

Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report
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Year Ended June 30, 2013

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KENAI PENINSULA BOROUGH

Finance Department

144 North Binkley Street • Soldotna, Alaska 99669-8250

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MIKE NAVARRE
MAYOR

November 7, 2013

Honorable Members of the Assembly
Citizens of the Kenai Peninsula Borough

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula (Borough) for the year ended June 30, 2013, which is submitted in accordance with Section 29.35.120 of Alaska Statutes and Borough code. These laws require that a complete set of financial statements be presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America and those standards applicable to audits performed in accordance with Government Auditing Standards by licensed independent certified public accountants.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the Borough on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the Borough's financial activities have been included.

Management of the Borough is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Borough are protected from loss, theft or misuse and to ensure that sufficient, reliable, adequate accounting data is compiled for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the Borough's internal controls adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

In addition, the Borough maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Borough Assembly. The Borough also maintains an encumbrance system that is employed as an extension of formal budgetary integration in all fund types. Encumbrances for governmental type funds outstanding at fiscal year-end are reported as committed or assigned designations of fund balance depending on the process by which the amounts are encumbered.

The Borough's financial statements have been audited by BDO USA LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the

amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Borough's financial statements for the fiscal year ended June 30, 2013, 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.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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 States, Local Governments, and Non-Profit Organizations* and associated *Compliance Supplement*. A schedule of expenditures of federal awards, the independent auditor's 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 auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs is 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 square miles and is located in the south central part of the state of Alaska. The estimated population for the Borough is 56,756.

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, federal revenue, other sources and interest earnings.

The Borough is financially accountable for three legally separate discretely presented component units; the School District, Central Peninsula Hospital and South Peninsula Hospital, which are each 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 adopted. For the General Fund, this comparison is presented on pages 32-33 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, these comparisons start on page 72.

Local Economy

The Borough economy is highly diverse. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and health care. Together they represent most of the Borough's employment. That diversity allows the Borough to be more resilient to declines in any one industry. The Borough's economy has experienced consistent, gradual growth since the late 1980's. Borough wide, the general government tax rate has decreased from a high of 8.59 mills in FY1996 to its current rate of 4.5 mills. The Borough also has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales in FY2013 were \$987 million, an increase of 1.9% from the prior year and a 12.4% increase from FY2010. Much of this increase reflects an improving economy recovering from the recession of 2009. Sales tax continues to generate a larger portion of the Borough's revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY2013, sales tax revenues represented almost 40%. It should be noted that the sales tax rate went from 2% to 3% effective January 1, 2008.

Oil and gas continues to play a vital role in the Borough's economy, although the players are changing. Large national and multinational companies are being replaced by independents, which has resulted in a resurgence in exploration and production. New players include Buccaneer Energy, Cook Inlet Energy and Hilcorp Energy, which purchased the assets of Chevron in 2012 and Marathon Oil in 2013. This has led to new wells in the Anchor Point and Kenai area, jack up rigs being used throughout Cook Inlet, along with increased exploration in other areas of the Borough, resulting in an increase in assessed value for oil and gas properties. Assessed values for oil and gas properties increased from \$703 million for 2010, to \$989 million in 2013.

Increased oil and gas exploration has also had an impact on the Borough's unemployment rate. The unemployment rate has decreased from 10.0% in 2010; to 9.4% for 2011; to 8.4% for 2012, and to 7.7% through July 2013. This compares to the statewide average of 7.0%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work of the fishing and tourism industry.

Long-Term Financial Planning

A significant measure of the Borough's financial strength is the level of its fund balances (i.e. the accumulation of revenues exceeding expenditures). The Assembly takes the responsibility of being stewards of the public's funds very seriously and has adopted the following General Fund reserve policy: reserve funds shall not be used to fund recurring expenditures. Fund balances should be maintained at fiscally sound levels in all funds. The Borough has adopted financial policies that will insure that the Borough maintains an appropriate fund balance in line with recommended best

practices. The unassigned, undesignated amount of \$.3 million and the assigned amount to meet the Borough's minimum Fund Balance per the Fund Balance policy of \$14.6 million is \$14.9 million and is in the General Fund is 20.6% of the proposed General Fund operating expenditures (including transfers), leaving the Borough in a solid financial position to adequately prepare for the expected reductions in revenues caused by the changes in the property tax laws and the economic environment.

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, 2012. This was the 33rd 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 received from the GFOA, the Distinguished Budget Presentation Award for FY2013 for publishing a budget document that meets the program criteria as a policy document, an operations guide, a financial plan and a communications device. This is the 20th year the Borough has received this award.

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 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,



Mike Navarre
Borough Mayor



Craig C. Chapman, CPA
Director of Finance



Brandi R. Harbaugh, CPA
Controller



Government Finance Officers Association

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

Presented to

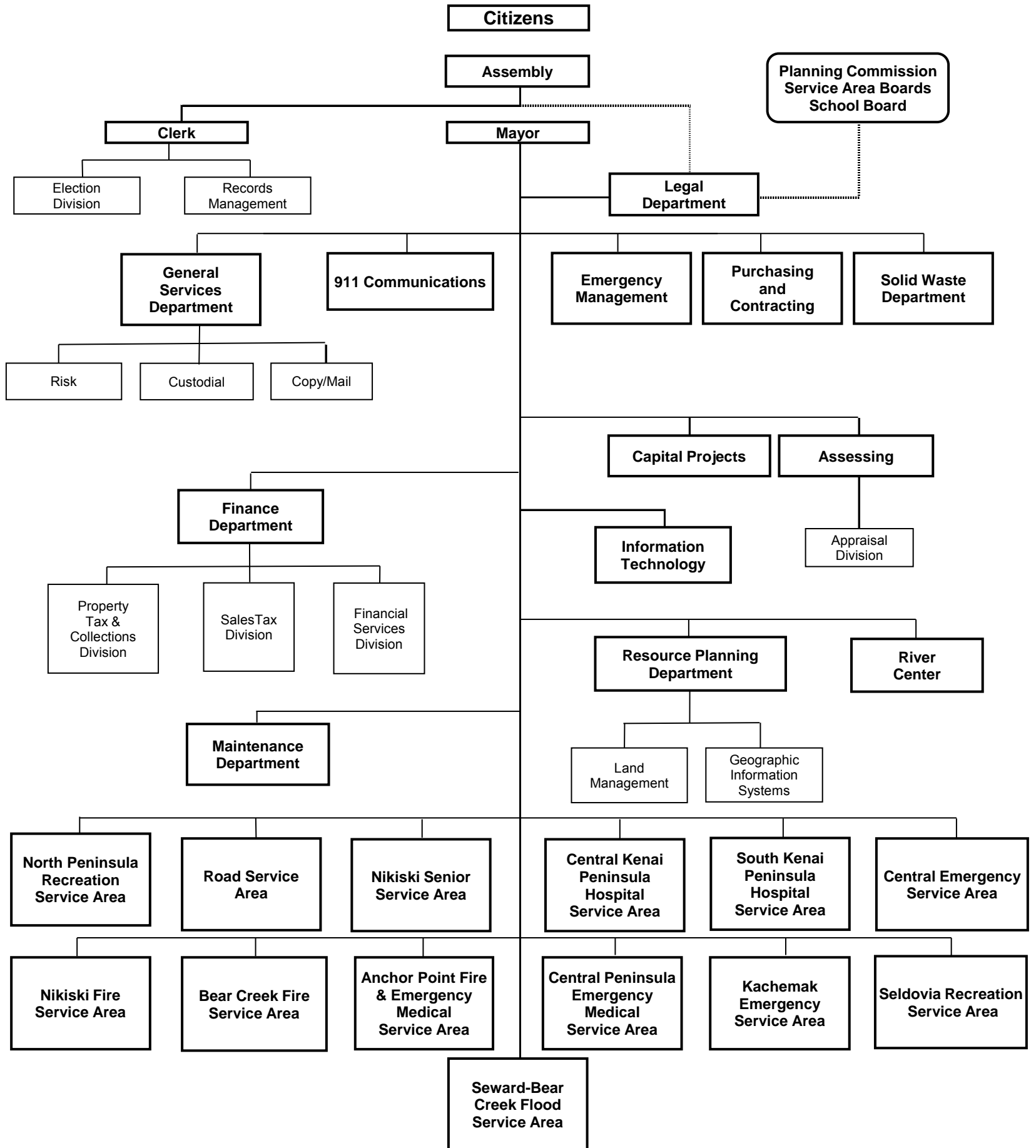
**Kenai Peninsula Borough
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Kenai Peninsula Borough Organizational Chart



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

Linda Murphy	President
Hal Smalley	Vice President
Kelly Wolf	
Charlie Pierce	
Sue A. McClure	
Mako Haggerty	
Bill Smith	
Brent Johnson	
Ray Tauriainen	

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

Mike Navarre	Borough Mayor
Craig Chapman	Finance Director
Colette Thompson	Borough Attorney
Sandra Brown	General Services Director
Johni Blankenship	Borough Clerk
Scott Walden	Office of Emergency Management Director
Benjamin Hanson	Information Technology Director
Tom Anderson	Assessing Director
Max Best	Planning Director
Gary Williams	River Center Manager
Kevin Lyon	Capital Projects Director
Scott Griebel	Maintenance Director
Jack Maryott	Solid Waste Director
Mark Fowler	Purchasing & Contracting Officer
Patrick Malone	Roads Director

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C. Chapman

Division Managers

Brandi Harbaugh
Penny Carroll
Rhonda Krohn
Rob Lewis

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

Jerri Braun
Tracy Davis
Morgan Aldridge
DeRay Jones
Julie Lahndt
Erin Lockwood
Misty Merriman
Joanne Rodgers

Lezlea Brandon
Amy Falk
Anna Donham
Becky Karsten
Lauri Lingafelt
Jennifer Loop
Samantha Ness
Barbara Nelson



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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Kenai Peninsula Borough

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013, Kenai Peninsula Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and the provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. These provisions have been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 13 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenai Peninsula Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2013 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2013.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013, on our consideration of 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* in considering Kenai Peninsula Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, AK
November 7, 2013

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Kenai Peninsula Borough

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, 2013. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the Borough's financial activity, identify changes in the Borough's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and current known facts, please read it in conjunction with the Borough's transmittal letter (pages 1-4), the financial statements (page 25-37) and the notes to the financial statements (pages 39-60).

Financial Highlights

- At the close of FY2013, the Kenai Peninsula Borough assets and deferred outflows exceeded its liabilities and deferred inflows by \$278.1 million, (net position). Of this amount, \$42.7 million (unrestricted net position) 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 43.
- 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 both minimum and maximum levels.
- At the end of the current fiscal year, total fund balance for the General Fund was \$23.3 million, an increase of \$1.8 million from FY2012. The assigned and unassigned fund balance for FY2013, not including the amount that was budgeted for FY2014 expenditures, is \$15.0 million. This compares to the FY2012 amount of \$20.3 million. This represents 20.6% of the total General Fund expenditures and transfers balance, this compares to 28.4% as of June 30, 2012. This reduction is attributable to a note receivable from the City of Homer Alaska for the construction of a natural gas pipeline for which the Borough has reported as nonspendable fund balance in the amount of \$6.9 million.
- The Borough's total net position increased \$1.5 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$60.2 million, a decrease of \$1.3 million from the prior year. Much of this decrease is due to the timing of revenues recognition from bond proceeds and grant revenues that were recognized in prior years with expenditures being recognized in the current year.
- The Borough issued \$1.215 million in debt during the fiscal year for construction of a new fire and emergency response facility in the Bear Creek Fire Service Area. Total outstanding debt at year-end was \$36.1 million, a decrease of \$1.5 million from FY2012.

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.

Fund Type	Number of funds
General Fund	1
Debt Service Funds	3
Capital Project Funds	13
Special Revenue Funds	17
Total Governmental Funds	34
Total Internal Service Funds	4
Total Agency Funds	27

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 focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to be a bottom line for the Borough and its governmental activities and Component Units. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets, including infrastructure, and long-term obligations. Net position is the difference between the Borough's assets and deferred outflows and its liabilities and deferred inflows. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving.
- The Statement of Activities reflects the expenses of a given function, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

Governmental activities are supported by taxes and intergovernmental revenues whereas the business-type activities are primarily supported by user fees and charges for services. The Borough's governmental activities include general government, solid waste, public safety, recreation, education, environmental protection and road and trail maintenance.

The government-wide financial statements present not only the Borough itself, but also the following discretely presented component units of the Borough; Kenai Peninsula Borough School District, Central Peninsula Hospital, and South Peninsula Hospital. Financial information for these discrete component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 25-27 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 34 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Bond Funded Capital Project Fund. The other 32 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Fund 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 28-33 of this report. Budgetary comparison statements for 14 special revenue funds and 3 debt service funds with annual budgets are provided on pages 72-85 and 97-99 respectively to demonstrate compliance with these budgets.

Proprietary funds.

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, compensated absences, and equipment replacement programs. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements. All of the 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. The basic proprietary fund financial statements can be found on pages 34-36 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 37 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-60 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 64-71, 87-93, 95-99 and internal service funds can be found on pages 101-103 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough, net position at June 30, 2013 was \$278.1 million compared to \$276.6 million at June 30, 2012. By far the largest portion of the Borough's net position (79.7%) reflects its investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that is 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 FY13, governmental activities capital assets, net of accumulated depreciation of the Borough increased \$3.0 million. Current and other assets include \$69.0 million and \$79.8 million of cash and investments held for governmental activities at June 30, 2013 and 2012. The major reduction in cash was due to a loan to the City of Homer for construction of a natural gas line. The Borough is authorized to loan up to \$12.7 million and carries an interest rate of 4.0%. The amount outstanding at June 30, 2013 is \$6.9 million.

Kenai Peninsula Borough
 Summary of Net Position
 June 30, 2013 and 2012
 Governmental
 Activities
 (in millions)

	2013	2012
Current and other assets	\$ 94.7	\$ 94.9
Capital assets	245.8	242.8
Total assets	340.5	337.7
Deferred outflow of resources	.6	-
Long-term debt outstanding	37.4	37.6
Other liabilities	14.9	11.3
Total liabilities	52.3	48.9
Deferred outflow of resources	10.7	12.2
Net position:		
Net Investment in capital assets	221.6	224.0
Restricted	13.7	21.6
Unrestricted	42.8	31.0
Total net position	\$ 278.1	\$ 276.6

Governmental activities.

Governmental activities increased the Borough's net position by \$1.5 million. This compares to a decrease of \$9.0 million for the year ended June 30, 2012. Key elements of this are as follows:

- Grant funds of \$9.0 million were received for improvements to the Borough's solid waste and school facilities, while capital expenditures for these projects totaled \$11.2 million.
- Road expenses decreased as the department reduced expenditures to grow their fund balance which was reduced due to prior year's record snow fall amount.

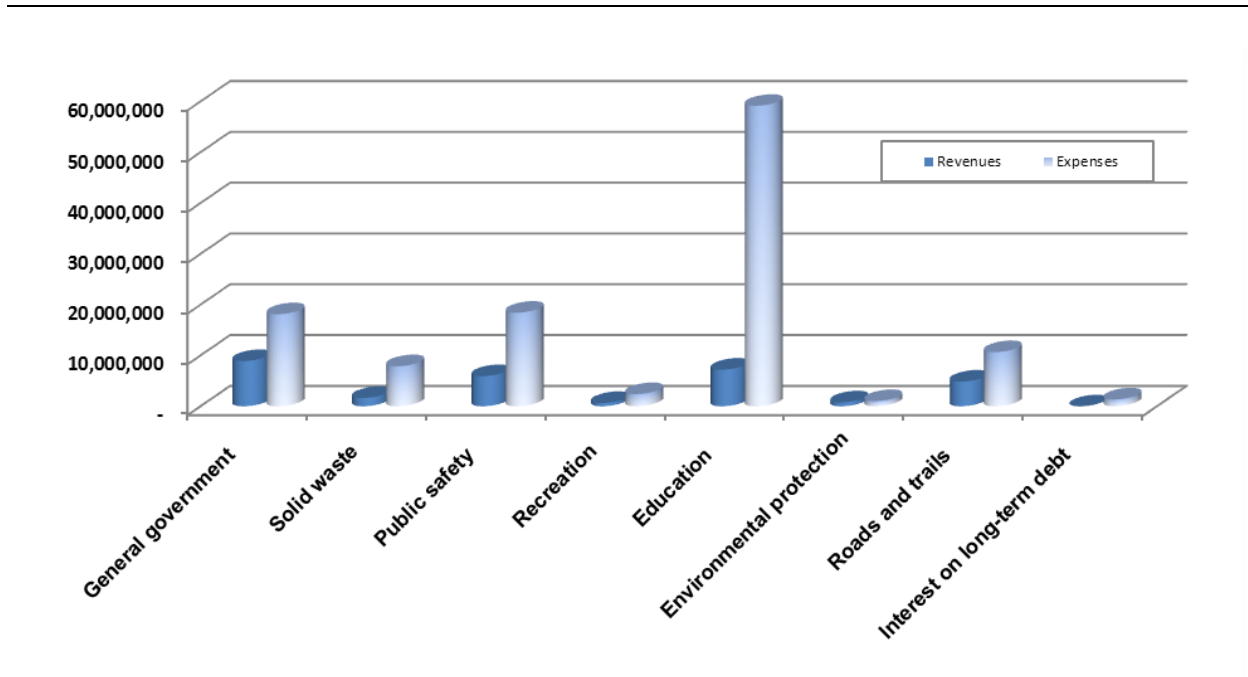
Summary of Changes in Net Position

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

Kenai Peninsula Borough Changes in Net Position For Years Ended June 30, 2013 and 2012 (in millions)		
Governmental Activities		
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5.6	\$ 4.4
Operating grants and contributions	6.6	7.3
Capital grants and contributions	17.8	9.7
General revenues:		
Property taxes	52.7	50.5
Sales taxes	29.7	28.4
Other	<u>8.3</u>	<u>9.4</u>
Total revenues	<u>120.7</u>	<u>109.7</u>
Expenses:		
General government	18.1	17.9
Solid waste	7.9	7.8
Public safety	18.4	18.0
Recreation	2.4	1.9
Environmental protection	1.0	2.0
Road and trails	10.7	12.5
Education - Payments to component unit- Kenai Peninsula Borough School District	43.0	43.3
Education - Other (debt service, capital projects, post-secondary)	16.2	13.9
Interest on long-term debt	<u>1.4</u>	<u>1.4</u>
Total expenses	<u>119.1</u>	<u>118.7</u>
Increase (decrease) in net position	1.6	(9.0)
Net position, beginning of year	276.6	285.6
Change in beginning net position – Bond issue cost	<u>(.1)</u>	<u>-</u>
Net position, end of year	<u><u>\$278.1</u></u>	<u><u>\$276.6</u></u>

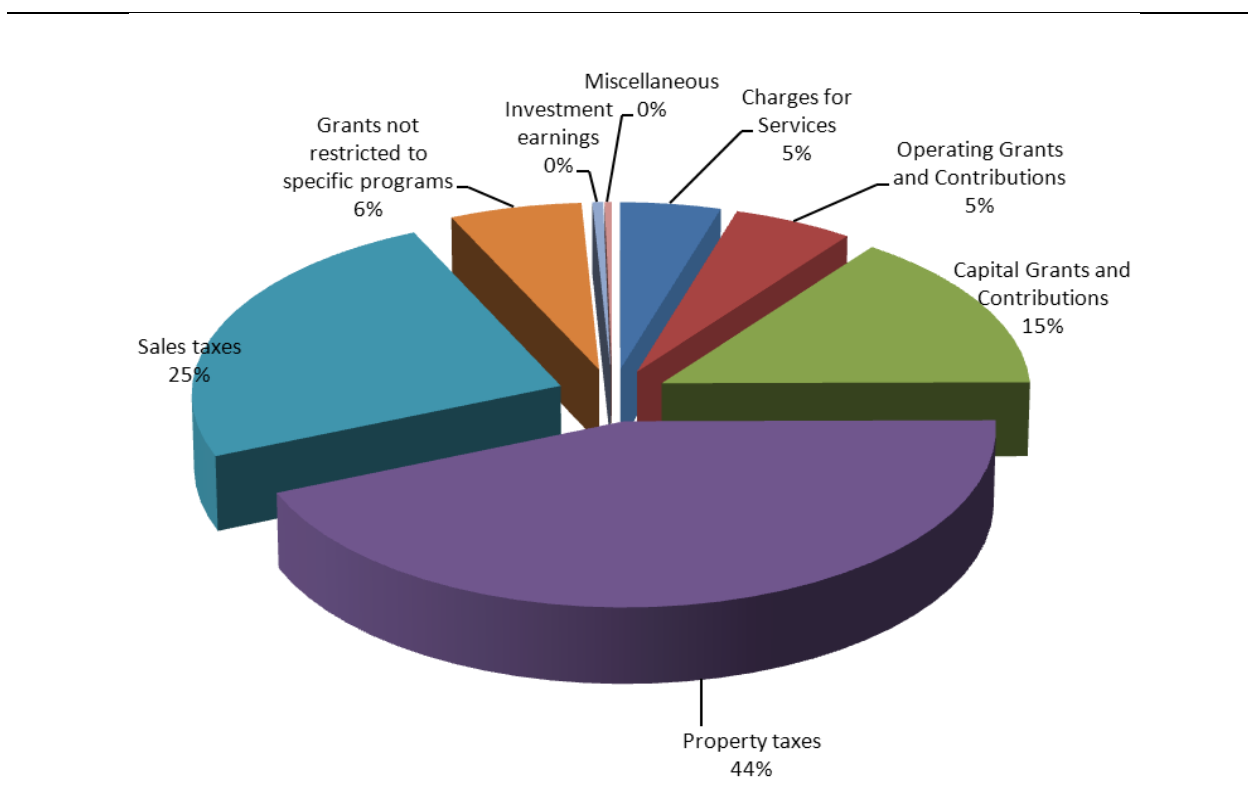
Expenses and Program Revenues – Governmental Activities

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 inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Borough's financing requirements. In particular, unrestricted 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 \$60.2 million, a decrease of \$1.3 million from the prior year. A portion of this amount is restricted 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.

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, fund balance was \$23.3 million, an increase of \$1.8 million from the prior year, compared to a budgeted decrease of \$2.2 million. Key factors include:

- Federal revenue for PILT and Forestry receipts came in \$1.0 million higher than forecast.
- Due to turnover/retirement of Borough staff, personnel cost came in \$1.3 million less than projected.
- Dumping fees in the Solid Waste department came in \$.7 million higher than expected due to acceptance of construction debris.
- Administrative service fees charges came in higher than projected.

Bond Funded Capital Projects Fund

Fund balance in the Bond Funded Capital Projects Fund decreased \$5.1 million due to expenditures for school and solid waste capital projects. Revenues from bond sales were recognized in a prior year.

Central Emergency Service Area Special Revenue Fund

Fund balance in this service area increased \$291,104 or approximately 19.2%, compared to the FY12 decrease of \$303,047. Expenditures and transfers out totaled \$8,033,110, an increase of \$35,783 compared to FY12. In FY2013, the Service Area had an increase in their mill rate of .2 mills increasing revenues by approximately \$500,000. Due to increases in the number of personnel and their related cost, expenditures are up approximately 38% since FY2008. Much of this increase was the impact of staffing and equipping new stations in Funny River and Kasilof.

Road Service Area Special Revenue Fund

Due to near record snowfall during FY2012, fund balance in this Service Area decreased \$930,156 or approximately 37.1% when compared to the FY11 ending fund balance. During FY2013, the Service Area reduced their level of service in order to grow their fund balance. This resulted in an increase in fund balance of \$520,520, which will allow the Service Area to have the necessary resources on hand in the event of another year with higher than expected snowfall.

Land Trust Special Revenue Fund

Fund balance in this fund increased \$794,623 or approximately 15.0%, compared to the FY12 decrease of \$218,620. The Borough received unexpected royalty payments of \$604,579 on land leased to oil companies.

Environmental Protection Program Special Revenue Fund

Fund balance in this fund decreased \$270,042 to \$319,991. Since 1998, the Borough has received approximately \$18.0 million from the federal government to address damage caused by the spruce bark beetle. This program is expected to expend its remaining grant funds in FY2014.

Miscellaneous Grant Special Revenue Fund

The Borough receives numerous grants through the course of the year, some of which are funded in advance. During FY2013, revenues were received for the Cruise Ship Passenger Vessel program for which expenditures will not take place until the next fiscal year.

General Fund Budgetary Highlights

During the year there were increases of \$1.3 million, not including carryover encumbrances, in appropriations between the original budget and the final amended budget. The primary reasons for amending the budget are:

- Supplemental appropriations to increase revenues and expenditures due to receipt of unanticipated grant revenue.
- In-kind contributions to the Public Employees Retirement System made by the State of Alaska on the Borough's behalf.

Budgetary changes can be briefly summarized as follows:

- Non departmental
 - Transfer to the 911 Communication Fund \$40,000 for increased personnel cost due to under staffing by the State of Alaska.
- 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 \$2,774,259 of which the General Fund including Solid Waste received \$1,218,299.

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets as of June 30, 2013 and June 30, 2012 amounts to \$245.8 million and \$242.8 million, respectively, (net of accumulated depreciation.) 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	\$ 3.1 million
A variety of major repairs for existing roads and bridges	\$.7 million
Various major repairs and additions to public safety facilities	\$ 3.7 million
Improvements at various solid waste facilities	\$ 7.4 million

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

	Governmental activities	
	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 70.4	\$ 70.3
Buildings	114.4	119.6
Improvements other than buildings	20.2	17.9
Machinery and equipment	14.4	13.6
Infrastructure	12.5	12.2
Construction in progress	<u>13.9</u>	<u>9.2</u>
Total governmental funds capital assets	<u>\$ 245.8</u>	<u>\$ 242.8</u>

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

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$36.1 million, a decrease of \$1.5 million from June 30, 2012. Of this amount, \$29.9 million was bonded and backed by the full faith and credit of either the Borough or Service Areas of the Borough. The remaining debt consists of landfill closure cost. Of the \$29.9 million in debt, \$24.8 million was issued for school improvements and is eligible for 70% reimbursement from the State of Alaska. The schedule shown below does not include compensated absences.

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 29.9	\$ 32.2
Other debt	<u>6.2</u>	<u>5.4</u>
Total outstanding debt	<u>\$ 36.1</u>	<u>\$ 37.6</u>

The Borough's discretely presented component units also have debt outstanding at the end of the year totaling \$61.9 million, not including premiums and other cost. Of that amount, \$48.9 million was bonded and backed by the full faith and credit of various Service Areas of the Borough. Additional information on the Borough's long-term debt can be found in note H on pages 54-56 of this report and table XII on page 127.

The Borough normally uses the Alaska Municipal Bond Bank (Bond Bank) to sell its bonds. The Bond Bank has a rating of Aa2 from Moody's and AA from Fitch. The last bonds the Borough sold that did not go through the Bond Bank were the Central Peninsula Hospital Service Area general obligation bonds which were sold in December 2003, which had a rating of Aaa, these bonds were refunded/refinanced in FY2012 through the Bond Bank.

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for 2012 stood at 8.4%, a decrease from the prior year rate of 9.4%; this compares to the statewide average of 7.0%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work of the fishing and tourism industry in the Borough.

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 recommended amounts, the Borough was able to reduce the mill rate from 8.0 mills in FY00 to 7.5; to 7.0 mills in FY01 and to 6.5 mills in FY03. The mill rate was further reduced to 5.5 mills for FY08 and to 4.5 mills in FY09. 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.

As part of the FY13 State of Alaska budget, the Alaska legislature passed legislation that provided funding for Public Employees Retirement System (PERS) cost in excess of 22%, which was paid directly to PERS. The savings impact Borough-wide is approximately \$2.8 million. This is only a temporary fix to the problem. If similar funding is not provided in FY14 and out years, the PERS rate is expected to be over 35% with a corresponding cost in excess of \$2.5 million annually.

In setting the budgets for FY2014, 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's 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 request 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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Kenai Peninsula Borough
Statement of Net Position
June 30, 2013

	Primary Government	Component Units		
	Governmental Activities	Central Peninsula Hospital	South Peninsula Hospital	School District
Assets				
Cash and short-term investments	\$ 5,682,487	\$ 30,200,714	3,508,895	\$ 24,804
Equity in central treasury	63,334,798	4,997,099	2,795,380	36,897,804
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	6,837,136	3,015	131,398	-
Accounts receivable	1,120,372	828,113	89,904	304,612
Patient receivables	-	21,376,530	11,138,232	-
Note receivable	62,594	-	-	-
Land sale contracts receivable:				
Current	151,409	-	-	-
Delinquent	25,230	-	-	-
Due from other governments	8,782,766	-	-	2,744,251
Due from special assessment districts	1,058,101	-	-	-
Prepays	20,811	1,219,529	333,860	1,017,300
Inventory	-	4,247,583	1,484,407	916,710
Note receivable - long-term	6,944,837	-	-	-
Land sale contracts receivable - long-term	713,834	-	-	-
Net pension asset	-	-	686,981	-
Restricted assets	-	-	-	3,318,306
Assets whose use is limited:				
Investments	-	11,822,729	53,694	-
Equity in central treasury	-	-	185,375	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	70,416,507	2,992,165	2,535,662	-
Buildings	114,458,450	41,827,710	34,739,871	-
Improvements other than buildings	18,765,620	349,332	56,829	-
Equipment	14,373,126	22,227,324	4,857,067	3,054,829
Construction in progress	15,271,984	2,033,428	955,151	-
Infrastructure	12,470,701	-	-	-
Total assets	<u>340,490,763</u>	<u>144,125,271</u>	<u>63,552,706</u>	<u>48,278,616</u>
Deferred Outflows of Resources				
Unamortized deferred loss	641,032	1,499,047	367,757	-
Excess consideration paid for acquisition	-	689,189	-	-
Total deferred outflows of resources	<u>641,032</u>	<u>2,188,236</u>	<u>367,757</u>	<u>-</u>
Liabilities				
Accounts, contracts and retainage payable	6,979,468	5,706,129	1,497,915	778,045
Accrued payroll and payroll benefits	1,026,349	1,924,507	2,410,092	8,652,905
Claims payable	2,837,288	2,807,624	-	4,366,000
Accrued interest	506,649	491,617	253,700	-
Unearned revenue	1,038,037	14,006	32,081	-
Noncurrent liabilities:				
Compensated absences:				
Due within one year	639,006	750,177	407,806	40,806
Due in more than one year	1,917,013	2,250,530	1,223,417	3,313,391
Long-term debt:				
Due within one year	4,530,000	2,278,040	1,132,594	-
Due in more than one year, net of premium and deferred loss	32,857,716	32,083,628	18,329,813	-
Total liabilities	<u>52,331,526</u>	<u>48,306,258</u>	<u>25,287,418</u>	<u>17,151,147</u>
Deferred Inflows of Resources				
Prepaid property taxes	8,089,035	-	286,112	-
Payment in Lieu of taxes	2,662,396	-	-	-
Total deferred inflows of resources	<u>10,751,431</u>	<u>-</u>	<u>286,112</u>	<u>-</u>
Net Position				
Net investment in capital assets	221,587,499	36,567,338	24,099,837	3,054,829
Restricted:				
Spruce Bark Beetle program	305,824	-	-	-
General government	240,432	-	-	-
Public safety facilities and equipment	7,103,219	-	-	-
Recreation	1,632,155	-	-	-
Education	1,696,592	-	-	-
Solid waste	656,988	-	-	-
Roads	2,068,070	-	-	-
Charter schools	-	-	-	556,395
Malpractice trust	-	500,000	-	-
Hospital expansion project	-	-	25,286	-
Unrestricted	42,758,059	60,939,911	14,221,810	27,516,245
Total net position	<u>\$ 278,048,838</u>	<u>\$ 98,007,249</u>	<u>\$ 38,346,933</u>	<u>\$ 31,127,469</u>

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

Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2013

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 18,131,325	\$ 1,645,436	\$ 1,581,607	\$ 5,692,823
Solid waste	7,903,125	1,456,190	189,982	-
Public safety	18,440,219	2,234,481	2,660,793	1,063,394
Recreation	2,421,002	224,667	63,910	377,060
Education	59,159,828	-	1,298,452	5,919,990
Environmental protection	1,053,278	-	782,651	-
Roads and trails	10,682,102	-	78,813	4,791,786
Interest on long-term debt	1,375,115	-	-	-
Total primary government	<u>\$ 119,165,994</u>	<u>\$ 5,560,774</u>	<u>\$ 6,656,208</u>	<u>\$ 17,845,053</u>
Component units -				
Central Peninsula Hospital	\$ 111,887,345	\$ 123,951,269	\$ -	\$ -
South Peninsula Hospital	49,450,599	46,750,162	-	-
Kenai Peninsula Borough School District	<u>163,900,854</u>	<u>745,201</u>	<u>18,134,117</u>	<u>-</u>
Total component units	<u>\$ 325,238,798</u>	<u>\$ 171,446,632</u>	<u>\$ 18,134,117</u>	<u>\$ -</u>

General revenues:

- Taxes:
 - Property taxes
 - Sales taxes
- Grants not restricted to specific programs
- Investment earnings
- Payments from Kenai Peninsula Borough
- Miscellaneous
- Total general revenues

Change in net position

Net position at beginning of year
 Change in beginning net position - bond issue costs
 Net position at beginning of year, as restated

Net position at end of year

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

Net (expense) revenue and changes in net position

Primary Government Governmental Activities	Component Units		
	Central Peninsula Hospital	South Peninsula Hospital	School District
\$ (9,211,459)	\$ -	\$ -	\$ -
(6,256,953)	-	-	-
(12,481,551)	-	-	-
(1,755,365)	-	-	-
(51,941,386)	-	-	-
(270,627)	-	-	-
(5,811,503)	-	-	-
(1,375,115)	-	-	-
<u>(89,103,959)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	12,063,924	-	-
-	-	(2,700,437)	-
-	-	-	(145,021,536)
-	<u>12,063,924</u>	<u>(2,700,437)</u>	<u>(145,021,536)</u>
52,664,077	94,695	3,744,093	-
29,664,629	-	-	-
7,309,264	-	325,617	101,237,032
596,346	44,523	5,780	55,918
-	-	-	43,000,000
400,698	2,004,970	10,000	200,605
<u>90,635,014</u>	<u>2,144,188</u>	<u>4,085,490</u>	<u>144,493,555</u>
1,531,055	14,208,112	1,385,053	(527,981)
276,594,019	83,799,137	37,033,541	31,655,450
(76,236)	-	(71,661)	-
<u>276,517,783</u>	<u>83,799,137</u>	<u>36,961,880</u>	<u>31,655,450</u>
<u>\$ 278,048,838</u>	<u>\$ 98,007,249</u>	<u>\$ 38,346,933</u>	<u>\$ 31,127,469</u>

Kenai Peninsula Borough
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Bond Funded Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and short-term investments	\$ 1,010	\$ 5,637,102	\$ 9,256	\$ 5,647,368
Equity in central treasury	15,054,777	-	35,162,415	50,217,192
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	6,504,949	-	332,187	6,837,136
Accounts receivable	382,044	-	609,647	991,691
Notes receivable-short term	62,594	-	-	62,594
Land sale contracts receivable:				
Current	-	-	151,409	151,409
Delinquent	-	-	25,230	25,230
Due from other governments	1,237,323	-	7,532,806	8,770,129
Due from special assessment districts	1,058,101	-	-	1,058,101
Due from other funds	879,593	-	-	879,593
Prepays	-	-	3,661	3,661
Notes receivable-long term	6,944,837	-	-	6,944,837
Land sale contracts receivable - Long-term	-	-	713,834	713,834
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$32,125,228</u>	<u>\$ 5,637,102</u>	<u>\$44,540,445</u>	<u>\$ 82,302,775</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	1,294,765	844,577	4,676,010	6,815,352
Accrued payroll and payroll benefits	490,185	-	518,330	1,008,515
Due to other funds	-	-	879,593	879,593
Unearned revenue	2,883	-	1,035,154	1,038,037
Total liabilities	<u>1,787,833</u>	<u>844,577</u>	<u>7,109,087</u>	<u>9,741,497</u>
Deferred Inflows of resources:				
Prepaid property taxes	3,869,002	-	4,220,033	8,089,035
Payment in lieu of taxes	2,662,396	-	-	2,662,396
Property tax receivable - unavailable	495,012	-	253,484	748,496
Land sales - unavailable	-	-	890,474	890,474
Total deferred inflows of resources	<u>7,026,410</u>	<u> </u>	<u>5,363,991</u>	<u>12,390,401</u>
Fund balances:				
Nonspendable:				
Long-term notes receivable	6,944,837	-	-	6,944,837
Prepays	-	-	3,661	3,661
Restricted:				
Landfill closure/postclosure costs	-	-	6,154,775	6,154,775
Spruce Bark Beetle program	-	-	305,824	305,824
General government	70,000	-	170,432	240,432
Public safety	-	-	7,103,219	7,103,219
Recreation	-	-	1,632,155	1,632,155
Education	-	1,696,592	-	1,696,592
Solid waste	-	656,988	-	656,988
Roads	-	-	2,068,070	2,068,070
Committed:				
Outstanding committed contracts	247,337	2,438,945	5,386,505	8,072,787
Building maintenance and upgrades	-	-	68,487	68,487
Public safety facilities and equipment	-	-	1,863,558	1,863,558
Recreational facility maintenance	-	-	444,302	444,302
Health consultant	200,000	-	-	200,000
Professional services - tax appeals	101,410	-	-	101,410
Software upgrades	90,190	-	-	90,190
Assigned:				
Subsequent year's expenditures	704,237	-	803,492	1,507,729
Minimum fund balance policy	14,622,468	-	-	14,622,468
General government	-	-	6,086,251	6,086,251
Unassigned:				
General government	330,506	-	-	330,506
(Deficit)	-	-	(23,364)	(23,364)
Total fund balances	<u>23,310,985</u>	<u>4,792,525</u>	<u>32,067,367</u>	<u>60,170,877</u>
Total liabilities, deferred inflows and fund balances	<u>\$32,125,228</u>	<u>\$ 5,637,102</u>	<u>\$44,540,445</u>	<u>\$ 82,302,775</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 Position
 June 30, 2013

Fund balances - total governmental funds		\$ 60,170,877
<p>Amounts reported for governmental activities in the statement of net position 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>		243,011,108
<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	\$ (29,905,000)	
Unamortized bond premium	(1,327,941)	
Accrued interest	(506,649)	
Unamortized deferred loss on School bond refunding	641,032	
Landfill closure	<u>(6,154,775)</u>	(37,253,333)
<p>Some of the Borough's receivables 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>		
Property taxes receivable	748,496	
Land sales contracts receivable	890,474	
Accrued interest subsidy	<u>12,637</u>	1,651,607
<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 position.</p>		<u>10,468,579</u>
Net position of governmental activities		<u><u>\$ 278,048,838</u></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, 2013

	General Fund	Bond Funded Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 31,922,895	\$ -	\$ 20,993,390	\$ 52,916,285
Sales tax	29,664,629	-	-	29,664,629
Intergovernmental:				
Federal	3,323,065	-	2,406,119	5,729,184
State	7,068,972	-	18,496,132	25,565,104
Investment earnings	499,984	1,533	79,877	581,394
Interest subsidy	-	-	350,894	350,894
Other revenues	1,775,948	-	4,717,626	6,493,574
Total revenues	<u>74,255,493</u>	<u>1,533</u>	<u>47,044,038</u>	<u>121,301,064</u>
Expenditures:				
General government	15,417,093	-	2,595,410	18,012,503
Solid waste	5,882,633	108,776	6,239,424	12,230,833
Public safety	605,551	-	19,390,505	19,996,056
Recreation	-	-	2,220,843	2,220,843
Education	43,667,189	4,986,169	5,927,141	54,580,499
Environmental protection	-	-	1,052,619	1,052,619
Roads and trails	-	-	10,958,968	10,958,968
Debt service:				
Principal	-	-	3,515,000	3,515,000
Interest and other	-	-	1,469,468	1,469,468
Total expenditures	<u>65,572,466</u>	<u>5,094,945</u>	<u>53,369,378</u>	<u>124,036,789</u>
Excess (deficiency) of revenues over expenditures	<u>8,683,027</u>	<u>(5,093,412)</u>	<u>(6,325,340)</u>	<u>(2,735,725)</u>
Other financing sources (uses):				
Bonds issued	-	-	1,215,000	1,215,000
Premium on bonds issued	-	-	196,568	196,568
Transfers in	41,387	-	8,388,538	8,429,925
Transfers out	<u>(6,880,012)</u>	<u>(2,610)</u>	<u>(1,547,303)</u>	<u>(8,429,925)</u>
Net other financing sources (uses)	<u>(6,838,625)</u>	<u>(2,610)</u>	<u>8,252,803</u>	<u>1,411,568</u>
Net changes in fund balances	1,844,402	(5,096,022)	1,927,463	(1,324,157)
Fund balances at beginning of year	<u>21,466,583</u>	<u>9,888,547</u>	<u>30,139,904</u>	<u>61,495,034</u>
Fund balances at end of year	<u>\$ 23,310,985</u>	<u>\$ 4,792,525</u>	<u>\$ 32,067,367</u>	<u>\$ 60,170,877</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, 2013

Net change in fund balances - total governmental funds \$ (1,324,157)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are depreciated over their useful lives.

Expenditures for capital assets	\$ 15,221,756	
Retirement of nondepreciable capital assets	(2,470,025)	
Less current year depreciation	<u>(10,148,532)</u>	2,603,199

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position. 212,290

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bonds issued	(1,215,000)	
Principal payments	3,515,000	
Net increase in bond premium	(41,373)	
Net decrease in bond deferred loss	<u>(69,300)</u>	2,189,327

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	(252,208)	
Land sales	(495,955)	
Accrued interest subsidy	<u>(134,522)</u>	(882,685)

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	8,459	
Increase in landfill closure cost	<u>(704,704)</u>	(696,245)

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. (570,674)

Change in net position of governmental activities \$ 1,531,055

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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
Revenues:				
Property taxes	\$ 31,805,270	\$ 31,805,270	\$ 31,922,895	\$ 117,625
Sales tax	30,064,593	30,064,593	29,664,629	(399,964)
Intergovernmental	8,052,012	8,494,911	10,392,037	1,897,126
Investment earnings	1,250,000	1,250,000	499,984	(750,016)
Other	1,027,000	1,804,000	1,775,948	(28,052)
Total revenues	<u>72,198,875</u>	<u>73,418,774</u>	<u>74,255,493</u>	<u>836,719</u>
Expenditures:				
General government:				
Assembly:				
Personnel	1,053,032	1,103,085	840,156	262,929
Supplies	125,125	124,722	27,505	97,217
Services	556,639	546,592	399,580	147,012
Capital outlay	6,904	7,257	6,540	717
Total assembly	<u>1,741,700</u>	<u>1,781,656</u>	<u>1,273,781</u>	<u>507,875</u>
Mayor:				
Personnel	914,016	1,009,499	898,980	110,519
Supplies	8,025	11,667	9,194	2,473
Services	142,814	143,219	97,218	46,001
Capital outlay	6,490	2,443	2,410	33
Total mayor	<u>1,071,345</u>	<u>1,166,828</u>	<u>1,007,802</u>	<u>159,026</u>
Human resources:				
Personnel	752,377	801,865	764,763	37,102
Supplies	30,175	32,856	22,609	10,247
Services	206,174	212,250	172,685	39,565
Capital outlay	500	2,174	1,633	541
Total human resources	<u>989,226</u>	<u>1,049,145</u>	<u>961,690</u>	<u>87,455</u>
Information technology:				
Personnel	1,408,205	1,506,601	1,380,916	125,685
Supplies	63,440	63,781	47,531	16,250
Services	333,572	348,231	314,498	33,733
Capital outlay	37,360	37,360	30,767	6,593
Total information technology	<u>1,842,577</u>	<u>1,955,973</u>	<u>1,773,712</u>	<u>182,261</u>
Legal:				
Personnel	741,039	734,790	717,742	17,048
Supplies	3,750	3,750	1,959	1,791
Services	181,461	211,649	93,862	117,787
Capital outlay	7,544	8,544	8,334	210
Total legal	<u>933,794</u>	<u>958,733</u>	<u>821,897</u>	<u>136,836</u>
Finance:				
Personnel	2,395,570	2,468,567	2,409,306	59,261
Supplies	15,000	21,580	20,341	1,239
Services	590,566	671,791	571,440	100,351
Capital outlay	7,300	34,851	31,946	2,905
Total finance	<u>3,008,436</u>	<u>3,196,789</u>	<u>3,033,033</u>	<u>163,756</u>
Assessing:				
Personnel	2,606,089	2,803,543	2,567,253	236,290
Supplies	39,100	61,750	28,559	33,191
Services	348,304	365,999	329,163	36,836
Capital outlay	12,600	12,880	12,178	702
Total assessing	<u>3,006,093</u>	<u>3,244,172</u>	<u>2,937,153</u>	<u>307,019</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, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 1,988,522	2,156,170	1,897,339	\$ 258,831
Supplies	41,720	70,943	59,350	11,593
Services	458,182	461,665	341,037	120,628
Capital outlay	18,500	35,902	34,626	1,276
Total planning	<u>2,506,924</u>	<u>2,724,680</u>	<u>2,332,352</u>	<u>392,328</u>
Capital projects administration:				
Personnel	193,913	268,610	232,803	35,807
Supplies	11,600	9,200	8,500	700
Services	66,864	69,264	65,002	4,262
Capital outlay	5,500	5,500	4,938	562
Total capital projects administration	<u>277,877</u>	<u>352,574</u>	<u>311,243</u>	<u>41,331</u>
Non-departmental:				
Personnel	250,000	50,000	-	50,000
Services	1,258,734	1,458,734	964,430	494,304
Total non-departmental	<u>1,508,734</u>	<u>1,508,734</u>	<u>964,430</u>	<u>544,304</u>
Total general government	<u>16,886,706</u>	<u>17,939,284</u>	<u>15,417,093</u>	<u>2,522,191</u>
Public safety:				
Personnel	403,244	434,930	377,347	57,583
Supplies	24,200	28,484	27,975	509
Services	244,367	232,710	197,172	35,538
Capital outlay	3,500	3,133	3,057	76
Total public safety	<u>675,311</u>	<u>699,257</u>	<u>605,551</u>	<u>93,706</u>
Solid waste:				
Personnel	2,307,864	2,522,845	2,429,793	93,052
Supplies	504,820	600,960	531,648	69,312
Services	3,385,027	3,262,249	2,889,837	372,412
Capital outlay	33,206	61,860	31,355	30,505
Total solid waste	<u>6,230,917</u>	<u>6,447,914</u>	<u>5,882,633</u>	<u>565,281</u>
Education:				
School District contributions	43,000,000	43,000,000	43,000,000	-
Post secondary education	667,189	667,189	667,189	-
Total education	<u>43,667,189</u>	<u>43,667,189</u>	<u>43,667,189</u>	<u>-</u>
Total expenditures	<u>67,460,123</u>	<u>68,753,644</u>	<u>65,572,466</u>	<u>3,181,178</u>
Excess of revenues over expenditures	4,738,752	4,665,130	8,683,027	4,017,897
Other financing sources (uses):				
Transfers in	-	-	41,387	41,387
Transfers out	(6,797,011)	(6,907,011)	(6,880,012)	26,999
Total other financing sources (uses)	<u>(6,797,011)</u>	<u>(6,907,011)</u>	<u>(6,838,625)</u>	<u>68,386</u>
Net changes in fund balance	(2,058,259)	(2,241,881)	1,844,402	4,086,283
Fund balance at beginning of year	21,466,583	21,466,583	21,466,583	-
Fund balance at end of year	<u>\$ 19,408,324</u>	<u>\$ 19,224,702</u>	<u>\$ 23,310,985</u>	<u>\$ 4,086,283</u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Net Position
June 30, 2013

	<u>Governmental Activities Internal Service Funds</u>
Assets	
Current assets:	
Cash and short-term investments	\$ 35,119
Equity in central treasury	<u>13,117,606</u>
	13,152,725
Prepays	17,150
Other receivables	<u>128,681</u>
Total current assets	<u>13,298,556</u>
Capital assets:	
Equipment	6,389,490
Less accumulated depreciation	<u>(3,644,210)</u>
Total capital assets (net of accumulated depreciation)	<u>2,745,280</u>
Total assets	<u>\$ 16,043,836</u>
Liabilities	
Current liabilities:	
Accounts and contracts payable	\$ 164,116
Accrued payroll and payroll benefits	17,834
Compensated absences	639,006
Claims payable	<u>2,837,288</u>
Total current liabilities	3,658,244
Noncurrent liabilities - Compensated absences	<u>1,917,013</u>
Total liabilities	<u>5,575,257</u>
Net Position	
Net investment in capital assets	2,745,280
Unrestricted	<u>7,723,299</u>
Total net position	<u>\$ 10,468,579</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 Position
For the Year Ended June 30, 2013

	<u>Governmental Activities Internal Service Funds</u>
Operating revenues:	
Charges for sales and services	\$ 11,407,325
Other operating revenues	<u>42,522</u>
Total operating revenues	<u>11,449,847</u>
Operating expenses:	
Administrative services	3,129,385
Insurance premiums	1,636,092
Self insurance losses	6,892,890
Depreciation	<u>428,532</u>
Total operating expenses	<u>12,086,899</u>
Operating loss	<u>(637,052)</u>
Non-operating revenues:	
Investment earnings	14,952
Other	<u>51,426</u>
Total non-operating revenues	<u>66,378</u>
Change in net position	(570,674)
Net position at beginning of year	<u>11,039,253</u>
Net position at end of year	<u><u>\$ 10,468,579</u></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, 2013

	Governmental Activities Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 11,407,325
Payments to suppliers	(7,836,489)
Payments to employees	(2,839,639)
Other program revenue	42,522
Net cash provided by operating activities	<u>773,719</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(739,108)
Proceeds from sale of capital assets	51,426
Net cash used by capital and related financing activities	<u>(687,682)</u>
Cash flows from investing activities:	
Investment earnings	14,952
Net cash provided by investing activities	<u>14,952</u>
Net increase in cash and cash equivalents	100,989
Cash and cash equivalents, beginning of year	<u>13,051,736</u>
Cash and cash equivalents, end of year	<u><u>\$ 13,152,725</u></u>
Reconciliation of cash and cash equivalents to Statement of Net Assets:	
Cash and short-term investments	35,119
Equity in central treasury	13,117,606
Cash and cash equivalents, end of year	<u><u>\$ 13,152,725</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (637,052)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	428,532
Change in assets and liabilities:	
(Increase) decrease in other receivables	(120,392)
Increase (decrease) in claims payable	1,011,403
Increase (decrease) in compensated absences	(51,644)
Increase (decrease) in accounts and contracts payable	156,563
(Increase) decrease in prepaid expense	(17,150)
Increase (decrease) in accrued payroll and payroll benefits	3,459
Total adjustments	<u>1,410,771</u>
Net cash provided (used) by operating activities	<u><u>\$ 773,719</u></u>

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

Kenai Peninsula Borough
 Fiduciary Funds
 Statement of Fiduciary Fund Assets & Liabilities
 June 30, 2013

	Agency Funds
<u>Assets</u>	
Equity in central treasury	\$ 988,202
Taxes receivable	429,969
Due from landowners	911,567
 Total assets	 \$2,329,738
 <u>Liabilities</u>	
Accounts payable	469
Deferred administration fee	74,058
Due to landowners	370,939
Loans payable	1,204,639
Due to other entities:	
City of Homer	268,816
City of Kachemak City	864
City of Kenai	282,488
City of Seldovia	17,704
City of Seward	39,208
City of Soldotna	70,553
 Total liabilities	 \$2,329,738

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

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Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2013

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.

Discretely Presented Component Units

The Borough is reporting three discrete component units, The Kenai Peninsula Borough School District (the School District), South Peninsula Hospital (SPH), and Central Peninsula Hospital (CPH). The School District, SPH and CPH are each discretely presented in a separate column in the basic financial statements to emphasize that they are legally separate from the Borough.

The School District is governed by an independently elected board; however the School District is fiscally dependent on the primary government because the Borough Assembly approves the total budget of the School District, approves the tax levy to support the budget, approves and pays 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.

South Peninsula Hospital and Central Peninsula Hospital are each governed by independently elected boards; however, they are also fiscally dependent on the primary government because the Assembly approves the service area budget, approves the tax levy to support the budget and must approve any debt issuance. Separate financial statements can be obtained at South Peninsula Hospital, 4300 Bartlett, Homer, Alaska, 99603 and at Central Peninsula Hospital, 250 Hospital Place, Soldotna, Alaska, 99669.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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. The Borough does not have any business-type activities. 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 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 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. The Borough's only fiduciary funds are its agency funds. Agency funds have no measurement focus but follow the accrual basis of accounting.

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 unearned revenue. Property taxes received prior to the time they are due are recorded as deferred inflows of resources. In subsequent periods, when the Borough has legal claim to the resources, the liability for deferred inflows 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 and compensated absences.

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.

The Borough does not report solid waste activity as an enterprise fund due to the fact that the activity is substantially funded by the General Fund and only a small portion by user fees. Effective July 1, 2010, to comply with GASB 54 requirements, solid waste activity is being reported in the General Fund.

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 Funds account for tax collection services provided to other governments located within the Kenai Peninsula Borough and for utility special assessment districts billing and collections.

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.

D. Assets, Liabilities, and Net Position

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. Special Revenue Funds of Central Emergency Services and Nikiski Fire, and the discretely presented Component Units; School District, SPH and CPH; have cash which is not aggregated in the central treasury. At June 30, 2013, investments for the government, as well as for its component units, 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 Hospitals.

The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

2. Receivables and Payables

All outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are reported as nonspendable fund balance 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 3.00% of the current year personal property tax levy.

3. Inventories

The Borough maintains custody of the maintenance inventory reported on the School District financial statements. These inventories consist of expendable supplies, to repair and maintain 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.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items.

5. 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 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, are 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

6. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. The obligation of accumulated unpaid personal leave amounts to \$2,556,019 at June 30, 2013. Of the total accumulated unpaid vacation at June 30, 2013, \$639,006 is expected to be paid out within one year, this is a decrease of \$12,909 from June 30, 2012. 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 \$857,769 at June 30, 2013, a decrease of \$47,436 from June 30, 2012.

7. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts 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.

8. Fund Balances

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

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

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

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Borough Assembly, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Assembly rescinds or modifies the commitment through the ordinance process, the same formal action used to create the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Borough's "intent" to be used for specific purposes, but are neither restricted nor committed. The Borough Assembly has delegated the assignment ability to the Finance Director through Resolution 2011-067. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, followed by committed, assigned and unassigned.

9. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the Borough’s governmental funds. Encumbrances, if any, outstanding at year-end are reported as appropriate constraints of fund balance if they meet the criteria and definitions outlined in the fund balance section of these notes.

Significant encumbrances exceeding \$100,000 as of June 30, 2013 were:

Description/Program	Major Funds		
	General Fund	Bond Funded Capital Project Fund	Nonmajor Gov’t Funds
Coastal imagery	\$ -	\$ -	\$ 265,912
Solid waste facilities	-	150,630	332,249
School roof projects	-	1,683,734	-
School facility improvements	-	-	1,003,315
Roads construction and upgrades	-	-	2,097,896
Firefighting equipment and facilities	-	-	<u>5,493,284</u>
Total	\$ <u>-</u>	\$ <u>1,834,364</u>	\$ <u>9,192,656</u>

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

Before May 15th 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. Special revenue funds that are not budgeted for are the Environmental Protection Program Fund, Disaster Relief Fund, and Miscellaneous Grants Fund. All annual appropriations lapse at fiscal yearend.

III – Detailed Notes on all Funds

A. Deposit and Investment Risk Disclosure

As of June 30, 2013, 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		\$ 13,996,341
Wells Fargo Secured Institutional Money Market		5,148,999
AMLIP External investment pool	31 day average	1,464,955
U. S. Agencies	December 2013 – April 2018	30,476,440
U. S. Treasury Notes	September 2013 – April 2018	19,595,165
North St. Paul Maplewood Minnesota	February 2014	718,760
United Parcel Service	April 2014	1,034,937
Kentucky Asset Liability Commission	April 2014	817,502
Colgate-Palmolive Company Medium Term Note	November 2014	2,004,473
State of Oregon	May 2014	1,000,560
State of Maine	June 2014	838,510
State of Ohio Build America Bonds	August 2014 – August 2017	1,473,510
Wyandotte County Kansas	September 2014	702,042
Milwaukee County Minnesota	October 2014	510,390
Bank of New York Mellon	November 2014	507,964
New York State Dormitory Authority Bonds	December 2014	726,090
General Electric Capital Medium Term Note	January 2015	1,544,913
Berkshire Hathaway Inc.	February 2015 – February 2016	2,878,894
Proctor & Gamble Company	February 2015	2,120,864
Fairfax County Virginia	March 2015	1,245,165
University of North Carolina	April 2015 – April 2016	565,346
State of Michigan	May 2015	996,572
District of Columbia Build America Bonds	June 2015	867,384
Los Angeles California	July 2015	1,113,340
State of Maryland	August 2015	992,767
Broward County Florida	October 2015	651,371
General Electric Capital Corp.	October 2015 – December 2015	2,399,678
IBM Corporation	January 2016	1,553,412
State of Nevada	February 2016	595,333
Newton County Georgia	February 2016	499,618
Microsoft Corp.	February 2016 – November 2017	2,023,520
State of Connecticut	April 2016	745,532
Wal-mart Stores Inc	April 2016	1,989,307
Apple Inc.	May 2016	1,979,970
Johnson & Johnson	May 2016	3,114,622
Des Moines, Iowa	June 2016 – June 2017	1,715,780
Chevron Corp.	June 2016	2,002,966
State of Georgia	July 2016	1,103,252
Coca-Cola Company	September 2016	2,052,580

<u>INVESTMENT</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
Seattle, Washington	January 2017	902,999
State of Nevada	February 2017	738,471
State of New York	March 2017	1,079,030
Columbus, Ohio	August 2017	<u>782,817</u>
	Total	119,272,141

Major Bond Funded Capital Project Fund Investments:

AMLIP External investment pool	31 day average	<u>5,637,102</u>
	Total \$	<u>124,909,243</u>

Discretely Presented Component Unit Investments - CPH & SPH Assets Whose Use is Limited:

U. S. Agencies	December 2013 – April 2018	<u>11,508,104</u>
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Grand Total Investments held in Central Treasury \$ 136,417,347

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 rated AAAM by Standard and Poor's Corporation for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. On a monthly basis the investments in the pool are reviewed for fair value by an independent pricing service. The values of investments in the AML pool are approximately equal to fair value.

Interest Rate Risk: To limit its interest rate risk the Borough's investment policy recommends that 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	40%	27%
One to Three Years	30%	43%
Three to Five Years	30%	30%

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 may invest in securities issued by U.S. Government Agencies that contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough could be exposed to the risk of having to reinvest at a lower interest rate. As of June 30, 2013, the Borough does not have any investment in callable securities.

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, 2013</u>
U.S. Treasury Securities	100%	5 years	14.4%
U.S. Agencies	100%	5 years	30.8%
Corporate bonds	50%	5 years	19.9%
Municipal bonds	25%	5 years	15.7%
Repurchase agreements	20%	n/a	10.2%
Money market funds	20%	n/a	3.8%
AMLIP	20%	n/a	5.2%
Bankers Acceptances	10%	3 years	0%
Commercial Paper	25%	270 days	0%
<u>Term Repurchase Agreements and Certificates of Deposit:</u>			
7-day term or shorter:	25%	n/a	0%
Greater than 7-day term	25%	3 years	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 "A" or P1 or higher by Moody's Investor's Service, Inc. and "A" or A1 or higher by Standard and Poor's Corporation at the time of purchase. Municipal bonds issued by states or political subdivisions must be rated "A" or P1 or higher By Moody's Investor's Services, Inc. and "A" or A1 or higher by Standard and Poor's Corporation.

As of June 30, 2013 the Borough's investments in corporate bonds, municipal 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>
Apple Inc.	AA+	Aa1
Bank of New York Mellon Corp.	A+	Aa3
Berkshire Hathaway Inc.	AA	Aa2
Broward County Florida	AA	Aa2
Chevron Corp.	AA	Aa1
Coca-Cola Co	AA-	Aa3
Colgate-Palmolive Company Medium Term Note	AA-	Aa3
Columbus, Ohio	AAA	Aaa
Des Moines, Iowa	AAA	Aa1
District of Columbia Build America Bonds	AA-	Aa2
Fairfax County Virginia	AA+	Aa2
Federal Farm Credit Bank	AA+	Aaa
Federal Home Loan Bank	AA+	Aaa
Federal Home Loan Mortgage Corporation	AA+	Aaa
Federal National Mortgage Association	AA+	Aaa
Federal National Mortgage Association Pool	AA+	Aaa
General Electric Capital Corp.	AA+	Aa3
General Electric Capital Corp. Medium Term Note	AA+	A1
IBM International Group Capital	AA-	Aa3
Johnson & Johnson Company	AAA	Aaa
Kentucky Asset Liability Commission	A+	Aa3
Los Angeles California	AA-	Aa2
Microsoft Corp.	AAA	Aaa

<u>INVESTMENT</u>	<u>Standards & Poor's</u>	<u>Moody's Investors Service</u>
Milwaukee County Wisconsin	AA	Aa2
Newton County Georgia	AA+	Aa1
North St. Paul-Maplewood Minnesota	AA+	Aa2
Procter & Gamble Company	AA-	Aa3
Seattle, Washington	AAA	Aa1
State of Connecticut	AA	Aa3
State of Georgia	AAA	Aaa
State of Maine	AA	Aa2
State of Maryland	AAA	AAA
State of Michigan	AA-	Aa2
State of Nevada	AA	Aa2
State of New York	AA	Aa2
State of New York Dormitory Authority	AAA	N/A
State of Ohio	AA+	Aa1
State of Oregon	AA+	Aa1
United Parcel Service Inc.	A+	Aa3
University of North Carolina	AA-	Aa3
Wal-mart Stores Inc.	AA	Aa2
Wyandotte County Kansas	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. To limit custodial credit risk, it is the borough's policy to collateralize all monies deposited in excess of FDIC limit. All pledged collateral for the Kenai Peninsula Borough must be held in a collateral custodian account of the Kenai Peninsula Borough under a formal tri-party agreement. Of the Borough's \$13.99 million in repurchase agreements at June 30, 2013, \$13.99 million of 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 \$250,000.

Cash and short term investment balances at June 30, 2013, consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and short term investments held in central treasury:		
Checking accounts:		
Primary Government	\$ (1,214,683)	\$ 727,145
Discretely Presented Component unit (School District)	<u>(3,057,898)</u>	<u>-</u>
Total cash and short term investments held in central treasury	(4,272,581)	727,145
Other cash and investments:		
Checking and savings accounts:		
Primary Government	43,575	120,910
Cash on hand:		
Primary Government	<u>1,810</u>	<u>-</u>
Total other cash and short term investments	<u>45,385</u>	<u>120,910</u>
Total cash and short term investments	\$ <u>(4,227,196)</u>	\$ <u>848,055</u>

The following is a summary of equity in central treasury and investments at June 30, 2013:

General Fund	\$ 15,054,777
Special revenue funds	22,097,982
Capital projects funds	18,701,535
Debt service funds	-
Internal service funds	<u>13,117,606</u>
 Total Primary Government equity in central treasury	 \$ <u>68,971,900</u>
 Fiduciary funds	 988,202
 <u>Discretely Presented Component Units</u>	
School District agency funds	2,667,973
School District	40,216,108
Central Peninsula Hospital	4,997,099
Central Peninsula Hospital – Assets whose use is limited	11,322,729
South Peninsula Hospital	2,795,380
South Peninsula Hospital – Assets whose use is limited	<u>185,375</u>
 Total equity in central treasury	 \$ <u>132,144,766</u>

The equity in central treasury consists of the following:

Cash and short term investments	\$ (4,272,581)
Investments	<u>136,417,347</u>
	\$ <u>132,144,766</u>

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

Fair value at June 30, 2013	\$ 136,417,347
Add: cost of investments sold/called/matured in FY13	103,805,034
Less: cost of investments purchased in FY13	(93,008,598)
Less: fair value at June 30, 2012	<u>(148,588,223)</u>
Change in fair value of investments	\$ <u>(1,374,440)</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 is 3%, 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, 2012	Total taxes are due	October 15, 2012
Levy date	Not later than June 15, 2012	Penalties & interest added	October 17, 2012
Tax bills mailed	Not later than July 1, 2012	Lien date	April 15, 2013

Property taxes levied for the current year are recognized as revenues, even though a portion is collected in the period subsequent to the yearend. The Borough's property tax collection records show that approximately 94.67% 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, 2013 for the government's individual major funds and proprietary funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Other Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes	\$ 6,565,047	\$ 345,918	\$ -	\$ 429,969	\$ 7,340,934
Accounts and other receivables	382,044	609,647	128,681	911,567	2,031,939
Notes receivable	7,007,431	-	-	-	7,007,431
Land sale contracts	-	890,473	-	-	890,473
Special assessment districts	1,058,101	-	-	-	1,058,101
Intergovernmental	<u>1,237,323</u>	<u>7,532,806</u>	<u>-</u>	<u>-</u>	<u>8,770,129</u>
Total receivables	16,249,946	9,378,844	128,681	1,341,536	27,099,007
Less allowance for uncollectibles	<u>(60,098)</u>	<u>(13,731)</u>	<u>-</u>	<u>-</u>	<u>(73,829)</u>
	<u>\$ 16,189,848</u>	<u>\$ 9,365,113</u>	<u>\$ 128,681</u>	<u>\$ 1,341,536</u>	<u>\$ 27,025,178</u>

City of Homer Note Receivable

In fiscal year 2013 on March 19, 2013, Resolution 2013-024, a loan agreement not to exceed \$12.7 million between the Kenai Peninsula Borough and the City of Homer was executed to finance the design and construction of a natural gas distribution improvement in the City of Homer. As of June 30, 2013, the principal balance due is \$6,809,368 with accrued interest of \$49,371. No amount is current and due within one year. The first interest payments are not due until April 1, 2014 and 2015, with 10 subsequent annual principal and interest payments due on April 1, 2016-2025.

D. Deferred Inflows, Outflows and Unearned Revenues

Governmental funds report deferred inflows 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. Governmental funds report acquisition of net assets by the governmental funds that are applicable to a future reporting period as deferred inflows of resources and consumption of net assets that are applicable to future period as deferred outflows. At June 30, 2013, the various components of unearned revenue, deferred inflows, and deferred outflows of resources reported in the governmental funds were as follows:

Deferred Inflows, Outflows and Unearned Revenues, continued:

	Government-Wide			Fund Level	
	Deferred <u>Outflow</u>	Deferred <u>Inflow</u>	<u>Unearned</u>	Deferred <u>Inflow</u>	<u>Unearned</u>
Unamortized deferred loss	\$ 641,032	\$ -	\$ -	\$ -	\$ -
Property taxes receivable (General Fund)	-	-	-	495,012	-
Prepaid property tax (General Fund)	-	3,869,002	-	3,869,002	-
Property taxes receivable (nonmajor gov't funds)	-	-	-	253,484	-
Prepaid property tax (nonmajor gov't funds)	-	4,220,033	-	4,220,033	-
Miscellaneous prepaid (General Fund)	-	-	2,883	-	2,883
PILT (General Fund)	-	2,662,396	-	2,662,396	-
Land sale receivables (nonmajor governmental funds)	-	-	-	890,474	-
Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds)	-	-	1,035,154	-	1,035,154
	<u>\$ 641,032</u>	<u>\$ 10,751,431</u>	<u>\$ 1,038,037</u>	<u>\$12,390,401</u>	<u>\$ 1,038,037</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:	Balance <u>July 1, 2012</u>	Additions/ <u>Transfers</u>	Deductions/ <u>Transfers</u>	Balance <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 70,342,970	\$ 225,439	\$ (151,902)	\$ 70,416,507
Construction in progress	<u>9,238,127</u>	<u>8,503,882</u>	<u>(2,470,025)</u>	<u>15,271,984</u>
Total capital assets, not being depreciated	<u>79,581,097</u>	<u>8,729,321</u>	<u>(2,621,927)</u>	<u>85,688,491</u>
Capital assets, being depreciated:				
Buildings	297,691,591	1,051,344	-	298,742,935
Improvements other than buildings	71,264,046	2,583,098	(30,368)	73,816,776
Machinery and equipment	36,582,252	3,042,807	(779,358)	38,845,701
Infrastructure	<u>13,997,534</u>	<u>685,578</u>	<u>-</u>	<u>14,683,112</u>
Total capital assets being depreciated	<u>419,535,423</u>	<u>7,362,827</u>	<u>(809,726)</u>	<u>426,088,524</u>
Less accumulated depreciation for:				
Buildings	(178,050,526)	(6,233,959)	-	(184,284,485)
Improvements other than buildings	(53,351,096)	(1,730,428)	30,368	(55,051,156)
Machinery and equipment	(23,046,982)	(2,204,951)	779,358	(24,472,575)
Infrastructure	<u>(1,804,682)</u>	<u>(407,729)</u>	<u>-</u>	<u>(2,212,411)</u>
Total accumulated depreciation	<u>(256,253,286)</u>	<u>(10,577,067)</u>	<u>809,726</u>	<u>(266,020,627)</u>

<u>Capital Assets, continued:</u>	<u>Balance July 1, 2012</u>	<u>Additions/ Transfers</u>	<u>Deductions/ Transfers</u>	<u>Balance June 30, 2013</u>
Total capital assets, being depreciated, net	<u>163,282,137</u>	<u>(3,214,240)</u>	<u>-</u>	<u>160,067,897</u>
Governmental activities capital assets, net	<u>\$ 242,863,234</u>	<u>\$ 5,515,081</u>	<u>\$ (2,621,927)</u>	<u>\$ 245,756,388</u>

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

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

Governmental activities:

General government	\$ 389,143
Solid waste facilities	1,178,390
Public safety	1,739,189
Recreation	417,981
Schools	5,993,739
Road maintenance, including infrastructure assets	430,093
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>428,532</u>

Total depreciation expense - governmental activities \$ 10,577,067

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2013. The projects include major repair of existing roads, improvement to school facilities, public safety facilities and recreation facility upgrades. 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	\$ 2,097,896	Federal and State grants and local funding
Improvement to school facilities	1,683,734	General obligation bonds and local funding
Landfill closure and site upgrades	<u>482,879</u>	General obligation bonds and local funding
Total	<u>\$ 4,264,509</u>	

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2013 is as follows:

The General Fund has made a short-term loan of \$879,593 to the Disaster Relief Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies. The General Fund has made loans in the amount of \$1,058,101 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.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major fund - General Fund	\$ 879,593	\$ -
Nonmajor governmental funds	<u>-</u>	<u>879,593</u>
Total	<u>\$ 879,593</u>	<u>\$ 879,593</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 \$43,000,000.

Transfers between funds for the year ended June 30, 2013, were as follows:

	Transfers In		
	Major Fund General Fund	Nonmajor Gov't Funds	Total
Transfers Out:			
General Fund	\$ -	\$ 6,880,012	\$ 6,880,012
Bond Fund	-	2,610	2,610
Nonmajor governmental funds	41,387	1,505,916	1,547,303
Total	\$ 41,387	\$ 8,388,538	\$ 8,429,925

Significant transfers were as follows:

- The General Fund transferred \$1,881,950 to the Solid Waste Debt Service Fund to fund FY13 debt service on bonds sold to finance construction, capital improvements and equipment at Borough landfill sites.
- The General Fund transferred \$2,561,246 to School Debt Service Fund to fund FY13 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$1,792,873 was reimbursed by the State of Alaska.
- The General Fund transferred \$1,050,000 to School Revenue Capital Projects Fund to fund capital maintenance on school facilities and \$924,078 to the Solid Waste Capital Projects Fund to fund capital maintenance projects on solid waste facilities.
- The General Fund transferred \$369,065 to the 911 Communications Special Revenue Fund to support expenditures of the program.
- The General Fund transferred \$93,673 to nonmajor gov't funds for operating.

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.

The Borough is self-insured for workers compensation cost, with a retention level of \$250,000.

The Kenai Peninsula Borough Insurance and Litigation Fund allocates the costs of 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 position of the fund is designated for future catastrophic losses.

	<u>2013</u>	<u>2012</u>
Beginning of fiscal year liability	\$ 1,267,885	\$ 1,216,665
Current year claims incurred and changes in estimates for claims incurred in prior years	1,823,979	813,272
Claims and expenses paid	<u>(956,576)</u>	<u>(762,052)</u>
End of fiscal year liability	\$ <u>2,135,288</u>	\$ <u>1,267,885</u>

Included above is a liability for incurred but not reported (IBNR) claims of \$912,268. 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 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. Health and medical expenditures totaled \$5,539,715 and \$6,069,905 for the years ended June 30, 2013 and 2012 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, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Health insurance claims liabilities, beginning of year	\$ 558,000	\$ 683,900
Current year claims incurred and changes in estimates for claims incurred in prior years	5,068,911	5,646,978
Claims and expenses paid	<u>(4,924,911)</u>	<u>(5,772,878)</u>
Health insurance claims liabilities, end of year	\$ <u>702,000</u>	\$ <u>558,000</u>

H. Long-term debt

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

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Due within one year
Governmental activities:					
Areawide school bonds	\$26,485,000	\$ -	\$ 1,665,000	24,820,000	\$ 1,640,000
Solid waste bonds	3,745,000	-	1,745,000	2,000,000	985,000
Central emergency services bonds	1,975,000	-	105,000	1,870,000	110,000
Bear Creek fire bonds	-	1,215,000	-	1,215,000	35,000
Compensated absences	2,607,663	2,195,019	2,246,663	2,556,019	639,006

Long-term debt, continued:

	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2013</u>	Due within <u>one year</u>
Landfill closure / postclosure	5,450,071	<u>854,078</u>	<u>149,374</u>	<u>6,154,775</u>	<u>1,760,000</u>
Total governmental activities long-term liabilities	\$ <u>40,262,734</u>	\$ <u>4,264,097</u>	\$ <u>5,911,037</u>	<u>38,615,794</u>	\$ <u>5,169,006</u>
Unamortized premium on bonds - School bonds 2011 refinancing				1,079,830	
Unamortized premium on bonds – Bear Creek Fire bonds 2013 project				194,111	
Unamortized premium on bonds - Solid Waste 2009 expansion project				<u>54,000</u>	
				<u>\$ 39,943,735</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 and Solid Waste bonds pledge the full faith and credit of the Borough, while the Central Emergency Services and the Bear Creek Service Area 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. In fiscal years 2012 and 2013 the Borough received a federal subsidy of 45% of the interest payment on the 2010 school bonds, for 2014 the federal subsidy will be reduced to 41% due to federal sequestration.

In September 2011, the Borough issued School refunding bonds of \$8,150,000. These bonds were used to retire \$8,590,000 in outstanding debt. The refunding bonds were issued at a premium of \$1,284,122 and after paying issuance costs of \$81,814, the present value of the savings on the debt service was \$688,063 and the deferred loss on the refunding was \$762,308 and will be amortized over the remaining life of the bonds using the straight-line method. The net proceeds from the issuance were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The advance refunding met the requirements of an in-substance defeasance of portions of the old bonds and \$8,590,000 was removed from the Borough's government-wide financial statements.

Bear Creek Fire Service Area Bonds

In 2007 voters of the Bear Creek Fire Service Area authorized the issuance of \$1,400,000 in bonds for design, construction, and equipping a Bear Creek Fire Service Area Public Safety Building. These bonds were issued in March 2013 in the amount of \$1,215,000.

A summary of bonds payable (in thousands) at June 30, 2013, 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, 2013</u>
<u>General Government:</u>						
School bonds:	01-31-07	\$ 2,515	4.00 – 5.50	2008 – 2017	\$215 to 305	\$ 1,140
	08-07-03 *	6,110	4.00 – 6.00	2004 – 2013	610 to 700	-
	12-09-10	16,865	1.42 – 6.26	2011 - 2030	715 to 1,110	15,695
	9-15-11	<u>8,150</u>	4.25 – 5.00	2014 - 2023	165 to 930	<u>7,985</u>
Total school bonds		<u>33,640</u>				<u>24,820</u>

*Debt originally issued for \$14,700,000 in 2003. In September 2011, the Borough issued bonds in the amount of \$8,150,000 to refund \$8,590,000 of this debt.

General Government, continued:

	<u>Date of Issue</u>	<u>Issued</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Annual Installments</u>	<u>Outstanding June 30, 2013</u>
Solid waste bonds	05-22-03	7,040	2.50 – 4.25	2003 – 2013	705 to 800	-
	12-12-09	<u>4,780</u>	2.00 – 4.00	2011 – 2015	910 to 1,015	<u>2,000</u>
Total solid waste bonds		<u>11,820</u>				<u>2,000</u>
Total General Government		<u>45,460</u>				<u>26,820</u>
Central Emergency Services bonds	06-21-06	2,500	4.00 - 6.00	2006 - 2026	85 to 185	1,870
Bear Creek Fire bonds	03-12-13	<u>1,215</u>	2.00 - 5.00	2014 - 2033	35 to 90	<u>1,215</u>
Total Governmental Activities		<u>\$ 49,175</u>				<u>\$ 29,905</u>

Debt service requirements, (not including landfill closure/postclosure and compensated absences), at June 30, 2013 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Interest (Net of interest subsidy)</u>
2014	\$ 2,770,000	\$ 1,379,831	\$ (315,441)	\$ 1,064,390
2015	2,880,000	1,292,339	(309,058)	983,281
2016	1,920,000	1,180,595	(301,162)	879,433
2017	1,980,000	1,101,785	(291,657)	810,128
2018	1,725,000	1,021,416	(280,497)	740,919
2019-2023	9,440,000	3,863,232	(1,186,739)	2,676,493
2024-2028	5,560,000	1,932,151	(712,897)	1,219,254
2029-2033	<u>3,630,000</u>	<u>364,987</u>	<u>(125,879)</u>	<u>239,108</u>
Total	<u>\$ 29,905,000</u>	<u>\$ 12,136,336</u>	<u>\$ (3,523,330)</u>	<u>\$ 8,613,006</u>

Hospital Note Payable

In fiscal year 2011, South Peninsula Hospital took out a note payable to the Kenai Peninsula Borough in the amount of \$313,831 to help finance a magnetic resonance imaging machine. Of the balance outstanding at June 30, 2013, \$62,594 is due within one year.

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 Year:</u>	<u>Principal</u>
2014	\$ 528,640
2015	556,920
2016	586,680
2017	618,040
2018	651,160
2019	<u>334,575</u>
	<u>\$ 3,276,015</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 litigation. 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

State of Alaska Public Employees' Retirement System

The Borough participates in the Public Employees' Retirement System (PERS). PERS was originally established as an agent multiple employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

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

Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment.

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

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate. The Borough's contribution rate was determined as part of the June 30, 2010 actuarial valuation.

The Borough's contribution rates for 2013 for PERS follow:

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 43/45*</u> <u>Rate</u>
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	<u>12.33%</u>	<u>20.09%</u>	<u>39.93%</u>
Total contribution rate	<u>22.00%</u>	<u>35.84%</u>	<u>64.88%</u>

*This rate uses a 8% pension discount rate for PERS and 6.88% for healthcare discount rate. This rate also disregards future Medicare Part D payments.

The GASB 43/45 rate noted above is the rate calculated in accordance with the rules as laid out by the GASB for plan accounting purposes, and is the rate used in the determination and calculation of plan assets and plan liabilities. In Alaska, the actual pay-in contribution rate is statutorily capped at 22%. Under current accounting rules, the Borough only recognizes pension/OPEB assets or liabilities if the actual pay-in amount varies from the 22% rate, despite the fact that this rate is significantly lower than the GASB 45 rate. In addition, GASB rules do not dictate how the funding methodology is calculated. As a general rule, the ARM Board has adopted a different rate to be used for funding the plan. Under current rules, the Borough contributes 22%, and the State contributes an amount up to the amount of the ARM Board Rate. The GASB 43/45 rate is only used for accounting purposes at the plan level. In the future, pursuant to pending new accounting rules, the GASB 43/45 rate will be used to calculate the Borough's proportionate share of the unfunded liability.

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.

Liabilities and contributions are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

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

Annual Pension and Postemployment Healthcare Cost - PERS

The Borough is required to contribute 22% of covered payroll for PERS, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.84% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough has recorded the State PERS on behalf payments of \$2,774,259 in these financial statements as revenues and expenditures. However, because the Borough is not statutorily obligated for these payments, these amounts are excluded from pension and OPEB costs as described here.

The Borough's covered payroll for PERS defined benefit for the years ended June 30, 2013 and 2012 was \$12,548,619 and \$12,926,435, respectively.

Annual Pension and Post-employment Healthcare Cost – PERS

Kenai Peninsula Borough

Year Ended <u>June 30</u>	Annual Pension <u>Cost</u>	Annual OPEB <u>Cost</u>	Total Benefit Cost <u>(TBC)</u>	Borough <u>Contributions</u>	% of TBC <u>Contributed</u>
2013	\$ 1,598,861	\$ 2,039,049	\$ 3,637,910	\$ 3,637,910	100%
2012	1,475,830	1,367,987	2,843,817	2,843,817	100%
2011	1,034,688	1,865,076	2,899,764	2,899,764	100%

Defined Contribution Pension Plan

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III. 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 is required to make the following contributions:

	PERS Tier IV	
	<u>Others</u>	<u>Police/Fire</u>
Employee contribution	8.00%	8.00%
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00%	3.00%
Retiree medical plan	.48%	.48%
Occupational death and disability benefits	.14%	.99%
	<u>8.62%</u>	<u>9.47%</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 and approximates \$1,848 per year for each full-time employee, and \$1.18 per hour for part-time employees.

The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2013 were \$566,646 and \$518,287, respectively. The Borough’s covered payroll for PERS defined contribution for the years ended June 30, 2013 and 2012 was \$6,478,601 and \$5,497,629, respectively.

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 comply with the State of Alaska Solid Waste Management Regulations (18AAC 60). These regulations include placement of a final cover system on its landfills when they stop accepting waste. Additionally, the Borough must perform post closure care and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with landfill cells having remaining useful lives from 1 year to 20 years. The largest site has an active lined cell with a remaining expected life of four to five years. This site has land enough for a minimum of three additional cells, which will be developed as needed and will extend the landfill life by approximately 25 years. The second largest facility has used 99% of landfill capacity and will be in operation until August 2013, at which time it will become a transfer station. There are also

three sites which are closed, that are being monitored as required by regulation. As of June 30, 2013 the Borough has a recorded liability of \$6,154,775 in the government-wide financial statements for closure and postclosure cost associated with its landfills. This amount has been reported as restricted fund balance in the Solid Waste Capital Projects Fund and is based on what it would cost to perform all closure and postclosure care in 2013; 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 \$5.9 million in expense and liability between June 30, 2013 and the year 2034, 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 costs. Accounting for landfill operations is included in the General Fund and the closure and postclosure costs are accounted for in the Solid Waste Capital Projects Fund.

M. Change in Accounting Principle – Adoption of GASB Pronouncement – Restated

The Borough has adopted newly issued GASB pronouncement numbers 63 and 65, resulting in a change in presentation for the financial statements. The new pronouncements require, among other things, that debt issuance costs be recognized as an expense in the year incurred, rather than capitalizing and amortizing these costs over the life of the debt. A retroactive restatement of net position is required in the year of adoption. The government-wide financial statement opening balance of Net Position has been restated to reflect the removal of unamortized bond issue costs in the amount of \$76,236.

N. Subsequent Events

Borough voters authorized the issuance of school bonds in the amount of \$22,987,000 at their October 1, 2013 municipal election. These bonds, which are scheduled to be issued as 20 year bonds in November 2013, are eligible for 70% reimbursement from the State of Alaska.

The Borough assembly at the October 22, 2013 assembly meeting authorized the issuance of up to \$43,000,000 in revenue bonds for an 89,000 square foot addition to the Central Peninsula Hospital. Central Peninsula Hospital is a discretely presented component unit of the Kenai Peninsula Bonds. The bonds are conditioned upon the receipt of a Certificate of Need (CON) from the State of Alaska, Department of Health and Social Services. Pending receipt of the CON, the bonds are expected to be issued in February 2014.

O. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

GASB 66 – Technical Corrections – 2012 – Effective for year-end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

GASB 67 – Financial Reporting for Pension Plans – Effective for year-end June 30, 2014 – This statement changes the reporting and disclosure requirements for government Pension Plans. This statement modifies the Plan-side reporting.

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year-end June 30, 2015 – This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan side reporting at GASB 67.

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

GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – Effective for year-end June 30, 2014 – This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2013

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and short-term investments	\$ 9,256	\$ -	\$ 9,256
Equity in central treasury	22,097,982	13,064,433	35,162,415
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	332,187	-	332,187
Accounts receivable	609,647	-	609,647
Land sale contracts receivable:			
Current	151,409	-	151,409
Delinquent	25,230	-	25,230
Due from other governments	2,247,556	5,285,250	7,532,806
Prepays	3,661	-	3,661
Land sale contracts receivable - long-term	713,834	-	713,834
Total assets	\$ 26,190,762	\$ 18,349,683	\$ 44,540,445
 <u>Liabilities, Deferred Inflows and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	1,523,603	3,152,407	4,676,010
Accrued payroll and payroll benefits	473,409	44,921	518,330
Due to General Fund	879,593	-	879,593
Unearned grant revenue	35,997	999,157	1,035,154
Total liabilities	2,912,602	4,196,485	7,109,087
Deferred Inflows of Resources			
Prepaid property taxes	4,220,033	-	4,220,033
Property tax receivable - unavailable	253,484	-	253,484
Land sales - unavailable	890,474	-	890,474
Total deferred inflows of resources	5,363,991	-	5,363,991
Fund Balances:			
Nonspendable:			
Prepays	3,661	-	3,661
Restricted:			
Landfill closure/postclosure costs	-	6,154,775	6,154,775
Spruce Bark Beetle program	305,824	-	305,824
General government	170,432	-	170,432
Public safety	7,103,219	-	7,103,219
Recreation	1,632,155	-	1,632,155
Roads	2,068,070	-	2,068,070
Committed:			
Outstanding committed contracts	344,964	5,041,541	5,386,505
Building maintenance and upgrades	-	68,487	68,487
Public safety facilities and equipment	-	1,863,558	1,863,558
Recreational facility maintenance	-	444,302	444,302
Assigned:			
Subsequent year's expenditures	222,957	580,535	803,492
General government	6,086,251	-	6,086,251
Unassigned - (deficit)	(23,364)	-	(23,364)
Total fund balances	17,914,169	14,153,198	32,067,367
Total liabilities, deferred inflows and fund balances	\$ 26,190,762	\$ 18,349,683	\$ 44,540,445

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2013

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
General property taxes	\$ 20,576,836	\$ -	\$ -	\$ 20,576,836
Motor vehicle tax	416,554	-	-	416,554
Intergovernmental:				
Federal	2,073,148	332,971	-	2,406,119
State	3,575,181	14,920,951	-	18,496,132
Investment earnings	60,914	18,963	-	79,877
Interest subsidy	-	-	350,894	350,894
Other revenues	4,145,800	571,826	-	4,717,626
Total revenues	<u>30,848,433</u>	<u>15,844,711</u>	<u>350,894</u>	<u>47,044,038</u>
Expenditures:				
General government	1,951,726	643,684	-	2,595,410
Solid waste	-	6,239,424	-	6,239,424
Public safety	16,273,630	3,116,875	-	19,390,505
Recreation	1,593,621	627,222	-	2,220,843
Education	965,266	4,961,875	-	5,927,141
Environmental protection	1,052,619	-	-	1,052,619
Roads and trails	6,217,182	4,741,786	-	10,958,968
Debt service:				
Principal	-	-	3,515,000	3,515,000
Interest and other	-	-	1,469,468	1,469,468
Total expenditures	<u>28,054,044</u>	<u>20,330,866</u>	<u>4,984,468</u>	<u>53,369,378</u>
Excess (deficiency) of revenues over expenditures	<u>2,794,389</u>	<u>(4,486,155)</u>	<u>(4,633,574)</u>	<u>(6,325,340)</u>
Other financing sources (uses):				
Bonds issued	-	1,215,000	-	1,215,000
Premium on bonds issued	-	196,568	-	196,568
Transfers in	663,276	3,091,688	4,633,574	8,388,538
Transfers out	(1,505,916)	(41,387)	-	(1,547,303)
Net other financing sources (uses)	<u>(842,640)</u>	<u>4,461,869</u>	<u>4,633,574</u>	<u>8,252,803</u>
Net change in fund balances	1,951,749	(24,286)	-	1,927,463
Fund balances at beginning of year	<u>15,962,420</u>	<u>14,177,484</u>	<u>-</u>	<u>30,139,904</u>
Fund balances (deficit) at end of year	<u>\$ 17,914,169</u>	<u>\$ 14,153,198</u>	<u>\$ -</u>	<u>\$ 32,067,367</u>

Nonmajor Special Revenue Funds
Pages 64-85

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

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

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

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

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

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

Lowell Point Emergency Service Area – This fund is used to account for residual property tax revenue collected in the former Lowell Point Emergency Service Area, which was dissolved effective June 30, 2012.

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

North Peninsula Recreation Service Area – This fund is used to account for operating expenditures of the North Peninsula Recreation Service Area.

Seldovia Recreational Service Area – This fund is used to account for operating expenditures of the Seldovia Recreational Service Area.

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

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

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

Environmental Protection Program – This fund is used to account for expenditures of the environmental protection program.

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

911 Communications – This fund is used to account for expenditures of the Borough's 911 Communications service.

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

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

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2013

	Nikiski Fire Service Area	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
<u>Assets</u>				
Cash and short-term investments	\$ 3,787	\$ -	\$ 200	\$ 566
Equity in central treasury	6,247,137	221,955	459,005	1,952,077
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	29,869	7,959	20,095	116,853
Accounts receivable	91,099	-	-	229,145
Land sale contracts receivable:				
Current	-	-	-	-
Delinquent	-	-	-	-
Due from other governments	13,342	8,530	2,537	215,829
Prepays	-	2,161	-	-
Land sale contracts receivable - long-term	-	-	-	-
Total assets	\$ 6,385,234	\$ 240,605	\$ 481,837	\$ 2,514,470
<u>Liabilities, Deferred Inflows, and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	29,173	17,370	11,431	93,181
Accrued payroll and payroll benefits	107,367	5,293	8,020	210,726
Due to General Fund	-	-	-	-
Unearned grant revenue	-	-	19,997	-
Total liabilities	136,540	22,663	39,448	303,907
Deferred Inflows of Resources:				
Prepaid property taxes	1,839,068	22,467	69,496	317,286
Property tax receivable - unavailable	20,944	6,141	16,413	88,373
Land sales - unavailable	-	-	-	-
Total deferred inflows of resources	1,860,012	28,608	85,909	405,659
Fund Balances:				
Nonspendable:				
Prepays	-	2,161	-	-
Restricted:				
Spruce Bark Beetle program	-	-	-	-
Public safety	4,388,682	185,043	356,480	1,646,350
Recreation	-	-	-	-
General government	-	-	-	-
Roads	-	-	-	-
Committed:				
Outstanding committed contracts	-	-	-	-
Assigned:				
Subsequent year's expenditures	-	2,130	-	158,554
General government	-	-	-	-
Unassigned - (deficit)	-	-	-	-
Total fund balances	4,388,682	189,334	356,480	1,804,904
Total liabilities, deferred inflows and fund balances	\$ 6,385,234	\$ 240,605	\$ 481,837	\$ 2,514,470

<u>Kachemak Emergency Service Area</u>	<u>Lowell Point Emergency Service Area</u>	<u>Central Peninsula Emergency Medical Service Area</u>	<u>North Peninsula Recreation Service Area</u>	<u>Seldovia Recreational Service Area</u>
\$ 4,503 266,104	\$ - 1,819	\$ - 17	\$ 200 2,350,900	\$ - 39,016
17,615 16,977	- -	165 -	9,959 -	2,190 -
- -	- -	- -	- -	- -
6,032 1,500	- -	- -	4,447 -	109 -
-	-	-	-	-
<u>\$ 312,731</u>	<u>\$ 1,819</u>	<u>\$ 182</u>	<u>\$ 2,365,506</u>	<u>\$ 41,315</u>
19,546 14,291	- -	- -	46,796 33,996	2,495 -
- -	- -	- -	- -	- -
-	-	-	-	16,000
<u>33,837</u>	<u>-</u>	<u>-</u>	<u>80,792</u>	<u>18,495</u>
4,859 15,126	- -	24 158	665,298 6,997	893 2,191
-	-	-	-	-
<u>19,985</u>	<u>-</u>	<u>182</u>	<u>672,295</u>	<u>3,084</u>
1,500	-	-	-	-
-	-	-	-	-
249,146	1,819	-	-	-
-	-	-	1,612,419	19,736
-	-	-	-	-
-	-	-	-	-
8,263	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>258,909</u>	<u>1,819</u>	<u>-</u>	<u>1,612,419</u>	<u>19,736</u>
<u>\$ 312,731</u>	<u>\$ 1,819</u>	<u>\$ 182</u>	<u>\$ 2,365,506</u>	<u>\$ 41,315</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet, continued
 June 30, 2013

	Road Service Area	Land Trust	Seward Bear Creek Flood Service Area	Environmental Protection Programs
<u>Assets</u>				
Cash and short-term investments	\$ -	\$ -	\$ -	\$ -
Equity in central treasury	3,751,591	5,893,355	276,102	240,119
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	122,784	-	2,901	-
Accounts receivable	-	272,426	-	-
Land sale contracts receivable:				
Current	-	151,409	-	-
Delinquent	-	25,230	-	-
Due from other governments	34,716	-	1,657	83,376
Prepays	-	-	-	-
Land sale contracts receivable - long-term	-	713,834	-	-
Total assets	\$ 3,909,091	\$ 7,056,254	\$ 280,660	\$ 323,495
<u>Liabilities, Deferred Inflows, and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	514,475	53,101	39	309
Accrued payroll and payroll benefits	29,199	21,250	1,777	3,195
Due to General Fund	-	-	-	-
Unearned grant revenue	-	-	-	-
Total liabilities	543,674	74,351	1,816	3,504
Deferred Inflows of Resources:				
Prepaid property taxes	1,171,697	-	3,676	-
Property tax receivable - unavailable	93,932	-	1,987	-
Land sales - unavailable	-	890,474	-	-
Total deferred inflows of resources	1,265,629	890,474	5,663	-
Fund Balances:				
Nonspendable:				
Restricted:				
Spruce Bark Beetle program	-	-	-	305,824
Public safety	-	-	253,989	-
Recreation	-	-	-	-
General government	-	-	-	-
Roads	2,068,070	-	-	-
Committed:				
Outstanding committed contracts	718	5,178	-	14,167
Assigned:				
Subsequent year's expenditures	31,000	-	19,192	-
General government	-	6,086,251	-	-
Unassigned - (deficit)	-	-	-	-
Total fund balances	2,099,788	6,091,429	273,181	319,991
Total liabilities, deferred inflows and fund balances	\$ 3,909,091	\$ 7,056,254	\$ 280,660	\$ 323,495

<u>Disaster Relief</u>	<u>911 Communications</u>	<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 9,256
-	62,162	38,397	298,226	22,097,982
-	-	-	1,797	332,187
-	-	-	-	609,647
-	-	-	-	151,409
-	-	-	-	25,230
903,144	-	973,119	718	2,247,556
-	-	-	-	3,661
-	-	-	-	713,834
<u>\$ 903,144</u>	<u>\$ 62,162</u>	<u>\$ 1,011,516</u>	<u>\$ 300,741</u>	<u>\$ 26,190,762</u>
23,423	49,378	662,886	-	1,523,603
128	36,148	2,019	-	473,409
879,593	-	-	-	879,593
-	-	-	-	35,997
<u>903,144</u>	<u>85,526</u>	<u>664,905</u>	<u>-</u>	<u>2,912,602</u>
-	-	-	125,269	4,220,033
-	-	-	1,222	253,484
-	-	-	-	890,474
-	-	-	<u>126,491</u>	<u>5,363,991</u>
-	-	-	-	3,661
-	-	-	-	305,824
-	-	21,710	-	7,103,219
-	-	-	-	1,632,155
-	-	-	170,432	170,432
-	-	-	-	2,068,070
-	-	324,901	-	344,964
-	-	-	3,818	222,957
-	-	-	-	6,086,251
-	(23,364)	-	-	(23,364)
-	(23,364)	346,611	174,250	17,914,169
<u>\$ 903,144</u>	<u>\$ 62,162</u>	<u>\$ 1,011,516</u>	<u>\$ 300,741</u>	<u>\$ 26,190,762</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2013

	Nikiski Fire Service Area	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
Revenues:				
General property taxes	\$ 3,841,306	\$ 343,643	\$ 547,030	\$ 6,729,729
Motor vehicle tax	54,915	12,337	10,442	142,618
Intergovernmental:				
Federal	-	25,322	-	303,111
State	253,998	12,535	11,163	483,659
Investment earnings	16,946	1,027	705	10,341
Other revenues	264,124	-	-	647,650
Total revenues	4,431,289	394,864	569,340	8,317,108
Expenditures:				
General government	-	-	-	-
Public safety	3,820,745	357,236	363,270	7,112,506
Recreation	-	-	-	-
Education	-	-	-	-
Environmental protection	-	-	-	-
Roads and trails	-	-	-	-
Total expenditures	3,820,745	357,236	363,270	7,112,506
Excess (deficiency) of revenues over expenditures	610,544	37,628	206,070	1,204,602
Other financing sources (uses):				
Transfers in	-	-	-	7,106
Transfers out	(255,164)	(50,000)	(65,000)	(920,604)
Net other financing sources (uses)	(255,164)	(50,000)	(65,000)	(913,498)
Net change in fund balances	355,380	(12,372)	141,070	291,104
Fund balances (deficit) at beginning of year	4,033,302	201,706	215,410	1,513,800
Fund balances (deficit) at end of year	\$ 4,388,682	\$ 189,334	\$ 356,480	\$ 1,804,904

Kachemak Emergency Service Area	Lowell Point Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Seldovia Recreational Service Area
\$ 828,063	\$ 294	\$ 7,106	\$ 1,299,942	\$ 53,348
24,827	-	-	18,305	448
19,816	-	-	-	-
38,901	-	-	63,910	-
1,726	-	-	6,700	-
45,019	-	-	220,855	3,128
<u>958,352</u>	<u>294</u>	<u>7,106</u>	<u>1,609,712</u>	<u>56,924</u>
-	-	-	-	-
816,532	-	-	-	-
-	-	-	1,556,179	37,442
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>816,532</u>	<u>-</u>	<u>-</u>	<u>1,556,179</u>	<u>37,442</u>
141,820	294	7,106	53,533	19,482
-	-	-	-	-
(158,042)	-	(7,106)	(50,000)	-
<u>(158,042)</u>	<u>-</u>	<u>(7,106)</u>	<u>(50,000)</u>	<u>-</u>
(16,222)	294	-	3,533	19,482
275,131	1,525	-	1,608,886	254
<u>\$ 258,909</u>	<u>\$ 1,819</u>	<u>\$ -</u>	<u>\$ 1,612,419</u>	<u>\$ 19,736</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, 2013

	Road Service Area	Land Trust	Seward Bear Creek Flood Service Area	Environmental Protection Programs
Revenues:				
General property taxes	\$ 6,471,755	\$ -	\$ 212,642	\$ -
Motor vehicle tax	142,889	-	6,818	-
Intergovernmental:				
Federal	-	-	-	170,115
State	78,813	43,284	5,436	55,240
Investment earnings	14,245	8,035	426	(74)
Other revenues	30,000	1,645,436	-	-
Total revenues	<u>6,737,702</u>	<u>1,696,755</u>	<u>225,322</u>	<u>225,281</u>
Expenditures:				
General government	-	942,824	-	-
Public safety	-	-	234,185	-
Recreation	-	-	-	-
Education	-	-	-	-
Environmental protection	-	-	-	495,323
Roads and trails	6,217,182	-	-	-
Total expenditures	<u>6,217,182</u>	<u>942,824</u>	<u>234,185</u>	<u>495,323</u>
Excess (deficiency) of revenues over expenditures	<u>520,520</u>	<u>753,931</u>	<u>(8,863)</u>	<u>(270,042)</u>
Other financing sources (uses):				
Transfers in	-	40,692	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>40,692</u>	<u>-</u>	<u>-</u>
Net change in fund balances	520,520	794,623	(8,863)	(270,042)
Fund balances (deficit) at beginning of year	<u>1,579,268</u>	<u>5,296,806</u>	<u>282,044</u>	<u>590,033</u>
Fund balances (deficit) at end of year	<u>\$ 2,099,788</u>	<u>\$ 6,091,429</u>	<u>\$ 273,181</u>	<u>\$ 319,991</u>

<u>Disaster Relief</u>	<u>911 Communications</u>	<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ 241,978	\$ 20,576,836
-	-	-	2,955	416,554
677,358	-	877,426	-	2,073,148
225,786	105,635	2,196,821	-	3,575,181
-	-	-	837	60,914
-	1,289,588	-	-	4,145,800
<u>903,144</u>	<u>1,395,223</u>	<u>3,074,247</u>	<u>245,770</u>	<u>30,848,433</u>
-	-	735,692	273,210	1,951,726
903,144	1,929,706	736,306	-	16,273,630
-	-	-	-	1,593,621
-	-	965,266	-	965,266
-	-	557,296	-	1,052,619
-	-	-	-	6,217,182
<u>903,144</u>	<u>1,929,706</u>	<u>2,994,560</u>	<u>273,210</u>	<u>28,054,044</u>
-	(534,483)	79,687	(27,440)	2,794,389
-	562,497	-	52,981	663,276
-	-	-	-	(1,505,916)
-	<u>562,497</u>	-	<u>52,981</u>	<u>(842,640)</u>
-	28,014	79,687	25,541	1,951,749
-	(51,378)	266,924	148,709	15,962,420
<u>\$ -</u>	<u>\$ (23,364)</u>	<u>\$ 346,611</u>	<u>\$ 174,250</u>	<u>\$ 17,914,169</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 3,832,629	\$ 3,832,629	\$ 3,841,306	\$ 8,677
Motor vehicle tax	34,914	34,914	54,915	20,001
Intergovernmental:				
State	-	253,998	253,998	-
Investment earnings	116,206	116,206	16,946	(99,260)
Other revenues	245,000	245,000	264,124	19,124
Total revenues	<u>4,228,749</u>	<u>4,482,747</u>	<u>4,431,289</u>	<u>(51,458)</u>
Expenditures:				
Personnel	2,973,674	3,227,672	3,078,160	149,512
Supplies	194,353	194,353	150,565	43,788
Services	553,735	556,231	488,777	67,454
Capital outlay	116,200	116,200	103,243	12,957
Total expenditures	<u>3,837,962</u>	<u>4,094,456</u>	<u>3,820,745</u>	<u>273,711</u>
Excess (deficiency) of revenues over expenditures	<u>390,787</u>	<u>388,291</u>	<u>610,544</u>	<u>222,253</u>
Other financing sources (uses):				
Transfers (out)	<u>(255,164)</u>	<u>(255,164)</u>	<u>(255,164)</u>	<u>-</u>
Net change in fund balance	135,623	133,127	355,380	222,253
Fund balance at beginning of year	<u>4,033,302</u>	<u>4,033,302</u>	<u>4,033,302</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 4,168,925</u></u>	<u><u>\$ 4,166,429</u></u>	<u><u>\$ 4,388,682</u></u>	<u><u>\$ 222,253</u></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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 340,583	\$ 340,583	\$ 343,643	\$ 3,060
Motor vehicle tax	13,439	13,439	12,337	(1,102)
Intergovernmental:				
Federal	-	82,329	25,322	(57,007)
State	-	12,535	12,535	-
Investment earnings	4,514	4,514	1,027	(3,487)
Total revenues	<u>358,536</u>	<u>453,400</u>	<u>394,864</u>	<u>(58,536)</u>
Expenditures:				
Personnel	170,227	182,762	181,151	1,611
Supplies	23,000	24,484	21,398	3,086
Services	119,662	148,012	112,605	35,407
Capital outlay	19,500	76,865	42,082	34,783
Total expenditures	<u>332,389</u>	<u>432,123</u>	<u>357,236</u>	<u>74,887</u>
Excess (deficiency) of revenues over expenditures	<u>26,147</u>	<u>21,277</u>	<u>37,628</u>	<u>16,351</u>
Other financing sources (uses):				
Transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(23,853)	(28,723)	(12,372)	16,351
Fund balance at beginning of year	<u>201,706</u>	<u>201,706</u>	<u>201,706</u>	<u>-</u>
Fund balance at end of year	<u>\$ 177,853</u>	<u>\$ 172,983</u>	<u>\$ 189,334</u>	<u>\$ 16,351</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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 545,765	\$ 545,765	\$ 547,030	\$ 1,265
Motor vehicle tax	8,000	8,000	10,442	2,442
Intergovernmental:				
State	-	11,163	11,163	-
Investment earnings	5,798	5,798	705	(5,093)
Total revenues	<u>559,563</u>	<u>570,726</u>	<u>569,340</u>	<u>(1,386)</u>
Expenditures:				
Personnel	313,928	325,091	214,578	110,513
Supplies	42,500	42,500	20,655	21,845
Services	142,010	142,010	113,998	28,012
Capital outlay	18,500	18,500	14,039	4,461
Total expenditures	<u>516,938</u>	<u>528,101</u>	<u>363,270</u>	<u>164,831</u>
Excess (deficiency) of revenues over expenditures	<u>42,625</u>	<u>42,625</u>	<u>206,070</u>	<u>163,445</u>
Other financing sources (uses):				
Transfers (out)	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net change in fund balance	(22,375)	(22,375)	141,070	163,445
Fund balance at beginning of year	<u>215,410</u>	<u>215,410</u>	<u>215,410</u>	<u>-</u>
Fund balance at end of year	<u>\$ 193,035</u>	<u>\$ 193,035</u>	<u>\$ 356,480</u>	<u>\$ 163,445</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,701,146	\$ 6,701,146	\$ 6,729,729	\$ 28,583
Motor vehicle tax	120,000	120,000	142,618	22,618
Intergovernmental:				
Federal	303,111	303,111	303,111	-
State	-	478,907	483,659	4,752
Investment earnings	30,000	30,000	10,341	(19,659)
Other revenues	619,634	619,634	647,650	28,016
Total revenues	<u>7,773,891</u>	<u>8,252,798</u>	<u>8,317,108</u>	<u>64,310</u>
Expenditures:				
Personnel	5,658,096	6,137,131	5,871,632	265,499
Supplies	427,724	467,151	409,612	57,539
Services	764,049	779,778	713,512	66,266
Capital outlay	150,998	132,968	117,750	15,218
Total expenditures	<u>7,000,867</u>	<u>7,517,028</u>	<u>7,112,506</u>	<u>404,522</u>
Excess (deficiency) of revenues over expenditures	<u>773,024</u>	<u>735,770</u>	<u>1,204,602</u>	<u>468,832</u>
Other financing sources (uses):				
Transfers in	8,716	8,716	7,106	(1,610)
Transfers (out)	(920,604)	(920,604)	(920,604)	-
Net other financing sources (uses)	<u>(911,888)</u>	<u>(911,888)</u>	<u>(913,498)</u>	<u>(1,610)</u>
Net change in fund balance	(138,864)	(176,118)	291,104	467,222
Fund balance at beginning of year	<u>1,513,800</u>	<u>1,513,800</u>	<u>1,513,800</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,374,936</u>	<u>\$ 1,337,682</u>	<u>\$ 1,804,904</u>	<u>\$ 467,222</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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 841,499	\$ 841,499	\$ 828,063	\$ (13,436)
Motor vehicle tax	19,738	19,738	24,827	5,089
Intergovernmental:				
Federal	-	19,816	19,816	-
State	-	35,554	38,901	3,347
Investment earnings	4,500	4,500	1,726	(2,774)
Other revenues	27,000	27,000	45,019	18,019
Total revenues	<u>892,737</u>	<u>948,107</u>	<u>958,352</u>	<u>10,245</u>
Expenditures:				
Personnel	404,163	487,703	473,469	14,234
Supplies	75,500	83,500	78,666	4,834
Services	190,065	177,065	171,877	5,188
Capital outlay	80,000	93,000	92,520	480
Total expenditures	<u>749,728</u>	<u>841,268</u>	<u>816,532</u>	<u>24,736</u>
Excess (deficiency) of revenues over expenditures	<u>143,009</u>	<u>106,839</u>	<u>141,820</u>	<u>34,981</u>
Other financing sources (uses):				
Transfers (out)	<u>(158,042)</u>	<u>(158,042)</u>	<u>(158,042)</u>	<u>-</u>
Net change in fund balance	(15,033)	(51,203)	(16,222)	34,981
Fund balance at beginning of year	<u>275,131</u>	<u>275,131</u>	<u>275,131</u>	<u>-</u>
Fund balance at end of year	<u>\$ 260,098</u>	<u>\$ 223,928</u>	<u>\$ 258,909</u>	<u>\$ 34,981</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ -	\$ -	\$ 294	\$ 294
Total revenues	<u>-</u>	<u>-</u>	<u>294</u>	<u>294</u>
Expenditures:				
Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	294	294
Fund balance at beginning of year	<u>1,525</u>	<u>1,525</u>	<u>1,525</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 1,525</u></u>	<u><u>\$ 1,525</u></u>	<u><u>\$ 1,819</u></u>	<u><u>\$ 294</u></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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 8,377	\$ 8,377	\$ 7,106	\$ (1,271)
Total revenues	<u>8,377</u>	<u>8,377</u>	<u>7,106</u>	<u>(1,271)</u>
Expenditures:				
Services	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>8,377</u>	<u>8,377</u>	<u>7,106</u>	<u>(1,271)</u>
Other financing sources (uses):				
Transfers (out)	<u>(8,716)</u>	<u>(8,716)</u>	<u>(7,106)</u>	<u>1,610</u>
Net change in fund balance	(339)	(339)	-	339
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ (339)</u>	<u>\$ (339)</u>	<u>\$ -</u>	<u>\$ 339</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 1,300,001	\$ 1,300,001	\$ 1,299,942	\$ (59)
Motor vehicle tax	15,467	15,467	18,305	2,838
Intergovernmental:				
State	-	63,910	63,910	-
Investment earnings	47,444	47,444	6,700	(40,744)
Other revenues	161,500	161,500	220,855	59,355
Total revenues	<u>1,524,412</u>	<u>1,588,322</u>	<u>1,609,712</u>	<u>21,390</u>
Expenditures:				
Personnel	965,721	1,029,631	987,275	42,356
Supplies	105,300	104,500	95,671	8,829
Services	475,472	468,922	461,232	7,690
Capital outlay	5,000	12,350	12,001	349
Total expenditures	<u>1,551,493</u>	<u>1,615,403</u>	<u>1,556,179</u>	<u>59,224</u>
Excess (deficiency) of revenues over expenditures	<u>(27,081)</u>	<u>(27,081)</u>	<u>53,533</u>	<u>80,614</u>
Other financing sources (uses):				
Transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(77,081)	(77,081)	3,533	80,614
Fund balance at beginning of year	<u>1,608,886</u>	<u>1,608,886</u>	<u>1,608,886</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,531,805</u>	<u>\$ 1,531,805</u>	<u>\$ 1,612,419</u>	<u>\$ 80,614</u>

Kenai Peninsula Borough

Seldovia Recreational Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 52,582	\$ 52,585	\$ 53,348	\$ 763
Motor vehicle tax	-	-	448	448
Other revenues	-	17,010	3,128	(13,882)
Total revenues	<u>52,582</u>	<u>69,595</u>	<u>56,924</u>	<u>(12,671)</u>
Expenditures:				
Supplies	3,333	6,515	5,562	953
Services	34,856	34,358	29,234	5,124
Capital outlay	<u>4,000</u>	<u>18,646</u>	<u>2,646</u>	<u>16,000</u>
Total expenditures	<u>42,189</u>	<u>59,519</u>	<u>37,442</u>	<u>22,077</u>
Net change in fund balance	10,393	10,076	19,482	9,406
Fund balance at beginning of year	<u>254</u>	<u>254</u>	<u>254</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,647</u>	<u>\$ 10,330</u>	<u>\$ 19,736</u>	<u>\$ 9,406</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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
General property taxes	\$ 6,436,086	\$ 6,436,086	\$ 6,471,755	\$ 35,669
Motor vehicle tax	138,876	138,876	142,889	4,013
Intergovernmental:				
State	-	78,813	78,813	-
Investment earnings	24,000	24,000	14,245	(9,755)
Other revenues	-	-	30,000	30,000
Total revenues	<u>6,598,962</u>	<u>6,677,775</u>	<u>6,737,702</u>	<u>59,927</u>
Expenditures:				
Personnel	1,017,212	1,083,354	1,046,320	37,034
Supplies	80,870	81,289	73,997	7,292
Services	5,153,413	5,312,691	5,090,901	221,790
Capital outlay	5,050	10,050	5,964	4,086
Total expenditures	<u>6,256,545</u>	<u>6,487,384</u>	<u>6,217,182</u>	<u>270,202</u>
Net change in fund balance	342,417	190,391	520,520	330,129
Fund balance at beginning of year	<u>1,579,268</u>	<u>1,579,268</u>	<u>1,579,268</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,921,685</u>	<u>\$ 1,769,659</u>	<u>\$ 2,099,788</u>	<u>\$ 330,129</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State	\$ -	\$ 43,284	\$ 43,284	\$ -
Investment earnings	100,000	100,000	8,035	(91,965)
Payments on land contracts	725,000	725,000	535,608	(189,392)
Land leases	180,000	180,000	144,174	(35,826)
Timber and gravel sales	50,000	50,000	89,688	39,688
Miscellaneous	127,000	127,000	875,966	748,966
Total revenues	<u>1,182,000</u>	<u>1,225,284</u>	<u>1,696,755</u>	<u>471,471</u>
Expenditures:				
Personnel	548,457	662,551	612,966	49,585
Supplies	21,098	24,573	27,151	(2,578)
Services	549,307	747,750	298,616	449,134
Capital outlay	14,000	14,000	4,091	9,909
Total expenditures	<u>1,132,862</u>	<u>1,448,874</u>	<u>942,824</u>	<u>506,050</u>
Excess (deficiency) of revenues over expenditures	<u>49,138</u>	<u>(223,590)</u>	<u>753,931</u>	<u>977,521</u>
Other financing sources (uses):				
Transfers in	<u>57,692</u>	<u>57,692</u>	<u>40,692</u>	<u>(17,000)</u>
Net change in fund balance	106,830	(165,898)	794,623	960,521
Fund balance at beginning of year	<u>5,296,806</u>	<u>5,296,806</u>	<u>5,296,806</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,403,636</u>	<u>\$ 5,130,908</u>	<u>\$ 6,091,429</u>	<u>\$ 960,521</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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 208,374	\$ 208,374	\$ 212,642	\$ 4,268
Motor vehicle tax	7,218	7,218	6,818	(400)
Intergovernmental:				
State	-	5,436	5,436	-
Investment earnings	6,069	6,069	426	(5,643)
Total revenues	<u>221,661</u>	<u>227,097</u>	<u>225,322</u>	<u>(1,775)</u>
Expenditures:				
Personnel	175,102	182,096	172,862	9,234
Supplies	4,200	3,397	1,419	1,978
Services	89,840	112,794	29,482	83,312
Capital outlay	2,000	30,445	30,422	23
Total expenditures	<u>271,142</u>	<u>328,732</u>	<u>234,185</u>	<u>94,547</u>
Net change in fund balance	(49,481)	(101,635)	(8,863)	92,772
Fund balance at beginning of year	<u>282,044</u>	<u>282,044</u>	<u>282,044</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 232,563</u></u>	<u><u>\$ 180,409</u></u>	<u><u>\$ 273,181</u></u>	<u><u>\$ 92,772</u></u>

Kenai Peninsula Borough

911 Communications Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
911 service fee	\$ 1,325,274	\$ 1,325,274	\$ 1,289,588	\$ (35,686)
Intergovernmental:				
State	-	105,635	105,635	-
Total revenues	<u>1,325,274</u>	<u>1,430,909</u>	<u>1,395,223</u>	<u>(35,686)</u>
Expenditures:				
Personnel	1,296,906	1,442,541	1,391,987	50,554
Supplies	6,650	7,250	2,286	4,964
Services	587,006	586,756	523,594	63,162
Capital outlay	13,738	13,738	11,839	1,899
Total expenditures	<u>1,904,300</u>	<u>2,050,285</u>	<u>1,929,706</u>	<u>120,579</u>
Excess (deficiency) of revenues over expenditures	<u>(579,026)</u>	<u>(619,376)</u>	<u>(534,483)</u>	<u>84,893</u>
Other financing sources (uses):				
Transfers in	<u>522,497</u>	<u>562,497</u>	<u>562,497</u>	<u>-</u>
Net change in fund balance	(56,529)	(56,879)	28,014	84,893
Fund balance (deficit) at beginning of year	<u>(51,378)</u>	<u>(51,378)</u>	<u>(51,378)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (107,907)</u></u>	<u><u>\$ (108,257)</u></u>	<u><u>\$ (23,364)</u></u>	<u><u>\$ 84,893</u></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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 241,023	\$ 241,023	\$ 241,978	\$ 955
Motor vehicle tax	1,820	1,820	2,955	1,135
Investment earnings	4,431	4,431	837	(3,594)
Total revenues	<u>247,274</u>	<u>247,274</u>	<u>245,770</u>	<u>(1,504)</u>
Expenditures:				
Services	<u>273,210</u>	<u>273,210</u>	<u>273,210</u>	<u>-</u>
Total expenditures	<u>273,210</u>	<u>273,210</u>	<u>273,210</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(25,936)</u>	<u>(25,936)</u>	<u>(27,440)</u>	<u>(1,504)</u>
Other financing sources (uses):				
Transfers in	<u>52,981</u>	<u>52,981</u>	<u>52,981</u>	<u>-</u>
Net change in fund balance	27,045	27,045	25,541	(1,504)
Fund balance at beginning of year	<u>148,709</u>	<u>148,709</u>	<u>148,709</u>	<u>-</u>
Fund balance at end of year	<u>\$ 175,754</u>	<u>\$ 175,754</u>	<u>\$ 174,250</u>	<u>\$ (1,504)</u>

Nonmajor Capital Project Funds
Pages 87-93

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 – This fund is used to account for acquisition and construction of school facilities funded by the Borough.

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

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

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

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

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

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

911 Communications – This fund is used to account for acquisition and construction of communication facilities for the Borough's 911 program.

North Peninsula Recreation Service Area – 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, 2013

	<u>School Revenue</u>	<u>General Government</u>	<u>Solid Waste</u>
<u>Assets</u>			
Equity in central treasury	\$ 2,112,456	\$ 467,859	\$ 5,571,495
Due from other governments	1,909,710	-	1,812,498
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,022,166</u>	<u>\$ 467,859</u>	<u>\$ 7,383,993</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	894,350	2,561	821,731
Accrued payroll and payroll benefits	41,515	-	-
Unearned grant revenue	999,157	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,935,022</u>	<u>2,561</u>	<u>821,731</u>
 Fund balances:			
Restricted:			
Landfill closure/postclosure costs	-	-	6,154,775
Committed:			
Outstanding committed contracts	2,087,144	-	407,487
Building maintenance and upgrades	-	68,487	-
Public safety facilities and equipment	-	-	-
Recreational facility maintenance	-	-	-
Assigned:			
Subsequent year's expenditures	-	396,811	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>2,087,144</u>	<u>465,298</u>	<u>6,562,262</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 4,022,166</u>	<u>\$ 467,859</u>	<u>\$ 7,383,993</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet, continued
 June 30, 2013

	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>
<u>Assets</u>				
Equity in central treasury	\$ 587,020	\$ 1,023,424	\$ 1,239,728	\$ 1,190,976
Due from other governments	1,516,804	14,590	1,530	-
Total assets	<u>\$ 2,103,824</u>	<u>\$ 1,038,014</u>	<u>\$ 1,241,258</u>	<u>\$ 1,190,976</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	906,114	14,590	480,754	27,242
Accrued payroll and payroll benefits	3,184	222	-	-
Unearned grant revenue	-	-	-	-
Total liabilities	<u>909,298</u>	<u>14,812</u>	<u>480,754</u>	<u>27,242</u>
Fund balances:				
Restricted:				
Landfill closure/postclosure costs	-	-	-	-
Committed:				
Outstanding committed contracts	1,194,526	8,514	760,504	566,291
Building maintenance and upgrades	-	-	-	-
Public safety facilities and equipment	-	946,751	-	597,443
Recreational facility maintenance	-	-	-	-
Assigned:				
Subsequent year's expenditures	-	67,937	-	-
Total fund balances	<u>1,194,526</u>	<u>1,023,202</u>	<u>760,504</u>	<u>1,163,734</u>
Total liabilities and fund balances	<u>\$ 2,103,824</u>	<u>\$ 1,038,014</u>	<u>\$ 1,241,258</u>	<u>\$ 1,190,976</u>

Anchor Point Fire and Emergency Medical Service Area	Kachemak Emergency Service Area	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
\$ 137,435	\$ 234,061	\$ 499,979	\$ 13,064,433
-	28,919	1,199	5,285,250
<u>\$ 137,435</u>	<u>\$ 262,980</u>	<u>\$ 501,178</u>	<u>\$ 18,349,683</u>
-	3,865	1,200	3,152,407
-	-	-	44,921
-	-	-	999,157
<u>-</u>	<u>3,865</u>	<u>1,200</u>	<u>4,196,485</u>
-	-	-	6,154,775
-	14,075	3,000	5,041,541
-	-	-	68,487
137,435	181,929	-	1,863,558
-	-	444,302	444,302
-	63,111	52,676	580,535
<u>137,435</u>	<u>259,115</u>	<u>499,978</u>	<u>14,153,198</u>
<u>\$ 137,435</u>	<u>\$ 262,980</u>	<u>\$ 501,178</u>	<u>\$ 18,349,683</u>

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Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2013

	<u>School Revenue</u>	<u>General Government</u>	<u>Resource Management</u>	<u>Solid Waste</u>
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
State	3,338,509	10,060	-	5,682,763
Investment earnings	-	-	-	8,476
Other revenues	562,176	-	-	-
Total revenues	<u>3,900,685</u>	<u>10,060</u>	<u>-</u>	<u>5,691,239</u>
Expenditures:				
General government	-	643,684	-	-
Solid waste	-	-	-	6,239,424
Public safety	-	-	-	-
Recreation	-	-	-	-
Education	4,961,875	-	-	-
Roads and trails	-	-	-	-
Total expenditures	<u>4,961,875</u>	<u>643,684</u>	<u>-</u>	<u>6,239,424</u>
Excess (deficiency) of revenues over expenditures	<u>(1,061,190)</u>	<u>(633,624)</u>	<u>-</u>	<u>(548,185)</u>
Other financing sources (uses):				
Bond issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers in	1,050,000	-	-	924,078
Transfers out	-	-	(38,132)	-
Net other financing sources (uses)	<u>1,050,000</u>	<u>-</u>	<u>(38,132)</u>	<u>924,078</u>
Net change in fund balances	(11,190)	(633,624)	(38,132)	375,893
Fund balances at beginning of year	<u>2,098,334</u>	<u>1,098,922</u>	<u>38,132</u>	<u>6,186,369</u>
Fund balances at end of year	<u>\$ 2,087,144</u>	<u>\$ 465,298</u>	<u>\$ -</u>	<u>\$ 6,562,262</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances, continued
 For the Year Ended June 30, 2013

	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>
Revenues:				
Intergovernmental:				
Federal	\$ 320,292	\$ 12,679	\$ -	\$ -
State	4,471,494	974,615	47,181	-
Investment earnings	78	1,660	1,744	3,492
Other revenues	-	-	-	-
Total revenues	<u>4,791,864</u>	<u>988,954</u>	<u>48,925</u>	<u>3,492</u>
Expenditures:				
General government	-	-	-	-
Solid waste	-	-	-	-
Public safety	-	1,101,194	1,008,012	598,547
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	4,741,786	-	-	-
Total expenditures	<u>4,741,786</u>	<u>1,101,194</u>	<u>1,008,012</u>	<u>598,547</u>
Excess (deficiency) of revenues over expenditures	<u>50,078</u>	<u>(112,240)</u>	<u>(959,087)</u>	<u>(595,055)</u>
Other financing sources (uses):				
Bond issued	-	-	1,215,000	-
Premium on bonds issued	-	-	196,568	-
Transfers in	-	200,000	50,000	602,610
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>200,000</u>	<u>1,461,568</u>	<u>602,610</u>
Net change in fund balances	50,078	87,760	502,481	7,555
Fund balances at beginning of year	<u>1,144,448</u>	<u>935,442</u>	<u>258,023</u>	<u>1,156,179</u>
Fund balances at end of year	<u>\$ 1,194,526</u>	<u>\$ 1,023,202</u>	<u>\$ 760,504</u>	<u>\$ 1,163,734</u>

Anchor Point Fire and Emergency Medical Service Area	Kachemak Emergency Service Area	911 Communications	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ 332,971
-	28,919	-	367,410	14,920,951
139	1,233	-	2,141	18,963
-	-	-	9,650	571,826
<u>139</u>	<u>30,152</u>	<u>-</u>	<u>379,201</u>	<u>15,844,711</u>
-	-	-	-	643,684
-	-	-	-	6,239,424
16,547	392,575	-	-	3,116,875
-	-	-	627,222	627,222
-	-	-	-	4,961,875
-	-	-	-	4,741,786
<u>16,547</u>	<u>392,575</u>	<u>-</u>	<u>627,222</u>	<u>20,330,866</u>
(16,408)	(362,423)	-	(248,021)	(4,486,155)
-	-	-	-	1,215,000
-	-	-	-	196,568
65,000	150,000	-	50,000	3,091,688
-	-	(3,255)	-	(41,387)
<u>65,000</u>	<u>150,000</u>	<u>(3,255)</u>	<u>50,000</u>	<u>4,461,869</u>
48,592	(212,423)	(3,255)	(198,021)	(24,286)
88,843	471,538	3,255	697,999	14,177,484
<u>\$ 137,435</u>	<u>\$ 259,115</u>	<u>\$ -</u>	<u>\$ 499,978</u>	<u>\$ 14,153,198</u>

Nonmajor Debt Service Funds
Pages 95-99

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

General Government, Solid Waste – This fund is used to account for payments associated with general obligation bonds for construction of capital facilities at Borough landfills.

Central Emergency Services – 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, 2013

	General Government		Central Emergency Services	Total Nonmajor Debt Service Funds
	School Debt	Solid Waste		
<u>Assets</u>	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Fund balances	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -

Kenai Peninsula Borough
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2013

	<u>General Government</u>		<u>Central Emergency Services</u>	<u>Total Nonmajor Debt Service Funds</u>
	<u>School Debt</u>	<u>Solid Waste</u>		
Revenues:				
Interest subsidy	\$ 350,894	\$ -	\$ -	\$ 350,894
Total revenues	<u>350,894</u>	<u>-</u>	<u>-</u>	<u>350,894</u>
Expenditures:				
Debt service:				
Principal	1,665,000	1,745,000	105,000	3,515,000
Interest and other	1,247,140	136,950	85,378	1,469,468
Total expenditures	<u>2,912,140</u>	<u>1,881,950</u>	<u>190,378</u>	<u>4,984,468</u>
Excess (deficiency) of revenues over expenditures	<u>(2,561,246)</u>	<u>(1,881,950)</u>	<u>(190,378)</u>	<u>(4,633,574)</u>
Other financing sources (uses):				
Transfers in	<u>2,561,246</u>	<u>1,881,950</u>	<u>190,378</u>	<u>4,633,574</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

School Debt Service Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest subsidy	\$ -	\$ 350,894	\$ 350,894	\$ -
Total revenues	<u>-</u>	<u>350,894</u>	<u>350,894</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	1,665,000	1,665,000	1,665,000	-
Interest and other	<u>906,245</u>	<u>1,257,140</u>	<u>1,247,140</u>	<u>10,000</u>
Total expenditures	<u>2,571,245</u>	<u>2,922,140</u>	<u>2,912,140</u>	<u>10,000</u>
Excess (deficiency) of revenues over expenditures	<u>(2,571,245)</u>	<u>(2,571,246)</u>	<u>(2,561,246)</u>	<u>(10,000)</u>
Other financing sources (uses):				
Transfers in	<u>2,571,245</u>	<u>2,571,246</u>	<u>2,561,246</u>	<u>(10,000)</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>

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,745,000	1,745,000	1,745,000	-
Interest and other	136,950	136,950	136,950	-
Total expenditures	<u>1,881,950</u>	<u>1,881,950</u>	<u>1,881,950</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,881,950)</u>	<u>(1,881,950)</u>	<u>(1,881,950)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>1,881,950</u>	<u>1,881,950</u>	<u>1,881,950</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, 2013

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	105,000	105,000	105,000	-
Interest and other	85,378	85,378	85,378	-
Total expenditures	<u>190,378</u>	<u>190,378</u>	<u>190,378</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(190,378)</u>	<u>(190,378)</u>	<u>(190,378)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>190,378</u>	<u>190,378</u>	<u>190,378</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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Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Position
June 30, 2013

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Employee Compensated Leave</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
<u>Assets</u>					
Current assets:					
Cash and short term investments	\$ 35,119	\$ -	\$ -	\$ -	\$ 35,119
Equity in central treasury	7,539,488	748,997	2,533,837	2,295,284	13,117,606
Miscellaneous receivables	91,207	37,474	-	-	128,681
Prepays	17,150	-	-	-	17,150
Total current assets	<u>7,682,964</u>	<u>786,471</u>	<u>2,533,837</u>	<u>2,295,284</u>	<u>13,298,556</u>
Capital assets:					
Equipment	-	-	-	6,389,490	6,389,490
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,644,210)</u>	<u>(3,644,210)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,745,280</u>	<u>2,745,280</u>
Total assets	<u>\$ 7,682,964</u>	<u>\$ 786,471</u>	<u>\$ 2,533,837</u>	<u>\$ 5,040,564</u>	<u>\$ 16,043,836</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts and contracts payable	164,116	-	-	-	164,116
Accrued payroll and payroll taxes	17,834	-	-	-	17,834
Claims payable	2,135,288	702,000	-	-	2,837,288
Compensated absences	5,546	-	633,460	-	639,006
Total current liabilities	<u>2,322,784</u>	<u>702,000</u>	<u>633,460</u>	<u>-</u>	<u>3,658,244</u>
Long-term liabilities- compensated absences	<u>16,636</u>	<u>-</u>	<u>1,900,377</u>	<u>-</u>	<u>1,917,013</u>
Total liabilities	<u>2,339,420</u>	<u>702,000</u>	<u>2,533,837</u>	<u>-</u>	<u>5,575,257</u>
<u>Net Position</u>					
Net investment in capital assets	-	-	-	2,745,280	2,745,280
Unrestricted	<u>5,343,544</u>	<u>84,471</u>	<u>-</u>	<u>2,295,284</u>	<u>7,723,299</u>
Total net position	<u>\$ 5,343,544</u>	<u>\$ 84,471</u>	<u>\$ -</u>	<u>\$ 5,040,564</u>	<u>\$ 10,468,579</u>

Kenai Peninsula Borough

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2013

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Employee Compensated Leave</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charges for sales and services	\$ 2,796,730	\$ 5,834,268	\$ 2,195,019	\$ 581,308	\$11,407,325
Other	42,522	-	-	-	42,522
Total operating revenues	<u>2,839,252</u>	<u>5,834,268</u>	<u>2,195,019</u>	<u>581,308</u>	<u>11,449,847</u>
Operating expenses:					
Administrative services	748,992	185,374	2,195,019	-	3,129,385
Insurance premiums	1,350,662	285,430	-	-	1,636,092
Self-insured losses	1,823,979	5,068,911	-	-	6,892,890
Depreciation	-	-	-	428,532	428,532
Total operating expenses	<u>3,923,633</u>	<u>5,539,715</u>	<u>2,195,019</u>	<u>428,532</u>	<u>12,086,899</u>
Operating income (loss)	<u>(1,084,381)</u>	<u>294,553</u>	<u>-</u>	<u>152,776</u>	<u>(637,052)</u>
Non-operating revenues:					
Investment earnings	10,227	-	-	4,725	14,952
Other	-	-	-	51,426	51,426
Total non-operating revenues	<u>10,227</u>	<u>-</u>	<u>-</u>	<u>56,151</u>	<u>66,378</u>
Change in net position	(1,074,154)	294,553	-	208,927	(570,674)
Net position (deficit) at beginning of year	<u>6,417,698</u>	<u>(210,082)</u>	<u>-</u>	<u>4,831,637</u>	<u>11,039,253</u>
Net position at end of year	<u>\$ 5,343,544</u>	<u>\$ 84,471</u>	<u>\$ -</u>	<u>\$ 5,040,564</u>	<u>\$10,468,579</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2013

	Insurance and Litigation	Employee Health Insurance	Employee Compensated Leave	Equipment Replacement	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 2,796,730	\$ 5,834,268	\$ 2,195,019	\$ 581,308	\$ 11,407,325
Payments to suppliers	(2,410,189)	(5,426,300)	-	-	(7,836,489)
Payments to employees	(583,139)	-	(2,256,500)	-	(2,839,639)
Other program revenue	42,522	-	-	-	42,522
Net cash provided (used) by operating activities	<u>(154,076)</u>	<u>407,968</u>	<u>(61,481)</u>	<u>581,308</u>	<u>773,719</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	-	-	(739,108)	(739,108)
Proceeds from sale of capital assets	-	-	-	51,426	51,426
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(687,682)</u>	<u>(687,682)</u>
Cash flows from investing activities:					
Investment earnings	10,227	-	-	4,725	14,952
Net increase (decrease) in cash and cash equivalents	(143,849)	407,968	(61,481)	(101,649)	100,989
Cash and equity in central treasury at beginning of year	7,718,456	341,029	2,595,318	2,396,933	13,051,736
Cash and equity in central treasury at end of year	<u>\$ 7,574,607</u>	<u>\$ 748,997</u>	<u>\$ 2,533,837</u>	<u>\$ 2,295,284</u>	<u>\$ 13,152,725</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$ (1,084,381)</u>	<u>\$ 294,553</u>	<u>\$ -</u>	<u>\$ 152,776</u>	<u>\$ (637,052)</u>
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	-	428,532	428,532
Change in assets and liabilities:					
Increase (decrease) in accounts and contracts payable	157,963	(1,400)	-	-	156,563
Increase (decrease) in accrued payroll and payroll taxes	3,459	-	-	-	3,459
Increase (decrease) in claims payable	867,403	144,000	-	-	1,011,403
Increase (decrease) in compensated absences	9,837	-	(61,481)	-	(51,644)
(Increase) decrease in prepaid expenses	(17,150)	-	-	-	(17,150)
(Increase) decrease in accounts receivable	(91,207)	(29,185)	-	-	(120,392)
Total adjustments	<u>930,305</u>	<u>113,415</u>	<u>(61,481)</u>	<u>428,532</u>	<u>1,410,771</u>
Net cash provided (used) by operating activities	<u>\$ (154,076)</u>	<u>\$ 407,968</u>	<u>\$ (61,481)</u>	<u>\$ 581,308</u>	<u>\$ 773,719</u>

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Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Assets and Liabilities
 June 30, 2013

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total Agency Funds</u>
<u>Assets</u>			
Equity in central treasury	\$ 249,664	\$ 738,538	\$ 988,202
Taxes receivable	429,969	-	429,969
Due from landowners	<u>-</u>	<u>911,567</u>	<u>911,567</u>
Total assets	<u>\$ 679,633</u>	<u>\$ 1,650,105</u>	<u>\$ 2,329,738</u>
<u>Liabilities</u>			
Accounts payable	-	469	469
Deferred administration fee	-	74,058	74,058
Due to landowners	-	370,939	370,939
Loans payable	-	1,204,639	1,204,639
Due to other entities:			
City of Homer	268,816	-	268,816
City of Kachemak City	864	-	864
City of Kenai	282,488	-	282,488
City of Seldovia	17,704	-	17,704
City of Seward	39,208	-	39,208
City of Soldotna	<u>70,553</u>	<u>-</u>	<u>70,553</u>
Total liabilities	<u>\$ 679,633</u>	<u>\$ 1,650,105</u>	<u>\$ 2,329,738</u>

Kenai Peninsula Borough
Fiduciary Fund Type - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2013

	<u>Total</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2013</u>
Tax Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 293,630	\$ 33,068,832	\$ 33,112,798	\$ 249,664
Taxes receivable	<u>116,450</u>	<u>7,314,219</u>	<u>7,000,700</u>	<u>429,969</u>
Total assets	<u>\$ 410,080</u>	<u>\$40,383,051</u>	<u>\$40,113,498</u>	<u>\$ 679,633</u>
<u>Liabilities</u>				
Due to other entities:				
City of Homer	112,943	10,275,182	10,119,309	268,816
City of Kachemak City	1,102	64,293	64,531	864
City of Kenai	166,192	9,619,985	9,503,689	282,488
City of Seldovia	6,903	325,176	314,375	17,704
City of Seward	45,063	5,253,770	5,259,625	39,208
City of Soldotna	<u>77,877</u>	<u>7,981,862</u>	<u>7,989,186</u>	<u>70,553</u>
Total liabilities	<u>\$ 410,080</u>	<u>\$33,520,268</u>	<u>\$33,250,715</u>	<u>\$ 679,633</u>
Special Assessment Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 1,129,057	\$ 960,698	\$ 1,351,217	\$ 738,538
Due from landowners	<u>1,222,411</u>	<u>955,308</u>	<u>1,266,152</u>	<u>911,567</u>
Total assets	<u>\$ 2,351,468</u>	<u>\$ 1,916,006</u>	<u>\$ 2,617,369</u>	<u>\$ 1,650,105</u>
<u>Liabilities</u>				
Accounts payable	698,725	1	698,257	469
Deferred administration fee	79,449	9,430	14,821	74,058
Due to landowners	350,882	567,166	547,109	370,939
Loans payable	<u>1,222,412</u>	<u>531,170</u>	<u>548,943</u>	<u>1,204,639</u>
Total liabilities	<u>\$ 2,351,468</u>	<u>\$ 1,107,767</u>	<u>\$ 1,809,130</u>	<u>\$ 1,650,105</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, 2013

Total - All Agency Funds	<u>Total</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2013</u>
<u>Assets</u>				
Equity in central treasury	\$ 1,422,687	\$ 34,029,530	\$ 34,464,015	\$ 988,202
Taxes receivable	116,450	7,314,219	7,000,700	429,969
Due from landowners	<u>1,222,411</u>	<u>955,308</u>	<u>1,266,152</u>	<u>911,567</u>
 Total assets	 <u><u>\$ 2,761,548</u></u>	 <u><u>\$42,299,057</u></u>	 <u><u>\$42,730,867</u></u>	 <u><u>\$ 2,329,738</u></u>
<u>Liabilities</u>				
Accounts payable	698,725	1	698,257	469
Deferred administration fee	79,449	9,430	14,821	74,058
Due to landowners	350,882	567,166	547,109	370,939
Loans payable	1,222,412	531,170	548,943	1,204,639
Due to other entities:				
City of Homer	112,943	10,275,182	10,119,309	268,816
City of Kachemak City	1,102	64,293	64,531	864
City of Kenai	166,192	9,619,985	9,503,689	282,488
City of Seldovia	6,903	325,176	314,375	17,704
City of Seward	45,063	5,253,770	5,259,625	39,208
City of Soldotna	<u>77,877</u>	<u>7,981,862</u>	<u>7,989,186</u>	<u>70,553</u>
 Total liabilities	 <u><u>\$ 2,761,548</u></u>	 <u><u>\$34,628,035</u></u>	 <u><u>\$35,059,845</u></u>	 <u><u>\$ 2,329,738</u></u>

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Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedules by Source⁽¹⁾

June 30, 2013

	<u>2013</u>
Governmental funds capital assets:	
Land	\$ 70,416,507
Buildings	298,742,935
Improvements other than buildings	73,816,776
Machinery and equipment	32,456,211
Infrastructure	14,683,112
Construction in progress	<u>15,271,984</u>
Total governmental funds capital assets	<u>\$ 505,387,525</u>
Investments in governmental funds capital assets by source:	
General obligation bonds	275,270,060
State and federal grants	54,631,596
Federal revenue sharing	3,357,609
General Fund revenue	48,423,673
Special revenue funds	60,356,970
Contributed Capital	270,503
Dedicated lands	126,058
Donations	<u>62,951,056</u>
Total governmental funds capital assets	<u>\$ 505,387,525</u>

⁽¹⁾This 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 with governmental activities in the statement of net position.

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity⁽¹⁾
 For the Fiscal Year Ended June 30, 2013

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2013</u>
General government	\$ 74,889,740	\$ 171,498	\$ 647,683	\$ 74,413,555
Senior citizens	243,800	-	-	243,800
Public safety:				
Fire protection and emergency				
medical	37,919,573	3,206,536	480,870	40,645,239
Emergency communications	9,596,607	521,403	-	10,118,010
Total public safety	47,516,180	3,727,939	480,870	50,763,249
Solid waste facilities	37,683,145	7,387,421	1,213,360	43,857,206
Road maintenance:				
Maintenance	228,696	-	-	228,696
Roads	13,997,534	685,578	-	14,683,112
Total road maintenance	14,226,230	685,578	-	14,911,808
Recreation:				
North Peninsula Recreation				
service area	10,899,633	329,022	13,151	11,215,504
Schools	307,874,554	3,132,590	1,024,741	309,982,403
Total governmental funds capital assets	\$ 493,333,282	\$ 15,434,048	\$ 3,379,805	\$ 505,387,525

⁽¹⁾This 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 with governmental activities in the statement of net position.

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2013

	<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>
General government:							
Administration building	\$ -	\$ 2,702,657	\$ 1,854,683	\$ 1,912,096	\$ -	\$ -	\$ 6,469,436
Maintenance	203,609	1,392,155	33,538	1,028,238	-	-	2,657,540
Areawide	63,457,325	1,784,612	6,116	38,526	-	-	65,286,579
Total general government	63,660,934	5,879,424	1,894,337	2,978,860	-	-	74,413,555
Senior citizens	-	243,800	-	-	-	-	243,800
Public safety:							
Fire protection and emergency medical:							
Nikiski Fire service area	49,172	7,610,254	266,489	7,603,725	-	-	15,529,640
Bear Creek Fire service area	17,211	860,390	130,271	1,847,454	-	1,145,158	4,000,484
Central Emergency service area	493,936	4,347,827	370,399	7,754,306	-	1,579,785	14,546,253
Anchor Point Fire and Emergency Medical service area	31,048	1,536,435	118,540	1,327,904	-	-	3,013,927
Kachemak Fire and Emergency	127,270	1,473,290	-	1,642,064	-	291,611	3,534,235
Lowell Point Fire and Emergency	-	-	12,653	8,047	-	-	20,700
Total fire protection and emergency medical	718,637	15,828,196	898,352	20,183,500	-	3,016,554	40,645,239
Emergency communications:							
Central Peninsula Emergency Services communication center	-	4,838,523	119,946	2,468,558	-	1,482,781	8,909,808
Emergency warning systems	-	-	-	1,208,202	-	-	1,208,202
Total communications	-	4,838,523	119,946	3,676,760	-	1,482,781	10,118,010
Total public safety	718,637	20,666,719	1,018,298	23,860,260	-	4,499,335	50,763,249
Solid waste facilities	2,908,687	1,354,816	25,754,401	4,463,961	-	9,375,341	43,857,206
Road maintenance	-	-	-	228,696	14,683,112	-	14,911,808
Recreation:							
North Peninsula Recreation service area	145,640	8,513,465	2,292,126	264,273	-	-	11,215,504

(Continued)

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity⁽¹⁾

June 30, 2013

	<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:	-	1,791,905	604,290	-	-	-	2,396,195
Central office and warehouse	-	-	-	-	-	-	-
Schools:							
Outside cities:							
Anchor Point/Middle/Junior high	205,102	-	-	-	-	-	205,102
Central Peninsula Elementary	8,500	2,597,653	36,690	-	-	-	36,690
Chapman Elementary	-	1,034,989	545,363	-	-	-	3,151,516
Cooper Landing	-	2,531,213	150,986	-	-	-	1,185,975
Tebughna	-	2,447,908	152,551	-	-	-	2,683,764
English Bay	-	2,523,867	230,577	-	-	-	2,678,485
Hope Elementary	3,000	4,884,108	562,816	-	-	-	3,089,683
Kalifornsky Beach	258,803	4,953,680	296,654	-	-	-	5,439,565
McNeil Canyon	-	901,766	681,143	11,903	-	-	5,646,726
Moose Pass	28,154	1,104,529	68,404	-	-	-	998,324
Nanwalek	22,378	3,696,639	625,313	126,919	-	-	1,231,448
Nikiski Elementary	-	22,872,128	4,791,478	-	-	-	4,344,330
Nikiski High	51,282	4,923,106	364,129	5,000	-	-	27,668,606
Nikolaevsk	16,399	5,969,096	470,223	72,801	-	-	5,411,318
Ninilchik	-	6,076,014	1,379,034	54,020	-	-	6,509,738
North Star Elementary	400	2,101,880	132,307	-	-	-	7,455,048
Port Graham	-	22,039,127	3,729,227	-	-	-	2,234,587
Skyview High	7,450	3,744,355	709,477	34,127	-	-	25,768,354
Sterling	8,001	7,883,965	276,660	-	-	-	4,495,409
Tustumena	19,555	150,000	16,400	34,156	-	-	8,168,626
Voznesenka	629,024	102,436,023	15,219,432	338,926	-	-	220,111
Total outside cities							118,623,405
Homer:							
West Homer Elementary	322,028	11,332,823	46,614	-	-	-	11,701,465
Paul Banks Elementary	23,971	2,589,112	679,965	6,143	-	-	3,299,191
High School	400,913	27,402,340	6,990,257	-	-	-	34,793,510
Junior High	17,024	3,197,028	748,102	-	-	-	3,962,154
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	49,025,907	9,250,743	6,143	-	-	59,157,154

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2013

	<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	137,941	2,614,381	104,667	-	-	-	2,856,989
Mountain View Elementary	-	5,892,103	1,374,172	67,213	-	-	7,333,488
Sears Elementary	41,575	1,709,394	464,620	-	-	-	2,215,589
Junior High	60,499	4,057,399	824,749	-	-	-	4,942,647
High School	129,517	17,976,192	3,523,412	51,056	-	1,397,308	23,077,485
Vocational High	40,000	509,655	254,483	-	-	-	804,138
Arts and Crafts Building	-	118,341	-	-	-	-	118,341
Total Kenai	409,532	32,877,465	6,546,103	118,269	-	1,397,308	41,348,677
Seldovia:							
Susan B. English Shop Building	27,953	3,705,452	1,005,119	-	-	-	4,738,524
Total Seldovia	28,953	4,135,452	1,005,119	-	-	-	5,169,524
Seward:							
Elementary II	235,000	6,601,586	917,462	40,000	-	-	7,794,048
Middle	346,295	14,656,471	481,531	-	-	-	15,484,297
Jr. High/High School	182,596	12,722,087	2,118,247	-	-	-	15,022,930
Total Seward	763,891	33,980,144	3,517,240	40,000	-	-	38,301,275
Soldotna:							
Elementary	270,048	5,820,271	1,272,689	-	-	-	7,363,008
Redoubt Elementary	-	4,151,522	624,208	40,000	-	-	4,815,730
Multipurpose Room	-	316,186	-	-	-	-	316,186
Junior High	5,900	7,638,741	1,963,918	-	-	-	9,608,559
High School	900	16,273,933	1,767,927	71,484	-	-	18,114,244
Total Soldotna	276,848	34,200,653	5,628,742	111,484	-	-	40,217,727
Other areawide:							
Areawide pool/water projects	-	611,839	1,070,907	45,339	-	-	1,728,085
Portable classrooms	-	3,025,323	15,038	-	-	-	3,040,361
Total other areawide	-	3,637,162	1,085,945	45,339	-	-	4,768,446
Total school district	2,982,609	262,084,711	42,857,614	660,161	-	1,397,308	309,982,403
Total governmental funds capital assets	\$ 70,416,507	\$ 298,742,935	\$ 73,816,776	\$ 32,456,211	\$ 14,683,112	\$ 15,271,984	\$ 505,387,525

⁽¹⁾This 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 position.

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Kenai Peninsula Borough
Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

TABLE I

	2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013
Governmental activities:										
Net investment in capital assets	\$206,044	\$207,770	\$206,436	\$212,721	\$212,403	\$221,769	\$224,474	\$225,627	\$224,040	\$221,588
Restricted	23,288	13,253	7,454	4,841	3,339	6,458	6,100	31,554	21,595	13,703
Unrestricted	40,927	46,905	51,140	54,577	66,242	59,174	59,561	28,467	30,959	42,758
Total governmental activities net Position	\$270,259	\$267,928	\$265,030	\$272,139	\$281,984	\$287,401	\$290,135	\$285,648	\$276,594	\$278,049
Business-type activities:										
Net investment in capital assets	\$33,995	\$35,684	\$39,332	\$47,721	\$49,462	\$52,461	\$50,882	\$53,690	-	-
Restricted	-	-	3,677	1,481	1,236	774	745	828	-	-
Unrestricted	41,161	45,097	46,054	43,742	44,860	47,559	53,188	55,651	-	-
Total business-type activities net Position	\$75,156	\$80,781	\$89,063	\$92,944	\$95,558	\$100,794	\$104,815	\$110,169	-	-
Primary government										
Net investment in capital assets	\$240,039	\$243,454	\$245,768	\$260,442	\$261,865	\$274,230	\$275,356	\$279,317	\$224,040	\$221,588
Restricted	23,288	13,253	11,131	6,322	4,575	7,232	6,845	32,382	21,595	13,703
Unrestricted	82,088	92,002	97,194	98,319	111,102	106,733	112,749	84,118	30,959	42,758
Total primary government net Position	\$345,415	\$348,709	\$354,093	\$365,083	\$377,542	\$388,195	\$394,950	\$395,817	\$276,594	\$278,049

* Implementation of GASB Statement 61.

Kenai Peninsula Borough
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 13,759,624	\$ 15,039,269	\$ 14,181,543	\$ 12,009,076
Solid waste	4,546,868	4,305,904	5,314,682	4,529,426
Public safety	9,413,883	9,216,474	10,301,729	11,048,782
Recreation	1,362,013	1,812,465	3,910,173	2,034,416
Education	40,756,908	41,802,049	46,208,601	46,526,601
Environmental protection	2,152,398	1,661,961	1,614,440	1,234,971
Roads and trails	4,402,233	2,400,466	4,840,374	4,686,013
Interest on long-term debt	1,279,647	1,175,467	994,069	1,077,954
Total governmental activities expenses	<u>77,673,574</u>	<u>77,414,055</u>	<u>87,365,611</u>	<u>83,147,239</u>
Business-type activities-				
Hospitals	<u>67,470,710</u>	<u>73,992,156</u>	<u>74,003,739</u>	<u>90,057,676</u>
Total primary government expenses	<u>\$ 145,144,284</u>	<u>\$ 151,406,211</u>	<u>\$ 161,369,350</u>	<u>\$ 173,204,915</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	389,853	335,682	345,976	380,614
Solid waste	213,640	173,091	282,653	434,748
Public safety	794,845	1,047,816	1,080,412	1,774,276
Recreation	156,876	164,560	168,123	180,655
Operating grants and contribution	2,174,309	3,322,537	6,293,122	3,399,453
Capital grants and contributions	<u>2,180,682</u>	<u>1,673,099</u>	<u>3,184,671</u>	<u>4,118,769</u>
Total governmental activities program revenues:	<u>5,910,205</u>	<u>6,716,785</u>	<u>11,354,957</u>	<u>10,288,515</u>
Business-type activities:				
Hospital charges for services	67,228,364	74,450,071	75,458,572	86,620,954
Operating grants and contribution	-	-	-	154,950
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>67,228,364</u>	<u>74,450,071</u>	<u>75,458,572</u>	<u>86,775,904</u>
Total primary government program revenues	<u>\$ 73,138,569</u>	<u>\$ 81,166,856</u>	<u>\$ 86,813,529</u>	<u>\$ 97,064,419</u>
Net (expenses)/revenue				
Government activities	(71,763,369)	(70,697,270)	(76,010,654)	(72,858,724)
Business-type activities	(242,346)	457,915	1,454,833	(3,281,772)
Total primary government net expense	<u>\$ (72,005,715)</u>	<u>\$ (70,239,355)</u>	<u>\$ (74,555,821)</u>	<u>\$ (76,140,496)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes				
Property taxes	42,641,738	42,121,021	44,430,849	48,397,294
Sales taxes	14,910,977	15,670,832	16,755,426	18,321,611
Unrestricted grants and contributions	3,842,682	2,700,870	2,843,908	6,379,840
Investment earnings	809,165	3,144,975	1,855,581	4,927,247
Special items	582,664	162,413	2,678,564	194,435
Miscellaneous	<u>3,701,071</u>	<u>4,566,480</u>	<u>4,548,277</u>	<u>1,746,975</u>
Total governmental activities	<u>66,488,297</u>	<u>68,366,591</u>	<u>73,112,605</u>	<u>79,967,402</u>
Business-type activities:				
Property taxes	3,025,894	4,629,241	4,864,764	5,412,121
Unrestricted grants and contributions	25,575	25,575	-	-
Investment earnings	135,738	313,432	600,935	1,385,420
Miscellaneous	<u>(117,359)</u>	<u>205,189</u>	<u>1,361,719</u>	<u>364,497</u>
Total business-type activities	<u>3,069,848</u>	<u>5,173,437</u>	<u>6,827,418</u>	<u>7,162,038</u>
Total primary government	<u>69,558,145</u>	<u>73,540,028</u>	<u>79,940,023</u>	<u>87,129,440</u>
Changes in net position				
Governmental activities	(5,275,072)	(2,330,679)	(2,898,049)	7,108,678
Business-type activities	2,827,502	5,631,352	8,282,251	3,880,266
Total primary government	<u>\$ (2,447,570)</u>	<u>\$ 3,300,673</u>	<u>\$ 5,384,202</u>	<u>\$ 10,988,944</u>

* Implementation of GASB Statement 61.

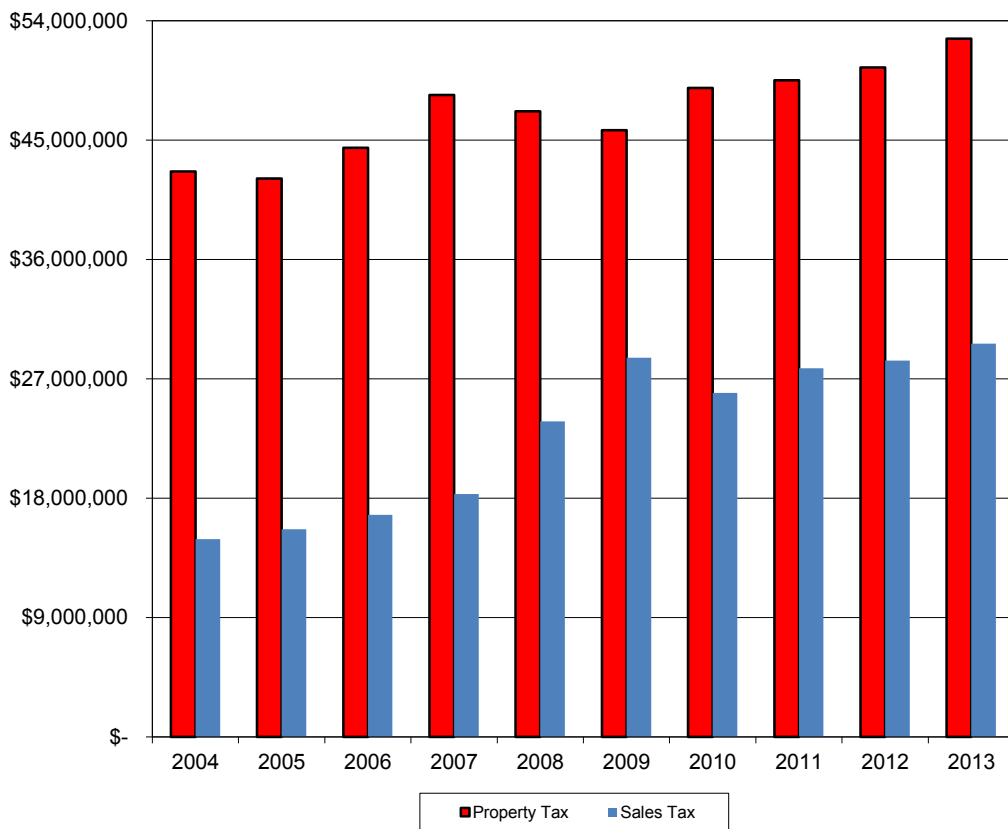
TABLE II

2008	2009	2010	2011	2012 *	2013
\$ 13,779,385	\$ 16,353,718	\$ 17,307,520	\$ 18,126,563	\$ 17,886,287	\$ 18,131,325
3,926,410	7,089,368	7,467,484	7,536,420	7,784,525	7,903,125
11,158,284	13,459,309	14,301,797	14,994,328	17,974,573	18,440,219
1,910,662	1,847,522	1,807,974	1,511,382	1,884,148	2,421,002
45,793,694	49,039,690	50,303,282	51,614,442	57,206,138	59,159,828
2,090,813	963,468	1,278,621	2,095,777	2,047,058	1,053,278
4,816,351	6,231,915	11,147,224	10,899,606	12,447,099	10,682,102
1,064,378	957,764	935,175	1,290,407	1,445,013	1,375,115
<u>84,539,977</u>	<u>95,942,754</u>	<u>104,549,077</u>	<u>108,068,925</u>	<u>118,674,841</u>	<u>119,165,994</u>
100,952,586	112,328,342	121,676,751	134,868,579	-	-
<u>\$ 185,492,563</u>	<u>\$ 208,271,096</u>	<u>\$ 226,225,828</u>	<u>\$ 242,937,504</u>	<u>\$ 118,674,841</u>	<u>\$ 119,165,994</u>
392,902	777,538	570,325	730,655	1,162,154	1,645,436
269,726	460,064	370,883	526,970	817,272	1,456,190
1,964,061	1,867,890	1,929,385	1,903,911	2,245,443	2,234,481
197,361	219,188	230,075	224,696	220,883	224,667
2,766,547	4,550,168	3,561,640	6,330,835	7,285,211	6,656,208
3,594,638	4,500,246	13,259,418	5,963,765	9,727,105	17,845,053
<u>9,185,235</u>	<u>12,375,094</u>	<u>19,921,726</u>	<u>15,680,832</u>	<u>21,458,068</u>	<u>30,062,035</u>
95,689,825	107,798,997	119,417,217	135,659,575	-	-
13,621	255,010	315,294	281,884	-	-
-	1,709,281	179,897	-	-	-
<u>95,703,446</u>	<u>109,763,288</u>	<u>119,912,408</u>	<u>135,941,459</u>	<u>-</u>	<u>-</u>
<u>\$ 104,888,681</u>	<u>\$ 122,138,382</u>	<u>\$ 139,834,134</u>	<u>\$ 151,622,291</u>	<u>\$ 21,458,068</u>	<u>\$ 30,062,035</u>
(75,354,742)	(83,567,660)	(84,627,351)	(92,388,093)	(97,216,773)	(89,103,959)
(5,249,140)	(2,565,054)	(1,764,343)	1,072,880	-	-
<u>\$ (80,603,882)</u>	<u>\$ (86,132,714)</u>	<u>\$ (86,391,694)</u>	<u>\$ (91,315,213)</u>	<u>\$ (97,216,773)</u>	<u>\$ (89,103,959)</u>
47,167,291	45,763,297	48,932,675	49,529,435	50,485,761	52,664,077
23,801,181	28,585,036	25,950,998	27,798,976	28,385,150	29,664,629
5,247,721	7,767,742	6,149,121	6,103,016	7,102,607	7,309,264
4,682,399	4,247,230	2,931,268	1,699,310	2,072,921	596,346
2,163,478	2,576,186	1,199,342	748,272	-	-
2,137,826	45,372	2,198,057	933,987	116,156	400,698
<u>85,199,896</u>	<u>88,984,863</u>	<u>87,361,461</u>	<u>86,812,996</u>	<u>88,162,595</u>	<u>90,635,014</u>
6,254,543	7,133,533	5,847,538	3,835,889	-	-
-	-	-	-	-	-
1,363,418	665,850	453,222	327,381	-	-
245,151	1,759	(515,750)	117,793	-	-
<u>7,863,112</u>	<u>7,801,142</u>	<u>5,785,010</u>	<u>4,281,063</u>	<u>-</u>	<u>-</u>
<u>93,063,008</u>	<u>96,786,005</u>	<u>93,146,471</u>	<u>91,094,059</u>	<u>88,162,595</u>	<u>90,635,014</u>
9,845,154	5,417,203	2,734,110	(5,575,097)	(9,054,178)	1,531,055
2,613,972	5,236,088	4,020,667	5,353,943	-	-
<u>\$ 12,459,126</u>	<u>\$ 10,653,291</u>	<u>\$ 6,754,777</u>	<u>\$ (221,154)</u>	<u>\$ (9,054,178)</u>	<u>\$ 1,531,055</u>

Kenai Peninsula Borough
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

TABLE III

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
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
2009	45,763,297	28,585,036	74,348,333
2010	48,932,675	25,950,998	74,883,673
2011	49,529,435	27,798,976	77,328,411
2012	50,485,761	28,385,150	78,870,911
2013	52,664,077	29,664,629	82,328,706



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

TABLE IV

	2004	2005	2006	2007	2008	2009	2010	2011 *	2012	2013
General Fund										
Reserved	\$ 318,064	\$ 98,704	\$ 252,852	\$ 279,145	\$ 480,474	\$ 533,923	\$ 160,584	\$ -	\$ -	\$ -
Unreserved	20,034,527	17,090,419	15,032,451	20,013,018	23,979,600	24,604,294	22,864,839	-	-	-
Nonspendable	-	-	-	-	-	-	-	251,065	198,063	6,944,837
Resticted	-	-	-	-	-	-	-	-	-	70,000
Committed	-	-	-	-	-	-	-	339,610	373,867	638,937
Assigned	-	-	-	-	-	-	-	17,523,149	15,407,886	15,326,705
Unassigned	-	-	-	-	-	-	-	3,591,990	5,486,767	330,506
Total General Fund	\$20,352,591	\$17,189,123	\$15,285,303	\$20,292,163	\$24,460,074	\$25,138,217	\$23,025,423	\$21,705,814	\$21,466,583	\$23,310,985
All other governmental funds										
Reserved	16,270,937	6,168,912	5,604,994	5,751,376	3,321,822	4,471,230	4,893,211	-	-	-
Unreserved, reported in:										
Special revenue funds	22,487,636	24,030,122	23,612,583	22,364,901	25,077,731	25,864,320	23,125,512	-	-	-
Capital projects funds	14,723,736	13,134,043	11,506,248	10,834,479	7,695,830	6,740,283	13,922,365	-	-	-
Nonspendable	-	-	-	-	-	-	-	803,227	1,045,538	3,661
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Resticted	-	-	-	-	-	-	-	11,661,025	10,385,968	11,279,700
Special revenue funds	-	-	-	-	-	-	-	24,592,081	6,770,653	6,154,775
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	1,739,754	575,377	344,964
Special revenue funds	-	-	-	-	-	-	-	6,516,387	6,565,219	7,417,888
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	4,781,994	4,006,915	6,309,208
Special revenue funds	-	-	-	-	-	-	-	1,690,262	841,612	580,535
Capital projects funds	-	-	-	-	-	-	-	-	(51,378)	(23,364)
Unassigned	-	-	-	-	-	-	-	4,781,994	(51,378)	(23,364)
Special revenue funds	-	-	-	-	-	-	-	1,690,262	-	-
Capital projects funds	-	-	-	-	-	-	-	1,690,262	-	-
Total all other governmental funds	\$53,482,309	\$43,333,077	\$40,723,825	\$38,950,756	\$36,095,383	\$37,075,833	\$41,941,088	\$51,784,730	\$30,139,904	\$32,067,367

* Implemented GASB 54 in FY2011, which resulted in a change in how fund balance was presented.

The Kenai Peninsula Borough developed an Unreserved Fund Balance policy in 2001. This policy provides 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
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE V

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property taxes	\$42,493,681	\$ 42,702,040	\$44,202,071	\$48,235,053	\$47,216,050	\$45,796,378	\$ 48,613,059	\$ 49,736,514	\$ 50,230,334	\$ 52,916,285
Sales tax	14,910,977	15,670,832	16,755,426	18,321,611	23,801,181	28,585,036	25,950,998	27,798,976	28,385,150	29,664,629
Intergovernmental	10,794,534	10,341,082	14,924,888	15,416,267	13,317,714	16,759,845	24,874,838	17,785,198	22,716,818	31,294,288
Investment earnings	799,151	2,983,265	1,685,672	4,536,308	4,269,412	3,877,032	2,697,058	1,527,901	1,895,316	581,394
Other revenues	2,613,236	3,517,763	4,252,498	3,218,169	4,016,545	3,392,467	3,355,662	4,953,946	5,153,172	6,844,468
Total revenues	71,611,579	75,214,982	81,820,555	89,727,408	92,620,902	98,410,758	105,491,615	101,802,535	108,380,790	121,301,064
Expenditures:										
General government	13,264,721	13,812,467	12,795,754	12,302,055	13,379,469	15,881,770	17,060,295	17,401,291	17,740,213	17,962,124
Solid waste	3,791,184	4,438,926	4,147,463	4,578,280	4,791,911	5,311,704	5,353,292	5,704,476	5,739,959	4,843,412
Public safety	8,120,150	8,120,483	9,375,840	10,540,010	10,750,484	11,985,795	12,798,445	13,396,428	16,517,524	16,268,117
Recreation	929,578	1,383,393	3,448,362	1,295,789	1,302,674	1,441,969	1,424,141	1,136,151	1,536,689	1,982,994
Education	32,501,758	34,268,066	37,695,674	38,614,183	38,603,640	42,450,275	43,981,113	46,064,673	51,524,574	51,447,909
Environmental protection	2,152,398	1,661,961	1,614,440	1,234,971	2,090,813	963,468	1,287,515	2,095,423	2,048,151	1,052,619
Roads and trails	3,188,390	3,198,758	3,479,969	3,402,294	4,309,600	6,101,376	6,853,831	10,558,262	11,252,663	10,273,390
Capital outlay	11,172,647	17,037,100	11,425,755	13,661,765	12,699,282	9,282,690	15,649,412	10,429,218	9,144,780	15,221,756
Debt service										
Principal	3,840,000	3,375,000	3,485,000	2,065,000	2,305,000	2,355,000	2,410,000	3,414,000	3,340,000	3,515,000
Interest and other (1)	1,300,728	1,231,528	1,065,369	1,087,269	1,075,491	978,119	881,110	943,580	1,613,560	1,469,468
Total expenditures	80,261,554	88,527,682	88,533,626	88,781,616	91,308,364	96,752,166	107,699,154	111,143,502	120,458,113	124,036,789
Excess of revenues over (under) expenditures	(8,649,975)	(13,312,700)	(6,713,071)	945,792	1,312,538	1,658,592	(2,207,539)	(9,340,967)	(12,077,323)	(2,735,725)
Other financing sources (uses)										
Bonds issued	14,700,000	-	2,500,000	2,588,000	-	-	4,960,000	16,865,000	8,150,000	1,215,000
Premium on bonds issued	-	-	-	-	-	-	-	-	1,284,121	196,568
Payment to rfd bd escrow agent	-	-	-	-	-	-	-	-	(9,352,308)	-
Transfers in	15,019,352	15,488,288	16,406,111	19,851,269	17,069,227	17,444,450	17,396,622	10,120,206	8,166,490	8,429,925
Transfers out	(15,019,352)	(15,488,288)	(16,706,111)	(20,151,269)	(17,069,227)	(17,444,450)	(17,396,622)	(9,120,206)	(8,166,490)	(8,429,925)
Net other financing sources (uses)	14,700,000	-	2,200,000	2,288,000	-	-	4,960,000	17,865,000	81,813	1,411,568
Net change in fund balances	\$ 6,050,025	\$ (13,312,700)	\$ (4,513,071)	\$ 3,233,792	\$ 1,312,538	\$ 1,658,592	\$ 2,752,461	\$ 8,524,033	\$ (11,995,510)	\$ (1,324,157)
GO Debt service as a percentage of noncapital expenditures	7.44%	6.44%	5.90%	4.20%	4.30%	3.81%	3.58%	4.33%	4.45%	4.58%
Total non-capital expenditures	69,088,907	71,490,582	77,107,871	75,119,851	78,609,082	87,469,476	92,049,742	100,714,284	111,313,333	108,815,033
(1) 2012 includes \$81,813 in bond issuance costs.										
no cap expenditures	69,088,907	71,490,582	77,107,871	75,119,851	78,609,082	87,469,476	92,049,742	100,714,284	111,313,333	108,815,033
GO Debt service	5,140,728	4,606,528	4,550,369	3,152,269	3,380,491	3,333,119	3,291,110	4,357,580	4,953,560	4,984,468
	7.44%	6.44%	5.90%	4.20%	4.30%	3.81%	3.58%	4.33%	4.45%	4.58%

Kenai Peninsula Borough
 General Government Significant Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

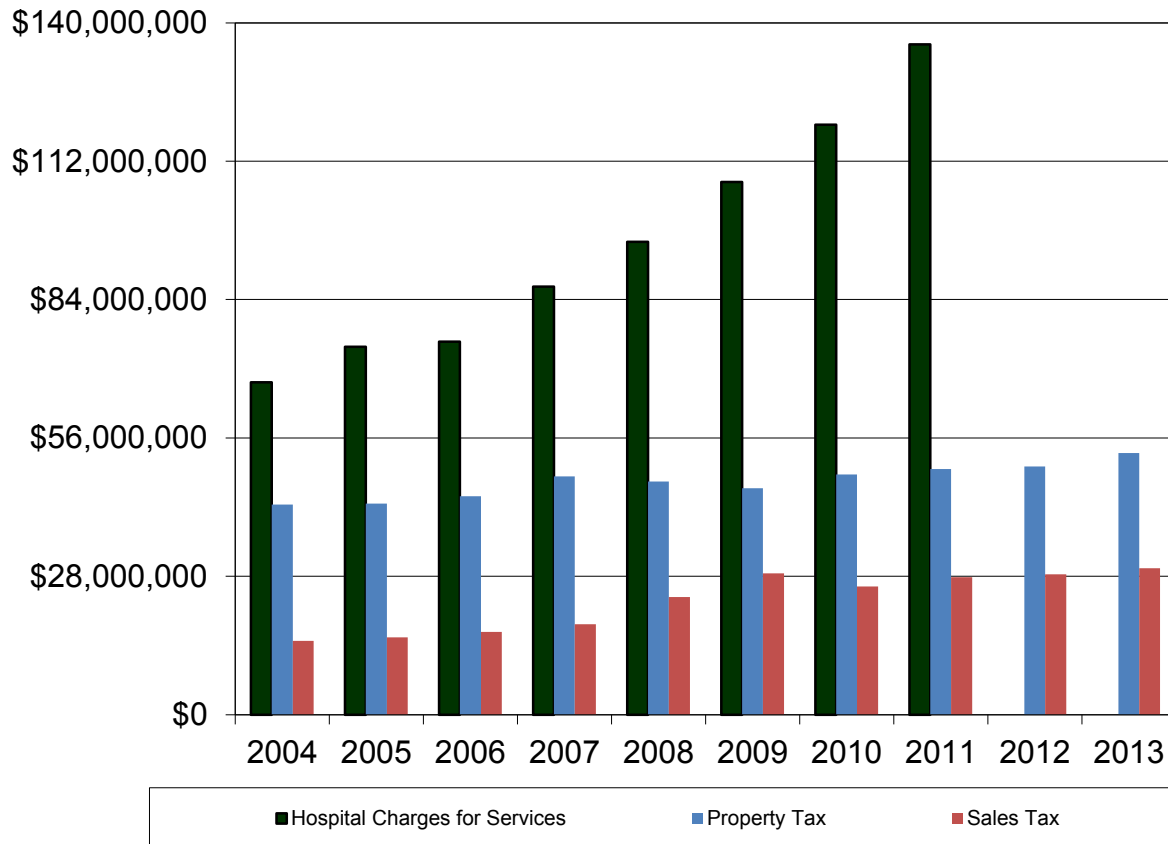
TABLE VI

<u>Fiscal Year</u>	<u>Hospital Charge for Services (3)</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
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	(1) 23,801,181	166,707,056
2009	107,798,997	45,796,378	28,585,036	182,180,411
2010	119,417,217	48,613,059	(2) 25,950,998	193,981,274
2011	135,659,575	49,736,514	27,798,976	213,195,065
2012	-	50,230,334	28,385,150	78,615,484 (3)
2013	-	52,916,285	29,664,629	82,580,914 (3)

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

(2) Exemption on non-prepared food went into effect January 1, 2009 and covers the period September 1 through May 31, of each fiscal year.

(3) Implementation of GASB Statement 61. The Borough's two hospitals, Central Peninsula Hospital and South Peninsula Hospital are now accounted for as discretely presented component units. Their data is no longer included in the stat tables.



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

TABLE VII

Fiscal Year	Assessed Values (1)				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				
2004	\$ 3,509,442	\$ 673,367	\$ 276,649	\$ 196,210	\$ 40,844		\$ 4,222,404	6.50	94.68%	
2005	3,656,476	611,303	253,595	215,076	42,051		4,264,247	6.50	94.31%	
2006	4,009,648	561,689	285,351	304,702	44,210		4,507,776	6.50	92.82%	
2007	4,402,946	558,190	295,431	340,356	28,161		4,888,050	6.50	92.99%	
2008	4,940,180	607,052	224,479	374,395	27,938		5,369,378	5.50	93.03%	
2009	5,533,794	635,272	220,272	394,457	28,124		5,966,757	4.50	93.39%	
2010	5,883,881	703,063	245,915	434,556	29,205		6,369,098	4.50	93.21%	
2011	5,901,904	713,954	259,714	451,127	30,914		6,393,531	4.50	92.99%	
2012	6,180,464	698,991	257,619	472,878	30,955		6,633,241	4.50	92.94%	
2013	6,172,547	810,065	286,399	520,490	32,511		6,716,010	4.50	92.39%	

Total estimated actual value of property less mandatory federal and state exemptions (1)

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) Assessed values and Tax exempt values represent only those values/exemptions provided by the Borough. It does not include those values/exemptions provided by federal or state requirements.

Source: Data is provided by the Kenai Peninsula Borough's Assessing Department. does not include federal and state exempt property.

Kenai Peninsula Borough

Property Tax Rates

Direct and Overlapping Governments (1)

Last Ten Fiscal Years

TABLE VIII

Fiscal Year	Borough (1) (4)		City of Homer (5)		City of Kachemak (5)		City of Kenai (5)		City of Seldovia (5)		City of Seward (5)		City of Soldotna (5)	
	Operating	Special District	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts
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
2009	4.50	0.00	4.50	2.30	1.00	2.30	4.50	0.90	4.60	0.00	3.12	0.50	1.65	3.35
2010	4.50	0.00	4.50	2.30	1.00	2.30	4.00	0.50	4.60	0.00	3.12	0.50	1.65	2.95
2011	4.50	0.00	4.50	2.30	1.00	2.30	3.85	0.02	4.60	0.00	3.12	0.50	1.65	2.47
2012	4.50	0.00	4.50	2.30	1.00	2.30	3.85	0.02	4.60	0.75	3.12	0.50	0.65	2.67
2013	4.50	0.00	4.50	2.30	1.00	2.30	3.85	0.02	4.60	0.75	3.12	0.50	0.65	2.67

(1) Borough's General Fund maximum mill rate for FY2010 is 8.238 mills

(2) Overlapping rates are those of the first class cities located within the Borough. The mill rates shown consist of two components: the mill rate for the operating entity and the mill rate for special districts, which include 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.

Sources:

(4) Data provided by Kenai Peninsula Borough Clerk's Office.

(5) Data provided by the City Clerk's Office for each respective City.

Kenai Peninsula Borough
Principal Property Taxpayers
Current and Nine Years Ago

TABLE IX

<u>Taxpayer</u>	2013			2004		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
Phillips Petroleum Co.	\$ 227,796,982	1	3.39%	\$ 101,661,882	3	2.41%
Hilcorp Alaska, LLC	205,075,910	2	3.05%	-		-
Tesoro Alaska	170,579,698	3	2.54%	95,987,062	4	2.27%
Marathon Oil Co.	131,221,450	4	1.95%	59,933,610	7	1.42%
Alaska Communications Systems	82,870,422	5	1.23%	71,777,121	6	1.70%
CING Storage Alaska, LLC	77,949,400	6	1.16%	-		-
XTO Energy INC	60,103,270	7	0.89%	42,497,960	8	1.01%
Alaska Pipeline	49,755,928	8	0.74%	-		-
Cook Inlet Energy, LLC	29,635,350	9	0.44%	-		-
Kenai Kachamak Pipeline	27,637,220	10	0.41%	-		-
Agrium US, Inc.	-		-	190,340,291	2	4.51%
BP Exploration Alaska, Inc.	-		-	77,783,465	5	1.84%
Forest Oil Corp.	-		-	29,451,590	9	0.70%
Phillips Alaska Inc.	-		-	26,283,140	10	0.62%
Union Oil/Unocal	-		-	358,357,890	1	8.49%
	<u>\$1,062,625,630</u>		<u>15.80%</u>	<u>\$ 1,054,074,011</u>		<u>24.97%</u>

(1) **Source:** Data is provided by the Kenai Peninsula Borough's Assessing Department.

Total Assessed value based on total
tax levy for FY2013 and FY2004 respectively.

\$ 6,716,010,000

\$ 4,222,404,000

Kenai Peninsula Borough
 Taxable Sales by Line of Business
 Current

TABLE X

<u>Line of Business</u>	<u>2013</u>
Retail Trade	\$ 487,414,327
Restaurant/Bar	82,959,366
Hotel/Motel/Bed & Breakfast	73,561,079
Utilities	64,677,813
Information	45,301,683
Guiding Water	44,397,904
Services	35,337,329
Wholesale Trade	31,313,654
Rental Residential Property	22,147,065
Public Administration	16,974,124
Professional, Scientific and Technical Services	16,142,916
Construction Contracting	12,694,227
Telecommunications	10,135,510
Administrative and Waste Management	10,109,800
Manufacturing	9,681,140
Rental Non-Residential Property	8,420,077
Mining/Quarrying	6,771,909
Transportation and Warehousing	4,940,704
Arts and Entertainment	4,460,762
Rental Personal Property	2,850,459
Other	13,904,281
Grand Total	<u>\$ 1,004,196,129</u>

Borough direct sales tax rate 3.00%

Source: Data is provided by the Kenai Peninsula Borough's Finance Department, Sales Tax Division.

Kenai Peninsula Borough
Property Tax Levies and Collections
General Fund
Last Ten Fiscal Years

TABLE XI

Fiscal 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
2004	\$27,558,497	\$27,062,845	98.201%	\$ 492,916	\$27,555,761	99.990%
2005	27,820,350	27,446,158	98.655%	373,791	27,819,949	99.999%
2006	29,357,626	28,978,909	98.710%	378,227	29,357,136	99.998%
2007	31,768,274	31,346,983	98.674%	420,129	31,767,112	99.996%
2008	30,042,125	29,651,635	98.700%	388,112	30,039,747	99.992%
2009	26,779,449	26,431,968	98.702%	341,934	26,773,902	99.979%
2010	28,875,124	28,375,677	98.270%	487,843	28,863,520	99.960%
2011	29,058,274	28,630,610	98.528%	375,386	29,005,996	99.820%
2012	30,419,493	29,946,804	98.446%	406,802	30,353,606	99.783%
2013	30,823,497	30,382,636	98.570%	-	30,382,636	98.570%

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

TABLE XII

Fiscal Year	Governmental Activities		Discretely Presented Component Units (1)		Capital Leases/Notes payable	Total	General Bonded debt as a percentage of total Personal Income (4)	General Bonded Debt as a percentage of Estimated actual value of taxable property (6)(area wide)	Service Areas				
	General Obligation Bonds (Wide)	General Obligation Bonds (Service Area)	General Obligation Bonds	Units (1)					Area Wide	Central Emergency Services Service Area	Bear Creek Fire Service Area	South Peninsula Hospital Service Area	Central Peninsula Hospital Service Area
2004	\$ 28,734,000	\$ -	\$ 58,275,000		\$ 511,562	\$ 87,520,562	5.76%	2.07%	\$ 555	\$ -	\$ -	\$ 824	\$ 1,492
2005	25,359,000	-	56,655,000		261,351	82,275,351	5.16%	1.93%	490	-	-	807	1,457
2006	21,874,000	2,500,000	54,645,000		-	79,019,000	4.79%	1.75%	426	127	-	777	1,406
2007	22,399,000	2,425,000	52,795,000		1,450,192	79,069,192	4.76%	1.62%	428	123	-	764	1,353
2008	20,174,000	2,345,000	65,200,000		1,109,570	88,828,570	4.96%	1.65%	381	115	-	1,893	1,290
2009	17,904,000	2,260,000	62,520,000		754,730	83,438,730	4.26%	1.40%	338	116	-	1,787	1,209
2010	20,364,000	2,170,000	59,755,000		385,079	82,674,079	3.85%	1.30%	380	111	-	1,716	1,153
2011	33,910,000	2,075,000	56,875,000		631,745	93,491,745	4.35%	1.46%	612	113	-	1,604	1,070
2012	30,230,000	1,975,000	52,010,000	(5)	-	84,215,000	3.71%	1.27%	536	88	-	1,498	905
2013	26,820,000	3,085,000	48,860,000	(5)	-	78,765,000	3.47%	1.17%	473	83	793	1,420	845

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

(1) For fiscal years 2003-2011 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.

(4) Personal income data is provided by the Bureau of Economic Analysis, <http://www.bea.gov>.

(5) In fiscal year 2012 the Borough early adopted GASB Statement 61, which changed accounting and financial reporting for CPH and SPH. The debt is presented because it is general obligation debt for a discretely presented component unit of the Kenai Peninsula Borough.

(6) Assessed values and Tax exempt values represent only those values/exemptions provided by the Borough. It does not include those values/exemptions provided by federal or state requirements.

Population data can be found in Table XIV

Kenai Peninsula Borough
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIV

Fiscal Year	Population (1)	Personal Income (amount expressed in thousands)	Per Capita Personal Income (3)	Median Age (2)	School Enrollment	Unemployment Rate (2)	Number of employed (2)
2004	51,733	\$ 1,519,711	\$ 29,376	37.4	9,467	10.00%	22,846
2005	51,765	1,594,109	30,795	38.0	9,527	9.50%	23,109
2006	51,350	1,650,417	32,141	39.7	9,389	8.70%	23,086
2007	52,370	1,660,353	31,704	39.1	9,368	8.10%	23,409
2008	52,990	1,791,892	33,816	39.2	9,250	7.60%	23,838
2009	52,990	1,959,462	36,978	39.2	9,256	7.80%	24,326
2010	53,578	2,145,309	40,041	39.4	9,145	9.80%	24,326
2011	55,400	2,148,001	38,773	40.6	9,148	10.00%	24,510
2012	56,369	2,271,490	40,297	40.6	9,083	9.40%	24,674
2013	56,756	2,271,490 (4)	40,022	41.4	8,892	8.40%	20,017

Sources:

- (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 for 12 months ending December of the prior calendar year.
- (3) Data is provided by the US Department of Commerce, Bureau of Economic Analysis (BEA)
- (4) Data unavailable BEA has stopped providing local level personal income due to budget constraints.

As shown above the unemployment rate went up during FY2010; however, the actual number of employed stayed the same as FY2009. The rise in the unemployment rate was due to the number of individuals moving into the area looking for work.

Kenai Peninsula Borough
Principal Employers
Current and Nine Years Ago

TABLE XV

<u>Employer</u>	<u>2013 *</u> <u>Rank</u>	<u>2004 *</u> <u>Rank</u>
Kenai Peninsula Borough School		
State of AK (excludes U of A)		
Central Peninsula General Hospital		
ASRC Energy Services O&M Inc		
Safeway Inc		
Kenai Peninsula Borough		
Peak Oilfield Svc Co		
VECO Alaska Inc		
Fred Meyer Stores Inc		
South Peninsula Hospital Inc		
U.S. Government		
Agrium		
Frontier Community Services		

* The State of Alaska passed legislation that prevents disclosure of employer ranking and or the number of employees for each employer.

Source: Data is provided by the State of Alaska Department of Labor

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

TABLE XVI

Function	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government:										
Assembly	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayor	11.00	11.00	11.00	10.00	10.00	10.00	10.00	9.00	8.00 (21)	9.00 (32)
Office of Emergency Mgmt	2.67	2.67	2.67	2.80	3.30	3.30	4.30 (9)	4.30	3.75 (22)	3.75
General Services	22.60	23.60	22.60	21.60	21.80	22.10	22.60	22.60	7.60 (23)	7.60
MIS	-	-	-	-	-	-	-	-	11.00 (23)	11.00
Legal	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00	22.00 (24)	22.00
Assessing	21.00	21.00	21.00	21.00	22.00	22.00	22.00	22.00	22.00	22.00
Planning	9.50	8.50	8.50	9.00	9.00	9.00	9.00	9.00	13.00 (23)	13.00
River Center	4.50	4.50	4.00	4.50	4.50	5.00	6.00 (15)	6.00	6.00	6.00
Capital Projects	9.00	8.00	8.00	8.00	8.00	9.00 (4)	8.50 (11)	6.50 (18)	6.00 (25)	7.00 (33)
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	<u>114.77</u>	<u>112.77</u>	<u>111.27</u>	<u>110.40</u>	<u>112.10</u>	<u>113.90</u>	<u>115.90</u>	<u>112.90</u>	<u>109.85</u>	<u>111.85</u>
Fire and Emergency Services:										
Nikiski Fire	24.00	24.00	23.00	23.00	23.00	21.00 (5)	21.00	21.00	20.00 (26)	20.00
Bear Creek Fire	0.40	0.40	0.40	0.40	0.40	0.75	0.75	1.50 (19)	1.50	1.50
Anchor Point	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.50 (27)	2.50
CES	27.00	27.00	28.00	30.50 (2)	33.50 (3)	33.50	37.50 (12)	37.50	38.50 (28)	42.00 (34)
Kachemak	-	-	-	-	0.75	1.00	2.00 (13)	3.00 (20)	3.50 (29)	3.50
911 Communications	6.33	6.33	7.33	7.20	8.70	8.70	10.70 (10)	10.70	11.25 (30)	11.25
Seward Bear Creek Flood	-	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75
Recreation	14.00	13.25	13.25	13.25	13.25	13.25	14.25 (14)	14.25	14.25	14.65
Roads	6.00	7.00	7.00	7.00	7.00	8.00 (6)	8.00	8.00	8.00	8.00
Land Trust Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Nikiski seniors	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Solid Waste	8.75	19.25 (1)	19.25	19.25	20.25	20.75 (7)	21.00 (16)	21.00	20.00 (31)	21.00 (35)
Risk Management	4.60	4.60	4.60	4.60	4.60	3.60 (8)	4.00 (17)	4.00	4.00	4.00
Total	<u>212.85</u>	<u>222.10</u>	<u>221.60</u>	<u>223.10</u>	<u>231.30</u>	<u>231.20</u>	<u>241.85</u>	<u>240.60</u>	<u>239.10</u>	<u>246.00</u>

- (1) The Borough took over operations of the Soldotna landfill, previously the operations were contracted out
- (2) Staffing at Funny River Fire Station
- (3) Staffing at Kasilof Fire Station
- (4) Transfer of project manager from Solid Waste
- (5) Elimination of Assistant Chief and a mechanic position, estimated savings \$190,000
- (6) Added Engineer to assist with managing road improvement projects
- (7) Added full-time contract administrator, increased .5 secretary to full-time, and transfer of project manager to Capital projects
- (8) Elimination of Worker's compensation manager position, remaining job duties being shared with other staff
- (9) Added Emergency Communications IT Tech
- (10) Added 911 shift supervisor and 911 public safety dispatcher
- (11) Transferred one project manager to the KRC and added 1/2 time capital projects clerk
- (12) Added 3 Engineer/Paramedics or EMT III's to increase staffing and safety at Kasilof station.
- (13) Added full time administrative assistant
- (14) Increase to maintenance hours equivalent to 1 FTE.
- (15) Transfer of project manager from Capital Projects.
- (16) Increased Environmental Coordinator's position by 1/4 time,
- (17) Increased 1/2 time administrative assistant to full time.
- (18) Reduction of 2 project managers
- (19) Addition of 3/4 time training and maintenance coordinator
- (20) Addition of assistant chief
- (21) Deletion of Special Assistant to Mayor
- (22) Increased Secretary from .8 to full time and transferred .75 of IT Specialist to E911 fund 264
- (23) Broke out IT positions of 11 to IT department, broke out GIS positions of 4 to GIS department
- (24) Deleted 1 Receptionist/Account Clerk.
- (25) Deleted .5 Capital Project Clerk
- (26) Deleted 1 Firefighter position
- (27) Addition of .5 Mechanic and 1 Assistant Chief
- (28) Addition of Health and Safety Officer
- (29) Addition of .5 Mechanic
- (30) Transferred in .75 of IT Specialist from OEM and reduced Secretary by .2
- (31) Deleted 1 Scale Attendant Clerk
- (32) Addition of Special Assistant to the Mayor
- (33) Addition of 1 Project Manager
- (34) Addition of 3 fire fighters and increase 1/2 time Admin assistant to full time
- (35) Added back 1 Scale Attendant Clerk deleted in FY12

Source: Data is provided by the Kenai Peninsula Borough's Human Resources Department

Kenai Peninsula Borough
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XVII

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government- 911 calls answered	16,919	17,200	17,926	15,084	16,590	18,834	21,494	21,260	21,834	22,486
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	745	745	733	665	737	820	870	929	927	926
Bear Creek	79	99	76	120	164	134	132	111	132	114
Anchor Point	150	150	190	191	198	215	150	194	235	250
CES	1,551	1,771	1,942	1,825	1,919	1,962	1,977	2,095	1,815	1,840
Kachemak	63	83	99	95	114	147	120	140	139	131
Landfills-										
Refuse collected (tons)	62,600	60,500	64,000	67,200	65,000	65,828	60,720	64,759	78,250	78,178

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 the prior calendar year

Sources: Various Kenai Peninsula Borough department's and service area's performance measures.

Kenai Peninsula Borough
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

TABLE XVIII

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	2	2	2	2	2	2
CES	4	4	4	5	6	6	6	8	8	8
Kachemak	1	1	1	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	8	8	8	8	8	8	8	8	9	9
Roads-										
Miles of roads maintained	589	608	614	620	623	631	633	634	636	638

Note: No capital asset indicators are available for the general government functions. For the fire and emergency service stations listed above, these represent both manned and unmanned stations.
Sources: Various Kenai Peninsula Borough department's and service area's performance measures.

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Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/13</u>
<u>U. S. Department of Commerce:</u>			
Passed through National Oceanic and Atmospheric Administration			
Beluga Whale Recovery Study	NA09NMF4390216	11.439	\$ 281,779
Total U. S. Department of Commerce			<u>281,779</u>
<u>U.S. Department of the Interior:</u>			
Passed through U.S. Bureau of Land Management:			
Payment in Lieu of Taxes *	2010 SEC 6901/02	15.226	<u>2,676,120</u>
Passed through US Fish and Wildlife Service:			
National Wildlife Refuge Revenue Sharing	FY2013	15.659	<u>18,966</u>
Coastal Impact Assistance Program			
Planning & Administration	F12AF70094	15.668	20,809
Adopt-A-Stream Program	F12AF70248	15.668	36,024
Kenai River Near Bank Turbidity Study	F12AF70124	15.668	24,628
Habitat Protection Education and Code Revision	F12AF70277	15.668	5,879
River Debris Removal	F12AF70126	15.668	13,313
Recreation Area Sanitation	F12AF70131	15.668	8,316
Beluga Slough Trail Reconstruction	F12AF70145	15.668	65,351
Kachemak Drive Bluff Erosion	F12AF70142	15.668	4,007
Seward Weather and Ocean Observing System	F12AF70164	15.668	96,586
Stream Channel and Elevation Modeling	F12AF00443	15.668	593
Aerial Photography/Satellite Imagery of KPB	F12AF70177	15.668	12
Total CFDA 15.668			<u>275,518</u>
Total U.S. Department of the Interior			<u>2,970,604</u>
<u>U.S. Department of Homeland Security:</u>			
September 2012 Flood Federal Declared Disaster *	FEMA-4094-DR	97.036	<u>677,358</u>
Bear Creek Staffing for Adequate Fire & Emergency Response	EMW-2010-FF-00163	97.083	5,532
Central Emergency Staffing for Adequate Fire & Emergency Response	EMW-2010-FH.01010	97.083	<u>303,111</u>
Total CFDA 97.083			<u>308,643</u>
Passed through Alaska Department of Military & Veterans Affairs:			
Catch Basin & Culvert Drainage Project - Lowell Point *	1843.0006	97.039	240,219
Hazard Mitigation Plan Annex *	1843.0002	97.039	<u>164,285</u>
Total CFDA 97.039			<u>404,504</u>
Nikiski Fire Station 1 Alarm System & Fire Safety Trailer	EMW-2010-FO-01563	97.044	<u>12,679</u>
Citizens Corp 2012	EMW-2011-SS-00053	97.067	15,183
Alaska Shield Exercise & CERT Equipment/Supplies/Training	EMW-2012-SS-00027	97.067	114
Citizens Corp 2010	2010-SS-T0-0023	97.067	3,276
Mass Casualty/Medical Surge	2010-SS-T0-0023	97.067	98,785
SHSP-Planning, equipment, training for Emergency Response	EMW-2011-SS-00053	97.067	<u>32,943</u>
Total CFDA 97.067			<u>150,301</u>
Emergency Management Performance Grant	EMW-2012-EP-00028-S01	97.042	<u>71,600</u>
Total Department of Homeland Security			<u>1,625,085</u>

(continued)

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards - continued
Year Ended June 30, 2013

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/13</u>
<u>U.S. Department of Agriculture:</u>			
National Forest Receipts		10.665	556,379
Passed through Natural Resource Conservation Service			
Old Mill Subdivision Seward AK - Buyout program	OMILL	10.923	5,544
Passed through U.S. Forest Service:			
05 Spruce Bark Beetle Infestation *	05BTL	10.664	6,104
06 Spruce Bark Beetle Infestation *	07BTL	10.664	120,044
Spruce Bark Beetle Mitigation Program Work *	08DG11100100203	10.664	170,115
Passed through Alaska Department of Natural Resources:			
Bear Creek Fire Service Area Volunteer Fire Assistance Grant *	FY13	10.664	19,790
Kachemak Emergency Services Volunteer Fire Assistance Grant *	FY13	10.664	19,816
Total CFDA 10.664			335,869
Total U.S. Department of Agriculture			897,792
 TOTAL FEDERAL			 \$ 5,775,260

* Federal Major Program

Kenai Peninsula Borough
 Schedule of State Financial Assistance
 Year Ended June 30, 2013

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/13</u>
<u>Alaska Department of Commerce, Community & Economic Development:</u>		
Shared Fisheries Business Tax		\$ 8,705
Fish Resource Landing Tax		8,152
Community Revenue Sharing - Borough *	FY13	3,066,445
Community Revenue Sharing - Project Graduation Kenai Peninsula	FY10	20,200
Community Revenue Sharing - Voznesenka Community Council	FY10	20,200
Community Revenue Sharing - Project Graduation Kenai Peninsula	FY11	13,016
Community Revenue Sharing - Voznesenka Community Council	FY11	20,200
Community Revenue Sharing - Boys & Girls Club of Southcentral Alaska	FY12	21,694
Community Revenue Sharing - Cook Inlet Aquaculture Association	FY12	5,502
Community Revenue Sharing - Hope, Inc.	FY12	2,455
Community Revenue Sharing - Kachemak Emergency Services	FY12	8,045
Community Revenue Sharing - Kasilof-Cohoe Cemetary Association	FY12	12,820
Community Revenue Sharing - Project Graduation Kenai Peninsula	FY12	26,337
Community Revenue Sharing - Rural Alaska Community Action	FY12	17,559
Community Revenue Sharing - Village of Kachemak Selo Inc.	FY12	26,337
Community Revenue Sharing - Voznesenka Community Council	FY12	3,173
Community Revenue Sharing - AK Children's Institute for Performing Arts	FY13	28,600
Community Revenue Sharing - Anchor Point Community & Cemetary	FY13	6,702
Community Revenue Sharing - Anchor Point Public Library	FY13	8,260
Community Revenue Sharing - Anchor Point Senior Citizens	FY13	7,570
Community Revenue Sharing - Bear Creek Volunteer Fire Department	FY13	12,186
Community Revenue Sharing - Boys & Girls Club of Southcentral Alaska	FY13	6,952
Community Revenue Sharing - Caribou Hills Cabin Hoppers	FY13	28,600
Community Revenue Sharing - Cook Inlet Aquaculture Association	FY13	6,961
Community Revenue Sharing - Cooper Landing Community Club	FY13	28,600
Community Revenue Sharing - Funny River Chamber of Commerce	FY13	28,600
Community Revenue Sharing - Hope, Inc.	FY13	18,341
Community Revenue Sharing - Kachemak Emergency Services	FY13	17,160
Community Revenue Sharing - Kachemak Nordic Ski Club	FY13	15,252
Community Revenue Sharing - Kasilof Public Library	FY13	13,684
Community Revenue Sharing - Kasilof Regional Historical Association	FY13	11,708
Community Revenue Sharing - Moose Pass Volunteer Fire Department	FY13	85,799
Community Revenue Sharing - Nikolaevsk Community Council	FY13	28,600
Community Revenue Sharing - Ninilchik Emergency Services	FY13	5,346
Community Revenue Sharing - Ninilchik Fair Association	FY13	5,346
Community Revenue Sharing - North Peninsula Community Council	FY13	28,600
Community Revenue Sharing - Port Graham Village Council	FY13	28,600
Community Revenue Sharing - Snomads Snowmachine Club Inc.	FY13	19,221
Community Revenue Sharing - Sterling Seniors	FY13	14,004
Community Revenue Sharing - Tustemena 200 Sled Dog Race Association	FY13	3,870
Community Revenue Sharing - Village of Kachemak Selo Inc.	FY13	28,600
Community Revenue Sharing - Village of Razdolna	FY13	28,600
Bear Creek Multi-Use Facility	09-DC-482	1,530
Bear Creek Multi-Use Facility	13-DC-566	45,651
Borough-wide Road Upgrades *	09-DC-218	1,294,305
Borough-wide Road Upgrades *	11-DC-252	2,985,916
Borough-wide Road Upgrades	12-DC-383	141,273
Central Peninsula Hospital Radiation Oncology Center *	13-DC-453	1,000,000
Central Peninsula Hospital Radiation Oncology Center *	13-RR-013	1,000,000

(continued)

Kenai Peninsula Borough
Schedule of State Financial Assistance
Year Ended June 30, 2013

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/13</u>
<u>Alaska Department of Commerce, Community & Economic Development (continued):</u>		
Classroom iTouch	13-DC-004	52,500
Hazard Tree Removal	13-DC-445	40,982
Homer High School Athletic Facilities *	13-DC-462	1,063,840
Homer Solid Waste Transfer Facility Construction *	12-DC-380	5,682,763
Kachemak Emergency Service Area - Diamond Ridge Station	12-DC-379	28,919
Kenai & Soldotna High School Track & Field Replacements *	13-DC-556	1,994,694
Nikiski Fire Service Area Aerial Apparatus *	13-DC-439	974,615
Nikiski High School printer/cutter with software	13-RR-012	15,000
North Peninsula Recreation Community Playground	12-DC-382	67,410
North Peninsula Recreation Community Playground	12-RR-028	150,000
North Peninsula Recreation Trail Improvements	13-DC-201	150,000
River Center Septic Tank project	13-DM-055	15,000
School District Equipment *	13-DC-446	897,767
Sears Elementary Roof	07-DC-314	16,050
Security Camera Systems in Borough-owned Facilities	13-DC-489	273,985
Total Alaska Department of Commerce, Community & Economic Development		21,688,802
<u>Alaska Department of Revenue:</u>		
Commercial Passenger Vessel Tax *	CY13	343,265
Electric & Telephone Cooperative	FY13	162,060
Fish Tax *	FY13	812,437
Total Alaska Department of Revenue		1,317,762
<u>Alaska Department of Education & Early Development:</u>		
School Debt Reimbursement *		1,792,873
Total Alaska Department of Education & Early Development		1,792,873
<u>Alaska Department of Administration:</u>		
Division of Retirement & Benefits PERS Relief HB180 *	FY13 HB284	2,774,259
Total Alaska Department of Administration		2,774,259
<u>Alaska Department of Military & Veteran Affairs:</u>		
Passed Through the Alaska Division of Homeland Security & Emergency Management		
September 2012 Flood Federal Declared Disaster	FEMA-4094-DR	225,786
Catch Basin & Culvert Drainage Project - Lowell Point	1843-0006	80,073
Hazard Mitigation Plan Annex	1843-0002	54,762
Old Mill Subdivision Seward AK - Flood Property Buyout program	AK-07-221 PW229	924
Local Emergency Planning Committee	13LEPC-GR35602	23,693
Total Alaska Department of Military & Veteran Affairs		385,238
TOTAL STATE		\$ 27,958,934

* State Major Program