

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year:

July 1, 2019 – June 30, 2020

**CITY OF KENAI, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF KENAI, ALASKA
Year Ended June 30, 2020**

Brian G. Gabriel, Sr.
Mayor

Paul Ostrander
City Manager

Prepared by
Finance Department

Terry A. Eubank, CPA, CPFO
Finance Director



January 11, 2021

Honorable Mayor Brian Gabriel,
City Council Members and Citizens of
the City of Kenai, Alaska

In accordance with Section 29.35.120 of the Alaska Statutes and the City Charter, we are pleased to submit the Comprehensive Annual Financial Report for the year ended June 30, 2020. The financial statements were prepared in conformance with generally accepted accounting principles (GAAP) and audited in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, by licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Kenai. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BDO USA, LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020 are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of broader federally and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with certain legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Kenai

The City was incorporated in 1960 as a home rule city and its charter was adopted May 20, 1963. The City occupies a geographic area of approximately 45 square miles located in the south-central part of the state of Alaska. Major city services include police, fire, ambulance, airport, street maintenance, recreation, parks, building inspection, water and sewer, dock, cemetery and library. Funding for the City's General Fund, by order of financial significance, is provided from sales tax, property tax, charges for services, intergovernmental revenue, other sources and interest earnings. Other funds rely on charges for services, interest earnings, grants and other sources.

The City operates under a council - manager form of government. Policy-making and legislative authority are vested in a governing council consisting of six members and the mayor. The city manager, attorney and clerk are appointed by the council. The council and mayor are elected on a non-partisan basis. Council members serve three-year staggered terms, with 2 members elected each year and are elected at large. The mayor is elected at large and serves a three-year term. The city manager is the City's chief executive officer and is responsible for carrying out the policies and ordinances of the City, for overseeing the day-to-day operations of the government and for hiring the heads of the various departments.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. All departments submit budgets to the city manager on or about the last Monday in February. The city manager uses these requests for developing a proposed budget. The city manager submits the proposed budget to the council at or around the first regular council meeting in April. The council is required to hold public hearings on the proposed budget and generally adopts the budget by ordinance at the first meeting in June. The city manager is authorized to make budget transfers within a fund for amounts less than \$5,000. Council action is required for transfers between funds, for transfers exceeding \$5,000 and for new appropriations. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted.

Factors Affecting Financial Condition

COVID-19 Public Health Emergency

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, Alaska Governor Mike Dunleavy issued a Declaration of Public Health Disaster Emergency. The first confirmed case of COVID-19 was diagnosed in Alaska on March 12, 2020. On March 13, 2020, the President of the United States issued a Proclamation declaring a National Emergency. On March 18, 2020, the Kenai City Manager declared a local disaster emergency. On the same day, the Kenai City Council extended the emergency declaration for 90 days and subsequently extended the emergency through December 31, 2020.

In subsequent months, the State of Alaska has extended emergency declarations and issued/refined emergency orders to allow for the closure and measured expansion of economic and social activities within the state. Travel mandates were imposed, and restrictions have been modified to allow for more travelers to enter the state for work, commerce, tourism, and other purposes. City facilities, businesses, recreational, cultural, and civic facilities have reopened with some restrictions and new measures designed to preserve the health of the public.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the full magnitude of the public health emergency and its effect on the City's future are indeterminable. To date the City has maintained its excellent financial condition and continued to provide its services to its residents.

Economy

The primary private sector portions of Kenai's economy are oil and gas, commercial fishing, tourism and retail sales. The future holds challenges for oil and gas in the Cook Inlet region. Oil and natural gas exploration and development in Cook Inlet are likely to slow with the elimination of state of Alaska tax credits coupled with the current market price for these commodities. The proposed gas pipeline from the North Slope to Cook Inlet would greatly enhance the long-term viability of the areas industrial complex. The state

of Alaska is working with the gas producers and other interested entities to develop a gas pipeline, but when a gas line will be built is not known at this time.

The proposed Pebble Mine, which is across Cook Inlet from Kenai, continues to be in the news for its world class prospects for copper, gold and molybdenum. Permitting for the project has been problematic and faces significant hurdles in the future, however if the mine is permitted, Kenai's airport and local businesses will benefit.

Commercial fishing continues its cyclical cycles in terms of production. The 2020 fishing season had a historical low average return of sockeye salmon to peninsula rivers. Despite the 2020 low salmon return, fishing is expected to continue to be an important component of the Kenai economy.

Tourism to Kenai was at historical levels this fiscal year despite the COVID-19 public health emergency. The unique dipnet fishery at the mouth of the Kenai River, where tens of thousands of Alaskans catch a year's supply of sockeye salmon in July, makes Kenai a busy and very popular place. Accessible beaches, beautiful scenery, fishing and abundant historic sites all make Kenai a great destination for tourists on the Kenai Peninsula. The City is a playground for Alaskans, known as "The Best Place to Alaska", a fact that was proven again in FY2020. Tourism is expected to remain a vital component of the Kenai economy.

Sales tax is the largest revenue source for the City. Retail sales businesses generate the largest share of sales tax revenue. Sales tax revenues for the current fiscal year exceeded projections that were heavily influenced by anticipated impacts of the COVID-19 public health emergency. The increase in taxable sales was largely attributed to the COVID-19 stock-up by consumers and the fact that many consumers stayed in Kenai to shop rather than traveling to large retailers in Anchorage.

Overall, the projection for the economy of Kenai is optimistic. Kenai is situated in a beautiful area with abundant land and natural resources, an accommodative business climate, and a stable population base. The City's greatest asset is its land holdings for which new lease and sale policies are being developed to encourage economic growth.

Long term financial planning

General Fund, fund balance increased to \$13.29 million in FY20 largely because of revenues received from the Coronavirus Relief and Economic Security (CARES) Act. A General Fund, Fund Balance of \$13.29 million represents approximately 97% of one year's of expenditures and transfers to other funds. This healthy fund balance provides options for the City and generates interest income that can be used for operations. The City is in compliance with its fund balance policy which was implemented in FY17. The policy established a target range of fund balance with required adjustment periods should fund balance exceed or drop below the targeted range.

One of the long-term financial challenges facing the City is the loss of state funding for major capital improvement projects. Kenai, like all Alaska communities, benefited from a history of state grants for the construction of City facilities and infrastructure. With the decline in oil and gas revenues by the state of Alaska, such grants are very unlikely in the near future and the City will have to find creative ways to construct new and maintain its existing facilities and infrastructure. The City's excellent financial condition is a tremendous asset in meeting this challenge.

The City is actively pursuing economic development opportunities and the long-term financial outlook is positive.

Award

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kenai for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the 23rd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgment

The preparation of this Comprehensive Annual Financial Report in a timely manner was accomplished with the efficient and dedicated service of the entire staff of the Finance Department. Due credit should also be given to the City Council for their efforts in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul Ostrander".

Paul Ostrander, City Manager

A handwritten signature in blue ink, appearing to read "Terry A. Eubank".

Terry A. Eubank, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kenai
Alaska**

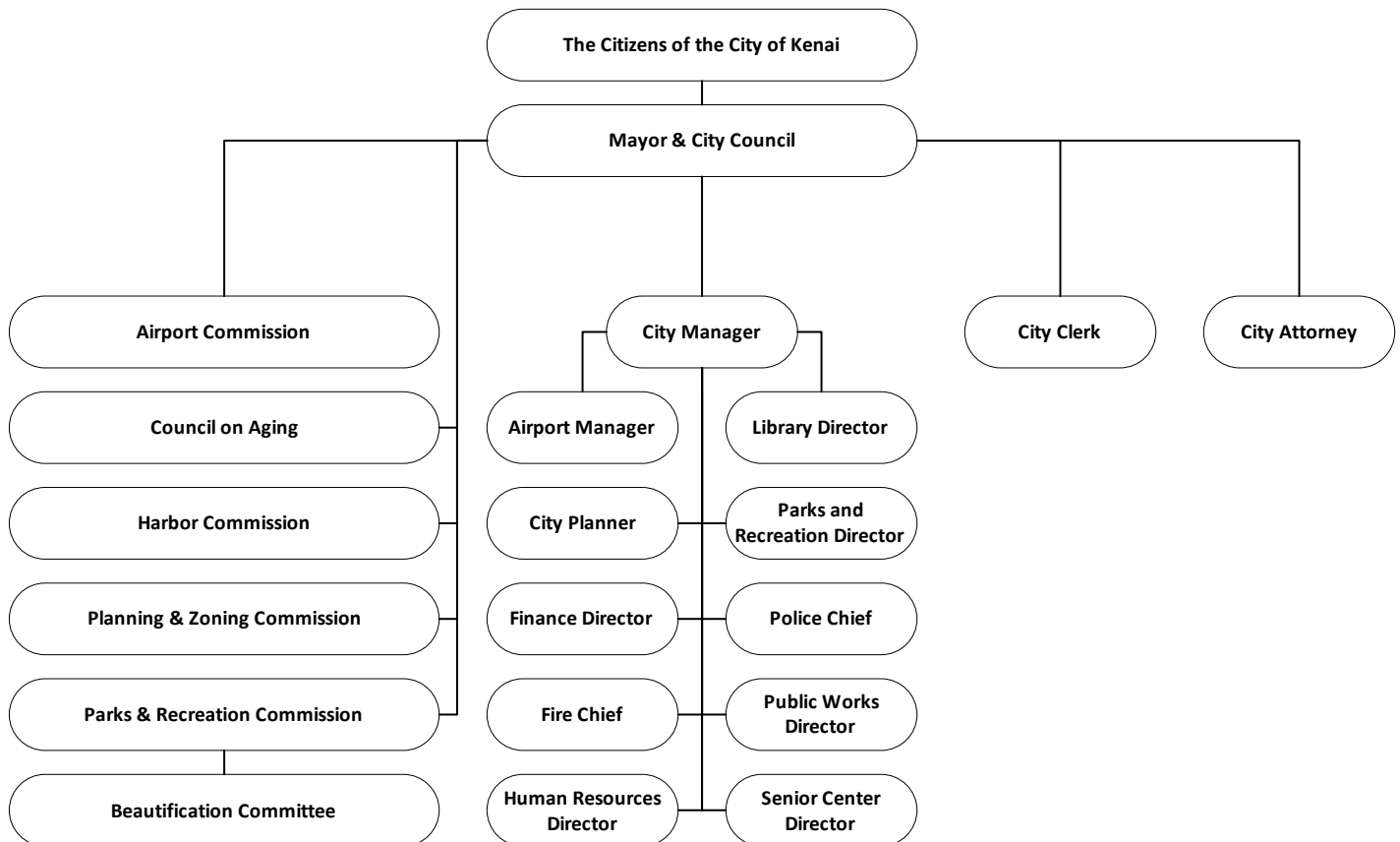
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

City of Kenai Organization Chart



CITY OF KENAI, ALASKA ORGANIZATION AND PRINCIPAL CITY OFFICIALS

Kenai was founded in 1791. It is located south of Anchorage on Cook Inlet in the Central Kenai Peninsula. The City is 161 highway miles from Anchorage. By air, Kenai is three hours from Seattle and thirty minutes from Anchorage.

Kenai was the site of the first major Alaskan oil strike in 1957 and has served as a center for exploration and production since that time. Commercial fishing and processing contribute to the economy.

Kenai adopted the Council Manager form of government in 1963 and has been operating under this form since that time.

The City Council, together with appointed City officials, meets the first and third Wednesday of each month in the City Administration Building for regular Council sessions. In addition, numerous special meetings and work sessions are scheduled throughout the year. The Council, which consists of the Mayor and six council members, is elected at large and on a non-partisan basis. Annual elections are held in October. The terms of office are three years but are overlapping so that the City is provided with a continuity of knowledge in City business and legislative matters.

	<u>City Council</u>	<u>Term Ends</u>
Mayor	Brian G. Gabriel, Sr.	2022
Council Members	Henry Knackstedt	2020
	Tim Navarre	2020
	Robert Molloy	2021
	Robert Peterkin II	2021
	Jim Glendening	2022
	Glenese Petty	2022

City Administration

City Manager	Paul Ostrander
Finance Director	Terry A. Eubank
Human Resource Director	Sandra (Stormy) Brown
City Clerk	Jamie Heinz
City Attorney	Scott Bloom
Police Chief	David Ross
Fire Chief	Tony Prior
Public Works Director	Scott Curtin
Librarian	Katja Wolfe
Parks & Recreation Director	Robert Frates
Airport Manager	Mary Bondurant
Senior Center Director	Kathy Romain

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AUDITOR REPORT



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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Kenai, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai, Alaska, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Kenai's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai, Alaska as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 13 through 21, the budgetary comparison information on pages 65 through 75, the Schedules of Net Pension Liability and Pension Contributions on page 76, and the Schedules of Net OPEB Liability and OPEB Contributions on page 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Kenai's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021, on our consideration of City of Kenai'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 solely 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 effectiveness of the City of Kenai's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kenai's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 11, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Kenai, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City of Kenai for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- At the Close of FY2020, the City of Kenai assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$198,902,911. Of this amount, unrestricted net position of \$13,357,626, may be used to meet the government's ongoing obligations to citizens and creditors. A significant portion of this legally unrestricted amount has been designated for specific purposes.
- The City's total net position increased by \$15,833,234. For the fiscal year ended June 30, 2020, governmental type activities net position increased by \$15,891,547 and business-type activities decreased by \$58,313.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,091,723, an increase of \$3,369,945 from the prior year. Portions of the City's permanent fund, which cannot be spent, account for \$2.9 million of total fund balance. About \$45.0 million of the remaining fund balance is restricted, committed, or assigned. The remaining \$4.2 million is unassigned and available for spending.
- At the end of the current fiscal year, fund balance for the General Fund was \$13,290,392, an increase of \$2,540,348 from the prior year. Of this amount \$4,196,674 was unassigned and available for spending.
- The City has a long-term liability for compensated absences, general obligation debt, net pension, and net other post-employment benefits (OPEB) of \$1,011,065, \$1,165,000, \$12,568,996, and \$435,504 respectively. The general obligation bonds were issued on March 11, 2010 for an addition to the City's library, and subsequent to year-end these bonds were subject to an advanced refunding that produced a cash flow savings of \$132,171 and an economic gain of \$119,680.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kenai's basic financial statements. The City of Kenai's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities:

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial condition in a summary format.
- *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Kenai's finances in a manner similar to a business enterprise. The statement of net position presents information on all of the City's assets and liabilities. Net position – the difference between the City's assets and deferred outflows and its liabilities and deferred inflows - is one way to measure the City's financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. There are other non-financial factors, such as the condition of facilities, roads and other infrastructure that should be considered in the evaluation of overall financial condition.

The statement of activities presents information showing how a government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kenai include general government, public safety, public works, parks, recreation and cultural, airport, water and sewer, and social services. The City's only business-type activity is the operations of a congregate housing facility.

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, 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 Kenai can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary 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 may 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 the two. Seven of the City's governmental funds are considered major 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 major funds including: the General Fund; the CARES Act Recovery Special Revenue Fund, the Airport Special Revenue Fund; the Water & Sewer Special Revenue Fund, the Airport Land Sales Permanent Fund; the Airport Improvements Capital Project Fund, and the Miscellaneous Improvement Capital Project Fund. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

A budgetary comparison statement has been provided for the General, CARES Act Recovery Special Revenue, Airport Special Revenue, and Water & Sewer Special Revenue Funds to demonstrate compliance with the Fiscal Year (FY) 2020 budget.

Proprietary funds.

The City of Kenai maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the Congregate Housing Facility. Information for this fund is presented in the proprietary statement of net position and the proprietary statement of revenues, expenses and changes in fund net position. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City of Kenai uses an internal service funds to account for the purchase of heavy equipment that is primarily used by the General Fund, for the purchase of fleet vehicles used by the General and Senior Citizen Special Revenue Funds, and for the cost of managing employee health care. Because these services predominantly benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements but are presented separately in the proprietary fund financial statements.

Fiduciary funds.

Through a management agreement, the City manages the donations of the Kenai Community Foundation and Kenai Senior Connection, 501(c)(3) not-for-profit entities, whose purpose is to support the Kenai Senior Center, museums, parks and recreation, music, fine arts, library, and historic purposes within Kenai's city limits. The City's sole purpose is management of the Foundations' donations; all decisions regarding Foundation awards are made by the Foundations and not the City.

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.

Required supplementary information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and accompanying notes. Budgetary comparison schedules for certain major funds; schedules on the City's net pension and OPEB obligation information and contributions; and accompanying notes can be found on pages 65-77 of this report.

Other information.

In addition to the basic financial statements and accompanying notes and required supplementary information and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with non-major funds are presented immediately after the required supplementary information. Also included are budget comparisons for governmental funds other than the General, CARES Act Relief Special Revenue, Airport Special Revenue, and Water & Sewer Special Revenue Funds.

Government-wide Financial Analysis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2020, the City's net position exceeded liabilities by \$198,902,911. By far the largest portion of the City's net position reflects its investment in capital assets.

The following table provides a summary of the City's net position:

	Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 57,363	\$ 52,869	\$ 820	\$ 741	\$ 58,183	\$ 53,610
Capital assets	<u>154,612</u>	<u>146,084</u>	<u>2,404</u>	<u>2,544</u>	<u>157,016</u>	<u>148,628</u>
Total assets	<u>211,975</u>	<u>198,953</u>	<u>3,224</u>	<u>3,285</u>	<u>215,199</u>	<u>202,238</u>
Deferred outflows of resources	<u>2,518</u>	<u>2,406</u>	<u>-</u>	<u>-</u>	<u>2,518</u>	<u>2,406</u>
Long-term liabilities outstanding	15,174	17,675	7	3	15,181	17,678
Other liabilities	<u>2,339</u>	<u>2,390</u>	<u>51</u>	<u>58</u>	<u>2,390</u>	<u>2,448</u>
Total liabilities	<u>17,513</u>	<u>20,065</u>	<u>58</u>	<u>61</u>	<u>17,571</u>	<u>20,126</u>
Deferred inflows of resources	<u>1,242</u>	<u>1,448</u>	<u>-</u>	<u>-</u>	<u>1,242</u>	<u>1,448</u>
Net position:						
Net investment in capital assets	153,447	144,824	2,404	2,544	155,851	147,368
Restricted:						
Nonexpendable	2,941	3,296	-	-	2,941	3,296
Airport purposes	25,632	25,138	-	-	25,632	25,138
Youth athletics	811	742	-	-	811	742
Unrestricted	<u>12,907</u>	<u>5,846</u>	<u>762</u>	<u>680</u>	<u>13,669</u>	<u>6,526</u>
Total net position	<u>\$195,738</u>	<u>\$179,846</u>	<u>\$3,166</u>	<u>\$3,224</u>	<u>\$198,904</u>	<u>\$183,070</u>

Minor arithmetic differences are due to rounding.

Governmental activities.

Governmental activities increased the City's net position by \$15,891,547. The key element of this increase is the difference between capital expenditures by governmental funds and depreciation expense recorded but not budgeted in the governmental funds, \$8,771,886 and the difference in deferred inflows and outflows related to net pension and other postemployment benefits liabilities, \$2,938,465.

Business-type activities.

Business-type activities decreased the net position of the City by \$58,313. Rental rates of the Congregate Housing Facility are insufficient to cover depreciation on the facility which was built primarily with grant funds. Absent a rate increase, future declines in net position are expected.

Changes in Net Position.

The City's total revenues and expenses for governmental and business-type activities are reflected in the following table:

	Changes in Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,242	\$ 6,745	\$ 402	\$ 408	\$ 7,644	\$ 7,153
Operating grants and contributions	6,562	1,156	3	2	6,565	1,158
Capital grants and contributions	12,450	6,268	-	-	12,450	6,268
General revenues:						
Property taxes	3,955	3,890	-	-	3,955	3,890
Sales taxes	7,691	7,159	-	-	7,691	7,159
Other	<u>1,654</u>	<u>1,988</u>	<u>27</u>	<u>22</u>	<u>1,681</u>	<u>2,010</u>
Total revenues	<u>39,554</u>	<u>27,206</u>	<u>432</u>	<u>432</u>	<u>39,986</u>	<u>27,638</u>
Expenses:						
General government	2,473	2,275	-	-	2,473	2,275
Public safety	7,089	6,405	-	-	7,089	6,405
Public works	2,843	2,870	-	-	2,843	2,870
Parks, recreation, and cultural	2,279	2,459	-	-	2,279	2,459
Water and sewer services	2,735	2,917	-	-	2,735	2,917
Airport	3,556	3,562	-	-	3,556	3,562
Interest on long-term debt	76	83	-	-	76	83
Social welfare services	2,611	711	-	-	2,611	711
Senior Housing	<u>-</u>	<u>-</u>	<u>490</u>	<u>455</u>	<u>490</u>	<u>455</u>
Total expenses	<u>23,662</u>	<u>21,282</u>	<u>490</u>	<u>455</u>	<u>24,152</u>	<u>21,737</u>
Increase (decrease) in net position	15,892	5,924	(58)	(23)	15,834	5,901
Net position beginning	<u>179,846</u>	<u>173,922</u>	<u>3,224</u>	<u>3,247</u>	<u>183,070</u>	<u>177,169</u>
Net position ending	<u>\$195,738</u>	<u>\$179,846</u>	<u>\$3,166</u>	<u>\$3,224</u>	<u>\$198,904</u>	<u>\$183,070</u>

Minor arithmetic differences are due to rounding.

Financial Analysis of the City's Funds

The City of Kenai uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

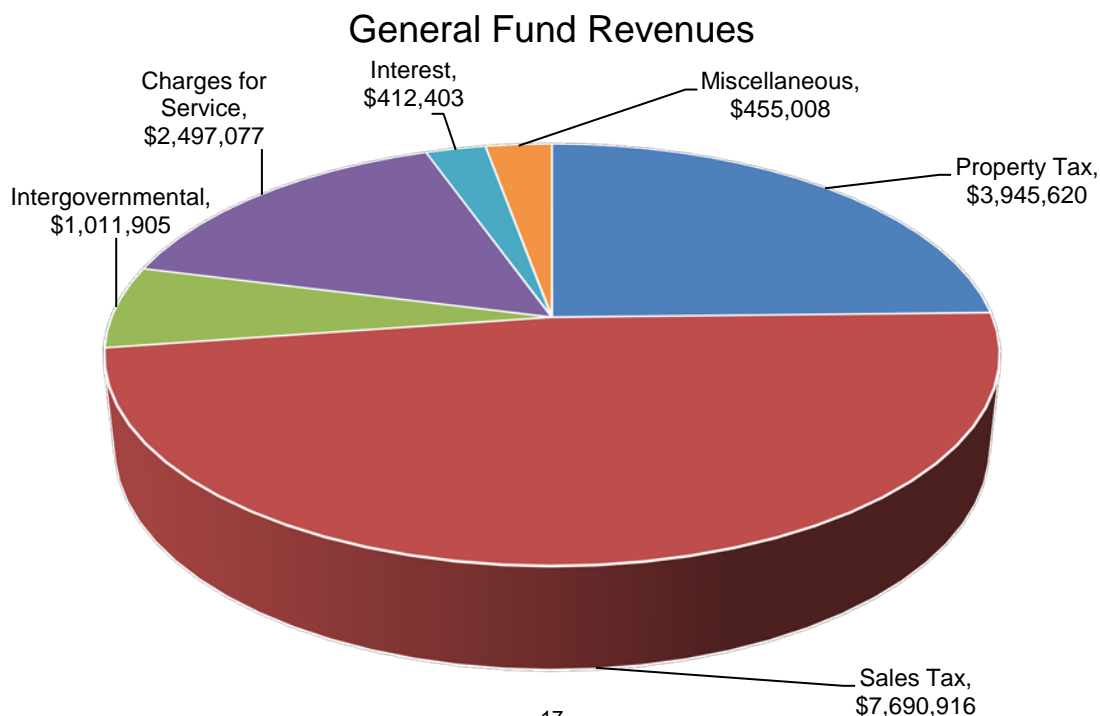
Governmental Funds.

The purpose of the City'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The total fund balance of governmental funds is \$52,091,723, which is up \$3,369,945 from last year. About \$4.2 million of fund balance is unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance, \$47.9 million, is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending. Restricted is the largest portion of this; \$26.4 million is restricted for airport purposes and athletics.

The General Fund is the chief operating fund of the City of Kenai. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,196,674, and total fund balance was \$13,290,392. Fund balance increased \$2,540,348 in the current year. The City's reserves remain healthy and stable. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 30.72% of total expenditures and transfers, while total fund balance represents 97.29% of that same amount.

General Fund expenditures decreased \$1,653,150 or 11.38% over last year. Utilization of Coronavirus Relief and Economic Security (CARES) Act grant funds for personnel costs substantially dedicated to responding to mitigating the impacts of the COVID-19 Public Health Emergency provided a significant amount of the savings. General Fund revenues increased \$975,392 or 6.48% from last year. The primary revenue sources of the General Fund include property tax of \$3,955,484, sales tax of \$7,690,916, intergovernmental revenues of \$1,011,905, and charges to other funds of \$1,596,000. Sales tax revenue increased \$531,822 or 7.43% largely attributed to the COVID-19 stock-up by consumers, the fact that many consumers stayed in Kenai to shop rather than traveling to large retailers in Anchorage, and the local economy, prior to the COVID-19 Public Health Emergency, showed signs of recovery from its current recession. Property taxes increased by \$65,397 or 1.68%. Current year property values increased 2.57% and the mill rate remained unchanged. Intergovernmental revenues increased \$65,801 or 6.95% from last year with a \$64,814 or 98.50% increase in State of Alaska Public Employees Retirement System (PERS) on-behalf funding.



Tax revenues support General Fund operations exclusively and represent 28.72% of all governmental funds revenue. Other funds rely heavily on intergovernmental revenues, charges for services and investment earnings. Intergovernmental revenues increased \$10,580,693 or 139.06% because of large Airport Improvement Program grants from the Federal Aviation Administration and CARES Act grant funds received by the City. Investment earnings in governmental funds decreased \$519,921 or 24.66% from the prior year. Volatility in equity markets and the reduction of short-term interest rates by the Federal Reserve Commission caused by the COVID-19 Public Health Emergency resulted in lower investment earnings in FY20 despite outstanding equity performance in the first half of the fiscal year. Capital projects funds and the senior services related funds are largely financed by grants from the federal, state and borough governments.

The CARES Act Recovery Special Revenue Fund was established to account for the City's response to the COVID-19 Public Health Emergency and grant funds received through the CARES Act. Expenditures in this fund consist largely of grants to local businesses and not-for-profits to assist in the economic harm resulting from the COVID-19 Public Health Emergency and the government issued protective orders that resulted in a virtual shutdown of the US Economy. Personnel cost for the City's first responders, police, fire and dispatchers, who were substantially dedicated to responding to and mitigating the impacts of the COVID-19 Public Health Emergency were a significant expenditure of the fund.

The Airport Special Revenue Fund accounts for the operation of the airport. Fund balance remained constant with a \$7,890 increase. Total revenues increased of \$651,656 or 31.92%. Fund expenditures increased by \$76,830 or 2.80% and transfers to capital projects decreased by \$1,272,264 or 61.39% to \$799,875. Prior year transfers included a significant transfer for the funding of a major terminal rehabilitation project. FY20 transfers included additional funding for airfield crack sealing, coating and pavement repair project, \$25,459, \$468,735 to renovate the airport owned, Alaska Regional Fire Training Center, \$265,681 for design of a new sand storage snow removal equipment building and \$40,000 for repair of the dry sprinkler system at the Airport Operations Center.

The Water & Sewer Special Revenue Fund accounts for the operations of the water and sewer utility of the City. Fund balance decreased \$167,392. There was no change in water and sewer rates in FY20. Despite no change in rates, charges for service increased \$92,406 or 3.23% this year because of increased demand. Significant capital improvement projects were funded in FY20 as transfers increased \$959,600 or 869.20%. Significant capital funding is anticipated in future years to ensure the utilities continued safe and efficient operation. The adopted FY21 Budget included \$882,577 in additional transfers for water and sewer related capital projects.

The Airport Land Sales Fund accounts for the investment of proceeds from the sale of airport lands originally deeded to the City by the federal government for operations of the airport. City code calls for the transfer of between 3.80% and 4.20% of the funds five-year average balance at December 31st to the Airport Special Revenue Fund to fund airport operations. Strong equity returns in the first half of the fiscal year which were erased with the onset of the COVID-19 Public Health Emergency in March 2020 but did significantly recover by year-end and the reduction in short term interest rates with the onset of the COVID-19 Public Health Emergency resulted in solid returns that were still a \$488,650 decrease over the prior year. Significant land sales of \$616,250 along with investment earnings resulted in a \$493,563 increase in fund balance after the FY20 transfer of \$928,251 to the Airport Special Revenue Fund.

The Airport Improvements Capital Project Fund accounts for capital improvement projects of the Kenai Municipal Airport. Projects are largely financed by grants from the Federal Aviation Administration. Current projects include completion of a remodel of the Airport's terminal building, completion of the asphalt repair and preservation project, rehabilitation of the Airport owned, Alaska Regional Fire Training Center, and design for the construction of a new sand and snow removal equipment building. Fund balance decreased \$495,661 in FY20 as prior years funding was expended to complete projects. Changes in fund balance are anticipated in capital project funds as project funding, through transfers, and project expenditures do not always occur during the same fiscal year.

The Miscellaneous Improvements Capital Project Fund accounts for miscellaneous capital projects of the City's. Primary funding sources are intergovernmental grants. Current projects include carpet replacement in the dining room and administrative offices of the Kenai Senior Center, land acquisition for the Kenai Bluff erosion control project, earthquake repairs and installation of a cathodic protection system at the Kenai City Dock, remodel of the Kenai Fire Department kitchen, and replacement of Kenai Fire Department self-contained breathing apparatus (SCBA). Fund balance decreased \$10,166 in FY20 as prior years funding was expended to complete projects.

Changes in fund balance are anticipated in capital project funds as project funding, through transfers, and project expenditures do not always occur during the same fiscal year.

Proprietary Funds.

The City of Kenai maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Congregate Housing Fund is the only enterprise fund. It is reported in the proprietary fund financial statements and as a business type activity in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs among the City's various functions. The City of Kenai utilizes three internal service funds. The Equipment Replacement Fund is used to account for the purchase of equipment costing more than \$50,000. The Equipment Replacement Fund charges the user departments in the General Fund such that the General Fund reimburses the Equipment Replacement Fund over the useful life of the asset. The Fleet Replacement Fund was created at year-end with no FY20 activity but will account for the purchase of General and Senior Center Special Revenue Funds fleet vehicles in future years. User departments will be billed for the replacement cost of vehicles they are utilizing. The Employee Health Care Fund accounts for the costs of providing employee health care and charges each fund based on the number of employees eligible for coverage. Because the services of the Equipment Replacement Fund and the Employee Health Care Fund substantially benefit only governmental rather than business type functions, its activity has been included within governmental activities in the government-wide financial statements but are presented in the proprietary fund financial statements.

At year-end, Congregate Housing Fund net position totaled \$3,165,321 and unrestricted net position was \$761,675. Net position decreased \$58,313 for the year. Current revenues are simply insufficient to cover expenses – especially considering depreciation. It is anticipated that net position will decline in future years without an increase in tenant rents.

General Fund Budgetary Highlights

The General Fund appropriations budget was amended by the City Council during the year by \$200,953. Supplemental funding included \$14,498 for higher than budgeted insurance costs, \$12,218 to provide local match to a federal grant for a project to replace fire department self-contained breathing apparatus, \$13,755 for increased compensation to police officers, \$61,960 for grant funded bacteria level monitoring on Kenai beaches, \$6,369 for grant funded, police overtime, \$7,399 for grant funded, fire department equipment, \$28,133 for fire department personnel overtime in response to the Swan Lake Fire, \$7,000 for grant funded, library book purchases, \$26,546 for grant funded, police department equipment and operating supplies, \$16,800 for grant funded security camera installation at the City's historic cabins, and \$6,275 in various minor appropriations. Actual revenues and transfers in were \$564,840 more than the final budget with the \$303,741 variance in general sales tax, a \$108,534 variance in building permit fees, and a \$12,987 variance in the transfer from the City General Land Sale Permanent fund accounting for the majority of the difference.

The actual expenditures and transfers out were \$3,238,666 less than budgeted. The City typically does not spend the entire authorized appropriation. The variance this year was 19.17% of final budget compared to 8.33% last year. \$2,055,739, 54.23% of the lapse, occurred as a result of personnel cost for the City's first responders, police, fire and dispatchers, who were substantially dedicated to responding to and mitigating the impacts of the COVID-19 Public Health Emergency being charged to the CARES Act Recovery Fund rather than General Fund Departments.

Capital Assets and Debt Administration

Capital assets.

At June 30, 2020 the City's capital assets had a total net book value of \$157,015,585. Governmental activities totaled \$154,611,939 and business-type activities totaled \$2,403,646. Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 49-50 Section III. Detailed Notes on All Funds' D. Capital Assets. Major capital additions for FY20 included:

New Facilities and Facility Improvements:	
Airport Terminal Renovation	\$13,519,894
Wastewater Treatment Plant Upgrades	1,598,263
Fire Department Kitchen Remodel	44,287
Senior Center Dining Room Carpet Replacement	33,206

Airport Operations Center Dry Sprinkler Repair	\$ 26,462
	<u>15,222,112</u>
Equipment:	
Fire Engine	572,800
Airport Parking Self-Pay Station	11,221
Information Technology Wireless Backhaul Equipment	31,961
Recreation Center Treadmill	6,350
Personal Use Fishery Fee Shack	27,943
Public Safety Security Cameras	64,992
Public Safety Radios	<u>66,008</u>
	781,275
Land:	
Bluff Erosion Project Land Acquisition	19,899
Water Well Protection Zone Land Acquisition	<u>51,345</u>
	71,244
Infrastructure -	
Airfield Crack Sealing, Seal Coating and Asphalt Repair	<u>962,255</u>
Total Additions	<u>\$17,036,886</u>

Debt administration.

No new debt was issued by the City in FY20. At June 30, 2020 \$1,165,000 of Library Expansion bonds remained outstanding. On July 7, 2020 the City issued \$1,050,000 in General Purpose Advanced Refunding Bonds Series One. Proceeds of \$1,213,482 were used to refund the remaining principal of \$1,165,000 in 2010B-1 General Purpose General Obligation Bonds, pay accrued interest of \$29,604 and pay costs of issuance of \$16,365. The remaining \$2,513 of proceeds will be used to reduce the subsequent year's debt service for the newly issued Refunding Bonds. The refunding resulted in a cash flow savings of \$132,171 and an economic gain of \$119,680. Remaining authorized but unissued are \$2,000,000 of Bluff Erosion Control bonds.

There are long-term liabilities for compensated absences totaling \$1,011,065, Net Pension Liability of \$12,568,996, and Net Other Postemployment Benefits Liability of \$435,504. Additional information on the City's long-term liabilities can be found in the notes to the basic financial statements on pages 58.

Economic factors and next year's budget

Unemployment data is not available for the City however the average unemployment for the Kenai Peninsula Borough for CY2019 stood at 6.8%, while CY2020 increased from April to August 2020 as a result of the Covid-19 Public Health Emergency. A decrease from the two prior years' rate of 7.7% in CY2018 and 8.2% for CY2017, this compares to the statewide average of 6.1%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work in the fishing and tourism industry in the Borough. The Borough's unemployment rate for the period January 2019 to June 2020 is up 6.6% when compared to the same period for 2019. This is expected to improve in CY2021, as communities and businesses recover from the Covid-19 Public Health Emergency.

In 2017, the City established a fund balance policy that establishes minimum and maximum amounts of fund balances for the General Fund. These levels are reviewed on an annual basis and the policy requires that fund balances exceeding the maximum or fund balances less than the minimum come back into compliance within 3 years. This is assessed each fiscal year as part of the budgetary process.

In addition, the Alaska legislature provided funding for Public Employees' Retirement System (PERS) cost in excess of 22%, which was paid directly to PERS. The total City of Kenai on-behalf payment made by the State for FY2020 was \$578,418. This contribution includes the difference between the actuarially determined rate of 28.62% and the City contribution rate of 22.00%.

In addition, as part of their FY2015 budget, the Alaska State Legislature passed House Bill 385 (HB 385), which paid down \$1 billion of the Public Employees' Retirement System (PERS) defined benefits plan's unfunded liability (a closed plan). However, the bill also extended, by nine years, the amortization period over which employers would pay down the debt. By statute, the required employer contribution is 22% of the employee's wages, with the State

paying the balance of the actuarially determined amount. Under HB 385, the State's annual payments will be lower, but the total cost to employers will be much greater.

During fiscal year 2020, the State of Alaska maintained a AA rating from Standard & Poor's Ratings Services and a AA- credit rating from Fitch Ratings. Since fiscal year 2014 the State has been running declining unrestricted general fund deficits of approximately \$3 million to \$315 million per year due to low oil prices, expenditure levels and lack of new revenues.

In setting the budget for FY2021, the City established goal, among them:

- To pay for all recurring expenditures with recurring revenues and to use nonrecurring revenues for non-recurring expenditures.
- It is important that a positive undesignated fund balance and a positive cash balance be shown in all governmental funds at the end of each fiscal year.
- When deficits appear to be forthcoming within a fiscal year, spending during the fiscal year should be reduced sufficiently to create a positive undesignated fund balance and a positive cash balance.
- The budget should be structured so that users can readily establish the relationship between expenditures and the achievement of service objectives.
- Individual department budget submissions must be prepared with the basic assumption that current tax rates will be maintained.
- The budget will provide for adequate maintenance of capital plant and equipment and for its orderly replacement.
- The fiscal and economic impacts of the Covid-19 Public Health Emergency on the City and the potential changes in revenue collection, budgetary shifts and community needs as a result of the emergency. More discussion is provided on page 61, note K of the notes to the financial statements.

Requests for information.

This financial report is designed to provide a general overview of the City of Kenai'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 information should be addressed to the Finance Director, City of Kenai, 210 Fidalgo Avenue, Kenai, Alaska 99611.

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BASIC FINANCIAL STATEMENTS

CITY OF KENAI, ALASKA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in central treasury (cash and investments)	\$ 51,352,687	\$ 810,083	\$ 52,162,770
Receivables (net of allowances for uncollectibles)	5,844,680	10,169	5,854,849
Net other postemployment benefit asset	138,628	-	138,628
Other assets	26,089	-	26,089
Land	6,293,335	274,500	6,567,835
Property and equipment in service	242,637,762	5,710,219	248,347,981
Accumulated depreciation	(99,780,636)	(3,588,329)	(103,368,965)
Construction in progress	5,461,478	7,256	5,468,734
Total assets	<u>211,974,023</u>	<u>3,223,898</u>	<u>215,197,921</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	1,513,758	-	1,513,758
Other postemployment benefits related	1,004,382	-	1,004,382
Total deferred outflows of resources	<u>2,518,140</u>	<u>-</u>	<u>2,518,140</u>
Total assets and deferred outflows of resources	<u>\$ 214,492,163</u>	<u>\$ 3,223,898</u>	<u>\$ 217,716,061</u>
LIABILITIES			
Accounts payable	\$ 1,507,412	\$ 18,348	\$ 1,525,760
Accrued payroll and payroll liabilities	469,347	-	469,347
Unearned revenue	214,385	102	214,487
Other liabilities	137,558	33,104	170,662
Accrued interest	9,901	-	9,901
Long-term liabilities:			
Net pension liability - due in more than one year	12,568,996	-	12,568,996
Net OPEB liability - due in more than one year	435,504	-	435,504
Compensated absences:			
Due within one year	251,010	1,756	252,766
Due in more than one year	753,032	5,267	758,299
Long-term debt:			
Due within one year	100,000	-	100,000
Due in more than one year	1,065,000	-	1,065,000
Total liabilities	<u>17,512,145</u>	<u>58,577</u>	<u>17,570,722</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid licenses and fees	2,250	-	2,250
Prepaid property taxes	21,202	-	21,202
Pension related	669,087	-	669,087
Other postemployment benefits related	549,889	-	549,889
Total deferred inflows of resources	<u>1,242,428</u>	<u>-</u>	<u>1,242,428</u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	153,446,939	2,403,646	155,850,585
Restricted:			
Permanently restricted - nonexpendable -			
General Government Land Sales Permanent Fund	2,941,284	-	2,941,284
Airport purposes	25,631,649	-	25,631,649
Youth athletics	811,030	-	811,030
Unrestricted	<u>12,906,688</u>	<u>761,675</u>	<u>13,668,363</u>
Total net position	<u>195,737,590</u>	<u>3,165,321</u>	<u>198,902,911</u>
Total liabilities, deferred inflows and net position	<u>\$ 214,492,163</u>	<u>\$ 3,223,898</u>	<u>\$ 217,716,061</u>

See accompanying notes to basic financial statements.

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**CITY OF KENAI, ALASKA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,472,944	\$ 1,147,003	\$ 585,645	\$ -
Public safety	7,089,487	552,865	2,498,940	1,210,008
Public works	2,843,272	185,419	76,553	32,699
Parks, recreation, and cultural	2,279,505	531,178	95,772	61,960
Water and sewer services	2,734,796	2,956,313	47,344	751,389
Airport	3,555,513	1,715,419	839,832	10,279,529
Social welfare services	2,611,090	153,348	2,418,144	114,396
Interest on long-term debt	76,405	-	-	-
Total governmental activities	<u>23,663,012</u>	<u>7,241,545</u>	<u>6,562,230</u>	<u>12,449,981</u>
Business-type activities:				
Senior Housing	<u>491,298</u>	<u>402,475</u>	<u>3,008</u>	<u>-</u>
Total Government	<u>\$ 24,154,310</u>	<u>\$ 7,644,020</u>	<u>\$ 6,565,238</u>	<u>\$ 12,449,981</u>

General revenues:
 Property taxes
 Sales taxes
 Unrestricted investment earnings
 Total general revenues
 Change in net position
Net position, beginning
Net position - ending

See accompanying notes to basic financial statements.

**Net (Expenses) Revenues and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (740,296)	\$ -	\$ (740,296)
(2,827,674)	-	(2,827,674)
(2,548,601)	-	(2,548,601)
(1,590,595)	-	(1,590,595)
1,020,250	-	1,020,250
9,279,267	-	9,279,267
74,798	-	74,798
(76,405)	-	(76,405)
<u>2,590,744</u>	<u>-</u>	<u>2,590,744</u>
<u>-</u>	<u>(85,815)</u>	<u>(85,815)</u>
<u>2,590,744</u>	<u>(85,815)</u>	<u>2,504,929</u>
3,955,484	-	3,955,484
7,690,916	-	7,690,916
<u>1,654,403</u>	<u>27,502</u>	<u>1,681,905</u>
<u>13,300,803</u>	<u>27,502</u>	<u>13,328,305</u>
15,891,547	(58,313)	15,833,234
<u>179,846,043</u>	<u>3,223,634</u>	<u>183,069,677</u>
<u>\$ 195,737,590</u>	<u>\$ 3,165,321</u>	<u>\$ 198,902,911</u>

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020**

	Major Governmental Funds		
	General	CARES Act Recovery Special Revenue	Airport Special Revenue
ASSETS			
Equity in central treasury (cash and investments)	\$ 11,479,640	\$ 83,469	\$ 3,412,954
Receivables (net of allowances for uncollectibles)	2,182,844	-	298,329
Other assets	14,718	-	-
Due from other funds	784,120	-	-
Total assets	<u>\$ 14,461,322</u>	<u>\$ 83,469</u>	<u>\$ 3,711,283</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 210,946	\$ -	\$ 56,678
Accrued payroll and payroll liabilities	404,488	-	20,170
Due to other funds	-	-	-
Unearned revenue	17,655	83,269	95,534
Other liabilities	20,356	-	15,782
Total liabilities	<u>653,445</u>	<u>83,269</u>	<u>188,164</u>
Deferred Inflows of resources:			
Special assessments receivable - unavailable	376,461	-	-
Ambulance billing receivable - unavailable	107,244	-	-
Land sales - unavailable	10,328	-	-
Prepaid licenses and fees	2,250	-	-
Prepaid property taxes	21,202	-	-
Total deferred inflows of resources	<u>517,485</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	811,030	-	-
Committed	6,047,560	-	-
Assigned	2,235,128	200	3,523,119
Unassigned (deficit)	4,196,674	-	-
Total fund balances	<u>13,290,392</u>	<u>200</u>	<u>3,523,119</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,461,322</u>	<u>\$ 83,469</u>	<u>\$ 3,711,283</u>

See accompanying notes to basic financial statements.

<u>Water & Sewer Special Revenue</u>	<u>Airport Land Sales</u>	<u>Airport Improvements Capital Project</u>	<u>Miscellaneous Improvements Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,909,060	\$ 25,545,490	\$ -	\$ 275,212	\$ 5,501,206	\$ 49,207,031
285,392	231,788	2,016,562	671,388	158,377	5,844,680
-	-	-	-	-	14,718
-	-	-	-	-	784,120
<u>\$ 3,194,452</u>	<u>\$ 25,777,278</u>	<u>\$ 2,016,562</u>	<u>\$ 946,600</u>	<u>\$ 5,659,583</u>	<u>\$ 55,850,549</u>
\$ 95,900	\$ 3,524	\$ 321,165	\$ 770,526	\$ 35,087	\$ 1,493,826
28,329	-	-	-	16,360	469,347
-	-	784,120	-	-	784,120
17,927	-	-	-	-	214,385
93,600	-	-	-	7,820	137,558
<u>235,756</u>	<u>3,524</u>	<u>1,105,285</u>	<u>770,526</u>	<u>59,267</u>	<u>3,099,236</u>
-	-	-	-	-	376,461
-	-	-	-	-	107,244
-	142,105	-	-	-	152,433
-	-	-	-	-	2,250
-	-	-	-	-	21,202
-	142,105	-	-	-	659,590
-	-	-	-	2,941,284	2,941,284
-	25,631,649	-	-	-	26,442,679
-	-	911,277	176,074	2,160,266	9,295,177
2,958,696	-	-	-	512,059	9,229,202
-	-	-	-	(13,293)	4,183,381
<u>2,958,696</u>	<u>25,631,649</u>	<u>911,277</u>	<u>176,074</u>	<u>5,600,316</u>	<u>52,091,723</u>
<u>\$ 3,194,452</u>	<u>\$ 25,777,278</u>	<u>\$ 2,016,562</u>	<u>\$ 946,600</u>	<u>\$ 5,659,583</u>	<u>\$ 55,850,549</u>

**CITY OF KENAI, ALASKA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total fund balances for governmental funds	\$ 52,091,723
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	151,971,668
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	636,138
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The PERS ODD OPEB plan has been funded in excess of required contributions. This asset is not a financial resource and therefore it is not reported in the funds.	138,628
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Some liabilities, including bonds payable, interest payable on bonds (net of related interest subsidy), and compensated absences are not payable in the current period so they are not reported in the funds.

Bonds payable	\$ (1,165,000)	
Net pension liability	(12,568,996)	
Net other postemployment benefits liability	(435,504)	
Compensated absences	(1,004,042)	
Accrued interest (net of related interest subsidy)	<u>(9,901)</u>	
		(15,183,443)

Certain changes in net pension and OPEB liabilities are deferred rather than recognized immediately. These items are amortized over time:

Deferred outflows of resources for pensions	1,513,758	
Deferred outflows of resources for other postemployment benefits	1,004,382	
Deferred inflows of resources for pensions	(669,087)	
Deferred inflows of resources for other postemployment benefits	<u>(549,889)</u>	
		1,299,164

Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities statement of net position.

	<u>4,783,712</u>
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Net position of governmental activities	<u>\$ 195,737,590</u>
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See accompanying notes to basic financial statements.

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**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	Major Governmental Funds				
		CARES Act			
	General	Recovery Special Revenue	Airport Special Revenue	Water & Sewer Special Revenue	Airport Land Sales
Revenues:					
Taxes	\$ 11,646,400	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	1,011,905	4,107,349	833,516	40,373	-
Charges for services	2,497,077	-	337,097	2,950,810	-
Investment earnings	412,403	200	136,276	131,375	805,564
Miscellaneous revenues	<u>445,144</u>	<u>-</u>	<u>1,385,922</u>	<u>12,424</u>	<u>616,250</u>
Total revenues	<u>16,012,929</u>	<u>4,107,549</u>	<u>2,692,811</u>	<u>3,134,982</u>	<u>1,421,814</u>
Expenditures:					
Current:					
General government	3,074,331	146,610	-	-	-
Public safety	5,429,573	2,055,739	-	-	-
Public works	2,308,492	-	-	-	-
Parks, recreation, and cultural	2,021,553	-	-	-	-
Water and sewer services	-	-	-	2,162,148	-
Airport	-	-	2,802,076	-	-
Social welfare services	-	1,905,000	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	<u>32,001</u>	<u>-</u>	<u>11,221</u>	<u>70,226</u>	<u>-</u>
Total expenditures	<u>12,865,950</u>	<u>4,107,349</u>	<u>2,813,297</u>	<u>2,232,374</u>	<u>-</u>
Excess of revenues over (under) expenditures	3,146,979	200	(120,486)	902,608	1,421,814
Other financing sources (uses):					
Transfers in	187,239	-	928,251	-	-
Transfers out	<u>(793,870)</u>	<u>-</u>	<u>(799,875)</u>	<u>(1,070,000)</u>	<u>(928,251)</u>
Net other financing sources (uses)	<u>(606,631)</u>	<u>-</u>	<u>128,376</u>	<u>(1,070,000)</u>	<u>(928,251)</u>
Net changes in fund balances	2,540,348	200	7,890	(167,392)	493,563
Fund balances - July 1	<u>10,750,044</u>	<u>-</u>	<u>3,515,229</u>	<u>3,126,088</u>	<u>25,138,086</u>
Fund balances - June 30	<u>\$ 13,290,392</u>	<u>\$ 200</u>	<u>\$ 3,523,119</u>	<u>\$ 2,958,696</u>	<u>\$ 25,631,649</u>

See accompanying notes to basic financial statements.

Airport Improvements Capital Project	Miscellaneous Improvements Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 11,646,400
10,206,905	796,257	1,192,984	18,189,289
-	-	411,521	6,196,505
-	-	102,506	1,588,324
<u>72,624</u>	<u>113,274</u>	<u>290,556</u>	<u>2,936,194</u>
<u>10,279,529</u>	<u>909,531</u>	<u>1,997,567</u>	<u>40,556,712</u>
-	-	-	3,220,941
-	675,900	81,775	8,242,987
-	-	83,237	2,391,729
-	-	206,172	2,227,725
-	-	-	2,162,148
-	-	-	2,802,076
-	-	903,809	2,808,809
-	-	95,000	95,000
-	-	77,704	77,704
<u>11,575,065</u>	<u>306,015</u>	<u>1,163,120</u>	<u>13,157,648</u>
<u>11,575,065</u>	<u>981,915</u>	<u>2,610,817</u>	<u>37,186,767</u>
(1,295,536)	(72,384)	(613,250)	3,369,945
799,875	62,218	1,801,652	3,779,235
<u>-</u>	<u>-</u>	<u>(187,239)</u>	<u>(3,779,235)</u>
<u>799,875</u>	<u>62,218</u>	<u>1,614,413</u>	<u>-</u>
(495,661)	(10,166)	1,001,163	3,369,945
<u>1,406,938</u>	<u>186,240</u>	<u>4,599,153</u>	<u>48,721,778</u>
<u>\$ 911,277</u>	<u>\$ 176,074</u>	<u>\$ 5,600,316</u>	<u>\$ 52,091,723</u>

**CITY OF KENAI, 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, 2020**

Net changes in fund balances - total governmental funds \$ 3,369,945

The change in net position reported for governmental activities in the statement of activities is 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.

Expenditures for capital assets	\$ 13,157,648	
Current year depreciation	<u>(4,385,762)</u>	
		8,771,886

The net effect of various transactions involving capital assets (i.e. sales trade-ins and donations) is to decrease net position. (33,438)

Internal Service Fund capital contributions from governmental funds are not recorded for governmental activities in the statement of activities. (272,625)

Special assessments, taxes, land sales and ambulance services receivable reported in the governmental activities are not revenues of the current period using the flow of current financial resources basis. This is the decrease in other long-term assets. (35,278)

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. This is the amount of the (increase) decrease in:

Accrued leave	\$ (143,439)	
Bond interest payable	<u>1,299</u>	
		(142,140)

Repayment of the principal of long-term debt consumes current financial resources of governmental funds but does not have any effect on net position. 95,000

Changes related to net pension and other postemployment benefits liabilities and related accounts can increase or decrease net position. This is the net increase in net position due to changes in net pension and other postemployment benefits liabilities and the related deferred inflows and outflows:

Net pension	\$ 64,443	
Other postemployment benefits	<u>2,874,022</u>	
		2,938,465

Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The net revenue of Internal Service Fund activities is reported with governmental activities. 1,199,732

Change in net position of governmental activities \$ 15,891,547

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Funds
	Congregate Housing	
ASSETS		
Current assets:		
Equity in central treasury (cash and investments)	\$ 810,083	\$ 2,145,656
Deposits with others	-	11,371
Accounts receivable	10,169	-
Total current assets	<u>820,252</u>	<u>2,157,027</u>
Noncurrent assets:		
Land	274,500	-
Property and equipment in service, at cost:		
Buildings	5,710,219	-
Equipment	-	5,607,658
Total property and equipment in service	5,710,219	5,607,658
Less accumulated depreciation	<u>(3,588,329)</u>	<u>(2,967,387)</u>
Net property and equipment in service	2,121,890	2,640,271
Construction work in progress	<u>7,256</u>	<u>-</u>
Total assets	<u><u>\$ 3,223,898</u></u>	<u><u>\$ 4,797,298</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable operating activities	\$ 18,348	\$ 509
Accounts payable capital and related financing activities	-	13,077
Unearned revenue	102	-
Other liabilities	33,104	-
Total current liabilities	<u>51,554</u>	<u>13,586</u>
Noncurrent liabilities - compensated absences	<u>7,023</u>	<u>-</u>
Total liabilities	<u>58,577</u>	<u>13,586</u>
NET POSITION		
Investment in capital assets	2,403,646	2,640,271
Unrestricted	761,675	2,143,441
Total net position	<u>3,165,321</u>	<u>4,783,712</u>
Total liabilities and net position	<u><u>\$ 3,223,898</u></u>	<u><u>\$ 4,797,298</u></u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Major Enterprise Fund Congregate Housing	Governmental Activities - Internal Service Funds
Operating revenues:		
Rents and leases	\$ 402,475	\$ -
Other revenue	-	3,034,650
Total operating revenues	<u>402,475</u>	<u>3,034,650</u>
Operating expenses:		
Personal services	75,968	-
Supplies	11,268	-
Utilities	86,138	-
Repair and maintenance	36,416	-
Insurance/benefits	17,032	2,373,777
Depreciation	140,446	185,844
Manager's fee	85,068	-
Miscellaneous	1,762	38,051
Expenses chargeable from other funds	37,200	-
Total operating expenses	<u>491,298</u>	<u>2,597,672</u>
Operating income (loss)	<u>(88,823)</u>	<u>436,978</u>
Nonoperating revenues:		
Intergovernmental grants	3,008	-
Gain on sale of capital assets	-	24,050
Investment earnings	27,502	66,079
Total nonoperating revenues	<u>30,510</u>	<u>90,129</u>
Income (loss) before capital contributions	<u>(58,313)</u>	<u>527,107</u>
Capital contributions:		
Capital grant	-	400,000
Capital contribution from governmental activities	-	272,625
Total capital contributions	<u>-</u>	<u>672,625</u>
Changes in net position	(58,313)	1,199,732
Net position - July 1	<u>3,223,634</u>	<u>3,583,980</u>
Net position - June 30	<u>\$ 3,165,321</u>	<u>\$ 4,783,712</u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Major Enterprise Fund Congregate Housing	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$ 392,310	\$ 276,695
Payments to suppliers	(243,804)	(2,423,038)
Payments to employees	(71,843)	-
Receipts (payments) for interfund services	(37,200)	2,757,954
Net cash provided by operating activities	<u>39,463</u>	<u>611,611</u>
Cash flows from noncapital financing activities -		
State grant	<u>3,008</u>	<u>-</u>
Cash flows from capital and related financing activities:		
State capital grant	-	400,000
Proceeds from sales of capital assets	-	73,300
Acquisition and construction of capital assets	-	(411,465)
Net cash used by capital and related financing activities	<u>-</u>	<u>61,835</u>
Cash flows from investing activities -		
Investment earnings received	<u>27,502</u>	<u>66,078</u>
Net increase in cash and cash equivalents	69,973	739,524
Cash and cash equivalents - July 1	<u>740,110</u>	<u>1,406,132</u>
Cash and cash equivalents - June 30	<u>\$ 810,083</u>	<u>\$ 2,145,656</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (88,823)	\$ 436,978
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Deposits with others	-	(11,371)
Depreciation	140,446	185,844
Accounts receivable	(9,177)	-
Accounts payable	(2,843)	160
Compensated absences	4,125	-
Unearned revenue	(988)	-
Other liabilities	(3,277)	-
Net cash provided by operating activities	<u>\$ 39,463</u>	<u>\$ 611,611</u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2020**

	<u>Kenai Senior Connection</u>	<u>Kenai Community Foundation</u>	<u>Total Agency Funds</u>
ASSETS			
Equity in central treasury (cash and investments)	\$ 975,807	\$ 189,257	\$ 1,165,064
Interest receivable	<u>2,946</u>	<u>474</u>	<u>3,420</u>
Total assets	<u><u>\$ 978,753</u></u>	<u><u>\$ 189,731</u></u>	<u><u>\$ 1,168,484</u></u>
LIABILITIES			
Due to others	<u><u>\$ 978,753</u></u>	<u><u>\$ 189,731</u></u>	<u><u>\$ 1,168,484</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Kenai (City) was formed by a Home Rule Charter on May 20, 1963 under the provisions of Alaska Statute, Title 29, as amended. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, animal control, and 911 communications), public improvements, airport, dock facility, water and sewer, library, senior citizen, recreation, parks, planning and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues along with user fees, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support. The effect of any interfund activity, for the most part, has been removed from these statements. 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 charges to customers or applicants who use, purchase, or directly benefit from the goods, services or privileges provided by a given segment or function and includes restricted grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as *general revenues*. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus and basis of accounting and financial statement presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar programs are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position is reported as restricted when constraints placed on the net position is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Governmental fund type 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 in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end, except for reimbursement-type grants, in which revenue is considered available if collected within 180 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due.

Taxes, charge for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be

susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when received by the government.

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 CARES Act Recovery Special Revenue Fund accounts for activities of the City in response to the COVID-19 Public Health Emergency. Primary funding sources are federal grants and investment earnings.

The Airport Special Revenue Fund accounts for activities of the airport except for land sales. It relies on user fees and investment earnings to finance operations. The City has elected to report this fund as major to provide consistency with prior year financial statements and because of its significance to the users of the financial statements.

The Water & Sewer Special Revenue Fund accounts for activities of the City's water and sewer utility. It relies on user fees to finance operations. The City has elected to report this fund as major to provide consistency with prior year financial statements and because of its significance to the users of the financial statements.

The Airport Land Sales Fund accounts for sales of airport land. All proceeds from airport land sales are deposited into this account and invested. Annual transfers to the Airport Special Revenue Fund for operations is limited to 3.8% or 4.2% of the fund's balance at December 31st of each year. If the fund's market value at December 31st exceeds the fund's inflation adjusted principle balance, the allowable transfer is 4.2% and if it does not the allowable transfer is 3.8%.

The Airport Improvements Capital Project Fund accounts for capital projects of the City's airport. Primary funding sources are federal grants.

The Miscellaneous Improvements Capital Project Fund accounts for miscellaneous capital projects of the City. Primary funding sources are intergovernmental grants.

Additionally, the City reports the following fund types:

Enterprise Fund - the Congregate Housing Fund is a major fund which accounts for the activities of the senior housing project. Primary funding source is rents from its tenants.

Internal Service Fund – the Equipment Replacement Fund, Fleet Replacement Fund and Employee Health Care Fund are internal service funds. The Equipment Replacement Fund accounts for the purchase of equipment costing more than \$50,000 that will be used by General Fund departments on a cost-reimbursement basis. The Fleet Replacement Fund was created at June 30, 2020 and will be used to account for the purchase of fleet vehicles used by General and Senior Citizen Fund departments on a cost-reimbursable basis. The Employee Health Care Fund accounts for the cost of providing health and life insurance to the employees of all City funds.

Agency Fund – the City utilizes this fund to account for the resources invested by the City, under management agreements, for the Kenai Community Foundation and Kenai Senior Connection. The Kenai Community Foundation is a not-for-profit organization devoted to supporting museums, parks and recreation, music, fine arts, library, and historic purposes within Kenai's city limits. Kenai Senior Connection is a not-for-profit organization devoted to supporting the operations of the Kenai Senior Center.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. 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 *non-operating* 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 fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service 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 non-operating revenues and expenses.

Use of accounting estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, liabilities and net position or equity

1. Cash and cash equivalents

The City maintains a central treasury for most of its cash and cash equivalents, which is utilized by all funds. For the purposes of these financial statements, the City of Kenai considers highly liquid investments that are readily convertible to cash, with an original maturity of three months or less, to be cash equivalents.

Investment income is recorded in the General Fund, except that interest earned on cash held in the Water and Sewer Special Revenue Fund (including cash in water and sewer related capital project funds), the Airport Special Revenue Fund (including cash in the Airport Land Sales Permanent Fund and airport related capital project funds), the Congregate Housing Enterprise Fund, and the Equipment Replacement Internal Service Fund is recorded in these funds.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans).

3. Restricted assets

Monies or other resources, the use of which is restricted by legal or contractual requirements are recorded as restricted assets.

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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. All infrastructure assets, including those acquired prior to June 30, 1980, are reported. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are recorded at acquisition value rather than fair value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the City, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings costing more than \$50,000	50
Buildings costing less than \$50,000	25
Building improvements	25
Water and sewer infrastructure	50
Street infrastructure	30
Heavy equipment	20
Other equipment	10
Office equipment	5

5. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. The City makes annual appropriations for the amount of leave expected to be used, which is available to employees at essentially their discretion. Each employee is allowed to accumulate up to 80 days of annual leave at the end of a calendar year, with any excess accumulation paid in cash in the following January. All vacation 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 terminations or in situations where the leave is used but not yet paid. Most funds, except the capital project funds, will be utilized to liquidate the liability for compensated absences. The most significant, due to the fact that it has the largest payroll, is the General Fund.

6. Long-term obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize long-term debt obligations only when due.

7. Fund balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council—the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes by resolution. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

8. Net Position and Net Position Flow Assumptions

Net position represents the residual interest in the City's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

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

9. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Most funds, except the capital project funds, will be utilized to liquidate the pension and OPEB liabilities. The most significant, due to the fact that it has the largest payroll, is the General Fund.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of the net position reports a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. Deferred outflows of resources consist of pension and OPEB related items. These items are amortized resulting in additional expense in future periods.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources for ambulance services, property taxes, special assessments, land sales and other unavailable revenues are reported in the governmental fund statements. Deferred inflows of resources consist of prepaid property taxes, unavailable revenues, and pension and OPEB related items in the government-wide Statement of Net Position. Pension and OPEB related items are amortized resulting in a reduction of expense at a later date.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets. All annual appropriations lapse at a fiscal year end.

Budgets for the general fund, special revenue funds, debt service funds, permanent funds and enterprise funds are annual budgets. Capital project fund budgets are project-length budgets. The Equipment Replacement and Fleet Replacement Funds, which are internal service funds, are not required to have a budget. The City Council approves all asset acquisitions for these funds by resolution.

Annual budgets must be submitted to the City Council by the City Manager during or prior to the sixth week preceding the first day of each fiscal year. The City Council must adopt an annual budget and set the tax rates not later than the tenth day of June for the following fiscal year.

Budgetary control (the level at which expenditures may not exceed budget) is maintained at the object class level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which would result in an overrun of object class balances are not released until additional appropriations are made available.

Amendments to appropriations may be made by the city administration by transfers within a fund in amounts less than \$5,000. Other amendments, including supplemental appropriations, may be made by the City Council. The City Council authorized supplemental appropriations during the year in capital projects funds, special revenue funds and the general fund. General fund supplemental appropriations were \$200,953. Supplemental funding included \$14,498 for higher than budgeted insurance costs, \$12,218 to provide local match to a federal grant for a project to replace fire department self-contained breathing apparatus, \$13,755 for increased compensation to police officers, \$61,960 for grant funded bacteria level monitoring on Kenai beaches, \$6,369 for grant funded, police overtime, \$7,399 for grant funded, fire department equipment, \$28,133 for fire department personnel overtime in response to the Swan Lake Fire, \$7,000 for grant funded, library book purchases, \$26,546 for grant funded, police department equipment and operating supplies, \$16,800 for grant funded security camera installation at the City's historic cabins, and \$6,275 in various minor appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above. These commitments will be reappropriated and honored during the subsequent year.

Significant encumbrances exceeding \$75,000 as of June 30, 2020 were:

	Airport Imp. <u>Capital Project</u>	Nonmajor <u>Gov't Funds</u>
Fire Training Center rehabilitation	\$1,986,974	\$ -
Fire Department SCBA replacement	-	323,874
	<u>\$1,986,974</u>	<u>\$323,874</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a central treasury that is available for use by all funds. Each fund type's portion of the central treasury is displayed on the balance sheet or statement of net position as "Equity in Central Treasury" unless there is a deficit which is then shown as "Due to Other Funds".

At year-end, all of the City's bank deposits were either insured or collateralized with securities held by the City's agent in the City's name.

The City's general investment policy authorizes investment in: (a) obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit with banks and savings and loan associations; (c) repurchase agreements; (d) money market mutual funds consisting primarily of obligations of the United States or an agency or instrumentality of the United States, or repurchase agreements collateralized with such obligations; and (e) the Alaska Municipal League Investment Pool (AMLIP).

Generally, investment maturities cannot exceed five years from the date of purchase. Repurchase agreements must be collateralized with United States government obligations. Certificates of deposit must be insured or collateralized with obligations of the United States or its agencies or instrumentalities. Collateral must be held by a third-party trustee.

The City's Airport Land Sales Permanent Fund investment policy authorizes investment in:

- (a) Corporate obligations of investment grade quality as recognized by a nationally recognized rating organization;
- (b) Domestic Equities, which taken as a whole, attempt to mirror the characteristics or replicate the Standard & Poor's 500 Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETF's);
- (c) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 400 Mid-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds;
- (d) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 600 Small-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds;
- (e) International Equities, which taken as a whole, attempt to replicate the Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index or another index of similar characteristics, including both mutual funds and exchange traded funds;
- (f) Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts as represented by the Standard & Poor's REIT composite index or another index of similar characteristics, including both mutual funds and exchange traded funds;
- (g) Emerging Market Equities, which taken as a whole, attempt to replicate the Morgan Stanley Capital International Emerging Markets Index or another index of similar characteristics including both mutual funds and exchange traded funds;
- (h) Global infrastructure equities which, taken as a whole, attempt to replicate the STOXX Global Broad Infrastructure Index, or a substantially similar index, including both mutual funds and exchange traded funds; and
- (i) Domestic bonds which, taken as a whole, attempt to mirror the characteristics or replicate the Bloomberg Barclays Aggregate bond index or another index of similar characteristics and approved by resolution of the Council as a component of the annual Land Sale Permanent Funds Asset Allocation Plan, including individual securities, mutual funds and exchange traded funds (ETFs). Repurchase agreements must be collateralized with United States government obligations. Certificates of deposit must be insured or collateralized with obligations of the United States or its agencies or instrumentalities.

The Alaska Municipal League Investment Pool (AMLIP) is an external investment pool which is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. On a monthly basis the investments in the pool are reviewed for fair value by an independent pricing service. The values of investments in the AML pool are approximately equal to fair value.

The fair value of the City's investments at year-end are shown below. All of the City's remaining investments are in the category of least risk and include investments that are insured or registered in the City's name, or securities that are held by the City or its agent in the City's name. All of the United States treasury bills, treasury notes, and United States agency securities are held in a custodial account in the Wells Fargo Trust Department, and are recorded in its internal records in the City's name in accordance with a safekeeping agreement. Wells Fargo is not a counterparty to security transactions.

The City maintains an interest-bearing checking account, which had a bank balance of \$3,773,653 and a carrying value of \$2,297,205 at year-end. The City also holds a \$20,000 certificate of deposit, an account for collection of online and credit card payments for utilities with a balance of \$14,621 and cash on hand of \$2,260. These deposits are insured for the first \$250,000 and the balance is collateralized by securities held by a third-party custodian in the City's name.

As of June 30, 2020, the City had the following investments and maturities.

General City investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
U.S. Agencies	\$ 1,513,530	\$1,513,530	\$ -	\$ -
Wells Fargo Money Market	4,736,517	4,736,517	-	-
Certificates of Deposit	<u>12,686,499</u>	<u>4,697,679</u>	<u>3,033,609</u>	<u>4,955,211</u>
Total Investments at Fair Value Level	18,936,546	<u>\$10,947,726</u>	<u>\$3,033,609</u>	<u>\$4,955,211</u>
AMLIP *	<u>2,571,418</u>			
Total Central Treasury & Land Sale Funds Investments	<u>\$21,507,964</u>			

The City's investment in AMLIP is measured at net asset value, as of June 30, 2020, Management believes this value approximates fair value.

General and Airport Land Sales Permanent Funds' investments:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasury/Agencies	\$ 8,872,793	30.09%
Corporate Bonds	2,923,799	9.92
Wells Fargo Money Market	1,686,491	5.72
U.S. Equity Securities	10,556,685	35.80
International Securities	4,206,703	14.27
Infrastructure Equities	866,614	2.94
Real Estate Equities	<u>372,699</u>	<u>1.26</u>
Total	<u>\$29,485,784</u>	<u>100.00%</u>

The following is a reconciliation of the City's deposit and investment balances to the financial statements at June 30, 2020.

	<u>Pooled Cash and Investments</u>	<u>Kenai Community Foundation</u>	<u>Kenai Senior Connection</u>	<u>Totals</u>
Bank deposits and cash on hand	\$ 2,334,086	\$ -	\$ -	\$ 2,334,086
Investments	<u>49,828,684</u>	<u>189,257</u>	<u>975,807</u>	<u>50,993,748</u>
	<u>\$52,162,770</u>	<u>\$189,257</u>	<u>\$975,807</u>	<u>\$53,327,834</u>

Interest Rate Risk. The fair values of the City's general fixed-income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. The City manages interest rate risk by requiring specific percentages of the portfolio to be invested within certain time periods and the policy limits the longest maturity to five years. The policy requires 20% of the portfolio to be invested for less than one year and no more than 30% of the portfolio can be invested longer than two years.

The fair values of the City's Airport Land Sales Permanent Fund fixed income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. Duration of a financial asset measures the sensitivity of the asset's price to changes in interest rates. The benchmark index for

the fixed income component of the fund is the Bloomberg Barclays US Aggregate Bond Index. The index allows for maturities greater than 1 year. At June 30, 2020 the index had an average duration of 5.95 while the fund's fixed income component had an average duration of 5.95.

Concentration Risk. The City's general investment policy places no limit on the amount that can be invested in any one issuer. The portfolio has no issuer with more than 5% of the total portfolio.

The City's Permanent Fund investment policy places no limits on the amount that can be invested in any one issuer but rather establishes limits by asset class. The following is a list of asset classes allowed, their benchmark index, their appropriate target weighting, and the actual weighting at June 30, 2020.

<u>Asset Class</u>	<u>Benchmark Index</u>	<u>Target % Weighting</u>	<u>Actual % Weighting</u>
Cash	90-day US Treasury Bill	0-10%	5.72%
Fixed income	Bloomberg Barclays US Aggregate Bond Index	35-65	40.01
Large-Cap domestic equities	Standard & Poor's 500 Index	15-25	21.00
International equities	Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index	5-15	9.57
Mid-Cap equities	Standard & Poor's 400 Mid-Cap Index	5-15	9.96
Small-Cap equities	Standard & Poor's 600 Small-Cap Index	0-10	4.84
International emerging markets	Morgan Stanley Capital International Emerging Market Index	0-10	4.70
Real-estate equities	Standard & Poor's US REIT Index	0-5	1.26
Infrastructure equities	STOXX Global Broad Infrastructure Index	0-6	2.94
Total			<u>100.00%</u>

Credit Risk. The City's general investment policy specifies the types of investments that can be purchased. The intent of this is to limit the credit risk, or the risk that the issuer of the investment securities purchased will default at maturity of the investment. The City may invest only in obligations of the United States government, its instrumentalities and agencies; insured or collateralized certificates of deposit, savings accounts; collateralized repurchase agreements; money market funds and the State investment pool. Credit risk is effectively limited by limiting the eligible investment options. All of the U.S. Agency securities in the portfolio at year-end are rated Aaa by Moody's Investors Service and AA+ by Standard and Poor's.

The Bloomberg Barclays US Aggregate Bond Index is utilized as the benchmark by the City's Permanent Fund investment policy, which requires investment in securities of investment grade or higher (rated Baa or higher by Moody's Investor Service or rated BBB or higher by Standard and Poor's). At June 30, 2020 all fixed income investments were rated BBB or better by Standard and Poor's.

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The City invests in securities issued by U.S. Government Agencies that may contain call options. As of June 30, 2020, none of the portfolio securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the City would be exposed to the risk of having to reinvest at a lower interest rate if it had any callable securities.

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2020:

Investments Measured at Fair Value				
Fair Value Measurement Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasuries	\$ 5,203,068	\$ 5,203,068	\$ -	\$ -
US Agencies	5,183,255	-	5,183,255	-
Corporate bonds	2,923,799	-	2,923,799	-
Certificates of deposit	12,686,499	-	12,686,499	-
Money market funds	6,423,008	6,423,008	-	-
Mutual funds	16,002,701	16,002,701	-	-
Total investment at fair value level	48,422,330	27,628,777	20,793,553	-
AMLIP *	2,571,418	-	-	-
Total Central Treasury & Land Sale Funds Investments	\$50,993,748	\$30,200,195	\$20,793,553	\$ -

US Treasuries, money market funds, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. US Agencies, corporate bonds, and certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Mortgage backed securities classified in Level 2 of the fair value hierarchy are valued using a market approach that uses benchmark yield curves.

* The City's investment in AMLIP of \$2,571,418 is measured at net asset value, as of June 30, 2020 Management believe this value approximates fair value.

B. Receivables

Receivables at June 30, 2020, for the City's individual major funds and the nonmajor governmental funds in the aggregate are as follows:

	General	Airport Special Revenue	Water & Sewer Special Revenue	Airport Land Sales Permanent	Airport Improvement Capital Project	Miscellaneous Improvement Capital Project	Nonmajor Governmental Funds
Taxes	\$1,535,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	64,623	221,687	-	-	2,016,562	671,388	139,249
Customer and other	718,195	86,694	331,888	-	-	-	9,440
Special assessments	357,185	-	-	-	-	-	-
Land contracts	10,328	-	-	142,105	-	-	-
Accrued interest	67,048	-	-	89,683	-	-	9,688
Total receivables	2,753,287	308,381	331,888	231,788	2,016,562	671,388	158,377
Less allowances for uncollectibles	(570,443)	(10,052)	(46,496)	-	-	-	-
Net receivables	\$2,182,844	\$298,329	\$285,392	\$231,788	\$2,016,562	\$671,388	\$158,377

C. Deferred Inflows, Outflows and Unearned Revenues

Governmental funds report deferred inflows in connection with receivables for revenue 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. Governmental funds report acquisitions of net position by the governmental funds that are applicable to a future reporting period as deferred inflows of resources and consumption of net position that are applicable to a future period as deferred outflows. At June 30, 2020, the various components of unearned revenue, deferred inflows of resources, and deferred outflows of resources reported at the fund level and the government-wide level were as follows:

	Fund Level			Government Wide		
	Deferred Outflows	Deferred Inflows	Unearned	Deferred Outflows	Deferred Inflows	Unearned
Pension related	\$ -	\$ -	\$ -	\$1,513,758	\$ -	\$ -
Other postemployment benefits related	-	-	-	1,004,382	-	-
Special assessments receivable (General Fund)	-	376,461	-	-	-	-
Ambulance billing receivable (General Fund)	-	107,244	-	-	-	-
Land sales receivable (General Fund)	-	10,328	-	-	-	-
Land sales receivable (Airport Land Sales Permanent Fund)	-	142,105	-	-	-	-
Prepaid property tax (General Fund)	-	21,202	-	-	21,202	-
Prepaid licenses (General Fund)	-	2,250	-	-	2,250	-
Pension related	-	-	-	-	669,087	-
Other postemployment benefits related	-	-	-	-	549,889	-
Prepaid rents & leases (General Fund)	-	-	17,655	-	-	17,655
Prepaid rents & leases (Airport Fund)	-	-	95,534	-	-	95,534
Prepaid rents & leases (Enterprise Fund)	-	-	-	-	-	102
Prepaid water & sewer service	-	-	17,927	-	-	17,927
Grant funds received prior to meeting all eligibility requirements (CARES Act Recovery Fund)	-	-	83,269	-	-	83,269
	<u>\$ -</u>	<u>\$659,590</u>	<u>\$214,385</u>	<u>\$2,518,140</u>	<u>\$1,242,428</u>	<u>\$214,487</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,225,080	\$ 71,244	\$ (2,989)	\$ 6,293,335
Construction in progress	<u>9,316,173</u>	<u>13,076,125</u>	<u>(16,930,820)</u>	<u>5,461,478</u>
Total capital assets not being depreciated	<u>15,541,253</u>	<u>13,147,369</u>	<u>(16,933,809)</u>	<u>11,754,813</u>
Capital assets being depreciated:				
Buildings	72,856,161	15,222,112	-	88,078,273
Improvements other than buildings	59,383,296	962,255	-	60,345,551
Machinery and equipment	22,948,229	781,275	(630,414)	23,099,090
Infrastructure	<u>71,114,848</u>	<u>-</u>	<u>-</u>	<u>71,114,848</u>
Total capital assets being depreciated	<u>226,302,534</u>	<u>16,965,642</u>	<u>(630,414)</u>	<u>242,637,762</u>
Less accumulated depreciation for:				
Buildings	(24,264,945)	(1,356,218)	-	(25,621,163)
Improvements other than buildings	(26,151,895)	(1,569,233)	-	(27,721,128)
Machinery and equipment	(14,972,371)	(789,649)	550,716	(15,211,304)
Infrastructure	<u>(30,370,534)</u>	<u>(856,507)</u>	<u>-</u>	<u>(31,227,041)</u>
Total accumulated depreciation	<u>(95,759,745)</u>	<u>(4,571,607)</u>	<u>550,716</u>	<u>(99,780,636)</u>
Total capital assets being depreciated, net	<u>130,542,789</u>	<u>12,394,035</u>	<u>(79,698)</u>	<u>142,857,126</u>
Governmental activities capital assets, net	<u>\$146,084,042</u>	<u>\$25,541,404</u>	<u>\$(17,013,507)</u>	<u>\$154,611,939</u>

The Internal Service Funds serve the governmental funds; therefore, their capital assets are included as part of the above totals for governmental activities.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 274,500	\$ -	\$ -	\$ 274,500
Construction in progress	<u>7,256</u>	<u>-</u>	<u>-</u>	<u>7,256</u>
Total capital assets not being depreciated	<u>281,756</u>	<u>-</u>	<u>-</u>	<u>281,756</u>
Capital assets being depreciated – Buildings	5,710,219	-	-	5,710,219
Less accumulated depreciation for – Buildings	<u>(3,447,883)</u>	<u>(140,446)</u>	<u>-</u>	<u>(3,588,329)</u>
Total capital assets being depreciated, net	<u>2,262,336</u>	<u>(140,446)</u>	<u>-</u>	<u>2,121,890</u>
Business-type activities capital assets, net	<u>\$ 2,544,092</u>	<u>\$ (140,446)</u>	<u>\$ -</u>	<u>\$ 2,403,646</u>

Depreciation expense charged to each governmental function is as follows:

General government	\$ 89,370
Public safety	189,670
Public works	886,897
Parks, recreation and cultural	307,322
Water and sewer services	1,069,856
Airport	1,959,806
Social welfare services	<u>68,686</u>
	<u>\$ 4,571,607</u>

E. Pension and Other Postemployment Benefits Plans

1. Defined Benefit Pension Plan

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

(a) Defined Benefit (DB) Pension Plan

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded “on-behalf” contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan’s past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.50% of their annual covered salary).

Employer and Other Contribution Rates

There are several contribution rates associated with the pension contributions and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% of eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employee payroll are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039.

State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2020 were determined in the June 30, 2017 actuarial valuations. The City’s contribution rates for the 2020 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.72%	23.73%	6.62%
Postemployment healthcare (ARHCT)	6.28%	4.89%	0.00%
Total Contribution Rates	<u>22.00%</u>	<u>28.62%</u>	<u>6.62%</u>

In 2020, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2018 to <u>June 30, 2019</u>	City Fiscal Year July 1, 2019 to <u>June 30, 2020</u>
Employer contributions (including DBUL)	\$1,020,687	\$ 948,738
Nonemployer contributions (on-behalf)	<u>498,806</u>	<u>578,418</u>
Total Contributions	<u>\$1,519,493</u>	<u>\$1,527,156</u>

In addition, employee contributions to the Plan totaled \$219,508 during the City fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the City were as follows:

	<u>2020</u>
City proportionate share of NPL	\$12,568,996
State's proportionate share of NPL associated with the City	<u>4,992,668</u>
Total Net Pension Liability	<u>\$17,561,664</u>

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 to calculate the net pension liability as of that date. The City's proportion of the net pension liability is based on the ratio of the present value of projected future contributions for each employer to the present value of project future contributions to the Plan for the fiscal years 2020 to 2039. At the June 30, 2019 measurement date, the City's proportion was 0.22960 percent, which was a decrease of 0.03028 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$2,511,262 and on-behalf revenue of \$678,228 for support provided by the State. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$(186,070)
Changes in assumptions	384,807	-
Net difference between projected and actual earnings on pension plan investments	180,213	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(483,017)
City contributions subsequent to the measurement date	<u>948,738</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows Related to Pensions	<u>\$1,513,758</u>	<u>\$(669,087)</u>

The \$948,738 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	(84,324)
2022	(133,054)
2023	51,131
2024	62,180
2025	-
Thereafter	-
Total Amortization	<u>\$(104,067)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Amortization Method	Level percentage of pay, closed
Inflation	2.50%
Salary Increases	For peace officer/firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on age and service.
Investment Return / Discount Rate	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	24%	8.16%
Global ex-U.S. equity	22%	7.51%
Intermediate Treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's

fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Proportional <u>Share</u>	1% Decrease <u>(6.38%)</u>	Current Discount Rate <u>(7.38%)</u>	1% Increase <u>(8.38%)</u>
City's proportionate share of the net pension liability	0.22960%	\$16,588,869	\$12,568,996	\$9,202,483

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2020 to cover a portion of the City's employer match contributions. For the year ended June 30, 2020, forfeitures reduced pension expense by zero.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2020, the City was required to contribute 5.0% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2020 were \$260,535 and \$416,856, respectively. The City contribution amount was recognized as pension expense/expenditures.

2. Defined Benefit OPEB Plans

As part of its participation in PERS, the City participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is a self-insured and self-funded and provides

major medical coverage to retirees of the DB Plan. The ARHCT plan was closed to all new entrants effective July 1, 2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Employer Contribution Rate

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2020 were as follows:

	<u>Other</u>	<u>Police/Fire</u>
Alaska Retiree Healthcare Trust	6.28%	6.28%
Retiree Medical Plan	1.32%	1.32%
Occupational Death and Disability Benefits	<u>0.26%</u>	<u>0.72%</u>
Total Contribution Rate	<u>7.86%</u>	<u>8.32%</u>

In 2020, the City was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2018 to <u>June 30, 2019</u>	City Fiscal Year July 1, 2019 to <u>June 30, 2020</u>
Employer contributions – ARHCT	\$369,797	\$378,968
Employer contributions – RMP	46,446	68,781
Employer contributions – ODD	<u>23,345</u>	<u>23,663</u>
Total Contributions	<u>\$439,588</u>	<u>\$471,412</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

City's proportionate share of NOL – ARHCT	\$340,818
City's proportionate share of NOL – RMP	<u>94,686</u>
Total City's Proportionate Share of NOL	\$435,504
State's proportionate share of ARHCT NOL associated with the City	<u>135,484</u>
Total Net OPEB Liability	<u>\$570,988</u>

At June 30, 2020, the City reported an asset for its proportionate share of the net OPEB asset (NOA) associated with the City's participation in the ODD Plan. The amount recognized by the City for its proportionate share was \$138,628.

The total OPEB liabilities (asset) for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 to calculate the net OPEB liabilities (asset) as of that date. The City's proportion of the net OPEB liabilities (asset) is based on the ratio of the present value of projected future contributions for each employer to the present value of projected future contributions to the Plans for the fiscal years 2020 to 2039.

	June 30, 2018 Measurement Date Employer <u>Proportion</u>	June 30, 2019 Measurement Date Employer <u>Proportion</u>	<u>Change</u>
City's proportionate share of the net OPEB liability (asset)			
ARHCT	0.25984%	0.22969%	(0.03015)%
RMP	0.38325%	0.39578%	0.01253 %
ODD	0.38325%	0.57178%	0.18853 %

For the year ended June 30, 2020, the City recognized OPEB expense of \$(2,732,736). Of this amount, \$(875,637) was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

<u>Plan</u>	<u>OPEB Expenses</u>	<u>On-behalf Revenue</u>
ARHCT	\$(2,897,340)	\$(875,637)
RMP	135,307	-
ODD	29,297	-
Total	<u>\$(2,732,736)</u>	<u>\$(875,637)</u>

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<u>Deferred Outflows of Resources</u>	<u>ARHCT</u>	<u>RMP</u>	<u>ODD</u>	<u>Total</u>
Changes in assumptions	\$452,259	\$ 45,830	\$ -	\$ 498,089
Changes in proportion and differences between City contributions and proportionate share of contributions	28,013	1,623	5,245	34,881
City contributions subsequent to the measurement date	<u>378,968</u>	<u>68,781</u>	<u>23,663</u>	<u>471,412</u>
Total Deferred Outflows of Resources Related to OPEB Plans	<u>\$859,240</u>	<u>\$116,234</u>	<u>\$28,908</u>	<u>\$1,004,382</u>
<u>Deferred Inflows of Resources</u>	<u>ARHCT</u>	<u>RMP</u>	<u>ODD</u>	<u>Total</u>
Difference between expected and actual experience	\$(229,023)	\$(7,014)	\$(43,222)	\$(279,259)
Changes in assumptions	(-)	(-)	(2,651)	(2,651)
Difference between projected and actual investment earnings	(149,241)	(1,045)	(916)	(151,202)
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>(94,336)</u>	<u>(316)</u>	<u>(22,125)</u>	<u>(116,777)</u>
Total Deferred Inflows of Resources Related to OPEB Plans	<u>\$(472,600)</u>	<u>\$(8,375)</u>	<u>\$(68,914)</u>	<u>\$(549,889)</u>

Amounts reported as deferred outflows of resources related to OPEB plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>ARHCT</u>	<u>RMP</u>	<u>ODD</u>	<u>Total</u>
2021	40,910	\$4,116	\$(9,627)	\$35,399
2022	(116,002)	4,116	(9,627)	(121,513)
2023	35,906	6,623	(8,360)	34,169
2024	46,858	6,579	(8,334)	45,103
2025	-	5,620	(8,758)	(3,138)
Thereafter	-	12,024	(18,963)	(6,937)
Total Amortization	<u>\$ 7,672</u>	<u>\$39,078</u>	<u>\$(63,669)</u>	<u>\$(16,919)</u>

Actuarial Assumptions

The total OPEB liability for each plan for the measurement period ended June 30, 2019 was determined by actuarial valuations as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019:

Actuarial cost method	Entry age normal, level percentage of payroll
Amortization method	Level percentage of payroll, closed
Inflation	2.50%
Salary Increases	Graded by service, from 7.75% to 2.75% for Peace Officer/Firefighter. Graded by service from 6.75% to 2.75% for all others
Investment Return/Discount Rate	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare Cost Trend Rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% EGWP: 8.5% grading down to 4.5%
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table project with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

In addition to the changes in assumptions resulting from the experience study, the following assumption changes have been made since the prior valuation:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.

2. Based on recent experience, the healthcare cost trend assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	24%	8.16%
Global ex-U.S. equity	22%	7.51%
Intermediate Treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2019 was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38%, as well as what the City's proportionate share of the respective plan's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>Proportional Share</u>	<u>1% Decrease (6.38%)</u>	<u>Current Discount Rate (7.38%)</u>	<u>1% Increase (8.38%)</u>
City's proportionate share of the net OPEB liability (asset)				
ARHCT	0.22969%	\$2,741,452	\$340,818	\$(1,633,966)
RMP	0.39578%	237,820	94,686	(13,073)
ODD	0.57178%	(131,498)	(138,628)	(144,391)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rates as summarized in the 2019 actuarial valuation reports as well as what the City's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>Proportional Share</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability (asset)				
ARHCT	0.22969%	\$(1,864,931)	\$340,818	\$3,032,663
RMP	0.39578%	(29,121)	94,686	264,167
ODD	0.57178%	n/a	n/a	n/a

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(c) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan is established under AS 39.30.300. The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rates

AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". As of July 1, 2019, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,121 per year for each full-time employee, and \$1.36 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2020, the City contributed \$151,561 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

F. Changes in Long-Term Obligations

Activity in long-term liabilities in governmental activities is as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due within one year</u>
Compensated absences	\$ 860,603	\$886,952	\$743,513	\$1,004,042	\$251,010
Library expansion bonds	<u>1,260,000</u>	<u>-</u>	<u>95,000</u>	<u>1,165,000</u>	<u>100,000</u>
Total governmental activities	<u>\$2,120,603</u>	<u>\$886,952</u>	<u>\$838,513</u>	<u>\$2,169,042</u>	<u>\$351,010</u>

Activity in long-term liabilities in business-type activities is as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due within one year</u>
Compensated absences	<u>\$2,898</u>	<u>\$5,353</u>	<u>\$1,228</u>	<u>\$7,023</u>	<u>\$1,756</u>

The City of Kenai has issued general obligation bonds for the expansion of the Kenai Community Library. The general obligation bonds pledge the full faith and credit of the City. Bonds in the amount of \$2,000,000 were issued on March 11, 2010. \$1,355,000 of the total was issued under the American Recovery and Reinvestment Act (ARRA) Recovery Zone Economic Development Bond Program and the remaining \$645,000 were issued utilizing traditional tax-exempt bonds.

A summary of bonds payable (in thousands) at June 30, 2020, is as follows:

Date of Issue	Issued	Interest Rate	Federal Interest Subsidy	Maturity Dates	Annual Installments	Federal Interest Subsidy	Net Installments	Outstanding June 30, 2020
3/11/10	\$1,355	5.99 - 6.34	2.70 - 2.85	2019 - 2030	\$81 - \$175	\$4 - \$38	\$77 - \$137	\$1,165
3/11/10	<u>645</u>	2.00 - 5.00	-	2012 - 2018	90	-	92 - 95	-
	<u>\$2,000</u>							<u>\$1,165</u>

Debt service requirements for the library expansion bonds at June 30, 2020 are as follows:

Fiscal Year	Governmental Activities			
	Principal	Interest	Interest Subsidy	Net Interest
2021	\$ 100,000	\$ 72,011	\$ 30,493	\$ 41,518
2022	105,000	66,018	27,956	38,062
2023	105,000	59,725	25,290	34,435
2024	110,000	53,433	22,627	30,806
2025	115,000	46,840	19,834	27,006
2026-2030	<u>630,000</u>	<u>122,381</u>	<u>51,824</u>	<u>70,557</u>
Total	<u>\$1,165,000</u>	<u>\$420,408</u>	<u>\$178,024</u>	<u>\$242,384</u>

Remaining unissued are \$2,000,000 in general obligation bonds authorized by City voters for the City's Kenai River Bluff Erosion Project.

The City has a legal debt limit equal to twenty percent of the assessed value of all real and personal property in the City. The 2019 Certified Main and Supplemental Tax Roles for the City showed total taxable assessed for real and personal property of \$894,277,362, making the legal debt limit \$178,855,472 for the City.

G. Interfund Receivables, Payables and Transfers

Amounts due from other funds are as follows:

Due to General Fund from -	
Airport Improvements Capital Project Fund for short-term capital financing	\$ <u>784,120</u>

Transfers between funds were as follows:

From General Fund to:	
Miscellaneous Capital Project Fund for capital costs	\$ 62,218
Nonmajor governmental funds for capital costs	337,800
Nonmajor governmental funds for debt service	139,853
Nonmajor governmental funds for operational costs	253,999
From Airport Special Revenue Fund to -	
Airport Improvements Capital Project Fund for capital costs	799,875
From Water & Sewer Special Revenue Fund to -	
Nonmajor governmental funds for capital costs	1,070,000
From Airport Land Sales Fund to -	
Airport Special Revenue Fund for operating costs	928,251
From nonmajor governmental funds to -	
General Fund for operational costs	<u>187,239</u>
Total transfers to other funds	<u>\$3,779,235</u>

H. Fund Balance Designations

Pursuant to GASB Statement Number 54, fund balances reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General	CARES Act Recovery Special Revenue	Airport Special Revenue	Water & Sewer Special Revenue	Airport Land Sales	Airport Improv. Capital Proj.	Miscellaneous Improv. Capital Proj.	Nonmajor and Other Funds	Totals
Nonspendable – Permanent fund	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,941,284	\$2,941,284
Restricted									
Airport purposes	-	-	-	-	25,631,649	-	-	-	25,631,649
Athletics	811,030	-	-	-	-	-	\$ -	-	811,030
Total restricted	811,030	-	-	-	25,631,649	-	\$ -	-	26,442,679
Committed:									
General Government									
Operations	19,174	-	-	-	-	-	-	-	19,174
Public safety capital	15,512	-	-	-	-	-	-	-	15,512
Parks, Recreation & Culture for capital	3,764	-	-	-	-	-	-	-	3,764
Capital Imp.	-	-	-	-	-	911,277	176,074	2,160,266	3,247,617
Budget stabilization	5,409,050	-	-	-	-	-	-	-	5,409,050
Subsequent years expenditures	600,060	-	-	-	-	-	-	-	600,060
Total committed	6,047,560	-	-	-	-	911,277	176,074	2,160,266	9,295,177
Assigned:									
Operational & capital contingency reserve	1,363,261	-	-	-	-	-	-	-	1,363,261
Compensated abs.	871,867	-	63,600	33,117	-	-	-	5,990	974,574
COVID-19 Recovery	-	200	-	-	-	-	-	-	200
Airport operations	-	-	3,459,519	-	-	-	-	-	3,459,519
Water & sewer operations	-	-	-	2,925,579	-	-	-	-	2,925,579
General Government Operations	-	-	-	-	-	-	-	310,737	310,737
Personal use fishery operations	-	-	-	-	-	-	-	195,332	195,332
Total assigned	2,235,128	200	3,523,119	2,958,696	-	-	-	512,059	9,229,202
Unassigned	4,196,674	-	-	-	-	-	-	(13,293)	4,183,381
Total fund balances	\$13,290,392	200	\$3,523,119	\$2,958,696	\$25,631,649	\$911,277	\$176,074	\$5,600,316	\$52,091,723

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; environmental contamination; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or Citywide activities being accounted for in the General Fund. The City purchases commercial insurance to transfer a substantial portion of the above risks of loss. Property insurance is purchased to provide coverage for buildings and heavy equipment, generally with deductibles of \$25,000. Various liability insurance policies are purchased to provide protection against torts, injuries, and errors and omissions. Most liability policies are written with low or zero deductibles. In addition to the deductibles on insurance policies, the City retains risk of loss related to certain potential liabilities and property damages. These include environmental liabilities, employment discrimination, and vehicle property losses. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The City analyzes potential losses on a case-by-case basis to determine amounts that should be accrued or disclosed in the financial statements.

J. Contingencies

The City is involved in lawsuits arising in the ordinary course of operations, including actions commenced and claims asserted against it. Management of the City does not believe that the ultimate resolution of these lawsuits and claims will have any material effect on its financial position or results of operations, and therefore, no provision has been made in the accompanying financial statements.

K. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, Alaska Governor Mike Dunleavy issued a Declaration of Public Health Disaster Emergency. The first confirmed case of COVID-19 was diagnosed in Alaska on March 12, 2020. On March 13, 2020, the

President of the United States issued a Proclamation declaring a National Emergency. On March 18, 2020, the Kenai City Manager declared a local disaster emergency. On the same day, the Kenai City Council extended the emergency declaration for 90 days and subsequently extended the emergency through December 31, 2020.

In subsequent months, the State of Alaska has extended emergency declarations and issued/refined emergency orders to allow for the closure and measured expansion of economic and social activities within the state. Travel mandates were imposed, and restrictions have been modified to allow for more travelers to enter the state for work, commerce, tourism, and other purposes. City facilities, businesses, recreational, cultural, and civic facilities have reopened with some restrictions and new measures designed to preserve the health of the public.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the full magnitude of the public health emergency and its effect on the City's future revenues, liquidity, and future operations is uncertain. City management continues to assess the effects of the public health emergency on the City's ongoing operations, workforce, suppliers, customers, constituents, and overall financial condition. To date, the City successfully deployed telework opportunities to most of its workforce; however, many functions, including police, fire, dispatch, and public works, require employees at work to be performed. In these departments, various mitigation steps have been taken to reduce the possibility of large-scale infection. These steps have proven successful with minimal City staff testing positive as of the date of this report and the City maintaining its services to residents.

On March 27, 2020 President Trump signed into law the "Coronavirus Relief and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. On May 11, 2020 the Legislative Budget and Audit Committee approved Alaska Governor Mike Dunleavy's Revised Program Legislative (RPL) process to distribute portions of Alaska's CARES Act funding directly to municipalities. On May 19 & 20, 2020 the Alaska House of Representatives and Senate respectively ratified the Governor's use of the RPL process approving the allocation of CARES Act funds directly to municipalities of which the City of Kenai received \$7,700,832.

Based on a review of period to date revenues posted through June 2020 and compared to the previous five years, the City projects a positive variance for general government revenues with the Coronavirus Relief and Economic Security (CARES) Act revenue provided to the City to assist in its response to this public health emergency and the positive performance of City sales tax. Revenue highlights include:

- City sales tax and property taxes have shown no sign of being negatively impacted by the public health emergency.
- The City suspended penalty and interest on utility fees to ease the financial burden on those who have experienced financial loss as a result of COVID-19, which will result in lower revenues. However, the decrease is not expected to be significant or negatively impact the utility's operations.
- The public health emergency may adversely impact the value of the City's investments held in marketable securities. Markets have significantly recovered from their lows in March 2020, but short-term interest rates were reduced with little likelihood of being increased in the coming year.
- The Kenai Municipal Airport lost one of its two major air carriers to bankruptcy as a result of the public health emergency. Through restructuring, the air carrier is expected to begin operations again in late 2020. Lost revenue as a result of travel mandates and airline shutdowns was absorbed utilizing a CARES Act Grant for airport operations through the Federal Aviation Administration.

CARES Act grants to the City as of this report date total \$12,099,377. Projected expenditures of these funds include:

Airport operations	\$ 1,622,758
First responder payroll	3,872,619
Business and not-for-profit recovery grants	4,969,000
Small business recovery marketing grants	50,000
Rent and mortgage assistance grants	1,000,000
Mental health services	50,000
Food assistance services	65,000
Senior citizen services	50,000
City administration and resiliency	<u>420,000</u>
	<u>\$12,099,377</u>

Management continues to monitor, with the assistance of the State of Alaska, this public health emergency by utilizing its Incident Management Team. The team meets weekly and more often as situations arise. With good management, hardworking and dedicated employees, and the City's excellent financial position, management feels the City is in a strong position to address uncertainties as they arise and resume normal operations after the public health emergency.

L. Subsequent Events

On July 7, 2020 the City issued \$1,050,000 in General Purpose Advanced Refunding Bonds Series One. Proceeds of \$1,213,482 were used to refund the remaining principal of \$1,165,000 in 2010B-1 General Purpose General Obligation Bonds, pay accrued interest of \$29,604 and pay costs of issuance of \$16,365. The remaining \$2,513 of proceeds will be used to reduce the subsequent year's debt service for the newly issued Refunding Bonds. The refunding resulted in a cash flow savings of \$132,171 and an economic gain of \$119,680.

M. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates as follows. The statements are being reviewed by management for potential financial reporting impacts.

GASB 87 – Leases – Effective for year-end June 30, 2021, with earlier application encouraged – This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 89 – Interest Costs – Effective for year-end June 30, 2021, with earlier application encouraged – This statement's objectives are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB 90 – Majority Equity Interests – Effective for year-end June 30, 2020, with earlier application encouraged – The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

GASB 91 – Conduit Debt Obligations - Effective for year-end June 30, 2022, with earlier application encouraged – This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements

associated with conduit obligations, and related note disclosures. This statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB 92 - *Omnibus 2020* – Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2021. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB 93 – *Replacement of Interbank Offered Rates* – The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end June 30, 2022. The requirements in paragraph 11b are required to be implemented for year-end June 30, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

GASB 95 – On May 8, 2020, in light of the COVID-19 Public Health Emergency, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement No. 92 which are postponed for eighteen months. Certain other provisions of Statement No. 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB 96 – *Subscription-Based Information Technology Arrangements* – Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes:				
General property	\$ 3,930,692	\$ 3,930,692	\$ 3,945,620	\$ 14,928
General sales	7,387,175	7,387,175	7,690,916	303,741
Penalty and interest on taxes	10,000	10,000	9,864	(136)
Total taxes	<u>11,327,867</u>	<u>11,327,867</u>	<u>11,646,400</u>	<u>318,533</u>
Intergovernmental revenues:				
Federal grants	-	76,795	78,083	1,288
Kenai Peninsula Borough	52,800	52,800	52,800	-
State of Alaska shared revenues:				
Marijuana licenses	2,500	2,500	3,200	700
Electric utility tax	33,000	33,000	29,294	(3,706)
Fish tax	130,000	130,000	61,247	(68,753)
Liquor licenses	25,000	25,000	20,500	(4,500)
Community Assistance	171,001	171,001	174,116	3,115
State of Alaska grants:				
Library grants	-	7,500	7,000	(500)
Police grants	100,028	101,155	106,393	5,238
PERS relief	470,553	470,553	479,272	8,719
Total intergovernmental revenues	<u>984,882</u>	<u>1,070,304</u>	<u>1,011,905</u>	<u>(58,399)</u>
Charges for services:				
Fees and charges:				
Ambulance fees	500,000	500,000	428,807	(71,193)
Multipurpose facility charges	130,000	130,000	114,014	(15,986)
Administrative and service fees	1,596,000	1,596,000	1,596,000	-
Other	8,500	8,500	29,243	20,743
Total fees and charges	<u>2,234,500</u>	<u>2,234,500</u>	<u>2,168,064</u>	<u>(66,436)</u>
Licenses and permits:				
Building permits	50,000	50,000	158,534	108,534
Animal control licenses and fees	46,000	46,000	92,937	46,937
Other	49,000	49,000	3,769	(45,231)
Total licenses and permits	<u>145,000</u>	<u>145,000</u>	<u>255,240</u>	<u>110,240</u>
Fines and forfeits:				
Court fines	50,000	50,000	41,851	(8,149)
Library fines	12,000	12,000	4,561	(7,439)
Other forfeitures	31,000	57,546	27,361	(30,185)
Total fines and forfeits	<u>93,000</u>	<u>119,546</u>	<u>73,773</u>	<u>(45,773)</u>
Total charges for services	<u>2,472,500</u>	<u>2,499,046</u>	<u>2,497,077</u>	<u>(1,969)</u>

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues, continued:				
Investment earnings	\$ 180,000	\$ 180,000	\$ 412,403	\$ 232,403
Miscellaneous revenues:				
Rents and leases	224,511	224,511	210,015	(14,496)
Oil and gas royalties	50,000	50,000	42,353	(7,647)
Special assessments	12,250	12,250	7,242	(5,008)
Other	48,585	97,098	185,534	88,436
Total miscellaneous revenues	<u>335,346</u>	<u>383,859</u>	<u>445,144</u>	<u>61,285</u>
 Total revenues	 <u>15,300,595</u>	 <u>15,461,076</u>	 <u>16,012,929</u>	 <u>551,853</u>
 Expenditures:				
General government:				
Legislative:				
Personal services	51,821	51,821	51,795	26
Supplies	4,500	5,150	1,825	3,325
Other services and charges	106,547	105,897	95,564	10,333
Total legislative	<u>162,868</u>	<u>162,868</u>	<u>149,184</u>	<u>13,684</u>
City clerk:				
Personal services	232,189	218,289	204,705	13,584
Supplies	21,595	39,556	38,164	1,392
Other services and charges	47,780	43,719	28,001	15,718
Total city clerk	<u>301,564</u>	<u>301,564</u>	<u>270,870</u>	<u>30,694</u>
City attorney:				
Personal services	310,606	310,606	300,856	9,750
Supplies	2,040	2,040	1,202	838
Other services and charges	36,140	36,140	14,857	21,283
Total city attorney	<u>348,786</u>	<u>348,786</u>	<u>316,915</u>	<u>31,871</u>
City manager:				
Personal services	344,929	349,829	339,423	10,406
Supplies	1,910	1,910	1,423	487
Other services and charges	17,375	17,375	16,688	687
Total city manager	<u>364,214</u>	<u>369,114</u>	<u>357,534</u>	<u>11,580</u>

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures, continued:				
General government, continued:				
Human resources:				
Personal services	\$ 165,702	\$ 165,702	\$ 164,919	\$ 783
Supplies	1,704	1,704	902	802
Other services and charges	5,639	5,639	1,364	4,275
Total finance	<u>173,045</u>	<u>173,045</u>	<u>167,185</u>	<u>5,860</u>
Finance:				
Personal services	675,268	675,268	640,582	34,686
Supplies	45,422	48,922	38,698	10,224
Other services and charges	18,335	19,835	14,759	5,076
Total finance	<u>739,025</u>	<u>744,025</u>	<u>694,039</u>	<u>49,986</u>
Non-departmental:				
Personal services	470,553	470,553	477,341	(6,788)
Supplies	39,730	39,730	32,539	7,191
Other services and charges	538,062	517,150	407,407	109,743
Total non-departmental	<u>1,048,345</u>	<u>1,027,433</u>	<u>917,287</u>	<u>110,146</u>
Planning and zoning:				
Personal services	198,222	198,222	189,821	8,401
Supplies	5,390	6,680	5,284	1,396
Other services and charges	31,610	30,320	13,410	16,910
Total planning and zoning	<u>235,222</u>	<u>235,222</u>	<u>208,515</u>	<u>26,707</u>
Safety:				
Supplies	1,100	1,100	-	1,100
Other services and charges	18,050	18,050	790	17,260
Total safety	<u>19,150</u>	<u>19,150</u>	<u>790</u>	<u>18,360</u>
Land administration:				
Personal services	1,114	1,114	2,060	(946)
Supplies	640	640	-	640
Other services and charges	19,600	19,600	4,946	14,654
Total land administration	<u>21,354</u>	<u>21,354</u>	<u>7,006</u>	<u>14,348</u>
 Total general government	<u>3,413,573</u>	<u>3,402,561</u>	<u>3,089,325</u>	<u>313,236</u>
Public safety:				
Police:				
Personal services	2,904,208	2,924,332	1,815,601	1,108,731
Supplies	207,171	214,893	209,392	5,501
Other services and charges	187,034	180,633	151,595	29,038
Capital outlays	-	26,170	10,658	15,512
Total police	<u>3,298,413</u>	<u>3,346,028</u>	<u>2,187,246</u>	<u>1,158,782</u>

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures, continued:				
Public safety, continued:				
Fire:				
Personal services	\$ 2,861,567	\$ 2,889,700	\$ 1,912,771	\$ 976,929
Supplies	78,990	103,189	95,283	7,906
Other services and charges	294,146	277,346	264,703	12,643
Total fire	<u>3,234,703</u>	<u>3,270,235</u>	<u>2,272,757</u>	<u>997,478</u>
Communications:				
Personal services	816,202	816,202	535,174	281,028
Supplies	8,330	8,455	7,565	890
Other services and charges	42,646	42,521	33,694	8,827
Total communications	<u>867,178</u>	<u>867,178</u>	<u>576,433</u>	<u>290,745</u>
Animal control:				
Personal services	302,619	302,619	271,223	31,396
Supplies	16,190	18,325	16,424	1,901
Other services and charges	122,995	121,645	116,147	5,498
Total animal control	<u>441,804</u>	<u>442,589</u>	<u>403,794</u>	<u>38,795</u>
Total public safety	<u>7,842,098</u>	<u>7,926,030</u>	<u>5,440,230</u>	<u>2,485,800</u>
Public works:				
Public works administration:				
Personal services	185,061	185,061	215,888	(30,827)
Supplies	4,860	4,860	3,479	1,381
Other services and charges	4,790	4,790	(56,156)	60,946
Total public works administration	<u>194,711</u>	<u>194,711</u>	<u>163,211</u>	<u>31,500</u>
Shop:				
Personal services	387,703	387,703	376,987	10,716
Supplies	159,107	163,607	163,111	496
Other services and charges	97,905	93,405	68,883	24,522
Total shop	<u>644,715</u>	<u>644,715</u>	<u>608,981</u>	<u>35,734</u>
Streets:				
Personal services	639,186	639,186	618,944	20,242
Supplies	120,480	118,996	108,316	10,680
Other services and charges	253,508	254,992	221,721	33,271
Total streets	<u>1,013,174</u>	<u>1,013,174</u>	<u>948,981</u>	<u>64,193</u>

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures, continued:				
Public works, continued:				
Dock:				
Personal services	\$ 30,869	\$ 30,869	\$ 31,919	\$ (1,050)
Supplies	7,150	7,150	5,409	1,741
Other services and charges	<u>28,047</u>	<u>28,047</u>	<u>13,515</u>	<u>14,532</u>
Total dock	<u>66,066</u>	<u>66,066</u>	<u>50,843</u>	<u>15,223</u>
Buildings:				
Personal services	279,745	279,745	269,021	10,724
Supplies	33,865	32,365	25,322	7,043
Other services and charges	<u>59,817</u>	<u>76,317</u>	<u>64,168</u>	<u>12,149</u>
Total buildings	<u>373,427</u>	<u>388,427</u>	<u>358,511</u>	<u>29,916</u>
Street lighting -				
Other services and charges	<u>190,602</u>	<u>190,602</u>	<u>177,965</u>	<u>12,637</u>
Total street lighting	<u>190,602</u>	<u>190,602</u>	<u>177,965</u>	<u>12,637</u>
Total public works	<u>2,482,695</u>	<u>2,497,695</u>	<u>2,308,492</u>	<u>189,203</u>
Parks, recreation, and cultural:				
Library:				
Personal services	669,931	666,431	592,374	74,057
Supplies	26,800	34,220	25,114	9,106
Other services and charges	<u>206,553</u>	<u>214,178</u>	<u>187,831</u>	<u>26,347</u>
Total library	<u>903,284</u>	<u>914,829</u>	<u>805,319</u>	<u>109,510</u>
Visitors center:				
Supplies	-	2,200	1,872	328
Other services and charges	<u>173,198</u>	<u>180,817</u>	<u>163,297</u>	<u>17,520</u>
Total visitors center	<u>173,198</u>	<u>183,017</u>	<u>165,169</u>	<u>17,848</u>
Parks, recreation & beautification:				
Personal services	515,110	515,110	480,944	34,166
Supplies	91,120	91,120	83,866	7,254
Other services and charges	<u>489,250</u>	<u>551,210</u>	<u>473,211</u>	<u>77,999</u>
Capital outlays	<u>6,000</u>	<u>22,800</u>	<u>19,394</u>	<u>3,406</u>
Total parks, recreation & beautification	<u>1,101,480</u>	<u>1,180,240</u>	<u>1,057,415</u>	<u>122,825</u>
Total parks, recreation, and cultural	<u>2,177,962</u>	<u>2,278,086</u>	<u>2,027,903</u>	<u>250,183</u>
Total expenditures	<u>15,916,328</u>	<u>16,104,372</u>	<u>12,865,950</u>	<u>3,238,422</u>

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Excess of revenues over (under) expenditures	\$ (615,733)	\$ (643,296)	\$ 3,146,979	\$ 3,790,275
Other financing sources (uses):				
Transfers in	174,252	174,252	187,239	12,987
Transfers out	<u>(781,205)</u>	<u>(794,114)</u>	<u>(793,870)</u>	<u>244</u>
Net other financing uses	<u>(606,953)</u>	<u>(619,862)</u>	<u>(606,631)</u>	<u>13,231</u>
Net changes in fund balance	<u>\$ (1,222,686)</u>	<u>\$ (1,263,158)</u>	2,540,348	<u>\$ 3,803,506</u>
Fund balance - July 1			<u>10,750,044</u>	
Fund balance - June 30			<u>\$ 13,290,392</u>	

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
CARES ACT RECOVERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues -				
Federal grants	\$ -	\$ 7,751,094	\$ 4,107,349	\$ (3,643,745)
Investment earnings	-	-	200	200
Total revenues	-	7,751,094	4,107,549	(3,643,545)
Expenditures:				
Social welfare services -				
Other services and charges	-	3,900,832	1,905,000	1,995,832
Total social welfare services	-	3,900,832	1,905,000	1,995,832
Public safety:				
Personal services	-	2,049,579	2,049,579	-
Supplies	-	510	510	-
Other services and charges	-	500,173	5,650	494,523
Total Public Safety	-	2,550,262	2,055,739	494,523
General government:				
Personal services	-	117,033	117,033	-
Supplies	-	29,445	29,445	-
Other services and charges	-	1,153,522	132	1,153,390
Total General Government	-	1,300,000	146,610	1,153,390
Total expenditures	-	7,751,094	4,107,349	3,643,745
Net changes in fund balance	\$ -	\$ -	200	\$ 200
Fund balance - July 1			-	
Fund balance - June 30			\$ 200	

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
AIRPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues	\$ 42,663	\$ 1,665,421	\$ 833,516	\$ (831,905)
Charge for services - landing fees	505,500	505,500	337,097	(168,403)
Investment earnings	35,000	35,000	136,276	101,276
Miscellaneous revenues:				
Rents and leases, including penalty and interest	986,387	986,387	936,426	(49,961)
Parking fees	250,000	250,000	170,366	(79,634)
Car rental commissions	180,000	180,000	211,756	31,756
Advertising commissions	9,000	9,000	13,268	4,268
Fuel flowage	15,000	15,000	11,113	(3,887)
Other	29,000	29,000	42,993	13,993
Total miscellaneous revenues	1,469,387	1,469,387	1,385,922	(83,465)
Total revenues	2,052,550	3,675,308	2,692,811	(982,497)
Expenditures: Airport				
Maintenance and operation:				
Personal services	368,562	368,562	383,198	(14,636)
Supplies	159,710	162,185	147,561	14,624
Other services and charges	318,923	320,438	300,332	20,106
	847,195	851,185	831,091	20,094
Expenditures chargeable from other funds	903,600	903,600	903,600	-
Total maintenance and operation	1,750,795	1,754,785	1,734,691	20,094
Administration:				
Personal services	245,081	245,081	217,386	27,695
Supplies	1,940	5,790	5,331	459
Other services and charges	42,786	1,648,279	18,248	1,630,031
	289,807	1,899,150	240,965	1,658,185
Expenditures chargeable from other funds	58,700	58,700	58,700	-
Total administration	348,507	1,957,850	299,665	1,658,185

See accompanying independent auditor's report and notes to required supplementary information.

**CITY OF KENAI, ALASKA
AIRPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
Expenditures, continued:				
Land:				
Personal services	\$ 79,931	\$ 79,931	\$ 75,569	\$ 4,362
Supplies	15,800	30,532	29,169	1,363
Other services and charges	<u>113,046</u>	<u>107,180</u>	<u>82,003</u>	<u>25,177</u>
Total land	<u>208,777</u>	<u>217,643</u>	<u>186,741</u>	<u>30,902</u>
Training facility -				
Other services and charges	<u>38,474</u>	<u>38,474</u>	<u>26,551</u>	<u>11,923</u>
Terminal:				
Personal services	198,783	198,783	194,701	4,082
Supplies	18,800	18,800	14,137	4,663
Other services and charges	321,501	321,501	278,190	43,311
Capital outlays	<u>10,269</u>	<u>10,828</u>	<u>11,221</u>	<u>(393)</u>
	549,353	549,912	498,249	51,663
Expenditures chargeable from				
other funds	<u>67,400</u>	<u>67,400</u>	<u>67,400</u>	<u>-</u>
Total terminal	<u>616,753</u>	<u>617,312</u>	<u>565,649</u>	<u>51,663</u>
Total expenditures	<u>2,963,306</u>	<u>4,586,064</u>	<u>2,813,297</u>	<u>1,772,767</u>
Excess of revenues over (under)				
expenditures	<u>(910,756)</u>	<u>(910,756)</u>	<u>(120,486)</u>	<u>790,270</u>
Other financing sources (uses):				
Transfers in	908,811	908,811	928,251	19,440
Transfers out	<u>(40,000)</u>	<u>(799,875)</u>	<u>(799,875)</u>	<u>-</u>
Net other financing sources (uses)	<u>868,811</u>	<u>108,936</u>	<u>128,376</u>	<u>19,440</u>
Net changes in fund balance	<u>\$ (41,945)</u>	<u>\$ (801,820)</u>	7,890	<u>\$ 809,710</u>
Fund balance - July 1			<u>3,515,229</u>	
Fund balance - June 30			<u>\$ 3,523,119</u>	

See accompanying independent auditor's report and notes to required supplementary information.

CITY OF KENAI, ALASKA
WATER AND SEWER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues -				
State grant	\$ 42,205	\$ 42,205	\$ 40,373	\$ (1,832)
Charges for services:				
Residential water	872,820	872,821	866,911	(5,910)
Commercial water	349,128	349,128	336,836	(12,292)
Residential sewer	1,245,428	1,245,429	1,229,742	(15,687)
Commercial sewer	484,901	484,901	483,645	(1,256)
Hook-up fees	3,065	3,063	1,803	(1,260)
Other	41,600	41,600	31,873	(9,727)
Total charges for services	<u>2,996,942</u>	<u>2,996,942</u>	<u>2,950,810</u>	<u>(46,132)</u>
Investment earnings	12,480	12,480	131,375	118,895
Miscellaneous revenues	3,000	3,000	12,424	9,424
Total revenues	<u>3,054,627</u>	<u>3,054,627</u>	<u>3,134,982</u>	<u>80,355</u>
Expenditures - water and sewer services:				
Water:				
Personal services	312,272	312,272	267,817	44,455
Supplies	160,165	160,165	125,607	34,558
Other services and charges	311,050	311,050	241,755	69,295
Capital outlays	7,000	51,345	51,345	-
	<u>790,487</u>	<u>834,832</u>	<u>686,524</u>	<u>148,308</u>
Expenditures chargeable from other funds	<u>91,100</u>	<u>91,100</u>	<u>91,100</u>	<u>-</u>
Total water	<u>881,587</u>	<u>925,932</u>	<u>777,624</u>	<u>148,308</u>
Sewer:				
Personal services	323,667	323,667	265,063	58,604
Supplies	35,045	35,045	16,063	18,982
Other services and charges	76,652	76,652	48,153	28,499
Capital outlays	20,262	20,262	-	20,262
	<u>455,626</u>	<u>455,626</u>	<u>329,279</u>	<u>126,347</u>
Expenditures chargeable from other funds	<u>51,700</u>	<u>51,700</u>	<u>51,700</u>	<u>-</u>
Total sewer	<u>507,326</u>	<u>507,326</u>	<u>380,979</u>	<u>126,347</u>

See accompanying independent auditor's report and notes to required supplementary information.

CITY OF KENAI, ALASKA
WATER AND SEWER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures - continued:				
Sewer treatment plant:				
Personal services	\$ 425,039	\$ 425,039	\$ 430,249	\$ (5,210)
Supplies	131,460	129,908	81,343	48,565
Other services and charges	529,345	530,897	408,598	122,299
Capital outlays	<u>25,000</u>	<u>25,000</u>	<u>18,881</u>	<u>6,119</u>
	1,110,844	1,110,844	939,071	171,773
Expenditures chargeable from other funds	<u>134,700</u>	<u>134,700</u>	<u>134,700</u>	<u>-</u>
Total sewer treatment plant	<u>1,245,544</u>	<u>1,245,544</u>	<u>1,073,771</u>	<u>171,773</u>
 Total expenditures	<u>2,634,457</u>	<u>2,678,802</u>	<u>2,232,374</u>	<u>446,428</u>
 Excess of revenues over expenditures	420,170	375,825	902,608	526,783
Other financing uses -				
Transfers out	<u>-</u>	<u>(1,070,000)</u>	<u>(1,070,000)</u>	<u>-</u>
 Net changes in fund balance	<u>\$ 420,170</u>	<u>\$ (694,175)</u>	<u>(167,392)</u>	<u>\$ 526,783</u>
 Fund balance - July 1			<u>3,126,088</u>	
 Fund balance - June 30			<u>\$ 2,958,696</u>	

See accompanying independent auditor's report and notes to required supplementary information.

CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - PENSION PLAN
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Years Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.22960%	0.25988%	0.25468%	0.30898%	0.26181%	0.18506%
City's proportionate share of the net pension liability	\$ 12,568,996	\$ 12,913,450	\$ 13,165,767	\$ 17,270,846	\$ 12,697,944	\$ 8,631,519
State of Alaska proportionate share of the net pension liability	4,992,668	3,738,518	4,904,181	2,174,127	3,401,936	7,550,147
Total net pension liability	<u>\$ 17,561,664</u>	<u>\$ 16,651,968</u>	<u>\$ 18,069,948</u>	<u>\$ 19,444,973</u>	<u>\$ 16,099,880</u>	<u>\$ 16,181,666</u>
City's covered payroll	\$ 8,087,981	\$ 7,992,166	\$ 7,663,488	\$ 4,180,200	\$ 4,415,909	\$ 4,739,928
City's proportionate share of the net pension liability as a percentage of payroll	155.40%	161.58%	171.80%	413.16%	287.55%	182.10%
Plan fiduciary net position as a percentage of the total pension liability	63.42%	65.19%	63.37%	59.55%	63.96%	62.37%

CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - PENSION PLAN
SCHEDULE OF THE CITY CONTRIBUTIONS

<u>Years Ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 948,738	\$ 1,020,687	\$ 1,048,639	\$ 891,552	\$ 811,111	\$ 780,934
Contributions Relative to the Contractually Required Contributions	948,738	1,020,687	1,048,639	891,552	811,111	780,934
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 8,382,999	\$ 8,087,981	\$ 7,992,166	\$ 7,663,488	\$ 4,180,200	\$ 4,415,909
Contributions as a Percentage of Covered Payroll	11.32%	12.62%	13.12%	11.63%	19.40%	17.68%

See accompanying independent auditor's report and notes to required supplementary information.

CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - OPEB PLANS
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

	ARHCT		RMP		ODD	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>
<u>Years Ended June 30,</u>						
City's proportion of the net OPEB liability (asset)	0.22969%	0.25984%	0.25476%	0.38325%	0.38843%	0.38843%
City's proportionate share of the net OPEB liability (asset)	\$ 340,818	\$ 2,666,667	\$ 2,117,245	\$ 94,686	\$ 48,769	\$ 20,257
State of Alaska proportionate share of the net OPEB liability (asset)	135,484	773,478	801,210	-	-	-
Total net OPEB liability (asset)	\$ 476,302	\$ 3,440,145	\$ 2,918,455	\$ 94,686	\$ 48,769	\$ 20,257
					\$ (138,628)	\$ (55,114)
City's covered payroll	\$ 3,311,701	\$ 3,629,421	\$ 3,646,870	\$ 4,776,280	\$ 4,362,745	\$ 4,016,618
City's proportionate share of the net OPEB liability (asset) as a percentage of payroll	10.29%	73.47%	58.06%	1.98%	1.12%	0.50%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	98.13%	88.12%	89.91%	83.17%	88.71%	93.98%
					297.43%	212.97%

CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - OPEB PLANS
SCHEDULE OF THE CITY CONTRIBUTIONS

	ARHCT		RMP		ODD	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>
<u>Years Ended June 30,</u>						
Contractually Required Contributions	\$ 378,968	\$ 369,797	\$ 298,905	\$ 68,781	\$ 46,446	\$ 44,678
Contributions Relative to the Contractually Required Contribution:	378,968	369,797	298,905	68,781	46,446	44,678
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
					\$ 23,663	\$ 23,345
City's Covered Payroll	\$ 3,137,494	\$ 3,311,701	\$ 3,629,421	\$ 3,646,870	\$ 4,776,280	\$ 4,362,745
Contributions as a Percentage of Covered Payroll	12.08%	11.17%	8.24%	1.89%	0.97%	1.02%
					0.59%	0.49%
						0.08%

See accompanying independent auditor's report and notes to required supplementary information.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

I. BUDGETARY COMPARISON SCHEDULES

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets. All annual appropriations lapse at a fiscal year end.

Budgets for the general fund, special revenue funds, debt service funds, permanent funds, enterprise funds and the Employee Health Care Internal Service Fund are annual budgets. Capital project fund budgets are project-length budgets. The Equipment Replacement and Fleet Management Funds, which are internal service funds, are not required to have budgets. The City Council approves all asset acquisitions for these funds by resolution.

Annual budgets must be submitted to the City Council by the City Manager during or prior to the sixth week preceding the first day of each fiscal year. The City Council must adopt an annual budget and set the tax rates not later than the tenth day of June for the following fiscal year.

Budgetary control (the level at which expenditures may not exceed budget) is maintained at the object class level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which would result in an overrun of object class balances are not released until additional appropriations are made available.

Amendments to appropriations may be made by the city administration by transfers within a fund in amounts less than \$5,000. Amendments within a fund in excess of \$5,000 may be made by the City Council with the passage of a resolution. All new appropriations are authorized by an appropriating ordinance that amends the annual budget.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined in Note 1-D-7. These commitments will be reappropriated and honored during the subsequent year.

II. PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLAN

Schedule of the City's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2020, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

In 2020, the discount rate was lowered from 8% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the City will present only those years for which information is available.

Schedule of City Contributions

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the City will present only those years for which information is available.

III. PUBLIC EMPLOYEES' RETIREMENT SYSTEM OPEB PLANS***Schedule of the City's Proportionate Share of the Net OPEB Asset and Liability***

This table is presented based on the Plan measurement date. For June 30, 2020, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the healthcare cost trend assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.
5. The discount rate was lowered from 8% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Changes in Methods:

As part of the experience study, the actuarial cost method for the retiree healthcare plan was changed from the Entry Age Level Dollar method to the Entry Age Level Percent of Pay method.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the City will present only those years for which information is available.

Schedule of City Contributions

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the City will present only those years for which information is available.

Other Governmental Funds

This section includes the Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, for the Airport Land Sales Permanent Fund, which is a major fund, as well as the Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances. It also includes a Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual for each nonmajor governmental fund that adopted an annual budget.

Special Revenue Funds

Special Revenue funds are used for specific revenues that are legally restricted to expenditures for a specific purpose.

Personal Use Fishery Fund – This fund accounts for the activities responding to the state of Alaska Personal Use Fishery where thousands of Alaskans harvest salmon at the mouth of the Kenai River. The primary source of revenue is from user fees. Activities include public safety, parks, recreation and culture, and public works.

Senior Citizen Fund - This fund accounts for the activities of the Senior Citizen Title III Grant Program which is substantially financed by intergovernmental revenues. Activities include social services and a nutrition program.

Airport Land Sales Fund - to account for the proceeds of airport land sales, including principal and interest on long-term notes. Airport Lands shall consist of all land owned by the City of Kenai and held by it for the use or benefit of the Kenai Municipal Airport under the terms of the 1963 Quitclaim Deed from United States of America recorded at Book 27, Page 303 at the Kenai Recording District, Kenai, Alaska. Additionally, any other land owned by the City and acquired with airport funds shall be Airport Lands. In any fiscal year, the amount available for appropriation for airport operations and capital needs will be based upon the five (5) year average of the fund's calendar year end market value. An amount not to exceed three and four-fifths percent (3.8%) of the five (5) year average market value may be distributed if the average market value is less than the fund's inflation adjusted principal balance. An amount not to exceed four and one-fifth percent (4.2%) of the five (5) year average market value may be distributed if the average market value is greater than the fund's inflation adjusted principal balance. Note that this is a major fund and is therefore not included in the Nonmajor Governmental Funds Combining Statements.

Capital Project Funds

Capital Project Funds are established to account for the resources expended to acquire assets of a relatively permanent nature. These funds evolved from the need for special accounting for bond proceeds, grants and contributions for the acquisition of capital assets. Capital Project Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of capital projects fund revenue, that their requirements regarding the use of the revenue were fully satisfied.

Parks and Recreation Fund - to account for capital improvements to City parks and recreation facilities. Financing is primarily from General Fund transfers and state grants.

Streets Fund – to account for capital improvements to City streets, sidewalks, curbs and gutters, or street lighting systems. Financing is primarily by state grants and transfers from the General Fund.

Water & Sewer Fund – to account for capital improvements to the City's water and sewer system. Financing is primarily by federal and state grants and transfers from the Water and Sewer Special Revenue Fund.

New City Shop Construction Fund – to account for the project to construct a new heavy equipment warm storage facility. Financing is primarily by state grants.

Debt Service Fund

2010 Bond Debt Service Fund – to account for the accumulation of monies for payment of general obligation bonds issued for the 2010 expansion of the Kenai Community Library.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used.

General Government Land Sales Fund - to account for the proceeds of general government land sales, including principal and interest on long-term notes. By City Charter, the principal cannot be spent but revenues earned on the monies may be used for any lawful purpose. Appropriations from the Fund shall be limited to the lesser of the cumulative earnings at calendar year end for the fund or four percent (4%) of the fund's fair market value as of December 31st of each year. "Cumulative earnings" is defined as the market value at calendar year end minus the fund's inflation adjusted principal balance.

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**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020**

ASSETS	Special Revenue		Capital Project		
	Personal Use Fishery	Senior Citizen	Parks and Recreation	Streets	Water and Sewer
Equity in central treasury (cash and investments)	\$ 205,817	\$ 3,861	\$ 359,803	\$ 393,355	\$ 1,270,919
Intergovernmental receivables	-	18,910	-	22,331	98,008
Other accounts receivable, net	-	9,440	-	-	-
Total assets	<u>\$ 205,817</u>	<u>\$ 32,211</u>	<u>\$ 359,803</u>	<u>\$ 415,686</u>	<u>\$ 1,368,927</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,495	\$ 21,324	\$ -	\$ 7,765	\$ 1,054
Accrued payroll and payroll liabilities	-	16,360	-	-	-
Other liabilities	-	7,820	-	-	-
Total liabilities	<u>4,495</u>	<u>45,504</u>	<u>-</u>	<u>7,765</u>	<u>1,054</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Committed	-	-	359,803	407,921	1,367,873
Assigned	201,322	-	-	-	-
Unassigned (deficit)	-	(13,293)	-	-	-
Total fund balances (deficit)	<u>201,322</u>	<u>(13,293)</u>	<u>359,803</u>	<u>407,921</u>	<u>1,367,873</u>
Total liabilities and fund balances	<u>\$ 205,817</u>	<u>\$ 32,211</u>	<u>\$ 359,803</u>	<u>\$ 415,686</u>	<u>\$ 1,368,927</u>

<u>Capital Project</u>	<u>Debt Service</u>	<u>Permanent</u>	
<u>New City Shop Construction</u>	<u>2010 Bond Debt Service</u>	<u>General Government Land Sales</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 24,669	\$ -	\$ 3,242,782	\$ 5,501,206
-	-	-	139,249
-	-	9,688	19,128
<u>\$ 24,669</u>	<u>\$ -</u>	<u>\$ 3,252,470</u>	<u>\$ 5,659,583</u>
\$ -	\$ -	\$ 449	\$ 35,087
-	-	-	16,360
-	-	-	7,820
-	-	449	59,267
-	-	2,941,284	2,941,284
24,669	-	-	2,160,266
-	-	310,737	512,059
-	-	-	(13,293)
<u>24,669</u>	<u>-</u>	<u>3,252,021</u>	<u>5,600,316</u>
<u>\$ 24,669</u>	<u>\$ -</u>	<u>\$ 3,252,470</u>	<u>\$ 5,659,583</u>

**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	Special Revenue		Capital Project		
	Personal Use Fishery	Senior Citizen	Parks and Recreation	Streets	Water and Sewer
Revenues:					
Intergovernmental revenues	\$ 3,355	\$ 372,690	\$ -	\$ 32,699	\$ 751,389
Charges for services	411,521	-	-	-	-
Investment earnings	8,836	-	-	-	-
Miscellaneous revenues	-	290,556	-	-	-
Total revenues	<u>423,712</u>	<u>663,246</u>	<u>-</u>	<u>32,699</u>	<u>751,389</u>
Expenditures:					
Public safety	81,775	-	-	-	-
Water and sewer services	-	-	-	-	1,079,770
Social welfare services	-	903,809	-	-	-
Parks, recreation and cultural	206,172	-	50,651	-	-
Public works	83,237	-	-	32,699	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>371,184</u>	<u>903,809</u>	<u>50,651</u>	<u>32,699</u>	<u>1,079,770</u>
Excess of revenues over (under) expenditures	52,528	(240,563)	(50,651)	-	(328,381)
Other financing sources (uses):					
Transfers in	-	253,999	137,800	200,000	1,070,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(50,000)</u>	<u>253,999</u>	<u>137,800</u>	<u>200,000</u>	<u>1,070,000</u>
Net changes in fund balances	2,528	13,436	87,149	200,000	741,619
Fund balances - July 1	<u>198,794</u>	<u>(26,729)</u>	<u>272,654</u>	<u>207,921</u>	<u>626,254</u>
Fund balances (deficit) - June 30	<u>\$ 201,322</u>	<u>\$ (13,293)</u>	<u>\$ 359,803</u>	<u>\$ 407,921</u>	<u>\$ 1,367,873</u>

<u>Capital Project</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total</u>
<u>New City Shop Construction</u>	<u>2010 Bond Debt Service</u>	<u>General Government Land Sales</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 32,851	\$ -	\$ 1,192,984
-	-	-	411,521
-	-	93,670	102,506
-	-	-	290,556
-	32,851	93,670	1,997,567
-	-	-	81,775
-	-	-	1,079,770
-	-	-	903,809
-	-	-	256,823
-	-	-	115,936
-	95,000	-	95,000
-	77,704	-	77,704
-	172,704	-	2,610,817
-	(139,853)	93,670	(613,250)
-	139,853	-	1,801,652
-	-	(137,239)	(187,239)
-	139,853	(137,239)	1,614,413
-	-	(43,569)	1,001,163
24,669	-	3,295,590	4,599,153
<u>\$ 24,669</u>	<u>\$ -</u>	<u>\$ 3,252,021</u>	<u>\$ 5,600,316</u>

**CITY OF KENAI, ALASKA
PERSONAL USE FISHERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues - State grant	\$ 4,637	\$ 3,355	\$ (1,282)
Charge for services - Parking, camping, and boat launch	432,175	411,521	(20,654)
Investment earnings	<u>750</u>	<u>8,836</u>	<u>8,086</u>
Total revenues	<u>437,562</u>	<u>423,712</u>	<u>(13,850)</u>
Expenditures:			
Public safety:			
Personal services	34,990	28,663	6,327
Other services and charges	<u>656</u>	<u>612</u>	<u>44</u>
	35,646	29,275	6,371
Expenditures chargeable from other funds	<u>52,500</u>	<u>52,500</u>	<u>-</u>
Total public safety	<u>88,146</u>	<u>81,775</u>	<u>6,371</u>
Public works - Streets:			
Personal services	25,409	16,682	8,727
Supplies	5,200	2,416	2,784
Other services and charges	<u>21,081</u>	<u>8,045</u>	<u>13,036</u>
	51,690	27,143	24,547
Expenditures chargeable from other funds	<u>3,600</u>	<u>3,600</u>	<u>-</u>
Total public works - streets	<u>55,290</u>	<u>30,743</u>	<u>24,547</u>
Parks, recreation and cultural:			
Personal services	106,794	84,620	22,174
Supplies	4,450	3,498	952
Other services and charges	<u>109,218</u>	<u>93,154</u>	<u>16,064</u>
	220,462	181,272	39,190
Expenditures chargeable from other funds	<u>24,900</u>	<u>24,900</u>	<u>-</u>
Total parks, recreation and cultural	<u>245,362</u>	<u>206,172</u>	<u>39,190</u>

**CITY OF KENAI, ALASKA
PERSONAL USE FISHERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures, continued:			
Public works - Dock:			
Personal services	\$ 49,038	\$ 34,555	\$ 14,483
Supplies	1,900	1,042	858
Other services and charges	<u>7,341</u>	<u>10,897</u>	<u>(3,556)</u>
	58,279	46,494	11,785
Expenditures chargeable from other funds	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total public works - dock	<u>64,279</u>	<u>52,494</u>	<u>11,785</u>
 Total expenditures	 <u>453,077</u>	 <u>371,184</u>	 <u>81,893</u>
 Excess of revenues over (under) expenditures	 (15,515)	 52,528	 68,043
Other financing uses -			
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
 Net changes in fund balance	 <u><u>\$ (65,515)</u></u>	 2,528	 <u><u>\$ 68,043</u></u>
 Fund balance - July 1		 <u>198,794</u>	
 Fund balance - June 30		 <u><u>\$ 201,322</u></u>	

**CITY OF KENAI, ALASKA
SENIOR CITIZEN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues:			
State grants	\$ 224,206	\$ 226,012	\$ 1,806
Federal grants	20,000	20,471	471
Kenai Peninsula Borough grant	126,207	126,207	-
Total intergovernmental revenues	<u>370,413</u>	<u>372,690</u>	<u>2,277</u>
Miscellaneous revenues:			
Choice Waiver reimbursement	125,000	117,208	(7,792)
United Way grants	15,000	-	(15,000)
Rents and leases	13,000	9,811	(3,189)
Donations	168,000	143,442	(24,558)
Other	20,300	20,095	(205)
Total miscellaneous revenues	<u>341,300</u>	<u>290,556</u>	<u>(50,744)</u>
Total revenues	<u>711,713</u>	<u>663,246</u>	<u>(48,467)</u>
Expenditures - social welfare services:			
Social services:			
Personal services	111,542	110,284	1,258
Supplies	2,546	2,199	347
Other services and charges	24,927	20,928	3,999
Capital outlays	14,100	-	14,100
	153,115	133,411	19,704
Expenditures chargeable from other funds	<u>38,300</u>	<u>38,300</u>	<u>-</u>
Total social services	<u>191,415</u>	<u>171,711</u>	<u>19,704</u>
Congregate meals:			
Personal services	127,750	127,696	54
Supplies	79,769	57,286	22,483
Other services and charges	23,732	21,615	2,117
	231,251	206,597	24,654
Expenditures chargeable from other funds	<u>42,400</u>	<u>42,400</u>	<u>-</u>
Total congregare meals	<u>273,651</u>	<u>248,997</u>	<u>24,654</u>
Home delivered meals:			
Personal services	109,807	109,809	(2)
Supplies	88,907	75,430	13,477
Other services and charges	18,130	14,381	3,749
	216,844	199,620	17,224

**CITY OF KENAI, ALASKA
SENIOR CITIZEN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures - social welfare services - continued:			
Home delivered meals - continued:			
Expenditures chargeable from			
other funds	\$ 36,600	\$ 36,600	\$ -
Total home delivered meals	<u>253,444</u>	<u>236,220</u>	<u>17,224</u>
Transportation:			
Personal services	64,271	63,204	1,067
Supplies	6,296	5,848	448
Other services and charges	<u>12,229</u>	<u>10,214</u>	<u>2,015</u>
	82,796	79,266	3,530
Expenditures chargeable from			
other funds	<u>21,800</u>	<u>21,800</u>	<u>-</u>
Total transportation	<u>104,596</u>	<u>101,066</u>	<u>3,530</u>
Choice Waiver:			
Personal services	76,374	77,368	(994)
Supplies	44,137	28,115	16,022
Other services and charges	<u>20,055</u>	<u>14,832</u>	<u>5,223</u>
	140,566	120,315	20,251
Expenditures chargeable from			
other funds	<u>25,500</u>	<u>25,500</u>	<u>-</u>
Total Choice Waiver	<u>166,066</u>	<u>145,815</u>	<u>20,251</u>
Total expenditures	<u>989,172</u>	<u>903,809</u>	<u>85,363</u>
Excess of revenues over (under)			
expenditures	(277,459)	(240,563)	36,896
Other financing sources -			
Transfers in	<u>253,999</u>	<u>253,999</u>	<u>-</u>
Net changes in fund balance	<u>\$ (23,460)</u>	13,436	<u>\$ 36,896</u>
Fund deficit - July 1		<u>(26,729)</u>	
Fund (deficit) - June 30		<u><u>\$ (13,293)</u></u>	

**CITY OF KENAI, ALASKA
2010 BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues - intergovernmental	\$ 34,264	32,851	\$ (1,413)
Expenditures - debt service:			
Principal	95,000	95,000	-
Interest	77,704	77,704	-
Total expenditures	<u>172,704</u>	<u>172,704</u>	<u>-</u>
Excess of revenues over (under) expenditures	(138,440)	(139,853)	(1,413)
Other financing sources -			
Transfers in	<u>143,402</u>	<u>139,853</u>	<u>(3,549)</u>
Net changes in fund balance	<u>\$ 4,962</u>	-	<u>\$ 4,962</u>
Fund balance - July 1		<u>-</u>	
Fund balance - June 30		<u>\$ -</u>	

CITY OF KENAI, ALASKA
GENERAL GOVERNMENT LAND SALES PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues -			
Investment earnings	\$ 188,816	\$ 93,670	\$ (95,146)
Other financing uses -			
Transfers out	(137,239)	(137,239)	-
Net changes in fund balance	<u>\$ 51,577</u>	(43,569)	<u>\$ (95,146)</u>
Fund balance - July 1		<u>3,295,590</u>	
Fund balance - June 30		<u>\$ 3,252,021</u>	

CITY OF KENAI, ALASKA
 AIRPORT LAND SALES FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Investment earnings	\$ 1,362,996	\$ 805,564	\$ (557,432)
Land sales	<u>-</u>	<u>616,250</u>	<u>616,250</u>
Total revenues	<u>1,362,996</u>	<u>1,421,814</u>	<u>58,818</u>
Other financing uses -			
Transfers out	<u>(928,251)</u>	<u>(928,251)</u>	<u>-</u>
Net changes in fund balance	<u>\$ 434,745</u>	493,563	<u>\$ 58,818</u>
Fund balance - July 1		<u>25,138,086</u>	
Fund balance - June 30		<u>\$ 25,631,649</u>	

Internal Service Funds

This section includes the Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, and the Combining Statement of Cash Flows for the Internal Service Funds.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis.

Equipment Replacement Fund – This fund accounts for the purchase of equipment costing more than \$50,000 that will be used by the General Fund departments on a cost-reimbursement basis.

Fleet Replacement Fund – This fund is used to account for the purchase of fleet vehicles used by General and Senior Citizen Fund departments on a cost-reimbursable basis.

Employee Health Care Fund – This fund accounts for the cost of administering and providing healthcare to all eligible City employees. Charges to City departments are on a cost-reimbursement basis.

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Governmental Activities - Internal Service Funds</u>			Total
	<u>Equipment</u>	<u>Fleet</u>	<u>Employee Health</u>	<u>Internal Service</u>
ASSETS	<u>Replacement</u>	<u>Replacement</u>	<u>Care</u>	<u>Funds</u>
Current assets:				
Equity in central treasury (cash and investments)	\$ 1,426,333	\$ -	\$ 719,323	\$ 2,145,656
Deposits with others	-	-	11,371	11,371
Total current assets	<u>1,426,333</u>	<u>-</u>	<u>730,694</u>	<u>2,157,027</u>
Noncurrent assets:				
Property and equipment in service, at cost -				
Equipment	4,037,511	1,570,147	-	5,607,658
Less accumulated depreciation	<u>(1,669,865)</u>	<u>(1,297,522)</u>	<u>-</u>	<u>(2,967,387)</u>
Total noncurrent assets	<u>2,367,646</u>	<u>272,625</u>	<u>-</u>	<u>2,640,271</u>
Total assets	<u>\$ 3,793,979</u>	<u>\$ 272,625</u>	<u>\$ 730,694</u>	<u>\$ 4,797,298</u>
LIABILITIES				
Current liabilities:				
Accounts payable operating activities	\$ -	\$ -	\$ 509	\$ 509
Accounts payable capital and related financing activities	<u>13,077</u>	<u>-</u>	<u>-</u>	<u>13,077</u>
Total current liabilities	<u>13,077</u>	<u>-</u>	<u>509</u>	<u>13,586</u>
NET POSITION				
Investment in capital assets	2,367,646	272,625	-	2,640,271
Unrestricted	<u>1,413,256</u>	<u>-</u>	<u>730,185</u>	<u>2,143,441</u>
Total net position	<u>3,780,902</u>	<u>272,625</u>	<u>730,185</u>	<u>4,783,712</u>
Total liabilities and net position	<u>\$ 3,793,979</u>	<u>\$ 272,625</u>	<u>\$ 730,694</u>	<u>\$ 4,797,298</u>

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Governmental Activities - Internal Service Funds			Total
	<u>Equipment Replacement</u>	<u>Fleet Replacement</u>	<u>Employee Health Care</u>	<u>Internal Service Funds</u>
Operating revenues -				
Other revenue	\$ 321,754	\$ -	\$ 2,712,896	\$ 3,034,650
Operating expenses:				
Depreciation	185,844	-	-	185,844
Insurance/benefits	-	-	2,373,777	2,373,777
Administration	-	-	38,051	38,051
Total operating expenses	<u>185,844</u>	<u>-</u>	<u>2,411,828</u>	<u>2,597,672</u>
Operating income	135,910	-	301,068	436,978
Nonoperating revenues:				
Gain on sale of capital assets	24,050	-	-	24,050
Investment earnings	<u>44,273</u>	<u>-</u>	<u>21,806</u>	<u>66,079</u>
Total nonoperating revenues	<u>68,323</u>	<u>-</u>	<u>21,806</u>	<u>90,129</u>
Income before capital contributions	204,233	-	322,874	527,107
Capital contributions:				
Capital grant	400,000	-	-	400,000
Capital contribution from governmental activities	<u>-</u>	<u>272,625</u>	<u>-</u>	<u>272,625</u>
Total capital contributions	<u>400,000</u>	<u>272,625</u>	<u>-</u>	<u>672,625</u>
Changes in net position	604,233	272,625	322,874	1,199,732
Net position - July 1	<u>3,176,669</u>	<u>-</u>	<u>407,311</u>	<u>3,583,980</u>
Net position - June 30	<u>\$ 3,780,902</u>	<u>\$ 272,625</u>	<u>\$ 730,185</u>	<u>\$ 4,783,712</u>

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	<u>Governmental Activities - Internal Service Funds</u>			Total
	<u>Equipment Replacement</u>	<u>Fleet Replacement</u>	<u>Employee Health Care</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:				
Receipts for interfund services	\$ 321,754	\$ -	\$ 2,436,200	\$ 2,757,954
Receipts for services from others	-	-	276,695	276,695
Payments to suppliers	-	-	(2,423,038)	(2,423,038)
Net cash provided by operating activities	<u>321,754</u>	<u>-</u>	<u>289,857</u>	<u>611,611</u>
Cash flows from capital and related financing activities:				
State capital grant	400,000	-	-	400,000
Proceeds from sale of capital assets	73,300	-	-	73,300
Acquisition of capital assets	<u>(411,465)</u>	<u>-</u>	<u>-</u>	<u>(411,465)</u>
Net cash provided by capital and related financing activities	<u>61,835</u>	<u>-</u>	<u>-</u>	<u>61,835</u>
Cash flows from investing activities -				
Investment earnings received	<u>44,272</u>	<u>-</u>	<u>21,806</u>	<u>66,078</u>
Net increase in cash and cash equivalents	427,861	-	311,663	739,524
Cash and cash equivalents - July 1	<u>998,472</u>	<u>-</u>	<u>407,660</u>	<u>1,406,132</u>
Cash and cash equivalents - June 30	<u>\$ 1,426,333</u>	<u>\$ -</u>	<u>\$ 719,323</u>	<u>\$ 2,145,656</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 135,910	\$ -	\$ 301,068	\$ 436,978
Adjustments to reconcile operating income to net cash provided by operating activities:				
Deposits with others	-	-	(11,371)	(11,371)
Depreciation	185,844	-	-	185,844
Accounts payable	-	-	160	160
Net cash provided by operating activities	<u>\$ 321,754</u>	<u>\$ -</u>	<u>\$ 289,857</u>	<u>\$ 611,611</u>

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Fiduciary Fund

Through a management agreement, the City manages the donations of the Kenai Community Foundation and Kenai Senior Connection, 501(c)(3) not-for-profit entities, whose purpose are to support the Kenai Senior Center, museums, parks and recreation, music, fine arts, library, and historic purposes within Kenai's city limits. The City's sole purpose is management of the Foundations' donations; all decisions regarding the Foundations' awards are made by the Foundations and not the City.

**CITY OF KENAI, ALASKA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2020**

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Assets:				
Equity in central treasury (cash and investments)	\$ 189,330	\$ 1,011,300	\$ 35,566	\$ 1,165,064
Interest receivable	<u>512</u>	<u>3,420</u>	<u>512</u>	<u>3,420</u>
Total assets	<u>\$ 189,842</u>	<u>\$ 1,014,720</u>	<u>\$ 36,078</u>	<u>\$ 1,168,484</u>
Liabilities				
Due to Kenai Senior Connection	\$ -	\$ 1,000,000	\$ 21,383	\$ 978,753
Due to Kenai Community Foundation	<u>189,842</u>	<u>20,318</u>	<u>20,429</u>	<u>189,731</u>
Total liabilities	<u>\$ 189,842</u>	<u>\$ 1,020,318</u>	<u>\$ 41,812</u>	<u>\$ 1,168,484</u>

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CITY OF KENAI, ALASKA

Statistical Section

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

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Table I	Net Position by Component
Table II	Change in Net Position
Table III	Governmental Activities Tax Revenues by Source
Table IV	Fund Balances of Governmental Funds
Table V	Changes in Fund Balances of Governmental Funds
Table VI	General Governmental Tax Revenues by Source

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.

Table VII	Taxable Sales by Category
Table VIII	Sales Tax Rates – Direct and Overlapping Governments

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Table IX	Ratios of Outstanding Debt by Type
Table X	Computation of Direct and Overlapping Debt
Table XI	Legal Debt Margin Information

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Table XII	Demographic and Economic Statistics
Table XIII	Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Table XIV	Full-time Equivalent City Government Employees by Fund
Table XV	Operating Indicators by Function
Table XVI	Capital Asset Statistics by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KENAI, ALASKA

TABLE I

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 133,264	\$ 136,834	\$ 135,780	\$ 138,334	\$ 137,296	\$ 141,096	\$ 143,098	\$ 140,725	\$ 144,824	\$ 153,447
Nonspendable	2,536	2,557	2,690	2,912	2,888	2,943	3,050	3,130	3,296	2,941
Restricted	22,061	21,313	22,581	24,703	24,258	23,627	24,908	25,275	25,879	26,443
Unrestricted	19,760	18,118	18,333	16,834	8,810	8,188	6,718	4,792	5,847	12,907
Total governmental activities net position	\$ 177,621	\$ 178,822	\$ 179,384	\$ 182,783	\$ 173,252	\$ 175,854	\$ 177,774	\$ 173,922	\$ 179,846	\$ 195,738
Business-type activities:										
Net investment in capital assets	\$ 3,236	\$ 3,110	\$ 2,983	\$ 3,071	\$ 3,051	\$ 2,958	\$ 2,818	\$ 2,677	\$ 2,544	\$ 2,404
Unrestricted	422	483	525	469	419	474	507	570	680	761
Total business-type activities net position	\$ 3,658	\$ 3,593	\$ 3,508	\$ 3,540	\$ 3,470	\$ 3,432	\$ 3,325	\$ 3,247	\$ 3,224	\$ 3,165
Primary government:										
Net investment in capital assets	\$ 136,500	\$ 139,944	\$ 138,763	\$ 141,405	\$ 140,347	\$ 144,054	\$ 145,916	\$ 143,402	\$ 147,368	\$ 155,851
Nonspendable	2,536	2,557	2,690	2,912	26,599	2,943	27,330	27,723	28,433	2,941
Restricted	22,061	21,313	22,581	24,703	547	23,627	628	682	742	26,443
Unrestricted	20,182	18,601	18,858	17,303	9,229	8,662	7,225	5,362	6,527	13,668
Total primary government net position	\$ 181,279	\$ 182,415	\$ 182,892	\$ 186,323	\$ 176,722	\$ 179,286	\$ 181,099	\$ 177,169	\$ 183,070	\$ 198,903

CITY OF KENAI, ALASKA

TABLE II

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 2,032,773	\$ 2,206,779	\$ 2,439,331	\$ 2,276,930	\$ 4,097,380	\$ 2,801,225	\$ 2,748,439	\$ 2,099,053	\$ 2,274,910	\$ 2,472,944
Public safety	6,355,308	6,923,478	7,227,242	7,290,465	5,899,643	8,245,995	8,566,917	7,105,250	6,404,703	7,089,487
Public works	3,078,924	2,978,015	3,239,199	3,393,308	3,666,985	3,377,640	3,445,146	3,171,355	2,869,590	2,843,272
Parks, recreation, and cultural	1,778,405	2,188,839	2,462,796	2,630,547	2,355,007	2,828,177	2,946,836	4,087,141	2,459,644	2,279,505
Water and sewer services	2,289,895	2,382,284	3,465,896	2,711,305	2,237,426	2,832,563	2,900,224	2,919,777	2,917,208	2,734,796
Airport	-	3,520,577	4,071,061	4,126,256	4,188,728	3,518,240	3,718,663	3,566,203	3,561,832	3,555,513
Interest on long-term debt	100,963	101,973	100,286	97,997	95,599	92,947	89,548	86,098	83,131	76,405
Social welfare services	627,053	688,467	735,695	764,903	683,025	876,393	887,260	791,140	711,220	2,611,090
Total governmental activities expenses	16,263,321	20,990,412	23,741,506	23,291,711	23,223,793	24,573,180	25,303,033	23,826,017	21,282,238	23,663,012
Business-type activities -										
Senior housing	406,950	437,943	417,368	436,635	454,429	425,986	497,633	475,300	455,468	491,298
Total primary government expenses	\$ 16,670,271	\$ 21,428,355	\$ 24,158,874	\$ 23,728,346	\$ 23,678,222	\$ 24,999,166	\$ 25,800,666	\$ 24,301,317	\$ 21,737,706	\$ 24,154,310
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 462,713	\$ 395,389	\$ 746,088	\$ 423,213	\$ 421,241	\$ 346,625	\$ 991,000	\$ 479,150	\$ 571,269	\$ 1,147,003
Public safety	560,938	511,855	508,238	490,679	360,893	575,406	515,321	524,608	542,252	552,865
Public works	159,821	88,904	95,948	109,243	75,585	57,451	44,816	91,340	70,413	185,419
Parks, recreation, and cultural	281,098	308,624	373,406	584,368	670,565	680,232	698,805	657,627	492,815	531,178
Water and sewer services	1,774,376	1,862,807	2,193,650	2,296,383	2,485,588	2,612,383	2,766,181	2,857,191	2,864,820	2,956,313
Airport	1,543,493	1,728,173	1,793,571	1,881,848	1,977,259	1,993,493	2,013,421	1,914,438	2,018,547	1,715,419
Social welfare services	103,870	109,051	114,492	81,482	93,728	96,913	98,539	188,787	184,657	153,348
Operating grants and contributions	1,938,335	2,715,647	3,018,480	2,816,810	2,175,350	2,015,450	1,473,514	1,462,609	1,156,177	6,562,230
Capital grants and contributions	8,604,886	4,986,606	3,549,973	4,799,694	2,424,814	7,166,204	5,642,845	2,382,392	6,267,732	12,449,981
Total governmental activities program revenues	15,429,530	12,707,056	12,393,846	13,483,720	10,685,023	15,544,157	14,244,442	10,558,142	14,168,682	26,253,756

Business-type activities:												
Charges for services -												
Senior housing	289,336	322,355	326,940	346,435	365,450	382,330	386,708	394,318	408,188	402,475		
Operating grants and contributions	2,087	23,189	7,900	4,940	16,482	2,077	1,780	1,153	1,995	3,008		
Total business-type activities	291,423	345,544	334,840	351,375	381,932	384,407	388,488	395,471	410,183	405,483		
program revenues												
Total primary government	\$ 15,720,953	\$ 13,052,600	\$ 12,728,686	\$ 13,835,095	\$ 11,066,955	\$ 15,928,564	\$ 14,632,930	\$ 10,953,613	\$ 14,578,865	\$ 26,659,239		
program revenues												
Net (expenses)/revenue:												
Governmental activities	\$ (4,126,612)	\$ (8,283,356)	\$ (11,347,660)	\$ (9,807,991)	\$ (12,538,770)	\$ (9,029,023)	\$ (11,058,591)	\$ (13,267,875)	\$ (7,113,556)	\$ 2,590,744		
Business-type activities	(115,527)	(92,399)	(82,528)	(85,260)	(72,497)	(41,579)	(109,145)	(79,829)	(45,285)	(85,815)		
Total primary government net expense	\$ (4,242,139)	\$ (8,375,755)	\$ (11,430,188)	\$ (9,893,251)	\$ (12,611,267)	\$ (9,070,602)	\$ (11,167,736)	\$ (13,347,704)	\$ (7,158,841)	\$ 2,504,929		
General Revenues and Other												
Changes in Net Position												
Governmental activities:												
Taxes:												
Property taxes	\$ 2,613,756	\$ 2,657,670	\$ 2,898,103	\$ 3,155,662	\$ 3,656,927	\$ 3,782,538	\$ 3,919,797	\$ 3,868,445	\$ 3,890,087	\$ 3,955,484		
Sales taxes	6,260,403	6,576,657	6,587,575	6,669,426	7,257,451	7,247,938	6,715,501	6,854,253	7,159,094	7,690,916		
Sales of capital assets	-	-	-	-	-	-	-	-	-	-		
Investment earnings	3,889,899	250,920	2,422,905	3,494,763	789,523	600,569	2,344,330	1,752,571	1,988,451	1,654,403		
Other	-	-	-	-	-	-	-	-	-	-		
Transfers	-	-	-	(112,044)	-	-	-	-	-	-		
Total governmental activities	12,764,058	9,485,247	11,908,583	13,207,807	11,703,901	11,631,045	12,979,628	12,475,269	13,037,632	13,300,803		
Business-type activities:												
Investment earnings (loss)	3,642	2,436	(1,826)	5,062	2,533	3,880	1,822	2,558	21,630	27,502		
Insurance settlement	175,000	24,012	-	-	-	-	-	-	-	-		
Transfers	-	-	-	112,044	-	-	(548)	-	-	-		
Write off of NPO/OPEB	-	-	-	-	-	-	-	-	-	-		
Total business-type activities	178,642	26,448	(1,826)	117,106	2,533	3,880	1,274	2,558	21,630	27,502		
Total primary government	\$ 12,942,700	\$ 9,511,695	\$ 11,906,757	\$ 13,324,913	\$ 11,706,434	\$ 11,634,925	\$ 12,980,902	\$ 12,477,827	\$ 13,059,262	\$ 13,328,305		
Changes in Net Position												
Governmental activities	\$ 8,637,446	\$ 1,201,891	\$ 560,923	\$ 3,399,816	\$ (834,869)	\$ 2,602,022	\$ 1,921,037	\$ (792,606)	\$ 5,924,076	\$ 15,891,547		
Business-type activities	63,115	(65,951)	(84,354)	31,846	(69,964)	(37,699)	(107,871)	(77,271)	(23,655)	(58,313)		
Total primary government	\$ 8,700,561	\$ 1,135,940	\$ 476,569	\$ 3,431,662	\$ (904,833)	\$ 2,564,323	\$ 1,813,166	\$ (869,877)	\$ 5,900,421	\$ 15,833,234		

CITY OF KENAI, ALASKA

Table III

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2011	\$2,613,756	\$6,260,403	\$8,874,159
2012	2,657,670	6,576,657	9,234,327
2013	2,898,103	6,587,575	9,485,678
2014	3,155,662	6,669,426	9,825,088
2015	3,656,927	7,257,451	10,914,378
2016	3,782,538	7,247,938	11,030,476
2017	3,919,797	6,715,501	10,635,298
2018	3,868,445	6,854,253	10,722,698
2019	3,890,087	7,159,094	11,049,181
2020	3,955,484	7,690,916	11,646,400

CITY OF KENAI, ALASKA

Table IV

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Restricted	\$ 279,486	\$ 329,164	\$ 408,534	\$ 480,238	\$ 546,706	\$ 588,937	\$ 628,599	\$ 682,068	\$ 741,748	\$ 811,030
Committed	1,070,290	1,021,790	521,790	409,746	409,746	409,746	6,840,662	6,976,762	7,116,039	6,047,560
Assigned	859,454	1,464,159	1,580,579	1,518,184	1,497,756	1,409,610	2,381,786	2,416,658	2,418,240	2,235,128
Unassigned	9,817,634	9,130,415	7,382,747	7,493,858	7,937,025	8,009,807	697,159	495,196	474,017	4,196,674
Total General Fund	<u>\$ 12,026,864</u>	<u>\$ 11,945,528</u>	<u>\$ 9,893,650</u>	<u>\$ 9,902,026</u>	<u>\$ 10,391,233</u>	<u>\$ 10,418,100</u>	<u>\$ 10,548,206</u>	<u>\$ 10,570,684</u>	<u>\$ 10,750,044</u>	<u>\$ 13,290,392</u>
All other governmental funds:										
Nonspendable -										
Permanent funds	\$ 2,535,970	\$ 2,557,158	\$ 2,689,648	\$ 2,912,111	\$ 2,888,444	\$ 2,942,775	\$ 3,049,939	\$ 3,129,977	\$ 3,295,590	\$ 2,941,284
Restricted -										
Airport purpose	21,782,122	20,983,776	22,172,431	24,223,069	23,711,029	23,037,659	24,280,015	24,592,355	25,138,086	25,631,649
Committed -										
Capital projects funds	2,164,498	516,440	2,531,665	743,653	901,298	1,082,505	1,166,183	1,629,604	2,724,676	3,247,617
Assigned -										
Special revenue funds	4,846,735	5,035,969	5,357,223	5,448,969	5,648,280	6,528,265	7,350,294	7,916,676	6,840,111	6,994,074
Unassigned -										
Special revenue funds	-	-	-	-	-	-	-	-	(26,729)	(13,293)
Total all other governmental funds	<u>\$ 31,329,325</u>	<u>\$ 29,093,343</u>	<u>\$ 32,750,967</u>	<u>\$ 33,327,802</u>	<u>\$ 33,149,051</u>	<u>\$ 33,591,204</u>	<u>\$ 35,846,431</u>	<u>\$ 75,240,346</u>	<u>\$ 37,971,734</u>	<u>\$ 38,801,331</u>

CITY OF KENAI, ALASKA

Table V

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Property taxes	\$ 2,629,324	\$ 2,638,783	\$ 2,913,634	\$ 3,162,530	\$ 3,656,927	\$ 3,782,539	\$ 3,919,797	\$ 3,868,445	\$ 3,890,087	\$ 3,955,484
Sales tax	6,260,403	6,576,657	6,587,575	6,669,426	7,257,451	7,247,938	6,715,501	6,854,253	7,159,094	7,690,916
Intergovernmental	9,844,736	7,670,929	6,562,328	7,600,928	7,240,144	8,762,416	6,895,935	3,510,430	7,608,596	18,189,289
Investment earnings	3,894,618	256,981	2,427,873	3,531,173	821,124	637,862	2,369,153	1,780,713	2,108,245	1,588,324
Other revenues	6,920,678	6,355,818	6,826,280	7,363,250	8,031,907	7,983,878	8,617,986	8,409,444	8,518,056	9,132,699
Total revenues	<u>29,549,759</u>	<u>23,499,168</u>	<u>25,317,690</u>	<u>28,327,307</u>	<u>27,007,553</u>	<u>28,414,633</u>	<u>28,518,372</u>	<u>24,423,285</u>	<u>29,284,078</u>	<u>40,556,712</u>
Expenditures										
General government	2,612,702	2,701,605	3,160,484	3,034,793	5,178,312	2,715,814	2,512,819	2,347,583	2,891,363	3,220,941
Public safety	5,915,902	6,441,968	6,536,153	6,841,495	6,998,803	7,101,552	6,788,149	7,192,453	7,212,082	8,242,987
Public works	2,375,566	2,334,315	2,315,206	2,422,442	2,476,275	2,436,744	2,307,400	2,441,352	2,335,187	2,391,729
Parks, recreation and cultural	1,690,624	1,931,141	2,163,100	2,166,132	2,250,921	2,341,086	2,359,780	2,310,273	2,304,232	2,227,725
Water and sewer services	1,822,654	1,940,343	1,969,470	2,149,174	2,458,500	2,137,926	2,023,546	2,238,358	2,303,487	2,162,148
Airport	2,504,670	2,575,613	2,617,762	2,587,591	2,885,425	2,553,045	2,632,491	2,654,943	2,724,590	2,802,076
Social welfare services	723,984	791,214	831,976	849,376	952,239	940,602	858,100	883,273	877,762	2,808,809
Capital outlay	11,365,788	6,922,939	3,941,945	7,400,451	3,223,420	7,540,046	6,358,267	3,133,393	7,574,495	13,157,648
Debt service										
Principal	75,000	75,000	75,000	80,000	80,000	85,000	85,000	90,000	95,000	95,000
Interest	100,963	102,348	100,848	98,598	96,198	93,798	90,398	86,998	83,398	77,704
Total expenditures	<u>29,187,853</u>	<u>25,816,486</u>	<u>23,711,944</u>	<u>27,630,052</u>	<u>26,600,093</u>	<u>27,945,613</u>	<u>26,015,950</u>	<u>23,378,626</u>	<u>28,401,596</u>	<u>37,186,767</u>
Excess of revenues over (under) expenditures	361,906	(2,317,318)	1,605,746	697,255	407,460	469,020	2,502,422	1,044,659	882,482	3,369,945
Other financing sources (uses)										
Transfers in	2,330,145	1,646,262	3,809,797	2,049,993	2,322,377	2,083,474	2,568,441	3,199,172	4,058,527	3,779,235
Transfers out	(2,330,145)	(1,646,262)	(3,809,797)	(2,162,037)	(2,419,381)	(2,083,474)	(2,685,530)	(2,799,172)	(4,058,527)	(3,779,235)
Total other financing sources (uses)	-	-	-	(112,044)	(97,004)	-	(117,089)	400,000	-	-
Net change in fund balances	<u>\$ 361,906</u>	<u>\$ (2,317,318)</u>	<u>\$ 1,605,746</u>	<u>\$ 585,211</u>	<u>\$ 310,456</u>	<u>\$ 469,020</u>	<u>\$ 2,385,333</u>	<u>\$ 1,444,659</u>	<u>\$ 882,482</u>	<u>\$ 3,369,945</u>
Debt service as a percentage of noncapital expenditures	1.03%	0.94%	0.84%	0.86%	0.75%	0.89%	0.89%	0.80%	0.86%	0.72%
Total non-capital expenditures	\$ 17,035,394	\$ 18,904,637	\$ 21,029,279	\$ 20,769,980	\$ 23,611,368	\$ 20,078,084	\$ 19,657,683	\$ 22,047,321	\$ 20,827,101	\$ 24,029,119

CITY OF KENAI, ALASKA

TABLE VI

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

<u>Fiscal Year Ended June 30</u>	<u>Total Taxes</u>	<u>Property Taxes</u>	<u>Sales Tax</u>
2011	\$8,889,727	\$2,629,324	\$6,260,403
2012	9,215,440	2,638,783	6,576,657
2013	9,501,209	2,913,634	6,587,575
2014	9,831,956	3,162,530	6,669,426
2015	10,914,378	3,656,927	7,257,451
2016	11,030,477	3,782,539	7,247,938
2017	10,635,298	3,919,797	6,715,501
2018	10,722,698	3,868,445	6,854,253
2019	11,049,181	3,890,087	7,159,094
2020	11,646,400	3,955,484	7,690,916

CITY OF KENAI, ALASKA

Table VII

TAXABLE SALES BY CATEGORY
CURRENT FISCAL YEAR

Administrative, Waste Management,	\$ 1,110,850
Agriculture, Forestry, Fishing & Hunting	155,119
Arts and Entertainment	1,411,956
Construction Contracting	1,199,887
Educational Services	232,524
Finance and Insurance	337,654
Guiding	857,612
Health Care and Social Assistance	65,935
Hotel/Motel/Bed & Breakfast	3,852,101
Information	4,678,275
Management of Companies	2,905
Manufacturing	820,879
Mining/Quarrying	88,083
Professional, Scientific and Technical Services	4,331,203
Public Administration	3,497,771
Rental Commercial Property	415,282
Rental Non-Residential Property	1,419,576
Rental Personal Property	1,060,985
Rental Residential Property	5,035,422
Rental of Self-storage & Miniwarehouses	426,061
Restaurant/Bar	16,121,034
Retail Trade	188,461,542
Services	5,109,416
Telecommunications	2,677,437
Transportation and Warehousing	314,981
Utilities	11,338,036
Wholesale Trade	3,679,359

Total **\$ 258,701,884**

City direct sales tax rate 3.00%

Source: The Kenai Peninsula Borough Sales Tax Department.

CITY OF KENAI, ALASKA

TABLE VIII

SALES TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Kenai	Overlapping Rates		Total
		Kenai	Peninsula Borough	
2011	3.00 %	3.00 %		6.00 %
2012	3.00	3.00		6.00
2013	3.00	3.00		6.00
2014	3.00	3.00		6.00
2015	3.00	3.00		6.00
2016	3.00	3.00		6.00
2017	3.00	3.00		6.00
2018	3.00	3.00		6.00
2019	3.00	3.00		6.00
2020	3.00	3.00		6.00

Source: The Kenai Peninsula Borough Sales Tax Department.

CITY OF KENAI, ALASKA

TABLE IX

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities	Estimated Percentage of Personal Income *	Percentage of Estimated Actual Taxable Value of Property	Debt Per Capita **
	General Obligation Bonds			
2011	\$ 1,925,000	0.69%	0.29%	\$ 271
2012	1,850,000	0.64%	0.28%	256.30
2013	1,775,000	0.51%	0.21%	245.95
2014	1,695,000	0.46%	0.21%	234.86
2015	1,615,000	0.42%	0.19%	223.78
2016	1,530,000	0.39%	0.18%	202.17
2017	1,445,000	0.35%	0.17%	186.57
2018	1,355,000	0.37%	0.16%	192.53
2019	1,260,000	0.34%	0.14%	180.03
2020	1,165,000	0.32%	0.13%	166.45

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Personal income is estimated by using Kenai Peninsula Borough income to calculate per capita income and total income for City of Kenai.

** Population data can be found on Table XII.

CITY OF KENAI, ALASKA

TABLE X

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2020

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to this Governmental Unit (1)	City of Kenai's Share of Debt
Direct debt - City of Kenai, Alaska	\$ 1,165,000	100.00%	\$ 1,165,000
Overlapping debt: Kenai Peninsula Borough	37,120,000	10.61%	3,938,432
Central Peninsula Hospital	63,825,000	15.58%	9,943,935
Total overlapping debt	100,945,000		13,882,367
Total Direct and Overlapping	\$ 102,110,000		\$ 15,047,367

Source: The Kenai Peninsula Borough.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kenai.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed property values by those of the Borough.

CITY OF KENAI, ALASKA

TABLE XI

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$131,828	\$131,890	\$147,795	\$160,891	\$165,677	\$170,328	\$173,745	\$174,215	\$174,366	\$178,855
Total net debt applicable to limit	<u>1,925</u>	<u>1,850</u>	<u>1,775</u>	<u>1,695</u>	<u>1,615</u>	<u>1,530</u>	<u>1,445</u>	<u>1,355</u>	<u>1,260</u>	<u>1,165</u>
Legal debt margin	<u>\$129,903</u>	<u>\$130,040</u>	<u>\$146,020</u>	<u>\$159,196</u>	<u>\$164,062</u>	<u>\$168,798</u>	<u>\$172,300</u>	<u>\$172,860</u>	<u>\$173,106</u>	<u>\$177,690</u>

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2020

Assessed value	\$894,277
Debt limit, 20% of assessed value	178,855
Total amount of debt applicable to debt limit	<u>1,165</u>
Legal debt margin	<u>\$177,690</u>

CITY OF KENAI, ALASKA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	City of Kenai		For the Kenai Peninsula Borough (A)					
	Population	School Enrollment	Population	Personal Income (amount expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (1)
2011	7,133	1,835	56,490	\$ 2,499,496	\$ 44,247	39.4	9,148	8.80%
2012	7,108	1,831	56,599	2,680,425	47,731	40.6	9,083	8.00%
2013	7,217	1,871	56,875	2,770,796	48,012	41.4	9,065	7.40%
2014	7,166	1,847	57,395	2,917,537	51,828	40.5	8,932	7.30%
2015	7,226	1,815	57,672	2,917,537	52,737	40.5	8,974	7.20%
2016	7,073	1,822	58,038	2,965,755	50,691	40.5	8,935	7.90%
2017	7,046	1,789	58,110	2,917,537	52,639	40.5	8,939	7.40%
2018	6,999	1,820	58,471	2,917,537	52,639	40.5	8,895	7.10%
2019	6,999	1,855	58,471	2,917,537	52,639	40.5	8,881	6.00%
2020	6,999	1,767	58,367	3,044,611	52,015	40.8	8,725	13.40%

Sources: The Bureau of Economic Analysis, the State of Alaska and the Kenai Peninsula Borough.

Note: Information for prior years is revised yearly until a census is completed.

(A) Data for the City of Kenai is not available, but should be comparable to this data which is for the Kenai Peninsula Borough.

(1) Data is provided by the State of Alaska Department of Labor and is the average rate for the previous calendar year.

CITY OF KENAI, ALASKA
KENAI AREA PRINCIPAL EMPLOYERS

TABLE XIII

With a 2009 change in Alaska Statute, specific employer information is no longer available.

CITY OF KENAI, ALASKA

TABLE XIV

FULL-TIME EQUIVALENT EMPLOYEES BY FUND
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
City Clerk	1.50	1.50	1.50	1.50	1.50	1.50	1.60	2.00	2.00	2.00
City Manager	1.50	1.50	1.67	1.67	1.67	1.67	1.90	2.00	2.00	2.00
Legal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Finance	3.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.85	4.85
Planning	2.00	2.00	2.08	2.00	2.00	2.00	1.75	1.70	1.70	1.70
Police	20.88	20.88	20.88	20.65	19.60	19.60	19.60	19.60	19.60	19.60
Fire	19.00	19.00	19.00	19.00	19.00	19.00	19.00	20.00	20.00	20.00
Dispatch	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Animal Control	2.80	2.80	2.90	2.90	2.90	3.00	3.00	3.00	3.00	3.00
Public Works Administration	2.00	1.50	1.50	1.50	1.50	2.00	2.00	2.00	2.00	2.00
Maintenance	11.64	11.64	11.64	10.70	10.79	10.77	10.84	10.64	10.84	10.77
Library	6.68	7.88	8.45	8.10	8.10	8.10	8.10	8.10	7.65	7.65
Parks & Recreation	6.99	7.61	9.60	8.04	8.06	8.30	8.65	8.65	7.76	7.12
General Fund Total	88.74	91.06	93.97	90.81	89.87	90.69	91.19	92.44	92.40	91.69
Special Revenue Funds										
Personal Use Fishery	0.00	0.00	0.00	2.49	2.46	2.69	2.91	2.81	2.42	2.45
Water & Sewer Operations	6.76	6.76	6.76	7.76	7.76	7.76	7.76	7.76	8.05	8.05
Airport Operations	5.18	5.18	5.43	5.81	6.95	6.95	6.97	7.12	7.00	7.20
Senior Citizen Programs	6.69	6.85	6.97	7.43	7.35	7.35	7.28	7.28	7.28	7.21
Special Revenue Funds Total	18.63	18.79	19.16	23.49	24.52	24.75	24.92	24.97	24.75	24.91
Enterprise Fund										
Congregate Housing	0.35	0.35	0.35	0.45	0.45	0.45	0.52	0.52	0.52	0.62
Internal Service Fund										
Employee Health Care	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Project Management	0.00	0.50	0.50	0.50	0.50	0.00	0.00	0.00	0.00	0.00
Internal Service Funds Total	0.00	0.50	0.50	0.50	0.50	0.00	0.00	0.00	0.00	0.00
Total All Funds	107.72	110.70	113.98	115.25	115.34	115.89	116.63	117.93	117.67	117.22

Source: The City of Kenai Finance Department.

CITY OF KENAI, ALASKA

TABLE XV

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police Services:										
Police requests for service	7,385	7,665	8,297	8,314	8,197	7,840	7,926	8,330	9,194	8,313
Criminal arrests	926	894	1,138	1,041	924	813	784	934	909	1,208
Fire and Emergency Services:										
Number of calls responded to	1,230	1,328	1,212	1,153	1,226	1,384	1,568	1,440	1,479	1,564
Inspections	232	319	239	268	157	118	150	79	139	243
Animal Control:										
Total Calls	6,619	6,695	6,549	7,197	N/A	N/A	N/A	N/A	N/A	N/A
Total requests for service	N/A	N/A	N/A	N/A	564	437	448	341	328	251
Animals Handled	1,476	1,673	1,631	1,429	1,188	1,004	928	827	829	911
Water and Wastewater										
Water Production Avg gallons per day	918,345	961,564	943,764	875,427	812,756	760,000	711,000	710,000	717,000	703,000
Wastewater Treatment Avg. gallons per day	528,667	470,417	540,583	566,417	527,250	487,200	463,583	660,000	475,000	490,000
Airport Passenger Enplanements	87,589	94,010	101,995	103,751	100,929	102,126	93,612	93,844	92,127	95,004

** During 2014 the shelter lost the ability to track total calls but began tracking calls for service. Calls for service will be reported in future years.

Source: Various City Departments.

CITY OF KENAI, ALASKA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Miles of Streets	62	62	62	62	62	62	62	62	62	62
Miles of Sewer:										
Storm	10	10	10	10	10	10	10	10	10	10
Sanitary	68	68	68	68	68	68	68	68	68	68
Fire Protection:										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Police Protection:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Recreation:										
Number of Facilities:										
Parks	9	9	9	9	9	9	9	9	9	9
Baseball and Softball Fields	8	8	8	8	8	8	8	8	8	8
Soccer Fields	6	6	6	6	6	6	6	4	4	4
Recreation Center	1	1	1	1	1	1	1	1	1	1
Pedestrian Trails	2	6	6	6	6	6	6	6	6	6
Cross Country Ski Trails	1	1	1	1	1	1	1	1	1	1
Ice Rink	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments.