

# **CITY OF UNALASKA ALASKA**



Photo by: Eric Graham

**Comprehensive Annual Financial Report**

**Fiscal Year Ending June 30, 2008**

**CITY OF UNALASKA, ALASKA**

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2008

(With Independent Auditors' Report Thereon)

Prepared by

Department of Finance

# CITY OF UNALASKA, ALASKA

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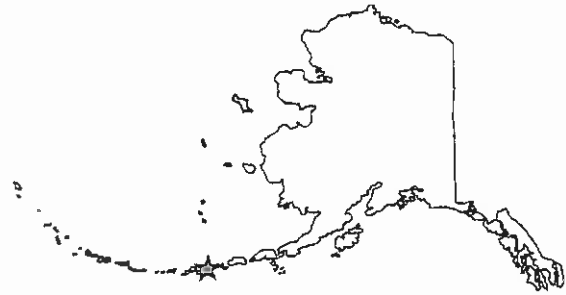
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## **Introduction Section**

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



December 10, 2008

To 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 generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards 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, 2008.

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.

Altman, Rogers & Company, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Unalaska's financial statements for the year ended June 30, 2008. The independent auditor's 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, state-mandated "Single Audit" designed to meet the special needs of 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 state awards. These reports are available in the City of Unalaska's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follow the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement 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 3,678, currently occupies an area of 215 square

miles, of which 46 percent 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 also is 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 council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Unalaska's fiscal year. This annual budget serves as the foundation for the City of Unalaska's financial planning and control. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g. police). The city manager is authorized to transfer appropriations within a function. Transfers of appropriations between functions, however, require the special approval of the city council.

### **Local economy**

With continued well-managed fisheries in the Federal and State waters of the Bering Sea/Aleutian Islands (BSAI), the City of Unalaska, which has been active in the effort to achieve maximum sustainability of those fisheries, should be able to maintain strong revenues.

Unalaska is the number one fishing port in the nation in terms of quantity of fish landed. According to the 2006 report by the National Marine Fishery Service, a record catch of 911 million pounds of fish was landed in Unalaska in 2006. These deliveries were worth slightly more than \$165 million dollars in 2006, positioning us in the number two slot in the US for income derived from fishing. Fifty-six percent of the nation's fish resources are harvested and processed in the State of Alaska. Unalaska's local processing plants handle 16% of the state's landings. Because our economy centers on a single industry, seafood, we must deal with a tax base that is subject to change based on fluctuations in fishery harvest levels. One mitigating factor to revenue volatility is the sustainability and good management of the fishery resources in the Bering Sea/Aleutian Island waters. In addition, the intentional portioning of fishing seasons throughout the year provides continuous annual processing that ensures revenues derived from raw seafood taxes are paid to the City on a steady basis.



Another significant mitigating factor to revenue volatility is that a general sales and use tax of 3% is charged for the goods and services provided locally. The majority of this revenue is derived from fuel sales to the large fishing fleet and processing plants.

Processed seafood products are sold both domestically and internationally. As much as 65% of our fish products are exported, and as a consequence, changes in fisheries and markets around the world affect our local economy. For example, the decline of Atlantic cod stock has resulted in an increased demand both domestically and internationally for Pollock fillets and Cod fillets from Alaska. A large percentage of our local seafood products is sold on the Japanese market, as well as in Europe and domestically. The extended recession in Japan has resulted in moderate demand with some improvement seen as the yen exchange rate continues to affect selling prices. In addition, the fact that younger generations of Japanese people do not consume as much surimi has resulted in less demand for the product. However, prices for high grade surimi are anticipated to remain strong. Pollock fillets are more valuable than surimi, and demand for the fillets is expected to remain strong both domestically and in Europe.

Unalaska's economic outlook is tied closely the Bering Sea fisheries. Nearly 95% of our seafood sales tax comes from Pollock, Pacific Cod, Red King Crab, Snow Crab, Halibut, Sablefish, and Brown King Crab. With only one exception, the fisheries in the BSAI are well-managed fisheries with no over-fished groundfish species in the Bering Sea/Aleutian Islands. The single exception is one species of crab that is listed as over-fished not due to fishery activity, but because of ecosystem changes. Harvest levels for Bering Sea Snow Crab have increased 75% from 37 million pounds harvest in the 2007 season to 63 million pounds for the 2008 season. The Bristol Bay Red King Crab stocks have increased 32% from 15 million pounds harvested in 2006 to 20.3 million pounds for the 2007 season.

Federal management of fisheries has come under scrutiny as a result of declining stocks in all but one region, the North Pacific, which includes the Bering Sea/Aleutian Islands Fisheries. Federal regulators are using the successful management practices of the North Pacific Fisheries Management Council as a model to improve management in other fisheries regions. Fisheries in the BSAI region and the Gulf of Alaska are expected to remain sustainable, well-managed, and healthy for the foreseeable future.

### **Long-term financial planning**

In continuing efforts to improve budgeting and long-term capital planning, the council, once again, set formal goals before the FY08 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.

A new initiative has been discussed and will be developed during the next fiscal year. The Fiscal Sustainability Plan will be researched and implementation will begin in FY08 to insure continued delivery of services and efficient operations of infrastructure.

Increasing power generation capacity has been needed for many years. Two five-megawatt generators have been built and are ready for installation in 2008. A four-bay power house will be constructed on the same lot as the existing site. It is estimated that this project will cost \$48

million. The project will be financed largely by revenue bonds and partially with a loan from the City's General Fund. A two-year timeline is estimated for this project. We are also exploring the island's geothermal potential. Exploration holes will be drilled in the summer of 2008 at an estimated cost of \$3 million. The exploration drilling will be financed by the general fund and grants.

Before the new power house can be built, the City must clean up PCB contaminants on the site that were identified in 2000. Approximately \$3.1 million has been spent for sampling and development of a remediation plan that will comply with EPA and ADEC regulations. The cost of the remediation project is estimated at \$4 million.

Ultraviolet (UV) treatment of wastewater does not meet new permit requirements. Leachate from the landfill has been identified as contributing to the problem. Unfortunately, to meet permit requirements, the five-year-old plant will have to be upgraded, which is estimated to cost between \$10 and \$15 million. The anticipated timeline for development of new plant is three to five years. The City is seeking significant financial assistance from the State of Alaska.

The Council adopted the Phase I Analysis / Landfill Development Plan to serve as a master plan and guide the City's near-term and future expansion / development of the landfill. Phase I includes design and construction of Cell 4, limited design and In-house construction of the proposed Inert Cell, relocation of the existing inert material in proposed Cell 4 to the new Inert Cell area, and contract work for the removal and disposal of the existing diesel contaminated soil. Estimated costs for this phase are around \$3.6 million with \$2 million funded by a State of Alaska grant. Phase 2, which responds to anticipated future landfill needs, involves construction of a new cell and moving the road to shoreline. The City is continuing to research ways of recycling or removing monofill items, predominantly fish nets, from the island to increase the life of the landfill.

Development of the new Carl E. Moses Boat Harbor at the base of Bunker Hill, in the area known as Little South America, continues to progress after many years of planning. A Feasibility Study and Environmental Impact Statement was approved by the U.S. Army Corps of Engineers (COE). Ultimate development costs range from \$30 to \$35 million with the COE's share estimated at approximately \$11 million. Other Federal sources of funding include an EDA grant for \$2.6 million and an EPA grant for \$750,000 which will pay for utilities and roads. State sources include a \$5 million revenue bond reimbursement program that has a deadline of June 30, 2007, and a \$4 million grant awarded in the State of Alaska's FY06 budget. The General Fund has designated \$5.5 million for this project. An estimated timeline for this project is two to four years. ACOE has let a contract for dredging, the boat ramp and the rubblemound breakwater. Construction will begin the summer of 2009.

Future paving projects are on hold until the success of the replacement paving has been determined. The City is developing a paving maintenance plan to address near term issues with paving in Unalaska. Project costs for the next round of paving will be developed in the maintenance plan due to be completed in the Spring of 09. The next round of paving will likely occur within the next three to four years.

## **Pension and other post-employment benefits**

The City of Unalaska provides pension benefits for all eligible employees through a state-wide plan managed by the State of Alaska's Public Employees Retirement System (PERS). The City of Unalaska has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to PERS. Investment losses in the pension fund have resulted in the City of Unalaska's ratio of funding level to net present value of projected benefits earned has dropped from 124% on June 30, 1997 to 74% on June 30, 2006. As a result, the employer portion of the pension cost will grow significantly over the next three to four years. The employer contribution rate as of July 1, 2007 was 20.81 percent. The State of Alaska appropriated nothing for local governments in its 2008 budget. On July 1, 2008, the rate will go to 22%.

Additional information on the City of Unalaska's pension arrangements and post employment benefits can be found in note 4(f) on pages 45-49.

## **Acknowledgements**

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

Respectfully submitted,



Chris Hladick  
City Manager



Tonya Miller  
Finance Director

## **Financial Section**

## Independent Auditors' Report

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

Ladies and Gentlemen:

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 funds information of the City of Unalaska, Alaska (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Unalaska's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining funds information of the City of Unalaska, Alaska, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the 1% Sales Tax Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008 on our consideration of the City of Unalaska, Alaska'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

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

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 and the Schedule of Funding Progress on page 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Unalaska, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Unalaska, Alaska. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical section listed with page reference in the Table of Contents were not audited by us and accordingly, we express no opinion on them.

*Altman, Rogers & Co.*

December 10, 2008

# 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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



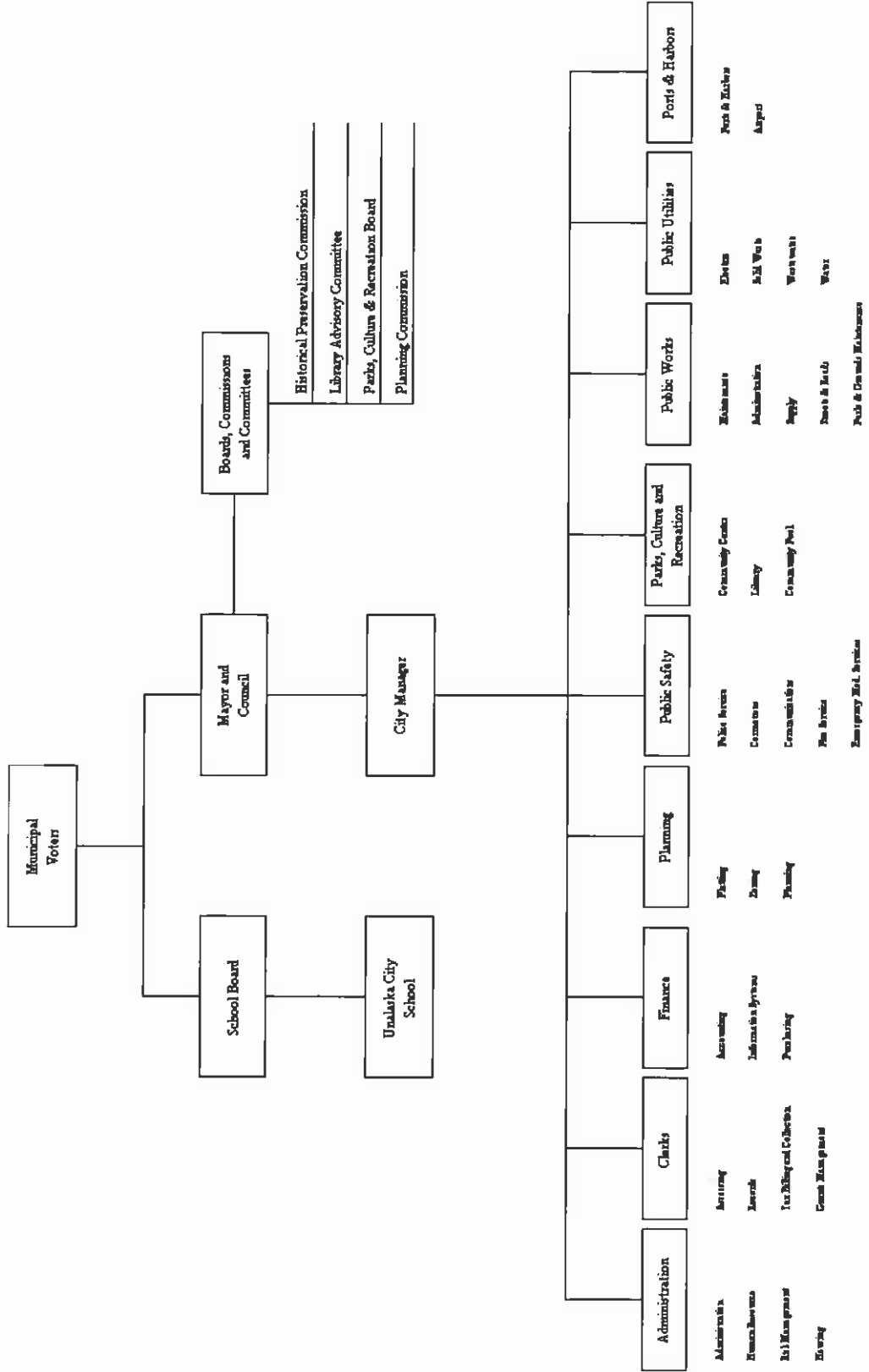
*Oliver S. Cox*

President

*Jeffrey R. Emswiler*

Executive Director

# City of Unalaska Organizational Chart





# PRINCIPAL EXECUTIVE OFFICERS

June 30, 2008

## Unalaska City Council

Mayor	Shirley Marquardt
Council Member	Katherine McGlashan
Council Member	Juanita Lewis
Council Member	Dave Gregory
Council Member	Roger Rowland
Council Member	Zoya Johnson
Council Member	Dick Peck

## City Management

City Manager	Chris Hladick
Assistant City Manager	VACANT
City Clerk	Debra Mack
Finance Director	Tonya Miller
Parks, Culture, & Recreation Director	Jeff Hawley
Planning Director	VACANT
Ports & Harbors Director	Alvin Osterback
Public Safety Director	Jamie Sunderland
Public Works Director	Nancy Peterson
Public Utilities Director	Dan Winters

## Special Services

Attorney	Hicks, Boyd, Chandler & Falconer
Auditors	Altman, Rogers & Co.

## School Board

President	Tammy Pound
Clerk/Treasurer	Sonia Handforth-Kome
Member	Ruth Marquez
Member	Melanie Magnusen
Member	Juanita Lewis

## School Officials

Superintendent	John Conwell
Secondary Principal	Glenn Cole
Elementary Principal	Heather Jones
Business Manager	Holly Holman

**CITY OF UNALASKA, ALASKA**  
Management's Discussion and Analysis  
June 30, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

**Financial Highlights**

- The assets of the City of Unalaska exceeded its liabilities at the close of the most recent fiscal year by \$258,142,994 (*net assets*).
- The government's total net assets increased by \$17,851,012, or 7%. The continuing strong local economy was a significant factor in this year's increase.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$65,868,691, which is an increase of \$5,337,743 over the prior year. Most of this total amount, \$62,944,956, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$44,544,078, or 236% of total General Fund expenditures. About 40% of this amount is designated for capital projects, as disclosed in note 2.
- The City of Unalaska's general obligation bonded debt decreased by \$362,705, or 8%, during the current fiscal year. No additional bonded debt was issued.

**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 are comprised of 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 Assets* presents information on all of the City of Unalaska's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 City's net assets changed during the most recent fiscal year. All changes in net assets 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

**CITY OF UNALASKA, ALASKA**  
Management's Discussion and Analysis  
June 30, 2008

of Unalaska include electric, water, wastewater, ports and harbors, airport terminal, solid waste, and housing operations.

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 13-14 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 expendable resources*, as well as on *balances of expendable 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 so doing, a better understanding of the long-term impact of a 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 eight 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 and the 1% Sales Tax Special Revenue Fund, both of which are considered major funds. Data from the other six 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 51 and 52.

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 15-20 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, and housing operations.

**CITY OF UNALASKA, ALASKA**  
Management's Discussion and Analysis  
June 30, 2008

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, 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 21-24 of this report.

**Notes to the 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 25-49 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Unalaska's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 50 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Unalaska, assets exceeded liabilities by \$258,142,994 at the close of the most recent fiscal year.

By far, the largest portion of the City of Unalaska's net assets (61%) 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.

**CITY OF UNALASKA, ALASKA**  
**Management's Discussion and Analysis**  
**June 30, 2008**

	Governmental activities		Business-type activities		Total *	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 108,678,206	95,450,597	36,059,466	27,572,342	144,737,672	123,022,939
Capital assets	82,406,458	84,318,929	82,202,785	74,585,279	164,609,243	158,904,208
Total assets	<u>191,084,664</u>	<u>179,769,526</u>	<u>118,262,251</u>	<u>102,157,621</u>	<u>309,346,915</u>	<u>281,927,147</u>
Long-term liabilities	7,349,288	6,045,367	6,234,707	5,104,713	13,583,995	11,150,080
Other liabilities	33,699,176	26,477,304	3,920,750	4,007,781	37,619,926	30,485,085
Total liabilities	<u>41,048,464</u>	<u>32,522,671</u>	<u>10,155,457</u>	<u>9,112,494</u>	<u>51,203,921</u>	<u>41,635,165</u>
Net assets:						
Invested in capital assets, net of related debt	77,882,217	79,489,364	79,962,785	74,102,692	157,845,002	153,592,056
Unrestricted	72,153,983	67,757,491	28,144,009	18,942,435	100,297,992	86,699,926
Total net assets	<u>\$ 150,036,200</u>	<u>147,246,855</u>	<u>108,106,794</u>	<u>93,045,127</u>	<u>258,142,994</u>	<u>240,291,982</u>

\* To facilitate ease of presentation, the total columns do not include the elimination of \$33,884,968 of internal balances.

The balance of *unrestricted net assets*, \$100,297,992, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Unalaska is able to report positive balances in both categories of net assets, 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.

The City's net assets increased by \$17,851,012 during the current fiscal year. Revenues overall were up 16.7%. The largest area of increase was in investment earnings for the governmental funds (\$1.1 million), which is due to increases in long-term investments (\$14.5 million). Sales taxes increased by \$1.7 million while fisheries taxes decreased by approximately \$412,000.

Total governmental activities expenses were \$2.5 million more than last year. Most functions of the governmental funds had an increase in expenditures of approximately 10% except Parks, Culture and Recreation which had an increase of 31%. Most of this increase was due to an increase in the cost of fuel. Expenses increased in all of the enterprise funds except solid waste. Expenses increased by 28% in the electric fund due to the cost of fuel. Expenses increased by 12.8% in the water fund, 16.5% in the ports and harbors fund, 8.5% in the wastewater fund, 9% in the airport fund, and 14% in the housing fund.

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**Management's Discussion and Analysis**  
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Table 2

	City of Unalaska's Changes in Net Assets					
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 280,647	304,495	22,731,799	20,001,140	23,012,446	20,305,635
Operating grants and contributions	923,426	925,973	—	—	923,426	925,973
Capital grants and contributions	4,944	—	4,748,232	1,188,565	4,753,176	1,188,565
General revenues:						
Property taxes	4,287,585	4,175,872	—	—	4,287,585	4,175,872
General sales tax	11,041,522	9,292,186	—	—	11,041,522	9,292,186
Raw seafood tax	4,689,810	4,076,762	—	—	4,689,810	4,076,762
Fisheries tax	8,971,186	9,383,754	—	—	8,971,186	9,383,754
Investment earnings	5,266,549	4,165,524	—	6,159	5,266,549	4,171,683
Other	2,002,355	1,948,839	18,914	195,691	2,021,269	2,144,530
<b>Total revenues</b>	<b>37,468,024</b>	<b>34,273,405</b>	<b>27,498,945</b>	<b>21,391,555</b>	<b>64,966,969</b>	<b>55,664,960</b>
<b>Expenses:</b>						
General government	4,023,252	3,718,333	—	—	4,023,252	3,718,333
Public safety	4,659,559	4,228,460	—	—	4,659,559	4,228,460
Public works	6,332,205	5,608,137	—	—	6,332,205	5,608,137
Parks, culture, and recreation	3,231,845	2,465,826	—	—	3,231,845	2,465,826
Community support	797,377	776,492	—	—	797,377	776,492
Education	4,233,719	4,101,594	—	—	4,233,719	4,101,594
Interest on long-term debt	281,170	167,871	—	—	281,170	167,871
Electric	—	—	12,851,069	10,013,959	12,851,069	10,013,959
Water	—	—	2,199,349	1,950,220	2,199,349	1,950,220
Ports and harbors	—	—	3,915,000	3,359,783	3,915,000	3,359,783
Solid waste	—	—	2,014,118	2,060,596	2,014,118	2,060,596
Wastewater	—	—	1,621,972	1,494,420	1,621,972	1,494,420
Airport	—	—	651,635	567,765	651,635	567,765
Housing	—	—	303,687	266,265	303,687	266,265
<b>Total expenses</b>	<b>23,559,127</b>	<b>21,066,713</b>	<b>23,556,830</b>	<b>19,713,008</b>	<b>47,115,957</b>	<b>40,779,721</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>13,908,897</b>	<b>13,206,692</b>	<b>3,942,115</b>	<b>1,678,547</b>	<b>17,851,012</b>	<b>14,885,239</b>
<b>Transfers</b>	<b>(11,119,552)</b>	<b>(4,790,104)</b>	<b>11,119,552</b>	<b>4,790,104</b>	<b>—</b>	<b>—</b>
<b>Increase in net assets</b>	<b>2,789,345</b>	<b>8,416,588</b>	<b>15,061,667</b>	<b>6,468,651</b>	<b>17,851,012</b>	<b>14,885,239</b>
<b>Net assets, beginning of year</b>	<b>147,246,855</b>	<b>138,830,267</b>	<b>93,045,127</b>	<b>85,033,518</b>	<b>240,291,982</b>	<b>223,863,785</b>
<b>Net assets, end of year</b>	<b>\$ 150,036,200</b>	<b>147,246,855</b>	<b>108,106,794</b>	<b>91,502,169</b>	<b>258,142,994</b>	<b>238,749,024</b>

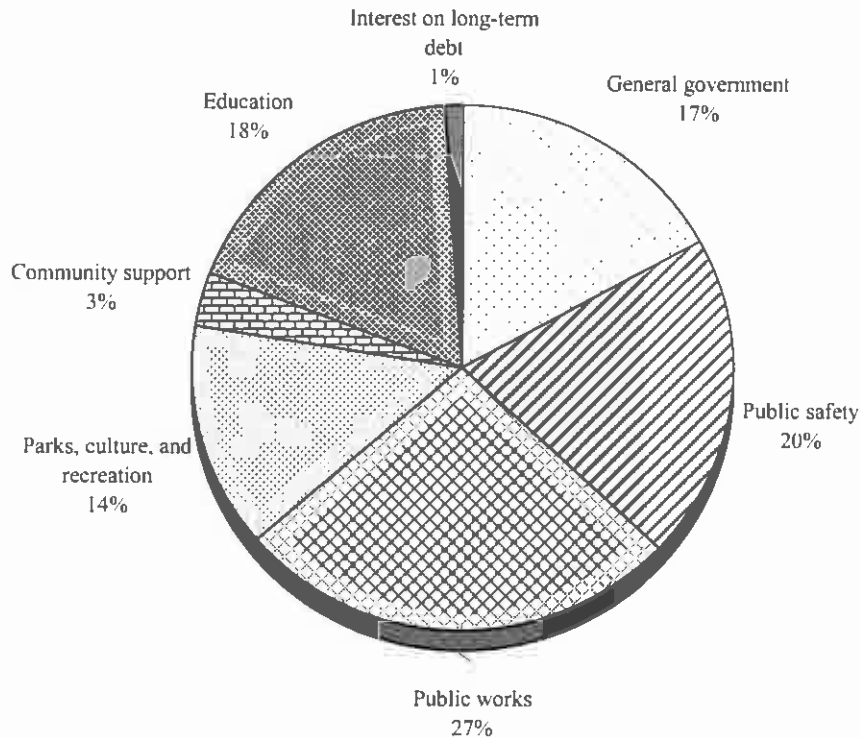
**Governmental Activities**

Governmental activities increased the City of Unalaska's net assets by \$2.8 million, thereby accounting for 16% of the total growth in the net assets of the City of Unalaska (see table 2). This year's increase in governmental net assets is up approximately 36% over last year.

In total, revenues for governmental activities increased 16%. As mentioned before, this is primarily due to investment earnings on increased temporary and long-term investments.

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**Governmental Activities Functional Expenses for Fiscal Year 2008**



**Business-Type Activities**

Business-type activities increased the City of Unalaska's net assets by \$15 million (see table 2), accounting for 84% of the total growth in the government's net assets, and the increase in business-type net assets is up 143% over last year's increase which is largely due to transfers from the governmental funds. Key elements of this increase are as follows:

- Transfers of \$11.1 million from the General Fund to business-type activities to cover operating and capital expenditures allowed the increase in net assets. Funds that received subsidies for operations included solid waste, waste water, the airport and housing. Subsidies for capital included electric, wastewater and solid waste.
- Transfers of \$5.2 million were made to the Electric Fund capital projects. All of these transfers were for the powerhouse project. \$3 million was transferred to the Housing Fund for the future construction of new housing. Transfers for operating subsidies included \$1.2 million to the Solid Waste Fund, \$437,471 to the Wastewater Fund, and \$422,251 to the Airport Fund and \$81,786 to the Housing Fund.
- Charges for services for business-type activities increased by 13.6%, primarily due to increases in electrical rates that are tied to the price of fuel.
- In total, expenses in the business-type activities increased by 19.5% again largely due to the increase in the price of fuel.

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**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 \$65,868,691, which is an increase of \$5,337,743 over the prior year. Approximately 95% of this total amount, \$62,944,956, constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending: a portion, \$184,993, has already been committed to liquidate contracts and purchase orders of prior periods; and the rest, \$2,738,742, has been committed for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Unalaska. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$44,554,078, while total fund balance reached \$47,477,813. As a measure of the general fund's liquidity, both unreserved fund balance and total fund balance may be compared to total fund expenditures. Unreserved fund balance represents 236% of total General Fund expenditures, while total fund balance represents 251% of that same amount.

The fund balance of the City of Unalaska's General Fund decreased by \$854,255 during this fiscal year. The key factor in this decrease is the \$11.1 million of transfers out to the enterprise funds.

***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 assets of the proprietary funds at the end of the year amounted to \$28,144,009. The growth in total net assets for all funds was \$15,061,667 again due to the large transfers from the General Fund for capital and operating funds.

**General Fund Budgetary Highlights**

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

- \$147,000 increases in fisheries business tax revenue due to higher revenue than expected in the fishing industry;
- \$450,000 increases in fisheries landing taxes due to higher revenue than expected increases in the fishing industry;
- \$485,000 increases in other revenue due to unanticipated state shared revenue of \$260,095 and unanticipated grant revenue for public safety of approximately \$225,000;
- \$138,281 increases in general government activities largely from increases in legal services (because of an election investigation, a second election, increased property tax assessment costs, and research of exemption of sales tax for food and residential heating fuel) and due to increases in the



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information systems department because funds were transferred from a capital project to the operating budget. This transfer was made because initially information systems was going to remodel a room to accommodate all the servers and back-up devices that the city needed; however, information systems was able to utilize advanced technology and purchase equipment to allow for the accommodations without any structural change to the building for considerably less money;

- \$116,920 increases in public safety as a result of Homeland Security Grants and other public safety grants;

### **Capital Asset and Debt Administration**

#### ***Capital assets***

The City of Unalaska's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$164,609,243 (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 change in the City of Unalaska's investment in capital assets for the current fiscal year was \$5.7 million.

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

- Geothermal energy continues to be researched as a potential alternate energy source. This year \$60,673 was spent on preliminary research.
- In FY08, public safety spent \$145,732 on the Tsunami Sirens Phase II project, and \$20,000 on the ALEISS System Connection.
- \$86,689 was spent on erosion control along Airport Beach Road.
- The bridge on Steward Road was replaced and was substantially completed last year, this year it was finalized with \$44,036 being spent in FY08.
- A maintenance fuel/lube truck was purchased for public works for \$63,940.
- A truck for building maintenance was purchased for public works for \$44,500.
- A Volvo loader was purchased for public works for \$232,918.
- A truck was purchased for public works for \$30,828.
- The heating system at City Hall was remodeled for \$89,802.
- A boiler at public safety was replaced for \$46,989.
- Engineering and design began on replacing the fuel island and storage tank for \$35,623.
- The circulation system software was replaced at the library for \$76,273
- The sidewalks at parks, culture and recreation are planned to be replaced. In FY07, \$16,710 was spent on design for the project. In FY08, \$66,289 was spent bringing the total project costs to \$82,999.
- The lighting in the school parking lot was replaced for \$20,920.
- Construction on the new South Channel Bridge, which is a State of Alaska Department of Transportation project, began in FY07. The City upgraded the utility (electric, water and wastewater) lines in conjunction with the construction. The City spent \$1,949,284 on the betterments in FY08.
- A one-ton line crew truck was purchased for the electric utility for \$40,241.

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- An electrical upgrade near Harbor Crown was done for \$28,582.
- Development of a new power plant on the existing site continued this year, including plans to clean-up hazardous waste found on the site during construction planning. Construction in progress for FY08 was \$805,844 for the Powerhouse Expansion project and \$2,365,290 for the hazardous waste clean-up.
- The City continued to work on the replacement of the Icy Creek sluice gate. In FY08, \$28,260 was spent on the project.
- The water tank on Lear Road is in Phase II of maintenance and \$32,698 was spent in FY08 on the project.
- Repair of the roof on the Pyramid Creek water tank began last year. In FY08, \$32,698 was spent on the project.
- Improvements to Lift Station #4 were completed for \$311,076.
- Landfill Cell #4 had additional work done this year for \$1,505,038.
- The new boat harbor at Little South America had work completed this year totaling \$3,002,532.

Table 3

City of Unalaska Capital Assets (Net of Accumulated Depreciation)						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 29,291,166	29,293,676	3,309,476	3,309,476	32,600,642	32,603,152
Buildings	34,066,361	35,427,986	11,387,347	9,227,122	45,453,708	44,655,108
Infrastructure	10,948,582	12,221,315	46,079,839	42,146,708	57,028,421	54,368,023
Machinery & Equipment	2,108,975	2,019,338	837,235	1,174,619	2,946,210	3,193,957
Construction in Progress	5,991,374	5,356,614	20,588,888	18,727,352	26,580,262	24,083,966
Total capital assets	\$ 82,406,458	84,318,929	82,202,785	74,585,277	164,609,243	158,904,206

Additional information on the City of Unalaska's capital assets can be found in note 3(c) on pages 36-37 of this report.

**Long-term Debt**

At the end of the current fiscal year, the City of Unalaska had bond and loan debt of \$4,905,986 (see table 4). Of this amount, \$4,466,860 comprises debt backed by the full faith and credit of the City.

Table 4

City of Unalaska Debt						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 4,466,860	4,829,565	—	—	4,466,860	4,829,565
Other contracts and loans	—	—	439,126	482,587	439,126	482,587
Total	\$ 4,466,860	4,829,565	439,126	482,587	4,905,986	5,312,152

**CITY OF UNALASKA, ALASKA**  
**Management's Discussion and Analysis**

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The City of Unalaska's bond and loan debt decreased by \$406,169 (7.6%) during the current fiscal year. No additional bond or loan debt was acquired.

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 41-43 of this report.

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

The average unemployment rate for the Aleutians West Region, which includes Unalaska, was 5.5% for calendar year 2007, which is the latest year with available information. 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.

Continued high oil prices will favorably impact our sales tax through marine fuel. Marine fuel sales generate half of the City's sales tax. Total sales tax is 33% of governmental activities revenue.

City Council authorized increases in the wastewater rates of 15% per year for three years beginning June 2006. The goal in approving the increases was to improve self-sufficiency of the operation and reduce taxpayer subsidies.

Landfill rates were increased in February 2007 to meet the city council's goal of having the Solid Waste Fund deficit no greater than the sum of depreciation and closure costs in two years and to satisfy the second rate increase proposed in the 2005 Landfill rate study. Another Landfill rate study was completed in June 2008, but no action has been taken yet by Council.

An electric utility rate study was completed in June of 2007, and industrial rates were decreased by 5% in FY08, and commercial rates were decreased by 10% in FY08. No residential rate changes occurred in FY08. Because of expected, significant increases in the customer base another rate study will be appropriate within the next 3 years. Quarterly Cost of Power Adjustment's (COPA) are reflected in rate payers' bills for changes in fuel cost.

**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 City'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, PO Box 610, Unalaska, AK, 99685.

**CITY OF UNALASKA, ALASKA**

Statement of Net Assets

June 30, 2008

Assets	Primary government				Component unit
	Governmental Activities	Business-type Activities	Eliminations	Total	Unalaska City School District
Cash and cash equivalents	\$ 1,117,100	150	—	1,117,250	1,367,027
Temporary investments	10,013,445	—	—	10,013,445	—
Receivables:					
Interest	854,377	—	—	854,377	—
Taxes	1,804,286	—	—	1,804,286	—
Accounts, net of allowance for uncollectible amounts of \$40,000	—	2,028,133	—	2,028,133	—
Special assessments	5,644	142,492	—	148,136	—
State of Alaska	9,146,671	1,167,552	—	10,314,223	—
Other	61,877	—	—	61,877	43,196
Internal balances	2,283,533	31,601,435	(33,884,968)	—	—
Inventories	406,203	894,349	—	1,300,552	30,633
Prepaid items	49,006	—	—	49,006	154,342
Deferred charges	—	223,355	—	223,355	—
Restricted assets:					
Cash for health insurance	—	—	—	—	264,580
Deposits	50,000	2,000	—	52,000	—
Long-term investments	82,886,064	—	—	82,886,064	—
Capital assets:					
Not being depreciated	35,282,540	23,898,364	—	59,180,904	—
Depreciated, net	47,123,918	58,304,421	—	105,428,339	168,217
<b>Total</b>	<b>\$ 191,084,664</b>	<b>118,262,251</b>	<b>(33,884,968)</b>	<b>275,461,947</b>	<b>2,027,995</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,339,109	1,133,377	—	2,472,486	189,158
Retainage payable	21,287	4,191	—	25,478	—
Accrued payroll and payroll liabilities	621,966	262,474	—	884,440	694,826
Accrued interest payable	57,381	4,703	—	62,084	—
Deposit payable	55,100	231,272	—	286,372	10,800
Deferred revenue	—	1,200	—	1,200	4,199
Internal balances	31,601,435	140,000	(31,741,435)	—	—
Due to:					
Student groups	—	—	—	—	53,479
State of Alaska	2,898	—	—	2,898	—
Noncurrent liabilities:					
Internal balances	—	2,143,533	(2,143,533)	—	—
Long-term debt due within one year	1,242,995	333,325	—	1,576,320	8,250
Long-term debt due in more than one year	6,106,293	5,901,382	—	12,007,675	78,182
<b>Total liabilities</b>	<b>41,048,464</b>	<b>10,155,457</b>	<b>(33,884,968)</b>	<b>17,318,953</b>	<b>1,038,894</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	77,882,217	79,962,785	—	157,845,002	143,258
Unrestricted	72,153,983	28,144,009	—	100,297,992	845,843
<b>Net assets</b>	<b>\$ 150,036,200</b>	<b>108,106,794</b>	<b>—</b>	<b>258,142,994</b>	<b>989,101</b>

See accompanying notes to financial statements.

**CITY OF UNALASKA, ALASKA**  
Statement of Activities  
Year ended June 30, 2008

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Total	
Primary government:								Component Unit: Unalaska City School District
Governmental activities:								
Current:								
General government	\$ 4,023,252	9,887	—	—	(4,013,365)	—	(4,013,365)	—
Public safety	4,659,559	76,886	—	—	(4,101,318)	—	(4,101,318)	—
Public works	6,332,205	—	4,944	—	(6,327,261)	—	(6,327,261)	—
Parks, culture, and recreation	3,231,845	193,873	—	—	(3,037,972)	—	(3,037,972)	—
Community support	797,377	—	—	—	(797,377)	—	(797,377)	—
Education	4,233,719	—	—	—	(4,233,719)	—	(4,233,719)	—
Interest on long-term debt	281,170	—	—	—	(281,170)	—	(281,170)	—
Total governmental activities	23,559,127	280,647	4,944	—	(22,350,110)	—	(22,350,110)	—
Business-type activities:								
Electric:								
Water	12,851,069	12,867,231	200,000	—	—	216,162	216,162	—
Ports and harbors	2,199,349	2,013,362	—	—	(185,987)	—	(185,987)	—
Solid waste	3,915,000	4,937,933	3,001,050	—	4,023,983	—	4,023,983	—
Wastewater	2,014,118	1,114,990	1,547,182	—	648,063	—	648,063	—
Airport	1,621,972	1,199,318	—	—	(422,654)	—	(422,654)	—
Housing	651,635	397,877	—	—	(253,758)	—	(253,758)	—
Total business-type activities	303,687	201,079	—	—	(102,608)	—	(102,608)	—
Total primary government	23,556,830	22,731,799	4,748,232	—	—	3,923,201	3,923,201	—
Component unit:	\$ 47,115,957	23,012,446	4,753,176	—	(22,350,110)	3,923,201	(18,426,909)	—
Unalaska City School District	\$ 8,858,219	358,592	67,000	—	—	—	—	(6,974,200)

General revenues:

Taxes:	\$
Property taxes	2,905,035
Personal property taxes	1,382,550
General sales tax	11,041,522
Raw-seafood sales tax	4,689,810
Other taxes	239,260
Intergovernmental:	
Fisheries tax	8,971,186
Payment in lieu of taxes	872,448
Grants not restricted to specific programs	—
Gain (loss) on disposal of capital assets	6,300
Investment earnings	178,669
Support from City of Unalaska	5,266,549
Other	711,978
Transfers	(11,119,552)
Total general revenues and transfers	25,139,455
Change in net assets	2,789,345
Net assets, beginning of year	147,246,855
Net assets, end of year	\$ 150,036,200

See accompanying notes to financial statements.

**CITY OF UNALASKA, ALASKA**

Governmental Funds

Balance Sheet

June 30, 2008

<b>Assets</b>	<b>General Fund</b>	<b>1% Sales Tax Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 1,117,100	—	—	1,117,100
Temporary investments	10,013,445	—	—	10,013,445
Receivables:				
Interest	854,377	—	—	854,377
Taxes	1,283,879	500,704	19,703	1,804,286
Special assessments	5,644	—	—	5,644
State of Alaska	9,146,671	—	—	9,146,671
Other	61,877	—	—	61,877
Due from other funds	—	12,566,654	6,344,890	18,911,544
Inventories	406,203	—	—	406,203
Prepaid items	49,006	—	—	49,006
Restricted assets:				
Deposits	50,000	—	—	50,000
Advances to other funds	2,283,533	—	—	2,283,533
Long-term investments	82,886,064	—	—	82,886,064
<b>Total</b>	<b>\$ 108,157,799</b>	<b>13,067,358</b>	<b>6,364,593</b>	<b>127,589,750</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 328,402	28,375	982,332	1,339,109
Retainage payable	3,036	—	18,251	21,287
Accrued payroll liabilities	620,550	—	1,416	621,966
Customer deposits	55,100	—	—	55,100
Due to other funds	50,512,979	—	—	50,512,979
Due to State of Alaska	2,898	—	—	2,898
Deferred revenues	9,157,021	10,699	—	9,167,720
<b>Total liabilities</b>	<b>60,679,986</b>	<b>39,074</b>	<b>1,001,999</b>	<b>61,721,059</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
Encumbrances	184,993	—	—	184,993
Inventories	406,203	—	—	406,203
Prepaid items	49,006	—	—	49,006
Advances to other funds	2,283,533	—	—	2,283,533
<b>Unreserved, designated for, reported in:</b>				
<b>General Fund:</b>				
Working capital and compensated absences	12,961,923	—	—	12,961,923
Capital projects	16,784,500	—	—	16,784,500
<b>Special Revenue Funds</b>				
Maintenance	—	3,300,000	—	3,300,000
<b>Unreserved, reported in:</b>				
General Fund	14,807,655	—	—	14,807,655
Special Revenue Funds	—	9,728,284	83,624	9,811,908
Capital Project Fund	—	—	5,278,970	5,278,970
<b>Total fund balances</b>	<b>47,477,813</b>	<b>13,028,284</b>	<b>5,362,594</b>	<b>65,868,691</b>
<b>Total</b>	<b>\$ 108,157,799</b>	<b>13,067,358</b>	<b>6,364,593</b>	<b>127,589,750</b>

See accompanying notes to financial statements.

**CITY OF UNALASKA, ALASKA**  
**Reconciliation of Net Assets Between the**  
**Government-Wide and Fund Financial Statements**

June 30, 2008

Amounts reported as fund balances on the governmental funds balance sheet		\$ 65,868,691
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		82,406,458
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:		
Shared fisheries business tax	\$ 3,894,175	
Shared fisheries resource landing tax	4,921,328	
Real property	18,362	
Property taxes	3,389	
Sales taxes	32,097	
Special assessments	5,644	
School debt reimbursement due from the State	<u>292,725</u>	9,167,720
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		(57,381)
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	(4,466,860)	
Accrued pension liability	(2,018,725)	
Compensated absences	<u>(863,703)</u>	(7,349,288)
Net assets of governmental activities		<u>\$ 150,036,200</u>

See accompanying notes to the financial statements.

**CITY OF UNALASKA, ALASKA**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2008**

	<u>General Fund</u>	<u>1% Sales Tax Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
General sales	\$ 7,348,387	3,674,411	—	11,022,798
Raw fish sales	4,689,810	—	—	4,689,810
Real property	2,898,809	—	—	2,898,809
Personal property	1,380,844	—	—	1,380,844
Other	29,015	—	210,245	239,260
<b>Intergovernmental:</b>				
Fisheries business tax	3,909,016	—	—	3,909,016
Fisheries resource landing tax	4,362,451	—	—	4,362,451
Payments in lieu of taxes	872,448	—	—	872,448
Corrections contract	481,355	—	—	481,355
Debt reimbursement	443,071	—	—	443,071
Other	627,035	—	4,944	631,979
Charges for services	280,647	—	—	280,647
Investment income	5,266,549	—	—	5,266,549
Other	84,943	—	—	84,943
<b>Total revenues</b>	<u>32,674,380</u>	<u>3,674,411</u>	<u>215,189</u>	<u>36,563,980</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,548,641	—	—	3,548,641
Public safety	3,806,767	—	—	3,806,767
Public works	4,743,217	—	—	4,743,217
Parks, culture, and recreation	2,052,736	—	—	2,052,736
Community support	633,377	—	164,000	797,377
Education	3,511,387	—	—	3,511,387
<b>Debt service:</b>				
Principal	362,705	—	—	362,705
Interest	223,789	—	—	223,789
Capital projects	—	—	1,286,362	1,286,362
<b>Total expenditures</b>	<u>18,882,619</u>	<u>—</u>	<u>1,450,362</u>	<u>20,332,981</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>13,791,761</u>	<u>3,674,411</u>	<u>(1,235,173)</u>	<u>16,230,999</u>
<b>Other financing sources (uses):</b>				
Proceeds from the sale of capital assets	226,296	—	—	226,296
Transfers in	—	—	3,752,760	3,752,760
Transfers out:	<u>(14,872,312)</u>	<u>—</u>	<u>—</u>	<u>(14,872,312)</u>
<b>Net other financing sources (uses)</b>	<u>(14,646,016)</u>	<u>—</u>	<u>3,752,760</u>	<u>(10,893,256)</u>
<b>Net change in fund balances</b>	<u>(854,255)</u>	<u>3,674,411</u>	<u>2,517,587</u>	<u>5,337,743</u>
Fund balances, beginning of year	48,332,068	9,353,873	2,845,007	60,530,948
Fund balances, end of year	<u>\$ 47,477,813</u>	<u>13,028,284</u>	<u>5,362,594</u>	<u>65,868,691</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, 2008

Net change in fund balance – total governmental funds		\$	5,337,743
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	\$	1,349,267	
Depreciation expense		<u>(3,214,111)</u>	(1,864,844)
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		290,841	
Shared fisheries resource landing tax		408,878	
Real property		6,226	
Property taxes		1,706	
Sales taxes		18,724	
Debt reimbursement from the State		<u>(1,000)</u>	725,375
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 assets:			
Principal repayments		362,705	
Change in PERS Liability		(1,751,259)	
Change in compensated absences		<u>84,633</u>	(1,303,921)
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			(57,381)
Governmental funds only report the revenues or sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of transactions involving capital assets is to decrease net assets.			
Costs of assets sold		(2,510)	
Relass of capital assets		<u>(45,117)</u>	<u>(47,627)</u>
Change in net assets of governmental activities		\$	<u><u>2,789,345</u></u>

See accompanying notes to the 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, 2008

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Taxes:				
General sales	\$ 5,100,000	5,181,500	7,348,387	2,166,887
Raw fish sales	3,800,000	3,800,000	4,689,810	889,810
Real property	2,895,000	2,895,000	2,898,809	3,809
Personal property	1,366,000	1,366,000	1,380,844	14,844
Other	58,000	58,000	29,015	(28,985)
Intergovernmental:				
Fisheries business tax	3,100,000	3,247,000	3,909,016	662,016
Fisheries resource landing tax	3,500,000	3,950,000	4,362,451	412,451
Payments in lieu of taxes	862,297	862,297	872,448	10,151
Corrections contract	400,000	400,000	481,355	81,355
Debt reimbursement	443,071	443,071	443,071	—
Other	116,900	602,078	627,035	24,957
Charges for services	313,800	313,800	280,647	(33,153)
Investment income	2,600,000	2,640,000	5,266,549	2,626,549
Other revenues	72,100	72,100	84,943	12,843
Total revenues	<u>24,627,168</u>	<u>25,830,846</u>	<u>32,674,380</u>	<u>6,843,534</u>
Expenditures:				
Current:				
General government	4,066,550	4,204,831	3,548,641	656,190
Public safety	4,179,245	4,296,165	3,806,767	489,398
Public works	4,805,358	4,897,873	4,743,217	154,656
Parks, culture, and recreation	2,180,947	2,269,303	2,052,736	216,567
Community support	633,843	633,843	633,377	466
Education	3,527,079	3,527,079	3,511,387	15,692
Debt service:				
Principal	362,897	362,897	362,705	192
Interest	223,597	223,597	223,789	(192)
Total expenditures	<u>19,979,516</u>	<u>20,415,588</u>	<u>18,882,619</u>	<u>1,532,969</u>
Excess of revenues over expenditures	<u>4,647,652</u>	<u>5,415,258</u>	<u>13,791,761</u>	<u>5,310,565</u>
Other financing sources (uses):				
Proceeds from the sale of assets	10,000	10,000	226,296	216,296
Transfers in	100,000	100,000	—	(100,000)
Transfers out	(11,359,054)	(15,028,778)	(14,872,312)	156,466
Net other financing (uses)	<u>(11,249,054)</u>	<u>(14,918,778)</u>	<u>(14,646,016)</u>	<u>272,762</u>
Net change in fund balance	\$ <u>(6,601,402)</u>	\$ <u>(9,503,520)</u>	\$ <u>(854,255)</u>	\$ <u>8,649,265</u>
Fund balance, beginning of year			<u>48,332,068</u>	
Fund balance, end of year			\$ <u>47,477,813</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, 2008**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with final budget – positive (negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Taxes:				
General sales	\$ 2,550,000	2,550,000	3,674,411	1,124,411
Expenditures:				
Current:				
Public works	1,263,500	1,263,500	—	1,263,500
Net change in fund balance	\$ 1,286,500	1,286,500	3,674,411	2,387,911
Fund balance, beginning of year			9,353,873	
Fund balance, end of year			\$ 13,028,284	

See accompanying notes to financial statements

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Net Assets

June 30, 2008

Assets	Electric Utility	Water Utility	Ports and Harbors	Solid Waste	Other Enterprise Funds	Total Enterprise Funds
<b>Current assets:</b>						
Cash and cash equivalents	1,341,388	79,131	150	113,210	150,962	150
Accounts receivables (net of allowance for uncollectibles)		45,279	343,442			2,028,133
Assessments receivable	82,880			656,500	97,213	142,492
Accounts receivable - State of Alaska	6,403,725	5,859,679	428,172	5,617,554	7,618,386	1,167,552
Due from General Fund	368,340	339,707	6,102,091	39,967	146,335	31,601,435
Inventories	223,355					894,349
Deferred charges						223,355
<b>Total current assets</b>	<b>8,419,688</b>	<b>6,323,796</b>	<b>6,873,855</b>	<b>6,427,231</b>	<b>8,012,896</b>	<b>36,057,466</b>
<b>Noncurrent assets:</b>						
Restricted assets:						
Refundable deposits			2,000			2,000
Capital assets, net	13,392,825	13,204,116	32,580,680	9,111,488	13,913,676	82,202,785
<b>Total noncurrent assets</b>	<b>13,392,825</b>	<b>13,204,116</b>	<b>32,582,680</b>	<b>9,111,488</b>	<b>13,913,676</b>	<b>82,204,785</b>
<b>Total assets</b>	<b>21,812,513</b>	<b>19,527,912</b>	<b>39,456,535</b>	<b>15,538,719</b>	<b>21,926,572</b>	<b>118,262,251</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	730,528	166,838	91,672	68,784	75,555	1,133,377
Retainage payable		2,703	1,488			4,191
Accrued payroll and payroll liabilities	201,971	104,552	121,437	74,387	49,991	552,338
Accrued interest					4,703	4,703
Bonds and loans payable					43,461	43,461
Advances from General Fund	140,000					140,000
Customer deposits	160,144	21,710		3,825	45,593	231,272
Deferred revenue		672			528	1,200
<b>Total current liabilities</b>	<b>1,232,643</b>	<b>296,475</b>	<b>214,597</b>	<b>146,996</b>	<b>219,831</b>	<b>2,110,542</b>
<b>Noncurrent liabilities:</b>						
Bonds and loans payable	420,613	160,657	252,839	135,415	395,665	395,665
Accrued pension liability	2,100,000				165,414	1,134,938
Advances from General Fund					43,533	2,143,533
Accrued landfill closure and post closure costs				4,370,779		4,370,779
<b>Total noncurrent liabilities</b>	<b>2,520,613</b>	<b>160,657</b>	<b>252,839</b>	<b>4,506,194</b>	<b>604,612</b>	<b>8,044,915</b>
<b>Total liabilities</b>	<b>3,753,256</b>	<b>457,132</b>	<b>467,436</b>	<b>4,653,190</b>	<b>824,443</b>	<b>10,155,457</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	11,152,825	13,204,116	32,580,680	9,111,488	13,913,676	79,962,785
Unrestricted	6,906,432	5,866,664	6,408,419	1,774,041	7,188,453	28,144,009
<b>Total net assets</b>	<b>18,059,257</b>	<b>19,070,780</b>	<b>38,989,099</b>	<b>10,885,529</b>	<b>21,102,129</b>	<b>108,106,794</b>
<b>Total liabilities and net assets</b>	<b>21,812,513</b>	<b>19,527,912</b>	<b>39,456,535</b>	<b>15,538,719</b>	<b>21,926,572</b>	<b>118,262,251</b>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2008

	Electric Utility	Water Utility	Ports and Harbors	Solid Waste	Other Enterprise Funds	Total Enterprise Funds
Operating revenues:						
Charges for sales and services	\$ 12,867,231	2,013,362	4,937,933	1,114,999	1,798,274	22,731,799
Other	—	5,335	—	—	7,279	12,614
Total operating revenues	12,867,231	2,018,697	4,937,933	1,114,999	1,805,553	22,744,413
Operating expenses:						
Operations	11,758,016	975,922	1,833,053	1,280,160	1,090,429	16,937,580
General and administrative	742,019	389,042	885,108	202,075	677,112	2,895,356
Payment in lieu of taxes	23,008	34,758	263,692	42,179	118,593	482,230
Landfill closure and postclosure care costs	—	—	—	195,255	—	195,255
Depreciation and amortization	326,183	799,452	933,147	293,162	684,232	3,036,176
Total operating expenses	12,849,226	2,199,174	3,915,000	2,012,831	2,570,366	23,546,597
Operating income (loss)	18,005	(180,477)	1,022,933	(897,832)	(764,813)	(802,184)
Nonoperating revenues (expenses):						
Interest expense	(1,843)	(175)	—	(1,287)	(6,928)	(10,233)
Gain (loss) on disposition of assets	—	—	2,300	4,000	—	6,300
Net nonoperating revenues (expenses)	(1,843)	(175)	2,300	2,713	(6,928)	(3,933)
Income (loss) before capital contributions, and transfers	16,162	(180,652)	1,025,233	(895,119)	(771,741)	(806,117)
Capital contributions	200,000	—	3,001,050	1,547,182	—	4,748,232
Transfers in	5,231,685	—	—	1,193,742	4,694,125	11,119,552
Change in net assets	5,447,847	(180,652)	4,026,283	1,845,805	3,922,384	15,061,667
Net assets, beginning of year	12,611,410	19,251,432	34,962,816	9,039,724	17,179,745	93,045,127
Net assets, end of year	\$ 18,059,257	19,070,780	38,989,099	10,885,529	21,102,129	108,106,794

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2008

	Electric Utility	Water Utility	Ports and Harbors	Solid Waste	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 9,307,796	2,082,778	4,390,056	970,725	1,834,982	18,586,337
Payments to employees	(1,956,515)	(753,308)	(1,129,237)	(773,253)	(843,408)	(5,455,721)
Payments to vendors	(7,035,549)	(395,501)	(1,738,272)	(816,627)	(932,645)	(10,918,594)
Net cash provided by (used for) operating activities	315,732	933,969	1,522,547	(619,155)	58,929	2,212,022
Cash flows from noncapital and related financing activities:						
Transfers in	5,231,685	—	—	1,193,742	4,694,125	11,119,552
Cash flows from capital and related financing activities:						
Principal payments on long-term obligations	—	—	—	—	(43,461)	(43,461)
Interest payments on long-term obligations	(1,843)	(175)	—	(1,287)	(6,928)	(10,233)
Repayment of capital projects advances from General Fund	(140,000)	—	—	—	—	(140,000)
Acquisition and construction of capital assets	(3,567,497)	(1,810,535)	(3,026,123)	(1,597,327)	(645,901)	(10,647,383)
Proceeds from disposition of capital assets	—	—	2,300	4,000	—	6,300
Grant proceeds from Federal and state government	200,000	—	3,001,050	1,547,182	—	4,748,232
Net cash provided by (used for) capital and related financing activities	(3,509,340)	(1,810,710)	(22,773)	(47,432)	(696,290)	(6,086,545)
Change in cash and due from General Fund	2,038,077	(876,741)	1,499,774	527,155	4,056,764	7,245,029
Cash and due from other funds, beginning of year	4,365,648	6,736,420	4,602,467	5,090,399	3,561,622	24,356,556
Cash and due from other funds, end of year	\$ 6,403,725	5,859,679	6,102,241	5,617,554	7,618,386	31,601,585
Reconciliation to balance sheet:						
Cash	—	—	150	—	—	150
Due from other funds	6,403,725	5,859,679	6,102,091	5,617,554	7,618,386	31,601,435
Cash and due from General Fund, June 30	\$ 6,403,725	5,859,679	6,102,241	5,617,554	7,618,386	31,601,585

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows, continued

Year ended June 30, 2008

	Electric Utility	Water Utility	Ports and Harbors	Solid Waste	Other Enterprise Funds	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 18,005	(180,477)	1,022,933	(897,832)	(764,813)	(802,184)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	326,183	799,452	933,147	293,162	684,232	3,036,176
Amortization of landfill closure costs	—	—	—	195,255	—	195,255
(Gain) or loss on sale of capital assets	—	—	(2,300)	(4,000)	—	(6,300)
Changes in assets and liabilities that provided (used) cash:						
Accounts receivable	(339,616)	57,583	(547,877)	(150,514)	43,616	(936,808)
Assessments receivable	—	6,200	—	—	12,496	18,696
Inventories	(88,697)	7,307	—	6,592	(25,830)	(100,628)
Retainage payable	—	2,703	1,488	(43,971)	—	(39,780)
Customer deposits	21,495	(375)	—	(6,241)	(2,329)	12,550
Deferred charges and other assets	(223,355)	—	—	—	—	(223,355)
Accounts payable	292,323	126,246	(66,369)	(98,877)	8,840	262,163
Accrued payroll and payroll liabilities	(55,491)	(24,713)	(37,815)	(30,202)	(37,211)	(185,432)
Accrued interest	—	—	—	—	(498)	(498)
Deferred revenue	—	672	—	—	(3,072)	(2,400)
Accrued pension liability	364,885	139,371	219,340	117,473	143,498	984,567
Net cash provided by (used for) operating activities	\$ 315,732	933,969	1,522,547	(619,155)	58,929	2,212,022

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2008

**(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; 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 Assets and the Statement of Activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of 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.



## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements, Continued

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.

**(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 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 *Ports and Harbors Fund* accounts for operations at the International Port of Dutch Harbor and the Unalaska Marine Center.
- The *Solid Waste Fund* accounts for operations of the City-owned landfill.

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements, Continued

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* – accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment in lieu of taxes paid by the enterprise funds to the General Fund and 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 Assets***

##### **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.

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements, Continued

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;
- b. Certificates of deposit; those over \$100,000 must be secured by eligible collateral;
- c. Repurchase agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the United States. 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 domiciled in the United States or obligations of a municipality if the obligations are rated AA or higher by at least one nationally recognized rating service at the time of investment; and
- g. Money market accounts in which the securities of the account consist of obligations listed in this section and otherwise meet the requirements of the City's investment policy.

Collateralization is required on two types of investments: certificates of deposit over \$100,000 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. Differences between fair value and cost 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 Assets 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, Continued

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 \$10,000 (amount not rounded) 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 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, Continued

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

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

**5. Deposits Payable**

The General Fund holds a customer deposit of \$54,000 for certain real property in the event of nonpayment of lease terms and a customer deposit of \$1,100 to cover damage or additional costs incurred by the City in leasing its recreational facilities.

The Airport Fund holds refundable customer deposits of \$10,000 to cover damage or additional costs incurred by the City in its leasing operations.

The Housing Fund holds refundable customer deposits of \$16,000 to cover damage to its rental properties.

The Electric Utility Fund, Water Utility Fund, Waste Water Utility Fund, and the Solid Waste Fund hold refundable customer deposits of \$160,144, \$21,710, \$19,593, and \$3,825, respectively, to cover equipment held by customers and in the event of nonpayment of utility bills.

**6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. During 2008 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 assets. 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 deferred charges and amortized over the term of the related debt.

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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

**8. Fund Equity**

In the fund level financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**(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 in the ordinance adopting the budget. The City Manager is authorized to transfer budget amounts between expenditure categories within any function; however, any supplemental appropriations that amend the total expenditures of any function or fund, require a City ordinance. Reported budgeted amounts are as originally adopted or as amended by ordinance.

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

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

(b) *Fund Equity*

**Designations of Fund Balances**

The fund balance at June 30, 2008, of the General Fund has been designated by the City Council for future possible uses as follows:

Working capital and compensated absences	\$ 12,961,923
New Boat Harbor	5,500,000
Boat Harbor Matching Grant	1,324,500
Street Paving	3,000,000
Powerhouse	3,500,000
City Housing	2,800,000
PCB Cleanup	660,000
	<u>\$ 29,746,423</u>

The fund balance at June 30, 2008, in the 1% Sales Tax Special Revenue Fund has been designated by the City Council for future possible uses as follows:

UMC Position #3 Replacement	\$ 2,000,000
Street lights	<u>1,300,000</u>
	<u>\$ 3,300,000</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, 2008, the City's carrying amount of bank deposits was \$605,700 and the bank balance was \$1,610,635. The \$1,004,935 difference represents outstanding checks and other reconciling items.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2008, 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

**Credit Risk**

City policies authorize the City to invest in obligations of the U.S. Treasury, U.S. Government agencies, Certificates of Deposits, repurchase agreements, and the Alaska Municipal League Investment Pool.

The City's investment in the bonds of U.S. agencies were rated AAA by Standard & Poor's and Fitch Ratings, and AAAQ by Moody's Investors Services. Corporate bond ratings are AA or higher.

**Investments**

As of June 30, 2008, the City has the following investments and maturities.

	Investment Maturities (in years)				
	Fair Value	Less Than 1	1-2	2-3	3-5
AML Investment Pool	10,013,445	10,013,445	-	-	-
Wells Fargo money market	246,616	246,616	-	-	-
U.S. Government Obligations	47,326,523	12,412,898	8,406,385	13,349,275	13,157,965
Corporate bonds	18,849,086	4,504,110	3,214,886	8,604,410	2,525,680
Mortgage/asset backed securities	16,463,839	-	1,559,751	8,216,486	6,687,602
	<u>\$ 92,899,509</u>	<u>27,177,069</u>	<u>13,181,023</u>	<u>30,170,171</u>	<u>22,371,247</u>



CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Cash and Cash Equivalents:

Petty Cash	\$ 1,550
Demand Deposits	605,700
Time Certificates of Deposit	510,000
Total Cash and cash equivalents	<u>\$ 1,117,250</u>

Investments:

AML Investment Pool, Inc.	\$ 10,013,445
Federal, State and Municipal government obligations	47,326,523
Corporate Obligations	18,849,086
Mortgage/Asset Backed Securities	16,463,839
Money Market	246,616
Total investments	<u>\$ 92,899,509</u>

Composed of:

Temporary investments	\$ 10,013,445
Long-term investments	82,886,064
	<u>\$ 92,899,509</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 GASB Statement No. 31. AMLIP is not SEC-registered and is unrated. Regulatory oversight of the pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. As of June 30, 2008, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

(b) *Receivables*

Receivables as of year end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	1% Sales Tax Special Revenue Fund	Nonmajor Govern- mental Funds	Electric Utility	Water Utility	Ports and Harbors	Solid Waste	Nonmajor Business Type	Total
Receivables:									
Interest	\$ 854,377	-	-	-	-	-	-	-	854,377
Taxes	1,283,879	500,704	19,703	-	-	-	-	-	1,804,286
Accounts	-	-	-	1,351,388	89,131	353,442	114,210	159,962	2,068,133
Special assessments	5,644	-	-	-	45,279	-	-	97,213	148,136
State of Alaska	9,146,671	-	-	82,880	-	428,172	656,500	-	10,314,223
Other	61,877	-	-	-	-	-	-	-	61,877
Gross receivables	11,352,448	500,704	19,703	1,434,268	134,410	781,614	770,710	257,175	15,251,032
Less: allowance for uncollectibles	-	-	-	(10,000)	(10,000)	(10,000)	(1,000)	(9,000)	(40,000)
Net receivables	\$ 11,352,448	500,704	19,703	1,424,268	124,410	771,614	769,710	248,175	15,211,032

The only receivables not expected to be collected within one year are a total of approximately \$138,000 of special assessments reported in the General, Water and Wastewater funds.

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

Shared fisheries business tax	\$ 3,894,175
Shared fisheries resource landing tax	4,921,328
Property taxes	21,751
Sales taxes	32,097
Special assessments	5,644
School debt reimbursement due from the State	292,725
	<u>\$ 9,167,720</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

(c) *Capital Assets*

Capital asset activity for the year ended June 30, 2008, was as follows:

	<b>Balance July 1, 2007</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2008</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 29,293,676	—	(2,510)	29,291,166
Construction-in-progress	<u>5,356,614</u>	<u>1,349,267</u>	<u>(714,507)</u>	<u>5,991,374</u>
Total	<u>34,650,290</u>	<u>1,349,267</u>	<u>(717,017)</u>	<u>35,282,540</u>
Capital assets, being depreciated:				
Buildings	52,644,948	—	(38,000)	52,606,948
Infrastructure	22,318,168	119,220	(55,728)	22,381,660
Machinery and equipment	<u>7,084,451</u>	<u>550,172</u>	<u>(139,717)</u>	<u>7,494,906</u>
Total	<u>82,047,567</u>	<u>669,392</u>	<u>(233,445)</u>	<u>82,483,514</u>
Less accumulated depreciation for:				
Buildings	(17,216,962)	(1,361,626)	38,000	(18,540,588)
Infrastructure	(10,096,853)	(1,391,953)	55,728	(11,433,078)
Machinery and equipment	<u>(5,065,113)</u>	<u>(460,532)</u>	<u>139,715</u>	<u>(5,385,930)</u>
Total	<u>(32,378,928)</u>	<u>(3,214,111)</u>	<u>233,443</u>	<u>(35,359,596)</u>
Total capital assets, being depreciated, net	<u>49,668,639</u>	<u>(2,544,719)</u>	<u>(2)</u>	<u>47,123,918</u>
Governmental-type activities, net	<u>\$ 84,318,929</u>	<u>(1,195,452)</u>	<u>(717,019)</u>	<u>82,406,458</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	—	—	3,309,476
Construction-in-progress	<u>18,727,352</u>	<u>10,881,140</u>	<u>(9,019,604)</u>	<u>20,588,888</u>
Total	<u>22,036,828</u>	<u>10,881,140</u>	<u>(9,019,604)</u>	<u>23,898,364</u>
Capital assets, being depreciated:				
Buildings	17,245,842	2,689,600	—	19,935,442
Infrastructure	77,078,314	6,253,226	(80,199)	83,251,342
Machinery and equipment	<u>5,011,865</u>	<u>70,365</u>	<u>(284,425)</u>	<u>4,797,805</u>
Total	<u>99,336,022</u>	<u>9,013,191</u>	<u>(364,624)</u>	<u>107,984,589</u>
Less accumulated depreciation for:				
Buildings	(8,045,720)	(529,376)	27,001	(8,548,095)
Infrastructure	(34,958,606)	(2,320,097)	107,200	(37,171,503)
Machinery and equipment	<u>(3,837,244)</u>	<u>(186,703)</u>	<u>63,377</u>	<u>(3,960,570)</u>
Total	<u>(46,841,570)</u>	<u>(3,036,176)</u>	<u>197,578</u>	<u>(49,680,168)</u>
Total capital assets, being depreciated, net	<u>52,494,452</u>	<u>5,977,015</u>	<u>(562,201)</u>	<u>58,304,421</u>
Business-type activities, net	<u>\$ 74,531,280</u>	<u>16,858,155</u>	<u>(9,581,805)</u>	<u>82,202,785</u>

The difference between deletions in constructions in progress and additions to capital assets are projects abandoned.

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

General government	\$ 117,016
Public safety	311,015
Public works	1,147,806
Parks, culture, and recreation	915,942
Education	<u>722,332</u>
Total – Governmental activities	<u>\$ 3,214,111</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Business-type activities:	
Electric	\$ 326,183
Water	799,452
Ports and Harbors	933,147
Solid Waste	293,162
Wastewater	452,319
Airport	161,488
Housing	70,425
	<hr/>
Total – Business-type activities	\$ 3,036,176
	<hr/> <hr/>

(d) *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 Assets and as internal balances in the Statement of Net Assets. These balances at June 30, 2008, were as follows:

<u>Receivable</u>	\$	<u>Payable</u>
		General <u>Fund</u>
1% Sales Tax Special Revenue Fund	\$ 12,566,654	
Non-major governmental funds		6,344,890
Electric		6,403,725
Water		5,859,679
Ports & Harbors		6,102,091
Solid Waste		5,617,554
Nonmajor enterprise funds		<u>7,618,386</u>
	\$	<u>50,512,979</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund receivables and payables that are not current are shown and are also included in internal balances on the Statement of Net Assets. These balances at June 30, 2008, were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General Fund	\$ —	2,283,533
Enterprise Funds:		
Electric Utility:		
Current portion	140,000	—
Long-term portion	2,100,000	—
Housing - long-term	<u>43,533</u>	—
	<u>\$ 2,283,533</u>	<u>2,283,533</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

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<sup>st</sup> of each year.

No formal agreement exists related to the advance to the Housing Enterprise Fund. The amount represents the amounts borrowed from the General Fund which are not expected to be repaid within one year.

A summary of transfers between funds of the City for the year ended June 30, 2008 follows:

<u>Transfers in</u>	<u>Transfers out</u>
	<u>General Fund</u>
Nonmajor governmental funds	\$ 3,752,760
Major Enterprise Fund:	
Electric Utility	5,231,685
Solid Waste	1,193,742
Nonmajor Enterprise funds	<u>4,694,125</u>
	<u>\$ 14,872,312</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$3,354,412 to the Major Equipment Capital Projects Fund for capital additions.
- The General Fund transferred \$398,348 to the Road to LSA Special Revenue Fund for capital additions.
- The General Fund transferred \$3,752,760 to non-major governmental funds for capital additions.
- The General Fund transferred \$5,231,685 to the Electric Utility Fund for capital additions.
- The General Fund transferred \$1,193,742 to the Solid Waste Fund for operations.
- The General Fund transferred \$437,471 to the Wastewater Fund for operations.
- The General Fund transferred \$752,617 to the Wastewater Fund for capital additions.
- The General Fund transferred \$422,251 to the Airport Fund for operations.
- The General Fund transferred \$3,081,786 to the Housing Fund for operations.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

(e) *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. Lease payments are \$3,114 per month with the amount to be reevaluated every five years.

On July 6, 1983, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 40-year lease (ADA-05248) for the land for the Airport Terminal. Annual payments of \$7,030 are due July 6 each year and the rental rate is not subject to change until May 1, 2012. This lease expires July 6, 2023.

On October 2, 1992, the City and North Pacific Fuel entered into a lease agreement for office space for the Port and Harbor Offices. The lease was renewed for one year in October 2007 at a rate of \$2,418 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 \$2,562 are due January 1 each year, ending January 2, 2035.

On November 12, 1999, the City entered into a sub-lease agreement with Delta Western Fuel for a weather station. Lease payments are \$100 monthly and ends June 30, 2014.

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 \$4,196 per month with the amount to be reevaluated every five years. Next evaluation is 2010.

On July 28, 2004, the City and UniSea entered into a 5-year lease for rental of GSA Parcel 2 to site an electric utility transformer. This lease is \$5 for five year period ending on July 26, 2009, and has been paid in full.

On July 1, 2005, the City and Ounalashka Corporation agreed on an easement grant for a marine bollard. The terms of this agreement require a payment of \$675 for ten years, one-half payable on execution of the agreement and the remaining one-half is to be paid at the end of the fifth year of the easement term.

On January 1, 2006, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 3-year land use permit (ADA-08364) for the airport long-term parking land. Annual payments of \$1,615 are due January 1 each year.

Rent expense for the year ended June 30, 2008 was \$146,777.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

The future commitment for operating lease payments follows:

2009	98,517
2010	98,855
2011	98,517
2012	61,148
2013	61,148
2014-2018	300,937
2019-2023	299,737
2024-2028	148,886
2029-2033	12,808
2034-2037	<u>10,248</u>
	<u>\$ 1,190,800</u>

(f) *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 20-year serial bonds with equal amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

	<u>Principal Balance</u>
Governmental activities:	
General obligation bonds:	
1981 school bond issued October 1, 1981 for \$2,500,000, interest rate 5%, due in annual installments of \$121,913 to 2011, payable to General Motors Acceptance Corporation	\$ 566,860
2000 school bonds issued June 1, 2000 for \$5,000,000, interest rates of 5.80% to 5.875% due in semi-annual installments of \$250,000 to \$260,000 to 2011, payable to Alaska Municipal Bond Bank Authority	690,000
2005 school bonds issued March 22, 2005 for \$3,295,000, interest rates of 2.50% to 5.0% due in semi-annual installments of \$25,000 to \$405,000 to 2020, payable to Alaska Municipal Bond Bank Authority	<u>3,210,000</u>
Total	<u>\$ 4,466,860</u>



CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

*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:	
Wastewater – loan:	
1997 3.75% Alaska Clean Water Act loan payable in varying annual installments over 20 years	\$ 389,480
1997 4.13% Alaska Clean Water Act loan payable in varying annual installments over 20 years	<u>49,646</u>
Total	<u>\$ 439,126</u>

Changes in long-term liabilities for the year ended June 30, 2008, was as follows:

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 4,829,565	-	(362,705)	4,466,860	379,29
Accrued pension liability	267,466	1,751,259	-	2,018,725	-
Compensated absences	<u>948,336</u>	<u>1,232,816</u>	<u>(1,317,450)</u>	<u>863,703</u>	<u>863,70</u>
Governmental Activity Long-term liabilities	<u>\$ 6,045,367</u>	<u>2,984,075</u>	<u>(1,680,154)</u>	<u>7,349,288</u>	<u>1,242,99</u>

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Business-type activities:					
Other Contracts and Loans:					
Loans	\$ 482,587	-	(43,461)	439,126	43,461
Accrued pension liability	150,371	984,567	-	1,134,938	-
Accrued landfill closure and postclosure care costs	4,175,524	195,255	-	4,370,779	-
Compensated absences	<u>296,231</u>	<u>467,408</u>	<u>(461,712)</u>	<u>289,864</u>	<u>289,864</u>
Business-type activity Long-term liabilities	<u>\$ 5,104,713</u>	<u>1,647,230</u>	<u>(505,173)</u>	<u>6,234,707</u>	<u>333,325</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Annual Debt Service requirements to maturity for governmental activities general obligation bonds are as follows:

Year Ending 6/30	Government Activities		
	Principal	Interest	Total
	\$ -	\$ -	\$ -
2009	379,282	204,268	583,550
2010	400,996	183,985	584,981
2011	428,046	162,373	590,419
2012	433,536	132,750	566,285
2013	300,000	119,950	419,950
2014-2018	1,730,000	395,413	2,125,413
2019-2023	795,000	51,000	846,000
Total	<u>\$ 4,466,860</u>	<u>\$ 1,249,738</u>	<u>\$ 5,716,598</u>

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

Years:	Principal	Interest	Total
2009	\$ 43,461	6,587	50,048.00
2010	43,461	5,935	49,396.00
2011	43,461	5,283	48,744.00
2012	43,461	4,632	48,093.00
2013	43,461	3,979	47,440.00
2014-2018	217,305	10,117	227,422.00
2019-2023	4,516	68	4,584.00
Total	<u>\$ 439,126</u>	<u>\$ 36,601</u>	<u>\$ 475,727</u>

*Refunded Bond Issues.* In March 2005 the City issued \$3,295,000 of general obligation bonds from which \$2,950,000 went to advance refund outstanding 2000 school bonds. The economic gain generated by this refunding was \$121,220, calculated as the difference between the present value of the debt service requirements of the new debt and the present value of the debt service requirements of the refunded debt.

**(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 claims occurred basis, except for public officials, which is on a claim made basis.

The City participates in the Alaska Public Entity Insurance (APEI) which covers property and contents, torts, general, and auto liability, school leaders errors and omissions, and workers

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

compensation. APEI is a public entity risk pool which re-insurers 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, 2008.

Claims on insurance have not exceeded coverages 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 2008, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2008. As of June 30, 2008, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$4,370,779, based on the use of 44.43% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$5,466,671 of expense and liability between July 2008, 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 2008. Actual costs of closure and postclosures care may be higher due to inflation, changes in technology, or changes in laws and regulations.

As of June 30, 2008, there are no State laws or regulations that require the City to provide financial assurances for the closure and postclosure care of the landfill. There are a number of allowable mechanisms available. Currently no assets of the City are restricted for payment of closure and postclosure care costs. Future inflation costs and additional costs that might arise from changes in closure and postclosure requirements (due to change in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

**(d) *Contingent Liabilities***

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.

**(e) *Construction Commitments***

The City entered into various construction contracts to complete different capital projects throughout the year. At June 30, 2008, the General Fund had \$1,449,980 and the Enterprise Funds had \$3,074,134 in outstanding construction commitments. These contracts will be completed in subsequent periods.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

*(f) Retirement Commitments*

**Alaska Public Employee Retirement System (PERS)**

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 27, Accounting for Pensions by State and Local Governmental Employees and GASB 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. GASB No. 27 and GASB No. 45 establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

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

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

*Plan Description.* The City contributes to the Alaska Public Employees Retirement System (PERS), which includes both an agent multiple employer defined benefit pension and a post-employment healthcare plans administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). There are currently 160 employers participating in PERS, including the State of Alaska and 159 political subdivisions and public organizations. PERS provides (1) retirement benefits including disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The authority to establish and amend benefit provisions is assigned to the ARMB. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811.

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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

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

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

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

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

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

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

*Funding Policy.* Active PERS members are required to contribute 6.75% (4.93% pension cost and 1.82% post-employment health care cost) of their annual covered salary and the City is required to contribute at an actuarial determined rate; the current rate is 20.81% (15.20% pension cost and 5.61% post-employment health care cost). The contribution requirements of plan members and the City are established and may be amended by the ARMB. However, in 2008, the actuarial determined rate was 20.81% of applicable gross pay and the employer contribution rate was increased to the required minimum rate of 22% as determined by state statute.

*Annual Pension Cost.* For 2008, the City's annual pension cost was \$1,575,082. The required contribution was determined as part of the June 30, 2006 using the entry age actuarial cost method. The actuarial assumptions included (a) 3.5% inflation rate (b) 8.25% investment rate of return (net expenses), (c) projected salary increases of 5.5% (3.5% for inflation and 2.0% for productivity and merit), (d) health cost trend inflation of 8.5% for 2007, 8.0% for 2008 and 7.5% for 2009. The actuarial value of PERS assets was determined by the valuation method that recognizes 20% of the investment gain or loss in each of the current and preceding four years. The unfunded accrued

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

liability is amortized over a 25-year fixed period, using the level percentage of pay method. Any funded surpluses are amortized over twenty-five years.

*Funded Status and Funded Progress.* The funded status of the City as of June 30, 2006, is as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 25,490,513	19,464,807	44,955,320
Actuarial value of plan assets	23,152,448	9,909,787	33,062,235
Unfunded actuarial accrued liability (UA AL)	<u>\$ 2,338,065</u>	<u>9,555,020</u>	<u>11,893,085</u>
Funded ratio (actuarial value of plan assets/AAL)	91%	51%	74%
Covered payroll (active plan members)	9,128,220	9,128,220	9,128,220
UA AL as a percentage of covered payroll	\$ 26%	105%	130%

Consistent with GASB standards the net amortization period for all gains and losses will not exceed 30 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future investment returns, inflation, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

The City's annual costs for the current year are as follows:

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution	\$ 1,149,810	425,272	1,575,082
Interest on net obligation	20,660	13,812	34,472
GASB 43 adjustment	(2,729,395)	5,497,036	2,767,641
Adjustment to annual required contribution	<u>(39,727)</u>	<u>(26,559)</u>	<u>(66,286)</u>
Annual (cost) expense	(1,598,652)	5,909,561	4,310,909
Contributions made	<u>(1,149,810)</u>	<u>(425,272)</u>	<u>(1,575,082)</u>
Increase (decrease) in net obligation	(2,748,462)	5,484,289	2,735,827
Net obligation, beginning of year	<u>250,424</u>	<u>167,413</u>	<u>417,837</u>
Net obligation, end of year	<u>\$ (2,498,038)</u>	<u>5,651,702</u>	<u>3,153,664</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

The City's annual costs, the percentage of annual cost contributed to the plan and the net obligation for the past three years as follows:

	Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension	2006	\$ 659,205	71%	272,216
	2007	928,908	102%	250,425
	2008	(1,598,652)	N/A	(2,498,038)
Post-employ- ment healthcare	2006	440,590	71%	181,939
	2007	619,272	102%	167,412
	2008	5,909,561	8%	5,651,702

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions are techniques used that are designed to reduce short-term volatility in the long-term perspective of the calculations.

*Changes in Method from Prior Valuation.* The actuarial cost method for financial statement presentation was changed from Projected Unit Credit to Entry Age normal effective with the June 30, 2006 valuation in order to be in compliance with reporting guidelines established in GASB 43.

Change in the PERS plan. Effective July 1, 2008, the PERS plan changed from an agent multiple-employer plan to a cost sharing multiple employer plan.

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

*Plan Description and Funding Requirements.* School Districts and Public Employers in the State of Alaska have a defined contribution retirement plan for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute 0.99% for the retiree medical plan, 0.58% for occupational and death and disability benefits and 3% of employers average annual employee compensation of the health reimbursement arrangement (HRA). The employer effective contribution rate is between 19.57% and 22%, with difference being allocated the defined benefit unfunded liability (DBUL). Plan members are 100% vested with their contributions. Members become vested in employers' contributions as follows:

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2008 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution	\$ 60,539	93,937
Retiree medical plan	6,810	-
Occupational health and disability benefits	11,625	-
Health reimbursement agreement (HRA)	35,226	-

Actual contributions were equal to the annual required contributions.



## **Required Supplementary Information**

CITY OF UNALASKA, ALASKA

Required Supplementary Information  
Scheduling of Funding Progress

June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Coverage Payroll (b-a)/c
<b>Pension:</b>						
6/30/2004	\$ 15,171,000	19,419,000	4,248,000	78%	9,013,000	47%
6/30/2005	16,336,028	21,403,488	5,067,460	76%	9,402,784	54%
6/30/2006	23,152,448	25,490,513	2,338,065	91%	9,128,220	26%
<b>OPEB:</b>						
6/30/2004	10,697,000	13,693,000	2,996,000	78%	9,013,000	33%
6/30/2005	13,081,773	17,139,757	4,057,984	76%	9,402,784	43%
6/30/2006	9,909,787	19,464,807	9,555,020	51%	9,128,220	105%

Notes to Required Supplementary Information:

1. The June 30, 2006 actuarial valuation is the most recent data available.
2. The actuarial cost method for financial statement presentation was changed from Projected Unit Credit to the Entry Age effective for the June 30, 2006 actuarial report.

## **Additional Supplementary Information**

**CITY OF UNALASKA, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2008

	Capital Projects							Total Nonmajor Governmental Funds
	Bed Tax Special Revenue Fund	Community Park Development	Pathways Development	Major Equipment	Street Paving	Road to LSA		
<b>Assets</b>								
Taxes receivables (net of allowance for uncollectibles)	19,692	—	—	—	—	11	19,703	
Due from other funds	63,932	53,760	775	4,220,933	1,207,153	798,337	6,344,890	
Total assets	\$ 83,624	\$ 53,760	775	4,220,933	1,207,153	798,348	6,364,593	
<b>Liabilities and Fund Balance</b>								
<b>Liabilities:</b>								
Accounts payable	—	—	—	170,103	812,229	—	982,332	
Retainage payable	—	—	—	18,251	—	—	18,251	
Accrued payroll liabilities	—	—	—	1,416	—	—	1,416	
Total liabilities	—	—	—	189,770	812,229	—	1,001,999	
<b>Fund balances:</b>								
Unreserved, reported in :								
Special Revenue Fund	83,624	—	—	—	—	—	83,624	
Capital Projects Funds	—	53,760	775	4,031,163	394,924	798,348	5,278,970	
Total fund balances	\$ 83,624	\$ 53,760	775	4,031,163	394,924	798,348	5,362,594	
Total liabilities and fund balances	\$ 83,624	\$ 53,760	775	4,220,933	1,207,153	798,348	6,364,593	

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

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

Year ended June 30, 2008

	Capital Projects							Total Nonmajor Governmental Funds
	Bed Tax Special Revenue Fund	Community Park Development	Pathways Development	Major Equipment	Street Paving	Road to LSA		
Revenues:								
Taxes	210,245	—	—	—	—	—	—	210,245
Intergovernmental	—	—	—	4,944	—	—	—	4,944
Total revenues	210,245	—	—	4,944	—	—	—	215,189
Expenditures:								
Current:								
Community support	164,000	12,505	—	—	—	—	—	164,000
Capital projects	—	—	—	1,273,279	578	—	—	1,286,362
Total expenditures	164,000	12,505	—	1,273,279	578	—	—	1,450,362
Excess (deficiency) of revenues over expenditures	46,245	(12,505)	—	(1,268,335)	(578)	—	—	(1,235,173)
Other financing sources:								
Transfers in	—	—	—	3,354,412	—	398,348	—	3,752,760
Net change in fund balance	46,245	(12,505)	—	2,086,077	(578)	398,348	—	2,517,587
Fund balances, beginning of year	37,379	66,265	775	1,945,086	395,502	400,000	—	2,845,007
Fund balances, end of year	83,624	53,760	775	4,031,163	394,924	798,348	—	5,362,594

**CITY OF UNALASKA, ALASKA**  
**Bed Tax Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year ended June 30, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget – positive (negative)</u>
Revenues:			
Taxes:			
Other	\$ 140,000	210,245	70,245
Expenditures:			
Current - community support:			
Unalaska Convention and Visitors Bureau	164,000	164,000	—
Excess of revenues over expenditures	(24,000)	46,245	70,245
Other financing sources:			
Transfers in	44,000	—	(44,000)
Net change in fund balance	\$ <u>20,000</u>	<u>46,245</u>	<u>26,245</u>
Fund balance, beginning of year		37,379	
Fund balance, end of year		\$ <u>83,624</u>	

CITY OF UNALASKA, ALASKA

Nonmajor Enterprise Funds

Combining Balance Sheet

June 30, 2008

	Wastewater Utility	Airport	Housing	Total
<b>Assets</b>				
Current assets:				
Accounts receivables (net of allowance for uncollectibles)	\$ 111,522	39,440	—	150,962
Assessments receivable	97,213	—	—	97,213
Due from General Fund	2,798,527	1,481,004	3,338,855	7,618,386
Inventories	146,335	—	—	146,335
Total current assets	3,153,597	1,520,444	3,338,855	8,012,896
Noncurrent assets:				
Capital assets, net	8,183,413	4,779,274	950,989	13,913,676
Total assets	\$ 11,337,010	6,299,718	4,289,844	21,926,572
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 42,762	32,596	197	75,555
Accrued payroll and payroll liabilities	34,177	5,454	10,360	49,991
Accrued interest	4,703	—	—	4,703
Customer deposits	19,593	10,000	16,000	45,593
Bonds and loans payable	43,461	—	—	43,461
Deferred revenue	528	—	—	528
Total current liabilities	145,224	48,050	26,557	219,831
Noncurrent liabilities:				
Bonds and loans payable	395,665	—	—	395,665
Accrued pension liability	117,417	25,019	22,978	165,414
Noncurrent portion of advances from General Fund	—	—	43,533	43,533
Total noncurrent liabilities	513,082	25,019	66,511	604,612
Total liabilities	658,306	73,069	93,068	824,443
<b>Net assets</b>				
Invested in capital assets, net of related debt Unrestricted	8,183,413	4,779,274	950,989	13,913,676
	2,495,291	1,447,375	3,245,787	7,188,453
Total net assets	10,678,704	6,226,649	4,196,776	21,102,129
Total liabilities and net assets	\$ 11,337,010	6,299,718	4,289,844	21,926,572

CITY OF UNALASKA, ALASKA

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Year Ended June 30, 2008

	Wastewater Utility	Airport	Housing	Total
Operating revenues:				
Charges for sales and services	\$ 1,199,318	397,877	201,079	1,798,274
Other	7,279	—	—	7,279
Total operating revenues	1,206,597	397,877	201,079	1,805,553
Operating expenses:				
Operations	849,035	98,218	143,176	1,090,429
General and administrative	274,108	352,957	50,047	677,112
Payment in lieu of taxes	39,582	38,972	40,039	118,593
Depreciation and amortization	452,319	161,488	70,425	684,232
Total operating expenses	1,615,044	651,635	303,687	2,570,366
Operating income (loss)	(408,447)	(253,758)	(102,608)	(764,813)
Nonoperating revenues (expenses):				
Interest expense	(6,928)	—	—	(6,928)
Income (loss) before transfers	(415,375)	(253,758)	(102,608)	(771,741)
Transfers in	1,190,088	422,251	3,081,786	4,694,125
Change in net assets	774,713	168,493	2,979,178	3,922,384
Net assets, beginning of year	9,903,991	6,058,156	1,217,598	17,179,745
Net assets, end of year	\$ 10,678,704	6,226,649	4,196,776	21,102,129



**CITY OF UNALASKA, ALASKA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2008**

	<b>Waste-water</b>			
	<u>Utility</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,054,107	570,042	210,833	1,834,982
Payments to employees	(609,873)	(117,789)	(115,746)	(843,408)
Payments to vendors	(320,239)	(505,694)	(106,712)	(932,645)
Net cash provided by (used for) operating activities	<u>123,995</u>	<u>(53,441)</u>	<u>(11,625)</u>	<u>58,929</u>
Cash flows from noncapital and related financing activities:				
Transfers in	1,190,088	422,251	3,081,786	4,694,125
Cash flows from capital and related financing activities:				
Principal payments on long-term debt obligations	(43,461)	—	—	(43,461)
Interest payments on long-term debt obligations	(6,928)	—	—	(6,928)
Acquisition and construction of capital assets	(623,824)	(20,466)	(1,611)	(645,901)
Net cash used for capital and related financing activities	<u>(674,213)</u>	<u>(20,466)</u>	<u>(1,611)</u>	<u>(696,290)</u>
Change in cash and due from General Fund	639,870	348,344	3,068,550	4,056,764
Cash and due from other funds, beginning of year	2,158,657	1,132,660	270,305	3,561,622
Cash and due from other funds, end of year	<u>\$ 2,798,527</u>	<u>1,481,004</u>	<u>3,338,855</u>	<u>7,618,386</u>
Reconciliation to balance sheet:				
Due from General Fund	<u>\$ 2,798,527</u>	<u>1,481,004</u>	<u>3,338,855</u>	<u>7,618,386</u>
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income (loss)	\$ (408,447)	(253,758)	(102,608)	(764,813)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	452,319	161,488	70,425	684,232
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	7,319	31,143	5,154	43,616
Assessments receivable	12,496	—	—	12,496
Inventory	(25,830)	—	—	(25,830)
Customer deposits	(1,329)	—	(1,000)	(2,329)
Accounts payable	21,683	(10,398)	(2,445)	8,840
Accrued payroll and payroll liabilities	(36,106)	(3,620)	2,515	(37,211)
Accrued interest	(498)	—	—	(498)
Deferred revenue	528	—	(3,600)	(3,072)
Accrued pension	101,860	21,704	19,934	143,498
Net cash provided by operating activities	<u>\$ 123,995</u>	<u>(53,441)</u>	<u>(11,625)</u>	<u>58,929</u>

CITY OF UNALASKA, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>Federal Share of Expenditures</u>
U.S. Department of the Interior - Passed through the State of Alaska - Payment in Lieu of Taxes	870331	15.226	\$ <u>410,151</u>	<u>410,151</u>
U.S. Environmental Protection Agency - Direct - Powerhouse Clean-up	BF-96045901-1	66.818	<u>200,000</u>	<u>200,000</u>
U.S. Department of Transportation - Pass through the State of Alaska: FY07 Impaired Driving	154AL 07-14-01	20.600	13,762	1,597
FY08 Impaired Driving	154A 08-00-01	20.600	<u>27,910</u>	<u>10,990</u>
			<u>41,672</u>	<u>12,587</u>
U.S. Department of Public Safety - Pass through the State of Alaska - Community Drug Enforcement FY07	JAG-08-012	16.738	<u>21,380</u>	<u>9,287</u>
U.S. Department of Homeland Security - Passed through the State of Alaska - SHSGP Grant Equipment	05 SHSP 16.16C26	97.073	<u>144,999</u>	<u>142,573</u>
Local Emergency Planning	08 LEPC-AR35253	97.074	13,350	13,350
SHSGP Grant Equipment	06 LETPP-GR34232	97.074	103,460	20,000
SHSGP Equipment	07 LETPP-GR34238	97.074	<u>55,000</u>	<u>55,000</u>
			<u>316,809</u>	<u>230,923</u>
Total Federal Assistance			\$ <u>990,012</u>	<u>862,948</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF UNALASKA, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Unalaska, Alaska (City). The City's reporting entity is defined in note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through from State agencies is included in the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

**(3) Reporting Entity**

The City, for purpose of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB 14, *The Financial Reporting Entity*.

CITY OF UNALASKA, ALASKA  
Schedule of State Financial Assistance  
Year Ended June 30, 2008

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>Total State Expended</u>
Department of Education and Early Development:			
Direct:			
* Debl Retirement Program - 2007	None	443,071	443,071
Public Library Assistance Grant FY08	PLA 08-782-81	6,350	6,350
Total Department of Education and Early Development		<u>449,421</u>	<u>449,421</u>
Department of Revenue:			
Direct:			
* Fisheries Business Tax	None	3,909,016	3,909,016
* Fisheries Resource Landing Tax	None	4,362,451	4,362,451
State Liquor License	None	13,550	13,550
Total Department of Revenue		<u>8,285,017</u>	<u>8,285,017</u>
Department of Military and Veteran's Affairs:			
Direct:			
Local Emergency Planning FY08	08 LEPC-AR35253	13,350	13,350
Department of Public Safety:			
Direct:			
Motor Vehicle License Tax	None	43,593	43,593
# Community Jail Assistance Contract	None	481,355	481,355
Total Department of Public Safety		<u>524,948</u>	<u>524,948</u>
Department of Transportation and Public Facilities:			
Direct :			
Impaired Driving	154A-08-00-01	2,000	2,000
* Small Boat Harbor Design	52584	1,500,000	428,172
Total Department of Transportation and Public Facilities		<u>1,502,000</u>	<u>430,172</u>
Department of Commerce, Community and Economic Development -			
Direct :			
* Municipal Energy Assistance	None	260,095	260,095
Department of Community & Economic Development:			
Direct:			
* New Landfill Cell Development	07-DC-272	2,000,000	890,681
* New Landfill Cell Development and Construction	08-DC-412	2,000,000	656,501
* Boat Harbor	06-DC-170	4,000,000	3,001,050
Total Department of Community and Economic Development		<u>8,000,000</u>	<u>4,548,232</u>
Total State of Alaska direct funding		<u>\$ 19,034,831</u>	<u>14,511,235</u>

\* Denotes a major program for state compliance audit purposes.

# Represents a contract for service and is excluded from the calculation of major programs.

See accompanying notes to the Schedule of State Financial Assistance

CITY OF UNALASKA, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2008

**(1) General**

The accompanying Schedule of State Financial Assistance presents the activity of all state financial assistance programs of the City of Unalaska, Alaska (City). The City's reporting entity is defined in note 1 to the City's basic financial statements. State financial assistance received directly from state agencies.

**(2) Basis of Accounting**

The accompanying Schedule of State Financial Assistance is presented using the modified-accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

**(3) Reporting Entity**

The City, for purpose of the Schedule of State Financial Assistance, includes all the funds of the primary government as defined by GASB 14, *The Financial Reporting Entity*. It does not include the component unit of the City, the Unalaska City School District. This component unit also receives state financial assistance, but separately satisfies the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, if applicable.

## **Statistical Section**

## STATISTICAL SECTION

This part of the Name of Government'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 City of Unalaska's overall financial health.

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Table 1

## CITY OF UNALASKA, ALASKA

	Net Assets by Component Last Six Fiscal Years (accrual basis of accounting) (amounts expressed in thousands)					
	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 77,253	77,291	78,163	80,110	80,437	77,882
Restricted	293	293	-	-	-	-
Unrestricted	47,190	51,873	54,473	58,720	66,810	72,154
Total governmental activities	\$ 124,736	129,457	132,636	138,830	147,247	150,036
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 63,581	62,208	63,230	68,192	72,205	79,963
Restricted	261	264	-	-	-	-
Unrestricted	14,275	18,199	21,804	18,384	20,840	28,144
Total business-type activities	\$ 78,117	80,671	85,034	86,576	93,045	108,107
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 140,834	139,499	141,393	148,302	152,642	157,845
Restricted	554	557	-	-	-	-
Unrestricted	61,465	70,072	76,277	77,104	87,650	100,298
Total primary government	\$ 202,853	210,128	217,670	225,406	240,292	258,143

The accrual basis of accounting was not maintained before 2003.



Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Assets  
Last Six Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities						
General government						
Public safety	\$ 3,338	3,406	3,942	3,668	3,713	4,023
Public works	3,702	3,704	4,166	4,129	4,228	4,660
Parks, culture and recreation	4,892	5,371	5,903	5,508	5,608	6,332
Community support	2,234	2,186	2,260	2,327	2,466	3,232
Education support	841	770	771	841	776	797
Interest on long-term debt	3,244	3,484	3,667	3,975	4,102	4,234
Total governmental activities expenses	342	410	218	261	168	281
Business-type activities	18,593	19,331	20,927	20,709	21,066	23,559
Electric	5,346	6,108	7,322	10,257	10,014	12,851
Water	1,820	1,883	1,814	1,862	1,950	2,199
Wastewater	1,289	1,306	1,380	1,438	1,494	3,915
Solid waste	2,893	3,284	3,690	3,029	2,061	2,014
Ports and harbors	630	573	3,389	3,426	3,360	1,622
Airport	1,595	1,542	589	616	568	652
Housing	222	237	231	266	304	304
Total business-type activities expenses	13,795	14,943	16,405	20,875	19,711	23,557
Total primary government expenses	\$ 12,388	34,274	37,332	41,584	40,779	47,116
<b>Program Revenues</b>						
Governmental activities						
Changes for services						
General government		20	77	18	-	10
Public safety	50	66	85	236	305	77
Public works	99	57	-	-	-	-
Culture and recreation	200	213	206	117	-	104
Operating grants and contributions	1,114	973	928	1,077	926	923
Capital grants and contributions	-	-	134	189	-	5
Total primary government activities program revenues	\$ 1,463	1,329	1,433	1,637	1,231	1,209

(Continued)

Table 2, Continued

CITY OF UNALASKA, ALASKA

Changes in Net Assets  
Last Six Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Business-type activities</b>						
Charges for services						
Electric	\$ 5,465	6,131	7,760	10,196	10,911	12,867
Water	1,989	2,111	2,224	2,177	2,233	2,014
Ports and harbors	3,858	4,114	4,210	4,421	4,425	4,938
Solid Waste	725	740	852	1,002	955	1,115
Wastewater	793	800	890	922	908	1,194
Airport	408	390	316	305	333	398
Housing	232	232	243	244	236	201
Capital grants and contributions	1,511	1,605	419	60	1,180	4,748
Total business-type activities program revenues	14,978	16,123	16,914	19,336	21,190	27,480
Total primary government program revenues	\$ 16,441	17,452	18,347	20,973	22,421	28,659
<b>Net (expense) revenue</b>						
Governmental activities	\$ (17,130)	(18,002)	(19,494)	(19,072)	(19,835)	(22,350)
Business-type activities	1,183	1,180	509	(1,539)	1,877	3,923
Total primary government net expense	\$ (15,947)	(16,822)	(18,985)	(20,611)	(18,358)	(18,427)
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities						
Taxes						
Personal and property taxes	\$ 3,952	4,243	3,976	3,971	4,176	4,288
General sales tax	5,952	6,436	7,724	9,034	9,292	11,042
Raw seafood sales tax	3,607	4,190	3,874	4,188	4,077	4,690
Other taxes	588	462	271	229	204	239
Fisheries Tax					9,384	8,971
Grants not restricted to specific programs	6,448	8,077	8,240	7,487	-	-
Gain (loss) on disposal of capital assets	364	212	190	(14)	105	179
Investment earnings	2,779	370	1,554	1,839	4,166	5,266
Other	186	103	552	951	1,639	1,584
Transfers	(3,651)	(1,370)	(3,708)	(2,734)	(4,790)	(11,120)
Total governmental activities	20,285	22,723	22,673	24,951	28,253	25,139
Business-type activities						
Gain (loss) on disposal of capital assets	34	(5)	66	4	-	6
Investment earnings	4	7	3	10	6	-
Other	(892)	-	76	156	195	14
Transfers	3,651	1,370	3,708	2,734	4,790	11,120
Total business-type activities	2,797	1,372	3,853	2,904	4,991	11,139
Total primary government	\$ 23,082	24,095	26,526	27,855	33,244	36,278
<b>Change in Net Assets</b>						
Governmental activities	\$ 3,155	4,721	3,179	5,879	8,418	2,789
Business-type activities	3,980	2,552	4,362	1,965	6,468	15,062
Total primary government	\$ 7,135	7,273	7,541	7,844	14,886	17,851

The accrual basis of accounting was not maintained before 2003.

Table 3

CITY OF UNALASKA, ALASKA

Governmental Activities Tax Revenues by Source  
 Last Six 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 & Interest on Taxes	Total
2003	\$ 5,952	\$ 3,667	\$ 2,792	\$ 1,160	\$ 126	\$ 90	\$ 13,787
2004	6,436	4,190	3,011	1,232	110	45	15,024
2005	7,724	3,874	2,768	1,207	179	92	15,844
2006	9,034	4,188	2,607	1,364	162	67	17,422
2007	9,447	4,077	2,813	1,360	160	58	17,915
2008	11,042	4,690	2,905	1,383	210	29	20,259

The accrual basis of accounting was not maintained before 2003.

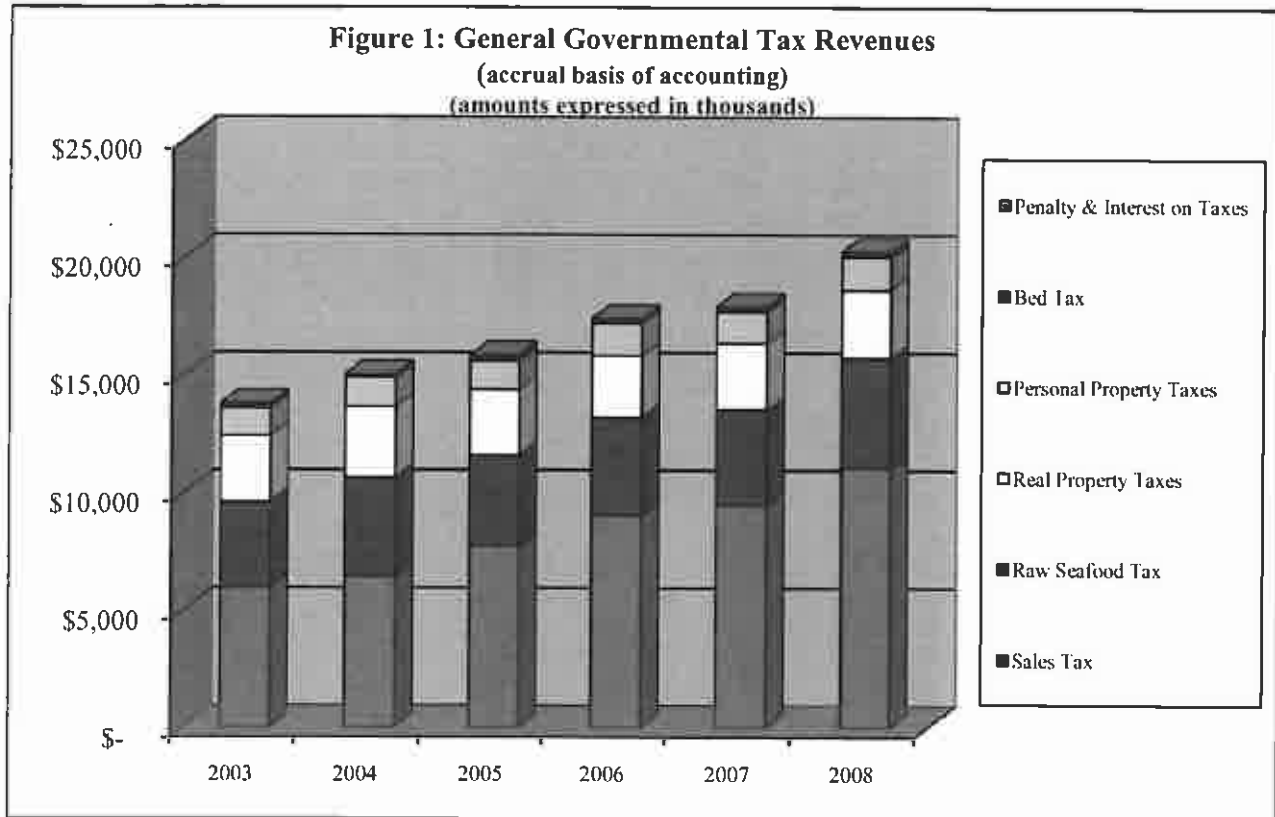


Table 4

## CITY OF UNALASKA, ALASKA

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 2,092	1,805	1,517	1,251	1,020	3,807	3,274	3,039	2,972	2,924
Unreserved	19,011	17,439	23,994	28,411	33,171	29,622	33,327	38,363	45,360	44,554
Total General Fund	\$ 21,103	19,244	25,511	29,662	34,191	33,429	36,601	41,402	48,332	47,478
All other governmental funds										
Reserved	5,170	10,005	3,470	6,346	1,416	978	3,339	1,653	-	-
Unreserved, reported in:										
Special Revenue Funds	1,604	2,685	3,962	2,477	1,543	2,050	4,236	6,242	9,391	13,112
Debt Service Funds	-	-	-	-	562	562	-	-	-	-
Capital Projects Funds	-	-	-	-	4,009	8,490	3,869	2,900	2,808	5,279
Total all other governmental funds	\$ 6,774	12,690	7,432	8,823	8,130	12,080	11,444	10,795	12,199	18,391

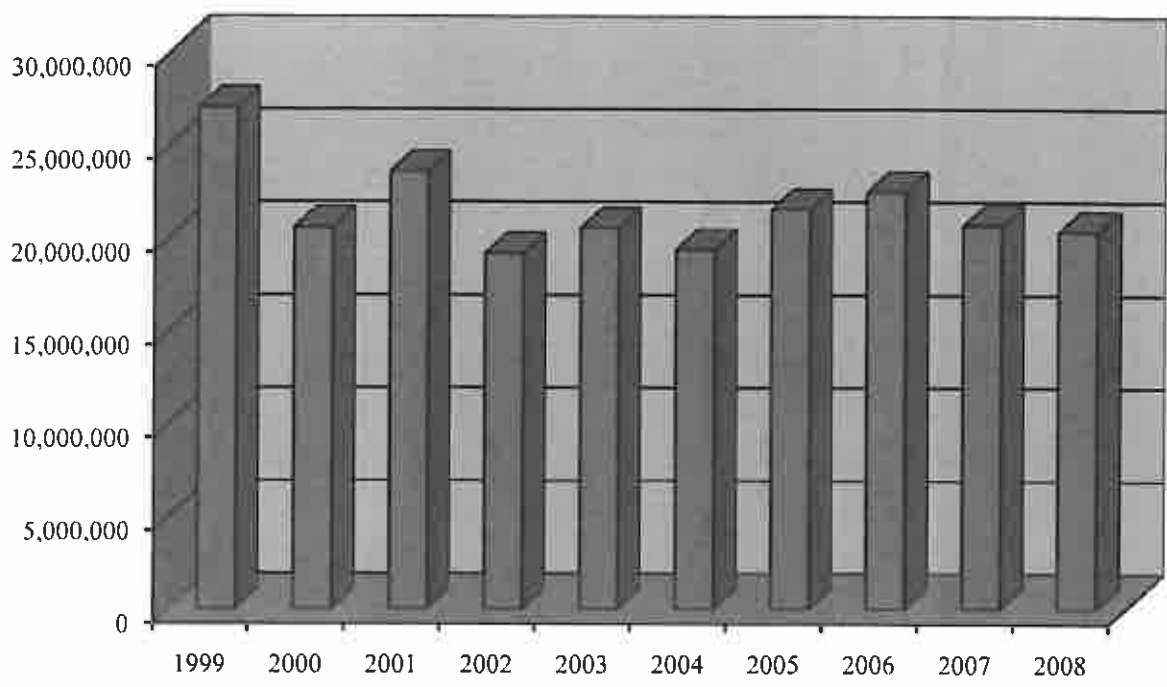
Table 5

## CITY OF UNALASKA, ALASKA

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Taxes	11,839	12,767	12,974	13,191	14,083	15,337	15,738	17,421	17,901	20,232
Intergovernmental	7,518	8,405	8,110	8,606	9,041	7,481	9,708	9,637	11,122	10,700
Charges for services	143	165	164	174	249	355	372	372	304	281
Investment income	1,959	1,825	3,295	2,969	2,779	370	1,554	1,839	4,166	5,266
Other	207	184	212	218	177	103	105	78	82	85
Total revenues	21,666	23,346	24,755	25,158	26,329	23,646	27,477	29,347	33,575	36,564
<b>Expenditures</b>										
General government	2,866	2,672	2,872	3,143	3,195	3,277	3,431	3,483	3,604	3,549
Public safety	2,774	3,229	3,305	3,566	3,455	3,485	3,967	3,770	3,909	3,807
Public works	2,801	2,916	3,259	3,331	3,534	4,050	4,096	4,140	4,510	4,743
Parks, culture and recreation	1,645	1,692	1,583	1,715	1,782	1,732	1,764	1,799	1,956	2,053
Community support	772	821	833	948	841	770	766	841	777	797
Education support	1,919	2,207	2,257	2,540	2,678	2,790	2,919	3,253	3,379	3,511
Debt Service										
Principal	1,029	1,044	849	359	325	270	285	321	347	363
Interest	214	152	358	355	342	328	225	262	242	224
Other	-	-	-	-	-	-	46	-	-	-
Capital projects	12,965	5,823	8,246	3,198	4,355	2,644	4,026	4,593	1,955	1,286
Total expenditures	26,985	20,556	23,562	19,155	20,507	19,346	21,525	22,462	20,679	20,333
Excess of revenues over (under) expenditures	(5,319)	2,790	1,193	6,003	5,822	4,300	5,952	6,885	12,896	16,231
<b>Other financing sources (uses)</b>										
Proceeds from sale of capital assets	146	-	-	-	-	-	-	-	227	226
Proceeds from long term debt	-	5,000	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	3,319	0	-	-
Advance refunding escrow	-	-	-	-	-	-	(3,272)	0	-	-
Transfers in	4,727	4,882	2,360	6,331	5,210	6,366	1,754	2,052	831	3,753
Transfers out	(8,221)	(6,447)	(2,544)	(6,792)	(8,230)	(7,736)	(5,462)	(4,784)	(5,621)	(14,872)
Other	5	-	-	-	-	258	245	-	-	-
Prior period adjustments/Accounting char	-	(2,168)	-	-	1,034	-	-	-	-	-
Total other financing sources (uses)	(3,343)	1,267	(184)	(461)	(1,986)	(1,112)	(3,416)	(2,732)	(4,563)	(10,893)
Net change in fund balance	(8,662)	4,057	1,009	5,542	3,836	3,188	2,536	4,153	8,333	5,338
Debt service as a percentage of noncapital expenditures	8.9%	8.1%	7.9%	4.5%	4.1%	3.6%	3.2%	3.3%	3.1%	3.1%

**Figure 2A: Governmental Expenditures**



**Figure 2B: Governmental Expenditures By Function for Fiscal Year 2008**

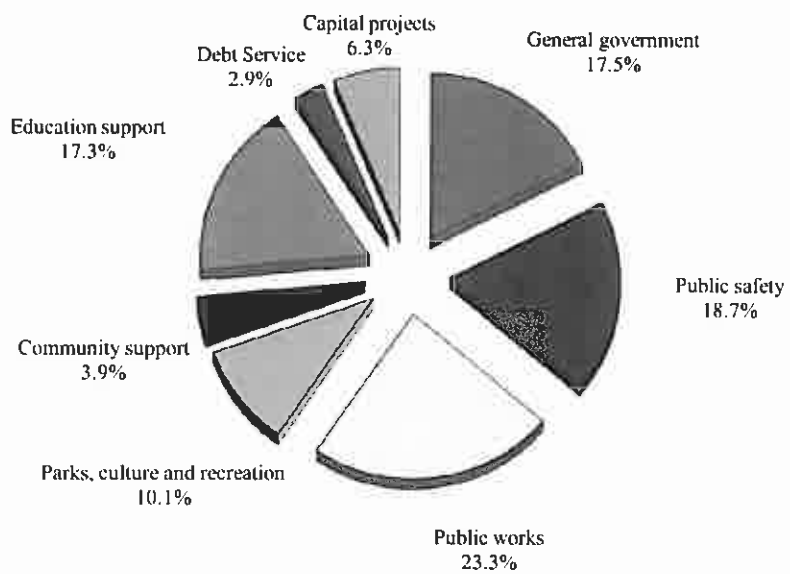


Table 7

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 & Interest on Taxes	Total
1999	\$ 4,882	2,514	2,698	1,121	108	123	11,446
2000	4,863	3,411	2,691	1,202	91	82	12,340
2001	5,416	3,065	2,749	1,116	103	62	12,511
2002	5,281	3,329	2,762	1,142	114	101	12,729
2003	5,851	3,663	2,746	1,146	126	90	13,622
2004	6,331	4,190	2,977	1,221	110	45	14,874
2005	7,598	3,874	2,788	1,207	179	92	15,738
2006	9,012	4,188	2,779	1,214	162	67	17,422
2007	9,447	4,077	2,813	1,360	160	58	17,915
2008	11,023	4,690	2,899	1,381	210	29	20,232

Figure 3: General Governmental Tax Revenues  
 (modified accrual basis of accounting)  
 (amounts expressed in thousands)

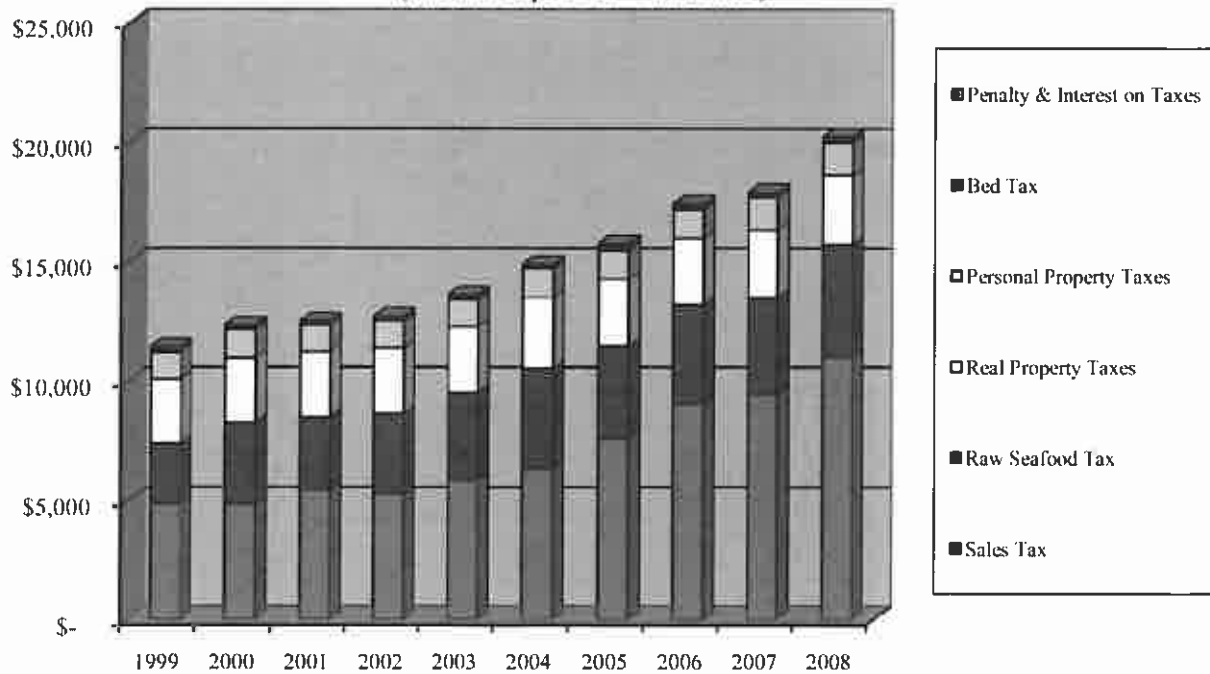


Table 8

## CITY OF UNALASKA, ALASKA

Assessed and Estimated Actual Value of Property  
Last Ten Fiscal Years  
(amount expressed in thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Assessed Value to Estimated Value
	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	
1999	\$ 224,492	\$ 252,238	\$ 94,999	\$ 106,740	\$ 319,491	\$ 358,978	89%
2000	229,396	263,674	100,570	115,597	329,966	379,271	87%
2001	233,099	277,499	95,305	113,458	328,404	390,957	84%
2002	233,857	285,192	98,524	120,151	332,381	405,343	82%
2003	233,345	245,627	97,674	102,814	331,019	348,441	95%
2004	252,583	255,135	104,454	105,509	357,037	360,644	99%
2005	235,921	268,092	101,591	115,444	337,512	383,536	88%
2006	235,911	291,248	103,313	127,547	339,224	418,795	81%
2007	238,939	324,687	115,906	156,124	354,845	480,811	74%
2008	246,322	328,429	117,384	156,512	363,706	484,941	75%

Source: City of Unalaska

Note: Property in the City is reassessed annually. The City assesses property at approximately 75 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$1,000 of assessed value.



Table 9

**CITY OF UNALASKA, ALASKA**

**Property Tax Rates  
All Governments  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total City Millage Rate (1)</u>
1999	11.78
2000	11.78
2001	11.78
2002	11.78
2003	11.78
2004	11.78
2005	11.78
2006	11.78
2007	11.78
2008	11.78

(1) The rate is per thousand dollars of assessed value. There are no restrictions or mandates on the rate.

Note: There are no overlapping governmental units.

Table 10

## CITY OF UNALASKA, ALASKA

Principal Real Property Taxpayers  
 June 30, 2008  
 (amounts expressed in thousands)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ounalashka Corporation	\$ 88,456,536	1	36%	\$ 82,522,426	1	37%
Unisea	39,471,313	2	16%	29,537,925	2	13%
Westward Seafoods	24,888,000	3	10%	21,219,700	3	9%
Alyeska Seafoods	19,395,095	4	8%	16,674,100	4	7%
	<u>\$ 246,322,817</u>		<u>70%</u>	<u>\$ 224,492,000</u>		<u>67%</u>

Table 11

## CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers  
June 30, 2008

Customer	2008			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	\$ 1,799,065	1	15%	\$ 1,409,727	1	13%
City of Unalaska	1,740,062	2	15%	1,381,881	3	13%
Horizon Lines, LLC	1,586,439	3	13%	1,111,216	2	10%
Harbor Crown	854,756	4	7%	541,031	4	5%
Safeway	651,651	5	5%	461,214	5	4%
North Pacific Fuel	585,648	6	5%	458,808	6	4%
Unalaska City School District	551,181	7	5%	423,455	7	4%
Alaska Commercial Company	402,991	8	3%	417,603	9	4%
Pacific Stevedoring, Inc.	322,412	9	3%	319,416	10	3%
Alaska Ship Supply	297,324	10	2%	236,639	8	2%
	<u>\$ 11,901,643</u>		<u>50%</u>	<u>\$ 10,798,461</u>		<u>41%</u>

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 (1)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
	\$	\$	%	\$	\$	%	\$	%
1999	3,762	3,744	99.52%	75	3,819	101.5%	\$	2.0%
2000	3,887	3,858	99.25%	35	3,893	100.2%		1.0%
2001	3,869	3,844	99.35%	22	3,866	99.9%		0.8%
2002	3,915	3,893	99.44%	11	3,904	99.7%		1.4%
2003	3,899	3,863	99.08%	29	3,892	99.8%		1.1%
2004	4,206	4,188	99.57%	11	4,199	99.8%		1.3%
2005	3,976	3,966	99.75%	30	3,996	100.5%		1.0%
2006	3,996	3,983	99.67%	11	3,994	99.9%		0.4%
2007	4,180	4,167	99.69%	9	4,176	99.9%		0.3%
2008	4,284	4,284	100.00%	4	4,288	100.1%		0.5%

Table 13

## CITY OF UNALASKA, ALASKA

Ratios of Outstanding Bonded Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capital amount)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Harbor Bonds	General Obligation Bonds	Harbor Bonds			
1999	\$ 3,212	\$ 4,035			\$ 7,247	6%	\$ 1,735
2000	7,152	2,394			9,546	8%	2,229
2001	6,353	2,024			8,377	7%	1,956
2002	5,963	1,658			7,621	6%	1,881
2003	5,708	1,275			6,983	5%	1,591
2004	5,438	870			6,308	4%	1,445
2005	5,498	443			5,941	4%	1,383
2006	5,176	-			5,176	3%	1,314
2007	4,830	-			4,830	*	*
2008	4,467	-			4,467	*	*

\* Data unavailable or incomplete.

Table 14

**CITY OF UNALASKA, ALASKA**

**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capital amount)

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual		Per Capita
		General Obligation Bonds	Taxable Value of Property	
1999	\$ 3,212	0.89%	\$ 769	
2000	7,152	1.99%	1,670	
2001	6,353	1.68%	1,483	
2002	5,963	1.53%	1,472	
2003	5,708	1.41%	1,301	
2004	5,438	1.56%	1,246	
2005	5,498	1.52%	1,279	
2006	5,176	1.35%	1,314	
2007	4,830	1.15%	1,313	
2008	4,467	0.93%	*	

\* Data unavailable or incomplete.

Table 15

**CITY OF UNALASKA, ALASKA**

**Direct Governmental Activities Debt (1)**  
**June 30, 2008**  
 (amounts expressed in thousands)

Jurisdiction	Outstanding Debt	Percentage Applicable to City of Unalaska	Amount Applicable To City of Unalaska
Direct:			
City of Unalaska	\$ 4,467	100%	\$ 4,467

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

Note: There are no overlapping governmental units.

**Table 16**

**CITY OF UNALASKA, ALASKA**

**Legal Debt Margin Information  
June 30, 2008**

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



Table 17

## CITY OF UNALASKA, ALASKA

Pledged-Revenue Coverage  
Ports & Harbors Enterprise Fund

Fiscal Year	Operating Revenues	Operating Expenses (1)	Income From Operations	Principal	Interest	Total	Coverage (2)
2000	\$ 2,935,560	\$ 1,826,137	\$ 1,109,423	-	-	-	*
2001	3,360,644	1,926,855	1,433,789	\$ 380,000	\$ 111,059	\$ 491,059	292%
2002	3,638,466	2,737,544	900,922	375,000	108,472	483,472	186%
2003	3,858,571	2,130,792	1,727,779	390,000	89,348	479,348	360%
2004	4,113,722	2,307,556	1,806,166	410,000	68,873	478,873	377%
2005	4,246,295	2,408,645	1,837,650	430,000	47,143	477,143	385%
2006	4,420,908	2,385,057	2,035,851	445,000	20,635	465,635	437%

(1) Operating expenses exclude depreciation.

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

\* The revenue bond was issued May 31, 2000 and there were no payments during fiscal year 2000.

\*\* The bond was paid off in fiscal year 2006.

Table 18

CITY OF UNALASKA, ALASKA

Demographic Statistics  
Last Ten Fiscal Years

Calendar Year	Unalaska Population (1)	Aleutians West Region Personal Income (amounts expressed in thousands) (2)	Aleutians West Region Per Capita Personal Income (2)	Unalaska School Enrollment (3)	Aleutians West Region Unemployment (4)
1999	4,178	\$ 126,197	\$ 22,186	353	6.7%
2000	4,283	114,549	22,694	352	5.0%
2001	4,283	118,525	30,191	351	5.7%
2002	4,051	131,086	24,778	393	6.4%
2003	4,388	144,666	25,096	399	6.3%
2004	4,366	145,599	26,279	399	6.4%
2005	4,297	150,950	28,120	398	5.7%
2006	3,940	156,600	32,103	386	5.9%
2007	3,678	*	*	388	5.5%
2008	*	*	*	403	*

\* 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.

Figure 13A: Population Trend

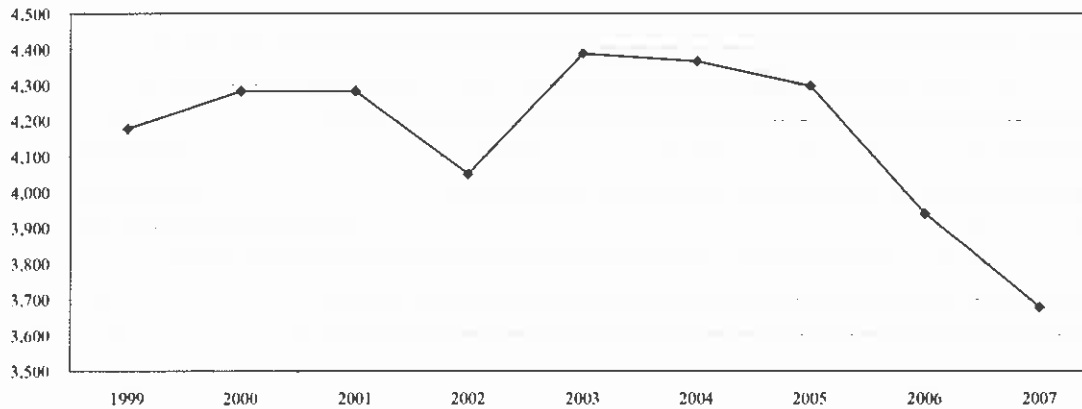


Table 19

CITY OF UNALASKA, ALASKA

Employer	2007**		2000*		Percentage of Total City Employment
	Range: Number of Employees	Rank	Employees	Rank	
Unisea, Inc.	800-999	1	688	1	29%
Westward Seafoods, Inc.	500-799	2	349	2	15%
Alyeska Seafood, Inc.	200-499	3	194	3	8%
City of Unalaska	100-199	4	162	5	7%
Pacific Stevedoring Inc.	50-99	5	-	-	-
Harbor Crown Seafoods, Inc.	50-99	6	-	-	-
American President Lines, Ltd.	50-99	7	61	9	3%
Unalaska City School	50-99	8	68	8	3%
Safeway, dba Eagle Quality Centers	25-49	9	-	-	-
Dutch Harbor Services, Inc.	25-49	10	-	-	-
Petro Star, Inc., dba North Pacific Fuel	-	-	182	4	8%
Western Pioneer, dba Alaska Ship Supply	-	-	100	6	4%
Royal Aleutian Seafood	-	-	89	7	4%
Western Power and Equipment	-	-	33	10	1%
Total Annual Average Number of Employees	3,020		2,363		

Source: Alaska Department of Labor, Research and Analysis Section based on average monthly employment Calander Year 2006 and 2000

\* Alaska Department of Labor has not maintained these statistics prior to 2000, therefore we have included the earliest possible comparison for this report.

\*\* Alaska Department of Labor can no longer give an exact number of employees due to new federal regulations. Therefore, we have included ranges for number of employees.

Table 20

CITY OF UNALASKA, ALASKA

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Council	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Manager	1.00	1.00	1.00	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	3.24	3.24	3.00	3.00	3.00	3.00	3.00
Finance	13.66	14.50	12.00	12.50	13.25	13.00	12.25	12.25	12.25	12.25
IS	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	2.19	2.19	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00
Public safety	23.50	24.75	24.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Correction	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire protection	2.00	2.00	2.00	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	4.00	4.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00	8.00
Parks, culture and recreation										
Community Center	15.88	15.88	11.30	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Libraries	2.50	4.38	4.38	4.38	4.75	4.75	4.75	4.50	4.50	4.50
Community Pool	2.00	4.00	4.13	4.13	4.38	4.38	4.38	4.63	4.63	4.63
Public utilities administration	2.00	2.00	3.00	2.00	1.00	1.00	2.00	2.00	2.00	2.00
Electric	13.00	13.00	13.00	13.00	13.22	13.00	13.00	13.00	13.00	13.00
Water	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Wastewater	2.67	2.67	2.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
Ports and airport	10.00	10.00	10.50	10.50	10.50	11.00	10.00	10.00	10.00	10.00
Solid waste	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33
Total Employees	147.69	153.16	150.52	154.96	155.80	155.59	154.84	154.84	154.84	154.84

Source of data: City of Unalaska

Table 21

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Custodies		364	321	420	453	479	391	395	443	365
Fire	427	45	44	31	35	30	40	19	22	36
Burn permits	110	99	102	120	101	87	121	117	150	145
Fire safety	40	45	49	63	90	51	42	27	29	45
EMS										
EMS ambulance calls	188	238	319	328	289	320	267	320	208	176
Public works										
Building permits issued	42	56	54	27	24	12	22	12	29	43
Parks, culture and recreation	*	*	*	*	*	66,396	73,146	79,340	113,971	84,904
Community Center admissions	*	*	*	*	4,493	4,810	2,823	4,710	4,303	1,175
Volunteer hours	67,887	71,542	68,781	70,083	86,404	73,546	96,632	107,079	130,823	83,976
Library circulation										
Electric	30,478	30,524	29,474	28,392	28,313	29,818	31,107	33,185	33,491	31,443
Power generated MW										
Water	818	821	867	1,049	1,111	1,219	1,213	1,161	1,208	1,042
Daily pumping capacity (MGD)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	4	4
Total daily capacity (MGD)	10	10	10	10	10	10	10	10	5.5-13	5.5-13
Wastewater										
Average daily treatment (MG)	0.41	0.41	0.48	0.50	0.48	0.48	0.57	0.48	0.53	0.47
Solid waste										
Tons of waste collected	8,390	8,427	7,547	8,152	8,556	8,467	8,671	9,533	8,496	6,702
Cubic yards of waste collected	50,213	*	*	*	*	*	*	*	*	*
Ports and harbors										
UMC vessel calls	677	737	578	552	554	564	533	458	437	520
UMC wharfage tons	267,629	221,432	327,165	393,247	225,270	413,869	448,078	444,338	465,491	464,549
Airport										
Passengers	61,000	62,993	57,186	59,515	57,300	54,499	59,941	58,618	57,654	58,431

\* Data unavailable or incomplete.

Source of data: City of Unalaska

Table 22

## CITY OF UNALASKA, ALASKA

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Response vehicles	8	8	8	8	8	8	8	8	6	6
EMS:										
Ambulances	2	3	3	3	3	3	3	3	2	2
Public works										
Miles of public roads	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2
Miles of paved roads	5.2	5.8	5.8	5.8	5.8	5.8	5.8	6.6	6.6	6.6
Street lights	107	107	107	107	107	107	107	107	107	179
Flashing/cautionary lights	5	9	9	9	9	9	9	9	9	9
Number of bridges	5	7	7	7	7	7	7	7	7	7
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	6	6	6	6	6	6	8	8	8	8
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Electric										
Number of city owned power plants	1	1	1	1	1	1	1	1	1	1
Number of sub-stations	2	2	2	2	2	2	2	2	2	2
Water										
Wells	4	4	4	4	4	4	4	4	4	4
Surface water treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of water lines	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	23
Number of connections	466	497	497	497	497	497	593	598	555	599
Wastewater										
Sanitary sewers MH's	302	326	340	340	340	352	352	352	352	353
Miles of sewer lines	15.4	15.8	16.5	16.5	16.5	16.8	16.8	16.8	16.8	16.9
Lift stations	9	9	9	9	9	9	9	9	9	9
Solid waste										
Landfills	1	1	1	1	1	1	1	1	1	1
Ports and harbors										
Dock facilities - lineal feet of docking	1,140	1,140	1,140	1,140	2,051	2,051	2,051	2,051	2,051	2,051
Unalaska Marine Center (UMC)	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975
Spt. Dock facility	-	340	340	340	340	340	340	340	340	340
Light Cargo Dock	-	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232
Small Boat Harbor	-	-	-	-	-	-	-	-	-	-

Source of data: City of Unalaska

## **Compliance Section**

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

Members of the City Council  
City of Unalaska  
Unalaska, Alaska

Ladies and Gentlemen:

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 City of Unalaska, Alaska as of and for the year ended June 30, 2008, which collectively comprise the City of Unalaska's basic financial statements and have issued our report thereon dated December 10, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Unalaska, Alaska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Unalaska, Alaska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Unalaska, Alaska's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Unalaska, Alaska's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Unalaska, Alaska's financial statements that is more than inconsequential will not be prevented or detected by the City of Unalaska, Alaska's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Unalaska, Alaska's internal control.



Members of the City Council  
City of Unalaska, Alaska

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that are considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the City of Unalaska, Alaska's Members of the City Council and management, the U.S. Department of the Interior and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Altman, Rogers & Co.*

December 10, 2008

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the City Council  
City of Unalaska  
Unalaska, Alaska

Ladies and Gentlemen:

Compliance

We have audited the compliance of City of Unalaska, Alaska with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. City of Unalaska, Alaska's major federal programs are identified in the summary of auditors' results section of the accompanying Federal Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Unalaska, Alaska's management. Our responsibility is to express an opinion on City of Unalaska, Alaska's compliance based on our audit.

We conducted our audit of compliance 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; and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Unalaska, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Unalaska, Alaska's compliance with those requirements.

In our opinion, City of Unalaska, Alaska complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Members of the City Council  
City of Unalaska, Alaska

Internal Control Over Compliance

The management of City of Unalaska, Alaska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Unalaska, Alaska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Unalaska, Alaska's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City of Unalaska, Alaska's Members of the City Council and management, the State of Alaska, the U.S. Department of the Interior, and appropriate federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Altman, Rogers & Co.*

December 10, 2008

CITY OF UNALASKA, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Is any significant deficiency disclosed?  yes  no

Is any significant deficiency reported as a material weakness?  yes  no

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

Is a significant deficiency disclosed for any major program?  yes  no

Is any significant deficiency reported for any major program as a material weakness?  yes  no

Type of auditors' report issued on compliance for major program: Unqualified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
66.818	Powerhouse Clean-up

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

Auditee qualified as low-risk auditee?  yes  no

**Section II - Financial Statement Findings:**

No matters were reported.

**Section III - Federal Award Findings and Question Costs:**

No matters were reported.



Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits

Members of the City Council  
City of Unalaska  
Unalaska, Alaska

Ladies and Gentlemen:

Compliance

We have audited the compliance of City of Unalaska, Alaska with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2008. City of Unalaska, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Unalaska, Alaska's management. Our responsibility is to express an opinion on City of Unalaska, Alaska's compliance based on our audit.

City of Unalaska, Alaska's basic financial statements include the operations of the Unalaska City School District, which received \$4,399,472 in state financial assistance which is not included in the schedule of state financial assistance during the year ended June 30, 2008. Our audit, described below, did not include the operations of Unalaska City School District because they separately satisfy the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether the noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about City of Unalaska, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Unalaska's compliance with those requirements.

Members of the City Council  
City of Unalaska, Alaska

In our opinion, City of Unalaska, Alaska complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of City of Unalaska, Alaska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Unalaska, Alaska's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Unalaska's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the City of Unalaska, Alaska's City Council, management, State of Alaska awarding agencies and pass thru entities and is not intended to be and should not be used by anyone other than these specified parties.

*Altman, Rogers & Co.*

December 10, 2008

CITY OF UNALASKA, ALASKA  
State Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Is a significant deficiency disclosed?

yes  no

Is any significant deficiency reported  
as a material weakness?

yes  no

Is a material noncompliance disclosed?

yes  no

State Awards

Internal Control over major programs:

Is a significant deficiency disclosed for  
any major program?

yes  no

Is any significant deficiency reported for  
any major program as a material weakness?

yes  no

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Dollar threshold used to distinguish a state major program:

\$ 100,000

**Section II - Financial Statement Findings**

No matters were reported.

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

No matters were reported.

CITY OF UNALASKA, ALASKA  
State Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2008

**Section II - Financial Statement Findings:**

**Finding 07-01**                      Inadequate Controls for Deletion and Proceeds from the sale of Capital Assets

**Significant Deficiency**

**Condition:**                      During the inquiry of additions and deletions of fixed assets, we discovered the deletion of assets from the schedule that were still in use. If an asset is still being used by an entity after it is fully depreciated then it needs to be accounted for on the fixed asset schedule. Also, proceeds from the sale of fixed assets were booked in the fixed asset account group. These proceeds would normally be recorded in the general fund as another financing source.

**Recommendation:**              Internal controls need to be implemented in order to ensure that deleted items from the fixed asset schedule are actually no longer in use. All additions and deletions need proper supporting documentation, which should be approved by a person who has knowledge of the fixed assets owned and used by the City. Fixed asset transactions entered into the system need to be approved in order to ensure it was correctly recorded to the account intended.

**Status:**                              This finding has been resolved. The City implemented a policy for handling the disposal and proceeds for capital assets.