

CITY OF UNALASKA ALASKA



Photo by: Jacob Whitaker

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2009

*Altman, Rogers
& Co.* | CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF UNALASKA, ALASKA

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2009

(With Independent Auditors' Report Thereon)

Prepared by

Department of Finance

CITY OF UNALASKA, ALASKA

TABLE OF CONTENTS

	Page
Introduction Section	
Transmittal Letter	i-v
GFOA Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Principal Executive Officers	viii
Financial Section	
Independent Auditors' Report	1-2
Management Discussion and Analysis (MD&A)	3-13
Basic Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Governmental Funds:	
Balance Sheet	16
Reconciliation of Net Assets Between the Government-Wide and Fund Financial Statements	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	19
Major Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Original and Final Budget and Actual:	
General Fund	20
1% Sales Tax Special Revenue Fund	21
Proprietary Funds:	
Statement of Net Assets	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	23
Statement of Cash Flows	24-25
Notes to Financial Statements	26-47
Additional Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	49
Special Revenue Funds:	
Bed Tax Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	50

CITY OF UNALASKA, ALASKA

TABLE OF CONTENTS, CONTINUED

		Page
Additional Supplementary Information, Continued:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets		51
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets		52
Combining Statement of Cash Flows		53
Schedule of Expenditures of Federal Awards		54
Notes to Schedule of Expenditures of Federal Awards		55
Schedule of State Financial Assistance		56
Notes to Schedule of State Financial Assistance		57
Statistical Section	Table	
Net Assets by Component	1	58
Changes in Net Assets	2	59-60
Governmental Activities Tax Revenues by Source	3	61
Fund Balances of Governmental Funds	4	62
Changes in Fund Balances of Governmental Funds	5	63
Governmental Expenditures	6	64
General Government Tax Revenues by Source	7	65
Assessed and Estimated Actual Value of Taxable Property	8	66
Property Tax Rates	9	67
Principal Real Property Taxpayers	10	68
Principal Electric Utility Customers	11	69
Property Tax Levies and Collections	12	70
Ratios of Outstanding Debt by Type	13	71
Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years	14	72
Direct Governmental Activities Debt	15	73
Legal Debt Margin Information	16	74
Pledged-Revenue Coverage	17	75
Demographic Statistics	18	76
Principal Employers	19	77
Full-time Equivalent City Government Employees by Function	20	78
Operating Indicators by Function	21	79
Capital Asset Statistics by Function	22	80

CITY OF UNALASKA, ALASKA
TABLE OF CONTENTS, CONTINUED

	Page
Compliance Section	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81-82
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	83-84
Federal Schedule of Findings and Questioned Costs	85
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	86-87
State Schedule of Findings and Questioned Costs	88

(This page was left blank intentionally)

Introduction Section

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



December 16, 2009

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, 2009.

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, 2009. 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 of supporting the best science practices and achievements for continued sustainability of those BSAI fisheries, which would allow Unalaska to maintain strong fishery related revenues in future years.

Unalaska is the number one fishing port in the nation in terms of quantity of fish landed and has been for 20 straight years. According to the 2008 report by the National Marine Fishery Service, a catch of 612.7 million pounds of fish was landed in Unalaska in 2008. These deliveries were worth slightly more than \$195 million dollars in 2008, positioning us in the number two slot in the US for income derived from fishing. Fifty-five percent of the nation's fish resources are harvested and processed in the State of Alaska. Unalaska's local processing plants handle 13% 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 rationalized fisheries

allow fishing seasons throughout the year and provides continuous annual processing that ensures revenues derived from state shared and local 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 60% 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 from 37 million pounds harvest in the 2007 season to 48 million pounds for the 2009 season. The Bristol Bay Red King Crab stocks have increased from 15 million pounds harvested in 2006 to 16 million pounds for the 2009 season. The Pollock fishery is the nation's largest and most valuable. The quota for the 2009 fishery was 815,000 MT with an ex-vessel value of approximately \$160 million.

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 FY09 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 FY09 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 2010. A C280 Caterpillar (4.4 megawatt) generator has been built as well and will be installed within one year of the operation of the new powerhouse. A four-bay power house is being constructed on the same lot as the existing site. It is estimated that this project will cost \$48 million. The project is financed largely by revenue bonds and partially with a loan from the general fund. The powerhouse is expected to be operational by August, 2010. We are also exploring the island's geothermal potential. Exploration holes will be drilled in the summer of 2010 at an estimated cost of \$3 million. The exploration drilling will be financed by the general fund and grants.

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 funding from the State of Alaska and the federal government.

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 two new cells and moving the road to the shoreline, and the development of leachate treatment capabilities at the landfill. The City is continuing to research ways of recycling or removing monofil 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 \$40 to \$45 million with the COE's share estimated at approximately \$24 million. Other Federal sources of funding include an EDA grant for \$1.3 million and an EPA grant for \$750,000 which will assist with the construction of the utilities and road. State sources include a \$5 million revenue bond reimbursement program that has a deadline of June 30, 2012, a \$4 million grant awarded in the State of Alaska's FY06 budget, and a \$1 million State of Alaska FY09 grant. The general fund has designated \$5.5 million for this project. An estimated timeline for this project is two to four years. ACOE has completed the dredging, the boat ramp and the rubblemound breakwaters. Construction of the road, utilities and inner harbor development will begin the summer of 2010. Construction of the floating breakwaters will begin as soon as the ACOE has secured additional funding.

The City is developing a road improvement plan to address short-term and long-term improvements for the roads in Unalaska. Road surfacing improvements including pavement, gravel and possibly concrete are being evaluated and a 10-year plan for project funding for new construction and for maintenance will be completed by February 2010.

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. The employer contribution rate as of July 1, 2008 was 22 percent.

Additional information on the City of Unalaska's pension arrangements and post employment benefits can be found in note 4(e) on pages 45-47.

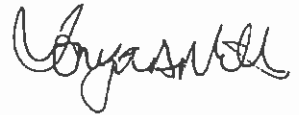
Acknowledgements

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

(This page was left blank intentionally)

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, 2008

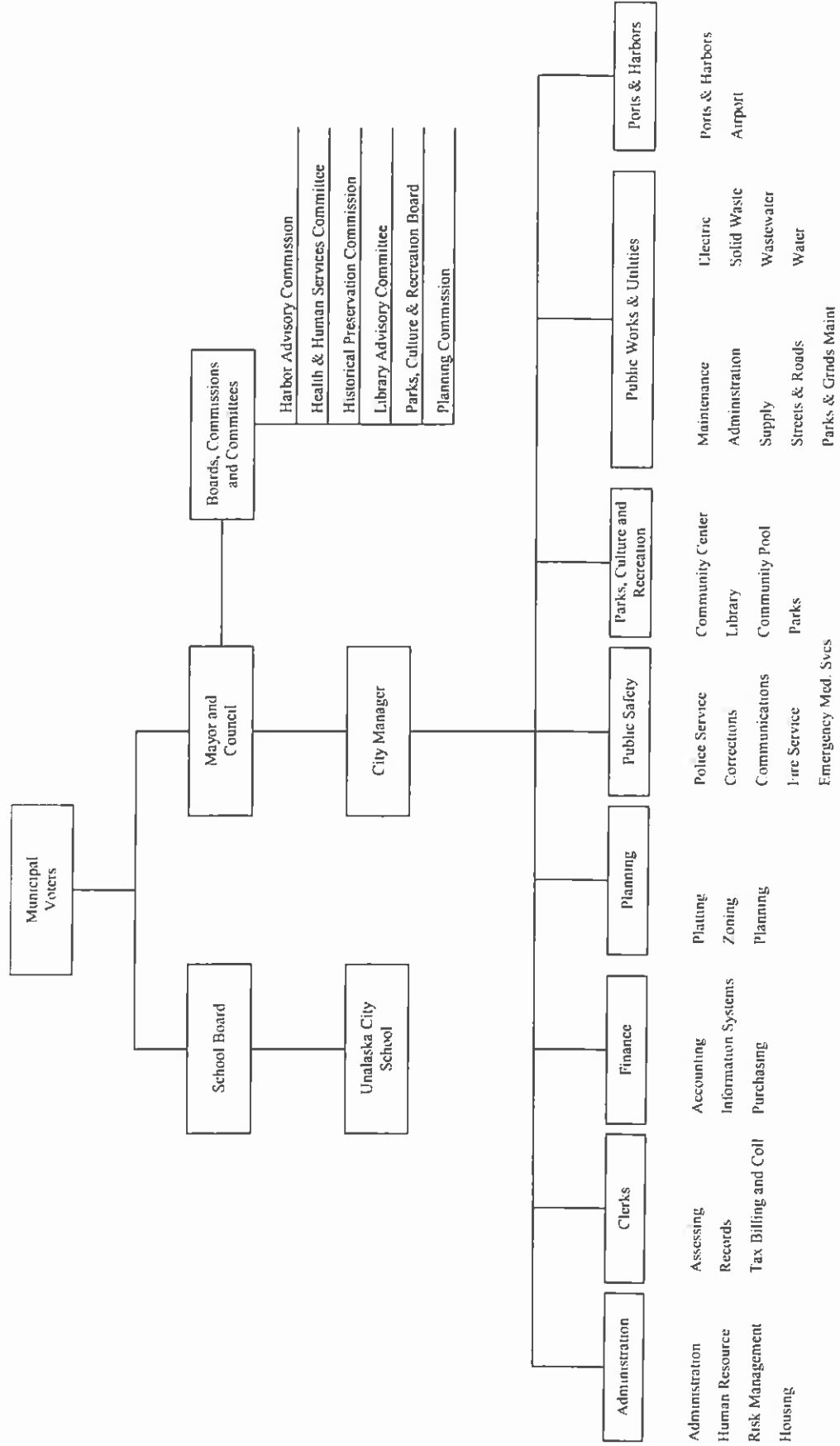
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Unalaska Organizational Chart



PRINCIPAL EXECUTIVE OFFICERS

July 1, 2009

Unalaska City Council

Mayor	Shirley Marquardt
Council Member	Katherine McGlashan
Council Member	Earl "Skip" Southworth
Council Member	Dave Gregory
Council Member	Roger Rowland
Council Member	Dennis Robinson
Council Member	Dick Peck

City Management

City Manager	Chris Hladick
Assistant City Manager	John Fulton
City Clerk	VACANT
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	Tonya Miller
Member	Melanie Magnusen
Member	Dan Masoni

School Officials

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

(This page was left blank intentionally)

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, 2009, 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, 2009, 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 16, 2009 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 13 is not a required part of the basic financial statements but is 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.


December 16, 2009

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

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, 2009. 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 \$277,800,352 (*net assets*).
- The government's total net assets increased by \$19,657,358, or 7%.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$76,605,037, which is an increase of \$10,736,346 over the prior year. Most of this total amount, \$71,074,010, 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 \$49,012,317, or 241% of total General Fund expenditures. Over three quarters of this amount is designated, as disclosed in note 2.
- The City of Unalaska increased general obligation bonded debt \$4,470,000. These bonds were issued for improvements to the Unalaska City School.
- The City of Unalaska increased revenue bonded debt for business-type activities by \$25,000,000. These bonds were issued for construction of a new powerhouse.

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, and 4) Federal and State Awards. 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 government'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*

CITY OF UNALASKA, ALASKA

Management's Discussion and Analysis

June 30, 2009

activities). The governmental activities of the City of Unalaska include general government; public safety; public works; parks, culture and recreation; community support; and education. The business-type activities of the City of Unalaska include electric, water, wastewater, 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 14-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Unalaska, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Unalaska can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. In so doing, a better understanding of the long-term impact of the government's near-term financing decisions may be obtained. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Unalaska maintains 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, 1% Sales Tax Special Revenue Fund, and the Major Equipment Capital Project Fund, all of which are considered major funds. Data from the other five 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 48 and 49.

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 16-21 of this report.

Proprietary Funds

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

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

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, and ports and harbors and solid waste, all of which are considered to be major funds of the City of Unalaska. Wastewater, airport terminal, and housing operations are accounted for in separate funds but are not presented as major funds.

The basic proprietary fund financial statements can be found on pages 22-25 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 26-47 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 \$277,800,352 at the close of the most recent fiscal year.

About half of the City of Unalaska's net assets (51%) 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 Net Assets

Table 1

	Governmental activities		Business-type activities		Total *	
	2009	2008	2009	2008	2009	2008
	Current and other assets	124,886,679	108,678,206	62,298,228	36,059,466	187,184,907
Capital assets	83,134,990	82,406,458	92,744,240	82,202,785	175,879,230	164,609,243
Total assets	<u>208,021,669</u>	<u>191,084,664</u>	<u>155,042,468</u>	<u>118,262,251</u>	<u>363,064,137</u>	<u>309,346,915</u>
Long-term liabilities	9,552,132	7,349,288	25,697,592	6,234,707	35,249,724	13,583,995
Other liabilities	39,801,557	33,699,176	10,212,504	3,920,750	50,014,061	37,619,926
Total liabilities	<u>49,353,689</u>	<u>41,048,464</u>	<u>35,910,096</u>	<u>10,155,457</u>	<u>85,263,785</u>	<u>51,203,921</u>
Net assets:						
Invested in capital assets, net of related debt	74,518,069	77,882,217	67,807,415	79,962,785	142,325,484	157,845,002
Unrestricted	84,149,911	72,153,983	51,324,957	28,144,009	135,474,868	100,297,992
Total net assets	<u><u>158,667,980</u></u>	<u><u>150,036,200</u></u>	<u><u>119,132,372</u></u>	<u><u>108,106,794</u></u>	<u><u>277,800,352</u></u>	<u><u>258,142,994</u></u>

* To facilitate ease of presentation, the total columns do not include the elimination of \$39,018,510 of internal balances.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

The balance of *unrestricted net assets*, after eliminations, \$135,431,335, 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 government's net assets increased by \$19,657,358 during the current fiscal year. Revenues overall were down 4.6%. The largest area of decrease was in charges for services in business-type funds (\$2.36 million), which is mainly due to decreases in utility sales. Sales taxes decreased by approximately \$680,000 while fisheries taxes increased by approximately \$107,000.

Total expenses were \$3.2 million less than last year. Most functions of the governmental funds had a decrease in expenditures while community support and education had a slight increase. Most of this decrease was due to a decrease in the cost of fuel. Expenses decreased in all of the enterprise funds except Ports and Harbors which had a modest increase.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

Table 2

	City of Unalaska's Changes in Net Assets					
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Charges for services	\$ 316,977	280,647	20,373,711	22,731,799	20,690,688	23,012,446
Operating grants and contributions	1,274,773	923,426	—	—	1,274,773	923,426
Capital grants and contributions	—	4,944	2,581,907	4,748,232	2,581,907	4,753,176
General revenues:						
Property taxes	4,256,924	4,287,585	—	—	4,256,924	4,287,585
General sales tax	10,360,937	11,041,522	—	—	10,360,937	11,041,522
Raw seafood tax	4,043,825	4,689,810	—	—	4,043,825	4,689,810
Fisheries tax	9,078,598	8,971,186	—	—	9,078,598	8,971,186
Investment earnings	5,618,305	5,266,549	102,550	—	5,720,855	5,266,549
Other	2,378,984	2,002,355	28,698	18,914	2,407,682	2,021,269
Total revenues	37,329,323	37,468,024	23,086,866	27,498,945	60,416,189	64,966,969
Expenses:						
General government	4,024,735	4,023,252	—	—	4,024,735	4,023,252
Public safety	4,515,210	4,659,559	—	—	4,515,210	4,659,559
Public works	6,128,313	6,332,205	—	—	6,128,313	6,332,205
Parks, culture, and recreation	2,954,722	3,231,845	—	—	2,954,722	3,231,845
Community support	852,547	797,377	—	—	852,547	797,377
Education	4,473,093	4,233,719	—	—	4,473,093	4,233,719
Interest on long-term debt	274,964	281,170	—	—	274,964	281,170
Electric	—	—	10,367,703	12,851,069	10,367,703	12,851,069
Water	—	—	1,987,095	2,199,349	1,987,095	2,199,349
Wastewater	—	—	4,062,778	1,621,972	4,062,778	1,621,972
Solid waste	—	—	1,721,687	2,014,118	1,721,687	2,014,118
Ports and harbors	—	—	1,532,355	3,915,000	1,532,355	3,915,000
Airport	—	—	784,164	651,635	784,164	651,635
Housing	—	—	233,128	303,687	233,128	303,687
Total expenses	23,223,584	23,559,127	20,688,910	23,556,830	43,912,494	47,115,957
Increase (decrease) in net assets before transfers	14,105,739	13,908,897	2,397,956	3,942,115	16,503,695	17,851,012
Transfers	(7,492,684)	(11,119,552)	7,492,684	11,119,552	—	—
Extraordinary item	2,018,725	—	1,134,938	—	3,153,663	—
Net transfers and extraordinary item	(5,473,959)	11,119,552	8,627,622	11,119,552	—	—
Increase in net assets	8,631,780	2,789,345	11,025,578	15,061,667	19,657,358	17,851,012
Net assets, beginning of year	150,036,200	147,246,855	108,106,794	93,045,127	258,142,994	240,291,982
Net assets, end of year	\$ 158,667,980	150,036,200	119,132,372	108,106,794	277,800,352	258,142,994

Governmental Activities

Governmental activities increased the City of Unalaska's net assets by \$8.6 million, thereby accounting for 44% 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 313% over last year. Fortunately, the City of Unalaska was not hit as hard as anticipated with the economic downturn which is why there is such a big difference in the budget revenues and the actual revenues.

CITY OF UNALASKA, ALASKA

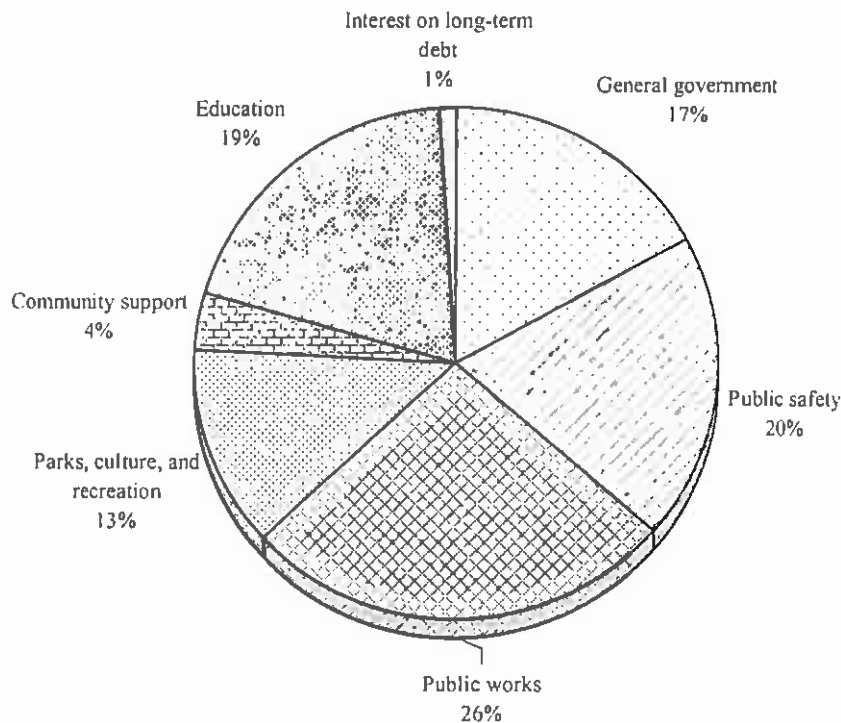
Management's Discussion and Analysis

June 30, 2009

Approximately 23% of the increase was associated with extraordinary gain related to the change in the PERS Plan. Effective July 1, 2008 the PERS Plan changed from an agent multiple employer plan to a multiple employer cost-sharing plan. The change means liabilities are no longer linked to individual participants and rates are uniform across the board.

In total, revenues for governmental activities decreased 7%. This is primarily due to a decrease in investment earnings.

Governmental Activities Functional Expenses for Fiscal Year 2009



Business-Type Activities

Business-type activities increased the City of Unalaska's net assets by \$11 million (see table 2), accounting for 56% of the total growth in the government's net assets, and the increase in business-type net assets is down 27% from last year's increase which is largely due to fewer transfers from the governmental funds. Key elements of this increase are as follows:

- Transfers of \$7.5 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 \$298,600 were made to the water fund capital projects. These funds were for a roof repair on a water tank and distribution line maintenance. \$498,100 was transferred to the Wastewater Fund for the Wastewater Treatment Plant Improvement project. There were also transfers of \$377,850 to the Solid Waste Fund for the Summer Bay Road Re-alignment project (related to landfill expansions) and the Leachate Flow Leveling project. There was a transfer of \$5.5 million to the Ports Fund for the Carl E.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

Moses Boat Harbor. Transfers for operating subsidies included \$420,175 to the solid waste fund, \$43,124 to the wastewater fund, \$344,689 to the airport fund and \$20,145 to the housing fund.

- Charges for services for business-type activities increased by 10.4%, primarily due to lower sales for utilities.
- In total, expenses in the business-type activities increased by a modest 2.4%.

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 \$76,605,037, which is an increase of \$10,736,346 over the prior year. Approximately 92% of this total amount, \$71,074,010, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending: a portion, \$3,079,761, has already been committed to liquidate contracts and purchase orders of prior periods; and the rest, \$2,451,266, 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 \$49,012,317, while total fund balance reached \$51,748,468. 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 241% of total General Fund expenditures, while total fund balance represents 254% of that same amount.

The fund balance of the City of Unalaska's General Fund increased by \$4,270,655 during this fiscal year. The key factor in this increase is the higher than expected revenues that were mentioned earlier (due to the city not being as adversely affected by the economy as anticipated). Final budgeted revenue was significantly lower than actual revenue. This is due to both the city's practice of budgeting conservatively, but also due to the anticipation of a decline in the economy.

The fund balance of the City of Unalaska's 1% Sales Tax Fund increased by \$3,305,387. This fund is for capital projects only, and has been allowed to build a balance for projects in the future. Part of this fund balance is designated for paving projects.

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 \$51,281,424. The business-type net assets increased \$11,025,578.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

General Fund Budgetary Highlights

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

- \$31,314 decrease in fisheries business tax revenue due to economic fluxes as well as the affects of changes in fishing quotas.
- \$838,447 increase in fisheries landing tax due to a large payment from the State of Alaska which was for several previous years' taxes.
- \$231,745 increase in payments in lieu of taxes due to the State of Alaska's payment in lieu of taxes increase.
- \$351,756 increase in investment earnings due to larger balances in investments.
- \$287,954 increase in general government expenditures which is due to salary increases and positions being filled for most of the year.
- \$421,124 increase in public safety expenditures which is due to salary increases and grants received from LEPC and Homeland Security (revenues were increased as well).
- \$272,645 increase in public works due to positions being filled in FY09 that had been vacant for long periods of time, and salary increases.
- \$238,328 increase in education due to increased costs for electricity.

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, 2009, amounts to \$175,879,230 (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 \$11.3 million.

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

- Financial system software was upgraded and expanded for \$14,998.
- Geothermal energy continues to be researched as a potential alternate energy source. This year \$105,052 was spent on preliminary research.
- In FY09, public safety spent \$15,510 on purchase and installation of a Tsunami siren at Amaknak Fire Station.
- The heating system remodel at City Hall was completed. \$10,000 was spent in FY09 for a total project cost of \$99,802.
- Work continues on the replacement/upgrade for the Fuel Island and Storage tank. \$99,052 was spent in FY09.
- The finance department copier was replaced for \$20,567.
- The City initiated the development of a city-wide strategic plan to guide the development of Geographic Information System (GIS) at \$44,805.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

- New safety surface equipment was installed at Town Park and Sitka Spruce Park for \$64,704.
- A new Ford Expedition was purchased for the Public Safety patrol fleet at \$39,039.
- Installation of a vehicle exhaust removal system at both fire stations was done for \$67,956.
- Paving projects continued in FY09 with the paving of Eleanor Drive and Library parking lot for \$1,129,239.
- Public Works Facility Maintenance purchased a replacement vehicle, Ford F250 for \$27,583.
- Public Works purchased a new Volvo Excavator for \$176,826.
- A replacement sweeper unit was purchased for \$24,600.
- Engineering services have been contracted to complete a strategic report for a paving master plan and road design. \$57,900 was spent in FY09.
- A new security system installation is in progress for the Museum of the Alutians; FY09 expenditures are \$52,983.
- Improvements/upgrades to the Jr./Sr. High School continued this year with \$1,400,706 being spent in FY09.
- Public Works purchased a Multi-function truck for \$265,811.
- The engineering and design phase of the road to Little South America is nearly completed. \$246,929 was spent in FY09.
- A powerhouse waste heat recovery project was started in FY08. This year \$9,670 has been spent on the engineering phase of the project.
- Transformer replacements continued in FY09 with a total of \$89,879.
- 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 \$545,774 in FY09 on the utility betterments.
- Development of a new power plant continued this year. Construction costs for FY09 were \$1,881,269. The cleanup is nearly completed with \$32,669 being spent this year.
- The Icy Creek dam improvements were completed this year. \$8,142 was spent in FY09 and the project total was \$261,271.
- Lear road water tank maintenance phase II continued this year with the bulk of the work being completed in FY09 at \$383,749.
- Pyramid CT water tank maintenance and roof repair continued this year with a cost of \$137,451.
- A water transmission distribution and flushing project was started in FY08. Engineering and design phase continued in FY09 with a cost of \$60,068.
- A water evaluation compliance study began in FY08 in preparations for a new water treatment plant. The study continued in FY09 with \$81,786 being spent.
- DPU-Water Dept. purchased a new Ford F150 replacement vehicle for \$23,381.
- The wastewater treatment plant improvements analysis continued this year with a total of \$48,439 being spent in FY09.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2009

- Costs for the Improvements to Lift Station #4 for FY09 are \$20,050. The project is completed and expected to be closed this year pending an outstanding encumbrance of \$8,874.
- Landfill Cell #4 was completed this year. FY09 expense was \$42,177; the total project expense is \$3,536,886.
- Landfill development plan phase II Summer Bay Road Re-alignment project was started in FY08. The engineering and design phase have continued in FY09 with a cost of \$301,707.
- The design and engineering phase of the Corrosion Protection project for the Ports dock facilities is nearly complete. The cost for FY09 is \$9,326. Dock anode replacement should begin in FY10.
- In FY09 the Ports Dept. started a project to install a metal gangway and 20 ft. wooden float dock at the Iliuliuk creek boat launch. The engineering and design phase is complete with FY09 expenses of \$12,000.
- Ports purchased two new vehicles in FY09, one, a Ford F250, for \$27,344 and another Ford F250 with service box for \$33,159.
- The new Carl E. Moses small boat harbor at Little South America continued construction with a total of \$1,078,042 spent in FY09.

Table 3

City of Unalaska Capital Assets (Net of Accumulated Depreciation)						
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 29,290,235	29,291,166	3,309,476	3,309,476	32,599,711	32,600,642
Buildings	32,712,698	34,066,361	10,768,316	11,387,344	43,481,014	45,453,705
Infrastructure	10,154,595	10,948,582	46,939,118	46,079,837	57,093,713	57,028,419
Machinery & Equipment	2,371,199	2,108,976	811,782	837,235	3,182,981	2,946,211
Construction in Progress	8,606,263	5,991,374	30,915,548	20,588,888	39,521,811	26,580,262
Total capital assets	<u>\$ 83,134,990</u>	<u>82,406,459</u>	<u>92,744,240</u>	<u>82,202,780</u>	<u>175,879,230</u>	<u>164,609,239</u>

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

CITY OF UNALASKA, ALASKA
 Management's Discussion and Analysis
 June 30, 2009

Long-term Debt

At the end of the current fiscal year, the City of Unalaska had total debt outstanding of \$33,953,257 (see table 4). Of this amount, \$8,557,595 comprises debt backed by the full faith and credit of the government.

Table 4

	City of Unalaska Debt					
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 8,557,595	4,466,860	—	—	8,557,595	4,466,860
Revenue bonds	—	—	25,000,000	—	25,000,000	—
Other contracts and loans	—	—	395,662	439,123	395,662	439,123
Total	\$ 8,557,595	4,466,860	25,395,662	439,123	33,953,257	4,905,983

The City of Unalaska's total debt increased by \$29,047,274 (592%) during the current fiscal year. Additional debt was acquired in governmental activities for improvements to the Unalaska City School (70% reimbursed by the State of Alaska), and in business-type activities for construction of a new powerhouse.

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 40-41 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 6.0% for calendar year 2008, which is an increase from a rate of 5.3% in calendar year 2007. Management does not believe either figure is indicative of unemployment within the City's limits. Since the seafood economy is robust in Unalaska while other communities that are more reliant on snow crab and salmon may be experiencing higher unemployment, neither unemployment rate for the region is indicative of unemployment in Unalaska.

Lower oil prices may negatively 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. A new rate study has been done and council approved a 15% increase for one year and will review the fees again next year.

A landfill rate study was completed by Bristol Environmental and Engineering Services in June 2008. Landfill rates were adjusted by 11% for FY09.

A rate study was completed in FY09 for the Ports and Harbors Fund by Northern Economics. A 4.8% increase was recommended for each of the next three years. Council adopted a 4.8% increase effective January 1, 2010, and will review the tariff again next year.

Requests for Information

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

(This page was left blank intentionally)

CITY OF UNALASKA, ALASKA
Statement of Net Assets
June 30, 2009

Assets	Primary government				Component unit
	Governmental Activities	Business-type Activities	Eliminations	Total	Unalaska City School District
Cash and cash equivalents	\$ 824,550	150	-	824,700	1,658,827
Temporary investments	22,123,204	-	-	22,123,204	-
Receivables:					
Interest	758,517	98,507	-	857,024	-
Taxes	1,511,499	-	-	1,511,499	-
Accounts, net of allowance for uncollectible amounts of \$81,991	-	1,485,629	-	1,485,629	-
Special assessments	5,644	124,337	-	129,981	-
State of Alaska	8,556,756	917,998	-	9,474,754	-
Other	49,904	-	-	49,904	59,411
Internal balances	2,143,533	36,874,977	(39,018,510)	-	-
Inventories	430,990	795,427	-	1,226,417	17,832
Prepaid items	82,727	9,030	-	91,757	168,317
Deferred charges	-	377,967	-	377,967	-
Restricted assets:					
Cash for health insurance	-	-	-	-	264,580
Deposits	-	2,000	-	2,000	-
Cash held by fiscal agent	50,000	1,931,900	-	1,981,900	-
Temporary investments	4,135,841	147,705	-	4,283,546	-
Long-term investments	-	19,532,601	-	19,532,601	-
Long-term investments	84,213,514	-	-	84,213,514	-
Capital assets:					
Not being depreciated	37,896,498	34,225,024	-	72,121,522	42,500
Depreciated, net	45,238,492	58,519,216	-	103,757,708	112,817
Total	\$ 208,021,669	155,042,468	(39,018,510)	324,045,627	2,324,334
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 2,114,502	2,467,500	-	4,582,002	41,631
Retainage payable	137,125	503,143	-	640,268	-
Accrued payroll and payroll liabilities	522,811	307,310	-	830,121	698,200
Accrued interest payable	101,632	4,237	-	105,869	-
Deposit payable	50,510	232,946	-	283,456	13,024
Deferred revenue	-	700	-	700	4,199
Other	-	1,265	-	1,265	-
Internal balances	36,874,977	140,000	(37,014,977)	-	-
Due to:					
Student groups	-	-	-	-	66,199
Noncurrent liabilities:					
Internal balances	-	2,003,533	(2,003,533)	-	-
Accrued landfill closure and post closure costs	-	4,515,198	-	4,515,198	-
Other	-	36,672	-	36,672	-
Long-term debt due within one year	1,712,798	345,388	-	2,058,186	8,946
Long-term debt due in more than one year	7,839,334	25,352,204	-	33,191,538	7,763
Total liabilities	\$ 49,353,689	35,910,096	(39,018,510)	46,245,275	839,962
Net assets:					
Invested in capital assets, net of related debt	74,518,069	67,850,948	-	142,369,017	138,608
Unrestricted	84,149,911	51,281,424	-	135,431,335	1,345,764
Net assets	\$ 158,667,980	119,132,372	-	277,800,352	1,484,372

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA
Statement of Activities
Year ended June 30, 2009

Functions/programs	Net (expense) revenue and changes in net assets					Component Unit Unalaska City School District	
	Expenses	Charges for services	Program revenues Operating grants and contributions	Capital grants and contributions	Primary government		
					Governmental activities	Business-type activities	Total
Primary government							
Current:							
Governmental activities:							
General government	\$ 4,024,735	12,679	304,169	-	(3,707,887)	-	(3,707,887)
Public safety	4,515,210	85,584	508,109	-	(3,921,517)	-	(3,921,517)
Public works	6,128,313	-	15,135	-	(6,113,178)	-	(6,113,178)
Parks, culture, and recreation	2,954,722	218,714	-	-	(2,736,008)	-	(2,736,008)
Community support	852,547	-	6,350	-	(846,197)	-	(846,197)
Education	4,473,091	-	166,046	-	(4,307,047)	-	(4,307,047)
Interest on long-term debt	274,964	-	274,964	-	-	-	-
Total governmental activities	23,223,584	316,977	1,274,773	-	(21,631,834)	-	(21,631,834)
Business-type activities:							
Electric	10,367,703	11,610,609	-	1,500,000	-	2,742,906	2,742,906
Water	1,987,095	1,937,049	-	-	-	(50,046)	(50,046)
Ports and harbors	4,062,778	3,681,207	-	1,041,541	-	659,970	659,970
Solid waste	1,721,687	1,165,096	-	40,366	-	(516,225)	(516,225)
Wastewater	1,532,355	1,365,289	-	-	-	(167,066)	(167,066)
Airport	784,164	424,456	-	-	-	(359,708)	(359,708)
Housing	233,128	190,005	-	-	-	(43,123)	(43,123)
Total business-type activities	20,688,910	20,373,711	-	2,581,907	-	2,266,708	2,266,708
Total primary government	\$ 43,912,494	20,690,688	1,274,773	2,581,907	(21,631,834)	2,266,708	(19,365,126)
Component unit:							
Unalaska City School District	\$ 8,488,164	364,854	2,402,978	12,000	-	-	(5,708,332)

General revenues, transfers, and extraordinary item:

Taxes:							
Property taxes					2,892,739		2,892,739
Personal property taxes					1,364,185		1,364,185
General sales tax					10,360,937		10,360,937
Raw seafood sales tax					4,043,825		4,043,825
Oiler taxes					266,181		266,181
Intergovernmental					-		-
Fisheries tax					9,078,598		9,078,598
Payment in lieu of taxes					1,104,193		1,104,193
Grants not restricted to specific programs					80,121		80,121
Gain (loss) on disposal of capital assets					5,618,305		5,618,305
Investment earnings					18,900		18,900
Support from City of Unalaska					102,550		102,550
Other					9,798		9,798
Transfers					7,492,684		7,492,684
Extraordinary item					1,134,938		1,134,938
Total general revenues, transfers, and extraordinary item					30,263,614		30,263,614
Change in net assets					8,631,780		8,631,780
Net assets, beginning of year					150,036,200		150,036,200
Net assets, end of year					\$ 158,667,980		\$ 158,667,980

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA
Governmental Funds
Balance Sheet
June 30, 2009

	<u>General Fund</u>	<u>1% Sales Tax Special Revenue Fund</u>	<u>Major Equipment Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 824,550	-	-	-	824,550
Temporary investments	22,123,204	-	-	-	22,123,204
Receivables, net	-	-	-	-	-
Interest	758,517	-	-	-	758,517
Taxes	1,127,720	368,802	-	14,977	1,511,499
Special assessments	5,644	-	-	-	5,644
State of Alaska	8,556,756	-	-	-	8,556,756
Other	49,904	-	-	-	49,904
Due from other funds	-	15,979,728	7,764,845	2,628,922	26,373,495
Inventories	430,990	-	-	-	430,990
Prepaid items	82,727	-	-	-	82,727
Restricted assets	-	-	-	-	-
Cash held by fiscal agent	50,000	-	-	-	50,000
Temporary investments	4,135,841	-	-	-	4,135,841
Advances to other funds	2,143,533	-	-	-	2,143,533
Long-term investments	84,213,514	-	-	-	84,213,514
Total assets	<u>\$ 124,502,900</u>	<u>16,348,530</u>	<u>7,764,845</u>	<u>2,643,899</u>	<u>151,260,174</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 357,988	6,687	922,506	827,321	2,114,502
Retainage payable	1,125	-	136,000	-	137,125
Accrued payroll liabilities	522,792	-	19	-	522,811
Customer deposits	50,510	-	-	-	50,510
Due to other funds	63,248,472	-	-	-	63,248,472
Unearned revenues	8,573,545	8,172	-	-	8,581,717
Total liabilities	<u>\$ 72,754,432</u>	<u>14,859</u>	<u>1,058,525</u>	<u>827,321</u>	<u>74,655,137</u>
Fund balances					
Reserved					
Encumbrances	\$ 284,885	-	2,242,138	552,738	3,079,761
Inventories	307,733	-	-	-	307,733
Advances to other funds	2,143,533	-	-	-	2,143,533
Unreserved, designated for, reported in:					
General Fund					
Working capital and compensated absences	16,000,000	-	-	-	16,000,000
Capital projects	21,100,000	-	-	-	21,100,000
Special Revenue Funds					
Maintenance	-	6,300,000	-	-	6,300,000
Unreserved, reported in:					
General Fund					
	11,912,317	-	-	-	11,912,317
Special Revenue Fund					
	-	10,033,671	-	115,872	10,149,543
Capital Projects					
	-	-	4,464,182	1,147,968	5,612,150
Total fund balances	<u>51,748,468</u>	<u>16,333,671</u>	<u>6,706,320</u>	<u>1,816,578</u>	<u>76,605,037</u>
Total liabilities and fund balances	<u>\$ 124,502,900</u>	<u>16,348,530</u>	<u>7,764,845</u>	<u>2,643,899</u>	<u>151,260,174</u>

See accompanying notes to financial statements

CITY OF UNALASKA, ALASKA
Reconciliation of Net Assets Between the
Government-Wide and Fund Financial Statements
June 30, 2009

Amounts reported as fund balances on the governmental funds balance sheet		\$	76,605,037
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			83,134,990
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:			
Shared fisheries business tax	\$	4,200,000	
Shared fisheries resource landing tax		4,040,106	
Real property		18,726	
Sales taxes		24,516	
Special assessments		5,644	
School debt reimbursement due from the State		<u>292,725</u>	8,581,717
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			(101,632)
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		(8,557,595)	
General obligation bonds - premium		(59,326)	
Compensated absences		<u>(935,211)</u>	<u>(9,552,132)</u>
Net assets of governmental activities		\$	<u><u>158,667,980</u></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, 2009

	General	1% Sales Tax Special Revenue Fund	Major Equipment Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
General sales	\$ 6,913,131	3,455,387	-	-	10,368,518
Seafood sales	4,619,222	-	-	-	4,619,222
Real property	2,892,375	-	-	-	2,892,375
Personal property	1,367,574	-	-	-	1,367,574
Other	93,933	-	-	172,248	266,181
Intergovernmental					
Fisheries business tax	3,877,701	-	-	-	3,877,701
Fisheries resource landing tax	5,200,897	-	-	-	5,200,897
Payments in lieu of taxes	1,104,193	-	-	-	1,104,193
Corrections contract	481,355	-	-	-	481,355
Debt reimbursement	441,010	-	-	-	441,010
Other	1,201,456	-	-	-	1,201,456
Charges for services	316,977	-	-	-	316,977
Investment income	5,618,305	-	-	-	5,618,305
Other	79,441	-	-	-	79,441
Total revenues	<u>34,207,570</u>	<u>3,455,387</u>	<u>-</u>	<u>172,248</u>	<u>37,835,205</u>
Expenditures					
Current					
General government	3,936,595	-	-	-	3,936,595
Public safety	4,227,891	-	-	-	4,227,891
Public works	5,015,862	-	-	-	5,015,862
Parks, culture, and recreation	2,101,374	-	-	-	2,101,374
Community support	688,547	-	-	164,000	852,547
Education	3,749,715	-	-	-	3,749,715
Debt service					
Principal	379,265	-	-	-	379,265
Interest	237,305	-	-	-	237,305
Capital projects					
	-	-	3,506,045	247,101	3,753,146
Total expenditures	<u>20,336,554</u>	<u>-</u>	<u>3,506,045</u>	<u>411,101</u>	<u>24,253,700</u>
Excess revenues over expenditures	<u>13,871,016</u>	<u>3,455,387</u>	<u>(3,506,045)</u>	<u>(238,853)</u>	<u>13,581,505</u>
Other financing sources (uses)					
Bond proceeds	4,535,918	-	-	-	4,535,918
Proceeds from the sale of capital assets	111,607	-	-	-	111,607
Transfers in	-	-	6,181,202	724,000	6,905,202
Transfers out	(14,247,886)	(150,000)	-	-	(14,397,886)
Net other financing sources (uses)	<u>(9,600,361)</u>	<u>(150,000)</u>	<u>6,181,202</u>	<u>724,000</u>	<u>(2,845,159)</u>
Net change in fund balances	4,270,655	3,305,387	2,675,157	485,147	10,736,346
Fund balances, beginning of year	47,477,813	13,028,284	4,031,163	1,331,431	65,868,691
Fund balances, end of year	<u>\$ 51,748,468</u>	<u>16,333,671</u>	<u>6,706,320</u>	<u>1,816,578</u>	<u>76,605,037</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, 2009

Net change in fund balance – total governmental funds		\$ 10,736,346
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	\$ 3,870,918	
- Depreciation expense	<u>(3,110,900)</u>	760,018
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	305,825	
Shared fisheries resource landing tax	(881,222)	
Real property	364	
Property taxes	(3,389)	
Sales taxes	(7,581)	
Debt reimbursement from the State	<u>-</u>	(586,003)
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	379,265	
Amortization of premium	6,592	
Proceeds from issuance	(4,535,918)	
Change in compensated absences	<u>(71,508)</u>	(4,221,569)
The extraordinary gain reported in the Statement of Activities as a result of the change in the PERS plan did not provide current financial resources and therefore, is not reported in governmental funds:		
Net decrease in pension and OPEB obligations		2,018,725
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		(44,251)
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	(318,061)	
Construction abandon	(19,150)	
Accumulated depreciation of assets sold	<u>305,725</u>	<u>(31,486)</u>
Change in net assets of governmental activities		\$ <u>8,631,780</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, 2009

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes				
General Sales	\$ 5,766,667	5,766,667	6,913,131	1,146,464
Seafood sales	3,325,171	3,325,171	4,619,222	1,294,051
Real property	3,100,000	3,100,000	2,892,375	(207,625)
Personal Property	1,450,000	1,450,000	1,367,574	(82,426)
Other	58,000	58,000	93,933	35,933
Intergovernmental:				
Fisheries business tax	2,978,902	4,307,270	3,877,701	(429,569)
Fisheries resource landing tax	2,960,501	4,771,327	5,200,897	429,570
Payments in lieu of taxes	862,297	862,297	1,104,193	241,896
Corrections contract	481,355	481,355	481,355	-
Debt reimbursement	563,511	563,511	441,010	(122,501)
Other	418,721	752,870	1,201,456	448,586
Charges for services	313,800	313,800	316,977	3,177
Investment Income	2,600,000	2,661,020	5,618,305	2,957,285
Other revenues	72,100	72,100	79,441	7,341
Total revenues	<u>24,951,025</u>	<u>28,485,388</u>	<u>34,207,570</u>	<u>5,722,182</u>
Expenditures				
Current				
General government	4,055,819	4,483,913	3,936,595	647,318
Public safety	4,166,105	4,592,943	4,227,891	365,052
Public works	5,055,293	5,295,306	5,015,862	279,444
Parks, culture and recreation	2,346,766	2,347,838	2,101,374	246,464
Community support	431,557	696,557	688,547	8,010
Education	3,760,915	3,760,915	3,749,715	11,200
Debt service				
Principal	554,292	554,292	379,265	175,027
Interest	204,259	237,279	237,305	(26)
Total expenditures	<u>20,575,006</u>	<u>21,969,043</u>	<u>20,336,554</u>	<u>1,732,489</u>
Excess of revenues over expenditures	<u>4,376,019</u>	<u>6,516,345</u>	<u>13,871,016</u>	<u>7,454,671</u>
Other financing sources (uses)				
Bond proceeds	-	-	4,535,918	4,535,918
Proceeds from the sale of assets	10,000	10,000	111,607	101,607
Transfers In	100,000	100,000	-	(72,425)
Transfers Out	<u>(14,328,832)</u>	<u>(15,652,552)</u>	<u>(14,247,886)</u>	<u>1,377,091</u>
Net other financing uses	<u>(14,218,832)</u>	<u>(15,542,552)</u>	<u>(9,600,361)</u>	<u>5,942,191</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (9,842,813)</u>	<u>(9,026,207)</u>	<u>4,270,655</u>	<u>13,396,862</u>
Fund balances, beginning of year			<u>47,477,813</u>	
Fund balances, end of year			<u>\$ 51,748,468</u>	

See accompanying notes to the financial statements.

CITY OF UNALASKA, ALASKA
1% Sales Tax Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund balances - Budget and Actual
Year Ended June 30, 2009

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
General Sales	\$ 2,883,333	2,883,333	3,455,387	572,054
Expenditures	-	-	-	-
Excess of revenues over expenditures	2,883,333	2,883,333	3,455,387	572,054
Other financing (uses):				
Transfer out	<u>(2,385,000)</u>	<u>(2,313,209)</u>	<u>(150,000)</u>	<u>(2,163,209)</u>
Net change in fund balance	\$ <u>498,333</u>	<u>570,124</u>	3,305,387	<u>(1,591,155)</u>
Fund balances, beginning of year			<u>13,028,284</u>	
Fund balances, end of year			\$ <u>16,333,671</u>	

See Accompanying Notes to Financial Statements.

CITY OF UNALASKA, ALASKA
Proprietary Funds
Statement of Net Assets
June 30, 2009

Assets	Electric Utility	Water Utility	Ports and Harbors	Solid Waste	Other Proprietary Funds	Total
Current assets						
Cash and cash equivalents	\$ -	-	150	-	-	150
Accounts receivables (net of allowance for uncollectibles)	792,096	151,833	260,748	117,528	163,424	1,485,629
Assessments receivable	-	35,220	-	-	89,117	124,337
Accounts receivable - State of Alaska	475,309	-	442,689	-	-	917,998
Interest receivable	98,507	-	-	-	-	98,507
Due from General Fund	2,974,755	6,359,221	12,408,262	6,577,182	8,555,557	36,874,977
Inventories	330,275	321,265	-	46,279	97,608	795,427
Prepaid expenses	-	-	2,000	-	7,030	9,030
Deferred charges	377,967	-	-	-	-	377,967
Total current assets	<u>\$ 5,048,909</u>	<u>6,867,539</u>	<u>13,113,849</u>	<u>6,740,989</u>	<u>9,912,736</u>	<u>40,684,022</u>
Noncurrent assets						
Restricted assets						
Refundable deposits	-	-	2,000	-	-	2,000
Cash and cash equivalents	1,931,900	-	-	-	-	1,931,900
Temporary investments	147,705	-	-	-	-	147,705
Long-term investments	19,532,601	-	-	-	-	19,532,601
Capital assets, net	24,541,088	13,200,873	32,457,230	9,202,493	13,342,556	92,744,240
Total noncurrent assets	<u>46,153,294</u>	<u>13,200,873</u>	<u>32,457,230</u>	<u>9,202,493</u>	<u>13,342,556</u>	<u>114,358,446</u>
Total assets	<u>\$ 51,202,203</u>	<u>20,068,412</u>	<u>45,573,079</u>	<u>15,943,482</u>	<u>22,255,292</u>	<u>155,042,468</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 1,901,418	425,391	45,424	31,299	63,968	2,467,500
Retainage payable	462,413	39,243	1,487	-	-	503,143
Accrued payroll and payroll liabilities	210,252	97,560	117,460	88,816	105,149	609,237
Accrued interest	-	-	-	-	4,237	4,237
Bonds and loans payable	-	-	-	-	43,461	43,461
Advances from General Fund	140,000	-	-	-	-	140,000
Deferred revenue	-	392	-	-	308	700
Customer deposits	160,557	25,760	-	4,425	42,204	232,946
Other	1,265	-	-	-	-	1,265
Total current liabilities	<u>2,875,905</u>	<u>578,346</u>	<u>164,371</u>	<u>124,540</u>	<u>259,327</u>	<u>4,002,459</u>
Noncurrent liabilities						
Bonds and loans payable	25,000,000	-	-	-	352,204	25,352,204
Advances from General Fund	1,960,000	-	-	-	43,533	2,003,533
Accrued landfill closure and post closure costs	-	-	-	4,515,198	-	4,515,198
Other	36,672	-	-	-	-	36,672
Total noncurrent liabilities	<u>26,996,672</u>	<u>-</u>	<u>-</u>	<u>4,515,198</u>	<u>395,737</u>	<u>31,907,607</u>
Total liabilities	<u>29,872,577</u>	<u>578,346</u>	<u>164,371</u>	<u>4,639,738</u>	<u>655,064</u>	<u>35,910,096</u>
Net assets						
Invested in capital assets, net of related debt	-	13,200,873	32,457,230	9,202,493	12,990,352	67,850,948
Unrestricted	21,329,626	6,289,193	12,951,478	2,101,251	8,609,876	51,281,424
Total net assets	<u>21,329,626</u>	<u>19,490,066</u>	<u>45,408,708</u>	<u>11,303,744</u>	<u>21,600,228</u>	<u>119,132,372</u>
Total liabilities and net assets	<u>\$ 51,202,203</u>	<u>20,068,412</u>	<u>45,573,079</u>	<u>15,943,482</u>	<u>22,255,292</u>	<u>155,042,468</u>

See accompanying notes to the financial statements

CITY OF UNALASKA, ALASKA
 Proprietary Funds
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 Year ended June 30, 2009

	Electric	Water	Ports and Harbors	Solid Waste	Other Proprietary Funds	Total
Operating revenues						
Charges for services	\$ 11,610,609	1,937,049	3,681,207	1,165,096	1,979,750	20,373,711
Other		3,275			6,523	9,798
Total operating revenues	11,610,609	1,940,324	3,681,207	1,165,096	1,986,273	20,383,509
Operating expenses						
Operations	9,314,789	806,655	1,653,385	1,096,403	1,076,221	13,947,453
General and administrative	701,703	346,082	862,382	185,808	585,775	2,681,750
Payment in lieu of taxes	23,008	34,758	263,692	42,179	98,660	462,297
Landfill closure and postclosure care costs				144,419		144,419
Depreciation and amortization	326,209	799,452	1,283,319	252,878	782,628	3,444,486
Total operating expenses	10,365,709	1,986,947	4,062,778	1,721,687	2,543,284	20,680,405
Operating income (loss)	1,244,900	(46,623)	(381,571)	(556,591)	(557,011)	(296,896)
Non operating revenues (expenses)						
Investment earnings	102,550					102,550
Interest expense	(1,994)	(148)			(6,363)	(8,505)
Gain (loss) on disposition of assets	4,300	6,800	6,800	1,000		18,900
Net non-operating revenues (expenses)	104,856	6,652	6,800	1,000	(6,363)	112,945
Income (loss) before capital contributions and transfers	1,349,756	(39,971)	(374,771)	(555,591)	(563,374)	(183,951)
Capital contributions	1,500,000		1,041,541	40,366		2,581,907
Transfers in		298,600	5,500,000	798,025	896,059	7,492,684
Income (loss) before extraordinary item	2,849,756	258,629	6,166,770	282,800	332,685	9,890,640
Extraordinary item	420,613	160,657	252,839	135,415	165,414	1,134,938
Change in net assets	3,270,369	419,286	6,419,609	418,215	498,099	11,025,578
Net assets, beginning of year	18,059,257	19,070,780	38,989,099	10,885,529	21,102,129	108,106,794
Net assets, end of year	\$ 21,329,626	19,490,066	45,408,708	11,303,744	21,600,228	119,132,372

See accompanying notes to financial statements

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2009

	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	\$ 11,613,273	1,881,451	3,749,384	1,817,878	1,978,298	21,040,284
Payments to employees	(1,876,381)	(741,870)	(1,090,457)	(744,702)	(819,616)	(5,273,026)
Payments to vendors	(6,483,470)	(149,082)	(1,741,228)	(609,056)	(855,772)	(9,838,608)
Net cash provided by (used for) operating activities	3,253,422	990,499	917,699	464,120	302,910	5,928,650
Cash flows from noncapital and related financing activities:						
Transfers in	-	298,600	5,500,000	798,025	896,059	7,492,684
Cash flows from capital and related financing activities:						
Proceeds from issuance of debt	25,037,937	-	-	-	-	25,037,937
Interest payments on long-term obligations	(1,994)	(148)	-	-	(43,461)	(45,603)
Repayment of capital projects advances from General Fund	(140,000)	-	-	-	(6,829)	(146,829)
Acquisition and construction of capital assets	(11,474,472)	(797,209)	(1,159,869)	(343,883)	(211,508)	(13,986,941)
Proceeds from sale of capital assets	4,300	7,800	6,800	1,000	-	19,900
Capital contributions	1,500,000	-	1,041,541	40,366	-	2,581,907
Net cash provided by (used for) capital and related financing activities	14,925,771	(789,557)	(111,528)	(302,517)	(261,798)	13,460,371
Cash flows from investing activities:						
Purchase of investments	(19,680,306)	-	-	-	-	(19,680,306)
Acquisition of restricted assets	(1,931,900)	-	-	-	-	(1,931,900)
Interest and dividends received	4,043	-	-	-	-	4,043
Net cash provided by (used for) investing activities	(21,608,163)	-	-	-	-	(21,608,163)
Change in cash and due from General Fund	(3,428,970)	499,542	6,306,171	959,628	937,171	5,273,542
Cash and due from other funds, beginning of year	6,403,725	5,859,679	6,102,091	5,617,554	7,618,386	31,601,435
Cash and due from other funds - end of year	\$ 2,974,755	\$ 6,359,221	\$ 12,408,262	\$ 6,577,182	\$ 8,555,557	\$ 36,874,977
Reconciliation to balance sheet:						
Cash						
Due from other funds	\$ 2,974,755	6,359,221	12,408,262	6,577,182	8,555,557	36,874,977
Cash and due from General Fund, June 30, 2009	\$ 2,974,755	6,359,221	12,408,262	6,577,182	8,555,557	36,874,977

(Continued)

CITY OF UNALASKA, ALASKA
Proprietary Funds

Statement of Cash Flows, continued

	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)	\$ 1,244,900	(46,623)	(381,571)	(556,591)	(557,011)	(296,896)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	326,209	799,452	1,283,319	252,878	782,628	3,444,486
Amortization of landfill	-	-	-	144,419	-	144,419
Changes in assets and liabilities that provided (used) cash:						
Accounts receivable	549,292	(72,702)	82,694	(4,318)	(12,462)	542,504
Assessments receivable	-	10,059	-	-	8,096	18,155
Accounts receivable - State of Alaska	(392,429)	-	(14,517)	656,500	-	249,554
Inventories	38,065	18,442	-	(6,312)	48,727	98,922
Prepaid expenses	-	-	(2,000)	-	(7,030)	(9,030)
Deferred charges and other assets	(154,612)	-	-	-	-	(154,612)
Accounts payable	1,170,890	258,553	(46,248)	(37,485)	(11,587)	1,334,123
Retainage payable	462,413	36,540	(1)	-	-	498,952
Accrued payroll and payroll liabilities	8,281	(16,992)	(3,977)	14,429	55,158	56,899
Customer deposits	413	4,050	-	600	(3,389)	1,674
Deferred revenue	-	(280)	-	-	(220)	(500)
Net cash provided by (used for) operating activities	\$ 3,253,422	990,499	917,699	464,120	302,910	5,928,650
Noncash investing, capital and financing activities:						
Transfer of capital assets	\$ (26,629)	15,776	-	-	10,853	-
Extraordinary gain to write-off pension and OPEB obligations	\$ 420,613	160,657	252,839	135,415	165,414	1,134,938
Change in unrealized gains (losses)	\$ (23,995)	-	-	-	-	(23,995)

See accompanying notes to financial statements

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2009

(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 \$250,000 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 \$250,000 and repurchase agreements. In order to anticipate market changes and provide a level of security for all monies, the collateralization level is (100%) 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 \$50,000 (amount not rounded) in governmental funds and \$10,000 (amount not rounded) in proprietary funds and an estimated useful life in excess of two years. All capital assets are reported including those purchased or acquired before June 30, 1980. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets or capital assets received in exchange are recorded at their estimated fair value at the date of donation or exchange. Interest incurred during construction is not capitalized on general 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 \$50,000 for certain real property in the event of nonpayment of lease terms and a customer deposit of \$510 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 \$12,300 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 \$160,557, \$25,760, \$19,904, and \$4,425, 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 2009 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.

9. Net Assets

In the Government-wide Financial Statements, net assets are reported in three categories; net assets invested in capital assets (net of debt, when applicable); restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(2) Stewardship, Compliance, and Accountability

(a) Budgetary Information

City

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

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

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

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

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

School District

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

(b) *Fund Equity*

Designations of Fund Balances

The fund balance at June 30, 2009, of the General Fund has been designated by the City Council for future possible uses as follows:

General Fund Designations:	
Working Capital "Rainy Day Fund"	\$15,000,000
Street Paving	6,000,000
Compensated Absences	1,000,000
Waste Heat Recovery	900,000
Water Treatment Plant	3,600,000
Wastewater Treatment Plant	6,100,000
Summer Bay Rd Re-alignment	1,500,000
Leachate Flow Leveling	<u>3,000,000</u>
General Fund Total	<u>\$37,100,000</u>

The fund balance at June 30, 2009, in the 1% Sales Tax Special Revenue Fund has been designated by the City Council for future possible uses as follows:

1% Sales Tax Special Revenue Fund Designations	
Ballyhoo Road Paving	<u>\$ 6,300,000</u>
1% Sales Tax Total	<u>\$ 6,300,000</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, 2009, the City's carrying amount of bank deposits was \$583,150 and the bank balance was \$947,084. The \$363,934 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, 2009, 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, 2009, 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*	22,082,097	22,082,097	-	-	-
Wells Fargo money market**	4,324,653	4,324,653	-	-	-
U S. Government Obligations**	67,740,932	17,980,385	24,804,657	12,050,805	12,905,085
Corporate Bonds	26,926,160	2,991,251	9,236,465	8,883,149	5,815,295
Mortgage/asset backed securites	8,045,533	-	2,801,721	3,663,368	1,580,444
Private Debt Obligations	1,033,490	-	-	1,033,490	-
	<u>\$ 130,152,865</u>	<u>47,378,386</u>	<u>36,842,843</u>	<u>25,630,812</u>	<u>20,300,824</u>

*includes \$4,135,841 school bonds

**includes \$19,778,812 powerhouse bonds

Cash and cash equivalents

Petty Cash	\$ 1,550
Demand Deposits	583,150
Time certificates of deposits	240,000
Total Cash	<u>\$ 824,700</u>

Cash held by Fiscal Agent \$ 1,981,900

Investments:

AML Investment Pool, Inc.	22,082,097
Wells Fargo money market	4,324,653
Federal State and municipal government obligations	67,740,932
Corporate Bonds	26,926,160
Mortgage/asset backed securites	8,045,533
Money Market	1,033,490
	<u>\$ 130,152,865</u>

Composed of:

Temporary investments	\$ 26,406,750
Long-term investments	103,746,115
	<u>\$ 130,152,865</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

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

The manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. As of June 30, 2009, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

(b) *Receivables*

Receivables as of year end for the City's individual major funds and non-major 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
Receivables:								
Interest	758,517	-	-	98,507	-	-	-	-
Taxes	1,127,720	368,802	14,977	-	-	-	-	-
Accounts	-	-	-	839,596	161,833	270,739	123,028	172,424
Special Assessments	5,644	-	-	-	35,220	-	-	89,117
State of Alaska	8,556,756	-	-	475,309	-	442,689	-	-
Other	49,904	-	-	-	-	-	-	-
Gross Receivables	10,498,541	368,802	14,977	1,413,412	197,053	713,428	123,028	261,541
Less allowance for uncollectibles	-	-	-	(47,500)	(10,000)	(9,991)	(5,500)	(9,000)
Net Receivables	10,498,541	368,802	14,977	1,365,912	187,053	703,437	117,528	252,541

The only receivables not expected to be collected within one year are a total of approximately \$130,000 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:

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Shared fisheries business tax	\$ 4,200,000
Shared fisheries resource landing tax	4,040,106
Property taxes	18,726
Sales taxes	24,516
Special assessments	5,644
School debt reimbursement due from the State	<u>292,725</u>
	<u>\$ 8,581,717</u>

(c) *Capital Assets*

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 29,291,166	-	(931)	29,290,235
Construction-in-progress	<u>5,991,374</u>	<u>3,870,918</u>	<u>(1,256,029)</u>	<u>8,606,263</u>
Total	<u>35,282,540</u>	<u>3,870,918</u>	<u>(1,256,960)</u>	<u>37,896,498</u>
Capital assets, being depreciated:				
Buildings	52,606,948	-	-	52,606,948
Infrastructure	22,381,660	590,085	-	22,971,745
Machinery and equipment	<u>7,494,906</u>	<u>646,794</u>	<u>(317,130)</u>	<u>7,824,570</u>
Total	<u>82,483,514</u>	<u>1,236,879</u>	<u>(317,130)</u>	<u>83,403,263</u>
Less accumulated depreciation for:				
Buildings	(18,540,588)	(1,353,662)	-	(19,894,250)
Infrastructure	(11,433,078)	(1,384,072)	-	(12,817,150)
Machinery and equipment	<u>(5,385,930)</u>	<u>(373,166)</u>	<u>305,725</u>	<u>(5,453,371)</u>
Total	<u>(35,359,596)</u>	<u>(3,110,900)</u>	<u>305,725</u>	<u>(38,164,771)</u>
Total capital assets, being depreciated, net	<u>47,123,918</u>	<u>(1,874,021)</u>	<u>(11,405)</u>	<u>45,238,492</u>
Governmental-type activities, net	<u>\$ 82,406,458</u>	<u>1,996,897</u>	<u>(1,268,365)</u>	<u>83,134,990</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	-	-	3,309,476
Construction-in-progress	<u>20,588,888</u>	<u>13,987,237</u>	<u>(3,660,577)</u>	<u>30,915,548</u>
Total	<u>23,898,364</u>	<u>13,987,237</u>	<u>(3,660,577)</u>	<u>34,225,024</u>
Capital assets, being depreciated:				
Buildings	19,935,442	-	-	19,935,442
Infrastructure	83,251,342	3,536,886	(961,950)	85,826,278
Machinery and equipment	<u>4,797,805</u>	<u>159,802</u>	<u>(240,122)</u>	<u>4,717,485</u>
Total	<u>107,984,589</u>	<u>3,696,688</u>	<u>(1,202,072)</u>	<u>110,479,205</u>
Less accumulated depreciation for:				
Buildings	(8,548,095)	(660,804)	41,775	(9,167,124)
Infrastructure	(37,171,503)	(2,677,606)	961,949	(38,887,160)
Machinery and equipment	<u>(3,960,570)</u>	<u>(158,704)</u>	<u>213,569</u>	<u>(3,905,705)</u>
Total	<u>(49,680,168)</u>	<u>(3,497,114)</u>	<u>1,217,293</u>	<u>(51,959,989)</u>
Total capital assets, being depreciated, net	<u>58,304,421</u>	<u>199,575</u>	<u>15,221</u>	<u>58,519,216</u>
Business-type activities, net	<u>\$ 82,202,785</u>	<u>14,186,812</u>	<u>(3,645,356)</u>	<u>92,744,240</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	\$ 114,046
Public safety	263,006
Public works	1,100,999
Parks, culture, and recreation	909,471
Education	<u>723,378</u>
Total – Governmental activities	<u>\$ 3,110,900</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Business-type activities:	
Electric	\$ 326,209
Water	799,452
Ports and Harbors	1,283,319
Solid Waste	252,878
Wastewater	458,423
Airport	253,780
Housing	70,425
Total – Business-type activities	<u>\$ 3,444,486</u>

(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, 2009, were as follows:

<u>Receivable</u>	<u>Payable</u>
	<u>General Fund</u>
1% Sales Tax Special Revenue Fund	\$ 15,979,728
Non-major governmental funds	10,393,767
Electric	2,974,755
Water	6,359,221
Ports & Harbors	12,408,262
Solid Waste	6,577,182
Nonmajor enterprise funds	<u>8,555,557</u>
\$	<u>63,248,472</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, 2009, were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General Fund	\$ -	2,143,533
Enterprise Funds:		
Electric Utility:		
Current portion	140,000	-
Long-term portion	1,960,000	-
Housing - long-term	43,533	-
\$	<u>2,143,533</u>	<u>2,143,533</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 1st 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, 2009 follows:

	Transfers in		Transfers out	
	General Fund	1% Sales Tax		
Major Equipment Capital Project Fund	\$ 6,181,202	-		
Nonmajor governmental funds	574,000	150,000		
Major Enterprise Fund:				
Solid Waste	798,025	-		
Water Utility	298,600	-		
Ports and Harbors	5,500,000	-		
Nonmajor Enterprise funds	896,059	-		
	<u>\$ 14,247,886</u>	<u>150,000</u>		

A summary of significant transfers are as follows:

- The General Fund transferred \$6,021,623 to the Major Equipment Capital Projects Fund for capital additions.
- The General Fund transferred \$700,000 to the Road to LSA Special Revenue Fund for capital additions.
- The General Fund transferred \$24,000 to non-major governmental funds for operations.
- The General Fund transferred \$341,724 to the Water Fund for capital additions.
- The General Fund transferred \$420,175 to the Solid Waste Fund for operations.
- The General Fund transferred \$377,850 to the Solid Waste Fund for capital additions.
- The General Fund transferred \$43,124 to the Wastewater Fund for operations.
- The General Fund transferred \$498,100 to the Wastewater Fund for capital additions.
- The General Fund transferred \$5,500,000 to the Ports and Harbors Fund for capital additions.
- The General Fund transferred \$334,689 to the Airport Fund for operations.
- The General Fund transferred \$20,145 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 February 10, 1984, the City and the United Methodist Ministries entered into a 25-year lease for land for a community ballpark. The lease was renewed for one year in February 2009 at a rate of \$6000 per year.

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 2008 at a rate of \$2,613 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, 2009, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 3-year land use permit (ADA-08620) 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, 2009 was \$147,297.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

The future commitment for operating lease payments follows:

2010	100,470
2011	100,132
2012	61,148
2013	61,148
2014	61,148
2015-2019	299,740
2020-2024	285,680
2025-2029	63,166
2030-2034	12,810
2035-2036	5,124
	<u>\$ 1,050,566</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 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 \$162,625 to 2011, payable to CapMark Finance, Inc.	\$ 432,595
2000 school bonds issued June 1, 2000 for \$5,000,000, interest rate 5.875%, due in semi-annual installments of \$230,000 to \$245,000 to 2011, payable to the Alaska Municipal Bond Bank Authority	475,000
2005 school bonds issued March 22, 2005 for \$3,295,000, interest rates of 2.5% to 4.25% due in semi-annual installments of \$30,000 to \$405,000 to 2020, payable to the Alaska Municipal Bond Bank Authority	3,180,000
2009 school bonds issued March 1, 2009 for \$4,470,000, interest rates of 1.32% to 4.75% due in semi-annual installments of \$370,000 to 535,000 to 2019, payable to the Alaska Municipal Bond Bank Authority	<u>4,470,000</u>
Total	<u>\$ 8,557,595</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:

Business-type activities:

Electric - loan:

2009 Revenue bonds issued in 2009 for \$25,000,000, interest rates of 3.00% to 5.75%, due in semi-annual installments of \$625,000 to \$1,825,000, to 2034, payable to the Alaska Municipal Bond Bank Authority

\$ 25,000,000

Wastewater - loan:

1997 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years

350,532

1997 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years

45,133

Total

\$ 25,395,665

Changes in long-term liabilities

Changes in long-term liabilities for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 4,466,860	4,470,000	(379,265)	8,557,595	770,995
Premium on Bonds	-	65,918	(6,592)	59,326	6,592
Accrued pension liability	2,018,725	-	(2,018,725)	-	-
Compensated absences	863,703	2,149,004	(2,077,496)	935,211	935,211
				<u>935,211</u>	<u>935,211</u>
Governmental Activity Long-term liabilities	<u>\$ 7,349,288</u>	<u>6,684,922</u>	<u>(4,482,078)</u>	<u>9,552,132</u>	<u>1,712,798</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ -	25,000,000	-	25,000,000	-
Other Contracts and Loans:					
Loans	439,126	-	(43,461)	395,665	43,461
Accrued pension liability	1,134,938	-	(1,134,938)	-	-
Accrued landfill closure and postclosure care costs	4,370,779	144,419	-	4,515,198	-
Compensated absences	289,864	682,225	(670,162)	301,927	301,927
				<u>301,927</u>	<u>301,927</u>
Business-type activity Long-term liabilities	<u>\$ 6,234,707</u>	<u>25,826,644</u>	<u>(1,848,561)</u>	<u>30,212,790</u>	<u>345,388</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
2010	\$ 770,995	337,631
2011	813,045	336,999
2012	833,555	291,975
2013	720,000	263,175
2014	755,000	233,313
2015-2019	4,260,000	662,913
2020-2024	405,000	17,213
Total	\$ <u>8,557,595</u>	<u>2,143,219</u>

Annual Debt Service requirements to maturity for business-type activities revenue bonds are as follows:

Year Ending 6/30	Principal	Interest
2010	\$ -	1,306,650
2011	-	1,306,650
2012	625,000	1,297,275
2013	640,000	1,275,100
2014-2018	3,635,000	5,927,625
2019-2023	4,610,000	4,917,000
2024-2028	5,920,000	3,563,544
2029-2033	7,745,000	1,682,438
2034	1,825,000	52,469
	\$ <u>25,000,000</u>	<u>21,328,751</u>

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

Year Ending 6/30	Principal	Interest
2010	\$ 43,461	5,935
2011	43,461	5,283
2012	43,461	4,632
2013	43,461	3,979
2014	43,461	3,327
2015-2019	178,360	6,858
Total	\$ <u>395,665</u>	<u>30,014</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

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 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, 2009.

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 2009, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2009. As of June 30, 2009, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$4,515,198, based on the use of 45.2% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$5,473,165 of expense and liability between July 2009, and the year 2049, 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 2009. 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, 2009, 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

(c) ***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.

The Environment Protection Agency has notified the City of its intent to bring an enforcement action for violators of the Clean Water Act. The City and Department of Justice are presently discussing settlement options. Estimate of liability of \$100,000 was recorded by the City.

(d) ***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 \$3,056,317 and the Enterprise Funds had \$26,956,064 in outstanding construction commitments. These contracts will be completed in subsequent periods.

(e) ***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 cost-sharing 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

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

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

The percentage multipliers for police/fire personnel are 2% 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% (2% pension cost and 4.75% 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 35.22% (10.91% pension cost and 24.31% post-employment health care cost). The legislature capped the employer rate at 22%, with the State of Alaska contributing an on behalf payment for the difference between actuarial required contribution and the cap. The contribution requirements of plan members and the City are established and may be amended by the ARMB.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements, Continued

Annual Pension Cost. For 2009, the City annual pension cost of \$1,544,770 for PERS was equal to the City's actual contributions. The State of Alaska contributed \$1,165,965 on behalf of the City.

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%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2009 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution	\$ 92,219	147,550
Retiree medical plan	18,260	-
Occupational health and disability benefits	13,505	-
Health reimbursement agreement (HRA)	58,318	-
Define benefit unfunded liability (DBUL)	224,598	-

Actual contributions were equal to the annual required contributions.

(f) Extraordinary Item

The Alaska Public Employees Retirement System Plan (PERS) changed from an agent multiple employer defined benefit plan to a multiple employer cost sharing defined benefit plan effective July 1, 2008. This change eliminated each participating employers pension and other employment benefit plan individual obligations. Since the plan is now a cost sharing plan all employers share in the obligation pool and pay the same percentage rate of salaries annually. Individual obligations by employer no longer exist. This resulted in an extraordinary gain for the year ended June 30, 2009 of \$3,153,663.

(G) Subsequent Events

Management has evaluated subsequent events through December 16, 2009, the date which the financial statements were available for issue.

In December 2009, The City received \$1,000,000 from the U.S. Army Corps of Engineers related to the construction of the boat harbor. The Army Corps of Engineers were not able to obtain adequate funding from the federal government to the fund the construction of the boat harbor and the advance made by the City during the year-ended June 30, 2009 was required to be paid back to the City in December 2009. The City recorded the payment to the Army Corps of Engineers as construction in progress during the year-ended June 30, 2009.

Additional Supplementary Information

CITY OF UNALASKA, ALASKA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Bed Tax Special Revenue Fund	Capital Projects				Total Nonmajor Governmental Funds
		Community Park Development	Pathways Development	Street Paving	Road to LSA	
Assets						
Taxes Receivable (net of allowance for uncollectibles)	\$ 14,977	-	-	-	-	14,977
Due from other funds	100,895	53,760	775	1,206,981	1,266,511	2,628,922
Total assets	\$ 115,872	53,760	775	1,206,981	1,266,511	2,643,899
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	-	-	812,229	15,092	827,321
Total liabilities	\$ -	-	-	812,229	15,092	827,321
Fund balances:						
Reserved:						
Encumbrances	\$ -	-	-	-	552,738	552,738
Unreserved, reported in:						
Special Revenue Fund	115,872	-	-	-	-	115,872
Capital Projects	-	53,760	775	394,752	698,681	1,147,968
Total fund balances	115,872	53,760	775	394,752	1,251,419	1,816,578
Total liabilities and fund balances	\$ 115,872	53,760	775	1,206,981	1,266,511	2,643,899

CITY OF UNALASKA, ALASKA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2009

	Bed Tax Special Revenue Fund	Capital Projects				Total Nonmajor Governmental Funds
		Community Park Development	Pathways Development	Street Paving	Road to LSA	
Operating revenues:						
Taxes	\$ 172,248	-	-	-	-	172,248
Intergovernmental	-	-	-	-	-	-
Total revenues	<u>172,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,248</u>
Expenditures:						
Current:						
Community support	164,000	-	-	-	-	164,000
Capital projects	-	-	-	172	246,929	247,101
Total expenditures	<u>164,000</u>	<u>-</u>	<u>-</u>	<u>172</u>	<u>246,929</u>	<u>411,101</u>
Excess (deficiency) revenues over expenditures	<u>8,248</u>	<u>-</u>	<u>-</u>	<u>(172)</u>	<u>(246,929)</u>	<u>(238,853)</u>
Other financing sources (uses):						
Transfers in	24,000	-	-	-	700,000	724,000
Transfers out	-	-	-	-	-	-
Net other financing sources (uses)	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>724,000</u>
Net change in fund balances	32,248	-	-	(172)	453,071	485,147
Fund balances, beginning of year	<u>83,624</u>	<u>53,760</u>	<u>775</u>	<u>394,924</u>	<u>798,348</u>	<u>1,331,431</u>
Fund balances, end of year	<u>\$ 115,872</u>	<u>53,760</u>	<u>775</u>	<u>394,752</u>	<u>1,251,419</u>	<u>1,816,578</u>

CITY OF UNALASKA, ALASKA
Bed Tax Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund balance - Budget and Actual
Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Other	\$ <u>140,000</u>	<u>172,248</u>	<u>32,248</u>
Expenditures:			
Current - community support:			
Unalaska Convention and Visitors Bureau	<u>164,000</u>	<u>164,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(24,000)</u>	<u>8,248</u>	<u>32,248</u>
Other financing sources (uses):			
Transfers In	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>-</u></u>	<u>32,248</u>	<u><u>32,248</u></u>
Fund balances at beginning of year		<u>83,624</u>	
Fund balances at end of year		\$ <u><u>115,872</u></u>	

CITY OF UNALASKA, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2009

Assets	Wastewater Utility	Airport	Housing	Total
Current assets:				
Accounts receivables (net of allowance for uncollectibles)	\$ 143,992	19,432	-	163,424
Assessments receivable	89,117	-	-	89,117
Due from General Fund	3,462,786	1,712,284	3,380,487	8,555,557
Inventories	97,608	-	-	97,608
Prepaid expenses	-	7,030	-	7,030
Total current assets	<u>3,793,503</u>	<u>1,738,746</u>	<u>3,380,487</u>	<u>8,912,736</u>
Noncurrent assets:				
Capital assets, net	<u>7,936,156</u>	<u>4,525,494</u>	<u>880,906</u>	<u>13,342,556</u>
Total noncurrent assets	<u>7,936,156</u>	<u>4,525,494</u>	<u>880,906</u>	<u>13,342,556</u>
Total assets	<u>\$ 11,729,659</u>	<u>6,264,240</u>	<u>4,261,393</u>	<u>22,255,292</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 40,210	20,732	3,026	63,968
Accrued payroll and payroll liabilities	92,532	6,859	5,758	105,149
Accrued interest	4,237	-	-	4,237
Bonds and loans payable	43,461	-	-	43,461
Deferred revenue	308	-	-	308
Customer deposits	19,904	10,000	12,300	42,204
Total current liabilities	<u>\$ 200,652</u>	<u>37,591</u>	<u>21,084</u>	<u>259,327</u>
Noncurrent liabilities:				
Bonds and loans payable	352,204	-	-	352,204
Advances from General Fund	-	-	43,533	43,533
Total noncurrent liabilities	<u>352,204</u>	<u>-</u>	<u>43,533</u>	<u>395,737</u>
Total liabilities	<u>552,856</u>	<u>37,591</u>	<u>64,617</u>	<u>655,064</u>
Net assets				
Invested in capital assets, net of related debt	7,583,952	4,525,494	880,906	12,990,352
Unrestricted	<u>3,592,851</u>	<u>1,701,155</u>	<u>3,315,870</u>	<u>8,609,876</u>
Total net assets	<u>11,176,803</u>	<u>6,226,649</u>	<u>4,196,776</u>	<u>21,600,228</u>
Total liabilities and net assets	<u>\$ 11,729,659</u>	<u>6,264,240</u>	<u>4,261,393</u>	<u>22,255,292</u>

See accompanying notes to the financial statements.

CITY OF UNALASKA, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2009

	<u>Wastewater Utility</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 1,365,289	424,456	190,005	1,979,750
Other	<u>6,523</u>	<u>-</u>	<u>-</u>	<u>6,523</u>
Total operating revenues	<u>1,371,812</u>	<u>424,456</u>	<u>190,005</u>	<u>1,986,273</u>
Operating expenses				
Operations	790,023	196,262	89,936	1,076,221
General and administrative	237,964	295,150	52,661	585,775
Payment in lieu of taxes	39,582	38,972	20,106	98,660
Depreciation and amortization	<u>458,423</u>	<u>253,780</u>	<u>70,425</u>	<u>782,628</u>
Total operating expenses	<u>1,525,992</u>	<u>784,164</u>	<u>233,128</u>	<u>2,543,284</u>
Operating income (loss)	<u>(154,180)</u>	<u>(359,708)</u>	<u>(43,123)</u>	<u>(557,011)</u>
Non operating revenues (expenses)				
Interest expense	<u>(6,363)</u>	<u>-</u>	<u>-</u>	<u>(6,363)</u>
Net non-operating revenues (expenses)	<u>(6,363)</u>	<u>-</u>	<u>-</u>	<u>(6,363)</u>
Income (loss) before capital contributions and transfers	(160,543)	(359,708)	(43,123)	(563,374)
Transfers in	<u>541,225</u>	<u>334,689</u>	<u>20,145</u>	<u>896,059</u>
Income (loss) before extraordinary item	380,682	(25,019)	(22,978)	332,685
Extraordinary item	<u>117,417</u>	<u>25,019</u>	<u>22,978</u>	<u>165,414</u>
Change in net assets	498,099	-	-	498,099
Net assets, beginning of year	<u>10,678,704</u>	<u>6,226,649</u>	<u>4,196,776</u>	<u>21,102,129</u>
Net assets, end of year	<u>\$ 11,176,803</u>	<u>6,226,649</u>	<u>4,196,776</u>	<u>21,600,228</u>

CITY OF UNALASKA, ALASKA
 Nonmajor Enterprise Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2009

	Waste-water			Total
	Utility	Airport	Housing	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,347,529	444,464	186,305	1,978,298
Payments to employees	(573,454)	(133,086)	(113,076)	(819,616)
Payments to vendors	(389,585)	(414,787)	(51,400)	(855,772)
Net cash provided by (used for) operating activities	<u>384,490</u>	<u>(103,409)</u>	<u>21,829</u>	<u>302,910</u>
Cash flows from noncapital and related financing activities:				
Transfers in	<u>541,225</u>	<u>334,689</u>	<u>20,145</u>	<u>896,059</u>
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	(6,829)	-	-	(6,829)
Acquisition and construction of capital assets	(211,166)	-	(342)	(211,508)
Net cash used for capital and related financing activities	<u>(261,456)</u>	<u>-</u>	<u>(342)</u>	<u>(261,798)</u>
Change in cash and due from General Fund	664,259	231,280	41,632	937,171
Cash and due from other funds, beginning of year	<u>2,798,527</u>	<u>1,481,004</u>	<u>3,338,855</u>	<u>7,618,386</u>
Cash and due from other funds, end of year	<u>\$ 3,462,786</u>	<u>1,712,284</u>	<u>3,380,487</u>	<u>8,555,557</u>
Reconciliation to balance sheet:				
Due from General Fund	<u>\$ 3,462,786</u>	<u>1,712,284</u>	<u>3,380,487</u>	<u>8,555,557</u>
Reconciliation of change in net assets to net cash provided by operating activities:				
Operating income (loss)	\$ (154,180)	(359,708)	(43,123)	(557,011)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	458,423	253,780	70,425	782,628
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	(32,470)	20,008	-	(12,462)
Assessments receivable	8,096	-	-	8,096
Inventory	48,727	-	-	48,727
Prepaid expenses	-	(7,030)	-	(7,030)
Customer deposits	311	-	(3,700)	(3,389)
Accounts payable	(2,552)	(11,864)	2,829	(11,587)
Accrued payroll and payroll liabilities	58,355	1,405	(4,602)	55,158
Deferred revenue	(220)	-	-	(220)
Net cash provided by operating activities	<u>\$ 384,490</u>	<u>(103,409)</u>	<u>21,829</u>	<u>302,910</u>
Noncash investing, capital and financing activities:				
Transfer of capital assets	<u>\$ 10,853</u>	<u>-</u>	<u>-</u>	<u>10,853</u>
Extraordinary gain to write-off pension and OPEB obligations	<u>\$ 117,417</u>	<u>25,019</u>	<u>22,978</u>	<u>165,414</u>

CITY OF UNALASKA, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009

<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 - Department of Commerce, Community and Economic Development - Payment in Lieu of Taxes	870331	15.226	\$ <u>641,896</u>	<u>641,896</u>
U.S. Department of Transportation - Pass through the State of Alaska - Department of Transportation and Public Facilities - FY08 Impaired Driving	154A 08-00-01	20.600	14,998	14,998
Commercial Vehicle Enforcement Training		20.601	<u>3,625</u>	<u>3,625</u>
			<u>18,623</u>	<u>18,623</u>
U.S. Department of Justice - Pass through the State of Alaska - Department of Public Safety Community Drug Enforcement FY09	JAG-09-012	16.739	<u>16,480</u>	<u>16,480</u>
Total Federal Assistance			\$ <u>676,999</u>	<u>676,999</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, 2009

(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 Generally Accepted Accounting Principles, *The Financial Reporting Entity*.

CITY OF UNALASKA, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2009

<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:			
* Debt Retirement Program - 2008	None	441,010	441,010
Public Library Assistance Grant FY09	PLA 978282	6,350	6,350
Total Department of Education and Early Development		<u>447,360</u>	<u>447,360</u>
Department of Revenue:			
Direct:			
* Fisheries Business Tax	None	3,877,701	3,877,701
* Fisheries Resource Landing Tax	None	5,200,897	5,200,897
State Liquor License	None	3,100	3,100
Total Department of Revenue		<u>9,081,698</u>	<u>9,081,698</u>
Department of Military and Veteran's Affairs:			
Direct:			
Local Emergency Planning FY09	08 LEPC-AR35253	15,135	15,135
Department of Public Safety:			
Direct:			
Motor Vehicle License Tax	None	41,275	41,275
DRE Training	410K-09-00-01-D1	5,274	5,274
Total Department of Public Safety		<u>46,549</u>	<u>46,549</u>
Department of Commerce, Community and Economic Development -			
Direct :			
* Community Revenue Sharing	890254	285,546	285,546
RUBA Travel/Training grant	891432	926	926
New Landfill Cell Development and Construction	08-DC-412	2,000,000	40,366
* Boat Harbor	06-DC-170	4,000,000	1,041,541
Passed through Alaska Energy Authority:			
* Power Generation Expansion	2195309	1,500,000	1,500,000
Passed through Municipality of Anchorage:			
Alaska ICAC task force	None	5,000	5,000
Total Department of Commerce, Community and Economic Development		<u>7,791,472</u>	<u>2,873,379</u>
Department of Administration:			
Direct:			
* PERS On-Behalf Contributions		1,165,965	1,165,965
Total State of Alaska direct funding		<u>\$ 18,548,179</u>	<u>13,630,086</u>

* Denotes a major program for state compliance audit purposes.

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, 2009

(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 Generally Accepted Accounting Principles, *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 City of Unalaska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	58-65
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	66-70
<i>These schedules contain information to help the reader assess the government's most significant sources of revenue.</i>	
Debt Capacity	71-75
<i>These schedules presents information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	76-78
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	79-80
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

(This page was left blank intentionally)

Table 1

CITY OF UNALASKA, ALASKA

Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 77,253	\$ 77,291	\$ 78,163	\$ 80,110	\$ 80,437	\$ 77,882	\$ 74,518
Restricted	293	293	-	-	-	-	-
Unrestricted	47,190	51,873	54,473	58,720	66,810	72,154	84,150
Total governmental activities	<u>\$ 124,736</u>	<u>\$ 129,457</u>	<u>\$ 132,636</u>	<u>\$ 138,830</u>	<u>\$ 147,247</u>	<u>\$ 150,036</u>	<u>\$ 158,668</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 63,581	\$ 62,208	\$ 63,230	68,192	72,205	79,963	67,851
Restricted	261	264	-	-	-	-	-
Unrestricted	14,275	18,199	21,804	18,384	20,840	28,144	51,281
Total business-type activities	<u>\$ 78,117</u>	<u>\$ 80,671</u>	<u>\$ 85,034</u>	<u>\$ 86,576</u>	<u>\$ 93,045</u>	<u>\$ 108,107</u>	<u>\$ 119,132</u>
Primary government							
Invested in capital assets, net of related debt	\$ 140,834	\$ 139,499	\$ 141,393	\$ 148,302	\$ 152,642	\$ 157,845	\$ 142,369
Restricted	554	557	-	-	-	-	-
Unrestricted	61,465	70,072	76,277	77,104	87,650	100,298	135,431
Total primary government activities	<u>\$ 202,853</u>	<u>\$ 210,128</u>	<u>\$ 217,670</u>	<u>\$ 225,406</u>	<u>\$ 240,292</u>	<u>\$ 258,143</u>	<u>\$ 277,800</u>

The accrual basis of accounting was not maintained before 2003.

Table 2

CITY OF UNALASKA, ALASKA

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

	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities							
General government	\$ 3,338	\$ 3,406	\$ 3,942	\$ 3,668	\$ 3,718	\$ 4,023	\$ 4,025
Public safety	3,702	3,704	4,166	4,129	4,228	4,660	4,515
Public works	4,892	5,371	5,903	5,508	5,608	6,312	6,128
Parks, culture and recreation	2,234	2,186	2,260	2,327	2,466	3,232	2,955
Community support	541	770	771	841	776	797	853
Education support	3,244	3,484	3,667	3,975	4,102	4,234	4,473
Interest on long-term debt	342	410	218	361	168	281	275
Total governmental activities expenses	18,593	19,331	20,927	20,709	21,966	23,559	23,224
Business-type activities							
Electric	5,346	6,108	7,322	10,257	10,014	12,851	10,369
Water	1,820	1,893	1,814	1,862	1,940	2,199	1,987
Wastewater	1,289	1,306	1,435	1,435	1,494	1,622	1,532
Solid waste	2,893	3,284	1,680	3,029	2,061	2,014	1,722
Ports and harbors	630	573	3,389	3,426	3,360	3,915	4,063
Airport	1,595	1,542	589	636	568	652	784
Housing	222	247	231	227	266	304	233
Total business-type activities expenses	13,795	14,943	16,405	20,875	19,713	23,557	20,689
Total primary government expenses	\$ 32,388	\$ 34,274	\$ 37,332	\$ 41,584	\$ 40,779	\$ 47,116	\$ 43,913
Program Revenues							
Governmental activities							
Charges for services	\$ -	\$ 20	\$ 77	\$ 18	\$ -	\$ 10	\$ 13
General government	50	66	88	276	305	77	85
Public safety	99	57	-	-	-	-	-
Public works	200	213	206	117	-	194	219
Culture and recreation	1,114	973	928	1,077	926	923	1,275
Operating grants and contributions	-	-	134	189	-	-	-
Capital grants and contributions	1,463	1,329	1,433	1,637	1,231	1,209	1,592
Total primary government activities program revenue							

(Continued)

Table 2, Continued

CITY OF UNALASKA, ALASKA

Changes in Net Assets

Last Seven Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009
Business-type activities							
Charges for services							
Electric	5,465	6,131	7,760	10,196	10,911	12,867	11,611
Water	1,989	2,111	2,224	2,177	2,233	2,013	1,937
Wastewater	793	800	890	922	908	1,199	1,365
Solid Waste	725	740	852	1,002	955	1,115	1,165
Ports and harbors	3,558	4,114	4,210	4,421	4,425	4,938	5,681
Airport	405	390	316	305	333	399	425
Housing	232	232	243	244	216	201	190
Capital grants and contributions	1,511	1,605	319	60	1,189	4,748	2,582
Total business-type activities program revenues	14,978	16,123	16,914	19,336	21,190	27,480	22,956
Total primary government program Revenues	\$ 16,441	\$ 17,452	\$ 18,347	\$ 20,973	\$ 22,421	\$ 28,659	\$ 24,348
Net (expense)/revenue							
Governmental activities	\$ (17,130)	\$ (18,002)	\$ (10,494)	\$ (19,072)	\$ (19,835)	\$ (22,350)	\$ (21,632)
Business-type activities	1,183	1,180	509	(1,539)	1,477	3,923	2,267
Total primary government net expense	\$ (15,947)	\$ (16,822)	\$ (18,985)	\$ (20,611)	\$ (18,358)	\$ (18,427)	\$ (19,365)
General Revenues and Other Changes In							
Net Assets							
Governmental activities							
Taxes							
Property taxes	3,952	4,243	3,976	3,971	4,176	4,288	4,257
General sales tax	5,952	6,436	7,724	9,034	9,292	11,041	10,361
Raw seafood sales tax	3,667	4,190	3,574	4,188	4,077	4,690	4,044
Other taxes	588	462	271	229	304	239	266
Fisheries Tax					9,384	8,971	9,079
Grants not restricted to specific programs	6,448	3,077	3,240	7,487	-	-	-
Gain (loss) on disposal of capital assets	364	212	190	(14)	105	179	80
Investment earnings	2,779	370	1,554	1,839	4,166	5,266	5,618
Other	186	103	552	951	1,639	1,584	2,033
Transfers	(3,651)	(1,370)	(3,708)	(2,734)	(4,790)	(11,120)	(7,493)
Extraordinary item							2,019
Total governmental activities	6,126	22,723	22,675	24,951	28,253	28,133	30,264
Business-type activities							
Gain (loss) on disposal of capital assets	34	(5)	66	4	-	6	19
Investment earnings	4	7	3	10	6	-	102
Other	(892)	-	76	156	195	13	10
Transfers	3,651	1,370	3,708	2,734	4,790	11,120	7,493
Extraordinary item							1,135
Total business-type activities	2,797	1,372	3,853	2,904	4,991	11,119	8,759
Total primary government	\$ 8,923	\$ 24,095	\$ 26,526	\$ 27,855	\$ 33,244	\$ 36,277	\$ 49,023
Change in Net Assets							
Governmental activities	\$ (11,004)	\$ 4,721	\$ 3,179	\$ 5,879	\$ 8,418	\$ 2,788	\$ 8,632
Business-type activities	3,980	2,552	4,362	1,365	6,463	15,062	11,025
Total primary government	\$ (7,024)	\$ 7,273	\$ 7,541	\$ 7,244	\$ 14,886	\$ 17,850	\$ 19,657

The accrual basis of accounting was not maintained before 2003

Table 3

CITY OF UNALASKA, ALASKA

**Governmental Activities Tax Revenues by Source
Last Seven 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
2009	10,361	4,044	2,893	1,364	172	94	18,928

The accrual basis of accounting was not maintained before 2003.

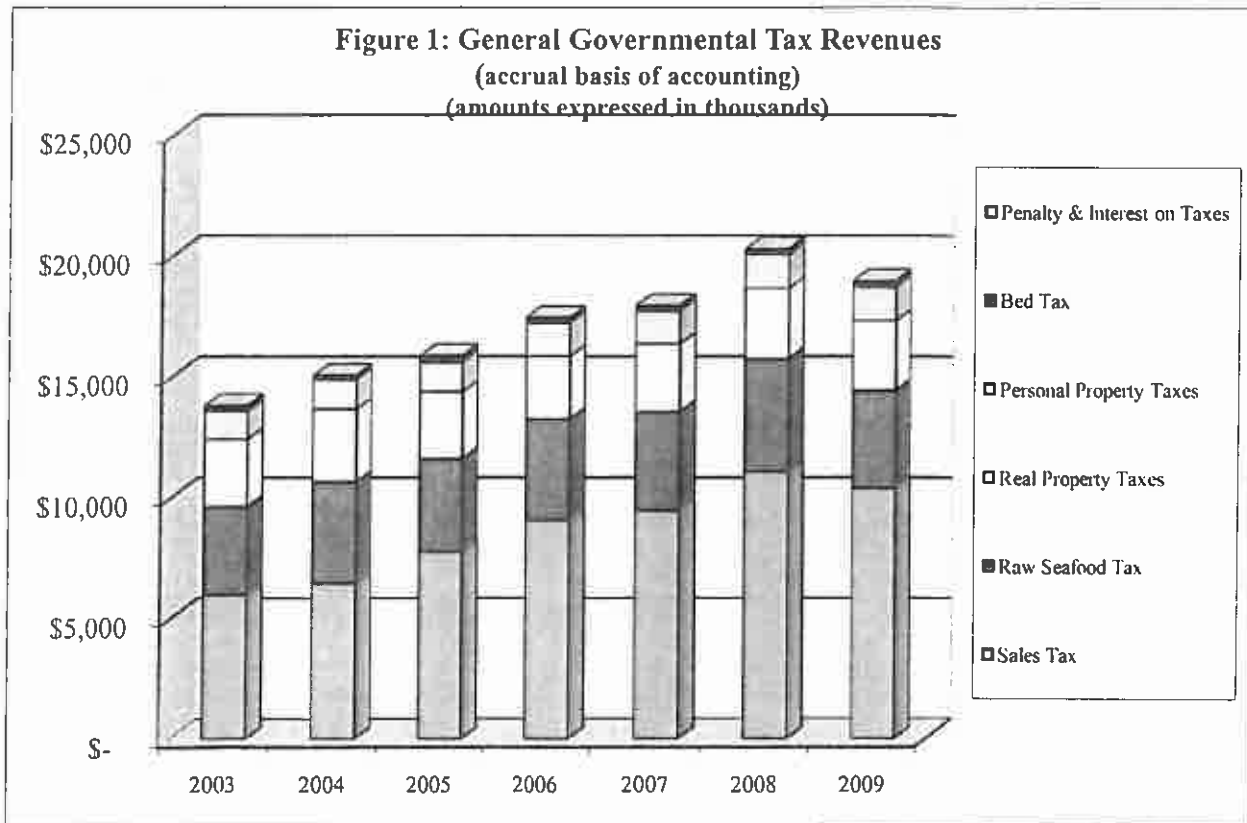


Table 4

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	2009
General fund											
Reserved	\$ 2,092	1,805	1,517	1,251	1,020	3,807	3,274	3,039	2,972	2,924	2,736
Unreserved	19,011	17,439	23,994	28,411	33,171	29,622	33,327	38,363	45,360	44,554	49,012
Total general fund	\$ 21,103	\$ 19,244	\$ 25,511	\$ 29,662	\$ 34,191	\$ 33,429	\$ 36,601	\$ 41,402	\$ 48,332	\$ 47,478	\$ 51,748
All other governmental funds											
Reserved	5,170	10,005	3,470	6,346	1,416	978	3,339	1,653	-	-	2,795
Unreserved, reported in:											
Special revenue funds	1,604	2,685	3,962	2,477	1,543	2,050	4,236	6,242	9,391	13,111	16,450
Debt service funds	-	-	-	-	562	562	-	-	-	-	-
Capital projects funds	-	-	-	-	4,609	8,490	3,869	2,900	2,808	5,279	5,612
Total all other governmental funds	\$ 6,774	\$ 12,690	\$ 7,432	\$ 8,823	\$ 8,130	\$ 12,080	\$ 11,444	\$ 10,795	\$ 12,199	\$ 18,390	\$ 24,857

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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues											
Taxes	\$ 11,839	\$ 12,767	\$ 12,974	\$ 13,191	\$ 14,083	\$ 15,337	\$ 15,738	\$ 17,421	\$ 17,901	\$ 20,232	\$ 19,514
Intergovernmental	7,518	8,405	8,110	8,606	9,041	7,481	9,708	9,637	11,122	10,609	12,307
Charges for services	143	165	164	174	249	355	372	372	304	281	317
Investment income	1,959	1,825	3,295	2,969	2,779	370	1,554	1,839	4,166	5,266	5,618
Other	207	184	212	218	177	103	105	78	82	85	79
Total revenues	21,666	23,346	24,755	25,158	26,329	23,646	27,477	29,347	33,575	36,563	37,835
Expenditures											
General government	2,866	2,672	2,872	3,143	3,195	3,277	3,431	3,483	3,604	3,549	3,937
Public safety	2,774	3,229	3,305	3,566	3,455	3,485	3,967	3,770	3,909	3,807	4,228
Public works	2,801	2,916	3,259	3,331	3,534	4,050	4,096	4,140	4,510	4,743	5,016
Parks, culture and recreation	1,645	1,692	1,583	1,715	1,782	1,732	1,764	1,799	1,956	2,053	2,101
Community support	772	821	833	948	841	770	766	841	777	797	853
Education support	1,919	2,207	2,257	2,540	2,678	2,790	2,919	3,253	3,379	3,511	3,750
Debt Service											
Principal	1,029	1,044	849	359	325	270	285	321	347	363	379
Interest	214	152	358	355	342	328	225	262	242	224	237
Other	-	-	-	-	-	-	46	-	-	-	-
Capital projects	12,965	5,823	8,246	3,198	4,355	2,644	4,026	4,593	1,955	1,286	3,753
Total expenditures	26,985	20,556	23,562	19,155	20,507	19,346	21,525	22,462	20,679	20,333	24,254
Excess of revenues over (under) expenditures	(5,319)	2,790	1,193	6,003	5,822	4,300	5,952	6,885	12,896	16,230	13,581
Other financing sources (uses)											
Proceeds from long term debt	146	5,000	-	-	-	-	3,319	0	227	226	4,648
Refunding bonds issued	-	-	-	-	-	-	(3,272)	0	-	-	-
Advance refunding escrow	-	-	-	-	-	-	-	-	-	-	-
Transfers in	4,727	4,882	2,360	6,331	5,210	6,366	1,754	2,052	831	3,753	6,905
Transfers out	(8,221)	(6,447)	(2,544)	(6,792)	(8,230)	(7,736)	(5,462)	(4,784)	(5,621)	(14,872)	(14,398)
Other	5	-	-	-	-	258	245	-	-	-	-
Prior period adjustments/Accounting ch	-	(2,168)	-	-	1,034	-	-	-	-	-	-
Total other financing sources (uses)	(3,343)	1,267	(1,844)	(461)	(1,986)	(1,112)	(3,416)	(2,732)	(4,563)	(10,893)	(2,845)
Net change in fund balance	(8,662)	4,057	1,009	5,542	3,816	3,188	2,536	4,153	8,333	5,337	10,736
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%	3.0%

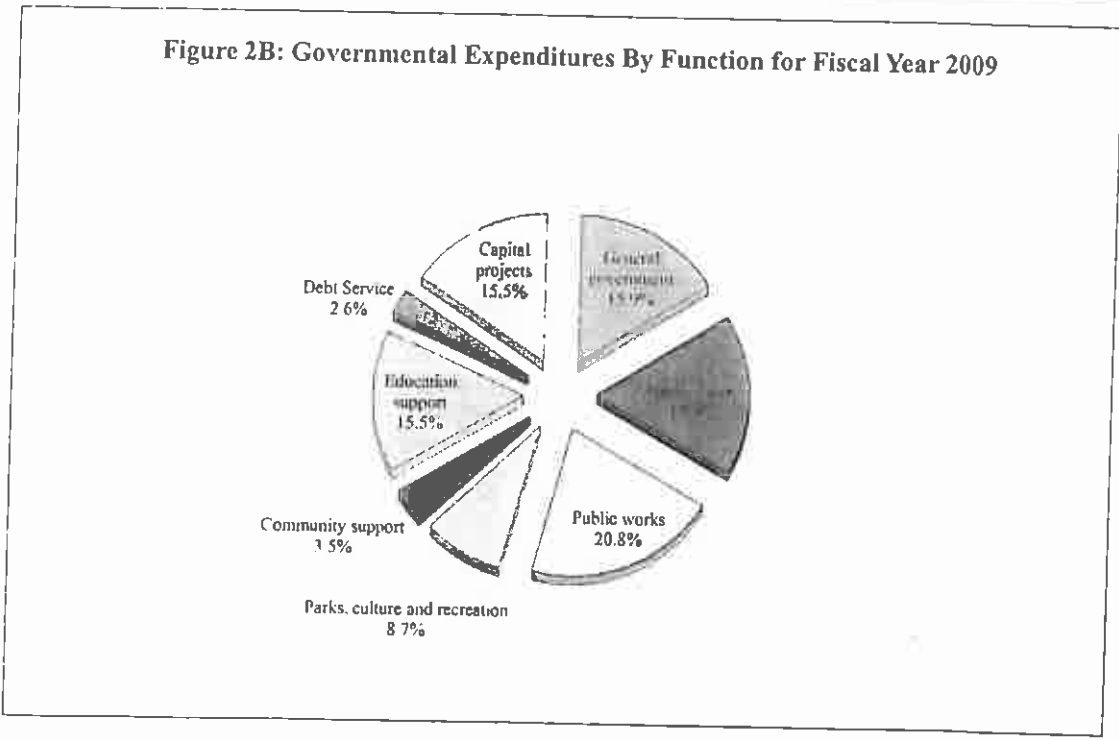
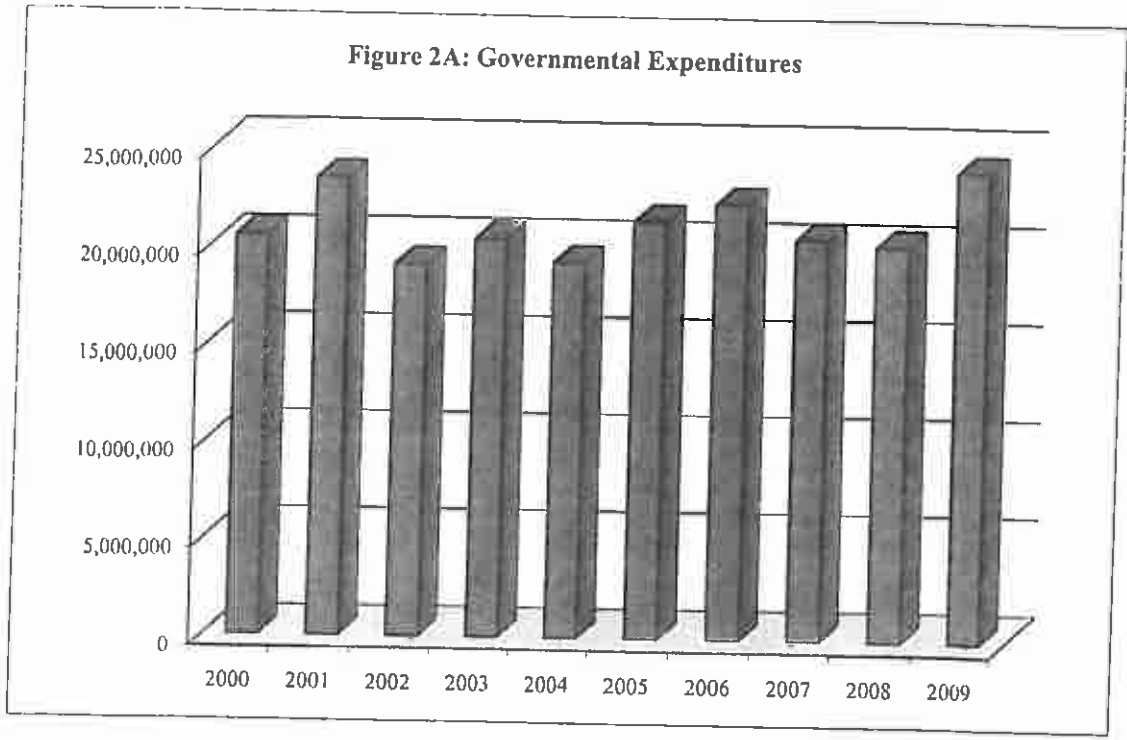


Table 7

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	11,042	4,690	2,905	1,383	210	29	20,259
2009	10,369	4,619	2,892	1,368	172	94	19,514

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

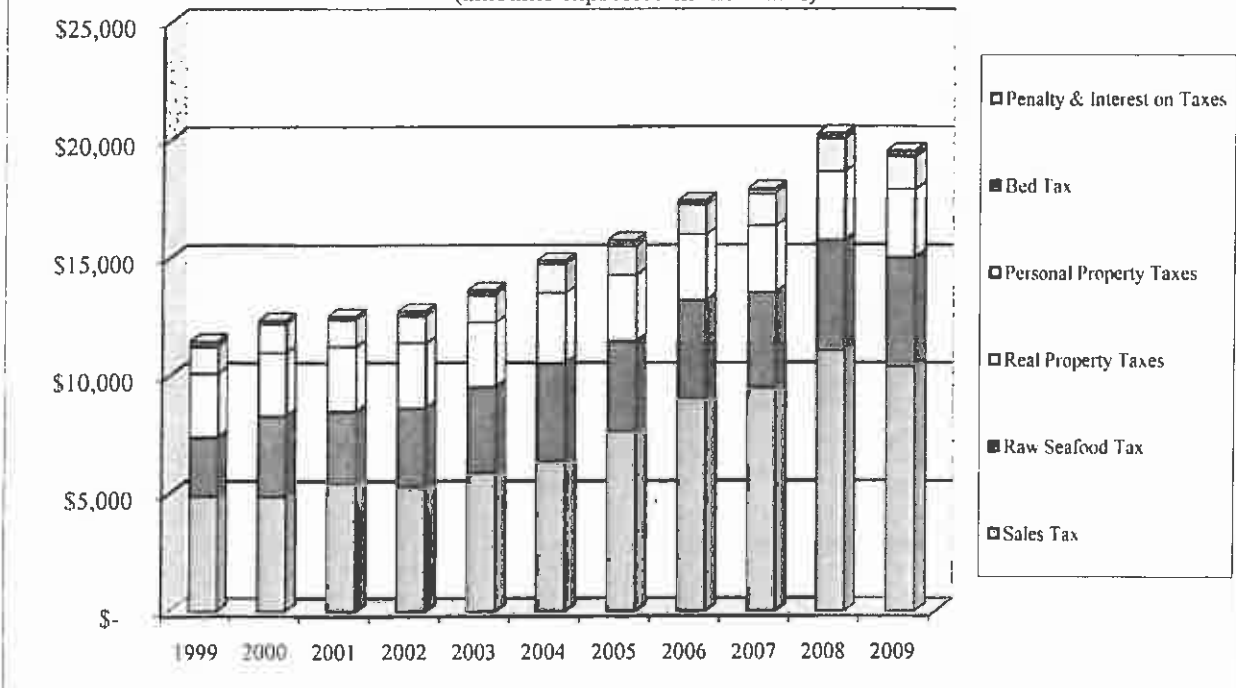


Table 8

CITY OF UNALASKA, ALASKA

Assessed and Estimated Actual Value of Taxable 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%
2009	284,432	320,884	125,775	141,894	410,207	462,779	89%

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
2009	10.50

(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.

CITY OF UNALASKA, ALASKA

Principal Real Property Taxpayers
 June 30, 2009
 (amounts expressed in thousands)

Taxpayer	2009			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ounalashka Corporation	\$ 89,206,896	1	31%	\$ 82,522,426	1	37%
Unisea	40,628,313	2	14%	29,537,925	2	13%
Westward Seafoods	24,888,000	3	9%	21,219,700	3	9%
Alyeska Seafoods	19,395,095	4	7%	16,674,100	4	7%
	<u>\$ 283,871,441</u>		<u>61%</u>	<u>\$ 224,492,000</u>		<u>67%</u>

Table 11

CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers
June 30, 2009

Customer	2009			2006 *		
	Receipts from Customer	Rank	Percentage of Total Electric Utility Customers Billed	Receipts from Customer	Rank	Percentage of Total Electric Utility Customers Billed
American President Lines	\$ 1,537,501	1	15%	\$ 1,957,151	1	19%
Horizon Lines, LLC	1,358,463	2	13%	1,070,717	3	10%
City of Unalaska	776,336	3	8%	1,181,967	2	11%
Harbor Crown	569,008	4	6%	672,326	4	6%
Safeway	534,054	5	5%	507,355	5	5%
North Pacific Fuel	438,493	6	4%	461,612	6	4%
Unalaska School District	442,765	7	4%	316,463	7	3%
Alaska Ship Supply	304,845	8	3%	299,363	9	3%
Alaska Commercial Company	278,961	9	3%	203,484	10	2%
Pacific Stevedoring, Inc.	212,385	10	2%	301,660	8	3%
	<u>\$ 10,178,277</u>		<u>42%</u>	<u>\$ 10,367,368</u>		<u>67%</u>

* Information not available prior to FY06 due to software conversion.

Table 12

CITY OF UNALASKA, ALASKA

Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections (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%	77	2.0%
2000	3,887	3,858	99.25%	35	3,893	100.2%	38	1.0%
2001	3,869	3,844	99.35%	22	3,866	99.9%	31	0.8%
2002	3,915	3,893	99.44%	11	3,904	99.7%	55	1.4%
2003	3,899	3,863	99.08%	29	3,892	99.8%	42	1.1%
2004	4,206	4,188	99.57%	11	4,199	99.8%	53	1.3%
2005	3,976	3,966	99.75%	30	3,996	100.5%	40	1.0%
2006	3,996	3,983	99.67%	11	3,994	99.9%	14	0.4%
2007	4,180	4,167	99.69%	9	4,176	99.9%	14	0.3%
2008	4,284	4,278	99.86%	4	4,282	100.0%	22	0.5%
2009	4,307	4,260	98.90%	2	4,262	99.0%	13	0.3%

Table 13

CITY OF UNALASKA, ALASKA

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Harbor Bonds	Electric Fund 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	3%	1,313
2008	4,467	-	-	-	4,467	*	*
2009	\$ 8,558	-	25,000	-	33,558	*	*

* Data unavailable or incomplete.

CITY OF UNALASKA, ALASKA

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
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%	1,258
2009	8,557	1.76%	*

* Data unavailable or incomplete.

Table 15

CITY OF UNALASKA, ALASKA

**Direct Governmental Activities Debt (1)
June 30, 2009**

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Percentage Applicable to City of Unalaska</u>	<u>Amount Applicable To City of Unalaska</u>
Direct: City of Unalaska	\$ 8,557,595	100%	\$ 8,557,595

(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
Electric Fund

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Income From Operations</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2009	\$ 11,610,609	\$ 10,365,709	\$ 1,244,900	-	-	-	*

(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 January 8, 2009 and there were no payments during fiscal year 2009.

CITY OF UNALASKA, ALASKA

Demographic Statistics
Last Ten Fiscal Years

Calendar Year	Unalaska Population (1)	Aleutians West Region Personal Income (amounts expressed in thousands) (2)	Aleutians West Region Per Capita Personal Income (2)	Unalaska School Enrollment (3)	Aleutians West Region Unemployment (4)
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	5.6%
2007	3,678	155,597	33,318	388	5.3%
2008	3,551	*	*	403	6.0%
2009	*	*	*		*

* 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

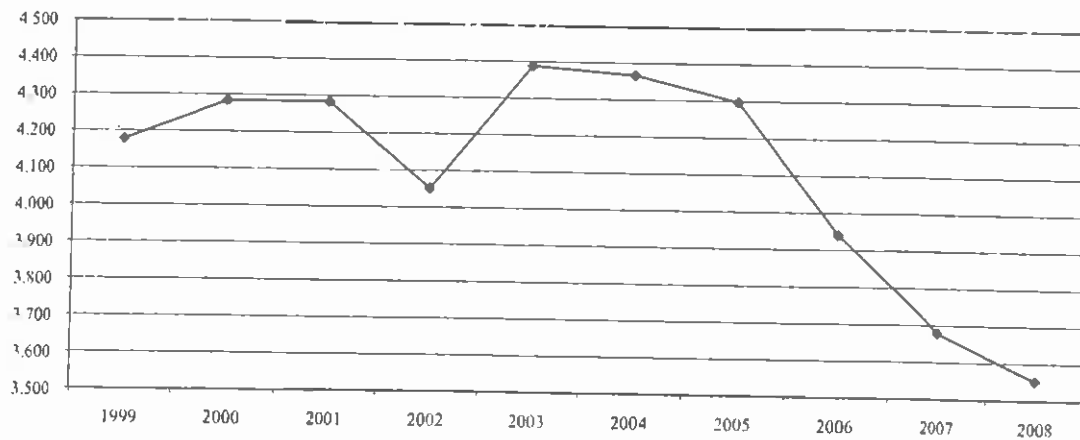


Table 19

CITY OF UNALASKA, ALASKA

Principal Employers

<u>Employer</u>	2009**		2000*		Percentage of Total City Employment
	<u>Number of Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>	
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	-	-	-
American President Lines, Ltd.	50-99	6	61	9	3%
Unalaska City School	50-99	7	68	8	3%
Safeway, dba Eagle Quality Centers	25-49	8	-	-	-
Dutch Harbor Services, Inc.	25-49	9	-	-	-
Petro Star, Inc., dba North Pacific Fuel	25-49	10	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			<u>3,002</u>	<u>2,363</u>	

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	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Clerk	3.00	3.00	3.24	3.24	3.00	3.00	3.00	3.00	3.00	3.00
Finance	13.66	12.00	12.50	13.25	13.00	12.25	12.25	12.25	11.50	11.50
IS	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	2.19	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Public safety	23.50	24.00	23.00	23.00	23.00	23.00	23.00	23.00	22.00	22.00
Correction	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire protection	2.00	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public works										
Public works administration	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Streets and roads	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Supply	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Vehicle department	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Building Maintenance	4.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00
Parks, culture and recreation										
Community Center	15.88	11.30	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Libraries	2.50	4.38	4.38	4.75	4.75	4.75	4.50	4.50	4.50	4.50
Community Pool	2.50	4.13	4.13	4.38	4.38	4.38	4.63	4.63	5.50	5.50
Public utilities administration	2.00	3.00	2.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00
Electric	13.00	13.00	13.00	13.22	13.00	13.00	13.00	13.00	13.00	13.00
Water	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Wastewater	2.67	2.67	3.67	3.67	3.67	3.67	3.67	3.67	3.34	3.34
Ports and airport	10.00	10.50	10.50	10.50	11.00	10.00	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	150.52	154.96	155.80	155.59	154.84	154.84	154.84	153.63	153.63

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	2009
Police											
Custodial		364	321	420	453	479	391	395	443	365	547
Fire	427										
Fire response	29	45	44	31	35	30	40	19	22	36	24
Burn permits	110	99	102	120	101	87	121	117	150	145	159
Fire safety	40	45	49	63	90	51	42	27	29	45	31
EMS											
EMS ambulance calls	188	238	319	328	289	320	267	320	208	176	191
Public works											
Building permits issued	42	56	54	27	24	12	22	32	29	43	28
Parks, culture and recreation											
Community Center admissions	*	*	*	*	*	66,396	73,146	79,340	113,971	84,904	72,532
Aquatic center attendance	*	*	*	*	*	*	*	*	*	*	18,500
CC & aquatic center volunteer hours	*	*	*	*	4,493	4,810	2,823	4,710	4,303	1,175	2,280
Library volunteer hours	*	*	*	*	*	*	*	*	*	*	840
Library circulation	67,887	71,542	68,781	70,083	86,404	73,546	96,632	107,079	130,823	83,976	197,743
Library attendance	*	*	*	*	*	*	*	*	*	*	110,960
Electric											
Power generated MW	30,478	30,524	29,474	28,392	28,313	29,818	31,107	33,185	33,491	31,443	58,305
Water											
Water produced (MG)	818	821	867	1,049	1,111	1,219	1,213	1,161	1,208	1,042	1,093
Daily pumping capacity (MGD)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	4	4	4
Total daily capacity (MGD)	10	10	10	10	10	10	10	10	5.5-13	5.5-13	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	0.48
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	6,785
Cubic yards of waste collected	50,213	*	*	*	*	*	*	*	*	*	9,234
Ports and harbors											
UMC vessel calls	677	737	578	552	554	564	533	458	437	520	407
UMC wharfage tons	267,629	221,432	327,165	393,247	225,270	413,869	448,078	444,338	465,491	464,549	286,698
Airport											
Passengers	61,000	62,993	57,186	59,515	57,300	54,499	59,941	58,618	57,654	58,431	53,624

* Data unavailable or incomplete.

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	2009
Public safety											
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Stations	2	2	2	2	2	2	2	2	2	2	2
Response vehicles	8	8	8	8	8	8	8	8	6	6	7
EMS											
Ambulances	2	3	3	3	3	3	3	3	2	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	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	6.6
Street lights	107	107	107	107	107	107	107	107	107	179	179
Flashing/cautionary lights	5	9	9	9	9	9	9	9	9	9	9
Number of bridges	5	7	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	1
Library	1	1	1	1	1	1	1	1	1	1	1
Parks	1	1	1	1	1	1	1	1	1	1	1
Parks	6	6	6	6	6	6	8	8	8	8	8
Swimming Pool	1	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	1
Number of sub-stations	2	2	2	2	2	2	2	2	2	2	2
Water											
Wells	4	4	4	4	4	4	4	4	4	4	4
Surface water treatment facilities	1	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	23
Number of connections	466	497	497	497	497	497	593	598	599	599	599
Wastewater											
Sanitary sewers MfHs	302	326	340	340	340	352	352	352	352	353	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	16.9
Lift stations	9	9	9	9	9	9	9	9	9	9	9
Solid waste											
Landfills	1	1	1	1	1	1	1	1	1	1	1
Ports and harbors											
Dock facilities - lineal feet of docking											
Unalaska Marine Center (UMC)	1,140	1,140	1,140	1,140	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Spit Dock facility	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975
Light Cargo Dock		340	340	340	340	340	340	340	340	340	340
Small Boat Harbor	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232

(This page was left blank intentionally)

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, 2009, which collectively comprise the City of Unalaska's basic financial statements and have issued our report thereon dated December 16, 2009. 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.


December 16, 2009

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, 2009. 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, 2009.

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 16, 2009

CITY OF UNALASKA, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

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 X no

Is any significant deficiency reported
as a material weakness?

___ yes X no

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

Is a significant deficiency disclosed for
any major program?

___ yes X no

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

___ yes X 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 X no

Identification of major programs:

CFDA Number(s)
15.226

Name of Federal Program or Cluster
Payments in Lieu of Taxes

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II - Financial Statement Findings:

No matters were reported.

Section III - Federal Award Findings and Question Costs:

No matters were reported.

(This page was left blank intentionally)

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, 2009. 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 \$4,331,391 in state financial assistance which is not included in the schedule of state financial assistance during the year ended June 30, 2009. 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, 2009.

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 16, 2009

CITY OF UNALASKA, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

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.

