

CITY OF UNALASKA ALASKA



Photo by: Tonya Miller

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

CITY OF UNALASKA, ALASKA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

(With Independent Auditors' Report Thereon)

Prepared by

Department of Finance

CITY OF UNALASKA, ALASKA

Table of Contents

	Page(s)
Introduction Section	
Transmittal Letter	i – iv
GFOA Certificate of Achievement for Excellence in Financial Reporting	v
Organizational Chart	vi
Principal Executive Officers	vii
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 – 52

CITY OF UNALASKA, ALASKA

Table of Contents

		Page(s)
Additional Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet		53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance		54
Special Revenue Funds:		
Bed Tax Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual		55
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets		56
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets		57
Combining Statement of Cash Flows		58
Statistical Section	Table	
Net Assets by Component	1	59
Changes in Net Assets	2	60 – 61
Governmental Activities Tax Revenues by Source	3	62
Fund Balances of Governmental Funds	4	63
Changes in Fund Balances of Governmental Funds	5	64
Governmental Expenditures	6	65
General Governmental Tax Revenues by Source	7	66
Assessed and Estimated Actual Value of Taxable Property	8	67
Property Tax Rates	9	68
Principal Real Property Taxpayers	10	69

CITY OF UNALASKA, ALASKA

Table of Contents

		Page(s)
Principal Electric Utility Customers	11	70
Property Tax Levies and Collections	12	71
Ratios of Outstanding Debt by Type	13	72
Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years	14	73
Direct Governmental Activities Debt	15	74
Legal Debt Margin Information	16	75
Pledged-Revenue Coverage	17	76
Demographic Statistics	18	77
Principal Employers	19	78
Full-time Equivalent City Government Employees by Function	20	79
Operating Indicators by Function	21	80
Capital Asset Statistics by Function	22	81

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INTRODUCTION SECTION

CITY OF UNALASKA

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



December 14, 2010

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, 2010.

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

KPMG, Certified Public Accountants, has issued an unqualified (clean) opinion on the City of Unalaska's financial statements for the year ended June 30, 2010. 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 follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Unalaska, incorporated as a first class city in 1942, is located on an island within an archipelago in the southwestern part of the state. The Bering Sea to the north is considered to have one of the most productive fisheries in the country. Located nearly 800 miles from Anchorage, the City of Unalaska, which serves a population of 3,662, currently occupies an area of 215 square miles, of which 46% is seawater. The City of Unalaska is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits

by annexation, which occurs periodically when deemed appropriate by the governing council. Annexation authority was exercised once in 1986.

The City of Unalaska has operated under the council-manager form of government since 1968. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members are elected to serve three-year, staggered terms, with two council members elected every year. The mayor is also elected to serve a three-year term. The mayor and council members are all elected at large.

The City of Unalaska provides a full range of services including the following: police and fire protection; emergency medical services; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; electrical, water, wastewater, and landfill services; port, harbor, and airport terminal services; and limited housing for city employees. The City of Unalaska 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, will be able to maintain strong fishery-related revenues in future years.

Unalaska is the number one fishing port in the nation in terms of quantity of fish landed and has been for 20 straight years. According to the 2009 report by the National Marine Fishery Service, a catch of 506.3 million pounds of fish was landed in Unalaska in 2009. These deliveries were worth slightly more than \$159 million dollars in 2009, 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 BSAI 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.

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 ground fish species in the BSAI. 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 harvested in the 2007 season to 49.5 million pounds for the 2010 season and an increase is expected in both allocation and ex-vessel value for the January 2011 season Snow Crab opening. The Bristol Bay Red King Crab stocks have increased from 15 million pounds harvested in 2006 to 15.8 million pounds for the 2009 season. A small decrease is expected in allocation for the 2010 season that opens in October but ex-vessel value should increase over the mid \$4.50 per pound paid in 2009. The Pollock fishery is the nation's largest and most valuable. The quota for the 2010 fishery was 815,000 MT = 1.8 billion pounds with an ex-vessel value of approximately \$2.3 billion dollars at \$0.13 per pound. An increase is expected in the Pollock allocation for the 2011 potentially up to 1.0MMT ex-vessel value should remain stable in 2011.

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 FY10 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.

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 December, 2010. We are also exploring the island's geothermal potential. Exploration holes are planned to be drilled in the summer of 2011 at an estimated cost of \$3-4 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 to advance primary treatment, which is estimated to cost between \$10 and \$25 million or possibly secondary treatment, which is estimated to cost between \$15 and \$20 million. The anticipated timeline for development of new plant is five to eight years. The City is seeking significant funding from the State of Alaska and the federal government.

Phase 2 of the Landfill Development Plan, which responds to anticipated future landfill needs, is in the design phase. This project involves moving the existing PCB cell to a new location, the construction of two

new cells, moving the road towards the shoreline, and the development of leachate treatment capabilities at the landfill. This project is estimated to cost between \$8 and \$10 million. The City is continuing to research ways of recycling. At this time we are removing monofil items, predominantly fish nets, and metal from the island to increase the life of the landfill. Staff is researching a shredder system to shred tires, cardboard, wood and plastic material. Shredding these materials will facilitate the shipping of the material.

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 \$45 to \$50 million with an additional amount for the COE's share which is estimated at approximately \$24 million. Other Federal sources of funding include an EDA grant for \$1.3 million 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 \$1.5 million State of Alaska FY10 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 began in the summer of 2010. Construction of the floating breakwaters will begin this fall with an anticipated completion date of July 2012.

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 2011.

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, 2009 was 22%.

Additional information on the City of Unalaska's pension arrangements and post employment benefits can be found on pages 49 – 51.

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

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, 2009

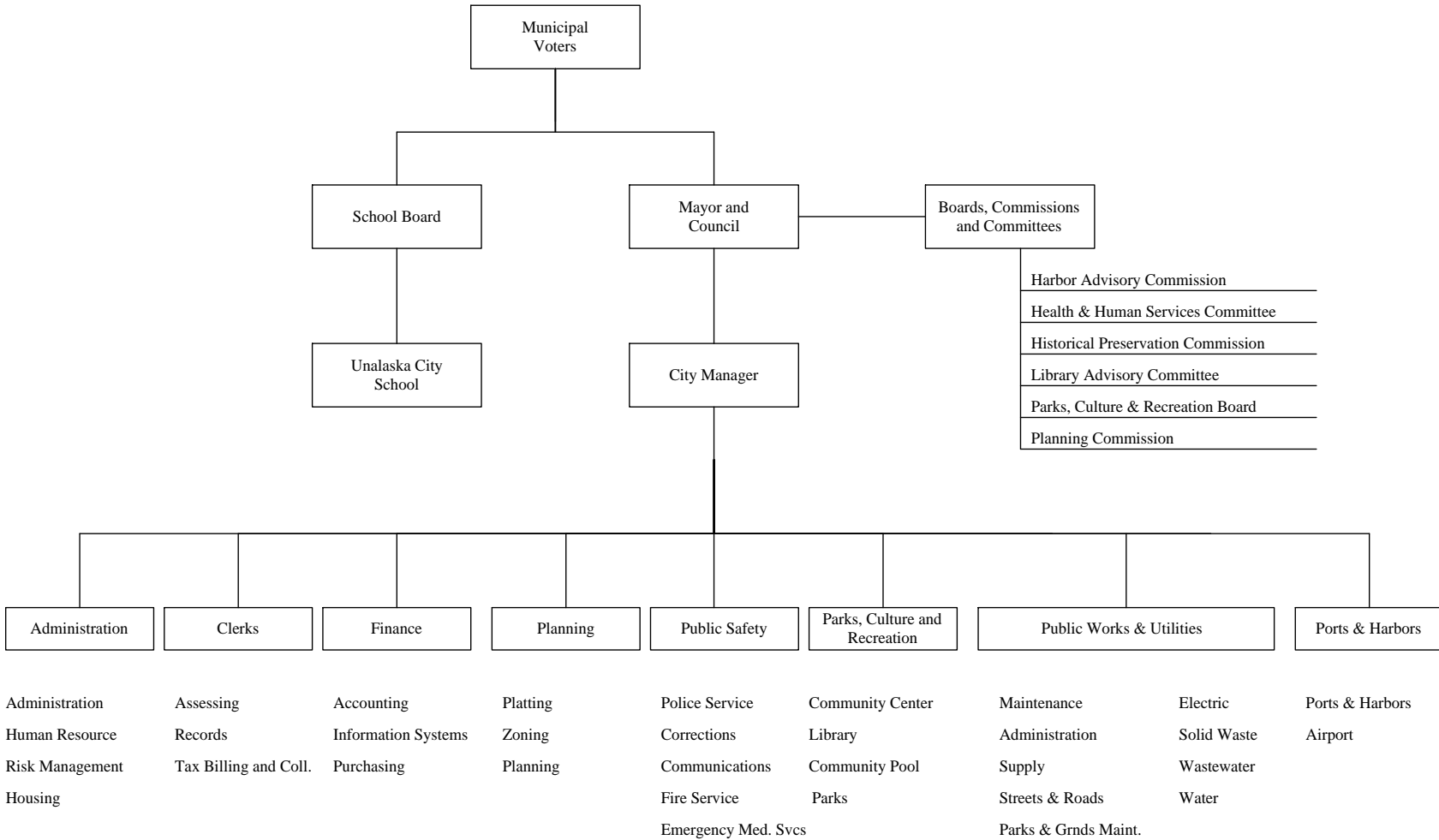
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Unalaska Organizational Chart



PRINCIPAL EXECUTIVE OFFICERS

July 1, 2010

Unalaska City Council

Mayor	Shirley Marquardt
Council Member	Katherine McGlashan
Council Member	Zac Schasteen
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	Elizabeth Masoni
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	KPMG

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

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FINANCIAL SECTION



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

Independent Auditors' Report

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska (the City), as of and for the year ended June 30, 2010, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditor.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska, as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and 1% sales special revenue fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 U.S. generally accepted accounting principles. 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 the City's basic financial statements. The accompanying supplementary information, including the introductory section, supplemental information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2010 supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 14, 2010

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2010

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, 2010. 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 – iv 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 \$281,119,525 (net assets).
- The government's total net assets increased by \$3,319,173 or 1.2%.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$55,862,557, which is a decrease of \$20,742,480 over the prior year. Most of this total amount, \$48,363,181, 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 \$35,014,275, or 165.2% of total General Fund expenditures. Over 98% of this amount is designated, as disclosed in note 2.
- The City of Unalaska increased general obligation bonded debt \$5,255,000. These bonds were issued for improvements to the Carl E. Moses Boat Harbor and to refund debt in the amount of \$255,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Unalaska's basic financial statements. The City of Unalaska's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, 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, 2010

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 53 and 54.

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.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2010

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.

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 – 52 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 \$281,119,525 at the close of the most recent fiscal year.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis

June 30, 2010

Over half of the City of Unalaska's net assets 59% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Unalaska uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Unalaska's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

City of Unalaska Net Assets

	Governmental activities		Business-type activities		Total*	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 120,128,962	124,886,679	14,253,601	62,298,228	134,382,563	187,184,907
Capital assets	<u>86,320,665</u>	<u>83,134,990</u>	<u>113,226,198</u>	<u>92,744,240</u>	<u>199,546,863</u>	<u>175,879,230</u>
Total assets	\$ 206,449,627	208,021,669	127,479,799	155,042,468	333,929,426	363,064,137
Long-term liabilities	\$ 8,717,308	9,552,132	35,431,053	25,697,592	44,148,361	35,249,724
Other liabilities	<u>1,659,833</u>	<u>39,801,557</u>	<u>7,001,708</u>	<u>10,212,504</u>	<u>8,661,541</u>	<u>50,014,061</u>
Total liabilities	\$ 10,377,141	49,353,689	42,432,761	35,910,096	52,809,902	85,263,785
Net assets:						
Invested in capital assets, net of related debt	\$ 78,951,461	74,518,069	86,669,746	67,807,415	165,621,207	142,325,484
Unrestricted	<u>60,896,218</u>	<u>84,149,911</u>	<u>54,602,100</u>	<u>51,324,957</u>	<u>115,498,318</u>	<u>135,474,868</u>
Total net assets	\$ 139,847,679	158,667,980	141,271,846	119,132,372	281,119,525	277,800,352

* To facilitate ease of presentation, the total columns do not include the elimination of \$77,547,410 of internal balances.

The balance of *unrestricted net assets*, after eliminations, \$115,498,318, 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 \$3,319,175 during the current fiscal year. Revenues overall were down 18.1%. The largest area of decrease was in investment earnings (\$3 million), which is mainly due to decreases in sales taxes of approximately \$1.5 million while fisheries taxes decreased by approximately \$2 million.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis

June 30, 2010

Total expenses were \$4.1 million more than last year. Most functions of the governmental funds had an increase in expenditures while community support and education had a slight decrease. Expenses increased in all of the enterprise funds except Wastewater, which had a substantial decrease, and Housing, which had a modest decrease.

Table 2

City of Unalaska's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 297,657	316,977	19,434,037	20,373,711	19,731,694	20,690,688
Operating grants and contributions	1,703,407	1,274,773	212,860	—	1,916,267	1,274,773
Capital grants and contributions	62,971	—	1,161,802	2,581,907	1,224,773	2,581,907
General revenues:						
Property taxes	4,296,539	4,256,924	—	—	4,296,539	4,256,924
General sales tax	8,862,591	10,360,937	—	—	8,862,591	10,360,937
Raw seafood tax	3,594,173	4,043,825	—	—	3,594,173	4,043,825
Fisheries tax	7,093,581	9,078,598	—	—	7,093,581	9,078,598
Investment earnings	2,650,449	5,618,305	57,320	102,550	2,707,769	5,720,855
Other	2,008,225	2,378,984	(39,468)	28,698	1,968,757	2,407,682
Total revenues	30,569,593	37,329,323	20,826,551	23,086,866	51,396,144	60,416,189
Expenses:						
General government	3,981,480	4,024,735	—	—	3,981,480	4,024,735
Public safety	4,577,165	4,515,210	—	—	4,577,165	4,515,210
Public works	6,346,786	6,128,313	—	—	6,346,786	6,128,313
Parks, culture, and recreation	3,073,366	2,954,722	—	—	3,073,366	2,954,722
Community support	842,656	852,547	—	—	842,656	852,547
Education	4,437,869	4,473,093	—	—	4,437,869	4,473,093
Interest on long-term debt	349,303	274,964	—	—	349,303	274,964
Electric	—	—	13,954,311	10,367,703	13,954,311	10,367,703
Water	—	—	2,072,265	1,987,095	2,072,265	1,987,095
Wastewater	—	—	1,559,838	1,532,355	1,559,838	1,532,355
Solid waste	—	—	1,814,029	1,721,687	1,814,029	1,721,687
Ports and harbors	—	—	3,947,416	4,062,778	3,947,416	4,062,778
Airport	—	—	893,740	784,164	893,740	784,164
Housing	—	—	226,747	233,128	226,747	233,128
Total expenses	23,608,625	23,223,584	24,468,346	20,688,910	48,076,971	43,912,494
Increase (decrease) in net assets before transfers	6,960,968	14,105,739	(3,641,795)	2,397,956	3,319,173	16,503,695
Transfers						
Extraordinary item	(25,781,269)	(7,492,684)	25,781,269	7,492,684	—	—
	—	2,018,725	—	1,134,938	—	3,153,663
Net transfers and extraordinary item	(25,781,269)	(5,473,959)	25,781,269	8,627,622	—	3,153,663
Increase (decrease) in net assets	(18,820,301)	8,631,780	22,139,474	11,025,578	3,319,173	19,657,358
Net assets, beginning of year	158,667,980	150,036,200	119,132,372	108,106,794	277,800,352	258,142,994
Net assets, end of year	\$ 139,847,679	158,667,980	141,271,846	119,132,372	281,119,525	277,800,352

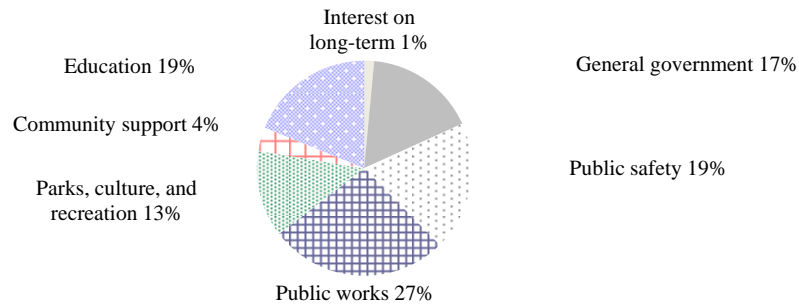
CITY OF UNALASKA, ALASKA
 Management's Discussion and Analysis
 June 30, 2010

Governmental Activities

Governmental activities decreased the City of Unalaska's net assets by \$18.8 million, which is due mainly to transfers out to proprietary funds for the construction of the Carl E. Moses Small Boat Harbor. Last year, governmental activities increased net assets by \$8.6 million. In addition to substantial transfers, the City of Unalaska experienced the economic downturn in FY10 as revenues were down \$6.7 million in governmental funds alone as shown in table 2 above.

In total, revenues for governmental activities decreased 13.6%, which is due to decreased revenue in general sales tax, raw seafood tax, shared fisheries, taxes, and investment earnings.

Governmental Activities Functional Expenses for Fiscal Year 2010



Business-Type Activities

Business-type activities increased the City of Unalaska's net assets by \$22,139,476 (see table 2), again this large amount is due to transfers from governmental funds for construction of the Carl E. Moses Small Boat Harbor. Last year business-type activities accounted for an increase of \$11,025,578. Key elements of the increase are in transfers, which are discussed in detail in the notes to the financial statements (pages. 40-41).

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 \$55,862,557, which is a decrease of \$20,742,480 over the prior year. Approximately 86.5% of

CITY OF UNALASKA, ALASKA

Management's Discussion and Analysis

June 30, 2010

this total amount, \$48,363,181, 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, \$4,314,110, has already been committed to liquidate contracts and purchase orders of prior periods; and the rest, \$3,185,266, 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 \$35,014,275, while total fund balance reached \$38,595,545. 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 165.2% of total General Fund expenditures, while total fund balance represents 182% of that same amount.

The fund balance of the City of Unalaska's General Fund decreased by \$13,152,923 during this fiscal year. The key factor in this decrease is the large transfers to other funds, which was mentioned earlier. Final budgeted revenue was slightly 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 decreased by \$13,195,694. This fund is for capital projects only, and had been allowed to build a balance for projects in the future. This year significant transfers out to other funds occurred to fund paving projects and construction of the Carl E. Moses Small Boat Harbor.

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 \$54,602,100. The business-type net assets increased \$22,139,476 – again most of which is due to transfers from governmental funds for the construction of the Carl E. Moses Small Boat Harbor.

General Fund Budgetary Highlights

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

- \$1.5 million increase in fisheries business tax revenue due to economic fluxes as well as the affects of changes in fishing quotas.
- \$152,000 increase in fisheries landing tax due to a large payment from the State of Alaska, which was for several previous years' taxes.
- \$639,095 increase in general government expenditures which is due to the Utility Rebate program and the purchase of contracted services for a 10-year visioning document and a comprehensive plan.
- \$98,908 increase in public safety expenditures, which is due grants received from LEPC and Homeland Security (revenues were increased as well).
- \$128,500 increase in public works due largely to a grant for sediment separators.
- \$19,922,899 increase in transfers out due mainly to the large transfer out for the boat harbor project.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2010

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, 2010, amounts to \$199,546,863 (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 \$23.7 million.

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

- Financial system software was upgraded and expanded for \$42,550.
- Geothermal energy continues to be researched as a potential alternate energy source. This year \$9,328 was spent on preliminary research.
- In FY10, \$2,106,770 was spent on the Road to the Carl E. Moses Small Boat Harbor.
- In FY10, public safety spent \$146,971 on the purchase and installation of an Interoperable Radio System.
- Work continues on the replacement/upgrade for the Fuel Island and Storage tank with \$32,720 being spent in FY10.
- The City started the Community Center Expansion in FY10 with \$973,298 being spent in FY10.
- The City initiated the development of a citywide strategic plan in FY09 to guide the development of Geographic Information System (GIS). In FY10, this initiative continued and \$110,042 was spent from the general fund, \$57,655 was spent from the electric fund, \$58,229 was spent from the water fund, and \$57,655 was spent from the wastewater fund.
- New safety surface equipment was installed at Town Park and Sitka Spruce Park for \$171,152.
- Drainage improvements were done to the Iluluaq Lake and Delta Way for a total of \$58,939 in FY10.
- A compactor was purchased for the Department of Public Works for \$130,194.
- A scissor lift was purchased for the Department of Public Works for \$74,918.
- Engineering services have been contracted to complete a strategic report for a paving master plan and road design. In FY10, \$71,855 was spent.
- Improvements/upgrades to the Jr./Sr. High School continued this year with \$2,419,536 being spent in FY10.
- Transformer replacements continued in FY10 with a total of \$108,560.
- Electric distribution maintenance was performed in FY10 for \$124,400.
- Development of a new power plant continued this year. Construction costs for FY10 were \$18,426,547.
- Primary Line Relocates were completed in the Electric Department for \$93,855 in FY10.
- A forklift was purchased for the Electric Department for \$32,569.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2010

- The Electric Department performed work for upgrades for APL's electrical equipment for \$93,855.
- Lear road water tank maintenance phase II continued this year with the bulk of the work being completed in FY10 at \$48,581.
- A water transmission distribution and flushing project was started in FY08. The project continued in FY10 with a cost of \$617,024.
- A water evaluation compliance study began in FY08 in preparations for a new water treatment plant. The preliminary work continued in FY10 with \$35,613 being spent.
- In FY10, there were Well House #1 Upgrades for \$192,859 and Pump Control House Upgrades for \$89,401.
- The Water Department also spent \$14,228 on the Booster Pump on General's Hill.
- The Wastewater Treatment Plant Improvements analysis continued this year with a total of \$47,440 being spent in FY10.
- Costs for the Improvements to Lift Station #7 and 8 for FY10 are \$115,885.
- The Baler Bagging System at the landfill was upgraded for \$181,684.
- Landfill development plan phase II Summer Bay Road Re-alignment project was started in FY08. The engineering and design phase have continued in FY10 with a cost of \$13,937.
- The Dock Anode Replacement project began in FY10 for a total of \$665,989.
- In FY09, the Ports Dept. started a project to install a metal gangway and 20-foot. wooden float dock at the Iliuliuk creek boat launch. The floating dock was installed and completed this year with FY10 expenses of \$36,439.
- The new Carl E. Moses small boat harbor at Little South America continued construction with a total of \$78,633 spent on Outer Harbor Construction and \$5,587,986 spent on Inner Harbor Construction in FY10.

Table 3

City of Unalaska Capital Assets

(Net of Accumulated Depreciation)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 29,289,604	29,290,235	3,309,476	3,309,476	32,599,080	32,599,711
Buildings	31,381,032	32,712,698	10,150,466	10,768,316	41,531,498	43,481,014
Infrastructure	8,803,668	10,154,595	41,497,762	46,939,118	50,301,430	57,093,713
Machinery and equipment	1,944,782	2,371,199	652,927	811,782	2,597,709	3,182,981
Construction in progress	14,901,579	8,606,263	57,615,567	30,915,548	72,517,146	39,521,811
Total capital assets	<u>\$ 86,320,665</u>	<u>83,134,990</u>	<u>113,226,198</u>	<u>92,744,240</u>	<u>199,546,863</u>	<u>175,879,230</u>

Additional information on the City of Unalaska's capital assets can be found in note 3(c) on pages 37 – 39 of this report.

CITY OF UNALASKA, ALASKA
 Management's Discussion and Analysis
 June 30, 2010

Long-Term Debt

At the end of the current fiscal year, the City of Unalaska had total debt outstanding of \$38,148,848 (see table 4). Of this amount, \$12,796,644 comprises debt backed by the full faith and credit of the government.

Table 4

City of Unalaska Debt						
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 7,796,644	8,557,595	5,000,000	—	12,796,644	8,557,595
Revenue bonds	—	—	25,000,000	25,000,000	25,000,000	25,000,000
Other contracts and loans	—	—	352,204	395,662	352,204	395,662
Total capital assets	\$ 7,796,644	8,557,595	30,352,204	25,395,662	38,148,848	33,953,257

The City of Unalaska's total debt increased by \$4,195,591 (12.4%) during the current fiscal year. Additional debt was acquired in business-type activities for construction of the Carl E. Moses Small Boat Harbor to the Unalaska City School (100% reimbursed by the State of Alaska).

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(f) on pages 43 – 47 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 7.3% for calendar year 2009, which is an increase from a rate of 5.6% in calendar year 2008. 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% for fiscal years 2011 and 2012 and an increase of 6% for FY2013 beginning July 1, 2012. The goal in approving the increases was to improve self-sufficiency of the operation and reduce taxpayer subsidies. Each enterprise fund is kept on a three-year rate study program when possible.

A landfill rate study was completed by Bristol Environmental and Engineering Services in June 2008. Landfill rates were adjusted by 11.52% for FY10 and FY11.

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 July 1, 2011, and will review the tariff again next year.

CITY OF UNALASKA, ALASKA
Management's Discussion and Analysis
June 30, 2010

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.

CITY OF UNALASKA, ALASKA

Statement of Net Assets

June 30, 2010

	Primary government				Component unit
	Governmental activities	Business-type activities	Eliminations	Total	Unalaska City School District
Assets:					
Cash and cash equivalents	\$ 1,436,976	150	—	1,437,126	1,740,262
Temporary investments	17,392,935	—	—	17,392,935	—
Receivables:					
Interest	502,497	17,521	—	520,018	—
Taxes	1,878,609	—	—	1,878,609	—
Accounts, net of allowance for uncollectible amounts of \$40,000	158,333	1,840,226	—	1,998,559	89,192
Special assessments	5,103	103,764	—	108,867	—
State of Alaska	6,481,972	125,365	—	6,607,337	—
Internal balances	19,319,070	58,228,340	(77,547,410)	—	—
Inventories	436,410	834,014	—	1,270,424	25,441
Prepaid items	144,158	—	—	144,158	147,616
Deferred charges	—	349,697	—	349,697	—
Restricted assets:					
Cash for health insurance	—	—	—	—	314,294
Cash held by fiscal agent	—	1,931,900	—	1,931,900	—
Temporary investments	427,440	9,050,965	—	9,478,405	—
Long-term investments	91,264,529	—	—	91,264,529	—
Capital assets:					
Not being depreciated	44,191,183	61,130,190	—	105,321,373	—
Depreciated, net	42,129,482	52,096,008	—	94,225,490	180,969
Total	225,768,697	185,708,140	(77,547,410)	333,929,427	2,497,774
Liabilities and net assets:					
Liabilities:					
Accounts payable	966,241	3,731,517	—	4,697,758	115,617
Retainage payable	65,689	2,294,949	—	2,360,638	—
Accrued payroll and payroll liabilities	510,621	294,495	—	805,116	764,531
Accrued interest payable	117,047	440,525	—	557,572	—
Deposit payable	235	237,922	—	238,157	9,300
Deferred revenue	—	2,300	—	2,300	4,551
Internal balances	75,543,877	140,000	(75,683,877)	—	—
Due to:					
Student groups	—	—	—	—	72,246
Noncurrent liabilities:					
Internal balances	—	1,863,533	(1,863,533)	—	—
Long-term debt due within one year	1,697,565	762,293	—	2,459,858	7,763
Long-term debt due in more than one year	7,019,743	34,668,760	—	41,688,503	—
Total liabilities	85,921,018	44,436,294	(77,547,410)	52,809,902	974,008
Net assets:					
Invested in capital assets, net of related debt	78,951,461	86,669,746	—	165,621,207	173,206
Unrestricted	60,896,218	54,602,100	—	115,498,318	1,350,560
Net assets	139,847,679	141,271,846	—	281,119,525	1,523,766

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2010

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component Unit Unalaska City School District
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary government Business-type activities	Total	
Primary government:								
Governmental activities:								
Current:								
General government	\$ 3,981,480	64,883	27,097	62,971	(3,826,529)	—	(3,826,529)	—
Public safety	4,577,165	28,876	850,642	—	(3,697,647)	—	(3,697,647)	—
Public works	6,346,786	—	—	—	(6,346,786)	—	(6,346,786)	—
Parks, culture, and recreation	3,073,366	203,898	22,143	—	(2,847,325)	—	(2,847,325)	—
Community support	842,656	—	—	—	(842,656)	—	(842,656)	—
Education	4,437,869	—	—	—	(4,437,869)	—	(4,437,869)	—
Interest on long-term debt	349,303	—	803,525	—	454,222	—	454,222	—
Total governmental activities	<u>23,608,625</u>	<u>297,657</u>	<u>1,703,407</u>	<u>62,971</u>	<u>(21,544,590)</u>	<u>—</u>	<u>(21,544,590)</u>	<u>—</u>
Business type activities:								
Electric	13,954,311	10,488,583	67,154	—	—	(3,398,574)	(3,398,574)	—
Water	2,072,265	1,869,872	30,039	—	—	(172,354)	(172,354)	—
Ports and harbors	3,947,416	3,986,286	55,154	1,147,865	—	1,241,889	1,241,889	—
Solid waste	1,814,029	1,111,157	25,438	13,937	—	(663,497)	(663,497)	—
Wastewater	1,559,838	1,333,712	27,087	—	—	(199,039)	(199,039)	—
Airport	893,740	487,655	4,661	—	—	(401,424)	(401,424)	—
Housing	226,747	156,772	3,327	—	—	(66,648)	(66,648)	—
Total business type activities	<u>24,468,346</u>	<u>19,434,037</u>	<u>212,860</u>	<u>1,161,802</u>	<u>—</u>	<u>(3,659,647)</u>	<u>(3,659,647)</u>	<u>—</u>
Total primary government	<u>\$ 48,076,971</u>	<u>19,731,694</u>	<u>1,916,267</u>	<u>1,224,773</u>	<u>(21,544,590)</u>	<u>(3,659,647)</u>	<u>(25,204,237)</u>	<u>—</u>
Component unit:								
Unalaska City School District	<u>\$ 9,010,620</u>	<u>363,715</u>	<u>2,317,975</u>	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,316,930)</u>
General revenues:								
Property taxes					\$ 3,014,463	—	3,014,463	—
Personal property taxes					1,282,076	—	1,282,076	—
General sales tax					8,862,591	—	8,862,591	—
Raw seafood sales tax					3,594,173	—	3,594,173	—
Other taxes					56,225	—	56,225	—
Fisheries tax					7,093,581	—	7,093,581	—
Payment in lieu of taxes					1,086,803	—	1,086,803	—
Grants not restricted specific programs					631,697	—	631,697	3,402,278
Loss on disposal of capital assets					(5,859)	(39,468)	(45,327)	—
Investment earnings					2,650,449	57,320	2,707,769	6,044
Support from City of Unalaska					—	—	—	2,841,750
Other					239,359	—	239,359	106,252
Transfers					(25,781,269)	25,781,269	—	—
Total general revenues and transfers					<u>2,724,289</u>	<u>25,799,121</u>	<u>28,523,410</u>	<u>6,356,324</u>
Change in net assets					(18,820,301)	22,139,474	3,319,173	39,394
Net assets, beginning of year					<u>158,667,980</u>	<u>119,132,372</u>	<u>277,800,352</u>	<u>1,484,372</u>
Net assets, end of year					<u>\$ 139,847,679</u>	<u>141,271,846</u>	<u>281,119,525</u>	<u>1,523,766</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Governmental Funds

Balance Sheet

June 30, 2010

Assets	General Fund	1% Sales Tax Special Revenue Fund	Major Equipment Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,436,976	—	—	—	1,436,976
Temporary investments	17,392,935	—	—	—	17,392,935
Receivables, net:					
General	149,016	—	—	9,317	158,333
Interest	502,497	—	—	—	502,497
Taxes	1,382,295	483,973	—	12,341	1,878,609
Special assessments	5,103	—	—	—	5,103
State of Alaska	6,481,972	—	—	—	6,481,972
Due from other funds	—	2,662,176	14,252,530	400,831	17,315,537
Inventories	436,410	—	—	—	436,410
Prepaid items	144,158	—	—	—	144,158
Restricted assets:					
Temporary investments	427,440	—	—	—	427,440
Advances to other funds	2,003,533	—	—	—	2,003,533
Long-term investments	91,264,529	—	—	—	91,264,529
Total assets	\$ 121,626,864	3,146,149	14,252,530	422,489	139,448,032
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 483,859	—	466,332	16,050	966,241
Retainage payable	3,085	—	62,604	—	65,689
Accrued payroll liabilities	509,623	—	998	—	510,621
Customer deposits	235	—	—	—	235
Due to other funds	75,543,877	—	—	—	75,543,877
Unearned revenues	6,490,640	8,172	—	—	6,498,812
Total liabilities	83,031,319	8,172	529,934	16,050	83,585,475
Fund balances:					
Reserved:					
Encumbrances	396,004	—	3,432,781	485,325	4,314,110
Inventories	307,733	—	—	—	307,733
Advances to other funds	2,877,533	—	—	—	2,877,533
Unreserved, designated for, reported in:					
General Fund:					
Working capital and compensated absences	14,000,000	—	—	—	14,000,000
Capital protects	20,500,000	—	—	—	20,500,000
Unreserved, reported in:					
General Fund	514,275	—	—	—	514,275
Special Revenue Funds	—	3,137,977	—	110,868	3,248,845
Capital protects	—	—	10,289,815	(189,754)	10,100,061
Total fund balances	38,595,545	3,137,977	13,722,596	406,439	55,862,557
Total liabilities and fund balances	\$ 121,626,864	3,146,149	14,252,530	422,489	139,448,032

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

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

June 30, 2010

Amounts reported as fund balances on the governmental funds balance sheet	\$ 55,862,557
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	86,320,665
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:	
Shared fisheries business tax	2,880,000
Shared fisheries resource landing tax	3,230,000
Real property	65,927
Sales taxes	24,516
Special assessments	5,644
School debt reimbursement due from the State	292,725
	<hr/>
	6,498,812
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	(117,047)
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	(7,796,644)
Premium on general obligation bonds	(52,734)
Compensated absences	(867,930)
	<hr/>
	(8,717,308)
Net assets of governmental activities	\$ <u><u>139,847,679</u></u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2010

	<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>
Revenues:					
Taxes:					
General sales	\$ 5,808,605	2,904,306	—	149,680	8,862,591
Seafood sales	3,594,173	—	—	—	3,594,173
Real property	2,967,262	—	—	—	2,967,262
Personal property	1,282,076	—	—	—	1,282,076
Other	56,225	—	—	—	56,225
Intergovernmental:					
Fisheries business tax	4,547,084	—	—	—	4,547,084
Fisheries resource landing tax	4,676,603	—	—	—	4,676,603
Payments in lieu of taxes	1,086,803	—	—	—	1,086,803
Corrections contract	481,355	—	—	—	481,355
Debt reimbursement	803,525	—	—	—	803,525
Other	1,146,955	—	—	—	1,146,955
Charges for services	297,658	—	—	—	297,658
Investment income	2,650,449	—	—	—	2,650,449
Other	205,598	—	—	—	205,598
Total revenues	<u>29,604,371</u>	<u>2,904,306</u>	<u>—</u>	<u>149,680</u>	<u>32,658,357</u>
Expenditures:					
Current:					
General government	4,013,119	—	—	—	4,013,119
Public safety	4,307,627	—	—	—	4,307,627
Public works	5,202,844	—	—	—	5,202,844
Parks, culture, and recreation	2,138,623	—	—	—	2,138,623
Community support	687,972	—	—	154,684	842,656
Education	3,736,487	—	—	—	3,736,487
Debt service:					
Principal	770,951	—	—	—	770,951
Interest	337,165	—	—	—	337,165
Capital projects	—	—	4,269,777	2,109,182	6,378,959
Total expenditures	<u>21,194,788</u>	<u>—</u>	<u>4,269,777</u>	<u>2,263,866</u>	<u>27,728,431</u>
Excess revenues over expenditures	<u>8,409,583</u>	<u>2,904,306</u>	<u>(4,269,777)</u>	<u>(2,114,186)</u>	<u>4,929,926</u>
Other financing sources (uses):					
Refunding bond issue	255,000	—	—	—	255,000
Payment to refunded bond escrow agent	(248,314)	—	—	—	(248,314)
Proceeds from the sale of capital assets	102,177	—	—	—	102,177
Transfers in	1,207,871	—	11,293,924	704,047	13,205,842
Transfers out	(22,879,240)	(16,100,000)	(7,871)	—	(38,987,111)
Net other financing sources (uses)	<u>(21,562,506)</u>	<u>(16,100,000)</u>	<u>11,286,053</u>	<u>704,047</u>	<u>(25,672,406)</u>
Net change in fund balances	<u>(13,152,923)</u>	<u>(13,195,694)</u>	<u>7,016,276</u>	<u>(1,410,139)</u>	<u>(20,742,480)</u>
Fund balances, beginning of year	51,748,468	16,333,671	6,706,320	1,816,578	76,605,037
Fund balances, end of year	\$ <u>38,595,545</u>	<u>3,137,977</u>	<u>13,722,596</u>	<u>406,439</u>	<u>55,862,557</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, 2010

Net change in fund balance – total governmental funds	\$ (20,742,480)
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	6,462,587
Proceeds from sale of capital assets	(102,177)
Loss on the disposal of capital assets	(5,859)
Depreciation expense	(3,168,875)
	3,185,676
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	(1,320,000)
Shared fisheries resource landing tax	(810,106)
Property taxes	47,201
	(2,082,905)
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 the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Principal repayments	770,951
Amortization of premium and discounts, net	3,277
Proceeds from refunding bond issue	(255,000)
Payment to refunded bond escrow agent	248,314
Change in compensated absences	67,281
	834,823
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	(15,415)
Change in net assets of governmental activities	\$ (18,820,301)

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

General Fund

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

Year ended June 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
General sales	\$ 5,766,667	5,766,667	5,808,605	41,938
Seafood sales	3,700,000	3,700,000	3,594,173	(105,827)
Real property	3,000,000	3,000,000	2,967,262	(32,738)
Personal property	1,350,000	1,350,000	1,282,076	(67,924)
Other	38,000	38,000	56,225	18,225
Intergovernmental:				
Fisheries business tax	3,000,000	4,546,060	4,547,084	1,024
Fisheries resource landing tax	4,500,000	4,652,000	4,676,603	24,603
Payments in lieu of taxes	1,096,791	1,096,791	1,086,803	(9,988)
Corrections contract	481,355	481,355	481,355	—
Debt reimbursement	730,290	730,290	803,525	73,235
Other	420,200	568,070	1,146,955	578,885
Charges for services	283,300	289,046	297,658	8,612
Investment income	2,600,000	2,600,000	2,650,449	50,449
Other revenues	2,017,861	17,804,552	205,598	(17,598,954)
Total revenues	<u>28,984,464</u>	<u>46,622,831</u>	<u>29,604,371</u>	<u>(17,018,460)</u>
Expenditures:				
Current:				
General government	4,144,477	4,783,572	4,013,119	770,453
Public safety	4,297,948	4,396,856	4,307,627	89,229
Public works	5,564,780	5,693,280	5,202,844	490,436
Parks, culture, and recreation	2,384,066	2,384,566	2,138,623	245,943
Community support	707,985	707,985	687,972	20,013
Education	3,762,672	3,762,672	3,736,487	26,185
Debt service:				
Principal	625,996	625,996	770,951	(144,955)
Interest	370,811	370,811	337,165	33,646
Total expenditures	<u>21,858,735</u>	<u>22,725,738</u>	<u>21,194,788</u>	<u>1,530,950</u>
Excess of revenues over expenditures	<u>7,125,729</u>	<u>23,897,093</u>	<u>8,409,583</u>	<u>(15,487,510)</u>
Other financing sources (uses):				
Refunding bond issue	—	—	255,000	255,000
Payment to refunded bond escrow agent	—	—	(248,314)	(248,314)
Proceeds from the sale of assets	—	—	102,177	102,177
Transfers in	—	3,251,535	1,207,871	(2,043,664)
Transfers out	(7,125,729)	(27,048,628)	(22,879,240)	4,169,388
Net other financing uses	<u>(7,125,729)</u>	<u>(23,797,093)</u>	<u>(21,562,506)</u>	<u>2,234,587</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>100,000</u>	<u>(13,152,923)</u>	<u>(13,252,923)</u>
Fund balances, beginning of year			51,748,468	
Fund balances, end of year			<u>\$ 38,595,545</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

1% Sales Tax Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund balances – Budget and Actual

Year ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General sales	\$ 2,883,333	2,883,333	2,904,306	20,973
Other revenue	<u>4,016,667</u>	<u>12,016,667</u>	<u>—</u>	<u>(12,016,667)</u>
Total revenues	<u>6,900,000</u>	<u>14,900,000</u>	<u>2,904,306</u>	<u>(11,995,694)</u>
Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenditures	6,900,000	14,900,000	2,904,306	(11,995,694)
Other financing (uses):				
Transfers out	<u>(6,900,000)</u>	<u>(14,900,000)</u>	<u>(16,100,000)</u>	<u>(1,200,000)</u>
Net change in fund balance	<u>\$ —</u>	<u>—</u>	(13,195,694)	<u>(13,195,694)</u>
Fund balances, beginning of year			<u>16,333,671</u>	
Fund balances, end of year			<u>\$ 3,137,977</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Net Assets

June 30, 2010

Assets	Electric	Water	Ports and Harbors	Solid Waste	Other proprietary funds	Total
Current assets:						
Cash and cash equivalents	\$ —	—	150	—	—	150
Accounts receivables (net of allowance fee uncollectibles)	923,827	145,902	476,993	121,082	172,422	1,840,226
Assessments receivable	—	25,194	—	—	78,570	103,764
Accounts receivable – State of Alaska	118,227	—	7,138	—	—	125,365
Interest receivable	17,521	—	—	—	—	17,521
Due from General Fund	85,972	5,649,640	38,205,362	6,329,670	7,957,696	58,228,340
Inventories	354,131	332,772	—	47,255	99,856	834,014
Deferred charges	289,488	—	60,209	—	—	349,697
Total current assets	1,789,166	6,153,508	38,749,852	6,498,007	8,308,544	61,499,077
Noncurrent assets:						
Restricted assets:						
Cash held by fiscal agent	1,931,900	—	—	—	—	1,931,900
Temporary investments	3,969,560	—	5,081,405	—	—	9,050,965
Capital assets, net	41,419,553	13,435,434	36,547,499	9,034,624	12,789,088	113,226,198
Total noncurrent assets	47,321,013	13,435,434	41,628,904	9,034,624	12,789,088	124,209,063
Total assets	49,110,179	19,588,942	80,378,756	15,532,631	21,097,632	185,708,140
Liabilities						
Current liabilities:						
Accounts payable	1,649,563	71,464	1,936,678	29,556	44,256	3,731,517
Retainage payable	1,664,077	13,497	617,375	—	—	2,294,949
Accrued payroll and payroll liabilities	234,152	104,480	111,641	83,906	127,422	661,601
Accrued interest	436,753	—	—	—	3,772	440,525
Bonds and loans payable	—	—	198,511	—	43,461	241,972
Advances from General Fund	140,000	—	—	—	—	140,000
Deferred revenue	—	1,288	—	—	1,012	2,300
Customer deposits	162,756	26,780	—	4,447	43,939	237,922
Other	—	—	—	153,215	—	153,215
Total current liabilities	4,287,301	217,509	2,864,205	271,124	263,862	7,904,001
Noncurrent liabilities:						
Bonds and loans payable	25,035,660	—	4,911,537	—	308,743	30,255,940
Advances from General Fund	1,820,000	—	—	—	43,533	1,863,533
Accrued landfill closure and post closure costs	—	—	—	4,412,820	—	4,412,820
Total noncurrent liabilities	26,855,660	—	4,911,537	4,412,820	352,276	36,532,293
Total liabilities	31,142,961	217,509	7,775,742	4,683,944	616,138	44,436,294
Net Assets						
Invested in capital assets net of related debt	20,325,353	13,435,434	31,437,451	9,034,624	12,436,884	86,669,746
Unrestricted	(2,358,135)	5,935,999	41,165,563	1,814,063	8,044,610	54,602,100
Total net assets	\$ 17,967,218	19,371,433	72,603,014	10,848,687	20,481,494	141,271,846

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA
Proprietary Funds
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Year ended June 30, 2010

	<u>Electric</u>	<u>Water</u>	<u>Ports and Harbors</u>	<u>Solid Waste</u>	<u>Other proprietary funds</u>	<u>Total</u>
Operating revenues:						
Charges for services	\$ 10,488,583	1,869,872	3,986,286	1,111,157	1,978,139	19,434,037
Other	67,154	30,039	55,154	25,438	35,075	212,860
Total operating revenues	<u>10,555,737</u>	<u>1,899,911</u>	<u>4,041,440</u>	<u>1,136,595</u>	<u>2,013,214</u>	<u>19,646,897</u>
Operating expenses:						
Operations	9,328,664	837,019	1,615,198	1,162,987	1,137,808	14,081,676
General and administrative	761,272	395,614	789,798	194,466	656,851	2,798,001
Payment in lieu of taxes	23,008	34,758	263,692	42,179	98,660	462,297
Landfill closure and post closure care costs	—	—	—	50,837	—	50,837
Depreciation and amortization	311,945	804,129	1,278,728	363,489	780,140	3,538,431
Total operating expenses	<u>10,424,889</u>	<u>2,071,520</u>	<u>3,947,416</u>	<u>1,813,958</u>	<u>2,673,459</u>	<u>20,931,242</u>
Operating income (loss)	<u>130,848</u>	<u>(171,609)</u>	<u>94,024</u>	<u>(677,363)</u>	<u>(660,245)</u>	<u>(1,284,345)</u>
Nonoperating revenues (expenses):						
Investment earnings	56,545	—	775	—	—	57,320
Interest expense	(169,547)	(745)	—	(71)	(6,866)	(177,229)
Environmental remediation costs	(3,359,875)	—	—	—	—	(3,359,875)
Other	—	—	—	—	—	—
Loss on disposition of assets	(20,379)	(19,089)	—	—	—	(39,468)
Net nonoperating revenues (expenses)	<u>(3,493,256)</u>	<u>(19,834)</u>	<u>775</u>	<u>(71)</u>	<u>(6,866)</u>	<u>(3,519,252)</u>
Income (loss) before capital contributions and transfers	<u>(3,362,408)</u>	<u>(191,443)</u>	<u>94,799</u>	<u>(677,434)</u>	<u>(667,111)</u>	<u>(4,803,597)</u>
Capital contributions	—	—	1,147,865	13,937	—	1,161,802
Transfers in	—	72,810	25,951,642	208,440	1,448,377	27,681,269
Transfers out	—	—	—	—	(1,900,000)	(1,900,000)
Change in net assets	<u>(3,362,408)</u>	<u>(118,633)</u>	<u>27,194,306</u>	<u>(455,057)</u>	<u>(1,118,734)</u>	<u>22,139,474</u>
Net assets, beginning of year	<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>
Net assets, end of year	<u>\$ 17,967,218</u>	<u>19,371,433</u>	<u>72,603,014</u>	<u>10,848,687</u>	<u>20,481,494</u>	<u>141,271,846</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2010

	<u>Electric utility</u>	<u>Water utility</u>	<u>Ports and harbors</u>	<u>Solid waste</u>	<u>Other enterprise funds</u>	<u>Total enterprise funds</u>
Cash flows from operating activities:						
Receipts from customers and users	\$ 10,570,004	1,917,784	3,827,193	1,133,064	2,017,201	19,465,246
Payments to employees	(7,204,630)	(778,904)	949,730	(542,488)	(739,529)	(8,315,821)
Payments to vendors	(2,192,942)	(862,746)	(1,175,303)	(864,774)	(1,153,776)	(6,249,541)
Net cash provided (used) by operating activities	<u>1,172,432</u>	<u>276,134</u>	<u>3,601,620</u>	<u>(274,198)</u>	<u>123,896</u>	<u>4,899,884</u>
Cash flows from noncapital and related financing activities:						
Transfers in	<u>140,000</u>	<u>53,721</u>	<u>25,951,646</u>	<u>222,377</u>	<u>(451,622)</u>	<u>25,916,122</u>
Cash flows from capital and related financing activities:						
Proceeds from issuance of debt	—	—	5,110,048	—	—	5,110,048
Interest payments on long-term obligations	(169,547)	(745)	—	(71)	—	(170,363)
Repayment of capital projects advances from General Fund	(104,340)	—	—	—	(43,461)	(147,801)
Acquisition and construction of capital assets	(20,514,124)	(1,104,176)	(5,368,997)	(195,620)	(226,674)	(27,409,591)
Proceeds from sale of capital assets	4	65,485	—	—	—	65,489
Capital contributions	439,293	—	1,583,413	—	—	2,022,706
Net cash provided (used) by capital and related financing activities	<u>(20,348,714)</u>	<u>(1,039,436)</u>	<u>1,324,464</u>	<u>(195,691)</u>	<u>(270,135)</u>	<u>(20,529,512)</u>
Cash flows from investing activities:						
Purchase of investments	13,778,846	—	(5,081,405)	—	—	8,697,441
Acquisition of restricted assets	1,931,900	—	—	—	—	1,931,900
Interest and dividends received	436,753	—	775	—	—	437,528
Net cash provided (used) by investing activities	<u>16,147,499</u>	<u>—</u>	<u>(5,080,630)</u>	<u>—</u>	<u>—</u>	<u>11,066,869</u>
Change in cash and due from General Fund	<u>(2,888,783)</u>	<u>(709,581)</u>	<u>25,797,100</u>	<u>(247,512)</u>	<u>(597,861)</u>	<u>21,353,363</u>
Cash and due from other funds, beginning of year	<u>2,974,755</u>	<u>6,359,221</u>	<u>12,408,262</u>	<u>6,577,182</u>	<u>8,555,557</u>	<u>36,874,977</u>
Cash and due from other funds, end of year	\$ <u><u>85,972</u></u>	\$ <u><u>5,649,640</u></u>	\$ <u><u>38,205,362</u></u>	\$ <u><u>6,329,670</u></u>	\$ <u><u>7,957,696</u></u>	\$ <u><u>58,228,340</u></u>
Reconciliation to balance sheet:						
Cash	\$ —	\$ —	150	—	—	150
Due from other funds	85,972	5,649,640	38,205,362	6,329,670	7,957,696	58,228,340
Cash and due from General Fund, June 30, 2010	\$ <u><u>85,972</u></u>	\$ <u><u>5,649,640</u></u>	\$ <u><u>38,205,512</u></u>	\$ <u><u>6,329,670</u></u>	\$ <u><u>7,957,696</u></u>	\$ <u><u>58,228,490</u></u>

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2010

	<u>Electric utility</u>	<u>Water utility</u>	<u>Ports and harbors</u>	<u>Solid waste</u>	<u>Other enterprise funds</u>	<u>Total enterprise funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 130,848	(171,609)	94,024	(677,363)	(660,245)	(1,284,345)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	311,945	804,129	1,278,728	363,489	780,140	3,538,431
Amortization of landfill	—	—	—	50,833	—	50,833
Changes in assets and liabilities that provided (used) cash:						
Accounts receivable	(131,731)	5,932	(216,245)	(3,553)	(8,998)	(354,595)
Assessments receivable	—	10,026	—	—	10,547	20,573
Accounts receivable – State of Alaska	(82,211)	—	—	—	—	(82,211)
Inventories	(23,856)	(11,506)	—	(976)	(2,247)	(38,585)
Prepaid expenses	—	—	2,000	—	—	2,000
Refundable deposits	—	—	2,000	—	7,030	9,030
Interest receivable	80,986	—	—	—	—	80,986
Deferred charges and other assets	88,479	—	(60,209)	—	—	28,270
Accounts payable	(251,854)	(353,928)	1,891,255	(1,743)	(19,711)	1,264,019
Retainage payable	1,201,664	(25,746)	615,888	—	—	1,791,806
Accrued payroll and payroll liabilities	(154,037)	16,920	(5,821)	(4,907)	22,274	(125,571)
Customer deposits	2,199	1,020	—	22	1,734	4,975
Deferred revenue	—	896	—	—	704	1,600
Accrued interest	—	—	—	—	(7,332)	(7,332)
Net cash provided (used) by operating activities	\$ <u>1,172,432</u>	<u>276,134</u>	<u>3,601,620</u>	<u>(274,198)</u>	<u>123,896</u>	<u>4,899,884</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

Discretely Presented Component Unit – Unalaska City School District

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

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

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been eliminated from the total columns in the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(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 *Major Equipment Capital Project Fund* accounts for major equipment capital projects within the governmental funds.

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

June 30, 2010

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 (GASB). 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

June 30, 2010

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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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.

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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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.

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. 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 2010 and in prior years, the General Fund has liquidated the liability for compensated absences.

6. 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

June 30, 2010

7. 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.

8. 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.

(e) *Recently Issued Accounting Pronouncements*

In fiscal year 2010, the City adopted the following new accounting pronouncements issued by the GASB:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Implementation of this Statement had no material effect on amounts reported in the City's government-wide financial statements for the year ended June 30, 2010.
- GASB Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferrals on the statement of net assets, changes in fair value of derivative instruments are to be reported in the investment section of the statement of activities. Implementation of this Statement had no material effect on amounts reported in the City's government-wide financial statements for the year ended June 30, 2010.

In February 2009, GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes new categories for reporting fund balance information that is identifying amounts that is considered nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. This Statement also revises the definitions for governmental fund types to clarity and consistency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

(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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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, AK 99685-0610 or on the web at: www.unalaska-ak.us.

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

School District

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

(b) Fund Equity

Designations of Fund Balances

The fund balance at June 30, 2010 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"	\$ 13,000,000
Street Paving	6,000,000
Compensated Absences	1,000,000
Waste Heat Recovery	300,000
Water Treatment Plant	3,600,000
Wastewater Treatment Plant	6,100,000
Summer Bay Rd Re-alignment	1,500,000
Leachate Flow Leveling	3,000,000
General fund total	\$ <u>34,500,000</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(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, 2010, the City's carrying amount of bank deposits was \$1,195,576 and the bank balance was \$1,402,351. The \$206,775 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, 2010, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

Interest Rate Risk

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

Credit Risk

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, 2010, the City has the following investments and maturities.

	Fair value	Investment maturities (in years)			
		Less than 1	1 – 2	2 – 3	3 – 5
AML investment pool	\$ 22,901,781	22,901,781	—	—	—
Wells Fargo money market	976,904	976,904	—	—	—
U S. government obligations	64,845,562	12,694,531	23,926,393	17,593,621	10,631,017
Corporate bonds	24,156,971	6,063,890	9,969,826	5,793,800	2,329,455
Mortgage/asset backed securities	4,238,301	32,100	2,303,101	1,903,100	—
Private debt obligations	1,016,350	—	—	1,016,350	—
	<u>\$ 118,135,869</u>	<u>42,669,206</u>	<u>36,199,320</u>	<u>26,306,871</u>	<u>12,960,472</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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

Cash and cash equivalents:	
Petty cash	\$ 1,550
Demand deposits	1,195,576
Time certificates of deposits	<u>240,000</u>
Total cash	<u>\$ 1,437,126</u>
Investments:	
Temporary investments	\$ 26,871,340
Long-term investments	<u>91,264,529</u>
	<u>\$ 118,135,869</u>

The Alaska Municipal League Investment Pool, Inc. (AMLIP), represents the City's share of ownership in the pool rather than ownership of specific securities. AMLIP is considered to be an external investment pool as defined by GAAP. 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, 2010, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(b) Receivables

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

	Governmental activities			Business-type activities				
	General fund	1% sales tax special revenue fund	Nonmajor governmental funds	Electric utility	Water utility	Ports and harbors	Solid waste	Nonmajor business type
Receivables:								
Interest	\$ 502,497	—	—	17,521	—	—	—	—
Taxes	1,382,295	483,973	12,341	—	—	—	—	—
Accounts	149,016	—	9,317	933,827	155,902	486,993	122,082	181,422
Special assessments	5,103	—	—	—	25,194	—	—	78,570
State of Alaska	6,481,972	—	—	118,227	—	7,138	—	—
Other	—	—	—	—	—	—	—	—
Gross receivables	8,520,883	483,973	21,658	1,069,575	181,096	494,131	122,082	259,992
Less allowance for uncollectibles	—	—	—	(10,000)	(10,000)	(10,000)	(1,000)	(9,000)
Net receivables	\$ 8,520,883	483,973	21,658	1,059,575	171,096	484,131	121,082	250,992

The only receivables not expected to be collected within one year are a total of approximately \$109,000 of special assessments reported in the General, Water, and Wastewater funds.

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

Shared fisheries business tax	\$ 2,880,000
Shared fisheries resource landing tax	3,230,000
Property taxes	34,013
Sales taxes	56,430
Special assessments	5,644
School debt reimbursement due from the State	292,725
	<u>6,498,812</u>
	<u>\$ 6,498,812</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(c) **Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 29,290,235	—	(632)	29,289,603
Construction in progress	<u>8,606,263</u>	<u>6,378,952</u>	<u>(83,635)</u>	<u>14,901,580</u>
Total	<u>37,896,498</u>	<u>6,378,952</u>	<u>(84,267)</u>	<u>44,191,183</u>
Capital assets, being depreciated:				
Buildings	52,606,948	—	(20,790)	52,586,158
Infrastructure	22,971,745	83,635	(86,835)	22,968,545
Machinery and equipment	<u>7,824,570</u>	<u>—</u>	<u>(507,460)</u>	<u>7,317,110</u>
Total	<u>83,403,263</u>	<u>83,635</u>	<u>(615,085)</u>	<u>82,871,813</u>
Less accumulated depreciation for:				
Buildings	(19,894,250)	(1,331,667)	20,790	(21,205,127)
Infrastructure	(12,817,150)	(1,413,576)	65,849	(14,164,877)
Machinery and equipment	<u>(5,453,371)</u>	<u>(423,633)</u>	<u>504,677</u>	<u>(5,372,327)</u>
Total	<u>(38,164,771)</u>	<u>(3,168,876)</u>	<u>591,316</u>	<u>(40,742,331)</u>
Total capital assets, being depreciated, net	<u>45,238,492</u>	<u>(3,085,241)</u>	<u>(23,769)</u>	<u>42,129,482</u>
Governmental-type activities, net	\$ <u><u>83,134,990</u></u>	<u><u>3,293,711</u></u>	<u><u>(108,036)</u></u>	<u><u>86,320,665</u></u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	—	—	3,309,476
Construction in progress	<u>30,915,548</u>	<u>27,149,817</u>	<u>(244,651)</u>	<u>57,820,714</u>
Total	<u>34,225,024</u>	<u>27,149,817</u>	<u>(244,651)</u>	<u>61,130,190</u>
Capital assets, being depreciated:				
Buildings	19,935,442	—	(13,104)	19,922,338
Infrastructure	85,826,278	244,651	(4,110,654)	81,960,275
Machinery and equipment	<u>4,717,485</u>	<u>—</u>	<u>(12,338)</u>	<u>4,705,147</u>
Total	<u>110,479,205</u>	<u>244,651</u>	<u>(4,136,096)</u>	<u>106,587,760</u>
Less accumulated depreciation for:				
Buildings	(9,167,124)	(616,541)	11,793	(9,771,872)
Infrastructure	(38,887,160)	(2,763,037)	982,537	(40,667,660)
Machinery and equipment	<u>(3,905,705)</u>	<u>(158,853)</u>	<u>12,338</u>	<u>(4,052,220)</u>
Total	<u>(51,959,989)</u>	<u>(3,538,431)</u>	<u>1,006,668</u>	<u>(54,491,752)</u>
Total capital assets, being depreciated, net	<u>58,519,216</u>	<u>(3,293,780)</u>	<u>(3,129,428)</u>	<u>52,096,008</u>
Business-type activities, net	<u>\$ 92,744,240</u>	<u>23,856,037</u>	<u>(3,374,079)</u>	<u>113,226,198</u>

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

General government	\$ 119,269
Public safety	269,538
Public works	1,143,943
Parks, culture, and recreation	934,743
Education	<u>701,383</u>
Total – governmental activities	<u>\$ 3,168,876</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

Business-type activities:		
Electric	\$	311,945
Water		804,129
Ports and harbors		1,278,728
Solid waste		363,489
Wastewater		458,423
Airport		253,780
Housing		<u>67,937</u>
Total – business-type activities	\$	<u><u>3,538,431</u></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, 2010 were as follows:

<u>Receivable</u>	<u>Payable</u> <u>General Fund</u>
1% Sales Tax Special Revenue Fund	\$ 2,662,176
Capital equipment and small projects	14,252,530
Nonmajor governmental funds	400,831
Electric	85,972
Water	5,649,640
Ports and harbors	38,205,362
Solid waste	6,329,670
Nonmajor enterprise funds	<u>7,957,696</u>
	\$ <u><u>75,543,877</u></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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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, 2010, were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General fund	\$ —	2,003,533
Enterprise funds:		
Electric utility:		
Current portion	140,000	—
Long-term portion	1,820,000	—
Housing – long term	43,533	—
	<u>\$ 2,003,533</u>	<u>2,003,533</u>

On April 27, 2004, the City Council approved a long-term advance from the General Fund to the Electric Utility Fund in the amount of \$2,800,000 to be paid back in twenty annual installments, interest free. Payments are due on May 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 that are not expected to be repaid within one year.

A summary of transfers between funds of the City for the year ended June 30, 2010 follows:

<u>Transfers in</u>	<u>Transfers out</u>			
	<u>General Fund</u>	<u>1% Sales tax</u>	<u>Major Equip. cap proj fund</u>	<u>Nonmajor Ent. Funds</u>
General Fund	—	1,200,000	7,871	—
Major Equipment Capital Project Fund	\$ 4,393,924	6,900,000	—	—
Nonmajor governmental funds	704,047	—	—	—
Major enterprise fund:				
Solid waste	208,440	—	—	—
Water utility	72,810	—	—	—
Ports and harbors	16,051,642	8,000,000	—	1,900,000
Nonmajor enterprise funds	1,448,377	—	—	—
	<u>\$ 22,879,240</u>	<u>16,100,000</u>	<u>7,871</u>	<u>1,900,000</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$4,393,924 to the Major Equipment Capital Projects Fund for capital additions.
- The General Fund transferred \$704,047 to the Road to LSA Special Revenue Fund for capital additions.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

- The General Fund transferred \$208,440 to the Solid Waste Fund for capital additions.
- The General Fund transferred \$16,051,642 to the Ports and Harbors Fund for capital additions.
- The General Fund transferred \$1,400,000 to the Housing Fund for capital additions.
- The 1% Sales Tax Special Revenue Fund transferred \$1,200,000 to the General fund to replenish funds transferred from the General Fund to the Ports and Harbors Fund for capital additions.
- The 1% Sales Tax Special Revenue Fund transferred \$6,900,000 to the Major Equipment and Capital Projects Fund for capital additions.
- The 1% Sales Tax Special Revenue Fund transferred \$8,000,000 to the Ports and Harbor Fund for capital additions.
- The Housing Fund transferred \$1,900,000 to the Ports and Harbors Fund for capital additions.

(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 5 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 \$6,000 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 sublease 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 5 years. Next evaluation is 2010.

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 10 years, one-half payable on

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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.

On July 1, 2010, the City and Matthew and Joni Scott entered into a 1-year apartment lease. Monthly payments are \$1,300 due the first day of each month. The lease will end June 30, 2011.

Rent expense for the year ended June 30, 2010 was \$160,812.

The future commitment for operating lease payments follows:

2011	\$	122,293
2012		61,148
2013		61,148
2014		61,148
2015		59,948
2016 – 2020		299,737
2021 – 2025		285,677
2026 – 2030		210,035
2031 – 2035		12,808
2036		10,248
	\$	<u>1,184,190</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(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.	\$ 291,644
2005 school bonds issued March 22, 2005 for \$3,295,000, interest rates of 2.5% to 4.25% due in semiannual installments of \$30,000 to \$405,000 to 2020, payable to the Alaska Municipal Bond Bank Authority	3,150,000
2009 school bonds issued March 1, 2009 for \$4,470,000, interest rates of 1.32% to 4.75% due in semiannual installments of \$370,000 to 535,000 to 2019, payable to the Alaska Municipal Bond Bank Authority	4,100,000
2010 school bonds issued March 1, 2010 for \$255,000 interest rate of 2% due in one installment of \$255,000 in 2011, to the Alaska Municipal Bond Bank (refunding of 2000 issue)	<u>255,000</u>
Total	<u>\$ 7,796,644</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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

	<u>Principal balance</u>
Business-type activities:	
2009 Revenue bonds issued in 2009 for \$25,000,000, interest rates of 3.00% to 5.75%, due in semiannual installments of \$625,000 to \$1,825,000, to 2034, payable to the Alaska Municipal Bond Bank Authority	\$ 25,000,000
2010 Taxable General Obligation Bonds issued in 2010 for \$2,270,000, interest rates of 2% to 5% due in semiannual installments of \$180,000 to \$440,000 to 2021, payable to the Alaska Municipal Bond Bank Authority	2,270,000
2010 General Obligation Bonds issued in 2010 for \$2,730,000, interest rates of 5.993% to 6.341% due in semiannual installments of \$255,000 to \$355,000, to 2030 payable to the Alaska Municipal Bond Bank Authority	2,730,000
Wastewater – loan:	
1997 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years	311,583
1997 1.50% Alaska Clean Water Act loan payable in annual installments over 20 years	<u>40,621</u>
Total	<u>\$ 30,352,204</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
General Obligation Bonds \$	8,557,595	255,000	(1,015,951)	7,796,644	823,043
Premium on Bonds	59,326	—	(6,592)	52,734	6,592
Compensated absences	<u>935,211</u>	<u>1,376,328</u>	<u>(1,443,609)</u>	<u>867,930</u>	<u>867,930</u>
Governmental activity long-term liabilities	<u>\$ 9,552,132</u>	<u>1,631,328</u>	<u>(2,466,152)</u>	<u>8,717,308</u>	<u>1,697,565</u>
Business-type activities-					
Bonds payable:					
Revenue bonds \$	25,000,000	—	—	25,000,000	—
Go Bonds – tax exempt	—	2,270,000	—	2,270,000	185,000
BAM taxable	—	2,730,000	—	2,730,000	—
Premium on Bonds	38,442	110,048	(2,782)	145,708	13,511
Other contracts and loans:					
Loans	395,665	—	(43,461)	352,204	43,461
Accrued landfill closure and postclosure care costs	4,515,198	50,837	—	4,566,035	153,215
Compensated absences	<u>301,927</u>	<u>523,944</u>	<u>(458,765)</u>	<u>367,106</u>	<u>367,106</u>
Business-type activity-long-term liabilities	<u>\$ 30,251,232</u>	<u>5,684,829</u>	<u>(505,008)</u>	<u>35,431,053</u>	<u>762,293</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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

	Governmental activities		
	Principal	Interest	Total
Year ending June 30,			
2011	\$ 823,043	327,566	1,150,609
2012	833,601	298,545	1,132,146
2013	720,000	263,175	983,175
2014	755,000	233,313	988,313
2015	780,000	203,113	983,113
2016 – 2020	3,885,000	477,013	4,362,013
	\$ <u>7,796,644</u>	<u>1,802,725</u>	<u>9,599,369</u>

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

	Electric		
	Principal	Interest	Total
Year ending June 30:			
2011	\$ —	1,306,650	1,306,650
2012	625,000	1,297,275	1,922,275
2013	640,000	1,275,100	1,915,100
2014	665,000	1,249,000	1,914,000
2015	695,000	1,221,800	1,916,800
2016 – 2020	3,985,000	5,560,625	9,545,625
2021 – 2025	5,085,000	4,427,231	9,512,231
2026 – 2030	6,580,000	2,884,163	9,464,163
2031 – 2035	6,725,000	800,256	7,525,256
	\$ <u>25,000,000</u>	<u>20,022,100</u>	<u>45,022,100</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

	Ports and Harbors		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2011	\$ 185,000	77,879	262,879
2012	180,000	76,550	256,550
2013	185,000	72,950	257,950
2014	190,000	67,400	257,400
2015	195,000	61,700	256,700
2016 – 2020	1,090,000	195,450	1,285,450
2021 – 2025	1,340,000	763,754	2,103,754
2026 – 2030	1,635,000	319,586	1,954,586
	<u>\$ 5,000,000</u>	<u>1,635,269</u>	<u>6,635,269</u>

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

	Other proprietary funds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2011	\$ 43,461	5,283	48,744
2012	43,461	4,632	48,093
2013	43,461	3,979	47,440
2014	43,461	3,327	46,788
2015	43,461	2,676	46,137
2016 – 2020	134,896	4,182	139,078
	<u>\$ 352,201</u>	<u>24,079</u>	<u>376,280</u>

(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 that reinsurers risk above certain levels, thereby relieving the members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2010.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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 2010, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2010. As of June 30, 2010, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$4,566,035, based on the use of 46% of the estimated capacity of the landfill. It is estimated that the City will recognize additional \$5,473,165 of expense and liability between July 2010, 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 2010. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

As of June 30, 2010, 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 is 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.

(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.

(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 \$3,554,297 and the Enterprise Funds had \$32,994,723 in outstanding construction commitments. These contracts will be completed in subsequent periods.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(e) **Retirement Commitments**

Alaska Public Employee Retirement System (PERS)

The City has adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees* and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB Statement No. 27 and GASB Statement No. 45 establish uniform standards for the measurement, recognition and display of pension, and other postemployment 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 postemployment 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 a cost-sharing multiple-employer defined benefit pension and postemployment healthcare plans administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). There are currently 160 employers participating in PERS, including the State of Alaska and 159 political subdivisions and public organizations. PERS provides retirement benefits including disability and death benefits and postemployment 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, AK 99811.

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

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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

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

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.

Postretirement Pension Adjustments. Postretirement 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% (2.00% pension cost and 4.75% postemployment healthcare 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% postemployment healthcare cost). The legislature capped the employer rate at 22.00%, 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.

Annual Pension Cost. For 2010, the City annual pension cost of \$2,728,403 for PERS was equal to the City's actual contributions. The State of Alaska contributed \$516,459 on behalf of the City.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

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 8.00% of gross eligible compensation. State statutes require the employer to contribute 5.00% of employees' eligible compensation. Additionally, employers are required to contribute 0.83% for the retiree medical plan, 0.30% for occupational and death and disability benefits and 3.00% of employers average annual employee compensation of the health reimbursement arrangement (HRA). The employer effective contribution rate is between 19.57% and 22.00% with difference being allocated the defined benefit unfunded liability (DBUL). Plan members are 100.00% 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, 2010 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution	\$ 126,793	202,868
Retiree medical plan	21,048	—
Occupational health and disability benefits	13,075	—
Health reimbursement agreement (HRA)	76,908	—

Actual contributions were equal to the annual required contributions.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2010

(5) Subsequent Event

In September 2010, the City issued \$5,380,000 of revenue bonds to finance capital improvements. These bonds consisted of current interest term bonds maturing in installments as follows:

Maturity dates June 30	Principal amounts	Interest rate
2011 – 2015	\$ 1,040,000	2.0% – 4.0%
2016 – 2020	1,240,000	3.5 – 4.0
2021 – 2025	1,440,000	4.925
2026 – 2030	1,660,000	5.432
	<u>\$ 5,380,000</u>	

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2010

Assets	Bed Tax Special Revenue Fund	Capital projects				Total nonmajor governmental funds
		Community Park Development	Pathways Development	Street Paving	Road to LSA	
Taxes receivable (net of allowance for uncollectibles)	\$ 12,341	—	—	—	—	12,341
General receivable	9,317	—	—	—	—	9,317
Due from other funds	89,210	53,760	775	392,351	(135,265)	400,831
Total assets	\$ 110,868	53,760	775	392,351	(135,265)	422,489
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ —	—	—	—	16,050	16,050
Total liabilities	—	—	—	—	16,050	16,050
Fund balances:						
Reserved:						
Encumbrances	—	—	—	—	485,325	485,325
Unreserved, reported in:						
Special Revenue Fund	110,868	—	—	—	—	110,868
Capital projects	—	53,760	775	392,351	(636,640)	(189,754)
Total fund balances	110,868	53,760	775	392,351	(151,315)	406,439
Total liabilities and fund balances	\$ 110,868	53,760	775	392,351	(135,265)	422,489

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2010

	Bed Tax Special Revenue Fund	Capital projects				Total nonmajor governmental funds
		Community Park Development	Pathways Development	Street Paving	Road to LSA	
Operating revenues:						
Taxes	\$ 149,680	—	—	—	—	149,680
Intergovernmental	—	—	—	—	—	—
Total revenues	<u>149,680</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>149,680</u>
Expenditures:						
Current:						
Community support	154,684	—	—	—	—	154,684
Capital projects	—	—	—	2,401	2,106,781	2,109,182
Total expenditures	<u>154,684</u>	<u>—</u>	<u>—</u>	<u>2,401</u>	<u>2,106,781</u>	<u>2,263,866</u>
Excess (deficiency) revenues over expenditures	<u>(5,004)</u>	<u>—</u>	<u>—</u>	<u>(2,401)</u>	<u>(2,106,781)</u>	<u>(2,114,186)</u>
Other financing sources (uses):						
Transfers in	—	—	—	—	704,047	704,047
Transfers out	—	—	—	—	—	—
Net other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>704,047</u>	<u>704,047</u>
Net change in fund balances	<u>(5,004)</u>	<u>—</u>	<u>—</u>	<u>(2,401)</u>	<u>(1,402,734)</u>	<u>(1,410,139)</u>
Fund balances, beginning of year	115,872	53,760	775	394,752	1,251,419	1,816,578
Fund balances, end of year	<u>\$ 110,868</u>	<u>53,760</u>	<u>775</u>	<u>392,351</u>	<u>(151,315)</u>	<u>406,439</u>

See accompanying notes to combined financial statements.

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, 2010

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Other	\$ 164,000	149,680	(14,320)
Expenditures:			
Current – community support:			
Unalaska Convention and Visitors Bureau	<u>164,000</u>	<u>154,684</u>	<u>(9,316)</u>
Excess (deficiency) of revenues over expenditures	—	(5,004)	(5,004)
Other financing sources (uses):			
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	\$ <u>—</u>	<u>(5,004)</u>	<u>(5,004)</u>
Fund balances at beginning of year		<u>115,872</u>	
Fund balances at end of year		\$ <u><u>110,868</u></u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2010

Assets	Wastewater utility	Airport	Housing	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets:				
Accounts receivables (net of allowance for uncollectibles)	\$ 127,590	44,832	—	172,422
Assessments receivable	78,570	—	—	78,570
Due from General Fund	3,534,039	1,542,937	2,880,720	7,957,696
Inventories	99,856	—	—	99,856
Prepaid expenses	—	—	—	—
Total current assets	<u>3,840,055</u>	<u>1,587,769</u>	<u>2,880,720</u>	<u>8,308,544</u>
Noncurrent assets:				
Capital assets, net	<u>7,701,448</u>	<u>4,271,714</u>	<u>815,926</u>	<u>12,789,088</u>
Total noncurrent assets	<u>7,701,448</u>	<u>4,271,714</u>	<u>815,926</u>	<u>12,789,088</u>
Total assets	<u>\$ 11,541,503</u>	<u>5,859,483</u>	<u>3,696,646</u>	<u>21,097,632</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 27,031	14,799	2,426	44,256
Accrued payroll and payroll liabilities	107,974	9,458	9,990	127,422
Accrued interest	3,772	—	—	3,772
Bonds and loans payable	43,461	—	—	43,461
Deferred revenue	1,012	—	—	1,012
Customer deposits	23,368	10,000	10,571	43,939
Total current liabilities	<u>206,618</u>	<u>34,257</u>	<u>22,987</u>	<u>263,862</u>
Noncurrent liabilities:				
Bonds and loans payable	308,743	—	—	308,743
Advances from General Fund	—	—	43,533	43,533
Total noncurrent liabilities	<u>308,743</u>	<u>—</u>	<u>43,533</u>	<u>352,276</u>
Total liabilities	<u>515,361</u>	<u>34,257</u>	<u>66,520</u>	<u>616,138</u>
Net Assets				
Invested in capital assets, net of related debt	7,349,244	4,271,714	815,926	12,436,884
Unrestricted	3,676,898	1,553,512	2,814,200	8,044,610
Total net assets	<u>11,026,142</u>	<u>5,825,226</u>	<u>3,630,126</u>	<u>20,481,494</u>
Total liabilities and net assets	<u>\$ 11,541,503</u>	<u>5,859,483</u>	<u>3,696,646</u>	<u>21,097,632</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Nonmajor Enterprise Funds

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

Year ended June 30, 2010

	<u>Wastewater utility</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,333,712	487,655	156,772	1,978,139
Other	27,087	4,661	3,327	35,075
Total operating revenues	<u>1,360,799</u>	<u>492,316</u>	<u>160,099</u>	<u>2,013,214</u>
Operating expenses:				
Operations	787,393	271,836	78,579	1,137,808
General and administrative	267,574	329,152	60,125	656,851
Payment in lieu of taxes	39,582	38,972	20,106	98,660
Depreciation and amortization	458,423	253,780	67,937	780,140
Total operating expenses	<u>1,552,972</u>	<u>893,740</u>	<u>226,747</u>	<u>2,673,459</u>
Operating loss	<u>(192,173)</u>	<u>(401,424)</u>	<u>(66,648)</u>	<u>(660,245)</u>
Nonoperating revenues (expenses):				
Interest expense	<u>(6,866)</u>	—	—	<u>(6,866)</u>
Net nonoperating revenues (expenses)	<u>(6,866)</u>	—	—	<u>(6,866)</u>
Loss before capital contributions and transfers	<u>(199,039)</u>	<u>(401,424)</u>	<u>(66,648)</u>	<u>(667,111)</u>
Transfers in	48,377	—	1,400,000	1,448,377
Transfers out	<u>—</u>	<u>—</u>	<u>(1,900,000)</u>	<u>(1,900,000)</u>
Loss before extraordinary item	<u>(150,662)</u>	<u>(401,424)</u>	<u>(566,648)</u>	<u>(1,118,734)</u>
Extraordinary item	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets	<u>(150,662)</u>	<u>(401,424)</u>	<u>(566,648)</u>	<u>(1,118,734)</u>
Net assets, beginning of year	<u>11,176,803</u>	<u>6,226,649</u>	<u>4,196,776</u>	<u>21,600,228</u>
Net assets, end of year	<u>\$ 11,026,141</u>	<u>5,825,225</u>	<u>3,630,128</u>	<u>20,481,494</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2010

	<u>Wastewater utility</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,391,915	466,916	158,370	2,017,201
Payments to employees	(213,822)	(494,812)	(30,895)	(739,529)
Payments to vendors	(888,041)	(141,451)	(124,284)	(1,153,776)
Net cash provided (used) by operating activities	<u>290,052</u>	<u>(169,347)</u>	<u>3,191</u>	<u>123,896</u>
Cash flows from noncapital and related financing activities:				
Transfers in	48,378	—	(500,000)	(451,622)
Cash flows from capital and related financing activities:				
Principal payments on long-term debt obligations	(43,461)	—	—	(43,461)
Acquisition and construction of capital assets	(223,716)	—	(2,958)	(226,674)
Net cash used by capital and related financing activities	<u>(267,177)</u>	<u>—</u>	<u>(2,958)</u>	<u>(270,135)</u>
Change in cash and due from General Fund	71,253	(169,347)	(499,767)	(597,861)
Cash and due from other funds, beginning of year	3,462,786	1,712,284	3,380,487	8,555,557
Cash and due from other funds, end of year	\$ <u>3,534,039</u>	<u>1,542,937</u>	<u>2,880,720</u>	<u>7,957,696</u>
Reconciliation to balance sheet:				
Due from General Fund	\$ 3,534,039	1,542,937	2,880,720	7,957,696
Reconciliation of change in net assets to net cash provided (used) by operating activities:				
Operating loss	\$ (192,173)	(401,424)	(66,648)	(660,245)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation and amortization	458,423	253,780	67,937	780,140
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	16,402	(25,400)	—	(8,998)
Assessments receivable	10,547	—	—	10,547
Inventory	(2,247)	—	—	(2,247)
Refundable deposits	—	7,030	—	7,030
Customer deposits	3,463	—	(1,729)	1,734
Accounts payable	(13,178)	(5,932)	(601)	(19,711)
Accrued payroll and payroll liabilities	15,443	2,599	4,232	22,274
Accrued interest payable	(7,332)	—	—	(7,332)
Deferred revenue	704	—	—	704
Net cash provided by operating activities	\$ <u>290,052</u>	<u>(169,347)</u>	<u>3,191</u>	<u>123,896</u>

See accompanying notes to financial statements.

STATISTICAL SECTION

CITY OF UNALASKA, ALASKA

State Schedule of Findings and Questioned Costs

June 30, 2010

Statistical Section

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

Table of Contents

	Page(s)
Financial Trends	59 – 66
<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	67 – 71
<i>These schedules contain information to help the reader assess the government's most significant sources of revenue.</i>	
Debt Capacity	72 – 76
<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	77 – 79
<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	80 – 81
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

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Table 1

CITY OF UNALASKA, ALASKA

Net Assets by Component

Last Eight Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	Fiscal year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 77,253	77,291	78,163	80,110	80,437	77,882	74,518	78,951
Restricted	293	293	—	—	—	—	—	—
Unrestricted	47,190	51,873	54,473	58,720	66,810	72,154	84,150	60,934
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>	<u>139,885</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	86,670
Restricted	261	264	—	—	—	—	—	—
Unrestricted	14,275	18,199	21,804	18,384	20,840	28,144	51,281	54,602
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>	<u>141,272</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	165,621
Restricted	554	557	—	—	—	—	—	—
Unrestricted	61,465	70,072	76,277	77,104	87,650	100,298	135,431	115,536
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>	<u>281,157</u>

The accrual basis of accounting was not maintained before 2003.

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Assets

Last Eight Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental activities:								
General government	\$ 3,338	3,406	3,942	3,668	3,718	4,023	4,025	3,944
Public safety	3,702	3,704	4,166	4,129	4,228	4,660	4,515	4,577
Public works	4,892	4,371	5,903	5,508	5,608	6,332	6,128	6,347
Parks, culture, and recreation	2,234	3,186	2,260	2,327	2,466	3,232	2,955	3,073
Community support	841	770	771	841	776	797	853	843
Education support	3,244	3,484	3,667	3,975	4,102	4,234	4,473	4,438
Interest on long-term debt	342	410	218	261	168	281	275	349
Total governmental activities expenses	18,593	19,331	20,927	20,709	21,066	23,559	23,224	23,571
Business-type activities								
Electric	5,346	6,108	7,322	10,257	10,014	12,851	10,368	13,954
Water	1,820	1,883	1,814	1,862	1,950	2,199	1,987	2,072
Wastewater	1,289	1,306	1,380	1,438	1,494	1,622	1,532	3,947
Solid waste	2,893	3,234	1,680	3,029	2,061	2,014	1,722	1,814
Ports and harbors	630	523	3,289	3,426	3,360	3,915	4,063	1,560
Airport	1,595	1,642	689	636	568	652	784	894
Housing	222	247	231	227	266	304	233	227
Total business-type activities expenses	13,795	14,943	16,405	20,875	19,713	23,557	20,689	24,468
Total primary government expenses	\$ 32,388	34,274	37,332	41,584	40,779	47,116	43,913	48,039
Program revenues:								
Governmental activities:								
Charges for services:								
General government	\$ —	20	77	18	—	10	13	65
Public safety	50	66	88	236	305	77	85	29
Public works	99	57	—	—	—	—	—	—
Culture and recreation	200	213	206	117	—	194	219	204
Operating grants and contributions	1,114	973	928	1,077	926	923	1,275	1,703
Capital grants and contributions	—	—	134	189	—	5	—	63
Total primary government activities program revenues	1,463	1,329	1,433	1,637	1,231	1,209	1,592	2,064

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Assets

Last Eight Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:								
Changes for services:								
Electric	\$ 5,465	6,131	7,760	10,196	10,911	12,867	11,611	10,488
Water	1,989	2,111	2,224	2,177	2,233	2,013	1,937	1,870
Wastewater	793	800	880	922	908	1,199	1,365	3,986
Solid waste	725	740	862	1,002	955	1,115	1,165	1,111
Ports and harbors	3,858	4,114	4,210	4,421	4,425	4,938	3,681	1,334
Airport	405	390	316	308	333	399	425	488
Housing	232	232	243	244	236	201	190	157
Capital grants and contributions	1,511	1,605	419	66	1,189	4,748	2,582	1,162
Operating grants and contributions	—	—	—	—	—	—	—	213
Total business-type activities program revenues	14,978	16,123	16,914	19,336	21,190	27,480	22,956	20,809
Total primary government program revenues	\$ 16,307	17,556	18,551	20,567	22,399	29,072	25,020	20,809
Net (expense) revenue:								
Governmental activities	\$ (17,130)	(18,002)	(19,494)	(19,072)	(19,835)	(22,350)	(21,632)	21,507
Business-type activities	1,183	1,180	509	(1,539)	1,477	3,923	2,267	3,660
Total primary government net expense	\$ (15,947)	(16,822)	(18,985)	(20,611)	(18,358)	(18,427)	(19,365)	25,167
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	4,296
General sales tax	5,952	6,436	7,724	9,034	9,292	11,041	10,361	8,863
Raw seafood sales tax	3,667	4,190	3,874	4,188	4,077	4,690	4,044	3,594
Other taxes	588	462	271	229	204	239	266	56
Fisheries tax	—	—	—	—	9,384	8,971	9,079	7,094
Grants not restricted to specific programs	6,448	8,077	8,240	7,487	—	—	—	632
Gain (loss) on disposal of capital assets	364	212	190	(14)	105	179	80	(6)
Investment earnings	2,779	370	1,554	1,839	4,166	5,266	5,618	2,650
Other	186	103	552	951	1,639	1,584	2,033	1,326
Transfers	(3,651)	(1,370)	(3,708)	(2,734)	(4,790)	(11,120)	(7,493)	(25,781)
Extraordinary item	—	—	—	—	—	—	2,019	—
Total governmental activities	20,285	22,723	22,673	24,951	28,253	25,138	30,264	2,724
Business-type activities:								
Gain (loss) on disposal of capital assets	34	(5)	66	4	—	6	19	(39)
Investment earnings	4	7	3	10	6	—	102	57
Other	(892)	—	76	156	195	13	10	—
Transfers	3,651	1,370	3,708	2,734	4,790	11,120	7,493	25,781
Extraordinary item	—	—	—	—	—	—	1,135	—
Total business-type activities	2,797	1,372	3,853	2,904	4,991	11,139	8,759	25,799
Total primary government	\$ 23,082	24,095	26,526	27,855	33,244	36,277	39,023	28,523
Change in net assets:								
Governmental activities	\$ (11,004)	4,721	3,179	5,879	8,418	2,788	8,632	(18,783)
Business-type activities	3,980	2,552	4,362	1,365	6,468	15,062	11,025	22,139
Total primary government	\$ (7,024)	7,273	7,541	7,244	14,886	17,850	19,657	3,356

Table 3

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

Fiscal Year	Sales tax	Raw seafood tax	Real property taxes	Personal property taxes	Bed tax	Penalty and interest on taxes	Total
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
2010	8,713	3,594	2,967	1,282	150	56	16,762

The accrual basis of accounting was not maintained before 2003.

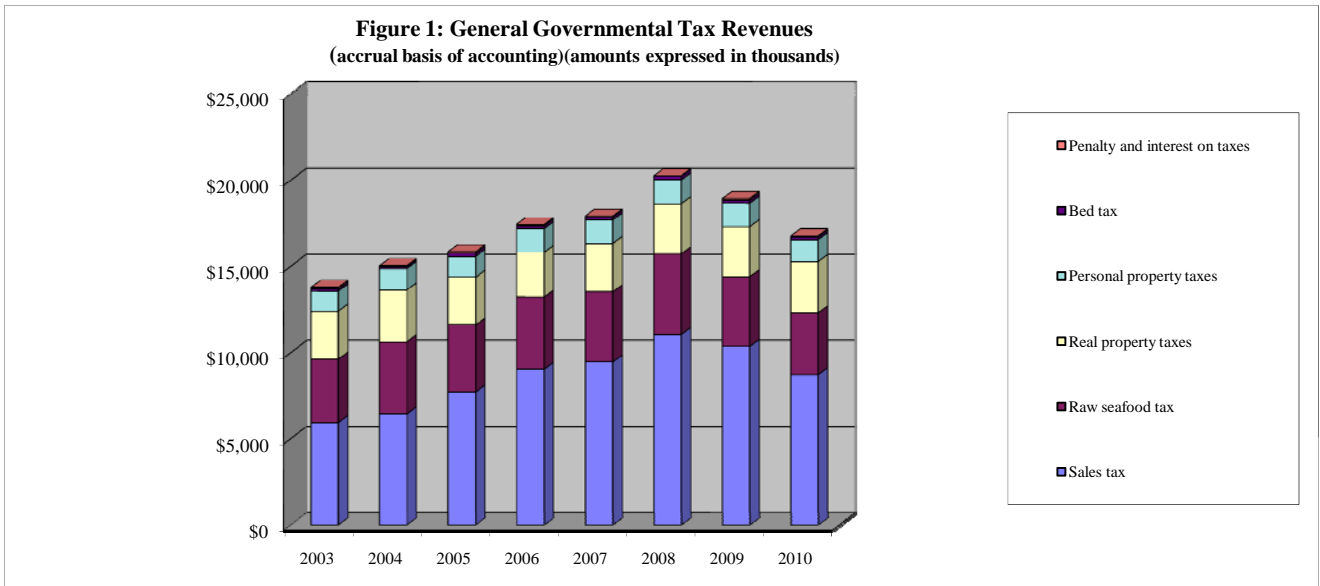


Table 4

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:										
Reserved	\$ 1,517	1,251	1,020	3,807	3,274	3,039	2,972	2,924	2,736	3,581
Unreserved	23,994	28,411	33,171	29,622	33,327	38,363	45,360	44,554	49,012	35,014
Total general fund	<u>\$ 25,511</u>	<u>29,662</u>	<u>34,191</u>	<u>33,429</u>	<u>36,601</u>	<u>41,402</u>	<u>48,332</u>	<u>47,478</u>	<u>51,748</u>	<u>38,595</u>
All other governmental funds:										
Reserved	\$ 3,470	6,346	1,416	978	3,339	1,653	—	—	2,795	3,918
Unreserved, reported in:										
Special revenue funds	3,962	2,477	1,543	2,050	4,236	6,242	9,391	13,111	16,450	3,249
Debt service funds	—	—	562	562	—	—	—	—	—	—
Capital projects funds	—	—	4,609	8,490	3,869	2,900	2,808	5,279	5,612	10,100
Total all other governmental funds	<u>\$ 7,432</u>	<u>8,823</u>	<u>8,130</u>	<u>12,080</u>	<u>11,444</u>	<u>10,795</u>	<u>12,199</u>	<u>18,390</u>	<u>24,857</u>	<u>17,267</u>

Table 5

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Taxes	12,974	13,191	14,083	15,337	15,738	17,421	17,901	20,232	19,514	16,763
Intergovernmental	8,110	8,606	9,041	7,481	9,708	9,637	11,122	10,699	12,307	12,742
Changes for services	164	174	249	355	372	372	304	281	317	298
Investment income	3,295	2,969	2,779	370	1,554	1,839	4,166	5,266	5,618	2,650
Other	212	218	177	103	105	78	82	85	79	206
Total revenues	24,755	25,158	26,329	23,646	27,477	29,347	33,575	36,563	37,835	32,659
Expenditures:										
General government	2,872	3,143	3,195	3,277	3,431	3,483	3,604	3,549	3,937	4,013
Public safety	3,305	3,566	3,455	3,485	3,967	3,770	3,909	3,807	4,228	4,308
Public works	3,259	3,331	3,534	4,050	4,096	4,140	4,510	4,743	5,016	5,203
Parks, culture, and recreation	1,583	1,715	1,782	1,732	1,764	1,799	1,956	2,053	2,101	2,139
Community support	833	948	841	770	766	841	777	797	853	843
Education support	2,257	2,540	2,678	2,790	2,919	3,253	3,379	3,511	3,750	3,736
Debt service:										
Principal	849	359	325	270	285	321	347	363	379	771
Interest	358	355	342	328	225	262	242	224	237	337
Other	—	—	—	—	46	—	—	—	—	—
Capital projects	8,246	3,198	4,355	2,644	4,026	4,593	1,955	1,286	3,753	6,379
Total expenditures	23,562	19,155	20,507	19,346	21,525	22,462	20,679	20,333	24,254	27,729
Excess of revenues over (under) expenditures	1,193	6,003	5,822	4,300	5,952	6,885	12,896	16,230	13,581	4,930
Other financing sources (uses):										
Proceeds from long term debt	—	—	—	—	—	—	227	226	4,648	—
Refunding bonds issued	—	—	—	—	3,319	—	—	—	—	255
Payments to refunded bond escrow agen	—	—	—	—	(3,272)	—	—	—	—	(248)
Transfers in	2,360	6,331	5,210	6,366	1,754	2,052	831	3,753	6,905	13,206
Transfers out	(2,544)	(6,792)	(8,230)	(7,736)	(5,462)	(4,784)	(5,621)	(14,872)	(14,398)	(38,987)
Other	—	—	—	258	245	—	—	—	—	102
Prior period adjustments/accounting ??	—	—	1,034	—	—	—	—	—	—	—
Total other financing sources (uses)	(184)	(461)	(1,986)	(1,112)	(3,416)	(2,732)	(4,563)	(10,893)	(2,845)	(25,672)
Net change in fund balance	\$ 1,009	5,542	3,836	3,188	2,536	4,153	8,333	5,337	10,736	(20,742)
Debt service as a percentage of noncapital expenditures	8.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	5.0%

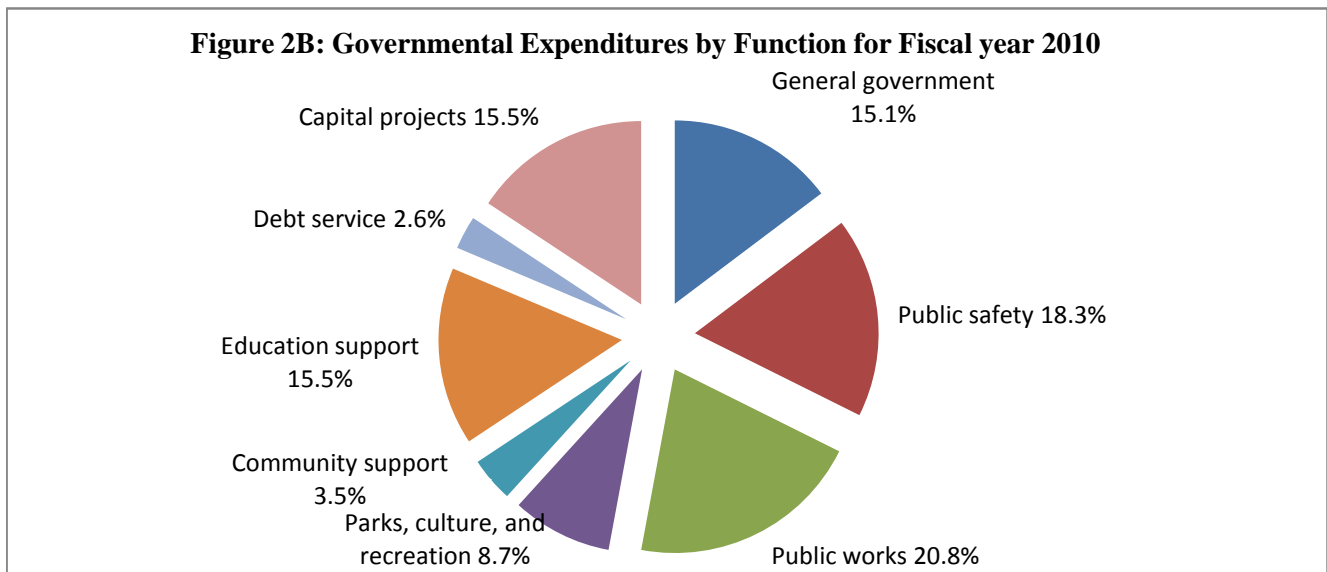
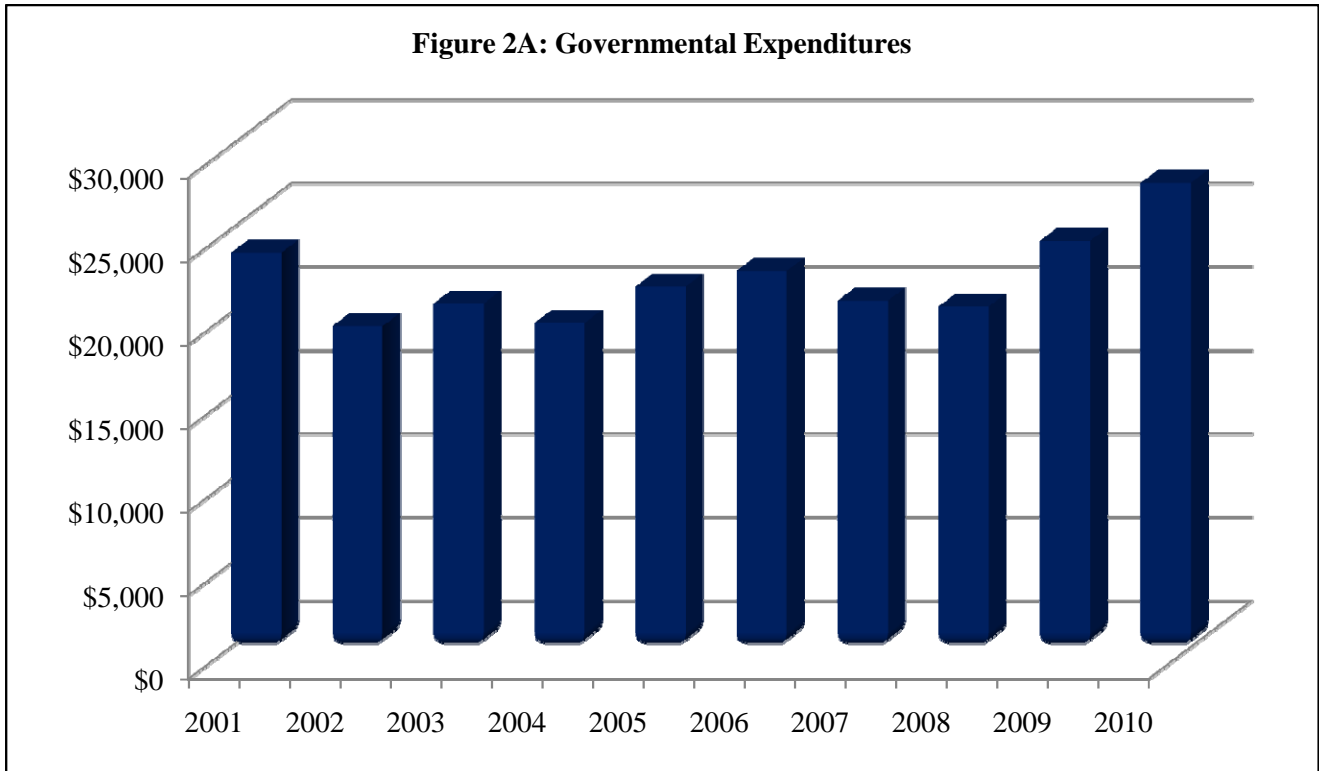


Table 7

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 and interest on taxes	Total
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	10,368	4,619	2,892	1,367	172	93	19,511
2010	8,713	3,594	2,967	1,282	150	56	16,762

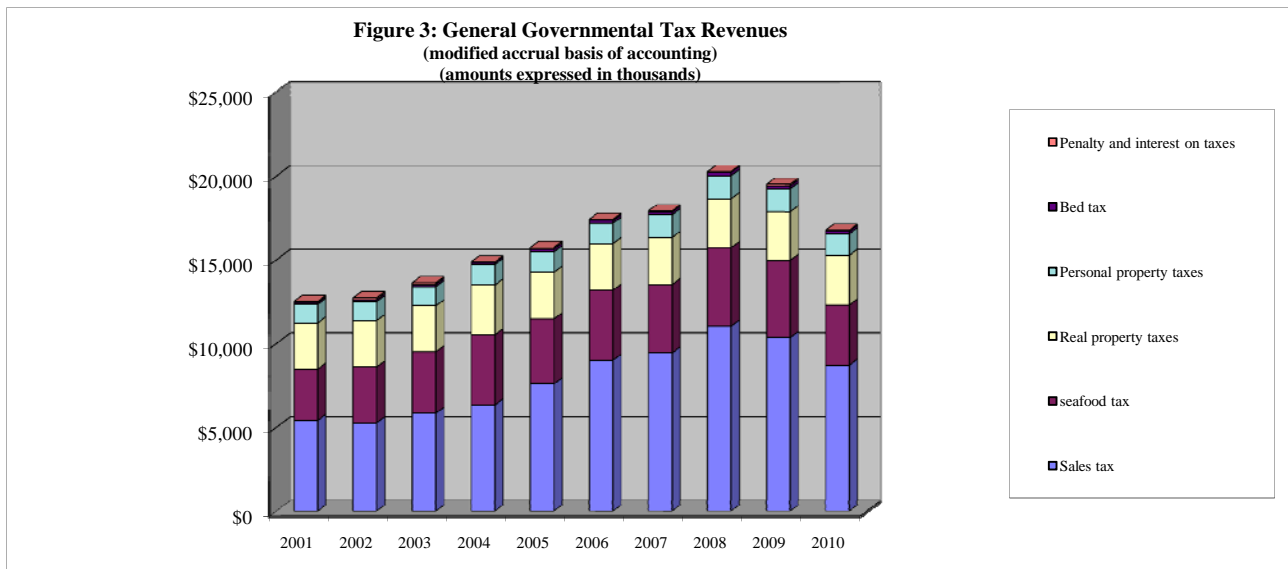


Table 8

CITY OF UNALASKA, ALASKA

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal year	Real property		Personal property		Total		Ratio of assessed value to estimated
	Assessed value	Estimated value	Assessed value	Estimated value	Assessed value	Estimated value	
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	462,778	89
2010	329,903	378,069	122,778	140,704	452,681	518,773	87

Table 8

CITY OF UNALASKA, ALASKA

Property Tax Rates

All Governments

Last Ten Fiscal Years

	Total city millage rate (1)
Fiscal year:	
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
2010	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.

Table 10

CITY OF UNALASKA, ALASKA

Principal Real Property Taxpayers

June 30, 2010

(Amount expressed in thousands)

Taxpayer	2010			2000*		
	Taxable assessed value	Rank	Percentage of total taxable assessed value	Taxable assessed value	Rank	Percentage of total taxable assessed value
Ounalashka Corporation	\$ 88,682,856	1	27%	\$ 83,284,198	1	36%
Westward Seafoods	24,888,000	2	8	30,008,788	2	13
Unisea	22,106,750	3	7	24,330,300	3	11
Alyeska Seafoods	19,534,094	4	6	16,546,884	4	7
Western Pioneer	15,705,118	5	5	—	—	—
Offshore Systems	10,419,100	6	3	—	—	—
Valdez Petroleum	3,868,000	7	1	—	—	—
Puget Sound Tug & Barge	3,786,300	8	1	—	—	—
Strong Holdings	3,027,790	9	1	—	—	—
Telco Properties	1,945,300	10	1	—	—	—
Total taxable assessed value	\$ <u>193,963,308</u>		<u>60%</u>	\$ <u>154,170,170</u>		<u>67%</u>

Information for the top 10 real property taxpayers is not available for 2000.

Table 11

CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers

June 30, 2010

(Amount expressed in thousands)

Taxpayer	2010			2006*		
	Receipts from customer	Rank	Percentage of total electric utility customers billed	Taxable assessed value	Rank	Percentage of total electric utility customers billed
American President Lines	\$ 1,748,017	1	17%	\$ 1,957,151	1	19%
Horizon Lines, LLC	1,255,556	2	12	1,070,717	3	10
City of Unalaska	1,133,290	3	11	1,181,967	2	11
Alaska Ship Supply	489,504	4	5	299,363	9	3
Safeway	483,906	5	5	507,355	5	5
Kloosterboer	386,538	6	4	—	—	—
North Pacific Fuel	374,603	7	4	461,612	6	4
Unalaska School District	366,933	8	3	316,463	7	3
Coastal Transportation	318,969	9	3	—	—	—
Pacific Stevedoring, Inc.	290,177	10	3	301,660	8	3
Alaska Commercial Company	—	—	—	203,484	10	2
Harbor Crown	—	—	—	672,326	4	6
Total taxable assessed value	\$ <u>6,847,493</u>		<u>67%</u>	\$ <u>6,972,098</u>		<u>66%</u>

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

Table 12

CITY OF UNALASKA, ALASKA

Property Tax Levies and Collections

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal year	Total tax levy	Current tax collections	Percent of levy collected	Delinquent tax collections	Total tax collections (1)	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of delinquent taxes to tax levy
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	98.91	2	4,262	99.0	13	0.3
2010	4,299	4,249	98.84	6	4,255	99.0	57	1.3

Table 13

CITY OF UNALASKA, ALASKA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

<u>Fiscal year</u>	<u>Governmental activities General obligation bonds</u>	<u>Business Type activities harbor bonds</u>	<u>Electric fund bonds</u>	<u>Total primary government</u>	<u>Percentage of personal income</u>	<u>Per capita</u>
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	3	1,258
2009	8,558	—	25,000	33,558	*	9,164
2010	7,796	5,000	25,000	37,796	*	*

* Data unavailable or incomplete.

Table 14**CITY OF UNALASKA, ALASKA**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

Fiscal year		General obligation bonds	Percentage of estimated actual taxable value of property		Per capita
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		2,337
2010		7,796	1.68		*

* Data unavailable or incomplete.

Table 15

CITY OF UNALASKA, ALASKA
Direct Governmental Activities Debt (1)
June 30, 2010

Jurisdiction	Outstanding debt	Percentage applicable to City of Unalaska	Amount applicable to City of Unalaska
Direct:			
City of Unalaska	\$ 7,796,644	100%	\$ 7,796,644

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

Note: There are no overlapping governmental units.

CITY OF UNALASKA, ALASKA

Legal Debt Margin Information

June 30, 2010

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	—	—	—	*
2010		10,488,583	10,146,531	342,052	—	169,547	169,547	2

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

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

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

CITY OF UNALASKA, ALASKA

Demographic Statistics

Last Ten Fiscal Years

<u>Calendar year</u>	<u>Unalaska population (1)</u>	<u>Aleutians west region personal income (amounts expressed in thousands) (2)</u>	<u>Aleutians west region per capita personal income (2)</u>	<u>Unalaska school enrollment (3)</u>	<u>Aleutians west region unemployment (4)</u>
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	5.6
2008	3,551	166,328	36,127	403	5.6
2009	3,662	*	*	403	7.3
2010	*	*	*	*	*

* 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

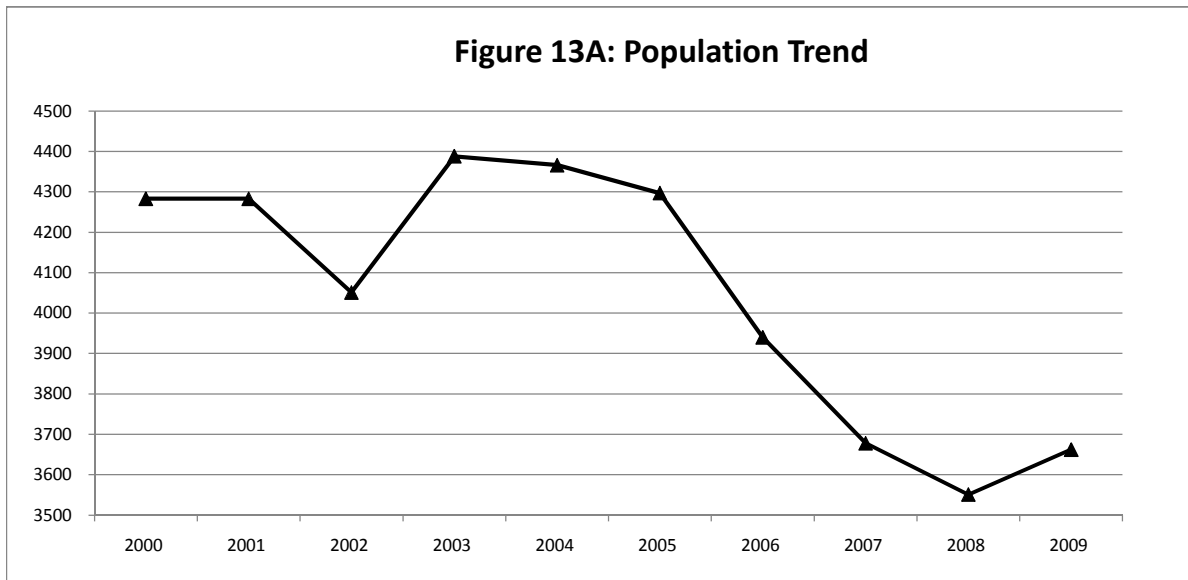


Table 19

CITY OF UNALASKA, ALASKA

Principal Employers

Employer	2010**	2000*		
	Range number of employees	Employees	Rank	Percentage of total city employment
Unisea, Inc.	750-999	688	1	29%
Westward Seafoods, Inc.	500-749	349	2	15
Alyeska Seafood, Inc.	250-499	194	3	8
City of Unalaska	100-249	162	5	7
Pacific Stevedoring Inc.	50-99	—	—	—
American President Lines, Ltd.	50-99	61	9	3
Unalaska City School	50-99	68	8	3
Safeway, dba Eagle Quality Centers	50-99	—	—	—
Harbor Crown Seafoods, Inc.	20-49	—	—	—
Iliuliuk Family and Health Services	20-49	—	—	—
Petro Star, Inc., dba North Pacific Fuel	—	182	4	8
Western Pioneer, dba Alaska Ship Supply	—	100	6	4
Royal Aleutian Seafood	—	89	7	4
Western Power and Equipment	—	33	10	1
Total annual average number of employees		<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

Alaska Department of Labor has not maintained these statistics prior to 2000; therefore, we have included the earliest

** 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Clerk	3.00	3.24	3.24	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	12.00	12.50	13.25	13.00	12.25	12.25	12.25	11.50	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	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Public safety:	24.00	23.00	23.00	23.00	23.00	23.00	23.00	22.00	22.00	22.00
Correction	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire protection	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public works:										
Public works administration	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Streets and roads	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Supply	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Vehicle department	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Building maintenance	7.00	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00
Parks, culture, and recreation:										
Community center	11.30	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Libraries	4.38	4.38	4.75	4.75	4.75	4.50	4.50	4.50	4.50	4.50
Community pool	4.13	4.13	4.38	4.38	4.38	4.63	4.63	5.50	5.50	5.50
Public utilities administrator	3.00	2.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Electric	13.00	13.00	13.22	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Water	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00
Wastewater	2.67	3.67	3.67	3.67	3.67	3.67	3.67	3.34	3.34	3.34
Ports and airport	10.50	10.50	10.50	11.00	10.00	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	150.52	154.96	155.80	155.59	154.84	154.84	154.84	153.63	153.63	153.63

Table 21

CITY OF UNALASKA, ALASKA

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Custodies	321	420	453	479	391	395	443	420	337	320
Fire:										
Fire response	44	31	35	30	40	19	22	36	24	37
Burn permits	102	120	101	87	121	117	150	145	159	116
Fire safety	49	63	90	51	42	27	29	45	31	26
EMS:										
EMS ambulance Calls	319	328	289	320	267	320	208	176	191	107
Public works:										
Building permits issued	54	27	24	12	22	32	29	43	28	55
Parks, culture, and recreation:										
Community Center admissions	*	*	*	66,396	73,146	79,340	113,971	84,904	72,532	84,134
Aquatic center attendance	*	*	*	*	*	*	*	*	18,500	19,072
CC & aquatic center volunteer hours	*	*	4,493	4,810	2,823	4,710	4,303	1,175	2,280	1,334
Library volunteer hours	*	*	*	*	*	*	*	*	840	410
Library circulation	68,781	70,083	86,404	73,546	96,632	107,079	130,823	83,976	197,743	183,497
Library attendance	*	*	*	*	*	*	*	*	110,960	115,735
Electric:										
Power generated MW	29,474	28,392	28,313	29,818	31,107	33,185	33,491	31,443	35,705	30,060
Water:										
Water produced (MG)	867	1,049	1,111	1,219	1,213	1,161	1,208	1,042	1,093	971
Daily pumping capacity (MGD)	2	2	2	2	2	2	4	4	4	—
Total daily capacity (MGD)	10	10	10	10	10	10	5.5-13	5.5-13	13	—
Wastewater:										
Average daily treatment (MG)	—	1	—	—	1	—	1	—	—	—
Solid waste:										
Tons of waste collected	7,547	8,152	8,556	8,467	8,671	9,533	8,496	6,702	6,785	6,061
Cubic yards of waste collected	*	*	*	*	*	*	*	*	9,234	8,637
Ports and harbors:										
UMC vessel calls	578	552	554	564	533	458	437	520	407	334
UMC wharfage tons	327,165	393,247	225,270	413,869	448,078	444,338	465,491	464,549	286,698	363,038
Airport:										
Passengers	57,186	59,515	57,300	54,499	59,941	58,618	57,654	58,431	53,624	52,613

* Data unavailable or incomplete.

Table 22

CITY OF UNALASKA, ALASKA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Response vehicles	8	8	8	8	8	8	6	6	7	7
EMS:										
Ambulances	3	3	3	3	3	3	2	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
Miles of paved roads	5.8	5.8	5.8	5.8	5.8	6.6	6.6	6.6	6.6	6.6
Street lights	107	107	107	107	107	107	107	179	179	179
Flashing/cautionary lights	9	9	9	9	9	9	9	9	9	9
Number of bridges	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
Library	1	1	1	1	1	1	1	1	1	1
Parks	6	6	6	6	8	8	8	8	8	8
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Electric:										
Number of city owned power plants	1	1	1	1	1	1	1	1	1	1
Number of sub-stations	2	2	2	2	2	2	2	2	2	2
Water:										
Wells	4	4	4	4	4	4	4	4	4	4
Surface water treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of water lines	23	23	23	23	23	23	23	23	23	23
Number of connections	497	497	497	497	593	598	555	599	599	599
Wastewater:										
Sanitary sewers MH's	340	340	340	352	352	352	352	353	353	353
Miles of sewer lines	16.5	16.5	16.5	16.8	16.8	16.8	16.8	16.9	16.9	16.9
Lift stations	9	9	9	9	9	9	9	9	9	9
Solid waste:										
Landfills	1	1	1	1	1	1	1	1	1	1
Ports and harbors:										
Dock facilities – lineal feet of docking:										
Unalaska Marine Center (UMC)	1,140	1,140	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Spit Dock facility	1,975	1,975	1,975	1,975	1,975	1,975	1,975	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

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