



COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year:

July 1, 2015 – June 30, 2016

**CITY OF KENAI, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016**

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF KENAI, ALASKA
Year Ended June 30, 2016**

Pat Porter
Mayor

Rick R. Koch
City Manager

Prepared by
Finance Department

Terry A. Eubank, CPA
Finance Director



"Village with a Past, City with a Future"

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November 18, 2016

Honorable Mayor Pat Porter,
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, 2016. The financial statements were prepared in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of 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, 2015 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, 2016, 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 State and federally mandated "Single Audits" designed to meet the special needs of State and 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 and state awards. These reports are available in the City's separately issued Single Audit Reports.

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

Profile of the City of Kenai

The City was incorporated in 1960 as a home rule city and its charter was adopted May 20, 1963. The City occupies a geographic area of approximately 45 square miles located in the south central part of the state of Alaska. Major city services include police, fire, ambulance, airport, street maintenance, recreation, parks, building inspection, water and sewer, dock, cemetery and library. Funding for the City's General Fund, by order of financial significance,

is provided from sales tax, intergovernmental revenue, property tax, charges for services, 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 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 and commercial fishing 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. Actual production will be years in the future, but Kenai's airport could be a much busier place if the project gets all of the permits required for operation.

Commercial fishing has had some good years recently in terms of production. Raw fish prices declined a bit for the 2016 fishing season but there was a strong return of sockeye salmon to peninsula rivers. Fishing is expected to continue to be an important component of the Kenai economy.

With the slow recovery of the United States economy, tourism increased 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 met projections but sales have been slowing which is largely attributed to the slow-down in Alaska's economy caused by a combination the state's revenue crisis and low commodity prices for oil and natural gas.

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.

Long term financial planning

General Fund, fund balance remained virtually unchanged at \$10.4 million in FY 2016. A General Fund, Fund Balance of \$10.4 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.

One of the larger financial challenges facing the City is our contribution to the Public Employees Retirement System (PERS). Beginning in FY 2008, employers paid a maximum of 22% of payroll and the State is paying the difference to the actuarially required rate. Employer members of the PERS system worked with the State legislature for a long term solution to this problem. In April 2008 the Alaska Legislature passed Senate Bill 125 which converts the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor. In addition, the legislation provides for state contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions would be recognized by each employer as an on-behalf payment. In FY 2015 the State of Alaska invested an extra \$1.0 billion in PERS to reduce its unfunded liability. At the same time, the state changed two key funding assumption which shifted significant portion of the unfunded liability to municipalities. The combination of extending the PERS unfunded liability amortization period by nine years, changing the PERS unfunded liability amortization method from level dollar to level percentage of pay, and the 22% employer rate cap will increase the cost of paying off the PERS unfunded liability by \$5.67 billion, despite the \$1.0 billion contribution, of which non-state participants will pay \$2.53 billion. In FY2016 the City's contribution rate remained 22% of covered payroll while the state's on-behalf funding shrunk to \$0.45 million, the lowest amount in four years.

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

Award

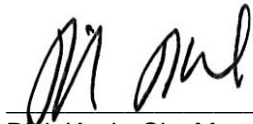
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kenai for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate 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.

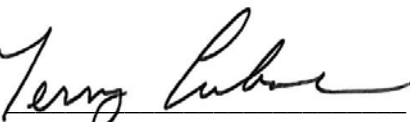
Acknowledgment

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,



Rick Koch, 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**

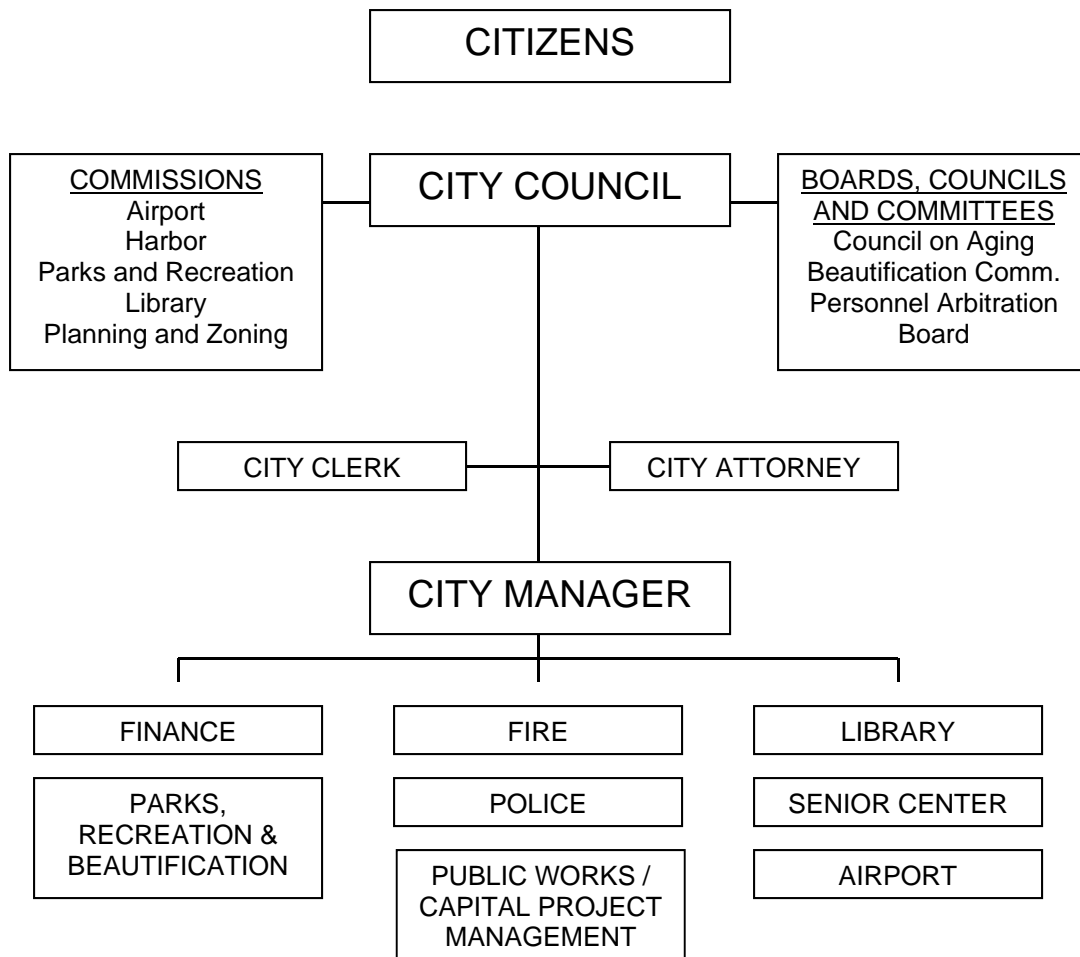
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



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 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	Pat Porter	2016
Council Members	Terry Booke	2016
	Brian Gabriel, Sr.	2016
	Henry Knackstedt	2017
	Tim Navarre	2017
	Robert Molloy	2018
	Michael Boyle	2018

City Administration

City Manager	Rick R. Koch
Finance Director	Terry A. Eubank
City Clerk	Sandra Modigh
City Attorney	Scott Bloom
Police Chief	David Ross
Fire Chief	Jeff Tucker
Public Works Manager	Sean Wedemeyer
Librarian	Mary Jo Joiner
Parks & Recreation Director	Robert Frates
Airport Manager	Mary Bondurant
Senior Center Project Director	Rachael Craig

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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, 2016, 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.

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 as of June 30, 2016, 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 53 through 60, and the Schedules of Net Pension Liability and Pension Contributions on pages 61 and 62 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.

Supplementary 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 supplementary information is 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 18, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kenai's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 18, 2016

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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, 2016. 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, 2016 by \$179,286,094. Of this amount, unrestricted net position of \$8,662,192, 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 \$2,564,323. For the fiscal year ended June 30, 2016, governmental type activities increased by \$2,602,022 and business type activities decreased by \$37,699.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,009,304, an increase of \$469,020 from the prior year. The fund balances of the two permanent funds, which cannot be spent, account for \$26.0 million of total fund balance. About \$10.0 million of the remaining fund balance is restricted, committed, or assigned. The remaining \$8.0 million is unassigned and available for spending.
- At the end of the current fiscal year, fund balance for the General Fund was \$10,418,100. Of this amount \$8,009,807 was unassigned and available for spending.
- The City has a long-term liability for compensated absences, general obligation debt, and net pension of \$837,625, \$1,530,000, and \$12,697,944 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 business-type activities of the City include the 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. Four 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 Airport Land Sales Permanent Fund; and the Water & Sewer 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 Fund and Airport Special Revenue Fund to demonstrate compliance with the Fiscal Year (FY) 2016 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 in managing major capital projects of the City. 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. Budgetary comparison schedules for the City's major funds and schedules on the City's net pension obligation information and contributions can be found on pages 53-62 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 Fund, Airport Special Revenue Fund and Water & Sewer Special Revenue Fund.

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, 2016, the City's net position exceeded liabilities by \$179,286,094. 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 48,132	\$ 47,964	\$ 524	\$ 485	\$ 48,656	\$ 48,449
Capital assets	<u>142,626</u>	<u>138,911</u>	<u>2,958</u>	<u>3,051</u>	<u>145,584</u>	<u>141,962</u>
Total assets	<u>190,758</u>	<u>186,875</u>	<u>3,482</u>	<u>3,536</u>	<u>194,240</u>	<u>190,411</u>
Deferred outflows of resources	<u>2,429</u>	<u>957</u>	<u>-</u>	<u>-</u>	<u>2,429</u>	<u>957</u>
Long-term liabilities outstanding	15,061	11,075	4	3	15,065	11,078
Other liabilities	<u>2,020</u>	<u>2,354</u>	<u>46</u>	<u>63</u>	<u>2,066</u>	<u>2,417</u>
Total liabilities	<u>17,081</u>	<u>13,429</u>	<u>50</u>	<u>66</u>	<u>17,131</u>	<u>13,495</u>
Deferred inflows of resources	<u>252</u>	<u>1,151</u>	<u>-</u>	<u>-</u>	<u>252</u>	<u>1,151</u>
Net position:						
Net investment in capital assets	141,096	137,296	2,958	3,051	144,054	140,347
Nonspendable	25,981	26,599	-	-	25,981	26,599
Restricted	589	547	-	-	589	547
Unrestricted	<u>8,188</u>	<u>8,810</u>	<u>474</u>	<u>419</u>	<u>8,662</u>	<u>9,229</u>
Total net position	<u>\$175,854</u>	<u>\$173,252</u>	<u>\$3,432</u>	<u>\$3,470</u>	<u>\$179,286</u>	<u>\$176,722</u>

Minor arithmetic differences are due to rounding.

Governmental activities.

Governmental activities increased the City's net position by \$2,602,022. The key element of this decrease is the difference between capital expenditures by governmental funds and depreciation expense recorded but not budgeted in the governmental funds.

Business-type activities.

Business-type activities decreased the net position of the City by \$37,699. 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,362	\$ 6,085	\$ 382	\$ 365	\$ 6,744	\$ 6,450
Operating grants and contributions	2,015	2,175	2	17	2,017	2,192
Capital grants and contributions	7,166	2,425	-	-	7,166	2,425
General revenues:						
Property taxes	3,783	3,657	-	-	3,783	3,657
Sales taxes	7,248	7,257	-	-	7,248	7,257
Other	<u>601</u>	<u>790</u>	<u>3</u>	<u>2</u>	<u>604</u>	<u>792</u>
Total revenues	<u>27,175</u>	<u>22,389</u>	<u>387</u>	<u>384</u>	<u>27,562</u>	<u>22,773</u>
Expenses:						
General government	2,801	4,097	-	-	2,801	4,097
Public safety	8,246	5,900	-	-	8,246	5,900
Public works	3,378	3,667	-	-	3,378	3,667
Parks, recreation, and cultural	2,828	2,355	-	-	2,828	2,355
Water and sewer services	2,833	2,237	-	-	2,833	2,237
Airport	3,518	4,189	-	-	3,518	4,189
Interest on long-term debt	93	96	-	-	93	96
Social welfare services	876	683	-	-	876	683
Senior Housing	<u>-</u>	<u>-</u>	<u>425</u>	<u>454</u>	<u>425</u>	<u>454</u>
Total expenses	<u>24,573</u>	<u>23,224</u>	<u>425</u>	<u>454</u>	<u>24,998</u>	<u>23,678</u>
Increase (decrease) in net position	2,602	(835)	(38)	(70)	2,564	(905)
Net position beginning	<u>173,252</u>	<u>174,087</u>	<u>3,470</u>	<u>3,540</u>	<u>176,722</u>	<u>177,627</u>
Net position ending	<u>\$175,854</u>	<u>\$173,252</u>	<u>\$3,432</u>	<u>\$3,470</u>	<u>\$179,286</u>	<u>\$176,722</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.

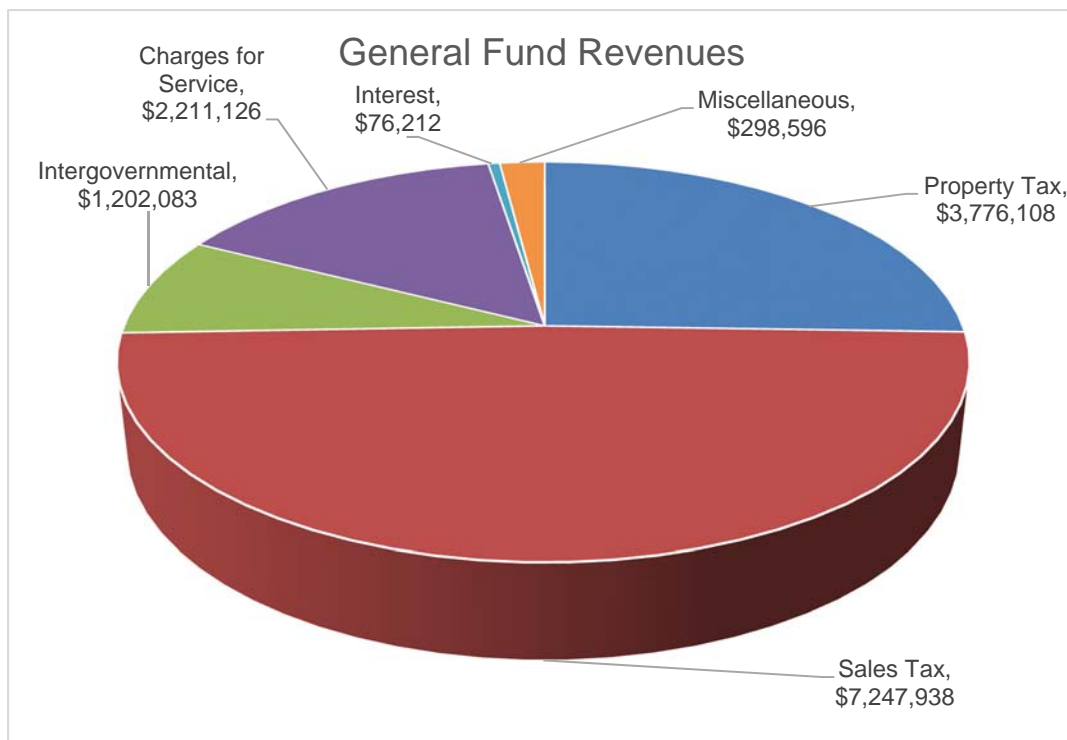
Governmental Funds.

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 \$44,009,304, which is up \$469,020 from last year. About \$8.0 million of fund balance is unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance, \$36.0 million, is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending. Nonspendable is the largest portion of this; \$26.0 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 \$8,009,807, and total fund balance was \$10,418,100. Fund balance increased \$26,867 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 54.2% of total expenditures and transfers, while total fund balance represents 70.5% of that same amount.

General Fund expenditures decreased \$2,316,037 or 14.11% over last year. Public Employees Retirement System (PERS) on-behalf funding from the State of Alaska decreased \$2,598,097 in the current year. PERS on-behalf funding is recorded as both revenue and expenditure in the General Fund, accounting for nearly all of the change in expenditures. General Fund revenues decreased \$2,615,414 from last year. The primary revenue sources of the General Fund include property tax of \$3,776,108, sales tax of \$7,247,938, intergovernmental revenues of \$1,202,083, and charges to other funds of \$1,497,200. Sales tax revenue remained nearly unchanged with only a \$9,513 decrease, a reflection of the overall condition of the City's economy. Property taxes increased by \$129,107 (3.54%). Current year property values increased 2.76% and the mill rate remained unchanged. Intergovernmental revenues decreased \$2,642,143 from last year with a notable decrease in State of Alaska Public Employees Retirement System (PERS) on-behalf funding as described above.



Tax revenues support General Fund operations exclusively and represent 74.42% of all governmental funds revenue. Other funds rely heavily on charges for services and investment earnings. Investment earnings in governmental funds is down \$183,262, (22.3%) from the prior year. The continuation of historic low interest rates, volatility and negative returns of equity markets, which approximately 45% of the City's permanent funds are invested in, led to the significant decrease 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 increased by \$447,963. Total revenues decreased \$179,878 with the single largest decrease being intergovernmental from State of Alaska Public Employees Retirement System (PERS) on-behalf funding, \$192,714.

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 continuation of historic low interest rates, volatility and negative returns of equity markets resulted in a decrease in fund balance after the FY16 transfer of \$1,142,714 to the Airport Special Revenue Fund.

The Water & Sewer Improvements Capital Project Fund accounts for capital improvement projects of the Kenai Municipal water and sewer system. Projects are largely financed by grants from the State of Alaska Department of Environmental Conservation. Current projects include drilling new production wells and construction of a new water reservoir for the system.

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 one internal service fund. 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. Because the services of the Equipment Replacement Fund 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 \$3,432,431 and unrestricted net position was \$474,257. Net position decreased \$37,699 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 \$535,956. Significant amendments included a \$280,000 one-time transfer to the New City Shop Capital Project Fund for construction of the new warm storage facility, \$88,339 transfer to the Senior Citizen Fund for operations due to an unforeseen decrease in meal reimbursements, and \$30,000 transfer for the completion of the City's Comprehensive Plan update. Actual revenues and transfers in were \$184,946 less than the final budget. The FY2016 transfer from the City's General Land Sale Permanent Fund, budgeted to be \$155,946, did not take place as actual earnings of the fund were negative and use of the funds corpus is prohibited by the City's Charter.

The actual expenditures and transfers out were \$1,388,195 less than budgeted. The City typically does not spend the entire authorized appropriation. The variance this year was about 8.4% of final budget compared to 7.3% last year. \$591,509, (43.5%) of the lapse, occurred in personal 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.

Capital Assets and Debt Administration

Capital assets.

At June 30, 2016 the City's capital assets had a total net book value of \$145,584,531. Governmental activities totaled \$142,626,357 and business-type activities totaled \$2,958,174. Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 42-43 Section III. Detailed Notes on All Funds' D. Capital Assets. Major capital additions for FY16 included:

New Facilities and Facility Improvements:	
South Beach Access Property	\$ 698,000
Other Property	36,562
South Beach Access House	920,684
Daubenspeck Park Improvements	150,632
Municipal Park Improvements	618,789
Senior Center	18,171
Congregate Housing	46,666
Kenai Industrial Park Improvements	37,327
Equipment:	
Sewer Lift Station Pumps	13,314
Personal Use Fishery Equipment	46,295
Vehicles	315,645
Fire Department Equipment	131,162
Infrastructure:	
Road improvements	403,201
Water Mains and Production Wells	756,276
Other Additions	<u>38,280</u>
Total Additions	<u>\$4,231,004</u>

Debt administration.

No new debt was issued by the City in FY16. At June 30, 2016 \$1,530,000 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 \$837,625. Net Pension Liability of \$12,697,944 is included and substantially increased from the June 30, 2015 balance of \$8,631,519. The increase in Net Pension Liability was largely caused by the extension of the amortization period for the system's unfunded liability by the plan administration which shifted a significant portion of the liability from the State to the City. Additional information on the City's long-term liabilities can be found in the notes to the basic financial statements on pages 49-50.

Requests for information.

This financial report is designed to provide a general overview of the City of Kenai's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Kenai, 210 Fidalgo Avenue, Kenai, Alaska 99611.

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BASIC FINANCIAL STATEMENTS

CITY OF KENAI, ALASKA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in central treasury (cash and investments)	\$ 43,213,351	\$ 517,570	\$ 43,730,921
Receivables (net of allowances for uncollectibles)	4,906,726	6,804	4,913,530
Other assets	11,789	-	11,789
Land	6,736,121	274,500	7,010,621
Property and equipment in service	212,131,476	5,710,219	217,841,695
Accumulated depreciation	(82,511,973)	(3,026,545)	(85,538,518)
Construction in progress	6,270,733	-	6,270,733
Total assets	<u>190,758,223</u>	<u>3,482,548</u>	<u>194,240,771</u>
DEFERRED OUTFLOWS			
Pension related	<u>2,428,754</u>	-	<u>2,428,754</u>
Total assets and deferred outflows	<u>\$ 193,186,977</u>	<u>\$ 3,482,548</u>	<u>\$ 196,669,525</u>
LIABILITIES			
Accounts payable	\$ 1,186,272	\$ 9,378	\$ 1,195,650
Accrued payroll and payroll liabilities	464,538	-	464,538
Unearned revenue	169,475	1,607	171,082
Other liabilities	186,248	34,969	221,217
Accrued interest	13,217	-	13,217
Long-term liabilities:			
Due within one year	293,366	1,041	294,407
Due in more than one year	<u>14,768,040</u>	<u>3,122</u>	<u>14,771,162</u>
Total liabilities	<u>17,081,156</u>	<u>50,117</u>	<u>17,131,273</u>
DEFERRED INFLOWS			
Prepaid licenses and fees	2,700	-	2,700
Prepaid property taxes	24,652	-	24,652
Pension related	<u>224,806</u>	-	<u>224,806</u>
Total deferred inflows	<u>252,158</u>	<u>-</u>	<u>252,158</u>
NET POSITION			
Net investment in capital assets	141,096,357	2,958,174	144,054,531
Restricted:			
Permanently restricted - nonexpendable:			
Airport Land Sale Permanent Fund	23,037,659	-	23,037,659
General Government Land Sale Permanent Fund	2,942,775	-	2,942,775
Temporarily restricted - youth athletics	588,937	-	588,937
Unrestricted	<u>8,187,935</u>	<u>474,257</u>	<u>8,662,192</u>
Total net position	<u>175,853,663</u>	<u>3,432,431</u>	<u>179,286,094</u>
Total liabilities, deferred inflows and net position	<u>\$ 193,186,977</u>	<u>\$ 3,482,548</u>	<u>\$ 196,669,525</u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,801,225	\$ 346,625	\$ 801,488	\$ -
Public safety	8,245,995	575,406	311,993	92,534
Public works	3,377,640	57,451	68,481	3,967,237
Parks, recreation, and cultural	2,828,177	680,232	147,647	161,065
Water and sewer services	2,832,563	2,612,383	41,348	2,180,835
Airport	3,518,240	1,993,493	37,825	345,181
Social welfare services	876,393	96,913	606,668	419,352
Interest on long-term debt	92,947	-	-	-
Total governmental activities	<u>24,573,180</u>	<u>6,362,503</u>	<u>2,015,450</u>	<u>7,166,204</u>
Business-type activities:				
Senior Housing	<u>425,986</u>	<u>382,330</u>	<u>2,077</u>	<u>-</u>
Total Government	<u>\$ 24,999,166</u>	<u>\$ 6,744,833</u>	<u>\$ 2,017,527</u>	<u>\$ 7,166,204</u>

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

See accompanying notes to basic financial statements.

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

Governmental Activities	Business-type Activities	Total
\$ (1,653,112)	\$ -	\$ (1,653,112)
(7,266,062)	-	(7,266,062)
715,529	-	715,529
(1,839,233)	-	(1,839,233)
2,002,003	-	2,002,003
(1,141,741)	-	(1,141,741)
246,540	-	246,540
(92,947)	-	(92,947)
<u>(9,029,023)</u>	<u>-</u>	<u>(9,029,023)</u>
<u>-</u>	<u>(41,579)</u>	<u>(41,579)</u>
<u>(9,029,023)</u>	<u>(41,579)</u>	<u>(9,070,602)</u>
3,782,538	-	3,782,538
7,247,938	-	7,247,938
600,569	3,880	604,449
<u>11,631,045</u>	<u>3,880</u>	<u>11,634,925</u>
2,602,022	(37,699)	2,564,323
173,251,641	3,470,130	176,721,771
<u>\$ 175,853,663</u>	<u>\$ 3,432,431</u>	<u>\$ 179,286,094</u>

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016**

	General	Airport Special Revenue
ASSETS		
Equity in central treasury (cash and investments)	\$ 8,690,983	\$ 4,794,745
Receivables (net of allowances for uncollectibles)	2,636,002	100,705
Other assets	11,789	-
Due from other funds	<u>312,386</u>	<u>-</u>
Total assets	<u>\$ 11,651,160</u>	<u>\$ 4,895,450</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 179,707	\$ 55,967
Accrued payroll and payroll liabilities	396,453	21,811
Due to other funds	-	-
Unearned revenue	55,242	112,140
Other liabilities	<u>23,471</u>	<u>23,030</u>
Total liabilities	<u>654,873</u>	<u>212,948</u>
Deferred Inflows of resources:		
Special assessments receivable - unavailable	363,808	-
Ambulance billing receivable - unavailable	170,008	-
Land sales - unavailable	17,019	-
Prepaid licenses and fees	2,700	-
Prepaid property taxes	<u>24,652</u>	<u>-</u>
Total deferred inflows of resources	<u>578,187</u>	<u>-</u>
Fund balances:		
Nonspendable	-	-
Restricted	588,937	-
Committed	409,746	-
Assigned	1,409,610	4,682,502
Unassigned	<u>8,009,807</u>	<u>-</u>
Total fund balances	<u>10,418,100</u>	<u>4,682,502</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,651,160</u>	<u>\$ 4,895,450</u>

See accompanying notes to basic financial statements.

Airport Land Sales Permanent	Water & Sewer Improvements Capital Project	Other Governmental	Total Governmental Funds
\$ 22,940,878	\$ -	\$ 5,429,441	\$ 41,856,047
280,729	815,686	1,073,604	4,906,726
-	-	-	11,789
-	-	-	312,386
<u>\$ 23,221,607</u>	<u>\$ 815,686</u>	<u>\$ 6,503,045</u>	<u>\$ 47,086,948</u>
\$ 3,410	\$ 328,817	\$ 618,371	\$ 1,186,272
-	-	46,274	464,538
-	296,923	15,463	312,386
-	-	2,093	169,475
-	-	139,747	186,248
<u>3,410</u>	<u>625,740</u>	<u>821,948</u>	<u>2,318,919</u>
-	-	-	363,808
-	-	-	170,008
180,538	-	-	197,557
-	-	-	2,700
-	-	-	24,652
<u>180,538</u>	<u>-</u>	<u>-</u>	<u>758,725</u>
23,037,659	-	2,942,775	25,980,434
-	-	-	588,937
-	189,946	892,559	1,492,251
-	-	1,845,763	7,937,875
-	-	-	8,009,807
<u>23,037,659</u>	<u>189,946</u>	<u>5,681,097</u>	<u>44,009,304</u>
<u>\$ 23,221,607</u>	<u>\$ 815,686</u>	<u>\$ 6,503,045</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 141,001,835

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 731,373

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	\$ (1,530,000)	
Net pension liability	(12,697,944)	
Compensated absences	(833,462)	
Accrued interest (net of related interest subsidy)	<u>(13,217)</u>	(15,074,623)

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

Deferred outflows for pensions	2,428,754	
Deferred inflows for pensions	<u>(224,806)</u>	2,203,948

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 governmental activities in the statement of net position.

2,981,826

Net position of governmental activities \$ 175,853,663

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	General	Airport Special Revenue	Airport Land Sales Permanent	Water & Sewer Improvements Capital Project
Revenues:				
Taxes	\$ 11,030,477	\$ -	\$ -	\$ -
Intergovernmental revenues	1,202,083	30,048	-	2,180,835
Charges for services	2,211,126	418,644	-	-
Investment earnings	76,212	33,213	461,630	-
Miscellaneous revenues	<u>292,165</u>	<u>1,527,398</u>	<u>7,714</u>	<u>-</u>
Total revenues	<u>14,812,063</u>	<u>2,009,303</u>	<u>469,344</u>	<u>2,180,835</u>
Expenditures:				
Current:				
General government	2,686,680	-	-	-
Public safety	6,987,609	-	-	-
Public works	2,322,797	-	-	-
Parks, recreation, and cultural	2,101,857	-	-	-
Water and sewer services	-	-	-	-
Airport	-	2,501,047	-	-
Social welfare services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,489,279</u>
Total expenditures	<u>14,098,943</u>	<u>2,501,047</u>	<u>-</u>	<u>2,489,279</u>
Excess of revenues over (under) expenditures	713,120	(491,744)	469,344	(308,444)
Other financing sources (uses):				
Transfers in	-	1,142,714	-	-
Transfers out	<u>(686,253)</u>	<u>(203,007)</u>	<u>(1,142,714)</u>	<u>-</u>
Net other financing sources (uses)	<u>(686,253)</u>	<u>939,707</u>	<u>(1,142,714)</u>	<u>-</u>
Net changes in fund balances	26,867	447,963	(673,370)	(308,444)
Fund balances - July 1	<u>10,391,233</u>	<u>4,234,539</u>	<u>23,711,029</u>	<u>498,390</u>
Fund balances - June 30	<u>\$ 10,418,100</u>	<u>\$ 4,682,502</u>	<u>\$ 23,037,659</u>	<u>\$ 189,946</u>

See accompanying notes to basic financial statements.

Other Governmental	Total Governmental Funds
\$ -	\$ 11,030,477
5,349,450	8,762,416
3,164,920	5,794,690
66,807	637,862
<u>361,911</u>	<u>2,189,188</u>
 8,943,088	 28,414,633
 29,134	 2,715,814
113,943	7,101,552
113,947	2,436,744
239,229	2,341,086
2,137,926	2,137,926
51,998	2,553,045
940,602	940,602
 85,000	 85,000
93,798	93,798
<u>5,050,767</u>	<u>7,540,046</u>
 8,856,344	 27,945,613
 86,744	 469,020
 940,760	 2,083,474
<u>(51,500)</u>	<u>(2,083,474)</u>
 889,260	 -
 976,004	 469,020
<u>4,705,093</u>	<u>43,540,284</u>
<u>\$ 5,681,097</u>	<u>\$ 44,009,304</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, 2016**

Net changes in fund balances - total governmental funds	\$	469,020
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.

Expenditures for capital assets	\$ 7,867,529	
Current year depreciation	<u>(4,227,364)</u>	3,640,165

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 increase in other long-term assets.	55,625
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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	\$ (4,497)	
Bond interest payable	<u>851</u>	(3,646)

Repayment of the principal of long-term debt consumes current financial resources of governmental funds but does not have any effect on net position.	85,000
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Changes related to net pension liability and related accounts can increase or decrease net position. This is the net decrease due to changes in net pension liability and the related deferred inflows and outflows.	(1,822,570)
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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>178,428</u>
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Change in net position of governmental activities	<u><u>\$ 2,602,022</u></u>
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See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Business-type Activities - Non- major Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Congregate Housing</u>	
ASSETS		
Current assets:		
Equity in central treasury (cash and investments)	\$ 517,570	\$ 1,357,304
Accounts receivable	6,804	-
Total current assets	<u>524,374</u>	<u>1,357,304</u>
Noncurrent assets:		
Land	<u>274,500</u>	-
Property and equipment in service, at cost:		
Buildings	5,710,219	-
Equipment	<u>-</u>	<u>2,827,382</u>
Total property and equipment in service	5,710,219	2,827,382
Less accumulated depreciation	<u>(3,026,545)</u>	<u>(1,202,860)</u>
Net property and equipment in service	<u>2,683,674</u>	<u>1,624,522</u>
Total assets	<u><u>\$ 3,482,548</u></u>	<u><u>\$ 2,981,826</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 9,378	\$ -
Unearned revenue	1,607	-
Other liabilities	<u>34,969</u>	<u>-</u>
Total current liabilities	<u>45,954</u>	<u>-</u>
Noncurrent liabilities - compensated absences	<u>4,163</u>	-
Total liabilities	<u>50,117</u>	-
NET POSITION		
Investment in capital assets	2,958,174	1,624,522
Unrestricted	<u>474,257</u>	<u>1,357,304</u>
Total net position	<u>3,432,431</u>	<u>2,981,826</u>
Total liabilities and net position	<u><u>\$ 3,482,548</u></u>	<u><u>\$ 2,981,826</u></u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Non- major Enterprise Fund	Governmental Activities - Internal Service Fund
	Congregate Housing	
Operating revenues:		
Rents and leases	\$ 382,253	\$ -
Charges for services	-	-
Other revenue	<u>77</u>	<u>329,120</u>
Total operating revenues	<u>382,330</u>	<u>329,120</u>
Operating expenses:		
Personal services	56,696	-
Supplies	6,782	-
Utilities	84,951	-
Repair and maintenance	50,354	-
Insurance	9,559	-
Depreciation	139,857	160,850
Manager's fee	36,396	-
Miscellaneous	3,091	-
Expenses chargeable from other funds	<u>38,300</u>	<u>-</u>
Total operating expenses	<u>425,986</u>	<u>160,850</u>
Operating income (loss)	<u>(43,656)</u>	<u>168,270</u>
Nonoperating revenues:		
Intergovernmental grants	2,077	-
Investment earnings	<u>3,880</u>	<u>10,158</u>
Total nonoperating revenues	<u>5,957</u>	<u>10,158</u>
Changes in net position	(37,699)	178,428
Net position - July 1	<u>3,470,130</u>	<u>2,803,398</u>
Net position - June 30	<u>\$ 3,432,431</u>	<u>\$ 2,981,826</u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Non- major Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Congregate Housing</u>	
Cash flows from operating activities:		
Receipts from customers	\$ 378,864	\$ 329,120
Payments to suppliers	(207,053)	-
Payments to employees	(56,485)	-
Receipts (payments) for interfund services	<u>(38,300)</u>	<u>-</u>
Net cash provided by operating activities	<u>77,026</u>	<u>329,120</u>
Cash flows from noncapital financing activities -		
State grant	<u>2,077</u>	<u>-</u>
Cash flows from capital and related financing activities -		
Acquisition and construction of capital assets	<u>(46,666)</u>	<u>(236,393)</u>
Cash flows from investing activities -		
Investment earnings received	<u>3,880</u>	<u>10,158</u>
Net increase in cash and cash equivalents	36,317	102,885
Cash and cash equivalents, July 1	<u>481,253</u>	<u>1,254,419</u>
Cash and cash equivalents, June 30	<u><u>\$ 517,570</u></u>	<u><u>\$ 1,357,304</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (43,656)	\$ 168,270
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	139,857	160,850
Accounts receivable	(3,609)	-
Accounts payable	(16,981)	-
Accrued payroll and payroll liabilities	(1,104)	-
Compensated absences	1,315	-
Unearned revenue	143	-
Other liabilities	<u>1,061</u>	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 77,026</u></u>	<u><u>\$ 329,120</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, 2016**

ASSETS

Equity in central treasury (cash and investments)	\$ 132,167
Interest receivable	<u>543</u>
Total Assets	<u><u>\$ 132,710</u></u>

LIABILITIES

Due to Kenai Community Foundation	<u><u>\$ 132,710</u></u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF KENAI, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

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 of the current fiscal period. 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 Improvements Capital Project Fund accounts for capital projects of the City's water and sewer service. Primary funding sources are state grants.

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.

Additionally the City reports the following fund types:

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

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

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 and liabilities 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 are recorded at estimated fair value at the date of donation.

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 financial statements 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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.

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 \$535,956. The majority of this was for supplemental funding of capital projects to include \$280,000 for the City's new warm storage facility construction, \$30,000 for preparation of the City's 2016 Comprehensive Plan, and \$6,000 for reroofing of City Hall; \$88,339 was transferred to the Senior Citizen Fund for operations for lower than projected meal reimbursements from the Choice Waiver meal program; and \$89,719 for grant funded, fire department equipment.

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, 2016 were:

	Major Fund – General Fund	Nonmajor Gov't Funds
Equipment Warm Storage Building Project	\$ -	\$ 420,524
Airport Small Taxiway & Aircraft Tie Down Rehabilitation Project	-	1,737,626
New Water Reservoir Construction Project	1,530,153	
First St. Rehabilitation Construction Project	-	115,212
	<u>\$1,530,153</u>	<u>\$2,273,362</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 complied with its investment policy throughout the year.

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, 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, 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, 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, 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, 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 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 City complied with its investment policy throughout the year.

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 \$1,299,358 and a carrying value of \$922,252 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 \$3,248 and cash on hand of \$1,079. 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, 2016, 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	\$ 4,522,850	\$ -	\$1,000,020	\$3,522,830
Wells Fargo Money Market	4,250,906	4,250,906	-	-
Certificates of Deposit	8,175,528	3,974,302	3,194,422	1,006,804
AMLIP	<u>115,308</u>	<u>115,308</u>	<u>-</u>	<u>-</u>
Total	<u>\$17,064,592</u>	<u>\$8,340,516</u>	<u>\$4,194,442</u>	<u>\$4,529,634</u>

General and Airport Land Sales Permanent Funds' investments:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasury/Agencies	\$ 4,947,111	19.14%
Corporate Bonds	5,101,722	19.73
Wells Fargo Money Market	1,641,966	6.35
U.S. equity securities	8,787,119	33.99
International securities	4,017,348	15.54
Real estate equities	<u>1,356,651</u>	<u>5.25</u>
Total	<u>\$25,851,917</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, 2016.

	<u>Pooled Cash and Investments</u>	<u>Kenai Community Foundation</u>	<u>Totals</u>
Bank deposits and cash on hand	\$ 946,579	\$ -	\$ 946,579
Investments	<u>42,784,342</u>	<u>132,167</u>	<u>42,916,509</u>
	<u>\$43,730,921</u>	<u>\$132,167</u>	<u>\$43,863,088</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 Barclays Intermediate Government/Credit Index. The index allows for maturities of 1 to 10 years. At June 30, 2016 the index had an average duration of 4.08 while the fund's fixed income component had an average duration of 3.76.

Concentration Risk. The City's general investment policy places no limit on the amount that can be invested in any one issuer. More than 5% of the total portfolio is invested in securities issued by the Federal Farm

Credit Bureau – 11.72%, Federal Home Loan Mortgage Corporation – 8.92% and Federal National Mortgage Association – 5.86%.

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, 2016.

<u>Asset Class</u>	<u>Benchmark Index</u>	<u>Target % Weighting</u>	<u>Actual % Weighting</u>
Cash	90-day US Treasury Bill	0-10%	6.35%
Fixed income	Barclays Intermediate Government/Credit Index	35-65	38.87
Large-Cap domestic equities	Standard & Poor's 500 Index	15-25	19.57
International equities	Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index	5-15	10.92
Mid-Cap equities	Standard & Poor's 400 Mid-Cap Index	5-15	9.68
Small-Cap equities	Standard & Poor's 600 Small-Cap Index	0-10	4.74
International emerging markets	Morgan Stanley Capital International Emerging Market Index	0-10	4.62
Real-estate equities	Standard & Poor's US REIT Index	0-10	5.25
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 Barclays Intermediate Government/Credit 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, 2016 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, 2016, about \$3 million or 7.0% 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 Farm Credit Banks	Quarterly Call	July 7, 2016
Federal Farm Credit Banks	Continuous Call	November 23, 2016
Federal National Mortgage Association	Quarterly Call	September 30, 2016

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, 2016:

Investments Measured at Fair Value				
Fair Value Measurement Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasuries	\$ 4,412,545	\$ 4,412,545	\$ -	\$ -
US Agencies	5,009,205	-	5,009,205	-
Corporate bonds	5,101,722	-	5,101,722	-
Certificates of deposit	8,175,528	-	8,175,528	-
Money market funds	5,892,872	5,892,872	-	-
Mortgage backed securities	48,211	-	48,211	-
Mutual funds	14,161,118	14,161,118	-	-
AMLIP	115,308	115,308	-	-
Total investment at fair value level	<u>\$42,916,509</u>	<u>\$24,581,843</u>	<u>\$18,334,666</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, 2016, for the City's individual major funds and the nonmajor and other governmental funds in the aggregate are as follows:

	General	Airport Special Revenue	Airport Land Sales Permanent	Water & Sewer Improvements Capital Project	Nonmajor and Other Funds	Congregate Housing Enterprise Fund
Taxes	\$1,992,506	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	39,456	-	-	815,686	797,100	-
Customer and other	664,177	171,466	-	-	302,410	6,804
Special assessments	363,808	-	-	-	-	-
Land contracts	17,019	-	180,538	-	-	-
Accrued interest	20,380	-	100,191	-	12,671	-
Total receivables	3,097,346	171,466	280,729	815,686	1,112,181	6,804
Less allowances for uncollectibles	(461,344)	(70,761)	-	-	(38,577)	-
Net receivables	<u>\$2,636,002</u>	<u>\$100,705</u>	<u>\$280,729</u>	<u>\$815,686</u>	<u>\$1,073,604</u>	<u>\$6,804</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, 2016, 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	\$ -	\$ -	\$ -	\$2,428,754	\$ -	\$ -
Special assessments receivable (General Fund)	-	363,808	-	-	-	-
Ambulance billing receivable (General Fund)	-	170,008	-	-	-	-
Land sales receivable (General Fund)	-	17,019	-	-	-	-
Land sales receivable (Airport Land Sales Permanent Fund)	-	180,538	-	-	-	-
Prepaid property tax (General Fund)	-	24,652	-	-	24,652	-
Prepaid licenses (General Fund)	-	2,700	-	-	2,700	-
Pension related	-	-	-	-	224,806	-
Prepaid rents & leases (General Fund)	-	-	55,242	-	-	55,242
Prepaid rents & leases (Airport Fund)	-	-	112,140	-	-	112,140
Prepaid rents & leases (Enterprise Fund)	-	-	-	-	-	1,607
Grant funds received prior to meeting all eligibility requirements (Airport Improvements Capital Project Fund)	-	-	2,093	-	-	2,093
	<u>\$ -</u>	<u>\$758,725</u>	<u>\$169,475</u>	<u>\$2,428,754</u>	<u>\$252,158</u>	<u>\$171,082</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,001,559	\$ 734,562	\$ -	\$ 6,736,121
Construction in progress	2,351,149	7,540,046	(3,620,462)	6,270,733
Total capital assets not being depreciated	<u>8,352,708</u>	<u>8,274,608</u>	<u>(3,620,462)</u>	<u>13,006,854</u>
Capital assets being depreciated:				
Buildings	65,393,609	1,057,627	-	66,451,236
Improvements other than buildings	54,170,917	793,391	-	54,964,308
Machinery and equipment	20,396,998	513,703	(20,650)	20,890,051
Infrastructure	<u>68,740,826</u>	<u>1,085,055</u>	<u>-</u>	<u>69,825,881</u>
Total capital assets being depreciated	<u>208,702,350</u>	<u>3,449,776</u>	<u>(20,650)</u>	<u>212,131,476</u>
Less accumulated depreciation for:				
Buildings	(19,299,796)	(1,171,515)	-	(20,471,311)
Improvements other than buildings	(20,163,461)	(1,470,665)	-	(21,634,126)
Machinery and equipment	(12,066,689)	(801,230)	20,650	(12,847,269)
Infrastructure	<u>(26,614,463)</u>	<u>(944,804)</u>	<u>-</u>	<u>(27,559,267)</u>
Total accumulated depreciation	<u>(78,144,409)</u>	<u>(4,388,214)</u>	<u>20,650</u>	<u>(82,511,973)</u>
Total capital assets being depreciated, net	<u>130,557,941</u>	<u>(938,438)</u>	<u>-</u>	<u>129,619,503</u>
Governmental activities capital assets, net	<u>\$138,910,649</u>	<u>\$ 7,336,170</u>	<u>\$(3,620,462)</u>	<u>\$142,626,357</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, 2015	Increases	Decreases	Balance June 30, 2016
Business-type Activities:				
Capital assets not being depreciated -				
Land	\$ 274,500	\$ -	\$ -	\$ 274,500
Capital assets being depreciated –				
Buildings	5,663,553	46,666	-	5,710,219
Less accumulated depreciation for –				
Buildings	(2,886,688)	(139,857)	-	(3,026,545)
Total capital assets being depreciated, net	2,776,865	(93,191)	-	2,683,674
Business-type activities capital assets, net	\$ 3,051,365	\$ (93,191)	\$ -	\$ 2,958,174

Depreciation expense charged to each governmental function is as follows:

General government	\$ 83,439
Public safety	224,679
Public works	906,394
Park, recreation and cultural	305,880
Water and sewer services	921,772
Airport	1,884,118
Social welfare services	61,932
	<u>\$ 4,338,214</u>

E. Pension Plans

1. Defined Benefit Pension Plan

General Information About the Plan

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

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

The Plan provides for retirement, death and disability, and post-employment health care 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 OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 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 footnotes.

Alaska Statute 39.35.255 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, and disclosures on this basis.

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

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

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 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, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. 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 employees 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 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise 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 and healthcare 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. Additionally,

the GASB Rate disregards all future Medicare Part D payments. For FY16, the rate uses an 8% pension discount rate and a 4.55% healthcare 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, 2016 were determined in the June 30, 2013 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63%	37.79%
Postemployment healthcare (See Note E-3)	<u>8.75%</u>	<u>10.81%</u>	<u>1.56%</u>	<u>58.73%</u>
Total Contribution Rate	<u>22.00%</u>	<u>27.19%</u>	<u>5.19%</u>	<u>96.52%</u>

In 2016, the City was credited with the following contributions into the pension plan.

	Measurement Period City FY15	City FY16
Employer contributions (including DBUL)	\$ 780,934	\$ 811,111
Nonemployer contributions (on-behalf)	<u>3,592,447</u>	<u>316,111</u>
Total Contributions	<u>\$4,373,381</u>	<u>\$1,127,222</u>

In addition, employee contributions to the plan totaled \$296,603 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, 2016, 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 were as follows:

	2016
City proportionate share of NPL	\$12,697,944
State's proportionate share of the City's NPL	<u>3,401,936</u>
Total Net Pension Liability	<u>\$16,099,880</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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 June 30, 2015, the City's proportion was 0.26181 percent, which was an increase of 0.076479 percent from its proportion measured as of the prior measurement date.

For the year ended June 30, 2016, the City recognized pension expense of \$1,753,546 and on-behalf revenue of \$469,797 for support provided by the State. At June 30, 2016, 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	\$ 14,801	\$ -
Changes in assumptions	742,462	-
Change in benefits	-	-
Net difference between projected and actual earnings on pension plan investments	-	(224,806)
Changes in proportion and differences between City of Kenai contributions and proportionate share of contributions	860,380	-
City contributions subsequent to the measurement date	<u>811,111</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows Related to pensions	<u>\$2,428,754</u>	<u>\$(224,806)</u>

The \$1,392,835 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, 2017. 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,	
2017	\$1,329,906
2018	(1,020)
2019	(144,378)
2020	208,327

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2015 (City fiscal year 2016) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial assumptions used in the June 30, 2014 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, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value
Allocation Methodology	Amount for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY17-FY39. The liability is expected to go to zero at 2039
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation – 3.12% per year Productivity – 0.50% per year Peace Officer/Firefighter – graded by years of service from 9.66% to 4.92% All others – graded by age and years of service from 7.91% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.

Mortality

Pre-termination – Based on the 2010-2013 actual mortality experience

Post-termination – 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

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. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income	0.80%
Real estate	3.65%
Alternative equity	4.70%

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 Retirement System's net pension liability and the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, 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 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) 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 pension liability	0.26181%	16,880,842	16,099,880	9,176,377

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, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible

medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

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

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

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, 2016, the City was required to contribute 5% of covered salary into the Plan. In addition, during FY16, the State on-behalf contribution rate for OPEB was 1.56%

The City and employee contributions to PERS for pensions for the year ended June 30, 2016 were \$182,456 and \$291,928, respectively. The City contribution amount was recognized as pension expense/expenditures.

3. Other Post Employment Benefit (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

The City is required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 and 2014 were \$135,367 and \$476,474, respectively.

Year Ended June 30,	Annual OPEB Costs	City Contributions	% of Costs Contributed
2016	\$535,416	\$535,416	100%
2015	\$589,138	\$589,138	100%
2014	\$696,036	\$696,036	100%

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2016 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.68%	1.68%
Occupational death and disability benefits	<u>0.22%</u>	<u>1.05%</u>
	<u>1.90%</u>	<u>2.73%</u>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. 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, 2015, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,005 per year for each full-time employee, and \$1.28 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2016, the City contributed \$193,729 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, 2015	Additions	Reductions	Balance June 30, 2016	Due within one year
Compensated absences	\$ 828,965	\$ 818,692	\$ 814,195	\$ 833,462	\$208,366
Pension liability	8,631,519	4,066,425	-	12,697,944	-
Library expansion bonds	<u>1,615,000</u>	<u>-</u>	<u>85,000</u>	<u>1,530,000</u>	<u>85,000</u>
Total governmental activities	<u>\$11,075,484</u>	<u>\$4,885,117</u>	<u>\$899,195</u>	<u>\$15,061,406</u>	<u>\$293,366</u>

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within one year
Compensated absences	<u>\$2,848</u>	<u>\$4,014</u>	<u>\$2,699</u>	<u>\$4,163</u>	<u>\$1,041</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, 2016, is as follows:

Date of Issue	Interest Issued	Interest Rate	Federal Interest Subsidy	Maturity Dates	Annual Installments	Federal Interest Subsidy	Net Installments	Outstanding June 30, 2016
3/11/10	\$1,355	5.99 - 6.34	2.70 - 2.85	2019 - 2030	\$81 - \$175	\$4 - \$38	\$77 - \$137	\$1,355
3/11/10	<u>645</u>	2.00 - 5.00	-	2012 - 2018	92 - 95	-	92 - 95	<u>175</u>
	<u>\$2,000</u>							<u>\$1,530</u>

Debt service requirements (not including compensated absences) at June 30, 2016 are as follows:

Fiscal Year	Governmental Activities			
	Principal	Interest	Interest Subsidy	Net Interest
2017	85,000	90,398	37,529	52,869
2018	90,000	86,998	37,529	49,469
2019	95,000	83,398	37,529	45,869
2020	95,000	77,704	34,967	42,737
2021	100,000	72,011	32,405	39,606
2022-2026	555,000	265,964	119,684	146,280
2027-2030	510,000	82,433	37,095	45,338
Total	<u>\$1,530,000</u>	<u>\$758,906</u>	<u>\$336,738</u>	<u>\$422,168</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 2015 Certified Main and Supplemental Tax Roles for the City showed total taxable assessed for real and personal property of \$868,723,747, making the legal debt limit \$173,744,749 for the City.

G. Interfund Receivables, Payables and Transfers

Amounts due from other funds are as follows:

Due to General Fund from:	
Water & Sewer Capital Project Fund for short-term capital advances	\$296,923
Miscellaneous Capital Project Fund for short-term capital advances	9,851
Kenai Industrial Park Capital Project Fund for short-term capital advances	5,612
Total amounts due from other funds	<u>\$312,386</u>

Transfers between funds were as follows:

From General Fund to:	
Nonmajor governmental funds for capital costs	\$ 454,000
Nonmajor governmental funds for debt service	143,914
Nonmajor governmental funds for operational costs	88,339
From Airport Land Sales Permanent Fund to:	
Airport Special Revenue Fund for operating costs	1,142,714
From nonmajor governmental funds to:	
Nonmajor governmental funds for capital costs	254,507
Total transfers to other funds	<u>\$2,083,474</u>

H. Fund Balance Designations

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

	General	Airport Special Revenue	Airport Land Sales Permanent	Water & Sewer Improvements Capital Proj.	Nonmajor and Other Funds	Totals
Nonspendable – Permanent funds	\$ _____	\$ _____	\$23,037,659	\$ _____	\$2,942,775	\$25,980,434
Restricted –Athletics	588,937	-	-	-	-	588,937
Committed:						
Capital Imp.	9,746	-	-	189,946	892,559	1,092,251
Working capital	400,000	-	-	-	-	400,000
Total committed	<u>409,746</u>	<u>-</u>	<u>-</u>	<u>189,946</u>	<u>892,559</u>	<u>1,492,251</u>

	<u>General</u>	<u>Airport Special Revenue</u>	<u>Airport Land Sales Permanent</u>	<u>Water & Sewer Improvements Capital Proj.</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Assigned:						
Self-Insurance	103,475	-	-	-	-	103,475
Compensated abs.	715,861	61,281	-	-	30,583	807,725
Subsequent years expenditures	590,274	-	-	-	-	590,274
Airport operations	-	4,621,221	-	-	-	4,621,221
Water & sewer operations	-	-	-	-	1,679,015	1,679,015
Personal use fishery operations	-	-	-	-	136,165	136,165
Total assigned	<u>1,409,610</u>	<u>4,682,502</u>	<u>-</u>	<u>-</u>	<u>1,845,763</u>	<u>7,937,875</u>
Unassigned	<u>8,009,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,009,807</u>
Total fund balances	<u>\$10,418,100</u>	<u>\$4,682,502</u>	<u>\$23,037,659</u>	<u>\$189,946</u>	<u>\$5,681,097</u>	<u>\$44,009,304</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 several 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 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – Effective for year-end June 30, 2017 - The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – Effective for year-end June 30, 2018 - The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB 77 – Tax Abatement Disclosures – Effective for year ended June 30, 2017 – The objective of this Statement is to provide the financial statement users needed information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from

government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

GASB 78 – Pensions Provided Through Certain Multiple-employer Defined Benefit Pension Plans – Effective for year-end June 30, 2017 - This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 – Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 - Effective for year ended June 30, 2017 – The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

GASB 81 – Irrevocable Split-interest Agreements - Effective for year-end June 30, 2018 with early implementation encouraged - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB 82 – Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 - Effective for year-end June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 with earlier application encouraged - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes:				
General property	\$ 3,744,479	\$ 3,744,479	\$ 3,776,108	\$ 31,629
General sales	7,245,622	7,245,622	7,247,938	2,316
Penalty and interest on taxes	10,000	10,000	6,431	(3,569)
Total taxes	<u>11,000,101</u>	<u>11,000,101</u>	<u>11,030,477</u>	<u>30,376</u>
Intergovernmental revenues:				
Federal grants	-	92,819	95,372	2,553
Kenai Peninsula Borough	51,360	51,360	52,320	960
State of Alaska shared revenues:				
Electric utility tax	33,000	33,000	32,165	(835)
Fish tax	200,000	200,000	198,649	(1,351)
Liquor licenses	25,000	25,000	20,300	(4,700)
Revenue sharing	415,866	415,866	415,798	(68)
State of Alaska grants:				
Library grants	-	6,650	6,650	-
Police grants	-	1,362	1,362	-
PERS relief	350,646	350,646	379,467	28,821
Total intergovernmental revenues	<u>1,075,872</u>	<u>1,176,703</u>	<u>1,202,083</u>	<u>25,380</u>
Charges for services:				
Fees and charges:				
Ambulance fees	400,000	400,000	408,558	8,558
Multipurpose facility charges	105,000	105,000	113,026	8,026
Administrative and service fees	1,497,200	1,497,200	1,497,200	-
Other	10,500	10,500	9,299	(1,201)
Total fees and charges	<u>2,012,700</u>	<u>2,012,700</u>	<u>2,028,083</u>	<u>15,383</u>
Licenses and permits:				
Building permits	65,000	65,000	51,968	(13,032)
Animal control licenses and fees	82,500	82,500	43,081	(39,419)
Other	6,000	6,000	5,315	(685)
Total licenses and permits	<u>153,500</u>	<u>153,500</u>	<u>100,364</u>	<u>(53,136)</u>
Fines and forfeits:				
Court fines	60,000	60,000	43,142	(16,858)
Library fines	15,000	15,000	10,722	(4,278)
Other forfeitures	26,000	45,498	28,815	(16,683)
Total fines and forfeits	<u>101,000</u>	<u>120,498</u>	<u>82,679</u>	<u>(37,819)</u>
Total charges for services	<u>2,267,200</u>	<u>2,286,698</u>	<u>2,211,126</u>	<u>(75,572)</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	\$ 75,000	\$ 75,000	\$ 76,212	\$ 1,212
Miscellaneous revenues:				
Rents and leases	127,290	127,290	168,575	41,285
Oil and gas royalties	65,000	65,000	37,932	(27,068)
Special assessments	31,000	31,000	49,549	18,549
Other	70,285	79,271	36,109	(43,162)
Total miscellaneous revenues	<u>293,575</u>	<u>302,561</u>	<u>292,165</u>	<u>(10,396)</u>
Total revenues	<u>14,711,748</u>	<u>14,841,063</u>	<u>14,812,063</u>	<u>(29,000)</u>
Expenditures:				
General government:				
Legislative:				
Personal services	51,875	51,875	52,094	(219)
Supplies	7,360	7,360	5,710	1,650
Other services and charges	110,970	144,570	122,319	22,251
Total legislative	<u>170,205</u>	<u>203,805</u>	<u>180,123</u>	<u>23,682</u>
City clerk:				
Personal services	171,297	187,097	183,093	4,004
Supplies	18,826	18,826	13,173	5,653
Other services and charges	58,285	58,285	44,786	13,499
Total city clerk	<u>248,408</u>	<u>264,208</u>	<u>241,052</u>	<u>23,156</u>
City attorney:				
Personal services	288,716	288,716	280,526	8,190
Supplies	3,515	4,715	2,836	1,879
Other services and charges	107,938	106,738	68,760	37,978
Total city attorney	<u>400,169</u>	<u>400,169</u>	<u>352,122</u>	<u>48,047</u>
City manager:				
Personal services	318,317	327,187	320,166	7,021
Supplies	3,580	4,712	3,877	835
Other services and charges	71,910	58,578	54,361	4,217
Total city manager	<u>393,807</u>	<u>390,477</u>	<u>378,404</u>	<u>12,073</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:				
Finance:				
Personal services	\$ 618,384	\$ 618,384	\$ 571,958	\$ 46,426
Supplies	42,176	42,459	39,601	2,858
Other services and charges	23,030	24,147	14,090	10,057
Total finance	<u>683,590</u>	<u>684,990</u>	<u>625,649</u>	<u>59,341</u>
Non-departmental:				
Personal services	350,646	350,646	379,467	(28,821)
Supplies	16,220	17,671	13,219	4,452
Other services and charges	410,004	346,146	253,368	92,778
Capital outlays	9,000	9,000	-	9,000
Total non-departmental	<u>785,870</u>	<u>723,463</u>	<u>646,054</u>	<u>77,409</u>
Planning and zoning:				
Personal services	192,432	210,482	205,866	4,616
Supplies	12,960	8,460	6,722	1,738
Other services and charges	32,240	28,415	22,194	6,221
Total planning and zoning	<u>237,632</u>	<u>247,357</u>	<u>234,782</u>	<u>12,575</u>
Safety:				
Supplies	2,000	2,000	-	2,000
Other services and charges	22,157	22,157	2,976	19,181
Total safety	<u>24,157</u>	<u>24,157</u>	<u>2,976</u>	<u>21,181</u>
Land administration:				
Supplies	1,200	1,200	-	1,200
Other services and charges	24,950	24,950	4,010	20,940
Capital outlays	-	22,145	21,508	637
Total land administration	<u>26,150</u>	<u>48,295</u>	<u>25,518</u>	<u>22,777</u>
Total general government	<u>2,969,988</u>	<u>2,986,921</u>	<u>2,686,680</u>	<u>300,241</u>
Public safety:				
Police:				
Personal services	2,702,578	2,702,578	2,461,010	241,568
Supplies	109,680	111,850	93,731	18,119
Other services and charges	169,135	172,997	146,781	26,216
Total police	<u>2,981,393</u>	<u>2,987,425</u>	<u>2,701,522</u>	<u>285,903</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	\$ 2,644,491	\$ 2,644,491	\$ 2,605,519	\$ 38,972
Supplies	120,810	146,128	141,350	4,778
Other services and charges	315,424	312,840	261,913	50,927
Capital outlays	<u>67,832</u>	<u>156,635</u>	<u>156,481</u>	<u>154</u>
Total fire	<u>3,148,557</u>	<u>3,260,094</u>	<u>3,165,263</u>	<u>94,831</u>
Communications:				
Personal services	800,489	800,489	708,656	91,833
Supplies	10,830	10,830	7,839	2,991
Other services and charges	<u>42,396</u>	<u>42,396</u>	<u>31,944</u>	<u>10,452</u>
Total communications	<u>853,715</u>	<u>853,715</u>	<u>748,439</u>	<u>105,276</u>
Animal control:				
Personal services	279,014	279,014	254,986	24,028
Supplies	16,745	18,740	14,691	4,049
Other services and charges	<u>143,477</u>	<u>142,102</u>	<u>102,708</u>	<u>39,394</u>
Total animal control	<u>439,236</u>	<u>439,856</u>	<u>372,385</u>	<u>67,471</u>
Total public safety	<u>7,422,901</u>	<u>7,541,090</u>	<u>6,987,609</u>	<u>553,481</u>
Public works:				
Public works administration:				
Personal services	218,655	218,655	247,976	(29,321)
Supplies	12,270	12,221	5,726	6,495
Other services and charges	<u>6,257</u>	<u>6,307</u>	<u>(57,078)</u>	<u>63,385</u>
Total public works administration	<u>237,182</u>	<u>237,183</u>	<u>196,624</u>	<u>40,559</u>
Shop:				
Personal services	363,307	374,821	372,383	2,438
Supplies	209,165	184,747	186,357	(1,610)
Other services and charges	124,042	120,550	127,735	(7,185)
Capital outlays	<u>24,000</u>	<u>40,396</u>	<u>26,396</u>	<u>14,000</u>
Total shop	<u>720,514</u>	<u>720,514</u>	<u>712,871</u>	<u>7,643</u>
Streets:				
Personal services	607,224	607,224	541,428	65,796
Supplies	177,890	156,795	131,642	25,153
Other services and charges	230,457	231,552	210,609	20,943
Capital outlays	<u>25,000</u>	<u>25,000</u>	<u>18,500</u>	<u>6,500</u>
Total streets	<u>1,040,571</u>	<u>1,020,571</u>	<u>902,179</u>	<u>118,392</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	\$ 47,359	\$ 47,359	\$ 31,241	\$ 16,118
Supplies	14,020	9,197	8,603	594
Other services and charges	36,868	41,691	31,141	10,550
Total dock	<u>98,247</u>	<u>98,247</u>	<u>70,985</u>	<u>27,262</u>
Buildings:				
Personal services	248,896	200,687	149,479	51,208
Supplies	45,590	37,717	33,632	4,085
Other services and charges	65,604	106,689	95,925	10,764
Capital outlays	844	5,842	4,227	1,615
Total buildings	<u>360,934</u>	<u>350,935</u>	<u>283,263</u>	<u>67,672</u>
Street lighting:				
Supplies	5,100	5,100	-	5,100
Other services and charges	151,354	164,731	156,875	7,856
Total street lighting	<u>156,454</u>	<u>169,831</u>	<u>156,875</u>	<u>12,956</u>
Total public works	<u>2,613,902</u>	<u>2,597,281</u>	<u>2,322,797</u>	<u>274,484</u>
Parks, recreation, and cultural:				
Library:				
Personal services	662,602	662,602	614,187	48,415
Supplies	21,900	30,166	25,654	4,512
Other services and charges	229,067	233,317	203,761	29,556
Total library	<u>913,569</u>	<u>926,085</u>	<u>843,602</u>	<u>82,483</u>
Visitors center:				
Supplies	1,000	1,000	656	344
Other services and charges	189,122	189,122	178,377	10,745
Total visitors center	<u>190,122</u>	<u>190,122</u>	<u>179,033</u>	<u>11,089</u>
Parks, recreation & beautification:				
Personal services	470,436	470,436	471,200	(764)
Supplies	126,001	129,321	123,133	6,188
Other services and charges	479,028	476,308	456,838	19,470
Capital outlays	31,590	31,590	28,051	3,539
Total parks, recreation & beautification	<u>1,107,055</u>	<u>1,107,655</u>	<u>1,079,222</u>	<u>28,433</u>
Total parks, recreation, and cultural	<u>2,210,746</u>	<u>2,223,862</u>	<u>2,101,857</u>	<u>122,005</u>
Total expenditures	<u>15,217,537</u>	<u>15,349,154</u>	<u>14,098,943</u>	<u>1,250,211</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	\$ (505,789)	\$ (508,091)	\$ 713,120	\$ 1,221,211
Other financing sources (uses):				
Transfers in	155,946	155,946	-	(155,946)
Transfers out	<u>(419,898)</u>	<u>(824,237)</u>	<u>(686,253)</u>	<u>137,984</u>
Net other financing sources (uses)	<u>(263,952)</u>	<u>(668,291)</u>	<u>(686,253)</u>	<u>(17,962)</u>
Net changes in fund balance	<u>\$ (769,741)</u>	<u>\$ (1,176,382)</u>	26,867	<u>\$ 1,203,249</u>
Fund balance - July 1			<u>10,391,233</u>	
Fund balance - June 30			<u>\$ 10,418,100</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues - State grant	\$ 39,826	\$ 39,826	\$ 30,048	\$ (9,778)
Charge for services - landing fees	<u>351,277</u>	<u>351,277</u>	<u>418,644</u>	<u>67,367</u>
Investment earnings	<u>31,079</u>	<u>31,079</u>	<u>33,213</u>	<u>2,134</u>
Miscellaneous revenues:				
Rents and leases, including penalty and interest	1,118,482	1,118,482	990,537	(127,945)
Parking fees	336,000	336,000	261,036	(74,964)
Car rental commissions	195,000	195,000	226,130	31,130
Advertising commissions	5,500	5,500	10,315	4,815
Fuel flowage	30,000	30,000	27,772	(2,228)
Other	<u>31,500</u>	<u>31,500</u>	<u>11,608</u>	<u>(19,892)</u>
Total miscellaneous revenues	<u>1,716,482</u>	<u>1,716,482</u>	<u>1,527,398</u>	<u>(189,084)</u>
Total revenues	<u>2,138,664</u>	<u>2,138,664</u>	<u>2,009,303</u>	<u>(129,361)</u>
Expenditures:				
Maintenance and operation:				
Personal services	371,722	371,722	274,763	96,959
Supplies	162,159	169,912	136,766	33,146
Other services and charges	368,493	360,740	275,569	85,171
Capital outlays	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>7,500</u>
	909,874	909,874	687,098	222,776
Expenditures chargeable from other funds	<u>835,200</u>	<u>835,200</u>	<u>835,200</u>	<u>-</u>
Total maintenance and operation	<u>1,745,074</u>	<u>1,745,074</u>	<u>1,522,298</u>	<u>222,776</u>
Administration:				
Personal services	221,947	221,947	216,119	5,828
Supplies	2,536	2,536	1,830	706
Other services and charges	<u>40,607</u>	<u>40,607</u>	<u>23,938</u>	<u>16,669</u>
	265,090	265,090	241,887	23,203
Expenditures chargeable from other funds	<u>45,200</u>	<u>45,200</u>	<u>45,200</u>	<u>-</u>
Total administration	<u>310,290</u>	<u>310,290</u>	<u>287,087</u>	<u>23,203</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, continued**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures, continued:				
Land:				
Personal services	\$ 73,394	\$ 73,394	\$ 71,317	\$ 2,077
Supplies	16,200	18,455	12,266	6,189
Other services and charges	<u>43,685</u>	<u>41,430</u>	<u>27,151</u>	<u>14,279</u>
Total land	<u>133,279</u>	<u>133,279</u>	<u>110,734</u>	<u>22,545</u>
Training facility -				
Other services and charges	<u>36,826</u>	<u>36,826</u>	<u>32,620</u>	<u>4,206</u>
Terminal:				
Personal services	182,916	182,916	160,080	22,836
Supplies	35,600	35,600	18,493	17,107
Other services and charges	<u>363,632</u>	<u>363,632</u>	<u>301,035</u>	<u>62,597</u>
	582,148	582,148	479,608	102,540
Expenditures chargeable from other funds	<u>68,700</u>	<u>68,700</u>	<u>68,700</u>	<u>-</u>
Total terminal	<u>650,848</u>	<u>650,848</u>	<u>548,308</u>	<u>102,540</u>
Total expenditures	<u>2,876,317</u>	<u>2,876,317</u>	<u>2,501,047</u>	<u>375,270</u>
Excess of revenues over (under) expenditures	<u>(737,653)</u>	<u>(737,653)</u>	<u>(491,744)</u>	<u>245,909</u>
Other financing sources (uses):				
Transfers in	1,171,705	1,171,705	1,142,714	(28,991)
Transfers out	<u>(85,000)</u>	<u>(203,007)</u>	<u>(203,007)</u>	<u>-</u>
Net other financing sources (uses)	<u>1,086,705</u>	<u>968,698</u>	<u>939,707</u>	<u>(28,991)</u>
Net changes in fund balance	<u>\$ 349,052</u>	<u>\$ 231,045</u>	447,963	<u>\$ 216,918</u>
Fund balance - July 1			<u>4,234,539</u>	
Fund balance - June 30			<u>\$ 4,682,502</u>	

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

**CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S INFORMATION ON THE NET PENSION LIABILITY**

Years Ended <u>June</u> <u>30,</u>	City's proportion of the net pension <u>liability</u>	City's proportionate share of the net pension <u>liability</u>	State of Alaska proportionate share of the net pension <u>liability</u>	Total net pension <u>liability</u>	City's covered- employee <u>payroll</u>	City's proportionate share of the net pension liability as a percentage of covered <u>payroll</u>	Plan fiduciary net position as a percentage of the total pension <u>liability</u>
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%

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

**CITY OF KENAI, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
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>
2015	\$ 780,934	\$ 780,934	-	\$ 4,415,909	17.68%
2016	811,111	811,111	-	4,180,200	19.40%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENAI, ALASKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

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 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. 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 I-7. These commitments will be reappropriated and honored during the subsequent year.

II. SCHEDULE OF THE CITY'S INFORMATION ON THE NET PENSION LIABILITY

This table is presented based on the Plan measurement date. For June 30, 2016, the Plan measurement date is June 30, 2015.

III. SCHEDULE OF CITY CONTRIBUTIONS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

This table is based on the City's contributions during fiscal year 2016. These contributions are reported as a deferred outflow on the June 30, 2016 basic financial statements.

Both pension tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

There were no changes in benefit terms from the prior measurement period.

The plan administrator elected to extend the amortization period for the system's unfunded liability by nine years. This change, coupled with the funding requirement of Alaska Statute 39.35.255, shifted a significant amount of the Net Pension Liability from the State of Alaska to the City.

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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.

Water and Sewer Fund – This fund accounts for revenues and expenditures in the water and sewer fund. The primary source of revenue is from user fees.

Council On Aging 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 - to account for capital improvements to City parks and recreation facilities. Financing is primarily from General Fund transfers and State grants.

Streets – 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.

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

Airport Improvement – to account for capital improvements to the Kenai Municipal Airport. Financing is primarily by Federal and State grants.

Miscellaneous - 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.

Kenai Industrial Park – to account for the project to construct the Kenai Industrial Park. Primary funding sources are state grants.

Debt Service Fund

The Debt Service Fund is used to accumulate monies for payment of general obligation bonds issued for construction, improvements, and equipping public facilities throughout the City.

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 - 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 - 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, 2016**

	<u>Special Revenue</u>			<u>Capital Project</u>	
	<u>Personal Use Fishery</u>	<u>Water and Sewer</u>	<u>Senior Citizen</u>	<u>Parks and Recreation</u>	<u>Streets</u>
ASSETS					
Equity in central treasury (cash and investments)	\$ 144,525	\$ 1,709,138	\$ 7,476	\$ 198,715	\$ 35,869
Intergovernmental receivables	-	-	12,033	37,746	326,692
Other accounts receivable, net	-	227,774	36,059	-	-
Total assets	<u>\$ 144,525</u>	<u>\$ 1,936,912</u>	<u>\$ 55,568</u>	<u>\$ 236,461</u>	<u>\$ 362,561</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,589	\$ 85,493	\$ 15,139	\$ 14,071	\$ 297,561
Accrued payroll and payroll liabilities	-	25,909	20,365	-	-
Other liabilities	-	119,958	19,789	-	-
Due to General Fund	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>4,589</u>	<u>231,360</u>	<u>55,293</u>	<u>14,071</u>	<u>297,561</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Committed	-	-	-	222,390	65,000
Assigned	139,936	1,705,552	275	-	-
Total fund balances	<u>139,936</u>	<u>1,705,552</u>	<u>275</u>	<u>222,390</u>	<u>65,000</u>
Total liabilities and fund balances	<u>\$ 144,525</u>	<u>\$ 1,936,912</u>	<u>\$ 55,568</u>	<u>\$ 236,461</u>	<u>\$ 362,561</u>

Capital Project				Debt Service	Permanent	Total Nonmajor Governmental Funds
New City Shop Construction	Airport Improvements	Miscellaneous	Industrial Park	2010 Bond Debt Service	General Government Land Sales	
\$ 281,804	\$ 121,390	\$ -	\$ -	\$ -	\$ 2,930,524	\$ 5,429,441
6,650	299,086	85,449	29,444	-	-	797,100
-	-	-	-	-	12,671	276,504
<u>\$ 288,454</u>	<u>\$ 420,476</u>	<u>\$ 85,449</u>	<u>\$ 29,444</u>	<u>\$ -</u>	<u>\$ 2,943,195</u>	<u>\$ 6,503,045</u>
\$ 2,500	\$ 164,729	\$ 10,037	\$ 23,832	\$ -	\$ 420	\$ 618,371
-	-	-	-	-	-	46,274
-	-	-	-	-	-	139,747
-	-	9,851	5,612	-	-	15,463
-	2,093	-	-	-	-	2,093
<u>2,500</u>	<u>166,822</u>	<u>19,888</u>	<u>29,444</u>	<u>-</u>	<u>420</u>	<u>821,948</u>
-	-	-	-	-	2,942,775	2,942,775
285,954	253,654	65,561	-	-	-	892,559
-	-	-	-	-	-	1,845,763
<u>285,954</u>	<u>253,654</u>	<u>65,561</u>	<u>-</u>	<u>-</u>	<u>2,942,775</u>	<u>5,681,097</u>
<u>\$ 288,454</u>	<u>\$ 420,476</u>	<u>\$ 85,449</u>	<u>\$ 29,444</u>	<u>\$ -</u>	<u>\$ 2,943,195</u>	<u>\$ 6,503,045</u>

**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>			<u>Capital Project</u>	
	<u>Personal Use Fishery</u>	<u>Water and Sewer</u>	<u>Senior Citizen</u>	<u>Parks and Recreation</u>	<u>Streets</u>
Revenues:					
Intergovernmental revenues	\$ 2,167	\$ 30,836	\$ 338,965	\$ 210,828	\$ 2,298,381
Charges for services	554,999	2,609,921	-	-	-
Investment earnings	1,580	10,896	-	-	-
Miscellaneous revenues	-	2,812	359,099	-	-
Total revenues	<u>558,746</u>	<u>2,654,465</u>	<u>698,064</u>	<u>210,828</u>	<u>2,298,381</u>
Expenditures:					
General government	-	-	-	-	-
Public safety	113,943	-	-	-	-
Water and sewer services	-	2,137,926	-	-	-
Airport	-	-	-	-	-
Social welfare services	-	-	943,194	-	-
Parks, recreation and cultural	216,996	-	-	275,082	-
Public works	105,533	-	-	-	2,298,381
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>436,472</u>	<u>2,137,926</u>	<u>943,194</u>	<u>275,082</u>	<u>2,298,381</u>
Excess of revenues over (under) expenditures	122,274	516,539	(245,130)	(64,254)	-
Other financing sources (uses):					
Transfers in	-	-	88,339	123,000	65,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Net other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>88,339</u>	<u>123,000</u>	<u>63,500</u>
Net changes in fund balances	72,274	516,539	(156,791)	58,746	63,500
Fund balances - July 1	<u>67,662</u>	<u>1,189,013</u>	<u>157,066</u>	<u>163,644</u>	<u>1,500</u>
Fund balances - June 30	<u>\$ 139,936</u>	<u>\$ 1,705,552</u>	<u>\$ 275</u>	<u>\$ 222,390</u>	<u>\$ 65,000</u>

Capital Project				Debt Service	Permanent	Total
New City Shop Construction	Airport Improvements	Miscellaneous	Industrial Park	2010 Bond Debt Service	General Government Land Sales	Nonmajor Governmental Funds
\$ 1,631,529	\$ 345,181	\$ 419,352	\$ 37,327	\$ 34,884	\$ -	\$ 5,349,450
-	-	-	-	-	-	3,164,920
-	-	-	-	-	54,331	66,807
-	-	-	-	-	-	361,911
<u>1,631,529</u>	<u>345,181</u>	<u>419,352</u>	<u>37,327</u>	<u>34,884</u>	<u>54,331</u>	<u>8,943,088</u>
-	-	29,134	-	-	-	29,134
-	-	-	-	-	-	113,943
-	-	-	-	-	-	2,137,926
-	403,547	-	-	-	-	403,547
-	-	-	-	-	-	943,194
-	-	-	-	-	-	492,078
1,631,529	-	484,954	37,327	-	-	4,557,724
-	-	-	-	85,000	-	85,000
-	-	-	-	93,798	-	93,798
<u>1,631,529</u>	<u>403,547</u>	<u>514,088</u>	<u>37,327</u>	<u>178,798</u>	<u>-</u>	<u>8,856,344</u>
-	(58,366)	(94,736)	-	(143,914)	54,331	86,744
280,000	203,007	37,500	-	143,914	-	940,760
-	-	-	-	-	-	(51,500)
<u>280,000</u>	<u>203,007</u>	<u>37,500</u>	<u>-</u>	<u>143,914</u>	<u>-</u>	<u>889,260</u>
280,000	144,641	(57,236)	-	-	54,331	976,004
<u>5,954</u>	<u>109,013</u>	<u>122,797</u>	<u>-</u>	<u>-</u>	<u>2,888,444</u>	<u>4,705,093</u>
<u>\$ 285,954</u>	<u>\$ 253,654</u>	<u>\$ 65,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,942,775</u>	<u>\$ 5,681,097</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, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues - State grant	\$ 1,143	\$ 2,167	\$ 1,024
Charge for services - Parking, camping, and boat launch	554,700	554,999	299
Investment earnings	<u>750</u>	<u>1,580</u>	<u>830</u>
Total revenues	<u>556,593</u>	<u>558,746</u>	<u>2,153</u>
Expenditures:			
Public Safety:			
Personal services	34,958	34,934	24
Supplies	2,500	2,500	-
Other services and charges	<u>5,000</u>	<u>309</u>	<u>4,691</u>
	42,458	37,743	4,715
Expenditures chargeable from other funds	<u>76,200</u>	<u>76,200</u>	<u>-</u>
Total public safety	<u>118,658</u>	<u>113,943</u>	<u>4,715</u>
Public Works - Streets:			
Personal services	7,125	9,863	(2,738)
Supplies	3,445	2,465	980
Other services and charges	<u>21,690</u>	<u>16,688</u>	<u>5,002</u>
	32,260	29,016	3,244
Expenditures chargeable from other funds	<u>5,100</u>	<u>5,100</u>	<u>-</u>
Total public works - streets	<u>37,360</u>	<u>34,116</u>	<u>3,244</u>
Parks, Recreation & Cultural			
Personal services	70,789	59,324	11,465
Supplies	15,486	14,996	490
Other services and charges	130,755	123,576	7,179
Capital outlays	<u>-</u>	<u>-</u>	<u>-</u>
	<u>217,030</u>	<u>197,896</u>	<u>19,134</u>
Expenditures chargeable from other funds	<u>19,100</u>	<u>19,100</u>	<u>-</u>
Total parks, recreation & cultural	<u>236,130</u>	<u>216,996</u>	<u>19,134</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	\$ 45,593	\$ 45,921	\$ (328)
Supplies	4,032	3,361	671
Other services and charges	<u>15,540</u>	<u>11,535</u>	<u>4,005</u>
	65,165	60,817	4,348
Expenditures chargeable from other funds	<u>10,600</u>	<u>10,600</u>	<u>-</u>
Total public works - dock	<u>75,765</u>	<u>71,417</u>	<u>4,348</u>
 Total expenditures	 <u>467,913</u>	 <u>436,472</u>	 <u>31,441</u>
Excess of revenues over (under) expenditures	88,680	122,274	33,594
Other financing uses -			
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
 Net changes in fund balance	 <u><u>\$ 38,680</u></u>	 72,274	 <u><u>\$ 33,594</u></u>
 Fund balance - July 1		 <u>67,662</u>	
 Fund balance - June 30		 <u><u>\$ 139,936</u></u>	

**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, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues -			
State grant	\$ 29,681	\$ 30,836	\$ 1,155
Charges for services:			
Residential water	701,737	716,095	14,358
Commercial water	307,721	283,167	(24,554)
Residential sewer	1,131,210	1,136,029	4,819
Commercial sewer	483,285	430,949	(52,336)
Hook-up fees	8,740	4,002	(4,738)
Other	40,000	39,679	(321)
Total charges for services	<u>2,672,693</u>	<u>2,609,921</u>	<u>(62,772)</u>
Investment earnings	12,264	10,896	(1,368)
Miscellaneous revenues	<u>3,000</u>	<u>2,812</u>	<u>(188)</u>
Total revenues	<u>2,717,638</u>	<u>2,654,465</u>	<u>(63,173)</u>
Expenditures - water and sewer services:			
Water:			
Personal services	259,158	254,967	4,191
Supplies	174,111	163,166	10,945
Other services and charges	327,959	295,579	32,380
Capital outlays	<u>21,500</u>	<u>21,168</u>	<u>332</u>
	782,728	734,880	47,848
Expenditures chargeable from other funds	<u>94,200</u>	<u>94,200</u>	<u>-</u>
Total water	<u>876,928</u>	<u>829,080</u>	<u>47,848</u>
Sewer:			
Personal services	259,158	249,742	9,416
Supplies	35,010	27,844	7,166
Other services and charges	77,825	43,063	34,762
Capital outlays	<u>13,500</u>	<u>13,314</u>	<u>186</u>
	385,493	333,963	51,530
Expenditures chargeable from other funds	<u>51,000</u>	<u>51,000</u>	<u>-</u>
Total sewer	<u>436,493</u>	<u>384,963</u>	<u>51,530</u>

**CITY OF KENAI, ALASKA
WATER AND SEWER 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:			
Sewer treatment plant:			
Personal services	\$ 390,393	\$ 333,744	\$ 56,649
Supplies	135,698	84,948	50,750
Other services and charges	<u>465,070</u>	<u>388,091</u>	<u>76,979</u>
	991,161	806,783	184,378
Expenditures chargeable from other funds	<u>117,100</u>	<u>117,100</u>	<u>-</u>
Total sewer treatment plant	<u>1,108,261</u>	<u>923,883</u>	<u>184,378</u>
 Total expenditures	 <u>2,421,682</u>	 <u>2,137,926</u>	 <u>283,756</u>
 Net changes in fund balance	 <u><u>\$ 295,956</u></u>	 516,539	 <u><u>\$ 220,583</u></u>
 Fund balance - July 1		 <u>1,189,013</u>	
 Fund balance - June 30		 <u><u>\$ 1,705,552</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, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues:			
State grants	\$ 198,731	\$ 196,978	\$ (1,753)
Federal grants	13,000	15,780	2,780
Kenai Peninsula Borough grant	126,207	126,207	-
Total intergovernmental revenues	<u>337,938</u>	<u>338,965</u>	<u>1,027</u>
Miscellaneous revenues:			
Choice Waiver reimbursement	400,000	252,604	(147,396)
United Way grants	11,682	9,582	(2,100)
Rents and leases	13,000	12,971	(29)
Donations	104,800	83,339	(21,461)
Other	300	603	303
Total miscellaneous revenues	<u>529,782</u>	<u>359,099</u>	<u>(170,683)</u>
Total revenues	<u>867,720</u>	<u>698,064</u>	<u>(169,656)</u>
Expenditures - social welfare services:			
Social services:			
Personal services	134,244	130,822	3,422
Supplies	7,021	5,475	1,546
Other services and charges	18,534	13,896	4,638
Capital outlays	1,000	868	132
	160,799	151,061	9,738
Expenditures chargeable from			
other funds	24,200	24,200	-
Total social services	<u>184,999</u>	<u>175,261</u>	<u>9,738</u>
Congregate meals:			
Personal services	69,560	67,852	1,708
Supplies	61,295	59,956	1,339
Other services and charges	30,116	19,814	10,302
Capital outlays	6,472	6,315	157
	167,443	153,937	13,506
Expenditures chargeable from			
other funds	25,500	25,500	-
Total congregare meals	<u>192,943</u>	<u>179,437</u>	<u>13,506</u>
Home delivered meals:			
Personal services	53,666	53,398	268
Supplies	55,025	52,545	2,480
Other services and charges	20,799	13,569	7,230
Capital outlay	4,000	3,833	167
	133,490	123,345	10,145

**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 - continued:			
Home delivered meals - continued:			
Expenditures chargeable from			
other funds	\$ 24,700	\$ 24,700	\$ -
Total home delivered meals	<u>158,190</u>	<u>148,045</u>	<u>10,145</u>
Transportation:			
Personal services	32,657	35,201	(2,544)
Supplies	9,211	5,388	3,823
Other services and charges	10,178	4,850	5,328
Capital outlays	<u>56,000</u>	<u>53,724</u>	<u>2,276</u>
	108,046	99,163	8,883
Expenditures chargeable from			
other funds	<u>9,400</u>	<u>9,400</u>	<u>-</u>
Total transportation	<u>117,446</u>	<u>108,563</u>	<u>8,883</u>
Choice Waiver:			
Personal services	176,058	172,897	3,161
Supplies	69,424	61,599	7,825
Other services and charges	53,578	35,813	17,765
Capital outlays	<u>10,000</u>	<u>8,879</u>	<u>1,121</u>
	309,060	279,188	29,872
Expenditures chargeable from			
other funds	<u>52,700</u>	<u>52,700</u>	<u>-</u>
Total Choice Waiver	<u>361,760</u>	<u>331,888</u>	<u>29,872</u>
Total expenditures	<u>1,015,338</u>	<u>943,194</u>	<u>72,144</u>
Excess of revenues over (under)			
expenditures	(147,618)	(245,130)	(97,512)
Other financing sources -			
Transfers in	<u>-</u>	<u>88,339</u>	<u>88,339</u>
Net changes in fund balance	<u>\$ (147,618)</u>	(156,791)	<u>\$ (9,173)</u>
Fund balance - July 1		<u>157,066</u>	
Fund balance - June 30		<u>\$ 275</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, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues - intergovernmental	\$ 31,900	34,884	\$ 2,984
Expenditures - debt service:			
Principal	85,000	85,000	-
Interest	93,798	93,798	-
Total expenditures	<u>178,798</u>	<u>178,798</u>	<u>-</u>
Excess of revenues over (under) expenditures	(146,898)	(143,914)	2,984
Other financing sources -			
Transfers in	<u>146,898</u>	<u>143,914</u>	<u>(2,984)</u>
Net changes in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - July 1		-	
Fund balance - June 30		<u>\$ -</u>	

CITY OF KENAI, ALASKA
GENERAL GOVERNMENT LAND SALES PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues -			
Investment earnings	\$ 178,907	\$ 54,331	\$ (124,576)
Other financing uses -			
Transfers out	<u>(155,946)</u>	<u>-</u>	<u>155,946</u>
Net changes in fund balance	<u>\$ 22,961</u>	54,331	<u>\$ 31,370</u>
Fund balance - July 1		<u>2,888,444</u>	
Fund balance - June 30		<u>\$ 2,942,775</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Investment earnings	\$ 1,514,070	\$ 461,630	\$ (1,052,440)
Land sales	<u>-</u>	<u>7,714</u>	<u>7,714</u>
Total revenues	<u>1,514,070</u>	<u>469,344</u>	<u>(1,044,726)</u>
Other financing uses -			
Transfers out	<u>(1,171,705)</u>	<u>(1,142,714)</u>	<u>28,991</u>
Net changes in fund balance	<u>\$ 342,365</u>	(673,370)	<u>\$ (1,015,735)</u>
Fund balance - July 1		<u>23,711,029</u>	
Fund balance - June 30		<u>\$ 23,037,659</u>	

Internal Service Fund

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

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.

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
	<u>Equipment Replacement</u>
ASSETS	
Current assets -	
Equity in central treasury (cash and investments)	\$ 1,357,304
Noncurrent assets -	
Property and equipment in service, at cost -	
Equipment	2,827,382
Less accumulated depreciation	<u>(1,202,860)</u>
Net property and equipment in service	<u>1,624,522</u>
Total assets	<u>\$ 2,981,826</u>
NET POSITION	
Investment in capital assets	1,624,522
Unrestricted	<u>1,357,304</u>
Total net position	<u>\$ 2,981,826</u>

CITY OF KENAI, ALASKA
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
	<u>Equipment Replacement</u>
Operating revenues -	
Other revenue	\$ 329,120
Operating expenses -	
Depreciation	<u>160,850</u>
Operating income	168,270
Nonoperating revenues -	
Investment earnings	<u>10,158</u>
Changes in net position	178,428
Net position - July 1	<u>2,803,398</u>
Net position - June 30	<u><u>\$ 2,981,826</u></u>

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Fund <u>Equipment Replacement</u>
Cash flows from operating activities -	
Receipts for interfund services	\$ 329,120
Cash flows from capital and related financing activities -	
Acquisition of capital assets	(236,393)
Cash flows from investing activities -	
Investment earnings	<u>10,158</u>
Net increase in cash and cash equivalents	102,885
Cash and cash equivalents, July 1	<u>1,254,419</u>
Cash and cash equivalents, June 30	<u>\$ 1,357,304</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 168,270
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	<u>160,850</u>
Net cash provided by operating activities	<u>\$ 329,120</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, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Assets:				
Equity in central treasury (cash and investments)	\$ 66,143	\$ 66,024	\$ -	\$ 132,167
Interest receivable	-	543	-	543
Total Assets	<u>\$ 66,143</u>	<u>\$ 66,567</u>	<u>\$ -</u>	<u>\$ 132,710</u>
Liabilities				
Due to Kenai Community Foundation	<u>\$ 66,143</u>	<u>\$ 66,567</u>	<u>\$ -</u>	<u>\$ 132,710</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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$109,806	\$115,402	\$118,816	\$126,700	\$133,264	\$136,834	\$135,780	\$138,334	\$137,296	\$141,096
Nonspendable	14,478	20,041	20,198	21,541	24,317	23,541	24,862	27,135	26,599	25,981
Restricted	19	116	217	312	279	329	409	480	547	589
Unrestricted	17,652	18,667	20,683	20,430	19,760	18,118	18,333	16,834	8,810	8,188
Total governmental activities net position	<u>\$141,955</u>	<u>\$154,226</u>	<u>\$159,914</u>	<u>\$168,983</u>	<u>\$177,620</u>	<u>\$178,822</u>	<u>\$179,384</u>	<u>\$182,783</u>	<u>\$173,252</u>	<u>\$175,854</u>
						0				
Business-type activities:										
Net investment in capital assets	\$3,337	\$3,212	\$3,159	\$3,154	\$3,236	\$3,110	\$2,983	\$3,071	\$3,051	\$2,958
Unrestricted	532	588	491	442	423	483	525	469	419	474
Total business-type activities net position	<u>\$3,869</u>	<u>\$3,800</u>	<u>\$3,650</u>	<u>\$3,596</u>	<u>\$3,659</u>	<u>\$3,593</u>	<u>\$3,508</u>	<u>\$3,540</u>	<u>\$3,470</u>	<u>\$3,432</u>
Primary government:										
Net investment in capital assets	\$113,143	\$118,614	\$121,975	\$129,854	\$136,500	\$139,944	\$138,763	\$141,405	\$140,347	\$144,054
Nonspendable	14,478	20,041	20,198	21,541	24,317	23,541	24,862	27,135	26,599	25,981
Restricted	19	116	217	312	279	329	409	480	547	589
Unrestricted	18,184	19,255	21,174	20,872	20,183	18,601	18,858	17,303	9,229	8,662
Total primary government net position	<u>\$145,824</u>	<u>\$158,026</u>	<u>\$163,564</u>	<u>\$172,579</u>	<u>\$181,279</u>	<u>\$182,415</u>	<u>\$182,892</u>	<u>\$186,323</u>	<u>\$176,722</u>	<u>\$179,286</u>

CITY OF KENAI, ALASKA

TABLE II

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government										
Public safety	\$ 1,386,573	\$ 1,949,905	\$ 1,936,810	\$ 2,068,752	\$ 2,032,773	\$ 2,206,779	\$ 2,439,331	\$ 2,276,930	\$ 4,097,380	\$ 2,801,225
Public works	4,538,951	4,802,816	5,616,605	5,890,361	6,355,308	6,923,478	7,227,242	7,290,465	5,899,643	8,245,995
Parks, recreation, and cultural	2,394,624	2,198,822	2,951,318	3,077,068	3,078,924	2,978,015	3,239,199	3,393,308	3,666,985	3,377,640
Water and sewer services	1,576,963	1,572,995	1,849,567	1,858,898	1,778,405	2,188,839	2,462,796	2,630,547	2,355,007	2,828,177
Airport	2,644,033	2,199,983	2,188,552	2,174,151	2,289,895	2,382,284	3,465,896	2,711,305	2,237,426	2,832,563
Interest on long-term debt	3,415,986	3,492,213	2,925,011	2,641,049	-	3,520,577	4,071,061	4,126,256	4,188,728	3,518,240
Social welfare services	-	-	-	-	100,963	101,973	100,286	97,997	95,599	92,947
Total governmental activities expenses	528,348	598,497	604,021	592,512	627,053	688,467	735,695	764,903	683,025	876,393
	<u>16,485,478</u>	<u>16,815,231</u>	<u>18,071,884</u>	<u>18,302,791</u>	<u>16,263,321</u>	<u>20,990,412</u>	<u>23,741,506</u>	<u>23,291,711</u>	<u>23,223,793</u>	<u>24,573,180</u>
Business-type activities -										
Senior housing	364,688	369,565	414,869	383,585	406,950	437,943	417,368	436,635	454,429	425,986
	<u>364,688</u>	<u>369,565</u>	<u>414,869</u>	<u>383,585</u>	<u>406,950</u>	<u>437,943</u>	<u>417,368</u>	<u>436,635</u>	<u>454,429</u>	<u>425,986</u>
Total primary government expenses	<u>\$ 16,850,166</u>	<u>\$ 17,184,796</u>	<u>\$ 18,486,753</u>	<u>\$ 18,686,376</u>	<u>\$ 16,670,271</u>	<u>\$ 21,428,355</u>	<u>\$ 24,158,874</u>	<u>\$ 23,728,346</u>	<u>\$ 23,678,222</u>	<u>\$ 24,999,166</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 283,372	\$ 145,697	\$ 612,908	\$ 527,144	\$ 462,713	\$ 395,389	\$ 746,088	\$ 423,213	\$ 421,241	\$ 346,625
Public safety	398,147	417,328	303,122	364,957	560,938	511,855	508,238	490,679	360,893	575,406
Public works	290,535	522,968	277,425	139,212	159,821	88,904	95,948	109,243	75,585	57,451
Parks, recreation, and cultural	216,473	206,615	350,708	264,128	281,098	308,624	373,406	584,368	670,565	680,232
Water and sewer services	1,789,881	1,789,965	1,796,459	1,752,854	1,774,376	1,862,807	2,193,650	2,296,383	2,485,588	2,612,383
Airport	1,136,245	1,388,440	1,421,325	1,363,671	1,543,493	1,728,173	1,793,571	1,881,848	1,977,259	1,993,493
Social welfare services	123,644	127,746	74,644	97,611	103,870	109,051	114,492	81,482	93,728	96,913
Operating grants and contributions	1,198,362	1,982,816	1,996,377	2,109,637	1,938,335	2,715,647	3,018,480	2,816,810	2,175,350	2,015,450
Capital grants and contributions	8,064,426	7,545,119	4,781,161	9,892,148	8,604,886	4,986,606	3,549,973	4,799,694	2,424,814	7,166,204
Total governmental activities program revenues	<u>13,501,085</u>	<u>14,126,694</u>	<u>11,614,129</u>	<u>16,511,362</u>	<u>15,429,530</u>	<u>12,707,056</u>	<u>12,393,846</u>	<u>13,483,720</u>	<u>10,685,023</u>	<u>15,544,157</u>

Business-type activities:													
Charges for services -													
Senior housing	279,102	299,563	321,045	323,105	289,336	322,355	326,940	346,435	365,450	382,330			
Operating grants and contributions	714	2,342	3,004	1,335	2,087	23,189	7,900	4,940	16,482	2,077			
Total business-type activities program revenues	<u>279,816</u>	<u>301,905</u>	<u>324,049</u>	<u>324,440</u>	<u>291,423</u>	<u>345,544</u>	<u>334,840</u>	<u>351,375</u>	<u>381,932</u>	<u>384,407</u>			
Total primary government program revenues	<u>\$ 13,780,901</u>	<u>\$ 14,428,599</u>	<u>\$ 11,938,178</u>	<u>\$ 16,835,802</u>	<u>\$ 15,720,953</u>	<u>\$ 13,052,600</u>	<u>\$ 12,728,686</u>	<u>\$ 13,835,095</u>	<u>\$ 11,066,955</u>	<u>\$ 15,928,564</u>			
Net (expenses)/revenue:													
Governmental activities	\$ (2,984,393)	\$ (2,688,537)	\$ (6,457,755)	\$ (1,791,429)	\$ (4,126,612)	\$ (8,283,356)	\$ (11,347,660)	\$ (9,807,991)	\$ (12,538,770)	\$ (9,029,023)			
Business-type activities	(84,872)	(67,660)	(90,820)	(59,145)	(115,527)	(92,399)	(82,528)	(85,260)	(72,497)	(41,579)			
Total primary government net expense	<u>\$ (3,069,265)</u>	<u>\$ (2,756,197)</u>	<u>\$ (6,548,575)</u>	<u>\$ (1,850,574)</u>	<u>\$ (4,242,139)</u>	<u>\$ (8,375,755)</u>	<u>\$ (11,430,188)</u>	<u>\$ (9,893,251)</u>	<u>\$ (12,611,267)</u>	<u>\$ (9,070,602)</u>			
General Revenues and Other													
Changes in Net Position													
Governmental activities:													
Taxes:													
Property taxes	\$ 2,156,373	\$ 2,347,063	\$ 2,694,872	\$ 2,614,768	\$ 2,613,756	\$ 2,657,670	\$ 2,898,103	\$ 3,155,662	\$ 3,656,927	\$ 3,782,538			
Sales taxes	4,631,812	5,196,046	5,372,499	5,561,970	6,260,403	6,576,657	6,587,575	6,669,426	7,257,451	7,247,938			
Sales of capital assets	105,320	5,473,871	166,411	11,183	-	-	-	-	-	-			
Investment earnings	1,861,472	1,910,080	1,213,186	2,666,417	3,889,899	250,920	2,422,905	3,494,763	789,523	600,569			
Other	-	-	-	6,054	-	-	-	-	-	-			
Transfers	2,062,870	31,500	88,044	-	-	-	-	(112,044)	-	-			
Fund conversion	1,502,513	-	-	-	-	-	-	-	-	-			
Write off of NPO/OPEB	-	-	1,211,646	-	-	-	-	-	-	-			
Write off of Soil Contamination Liability	-	-	1,400,000	-	-	-	-	-	-	-			
Total governmental activities	<u>12,320,360</u>	<u>14,958,560</u>	<u>12,146,658</u>	<u>10,860,392</u>	<u>12,764,058</u>	<u>9,485,247</u>	<u>11,908,583</u>	<u>13,207,807</u>	<u>11,703,901</u>	<u>11,631,045</u>			
Business-type activities:													
Investment earnings (loss)	29,312	30,371	24,672	4,896	3,642	2,436	(1,826)	5,062	2,533	3,880			
Insurance settlement	-	-	-	-	175,000	24,012	-	-	-	-			
Transfers	(2,062,870)	(31,500)	(88,044)	-	-	-	-	112,044	-	-			
Fund conversion	(1,502,513)	-	-	-	-	-	-	-	-	-			
Write off of NPO/OPEB	-	-	3,634	-	-	-	-	-	-	-			
Total business-type activities	<u>(3,536,071)</u>	<u>(1,129)</u>	<u>(59,738)</u>	<u>4,896</u>	<u>178,642</u>	<u>26,448</u>	<u>(1,826)</u>	<u>117,106</u>	<u>2,533</u>	<u>3,880</u>			
Total primary government	<u>\$ 8,784,289</u>	<u>\$ 14,957,431</u>	<u>\$ 12,086,920</u>	<u>\$ 10,865,288</u>	<u>\$ 12,942,700</u>	<u>\$ 9,511,695</u>	<u>\$ 11,906,757</u>	<u>\$ 13,324,913</u>	<u>\$ 11,706,434</u>	<u>\$ 11,634,925</u>			
Changes in Net Position													
Governmental activities	\$ 9,335,967	\$ 12,270,023	\$ 5,688,903	\$ 9,068,963	\$ 8,637,446	\$ 1,201,891	\$ 560,923	\$ 3,399,816	\$ (834,869)	\$ 2,602,022			
Business-type activities	(3,620,943)	(68,789)	(150,558)	(54,249)	63,115	(65,951)	(84,354)	31,846	(69,964)	(37,699)			
Total primary government	<u>\$ 5,715,024</u>	<u>\$ 12,201,234</u>	<u>\$ 5,538,345</u>	<u>\$ 9,014,714</u>	<u>\$ 8,700,561</u>	<u>\$ 1,135,940</u>	<u>\$ 476,569</u>	<u>\$ 3,431,662</u>	<u>\$ (904,833)</u>	<u>\$ 2,564,323</u>			

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>
2007	\$2,156,373	\$4,631,812	\$6,788,185
2008	2,347,063	5,196,046	7,543,109
2009	2,694,872	5,372,499	8,067,371
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

CITY OF KENAI, ALASKA

Table IV

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 *</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:										
Reserved	\$ 1,045,148	\$ 1,083,083	\$ 115,125	\$ 128,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,919,959	9,921,136	11,570,484	12,027,857	-	-	-	-	-	-
Restricted	-	-	-	-	279,486	329,164	408,534	480,238	546,706	588,937
Committed	-	-	-	-	1,070,290	1,021,790	521,790	409,746	409,746	409,746
Assigned	-	-	-	-	859,454	1,464,159	1,580,579	1,518,184	1,497,756	1,409,610
Unassigned	-	-	-	-	9,817,634	9,130,415	7,382,747	7,493,858	7,937,025	8,009,807
Total General Fund	\$ 9,965,107	\$ 11,004,219	\$ 11,685,609	\$ 12,156,066	\$ 12,026,864	\$ 11,945,528	\$ 9,893,650	\$ -	\$ 10,391,233	\$ 10,418,100
All other governmental funds:										
Reserved - other funds	\$ 31,321	\$ 150,004	\$ 49,754	\$ 32,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved - permanent funds	14,275,769	19,909,589	19,981,306	21,541,598	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	7,432,637	7,012,509	5,776,646	5,263,203	-	-	-	-	-	-
Debt service funds	-	-	-	6,054	-	-	-	-	-	-
Capital projects funds	1,540,849	1,855,592	2,254,439	3,995,084	-	-	-	-	-	-
Nonspendable -										
Permanent funds	-	-	-	-	24,318,092	23,540,934	24,862,079	27,135,180	26,599,473	25,980,434
Committed -										
Capital projects funds	-	-	-	-	2,164,498	516,440	2,531,665	743,653	901,298	1,082,505
Assigned -										
Special revenue funds	-	-	-	-	4,846,735	5,035,969	5,357,223	5,448,969	5,648,280	6,528,265
Total all other governmental funds	\$ 23,280,576	\$ 28,927,694	\$ 28,062,145	\$ 30,838,217	\$ 31,329,325	\$ 29,093,343	\$ 32,750,967	\$ 33,327,802	\$ 33,149,051	\$ 33,591,204

* 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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Property taxes	\$ 2,160,687	\$ 2,331,712	\$ 2,728,764	\$ 2,601,588	\$ 2,629,324	\$ 2,638,783	\$ 2,913,634	\$ 3,162,530	\$ 3,656,927	\$ 3,782,539
Sales tax	4,631,812	5,196,046	5,372,499	5,561,970	6,260,403	6,576,657	6,587,575	6,669,426	7,257,451	7,247,938
Intergovernmental	9,253,053	9,527,285	6,573,138	10,694,840	9,844,736	7,670,929	6,562,328	7,600,928	7,240,144	8,762,416
Investment earnings	1,796,387	1,842,390	1,169,576	2,667,857	3,894,618	256,981	2,427,873	3,531,173	821,124	637,862
Other revenues	5,470,069	11,281,281	6,302,510	6,988,316	6,920,678	6,355,818	6,826,280	7,363,250	8,031,907	7,983,878
Total revenues	23,312,008	30,178,714	22,146,487	28,514,571	29,549,759	23,499,168	25,317,690	28,327,307	27,007,553	28,414,633
Expenditures										
General government	1,679,077	2,586,591	2,472,535	2,254,837	2,612,702	2,701,605	3,160,484	3,034,793	5,178,312	2,715,814
Public safety	4,706,966	4,899,317	5,100,217	5,681,548	5,915,902	6,441,968	6,536,153	6,841,495	6,998,803	7,101,552
Public works	2,150,727	2,106,810	2,208,353	2,150,658	2,375,566	2,334,315	2,315,206	2,422,442	2,476,275	2,436,744
Parks, recreation and cultural	1,411,775	1,404,077	1,681,800	1,676,717	1,690,624	1,931,141	2,163,100	2,166,132	2,250,921	2,341,086
Water and sewer services	1,707,216	1,539,907	1,777,188	1,793,887	1,822,654	1,940,343	1,969,470	2,149,174	2,458,500	2,137,926
Airport	2,708,534	2,527,099	2,986,200	2,324,204	2,504,670	2,575,613	2,617,762	2,587,591	2,885,425	2,553,045
Social welfare services	507,578	603,771	683,560	682,393	723,984	791,214	831,976	849,376	952,239	940,602
Capital outlay	8,086,052	7,856,412	5,508,837	10,733,142	11,365,788	6,922,939	3,941,945	7,400,451	3,223,420	7,540,046
Debt service										
Principal	-	-	-	-	75,000	75,000	75,000	80,000	80,000	85,000
Interest	-	-	-	-	100,963	102,348	100,848	98,598	96,198	93,798
Total expenditures	22,957,925	23,523,984	22,418,690	27,297,386	29,187,853	25,816,486	23,711,944	27,630,052	26,600,093	27,945,613
Excess of revenues over (under) expenditures	354,083	6,654,730	(272,203)	1,217,185	361,906	(2,317,318)	1,605,746	697,255	407,460	469,020
Other financing sources (uses)										
Transfers in	2,277,280	1,279,329	1,603,049	3,801,117	2,330,145	1,646,262	3,809,797	2,049,993	2,322,377	2,083,474
Proceeds from debt issuance	-	-	-	2,000,000	-	-	-	-	-	-
Proceeds from bond premium	-	-	-	29,344	-	-	-	-	-	-
Transfers out	(214,410)	(1,247,829)	(1,515,005)	(3,801,117)	(2,330,145)	(1,646,262)	(3,809,797)	(2,162,037)	(2,419,381)	(2,083,474)
Total other financing sources (uses)	2,062,870	31,500	88,044	2,029,344	-	-	-	(112,044)	(97,004)	-
Net change in fund balances	\$ 2,416,953	\$ 6,686,230	\$ (184,159)	\$ 3,246,529	\$ 361,906	\$ (2,317,318)	\$ 1,605,746	\$ 585,211	\$ 310,456	\$ 469,020
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	1.03%	0.94%	0.84%	0.86%	0.75%	0.89%
Total non-capital expenditures	\$ 14,871,873	\$ 15,667,572	\$ 16,909,853	\$ 16,564,244	\$ 17,035,394	\$ 18,904,637	\$ 21,029,279	\$ 20,769,980	\$ 23,611,368	\$ 20,078,084

CITY OF KENAI, ALASKA

TABLE VI

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

Fiscal Year Ended <u>June 30</u>	Total <u>Taxes</u>	Property <u>Taxes</u>	Sales <u>Tax</u>
2007	\$6,792,499	\$2,160,687	\$4,631,812
2008	7,527,758	2,331,712	5,196,046
2009	8,101,263	2,728,764	5,372,499
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

CITY OF KENAI, ALASKA

Table VII

TAXABLE SALES BY CATEGORY
CURRENT FISCAL YEAR

Administrative, Waste Management,	\$ 1,139,915
Agriculture, Forestry, Fishing & Hunting	238,977
Arts and Entertainment	306,882
Construction Contracting	1,331,524
Educational Services	285,124
Finance and Insurance	631,249
Guiding Land	4,610
Guiding Water	289,858
Health Care and Social Assistance	23,287
Hotel/Motel/Bed & Breakfast	9,965,150
Information	8,315,037
Manufacturing	918,058
Mining/Quarrying	52,602
Professional, Scientific and Technical Services	3,560,471
Public Administration	3,460,625
Remediation Services	13,234
Rental Commercial Property	154,038
Rental Non-Residential Property	2,384,911
Rental of Self-storage & Miniwarehouses	276,567
Rental Personal Property	294,441
Rental Residential Property	4,993,075
Restaurant/Bar	13,920,094
Retail Trade	162,336,753
Services	4,330,408
Telecommunications	2,673,969
Telecommunications - Cable	11,377
Transportation and Warehousing	372,083
Utilities	9,936,752
Wholesale Trade	2,915,699

Total **\$ 235,136,770**

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	
2007	3.00		2.00	5.00
2008	3.00		3.00	6.00
2009	3.00		3.00	6.00
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

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			
2007	\$ -	0.00%	0.00%	\$ -
2008	-	0.00%	0.00%	-
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	0.50%	0.21%	238.19
2014	1,695,000	0.44%	0.21%	227.46
2015	1,615,000	0.42%	0.19%	216.72
2016	1,530,000	0.39%	0.18%	202.17

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, 2016

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit (1)</u>	<u>City of Kenai's Share of Debt</u>
Direct debt - City of Kenai, Alaska	<u>\$ 1,530,000</u>	100.00%	<u>\$ 1,530,000</u>
Overlapping debt: Kenai Peninsula Borough	39,340,000	11.13%	4,378,542
Central Peninsula Hospital	<u>58,035,000</u>	16.06%	<u>9,320,421</u>
Total overlapping debt	<u>97,375,000</u>		<u>13,698,963</u>
Total Direct and Overlapping	<u>\$ 98,905,000</u>		<u>\$ 15,228,963</u>

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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 91,230	\$ 98,827	\$ 119,838	\$ 126,104	\$ 131,828	\$ 131,890	\$ 147,795	\$ 160,891	\$ 165,677	\$ 173,745
Total net debt applicable to limit	-	-	-	2,000	1,925	1,850	1,775	1,695	1,615	1,530
Legal debt margin	<u>\$ 91,230</u>	<u>\$ 98,827</u>	<u>\$ 119,838</u>	<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>\$ 172,215</u>

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2015

Assessed value	\$ 868,724
Debt limit, 20% of assessed value	173,745
Total amount of debt applicable to debt limit	<u>1,530</u>
Legal debt margin	<u>\$ 172,215</u>

CITY OF KENAI, ALASKA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

City of Kenai			For the Kenai Peninsula Borough (A)					
Fiscal Year	Population	School Enrollment	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (1)
				(amount expressed in thousands)				
2007	7,689	1,628	53,272	\$ 1,990,587	\$ 37,366	39.1	9,368	8.10%
2008	7,767	1,784	53,655	2,200,284	41,008	39.2	9,250	7.60%
2009	7,945	1,848	54,796	2,202,627	40,197	39.2	9,256	7.80%
2010	7,100	1,835	55,582	2,310,507	41,569	39.4	9,145	9.80%
2011	7,255	1,835	56,405	2,499,496	44,313	39.4	9,148	10.00%
2012	7,347	1,831	56,884	2,680,425	47,731	40.6	9,083	9.40%
2013	7,452	1,871	57,147	2,770,796	48,012	41.4	9,065	8.40%
2014	7,568	1,847	57,477	2,917,537	50,760	40.5	8,932	7.80%
2015	7,661	1,815	58,059	2,917,537	50,760	40.5	8,974	6.50%
2016	7,661	1,822	58,059	2,917,537	50,760	40.5	8,935	6.90%

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
City Clerk	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
City Manager	1.50	1.50	1.50	1.50	1.50	1.50	1.67	1.67	1.67	1.67
Legal	2.00	2.00	2.00	2.25	2.00	2.00	2.00	2.00	2.00	2.00
Finance	3.75	3.75	3.75	3.75	3.75	4.75	4.75	4.75	4.75	4.75
Police	18.45	18.62	19.83	20.83	20.88	20.88	20.88	20.65	19.60	19.60
Fire	16.00	16.00	16.00	16.00	19.00	19.00	19.00	19.00	19.00	19.00
Dispatch	0.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Animal Control	2.60	2.60	2.60	2.60	2.80	2.80	2.90	2.90	2.90	3.00
Public Works Administration	3.00	2.00	2.00	2.00	2.00	1.50	1.50	1.50	1.50	2.00
Planning	2.00	2.00	2.00	2.00	2.00	2.00	2.08	2.00	2.00	2.00
Maintenance	11.64	11.64	11.64	11.64	11.64	11.64	11.64	10.70	10.79	10.77
Library	6.14	6.34	6.55	6.68	6.68	7.88	8.45	8.10	8.10	8.10
Parks & Recreation	6.51	6.51	6.99	6.99	6.99	7.61	9.60	8.04	8.06	8.30
General Fund Total	75.09	82.46	84.36	85.74	88.74	91.06	93.97	90.81	89.87	90.69
Special Revenue Funds										
Personal Use Fishery	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.49	2.46	2.69
Water & Sewer Operations	6.76	6.76	6.76	6.76	6.76	6.76	6.76	7.76	7.76	7.76
Airport Operations	5.18	5.18	5.18	5.18	5.18	5.18	5.43	5.81	6.95	6.95
Senior Citizen Programs	8.06	8.06	8.19	8.19	6.69	6.85	6.97	7.43	7.35	7.35
Special Revenue Funds Total	20.00	20.00	20.13	20.13	18.63	18.79	19.16	23.49	24.52	24.75
Enterprise Fund										
Congregate Housing	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.45	0.45	0.45
Internal Service Fund										
Capital Project Management	0.00	0.00	0.00	0.00	0.00	0.50	0.50	0.50	0.50	0.00
Total All Funds	95.44	102.81	104.84	106.22	107.72	110.70	113.98	115.25	115.34	115.89

Source: The City of Kenai Finance Department.

CITY OF KENAI, ALASKA

TABLE XV

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety										
Police Services:										
Police requests for service	7,789	7,593	7,120	7,626	7,385	7,665	8,297	8,314	8,197	7,840
Criminal arrests	991	716	970	1,103	926	894	1,138	1,041	924	813
Fire and Emergency Services:										
Number of calls responded to	1,297	1,382	1,469	1,599	1,230	1,328	1,212	1,153	1,226	1,384
Inspections	104	200	256	289	232	319	239	268	157	118
Animal Control:										
Total Calls	8,258	9,180	10,697	7,811	6,619	6,695	6,549	7,197	N/A	N/A
Total requests for service	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	564	437
Animals Handled	1,828	1,837	1,571	1,417	1,476	1,673	1,631	1,429	1,188	1,004
Water and Wastewater										
Water Production Avg gallons per day	1,069,299	964,373	939,107	1,016,608	918,345	961,564	943,764	875,427	812,756	760,000
Wastewater Treatment Avg. gallons per day	579,000	573,000	575,500	569,916	528,667	470,417	540,583	566,417	527,250	487,200
Airport Passenger Enplanements	94,163	94,720	99,884	84,133	87,589	94,010	101,995	103,751	100,929	102,126

* 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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
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	11	11	8	8	8	8	8	8	8	8
Soccer Fields	0	2	6	6	6	6	6	6	6	6
Recreation Center	1	1	1	1	1	1	1	1	1	1
Pedestrian Trails	2	2	2	2	2	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.

