

KODIAK ISLAND BOROUGH POPULAR ANNUAL FINANCIAL REPORT

KODIAK, ALASKA

FOR FISCAL YEAR ENDING JUNE 30, 2020

CURRENT OCCUPANT
«ADDRESS 1»
«CITY», «STATE» «ZIP»

Kodiak Island Borough
Finance Department
710 Mill Bay Road
Kodiak, AK 99615





Kodiak Island Borough

Popular Annual Financial Report

For Fiscal Year Ending June 30, 2020

Kodiak, Alaska

Government, Geographic Location & Population

The Kodiak Island Borough was incorporated in 1963 as a second class Borough and currently operates under a manager-form of government. The Manager is hired by the Assembly and oversees the day-to-day business of the Borough. The seven member Assembly, along with the Mayor, are elected by the people. The day-to-day business of the Borough is conducted within six departments: Manager, Clerk, Finance/IT, Assessing, Community Development and Engineering/Facilities.

Kodiak Island lies at the western border of the Gulf of Alaska and is approximately 250 air miles south of Anchorage, Alaska. The island is accessible only by boat or plane and is the second largest island in the United States. In total, the Borough encompasses 7,130 square miles and currently serves an estimated population of 13,001.

Services

The Borough has a full range of services, including: general government, fire protection, first-response emergency medical services, health care facilities, road and other infrastructure construction and maintenance, community and economic development and solid waste disposal. Additionally, the Borough supports tourism development, local parks, and cultural and recreational activities. The Borough is financially responsible for a legally separate school district which is reported separately within the Borough's financial statements. Additional information on this legally separate entity can be found in the Comprehensive Annual Financial Report (CAFR).

Economics

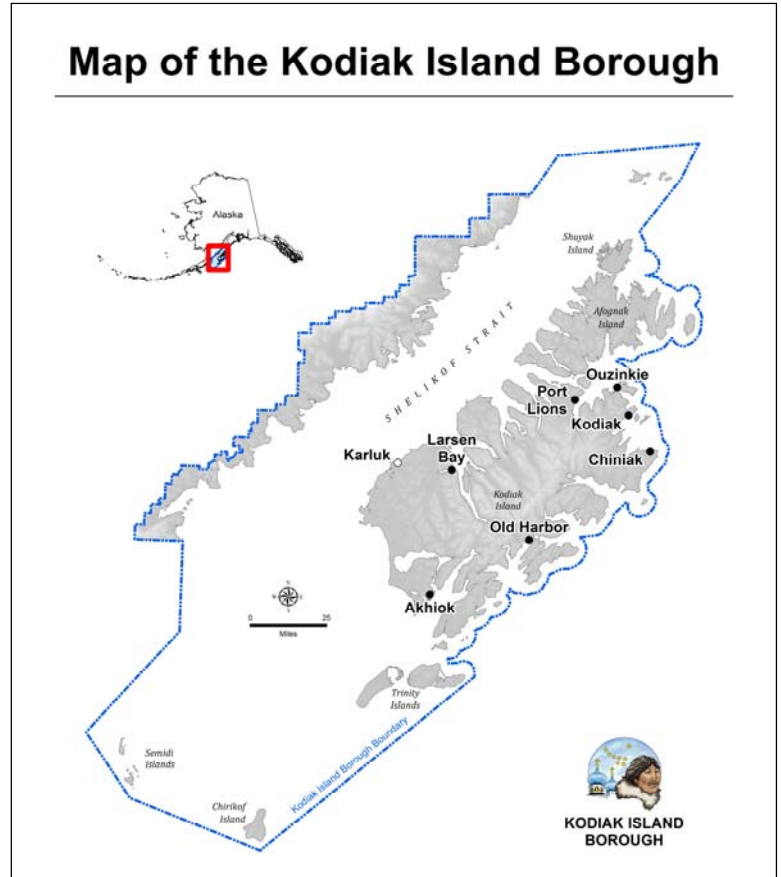
Seafood processing is by far the largest industry, generating revenue in several categories. The Port of Kodiak has been consistently ranked among the top ten ports in the United States in terms of amount and value of product delivered. In 2018, according to the National Ocean Economics Program, the Port of Kodiak ranked fourth largest in landed weight (390,500,000) and eighth largest in landed value (\$104,400,000).

Tourism was strong through FY2019 with stable transient accommodations tax revenues and cruise ship traffic. In FY2020, tourism and cruise ship traffic sharply declined due to the COVID-19 pandemic.

Kodiak Island is home to the largest U.S. Coast Guard Base in the United States, employing over 1,350 people and providing vital services to the marine industries which are integral to the community.

The Pacific Spaceport Complex-Alaska, a launch facility, is capable of handling small to medium sized rockets for launching low earth orbiting satellites, as well as other military, scientific and research missions.

Map of the Kodiak Island Borough



About The Popular Annual Financial Report

The Popular Annual Financial Report (PAFR) is intended to brief the residents of the Kodiak Island Borough on the financial standing of their municipal government. The information in this report was drawn from the FY2020 Comprehensive Annual Financial Report (CAFR). The CAFR conforms to the generally accepted accounting principles (GAAP) and includes audited financial statements, as well as more detailed information than presented here. Although the financial numbers in this Popular Annual Report come from an audited source, they are presented in this report in a condensed and unaudited format. You can also find additional financial information on our OpenGov Financial Transparency portal at: <https://kodiakak.opengov.com/>.

For copies of the CAFR and PAFR, visit the Borough's office located at 710 Mill Bay Road, Kodiak, Alaska, the Borough's Facebook page or on our website at www.kodiakak.us.

We hope you find the report to be informative. We welcome your comments, questions and suggestions.

Michael Powers
Borough Manager

Dora Cross
Finance Director

BOROUGH POPULATION AND STATISTICAL INFORMATION

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Borough Population	13, 287	13,136	13,001
Annual Unemployment Rate in the Borough	4.8%	4.2%	4.4%
Percentage of owner-occupied housing in the Borough	60.7%	59.0%	55.0%
Median Gross Rent within the Borough	\$1,254	\$1,294	\$1,369
Median household income within the Borough	\$73,068	\$74,167	\$78,281
Percent of persons living in poverty within the Borough	7.3%	9.3%	8.2%
KIBSD Student Enrollment	2,437	2,395	2,315
KIBSD Employees (Teachers and support personnel)	416	382	377
Number of Schools in the Borough	13	13	13
Number of Borough Employees	45	41	38

FINANCIAL STRUCTURE

The Borough maintains 33 separate funds to account for governmental services. They are generally established based upon their legal basis and objectives. These funds are grouped into two separate categories: Governmental Funds and Proprietary Funds. This report focuses on the funds which interests most residents : General, Education Support and Municipal Solid Waste Collection & Disposal.

GOVERNMENTAL FUNDS

(Reports the basic service activities provided by the Borough)

<u>Governmental Fund Name</u>	<u>Activity or Purpose of Fund</u>
General Fund	Operating fund for the Borough. Departments within the fund are: the Assembly, Assessing, Clerks, Community Development, Engineering & Facilities, Finance/IT (Information Technology) and the Manager.
Special Revenue Funds	Operating funds for specific revenue sources. These include: education, facilities, tourism, emergency planning and neighborhood service districts such as road, fire and street lighting, as well as maintenance of Borough building and grounds.
Debt Service Fund	Operating fund for the payment of general long-term debt principal, interest and other related costs. Currently the fund services General Obligation Bonds for school related projects.
Capital Project Funds	Operating fund for the acquisition or construction of major capital facilities and equipment.

GOVERNMENTAL FUNDS - FUND BALANCE 6/30/20



GOVERNMENTAL FUNDS*(Reports the basic service activities provided by the Borough)***Governmental Fund Highlights:**

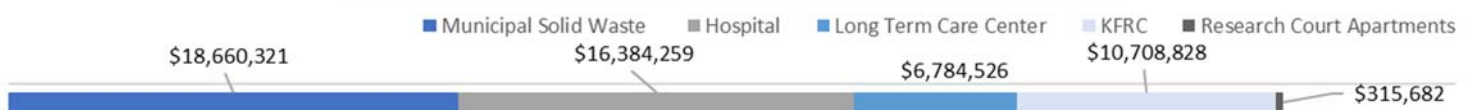
- General Fund – Fund balance increased by \$734,125 (13.7%). There were two main contributors to the overall increase in the fund. 1) The fund received \$256,675 more in property tax revenue due to increased tax assessments, and 2) the fund expended \$497,853 less primarily due to vacant positions.
- Education Support (Special Revenue Fund) – This fund collects tax revenue which is then paid to the School District for education services within the Borough. There was an increase of \$551,968 paid out of this fund in FY2020 compared to FY2019.
- Facilities Fund (Special Revenue Fund) – Fund balance increased by \$295,711 (0.73%). Investment income, the sole revenue source for the fund, was \$1,130,902 and the largest use of allowed earnings use in this fund was a transfer of \$830,191 to the Education Debt Service Fund to help cover required debt service payments and a \$5,000 transfer to the Building and Grounds Special Revenue Fund.

Statement of Revenue, Expenditures and Changes in Fund Balance (Deficits)

	All Governmental Funds			General	Education
	<u>(includes General and Education Support Funds)</u>			<u>Fund</u>	<u>Support Fund</u>
	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2020</u>	<u>FY2020</u>
Revenues					
Property Taxes	\$16,002,128	\$16,794,958	\$16,978,718	\$1,052,998	\$10,562,780
Severance Taxes	1,929,409	1,285,669	1,286,750	1,223,921	-
Intergovernmental	9,042,586	10,276,215	6,765,785	3,523,307	-
Services, Fees, Investments &	1,875,439	3,740,229	\$3,434,448	678,804	-
Total Revenues	\$28,849,562	\$32,097,071	\$28,465,701	\$6,479,030	\$10,562,780
Expenditures					
General Government	\$5,715,946	\$5,308,369	\$5,197,783	\$4,450,375	-
Public Safety	798,514	714,826	635,865	118,700	-
Community & Economic Development	1,177,198	1,183,798	885,179	797,843	-
Emergency Preparedness	43,038	14,307	4,479	4,479	-
Health & Social Services	207,500	182,900	157,500	157,500	-
Parks, Culture & Recreation	81,851	77,568	53,008	53,008	-
Service District Maintenance	587,707	569,610	786,366	-	-
Primary & Secondary Education	9,449,500	9,970,576	10,522,544	50,000	10,472,544
Capital Outlay	4,987,509	3,083,409	1,604,719	-	-
Debt Service	7,278,310	7,688,414	7,733,394	-	-
Total Expenditures	\$30,327,073	\$28,793,777	\$27,580,837	\$5,631,905	\$10,472,544
Other financing sources (uses)	181,142	591,491	1,616,718	(113,000)	-
Increase (decrease) in fund balance	(1,296,369)	3,894,785	2,501,582	734,125	90,236
Fund Balance, beginning of year, as restated	53,647,068	52,350,699	56,245,484	5,360,424	(30,842)
Fund Balance, at end of year	<u>\$52,350,699</u>	<u>\$56,245,484</u>	<u>\$58,747,066</u>	<u>\$6,094,549</u>	<u>\$59,394</u>

PROPRIETARY FUNDS:*(Reports the business-type activities provided by the Borough)*

<u>Proprietary Fund Name</u>	<u>Activity or Purpose of Fund</u>
Municipal Solid Waste Collection & Disposal	Accounts for the collection and disposal of solid waste and for the operation of the Leachate Treatment plant.
Hospital Facility	Accounts for the Borough-owned hospital.
Long-Term Care Center	Accounts for the Borough-owned long-term care center.
Kodiak Fisheries Research Center	Accounts for the Borough-owned Kodiak Fisheries Research Center.
Research Court Apartments	Accounts for rent collected for the Borough-owned Research Court Apartments.
911 Services	Accounts for fees collected from all phone lines for a 911 emergency system. This is a pass

PROPRIETARY FUNDS - NET POSITION 6/30/20**Proprietary (Enterprise) Funds Highlights:**

- Municipal Solid Waste Collection and Disposal – Net position increased by \$1,580,803 (9.26%) due to an increase in charges for services.
- Hospital Facilities – Net position increased by \$131,808 (0.81%).
- Long-Term Care Center – Net position increased by \$192,761 (2.92%) due to decreased bond interest payments.
- Kodiak Fisheries Research Center (Enterprise Fund) – Net position decreased by \$493,799 (4.41%) due to decreasing lease revenues and increasing repair and maintenance expenses.
- Research Court Apartments (Enterprise Fund) - New fund created in FY2020.

Statement of Revenue, Expenses and Changes in Net Position (Deficits)

	Total for All Borough Proprietary Funds			Municipal Waste Collection & Disposal (Only)
	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2020</u>
Revenues				
Total Operating Revenue	\$7,374,788	\$8,038,190	\$7,961,329	\$4,153,416
Total Non-Operating Revenue	169,594	700,771	492,721	240,896
Total Revenues	\$7,544,382	\$8,738,961	\$8,454,050	\$4,394,312
Expenses				
Total Operating Expenses	\$6,551,438	\$6,605,558	\$6,070,727	\$2,520,574
Total Non-Operating Expenses	792,224	715,826	701,087	292,935
Total Expenses	\$7,343,662	\$7,321,384	\$6,771,814	\$2,813,509
Other Financial Sources (uses)	45,000	45,000	45,000	-
Net Position, beginning of year, as restated	49,418,083	49,663,803	51,126,380	17,079,518
Net Position, end of year	<u>\$49,663,803</u>	<u>\$51,126,380</u>	<u>\$52,853,616</u>	<u>\$18,660,321</u>

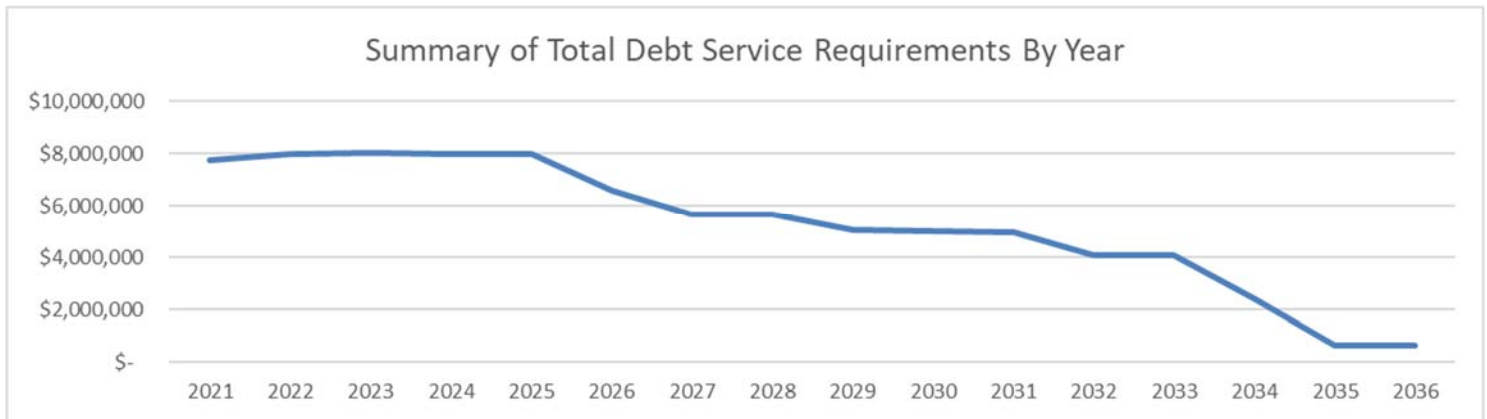
ASSEMBLY MEETINGS

Assembly meetings can be viewed live via internet streaming through the Borough’s website. Video recordings of previous regular meetings and voice recordings of work sessions, along with meeting packet information is also available on the website: <http://www.kodiakak.us>.

Regular meetings—1st and 3rd Thursday of the month at 6:30 PM at 710 Mill Bay Road
 Work Session Meetings—2nd and 4th Thursday of the month at 6:30 PM at 722 Mill Bay Road
 Public Comment Call In Numbers: Toll Free 855-482-9202 or locally 907-486-3231

SUMMARY OF DEBT SERVICE REQUIREMENTS

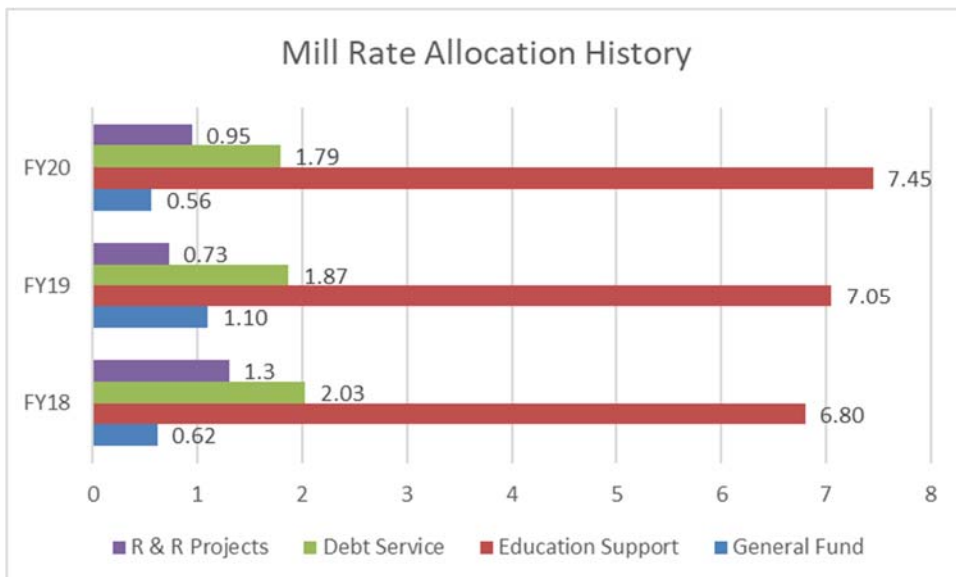
Total Principal and Interest Payments Due	<u>Project Description</u>
\$ 64,655,050	High school renovation and renewal project.
\$ 7,773,625	Renewal and replacement for various school buildings.
\$ 4,957,975	Acquisition and construction of school improvements including a new school pool.
\$ 3,943,775	Planning, design and construction for the new school pool and Kodiak High School Voc/Ed classroom.
\$ 3,233,825	Planning, design and construction for the Larsen Bay, Kodiak Middle and Kodiak High schools.
\$ 84,564,250	



PROPERTY TAXES

The Assembly sets the mill rates, or the number of mills each individual taxpayer will be assessed or charged per dollar value of property owned. A mill is one tenth of one percent of a dollar (.001). For FY2020, the Borough-wide mill rate was 10.75 which equates to 1.075 cents of tax to be paid for each dollar of assessed property value.

In addition to the Borough-wide mill rate, mill rates are set for taxing properties within specific boundaries for specific activities. If the taxing area has a board or committee, they submit a budget and recommended rate to the Assembly. For those properties within the city limits, the City of Kodiak’s City Council sets the mill rate.



- R&R Projects—To fund renewal and replacement project need within the Borough.
- Debt Service—To fund payment of principal and interest on the Borough’s long-term debt.
- Education Support—To fund the Kodiak Island Borough School District for the State required local minimum contribution and in-kind costs.
- General Fund—To fund the general operations of the Kodiak Island Borough.

CAPITAL PROJECTS

Completed in FY2020:

- Bayside Fire Department Exterior Improvements
- Bayside Fire Department Exhaust Extraction System
- Bayside Fire Department Paving
- Baler Building Septic System
- Kodiak Middle School Boiler Room Remodel
- Lake Orbin Culvert Replacement



Kodiak Middle School Boiler Room Remodel



Bayside Fire Department Exterior Improvements



North Star Elementary Gym Siding



Baler Building Fuel Tank

Scheduled for Completion in FY2021:

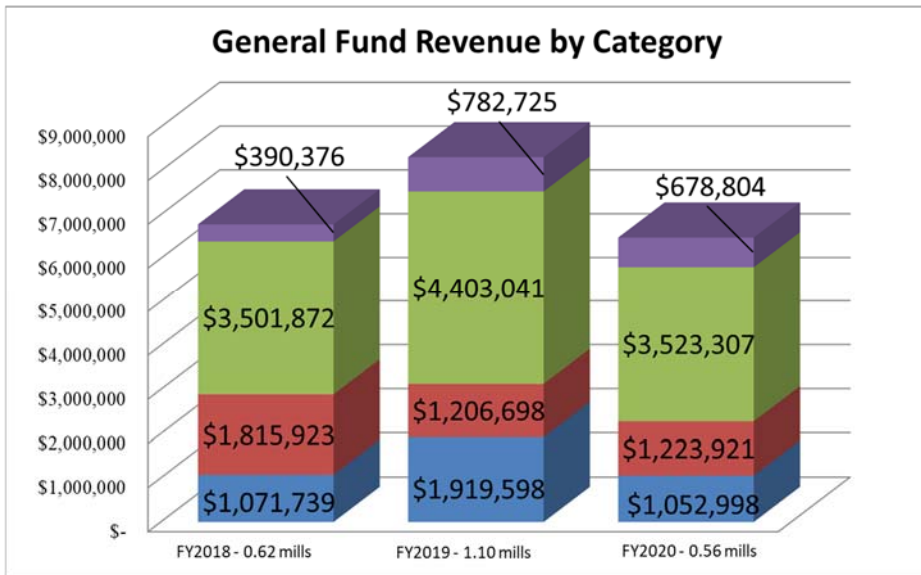
- Baler Building Fuel Tank Replacement
- Providence Kodiak Island Medical Center Fuel Tank Replacement
- Long Term Care Center Fuel Line Replacement
- Kodiak High School and Kodiak Fisheries Research Center Electric Boilers
- Kodiak Fisheries Research Center Fire Alarm Upgrades
- North Star Elementary Gym Siding Replacement

Scheduled for Completion Beyond FY2021:

- Providence Kodiak Island Medical Center Retaining Wall
- Kodiak Fisheries Research Center Exterior Improvements
- Kodiak Fisheries Research Center Fume Hood Exhaust
- North Star Elementary Siding and Window Replacement
- Borough Building Boiler Room Remodel

GENERAL FUND REVENUES — A Closer Look

Revenue Source	Reason(s) for Increase or Decrease
Excise Taxes, Services, Fees, Investments & Other	Although excise taxes, service and fee revenues were relatively stable, investment earnings decreased \$58,826 (27%), primarily due to negative market rates in response to the COVID-19 pandemic.
Intergovernmental	Various state revenues were \$879,734 less than anticipated.
Severance Taxes	Local Severance Tax Revenues increased by \$17,223 (1.5%); this tax is very dependent on the fishing, timber and gravel economy in Kodiak. While the commercial fishing industry in Kodiak has been stable, the timber and gravel economies have decreased.
Property Taxes	General Fund Property Tax Revenues decreased by \$886,600 (45%). Although the Borough-wide mill rate has remained the same at 10.75 mills since FY2012, how the mill rate is distributed to the general fund changes annually. The General Fund's share of the mill rate decreased from 1.10 mills in FY2019 to 0.56 mills in FY2020.



Category Descriptions:

- **Excise Taxes, Services, Fees, Investments & Other:** Local revenues from penalties and interest, excise taxes, building permits, zoning permits, interest earnings and changes in market value on investments, map sales and reimbursed expenses.
- **Intergovernmental:** Federal and State revenues such as Payment in Lieu of Tax (PILT), Community Revenue Sharing, Fisheries Business Tax Sharing, Fisheries Landing Tax, National Wildlife Refuge and PERS on Behalf Payments.
- **Severance Taxes:** Local revenues from fish, gravel and timber.
- **Property Taxes:** Local revenues from residential and commercial real and personal properties and commercial aircraft.

WHERE YOUR BOROUGH-WIDE PROPERTY TAX DOLLAR GOES

(See category descriptions under Property Taxes)

