

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

John J. Williams
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

CRAIG C. CHAPMAN
DIRECTOR OF FINANCE

BRANDI R. HARBAUGH
CONTROLLER

**Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report**

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KENAI PENINSULA BOROUGH

Finance Department

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JOHN J. WILLIAMS
MAYOR

November 19, 2008

Honorable Members of the Assembly
Citizens of the Kenai Peninsula Borough

The Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula Borough (Borough) for the year ended June 30, 2008 is hereby submitted in accordance with Section 29.35.120 of Alaska Statutes and Borough code. These laws require an annual report on financial activities with an independent audit of all Borough accounts by a certified public accountant.

The CAFR is presented in three sections – **Introduction, Financial, and Statistical.**

The **Introductory section**, which is unaudited, includes this letter of transmittal, a certificate of achievement for excellence in financial reporting for the Borough's 2007 CAFR, an organization chart, and a list of principal elected and administrative officials.

The **Financial section** includes the auditor's report, Management's Discussion and Analysis (MD&A), the financial statements; which include government-wide financial statements and fund financial statements with comparative budgetary information, notes to the financial statements, required supplementary information, and combining and individual statements and schedules, as applicable, arranged by fund type.

The **Statistical section**, which is unaudited, includes a broad range of selected trend data and non-financial information.

Management is responsible for the accuracy, completeness and fairness of the presentation including all disclosures. To provide a reasonable basis for making these representations, management of the Borough 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 Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough'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.

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

The Borough's financial statements have been audited by Mikunda, Cottrell & Company, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2008, 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 unqualified opinion that the Borough's financial statements for the fiscal year ended June 30, 2008, 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.

As a recipient of federal grant awards, the Borough is required to undergo an audit in accordance with the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* and associated *Compliance Supplement*. A schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued audit in accordance with OMB Circular A-133.

As a recipient of state grant awards, the Borough is also required to undergo an audit in accordance with the provisions of Alaska State Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. A state financial assistance schedule, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued audit in accordance with the State of Alaska *Audit Guide and Compliance Supplement for State Single Audits*.

Profile of the Kenai Peninsula Borough

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 miles. The Borough is located in the south central part of the state of Alaska.

The Borough operates under an assembly-mayor form of government. Policy-making and legislative authority are vested in a governing assembly consisting of nine members. The assembly is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The mayor is the Borough's executive officer and is responsible for carrying out the policies and ordinances of the Borough, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The assembly and mayor are elected on a non-partisan basis. Assembly members serve three-year staggered terms, with 3 members elected each year and are elected by district. The mayor is elected at large and serves a three-year term.

The Borough is empowered to levy a property tax on both real and personal properties located within its boundaries. State of Alaska law mandates that second-class boroughs provide certain services on an areawide basis to all taxpayers. All other services must be approved by a majority of voters who are to receive the services. This gives taxpayers control over the type and level of services they receive and pay for. Currently, the Borough provides the following areawide services: assessment and collection of property taxes and sales tax collection for the Borough and cities within the Borough, planning, solid waste disposal, education, senior citizen funding, post secondary education, 911 emergency communications, emergency management and general administrative services. Non-areawide services provided by the Borough include fire protection, hospital services, emergency medical and ambulance services, recreation, senior citizen funding, road maintenance, economic development, tourism promotion, and special assessment authority for utility extensions and road improvement districts. The Borough also has non-areawide port and harbor powers that are not currently exercised. Funding for the Borough, by order of financial significances, is provided from property tax, sales tax, state revenue, interest earnings, federal revenue, and other sources.

The Borough is financially accountable for a legally separate school district, which is reported separately within the Borough's financial statements.

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been appropriated. For the General Fund, this comparison is presented on pages 33-34 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, these comparisons start on page 80.

Factors Affecting Financial Condition

Economy

The Borough's economy has experienced consistent, gradual growth since the late 1980's. Local indicators point to continued growth and stability. Borough wide, the general government tax rate has decreased from 8.59 mills in FY1996 to 6.5 mills in FY03 and has remained constant at this rate thorough FY07. In FY08, the mill rate was reduced to 5.5 mills. This reduction in the mill rate was made possible by the use of fund balance, which was deemed to be in excess of required amount, taxable property values which increased 8.7%, and an increase in the Borough's sales tax rate from 2% to 3% effective January 1, 2008. Sales tax continues to generate a larger portion of the Borough's General Fund revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY08 sales tax revenue represents almost 36%. Oil and gas continues to provide stable reduced employment in the Borough, with gas on the increase and oil on a slow decline. Gas supplies in quantities needed for liquefied natural gas are projected to run out within the next decade if new supplies are not made available through discovery or pipelines from other areas. The Agrium plant, which produces fertilizer, was closed in FY08 due to limited availability of natural gas. A gas pipeline from the Alaskan North Slope to the Kenai Peninsula is one option that is being considered. Feasibility studies are being conducted to assess the viability of coal gasification as an alternative to natural gas. Both Walmart and Lowes are constructing stores in the Kenai area, with Lowes expected to open in November 2008 and Walmart to open in 2009.

Long term financial planning

The Borough and its Service Areas issue most of their debt through the Alaska Municipal Bond Bank. The Bond Bank has a rating of A1 from Moody's and A from Standard and Poor's.

Voters of the South Kenai Peninsula Hospital Service Area in a special election in May 2007 authorized additional debt of \$14,700,000 to complete the expansion of their facility; these bonds were sold in August 2007. A mill rate increase of .55 mills was necessary to support the debt payment.

The Borough's percentage of net general obligation debt to assessed valuation and bonded debt per capita are useful indicators to citizens and investors of the Borough's debt position. The percentage of direct general obligation debt, exclusive of Service Areas, to assessed valuation was .38% as of June 30, 2008, and the direct general obligation debt per capital was \$385. This compares to .45% and \$428 as of June 30, 2007.

Cash management policies and practices

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Interest income on investments is allocated monthly to each participating fund based on its average equity balance. Some funds, in particular the Enterprise Funds, the Special Revenue Central Emergency Service Area Fund, and the School District, have operating and activity cash that is not aggregated in the central treasury.

The Borough Code of Ordinances authorizes investment in obligations of the U. S. Treasury, its agencies and instrumentalities, bankers' acceptances of the fifty largest banks, investment grade corporate bonds, high rated commercial paper, repurchase agreements, fully collateralized certificates of deposit, money market mutual funds, high rated bonds and notes issued by a state or political subdivision thereof, and the Alaska Municipal League Investment Pool, Inc. The Borough Code of Ordinances also places limitations on maturity of investments. In addition, investment guidelines are contained in an Investment Policy established by the finance director and approved by the mayor.

Risk Management

The Borough has a limited self-insurance program, which is administered by a risk management committee. As part of this program, resources are accumulated in an internal service fund to meet potential losses. The Borough has third party coverage subject to self-insured retentions, which are more fully described in the notes.

Pension and Other Postemployment Benefits

The Borough provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The Borough has no obligations in connection with employee benefits offered through this plan beyond its annual required payment to the pension plan. The Borough has always paid its annual required contribution rates on time. The Borough's rate for FY05 was 17.81%, 22.81% for FY06, 27.94% FY07, and 22% in FY08. These amounts were less than the actuarial determined rates. Prior to FY08, Alaska Statutes limited rate increases to no more than 5% in one year. The Borough, like other governments in Alaska, is facing significant and growing unfunded liabilities associated with PERS. In 2001, the Borough's unfunded liability was approximately \$700,000, at the end of 2003 the unfunded liability was assessed at \$24,100,000, and at the end of June 30, 2006 the unfunded liability was assessed at \$41,500,000. This significant increase has added over \$3,000,000 in annual expenditures to the Borough as a whole. More information is included in the pension footnote, page 59, of these financial statements.

The Kenai Peninsula Borough School District provides pension benefits for all eligible employees through PERS and Teachers Retirement System (TRS). The school district has no obligations in connection with employee benefits offered through this plan beyond its annual required payments to the pension plans. The school district will also be looking at increases in their PERS and TRS rates.

The South Peninsula Hospital (hospital) employees participate in a defined benefit single employer plan. The plan was established and is administered by the hospital's private non-profit operator. Each year, an independent actuary calculates the amount of the annual contribution the non-profit hospital operator must make to the pension plan. As of the last valuation date, the non-profit pension plan was funded at 84% of the present value of the projected benefits earned by employees.

The Central Peninsula General Hospital employees participate in a defined contribution pension plan established by the hospital's non-profit operator under Internal Revenue Code 403 (b). Under the plan, the non-profit operator contributes 2% of an employee's eligible salary and matches employee contributions up to 3% of gross pay, not to exceed \$5,000.

Additional information on pension arrangements and postemployment benefits can be found starting on page 59 in the notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kenai Peninsula Borough for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This was the twenty-seventh consecutive year that the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently organized CAFR, whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

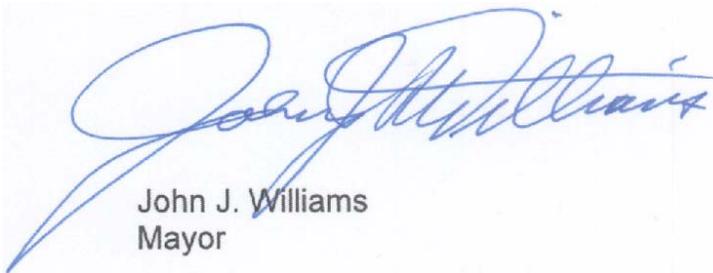
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Borough also received the GFOA's Distinguished Budget Presentation Award for its FY08 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the Borough's budget document was judged to be proficient in several categories, including a policy document, a financial plan, an operations guide, and a communications device.

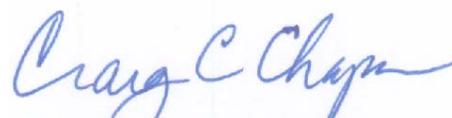
The preparation of this report was made possible by the dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report. We also want to thank the finance department staff at the Kenai Peninsula Borough School District, the South Peninsula Hospital, and Central Peninsula General Hospital for their assistance.

We also want to thank the members of the Borough Assembly for your interest and support in planning and conducting the financial operations of the Borough in a responsible and progressive manner.

Respectfully submitted,



John J. Williams
Mayor



Craig C. Chapman, CPA
Director of Finance



Brandi R. Harbaugh, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kenai Peninsula Borough
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



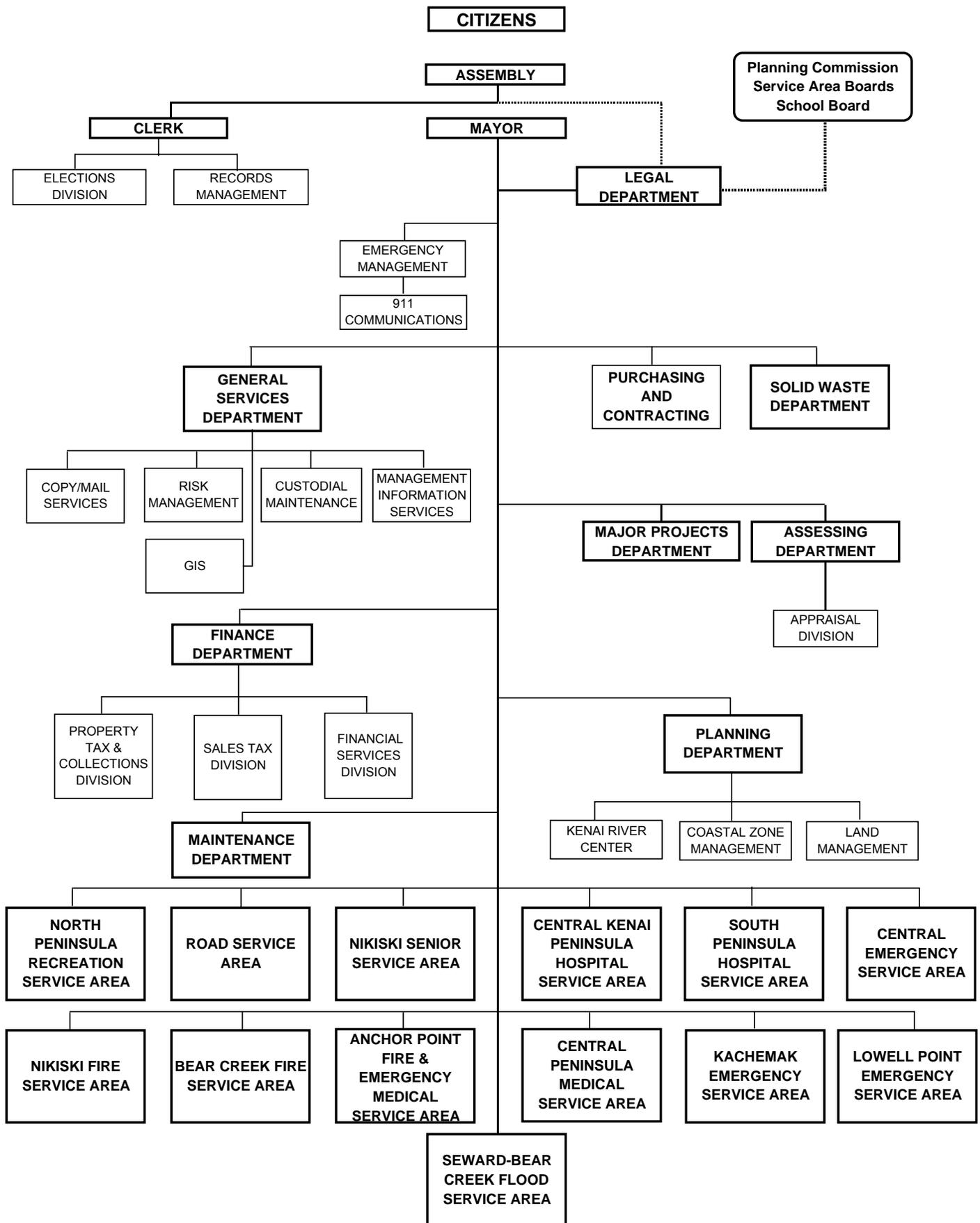
Cherie S. Cox

President

Jeffrey R. Emer

Executive Director

KENAI PENINSULA BOROUGH ORGANIZATIONAL CHART



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

| | |
|------------------|----------------|
| Ron Long | President |
| Margaret Gillman | Vice President |
| Gary Knopp | |
| Paul Fischer | |
| Pete Sprague | |
| Gary Superman | |
| Milli Martin | |
| Grace Merkes | |
| Bill Smith | |

The legislative power of the Kenai Peninsula Borough is vested in an assembly of nine members. This assembly meets in regular session every first and third Tuesday of the month in the Assembly Chambers located in the Borough Administration Building at 144 North Binkley Street, Soldotna, Alaska.

Administration

| | |
|-------------------|----------------------------------|
| John J. Williams | Borough Mayor |
| Craig C. Chapman | Finance Director |
| Colette Thompson | Borough Attorney |
| Richard Campbell | General Services Director |
| Johni Blankenship | Borough Clerk |
| Shane Horan | Assessing Director |
| Max Best | Planning Director |
| Kevin Lyon | Major Projects Director |
| Bill Kopecky | Maintenance Director |
| Bob Garlock | Solid Waste Director |
| Mark Fowler | Purchasing & Contracting Officer |
| Gary Davis | Roads Director |

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C. Chapman

Division Managers

Brandi Harbaugh
Cathey Wallace
Darlene Cloutier
Rhonda Krohn

Controller
Budget
Sales Tax
Property Tax

Accounting Staff

Jerri Braun
Betty Coats
Erin Lockwood
Karen Evans
Penny Carroll
Renée Schaffner
Charlene Johnson - ½ time
Tracy Davis - ½ time
DeRay Jones
Christina Griffith

Becky Karsten
Lauri Lingafelt
Cathy Wagner
Jennifer Loop
Marie Payfer
Misty Merriman
Katie Ring – ½ time
Amy Falk - ½ time
Joanne Rodgers
Julie Lahndt

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AUDITOR REPORT

Independent Auditor's Report

Honorable Mayor and
Members of the Assembly
Kenai Peninsula Borough

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2008, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kenai Peninsula Borough, Alaska, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2008 on our consideration of the Kenai Peninsula Borough'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* and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of the Assembly
Kenai Peninsula Borough

The Management's Discussion and Analysis on pages 13 through 25 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kenai Peninsula Borough'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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in the introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the Kenai Peninsula Borough (Borough) Comprehensive Annual Financial Report (CAFR), provides readers with a narrative overview and analysis of the Borough's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report and the notes to the financial statements which can be found on pages 41-65 to enhance their understanding of the activities and financial health of the Borough.

Financial Highlights

- The assets of the Kenai Peninsula Borough exceeded its liabilities at the close of the most recent year by \$377.5 million. Of this amount, \$103.0 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors. Much of this amount has been previously designated by the Borough assembly for specific purposes and is discussed in more detail on page 21 and page 45.
- The Kenai Peninsula Borough has established a formal fund balance policy affecting the General Fund, annually budgeted special revenue funds and general government capital project funds. The policy sets forth minimum and maximum levels. As of June 30, 2008, one special revenue fund was outside the policy range and was addressed in the next budget cycle.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$23.9 million, an increase of \$3.9 million, (\$.8 million of this increase was related to a one-time payment from the State of Alaska for PERS and for cruise ship tax). Of this amount, \$22.0 million was unreserved, undesignated and available for spending. The unreserved, undesignated fund balance for the General Fund represented 35.4% of total General Fund expenditures and transfers. This compares to 32.1% as of June 30, 2007.
- The Borough's total net assets increased \$12.5 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$60.6 million, an increase of \$1.4 million in comparison to the prior year.
- The Borough incurred new debt of \$14.5 million for expansion at South Peninsula Hospital. Total outstanding debt increased \$8.2 million to a year-end balance of \$97.6 million.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Borough's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements.

The basic financial statements include two kinds of statements that present different views of the Borough. The first two statements are government-wide financial statements that provide both long-term and short-term information about the overall finances of the Borough similar to a private-sector business. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

- The **Statement of Net Assets** presents information on all of the Borough's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the Borough. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.
- The **Statement of Activities** provides information which shows how the Borough's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. Revenues and expenses are reported in this statement on an accrual basis, with related cash flows in future fiscal periods.

Both the Statement of Net Assets and the Statement of Activities distinguish functions of the Borough that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The Borough's governmental activities include general government, solid waste, public safety, recreation, education, and road and trail maintenance. The business-type activities of the Borough are for the operations of two hospitals.

The government-wide financial statements present not only the Borough itself, which is the primary government, but also its component unit, the Kenai Peninsula Borough School District for which the Borough is financially accountable. Financial information for the School District is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 27-28 of this report.

The remaining statements are fund financial statements that focus on individual parts of the local government, reporting the Borough's operations in more detail than the government-wide 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 Borough, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability.

All of the funds of the Borough can be divided into three categories:

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 funds financial statements focus on the short-term view of the Borough's operations.

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 the 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 governmental funds and governmental activities.

The Borough maintains 39 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Bond Funded Capital Project Fund. The other 37 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the nonmajor funds are presented in the Combining Balance Sheet Nonmajor Special Revenue Funds, Combining Balance Sheet Nonmajor Capital Project Funds, Combining Balance Sheet Nonmajor Debt Service Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Capital Project Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds.

The basic governmental fund financial statements can be found on pages 29-34 of this report. Budgetary comparison statements for 15 special revenue funds and 3 debt service funds with annual budgets are provided on pages 80-94 and 103-105 respectively to demonstrate compliance with these budgets.

Proprietary funds. The Borough 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 Borough uses enterprise funds to account for its hospitals.
- Internal service funds are an accounting device used to accumulate and allocate costs internally among the Borough's various functions. The Borough uses internal service funds to account for its risk management and equipment replacement programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Central Peninsula General Hospital and South Peninsula Hospital, both of which are considered to be major funds of the Borough. The basic proprietary fund financial statements can be found on pages 35-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Borough cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The basic fiduciary aggregated fund financial statements can be found on page 40 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understating of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-65 of this report.

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 67-105 and internal service funds can be found on pages 107-109 of this report.

Government-wide Financial Analysis**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Borough, assets exceeded liabilities by \$377.5 million, at June 30, 2008 compared to \$365.1 million at June 30, 2007. By far the largest portion of the Borough's net assets (71.5%) reflects its investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that are still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

During FY08, governmental activities capital assets, net of accumulated depreciation, of the Borough increased \$5.7 million. Current and other assets include \$72.1 million and \$74.5 million of cash and investments held for governmental activities at June 30, 2008 and 2007, and governmental activities long-term debt decreased by \$4.1 million. Restricted net assets of \$3.3 million and \$4.8 million in 2008 and 2007 respectively, result from restrictions imposed legally or externally by creditors, debt covenants, or grantors.

For business-type activities, \$44.9 million (47%) and \$43.8 million (47%) of net assets is unrestricted and may be used to meet the ongoing need of these organizations at June 30, 2008 and 2007. This represents an increase of \$1.1 million. Current and other assets include assets whose use is limited and restricted assets of \$24.1 million and \$24.3 million in 2008 and 2007 respectively, resulting from restrictions imposed externally by debt covenants and internally by directors.

Net Assets
June 30, 2008 and 2007
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 84.2 | \$ 84.7 | \$ 76.5 | \$ 70.4 | \$ 160.7 | \$ 155.1 |
| Capital assets | 241.6 | 235.9 | 100.9 | 92.5 | 342.5 | 328.4 |
| Total assets | <u>325.8</u> | <u>320.6</u> | <u>177.4</u> | <u>162.9</u> | <u>503.2</u> | <u>483.5</u> |
| Long-term debt outstanding | 31.3 | 35.5 | 70.9 | 58.5 | 102.2 | 94.0 |
| Other liabilities | 12.5 | 13.0 | 10.9 | 11.4 | 23.4 | 24.4 |
| Total liabilities | <u>43.8</u> | <u>48.5</u> | <u>81.8</u> | <u>69.9</u> | <u>125.6</u> | <u>118.4</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 220.5 | 212.7 | 49.5 | 47.7 | 270.0 | 260.4 |
| Restricted | 3.3 | 4.8 | 1.2 | 1.5 | 4.5 | 6.3 |
| Unrestricted | <u>58.1</u> | <u>54.6</u> | <u>44.9</u> | <u>43.8</u> | <u>103.0</u> | <u>98.4</u> |
| Total net assets | <u>\$ 281.9</u> | <u>\$ 272.1</u> | <u>\$ 95.6</u> | <u>\$ 93.0</u> | <u>\$ 377.5</u> | <u>\$ 365.1</u> |

Governmental activities.

Governmental activities increased the Borough's net assets by \$9.8 million. This compares to an increase of \$7.1 million for the year ended June 30, 2007. Key elements of this are as follows:

- The Borough's sales tax rate increased from 2% to 3% effective January 1, 2008. Due to increases in the price of fuel and items impacted by fuel, sales tax revenue came in approximately \$1.9 million higher than originally budgeted.
- Total government expenses increased \$1.4 million, of which \$1.2 million was related to PERS, which was reimbursed by the State of Alaska.
- Receipt of land from the State of Alaska valued at \$2.2 million.

Business-type activities.

Business type activities increased the Borough's net assets by \$2.6 million. This compares to an increase of \$3.9 million for the year ended June 30, 2007. Key elements of this are as follows:

- The increase in capital assets at Central Peninsula Hospital is related primarily to a bond-funded expansion project. Expenditures for the project during the year ended June 30, 2008 were \$9.5 million compared to \$8.5 million expended in FY07. A significant portion of this project, \$43.8 million was completed and placed in service in 2007. An additional \$11.4 million was placed in service in 2008. The balance of the project was completed in Fall 2008.

- The Central Peninsula Hospital's FY08 operating revenues increased \$7.6 million, or 12%, when compared to FY07. The increased revenues are attributed to a 7.8% increase in acute care volumes and room rate and procedure charge adjustments during the year.
- Operational cost for Central Peninsula Hospital increased \$8.8 million or 14% when compared to FY07. Much of this increase is attributable to a full year of operation in the new Mountain Tower, the opening of a new cafeteria, and completion of the Emergency Department remodel. Depreciation expense increased \$1.8 million reflecting the new addition that was placed in service in 2007.
- South Peninsula Hospital's loss from operations for the year ended June 30, 2008 was \$1.9 million compared to \$2.3 million loss for the year ended June 30, 2007. Patient revenue at South Peninsula Hospital increased 5.8% for the year ended June 30, 2008 compared to an increase of 1.0% for the year ended June 30, 2007. The Hospital is seeing an increasing impact to its revenue base due to write-downs for Medicare and Medicaid.
- Both hospitals have embarked on expansion projects. The expansion project for Central Kenai Peninsula General Hospital was substantially complete as of June 2008. South Peninsula General Hospital started a \$17.0 million remodel and expansion to their current facility. Due to a 100% increase in the cost of the project, the project was split into two phases. Phase II ground breaking started in 2006, and was completed in September 2007. Phase III bonds in the amount of \$14,555,000 were authorized and sold in August 2007 to fund completion of the project. This phase of the project should be complete in 2009.
- Property tax revenues for South Peninsula Hospital increased to reflect an increase in the mill rate, which was authorized by the Borough assembly for the amount necessary to fund the new debt that was authorized for phase III.

The net assets for the Borough's business-type activities are \$95.6 million compared with \$93.0 million for FY07. As with the governmental activities, a substantial portion (52%) of the net assets is invested in capital assets. The Borough uses these assets to provide services to the citizens. The unrestricted net assets of the business-type activities are \$44.9 million as of June 30, 2008 compared to \$43.7 million at June 30, 2007.

Changes in net assets.

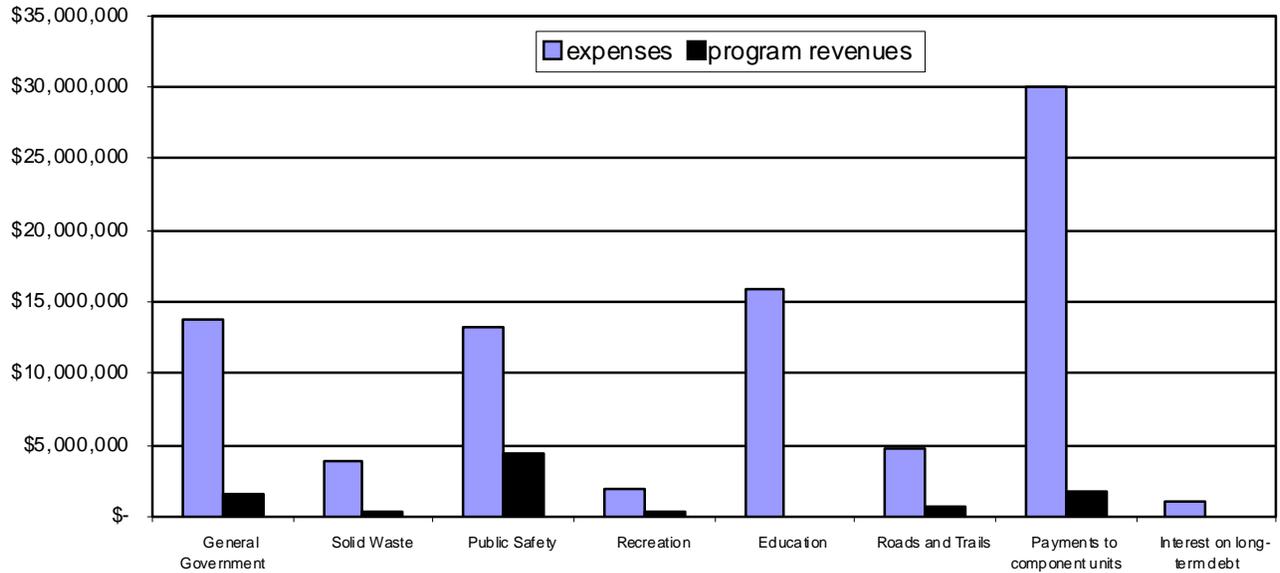
The Borough's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

Changes in Net Assets
For Years Ended June 30, 2008 and 2007
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2.8 | \$ 2.8 | \$ 95.7 | \$ 86.6 | \$ 98.5 | \$ 89.4 |
| Operating grants and contributions | 2.7 | 3.4 | - | .2 | 2.7 | 3.6 |
| Capital grants and contributions | 3.6 | 4.1 | - | - | 3.6 | 4.1 |
| General revenues: | | | | | | |
| Property taxes | 47.2 | 48.4 | 6.3 | 5.4 | 53.5 | 53.8 |
| Sales taxes | 23.8 | 18.3 | - | - | 23.8 | 18.3 |
| Other | 14.3 | 13.2 | 1.5 | 1.7 | 15.8 | 14.9 |
| Total revenues | <u>94.4</u> | <u>90.2</u> | <u>103.5</u> | <u>93.9</u> | <u>197.9</u> | <u>184.1</u> |
| Expenses: | | | | | | |
| General government | 13.8 | 12.0 | - | - | 13.8 | 12.0 |
| Solid waste | 3.9 | 4.5 | - | - | 3.9 | 4.5 |
| Public safety | 13.3 | 12.3 | - | - | 13.3 | 12.3 |
| Recreation | 1.9 | 2.0 | - | - | 1.9 | 2.0 |
| Education | 8.0 | 8.5 | - | - | 8.0 | 8.5 |
| Road and trails | 4.8 | 4.7 | - | - | 4.8 | 4.7 |
| Payments to component unit- Kenai Peninsula Borough School District | 37.8 | 38.0 | - | - | 37.8 | 38.0 |
| Interest on long-term debt | 1.1 | 1.1 | 1.9 | .9 | 3.0 | 2.0 |
| Hospitals | - | - | 99.0 | 89.1 | 99.0 | 89.1 |
| Total expenses | <u>84.6</u> | <u>83.1</u> | <u>100.9</u> | <u>90.0</u> | <u>185.5</u> | <u>173.1</u> |
| Increase (decrease) in net assets | 9.8 | 7.1 | 2.6 | 3.9 | 12.4 | 11.0 |
| Net assets, beginning of year | 272.1 | 265.0 | 93.0 | 89.1 | 365.1 | 354.1 |
| Net assets, end of year | <u>\$281.9</u> | <u>\$272.1</u> | <u>\$95.6</u> | <u>\$93.0</u> | <u>\$377.5</u> | <u>\$365.1</u> |

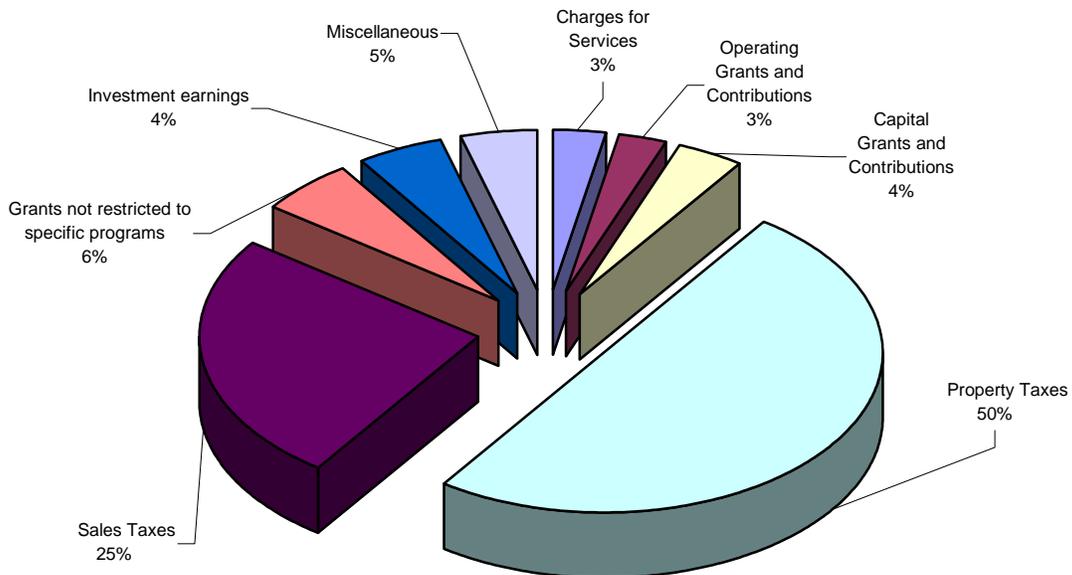
Expenses and Program Revenues – Governmental Activities

The graph shown below compares program expenses with associated revenues. It should be noted that revenue generated through sales and property tax are considered general revenues and are therefore not included on this graph.



Revenues by Source – Governmental Activities

The graph shown below depicts all sources of revenues, both program and general.



Financial Analysis of the Government's Funds

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds.

The focus of the Borough's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the Borough's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Did the Borough generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$60.6 million, an increase of \$1.3 million in comparison with the prior year. A portion of this amount is reserved to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses, 3) or for other restricted purposes. The remainder of fund balance is unreserved (\$56.7 million); and is available for spending at the government's discretion.

Discussion of selected individual governmental funds is as follows:

General Fund

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, unreserved fund balance was \$24.0 million, and total undesignated fund balance was \$22.0 million. Total fund balance increased \$4.2 million from the prior year. Key factors include:

- Funding from the State of Alaska for cruise ship head tax in the amount of \$383,000 and Public Employees Retirement System reimbursement in the amount of \$931,000 that was not budgeted.
- Interest earnings that exceeded budget by \$.8 million due to higher than expected interest rates and fair value adjustments.
- A higher than expected increase in sales tax revenue brought about by increases in the cost of fuel, food, and utilities.
- Saving in personnel cost due to a delay in hiring replacement employees due to turnover.

Nikiski Fire Service Area Special Revenue Fund

Fund balance in this service area increased \$670,202 or approximately 21% when compared to the FY07 ending fund balance. Personnel cost were \$279,554 less than budgeted due to staff turnover and reduction of two positions that were funded but not filled. In addition, the Service Area received unexpected revenue from the Public Employees Retirement System totaling \$204,269 and interest earnings exceeded budget by \$85,627 due to higher than expected interest rates and fair value adjustments. This increase in fund balance now puts the Service Area within its fund balance range.

Central Emergency Service Area Special Revenue Fund

Fund balance in this service area decreased \$308,766 or approximately 20% when compared to the FY07 ending fund balance. Expenditures and transfers out totaled \$5,814,825, an increase of \$479,765 compared to FY07. Much of this increase was the impact of staffing and equipping

new stations in Funny River and Kasilof. To support these new stations, the Borough Assembly also increased the mill rate for FY08 to provide tax revenue necessary to support the increase in expenditures. In addition, the Service Area received unexpected revenue from the Public Employees Retirement System of \$287,798 and interest earnings exceeded budget by \$80,008 due to higher than expected interest rates and fair value adjustments.

Road Service Area Special Revenue Fund

Fund balance in this fund increased \$709,200 or approximately 31.5% when compared to the FY07 ending fund balance. Much of this increase, \$668,674, is due to a transfer from the Road Service Area Capital Project Fund for reimbursement of monies advanced to them for cost associated with repairing roads damaged by flooding. Those costs were subsequently reimbursed by FEMA and the State of Alaska.

Land Trust Special Revenue Fund

Fund balance in this fund increased \$944,810 or approximately 18% when compared to the FY07 ending fund balance. This increase is due to revenue received from the sale of Borough land. The Borough is currently in the process of developing two subdivisions, which when completed will be sold to the public with the net proceeds projected to further increase fund balance in this fund.

Environmental Protection Program Special Revenue Fund

Fund balance in this fund decreased \$1,502,158 or approximately 31% when compared to the FY07 ending fund balance. Since 1998, the Borough has received approximately \$16.3 million from the federal government to address damage caused by the spruce bark beetle. The Borough will use the remaining fund balance of \$3.3 million over the next few years to address this issue.

Solid Waste Special Revenue Fund

Fund balance in this fund increased \$480,430, when compared to the FY07 ending balance, due to lower than expected cost associated with transporting waste from the Borough's transfer sites to the Soldotna Landfill.

Proprietary funds

The Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the hospitals at the end of the year were \$44.9 million. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the Borough's business-type activities.

General Fund Budgetary Highlights

During the year there were net increases of \$2,611,924 in appropriations between the original budget and the final amended budget. The three primary reasons for amending the budget are:

- Carry forward of encumbrances and projects that were not completed in the prior year.
- Supplemental appropriations to increase revenues and expenditures due to receipt of unanticipated grant revenue.
- Increase in appropriations due to unexpected needs.

Budgetary changes can be briefly summarized as follows:

- Planning Department
 - \$100,000 to cover cost of comprehensive plans for the Cities of Soldotna and Homer.
- Non-Departmental
 - \$100,000 to fund restoration projects at andromonous stream crossings through out the Borough
- Transfers
 - \$100,000 to General Government Capital Project Fund to pay for cost associated with implementing changes to the Borough's sales tax software.
 - \$310,000 to the 911 Communication Center Capital Project Fund for funding to complete purchase of routing equipment for the 911 call center.
 - \$50,000 from the General Services department to Capital Projects to cover cost in excess of budgeted amounts
- All departments
 - Public Employees Retirement System (PERS). The Alaska legislature enacted Legislation that provided funding to political subdivisions to assist with the increase in rates for PERS. The amount provided to the Kenai Peninsula Borough was \$1,262,752 of which the General Fund received \$519,105.

Variances between the final budget and actual revenues and expenditures include the following:

- Sales tax came in \$1,133,000 more than budgeted, mainly due to the impact the increase in the price of oil and natural gas had on vehicle fuel and utility cost and the change in the tax rate from 2% to 3%.
- PERS assistance of \$519,105 received from the State of Alaska. This is for reimbursement of a payment the Borough made to the State in 2006 to pay down the unfunded liability.
- Funds received from the State of Alaska in the amount of \$383,653 in passenger tax proceeds that were not budgeted.
- Personnel cost came in \$707,000 less than budgeted as positions were not filled or were delayed before being filled.

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$342.5 million (net of accumulated depreciation), an increase of \$14.1 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

Major additions to capital assets during the current fiscal year included the following:

| | |
|---|----------------|
| Various major repairs and additions to school facilities | \$ 2.6 million |
| Capital improvements/equipment at the Borough's two hospitals supported by Service Areas | \$13.8 million |
| Various major repairs and additions to Borough landfills | \$ 2.6 million |
| A variety of major repairs for existing roads and bridges | \$ 1.8 million |
| Various major repairs and additions to public safety facilities | \$ 5.8 million |

Kenai Peninsula Borough Capital Assets
(in millions, net of depreciation)

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------|--------------------------|----------------|-----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land & improvements | \$ 67.6 | \$ 65.3 | \$ 5.4 | \$ 1.8 | \$ 73.0 | \$ 67.1 |
| Buildings | 130.5 | 134.3 | 64.5 | 49.2 | 195.0 | 183.5 |
| Improvements other than buildings | 19.5 | 18.2 | .1 | .1 | 19.6 | 18.3 |
| Machinery and equipment | 11.2 | 8.8 | 28.6 | 23.7 | 39.8 | 32.5 |
| Infrastructure | 6.8 | 5.2 | - | - | 6.8 | 5.2 |
| Construction in progress | 6.0 | 4.1 | 2.3 | 17.7 | 8.3 | 21.8 |
| Total governmental funds capital assets | <u>\$241.6</u> | <u>\$235.9</u> | <u>\$ 100.9</u> | <u>\$ 92.5</u> | <u>\$ 342.5</u> | <u>\$ 328.4</u> |

Additional information on the Borough's capital assets can be found in Note E on pages 51-53 of this report.

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$100.6 million, (not including bond premium) an increase of \$8.2 million from June 30, 2007. Of this amount, \$87.8 million was bonded and backed by the full faith and credit of the Borough or Service Areas of the Borough. The remaining debt consists of debt secured by equipment, pension obligation, compensated absences, and landfill closure cost. New debt included bonds that were sold for Phase III construction of the South Peninsula Hospital Expansion project.

Kenai Peninsula Borough Outstanding Debt
(in millions)
June 30, 2008 and 2007

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------|--------------------------|----------------|-----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| General obligation bonds | \$ 22.5 | \$ 24.8 | \$ 65.2 | \$ 52.8 | \$ 87.7 | \$ 77.6 |
| Other debt | 8.8 | 10.7 | 4.1 | 4.1 | 12.9 | 14.8 |
| Total outstanding debt | <u>\$ 31.3</u> | <u>\$ 35.5</u> | <u>\$ 69.3</u> | <u>\$ 56.9</u> | <u>\$ 100.6</u> | <u>\$ 92.4</u> |

Additional information on the Borough's long-term debt can be found in note H on pages 56-58 of this report.

The Borough normally uses the Alaska Municipal Bond Bank (Bond Bank) to sell its bonds. The Bond Bank has a rating of A1 from Moody's Investors Services. The last bonds the Borough sold that did not go through the Bond Bank were the Central Peninsula Hospital Service Area general obligation bonds that were sold in December 2003, which had a rating of Aaa.

Economic Factors and the Next Year's Budget and Rates

Unemployment stood at 7.7%, a decrease from the prior year rate of 8.1%; this compares to the statewide average of 6.2%.

In 2001, the Borough established a fund balance policy. The results of this policy indicated that the General Fund, fund balance was in excess of both the minimum amount and the maximum amount. With fund balance in excess of allowable amounts, the Borough was able to reduce the mill rate from 8.0 mills in FY00 to 7.5 in FY01, to 7.0 mills in FY02 and to 6.5 mills in FY03 through FY07, the mill rate was reduced to 5.5 mills for FY08. To maintain the General Fund, fund balance within the policy range while at the same time providing Borough taxpayers a reduction in the mill rate, the area-wide sales tax rate was increased from 2% to 3%, effective January 1, 2008.

The Borough will need to address substantial increases in the Public Employees Retirement System (PERS) rate. The PERS rates for FY06 was 17.43%, for FY07 rate was 22.81%, for FY08 the rate was expected to be 37.39%. The increases in rates were necessary to address an unfunded liability of approximately \$35,000,000; brought about by poor investment returns and incorrect actuarial assumptions regarding the cost of health insurance and life expectancies.

As part of the FY08 State of Alaska budget, the Alaska Legislature passed legislation that provided funding for PERS cost in excess of 22%, which was paid directly to PERS. The savings impact Borough-wide is approximately \$1.2 million. This is only a temporary fix to the problem. If similar funding is not provided in FY09 and out years, the PERS rate is expected to be over 40%.

In setting the budgets for FY09, the Borough considered a number of issues with Borough-wide impact, among them:

- A sufficient level of funding necessary to meet the needs of Borough residents, visitors and communities.
- A continued reduction in the historical variance between budget and actual revenues and expenditures.
- Maintenance of the Borough's financial condition including compliance with the Borough's fund balance policy.
- The highest level of local educational funding that Borough residents can reasonably afford and sustain.
- A high quality capital and operational maintenance program that ensures the continued use and economic value of Borough assets.

Request for Information

This financial report is designed to provide a general overview of the Borough'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 financial information should be addressed to the Director of Finance, Kenai Peninsula Borough, 144 N. Binkley, Soldotna, Alaska, 99669.

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BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough

**Statement of Net Assets
June 30, 2008**

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and short-term investments | \$ 101,477 | \$ 19,562,168 | \$ 19,663,645 | \$ 41,925 |
| Equity in central treasury | 72,019,514 | 8,497,162 | 80,516,676 | 29,875,628 |
| Receivables (net of allowances for estimated uncollectibles): | | | | |
| Taxes receivable | 7,179,384 | 104,157 | 7,283,541 | - |
| Accounts receivable | 318,178 | 20,299,661 | 20,617,839 | 840,666 |
| Land sale contracts receivable: | | | | |
| Current | 163,157 | - | 163,157 | - |
| Delinquent | 24,437 | - | 24,437 | - |
| Due from other governments | 2,986,062 | - | 2,986,062 | 2,686,202 |
| Due from special assessment districts | 590,162 | - | 590,162 | - |
| Prepays | 105 | 905,594 | 905,699 | 2,800,000 |
| Inventory | - | 2,870,304 | 2,870,304 | 1,001,207 |
| Land sale contracts receivable - Long-term | 871,565 | - | 871,565 | - |
| Unamortized bond issuance costs | - | 55,737 | 55,737 | - |
| Assets whose use is limited: | | | | |
| Cash and cash equivalents | - | 30,990 | 30,990 | - |
| Investments | - | 24,173,953 | 24,173,953 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land and land improvements | 67,553,002 | 5,411,699 | 72,964,701 | - |
| Buildings | 130,516,755 | 64,510,698 | 195,027,453 | - |
| Improvements other than buildings | 19,501,859 | 911,506 | 20,413,365 | - |
| Equipment | 11,236,024 | 27,791,537 | 39,027,561 | 2,481,217 |
| Construction in progress | 5,978,584 | 2,270,998 | 8,249,582 | - |
| Infrastructure | 6,776,363 | - | 6,776,363 | - |
| Total assets | <u>\$ 325,816,628</u> | <u>\$ 177,396,164</u> | <u>\$ 503,212,792</u> | <u>\$ 39,726,845</u> |
| Liabilities | | | | |
| Accounts, contracts and retainage payable | 4,358,053 | 5,855,215 | 10,213,268 | 584,023 |
| Accrued payroll and payroll taxes | 449,737 | 2,778,186 | 3,227,923 | 8,649,066 |
| Accrued interest | 119,305 | 1,054,537 | 1,173,842 | - |
| Unearned revenue | 7,593,639 | 1,252,828 | 8,846,467 | 3,305 |
| Noncurrent liabilities: | | | | |
| Compensated absences: | | | | |
| Due within one year | 703,225 | 737,568 | 1,440,793 | 411,327 |
| Due in more than one year | 2,016,037 | 2,212,704 | 4,228,741 | 2,770,287 |
| Long-term debt: | | | | |
| Due within one year | 2,460,340 | 3,034,840 | 5,495,180 | 5,024,344 |
| Due in more than one year, net | 26,132,379 | 64,912,310 | 91,044,689 | - |
| Total liabilities | <u>43,832,715</u> | <u>81,838,188</u> | <u>125,670,903</u> | <u>17,442,352</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 220,532,015 | 49,462,296 | 269,994,311 | 2,481,217 |
| Restricted for: | | | | |
| Public health | - | 1,236,150 | 1,236,150 | - |
| Public safety | 3,338,624 | - | 3,338,624 | - |
| Education | - | - | - | 2,394,188 |
| Unrestricted | 58,113,274 | 44,859,530 | 102,972,804 | 17,409,088 |
| Total net assets | <u>\$ 281,983,913</u> | <u>\$ 95,557,976</u> | <u>\$ 377,541,889</u> | <u>\$ 22,284,493</u> |

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough

**Statement of Activities
For the Year Ended June 30, 2008**

| Function/Program activities primary government | Program Revenues | | | Net (expense) revenue and changes in net assets | | | Component Unit | |
|---|-----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-----------------------|-------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government | | |
| | | | | | | Business-type Activities | | Total |
| Governmental activities: | | | | | | | | |
| General government | \$ 13,779,385 | \$ 392,902 | \$ 1,195,156 | \$ - | \$ (12,191,327) | \$ - | \$ (12,191,327) | |
| Solid waste | 3,926,410 | 269,726 | 113,351 | 39,910 | (3,503,423) | - | (3,503,423) | |
| Public safety | 13,249,097 | 1,964,061 | 893,537 | 1,559,932 | (8,831,567) | - | (8,831,567) | |
| Recreation | 1,910,662 | 197,361 | 114,973 | 52,440 | (1,545,888) | - | (1,545,888) | |
| Education | 45,793,694 | - | 366,540 | 272,222 | (45,154,932) | - | (45,154,932) | |
| Roads and trails | 4,816,351 | - | 82,990 | 1,670,134 | (3,063,227) | - | (3,063,227) | |
| Interest on long-term debt | 1,064,378 | - | - | - | (1,064,378) | - | (1,064,378) | |
| Total governmental activities | <u>84,539,977</u> | <u>2,824,050</u> | <u>2,766,547</u> | <u>3,594,638</u> | <u>(75,354,742)</u> | <u>-</u> | <u>(75,354,742)</u> | |
| Business type activities - Hospitals | 100,952,586 | 95,689,825 | 13,621 | - | - | (5,249,140) | (5,249,140) | |
| Total primary government | <u>\$ 185,492,563</u> | <u>\$ 98,513,875</u> | <u>\$ 2,780,168</u> | <u>\$ 3,594,638</u> | <u>(75,354,742)</u> | <u>(5,249,140)</u> | <u>(80,603,882)</u> | |
| Component unit - Kenai Peninsula Borough School District | <u>\$ 130,831,156</u> | <u>\$ 1,000,689</u> | <u>\$ 14,181,235</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>(115,649,232)</u> | |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | | | | | 47,167,291 | 6,254,543 | 53,421,834 | |
| Sales taxes | | | | | 23,801,181 | - | 23,801,181 | |
| Grants not restricted to specific programs | | | | | 5,247,721 | - | 5,247,721 | |
| Investment earnings | | | | | 4,682,399 | 1,363,418 | 6,045,817 | |
| Payments from Kenai Peninsula Borough | | | | | - | - | - | |
| Miscellaneous | | | | | 2,137,826 | 245,151 | 2,382,977 | |
| Special items - Contributions-land entitlements | | | | | 2,163,478 | - | 2,163,478 | |
| Total general revenues and special items | | | | | <u>85,199,896</u> | <u>7,863,112</u> | <u>93,063,008</u> | |
| Change in net assets | | | | | 9,845,154 | 2,613,972 | 12,459,126 | |
| Net assets at beginning of year | | | | | 272,138,759 | 92,944,004 | 365,082,763 | |
| Net assets at end of year | | | | | <u>\$ 281,983,913</u> | <u>\$ 95,557,976</u> | <u>\$ 377,541,889</u> | |

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough

Governmental Funds Balance Sheet June 30, 2008

| <u>ASSETS</u> | <u>General Fund</u> | <u>Bond Funded Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|---|---|---|
| Cash and short-term investments | \$ 1,010 | \$ - | \$ 72,249 | \$ 73,259 |
| Equity in central treasury | 21,347,950 | 1,820,603 | 37,725,045 | 60,893,598 |
| Receivables (net of allowances for estimated uncollectibles): | | | | |
| Taxes receivable | 6,929,510 | - | 249,874 | 7,179,384 |
| Accounts receivable | 15,228 | - | 222,330 | 237,558 |
| Land sale contracts receivable: | | | | |
| Current | - | - | 163,157 | 163,157 |
| Delinquent | - | - | 24,437 | 24,437 |
| Prepays | - | - | 105 | 105 |
| Due from other governments | 1,162,562 | - | 1,288,664 | 2,451,226 |
| Due from special assessment districts | 590,162 | - | - | 590,162 |
| Due from other funds | 71,608 | - | - | 71,608 |
| Land sale contracts receivable - Long-term | - | - | 871,565 | 871,565 |
| Total assets | <u>\$30,118,030</u> | <u>\$ 1,820,603</u> | <u>\$ 40,617,426</u> | <u>\$ 72,556,059</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts and retainage payable | 220,883 | 190,485 | 1,757,793 | 2,169,161 |
| Accrued payroll and payroll taxes | 224,841 | 1,160 | 215,213 | 441,214 |
| Due to other funds | - | - | 71,608 | 71,608 |
| Deferred revenue | 449,801 | - | 1,275,179 | 1,724,980 |
| Unearned revenue | 4,762,431 | - | 2,831,208 | 7,593,639 |
| Total liabilities | <u>5,657,956</u> | <u>191,645</u> | <u>6,151,001</u> | <u>12,000,602</u> |
| Fund balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 480,474 | 217,223 | 3,104,494 | 3,802,191 |
| Prepays | - | - | 105 | 105 |
| Unreserved: | | | | |
| Designations: | | | | |
| General Fund | 1,937,260 | - | - | 1,937,260 |
| Special revenue funds | - | - | 7,579,226 | 7,579,226 |
| Capital project funds | - | 1,271,205 | 2,746,029 | 4,017,234 |
| Undesignated: | | | | |
| General Fund | 22,042,340 | - | - | 22,042,340 |
| Special revenue funds | - | - | 17,497,031 | 17,497,031 |
| Capital project funds | - | 140,530 | 3,539,540 | 3,680,070 |
| Total fund balances | <u>24,460,074</u> | <u>1,628,958</u> | <u>34,466,425</u> | <u>60,555,457</u> |
| Total liabilities and fund balances | <u>\$30,118,030</u> | <u>\$ 1,820,603</u> | <u>\$ 40,617,426</u> | <u>\$ 72,556,059</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Reconciliation of the Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2008

| | | |
|---|--------------------|-----------------------|
| Fund balances - total governmental funds | | \$ 60,555,457 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p> | | 239,711,364 |
| <p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:</p> | | |
| Bonds payable | \$ (22,519,000) | |
| Accrued interest | (119,305) | |
| Landfill closure | (2,962,697) | |
| Net pension/OPEB obligation (PERS) | <u>(3,111,022)</u> | (28,712,024) |
| Net pension/OPEB obligation due from other government | | 534,836 |
| <p>Some of the Borough's property taxes will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds.</p> | | 665,821 |
| <p>Proceeds from land sales which will be collected after year-end and are not available soon enough to pay for current period's expenditures are deferred in the governmental funds.</p> | | 1,059,159 |
| <p>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 reported with governmental activities in the statement of net assets.</p> | | <u>8,169,300</u> |
| Net assets of governmental activities | | <u>\$ 281,983,913</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008**

| | <u>General Fund</u> | <u>Bond Funded Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|---|
| Revenues: | | | | |
| Property taxes | \$ 31,049,480 | \$ - | \$ 16,166,570 | \$ 47,216,050 |
| Sales tax | 23,801,181 | - | - | 23,801,181 |
| Intergovernmental: | | | | |
| Federal | 2,058,646 | - | 2,298,398 | 4,357,044 |
| State | 5,727,775 | - | 3,232,895 | 8,960,670 |
| Investment earnings | 2,298,729 | 111,681 | 1,859,002 | 4,269,412 |
| Other revenues | 1,270,778 | - | 2,745,767 | 4,016,545 |
| Total revenues | <u>66,206,589</u> | <u>111,681</u> | <u>26,302,632</u> | <u>92,620,902</u> |
| Expenditures: | | | | |
| General government | 11,578,562 | - | 1,929,158 | 13,507,720 |
| Solid waste | - | 28,035 | 7,188,946 | 7,216,981 |
| Public safety | 1,413,811 | 455,477 | 15,899,045 | 17,768,333 |
| Recreation | - | - | 1,591,396 | 1,591,396 |
| Education | 37,701,117 | 934,740 | 2,816,787 | 41,452,644 |
| Roads and trails | - | - | 6,390,799 | 6,390,799 |
| Debt service: | | | | |
| Principal | - | - | 2,305,000 | 2,305,000 |
| Interest and other | - | - | 1,075,491 | 1,075,491 |
| Total expenditures | <u>50,693,490</u> | <u>1,418,252</u> | <u>39,196,622</u> | <u>91,308,364</u> |
| Excess (deficiency) of revenues over expenditures | <u>15,513,099</u> | <u>(1,306,571)</u> | <u>(12,893,990)</u> | <u>1,312,538</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 213,681 | 190,000 | 16,665,546 | 17,069,227 |
| Transfers out | (11,558,869) | (543,000) | (4,967,358) | (17,069,227) |
| Net other financing sources (uses) | <u>(11,345,188)</u> | <u>(353,000)</u> | <u>11,698,188</u> | <u>-</u> |
| Net changes in fund balances | 4,167,911 | (1,659,571) | (1,195,802) | 1,312,538 |
| Fund balances at beginning of year | <u>20,292,163</u> | <u>3,288,529</u> | <u>35,662,227</u> | <u>59,242,919</u> |
| Fund balances at end of year | <u>\$ 24,460,074</u> | <u>\$ 1,628,958</u> | <u>\$ 34,466,425</u> | <u>\$ 60,555,457</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds \$ 1,312,538

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 are depreciated over their useful lives.

| | | |
|---------------------------------|--------------------|-----------|
| Expenditures for capital assets | \$ 12,990,731 | |
| Less current year depreciation | <u>(9,376,414)</u> | 3,614,317 |

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. 2,160,005

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments 2,305,000

Additional net pension/OPEB obligation liability due to paying a rate of 27.94% of covered payroll, which is less than the actuarial rate of 28.70%.

| | | |
|--|-----------------|--------|
| Net pension/OPEB obligation | 28,394 | |
| Net pension/OPEB obligation due from other governments | <u>(12,125)</u> | 16,269 |

Certain revenues reported in the statement of activities are not reported in governmental funds because they do not provide current financial resources. This adjustment is to recognize the net change in unavailable revenues.

| | | |
|----------------|------------------|-----------|
| Property taxes | (48,759) | |
| Land sales | <u>(781,344)</u> | (830,103) |

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.

| | | |
|-----------------------------------|------------------|-----------|
| Decrease in accrued interest | 11,113 | |
| Decrease in landfill closure cost | <u>1,844,079</u> | 1,855,192 |

Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net assets of internal service funds is reported with governmental activities.

(588,064)

Change in net assets of governmental activities \$ 9,845,154

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 31,210,609 | \$ 31,210,609 | \$ 31,049,480 | \$ (161,129) |
| Sales tax | 21,880,000 | 22,667,968 | 23,801,181 | 1,133,213 |
| Intergovernmental | 5,951,474 | 6,470,579 | 7,786,421 | 1,315,842 |
| Investment earnings | 1,500,000 | 2,200,000 | 2,298,729 | 98,729 |
| Other | 1,229,500 | 1,229,500 | 1,270,778 | 41,278 |
| Total revenues | <u>61,771,583</u> | <u>63,778,656</u> | <u>66,206,589</u> | <u>2,427,933</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Assembly: | | | | |
| Personnel | 661,138 | 686,227 | 642,841 | 43,386 |
| Supplies | 22,950 | 21,900 | 8,403 | 13,497 |
| Services | 474,638 | 475,638 | 353,923 | 121,715 |
| Capital outlay | 1,400 | 1,450 | 1,449 | 1 |
| Total assembly | <u>1,160,126</u> | <u>1,185,215</u> | <u>1,006,616</u> | <u>178,599</u> |
| Mayor: | | | | |
| Personnel | 752,883 | 798,382 | 784,133 | 14,249 |
| Supplies | 9,025 | 8,566 | 7,887 | 679 |
| Services | 104,640 | 105,240 | 96,274 | 8,966 |
| Capital outlay | 9,200 | 9,059 | 8,623 | 436 |
| Total mayor | <u>875,748</u> | <u>921,247</u> | <u>896,917</u> | <u>24,330</u> |
| General services: | | | | |
| Personnel | 2,079,493 | 2,124,928 | 1,934,381 | 190,547 |
| Supplies | 107,532 | 133,044 | 111,598 | 21,446 |
| Services | 660,926 | 639,404 | 495,677 | 143,727 |
| Capital outlay | 52,650 | 54,660 | 40,154 | 14,506 |
| Total general services | <u>2,900,601</u> | <u>2,952,036</u> | <u>2,581,810</u> | <u>370,226</u> |
| Legal: | | | | |
| Personnel | 582,245 | 612,311 | 593,405 | 18,906 |
| Supplies | 3,292 | 5,492 | 5,086 | 406 |
| Services | 201,466 | 192,453 | 137,562 | 54,891 |
| Capital outlay | 5,000 | 5,000 | 3,375 | 1,625 |
| Total legal | <u>792,003</u> | <u>815,256</u> | <u>739,428</u> | <u>75,828</u> |
| Finance: | | | | |
| Personnel | 1,953,981 | 2,053,881 | 1,964,520 | 89,361 |
| Supplies | 18,495 | 18,875 | 18,556 | 319 |
| Services | 348,552 | 345,762 | 277,648 | 68,114 |
| Capital outlay | 12,595 | 15,005 | 11,313 | 3,692 |
| Total finance | <u>2,333,623</u> | <u>2,433,523</u> | <u>2,272,037</u> | <u>161,486</u> |
| Assessing: | | | | |
| Personnel | 1,962,768 | 2,062,417 | 1,918,306 | 144,111 |
| Supplies | 16,093 | 15,588 | 12,134 | 3,454 |
| Services | 267,890 | 267,934 | 187,253 | 80,681 |
| Capital outlay | 23,000 | 23,460 | 23,428 | 32 |
| Total assessing | <u>2,269,750</u> | <u>2,369,399</u> | <u>2,141,121</u> | <u>228,278</u> |

(Continued)

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - continued
For the Year Ended June 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures, continued: | | | | |
| General government, continued: | | | | |
| Planning: | | | | |
| Personnel | \$ 771,474 | \$ 828,508 | \$ 789,664 | \$ 38,844 |
| Supplies | 24,324 | 27,824 | 18,907 | 8,917 |
| Services | 258,972 | 340,471 | 241,719 | 98,752 |
| Capital outlay | 18,500 | 18,500 | 8,553 | 9,947 |
| Total planning | <u>1,073,270</u> | <u>1,215,303</u> | <u>1,058,843</u> | <u>156,460</u> |
| Capital projects administration: | | | | |
| Personnel | (54,267) | 37,521 | 25,273 | 12,248 |
| Supplies | 12,131 | 18,531 | 17,800 | 731 |
| Services | 69,063 | 61,145 | 58,820 | 2,325 |
| Capital outlay | 3,000 | 4,518 | 4,108 | 410 |
| Total capital projects administration | <u>29,927</u> | <u>121,715</u> | <u>106,001</u> | <u>15,714</u> |
| Non-departmental: | | | | |
| Personnel | (410,114) | (410,114) | (595,098) | 184,984 |
| Services | 1,764,957 | 1,873,291 | 1,370,887 | 502,404 |
| Total non-departmental | <u>1,354,843</u> | <u>1,463,177</u> | <u>775,789</u> | <u>687,388</u> |
| Total general government | <u>12,789,891</u> | <u>13,476,871</u> | <u>11,578,562</u> | <u>1,898,309</u> |
| Public safety: | | | | |
| Office of emergency management: | | | | |
| Personnel | 976,967 | 1,009,392 | 844,829 | 164,563 |
| Supplies | 15,395 | 18,941 | 9,914 | 9,027 |
| Services | 714,095 | 694,249 | 548,668 | 145,581 |
| Capital outlay | 41,525 | 42,525 | 10,400 | 32,125 |
| Total public safety | <u>1,747,982</u> | <u>1,765,107</u> | <u>1,413,811</u> | <u>351,296</u> |
| Education - Services | <u>37,712,068</u> | <u>37,712,068</u> | <u>37,701,117</u> | <u>10,951</u> |
| Total expenditures | <u>52,249,941</u> | <u>52,954,046</u> | <u>50,693,490</u> | <u>2,260,556</u> |
| Excess of revenues over expenditures | 9,521,642 | 10,824,610 | 15,513,099 | 4,688,489 |
| Other financing sources (uses): | | | | |
| Transfers in | 207,841 | 207,841 | 213,681 | 5,840 |
| Transfers out | (11,158,868) | (11,583,868) | (11,558,869) | 24,999 |
| Net other financing sources (uses) | <u>(10,951,027)</u> | <u>(11,376,027)</u> | <u>(11,345,188)</u> | <u>30,839</u> |
| Net changes in fund balance | (1,429,385) | (551,417) | 4,167,911 | 4,719,328 |
| Fund balance at beginning of year | <u>17,526,813</u> | <u>20,292,163</u> | <u>20,292,163</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 16,097,428</u> | <u>\$ 19,740,746</u> | <u>\$ 24,460,074</u> | <u>\$ 4,719,328</u> |

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough

Proprietary Funds
Statement of Net Assets
June 30, 2008

| | Business-type Activities | | | Governmental Activities Internal Service Funds |
|--|----------------------------------|--------------------------------|----------------------|--|
| | Enterprise Funds | | | |
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 14,389,766 | \$ 3,009,549 | \$ 17,399,315 | \$ 28,218 |
| Equity in central treasury | <u>5,089,307</u> | <u>3,407,855</u> | <u>8,497,162</u> | <u>11,125,916</u> |
| | 19,479,073 | 6,417,404 | 25,896,477 | 11,154,134 |
| Property taxes receivable, net | 47,383 | 56,774 | 104,157 | - |
| Patient receivables, net | 13,837,533 | 5,847,410 | 19,684,943 | - |
| Other receivables | 584,946 | 29,772 | 614,718 | 80,620 |
| Short-term investments | 2,162,853 | - | 2,162,853 | - |
| Prepaid items | 624,141 | 281,453 | 905,594 | - |
| Inventory | <u>1,773,261</u> | <u>1,097,043</u> | <u>2,870,304</u> | <u>-</u> |
| Total current assets | <u>38,509,190</u> | <u>13,729,856</u> | <u>52,239,046</u> | <u>11,234,754</u> |
| Noncurrent assets: | | | | |
| Unamortized bond issuance costs | - | <u>55,737</u> | <u>55,737</u> | - |
| Restricted assets: | | | | |
| Cash, cash equivalents, and investments | 30,990 | - | 30,990 | - |
| Bond funds | <u>1,444,829</u> | <u>15,142,284</u> | <u>16,587,113</u> | <u>-</u> |
| Total restricted assets | <u>1,475,819</u> | <u>15,142,284</u> | <u>16,618,103</u> | <u>-</u> |
| Assets whose use is limited: | | | | |
| Employee health reserve | - | 207,495 | 207,495 | - |
| Malpractice trust/reserve | 2,837,864 | 85,000 | 2,922,864 | - |
| Plant replacement funds | 2,945,704 | 1,363,460 | 4,309,164 | - |
| Other reserve funds | <u>-</u> | <u>147,317</u> | <u>147,317</u> | <u>-</u> |
| Total assets whose use is limited | <u>5,783,568</u> | <u>1,803,272</u> | <u>7,586,840</u> | <u>-</u> |
| Capital assets: | | | | |
| Land and land improvements | 2,340,124 | 3,534,872 | 5,874,996 | - |
| Buildings | 70,272,681 | 32,781,187 | 103,053,868 | - |
| Equipment | 35,943,860 | 10,340,494 | 46,284,354 | 4,588,465 |
| Improvements other than buildings | 131,841 | - | 131,841 | - |
| Construction in progress | - | 2,270,998 | 2,270,998 | - |
| Less accumulated depreciation | <u>(35,960,626)</u> | <u>(20,758,993)</u> | <u>(56,719,619)</u> | <u>(2,737,242)</u> |
| Total capital assets (net of accumulated depreciation) | <u>72,727,880</u> | <u>28,168,558</u> | <u>100,896,438</u> | <u>1,851,223</u> |
| Total noncurrent assets | <u>79,987,267</u> | <u>45,169,851</u> | <u>125,157,118</u> | <u>1,851,223</u> |
| Total assets | <u>\$ 118,496,457</u> | <u>\$ 58,899,707</u> | <u>\$177,396,164</u> | <u>\$ 13,085,977</u> |

(Continued)

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough

**Proprietary Funds
Statement of Net Assets - continued
June 30, 2008**

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|--|---|----------------------|---|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts and contracts payable | \$ 4,891,731 | \$ 906,562 | \$ 5,798,293 | \$ 27,988 |
| Accrued payroll and payroll taxes | 2,239,057 | 539,129 | 2,778,186 | 711,748 |
| Compensated absences | 2,095,831 | 854,441 | 2,950,272 | - |
| Current portion of long-term debt | 1,805,000 | 1,229,840 | 3,034,840 | - |
| Interest payable | 814,997 | 239,540 | 1,054,537 | - |
| Other payables | 56,922 | - | 56,922 | 2,160,904 |
| Deferred revenue | 484,399 | 768,429 | 1,252,828 | - |
| Total current liabilities | <u>12,387,937</u> | <u>4,537,941</u> | <u>16,925,878</u> | <u>2,900,640</u> |
| Noncurrent liabilities - Long-term debt, net | <u>41,260,817</u> | <u>23,651,493</u> | <u>64,912,310</u> | <u>2,016,037</u> |
| Total liabilities | <u>53,648,754</u> | <u>28,189,434</u> | <u>81,838,188</u> | <u>4,916,677</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 31,106,892 | 18,355,404 | 49,462,296 | 1,851,223 |
| Restricted: | | | | |
| Insurance uses | 500,000 | - | 500,000 | - |
| Unspent earnings on bond proceeds | - | 471,722 | 471,722 | - |
| Patron pledges | 264,428 | - | 264,428 | - |
| Unrestricted | <u>32,976,383</u> | <u>11,883,147</u> | <u>44,859,530</u> | <u>6,318,077</u> |
| Total net assets | <u>\$ 64,847,703</u> | <u>\$ 30,710,273</u> | <u>\$ 95,557,976</u> | <u>\$ 8,169,300</u> |

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough

**Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2008**

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|--|---|----------------------|---|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| Operating revenues: | | | | |
| Net patient service revenues | \$ 68,739,328 | \$25,271,093 | \$ 94,010,421 | \$ - |
| Other operating revenues | <u>1,484,084</u> | <u>195,320</u> | <u>1,679,404</u> | <u>8,755,710</u> |
| Total net operating revenues | <u>70,223,412</u> | <u>25,466,413</u> | <u>95,689,825</u> | <u>8,755,710</u> |
| Operating expenses: | | | | |
| Nursing services | 17,870,861 | 7,052,075 | 24,922,936 | - |
| Other professional services | 16,380,258 | 7,606,910 | 23,987,168 | 6,918,854 |
| General services | 6,784,809 | 3,305,351 | 10,090,160 | - |
| Fiscal and administrative services | 23,598,681 | 7,512,621 | 31,111,302 | 2,552,742 |
| Depreciation | <u>7,017,544</u> | <u>1,875,288</u> | <u>8,892,832</u> | <u>303,032</u> |
| Total operating expenses | <u>71,652,153</u> | <u>27,352,245</u> | <u>99,004,398</u> | <u>9,774,628</u> |
| Operating income (loss) | <u>(1,428,741)</u> | <u>(1,885,832)</u> | <u>(3,314,573)</u> | <u>(1,018,918)</u> |
| Non-operating revenues (expenses): | | | | |
| General property taxes | 3,608,446 | 2,646,097 | 6,254,543 | - |
| Investment earnings | 961,710 | 401,708 | 1,363,418 | 412,987 |
| Intergovernmental - | | | | |
| Federal grants | - | 13,621 | 13,621 | - |
| Gain on disposal of assets | - | 7,609 | 7,609 | - |
| Interest expense | (1,489,507) | (458,681) | (1,948,188) | - |
| Other | <u>251,972</u> | <u>(14,430)</u> | <u>237,542</u> | <u>17,867</u> |
| Net non-operating revenues (expenses) | <u>3,332,621</u> | <u>2,595,924</u> | <u>5,928,545</u> | <u>430,854</u> |
| Change in net assets | 1,903,880 | 710,092 | 2,613,972 | (588,064) |
| Net assets at beginning of year | <u>62,943,823</u> | <u>30,000,181</u> | <u>92,944,004</u> | <u>8,757,364</u> |
| Net assets at end of year | <u>\$ 64,847,703</u> | <u>\$30,710,273</u> | <u>\$ 95,557,976</u> | <u>\$ 8,169,300</u> |

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2008

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|--|--|---|----------------------|---|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| Cash flows from operating activities: | | | | |
| Receipts from patients and users | \$ 68,636,850 | \$25,317,645 | \$ 93,954,495 | \$ 9,028,476 |
| Payments to suppliers | (22,336,325) | (9,947,207) | (32,283,532) | (6,523,727) |
| Payments to employees | (42,380,122) | (16,160,593) | (58,540,715) | (2,397,300) |
| Other receipts (payments) | (74,367) | 195,320 | 120,953 | 41,211 |
| Net cash provided (used) by operating activities | <u>3,846,036</u> | <u>(594,835)</u> | <u>3,251,201</u> | <u>148,660</u> |
| Cash flows from noncapital financing activities: | | | | |
| Receipts from property taxes | 3,682,596 | 2,723,328 | 6,405,924 | - |
| Grants | 318,260 | 2,675 | 320,935 | - |
| Net cash provided by noncapital financing activities | <u>4,000,856</u> | <u>2,726,003</u> | <u>6,726,859</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (14,366,336) | (2,945,670) | (17,312,006) | (202,949) |
| Bond proceeds | - | 14,703,525 | 14,703,525 | - |
| Short term note proceeds | - | 281,103 | 281,103 | - |
| Principal paid on capital debt | (1,750,000) | (740,623) | (2,490,623) | - |
| Principal paid on short term note | - | (162,889) | (162,889) | - |
| Interest paid on capital debt | (2,014,775) | (797,684) | (2,812,459) | - |
| Proceeds from sale of capital assets | - | 23,582 | 23,582 | 17,867 |
| Net cash used by capital and related financing activities | <u>(18,131,111)</u> | <u>10,361,344</u> | <u>(7,769,767)</u> | <u>(185,082)</u> |
| Cash flows from investing activities: | | | | |
| (Increase) decrease in assets whose use is limited | 12,654,669 | (12,749,509) | (94,840) | - |
| Investments purchased | (1,971,949) | - | (1,971,949) | - |
| Interest on investments | 961,710 | 873,430 | 1,835,140 | 412,987 |
| Net cash provided by investing activities | <u>11,644,430</u> | <u>(11,876,079)</u> | <u>(231,649)</u> | <u>412,987</u> |
| Net increase in cash and cash equivalents | 1,360,211 | 616,433 | 1,976,644 | 376,565 |
| Cash and equity in central treasury, beginning of year | <u>18,118,862</u> | <u>5,800,971</u> | <u>23,919,833</u> | <u>10,777,569</u> |
| Cash and equity in central treasury, end of year | <u>\$ 19,479,073</u> | <u>\$ 6,417,404</u> | <u>\$ 25,896,477</u> | <u>\$ 11,154,134</u> |

(Continued)

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough
Proprietary Funds
Statement of Cash Flows - continued
For the Year Ended June 30, 2008

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|--|--------------------------------|-----------------------|--|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | <u>\$ (1,428,741)</u> | <u>\$ (1,885,832)</u> | <u>\$ (3,314,573)</u> | <u>\$ (1,018,918)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 7,017,544 | 1,875,288 | 8,892,832 | 303,032 |
| Other non-operating income (expense) | 251,972 | - | 251,972 | - |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in patient receivables | (1,586,566) | (89,966) | (1,676,532) | - |
| (Increase) decrease in other receivables | (220,019) | 136,518 | (83,501) | 233,357 |
| (Increase) decrease in inventory | (278,799) | (54,643) | (333,442) | - |
| (Increase) decrease in prepaid items | 268,329 | (171,599) | 96,730 | - |
| Increase (decrease) in accounts and contracts payable | 536,938 | (440,698) | 96,240 | 13,343 |
| Increase (decrease) in accrued liabilities | (714,622) | 36,097 | (678,525) | 617,846 |
| Total adjustments | <u>5,274,777</u> | <u>1,290,997</u> | <u>6,565,774</u> | <u>1,167,578</u> |
| Net cash provided (used) by operating activities | <u>\$ 3,846,036</u> | <u>\$ (594,835)</u> | <u>\$ 3,251,201</u> | <u>\$ 148,660</u> |
| Noncash investing, capital and financing activities: | | | | |
| Increase in fair value of investments | <u>\$ 118,152</u> | <u>\$ -</u> | <u>\$ 118,152</u> | <u>\$ -</u> |

* Current assets cash and cash equivalents are available; however, restricted cash is not available and therefore not reported on this statement.

The accompanying notes are an integral part of the financial statements.

Kenai Peninsula Borough
Fiduciary Funds
Statement of Fiduciary Fund Assets & Liabilities
June 30, 2008

| | Agency Funds |
|----------------------------|-------------------------|
| Assets | |
| Equity in central treasury | \$ 961,432 |
| Taxes receivable | 73,542 |
| Due from landowners | 590,162 |
| Total assets | \$1,625,136 |
| Liabilities | |
| Accounts payable | 145 |
| Deposits from landowners | 2,000 |
| Other liabilities | 77,954 |
| Due to landowners | 500,473 |
| Loans payable | 590,163 |
| Due to other entities: | |
| Homer | 163,410 |
| Kachemak City | 541 |
| Kenai | 181,820 |
| Seldovia | 8,561 |
| Seward | 42,074 |
| Soldotna | 57,995 |
| Total liabilities | \$1,625,136 |

The accompanying notes are an integral part of the financial statements.

INDEX TO NOTES

This is a summary of significant accounting policies and other notes to the financial statements necessary for adequate disclosure.

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**Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2008**

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Kenai Peninsula Borough (the Borough) have been prepared in conformity with generally accepted accounting principles (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 of the Borough's accounting policies are described below.

A. Reporting Entity

The Kenai Peninsula Borough was incorporated January 1, 1964, under the provisions of the State of Alaska Borough Act of 1961 as a second-class borough. The Borough operates under an elected nonpartisan Mayor-Assembly form of government. The Mayor is elected at large for a three-year term. Legislative power is vested in the 9-member assembly with executive and administrative power vested with the Mayor. The Borough provides the following areawide services: assessment and collection of taxes for the Borough and cities within the Borough, planning and zoning, solid waste disposal, education, senior citizen funding, emergency management, 911 communications, post secondary education, and general administrative services. Non-areawide services provided by service areas include: hospital, fire protection, recreation, emergency medical and ambulance, senior citizen, and road maintenance and economic development. The Borough also provides tourism promotion, ports and harbor authority (not currently exercised), and special assessment authority for utility line extensions and road improvement districts on a non-areawide basis. As required by generally accepted accounting principles, these financial statements present the Kenai Peninsula Borough (the primary government) and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable.

Blended Component Units.

The Borough has two blended component units, South Peninsula Hospital (SPH) and Central Peninsula General Hospital (CPGH). Both SPH and CPGH were created to operate and maintain the hospitals. The hospital operated by CPGH is owned by the primary government, the hospital operated by SPH is leased by the primary government under a lease that expires in 2105. The hospitals are reported as enterprise funds. SPH and CPGH are reported as blended component units because they were created to operate and maintain facilities exclusively for the primary government.

Separate enterprise fund financial statements can be obtained at South Peninsula Hospital, 4300 Bartlett, Homer, Alaska, 99603 and at Central Peninsula General Hospital, 250 Hospital Place, Soldotna, Alaska, 99669.

Discretely Presented Component Unit.

The Kenai Peninsula Borough School District (the School District) is the Borough's only discretely presented component unit. The School District is discretely presented in a separate column in the basic financial statements to emphasize that the School District is legally separate from the Borough. The School District is governed by an independently elected school board; however it is financially accountable to the Borough because the Borough Assembly approves the total budget of the School District, approves the tax levy to support the budget, and approves any debt issuance, and the Borough retains all ownership of real property.

Complete financial statements of the School District can be obtained from the School District's Business Office at 148 N. Binkley, Soldotna, Alaska 99669; phone number (907) 714-8888.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally

are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Borough cannot use these assets for its operations.

The statement of activities demonstrates the degree to which the direct expenses of a given function of governmental activities and different business-type activities are offset by program revenues. Program revenues include: 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from, goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or program. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Major revenues susceptible to accrual include sales tax and property taxes levied and due in the current year even though a portion of the taxes may be collected in the subsequent year. Penalty on sales taxes and interest on delinquent taxes are considered measurable when paid and are recognized as revenue at that time. Intergovernmental revenues received as reimbursement for specific purposes or projects are recognized in the period the expenditures are incurred. Intergovernmental revenue received but not yet earned is recorded as deferred revenue. Property and sales taxes received prior to the time they are due are also recorded as deferred revenue. In subsequent periods, when the Borough has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Revenue from land sale contracts receivable is deferred until the receivables are collected. Expenditures are recorded when the fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The Borough reports the following major governmental funds:

The General Fund is the Borough'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 Bond Funded Capital Projects Fund accounts for all projects funded from bond proceeds. This fund is project length and does not have an annual budget. Kenai Peninsula Borough Management has chosen to reflect this fund as a major fund for consistency purposes.

The Borough reports the following major proprietary funds:

South Peninsula Hospital (SPH) Fund accounts for the activities associated with operating the South Peninsula Hospital and South Peninsula Hospital Service Area.

Central Peninsula General Hospital (CPGH) Fund accounts for the activities associated with operating the Central

Peninsula General Hospital and Central Peninsula Hospital Service Area.

Additionally, the Borough reports the following fund types:

Internal Service Funds account for risk management and equipment replacement services provided to other departments on a cost reimbursement basis, and employee compensated leave.

The Agency Fund accounts for tax collection services provided to other governments located within the Kenai Peninsula Borough and for utility special assessment districts billing and collections and compensated absences.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. The Borough does not use an indirect cost allocation system.

Amounts reported as program revenue include: 1) charges to customers for goods and/or services 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 revenue includes 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 SPH and CPGH enterprise funds are charges to customers for services. Operating expenses for enterprise 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Some funds, in particular the Enterprise Funds, the Special Revenue Funds of Central Emergency Services and Nikiski Fire, and the discretely presented Component Unit School District, have cash which is not aggregated in the central treasury. Investments at June 30, 2008 are reported at fair value.

The Borough Code of Ordinances authorizes investment in obligations of the U. S. Treasury, its agencies and instrumentalities, bankers' acceptances of the fifty largest banks, investment grade corporate bonds, highly rated commercial paper, repurchase agreements, fully collateralized certificates of deposit, money market mutual funds, highly rated bonds and notes issued by a state or political subdivision thereof, and the Alaska Municipal League Investment Pool, Inc. The Borough ordinance places limitations on maturity of investments, and Borough investment procedures limit the level of investment type.

The Alaska Municipal League Investment Pool, Inc. (AMLIP) was created during 1993 under A.S. 37.23 and the Kenai Peninsula Borough Assembly passed an ordinance authorizing participation in the AMLIP. The AMLIP is a nonprofit

corporation organized to manage, administer and invest funds of participating public entities.

"Cash and Short Term Investments" is used to account for cash held in bank accounts for certain School District Funds and for cash and investments of the enterprise funds. "Cash on Hand" is used to account for petty cash and other cash not classified elsewhere.

"Cash and Cash Equivalents" for the purpose of the statement of cash flows, the Enterprise Funds consider all cash and investments to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Investments for the government, as well as for its component units, are reported at fair value.

2. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 4.0% of outstanding property taxes at June 30, 2008.

3. Inventories

Inventories at the School District are carried at cost and average cost using the first in, first out (FIFO) method. These inventories consist of expendable supplies, equipment, and foodstuffs held at various warehouses for issuance to schools or other district locations. The cost of inventory items is included in expenditures when issued to schools from the central warehouse or issued for consumption. A portion of fund balance is reserved for inventory to indicate that inventory does not represent available, spendable resources even though it is a component of assets. Inventories are accounted for using the consumption method. Inventories of the Enterprise Funds are stated at the lower of cost (first-in, first-out method) or market.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items.

5. Assets Whose Use Is Limited

Certain assets are classified as assets whose use is limited on the balance sheet because their use is limited by the operating boards of the hospitals. The boards retain control over these assets and may, at their discretion, use them for other purposes.

Assets whose use is limited at June 30, 2008 is as follows:

| | |
|--------------------------------------|---------------------|
| Central Peninsula Hospital: | |
| Malpractice reserve, held by trustee | \$ 2,837,864 |
| Plant replacement | 2,945,704 |
| South Peninsula Hospital: | |
| Employee health reserve | 207,495 |
| Student loan program | 147,317 |
| Plant replacement | 1,363,460 |
| Malpractice reserve | <u>85,000</u> |
| Total assets whose use is limited | \$ <u>7,586,840</u> |

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Borough has established a capitalization threshold of \$5,000. Only infrastructure assets acquired by the Borough after July 1, 1980, are reported. All purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related asset. Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 10-50 |
| Improvements other than buildings | 10-50 |
| Infrastructure | 10-50 |
| Vehicles | 7-10 |
| Equipment | 5-10 |

7. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation and vested sick leave. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. Unused sick leave is vested at 25% after five years of employment, and an additional 25% is vested after ten years. Vested sick leave may only be received in cash by the employee upon termination of employment. The obligation of accumulated unpaid vacation and vested sick leave amounts to \$2,719,262 at June 30, 2008 for the Primary Government excluding the hospitals, an increase of \$16,005 from June 30, 2007, of which \$703,225, an increase of \$2,111 from June 30, 2007, is expected to be paid out within one year. An internal service fund, Employee Compensated Leave Fund, was established to account for resources accumulated to provide for compensated absences for the Borough's governmental activities. The Borough does not accrue a liability for non-vested sick leave, payable only in the event of employee absence due to illness. That amount is \$1,475,901 at June 30, 2008, an increase of \$105,982 from June 30, 2007.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued and any bond premium are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, is reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The following list describes the reservations and designations in the governmental fund financial statements:

Reserved for Encumbrances

Encumbrances outstanding at year-end represent the estimated amount the Borough intends to honor as a

commitment regardless of the lapse in the appropriations.

Reserved for Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items. These amounts do not represent available financial resources of the fund requiring the reserve.

Designated for Subsequent Year's Expenditures

The unreserved portion of fund balance designated for subsequent year's expenditures is the amount that has been set aside for future year's budget.

Other Designations

The Borough has developed an unreserved fund balance policy. This policy established criteria for determining appropriate levels of unreserved fund balance. Some of the items include; working capital requirements, revenue volatility, expenditure contingencies, and capital expansion needs. Under the policy, the budget and financial plan must bring the fund balance into policy limits within a five year period.

The Borough is applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

II – Stewardship, Compliance and Accountability

A. Budgetary Information

The budgetary data presented in the financial statements is reflective of the following procedure:

Before May 1 of each year, the Borough Mayor submits to the Borough Assembly a proposed budget for the next fiscal year of the Borough. The Assembly then conducts public hearings to obtain taxpayer comment. These budgets are legally enacted by passage of an ordinance and the mill levies are established. Alaska law mandates that tax levies be adopted no later than midnight of June 14 each year. The Borough prepares its budget on a GAAP basis.

The legal level of control is at the fund level. The Mayor may transfer unencumbered balances within a fund, which is then reported to the Assembly at their next meeting. Emergency appropriations to meet public emergencies affecting life, health, welfare, or property may be made by the Assembly by ordinance without notice of public hearing. An emergency appropriation is effective for 60 days. Other supplemental appropriations may be made only after a 30-day notice of public hearing.

The Kenai Peninsula Borough School Board is required by Alaska law to adopt and submit their annual budget to the Kenai Peninsula Borough Assembly by May 1 of each year for approval by the Assembly of the total amount. Within 30 days after receipt of the School District budget, the Borough Assembly must determine the total amount of funds to be made available from local sources for school purposes and must furnish the Board of Education with a statement of this amount. The Borough Assembly must authorize any subsequent increases in the School District budget.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except certain special revenue funds which are grant and project funded and capital project funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III – Detailed Notes on all Funds

A. Deposit and investment risk disclosure

As of June 30, 2008, the Borough's investments were as follows:

| <u>INVESTMENT</u> | <u>MATURITIES</u> | <u>FAIR VALUE</u> |
|---|--|------------------------------|
| <u>Internally Pooled Investments held in Central Treasury:</u> | | |
| Repurchase agreements | | \$ 4,458,991 |
| Wells Fargo Secured Institutional Money Market | | 6,484,642 |
| External investment pool | 31 day average | 23,207,994 |
| U. S. Agencies | August 2008 - October 2012 | 62,827,610 |
| U. S. Treasury Notes | March 2009 - May 2013 | 8,169,169 |
| Wachovia Bank Corporate Bonds | August 2008 | 1,015,568 |
| Associates Corporate Bonds | November 2008 | 1,018,587 |
| Bank of America Corporate Bonds | February 2009 | 1,033,224 |
| Wells Fargo & Company Corporate Bonds | April 2009 | 1,504,939 |
| Goldman Sachs Group Corporate Bonds | May 2009 | 1,542,266 |
| Bank of New York Corporate Bonds | December 2009 | 1,558,970 |
| Wal-Mart Stores Corporate Bonds | July 2010 | 1,033,905 |
| CitiGroup Inc. Corporate Bonds | August 2010 | 1,014,864 |
| General Electric Capitol Corporate Bonds | October 2012 | 1,530,375 |
| | Total | <u>116,401,104</u> |
| <u>Major Bond Funded Capital Project Fund Investments:</u> | | |
| External investment pool | 31 day average | <u>1,820,603</u> |
| | Total Investments held in Central Treasury | \$ <u>118,221,707</u> |
| <u>Business Type Activities Investments-Restricted Assets:</u> | | |
| External investment pool | 31 day average | <u>16,587,113</u> |
| <u>Business Type Activities Investments-Assets Whose Use is Limited:</u> | | |
| Repurchase agreement | | 1,928,299 |
| External investment pool | 31 day average | 2,673,360 |
| Wells Fargo Advantage Cash Money Market | | <u>2,837,864</u> |
| | Total | <u>7,439,523</u> |
| | Grand Total | \$ <u>142,248,343</u> |

The Borough has adopted a formal investment policy, which seeks the preservation of capital, maintaining a sufficient level of liquidity to meet cash flow requirements, and attaining a market rate of return while taking into account risk constraints.

The AMLIP is an external investment pool, which is not SEC registered. 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.

Interest Rate Risk: To limit its interest rate risk the Borough's investment policy requires a minimum of forty percent of the portfolio to be invested for one year or less and repurchase agreements shall not make up more than twenty percent of the portfolio. Investment maturities are limited as follows:

| <u>Maturity</u> | <u>Target Maturity Level</u> | <u>Actual Investment</u> |
|---------------------|------------------------------|--------------------------|
| One Year or Less | Minimum 40% | 60% |
| One to three Years | Maximum 30% | 17% |
| Three to Five Years | Maximum 30% | 23% |

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The Borough invests in securities issued by U.S. Government Agencies that contain call options. About \$16.37 million or 26.4% of the agency securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

| <u>Investment</u> | <u>Type of call</u> | <u>Next call date</u> |
|--|---------------------|-----------------------|
| Federal Home Loan Mortgage Corporation | Semi-annual | July 9, 2008 |
| Federal National Mortgage Association | One time call | August 6, 2008 |
| Federal Home Loan Mortgage Corporation | One time call | August 11, 2008 |
| Federal Home Loan Mortgage Corporation | Quarterly | September 10, 2008 |
| Federal Home Loan Mortgage Corporation | One time call | November 14, 2008 |
| Federal Home Loan Mortgage Corporation | One time call | October 15, 2009 |

Concentration Risk: The Borough's investment policy limits the amount that can be invested in a security based on the type and maturity date of the investment. The percentages of investment by type are as follows:

| <u>Investment Type</u> | <u>Maximum Allowable % per Investment Policy</u> | <u>Maximum Maturity per Investment Policy</u> | <u>Actual % as of June 30, 2008</u> |
|--------------------------|--|---|-------------------------------------|
| U.S. Treasury Securities | 100% | 5 years | 6% |
| U.S. Agencies | 100% | 5 years | 44% |
| Corporate bonds | 50% | 5 years | 8% |
| Repurchase agreements | 20% | n/a | 4% |
| Money market funds | 20% | n/a | 7% |
| AMLIP | 20% | n/a | 31% |
| Commercial Paper | 25% | 270 days | 0% |

Credit Rate Risk: Alaska State Law does not have specific investment limitations. It is the Borough's policy to limit its investments to investment grade securities. Investment grade corporate bonds are defined as those with a rating of "triple b" or higher by a nationally recognized statistical rating organization (NRSROs). In the event an issuer of a corporate bond held in the portfolio having a remaining term to maturity of more than one year is downgraded to less than "triple b" by both Moody's and S&P, the security will be sold. Commercial paper must be rated A1 or higher by Moody's Investor's Service, Inc. and P1 or higher by Standard and Poor's Corporation at the time of purchase.

As of June 30, 2008 the Borough's investments in corporate bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

| <u>INVESTMENT</u> | <u>Standards & Poor's</u> | <u>Moody's Investors Service</u> |
|--|-----------------------------------|--------------------------------------|
| Wachovia Bank Corporate Bonds | AA | AA1 |
| Associates Corporate Bonds | AA- | AA3 |
| Bank of America Corporate Bonds | AA | AA2 |
| Wells Fargo & Company Corporate Bonds | AA+ | AA1 |
| Goldman Sachs Group Corporate Bonds | AA- | AA3 |
| Bank of New York Corporate Bonds | A+ | AA3 |
| Walmart Stores Corporate Bonds | AA | AA2 |
| Citigroup Inc Corporate Bonds | AA- | AA3 |
| General Electric Corporate Bonds | AAA | AAA |
| Federal National Mortgage Association | AAA | AAA |
| Federal Home Loan Bank | AAA | AAA |
| Federal Home Loan Mortgage Corporation | AAA | AAA |
| Federal Home Loan Mortgage Corporation | AA- | AA2 |

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the Borough's \$6.4 million in repurchase agreements at June 30, 2008, \$6.3 million of the underlying securities are pledged to the Borough by the Bank, this collateral is owned by the Bank and held by the third party custodian. The Federal Deposit Insurance Corporation (FDIC) insures the remaining \$100,000.

Cash and short term investment balances at June 30, 2008, consisted of the following:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--|------------------------|----------------------|
| Cash and short term investments held in central treasury: | | |
| Checking accounts: | | |
| Borough | \$ (1,492,005) | \$ 421,396 |
| Component unit (School District) | <u>(3,119,942)</u> | - |
| Total cash and short term investments held in central treasury | (4,611,947) | 421,396 |
| Other cash and investments: | | |
| Checking and savings accounts: | | |
| Borough | 99,867 | 114,689 |
| Proprietary funds | 15,296,848 | 12,751,651 |
| Proprietary funds – assets whose use is limited | 147,317 | 147,317 |
| Short-term time deposits | 4,261,245 | 4,261,245 |
| Long-term time deposits – restricted assets | 30,990 | 30,990 |
| Cash on hand: | | |
| Borough | 1,610 | - |
| Proprietary funds | 4,075 | - |
| Component unit (School District) | <u>41,925</u> | <u>41,925</u> |
| Total other cash and short term investments | <u>19,883,877</u> | <u>17,347,817</u> |
| Total cash and short term investments | \$ <u>15,271,930</u> | \$ <u>17,769,213</u> |

The following is a summary of equity in central treasury and investments at June 30, 2008:

| | |
|------------------------|---------------|
| General Fund | \$ 21,347,950 |
| Special revenue funds | 29,003,309 |
| Capital projects funds | 10,542,339 |
| Enterprise funds | 8,497,162 |

| | |
|----------------------------------|-----------------------|
| Internal service funds | \$ 11,125,916 |
| Fiduciary funds | 961,432 |
| Component unit – agency funds | 2,256,024 |
| Component unit | <u>29,875,628</u> |
| Total equity in central treasury | \$ <u>113,609,760</u> |

The equity in central treasury consists of the following:

| | |
|---------------------------------|-----------------------|
| Cash and short term investments | \$ (4,611,947) |
| Investments | <u>118,221,707</u> |
| | \$ <u>113,609,760</u> |

Calculation of the net increase (decrease) in the fair value of investments-aggregate method

| | |
|--|----------------------|
| Fair value at June 30, 2008 | \$ 118,221,707 |
| Add: cost of investments sold/called/matured in FY08 | 75,562,922 |
| Less: cost of investments purchased in FY08 | (81,367,951) |
| Less: fair value at June 30, 2007 | <u>(111,607,127)</u> |
| Change in fair value of investments | \$ <u>809,551</u> |

B. Property Taxes

The Borough bills and collects its own property taxes as well as those of the cities within the Borough. The taxes collected on behalf of the Borough cities are recorded in the Fiduciary Tax Agency Fund. Beginning with fiscal year 1989, the Borough contracted with the State of Alaska for collection of the tax on motor vehicles. This contract allows the state to collect taxes according to a prescribed schedule of values at the time of registration of an individual's motorized vehicle. The state then remits to the Borough the total collections less an 8% service fee.

The Borough is permitted by state law to levy up to \$3.00 per \$100 of assessed valuation for general government services other than the payment of principal and interest on long-term debt. State law prohibits taxation that will result in tax revenues from all sources exceeding \$1,500 per year for each person residing within the municipal boundaries or upon value that, when combined with the value of property otherwise taxable by the Borough, exceeds the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents. The Borough is within these limits.

The Borough also collects its own sales tax as well as that of the cities within the Borough. The Borough-wide sales tax rate was 2% and increased to 3% on January 1, 2008, while the city rates vary from 3% - 4.5%. The sales tax collections for Borough cities are recorded in the Fiduciary Tax Agency Fund.

Property Tax Calendar

| | | | |
|------------------|------------------------------|----------------------------|------------------|
| Assessment date | January 1, 2007 | Total taxes are due | October 15, 2007 |
| Levy date | Not later than June 15, 2007 | Penalties & interest added | October 17, 2007 |
| Tax bills mailed | Not later than July 1, 2007 | Lien date | April 15, 2008 |

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the yearend. The Borough's property tax collection records show that approximately 99.95% of the property taxes due were collected within 60 days after the due date. Assessed values are established by the Kenai Peninsula Borough assessor's office. Borough code requires a revaluation of all property be completed no less than every 5 years. The current average is approximately every 7 years.

C. Receivables

Receivables at June 30, 2008 for the government's individual major funds and business-type fund and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Proprietary</u> | <u>Nonmajor Other Funds</u> | <u>Internal Service Funds</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|-----------------------------------|---------------------|----------------------|---------------------------------|---------------------------------------|----------------------------|----------------------|
| Taxes | \$ 6,958,453 | \$ 108,634 | \$ 251,798 | \$ - | \$ 73,542 | \$ 7,392,427 |
| Patient | - | 24,067,760 | - | - | - | 24,067,760 |
| Accounts and other | 15,228 | 917,718 | 222,330 | 80,620 | 590,162 | 1,826,058 |
| Land sale contracts | - | - | 1,059,159 | - | - | 1,059,159 |
| Intergovernmental | 1,162,562 | - | 1,288,664 | - | - | 2,451,226 |
| Interfund | <u>661,770</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>661,770</u> |
| Gross receivables | 8,798,013 | 25,094,112 | 2,821,951 | 80,620 | 663,704 | 37,458,400 |
| Less allowance for uncollectibles | <u>(28,943)</u> | <u>(4,690,294)</u> | <u>(1,924)</u> | <u>-</u> | <u>-</u> | <u>(4,721,161)</u> |
| | <u>\$ 8,769,070</u> | <u>\$ 20,403,818</u> | <u>\$ 2,820,027</u> | <u>\$ 80,620</u> | <u>\$ 663,704</u> | <u>\$ 32,737,239</u> |

D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues 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. At June 30, 2008, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|---------------------|---------------------|
| Property taxes receivable (General Fund) | \$ 449,801 | \$ 2,862,870 |
| Property taxes receivable (nonmajor governmental funds) | 216,020 | 2,831,208 |
| Land sale receivables | 1,059,159 | - |
| Grant funds received prior to meeting all eligibility requirements | <u>-</u> | <u>1,899,561</u> |
| Total deferred/unearned revenue for governmental funds | <u>\$ 1,724,980</u> | <u>\$ 7,593,639</u> |

E. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

| Governmental activities: | <u>Balance July 1, 2007</u> | <u>Additions / Transfers</u> | <u>Deletions / Transfers</u> | <u>Balance June 30, 2008</u> |
|---|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 65,336,157 | \$ 2,222,483 | \$ (5,638) | \$ 67,553,002 |
| Construction in progress | <u>4,109,360</u> | <u>1,869,224</u> | <u>-</u> | <u>5,978,584</u> |
| Total capital assets, not being depreciated | <u>69,445,517</u> | <u>4,091,707</u> | <u>(5,638)</u> | <u>73,531,586</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 281,231,495 | 2,561,184 | - | 283,792,679 |
| Improvements other than buildings | 62,823,019 | 2,906,968 | - | 65,729,987 |
| Machinery and equipment | 24,308,422 | 4,039,314 | (410,057) | 27,937,679 |
| Infrastructure | <u>5,640,390</u> | <u>1,753,513</u> | <u>-</u> | <u>7,393,903</u> |
| Total capital assets, being depreciated | <u>374,003,326</u> | <u>11,260,979</u> | <u>(410,057)</u> | <u>384,854,248</u> |

| | Balance July 1, 2007 | Additions / Transfers | Deletions / Transfers | Balance June 30, 2008 |
|--|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | \$ (147,013,170) | \$ (6,262,754) | \$ - | \$ (153,275,924) |
| Improvements other than buildings | (44,574,128) | (1,654,000) | - | (46,228,128) |
| Machinery and equipment | (15,526,705) | (1,586,007) | 410,057 | (16,701,655) |
| Infrastructure | (440,855) | (176,685) | - | (617,540) |
| Total accumulated depreciation | <u>(207,553,858)</u> | <u>(9,679,446)</u> | <u>410,057</u> | <u>(216,823,247)</u> |
| Total capital assets, being depreciated, net | <u>166,449,468</u> | <u>1,581,533</u> | <u>-</u> | <u>168,031,001</u> |
| Governmental activities capital assets, net | \$ <u>235,894,985</u> | \$ <u>5,673,240</u> | \$ <u>(5,638)</u> | \$ <u>241,562,587</u> |

Internal service funds predominately serve the governmental funds. Accordingly, their capital assets are included as part of the above totals for governmental activities.

| | Balance July 1, 2007 | Additions / Transfers | Deletions / Transfers | Balance June 30, 2008 |
|--|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,147,778 | \$ - | \$ - | \$ 1,147,778 |
| Construction in progress | <u>17,724,526</u> | <u>11,299,334</u> | <u>(26,752,862)</u> | <u>2,270,998</u> |
| Total capital assets, not being depreciated | <u>18,872,304</u> | <u>11,299,334</u> | <u>(26,752,862)</u> | <u>3,418,776</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 1,048,657 | 3,697,826 | (19,265) | 4,727,218 |
| Buildings | 84,058,634 | 19,132,330 | (137,096) | 103,053,868 |
| Improvements other than buildings | 158,627 | 21,050 | (47,836) | 131,841 |
| Machinery and equipment | <u>38,739,489</u> | <u>9,977,993</u> | <u>(2,433,128)</u> | <u>46,284,354</u> |
| Total capital assets, being depreciated | <u>124,005,407</u> | <u>32,829,199</u> | <u>(2,637,325)</u> | <u>154,197,281</u> |
| Less accumulated depreciation for: | | | | |
| Land Improvements | (343,265) | (138,112) | 18,080 | (463,297) |
| Buildings | (34,959,946) | (3,706,949) | 123,725 | (38,543,170) |
| Improvements other than buildings | (41,654) | (17,733) | 16,120 | (43,268) |
| Machinery and equipment | <u>(15,050,770)</u> | <u>(5,034,125)</u> | <u>2,415,010</u> | <u>(17,669,884)</u> |
| Total accumulated depreciation | <u>(50,395,635)</u> | <u>(8,896,919)</u> | <u>2,572,935</u> | <u>(56,719,619)</u> |
| Total capital assets, being depreciated, net | <u>73,609,772</u> | <u>23,932,280</u> | <u>(64,390)</u> | <u>97,477,662</u> |
| Business-type activities capital assets, net | \$ <u>92,482,076</u> | \$ <u>35,231,614</u> | \$ <u>(26,817,252)</u> | \$ <u>100,896,438</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|---|----------------|
| General government | \$ 447,389 |
| Senior citizens | 4,876 |
| Public safety | 1,004,610 |
| Solid waste facilities | 1,118,868 |
| Road maintenance, including infrastructure assets | 194,614 |
| Recreation | 377,421 |
| Schools | 6,228,636 |
| Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets | <u>303,032</u> |

Total depreciation expense - governmental activities \$ 9,679,446

Business-type activities:

| | |
|---|---------------------|
| Hospitals: | |
| Central Peninsula General Hospital | \$ 7,017,544 |
| South Peninsula Hospital | <u>1,875,288</u> |
| Total depreciation expense - business-type activities | \$ <u>8,892,832</u> |

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2008. The projects include major repair of existing roads, improvement to school facilities, and various public works projects. At year-end the Borough's commitments with contractors are as follows:

| <u>Projects</u> | <u>Remaining Commitments</u> | <u>Financing Sources</u> |
|------------------------------------|------------------------------|--|
| Major repair of existing roads | \$ 917,337 | Federal and State grants and local funding |
| Improvement to school facilities | 677,615 | General obligation bonds and local funding |
| Landfill closure and site upgrades | 46,080 | Federal grants and local funding |
| Land management projects | 180,653 | Local funding |
| Various public works projects | <u>217,223</u> | Federal and State grants and local funding |
| Total | \$ <u>2,038,908</u> | |

Discretely presented component unit

Capital asset activity for Kenai Peninsula Borough School District for the year ended June 30, 2008 was as follows:

| | <u>Balance July 1, 2007</u> | <u>Additions / Transfers</u> | <u>Deletions / Transfers</u> | <u>Balance June 30, 2008</u> |
|---|-----------------------------|------------------------------|------------------------------|------------------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Machinery and equipment | \$ 6,360,654 | \$ 128,613 | \$(218,254) | \$ 6,271,013 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | <u>(3,572,275)</u> | <u>(408,195)</u> | <u>190,674</u> | <u>(3,789,796)</u> |
| Governmental activities capital assets, net | \$ <u>2,788,379</u> | \$ <u>(279,582)</u> | \$ <u>(27,580)</u> | \$ <u>2,481,217</u> |

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2008 is as follows:

The General Fund has made a short-term loan of \$10,539 to the Local Emergency Planning Committee Special Revenue Fund, and \$61,069 to the Miscellaneous Grant Special Revenue Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies. The General Fund has made loans in the amount of \$590,162 to the Special Assessment Districts for utility/road improvements. Taxpayers of the utility/road improvement districts then repay the amount that is borrowed over a 10 year period.

| Fund | Interfund Receivables | Interfund Payables |
|-----------------------------|----------------------------------|-------------------------------|
| Major fund - General Fund | \$ 661,770 | \$ - |
| Nonmajor governmental funds | - | 71,608 |
| Agency funds | - | <u>590,162</u> |
| Total | <u>\$ 661,770</u> | <u>\$ 661,770</u> |

Interfund transfers

Interfund transfers have been made in accordance with appropriating ordinances. The Borough collects a 3% sales tax and records the revenue in the General Fund. Sales tax, specifically dedicated to School District operations, and additional funds appropriated by the Assembly are transferred in monthly installments from the General Fund to the School District. Transfers to the School District totaled \$37,701,117.

Transfers between funds for the year ended June 30, 2008, were as follows:

| | Transfer In | | | | Total |
|------------------------------|-------------------------|---|-------------------------------------|--------------------------------------|----------------------|
| | Major Funds | | Nonmajor Gov't Funds | Internal Service Fund | |
| Transfer Out: | General Fund | Bond Funded Capital Project Fund | | | |
| Major Funds: | | | | | |
| General Fund | \$ - | \$ - | \$ 11,558,869 | \$ - | \$ 11,558,869 |
| Bond funded capital projects | - | - | 543,000 | - | 543,000 |
| Nonmajor governmental funds | <u>213,681</u> | <u>190,000</u> | <u>4,563,677</u> | - | <u>4,967,358</u> |
| Total | <u>\$ 213,681</u> | <u>\$ 190,000</u> | <u>\$ 16,665,546</u> | <u>\$ -</u> | <u>\$ 17,069,227</u> |

Significant transfers were as follows:

- General Fund transferred \$6,034,273 to the Solid Waste Special Revenue Fund to fund operations, debt service, and capital acquisitions.
- General Fund transferred \$2,359,888 to General Government Debt Service Fund to fund FY08 debt service payments on bonds sold to finance construction of school facilities and capital maintenance.
- General Fund transferred \$1,450,000 to School Revenue Capital Projects Fund to fund capital maintenance on school facilities.
- School Revenue Capital Projects Fund transferred \$190,000 to the Bond Funded Capital Projects Fund to supplement the Soldotna Elementary Window Replacement Project.
- The Bond Funded Capital Projects Fund transferred \$543,000 of interest earned to the School Revenue Capital Projects fund to supplement the Soldotna Elementary Roof Replacement project and the Seward Playfield Complex project.

G. Risk Management

The Kenai Peninsula Borough has established an office of Risk Management and a limited self-insurance program which is codified by Borough ordinance and administered by a risk management committee. It is the responsibility of the risk management committee to insure, self-insure or select appropriate retention levels and deductibles for the risks confronting the Kenai Peninsula Borough, its service areas, and the School District. All losses and claims are reported to the Risk Management office and are handled internally within the retention and deductible level. New claims and outstanding claims are reviewed monthly by the Borough Attorney, and the Risk Manager. There were no significant changes in the amount of coverage during the current fiscal year.

The greatest exposure to financial loss confronting the Kenai Peninsula Borough and School District would be in the areas of pollution liability, auto liability and general liability due to the ownership of landfills, the fleet of vehicles operated and the number of properties owned and operated by the Borough and School District. The Borough is self-insured for pollution liability due to limited availability of coverage and the associated cost. Based on this historical evidence of claim value and the increasing ability to fund a greater level of retention, the risk management committee chose to retain the first \$250,000 of each occurrence at the beginning of fiscal year 1992.

Insurers provide annual aggregate limits up to \$11,750,000 in excess of our retention level for the exposures of general liability, auto liability, public officials' liability, educational errors and omissions, ambulance attendants' professional liability and landfill liability. Insurance coverage for these various types of liability exposure are being provided by insurers in a single package policy format. Building and contents are insured in excess of a \$100,000 deductible per occurrence, and data processing equipment and vehicles are insured in excess of a \$500 deductible per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Borough continues to fully insure the non-owned aircraft liability risks.

In an attempt to reduce workers compensation cost, which had increased substantially in prior years, effective October 01, 2002 the Borough became self-insured for workers' compensation, with a retention level of \$250,000.

The Kenai Peninsula Borough Insurance and Litigation Fund annually allocates the costs for insurance coverage on a proportionate share basis to the Borough, its service areas and the School District. In addition, an appropriate sum is charged for anticipated losses and claims that will be paid within the self-insured retention and deductible levels. The net assets of the fund are designated for future catastrophic losses.

| | <u>Beginning of Fiscal Year Liability</u> | <u>Current Year Claim Estimates</u> | <u>Claim Payments</u> | <u>End of Fiscal Year Liability</u> |
|-----------|--|--|----------------------------------|--|
| 2006-2007 | \$ 925,350 | \$ 1,617,290 | \$ (1,500,054) | \$ 1,042,586 |
| 2007-2008 | 1,042,586 | 2,556,840 | (2,030,110) | 1,569,316 |

Included above is a liability for incurred but not reported (IBNR) claims of \$50,000. Experience indicates those losses or claims do not go unreported for any significant length of time, therefore, the exposure to IBNR losses or claims is minimal.

In addition, the hospital enterprise funds are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; medical malpractice; errors and omissions; injuries to employees; and natural disasters. Each hospital purchases commercial insurance for all risks of loss except as described below.

The Central Peninsula Hospital was self-insured for medical malpractice claims up to \$200,000 per claim during the years 1987-1995. In connection with this, the Hospital established a revocable trust from which its portion of any claim will be paid. At June 30, 2008, the Central Peninsula Hospital had on deposit \$2,837,864 in the trust account for payment of future claims. Starting January 1, 1996, the Hospital's insurance coverage was changed to provide first dollar coverage for medical malpractice claims. It should be noted the revocable trust was terminated in September 2008, due to statute of limitations having expired on claims that could have been filed during the respective period of time.

South Peninsula Hospital is insured for medical malpractice claims by a modified claims-made policy for any occurrence reported during the current policy year or renewal thereof. Management has no reason to believe that the Hospital will not be able to obtain such coverage in future periods.

In addition to the risk management issues listed above, the Borough maintains a health and medical benefit program, which covers all permanent employees working more than half time. The Borough retains a major portion of the risk of this plan, and, accordingly, is liable for any employee health claims that are approved for payment. Stop-loss limits are \$200,000 for individual claims and \$1,000,000 for aggregate claims. Health and medical expenditures totaled \$3,592,784 and \$3,084,631 for the years ended June 30, 2008 and 2007 respectively, and consisted of paid claims, stop-loss premiums and administrative fees. Accruals were made based on estimates of health claims at year-end, including claims incurred but not reported. Such accruals are accounted for in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the health care claims liability for the two years ended June 30, 2008 and 2007 follows:

| | Beginning of Fiscal Year Liability | Current Year Claim Estimates | Claim Payments | End of Fiscal Year Liability |
|-------------|---|---|---------------------------|---|
| 2006 – 2007 | \$485,692 | \$2,984,691 | \$(2,945,383) | \$525,000 |
| 2007 – 2008 | \$525,000 | \$3,352,421 | \$(3,285,833) | \$591,588 |

H. Long-term debt

A summary of long-term liability activity is as follows:

| | Beginning Balance July 1, 2007 | Additions | Reductions | Ending Balance June 30, 2008 | Due within one year |
|--|---|----------------------|----------------------|---|--------------------------------|
| Governmental activities: | | | | | |
| Areawide school bonds | \$ 17,959,000 | \$ - | \$ 1,540,000 | \$16,419,000 | \$ 1,565,000 |
| Solid waste bonds | 4,440,000 | - | 685,000 | 3,755,000 | 705,000 |
| Central emergency services bonds | 2,425,000 | - | 80,000 | 2,345,000 | 85,000 |
| Compensated absences | 2,703,257 | 1,946,447 | 1,930,442 | 2,719,262 | 703,225 |
| Landfill closure / postclosure | 4,806,776 | 382,579 | 2,226,658 | 2,962,697 | 105,340 |
| Net pension/OPEB obligation | <u>3,139,416</u> | <u>4,169,475</u> | <u>4,197,869</u> | <u>3,111,022</u> | <u>-</u> |
| Total governmental activities long-term liabilities | <u>\$ 35,473,449</u> | <u>\$ 6,498,501</u> | <u>\$ 10,659,969</u> | <u>\$ 31,311,981</u> | <u>\$ 3,163,565</u> |
| Business-type activities: | | | | | |
| South Peninsula Hospital: | | | | | |
| Expansion project | 9,465,000 | 14,555,000 | 400,000 | 23,620,000 | 875,000 |
| CT Scanner | 1,450,193 | - | 340,623 | 1,109,570 | 354,840 |
| Compensated absences | 801,631 | 887,922 | 835,112 | 854,441 | 213,610 |
| Central Peninsula Hospital: | | | | | |
| Compensated absences | 1,818,968 | 3,316,446 | 3,039,583 | 2,095,831 | 523,958 |
| Expansion project | <u>43,330,000</u> | <u>-</u> | <u>1,750,000</u> | <u>41,580,000</u> | <u>1,805,000</u> |
| Total business-type activities long-term liabilities | <u>\$ 56,865,792</u> | <u>\$ 18,759,368</u> | <u>\$ 6,365,318</u> | <u>\$ 69,259,842</u> | <u>\$ 3,772,408</u> |

| | |
|--|----------------------|
| Unamortized premium on bonds – South Peninsula Hospital expansion project | 312,884 |
| Deferred loss on bond refunding – South Peninsula Hospital expansion project | (161,120) |
| Unamortized premium on bonds – Central Peninsula Hospital expansion project | <u>1,485,816</u> |
| | <u>\$ 70,897,422</u> |

The Kenai Peninsula Borough has issued general obligation bonds for acquisition and construction of schools, solid waste disposal and transfer facilities, and expansions to the two service area hospitals. The general obligation school bonds pledge the full faith and credit of the Borough, while the hospital bonds pledge the full faith and credit of the respective service area.

School Bonds. School bonds are issued for the construction and major maintenance of public schools in the Borough. Bonds are paid from the General Fund through the levy of property taxes plus funding from the State of Alaska, which partially reimburses the Borough for expenditures for school debt issues. The State of Alaska will reimburse the Borough up to 70% of the principal and interest payments on the School bonds.

Business Type Activity.

On August 28, 2007 the South Kenai Peninsula Hospital Service Area, an enterprise fund of the Kenai Peninsula Borough, issued \$14,555,000 in General Obligation Hospital Expansion Bonds for the purpose of completing phase II of their expansion project with interest rates of 4.25% to 5.0%. Bonds are paid through the levy of property taxes.

Authorized but Unissued Bonds

Voters of the Bear Creek Fire Service Area authorized the issuance of \$1,400,000 in bonds, contingent upon receiving grant funds in the amount of \$2,100,000. Voters of the Borough in 2003 authorized the issuance of \$12,000,000 in GO bonds for expansion of the Central Peninsula Landfill. Bonds in the amount of \$7,040,000 were issued May 22, 2003. The remaining authorized but unissued amount of \$4,960,000, are expected to be issued in 2010.

Net Pension Obligation

The Borough's contribution for FY04 was 7.81%, for FY05 was 12.81%, for FY06 was 17.81%, for FY07 was 22.81%; and for FY08 22.00%; the actuarial determined rate for FY08 was 30.84%. The amount shown includes an amount due from the Kenai Peninsula Borough School District, a discretely presented component unit of \$534,836, for wages paid by the Borough but charged to the District. For additional information see Note III J.

A summary of bonds payable (in thousands) at June 30, 2008, is as follows:

| | <u>Date of Issue</u> | <u>Issued</u> | <u>Interest Rate</u> | <u>Maturity Dates</u> | <u>Annual Installments</u> | <u>Outstanding June 30, 2008</u> |
|----------------------------------|----------------------|---------------|----------------------|-----------------------|----------------------------|----------------------------------|
| School bonds: | 01-31-07 | \$ 2,515 | 3.95 – 5.50 | 2008 – 2017 | \$ 215 to 305 | \$ 2,310 |
| | 12-12-00 | 7,429 | 4.75 – 5.00 | 2001 – 2011 | 740 to 769 | 2,249 |
| | 08-07-03 | <u>14,700</u> | 4.00 – 6.00 | 2004 – 2023 | 595 to 1,020 | <u>11,860</u> |
| Total school bonds | | <u>24,644</u> | | | | <u>16,419</u> |
| Solid waste bonds | 05-22-03 | 7,040 | 2.50 – 4.25 | 2003 – 2013 | 685 to 800 | 3,755 |
| Central emergency services bonds | 06-21-06 | 2,500 | 4.00 - 6.00 | 2026 | 80 to 185 | 2,345 |
| Enterprise Fund Bonds: | | | | | | |
| South Peninsula Hospital bonds | 09-30-03 | 10,290 | 2.50 – 5.125 | 2004 – 2020 | 390 to 630 | 5,995 |
| South Peninsula Hospital bonds | 04-05-07 | 3,080 | 3.75 – 4.50 | 2007 – 2024 | 10 to 770 | 3,070 |

| | | | | | | |
|--|----------|-------------------|-------------|-------------|----------------|------------------|
| South Peninsula Hospital bonds | 08-28-07 | 14,555 | 4.25 – 5.00 | 2008 – 2028 | 465 to 1,090 | 14,555 |
| Central Kenai Peninsula Hospital bonds | 12-17-03 | <u>47,985</u> | 2.50 – 5.00 | 2004 – 2024 | 1,805 to 3,670 | <u>41,580</u> |
| Total bonds | | <u>\$ 110,094</u> | | | | <u>\$ 87,719</u> |

Debt service requirements, (not including landfill closure/postclosure, compensated absences and NPO/OPEB), at June 30, 2008 were as follows:

| <u>Fiscal Year</u> | <u>Government Activities</u> | | <u>Business-type Activities</u> | |
|--------------------|------------------------------|---------------------|---------------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 2,355,000 | \$ 977,559 | \$ 3,034,840 | \$ 3,051,613 |
| 2010 | 2,410,000 | 881,110 | 3,134,650 | 2,946,952 |
| 2011 | 2,504,000 | 781,652 | 3,265,080 | 2,817,354 |
| 2012 | 1,795,000 | 676,390 | 3,015,000 | 2,675,963 |
| 2013 | 1,855,000 | 606,366 | 3,150,000 | 2,537,738 |
| 2014-2018 | 5,630,000 | 2,154,481 | 18,145,000 | 10,266,969 |
| 2019-2023 | 5,440,000 | 933,798 | 23,150,000 | 5,239,713 |
| 2024-2028 | <u>530,000</u> | <u>48,375</u> | <u>9,415,000</u> | <u>704,381</u> |
| Total | \$ <u>22,519,000</u> | \$ <u>7,059,731</u> | \$ <u>66,309,570</u> | \$ <u>30,240,683</u> |

I. Conduit Debt Obligations

In December 1998, the Kenai Peninsula Borough issued \$8,500,000 of Non-recourse Revenue Bonds on behalf of South Central Foundation for the purchase of the Native Primary Care Center in Anchorage, Alaska. The Kenai Peninsula Borough has no direct involvement with the administration of these bonds except to allow their issuance under the name of Kenai Peninsula Borough. These revenue bonds are issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of Kenai Peninsula Borough. The bonds do not constitute a general obligation or pledge of the full faith and credit of Kenai Peninsula Borough. Accordingly, the bonds and the related assets are not reflected in the accompanying financial statements.

A schedule of the remaining debt service on the 1998 issue bonds follows:

| <u>Fiscal Years:</u> | <u>Principal</u> |
|----------------------|---------------------|
| 2009 | \$ 407,360 |
| 2010 | 429,160 |
| 2011 | 452,160 |
| 2012 | 476,360 |
| 2013 | 501,840 |
| 2014-2018 | 2,941,440 |
| 2019 | <u>334,575</u> |
| | \$ <u>5,542,895</u> |

J. Commitments and Contingencies

1. Loss Contingencies

The Kenai Peninsula Borough, in the normal course of its activities, is involved in various claims and pending litigations. In the opinion of management and the Borough's legal staff, the disposition of these matters is not expected to have a material adverse effect on the Borough's financial statements.

2. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the appropriate fund.

K. Pension Plans

1. State of Alaska Public Employees' Retirement System

The Borough and the School District participate in the Public Employees' Retirement System (PERS) an agent multiple employer plan, which covers eligible State and local government employees or the Teachers' Retirement System (TRS), a cost sharing multiple employer plan which covers teachers and other eligible participants. The plans were established and are administered by the State of Alaska to provide pension, post-employment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Both plans are 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, AK 99811-0203

Funding Policy – PERS Tier I-III Defined Benefit Plan. For PERS Tier I-III (employees hired prior to July 1, 2006 and employees hired after July 1, 2006 who have PERS enrollment from prior employment), employees are required to contribute 6.75% (1.86% for pension and 4.89% for healthcare) and 7.5% for firefighters (2.02% for pension and 5.48% for healthcare) of their annual covered salary. The employee contribution rate for TRS is 8.65% of covered base salary. Under both plans, the funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and post-employment healthcare benefits when due.

The Borough's contribution rates for 2008 PERS are as follows:

| | Actuarial Rate |
|---------------------------|-------------------|
| Pension | 8.48% |
| Postemployment healthcare | <u>22.36%</u> |
| Total contribution rate | <u>30.84%</u> |

The School District's contribution rates for 2008 PERS and TRS are as follows:

| | PERS Actuarial Rate | TRS Contractually Agreed-upon Rate |
|---------------------------|---------------------------|---|
| Pension | 10.03% | 5.28% |
| Postemployment healthcare | <u>26.45%</u> | <u>7.28%</u> |
| Total contribution rate | <u>36.48%</u> | <u>12.56%</u> |

The employer contribution rate for the current year was actuarially calculated as a level percentage of payroll and was determined using the projected unit credit actuarial funding method. Unfunded accrued liabilities and future gains/losses are amortized over a fixed 25 year period as a level percentage of pay based on a 4.0% payroll growth assumption.

The current year required contribution was determined as part of the June 30, 2005 actuarial valuation. Effective with the June 30, 2006 valuation (which establishes the 2009 rates), the actuarial funding method has been changed to the Entry Age Actuarial Cost Method.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Borough and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

The significant actuarial assumptions used in the most recent valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years and 4.0% thereafter (Police and Fire 6.0% for the first five years and 4.5% thereafter);
3. Medical cost inflation of 9.5% for 2006, trending downward 0.5% per year to 5.0% in FY15 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for 2006, trending downward 1.0% per year to 5.0% in FY15 and remaining at 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually;
5. Mortality based on 1994 Group Annuity Mortality Basic Table, 1994 Base Year with 85% occupational for Peace Officer/Firefighter and 35% occupational for others;
6. Retirement rate based on 1997-1999 actual experiences. Deferred vested members are assumed to retire at their earliest retirement date;
7. Asset valuation – recognizes 20% of the investment gain or loss in each of the current and preceding four years. Assets are valued at market value and are accounted for on an accrual basis. Valuation assets are constrained to a range of 80% to 120% of market value of assets; and,
8. Valuation of Medical Benefit based on analysis of actual claims paid for July 2001 – June 2005, averaged and annualized and adjusted for other factors plus administrative costs.

Annual Pension and Postemployment Healthcare Cost

Effective July 1, 2007, the State of Alaska adopted contribution rates for each employer at an amount no less than 14.48% and no more than 22% for PERS, and concurrently reduced the contractual pay-in rate to 12.56% for TRS. The actual rate for the Borough and District was 22.00%.

The Legislature then approved state funding (Senate Bill 53) in the form of an on-behalf payment for those amounts between the established employer rate and the actuarially determined rates for PERS and TRS respectively. These on-behalf payments were transferred to the Alaska Division of Retirement and Benefits at July 1, but were allocated to the individual employer accounts on a prorata basis with each payroll reporting period. The Borough and District have recorded \$1,262,752 and \$1,918,908 respectively in these financial statements as PERS relief and the District has recorded \$17,195,551 in these financial statements as TRS relief or state grant revenue and related PERS/TRS expenditures/expenses. These amounts are also included in employer contributions for the purpose of calculating the ending net pension/OPEB obligation as noted below.

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

For the year ended June 30, 2008, the Borough's annual pension and other post-employment benefit (OPEB) costs were as follows:

| | <u>Pension</u> | <u>OPEB</u> | <u>Total</u> |
|--|---------------------|--------------------|--------------------|
| Annual required contribution | \$ 1,131,487 | 2,983,012 | 4,114,499 |
| Interest on net pension/OPEB obligation | 71,225 | 187,776 | 259,002 |
| Adjustment to annual required contribution | <u>(56,107)</u> | <u>(147,919)</u> | <u>(204,026)</u> |
| Annual pension cost | 1,146,606 | 3,022,869 | 4,169,475 |
| Contributions made | <u>(1,154,414)</u> | <u>(3,043,455)</u> | <u>(4,197,869)</u> |
| Decrease in net pension/OPEB obligation | (7,808) | (20,586) | (28,394) |
| Net pension/OPEB obligation, beginning of year | <u>1,944,922</u> | <u>1,194,494</u> | <u>3,139,416</u> |
| Net pension/OPEB obligation, end of year | <u>\$ 1,937,114</u> | <u>1,173,908</u> | <u>3,111,022</u> |

Three-year trend information for PERS follows:

Kenai Peninsula Borough

| | <u>Year Ending June 30,</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contributions</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------|-------------------------------------|--|---------------------------------|--|---------------------------------------|
| Pension | 2006 | \$ 2,268,290 | \$ 1,463,465 | 64% | \$ 1,852,225 |
| | 2007 | 2,334,864 | 2,242,167 | 96% | 1,944,922 |
| | 2008 | 1,146,606 | 1,154,414 | 101% | 1,937,114 |

| | <u>Year Ending June 30,</u> | <u>Annual OPEB Cost</u> | <u>Actual Contributions</u> | <u>Percentage of OPEB Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-------------------------------------|---------------------------------|---------------------------------|---|------------------------------------|
| Postemployment healthcare | 2006 | \$ 1,389,775 | \$ 896,963 | 64% | \$ 1,129,112 |
| | 2007 | 1,646,828 | 1,581,446 | 96% | 1,194,494 |
| | 2008 | 3,022,869 | 3,043,455 | 101% | 1,173,908 |

Kenai Peninsula Borough School District

| | <u>Year Ending June 30,</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contributions</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------|-------------------------------------|--|---------------------------------|--|---------------------------------------|
| Pension | 2006 | \$ 2,109,273 | \$ 1,243,156 | 59% | \$ 1,776,404 |
| | 2007 | 2,292,191 | 1,576,121 | 68% | 2,492,474 |
| | 2008 | 1,397,859 | 1,358,882 | 97% | 2,531,451 |

| | <u>Year Ending June 30,</u> | <u>Annual OPEB Cost</u> | <u>Actual Contributions</u> | <u>Percentage of OPEB Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-------------------------------------|---------------------------------|---------------------------------|---|------------------------------------|
| Postemployment healthcare | 2006 | \$ 1,408,308 | \$ 830,844 | 59% | \$ 1,130,426 |
| | 2007 | 1,616,729 | 1,111,670 | 69% | 1,635,485 |
| | 2008 | 3,685,265 | 3,582,508 | 97% | 1,738,242 |

Annual Pension and Post-employment Healthcare Cost - TRS

The District's annual pension and other postemployment benefit (OPEB) costs for the years ending June 30, 2008, 2007, and 2006, respectively, were equal to the contractually agreed upon rate for each year. For each year, the District contributed the contractual amount. As discussed previously, the total contribution includes \$17,195,551 received as an on-behalf payment from the State of Alaska.

| Year End June 30, | Annual Pension Cost | Annual OPEB Cost | Total Benefit Cost (TBC) | District Contribution | On-behalf Contribution | Total Contribution | Percentage of TBC Contributed |
|----------------------|---------------------------|---------------------|--------------------------------|--------------------------|---------------------------|-----------------------|-------------------------------------|
| 2006 | \$ 6,547,311 | \$ 1,657,339 | \$8,204,650 | \$8,204,650 | \$ - | \$8,204,650 | 100% |
| 2007 | 7,358,729 | 1,917,369 | 9,726,098 | 9,726,098 | - | 9,726,098 | 100% |
| 2008 | 1,969,125 | 2,711,468 | 4,680,593 | 5,185,031 | 17,195,551 | 22,353,582 | 100% |

Funding Policy – PERS Tier IV and TRS Tier III Defined Contribution Plan.

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Kenai Peninsula Borough

| | Actuarial Valuation Year Ended June 30 | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------------------------|---|---|--|---|-----------------|--------------------|--|
| Pension | 2004 | \$ 34,673,000 | \$ 52,259,000 | \$ 17,586,000 | 66% | \$ 12,483,000 | 141% |
| | 2005 | 35,437,347 | 54,431,805 | 18,994,458 | 65% | 14,102,683 | 135% |
| | 2006 | 49,908,747 | 62,128,596 | 12,219,849 | 80% | 13,447,147 | 91% |
| Post-employment healthcare | 2004 | \$ 24,448,000 | \$ 36,849,000 | \$ 12,401,000 | 66% | \$ 12,483,000 | 99% |
| | 2005 | 30,616,276 | 47,026,635 | 16,410,359 | 65% | 14,102,683 | 116% |
| | 2006 | 21,362,105 | 50,642,173 | 29,280,068 | 42% | 13,447,147 | 218% |

Kenai Peninsula Borough School District

| | Actuarial Valuation Year Ended June 30 | Actuarial Value of Plan Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------------------------|---|---|--|---|-----------------|--------------------|--|
| Pension | 2004 | \$ 37,272,000 | \$ 55,959,000 | \$ 18,687,000 | 67% | \$ 11,193,000 | 167% |
| | 2005 | 27,592,416 | 46,197,752 | 18,604,336 | 60% | 13,270,000 | 140% |
| | 2006 | 47,008,311 | 55,072,228 | 8,063,917 | 85% | 15,886,889 | 51% |
| Post-employment healthcare | 2004 | \$ 26,281,000 | \$ 39,457,000 | \$ 13,176,000 | 67% | \$ 11,193,000 | 118% |
| | 2005 | 39,610,357 | 66,317,855 | 26,707,498 | 60% | 13,270,000 | 201% |
| | 2006 | 20,120,650 | 67,377,929 | 47,257,279 | 30% | 15,886,889 | 297% |

PERS Conversion to Cost Sharing

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 Legislature further establishes a uniform employer contribution rate of 22% or less of active member wages, subject to a wage floor and it 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.

As a result of this change, the Borough and District will not be obligated to pay or to continue amortizing the currently recorded Net Pension/OPEB obligation. As such, these liabilities will be written off and the Borough and District will recognize an extraordinary gain on the legislation's effective date, July 1, 2008.

In addition to the PERS conversion to cost-sharing, the legislation also establishes a uniform TRS (already a cost-share plan) employer contribution rate of 12.56% or less of active member wages, subject to a wage floor. Like with PERS, the legislation provides for state funding if the actuarially calculated rate exceeds the 12.56% limit. Any such state contributions will be recorded as an on-behalf payment.

Funding Policy – PERS Tier IV and TRS Tier III Defined Contribution Pension Plan

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV and Teachers' Retirement System (TRS) Tier III Defined Contribution Retirement Plan for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III or TRS Tier I or II defined benefit plans. The plan is administered by the State of Alaska, Department of Administration Commissioner, 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. Employees are required to contribute 8.0% of their annual covered salary and the Borough and School District are required to make the following contributions:

| | <u>PERS Tier IV</u> | | <u>TRS</u> |
|--|---------------------|---------------|-----------------|
| | <u>Police/Fire</u> | <u>Others</u> | <u>Tier III</u> |
| Employee contribution | <u>8.00%</u> | <u>8.00%</u> | <u>8.00%</u> |
| Employer contributions: | | | |
| Individual account | 5.00% | 5.00% | 7.00% |
| Health reimbursement arrangement (HRA) * | 3.00% | 3.00% | 3.00% |
| Retiree medical plan | .99% | .99% | .99% |
| Occupational death and disability benefits | <u>1.33%</u> | <u>0.58%</u> | <u>.62%</u> |
| Total employer contribution | <u>10.32%</u> | <u>9.57%</u> | <u>11.61%</u> |

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2008 were \$322,498 and \$117,124, respectively. The School District and employee contributions to PERS, including the HRA contribution for the year ended June 30, 2008 were \$201,497 and \$137,090, respectively. The School District and employee contributions to TRS, including the HRA contribution for the year ended June 30, 2008 were \$443,182 and \$299,510, respectively.

2. Hospital Pension Plans

Central Peninsula Hospital Plan Description

On July 1, 1995, the Hospital established a pension plan under Internal Revenue Code 403 (b). After the first year of employment, and at the next open enrollment period, employees who work 1,000 hours or more are eligible to participate in the Plan. The Hospital will contribute 2% of an employee’s eligible salary for all eligible employees. In addition, the Hospital will match the employee’s voluntary contribution up to 3% of gross pay, should the employee elect to participate. Prior to January 1, 2008, the Hospital’s total contribution for each employee could not exceed \$3,400. The plan was amended on March 1, 2008 to increase Hospital contributions for each employee not to exceed \$5,000 with an effective date of January 1, 2008. The employee may contribute an additional amount above the 2% voluntary contribution. The additional amount shall not exceed the lesser of 18% of their eligible salary, or \$20,500 for employees over the age of fifty, and \$15,500 for all others. Participants are fully vested in their contributions and after five years, are 100% vested in the Hospital’s matching contribution. The fund’s covered payroll for the years ended June 30, 2008 and 2007 was \$24,705,868 and \$23,303,444 respectively. Total payroll for the years ended June 30, 2008 and 2007 was \$32,024,771 and \$28,597,243, respectively.

Employee contributions to the plan for the years ended June 30, 2008 and 2007 were \$1,640,704 and \$1,491,265, respectively. Employer contributions were \$966,608 and \$884,908 for the same periods. Total contributions to the plan were 10.6% and 10.2% of covered payroll for June 30, 2008 and June 30, 2007, respectively.

South Peninsula Hospital Plan Description

Description of Plan. The Hospital employees participate in the South Peninsula Hospital, Inc. Employees' Pension Plan, a defined benefit single employer plan. The plan was established and is administered by the South Peninsula Hospital. The plan issues separate financial statements that are available by contacting the Hospital at South Peninsula Hospital, 4300 Bartlett Street, Homer, AK 99603.

Funding Policy. The plan's funding policy provides for actuarially determined periodic contributions by the Hospital at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The plan uses the individual aggregate actuarial cost method. The aggregate actuarial method does not identify or separately amortize unfunded liabilities. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations.

Annual Pension Cost and Net Pension Obligation. The annual required contribution for the current year was determined as part of the January 1, 2006 actuarial valuation. The actuarial assumptions included: (a) 7.0% investment rate of return (net of administrative expenses); (b) projected salary increases of 2.0% per year; and (c) no inflation rate.

The Hospital's annual pension cost and net pension obligation to the plan is as follows:

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|-------------------|-------------------|--------------------|
| Annual required contribution | \$ 418,674 | \$ 497,921 | \$ 559,618 |
| Interest on net pension obligation | <u>40,388</u> | <u>40,306</u> | <u>39,174</u> |
| Annual pension cost | 459,062 | 538,227 | 598,792 |
| Contributions made | <u>(459,062)</u> | <u>(551,398)</u> | <u>(808,048)</u> |
| Increase (decrease) in net pension obligation | - | (13,171) | (209,246) |
| Net pension obligation, beginning of year | <u>202,087</u> | <u>202,087</u> | <u>188,916</u> |
| Net pension obligation, end of year | <u>\$ 202,087</u> | <u>\$ 188,916</u> | <u>\$ (20,340)</u> |

A schedule of funding progress is as follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability</u> | <u>Unfunded Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded Liability as Percentage of Covered Payroll</u> |
|---------------------------------|----------------------------------|------------------------------------|---------------------------|---------------------|------------------------|--|
| January 1, 2005 | \$ 5,265,000 | \$ 5,934,000 | \$ 669,000 | 89% | \$ 9,388,000 | 7.13% |
| January 1, 2006 | 5,776,000 | 6,711,000 | 935,000 | 86% | 9,335,000 | 10.02% |
| January 1, 2007 | 6,778,000 | 7,649,000 | 871,000 | 89% | 10,241,000 | 8.51% |

L. Landfill Closure and Postclosure Care Cost

The Governmental Accounting Standards Board issued Statement 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", which establishes standards of accounting and financial reporting for municipal solid waste landfill closure and postclosure care costs that are required to be incurred by federal, state, or

local laws or regulations. The Borough implemented this standard effective July 1, 1993.

State and Federal laws and regulations require the Borough to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with cells having remaining useful lives of from 1 year to 7 years. The largest site has just developed a new cell with an remaining expected life of 2-4 years. This site has land enough for four additional cells, which will be developed as needed and will extend the landfills lives by approximately 25 years. The second largest facility has used 80% of cell capacity and will be in operation for 4-5 more years. These two facilities comprise 90% of total landfill capacity. There are also three sites, which are closed, and are being monitored as required by law. As of June 30, 2008 the Borough has a recorded liability of \$2,962,697 in the government-wide financial statements for closure and postclosure cost associated with its landfills; in addition, this amount has been reported as a designation of fund balance in the Solid Waste Special Revenue Fund. These amounts are based on what it would cost to perform all closure and postclosure care in 2008; actual cost may vary from this estimate due to inflation, changes in technology, or changes in regulations. It is estimated the Borough will recognize another \$9,287,566 in expense and liability between June 30, 2008 and the year 2035, the date the landfills are expected to reach capacity.

The Borough is required by state and federal laws and regulations to make certain financial assurances, public notice and record keeping, and reporting regarding this liability. The Borough has complied with these provisions. The Borough is committed to funding the annual increase in the estimate of closure and postclosure care cost, and has established a special revenue fund for accounting for landfill operations.

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NON-MAJOR GOVERNMENTAL FUNDS

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

| | <u>Special Revenue Funds</u> | <u>Capital Projects Funds</u> | <u>Debt Service Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|--------------------------------------|---------------------------------------|-------------------------------|--|
| <hr/> ASSETS <hr/> | | | | |
| Cash and short-term investments | \$ 72,249 | \$ - | \$ - | \$ 72,249 |
| Equity in central treasury | 29,003,309 | 8,721,736 | - | 37,725,045 |
| Receivables (net of allowances for estimated uncollectibles): | | | | |
| Taxes receivable | 249,874 | - | - | 249,874 |
| Accounts receivable | 222,330 | - | - | 222,330 |
| Land sale contracts receivable: | | | | |
| Current | 163,157 | - | - | 163,157 |
| Delinquent | 24,437 | - | - | 24,437 |
| Due from other governments | 909,967 | 378,697 | - | 1,288,664 |
| Prepays | 105 | - | - | 105 |
| Land sale contracts receivable - long-term | <u>871,565</u> | <u>-</u> | <u>-</u> | <u>871,565</u> |
| Total assets | <u><u>\$ 31,516,993</u></u> | <u><u>\$ 9,100,433</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 40,617,426</u></u> |
| <hr/> LIABILITIES AND FUND BALANCES <hr/> | | | | |
| Liabilities: | | | | |
| Accounts and retainage payable | 1,303,824 | 453,969 | - | 1,757,793 |
| Accrued payroll and payroll taxes | 207,574 | 7,639 | - | 215,213 |
| Due to General Fund | 71,608 | - | - | 71,608 |
| Deferred revenue | 4,106,387 | - | - | 4,106,387 |
| Total liabilities | <u><u>5,689,393</u></u> | <u><u>461,608</u></u> | <u><u>-</u></u> | <u><u>6,151,001</u></u> |
| Fund balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 751,238 | 2,353,256 | - | 3,104,494 |
| Prepays | 105 | - | - | 105 |
| Unreserved: | | | | |
| Designations | | | | |
| Susequent year expenditures | 1,347,459 | - | - | 1,347,459 |
| Landfill closure costs | 2,916,617 | - | - | 2,916,617 |
| Projects | 3,315,150 | 2,746,029 | - | 6,061,179 |
| Undesignated | 17,497,031 | 3,539,540 | - | 21,036,571 |
| Total fund balances | <u><u>25,827,600</u></u> | <u><u>8,638,825</u></u> | <u><u>-</u></u> | <u><u>34,466,425</u></u> |
| Total liabilities and fund balances | <u><u>\$ 31,516,993</u></u> | <u><u>\$ 9,100,433</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 40,617,426</u></u> |

Kenai Peninsula Borough

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008**

| | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | Total Nonmajor Governmental Funds |
|--|----------------------------------|-----------------------------------|-------------------------------|--|
| Revenues: | | | | |
| General property taxes | \$ 15,819,218 | \$ - | \$ - | \$ 15,819,218 |
| Motor vehicle tax | 347,352 | - | - | 347,352 |
| Intergovernmental: | | | | |
| Federal | 934,345 | 1,364,053 | - | 2,298,398 |
| State | 1,827,857 | 1,405,038 | - | 3,232,895 |
| Investment earnings | 1,515,444 | 343,558 | - | 1,859,002 |
| Other revenues | 2,745,767 | - | - | 2,745,767 |
| Total revenues | 23,189,983 | 3,112,649 | - | 26,302,632 |
| Expenditures | | | | |
| General government | 1,800,907 | 128,251 | - | 1,929,158 |
| Solid waste | 4,791,911 | 2,397,035 | - | 7,188,946 |
| Public safety | 11,427,486 | 4,471,559 | - | 15,899,045 |
| Recreation | 1,302,674 | 288,722 | - | 1,591,396 |
| Education | 902,523 | 1,914,264 | - | 2,816,787 |
| Roads and trails | 4,309,600 | 2,081,199 | - | 6,390,799 |
| Debt service: | | | | |
| Principal | - | - | 2,305,000 | 2,305,000 |
| Interest and other | - | - | 1,075,491 | 1,075,491 |
| Total expenditures | 24,535,101 | 11,281,030 | 3,380,491 | 39,196,622 |
| Excess (deficiency) of revenues over expenditures | (1,345,118) | (8,168,381) | (3,380,491) | (12,893,990) |
| Other financing sources (uses): | | | | |
| Transfers in | 7,552,055 | 5,733,000 | 3,380,491 | 16,665,546 |
| Transfers out | (4,108,684) | (858,674) | - | (4,967,358) |
| Net other financing sources (uses) | 3,443,371 | 4,874,326 | 3,380,491 | 11,698,188 |
| Net change in fund balances | 2,098,253 | (3,294,055) | - | (1,195,802) |
| Fund balances at beginning of year | 23,729,347 | 11,932,880 | - | 35,662,227 |
| Fund balances at end of year | \$ 25,827,600 | \$ 8,638,825 | \$ - | \$ 34,466,425 |

Nonmajor Special Revenue Funds
Pages 72 - 94

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

Nikiski Fire Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Nikiski Fire Service Area.

Bear Creek Fire Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Bear Creek Fire Service Area.

Anchor Point Fire and Emergency Medical Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Anchor Point Fire and Emergency Medical Service Area.

Central Emergency Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Central Emergency Service Area.

Kachemak Emergency Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Kachemak Emergency Service Area.

Lowell Point Emergency Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Lowell Point Emergency Service Area.

Central Peninsula Emergency Medical Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Central Peninsula Emergency Medical Service Area.

North Peninsula Recreation Service Area Special Revenue Fund - This fund is used to account for operating expenditures of the North Peninsula Recreation Service Area.

Road Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Road Service Area.

Postsecondary Education Special Revenue Fund – This fund is used to account for expenditures of the postsecondary education program.

Land Trust Special Revenue Fund – This fund is used to account for expenditures of the Land Trust Fund.

Kenai River Center Special Revenue Fund – This fund is used to account for expenditures of the Kenai River Center.

Coastal Zone Management Special Revenue Fund – This fund is used to account for expenditures of the Coastal Zone Management program.

Seward Bear Creek Flood Special Revenue Fund – This fund is used to account for operating expenditures of the Seward Bear Creek Flood Service Area.

Disaster Relief Special Revenue Fund – This fund is used to account for expenditures of the Disaster Relief program.

Environmental Protection Programs Special Revenue Fund – This fund is used to account for expenditures of the environmental protection program.

Local Emergency Planning Committee Special Revenue Fund – This fund is used to account for expenditures of the local emergency planning program.

Underground Storage Tank Removal and Upgrade Special Revenue Fund – This fund is used to account for expenditures of the underground storage tank removal and upgrade program.

Miscellaneous Grants Special Revenue Fund – This fund is used to account for expenditures of miscellaneous grants received from the State of Alaska and the Federal Government.

Community & Economic Development Special Revenue Fund – This fund is used to account for expenditures from grants received for the community & economic development program.

Nikiski Senior Service Area Special Revenue Fund – This fund is used to account for expenditures of the Nikiski Senior Center.

Solid Waste Special Revenue Fund – This fund is used to account for expenditures of Kenai Peninsula Borough landfills.

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**Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2008**

| <u>ASSETS</u> | <u>Nikiski Fire Service Area</u> | <u>Bear Creek Fire Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Central Emergency Service Area</u> | <u>Kachemak Emergency Service Area</u> |
|--|--------------------------------------|---|---|---|--|
| Cash and short-term investments | \$ 7,474 | \$ 316 | \$ - | \$ 64,059 | \$ 200 |
| Equity in central treasury | 5,010,839 | 158,210 | 270,491 | 1,928,769 | 337,593 |
| Receivables (net of allowances for estimated uncollectibles): | | | | | |
| Taxes receivable | 36,357 | 6,687 | 10,468 | 86,715 | 9,776 |
| Accounts receivable | 73,638 | - | - | 122,270 | - |
| Land sale contracts receivable: | | | | | |
| Current | - | - | - | - | - |
| Delinquent | - | - | - | - | - |
| Due from other governments | 10,737 | 58,054 | 3,078 | 25,852 | 4,438 |
| Prepays | - | - | - | - | - |
| Land sale contracts receivable - long-term | - | - | - | - | - |
| Total assets | <u>\$ 5,139,045</u> | <u>\$ 223,267</u> | <u>\$ 284,037</u> | <u>\$ 2,227,665</u> | <u>\$ 352,007</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts and retainage payable | 40,600 | 46,192 | 16,747 | 55,544 | 3,548 |
| Accrued payroll and payroll taxes | 43,827 | 1,068 | 2,113 | 72,287 | 1,516 |
| Due to General Fund | - | - | - | - | - |
| Deferred revenue | 1,252,742 | 7,381 | 34,072 | 319,572 | 12,096 |
| Total liabilities | <u>1,337,169</u> | <u>54,641</u> | <u>52,932</u> | <u>447,403</u> | <u>17,160</u> |
| Fund balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances | - | 68,478 | - | 1,935 | 2,753 |
| Prepays | - | - | - | - | - |
| Unreserved: | | | | | |
| Designations | | | | | |
| Subsequent year expenditures | - | - | - | - | - |
| Landfill closure costs | - | - | - | - | - |
| Projects | - | - | - | - | - |
| Undesignated | 3,801,876 | 100,148 | 231,105 | 1,778,327 | 332,094 |
| Total fund balances | <u>3,801,876</u> | <u>168,626</u> | <u>231,105</u> | <u>1,780,262</u> | <u>334,847</u> |
| Total liabilities and fund balances | <u>\$ 5,139,045</u> | <u>\$ 223,267</u> | <u>\$ 284,037</u> | <u>\$ 2,227,665</u> | <u>\$ 352,007</u> |

| <u>Lowell Point Emergency Service Area</u> | <u>Central Peninsula Emergency Medical Service Area</u> | <u>North Peninsula Recreation Service Area</u> | <u>Road Service Area</u> | <u>Post- Secondary Education</u> | <u>Land Trust</u> |
|--|---|--|------------------------------|--|---------------------|
| \$ - | \$ - | \$ 200 | \$ - | \$ - | \$ - |
| 14,288 | 11,117 | 2,315,809 | 4,199,987 | 93,596 | 6,136,077 |
| 243 | 56 | 12,362 | 83,389 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 163,157 |
| - | - | - | - | - | 24,437 |
| 110 | 1,725 | 3,579 | 26,680 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 871,565 |
| <u>\$ 14,641</u> | <u>\$ 12,898</u> | <u>\$ 2,331,950</u> | <u>\$ 4,310,056</u> | <u>\$ 93,596</u> | <u>\$ 7,195,236</u> |
| 1,631 | - | 34,827 | 434,015 | 93,596 | 27,537 |
| - | - | 14,520 | 13,736 | - | 6,581 |
| - | - | - | - | - | - |
| 105 | 100 | 425,272 | 907,158 | - | 1,059,160 |
| <u>1,736</u> | <u>100</u> | <u>474,619</u> | <u>1,354,909</u> | <u>93,596</u> | <u>1,093,278</u> |
| - | - | - | - | - | 180,653 |
| - | - | - | - | - | - |
| - | - | 143,488 | - | - | 833,410 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 12,905 | 12,798 | 1,713,843 | 2,955,147 | - | 5,087,895 |
| <u>12,905</u> | <u>12,798</u> | <u>1,857,331</u> | <u>2,955,147</u> | <u>-</u> | <u>6,101,958</u> |
| <u>\$ 14,641</u> | <u>\$ 12,898</u> | <u>\$ 2,331,950</u> | <u>\$ 4,310,056</u> | <u>\$ 93,596</u> | <u>\$ 7,195,236</u> |

(continued)

Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Balance Sheet - continued
June 30, 2008

| ASSETS | Kenai River Center | Coastal Zone Management | Seward Bear Creek Flood Service Area | Disaster Relief | Environmental Protection Programs |
|--|-----------------------|----------------------------|--|--------------------|---|
| Cash and short-term investments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity in central treasury | 135,137 | 5,508 | 485,869 | 180,097 | 2,935,043 |
| Receivables (net of allowances for estimated uncollectibles): | | | | | |
| Taxes receivable | - | - | 1,763 | - | - |
| Accounts receivable | - | - | - | - | - |
| Land sale contracts receivable: | | | | | |
| Current | - | - | - | - | - |
| Delinquent | - | - | - | - | - |
| Due from other governments | 1,779 | 2,033 | 1,498 | 42,173 | 473,000 |
| Prepays | - | - | - | - | 105 |
| Land sale contracts receivable - long-term | - | - | - | - | - |
| Total assets | \$ 136,916 | \$ 7,541 | \$ 489,130 | \$ 222,270 | \$ 3,408,148 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts and retainage payable | 13,195 | - | 34,727 | - | 57,089 |
| Accrued payroll and payroll taxes | 8,231 | - | 543 | - | 12,435 |
| Due to General Fund | - | - | - | - | - |
| Deferred revenue | 185 | - | 6,358 | - | - |
| Total liabilities | 21,611 | - | 41,628 | - | 69,524 |
| Fund balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances | - | - | 4,275 | - | 296,012 |
| Prepays | - | - | - | - | 105 |
| Unreserved: | | | | | |
| Designated: | | | | | |
| Subsequent year expenditures | 43,881 | - | - | - | - |
| Landfill closure costs | - | - | - | - | - |
| Projects | - | 7,541 | - | 222,270 | 3,042,507 |
| Undesignated | 71,424 | - | 443,227 | - | - |
| Total fund balances | 115,305 | 7,541 | 447,502 | 222,270 | 3,338,624 |
| Total liabilities and fund balances | \$ 136,916 | \$ 7,541 | \$ 489,130 | \$ 222,270 | \$ 3,408,148 |

| <u>Local Emergency Planning Committee</u> | <u>Underground Storage Tank Removal and Upgrades</u> | <u>Miscellaneous Grants</u> | <u>Nikiski Senior Service Area</u> | <u>Solid Waste</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|---|--|---------------------------------|--|---------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 72,249 |
| - | 43,482 | - | 189,660 | 4,551,737 | 29,003,309 |
| - | - | - | 2,058 | - | 249,874 |
| - | - | - | - | 26,422 | 222,330 |
| - | - | - | - | - | 163,157 |
| - | - | - | - | - | 24,437 |
| 10,555 | - | 211,370 | 33,306 | - | 909,967 |
| - | - | - | - | - | 105 |
| - | - | - | - | - | 871,565 |
| <u>\$ 10,555</u> | <u>\$ 43,482</u> | <u>\$ 211,370</u> | <u>\$ 225,024</u> | <u>\$ 4,578,159</u> | <u>\$ 31,516,993</u> |
| 16 | - | 17,024 | 11,249 | 416,287 | 1,303,824 |
| - | - | 304 | 1,462 | 28,951 | 207,574 |
| 10,539 | - | 61,069 | - | - | 71,608 |
| - | - | - | 82,186 | - | 4,106,387 |
| <u>10,555</u> | <u>-</u> | <u>78,397</u> | <u>94,897</u> | <u>445,238</u> | <u>5,689,393</u> |
| - | 650 | 132,973 | - | 63,509 | 751,238 |
| - | - | - | - | - | 105 |
| - | - | - | - | 326,680 | 1,347,459 |
| - | - | - | - | 2,916,617 | 2,916,617 |
| - | 42,832 | - | - | - | 3,315,150 |
| - | - | - | 130,127 | 826,115 | 17,497,031 |
| - | <u>43,482</u> | <u>132,973</u> | <u>130,127</u> | <u>4,132,921</u> | <u>25,827,600</u> |
| <u>\$ 10,555</u> | <u>\$ 43,482</u> | <u>\$ 211,370</u> | <u>\$ 225,024</u> | <u>\$ 4,578,159</u> | <u>\$ 31,516,993</u> |

Kenai Peninsula Borough

**Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008**

| | <u>Nikiski Fire Service Area</u> | <u>Bear Creek Fire Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Central Emergency Service Area</u> | <u>Kachemak Emergency Service Area</u> |
|--|--------------------------------------|---|---|---|--|
| Revenues: | | | | | |
| General property taxes | \$ 3,409,650 | \$ 261,952 | \$ 364,853 | \$ 4,939,778 | \$ 494,667 |
| Motor vehicle tax | 46,264 | 10,034 | 13,266 | 111,299 | 19,124 |
| Intergovernmental: | | | | | |
| Federal | 7,370 | 59,725 | 5,931 | - | 6,746 |
| State | 204,269 | 7,204 | 27,919 | 334,798 | 3,990 |
| Investment earnings | 215,062 | 10,298 | 14,201 | 145,197 | 14,896 |
| Other revenues | 247,603 | - | 12 | 583,119 | - |
| Total revenues | <u>4,130,218</u> | <u>349,213</u> | <u>426,182</u> | <u>6,114,191</u> | <u>539,423</u> |
| Expenditures: | | | | | |
| General government | - | - | - | - | - |
| Solid waste | - | - | - | - | - |
| Public safety | 3,214,830 | 199,116 | 237,097 | 5,077,261 | 254,891 |
| Recreation | - | - | - | - | - |
| Education | - | - | - | - | - |
| Roads and trails | - | - | - | - | - |
| Total expenditures | <u>3,214,830</u> | <u>199,116</u> | <u>237,097</u> | <u>5,077,261</u> | <u>254,891</u> |
| Excess (deficiency) of revenues over expenditures | <u>915,388</u> | <u>150,097</u> | <u>189,085</u> | <u>1,036,930</u> | <u>284,532</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 9,400 | - |
| Transfers out | (245,186) | (125,000) | (115,000) | (737,564) | (150,000) |
| Net other financing sources (uses) | <u>(245,186)</u> | <u>(125,000)</u> | <u>(115,000)</u> | <u>(728,164)</u> | <u>(150,000)</u> |
| Net change in fund balances | 670,202 | 25,097 | 74,085 | 308,766 | 134,532 |
| Fund balances at beginning of year | <u>3,131,674</u> | <u>143,529</u> | <u>157,020</u> | <u>1,471,496</u> | <u>200,315</u> |
| Fund balances at end of year | <u>\$ 3,801,876</u> | <u>\$ 168,626</u> | <u>\$ 231,105</u> | <u>\$ 1,780,262</u> | <u>\$ 334,847</u> |

| <u>Lowell Point Emergency Service Area</u> | <u>Central Peninsula Emergency Medical Service Area</u> | <u>North Peninsula Recreation Service Area</u> | <u>Road Service Area</u> | <u>Post- Secondary Education</u> | <u>Land Trust</u> | <u>Kenai River Center</u> |
|--|---|--|------------------------------|--|---------------------|-------------------------------|
| \$ 14,617 | \$ 9,386 | \$ 1,141,938 | \$ 4,786,045 | \$ 1,920 | \$ - | \$ - |
| 472 | 7,430 | 15,421 | 115,049 | 47 | - | - |
| - | - | - | - | - | - | 4,000 |
| 8,280 | - | 43,897 | 54,433 | - | 32,461 | 32,895 |
| 559 | 254 | 101,213 | 190,968 | - | 355,500 | - |
| - | - | 197,641 | 2,842 | - | 1,392,502 | 52,322 |
| <u>23,928</u> | <u>17,070</u> | <u>1,500,110</u> | <u>5,149,337</u> | <u>1,967</u> | <u>1,780,463</u> | <u>89,217</u> |
| - | - | - | - | - | 835,653 | 538,117 |
| - | - | - | - | - | - | - |
| 22,974 | - | - | - | - | - | - |
| - | - | 1,253,958 | - | - | - | - |
| - | - | - | - | 535,983 | - | - |
| - | - | - | 3,908,811 | - | - | - |
| <u>22,974</u> | <u>-</u> | <u>1,253,958</u> | <u>3,908,811</u> | <u>535,983</u> | <u>835,653</u> | <u>538,117</u> |
| <u>954</u> | <u>17,070</u> | <u>246,152</u> | <u>1,240,526</u> | <u>(534,016)</u> | <u>944,810</u> | <u>(448,900)</u> |
| - | - | - | 668,674 | 420,289 | - | 386,199 |
| - | (9,400) | (75,000) | (1,200,000) | - | - | - |
| <u>-</u> | <u>(9,400)</u> | <u>(75,000)</u> | <u>(531,326)</u> | <u>420,289</u> | <u>-</u> | <u>386,199</u> |
| 954 | 7,670 | 171,152 | 709,200 | (113,727) | 944,810 | (62,701) |
| <u>11,951</u> | <u>5,128</u> | <u>1,686,179</u> | <u>2,245,947</u> | <u>113,727</u> | <u>5,157,148</u> | <u>178,006</u> |
| <u>\$ 12,905</u> | <u>\$ 12,798</u> | <u>\$ 1,857,331</u> | <u>\$ 2,955,147</u> | <u>\$ -</u> | <u>\$ 6,101,958</u> | <u>\$ 115,305</u> |

(continued)

Kenai Peninsula Borough

**Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - continued
For the Year Ended June 30, 2008**

| | Coastal Zone Management | Seward Bear Creek Flood Service Area | Disaster Relief | Environmental Protection Programs | Local Emergency Planning Committee |
|--|------------------------------------|---|------------------------|--|---|
| Revenues: | | | | | |
| General property taxes | \$ - | \$ 178,000 | \$ - | \$ - | \$ - |
| Motor vehicle tax | - | 6,454 | - | - | - |
| Intergovernmental: | | | | | |
| Federal | 54,799 | 5,871 | 365,966 | 384,430 | - |
| State | - | 2,893 | 234,311 | - | 22,125 |
| Investment earnings | - | 21,128 | - | 204,225 | - |
| Other revenues | - | - | - | - | - |
| Total revenues | 54,799 | 214,346 | 600,277 | 588,655 | 22,125 |
| Expenditures | | | | | |
| General government | 54,799 | - | - | - | - |
| Solid waste | - | - | - | - | - |
| Public safety | - | 117,577 | 118,507 | 2,090,813 | 22,125 |
| Recreation | - | - | - | - | - |
| Education | - | - | - | - | - |
| Roads and trails | - | - | 400,789 | - | - |
| Total expenditures | 54,799 | 117,577 | 519,296 | 2,090,813 | 22,125 |
| Excess (deficiency) of revenues over expenditures | - | 96,769 | 80,981 | (1,502,158) | - |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | (67,469) | - | - |
| Net other financing sources (uses) | - | - | (67,469) | - | - |
| Net change in fund balances | - | 96,769 | 13,512 | (1,502,158) | - |
| Fund balances at beginning of year | 7,541 | 350,733 | 208,758 | 4,840,782 | - |
| Fund balances at end of year | \$ 7,541 | \$ 447,502 | \$ 222,270 | \$ 3,338,624 | \$ - |

| Underground Storage Tank Removal and Upgrade | Miscellaneous Grants | Community & Economic Development | Nikiski Senior Service Area | Solid Waste | Total Nonmajor Special Revenue Funds |
|---|---------------------------------|---|--|---------------------|---|
| \$ - | \$ - | \$ - | \$ 216,412 | \$ - | \$ 15,819,218 |
| - | - | - | 2,492 | - | 347,352 |
| - | 39,507 | - | - | - | 934,345 |
| - | 666,174 | - | 38,857 | 113,351 | 1,827,857 |
| - | - | - | 8,727 | 233,216 | 1,515,444 |
| - | - | - | - | 269,726 | 2,745,767 |
| <u>-</u> | <u>705,681</u> | <u>-</u> | <u>266,488</u> | <u>616,293</u> | <u>23,189,983</u> |
| - | 95,585 | - | 276,753 | - | 1,800,907 |
| - | - | - | - | 4,791,911 | 4,791,911 |
| 10,428 | 61,867 | - | - | - | 11,427,486 |
| - | 48,716 | - | - | - | 1,302,674 |
| - | 366,540 | - | - | - | 902,523 |
| - | - | - | - | - | 4,309,600 |
| <u>10,428</u> | <u>572,708</u> | <u>-</u> | <u>276,753</u> | <u>4,791,911</u> | <u>24,535,101</u> |
| <u>(10,428)</u> | <u>132,973</u> | <u>-</u> | <u>(10,265)</u> | <u>(4,175,618)</u> | <u>(1,345,118)</u> |
| - | - | - | 33,220 | 6,034,273 | 7,552,055 |
| - | - | (5,840) | - | (1,378,225) | (4,108,684) |
| <u>-</u> | <u>-</u> | <u>(5,840)</u> | <u>33,220</u> | <u>4,656,048</u> | <u>3,443,371</u> |
| (10,428) | 132,973 | (5,840) | 22,955 | 480,430 | 2,098,253 |
| <u>53,910</u> | <u>-</u> | <u>5,840</u> | <u>107,172</u> | <u>3,652,491</u> | <u>23,729,347</u> |
| <u>\$ 43,482</u> | <u>\$ 132,973</u> | <u>\$ -</u> | <u>\$ 130,127</u> | <u>\$ 4,132,921</u> | <u>\$ 25,827,600</u> |

Kenai Peninsula Borough

**Nikiski Fire Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| General property taxes | \$ 3,400,702 | \$ 3,400,702 | \$ 3,409,650 | \$ 8,948 |
| Motor vehicle tax | 34,229 | 34,229 | 46,264 | 12,035 |
| Intergovernmental: | | | | |
| Federal | - | 7,370 | 7,370 | - |
| State | - | 129,629 | 204,269 | 74,640 |
| Investment earnings | 129,435 | 129,435 | 215,062 | 85,627 |
| Other revenues | 250,000 | 250,000 | 247,603 | (2,397) |
| Total revenues | <u>3,814,366</u> | <u>3,951,365</u> | <u>4,130,218</u> | <u>178,002</u> |
| Expenditures: | | | | |
| Personnel | 2,611,997 | 2,741,626 | 2,462,072 | 279,554 |
| Supplies | 155,993 | 166,238 | 141,657 | 24,581 |
| Services | 611,373 | 601,360 | 500,425 | 100,935 |
| Capital outlay | 115,122 | 122,260 | 110,676 | 11,584 |
| Total expenditures | <u>3,494,485</u> | <u>3,631,484</u> | <u>3,214,830</u> | <u>416,654</u> |
| Excess (deficiency) of revenues over expenditures | <u>319,881</u> | <u>319,881</u> | <u>915,388</u> | <u>594,656</u> |
| Other financing sources (uses) - | | | | |
| Transfers out | <u>(245,186)</u> | <u>(245,186)</u> | <u>(245,186)</u> | <u>-</u> |
| Net change in fund balance | 74,695 | 74,695 | 670,202 | 594,656 |
| Fund balance at beginning of year | <u>3,131,674</u> | <u>3,131,674</u> | <u>3,131,674</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,206,369</u> | <u>\$ 3,206,369</u> | <u>\$ 3,801,876</u> | <u>\$ 594,656</u> |

Kenai Peninsula Borough

**Bear Creek Fire Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 262,629 | \$ 262,629 | \$ 261,952 | \$ (677) |
| Motor vehicle tax | 12,416 | 12,416 | 10,034 | (2,382) |
| Intergovernmental: | | | | |
| Federal | - | 117,279 | 59,725 | (57,554) |
| State | - | - | 7,204 | 7,204 |
| Investment earnings | 4,982 | 4,982 | 10,298 | 5,316 |
| Total revenues | <u>280,027</u> | <u>397,306</u> | <u>349,213</u> | <u>(48,093)</u> |
| Expenditures: | | | | |
| Personnel | 34,600 | 34,600 | 34,049 | 551 |
| Supplies | 22,090 | 25,930 | 23,809 | 2,121 |
| Services | 57,155 | 65,232 | 86,184 | (20,952) |
| Capital outlay | 34,024 | 142,781 | 55,074 | 87,707 |
| Total expenditures | <u>147,869</u> | <u>268,543</u> | <u>199,116</u> | <u>69,427</u> |
| Excess (deficiency) of revenues over expenditures | <u>132,158</u> | <u>128,763</u> | <u>150,097</u> | <u>21,334</u> |
| Other financing sources (uses) - | | | | |
| Transfers out | <u>(125,000)</u> | <u>(125,000)</u> | <u>(125,000)</u> | <u>-</u> |
| Net change in fund balance | 7,158 | 3,763 | 25,097 | 21,334 |
| Fund balance at beginning of year | <u>143,529</u> | <u>143,529</u> | <u>143,529</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 150,687</u> | <u>\$ 147,292</u> | <u>\$ 168,626</u> | <u>\$ 21,334</u> |

Kenai Peninsula Borough

**Anchor Point Fire and Emergency Medical Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| General property taxes | \$ 365,842 | \$ 365,842 | \$ 364,853 | \$ (989) |
| Motor vehicle tax | 13,053 | 13,053 | 13,266 | 213 |
| Intergovernmental: | | | | |
| Federal | - | 5,931 | 5,931 | - |
| State | - | 24,773 | 27,919 | 3,146 |
| Investment earnings | 9,981 | 9,981 | 14,201 | 4,220 |
| Other revenues | - | - | 12 | 12 |
| Total revenues | <u>388,876</u> | <u>419,580</u> | <u>426,182</u> | <u>6,602</u> |
| Expenditures: | | | | |
| Personnel | 113,630 | 126,403 | 122,674 | 3,729 |
| Supplies | 30,900 | 37,900 | 29,434 | 8,466 |
| Services | 88,313 | 84,313 | 58,868 | 25,445 |
| Capital outlay | <u>16,500</u> | <u>31,431</u> | <u>26,121</u> | <u>5,310</u> |
| Total expenditures | <u>249,343</u> | <u>280,047</u> | <u>237,097</u> | <u>42,950</u> |
| Excess (deficiency) of revenues over expenditures | <u>139,533</u> | <u>139,533</u> | <u>189,085</u> | <u>49,552</u> |
| Other financing sources (uses) - | | | | |
| Transfers out | <u>(115,000)</u> | <u>(115,000)</u> | <u>(115,000)</u> | <u>-</u> |
| Net change in fund balance | 24,533 | 24,533 | 74,085 | 49,552 |
| Fund balance at beginning of year | <u>157,020</u> | <u>157,020</u> | <u>157,020</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 181,553</u> | <u>\$ 181,553</u> | <u>\$ 231,105</u> | <u>\$ 49,552</u> |

Kenai Peninsula Borough

**Central Emergency Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 5,150,753 | \$ 5,150,753 | \$ 4,939,778 | \$ (210,975) |
| Motor vehicle tax | 100,982 | 100,982 | 111,299 | 10,317 |
| Intergovernmental - state | - | 194,760 | 334,798 | 140,038 |
| Investment earnings | 65,189 | 65,189 | 145,197 | 80,008 |
| Other revenues | 652,800 | 652,800 | 583,119 | (69,681) |
| Total revenues | <u>5,969,724</u> | <u>6,164,484</u> | <u>6,114,191</u> | <u>(50,293)</u> |
| Expenditures: | | | | |
| Personnel | 3,682,731 | 3,877,491 | 3,760,298 | 117,193 |
| Supplies | 299,472 | 296,172 | 289,506 | 6,666 |
| Services | 863,326 | 918,126 | 895,902 | 22,224 |
| Capital outlay | 134,009 | 139,509 | 131,555 | 7,954 |
| Total expenditures | <u>4,979,538</u> | <u>5,231,298</u> | <u>5,077,261</u> | <u>154,037</u> |
| Excess (deficiency) of revenues over expenditures | <u>990,186</u> | <u>933,186</u> | <u>1,036,930</u> | <u>103,744</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 9,400 | 18,800 | 9,400 | (9,400) |
| Transfers out | <u>(737,564)</u> | <u>(737,564)</u> | <u>(737,564)</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(728,164)</u> | <u>(718,764)</u> | <u>(728,164)</u> | <u>(9,400)</u> |
| Net change in fund balance | 262,022 | 214,422 | 308,766 | 94,344 |
| Fund balance at beginning of year | <u>1,471,496</u> | <u>1,471,496</u> | <u>1,471,496</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,733,518</u> | <u>\$ 1,685,918</u> | <u>\$ 1,780,262</u> | <u>\$ 94,344</u> |

Kenai Peninsula Borough

**Kachemak Emergency Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 505,383 | \$ 505,383 | \$ 494,667 | \$ (10,716) |
| Motor vehicle tax | 19,738 | 19,738 | 19,124 | (614) |
| Intergovernmental: | | | | |
| Federal | - | 6,746 | 6,746 | - |
| State | - | 3,990 | 3,990 | - |
| Investment earnings | 8,823 | 8,823 | 14,896 | 6,073 |
| Total revenues | <u>533,944</u> | <u>544,680</u> | <u>539,423</u> | <u>(5,257)</u> |
| Expenditures: | | | | |
| Personnel | 59,707 | 77,297 | 76,703 | 594 |
| Supplies | 9,400 | 10,441 | 9,466 | 975 |
| Services | 278,174 | 259,574 | 145,400 | 114,174 |
| Capital outlay | 16,450 | 27,196 | 23,322 | 3,874 |
| Total expenditures | <u>363,731</u> | <u>374,508</u> | <u>254,891</u> | <u>119,617</u> |
| Excess (deficiency) of revenues over expenditures | <u>170,213</u> | <u>170,172</u> | <u>284,532</u> | <u>114,360</u> |
| Other financing sources (uses) - | | | | |
| Transfers out | <u>(150,000)</u> | <u>(150,000)</u> | <u>(150,000)</u> | <u>-</u> |
| Net change in fund balance | 20,213 | 20,172 | 134,532 | 114,360 |
| Fund balance at beginning of year | <u>200,315</u> | <u>200,315</u> | <u>200,315</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 220,528</u> | <u>\$ 220,487</u> | <u>\$ 334,847</u> | <u>\$ 114,360</u> |

Kenai Peninsula Borough

**Lowell Point Emergency Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | | Variance Positive (Negative) |
|-----------------------------------|-----------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| General property taxes | \$ 13,540 | \$ 13,540 | \$ 14,617 | \$ 1,077 |
| Motor vehicle tax | 471 | 471 | 472 | 1 |
| Intergovernmental - state | - | 10,330 | 8,280 | (2,050) |
| Investment earnings | 720 | 720 | 559 | (161) |
| Total revenues | <u>14,731</u> | <u>25,061</u> | <u>23,928</u> | <u>(1,133)</u> |
| Expenditures: | | | | |
| Personnel | 836 | - | - | - |
| Supplies | 3,738 | 4,713 | 3,606 | 1,107 |
| Services | 17,570 | 11,332 | 11,332 | - |
| Capital outlay | 1,175 | 10,332 | 8,036 | 2,296 |
| Total expenditures | <u>23,319</u> | <u>26,377</u> | <u>22,974</u> | <u>3,403</u> |
| Net change in fund balance | (8,588) | (1,316) | 954 | 2,270 |
| Fund balance at beginning of year | <u>11,951</u> | <u>11,951</u> | <u>11,951</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,363</u> | <u>\$ 10,635</u> | <u>\$ 12,905</u> | <u>\$ 2,270</u> |

Kenai Peninsula Borough

**Central Peninsula Emergency Medical Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-----------------|-----------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 6,887 | \$ 6,887 | \$ 9,386 | \$ 2,499 |
| Motor vehicle tax | - | - | 7,430 | 7,430 |
| Intergovernmental - state | - | 10,000 | - | (10,000) |
| Investment earnings | - | - | 254 | 254 |
| Other revenues | <u>6,887</u> | <u>16,887</u> | <u>17,070</u> | <u>183</u> |
| Expenditures - personnel | <u>-</u> | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| Excess (deficiency) of revenues over expenditures | <u>6,887</u> | <u>6,887</u> | <u>17,070</u> | <u>10,183</u> |
| Other financing sources (uses) - | | | | |
| Transfers out | <u>(9,400)</u> | <u>(9,400)</u> | <u>(9,400)</u> | <u>-</u> |
| Net change in fund balance | (2,513) | (2,513) | 7,670 | 10,183 |
| Fund balance at beginning of year | <u>5,128</u> | <u>5,128</u> | <u>5,128</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 2,615</u> | <u>\$ 2,615</u> | <u>\$ 12,798</u> | <u>\$ 10,183</u> |

Kenai Peninsula Borough

**North Peninsula Recreation Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 1,138,851 | \$ 1,138,851 | \$ 1,141,938 | \$ 3,087 |
| Motor vehicle tax | 15,467 | 15,467 | 15,421 | (46) |
| Intergovernmental - state | - | 28,809 | 43,897 | 15,088 |
| Investment earnings | 74,950 | 74,950 | 101,213 | 26,263 |
| Other revenues | 169,815 | 169,815 | 197,641 | 27,826 |
| Total revenues | <u>1,399,083</u> | <u>1,427,892</u> | <u>1,500,110</u> | <u>72,218</u> |
| Expenditures: | | | | |
| Personnel | 707,111 | 735,920 | 720,039 | 15,881 |
| Supplies | 100,950 | 105,855 | 99,199 | 6,656 |
| Services | 484,575 | 471,954 | 425,763 | 46,191 |
| Capital outlay | 2,500 | 10,216 | 8,957 | 1,259 |
| Total expenditures | <u>1,295,136</u> | <u>1,323,945</u> | <u>1,253,958</u> | <u>69,987</u> |
| Excess (deficiency) of revenues over expenditures | <u>103,947</u> | <u>103,947</u> | <u>246,152</u> | <u>142,205</u> |
| Other financing sources (uses) - Transfers out | <u>(75,000)</u> | <u>(75,000)</u> | <u>(75,000)</u> | <u>-</u> |
| Net change in fund balance | 28,947 | 28,947 | 171,152 | 142,205 |
| Fund balance at beginning of year | <u>1,686,179</u> | <u>1,686,179</u> | <u>1,686,179</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,715,126</u> | <u>\$ 1,715,126</u> | <u>\$ 1,857,331</u> | <u>\$ 142,205</u> |

Kenai Peninsula Borough

**Road Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 4,769,811 | \$ 4,769,811 | \$ 4,786,045 | \$ 16,234 |
| Motor vehicle tax | 130,924 | 130,924 | 115,049 | (15,875) |
| Intergovernmental - state | - | 35,446 | 54,433 | 18,987 |
| Investment earnings | 99,524 | 99,524 | 190,968 | 91,444 |
| Other revenues | - | - | 2,842 | 2,842 |
| Total revenues | <u>5,000,259</u> | <u>5,035,705</u> | <u>5,149,337</u> | <u>113,632</u> |
| Expenditures: | | | | |
| Personnel | 680,795 | 732,414 | 728,926 | 3,488 |
| Supplies | 68,323 | 70,323 | 66,135 | 3,188 |
| Services | 2,837,368 | 3,068,713 | 3,077,606 | 36,305 |
| Capital outlay | 38,000 | 53,782 | 36,144 | 1,856 |
| Total expenditures | <u>3,624,486</u> | <u>3,925,232</u> | <u>3,908,811</u> | <u>44,837</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,375,773</u> | <u>1,110,473</u> | <u>1,240,526</u> | <u>130,053</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 668,674 | 668,674 |
| Transfers out | <u>(1,250,000)</u> | <u>(1,255,662)</u> | <u>(1,200,000)</u> | <u>55,662</u> |
| Net other financing sources (uses) | <u>(1,250,000)</u> | <u>(1,255,662)</u> | <u>(531,326)</u> | <u>724,336</u> |
| Net change in fund balance | 125,773 | (145,189) | 709,200 | 854,389 |
| Fund balance at beginning of year | <u>2,245,947</u> | <u>2,245,947</u> | <u>2,245,947</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 2,371,720</u> | <u>\$ 2,100,758</u> | <u>\$ 2,955,147</u> | <u>\$ 854,389</u> |

Kenai Peninsula Borough

**Post-Secondary Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|--|-------------------|-------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ - | \$ - | \$ 1,920 | \$ 1,920 |
| Motor vehicle tax | - | - | 47 | 47 |
| Total revenues | <u>-</u> | <u>-</u> | <u>1,967</u> | <u>1,967</u> |
| Expenditures - services | <u>535,983</u> | <u>535,983</u> | <u>535,983</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(535,983)</u> | <u>(535,983)</u> | <u>(534,016)</u> | <u>1,967</u> |
| Other financing sources (uses) - | | | | |
| Transfers in | <u>420,289</u> | <u>420,289</u> | <u>420,289</u> | <u>-</u> |
| Net change in fund balance | (115,694) | (115,694) | (113,727) | 1,967 |
| Fund balance at beginning of year | <u>113,727</u> | <u>113,727</u> | <u>113,727</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ (1,967)</u> | <u>\$ (1,967)</u> | <u>\$ -</u> | <u>\$ 1,967</u> |

Kenai Peninsula Borough

**Land Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|-----------------------------------|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental - state | \$ - | \$ 20,148 | \$ 32,461 | \$ 12,313 |
| Investment earnings | 290,085 | 290,085 | 355,500 | 65,415 |
| Other revenues: | | | | |
| Payments on land contracts | 500,000 | 500,000 | 1,123,393 | 623,393 |
| Land leases | 130,000 | 130,000 | 110,399 | (19,601) |
| Timber and gravel sales | 45,000 | 45,000 | 119,342 | 74,342 |
| Miscellaneous | 70,000 | 70,000 | 39,368 | (30,632) |
| Total revenues | <u>1,035,085</u> | <u>1,055,233</u> | <u>1,780,463</u> | <u>725,230</u> |
| Expenditures: | | | | |
| Personnel | 447,648 | 473,107 | 392,583 | 80,524 |
| Supplies | 10,087 | 11,282 | 4,526 | 6,756 |
| Services | 755,279 | 877,060 | 367,175 | 509,885 |
| Capital outlay | 132,500 | 145,409 | 71,369 | 74,040 |
| Total expenditures | <u>1,345,514</u> | <u>1,506,858</u> | <u>835,653</u> | <u>671,205</u> |
| Net change in fund balance | (310,429) | (451,625) | 944,810 | 1,396,435 |
| Fund balance at beginning of year | <u>5,157,148</u> | <u>5,157,148</u> | <u>5,157,148</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,846,719</u> | <u>\$ 4,705,523</u> | <u>\$ 6,101,958</u> | <u>\$ 1,396,435</u> |

Kenai Peninsula Borough

**Kenai River Center Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Federal | \$ - | \$ 4,185 | \$ 4,000 | \$ (185) |
| State | - | 21,219 | 32,895 | 11,676 |
| Other revenues | <u>52,322</u> | <u>52,322</u> | <u>52,322</u> | <u>-</u> |
| Total revenues | <u>52,322</u> | <u>77,726</u> | <u>89,217</u> | <u>11,491</u> |
| Expenditures: | | | | |
| Personnel | 405,936 | 427,155 | 418,438 | 8,717 |
| Supplies | 10,800 | 15,778 | 10,412 | 5,366 |
| Services | 139,932 | 140,116 | 104,822 | 35,294 |
| Capital outlay | <u>11,000</u> | <u>11,000</u> | <u>4,445</u> | <u>6,555</u> |
| Total expenditures | <u>567,668</u> | <u>594,049</u> | <u>538,117</u> | <u>55,932</u> |
| Excess (deficiency) of revenues over expenditures | <u>(515,346)</u> | <u>(516,323)</u> | <u>(448,900)</u> | <u>67,423</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>386,199</u> | <u>386,199</u> | <u>386,199</u> | <u>-</u> |
| Net change in fund balance | (129,147) | (130,124) | (62,701) | 67,423 |
| Fund balance at beginning of year | <u>178,006</u> | <u>178,006</u> | <u>178,006</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 48,859</u> | <u>\$ 47,882</u> | <u>\$ 115,305</u> | <u>\$ 67,423</u> |

Kenai Peninsula Borough

**Seward Bear Creek Flood Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 169,819 | \$ 169,819 | \$ 178,000 | \$ 8,181 |
| Motor vehicle tax | 6,102 | 6,102 | 6,454 | 352 |
| Intergovernmental: | | | | |
| Federal | - | 8,193 | 5,871 | (2,322) |
| State | - | 2,063 | 2,893 | 830 |
| Investment earnings | <u>11,078</u> | <u>11,078</u> | <u>21,128</u> | <u>10,050</u> |
| Total revenues | <u>186,999</u> | <u>197,255</u> | <u>214,346</u> | <u>17,091</u> |
| Expenditures: | | | | |
| Personnel | 36,377 | 38,837 | 33,265 | 5,572 |
| Supplies | 2,250 | 2,979 | 2,186 | 793 |
| Services | 173,260 | 270,692 | 81,131 | 189,561 |
| Capital outlay | <u>1,000</u> | <u>1,300</u> | <u>995</u> | <u>305</u> |
| Total expenditures | <u>212,887</u> | <u>313,808</u> | <u>117,577</u> | <u>196,231</u> |
| Net change in fund balance | (25,888) | (116,553) | 96,769 | 213,322 |
| Fund balance at beginning of year | <u>350,733</u> | <u>350,733</u> | <u>350,733</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 324,845</u> | <u>\$ 234,180</u> | <u>\$ 447,502</u> | <u>\$ 213,322</u> |

Kenai Peninsula Borough

**Nikiski Senior Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 215,689 | \$ 215,689 | \$ 216,412 | \$ 723 |
| Motor vehicle tax | 1,820 | 1,820 | 2,492 | 672 |
| Intergovernmental - state | - | 38,969 | 38,857 | (112) |
| Investment earnings | 4,536 | 4,536 | 8,727 | 4,191 |
| Total revenues | <u>222,045</u> | <u>261,014</u> | <u>266,488</u> | <u>5,474</u> |
| Expenditures: | | | | |
| Personnel | 75,132 | 81,593 | 81,593 | - |
| Supplies | - | - | - | - |
| Capital outlay | - | 33,967 | 31,762 | 2,205 |
| Total expenditures | <u>240,057</u> | <u>279,026</u> | <u>276,753</u> | <u>2,205</u> |
| Excess (deficiency) of revenues over expenditures | <u>(18,012)</u> | <u>(18,012)</u> | <u>(10,265)</u> | <u>7,679</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>33,220</u> | <u>33,220</u> | <u>33,220</u> | <u>-</u> |
| Net change in fund balance | 15,208 | 15,208 | 22,955 | 7,679 |
| Fund balance at beginning of year | <u>107,172</u> | <u>107,172</u> | <u>107,172</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 122,380</u> | <u>\$ 122,380</u> | <u>\$ 130,127</u> | <u>\$ 7,679</u> |

Kenai Peninsula Borough

**Solid Waste Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | Budget | | Actual | Variance Positive (Negative) |
|--|--------------|--------------|--------------|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental - state | \$ - | \$ 67,522 | \$ 113,351 | \$ 45,829 |
| Investment earnings | 221,129 | 221,129 | 233,216 | 12,087 |
| Other revenues | 288,307 | 288,307 | 269,726 | (18,581) |
| Total revenues | 509,436 | 576,958 | 616,293 | 39,335 |
| Expenditures: | | | | |
| Personnel | 1,735,734 | 1,803,256 | 1,689,249 | 114,007 |
| Supplies | 493,950 | 541,939 | 432,623 | 109,316 |
| Services | 3,902,741 | 3,703,355 | 2,608,664 | 1,094,691 |
| Capital outlay | 27,300 | 75,228 | 61,375 | 13,853 |
| Total expenditures | 6,159,725 | 6,123,778 | 4,791,911 | 1,331,867 |
| Excess (deficiency) of revenues over expenditures | (5,650,289) | (5,546,820) | (4,175,618) | 1,371,202 |
| Other financing sources (uses): | | | | |
| Transfers in | 6,034,273 | 6,034,273 | 6,034,273 | - |
| Transfers out | (1,378,225) | (1,378,225) | (1,378,225) | - |
| Net other financing sources (uses) | 4,656,048 | 4,656,048 | 4,656,048 | - |
| Net change in fund balance | (994,241) | (890,772) | 480,430 | 1,371,202 |
| Fund balance at beginning of year | 3,652,491 | 3,652,491 | 3,652,491 | - |
| Fund balance at end of year | \$ 2,658,250 | \$ 2,761,719 | \$ 4,132,921 | \$ 1,371,202 |

Nonmajor Capital Project Funds
Pages 96 - 99

Capital Project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

School Revenue Capital Project Fund – This fund is used to account for acquisition and construction of school facilities funded by the Borough.

General Government Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities the general government.

Resource Management Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities for the Borough’s land management program.

Solid Waste Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the solid waste program.

Road Service Area Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the Road Service Area.

Nikiski Fire Service Area Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the Nikiski Fire Service Area.

Bear Creek Fire Service Area Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the Bear Creek Fire Service Area.

Central Emergency Services Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the Central Emergency Service Area.

Anchor Point Fire and Emergency Medical Service Area Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the Anchor Point Fire and Emergency Medical Service Area.

Kachemak Emergency Service Area Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the Kachemak Emergency Service Area.

911 Communication Capital Project Fund – This fund is used to account for acquisition and construction of communication facilities for the Borough’s 911 program.

North Peninsula Recreation Service Area Capital Project Fund – This fund is used to account for acquisition and construction of major capital facilities of the North Peninsula Recreation Service Area.

Kenai Peninsula Borough

**Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2008**

| | <u>School Revenue</u> | <u>General Government</u> | <u>Resource Management</u> | <u>Solid Waste</u> | <u>Road Service Area</u> | <u>Nikiski Fire Service Area</u> |
|--------------------------------------|---------------------------|-------------------------------|--------------------------------|--------------------|------------------------------|--------------------------------------|
| <u>ASSETS</u> | | | | | | |
| Equity in central treasury | \$ 1,960,129 | \$ 801,075 | \$ 27,353 | \$ 644,154 | \$ 1,819,246 | \$ 1,049,065 |
| Due from other governments | 48,352 | - | - | - | 104,256 | - |
| Total assets | <u>\$ 2,008,481</u> | <u>\$ 801,075</u> | <u>\$ 27,353</u> | <u>\$ 644,154</u> | <u>\$ 1,923,502</u> | <u>\$ 1,049,065</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts and retainage payable | 21,786 | 210 | - | 9,281 | 58,045 | 7,560 |
| Accrued payroll and payroll taxes | 6,112 | - | - | - | - | - |
| Total liabilities | <u>27,898</u> | <u>210</u> | <u>-</u> | <u>9,281</u> | <u>58,045</u> | <u>7,560</u> |
| Fund balances: | | | | | | |
| Reserved - encumbrances | (677,615) | - | - | (80,187) | (917,337) | (168,412) |
| Unreserved: | | | | | | |
| Designated for capital projects | 1,134,649 | 518,221 | - | 525,915 | 216,691 | 41,495 |
| Undesignated | 168,319 | 282,644 | 27,353 | 28,771 | 731,429 | 831,598 |
| Total fund balances | <u>1,980,583</u> | <u>800,865</u> | <u>27,353</u> | <u>634,873</u> | <u>1,865,457</u> | <u>1,041,505</u> |
| Total liabilities and fund balances | <u>\$ 2,008,481</u> | <u>\$ 801,075</u> | <u>\$ 27,353</u> | <u>\$ 644,154</u> | <u>\$ 1,923,502</u> | <u>\$ 1,049,065</u> |

| <u>Bear Creek Fire Service Area</u> | <u>Central Emergency Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Kachemak Emergency Services Service Area</u> | <u>911 Communications</u> | <u>North Peninsula Recreation Service Area</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|---|---|---|---|-------------------------------|--|--|
| \$ 127,979 | \$ 1,148,333 | \$ 302,286 | \$ 347,539 | \$ 218,376 | \$ 276,201 | \$ 8,721,736 |
| - | - | 118 | - | 190,833 | 35,138 | 378,697 |
| <u>\$ 127,979</u> | <u>\$ 1,148,333</u> | <u>\$ 302,404</u> | <u>\$ 347,539</u> | <u>\$ 409,209</u> | <u>\$ 311,339</u> | <u>\$ 9,100,433</u> |
| - | 4,793 | 3,303 | 16,810 | 327,281 | 4,900 | 453,969 |
| - | - | - | - | 1,527 | - | 7,639 |
| <u>-</u> | <u>4,793</u> | <u>3,303</u> | <u>16,810</u> | <u>328,808</u> | <u>4,900</u> | <u>461,608</u> |
| (118,675) | (212,664) | (28,223) | (81,472) | (52,237) | (16,434) | (2,353,257) |
| 9,304 | 96,932 | 61,370 | 92,593 | 28,164 | 20,695 | 2,746,029 |
| - | 833,944 | 209,508 | 156,664 | - | 269,310 | 3,539,540 |
| <u>127,979</u> | <u>1,143,540</u> | <u>299,101</u> | <u>330,729</u> | <u>80,401</u> | <u>306,439</u> | <u>8,638,825</u> |
| <u>\$ 127,979</u> | <u>\$ 1,148,333</u> | <u>\$ 302,404</u> | <u>\$ 347,539</u> | <u>\$ 409,209</u> | <u>\$ 311,339</u> | <u>\$ 9,100,433</u> |

Kenai Peninsula Borough

**Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008**

| | <u>School Revenue</u> | <u>General Government</u> | <u>Resource Management</u> | <u>Solid Waste</u> | <u>Road Service Area</u> | <u>Nikiski Fire Service Area</u> |
|--|---------------------------|-------------------------------|--------------------------------|--------------------|------------------------------|--------------------------------------|
| Revenues: | | | | | | |
| Intergovernmental: | | | | | | |
| Federal | \$ - | \$ - | \$ - | \$ 39,910 | \$ 389,342 | \$ - |
| State | 272,222 | - | - | - | 798,758 | 50,000 |
| Investment earnings | - | - | - | - | 107,749 | 67,096 |
| Total revenues | <u>272,222</u> | <u>-</u> | <u>-</u> | <u>39,910</u> | <u>1,295,849</u> | <u>117,096</u> |
| Expenditures: | | | | | | |
| General government | - | 128,251 | - | - | - | - |
| Solid waste | - | - | - | 2,397,035 | - | - |
| Public safety | - | - | - | - | - | 406,994 |
| Recreation | - | - | - | - | - | - |
| Education | 1,914,264 | - | - | - | - | - |
| Roads and trails | - | - | - | - | 2,081,199 | - |
| Total expenditures | <u>1,914,264</u> | <u>128,251</u> | <u>-</u> | <u>2,397,035</u> | <u>2,081,199</u> | <u>406,994</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,642,042)</u> | <u>(128,251)</u> | <u>-</u> | <u>(2,357,125)</u> | <u>(785,350)</u> | <u>(289,898)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 1,993,000 | 300,000 | - | 550,000 | 1,200,000 | 175,000 |
| Transfers out | (190,000) | - | - | - | (668,674) | - |
| Net other financing sources (uses) | <u>1,803,000</u> | <u>300,000</u> | <u>-</u> | <u>550,000</u> | <u>531,326</u> | <u>175,000</u> |
| Net change in fund balances | 160,958 | 171,749 | - | (1,807,125) | (254,024) | (114,898) |
| Fund balances at beginning of year | <u>1,819,625</u> | <u>629,116</u> | <u>27,353</u> | <u>2,441,998</u> | <u>2,119,481</u> | <u>1,156,403</u> |
| Fund balances at end of year | <u>\$ 1,980,583</u> | <u>\$ 800,865</u> | <u>\$ 27,353</u> | <u>\$ 634,873</u> | <u>\$ 1,865,457</u> | <u>\$ 1,041,505</u> |

| <u>Bear Creek Fire Service Area</u> | <u>Central Emergency Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Kachemak Emergency Services Service Area</u> | <u>911 Communications</u> | <u>North Peninsula Recreation Service Area</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|-------------------------------------|---------------------------------------|---|---|---------------------------|--|--|
| \$ 64,487 | \$ - | \$ 421,000 | \$ 3,104 | \$ 446,210 | \$ - | \$ 1,364,053 |
| 71,500 | 160,000 | 118 | - | - | 52,440 | 1,405,038 |
| 14,406 | 95,824 | 21,696 | 16,235 | - | 20,552 | 343,558 |
| <u>150,393</u> | <u>255,824</u> | <u>442,814</u> | <u>19,339</u> | <u>446,210</u> | <u>72,992</u> | <u>3,112,649</u> |
| - | - | - | - | - | - | 128,251 |
| - | - | - | - | - | - | 2,397,035 |
| 606,317 | 1,646,100 | 707,338 | 97,260 | 1,007,550 | - | 4,471,559 |
| - | - | - | - | - | 288,722 | 288,722 |
| - | - | - | - | - | - | 1,914,264 |
| - | - | - | - | - | - | 2,081,199 |
| <u>606,317</u> | <u>1,646,100</u> | <u>707,338</u> | <u>97,260</u> | <u>1,007,550</u> | <u>288,722</u> | <u>11,281,030</u> |
| <u>(455,924)</u> | <u>(1,390,276)</u> | <u>(264,524)</u> | <u>(77,921)</u> | <u>(561,340)</u> | <u>(215,730)</u> | <u>(8,168,381)</u> |
| 125,000 | 725,000 | 115,000 | 150,000 | 325,000 | 75,000 | 5,733,000 |
| - | - | - | - | - | - | (858,674) |
| <u>125,000</u> | <u>725,000</u> | <u>115,000</u> | <u>150,000</u> | <u>325,000</u> | <u>75,000</u> | <u>4,874,326</u> |
| (330,924) | (665,276) | (149,524) | 72,079 | (236,340) | (140,730) | (3,294,055) |
| <u>458,903</u> | <u>1,808,816</u> | <u>448,625</u> | <u>258,650</u> | <u>316,741</u> | <u>447,169</u> | <u>11,932,880</u> |
| <u>\$ 127,979</u> | <u>\$ 1,143,540</u> | <u>\$ 299,101</u> | <u>\$ 330,729</u> | <u>\$ 80,401</u> | <u>\$ 306,439</u> | <u>\$ 8,638,825</u> |

Nonmajor Debt Service Funds

Pages 101 - 105

General Government Debt Service Fund – This fund is used to account for payments associated with general obligation bonds for construction of capital facilities of the general government.

Solid Waste Debt Service Fund – This fund is used to account for payments associated with general obligation bonds for construction of capital facilities at Borough Landfills.

Central Emergency Services Debt Service Fund – This fund is used to account for payments associated with general obligation bonds for construction of capital facilities and purchase of fire fighting equipment of the Central Emergency Services Service Area.

**Kenai Peninsula Borough
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2008**

| <u>ASSETS</u> | <u>General Government</u> | <u>Solid Waste</u> | <u>Central Emergency Services</u> | <u>Total Nonmajor Debt Service Funds</u> |
|--|-------------------------------|--------------------|---|--|
| Cash with fiscal agent | \$ - | \$ - | \$ - | \$ - |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Due to General Fund | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Undesignated fund balances | - | - | - | - |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Kenai Peninsula Borough
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008

| | <u>General Government</u> | <u>Solid Waste</u> | <u>Central Emergency Services</u> | <u>Total Nonmajor Debt Service Funds</u> |
|--|-------------------------------|--------------------|---|--|
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 1,540,000 | 685,000 | 80,000 | 2,305,000 |
| Interest and other | 819,888 | 143,225 | 112,378 | 1,075,491 |
| Total expenditures | <u>2,359,888</u> | <u>828,225</u> | <u>192,378</u> | <u>3,380,491</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,359,888)</u> | <u>(828,225)</u> | <u>(192,378)</u> | <u>(3,380,491)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>2,359,888</u> | <u>828,225</u> | <u>192,378</u> | <u>3,380,491</u> |
| Net change in fund balances | - | - | - | - |
| Fund balances at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Kenai Peninsula Borough

**General Government Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 1,540,000 | 1,540,000 | 1,540,000 | - |
| Interest and other | 844,887 | 844,887 | 819,888 | 24,999 |
| Total expenditures | <u>2,384,887</u> | <u>2,384,887</u> | <u>2,359,888</u> | <u>24,999</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,384,887)</u> | <u>(2,384,887)</u> | <u>(2,359,888)</u> | <u>24,999</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>2,384,887</u> | <u>2,384,887</u> | <u>2,359,888</u> | <u>(24,999)</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Kenai Peninsula Borough
Solid Waste Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 685,000 | 685,000 | 685,000 | - |
| Interest and other | 143,225 | 143,225 | 143,225 | - |
| Total expenditures | <u>828,225</u> | <u>828,225</u> | <u>828,225</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(828,225)</u> | <u>(828,225)</u> | <u>(828,225)</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>828,225</u> | <u>828,225</u> | <u>828,225</u> | <u>-</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Kenai Peninsula Borough

**Central Emergency Services Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 80,000 | 80,000 | 80,000 | - |
| Interest and other | 112,378 | 112,378 | 112,378 | - |
| Total expenditures | <u>192,378</u> | <u>192,378</u> | <u>192,378</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(192,378)</u> | <u>(192,378)</u> | <u>(192,378)</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>192,378</u> | <u>192,378</u> | <u>192,378</u> | <u>-</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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INTERNAL SERVICE FUNDS

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Assets
June 30, 2008

| | <u>Insurance and Litigation</u> | <u>Employee Health Insurance</u> | <u>Equipment Replacement</u> | <u>Employee Compensated Leave</u> | <u>Total Internal Service Funds</u> |
|---|---|--|----------------------------------|---|---|
| <u>ASSETS</u> | | | | | |
| Current assets: | | | | | |
| Cash and short term investments | \$ 28,218 | \$ - | \$ - | \$ - | \$ 28,218 |
| Equity in central treasury | 5,171,254 | 839,864 | 2,426,749 | 2,688,049 | 11,125,916 |
| Miscellaneous receivables | 80,620 | - | - | - | 80,620 |
| Total current assets | <u>5,280,092</u> | <u>839,864</u> | <u>2,426,749</u> | <u>2,688,049</u> | <u>11,234,754</u> |
| Capital assets: | | | | | |
| Equipment | - | - | 4,588,465 | - | 4,588,465 |
| Less accumulated depreciation | - | - | <u>(2,737,242)</u> | - | <u>(2,737,242)</u> |
| Total capital assets (net of accumulated depreciation) | <u>-</u> | <u>-</u> | <u>1,851,223</u> | <u>-</u> | <u>1,851,223</u> |
| Total assets | <u>\$ 5,280,092</u> | <u>\$ 839,864</u> | <u>\$ 4,277,972</u> | <u>\$ 2,688,049</u> | <u>\$ 13,085,977</u> |
| <u>LIABILITIES</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts and contracts payable | 27,988 | - | - | - | 27,988 |
| Accrued payroll and payroll taxes | 8,523 | - | - | - | 8,523 |
| Claims payable | 1,569,316 | 591,588 | - | - | 2,160,904 |
| Compensated absences | 31,213 | - | - | 672,012 | 703,225 |
| Total current liabilities | <u>1,637,040</u> | <u>591,588</u> | <u>-</u> | <u>672,012</u> | <u>2,900,640</u> |
| Long term liabilities- | | | | | |
| compensated absences | - | - | - | 2,016,037 | 2,016,037 |
| Total liabilities | <u>1,637,040</u> | <u>591,588</u> | <u>-</u> | <u>2,688,049</u> | <u>4,916,677</u> |
| <u>NET ASSETS</u> | | | | | |
| Invested in capital assets | - | - | 1,851,223 | - | 1,851,223 |
| Unrestricted | 3,643,052 | 248,276 | 2,426,749 | - | 6,318,077 |
| Total net assets | <u>\$ 3,643,052</u> | <u>\$ 248,276</u> | <u>\$ 4,277,972</u> | <u>\$ -</u> | <u>\$ 8,169,300</u> |

Kenai Peninsula Borough

**Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2008**

| | <u>Insurance and Litigation</u> | <u>Employee Health Insurance</u> | <u>Equipment Replacement</u> | <u>Employee Compensated Leave</u> | <u>Total Internal Service Funds</u> |
|---------------------------------|---|--|----------------------------------|---|---|
| Operating revenues: | | | | | |
| Charge for sales and services | \$ 2,841,566 | \$ 3,344,759 | \$ 614,794 | \$ 1,913,380 | \$ 8,714,499 |
| Other | 39,902 | 1,309 | - | - | 41,211 |
| Total operating revenues | <u>2,881,468</u> | <u>3,346,068</u> | <u>614,794</u> | <u>1,913,380</u> | <u>8,755,710</u> |
| Operating expenses: | | | | | |
| Administrative services | 545,754 | 93,608 | - | 1,913,380 | 2,552,742 |
| Insurance premiums | 862,838 | 146,755 | - | - | 1,009,593 |
| Self-insured claims | 2,556,840 | 3,352,421 | - | - | 5,909,261 |
| Depreciation | - | - | 303,032 | - | 303,032 |
| Total operating expenses | <u>3,965,432</u> | <u>3,592,784</u> | <u>303,032</u> | <u>1,913,380</u> | <u>9,774,628</u> |
| Operating income (loss) | <u>(1,083,964)</u> | <u>(246,716)</u> | <u>311,762</u> | <u>-</u> | <u>(1,018,918)</u> |
| Non-operating revenues: | | | | | |
| Investment earnings | 192,361 | 107,918 | 112,708 | - | 412,987 |
| Other | - | - | 17,867 | - | 17,867 |
| Total non-operating revenues | <u>192,361</u> | <u>107,918</u> | <u>130,575</u> | <u>-</u> | <u>430,854</u> |
| Change in net assets | (891,603) | (138,798) | 442,337 | - | (588,064) |
| Net assets at beginning of year | <u>4,534,655</u> | <u>387,074</u> | <u>3,835,635</u> | <u>-</u> | <u>8,757,364</u> |
| Net assets at end of year | <u>\$ 3,643,052</u> | <u>\$ 248,276</u> | <u>\$ 4,277,972</u> | <u>\$ -</u> | <u>\$ 8,169,300</u> |

Kenai Peninsula Borough

**Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2008**

| | <u>Insurance and Litigation</u> | <u>Employee Health Insurance</u> | <u>Equipment Replacement</u> | <u>Employee Compensated Leave</u> | <u>Total Internal Service Funds</u> |
|---|-------------------------------------|--|----------------------------------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from interfund services provided | \$ 2,841,566 | \$ 3,344,759 | \$ 928,771 | \$ 1,913,380 | \$ 9,028,476 |
| Other program revenue | 39,902 | 1,309 | - | - | 41,211 |
| Payments to suppliers | (2,997,531) | (3,526,196) | - | - | (6,523,727) |
| Payments to employees | (502,445) | - | - | (1,894,855) | (2,397,300) |
| Net cash provided (used) by operating activities | <u>(618,508)</u> | <u>(180,128)</u> | <u>928,771</u> | <u>18,525</u> | <u>148,660</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Purchase of capital assets | - | - | (202,949) | - | (202,949) |
| Proceeds from sale of capital assets | - | - | 17,867 | - | 17,867 |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>-</u> | <u>(185,082)</u> | <u>-</u> | <u>(185,082)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | | | | |
| Investment earnings | <u>192,361</u> | <u>107,918</u> | <u>112,708</u> | <u>-</u> | <u>412,987</u> |
| Net increase (decrease) in cash and cash equivalents | (426,147) | (72,210) | 856,397 | 18,525 | 376,565 |
| Cash and equity in central treasury at beginning of year | <u>5,625,619</u> | <u>912,074</u> | <u>1,570,352</u> | <u>2,669,524</u> | <u>10,777,569</u> |
| Cash and equity in central treasury at end of year | <u>\$ 5,199,472</u> | <u>\$ 839,864</u> | <u>\$ 2,426,749</u> | <u>\$ 2,688,049</u> | <u>\$ 11,154,134</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | <u>\$ (1,083,964)</u> | <u>\$ (246,716)</u> | <u>\$ 311,762</u> | <u>\$ -</u> | <u>\$ (1,018,918)</u> |
| Adjustment to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation expense | - | - | 303,032 | - | 303,032 |
| Change in assets and liabilities: | | | | | |
| Increase (decrease) in accounts and contracts payable | 13,343 | - | - | - | 13,343 |
| Increase (decrease) in accrued payroll and payroll taxes | 2,932 | - | - | 18,525 | 21,457 |
| Increase (decrease) in claims payable | 526,730 | 66,588 | - | - | 593,318 |
| Increase (decrease) in compensated absences | 3,071 | - | - | - | 3,071 |
| (Increase) decrease in accounts receivable | (80,620) | - | 313,977 | - | 233,357 |
| Total adjustments | <u>465,456</u> | <u>66,588</u> | <u>617,009</u> | <u>18,525</u> | <u>1,167,578</u> |
| Net cash provided (used) by operating activities | <u>\$ (618,508)</u> | <u>\$ (180,128)</u> | <u>\$ 928,771</u> | <u>\$ 18,525</u> | <u>\$ 148,660</u> |

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FIDUCIARY FUNDS

Kenai Peninsula Borough

**Fiduciary Fund Type - Agency Funds
Combining Statement of Assets and Liabilities
June 30, 2008**

With Comparative Totals for June 30, 2007

| | <u>Tax Fund</u> | <u>Special Assessment Fund</u> | <u>Total June 30, 2008</u> | <u>Total June 30, 2007</u> |
|--------------------------------|-------------------|--|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Equity in central treasury | \$ 380,859 | \$ 580,573 | \$ 961,432 | \$ 965,303 |
| Taxes receivable | 73,542 | - | 73,542 | 79,517 |
| Due from landowners | - | 590,162 | 590,162 | 651,375 |
| | | | | |
| Total assets | <u>\$ 454,401</u> | <u>\$ 1,170,735</u> | <u>\$ 1,625,136</u> | <u>\$ 1,696,195</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts and contracts payable | - | 145 | 145 | 1,605 |
| Deposits from landowners | - | 2,000 | 2,000 | 78,023 |
| Other liabilities | - | 77,954 | 77,954 | 85,491 |
| Due to landowners | - | 500,473 | 500,473 | 349,838 |
| Loans payable | - | 590,163 | 590,163 | 746,510 |
| Due to other entities: | | | | |
| Homer | 163,410 | - | 163,410 | 133,646 |
| Kachemak City | 541 | - | 541 | 584 |
| Kenai | 181,820 | - | 181,820 | 180,110 |
| Seldovia | 8,561 | - | 8,561 | 8,274 |
| Seward | 42,074 | - | 42,074 | 56,742 |
| Soldotna | 57,995 | - | 57,995 | 55,372 |
| | | | | |
| Total liabilities | <u>\$ 454,401</u> | <u>\$ 1,170,735</u> | <u>\$ 1,625,136</u> | <u>\$ 1,696,195</u> |

Kenai Peninsula Borough
Fiduciary Fund Type - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2008

| | <u>Total</u> <u>June 30, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Total</u> <u>June 30, 2008</u> |
|---------------------------------------|--------------------------------------|----------------------|----------------------|--------------------------------------|
| TAX AGENCY FUND | | | | |
| <u>ASSETS</u> | | | | |
| Equity in central treasury | \$ 355,211 | \$ 27,526,016 | \$ 27,500,368 | \$ 380,859 |
| Taxes receivable | <u>79,517</u> | <u>6,532,292</u> | <u>6,538,267</u> | <u>73,542</u> |
| Total assets | <u>\$ 434,728</u> | <u>\$ 34,058,308</u> | <u>\$ 34,038,635</u> | <u>\$ 454,401</u> |
| <u>LIABILITIES</u> | | | | |
| Due to other entities: | | | | |
| Homer | 133,646 | 10,041,204 | 10,011,440 | 163,410 |
| Kachemak City | 584 | 54,690 | 54,733 | 541 |
| Kenai | 180,110 | 7,358,399 | 7,356,689 | 181,820 |
| Seldovia | 8,274 | 315,234 | 314,947 | 8,561 |
| Seward | 56,742 | 4,917,174 | 4,931,842 | 42,074 |
| Soldotna | <u>55,372</u> | <u>7,986,296</u> | <u>7,983,673</u> | <u>57,995</u> |
| Total liabilities | <u>\$ 434,728</u> | <u>\$ 30,672,997</u> | <u>\$ 30,653,324</u> | <u>\$ 454,401</u> |
| SPECIAL ASSESSMENT AGENCY FUND | | | | |
| <u>ASSETS</u> | | | | |
| Equity in central treasury | \$ 610,092 | \$ 228,083 | \$ 257,602 | \$ 580,573 |
| Due from landowners | <u>651,375</u> | <u>131,045</u> | <u>192,258</u> | <u>590,162</u> |
| Total assets | <u>\$ 1,261,467</u> | <u>\$ 359,128</u> | <u>\$ 449,860</u> | <u>\$ 1,170,735</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | 1,605 | 145 | 1,605 | 145 |
| Deposits from landowners | 78,023 | 2,000 | 78,023 | 2,000 |
| Other liabilities | 85,491 | 8,836 | 16,373 | 77,954 |
| Due to landowners | 349,838 | 152,887 | 2,252 | 500,473 |
| Loans payable | <u>746,510</u> | <u>34,910</u> | <u>191,257</u> | <u>590,163</u> |
| Total liabilities | <u>\$ 1,261,467</u> | <u>\$ 198,778</u> | <u>\$ 289,510</u> | <u>\$ 1,170,735</u> |

(continued)

Kenai Peninsula Borough

**Fiduciary Fund Type - Agency Funds
Combining Statement of Changes in Assets and Liabilities - continued
For the Year Ended June 30, 2008**

| TOTALS - ALL AGENCY FUNDS | <u>Total June 30, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Total June 30, 2008</u> |
|----------------------------------|--------------------------------|----------------------|----------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Equity in central treasury | \$ 965,303 | \$ 27,754,099 | \$ 27,757,970 | \$ 961,432 |
| Taxes receivable | 79,517 | 6,532,292 | 6,538,267 | 73,542 |
| Due from landowners | <u>651,375</u> | <u>131,045</u> | <u>192,258</u> | <u>590,162</u> |
| Total assets | <u>\$ 1,696,195</u> | <u>\$ 34,417,436</u> | <u>\$ 34,488,495</u> | <u>\$ 1,625,136</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts and contracts payable | 1,605 | 145 | 1,605 | 145 |
| Deposits from landowners | 78,023 | 2,000 | 78,023 | 2,000 |
| Other liabilities | 85,491 | 8,836 | 16,373 | 77,954 |
| Due to landowners | 349,838 | 152,887 | 2,252 | 500,473 |
| Loans payable | 746,510 | 34,910 | 191,257 | 590,163 |
| Due to other entities: | | | | |
| Homer | 133,646 | 10,041,204 | 10,011,440 | 163,410 |
| Kachemak City | 584 | 54,690 | 54,733 | 541 |
| Kenai | 180,110 | 7,358,399 | 7,356,689 | 181,820 |
| Seldovia | 8,274 | 315,234 | 314,947 | 8,561 |
| Seward | 56,742 | 4,917,174 | 4,931,842 | 42,074 |
| Soldotna | <u>55,372</u> | <u>7,986,296</u> | <u>7,983,673</u> | <u>57,995</u> |
| Total liabilities | <u>\$ 1,696,195</u> | <u>\$ 30,871,775</u> | <u>\$ 30,942,834</u> | <u>\$ 1,625,136</u> |

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CAPITAL ASSETS

Kenai Peninsula Borough

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
June 30, 2008 and 2007**

| | <u>2007</u> | <u>2008</u> |
|---|---------------------------|---------------------------|
| Governmental funds capital assets: | | |
| Land | \$ 65,336,157 | \$ 67,553,002 |
| Buildings | 281,231,495 | 283,792,679 |
| Improvements other than buildings | 62,823,019 | 65,729,987 |
| Machinery and equipment | 19,818,955 | 23,349,213 |
| Infrastructure | 5,640,390 | 7,393,903 |
| Construction in progress | <u>4,109,360</u> | <u>5,978,584</u> |
| Total governmental funds capital assets | <u>\$ 438,959,376</u> | <u>\$ 453,797,368</u> |
| Investments in governmental funds capital assets by source: | | |
| General obligation bonds | 265,100,853 | 269,034,306 |
| State and federal grants | 33,916,165 | 36,802,083 |
| Federal revenue sharing | 3,389,180 | 3,357,614 |
| General Fund revenue | 43,758,623 | 45,432,914 |
| Special revenue funds | 33,878,818 | 38,096,873 |
| Dedicated lands | 126,058 | 126,058 |
| Donations | <u>58,789,679</u> | <u>60,947,520</u> |
| Total governmental funds capital assets | <u>\$ 438,959,376</u> | <u>\$ 453,797,368</u> |

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2008

| <u>Function and Activity</u> | Governmental Funds Capital Assets June 30, 2007 | Additions | Deletions | Governmental Funds Capital Assets June 30, 2008 |
|--|--|------------------|------------------|--|
| General government | \$ 74,124,887 | \$ 2,272,289 | \$ 211,952 | \$ 76,185,224 |
| Senior citizens | 243,800 | - | - | 243,800 |
| Public safety: | | | | |
| Fire protection and emergency medical | 19,725,432 | 3,842,389 | 104,260 | 23,463,561 |
| Emergency communications | 6,109,048 | 1,949,481 | - | 8,058,529 |
| Total public safety | 25,834,480 | 5,791,870 | 104,260 | 31,522,090 |
| Solid waste facilities | 26,858,739 | 2,623,589 | - | 29,482,328 |
| Road maintenance: | | | | |
| Maintenance | 98,566 | - | - | 98,566 |
| Roads | 6,458,008 | 1,786,594 | - | 8,244,602 |
| Total road maintenance | 6,556,574 | 1,786,594 | - | 8,343,168 |
| Recreation: | | | | |
| North Peninsula Recreation service area | 9,595,002 | 80,631 | - | 9,675,633 |
| Schools | 295,745,894 | 2,599,231 | - | 298,345,125 |
| Total governmental funds capital assets | \$ 438,959,376 | \$ 15,154,204 | \$ 316,212 | \$ 453,797,368 |

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2008

| | <u>Land</u> | <u>Buildings</u> | <u>Buildings</u> | <u>Improvements Other Than Buildings</u> | <u>Equipment</u> | <u>Infrastructure</u> | <u>Construction In Progress</u> | <u>Total</u> |
|---|-------------|------------------|------------------|--|------------------|-----------------------|-------------------------------------|--------------|
| General government: | | | | | | | | |
| Administration building | \$ - | 2,702,656 | \$ | 1,298,676 | \$ 1,673,631 | \$ - | \$ 836,885 | \$ 6,511,848 |
| Maintenance | 148,290 | 1,392,155 | | 33,538 | 912,131 | - | - | 2,486,114 |
| Areawide | 61,027,779 | 5,481,251 | | 641,282 | 36,950 | - | - | 67,187,262 |
| Total general government | 61,176,069 | 9,576,062 | | 1,973,496 | 2,622,712 | - | 836,885 | 76,185,224 |
| Senior citizens | - | 243,800 | | - | - | - | - | 243,800 |
| Public safety: | | | | | | | | |
| Fire protection and emergency medical: | | | | | | | | |
| Nikiski Fire service area | 49,172 | 1,983,705 | | 266,489 | 4,054,346 | - | - | 6,353,711 |
| Bear Creek Fire service area | 17,211 | 704,901 | | 130,271 | 1,399,274 | - | - | 2,251,657 |
| Central Emergency service area | 223,615 | 1,367,009 | | 370,399 | 5,333,996 | - | 2,898,756 | 10,193,774 |
| Anchor Point Fire and Emergency Medical service area | 30,248 | 681,474 | | 118,540 | 583,187 | - | 679,819 | 2,093,269 |
| Kachemak Fire and Emergency | 127,270 | 1,473,290 | | - | 892,082 | - | 57,809 | 2,550,451 |
| Lowell Point Fire and Emergency | - | - | | 12,653 | 8,046 | - | - | 20,699 |
| Total fire protection and emergency medical | 447,516 | 6,210,379 | | 898,352 | 12,270,931 | - | 3,636,383 | 23,463,561 |
| Emergency communications: | | | | | | | | |
| Central Peninsula Emergency | - | 4,837,328 | | 89,578 | 1,767,657 | - | - | 6,694,563 |
| Services communication center | - | - | | - | 1,363,966 | - | - | 1,363,966 |
| Emergency warning systems | - | 4,837,328 | | 89,578 | 3,131,623 | - | - | 8,058,529 |
| Total communications | - | 9,674,656 | | 179,156 | 5,263,246 | - | - | 15,117,058 |
| Total public safety | 447,516 | 11,047,707 | | 987,930 | 15,402,554 | - | 3,636,383 | 31,522,090 |
| Solid waste facilities | 2,908,687 | 1,354,816 | | 20,848,143 | 4,347,212 | - | 23,471 | 29,482,328 |
| Road maintenance | - | - | | - | 126,279 | 7,393,903 | 822,986 | 8,343,168 |
| Recreation: | | | | | | | | |
| North Peninsula Recreation service area | 145,640 | 7,823,669 | | 1,505,120 | 190,481 | - | 10,724 | 9,675,633 |

(Continued)

Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2008

| | <u>Land</u> | <u>Buildings</u> | <u>Improvements Other Than Buildings</u> | <u>Equipment</u> | <u>Infrastructure</u> | <u>Construction In Progress</u> | <u>Total</u> |
|---------------------------------|-------------|------------------|--|------------------|-----------------------|-------------------------------------|--------------|
| School district: | | | | | | | |
| Central office and warehouse | - | 1,777,314 | 604,289 | - | - | - | 2,381,603 |
| Schools: | | | | | | | |
| Outside cities: | | | | | | | |
| Anchor Point/Middle/Junior high | 205,102 | - | - | - | - | - | 205,102 |
| Central Peninsula Elementary | - | - | 36,690 | - | - | - | 36,690 |
| Chapman Elementary | 8,500 | 2,597,653 | 492,160 | - | - | - | 3,098,313 |
| Cooper Landing | - | 1,034,751 | 150,986 | - | - | - | 1,185,737 |
| Tebughna | - | 1,564,013 | 152,551 | - | - | - | 1,716,564 |
| English Bay | - | 2,447,908 | 230,577 | - | - | - | 2,678,485 |
| Hope Elementary | 3,000 | 2,523,867 | 538,910 | - | - | - | 3,065,777 |
| Kalifornsky Beach | 258,803 | 4,884,108 | 175,461 | - | - | - | 5,318,372 |
| McNeil Canyon | - | 4,305,122 | 638,411 | 11,903 | - | 5,188 | 4,960,624 |
| Moose Pass | 28,154 | 901,766 | 68,404 | - | - | - | 998,324 |
| Nanwalek | - | 265,033 | - | 126,919 | - | 12,287 | 404,239 |
| Nikiski Elementary | - | - | - | - | - | - | 1,302 |
| Nikiski High | - | 22,847,128 | 4,515,953 | 5,000 | - | 18,183 | 27,386,264 |
| Nikolaevsk | 51,282 | 4,726,376 | 364,129 | 72,801 | - | 40,272 | 5,254,860 |
| Ninlichik | 16,399 | 5,389,920 | 470,223 | 53,838 | - | - | 5,930,380 |
| North Star Elementary | - | 6,076,014 | 1,379,034 | - | - | - | 7,455,048 |
| Port Graham | 400 | 2,089,461 | 132,307 | - | - | - | 2,222,168 |
| Skyview High | - | 22,039,127 | 3,729,227 | - | - | - | 25,768,354 |
| Sterling | 7,450 | 3,744,355 | 709,477 | 34,127 | - | - | 4,495,409 |
| Tustumena | 8,001 | 7,876,154 | 234,713 | - | - | - | 8,118,868 |
| Voznesenka | 19,555 | 150,000 | 16,400 | 34,156 | - | - | 220,111 |
| Total outside cities | 606,646 | 95,462,755 | 14,035,613 | 338,744 | - | 77,232 | 110,520,989 |
| Homer: | | | | | | | |
| West Homer Elementary | 322,028 | 11,332,823 | 46,614 | - | - | - | 11,701,465 |
| Paul Banks Elementary | 23,971 | 2,589,113 | 679,965 | 6,142 | - | - | 3,299,191 |
| High School | 400,913 | 27,359,949 | 6,990,257 | - | - | 37,564 | 34,788,683 |
| Junior High | 17,024 | 3,197,028 | 739,103 | - | - | - | 3,953,155 |
| Intermediate | 18,000 | 1,444,505 | 682,250 | - | - | - | 2,144,755 |
| High School Addition | 29,177 | 2,598,949 | 103,555 | - | - | - | 2,731,681 |
| Flex School | 63,248 | 461,150 | - | - | - | - | 524,398 |
| Total Homer | 874,361 | 48,983,517 | 9,241,744 | 6,142 | - | 37,564 | 59,143,328 |

(Continued)

Kenai Peninsula Borough

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2008**

| | <u>Land</u> | <u>Buildings</u> | <u>Improvements Other Than Buildings</u> | <u>Equipment</u> | <u>Infrastructure</u> | <u>Construction In Progress</u> | <u>Total</u> |
|--|----------------------|-----------------------|--|----------------------|-----------------------|-------------------------------------|-----------------------|
| Kenai: | | | | | | | |
| Elementary II | 52,800 | 2,614,381 | 104,667 | - | - | - | 2,771,848 |
| Mountain View Elementary | - | 5,892,103 | 1,315,996 | 67,213 | - | - | 7,275,312 |
| Sears Elementary | 41,575 | 1,709,394 | 464,620 | - | - | - | 2,215,589 |
| Junior High | 60,499 | 4,030,831 | 824,749 | - | - | - | 4,916,079 |
| High School | 129,517 | 17,920,713 | 2,974,533 | 51,056 | - | - | 21,075,819 |
| Vocational High | 40,000 | 509,655 | 254,483 | - | - | - | 804,138 |
| Arts and Crafts Building | - | 118,341 | - | - | - | - | 118,341 |
| Total Kenai | 324,391 | 32,795,418 | 5,939,048 | 118,269 | - | - | 39,177,126 |
| Seldovia: | | | | | | | |
| Susan B. English Shop Building | 27,953 | 3,668,235 | 1,005,119 | - | - | - | 4,701,307 |
| Total Seldovia | 1,000 | 430,000 | - | - | - | - | 431,000 |
| Seward: | | | | | | | |
| Elementary II | 235,000 | 6,536,156 | 917,462 | 40,000 | - | - | 7,728,618 |
| Middle | 346,295 | 14,645,567 | 46,274 | - | - | 1,343 | 15,039,479 |
| Jr. High/High School | 182,596 | 12,651,093 | 2,066,747 | - | - | - | 14,900,436 |
| Total Seward | 763,891 | 33,832,816 | 3,030,483 | 40,000 | - | 1,343 | 37,668,533 |
| Soldotna: | | | | | | | |
| Elementary | 270,048 | 4,999,087 | 1,272,689 | - | - | 174,240 | 6,716,064 |
| Redoubt Elementary | - | 4,151,522 | 624,208 | 40,000 | - | - | 4,815,730 |
| Multipurpose Room | - | 316,186 | - | - | - | - | 316,186 |
| Junior High | 5,900 | 7,584,837 | 1,930,666 | - | - | 919 | 9,522,322 |
| High School | 900 | 16,200,454 | 1,645,492 | 71,484 | - | - | 17,918,330 |
| Total Soldotna | 276,848 | 33,252,086 | 5,473,055 | 111,484 | - | 175,159 | 39,288,632 |
| Other areawide: | | | | | | | |
| Areawide pool/water projects | - | 611,839 | 1,070,907 | 45,337 | - | 356,838 | 2,084,921 |
| Portable classrooms | - | 2,932,645 | 15,041 | - | - | - | 2,947,686 |
| Total other areawide | - | 3,544,484 | 1,085,948 | 45,337 | - | 356,838 | 5,032,607 |
| Total school district | 2,875,089 | 253,746,625 | 40,415,299 | 659,976 | - | 648,136 | 298,345,125 |
| Total governmental funds capital assets | \$ 67,553,002 | \$ 283,792,679 | \$ 65,729,987 | \$ 23,349,213 | \$ 7,393,903 | \$ 5,978,584 | \$ 453,797,368 |

¹This schedule presents only the capital asset balances related to governmental funds.

Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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Kenai Peninsula Borough

STATISTICAL TABLES

This part of the Kenai Peninsula Borough'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 Borough's overall financial health.

| <u>Contents</u> | <u>Page</u> | |
|---|---|-----|
| Financial trends | | |
| These schedules contain trend information to help the reader understand how the Borough's Financial performance and well-being have changed over time. | | |
| Table I | Net assets by component | 121 |
| Table II | Changes in net assets | 122 |
| Table III | Governmental activities tax revenues by source | 123 |
| Table IV | Fund balances of governmental funds | 124 |
| Table V | Changes in fund balances of governmental funds | 125 |
| Table VI | General governmental significant revenues by source | 126 |
| Revenue capacity | | |
| These schedules contain information to help the reader assess the Borough's most significant local revenue source, hospital charge for services. | | |
| Table VII | Assessed value and estimated actual value of taxable property | 127 |
| Table VIII | Property tax rates | 128 |
| Table IX | Principal property taxpayers | 129 |
| Table X | Property tax levies and collections | 130 |
| Debt capacity | | |
| These schedules present information to help the reader assess the affordability of the Borough's current level of outstanding debt and the Borough's ability to issue additional debt in the future. | | |
| Table XI | Ratios of outstanding debt by type and per capita | 131 |
| Table XII | Legal debt margin information | 132 |
| Demographic and economic information | | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the Borough's financial activities take place | | |
| Table XIII | Demographic and economic statistics | 133 |
| Table XIV | Principal employers | 134 |
| Operating information | | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the Borough's financial report relates to the services the government provides and the activities it performs. | | |
| Table XV | Full-time equivalent Borough government employees by function | 135 |
| Table XVI | Operating indicators by function | 136 |
| Table XVII | Capital asset statistics by function | 137 |

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Kenai Peninsula Borough

TABLE I

Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental activities: | | | | | | | |
| Invested in capital assets, net of related debt | \$203,504 | \$205,596 | \$206,044 | \$207,770 | \$206,436 | \$212,721 | \$220,532 |
| Restricted | 13,553 | 14,042 | 23,288 | 13,253 | 7,454 | 4,841 | 3,339 |
| Unrestricted | 54,756 | 55,896 | 40,927 | 46,905 | 51,140 | 54,577 | 58,113 |
| Total governmental activities net amounts | <u>\$271,813</u> | <u>\$275,534</u> | <u>\$270,259</u> | <u>\$267,928</u> | <u>\$265,030</u> | <u>\$272,139</u> | <u>\$281,984</u> |
| Business-type activities: | | | | | | | |
| Invested in capital assets, net of related debt | \$34,152 | \$34,724 | \$33,995 | \$35,684 | \$39,332 | \$47,721 | \$49,462 |
| Restricted | - | - | - | - | 3,677 | 1,481 | 1,236 |
| Unrestricted | 35,031 | 37,605 | 41,161 | 45,097 | 46,054 | 43,742 | 44,860 |
| Total business-type activities net assets | <u>\$69,183</u> | <u>\$72,329</u> | <u>\$75,156</u> | <u>\$80,781</u> | <u>\$89,063</u> | <u>\$92,944</u> | <u>\$95,558</u> |
| Primary government | | | | | | | |
| Invested in capital assets, net of related debt | \$237,656 | \$240,320 | \$240,039 | \$243,454 | \$245,768 | \$260,442 | \$269,994 |
| Restricted | 13,553 | 14,042 | 23,288 | 13,253 | 11,131 | 6,322 | 4,575 |
| Unrestricted | 89,787 | 93,501 | 82,088 | 92,002 | 97,194 | 98,319 | 102,973 |
| Total primary government net assets | <u>\$340,996</u> | <u>\$347,863</u> | <u>\$345,415</u> | <u>\$348,709</u> | <u>\$354,093</u> | <u>\$365,083</u> | <u>\$377,542</u> |

Kenai Peninsula Borough

TABLE II

Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

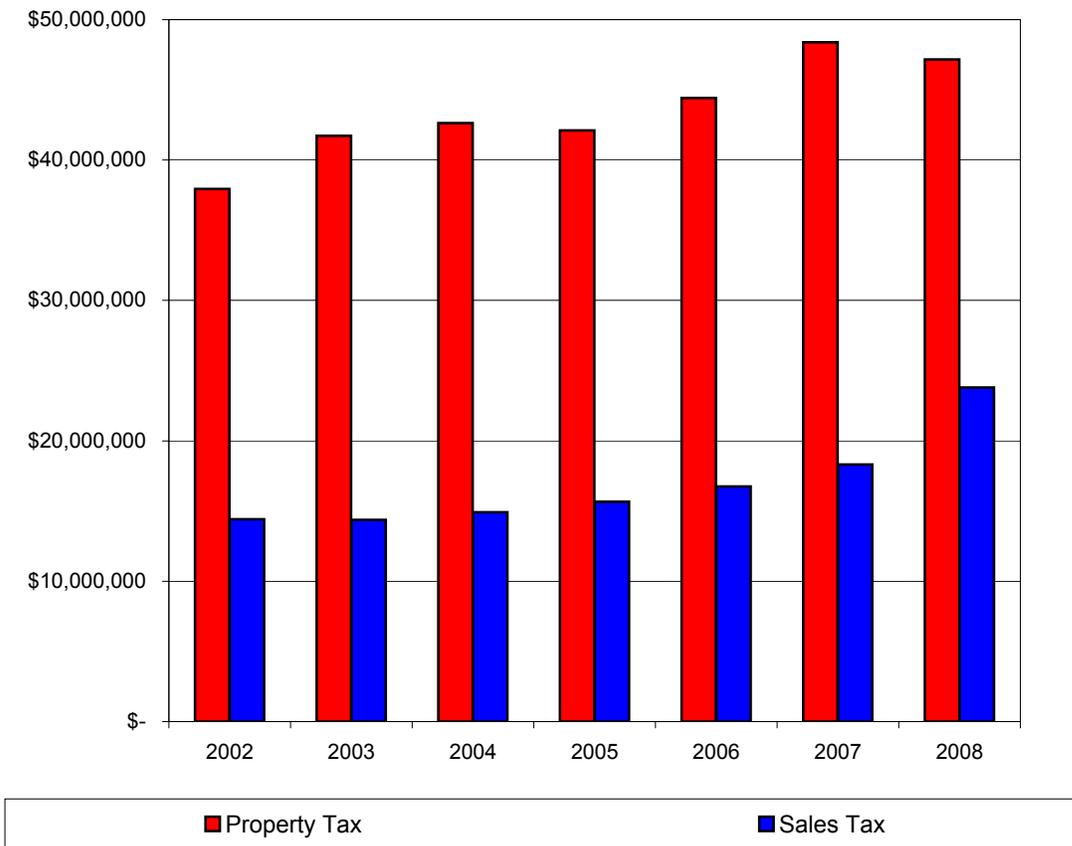
| | Fiscal Year | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 11,553,510 | \$ 12,845,108 | \$ 13,759,624 | \$ 15,039,269 | \$ 14,181,543 | \$ 12,009,076 | \$ 13,779,385 |
| Solid waste | 4,664,265 | 4,441,397 | 4,546,868 | 4,305,904 | 5,314,682 | 4,529,426 | 3,926,410 |
| Public safety | 9,103,350 | 11,786,508 | 11,566,281 | 10,878,435 | 11,916,169 | 12,283,753 | 13,249,097 |
| Recreation | 1,300,703 | 1,292,386 | 1,362,013 | 1,812,465 | 3,910,173 | 2,034,416 | 1,910,662 |
| Education | 37,780,145 | 38,582,036 | 40,756,908 | 41,802,049 | 46,208,601 | 46,526,601 | 45,793,694 |
| Roads and trails | 1,965,464 | 2,993,413 | 4,402,233 | 2,400,466 | 4,840,374 | 4,686,013 | 4,816,351 |
| Interest on long-term debt | 1,155,657 | 658,217 | 1,279,647 | 1,175,467 | 994,069 | 1,077,954 | 1,064,378 |
| Total governmental activities expenses | <u>67,523,094</u> | <u>72,599,065</u> | <u>77,673,574</u> | <u>77,414,055</u> | <u>87,365,611</u> | <u>83,147,239</u> | <u>84,539,977</u> |
| Business-type activities- | | | | | | | |
| Hospitals | 58,982,870 | 64,670,528 | 67,470,710 | 73,992,156 | 74,003,739 | 90,057,676 | 100,952,586 |
| Total primary government expenses | <u>\$ 126,505,964</u> | <u>\$ 137,269,593</u> | <u>\$ 145,144,284</u> | <u>\$ 151,406,211</u> | <u>\$ 161,369,350</u> | <u>\$ 173,204,915</u> | <u>\$ 185,492,563</u> |
| Program revenues | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services: | | | | | | | |
| General government | 511,544 | 283,781 | 389,853 | 335,682 | 345,976 | 380,614 | 392,902 |
| Solid waste | 219,463 | 188,663 | 213,640 | 173,091 | 282,653 | 434,748 | 269,726 |
| Public safety | 582,417 | 788,754 | 794,845 | 1,047,816 | 1,080,412 | 1,774,276 | 1,964,061 |
| Recreation | 203,074 | 185,538 | 156,876 | 164,560 | 168,123 | 180,655 | 197,361 |
| Operating grants and contributions | 1,977,148 | 1,596,403 | 2,174,309 | 3,322,537 | 6,293,122 | 3,399,453 | 2,766,547 |
| Capital grants and contributions | 1,461,039 | 1,395,495 | 2,180,682 | 1,673,099 | 3,184,671 | 4,118,769 | 3,594,638 |
| Total governmental activities program revenues | <u>4,954,685</u> | <u>4,438,634</u> | <u>5,910,205</u> | <u>6,716,785</u> | <u>11,354,957</u> | <u>10,288,515</u> | <u>9,185,235</u> |
| Business-type activities: | | | | | | | |
| Hospital-charges for services | 56,754,435 | 64,170,901 | 67,228,364 | 74,450,071 | 75,458,572 | 86,620,954 | 95,689,825 |
| Operating grants and contributions | - | - | - | - | - | 154,950 | 13,621 |
| Total business-type activities | <u>56,754,435</u> | <u>64,170,901</u> | <u>67,228,364</u> | <u>74,450,071</u> | <u>75,458,572</u> | <u>86,775,904</u> | <u>95,703,446</u> |
| Total primary government program revenues | <u>\$ 61,709,120</u> | <u>\$ 68,609,535</u> | <u>\$ 73,138,569</u> | <u>\$ 81,166,856</u> | <u>\$ 86,813,529</u> | <u>\$ 97,064,419</u> | <u>\$ 104,888,681</u> |
| Net (expenses)/revenue | | | | | | | |
| Governmental activities | (62,568,409) | (68,160,431) | (71,763,369) | (70,697,270) | (76,010,654) | (72,858,724) | (75,354,742) |
| Business-type activities | (2,228,435) | (499,627) | (242,346) | 457,915 | 1,454,833 | (3,281,772) | (5,249,140) |
| Total primary government net expense | <u>\$ (64,796,844)</u> | <u>\$ (68,660,058)</u> | <u>\$ (72,005,715)</u> | <u>\$ (70,239,355)</u> | <u>\$ (74,555,821)</u> | <u>\$ (76,140,496)</u> | <u>\$ (80,603,882)</u> |
| General revenues and other changes in net assets | | | | | | | |
| Governmental activities: | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | 37,943,100 | 41,718,283 | 42,641,738 | 42,121,021 | 44,430,849 | 48,397,294 | 47,167,291 |
| Sales taxes | 14,407,262 | 14,375,828 | 14,910,977 | 15,670,832 | 16,755,426 | 18,321,611 | 23,801,181 |
| Unrestricted grants and contributions | 3,671,468 | 3,932,395 | 3,842,682 | 2,700,870 | 2,843,908 | 6,379,840 | 5,247,721 |
| Investment earnings | 3,501,923 | 2,938,492 | 809,165 | 3,144,975 | 1,855,581 | 4,927,247 | 4,682,399 |
| Land entitlements | - | 5,482,954 | 582,664 | 162,413 | 2,678,564 | 194,435 | 2,163,478 |
| Miscellaneous | 3,408,956 | 3,432,874 | 3,701,071 | 4,566,480 | 4,548,277 | 1,746,975 | 2,137,826 |
| Total governmental activities | <u>62,932,709</u> | <u>71,880,826</u> | <u>66,488,297</u> | <u>68,366,591</u> | <u>73,112,605</u> | <u>79,967,402</u> | <u>85,199,896</u> |
| Business-type activities: | | | | | | | |
| Property taxes | 2,430,837 | 2,616,889 | 3,025,894 | 4,629,241 | 4,864,764 | 5,412,121 | 6,254,543 |
| Unrestricted grants and contributions | 389,693 | 349,835 | 25,575 | 25,575 | - | - | - |
| Investment earnings | 883,108 | 673,577 | 135,738 | 313,432 | 600,935 | 1,385,420 | 1,363,418 |
| Miscellaneous | 187,517 | 5,231 | (117,359) | 205,189 | 1,361,719 | 364,497 | 245,151 |
| Total business-type activities | <u>3,891,155</u> | <u>3,645,532</u> | <u>3,069,848</u> | <u>5,173,437</u> | <u>6,827,418</u> | <u>7,162,038</u> | <u>7,863,112</u> |
| Total primary government | <u>66,823,864</u> | <u>75,526,358</u> | <u>69,558,145</u> | <u>73,540,028</u> | <u>79,940,023</u> | <u>87,129,440</u> | <u>93,063,008</u> |
| Changes in net assets | | | | | | | |
| Governmental activities | 364,300 | 3,720,395 | (5,275,072) | (2,330,679) | (2,898,049) | 7,108,678 | 9,845,154 |
| Business-type activities | 1,662,720 | 3,145,905 | 2,827,502 | 5,631,352 | 8,282,251 | 3,880,266 | 2,613,972 |
| Total primary government | <u>\$ 2,027,020</u> | <u>\$ 6,866,300</u> | <u>\$ (2,447,570)</u> | <u>\$ 3,300,673</u> | <u>\$ 5,384,202</u> | <u>\$ 10,988,944</u> | <u>\$ 12,459,126</u> |

Kenai Peninsula Borough

Table III

**Governmental Activities Tax Revenues by Source
Last Seven Fiscal Years
(accrual basis of accounting)**

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Total</u> |
|--------------------|---------------------|------------------|--------------|
| 2002 | \$37,943,100 | \$14,407,262 | \$52,350,362 |
| 2003 | 41,718,283 | 14,375,828 | 56,094,111 |
| 2004 | 42,641,738 | 14,910,977 | 57,552,715 |
| 2005 | 42,121,021 | 15,670,832 | 57,791,853 |
| 2006 | 44,430,849 | 16,755,426 | 61,186,275 |
| 2007 | 48,397,294 | 18,321,611 | 66,718,905 |
| 2008 | 47,167,291 | 23,801,181 | 70,968,472 |



Kenai Peninsula Borough

Table IV

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 428,830 | \$ 406,778 | \$ 479,331 | \$ 354,603 | \$ 255,206 | \$ 318,064 | \$ 98,704 | \$ 252,852 | \$ 279,145 | \$ 480,474 |
| Unreserved | 27,934,261 | 26,701,571 | 27,876,524 | 25,824,117 | 24,557,132 | 20,034,527 | 17,090,419 | 15,032,451 | 20,013,018 | 23,979,600 |
| Total General Fund | <u>\$28,363,091</u> | <u>\$27,108,349</u> | <u>\$28,355,855</u> | <u>\$26,178,720</u> | <u>\$24,812,338</u> | <u>\$20,352,591</u> | <u>\$17,189,123</u> | <u>\$15,285,303</u> | <u>\$20,292,163</u> | <u>\$24,460,074</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | 1,262,311 | 1,798,199 | 3,542,224 | 5,030,786 | 3,666,808 | 16,270,937 | 6,168,912 | 5,604,994 | 5,751,376 | 3,321,822 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 9,670,544 | 10,155,219 | 18,970,653 | 23,656,468 | 22,135,464 | 22,487,636 | 24,030,122 | 23,612,583 | 22,364,901 | 25,076,257 |
| Capital projects funds | 6,908,187 | 6,375,451 | 12,223,479 | 10,098,402 | 17,170,265 | 14,723,736 | 13,134,043 | 11,506,248 | 10,834,479 | 7,697,304 |
| Total all other governmental funds | <u>\$17,841,042</u> | <u>\$18,328,869</u> | <u>\$34,736,356</u> | <u>\$38,785,656</u> | <u>\$42,972,537</u> | <u>\$53,482,309</u> | <u>\$43,333,077</u> | <u>\$40,723,825</u> | <u>\$38,950,756</u> | <u>\$36,095,383</u> |

The Kenai Peninsula Borough developed an Unreserved Fund Balance policy in 2001. This policy provided guidelines regarding minimum and maximum levels of unreserved fund balance for the Borough's General Fund and Service Areas operating and capital project funds. The policy requires that the following items should be considered when establishing an acceptable level of fund balance: working capital requirements, operating contingencies to include revenue volatility and unexpected expenditures, and future capital expansion. The policy also established that if a fund balance was outside the acceptable range, the subsequent year's budget must include a five-year plan of action to achieve compliance with the acceptable range.

Kenai Peninsula Borough

Table V

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|---------------------|----------------------|-----------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$35,908,942 | \$36,621,773 | \$38,207,989 | \$37,943,100 | \$40,961,761 | \$42,493,681 | \$42,702,040 | \$44,202,071 | \$48,235,053 | \$47,216,050 |
| Sales Tax | 12,606,181 | 12,814,417 | 13,708,974 | 14,407,262 | 14,375,828 | 14,910,977 | 15,670,832 | 16,755,426 | 18,321,611 | 23,801,181 |
| Intergovernmental | 14,028,293 | 16,147,083 | 22,398,434 | 9,038,139 | 8,778,348 | 10,794,534 | 10,341,082 | 14,924,888 | 15,416,267 | 13,317,714 |
| Investment earnings | 3,025,161 | 3,504,046 | 6,938,112 | 3,017,960 | 2,640,324 | 799,151 | 2,983,265 | 1,685,672 | 4,536,308 | 4,269,412 |
| Other revenues | 2,049,374 | 2,123,354 | 1,827,920 | 2,950,349 | 3,388,791 | 2,613,236 | 3,517,763 | 4,252,498 | 3,218,169 | 4,016,545 |
| Total revenues | <u>67,617,951</u> | <u>71,210,673</u> | <u>83,081,429</u> | <u>67,356,810</u> | <u>70,145,052</u> | <u>71,611,579</u> | <u>75,214,982</u> | <u>81,820,555</u> | <u>89,727,408</u> | <u>92,620,902</u> |
| Expenditures: | | | | | | | | | | |
| General government | 10,570,419 | 10,576,416 | 11,059,651 | 11,198,634 | 11,442,124 | 13,264,721 | 13,812,467 | 12,795,754 | 12,302,055 | 13,398,909 |
| Solid waste | 3,222,382 | 3,428,372 | 3,794,379 | 3,627,278 | 3,837,131 | 3,791,184 | 4,438,926 | 4,147,463 | 4,578,280 | 4,593,391 |
| Public safety | 4,618,317 | 6,061,619 | 6,860,034 | 8,532,554 | 11,190,264 | 10,272,548 | 9,782,444 | 10,990,280 | 11,774,981 | 11,976,462 |
| Recreation | 709,321 | 723,299 | 773,795 | 909,781 | 885,154 | 929,578 | 1,383,393 | 3,448,362 | 1,295,789 | 1,510,764 |
| Education | 29,741,274 | 30,284,012 | 30,668,243 | 31,006,284 | 30,996,207 | 32,501,758 | 34,268,066 | 37,695,674 | 38,614,183 | 38,853,410 |
| Roads and trails | 1,718,889 | 1,496,347 | 1,966,252 | 2,119,461 | 2,281,668 | 3,188,390 | 3,198,758 | 3,479,969 | 3,402,294 | 4,604,206 |
| Capital outlay | 4,661,416 | 6,606,123 | 5,588,265 | 9,116,040 | 10,500,410 | 11,172,647 | 17,037,100 | 11,425,755 | 13,661,765 | 12,990,731 |
| Debt service | | | | | | | | | | |
| Principal | 9,965,000 | 10,730,000 | 10,855,000 | 2,480,000 | 2,575,000 | 3,840,000 | 3,375,000 | 3,485,000 | 2,065,000 | 2,305,000 |
| Interest | 2,871,395 | 2,101,848 | 1,302,262 | 839,104 | 686,595 | 1,300,728 | 1,231,528 | 1,065,369 | 1,087,269 | 1,075,491 |
| Total expenditures | <u>68,078,413</u> | <u>72,008,036</u> | <u>72,867,881</u> | <u>69,829,136</u> | <u>74,394,553</u> | <u>80,261,554</u> | <u>88,527,682</u> | <u>88,533,626</u> | <u>88,781,616</u> | <u>91,308,364</u> |
| Excess of revenues over (under) expenditures | (460,462) | (797,363) | 10,213,548 | (2,472,326) | (4,249,501) | (8,649,975) | (13,312,700) | (6,713,071) | 945,792 | 1,312,538 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 20,955,772 | 20,538,925 | 19,944,611 | 14,066,670 | 13,796,173 | 15,019,352 | 15,488,288 | 16,406,111 | 19,851,269 | 17,069,227 |
| Transfers out | (20,955,772) | (20,517,945) | (19,944,611) | (14,066,670) | (13,796,173) | (15,019,352) | (15,488,288) | (16,706,111) | (20,151,269) | (17,069,227) |
| Bonds issued | - | - | 7,429,000 | - | 7,040,000 | 14,700,000 | - | 2,500,000 | 2,588,000 | - |
| Sale of capital assets | 20,934 | 9,468 | 12,445 | - | - | - | - | - | - | - |
| Net other financing sources (uses) | <u>20,934</u> | <u>30,448</u> | <u>7,441,445</u> | <u>-</u> | <u>7,040,000</u> | <u>14,700,000</u> | <u>-</u> | <u>2,200,000</u> | <u>2,288,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (439,528)</u> | <u>\$ (766,915)</u> | <u>\$ 17,654,993</u> | <u>\$ (2,472,326)</u> | <u>\$ 2,790,499</u> | <u>\$ 6,050,025</u> | <u>\$ (13,312,700)</u> | <u>\$ (4,513,071)</u> | <u>\$ 3,233,792</u> | <u>\$ 1,312,538</u> |
| Debt service as a percentage of noncapital expenditures | 25.38% | 24.41% | 22.06% | 5.78% | 5.38% | 8.04% | 6.89% | 6.27% | 4.38% | 4.51% |
| Total non-capital expenditures | 50,580,602 | 52,570,065 | 55,122,354 | 57,393,992 | 60,632,548 | 63,948,179 | 66,884,054 | 72,557,502 | 71,967,582 | 74,937,142 |

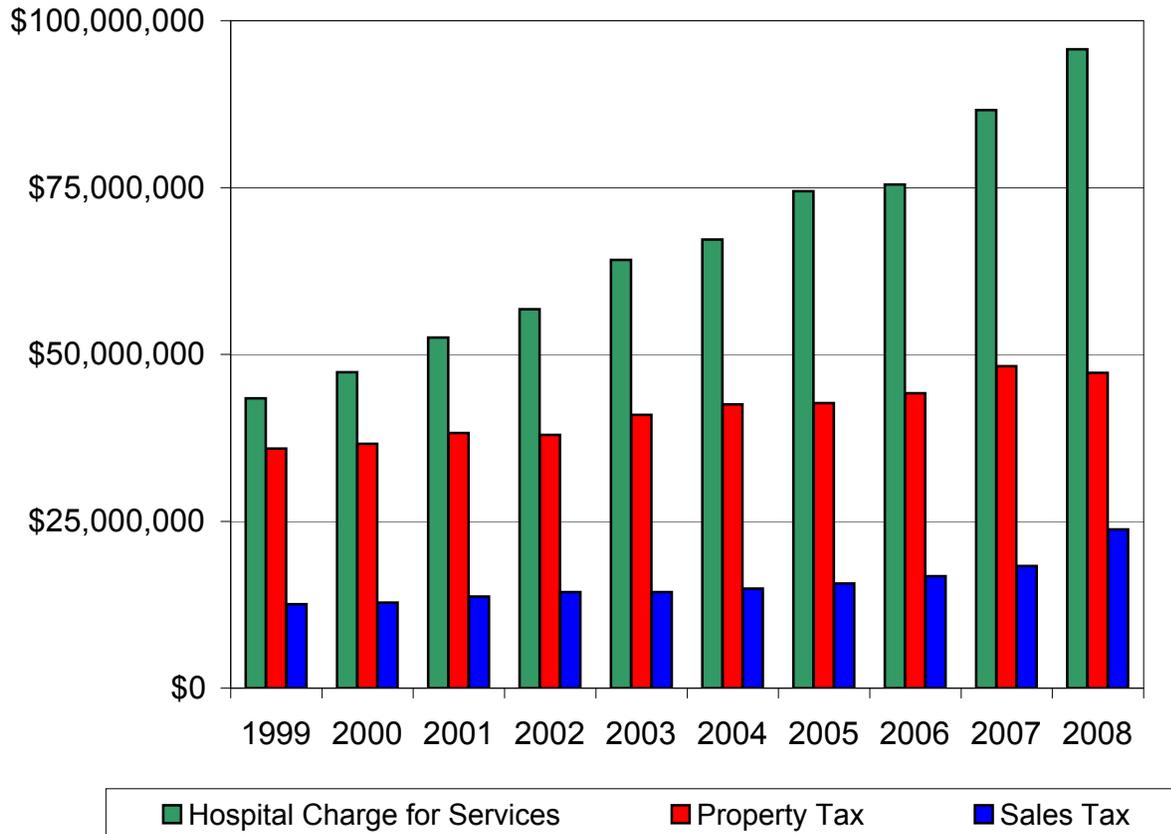
Kenai Peninsula Borough

Table VI

General Governmental Significant Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Hospital Charge for Services</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Total</u> |
|--------------------|---|---------------------|------------------|--------------|
| 1999 | \$43,429,711 | \$35,908,942 | \$12,606,181 | \$91,944,834 |
| 2000 | 47,310,533 | 36,621,773 | 12,814,417 | 96,746,723 |
| 2001 | 52,503,530 | 38,207,989 | 13,708,974 | 104,420,493 |
| 2002 | 56,754,435 | 37,943,100 | 14,407,262 | 109,104,797 |
| 2003 | 64,170,901 | 40,961,761 | 14,375,828 | 119,508,490 |
| 2004 | 67,228,364 | 42,493,681 | 14,910,977 | 124,633,022 |
| 2005 | 74,450,071 | 42,702,040 | 15,670,832 | 132,822,943 |
| 2006 | 75,458,572 | 44,202,701 | 16,755,426 | 136,416,699 |
| 2007 | 86,620,954 | 48,235,053 | 18,321,611 | 153,177,618 |
| 2008 | 95,689,825 | 47,216,050 | 23,801,181 * | 166,707,056 |

* Sales tax rate was changed from 2% to 3% effective January 1, 2008



Kenai Peninsula Borough

Table VII

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

| Fiscal Year | Assessed Values | | | Tax Exempt Values (1) | | | Total Taxable Assessed Value | Total Direct Tax Rate | Assessed Value as a Percentage of Actual Value |
|-------------|-----------------|-----------|-------------------|-----------------------|----------|----------|------------------------------|-----------------------|--|
| | Real | Oil & Gas | Personal Property | Real | Personal | Personal | | | |
| 1999 | \$2,652,617 | \$515,033 | \$347,934 | \$116,982 | \$255 | \$255 | \$3,398,347 | 8.00 | 96.67% |
| 2000 | 2,812,154 | 448,685 | 257,051 | 127,824 | 31,762 | 31,762 | 3,358,304 | 8.00 | 95.46% |
| 2001 | 2,976,229 | 465,766 | 279,242 | 140,756 | 32,097 | 32,097 | 3,548,384 | 7.50 | 95.35% |
| 2002 | 3,027,956 | 606,604 | 285,766 | 161,085 | 41,528 | 41,528 | 3,717,713 | 7.00 | 94.83% |
| 2003 | 3,290,671 | 680,522 | 290,369 | 176,523 | 40,998 | 40,998 | 4,044,041 | 6.50 | 94.90% |
| 2004 | 3,509,442 | 673,367 | 276,649 | 196,210 | 40,844 | 40,844 | 4,222,404 | 6.50 | 94.68% |
| 2005 | 3,656,476 | 611,303 | 253,595 | 215,076 | 42,051 | 42,051 | 4,264,247 | 6.50 | 94.31% |
| 2006 | 4,009,648 | 561,689 | 285,351 | 304,702 | 44,210 | 44,210 | 4,507,776 | 6.50 | 92.82% |
| 2007 | 4,402,946 | 558,190 | 295,431 | 340,356 | 28,161 | 28,161 | 4,888,050 | 6.50 | 92.99% |
| 2008 | 4,940,180 | 607,052 | 224,479 | 374,395 | 27,938 | 27,938 | 5,369,378 | 5.50 | 93.03% |

Note: Borough code requires a revaluation of all property no less than every 5 years, current average is approximately every 7 years. Figures in this table have been revised from the FY05 CAFR to exclude state and federal exemptions previously included

(1) Tax exempt values represents only those exemptions provide by the Borough. It does not include those exemptions provided by federal or state requirements

| Fiscal Year | Borough (1) | | City of Homer | | City of Kachemak | | City of Kenai | | City of Seldovia | | City of Seward | | City of Soldotna | |
|-------------|-------------|------------------|---------------|-------------------|------------------|-------------------|---------------|-------------------|------------------|-------------------|----------------|-------------------|------------------|-------------------|
| | Operating | Special District | Operating | Special Districts | Operating | Special Districts | Operating | Special Districts | Operating | Special Districts | Operating | Special Districts | Operating | Special Districts |
| | | | | | | | | | | | | | | |
| 1999 | 8.00 | 0.08 | 5.50 | 2.00 | 1.00 | 2.00 | 3.50 | 0.40 | 7.25 | 0.00 | 3.12 | 0.00 | 1.65 | 3.15 |
| 2000 | 8.00 | 0.10 | 5.50 | 2.00 | 1.00 | 2.00 | 3.50 | 0.40 | 7.25 | 0.00 | 3.12 | 0.00 | 1.65 | 3.15 |
| 2001 | 7.50 | 0.10 | 5.50 | 2.00 | 1.00 | 2.00 | 3.50 | 0.40 | 7.25 | 0.00 | 3.12 | 0.00 | 1.65 | 3.15 |
| 2002 | 7.00 | 0.10 | 5.50 | 1.75 | 1.00 | 1.75 | 3.50 | 0.40 | 7.25 | 0.00 | 3.12 | 0.00 | 1.65 | 3.00 |
| 2003 | 6.50 | 0.10 | 5.00 | 1.75 | 1.00 | 1.75 | 3.50 | 0.40 | 7.25 | 0.00 | 3.12 | 0.00 | 1.65 | 3.00 |
| 2004 | 6.50 | 0.10 | 5.00 | 1.75 | 1.00 | 1.75 | 5.00 | 0.50 | 7.25 | 0.00 | 3.12 | 0.00 | 1.65 | 3.10 |
| 2005 | 6.50 | 0.10 | 4.50 | 1.75 | 1.00 | 1.75 | 4.50 | 1.00 | 7.25 | 0.00 | 3.12 | 0.50 | 1.65 | 3.35 |
| 2006 | 6.50 | 0.10 | 4.50 | 1.75 | 2.00 | 1.75 | 4.50 | 1.00 | 7.25 | 0.00 | 3.12 | 0.50 | 1.65 | 3.35 |
| 2007 | 6.50 | 0.10 | 4.50 | 1.75 | 2.00 | 1.75 | 4.50 | 1.00 | 4.60 | 0.00 | 3.12 | 0.50 | 1.65 | 3.35 |
| 2008 | 5.50 | 0.00 (3) | 4.50 | 2.00 | 2.00 | 2.00 | 4.50 | 1.00 | 4.60 | 0.00 | 3.12 | 0.50 | 1.65 | 3.55 |

(1) Borough's General Fund maximum mill rate for FY2008 was 8.21 mills

(2) Overlapping rates are those of the first class cities located within the Borough. The mill rate shown consists of two components: the mill rate for the operating entity and the mill rate for special districts, which includes fire and emergency response, higher education, and local support for hospitals.

(3) The mill rate for the special district, the Post Secondary Fund, was combined into the Operating fund mill rate

Kenai Peninsula Borough

Table X

**Property Tax Levies and Collections
General Fund
Last Ten Fiscal Years**

| Year Ended June 30 | Total Tax Levy for Fiscal Year | Collected in the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 1999 | \$26,721,777 | \$26,118,599 | 97.743% | \$ 601,260 | \$26,719,859 | 99.993% |
| 2000 | 26,792,683 | 26,212,896 | 97.836% | 576,594 | 26,789,490 | 99.988% |
| 2001 | 26,611,167 | 26,132,333 | 98.201% | 477,165 | 26,609,498 | 99.994% |
| 2002 | 26,096,387 | 25,644,795 | 98.270% | 449,551 | 26,094,346 | 99.992% |
| 2003 | 26,370,536 | 25,879,204 | 98.137% | 487,053 | 26,366,257 | 99.984% |
| 2004 | 27,558,497 | 27,062,845 | 98.201% | 490,831 | 27,553,676 | 99.983% |
| 2005 | 27,820,350 | 27,446,158 | 98.655% | 368,544 | 27,814,702 | 99.980% |
| 2006 | 29,357,626 | 28,978,909 | 98.710% | 370,594 | 29,349,503 | 99.972% |
| 2007 | 31,768,274 | 31,346,983 | 98.674% | 381,440 | 31,728,423 | 99.875% |
| 2008 | 30,042,125 | 29,651,635 | 98.700% | - | 29,651,635 | 98.700% |

Kenai Peninsula Borough

Table XI

Ratios of Outstanding Debt by Type and Per Capita
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | Business-Type Activities (1) | | | Total | Percentage of Personal Income | Percentage of Estimated Actual Taxable Value of Property (Area Wide) | Debt Per Capita (2) (3) Service Areas | | | |
|-------------|--------------------------------------|---|----------------|------------------------------|----------------|--------------|-------|-------------------------------|--|--|---------------------------------------|---|-------|
| | General Obligation Bonds (Area Wide) | General Obligation Bonds (Service Area) | Capital Leases | General Obligation Bonds | Capital Leases | Area Wide | | | | Central Emergency Services Area | South Peninsula Hospital Service Area | Central Peninsula Hospital Service Area | |
| 1999 | \$ 30,045,000 | - | \$ - | - | - | \$30,045,000 | 2.42% | 0.88% | 614 | \$ - | \$ - | \$ - | - |
| 2000 | 19,315,000 | - | - | - | - | 19,315,000 | 1.38% | 0.58% | 389 | - | - | - | - |
| 2001 | 15,889,000 | - | 2,037,282 | - | 2,037,282 | 17,926,282 | 1.24% | 0.51% | 317 | - | - | - | 65 |
| 2002 | 13,409,000 | - | 1,525,056 | - | 1,525,056 | 14,934,056 | 0.99% | 0.40% | 257 | - | - | - | 49 |
| 2003 | 17,874,000 | - | 989,722 | - | 989,722 | 18,863,722 | 1.25% | 0.47% | 335 | - | - | - | 32 |
| 2004 | 28,734,000 | - | 511,562 | 58,275,000 | 511,562 | 87,520,562 | 5.76% | 2.07% | 555 | - | 824 | 807 | 1,508 |
| 2005 | 25,359,000 | - | 261,351 | 56,655,000 | 261,351 | 82,275,351 | 5.16% | 1.93% | 490 | - | 807 | 777 | 1,465 |
| 2006 | 21,874,000 | 2,500,000 | - | 54,645,000 | - | 79,019,000 | 4.79% | 1.75% | 426 | 127 | 777 | 881 | 1,406 |
| 2007 | 22,399,000 | 2,425,000 | 1,450,192 | 52,795,000 | 1,450,192 | 79,069,192 | 4.47% | 1.62% | 428 | 123 | 881 | 1,353 | 1,353 |
| 2008 | 20,174,000 | 2,345,000 | 1,109,570 | 65,200,000 | 1,109,570 | 88,828,570 | 5.02% | 1.65% | 385 | 115 | 1,982 | 1,290 | 1,290 |

Note: Details regarding the Borough's outstanding debt can be found in the notes to the financial statements.

- (1) Business-type activities debt is for the South Peninsula Hospital Service Area and Central Peninsula Hospital Service Area and is debt of the Service Areas not the Primary Government
- (2) Other Governmental Fund type debt is for the Central Emergency Services Service Area and is debt of the Service Area not the Primary Government
- (3) Due to overlapping taxing jurisdictions, the Debt Per Capita of the Area Wide must be combined with each overlapping Service Area to determine the total Debt Per Capita within each Tax Code Area

Population data can be found on Table XIII

Kenai Peninsula Borough

Table XII

**Legal Debt Margin Information
Last Ten Fiscal Years**

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough

Table XIII

**Demographic and Economic Statistics
Last Ten Fiscal Years**

| Fiscal Year | Population (1) | Personal Income (amount expressed in thousands) | Per Capita Personal Income | Median Age (3) | School Enrollment | Unemployment Rate (2) |
|-------------|----------------|---|----------------------------|----------------|-------------------|-----------------------|
| 1999 | 48,952 | 1,243,493 | 25,402 | 35.4 | 10,179 | ** |
| 2000 | 49,673 | 1,398,638 | 28,157 | 36.1 | 9,896 | ** |
| 2001 | 50,172 | 1,446,609 | 28,833 | 35.9 | 9,963 | 8.00% |
| 2002 | 52,245 | 1,508,201 | 28,868 | 36.4 | 9,799 | 7.90% |
| 2003 | 53,316 | 1,505,864 | 28,244 | 36.6 | 9,661 | 9.40% |
| 2004 | 51,733 | 1,519,711 | 29,376 | 37.4 | 9,467 | 10.00% |
| 2005 | 51,765 | 1,594,109 | 30,795 | 38.0 | 9,527 | 9.50% |
| 2006 | 51,350 | 1,650,417 | 32,141 | 39.7 | 9,389 | 8.70% |
| 2007 | 52,370 | 1,770,250 | 33,803 | 39.1 | 9,368 | 8.10% |
| 2008 | 52,370 * | 1,770,250 * | 33,803 * | 39.1 * | 9,250 | 7.70% |

(1) Alaska Department of Labor estimates as of July 1 of each fiscal year

(2) Data is provided by the State of Alaska Department of Labor and is the average rate for the previous calendar year

(3) Data is provided by the State of Alaska Department of Labor

* Current year information is not available as of the date of this report, prior year information is used

** The Bureau of Labor Statistics, changed their method of calculating unemployment rates. They have recalculated the unemployment rate back to 2001. Unemployment rates for 1999-2000 are not available using the new method.

http://www.labor.state.ak.us/research/emp_ue/kblf.htm

Kenai Peninsula Borough

Table XIV

**Principal Employers
Current**

| <u>Employer</u> | <u>2008 Rank</u> |
|---|----------------------|
| Kenai Peninsula Borough School District | 1 |
| State of Alaska-excludes University | 2 |
| Central Peninsula General Hospital | 3 |
| U.S. Government | 4 |
| Safeway/Eagle Stores | 5 |
| Kenai Peninsula Borough | 6 |
| Frontier Community Services | 7 |
| Alaska Petroleum Contractors | 8 |
| South Peninsula Hospital | 9 |
| Fred Meyer | 10 |

Employer information is from December 31st of the prior calendar year end

The State of Alaska has passed legislation that prevents disclosure of the number of employees for each employer. Specific employee counts are available for 2008, because that information was released prior to the legislation being implemented, the State will not provide detail information for 1999.

Kenai Peninsula Borough

Table XV

Full-time Equivalent Borough Government Employees by Function
Last Ten Fiscal Years

| Function | Full-time Equivalent Employee as of June 30 | | | | | | | | | |
|------------------------------|---|--------|-----------|--------|-----------|--------|-----------|--------|-----------|-----------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General government: | | | | | | | | | | |
| Assembly | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| Mayoral | 4.00 | 4.00 | 7.00 (1) | 6.00 | 10.00 (3) | 11.00 | 11.00 | 11.00 | 10.00 | 10.00 |
| Office of emergency mgmt | - | - | - | - | - | - | - | - | 10.00 (5) | 12.00 |
| General services | 27.95 | 28.00 | 30.00 | 31.10 | 31.55 | 31.60 | 32.60 | 32.60 | 21.60 (5) | 21.80 |
| Legal | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Finance | 24.50 | 24.50 | 27.00 (2) | 27.00 | 23.00 (3) | 23.00 | 23.00 | 23.00 | 23.00 | 23.00 |
| Assessing | 20.00 | 20.75 | 19.75 | 19.75 | 20.75 | 21.00 | 21.00 | 21.00 | 21.00 | 22.00 |
| Planning | 11.75 | 11.75 | 9.80 | 8.80 | 9.10 | 9.50 | 8.50 | 8.50 | 9.00 | 9.00 |
| Major projects | 6.00 | 6.00 | 6.00 | 7.00 | 8.00 | 9.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Other | 0.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 105.70 | 106.50 | 111.05 | 112.15 | 113.90 | 116.60 | 114.60 | 114.60 | 113.10 | 116.30 |
| Fire and Emergency Services: | | | | | | | | | | |
| Nikiski Fire | 20.00 | 21.00 | 21.00 | 21.00 | 23.00 | 24.00 | 24.00 | 23.00 | 23.00 | 23.00 |
| Bear Creek Fire | - | - | - | - | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Anchor Point | - | - | - | 0.40 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| CES | 23.00 | 23.00 | 23.00 | 23.00 | 26.00 | 27.00 | 27.00 | 28.00 | 30.50 (6) | 33.50 (7) |
| Kachemak | - | - | - | - | - | - | - | - | - | 0.75 |
| Seward Bear Creek Flood | - | - | - | - | - | - | 0.50 | 0.50 | 0.50 | 0.75 |
| Recreation | 12.25 | 12.25 | 12.25 | 13.25 | 13.25 | 14.00 | 13.25 | 13.25 | 13.25 | 13.25 |
| Roads | 5.00 | 5.00 | 5.00 | 5.00 | 6.00 | 6.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| Land trust fund | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Kenai River Center | 2.00 | 2.00 | 3.50 | 4.50 | 4.20 | 4.50 | 4.50 | 4.00 | 4.50 | 4.50 |
| Nikiski seniors | - | - | - | - | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Solid waste | 7.00 | 7.00 | 7.00 | 7.25 | 7.25 | 8.75 | 19.25 (4) | 19.25 | 19.25 | 20.25 |
| Risk management | 2.55 | 2.55 | 2.55 | 3.55 | 3.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 |
| Total | 182.00 | 183.80 | 189.85 | 194.60 | 204.10 | 212.85 | 222.10 | 221.60 | 223.10 | 231.30 |

- (1) Start up of Community and Economic Division
- (2) Purchasing department transferred from Maintenance, increase in 2 positions
- (3) Purchasing department transferred from the Finance department to the Mayoral department, reduction in 4 positions in Finance
- (4) The Borough took over operations of the Soldotna landfill, previously the operations were contracted out
- (5) The Office of Emergency Management and 911 Communications separated from General Services
- (6) Staffing at Funny River Fire Station
- (7) Staffing at Kasilof Fire Station

Kenai Peninsula Borough

Table XVI

Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| General government- 911 calls answered | *** | *** | *** | *** | 14,458 | 16,919 | 17,200 | 17,926 | 15,084 | 16,590 |
| Fire and emergency services: ** | | | | | | | | | | |
| Number of calls responded to: | | | | | | | | | | |
| Nikiski | 717 | 614 | 653 | 628 | 657 | 745 | 745 | 733 | 665 | 737 |
| Bear Creek | 55 | 87 | 70 | 94 | 97 | 79 | 99 | 76 | 120 | 164 |
| Anchor Point | 135 | 141 | 146 | 225 | 188 | 150 | 150 | 190 | 191 | 198 |
| CES | 1,176 | 1,322 | 1,348 | 1,437 | 1,437 | 1,551 | 1,771 | 1,942 | 1,825 | 1,919 |
| Kachemak | - | - | - (1) | 97 | 80 | 63 | 83 | 99 | 95 | 114 |
| Landfills- | | | | | | | | | | |
| Refuse collected (tons) | 54,800 | 57,500 | 59,700 | 62,500 | 63,100 | 62,600 | 60,500 | 64,000 | 67,200 | 65,000 |

Note: With the exception of 911 calls, indicators are not available for the general government functions

** Fire and Emergency Services indices are as of December 31 of each fiscal year

*** Information not available

(1) This is the first year that Kachemak Emergency Service Area was in operation

Kenai Peninsula Borough

Table XVII

Capital Asset Statistics by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Fire and emergency services: | | | | | | | | | | |
| Number of Stations: | | | | | | | | | | |
| Nikiski | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Bear Creek | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Anchor Point | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| CES | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 6 |
| Kachemak | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Landfills: | | | | | | | | | | |
| Number of landfills | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of transfer sites | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Recreation- | | | | | | | | | | |
| Number of facilities | 6 | 6 | 6 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| Roads- | | | | | | | | | | |
| Miles of roads maintained | 629 | 629 | 638 | 638 | 630 | 589 | 608 | 614 | 620 | 623 |

Note: No capital asset indicators are available for the general government functions
Sources: various Borough departments/service areas

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SINGLE AUDIT

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

| <u>Federal Grantor</u> | <u>Grant Number</u> | <u>CFDA #</u> | <u>Expenditures</u> <u>6/30/08</u> |
|--|---------------------|---------------|---------------------------------------|
| <u>U. S Department of Commerce:</u> | | | |
| Passed through Alaska Department of Commerce, Community & Economic Development: | | | |
| Alaska Coastal Zone Management Program Required Tasks | 880886 | 11.419 | \$ 38,500 |
| Alaska Coastal Zone Management Section 309 Enhancement Grant | 871445 | 11.419 | 16,299 |
| Kenai River Access Inventory and Management Plan | 2198467 | 11.419 | 4,000 |
| Passed through Alaska Department of Military & Veterans Affairs: | | | |
| National Tsunami Hazard Mitigation Program | 02NOAA-GR34280 | 11.467 | 3,853 |
| Total U. S Department of Commerce | | | <u>62,652</u> |
| <u>U.S. Department of the Interior:</u> | | | |
| Passed through U.S. Bureau of Land Management: | | | |
| Payment in Lieu of Taxes * | FY2007 SEC 6901/02 | 15.226 | 1,922,917 |
| Passed through State of Alaska Department of Natural Resources | | | |
| Urban Interface Wildlife Protection Plan | 39879 | 15.228 | 36,102 |
| Urban Interface Wildlife Protection Plan | FY07 | 15.228 | 13,096 |
| Passed through US Fish and Wildlife Service: | | | |
| National Wildlife Refuge Revenue Sharing * | FY2007 | 15.226 | 32,144 |
| Total U.S. Department of the Interior | | | <u>2,004,259</u> |
| <u>U.S. Department of Transportation:</u> | | | |
| Passed through Alaska Department of Transportation: | | | |
| Kenai Spur Road Extension | MOA | 20.205 | 3,792 |
| Keystone Road Paving Project | MOA | 20.205 | 255,817 |
| Total U.S. Department of Transportation | | | <u>259,609</u> |
| <u>U.S. Department of Justice:</u> | | | |
| CES Emergency Response Center Equipment Grant | 2005CKWX0055 | 16.710 | 442,357 |
| Total U.S. Department of Justice | | | <u>442,357</u> |
| <u>U.S. Department of Homeland Security:</u> | | | |
| Bear Creek Firefighter Assistance Grant | EMW-2007-FR-00514 | 97.044 | 48,742 |
| Bear Creek Firefighter Assistance Grant | EMW-2007-FO-03591 | 97.044 | 6,982 |
| KES Firefighter Assistance Grant | EMW-2006-FG-07606 | 97.044 | 3,104 |
| Passed through Alaska Department of Commerce, Community & Economic Development - | | | |
| Flood Mitigation Assistance Plan for Seward/Bear Creek Area | EMS-2006-FM-E002 | 97.029 | 5,871 |
| Passed through Alaska Department of Military & Veterans Affairs: | | | |
| October 2006 Southern Alaska Storm - Seward Flood * | DR-1669 | 97.036 | 361,526 |
| June 2007 Caribou Hills Fire Disaster | FM-2699 | 97.046 | 4,441 |
| Citizens Corp FY2006 | 05 CCP 16.11c05 | 97.053 | 5,286 |
| Citizens Corp FY2007 | 06 CCP 16.11c04 | 97.053 | 5,958 |
| Citizens Corp FY2008 | 2007-GE-T7-0003 | 97.053 | 9,098 |
| Emergency Management Performance Grant | 07EMPG-GR35567 | 97.042 | 22,500 |
| Emergency Management Performance Grant | 08EMPG-GR35569 | 97.042 | 50,000 |
| Emergency Response Grant * | HMGP 1440.0012 | 97.039 | 335,233 |
| Kasilof Road Relocation * | 1445-0017 | 97.039 | 129,733 |
| State Homeland Security Grant Program | 05 SHSP 16.16c.13 | 97.073 | 19,164 |
| Total Department of Homeland Security | | | <u>1,007,638</u> |

(continued)

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards - continued
Year Ended June 30, 2008

| <u>Federal Grantor</u> | <u>Grant Number</u> | <u>CFDA #</u> | <u>Expenditures 6/30/08</u> |
|---|---------------------|---------------|---------------------------------|
| <u>U.S. Department of Housing & Urban Development:</u> | | | |
| Passed through Alaska Department of Commerce, Community & Economic Development: | | | |
| Nikolaevsk Fire Sub-Station * | 871300 | 14.228 | \$ 421,000 |
| Total U.S. Department of Housing & Urban Development | | | 421,000 |
| <u>Denali Commission:</u> | | | |
| Solid Waste Recycle Equipment - Containers | 266-07/268-07 | 90.100 | 39,910 |
| Serenity House Capital Grant | | 90.100 | 22,619 |
| Passed through Alaska Department of Commerce, Community & Economic Development - Bear Creek Public Safety Building | | | |
| Total Denali Commission | 871284 | 90.100 | 64,487 127,016 |
| <u>U.S. Department of Health and Human Services:</u> | | | |
| Passed through the Alaska Department of Health and Social Services: | | | |
| Behavioral Health Prevention and Early Intervention Services | FY08 | 93.959 | 157,026 |
| Passed through the Alaska State Hospital & Nursing Home Association | | | |
| Alaska Hospital Preparedness Program - Heritage Place | 2008 | 93.003 | 19,523 |
| Alaska Hospital Preparedness Program - Central Peninsula Hospital | 2008 | 93.003 | 17,125 |
| Alaska Hospital Preparedness Program - South Peninsula Hospital | 2008 | 93.003 | 13,579 |
| Passed through Southcentral Foundation | | | |
| Alaska Healthcare Facilities Partnership | 2008 | 93.889 | 4,916 |
| Total Department of Health and Human Services | | | 212,169 |
| <u>U.S. Department of Agriculture:</u> | | | |
| National Forest Receipts | 871107 | 10.665 | 31,084 |
| Passed through U.S. Forest Service: | | | |
| 00 Spruce Bark Beetle Infestation | 00BTL | 10.664 | 1,422 |
| 01 Spruce Bark Beetle Infestation | 01BTL | 10.664 | 76,093 |
| 03 Spruce Bark Beetle Infestation | 03BTL | 10.664 | 66,237 |
| 04 Spruce Bark Beetle Infestation | 04BTL | 10.664 | 28,692 |
| 05 Spruce Bark Beetle Infestation | 05BTL | 10.664 | 569,123 |
| 06 Spruce Bark Beetle Infestation | 07BTL | 10.664 | 454,907 |
| 02 Emergency Response Grant | 02EMR | 10.664 | 375,804 |
| Passed through Alaska Department of Natural Resources: | | | |
| Anchor Point Fire Service Area Volunteer Fire Assistance Grant | FY08 | 10.664 | 5,931 |
| Bear Creek Fire Service Area Volunteer Fire Assistance Grant | FY08 | 10.664 | 4,000 |
| Kachemak Fire Service Area Volunteer Fire Assistance Grant | FY08 | 10.664 | 6,746 |
| Nikiski Fire Service Area Volunteer Fire Assistance Grant | FY08 | 10.664 | 7,370 |
| Total U.S. Department of Agriculture | | | 1,627,409 |
| TOTAL FEDERAL | | | \$ 6,164,109 |

* Federal Major Program

Kenai Peninsula Borough

**Schedule of Expenditures of State Awards
Year Ended June 30, 2008**

| <u>State Grantor</u> | <u>Grant Number</u> | <u>Expenditures 6/30/08</u> |
|--|---------------------|---------------------------------|
| Alaska Department of Commerce, Community & Economic Development: | | |
| Shared Fisheries Business Tax | 881219 | \$ 4,879 |
| Fish Resource Landing Tax | FY07 | 4,533 |
| Division of Retirement & Benefits SB256 Retirement Funding for Employers * | | 702,515 |
| Municipal Energy Assistance Program - Borough * | 880147 | 1,749,553 |
| Municipal Energy Assistance Program for Unincorporated Communities - Anchor Point | 880624 | 5,748 |
| Municipal Energy Assistance Program for Unincorporated Communities- Cooper Landing | 880625 | 11,677 |
| Municipal Energy Assistance Program for Unincorporated Communities - Hope | 880626 | 6,025 |
| Municipal Energy Assistance Program for Unincorporated Communities- Nikiski | 880628 | 8,576 |
| Municipal Energy Assistance Program for Unincorporated Communities- Ninilchik | 880630 | 15,000 |
| Municipal Energy Assistance Program for Unincorporated Communities- Tyonek | 880633 | 20,000 |
| Anchor Point ATV Brush Attack Unit | 07-DC-036 | 118 |
| Anchor Point Senior Citizens Pre-Development Senior Housing Study | 07-DC-304 | 28,557 |
| Bear Creek Mobile Hydrant Unit | 06-DC-201 | 71,500 |
| Borough-wide Road Upgrades * | 07-DC-509 | 724,579 |
| Central Emergency Services Wildland/Urban Interface Fire Engine * | 08-DC-303 | 160,000 |
| Community College Drive Road Improvements | 08-DC-304 | 7,744 |
| Cook Inlet Regional Citizens Advisory Group Development Safety Project | 06-DC-341 | 22,360 |
| Diamond Ridge Safety Trail | 07-DC-306 | 23,826 |
| Kenai High School Asphalt Replacement | 06-DC-190 | 750 |
| KPBSD Equipment & Supplies for District Schools | 07-DC-311 | 44,574 |
| KPBSD Equipment & Supplies for District Schools * | 08-DC-310 | 157,589 |
| KPBSD Mini Projects for Youth Education Development * | 07-DC-313 | 161,218 |
| Lowell Point Fire Station Remodel | 07-DC-309 | 8,280 |
| Nikiski High School Auditorium Upgrades | 06-DC-344 | 18,183 |
| Nikiski High School Track | 06-DC-191 | 8,533 |
| Nikiski Fire Emergency Response Equipment | 08-DC-306 | 50,000 |
| Nikiski Elementary School Crosswalk/Bikepath | 06-DC-342 | 1,302 |
| Nikiski Senior Home Meal Delivery Vehicle | 08-DC-308 | 32,728 |
| Ninilchik School Bus Turnaround | 06-DC-194 | 2,116 |
| Ninilchik School Carpet Replacement | 06-DC-345 | 33,481 |
| Ninilchik Reroof Section D & E | 06-DC-195 | 6,076 |
| Ninilchik Handicap Access | 06-DC-192 | 40,817 |
| Ninilchik Window Replacement | 06-DC-193 | 163 |
| North Peninsula Recreation Community Center | 03-DC-213 | 52,440 |
| Playground Equipment for Area Schools | 08-RR-020 | 70,000 |
| Recreational Fishing Activities for Disabled Veterans | 08-RR-021 | 48,716 |
| Sears Elementary Roof | 07-DC-314 | 7,242 |
| Seward Elementary Gym Floor & Carpet Replacement | 06-DC-198 | 869 |
| Soldotna Elementary School Roof replacement | 06-DC-199 | 4,003 |
| Soldotna Elementary School Drainage | 07-DC-316 | 41,685 |
| Soldotna High School Sports Field Construction | 06-DC-200 | 16,489 |
| Soldotna Middle School Gym Siding | 08-DC-311 | 919 |
| Tyonek School Books and Supplies | 08-DC-312 | 3,159 |
| Total Alaska Department of Commerce,Community & Economic Development | | <u>4,378,522</u> |

(continued)

Kenai Peninsula Borough

**Schedule of Expenditures of State Awards - continued
Year Ended June 30, 2008**

| <u>State Grantor</u> | <u>Grant Number</u> | <u>Expenditures 6/30/08</u> |
|--|---------------------|---------------------------------|
| Alaska Department of Health & Social Services: | | |
| Behavioral Health Prevention & Early Intervention Services * | 602-08-011 | 190,152 |
| Behavioral Health Bring the Kids Home * | 602-08-974 | 131,752 |
| Behavioral Health Bring the Kids Home * | 602-08-973 | 105,587 |
| Passed Through the Alaska Division Alcoholism & Drug Abuse - CPGH Serenity House Residential Treatment Center Grant | 602-08-282 | <u>9,883</u> |
| Total Alaska Department of Health & Social Services | | <u>437,374</u> |
| Alaska Department of Revenue: | | |
| Commercial Passenger Vessel Tax * | FY07 | 383,653 |
| Electric & Telephone Coop. * | FY08 | 186,808 |
| Fish Tax | FY07 | 84,816 |
| Fish Tax * | FY08 | <u>730,000</u> |
| Total Alaska Department of Revenue | | <u>1,385,277</u> |
| Alaska Department of Education & Early Development: | | |
| HVAC Controls for five Schools | GR-07-009 | \$ 19,594 |
| State School Debt Reimbursement * | | <u>1,651,921</u> |
| Total Alaska Department of Education & Early Development | | <u>1,671,515</u> |
| Alaska Department of Transportation: | | |
| Kenai Spur Road Extension | MOA | 948 |
| CPGH Highway Safety Grant | 154-AL-07-14-26B | 2,734 |
| CPGH Highway Safety Grant | K2-070902 | 10,260 |
| CPGH Highway Safety Grant | 402OP07-04-02 | 2,929 |
| CPGH Highway Safety Grant | 402OP08-04-10 | <u>37,851</u> |
| Total Alaska Department of Transportation | | <u>54,722</u> |
| Alaska Department of Administration: | | |
| Division of Retirement & Benefits PERS Relief SB53 * | | <u>1,262,752</u> |
| Total Alaska Department of Administration | | <u>1,262,752</u> |
| Alaska Department of Military & Veteran Affairs: | | |
| Passed Through the Alaska Division of Homeland Security & Emergency Management | | |
| October 2006 Southern Alaska Storm - Seward Flood * | DR-1669 | 120,509 |
| January 2007 Kenai River Flood - Ice Jam * | AK-07-223 | 113,803 |
| Kasilof Road Relocation | 1445.0017 | 41,661 |
| Local Emergency Planning Committee | 08LEPC-AR35253 | <u>22,125</u> |
| Total Alaska Department of Military & Veteran Affairs | | <u>298,098</u> |
| TOTAL STATE | | <u>\$ 9,488,260</u> |

* State Major Program