

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year:

July 1, 2017 – June 30, 2018

**CITY OF KENAI, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018**

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF KENAI, ALASKA
Year Ended June 30, 2018**

Brian G. Gabriel, Sr.
Mayor

Paul Ostrander
City Manager

Prepared by
Finance Department

Terry A. Eubank, CPA
Finance Director



"Village with a Past, City with a Future"

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November 29, 2018

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

In accordance with Section 29.35.120 of the Alaska Statutes and the City Charter, we are pleased to submit the Comprehensive Annual Financial Report for the year ended June 30, 2018. 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, 2018 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, 2018, 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, property tax, charges for services, intergovernmental revenue, other sources and interest earnings. Other funds rely on charges for services, interest earnings, grants and other sources.

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

Budgetary Control

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

Factors Affecting Financial Condition Economy

The primary private sector portions of Kenai's economy are oil and gas, commercial fishing, tourism and retail sales. The future holds challenges for oil and gas in the Cook Inlet region. Oil and natural gas exploration and development in Cook Inlet are likely to slow with the elimination of state of Alaska tax credits coupled with the current market price for these commodities. The proposed gas pipeline from the North Slope to Cook Inlet would greatly enhance the long-term viability of the areas industrial complex. The state of Alaska is working with the gas producers and other interested entities to develop a gas pipeline, but when a gas line will be built is not known at this time.

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

Commercial fishing continues its cyclical cycles in terms of production. The 2018 fishing season saw low return of sockeye salmon to peninsula rivers. Fishing is expected to continue to be an important component of the Kenai economy.

With the continued recovery of the United States economy, tourism to Alaska increased again this fiscal year. The unique dipnet fishery at the mouth of the Kenai River, where tens of thousands of Alaskans catch a year's supply of sockeye salmon in July, makes Kenai a busy and very popular place. Accessible beaches, beautiful scenery, fishing and abundant historic sites all make Kenai a great destination for tourists on the Kenai Peninsula. Tourism is expected to remain a vital component of the Kenai economy.

Sales tax is the largest revenue source for the City. Retail sales businesses generate the largest share of sales tax revenue. Sales tax revenues for the current fiscal year did not meet projections but the year over year loss in sales has ended with modest increases in total taxable sales. The decline in taxable sales was 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. Recovery in oil and natural gas prices along with a renewed sense of optimism have contributed to the turnaround and slow recovery of the City's economy.

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 increased slightly to \$10.6 million in FY18. A General Fund, Fund Balance of \$10.6 million represents approximately 72% of one year's of expenditures and transfers to other funds. This healthy fund balance provides options for the City and generates interest income that can be used for operations. The City is in compliance with its fund balance policy which was implemented in FY17. The policy established a target range of fund balance with required adjustment periods should fund balance exceed or drop below the targeted range.

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

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

Award

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, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgment

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

Respectfully submitted,



Paul Ostrander, City Manager



Terry A. Eubank, CPA
Finance Director

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Government Finance Officers Association

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

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**City of Kenai
Alaska**

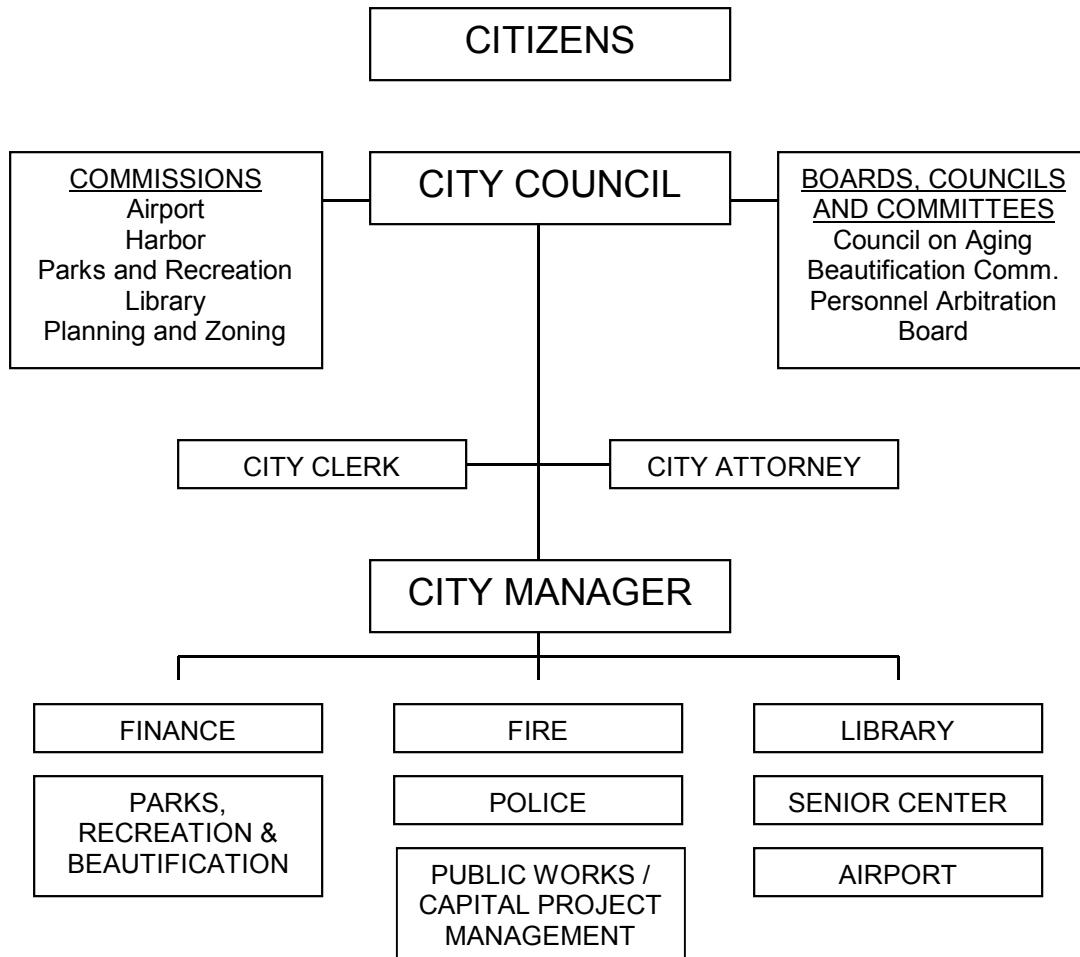
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Kenai Organization Chart



CITY OF KENAI, ALASKA ORGANIZATION AND PRINCIPAL CITY OFFICIALS

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

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

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

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

	<u>City Council</u>	<u>Term Ends</u>
Mayor	Brian G. Gabriel, Sr.	2019
Council Members	Robert Molloy	2018
	Michael Boyle	2018
	Jim Glendening	2019
	Glenese Petty	2019
	Henry Knackstedt	2020
	Tim Navarre	2020

City Administration

City Manager	Paul Ostrander
Finance Director	Terry A. Eubank
City Clerk	Jamie Heinz
City Attorney	Scott Bloom
Police Chief	David Ross
Fire Chief	Jeff Tucker
Public Works Director	Scott Curtin
Librarian	Mary Jo Joiner
Parks & Recreation Director	Robert Frates
Airport Manager	Mary Bondurant
Senior Center Director	Kathy Romain

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AUDITOR REPORT



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Independent Auditor's Report

Honorable Mayor and City Council
City of Kenai, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Kenai's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai, Alaska as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2018 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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 59 through 62, the Schedules of Net Pension Liability, Net OPEB Liability and Pension Contributions on pages 69 through 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of City of Kenai's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city of Kenai's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kenai's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 29, 2018

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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, 2018. 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, 2018 by \$177,169,256. Of this amount, unrestricted net position of \$5,362,142, 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 decreased by \$869,877. Beginning net position was restated (see Note I) for the implementation of GASB Pronouncement 75. For the fiscal year ended June 30, 2018, governmental type activities decreased by \$792,606 and business type activities decreased by \$77,271.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47,839,296, an increase of \$1,444,659 from the prior year. The fund balances of the two permanent funds, which cannot be spent, account for \$27.7 million of total fund balance. About \$19.6 million of the remaining fund balance is restricted, committed, or assigned. The remaining \$0.5 million is unassigned and available for spending.
- At the end of the current fiscal year, fund balance for the General Fund was \$10,570,684. Of this amount \$495,196 was unassigned and available for spending.
- The City has a long-term liability for compensated absences, general obligation debt, net pension, and net other post-employment benefits (OPEB) of \$872,252, \$1,355,000, \$13,165,767, and \$2,117,245 respectively. The general obligation bonds were issued on March 11, 2010 for an addition to the City's library.

Overview of the Financial Statements

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

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

Government-wide financial statements.

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

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

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

Fund financial statements.

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

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two. Five of the City's governmental funds are considered major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds including: the General Fund; the Airport Special Revenue Fund; the Water & Sewer Special Revenue Fund, the Airport Land Sales Permanent Fund; and the Airport Improvements Capital Project Fund. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

A budgetary comparison statement has been provided for the General, Airport Special Revenue, and Water & Sewer Special Revenue Funds to demonstrate compliance with the Fiscal Year (FY) 2018 budget.

Proprietary funds.

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

Fiduciary funds.

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

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and accompanying notes. Budgetary comparison schedules for the City's major funds; schedules on the City's net pension and OPEB obligation information and contributions; and accompanying notes can be found on pages 35-57 of this report.

Other information.

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

Government-wide Financial Analysis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018, the City's net position exceeded liabilities by \$177,169,256. By far the largest portion of the City's net position reflects its investment in capital assets.

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

	Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 51,540	\$ 51,347	\$ 627	\$ 577	\$ 52,167	\$ 51,924
Capital assets	<u>142,080</u>	<u>144,543</u>	<u>2,677</u>	<u>2,818</u>	<u>144,757</u>	<u>147,361</u>
Total assets	<u>193,620</u>	<u>195,890</u>	<u>3,304</u>	<u>3,395</u>	<u>196,924</u>	<u>199,285</u>
Deferred outflows of resources	<u>1,848</u>	<u>3,794</u>	<u>-</u>	<u>-</u>	<u>1,848</u>	<u>3,794</u>
Long-term liabilities outstanding	17,508	19,552	3	3	17,511	19,555
Other liabilities	<u>1,227</u>	<u>2,053</u>	<u>54</u>	<u>68</u>	<u>1,281</u>	<u>2,121</u>
Total liabilities	<u>18,735</u>	<u>21,605</u>	<u>57</u>	<u>71</u>	<u>18,792</u>	<u>21,676</u>
Deferred inflows of resources	<u>2,811</u>	<u>303</u>	<u>-</u>	<u>-</u>	<u>2,811</u>	<u>303</u>
Net position:						
Net investment in capital assets	140,725	143,098	2,677	2,818	143,402	145,916
Restricted:						
Nonexpendable	27,723	27,331	-	-	27,723	27,331
Youth athletics	682	629	-	-	682	629
Unrestricted	<u>4,792</u>	<u>6,718</u>	<u>570</u>	<u>507</u>	<u>5,362</u>	<u>7,225</u>
Total net position	<u>\$173,922</u>	<u>\$177,776</u>	<u>\$3,247</u>	<u>\$3,325</u>	<u>\$177,169</u>	<u>\$181,101</u>

Minor arithmetic differences are due to rounding.

Governmental activities.

Governmental activities decreased the City's net position by \$792,606. 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 \$77,271. 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 6,713	\$ 7,128	\$ 394	\$ 387	\$ 7,107	\$ 7,515
Operating grants and contributions	1,463	1,474	1	2	1,464	1,476
Capital grants and contributions	2,382	5,643	-	-	2,382	5,643
General revenues:						
Property taxes	3,868	3,920	-	-	3,868	3,920
Sales taxes	6,854	6,716	-	-	6,854	6,716
Other	<u>1,753</u>	<u>2,344</u>	<u>3</u>	<u>1</u>	<u>1,756</u>	<u>2,345</u>
Total revenues	<u>23,033</u>	<u>27,225</u>	<u>398</u>	<u>390</u>	<u>23,431</u>	<u>27,615</u>
Expenses:						
General government	2,099	2,748	-	-	2,099	2,748
Public safety	7,105	8,567	-	-	7,105	8,567
Public works	3,172	3,445	-	-	3,172	3,445
Parks, recreation, and cultural	4,087	2,947	-	-	4,087	2,947
Water and sewer services	2,920	2,900	-	-	2,920	2,900
Airport	3,566	3,719	-	-	3,566	3,719
Interest on long-term debt	86	90	-	-	86	90
Social welfare services	791	887	-	-	791	887
Senior Housing	<u>-</u>	<u>-</u>	<u>475</u>	<u>498</u>	<u>475</u>	<u>498</u>
Total expenses	<u>23,826</u>	<u>25,303</u>	<u>475</u>	<u>498</u>	<u>24,301</u>	<u>25,801</u>
Increase (decrease) in net position	(793)	1,922	(77)	(108)	(870)	1,814
Net position beginning as restated (Note I)	<u>174,715</u>	<u>175,854</u>	<u>3,324</u>	<u>3,432</u>	<u>178,039</u>	<u>179,286</u>
Net position ending	<u>\$173,922</u>	<u>\$177,776</u>	<u>\$3,247</u>	<u>\$3,324</u>	<u>\$177,169</u>	<u>\$181,100</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.

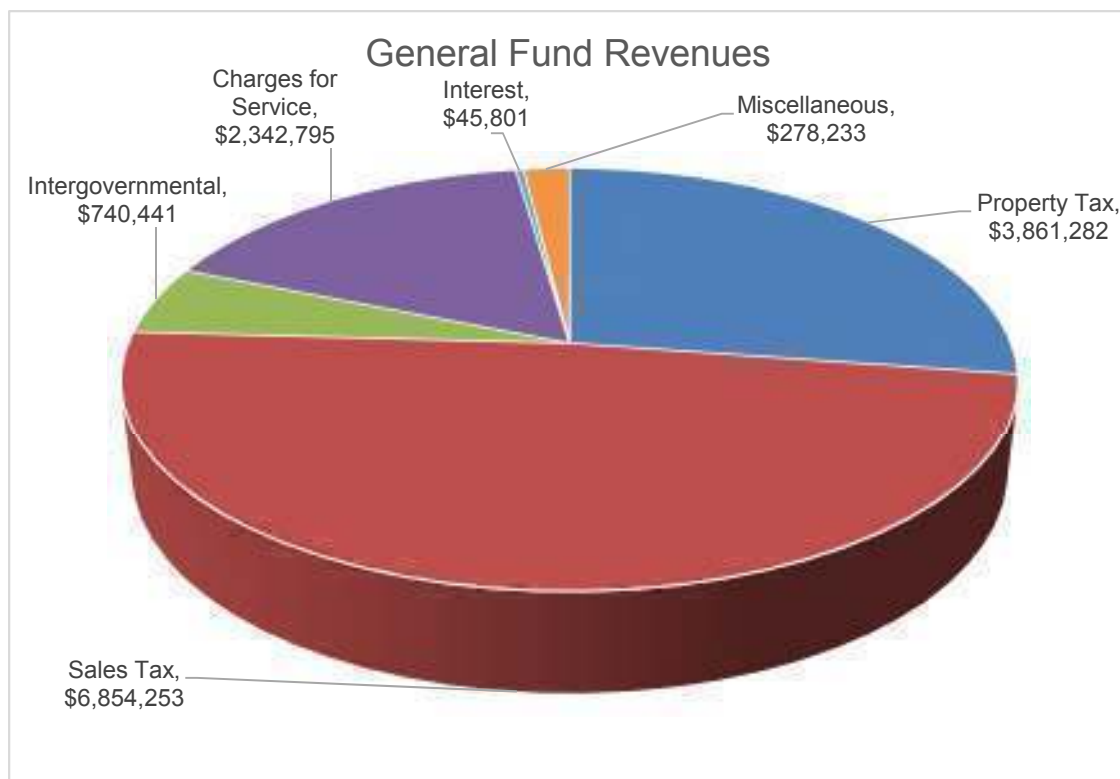
Governmental Funds.

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 \$47,839,296, which is up \$1,444,659 from last year. About \$0.5 million of fund balance is unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance, \$47.3 million, is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending. Nonspendable is the largest portion of this; \$27.7 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 \$495,196, and total fund balance was \$10,570,684. Fund balance increased \$22,478 in the current year. The City's reserves remain healthy and stable. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 3.4% of total expenditures and transfers, while total fund balance represents 72.1% of that same amount.

General Fund expenditures increased \$332,545 or 2.46% over last year. General Fund revenues increased \$26,244 or 0.19% from last year. The primary revenue sources of the General Fund include property tax of \$3,861,282, sales tax of \$6,854,253, intergovernmental revenues of \$740,441, and charges to other funds of \$1,542,390. Sales tax revenue increased \$138,752 or 2.07% as the local economy shows signs of recovery from its current recession. The recovery of the local economy is attributed to normalization of oil prices and a move towards stabilization of the State of Alaska's budget. Property taxes increased by \$9,382 or 0.24%. Current year property values increased 0.90% and the mill rate remained unchanged. Intergovernmental revenues decreased \$126,305 from last year with a \$69,411 or 24.09% decrease in State of Alaska Public Employees Retirement System (PERS) on-behalf funding and a \$27,380 or 9.84% decrease in State of Alaska Community Assistance funding.



Tax revenues support General Fund operations exclusively and represent 43.90% of all governmental funds revenue. Other funds rely heavily on charges for services and investment earnings. Investment earnings in governmental funds decreased \$588,440 or 24.84% from the prior year. A slower year in equity markets, which approximately 45% of the City's permanent funds are invested in, and rising short-term interest rates led to this year's reduction 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 remained nearly unchanged with a slight increase of \$2,684. Total revenues decreased of \$106,849 or 5.27%. Fund expenditures increased by \$49,485 or 1.84% and transfers to capital projects increased by \$269,720 or 211.65%. Current year transfers included funding for design of a major terminal rehabilitation project.

The Water & Sewer Special Revenue Fund accounts for the operations of the water and sewer utility of the City. Fund balance increased \$473,360. Water rates increased 5.0% and sewer rates were raised 0.9%, the prior year increase in the Anchorage Consumer Price Index, in FY18. The combination of these rate increases resulted in charges for service increasing \$71,381 or 2.58% this year. The financial performance of the fund has improved greatly with the implementation of rate increases suggested by the utilities 2011 rate study. Significant capital improvement projects are anticipated in the near future to ensure the utilities continued safe and efficient operation.

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 increasing short term interest rates and modest performance of equity markets returns resulted in a \$312,340 increase in fund balance after the FY18 transfer of \$1,210,348 to the Airport Special Revenue Fund.

The Airport Improvements Capital Project Fund accounts for capital improvement projects of the Kenai Municipal Airport. Projects are largely financed by grants from the Federal Aviation Administration. Current projects include completion of a new Airport Master Plan, airfield marking and signage improvements, improvements to airport facilities, airfield drainage improvements, purchase of new snow removal equipment, remodel of the Airport's terminal building, and improvements to the small taxiway and aircraft tie down area.

Proprietary Funds.

The City of Kenai maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Congregate Housing Fund is the only enterprise fund. It is reported in the proprietary fund financial statements and as a business type activity in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs among the City's various functions. The City of Kenai utilizes two internal service funds. The Equipment Replacement Fund is used to account for the purchase of equipment costing more than \$50,000. The Equipment Replacement Fund charges the user departments in the General Fund such that the General Fund reimburses the Equipment Replacement Fund over the useful life of the asset. The Employee Health Care Fund accounts for the costs of providing employee health care and charges each fund based on the number of employees eligible for coverage. Because the services of the Equipment Replacement Fund and the Employee Health Care Fund substantially benefit only governmental rather than business type functions, its activity has been included within governmental activities in the government-wide financial statements but are presented in the proprietary fund financial statements.

At year-end, Congregate Housing Fund net position totaled \$3,247,289 and unrestricted net position was \$570,007. Net position decreased \$77,271 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 \$119,864. Significant amendments included \$27,172 in supplemental funding for street capital improvements and \$30,557 for fire department overtime in excess of budgeted amounts. Actual revenues and transfers in were \$90,258 less than the final budget with the \$108,360 variance in general sales tax being the most significant decrease.

The actual expenditures and transfers out were \$1,051,580 less than budgeted. The City typically does not spend the entire authorized appropriation. The variance this year was 6.69% of final budget compared to 10.1% last year. \$505,657, 48.09% of the lapse, occurred in personnel services. Position vacancies, the replacement of retiring employees with those lower on the City's pay scale, and health insurance costs less than projected contributed to these savings.

Capital Assets and Debt Administration

Capital assets.

At June 30, 2018 the City's capital assets had a total net book value of \$144,757,714. Governmental activities totaled \$142,080,432 and business-type activities totaled \$2,677,282. Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 44-45 Section III. Detailed Notes on All Funds' D. Capital Assets. Major capital additions for FY18 included:

New Facilities and Facility Improvements:	
Public Safety Building Boiler Replacement	\$ 126,532
Water Reservoir #1 Interior Recoating	1,596,380
Airport Operations Building HVAC Improvements	20,525
Animal Control Facility Improvements	58,962
Senior Center Dining Room Remodel	274,873
Street Facility Improvements	1,981
Equipment:	
Sewer Lift Station Pumps	18,497
Sewer Treatment Plant Equipment	10,690
Computer Network Equipment	10,468
Vehicles	30,605
Airport Snow Removal Equipment	1,066,305
Street Department Snow Removal Equipment	459,008
Parks & Recreation Equipment	13,401
Improvements:	
Airfield Markings	566,446
Airfield Drainage Improvements	413,782
Airfield Small Taxiway and Aircraft Tie Down Improvements	2,215,452
Land:	
Bluff Erosion Project Land Acquisition	22,087
Airport Future Development Land Acquisition	61,998
Infrastructure -	
Sewer Lift Station Upgrades	17,211
Road & Trail improvements	15,885
Total Additions	<u>\$7,001,088</u>

Debt administration.

No new debt was issued by the City in FY18. At June 30, 2018 \$1,355,000 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 \$872,252, Net Pension Liability of \$13,165,767, and new in FY18 with the implementation of GASB Pronouncement No. 75 as detailed in Note I, Net Other Postemployment Benefits Liability of \$2,117,245. Additional information on the City's long-term liabilities can be found in the notes to the basic financial statements on pages 54-55.

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in central treasury (cash and investments)	\$ 47,711,151	\$ 627,199	\$ 48,338,350
Receivables (net of allowances for uncollectibles)	3,810,665	-	3,810,665
Other assets	18,495	-	18,495
Land	6,225,351	274,500	6,499,851
Property and equipment in service	225,501,077	5,710,219	231,211,296
Accumulated depreciation	(91,206,478)	(3,307,437)	(94,513,915)
Construction in progress	1,560,482	-	1,560,482
Total assets	<u>193,620,743</u>	<u>3,304,481</u>	<u>196,925,224</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	1,497,117	-	1,497,117
Other postemployment benefits related	350,276	-	350,276
Total deferred outflows of resources	<u>1,847,393</u>	<u>-</u>	<u>1,847,393</u>
Total assets and deferred outflows of resources	<u>\$ 195,468,136</u>	<u>\$ 3,304,481</u>	<u>\$ 198,772,617</u>
LIABILITIES			
Accounts payable	\$ 641,210	\$ 15,664	\$ 656,874
Accrued payroll and payroll liabilities	308,024	-	308,024
Unearned revenue	126,267	3,085	129,352
Other liabilities	140,295	35,931	176,226
Accrued interest	11,467	-	11,467
Long-term liabilities:			
Due within one year	312,435	628	313,063
Due in more than one year	17,195,317	1,884	17,197,201
Total liabilities	<u>18,735,015</u>	<u>57,192</u>	<u>18,792,207</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid licenses and fees	2,700	-	2,700
Prepaid property taxes	110,130	-	110,130
Pension related	1,557,616	-	1,557,616
Other postemployment benefits related	1,140,708	-	1,140,708
Total deferred inflows of resources	<u>2,811,154</u>	<u>-</u>	<u>2,811,154</u>
NET POSITION			
Net investment in capital assets	140,725,432	2,677,282	143,402,714
Restricted:			
Permanently restricted - nonexpendable:			
Airport Land Sales Permanent Fund	24,592,355	-	24,592,355
General Government Land Sales Permanent Fund	3,129,977	-	3,129,977
Temporarily restricted - youth athletics	682,068	-	682,068
Unrestricted	4,792,135	570,007	5,362,142
Total net position	<u>173,921,967</u>	<u>3,247,289</u>	<u>177,169,256</u>
Total liabilities, deferred inflows and net position	<u>\$ 195,468,136</u>	<u>\$ 3,304,481</u>	<u>\$ 198,772,617</u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,099,053	\$ 479,150	\$ 529,826	\$ -
Public safety	7,105,250	524,608	203,447	15,428
Public works	3,171,355	91,340	43,498	46,920
Parks, recreation, and cultural	4,087,141	657,627	78,543	56,865
Water and sewer services	2,919,777	2,857,191	26,048	580,652
Airport	3,566,203	1,914,438	28,328	1,562,019
Social welfare services	791,140	188,787	552,919	120,508
Interest on long-term debt	86,098	-	-	-
Total governmental activities	<u>23,826,017</u>	<u>6,713,141</u>	<u>1,462,609</u>	<u>2,382,392</u>
Business-type activities:				
Senior Housing	<u>475,300</u>	<u>394,318</u>	<u>1,153</u>	<u>-</u>
Total Government	<u>\$ 24,301,317</u>	<u>\$ 7,107,459</u>	<u>\$ 1,463,762</u>	<u>\$ 2,382,392</u>

General revenues:
 Property taxes
 Sales taxes
 Unrestricted investment earnings
 Total general revenues
 Change in net position
Beginning net position - as restated (Note I)
Net position - ending

See accompanying notes to basic financial statements.

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

Governmental Activities	Business-type Activities	Total
\$ (1,090,077)	\$ -	\$ (1,090,077)
(6,361,767)	-	(6,361,767)
(2,989,597)	-	(2,989,597)
(3,294,106)	-	(3,294,106)
544,114	-	544,114
(61,418)	-	(61,418)
71,074	-	71,074
(86,098)	-	(86,098)
<u>(13,267,875)</u>	<u>-</u>	<u>(13,267,875)</u>
 -	 (79,829)	 (79,829)
 <u>(13,267,875)</u>	 <u>(79,829)</u>	 <u>(13,347,704)</u>
 3,868,445	 -	 3,868,445
6,854,253	-	6,854,253
1,752,571	2,558	1,755,129
<u>12,475,269</u>	<u>2,558</u>	<u>12,477,827</u>
(792,606)	(77,271)	(869,877)
174,714,573	3,324,560	178,039,133
<u>\$ 173,921,967</u>	<u>\$ 3,247,289</u>	<u>\$ 177,169,256</u>

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018**

	General	Airport Special Revenue	Water & Sewer Special Revenue
ASSETS			
Equity in central treasury (cash and investments)	\$ 9,503,879	\$ 5,222,866	\$ 2,502,428
Receivables (net of allowances for uncollectibles)	1,996,346	52,316	260,002
Other assets	17,945	-	-
Due from other funds	<u>151,804</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 11,669,974</u>	<u>\$ 5,275,182</u>	<u>\$ 2,762,430</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 141,789	\$ 86,003	\$ 108,219
Accrued payroll and payroll liabilities	256,050	16,220	22,036
Due to other funds	-	-	-
Unearned revenue	51,832	72,739	-
Other liabilities	<u>15,176</u>	<u>21,230</u>	<u>88,383</u>
Total liabilities	<u>464,847</u>	<u>196,192</u>	<u>218,638</u>
Deferred Inflows of resources:			
Special assessments receivable - unavailable	361,914	-	-
Ambulance billing receivable - unavailable	142,680	-	-
Land sales - unavailable	17,019	-	-
Prepaid licenses and fees	2,700	-	-
Prepaid property taxes	<u>110,130</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>634,443</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	682,068	-	-
Committed	6,976,762	-	-
Assigned	2,416,658	5,078,990	2,543,792
Unassigned	<u>495,196</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>10,570,684</u>	<u>5,078,990</u>	<u>2,543,792</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,669,974</u>	<u>\$ 5,275,182</u>	<u>\$ 2,762,430</u>

See accompanying notes to basic financial statements.

Airport Land Sales Permanent	Airport Improvements Capital Project	Other Governmental	Total Governmental Funds
\$ 24,499,242	\$ -	\$ 4,560,933	\$ 46,289,348
542,478	805,656	153,867	3,810,665
-	-	550	18,495
-	-	-	151,804
<u>\$ 25,041,720</u>	<u>\$ 805,656</u>	<u>\$ 4,715,350</u>	<u>\$ 50,270,312</u>
\$ 3,525	\$ 152,182	\$ 149,492	\$ 641,210
-	-	13,718	308,024
16,867	134,756	181	151,804
-	1,696	-	126,267
-	-	15,506	140,295
<u>20,392</u>	<u>288,634</u>	<u>178,897</u>	<u>1,367,600</u>
-	-	-	361,914
-	-	-	142,680
428,973	-	-	445,992
-	-	-	2,700
-	-	-	110,130
<u>428,973</u>	<u>-</u>	<u>-</u>	<u>1,063,416</u>
24,592,355	-	3,129,977	27,722,332
-	-	-	682,068
-	517,022	1,112,582	8,606,366
-	-	293,894	10,333,334
-	-	-	495,196
<u>24,592,355</u>	<u>517,022</u>	<u>4,536,453</u>	<u>47,839,296</u>
<u>\$ 25,041,720</u>	<u>\$ 805,656</u>	<u>\$ 4,715,350</u>	<u>\$ 50,270,312</u>

**CITY OF KENAI, ALASKA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

Total fund balances for governmental funds	\$ 47,839,296
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	140,325,512
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	950,586
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Some liabilities, including bonds payable, interest payable on bonds (net of related interest subsidy), and compensated absences are not payable in the current period so they are not reported in the funds.

Bonds payable	\$ (1,355,000)	
Net pension liability	(13,165,767)	
Net other postemployment benefits liability	(2,117,245)	
Compensated absences	(869,740)	
Accrued interest (net of related interest subsidy)	<u>(11,467)</u>	
		(17,519,219)

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

Deferred outflows for pensions	1,497,117	
Deferred outflows for other postemployment benefits	350,276	
Deferred inflows for pensions	(1,557,616)	
Deferred inflows for other postemployment benefits	<u>(1,140,708)</u>	
		(850,931)

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

Net position of governmental activities	<u>\$ 173,921,967</u>
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See accompanying notes to basic financial statements.

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**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	General	Airport Special Revenue	Water & Sewer Special Revenue	Airport Land Sales Permanent
Revenues:				
Taxes	\$ 10,722,698	\$ -	\$ -	\$ -
Intergovernmental revenues	740,441	21,891	17,347	-
Charges for services	2,342,795	401,556	2,833,201	-
Investment earnings	45,801	20,563	11,775	1,513,454
Miscellaneous revenues	<u>271,070</u>	<u>1,478,291</u>	<u>24,775</u>	<u>9,234</u>
 Total revenues	 <u>14,122,805</u>	 <u>1,922,301</u>	 <u>2,887,098</u>	 <u>1,522,688</u>
Expenditures:				
Current:				
General government	2,347,583	-	-	-
Public safety	7,075,417	-	-	-
Public works	2,322,875	-	-	-
Parks, recreation, and cultural	2,075,175	-	-	-
Water and sewer services	-	-	2,238,358	-
Airport	-	2,643,317	-	-
Social welfare services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>6,925</u>	<u>89,491</u>	<u>29,187</u>	<u>-</u>
 Total expenditures	 <u>13,827,975</u>	 <u>2,732,808</u>	 <u>2,267,545</u>	 <u>-</u>
 Excess of revenues over (under) expenditures	 294,830	 (810,507)	 619,553	 1,522,688
Other financing sources (uses):				
Transfers in	561,561	1,210,348	-	-
Transfers out	<u>(833,913)</u>	<u>(397,157)</u>	<u>(146,193)</u>	<u>(1,210,348)</u>
 Net other financing sources (uses)	 <u>(272,352)</u>	 <u>813,191</u>	 <u>(146,193)</u>	 <u>(1,210,348)</u>
 Net changes in fund balances	 22,478	 2,684	 473,360	 312,340
 Fund balances - July 1	 <u>10,548,206</u>	 <u>5,076,306</u>	 <u>2,070,432</u>	 <u>24,280,015</u>
 Fund balances - June 30	 <u>\$ 10,570,684</u>	 <u>\$ 5,078,990</u>	 <u>\$ 2,543,792</u>	 <u>\$ 24,592,355</u>

See accompanying notes to basic financial statements.

Airport Improvements Capital Project	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ 10,722,698
1,562,019	1,168,732	3,510,430
-	516,575	6,094,127
-	189,120	1,780,713
<u>81,799</u>	<u>450,148</u>	<u>2,315,317</u>
<u>1,643,818</u>	<u>2,324,575</u>	<u>24,423,285</u>
-	-	2,347,583
-	117,036	7,192,453
-	118,477	2,441,352
-	235,098	2,310,273
-	-	2,238,358
11,626	-	2,654,943
-	883,273	883,273
-	90,000	90,000
-	86,998	86,998
<u>1,754,086</u>	<u>1,253,704</u>	<u>3,133,393</u>
<u>1,765,712</u>	<u>2,784,586</u>	<u>23,378,626</u>
(121,894)	(460,011)	1,044,659
397,157	1,030,106	3,199,172
<u>-</u>	<u>(211,561)</u>	<u>(2,799,172)</u>
<u>397,157</u>	<u>818,545</u>	<u>400,000</u>
275,263	358,534	1,444,659
<u>241,759</u>	<u>4,177,919</u>	<u>46,394,637</u>
<u>\$ 517,022</u>	<u>\$ 4,536,453</u>	<u>\$ 47,839,296</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, 2018**

Net changes in fund balances - total governmental funds \$ 1,444,659

The change in net position reported for governmental activities in the statement of activities is different because:

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

Expenditures for capital assets	\$ 3,133,412	
Current year depreciation	<u>(4,360,376)</u>	
		(1,226,964)

The net effect of various transactions involving capital assets (i.e. sales trade-ins and donations) is to decrease net position. (1,534,318)

Special assessments, taxes, land sales and ambulance services receivable reported in the governmental activities are not revenues of the current period using the flow of current financial resources basis. This is the decrease in other long-term assets. (31,337)

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	\$ (33,323)	
Bond interest payable	<u>900</u>	
		(32,423)

Repayment of the principal of long-term debt consumes current financial resources of governmental funds but does not have any effect on net position. 90,000

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

Net pension	\$ 443,557	
Other postemployment benefits	<u>152,450</u>	
		596,007

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. (98,230)

Change in net position of governmental activities \$ (792,606)

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Business-type Activities - Major Enterprise Fund	Governmental Activities - Internal Service Funds
	Congregate Housing	
ASSETS		
Current assets -		
Equity in central treasury (cash and investments)	\$ 627,199	\$ 1,421,803
Noncurrent assets:		
Land	274,500	-
Property and equipment in service, at cost:		
Buildings	5,710,219	-
Equipment	-	3,286,390
Total property and equipment in service	5,710,219	3,286,390
Less accumulated depreciation	(3,307,437)	(1,531,470)
Net property and equipment in service	2,402,782	1,754,920
Total assets	<u>\$ 3,304,481</u>	<u>\$ 3,176,723</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 15,664	\$ -
Unearned revenue	3,085	-
Other liabilities	35,931	-
Total current liabilities	54,680	-
Noncurrent liabilities - compensated absences	2,512	-
Total liabilities	57,192	-
NET POSITION		
Investment in capital assets	2,677,282	1,754,920
Unrestricted	570,007	1,421,803
Total net position	3,247,289	3,176,723
Total liabilities and net position	<u>\$ 3,304,481</u>	<u>\$ 3,176,723</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, 2018**

	Business-type Activities - Major Enterprise Fund Congregate Housing	Governmental Activities - Internal Service Funds
Operating revenues:		
Rents and leases	\$ 394,318	\$ -
Other revenue	<u>-</u>	<u>2,464,634</u>
Total operating revenues	<u>394,318</u>	<u>2,464,634</u>
Operating expenses:		
Personal services	56,036	-
Supplies	16,363	-
Utilities	84,220	-
Repair and maintenance	52,427	-
Insurance/benefits	15,009	1,982,065
Depreciation	140,446	160,125
Manager's fee	69,463	-
Miscellaneous	2,336	28,516
Expenses chargeable from other funds	<u>39,000</u>	<u>-</u>
Total operating expenses	<u>475,300</u>	<u>2,170,706</u>
Operating income (loss)	<u>(80,982)</u>	<u>293,928</u>
Nonoperating revenues:		
Intergovernmental grants	1,153	-
Investment earnings	<u>2,558</u>	<u>7,842</u>
Total nonoperating revenues	<u>3,711</u>	<u>7,842</u>
Income (loss) before transfers	(77,271)	301,770
Transfers in (out)	<u>-</u>	<u>(400,000)</u>
Changes in net position	(77,271)	(98,230)
Net position - July 1	<u>3,324,560</u>	<u>3,274,953</u>
Net position - June 30	<u><u>\$ 3,247,289</u></u>	<u><u>\$ 3,176,723</u></u>

See accompanying notes to basic financial statements.

**CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Major Enterprise Fund Congregate Housing	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	\$ 395,648	\$ 236,949
Payments to suppliers	(253,991)	(2,010,581)
Payments to employees	(56,543)	-
Receipts (payments) for interfund services	(39,000)	2,227,685
Net cash provided by operating activities	<u>46,114</u>	<u>454,053</u>
Cash flows from (for) noncapital financing activities:		
Transfers in (out)	-	(400,000)
State grant	1,153	-
Net cash provided (used) by noncapital financing activities	<u>1,153</u>	<u>(400,000)</u>
Cash flows for capital and related financing activities -		
Acquisition and construction of capital assets	-	(459,008)
Cash flows from investing activities -		
Investment earnings received	<u>2,558</u>	<u>7,841</u>
Net increase (decrease) in cash and cash equivalents	49,825	(397,114)
Cash and cash equivalents - July 1	<u>577,374</u>	<u>1,818,917</u>
Cash and cash equivalents - June 30	<u>\$ 627,199</u>	<u>\$ 1,421,803</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (80,982)	\$ 293,928
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	140,446	160,125
Accounts payable	(17,006)	-
Compensated absences	(507)	-
Unearned revenue	1,330	-
Other liabilities	2,833	-
Net cash provided by operating activities	<u>\$ 46,114</u>	<u>\$ 454,053</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, 2018**

ASSETS

Equity in central treasury (cash and investments)	\$ 149,392
Interest receivable	<u>665</u>
Total assets	<u><u>\$ 150,057</u></u>

LIABILITIES

Due to Kenai Community Foundation	<u><u>\$ 150,057</u></u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

B. Government-wide and fund financial statements

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

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

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

Governmental fund type financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end 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 Special Revenue Fund accounts for activities of the City's water and sewer utility. It relies on user fees to finance operations.

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

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

Additionally the City reports the following fund types:

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

Internal Service Fund – the Equipment Replacement Fund and Employee Health Care Fund are internal service funds. The Equipment Replacement Fund accounts for the purchase of equipment costing more than \$50,000 that will be used by General Fund departments on a cost-reimbursement basis. The Employee Health Care Fund accounts for the cost of providing health and life insurance to the employees of all City funds.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of accounting estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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, donated works of art and similar items, and capital assets received in a service concession agreement are recorded at acquisition value rather than fair value.

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

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

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

5. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. The City makes annual appropriations for the amount of leave expected to be used, which is available to employees at essentially their discretion. Each employee is allowed to accumulate up to 80 days of annual leave at the end of a calendar year, with any excess accumulation paid in cash in the following January. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee terminations or in situations where the leave is used but not yet paid. Most funds, except the capital project funds, will be utilized to liquidate the liability for compensated absences. The most significant, due to the fact that it has the largest payroll, is the General Fund.

6. Long-term obligations

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

7. Fund balances

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

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

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

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

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

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

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

8. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$119,864. Supplemental funding of capital projects included \$27,172 for reconstruction of the Ryan's Creek Outflow, \$41,547 for Fire Department overtime in excess of budgeted amounts, \$13,747 for grant funded water testing on Kenai beaches, \$6,493 for grant funded, police overtime, \$7,500 for grant funded, fire department equipment, \$7,000 for grant funded, library book purchases, \$6,151 for grant funded, police department equipment and operating supplies, and \$10,254 in various minor appropriations.

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

Significant encumbrances exceeding \$75,000 as of June 30, 2018 were:

	Major Fund – General Fund	Nonmajor Gov't Funds
Kenai Municipal Airport Terminal Rehabilitation Project	\$292,940	\$ -
Ryan's Creek Outflow Culvert Repair Project	-	99,692
	<u>\$292,940</u>	<u>\$99,692</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 or another index of similar characteristics, including both mutual funds and exchange traded funds (ETF's); (c) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 400 Mid-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds; (d) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 600 Small-Cap Index or another index of similar characteristics, including both mutual funds and exchange traded funds; (e) International Equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Developed ex North America Index or another index of similar characteristics, including both mutual funds and exchange traded funds; (f) Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts as represented by the Standard & Poor's REIT composite index or another index of similar characteristics, including both mutual funds and exchange traded funds; and (g) Emerging Market Equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Emerging Index or another index of similar characteristics including both mutual funds and exchange traded funds. Repurchase agreements must be collateralized with United States government obligations. Certificates of deposit must be insured or collateralized with obligations of the United States or its agencies or instrumentalities. The 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 \$1,131,977 and a carrying value of \$495,463 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 \$4,493 and cash on hand of \$2,260. These deposits are insured for the first \$250,000 and the balance is collateralized by securities held by a third party custodian in the City's name.

As of June 30, 2018, 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	\$ 4,953,355	\$ 2,493,400	\$ -	\$2,459,955
Wells Fargo Money Market	3,988,784	3,988,784	-	-
Certificates of Deposit	10,160,899	2,464,674	4,124,392	3,571,833
AMLIP	<u>1,155,382</u>	<u>1,155,382</u>	<u>-</u>	<u>-</u>
Total	<u>\$20,258,420</u>	<u>\$10,102,240</u>	<u>\$4,124,392</u>	<u>\$6,031,788</u>

General and Airport Land Sales Permanent Funds' investments:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasury/Agencies	\$ 5,340,874	19.30%
Corporate Bonds	5,519,373	20.04
Wells Fargo Money Market	1,401,270	5.03
U.S. Equity Securities	9,759,066	35.19
International Securities	4,546,223	16.34
Real Estate Equities	<u>1,140,300</u>	<u>4.10</u>
Total	<u>\$27,707,106</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, 2018.

	<u>Pooled Cash and Investments</u>	<u>Kenai Community Foundation</u>	<u>Totals</u>
Bank deposits and cash on hand	\$ 522,216	\$ -	\$ 522,216
Investments	<u>47,816,134</u>	<u>149,392</u>	<u>47,965,526</u>
	<u>\$48,338,350</u>	<u>\$149,392</u>	<u>\$48,487,742</u>

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

The fair values of the City's Airport Land Sales Permanent Fund fixed income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. Duration of a financial asset measures the sensitivity of the asset's price to changes in interest rates. The benchmark index for the fixed income component of the fund is the Bloomberg Barclays Intermediate Government/Credit Index. The index allows for maturities of 1 to 10 years. At June 30, 2018 the index had an average duration of 3.93 while the fund's fixed income component had an average duration of 3.62.

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 Home Loan Mortgage Corporation – 11.92%.

The City's Permanent Fund investment policy places no limits on the amount that can be invested in any one issuer but rather establishes limits by asset class. The following is a list of asset classes allowed, their benchmark index, their appropriate target weighting, and the actual weighting at June 30, 2018.

<u>Asset Class</u>	<u>Benchmark Index</u>	<u>Target % Weighting</u>	<u>Actual % Weighting</u>
Cash	90-day US Treasury Bill	0-10%	5.06%
Fixed income	Barclays Intermediate Government/Credit Index	35-65	39.19
Large-Cap domestic equities	Standard & Poor's 500 Index	15-25	20.07
International equities	Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index	5-15	10.68
Mid-Cap equities	Standard & Poor's 400 Mid-Cap Index	5-15	10.07
Small-Cap equities	Standard & Poor's 600 Small-Cap Index	0-10	5.08
International emerging markets	Morgan Stanley Capital International Emerging Market Index	0-10	5.73
Real-estate equities	Standard & Poor's US REIT Index	0-10	4.12
Total			<u>100.00%</u>

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

The Bloomberg Barclays Intermediate 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, 2018 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, 2018, about \$3 million or 9.47% 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	Continuous Call	Continuous Call
Federal National Mortgage Association	Quarterly Call	September 30, 2018
Federal National Mortgage Association	Quarterly Call	November 25, 2018

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

<u>Investments Measured at Fair Value</u>				
	<u>Fair Value Measurement Using</u>			
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
	<u>Fair Value</u>			
US Treasuries	\$ 4,335,277	\$ 4,335,277	\$ -	\$ -
US Agencies	5,958,952	-	5,958,952	-
Corporate bonds	5,519,373	-	5,519,373	-
Certificates of deposit	10,160,899		10,160,899	-
Money market funds	5,390,054	5,390,054	-	-
Mutual funds	15,445,589	15,445,589	-	-
AMLIP	1,155,382	1,155,382	-	-
Total investment at fair value level	<u>\$47,965,526</u>	<u>\$26,326,302</u>	<u>\$21,639,224</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, 2018, for the City's individual major funds and the nonmajor governmental funds in the aggregate are as follows:

	<u>General</u>	<u>Airport Special Revenue</u>	<u>Water & Sewer Special Revenue</u>	<u>Airport Land Sales Permanent</u>	<u>Airport Improvements Capital Project</u>	<u>Nonmajor Governmental Funds</u>
Taxes	\$1,377,713	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	36,454	6,352	-	-	805,656	114,480
Customer and other	734,886	129,509	289,128	-	-	25,190
Special assessments	361,914	-	-	-	-	-
Land contracts	17,019	-	-	428,973	-	-
Accrued interest	56,132	-	-	113,505	-	14,197
Total receivables	2,584,118	135,861	289,128	542,478	805,656	153,867
Less allowances for uncollectibles	<u>(587,772)</u>	<u>(83,545)</u>	<u>(29,126)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$1,996,346</u>	<u>\$ 52,316</u>	<u>\$260,002</u>	<u>\$542,478</u>	<u>\$805,656</u>	<u>\$153,867</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, 2018, the various components of unearned revenue, deferred inflows of resources, and deferred outflows of resources reported at the fund level and the government-wide level were as follows:

	Fund Level			Government Wide		
	Deferred Outflows	Deferred Inflows	Unearned	Deferred Outflows	Deferred Inflows	Unearned
Pension related	\$ -	\$ -	\$ -	\$1,497,117	\$ -	\$ -
Other postemployment benefits related	-	-	-	350,276	-	-
Special assessments receivable (General Fund)	-	361,914	-	-	-	-
Ambulance billing receivable (General Fund)	-	142,680	-	-	-	-
Land sales receivable (General Fund)	-	17,019	-	-	-	-
Land sales receivable (Airport Land Sales Permanent Fund)	-	428,973	-	-	-	-
Prepaid property tax (General Fund)	-	110,130	-	-	110,130	-
Prepaid licenses (General Fund)	-	2,700	-	-	2,700	-
Pension related	-	-	-	-	1,557,616	-
Other postemployment benefits related	-	-	-	-	1,140,708	-
Prepaid rents & leases (General Fund)	-	-	51,832	-	-	51,832
Prepaid rents & leases (Airport Fund)	-	-	72,739	-	-	72,739
Prepaid rents & leases (Enterprise Fund)	-	-	-	-	-	3,085
Grant funds received prior to meeting all eligibility requirements (Airport Improvements Capital Project Fund)	-	-	1,696	-	-	1,696
	<u>\$ -</u>	<u>\$1,063,416</u>	<u>\$126,267</u>	<u>\$1,847,393</u>	<u>\$ 2,811,154</u>	<u>\$129,352</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,759,766	\$ 84,085	\$ (618,500)	\$ 6,225,351
Construction in progress	<u>4,969,150</u>	<u>2,977,185</u>	<u>(6,385,853)</u>	<u>1,560,482</u>
Total capital assets not being depreciated	<u>11,728,916</u>	<u>3,061,270</u>	<u>(7,004,353)</u>	<u>7,785,833</u>
Capital assets being depreciated:				
Buildings	71,643,476	2,079,253	(920,684)	72,802,045
Improvements other than buildings	56,187,616	3,195,680	-	59,383,296
Machinery and equipment	20,998,616	1,608,974	(262,923)	22,344,667
Infrastructure	<u>70,937,973</u>	<u>33,096</u>	<u>-</u>	<u>70,971,069</u>
Total capital assets being depreciated	<u>219,767,681</u>	<u>6,917,003</u>	<u>(1,183,607)</u>	<u>225,501,077</u>
Less accumulated depreciation for:				
Buildings	(21,702,329)	(1,285,372)	29,734	(22,957,967)
Improvements other than buildings	(23,093,067)	(1,503,694)	-	(24,596,761)
Machinery and equipment	(13,629,633)	(782,424)	238,056	(14,174,001)
Infrastructure	<u>(28,528,738)</u>	<u>(949,011)</u>	<u>-</u>	<u>(29,477,749)</u>
Total accumulated depreciation	<u>(86,953,767)</u>	<u>(4,520,501)</u>	<u>267,790</u>	<u>(91,206,478)</u>
Total capital assets being depreciated, net	<u>132,813,914</u>	<u>2,396,502</u>	<u>(915,817)</u>	<u>134,294,599</u>
Governmental activities capital assets, net	<u>\$144,542,830</u>	<u>\$ 5,457,772</u>	<u>\$ (7,920,170)</u>	<u>\$142,080,432</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, 2017	Increases	Decreases	Balance June 30, 2018
Business-type Activities:				
Capital assets not being depreciated - Land	\$ 274,500	\$ -	\$ -	\$ 274,500
Capital assets being depreciated – Buildings	5,710,219	-	-	5,710,219
Less accumulated depreciation for – Buildings	(3,166,991)	(140,446)	-	(3,307,437)
Total capital assets being depreciated, net	2,543,228	(140,446)	-	2,402,782
Business-type activities capital assets, net	\$ 2,817,728	\$ (140,446)	\$ -	\$ 2,677,282

Depreciation expense charged to each governmental function is as follows:

General government	\$ 71,809
Public safety	211,279
Public works	967,226
Parks, recreation and cultural	321,848
Water and sewer services	1,008,230
Airport	1,873,001
Social welfare services	67,108
	<u>\$ 4,520,501</u>

E. Pension and Other Postemployment Benefits Plans

1. Defined Benefit Pension Plan

General Information About the Plan

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

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

The Plan provides for retirement, death and disability, and 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 notes.

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 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 FY18, the rate uses an 8% pension discount rate and a 4.30% 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, 2018 were determined in the June 30, 2015 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Other Postemployment Benefits (See Note E-3)	<u>4.88%</u>	<u>3.11%</u>	<u>0.00%</u>	<u>66.85%</u>
Total Contribution Rates	<u>22.00%</u>	<u>25.01%</u>	<u>3.01%</u>	<u>95.92%</u>

In 2018, the City was credited with the following contributions into the pension plan.

	Measurement Period <u>City FY17</u>	<u>City FY18</u>
Employer contributions (including DBUL)	\$ 891,552	\$1,048,639
Nonemployer contributions (on-behalf)	<u>349,046</u>	<u>262,041</u>
Total Contributions	<u>\$1,240,598</u>	<u>\$1,310,680</u>

In addition, employee contributions to the plan totaled \$255,844 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, 2018, 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:

	2018
City proportionate share of NPL	\$13,165,767
State's proportionate share of NPL associated with the City	<u>4,904,181</u>
Total Net Pension Liability	<u>\$18,069,948</u>

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2017 measurement date, the City's proportion was 0.25468 percent, which was a decrease of -0.054300 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$ 605,083 and on-behalf revenue of \$389,252 for support provided by the State. At June 30, 2018, 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	\$ -	\$ (236,707)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	353,152	-
Changes in proportion and differences between City of Kenai contributions and proportionate share of contributions	95,326	(1,320,909)
City contributions subsequent to the measurement date	<u>1,048,639</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows Related to Pensions	<u>\$1,497,117</u>	<u>\$(1,557,616)</u>

The \$1,048,639 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, 2019. 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,	
2019	\$(1,437,654)
2020	367,738
2021	165,083
2022	(204,305)

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 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
Amortization Method	Level dollar, closed
Inflation	3.12%
Salary Increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination – 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

The 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):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 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:

	<u>Proportional Share</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	0.25468%	\$17,294,450	\$13,165,767	\$9,679,254

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, 2018, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2018 were \$216,881 and \$347,009, respectively. The City contribution amount was recognized as pension expense/expenditures.

3. Defined Benefit OPEB Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the District participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

Employer Contribution Rate

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

In 2018, the City was credited with the following contributions to the OPEB plan.

	Measurement Period City FY17	City FY18
Employer contributions	\$471,158	\$347,091
Nonemployer contributions (on-behalf)	-	-
Total Contributions	<u>\$471,158</u>	<u>\$347,091</u>

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

At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability (NOL) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2018
City's proportionate share of NOL – ARHCT	\$2,152,102
City's proportionate share of NOL – RMP	20,257
City's proportionate share of NOL – ODD	(55,114)
State's proportionate share of NOL associated with the City	<u>801,210</u>
Total Net OPEB Liability	<u>\$2,918,455</u>

The total OPEB liabilities for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net OPEB liabilities as of that date. The City's proportion of the net OPEB liabilities was based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2016 Measurement Date Employer <u>Proportion</u>	June 30, 2017 Measurement Date Employer <u>Proportion</u>	<u>Change</u>
City's proportionate share of the net OPEB liability			
ARHCT	0.30921%	0.25476%	(0.05445)%
RMP	0.37880%	0.38843%	0.00963%
ODD	0.37880%	0.38843%	0.00963%

As a result of its requirement to contribute to the Plan, the City recognized OPEB expense of \$203,218 and on-behalf revenue of \$125,892 for support provided by the State. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (117,841)
Changes in assumptions	-	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(687,233)
Changes in proportion and differences between City Contributions and proportionate share of contributions	3,185	(335,634)
City contributions subsequent to the measurement date	<u>347,091</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB	<u>\$350,276</u>	<u>\$(1,140,708)</u>

The \$347,091 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30.

2019	\$(422,575)
2020	(372,387)
2021	(171,635)
2022	(171,635)
2023	173
Thereafter	536

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2017 (City fiscal year 2018) was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 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 dollar normal cost basis
Amortization method	Level dollar, closed
Inflation	3.12%

Salary Increases	Peace officer/firefighter - Graded by service, from 9.66% to 4.92%. All others – Graded by age and service from 8.55% to 4.34%
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return/Discount Rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare Cost Trend Rates	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0%
Mortality	Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. 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 OPEB 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 postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic 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):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

Discount Rate Sensitivity

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net OPEB 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 <u>Share</u>	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the net OPEB liability				
ARHCT	0.25476%	\$4,605,725	\$2,152,102	\$88,269
RMP	0.38843%	94,987	20,257	(38,027)
ODD	0.38843%	(49,754)	(55,114)	(59,496)

Healthcare Cost Trend Rates Sensitivity

The following presents the City's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	Proportional <u>Share</u>	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the net OPEB liability				
ARHCT	0.25476%	\$(238,728)	\$2,152,102	\$5,026,453
RMP	0.38843%	(50,142)	20,257	114,579
ODD	0.38843%	-	(55,114)	-

OPEB Plan Fiduciary Net Position

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

4. Defined Contribution OPEB Plans

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, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	1.19%	1.46%

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, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2018, the City contributed \$132,310 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, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Compensated absences	\$ 836,417	\$ 848,784	\$ 815,461	\$ 869,740	\$217,435
Net pension liability	17,270,846	-	4,105,079	13,165,767	-
Net OPEB liability*	-	3,060,127	942,882	2,117,245	-
Library expansion bonds	<u>1,445,000</u>	<u>-</u>	<u>90,000</u>	<u>1,355,000</u>	<u>95,000</u>
Total governmental activities	<u>\$19,552,263</u>	<u>\$3,908,911</u>	<u>\$5,953,422</u>	<u>\$17,507,752</u>	<u>\$312,435</u>

* The net OPEB liability was added in FY18 with the implementation of GASB 75. See Note I for restatement information.

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Compensated absences	<u>\$3,019</u>	<u>\$4,353</u>	<u>\$4,860</u>	<u>\$2,512</u>	<u>\$628</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, 2018, is as follows:

Date of Issue	Issued	Interest Rate	Federal Interest Subsidy	Maturity Dates	Annual Installments	Federal Interest Subsidy	Net Installments	Outstanding June 30, 2018
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	90	-	92 - 95	<u>-</u>
	<u>\$2,000</u>							<u>\$1,355</u>

Debt service requirements for the library expansion bonds at June 30, 2018 are as follows:

Fiscal Year	Governmental Activities			
	Principal	Interest	Interest Subsidy	Net Interest
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	105,000	66,018	29,708	36,310
2023	105,000	59,725	26,876	32,849
2024-2028	590,000	197,290	88,781	108,509
2029-2030	<u>265,000</u>	<u>25,364</u>	<u>11,414</u>	<u>13,950</u>
Total	<u>\$1,355,000</u>	<u>\$581,510</u>	<u>\$261,680</u>	<u>\$319,830</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 2017 Certified Main and Supplemental Tax Roles for the City showed total taxable assessed for real and personal property of \$871,076,322, making the legal debt limit \$174,215,264 for the City.

G. Interfund Receivables, Payables and Transfers

Amounts due from other funds are as follows:

Due to General Fund from:

Airport Land Sales Permanent Fund for short-term operating advance	\$ 16,867
Airport Improvements Capital Project Fund for short-term capital advances	134,756
Senior Citizen Special Revenue Fund for short-term operating advances	<u>181</u>
Total due from other funds	<u>\$151,804</u>

Transfers between funds were as follows:

From General Fund to:

Nonmajor governmental funds for capital costs	\$ 515,172
Nonmajor governmental funds for debt service	142,002
Nonmajor governmental funds for operational costs	176,739

From Airport Special Revenue Fund to -

Airport Improvements Capital Project Fund for capital costs	397,157
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From Water & Sewer Special Revenue Fund to -

Water & Sewer Capital Project Fund for capital costs	146,193
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From Airport Land Sales Permanent Fund to -

Airport Special Revenue Fund for operating costs	1,210,348
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From nonmajor governmental funds to:

General Fund for operational costs	161,561
Parks & Recreation Capital Project Fund for capital costs	50,000

From internal service fund to -

General Fund for operational costs	<u>400,000</u>
Total transfers to other funds	<u>\$3,199,172</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:

	<u>General</u>	<u>Airport Special Revenue</u>	<u>Water & Sewer Special Revenue</u>	<u>Airport Land Sales Permanent</u>	<u>Airport Improv. Capital Proj.</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Nonspendable -							
Permanent funds	\$ -	\$ -	\$ -	\$24,592,355	\$ -	\$3,129,977	\$27,722,332
Restricted -Athletics	<u>682,068</u>	-	-	-	-	-	<u>682,068</u>
Committed:							
Encumbrances	17,750	-	-	-	-	-	17,750
Capital Imp.	750,000	-	-	-	517,022	1,112,582	2,379,604
Budget stabilization	5,201,823	-	-	-	-	-	5,201,823
Subsequent years							
expenditures	<u>1,007,189</u>	-	-	-	-	-	<u>1,007,189</u>
Total committed	<u>6,976,762</u>	-	-	-	<u>517,022</u>	<u>1,112,582</u>	<u>8,606,366</u>
Assigned:							
Operational & capital							
contingency reserve	1,656,298	-	-	-	-	-	1,656,298
Compensated abs.	760,360	58,697	25,312	-	-	3,495	847,864
Airport operations	-	5,020,293	-	-	-	-	5,020,293
Water & sewer							
operations	-	-	2,518,480	-	-	-	2,518,480
Personal use fishery							
operations	-	-	-	-	-	290,399	290,399
Total assigned	<u>2,416,658</u>	<u>5,078,990</u>	<u>2,543,792</u>	<u>-</u>	<u>-</u>	<u>293,894</u>	<u>10,333,334</u>
Unassigned	495,196	-	-	-	-	-	495,196
Total fund balances	<u>\$10,570,684</u>	<u>\$5,078,990</u>	<u>\$2,543,792</u>	<u>\$24,592,355</u>	<u>\$517,022</u>	<u>\$4,536,453</u>	<u>\$47,839,296</u>

I. Change in Accounting Principle

As discussed in Note E to the financial statements, the City participates in the Alaska Public Employees Retirement System (PERS) plan. In 2018 the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net OPEB Liability (and related deferred inflow/outflow accounts), as of the beginning of the fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to decrease net position as follows:

	Opening net position as originally <u>presented</u>	Change in accounting principle <u>adjustment</u>	Opening net position as restated
Government Activities	\$177,774,700	\$(3,060,127)	\$174,714,573

J. 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.

K. Contingencies

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

In 2018, the City was alerted to potential Perfluorinated Compounds (PFCs) pollution at the Kenai Municipal Airport and the Beacon Regional Fire Training Center (BRFTC). Firefighters from the City and attendees of BRFTC used Aqueous Film Forming foam, a firefighting agent that contained PFCs, during training. The use of Aqueous Film Forming foam containing PFCs is mandated by the Code of Federal Regulation Title 14, Chapter 139.317 in aircraft rescue and firefighting vehicles which are equipped with foam fire suppression systems. Testing was performed by the Alaska Department of Environmental Conservation in November 2019 to evaluate potential contamination in 6 private wells. Results are expected to be reported to the City in December 2019. There is no current estimate of the existence or amount of pollution and as such, no estimate is available for potential remediation costs. Once testing is completed, should the existence of contamination be detected, the City shall record an appropriate liability.

L. 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 83 – Certain Asset Retirement Obligations – Effective for year-end June 30, 2019, with earlier application encouraged – This statement addresses accounting and financial reporting for certain asset

retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

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

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

GASB 88 – Debt disclosures – Effective for year-end June 30, 2019, with earlier application encouraged – This statement improves the information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KENAI, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes:				
General property	\$ 3,864,650	\$ 3,864,650	\$ 3,861,282	\$ (3,368)
General sales	6,962,613	6,962,613	6,854,253	(108,360)
Penalty and interest on taxes	10,000	10,000	7,163	(2,837)
Total taxes	<u>10,837,263</u>	<u>10,837,263</u>	<u>10,722,698</u>	<u>(114,565)</u>
Intergovernmental revenues:				
Federal grants	-	30,239	32,573	2,334
Kenai Peninsula Borough	52,800	52,800	52,800	-
State of Alaska shared revenues:				
Electric utility tax	33,000	33,000	31,346	(1,654)
Fish tax	165,000	165,000	118,543	(46,457)
Liquor licenses	25,000	25,000	25,900	900
Community Assistance	170,598	170,598	250,852	80,254
State of Alaska grants:				
Library grants	-	7,000	7,000	-
Police grants	-	-	2,701	2,701
PERS relief	204,840	206,445	218,726	12,281
Total intergovernmental revenues	<u>651,238</u>	<u>690,082</u>	<u>740,441</u>	<u>50,359</u>
Charges for services:				
Fees and charges:				
Ambulance fees	425,000	425,000	443,544	18,544
Multipurpose facility charges	110,000	110,000	130,452	20,452
Administrative and service fees	1,531,400	1,542,390	1,542,390	-
Other	9,500	9,500	22,450	12,950
Total fees and charges	<u>2,075,900</u>	<u>2,086,890</u>	<u>2,138,836</u>	<u>51,946</u>
Licenses and permits:				
Building permits	50,000	50,000	79,617	29,617
Animal control licenses and fees	45,000	45,000	50,269	5,269
Other	8,000	8,000	6,726	(1,274)
Total licenses and permits	<u>103,000</u>	<u>103,000</u>	<u>136,612</u>	<u>33,612</u>
Fines and forfeits:				
Court fines	50,000	50,000	40,850	(9,150)
Library fines	12,000	12,000	9,038	(2,962)
Other forfeitures	27,500	33,651	17,459	(16,192)
Total fines and forfeits	<u>89,500</u>	<u>95,651</u>	<u>67,347</u>	<u>(28,304)</u>
Total charges for services	<u>2,268,400</u>	<u>2,285,541</u>	<u>2,342,795</u>	<u>57,254</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues, continued:				
Investment earnings	\$ 100,000	\$ 100,000	\$ 45,801	\$ (54,199)
Miscellaneous revenues:				
Rents and leases	190,510	190,510	146,058	(44,452)
Oil and gas royalties	36,000	36,000	50,716	14,716
Special assessments	28,500	28,500	10,921	(17,579)
Other	49,585	55,735	63,375	7,640
Total miscellaneous revenues	<u>304,595</u>	<u>310,745</u>	<u>271,070</u>	<u>(39,675)</u>
Total revenues	<u>14,161,496</u>	<u>14,223,631</u>	<u>14,122,805</u>	<u>(100,826)</u>
Expenditures:				
General government:				
Legislative:				
Personal services	51,853	51,853	51,846	7
Supplies	8,840	4,340	3,070	1,270
Other services and charges	109,262	108,762	103,777	4,985
Total legislative	<u>169,955</u>	<u>164,955</u>	<u>158,693</u>	<u>6,262</u>
City clerk:				
Personal services	224,145	222,495	177,316	45,179
Supplies	19,100	22,650	20,604	2,046
Other services and charges	55,110	54,760	49,385	5,375
Total city clerk	<u>298,355</u>	<u>299,905</u>	<u>247,305</u>	<u>52,600</u>
City attorney:				
Personal services	290,251	290,251	269,396	20,855
Supplies	2,235	2,235	1,671	564
Other services and charges	62,257	62,257	26,227	36,030
Total city attorney	<u>354,743</u>	<u>354,743</u>	<u>297,294</u>	<u>57,449</u>
City manager:				
Personal services	319,914	319,914	308,499	11,415
Supplies	2,700	2,700	1,819	881
Other services and charges	27,640	27,640	17,143	10,497
Total city manager	<u>350,254</u>	<u>350,254</u>	<u>327,461</u>	<u>22,793</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	\$ 619,885	\$ 622,735	\$ 586,805	\$ 35,930
Supplies	42,600	44,200	36,749	7,451
Other services and charges	22,925	18,475	11,771	6,704
Total finance	<u>685,410</u>	<u>685,410</u>	<u>635,325</u>	<u>50,085</u>
Non-departmental:				
Personal services	204,840	206,445	156,101	50,344
Supplies	18,150	38,064	34,727	3,337
Other services and charges	432,135	413,821	287,771	126,050
Total non-departmental	<u>655,125</u>	<u>658,330</u>	<u>478,599</u>	<u>179,731</u>
Planning and zoning:				
Personal services	184,630	184,630	176,435	8,195
Supplies	7,425	7,425	4,274	3,151
Other services and charges	39,400	39,400	17,447	21,953
Total planning and zoning	<u>231,455</u>	<u>231,455</u>	<u>198,156</u>	<u>33,299</u>
Safety:				
Supplies	1,000	4,000	2,860	1,140
Other services and charges	20,150	17,150	900	16,250
Total safety	<u>21,150</u>	<u>21,150</u>	<u>3,760</u>	<u>17,390</u>
Land administration:				
Supplies	740	740	-	740
Other services and charges	17,000	16,657	990	15,667
Capital outlays	-	343	343	-
Total land administration	<u>17,740</u>	<u>17,740</u>	<u>1,333</u>	<u>16,407</u>
Total general government	<u>2,784,187</u>	<u>2,783,942</u>	<u>2,347,926</u>	<u>436,016</u>
Public safety:				
Police:				
Personal services	2,664,350	2,670,842	2,608,376	62,466
Supplies	93,145	105,696	102,046	3,650
Other services and charges	164,404	158,004	142,225	15,779
Total police	<u>2,921,899</u>	<u>2,934,542</u>	<u>2,852,647</u>	<u>81,895</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	\$ 2,703,110	\$ 2,771,107	\$ 2,699,980	\$ 71,127
Supplies	78,165	85,165	79,366	5,799
Other services and charges	322,571	296,621	273,306	23,315
Total fire	<u>3,103,846</u>	<u>3,152,893</u>	<u>3,052,652</u>	<u>100,241</u>
Communications:				
Personal services	802,937	802,937	744,532	58,405
Supplies	9,040	9,040	6,476	2,564
Other services and charges	42,223	42,223	37,254	4,969
Total communications	<u>854,200</u>	<u>854,200</u>	<u>788,262</u>	<u>65,938</u>
Animal control:				
Personal services	284,788	284,788	259,636	25,152
Supplies	14,150	13,170	11,963	1,207
Other services and charges	120,839	121,819	110,257	11,562
Total animal control	<u>419,777</u>	<u>419,777</u>	<u>381,856</u>	<u>37,921</u>
Total public safety	<u>7,299,722</u>	<u>7,361,412</u>	<u>7,075,417</u>	<u>285,995</u>
Public works:				
Public works administration:				
Personal services	225,005	225,005	237,265	(12,260)
Supplies	4,325	4,115	2,004	2,111
Other services and charges	4,339	4,549	(42,854)	47,403
Total public works administration	<u>233,669</u>	<u>233,669</u>	<u>196,415</u>	<u>37,254</u>
Shop:				
Personal services	361,990	361,990	351,225	10,765
Supplies	184,706	188,049	187,440	609
Other services and charges	100,636	97,293	78,719	18,574
Total shop	<u>647,332</u>	<u>647,332</u>	<u>617,384</u>	<u>29,948</u>
Streets:				
Personal services	579,804	579,804	568,084	11,720
Supplies	144,665	135,465	134,949	516
Other services and charges	260,991	270,191	258,911	11,280
Total streets	<u>985,460</u>	<u>985,460</u>	<u>961,944</u>	<u>23,516</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	\$ 47,730	\$ 47,730	\$ 29,133	\$ 18,597
Supplies	11,000	11,000	6,356	4,644
Other services and charges	34,618	28,618	17,176	11,442
Total dock	<u>93,348</u>	<u>87,348</u>	<u>52,665</u>	<u>34,683</u>
Buildings:				
Personal services	247,854	252,516	252,210	306
Supplies	35,435	35,435	34,594	841
Other services and charges	58,155	44,993	33,738	11,255
Total buildings	<u>341,444</u>	<u>332,944</u>	<u>320,542</u>	<u>12,402</u>
Street lighting -				
Other services and charges	167,409	181,909	173,925	7,984
Total street lighting	<u>167,409</u>	<u>181,909</u>	<u>173,925</u>	<u>7,984</u>
Total public works	<u>2,468,662</u>	<u>2,468,662</u>	<u>2,322,875</u>	<u>145,787</u>
Parks, recreation, and cultural:				
Library:				
Personal services	676,445	676,445	666,317	10,128
Supplies	21,100	23,250	20,174	3,076
Other services and charges	215,040	222,390	206,510	15,880
Total library	<u>912,585</u>	<u>922,085</u>	<u>893,001</u>	<u>29,084</u>
Visitors center:				
Supplies	1,000	1,755	1,706	49
Other services and charges	181,404	180,649	177,342	3,307
Total visitors center	<u>182,404</u>	<u>182,404</u>	<u>179,048</u>	<u>3,356</u>
Parks, recreation & beautification:				
Personal services	530,381	530,381	454,195	76,186
Supplies	105,715	107,115	95,880	11,235
Other services and charges	483,160	496,907	453,051	43,856
Capital outlays	-	6,600	6,582	18
Total parks, recreation & beautification	<u>1,119,256</u>	<u>1,141,003</u>	<u>1,009,708</u>	<u>131,295</u>
Total parks, recreation, and cultural	<u>2,214,245</u>	<u>2,245,492</u>	<u>2,081,757</u>	<u>163,735</u>
Total expenditures	<u>14,766,816</u>	<u>14,859,508</u>	<u>13,827,975</u>	<u>1,031,533</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	\$ (605,320)	\$ (635,877)	\$ 294,830	\$ 930,707
Other financing sources (uses):				
Transfers in	550,993	550,993	561,561	10,568
Transfers out	<u>(826,788)</u>	<u>(853,960)</u>	<u>(833,913)</u>	<u>20,047</u>
Net other financing sources (uses)	<u>(275,795)</u>	<u>(302,967)</u>	<u>(272,352)</u>	<u>30,615</u>
Net changes in fund balance	<u>\$ (881,115)</u>	<u>\$ (938,844)</u>	22,478	<u>\$ 961,322</u>
Fund balance - July 1			<u>10,548,206</u>	
Fund balance - June 30			<u>\$ 10,570,684</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues - State grant	\$ 23,552	\$ 23,552	\$ 21,891	\$ (1,661)
Charge for services - landing fees	<u>375,000</u>	<u>375,000</u>	<u>401,556</u>	<u>26,556</u>
Investment earnings	<u>25,000</u>	<u>25,000</u>	<u>20,563</u>	<u>(4,437)</u>
Miscellaneous revenues:				
Rents and leases, including penalty and interest	991,340	991,340	1,036,657	45,317
Parking fees	300,000	300,000	223,360	(76,640)
Car rental commissions	195,000	195,000	171,096	(23,904)
Advertising commissions	9,000	9,000	10,648	1,648
Fuel flowage	35,000	35,000	12,093	(22,907)
Other	<u>36,500</u>	<u>36,500</u>	<u>24,437</u>	<u>(12,063)</u>
Total miscellaneous revenues	<u>1,566,840</u>	<u>1,566,840</u>	<u>1,478,291</u>	<u>(88,549)</u>
Total revenues	<u>1,990,392</u>	<u>1,990,392</u>	<u>1,922,301</u>	<u>(68,091)</u>
Expenditures:				
Maintenance and operation:				
Personal services	376,145	376,145	308,881	67,264
Supplies	156,530	156,530	146,434	10,096
Other services and charges	307,767	320,687	318,212	2,475
Capital outlays	<u>40,781</u>	<u>40,781</u>	<u>30,993</u>	<u>9,788</u>
	881,223	894,143	804,520	89,623
Expenditures chargeable from other funds	<u>816,300</u>	<u>827,290</u>	<u>827,290</u>	<u>-</u>
Total maintenance and operation	<u>1,697,523</u>	<u>1,721,433</u>	<u>1,631,810</u>	<u>89,623</u>
Administration:				
Personal services	223,500	223,500	210,265	13,235
Supplies	3,740	3,740	1,377	2,363
Other services and charges	<u>58,174</u>	<u>45,254</u>	<u>24,395</u>	<u>20,859</u>
	285,414	272,494	236,037	36,457
Expenditures chargeable from other funds	<u>51,500</u>	<u>51,500</u>	<u>51,500</u>	<u>-</u>
Total administration	<u>336,914</u>	<u>323,994</u>	<u>287,537</u>	<u>36,457</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	\$ 72,270	\$ 72,270	\$ 69,074	\$ 3,196
Supplies	16,200	16,200	15,471	729
Other services and charges	91,941	91,941	55,965	35,976
Capital outlays	<u>59,000</u>	<u>59,000</u>	<u>58,498</u>	<u>502</u>
Total land	<u>239,411</u>	<u>239,411</u>	<u>199,008</u>	<u>40,403</u>
Training facility -				
Other services and charges	<u>38,326</u>	<u>38,326</u>	<u>36,125</u>	<u>2,201</u>
Terminal:				
Personal services	184,857	184,857	174,135	10,722
Supplies	27,200	27,200	23,098	4,102
Other services and charges	346,768	346,768	312,495	34,273
Capital outlays	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
	576,825	576,825	509,728	67,097
Expenditures chargeable from				
other funds	<u>68,600</u>	<u>68,600</u>	<u>68,600</u>	<u>-</u>
Total terminal	<u>645,425</u>	<u>645,425</u>	<u>578,328</u>	<u>67,097</u>
Total expenditures	<u>2,957,599</u>	<u>2,968,589</u>	<u>2,732,808</u>	<u>235,781</u>
Excess of revenues over (under)				
expenditures	<u>(967,207)</u>	<u>(978,197)</u>	<u>(810,507)</u>	<u>167,690</u>
Other financing sources (uses):				
Transfers in	1,191,711	1,191,711	1,210,348	18,637
Transfers out	<u>-</u>	<u>(402,269)</u>	<u>(397,157)</u>	<u>5,112</u>
Net other financing sources (uses)	<u>1,191,711</u>	<u>789,442</u>	<u>813,191</u>	<u>23,749</u>
Net changes in fund balance	<u>\$ 224,504</u>	<u>\$ (188,755)</u>	2,684	<u>\$ 191,439</u>
Fund balance - July 1			<u>5,076,306</u>	
Fund balance - June 30			<u>\$ 5,078,990</u>	

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

**CITY OF KENAI, ALASKA
WATER AND SEWER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenues -				
State grant	\$ 17,228	\$ 17,228	\$ 17,347	\$ 119
Charges for services:				
Residential water	832,278	832,279	830,102	(2,177)
Commercial water	350,141	350,141	327,519	(22,622)
Residential sewer	1,182,298	1,182,299	1,182,083	(216)
Commercial sewer	494,807	494,807	453,930	(40,877)
Hook-up fees	3,929	3,927	2,608	(1,319)
Other	43,250	43,250	36,959	(6,291)
Total charges for services	<u>2,906,703</u>	<u>2,906,703</u>	<u>2,833,201</u>	<u>(73,502)</u>
Investment earnings	16,000	16,000	11,775	(4,225)
Miscellaneous revenues	<u>3,000</u>	<u>3,000</u>	<u>24,775</u>	<u>21,775</u>
Total revenues	<u>2,942,931</u>	<u>2,942,931</u>	<u>2,887,098</u>	<u>(55,833)</u>
Expenditures - water and sewer services:				
Water:				
Personal services	270,778	277,095	247,081	30,014
Supplies	164,157	168,857	144,497	24,360
Other services and charges	<u>319,042</u>	<u>314,342</u>	<u>257,010</u>	<u>57,332</u>
	753,977	760,294	648,588	111,706
Expenditures chargeable from other funds	<u>110,300</u>	<u>110,300</u>	<u>110,300</u>	<u>-</u>
Total water	<u>864,277</u>	<u>870,594</u>	<u>758,888</u>	<u>111,706</u>
Sewer:				
Personal services	271,453	277,770	245,786	31,984
Supplies	29,875	32,875	25,957	6,918
Other services and charges	79,452	71,973	46,905	25,068
Capital outlays	<u>14,000</u>	<u>18,479</u>	<u>18,497</u>	<u>(18)</u>
	394,780	401,097	337,145	63,952
Expenditures chargeable from other funds	<u>119,050</u>	<u>55,200</u>	<u>55,200</u>	<u>-</u>
Total sewer	<u>513,830</u>	<u>456,297</u>	<u>392,345</u>	<u>63,952</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures - continued:				
Sewer treatment plant:				
Personal services	\$ 369,997	\$ 384,019	\$ 354,326	\$ 29,693
Supplies	110,181	115,081	113,375	1,706
Other services and charges	459,394	531,994	513,127	18,867
Capital outlays	16,000	16,000	15,684	316
	<u>955,572</u>	<u>1,047,094</u>	<u>996,512</u>	<u>50,582</u>
Expenditures chargeable from other funds	<u>119,800</u>	<u>119,800</u>	<u>119,800</u>	<u>-</u>
Total sewer treatment plant	<u>1,075,372</u>	<u>1,166,894</u>	<u>1,116,312</u>	<u>50,582</u>
 Total expenditures	<u>2,453,479</u>	<u>2,493,785</u>	<u>2,267,545</u>	<u>226,240</u>
 Excess of revenues over (under) expenditures	489,452	449,146	619,553	170,407
Other financing uses -				
Transfers out	<u>-</u>	<u>(146,193)</u>	<u>(146,193)</u>	<u>-</u>
 Net changes in fund balance	<u>\$ 489,452</u>	<u>\$ 302,953</u>	473,360	<u>\$ 170,407</u>
 Fund balance - July 1			<u>2,070,432</u>	
 Fund balance - June 30			<u>\$ 2,543,792</u>	

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

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

Years Ended June 30,	City's proportion of the net pension liability	City's proportionate share of the net pension liability	State of Alaska proportionate share of the net pension liability	Total net pension liability	City's covered- employee payroll	City's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	0.18506%	\$ 8,631,519	\$ 7,550,147	\$ 16,181,666	\$ 4,739,928	182.10%	62.37%
2016	0.26181%	12,697,944	3,401,936	16,099,880	4,415,909	287.55%	63.96%
2017	0.30898%	17,270,846	2,174,127	19,444,973	4,180,200	413.16%	59.55%
2018	0.25468%	13,165,767	4,904,181	18,069,948	7,663,488	171.80%	63.37%

* Information for these years is not available.

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

Years Ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	City's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	\$ 780,934	\$ 780,934	-	\$ 4,415,909	17.68%
2016	811,111	811,111	-	4,180,200	19.40%
2017	891,552	891,552	-	7,663,488	11.63%
2017	1,048,639	1,048,639	-	7,992,166	13.12%

* Information for these years is not available.

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

Years Ended June 30,	City's proportion of the net OPEB liability	City's proportionate share of the net OPEB liability	State of Alaska proportionate share of the net OPEB liability	Total net OPEB liability	City's covered- employee payroll	City's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2017	*	*	*	*	*	*	*
2018	0.25476%	\$ 2,117,245	\$ 801,210	\$ 2,918,455	\$ 7,663,488	27.63%	89.91%

* Information for these years is not available.

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

Years Ended June 30,	<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>
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	*	*	*	*	*
2016	*	*	*	*	*
2017	*	*	*	*	*
2018	\$ 347,091	\$ 347,091	-	\$ 7,992,166	4.34%

* Information for these years is not available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENAI, ALASKA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

I. BUDGETARY COMPARISON SCHEDULES

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

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

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

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

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

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

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

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

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

This table is based on the City's contributions for each year presented. These contributions have been reported as a deferred outflow on the statement of net position.

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.

IV. SCHEDULE OF THE CITY'S INFORMATION ON THE NET OPEB LIABILITY

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

V. SCHEDULE OF CITY CONTRIBUTIONS – PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

This table is based on the City's contributions for each year presented. These contributions have been reported as a deferred outflow on the statement of net position.

Both OPEB 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.

Other Governmental Funds

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

Special Revenue Funds

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

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

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

Capital Project Funds

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

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

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

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

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

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

Debt Service Fund

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

Permanent Funds

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

General Government Land Sales Fund - to account for the proceeds of general government land sales, including principal and interest on long-term notes. By City Charter, the principal cannot be spent. Interest revenue is transferred to the General Fund in the amount of 5% of the funds balance or calendar year actual earnings as measured at December 31st of each year.

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

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**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018**

	<u>Special Revenue</u>		<u>Capital Project</u>		
	<u>Personal Use Fishery</u>	<u>Senior Citizen</u>	<u>Parks and Recreation</u>	<u>Streets</u>	<u>Water and Sewer</u>
ASSETS					
Equity in central treasury (cash and investments)	\$ 297,712	\$ -	\$ 286,560	\$ 93,246	\$ 629,100
Intergovernmental receivables	-	15,735	-	12,700	78,624
Prepaid items	-	550	-	-	-
Other accounts receivable, net	-	25,190	-	-	-
Total assets	<u>\$ 297,712</u>	<u>\$ 41,475</u>	<u>\$ 286,560</u>	<u>\$ 105,946</u>	<u>\$ 707,724</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,818	\$ 12,070	\$ 7,548	\$ 6,315	\$ 115,251
Accrued payroll and payroll liabilities	-	13,718	-	-	-
Other liabilities	-	15,506	-	-	-
Due to General Fund	-	181	-	-	-
Total liabilities	<u>3,818</u>	<u>41,475</u>	<u>7,548</u>	<u>6,315</u>	<u>115,251</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Committed	-	-	279,012	99,631	592,473
Assigned	<u>293,894</u>	-	-	-	-
Total fund balances	<u>293,894</u>	-	<u>279,012</u>	<u>99,631</u>	<u>592,473</u>
Total liabilities and fund balances	<u>\$ 297,712</u>	<u>\$ 41,475</u>	<u>\$ 286,560</u>	<u>\$ 105,946</u>	<u>\$ 707,724</u>

<u>Capital Project</u>		<u>Debt Service</u>	<u>Permanent</u>	
<u>New City Shop Construction</u>	<u>Miscellaneous</u>	<u>2010 Bond Debt Service</u>	<u>General Government Land Sales</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 24,726	\$ 113,347	\$ -	\$ 3,116,242	\$ 4,560,933
-	7,421	-	-	114,480
-	-	-	-	550
-	-	-	14,197	39,387
<u>\$ 24,726</u>	<u>\$ 120,768</u>	<u>\$ -</u>	<u>\$ 3,130,439</u>	<u>\$ 4,715,350</u>
\$ -	\$ 4,028	\$ -	\$ 462	\$ 149,492
-	-	-	-	13,718
-	-	-	-	15,506
-	-	-	-	181
<u>-</u>	<u>4,028</u>	<u>-</u>	<u>462</u>	<u>178,897</u>
-	-	-	3,129,977	3,129,977
24,726	116,740	-	-	1,112,582
-	-	-	-	293,894
<u>24,726</u>	<u>116,740</u>	<u>-</u>	<u>3,129,977</u>	<u>4,536,453</u>
<u>\$ 24,726</u>	<u>\$ 120,768</u>	<u>\$ -</u>	<u>\$ 3,130,439</u>	<u>\$ 4,715,350</u>

**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	Special Revenue		Capital Project		
	Personal Use Fishery	Senior Citizen	Parks and Recreation	Streets	Water and Sewer
Revenues:					
Intergovernmental revenues	\$ 1,546	\$ 343,742	\$ 43,118	\$ 46,920	\$ 580,652
Charges for services	516,575	-	-	-	-
Investment earnings	1,522	-	-	-	-
Miscellaneous revenues	-	393,397	-	-	-
Total revenues	<u>519,643</u>	<u>737,139</u>	<u>43,118</u>	<u>46,920</u>	<u>580,652</u>
Expenditures:					
Public safety	114,542	-	-	-	-
Water and sewer services	-	-	-	-	673,431
Social welfare services	-	913,878	-	-	-
Parks, recreation and cultural	225,445	-	71,815	-	-
Public works	89,318	-	-	60,590	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>429,305</u>	<u>913,878</u>	<u>71,815</u>	<u>60,590</u>	<u>673,431</u>
Excess of revenues over (under) expenditures	90,338	(176,739)	(28,697)	(13,670)	(92,779)
Other financing sources (uses):					
Transfers in	-	176,739	300,000	75,172	146,193
Transfers out	-	-	-	(50,000)	-
Net other financing sources (uses)	<u>-</u>	<u>176,739</u>	<u>300,000</u>	<u>25,172</u>	<u>146,193</u>
Net changes in fund balances	90,338	-	271,303	11,502	53,414
Fund balances - July 1	<u>203,556</u>	<u>-</u>	<u>7,709</u>	<u>88,129</u>	<u>539,059</u>
Fund balances - June 30	<u>\$ 293,894</u>	<u>\$ -</u>	<u>\$ 279,012</u>	<u>\$ 99,631</u>	<u>\$ 592,473</u>

<u>Capital Project</u>		<u>Debt Service</u>	<u>Permanent</u>	
<u>New City Shop Construction</u>	<u>Miscellaneous</u>	<u>2010 Bond Debt Service</u>	<u>General Government Land Sales</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 117,758	\$ 34,996	\$ -	\$ 1,168,732
-	-	-	-	516,575
-	-	-	187,598	189,120
-	2,750	-	54,001	450,148
-	120,508	34,996	241,599	2,324,575
-	168,751	-	-	283,293
-	-	-	-	673,431
-	251,966	-	-	1,165,844
-	-	-	-	297,260
10,274	27,578	-	-	187,760
-	-	90,000	-	90,000
-	-	86,998	-	86,998
10,274	448,295	176,998	-	2,784,586
(10,274)	(327,787)	(142,002)	241,599	(460,011)
35,000	155,000	142,002	-	1,030,106
-	-	-	(161,561)	(211,561)
35,000	155,000	142,002	(161,561)	818,545
24,726	(172,787)	-	80,038	358,534
-	289,527	-	3,049,939	4,177,919
<u>\$ 24,726</u>	<u>\$ 116,740</u>	<u>\$ -</u>	<u>\$ 3,129,977</u>	<u>\$ 4,536,453</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, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues - State grant	\$ 2,312	\$ 1,546	\$ (766)
Charge for services - Parking, camping, and boat launch	508,745	516,575	7,830
Investment earnings	<u>750</u>	<u>1,522</u>	<u>772</u>
Total revenues	<u>511,807</u>	<u>519,643</u>	<u>7,836</u>
Expenditures:			
Public safety:			
Personal services	31,155	30,266	889
Supplies	2,200	2,200	-
Other services and charges	<u>8,930</u>	<u>8,776</u>	<u>154</u>
	42,285	41,242	1,043
Expenditures chargeable from other funds	<u>73,300</u>	<u>73,300</u>	<u>-</u>
Total public safety	<u>115,585</u>	<u>114,542</u>	<u>1,043</u>
Public works - Streets:			
Personal services	16,451	18,251	(1,800)
Supplies	2,145	512	1,633
Other services and charges	<u>13,881</u>	<u>10,275</u>	<u>3,606</u>
	32,477	29,038	3,439
Expenditures chargeable from other funds	<u>3,900</u>	<u>3,900</u>	<u>-</u>
Total public works - streets	<u>36,377</u>	<u>32,938</u>	<u>3,439</u>
Parks, recreation and cultural:			
Personal services	97,410	95,471	1,939
Supplies	12,441	9,708	2,733
Other services and charges	<u>96,121</u>	<u>93,166</u>	<u>2,955</u>
	205,972	198,345	7,627
Expenditures chargeable from other funds	<u>27,100</u>	<u>27,100</u>	<u>-</u>
Total parks, recreation and cultural	<u>233,072</u>	<u>225,445</u>	<u>7,627</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	\$ 40,518	\$ 38,876	\$ 1,642
Supplies	2,075	524	1,551
Other services and charges	<u>12,050</u>	<u>8,780</u>	<u>3,270</u>
	54,643	48,180	6,463
Expenditures chargeable from other funds	<u>8,200</u>	<u>8,200</u>	<u>-</u>
Total public works - dock	<u>62,843</u>	<u>56,380</u>	<u>6,463</u>
Total expenditures	<u>447,877</u>	<u>429,305</u>	<u>18,572</u>
Net changes in fund balance	<u>\$ 63,930</u>	90,338	<u>\$ 26,408</u>
Fund balance - July 1		<u>203,556</u>	
Fund balance - June 30		<u>\$ 293,894</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, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental revenues:			
State grants	\$ 198,299	\$ 198,577	\$ 278
Federal grants	15,000	18,958	3,958
Kenai Peninsula Borough grant	126,207	126,207	-
Total intergovernmental revenues	<u>339,506</u>	<u>343,742</u>	<u>4,236</u>
Miscellaneous revenues:			
Choice Waiver reimbursement	225,000	195,012	(29,988)
United Way grants	5,977	9,598	3,621
Rents and leases	13,000	8,324	(4,676)
Donations	189,105	180,505	(8,600)
Other	300	(42)	(342)
Total miscellaneous revenues	<u>433,382</u>	<u>393,397</u>	<u>(39,985)</u>
Total revenues	<u>772,888</u>	<u>737,139</u>	<u>(35,749)</u>
Expenditures - social welfare services:			
Social services:			
Personal services	109,672	106,194	3,478
Supplies	3,421	2,756	665
Other services and charges	27,419	22,215	5,204
	<u>140,512</u>	<u>131,165</u>	<u>9,347</u>
Expenditures chargeable from other funds	<u>25,900</u>	<u>25,900</u>	<u>-</u>
Total social services	<u>166,412</u>	<u>157,065</u>	<u>9,347</u>
Congregate meals:			
Personal services	121,859	117,896	3,963
Supplies	67,080	57,158	9,922
Other services and charges	23,195	18,907	4,288
	<u>212,134</u>	<u>193,961</u>	<u>18,173</u>
Expenditures chargeable from other funds	<u>26,700</u>	<u>26,700</u>	<u>-</u>
Total congregare meals	<u>238,834</u>	<u>220,661</u>	<u>18,173</u>
Home delivered meals:			
Personal services	89,280	86,287	2,993
Supplies	63,906	49,320	14,586
Other services and charges	16,658	13,350	3,308
Capital outlays	30,605	30,605	-
	<u>200,449</u>	<u>179,562</u>	<u>20,887</u>

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures - social welfare services - continued:			
Home delivered meals - continued:			
Expenditures chargeable from			
other funds	\$ 26,000	\$ 26,000	\$ -
Total home delivered meals	<u>226,449</u>	<u>205,562</u>	<u>20,887</u>
Transportation:			
Personal services	40,893	40,086	807
Supplies	10,365	9,970	395
Other services and charges	<u>11,566</u>	<u>9,031</u>	<u>2,535</u>
	62,824	59,087	3,737
Expenditures chargeable from			
other funds	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Total transportation	<u>83,824</u>	<u>80,087</u>	<u>3,737</u>
Choice Waiver:			
Personal services	128,354	124,480	3,874
Supplies	65,881	46,027	19,854
Other services and charges	<u>25,303</u>	<u>21,396</u>	<u>3,907</u>
	219,538	191,903	27,635
Expenditures chargeable from			
other funds	<u>58,600</u>	<u>58,600</u>	<u>-</u>
Total Choice Waiver	<u>278,138</u>	<u>250,503</u>	<u>27,635</u>
Total expenditures	<u>993,657</u>	<u>913,878</u>	<u>79,779</u>
Excess of revenues over (under)			
expenditures	(220,769)	(176,739)	44,030
Other financing sources -			
Transfers in	<u>196,730</u>	<u>176,739</u>	<u>(19,991)</u>
Net changes in fund balance	<u>\$ (24,039)</u>	-	<u>\$ 24,039</u>
Fund balance - July 1		-	
Fund balance - June 30		<u>\$ -</u>	

CITY OF KENAI, ALASKA
2010 BOND DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues - intergovernmental	\$ 34,940	34,996	\$ 56
Expenditures - debt service:			
Principal	90,000	90,000	-
Interest	86,998	86,998	-
Total expenditures	<u>176,998</u>	<u>176,998</u>	<u>-</u>
Excess of revenues over (under) expenditures	(142,058)	(142,002)	56
Other financing sources -			
Transfers in	<u>142,058</u>	<u>142,002</u>	<u>(56)</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Investment earnings	\$ 184,188	\$ 187,598	\$ 3,410
Land sales	<u>-</u>	<u>54,001</u>	<u>54,001</u>
Total revenues	<u>184,188</u>	<u>241,599</u>	<u>57,411</u>
 Other financing uses -			
Transfers out	<u>(161,561)</u>	<u>(161,561)</u>	<u>-</u>
 Net changes in fund balance	<u>\$ 22,627</u>	80,038	<u>\$ 57,411</u>
 Fund balance - July 1		<u>3,049,939</u>	
 Fund balance - June 30		<u>\$ 3,129,977</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Investment earnings	\$ 1,473,738	\$ 1,513,454	\$ 39,716
Land sales	<u>-</u>	<u>9,234</u>	<u>9,234</u>
Total revenues	<u>1,473,738</u>	<u>1,522,688</u>	<u>48,950</u>
Other financing uses -			
Transfers out	<u>(1,210,348)</u>	<u>(1,210,348)</u>	<u>-</u>
Net changes in fund balance	<u>\$ 263,390</u>	312,340	<u>\$ 48,950</u>
Fund balance - July 1		<u>24,280,015</u>	
Fund balance - June 30		<u>\$ 24,592,355</u>	

Internal Service Funds

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

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

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

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

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities - Internal Service Funds		Total
	<u>Equipment Replacement</u>	<u>Employee Health Care</u>	<u>Internal Service Funds</u>
ASSETS			
Current assets -			
Equity in central treasury (cash and investments)	\$ 1,173,381	\$ 248,422	\$ 1,421,803
Noncurrent assets -			
Property and equipment in service, at cost -			
Equipment	3,286,390	-	3,286,390
Less accumulated depreciation	<u>(1,531,470)</u>	<u>-</u>	<u>(1,531,470)</u>
Net property and equipment in service	<u>1,754,920</u>	<u>-</u>	<u>1,754,920</u>
Total assets	<u>\$ 2,928,301</u>	<u>\$ 248,422</u>	<u>\$ 3,176,723</u>
NET POSITION			
Investment in capital assets	1,754,920	-	1,754,920
Unrestricted	<u>1,173,381</u>	<u>248,422</u>	<u>1,421,803</u>
Total net position	<u>\$ 2,928,301</u>	<u>\$ 248,422</u>	<u>\$ 3,176,723</u>

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Governmental Activities - Internal Service Funds		Total Internal Service Funds
	<u>Equipment Replacement</u>	<u>Employee Health Care</u>	
Operating revenues -			
Other revenue	\$ 324,104	\$ 2,140,530	\$ 2,464,634
Operating expenses:			
Depreciation	160,125	-	160,125
Benefits	-	1,982,065	1,982,065
Administration	-	28,516	28,516
Total operating expenses	<u>160,125</u>	<u>2,010,581</u>	<u>2,170,706</u>
Operating income	163,979	129,949	293,928
Nonoperating revenues -			
Investment earnings	<u>7,006</u>	<u>836</u>	<u>7,842</u>
Income before transfers	170,985	130,785	301,770
Transfers out	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
Changes in net position	(229,015)	130,785	(98,230)
Net position - July 1	<u>3,157,316</u>	<u>117,637</u>	<u>3,274,953</u>
Net position - June 30	<u>\$ 2,928,301</u>	<u>\$ 248,422</u>	<u>\$ 3,176,723</u>

**CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Governmental Activities - Internal Service Funds		Total Internal Service Funds
	<u>Equipment Replacement</u>	<u>Employee Health Care</u>	
Cash flows from operating activities:			
Receipts for interfund services	\$ 324,104	\$ 1,903,581	\$ 2,227,685
Receipts for services from others	-	236,949	236,949
Payments to suppliers	-	(2,010,581)	(2,010,581)
Net cash provided by operating activities	<u>324,104</u>	<u>129,949</u>	<u>454,053</u>
Cash flows from non-capital financing activities -			
Transfer to other funds	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
Cash flows for capital and related financing activities -			
Acquisition of capital assets	<u>(459,008)</u>	<u>-</u>	<u>(459,008)</u>
Cash flows from investing activities -			
Investment earnings received	<u>7,005</u>	<u>836</u>	<u>7,841</u>
Net increase (decrease) in cash and cash equivalents	(527,899)	130,785	(397,114)
Cash and cash equivalents - July 1	<u>1,701,280</u>	<u>117,637</u>	<u>1,818,917</u>
Cash and cash equivalents - June 30	<u>\$ 1,173,381</u>	<u>\$ 248,422</u>	<u>\$ 1,421,803</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 163,979	\$ 129,949	\$ 293,928
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation	<u>160,125</u>	<u>-</u>	<u>160,125</u>
Net cash provided by operating activities	<u>\$ 324,104</u>	<u>\$ 129,949</u>	<u>\$ 454,053</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, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Assets:				
Equity in central treasury (cash and investments)	\$ 154,625	\$ 14,179	\$ 19,412	\$ 149,392
Interest receivable	<u>537</u>	<u>665</u>	<u>537</u>	<u>665</u>
Total assets	<u>\$ 155,162</u>	<u>\$ 14,844</u>	<u>\$ 19,949</u>	<u>\$ 150,057</u>
Liabilities				
Due to Kenai Community Foundation	<u>\$ 155,162</u>	<u>\$ 14,844</u>	<u>\$ 19,949</u>	<u>\$ 150,057</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$118,816	\$126,700	\$133,264	\$136,834	\$135,780	\$138,334	\$137,296	\$141,096	\$143,098	\$140,725
Nonspendable	20,198	21,541	24,317	23,541	24,862	27,135	26,599	23,039	27,330	27,723
Restricted	217	312	279	329	409	480	547	2,943	628	682
Unrestricted	20,683	20,430	19,760	18,118	18,333	16,834	8,810	589	6,718	4,792
Total governmental activities net position	<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>\$167,667</u>	<u>\$177,774</u>	<u>\$173,922</u>
				0						
Business-type activities:										
Net investment in capital assets	\$3,159	\$3,154	\$3,236	\$3,110	\$2,983	\$3,071	\$3,051	\$2,958	\$2,818	\$2,677
Unrestricted	491	442	423	483	525	469	419	0	507	570
Total business-type activities net position	<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>\$2,958</u>	<u>\$3,325</u>	<u>\$3,247</u>
Primary government:										
Net investment in capital assets	\$121,975	\$129,854	\$136,500	\$139,944	\$138,763	\$141,405	\$140,347	\$144,054	\$145,916	\$143,402
Nonspendable	20,198	21,541	24,317	23,541	24,862	27,135	26,599	23,039	27,330	27,723
Restricted	217	312	279	329	409	480	547	2,943	628	682
Unrestricted	21,174	20,872	20,183	18,601	18,858	17,303	9,229	589	7,225	5,362
Total primary government net position	<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>\$170,625</u>	<u>\$181,099</u>	<u>\$177,169</u>

CITY OF KENAI, ALASKA

TABLE II

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government										
Public safety	\$ 1,936,810	\$ 2,068,752	\$ 2,032,773	\$ 2,206,779	\$ 2,439,331	\$ 2,276,930	\$ 4,097,380	\$ 2,801,225	\$ 2,748,439	\$ 2,099,053
Public works	5,616,605	5,890,361	6,355,308	6,923,478	7,227,242	7,290,465	5,899,643	8,245,995	8,566,917	7,105,250
Parks, recreation, and cultural	2,951,318	3,077,068	3,078,924	2,978,015	3,239,199	3,393,308	3,666,985	3,377,640	3,445,146	3,171,355
Water and sewer services	1,849,567	1,858,898	1,778,405	2,188,839	2,462,796	2,630,547	2,355,007	2,828,177	2,946,836	4,087,141
Airport	2,188,552	2,174,151	2,289,895	2,382,284	3,465,896	2,711,305	2,237,426	2,832,563	2,900,224	2,919,777
Interest on long-term debt	2,925,011	2,641,049	-	3,520,577	4,071,061	4,126,256	4,188,728	3,518,240	3,718,663	3,566,203
Social welfare services	-	-	100,963	101,973	100,286	97,997	95,599	92,947	89,548	86,098
Total governmental activities expenses	604,021	592,512	627,053	688,467	735,695	764,903	683,025	876,393	887,260	791,140
	18,071,884	18,302,791	16,263,321	20,990,412	23,741,506	23,291,711	23,223,793	24,573,180	25,303,033	23,826,017
Business-type activities -										
Senior housing	414,869	383,585	406,950	437,943	417,368	436,635	454,429	425,986	497,633	475,300
Total primary government expenses	\$ 18,486,753	\$ 18,686,376	\$ 16,670,271	\$ 21,428,355	\$ 24,158,874	\$ 23,728,346	\$ 23,678,222	\$ 24,999,166	\$ 25,800,666	\$ 24,301,317
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 612,908	\$ 527,144	\$ 462,713	\$ 395,389	\$ 746,088	\$ 423,213	\$ 421,241	\$ 346,625	\$ 991,000	\$ 479,150
Public safety	303,122	364,957	560,938	511,855	508,238	490,679	360,893	575,406	515,321	524,608
Public works	277,425	139,212	159,821	88,904	95,948	109,243	75,585	57,451	44,816	91,340
Parks, recreation, and cultural	350,708	284,128	281,098	308,624	373,406	584,368	670,565	680,232	698,805	657,627
Water and sewer services	1,796,459	1,752,854	1,774,376	1,862,807	2,193,650	2,296,383	2,485,588	2,612,383	2,766,181	2,857,191
Airport	1,421,325	1,363,671	1,543,493	1,728,173	1,793,571	1,881,848	1,977,259	1,993,493	2,013,421	1,914,438
Social welfare services	74,644	97,611	103,870	109,051	114,492	81,482	93,728	96,913	98,539	188,787
Operating grants and contributions	1,996,377	2,109,637	1,938,335	2,715,647	3,018,480	2,816,810	2,175,350	2,015,450	1,473,514	1,462,609
Capital grants and contributions	4,781,161	9,892,148	8,604,886	4,986,606	3,549,973	4,799,694	2,424,814	7,166,204	5,642,845	2,382,392
Total governmental activities program revenues	11,614,129	16,511,362	15,429,530	12,707,056	12,393,846	13,483,720	10,685,023	15,544,157	14,244,442	10,558,142

Business-type activities:													
Charges for services -													
Senior housing	321,045	323,105	289,336	322,355	326,940	346,435	365,450	382,330	386,708	394,318			
Operating grants and contributions	3,004	1,335	2,087	23,189	7,900	4,940	16,482	2,077	1,780	1,153			
Total business-type activities program revenues	324,049	324,440	291,423	345,544	334,840	351,375	381,932	384,407	388,488	395,471			
Total primary government program revenues	\$ 11,938,178	\$ 16,835,802	\$ 15,720,953	\$ 13,052,600	\$ 12,728,686	\$ 13,835,095	\$ 11,066,955	\$ 15,928,564	\$ 14,632,930	\$ 10,953,613			
Net (expenses)/revenue:													
Governmental activities	\$ (6,457,755)	\$ (1,791,429)	\$ (4,126,612)	\$ (8,283,356)	\$ (11,347,660)	\$ (9,807,991)	\$ (12,538,770)	\$ (9,029,023)	\$ (11,058,591)	\$ (13,267,875)			
Business-type activities	(90,820)	(59,145)	(115,527)	(92,399)	(82,528)	(85,260)	(72,497)	(41,579)	(109,145)	(79,829)			
Total primary government net expense	\$ (6,548,575)	\$ (1,850,574)	\$ (4,242,139)	\$ (8,375,755)	\$ (11,430,188)	\$ (9,893,251)	\$ (12,611,267)	\$ (9,070,602)	\$ (11,167,736)	\$ (13,347,704)			
General Revenues and Other													
Changes in Net Position													
Governmental activities:													
Taxes:													
Property taxes	\$ 2,694,872	\$ 2,614,768	\$ 2,613,756	\$ 2,657,670	\$ 2,898,103	\$ 3,155,662	\$ 3,656,927	\$ 3,782,538	\$ 3,919,797	\$ 3,868,445			
Sales taxes	5,372,499	5,591,970	6,260,403	6,576,657	6,587,575	6,669,426	7,257,451	7,247,938	6,715,501	6,854,253			
Sales of capital assets	166,411	11,183	-	-	-	-	-	-	-	-			
Investment earnings	1,213,186	2,666,417	3,889,899	250,920	2,422,905	3,494,763	789,523	600,569	2,344,330	1,752,571			
Other	-	6,054	-	-	-	-	-	-	-	-			
Transfers	88,044	-	-	-	-	(112,044)	-	-	-	-			
Write off of NPO/OPEB	1,211,646	-	-	-	-	-	-	-	-	-			
Write off of Soil Contamination Liability	1,400,000	-	-	-	-	-	-	-	-	-			
Total governmental activities	12,146,658	10,860,392	12,764,058	9,485,247	11,908,583	13,207,807	11,703,901	11,631,045	12,979,628	12,475,269			
Business-type activities:													
Investment earnings (loss)	24,672	4,896	3,642	2,436	(1,826)	5,062	2,533	3,880	1,822	2,558			
Insurance settlement	-	-	175,000	24,012	-	-	-	-	-	-			
Transfers	(88,044)	-	-	-	-	112,044	-	-	(548)	-			
Write off of NPO/OPEB	3,634	-	-	-	-	-	-	-	-	-			
Total business-type activities	(59,738)	4,896	178,642	26,448	(1,826)	117,106	2,533	3,880	1,274	2,558			
Total primary government	\$ 12,086,920	\$ 10,865,288	\$ 12,942,700	\$ 9,511,695	\$ 11,906,757	\$ 13,324,913	\$ 11,706,434	\$ 11,634,925	\$ 12,980,902	\$ 12,477,827			
Changes in Net Position													
Governmental activities	\$ 5,688,903	\$ 9,068,963	\$ 8,637,446	\$ 1,201,891	\$ 560,923	\$ 3,399,816	\$ (834,869)	\$ 2,602,022	\$ 1,921,037	\$ (792,606)			
Business-type activities	(150,558)	(54,249)	63,115	(65,951)	(84,354)	31,846	(69,964)	(37,699)	(107,871)	(77,271)			
Total primary government	\$ 5,538,345	\$ 9,014,714	\$ 8,700,561	\$ 1,135,940	\$ 476,569	\$ 3,431,662	\$ (904,833)	\$ 2,564,323	\$ 1,813,166	\$ (869,877)			

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>
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
2017	3,919,797	6,715,501	10,635,298
2018	3,868,445	6,854,253	10,722,698

CITY OF KENAI, ALASKA

Table IV

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

	<u>2009</u>	<u>2010</u>	<u>2011 *</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund:										
Reserved	\$ 115,125	\$ 128,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	11,570,484	12,027,857	-	-	-	-	-	-	-	-
Restricted	-	-	279,486	329,164	408,534	480,238	546,706	588,937	628,599	682,068
Committed	-	-	1,070,290	1,021,790	521,790	409,746	409,746	409,746	6,840,662	6,976,762
Assigned	-	-	859,454	1,464,159	1,580,579	1,518,184	1,497,756	1,409,610	2,381,786	2,416,658
Unassigned	-	-	9,817,634	9,130,415	7,382,747	7,493,858	7,937,025	8,009,807	697,159	495,196
Total General Fund	<u>\$ 11,685,609</u>	<u>\$ 12,156,066</u>	<u>\$ 12,026,864</u>	<u>\$ 11,945,528</u>	<u>\$ 9,893,650</u>	<u>\$ -</u>	<u>\$ 10,391,233</u>	<u>\$ 10,418,100</u>	<u>\$ 10,548,206</u>	<u>\$ 10,570,684</u>
All other governmental funds:										
Reserved - other funds	\$ 49,754	\$ 32,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved - permanent funds	19,981,306	21,541,598	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,776,646	5,263,203	-	-	-	-	-	-	-	-
Debt service funds	-	6,054	-	-	-	-	-	-	-	-
Capital projects funds	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	27,329,954	27,722,332
Committed -										
Capital projects funds	-	-	2,164,498	516,440	2,531,665	743,653	901,298	1,082,505	1,166,183	1,629,604
Assigned -										
Special revenue funds	-	-	4,846,735	5,035,969	5,357,223	5,448,969	5,648,280	6,528,265	7,350,294	7,916,676
Total all other governmental funds	<u>\$ 28,062,145</u>	<u>\$ 30,838,217</u>	<u>\$ 31,329,325</u>	<u>\$ 29,093,343</u>	<u>\$ 32,750,967</u>	<u>\$ 33,327,802</u>	<u>\$ 33,149,051</u>	<u>\$ 33,591,204</u>	<u>\$ 35,846,431</u>	<u>\$ 37,268,612</u>

* 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues										
Property taxes	\$ 2,728,764	\$ 2,601,588	\$ 2,629,324	\$ 2,638,793	\$ 2,913,634	\$ 3,162,530	\$ 3,656,927	\$ 3,782,539	\$ 3,919,797	\$ 3,868,445
Sales tax	5,372,499	5,561,970	6,260,403	6,576,657	6,587,575	6,669,426	7,257,451	7,247,938	6,715,501	6,854,253
Intergovernmental	6,573,138	10,694,840	9,844,736	7,670,929	6,562,328	7,600,928	7,240,144	8,762,416	6,895,935	3,510,430
Investment earnings	1,169,576	2,667,857	3,894,618	256,981	2,427,873	3,531,173	821,124	637,862	2,369,153	1,780,713
Other revenues	6,302,510	6,988,316	6,920,678	6,355,818	6,826,280	7,363,250	8,031,907	7,983,878	8,617,986	8,409,444
Total revenues	22,146,487	28,514,571	29,549,759	23,499,168	25,317,690	28,327,307	27,007,553	28,414,633	28,518,372	24,423,285
Expenditures										
General government	2,472,535	2,254,837	2,612,702	2,701,605	3,160,484	3,034,793	5,178,312	2,715,814	2,512,819	2,347,583
Public safety	5,100,217	5,681,548	5,915,902	6,441,968	6,536,153	6,841,495	6,998,803	7,101,552	6,788,149	7,192,453
Public works	2,208,353	2,150,658	2,375,566	2,334,315	2,315,206	2,422,442	2,476,275	2,436,744	2,307,400	2,441,352
Parks, recreation and cultural	1,681,800	1,676,717	1,690,624	1,931,141	2,163,100	2,166,132	2,250,921	2,341,086	2,359,780	2,310,273
Water and sewer services	1,777,188	1,793,887	1,822,654	1,940,343	1,969,470	2,149,174	2,458,500	2,137,926	2,023,546	2,238,358
Airport	2,986,200	2,324,204	2,504,670	2,575,613	2,617,762	2,587,591	2,885,425	2,553,045	2,632,491	2,654,943
Social welfare services	683,560	682,393	723,984	791,214	831,976	849,376	952,239	940,602	858,100	883,273
Capital outlay	5,508,837	10,733,142	11,365,788	6,922,939	3,941,945	7,400,451	3,223,420	7,540,046	6,358,267	3,133,393
Debt service										
Principal	-	-	75,000	75,000	75,000	80,000	80,000	85,000	85,000	90,000
Interest	-	-	100,963	102,348	100,848	98,598	96,198	93,798	90,398	86,998
Total expenditures	22,418,690	27,297,386	29,187,853	25,816,486	23,711,944	27,630,052	26,600,093	27,945,613	26,015,950	23,378,626
Excess of revenues over (under) expenditures	(272,203)	1,217,185	361,906	(2,317,318)	1,605,746	697,255	407,460	469,020	2,502,422	1,044,659
Other financing sources (uses)										
Transfers in	1,603,049	3,801,117	2,330,145	1,646,262	3,809,797	2,049,993	2,322,377	2,083,474	2,568,441	3,199,172
Proceeds from debt issuance	-	2,000,000	-	-	-	-	-	-	-	-
Proceeds from bond premium	-	29,344	-	-	-	-	-	-	-	-
Transfers out	(1,515,005)	(3,801,117)	(2,330,145)	(1,646,262)	(3,809,797)	(2,162,037)	(2,419,381)	(2,083,474)	(2,685,530)	(2,799,172)
Total other financing sources (uses)	88,044	2,029,344	-	-	-	(112,044)	(97,004)	-	(117,089)	400,000
Net change in fund balances	\$ (184,159)	\$ 3,246,529	\$ 361,906	\$ (2,317,318)	\$ 1,605,746	\$ 585,211	\$ 310,456	\$ 469,020	\$ 2,385,333	\$ 1,444,659
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	1.03%	0.94%	0.84%	0.86%	0.75%	0.89%	0.89%	0.80%
Total non-capital expenditures	\$ 16,909,853	\$ 16,564,244	\$ 17,035,394	\$ 18,904,637	\$ 21,029,279	\$ 20,769,980	\$ 23,611,368	\$ 20,078,084	\$ 19,657,683	\$ 22,047,321

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>
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
2017	10,635,298	3,919,797	6,715,501
2018	10,722,698	3,868,445	6,854,253

CITY OF KENAI, ALASKA

Table VII

TAXABLE SALES BY CATEGORY
CURRENT FISCAL YEAR

Administrative, Waste Management,	\$ 1,129,733
Agriculture, Forestry, Fishing & Hunting	128,746
Arts and Entertainment	962,317
Construction Contracting	1,086,077
Educational Services	201,902
Finance and Insurance	348,111
Guiding Land	1,806
Guiding Water	533,095
Health Care and Social Assistance	31,017
Hotel/Motel/Bed & Breakfast	6,861,226
Information	5,576,739
Management of Companies	5,071
Manufacturing	482,944
Mining/Quarrying	58,046
Professional, Scientific and Technical Services	3,704,233
Public Administration	3,729,108
Rental Commercial Property	324,262
Rental Non-Residential Property	1,318,855
Rental of Self-storage & Miniwarehouses	299,664
Rental Personal Property	946,900
Rental Residential Property	4,900,387
Restaurant/Bar	13,975,606
Retail Trade	162,453,328
Services	5,521,887
Telecommunications	2,811,550
Telecommunications - Cable	7,120
Transportation and Warehousing	418,346
Utilities	11,173,690
Wholesale Trade	3,450,492

Total **\$ 232,442,258**

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	
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
2017	3.00	3.00		6.00
2018	3.00	3.00		6.00

Source: The Kenai Peninsula Borough Sales Tax Department.

CITY OF KENAI, ALASKA

TABLE IX

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities	Estimated Percentage of Personal Income *	Percentage of Estimated Actual Taxable Value of Property	Debt Per Capita **
	General Obligation Bonds			
2009	\$ -	0.00%	0.00%	\$ -
2010	2,000,000	0.64%	0.32%	281.69
2011	1,925,000	0.69%	0.29%	271.13
2012	1,850,000	0.64%	0.28%	256.30
2013	1,775,000	0.51%	0.21%	246.12
2014	1,695,000	0.46%	0.21%	235.02
2015	1,615,000	0.42%	0.19%	223.93
2016	1,530,000	0.39%	0.18%	202.17
2017	1,445,000	0.35%	0.17%	186.57
2018	1,355,000	0.37%	0.16%	192.53

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, 2017

<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	\$ 1,355,000	100.00%	\$ 1,355,000
Overlapping debt: Kenai Peninsula Borough	39,085,000	10.70%	4,182,095
Central Peninsula Hospital	76,710,000	15.83%	12,143,193
Total overlapping debt	115,795,000		16,325,288
Total Direct and Overlapping	\$ 117,150,000		\$ 17,680,288

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 119,838	\$ 126,104	\$ 131,828	\$ 131,890	\$ 147,795	\$ 160,891	\$ 165,677	\$ 170,328	\$ 173,745	\$ 174,215
Total net debt applicable to limit	-	2,000	1,925	1,850	1,775	1,695	1,615	1,530	1,445	1,355
Legal debt margin	<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>\$ 168,798</u>	<u>\$ 172,300</u>	<u>\$ 172,860</u>

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2017

Assessed value	\$ 871,076
Debt limit, 20% of assessed value	174,215
Total amount of debt applicable to debt limit	<u>1,355</u>
Legal debt margin	<u>\$ 172,860</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)				
2009	7,945	1,848	54,796	\$ 2,202,627	\$ 40,197	39.2	9,256	9.00%
2010	7,112	1,835	55,582	2,310,507	41,569	39.4	9,145	8.90%
2011	7,144	1,835	56,405	2,499,496	44,313	39.4	9,148	8.80%
2012	7,112	1,831	56,884	2,680,425	47,731	40.6	9,083	8.00%
2013	7,212	1,871	57,147	2,770,796	48,012	41.4	9,065	7.40%
2014	7,165	1,847	57,477	2,917,537	51,828	40.5	8,932	7.30%
2015	7,220	1,815	58,059	2,917,537	52,737	40.5	8,974	7.30%
2016	7,087	1,822	58,060	2,965,755	50,691	40.5	8,935	8.00%
2017	7,038	1,789	58,506	2,917,537	52,639	40.5	8,939	7.70%
2018	7,038	1,820	58,024	2,917,537	52,639	40.5	8,895	7.10%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
City Clerk	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.60	2.00
City Manager	1.50	1.50	1.50	1.50	1.67	1.67	1.67	1.67	1.90	2.00
Legal	2.00	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Finance	3.75	3.75	3.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Police	19.83	20.83	20.88	20.88	20.88	20.65	19.60	19.60	19.60	19.60
Fire	16.00	16.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	20.00
Dispatch	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Animal Control	2.60	2.60	2.80	2.80	2.90	2.90	2.90	3.00	3.00	3.00
Public Works Administration	2.00	2.00	2.00	1.50	1.50	1.50	1.50	2.00	2.00	2.00
Planning	2.00	2.00	2.00	2.00	2.08	2.00	2.00	2.00	1.75	1.70
Maintenance	11.64	11.64	11.64	11.64	11.64	10.70	10.79	10.77	10.84	10.64
Library	6.55	6.68	6.68	7.88	8.45	8.10	8.10	8.10	8.10	8.10
Parks & Recreation	6.99	6.99	6.99	7.61	9.60	8.04	8.06	8.30	8.65	8.65
General Fund Total	84.36	85.74	88.74	91.06	93.97	90.81	89.87	90.69	91.19	92.44
Special Revenue Funds										
Personal Use Fishery	0.00	0.00	0.00	0.00	0.00	2.49	2.46	2.69	2.91	2.81
Water & Sewer Operations	6.76	6.76	6.76	6.76	6.76	7.76	7.76	7.76	7.76	7.76
Airport Operations	5.18	5.18	5.18	5.18	5.43	5.81	6.95	6.95	6.97	7.12
Senior Citizen Programs	8.19	8.19	6.69	6.85	6.97	7.43	7.35	7.35	7.28	7.28
Special Revenue Funds Total	20.13	20.13	18.63	18.79	19.16	23.49	24.52	24.75	24.92	24.97
Enterprise Fund										
Congregate Housing	0.35	0.35	0.35	0.35	0.35	0.45	0.45	0.45	0.52	0.52
Internal Service Fund										
Employee Health Care	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Project Management	0.00	0.00	0.00	0.50	0.50	0.50	0.50	0.00	0.00	0.00
Internal Service Funds Total	0.00	0.00	0.00	0.50	0.50	0.50	0.50	0.00	0.00	0.00
Total All Funds	104.84	106.22	107.72	110.70	113.98	115.25	115.34	115.89	116.63	117.93

Source: The City of Kenai Finance Department.

CITY OF KENAI, ALASKA

TABLE XV

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

Function	<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>	<u>2017</u>
Public Safety										
Police Services:										
Police requests for service	7,120	7,626	7,385	7,665	8,297	8,314	8,197	7,840	7,926	8,330
Criminal arrests	970	1,103	926	894	1,138	1,041	924	813	784	934
Fire and Emergency Services:										
Number of calls responded to	1,469	1,599	1,230	1,328	1,212	1,153	1,226	1,384	1,568	1,440
Inspections	256	289	232	319	239	268	157	118	150	79
Animal Control:										
Total Calls	10,697	7,811	6,619	6,695	6,549	7,197	N/A	N/A	N/A	N/A
Total requests for service	N/A	N/A	N/A	N/A	N/A	N/A	564	437	448	341
Animals Handled	1,571	1,417	1,476	1,673	1,631	1,429	1,188	1,004	928	827
Water and Wastewater										
Water Production Avg gallons per day	939,107	1,016,608	918,345	961,564	943,764	875,427	812,756	760,000	711,000	710,000
Wastewater Treatment Avg. gallons per day	575,500	569,916	528,667	470,417	540,583	566,417	527,250	487,200	463,583	660,000
Airport Passenger Enplanements	99,884	84,133	87,589	94,010	101,995	103,751	100,929	102,126	93,612	93,844

* 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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	8	8	8	8	8	8	8	8	8	8
Soccer Fields	6	6	6	6	6	6	6	6	6	4
Recreation Center	1	1	1	1	1	1	1	1	1	1
Pedestrian Trails	2	2	2	6	6	6	6	6	6	6
Cross Country Ski Trails	1	1	1	1	1	1	1	1	1	1
Ice Rink	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments.