

CITY OF UNALASKA, ALASKA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

CITY OF UNALASKA, ALASKA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

PREPARED BY:
Finance Department

CITY OF UNALASKA, ALASKA

Table of Contents

	Page(s)
Introduction Section	
Transmittal Letter	i–v
GFOA Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Principal Executive Officers	viii
Financial Section	
Independent Auditors’ Report	1–3
Management Discussion and Analysis (MD&A)	4–13
Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities	15–16
Governmental Funds:	
Balance Sheet	17
Reconciliation of Net Position between the Government-Wide and Fund Financial Statements	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Major Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Original and Final Budget and Actual:	
General Fund	21
1% Sales Tax Special Revenue Fund	22
Proprietary Funds:	
Statement of Net Position	23
Statement of Revenues, Expenses, and Changes in Net Position	24

CITY OF UNALASKA, ALASKA

Table of Contents

		Page(s)
Statement of Cash Flows		25–26
Notes to Financial Statements		27–57
Required Supplementary Information		
Schedule of the City’s Proportionate Share of the Net Pension Liability		58
Schedule of City Contributions		59
Additional Supplementary Information		
Nonmajor Governmental Funds:		
Combining Balance Sheet		60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances		61
Bed Tax Special Revenue Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual		62
Nonmajor Proprietary Funds:		
Combining Statement of Net Position		63
Combining Statement of Revenues, Expenses, and Changes in Net Position		64
Combining Statement of Cash Flows		65
Statistical Section	Table	
Net Position by Component	1	66
Changes in Net Position	2	67–68
Governmental Activities Tax Revenues by Source	3	69
Fund Balances of Governmental Funds	4	70
Changes in Fund Balances of Governmental Funds	5	71
Governmental Expenditures	6	72
General Governmental Tax Revenues by Source	7	73
Assessed and Estimated Actual Value of Taxable Property	8	74
Property Tax Rates	9	75

CITY OF UNALASKA, ALASKA

Table of Contents

		Page(s)
Principal Real Property Taxpayers	10	76
Principal Electric Utility Customers	11	77
Property Tax Levies and Collections	12	78
Ratios of Outstanding Debt by Type	13	79
Ratios of General Bonded Debt Outstanding	14	80
Direct Governmental Activities Debt	15	81
Legal Debt Margin Information	16	82
Pledged-Revenue Coverage	17	83
Demographic Statistics	18	84
Principal Employers	19	85
Full-time Equivalent City Government Employees by Function	20	86
Operating Indicators by Function	21	87
Capital Asset Statistics by Function	22	88

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INTRODUCTION SECTION

CITY OF UNALASKA

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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, 2016.

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, 2016. 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 the continued well-managed fisheries in the federal and state waters of the Bering Sea and 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 19 straight years, according to the most current report by the National Marine Fishery Service (NMFS) in 2015. A catch of 787.4 million pounds was landed in Unalaska in 2015, which is 13% of all Alaska landings, and 8% of the nation's landings with a value of \$218.2 million, positioning Unalaska as the number two port in value in the United States for income derived from fishing. In 2015, NMFS data shows that Alaska led all states in volume with landings of 6.03 billion pounds which is 62% of the nation's landings with a value of \$1.76 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 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 weak, therefore, we anticipate decreased production of Surimi. The decrease in Surimi price has resulted in additional concern with the weak market for Pollock block production in Europe. The Pollock roe production will continue to be strong with the large Pollock allocation in the Bering Sea and Gulf of Alaska. However, with increased volume and low market prices due to currency issues, this will affect sales prices. The 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 entirely tied to the B 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 the best managed in the nation 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 2017 season by 60% from 52 million pounds harvested in the 2015/2016 season to 21 million pounds during the 2016/2017 season. This is not due to overfishing but uncertainty of the data from the 2016 stock assessment surveys. 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 hasn't been established at this time but the estimated ex-vessel value could be as high as \$50 million. The Bristol Bay Red King Crab stocks decreased 16% from 10 million pounds harvested in the 2015 season to 8.4 million pounds in the 2016 season. The ex-vessel value of the Bristol Bay Red King Crab fishery increased to a \$10.00 per pound price range for the 2016 fishing season, putting the total ex-vessel value of the fishery at \$84 million. The Bering Sea Bairdi Tanner Crab fishery was closed for the 2016/2017 season due to the stock assessment survey showing that the female Tanner Crab did not meet their threshold level percentage, which by regulation, the State of Alaska Department of Fish and Game has to close the fishery for the protection of the species. This is an ex-vessel value loss to the harvesters of \$50-60 million and certainly has revenue impacts to Unalaska with the loss of fish and sales taxes. The Aleutian Island Golden King Crab fishery remained stable for the 2016/17 season with a harvest level of 5.6 million pounds and an ex-vessel value increase to \$4.00 per pound, putting the total ex-vessel value of the fishery at \$23 million.

The Eastern Bering Sea Pollock fishery is the nation's largest and most valuable. The quota for the 2016 fishery was 1.37 million metric tons (MMT), or 3.1 billion pounds, with first wholesale value well in excess of \$1 billion. The Pollock allocation for the 2017 season is expected to be close to the 2016 allocation of 1.37 MMT. The harvest amount for Unalaska's processing plants should be approximately 355,000 MT, or 775 million pounds. Ex-vessel value to the Pollock catcher vessels may remain at status-quo levels in 2017 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 the 2017 season. The Allowable Biological Catch (ABC) amount has been set at a slightly decreased amount of 16,000 MT to a 2017 ABC of 239,000 MT. Market conditions worldwide continue to be soft due to supply issues and currency exchange rates. The domestic cod sales are improving, we believe the ex-vessel value for this fishery is in the mid \$0.30 per pound range for shore side deliveries. The overall outlook for the Bering Sea ground-fish stocks is positive across the board and there are no overfished stocks. The 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 planning team just increased the ABC for the 2017 Pollock fishery to 2.9 MMT. The Pollock roe market, which is important for the harvesters and processors, has been weak due to currency and supply issues. Hopefully there will be a turnaround in the 2016 season.

U.S. fishermen landed 9.7 billion pounds of fish and shellfish, valued at \$5.2 billion in 2015. The most current data in the new edition of NOAA Fisheries' annual report, Fisheries of the United States 2015, shows the total landings for Pollock was up 4% since 2014 to 3.3 billion pounds, valued at \$441 million. The report also showed that for the 19th consecutive year. The Dutch Harbor landed harvest was primarily walleye Pollock, which accounted for 87% of the volume.

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.

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 2014 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 2016 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 is also 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 was completed in 2016. This new plant, with a 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.

In 2016, the City finished construction of a new chemically enhanced primary treatment wastewater facility as required by federal law. The cost of the facility was \$32 million, with more than \$20 million in State of Alaska grants and low interest loans.

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 July 2014, the City accepted a bid for the construction of two 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 purchased a tire baler to facilitate shipping of tires off Island.

The City's road improvement plan continued with the repaving of Biorka 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, 2015. This was the eighteenth 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 from the entire staff of Finance Department. 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



Nerahoo Hemraj
Finance Director





Government Finance Officers Association

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

Presented to

**City of Unalaska
Alaska**

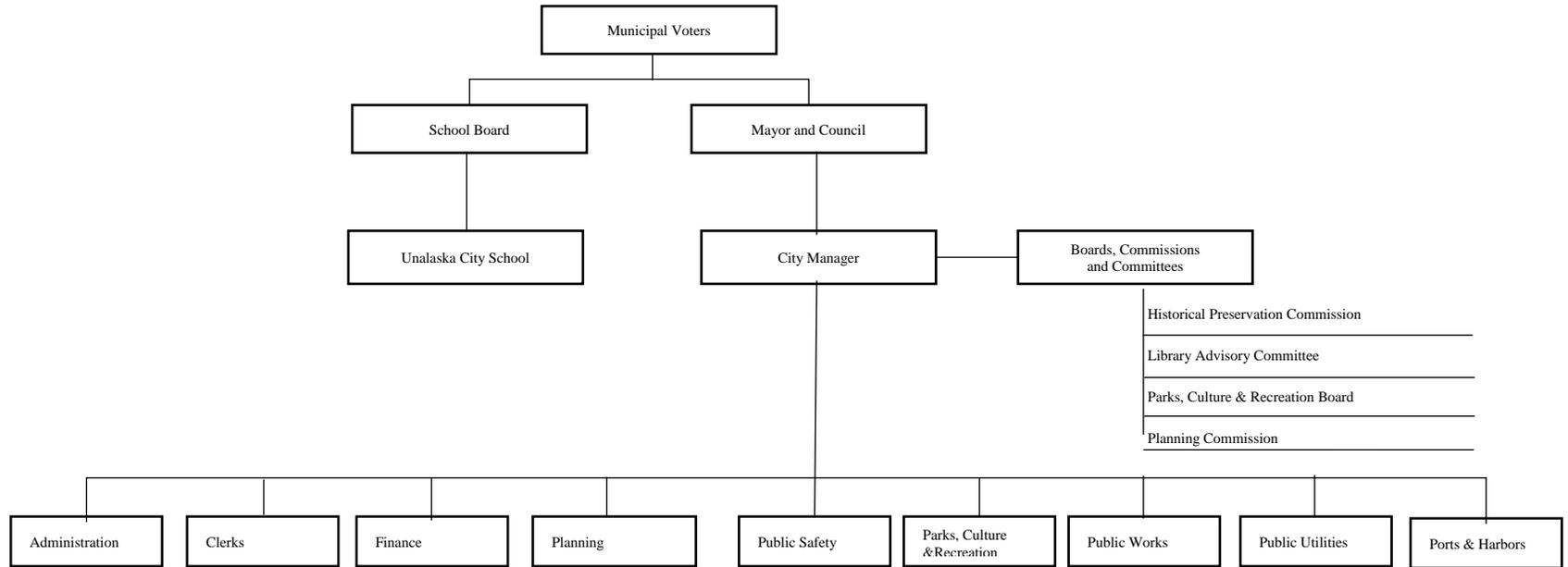
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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

Unalaska City Council

Mayor	Shirley Marquardt
Council Member	Dave Gregory
Council Member	Roger Rowland
Council Member	Alejandro Tungul
Council Member	Yudelka Leclere
Council Member	Frank Kelty
Council Member	John Waldron

City Management

City Manager	David A. Martinson
Assistant City Manager	Erin Reinders
City Clerk	Cat Hazen
Finance Director	Nerahoo Hemraj
Parks, Culture, and Recreation Director	D. Tyler McGirt
Planning Director	Anthony Grande
Ports and Harbors Director	Peggy McLaughlin
Public Safety Director	Michael Holman
Public Works Director	Tom Cohenour
Public Utilities Director	Dan Winters

Special Services

Attorney	Boyd, Chandler & Falconer, LLP
Auditors	KPMG LLP

School Board

President	Tammy Fowler Pound
Clerk/Treasurer	Frank Kelty
Member	Cherry Tan
Member	Denise Rankin
Member	Fernando Barrera
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 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, 2016, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska, as of June 30, 2016, 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.

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 22, 2016 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 22, 2016

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

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

Financial Highlights

- The assets and deferred outflows of resources of the City of Unalaska exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$400,615,611 (*net position*).
- The city's total net position increased by \$16,970,875, or 4%.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$74,373,617, which is an increase of \$5,512,020 from the prior year. Of this total amount, \$30,392,365, is either nonspendable, 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 \$43,981,252, or 192% 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, 2016

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 60 – 61.

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, 2016

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 – 57 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$400,615,611 at the close of the most recent fiscal year.

Approximately 70% 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 Net Position				Total*	
	Governmental activities		Business-type activities		2016	2015
	2016	2015	2016	2015		
Current and other assets	\$ 133,071,191	129,485,183	53,715,800	48,648,955	186,786,991	178,134,138
Capital assets	105,664,771	103,405,182	231,129,102	224,422,818	336,793,873	327,828,000
Total assets	\$ 238,735,962	232,890,365	284,844,902	273,071,773	523,580,864	505,962,138
Deferred outflows of resources	\$ 1,736,601	993,802	3,541,368	3,491,725	5,277,969	4,485,527
Long-term liabilities	\$ 13,821,141	12,348,991	63,905,763	51,833,231	77,726,904	64,182,222
Other liabilities	46,731,137	53,880,864	3,502,627	7,384,538	50,233,764	61,265,402
Total liabilities	\$ 60,552,278	66,229,855	67,408,390	59,217,769	127,960,668	125,447,624
Deferred inflows of resources	\$ 194,102	842,132	88,452	513,173	282,554	1,355,305
Net position:						
Net investment in capital assets	\$ 102,660,177	99,475,910	185,056,874	185,022,770	287,717,051	284,498,680
Unrestricted	77,066,006	67,336,270	35,832,554	31,809,786	112,898,560	99,146,056
Net position	\$ 179,726,183	166,812,180	220,889,428	216,832,556	400,615,611	383,644,736

* To facilitate ease of presentation, the total columns include the elimination of \$46,990,935 of internal balances.

The balance of unrestricted net position, \$112,898,560, 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

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

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 \$792,422 during 2016 and has two components, deferred outflows of resources pension related and deferred charge on refunding. The balance increased as the result of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and the recognition of deferred outflow of resources for difference between actual and expected experience of \$18,603, changes in assumptions of \$933,184, additional changes in proportion and differences between contributions and proportionate share of contributions of \$175,261, and additional contributions subsequent to the measurement date of \$132,803. This was offset by the amortization of deferred charges of the advance refunding of 2009-1 general obligation bonds which resulted in a reacquisition price that exceeded the net carrying amount.

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

Deferred inflows of resources decreased \$1,072,751 during 2016 solely due to recognition of a deferred inflow of resources for the net differences between projected and actual earnings on pension plan investments.

Table 2

	City of Unalaska's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 279,066	322,048	28,915,349	30,898,795	29,194,415	31,220,843
Operating grants and contributions	1,282,800	1,623,195	804,011	754,999	2,086,811	2,378,194
Capital grants and contributions	685,754	919,282	4,047,908	9,130,646	4,733,662	10,049,928
General revenues:						
Property taxes	6,062,856	5,709,059	—	—	6,062,856	5,709,059
General sales tax	11,846,197	12,220,034	—	—	11,846,197	12,220,034
Raw seafood tax	5,123,372	4,981,770	—	—	5,123,372	4,981,770
Fisheries tax	12,187,783	7,197,808	—	—	12,187,783	7,197,808
Investment earnings	1,307,140	635,855	—	—	1,307,140	635,855
Other	2,016,318	1,880,373	—	—	2,016,318	1,880,373
Total revenues	<u>40,791,286</u>	<u>35,489,424</u>	<u>33,767,268</u>	<u>40,784,440</u>	<u>74,558,554</u>	<u>76,273,864</u>
Expenses:						
General government	4,610,058	4,206,444	—	—	4,610,058	4,206,444
Public safety	5,322,012	4,728,249	—	—	5,322,012	4,728,249
Public works	8,361,921	9,504,441	—	—	8,361,921	9,504,441
Parks, culture, and recreation	3,725,100	3,482,024	—	—	3,725,100	3,482,024
Community support	1,138,786	1,105,626	—	—	1,138,786	1,105,626
Education	4,614,941	4,456,201	—	—	4,614,941	4,456,201
Interest on long-term debt	104,465	147,975	—	—	104,465	147,975
Electric	—	—	13,966,999	15,363,376	13,966,999	15,363,376
Water	—	—	2,704,856	2,331,646	2,704,856	2,331,646
Wastewater	—	—	2,517,557	1,740,178	2,517,557	1,740,178
Solid waste	—	—	2,639,823	2,669,979	2,639,823	2,669,979
Ports and harbors	—	—	6,622,851	5,928,185	6,622,851	5,928,185
Airport	—	—	842,854	809,087	842,854	809,087
Housing	—	—	415,456	435,589	415,456	435,589
Total expenses	<u>27,877,283</u>	<u>27,630,960</u>	<u>29,710,396</u>	<u>29,278,040</u>	<u>57,587,679</u>	<u>56,909,000</u>
Increase in net position before transfers	12,914,003	7,858,464	4,056,872	11,506,400	16,970,875	19,364,864
Transfers	—	(2,229,465)	—	2,229,465	—	—
Change in net position	12,914,003	5,628,999	4,056,872	13,735,865	16,970,875	19,364,864
Net position, beginning of year, <i>as adjusted</i>	<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>
Net position, end of year	<u>\$ 179,726,183</u>	<u>166,812,180</u>	<u>220,889,428</u>	<u>216,832,556</u>	<u>400,615,611</u>	<u>383,644,736</u>

The government's net position increased by \$16,970,875 during the current fiscal year. Revenues overall went down by 2%. The most significant decrease was to capital grants in business-type (\$5.3 million). The decrease in capital grants was due to governmental contributions for federally mandated capital projects in 2015.

CITY OF UNALASKA, ALASKA

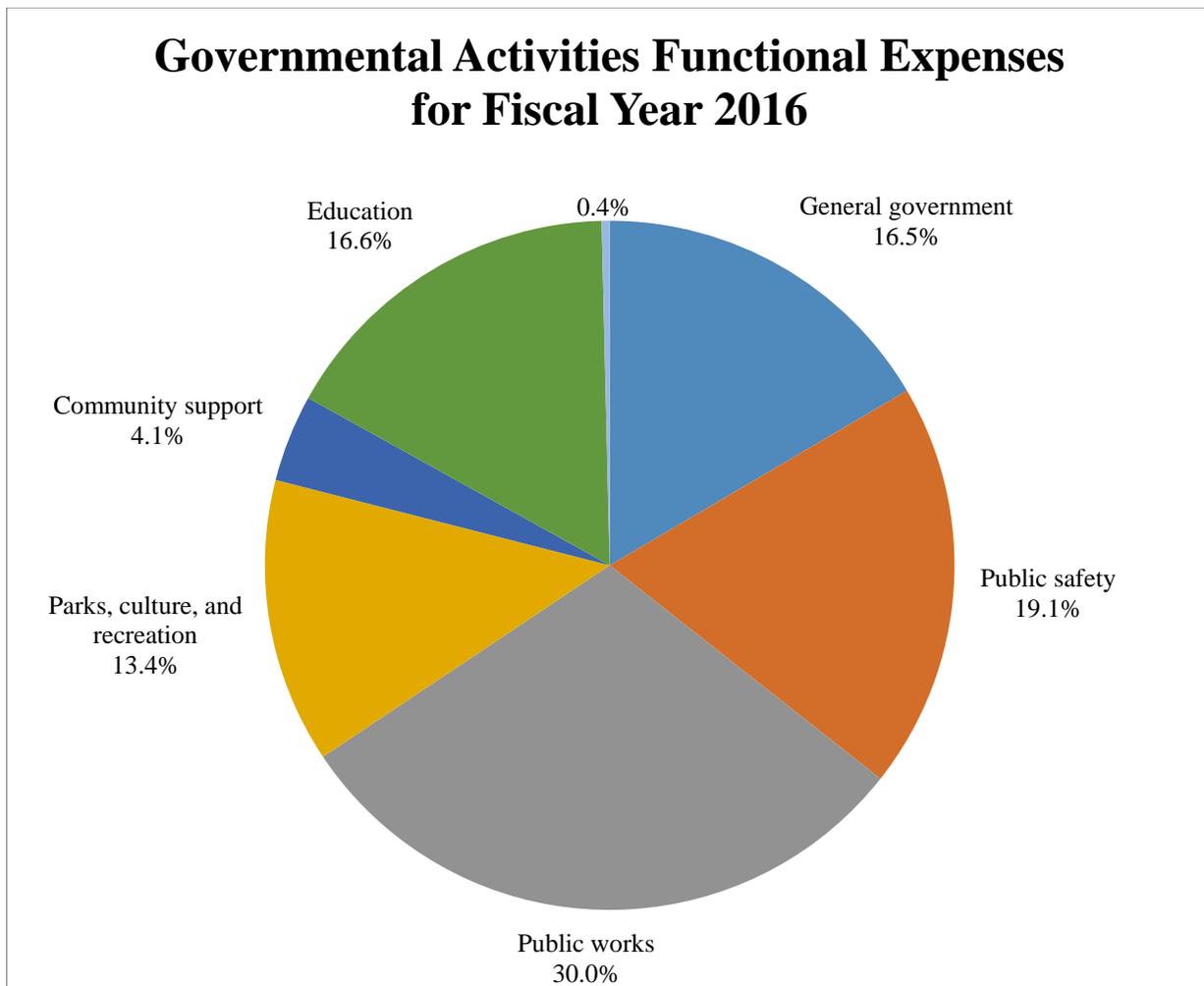
Management Discussion and Analysis (MD&A)

June 30, 2016

Total expenses were \$678,679 more than last year which was due to higher operational costs of the new Wastewater plant and increased personnel costs; primarily health insurance and pension expense. However there was offset by a decrease in Public Works pavement resurfacing and lower Electrical expenses due to lower fuel prices.

Governmental Activities

Governmental activities increased the City of Unalaska’s net position by \$12,914,003, due to collecting more operating grants, property, sales, and fish taxes, plus interest from investments than expenses. There were reduction in fuel and project spending at the Electric and Public Works Departments. There were less operating transfers for capital projects and to the proprietary funds than in the past.



Business-Type Activities

Business-type activities increased the City of Unalaska’s net position by \$4,056,872 (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 transfers that are discussed in detail in the notes to the financial statements (p. 44).

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

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.

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 \$74,373,617, which is an increase of \$5,512,020 from the prior year. Approximately 97% of this total amount, \$72,217,811 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 \$58,272,844, while total fund balance reached \$60,428,650. 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 255% of total General Fund expenditures, while total fund balance represents 264% of that same amount.

The fund balance of the City of Unalaska's General Fund increased by \$5,670,249 during this fiscal year. This increase is primarily due to excess of revenues over expenditures of approximately \$7.86 million.

The fund balance of the City of Unalaska's 1% Sales Tax Fund increased by \$2,678,658. This fund is used to fund capital projects only, and the city was intentionally building a balance for projects in the future. This year, \$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 \$42,058,191. The business-type activities net position increased \$4,056,872 – most of which is due to the capital contributions to the wastewater and water enterprise funds.

General Fund Budgetary Highlights

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

- Public Safety Homeland Security Grant \$50,678, Public Safety seizure funds totaling \$91,771 increased budgeted general fund revenues from the original amounts.
- There was an increase across the General Fund for increases in health insurance costs of \$102,300.

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

- The Finance Department increased its budget by \$105,400 primarily to cover the cost of professional services related to interim work and increased investments.
- The Public Safety had budget increases for the Homeland Security Grant \$50,678, supplies to be purchased with seizure funds \$91,771 and equipment to replace failing radio systems.

In FY16, the following transfers out to other funds were added to the budget:

- Transfers totaling \$1,019,196 were made to capital project funds for the Aquatic Center Improvement Project, and the Network Core Upgrade Project.
- Public Safety transferred \$737,573 of operating funds to the capital project fund for a new firetruck.
- A transfer of \$803,920 was made to make up for a deficit in the LSA Road Project.

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, 2016 amounts to \$336,793,871 (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 \$9 million.

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

- Nine paving projects were completed at a total cost of \$3,780,639 from the General Fund and 1% Special Revenue Fund.
- The Unalaska Lake Storm Water Management project was completed with a \$783,829 in grants and \$150,000 from the general fund.
- The Department of Public Safety completed parking lot improvements at a total cost of \$334,447 from the 1% Special Revenue Fund.
- The Citywide Multiple Location Drainage project continued with \$1,343,695 in current year general fund expenditures.
- Improvements to the Aquatic Center began with current year expenditures of \$596,999 from the general fund.
- The City Network Core Upgrade was nearly complete with \$295,305 from the General Fund.
- The Power Control System project was finished with a total cost of \$558,100.
- The Alyeska Electrical Tie-In project had continued costs of \$354,332.
- Ten electrical transformers were replaced for a total cost of \$181,896.
- The Water Treatment Plant project was completed at a total cost of \$13,104,135.
- The Wastewater Treatment Plant Improvements were completed at a total cost of \$29,796,060

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

- Solid Waste Cell 2-1 project was completed at a cost of \$5,277,088.
- The USCG Paving project was completed this year at a total cost of \$1,044,392.
- The Robert Storrs Improvement continuing costs this year were \$2,936,758.
- The Unalaska Marine Center replacement project continuing costs were \$1,155,901.
- The Light Cargo Dock Expansion project started this year with costs of \$155,786.

Table 3

City of Unalaska Capital Assets (Net of Accumulated Depreciation)						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 31,147,603	31,147,603	3,309,476	3,309,476	34,457,079	34,457,079
Buildings	32,122,217	33,544,479	82,988,514	43,775,509	115,110,731	77,319,988
Infrastructure	37,437,319	33,933,277	112,248,685	108,227,831	149,686,004	142,161,108
Machinery and equipment	1,733,820	1,845,621	24,037,337	23,140,843	25,771,157	24,986,464
Construction in progress	3,223,812	2,934,202	8,545,090	45,969,159	11,768,902	48,903,361
Total capital assets	\$ 105,664,771	103,405,182	231,129,102	224,422,818	336,793,873	327,828,000

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 \$50,021,036 (table 4). Of this amount, \$6,870,000 comprises debt backed by the full faith and credit of the government.

Table 4

City of Unalaska Debt						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,005,000	3,810,000	3,865,000	4,065,000	6,870,000	7,875,000
Revenue bonds	—	—	27,145,000	28,085,000	27,145,000	28,085,000
Other contracts and loans	—	—	16,006,036	6,703,388	16,006,036	6,703,388
Total long-term debt	\$ 3,005,000	3,810,000	47,016,036	38,853,388	50,021,036	42,663,388

The City of Unalaska’s total debt increased by \$7,357,648 (17%) 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 45 – 50 of this report.

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2016

Economic Factors and Next Year's Budgets and Rates

The average unemployment rate for the Aleutians West Region, which includes Unalaska, was 3.8% for calendar year 2015, which is a decrease from a rate of 4.8% in calendar year 2014. 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 33% 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 two years 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.

CITY OF UNALASKA, ALASKA

Statement of Net Position

June 30, 2016

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	\$ 1,928,367	150	—	1,928,517	3,000,198
Temporary investments	11,607,374	—	—	11,607,374	—
Receivables:					
Interest	244,271	—	—	244,271	—
Taxes	2,308,548	—	—	2,308,548	—
Accounts, net of allowance for uncollectible amounts of \$40,000	137	1,967,294	—	1,967,431	—
Special assessments	—	24,987	—	24,987	—
Intergovernmental	12,570,669	526,920	—	13,097,589	87,169
Internal balances	1,392,960	45,597,975	(46,990,935)	—	—
Inventories	762,846	1,359,893	—	2,122,739	26,336
Prepaid items	11,317	—	—	11,317	272,915
Restricted assets:					
Cash for health insurance	—	—	—	—	380,243
Cash held by fiscal agent	—	4,238,581	—	4,238,581	—
Long-term investments	102,244,702	—	—	102,244,702	—
Capital assets:					
Not being depreciated	34,371,415	11,854,564	—	46,225,979	42,500
Being depreciated, net	71,293,356	219,274,538	—	290,567,894	277,211
Total assets	<u>238,735,962</u>	<u>284,844,902</u>	<u>(46,990,935)</u>	<u>476,589,929</u>	<u>4,086,572</u>
Deferred outflows of resources:					
Deferred charge on refunding	36,512	2,470,349	—	2,506,861	—
Pension related	1,700,089	1,071,019	—	2,771,108	1,250,075
Total deferred outflows of resources	<u>1,736,601</u>	<u>3,541,368</u>	<u>—</u>	<u>5,277,969</u>	<u>1,250,075</u>
Liabilities and Deferred Inflows of Resources					
Liabilities:					
Accounts payable	605,246	801,293	—	1,406,539	40,565
Retainage payable	72,584	1,077,524	—	1,150,108	—
Accrued payroll and payroll liabilities	413,683	729,302	—	1,142,985	888,818
Accrued interest	34,048	463,663	—	497,711	—
Deposit payable	1,710	222,605	—	224,315	11,440
Unearned revenue	5,891	—	—	5,891	3,405
Internal balances	45,597,975	208,240	(45,806,215)	—	—
Due to student groups	—	—	—	—	101,378
Noncurrent liabilities:					
Internal balances	—	1,184,720	(1,184,720)	—	—
Net pension liability	9,641,015	6,318,751	—	15,959,766	5,239,227
Due within one year	1,936,866	3,891,487	—	5,828,353	—
Due in more than one year	2,243,260	52,510,805	—	54,754,065	—
Total liabilities	<u>60,552,278</u>	<u>67,408,390</u>	<u>(46,990,935)</u>	<u>80,969,733</u>	<u>6,284,833</u>
Deferred inflows of resources:					
Pension related	194,102	88,452	—	282,554	94,298
Net position:					
Net investment in capital assets	102,660,177	185,056,874	—	287,717,051	319,711
Unrestricted	77,066,006	35,832,554	—	112,898,560	(1,362,195)
Net position	<u>\$ 179,726,183</u>	<u>220,889,428</u>	<u>—</u>	<u>400,615,611</u>	<u>(1,042,484)</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2016

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
Current:				
General government	\$ 4,610,058	5,112	—	—
Public safety	5,322,012	68,842	522,967	—
Public works	8,361,921	—	—	685,754
Parks, culture, and recreation	3,725,100	205,112	91,557	—
Community support	1,138,786	—	—	—
Education	4,614,941	—	—	—
Interest on long-term debt	104,465	—	668,276	—
Total governmental activities	<u>27,877,283</u>	<u>279,066</u>	<u>1,282,800</u>	<u>685,754</u>
Business-type activities:				
Electric	13,966,999	13,527,050	186,821	—
Water	2,704,856	2,878,216	43,258	2,521,828
Wastewater	2,517,557	2,372,732	38,087	—
Solid waste	2,639,823	2,654,240	38,577	—
Ports and harbors	6,622,851	6,633,686	485,524	1,526,080
Airport	842,854	572,919	7,109	—
Housing	415,456	276,506	4,635	—
Total business-type activities	<u>29,710,396</u>	<u>28,915,349</u>	<u>804,011</u>	<u>4,047,908</u>
Total primary government	<u>\$ 57,587,679</u>	<u>29,194,415</u>	<u>2,086,811</u>	<u>4,733,662</u>
Component unit:				
Unalaska City School District	\$ 11,133,737	351,236	2,345,410	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				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2016

Functions/programs	Net (expense) revenue and changes in net position			Component Unit Unalaska City School District
	Primary government		Total	
	Governmental activities	Business-type activities		
Primary government:				
Governmental activities:				
Current:				
General government	\$ (4,604,946)	—	(4,604,946)	—
Public safety	(4,730,203)	—	(4,730,203)	—
Public works	(7,676,167)	—	(7,676,167)	—
Parks, culture, and recreation	(3,428,431)	—	(3,428,431)	—
Community support	(1,138,786)	—	(1,138,786)	—
Education	(4,614,941)	—	(4,614,941)	—
Interest on long-term debt	563,811	—	563,811	—
Total governmental activities	<u>(25,629,663)</u>	<u>—</u>	<u>(25,629,663)</u>	<u>—</u>
Business-type activities:				
Electric	—	(253,128)	(253,128)	—
Water	—	2,738,446	2,738,446	—
Wastewater	—	(106,738)	(106,738)	—
Solid waste	—	52,994	52,994	—
Ports and harbors	—	2,022,439	2,022,439	—
Airport	—	(262,826)	(262,826)	—
Housing	—	(134,315)	(134,315)	—
Total business-type activities	<u>—</u>	<u>4,056,872</u>	<u>4,056,872</u>	<u>—</u>
Total primary government	<u>(25,629,663)</u>	<u>4,056,872</u>	<u>(21,572,791)</u>	<u>—</u>
Component unit:				
Unalaska City School District	—	—	—	(8,425,091)
General revenues:				
Property taxes	4,163,301	—	4,163,301	—
Personal property taxes	1,899,555	—	1,899,555	—
General sales tax	11,846,197	—	11,846,197	—
Raw seafood sales tax	5,123,372	—	5,123,372	—
Fisheries tax	12,187,783	—	12,187,783	—
Other taxes	32,150	—	32,150	—
Payment in lieu of taxes	823,341	—	823,341	—
Grants not restricted to specific programs	974,369	—	974,369	4,057,294
Gain/loss on disposal of capital assets	8,871	—	8,871	—
Investment earnings	1,307,140	—	1,307,140	43
Support from City of Unalaska	—	—	—	2,927,245
Other	177,587	—	177,587	193,728
Total general revenues and transfers	<u>38,543,666</u>	<u>—</u>	<u>38,543,666</u>	<u>7,178,310</u>
Change in net position	<u>12,914,003</u>	<u>4,056,872</u>	<u>16,970,875</u>	<u>(1,246,781)</u>
Net position, beginning of year	<u>166,812,180</u>	<u>216,832,556</u>	<u>383,644,736</u>	<u>204,297</u>
Net position, end of year	<u>\$ 179,726,183</u>	<u>220,889,428</u>	<u>400,615,611</u>	<u>(1,042,484)</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Governmental Funds

Balance Sheet

June 30, 2016

Assets	General Fund	1% Sales Tax Special Revenue Fund	Street Paving	Total nonmajor funds	Total governmental funds
Cash and cash equivalents	\$ 1,928,367	—	—	—	1,928,367
Temporary investments	11,607,374	—	—	—	11,607,374
Receivables, net:					
General	137	—	—	—	137
Interest	244,271	—	—	—	244,271
Taxes	1,737,256	554,489	—	16,803	2,308,548
Intergovernmental	11,885,234	—	—	685,435	12,570,669
Due from other funds	—	7,117,302	3,079,477	2,916,484	13,113,263
Inventories	762,846	—	—	—	762,846
Prepaid expenses	11,317	—	—	—	11,317
Advances to other funds	1,392,960	—	—	—	1,392,960
Long-term investments	102,244,702	—	—	—	102,244,702
Total assets	\$ 131,814,464	7,671,791	3,079,477	3,618,722	146,184,454
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 255,307	3,367	1,970	344,602	605,246
Retainage payable	—	—	22,600	49,984	72,584
Accrued payroll liabilities	413,683	—	—	—	413,683
Customer deposits	1,710	—	—	—	1,710
Due to other funds	58,711,238	—	—	—	58,711,238
Unearned revenues	5,891	—	—	—	5,891
Total liabilities	59,387,829	3,367	24,570	394,586	59,810,352
Deferred inflows of resources:					
Unavailable revenue – taxes	11,997,985	2,500	—	—	12,000,485
Fund balances:					
Nonspendable:					
Inventories	762,846	—	—	—	762,846
Advances to other funds	1,392,960	—	—	—	1,392,960
Committed:					
Emergency operations	13,000,000	—	—	—	13,000,000
Compensated absences	1,000,000	—	—	—	1,000,000
Community support	—	—	—	235,874	235,874
Capital projects	—	7,665,924	—	—	7,665,924
Assigned	291,592	—	3,054,907	2,988,262	6,334,761
Unassigned	43,981,252	—	—	—	43,981,252
Total fund balances	60,428,650	7,665,924	3,054,907	3,224,136	74,373,617
Total liabilities, deferred inflows of resources, and fund balances	\$ 131,814,464	7,671,791	3,079,477	3,618,722	146,184,454

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

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

June 30, 2016

Amounts reported as fund balances on the governmental funds balance sheet	\$ 74,373,617
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	105,664,771
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	722,925
Difference between actual and expected experience	11,238
Changes in assumptions	563,720
Changes in proportion and differences between City contributions and proportional share of contributions	402,206
	1,700,089
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:	
Shared fisheries business tax	4,018,888
Shared fisheries resource landing tax	7,776,504
Real property	133,693
Personal property	63,900
Sales taxes	7,500
	12,000,485
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	(34,048)
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	(3,005,000)
Premium on general obligation bonds	(108,689)
Deferred charge on refunding	36,512
Net pension liability	(9,641,015)
Compensated absences	(1,066,437)
	(13,784,629)
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	(194,102)
Net position of governmental activities	\$ 179,726,183

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, 2016

	<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	\$ 7,757,315	3,878,658	—	210,224	11,846,197
Seafood sales	5,123,372	—	—	—	5,123,372
Real property	4,085,050	—	—	—	4,085,050
Personal property	1,836,163	—	—	—	1,836,163
Other	32,150	—	—	—	32,150
Intergovernmental:					
Fisheries business tax	4,099,315	—	—	—	4,099,315
Fisheries resource landing tax	3,034,438	—	—	—	3,034,438
PERS nonemployer contributions	382,679	—	—	—	382,679
Payments in lieu of taxes	823,341	—	—	—	823,341
Corrections contract	431,207	—	—	—	431,207
Debt reimbursement	668,276	—	—	—	668,276
Other	686,527	—	—	685,754	1,372,281
Charges for services	279,066	—	—	—	279,066
Investment income	1,307,140	—	—	—	1,307,140
Other revenues	177,587	—	—	—	177,587
Total revenues	<u>30,723,626</u>	<u>3,878,658</u>	<u>—</u>	<u>895,978</u>	<u>35,498,262</u>
Expenditures:					
Current:					
General government	4,136,737	—	—	—	4,136,737
Public safety	5,051,300	—	—	—	5,051,300
Public works	5,340,930	—	—	—	5,340,930
Parks, culture, and recreation	2,531,714	—	—	—	2,531,714
Community support	963,786	—	—	175,000	1,138,786
Education	3,879,519	—	—	—	3,879,519
Debt service:					
Principal	805,000	—	—	—	805,000
Interest	149,680	—	—	—	149,680
Capital projects	—	—	4,756,518	2,204,929	6,961,447
Total expenditures	<u>22,858,666</u>	<u>—</u>	<u>4,756,518</u>	<u>2,379,929</u>	<u>29,995,113</u>
Excess revenues over expenditures	7,864,960	3,878,658	(4,756,518)	(1,483,951)	5,503,149
Other financing sources (uses):					
Proceeds from sale of assets	8,871	—	—	—	8,871
Transfers in	1,200,000	—	—	3,403,582	4,603,582
Transfers out	(3,403,582)	(1,200,000)	—	—	(4,603,582)
Net other financing sources (uses)	<u>(2,194,711)</u>	<u>(1,200,000)</u>	<u>—</u>	<u>3,403,582</u>	<u>8,871</u>
Net change in fund balances	5,670,249	2,678,658	(4,756,518)	1,919,631	5,512,020
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 60,428,650</u>	<u>7,665,924</u>	<u>3,054,907</u>	<u>3,224,136</u>	<u>74,373,617</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, 2016

Net change in fund balance – total governmental funds	\$ 5,512,020
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	7,183,086
Depreciation expense	(4,923,497)
Proceeds from sale of assets	(8,871)
Gain on disposal of capital assets	8,871
	<u>2,259,589</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	80,223
Difference between actual and expected experience	11,238
Changes in assumptions	563,720
Proportion and differences between City contributions and proportional share of contributions	105,873
Net difference between projected and actual earnings on pension plan investments	648,030
	<u>1,409,084</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	266,733
Shared fisheries resource landing tax	4,787,297
Real property tax	78,251
Personal property tax	63,392
	<u>5,195,673</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	805,000
Deferred charges on refunding	(18,255)
Change in net pension liability	(2,351,975)
Change in compensated absences	39,396
Amortization of deferred amounts	35,429
	<u>(1,490,405)</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	28,042
Change in net position of governmental activities	<u>\$ 12,914,003</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, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
General sales	\$ 6,120,000	6,120,000	7,757,315	1,637,315
Seafood sales	5,074,200	5,074,200	5,123,372	49,172
Real property	3,900,000	3,900,000	4,085,050	185,050
Personal property	1,900,000	1,900,000	1,836,163	(63,837)
Other	60,000	60,000	32,150	(27,850)
Intergovernmental:				
Fisheries business tax	3,806,700	3,806,700	4,099,315	292,615
Fisheries resource landing tax	5,800,000	5,800,000	3,034,438	(2,765,562)
PERS nonemployer contributions	278,301	370,072	382,679	12,607
Payments in lieu of taxes	741,336	741,336	823,341	82,005
Corrections contract	481,000	481,000	431,207	(49,793)
Debt reimbursement	688,424	688,424	668,276	(20,148)
Other	489,543	540,221	686,527	146,306
Charges for services	339,150	339,150	279,066	(60,084)
Investment income	1,000,000	1,000,000	1,307,140	307,140
Other revenues	116,700	116,700	177,587	60,887
Total revenues	<u>30,795,354</u>	<u>30,937,803</u>	<u>30,723,626</u>	<u>(214,177)</u>
Expenditures:				
Current:				
General government	4,688,785	4,825,041	4,136,737	688,304
Public safety	5,798,953	5,543,623	5,051,300	492,323
Public works	5,502,377	5,706,902	5,340,930	365,972
Parks, culture, and recreation	2,699,772	2,736,159	2,531,714	204,445
Community support	1,005,444	1,005,444	963,786	41,658
Education	3,911,307	3,911,307	3,879,519	31,788
Debt service:				
Principal	755,000	755,000	805,000	(50,000)
Interest	233,313	233,313	149,680	83,633
Total expenditures	<u>24,594,951</u>	<u>24,716,789</u>	<u>22,858,666</u>	<u>1,858,123</u>
Excess of revenues over expenditures	<u>6,200,403</u>	<u>6,221,014</u>	<u>7,864,960</u>	<u>1,643,946</u>
Other financing sources (uses):				
Proceeds from the sale of assets	10,000	10,000	8,871	(1,129)
Transfers in	1,200,000	1,200,000	1,200,000	—
Transfers out	(842,893)	(3,403,582)	(3,403,582)	—
Net other financing uses	<u>367,107</u>	<u>(2,193,582)</u>	<u>(2,194,711)</u>	<u>(1,129)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 6,567,510</u>	<u>4,027,432</u>	<u>5,670,249</u>	<u>1,642,817</u>
Fund balances, beginning of year			<u>54,758,401</u>	
Fund balances, end of year			<u>\$ 60,428,650</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General sales	\$ 3,060,000	3,060,000	3,878,658	818,658
Total revenues	<u>3,060,000</u>	<u>3,060,000</u>	<u>3,878,658</u>	<u>818,658</u>
Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenditures	3,060,000	3,060,000	3,878,658	818,658
Other financing sources (uses):				
Transfers in	—	—	—	—
Transfers out	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>—</u>
Net change in fund balance	<u>\$ 1,860,000</u>	<u>1,860,000</u>	2,678,658	<u>818,658</u>
Fund balances, beginning of year			<u>4,987,266</u>	
Fund balances, end of year			<u>\$ 7,665,924</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Net Position

June 30, 2016

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)	770,728	222,727	178,213	172,432	478,901	144,293	1,967,294
Assessments receivable	—	712	24,275	—	—	—	24,987
Accounts receivable – Intergovernmental	41,025	—	—	—	485,895	—	526,920
Due from General Fund	3,255,807	7,500,994	7,209,930	8,472,672	16,423,287	2,735,285	45,597,975
Inventories	916,981	336,997	34,881	71,034	—	—	1,359,893
Total current assets	4,984,541	8,061,430	7,447,299	8,716,138	17,388,233	2,879,578	49,477,219
Noncurrent assets:							
Restricted assets:							
Cash held by fiscal agent	4,236,081	—	—	—	2,500	—	4,238,581
Capital assets, net	61,512,630	23,071,430	36,080,664	19,657,252	82,928,178	7,878,948	231,129,102
Total noncurrent assets	65,748,711	23,071,430	36,080,664	19,657,252	82,930,678	7,878,948	235,367,683
Total assets	\$ 70,733,252	31,132,860	43,527,963	28,373,390	100,318,911	10,758,526	284,844,902
Deferred outflows of resources:							
Deferred charge on refunding Pension related	\$ 2,470,349	—	—	—	—	—	2,470,349
	396,665	145,700	123,814	136,128	225,447	43,265	1,071,019
Total deferred outflows of resources	\$ 2,867,014	145,700	123,814	136,128	225,447	43,265	3,541,368
Liabilities and Deferred Inflows of Resources							
Current liabilities:							
Accounts payable	\$ 291,937	148,102	125,875	13,243	210,322	11,814	801,293
Retainage payable	—	—	1,077,524	—	—	—	1,077,524
Accrued payroll and payroll liabilities	255,908	105,653	125,775	83,127	148,574	10,265	729,302
Accrued interest	297,107	—	49,645	43,925	72,986	—	463,663
Bonds, loans, and other liabilities	1,107,181	—	471,791	—	2,312,515	—	3,891,487
Advances from General Fund	208,240	—	—	—	—	—	208,240
Customer deposits	108,182	47,662	21,855	6,543	10,700	27,663	222,605
Total current liabilities	2,268,555	301,417	1,872,465	146,838	2,755,097	49,742	7,394,114
Noncurrent liabilities:							
Bonds and loans payable	28,068,078	3,088,525	8,186,245	4,259,475	3,726,531	—	47,328,854
Advances from General Fund	1,184,720	—	—	—	—	—	1,184,720
Net pension liability	2,303,651	885,222	779,340	789,391	1,320,868	240,279	6,318,751
Accrued landfill closure and post closure costs	—	—	—	5,181,951	—	—	5,181,951
Total noncurrent liabilities	31,556,449	3,973,747	8,965,585	10,230,817	5,047,399	240,279	60,014,276
Total liabilities	\$ 33,825,004	4,275,164	10,838,050	10,377,655	7,802,496	290,021	67,408,390
Deferred inflows of resources:							
Pension related	\$ 37,807	8,496	3,482	13,137	19,891	5,639	88,452
Net Position							
Net investment in capital assets	\$ 39,006,532	19,843,619	26,227,551	15,393,784	76,706,440	7,878,948	185,056,874
Unrestricted	730,923	7,151,281	6,582,694	2,724,942	16,015,531	2,627,183	35,832,554
Total net position	\$ 39,737,455	26,994,900	32,810,245	18,118,726	92,721,971	10,506,131	220,889,428

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, 2016

	<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	\$ 13,527,050	2,878,216	2,372,732	2,654,240	6,633,686	849,425	28,915,349
Total operating revenues	<u>13,527,050</u>	<u>2,878,216</u>	<u>2,372,732</u>	<u>2,654,240</u>	<u>6,633,686</u>	<u>849,425</u>	<u>28,915,349</u>
Operating expenses:							
Operations	8,668,498	1,245,206	1,427,105	1,315,540	2,274,388	603,716	15,534,453
General and administrative	1,143,014	543,995	477,105	333,901	1,117,981	135,260	3,751,256
Landfill closure and post closure care costs	—	—	—	272,290	—	—	272,290
Depreciation and amortization	<u>2,633,618</u>	<u>774,555</u>	<u>562,580</u>	<u>674,167</u>	<u>2,999,639</u>	<u>501,955</u>	<u>8,146,514</u>
Total operating expenses	<u>12,445,130</u>	<u>2,563,756</u>	<u>2,466,790</u>	<u>2,595,898</u>	<u>6,392,008</u>	<u>1,240,931</u>	<u>27,704,513</u>
Operating income (loss)	<u>1,081,920</u>	<u>314,460</u>	<u>(94,058)</u>	<u>58,342</u>	<u>241,678</u>	<u>(391,506)</u>	<u>1,210,836</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	185,421	43,258	38,087	38,577	485,524	11,744	802,611
Gain (loss) on disposal of asset	1,400	(141,100)	—	—	—	(17,379)	(157,079)
Interest expense	<u>(1,521,869)</u>	<u>—</u>	<u>(50,767)</u>	<u>(43,925)</u>	<u>(230,843)</u>	<u>—</u>	<u>(1,847,404)</u>
Net nonoperating revenues (expenses)	<u>(1,335,048)</u>	<u>(97,842)</u>	<u>(12,680)</u>	<u>(5,348)</u>	<u>254,681</u>	<u>(5,635)</u>	<u>(1,201,872)</u>
Income (loss) before capital contributions and transfers	<u>(253,128)</u>	216,618	(106,738)	52,994	496,359	(397,141)	8,964
Capital contributions	<u>—</u>	<u>2,521,828</u>	<u>—</u>	<u>—</u>	<u>1,526,080</u>	<u>—</u>	<u>4,047,908</u>
Change in net position	<u>(253,128)</u>	<u>2,738,446</u>	<u>(106,738)</u>	<u>52,994</u>	<u>2,022,439</u>	<u>(397,141)</u>	<u>4,056,872</u>
Net position, beginning of year	<u>39,990,583</u>	<u>24,256,454</u>	<u>32,916,983</u>	<u>18,065,732</u>	<u>90,699,532</u>	<u>10,903,272</u>	<u>216,832,556</u>
Net position, end of year	<u>\$ 39,737,455</u>	<u>26,994,900</u>	<u>32,810,245</u>	<u>18,118,726</u>	<u>92,721,971</u>	<u>10,506,131</u>	<u>220,889,428</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2016

	<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>
Cash flows from operating activities:							
Receipts from customers and users	\$ 13,391,303	2,840,522	2,356,798	2,699,721	6,763,992	842,730	28,895,066
Payments to employees	(2,604,938)	(1,031,484)	(935,858)	(954,723)	(1,527,306)	(320,860)	(7,375,169)
Payments to vendors	(6,756,474)	(548,680)	(742,346)	(620,357)	(1,582,044)	(408,163)	(10,658,064)
Net cash provided by operating activities	<u>4,029,891</u>	<u>1,260,358</u>	<u>678,594</u>	<u>1,124,641</u>	<u>3,654,642</u>	<u>113,707</u>	<u>10,861,833</u>
Cash flows from noncapital and related financing activities:							
Cash received from other governments	<u>72,840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>420,973</u>	<u>—</u>	<u>493,813</u>
Net cash provided by noncapital and related financing activities	<u>72,840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>420,973</u>	<u>—</u>	<u>493,813</u>
Cash flows from capital and related financing activities:							
Interest payments on long-term obligations	(1,089,465)	—	(2,569)	—	(225,149)	—	(1,317,183)
Increase in cash held by fiscal agent	(8,085)	—	—	—	—	—	(8,085)
Proceeds from the sale of assets	1,400	14,500	—	—	—	—	15,900
Principal and refunding payments on long-term debt obligations	(1,057,182)	—	—	—	(200,000)	—	(1,257,182)
Proceeds from the issuance of Long-Term Debt	—	3,088,525	4,655,044	3,656,092	—	—	11,399,661
Repayment of capital projects advances from General Fund	(208,240)	—	—	—	—	—	(208,240)
Acquisition and construction of capital assets	(1,817,457)	(4,165,991)	(3,750,687)	(2,875,624)	(6,301,177)	—	(18,910,936)
Capital contributions	<u>325,740</u>	<u>5,002,306</u>	<u>416,093</u>	<u>32,451</u>	<u>1,409,773</u>	<u>—</u>	<u>7,186,363</u>
Net cash provided by (used for) capital and related financing activities	<u>(3,853,289)</u>	<u>3,939,340</u>	<u>1,317,881</u>	<u>812,919</u>	<u>(5,316,553)</u>	<u>—</u>	<u>(3,099,702)</u>
Change in cash and due from General Fund	249,442	5,199,698	1,996,475	1,937,560	(1,240,938)	113,707	8,255,944
Cash and due from other funds, beginning of year	3,006,365	2,301,296	5,213,455	6,535,112	17,664,375	2,621,578	37,342,181
Cash and due from other funds, end of year	\$ <u>3,255,807</u>	<u>7,500,994</u>	<u>7,209,930</u>	<u>8,472,672</u>	<u>16,423,437</u>	<u>2,735,285</u>	<u>45,598,125</u>
Reconciliation to the statement of net position:							
Cash and cash equivalents	\$ —	—	—	—	150	—	150
Due from other funds	<u>3,255,807</u>	<u>7,500,994</u>	<u>7,209,930</u>	<u>8,472,672</u>	<u>16,423,287</u>	<u>2,735,285</u>	<u>45,597,975</u>
Cash and due from General Fund, June 30, 2016	\$ <u>3,255,807</u>	<u>7,500,994</u>	<u>7,209,930</u>	<u>8,472,672</u>	<u>16,423,437</u>	<u>2,735,285</u>	<u>45,598,125</u>

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2016

	<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>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 1,081,920	314,460	(94,058)	58,342	241,678	(391,506)	1,210,836
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	2,633,618	774,555	562,580	674,167	2,999,639	501,955	8,146,514
Pension related	412,080	210,556	219,977	139,630	251,745	28,300	1,262,288
Amortization of landfill costs	—	—	—	272,290	—	—	272,290
Changes in assets and liabilities that provided by (used for) cash:							
Accounts receivable	98,735	(32,368)	(18,335)	49,605	119,606	(8,158)	209,085
Assessments receivable	—	374	2,324	—	—	—	2,698
Prepaid expenses	—	—	—	—	—	1,200	1,200
Inventories	(139,642)	(4,713)	—	(9,899)	—	—	(154,254)
Accounts payable	40,988	(20,009)	1,512	(49,927)	7,249	(25,650)	(45,837)
Accrued payroll and payroll liabilities	(2,968)	18,116	4,517	(5,443)	24,025	6,103	44,350
Customer deposits	(94,840)	(613)	77	(4,124)	10,700	1,463	(87,337)
Net cash provided by operating activities	\$ <u>4,029,891</u>	<u>1,260,358</u>	<u>678,594</u>	<u>1,124,641</u>	<u>3,654,642</u>	<u>113,707</u>	<u>10,861,833</u>
Schedule of noncash capital and noncapital and related financing activities:							
Acquisition and construction of capital assets through accounts and retainages payable	\$ 62,192	1,016,175	694,464	1,028,338	1,092,535	—	3,893,704
Intergovernmental nonemployer pension contributions	85,164	32,726	28,811	29,183	48,831	8,883	233,598

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

(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, 2016

(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, 2016

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, 2016

- 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, 2016

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, 2016

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 refundable customer deposit of \$1,710 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 \$16,663 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 \$108,182, \$47,662, \$21,855, and \$6,543, respectively, to cover equipment held by customers and in the event of nonpayment of utility bills.

The Ports and Harbors Fund holds customer deposits of \$10,700 for an event in the coming year.

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 2016 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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. 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 four pension related items in this category, difference between actual and expected experience, changes in assumptions, changes in proportion and differences between City contributions and proportionate share of contributions, and contributions made subsequent to the measurement date. Changes in assumptions, proportion and differences between City contributions and proportionate share of contributions, and differences between actual and expected experience 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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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.

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).

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, 2015, the City adopted GASB Statement No. 72, Fair Value Measurement and Application (GASB 72). Issued in February 2015, this Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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 other postemployment benefits (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. The City expects the implementation of this statement to be material.

In December 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued. This Statement addresses accounting and financial reporting for certain

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The requirements for this Statement were effective for fiscal year ended June 30, 2016, except for provisions in paragraphs 18, 19, 23-26 and 40, which are effective for fiscal year ending June 30, 2017. The City is currently evaluating the impact of the provisions which are effective for the year ending June 30, 2017.

In March 2016, GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, 68, and 73* was issued. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the fiscal year ending June 30, 2017, except for the provision of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

(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 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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.

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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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.

The following table shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2016:

	General fund	1% Sales tax	Street paving	Total nonmajor funds
Nonspendable:				
Inventories	\$ 762,846	—	—	—
Advances to other funds	1,392,960	—	—	—
Total nonspendable	<u>2,155,806</u>	—	—	—
Committed:				
Emergency operations	13,000,000	—	—	—
Community support	—	—	—	235,874
Capital projects	—	7,665,924	—	—
Compensated absences	1,000,000	—	—	—
Total committed	<u>14,000,000</u>	<u>7,665,924</u>	—	<u>235,874</u>
Assigned:				
Purchases on order	291,592	—	—	—
Capital projects	—	—	3,054,907	2,988,262
Total assigned	291,592	—	3,054,907	2,988,262
Unassigned	43,981,252	—	—	—
Total fund balance	<u>\$ 60,428,650</u>	<u>7,665,924</u>	<u>3,054,907</u>	<u>3,224,136</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, 2016, the City's carrying amount of bank deposits was \$1,926,867 and the bank balance was \$2,798,289. The \$871,422 difference represents outstanding checks and other reconciling items.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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, 2016, 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.

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 of the City's investment policy;
- (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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

At June 30, 2016, the City bonds were rated as follows:

Investment	Standard & Poor's	Moody's Investor Service
Domestic corporate bonds	A- to BBB	A2 to Baa2
Foreign corporate bonds	AA-	Aaa to AA3
Asset-backed securities	AA	Aaa
Federal National Mortgage Association	AA+	Aaa

Investments

As of June 30, 2016, 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	\$ 11,607,374	11,607,374	—	—	—	—
Wells Fargo money market	3,500,876	3,500,876	—	—	—	—
U.S. government obligations	74,627,040	8,271,285	41,188,899	25,166,856	—	—
Corporate bonds	17,000,476	2,007,960	10,621,547	4,370,969	—	—
Mortgage/asset-backed securities	7,116,311	—	750,765	2,917,041	3,448,505	—
	<u>\$ 113,852,077</u>	<u>25,387,495</u>	<u>52,561,211</u>	<u>32,454,866</u>	<u>3,448,505</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	<u>1,926,867</u>
Total cash	<u>\$ 1,928,517</u>
Investments:	
Temporary investments	\$ 11,607,374
Long-term investments	<u>102,244,703</u>
	<u>\$ 113,852,077</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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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, 2016, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury securities are valued using quoted prices for identical securities in inactive markets (Level 2 inputs)
- Corporate bonds are valued using quoted prices for identical securities in inactive markets (Level 2 inputs)
- Mortgage/asset-backed securities are valued using a matrix pricing model (Level 2 inputs)

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

(b) Capital Assets

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

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,147,603	—	—	31,147,603
Construction in progress	2,934,202	6,911,445	(6,621,835)	3,223,812
Total	<u>34,081,805</u>	<u>6,911,445</u>	<u>(6,621,835)</u>	<u>34,371,415</u>
Capital assets, being depreciated:				
Buildings	61,478,090	—	—	61,478,090
Infrastructure	55,851,976	6,555,147	(11,571,035)	50,836,088
Machinery and equipment	9,034,585	338,329	(401,315)	8,971,599
Total	<u>126,364,651</u>	<u>6,893,476</u>	<u>(11,972,350)</u>	<u>121,285,777</u>
Less accumulated depreciation for:				
Buildings	(27,933,611)	(1,422,262)	—	(29,355,873)
Infrastructure	(21,918,699)	(3,051,105)	11,571,035	(13,398,769)
Machinery and equipment	(7,188,964)	(450,130)	401,315	(7,237,779)
Total	<u>(57,041,274)</u>	<u>(4,923,497)</u>	<u>11,972,350</u>	<u>(49,992,421)</u>
Total capital assets, being depreciated, net	<u>69,323,377</u>	<u>1,969,979</u>	<u>—</u>	<u>71,293,356</u>
Governmental-type activities, net	<u>\$ 103,405,182</u>	<u>8,881,424</u>	<u>(6,621,835)</u>	<u>105,664,771</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
	<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	<u>45,969,159</u>	<u>13,603,665</u>	<u>(51,027,734)</u>	<u>8,545,090</u>
Total	<u>49,278,635</u>	<u>13,603,665</u>	<u>(51,027,734)</u>	<u>11,854,566</u>
Capital assets, being depreciated:				
Buildings	59,974,047	40,830,574	(312,036)	100,492,585
Infrastructure	167,293,375	9,352,318	(219,671)	176,426,022
Machinery and equipment	<u>29,685,071</u>	<u>2,249,575</u>	<u>(218,994)</u>	<u>31,715,652</u>
Total	<u>256,952,493</u>	<u>52,432,467</u>	<u>(750,701)</u>	<u>308,634,259</u>
Less accumulated depreciation for:				
Buildings	(16,198,538)	(1,617,569)	312,036	(17,504,071)
Infrastructure	(59,065,544)	(5,175,864)	64,071	(64,177,337)
Machinery and equipment	<u>(6,544,228)</u>	<u>(1,353,081)</u>	<u>218,994</u>	<u>(7,678,315)</u>
Total	<u>(81,808,310)</u>	<u>(8,146,514)</u>	<u>595,101</u>	<u>(89,359,723)</u>
Total capital assets, being depreciated, net	<u>175,144,183</u>	<u>44,285,953</u>	<u>(155,600)</u>	<u>219,274,536</u>
Business-type activities, net	\$ <u>224,422,818</u>	<u>57,889,618</u>	<u>(51,183,334)</u>	<u>231,129,102</u>

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

General government	\$ 278,687
Public safety	159,479
Public works	2,685,764
Parks, culture, and recreation	1,064,145
Education	<u>735,422</u>
Total – governmental activities	\$ <u>4,923,497</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

Business-type activities:	
Electric	\$ 2,633,618
Water	774,555
Wastewater	562,580
Solid waste	674,167
Ports and harbors	2,999,639
Airport	320,288
Housing	<u>181,667</u>
Total – business-type activities	\$ <u><u>8,146,514</u></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, 2016 were as follows:

Receivable	Payable General fund
General fund	\$ —
1% Sales Tax Special Revenue Fund	7,117,302
Street Paving Capital Project Fund	3,079,477
Nonmajor governmental funds	2,916,484
Electric	3,255,807
Water	7,500,994
Wastewater	7,209,930
Solid waste	8,472,672
Ports and harbors	16,423,287
Nonmajor proprietary funds	<u>2,735,285</u>
	\$ <u><u>58,711,238</u></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, 2016

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, 2016 were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General fund	\$ —	1,392,960
Enterprise funds:		
Electric utility:		
Current portion	208,240	—
Long-term portion	1,184,720	—
	<u>\$ 1,392,960</u>	<u>1,392,960</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, 2016 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>	
General fund	\$ —	1,200,000	1,200,000
Nonmajor Governmental Funds	3,403,582	—	3,403,582
	<u>\$ 3,403,582</u>	<u>1,200,000</u>	<u>4,603,582</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$2,599,662 to the nonmajor Capital Equipment Project Fund for capital additions.
- The General Fund transferred \$803,920 to the nonmajor Road to LSA Fund for prior years deficits.
- The 1% Sales Tax Special Revenue Fund transferred \$1,200,000 to the General Fund for port debt repayment.

(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 \$4,152 per month with the amount to be reevaluated every five years.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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, ending 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 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 \$3,337 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 \$2,104 are due January 1 each year, ending December 31, 2019

On July 1, 2016, the City and the United Methodist Ministries entered into a 5 year lease for land for a community ballpark with incremental increases each fiscal year ending June 30, 2021. Rates per year are as follows: FY17-\$16,500, FY18-\$17,500, FY19-\$18,500, FY20-\$19,500, FY21-\$20,500.

Rent expense for the year ended June 30, 2016 was \$190,931.

The future commitment for operating lease payments is as follows:

2017	\$	176,386
2018		153,167
2019		146,094
2020		144,990
2021		145,991
2022–2026		280,550
2027–2031		16,685
2032–2036		16,685
	\$	<u>1,080,548</u>

(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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

General obligation bonds currently outstanding are as follows:

	<u>Principal balance</u>
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)	\$ 1,465,000
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	<u>1,540,000</u>
Total	<u><u>\$ 3,005,000</u></u>

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 3.5% to 4.0%, 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 annual installments of \$180,000 to \$440,000 to 2021, payable to the Bond Bank	1,135,000
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 annual 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	975,000
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 annual installments of \$720,000 to \$835,000, to 2019, payable to the Bond Bank	2,390,000

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

	<u>Principal balance</u>
State of Alaska loans:	
1997 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	\$ 13,540
1997 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	77,896
2013 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years.	8,566,600
2013 1.50% Alaska Drinking Water Fund loan payable in annual installments over 20 years commencing one year after project completion	3,088,525
2014 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years commencing one year after project completion	<u>4,259,475</u>
Total	<u>\$ 47,016,036</u>

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,810,000	—	(805,000)	3,005,000	835,000
Premium on bonds	144,118	—	(35,429)	108,689	35,429
Compensated absences	<u>1,105,833</u>	<u>1,218,374</u>	<u>(1,257,770)</u>	<u>1,066,437</u>	<u>1,066,437</u>
Governmental activity long-term liabilities	<u>\$ 5,059,951</u>	<u>1,218,374</u>	<u>(2,098,199)</u>	<u>4,180,126</u>	<u>1,936,866</u>
Business-type activities-					
Bonds payable:					
Revenue bonds	\$ 23,525,000	—	(720,000)	22,805,000	760,000
Revenue bonds – tax-exempt	1,195,000	—	(220,000)	975,000	230,000
RZED Revenue bonds – taxable	3,365,000	—	—	3,365,000	—
GO Bonds – tax-exempt	1,335,000	—	(200,000)	1,135,000	210,000
BAB GO Bonds – taxable	2,730,000	—	—	2,730,000	—
Premium on bonds	<u>2,235,479</u>	<u>—</u>	<u>(128,187)</u>	<u>2,107,292</u>	<u>122,683</u>
Total bonds payable	34,385,479	—	(1,268,187)	33,117,292	1,322,683
Other contracts and loans:					
Loans	4,606,375	11,443,122	(43,461)	16,006,036	471,791
Army Corps of Engineers	2,097,013	—	—	2,097,013	2,097,013
Accrued landfill closure and postclosure care costs	4,909,661	272,290	—	5,181,951	—
Compensated absences	<u>419,431</u>	<u>494,108</u>	<u>(445,327)</u>	<u>468,212</u>	<u>468,212</u>
Business-type activity – long-term liabilities	<u>\$ 46,417,959</u>	<u>12,209,520</u>	<u>(1,756,975)</u>	<u>56,870,504</u>	<u>4,359,699</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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:			
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>\$ 3,005,000</u>	<u>260,976</u>	<u>3,265,976</u>

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

	Electric		
	Principal	Interest	Total
Year(s) ending June 30:			
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	1,350,000	935,742	2,285,742
2022–2026	7,280,000	4,018,732	11,298,732
2027–2031	8,935,000	2,134,395	11,069,395
2032–2036	5,160,000	314,800	5,474,800
	<u>\$ 27,145,000</u>	<u>11,603,612</u>	<u>38,748,612</u>

	Ports and harbors		
	Principal	Interest	Total
Year(s) ending June 30:			
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	245,000	181,549	426,549
2022–2026	1,395,000	685,881	2,080,881
2027–2031	1,335,000	215,911	1,550,911
	<u>\$ 3,865,000</u>	<u>1,900,137</u>	<u>5,765,137</u>

The \$2,097,013 payable to the U.S. Army 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, 2016

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:			
2017	\$ 471,791	82,777	554,568
2018	471,791	122,793	594,584
2019	432,843	115,717	548,560
2020	428,330	109,224	537,554
2021	428,330	102,799	531,129
2022–2026	2,141,650	417,622	2,559,272
2027–2031	2,141,650	256,998	2,398,648
2032–2036	2,141,650	96,374	2,238,024
	<u>\$ 8,658,035</u>	<u>1,304,304</u>	<u>9,962,339</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, 2016, the City has received \$4,259,475 and has requested an additional amount of \$578,882 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, 2016, the City has received the entire loan balance of \$8,566,600.

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 June 30, 2016, the City has received \$3,088,525 and has requested an additional amount of \$391,243 under this agreement.

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

\$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.

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, 2016.

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 2016, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2016. As of June 30, 2016, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$5,181,951, based on the use of 56% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$4,554,777 of expense and liability between July 2016, 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 2016. 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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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.

(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.

(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, 2016 were as follows:

Governmental funds:		
General Fund	\$	291,592
Street Paving Fund		547,832
Other nonmajor governmental funds		<u>1,667,141</u>
Total governmental funds		<u>2,506,565</u>
Proprietary funds:		
Electric Fund		382,694
Water Fund		272,925
Wastewater Fund		192,729
Solid Waste Fund		83,900
Ports and Harbor Fund		477,612
Other nonmajor proprietary funds		<u>12,768</u>
Total proprietary funds		<u>1,422,628</u>
Total	\$	<u><u>3,929,193</u></u>

(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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

benefit terms. PERS issues a publicly available financial report that can be obtained at www.doa.alaska.gov/drb/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 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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

(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, 2016, 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	\$	15,959,766
State’s proportionate share of the net pension liability associated with the City		<u>4,272,502</u>
Total	\$	<u><u>20,232,268</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. At June 30, 2015, the City’s proportion was 0.329 percent, which was an increase of 0.078 from its proportion measured as of June 30, 2014.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

For the year ended June 30, 2016, the City recognized pension expense of \$3,063,678 and revenue of \$590,019 for support provided by the State. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	—	(282,554)
Difference between actual and expected experience	18,603	—
Changes in assumptions	933,184	—
Changes in proportion and differences between City contributions and proportionate share of contributions	652,172	—
City contributions subsequent to the measurement date	1,167,149	—
Total	\$ 2,771,108	(282,554)

The City reported \$1,167,149 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:	
2017	\$ 1,286,684
2018	(45,656)
2019	(181,465)
2020	261,842
Thereafter	—
	\$ 1,321,405

Annual OPEB cost: The City's annual OPEB cost for the years ended June 30, 2016, 2015, and 2014 was \$712,874, \$779,805, and \$636,273, 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 2016.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation (June 30, 2014 for OPEB) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pension	OPEB
Inflation rate	3.12%	3.12%
Projected salary increase:		
Graded productivity and merit:		
Peace officers and firefighters	4.92 to 9.96%	N/A
Others	4.34 to 8.55%	N/A
Investment rate of return	8.00%	4.55%

Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. The net pension liability is measured as of June 30, 2015. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2014 and were rolled forward to June 30, 2015 using standard update procedures. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013.

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:

	Target allocation	Long-term expected real rate of return
Asset class:		
Broad domestic equity	26.0%	5.35%
Global equity	25.0	5.55
Private equity	9.0	6.25
Real estate	17.0	3.65
Absolute return	5.0	2.85
Fixed composite	12.0	0.80
Alternative equity strategies	3.0	4.70
Cash equivalents	3.0	0.25
Total	100.0%	

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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:

	1% decrease (7.0%)	Discount rate (8.0%)	1% increase (9.0%)
	<hr/>	<hr/>	<hr/>
City’s proportionate share of the net pension liability	\$ 21,217,160	15,959,766	11,533,587

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2016

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.

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	1.66	0.48
Occupational death and disability benefits	0.22	0.20
	<u>9.88%</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, 2016 was \$624,410.

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>2016</u>	<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>
City's proportion of the net pension liability	0.33%	0.25%	0.24%	*	*	*	*	*	*	*
City's proportionate share of the net pension liability	\$ 15,959,767	11,730,783	12,364,036	*	*	*	*	*	*	*
State's proportionate share of the net pension liability	4,272,502	10,547,310	12,049,865	*	*	*	*	*	*	*
Total	\$ <u>20,232,269</u>	<u>22,278,093</u>	<u>24,413,901</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	*	*	*	*
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	305.00%	209.00%	214.00%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%	56.00%	*	*	*	*	*	*	*

* Information for these years is not available.

Changes in assumptions. Amounts reported in 2016 reflect a change in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

See accompanying independent auditors' report.

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

	<u>2016</u>	<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>
Contractually required contributions	\$ 1,167,149	1,034,346	963,284	811,763	816,945	625,113	656,073	*	*	*
Contributions in relation to the contractually required contributions	<u>(1,167,149)</u>	<u>(1,034,346)</u>	<u>(963,284)</u>	<u>(811,763)</u>	<u>(816,945)</u>	<u>(625,113)</u>	<u>(656,073)</u>	<u>*</u>	<u>*</u>	<u>*</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	\$ 4,682,104	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	24.93%	19.78%	17.20%	14.06%	13.28%	9.55%	9.68%	*	*	*

* Information for these years is not available.

See accompanying independent auditors' report.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2016

Assets	Bed Tax Special Revenue Fund	Capital projects		Total nonmajor funds
		Road to LSA	Equipment Capital Projects	
Receivables, net:				
Taxes	\$ 16,803	—	—	16,803
Intergovernmental	—	—	685,435	685,435
Due from other funds	219,071	—	2,697,413	2,916,484
Total assets	\$ 235,874	—	3,382,848	3,618,722
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	—	344,602	344,602
Retainage payable	—	—	49,984	49,984
Total liabilities	—	—	394,586	394,586
Fund balances:				
Committed	235,874	—	—	235,874
Assigned	—	—	2,988,262	2,988,262
Total fund balances	235,874	—	2,988,262	3,224,136
Total liabilities and fund balances	\$ 235,874	—	3,382,848	3,618,722

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, 2016

	Bed Tax Special Revenue Fund	Capital projects		Total nonmajor funds
		Road to LSA	Equipment Capital Projects	
Revenues:				
Taxes	\$ 210,224	—	—	210,224
Intergovernmental revenue	—	—	685,754	685,754
Total revenues	<u>210,224</u>	<u>—</u>	<u>685,754</u>	<u>895,978</u>
Expenditures:				
Current:				
Community support	175,000	—	—	175,000
Capital projects	—	—	2,204,929	2,204,929
Total expenditures	<u>175,000</u>	<u>—</u>	<u>2,204,929</u>	<u>2,379,929</u>
Excess (deficiency) revenues over expenditures	<u>35,224</u>	<u>—</u>	<u>(1,519,175)</u>	<u>(1,483,951)</u>
Other financing sources (uses):				
Transfers in	—	803,920	2,599,662	3,403,582
Transfers out	—	—	—	—
Net other financing sources (uses)	<u>—</u>	<u>803,920</u>	<u>2,599,662</u>	<u>3,403,582</u>
Net change in fund balances	35,224	803,920	1,080,487	1,919,631
Fund balances, beginning of year	<u>200,650</u>	<u>(803,920)</u>	<u>1,907,775</u>	<u>1,304,505</u>
Fund balances, end of year	\$ <u><u>235,874</u></u>	<u><u>—</u></u>	<u><u>2,988,262</u></u>	<u><u>3,224,136</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, 2016

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Taxes	\$ 172,000	210,224	38,224
Expenditures:			
Community support	<u>175,000</u>	<u>175,000</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	(3,000)	35,224	38,224
Other financing sources (uses):			
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u>\$ (3,000)</u>	<u>35,224</u>	<u>38,224</u>
Fund balance at beginning of year		<u>200,650</u>	
Fund balance at end of year		<u>\$ 235,874</u>	

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

Combining Statement of Net Position

June 30, 2016

Assets and Deferred Outflows of Resources	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Current assets:			
Accounts receivables (net of allowance for uncollectibles)	\$ 140,643	3,650	144,293
Due from General Fund	<u>1,373,068</u>	<u>1,362,217</u>	<u>2,735,285</u>
Total current assets	<u>1,513,711</u>	<u>1,365,867</u>	<u>2,879,578</u>
Noncurrent assets:			
Capital assets, net	<u>3,330,596</u>	<u>4,548,352</u>	<u>7,878,948</u>
Total noncurrent assets	<u>3,330,596</u>	<u>4,548,352</u>	<u>7,878,948</u>
Total assets	<u>\$ 4,844,307</u>	<u>5,914,219</u>	<u>10,758,526</u>
Deferred outflows of resources:			
Pension related	\$ 25,080	18,185	43,265
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	\$ 10,479	1,335	11,814
Accrued payroll and payroll liabilities	5,681	4,584	10,265
Customer deposits	<u>11,000</u>	<u>16,663</u>	<u>27,663</u>
Total current liabilities	27,160	22,582	49,742
Noncurrent liabilities:			
Net pension liability	<u>145,458</u>	<u>94,821</u>	<u>240,279</u>
Total liabilities	<u>\$ 172,618</u>	<u>117,403</u>	<u>290,021</u>
Deferred inflows of resources:			
Pension related	\$ 2,417	3,222	5,639
Net Position			
Net investment in capital assets	\$ 3,330,596	4,548,352	7,878,948
Unrestricted	<u>1,363,756</u>	<u>1,263,427</u>	<u>2,627,183</u>
Total net position	<u>\$ 4,694,352</u>	<u>5,811,779</u>	<u>10,506,131</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, 2016

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 572,919	276,506	849,425
Total operating revenues	<u>572,919</u>	<u>276,506</u>	<u>849,425</u>
Operating expenses:			
Operations	522,566	81,150	603,716
General and administrative	—	135,260	135,260
Depreciation and amortization	320,288	181,667	501,955
Total operating expenses	<u>842,854</u>	<u>398,077</u>	<u>1,240,931</u>
Operating loss	<u>(269,935)</u>	<u>(121,571)</u>	<u>(391,506)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenue	7,109	4,635	11,744
Loss on disposal of asset	—	(17,379)	(17,379)
Net nonoperating revenues	<u>7,109</u>	<u>(12,744)</u>	<u>(5,635)</u>
Loss before capital contributions and transfers	<u>(262,826)</u>	<u>(134,315)</u>	<u>(397,141)</u>
Transfers in	—	—	—
Change in net position	<u>(262,826)</u>	<u>(134,315)</u>	<u>(397,141)</u>
Net position, beginning of year	<u>4,957,178</u>	<u>5,946,094</u>	<u>10,903,272</u>
Net position, end of year	\$ <u><u>4,694,352</u></u>	<u><u>5,811,779</u></u>	<u><u>10,506,131</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

Combining Statement of Cash Flows

Year ended June 30, 2016

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 564,761	277,969	842,730
Payments to employees	(204,723)	(116,137)	(320,860)
Payments to vendors	(294,736)	(113,427)	(408,163)
	<u>65,302</u>	<u>48,405</u>	<u>113,707</u>
Net cash provided by (used for) operating activities			
Change in cash and due from General Fund	65,302	48,405	113,707
Cash and due from other funds, beginning of year	<u>1,307,766</u>	<u>1,313,812</u>	<u>2,621,578</u>
Cash and due from other funds, end of year	\$ <u><u>1,373,068</u></u>	<u><u>1,362,217</u></u>	<u><u>2,735,285</u></u>
Reconciliation to balance sheet:			
Cash and due from General Fund, June 30, 2016	\$ 1,373,068	1,362,217	2,735,285
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (269,935)	(121,571)	(391,506)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	320,288	181,667	501,955
Pension related	25,760	2,540	28,300
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(8,158)	—	(8,158)
Prepaid expenses	—	1,200	1,200
Customer deposits	—	1,463	1,463
Accounts payable	(7,578)	(18,072)	(25,650)
Accrued payroll and payroll liabilities	4,925	1,178	6,103
Net cash provided by (used for) operating activities	\$ <u><u>65,302</u></u>	<u><u>48,405</u></u>	<u><u>113,707</u></u>
Schedule of noncash capital and noncapital and related financing activities:			
Intergovernmental nonemployer pension contributions	\$ 5,378	3,505	8,883

See accompanying independent auditors' report.

STATISTICAL SECTION

CITY OF UNALASKA, ALASKA

Statistical Section

June 30, 2016

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	66–72
<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	73–78
<i>These schedules contain information to help the reader assess the government's most significant sources of revenue.</i>	
Debt Capacity	79–83
<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	84–85
<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	86–88
<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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:										
Net investment in capital assets	\$ 80,437	77,882	74,518	78,951	85,914	84,763	87,329	92,389	99,476	102,588
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	66,810	72,154	84,150	60,934	69,731	65,008	69,518	75,878	67,336	77,138
Total governmental activities	\$ <u>147,247</u>	<u>150,036</u>	<u>158,668</u>	<u>139,885</u>	<u>155,645</u>	<u>149,771</u>	<u>156,847</u>	<u>168,267</u>	<u>166,812</u>	<u>179,726</u>
Business-type activities:										
Net investment in capital assets	\$ 72,205	79,963	67,851	86,670	114,909	125,055	154,863	164,240	185,023	178,831
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	20,840	28,144	51,102	54,362	29,195	45,100	45,102	43,173	31,810	42,058
Total business-type activities	\$ <u>93,045</u>	<u>108,107</u>	<u>118,953</u>	<u>141,032</u>	<u>144,104</u>	<u>170,155</u>	<u>199,965</u>	<u>207,413</u>	<u>216,833</u>	<u>220,889</u>
Primary government:										
Net investment in capital assets	\$ 152,642	157,845	142,369	165,621	200,823	209,818	242,192	259,411	286,499	281,419
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	87,650	100,298	135,252	115,296	98,926	110,108	114,620	116,269	99,146	119,197
Total primary government activities	\$ <u>240,292</u>	<u>258,143</u>	<u>277,621</u>	<u>280,917</u>	<u>299,749</u>	<u>319,926</u>	<u>356,812</u>	<u>375,680</u>	<u>385,645</u>	<u>400,616</u>

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 3,718	4,023	4,025	3,982	4,191	4,123	4,439	4,773	4,206	4,610
Public safety	4,228	4,660	4,515	4,577	4,477	4,269	5,003	5,229	4,728	5,322
Public works	5,608	6,332	6,128	6,347	6,369	6,746	6,595	6,782	9,504	8,362
Parks, culture, and recreation	2,466	3,232	2,955	3,073	3,146	3,208	3,494	3,670	3,482	3,725
Community support	776	797	853	843	1,626	932	1,258	1,047	1,106	1,139
Education support	4,102	4,234	4,473	4,438	3,828	4,736	4,483	4,683	4,456	4,615
Interest on long-term debt	168	281	275	349	265	431	149	185	148	104
Total governmental activities expenses	<u>21,066</u>	<u>23,559</u>	<u>23,224</u>	<u>23,609</u>	<u>23,902</u>	<u>24,445</u>	<u>25,421</u>	<u>26,369</u>	<u>27,630</u>	<u>27,877</u>
Business-type activities										
Electric	10,014	12,851	10,547	13,955	13,745	16,757	16,973	18,004	15,363	13,967
Water	1,950	2,199	1,987	2,072	2,227	2,248	2,372	2,600	2,332	2,705
Wastewater	1,494	1,622	1,532	3,947	1,748	4,408	5,504	2,054	1,740	2,518
Solid waste	2,061	2,014	1,722	1,814	1,986	2,093	2,220	2,238	2,670	2,640
Ports and harbors	3,360	3,915	4,063	1,620	4,418	2,299	1,815	6,404	5,928	6,623
Airport	568	652	784	894	777	787	840	799	809	843
Housing	266	304	233	227	355	736	528	463	436	415
Total business-type activities expenses	<u>19,713</u>	<u>23,557</u>	<u>20,868</u>	<u>24,529</u>	<u>25,256</u>	<u>29,328</u>	<u>30,252</u>	<u>32,562</u>	<u>29,278</u>	<u>29,711</u>
Total primary government expenses	<u>\$ 40,779</u>	<u>47,116</u>	<u>44,092</u>	<u>48,138</u>	<u>49,158</u>	<u>53,773</u>	<u>55,673</u>	<u>58,931</u>	<u>56,908</u>	<u>57,588</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ —	10	13	65	12	9	66	12	21	5
Public safety	305	77	85	29	54	8	3	2	83	69
Public works	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	194	219	204	183	201	222	215	218	205
Operating grants and contributions	926	923	1,275	1,703	1,604	1,620	1,635	1,540	1,623	1,283
Capital grants and contributions	—	5	—	63	760	21	59	750	919	686
Total primary government activities program revenues	<u>1,231</u>	<u>1,209</u>	<u>1,592</u>	<u>2,064</u>	<u>2,613</u>	<u>1,859</u>	<u>1,985</u>	<u>2,519</u>	<u>2,864</u>	<u>2,248</u>

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Electric	\$ 10,911	12,867	11,611	10,488	12,847	18,295	17,390	18,825	16,571	13,527
Water	2,233	2,013	1,937	1,870	2,020	2,215	2,323	2,208	2,560	2,878
Wastewater	908	1,199	1,365	1,334	1,456	1,815	1,898	2,082	2,262	2,373
Solid waste	955	1,115	1,165	1,111	1,331	1,555	1,630	1,817	2,197	2,654
Ports and harbors	4,425	4,938	3,681	3,986	5,545	5,459	5,785	6,427	6,538	6,634
Airport	333	399	425	488	458	457	472	481	512	573
Housing	236	201	190	157	127	184	238	245	259	276
Capital grants and contributions	1,189	4,748	2,582	1,162	6,608	4,545	22,721	1,072	9,131	4,048
Operating grants and contributions	—	—	—	213	1,421	995	1,065	7,834	755	804
Total business-type activities program revenues	21,190	27,480	22,956	20,809	31,813	35,520	53,522	40,991	40,785	33,767
Total primary government program revenues	\$ 22,421	28,689	24,548	22,873	34,426	37,379	55,507	43,510	43,649	36,015
Net (expense) revenue:										
Governmental activities	\$ (19,835)	(22,350)	(21,632)	(21,545)	(21,289)	(22,586)	(23,436)	(23,850)	(24,766)	(25,629)
Business-type activities	1,477	3,923	2,088	(3,720)	6,557	6,192	23,270	8,429	11,507	4,056
Total primary government net expense	\$ (18,358)	(18,427)	(19,544)	(25,265)	(14,732)	(16,394)	(166)	(15,421)	(13,259)	(21,573)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,176	4,288	4,257	4,296	4,630	4,750	4,987	5,210	5,709	6,063
General sales tax	9,292	11,042	10,361	8,863	10,755	13,960	13,272	12,554	12,220	11,846
Raw seafood sales tax	4,077	4,690	4,044	3,594	5,372	5,261	4,784	4,450	4,982	5,124
Other taxes	204	239	266	56	158	87	102	118	89	32
Fisheries tax	9,384	8,971	9,079	7,094	7,378	9,324	11,422	8,956	7,198	12,188
Grants not restricted to specific programs	—	—	—	632	811	1,232	1,436	1,364	808	974
Gain (loss) on disposal of capital assets	105	179	80	(6)	—	—	—	4	11	9
Investment earnings	4,166	5,266	5,618	2,650	1,603	1,067	436	742	636	1,307
Other	1,639	1,584	2,033	1,326	920	611	878	891	971	823
Transfers	(4,790)	(11,120)	(7,493)	(25,781)	5,459	(19,580)	(6,805)	980	(2,229)	178
Extraordinary item	—	—	2,019	—	—	—	—	—	—	—
Total governmental activities	28,253	25,139	30,264	2,724	37,086	16,712	30,512	35,269	30,395	38,544
Business-type activities:										
Gain (loss) on disposal of capital assets	—	6	19	(39)	—	—	16	—	—	—
Investment earnings	6	—	102	57	—	—	—	—	—	—
Other	195	13	10	—	1,974	—	—	—	—	—
Transfers	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	4,991	11,139	8,759	25,799	(3,485)	19,580	6,821	(980)	2,229	—
Total primary government	\$ 33,244	36,278	39,023	28,523	33,601	36,292	37,333	34,289	32,624	38,544
Change in net position:										
Governmental activities	\$ 8,418	2,789	8,632	(18,821)	15,797	(5,874)	7,076	11,419	5,629	12,915
Business-type activities	6,468	15,062	10,847	22,079	3,072	25,772	30,091	7,449	13,736	4,056
Total primary government	\$ 14,886	17,851	19,479	3,258	18,869	19,898	37,167	18,868	19,365	16,971

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
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
2016	11,846	5,123	4,163	1,900	210	32	23,274

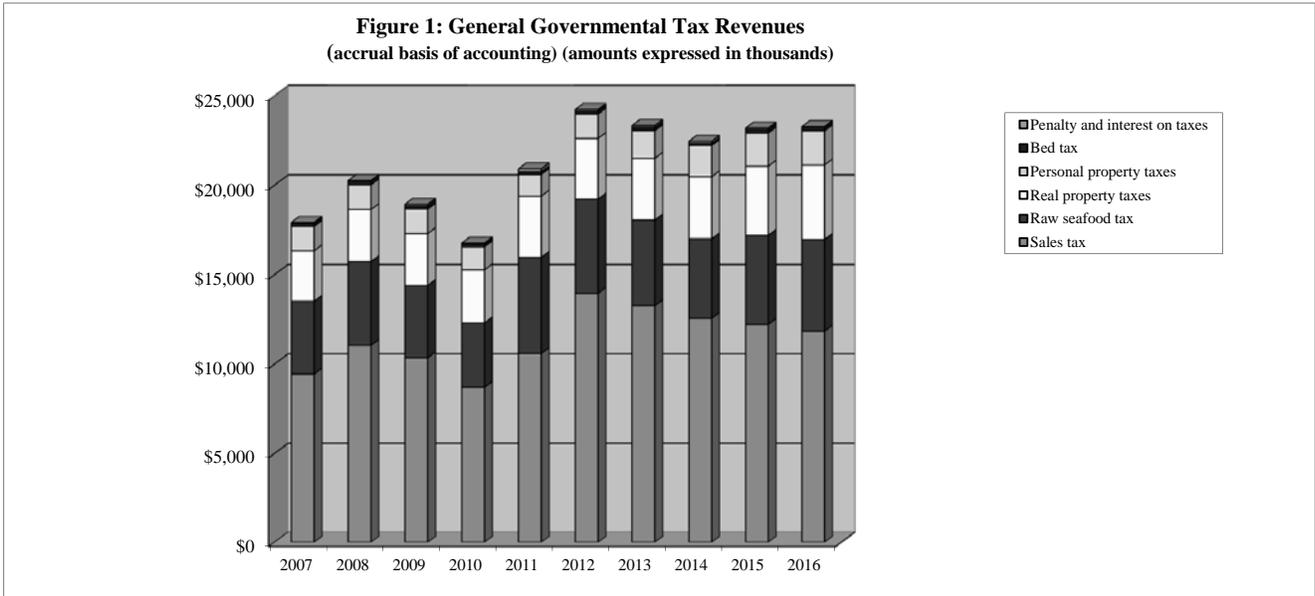


Table 4

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund (after GASB 54):										
Nonspendable	\$ —	—	—	—	2,316	2,282	2,091	2,061	2,337	2,156
Committed	—	—	—	—	34,500	20,300	14,300	14,300	14,300	14,000
Assigned	—	—	—	—	264	190	333	239	234	292
Unassigned	—	—	—	—	10,603	12,509	14,760	29,094	37,888	43,981
General fund (prior to GASB 54):										
Reserved	2,972	2,924	2,736	3,581	—	—	—	—	—	—
Unreserved	45,360	44,554	49,012	35,014	—	—	—	—	—	—
Total general fund	<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>	<u>60,429</u>
All other governmental funds (after GASB 54):										
Committed	\$ —	—	—	—	3,000	3,000	—	3,953	5,188	7,902
Assigned	—	—	—	—	13,488	19,491	28,339	18,601	9,719	6,043
Unassigned	—	—	—	—	(78)	—	—	—	(804)	—
All other governmental funds (prior to GASB 54):										
Reserved	—	—	2,795	3,918	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds	9,391	13,111	16,450	3,249	—	—	—	—	—	—
Debt service funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	2,808	5,279	5,612	10,100	—	—	—	—	—	—
Total all other governmental funds	<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>	<u>13,945</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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Taxes	\$ 17,901	20,232	19,514	16,763	20,901	24,018	23,191	22,286	23,060	22,923
Intergovernmental	11,122	10,699	12,307	12,742	10,747	11,127	13,197	16,047	15,330	10,811
Changes for services	304	281	317	298	250	210	290	229	322	279
Investment income	4,166	5,266	5,618	2,650	1,603	1,067	436	742	636	1,307
Other	82	85	79	206	99	—	104	121	296	178
Total revenues	33,575	36,563	37,835	32,659	33,600	36,422	37,218	39,425	39,644	35,498
Expenditures:										
General government	3,604	3,549	3,937	4,013	—	3,917	4,291	4,457	4,578	4,137
Public safety	3,909	3,807	4,228	4,308	4,237	4,030	4,707	4,944	5,417	5,051
Public works	4,510	4,743	5,016	5,203	5,143	5,132	5,275	5,545	5,861	5,341
Parks, culture, and recreation	1,956	2,053	2,101	2,139	2,194	2,233	2,440	2,615	2,722	2,532
Community support	777	797	853	843	920	932	1,258	1,046	1,106	1,139
Education support	3,379	3,511	3,750	3,736	3,828	4,024	3,822	4,023	3,869	3,879
Debt service:										
Principal	347	363	379	771	823	834	720	755	780	805
Interest	242	224	237	337	325	397	165	212	184	150
Capital projects	1,955	1,286	3,753	6,379	9,795	1,664	5,695	8,017	10,894	6,961
Total expenditures	20,679	20,333	24,254	27,729	27,265	23,163	28,373	31,614	35,411	29,995
Excess of revenues over expenditures	12,896	16,230	13,581	4,930	6,335	13,259	8,845	7,811	4,233	5,503
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	831	3,753	6,905	13,206	11,683	15,681	15,358	6,353	11,822	4,604
Transfers out	(5,621)	(14,872)	(14,398)	(38,987)	(6,224)	(35,261)	(22,163)	(5,748)	(15,452)	(4,604)
Other	—	—	—	102	8	—	9	9	—	9
Total other financing sources (uses)	(4,563)	(10,893)	(2,845)	(25,672)	5,467	(19,580)	(6,796)	614	(3,619)	9
Net change in fund balance	\$ 8,333	5,337	10,736	(20,742)	11,802	(6,321)	2,049	8,425	614	5,512
Debt service as a percentage of noncapital expenditures	3.1%	3.1%	3.0%	5.2%	6.6%	5.7%	3.9%	4.1%	3.9%	4.3%

CITY OF UNALASKA, ALASKA
Governmental Expenditures
Last Ten Fiscal Years

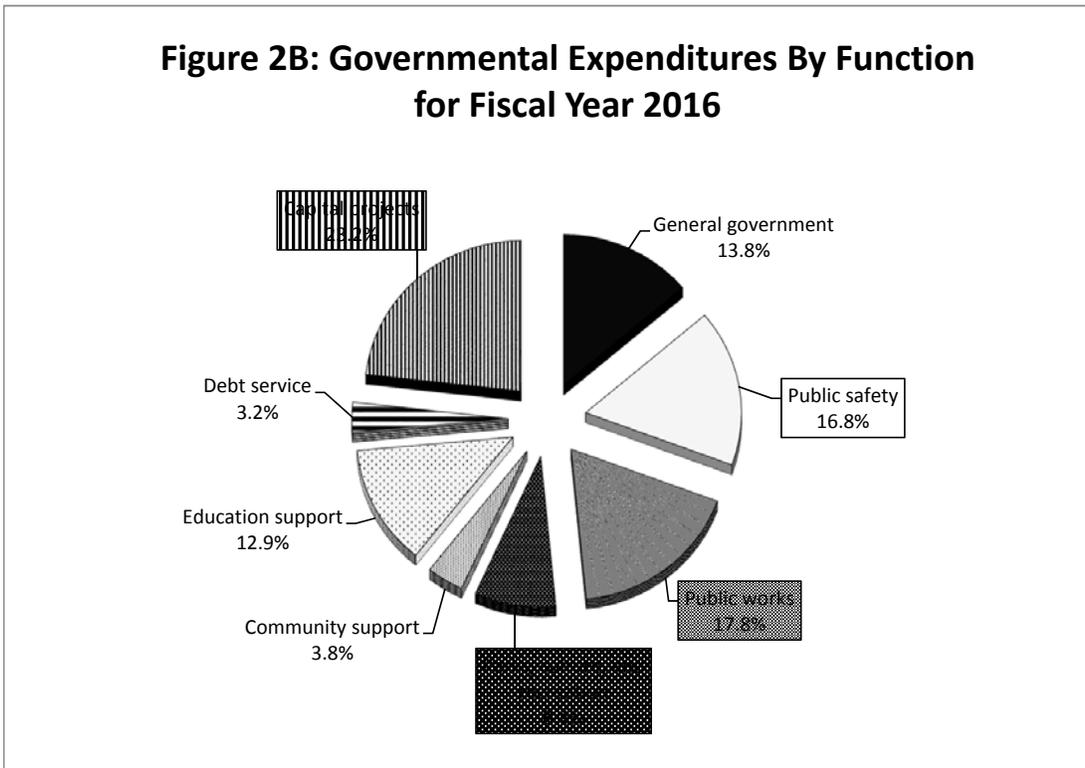
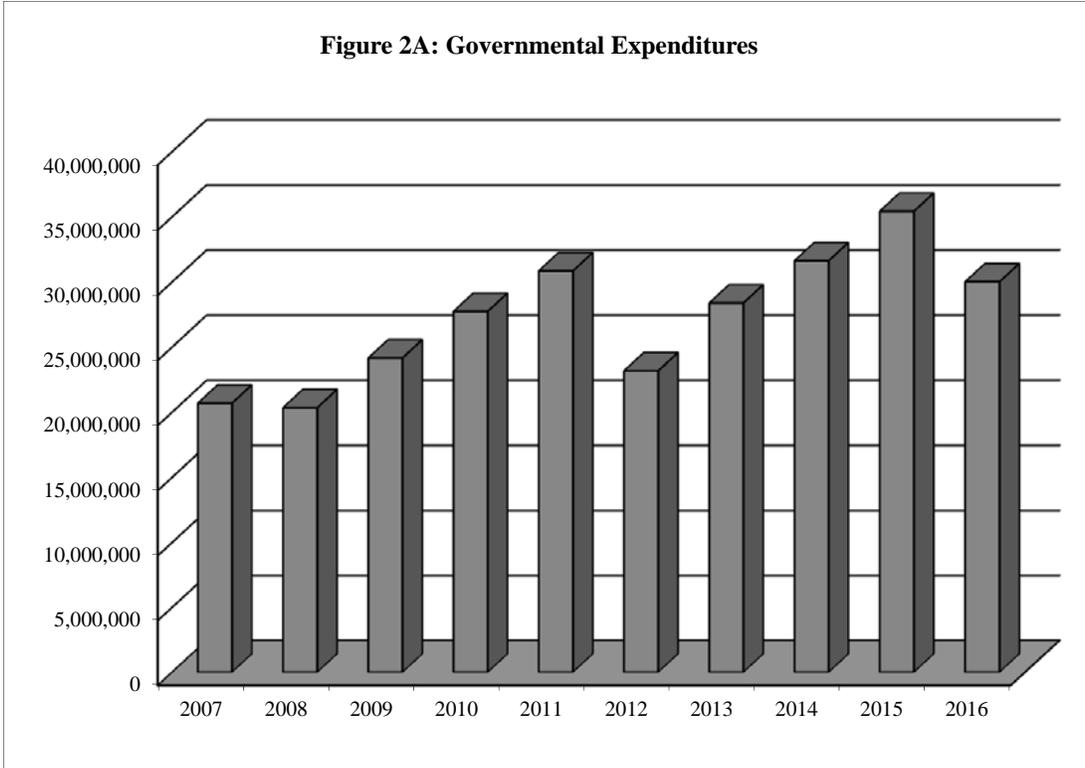


Table 7

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
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
2016	11,846	5,123	4,085	1,836	210	32	23,132

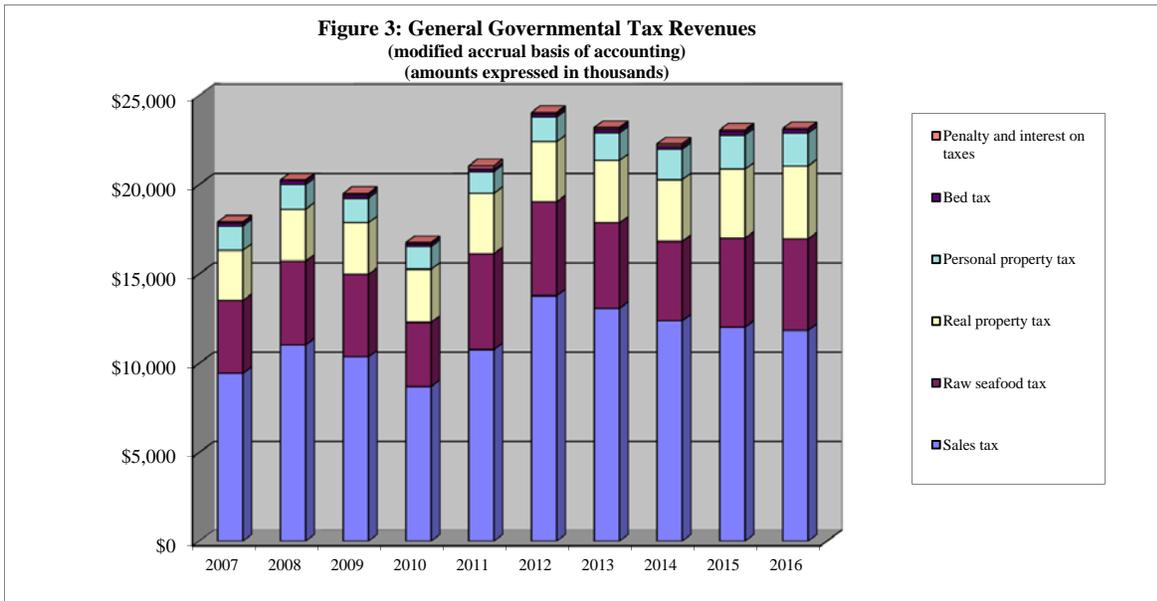


Table 8

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		
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
2016	397,350	428,733	171,733	185,297	569,083	614,030	93	10.50

Table 9**CITY OF UNALASKA, ALASKA**

City Tax Rates

All Governments

Last Ten Fiscal Years

	Total city millage rate (1)	City Sales Tax rate (2)	City Raw Seafood Tax rate (3)
Fiscal year ending:	11.78	3.00	2.00
2007	11.78	3.00	2.00
2008	11.78	3.00	2.00
2009	10.50	3.00	2.00
2010	10.50	3.00	2.00
2011	10.50	3.00	2.00
2012	10.50	3.00	2.00
2013	10.50	3.00	2.00
2014	10.50	3.00	2.00
2015	10.50	3.00	2.00
2016	10.50	3.00	2.00

(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.

(2) Per Ordinance Section 6.40.020.

(3) Per Ordinance Section 6.44.020.

Note: There are no overlapping governmental units.

Table 10

CITY OF UNALASKA, ALASKA

Principal Real Property Taxpayers

June 30, 2016 and 2007

	2016			2007		
	Total assessed value	Rank	Percentage of total taxable assessed value	Total assessed value	Rank	Percentage of total taxable assessed value
Ounalashka Corporation and Subsidiaries	\$ 128,273,775	1	22.5%	\$ 82,201,486	1	34.4%
Western Pioneer Inc.	52,170,255	2	9.2%	*	*	*
Unisea Inc.	46,824,550	3	8.2%	33,820,726	2	14.2%
Westward Seafoods Inc.	27,556,500	4	4.8%	24,619,600	3	10.3%
Alyeska Seafoods Inc.	21,736,990	5	3.8%	18,866,381	4	7.9%
Offshore Systems Inc.	14,552,100	6	2.6%	*	*	*
Strong Holdings LLC	9,025,910	7	1.6%	*	*	*
Valdez Petroleum Terminal Inc.	4,725,330	8	0.8%	*	*	*
Petro Star	4,020,300	9	0.7%	*	*	*
Karel and Marie Machalek	3,106,800	10	0.5%	*	*	*
All Remaining Taxpayers	257,090,258		45.2%	79,431,501		33.2%
	<u>\$ 569,082,768</u>		<u>100%</u>	<u>\$ 238,939,694</u>		<u>100%</u>

* Unknown or unavailable due to software change

Table 11

CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers

June 30, 2016 and 2007

Taxpayer	2016			2007		
	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	\$ 3,176,045	1	33.3%	1,409,727	1	13.0%
Horizon Lines, LLC	1,847,278	2	19.4%	1,381,881	2	13.0%
City of Unalaska	1,358,972	3	14.3%	1,111,216	3	10.0%
Alyeska Seafoods	672,648	4	7.1%	—		0.0%
Kloosterboer	595,234	5	6.2%	—		0.0%
Safeway	488,467	6	5.1%	541,031	4	5.0%
Alaska Ship Supply	364,978	7	3.8%	236,639	10	2.0%
North Pacific Fuel	353,314	8	3.7%	461,214	5	4.0%
Unalaska City School	343,396	9	3.6%	423,455	7	4.0%
Coastal Transportation	330,639	10	3.5%	—		—
Harbor Crown	—		0.0%	458,808	6	4.0%
Pacific Stevedoring, Inc.	—		0%	417,603	8	4.0%
Alaska Commercial Company	—		0%	319,416	9	3.0%
	\$ 9,530,971		70%	6,760,990		62%

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
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
2016	6,076	5,854	96.3	24	5,878	96.7	198	3.3

Table 13

CITY OF UNALASKA, ALASKA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

Fiscal year	Governmental activities		Business type activities		Nonmajor funds ADEC loans	Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Ports and harbors fund GO bonds	Electric fund revenue bonds					
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	58	7,800	
2015	3,954	4,065	28,085	4,605	40,709	*	8,840	
2016	3,114	3,865	27,145	16,006	50,130	*	*	

* 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 capita amount)

<u>Fiscal year</u>		<u>General obligation bonds</u>	<u>Percentage of estimated actual taxable value of property</u>	<u>Per capita</u>
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
2016		3,114	0.52	*
				Population Not available

Table 15

CITY OF UNALASKA, ALASKA
 Direct Governmental Activities Debt (1)
 June 30, 2016

<u>Jurisdiction</u>	<u>Outstanding debt</u>	<u>Percentage applicable to City of Unalaska</u>	<u>Amount applicable to City of Unalaska</u>
Direct:			
City of Unalaska	\$ 3,113,689	100%	3,113,689

(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, 2016

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>
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
2016		13,527,050	9,811,512	3,715,538	920,000	1,027,254	1,947,254	191

(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

<u>Calendar year</u>	<u>Unalaska population (1)</u>	<u>Aleutians west region personal income (amounts expressed in thousands) (2)</u>	<u>Aleutians west region per capita personal income (2)</u>	<u>Unalaska school enrollment (3)</u>	<u>Aleutians west region unemployment (4)</u>
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	304,806	53,010	407	4.8
2015	4,605	*	*	396	3.8
2016	*	*	*	375	*

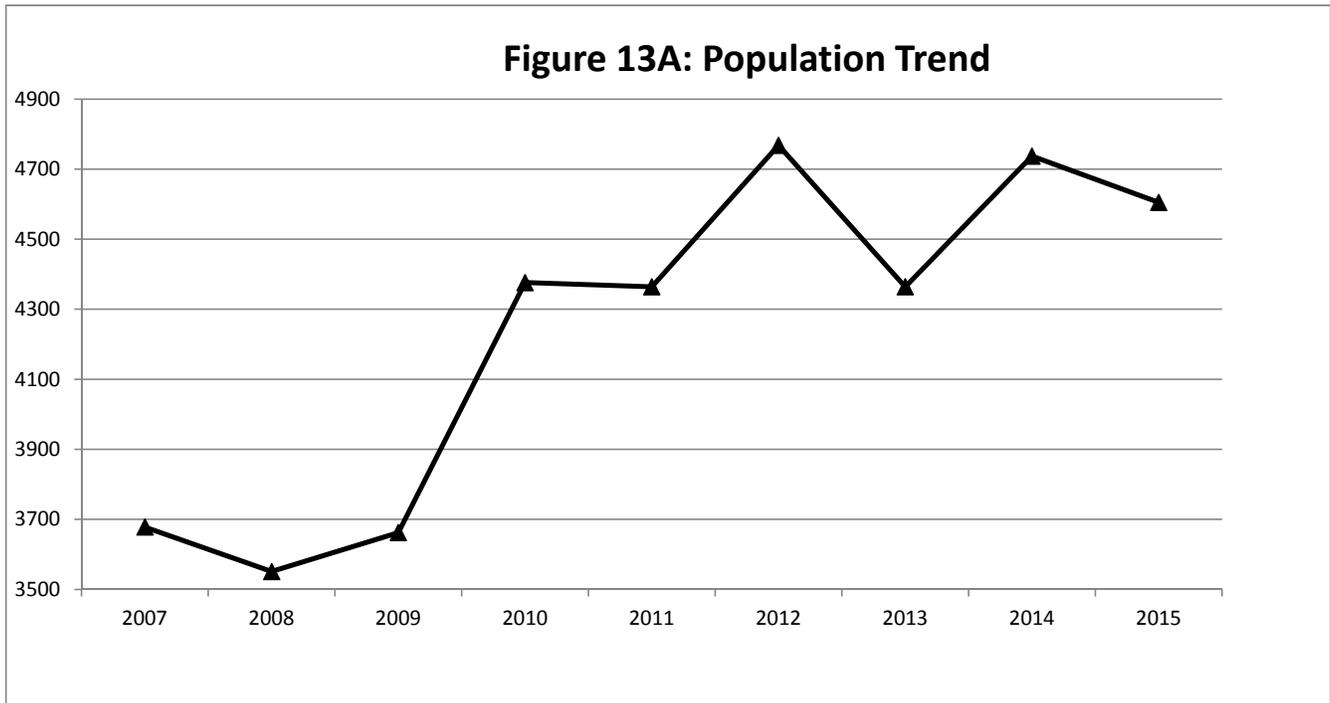
* Data unavailable or incomplete.

(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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	11.50	11.50	11.50	12.50	12.50	12.50	12.50	12.50	12.50
IS	2.00	2.00	2.00	2.00	2.00	3.00	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	22.00	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	8.35	8.35	8.78	8.50	9.00
Parks, culture, and recreation:										
Community center	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.50	12.50
Libraries	4.50	4.50	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.00
Community pool	4.63	5.50	5.50	5.50	5.50	5.00	5.00	5.00	4.25	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	14.00	14.00	14.33
Water	4.00	4.00	4.00	4.00	4.00	4.33	4.66	5.00	5.00	5.00
Wastewater	3.67	3.34	3.34	3.34	3.34	3.34	4.00	4.50	5.17	3.50
Ports and airport	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00
Solid waste	4.33	4.33	4.33	4.33	4.33	4.33	4.50	4.50	4.50	4.50
Total employees	154.84	153.63	153.63	153.63	154.63	156.31	156.47	159.74	159.88	159.04

Table 21

CITY OF UNALASKA, ALASKA

Operating Indicators by Function

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Custodies	443	420	337	320	257	274	241	271	263	1,320
Fire:										
Fire response	22	36	24	37	50	42	29	21	49	38
Burn permits	150	145	159	116	129	99	65	65	129	114
Fire safety	29	45	31	26	41	15	17	20	35	14
EMS:										
EMS ambulance Calls	208	176	191	107	147	184	131	113	290	186
Public works:										
Building permits issued	29	43	28	55	34	18	14	27	25	21
Parks, culture, and recreation:										
Community Center admissions	113,971	84,904	72,532	84,134	72,889	89,178	42,747	43,161	43,158	41,194
Aquatic center attendance	*	*	18,500	19,072	14,631	18,348	11,950	13,219	16,928	13,317
CC & aquatic center volunteer hours	4,303	1,175	2,280	1,334	1,908	1,731	1,693	975	894	885
Library volunteer hours	*	*	840	410	733	667	766	116	98	83
Library circulation	130,823	144,999	197,743	208,749	211,841	239,936	267,630	196,852	198,012	75,916
Library attendance	*	*	110,960	115,735	113,439	105,931	138,955	91,252	71,537	41,060
Electric:										
Power generated MW	33,491	31,443	35,705	30,060	37,998	46,958	43,742	45,198	44,411	43,213
Water:										
Water produced (MG)	1,208	1,042	1,093	971	1,090	1,204	1,262	1,164	1,163	1,246
Daily pumping capacity (MGD)	4	4	4	4	4	4	4	4	4	4
Total daily capacity (MGD)	5.5-13	5.5-13	13	12	12	12	12	12	12	13
Wastewater:										
Average daily treatment (MG)	0.53	0.47	0.48	0.47	0.56	0.55	0.43	0.43	0.39	0.40
Solid waste:										
Tons of waste collected	8,496	6,702	6,785	6,061	6,442	7,128	7,484	7,238	7,508	8,419
Cubic yards of waste collected	*	*	9,234	8,637	8,978	10,625	10,678	10,910	11,022	11,760
Ports and harbors:										
UMC vessel calls	437	520	407	334	237	577	655	751	680	574
UMC wharfage tons	465,491	464,549	286,698	363,038	338,029	479,630	356,032	498,098	535,028	488,758
Airport:										
Passengers	57,654	58,431	53,624	52,613	55,135	53,698	59,792	51,424	54,200	*

* Data unavailable or incomplete

Table 22

CITY OF UNALASKA, ALASKA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	6	6	7	7	7	7	7	7	7	7
EMS:										
Ambulances	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of public roads	40.2	40.2	40.2	40.2	40.0	40.0	40.0	43.9	43.9	43.9
Miles of paved roads	6.6	6.6	6.6	6.6	7.0	7.0	7.0	9.5	9.5	9.5
Street lights	107	179	179	179	179	179	179	245	246	251
Flashing/cautionary lights	9	9	9	9	9	9	9	15	15	15
Number of bridges	7	7	7	7	7	7	7	10	11	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	3
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	555	599	599	599	599	599	582	582	586	590
Wastewater:										
Sanitary sewers MH's	352	353	353	353	353	353	353	367	367	367
Miles of sewer lines	16.8	16.9	16.9	16.9	17.0	17.0	17.0	18.0	21.0	21.0
Lift stations	9	9	9	9	9	9	9	10	10	10
Solid waste:										
Landfills	1	1	1	1	1	1	1	1	1	1
Ports and harbors:										
Dock facilities – linear 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	2,400	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	1,072
CEM Small Boat Harbor	*	*	*	*	*	5,919	5,919	5,919	5,919	5,919