

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year:

July 1, 2013 – June 30, 2014

**CITY OF KENAI, ALASKA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2014**

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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF KENAI, ALASKA
Year Ended June 30, 2014**

Pat Porter
Mayor

Rick R. Koch
City Manager

Prepared by
Finance Department

Terry A. Eubank, CPA
Finance Director



"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794
Telephone: 907-283-7535 / FAX: 907-283-3014
www.ci.kenai.ak.us

December 5, 2014

Honorable Mayor Pat Porter,
City Council Members and Citizens of
the City of Kenai, Alaska

In accordance with Section 29.35.120 of the Alaska Statutes and the City Charter, we are pleased to submit the Comprehensive Annual Financial Report for the year ended June 30, 2014. 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, 2014 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, 2014, 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 the first regular council meeting in April. The council is required to hold public hearings on the proposed budget and generally adopts the budget by ordinance at the first meeting in June. The city manager is authorized to make budget transfers within a fund for amounts less than \$5,000. Council action is required for transfers between funds, for transfers exceeding \$5,000 and for new appropriations. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted.

Factors Affecting Financial Condition

Economy

The primary private sector portions of Kenai's economy are oil and gas, commercial fishing, tourism and retail sales. The future holds challenges for oil and gas and commercial fishing in the Cook Inlet region. Gas supplies in quantities needed for liquefied natural gas (LNG), home heating and electrical power generation are projected to run out in this decade if new supplies are not made available through discovery or pipelines from other production areas. A gas pipeline from the North Slope to Cook Inlet would greatly enhance the viability of the 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. Chevron, Shell and Forest Oil are all making significant investments in this region. Cook Inlet Natural Gas Storage Alaska is completed construction of a \$180.0 million natural gas storage facility within the City. The facility will greatly enhance the availability of gas within the Cook Inlet Basin during all seasons of the year and will produce an estimated \$481,250 in property tax revenue to the City at its current 3.85 mill rate.

The proposed Pebble Mine, which is across Cook Inlet from Kenai, continues to be in the news for its world class prospects for copper, gold and molybdenum. Actual production will be years in the future, but Kenai's airport could be a much busier place if the project gets all of the permits required for operation.

Commercial fishing has had some good years recently in terms of production. Raw fish prices were maintained for the 2014 fishing season with a strong return of sockeye salmon to the fishery. Fishing is expected to continue to be an important component of the Kenai economy.

With the current state of the United States economy, tourism remained below historic levels in the summer months. 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. This sector is vibrant and growing in Kenai with opening of new businesses in the City.

Overall, the projection for the economy of Kenai is optimistic. Kenai is situated in a beautiful area with abundant land and natural resources, an accommodative business climate, and a stable population base.

Long term financial planning

General Fund, fund balance remained nearly unchanged at \$9.9 million with a minor increase of \$8,376 in FY 2014. A General Fund, Fund Balance of \$9.9 million represents approximately 70% of one year's of expenditures. This healthy fund balance provides options for the City and generates interest income that can be used for operations.

One of the larger financial challenges facing the City is our contribution to the Public Employees Retirement System (PERS). Beginning in FY 2008, employers paid a maximum of 22% of payroll and the State is paying the difference to the actuarially required rate. Employer members of the PERS system worked with the State legislature for a long term solution to this problem. In April 2008 the Alaska Legislature passed Senate Bill 125 which converts the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor. In addition, the legislation provides for state contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions would be recognized by each employer as an on-behalf payment.

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, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgment

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

Respectfully submitted,



Rick Koch, City Manager



Terry A. Eubank, CPA
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

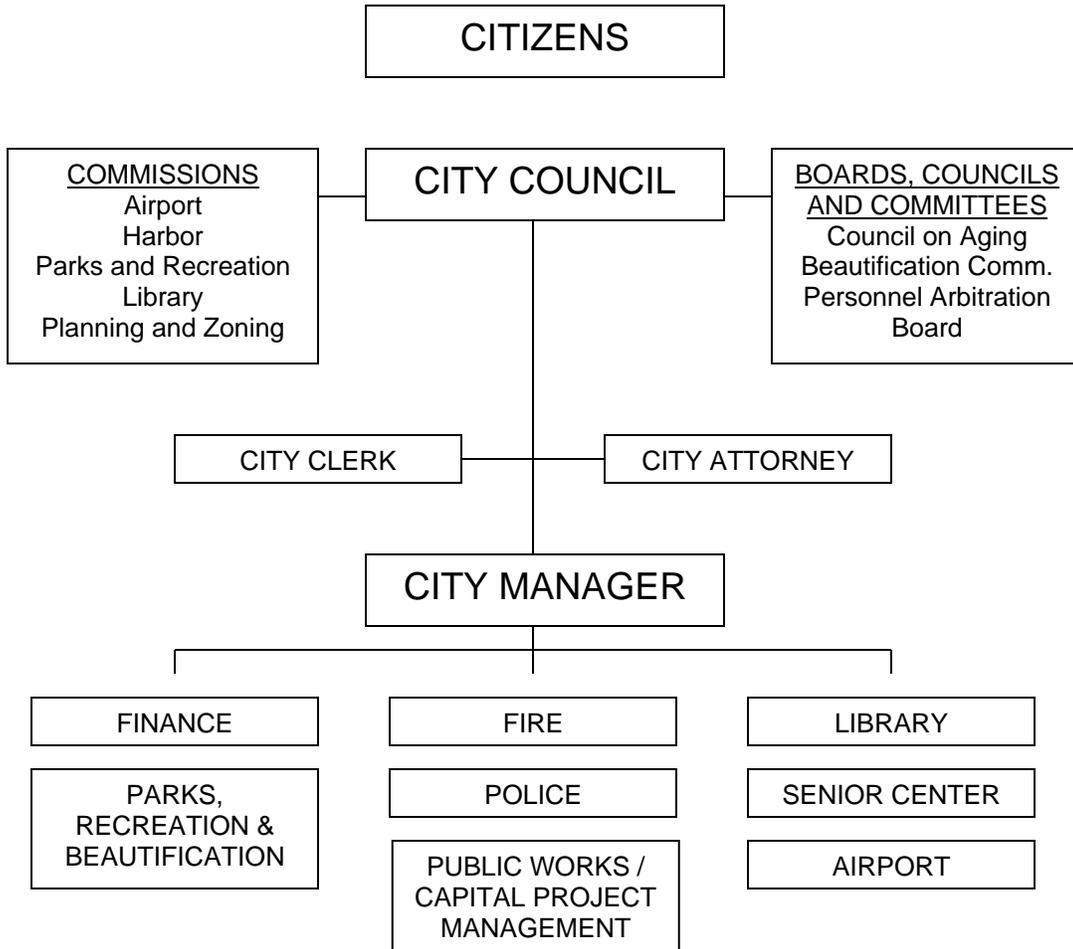
**City of Kenai
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Kenai Organization Chart



**CITY OF KENAI, ALASKA
ORGANIZATION AND PRINCIPAL CITY OFFICIALS**

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

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

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

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

| | <u>City Council</u> | <u>Term Ends</u> |
|-----------------|---------------------|------------------|
| Mayor | Pat Porter | 2016 |
| Council Members | Robert Molloy | 2015 |
| | Ryan Marquis | 2015 |
| | Terry Bookey | 2016 |
| | Brian Gabriel, Sr. | 2016 |
| | Mike Boyle | 2014 |
| | Tim Navarre | 2014 |

City Administration

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

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AUDITOR REPORT



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3601 C Street, Suite 600
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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, 2014, and the related notes to the financial statements, which collectively comprise the City of Kenai's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Airport Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 13 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for 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 December 4, 2014, on our consideration of City of Kenai's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kenai's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 4, 2014

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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, 2014. 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, 2014 by \$186,323,429. Of this amount, unrestricted net position of \$17,303,764, may be used to meet the government's ongoing obligations to citizens and creditors. A significant portion of this legally unrestricted amount has been designated for specific purposes.
- The City's total net position increased by \$3,431,662. Governmental type activities increased by \$3,399,816 and business type activities increased by \$31,846.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,229,828, an increase of \$585,211 from the prior year. The fund balances of the two permanent funds, which cannot be spent, account for \$27.1 million of total fund balance. About \$8.6 million of the remaining fund balance is restricted, committed, or assigned. The remaining \$7.5 million is unassigned and available for spending.
- At the end of the current fiscal year, fund balance for the General Fund was \$9,902,026. Of this amount \$7,493,858 was unassigned and available for spending.
- The City has a long-term liability for compensated absences and general obligation debt of \$822,740 and \$1,695,000 respectively. The general obligation bonds were issued on March 11, 2010 for an addition to the City's library.

Overview of the Financial Statements

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

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

Government-wide financial statements.

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

The statement of activities presents information showing how a government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the

change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund financial statements.

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

Governmental funds.

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

A budgetary comparison statement has been provided for the General Fund and Airport Special Revenue Fund to demonstrate compliance with the Fiscal Year (FY) 2014 budget.

Proprietary funds.

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

Fiduciary funds.

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

Notes to the financial statements.

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

Other information.

In addition to the basic financial statements 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 basic financial statements. Also included are budget comparisons for governmental funds other than the General Fund and Airport Special Revenue Fund.

Government-wide Financial Analysis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014, the City's position exceeded liabilities by \$186,323,429. 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 | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 46,863 | \$ 45,971 | \$ 608 | \$ 574 | \$ 47,471 | \$ 46,545 |
| Capital Assets | 140,028 | 137,555 | 3,071 | 2,983 | 143,099 | 140,538 |
| Total Assets | <u>186,891</u> | <u>183,526</u> | <u>3,679</u> | <u>3,557</u> | <u>190,570</u> | <u>187,083</u> |
| Long-term liabilities outstanding | 2,515 | 2,630 | 2 | 2 | 2,517 | 2,632 |
| Other liabilities | 1,345 | 1,506 | 137 | 47 | 1,482 | 1,553 |
| Total liabilities | <u>3,860</u> | <u>4,136</u> | <u>139</u> | <u>49</u> | <u>3,999</u> | <u>4,185</u> |
| Deferred inflows of resources | <u>248</u> | <u>6</u> | <u>-</u> | <u>-</u> | <u>248</u> | <u>6</u> |
| Net position: | | | | | | |
| Net Investment in capital assets | 138,334 | 135,780 | 3,071 | 2,983 | 141,405 | 138,763 |
| Nonspendable | 27,135 | 24,862 | - | - | 27,135 | 24,862 |
| Restricted | 480 | 409 | - | - | 480 | 409 |
| Unrestricted | <u>16,834</u> | <u>18,333</u> | <u>469</u> | <u>525</u> | <u>17,303</u> | <u>18,858</u> |
| Total net position | <u>\$182,783</u> | <u>\$179,384</u> | <u>\$3,540</u> | <u>\$3,508</u> | <u>\$186,323</u> | <u>\$182,892</u> |

minor arithmetic differences are due to rounding

Governmental activities.

Governmental activities increased the City's net position by \$3,399,816. The key element of this increase is the difference between capital expenditures by governmental funds and depreciation expense recorded but not budgeted in the governmental funds.

Business-type activities.

Business-type activities increased the net position of the City by \$31,846. A transfer from the City's General Fund in the amount of \$112,044, to return Enterprise Fund Capital previously transfer to the General Fund, led to the Funds first increase in net position in many years. 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 | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,867 | \$ 5,825 | \$ 346 | \$ 327 | \$ 6,213 | \$ 6,152 |
| Operating grants and contributions | 2,817 | 3,019 | 5 | 8 | 2,822 | 3,027 |
| Capital grants and contributions | 4,799 | 3,550 | - | - | 4,799 | 3,550 |
| General revenues: | | | | | | |
| Property taxes | 3,156 | 2,898 | - | - | 3,156 | 2,898 |
| Sales taxes | 6,669 | 6,588 | - | - | 6,669 | 6,588 |
| Other | <u>3,495</u> | <u>2,423</u> | <u>5</u> | <u>(2)</u> | <u>3,500</u> | <u>2,421</u> |
| Total revenues | <u>26,803</u> | <u>24,303</u> | <u>356</u> | <u>333</u> | <u>27,159</u> | <u>24,636</u> |
| Expenses: | | | | | | |
| General government | 2,277 | 2,439 | - | - | 2,277 | 2,439 |
| Public safety | 7,291 | 7,227 | - | - | 7,227 | 7,227 |
| Public works | 3,393 | 3,239 | - | - | 3,393 | 3,239 |
| Parks, recreation, and cultural | 2,631 | 2,463 | - | - | 2,631 | 2,463 |
| Water and sewer services | 2,711 | 3,466 | - | - | 3,466 | 3,466 |
| Airport | 4,126 | 4,071 | - | - | 4,071 | 4,071 |
| Interest on long-term debt | 98 | 100 | - | - | 100 | 100 |
| Social welfare services | 765 | 736 | - | - | 736 | 736 |
| Senior Housing | <u>-</u> | <u>-</u> | <u>436</u> | <u>418</u> | <u>418</u> | <u>418</u> |
| Total expenses | <u>23,292</u> | <u>23,741</u> | <u>436</u> | <u>418</u> | <u>24,159</u> | <u>24,159</u> |
| Increase (decrease) in net position before transfers | 3,511 | 562 | (80) | (85) | 3,431 | 477 |
| Transfers | <u>(112)</u> | <u>-</u> | <u>112</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Increase in net position | 3,399 | 562 | 32 | (85) | 3,431 | 477 |
| Net position beginning | <u>179,384</u> | <u>178,822</u> | <u>3,508</u> | <u>3,593</u> | <u>182,892</u> | <u>182,415</u> |
| Net position ending | <u>\$182,783</u> | <u>\$179,384</u> | <u>\$3,540</u> | <u>\$3,508</u> | <u>\$186,323</u> | <u>\$182,892</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 \$43,229,828, which is up \$585,211 from last year. About \$7.5 million of fund balance is unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance, \$35.7 million, is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending. Nonspendable is the largest portion of this \$27.1 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 \$7,493,858, and total fund balance was \$9,902,026. Fund balance increased \$8,376 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 52% of total expenditures and transfers, while total fund balance represents 69% of that same amount.

General Fund expenditures are down \$18,854 (0.13%) over last year. General Fund revenues decreased \$56,979 from last year. The primary revenue sources of the General Fund include property tax of \$3,149,024, sales tax of \$6,669,426, intergovernmental revenues of \$1,794,918, and charges to other funds of \$1,495,800. Sales tax revenue increased \$81,851 an amount less than inflation and a reflection of the overall condition of the national economy. Property taxes increased by \$254,975 (8.81%). The completion of the Cook Inlet Natural Gas Storage Alaska facility and a 62.33% increase in Oil and Gas Properties values is predominately responsible for the increase. Interest revenue increased \$122,458 as interest rates remained steady resulting in no negative market value adjustments as seen in the prior fiscal year. Intergovernmental revenues increased \$193,743 from last year with notable decreases in federal grants and State of Alaska Municipal Revenue Sharing.

Tax revenues support General Fund operations exclusively and represent 34.71% of all governmental funds revenue. Other funds rely heavily on charges for services and investment earnings. Investment earnings in governmental funds is up \$1,103,300, (45.44%) from the prior year. Despite continuation of historic low interest rates, positive returns of equity markets, which approximately 45% of the City's permanent funds are invested in, led to the significant increase in investment earnings. Capital projects funds and the senior services related funds are largely financed by grants from the federal, state and borough governments.

The Airport Special Revenue Fund accounts for the operation of the airport. Fund balance increased by \$31,479. New land leases accounted for the majority of the \$85,680 increase in fund revenues. Transfer from the Airport Land Sale Permanent Fund continues to be the major funding source for airport operations totaling \$1,094,473 (36.21%) for FY14.

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. Solid returns in equity markets resulted in an increase in fund balance even after the FY14 transfer of \$1,094,473 to the Airport Special Revenue Fund.

The Kenai New City Shop Capital Project Fund accounts for the construction of the City's new public works repair and maintenance shop. Construction of the Shop includes subdivision of property, installation of utilities, and construction of the facility. The Shop is being funded with State grants, a transfer from the City's General Fund, and funding from the City's Airport.

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 has two internal service funds, the Equipment Replacement Fund and the Capital Project Management Fund. The Equipment Replacement Fund is used to account for the purchase of equipment costing more than \$50,000. The Equipment Replacement Fund charges the primary user department in the General Fund such that the General Fund reimburses the Equipment Replacement Fund over the useful life of the asset. The Capital Project Management Fund is used to account for the management of the City's major capital projects. Each capital project reimburses the Capital Project Management Fund at a billing rate determined annually during the City's budget process. Because the services of both the Equipment Replacement Fund and the Capital Project Management Fund predominantly benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements but are presented in single columns in the proprietary fund financial statements.

At year-end, Congregate Housing Fund net position totaled \$3,540,094 and unrestricted net position was \$469,418. Net position increased \$31,846 for the year with a return of \$112,044 in capital from the City's General Fund. 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 \$460,943. \$158,450 of the increase was funding for the City's Senior Center Siding Replacement Project and \$112,044 of the increase was the return of capital to the City's Congregate Housing Fund that had been previously transferred to the General Fund. Appropriations associated with grants and donations totaled \$108,584. Actual revenues were \$209,933 less than the final budget, with general sales tax \$139,555 less than projected, and ambulance fees less than projected by \$44,274.

The actual expenditures and transfers out were \$1,355,265 less than budgeted. The City typically does not spend the entire authorized appropriation. The variance this year was about 8.6% of final budget compared to 6.1% last year. \$582,968, (43.0%) of the lapse, occurred in personal services. Position vacancies and the replacement of retiring employees with those lower on the City's pay scale contributed to these savings. A switch in employee health insurance provider resulted in a budgetary savings of \$257,774.

Capital Assets and Debt Administration

Capital assets.

At June 30, 2014 the City's capital assets had a total net book value of \$143,099,247. Governmental activities totaled \$140,028,571 and business-type activities totaled \$3,070,676. Additional information on the City's capital assets can be found in the notes to the financial statements on pages 51-52 Section III. Detailed Notes on All Funds' D. Capital Assets. Major capital additions for FY14 included \$0.5 million in street infrastructure.

Debt administration.

No new debt was issued by the City in FY14. At June 30, 2014 \$1,695,000 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 \$822,740. Additional information on the City's long-term liabilities can be found in the notes to the financial statements on page 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, 2014**

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------|
| ASSETS | | | |
| Equity in central treasury (cash and investments) | \$ 43,301,364 | \$ 608,577 | \$ 43,909,941 |
| Receivables (net of allowances for uncollectibles) | 3,561,544 | 31 | 3,561,575 |
| Land | 6,001,559 | 274,500 | 6,276,059 |
| Property and equipment in service | 200,093,319 | 5,292,668 | 205,385,987 |
| Accumulated depreciation | (73,837,813) | (2,750,551) | (76,588,364) |
| Construction in progress | 7,771,506 | 254,059 | 8,025,565 |
| Total assets | \$ 186,891,479 | \$ 3,679,284 | \$ 190,570,763 |
| LIABILITIES | | | |
| Accounts payable | \$ 836,235 | \$ 99,459 | \$ 935,694 |
| Accrued payroll and payroll liabilities | 204,429 | 896 | 205,325 |
| Unearned revenue | 109,632 | 3,778 | 113,410 |
| Other liabilities | 179,749 | 32,602 | 212,351 |
| Accrued interest | 14,667 | - | 14,667 |
| Long-term liabilities: | | | |
| Due within one year | 285,071 | 614 | 285,685 |
| Due in more than one year | 2,230,214 | 1,841 | 2,232,055 |
| Total liabilities | 3,859,997 | 139,190 | 3,999,187 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid property taxes | 248,147 | - | 248,147 |
| NET POSITION | | | |
| Net investment in capital assets | 138,333,571 | 3,070,676 | 141,404,247 |
| Nonexpendable: | | | |
| Airport Land Sale Permanent Fund | 24,223,069 | - | 24,223,069 |
| General Government Land Sale Permanent Fund | 2,912,111 | - | 2,912,111 |
| Restricted - youth athletics | 480,238 | - | 480,238 |
| Unrestricted | 16,834,346 | 469,418 | 17,303,764 |
| Total net position | \$ 182,783,335 | \$ 3,540,094 | \$ 186,323,429 |

See Accompanying Notes to Financial Statements

**CITY OF KENAI, ALASKA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|----------------------|-----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 2,276,930 | \$ 423,213 | \$ 961,512 | \$ 1,875,369 |
| Public safety | 7,290,465 | 490,679 | 583,144 | 3,911 |
| Public works | 3,393,308 | 109,243 | 124,908 | 1,220,945 |
| Parks, recreation, and cultural | 2,630,547 | 584,368 | 215,512 | 343,905 |
| Water and sewer services | 2,711,305 | 2,296,383 | 77,799 | 436,106 |
| Airport | 4,126,256 | 1,881,848 | 64,532 | 642,866 |
| Social welfare services | 764,903 | 81,482 | 789,403 | 276,592 |
| Interest on long-term debt | 97,997 | - | - | - |
| Total governmental activities | <u>23,291,711</u> | <u>5,867,216</u> | <u>2,816,810</u> | <u>4,799,694</u> |
| Business-type activities: | | | | |
| Senior Housing | <u>436,635</u> | <u>346,435</u> | <u>4,940</u> | <u>-</u> |
| Total Government | <u>\$ 23,728,346</u> | <u>\$ 6,213,651</u> | <u>\$ 2,821,750</u> | <u>\$ 4,799,694</u> |

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

See Accompanying Notes to Financial Statements

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

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ 983,164 | \$ - | \$ 983,164 |
| (6,212,731) | - | (6,212,731) |
| (1,938,212) | - | (1,938,212) |
| (1,486,762) | - | (1,486,762) |
| 98,983 | - | 98,983 |
| (1,537,010) | - | (1,537,010) |
| 382,574 | - | 382,574 |
| (97,997) | - | (97,997) |
| <u>(9,807,991)</u> | <u>-</u> | <u>(9,807,991)</u> |
| | | |
| <u>-</u> | <u>(85,260)</u> | <u>(85,260)</u> |
| | | |
| <u>(9,807,991)</u> | <u>(85,260)</u> | <u>(9,893,251)</u> |
| | | |
| 3,155,662 | - | 3,155,662 |
| 6,669,426 | - | 6,669,426 |
| 3,494,763 | 5,062 | 3,499,825 |
| (112,044) | 112,044 | - |
| <u>13,207,807</u> | <u>117,106</u> | <u>13,324,913</u> |
| 3,399,816 | 31,846 | 3,431,662 |
| <u>179,383,519</u> | <u>3,508,248</u> | <u>182,891,767</u> |
| <u>\$ 182,783,335</u> | <u>\$ 3,540,094</u> | <u>\$ 186,323,429</u> |

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014**

| ASSETS | <u>General</u> |
|--|----------------------|
| Equity in central treasury (cash and investments) | \$ 8,850,164 |
| Receivables (net of allowances for uncollectibles) | 2,227,883 |
| Due from other funds | <u>231,799</u> |
| Total assets | <u>\$ 11,309,846</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 255,467 |
| Accrued payroll and payroll liabilities | 171,546 |
| Due to other funds | - |
| Unearned revenue | 18,249 |
| Other liabilities | <u>35,926</u> |
| Total liabilities | <u>481,188</u> |
| Deferred Inflows of resources: | |
| Special assessments receivable - unavailable | 421,961 |
| Ambulance billing receivable - unavailable | 234,825 |
| Land sales - unavailable | 21,699 |
| Prepaid property taxes | <u>248,147</u> |
| Total deferred inflows of resources | <u>926,632</u> |
| Fund balances: | |
| Nonspendable | - |
| Restricted | 480,238 |
| Committed | 409,746 |
| Assigned | 1,518,184 |
| Unassigned | <u>7,493,858</u> |
| Total fund balances | <u>9,902,026</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 11,309,846</u> |

See Accompanying Notes to Financial Statements

| <u>Airport Special Revenue</u> | <u>Airport Land Sales Permanent</u> | <u>Kenai New City Shop Capital Project</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--|---|--|-------------------------------|---|
| \$ 4,087,887 | \$ 24,121,069 | \$ 331,037 | \$ 4,653,767 | \$ 42,043,924 |
| 98,852 | 303,727 | - | 931,082 | 3,561,544 |
| - | - | - | - | 231,799 |
| <u>\$ 4,186,739</u> | <u>\$ 24,424,796</u> | <u>\$ 331,037</u> | <u>\$ 5,584,849</u> | <u>\$ 45,837,267</u> |
| \$ 68,205 | \$ 5,392 | \$ 226,018 | \$ 281,080 | \$ 836,162 |
| 9,714 | - | - | 20,982 | 202,242 |
| - | - | - | 150,688 | 150,688 |
| 77,404 | - | - | 13,979 | 109,632 |
| 20,608 | - | - | 123,215 | 179,749 |
| <u>175,931</u> | <u>5,392</u> | <u>226,018</u> | <u>589,944</u> | <u>1,478,473</u> |
| - | - | - | - | 421,961 |
| - | 196,335 | - | 5,999 | 234,825 |
| - | - | - | - | 224,033 |
| - | <u>196,335</u> | - | <u>5,999</u> | <u>248,147</u> |
| - | 24,223,069 | - | 2,912,111 | 1,128,966 |
| - | - | - | - | 27,135,180 |
| - | - | 105,019 | 638,634 | 480,238 |
| 4,010,808 | - | - | 1,438,161 | 1,153,399 |
| - | - | - | - | 6,967,153 |
| <u>4,010,808</u> | <u>24,223,069</u> | <u>105,019</u> | <u>4,988,906</u> | <u>7,493,858</u> |
| <u>\$ 4,186,739</u> | <u>\$ 24,424,796</u> | <u>\$ 331,037</u> | <u>\$ 5,584,849</u> | <u>43,229,828</u> |

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 138,633,127

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 880,819

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 | \$ (1,695,000) | |
| Compensated absences | (815,373) | |
| Accrued interest (net of related interest subsidy) | <u>(14,667)</u> | (2,525,040) |

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

| | | |
|---|--|-----------------------|
| | | <u>2,564,601</u> |
| Net position of governmental activities | | <u>\$ 182,783,335</u> |

**CITY OF KENAI, ALASKA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

| | <u>General</u> | <u>Airport Special Revenue</u> | <u>Airport Land Sales Permanent</u> | <u>Kenai New City Shop Capital Project</u> | <u>Other Governmental</u> |
|---|---------------------|--|---|--|-------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 9,831,956 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | 1,794,918 | 64,532 | - | 1,875,369 | 3,866,109 |
| Charges for services | 2,252,329 | 356,685 | - | - | 2,736,189 |
| Interest revenue | 82,629 | 27,402 | 3,044,320 | - | 376,822 |
| Miscellaneous revenues | 329,647 | 1,479,774 | 100,791 | - | 107,835 |
| Total revenues | <u>14,291,479</u> | <u>1,928,393</u> | <u>3,145,111</u> | <u>1,875,369</u> | <u>7,086,955</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 3,034,793 | - | - | - | - |
| Public safety | 6,737,967 | - | - | - | 103,528 |
| Public works | 2,284,744 | - | - | - | 137,698 |
| Parks, recreation, and cultural | 1,995,849 | - | - | - | 170,283 |
| Water and sewer services | - | - | - | - | 2,149,174 |
| Airport | - | 2,587,591 | - | - | - |
| Social welfare services | - | - | - | - | 849,376 |
| Debt service: | | | | | |
| Principal | - | - | - | - | 80,000 |
| Interest | - | - | - | - | 98,598 |
| Capital outlay | 81,826 | - | - | 4,178,940 | 3,139,685 |
| Total expenditures | <u>14,135,179</u> | <u>2,587,591</u> | <u>-</u> | <u>4,178,940</u> | <u>6,728,342</u> |
| Excess of revenues over (under) expenditures | 156,300 | (659,198) | 3,145,111 | (2,303,571) | 358,613 |
| Other financing sources (uses): | | | | | |
| Transfers in | 146,172 | 1,094,473 | - | 408,590 | 400,758 |
| Transfers out | (294,096) | (403,796) | (1,094,473) | - | (369,672) |
| Net other financing sources (uses) | <u>(147,924)</u> | <u>690,677</u> | <u>(1,094,473)</u> | <u>408,590</u> | <u>31,086</u> |
| Net changes in fund balances | 8,376 | 31,479 | 2,050,638 | (1,894,981) | 389,699 |
| Fund balances - July 1 | <u>9,893,650</u> | <u>3,979,329</u> | <u>22,172,431</u> | <u>2,000,000</u> | <u>4,599,207</u> |
| Fund balances - June 30 | <u>\$ 9,902,026</u> | <u>\$ 4,010,808</u> | <u>\$ 24,223,069</u> | <u>\$ 105,019</u> | <u>\$ 4,988,906</u> |

See Accompanying Notes to Financial Statements

**Total
Governmental
Funds**

\$ 9,831,956
7,600,928
5,345,203
3,531,173
2,018,047

28,327,307

3,034,793
6,841,495
2,422,442
2,166,132
2,149,174
2,587,591
849,376

80,000
98,598
7,400,451

27,630,052

697,255

2,049,993
(2,162,037)

(112,044)

585,211

42,644,617

\$ 43,229,828

**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, 2014**

Net changes in fund balances - total governmental funds \$ 585,211

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

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

| | | |
|------------------------------------|--------------------|-----------|
| Expenditures for capital assets | \$ 6,860,072 | |
| Loss on disposal of capital assets | (52,908) | |
| Current year depreciation | <u>(4,189,611)</u> | 2,617,553 |

Special assessments, taxes, land sales and ambulance services receivable reported in the governmental funds are not revenues of the current period using the flow of current financial resources basis. This is the decrease in other long-term assets. (83,543)

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 | \$ 36,131 | |
| Bond interest payable | <u>601</u> | 36,732 |

Repayment of the principal of long-term debt consumes current financial resources of governmental funds but does not have any effect on net position. 80,000

Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The net revenue of Internal Service Funds activities is reported with governmental activities. 163,863

Change in net position of governmental activities \$ 3,399,816

CITY OF KENAI, ALASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|----------------------------------|----------------------------|-------------------------|------------------|---------------------------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| General property | \$ 3,139,274 | \$ 3,139,274 | \$ 3,149,024 | \$ 9,750 |
| General sales | 6,808,981 | 6,808,981 | 6,669,426 | (139,555) |
| Penalty and interest on taxes | <u>10,000</u> | <u>10,000</u> | <u>13,506</u> | <u>3,506</u> |
| Total taxes | <u>9,958,255</u> | <u>9,958,255</u> | <u>9,831,956</u> | <u>(126,299)</u> |
| Intergovernmental revenues: | | | | |
| Federal grants | - | 32,871 | 29,864 | (3,007) |
| Kenai Peninsula Borough | 50,880 | 50,880 | 51,360 | 480 |
| State of Alaska shared revenues: | | | | |
| Electric utility tax | 30,000 | 30,000 | 32,361 | 2,361 |
| Fish tax | 250,000 | 250,000 | 202,044 | (47,956) |
| Liquor licenses | 20,000 | 20,000 | 14,100 | (5,900) |
| Revenue sharing | 433,538 | 433,538 | 435,888 | 2,350 |
| State of Alaska grants: | | | | |
| Library grants | - | 11,884 | 14,873 | 2,989 |
| Police grants | 130,545 | 99,001 | 100,156 | 1,155 |
| PERS relief | <u>887,741</u> | <u>889,890</u> | <u>914,272</u> | <u>24,382</u> |
| Total intergovernmental revenues | <u>1,802,704</u> | <u>1,818,064</u> | <u>1,794,918</u> | <u>(23,146)</u> |
| Charges for services: | | | | |
| Fees and charges: | | | | |
| Ambulance fees | 400,000 | 400,000 | 355,726 | (44,274) |
| Multipurpose facility charges | 80,000 | 107,500 | 119,319 | 11,819 |
| Administrative and service fees | 1,495,800 | 1,495,800 | 1,495,800 | - |
| Other | <u>16,500</u> | <u>16,500</u> | <u>35,156</u> | <u>18,656</u> |
| Total fees and charges | <u>1,992,300</u> | <u>2,019,800</u> | <u>2,006,001</u> | <u>(13,799)</u> |
| Licenses and permits: | | | | |
| Building permits | 50,000 | 50,000 | 79,445 | 29,445 |
| Animal control licenses and fees | 21,500 | 21,500 | 28,703 | 7,203 |
| Other | <u>6,000</u> | <u>6,000</u> | <u>4,804</u> | <u>(1,196)</u> |
| Total licenses and permits | <u>77,500</u> | <u>77,500</u> | <u>112,952</u> | <u>35,452</u> |
| Fines and forfeits: | | | | |
| Court fines | 60,000 | 60,000 | 59,590 | (410) |
| Library fines | 15,000 | 15,000 | 13,127 | (1,873) |
| Other forfeitures | <u>26,000</u> | <u>65,559</u> | <u>60,659</u> | <u>(4,900)</u> |
| Total fines and forfeits | <u>101,000</u> | <u>140,559</u> | <u>133,376</u> | <u>(7,183)</u> |
| Total charges for services | <u>2,170,800</u> | <u>2,237,859</u> | <u>2,252,329</u> | <u>14,470</u> |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA

**GENERAL FUND
STATEMENT 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: | | | | |
| Interest earnings | \$ 75,000 | \$ 75,000 | \$ 82,629 | \$ 7,629 |
| Miscellaneous revenues: | | | | |
| Rents and leases | 112,284 | 112,284 | 126,051 | 13,767 |
| Oil and gas royalties | 85,000 | 85,000 | 68,400 | (16,600) |
| Special assessments | 66,000 | 66,000 | 32,253 | (33,747) |
| Other | <u>95,285</u> | <u>148,950</u> | <u>102,943</u> | <u>(46,007)</u> |
| Total miscellaneous revenues | <u>358,569</u> | <u>412,234</u> | <u>329,647</u> | <u>(82,587)</u> |
| Total revenues | <u>14,365,328</u> | <u>14,501,412</u> | <u>14,291,479</u> | <u>(209,933)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Legislative: | | | | |
| Personal services | 51,855 | 51,855 | 51,825 | 30 |
| Supplies | 11,178 | 11,178 | 6,027 | 5,151 |
| Other services and charges | <u>112,220</u> | <u>107,221</u> | <u>96,484</u> | <u>10,737</u> |
| Total legislative | <u>175,253</u> | <u>170,254</u> | <u>154,336</u> | <u>15,918</u> |
| City clerk: | | | | |
| Personal services | 176,004 | 176,004 | 161,520 | 14,484 |
| Supplies | 21,645 | 21,645 | 16,669 | 4,976 |
| Other services and charges | <u>56,700</u> | <u>56,700</u> | <u>46,075</u> | <u>10,625</u> |
| Total city clerk | <u>254,349</u> | <u>254,349</u> | <u>224,264</u> | <u>30,085</u> |
| City attorney: | | | | |
| Personal services | 256,688 | 256,688 | 256,494 | 194 |
| Supplies | 3,050 | 3,050 | 2,220 | 830 |
| Other services and charges | <u>53,690</u> | <u>53,690</u> | <u>18,786</u> | <u>34,904</u> |
| Total city attorney | <u>313,428</u> | <u>313,428</u> | <u>277,500</u> | <u>35,928</u> |
| City manager: | | | | |
| Personal services | 306,773 | 309,870 | 298,592 | 11,278 |
| Supplies | 1,930 | 1,930 | 781 | 1,149 |
| Other services and charges | <u>99,600</u> | <u>149,600</u> | <u>119,681</u> | <u>29,919</u> |
| Total city manager | <u>408,303</u> | <u>461,400</u> | <u>419,054</u> | <u>42,346</u> |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA

GENERAL FUND
STATEMENT 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 | \$ 564,005 | \$ 564,005 | \$ 528,663 | \$ 35,342 |
| Supplies | 39,898 | 38,978 | 26,879 | 12,099 |
| Other services and charges | 28,320 | 29,940 | 18,237 | 11,703 |
| Total finance | <u>632,223</u> | <u>632,923</u> | <u>573,779</u> | <u>59,144</u> |
| Non-departmental: | | | | |
| Personal services | 887,741 | 889,890 | 914,272 | (24,382) |
| Supplies | 11,650 | 9,650 | 7,831 | 1,819 |
| Other services and charges | 398,448 | 357,048 | 257,436 | 99,612 |
| Capital outlays | - | 9,800 | 9,350 | 450 |
| Total non-departmental | <u>1,297,839</u> | <u>1,266,388</u> | <u>1,188,889</u> | <u>77,499</u> |
| Planning and zoning: | | | | |
| Personal services | 222,775 | 222,775 | 155,925 | 66,850 |
| Supplies | 6,550 | 6,550 | 3,365 | 3,185 |
| Other services and charges | 38,179 | 38,179 | 31,137 | 7,042 |
| Total planning and zoning | <u>267,504</u> | <u>267,504</u> | <u>190,427</u> | <u>77,077</u> |
| Safety: | | | | |
| Supplies | 1,250 | 1,250 | - | 1,250 |
| Other services and charges | 6,575 | 6,575 | 4,733 | 1,842 |
| Total safety | <u>7,825</u> | <u>7,825</u> | <u>4,733</u> | <u>3,092</u> |
| Land administration: | | | | |
| Supplies | 990 | 990 | 351 | 639 |
| Other services and charges | 17,216 | 17,216 | 1,460 | 15,756 |
| Total land administration | <u>18,206</u> | <u>18,206</u> | <u>1,811</u> | <u>16,395</u> |
| | | | | |
| Total general government | <u>3,374,930</u> | <u>3,392,277</u> | <u>3,034,793</u> | <u>357,484</u> |
| | | | | |
| Public safety: | | | | |
| Police: | | | | |
| Personal services | 2,670,463 | 2,538,287 | 2,497,561 | 40,726 |
| Supplies | 107,059 | 122,408 | 110,955 | 11,453 |
| Other services and charges | 158,305 | 160,631 | 141,378 | 19,253 |
| Capital outlays | 75,666 | 103,520 | 75,750 | 27,770 |
| Total police | <u>3,011,493</u> | <u>2,924,846</u> | <u>2,825,644</u> | <u>99,202</u> |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA

GENERAL FUND
STATEMENT 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 | \$ 2,599,100 | \$ 2,635,465 | \$ 2,500,131 | \$ 135,334 |
| Supplies | 104,250 | 98,987 | 98,359 | 628 |
| Other services and charges | 274,718 | 263,605 | 243,168 | 20,437 |
| Capital outlays | 6,102 | 6,102 | 4,674 | 1,428 |
| Total fire | <u>2,984,170</u> | <u>3,004,159</u> | <u>2,846,332</u> | <u>157,827</u> |
| Communications: | | | | |
| Personal services | 749,595 | 749,595 | 694,795 | 54,800 |
| Supplies | 18,949 | 21,609 | 18,413 | 3,196 |
| Other services and charges | 42,534 | 39,874 | 25,992 | 13,882 |
| Total communications | <u>811,078</u> | <u>811,078</u> | <u>739,200</u> | <u>71,878</u> |
| Animal control: | | | | |
| Personal services | 256,992 | 270,992 | 231,519 | 39,473 |
| Supplies | 21,400 | 22,291 | 16,048 | 6,243 |
| Other services and charges | 83,186 | 83,604 | 79,224 | 4,380 |
| Total animal control | <u>361,578</u> | <u>376,887</u> | <u>326,791</u> | <u>50,096</u> |
| Total public safety | <u>7,168,319</u> | <u>7,116,970</u> | <u>6,737,967</u> | <u>379,003</u> |
| Public works: | | | | |
| Public works administration: | | | | |
| Personal services | 164,740 | 165,034 | 158,491 | 6,543 |
| Supplies | 3,600 | 3,589 | 3,061 | 528 |
| Other services and charges | 8,235 | 7,952 | 6,349 | 1,603 |
| Total public works administration | <u>176,575</u> | <u>176,575</u> | <u>167,901</u> | <u>8,674</u> |
| Shop: | | | | |
| Personal services | 355,008 | 364,160 | 358,653 | 5,507 |
| Supplies | 201,239 | 171,628 | 156,714 | 14,914 |
| Other services and charges | 131,203 | 113,662 | 111,911 | 1,751 |
| Total shop | <u>687,450</u> | <u>649,450</u> | <u>627,278</u> | <u>22,172</u> |
| Streets: | | | | |
| Personal services | 574,610 | 581,734 | 515,572 | 66,162 |
| Supplies | 172,620 | 166,443 | 146,503 | 19,940 |
| Other services and charges | 240,858 | 268,364 | 218,941 | 49,423 |
| Capital outlays | 18,053 | 49,103 | 38,090 | 11,013 |
| Total streets | <u>1,006,141</u> | <u>1,065,644</u> | <u>919,106</u> | <u>146,538</u> |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
GENERAL FUND
STATEMENT 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 | \$ 40,139 | \$ 40,139 | \$ 21,451 | \$ 18,688 |
| Supplies | 12,700 | 12,500 | 9,172 | 3,328 |
| Other services and charges | <u>46,143</u> | <u>46,343</u> | <u>28,635</u> | <u>17,708</u> |
| Total dock | <u>98,982</u> | <u>98,982</u> | <u>59,258</u> | <u>39,724</u> |
| Buildings: | | | | |
| Personal services | 238,404 | 238,404 | 227,517 | 10,887 |
| Supplies | 50,997 | 49,730 | 36,726 | 13,004 |
| Other services and charges | 54,069 | 55,336 | 50,373 | 4,963 |
| Capital outlays | <u>69,900</u> | <u>228,350</u> | <u>144,332</u> | <u>84,018</u> |
| Total buildings | <u>413,370</u> | <u>571,820</u> | <u>458,948</u> | <u>112,872</u> |
| Street lighting: | | | | |
| Supplies | 6,000 | 6,000 | - | 6,000 |
| Other services and charges | <u>141,909</u> | <u>141,909</u> | <u>134,079</u> | <u>7,830</u> |
| Total street lighting | <u>147,909</u> | <u>147,909</u> | <u>134,079</u> | <u>13,830</u> |
| | | | | |
| Total public works | <u>2,530,427</u> | <u>2,710,380</u> | <u>2,366,570</u> | <u>343,810</u> |
| | | | | |
| Parks, recreation, and cultural: | | | | |
| Library: | | | | |
| Personal services | 591,735 | 591,735 | 565,911 | 25,824 |
| Supplies | 20,825 | 58,476 | 53,487 | 4,989 |
| Other services and charges | <u>219,025</u> | <u>229,825</u> | <u>211,022</u> | <u>18,803</u> |
| Total library | <u>831,585</u> | <u>880,036</u> | <u>830,420</u> | <u>49,616</u> |
| Visitors center: | | | | |
| Supplies | 1,800 | 1,500 | - | 1,500 |
| Other services and charges | <u>183,503</u> | <u>186,203</u> | <u>177,294</u> | <u>8,909</u> |
| Total visitors center | <u>185,303</u> | <u>187,703</u> | <u>177,294</u> | <u>10,409</u> |
| Parks, recreation & beautification: | | | | |
| Personal services | 444,750 | 444,750 | 369,522 | 75,228 |
| Supplies | 118,808 | 128,307 | 116,753 | 11,554 |
| Other services and charges | 433,641 | 538,239 | 491,945 | 46,294 |
| Capital outlays | <u>91,500</u> | <u>61,500</u> | <u>9,915</u> | <u>51,585</u> |
| Total parks, recreation & beautification | <u>1,088,699</u> | <u>1,172,796</u> | <u>988,135</u> | <u>184,661</u> |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
GENERAL FUND
STATEMENT 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: | | | | |
| Parks, recreation, and cultural, continued: | | | | |
| Total parks, recreation, and cultural | \$ 2,105,587 | \$ 2,240,535 | \$ 1,995,849 | \$ 244,686 |
| Total expenditures | <u>15,179,263</u> | <u>15,460,162</u> | <u>14,135,179</u> | <u>1,324,983</u> |
| Excess of revenues over (under) expenditures | <u>(813,935)</u> | <u>(958,750)</u> | <u>156,300</u> | <u>1,115,050</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 144,486 | 144,486 | 146,172 | 1,686 |
| Transfers out | <u>(144,334)</u> | <u>(324,378)</u> | <u>(294,096)</u> | <u>30,282</u> |
| Net other financing sources (uses) | <u>152</u> | <u>(179,892)</u> | <u>(147,924)</u> | <u>31,968</u> |
| Net changes in fund balance | <u>\$ (813,783)</u> | <u>\$ (1,138,642)</u> | 8,376 | <u>\$ 1,147,018</u> |
| Fund balance - July 1 | | | <u>9,893,650</u> | |
| Fund balance - June 30 | | | <u>\$ 9,902,026</u> | |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
AIRPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|-------------------------|------------------|---------------------------------------|
| Revenues: | | | | |
| Intergovernmental revenues - State grant | \$ 71,943 | \$ 71,943 | \$ 64,532 | \$ (7,411) |
| Charge for services - landing fees | 336,011 | 336,011 | 356,685 | 20,674 |
| Investment earnings (loss) | 30,833 | 30,833 | 27,402 | (3,431) |
| Miscellaneous revenues: | | | | |
| Rents and leases, including penalty and interest | 1,002,258 | 1,002,258 | 1,015,887 | 13,629 |
| Fish hauling rents | 1,000 | 1,000 | - | (1,000) |
| Parking fees | 240,000 | 240,000 | 201,256 | (38,744) |
| Car rental commissions | 195,000 | 195,000 | 199,432 | 4,432 |
| Advertising commissions | 3,500 | 3,500 | 5,552 | 2,052 |
| Fuel flowage | 60,000 | 60,000 | 30,350 | (29,650) |
| Other | 41,500 | 41,500 | 27,297 | (14,203) |
| Total miscellaneous revenues | <u>1,543,258</u> | <u>1,543,258</u> | <u>1,479,774</u> | <u>(63,484)</u> |
| Total revenues | <u>1,982,045</u> | <u>1,982,045</u> | <u>1,928,393</u> | <u>(53,652)</u> |
| Expenditures: | | | | |
| Maintenance and operation: | | | | |
| Personal services | 325,711 | 325,711 | 304,614 | 21,097 |
| Supplies | 183,145 | 183,145 | 137,697 | 45,448 |
| Other services and charges | 358,226 | 358,226 | 305,530 | 52,696 |
| | 867,082 | 867,082 | 747,841 | 119,241 |
| Expenditures chargeable from other funds | 813,300 | 813,300 | 813,300 | - |
| Total maintenance and operation | <u>1,680,382</u> | <u>1,680,382</u> | <u>1,561,141</u> | <u>119,241</u> |
| Administration: | | | | |
| Personal services | 218,535 | 218,535 | 212,438 | 6,097 |
| Supplies | 5,265 | 5,265 | 4,773 | 492 |
| Other services and charges | 37,119 | 42,019 | 27,666 | 14,353 |
| | 260,919 | 265,819 | 244,877 | 20,942 |
| Expenditures chargeable from other funds | 54,200 | 54,200 | 54,200 | - |
| Total administration | <u>315,119</u> | <u>320,019</u> | <u>299,077</u> | <u>20,942</u> |

See Accompanying Notes to Financial Statements

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

| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | <u>Actual</u> | <u>Variance With</u> <u>Final Budget</u> |
|---|----------------------------------|-------------------------------|---------------------|---|
| Expenditures, continued: | | | | |
| Land: | | | | |
| Personal services | \$ 72,822 | \$ 72,822 | \$ 70,464 | \$ 2,358 |
| Supplies | 13,200 | 13,200 | 9,828 | 3,372 |
| Other services and charges | <u>51,027</u> | <u>46,527</u> | <u>23,890</u> | <u>22,637</u> |
| Total land | <u>137,049</u> | <u>132,549</u> | <u>104,182</u> | <u>28,367</u> |
| Training facility - | | | | |
| Other services and charges | <u>34,664</u> | <u>39,164</u> | <u>29,127</u> | <u>10,037</u> |
| Total training facility | <u>34,664</u> | <u>39,164</u> | <u>29,127</u> | <u>10,037</u> |
| Terminal: | | | | |
| Personal services | 122,586 | 122,586 | 114,756 | 7,830 |
| Supplies | 36,750 | 36,750 | 30,827 | 5,923 |
| Other services and charges | 383,416 | 438,516 | 374,681 | 63,835 |
| Capital outlays | <u>60,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total terminal | <u>602,752</u> | <u>597,852</u> | <u>520,264</u> | <u>77,588</u> |
| Expenditures chargeable from other funds | <u>73,800</u> | <u>73,800</u> | <u>73,800</u> | <u>-</u> |
| Total terminal | <u>676,552</u> | <u>671,652</u> | <u>594,064</u> | <u>77,588</u> |
| Total expenditures | <u>2,843,766</u> | <u>2,843,766</u> | <u>2,587,591</u> | <u>256,175</u> |
| Excess of revenues over (under) expenditures | <u>(861,721)</u> | <u>(861,721)</u> | <u>(659,198)</u> | <u>202,523</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,090,572 | 1,090,572 | 1,094,473 | 3,901 |
| Transfers out | <u>-</u> | <u>(403,796)</u> | <u>(403,796)</u> | <u>-</u> |
| Net other financing sources (uses) | <u>1,090,572</u> | <u>686,776</u> | <u>690,677</u> | <u>3,901</u> |
| Net changes in fund balance | <u>\$ 228,851</u> | <u>\$ (174,945)</u> | 31,479 | <u>\$ 206,424</u> |
| Fund balance - July 1 | | | <u>3,979,329</u> | |
| Fund balance - June 30 | | | <u>\$ 4,010,808</u> | |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Business-type Activities - Enterprise Fund | Governmental Activities - Internal Service Funds |
|---|--|---|
| | Congregate Housing | |
| ASSETS | | |
| Current assets: | | |
| Equity in central treasury | \$ 608,577 | \$ 1,257,440 |
| Accounts receivable | 31 | - |
| Total current assets | 608,608 | 1,257,440 |
| Noncurrent assets: | | |
| Land | 274,500 | - |
| Property and equipment in service, at cost: | | |
| Buildings | 5,292,668 | - |
| Equipment | - | 2,290,673 |
| Total property and equipment in service | 5,292,668 | 2,290,673 |
| Less accumulated depreciation | (2,750,551) | (895,229) |
| Net property and equipment in service | 2,542,117 | 1,395,444 |
| Construction work in progress | 254,059 | - |
| Total assets | \$ 3,679,284 | \$ 2,652,884 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 99,459 | \$ 73 |
| Accrued payroll and payroll liabilities | 896 | 2,187 |
| Unearned revenue | 3,778 | - |
| Due to General Fund | - | 81,111 |
| Other liabilities | 32,602 | - |
| Total current liabilities | 136,735 | 83,371 |
| Noncurrent liabilities - compensated absences | 2,455 | 4,912 |
| Total liabilities | 139,190 | 88,283 |
| NET POSITION | | |
| Investment in capital assets | 3,070,676 | 1,395,444 |
| Unrestricted | 469,418 | 1,169,157 |
| Total net position | \$ 3,540,094 | \$ 2,564,601 |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

| | Business-type Activities - Enterprise Fund Congregate Housing | Governmental Activities - Internal Service Funds |
|--------------------------------------|---|---|
| Operating revenues: | | |
| Rents and leases | \$ 346,424 | \$ - |
| Charges for services | - | 100,749 |
| Other revenue | 11 | 285,592 |
| Total operating revenues | <u>346,435</u> | <u>386,341</u> |
| Operating expenses: | | |
| Personal services | 55,461 | 81,643 |
| Supplies | 11,524 | 1,560 |
| Utilities | 76,359 | 622 |
| Repair and maintenance | 76,448 | - |
| Insurance | 8,994 | 930 |
| Depreciation | 132,439 | 143,821 |
| Manager's fee | 34,530 | - |
| Miscellaneous | 3,280 | - |
| Expenses chargeable from other funds | 37,600 | 9,700 |
| Total operating expenses | <u>436,635</u> | <u>238,276</u> |
| Operating income (loss) | <u>(90,200)</u> | <u>148,065</u> |
| Nonoperating revenues: | | |
| Intergovernmental grants | 4,940 | 7,491 |
| Investment earnings | 5,062 | 8,307 |
| Total nonoperating revenues | <u>10,002</u> | <u>15,798</u> |
| Income (loss) before transfers | (80,198) | 163,863 |
| Transfer in | <u>112,044</u> | <u>-</u> |
| Change in net position | 31,846 | 163,863 |
| Net position - July 1 | <u>3,508,248</u> | <u>2,400,738</u> |
| Net position - June 30 | <u>\$ 3,540,094</u> | <u>\$ 2,564,601</u> |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

| | Business-type Activities - Enterprise Fund | Governmental Activities - Internal Service Funds |
|---|--|--|
| | Congregate Housing | |
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 347,279 | \$ 100,749 |
| Payments to suppliers | (122,250) | (12,750) |
| Payments to employees | (53,581) | (77,563) |
| Receipts (payments) for interfund services | (37,600) | 285,592 |
| Net cash provided by operating activities | 133,848 | 296,028 |
| Cash flows from noncapital financing activities: | | |
| Decrease in Due (to) General Fund | - | (17,927) |
| Transfer in | 112,044 | - |
| State grant | 4,940 | 7,491 |
| Net cash provided (used) by noncapital financing activities | 116,984 | (10,436) |
| Cash flows from capital and related financing activities - | | |
| Acquisition and construction of capital assets | (220,326) | - |
| Cash flows from investing activities - | | |
| Gain on investments | 5,062 | 8,307 |
| Net increase in cash and cash equivalents | 35,568 | 293,899 |
| Cash and cash equivalents, beginning | 573,009 | 963,541 |
| Cash and cash equivalents, ending | \$ 608,577 | \$ 1,257,440 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (90,200) | \$ 148,065 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 132,439 | 143,821 |
| Accounts receivable | 756 | - |
| Accounts payable | 86,717 | 62 |
| Accrued payroll and payroll liabilities | 896 | 2,187 |
| Compensated absences | 984 | 1,893 |
| Unearned revenue | 88 | - |
| Other liabilities | 2,168 | - |
| Net cash provided by operating activities | \$ 133,848 | \$ 296,028 |

See Accompanying Notes to Financial Statements

CITY OF KENAI, ALASKA
KENAI COMMUNITY FOUNDATION AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2014

ASSETS

| | |
|----------------------------|------------------|
| Equity in central treasury | <u>\$ 65,781</u> |
|----------------------------|------------------|

LIABILITIES

| | |
|-----------------------------------|------------------|
| Due to Kenai Community Foundation | <u>\$ 65,781</u> |
|-----------------------------------|------------------|

See Accompanying Notes to Financial Statements

FOOTNOTES TO FINANCIAL STATEMENTS

CITY OF KENAI, ALASKA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 legislations.

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 measured 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 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 Kenai New City Shop Capital Project Fund accounts for the capital project to construct the new City Shop. Primary funding sources are state grants.

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

The City has elected to report the following fund as major. The City believes this fund is of special interest to the financial statement users and this presentation is consistent with prior years:

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.

Additionally the City reports the following fund types:

Internal Service Funds – the Equipment Replacement Fund is an internal service fund. It accounts for the purchase of equipment costing more than \$50,000 that will be used by General Fund departments on a cost-reimbursement basis. The Capital Project Management Fund is an internal service fund that accounts for the management of the City's capital projects on a cost-reimbursement basis.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, liabilities and net position or equity

1. Cash and cash equivalents

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

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

2. Receivables and payables

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

3. Restricted assets

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the Government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. All infrastructure assets, including those acquired prior to June 30, 1980, are reported. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

5. Compensated absences

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

6. Long-term obligations

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

7. Fund balances

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

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

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

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

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

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

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

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 \$460,943. The majority of this was for the Kenai Senior Center Siding Replacement Project, \$158,450 and for transfers to the Congregate Housing Enterprise Funds, \$112,044.

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, 2014 were:

| | Major Fund – <u>General Fund</u> | Nonmajor <u>Gov't Funds</u> |
|--|-------------------------------------|--------------------------------|
| Kenai Senior Center Siding Project | \$ 82,298 | \$ - |
| Equipment purchase | 290,000 | - |
| Kenai Senior Center Boiler Replacement | 84,883 | - |
| Airport Master Plan Project | - | 305,006 |
| Airport Airfield Marking Project | - | 86,260 |
| New Water Reservoir Project | - | 256,488 |
| | <u>\$457,181</u> | <u>\$647,754</u> |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

The City's general investment policy authorizes investment in: (a) obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit with banks and savings and loan associations; (c) repurchase agreements; (d) money market mutual funds consisting primarily of obligations of the United States or an agency or instrumentality of the United States, or repurchase agreements collateralized with such obligations; and (e) the Alaska Municipal League Investment Pool (AMLIP). Generally, investment maturities cannot exceed five years from the date of purchase. Repurchase agreements must be collateralized with United States government obligations. Certificates of deposit must be insured or collateralized with obligations of the United States or its agencies or instrumentalities. Collateral must be held by a third party trustee. The City complied with its investment policy throughout the year.

The City's Airport Land Sales Permanent Fund investment policy authorizes investment in: (a) Corporate obligations of investment grade quality as recognized by a nationally recognized rating organization; (b) Domestic Equities, which taken as a whole, attempt to mirror the characteristics or replicate the Standard & Poor's 500 Index, including both mutual funds and exchange traded funds (ETF's); (c) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 400 Mid-Cap Index, including both mutual funds and exchange traded funds; (d) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 600 Small-Cap Index, including both mutual funds and exchange traded funds; (e) International Equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Developed ex North America Index, including both mutual funds and exchange traded funds; (f) Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts as represented by the Standard & Poor's REIT composite index, including both mutual funds and exchange traded funds; and (g) Emerging Market Equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Emerging Index including both mutual funds and exchange traded funds. Repurchase agreements must be collateralized with United States government obligations. Certificates of deposit must be insured or collateralized with obligations of the United States or its agencies or instrumentalities. The City complied with its investment policy throughout the year.

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

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

The City maintains an interest bearing checking account, which had a bank balance of \$845,830 and a carrying value of \$599,479 at year-end. The City also holds a \$20,000 certificate of deposit and cash on hand of \$2,280. 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, 2014, 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 | \$4,981,020 | \$ - | \$ - | \$4,981,020 |
| Wells Fargo Money Market | 7,812,628 | 7,812,628 | - | - |
| Certificates of Deposit | 3,666,432 | 1,226,335 | 2,440,097 | - |
| AMLIP | <u>3,150</u> | <u>3,150</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$16,463,230</u> | <u>\$9,042,113</u> | <u>\$2,440,097</u> | <u>\$4,981,020</u> |

General and Airport Land Sales Permanent Funds investments:

| <u>Investment</u> | <u>Fair Value</u> | <u>% of Portfolio</u> |
|--------------------------|---------------------|-----------------------|
| U.S. Treasury/Agencies | \$ 5,429,789 | 20.19% |
| Corporate Bonds | 4,867,386 | 18.10 |
| Wells Fargo Money Market | 592,964 | 2.21 |
| U.S. equity securities | 9,950,168 | 37.00 |
| International securities | 4,728,526 | 17.58 |
| Real estate equities | <u>1,321,900</u> | <u>4.92</u> |
| Total | <u>\$26,890,733</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, 2014.

| | <u>Pooled Cash and Investments</u> | <u>Kenai Community Foundation</u> | <u>Totals</u> |
|--------------------------------|--|---|---------------------|
| Bank deposits and cash on hand | \$ 621,759 | \$ - | \$ 621,759 |
| Investments | <u>43,288,182</u> | <u>65,781</u> | <u>43,353,963</u> |
| | <u>\$43,909,941</u> | <u>\$65,781</u> | <u>\$43,975,722</u> |

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

The fair values of the City's Airport Land Sales Permanent Fund fixed income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. Duration of a financial asset measures the sensitivity of the asset's price to changes in interest rates. The benchmark index for the fixed income component of the fund is the Barclays Intermediate Government/Credit Index. The index allows for maturities of 1 to 10 years. At June 30, 2014 the index had an average duration of 4.02 while the fund's fixed income component had an average duration of 3.58.

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 National Mortgage Association – 20.17% and Federal Home Loan Mortgage Corporation – 8.81%.

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, 2014.

| <u>Asset Class</u> | <u>Benchmark Index</u> | <u>Target % Weighting</u> | <u>Actual % Weighting</u> |
|--------------------------------|---|-------------------------------|-------------------------------|
| Fixed income | Barclays Intermediate Government/Credit Index | 45-65% | 41.90% |
| Large-Cap domestic equities | Standard & Poor's 500 Index | 20-25 | 20.08 |
| International equities | Vanguard Europe Pacific ETF | 10-15 | 10.60 |
| Mid-Cap equities | Standard & Poor's 400 Mid-Cap Index | 10-15 | 10.46 |
| Small-Cap equities | Standard & Poor's 600 Small-Cap Index | 5-10 | 5.99 |
| International emerging markets | Vanguard Emerging Market ETF | 5-10 | 6.44 |
| Real-estate equities | Vanguard REIT ETF | 5-10 | 4.53 |
| 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 AAA by Standard and Poor's.

The Barclays Intermediate Government/Credit Index is utilized as the benchmark by the City's Permanent Fund investment policy, which requires investment in securities of investment grade or higher (rated Baa or higher by Moody's Investor Service or rated BBB or higher by Standard and Poor's. At June 30, 2014 all fixed income investments were rated BBB or better by Standard and Poor's.

B. Receivables

Receivables at June 30, 2014, for the City's individual major funds, the nonmajor and other governmental funds in the aggregate are as follows:

| | <u>General</u> | <u>Airport Special Revenue</u> | <u>Airport Land Sales Permanent</u> | <u>Nonmajor and Other Funds</u> |
|----------------------------------|--------------------|--|---|---|
| Taxes | \$1,407,338 | \$ - | \$ - | \$ - |
| Intergovernmental | 88,200 | 5,681 | - | 711,292 |
| Notes | - | - | - | 5,999 |
| Customer and other | 628,398 | 93,171 | 196,335 | 227,260 |
| Special assessments | 421,961 | - | - | - |
| Land contracts | 21,699 | - | - | - |
| Accrued interest | 8,188 | - | 107,392 | 12,975 |
| Total receivables | 2,575,784 | 98,852 | 303,727 | 957,526 |
| Less allowance for uncollectible | (347,901) | - | - | (26,444) |
| Net receivables | <u>\$2,227,883</u> | <u>\$98,852</u> | <u>\$303,727</u> | <u>\$931,082</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, 2014, 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:

| | <u>Fund Level</u> | | <u>Government Wide</u> | |
|--|-------------------------|------------------|-------------------------|------------------|
| | <u>Deferred Inflows</u> | <u>Unearned</u> | <u>Deferred Inflows</u> | <u>Unearned</u> |
| Special assessments receivable (General Fund) | \$ 421,961 | \$ - | \$ - | \$ - |
| Ambulance billing receivable (General Fund) | 234,825 | - | - | - |
| Land sales receivable (General Fund) | 21,699 | - | - | - |
| Land sales receivable (Airport Land Sales Permanent Fund) | 196,335 | - | - | - |
| Land sales receivable (Nonmajor governmental funds) | 5,999 | - | - | - |
| Prepaid property tax (General Fund) | 248,147 | - | 248,147 | - |
| Prepaid licenses (General Fund) | - | 680 | - | 680 |
| Prepaid rents & leases (General Fund) | - | 17,569 | - | 17,569 |
| Prepaid rents & leases (Airport Fund) | - | 77,404 | - | 77,404 |
| Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds) | - | 13,979 | - | 13,979 |
| | <u>\$1,128,966</u> | <u>\$109,632</u> | <u>\$248,147</u> | <u>\$109,632</u> |

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | <u>Balance July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2014</u> |
|---|-----------------------------|---------------------|----------------------|------------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,001,559 | \$ - | \$ - | \$ 6,001,559 |
| Construction in progress | <u>1,999,222</u> | <u>7,400,451</u> | <u>(1,628,167)</u> | <u>7,771,506</u> |
| Total capital assets not being depreciated | <u>8,000,781</u> | <u>7,400,451</u> | <u>(1,628,167)</u> | <u>13,773,065</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 59,359,779 | 55,821 | - | 59,415,600 |
| Improvements other than buildings | 53,889,317 | 257,413 | - | 54,146,730 |
| Machinery and equipment | 19,388,129 | 231,617 | (315,889) | 19,303,857 |
| Infrastructure | <u>66,684,195</u> | <u>542,937</u> | <u>-</u> | <u>67,227,132</u> |
| Total capital assets being depreciated | <u>199,321,420</u> | <u>1,087,788</u> | <u>(315,889)</u> | <u>200,093,319</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (17,125,548) | (1,036,640) | - | (18,162,188) |
| Improvements other than buildings | (17,233,153) | (1,473,548) | - | (18,706,701) |
| Machinery and equipment | (10,606,871) | (836,896) | 262,981 | (11,180,786) |
| Infrastructure | <u>(24,801,790)</u> | <u>(986,348)</u> | <u>-</u> | <u>(25,788,138)</u> |
| Total accumulated depreciation | <u>(69,767,362)</u> | <u>(4,333,432)</u> | <u>262,981</u> | <u>(73,837,813)</u> |
| Total capital assets being depreciated, net | <u>129,554,058</u> | <u>(3,245,644)</u> | <u>(52,908)</u> | <u>126,255,506</u> |
| Governmental activities capital assets, net | <u>\$137,554,839</u> | <u>\$ 4,154,807</u> | <u>\$(1,681,075)</u> | <u>\$140,028,571</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 <u>July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>June 30, 2014</u> |
|--|--------------------------------|------------------|------------------|---------------------------------|
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 274,500 | \$ - | \$ - | \$ 274,500 |
| Construction in progress | <u>33,733</u> | <u>220,326</u> | <u>-</u> | <u>254,059</u> |
| Total capital assets not being depreciated | <u>308,233</u> | <u>220,326</u> | <u>-</u> | <u>528,559</u> |
| Capital assets being depreciated – | | | | |
| Buildings | 5,292,668 | - | - | 5,292,668 |
| Less accumulated depreciation for – | | | | |
| Buildings | <u>(2,618,112)</u> | <u>(132,439)</u> | <u>-</u> | <u>(2,750,551)</u> |
| Total capital assets being depreciated, net | <u>2,674,556</u> | <u>(132,439)</u> | <u>-</u> | <u>2,542,117</u> |
| Business-type activities capital assets, net | <u>\$ 2,982,789</u> | <u>\$ 87,887</u> | <u>\$ -</u> | <u>\$ 3,070,676</u> |

Depreciation expense charged to each governmental function is as follows:

| | |
|-------------------------------|---------------------|
| General government | \$ 77,608 |
| Public safety | 231,650 |
| Public works | 870,517 |
| Park, recreation and cultural | 278,263 |
| Water and sewer services | 888,137 |
| Airport | 1,938,295 |
| Social welfare services | <u>48,962</u> |
| | <u>\$ 4,333,432</u> |

E. Pension Plans

Defined Benefit Pension Plan

The City participates in the 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 to provide pension, postemployment healthcare, death, and disability benefits. 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. The report is available at the following address:

Department of Administration
 Division of Retirement and Benefits
 P.O. Box 110203
 Juneau, Alaska 99811-0203

Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan

costs and past service liabilities will be shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditure within the financial statements.

GASB 43 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. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

The City's contribution rates for 2014 were determined as part of the June 30, 2011 actuarial valuation and are as follows:

| | <u>Contractual Rate</u> | <u>ARM Board Adopted Rate</u> | <u>GASB 43 Rate</u> |
|---------------------------|-----------------------------|---------------------------------------|-------------------------|
| Pension | 10.64% | 18.38% | 27.94% |
| Postemployment healthcare | <u>11.36%</u> | <u>17.30%</u> | <u>52.55%</u> |
| Total contribution rate | <u>22.00%</u> | <u>35.68%</u> | <u>80.49%</u> |

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State PERS on-behalf payment in the amount of \$1,097,355 as revenues and expenditures. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

| <u>Year Ended June 30</u> | <u>Required Pension Contribution</u> | <u>Required OPEB Contribution</u> | <u>Total Required Contribution (TRC)</u> | <u>City Contributions</u> | <u>% of TRC Contributed</u> |
|---------------------------|--------------------------------------|-----------------------------------|--|---------------------------|-----------------------------|
| 2014 | \$679,722 | \$725,719 | \$1,405,441 | \$1,405,441 | 100% |
| 2013 | \$617,568 | \$787,559 | \$1,405,127 | \$1,405,127 | 100% |
| 2012 | \$481,047 | \$867,111 | \$1,348,158 | \$1,348,158 | 100% |

Defined Contribution Pension Plan

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The Plan is administered by the State of Alaska, Department of Administration, and 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.

Employee Contribution Rates

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

Employer Contribution Rates

The City is required to contribute the following amounts base on covered salary:

| | <u>Others Tier IV</u> | <u>Police/Fire Tier IV</u> |
|--|-----------------------|----------------------------|
| Individual account | 5.00% | 5.00% |
| Retiree medical plan | 0.48 | 0.48 |
| Occupational death and disability benefits | <u>0.20</u> | <u>1.14</u> |
| | <u>5.68%</u> | <u>6.62%</u> |

In addition, the employer must contribute to 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, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,897 per year for each full-time employee, and \$1.22 per hour for part-time employees.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were \$251,971 and \$223,509, respectively.

F. Changes in Long-Term Obligations

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

| | <u>Balance</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2014</u> | <u>Due within</u> <u>one year</u> |
|-------------------------------|---------------------------------------|------------------|-------------------|--|--------------------------------------|
| Compensated absences | \$ 854,523 | \$866,213 | \$900,451 | \$ 820,285 | \$205,071 |
| Library expansion bonds | <u>1,775,000</u> | <u>-</u> | <u>80,000</u> | <u>1,695,000</u> | <u>80,000</u> |
| Total governmental activities | <u>\$2,629,523</u> | <u>\$866,213</u> | <u>\$980,451</u> | <u>\$2,515,285</u> | <u>\$285,071</u> |

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

| | <u>Balance</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2014</u> | <u>Due within</u> <u>one year</u> |
|----------------------|---------------------------------------|------------------|-------------------|--|--------------------------------------|
| Compensated absences | <u>\$1,471</u> | <u>\$4,026</u> | <u>\$3,042</u> | <u>\$2,455</u> | <u>\$614</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, 2014, is as follows:

| Date of Issue | Issued | Interest Rate | Federal Interest Subsidy | Maturity Dates | Annual Installments | Federal Interest Subsidy | Net Installments | Outstanding June 30, 2014 |
|---------------|----------------|---------------|--------------------------|----------------|---------------------|--------------------------|------------------|---------------------------|
| 3/11/10 | \$1,355 | 5.99 - 6.34 | 2.70 - 2.85 | 2019 - 2030 | \$81 - \$175 | \$4 - \$38 | \$77 - \$137 | \$1,355 |
| 3/11/10 | <u>645</u> | 2.00 - 5.00 | - | 2012 - 2018 | 92 - 95 | - | 92 - 95 | <u>340</u> |
| | <u>\$2,000</u> | | | | | | | <u>\$1,695</u> |

Debt service requirements (not including compensated absences) at June 30, 2014 are as follows:

| Fiscal Year | Governmental Activities | | | |
|-------------|-------------------------|------------------|------------------|------------------|
| | Principal | Interest | Interest Subsidy | Net Interest |
| 2015 | \$ 80,000 | \$ 96,197 | \$ 37,529 | \$ 58,668 |
| 2016 | 85,000 | 93,798 | 37,529 | 56,269 |
| 2017 | 85,000 | 90,398 | 37,529 | 52,869 |
| 2018 | 90,000 | 86,998 | 37,529 | 49,469 |
| 2019 | 95,000 | 83,398 | 37,529 | 45,869 |
| 2020-2024 | 515,000 | 328,891 | 148,001 | 180,890 |
| 2025-2029 | 610,000 | 160,661 | 72,298 | 88,363 |
| 2030 | <u>135,000</u> | <u>8,560</u> | <u>3,852</u> | <u>4,708</u> |
| Total | <u>\$1,695,000</u> | <u>\$948,901</u> | <u>\$411,796</u> | <u>\$537,105</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 2013 Certified Main and Supplemental Tax Roles for the City showed total taxable assessed for real and personal property of \$804,454,601, making the legal debt limit \$160,890,920 for the City.

G. Interfund Receivables, Payables and Transfers

Amounts due from other funds are as follows:

| | |
|--|-------------------|
| Due to General Fund from: | |
| Streets Improvement Capital Project Fund for short-term capital advances | \$ 6,910 |
| Miscellaneous Capital Project Fund for short-term capital advances | 143,778 |
| Internal service funds for short-term capital advances | <u>81,111</u> |
| Total amounts due from other funds | \$ <u>231,799</u> |

Transfers between funds were as follows:

| | |
|---|--------------------|
| From General Fund to: | |
| New City Shop Capital Project Fund for capital costs | \$ 38,000 |
| Nonmajor governmental funds for debt service | 144,052 |
| Congregate Housing Enterprise Fund for capital investment | 112,044 |
| From Airport Land Sales Permanent Fund to: | |
| Airport Special Revenue Fund for operating costs | 1,094,473 |
| From Airport Special Revenue Fund to: | |
| New City Shop Capital Project Fund for capital costs | 370,590 |
| Nonmajor governmental fund for capital costs | 33,206 |
| From nonmajor governmental funds to: | |
| Nonmajor governmental fund for capital costs | 223,500 |
| General Fund for operating costs | <u>146,172</u> |
| Total transfers to other funds | <u>\$2,162,037</u> |

H. Fund Balance Designations

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

| | General | Airport Special Revenue | Airport Land Sales Permanent | New City Shop Capital Proj | Nonmajor and Other Funds | Totals |
|---------------------------------|--------------------|-------------------------------|------------------------------------|----------------------------------|--------------------------------|---------------------|
| Nonspendable – | | | | | | |
| Permanent funds | \$ _____ | \$ _____ | \$24,223,069 | \$ _____ | \$2,912,111 | \$27,135,180 |
| Restricted –Athletics | <u>480,238</u> | _____ | _____ | _____ | _____ | <u>480,238</u> |
| Committed: | | | | | | |
| Capital Imp. | 9,746 | - | - | 105,019 | 638,634 | 753,399 |
| Working capital | <u>400,000</u> | _____ | _____ | _____ | _____ | <u>400,000</u> |
| | <u>409,746</u> | _____ | _____ | <u>105,019</u> | <u>638,634</u> | <u>1,153,399</u> |
| Assigned: | | | | | | |
| Self-Insurance | 103,475 | - | - | - | - | 103,475 |
| Compensated abs. | 718,204 | 42,587 | - | - | 54,582 | 815,373 |
| Subsequent years expenditures | 696,505 | - | - | - | 98,739 | 795,244 |
| Airport operations | - | 3,968,221 | - | - | - | 3,968,221 |
| Personal use fishery operations | - | - | - | - | 16,924 | 16,924 |
| Senior programs | - | - | - | - | 167,237 | 167,237 |
| Water & sewer operations | - | - | - | - | 1,100,679 | 1,100,679 |
| | <u>1,518,184</u> | <u>4,010,808</u> | _____ | _____ | <u>1,438,161</u> | <u>6,967,153</u> |
| Unassigned | <u>7,493,858</u> | _____ | _____ | _____ | _____ | <u>7,493,858</u> |
| Total fund balances | <u>\$9,902,026</u> | <u>\$4,010,808</u> | <u>\$24,223,069</u> | <u>\$105,019</u> | <u>\$4,988,906</u> | <u>\$43,229,828</u> |

I. Risk Management

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

J. Contingencies

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

K. New Accounting Pronouncements

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

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year-end June 30, 2015 – This statement contains certain technical corrections to prior GASB statements on the topics of Net Pension Liability and Pension Expense.

GASB 69 – Government Combinations and Disposals of Government Operations – Effective for year-end June 30, 2015 – This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 – Effective for year-end June 30, 2015 – The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

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Other Governmental Funds

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

Special Revenue Funds

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

Personal Use Fisher 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.

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

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

Capital Project Funds

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

Parks and Recreation - to account for capital improvements to City parks and recreation facilities. Financing is primarily from general fund transfers and State grants.

Streets Improvements – 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.

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

Water & Sewer – 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.

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

Library Expansion – to account for the project to expand the Kenai Community Library.

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

Debt Service Fund

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

Permanent Funds

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

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

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

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**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014**

| ASSETS | Special Revenue | | | | |
|--|----------------------------|-----------------------|------------------------|-------------------------|----------|
| | Personal Use Fishery | Water and Sewer | Council on Aging | Parks and Recreation | Streets |
| Equity in central treasury (cash and investments) | \$ 40,084 | \$ 1,136,006 | \$ 208,243 | \$ 163,183 | \$ - |
| Intergovernmental receivables | - | - | 91,554 | 31,116 | 8,073 |
| Notes receivable | - | - | - | - | - |
| Other accounts receivable, net | - | 200,816 | - | - | - |
| Total assets | \$ 40,084 | \$ 1,336,822 | \$ 299,797 | \$ 194,299 | \$ 8,073 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 11,021 | \$ 66,565 | \$ 16,759 | \$ 19,369 | \$ 1,163 |
| Accrued payroll and payroll liabilities | - | 12,916 | 8,066 | - | - |
| Other liabilities | - | 108,352 | 14,863 | - | - |
| Due to General Fund | - | - | - | - | 6,910 |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | 11,021 | 187,833 | 39,688 | 19,369 | 8,073 |
| Deferred inflows of resources - land sales unavailable | - | - | - | - | - |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Committed | - | - | - | 174,930 | - |
| Assigned | 29,063 | 1,148,989 | 260,109 | - | - |
| Total fund balances | 29,063 | 1,148,989 | 260,109 | 174,930 | - |
| Total liabilities, deferred inflows and fund balances | \$ 40,084 | \$ 1,336,822 | \$ 299,797 | \$ 194,299 | \$ 8,073 |

| Capital Project | | | | | Debt Service | Permanent | Total |
|---------------------|-------------------|-------------------|-------------------|-----------------|------------------------|-------------------------------|-----------------------------|
| Airport Improvement | Water and Sewer | Miscellaneous | Library Expansion | Industrial Park | 2010 Bond Debt Service | General Government Land Sales | Nonmajor Governmental Funds |
| \$ 134,353 | \$ 68,970 | \$ - | \$ 11 | \$ 3,130 | \$ - | \$ 2,899,787 | \$ 4,653,767 |
| 115,499 | 234,166 | 230,884 | - | - | - | - | 711,292 |
| - | - | - | - | - | - | 5,999 | 5,999 |
| - | - | - | - | - | - | 12,975 | 213,791 |
| <u>\$ 249,852</u> | <u>\$ 303,136</u> | <u>\$ 230,884</u> | <u>\$ 11</u> | <u>\$ 3,130</u> | <u>\$ -</u> | <u>\$ 2,918,761</u> | <u>\$ 5,584,849</u> |
| | | | | | | | |
| \$ 74,817 | \$ 18,420 | \$ 72,000 | \$ - | \$ 315 | \$ - | \$ 651 | \$ 281,080 |
| - | - | - | - | - | - | - | 20,982 |
| - | - | - | - | - | - | - | 123,215 |
| - | - | 143,778 | - | - | - | - | 150,688 |
| 11,164 | - | - | - | 2,815 | - | - | 13,979 |
| <u>85,981</u> | <u>18,420</u> | <u>215,778</u> | <u>-</u> | <u>3,130</u> | <u>-</u> | <u>651</u> | <u>589,944</u> |
| | | | | | | | |
| - | - | - | - | - | - | 5,999 | 5,999 |
| | | | | | | | |
| - | - | - | - | - | - | 2,912,111 | 2,912,111 |
| 163,871 | 284,716 | 15,106 | 11 | - | - | - | 638,634 |
| - | - | - | - | - | - | - | 1,438,161 |
| <u>163,871</u> | <u>284,716</u> | <u>15,106</u> | <u>11</u> | <u>-</u> | <u>-</u> | <u>2,912,111</u> | <u>4,988,906</u> |
| <u>\$ 249,852</u> | <u>\$ 303,136</u> | <u>\$ 230,884</u> | <u>\$ 11</u> | <u>\$ 3,130</u> | <u>\$ -</u> | <u>\$ 2,918,761</u> | <u>\$ 5,584,849</u> |

**CITY OF KENAI, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

| | <u>Special Revenue</u> | | | | |
|--|-------------------------------------|--------------------------------|---------------------------------|---------------------------------|----------------|
| | <u>Personal Use Fishery</u> | <u>Water and Sewer</u> | <u>Council on Aging</u> | <u>Parks and Recreation</u> | <u>Streets</u> |
| Revenues: | | | | | |
| Intergovernmental revenues | \$ - | \$ 77,799 | \$ 773,827 | \$ 403,428 | \$ 642,728 |
| Charges for services | 440,572 | 2,295,617 | - | - | - |
| Investment earnings | - | 8,187 | - | - | - |
| Miscellaneous revenues | - | 766 | 97,058 | 10,000 | - |
| Total revenues | <u>440,572</u> | <u>2,382,369</u> | <u>870,885</u> | <u>413,428</u> | <u>642,728</u> |
| Expenditures: | | | | | |
| General government | - | - | - | - | - |
| Public Safety | 103,528 | - | - | - | - |
| Water and sewer services | - | 2,149,174 | - | - | - |
| Airport | - | - | - | - | - |
| Social welfare services | - | - | 849,376 | - | - |
| Parks, recreation and cultural | 170,283 | - | - | 405,993 | - |
| Public works | 137,698 | - | - | - | 642,728 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>411,509</u> | <u>2,149,174</u> | <u>849,376</u> | <u>405,993</u> | <u>642,728</u> |
| Excess of revenues over (under) expenditures | 29,063 | 233,195 | 21,509 | 7,435 | - |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | (223,500) | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>(223,500)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | 29,063 | 9,695 | 21,509 | 7,435 | - |
| Fund balances - July 1 | <u>-</u> | <u>1,139,294</u> | <u>238,600</u> | <u>167,495</u> | <u>-</u> |
| Fund balances - June 30 | <u>\$ 29,063</u> | <u>\$ 1,148,989</u> | <u>\$ 260,109</u> | <u>\$ 174,930</u> | <u>\$ -</u> |

| Capital Project | | | | | Debt Service | Permanent | Total Nonmajor Governmental Funds |
|----------------------------|------------------------|----------------------|--------------------------|------------------------|-------------------------------|--------------------------------------|--|
| Airport Improvement | Water and Sewer | Miscellaneous | Library Expansion | Industrial Park | 2010 Bond Debt Service | General Government Land Sales | |
| \$ 642,866 | \$ 436,106 | \$ 276,592 | \$ - | \$ 578,217 | \$ 34,546 | \$ - | \$ 3,866,109 |
| - | - | - | - | - | - | - | 2,736,189 |
| - | - | - | - | - | - | 368,635 | 376,822 |
| - | - | - | 11 | - | - | - | 107,835 |
| <u>642,866</u> | <u>436,106</u> | <u>276,592</u> | <u>11</u> | <u>578,217</u> | <u>34,546</u> | <u>368,635</u> | <u>7,086,955</u> |
| - | - | 132,775 | - | 578,217 | - | - | 710,992 |
| - | - | 11,520 | - | - | - | - | 115,048 |
| - | 560,860 | - | - | - | - | - | 2,710,034 |
| 669,138 | - | - | - | - | - | - | 669,138 |
| - | - | 134,917 | - | - | - | - | 984,293 |
| - | - | - | 3,537 | - | - | - | 579,813 |
| - | - | - | - | - | - | - | 780,426 |
| - | - | - | - | - | 80,000 | - | 80,000 |
| - | - | - | - | - | 98,598 | - | 98,598 |
| <u>669,138</u> | <u>560,860</u> | <u>279,212</u> | <u>3,537</u> | <u>578,217</u> | <u>178,598</u> | <u>-</u> | <u>6,728,342</u> |
| (26,272) | (124,754) | (2,620) | (3,526) | - | (144,052) | 368,635 | 358,613 |
| 33,206 | 223,500 | - | - | - | 144,052 | - | 400,758 |
| - | - | - | - | - | - | (146,172) | (369,672) |
| <u>33,206</u> | <u>223,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>144,052</u> | <u>(146,172)</u> | <u>31,086</u> |
| 6,934 | 98,746 | (2,620) | (3,526) | - | - | 222,463 | 389,699 |
| <u>156,937</u> | <u>185,970</u> | <u>17,726</u> | <u>3,537</u> | <u>-</u> | <u>-</u> | <u>2,689,648</u> | <u>4,599,207</u> |
| <u>\$ 163,871</u> | <u>\$ 284,716</u> | <u>\$ 15,106</u> | <u>\$ 11</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,912,111</u> | <u>\$ 4,988,906</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, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|-------------------------|----------------|---------------------------------------|
| Revenues: | | | |
| Intergovernmental revenues - State grant | \$ 7,192 | \$ - | \$ (7,192) |
| Charge for services - Parking, camping, and boat launch | <u>475,960</u> | <u>440,572</u> | <u>(35,388)</u> |
| Total revenues | <u>483,152</u> | <u>440,572</u> | <u>(42,580)</u> |
| Expenditures: | | | |
| Public Safety: | | | |
| Personal services | 33,612 | 30,360 | 3,252 |
| Supplies | <u>10,700</u> | <u>4,568</u> | <u>6,132</u> |
| | 44,312 | 34,928 | 9,384 |
| Expenditures chargeable from other funds | <u>68,600</u> | <u>68,600</u> | <u>-</u> |
| Total public safety | <u>112,912</u> | <u>103,528</u> | <u>9,384</u> |
| Public Works - Streets: | | | |
| Personal services | 20,408 | 8,441 | 11,967 |
| Supplies | 15,100 | 10,140 | 4,960 |
| Other services and charges | <u>18,352</u> | <u>21,227</u> | <u>(2,875)</u> |
| | 53,860 | 39,808 | 14,052 |
| Expenditures chargeable from other funds | <u>7,100</u> | <u>7,100</u> | <u>-</u> |
| Total public works - streets | <u>60,960</u> | <u>46,908</u> | <u>14,052</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</u> <u>Budget</u> | <u>Actual</u> | <u>Variance With</u> <u>Final Budget</u> |
|---|-------------------------------|------------------|---|
| Expenditures, continued: | | | |
| Parks, recreation & culture | | | |
| Personal services | \$ 50,703 | \$ 44,225 | \$ 6,478 |
| Supplies | 11,750 | 15,604 | (3,854) |
| Other services and charges | 90,238 | 89,754 | 484 |
| Capital outlays | <u>27,000</u> | <u>-</u> | <u>27,000</u> |
| | <u>179,691</u> | <u>149,583</u> | <u>30,108</u> |
| Expenditures chargeable from other funds | <u>20,700</u> | <u>20,700</u> | <u>-</u> |
| Total parks, recreation & beautification | <u>200,391</u> | <u>170,283</u> | <u>30,108</u> |
| Public Works - Dock | | | |
| Personal services | 51,699 | 45,565 | 6,134 |
| Supplies | 10,574 | 11,917 | (1,343) |
| Other services and charges | 16,425 | 16,151 | 274 |
| Capital outlays | <u>22,291</u> | <u>9,257</u> | <u>13,034</u> |
| | <u>100,989</u> | <u>82,890</u> | <u>18,099</u> |
| Expenditures chargeable from other funds | <u>7,900</u> | <u>7,900</u> | <u>-</u> |
| Total public works - dock | <u>108,889</u> | <u>90,790</u> | <u>18,099</u> |
| Total expenditures | <u>483,152</u> | <u>411,509</u> | <u>71,643</u> |
| Net changes in fund balance | <u>\$ -</u> | 29,063 | <u>\$ 29,063</u> |
| Fund balance - July 1 | | <u>-</u> | |
| Fund balance - June 30 | | <u>\$ 29,063</u> | |

CITY OF KENAI, ALASKA
WATER AND SEWER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-------------------------|------------------|---------------------------------------|
| Revenues: | | | |
| Intergovernmental revenues - | | | |
| State grant | \$ 74,848 | \$ 77,799 | \$ 2,951 |
| Charges for services: | | | |
| Residential water | 583,327 | 585,398 | 2,071 |
| Commercial water | 255,797 | 219,470 | (36,327) |
| Residential sewer | 1,072,488 | 1,070,901 | (1,587) |
| Commercial sewer | 458,197 | 378,055 | (80,142) |
| Hook-up fees | 8,000 | 1,624 | (6,376) |
| Other | 35,000 | 40,169 | 5,169 |
| Total charges for services | <u>2,412,809</u> | <u>2,295,617</u> | <u>(117,192)</u> |
| Interest revenue | 11,953 | 8,187 | (3,766) |
| Miscellaneous revenues | <u>3,000</u> | <u>766</u> | <u>(2,234)</u> |
| Total revenues | <u>2,502,610</u> | <u>2,382,369</u> | <u>(120,241)</u> |
| Expenditures - water and sewer services: | | | |
| Water: | | | |
| Personal services | 269,446 | 260,250 | 9,196 |
| Supplies | 157,786 | 151,056 | 6,730 |
| Other services and charges | 329,913 | 247,923 | 81,990 |
| Capital outlays | 30,645 | 16,543 | 14,102 |
| | <u>787,790</u> | <u>675,772</u> | <u>112,018</u> |
| Expenditures chargeable from other funds | <u>93,800</u> | <u>93,800</u> | <u>-</u> |
| Total water | <u>881,590</u> | <u>769,572</u> | <u>112,018</u> |
| Sewer: | | | |
| Personal services | 305,332 | 244,904 | 60,428 |
| Supplies | 31,901 | 30,022 | 1,879 |
| Other services and charges | 84,298 | 46,594 | 37,704 |
| Capital outlays | 20,000 | 16,875 | 3,125 |
| | <u>441,531</u> | <u>338,395</u> | <u>103,136</u> |
| Expenditures chargeable from other funds | <u>53,900</u> | <u>53,900</u> | <u>-</u> |
| Total sewer | <u>495,431</u> | <u>392,295</u> | <u>103,136</u> |

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

| Expenditures - continued: | <u>Final</u> | <u>Actual</u> | <u>Variance With</u> |
|---|-------------------------|-------------------------|-----------------------------|
| | <u>Budget</u> | | <u>Final Budget</u> |
| Sewer treatment plant: | | | |
| Personal services | \$ 383,406 | \$ 387,993 | \$ (4,587) |
| Supplies | 130,005 | 108,547 | 21,458 |
| Other services and charges | <u>425,305</u> | <u>368,967</u> | <u>56,338</u> |
| | 938,716 | 865,507 | 73,209 |
| Expenditures chargeable from other funds | <u>121,800</u> | <u>121,800</u> | <u>-</u> |
| Total sewer treatment plant | <u>1,060,516</u> | <u>987,307</u> | <u>73,209</u> |
| Total expenditures | <u>2,437,537</u> | <u>2,149,174</u> | <u>288,363</u> |
| Excess of revenues over expenditures | <u>65,073</u> | <u>233,195</u> | <u>168,122</u> |
| Other financing uses - | | | |
| Transfers out | <u>(223,500)</u> | <u>(223,500)</u> | <u>-</u> |
| Net changes in fund balance | <u>\$ (158,427)</u> | 9,695 | <u>\$ 168,122</u> |
| Fund balance - July 1 | | <u>1,139,294</u> | |
| Fund balance - June 30 | | <u>\$ 1,148,989</u> | |

CITY OF KENAI, ALASKA
COUNCIL ON AGING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|-------------------------|----------------|---------------------------------------|
| Revenues: | | | |
| Intergovernmental revenues: | | | |
| State grants | \$ 210,791 | \$ 203,586 | \$ (7,205) |
| Federal grants | 310,000 | 444,034 | 134,034 |
| Kenai Peninsula Borough grant | <u>126,207</u> | <u>126,207</u> | <u>-</u> |
| Total intergovernmental revenues | <u>646,998</u> | <u>773,827</u> | <u>126,829</u> |
| Miscellaneous revenues: | | | |
| United Way grants | 16,900 | 15,576 | (1,324) |
| Rents and leases | 15,000 | 13,192 | (1,808) |
| Donations | 88,550 | 67,985 | (20,565) |
| Other | <u>-</u> | <u>305</u> | <u>305</u> |
| Total miscellaneous revenues | <u>120,450</u> | <u>97,058</u> | <u>(23,392)</u> |
| Total revenues | <u>767,448</u> | <u>870,885</u> | <u>103,437</u> |
| Expenditures - social welfare services: | | | |
| Social services: | | | |
| Personal services | 135,387 | 124,384 | 11,003 |
| Supplies | 6,078 | 3,603 | 2,475 |
| Other services and charges | <u>27,156</u> | <u>21,459</u> | <u>5,697</u> |
| | 168,621 | 149,446 | 19,175 |
| Expenditures chargeable from other funds | <u>30,100</u> | <u>30,100</u> | <u>-</u> |
| Total social services | <u>198,721</u> | <u>179,546</u> | <u>19,175</u> |
| Congregate meals: | | | |
| Personal services | 75,175 | 74,440 | 735 |
| Supplies | 57,594 | 59,509 | (1,915) |
| Other services and charges | <u>26,649</u> | <u>19,250</u> | <u>7,399</u> |
| | 159,418 | 153,199 | 6,219 |
| Expenditures chargeable from other funds | <u>28,800</u> | <u>28,800</u> | <u>-</u> |
| Total congregate meals | <u>188,218</u> | <u>181,999</u> | <u>6,219</u> |
| Home delivered meals: | | | |
| Personal services | 56,899 | 62,057 | (5,158) |
| Supplies | 47,736 | 49,228 | (1,492) |
| Other services and charges | <u>6,785</u> | <u>5,740</u> | <u>1,045</u> |
| | 111,420 | 117,025 | (5,605) |
| Expenditures chargeable from other funds | <u>22,700</u> | <u>22,700</u> | <u>-</u> |
| Total home delivered meals | <u>134,120</u> | <u>139,725</u> | <u>(5,605)</u> |

CITY OF KENAI, ALASKA
COUNCIL ON AGING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL, continued

| Expenditures - continued: | <u>Final</u> | | <u>Variance With</u> |
|---|----------------------|----------------------|-----------------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Final Budget</u> |
| Transportation: | | | |
| Personal services | \$ 34,658 | \$ 31,245 | \$ 3,413 |
| Supplies | 8,390 | 7,139 | 1,251 |
| Other services and charges | <u>5,342</u> | <u>5,954</u> | <u>(612)</u> |
| | 48,390 | 44,338 | 4,052 |
| Expenditures chargeable from other funds | <u>14,800</u> | <u>14,800</u> | <u>-</u> |
| Total transportation | <u>63,190</u> | <u>59,138</u> | <u>4,052</u> |
| Choice Waiver: | | | |
| Personal services | 180,047 | 177,752 | 2,295 |
| Supplies | 58,093 | 54,232 | 3,861 |
| Other services and charges | <u>24,765</u> | <u>19,984</u> | <u>4,781</u> |
| | 262,905 | 251,968 | 10,937 |
| Expenditures chargeable from other funds | <u>37,000</u> | <u>37,000</u> | <u>-</u> |
| Total Choice Waiver | <u>299,905</u> | <u>288,968</u> | <u>10,937</u> |
| Total expenditures | <u>884,154</u> | <u>849,376</u> | <u>34,778</u> |
| Net changes in fund balance | <u>\$ (116,706)</u> | 21,509 | <u>\$ 138,215</u> |
| Fund balance - July 1 | | <u>238,600</u> | |
| Fund balance - June 30 | | <u>\$ 260,109</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, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-------------------------|----------------|---------------------------------------|
| Revenues - intergovernmental | \$ 34,264 | \$ 34,546 | \$ 282 |
| Expenditures - debt service: | | | |
| Principal | 80,000 | 80,000 | - |
| Interest | <u>98,598</u> | <u>98,598</u> | <u>-</u> |
| Total expenditures | <u>178,598</u> | <u>178,598</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | (144,334) | (144,052) | 282 |
| Other financing sources - | | | |
| Transfers in | <u>144,334</u> | <u>144,052</u> | <u>(282)</u> |
| Net changes in fund balance | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance - July 1 | | <u>-</u> | |
| Fund balance - June 30 | | <u>\$ -</u> | |

CITY OF KENAI, ALASKA
GENERAL GOVERNMENT LAND SALES PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------|-------------------------|----------------------------|---------------------------------------|
| Revenues - | | | |
| Interest revenue | \$ 184,699 | \$ 368,635 | \$ 183,936 |
| Other financing uses - | | | |
| Transfers out | <u>(146,172)</u> | <u>(146,172)</u> | <u>-</u> |
| Net changes in fund balance | <u>\$ 38,527</u> | 222,463 | <u>\$ 183,936</u> |
| Fund balance - July 1 | | <u>2,689,648</u> | |
| Fund balance - June 30 | | <u><u>\$ 2,912,111</u></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, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|-------------------------|----------------------|---------------------------------------|
| Revenues: | | | |
| Interest revenue | \$ 1,573,023 | \$ 3,044,320 | \$ 1,471,297 |
| Land sales | - | 100,791 | 100,791 |
| Total revenues | <u>1,573,023</u> | <u>3,145,111</u> | <u>1,572,088</u> |
| Excess of revenues over expenditures | 1,573,023 | 3,145,111 | 1,572,088 |
| Other financing uses - | | | |
| Transfers out | <u>(1,094,473)</u> | <u>(1,094,473)</u> | <u>-</u> |
| Net changes in fund balance | <u>\$ 478,550</u> | 2,050,638 | <u>\$ 1,572,088</u> |
| Fund balance - July 1 | | <u>22,172,431</u> | |
| Fund balance - June 30 | | <u>\$ 24,223,069</u> | |

Internal Service Funds

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

Capital Project Management Fund – This fund provides concept evaluation, cost estimation, direct project administration, engineering criteria review, grant writing, and project reporting. The department serves the needs of our community by delivering and providing the most efficient sustainable design and quality construction for all City projects.

CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

| | Governmental Activities - Internal Service Funds | | Total Internal Service Funds |
|---|---|--|---|
| | <u>Equipment Replacement</u> | <u>Capital Project Management</u> | |
| ASSETS | | | |
| Current assets - | | | |
| Equity in central treasury | \$ 1,257,440 | \$ - | \$ 1,257,440 |
| Noncurrent assets - | | | |
| Property and equipment in service, at cost - | | | |
| Equipment | 2,270,889 | 19,784 | 2,290,673 |
| Less accumulated depreciation | <u>(887,310)</u> | <u>(7,919)</u> | <u>(895,229)</u> |
| Net property and equipment in service | <u>1,383,579</u> | <u>11,865</u> | <u>1,395,444</u> |
| Total assets | <u>\$ 2,641,019</u> | <u>\$ 11,865</u> | <u>\$ 2,652,884</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ - | \$ 73 | \$ 73 |
| Accrued payroll and payroll liabilities | - | 2,187 | 2,187 |
| Due to General Fund | - | 81,111 | 81,111 |
| Total current liabilities | <u>-</u> | <u>83,371</u> | <u>83,371</u> |
| Noncurrent liabilities - compensated absences | <u>-</u> | <u>4,912</u> | <u>4,912</u> |
| Total liabilities | <u>-</u> | <u>88,283</u> | <u>88,283</u> |
| NET POSITION | | | |
| Investment in capital assets | 1,383,579 | 11,865 | 1,395,444 |
| Unrestricted (deficit) | <u>1,257,440</u> | <u>(88,283)</u> | <u>1,169,157</u> |
| Total net position (deficit) | <u>\$ 2,641,019</u> | <u>\$ (76,418)</u> | <u>\$ 2,564,601</u> |

CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

| | Governmental Activities - Internal Service Funds | | Total Internal Service Funds |
|--------------------------------------|---|---------------------------------------|------------------------------------|
| | <u>Equipment Replacement</u> | <u>Capital Project Management</u> | |
| Operating revenues: | | | |
| Charges for services | \$ - | \$ 100,749 | \$ 100,749 |
| Other revenue | <u>285,592</u> | <u>-</u> | <u>285,592</u> |
| Total operating revenues | <u>285,592</u> | <u>100,749</u> | <u>386,341</u> |
| Operating expenses: | | | |
| Personal services | - | 81,643 | 81,643 |
| Supplies | - | 1,560 | 1,560 |
| Utilities | - | 622 | 622 |
| Insurance | - | 930 | 930 |
| Depreciation | 141,843 | 1,978 | 143,821 |
| Expenses chargeable from other funds | <u>-</u> | <u>9,700</u> | <u>9,700</u> |
| Total operating expenses | <u>141,843</u> | <u>96,433</u> | <u>238,276</u> |
| Operating income | <u>143,749</u> | <u>4,316</u> | <u>148,065</u> |
| Nonoperating revenues: | | | |
| Intergovernmental grants | - | 7,491 | 7,491 |
| Earnings on investments | <u>8,307</u> | <u>-</u> | <u>8,307</u> |
| Total nonoperating revenues | <u>8,307</u> | <u>7,491</u> | <u>15,798</u> |
| Changes in net position | 152,056 | 11,807 | 163,863 |
| Net position (deficit) - July 1 | <u>2,488,963</u> | <u>(88,225)</u> | <u>2,400,738</u> |
| Net position (deficit) - June 30 | <u>\$ 2,641,019</u> | <u>\$ (76,418)</u> | <u>\$ 2,564,601</u> |

CITY OF KENAI, ALASKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

| | Governmental Activities - Internal Service Funds | | Total Internal Service Funds |
|--|---|---------------------------------------|---|
| | <u>Equipment Replacement</u> | <u>Capital Project Management</u> | |
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ - | \$ 100,749 | \$ 100,749 |
| Payments to suppliers | - | (12,750) | (12,750) |
| Payments to employees | - | (77,563) | (77,563) |
| Receipts for interfund services | <u>285,592</u> | <u>-</u> | <u>285,592</u> |
| Net cash provided by operating activities | <u>285,592</u> | <u>10,436</u> | <u>296,028</u> |
| Cash flows from noncapital financing activities: | | | |
| Decrease in Due to General Fund | - | (17,927) | (17,927) |
| State grant | <u>-</u> | <u>7,491</u> | <u>7,491</u> |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>(10,436)</u> | <u>(10,436)</u> |
| Cash flows from investing activities - | | | |
| Earnings on investments | <u>8,307</u> | <u>-</u> | <u>8,307</u> |
| Net increase in cash and cash equivalents | 293,899 | - | 293,899 |
| Cash and cash equivalents, beginning | <u>963,541</u> | <u>-</u> | <u>963,541</u> |
| Cash and cash equivalents, ending | <u>\$ 1,257,440</u> | <u>\$ -</u> | <u>\$ 1,257,440</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income | \$ 143,749 | \$ 4,316 | \$ 148,065 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 141,843 | 1,978 | 143,821 |
| Accounts payable | - | 62 | 62 |
| Compensated absences | - | 1,893 | 1,893 |
| Accrued payroll and payroll liabilities | <u>-</u> | <u>2,187</u> | <u>2,187</u> |
| Net cash provided by operating activities | <u>\$ 285,592</u> | <u>\$ 10,436</u> | <u>\$ 296,028</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, 2014

| | <u>Balance July 1, 2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2014</u> |
|-----------------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Assets | | | | |
| Equity in central treasury | \$ 60,311 | \$ 5,470 | \$ - | \$ 65,781 |
| Liabilities | | | | |
| Due to Kenai Community Foundation | \$ 60,311 | \$ 5,470 | \$ - | \$ 65,781 |

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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)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$101,904 | \$102,452 | \$109,806 | \$115,402 | \$118,816 | \$126,700 | \$133,264 | \$136,834 | \$135,780 | \$138,334 |
| Nonspendable | 14,095 | 14,468 | 14,478 | 20,041 | 20,198 | 21,541 | 24,317 | 23,541 | 24,862 | 27,135 |
| Restricted | 138 | 0 | 19 | 116 | 217 | 312 | 279 | 329 | 409 | 480 |
| Unrestricted | 16,543 | 15,699 | 17,652 | 18,667 | 20,683 | 20,430 | 19,760 | 18,118 | 18,333 | 16,834 |
| Total governmental activities net position | <u>\$132,680</u> | <u>\$132,619</u> | <u>\$141,955</u> | <u>\$154,226</u> | <u>\$159,914</u> | <u>\$168,983</u> | <u>\$177,620</u> | <u>\$178,822</u> | <u>\$179,384</u> | <u>\$182,783</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$5,196 | \$4,978 | \$3,337 | \$3,212 | \$3,159 | \$3,154 | \$3,236 | \$3,110 | \$2,983 | \$3,071 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 2,439 | 2,512 | 532 | 588 | 491 | 442 | 423 | 483 | 525 | 469 |
| Total business-type activities net position | <u>\$7,635</u> | <u>\$7,490</u> | <u>\$3,869</u> | <u>\$3,800</u> | <u>\$3,650</u> | <u>\$3,596</u> | <u>\$3,659</u> | <u>\$3,593</u> | <u>\$3,508</u> | <u>\$3,540</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$107,100 | \$107,430 | \$113,143 | \$118,614 | \$121,975 | \$129,854 | \$136,500 | \$139,944 | \$138,763 | \$141,405 |
| Nonspendable | 14,095 | 14,468 | 14,478 | 20,041 | 20,198 | 21,541 | 24,317 | 23,541 | 24,862 | 27,135 |
| Restricted | 138 | 0 | 19 | 116 | 217 | 312 | 279 | 329 | 409 | 480 |
| Unrestricted | 18,982 | 18,211 | 18,184 | 19,255 | 21,174 | 20,872 | 20,183 | 18,601 | 18,858 | 17,303 |
| Total primary government net position | <u>\$140,315</u> | <u>\$140,109</u> | <u>\$145,824</u> | <u>\$158,026</u> | <u>\$163,564</u> | <u>\$172,579</u> | <u>\$181,279</u> | <u>\$182,415</u> | <u>\$182,892</u> | <u>\$186,323</u> |

CITY OF KENAI, ALASKA
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

TABLE II

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,147,616 | \$ 1,239,137 | \$ 1,386,573 | \$ 1,949,905 | \$ 1,936,810 | \$ 2,068,752 | \$ 2,032,773 | \$ 2,206,779 | \$ 2,439,331 | \$ 2,276,930 |
| Public safety | 3,991,072 | 4,365,553 | 4,538,951 | 4,802,816 | 5,616,605 | 5,890,361 | 6,355,308 | 6,923,478 | 7,227,242 | 7,290,465 |
| Public works | 2,290,114 | 2,717,511 | 2,394,624 | 2,198,822 | 2,951,318 | 3,077,068 | 3,078,924 | 2,978,015 | 3,239,199 | 3,393,308 |
| Parks, recreation, and cultural | 1,396,794 | 1,463,932 | 1,576,963 | 1,572,995 | 1,849,567 | 1,858,898 | 1,778,405 | 2,188,839 | 2,462,796 | 2,630,547 |
| Water and sewer services | 1,840,935 | 1,957,032 | 2,644,033 | 2,199,983 | 2,188,552 | 2,174,151 | 2,289,895 | 2,382,284 | 3,465,896 | 2,711,305 |
| Airport | 2,403,729 | 2,511,021 | 3,415,986 | 3,492,213 | 2,925,011 | 2,641,049 | 3,292,821 | 3,520,577 | 4,071,061 | 4,126,256 |
| Interest on long-term debt | 4,012 | - | - | - | - | - | 100,963 | 101,973 | 100,286 | 97,997 |
| Social welfare services | 459,641 | 505,230 | 528,348 | 598,497 | 604,021 | 592,512 | 627,053 | 688,467 | 735,695 | 764,903 |
| Total governmental activities expenses | 13,533,913 | 14,759,416 | 16,485,478 | 16,815,231 | 18,071,884 | 18,302,791 | 19,556,142 | 20,990,412 | 23,741,506 | 23,291,711 |
| Business-type activities: | | | | | | | | | | |
| Airport terminal | 477,593 | 506,006 | - | - | - | - | - | - | - | - |
| Senior housing | 480,219 | 354,514 | 364,688 | 369,565 | 414,869 | 383,585 | 406,950 | 437,943 | 417,368 | 436,635 |
| Total business-type activities | 957,812 | 860,520 | 364,688 | 369,565 | 414,869 | 383,585 | 406,950 | 437,943 | 417,368 | 436,635 |
| Total primary government expenses | \$ 14,491,725 | \$ 15,619,936 | \$ 16,850,166 | \$ 17,184,796 | \$ 18,486,753 | \$ 18,686,376 | \$ 19,963,092 | \$ 21,428,355 | \$ 24,158,874 | \$ 23,728,346 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 153,378 | \$ 366,530 | \$ 283,372 | \$ 145,697 | \$ 612,908 | \$ 527,144 | \$ 462,713 | \$ 395,389 | \$ 746,088 | \$ 423,213 |
| Public safety | 338,981 | 315,570 | 398,147 | 417,328 | 303,122 | 364,957 | 560,938 | 511,855 | 508,238 | 490,679 |
| Public works | 312,140 | 592,461 | 290,535 | 522,968 | 277,425 | 139,212 | 159,821 | 88,904 | 95,948 | 109,243 |
| Parks, recreation, and cultural | 193,296 | 193,186 | 216,473 | 206,615 | 350,708 | 264,128 | 281,098 | 308,624 | 373,406 | 584,368 |
| Water and sewer services | 1,621,038 | 1,826,621 | 1,789,881 | 1,789,965 | 1,796,459 | 1,752,854 | 1,774,376 | 1,862,807 | 2,193,650 | 2,296,383 |
| Airport | 504,503 | 463,795 | 1,136,245 | 1,388,440 | 1,421,325 | 1,363,671 | 1,543,493 | 1,728,173 | 1,793,571 | 1,881,848 |
| Social welfare services | 110,251 | 114,607 | 123,644 | 127,746 | 74,644 | 97,611 | 103,870 | 109,051 | 114,492 | 81,482 |
| Operating grants and contributions | 794,847 | 1,035,382 | 1,198,362 | 1,982,816 | 1,996,377 | 2,109,637 | 1,938,335 | 2,715,647 | 3,018,480 | 2,816,810 |
| Capital grants and contributions | 2,544,629 | 2,442,601 | 8,064,426 | 7,545,119 | 4,781,161 | 9,892,148 | 8,604,886 | 4,986,606 | 3,549,973 | 4,799,694 |
| Total governmental activities program revenues | 6,573,063 | 7,350,753 | 13,501,085 | 14,126,694 | 11,614,129 | 16,511,362 | 15,429,530 | 12,707,056 | 12,393,846 | 13,483,720 |

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> |
|--------------------|---------------------|------------------|--------------|
| 2005 | \$1,900,788 | \$4,090,468 | \$5,991,256 |
| 2006 | 2,024,502 | 4,404,158 | 6,428,660 |
| 2007 | 2,156,373 | 4,631,812 | 6,788,185 |
| 2008 | 2,347,063 | 5,196,046 | 7,543,109 |
| 2009 | 2,694,872 | 5,372,499 | 8,067,371 |
| 2010 | 2,614,768 | 5,561,970 | 8,176,738 |
| 2011 | 2,613,756 | 6,260,403 | 8,874,159 |
| 2012 | 2,657,670 | 6,576,657 | 9,234,327 |
| 2013 | 2,898,103 | 6,587,575 | 9,485,678 |
| 2014 | 3,155,662 | 6,669,426 | 9,825,088 |

CITY OF KENAI, ALASKA

Table IV

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General fund: | | | | | | | | | | |
| Reserved | \$ 1,165,042 | \$ 1,131,084 | \$ 1,045,148 | \$ 1,083,083 | \$ 115,125 | \$ 128,209 | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 8,296,361 | 8,262,530 | 8,919,959 | 9,921,136 | 11,570,484 | 12,027,857 | - | - | - | - |
| Restricted | - | - | - | - | - | - | 279,486 | 329,164 | 408,534 | 480,238 |
| Committed | - | - | - | - | - | - | 1,070,290 | 1,021,790 | 521,790 | 409,746 |
| Assigned | - | - | - | - | - | - | 859,454 | 1,464,159 | 1,580,579 | 1,518,184 |
| Unassigned | - | - | - | - | - | - | 9,817,634 | 9,130,415 | 7,382,747 | 7,493,858 |
| Total general fund | \$ 9,461,403 | \$ 9,393,614 | \$ 9,965,107 | \$ 11,004,219 | \$ 11,685,609 | \$ 12,156,066 | \$ 12,026,864 | \$ 11,945,528 | \$ 9,893,650 | \$ 9,902,026 |
| All other governmental funds: | | | | | | | | | | |
| Reserved - other funds | \$ 25,676 | \$ 17,568 | \$ 31,321 | \$ 150,004 | \$ 49,754 | \$ 32,278 | \$ - | \$ - | \$ - | \$ - |
| Reserved - permanent funds | 13,745,851 | 14,196,885 | 14,275,769 | 19,909,589 | 19,981,306 | 21,541,598 | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 5,997,669 | 5,752,322 | 7,432,637 | 7,012,509 | 5,776,646 | 5,263,203 | - | - | - | - |
| Debt service funds | - | - | - | - | - | 6,054 | - | - | - | - |
| Capital projects funds | 1,517,142 | 1,468,341 | 1,540,849 | 1,855,592 | 2,254,439 | 3,995,084 | - | - | - | - |
| Nonspendable - | | | | | | | | | | |
| Permanent funds | - | - | - | - | - | - | 24,318,092 | 23,540,934 | 24,862,079 | 27,135,180 |
| Committed - | | | | | | | | | | |
| Capital projects funds | - | - | - | - | - | - | 2,164,498 | 516,440 | 2,531,665 | 743,653 |
| Assigned - | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | 4,846,735 | 5,035,969 | 5,357,223 | 5,448,969 |
| Total all other governmental funds | \$ 21,286,338 | \$ 21,435,116 | \$ 23,250,576 | \$ 28,927,694 | \$ 28,062,145 | \$ 30,838,217 | \$ 31,329,325 | \$ 29,093,343 | \$ 32,750,967 | \$ 33,327,802 |

CITY OF KENAI, ALASKA

Table V

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

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|-------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 1,912,376 | \$ 2,019,203 | \$ 2,160,687 | \$ 2,331,712 | \$ 2,728,764 | \$ 2,601,588 | \$ 2,629,324 | \$ 2,638,783 | \$ 2,913,634 | \$ 3,162,530 |
| Sales tax | 4,090,468 | 4,404,158 | 4,631,812 | 5,196,046 | 5,372,499 | 5,561,970 | 6,260,403 | 6,576,657 | 6,587,575 | 6,669,426 |
| Intergovernmental | 3,272,955 | 3,538,563 | 9,253,053 | 9,527,285 | 6,573,138 | 10,694,840 | 9,844,736 | 7,670,929 | 6,562,328 | 7,600,928 |
| Investment earnings | 762,367 | 849,479 | 1,796,387 | 1,842,390 | 1,169,576 | 2,667,857 | 3,894,618 | 256,981 | 2,427,873 | 3,531,173 |
| Other revenues | 4,547,155 | 5,623,128 | 5,470,069 | 11,281,281 | 6,302,510 | 6,988,316 | 6,920,678 | 6,355,818 | 6,826,280 | 7,363,250 |
| Total revenues | <u>14,585,321</u> | <u>16,434,531</u> | <u>23,312,008</u> | <u>30,178,714</u> | <u>22,146,487</u> | <u>28,514,571</u> | <u>29,549,759</u> | <u>23,499,168</u> | <u>25,317,690</u> | <u>28,327,307</u> |
| Expenditures | | | | | | | | | | |
| General government | 1,482,143 | 1,561,001 | 1,679,077 | 2,586,591 | 2,472,535 | 2,254,837 | 2,612,702 | 2,701,605 | 3,160,484 | 3,034,793 |
| Public safety | 4,262,592 | 4,377,829 | 4,706,966 | 4,899,317 | 5,100,217 | 5,681,548 | 5,915,902 | 6,441,968 | 6,536,153 | 6,841,495 |
| Public works | 1,753,030 | 2,164,213 | 2,150,727 | 2,106,810 | 2,208,353 | 2,150,658 | 2,375,566 | 2,334,315 | 2,315,206 | 2,422,442 |
| Parks, recreation and cultural | 1,211,094 | 1,300,974 | 1,411,775 | 1,404,077 | 1,681,800 | 1,676,717 | 1,690,624 | 1,931,141 | 2,163,100 | 2,166,132 |
| Water and sewer services | 1,208,570 | 1,325,564 | 1,707,216 | 1,539,907 | 1,777,188 | 1,793,887 | 1,822,654 | 1,940,343 | 1,969,470 | 2,149,174 |
| Airport | 1,657,105 | 1,643,896 | 2,708,534 | 2,527,099 | 2,986,200 | 2,324,204 | 2,504,670 | 2,575,613 | 2,617,762 | 2,587,591 |
| Social welfare services | 410,770 | 461,847 | 507,578 | 603,771 | 683,560 | 682,393 | 723,984 | 791,214 | 831,976 | 849,376 |
| Capital outlay | 2,598,650 | 3,518,219 | 8,086,052 | 7,856,412 | 5,508,837 | 10,733,142 | 11,365,788 | 6,922,939 | 3,941,945 | 7,400,451 |
| Debt service | | | | | | | | | | |
| Principal | 150,000 | - | - | - | - | - | 75,000 | 75,000 | 75,000 | 80,000 |
| Interest | 4,012 | - | - | - | - | - | 100,963 | 102,348 | 100,848 | 98,598 |
| Total expenditures | <u>14,737,966</u> | <u>16,353,543</u> | <u>22,957,925</u> | <u>23,523,984</u> | <u>22,418,690</u> | <u>27,297,386</u> | <u>29,187,853</u> | <u>25,816,486</u> | <u>23,711,944</u> | <u>27,630,052</u> |
| Excess of revenues over (under) expenditures | (152,645) | 80,988 | 354,083 | 6,654,730 | (272,203) | 1,217,185 | 361,906 | (2,317,318) | 1,605,746 | 697,255 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 356,830 | 1,061,044 | 2,277,280 | 1,279,329 | 1,603,049 | 3,801,117 | 2,330,145 | 1,646,262 | 3,809,797 | 2,049,993 |
| Proceeds from debt issuance | - | - | - | - | - | 2,000,000 | - | - | - | - |
| Proceeds from bond premium | - | - | - | - | - | 29,344 | - | - | - | - |
| Transfers out | (356,830) | (1,061,044) | (214,410) | (1,247,829) | (1,515,005) | (3,801,117) | (2,330,145) | (1,646,262) | (3,809,797) | (2,162,037) |
| Total other financing sources (uses) | - | - | 2,062,870 | 31,500 | 88,044 | 2,029,344 | - | - | - | (112,044) |
| Net change in fund balances | <u>\$ (152,645)</u> | <u>\$ 80,988</u> | <u>\$ 2,416,953</u> | <u>\$ 6,686,230</u> | <u>\$ (184,159)</u> | <u>\$ 3,246,529</u> | <u>\$ 361,906</u> | <u>\$ (2,317,318)</u> | <u>\$ 1,605,746</u> | <u>\$ 585,211</u> |
| Debt service as a percentage of noncapital expenditures | 1.29% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 1.03% | 0.94% | 0.84% | 0.86% |
| Total non-capital expenditures | \$ 11,985,304 | \$ 12,835,324 | \$ 14,871,873 | \$ 15,667,572 | \$ 16,909,853 | \$ 16,564,244 | \$ 17,035,394 | \$ 18,904,637 | \$ 21,029,279 | \$ 20,769,980 |

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> | <u>Total Taxes</u> | <u>Property Taxes</u> | <u>Sales Tax</u> |
|--|------------------------|---------------------------|----------------------|
| 2005 | \$6,002,844 | \$1,912,376 | \$4,090,468 |
| 2006 | 6,423,361 | 2,019,203 | 4,404,158 |
| 2007 | 6,792,499 | 2,160,687 | 4,631,812 |
| 2008 | 7,527,758 | 2,331,712 | 5,196,046 |
| 2009 | 8,101,263 | 2,728,764 | 5,372,499 |
| 2010 | 8,163,558 | 2,601,588 | 5,561,970 |
| 2011 | 8,889,727 | 2,629,324 | 6,260,403 |
| 2012 | 9,215,440 | 2,638,783 | 6,576,657 |
| 2013 | 9,501,209 | 2,913,634 | 6,587,575 |
| 2014 | 9,831,956 | 3,162,530 | 6,669,426 |

CITY OF KENAI, ALASKA

Table VII

TAXABLE SALES BY CATEGORY
CURRENT FISCAL YEAR

| | | |
|---|-----------|---------------------------|
| Administrative, Waste Management, | \$ | 1,162,525 |
| Agriculture, Forestry, Fishing & Hunting | | 333,051 |
| Arts and Entertainment | | 539,560 |
| Construction Contracting | | 1,494,688 |
| Educational Services | | 227,574 |
| Finance and Insurance | | 466,795 |
| Guiding Land | | 11,742 |
| Guiding Water | | 289,237 |
| Health Care and Social Assistance | | 17,415 |
| Hotel/Motel/Bed & Breakfast | | 9,072,481 |
| Information | | 8,666,289 |
| Manufacturing | | 1,039,713 |
| Mining/Quarrying | | 11,000 |
| Professional, Scientific and Technical Services | | 3,288,067 |
| Public Administration | | 3,053,947 |
| Remediation Services | | 11,874 |
| Rental Commercial Property | | 391,013 |
| Rental Non-Residential Property | | 2,423,276 |
| Rental of Self-storage & Miniwarehouses | | 18,374 |
| Rental Personal Property | | 248,147 |
| Rental Residential Property | | 4,843,838 |
| Restaurant/Bar | | 14,206,733 |
| Retail Trade | | 156,190,787 |
| Services | | 4,540,369 |
| Telecommunications | | 1,862,305 |
| Transportation and Warehousing | | 349,192 |
| Utilities | | 9,487,473 |
| Wholesale Trade | | <u>3,818,567</u> |
| Total | \$ | <u>228,066,032</u> |

City direct sales tax rate 3.00%

Source: The Kenai Peninsula Borough Sales Tax Department.

CITY OF KENAI, ALASKA

TABLE VIII

SALES TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>City of Kenai</u> | <u>Overlapping Rates</u> <u>Kenai</u> <u>Peninsula Borough</u> | <u>Total</u> |
|--------------------|----------------------|--|--------------|
| 2005 | 3.00 | 2.00 | 5.00 |
| 2006 | 3.00 | 2.00 | 5.00 |
| 2007 | 3.00 | 2.00 | 5.00 |
| 2008 | 3.00 | 3.00 | 6.00 |
| 2009 | 3.00 | 3.00 | 6.00 |
| 2010 | 3.00 | 3.00 | 6.00 |
| 2011 | 3.00 | 3.00 | 6.00 |
| 2012 | 3.00 | 3.00 | 6.00 |
| 2013 | 3.00 | 3.00 | 6.00 |
| 2014 | 3.00 | 3.00 | 6.00 |

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 | | | |
| 2005 | \$ - | 0.00% | 0.00% | \$ - |
| 2006 | - | 0.00% | 0.00% | - |
| 2007 | - | 0.00% | 0.00% | - |
| 2008 | - | 0.00% | 0.00% | - |
| 2009 | - | 0.00% | 0.00% | - |
| 2010 | 2,000,000 | 0.64% | 0.32% | 281.69 |
| 2011 | 1,925,000 | 0.69% | 0.29% | 271.13 |
| 2012 | 1,850,000 | 0.64% | 0.28% | 256.30 |
| 2013 | 1,775,000 | 0.59% | 0.22% | 245.91 |
| 2014 | 1,695,000 | 0.52% | 0.21% | 234.83 |

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 12.

CITY OF KENAI, ALASKA

TABLE X

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2014

| Name of Governmental Unit | Net Debt Outstanding | Percentage Applicable to this Governmental Unit (1) | City of Kenai's Share of Debt |
|--|-------------------------|--|--|
| Direct debt - City of Kenai, Alaska | \$ 1,695,000 | 100.00% | \$ 1,695,000 |
| Overlapping debt: Kenai Peninsula Borough | 47,995,000 | 11.51% | 5,524,225 |
| Central Peninsula Hospital | 60,395,000 | 17.22% | 10,400,019 |
| Total overlapping debt | 108,390,000 | | 15,924,244 |
| Total Direct and Overlapping | \$ 110,085,000 | | \$ 17,619,244 |

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)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|
| Debt limit | \$ 79,698 | \$ 85,120 | \$ 91,230 | \$ 98,827 | \$ 119,838 | \$ 126,104 | \$ 131,828 | \$ 131,890 | \$ 147,795 | \$ 160,891 |
| Total net debt applicable to limit | - | - | - | - | - | 2,000 | 1,925 | 1,850 | 1,775 | 1,695 |
| Legal debt margin | \$ 79,698 | \$ 85,120 | \$ 91,230 | \$ 98,827 | \$ 119,838 | \$ 124,104 | \$ 129,903 | \$ 130,040 | \$ 146,020 | \$ 159,196 |

COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2014

| | |
|---|-------------------|
| Assessed value | \$ 804,455 |
| Debt limit, 20% of assessed value | 160,891 |
| Total amount of debt applicable to debt limit | <u>1,695</u> |
| Legal debt margin | <u>\$ 159,196</u> |

CITY OF KENAI, ALASKA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

| Fiscal Year | City of Kenai | | For the Kenai Peninsula Borough (A) | | | | | |
|-------------|---------------|-------------------|-------------------------------------|---|----------------------------|------------|-------------------|-----------------------|
| | Population | School Enrollment | Population | Personal Income (amount expressed in thousands) | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate (1) |
| 2005 | 7,407 | 1,688 | 51,529 | \$1,616,263 | \$31,366 | 38.0 | 9,527 | 9.50% |
| 2006 | 7,495 | 1,655 | 52,117 | 1,753,889 | 33,653 | 39.7 | 9,389 | 8.70% |
| 2007 | 7,674 | 1,628 | 53,084 | 1,879,960 | 35,415 | 39.1 | 9,368 | 8.10% |
| 2008 | 7,742 | 1,784 | 53,409 | 2,145,309 | 40,168 | 39.2 | 9,250 | 7.60% |
| 2009 | 7,742 | 1,848 | 54,665 | 2,148,001 | 39,294 | 39.2 | 9,256 | 7.80% |
| 2010 | 7,100 | 1,835 | 53,578 | 2,145,309 | 40,041 | 39.4 | 9,145 | 9.80% |
| 2011 | 7,100 | 1,835 | 55,400 | 2,148,001 | 38,773 | 39.4 | 9,148 | 10.00% |
| 2012 | 7,218 | 1,831 | 56,369 | 2,271,490 | 40,297 | 40.6 | 9,083 | 9.40% |
| 2013 | 7,218 | 1,874 | 56,293 | 2,351,446 | 41,772 | 41.4 | 8,892 | 8.40% |
| 2014 | 7,218 | 1,876 | 56,900 | 2,591,281 | 45,541 | 40.0 | 8,832 | 7.50% |

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General Fund | | | | | | | | | | |
| City Clerk | 1.00 | 1.00 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| City Manager | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.67 | 1.67 |
| Legal | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.25 | 2.00 | 2.00 | 2.00 | 2.00 |
| Finance | 4.63 | 4.63 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 4.75 | 4.75 | 4.75 |
| Police | 18.40 | 18.45 | 18.45 | 18.62 | 19.83 | 20.83 | 20.88 | 20.88 | 20.88 | 20.65 |
| Fire | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 19.00 | 19.00 | 19.00 | 19.00 |
| Dispatch | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Animal Control | 2.19 | 2.12 | 2.60 | 2.60 | 2.60 | 2.60 | 2.80 | 2.80 | 2.90 | 2.90 |
| Public Works Administration | 3.00 | 3.00 | 3.00 | 2.00 | 2.00 | 2.00 | 2.00 | 1.50 | 1.50 | 1.50 |
| Planning | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.08 | 2.00 |
| Maintenance | 12.00 | 12.06 | 11.64 | 11.64 | 11.64 | 11.64 | 11.64 | 11.64 | 11.64 | 10.70 |
| Library | 6.60 | 6.64 | 6.14 | 6.34 | 6.55 | 6.68 | 6.68 | 7.88 | 8.45 | 8.10 |
| Parks & Recreation | 5.77 | 5.77 | 6.51 | 6.51 | 6.99 | 6.99 | 6.99 | 7.61 | 9.60 | 8.04 |
| General Fund Total | 83.09 | 83.17 | 83.09 | 82.46 | 84.36 | 85.74 | 88.74 | 91.06 | 93.97 | 90.81 |
| Special Revenue Funds | | | | | | | | | | |
| Personal Use Fishery | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.49 |
| Water & Sewer Operations | 6.00 | 6.00 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 | 7.76 |
| Airport Operations | 5.00 | 5.50 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.43 | 5.81 |
| Senior Citizen Programs | 6.56 | 8.06 | 8.06 | 8.06 | 8.19 | 8.19 | 6.69 | 6.85 | 6.97 | 7.43 |
| Special Revenue Funds Total | 17.56 | 19.56 | 20.00 | 20.00 | 20.13 | 20.13 | 18.63 | 18.79 | 19.16 | 23.49 |
| Enterprise Fund | | | | | | | | | | |
| Congregate Housing | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.45 |
| Internal Service Fund | | | | | | | | | | |
| Capital Project Management | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 0.50 | 0.50 |
| Total All Funds | 101.00 | 103.08 | 103.44 | 102.81 | 104.84 | 106.22 | 107.72 | 110.70 | 113.98 | 115.25 |

Source: The City of Kenai Finance Department.

CITY OF KENAI, ALASKA

TABLE XV

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

| Function | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety | | | | | | | | | | | |
| Police Services: | | | | | | | | | | | |
| Police requests for service | 6,411 | 7,083 | 7,364 | 7,789 | 7,593 | 7,120 | 7,626 | 7,385 | 7,665 | 8,297 | 8,314 |
| Criminal arrests | 1,179 | 1,115 | 1,063 | 991 | 716 | 970 | 1,103 | 926 | 894 | 1,138 | 1,041 |
| Fire and Emergency Services: | | | | | | | | | | | |
| Number of calls responded to | 1,101 | 1,200 | 1,212 | 1,297 | 1,382 | 1,469 | 1,599 | 1,230 | 1,328 | 1,212 | 1,153 |
| Inspections | 195 | 206 | 156 | 104 | 200 | 256 | 289 | 232 | 319 | 239 | 268 |
| Animal Control: | | | | | | | | | | | |
| Total Calls | 8,422 | 7,959 | 7,515 | 8,258 | 9,180 | 10,697 | 7,811 | 6,619 | 6,695 | 6,549 | 7,197 |
| Animals Handled | 1,477 | 1,595 | 1,767 | 1,828 | 1,837 | 1,571 | 1,417 | 1,476 | 1,673 | 1,631 | 1,429 |
| Water and Wastewater | | | | | | | | | | | |
| Water Production Avg gallons per day | 1,069,258 | 1,109,236 | 1,084,000 | 1,069,299 | 964,373 | 939,107 | 1,016,608 | 918,345 | 961,564 | 943,764 | 875,427 |
| Wastewater Treatment Avg. gallons per day | 545,265 | 569,836 | 591,000 | 579,000 | 573,000 | 575,500 | 569,916 | 528,667 | 470,417 | 540,583 | 566,417 |
| Airport Passenger Enplanements | 76,729 | 82,009 | 83,523 | 94,163 | 94,720 | 99,884 | 84,133 | 87,589 | 94,010 | 101,995 | 103,751 |

* 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.

Source: Various City Departments.

CITY OF KENAI, ALASKA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Miles of Streets | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 | 62 |
| Miles of Sewer: | | | | | | | | | | |
| Storm | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Sanitary | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 |
| Fire Protection: | | | | | | | | | | |
| Number of Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Police Protection: | | | | | | | | | | |
| Number of Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation: | | | | | | | | | | |
| Number of Facilities: | | | | | | | | | | |
| Parks | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Baseball and Softball Fields | 11 | 11 | 11 | 11 | 11 | 8 | 8 | 8 | 8 | 8 |
| Soccer Fields | 0 | 0 | 0 | 0 | 2 | 6 | 6 | 6 | 6 | 6 |
| Recreation Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Pedestrian Trails | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 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.

