution to invest in, and is restricted to, the following types of securities:

- (1) obligations of the United States and of an agency or instrumentality of the United States;
- (2) certificates of deposit; those over the FDIC insurance- must be secured by eligible collateral as defined in Section 10.0;
- (3) repurchase and agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the United States, including MBS. A Master Repurchase Agreement must be signed with the bank or dealer, before repurchase agreements are entered into.
- (4) the Alaska Municipal League Investment Pool, Inc. made in accordance with the terms of that Pool’s “Common Investment Agreement;” and in accordance with AS 37.23.010-37.23.900;
- (5) commercial paper and other short-term taxable instruments that, at the time of investment, maintain the highest rating by at least two nationally recognized rating services;
- (6) obligations of a corporation or municipality – if the obligations are investment grade (rated BBB or higher by at least one nationally recognized rating service) at the time of investment; this includes ABS and;
- (7) money market funds in which the securities of the funds consist of obligations listed in this section and otherwise meet the requirements of the investment policy.

Investments shall not be purchased through the use of leveraged funds.

At June 30, 2015, the City corporate bonds were rated as follows:

Investment	Standard & Poor’s	Moody’s Investor Service
Domestic corporate bonds	AAA to BBB	Aaa to Baa2
Foreign corporate bonds	AA to A+	Aa1 to Aa3
Asset-backed securities	AAA	Aaa

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Investments

As of June 30, 2015, the City has the following investments and maturities:

	Fair value	Investment maturities (in years)				
		Less than 1	1-2	2-3	3-5	More than 5
AML Investment Pool	\$ 20,079,492	20,079,492	—	—	—	—
Wells Fargo money market	917,633	917,633	—	—	—	—
U.S. government obligations	61,012,421	7,653,479	28,790,764	24,568,178	—	—
Corporate bonds	11,774,438	5,648,538	2,020,660	4,105,240	—	—
Mortgage/asset-backed securities	5,000,776	—	179,407	2,971,383	1,849,986	—
Private debt obligations	2,272,770	—	2,272,770	—	—	—
	<u>\$ 101,057,530</u>	<u>34,299,142</u>	<u>33,263,601</u>	<u>31,644,801</u>	<u>1,849,986</u>	<u>—</u>

Reconciliation of cash and investments to the amounts on the statement of net position is as follows:

Cash and cash equivalents:	
Petty cash	\$ 1,650
Demand deposits	1,004,495
Time certificates of deposits	<u>240,000</u>
Total cash	<u>\$ 1,246,145</u>
Investments:	
Temporary investments	\$ 20,079,492
Long-term investments	<u>80,978,038</u>
	<u>\$ 101,057,530</u>

The Alaska Municipal League Investment Pool, Inc. (AMLIP) represents the City's share of ownership in the pool rather than ownership of specific securities. AMLIP is considered to be an external investment pool as defined by Generally Accepted Accounting Principles. AMLIP is not SEC-registered and is unrated. Regulatory oversight of the pool is established by Alaska Statute 37.23. 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 a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager 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. As of June 30, 2015, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

(b) Capital Assets

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

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,147,603	—	—	31,147,603
Construction in progress	20,693,607	10,894,130	(28,653,535)	2,934,202
Total	51,841,210	10,894,130	(28,653,535)	34,081,805
Capital assets, being depreciated:				
Buildings	56,685,297	4,792,793	—	61,478,090
Infrastructure	33,986,250	21,932,352	(66,626)	55,851,976
Machinery and equipment	9,034,585	—	—	9,034,585
Total	99,706,132	26,725,145	(66,626)	126,364,651
Less accumulated depreciation for:				
Buildings	(26,613,732)	(1,319,879)	—	(27,933,611)
Infrastructure	(20,632,163)	(1,353,162)	66,626	(21,918,699)
Machinery and equipment	(6,649,425)	(539,539)	—	(7,188,964)
Total	(53,895,320)	(3,212,580)	66,626	(57,041,274)
Total capital assets, being depreciated, net	45,810,812	23,512,565	—	69,323,377
Governmental-type activities, net	\$ 97,652,022	34,406,695	(28,653,535)	103,405,182

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	—	—	3,309,476
Construction in progress	45,172,125	29,803,623	(29,006,589)	45,969,159
Total	<u>48,481,601</u>	<u>29,803,623</u>	<u>(29,006,589)</u>	<u>49,278,635</u>
Capital assets, being depreciated:				
Buildings	59,974,047	—	—	59,974,047
Infrastructure	147,495,354	19,798,021	—	167,293,375
Machinery and equipment	21,557,570	8,127,501	—	29,685,071
Total	<u>229,026,971</u>	<u>27,925,522</u>	<u>—</u>	<u>256,952,493</u>
Less accumulated depreciation for:				
Buildings	(14,557,741)	(1,640,797)	—	(16,198,538)
Infrastructure	(54,506,548)	(4,558,996)	—	(59,065,544)
Machinery and equipment	(5,618,368)	(925,860)	—	(6,544,228)
Total	<u>(74,682,657)</u>	<u>(7,125,653)</u>	<u>—</u>	<u>(81,808,310)</u>
Total capital assets, being depreciated, net	<u>154,344,314</u>	<u>20,799,869</u>	<u>—</u>	<u>175,144,183</u>
Business-type activities, net	\$ <u>202,825,915</u>	<u>50,603,492</u>	<u>(29,006,589)</u>	<u>224,422,818</u>

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

General government	\$ 278,687
Public safety	206,201
Public works	1,073,883
Parks, culture, and recreation	1,066,399
Education	587,410
	<u> </u>
Total – governmental activities	\$ <u>3,212,580</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Business-type activities:		
Electric	\$	2,162,429
Water		893,616
Ports and harbors		2,664,327
Solid waste		410,814
Wastewater		516,985
Airport		295,815
Housing		181,667
		<hr/>
Total – business-type activities	\$	<u>7,125,653</u>

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

Current interfund receivables and payables are shown as “Due from other funds” or “Due to other funds” in the Governmental Fund Balance Sheet and the Proprietary Funds Statement of Net Position and as internal balances in the statement of net position. These balances at June 30, 2015 were as follows:

<u>Receivable</u>	<u>Payable</u>	
	<u>General fund</u>	<u>Nonmajor Gov Road to LSA</u>
General fund	\$ —	803,920
1% Sales Tax Special Revenue Fund	4,407,593	—
Street Paving Capital Project Fund	8,129,674	—
Nonmajor governmental funds	1,956,547	—
Electric	3,006,365	—
Water	2,301,296	—
Wastewater	5,213,455	—
Solid waste	6,535,112	—
Ports and harbors	17,664,225	—
Nonmajor proprietary funds	2,621,578	—
	<hr/>	<hr/>
	\$ <u>51,835,845</u>	<u>803,920</u>

The outstanding balances between funds result from cash being held in a central treasury in the General Fund.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Interfund receivables and payables that are not current are shown and are also included in internal balances on the statement of net position. These balances at June 30, 2015 were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General fund	\$ —	1,601,200
Enterprise funds:		
Electric utility:		
Current portion	208,240	—
Long-term portion	1,392,960	—
	<u>\$ 1,601,200</u>	<u>1,601,200</u>

On April 27, 2004, the City Council approved a long-term advance from the General Fund to the Electric Utility Fund in the amount of \$2,800,000 to be paid back in twenty annual installments, interest free. Payments are due on May 1 of each year.

On August 26, 2014, the City Council approved a long-term advance from the General Fund to the Electric Utility Fund in the amount of \$341,200 to be paid back in five annual installments, interest free. Payments are due on May 1 of each year.

A summary of transfers between funds of the City for the year ended June 30, 2015 is as follows:

<u>Transfers in</u>	<u>Transfers out</u>							<u>Total Transfers In</u>
	<u>General Fund</u>	<u>1% Sales Tax</u>	<u>Street Paving</u>	<u>Nonmajor Gov. Funds</u>	<u>Electric</u>	<u>Wastewater</u>	<u>Solid Waste</u>	
General Fund	\$ —	1,200,000	928,930	2,643,995	186,417	—	335,227	5,294,569
1% Sales Tax	—	—	—	1,199,605	—	24,851	—	1,224,456
Street Paving	928,642	3,000,000	—	—	—	—	—	3,928,642
Non-major Gov. Funds	1,374,113	—	—	—	—	—	—	1,374,113
Major Enterprise Funds:								
Electric	341,200	—	—	—	—	—	—	341,200
Water	105,065	—	—	—	—	—	—	105,065
Wastewater	3,668,350	—	—	55,000	—	—	—	3,723,350
Non-major Ent. Funds	7,500	—	—	—	—	—	—	7,500
	<u>\$ 6,424,870</u>	<u>4,200,000</u>	<u>928,930</u>	<u>3,898,600</u>	<u>186,417</u>	<u>24,851</u>	<u>335,227</u>	<u>15,998,895</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$3,668,350 to the Wastewater Fund for capital additions.
- The General Fund transferred \$1,374,113 to the Capital Equipment Project Fund for capital additions.
- The 1% Sales Tax Special Revenue Fund transferred \$1,200,000 to the General Fund for port debt repayment.
- The 1% Sales Tax Special Revenue Fund transferred \$3,000,000 to the Street Paving Fund for capital additions.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

- The nonmajor Equipment Capital Project Fund transferred \$2,554,033 of unexpended appropriations to the General Fund.
- The nonmajor Equipment Capital Project Fund transferred \$1,199,605 of unexpended appropriations to the 1% Sales Tax Special Revenue Fund.
- The Street Paving major Capital Project Fund transferred \$928,930 of unexpended appropriations to the General Fund.

(d) *Operating Leases*

On June 30, 1981, the City and Ounalashka Corporation signed a 30 year lease with two 10 year renewal options for land at the Spit Dock. The first 10 year renewal option was entered into on July 1, 2011. Lease payments are \$3,114 per month with the amount to be reevaluated every five years.

On July 6, 1983, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 40 year lease (ADA 05248) for the land for the Airport Terminal. Annual payments of \$7,308 are due July 6 each year and the rental rate is not subject to change until January 1, 2016. This lease expires on July 6, 2023.

On October 2, 1992, the City and North Pacific Fuel entered into a lease agreement for office space for the Port and Harbor Offices. The lease was renewed for one year in October 2015 at a rate of \$2,691 per month.

On January 3, 1996, the City and the State of Alaska Department of Transportation entered into a 40 year lease (ADA 07158) for the Amaknak Fire Station land. Annual payments of \$3,173 are due January 1 each year, ending January 2, 2036.

On May 1, 2000, the City and Ounalashka Corporation entered into a 25 year lease with five 5 year renewal options for land at the Light Cargo Dock. Lease payments are \$5,418 per month with the amount to be reevaluated every 5 years. The next evaluation is in 2020.

On January 1, 2009, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 10-year land use permit (ADA-08620) for the airport long-term parking land. Annual payments of \$1,882 are due January 1 each year, ending December 31, 2019

On July 1, 2013, the City and the United Methodist Ministries entered into a 3 year lease for land for a community ballpark at a rate of \$6,000 per year, ending June 30, 2016.

On November 5, 2014, the City and Cora Holmes, dba Steward Road Rentals, entered into a 1-year lease agreement for residential rent at 297 Steward Rd. Monthly payments are \$1,200 and the lease expires November 4, 2015.

On May 26, 2015 the City and Aleutian Bible Church entered into a sublease agreement for East Point Properties Unit #7, Unalaska, AK. Term of sublease is month to month commencing on May 26, 2015 and ending on September 30, 2015. Monthly rent is \$1,650 due on 1st day of each month.

Rent expense for the year ended June 30, 2015 was \$181,869.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

The future commitment for operating lease payments is as follows:

2016	\$	162,561
2017		122,826
2018		114,753
2019		114,753
2020		112,871
2021–2025		389,426
2026–2030		15,863
2031–2035		15,863
2036–2040		3,173
	\$	1,052,089

(e) Long-Term Debt

General Obligation Bonds: The City issues general obligation bonds to provide monies for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

	Principal balance
Governmental activities:	
General obligation bonds:	
2015 Series One bonds issued in 2015 for \$1,800,000, interest rates of 2.0% to 4.0% due in annual installments of \$335,000 to \$385,000 to 2020, payable to the Alaska Municipal Bond Bank Authority (Bond Bank)	\$ 1,800,000
2009 II school bonds issued in 2009 for \$4,470,000, interest rates of 1.32% to 4.75% due in semiannual installments of \$370,000 to \$535,000 to 2019, payable to the Bond Bank	2,010,000
Total	\$ 3,810,000

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Other debt: The City issues other debt instruments in connection with its business-type activities. Other debt balances are as follows:

	<u>Principal balance</u>
Business-type activities:	
Bonds:	
2015 Series One bonds issued in 2015 for \$20,415,000, interest rates of 3.50% to 4.00%, due in annual installments of \$1,055,000 to \$1,785,000, beginning in 2019 through 2034, payable to the Bond Bank	\$ 20,415,000
2010 Series A (tax-exempt) General Obligation Harbor Improvement Bond issued in 2010 for \$2,270,000, interest rates of 2% to 5% due in semiannual installments of \$180,000 to \$440,000 to 2021, payable to the Bond Bank	1,335,000
2010 Series B (taxable Build America Bond) General Obligation Harbor Improvement Bond issued in 2010 for \$2,730,000, interest rates of 5.993% to 6.341% due in semiannual installments of \$255,000 to \$355,000, to 2030, payable to the Bond Bank	2,730,000
2010A (tax-exempt) Electric Utility Revenue Bond issued in 2010 for \$2,015,000, interest rates of 2% to 4% due in annual installments of \$195,000 to \$255,000, to 2019, payable to the Bond Bank	1,195,000
2010B (taxable Recovery Zone Economic Development Bond – direct payment) Electric Utility Revenue Bond issued in 2010 for \$3,365,000, interest rates of 4.925% to 5.432% due in annual installments of \$265,000 to \$350,000, to 2030, payable to the Bond Bank	3,365,000
2009 Revenue bonds issued in 2009 for \$25,000,000, interest rate of 5.00%, due in semiannual installments of \$720,000 to \$835,000, to 2019, payable to the Bond Bank	3,110,000
State of Alaska loans:	
1997 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years	18,055
1997 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years	116,842
2013 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years commencing one year after project completion	3,868,095
2013 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years commencing one year after project completion	603,383
Total	\$ <u><u>36,756,375</u></u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 4,665,000	1,800,000	(2,655,000)	3,810,000	805,000
Premium on bonds	32,958	129,767	(18,607)	144,118	35,429
Compensated absences	<u>1,187,504</u>	<u>1,153,583</u>	<u>(1,235,254)</u>	<u>1,105,833</u>	<u>1,105,833</u>
Governmental activity long-term liabilities	<u>\$ 5,885,462</u>	<u>3,083,350</u>	<u>(3,908,861)</u>	<u>5,059,951</u>	<u>1,946,262</u>
Business-type activities-					
Bonds payable:					
Revenue bonds	\$ 23,070,000	20,415,000	(19,960,000)	23,525,000	720,000
Revenue bonds – tax-exempt	1,410,000	—	(215,000)	1,195,000	220,000
RZED Revenue bonds – taxable	3,365,000	—	—	3,365,000	—
GO Bonds – tax-exempt	1,530,000	—	(195,000)	1,335,000	200,000
BAB GO Bonds – taxable	2,730,000	—	—	2,730,000	—
Premium on bonds	<u>264,206</u>	<u>2,016,807</u>	<u>(45,534)</u>	<u>2,235,479</u>	<u>117,181</u>
Total bonds payable	32,369,206	22,431,807	(20,415,534)	34,385,479	1,257,181
Other contracts and loans:					
Loans	178,358	4,471,478	(43,461)	4,606,375	43,461
Army Corps of Engineers	2,097,013	—	—	2,097,013	—
Accrued landfill closure and postclosure care costs	4,649,929	259,732	—	4,909,661	272,290
Compensated absences	<u>412,990</u>	<u>425,076</u>	<u>(418,635)</u>	<u>419,431</u>	<u>419,431</u>
Business-type activity – long-term liabilities	<u>\$ 39,707,496</u>	<u>27,588,093</u>	<u>(20,877,630)</u>	<u>46,417,959</u>	<u>1,992,363</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

	Governmental activities		
	Principal	Interest	Total
Year(s) ending June 30:			
2016	\$ 805,000	149,680	954,680
2017	835,000	118,775	953,775
2018	875,000	86,188	961,188
2019	910,000	48,313	958,313
2020	385,000	7,700	392,700
	<u>\$ 3,810,000</u>	<u>410,656</u>	<u>4,220,656</u>

Annual debt service requirements to maturity for business-type activities bonds are as follows:

	Electric		
	Principal	Interest	Total
Year(s) ending June 30:			
2016	\$ 940,000	1,201,397	2,141,397
2017	990,000	1,123,667	2,113,667
2018	1,035,000	1,075,392	2,110,392
2019	1,085,000	1,024,842	2,109,842
2020	1,310,000	976,042	2,286,042
2021–2025	6,780,000	4,333,272	11,113,272
2026–2030	8,500,000	2,653,687	11,153,687
2031–2034	7,445,000	590,852	8,035,852
	<u>\$ 28,085,000</u>	<u>12,979,151</u>	<u>41,064,151</u>

	Ports and harbors		
	Principal	Interest	Total
Year(s) ending June 30:			
2016	\$ 200,000	225,149	425,149
2017	210,000	217,149	427,149
2018	220,000	208,749	428,749
2019	225,000	199,949	424,949
2020	235,000	190,949	425,949
2021–2025	1,340,000	763,754	2,103,754
2026–2030	1,635,000	319,586	1,954,586
	<u>\$ 4,065,000</u>	<u>2,125,285</u>	<u>6,190,285</u>

The \$2,097,013 payable to the U.S. Corps of Engineers for the Breakwater Improvement Project has been excluded from the schedule above as the timing of payment has not been determined.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Annual debt service requirements to maturity for business-type activities other contracts and loans are as follows:

	Other proprietary funds		
	Principal	Interest	Total
Year(s) ending June 30:			
2016	\$ 43,461	2,024	45,485
2017	43,461	1,371	44,832
2018	43,461	719	44,180
2019	4,514	68	4,582
	<u>\$ 134,897</u>	<u>4,182</u>	<u>139,079</u>

Build America Bond

The City has a \$2,730,000 taxable Build America Bond (2010 Series B General Obligation Harbor Improvement Bond). The City will be reimbursed for 35% of the interest associated with this bond by the U.S. Treasury through the American Recovery and Reinvestment Act.

Recovery Zone Economic Development Bond

The City has a \$3,365,000 taxable Recovery Zone Economic Development Bond (2010B Electric Utility Revenue Bond). The City will be reimbursed for 45% of the interest associated with this bond by the U.S. Treasury through the American Recovery and Reinvestment Act.

Alaska Department of Environmental Conservation Loans

On October 4, 2013, the City was approved for an \$8,788,200 loan from the Alaska Department of Environmental Conservation for a landfill phase II expansion. As of June 30, 2015, the City has received \$603,383 and has requested an additional amount of \$2,281,350 under this agreement.

On June 28, 2013, the City was approved for an \$8,566,600 loan from the Alaska Department of Environmental Conservation for a wastewater treatment plant upgrade. As of June 30, 2015, the City has received \$3,868,095 and has requested an additional amount of \$2,175,122 under this agreement.

On July 23, 2012, the City was approved for a \$5,000,000 loan from the Alaska Department of Environmental Conservation for a new water treatment plant. As of December 23, 2015, \$3,055,830 has been requested but has not been received.

Advance Refunding

The City issued \$20,415,000 in general obligation bonds with interest rates ranging from 3.5% to 4.0%. The proceeds were used to advance refund \$19,265,000 of outstanding 2009-1 general obligation bonds which had interest rates ranging from 3.0% to 5.75%. The net proceeds of \$22,431,807 (including a \$2,016,807 premium) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2009-1 general obligation bonds are considered defeased and the liability for those bonds has been removed from the Electric Fund statement of net position.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

The reacquisition price exceeded the net carrying amount of the old debt by \$2,765,838. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2009-1 general obligation bonds to reduce its total debt service payments over 18 years by \$1,734,358 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,769,213.

(4) Other Information

(a) *Risk Management*

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, third-party liability, and errors and omissions; and natural disasters for which the City carries commercial insurance. The City's insurance is on a per-occurrence basis.

The City currently participates in the Alaska Public Entity Insurance (APEI) pool, which covers property and contents, general, auto liability, law enforcement legal liability, errors and omissions, earthquake and flood, marine, and workers compensation. APEI is a public entity risk pool that reinsurers risk above certain levels, thereby relieving the members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2015.

Claims on insurance have not exceeded coverage in any of the last three years.

(b) *Landfill Closure and Postclosure Care*

State and federal laws and regulations require the City to place a final cover on its current landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these estimated closure and postclosure care costs, the City is recording as an operating expense in each period an amount based on landfill capacity used each year of operation. During 2015, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2015. As of June 30, 2015, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$4,909,661, based on the use of 55% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$4,528,539 of expense and liability between July 2015, and the year 2051, the date the landfill is expected to reach full capacity. These amounts are based on what it would cost to perform all the closure and postclosure care functions in 2015. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

Alaska state law requires that the City provide financial assurances annually for the closure and postclosure care of the landfill. Currently, no assets of the City are restricted for payment of closure and postclosure care costs. Future inflation costs and additional costs that might arise from changes in closure and postclosure requirements (due to change in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

(c) Contingencies

Under the terms of state and federal grants, periodic audits may be performed by funding agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could require reimbursement to the grantor agencies.

In the normal course of its activities, the City is involved in various claims and pending litigation.

Management believes that the outcome of the matters discussed in the preceding paragraphs will not have a material adverse affect on the financial statements of the City. Accordingly, no provision for losses has been recorded.

In June 2011, the federal government, through the Department of Justice (DOJ) and the Environmental Protection Agency (EPA), sued the City and the State of Alaska alleging numerous violations of the Clean Water Act (CWA) related to certain operations of the City's wastewater treatment plan under its National Pollutant Discharge Elimination System permit. The City completed settlement negotiations with the EPA, DOJ, and the State of Alaska, which resulted in a negotiated consent decree. Under the consent decree, the City must pay a civil penalty of \$340,000 for alleged past CWA violations, which the City paid in July 2012. The remaining obligations under the consent decree require phased construction of various upgrades to the City's wastewater over a period of three plus years with an upgraded wastewater treatment plant required to begin operations by December 31, 2015. Construction costs are estimated to be about \$28 million.

(d) Commitments

Encumbrances outstanding at year-end, including purchase orders, contracts, and other commitments for the expenditure of monies, are reported as committed or assigned fund balances in the governmental funds. Outstanding encumbrances at June 30, 2015 were as follows:

Governmental funds:	
General Fund	\$ 234,051
Street Paving Fund	5,201,512
Other nonmajor governmental funds	<u>442,554</u>
Total governmental funds	<u>5,878,117</u>
Proprietary funds:	
Electric Fund	148,454
Water Fund	2,232,134
Wastewater Fund	1,554,032
Ports and Harbor Fund	4,436,149
Solid Waste Fund	1,430,711
Other nonmajor proprietary funds	<u>6,880</u>
Total proprietary funds	<u>9,808,360</u>
Total	<u>\$ 15,686,477</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

(e) **Retirement Commitments**

Alaska Public Employee Retirement System (PERS)

Plan Description: All full-time employees and certain permanent part-time employees of the City participate in the PERS – a cost-sharing multiple-employer defined benefit pension and postemployment healthcare plans administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). The ARMB has the authority to establish and amend the benefit terms. PERS issues a publicly available financial report that can be obtained at www.doa.alaska.gov/dr/pers/employee/resources/cafr.html.

Benefits Provided: PERS provides retirement, disability, death, and postemployment health benefits. 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.

The percentage multipliers for police/fire personnel are 2.00% for the first ten years of service and 2.50% for all service over 10 years. The percentage multipliers for all other participants are 2.00% for the first 10 years, 2.25% for the next 10 years, and 2.50% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2.00%.

Postemployment 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.

The Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan's Administrator if the funding ratio of the Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

PERS – Defined Benefit Plan

The defined benefit portion (Tiers I, II and III) of the pension plan has been closed to new entrants since July 1, 2006.

Contributions: Active PERS members are required to contribute 6.75% (2% pension cost and 4.75% postemployment healthcare cost) of their annual covered salary and the City is required to contribute

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

at an actuarially determined rate; the current rate is 39.85% (23.24% pension cost and 16.61% postemployment healthcare cost). Alaska Statute 39.35.255(a) capped the employer rate at 22%, with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. The contribution requirements of plan members and the City are established and may be amended by the ARMB. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between:

- (A) Amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less:
- (B) Total of the employer contributions for:
 - (1) Defined contribution employer matching amount
 - (2) Major medical
 - (3) Occupational death & disability, and
 - (4) Health reimbursement arrangement

The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 11,730,783
State's proportionate share of the net pension liability associated with the City	<u>10,547,310</u>
Total	<u><u>\$ 22,278,093</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. At June 30, 2014, the City's proportion was 0.251 percent, which was an increase of 0.016 from its proportion measured as of June 30, 2013.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

For the year ended June 30, 2015, the City recognized pension expense of \$1,889,194 and revenue of \$680,774 for support provided by the State. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	1,355,305
Changes in proportion and differences between City contributions and proportionate share of contributions	476,911	—
City contributions subsequent to the measurement date	<u>1,034,346</u>	<u>—</u>
Total	<u>\$ 1,511,257</u>	<u>1,355,305</u>

The City reported \$1,034,346 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2016	\$ 28,028
2017	(228,770)
2018	(338,826)
2019	(338,827)
2020	—
Thereafter	<u>—</u>
	<u>\$ (878,395)</u>

Annual OPEB cost: The City's annual OPEB cost for the years ended June 30, 2015, 2014, and 2013 was \$779,805, \$636,273, and \$721,862, respectively, and was equal to the City's required contributions for each year. The State of Alaska made no nonemployer contributions for the OPEB amounts during 2015.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation (June 30, 2013 for OPEB) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Pension</u>	<u>OPEB</u>
Inflation rate	3.12%	3.12%
Projected salary increase:		
Graded productivity and merit:		
Peace officers and firefighters	4.12 to 6.36%	N/A
Others	3.62 to 9.60%	N/A
Investment rate of return	8.00%	5.41%

Mortality rates were based on the 1994 Group Annuity Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The net pension liability is measured as of June 30, 2014. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2013 and were rolled forward to June 30, 2014 using standard update procedures. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2009. As a result of the 2009 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2013 actuarial valuation to more closely reflect actual experience.

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

	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Asset class:		
Broad domestic equity	26.0%	5.40%
Global equity	25.0	5.55
Private equity	9.0	6.40
Real estate	17.0	3.95
Absolute return	5.0	2.85
Fixed composite	12.0	0.75
Alternative equity strategies	3.0	2.85
Cash equivalents	3.0	(0.25)
Total	<u>100.0%</u>	

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Discount Rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (based on State statute), and nonemployer contributions from the State will continue to follow current funding policy. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate: The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	<u>1% decrease (7.0%)</u>	<u>Discount rate (8.0%)</u>	<u>1% increase (9.0%)</u>
City’s proportionate share of the net pension liability	\$ 15,381,311	11,730,783	8,656,700

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

PERS – Defined Contribution Plan

The State of Alaska Legislature approved SB 141 to create the PERS Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II, or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan, and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2015

Employees are required to contribute 8% of their annual covered salary, and the City is required to make the following contributions:

	Others Tier IV	Police/fire Tier IV
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA)*	3.00	3.00
Retiree medical plan	0.44	0.48
Occupational death and disability benefits	1.14	0.20
	<u>9.58%</u>	<u>8.68%</u>

* HRA – AS 39.30.370 requires that the employer contribute “an amount equal to three percent (3%) of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City’s contribution to PERS, including the HRA contribution, for the year ended June 30, 2015 was \$550,168.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years
 Alaska Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
City's proportion of the net pension liability	0.25%	0.24%	*	*	*	*	*	*	*	*
City's proportionate share of the net pension liability	\$ 11,730,783	12,364,036	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability	<u>10,547,310</u>	<u>12,049,865</u>	<u>*</u>							
Total	<u>\$ 22,278,093</u>	<u>24,413,901</u>	<u>*</u>							
City's covered-employee payroll	\$ 5,600,920	5,773,350	6,151,465	6,545,274	6,776,880	*	*	*	*	*
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.00%	214.00%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	62.37%	56.00%	*	*	*	*	*	*	*	*

* Information for these years is not available.

CITY OF UNALASKA, ALASKA
 Schedule of City Contributions
 Last Ten Fiscal Years
 Alaska Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contributions	\$ 1,033,679	963,284	811,763	816,945	625,113	656,073	*	*	*	*
Contributions in relation to the contractually required contributions	<u>(1,033,679)</u>	<u>(963,284)</u>	<u>(811,763)</u>	<u>(816,945)</u>	<u>(625,113)</u>	<u>(656,073)</u>	*	*	*	*
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
City's covered-employee payroll	\$ 5,228,987	5,600,920	5,773,350	6,151,465	6,545,274	6,776,880	*	*	*	*
Contributions as a percentage of covered-employee payroll	19.77%	17.20%	14.06%	13.28%	9.55%	9.68%	*	*	*	*

* Information for these years is not available.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2015

Assets	Bed Tax Special Revenue Fund	Capital projects		Total nonmajor funds
	—	Road to LSA	Equipment Capital Projects	
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Receivables, net:				
Taxes	\$ 23,000	—	132,254	155,254
Due from other funds	<u>177,650</u>	<u>—</u>	<u>1,778,897</u>	<u>1,956,547</u>
Total assets	<u>\$ 200,650</u>	<u>—</u>	<u>1,911,151</u>	<u>2,111,801</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	—	3,376	3,376
Due to other funds	<u>—</u>	<u>803,920</u>	<u>—</u>	<u>803,920</u>
Total liabilities	<u>—</u>	<u>803,920</u>	<u>3,376</u>	<u>807,296</u>
Fund balances:				
Committed	200,650	—	—	200,650
Assigned	—	—	1,907,775	1,907,775
Unassigned	<u>—</u>	<u>(803,920)</u>	<u>—</u>	<u>(803,920)</u>
Total fund balances	<u>200,650</u>	<u>(803,920)</u>	<u>1,907,775</u>	<u>1,304,505</u>
Total liabilities and fund balances	<u>\$ 200,650</u>	<u>—</u>	<u>1,911,151</u>	<u>2,111,801</u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

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

Year ended June 30, 2015

	Bed Tax Special Revenue Fund	Capital projects		Total nonmajor funds
		Road to LSA	Equipment Capital Projects	
Revenues:				
Taxes	\$ 189,387	—	—	189,387
Intergovernmental revenue	—	—	769,282	769,282
Other	—	—	150,000	150,000
Total revenues	<u>189,387</u>	<u>—</u>	<u>919,282</u>	<u>1,108,669</u>
Expenditures:				
Current:				
Community support	175,000	—	—	175,000
Capital projects	—	1,008,845	2,773,700	3,782,545
Total expenditures	<u>175,000</u>	<u>1,008,845</u>	<u>2,773,700</u>	<u>3,957,545</u>
Excess (deficiency) revenues over expenditures	<u>14,387</u>	<u>(1,008,845)</u>	<u>(1,854,418)</u>	<u>(2,848,876)</u>
Other financing sources (uses):				
Transfers in	—	—	1,374,113	1,374,113
Transfers out	—	(89,962)	(3,808,638)	(3,898,600)
Net other financing sources (uses)	<u>—</u>	<u>(89,962)</u>	<u>(2,434,525)</u>	<u>(2,524,487)</u>
Net change in fund balances	14,387	(1,098,807)	(4,288,943)	(5,373,363)
Fund balances, beginning of year	<u>186,263</u>	<u>294,887</u>	<u>6,196,718</u>	<u>6,677,868</u>
Fund balances, end of year	\$ <u><u>200,650</u></u>	<u><u>(803,920)</u></u>	<u><u>1,907,775</u></u>	<u><u>1,304,505</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Bed Tax Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual

Year ended June 30, 2015

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Taxes	\$ 170,000	189,387	19,387
Expenditures:			
Community support	<u>175,000</u>	<u>175,000</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	(5,000)	14,387	19,387
Other financing sources (uses):			
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u><u>\$ (5,000)</u></u>	<u>14,387</u>	<u>19,387</u>
Fund balance at beginning of year		<u>186,263</u>	
Fund balance at end of year		<u><u>\$ 200,650</u></u>	

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

Combining Statement of Net Position

June 30, 2015

Assets and Deferred Outflows of Resources	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Current assets:			
Accounts receivables (net of allowance for uncollectibles)	\$ 132,485	3,650	136,135
Prepaid expenses	—	1,200	1,200
Due from General Fund	<u>1,307,766</u>	<u>1,313,812</u>	<u>2,621,578</u>
Total current assets	<u>1,440,251</u>	<u>1,318,662</u>	<u>2,758,913</u>
Noncurrent assets:			
Capital assets, net	<u>3,650,884</u>	<u>4,747,398</u>	<u>8,398,282</u>
Total noncurrent assets	<u>3,650,884</u>	<u>4,747,398</u>	<u>8,398,282</u>
Total assets	<u>5,091,135</u>	<u>6,066,060</u>	<u>11,157,195</u>
Deferred outflows of resources:			
Pension related	<u>13,598</u>	<u>10,700</u>	<u>24,298</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	\$ 18,057	19,407	37,464
Accrued payroll and payroll liabilities	756	3,406	4,162
Customer deposits	<u>11,000</u>	<u>15,200</u>	<u>26,200</u>
Total current liabilities	29,813	38,013	67,826
Noncurrent liabilities:			
Net pension liability	<u>105,548</u>	<u>83,057</u>	<u>188,605</u>
Total liabilities	<u>135,361</u>	<u>121,070</u>	<u>256,431</u>
Deferred inflows of resources:			
Pension related	<u>12,194</u>	<u>9,596</u>	<u>21,790</u>
Net Position			
Net investment in capital assets	3,644,226	4,747,398	8,391,624
Unrestricted	<u>1,312,952</u>	<u>1,198,696</u>	<u>2,511,648</u>
Total net position	<u>\$ 4,957,178</u>	<u>5,946,094</u>	<u>10,903,272</u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

Combining Statement of Revenues, Expenditures, and Changes in Net Position

Year ended June 30, 2015

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 511,376	259,217	770,593
Total operating revenues	<u>511,376</u>	<u>259,217</u>	<u>770,593</u>
Operating expenses:			
Operations	513,272	110,415	623,687
General and administrative	—	143,507	143,507
Depreciation and amortization	295,815	181,667	477,482
Total operating expenses	<u>809,087</u>	<u>435,589</u>	<u>1,244,676</u>
Operating loss	<u>(297,711)</u>	<u>(176,372)</u>	<u>(474,083)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenue	6,125	4,820	10,945
Net nonoperating revenues	<u>6,125</u>	<u>4,820</u>	<u>10,945</u>
Loss before capital contributions and transfers	(291,586)	(171,552)	(463,138)
Transfers in	7,500	—	7,500
Change in net position	<u>(284,086)</u>	<u>(171,552)</u>	<u>(455,638)</u>
Net position, beginning of year, <i>as adjusted</i>	<u>5,241,264</u>	<u>6,117,646</u>	<u>11,358,910</u>
Net position, end of year	\$ <u><u>4,957,178</u></u>	<u><u>5,946,094</u></u>	<u><u>10,903,272</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

Combining Statement of Cash Flows

Year ended June 30, 2015

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 515,279	256,187	771,466
Payments to employees	(162,726)	(122,953)	(285,679)
Payments to vendors	(360,335)	(123,882)	(484,217)
Net cash provided by (used for) operating activities	<u>(7,782)</u>	<u>9,352</u>	<u>1,570</u>
Cash flows from noncapital and related financing activities:			
Transfers in	<u>7,500</u>	<u>—</u>	<u>7,500</u>
Net cash provided by noncapital and related financing activities	<u>7,500</u>	<u>—</u>	<u>7,500</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	<u>(342,880)</u>	<u>—</u>	<u>(342,880)</u>
Net cash used for capital and related financing activities	<u>(342,880)</u>	<u>—</u>	<u>(342,880)</u>
Change in cash and due from General Fund	(343,162)	9,352	(333,810)
Cash and due from other funds, beginning of year	<u>1,650,928</u>	<u>1,304,460</u>	<u>2,955,388</u>
Cash and due from other funds, end of year	\$ <u><u>1,307,766</u></u>	<u><u>1,313,812</u></u>	<u><u>2,621,578</u></u>
Reconciliation to balance sheet:			
Cash and due from General Fund, June 30, 2015	\$ 1,307,766	1,313,812	2,621,578
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (297,711)	(176,372)	(474,083)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	295,815	181,667	477,482
Pension related	7,691	6,053	13,744
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	3,903	604	4,507
Prepaid expenses	—	(1,200)	(1,200)
Customer deposits	1,000	(3,634)	(2,634)
Accounts payable	(10,837)	2,730	(8,107)
Accrued payroll and payroll liabilities	(7,643)	(496)	(8,139)
Net cash provided by (used for) operating activities	\$ <u><u>(7,782)</u></u>	<u><u>9,352</u></u>	<u><u>1,570</u></u>
Schedule of noncash capital and noncapital and related financing activities:			
Acquisition and construction of capital assets through accounts and retainages payable	\$ 6,658	—	6,658
Intergovernmental nonemployer pension contributions	6,125	4,820	10,945

See accompanying independent auditors' report.

STATISTICAL SECTION

CITY OF UNALASKA, ALASKA

Statistical Section

June 30, 2015

Statistical Section

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

Table of Contents

	Page(s)
Financial Trends	67–73
<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>	
Revenue Capacity	74–79
<i>These schedules contain information to help the reader assess the government’s most significant sources of revenue.</i>	
Debt Capacity	80–84
<i>These schedules presents 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>	
Demographic and Economic Information	85–86
<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>	
Operating Information	87–89
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

Sources: The City’s comprehensive annual financial reports for the previous 10 years, District files, and public records from various local and state agencies.

Table 1

CITY OF UNALASKA, ALASKA

Net Position by Component

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 80,110	80,437	77,882	74,518	78,951	85,914	84,763	87,329	92,389	99,476
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	58,720	66,810	72,154	84,150	60,934	69,731	65,008	69,518	75,878	67,336
Total governmental activities	\$ 138,830	147,247	150,036	158,668	139,885	155,645	149,771	156,847	168,267	166,812
Business-type activities:										
Net investment in capital assets	\$ 68,192	72,205	79,963	67,851	86,670	114,909	125,055	154,863	164,240	185,023
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	18,384	20,840	28,144	51,102	54,362	29,195	45,100	45,102	43,173	31,810
Total business-type activities	\$ 86,576	93,045	108,107	118,953	141,032	144,104	170,155	199,965	207,413	216,833
Primary government:										
Net investment in capital assets	\$ 148,302	152,642	157,845	142,369	165,621	200,823	209,818	242,192	259,411	286,499
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	77,104	87,650	100,298	135,252	115,296	98,926	110,108	114,620	116,269	99,146
Total primary government activities	\$ 225,406	240,292	258,143	277,621	280,917	299,749	319,926	356,812	375,680	385,645

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	\$ 3,668	3,718	4,023	4,025	3,982	4,191	4,123	4,439	4,773	4,206
Public safety	4,129	4,228	4,660	4,515	4,577	4,477	4,269	5,003	5,229	4,728
Public works	5,508	5,608	6,332	6,128	6,347	6,369	6,746	6,595	6,782	9,504
Parks, culture, and recreation	2,327	2,466	3,232	2,955	3,073	3,146	3,208	3,494	3,670	3,482
Community support	841	776	797	853	843	1,626	932	1,258	1,047	1,106
Education support	3,975	4,102	4,234	4,473	4,438	3,828	4,736	4,483	4,683	4,456
Interest on long-term debt	261	168	281	275	349	265	431	149	185	148
Total governmental activities expenses	20,709	21,066	23,559	23,224	23,609	23,902	24,445	25,421	26,369	27,630
Business-type activities										
Electric	10,257	10,014	12,851	10,547	13,955	13,745	16,757	16,973	18,004	15,363
Water	1,862	1,950	2,199	1,987	2,072	2,227	2,248	2,372	2,600	2,332
Wastewater	1,438	1,494	1,622	1,532	3,947	1,748	4,408	5,504	2,054	1,740
Solid waste	3,029	2,061	2,014	1,722	1,814	1,986	2,093	2,220	2,238	2,670
Ports and harbors	3,426	3,360	3,915	4,063	1,620	4,418	2,299	1,815	6,404	5,928
Airport	636	568	652	784	894	777	787	840	799	809
Housing	227	266	304	233	227	355	736	528	463	436
Total business-type activities expenses	20,875	19,713	23,557	20,868	24,529	25,256	29,328	30,252	32,562	29,278
Total primary government expenses	\$ 41,584	40,779	47,116	44,092	48,138	49,158	53,773	55,673	58,931	56,908
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 18	—	10	13	65	12	9	66	12	21
Public safety	236	305	77	85	29	54	8	3	2	83
Public works	—	—	—	—	—	—	—	—	—	—
Culture and recreation	117	—	194	219	204	183	201	222	215	218
Operating grants and contributions	1,077	926	923	1,275	1,703	1,604	1,620	1,635	1,540	1,623
Capital grants and contributions	189	—	5	—	63	760	21	59	750	919
Total primary government activities program revenues	1,637	1,231	1,209	1,592	2,064	2,613	1,859	1,985	2,519	2,864

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Electric	\$ 10,196	10,911	12,867	11,611	10,488	12,847	18,295	17,390	18,825	16,571
Water	2,177	2,233	2,013	1,937	1,870	2,020	2,215	2,323	2,208	2,560
Wastewater	922	908	1,199	1,365	1,334	1,456	1,815	1,898	2,082	2,262
Solid waste	1,002	955	1,115	1,165	1,111	1,331	1,555	1,630	1,817	2,197
Ports and harbors	4,421	4,425	4,938	3,681	3,986	5,545	5,459	5,785	6,427	6,538
Airport	305	333	399	425	488	458	457	472	481	512
Housing	244	236	201	190	157	127	184	238	245	259
Capital grants and contributions	69	1,189	4,748	2,582	1,162	6,608	4,545	22,721	1,072	9,131
Operating grants and contributions	—	—	—	—	213	1,421	995	1,065	7,834	755
Total business-type activities program revenues	19,336	21,190	27,480	22,956	20,809	31,813	35,520	53,522	40,991	40,785
Total primary government program revenues	\$ 20,973	22,421	28,689	24,548	22,873	34,426	37,379	55,507	43,510	43,649
Net (expense) revenue:										
Governmental activities	\$ (19,072)	(19,835)	(22,350)	(21,632)	(21,545)	(21,289)	(22,586)	(23,436)	(23,850)	(24,766)
Business-type activities	(1,539)	1,477	3,923	2,088	(3,720)	6,557	6,192	23,270	8,429	11,507
Total primary government net expense	\$ (20,611)	(18,358)	(18,427)	(19,544)	(25,265)	(14,732)	(16,394)	(166)	(15,421)	(13,259)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 3,971	4,176	4,288	4,257	4,296	4,630	4,750	4,987	5,210	5,709
General sales tax	9,034	9,292	11,042	10,361	8,863	10,755	13,960	13,272	12,554	12,220
Raw seafood sales tax	4,188	4,077	4,690	4,044	3,594	5,372	5,261	4,784	4,450	4,982
Other taxes	229	204	239	266	56	158	87	102	118	89
Fisheries tax	—	9,384	8,971	9,079	7,094	7,378	9,324	11,422	8,956	7,198
Grants not restricted to specific programs	7,487	—	—	—	632	811	1,232	1,436	1,364	808
Gain (loss) on disposal of capital assets	(14)	105	179	80	(6)	—	—	—	4	11
Investment earnings	1,839	4,166	5,266	5,618	2,650	1,603	1,067	436	742	636
Other	1,266	1,639	1,584	2,033	1,326	920	611	878	891	971
Transfers	(2,734)	(4,790)	(11,120)	(7,493)	(25,781)	5,459	(19,580)	(6,805)	980	(2,229)
Extraordinary item	—	—	—	2,019	—	—	—	—	—	—
Total governmental activities	25,266	28,253	25,139	30,264	2,724	37,086	16,712	30,512	35,269	30,395
Business-type activities:										
Gain (loss) on disposal of capital assets	4	—	6	19	(39)	—	—	16	—	—
Investment earnings	10	6	—	102	57	—	—	—	—	—
Other	156	195	13	10	—	1,974	—	—	—	—
Transfers	2,734	4,790	11,120	7,493	25,781	(5,459)	19,580	6,805	(980)	2,229
Extraordinary item	—	—	—	1,135	—	—	—	—	—	—
Total business-type activities	2,904	4,991	11,139	8,759	25,799	(3,485)	19,580	6,821	(980)	2,229
Total primary government	\$ 28,170	33,244	36,278	39,023	28,523	33,601	36,292	37,333	34,289	32,624
Change in net position:										
Governmental activities	\$ 6,194	8,418	2,789	8,632	(18,821)	15,797	(5,874)	7,076	11,419	5,629
Business-type activities	1,365	6,468	15,062	10,847	22,079	3,072	25,772	30,091	7,449	13,736
Total primary government	\$ 7,559	14,886	17,851	19,479	3,258	18,869	19,898	37,167	18,868	19,365

Table 3

CITY OF UNALASKA, ALASKA
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual basis of accounting)
 (Amounts expressed in thousands)

Fiscal year	Sales tax	Raw seafood tax	Real property taxes	Personal property taxes	Bed tax	Penalty and interest on taxes	Total
2006	\$ 9,034	4,188	2,607	1,364	162	67	17,422
2007	9,447	4,077	2,813	1,360	160	58	17,915
2008	11,042	4,690	2,905	1,383	210	29	20,259
2009	10,361	4,044	2,893	1,364	172	94	18,928
2010	8,713	3,594	2,967	1,282	150	56	16,762
2011	10,598	5,372	3,416	1,214	157	159	20,916
2012	13,960	5,261	3,389	1,361	170	87	24,228
2013	13,272	4,784	3,446	1,541	189	102	23,334
2014	12,554	4,450	3,469	1,741	118	118	22,450
2015	12,220	4,982	3,857	1,852	189	88	23,188

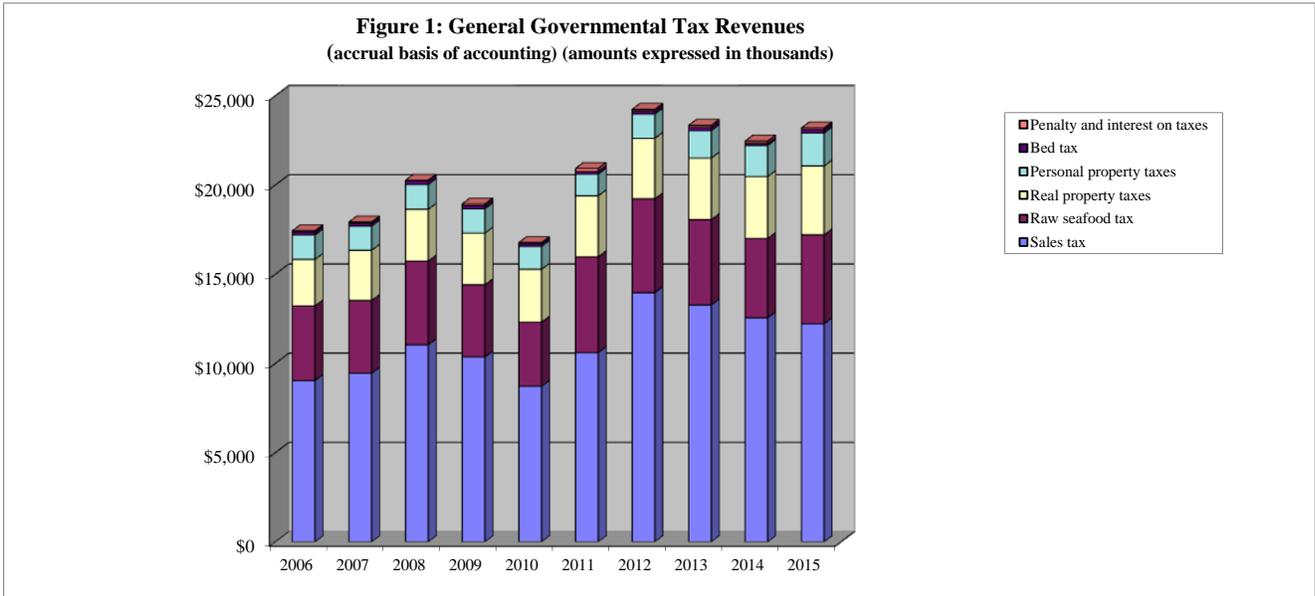


Table 4

CITY OF UNALASKA, ALASKA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund (after GASB 54):										
Nonspendable	\$ —	—	—	—	—	2,316	2,282	2,091	2,061	2,337
Committed	—	—	—	—	—	34,500	20,300	14,300	14,300	14,300
Assigned	—	—	—	—	—	264	190	333	239	234
Unassigned	—	—	—	—	—	10,603	12,509	14,760	29,094	37,888
General fund (prior to GASB 54):										
Reserved	3,039	2,972	2,924	2,736	3,581	—	—	—	—	—
Unreserved	38,363	45,360	44,554	49,012	35,014	—	—	—	—	—
Total general fund	\$ <u>41,402</u>	<u>48,332</u>	<u>47,478</u>	<u>51,748</u>	<u>38,595</u>	<u>47,683</u>	<u>35,281</u>	<u>31,484</u>	<u>45,694</u>	<u>54,759</u>
All other governmental funds (after GASB 54):										
Committed	\$ —	—	—	—	—	3,000	3,000	—	3,953	5,188
Assigned	—	—	—	—	—	13,488	19,491	28,339	18,601	9,719
Unassigned	—	—	—	—	—	(78)	—	—	—	(804)
All other governmental funds (prior to GASB 54):										
Reserved	1,653	—	—	2,795	3,918	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds	6,242	9,391	13,111	16,450	3,249	—	—	—	—	—
Debt service funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	2,900	2,808	5,279	5,612	10,100	—	—	—	—	—
Total all other governmental funds	\$ <u>10,795</u>	<u>12,199</u>	<u>18,390</u>	<u>24,857</u>	<u>17,267</u>	<u>16,410</u>	<u>22,491</u>	<u>28,339</u>	<u>22,554</u>	<u>14,103</u>

Table 5

CITY OF UNALASKA, ALASKA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 17,421	17,901	20,232	19,514	16,763	20,901	24,018	23,191	22,286	23,060
Intergovernmental	9,637	11,122	10,699	12,307	12,742	10,747	11,127	13,197	16,047	15,330
Changes for services	372	304	281	317	298	250	210	290	229	322
Investment income	1,839	4,166	5,266	5,618	2,650	1,603	1,067	436	742	636
Other	78	82	85	79	206	99	—	104	121	296
Total revenues	29,347	33,575	36,563	37,835	32,659	33,600	36,422	37,218	39,425	39,644
Expenditures:										
General government	3,483	3,604	3,549	3,937	4,013	—	3,917	4,291	4,457	4,578
Public safety	3,770	3,909	3,807	4,228	4,308	4,237	4,030	4,707	4,944	5,417
Public works	4,140	4,510	4,743	5,016	5,203	5,143	5,132	5,275	5,545	5,861
Parks, culture, and recreation	1,799	1,956	2,053	2,101	2,139	2,194	2,233	2,440	2,615	2,722
Community support	841	777	797	853	843	920	932	1,258	1,046	1,106
Education support	3,253	3,379	3,511	3,750	3,736	3,828	4,024	3,822	4,023	3,869
Debt service:										
Principal	321	347	363	379	771	823	834	720	755	780
Interest	262	242	224	237	337	325	397	165	212	184
Capital projects	4,593	1,955	1,286	3,753	6,379	9,795	1,664	5,695	8,017	10,894
Total expenditures	22,462	20,679	20,333	24,254	27,729	27,265	23,163	28,373	31,614	35,411
Excess of revenues over expenditures	6,885	12,896	16,230	13,581	4,930	6,335	13,259	8,845	7,811	4,233
Other financing sources (uses):										
Proceeds from long-term debt	—	227	226	4,648	—	—	—	—	—	11
Refunding bonds issued	—	—	—	—	255	—	—	—	—	1,930
Payments to refunded bond escrow agent	—	—	—	—	(248)	—	—	—	—	(1,930)
Transfers in	2,052	831	3,753	6,905	13,206	11,683	15,681	15,358	6,353	11,822
Transfers out	(4,784)	(5,621)	(14,872)	(14,398)	(38,987)	(6,224)	(35,261)	(22,163)	(5,748)	(15,452)
Other	—	—	—	—	102	8	—	9	9	—
Total other financing sources (uses)	(2,732)	(4,563)	(10,893)	(2,845)	(25,672)	5,467	(19,580)	(6,796)	614	(3,619)
Net change in fund balance	\$ 4,153	8,333	5,337	10,736	(20,742)	11,802	(6,321)	2,049	8,425	614
Debt service as a percentage of noncapital expenditures	3.1%	3.1%	3.1%	3.0%	5.2%	6.6%	5.7%	3.9%	4.1%	3.9%

Figure 2A: Governmental Expenditures

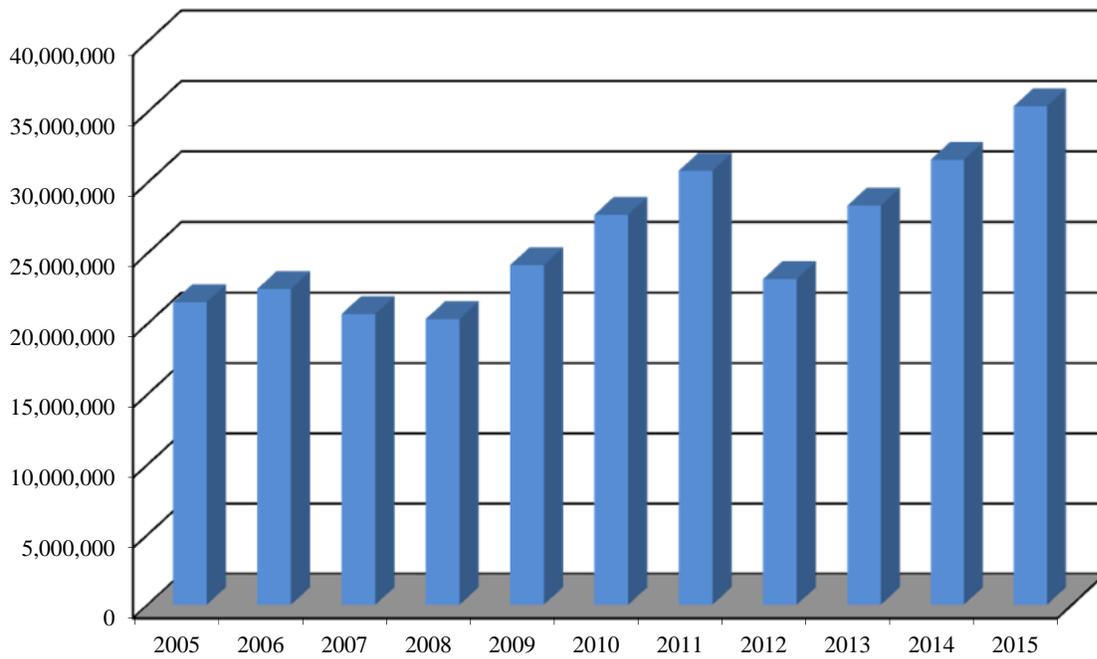


Figure 2B: Governmental Expenditures By Function for Fiscal Year 2015

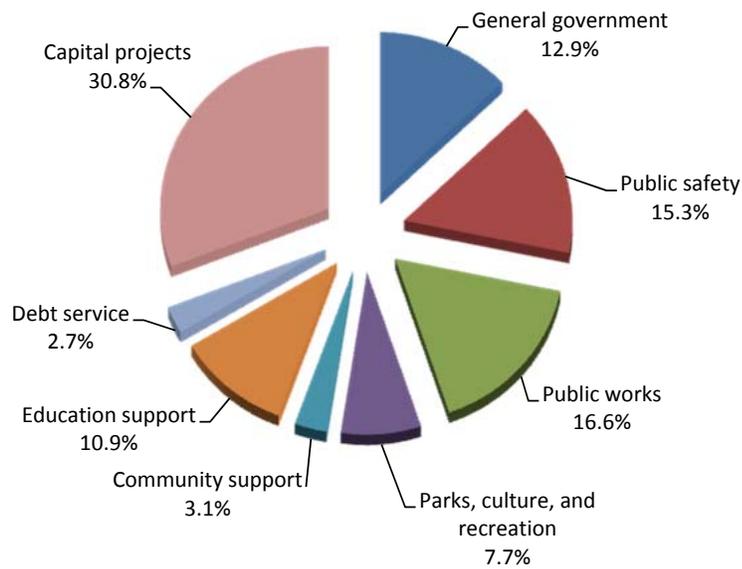


Table 7

CITY OF UNALASKA, ALASKA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)

Fiscal year	Sales tax	Raw seafood tax	Real property taxes	Personal property taxes	Bed tax	Penalty and interest on taxes	Total
2006	\$ 9,012	4,188	2,779	1,214	162	67	17,422
2007	9,447	4,077	2,813	1,360	160	58	17,915
2008	11,042	4,690	2,905	1,383	210	29	20,259
2009	10,368	4,619	2,892	1,367	172	93	19,511
2010	8,713	3,594	2,967	1,282	150	56	16,762
2011	10,772	5,372	3,384	1,214	157	159	21,058
2012	13,790	5,261	3,364	1,367	170	87	24,039
2013	13,084	4,784	3,494	1,539	189	102	23,192
2014	12,385	4,450	3,451	1,713	169	118	22,286
2015	12,031	4,982	3,862	1,907	189	89	23,060

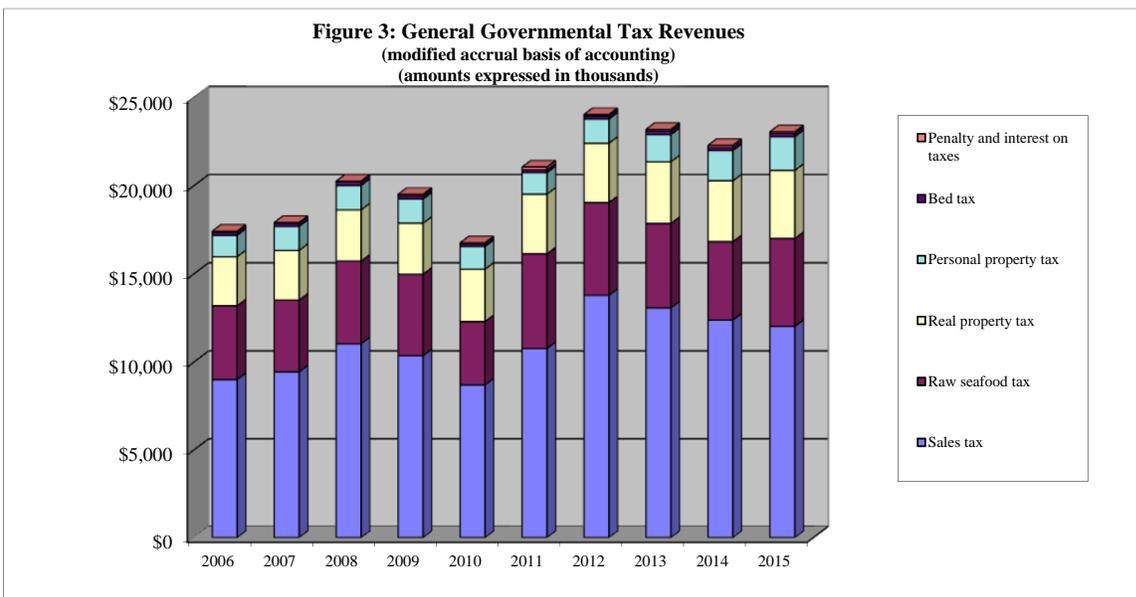


Table 8

CITY OF UNALASKA, ALASKA
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Amount expressed in thousands)

Fiscal year	Real property		Personal property		Total		Ratio of assessed value to estimated	Total direct tax rate
	Assessed value	Estimated value	Assessed value	Estimated value	Assessed value	Estimated value		
2006	235,911	291,248	103,313	127,547	339,224	418,795	81	11.78
2007	238,939	324,687	115,906	156,124	354,845	480,811	74	11.78
2008	246,322	328,429	117,384	156,512	363,706	484,941	75	11.78
2009	284,432	320,884	125,775	141,894	410,207	462,778	89	10.50
2010	329,903	378,069	122,778	140,704	452,681	518,773	87	10.50
2011	321,616	382,876	132,439	157,665	454,055	540,541	84	10.50
2012	330,239	393,142	134,744	160,410	464,983	553,552	84	10.50
2013	330,908	376,032	161,341	183,342	492,249	559,374	88	10.50
2014	367,166	410,517	177,979	198,993	545,145	609,510	89	10.50
2015	396,455	435,665	182,178	200,196	578,633	635,861	91	10.50

Table 9

CITY OF UNALASKA, ALASKA

Property Tax Rates

All Governments

Last Ten Fiscal Years

	Total city millage rate (1)
Fiscal year ending:	
2006	11.78
2007	11.78
2008	11.78
2009	10.50
2010	10.50
2011	10.50
2012	10.50
2013	10.50
2014	10.50
2015	10.50

(1) The rate is per thousand dollars of assessed value. There are no restrictions or mandates on the rate nor is there a separate component for debt service.

Note: There are no overlapping governmental units.

Table 10**CITY OF UNALASKA, ALASKA**

Principal Real Property Taxpayers

June 30, 2015 and 2006

Company	Total assessed value
Ounalashka Corporation and Subsidiaries	\$ 128,924,100
Western Pioneer Inc.	52,170,255
Unisea Inc.	46,824,550
Westward Seafoods Inc.	27,360,400
Alyeska Seafoods Inc.	21,736,990
Offshore Systems Inc.	14,452,100
Valdez Petroleum Terminal Inc.	4,725,330
Strong Holdings LLC	4,435,110
CPD Alaska LLC	4,020,300
Karel and Marie Machalek	2,700,800

Table 11

CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers

June 30, 2015 and 2006

Taxpayer	2015			2006*		
	Receipts from customer	Rank	Percentage of total electric utility customers billed	Receipts from customer	Rank	Percentage of total electric utility customers billed
American President Lines	\$ 4,494,578	1	39%	1,957,151	1	19%
Horizon Lines, LLC	2,547,440	2	22%	1,070,717	3	10
City of Unalaska	1,567,266	3	14%	1,181,967	2	11
Kloosterboer	604,256	4	5%	—	—	—
Dutch Harbor Acquisitions	—	—	0%	—	—	—
Safeway	460,045	5	4%	507,355	5	5
North Pacific Fuel	443,816	7	4%	461,612	6	4
Alaska Ship Supply	458,841	6	4%	299,363	9	3
Unalaska City School	431,678	8	4%	316,463	7	3
Coastal Transportation	359,667	9	3%	—	—	—
Harbor Crown	—	—	0%	672,326	4	6
Pacific Stevedoring, Inc.	215,279	10	2%	301,660	8	3
Alaska Commercial Company	—	—	0%	203,484	10	2
	<u>\$ 11,582,866</u>		<u>101%</u>	<u>6,972,098</u>		<u>66%</u>

* Information not available prior to FY06 due to software conversion

Table 12

CITY OF UNALASKA, ALASKA

Property Tax Levies and Collections

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal year	Total tax levy	Current tax collections	Percent of levy collected	Delinquent tax collections	Total tax collections	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of delinquent taxes to tax levy
2006	3,996	3,983	99.7	11	3,994	99.9	2	0.1
2007	4,180	4,167	99.7	9	4,176	99.9	4	0.1
2008	4,284	4,278	99.9	4	4,282	100.0	2	—
2009	4,307	4,260	98.9	2	4,262	99.0	45	1.0
2010	4,299	4,249	98.8	6	4,255	99.0	44	1.0
2011	4,645	4,622	99.5	8	4,630	99.7	15	0.3
2012	4,760	4,689	98.5	59	4,748	99.7	12	0.3
2013	4,986	4,948	99.2	—	4,948	99.2	38	0.8
2014	5,141	5,090	99.0	—	5,090	99.0	51	1.0
2015	5,725	5,656	98.8	40	5,696	99.5	56	1.0

Table 13

CITY OF UNALASKA, ALASKA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

<u>Fiscal year</u>	<u>Governmental activities</u> <u>General obligation bonds</u>	<u>Business Type activities</u> <u>Ports and harbors fund GO bonds</u>	<u>Electric fund revenue bonds</u>	<u>Nonmajor funds ADEC loans</u>	<u>Total primary government</u>	<u>Percentage of personal income</u>	<u>Per capita</u>
2006	\$ 5,176	—	—	526	5,702	4	1,447
2007	4,830	—	—	483	5,313	3	1,445
2008	4,467	—	—	439	4,906	3	1,382
2009	8,558	—	25,000	396	33,954	22	9,272
2010	7,796	5,000	25,000	352	38,148	24	8,718
2011	6,974	4,815	30,380	309	42,478	24	9,734
2012	6,186	4,635	29,560	265	40,646	21	8,515
2013	5,460	4,450	28,715	222	38,847	19	8,893
2014	4,698	4,260	27,845	178	36,981	*	7,800
2015	3,954	4,065	24,975	4,605	37,599	*	8,019

* Data unavailable or incomplete

Table 14

CITY OF UNALASKA, ALASKA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

Fiscal year	General obligation bonds	Percentage of estimated actual taxable value of property	Per capita
2006	\$ 5,176	1.24	1,314
2007	4,830	1.00	1,313
2008	4,467	0.92	1,258
2009	8,558	1.85	2,337
2010	7,796	1.50	1,782
2011	6,974	1.29	1,598
2012	6,186	1.12	1,288
2013	5,460	0.98	1,242
2014	4,698	0.77	985
2015	3,954	0.62	843

Table 15

CITY OF UNALASKA, ALASKA
Direct Governmental Activities Debt (1)
June 30, 2015

Jurisdiction	Outstanding debt	Percentage applicable to City of Unalaska	Amount applicable to City of Unalaska
Direct:			
City of Unalaska	\$ 3,954,118	100%	3,954,118

(1) Direct debt is long-term debt and does not include long-term liabilities such as internal advances, accrued landfill closure costs, or compensated absences.

Note: There are no overlapping governmental units.

CITY OF UNALASKA, ALASKA

Legal Debt Margin Information

June 30, 2015

There is no legal debt margin for municipalities in the State of Alaska.

Table 17

CITY OF UNALASKA, ALASKA

Pledged-Revenue Coverage

Electric Fund

<u>Fiscal year</u>		<u>Operating revenues</u>	<u>Operating expenses (1)</u>	<u>Income from operations</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2010	\$	10,488,583	10,147,247	341,336	—	169,547	169,547	201%
2011		13,100,085	12,323,458	776,627	—	1,003,389	1,003,389	77
2012		18,526,613	13,340,157	5,186,456	820,000	1,859,007	2,679,007	194
2013		17,389,996	13,523,054	3,866,942	845,000	1,510,417	2,355,417	164
2014		18,825,315	14,424,067	4,401,248	870,000	1,478,167	2,348,167	187
2015		16,571,260	11,780,405	4,790,855	910,000	1,420,542	2,330,542	206

(1) Operating expenses exclude depreciation and payments in lieu of tax (PILT).

(2) Rates are required to generate net revenues equal to or greater than 135% times annual debt payments.

* The revenue bond was issued January 8, 2009 and there were no payments during fiscal year 2009.

CITY OF UNALASKA, ALASKA

Demographic Statistics

Last Ten Fiscal Years

Calendar year	Unalaska population (1)	Aleutians west region personal income (amounts expressed in thousands) (2)	Aleutians west region per capita personal income (2)	Unalaska school enrollment (3)	Aleutians west region unemployment (4)
2006	3,940	\$ 156,600	\$ 32,103	386	5.6%
2007	3,678	155,597	33,318	388	5.3
2008	3,551	166,328	36,127	403	5.6
2009	3,662	156,852	33,668	403	7.3
2010	4,376	159,644	28,791	407	6.9
2011	4,364	175,274	31,845	412	7.8
2012	4,768	195,082	35,525	414	9.1
2013	4,364	202,105	36,673	415	8.8
2014	4,737	*	*	407	*
2015	*	*	*	396	4.1

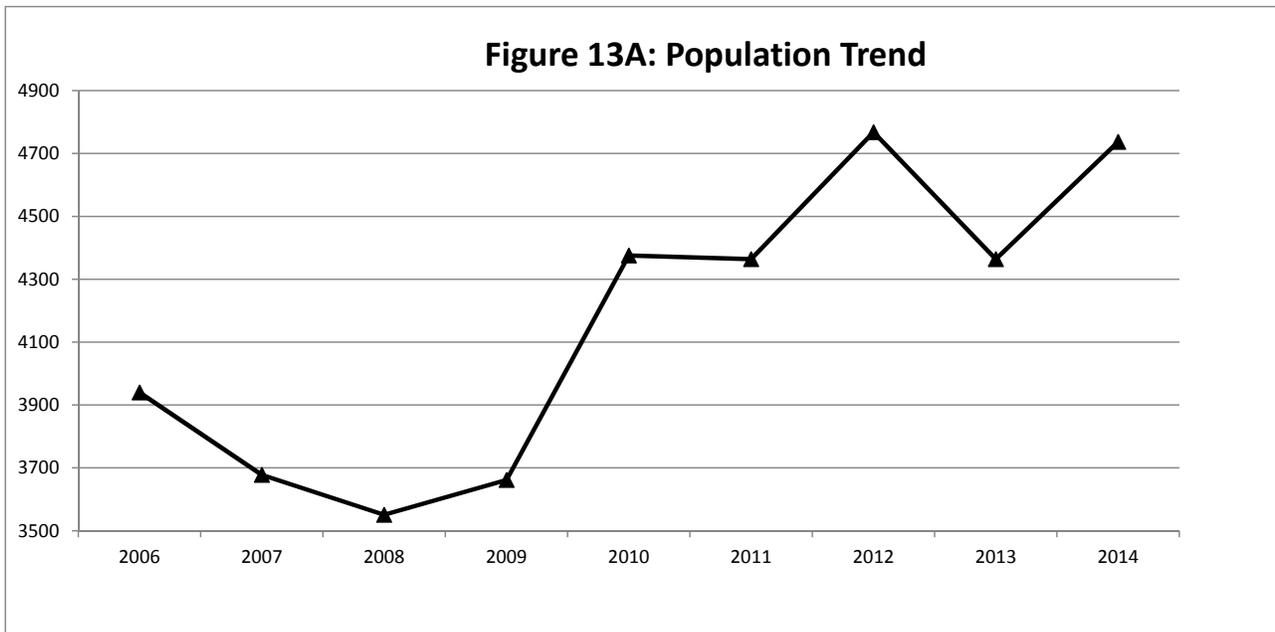
* Data unavailable or incomplete.

(1) Source – Alaska Department of Community and Economic Development

(2) Source – U.S. Department of Commerce, Bureau of Economic Analysis: Statistics are kept for the region, not for the City of Unalaska.

(3) Source – Unalaska City School District: Official fall count of calendar year.

(4) Source – Alaska Department of Labor: Statistics are kept for the region, not for the City of Unalaska.



CITY OF UNALASKA, ALASKA

Principal Employers

Alaska Department of Labor can no longer give out any information related to employers in Alaska due to new federal regulations.

Table 20

CITY OF UNALASKA, ALASKA
 Full-Time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Council	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Manager	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	12.25	12.25	11.50	11.50	11.50	12.50	12.50	12.50	12.50	12.50
IS	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Planning	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Public safety:	23.00	23.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Correction	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire protection	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public works:										
Public works administration	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Streets and roads	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Supply	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Vehicle department	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Building maintenance	8.00	8.00	8.00	8.00	8.00	8.00	8.35	8.35	8.78	8.50
Parks, culture, and recreation:										
Community center	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.50
Libraries	4.50	4.50	4.50	4.50	4.50	4.50	5.00	5.00	5.00	5.00
Community pool	4.63	4.63	5.50	5.50	5.50	5.50	5.00	5.00	5.00	4.25
Public utilities administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Electric	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00
Water	4.00	4.00	4.00	4.00	4.00	4.00	4.33	4.66	5.00	5.00
Wastewater	3.67	3.67	3.34	3.34	3.34	3.34	3.34	4.00	4.50	5.17
Ports and airport	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00
Solid waste	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.50	4.50	4.50
Total employees	154.84	154.84	153.63	153.63	153.63	154.63	156.31	156.47	159.74	159.88

Table 21

CITY OF UNALASKA, ALASKA
 Operating Indicators by Function
 Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Custodies	395	443	420	337	320	257	274	241	271	263
Fire:										
Fire response	19	22	36	24	37	50	42	29	21	49
Burn permits	117	150	145	159	116	129	99	65	65	129
Fire safety	27	29	45	31	26	41	15	17	20	35
EMS:										
EMS ambulance Calls	320	208	176	191	107	147	184	131	113	290
Public works:										
Building permits issued	32	29	43	28	55	34	18	14	27	25
Parks, culture, and recreation:										
Community Center admissions	79,340	113,971	84,904	72,532	84,134	72,889	89,178	42,747	43,161	43,158
Aquatic center attendance	*	*	*	18,500	19,072	14,631	18,348	11,950	13,219	16,928
CC & aquatic center volunteer hours	4,710	4,303	1,175	2,280	1,334	1,908	1,731	1,693	975	894
Library volunteer hours	*	*	*	840	410	733	667	766	116	98
Library circulation	107,079	130,823	144,999	197,743	208,749	211,841	239,936	267,630	196,852	198,012
Library attendance	*	*	*	110,960	115,735	113,439	105,931	138,955	91,252	71,537
Electric:										
Power generated MW	33,185	33,491	31,443	35,705	30,060	37,998	46,958	43,742	47,019	44,411
Water:										
Water produced (MG)	1,161	1,208	1,042	1,093	971	1,090	1,204	1,262	1,153	1,163
Daily pumping capacity (MGD)	2	4	4	4	4	4	4	4	4	4
Total daily capacity (MGD)	10	5.5-13	5.5-13	13	12	12	12	12	12	12
Wastewater:										
Average daily treatment (MG)	0.48	0.53	0.47	0.48	0.47	0.56	0.55	0.43	0.43	0.39
Solid waste:										
Tons of waste collected	9,533	8,496	6,702	6,785	6,061	6,442	7,128	7,484	7,232	6,245
Cubic yards of waste collected	*	*	*	9,234	8,637	8,978	10,625	10,678	10,910	11,022
Ports and harbors:										
UMC vessel calls	458	437	520	407	334	237	577	655	751	680
UMC wharfage tons	444,338	465,491	464,549	286,698	363,038	338,029	479,630	356,032	498,098	535,028
Airport:										
Passengers	58,618	57,654	58,431	53,624	52,613	55,135	53,698	*	*	*

* Data unavailable or incomplete

Table 22

CITY OF UNALASKA, ALASKA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Response vehicles	8	6	6	7	7	7	7	7	7	7
EMS:										
Ambulances	3	2	2	2	2	2	2	2	2	2
Public works:										
Miles of public roads	40.2	40.2	40.2	40.2	40.2	40.0	40.0	40.0	43.9	43.9
Miles of paved roads	6.6	6.6	6.6	6.6	6.6	7.0	7.0	7.0	9.5	9.5
Street lights	107	107	179	179	179	179	179	179	245	246
Flashing/cautionary lights	9	9	9	9	9	9	9	9	15	15
Number of bridges	7	7	7	7	7	7	7	7	10	11
Parks, culture and recreation:										
Community Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Parks	8	8	8	8	8	8	8	8	8	8
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Electric:										
Number of city owned power plants	1	1	1	1	1	1	1	1	1	1
Number of sub-stations	2	2	2	2	2	2	2	2	2	2
Water:										
Wells	4	4	4	4	4	4	4	4	4	4
Surface water treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of water lines	23	23	23	23	23	23	23	23	23	23
Number of connections	598	555	599	599	599	599	599	582	582	586
Wastewater:										
Sanitary sewers MH's	352	352	353	353	353	353	353	353	367	367
Miles of sewer lines	16.8	16.8	16.9	16.9	16.9	17.0	17.0	17.0	18.0	21.0
Lift stations	9	9	9	9	9	9	9	9	10	10
Solid waste:										
Landfills	1	1	1	1	1	1	1	1	1	1
Ports and harbors:										
Dock facilities – lineal feet of docking:										
Unalaska Marine Center (UMC)	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Spit Dock facility	1,975	1,975	1,975	1,975	1,975	1,975	1,975	2,400	2,400	2,400
Light Cargo Dock	340	340	340	340	340	340	340	340	340	340
Small Boat Harbor	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232
CEM Small Boat Harbor	*	*	*	*	*	*	5,919	5,919	5,919	5,919