

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year:

July 1, 2018 – June 30, 2019

**CITY OF KENAI, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF KENAI, ALASKA
Year Ended June 30, 2019**

Brian G. Gabriel, Sr.
Mayor

Paul Ostrander
City Manager

Prepared by
Finance Department

Terry A. Eubank, CPA
Finance Director



"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794
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November 26, 2019

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, 2019. 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, 2019 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, 2019, 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 mandated "Single Audit" designed to meet the special needs federal 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 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 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 2019 fishing season saw an above average return of sockeye salmon to peninsula rivers. Fishing is expected to continue to be an important component of the Kenai economy.

Tourism to Alaska increased again this fiscal year. 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. 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 modestly exceeded projections. The increase in taxable sales was largely attributed to the recovery in oil and natural gas prices along with a renewed sense of optimism by consumers.

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 slightly to \$10.75 million in FY19. A General Fund, Fund Balance of \$10.75 million represents approximately 70% 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 larger financial challenges facing the City is the loss of state funding for major capital improvement projects. Kenai, like all Alaska communities, benefited from 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, 2018. This was the 22nd 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,



Paul Ostrander, City Manager



Terry A. Eubank, CPA
Finance Director

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Government Finance Officers Association

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

Presented to

**City of Kenai
Alaska**

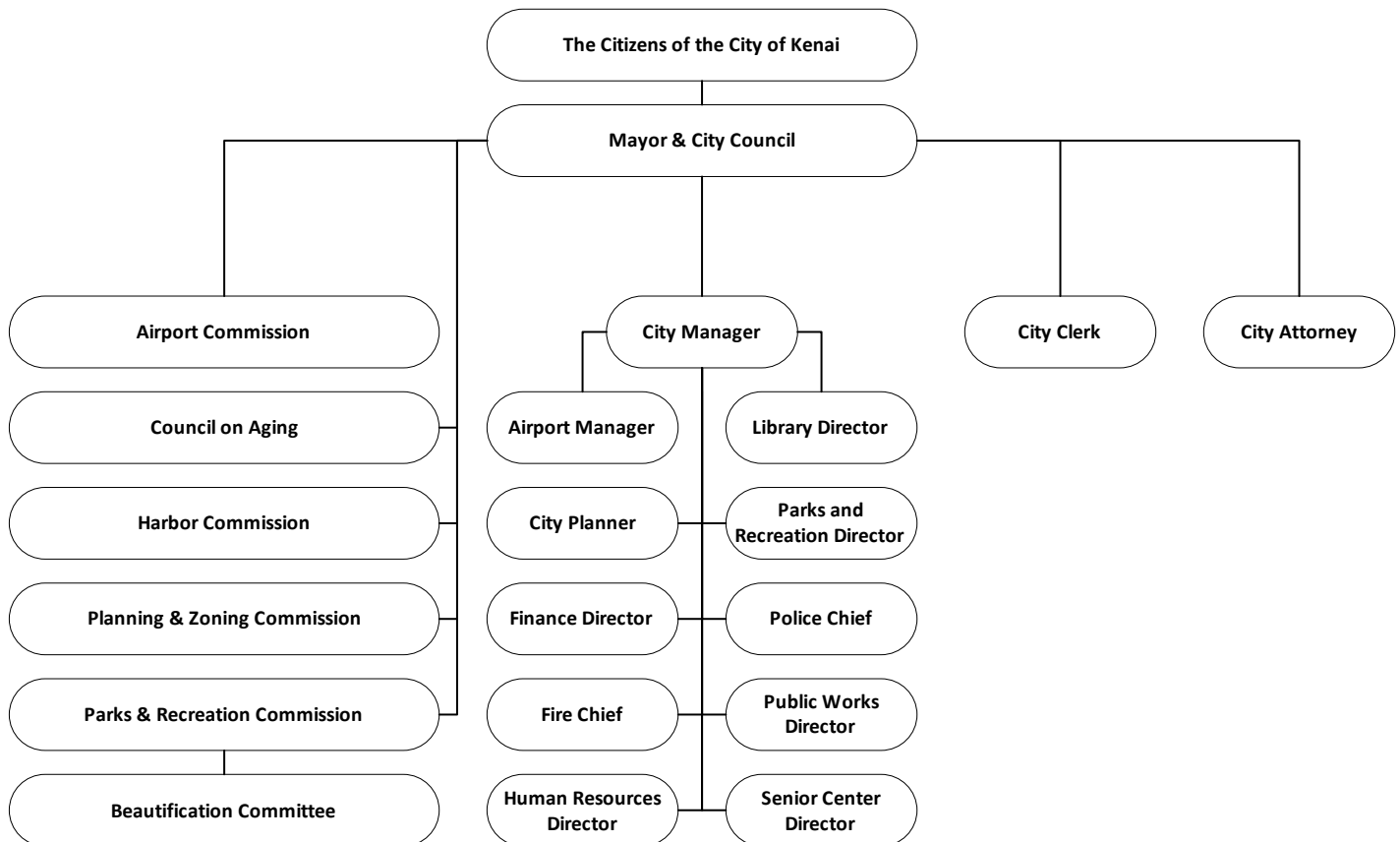
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

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. | 2019 |
| Council Members | Jim Glendening | 2019 |
| | Glenese Petty | 2019 |
| | Henry Knackstedt | 2020 |
| | Tim Navarre | 2020 |
| | Robert Molloy | 2021 |
| | Robert Peterkin II | 2021 |

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 | Jeff Tucker |
| Public Works Director | Scott Curtin |
| Librarian | Mary Jo Joiner |
| Parks & Recreation Director | Robert Frates |
| Airport Manager | Mary Bondurant |
| Senior Center Director | Kathy Romain |

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AUDITOR REPORT



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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, 2019, 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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms

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, 2019, 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 19, the budgetary comparison information on pages 61 through 70, the Schedules of Net Pension Liability, Net OPEB Liability and Pension Contributions on pages 71 through 78, 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 was derived from and relates 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 supplementary information is 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 November 26, 2019, 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
November 26, 2019

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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, 2019. 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

- The assets of the City of Kenai exceeded its liabilities at June 30, 2019 by \$183,069,677. Of this amount, unrestricted net position of \$6,526,119, 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 \$5,900,421. For the fiscal year ended June 30, 2019, governmental type activities net pension increased by \$5,924,076 and business type activities decreased by \$23,655.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48,721,778, an increase of \$882,482 from the prior year. The fund balances of the two permanent funds, which cannot be spent, account for \$28.4 million of total fund balance. About \$19.8 million of the remaining fund balance is restricted, committed, or assigned. The remaining \$0.5 million is unassigned and available for spending.
- At the end of the current fiscal year, fund balance for the General Fund was \$10,750,044, an increase of \$179,360 from the prior year. Of this amount \$474,017 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 \$863,501, \$1,260,000, \$12,913,450, and \$2,641,001 respectively. The general obligation bonds were issued on March 11, 2010 for an addition to the City's library.

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. Five 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 Airport Special Revenue Fund; the Water & Sewer Special Revenue Fund, the Airport Land Sales Permanent Fund; and the Airport Improvements 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, Airport Special Revenue, and Water & Sewer Special Revenue Funds to demonstrate compliance with the Fiscal Year (FY) 2019 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 fund to account for the purchase of heavy equipment that is primarily used by the General Fund 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, a 501(c)(3) not-for-profit entity, whose purpose is to support 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 Foundation's donations; all decisions regarding Foundation awards are made by the Foundation 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 the City's major funds; schedules on the City's net pension and OPEB obligation information and contributions; and accompanying notes can be found on pages 37-59 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, 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, 2019, the City's net position exceeded liabilities by \$183,069,677. 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 | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Current and other assets | \$ 52,869 | \$ 51,540 | \$ 741 | \$ 627 | \$ 53,610 | \$ 52,167 |
| Capital assets | <u>146,084</u> | <u>142,080</u> | <u>2,544</u> | <u>2,677</u> | <u>148,628</u> | <u>144,757</u> |
| Total assets | <u>198,953</u> | <u>193,620</u> | <u>3,285</u> | <u>3,304</u> | <u>202,238</u> | <u>196,924</u> |
| Deferred outflows of resources | <u>2,406</u> | <u>1,848</u> | <u>-</u> | <u>-</u> | <u>2,406</u> | <u>1,848</u> |
| Long-term liabilities outstanding | 17,675 | 17,508 | 3 | 3 | 17,678 | 17,511 |
| Other liabilities | <u>2,390</u> | <u>1,227</u> | <u>58</u> | <u>54</u> | <u>2,448</u> | <u>1,281</u> |
| Total liabilities | <u>20,065</u> | <u>18,735</u> | <u>61</u> | <u>57</u> | <u>20,126</u> | <u>18,792</u> |
| Deferred inflows of resources | <u>1,448</u> | <u>2,811</u> | <u>-</u> | <u>-</u> | <u>1,448</u> | <u>2,811</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 144,824 | 140,725 | 2,544 | 2,677 | 147,368 | 143,402 |
| Restricted: | | | | | | |
| Nonexpendable | 28,434 | 27,723 | - | - | 28,434 | 27,723 |
| Youth athletics | 742 | 682 | - | - | 742 | 682 |
| Unrestricted | <u>5,846</u> | <u>4,792</u> | <u>680</u> | <u>570</u> | <u>6,526</u> | <u>5,362</u> |
| Total net position | <u>\$179,846</u> | <u>\$173,922</u> | <u>\$3,224</u> | <u>\$3,247</u> | <u>\$183,070</u> | <u>\$177,169</u> |

Minor arithmetic differences are due to rounding.

Governmental activities.

Governmental activities increased the City's net position by \$5,924,076. 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, \$3,183,288 and the difference in deferred inflows and outflows related to net pension and other postemployment benefits liabilities, \$1,628,770.

Business-type activities.

Business-type activities decreased the net position of the City by \$23,655. 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>2019</u> | <u>2018</u> | - | <u>2019</u> | <u>2018</u> | <u>2019</u> <u>2018</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 6,745 | \$ 6,713 | | \$ 408 | \$ 394 | \$ 7,153 \$ 7,107 |
| Operating grants and contributions | 1,156 | 1,463 | | 2 | 1 | 1,158 1,464 |
| Capital grants and contributions | 6,268 | 2,382 | | - | - | 6,268 2,382 |
| General revenues: | | | | | | |
| Property taxes | 3,890 | 3,868 | | - | - | 3,890 3,868 |
| Sales taxes | 7,159 | 6,854 | | - | - | 7,159 6,854 |
| Other | <u>1,988</u> | <u>1,753</u> | | <u>22</u> | <u>3</u> | <u>2,010</u> <u>1,756</u> |
| Total revenues | <u>27,206</u> | <u>23,033</u> | | <u>432</u> | <u>398</u> | <u>27,638</u> <u>23,431</u> |
| Expenses: | | | | | | |
| General government | 2,275 | 2,099 | | - | - | 2,275 2,099 |
| Public safety | 6,405 | 7,105 | | - | - | 6,405 7,105 |
| Public works | 2,870 | 3,172 | | - | - | 2,870 3,172 |
| Parks, recreation, and cultural | 2,459 | 4,087 | | - | - | 2,459 4,087 |
| Water and sewer services | 2,917 | 2,920 | | - | - | 2,917 2,920 |
| Airport | 3,562 | 3,566 | | - | - | 3,562 3,566 |
| Interest on long-term debt | 83 | 86 | | - | - | 83 86 |
| Social welfare services | 711 | 791 | | - | - | 711 791 |
| Senior Housing | <u>-</u> | <u>-</u> | | <u>455</u> | <u>475</u> | <u>455</u> <u>475</u> |
| Total expenses | <u>21,282</u> | <u>23,826</u> | | <u>455</u> | <u>475</u> | <u>21,737</u> <u>24,301</u> |
| Increase (decrease) in net position | 5,924 | (793) | | (23) | (77) | 5,901 (870) |
| Net position beginning | <u>173,922</u> | <u>174,715</u> | | <u>3,247</u> | <u>3,324</u> | <u>177,169</u> <u>178,039</u> |
| Net position ending | <u>\$179,846</u> | <u>\$173,922</u> | | <u>\$3,224</u> | <u>\$3,247</u> | <u>\$183,070</u> <u>\$177,169</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.

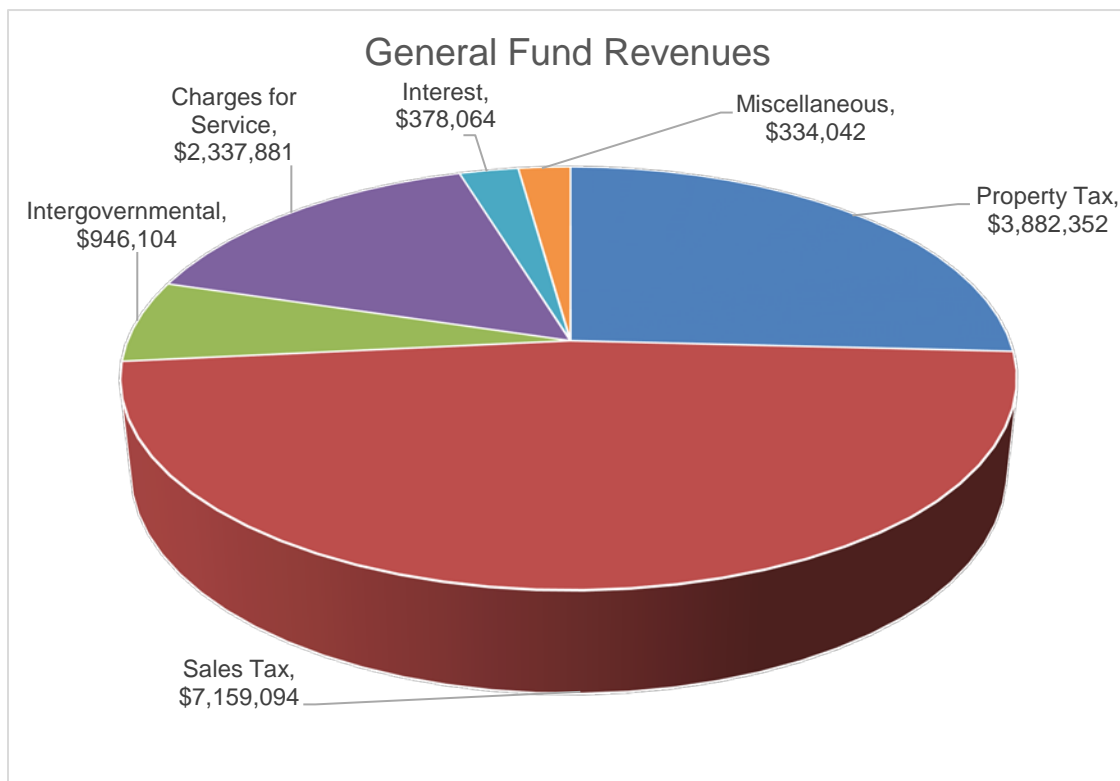
Governmental Funds.

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 \$48,721,778, which is up \$882,482 from last year. About \$0.5 million of fund balance is unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance, \$48.2 million, is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending. Nonspendable is the largest portion of this; \$28.4 million is in the two permanent funds, which do not allow spending of fund balance.

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 \$474,017, and total fund balance was \$10,750,044. Fund balance increased \$179,360 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 3.13% of total expenditures and transfers, while total fund balance represents 69.81% of that same amount.

General Fund expenditures increased \$691,125 or 4.99% over last year. General Fund revenues increased \$914,732 or 6.47% from last year. The primary revenue sources of the General Fund include property tax of \$3,882,352, sales tax of \$7,159,094, intergovernmental revenues of \$943,704, and charges to other funds of \$1,568,593. Sales tax revenue increased \$304,841 or 4.45% as the local economy shows signs of recovery from its current recession. The recovery of the local economy is attributed to normalization of oil prices. Property taxes increased by \$21,070 or 0.54%. Current year property values increased 0.08% and the mill rate remained unchanged. Intergovernmental revenues increased \$203,263 or 27.45% from last year with a \$195,732 or 89.48% increase in State of Alaska Public Employees Retirement System (PERS) on-behalf funding and a \$40,507 or 16.14% decrease in State of Alaska Community Assistance funding.



Tax revenues support General Fund operations exclusively and represent 37.73% of all governmental funds revenue. Other funds rely heavily on charges for services and investment earnings. Investment earnings in governmental funds increased \$327,532 or 18.39% from the prior year. While more volatile, equity markets performed better in FY2019 which approximately 45% of the City's permanent funds are invested in, and cuts in short-term interest rates led to this year's increase in investment earnings. Capital projects funds and the senior services related funds are largely financed by grants from the federal, state and borough governments.

The Airport Special Revenue Fund accounts for the operation of the airport. Fund balance decreased \$1,563,761 or 30.79%. Total revenues increased of \$118,854 or 6.18%. Fund expenditures increased by \$3,659 or 0.13% and transfers to capital projects increased by \$1,674,982 or 421.74%. Current year transfers included funding for a major terminal rehabilitation project, \$1,570,721, funding for an asphalt repair and preservation project, \$26,000, and \$216,000 for design of a project to renovate the airport owned, Alaska Regional Fire Training Center.

The Water & Sewer Special Revenue Fund accounts for the operations of the water and sewer utility of the City. Fund balance increased \$582,296. There was no change in water and sewer rates in FY19. Despite no change in rates, charges for service increased \$25,203 or 0.89% this year. Significant capital improvement projects are anticipated in future year to ensure the utilities continued safe and efficient operation. The adopted FY2020 Budget included \$1,060,000 in water and sewer related capital projects.

The Airport Land Sales Permanent 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 5% of the funds five year average balance at December 31st to the Airport Special Revenue Fund to fund airport operations. The first reduction in short term interest rates in eight years and modest performance of equity markets returns resulted in a \$545,731 increase in fund balance after the FY19 transfer of \$1,203,690 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, an asphalt repair and preservation project, and rehabilitation of the Airport owned, Alaska Regional Fire Training Center.

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 two 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 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 \$3,223,634 and unrestricted net position was \$679,542. Net position decreased \$23,655 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 \$334,227 including supplemental funding of capital projects including \$12,500 to pay the City's insurance deductible for damage caused by the November 2018 magnitude 7.0 South Central Alaska Earthquake, \$25,359 for grant funded bacteria level monitoring on Kenai beaches, \$35,996 for grant funded, baseline water testing of the Kenai River, \$1,845 for grant funded, police overtime, \$7,468 for grant funded, fire department equipment, \$7,000 for grant funded, library book

purchases, \$136,759 for grant funded, police department equipment and operating supplies, \$103,000 for a donated cabin, and \$4,300 in various minor appropriations. Actual revenues and transfers in were \$159,807 less than the final budget with the \$278,064 variance in general sales tax being and a (\$162,999) 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 \$1,376,606 less than budgeted. The City typically does not spend the entire authorized appropriation. The variance this year was 8.33% of final budget compared to 6.69% last year. \$450,623, 32.73% of the lapse, occurred in personnel services. Position vacancies, the replacement of retiring employees with those lower on the City's pay scale, and health insurance costs less than projected contributed to these savings. Other significant lapses include \$103,000, 7.48% of the lapse resulted from not receiving the donation of an historic cabin prior to year-end and 106,933, 7.76% of the lapse occurred because police radios, which were funded by a state grant, had not been received prior to year-end.

Capital Assets and Debt Administration

Capital assets.

At June 30, 2019 the City's capital assets had a total net book value of \$148,628,134. Governmental activities totaled \$146,084,042 and business-type activities totaled \$2,544,092. Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 46-47 Section III. Detailed Notes on All Funds' D. Capital Assets. Major capital additions for FY19 included:

| | |
|---|------------------|
| New Facilities and Facility Improvements: | |
| City Hall Human Resource Office Remodel | \$ 12,675 |
| Water Reservoir #1 Interior Recoating | 18,654 |
| Equipment: | |
| Police Forensic Investigation Tool | 17,115 |
| City Shop Backup Generator | 22,787 |
| Trackless Snow Blower Attachment | 25,543 |
| Recreation Center Treadmill | 5,509 |
| Sewer Treatment Plant Equipment | 16,826 |
| Senior Center Dishwasher | 10,335 |
| Computer Network Equipment | 147,509 |
| Street Sweeper | 289,571 |
| Vehicles - Police Cruisers (2) | 91,154 |
| Land - Bluff Erosion Project Land Acquisition | 2,686 |
| Infrastructure: | |
| Sewer Lift Station Upgrades | 13,480 |
| Road & Trail improvements | 130,299 |
| Total Additions | <u>\$804,143</u> |

Debt administration.

No new debt was issued by the City in FY19. At June 30, 2019 \$1,260,000 of Library Expansion bonds remain outstanding and \$2,000,000 of Bluff Erosion Control bonds remain authorized but unissued. There are long-term liabilities for compensated absences totaling \$863,501, Net Pension Liability of \$12,913,450, and Net Other Postemployment Benefits Liability of \$2,641,001. Additional information on the City's long-term liabilities can be found in the notes to the basic financial statements on pages 56-57.

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

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CITY OF KENAI, ALASKA
STATEMENT OF NET POSITION
JUNE 30, 2019

| | Governmental | Business-type | Total |
|--|-----------------------|----------------------|-----------------------|
| | Activities | Activities | |
| ASSETS | | | |
| Equity in central treasury (cash and investments) | \$ 48,380,216 | \$ 740,110 | \$ 49,120,326 |
| Receivables (net of allowances for uncollectibles) | 4,477,379 | 992 | 4,478,371 |
| Other assets | 11,423 | - | 11,423 |
| Land | 6,225,080 | 274,500 | 6,499,580 |
| Property and equipment in service | 226,302,534 | 5,710,219 | 232,012,753 |
| Accumulated depreciation | (95,759,745) | (3,447,883) | (99,207,628) |
| Construction in progress | 9,316,173 | 7,256 | 9,323,429 |
| Total assets | <u>198,953,060</u> | <u>3,285,194</u> | <u>202,238,254</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related | 1,448,784 | - | 1,448,784 |
| Other postemployment benefits related | 957,500 | - | 957,500 |
| Total deferred outflows of resources | <u>2,406,284</u> | <u>-</u> | <u>2,406,284</u> |
| Total assets and deferred outflows of resources | <u>\$ 201,359,344</u> | <u>\$ 3,285,194</u> | <u>\$ 204,644,538</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,301,668 | \$ 21,191 | \$ 1,322,859 |
| Accrued payroll and payroll liabilities | 397,016 | - | 397,016 |
| Unearned revenue | 541,773 | 1,090 | 542,863 |
| Other liabilities | 138,747 | 36,381 | 175,128 |
| Accrued interest | 11,200 | - | 11,200 |
| Long-term liabilities: | | | |
| Net pension liability - due in more than one year | 12,913,450 | - | 12,913,450 |
| Net OPEB liability - due in more than one year | 2,641,001 | - | 2,641,001 |
| Compensated absences: | | | |
| Due within one year | 215,151 | 725 | 215,876 |
| Due in more than one year | 645,452 | 2,173 | 647,625 |
| Long-term debt: | | | |
| Due within one year | 95,000 | - | 95,000 |
| Due in more than one year | 1,165,000 | - | 1,165,000 |
| Total liabilities | <u>20,065,458</u> | <u>61,560</u> | <u>20,127,018</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid licenses and fees | 2,650 | - | 2,650 |
| Prepaid property taxes | 88,187 | - | 88,187 |
| Pension related | 324,102 | - | 324,102 |
| Other postemployment benefits related | 1,032,904 | - | 1,032,904 |
| Total deferred inflows of resources | <u>1,447,843</u> | <u>-</u> | <u>1,447,843</u> |

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|---|--|----------------------------------|
| NET POSITION | | | |
| Net investment in capital assets | 144,824,042 | 2,544,092 | 147,368,134 |
| Restricted: | | | |
| Permanently restricted - nonexpendable: | | | |
| Airport Land Sales Permanent Fund | 25,138,086 | - | 25,138,086 |
| General Government Land Sales Permanent Fund | 3,295,590 | - | 3,295,590 |
| Temporarily restricted - youth athletics | 741,748 | - | 741,748 |
| Unrestricted | <u>5,846,577</u> | <u>679,542</u> | <u>6,526,119</u> |
| Total net position | <u>179,846,043</u> | <u>3,223,634</u> | <u>183,069,677</u> |
| Total liabilities, deferred inflows and net position | <u><u>\$ 201,359,344</u></u> | <u><u>\$ 3,285,194</u></u> | <u><u>\$ 204,644,538</u></u> |

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|----------------------|---------------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 2,274,910 | \$ 571,269 | \$ 467,907 | \$ - |
| Public safety | 6,404,703 | 542,252 | 97,432 | 28,055 |
| Public works | 2,869,590 | 70,413 | 19,380 | 5,770 |
| Parks, recreation, and cultural | 2,459,644 | 492,815 | 57,814 | 61,355 |
| Water and sewer services | 2,917,208 | 2,864,820 | 12,309 | 135,251 |
| Airport | 3,561,832 | 2,018,547 | 16,782 | 6,025,139 |
| Social welfare services | 711,220 | 184,657 | 484,553 | 12,162 |
| Interest on long-term debt | 83,131 | - | - | - |
| Total governmental activities | <u>21,282,238</u> | <u>6,744,773</u> | <u>1,156,177</u> | <u>6,267,732</u> |
| Business-type activities: | | | | |
| Senior Housing | <u>455,468</u> | <u>408,188</u> | <u>1,995</u> | <u>-</u> |
| Total Government | <u>\$ 21,737,706</u> | <u>\$ 7,152,961</u> | <u>\$ 1,158,172</u> | <u>\$ 6,267,732</u> |

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

See accompanying notes to basic financial statements.

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

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|------------------------|
| \$ (1,235,734) | \$ - | \$ (1,235,734) |
| (5,736,964) | - | (5,736,964) |
| (2,774,027) | - | (2,774,027) |
| (1,847,660) | - | (1,847,660) |
| 95,172 | - | 95,172 |
| 4,498,636 | - | 4,498,636 |
| (29,848) | - | (29,848) |
| (83,131) | - | (83,131) |
| <u>(7,113,556)</u> | <u>-</u> | <u>(7,113,556)</u> |
| - | (45,285) | (45,285) |
| <u>(7,113,556)</u> | <u>(45,285)</u> | <u>(7,158,841)</u> |
| 3,890,087 | - | 3,890,087 |
| 7,159,094 | - | 7,159,094 |
| 1,988,451 | 21,630 | 2,010,081 |
| <u>13,037,632</u> | <u>21,630</u> | <u>13,059,262</u> |
| 5,924,076 | (23,655) | 5,900,421 |
| 173,921,967 | 3,247,289 | 177,169,256 |
| <u>\$ 179,846,043</u> | <u>\$ 3,223,634</u> | <u>\$ 183,069,677</u> |

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019**

| | <u>General</u> | <u>Airport Special Revenue</u> | <u>Water & Sewer Special Revenue</u> |
|---|----------------------|--|--|
| ASSETS | | | |
| Equity in central treasury (cash and investments) | \$ 9,831,928 | \$ 3,608,071 | \$ 3,095,051 |
| Receivables (net of allowances for uncollectibles) | 2,111,349 | 90,663 | 290,168 |
| Other assets | 11,423 | - | - |
| Due from other funds | <u>5,609</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 11,960,309</u> | <u>\$ 3,698,734</u> | <u>\$ 3,385,219</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 193,718 | \$ 68,716 | \$ 133,429 |
| Accrued payroll and payroll liabilities | 345,209 | 16,638 | 20,545 |
| Due to other funds | - | - | - |
| Unearned revenue | 46,005 | 81,988 | 13,780 |
| Other liabilities | <u>16,435</u> | <u>16,163</u> | <u>91,377</u> |
| Total liabilities | <u>601,367</u> | <u>183,505</u> | <u>259,131</u> |
| Deferred Inflows of resources: | | | |
| Special assessments receivable - unavailable | 355,724 | - | - |
| Ambulance billing receivable - unavailable | 145,318 | - | - |
| Land sales - unavailable | 17,019 | - | - |
| Prepaid licenses and fees | 2,650 | - | - |
| Prepaid property taxes | <u>88,187</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>608,898</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | |
| Nonspendable | - | - | - |
| Restricted | 741,748 | - | - |
| Committed | 7,116,039 | - | - |
| Assigned | 2,418,240 | 3,515,229 | 3,126,088 |
| Unassigned | <u>474,017</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>10,750,044</u> | <u>3,515,229</u> | <u>3,126,088</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 11,960,309</u> | <u>\$ 3,698,734</u> | <u>\$ 3,385,219</u> |

See accompanying notes to basic financial statements.

| Airport Land Sales Permanent | Airport Improvements Capital Project | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|--|---|
| \$ 25,058,351 | \$ 556,290 | \$ 4,824,393 | \$ 46,974,084 |
| 236,616 | 1,630,368 | 118,215 | 4,477,379 |
| - | - | - | 11,423 |
| - | - | - | 5,609 |
| <u>\$ 25,294,967</u> | <u>\$ 2,186,658</u> | <u>\$ 4,942,608</u> | <u>\$ 51,468,495</u> |
| | | | |
| \$ 3,526 | \$ 779,720 | \$ 122,210 | \$ 1,301,319 |
| - | - | 14,624 | 397,016 |
| - | - | 5,609 | 5,609 |
| - | - | - | 141,773 |
| - | - | 14,772 | 138,747 |
| <u>3,526</u> | <u>779,720</u> | <u>157,215</u> | <u>1,984,464</u> |
| | | | |
| - | - | - | 355,724 |
| - | - | - | 145,318 |
| 153,355 | - | - | 170,374 |
| - | - | - | 2,650 |
| - | - | - | 88,187 |
| <u>153,355</u> | <u>-</u> | <u>-</u> | <u>762,253</u> |
| | | | |
| 25,138,086 | - | 3,295,590 | 28,433,676 |
| - | - | - | 741,748 |
| - | 1,406,938 | 1,317,738 | 9,840,715 |
| - | - | 198,794 | 9,258,351 |
| - | - | (26,729) | 447,288 |
| <u>25,138,086</u> | <u>1,406,938</u> | <u>4,785,393</u> | <u>48,721,778</u> |
| | | | |
| <u>\$ 25,294,967</u> | <u>\$ 2,186,658</u> | <u>\$ 4,942,608</u> | <u>\$ 51,468,495</u> |

**CITY OF KENAI, ALASKA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2019**

| | |
|--|---------------|
| Total fund balances for governmental funds | \$ 48,721,778 |
|--|---------------|

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. | 143,505,845 |
|---|-------------|

| | |
|--|---------|
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 671,416 |
|--|---------|

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 | \$ (1,260,000) | |
| Net pension liability | (12,913,450) | |
| Net other postemployment benefits liability | (2,641,001) | |
| Compensated absences | (860,603) | |
| Accrued interest (net of related interest subsidy) | (11,200) | |
| | | (17,686,254) |

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

| | | |
|---|-------------|-----------|
| Deferred outflows for pensions | 1,448,784 | |
| Deferred outflows for other postemployment benefits | 957,500 | |
| Deferred inflows for pensions | (324,102) | |
| Deferred inflows for other postemployment benefits | (1,032,904) | |
| | | 1,049,278 |

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.

| | |
|---|-----------------------|
| Net position of governmental activities | <u>\$ 179,846,043</u> |
|---|-----------------------|

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, 2019**

| | Major Governmental Funds | | | |
|---|---------------------------------|--|--|---|
| | General | Airport Special Revenue | Water & Sewer Special Revenue | Airport Land Sales Permanent |
| Revenues: | | | | |
| Taxes | \$ 11,049,181 | \$ - | \$ - | \$ - |
| Intergovernmental revenues | 946,104 | 36,883 | 35,066 | - |
| Charges for services | 2,337,881 | 410,697 | 2,858,404 | - |
| Investment earnings | 378,064 | 155,283 | 108,222 | 1,294,214 |
| Miscellaneous revenues | 326,307 | 1,438,292 | 14,916 | 455,207 |
| Total revenues | 15,037,537 | 2,041,155 | 3,016,608 | 1,749,421 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,891,363 | - | - | - |
| Public safety | 7,119,567 | - | - | - |
| Public works | 2,241,645 | - | - | - |
| Parks, recreation, and cultural | 2,077,207 | - | - | - |
| Water and sewer services | - | - | 2,303,487 | - |
| Airport | - | 2,724,590 | - | - |
| Social welfare services | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Capital outlay | 189,318 | 11,877 | 20,425 | - |
| Total expenditures | 14,519,100 | 2,736,467 | 2,323,912 | - |
| Excess of revenues over (under) expenditures | 518,437 | (695,312) | 692,696 | 1,749,421 |
| Other financing sources (uses): | | | | |
| Transfers in | 283,221 | 1,203,690 | - | - |
| Transfers out | (622,298) | (2,072,139) | (110,400) | (1,203,690) |
| Net other financing sources/(uses) | (339,077) | (868,449) | (110,400) | (1,203,690) |
| Net changes in fund balances | 179,360 | (1,563,761) | 582,296 | 545,731 |
| Fund balances - July 1 | 10,570,684 | 5,078,990 | 2,543,792 | 24,592,355 |
| Fund balances - June 30 | \$ 10,750,044 | \$ 3,515,229 | \$ 3,126,088 | \$ 25,138,086 |

See accompanying notes to basic financial statements.

| Airport Improvements Capital Project | Nonmajor Governmental Funds | Total Governmental Funds |
|---|--|---|
| \$ - | \$ - | \$ 11,049,181 |
| 6,025,139 | 565,404 | 7,608,596 |
| - | 351,845 | 5,958,827 |
| - | 172,462 | 2,108,245 |
| - | 324,507 | 2,559,229 |
| <u>6,025,139</u> | <u>1,414,218</u> | <u>29,284,078</u> |
| - | - | 2,891,363 |
| - | 92,515 | 7,212,082 |
| - | 93,542 | 2,335,187 |
| - | 227,025 | 2,304,232 |
| - | - | 2,303,487 |
| - | - | 2,724,590 |
| - | 877,762 | 877,762 |
| - | 95,000 | 95,000 |
| - | 83,398 | 83,398 |
| <u>6,974,141</u> | <u>378,734</u> | <u>7,574,495</u> |
| <u>6,974,141</u> | <u>1,847,976</u> | <u>28,401,596</u> |
| (949,002) | (433,758) | 882,482 |
| 1,838,918 | 732,698 | 4,058,527 |
| - | (50,000) | (4,058,527) |
| <u>1,838,918</u> | <u>682,698</u> | <u>-</u> |
| 889,916 | 248,940 | 882,482 |
| <u>517,022</u> | <u>4,536,453</u> | <u>47,839,296</u> |
| <u>\$ 1,406,938</u> | <u>\$ 4,785,393</u> | <u>\$ 48,721,778</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, 2019**

| | | |
|---|----|---------|
| Net changes in fund balances - total governmental funds | \$ | 882,482 |
|---|----|---------|

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 | \$ | 7,574,495 | |
| Current year depreciation | | <u>(4,391,207)</u> | |
| | | | 3,183,288 |

| | | |
|--|--|---------|
| The net effect of various transactions involving capital assets (i.e. sales trade-ins and donations is to decrease net position. | | (2,955) |
|--|--|---------|

| | | |
|--|--|-----------|
| 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. | | (279,170) |
|--|--|-----------|

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 | \$ | 9,137 | |
| Bond interest payable | | <u>267</u> | |
| | | | 9,404 |

| | | |
|---|--|--------|
| 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 | \$ | 1,437,498 | |
| Other postemployment benefits | | <u>191,272</u> | |
| | | | 1,628,770 |

| | | |
|---|--|----------------|
| 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. | | <u>407,257</u> |
|---|--|----------------|

| | | |
|---|----|------------------|
| Change in net position of governmental activities | \$ | <u>5,924,076</u> |
|---|----|------------------|

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Business-type Activities - Major Enterprise Fund <u>Congregate Housing</u> | Governmental Activities - Internal Service Funds |
|---|---|---|
| ASSETS | | |
| Current assets - | | |
| Equity in central treasury (cash and investments) | \$ 740,110 | \$ 1,406,132 |
| Accounts receivable | 992 | - |
| Total current assets | <u>741,102</u> | <u>1,406,132</u> |
| Noncurrent assets: | | |
| Land | 274,500 | - |
| Property and equipment in service, at cost: | | |
| Buildings | 5,710,219 | - |
| Equipment | <u>-</u> | <u>3,723,470</u> |
| Total property and equipment in service | 5,710,219 | 3,723,470 |
| Less accumulated depreciation | <u>(3,447,883)</u> | <u>(1,693,530)</u> |
| Net property and equipment in service | 2,262,336 | 2,029,940 |
| Construction work in progress | <u>7,256</u> | <u>548,257</u> |
| Total assets | <u>\$ 3,285,194</u> | <u>\$ 3,984,329</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 21,191 | \$ 349 |
| Unearned revenue | 1,090 | 400,000 |
| Other liabilities | <u>36,381</u> | <u>-</u> |
| Total current liabilities | <u>58,662</u> | <u>400,349</u> |
| Noncurrent liabilities - compensated absences | <u>2,898</u> | <u>-</u> |
| Total liabilities | <u>61,560</u> | <u>400,349</u> |
| NET POSITION | | |
| Investment in capital assets | 2,544,092 | 2,029,940 |
| Unrestricted | <u>679,542</u> | <u>1,554,040</u> |
| Total net position | <u>3,223,634</u> | <u>3,583,980</u> |
| Total liabilities and net position | <u>\$ 3,285,194</u> | <u>\$ 3,984,329</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, 2019**

| | Business-type Activities - Major Enterprise Fund Congregate Housing | Governmental Activities - Internal Service Funds |
|--------------------------------------|---|---|
| Operating revenues: | | |
| Rents and leases | \$ 408,188 | \$ - |
| Other revenue | <u>-</u> | <u>2,777,108</u> |
| Total operating revenues | <u>408,188</u> | <u>2,777,108</u> |
| Operating expenses: | | |
| Personal services | 53,736 | - |
| Supplies | 8,263 | - |
| Utilities | 83,358 | - |
| Repair and maintenance | 30,451 | - |
| Insurance/benefits | 15,534 | 2,244,549 |
| Depreciation | 140,446 | 162,060 |
| Manager's fee | 77,769 | - |
| Miscellaneous | 2,611 | 13,006 |
| Expenses chargeable from other funds | <u>43,300</u> | <u>-</u> |
| Total operating expenses | <u>455,468</u> | <u>2,419,615</u> |
| Operating income (loss) | <u>(47,280)</u> | <u>357,493</u> |
| Nonoperating revenues: | | |
| Intergovernmental grants | 1,995 | - |
| Investment earnings | <u>21,630</u> | <u>49,764</u> |
| Total nonoperating revenues | <u>23,625</u> | <u>49,764</u> |
| Changes in net position | (23,655) | 407,257 |
| Net position - July 1 | <u>3,247,289</u> | <u>3,176,723</u> |
| Net position - June 30 | <u>\$ 3,223,634</u> | <u>\$ 3,583,980</u> |

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

| | Business-type Activities - Major Enterprise Fund <u>Congregate Housing</u> | Governmental Activities - Internal Service Funds |
|--|--|--|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 405,201 | \$ 258,664 |
| Payments to suppliers | (212,009) | (2,257,206) |
| Payments to employees | (53,350) | - |
| Receipts (payments) for interfund services | <u>(43,300)</u> | <u>2,518,444</u> |
| Net cash provided by operating activities | <u>96,542</u> | <u>519,902</u> |
| Cash flows from noncapital financing activities - | | |
| State grant | <u>1,995</u> | <u>-</u> |
| Cash flows for capital and related financing activities - | | |
| State grant | - | 400,000 |
| Acquisition and construction of capital assets | <u>(7,256)</u> | <u>(985,337)</u> |
| Net cash used by capital and related financing activities | <u>(7,256)</u> | <u>(585,337)</u> |
| Cash flows from investing activities - | | |
| Investment earnings received | <u>21,630</u> | <u>49,764</u> |
| Net increase (decrease) in cash and cash equivalents | 112,911 | (15,671) |
| Cash and cash equivalents - July 1 | <u>627,199</u> | <u>1,421,803</u> |
| Cash and cash equivalents - June 30 | <u><u>\$ 740,110</u></u> | <u><u>\$ 1,406,132</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ (47,280) | \$ 357,493 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 140,446 | 162,060 |
| Accounts receivable | (992) | - |
| Accounts payable | 5,527 | 349 |
| Compensated absences | 386 | - |
| Unearned revenue | (1,995) | - |
| Other liabilities | <u>450</u> | <u>-</u> |
| Net cash provided by operating activities | <u><u>\$ 96,542</u></u> | <u><u>\$ 519,902</u></u> |

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
KENAI COMMUNITY FOUNDATION AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019**

ASSETS

| | |
|---|-------------------|
| Equity in central treasury (cash and investments) | \$ 189,330 |
| Interest receivable | <u>512</u> |
| Total assets | <u>\$ 189,842</u> |

LIABILITIES

| | |
|-----------------------------------|-------------------|
| Due to Kenai Community Foundation | <u>\$ 189,842</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 of the 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 based on the quantitative criteria:

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 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 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 Permanent Fund accounts for sales of airport land. All proceeds from airport land sales are deposited into this account and invested with up to 5% of the fund's balance at December 31st of each year being available for transfer to the Airport Special Revenue Fund for operations.

The Airport Improvements Capital Project Fund accounts for capital projects of the City's airport. Primary funding sources are federal 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 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 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 a management agreement, for the Kenai Community Foundation, a not-for-profit organization devoted to supporting museums, parks and recreation, music, fine arts, library, and historic purposes within Kenai's city limits.

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 include 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 developed 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

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 ambulance services, other unavailable revenues, pension and OPEB related items in the government-wide State of Net Position. These 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 Fund, which is an internal service fund, is not required to have a budget. The City Council approves all asset acquisitions from this fund 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 \$334,227. Supplemental funding of capital projects included \$12,500 to pay the City's insurance deductible for damage caused by the November 2018 magnitude 7.0 South Central Alaska Earthquake, \$25,359 for grant funded bacteria level monitoring on Kenai beaches, \$35,996 for grant funded, baseline water testing of the Kenai River, \$1,845 for grant funded, police overtime, \$7,468 for grant funded, fire department equipment, \$7,000 for grant funded, library book purchases, \$136,759 for grant funded, police department equipment and operating supplies, \$103,000 for a donated cabin, and \$4,300 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, 2019 were:

| | Major Funds: | | |
|---|------------------|---------------------------------|-------------------------|
| | General | Airport Imp. Capital Project | Nonmajor Gov't Funds |
| Police portable radios | \$106,933 | \$ - | \$ - |
| Kenai Municipal Airport Terminal rehabilitation | - | 6,011,479 | - |
| Fire Training Center rehabilitation design | - | 216,000 | - |
| Wastewater Treatment Plant upgrades | - | - | 1,149,950 |
| | <u>\$106,933</u> | <u>\$6,227,479</u> | <u>\$1,149,950</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 Financial

Times Stock Exchange Developed ex North America 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; and (g) Emerging Market Equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Emerging Index or another index of similar characteristics including both mutual funds and exchange traded funds. 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 counter party to security transactions.

The City maintains an interest bearing checking account, which had a bank balance of \$2,679,032 and a carrying value of \$1,109,258 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 \$3,405 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, 2019, 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 | \$ 2,506,900 | \$ - | \$2,506,900 | \$ - |
| Wells Fargo Money Market | 1,160,659 | 1,160,659 | - | - |
| Certificates of Deposit | 15,999,353 | 8,091,862 | 1,973,416 | 5,934,075 |
| AMLIP | <u>470,020</u> | <u>470,020</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$20,136,932</u> | <u>\$9,722,541</u> | <u>\$4,480,316</u> | <u>\$5,934,075</u> |

General and Airport Land Sales Permanent Funds' investments:

| <u>Investment</u> | <u>Fair Value</u> | <u>% of Portfolio</u> |
|--------------------------|---------------------|-----------------------|
| U.S. Treasury/Agencies | \$ 9,215,614 | 32.87% |
| Corporate Bonds | 1,963,690 | 7.00 |
| Wells Fargo Money Market | 1,428,450 | 5.09 |
| U.S. Equity Securities | 9,803,261 | 34.97 |
| International Securities | 4,232,781 | 15.10 |
| Infrastructure Equities | 847,875 | 3.04 |
| Real Estate Equities | <u>546,130</u> | <u>1.93</u> |
| Total | <u>\$28,037,801</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, 2019.

| | Pooled Cash and Investments | Kenai Community Foundation | Totals |
|--------------------------------|-----------------------------------|----------------------------------|---------------------|
| Bank deposits and cash on hand | \$ 1,134,923 | \$ - | \$ 1,134,923 |
| Investments | <u>47,985,403</u> | <u>189,330</u> | <u>48,174,733</u> |
| | <u>\$49,120,326</u> | <u>\$189,330</u> | <u>\$49,309,656</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, 2019 the index had an average duration of 5.71 while the fund's fixed income component had an average duration of 5.78.

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, 2018.

| <u>Asset Class</u> | <u>Benchmark Index</u> | <u>Target % Weighting</u> | <u>Actual % Weighting</u> |
|--------------------------------|---|-------------------------------|-------------------------------|
| Cash | 90-day US Treasury Bill | 0-10% | 5.09% |
| Fixed income | Bloomberg Barclays US Aggregate Bond Index | 35-65 | 39.87 |
| Large-Cap domestic equities | Standard & Poor's 500 Index | 15-25 | 19.98 |
| International equities | Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index | 5-15 | 9.99 |
| Mid-Cap equities | Standard & Poor's 400 Mid-Cap Index | 5-15 | 10.05 |
| Small-Cap equities | Standard & Poor's 600 Small-Cap Index | 0-10 | 4.94 |
| International emerging markets | Morgan Stanley Capital International Emerging Market Index | 0-10 | 5.11 |
| Real-estate equities | Standard & Poor's US REIT Index | 0-5 | 1.93 |
| Infrastructure equities | STOXX Global Broad Infrastructure Index | 0-6 | <u>3.04</u> |
| 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 Intermediate 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, 2019 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, 2019, about \$993,430 or 4.68% 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 is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

| <u>Investment</u> | <u>Type of Call</u> | <u>Next Call Date</u> |
|---------------------------------------|---------------------|-----------------------|
| Federal National Mortgage Association | Quarterly Call | September 30, 2018 |
| Federal National Mortgage Association | Quarterly Call | November 25, 2018 |

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, 2019:

| <u>Investments Measured at Fair Value</u> | | | | |
|---|---------------------|---|--|--|
| <u>Fair Value Measurement Using</u> | | | | |
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| US Treasuries | \$ 6,644,808 | \$ 6,644,808 | \$ - | \$ - |
| US Agencies | 5,077,706 | - | 5,077,706 | - |
| Corporate bonds | 1,963,690 | - | 1,963,690 | - |
| Certificates of deposit | 15,999,353 | - | 15,999,353 | - |
| Money market funds | 2,589,109 | 2,589,109 | - | - |
| Mutual funds | 15,430,047 | 15,430,047 | - | - |
| AMLIP | 470,020 | 470,020 | - | - |
| Total investment at fair value level | <u>\$48,174,733</u> | <u>\$25,133,984</u> | <u>\$23,040,749</u> | <u>\$ -</u> |

US Treasuries, money market funds, mutual funds, and AMLIP 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.

B. Receivables

Receivables at June 30, 2019, 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 Improvements Capital Project | Nonmajor Governmental Funds |
|---------------------------------------|--------------------|-------------------------------|-------------------------------------|------------------------------------|---|-----------------------------------|
| Taxes | \$1,418,423 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 37,336 | 5,957 | - | - | 1,630,368 | 95,099 |
| Customer and other | 802,897 | 172,724 | 318,661 | - | - | 12,178 |
| Special assessments | 355,725 | - | - | - | - | - |
| Land contracts | 17,019 | - | - | 153,355 | - | - |
| Accrued interest | 99,053 | - | - | 83,261 | - | 10,938 |
| Total receivables | 2,730,453 | 178,681 | 318,661 | 236,616 | 1,630,368 | 118,215 |
| Less allowances for uncollectibles | (619,104) | (88,018) | (28,493) | - | - | - |
| Net receivables | <u>\$2,111,349</u> | <u>\$ 90,663</u> | <u>\$290,168</u> | <u>\$236,616</u> | <u>\$1,630,368</u> | <u>\$118,215</u> |

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, 2019, 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 | \$ - | \$ - | \$ - | \$1,448,784 | \$ - | \$ - |
| Other postemployment benefits related | - | - | - | 957,500 | - | - |
| Special assessments receivable (General Fund) | - | 355,724 | - | - | - | - |
| Ambulance billing receivable (General Fund) | - | 145,318 | - | - | - | - |
| Land sales receivable (General Fund) | - | 17,019 | - | - | - | - |
| Land sales receivable (Airport Land Sales Permanent Fund) | - | 153,355 | - | - | - | - |
| Prepaid property tax (General Fund) | - | 88,187 | - | - | 88,187 | - |
| Prepaid licenses (General Fund) | - | 2,650 | - | - | 2,650 | - |
| Pension related | - | - | - | - | 324,102 | - |
| Other postemployment benefits related | - | - | - | - | 1,032,904 | - |
| Prepaid rents & leases (General Fund) | - | - | 46,005 | - | - | 46,005 |
| Prepaid rents & leases (Airport Fund) | - | - | 81,988 | - | - | 81,988 |
| Prepaid rents & leases (Enterprise Fund) | - | - | - | - | - | 1,090 |
| Prepaid water & sewer service | - | - | 13,780 | - | - | 13,780 |
| Grant funds received prior to meeting all eligibility requirements (Equipment Replacement Fund) | - | - | - | - | - | 400,000 |
| | <u>\$ -</u> | <u>\$762,253</u> | <u>\$141,773</u> | <u>\$2,406,284</u> | <u>\$ 1,447,843</u> | <u>\$542,863</u> |

D. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Balance June 30, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|--------------------------|---------------------|---------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,225,351 | \$ 2,686 | \$ (2,957) | \$ 6,225,080 |
| Construction in progress | <u>1,560,482</u> | <u>7,920,810</u> | <u>(165,119)</u> | <u>9,316,173</u> |
| Total capital assets not being depreciated | <u>7,785,833</u> | <u>7,923,496</u> | <u>(168,076)</u> | <u>15,541,253</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 72,802,045 | 54,116 | - | 72,856,161 |
| Improvements other than buildings | 59,383,296 | - | - | 59,383,296 |
| Machinery and equipment | 22,344,667 | 603,562 | - | 22,948,229 |
| Infrastructure | <u>70,971,069</u> | <u>143,779</u> | <u>-</u> | <u>71,114,848</u> |
| Total capital assets being depreciated | <u>225,501,077</u> | <u>801,457</u> | <u>-</u> | <u>226,302,534</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (22,957,967) | (1,306,978) | - | (24,264,945) |
| Improvements other than buildings | (24,596,761) | (1,555,134) | - | (26,151,895) |
| Machinery and equipment | (14,174,001) | (798,370) | - | (14,972,371) |
| Infrastructure | <u>(29,477,749)</u> | <u>(892,785)</u> | <u>-</u> | <u>(30,370,534)</u> |
| Total accumulated depreciation | <u>(91,206,478)</u> | <u>(4,553,267)</u> | <u>-</u> | <u>(95,759,745)</u> |
| Total capital assets being depreciated, net | <u>134,294,599</u> | <u>(3,751,810)</u> | <u>-</u> | <u>130,542,789</u> |
| Governmental activities capital assets, net | <u>\$142,080,432</u> | <u>\$ 4,171,686</u> | <u>\$ (168,076)</u> | <u>\$146,084,042</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, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|-------------------------|---------------------|-------------|--------------------------|
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 274,500 | \$ - | \$ - | \$ 274,500 |
| Construction in progress | <u>-</u> | <u>7,256</u> | <u>-</u> | <u>7,256</u> |
| Total capital assets not being depreciated | <u>274,500</u> | <u>7,256</u> | <u>-</u> | <u>281,756</u> |
| Capital assets being depreciated – Buildings | 5,710,219 | - | - | 5,710,219 |
| Less accumulated depreciation for – Buildings | <u>(3,307,437)</u> | <u>(140,446)</u> | <u>-</u> | <u>(3,447,883)</u> |
| Total capital assets being depreciated, net | <u>2,402,782</u> | <u>(140,446)</u> | <u>-</u> | <u>2,262,336</u> |
| Business-type activities capital assets, net | <u>\$ 2,677,282</u> | <u>\$ (133,190)</u> | <u>\$ -</u> | <u>\$ 2,544,092</u> |

Depreciation expense charged to each governmental function is as follows:

| | |
|--------------------------------|---------------------|
| General government | \$ 60,725 |
| Public safety | 206,793 |
| Public works | 921,819 |
| Parks, recreation and cultural | 311,746 |
| Water and sewer services | 1,024,488 |
| Airport | 1,960,400 |
| Social welfare services | <u>67,296</u> |
| | <u>\$ 4,553,267</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/dr/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.

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.

The City recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% 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% on 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. This change results in lower ARM Board Rates than previously adopted.

On-behalf 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.

GASB Rate: This is the rate used to determine the long-term pension liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For 2019, the rate uses an 8% pension discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2019 were determined in the June 30, 2016 actuarial valuations. The City's contribution rates for the 2019 fiscal year were as follows:

| | Employer Effective Rate | ARM Board Adopted Rate | State Contribution Rate |
|-----------------------------------|-------------------------------|------------------------------|-------------------------------|
| Pension | 16.17% | 23.21% | 5.58% |
| Postemployment healthcare (ARHCT) | 5.83% | 4.37% | 0.00% |
| Total Contribution Rates | <u>22.00%</u> | <u>27.58%</u> | <u>5.58%</u> |

In 2019, the City was credited with the following contributions into the pension plan.

| | Measurement Period July 1, 2017 to July 1, 2018 | City Fiscal Year July 1, 2018 to June 30, 2019 |
|---|--|---|
| Employer contributions (including DBUL) | \$1,048,639 | \$1,020,687 |
| Nonemployer contributions (on-behalf) | <u>262,041</u> | <u>498,806</u> |
| Total Contributions | <u>\$1,310,680</u> | <u>\$1,519,493</u> |

In addition, employee contributions to the plan totaled \$242,047 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, 2019, 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>2019</u> |
| City proportionate share of NPL | \$12,913,450 |
| State's proportionate share of NPL associated with the City | <u>3,738,518</u> |
| Total Net Pension Liability | <u>\$16,651,968</u> |

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the City's proportion was 0.25988 percent, which was an increase of 0.00520 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$416,812 and on-behalf revenue of \$175,044 for support provided by the State. At June 30, 2019, 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 | \$ - | \$(324,102) |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 285,199 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 142,898 | - |
| City contributions subsequent to the measurement date | <u>1,020,687</u> | <u>-</u> |
| Total Deferred Outflows and Deferred Inflows Related to Pensions | <u>\$1,448,784</u> | <u>\$(324,102)</u> |

The \$1,020,687 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, 2020. 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, | |
| 2020 | \$181,530 |
| 2021 | 155,945 |
| 2022 | (220,977) |
| 2023 | (12,504) |
| 2024 | - |
| 2025 | - |
| Total Amortization | <u>\$103,994</u> |

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

| | |
|-----------------------|--|
| Actuarial Cost Method | Entry Age Normal – Level Percentage of Payroll |
| Amortization Method | Level dollar, closed |
| Inflation | 3.12% |
| Salary Increases | For peace officer/firefighter, increases range from 9.66% to 4.92% based on service. For all others, increases range from 8.55% to 4.34% based on age and service. |

| | |
|-----------------------------------|--|
| Allocation Methodology | Amounts for FY 2018 were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the fiscal years 2019 to 2039 to the Plan. The liability is expected to go to zero at 2039. |
| Investment Return / Discount Rate | 8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%. |
| Mortality | Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination – 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. |

The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation report are the same as those used in the June 30, 2016 actuarial valuation.

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 for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Broad domestic equity | 24% | 8.90% |
| Global ex-U.S. equity | 22% | 7.85% |
| Intermediate Treasuries | 10% | 1.25% |
| Opportunistic | 10% | 4.76% |
| Real assets | 17% | 6.20% |
| Absolute return | 7% | 4.76% |
| Private equity | 9% | 12.08% |
| Cash equivalents | 1% | 0.66% |

Discount Rate

The discount rate used to measure the total pension liability 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.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, 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>(7.00%)</u> | Current Discount Rate <u>(8.00%)</u> | 1% Increase <u>(9.00%)</u> |
|--|------------------------------|----------------------------------|---|-------------------------------|
| City's proportionate share of the net pension liability | 0.25988% | \$17,100,665 | \$12,913,450 | \$9,371,571 |

Pension Plan Fiduciary Net Position

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

2. Defined Contribution 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/dr/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, 2019 to cover a portion of the City's employer match contributions. For the year ended June 30, 2019, forfeitures reduced pension expense by \$8,023.

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, 2019, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2019 were \$247,052 and \$395,285, respectively. The City contribution amount was recognized as pension expense/expenditures.

3. 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/dr/pers>.

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, 2019 were as follows:

| | <u>Other</u> | <u>Police/Fire</u> |
|--|--------------|--------------------|
| Alaska Retiree Healthcare Trust | 5.83% | 5.83% |
| Retiree Medical Plan | 0.94% | 0.94% |
| Occupational Death and Disability Benefits | <u>0.26%</u> | <u>0.76%</u> |
| Total Contributions | <u>7.03%</u> | <u>7.53%</u> |

In 2019, the City was credited with the following contributions to the OPEB plans:

| | Measurement Period July 1, 2017 to <u>July 1, 2018</u> | City Fiscal Year July 1, 2018 to <u>June 30, 2019</u> |
|---|---|---|
| City's proportionate share of NOL – ARHCT | \$298,905 | \$369,797 |
| City's proportionate share of NOL – RMP | 44,678 | 46,446 |
| City's proportionate share of NOL – ODD | 3,508 | 23,345 |
| Nonemployer contributions (on-behalf) - ARHCT | - | - |
| Total Contributions | <u>\$347,091</u> | <u>\$439,588</u> |

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

At June 30, 2019, 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:

| | |
|---|--------------------|
| | <u>2019</u> |
| City's proportionate share of NOL – ARHCT | \$2,666,667 |
| City's proportionate share of NOL – RMP | 48,769 |
| City's proportionate share of NOL – ODD (Asset) | <u>(74,435)</u> |
| Total City's Proportionate Share of NOL | \$2,641,001 |
| State's proportionate share of NOL associated with the City | <u>773,478</u> |
| Total Net OPEB Liability | <u>\$3,414,479</u> |

The total OPEB liabilities for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net OPEB liabilities as of that date. The City's proportion of the net OPEB liabilities were based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

| | June 30, 2017 Measurement Date Employer <u>Proportion</u> | June 30, 2018 Measurement Date Employer <u>Proportion</u> | <u>Change</u> |
|---|--|--|---------------|
| City's proportionate share of the net OPEB liability (asset) | | | |
| ARHCT | 0.25476% | 0.25984% | 0.00508% |
| RMP | 0.38843% | 0.38325% | (0.00518)% |
| ODD | 0.38843% | 0.38325% | (0.00518)% |

As a result of its requirement to contribute to the Plan, the City recognized OPEB expense of \$277,835 and on-behalf revenue of \$101,542 for support provided by the State with the ARHCT plan.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (308,551) |
| Changes in assumptions | 427,153 | - |
| Changes in benefits | - | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | (574,821) |
| Changes in proportion and differences between City Contributions and proportionate share of contributions | 90,759 | (149,532) |
| City contributions subsequent to the measurement date | <u>439,588</u> | <u>-</u> |
| Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB | <u>\$957,500</u> | <u>\$(1,032,904)</u> |

The \$439,588 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30.

| | |
|--------------------|--------------------|
| 2020 | \$(217,960) |
| 2021 | (101,467) |
| 2022 | (186,753) |
| 2023 | (11,633) |
| 2024 | 732 |
| Thereafter | <u>2,092</u> |
| Total Amortization | <u>\$(514,989)</u> |

Actuarial Assumptions

The total OPEB liability for each plan the measurement period ended June 30, 2018 was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

| | |
|---------------------------------|--|
| Actuarial cost method | Entry age normal, level dollar normal cost basis |
| Amortization method | Level dollar, closed |
| Inflation | 3.12% |
| Salary Increases | Graded by service, from 9.66% to 4.92% for Peace Officer/Firefighter. Graded by service from 8.55% to 4.34% for all others |
| Allocation Methodology | Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039. |
| Investment Return/Discount Rate | 8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%. |
| Healthcare Cost Trend Rates | Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% |

Prescription drug: 9.0% grading down to 4.0%
RDS/EGWP: 6.5% grading down to 4.0%

Mortality

Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others.
Post-termination – 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

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, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation are the same as those used in the June 30, 2016 valuation with the following exceptions:

1. The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
2. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

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 for each major asset class included in the plans' targeted asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Broad domestic equity | 24% | 8.90% |
| Global ex-U.S. equity | 22% | 7.85% |
| Intermediate Treasuries | 10% | 1.25% |
| Opportunistic | 10% | 4.76% |
| Real assets | 17% | 6.20% |
| Absolute return | 7% | 4.76% |
| Private equity | 9% | 12.08% |
| Cash equivalents | 1% | 0.66% |

Discount Rate Sensitivity

The discount rate used to measure the total OPEB liability for each plan 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 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 8.00%, 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 a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|-----------------------|---------------------------|--|------------------------|
| City's proportionate share of the net OPEB liability (asset) | | | | |
| ARHCT | 0.25984% | \$5,398,665 | \$2,666,667 | \$376,695 |
| RMP | 0.38325% | 145,635 | 48,769 | (26,785) |
| ODD | 0.38325% | (69,897) | (74,435) | (78,168) |

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 liabilities calculated using the healthcare cost trend rates, 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:

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|-----------------------|---------------------------|--|------------------------|
| City's proportionate share of the net OPEB liability (asset) | | | | |
| ARHCT | 0.25984% | \$51,765 | \$2,666,667 | \$5,816,573 |
| RMP | 0.38325% | (41,464) | 48,769 | 169,527 |
| ODD | 0.38325% | n/a | (74,435) | 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.

4. Defined Contribution OPEB Plans

PERS defined contribution members also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expenses 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.

Employer 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, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees. Employees do not contribute to the DC OPEB plans.

Annual Postemployment Healthcare Cost

In 2019, the City contributed \$134,809 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:

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due within one year |
|-------------------------------|-------------------------|------------------|------------------|--------------------------|------------------------|
| Compensated absences | \$ 869,740 | \$859,373 | \$868,510 | \$ 860,603 | \$215,151 |
| Library expansion bonds | <u>1,355,000</u> | <u>-</u> | <u>95,000</u> | <u>1,260,000</u> | <u>95,000</u> |
| Total governmental activities | <u>\$2,224,740</u> | <u>\$859,373</u> | <u>\$963,510</u> | <u>\$2,120,603</u> | <u>\$310,151</u> |

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

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due within one year |
|----------------------|-------------------------|----------------|----------------|--------------------------|------------------------|
| Compensated absences | <u>\$2,512</u> | <u>\$3,603</u> | <u>\$3,217</u> | <u>\$2,898</u> | <u>\$725</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, 2019, is as follows:

| Date of Issue | Issued | Interest Rate | Federal Interest Subsidy | Maturity Dates | Annual Installments | Federal Interest Subsidy | Net Installments | Outstanding June 30, 2019 |
|------------------|----------------|------------------|--------------------------------|-------------------|------------------------|--------------------------------|---------------------|------------------------------|
| 3/11/10 | \$1,355 | 5.99 - 6.34 | 2.70 - 2.85 | 2019 - 2030 | \$81 - \$175 | \$4 - \$38 | \$77 - \$137 | \$1,260 |
| 3/11/10 | <u>645</u> | 2.00 - 5.00 | - | 2012 - 2018 | 90 | - | 92 - 95 | <u>-</u> |
| | <u>\$2,000</u> | | | | | | | <u>\$1,260</u> |

Debt service requirements for the library expansion bonds at June 30, 2019 are as follows:

| Fiscal Year | Governmental Activities | | | |
|-------------|-------------------------|------------------|---------------------|------------------|
| | Principal | Interest | Interest Subsidy | Net Interest |
| 2020 | \$ 95,000 | \$ 77,704 | \$ 34,967 | \$ 42,737 |
| 2021 | 100,000 | 72,011 | 32,405 | 39,606 |
| 2022 | 105,000 | 66,018 | 29,708 | 36,310 |
| 2023 | 105,000 | 59,725 | 26,876 | 32,849 |
| 2024 | 110,000 | 53,433 | 24,045 | 29,388 |
| 2025-2029 | 610,000 | 160,661 | 72,298 | 88,363 |
| 2030 | <u>135,000</u> | <u>8,560</u> | <u>3,852</u> | <u>4,708</u> |
| Total | <u>\$1,260,000</u> | <u>\$498,112</u> | <u>\$224,151</u> | <u>\$273,961</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 2018 Certified Main and Supplemental Tax Roles for the City showed total taxable assessed for real and personal property of \$871,828,901, making the legal debt limit \$174,365,780 for the City.

G. Interfund Receivables, Payables and Transfers

Amounts due from other funds are as follows:

Due to General Fund from -

Senior Citizen Special Revenue Fund for short-term operating advances \$ 5,609

Transfers between funds were as follows:

From General Fund to:

Nonmajor governmental funds for capital costs \$ 297,000

Nonmajor governmental funds for debt service 143,271

Nonmajor governmental funds for operational costs 182,027

From Airport Special Revenue Fund to:

General Fund for operational costs 233,221

Airport Improvements Capital Project Fund for capital costs 1,838,918

From Water & Sewer Special Revenue Fund to -

Nonmajor governmental funds for capital costs 110,400

From Airport Land Sales Permanent Fund to -

Airport Special Revenue Fund for operating costs 1,203,690

From nonmajor governmental funds to -

General Fund for operational costs 50,000

Total transfers to other funds \$4,058,527

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 | Airport Special Revenue | Water & Sewer Special Revenue | Airport Land Sales Permanent | Airport Improv. Capital Proj. | Nonmajor and Other Funds | Totals |
|--------------------------|---------------------|-------------------------------|-------------------------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------|
| Nonspendable – | | | | | | | |
| Permanent funds | \$ - | \$ - | \$ - | <u>\$25,138,086</u> | \$ - | <u>\$3,295,590</u> | <u>\$28,433,676</u> |
| Restricted –Athletics | <u>741,748</u> | - | - | - | - | - | <u>741,748</u> |
| Committed: | | | | | | | |
| General Government | | | | | | | |
| Operations | 16,179 | - | - | - | - | - | 16,179 |
| Public safety operations | 1,325 | - | - | - | - | - | 1,325 |
| Public safety capital | 106,933 | - | - | - | - | - | 106,933 |
| Public works operations | 16,795 | - | - | - | - | - | 16,795 |
| Capital Imp. | 500,000 | - | - | - | 1,406,938 | 1,317,738 | 2,724,676 |
| Budget stabilization | 5,293,325 | - | - | - | - | - | 5,293,325 |
| Subsequent years | | | | | | | |
| expenditures | <u>1,181,482</u> | - | - | - | - | - | <u>1,181,482</u> |
| Total committed | <u>7,116,039</u> | - | - | - | <u>1,406,938</u> | <u>1,317,738</u> | <u>9,840,715</u> |
| Assigned: | | | | | | | |
| Operational & capital | | | | | | | |
| contingency reserve | 1,664,277 | - | - | - | - | - | 1,664,277 |
| Compensated abs. | 753,963 | 52,848 | 28,304 | - | - | 2,680 | 837,795 |
| Airport operations | - | 3,462,381 | - | - | - | - | 3,462,381 |
| Water & sewer | | | | | | | |
| operations | - | - | 3,097,784 | - | - | - | 3,097,784 |
| Personal use fishery | | | | | | | |
| operations | - | - | - | - | - | 196,114 | 196,114 |
| Total assigned | <u>2,418,240</u> | <u>3,515,229</u> | <u>3,126,088</u> | - | - | <u>198,794</u> | <u>9,258,351</u> |
| Unassigned | <u>474,017</u> | - | - | - | - | <u>(26,729)</u> | <u>447,288</u> |
| Total fund balances | <u>\$10,750,044</u> | <u>\$3,515,229</u> | <u>\$3,126,088</u> | <u>\$25,138,086</u> | <u>\$1,406,938</u> | <u>\$4,785,393</u> | <u>\$48,721,778</u> |

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. 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 84 – Fiduciary Activities – Effective for year-end June 30, 2020, with earlier application encouraged – This statement addresses criteria for identifying and reporting fiduciary activities.

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.

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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, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|----------------------------------|----------------------------|-------------------------|-------------------|---------------------------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| General property | \$ 3,845,798 | \$ 3,845,798 | \$ 3,882,352 | \$ 36,554 |
| General sales | 7,124,915 | 7,124,915 | 7,159,094 | 34,179 |
| Penalty and interest on taxes | <u>10,000</u> | <u>10,000</u> | <u>7,735</u> | <u>(2,265)</u> |
| Total taxes | <u>10,980,713</u> | <u>10,980,713</u> | <u>11,049,181</u> | <u>68,468</u> |
| Intergovernmental revenues: | | | | |
| Federal grants | - | 71,918 | 71,918 | - |
| Kenai Peninsula Borough | 52,800 | 52,800 | 52,800 | - |
| State of Alaska shared revenues: | | | | |
| Marijuana licenses | - | - | 2,400 | 2,400 |
| Electric utility tax | 33,000 | 33,000 | 30,075 | (2,925) |
| Fish tax | 165,000 | 165,000 | 128,413 | (36,587) |
| Liquor licenses | 25,000 | 25,000 | 19,450 | (5,550) |
| Community Assistance | 223,258 | 223,258 | 210,345 | (12,913) |
| State of Alaska grants: | | | | |
| Library grants | - | 7,000 | 7,000 | - |
| Police grants | - | 108,000 | 9,245 | (98,755) |
| PERS relief | <u>386,406</u> | <u>386,406</u> | <u>414,458</u> | <u>28,052</u> |
| Total intergovernmental revenues | <u>885,464</u> | <u>1,072,382</u> | <u>946,104</u> | <u>(126,278)</u> |
| Charges for services: | | | | |
| Fees and charges: | | | | |
| Ambulance fees | 425,000 | 425,000 | 410,409 | (14,591) |
| Multipurpose facility charges | 110,000 | 110,000 | 130,627 | 20,627 |
| Administrative and service fees | 1,574,200 | 1,574,200 | 1,568,593 | (5,607) |
| Other | <u>9,500</u> | <u>9,500</u> | <u>13,947</u> | <u>4,447</u> |
| Total fees and charges | <u>2,118,700</u> | <u>2,118,700</u> | <u>2,123,576</u> | <u>4,876</u> |
| Licenses and permits: | | | | |
| Building permits | 50,000 | 50,000 | 69,193 | 19,193 |
| Animal control licenses and fees | 46,000 | 46,000 | 46,334 | 334 |
| Other | <u>7,000</u> | <u>7,000</u> | <u>6,702</u> | <u>(298)</u> |
| Total licenses and permits | <u>103,000</u> | <u>103,000</u> | <u>122,229</u> | <u>19,229</u> |
| Fines and forfeits: | | | | |
| Court fines | 50,000 | 50,000 | 44,104 | (5,896) |
| Library fines | 12,000 | 12,000 | 8,773 | (3,227) |
| Other forfeitures | <u>31,000</u> | <u>59,759</u> | <u>39,199</u> | <u>(20,560)</u> |
| Total fines and forfeits | <u>93,000</u> | <u>121,759</u> | <u>92,076</u> | <u>(29,683)</u> |
| Total charges for services | <u>2,314,700</u> | <u>2,343,459</u> | <u>2,337,881</u> | <u>(5,578)</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 | \$ 100,000 | \$ 100,000 | \$ 378,064 | \$ 278,064 |
| Miscellaneous revenues: | | | | |
| Rents and leases | 320,656 | 320,656 | 215,206 | (105,450) |
| Oil and gas royalties | 36,000 | 36,000 | 36,960 | 960 |
| Special assessments | 18,000 | 18,000 | 11,139 | (6,861) |
| Other | 57,085 | 163,135 | 63,002 | (100,133) |
| Total miscellaneous revenues | <u>431,741</u> | <u>537,791</u> | <u>326,307</u> | <u>(211,484)</u> |
| Total revenues | <u>14,712,618</u> | <u>15,034,345</u> | <u>15,037,537</u> | <u>3,192</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Legislative: | | | | |
| Personal services | 51,814 | 51,814 | 51,818 | (4) |
| Supplies | 14,100 | 14,107 | 10,942 | 3,165 |
| Other services and charges | 108,236 | 108,230 | 100,009 | 8,221 |
| Total legislative | <u>174,150</u> | <u>174,151</u> | <u>162,769</u> | <u>11,382</u> |
| City clerk: | | | | |
| Personal services | 209,445 | 209,445 | 205,937 | 3,508 |
| Supplies | 28,345 | 32,156 | 31,765 | 391 |
| Other services and charges | 73,215 | 70,954 | 61,129 | 9,825 |
| Total city clerk | <u>311,005</u> | <u>312,555</u> | <u>298,831</u> | <u>13,724</u> |
| City attorney: | | | | |
| Personal services | 293,918 | 293,918 | 286,778 | 7,140 |
| Supplies | 13,290 | 13,290 | 11,767 | 1,523 |
| Other services and charges | 52,790 | 52,790 | 27,924 | 24,866 |
| Total city attorney | <u>359,998</u> | <u>359,998</u> | <u>326,469</u> | <u>33,529</u> |
| City manager: | | | | |
| Personal services | 327,886 | 327,886 | 315,489 | 12,397 |
| Supplies | 2,740 | 4,040 | 3,491 | 549 |
| Other services and charges | 21,820 | 20,520 | 15,948 | 4,572 |
| Total city manager | <u>352,446</u> | <u>352,446</u> | <u>334,928</u> | <u>17,518</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 | \$ 160,209 | \$ 152,580 | \$ 105,507 | \$ 47,073 |
| Supplies | 5,340 | 7,970 | 6,195 | 1,775 |
| Other services and charges | 4,260 | 9,259 | 1,989 | 7,270 |
| Total finance | <u>169,809</u> | <u>169,809</u> | <u>113,691</u> | <u>56,118</u> |
| Finance: | | | | |
| Personal services | \$ 641,234 | \$ 641,234 | \$ 622,083 | \$ 19,151 |
| Supplies | 45,372 | 45,372 | 35,890 | 9,482 |
| Other services and charges | 22,925 | 22,925 | 12,726 | 10,199 |
| Total finance | <u>709,531</u> | <u>709,531</u> | <u>670,699</u> | <u>38,832</u> |
| Non-departmental: | | | | |
| Personal services | 386,406 | 386,406 | 406,435 | (20,029) |
| Supplies | 18,450 | 18,450 | 13,313 | 5,137 |
| Other services and charges | 481,421 | 491,121 | 338,540 | 152,581 |
| Capital outlays | 16,800 | 14,600 | 14,535 | 65 |
| Total non-departmental | <u>903,077</u> | <u>910,577</u> | <u>772,823</u> | <u>137,754</u> |
| Planning and zoning: | | | | |
| Personal services | 186,634 | 186,634 | 182,549 | 4,085 |
| Supplies | 6,415 | 7,915 | 6,737 | 1,178 |
| Other services and charges | 33,827 | 32,327 | 18,724 | 13,603 |
| Total planning and zoning | <u>226,876</u> | <u>226,876</u> | <u>208,010</u> | <u>18,866</u> |
| Safety: | | | | |
| Supplies | 1,100 | 1,100 | - | 1,100 |
| Other services and charges | 18,050 | 18,940 | 4,800 | 14,140 |
| Total safety | <u>19,150</u> | <u>20,040</u> | <u>4,800</u> | <u>15,240</u> |
| Land administration: | | | | |
| Personal services | 7,097 | 12,097 | 6,573 | 5,524 |
| Supplies | 740 | 1,637 | 1,289 | 348 |
| Other services and charges | 16,500 | 15,603 | 5,016 | 10,587 |
| Total land administration | <u>24,337</u> | <u>29,337</u> | <u>12,878</u> | <u>16,459</u> |
| Total general government | <u>3,250,379</u> | <u>3,265,320</u> | <u>2,905,898</u> | <u>359,422</u> |
| Public safety: | | | | |
| Police: | | | | |
| Personal services | 2,753,309 | 2,755,154 | 2,639,061 | 116,093 |
| Supplies | 98,700 | 214,190 | 99,864 | 114,326 |
| Other services and charges | 162,192 | 166,345 | 149,679 | 16,666 |
| Capital outlays | 93,000 | 110,115 | 108,269 | 1,846 |
| Total police | <u>3,107,201</u> | <u>3,245,804</u> | <u>2,996,873</u> | <u>248,931</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 | \$ 2,762,882 | \$ 2,762,882 | \$ 2,676,585 | \$ 86,297 |
| Supplies | 87,090 | 94,558 | 92,609 | 1,949 |
| Other services and charges | 321,150 | 321,150 | 269,642 | 51,508 |
| Total fire | <u>3,171,122</u> | <u>3,178,590</u> | <u>3,038,836</u> | <u>139,754</u> |
| Communications: | | | | |
| Personal services | 807,294 | 807,294 | 745,037 | 62,257 |
| Supplies | 8,680 | 8,780 | 6,332 | 2,448 |
| Other services and charges | 42,577 | 42,477 | 37,743 | 4,734 |
| Total communications | <u>858,551</u> | <u>858,551</u> | <u>789,112</u> | <u>69,439</u> |
| Animal control: | | | | |
| Personal services | 287,788 | 287,788 | 279,359 | 8,429 |
| Supplies | 14,690 | 16,013 | 12,159 | 3,854 |
| Other services and charges | 119,714 | 119,891 | 111,497 | 8,394 |
| Total animal control | <u>422,192</u> | <u>423,692</u> | <u>403,015</u> | <u>20,677</u> |
| Total public safety | <u>7,559,066</u> | <u>7,706,637</u> | <u>7,227,836</u> | <u>478,801</u> |
| Public works: | | | | |
| Public works administration: | | | | |
| Personal services | 176,032 | 176,032 | 209,649 | (33,617) |
| Supplies | 4,620 | 5,065 | 3,599 | 1,466 |
| Other services and charges | 5,159 | 4,714 | (85,119) | 89,833 |
| Total public works administration | <u>185,811</u> | <u>185,811</u> | <u>128,129</u> | <u>57,682</u> |
| Shop: | | | | |
| Personal services | 370,322 | 370,322 | 361,615 | 8,707 |
| Supplies | 179,201 | 176,901 | 155,116 | 21,785 |
| Other services and charges | 100,129 | 100,129 | 69,778 | 30,351 |
| Capital outlays | 20,000 | 22,300 | 22,787 | (487) |
| Total shop | <u>669,652</u> | <u>669,652</u> | <u>609,296</u> | <u>60,356</u> |
| Streets: | | | | |
| Personal services | 629,754 | 629,754 | 598,900 | 30,854 |
| Supplies | 130,790 | 130,790 | 126,126 | 4,664 |
| Other services and charges | 291,986 | 291,350 | 267,197 | 24,153 |
| Capital outlays | 24,907 | 25,543 | 25,543 | - |
| Total streets | <u>1,077,437</u> | <u>1,077,437</u> | <u>1,017,766</u> | <u>59,671</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 | \$ 34,902 | \$ 34,902 | \$ 21,431 | \$ 13,471 |
| Supplies | 8,500 | 8,500 | 1,739 | 6,761 |
| Other services and charges | <u>31,381</u> | <u>27,804</u> | <u>11,848</u> | <u>15,956</u> |
| Total dock | <u>74,783</u> | <u>71,206</u> | <u>35,018</u> | <u>36,188</u> |
| Buildings: | | | | |
| Personal services | 261,631 | 261,631 | 260,265 | 1,366 |
| Supplies | 35,915 | 36,595 | 30,632 | 5,963 |
| Other services and charges | 51,104 | 62,534 | 33,932 | 28,602 |
| Capital outlays | <u>38,300</u> | <u>38,300</u> | <u>12,675</u> | <u>25,625</u> |
| Total buildings | <u>386,950</u> | <u>399,060</u> | <u>337,504</u> | <u>61,556</u> |
| Street lighting - | | | | |
| Other services and charges | <u>172,819</u> | <u>176,396</u> | <u>174,937</u> | <u>1,459</u> |
| Total street lighting | <u>172,819</u> | <u>176,396</u> | <u>174,937</u> | <u>1,459</u> |
| Total public works | <u>2,567,452</u> | <u>2,579,562</u> | <u>2,302,650</u> | <u>276,912</u> |
| Parks, recreation, and cultural: | | | | |
| Library: | | | | |
| Personal services | 652,360 | 652,360 | 610,294 | 42,066 |
| Supplies | 24,020 | 24,020 | 22,388 | 1,632 |
| Other services and charges | <u>215,653</u> | <u>210,903</u> | <u>199,008</u> | <u>11,895</u> |
| Total library | <u>892,033</u> | <u>887,283</u> | <u>831,690</u> | <u>55,593</u> |
| Visitors center: | | | | |
| Supplies | 1,000 | 1,000 | 940 | 60 |
| Other services and charges | <u>179,251</u> | <u>179,251</u> | <u>174,370</u> | <u>4,881</u> |
| Total visitors center | <u>180,251</u> | <u>180,251</u> | <u>175,310</u> | <u>4,941</u> |
| Parks, recreation & beautification: | | | | |
| Personal services | 507,702 | 507,702 | 466,313 | 41,389 |
| Supplies | 110,070 | 110,070 | 97,461 | 12,609 |
| Other services and charges | 487,645 | 549,825 | 506,433 | 43,392 |
| Capital outlays | <u>6,750</u> | <u>108,925</u> | <u>5,509</u> | <u>103,416</u> |
| Total parks, recreation & beautification | <u>1,112,167</u> | <u>1,276,522</u> | <u>1,075,716</u> | <u>200,806</u> |
| Total parks, recreation, and cultural | <u>2,184,451</u> | <u>2,344,056</u> | <u>2,082,716</u> | <u>261,340</u> |
| Total expenditures | <u>15,561,348</u> | <u>15,895,575</u> | <u>14,519,100</u> | <u>1,376,475</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 | \$ (848,730) | \$ (861,230) | \$ 518,437 | \$ 1,379,667 |
| Other financing sources (uses): | | | | |
| Transfers in | 446,220 | 446,220 | 283,221 | (162,999) |
| Transfers out | <u>(622,429)</u> | <u>(622,429)</u> | <u>(622,298)</u> | <u>131</u> |
| Net other financing uses | <u>(176,209)</u> | <u>(176,209)</u> | <u>(339,077)</u> | <u>(162,868)</u> |
| Net changes in fund balance | <u>\$ (1,024,939)</u> | <u>\$ (1,037,439)</u> | 179,360 | <u>\$ 1,216,799</u> |
| Fund balance - July 1 | | | <u>10,570,684</u> | |
| Fund balance - June 30 | | | <u>\$ 10,750,044</u> | |

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, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|-------------------------|---------------|---------------------------------------|
| Revenues: | | | | |
| Intergovernmental revenues - State grant | \$ 36,385 | \$ 36,385 | \$ 36,883 | \$ 498 |
| Charge for services - landing fees | 432,500 | 432,500 | 410,697 | (21,803) |
| Investment earnings | 25,000 | 25,000 | 155,283 | 130,283 |
| Miscellaneous revenues: | | | | |
| Rents and leases, including penalty and interest | 949,270 | 949,270 | 957,956 | 8,686 |
| Parking fees | 250,000 | 250,000 | 229,757 | (20,243) |
| Car rental commissions | 175,000 | 175,000 | 178,767 | 3,767 |
| Advertising commissions | 9,000 | 9,000 | 13,940 | 4,940 |
| Fuel flowage | 35,000 | 35,000 | 9,571 | (25,429) |
| Other | 21,500 | 21,500 | 48,301 | 26,801 |
| Total miscellaneous revenues | 1,439,770 | 1,439,770 | 1,438,292 | (1,478) |
| Total revenues | 1,933,655 | 1,933,655 | 2,041,155 | 107,500 |
| Expenditures: | | | | |
| Maintenance and operation: | | | | |
| Personal services | 339,984 | 358,484 | 354,104 | 4,380 |
| Supplies | 167,260 | 167,260 | 160,487 | 6,773 |
| Other services and charges | 359,635 | 358,635 | 312,501 | 46,134 |
| | 866,879 | 884,379 | 827,092 | 57,287 |
| Expenditures chargeable from other funds | 864,900 | 864,900 | 864,900 | - |
| Total maintenance and operation | 1,731,779 | 1,749,279 | 1,691,992 | 57,287 |
| Administration: | | | | |
| Personal services | 235,054 | 235,054 | 207,153 | 27,901 |
| Supplies | 3,335 | 3,335 | 1,615 | 1,720 |
| Other services and charges | 58,389 | 29,817 | 25,119 | 4,698 |
| Capital outlays | 12,000 | 12,000 | 11,877 | 123 |
| | 308,778 | 280,206 | 245,764 | 34,442 |
| Expenditures chargeable from other funds | 54,200 | 54,200 | 54,200 | - |
| Total administration | 362,978 | 334,406 | 299,964 | 34,442 |

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**

| Expenditures, continued: | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-----------------------------------|--------------------------------|----------------------------|--|
| Land: | | | | |
| Personal services | \$ 80,622 | \$ 80,622 | \$ 75,809 | \$ 4,813 |
| Supplies | 16,200 | 30,634 | 30,242 | 392 |
| Other services and charges | <u>68,121</u> | <u>62,692</u> | <u>46,589</u> | <u>16,103</u> |
| Total land | <u>164,943</u> | <u>173,948</u> | <u>152,640</u> | <u>21,308</u> |
| Training facility - | | | | |
| Other services and charges | <u>38,474</u> | <u>43,409</u> | <u>41,088</u> | <u>2,321</u> |
| Terminal: | | | | |
| Personal services | 189,150 | 190,650 | 184,771 | 5,879 |
| Supplies | 26,600 | 21,665 | 11,487 | 10,178 |
| Other services and charges | <u>342,759</u> | <u>343,326</u> | <u>282,925</u> | <u>60,401</u> |
| | 558,509 | 555,641 | 479,183 | 76,458 |
| Expenditures chargeable from other funds | <u>71,600</u> | <u>71,600</u> | <u>71,600</u> | <u>-</u> |
| Total terminal | <u>630,109</u> | <u>627,241</u> | <u>550,783</u> | <u>76,458</u> |
| Total expenditures | <u>2,928,283</u> | <u>2,928,283</u> | <u>2,736,467</u> | <u>191,816</u> |
| Excess of revenues over (under) expenditures | <u>(994,628)</u> | <u>(994,628)</u> | <u>(695,312)</u> | <u>299,316</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,230,025 | 1,230,025 | 1,203,690 | (26,335) |
| Transfers out | <u>-</u> | <u>(2,072,184)</u> | <u>(2,072,139)</u> | <u>45</u> |
| Net other financing sources (uses) | <u>1,230,025</u> | <u>(842,159)</u> | <u>(868,449)</u> | <u>(26,290)</u> |
| Net changes in fund balance | <u>\$ 235,397</u> | <u>\$ (1,836,787)</u> | <u>(1,563,761)</u> | <u>\$ 273,026</u> |
| Fund balance - July 1 | | | <u>5,078,990</u> | |
| Fund balance - June 30 | | | <u><u>\$ 3,515,229</u></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, 2019**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|-------------------------|------------------|---------------------------------------|
| Revenues: | | | | |
| Intergovernmental revenues - | | | | |
| State grant | \$ 33,668 | \$ 33,668 | \$ 35,066 | \$ 1,398 |
| Charges for services: | | | | |
| Residential water | 832,278 | 832,279 | 832,789 | 510 |
| Commercial water | 350,141 | 350,141 | 328,701 | (21,440) |
| Residential sewer | 1,182,298 | 1,182,299 | 1,183,721 | 1,422 |
| Commercial sewer | 494,807 | 494,807 | 467,373 | (27,434) |
| Hook-up fees | 3,929 | 3,927 | 2,405 | (1,522) |
| Other | 43,250 | 43,250 | 43,415 | 165 |
| Total charges for services | <u>2,906,703</u> | <u>2,906,703</u> | <u>2,858,404</u> | <u>(48,299)</u> |
| Investment earnings | 16,000 | 16,000 | 108,222 | 92,222 |
| Miscellaneous revenues | <u>3,000</u> | <u>3,000</u> | <u>14,916</u> | <u>11,916</u> |
| Total revenues | <u>2,959,371</u> | <u>2,959,371</u> | <u>3,016,608</u> | <u>57,237</u> |
| Expenditures - water and sewer services: | | | | |
| Water: | | | | |
| Personal services | 286,076 | 286,076 | 276,479 | 9,597 |
| Supplies | 150,140 | 150,485 | 129,697 | 20,788 |
| Other services and charges | 325,755 | 330,910 | 286,062 | 44,848 |
| Capital outlays | <u>3,600</u> | <u>10,600</u> | <u>3,599</u> | <u>7,001</u> |
| | 765,571 | 778,071 | 695,837 | 82,234 |
| Expenditures chargeable from other funds | <u>202,200</u> | <u>91,800</u> | <u>91,800</u> | <u>-</u> |
| Total water | <u>967,771</u> | <u>869,871</u> | <u>787,637</u> | <u>82,234</u> |
| Sewer: | | | | |
| Personal services | 295,713 | 295,713 | 273,276 | 22,437 |
| Supplies | 33,290 | 33,327 | 22,644 | 10,683 |
| Other services and charges | 83,369 | 83,332 | 48,375 | 34,957 |
| Capital outlays | <u>36,812</u> | <u>36,812</u> | <u>-</u> | <u>36,812</u> |
| | 449,184 | 449,184 | 344,295 | 104,889 |
| Expenditures chargeable from other funds | <u>50,200</u> | <u>50,200</u> | <u>50,200</u> | <u>-</u> |
| Total sewer | <u>499,384</u> | <u>499,384</u> | <u>394,495</u> | <u>104,889</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 | \$ 406,483 | \$ 406,483 | \$ 387,737 | \$ 18,746 |
| Supplies | 111,034 | 116,578 | 80,124 | 36,454 |
| Other services and charges | 536,240 | 530,696 | 533,793 | (3,097) |
| Capital outlays | <u>31,000</u> | <u>31,000</u> | <u>16,826</u> | <u>14,174</u> |
| | 1,084,757 | 1,084,757 | 1,018,480 | 66,277 |
| Expenditures chargeable from other funds | <u>123,300</u> | <u>123,300</u> | <u>123,300</u> | <u>-</u> |
| Total sewer treatment plant | <u>1,208,057</u> | <u>1,208,057</u> | <u>1,141,780</u> | <u>66,277</u> |
| Total expenditures | <u>2,675,212</u> | <u>2,577,312</u> | <u>2,323,912</u> | <u>253,400</u> |
| Excess of revenues over expenditures | 284,159 | 382,059 | 692,696 | 310,637 |
| Other financing uses - | | | | |
| Transfers out | <u>-</u> | <u>(110,400)</u> | <u>(110,400)</u> | <u>-</u> |
| Net changes in fund balance | <u>\$ 284,159</u> | <u>\$ 271,659</u> | 582,296 | <u>\$ 310,637</u> |
| Fund balance - July 1 | | | <u>2,543,792</u> | |
| Fund balance - June 30 | | | <u>\$ 3,126,088</u> | |

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

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

| Years Ended June 30, | City's proportion of the net pension liability | City's proportionate share of the net pension liability | State of Alaska proportionate share of the net pension liability | Total net pension liability | City's covered- employee payroll | City's proportionate share of the net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-------------------------------------|---|--|---|--|---|---|---|
| 2010 | * | * | * | * | * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | 0.18506% | \$ 8,631,519 | \$ 7,550,147 | \$ 16,181,666 | \$ 4,739,928 | 182.10% | 62.37% |
| 2016 | 0.26181% | 12,697,944 | 3,401,936 | 16,099,880 | 4,415,909 | 287.55% | 63.96% |
| 2017 | 0.30898% | 17,270,846 | 2,174,127 | 19,444,973 | 4,180,200 | 413.16% | 59.55% |
| 2018 | 0.25468% | 13,165,767 | 4,904,181 | 18,069,948 | 7,663,488 | 171.80% | 63.37% |
| 2019 | 0.25988% | 12,913,450 | 3,738,518 | 16,651,968 | 7,992,166 | 161.58% | 65.19% |

* Information for these years is not available.

**CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN
SCHEDULE OF THE CITY CONTRIBUTIONS**

| Years Ended <u>June 30,</u> | <u>Contractually required contributions</u> | <u>Contributions in relation to the contractually required contributions</u> | <u>Contribution deficiency (excess)</u> | <u>City's covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--|--|---|--|--|--|
| 2010 | * | * | * | * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | \$ 780,934 | \$ 780,934 | - | \$ 4,415,909 | 17.68% |
| 2016 | 811,111 | 811,111 | - | 4,180,200 | 19.40% |
| 2017 | 891,552 | 891,552 | - | 7,663,488 | 11.63% |
| 2018 | 1,048,639 | 1,048,639 | - | 7,992,166 | 13.12% |
| 2019 | 1,020,687 | 1,020,687 | - | 8,087,981 | 12.62% |

* Information for these years is not available.

CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - ARHCT

| Years Ended June 30, | City's proportion of the net OPEB liability | City's proportionate share of the net OPEB liability | State of Alaska proportionate share of the net OPEB liability | Total net OPEB liability | City's covered- employee payroll | City's proportionate share of the net OPEB liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|-------------------------------------|--|---|--|-------------------------------------|---|--|--|
| 2010 | * | * | * | * | * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.25476% | \$ 2,117,245 | \$ 801,210 | \$ 2,918,455 | \$ 7,663,488 | 27.63% | 89.91% |
| 2019 | 0.25984% | 2,666,667 | 773,478 | 3,440,145 | 7,992,166 | 33.37% | 88.12% |

* Information for these years is not available.

**CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF THE CITY CONTRIBUTIONS ARHCT**

| Years Ended <u>June 30,</u> | <u>Contractually required contributions</u> | <u>Contributions in relation to the contractually required contributions</u> | <u>Contribution deficiency (excess)</u> | <u>City's covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--|--|---|--|--|--|
| 2010 | * | * | * | * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | \$ 298,905 | \$ 298,905 | - | \$ 7,992,166 | 3.74% |
| 2019 | 369,797 | 369,797 | - | 8,087,981 | 4.57% |

* Information for these years is not available.

CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - RMP

| Years Ended June 30, | City's proportion of the net OPEB liability | City's proportionate share of the net OPEB liability | State of Alaska proportionate share of the net OPEB liability | Total net OPEB liability | City's covered- employee payroll | City's proportionate share of the net OPEB liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|-------------------------------------|--|---|--|-------------------------------------|---|--|--|
| 2010 | * | * | * | * | * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.38843% | \$ 20,257 | \$ - | \$ 20,257 | \$ 7,663,488 | 0.26% | 93.98% |
| 2019 | 0.38325% | 48,769 | - | 48,769 | 7,992,166 | 0.61% | 88.71% |

* Information for these years is not available.

**CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF THE CITY CONTRIBUTIONS ARHCT - RMP**

| Years Ended <u>June 30,</u> | <u>Contractually required contributions</u> | <u>Contributions in relation to the contractually required contributions</u> | <u>Contribution deficiency (excess)</u> | <u>City's covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--|--|---|--|--|--|
| 2010 | * | * | * | * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | \$ 44,678 | \$ 44,678 | - | \$ 7,992,166 | 0.56% |
| 2019 | 46,446 | 46,446 | - | 8,087,981 | 0.57% |

* Information for these years is not available.

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

| Years Ended June 30, | City's proportion of the net OPEB liability | City's proportionate share of the net OPEB Asset | State of Alaska proportionate share of the net OPEB Asset | Total net OPEB Asset | City's covered- employee payroll | City's proportionate share of the net OPEB liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|-------------------------------------|--|---|--|---------------------------------|---|--|--|
| 2010 | * | * | * | * | * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.38843% | \$ (55,114) | \$ - | \$ (55,114) | \$ 7,663,488 | -0.72% | 270.62% |
| 2019 | 0.38325% | (74,435) | - | (74,435) | 7,992,166 | -0.93% | 212.97% |

* Information for these years is not available.

**CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF THE CITY CONTRIBUTIONS ARHCT - ODD**

| Years Ended <u>June 30,</u> | <u>Contractually required contributions</u> | <u>Contributions in relation to the contractually required contributions</u> | <u>Contribution deficiency (excess)</u> | <u>City's covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--|--|---|--|--|--|
| 2010 | * | * | * | * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | \$ 3,508 | \$ 3,508 | - | \$ 7,992,166 | 0.04% |
| 2019 | 23,345 | 23,345 | - | 8,087,981 | 0.29% |

* Information for these years is not available.

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 Fund, which is an internal service fund, is not required to have a budget. The City Council approves all asset acquisitions from this fund 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, 2019, the Plan measurement date is June 30, 2018.

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

There are no other changes in factors that significantly affect trends in the amounts reported in the schedule.

III. PUBLIC EMPLOYEES' RETIREMENT SYSTEM PENSION PLAN - SCHEDULE OF CITY CONTRIBUTIONS – PENSION PLAN

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.

IV. PUBLIC EMPLOYEES' RETIREMENT SYSTEM OPEB PLAN - SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – ARHCT, RMP AND ODD PLANS

These tables are presented based on the Plan measurement date. For June 30, 2019, the Plan measurement dates were June 30, 2018.

Changes in Assumptions: The medical trend rate assumption used for the ARHCT plan was updated to reflect anticipated increases in costs based on recent survey data. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

There are no other changes in factors that significantly affect trends in the amounts reported in the schedule.

V. PUBLIC EMPLOYEES' RETIREMENT SYSTEM OPEB PLAN - SCHEDULE OF CITY CONTRIBUTIONS – ARHCT, RMP AND ODD PLANS

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

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.

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.

Miscellaneous Fund - to account for capital projects which do not fit in one of the other fund categories. These projects are generally smaller projects, which may be funded through transfers from other funds or by state or federal 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 Funds

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. Interest revenue is transferred to the General Fund in the amount of 5% of the funds balance or calendar year actual earnings as measured at December 31st of each year.

Airport Land Sales Fund - to account for the proceeds of airport land sales, including principal and interest on long-term notes. By ordinance, 5% of the calendar year end five year average balance is transferred to the Airport Special Revenue Fund for operations. Note that this is a major fund and is therefore not included in the Nonmajor Governmental Funds Combining Statements.

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**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019**

| ASSETS | Special Revenue | | Capital Project | | |
|--|----------------------------|-------------------|-------------------------|-------------------|-----------------------|
| | Personal Use Fishery | Senior Citizen | Parks and Recreation | Streets | Water and Sewer |
| Equity in central treasury (cash and investments) | \$ 199,772 | \$ - | \$ 304,704 | \$ 202,151 | \$ 640,318 |
| Intergovernmental receivables | - | 20,016 | - | 5,770 | 50,571 |
| Prepaid items | - | - | - | - | - |
| Other accounts receivable, net | - | 12,178 | - | - | - |
| Total assets | <u>\$ 199,772</u> | <u>\$ 32,194</u> | <u>\$ 304,704</u> | <u>\$ 207,921</u> | <u>\$ 690,889</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 978 | \$ 23,918 | \$ 32,050 | \$ - | \$ 64,635 |
| Accrued payroll and payroll liabilities | - | 14,624 | - | - | - |
| Other liabilities | - | 14,772 | - | - | - |
| Due to General Fund | - | 5,609 | - | - | - |
| Total liabilities | <u>978</u> | <u>58,923</u> | <u>32,050</u> | <u>-</u> | <u>64,635</u> |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Committed | - | - | 272,654 | 207,921 | 626,254 |
| Assigned | 198,794 | - | - | - | - |
| Unassigned | - | (26,729) | - | - | - |
| Total fund balances (deficits) | <u>198,794</u> | <u>(26,729)</u> | <u>272,654</u> | <u>207,921</u> | <u>626,254</u> |
| Total liabilities and fund balances | <u>\$ 199,772</u> | <u>\$ 32,194</u> | <u>\$ 304,704</u> | <u>\$ 207,921</u> | <u>\$ 690,889</u> |

| <u>Capital Project</u> | | <u>Debt Service</u> | <u>Permanent</u> | |
|---------------------------------------|----------------------|-----------------------------------|--|--|
| <u>New City Shop Construction</u> | <u>Miscellaneous</u> | <u>2010 Bond Debt Service</u> | <u>General Government Land Sales</u> | <u>Total Nonmajor Governmental Funds</u> |
| \$ 24,669 | \$ 167,642 | \$ - | \$ 3,285,137 | \$ 4,824,393 |
| - | 18,742 | - | - | 95,099 |
| - | - | - | - | - |
| - | - | - | 10,938 | 23,116 |
| <u>\$ 24,669</u> | <u>\$ 186,384</u> | <u>\$ -</u> | <u>\$ 3,296,075</u> | <u>\$ 4,942,608</u> |
| | | | | |
| \$ - | \$ 144 | \$ - | \$ 485 | \$ 122,210 |
| - | - | - | - | 14,624 |
| - | - | - | - | 14,772 |
| - | - | - | - | 5,609 |
| - | 144 | - | 485 | 157,215 |
| | | | | |
| - | - | - | 3,295,590 | 3,295,590 |
| 24,669 | 186,240 | - | - | 1,317,738 |
| - | - | - | - | 198,794 |
| - | - | - | - | (26,729) |
| <u>24,669</u> | <u>186,240</u> | <u>-</u> | <u>3,295,590</u> | <u>4,785,393</u> |
| <u>\$ 24,669</u> | <u>\$ 186,384</u> | <u>\$ -</u> | <u>\$ 3,296,075</u> | <u>\$ 4,942,608</u> |

**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

| | <u>Special Revenue</u> | | <u>Capital Project</u> | | |
|---|-------------------------------------|---------------------------|---------------------------------|-------------------|--------------------------------|
| | <u>Personal Use Fishery</u> | <u>Senior Citizen</u> | <u>Parks and Recreation</u> | <u>Streets</u> | <u>Water and Sewer</u> |
| Revenues: | | | | | |
| Intergovernmental revenues | \$ 2,743 | \$ 355,609 | \$ - | \$ 5,770 | \$ 135,251 |
| Charges for services | 351,845 | - | - | - | - |
| Investment earnings | 7,624 | - | - | - | - |
| Miscellaneous revenues | - | 323,732 | - | - | - |
| Total revenues | <u>362,212</u> | <u>679,341</u> | <u>-</u> | <u>5,770</u> | <u>135,251</u> |
| Expenditures: | | | | | |
| Public safety | 92,515 | - | - | - | - |
| Water and sewer services | - | - | - | - | 211,870 |
| Social welfare services | - | 888,097 | - | - | - |
| Parks, recreation and cultural | 227,025 | - | 33,858 | - | - |
| Public works | 87,772 | - | - | 97,480 | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>407,312</u> | <u>888,097</u> | <u>33,858</u> | <u>97,480</u> | <u>211,870</u> |
| Excess of revenues over (under) expenditures | (45,100) | (208,756) | (33,858) | (91,710) | (76,619) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 182,027 | 27,500 | 200,000 | 110,400 |
| Transfers out | <u>(50,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(50,000)</u> | <u>182,027</u> | <u>27,500</u> | <u>200,000</u> | <u>110,400</u> |
| Net changes in fund balances | (95,100) | (26,729) | (6,358) | 108,290 | 33,781 |
| Fund balances - July 1 | <u>293,894</u> | <u>-</u> | <u>279,012</u> | <u>99,631</u> | <u>592,473</u> |
| Fund balances (deficits) - June 30 | <u>\$ 198,794</u> | <u>\$ (26,729)</u> | <u>\$ 272,654</u> | <u>\$ 207,921</u> | <u>\$ 626,254</u> |

| <u>Capital Project</u> | | <u>Debt Service</u> | <u>Permanent</u> | |
|---------------------------------------|----------------------|-----------------------------------|--|--|
| <u>New City Shop Construction</u> | <u>Miscellaneous</u> | <u>2010 Bond Debt Service</u> | <u>General Government Land Sales</u> | <u>Total Nonmajor Governmental Funds</u> |
| \$ - | \$ 30,904 | \$ 35,127 | \$ - | \$ 565,404 |
| - | - | - | - | 351,845 |
| - | - | - | 164,838 | 172,462 |
| - | - | - | 775 | 324,507 |
| - | 30,904 | 35,127 | 165,613 | 1,414,218 |
| - | 18,742 | - | - | 111,257 |
| - | - | - | - | 211,870 |
| - | - | - | - | 888,097 |
| - | - | - | - | 260,883 |
| 57 | 12,162 | - | - | 197,471 |
| - | - | 95,000 | - | 95,000 |
| - | - | 83,398 | - | 83,398 |
| 57 | 30,904 | 178,398 | - | 1,847,976 |
| (57) | - | (143,271) | 165,613 | (433,758) |
| - | 69,500 | 143,271 | - | 732,698 |
| - | - | - | - | (50,000) |
| - | 69,500 | 143,271 | - | 682,698 |
| (57) | 69,500 | - | 165,613 | 248,940 |
| 24,726 | 116,740 | - | 3,129,977 | 4,536,453 |
| <u>\$ 24,669</u> | <u>\$ 186,240</u> | <u>\$ -</u> | <u>\$ 3,295,590</u> | <u>\$ 4,785,393</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, 2019**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|-------------------------|----------------|---------------------------------------|
| Revenues: | | | |
| Intergovernmental revenues - State grant | \$ 4,169 | \$ 2,743 | \$ (1,426) |
| Charge for services - Parking, camping, and boat launch | 536,500 | 351,845 | (184,655) |
| Investment earnings | <u>750</u> | <u>7,624</u> | <u>6,874</u> |
| Total revenues | <u>541,419</u> | <u>362,212</u> | <u>(179,207)</u> |
| Expenditures: | | | |
| Public safety: | | | |
| Personal services | 34,257 | 30,111 | 4,146 |
| Supplies | 6,500 | 6,491 | 9 |
| Other services and charges | <u>336</u> | <u>320</u> | <u>16</u> |
| | 41,093 | 36,922 | 4,171 |
| Expenditures chargeable from other funds | <u>55,593</u> | <u>55,593</u> | <u>-</u> |
| Total public safety | <u>96,686</u> | <u>92,515</u> | <u>4,171</u> |
| Public works - Streets: | | | |
| Personal services | 28,669 | 17,519 | 11,150 |
| Supplies | 4,618 | 1,264 | 3,354 |
| Other services and charges | <u>20,897</u> | <u>17,612</u> | <u>3,285</u> |
| | 54,184 | 36,395 | 17,789 |
| Expenditures chargeable from other funds | <u>6,300</u> | <u>6,300</u> | <u>-</u> |
| Total public works - streets | <u>60,484</u> | <u>42,695</u> | <u>17,789</u> |
| Parks, recreation and cultural: | | | |
| Personal services | 112,430 | 92,446 | 19,984 |
| Supplies | 12,562 | 5,988 | 6,574 |
| Other services and charges | <u>122,102</u> | <u>96,391</u> | <u>25,711</u> |
| | 247,094 | 194,825 | 52,269 |
| Expenditures chargeable from other funds | <u>32,200</u> | <u>32,200</u> | <u>-</u> |
| Total parks, recreation and cultural | <u>279,294</u> | <u>227,025</u> | <u>52,269</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 | \$ 52,496 | \$ 30,041 | \$ 22,455 |
| Supplies | 1,900 | 721 | 1,179 |
| Other services and charges | <u>9,241</u> | <u>5,815</u> | <u>3,426</u> |
| | 63,637 | 36,577 | 27,060 |
| Expenditures chargeable from other funds | <u>8,500</u> | <u>8,500</u> | <u>-</u> |
| Total public works - dock | <u>72,137</u> | <u>45,077</u> | <u>27,060</u> |
| Total expenditures | <u>508,601</u> | <u>407,312</u> | <u>101,289</u> |
| Excess of revenues over (under) expenditures | 32,818 | (45,100) | (77,918) |
| Other financing uses - | | | |
| Transfers out | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Net changes in fund balance | <u><u>\$ (17,182)</u></u> | <u>(95,100)</u> | <u><u>\$ (77,918)</u></u> |
| Fund balance - July 1 | | <u>293,894</u> | |
| Fund balance - June 30 | | <u><u>\$ 198,794</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, 2019**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|--------------------------------|----------------------|--|
| Revenues: | | | |
| Intergovernmental revenues: | | | |
| State grants | \$ 203,626 | \$ 204,464 | \$ 838 |
| Federal grants | 15,000 | 24,938 | 9,938 |
| Kenai Peninsula Borough grant | 126,207 | 126,207 | - |
| Total intergovernmental revenues | <u>344,833</u> | <u>355,609</u> | <u>10,776</u> |
| Miscellaneous revenues: | | | |
| Choice Waiver reimbursement | 200,000 | 135,444 | (64,556) |
| United Way grants | 15,000 | 3,631 | (11,369) |
| Rents and leases | 13,000 | 8,174 | (4,826) |
| Donations | 168,000 | 176,492 | 8,492 |
| Other | 300 | (9) | (309) |
| Total miscellaneous revenues | <u>396,300</u> | <u>323,732</u> | <u>(72,568)</u> |
| Total revenues | <u>741,133</u> | <u>679,341</u> | <u>(61,792)</u> |
| Expenditures - social welfare services: | | | |
| Social services: | | | |
| Personal services | 105,871 | 95,023 | 10,848 |
| Supplies | 3,579 | 2,720 | 859 |
| Other services and charges | 25,614 | 20,496 | 5,118 |
| | <u>135,064</u> | <u>118,239</u> | <u>16,825</u> |
| Expenditures chargeable from other funds | <u>22,300</u> | <u>22,300</u> | <u>-</u> |
| Total social services | <u>157,364</u> | <u>140,539</u> | <u>16,825</u> |
| Congregate meals: | | | |
| Personal services | 117,823 | 115,625 | 2,198 |
| Supplies | 74,435 | 56,653 | 17,782 |
| Other services and charges | 23,357 | 21,356 | 2,001 |
| Capital outlays | 4,580 | 4,148 | 432 |
| | <u>220,195</u> | <u>197,782</u> | <u>22,413</u> |
| Expenditures chargeable from other funds | <u>33,300</u> | <u>33,300</u> | <u>-</u> |
| Total congregate meals | <u>253,495</u> | <u>231,082</u> | <u>22,413</u> |
| Home delivered meals: | | | |
| Personal services | 100,957 | 98,876 | 2,081 |
| Supplies | 47,720 | 45,177 | 2,543 |
| Other services and charges | 17,457 | 14,034 | 3,423 |
| Capital outlays | 3,016 | 2,950 | 66 |
| | <u>169,150</u> | <u>161,037</u> | <u>8,113</u> |

**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 | \$ 41,600 | \$ 41,600 | \$ - |
| Total home delivered meals | <u>210,750</u> | <u>202,637</u> | <u>8,113</u> |
| Transportation: | | | |
| Personal services | 46,705 | 50,671 | (3,966) |
| Supplies | 5,951 | 5,625 | 326 |
| Other services and charges | <u>12,478</u> | <u>8,533</u> | <u>3,945</u> |
| | 65,134 | 64,829 | 305 |
| Expenditures chargeable from | | | |
| other funds | <u>16,100</u> | <u>16,100</u> | <u>-</u> |
| Total transportation | <u>81,234</u> | <u>80,929</u> | <u>305</u> |
| Choice Waiver: | | | |
| Personal services | 108,242 | 106,499 | 1,743 |
| Supplies | 55,360 | 50,271 | 5,089 |
| Other services and charges | 24,095 | 19,503 | 4,592 |
| Capital outlays | <u>3,574</u> | <u>3,237</u> | <u>337</u> |
| | 191,271 | 179,510 | 11,761 |
| Expenditures chargeable from | | | |
| other funds | <u>53,400</u> | <u>53,400</u> | <u>-</u> |
| Total Choice Waiver | <u>244,671</u> | <u>232,910</u> | <u>11,761</u> |
| Total expenditures | <u>947,514</u> | <u>888,097</u> | <u>59,417</u> |
| Excess of revenues under | | | |
| expenditures | (206,381) | (208,756) | (2,375) |
| Other financing sources - | | | |
| Transfers in | <u>182,027</u> | <u>182,027</u> | <u>-</u> |
| Net changes in fund balance | <u>\$ (24,354)</u> | <u>(26,729)</u> | <u>\$ (2,375)</u> |
| Fund balance - July 1 | | <u>-</u> | |
| Fund (deficit) - June 30 | | <u>\$ (26,729)</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, 2019**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-------------------------|---------------|---------------------------------------|
| Revenues - intergovernmental | \$ 34,996 | 35,127 | \$ 131 |
| Expenditures - debt service: | | | |
| Principal | 95,000 | 95,000 | - |
| Interest | 83,398 | 83,398 | - |
| Total expenditures | 178,398 | 178,398 | - |
| Excess of revenues over (under) expenditures | (143,402) | (143,271) | 131 |
| Other financing sources - | | | |
| Transfers in | 143,402 | 143,271 | (131) |
| Net changes in fund balance | \$ - | - | \$ - |
| Fund balance - July 1 | | - | |
| Fund balance - June 30 | | \$ - | |

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, 2019

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------|-------------------------|---------------------|---------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 189,844 | \$ 164,838 | \$ (25,006) |
| Land sales | <u>-</u> | <u>775</u> | <u>775</u> |
| Total revenues | <u>189,844</u> | <u>165,613</u> | <u>(24,231)</u> |
| Other financing uses - | | | |
| Transfers out | <u>(162,999)</u> | <u>-</u> | <u>162,999</u> |
| Net changes in fund balance | <u>\$ 26,845</u> | 165,613 | <u>\$ 138,768</u> |
| Fund balance - July 1 | | <u>3,129,977</u> | |
| Fund balance - June 30 | | <u>\$ 3,295,590</u> | |

CITY OF KENAI, ALASKA
 AIRPORT LAND SALES PERMANENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2019

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------|-------------------------|-----------------------------|---------------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 1,530,536 | \$ 1,294,214 | \$ (236,322) |
| Land sales | <u>-</u> | <u>455,207</u> | <u>455,207</u> |
| Total revenues | <u>1,530,536</u> | <u>1,749,421</u> | <u>218,885</u> |
| Other financing uses - | | | |
| Transfers out | <u>(1,230,025)</u> | <u>(1,203,690)</u> | <u>26,335</u> |
| Net changes in fund balance | <u>\$ 300,511</u> | 545,731 | <u>\$ 245,220</u> |
| Fund balance - July 1 | | <u>24,592,355</u> | |
| Fund balance - June 30 | | <u><u>\$ 25,138,086</u></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.

Employee Health Care Fund – This fund accounts for the cost in 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, 2019**

| | Governmental Activities - Internal Service Funds | | Total |
|---|---|--|--|
| | <u>Equipment Replacement</u> | <u>Employee Health Care</u> | <u>Internal Service Funds</u> |
| ASSETS | | | |
| Current assets - | | | |
| Equity in central treasury (cash and investments) | \$ 998,472 | \$ 407,660 | \$ 1,406,132 |
| Noncurrent assets - | | | |
| Property and equipment in service, at cost - | | | |
| Equipment | 3,723,470 | - | 3,723,470 |
| Less accumulated depreciation | (1,693,530) | - | (1,693,530) |
| Construction in progress | 548,257 | - | 548,257 |
| Total noncurrent assets | 2,578,197 | - | 2,578,197 |
| Total assets | \$ 3,576,669 | \$ 407,660 | \$ 3,984,329 |
| LIABILITIES | | | |
| Current liabilities - | | | |
| Accounts payable | \$ - | \$ 349 | \$ 349 |
| Unearned revenue | 400,000 | - | 400,000 |
| Total current liabilities | 400,000 | 349 | 400,349 |
| NET POSITION | | | |
| Investment in capital assets | 2,578,197 | - | 2,578,197 |
| Unrestricted | 598,472 | 407,311 | 1,005,783 |
| Total net position | 3,176,669 | 407,311 | 3,583,980 |
| Total liabilities and net position | \$ 3,576,669 | \$ 407,660 | \$ 3,984,329 |

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

| | Governmental Activities - Internal Service Funds | | Total |
|--------------------------------|---|--|--|
| | <u>Equipment Replacement</u> | <u>Employee Health Care</u> | <u>Internal Service Funds</u> |
| Operating revenues - | | | |
| Other revenue | \$ 369,949 | \$ 2,407,159 | \$ 2,777,108 |
| Operating expenses: | | | |
| Depreciation | 162,060 | - | 162,060 |
| Benefits | - | 2,244,549 | 2,244,549 |
| Administration | - | 13,006 | 13,006 |
| Total operating expenses | <u>162,060</u> | <u>2,257,555</u> | <u>2,419,615</u> |
| Operating income | 207,889 | 149,604 | 357,493 |
| Nonoperating revenues - | | | |
| Investment earnings | <u>40,479</u> | <u>9,285</u> | <u>49,764</u> |
| Changes in net position | 248,368 | 158,889 | 407,257 |
| Net position - July 1 | <u>2,928,301</u> | <u>248,422</u> | <u>3,176,723</u> |
| Net position - June 30 | <u>\$ 3,176,669</u> | <u>\$ 407,311</u> | <u>\$ 3,583,980</u> |

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

| | Governmental Activities - Internal Service Funds | | Total |
|---|---|---------------------------------|-----------------------------------|
| | <u>Equipment Replacement</u> | <u>Employee Health Care</u> | <u>Internal Service Funds</u> |
| Cash flows from operating activities: | | | |
| Receipts for interfund services | \$ 369,949 | \$ 2,148,495 | \$ 2,518,444 |
| Receipts for services from others | - | 258,664 | 258,664 |
| Payments to suppliers | - | (2,257,206) | (2,257,206) |
| Net cash provided by operating activities | <u>369,949</u> | <u>149,953</u> | <u>519,902</u> |
| Cash flows for capital and related financing activities - | | | |
| State grant | 400,000 | - | 400,000 |
| Acquisition of capital assets | <u>(985,337)</u> | - | <u>(985,337)</u> |
| Net cash used by capital and related financing activities | <u>(585,337)</u> | - | <u>(585,337)</u> |
| Cash flows from investing activities - | | | |
| Investment earnings received | <u>40,479</u> | <u>9,285</u> | <u>49,764</u> |
| Net increase (decrease) in cash and cash equivalents | (174,909) | 159,238 | (15,671) |
| Cash and cash equivalents - July 1 | <u>1,173,381</u> | <u>248,422</u> | <u>1,421,803</u> |
| Cash and cash equivalents - June 30 | <u>\$ 998,472</u> | <u>\$ 407,660</u> | <u>\$ 1,406,132</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 207,889 | \$ 149,604 | \$ 357,493 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 162,060 | - | 162,060 |
| Accounts payable | - | 349 | 349 |
| Net cash provided by operating activities | <u>\$ 369,949</u> | <u>\$ 149,953</u> | <u>\$ 519,902</u> |

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Fiduciary Fund

Through a management agreement, the City manages the donations of the Kenai Community Foundation, a 501(c)(3) not-for-profit entity, whose purpose is to support 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 Foundation's donations; all decisions regarding Foundation awards are made by the Foundation and not the City.

**CITY OF KENAI, ALASKA
KENAI COMMUNITY FOUNDATION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2019**

| | <u>Balance July 1, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2019</u> |
|---|--|-------------------------|--------------------------|---|
| Assets: | | | | |
| Equity in central treasury (cash and investments) | \$ 149,392 | \$ 74,294 | \$ 34,356 | \$ 189,330 |
| Interest receivable | <u>665</u> | <u>512</u> | <u>665</u> | <u>512</u> |
| Total assets | <u>\$ 150,057</u> | <u>\$ 74,806</u> | <u>\$ 35,021</u> | <u>\$ 189,842</u> |
| Liabilities | | | | |
| Due to Kenai Community Foundation | <u>\$ 150,057</u> | <u>\$ 74,806</u> | <u>\$ 35,021</u> | <u>\$ 189,842</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 | Ratio 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)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 126,700 | \$ 133,264 | \$ 136,834 | \$ 135,780 | \$ 138,334 | \$ 137,296 | \$ 141,096 | \$ 143,098 | \$ 140,725 | \$ 144,824 |
| Nonspendable | 21,541 | 24,317 | 23,541 | 24,862 | 27,135 | 26,599 | 23,039 | 27,330 | 27,723 | 28,433 |
| Restricted | 312 | 279 | 329 | 409 | 480 | 547 | 2,943 | 628 | 682 | 742 |
| Unrestricted | 20,430 | 19,760 | 18,118 | 18,333 | 16,834 | 8,810 | 589 | 6,718 | 4,792 | 5,847 |
| Total governmental activities net position | \$ 168,983 | \$ 177,620 | \$ 178,822 | \$ 179,384 | \$ 182,783 | \$ 173,252 | \$ 167,667 | \$ 177,774 | \$ 173,922 | \$ 179,846 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 3,154 | \$ 3,236 | \$ 3,110 | \$ 2,983 | \$ 3,071 | \$ 3,051 | \$ 2,958 | \$ 2,818 | \$ 2,677 | \$ 2,544 |
| Unrestricted | 442 | 423 | 483 | 525 | 469 | 419 | - | 507 | 570 | 680 |
| Total business-type activities net position | \$ 3,596 | \$ 3,659 | \$ 3,593 | \$ 3,508 | \$ 3,540 | \$ 3,470 | \$ 2,958 | \$ 3,325 | \$ 3,247 | \$ 3,224 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 129,854 | \$ 136,500 | \$ 139,944 | \$ 138,763 | \$ 141,405 | \$ 140,347 | \$ 144,054 | \$ 145,916 | \$ 143,402 | \$ 147,368 |
| Nonspendable | 21,541 | 24,317 | 23,541 | 24,862 | 27,135 | 26,599 | 23,039 | 27,330 | 27,723 | 28,433 |
| Restricted | 312 | 279 | 329 | 409 | 480 | 547 | 2,943 | 628 | 682 | 742 |
| Unrestricted | 20,872 | 20,183 | 18,601 | 18,858 | 17,303 | 9,229 | 589 | 7,225 | 5,362 | 6,527 |
| Total primary government net position | \$ 172,579 | \$ 181,279 | \$ 182,415 | \$ 182,892 | \$ 186,323 | \$ 176,722 | \$ 170,625 | \$ 181,099 | \$ 177,169 | \$ 183,070 |

CITY OF KENAI, ALASKA

TABLE II

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,068,752 | \$ 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 |
| Public safety | 5,890,361 | 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 |
| Public works | 3,077,068 | 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 |
| Parks, recreation, and cultural | 1,858,898 | 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 |
| Water and sewer services | 2,174,151 | 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 |
| Airport | 2,641,049 | - | 3,520,577 | 4,071,061 | 4,126,256 | 4,188,728 | 3,518,240 | 3,718,663 | 3,566,203 | 3,561,832 |
| Interest on long-term debt | - | 100,963 | 101,973 | 100,286 | 97,997 | 95,599 | 92,947 | 89,548 | 86,098 | 83,131 |
| Social welfare services | 592,512 | 627,053 | 688,467 | 735,695 | 764,903 | 683,025 | 876,393 | 887,260 | 791,140 | 711,220 |
| Total governmental activities expenses | 18,302,791 | 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 |
| Business-type activities - | | | | | | | | | | |
| Senior housing | 383,585 | 406,950 | 437,943 | 417,368 | 436,635 | 454,429 | 425,986 | 497,633 | 475,300 | 455,468 |
| Total primary government expenses | 18,686,376 | 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 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 527,144 | \$ 462,713 | \$ 395,389 | \$ 746,088 | \$ 423,213 | \$ 421,241 | \$ 346,625 | \$ 991,000 | \$ 479,150 | \$ 571,269 |
| Public safety | 364,957 | 560,938 | 511,855 | 508,238 | 490,679 | 360,893 | 575,406 | 515,321 | 524,608 | 542,252 |
| Public works | 139,212 | 159,821 | 88,904 | 95,948 | 109,243 | 75,585 | 57,451 | 44,816 | 91,340 | 70,413 |
| Parks, recreation, and cultural | 264,128 | 281,098 | 308,624 | 373,406 | 584,368 | 670,565 | 680,232 | 698,805 | 657,627 | 492,815 |
| Water and sewer services | 1,752,854 | 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 |
| Airport | 1,363,671 | 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 |
| Social welfare services | 97,611 | 103,870 | 109,051 | 114,492 | 81,482 | 93,728 | 96,913 | 98,539 | 188,787 | 184,657 |
| Operating grants and contributions | 2,109,637 | 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 |
| Capital grants and contributions | 9,892,148 | 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 |
| Total governmental activities program revenues | 16,511,362 | 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 |

| | | | | | | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|----------------|--|--|
| Business-type activities: | | | | | | | | | | | | |
| Charges for services - | | | | | | | | | | | | |
| Senior housing | 323,105 | 289,336 | 322,355 | 326,940 | 346,435 | 365,450 | 382,330 | 386,708 | 394,318 | 408,188 | | |
| Operating grants and contributions | 1,335 | 2,087 | 23,189 | 7,900 | 4,940 | 16,482 | 2,077 | 1,780 | 1,153 | 1,995 | | |
| Total business-type activities | 324,440 | 291,423 | 345,544 | 334,840 | 351,375 | 381,932 | 384,407 | 388,488 | 395,471 | 410,183 | | |
| program revenues | | | | | | | | | | | | |
| Total primary government | | | | | | | | | | | | |
| program revenues | \$ 16,835,802 | \$ 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 | | |
| Net (expenses)/revenue: | | | | | | | | | | | | |
| Governmental activities | \$ (1,791,429) | \$ (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) | | |
| Business-type activities | (59,145) | (115,527) | (92,399) | (82,528) | (85,260) | (72,497) | (41,579) | (109,145) | (79,829) | (45,285) | | |
| Total primary government net expense | \$ (1,850,574) | \$ (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) | | |
| General Revenues and Other | | | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | |
| Taxes: | | | | | | | | | | | | |
| Property taxes | \$ 2,614,768 | \$ 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 | | |
| Sales taxes | 5,561,970 | 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 | | |
| Sales of capital assets | 11,183 | - | - | - | - | - | - | - | - | - | | |
| Investment earnings | 2,666,417 | 3,889,899 | 250,920 | 2,422,905 | 3,494,763 | 789,523 | 600,569 | 2,344,330 | 1,752,571 | 1,988,451 | | |
| Other | 6,054 | - | - | - | - | - | - | - | - | - | | |
| Transfers | - | - | - | - | (112,044) | - | - | - | - | - | | |
| Total governmental activities | 10,860,392 | 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 | | |
| Business-type activities: | | | | | | | | | | | | |
| Investment earnings (loss) | 4,896 | 3,642 | 2,436 | (1,826) | 5,062 | 2,533 | 3,880 | 1,822 | 2,558 | 21,630 | | |
| Insurance settlement | - | 175,000 | 24,012 | - | - | - | - | - | - | - | | |
| Transfers | - | - | - | - | 112,044 | - | - | (548) | - | - | | |
| Write off of NPO/OPEB | - | - | - | - | - | - | - | - | - | - | | |
| Total business-type activities | 4,896 | 178,642 | 26,448 | (1,826) | 117,106 | 2,533 | 3,880 | 1,274 | 2,558 | 21,630 | | |
| Total primary government | \$ 10,865,288 | \$ 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 | | |
| Changes in Net Position | | | | | | | | | | | | |
| Governmental activities | \$ 9,068,963 | \$ 8,637,446 | \$ 1,201,891 | \$ 560,923 | \$ 3,399,816 | \$ (834,869) | \$ 2,602,022 | \$ 1,921,037 | \$ (792,606) | \$ 5,924,076 | | |
| Business-type activities | (54,249) | 63,115 | (65,951) | (84,354) | 31,846 | (69,964) | (37,699) | (107,871) | (77,271) | (23,655) | | |
| Total primary government | \$ 9,014,714 | \$ 8,700,561 | \$ 1,135,940 | \$ 476,569 | \$ 3,431,662 | \$ (904,833) | \$ 2,564,323 | \$ 1,813,166 | \$ (869,877) | \$ 5,900,421 | | |

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> |
|--------------------|---------------------|------------------|--------------|
| 2010 | 2,614,768 | 5,561,970 | 8,176,738 |
| 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 |

CITY OF KENAI, ALASKA

Table IV

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

| | 2010 | 2011 * | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Fund: | | | | | | | | | | |
| Reserved | \$ 128,209 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 12,027,857 | - | - | - | - | - | - | - | - | - |
| Restricted | - | 279,486 | 329,164 | 408,534 | 480,238 | 546,706 | 588,937 | 628,599 | 682,068 | 741,748 |
| Committed | - | 1,070,290 | 1,021,790 | 521,790 | 409,746 | 409,746 | 409,746 | 6,840,662 | 6,976,762 | 7,116,039 |
| 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 |
| 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 |
| Total General Fund | \$ 12,156,066 | \$ 12,026,864 | \$ 11,945,528 | \$ 9,893,650 | \$ - | \$ 10,391,233 | \$ 10,418,100 | \$ 10,548,206 | \$ 10,570,684 | \$ 10,750,044 |
| All other governmental funds: | | | | | | | | | | |
| Reserved - other funds | \$ 32,278 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Reserved - permanent funds | 21,541,598 | - | - | - | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 5,263,203 | - | - | - | - | - | - | - | - | - |
| Debt service funds | 6,054 | - | - | - | - | - | - | - | - | - |
| Capital projects funds | 3,995,084 | - | - | - | - | - | - | - | - | - |
| Nonspendable - | | | | | | | | | | |
| Permanent funds | - | 24,318,092 | 23,540,934 | 24,862,079 | 27,135,180 | 26,599,473 | 25,980,434 | 27,329,954 | 27,722,332 | 28,433,676 |
| 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 |
| 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 |
| Unassigned - | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | - | - | - | (26,729) |
| Total all other governmental funds | \$ 30,838,217 | \$ 31,329,325 | \$ 29,093,343 | \$ 32,750,967 | \$ 33,327,802 | \$ 33,149,051 | \$ 33,591,204 | \$ 35,846,431 | \$ 37,268,612 | \$ 37,971,734 |

* Implemented GASB 54 in FY2011, which resulted in a change in how fund balance was presented.

CITY OF KENAI, ALASKA

Table V

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 2,601,588 | \$ 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 |
| Sales tax | 5,561,970 | 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 |
| Intergovernmental | 10,694,840 | 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 |
| Investment earnings | 2,667,857 | 3,894,618 | 256,981 | 2,427,873 | 3,531,173 | 821,124 | 637,862 | 2,369,153 | 1,780,713 | 2,108,245 |
| Other revenues | 6,988,316 | 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 |
| Total revenues | 28,514,571 | 29,549,759 | 23,499,168 | 25,317,690 | 28,327,307 | 27,007,553 | 28,414,633 | 28,518,372 | 24,423,285 | 29,284,078 |
| Expenditures | | | | | | | | | | |
| General government | 2,254,837 | 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 |
| Public safety | 5,681,548 | 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 |
| Public works | 2,150,658 | 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 |
| Parks, recreation and cultural | 1,676,717 | 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 |
| Water and sewer services | 1,793,887 | 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 |
| Airport | 2,324,204 | 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 |
| Social welfare services | 682,393 | 723,984 | 791,214 | 831,976 | 849,376 | 952,239 | 940,602 | 858,100 | 883,273 | 877,762 |
| Capital outlay | 10,733,142 | 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 |
| Debt service | | | | | | | | | | |
| Principal | - | 75,000 | 75,000 | 75,000 | 80,000 | 80,000 | 85,000 | 85,000 | 90,000 | 95,000 |
| Interest | - | 100,963 | 102,348 | 100,848 | 98,598 | 96,198 | 93,798 | 90,398 | 86,998 | 83,398 |
| Total expenditures | 27,297,386 | 29,187,853 | 25,816,486 | 23,711,944 | 27,630,052 | 26,600,093 | 27,945,613 | 26,015,950 | 23,378,626 | 28,401,596 |
| Excess of revenues over (under) expenditures | 1,217,185 | 361,906 | (2,317,318) | 1,605,746 | 697,255 | 407,460 | 469,020 | 2,502,422 | 1,044,659 | 882,482 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 3,801,117 | 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 |
| Proceeds from debt issuance | 2,000,000 | - | - | - | - | - | - | - | - | - |
| Proceeds from bond premium | 29,344 | - | - | - | - | - | - | - | - | - |
| Transfers out | (3,801,117) | (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) |
| Total other financing sources (uses) | 2,029,344 | - | - | - | (112,044) | (97,004) | - | (117,089) | 400,000 | - |
| Net change in fund balances | \$ 3,246,529 | \$ 361,906 | \$ (2,317,318) | \$ 1,605,746 | \$ 585,211 | \$ 310,456 | \$ 469,020 | \$ 2,385,333 | \$ 1,444,659 | \$ 882,482 |
| Debt service as a percentage of noncapital expenditures | 0.00% | 1.03% | 0.94% | 0.84% | 0.86% | 0.75% | 0.89% | 0.89% | 0.80% | 0.86% |
| Total non-capital expenditures | \$16,564,244 | \$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 |

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> |
|--|------------------------|---------------------------|----------------------|
| 2010 | 8,163,558 | 2,601,588 | 5,561,970 |
| 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 |

CITY OF KENAI, ALASKA

Table VII

TAXABLE SALES BY CATEGORY
CURRENT FISCAL YEAR

| | |
|---|------------------------------|
| Administrative, Waste Management, | \$ 1,120,363 |
| Agriculture, Forestry, Fishing & Hunting | 134,718 |
| Arts and Entertainment | 907,398 |
| Construction Contracting | 1,041,488 |
| Educational Services | 289,068 |
| Finance and Insurance | 323,803 |
| Guiding Water | 405,292 |
| Health Care and Social Assistance | 39,891 |
| Hotel/Motel/Bed & Breakfast | 4,324,357 |
| Information | 5,003,845 |
| Management of Companies | 5,705 |
| Manufacturing | 542,804 |
| Mining/Quarrying | 30,556 |
| Professional, Scientific and Technical Services | 3,838,687 |
| Public Administration | 3,530,843 |
| Rental Commercial Property | 364,840 |
| Rental Non-Residential Property | 1,323,468 |
| Rental Personal Property | 1,015,105 |
| Rental Residential Property | 4,787,750 |
| Rental of Self-storage & Miniwarehouses | 416,467 |
| Restaurant/Bar | 17,374,080 |
| Retail Trade | 174,352,354 |
| Services | 5,548,357 |
| Telecommunications - Cable | 9,469 |
| Telecommunications | 2,826,755 |
| Transportation and Warehousing | 296,642 |
| Utilities | 10,756,426 |
| Wholesale Trade | 3,627,790 |
| Total | <u>\$ 244,238,321</u> |

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 | |
| 2010 | 3.00 % | 3.00 % | | 6.00 % |
| 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 |

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 | | | |
| 2009 | \$ - | 0.00% | 0.00% | \$ - |
| 2010 | 2,000,000 | 0.64% | 0.32% | 281.69 |
| 2011 | 1,925,000 | 0.69% | 0.29% | 271.13 |
| 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 |

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, 2019

| 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 | \$ 1,260,000 | 100.00% | \$ 1,260,000 |
| Overlapping debt: Kenai Peninsula Borough | 35,860,000 | 10.65% | 3,819,090 |
| Central Peninsula Hospital | 70,383,000 | 15.82% | 11,134,591 |
| Total overlapping debt | 106,243,000 | | 14,953,681 |
| Total Direct and Overlapping | \$ 107,503,000 | | \$ 16,213,681 |

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)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Debt limit | \$126,104 | \$131,828 | \$131,890 | \$147,795 | \$160,891 | \$165,677 | \$170,328 | \$173,745 | \$174,215 | \$174,366 |
| Total net debt applicable to limit | <u>2,000</u> | <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> |
| Legal debt margin | <u>\$124,104</u> | <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> |

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2019

| | |
|---|-------------------|
| Assessed value | \$ 871,829 |
| Debt limit, 20% of assessed value | 174,366 |
| Total amount of debt applicable to debt limit | <u>1,260</u> |
| Legal debt margin | <u>\$ 173,106</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) |
| 2010 | 7,112 | 1,835 | 55,400 | \$ 2,310,507 | \$ 41,706 | 39.4 | 9,145 | 8.90% |
| 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% |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General Fund | | | | | | | | | | |
| City Clerk | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.60 | 2.00 | 2.00 |
| City Manager | 1.50 | 1.50 | 1.50 | 1.67 | 1.67 | 1.67 | 1.67 | 1.90 | 2.00 | 2.00 |
| Legal | 2.25 | 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 | 0.00 | 1.00 |
| Finance | 3.75 | 3.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.85 |
| Planning | 2.00 | 2.00 | 2.00 | 2.08 | 2.00 | 2.00 | 2.00 | 1.75 | 1.70 | 1.70 |
| Police | 20.83 | 20.88 | 20.88 | 20.88 | 20.65 | 19.60 | 19.60 | 19.60 | 19.60 | 19.60 |
| Fire | 16.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 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 | 2.60 | 2.80 | 2.80 | 2.90 | 2.90 | 2.90 | 3.00 | 3.00 | 3.00 | 3.00 |
| Public Works Administration | 2.00 | 2.00 | 1.50 | 1.50 | 1.50 | 1.50 | 2.00 | 2.00 | 2.00 | 2.00 |
| Maintenance | 11.64 | 11.64 | 11.64 | 11.64 | 10.70 | 10.79 | 10.77 | 10.84 | 10.64 | 10.84 |
| Library | 6.68 | 6.68 | 7.88 | 8.45 | 8.10 | 8.10 | 8.10 | 8.10 | 8.10 | 7.65 |
| Parks & Recreation | 6.99 | 6.99 | 7.61 | 9.60 | 8.04 | 8.06 | 8.30 | 8.65 | 8.65 | 7.76 |
| General Fund Total | 85.74 | 88.74 | 91.06 | 93.97 | 90.81 | 89.87 | 90.69 | 91.19 | 92.44 | 92.40 |
| Special Revenue Funds | | | | | | | | | | |
| Personal Use Fishery | 0.00 | 0.00 | 0.00 | 0.00 | 2.49 | 2.46 | 2.69 | 2.91 | 2.81 | 2.42 |
| Water & Sewer Operations | 6.76 | 6.76 | 6.76 | 6.76 | 7.76 | 7.76 | 7.76 | 7.76 | 7.76 | 8.05 |
| Airport Operations | 5.18 | 5.18 | 5.18 | 5.43 | 5.81 | 6.95 | 6.95 | 6.97 | 7.12 | 7.00 |
| Senior Citizen Programs | 8.19 | 6.69 | 6.85 | 6.97 | 7.43 | 7.35 | 7.35 | 7.28 | 7.28 | 7.28 |
| Special Revenue Funds Total | 20.13 | 18.63 | 18.79 | 19.16 | 23.49 | 24.52 | 24.75 | 24.92 | 24.97 | 24.75 |
| Enterprise Fund | | | | | | | | | | |
| Congregate Housing | 0.35 | 0.35 | 0.35 | 0.35 | 0.45 | 0.45 | 0.45 | 0.52 | 0.52 | 0.52 |
| 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 | 0.00 | 0.50 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| Internal Service Funds Total | 0.00 | 0.00 | 0.50 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total All Funds | 106.22 | 107.72 | 110.70 | 113.98 | 115.25 | 115.34 | 115.89 | 116.63 | 117.93 | 117.67 |

Source: The City of Kenai Finance Department.

CITY OF KENAI, ALASKA

TABLE XV

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

| Function | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Public Safety | | | | | | | | | | |
| Police Services: | | | | | | | | | | |
| Police requests for service | 7,626 | 7,385 | 7,665 | 8,297 | 8,314 | 8,197 | 7,840 | 7,926 | 8,330 | 9,194 |
| Criminal arrests | 1,103 | 926 | 894 | 1,138 | 1,041 | 924 | 813 | 784 | 934 | 909 |
| Fire and Emergency Services: | | | | | - | | | | | |
| Number of calls responded to | 1,599 | 1,230 | 1,328 | 1,212 | 1,153 | 1,226 | 1,384 | 1,568 | 1,440 | 1,479 |
| Inspections | 289 | 232 | 319 | 239 | 268 | 157 | 118 | 150 | 79 | 139 |
| Animal Control: | | | | | | | | | | |
| Total Calls | 7,811 | 6,619 | 6,695 | 6,549 | 7,197 | N/A | N/A | N/A | N/A | N/A |
| Total requests for service | N/A | N/A | N/A | N/A | N/A | 564 | 437 | 448 | 341 | 328 |
| Animals Handled | 1,417 | 1,476 | 1,673 | 1,631 | 1,429 | 1,188 | 1,004 | 928 | 827 | 829 |
| Water and Wastewater | | | | | | | | | | |
| Water Production Avg gallons per day | 1,016,608 | 918,345 | 961,564 | 943,764 | 875,427 | 812,756 | 760,000 | 711,000 | 710,000 | 717,000 |
| Wastewater Treatment Avg. gallons per day | 569,916 | 528,667 | 470,417 | 540,583 | 566,417 | 527,250 | 487,200 | 463,583 | 660,000 | 475,000 |
| Airport Passenger Enplanements | 84,133 | 87,589 | 94,010 | 101,995 | 103,751 | 100,929 | 102,126 | 93,612 | 93,844 | 92,127 |

* During calendar year 2010 the fire department transitioned to a new reporting system that no longer counts responses to the same incident from both fire stations as multiple calls. Elimination of this duplication gives the impression call volumes have reduced when in fact call volumes continue to increase at 8-10% annually.

** 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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------|------|------|------|------|------|------|------|------|------|------|
| 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 | 6 | 4 | 4 |
| Recreation Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Pedestrian Trails | 2 | 2 | 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.