

KENAI PENINSULA BOROUGH
ALASKA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR
ENDED JUNE 30, 2017

Front cover photograph courtesy of Clint Pickarsky

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Mike Navarre
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

BRANDI HARBAUGH
FINANCE DIRECTOR

Vacant
CONTROLLER

Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report
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KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

December 13, 2017

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, 2017, 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, 2017, 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, 2017, 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 58,060.

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, postsecondary 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 Kenai Peninsula Borough 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, Nikiski Fire Service Area Special Revenue Fund and Road Service Area Special Revenue Fund, the comparisons are presented on pages 34-37 as part of the basic financial statements for the governmental funds. For other governmental funds, the comparisons start on page 86.

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 healthcare. 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. Boroughwide, 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 FY2017 were \$1,005 million, a decrease of 3.0% from the prior year but a 15.0% increase from FY2010. Most of the decrease for FY2017 is attributed to a reduction in sales tax collected on motor fuel (gasoline and diesel) sales due to a drop in the price of oil. The overall increase from FY2010 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 FY2017, 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 have changed. Large national and multinational companies have been replaced by independents, which resulted in a resurgence in exploration and production. This has led to new wells in the Anchor Point and Kenai area, jackup rigs being used in 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 \$635 million for FY09, to \$1,469 million in FY2017. During this same time frame, oil production has increased from approximately 7,500 barrels per day to approximately 17,900 barrels per day. The impact to the Borough if the global reduction in the price of gas and oil continues is unknown at this time.

Increased oil and gas exploration has also had an impact on the Borough's unemployment rate. The unemployment rate decreased from 9.5% for 2011 to 8.6% for 2012, 8.0% in 2013, 7.8% in 2014 and 7.8% in 2015. The 2016 unemployment rate for the Borough was 8.20%. The 2016 statewide unemployment average was 6.6%. 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 in the fishing and tourism industry. Due to the decrease in the price of oil, the unemployment rate is expected to increase in 2017-18 in the Borough and the State as oil companies have announced a reduction in the amount of drilling and exploration for 2017-18.

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 ensure that the Borough maintains an appropriate fund balance in line with recommended best practices. The General Fund's assigned amount of \$17.9 million exceeded the Borough's minimum fund balance of \$15.3 million per the Fund Balance policy and is 25.0% of the 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.

As a cautionary note, General Fund expenditures have exceeded revenues in each of the last three fiscal years (FY2016, 2017 and 2018). Steps should be taken to balance annual General Fund expenditures with annual General Fund revenues. Use of fund balance is appropriate as a short-term financial measure but is not sustainable beyond the current fiscal year based on current projected estimates of expenditures and revenues.

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, 2016. This was the 38th consecutive year 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 FY2017 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 24th 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



Brandi Harbaugh, CPA, CPFO
Finance Director

For the 38th consecutive year, the Kenai Peninsula Borough has earned the highest form of recognition in the area of governmental accounting and financial reporting with an award-winning comprehensive annual financial report (CAFR). The Kenai Peninsula Borough was awarded a Certificate of Achievement for Excellence by the Governmental Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ended June 30, 2016.

According to the GFOA, the CAFR program was established in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual reports that demonstrate a spirit of transparency and full disclosure.

The Kenai Peninsula Borough believes that this Comprehensive Annual Financial Report continues to meet high standards required by the Certificate of Achievement Program and we are submitting it to the GFOA to determine its eligibility for another Certificate.



Government Finance Officers Association

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

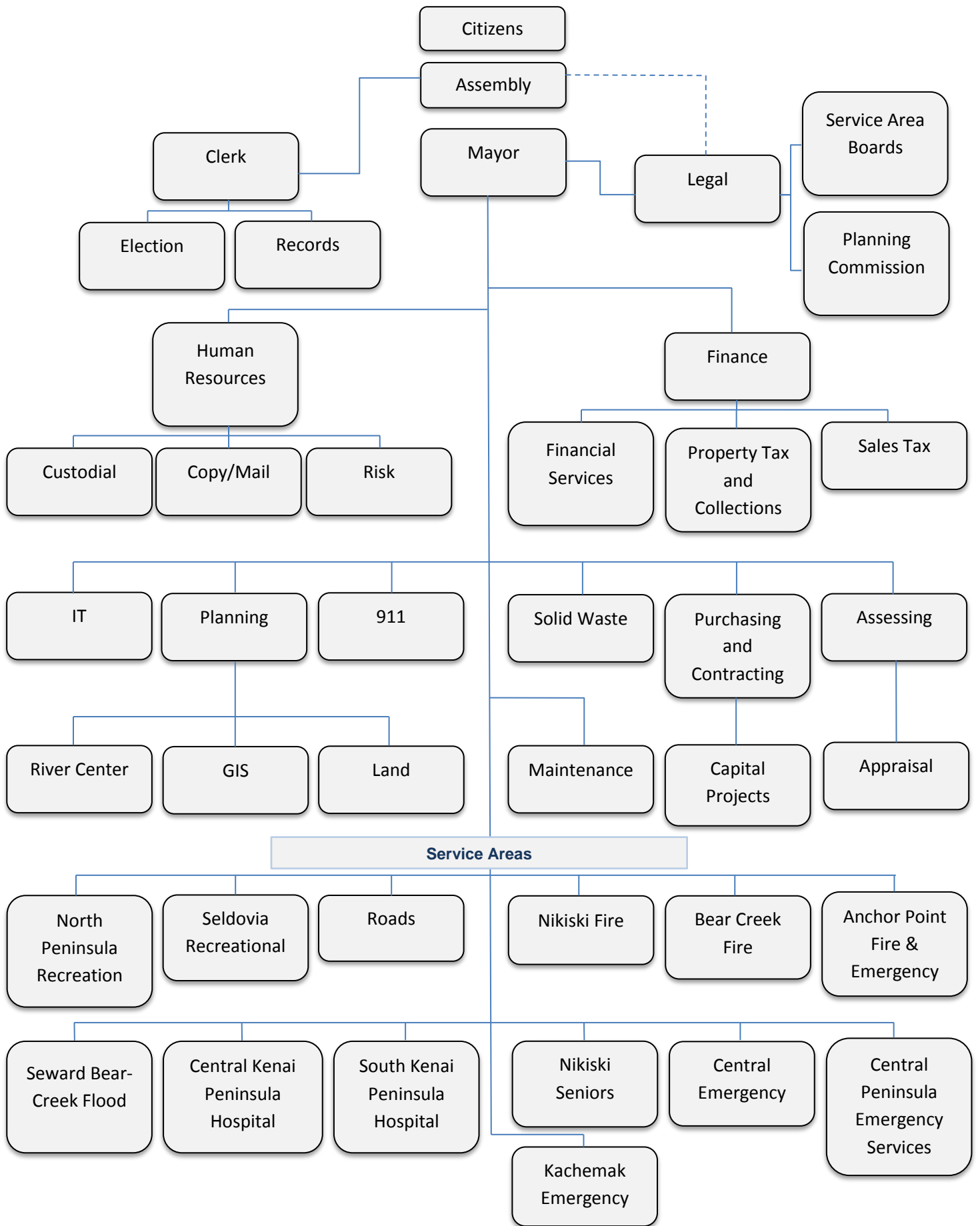
Presented to

**Kenai Peninsula Borough
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Egan
Executive Director/CEO



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

Kelly Cooper	President
Wayne Ogle	Vice President
Dale Bagley	
Stan Welles	
Willy Dunne	
Jill Schaefer	
Kenn Carpenter	
Brent Hibbert	
Paul Fischer	

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

Administration

Mike Navarre	Borough Mayor
Brandi Harbaugh	Interim Finance Director
Colette Thompson	Borough Attorney
Sandra Brown	Director of Human Resources
Johni Blankenship	Borough Clerk
Scott Walden	Emergency Management Director
Benjamin Hanson	Director of Information Technology
Tom Anderson	Borough Assessor
Max Best	Director of Planning
Tom Dearlove	River Center Manager
Scott Griebel	Director of Maintenance
Jack Maryott	Director of Solid Waste
Valentina Sustaita	Purchasing & Contracting Director
Patrick Malone	Roads Director

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Brandi Harbaugh

Division Managers

Vacant
Penny Pickarsky
Rhonda Krohn
Lauri Lingafelt

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

Tracy Davis
Katherine Cooper
DeRay Jones
Danielle Dennis
Hannah Blume
Misty Jenkins
Joanne Rodgers
Chad Friedersdorff
Rhonda Foster-Deskins

Amy Falk
Barbara Nelson
Michelle Gage
Sarah Hostetter
Jennifer Loop
Samantha Ness
Sydney Smith
Danielle Henry

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AUDITOR REPORT



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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Kenai Peninsula Borough
Soldotna, Alaska

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, Alaska, as of and for the year ended June 30, 2017, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Nikiski Fire Service Area Special Revenue Fund, and the Road Service Area Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 15 through 25 and the Schedules of Net Pension Liability and PERS Pension Contributions on pages 71 and 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit 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 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 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 effectiveness of Kenai Peninsula Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kenai Peninsula Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 13, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017. 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 1-5), the financial statements (pages 27-41) and the notes to the financial statements (pages 43-69).

Financial Highlights

- At the close of FY2017, the Kenai Peninsula Borough assets and deferred outflows exceeded its liabilities and deferred inflows by \$225.6 million (net position). Of this amount, \$11.6 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 47.
- The Borough's total net position decreased \$ 14.1 million when compared to the net position at the beginning of the fiscal year.
- 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 \$23.2 million, a decrease of \$2.5 million from FY2016. The assigned and unassigned fund balance for FY2017, not including the amount that was budgeted for FY2018 expenditures, is \$14.2 million. This compares to the FY2016 amount of \$17.9 million. This represents 19.8% of the total General Fund expenditures and transfers balance, and compares to 22.0% as of June 30, 2016, 17.6% as of June 30, 2015 and 19.6% as of June 30, 2014.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$75.0 million, a decrease of \$0.4 million from the prior year. Much of this decrease is associated with expenditures incurring in the School and Central Emergency Services Bond Funded Capital Project Funds, whereas the revenues were recognized in a prior year.
- New debt was issued by the Borough Solid Waste Department in FY2017 in the amount of \$5.405 million for the design, construction and equipping of solid waste facilities. Boroughwide, including Service Areas, the total outstanding debt at year-end was \$53.8 million, an increase of \$3.4 million from FY2016.

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	11
Special Revenue Funds	17
Total Governmental Funds	32
Total Internal Service Funds	4
Total Agency Funds	32

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 components 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 27-29 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 32 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, Solid Waste Capital Project Fund, Nikiski Special Revenue Fund, and Road Service Area Special Revenue Fund. The other 28 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 30-37 of this report. Budgetary comparison statements for 12 special revenue funds and 3 debt service funds with annual budgets are provided on pages 86-97 and 107-111, 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 38-40 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 41 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 43-69 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 78-85, 100-105, 107-108 and internal service funds can be found on pages 113-115 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, 2017 was \$225.6 million compared to \$239.7 million at June 30, 2016. By far the largest portion of the Borough's net position (85.3%) 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 FY2017, governmental activities capital assets, net of accumulated depreciation of the Borough decreased \$3.2 million. Current and other assets include \$90.8 million and \$88.4 million of cash and investments held for governmental activities at June 30, 2017 and 2016.

Kenai Peninsula Borough
Summary of Net Position
June 30, 2017 and 2016
Governmental
Activities
(in millions)

	2017	2016
Current and other assets	\$ 110.8	\$ 110.8
Capital assets	232.6	235.8
Total assets	343.4	346.6
Deferred outflow of resources	12.4	6.0
Long-term debt outstanding	107.3	87.6
Other liabilities	8.8	11.1
Total liabilities	116.1	98.7
Deferred outflow of resources	14.1	14.2
Net position:		
Net Investment in capital assets	192.4	197.3
Restricted	21.7	16.2
Unrestricted	11.5	26.2
Total net position	\$ 225.6	\$ 239.7

Governmental activities

Governmental activities decreased the Borough's net position by \$14.1 million. This compares to a decrease of \$10.9 million for the year ended June 30, 2016. Key elements of the change in net position for the year are as follows:

- GASB 68 requiring allocations of net pension liability accounted for increases of \$15.8 million of which \$4.2 is for general government and \$3.7 million is for public safety.
- A decrease of \$3.6 million associated with the expenditures occurring in the School Capital Project Fund where the revenues were recognized in a prior year.
- An increase in the Solid Waste Capital Projects Fund Revenues due to the issuance of \$6.0 million in Solid Waste General Obligation Bonds where the majority of expenditures will occur in future years.

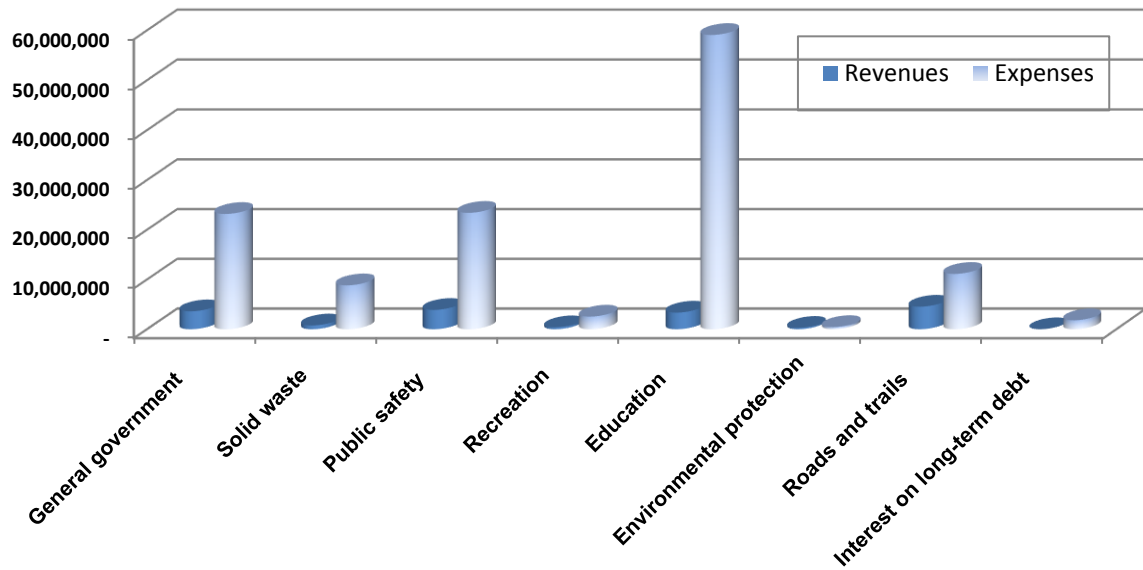
Summary of Changes in Net Position

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, 2017 and 2016 (in millions)		
Governmental Activities		
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3.9	\$ 4.2
Operating grants and contributions	7.1	8.2
Capital grants and contributions	5.8	8.7
General revenues:		
Property taxes	62.8	58.0
Sales taxes	30.4	30.0
Other	<u>6.3</u>	<u>8.9</u>
Total revenues	<u>116.3</u>	<u>118.0</u>
Expenses:		
General government	23.2	20.6
Solid waste	8.8	8.7
Public safety	23.4	21.6
Recreation	2.5	3.5
Environmental protection	.4	.4
Road and trails	11.1	9.4
Education payments to component unit		
Kenai Peninsula Borough School District	48.2	48.2
Education other		
(debt service, capital projects, post-secondary)	10.9	14.6
Interest on long-term debt	<u>1.8</u>	<u>1.9</u>
Total expenses	<u>130.3</u>	<u>128.9</u>
Increase (decrease) in net position	(14.1)	(10.9)
Net position, beginning of year	<u>239.7</u>	<u>250.6</u>
Net position, end of year	<u>\$225.6</u>	<u>\$239.7</u>

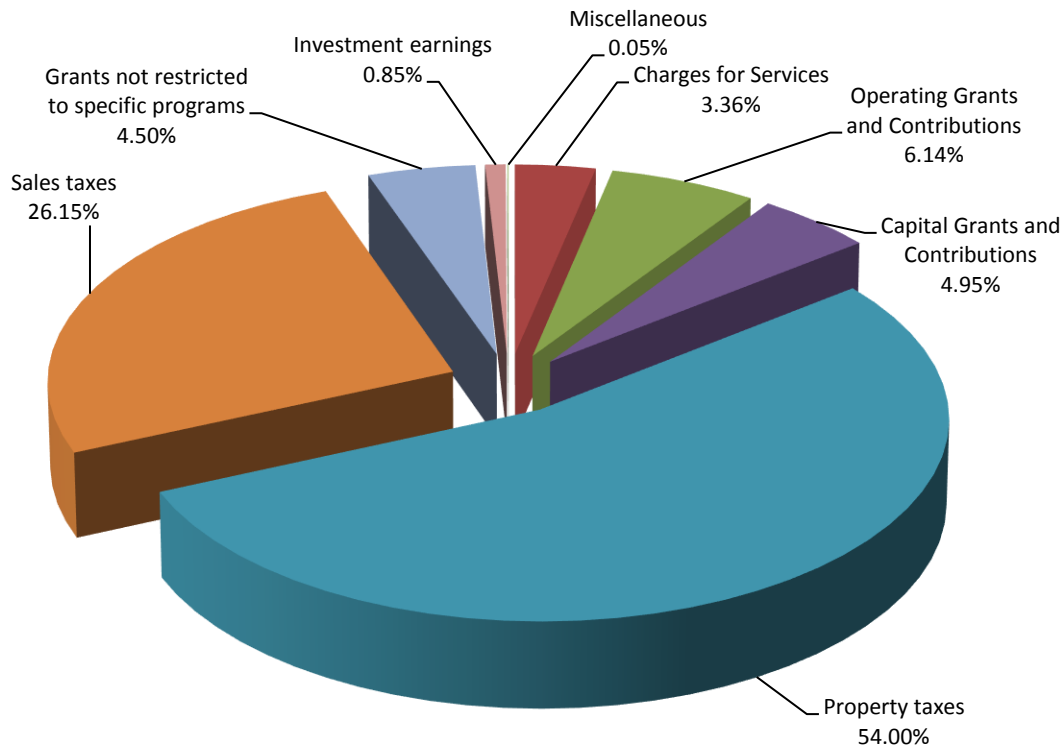
Expenses and Program Revenues – Governmental Activities

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 \$75.0 million, a decrease of \$0.4 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 (Major fund)

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, fund balance was \$23.2 million, a decrease of \$2.5 million from the prior year. Expenditures and transfers in the General Fund totaled \$79.1 million during the year, this compares to FY2016 expenditures and transfers of \$78.9 million. Key factors include:

- On behalf payments from the State of Alaska for contributions to the Public Employees' Retirement System (PERS) to address funding shortfalls totaled \$801,358, a decrease of \$0.4 million from FY2016.
- Federal revenue for Payment in Lieu of Taxes (PILT) and Forestry Receipts totaled \$3.1 million; the budgeted amount was \$3.7 million.
- Due to turnover/retirement of Borough staff, which resulted in unfilled positions, personnel cost came in \$1.5 million less than projected.
- Operating cost of the Solid Waste department came in \$0.7 million less than budgeted as contracts for operating various transfer sites and transporting waste material were less than expected. In addition, savings in utilities and operating cost were realized due to lower than expected fuel cost.

Central Emergency Service Area Special Revenue Fund (Non-major fund)

Fund balance in this service area increased \$614,489 or approximately 21.5%, compared to the FY2016 increase of \$580,141. Expenditures and transfers out totaled \$7,883,488, an increase of \$245,989 compared to FY2016. The transfers for debt service increased \$179,869, while operational cost increased \$66,120.

Nikiski Fire Service Area Special Revenue Fund (Major fund)

Fund balance in this service area increased \$180,074 or approximately 3.5%, compared to the FY2016 increase of \$416,807. Expenditures and transfers out totaled \$5,517,844, a increase of \$285,289 when compared to FY2016. Major components of this increase in expenditures include an increase in the services area's contribution to their capital project fund from \$500,000 in FY2016 to \$1.0 million in FY2017.

Road Service Area Special Revenue Fund (Major fund)

Due to near record snowfall during FY2012, the Road Service Area's fund balance decreased to approximately \$1.1 million, approximately \$.6 million below their recommended minimum fund balance amount. Since that time the Service Area has grown to be within their recommended fund balance range. For FY2017 the Service Area's fund balance decreased \$296,903 when compared to FY2016. With this decrease the fund remains in the recommended fund balance range, which will allow the Service Area to have the necessary resources on hand in the event of another year with higher than expected snowfall and provide funding of capital road improvement projects due to reductions in state and federal revenues.

Solid Waste Capital Project Fund (Major fund)

Fund balance in the Solid Waste Capital Projects Fund increased \$6.4 million during FY2017 due to the issuance of General Obligation Bonds to fund solid waste disposal and facilities.

Miscellaneous Grant Special Revenue Fund (Non-major fund)

Fund balance in the Miscellaneous Grant Special Revenue Fund decreased \$463,522 during FY2017 compared to an increase of \$130,788 in FY2016. The decrease in FY2017 was largely due to the deferred payout of the FY2016 Commercial Vessel Passenger Tax Grant.

General Fund Budgetary Highlights

During the year there were increases of \$0.8 million, not including carryover encumbrances, in appropriations between the original budget and the final amended budget. The primary reason for amending the budget was as follows:

- \$0.3 million for in-kind contributions to the Public Employees' Retirement System made by the State of Alaska on the Borough's behalf.
 - The on-behalf amount provided for the Kenai Peninsula Borough was \$832 million of which the General Fund, including Solid Waste, received \$.3 million.
- \$0.27 million to fund the comprehensive plan update, which will update the plan to include specific plans for up to four communities in the borough, as well as expand on the previous plans performed in 2003 and 2005.
- \$0.27 million to fund legal costs and other legal related matters that arose during the fiscal year.

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets as of June 30, 2017 and June 30, 2016 amounts to \$232.6 million and \$235.8 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	\$ 5.4 million
Improvements at various solid waste facilities	\$ 2.3 million
Fire and Emergency Services Equipment	\$ 2.6 million

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

	Governmental activities	
	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 70.9	\$ 70.7
Buildings	94.8	97.0
Improvements other than buildings	30.3	29.4
Machinery and equipment	12.6	11.1
Infrastructure	9.6	13.8
Construction in progress	<u>14.4</u>	<u>13.8</u>
Total governmental funds capital assets	<u>\$ 232.6</u>	<u>\$ 235.8</u>

Additional information on the Borough's capital assets can be found in Note E on page 55 of this report.

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$53.8 million, an increase of \$3.4 million from June 30, 2016. Of this amount, \$46.9 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 \$46.9 million in bonded debt, \$36.8 million was issued for school improvements. The State of Alaska will reimburse the Borough up to 70% of the principal and interest on these bonds. The schedule shown below does not include compensated absences.

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 46.9	\$ 44.3
Other debt	6.9	6.1
Total outstanding debt	<u>\$ 53.8</u>	<u>\$ 50.4</u>

The Borough's discretely presented component units also have debt outstanding at the end of the year totaling \$71.1 million, not including premiums and other cost. Of that amount, \$39 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 59-61 of this report and table XII on page 139.

The Borough normally uses the Alaska Municipal Bond Bank (Bond Bank) to sell its bonds. The Bond Bank has a rating of AA- from S&P and AA from Fitch.

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for CY2016 stood at 8.2%. An increase from the two prior years rate of 7.8%, this compares to the statewide average of 6.6%. 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 in the fishing and tourism industry in the Borough. The Borough's unemployment rate for the period January 2017 to June 2017 is up .6% when compared to the same period for 2016. Much of this is due to a reduction in oil and gas industry due to the current prices for oil and gas.

In 2001, the Borough established a fund balance policy that recommends both minimum and maximum amounts of fund balances for both operating and capital project funds for the General Fund and Service Areas. A number of these operating funds are near or exceed their recommend maximum amount. This will be addressed as part of the FY2019 budget process.

In addition, the Alaska legislature provided funding for Public Employees' Retirement System (PERS) cost in excess of 22%, which was paid directly to PERS. The total on-behalf payment made by the State for FY2017 was \$937,683, of which the borough reports \$786,153 and its component unit the Kenai Peninsula Borough School District reports \$151,530 along with their PERS and TRS contributions. This contribution includes the difference between the actuarially determined rate of 26.14% and the Borough contribution rate of 22.00%.

In addition, as part of their FY2015 budget, the Alaska State Legislature passed House Bill 385 (HB 385), which paid down \$1 billion of the Public Employees' Retirement System (PERS) defined benefits plan's unfunded liability (a closed plan). However, the bill also extended, by nine years, the amortization period over which employers would pay down the debt. By statute, the required employer contribution is 22% of the employee's wages, with the State paying the balance of the actuarially determined amount. Under HB 385, the State's annual payments will be lower, but the total cost to employers will be much greater. For the Borough, an estimated additional \$14.5 million will be paid in retirement contributions for those additional nine years.

During 2017, the State of Alaska received an AA credit rating from Fitch Ratings, and an AA- rating from Standard & Poor's Ratings Services. The State is running deficits of more than \$3 billion per year due to low oil prices. This reduction in oil prices has resulted in a reduction in grant funding to local municipalities and could put other State funded programs, including education, at risk for reduction in funding in the future.

In setting the budget for FY2018, the Borough considered a number of issues with Boroughwide impact, among them:

- Passing a FY2019 budget that balances General Fund expenditures with General Fund revenues.
- 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.

It should be noted that after passage of the Borough's FY2018 budget, the Borough's funding from the State of Alaska for reimbursement of school debt was reduced by approximately \$603,547. This shortfall will be funded from the Borough's General Fund fund balance.

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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BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough
Statement of Net Position
June 30, 2017

	<u>Primary Government</u>	<u>Component Units</u>		
	Governmental Activities	Central Peninsula Hospital	South Peninsula Hospital	School District
Assets				
Cash and short-term investments	\$ 204,770	\$ 36,219,910	\$ 10,100,367	\$ 12,230
Equity in central treasury	85,245,391	4,957,556	4,225,326	31,363,351
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	7,585,292	2,185	159,408	-
Accounts receivable	1,081,296	4,285,360	182,667	498,092
Patient receivables	-	25,831,430	14,107,098	-
Note receivable	648,656	-	-	-
Land sale contracts receivable:				
Current	86,047	-	-	-
Delinquent	50,460	-	-	-
Due from other governments	3,658,122	-	-	3,327,188
Due from special assessment districts	1,985,012	-	-	-
Prepays	118,811	1,797,622	604,764	1,434,505
Inventory	-	5,778,418	1,825,791	937,527
Note receivable - long-term	4,083,154	-	-	-
Land sale contracts receivable - long-term	485,357	-	-	-
Restricted assets:				
Equity in central treasury	5,588,232	299,226	3,817,196	-
Bond funds held in reserve	-	4,876,535	-	-
Assets whose use is limited:				
Cash and short-term investments	-	-	18,365	-
Equity in central treasury	-	28,890,928	193,698	-
Investments	-	693,322	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	70,876,456	3,799,319	1,961,318	-
Buildings	94,780,710	59,533,012	32,132,876	-
Improvements other than buildings	30,293,037	162,615	83,787	-
Equipment	12,648,811	45,579,293	4,075,555	3,083,746
Construction in progress	9,582,236	2,137,053	3,468,926	-
Infrastructure	14,409,721	-	-	-
Total assets	<u>343,411,571</u>	<u>224,843,784</u>	<u>76,957,142</u>	<u>40,656,639</u>
Deferred Outflows of Resources				
Unamortized deferred loss	459,618	914,053	818,348	-
Excess consideration paid for acquisition	-	1,301,191	-	-
Pension related	11,925,143	-	1,790,089	25,613,868
Total deferred outflows of resources	<u>12,384,761</u>	<u>2,215,244</u>	<u>2,608,437</u>	<u>25,613,868</u>
Liabilities				
Accounts, contracts and retainage payable	4,214,496	4,259,386	4,704,454	1,365,740
Accrued payroll and payroll benefits	611,058	3,635,182	6,772,039	7,408,983
Claims payable	2,473,604	3,475,593	-	4,614,578
Accrued interest	809,995	727,447	211,925	-
Unearned revenue	691,458	-	64,423	-
Noncurrent liabilities:				
Net pension liability - due in more than one year	47,159,456	-	1,954,217	114,798,445
Compensated absences:				
Due within one year	675,815	3,628,900	-	49,097
Due in more than one year	2,027,446	-	-	3,060,648
Landfill closure/postclosure -				
Due in more than one year	6,926,622	-	-	-
Long-term debt:				
Due within one year	3,440,000	5,257,000	1,501,645	-
Due in more than one year, including premium	47,066,063	52,161,043	18,693,141	-
Total liabilities	<u>116,096,013</u>	<u>73,144,551</u>	<u>33,901,844</u>	<u>131,297,491</u>
Deferred Inflows of Resources				
Prepaid property taxes	13,577,466	-	716,696	-
Pension related	525,672	-	428,748	4,393,959
Total deferred inflows of resources	<u>14,103,138</u>	<u>-</u>	<u>1,145,444</u>	<u>4,393,959</u>
Net Position				
Net investment in capital assets	192,352,765	55,006,528	26,163,220	3,083,746
Restricted:				
Hazard tree removal program	277,840	-	-	-
General government	588,729	-	-	-
Public safety facilities and equipment	8,958,709	-	-	-
Recreation	2,018,755	-	-	-
Education	4,249,190	-	-	2,612,510
Solid waste	5,588,232	-	-	-
Malpractice trust	-	543,806	-	-
Hospital expansion project	-	6,790,937	25,286	-
Unrestricted	11,562,961	91,573,206	18,329,785	(75,117,199)
Total net position	<u>\$ 225,597,181</u>	<u>\$ 153,914,477</u>	<u>\$ 44,518,291</u>	<u>\$ (69,420,943)</u>

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

Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2017

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 23,188,963	\$ 353,496	\$ 3,251,465	\$ -
Solid waste	8,829,329	667,220	48,853	45,365
Public safety	23,412,776	2,679,640	1,160,205	44,298
Recreation	2,542,184	208,106	25,977	162,921
Education	59,079,957	-	2,348,306	994,980
Environmental protection	442,520	-	280,258	-
Roads and trails	11,127,855	-	29,068	4,507,333
Interest on long-term debt	1,800,979	-	-	-
Total primary government	<u>\$ 130,424,563</u>	<u>\$ 3,908,462</u>	<u>\$ 7,144,132</u>	<u>\$ 5,754,897</u>
Component units -				
Central Peninsula Hospital	\$ 148,954,865	\$ 146,313,168	\$ -	\$ -
South Peninsula Hospital	70,408,171	70,147,663	-	-
Kenai Peninsula Borough School District	<u>184,233,514</u>	<u>655,869</u>	<u>17,288,971</u>	<u>-</u>
Total component units	<u>\$ 403,596,550</u>	<u>\$ 217,116,700</u>	<u>\$ 17,288,971</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 - change in reporting blended component unit

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
\$ (19,584,002)	\$ -	\$ -	\$ -
(8,067,891)	-	-	-
(19,528,633)	-	-	-
(2,145,180)	-	-	-
(55,736,671)	-	-	-
(162,262)	-	-	-
(6,591,454)	-	-	-
(1,800,979)	-	-	-
<u>(113,617,072)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	2,641,697	-	-
-	-	(260,508)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,288,674)</u>
-	2,641,697	(260,508)	(166,288,674)
62,797,386	55,422	4,026,425	-
30,400,062	-	-	-
5,227,887	-	12,750	93,465,249
989,550	56,026	33,524	83,033
-	-	-	48,238,432
<u>62,129</u>	<u>(1,851,533)</u>	<u>(1,426,771)</u>	<u>193,157</u>
<u>99,477,014</u>	<u>(1,740,085)</u>	<u>2,645,928</u>	<u>141,979,871</u>
(14,140,058)	901,612	2,385,420	(24,308,803)
239,737,239	152,447,024	42,132,871	(45,112,140)
-	565,841	-	-
<u>239,737,239</u>	<u>153,012,865</u>	<u>42,132,871</u>	<u>(45,112,140)</u>
<u>\$ 225,597,181</u>	<u>\$ 153,914,477</u>	<u>\$ 44,518,291</u>	<u>\$ (69,420,943)</u>

Kenai Peninsula Borough

Governmental Funds
Balance Sheet
June 30, 2017

<u>Assets</u>	<u>General Fund</u>	<u>Solid Waste Capital Project Fund</u>	<u>Nikiski Fire Service Area Special Revenue Fund</u>	<u>Road Service Area Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 1,010	\$ -	\$ 5,771	\$ -	\$ 15,057	\$ 21,838
Equity in central treasury	16,255,264	7,627,627	8,079,021	5,969,820	33,276,033	71,207,765
Receivables (net of allowances for estimated uncollectibles):						
Taxes receivable	7,012,272	-	99,201	199,467	274,352	7,585,292
Accounts receivable	206,586	-	88,862	-	590,286	885,734
Note receivable short-term	648,656	-	-	-	-	648,656
Land sale contracts receivable:						
Current	-	-	-	-	86,047	86,047
Delinquent	-	-	-	-	50,460	50,460
Due from other governments	1,180,898	318	12,141	32,804	2,310,232	3,536,393
Due from special assessment districts	1,985,012	-	-	-	-	1,985,012
Due from other funds	1,241,897	-	-	-	-	1,241,897
Prepays	20,638	-	-	-	61,269	81,907
Note receivable long-term	4,083,154	-	-	-	-	4,083,154
Land sale contracts receivable -						
Long-term	-	-	-	-	485,357	485,357
Restricted assets - Equity in central treasury	-	5,588,232	-	-	-	5,588,232
Total assets	<u>\$ 32,635,387</u>	<u>\$ 13,216,177</u>	<u>\$ 8,284,996</u>	<u>\$ 6,202,091</u>	<u>\$ 37,149,093</u>	<u>\$ 97,487,744</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>						
Liabilities:						
Accounts and retainage payable	1,268,517	10,832	24,714	497,951	2,409,059	4,211,073
Accrued payroll and payroll benefits	333,252	-	56,580	18,694	195,062	603,588
Due to other funds	-	-	-	-	1,241,897	1,241,897
Unearned revenue	87,408	-	6,758	-	597,292	691,458
Total liabilities	<u>1,689,177</u>	<u>10,832</u>	<u>88,052</u>	<u>516,645</u>	<u>4,443,310</u>	<u>6,748,016</u>
Deferred Inflows of resources:						
Prepaid property taxes	6,688,541	-	2,808,766	1,982,178	2,097,981	13,577,466
Property tax receivable - unavailable	1,023,642	-	94,797	192,742	253,396	1,564,577
Land sales - unavailable	-	-	-	-	621,865	621,865
Total deferred inflows of resources	<u>7,712,183</u>	<u>-</u>	<u>2,903,563</u>	<u>2,174,920</u>	<u>2,973,242</u>	<u>15,763,908</u>
Fund balances:						
Nonspendable:						
Long-term notes receivable	4,083,154	-	-	-	-	4,083,154
Prepays	20,638	-	-	-	61,269	81,907
Restricted:						
Landfill closure/postclosure costs	-	6,926,622	-	-	-	6,926,622
Hazard tree removal program	-	-	-	-	277,840	277,840
General government	145,178	-	-	-	443,551	588,729
Public safety	-	-	3,242,370	-	5,716,339	8,958,709
Recreation	-	-	-	-	2,018,755	2,018,755
Education	-	-	-	-	4,249,190	4,249,190
Solid waste	-	5,588,232	-	-	-	5,588,232
Committed:						
Outstanding committed contracts	345,118	2,590	-	-	3,351,343	3,699,051
Software upgrades	19,036	-	-	-	217,951	236,987
Building maintenance and upgrades	-	-	-	-	217,923	217,923
Public safety facilities and equipment	125,000	-	-	-	2,928,767	3,053,767
Recreational facility maintenance	-	-	-	-	244,153	244,153
School facility upgrades	-	-	-	-	580,179	580,179
Solid waste facilities	-	687,901	-	-	-	687,901
Road construction and upgrades	-	-	-	3,499,026	1,262,161	4,761,187
Professional services	181,850	-	-	-	-	181,850
Assigned:						
Subsequent year's expenditures	3,030,042	-	2,051,011	11,500	1,132,430	6,224,983
Minimum fund balance policy	15,284,011	-	-	-	-	15,284,011
General government	-	-	-	-	7,295,939	7,295,939
Unassigned (deficit)	-	-	-	-	(265,249)	(265,249)
Total fund balances	<u>23,234,027</u>	<u>13,205,345</u>	<u>5,293,381</u>	<u>3,510,526</u>	<u>29,732,541</u>	<u>74,975,820</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 32,635,387</u>	<u>\$ 13,216,177</u>	<u>\$ 8,284,996</u>	<u>\$ 6,202,091</u>	<u>\$ 37,149,093</u>	<u>\$ 97,487,744</u>

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

Kenai Peninsula Borough
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2017

Fund balances - total governmental funds		\$ 74,975,820
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		230,468,540
Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable	\$ (46,935,000)	
Unamortized bond premium	(3,571,063)	
Accrued interest	(809,995)	
Unamortized deferred losses	459,618	
Landfill closure	(6,926,622)	
Net pension liability	<u>(47,159,456)</u>	(104,942,518)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time:		
Deferred outflows for pensions	11,925,143	
Deferred inflows for pensions	<u>(525,672)</u>	11,399,471
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.		
Property taxes receivable	1,564,577	
Land sales contracts receivable	621,865	
Accrued interest subsidy	<u>121,729</u>	2,308,171
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.		<u>11,387,697</u>
Net position of governmental activities		<u><u>\$ 225,597,181</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, 2017

	<u>General Fund</u>	<u>Solid Waste Capital Project Fund</u>	<u>Nikiski Fire Service Area Special Revenue Fund</u>	<u>Road Service Area Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 36,542,342	\$ -	\$ 5,306,578	\$ 7,838,357	\$ 12,639,287	\$ 62,326,564
Sales tax	30,400,062	-	-	-	-	30,400,062
Intergovernmental:						
Federal	3,287,614	-	-	-	957,137	4,244,751
State	4,747,851	45,365	92,455	29,069	5,946,079	10,860,819
Investment earnings	493,907	30,604	10,694	9,470	98,748	643,423
Interest subsidy	-	-	-	-	297,570	297,570
Other revenues	1,122,257	-	288,191	-	3,433,099	4,843,547
Total revenues	<u>76,594,033</u>	<u>75,969</u>	<u>5,697,918</u>	<u>7,876,896</u>	<u>23,371,920</u>	<u>113,616,736</u>
Expenditures:						
General government	16,256,728	-	-	-	2,538,826	18,795,554
Solid waste	5,859,101	621,673	-	-	-	6,480,774
Public safety	514,000	-	4,455,340	-	17,665,239	22,634,579
Recreation	-	-	-	-	2,094,900	2,094,900
Education	49,018,390	-	-	-	6,416,573	55,434,963
Environmental protection	-	-	-	-	442,520	442,520
Roads and trails	-	-	-	6,673,799	3,416,341	10,090,140
Debt service:						
Principal	-	-	-	-	2,795,000	2,795,000
Interest and other	-	-	-	-	2,093,414	2,093,414
Total expenditures	<u>71,648,219</u>	<u>621,673</u>	<u>4,455,340</u>	<u>6,673,799</u>	<u>37,462,813</u>	<u>120,861,844</u>
Excess (deficiency) of revenues over expenditures	<u>4,945,814</u>	<u>(545,704)</u>	<u>1,242,578</u>	<u>1,203,097</u>	<u>(14,090,893)</u>	<u>(7,245,108)</u>
Other financing sources (uses):						
Bonds issued	-	5,405,000	-	-	-	5,405,000
Premium on bond issuance	-	627,505	-	-	-	627,505
Insurance proceeds	-	-	-	-	818,949	818,949
Transfers in	193	942,736	-	-	10,647,272	11,590,201
Transfers out	(7,490,816)	-	(1,062,504)	(1,500,000)	(1,536,881)	(11,590,201)
Net other financing sources (uses)	<u>(7,490,623)</u>	<u>6,975,241</u>	<u>(1,062,504)</u>	<u>(1,500,000)</u>	<u>9,929,340</u>	<u>6,851,454</u>
Net change in fund balances	(2,544,809)	6,429,537	180,074	(296,903)	(4,161,553)	(393,654)
Fund balances at beginning of year	<u>25,778,836</u>	<u>6,775,808</u>	<u>5,113,307</u>	<u>3,807,429</u>	<u>33,894,094</u>	<u>75,369,474</u>
Fund balances at end of year	<u>\$ 23,234,027</u>	<u>\$ 13,205,345</u>	<u>\$ 5,293,381</u>	<u>\$ 3,510,526</u>	<u>\$ 29,732,541</u>	<u>\$ 74,975,820</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, 2017

Net change in fund balances - total governmental funds \$ (393,654)

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	\$ 7,631,537	
Less current year depreciation	<u>(10,968,586)</u>	(3,337,049)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position. 180,802

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 position. Also, governmental funds report the effect of 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	(5,405,000)	
Principal payments	2,795,000	
Net increase in bond premium	(296,097)	
Net decrease in bond deferred loss	<u>(80,570)</u>	(2,986,667)

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	470,822	
Land sales	(115,636)	
Accrued interest subsidy	<u>(4,516)</u>	350,670

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.

Increase in accrued interest	41,597	
Increase in landfill closure cost	<u>(830,435)</u>	(788,838)

Changes related to net pension liability and related accounts can increase or decrease net position. This is the net decrease in equity due to changes in net position liability and the related deferred inflows and outflows. (9,230,401)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position of internal service funds is reported with governmental activities. 2,065,079

Change in net position of governmental activities \$ (14,140,058)

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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 36,832,643	\$ 36,862,643	\$ 36,542,342	\$ (320,301)
Sales tax	30,286,082	30,286,082	30,400,062	113,980
Intergovernmental	8,379,751	8,826,577	8,035,465	(791,112)
Investment earnings	950,000	950,000	493,907	(456,093)
Other	1,100,000	1,100,000	1,122,257	22,257
Total revenues	<u>77,548,476</u>	<u>78,025,302</u>	<u>76,594,033</u>	<u>(1,431,269)</u>
Expenditures:				
General government:				
Assembly:				
Personnel	868,713	884,654	791,292	93,362
Supplies	32,193	30,308	5,404	24,904
Services	559,202	552,366	421,275	131,091
Capital outlay	3,600	12,320	10,008	2,312
Total assembly	<u>1,463,708</u>	<u>1,479,648</u>	<u>1,227,979</u>	<u>251,669</u>
Mayor:				
Personnel	1,162,712	1,119,230	1,001,801	117,429
Supplies	5,825	6,495	3,733	2,762
Services	98,300	107,324	70,942	36,382
Capital outlay	4,700	20,706	5,552	15,154
Total mayor	<u>1,271,537</u>	<u>1,253,755</u>	<u>1,082,028</u>	<u>171,727</u>
Human resources:				
Personnel	872,407	894,067	849,036	45,031
Supplies	26,476	23,657	18,234	5,423
Services	154,111	156,880	145,314	11,566
Capital outlay	1,275	1,325	1,248	77
Total human resources	<u>1,054,269</u>	<u>1,075,929</u>	<u>1,013,832</u>	<u>62,097</u>
Information technology:				
Personnel	1,600,585	1,641,468	1,498,000	143,468
Supplies	41,298	38,596	27,812	10,784
Services	368,276	368,276	311,459	56,817
Capital outlay	22,775	25,477	25,330	147
Total information technology	<u>2,032,934</u>	<u>2,073,817</u>	<u>1,862,601</u>	<u>211,216</u>
Legal:				
Personnel	817,321	795,783	764,697	31,086
Supplies	3,300	3,300	1,878	1,422
Services	135,855	352,947	217,030	135,917
Capital outlay	2,300	2,000	1,111	889
Total legal	<u>958,776</u>	<u>1,154,030</u>	<u>984,716</u>	<u>169,314</u>
Finance:				
Personnel	2,672,403	2,708,850	2,488,665	220,185
Supplies	18,100	18,100	14,594	3,506
Services	646,399	670,699	565,053	105,646
Capital outlay	9,600	12,147	9,870	2,277
Total finance	<u>3,346,502</u>	<u>3,409,796</u>	<u>3,078,182</u>	<u>331,614</u>
Assessing:				
Personnel	2,902,090	2,970,916	2,741,743	229,173
Supplies	9,700	10,700	7,254	3,446
Services	430,850	429,850	358,467	71,383
Capital outlay	34,000	34,000	4,251	29,749
Total assessing	<u>3,376,640</u>	<u>3,445,466</u>	<u>3,111,715</u>	<u>333,751</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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 2,192,369	\$ 2,246,848	\$ 2,015,117	\$ 231,731
Supplies	68,747	57,035	35,685	21,350
Services	455,025	767,525	468,189	299,336
Capital outlay	10,800	22,512	16,384	6,128
Total planning	<u>2,726,941</u>	<u>3,093,920</u>	<u>2,535,375</u>	<u>558,545</u>
Capital projects administration:				
Personnel	208,550	227,866	211,939	15,927
Supplies	11,382	9,782	3,098	6,684
Services	73,526	71,726	50,079	21,647
Capital outlay	3,765	7,165	6,510	655
Total capital projects administration	<u>297,223</u>	<u>316,539</u>	<u>271,626</u>	<u>44,913</u>
Economic Development:				
Services	512,500	512,500	512,500	-
Total Economic Development	<u>512,500</u>	<u>512,500</u>	<u>512,500</u>	<u>-</u>
Non-departmental:				
Personnel	50,000	50,000	10,456	39,544
Services	826,230	837,432	565,717	271,715
Total non-departmental	<u>876,230</u>	<u>887,432</u>	<u>576,173</u>	<u>311,259</u>
Total general government	<u>17,917,260</u>	<u>18,702,832</u>	<u>16,256,727</u>	<u>2,446,105</u>
Public safety:				
Personnel	467,159	473,629	304,801	168,828
Supplies	51,250	39,750	15,589	24,161
Services	247,944	259,444	189,803	69,641
Capital outlay	5,350	5,350	3,807	1,543
Total public safety	<u>771,703</u>	<u>778,173</u>	<u>514,000</u>	<u>264,173</u>
Solid waste:				
Personnel	2,066,740	2,109,393	1,937,770	171,623
Supplies	407,857	399,999	261,740	138,259
Services	4,012,548	3,991,460	3,620,761	370,699
Capital outlay	22,750	57,897	38,831	19,066
Total solid waste	<u>6,509,895</u>	<u>6,558,749</u>	<u>5,859,102</u>	<u>699,647</u>
Education:				
School District contributions	48,238,432	48,238,432	48,238,432	-
Post secondary education	779,958	779,958	779,958	-
Total education	<u>49,018,390</u>	<u>49,018,390</u>	<u>49,018,390</u>	<u>-</u>
Total expenditures	<u>74,217,248</u>	<u>75,058,144</u>	<u>71,648,219</u>	<u>3,409,925</u>
Excess of revenues over expenditures	3,331,228	2,967,158	4,945,814	1,978,656
Other financing sources (uses):				
Transfers in	-	193	193	-
Transfers out	(7,031,989)	7,472,989	(7,490,816)	(14,963,805)
Total other financing sources (uses)	<u>(7,031,989)</u>	<u>7,473,182</u>	<u>(7,490,623)</u>	<u>(14,963,805)</u>
Net changes in fund balance	(3,700,761)	10,440,340	(2,544,809)	(12,985,149)
Fund balance at beginning of year	<u>25,778,836</u>	<u>25,778,836</u>	<u>25,778,836</u>	<u>-</u>
Fund balance at end of year	<u>\$ 22,078,075</u>	<u>\$ 36,219,176</u>	<u>\$ 23,234,027</u>	<u>\$ (12,985,149)</u>

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

Kenai Peninsula Borough
Nikiski Fire Service Area Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 5,300,406	\$ 5,300,406	\$ 5,253,168	\$ (47,238)
Motor vehicle tax	55,042	55,042	53,410	(1,632)
Intergovernmental:				
State	-	92,455	92,455	-
Investment earnings	72,983	72,983	10,694	(62,289)
Other revenues	275,000	275,000	288,191	13,191
Total revenues	<u>5,703,431</u>	<u>5,795,886</u>	<u>5,697,918</u>	<u>(97,968)</u>
Expenditures:				
Personnel	3,551,888	3,644,343	3,517,222	127,121
Supplies	257,460	257,460	162,456	95,004
Services	709,688	709,688	619,392	90,296
Capital outlay	157,791	157,791	156,270	1,521
Total expenditures	<u>4,676,827</u>	<u>4,769,282</u>	<u>4,455,340</u>	<u>313,942</u>
Excess (deficiency) of revenues over expenditures	<u>1,026,604</u>	<u>1,026,604</u>	<u>1,242,578</u>	<u>215,974</u>
Other financing sources (uses):				
Transfers (out)	<u>(1,062,504)</u>	<u>(1,062,504)</u>	<u>(1,062,504)</u>	<u>-</u>
Net change in fund balance	(35,900)	(35,900)	180,074	215,974
Fund balance at beginning of year	<u>5,113,307</u>	<u>5,113,307</u>	<u>5,113,307</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,077,407</u>	<u>\$ 5,077,407</u>	<u>\$ 5,293,381</u>	<u>\$ 215,974</u>

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

Kenai Peninsula Borough
Road Service Area Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
General property taxes	\$ 7,762,849	\$ 7,762,849	\$ 7,694,053	\$ (68,796)
Motor vehicle tax	145,869	145,869	144,304	(1,565)
Intergovernmental:				
State	-	29,068	29,069	1
Investment earnings	37,850	37,850	9,470	(28,380)
Other revenues	-	-	-	-
Total revenues	<u>7,946,568</u>	<u>7,975,636</u>	<u>7,876,896</u>	<u>(98,740)</u>
Expenditures:				
Personnel	1,128,665	1,157,733	1,049,985	107,748
Supplies	84,445	80,702	50,026	30,676
Services	5,236,946	5,749,280	5,564,256	185,024
Capital outlay	1,850	10,743	9,532	1,211
Total expenditures	<u>6,451,906</u>	<u>6,998,458</u>	<u>6,673,799</u>	<u>324,659</u>
Excess (deficiency) of revenues over expenditures	<u>1,494,662</u>	<u>977,178</u>	<u>1,203,097</u>	<u>225,919</u>
Other financing sources (uses):				
Transfers (out)	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
Net change in fund balance	(5,338)	(522,822)	(296,903)	225,919
Fund balance at beginning of year	<u>3,350,964</u>	<u>3,350,964</u>	<u>3,807,429</u>	<u>456,465</u>
Fund balance at end of year	<u><u>\$ 3,345,626</u></u>	<u><u>\$ 2,828,142</u></u>	<u><u>\$ 3,510,526</u></u>	<u><u>\$ 682,384</u></u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Net Position
June 30, 2017

	Governmental Activities Internal Service Funds
Assets	
Current assets:	
Cash and short-term investments	\$ 182,932
Equity in central treasury	14,037,626
	14,220,558
Prepays	36,904
Other receivables	195,562
Total current assets	14,453,024
Capital assets:	
Equipment	4,400,546
Less accumulated depreciation	(2,278,115)
Total capital assets (net of accumulated depreciation)	2,122,431
Total assets	\$ 16,575,455
Liabilities	
Current liabilities:	
Accounts and contracts payable	\$ 3,423
Accrued payroll and payroll benefits	7,470
Compensated absences	675,815
Claims payable	2,473,604
Total current liabilities	3,160,312
Noncurrent liabilities - Compensated absences	2,027,446
Total liabilities	5,187,758
Net Position	
Investment in capital assets	2,122,431
Restricted advance from General Fund	300,000
Unrestricted	8,965,266
Total net position	\$ 11,387,697

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, 2017

	Governmental Activities Internal Service Funds
Operating revenues:	
Charges for sales and services	\$ 14,038,957
Other operating revenues	<u>15,997</u>
Total operating revenues	<u>14,054,954</u>
 Operating expenses:	
Administrative services	3,009,071
Insurance premiums	2,012,665
Self-insured losses	6,533,641
Depreciation	<u>511,648</u>
Total operating expenses	<u>12,067,025</u>
 Operating income (loss)	 <u>1,987,929</u>
 Non-operating revenues (expense):	
Investment earnings	53,072
Gain (loss) on disposal of assets	<u>24,078</u>
Net non-operating revenues (expense)	<u>77,150</u>
 Change in net position	 2,065,079
Net position at beginning of year	<u>9,322,618</u>
 Net position at end of year	 <u>\$ 11,387,697</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, 2017

	Governmental Activities Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 14,038,957
Payments to suppliers	(9,328,477)
Payments to employees	(2,491,287)
Other program revenue	12,940
Net cash provided by operating activities	2,232,133
Cash flows for capital and related financing activities:	
Purchase of capital assets	(449,495)
Proceeds from sale of capital assets	17,470
Net cash used by capital and related financing activities	(432,025)
Cash flows from investing activities:	
Investment earnings	53,072
Net cash provided by investing activities	53,072
Net Increase in cash and cash equivalents	1,853,180
Cash and cash equivalents at beginning of year	12,367,378
Cash and cash equivalents at end of year	\$ 14,220,558
Reconciliation of cash and cash equivalents to Statement of Net Position:	
Cash and short-term investments	182,932
Equity in central treasury	14,037,626
Cash and cash equivalents, end of year	\$ 14,220,558
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,987,929
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	511,648
Change in assets and liabilities:	
Increase (decrease) in accounts and contracts payable	(1,356)
Increase (decrease) in accrued payroll and payroll benefits	(14,414)
Increase (decrease) in claims payable	(618,085)
Increase (decrease) in compensated absences	209,030
(Increase) decrease in prepaid expenses	(10,659)
(Increase) decrease in other receivables	168,040
Total adjustments	244,204
Net cash provided (used) by operating activities	\$ 2,232,133

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

Kenai Peninsula Borough
 Fiduciary Funds
 Statement of Fiduciary Fund Assets & Liabilities
 June 30, 2017

	Agency Funds
<u>Assets</u>	
Equity in central treasury	\$1,733,753
Taxes receivable	149,815
Due from landowners	1,467,529
 Total assets	 \$3,351,097
 <u>Liabilities</u>	
Accounts payable	402
Deferred administration fee	93,077
Due to landowners	421,939
Loans payable	2,473,185
Due to other entities:	
City of Homer	135,286
City of Kachemak City	113
City of Kenai	150,340
City of Seldovia	9,852
City of Seward	55,455
City of Soldotna	11,448
 Total liabilities	 \$3,351,097

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

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INDEX TO NOTES

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

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Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2017

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.

On April 7, 2016, Central Peninsula Health Foundation (the Foundation), filed a certificate of amendment with the State of Alaska changing its nonprofit status to that of a supporting organization of Central Peninsula Hospital. The Hospital has paid various expenses on behalf of the Foundation, and leased employees to the Foundation to sustain its operations. The Foundation is reported as a blended component unit of the Hospital because it provides services and benefits almost exclusively for the Hospital.

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 requirements 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 period for which they are used 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 accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Capital Projects Fund accounts for acquisition and construction of major capital facilities of the solid waste program.

The Nikiski Fire Service Area Special Revenue Fund accounts for operating expenditures of the Nikiski Fire Service Area.

The Road Service Area Special Revenue Fund accounts for operating expenditures of the Road Service Area.

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 Bear Creek Fire, North Peninsula Recreation, Seldovia Recreational, Central Emergency Services, Nikiski Fire, Anchor Point Fire and Emergency Medical Service Area and Kachemak Emergency Service Area and the discretely presented Component Units; School District, SPH and CPH; have cash which is not aggregated in the central treasury. At June 30, 2017, 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 petty cash, cash held in bank accounts and investments for certain Borough Funds, School District Funds and 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 1.20% 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, 2017 are recorded as prepaid items. Prepaids are recognized when incurred and the expenditure is recorded in the period that is benefited using the consumption method.

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 works of art and similar items are valued at their acquisition 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, subject to certain restrictions. The obligation of accumulated unpaid personal leave amounts to \$2,703,261 at June 30, 2017. Of the total accumulated unpaid vacation at June 30, 2017, \$675,815 is expected to be paid out within one year; this is an increase of \$52,257 from June 30, 2016. 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 \$344,417 at June 30, 2017, a decrease of \$106,845 from June 30, 2016.

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 or 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, 2017 were:

Description/Program	Major Funds		Nonmajor
	General Fund	Solid Waste Capital Project Fund	Other Gov’t Funds
Audit services	\$ 67,918	\$ -	\$ -
School roof projects	-	-	1,541,783
School facility improvements	-	-	219,790
Roads/Paths construction and upgrades	-	-	2,094,630
Solid Waste Facilities	-	4,448,555	-
Professional services	164,664	-	-
Public safety construction	-	-	402,963
Total	\$ <u>232,582</u>	\$ <u>4,448,555</u>	\$ <u>4,259,166</u>

10. Pensions

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

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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.

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, Lowell Point Emergency, and Miscellaneous Grants Fund. All annual appropriations lapse at fiscal year end.

Annual budgets are also adopted for the internal service funds. However, generally accepted accounting principles do not require the adoption of budgets for internal service funds, and budgetary comparisons are not included for these funds because the measurement focus is based upon determination of net income and financial position.

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. After the initial introduction at any meeting of the assembly of an ordinance, other than an emergency ordinance or one that adds to, amends, or repeals any provision in the Kenai Peninsula Borough Code, at least 13 days shall be allowed to pass before the public hearing and Assembly vote occurs. For ordinances that add to, amend, or repeal any provision in the Kenai Peninsula Borough Code, at least 25 days shall be allowed to pass before the public hearing and Assembly vote occurs. 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.

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.

III – Detailed Notes on all Funds

A. Deposit and Investment Risk Disclosure

As of June 30, 2017, the Borough's investments were as follows:

Investment Type	Fair Value*	Fixed Income Investment Maturities (in years)		
		Less than 1	1-3	3-5
Central Treasury – Unrestricted				
Cash & Money Market Funds	\$ 16,849,644	\$ 16,849,644	\$ -	\$ -
Repurchase Agreements	8,711,569	8,711,569	-	-
U.S. Treasuries	7,030,070	-	-	7,030,070
U.S. Agencies	36,329,237	8,536,112	12,057,984	15,735,141
Asset-Backed Securities**	10,360,478	-	6,330,600	4,029,878
Municipal Securities	22,692,970	-	10,665,241	12,027,729
Corporate Fixed Income Securities	37,260,385	3,016,831	34,243,554	-
	<u>\$ 139,234,353</u>	<u>\$ 37,114,156</u>	<u>\$ 63,297,379</u>	<u>\$ 38,822,818</u>
Central Treasury – Restricted				
Cash & Money Market Funds	17,641,815	17,641,815	-	-
Repurchase Agreements	11,137,981	11,137,981	-	-
U.S. Treasuries	9,297,787	9,297,787	-	-
	<u>\$ 38,077,583</u>	<u>\$ 38,077,583</u>	<u>-</u>	<u>-</u>
Total Cash and Investments	<u>\$ 177,311,936</u>	<u>\$ 75,191,739</u>	<u>\$ 63,297,379</u>	<u>\$ 38,822,818</u>

*Market value plus accrued income.

**Includes asset-backed securities, residential and commercial mortgage-backed securities.

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.

Fair Value Measurement: The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Borough has the following recurring fair value measurements as of June 30, 2017:

Investments Measured at Fair Value

Investments by Fair Value Level	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 7,617,882	\$ 6,817,927	\$ 799,955	\$ -
U.S. Treasuries	16,327,857	16,327,857	-	-
U.S. Agencies	36,329,237	-	36,329,237	-
Asset-Backed Securities	10,360,478	-	10,360,478	-
Municipal Bonds	22,692,970	-	22,692,970	-
Corporate Bonds	37,260,385	-	37,260,385	-
Total Investments at fair value level	130,588,809	\$ 23,145,784	\$ 107,443,025	\$ -
AMLIP *	26,873,578			
Total	\$ 157,462,387			

* The Borough's investment in AMLIP is measured at net asset value, as of June 30, 2017. Management believes these values approximate fair value.

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%	43%
One to Three Years	30%	35%
Three to Five Years	30%	22%

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The Borough invests in securities issued by U.S. Government Agencies and highly rated corporate issuers that may contain call options. As of June 30, 2017, about \$10.9 million or 7.5% of the portfolio securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

<u>Investment</u>	<u>Type of Call</u>	<u>Next Call Date</u>
Federal Home Loan Mortgage Corporation	Quarterly call	August 11, 2017
Federal Home Loan Mortgage Corporation	Quarterly call	September 22, 2017
US Bank N.A.	One-time call	December 24, 2019
Exxon Mobil Corporation	One-time call	February 15, 2019
Exxon Mobil Corporation	One-time call	February 6, 2020
JP Morgan Chase Bank	One-time call	August 23, 2019

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, 2017</u>
U.S. Treasury Securities	100%	5 years	9.2%
U.S. Agencies	100%	5 years	26.3%
Corporate bonds	50%	5 years	21.0%
Municipal bonds	25%	5 years	12.8%
Repurchase agreements	20%	n/a	11.2%
Money market funds	20%	n/a	4.3%
AMLIP	20%	n/a	15.2%
Bankers' Acceptances	10%	3 years	0%
Commercial Paper	25%	270 days	0%

Term Repurchase Agreements and Certificates of Deposit:

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, 2017 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>Moody's</u>		<u>S & P</u>	
Aaa	59%	AAA	25%
Aa	22%	AA	57%
A	3%	A	2%
Not rated*	16%	Not Rated*	16%
	<u>100%</u>		<u>100%</u>

*Collateralized

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 \$19.8 million in repurchase agreements at June 30, 2017, \$19.6 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 remaining balance of \$.2 million is in the Borough's overnight sweep account and the funds have not been posted to the Borough's bank account. When received, the funds will be collateralized. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000.

Cash and short-term investment balances at June 30, 2017, 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	\$ (1,323,303)	\$ 213,403
Discretely Presented Component Unit (School District)	<u>(2,071,074)</u>	<u>-</u>
Total cash and short-term investments held in central treasury	<u>(3,394,377)</u>	<u>213,403</u>
Other cash and investments:		
Checking and savings accounts:		
Primary Government	202,660	248,721
Cash on hand:		
Primary Government	<u>2,110</u>	<u>-</u>
Total other cash and short-term investments	<u>204,770</u>	<u>248,721</u>
Total cash and short-term investments	\$ <u>(3,189,607)</u>	\$ <u>462,124</u>

The following is a summary of equity in central treasury and investments at June 30, 2017:

General Fund	\$ 16,255,264
Special revenue funds	31,441,060
Capital projects funds	23,511,441
Capital project funds – Restricted	5,588,232
Internal service funds	<u>14,037,626</u>
Total Primary Government equity in central treasury	\$ <u>90,833,623</u>
Fiduciary funds	\$ 1,733,753
<u>Discretely Presented Component Units</u>	
School District agency funds	\$ 2,726,367
School District	31,363,351
Central Peninsula Hospital	4,957,556
Central Peninsula Hospital – Restricted assets	5,175,761
Central Peninsula Hospital – Assets whose use is limited	28,890,928
South Peninsula Hospital	4,225,326
South Peninsula Hospital – Restricted assets	3,817,196
South Peninsula Hospital – Assets whose use is limited	<u>193,698</u>
Total equity in central treasury	\$ <u>173,917,559</u>

The equity in central treasury consists of the following:

Cash and short-term investments	\$ (3,394,377)
Investments	<u>177,311,936</u>
	\$ <u>173,917,559</u>

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

Fair value at June 30, 2017	\$ 177,311,936
Add: cost of investments sold/called/matured in FY2017	90,079,643
Less: cost of investments purchased in FY2017	(86,342,026)
Less: fair value at June 30, 2016	<u>(182,759,580)</u>
Change in fair value of investments	\$ <u>(1,710,027)</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 FY1989, 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 2% - 4.5%. The sales tax collections for Borough cities are recorded in the Fiduciary Tax Agency Fund.

Property Tax Calendar

Assessment date	January 1, 2016	Total taxes are due	October 15, 2016
Levy date	Not later than June 15, 2016	Penalties & interest added	October 17, 2016
Tax bills mailed	Not later than July 1, 2016	Lien date	April 15, 2017

Property taxes levied for the current year are recognized as revenues, even though a portion is collected in the period subsequent to the year end. The Borough's property tax collection records show that approximately 96.7% 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.

C. Receivables

Receivables at June 30, 2017 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:

	Major funds				Nonmajor		Internal Service Funds	Fiduciary Funds	Total
	General	Nikiski Fire Service Area	Road Service Area	Solid Waste Capital Project Fund	Other Gov't Funds				
Taxes	\$ 7,034,523	\$ 101,911	\$ 202,605	\$ -	\$ 278,695	\$ -	\$ 149,815	\$ 7,767,549	
Accounts and other receivables	206,586	88,862	-	-	590,286	195,562	1,467,529	2,548,825	
Notes receivable	4,731,810	-	-	-	-	-	-	4,731,810	
Land sale contracts	-	-	-	-	621,865	-	-	621,865	
Special assessment districts	1,985,012	-	-	-	-	-	-	1,985,012	
Intergovernmental	<u>1,180,898</u>	<u>12,141</u>	<u>32,804</u>	<u>318</u>	<u>2,310,232</u>	-	-	<u>3,536,393</u>	
Total receivables	15,138,829	202,914	235,409	318	3,798,078	195,562	1,617,344	21,191,454	
Less allowance for uncollectibles	<u>(22,251)</u>	<u>(2,710)</u>	<u>(3,138)</u>	<u>-</u>	<u>(4,343)</u>	<u>-</u>	<u>-</u>	<u>(32,442)</u>	
	<u>\$ 15,116,578</u>	<u>\$ 200,204</u>	<u>\$ 232,271</u>	<u>\$ 318</u>	<u>\$ 3,796,735</u>	<u>\$ 195,562</u>	<u>\$ 1,617,344</u>	<u>\$ 21,159,012</u>	

City of Homer Note Receivable

In FY2013, a loan agreement was executed between the Kenai Peninsula Borough and the City of Homer in the not-to-exceed amount of \$12.7 million to finance the design and construction of a natural gas distribution improvement project in the City of Homer. As of June 30, 2017, the principal balance due is \$4,578,766 with accrued interest of \$153,044. The principal amount due within one year is \$648,656.

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 position by the governmental funds that are applicable to a future reporting period as deferred inflows of resources and consumption of net position that are applicable to future periods as deferred outflows. At June 30, 2017, the various components of unearned revenue, deferred inflows, and deferred outflows of resources reported in the governmental funds were as follows:

	Government-Wide			Fund Level	
	Deferred <u>Outflows</u>	Deferred <u>Inflows</u>	<u>Unearned</u>	Deferred <u>Inflows</u>	<u>Unearned</u>
Unamortized deferred loss	\$ 459,618	\$ -	\$ -	\$ -	\$ -
Pension related	11,925,143	525,672	-	-	-
Property taxes receivable (General Fund)	-	-	-	1,023,642	-
Prepaid property tax (General Fund)	-	6,688,541	-	6,688,541	-
Property taxes receivable (Nikiski Fire Service Area)	-	-	-	94,797	-
Prepaid property tax (Nikiski Fire Service Area)	-	2,808,766	-	2,808,766	-
Property taxes receivable (Road Service Area)	-	-	-	192,742	-
Prepaid property tax (Road Service Area)	-	1,982,178	-	1,982,178	-
Property taxes receivable (nonmajor gov't funds)	-	-	-	253,396	-
Prepaid property tax (nonmajor gov't funds)	-	2,097,981	-	2,097,981	-
Miscellaneous prepaid (General Fund)	-	-	87,408	-	87,408
Land sale receivables (nonmajor governmental funds)	-	-	-	621,865	-
Grant funds received prior to meeting all eligibility requirements (Nikiski Fire Service Area)	-	-	6,758	-	6,758
Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds)	-	-	597,292	-	597,292
	<u>\$ 12,384,761</u>	<u>\$ 14,103,138</u>	<u>\$ 691,458</u>	<u>\$15,763,908</u>	<u>\$ 691,458</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities:	Balance July 1, 2016	Additions/ Transfers	Deductions/ Transfers *	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 70,725,321	\$ 152,922	\$ (1,787)	\$ 70,876,456
Construction in progress	<u>13,797,550</u>	<u>1,915,764</u>	<u>(6,131,078)</u>	<u>9,582,236</u>
Total capital assets, not being depreciated	<u>84,522,871</u>	<u>2,068,686</u>	<u>(6,132,865)</u>	<u>80,458,692</u>
Capital assets, being depreciated:				
Buildings	297,106,838	3,146,488	(430,000)	299,823,326
Improvements other than buildings	89,896,111	3,135,570	-	93,031,681
Machinery and equipment	36,533,965	4,734,832	(845,377)	40,423,420
Infrastructure	<u>17,309,036</u>	<u>1,126,534</u>	<u>-</u>	<u>18,435,570</u>
Total capital assets being depreciated	<u>440,845,950</u>	<u>12,143,424</u>	<u>(1,275,377)</u>	<u>451,713,997</u>
Less accumulated depreciation for:				
Buildings	(200,074,144)	(5,428,109)	459,637	(205,042,616)
Improvements other than buildings	(60,463,508)	(2,415,774)	140,638	(62,738,644)
Machinery and equipment	(25,462,114)	(3,150,004)	837,509	(27,774,609)
Infrastructure	<u>(3,539,502)</u>	<u>(486,347)</u>	<u>-</u>	<u>(4,025,849)</u>
Total accumulated depreciation	<u>(289,539,268)</u>	<u>(11,480,234)</u>	<u>1,437,784</u>	<u>(299,581,718)</u>
Total capital assets, being depreciated, net	<u>151,306,682</u>	<u>663,190</u>	<u>162,407</u>	<u>152,132,279</u>
Governmental activities capital assets, net	<u>\$ 235,829,553</u>	<u>\$ 2,731,876</u>	<u>\$ (5,970,458)</u>	<u>\$ 232,590,971</u>

* The accumulated depreciation deductions/transfers in the table above include immaterial adjustments as well as deductions from deletion of assets.

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	\$ 707,566
Solid waste facilities	1,513,891
Public safety	2,563,213
Recreation	221,338
Schools	5,446,968
Road maintenance, including infrastructure assets	515,610
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>511,648</u>
Total depreciation expense - governmental activities	<u>\$ 11,480,234</u>

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2017. The projects include major repair of existing roads, improvement to school facilities and public safety facilities. 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	\$ 2,284,481	Federal and state grants and local funding
Recreation facilities	6,675	Federal and state grants and local funding
Solid waste facilities	3,877,714	Federal and state grants and local funding
Fire and emergency facilities	205,014	Federal and state grants and local funding
General government facility improvements	29,840	General fund operating funds
Improvement to school facilities	<u>1,822,560</u>	State grants, general obligation bonds and local funding
Total	\$ <u>8,226,284</u>	

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2017 is as follows:

The General Fund has made a short-term loan of \$222,583 to the Disaster Relief Fund, and \$825,195 to the Miscellaneous Grants Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies and taxes receivable. In 2014, the Borough Assembly approved an interfund loan from the General Fund to the Kachemak Emergency Service Area in an amount not to exceed \$275,000 to supplement local and grant funding totaling \$300,000 for the purchase of an aerial quint fire apparatus. As of June 30, 2017, the amount outstanding was \$194,119. The General Fund has made loans in the amount of \$1,985,012 to the Special Assessment Districts for utility/road improvements. Property owners 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	\$ 1,241,897	\$ -
Nonmajor governmental funds	-	<u>1,241,897</u>
Total	\$ <u>1,241,897</u>	\$ <u>1,241,897</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 \$48,238,432.

Transfers between funds for the year ended June 30, 2017, were as follows:

	Transfers In			
	Major Funds			Total
	General Fund	Solid Waste Capital Project Fund	Nonmajor Gov't Funds	
Transfers Out:				
General Fund	\$ -	\$ 942,736	\$ 6,548,080	\$ 7,490,816
Nikiski Fire Service Area Special Revenue Fund	-	-	1,062,504	1,062,504
Road Service Area Special Revenue Fund	-	-	1,500,000	1,500,000
Nonmajor governmental funds	193		1,536,688	1,536,881
Total	\$ 193	\$ 942,736	\$ 10,647,272	\$ 11,590,201

Significant transfers were as follows:

- The General Fund transferred \$4,126,067 to the School Debt Service Fund to fund FY2017 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$2,283,650 was reimbursed by the State of Alaska.
- The General Fund transferred \$1,425,000 to the School Revenue Capital Projects Fund to fund capital maintenance on school facilities, \$250,000 to the General Government Capital Projects Fund to fund general government capital projects and \$914,400 to the Solid Waste Capital Projects Fund to fund capital maintenance projects on solid waste facilities.
- The General Fund transferred \$456,368 to the 911 Communications Special Revenue Fund to support expenditures of the program.
- The General Fund transferred \$52,981 to nonmajor governmental funds to support expenditures of the programs.
- The Nikiski Fire Service Area transferred \$1,000,000 to the Nikiski Fire Capital Project Fund to support fire equipment and facility maintenance capital projects.
- The Nikiski Fire Service Area transferred \$62,504 to 911 Communications Special Revenue Fund to support expenditures of the program.
- The Road Service Area transferred \$1,500,000 to the Road Capital Project Fund to support road upgrades and major maintenance.

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 retentions and

deductibles. New claims and outstanding claims are reviewed monthly by the Borough Attorney, and the Risk Manager. There were no material changes in the amounts of coverages, retentions or deductibles 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 property loss, auto liability and general liability due to the number of properties and the fleet of vehicles owned and operated by the Borough and School District. The Borough also purchases aviation non-owned liability coverage which attaches excess of any other valid and collectible insurance. The Borough purchased pollution liability coverage for incidents arising from Borough owned landfills effective July 1, 2016.

Insurers provide annual aggregate limits in excess of our retention level for the exposures of general liability, auto liability, public officials' liability, educational errors and omissions and ambulance attendants' professional liability. Insurance coverage for these various liability exposures are written on a combined policy form. Self-insured retention/deductible amounts and upper coverage limits of excess insurance for major coverages are as follows:

	<u>Self-Insured Retention/ Deductible</u>	<u>Upper Coverage Limits of Excess Insurance</u>
Auto and general liability	\$ 250,000	\$ 30,000,000
Employers liability	250,000	2,500,000
Workers' compensation	250,000	Statutory benefits
Property:		
Buildings	100,000	1,000,000,000
Fire & EMS apparatus	-	Cash value
Other vehicles	20,000	Cash value
Crime coverage	1,000	500,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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>2017</u>	<u>2016</u>
Beginning of fiscal year liability	\$ 2,272,202	\$ 2,934,860
Current year claims incurred and changes in estimates for claims incurred in prior years	909,513	1,119,533
Claims and expenses paid	(1,464,897)	(1,782,191)
End of fiscal year liability	\$ <u>1,716,818</u>	\$ <u>2,272,202</u>

Included above is a liability for incurred but not reported (IBNR) claims of \$907,475. 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

\$6,173,585 and \$6,725,823 for the years ended June 30, 2017 and 2016, 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 healthcare claims liability for the two years ended June 30, 2016 and 2015 follows:

	<u>2017</u>	<u>2016</u>
Health insurance claims liabilities, beginning of year	\$ 819,487	\$ 1,011,335
Current year claims incurred and changes in estimates for claims incurred in prior years	5,561,427	6,062,846
Claims and expenses paid	<u>(5,624,128)</u>	<u>(6,254,694)</u>
Health insurance claims liabilities, end of year	<u>\$ 756,786</u>	<u>\$ 819,487</u>

H. Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2017 is as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due within one year</u>
Governmental activities:					
Areawide school bonds	\$ 39,340,000	\$ -	\$ 2,550,000	\$ 36,790,000	\$ 2,310,000
Central Emergency Services bonds	3,890,000	-	200,000	3,690,000	285,000
Bear Creek Fire bonds	1,095,000	-	45,000	1,050,000	45,000
Solid Waste bonds	-	5,405,000	-	5,405,000	800,000
Compensated absences	2,494,231	2,212,039	2,003,007	2,703,261	675,815
Net Pension Liability	31,397,382	15,762,074	-	47,159,456	-
Landfill closure / postclosure	<u>6,096,187</u>	<u>914,400</u>	<u>83,965</u>	<u>6,926,622</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 84,312,800</u>	<u>\$24,293,513</u>	<u>\$ 4,881,972</u>	<u>103,724,339</u>	<u>\$ 4,115,815</u>

Unamortized premium on bonds:

School bonds 2011 refunding	612,876
School bonds 2014	1,752,775
CES bonds 2015 refunding	472,760
Bear Creek Fire bonds 2013 project	154,797
Solid Waste bonds 2017	<u>577,855</u>
	<u>\$ 107,295,402</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 August 2003, the Borough issued 20-year school bonds for the construction of a new middle school in Seward in the amount of \$14,700,000.

In January 2007, the Borough issued 10-year school bonds for capital improvements at various schools in the amount of \$2,515,000. The final payment for this issuance was made in December 2016.

In December 2010, the Borough issued 20-year school bonds in the amount of \$16,865,000. This was phase I of a two-phase project for roof replacement at various schools. Bonds were issued under the Buy America Bond Program. Under this program, bonds are issued as taxable and the Federal Government subsidizes the interest amount between the taxable portion and the rate that would have been in place if the bonds had been issued as tax exempt. The interest subsidy averages between \$240,000 and \$300,000 per year.

In November 2013, the Borough issued 20-year school bonds in the amount of \$20,860,000. This was phase II of a two-phase project for roof replacement at various schools.

Central Emergency Service Area Bonds

In 2005, voters of the Central Emergency Service Area authorized the issuance of \$2,500,000 for the costs of planning, acquisition, designing, constructing, equipping and financing a fire station in Kasilof and renovating the fire station in the Funny River area. These bonds were issued in June 2006 in the amount of \$2,500,000. In October 2014, the Borough issued CES refunding bonds to refinance \$1.5 million of the outstanding debt that resulted in a net present value savings of \$111,000.

In October 2015, Service Area voters approved the issuance of bonds up to \$4.4 million for the purchase of emergency response vehicles, of which \$2.465 million was issued in February 2016. The remaining balance is expected to be issued between 2018 and 2020.

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.

Solid Waste Bonds

In 2016, borough voters authorized the issuance of \$10,600,000 in bonds for planning, design, site preparation, constructing and equipping the solid waste disposal facilities, of which \$5,405,000 was issued in April 2017. The remaining balance is expected to be issued in 2022.

A summary of bonds payable (in thousands) at June 30, 2017 is as follows:

	<u>Amount Issued</u>	<u>Coupon Interest Rate</u>	<u>Effective Interest Rate</u>	<u>Maturity Dates</u>	<u>Annual Installments</u>	<u>Outstanding June 30, 2017</u>
<u>Governmental Activities:</u>						
School bonds:						
Issued 12-09-10	16,865	1.42 – 6.26	1.42 – 6.26	2011 - 2030	715 to 1,110	12,765
Issued 08-07-03	14,700	2.00 – 5.00	0.30 – 3.18	2003 - 2023	165 to 930	5,140
Issued 11-14-13	<u>20,860</u>	1.50 – 5.00	0.21 – 4.15	2014 - 2033	510 to 1,590	<u>18,885</u>
Total school bonds	<u>52,425</u>					<u>36,790</u>
Central Emergency Services bonds:						
Issued 06-21-06	2,500	1.25 – 5.00	0.38 – 2.57	2006 - 2026	115 to 175	1,310
Issued 02-02-16	<u>2,465</u>	2.63 – 5.00	0.35 – 2.85	2016 - 2031	85 to 210	<u>2,380</u>
Total CES bonds	<u>4,965</u>					<u>3,690</u>
Bear Creek Fire bonds						
Issued 3-12-13	<u>1,215</u>	2.00 – 5.00	0.18 – 3.30	2014 - 2033	45 to 90	<u>1,050</u>
Solid Waste bonds						
Issued 4-27-17	<u>5,405</u>	4.00 – 5.00	0.96 – 2.18	2017 - 2023	800 to 1,010	<u>5,405</u>
Total Governmental	\$ <u>64,010</u>					\$ <u>46,935</u>

Debt service requirement (not including landfill closure/postclosure and compensated absences) at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Interest (Net of interest subsidy)</u>
2018	\$ 3,440,000	\$ 2,252,047	\$ (286,028)	\$ 1,966,019
2019	3,575,000	2,099,263	(272,864)	1,826,399
2020	3,705,000	1,944,183	(258,398)	1,685,785
2021	3,825,000	1,777,927	(243,104)	1,534,823
2022	3,975,000	1,591,208	(226,738)	1,364,470
2023-2027	13,385,000	5,505,898	(838,619)	4,667,279
2028-2032	11,840,000	2,237,329	(225,730)	2,011,599
2033-2034	<u>3,190,000</u>	<u>160,420</u>	<u>-</u>	<u>160,420</u>
Total	\$ <u>46,935,000</u>	\$ <u>17,568,275</u>	\$ <u>(2,351,481)</u>	\$ <u>15,216,794</u>

I. Conduit Debt Obligations

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

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

<u>Fiscal Year</u>	<u>Principal</u>
2018	651,160
2019	<u>386,965</u>
	\$ <u>1,038,125</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

General Information About the Defined Benefit (DB) Pension Plan

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

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

The Plan provides for retirement, death and disability, and post-employment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

The Borough recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (police and firefighters are required to contribute 7.50% of their annual covered salary).

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2017 were determined in the June 30, 2014 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Postemployment healthcare (see other Post-Employment benefits part of note K)	7.04%	5.80%	0.00%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	81.13%

In 2017, the Borough was credited with the following contributions to the pension plan:

	Measurement Period	
	Borough FY16	Borough FY17
Employer contributions (including DBUL)	\$ 2,191,271	\$ 2,467,348
Nonemployer contributions (on-behalf)	835,075	937,683
Total Contributions	\$ 3,026,346	\$ 3,405,031

In addition, employee contributions to the Plan totaled \$762,094 during the Borough fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2017
Borough proportionate share of NPL	\$ 47,159,456
State's proportionate share of NPL associated with the Borough	5,944,748
Total Net Pension Liability	\$ 53,104,204

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2017, the Borough's proportion was 0.84370 percent, which was an increase of 0.196330 from its proportion measured as of the prior measurement date.

For the year ended June 30, 2017, the Borough recognized pension expense of \$11,697,742 and on-behalf revenue of \$801,358 for support provided by the State. At June 30, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,336	\$ (525,672)
Changes in assumptions	216,840	-
Net difference between projected and actual earnings on pension plan investments	4,635,548	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	4,601,071	-
Borough contributions subsequent to the measurement date	2,467,348	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 11,925,143	\$ (525,672)

The \$2,467,348 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2018	\$ 4,694,832
2019	1,119,252
2020	1,895,025
2021	1,223,683

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Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2016 (Borough fiscal year 2017) was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2015 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively. Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation – 3.12% per year Productivity – 0.50% per year Peace Officer/Firefighter – graded by years of service from 9.66% to 4.92% All others – graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination – Based on the 2010-2013 actual mortality experience Post-termination – 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	<i>Long-Term Expected Real Rate of Return</i>
Domestic equity	5.35%
Global equity (non-U.S.)	5.55%
Private equity	6.25%
Fixed income composite	0.80%
Real estate	3.65%
Alternative equity	4.70%

Discount Rate

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

Discount Rate Sensitivity

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<i>1% Decrease (7.00%)</i>	<i>Current Discount Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
Borough's proportionate share of the net pension liability	\$ 60,738,990	\$ 47,159,456	\$ 35,705,743

Pension Plan Fiduciary Net Position

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

Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above: <http://doa.alaska.gov/dr/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Borough contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2017, the Borough was required to contribute 5% of covered salary into the Plan. In addition, during 2017, the State on-behalf contribution rate for OPEB was 0.00%.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2017 were \$500,870 and \$801,390, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

Other Post-Employment Benefit (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), the Borough participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. See Page 61 Note K for cost-sharing multiple employer plan information. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

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

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015 there were no on-behalf contributions to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2017 and 2016 were \$0 and \$357,601, respectively.

<i>Year Ended June 30,</i>	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2017	\$ 1,158,179	\$ 1,158,179	100 %
2016	1,444,366	1,444,366	100 %
2015	1,592,414	1,592,414	100 %

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment healthcare benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.18%	1.18%
Occupational death and disability benefits	0.17%	0.49%
Total Contribution Rates	1.35%	1.67%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of **all employees of all employers** in the plan”. As of July 1, 2016, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,049 per year for each full-time employee, and \$1.31 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2017, the Borough contributed \$443,565 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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 two to four 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. There are also three sites which are closed, that are being monitored as required by regulation. As of June 30, 2017 the Borough has a recorded liability of \$6,926,622 in the government-wide financial statements for closure and postclosure costs 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 2017; 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 \$10.4 million in expense and liability between June 30, 2017 and the year 2035, the date the landfills are expected to reach capacity.

The Borough is required by state and federal laws and regulations to make certain financial assurances, public notice and record keeping, and reporting regarding this liability. The Borough has complied with these provisions. The Borough is committed to funding the annual increase in the estimate of closure and postclosure care 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. 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 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – Effective for year-end June 30, 2018, with earlier application encouraged – This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 81 – Irrevocable Split-Interest Agreements – Effective for year-end June 30, 2018, with earlier application encouraged – This statement establishes recording and recognition criteria for governments who receive resources pursuant to an irrevocable split-interest agreement.

GASB 83 – Certain Asset Retirement Obligations – Effective for year-end June 30, 2019, with earlier application encouraged – This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

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

GASB 85 – Omnibus – Effective for year-end June 30, 2018, with earlier application encouraged – This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 – Certain Debt Extinguishment Issues – Effective for year-end June 30, 2018, with earlier application encouraged – This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

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

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REQUIRED SUPPLEMENTARY INFORMATION

Kenai Peninsula Borough
Schedule of the Borough's Information on the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

Year Ended June 30,	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2008	*	\$ *	\$ *	\$ *	\$ *	*	*
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	0.49259%	22,975,175	19,950,761	42,925,936	12,061,924	190.48%	62.37%
2016	0.64737%	31,397,382	8,410,497	39,807,879	11,452,248	274.16%	63.96%
2017	0.84370%	47,159,456	5,944,748	53,104,204	20,679,828	228.05%	59.55%

* Information not available

See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough
Schedule of Borough Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2008	\$ *	\$ *	\$ *	\$ *	*
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	2,101,441	2,101,441	-	20,712,790	10.15%
2016	2,191,270	2,191,270	-	20,679,828	10.60%
2017	2,467,348	2,467,348	-	20,700,085	11.92%

* Information not available

See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough
Notes to Required Supplementary Information
June 30, 2017

Schedule of the Borough's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2017, the Plan measurement date is June 30, 2016.

Schedule of Borough Contributions – Public Employees' Retirement System

This table is based on the Borough's contributions during fiscal year 2017. These contributions are reported as a deferred outflow on the June 30, 2017 basic financial statements.

Both pension tables are intended to present 10 years of information. Additional years information will be added to the schedules as it becomes available.

There were no benefit changes in benefit terms from the prior measurement period.

The plan administrator elected to extend the amortization period for the system's unfunded liability by nine years. This change, coupled with the funding requirement of Alaska Statute 39.35.255, shifted a significant amount of the Net Pension Liability from the State of Alaska to the Borough.

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NON-MAJOR GOVERNMENTAL FUNDS

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and short-term investments	\$ 15,057	\$ -	\$ 15,057
Equity in central treasury	17,392,219	15,883,814	33,276,033
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	274,352	-	274,352
Accounts receivable	338,494	251,792	590,286
Land sale contracts receivable:			
Current	86,047	-	86,047
Delinquent	50,460	-	50,460
Due from other governments	1,769,907	540,325	2,310,232
Prepays	-	61,269	61,269
Land sale contracts receivable - long-term	485,357	-	485,357
Total assets	\$ 20,411,893	\$ 16,737,200	\$ 37,149,093
 <u>Liabilities, Deferred Inflows and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	690,769	1,718,290	2,409,059
Accrued payroll and payroll benefits	185,664	9,398	195,062
Due to General Fund	1,047,778	194,119	1,241,897
Unearned grant revenue	27,802	569,490	597,292
Total liabilities	1,952,013	2,491,297	4,443,310
Deferred Inflows of Resources:			
Prepaid property taxes	2,097,981	-	2,097,981
Property tax receivable - unavailable	253,396	-	253,396
Land sales - unavailable	621,865	-	621,865
Total deferred inflows of resources	2,973,242	-	2,973,242
Fund Balances:			
Nonspendable:			
Prepays	-	61,269	61,269
Restricted:			
Hazard tree removal program	277,840	-	277,840
General government	443,551	-	443,551
Public safety	5,450,339	266,000	5,716,339
Recreation	2,018,755	-	2,018,755
Education		4,249,190	4,249,190
Committed:			
Outstanding committed contracts	6,620	3,344,723	3,351,343
Software upgrades	-	217,951	217,951
Building maintenance and upgrades	-	217,923	217,923
Public safety facilities and equipment	-	2,928,767	2,928,767
Recreational facility maintenance	-	244,153	244,153
School maintenance and upgrades	-	580,179	580,179
Road upgrades	-	1,262,161	1,262,161
Assigned:			
Subsequent year's expenditures	223,956	908,474	1,132,430
General government	7,295,939	-	7,295,939
Unassigned (deficit)	(230,362)	(34,887)	(265,249)
Total fund balances	15,486,638	14,245,903	29,732,541
Total liabilities, deferred inflows and fund balances	\$ 20,411,893	\$ 16,737,200	\$ 37,149,093

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
General property taxes	\$ 12,401,960	\$ -	\$ -	\$ 12,401,960
Motor vehicle tax	237,327	-	-	237,327
Intergovernmental:				
Federal	740,505	216,632	-	957,137
State	2,735,495	3,210,584	-	5,946,079
Investment earnings	39,078	59,670	-	98,748
Interest subsidy	-	-	297,570	297,570
Other revenues	3,244,624	188,475	-	3,433,099
Total revenues	<u>19,398,989</u>	<u>3,675,361</u>	<u>297,570</u>	<u>23,371,920</u>
Expenditures:				
General government	2,453,697	85,129	-	2,538,826
Public safety	13,260,903	4,404,336	-	17,665,239
Recreation	1,833,406	261,494	-	2,094,900
Education	-	6,416,573	-	6,416,573
Environmental protection	442,520	-	-	442,520
Roads and trails	255,707	3,160,634	-	3,416,341
Debt service:				
Principal	-	-	2,795,000	2,795,000
Interest and other	-	-	2,093,414	2,093,414
Total expenditures	<u>18,246,233</u>	<u>14,328,166</u>	<u>4,888,414</u>	<u>37,462,813</u>
Excess (deficiency) of revenues over expenditures	<u>1,152,756</u>	<u>(10,652,805)</u>	<u>(4,590,844)</u>	<u>(14,090,893)</u>
Other financing sources (uses):				
Insurance proceeds	-	818,949	-	818,949
Transfers in	756,414	5,300,014	4,590,844	10,647,272
Transfers out	(1,508,545)	(28,336)	-	(1,536,881)
Net other financing sources (uses)	<u>(752,131)</u>	<u>6,090,627</u>	<u>4,590,844</u>	<u>9,929,340</u>
Net change in fund balances	400,625	(4,562,178)	-	(4,161,553)
Fund balances at beginning of year	<u>15,086,013</u>	<u>18,808,081</u>	<u>-</u>	<u>33,894,094</u>
Fund balances at end of year	<u>\$ 15,486,638</u>	<u>\$ 14,245,903</u>	<u>\$ -</u>	<u>\$ 29,732,541</u>

Nonmajor Special Revenue Funds
Pages 78-97

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

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.

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 Programs – This fund is used to account for expenditures of the environmental protection programs.

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 to provide services and programs to senior citizens within the service area.

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2017

	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Services Area
<u>Assets</u>			
Cash and short-term investments	\$ 200	\$ 1,057	\$ 12,112
Equity in central treasury	333,518	777,617	3,756,038
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	7,355	65,917	129,991
Accounts receivable	-	17,843	165,204
Land sale contracts receivable:			
Current	-	-	-
Delinquent	-	-	-
Due from other governments	3,696	2,815	33,700
Land sale contracts receivable - long-term	-	-	-
Total assets	\$ 344,769	\$ 865,249	\$ 4,097,045
<u>Liabilities, Deferred Inflows, and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	6,847	23,793	41,434
Accrued payroll and payroll benefits	2,325	7,149	93,860
Due to General Fund	-	-	-
Unearned grant revenue	6,474	7,500	6,602
Total liabilities	15,646	38,442	141,896
Deferred Inflows of Resources:			
Prepaid property taxes	10,137	425,694	357,912
Property tax receivable - unavailable	5,707	61,990	120,318
Land sales - unavailable	-	-	-
Total deferred inflows of resources	15,844	487,684	478,230
Fund Balances:			
Restricted:			
Hazard tree removal program	-	-	-
General government	-	-	-
Public safety	313,279	339,123	3,262,417
Recreation	-	-	-
Committed:			
Outstanding committed contracts	-	-	1,500
Assigned:			
Subsequent year's expenditures	-	-	213,002
General government	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	313,279	339,123	3,476,919
Total liabilities, deferred inflows and fund balances	\$ 344,769	\$ 865,249	\$ 4,097,045

<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>
\$ 1,388	\$ -	\$ -	\$ 200	\$ 100
518,312	-	50	3,077,389	83,533
21,587	-	54	35,284	3,729
5,447	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,439	-	-	4,336	73
-	-	-	-	-
<u>\$ 553,173</u>	<u>\$ -</u>	<u>\$ 104</u>	<u>\$ 3,117,209</u>	<u>\$ 87,435</u>
27,096	-	-	20,536	7,837
9,423	-	-	27,800	-
-	-	-	-	-
7,226	-	-	-	-
<u>43,745</u>	<u>-</u>	<u>-</u>	<u>48,336</u>	<u>7,837</u>
2,969	-	10	1,081,122	646
19,184	-	8	33,740	3,340
-	-	-	-	-
<u>22,153</u>	<u>-</u>	<u>18</u>	<u>1,114,862</u>	<u>3,986</u>
-	-	-	-	-
-	-	-	-	-
482,155	-	-	-	-
-	-	-	1,947,301	71,454
5,120	-	-	-	-
-	-	86	6,710	4,158
-	-	-	-	-
-	-	-	-	-
<u>487,275</u>	<u>-</u>	<u>86</u>	<u>1,954,011</u>	<u>75,612</u>
<u>\$ 553,173</u>	<u>\$ -</u>	<u>\$ 104</u>	<u>\$ 3,117,209</u>	<u>\$ 87,435</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet, continued
 June 30, 2017

	Land Trust	Seward Bear Creek Flood Service Area	Environmental Protection Programs
<u>Assets</u>			
Cash and short-term investments	\$ -	\$ -	\$ -
Equity in central treasury	7,442,206	531,552	207,825
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	-	3,807	-
Accounts receivable	-	-	-
Land sale contracts receivable:			
Current	86,047	-	-
Delinquent	50,460	-	-
Due from other governments	-	2,193	73,872
Land sale contracts receivable - long-term	485,357	-	-
Total assets	\$ 8,064,070	\$ 537,552	\$ 281,697
<u>Liabilities, Deferred Inflows, and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	135,304	14,322	336
Accrued payroll and payroll benefits	10,962	2,229	3,521
Due to General Fund	-	-	-
Unearned grant revenue	-	-	-
Total liabilities	146,266	16,551	3,857
Deferred Inflows of Resources:			
Prepaid property taxes	-	13,400	-
Property tax receivable - unavailable	-	2,728	-
Land sales - unavailable	621,865	-	-
Total deferred inflows of resources	621,865	16,128	-
Fund Balances:			
Restricted:			
Hazard tree removal program	-	-	277,840
General government	-	-	-
Public safety	-	504,873	-
Recreation	-	-	-
Committed:			
Outstanding committed contracts	-	-	-
Assigned:			
Subsequent year's expenditures	-	-	-
General government	7,295,939	-	-
Unassigned (deficit)	-	-	-
Total fund balances	7,295,939	504,873	277,840
Total liabilities, deferred inflows and fund balances	\$ 8,064,070	\$ 537,552	\$ 281,697

<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>
\$ -	\$ -	\$ -	\$ -	\$ 15,057
-	195,042	-	469,137	17,392,219
-	-	-	6,628	274,352
-	150,000	-	-	338,494
-	-	-	-	86,047
-	-	-	-	50,460
234,660	-	1,407,423	700	1,769,907
-	-	-	-	485,357
<u>\$ 234,660</u>	<u>\$ 345,042</u>	<u>\$ 1,407,423</u>	<u>\$ 476,465</u>	<u>\$ 20,411,893</u>
-	10,594	402,670	-	690,769
-	28,395	-	-	185,664
222,583	-	825,195	-	1,047,778
-	-	-	-	27,802
<u>222,583</u>	<u>38,989</u>	<u>1,227,865</u>	<u>-</u>	<u>1,952,013</u>
-	-	-	206,091	2,097,981
-	-	-	6,381	253,396
-	-	-	-	621,865
-	-	-	<u>212,472</u>	<u>2,973,242</u>
-	-	-	-	277,840
-	-	179,558	263,993	443,551
12,077	536,415	-	-	5,450,339
-	-	-	-	2,018,755
-	-	-	-	6,620
-	-	-	-	223,956
-	-	-	-	7,295,939
-	(230,362)	-	-	(230,362)
<u>12,077</u>	<u>306,053</u>	<u>179,558</u>	<u>263,993</u>	<u>15,486,638</u>
<u>\$ 234,660</u>	<u>\$ 345,042</u>	<u>\$ 1,407,423</u>	<u>\$ 476,465</u>	<u>\$ 20,411,893</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2017

	<u>Bear Creek Fire Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Central Emergency Service Area</u>
Revenues:			
General property taxes	\$ 501,246	\$ 878,474	\$ 7,430,362
Motor vehicle tax	16,257	12,383	148,246
Intergovernmental:			
Federal	9,366	10,000	-
State	3,751	12,752	149,654
Investment earnings	313	371	8,653
Other revenues	2,108	76,301	754,733
Total revenues	<u>533,041</u>	<u>990,281</u>	<u>8,491,648</u>
 Expenditures:			
General government	-	-	-
Public safety	354,143	828,120	7,124,774
Recreation	-	-	-
Environmental protection	-	-	-
Roads and trails	-	-	-
Total expenditures	<u>354,143</u>	<u>828,120</u>	<u>7,124,774</u>
 Excess (deficiency) of revenues over expenditures	<u>178,898</u>	<u>162,161</u>	<u>1,366,874</u>
 Other financing sources (uses):			
Transfers in	-	-	6,329
Transfers out	(135,620)	(272,938)	(758,714)
Net other financing sources (uses)	<u>(135,620)</u>	<u>(272,938)</u>	<u>(752,385)</u>
 Net change in fund balances	43,278	(110,777)	614,489
 Fund balances (deficit) at beginning of year	<u>270,001</u>	<u>449,900</u>	<u>2,862,430</u>
 Fund balances at end of year	<u>\$ 313,279</u>	<u>\$ 339,123</u>	<u>\$ 3,476,919</u>

Kachemak Emergency Service Area	Lowell Point Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Seldovia Recreational Service Area
\$ 930,686	\$ -	\$ 6,329	\$ 1,913,665	\$ 51,587
28,323	-	-	19,075	319
-	-	-	-	-
10,408	-	-	24,567	-
1,213	-	-	4,453	243
32,424	-	-	210,058	20
<u>1,003,054</u>	<u>-</u>	<u>6,329</u>	<u>2,171,818</u>	<u>52,169</u>
-	-	-	-	-
790,767	-	-	-	-
-	-	-	1,798,787	34,619
-	-	-	-	-
-	-	-	-	-
<u>790,767</u>	<u>-</u>	<u>-</u>	<u>1,798,787</u>	<u>34,619</u>
212,287	-	6,329	373,031	17,550
-	-	-	-	-
(109,751)	(193)	(6,329)	(225,000)	-
<u>(109,751)</u>	<u>(193)</u>	<u>(6,329)</u>	<u>(225,000)</u>	<u>-</u>
102,536	(193)	-	148,031	17,550
384,739	193	86	1,805,980	58,062
<u>\$ 487,275</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 1,954,011</u>	<u>\$ 75,612</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances, continued
 For the Year Ended June 30, 2017

	<u>Land Trust</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Environmental Protection Programs</u>
Revenues:			
General property taxes	\$ -	\$ 337,695	\$ -
Motor vehicle tax	-	9,645	-
Intergovernmental:			
Federal	-	-	-
State	16,128	3,282	280,258
Investment earnings	21,447	1,959	117
Other revenues	630,828	-	-
Total revenues	<u>668,403</u>	<u>352,581</u>	<u>280,375</u>
Expenditures:			
General government	791,172	-	-
Public safety	-	393,228	-
Recreation	-	-	-
Environmental protection	-	-	280,258
Roads and trails	-	-	-
Total expenditures	<u>791,172</u>	<u>393,228</u>	<u>280,258</u>
Excess (deficiency) of revenues over expenditures	<u>(122,769)</u>	<u>(40,647)</u>	<u>117</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(122,769)	(40,647)	117
Fund balances (deficit) at beginning of year	<u>7,418,708</u>	<u>545,520</u>	<u>277,723</u>
Fund balances at end of year	<u>\$ 7,295,939</u>	<u>\$ 504,873</u>	<u>\$ 277,840</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>
\$ -	\$ -	\$ -	\$ 351,916	\$ 12,401,960
-	-	-	3,079	237,327
698	-	720,441	-	740,505
233	145,786	2,088,676	-	2,735,495
-	-	-	309	39,078
-	1,538,152	-	-	3,244,624
<u>931</u>	<u>1,683,938</u>	<u>2,809,117</u>	<u>355,304</u>	<u>19,398,989</u>
-	-	1,298,202	364,323	2,453,697
-	2,213,403	1,556,468	-	13,260,903
-	-	-	-	1,833,406
-	-	162,262	-	442,520
-	-	255,707	-	255,707
<u>-</u>	<u>2,213,403</u>	<u>3,272,639</u>	<u>364,323</u>	<u>18,246,233</u>
<u>931</u>	<u>(529,465)</u>	<u>(463,522)</u>	<u>(9,019)</u>	<u>1,152,756</u>
-	697,104	-	52,981	756,414
-	-	-	-	(1,508,545)
<u>-</u>	<u>697,104</u>	<u>-</u>	<u>52,981</u>	<u>(752,131)</u>
931	167,639	(463,522)	43,962	400,625
11,146	138,414	643,080	220,031	15,086,013
<u>\$ 12,077</u>	<u>\$ 306,053</u>	<u>\$ 179,558</u>	<u>\$ 263,993</u>	<u>\$ 15,486,638</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, 2017

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 496,824	\$ 496,824	\$ 501,246	\$ 4,422
Motor vehicle tax	16,409	16,409	16,257	(152)
Intergovernmental:				
Federal	-	9,366	9,366	-
State	-	3,751	3,751	-
Investment earnings	3,508	3,508	313	(3,195)
Other revenues	-	-	2,108	2,108
Total revenues	<u>516,741</u>	<u>529,858</u>	<u>533,041</u>	<u>3,183</u>
Expenditures:				
Personnel	201,260	205,011	168,120	36,891
Supplies	23,055	22,964	14,579	8,385
Services	191,224	191,224	160,200	31,024
Capital outlay	1,900	11,357	11,244	113
Total expenditures	<u>417,439</u>	<u>430,556</u>	<u>354,143</u>	<u>76,413</u>
Excess (deficiency) of revenues over expenditures	<u>99,302</u>	<u>99,302</u>	<u>178,898</u>	<u>79,596</u>
Other financing sources (uses):				
Transfers (out)	<u>(135,620)</u>	<u>(135,620)</u>	<u>(135,620)</u>	<u>-</u>
Net change in fund balance	(36,318)	(36,318)	43,278	79,596
Fund balance at beginning of year	<u>270,001</u>	<u>270,001</u>	<u>270,001</u>	<u>-</u>
Fund balance at end of year	<u>\$ 233,683</u>	<u>\$ 233,683</u>	<u>\$ 313,279</u>	<u>\$ 79,596</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 883,307	\$ 883,307	\$ 878,474	\$ (4,833)
Motor vehicle tax	10,733	10,733	12,383	1,650
Intergovernmental:				
Federal	-	10,000	10,000	-
State	-	12,752	12,752	-
Investment earnings	6,709	6,709	371	(6,338)
Other revenues	65,000	65,000	76,301	11,301
Total revenues	<u>965,749</u>	<u>988,501</u>	<u>990,281</u>	<u>1,780</u>
Expenditures:				
Personnel	517,515	530,267	511,066	19,201
Supplies	73,400	73,400	54,527	18,873
Services	202,609	202,719	174,922	27,797
Capital outlay	78,125	88,015	87,605	410
Total expenditures	<u>871,649</u>	<u>894,401</u>	<u>828,120</u>	<u>66,281</u>
Excess (deficiency) of revenues over expenditures	<u>94,100</u>	<u>94,100</u>	<u>162,161</u>	<u>68,061</u>
Other financing sources (uses):				
Transfers (out)	<u>(272,938)</u>	<u>(272,938)</u>	<u>(272,938)</u>	<u>-</u>
Net change in fund balance	(178,838)	(178,838)	(110,777)	68,061
Fund balance at beginning of year	<u>449,900</u>	<u>449,900</u>	<u>449,900</u>	<u>-</u>
Fund balance at end of year	<u>\$ 271,062</u>	<u>\$ 271,062</u>	<u>\$ 339,123</u>	<u>\$ 68,061</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 7,502,915	\$ 7,502,915	\$ 7,430,362	\$ (72,553)
Motor vehicle tax	146,854	146,854	148,246	1,392
Intergovernmental:				
State	-	149,654	149,654	-
Investment earnings	35,041	35,041	8,653	(26,388)
Other revenues	616,370	616,370	754,733	138,363
Total revenues	<u>8,301,180</u>	<u>8,450,834</u>	<u>8,491,648</u>	<u>40,814</u>
Expenditures:				
Personnel	5,902,874	6,052,528	5,777,125	275,403
Supplies	378,430	361,591	279,820	81,771
Services	1,071,095	1,050,232	936,365	113,867
Capital outlay	96,063	133,765	131,464	2,301
Total expenditures	<u>7,448,462</u>	<u>7,598,116</u>	<u>7,124,774</u>	<u>473,342</u>
Excess (deficiency) of revenues over expenditures	<u>852,718</u>	<u>852,718</u>	<u>1,366,874</u>	<u>514,156</u>
Other financing sources (uses):				
Transfers in	6,329	6,329	6,329	-
Transfers (out)	(758,715)	(758,715)	(758,714)	1
Net other financing sources (uses)	<u>(752,386)</u>	<u>(752,386)</u>	<u>(752,385)</u>	<u>1</u>
Net change in fund balance	100,332	100,332	614,489	514,157
Fund balance at beginning of year	<u>2,862,430</u>	<u>2,862,430</u>	<u>2,862,430</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,962,762</u>	<u>\$ 2,962,762</u>	<u>\$ 3,476,919</u>	<u>\$ 514,157</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, 2017

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 929,712	\$ 929,712	\$ 930,686	\$ 974
Motor vehicle tax	26,998	26,998	28,323	1,325
Intergovernmental:				
State	-	10,408	10,408	-
Investment earnings	5,365	5,365	1,213	(4,152)
Other revenues	30,000	30,000	32,424	2,424
Total revenues	<u>992,075</u>	<u>1,002,483</u>	<u>1,003,054</u>	<u>571</u>
Expenditures:				
Personnel	540,107	547,515	433,412	114,103
Supplies	98,000	91,000	71,576	19,424
Services	194,980	205,940	192,089	13,851
Capital outlay	96,500	95,540	93,690	1,850
Total expenditures	<u>929,587</u>	<u>939,995</u>	<u>790,767</u>	<u>149,228</u>
Excess (deficiency) of revenues over expenditures	<u>62,488</u>	<u>62,488</u>	<u>212,287</u>	<u>149,799</u>
Other financing sources (uses):				
Transfers (out)	<u>(109,751)</u>	<u>(109,751)</u>	<u>(109,751)</u>	<u>-</u>
Net change in fund balance	(47,263)	(47,263)	102,536	149,799
Fund balance at beginning of year	<u>384,739</u>	<u>384,739</u>	<u>384,739</u>	<u>-</u>
Fund balance at end of year	<u>\$ 337,476</u>	<u>\$ 337,476</u>	<u>\$ 487,275</u>	<u>\$ 149,799</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, 2017

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing (uses):				
Transfers (out)	<u>-</u>	<u>(193)</u>	<u>(193)</u>	<u>-</u>
Net change in fund balance	-	(193)	(193)	-
Fund balance at beginning of year	<u>193</u>	<u>193</u>	<u>193</u>	<u>-</u>
Fund balance at end of year	<u>\$ 193</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,329	\$ 6,329	\$ 6,329	\$ -
Total revenues	<u>6,329</u>	<u>6,329</u>	<u>6,329</u>	<u>-</u>
Expenditures:				
Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,329</u>	<u>6,329</u>	<u>6,329</u>	<u>-</u>
Other financing sources (uses):				
Transfers (out)	<u>(6,329)</u>	<u>(6,329)</u>	<u>(6,329)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>86</u>	<u>86</u>	<u>86</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 86</u></u>	<u><u>\$ 86</u></u>	<u><u>\$ 86</u></u>	<u><u>\$ -</u></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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 1,933,298	\$ 1,933,298	\$ 1,913,665	\$ (19,633)
Motor vehicle tax	18,980	18,980	19,075	95
Intergovernmental:				
State	-	24,567	24,567	-
Investment earnings	26,716	26,716	4,453	(22,263)
Other revenues	219,166	219,166	210,058	(9,108)
Total revenues	<u>2,198,160</u>	<u>2,222,727</u>	<u>2,171,818</u>	<u>(50,909)</u>
Expenditures:				
Personnel	1,208,157	1,267,724	1,166,710	101,014
Supplies	126,700	126,715	118,815	7,900
Services	512,169	506,559	491,490	15,069
Capital outlay	16,230	21,825	21,772	53
Total expenditures	<u>1,863,256</u>	<u>1,922,823</u>	<u>1,798,787</u>	<u>124,036</u>
Excess (deficiency) of revenues over expenditures	<u>334,904</u>	<u>299,904</u>	<u>373,031</u>	<u>73,127</u>
Other financing sources (uses):				
Transfers (out)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net change in fund balance	109,904	74,904	148,031	73,127
Fund balance at beginning of year	<u>1,805,980</u>	<u>1,805,980</u>	<u>1,805,980</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,915,884</u>	<u>\$ 1,880,884</u>	<u>\$ 1,954,011</u>	<u>\$ 73,127</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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
General property taxes	\$ 51,719	\$ 51,719	\$ 51,587	\$ (132)
Motor vehicle tax	457	457	319	(138)
Investment earnings	708	708	243	(465)
Other revenues	1,050	1,050	20	(1,030)
Total revenues	<u>53,934</u>	<u>53,934</u>	<u>52,169</u>	<u>(1,765)</u>
Expenditures:				
Supplies	8,485	8,010	1,338	6,672
Services	46,530	46,530	32,822	13,708
Capital outlay	-	475	459	16
Total expenditures	<u>55,015</u>	<u>55,015</u>	<u>34,619</u>	<u>20,396</u>
Net change in fund balance	(1,081)	(1,081)	17,550	18,631
Fund balance at beginning of year	<u>58,062</u>	<u>58,062</u>	<u>58,062</u>	<u>-</u>
Fund balance at end of year	<u>\$ 56,981</u>	<u>\$ 56,981</u>	<u>\$ 75,612</u>	<u>\$ 18,631</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State	\$ -	\$ 16,128	\$ 16,128	\$ -
Investment earnings	66,268	66,268	21,447	(44,821)
Payments on land contracts	490,000	490,000	268,454	(221,546)
Land leases	150,000	150,000	115,740	(34,260)
Timber and gravel sales	100,000	100,000	125,351	25,351
Miscellaneous	105,000	145,813	121,283	(24,530)
Total revenues	<u>911,268</u>	<u>968,209</u>	<u>668,403</u>	<u>(299,806)</u>
Expenditures:				
Personnel	651,796	693,486	616,736	76,750
Supplies	11,500	11,500	7,098	4,402
Services	233,113	276,385	163,931	112,454
Capital outlay	7,775	7,775	3,407	4,368
Total expenditures	<u>904,184</u>	<u>989,146</u>	<u>791,172</u>	<u>197,974</u>
Excess (deficiency) of revenues over expenditures	<u>7,084</u>	<u>(20,937)</u>	<u>(122,769)</u>	<u>(101,832)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	7,084	(20,937)	(122,769)	(101,832)
Fund balance at beginning of year	<u>7,418,708</u>	<u>7,418,708</u>	<u>7,418,708</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 7,425,792</u></u>	<u><u>\$ 7,397,771</u></u>	<u><u>\$ 7,295,939</u></u>	<u><u>\$ (101,832)</u></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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
General property taxes	\$ 332,399	\$ 332,399	\$ 337,695	\$ 5,296
Motor vehicle tax	7,997	7,997	9,645	1,648
Intergovernmental:				
State	-	3,282	3,282	-
Investment earnings	5,036	5,036	1,959	(3,077)
Total revenues	345,432	348,714	352,581	3,867
Expenditures:				
Personnel	192,418	206,757	132,548	74,209
Supplies	3,700	3,011	862	2,149
Services	246,975	322,315	259,229	63,086
Capital outlay	800	70,192	589	69,603
Total expenditures	443,893	602,275	393,228	209,047
Net change in fund balance	(98,461)	(253,561)	(40,647)	212,914
Fund balance at beginning of year	545,520	545,520	545,520	-
Fund balance at end of year	<u>\$ 447,059</u>	<u>\$ 291,959</u>	<u>\$ 504,873</u>	<u>\$ 212,914</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
911 service fee	\$ 1,618,867	\$ 1,618,867	\$ 1,538,152	\$ (80,715)
Intergovernmental:				
State	<u>105,000</u>	<u>143,820</u>	<u>145,786</u>	<u>1,966</u>
Total revenues	<u>1,723,867</u>	<u>1,762,687</u>	<u>1,683,938</u>	<u>(78,749)</u>
Expenditures:				
Personnel	1,646,404	1,685,224	1,597,123	88,101
Supplies	7,950	82,950	3,071	79,879
Services	701,913	701,913	613,209	88,704
Capital outlay	<u>75,028</u>	<u>75,028</u>	-	<u>75,028</u>
Total expenditures	<u>2,431,295</u>	<u>2,545,115</u>	<u>2,213,403</u>	<u>331,712</u>
Excess (deficiency) of revenues over expenditures	<u>(707,428)</u>	<u>(782,428)</u>	<u>(529,465)</u>	<u>252,963</u>
Other financing sources (uses):				
Transfers in	<u>697,104</u>	<u>697,104</u>	<u>697,104</u>	<u>-</u>
Net change in fund balance	(10,324)	(85,324)	167,639	252,963
Fund balance at beginning of year	<u>138,414</u>	<u>138,414</u>	<u>138,414</u>	<u>-</u>
Fund balance at end of year	<u>\$ 128,090</u>	<u>\$ 53,090</u>	<u>\$ 306,053</u>	<u>\$ 252,963</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 354,570	\$ 354,570	\$ 351,916	\$ (2,654)
Motor vehicle tax	3,064	3,064	3,079	15
Investment earnings	2,873	2,873	309	(2,564)
Total revenues	<u>360,507</u>	<u>360,507</u>	<u>355,304</u>	<u>(5,203)</u>
Expenditures:				
Personnel	-	-	-	-
Supplies	-	-	-	-
Services	361,679	375,848	364,323	11,525
Capital outlay	-	-	-	-
Total expenditures	<u>361,679</u>	<u>375,848</u>	<u>364,323</u>	<u>11,525</u>
Excess (deficiency) of revenues over expenditures	<u>(1,172)</u>	<u>(15,341)</u>	<u>(9,019)</u>	<u>6,322</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	51,809	37,640	43,962	6,322
Fund balance at beginning of year	<u>220,031</u>	<u>220,031</u>	<u>220,031</u>	<u>-</u>
Fund balance at end of year	<u>\$ 271,840</u>	<u>\$ 257,671</u>	<u>\$ 263,993</u>	<u>\$ 6,322</u>

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Nonmajor Capital Project Funds
Pages 100-105

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.

Bond Fund – This fund is used to account for all school projects funded with bond proceeds.

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.

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, 2017

	<u>School Revenue</u>	<u>Bond Funded Capital Projects Fund</u>	<u>General Government</u>	<u>Road Service Area</u>
<u>Assets</u>				
Equity in central treasury	\$ 1,966,729	\$ 5,299,116	\$ 1,056,960	\$ 3,751,723
Accounts receivable	251,792	-	-	-
Due from other governments	21,076	-	-	491,273
Prepaid expenses	25,287	-	-	35,982
Total assets	<u>\$ 2,264,884</u>	<u>\$ 5,299,116</u>	<u>\$ 1,056,960</u>	<u>\$ 4,278,978</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	423,396	1,049,926	-	186,482
Accrued payroll and payroll benefits	7,276	-	-	2,122
Due to General Fund	-	-	-	-
Unearned grant revenue	494,490	-	-	-
Total liabilities	<u>925,162</u>	<u>1,049,926</u>	<u>-</u>	<u>188,604</u>
Fund balances:				
Nonspendable:				
Prepays	25,287	-	-	35,982
Restricted:				
Education	-	4,249,190	-	-
Public safety facilities and equipment	-	-	-	-
Committed:				
Outstanding committed contracts	734,256	-	30,086	2,284,481
Software upgrades	-	-	217,951	-
Building maintenance and upgrades	-	-	217,923	-
Public safety facilities and equipment	-	-	491,000	-
Recreational facility maintenance	-	-	-	-
School maintenance and upgrades	580,179	-	-	-
Road upgrade	-	-	-	1,262,161
Assigned:				
Subsequent year's expenditures	-	-	100,000	507,750
Unassigned:				
Public safety equipment - deficit	-	-	-	-
Total fund balances	<u>1,339,722</u>	<u>4,249,190</u>	<u>1,056,960</u>	<u>4,090,374</u>
Total liabilities and fund balances	<u>\$ 2,264,884</u>	<u>\$ 5,299,116</u>	<u>\$ 1,056,960</u>	<u>\$ 4,278,978</u>

<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Central Emergency Service Area</u>
\$ 1,185,469	\$ 392,157	\$ 40,698	\$ 1,340,083
-	-	-	-
-	27,831	-	-
-	-	-	-
<u>\$ 1,185,469</u>	<u>\$ 419,988</u>	<u>\$ 40,698</u>	<u>\$ 1,340,083</u>
-	21,936	-	33,085
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>21,936</u>	<u>-</u>	<u>33,085</u>
-	-	-	-
-	-	-	-
-	-	-	-
67,978	150,618	6,608	64,021
-	-	-	-
-	-	-	-
1,117,491	247,434	34,090	1,038,752
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	204,225
-	-	-	-
<u>1,185,469</u>	<u>398,052</u>	<u>40,698</u>	<u>1,306,998</u>
<u>\$ 1,185,469</u>	<u>\$ 419,988</u>	<u>\$ 40,698</u>	<u>\$ 1,340,083</u>

(Continued)

Kenai Peninsula Borough

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2017

	Kachemak Emergency Service Area	911 Communications	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
<u>Assets</u>				
Equity in central treasury	\$ 159,232	\$ 341,000	\$ 350,647	\$ 15,883,814
Accounts receivable	-	-	-	251,792
Due from other governments	-	-	145	540,325
Prepaid expenses	-	-	-	61,269
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 159,232</u>	<u>\$ 341,000</u>	<u>\$ 350,792</u>	<u>\$ 16,737,200</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	-	-	3,465	1,718,290
Accrued payroll and payroll benefits	-	-	-	9,398
Due to General Fund	194,119	-	-	194,119
Unearned grant revenue	-	75,000	-	569,490
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>194,119</u>	<u>75,000</u>	<u>3,465</u>	<u>2,491,297</u>
Fund balances:				
Nonspenable:				
Prepays	-	-	-	61,269
Restricted:				
Education	-	-	-	4,249,190
Public safety facilities and equipment	-	266,000	-	266,000
Committed:				
Outstanding committed contracts	-	-	6,675	3,344,723
Software upgrades	-	-	-	217,951
Building maintenance and upgrades	-	-	-	217,923
Public safety facilities and equipment	-	-	-	2,928,767
Recreational facility maintenance	-	-	244,153	244,153
School maintenance and upgrades	-	-	-	580,179
Road upgrade	-	-	-	1,262,161
Assigned:				
Subsequent year's expenditures	-	-	96,499	908,474
Unassigned:				
Public safety equipment - deficit	(34,887)	-	-	(34,887)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>(34,887)</u>	<u>266,000</u>	<u>347,327</u>	<u>14,245,903</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 159,232</u>	<u>\$ 341,000</u>	<u>\$ 350,792</u>	<u>\$ 16,737,200</u>

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2017

	<u>School Revenue</u>	<u>Bond Funded Capital Projects Fund</u>	<u>General Government</u>	<u>Road Service Area</u>
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ 216,632
State	57,068	-	-	2,946,297
Investment earnings	-	32,670	-	16,199
Other revenues	188,475	-	-	-
Total revenues	<u>245,543</u>	<u>32,670</u>	<u>-</u>	<u>3,179,128</u>
Expenditures:				
General government	-	-	85,129	-
Public safety	-	-	-	-
Recreation	-	-	-	-
Education	2,807,138	3,609,435	-	-
Roads and trails	-	-	-	3,160,634
Total expenditures	<u>2,807,138</u>	<u>3,609,435</u>	<u>85,129</u>	<u>3,160,634</u>
Excess (deficiency) of revenues over expenditures	<u>(2,561,595)</u>	<u>(3,576,765)</u>	<u>(85,129)</u>	<u>18,494</u>
Other financing sources (uses):				
Insurance proceeds	818,949	-	-	-
Transfers in	1,425,000	-	250,000	1,500,000
Transfers out	-	(28,336)	-	-
Net other financing sources (uses)	<u>2,243,949</u>	<u>(28,336)</u>	<u>250,000</u>	<u>1,500,000</u>
Net change in fund balances	(317,646)	(3,605,101)	164,871	1,518,494
Fund balances at beginning of year	<u>1,657,368</u>	<u>7,854,291</u>	<u>892,089</u>	<u>2,571,880</u>
Fund balances at end of year	<u>\$ 1,339,722</u>	<u>\$ 4,249,190</u>	<u>\$ 1,056,960</u>	<u>\$ 4,090,374</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, 2017

	Nikiski Fire Service Area	Bear Creek Fire Service Area	Central Emergency Service Area	Anchor Point Fire and Emergency Medical Service Area
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	35,907	-	-
Investment earnings	3,012	1,154	6,679	(1,847)
Other revenues	-	-	-	-
Total revenues	3,012	37,061	6,679	(1,847)
Expenditures:				
General government	-	-	-	-
Public safety	1,125,056	41,708	2,827,867	392,638
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	-	-	-	-
Total expenditures	1,125,056	41,708	2,827,867	392,638
Excess (deficiency) of revenues over expenditures	<u>(1,122,044)</u>	<u>(4,647)</u>	<u>(2,821,188)</u>	<u>(394,485)</u>
Other financing sources (uses):				
Insurance proceeds	-	-	-	-
Transfers in	1,000,000	40,000	250,000	250,000
Transfers out	-	-	-	-
Net other financing sources (uses)	1,000,000	40,000	250,000	250,000
Net change in fund balances	(122,044)	35,353	(2,571,188)	(144,485)
Fund balances at beginning of year	1,307,513	362,699	3,878,186	185,183
Fund balances at end of year	<u>\$ 1,185,469</u>	<u>\$ 398,052</u>	<u>\$ 1,306,998</u>	<u>\$ 40,698</u>

<u>Kachemak Emergency Service Area</u>	<u>911 Communications</u>	<u>North Peninsula Recreation Service Area</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ -	\$ 216,632
8,391	-	162,921	3,210,584
420	-	1,383	59,670
-	-	-	188,475
<u>8,811</u>	<u>-</u>	<u>164,304</u>	<u>3,675,361</u>
-	-	-	85,129
17,067	-	-	4,404,336
-	-	261,494	261,494
-	-	-	6,416,573
-	-	-	3,160,634
<u>17,067</u>	<u>-</u>	<u>261,494</u>	<u>14,328,166</u>
<u>(8,256)</u>	<u>-</u>	<u>(97,190)</u>	<u>(10,652,805)</u>
-	-	-	818,949
94,014	266,000	225,000	5,300,014
-	-	-	(28,336)
<u>94,014</u>	<u>266,000</u>	<u>225,000</u>	<u>6,090,627</u>
85,758	266,000	127,810	(4,562,178)
<u>(120,645)</u>	<u>-</u>	<u>219,517</u>	<u>18,808,081</u>
<u>\$ (34,887)</u>	<u>\$ 266,000</u>	<u>\$ 347,327</u>	<u>\$ 14,245,903</u>

Nonmajor Debt Service Funds
Pages 107-111

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.

Bear Creek Fire Service Area – 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 Bear Creek Fire Service Area.

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, 2017

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

Kenai Peninsula Borough
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2017

	<u>General Government</u>		<u>Central Emergency Services</u>	<u>Total Nonmajor Debt Service Funds</u>
	<u>School Debt</u>	<u>Bear Creek Fire Service Area</u>		
Revenues:				
Interest subsidy	\$ 297,570	\$ -	\$ -	\$ 297,570
Expenditures:				
Debt service:				
Principal	2,550,000	45,000	200,000	2,795,000
Interest and other	1,873,637	50,620	169,157	2,093,414
Total expenditures	<u>4,423,637</u>	<u>95,620</u>	<u>369,157</u>	<u>4,888,414</u>
Excess (deficiency) of revenues over expenditures	<u>(4,126,067)</u>	<u>(95,620)</u>	<u>(369,157)</u>	<u>(4,590,844)</u>
Other financing sources (uses):				
Transfers in	<u>4,126,067</u>	<u>95,620</u>	<u>369,157</u>	<u>4,590,844</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	-	-
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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest subsidy	\$ 297,727	\$ 297,727	\$ 297,570	\$ (157)
Other revenues	-	-	-	-
Total revenues	<u>297,727</u>	<u>297,727</u>	<u>297,570</u>	<u>(157)</u>
Expenditures:				
Debt service:				
Principal	2,550,000	2,550,000	2,550,000	-
Interest and other	1,882,137	1,882,137	1,873,637	8,500
Total expenditures	<u>4,432,137</u>	<u>4,432,137</u>	<u>4,423,637</u>	<u>8,500</u>
Excess (deficiency) of revenues over expenditures	<u>(4,134,410)</u>	<u>(4,134,410)</u>	<u>(4,126,067)</u>	<u>8,343</u>
Other financing sources (uses):				
Transfers in	<u>4,134,410</u>	<u>4,134,410</u>	<u>4,126,067</u>	<u>8,343</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
 Bear Creek Fire Service Area Debt Service Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	45,000	45,000	45,000	-
Interest and other	50,620	50,620	50,620	-
Total expenditures	<u>95,620</u>	<u>95,620</u>	<u>95,620</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(95,620)</u>	<u>(95,620)</u>	<u>(95,620)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>95,620</u>	<u>95,620</u>	<u>95,620</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	200,000	200,000	200,000	-
Interest and other	169,158	169,158	169,157	1
Total expenditures	<u>369,158</u>	<u>369,158</u>	<u>369,157</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>(369,158)</u>	<u>(369,158)</u>	<u>(369,157)</u>	<u>1</u>
Other financing sources (uses):				
Transfers in	<u>369,158</u>	<u>369,158</u>	<u>369,157</u>	<u>(1)</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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INTERNAL SERVICE FUNDS

**INTERNAL SERVICE
FUNDS**

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Position
June 30, 2017

	<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	\$ 75,000	\$ 107,932	\$ -	\$ -	\$ 182,932
Equity in central treasury	6,295,548	1,928,108	2,683,147	3,130,823	14,037,626
Other receivables	-	195,562	-	-	195,562
Prepays	36,904	-	-	-	36,904
Total current assets	<u>6,407,452</u>	<u>2,231,602</u>	<u>2,683,147</u>	<u>3,130,823</u>	<u>14,453,024</u>
Capital assets:					
Equipment	-	-	-	4,400,546	4,400,546
Less accumulated depreciation	-	-	-	<u>(2,278,115)</u>	<u>(2,278,115)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,122,431</u>	<u>2,122,431</u>
Total assets	<u>\$ 6,407,452</u>	<u>\$ 2,231,602</u>	<u>\$ 2,683,147</u>	<u>\$ 5,253,254</u>	<u>\$ 16,575,455</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts and contracts payable	3,423	-	-	-	3,423
Accrued payroll and payroll benefits	7,470	-	-	-	7,470
Claims payable	1,716,818	756,786	-	-	2,473,604
Compensated absences	5,028	-	670,787	-	675,815
Total current liabilities	<u>1,732,739</u>	<u>756,786</u>	<u>670,787</u>	<u>-</u>	<u>3,160,312</u>
Long-term liabilities-					
compensated absences	15,086	-	2,012,360	-	2,027,446
Total liabilities	<u>1,747,825</u>	<u>756,786</u>	<u>2,683,147</u>	<u>-</u>	<u>5,187,758</u>
<u>Net Position</u>					
Investment in capital assets	-	-	-	2,122,431	2,122,431
Restricted advance from General Fund	-	300,000	-	-	300,000
Unrestricted	4,659,627	1,174,816	-	3,130,823	8,965,266
Total net position	<u>\$ 4,659,627</u>	<u>\$ 1,474,816</u>	<u>\$ -</u>	<u>\$ 5,253,254</u>	<u>\$ 11,387,697</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

	<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>
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 4,094,617	\$ 7,036,168	\$ 2,205,868	\$ 702,304	\$ 14,038,957
Payments to suppliers	(3,251,245)	(6,077,232)	-	-	(9,328,477)
Payments to employees	(497,575)	-	(1,993,712)	-	(2,491,287)
Other program revenue	12,940	-	-	-	12,940
Net cash provided (used) by operating activities	<u>358,737</u>	<u>958,936</u>	<u>212,156</u>	<u>702,304</u>	<u>2,232,133</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	-	-	(449,495)	(449,495)
Proceeds from sale of capital assets	-	-	-	17,470	17,470
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(432,025)</u>	<u>(432,025)</u>
Cash flows from investing activities:					
Investment earnings	37,995	6,247	-	8,830	53,072
Net increase (decrease) in cash and cash equivalents	396,732	965,183	212,156	279,109	1,853,180
Cash and equity in central treasury at beginning of year	<u>5,973,816</u>	<u>1,070,857</u>	<u>2,470,991</u>	<u>2,851,714</u>	<u>12,367,378</u>
Cash and equity in central treasury at end of year	<u>\$ 6,370,548</u>	<u>\$ 2,036,040</u>	<u>\$ 2,683,147</u>	<u>\$ 3,130,823</u>	<u>\$ 14,220,558</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$ 931,633</u>	<u>\$ 865,640</u>	<u>\$ -</u>	<u>\$ 190,656</u>	<u>\$ 1,987,929</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	-	511,648	511,648
Change in assets and liabilities:					
Increase (decrease) in accounts and contracts payable	(856)	(500)	-	-	(1,356)
Increase (decrease) in accrued payroll and payroll benefits	(14,414)	-	-	-	(14,414)
Increase (decrease) in claims payable	(555,384)	(62,701)	-	-	(618,085)
Increase (decrease) in compensated absences	(3,126)	-	212,156	-	209,030
(Increase) decrease in prepaid expenses	(10,659)	-	-	-	(10,659)
(Increase) decrease in other receivables	11,543	156,497	-	-	168,040
Total adjustments	<u>(572,896)</u>	<u>93,296</u>	<u>212,156</u>	<u>511,648</u>	<u>244,204</u>
Net cash provided (used) by operating activities	<u>\$ 358,737</u>	<u>\$ 958,936</u>	<u>\$ 212,156</u>	<u>\$ 702,304</u>	<u>\$ 2,232,133</u>

Kenai Peninsula Borough

Internal Service Funds

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

For the Year Ended June 30, 2017

	<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	\$ 4,094,617	\$ 7,036,168	\$ 2,205,868	\$ 702,304	\$ 14,038,957
Other	12,940	3,057	-	-	15,997
Total operating revenues	<u>4,107,557</u>	<u>7,039,225</u>	<u>2,205,868</u>	<u>702,304</u>	<u>14,054,954</u>
Operating expenses:					
Administrative services	669,189	134,014	2,205,868	-	3,009,071
Insurance premiums	1,597,222	415,443	-	-	2,012,665
Self-insured losses	909,513	5,624,128	-	-	6,533,641
Depreciation	-	-	-	511,648	511,648
Total operating expenses	<u>3,175,924</u>	<u>6,173,585</u>	<u>2,205,868</u>	<u>511,648</u>	<u>12,067,025</u>
Operating income (loss)	<u>931,633</u>	<u>865,640</u>	<u>-</u>	<u>190,656</u>	<u>1,987,929</u>
Non-operating revenues (expenses):					
Investment earnings	37,995	6,247	-	8,830	53,072
Other	-	-	-	24,078	24,078
Net non-operating revenues (expenses)	<u>37,995</u>	<u>6,247</u>	<u>-</u>	<u>32,908</u>	<u>77,150</u>
Change in net position	969,628	871,887	-	223,564	2,065,079
Net position at beginning of year	<u>3,689,999</u>	<u>602,929</u>	<u>-</u>	<u>5,029,690</u>	<u>9,322,618</u>
Net position at end of year	<u>\$ 4,659,627</u>	<u>\$ 1,474,816</u>	<u>\$ -</u>	<u>\$ 5,253,254</u>	<u>\$ 11,387,697</u>

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FIDUCIARY FUNDS

Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Assets and Liabilities
 June 30, 2017

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total Agency Funds</u>
<u>Assets</u>			
Equity in central treasury	\$ 212,679	\$ 1,521,074	\$ 1,733,753
Taxes receivable	149,815	-	149,815
Due from landowners	<u>-</u>	<u>1,467,529</u>	<u>1,467,529</u>
Total assets	<u>\$ 362,494</u>	<u>\$ 2,988,603</u>	<u>\$ 3,351,097</u>
<u>Liabilities</u>			
Accounts payable	-	402	402
Deferred administration fee	-	93,077	93,077
Due to landowners	-	421,939	421,939
Loans payable	-	2,473,185	2,473,185
Due to other entities:			
City of Homer	135,286	-	135,286
City of Kachemak City	113	-	113
City of Kenai	150,340	-	150,340
City of Seldovia	9,852	-	9,852
City of Seward	55,455	-	55,455
City of Soldotna	<u>11,448</u>	<u>-</u>	<u>11,448</u>
Total liabilities	<u>\$ 362,494</u>	<u>\$ 2,988,603</u>	<u>\$ 3,351,097</u>

Kenai Peninsula Borough

Fiduciary Fund Type - Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2017

	<u>Total</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2017</u>
Tax Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 630,876	\$ 35,957,962	\$ 36,376,159	\$ 212,679
Taxes receivable	<u>145,667</u>	<u>8,691,067</u>	<u>8,686,919</u>	<u>149,815</u>
Total assets	<u>\$ 776,543</u>	<u>\$ 44,649,029</u>	<u>\$ 45,063,078</u>	<u>\$ 362,494</u>
<u>Liabilities</u>				
Due to other entities:				
City of Homer	140,290	10,949,559	10,954,563	135,286
City of Kachemak City	653	69,657	70,197	113
City of Kenai	464,884	11,002,317	11,316,861	150,340
City of Seldovia	4,237	402,434	396,819	9,852
City of Seward	105,447	6,085,337	6,135,329	55,455
City of Soldotna	<u>61,032</u>	<u>7,132,623</u>	<u>7,182,207</u>	<u>11,448</u>
Total liabilities	<u>\$ 776,543</u>	<u>\$ 35,641,927</u>	<u>\$ 36,055,976</u>	<u>\$ 362,494</u>
Special Assessment Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 1,517,546	\$ 1,207,125	\$ 1,203,597	\$ 1,521,074
Due from landowners	<u>1,393,090</u>	<u>1,033,944</u>	<u>959,505</u>	<u>1,467,529</u>
Total assets	<u>\$ 2,910,636</u>	<u>\$ 2,241,069</u>	<u>\$ 2,163,102</u>	<u>\$ 2,988,603</u>
<u>Liabilities</u>				
Accounts payable	486	402	486	402
Deferred administration fee	103,152	27,628	37,703	93,077
Due to landowners	372,708	183,871	134,640	421,939
Loans payable	<u>2,434,290</u>	<u>998,400</u>	<u>959,505</u>	<u>2,473,185</u>
Total liabilities	<u>\$ 2,910,636</u>	<u>\$ 1,210,301</u>	<u>\$ 1,132,334</u>	<u>\$ 2,988,603</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, 2017

	<u>Total</u>			<u>Total</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
Total - All Agency Funds				
<u>Assets</u>				
Equity in central treasury	\$ 2,148,422	\$ 37,165,087	\$ 37,579,756	\$ 1,733,753
Taxes receivable	145,667	8,691,067	8,686,919	149,815
Due from landowners	<u>1,393,090</u>	<u>1,033,944</u>	<u>959,505</u>	<u>1,467,529</u>
 Total assets	 <u>\$ 3,687,179</u>	 <u>\$ 46,890,098</u>	 <u>\$ 47,226,180</u>	 <u>\$ 3,351,097</u>
<u>Liabilities</u>				
Accounts payable	486	402	486	402
Deferred administration fee	103,152	27,628	37,703	93,077
Due to landowners	372,708	183,871	134,640	421,939
Loans payable	2,434,290	998,400	959,505	2,473,185
Due to other entities:				
City of Homer	140,290	10,949,559	10,954,563	135,286
City of Kachemak City	653	69,657	70,197	113
City of Kenai	464,884	11,002,317	11,316,861	150,340
City of Seldovia	4,237	402,434	396,819	9,852
City of Seward	105,447	6,085,337	6,135,329	55,455
City of Soldotna	<u>61,032</u>	<u>7,132,623</u>	<u>7,182,207</u>	<u>11,448</u>
 Total liabilities	 <u>\$ 3,687,179</u>	 <u>\$ 36,852,228</u>	 <u>\$ 37,188,310</u>	 <u>\$ 3,351,097</u>

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CAPITAL ASSETS

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Source⁽¹⁾

June 30, 2017

Governmental funds capital assets:	
Land	\$ 70,876,456
Buildings	299,823,326
Improvements other than buildings	93,031,681
Machinery and equipment	36,022,874
Infrastructure	18,435,570
Construction in progress	<u>9,582,236</u>
Total governmental funds capital assets	<u>\$ 527,772,143</u>
Investments in governmental funds capital assets by source:	
General obligation bonds	\$ 274,874,598
State and federal grants	66,444,672
Federal revenue sharing	3,195,785
General Fund revenue	47,880,838
Special revenue funds	71,209,073
Contributed Capital	270,503
Dedicated lands	126,058
Donations	<u>63,770,616</u>
Total governmental funds capital assets	<u>\$ 527,772,143</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, 2017

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2017</u>
General government	\$ 74,213,175	\$ 1,285,073	\$ 23,301	\$ 75,474,947
Senior citizens	274,451	-	-	274,451
Public safety:				
Fire protection and emergency medical	46,194,064	5,608,280	1,669,580	50,132,764
Emergency communications	8,616,487	579,413	-	9,195,900
Total public safety	54,810,551	6,187,693	1,669,580	59,328,664
Solid waste facilities	48,837,188	6,156,709	5,212,569	49,781,328
Road maintenance:				
Maintenance	228,362	-	-	228,362
Roads	17,209,284	1,126,534	-	18,335,818
Total road maintenance	17,437,646	1,126,534	-	18,564,180
Recreation:				
North Peninsula Recreation service area	11,359,014	7,462	-	11,366,476
Schools	312,599,204	812,893	430,000	312,982,097
Total governmental funds capital assets	\$ 519,531,229	\$ 15,576,364	\$ 7,335,450	\$ 527,772,143

⁽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, 2017

	<u>Land</u>	<u>Buildings</u>	<u>Buildings Other Than Improvements</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General government:							
Administration building	\$ -	\$ 2,702,657	\$ 1,798,773	\$ 2,173,226	\$ -	\$ -	\$ 6,674,656
Maintenance	203,609	1,392,155	33,538	1,356,232	-	-	2,985,534
Area-wide	63,857,834	-	-	-	-	-	63,857,834
Kenai River Center	-	1,875,593	-	81,328	-	-	1,956,921
Total general government	<u>64,061,443</u>	<u>5,970,405</u>	<u>1,832,311</u>	<u>3,610,786</u>	<u>-</u>	<u>-</u>	<u>75,474,945</u>
Senior citizens	-	243,800	-	30,651	-	-	274,451
Public safety:							
Fire protection and emergency medical:							
Nikiski Fire service area	49,172	7,518,414	266,489	7,506,214	-	105,032	15,445,321
Bear Creek Fire service area	17,211	860,390	130,271	1,741,021	-	5,683,168	8,432,061
Central Emergency service area	493,936	4,347,827	1,621,950	10,190,509	-	282,214	16,936,436
Anchor Point Fire and Emergency							
Medical service area	108,487	1,596,435	129,674	2,095,461	-	-	3,930,057
Kachemak Fire and Emergency	127,270	2,637,114	24,200	2,600,308	-	-	5,388,892
Total fire protection and emergency medical	<u>796,076</u>	<u>16,960,180</u>	<u>2,172,584</u>	<u>24,133,513</u>	<u>-</u>	<u>6,070,414</u>	<u>50,132,767</u>
Emergency communications:							
Central Peninsula Emergency	-	-	-	1,179,207	-	-	1,179,207
Services communication center	-	4,838,523	1,503,026	1,095,731	-	579,413	8,016,693
Emergency warning systems	-	4,838,523	1,503,026	2,274,938	-	579,413	9,195,900
Total communications							
Total public safety	<u>796,076</u>	<u>21,798,703</u>	<u>3,675,610</u>	<u>26,408,451</u>	<u>-</u>	<u>6,649,827</u>	<u>59,328,667</u>
Solid waste facilities	2,908,687	3,186,499	38,766,329	4,519,176	-	400,636	49,781,327
Road maintenance	-	-	-	228,362	18,335,818	-	18,564,180
Recreation:							
North Peninsula Recreation service area	145,640	8,513,465	2,292,126	415,245	-	-	11,366,476

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2017

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
School district:							
Central office and warehouse	-	1,791,905	604,290	-	-	-	2,396,195
Schools:							
Outside cities:							
Anchor Point Middle School	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	541,716	-	-	-	3,068,583
Kalifornsky Beach	258,803	4,953,680	267,449	-	-	-	5,410,360
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	4,791,479	5,000	-	-	4,344,330
Nikiski High	51,282	4,923,106	352,854	72,801	-	-	27,668,607
Nikolaevsk	16,399	5,869,344	453,568	54,020	99,752	-	5,400,043
Nimlichik	-	6,076,014	1,379,034	-	-	-	6,493,083
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	680,272	34,127	-	-	25,768,354
Sterling	8,001	7,883,965	303,740	43,849	-	-	4,466,204
Tustumena	19,556	150,000	16,400	34,155	-	-	8,239,555
Voznesenka	629,025	102,336,271	15,139,073	382,774	99,752	-	220,111
Total outside cities							118,586,895
Homer:							
West Homer Elementary	322,028	11,332,823	46,614	-	-	-	11,701,465
Paul Banks Elementary	23,971	2,589,112	679,966	6,143	-	-	3,299,192
High School	400,913	27,402,340	6,990,257	75,450	-	-	34,868,960
Junior High	17,024	3,197,028	743,645	-	-	-	3,957,697
High School Addition	29,177	2,598,949	103,555	-	-	-	2,731,681
Flex School	63,248	461,150	-	-	-	-	524,398
Total Homer	856,361	47,581,402	8,564,037	81,593	-	-	57,083,393

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2017

	Land	Buildings	Buildings Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
Kenai:							
Elementary	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	19,585	-	-	2,235,174
Junior High	60,499	4,057,399	796,734	5,990	-	-	4,920,622
High School	129,517	17,976,192	5,216,089	51,056	-	-	23,372,854
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	8,210,765	143,844	-	-	41,641,606
Seldovia:							
Susan B. English Shop Building	27,953	3,705,452	1,005,119	-	-	-	4,738,524
Total Seldovia	28,953	3,705,452	1,005,119	5,168	-	2,531,773	2,537,941
Seward:							
Elementary	235,000	6,601,586	917,462	40,000	-	-	7,794,048
Middle	346,295	14,656,471	481,531	-	-	-	15,484,297
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
Prep School	5,900	7,638,741	1,963,918	-	-	-	9,608,559
High School	900	16,273,933	4,478,021	71,484	-	-	20,824,338
Total Soldotna	276,848	34,200,653	8,338,836	111,484	-	-	42,927,821
Other areawide:							
Areawide projects	-	611,839	1,070,907	45,340	-	-	1,728,086
Portable classrooms	-	3,025,323	15,038	-	-	-	3,040,361
Total other areawide	-	3,637,162	1,085,945	45,340	-	-	4,768,447
Total school district	2,964,610	260,110,454	46,465,305	810,203	99,752	2,531,773	312,982,097
Total governmental funds capital assets	\$ 70,876,456	\$ 299,823,326	\$ 93,031,681	\$ 36,022,874	\$ 18,435,570	\$ 9,582,236	\$ 527,772,143

⁽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

STATISTICAL TABLES

This part of the Kenai Peninsula Borough's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Borough's overall financial health.

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Financial trends		
These schedules contain trend information to help the reader understand how the Borough's financial performance and well-being have changed over time.		
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These schedules contain service and infrastructure data to help the reader understand how the information in the Borough's financial report relates to the services the government provides and the activities it performs.		
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Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

TABLE I

	2008	2009	2010	2011	2012 *	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$212,403	\$221,769	\$224,474	\$225,627	\$224,040	\$221,588	\$218,646	\$208,238	\$197,331	\$192,353
Restricted	3,339	6,458	6,100	31,554	21,595	13,703	13,594	26,675	16,224	21,681
Unrestricted	66,242	59,174	59,561	28,467	30,959	42,758	46,742	15,675	26,182	11,563
Total governmental activities net position	\$281,984	\$287,401	\$290,135	\$285,648	\$276,594	\$278,049	\$278,982	\$250,588	\$239,737	\$225,597
Business-type activities:										
Net investment in capital assets	\$49,462	\$52,461	\$50,882	\$53,690	-	-	-	-	-	-
Restricted	1,236	774	745	828	-	-	-	-	-	-
Unrestricted	44,860	47,559	53,188	55,651	-	-	-	-	-	-
Total business-type activities net position	\$95,558	\$100,794	\$104,815	\$110,169	-	-	-	-	-	-
Primary government										
Net investment in capital assets	\$261,865	\$274,230	\$275,356	\$279,317	\$224,040	\$221,588	\$218,646	\$208,238	\$197,331	\$192,353
Restricted	4,575	7,232	6,845	32,382	21,595	13,703	13,594	26,675	16,224	21,681
Unrestricted	111,102	106,733	112,749	84,118	30,959	42,758	46,742	15,675	26,182	11,563
Total primary government net position	\$377,542	\$388,195	\$394,950	\$395,817	\$276,594	\$278,049	\$278,982	\$250,588	\$239,737	\$225,597

* Implementation of GASB Statement 61.

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

	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 13,779,385	\$ 16,353,718	\$ 17,307,520	\$ 18,126,563
Solid waste	3,926,410	7,089,368	7,467,484	7,536,420
Public safety	11,158,284	13,459,309	14,301,797	14,994,328
Recreation	1,910,662	1,847,522	1,807,974	1,511,382
Education	45,793,694	49,039,690	50,303,282	51,614,442
Environmental protection	2,090,813	963,468	1,278,621	2,095,777
Roads and trails	4,816,351	6,231,915	11,147,224	10,899,606
Interest on long-term debt	1,064,378	957,764	935,175	1,290,407
Total governmental activities expenses	<u>84,539,977</u>	<u>95,942,754</u>	<u>104,549,077</u>	<u>108,068,925</u>
Business-type activities-				
Hospitals	100,952,586	112,328,342	121,676,751	134,868,579
Total primary government expenses	<u>\$ 185,492,563</u>	<u>\$ 208,271,096</u>	<u>\$ 226,225,828</u>	<u>\$ 242,937,504</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	392,902	777,538	570,325	730,655
Solid waste	269,726	460,064	370,883	526,970
Public safety	1,964,061	1,867,890	1,929,385	1,903,911
Recreation	197,361	219,188	230,075	224,696
Operating grants and contribution	2,766,547	4,550,168	3,561,640	6,330,835
Capital grants and contributions	3,594,638	4,500,246	13,259,418	5,963,765
Total governmental activities program revenues:	<u>9,185,235</u>	<u>12,375,094</u>	<u>19,921,726</u>	<u>15,680,832</u>
Business-type activities:				
Hospital charges for services	95,689,825	107,798,997	119,417,217	135,659,575
Operating grants and contribution	13,621	255,010	315,294	281,884
Capital grants and contributions	-	1,709,281	179,897	-
Total business-type activities	<u>95,703,446</u>	<u>109,763,288</u>	<u>119,912,408</u>	<u>135,941,459</u>
Total primary government program revenues	<u>\$ 104,888,681</u>	<u>\$ 122,138,382</u>	<u>\$ 139,834,134</u>	<u>\$ 151,622,291</u>
Net (expenses)/revenue				
Government activities	(75,354,742)	(83,567,660)	(84,627,351)	(92,388,093)
Business-type activities	(5,249,140)	(2,565,054)	(1,764,343)	1,072,880
Total primary government net expense	<u>\$ (80,603,882)</u>	<u>\$ (86,132,714)</u>	<u>\$ (86,391,694)</u>	<u>\$ (91,315,213)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes				
Property taxes	47,167,291	45,763,297	48,932,675	49,529,435
Sales taxes	23,801,181	28,585,036	25,950,998	27,798,976
Unrestricted grants and contributions	5,247,721	7,767,742	6,149,121	6,103,016
Investment earnings	4,682,399	4,247,230	2,931,268	1,699,310
Special items	2,163,478	2,576,186	1,199,342	748,272
Miscellaneous	2,137,826	45,372	2,198,057	933,987
Total governmental activities	<u>85,199,896</u>	<u>88,984,863</u>	<u>87,361,461</u>	<u>86,812,996</u>
Business-type activities:				
Property taxes	6,254,543	7,133,533	5,847,538	3,835,889
Unrestricted grants and contributions	-	-	-	-
Investment earnings	1,363,418	665,850	453,222	327,381
Miscellaneous	245,151	1,759	(515,750)	117,793
Total business-type activities	<u>7,863,112</u>	<u>7,801,142</u>	<u>5,785,010</u>	<u>4,281,063</u>
Total primary government	<u>93,063,008</u>	<u>96,786,005</u>	<u>93,146,471</u>	<u>91,094,059</u>
Changes in net position				
Governmental activities	9,845,154	5,417,203	2,734,110	(5,575,097)
Business-type activities	2,613,972	5,236,088	4,020,667	5,353,943
Total primary government	<u>\$ 12,459,126</u>	<u>\$ 10,653,291</u>	<u>\$ 6,754,777</u>	<u>\$ (221,154)</u>

* Implementation of GASB Statement 61.

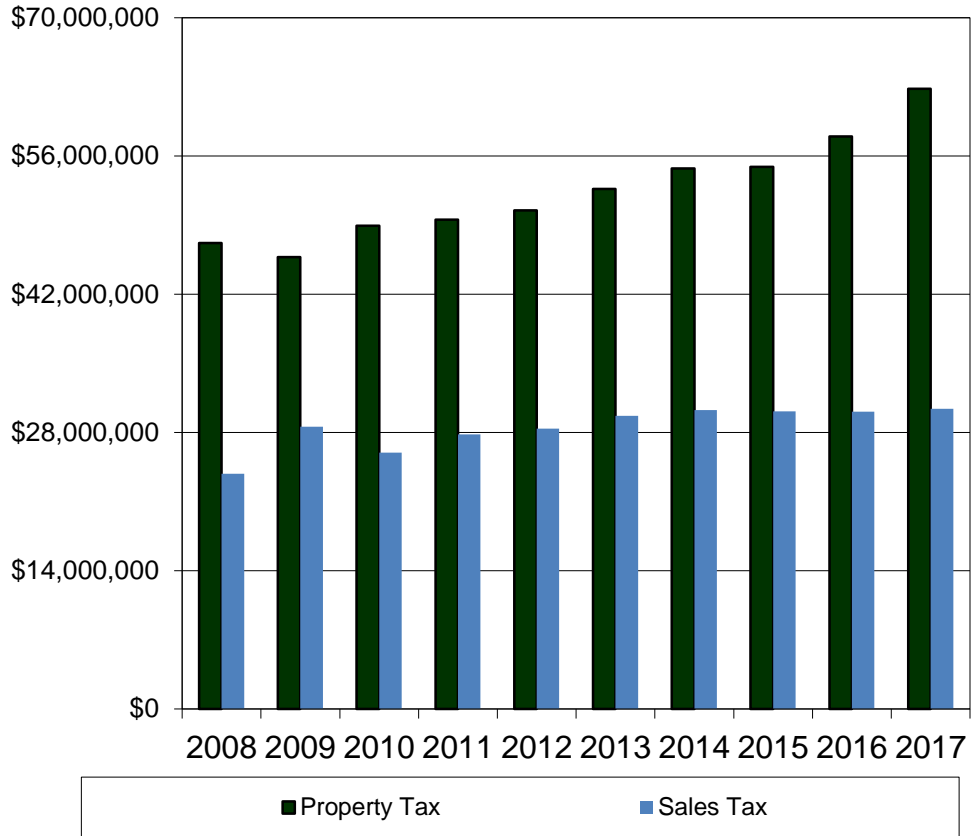
TABLE II

2012 *	2013	2014	2015	2016	2017
\$ 17,886,287	\$ 18,131,325	\$ 17,735,043	\$ 18,173,307	\$ 20,559,083	\$ 23,188,963
7,784,525	7,903,125	7,192,764	7,740,270	8,677,985	8,829,329
17,974,573	18,440,219	19,447,827	19,257,277	21,594,305	23,412,776
1,884,148	2,421,002	2,209,306	2,350,050	3,530,357	2,542,184
57,206,138	59,159,828	60,833,417	59,732,399	62,863,887	59,079,957
2,047,058	1,053,278	858,013	664,142	403,631	442,520
12,447,099	10,682,102	9,899,171	9,890,591	9,392,961	11,127,855
1,445,013	1,375,115	1,761,142	2,013,946	1,904,390	1,800,979
<u>118,674,841</u>	<u>119,165,994</u>	<u>119,936,683</u>	<u>119,821,982</u>	<u>128,926,599</u>	<u>130,424,563</u>
-	-	-	-	-	-
<u>\$ 118,674,841</u>	<u>\$ 119,165,994</u>	<u>\$ 119,936,683</u>	<u>\$ 119,821,982</u>	<u>\$ 128,926,599</u>	<u>\$ 130,424,563</u>
1,162,154	1,645,436	1,005,815	266,672	461,057	353,496
817,272	1,456,190	1,083,996	917,181	760,751	667,220
2,245,443	2,234,481	2,337,286	2,659,677	2,793,476	2,679,640
220,883	224,667	220,838	98,987	202,485	208,106
7,285,211	6,656,208	8,201,468	7,472,614	8,237,806	7,144,132
9,727,105	17,845,053	14,915,979	6,770,240	8,648,345	5,754,897
<u>21,458,068</u>	<u>30,062,035</u>	<u>27,765,382</u>	<u>18,185,371</u>	<u>21,103,920</u>	<u>16,807,491</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 21,458,068</u>	<u>\$ 30,062,035</u>	<u>\$ 27,765,382</u>	<u>\$ 18,185,371</u>	<u>\$ 21,103,920</u>	<u>\$ 16,807,491</u>
(97,216,773)	(89,103,959)	(92,171,301)	(101,636,611)	(107,822,679)	(113,617,072)
<u>-\$ (97,216,773)</u>	<u>-\$ (89,103,959)</u>	<u>-\$ (92,171,301)</u>	<u>-\$ (101,636,611)</u>	<u>-\$ (107,822,679)</u>	<u>-\$ (113,617,072)</u>
50,485,761	52,664,077	54,724,582	54,888,191	57,972,995	62,797,386
28,385,150	29,664,629	30,277,599	30,138,426	30,116,611	30,400,062
7,102,607	7,309,264	6,364,283	6,465,467	6,477,531	5,227,887
2,072,921	596,346	1,671,191	1,772,756	2,374,089	989,550
-	-	-	-	-	-
116,156	400,698	66,609	(434,213)	30,619	62,129
<u>88,162,595</u>	<u>90,635,014</u>	<u>93,104,264</u>	<u>92,830,627</u>	<u>96,971,845</u>	<u>99,477,014</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>88,162,595</u>	<u>90,635,014</u>	<u>93,104,264</u>	<u>92,830,627</u>	<u>96,971,845</u>	<u>99,477,014</u>
(9,054,178)	1,531,055	932,963	(8,805,984)	(10,850,834)	(14,140,058)
<u>-\$ (9,054,178)</u>	<u>\$ 1,531,055</u>	<u>\$ 932,963</u>	<u>-\$ (8,805,984)</u>	<u>-\$ (10,850,834)</u>	<u>-\$ (14,140,058)</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>
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
2014	54,724,582	30,277,599	85,002,181
2015	54,888,191	30,138,426	85,026,617
2016	57,972,995	30,116,611	88,089,606
2017	62,797,386	30,400,062	93,197,448



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

TABLE IV

	2008	2009	2010	2011 *	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 480,474	\$ 533,923	\$ 160,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	23,979,600	24,604,294	22,864,839	-	-	-	-	-	-	-
Nonspendable	-	-	-	251,065	198,063	6,944,837	8,879,666	11,345,210	5,298,396	4,103,792
Restricted	-	-	-	-	-	70,000	105,020	90,000	51,000	145,178
Committed	-	-	-	339,610	373,867	638,937	243,157	458,748	292,830	671,004
Assigned	-	-	-	17,523,149	15,407,886	15,326,705	14,658,934	16,244,676	20,136,610	18,314,053
Unassigned	-	-	-	3,591,990	5,486,767	330,506	994,595	-	-	-
Total General Fund	\$24,460,074	\$25,138,217	\$23,025,423	\$21,705,814	\$21,466,583	\$23,310,985	\$24,881,372	\$28,138,634	\$25,778,836	\$23,234,027
All other governmental funds										
Reserved	3,321,822	4,471,230	4,893,211	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	25,077,731	25,864,320	23,125,512	-	-	-	-	-	-	-
Capital projects funds	7,695,830	6,740,283	13,922,365	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	803,227	1,045,538	3,661	1,500	44	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	61,269
Restricted										
Special revenue funds	-	-	-	11,661,025	10,385,968	11,279,700	13,460,361	14,937,097	12,962,247	11,432,855
Capital projects funds	-	-	-	24,592,081	16,659,200	8,508,355	22,479,158	16,946,646	9,307,381	17,030,044
Committed										
Special revenue funds	-	-	-	1,739,754	575,377	344,964	79,393	59,091	3,913,421	3,505,646
Capital projects funds	-	-	-	6,516,387	6,565,219	9,856,833	11,034,193	11,262,666	14,768,598	9,486,348
Assigned										
Special revenue funds	-	-	-	4,781,994	4,006,915	6,309,208	6,582,069	7,136,273	7,577,509	9,582,406
Capital projects funds	-	-	-	1,690,262	841,612	580,535	145,464	-	1,628,556	908,474
Unassigned										
Special revenue funds	-	-	-	-	(51,378)	(23,364)	-	(171,444)	(446,428)	(230,362)
Capital projects funds	-	-	-	-	-	-	-	-	(120,646)	(34,887)
Total all other governmental funds	\$36,095,383	\$37,075,833	\$41,941,088	\$51,784,730	\$40,028,451	\$36,859,892	\$53,782,138	\$50,170,373	\$49,590,638	\$51,741,793

* 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property taxes	\$47,216,050	\$45,796,378	\$48,613,059	\$49,736,514	\$50,230,334	\$52,916,285	\$54,570,598	\$54,662,814	\$58,007,099	\$62,326,564
Sales tax	23,801,181	28,585,036	25,950,998	27,798,976	28,385,150	29,664,629	30,277,598	30,138,426	30,116,611	30,400,062
Intergovernmental	13,317,714	16,759,845	24,874,838	17,785,198	22,716,818	31,294,888	28,613,640	25,393,552	19,436,158	15,105,570
Investment earnings	4,269,412	3,877,032	2,697,058	1,527,901	1,895,316	581,394	1,740,079	1,681,379	2,164,886	940,993
Other revenues	4,016,545	3,392,467	3,355,662	4,953,946	5,153,172	6,844,468	5,253,525	7,029,749	5,683,236	4,843,547
Total revenues	92,620,902	98,410,758	105,491,615	101,802,535	108,380,790	121,301,064	120,455,440	118,905,916	115,407,990	113,616,736
Expenditures:										
General government	13,379,469	15,881,770	17,060,295	17,401,291	17,740,213	17,962,124	17,615,805	21,276,848	18,429,713	17,082,168
Solid waste	4,791,911	5,311,704	5,353,292	5,704,476	5,739,959	4,843,412	1,833,477	6,789,061	6,170,953	4,223,429
Public safety	10,750,484	11,985,795	12,798,445	13,396,428	16,517,524	16,268,117	18,829,271	19,456,359	17,784,143	20,025,282
Recreation	1,302,674	1,441,969	1,424,141	1,136,151	1,536,689	1,192,994	1,745,588	2,234,204	3,180,795	1,873,562
Education	38,603,640	42,450,275	43,981,113	46,064,673	51,524,574	51,447,909	52,695,845	53,038,298	57,934,516	49,987,995
Environmental protection	2,090,813	963,468	1,287,515	2,095,423	2,048,151	1,052,619	909,596	665,071	404,895	442,520
Roads and trails	4,309,600	6,101,376	6,853,831	10,558,262	11,252,663	10,273,390	9,494,678	9,693,517	8,758,384	9,574,530
Capital outlay	12,699,282	9,282,690	15,649,412	10,429,218	9,144,780	15,221,756	17,672,292	3,262,122	5,495,777	12,763,943
Debt service										
Principal	2,305,000	2,355,000	2,410,000	3,414,000	3,340,000	3,515,000	2,770,000	3,390,000	2,645,000	2,795,000
Interest and other (1) (2)	1,075,491	978,119	881,110	943,580	1,613,560	1,469,468	1,380,830	2,397,295	2,084,980	2,093,414
Total expenditures	91,308,364	96,752,166	107,699,154	111,143,502	120,458,113	124,036,789	124,947,382	122,202,775	122,889,156	120,861,843
Excess of revenues over (under) expenditures	1,312,538	1,658,592	(2,207,539)	(9,340,967)	(12,077,323)	(2,735,725)	(4,491,942)	(3,296,859)	(7,481,166)	(7,245,107)
Other financing sources (uses)										
Bonds issued	-	-	4,960,000	16,865,000	8,150,000	1,215,000	20,860,000	1,425,000	2,465,000	5,405,000
Premium on bonds issued	-	-	-	-	1,284,121	196,568	2,124,575	245,693	330,138	627,505
Payment to rfd bd escrow agent	-	-	-	-	(9,352,308)	-	-	(1,648,963)	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	1,746,495	818,949
Transfers in	17,069,227	17,444,450	17,396,622	10,120,206	8,166,490	8,429,925	8,043,061	9,505,521	9,700,383	11,590,201
Transfers out	(17,069,227)	(17,444,450)	(17,396,622)	(9,120,206)	(8,166,490)	(8,429,925)	(8,043,061)	(9,505,521)	(9,700,383)	(11,590,201)
Net other financing sources (uses)	-	-	4,960,000	17,885,000	81,813	1,411,568	22,984,575	21,730	4,541,633	6,851,454
Net change in fund balances	\$ 1,312,538	\$ 1,658,592	\$ 2,752,461	\$ 8,524,033	\$ (11,995,510)	\$ (1,324,157)	\$ 18,492,633	\$ (3,275,129)	\$ (2,939,533)	\$ (393,653)
GO Debt service as a percentage of noncapital expenditures	4.30%	3.81%	3.58%	4.33%	4.45%	4.58%	3.87%	4.87%	4.03%	4.52%
Total non-capital expenditures	78,609,082	87,469,476	92,049,742	100,714,284	111,313,333	108,815,033	107,275,090	118,940,653	117,393,379	108,097,900
(1) 2012 includes \$81,813 in bond issuance costs.										
(2) 2015 includes \$21,730 in bond issuance costs.										
Non-capital expenditures	78,609,082	87,469,476	92,049,742	100,714,284	111,313,333	108,815,033	107,275,090	118,940,653	117,393,379	108,097,900
GO Debt service	3,380,491	3,333,119	3,291,110	4,357,580	4,953,560	4,984,468	4,150,830	5,787,295	4,729,980	4,888,414
	4.30%	3.81%	3.58%	4.33%	4.45%	4.58%	3.87%	4.87%	4.03%	4.52%

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

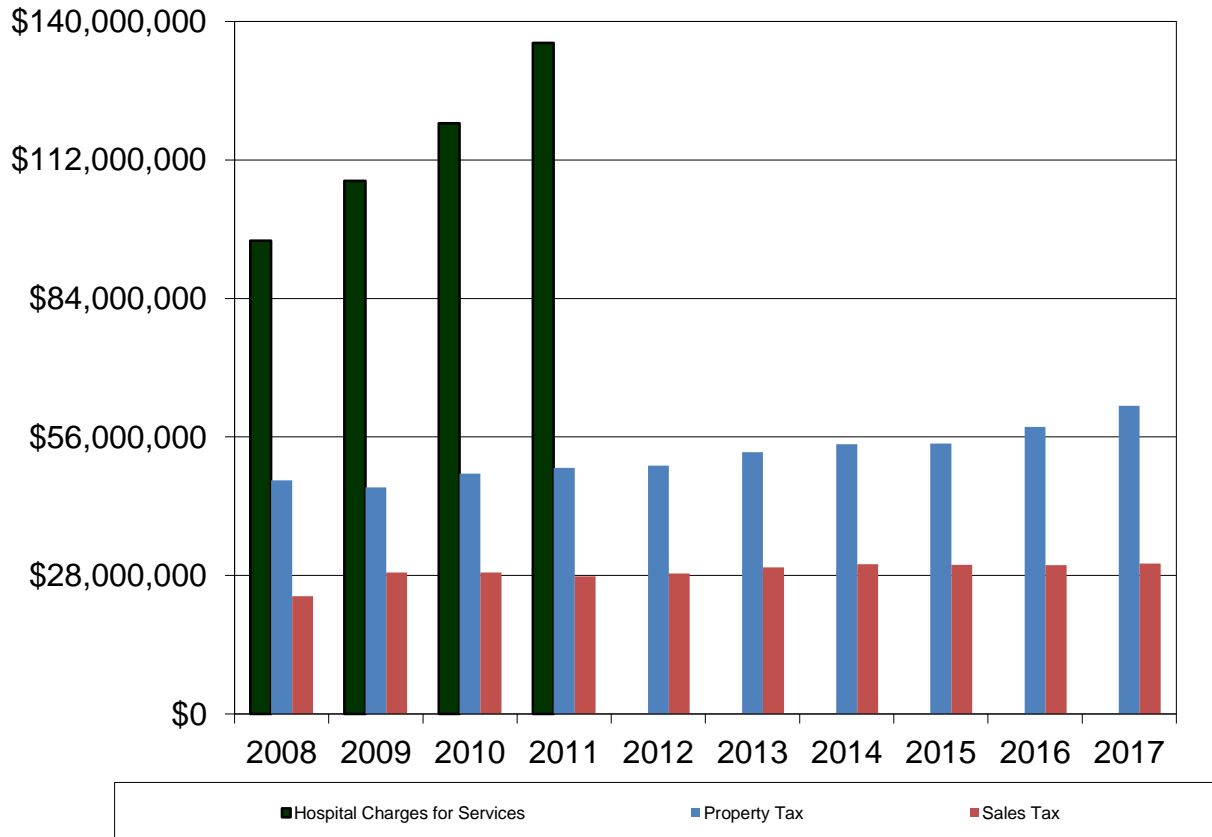
TABLE VI

<u>Fiscal Year</u>	<u>Hospital Charge for Services (3)</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
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) 28,585,036	196,615,312
2011	(3) 135,659,575	49,736,514	27,798,976	213,195,065
2012	-	50,230,334	28,385,150	78,615,484
2013	-	52,916,285	29,664,629	82,580,914
2014	-	54,570,598	30,277,598	84,848,196
2015	-	54,662,814	30,138,426	84,801,240
2016	-	58,007,099	30,116,611	88,123,710
2017	-	62,326,564	30,400,062	92,726,626

(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	Real	Personal			
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	6,132,587	810,065	286,399	480,530	32,511			6,716,010	4.50	92.90%
2014	7,484,667	989,766	292,407	492,565	31,906			6,960,196	4.50	92.99%
2015	7,797,117	1,142,158	324,853	826,802 (2)	32,999			6,937,316	4.50	88.97%
2016	8,189,350	1,224,525	339,478	876,966	33,986			7,278,398	4.50	88.88%
2017	8,752,156	1,467,353	368,985	902,055	34,392			7,815,709	4.50	89.30%
Total estimated actual value of property less mandatory federal and state exemptions (1)										
	\$ 5,771,711		\$ 224,479	\$ 374,395	\$ 27,938					

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.

(2) Increase in real property exempt amount due to increase of residential exemption from \$20,000 to \$50,000 in FY15.

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
Last Ten Fiscal Years

TABLE VIII

Fiscal Year	Borough wide		Overlapping Rates (2)											
	General Fund		City of Homer		City of Kachemak		City of Kenai		City of Seldovia		City of Seward		City of Soldotna	
	Maximum rate (1)	Approved rate (1)	Operating (5)	Special Districts (4)	Operating (5)	Special Districts (4)	Operating (5)	Special Districts (4)	Operating (5)	Special Districts (4)	Operating (5)	Special Districts (4)	Operating (5)	Special Districts (4)
2008	8.21	5.50	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	8.27	4.50	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	8.24	4.50	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	8.40	4.50	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	8.40	4.50	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	8.40	4.50	4.50	2.30	1.00	2.30	3.85	0.02	4.60	0.75	3.12	0.50	0.65	2.67
2014	8.40	4.50	4.50	2.30	1.00	2.30	4.35	0.02	4.60	0.75	3.12	0.50	0.50	2.67
2015	8.33	4.50	4.50	2.30	1.00	2.30	4.35	0.01	4.60	0.75	3.12	0.75	0.50	2.66
2016	8.17	4.50	4.50	2.30	1.00	2.30	4.35	0.01	4.60	0.75	3.12	0.75	0.50	2.66
2017	8.29	4.50	4.50	2.30	1.00	2.30	4.35	0.01	7.50	0.75	3.12	0.75	0.50	2.73

(1) The Borough's General Fund maximum mill rate and approved rate.
(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 from Kenai Peninsula Borough's resolution approving the mill rates for each respective year.
(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>	2017			2008		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
Hilcorp Alaska, LLC	\$ 622,562,420	1	7.97%	\$ -		-
Furie Operating Alaska, LLC	241,282,460	2	3.09%	-		-
ConocoPhillips, Inc.	234,454,147	3	3.00%	167,593,162	2	3.12%
Tesoro Alaska	226,638,711	4	2.90%	179,655,937	3	3.35%
Cook Inlet Natural Gas Storage AK, LLC	110,934,905	5	1.42%	-		-
Harvest Alaska	94,073,790	6	1.20%	-		-
Cook Inlet Energy, LLC	88,844,840	7	1.14%	-		-
Alaska Pipeline	75,883,436	8	0.97%	-		-
Alaska Communications Systems	73,626,771	9	0.94%	-		-
Enstar Natural Gas	46,774,635	10	0.60%	-		-
Union Oil/Unocal	-		-	196,984,820	1	3.67%
Marathon Oil Co.	-		-	116,871,260	4	2.18%
BP Exploration Alaska, Inc.	-		-	72,223,458	5	1.35%
ACS of the Northland, Inc.	-		-	62,074,266	6	1.16%
Agrium US, Inc.	-		-	48,783,310	7	0.91%
XTO Energy, Inc.	-		-	44,130,000	8	0.82%
Kenai Kachemak Pipeline	-		-	41,813,070	9	0.78%
Fred Meyer	-		-	19,266,051	10	0.36%
	<u>\$ 1,815,076,115</u>		<u>23.23%</u>	<u>\$ 949,395,334</u>		<u>17.70%</u>

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

Total Assessed value based on total
tax levy for FY2017 and FY2008 respectively.

\$ 7,815,709,000

\$ 5,369,378,000

Kenai Peninsula Borough
 Taxable Sales by Line of Business
 Current

TABLE X

<u>Line of Business</u>	<u>2017</u>
Retail Trade	\$ 454,466,444
Restaurant / Bar	93,285,296
Hotel / Motel / Bed Breakfast	80,315,391
Utilities	79,041,642
Guided Land and Water	58,789,308
Services	37,698,309
Information	28,871,006
Wholesale Trade	27,572,007
Rental Residential Property	24,565,297
Public Administration	19,705,472
Professional and Scientific	16,224,026
Construction and Contracting	13,035,804
Telecommunications	12,212,583
Administration Waste Management	9,349,379
Manufacturing	9,216,411
Rental Non-Residential	8,592,995
Arts and Entertainment	6,236,348
Mining / Querying	5,340,747
Transportation and Warehouse	5,114,764
Other	15,849,397
Grand Total	<u>\$ 1,005,482,626</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		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 30,042,125	\$ 29,651,635	98.700%	\$ 386,937	\$ 30,038,572	99.988%
2009	26,779,449	26,431,968	98.702%	344,322	26,776,290	99.988%
2010	28,875,124	28,375,677	98.270%	496,114	28,871,791	99.988%
2011	29,058,274	28,630,610	98.528%	421,708	29,052,318	99.980%
2012	30,419,493	29,946,804	98.446%	465,310	30,412,114	99.976%
2013	30,823,497	30,382,636	98.570%	430,775	30,813,411	99.967%
2014	31,750,392	31,332,596	98.684%	402,553	31,735,149	99.952%
2015	31,685,014	31,142,025	98.286%	315,382	31,457,407	99.282%
2016	33,108,951	32,410,590	97.891%	609,089	33,019,679	99.730%
2017	35,591,917	35,157,568	98.780%	-	35,157,568	98.780%

Fiscal Year	Governmental Activities				Discretely Presented Component Units (1)				General Bonded Debt Per Capita (2) (3)					
	General Obligation Bonds (Net of premiums/discounts/adjustments)	General Obligation Bonds (Service Area) (Net of premiums/discounts/adjustments)	General Obligation Bonds (Net of premiums/discounts/adjustments)	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)	Area-Wide	Central Emergency Services Area	Bear Creek Fire Service Area	South Peninsula Hospital Service Area	Central Peninsula Hospital Service Area		
2008	\$ 20,174,000	\$ 2,345,000	\$ 66,998,700	\$ 1,109,570	\$ 90,627,270	5.06%	1.57%	\$ 381	\$ 115	\$ -	\$ 1,893	\$ 1,290		
2009	17,904,000	2,260,000	64,201,793	754,730	85,120,523	4.34%	1.33%	338	116	-	1,787	1,209		
2010	20,526,000	2,170,000	61,319,887	385,079	84,400,966	3.93%	1.24%	383	111	-	1,716	1,153		
2011	34,036,000	2,075,000	58,322,981	631,745	95,065,726	4.43%	1.38%	614	113	-	1,604	1,070		
2012	30,730,000	1,975,000	-	-	32,705,000	1.24%	0.46%	545	88	-	-	-		
2013	26,820,000	3,085,000	-	-	29,905,000	1.08%	0.41%	473	83	793	-	-		
2014	45,055,000	2,940,000	-	-	47,995,000	1.74%	0.64%	792	78	770	-	-		
2015	41,820,000	2,685,000	-	-	44,505,000	1.49%	0.57%	732	68	744	-	-		
2016	39,340,000	4,985,000	-	-	44,325,000	1.45%	0.54%	681	158	714	-	-		
2017	42,195,000	4,740,000	-	-	46,935,000	1.54%	0.54%	727	150	685	-	-		

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 adopted GASB Statement 61, which changed accounting and financial reporting for CPH and SPH.

(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 - Borough (in thousands) (3)	Per Capita Personal Income - Borough (3)	Per Capita Personal Income - Alaska (3)	Median Age (2)	School Enrollment (5)	Unemployment Rate (2)	Number of Employed (2)
2008	52,990	\$ 2,029,492	\$ 38,097	\$ 43,723	39.2	9,250	7.60%	23,775
2009	52,990	2,275,285	42,406	47,791	39.2	9,256	7.80%	24,226
2010	53,578	2,307,583	42,112	46,834	39.4	9,145	9.80%	24,187
2011	55,400	2,432,959	43,780	48,614	40.6	8,978	10.00%	24,212
2012	56,369	2,627,069	46,600	51,405	40.6	8,922	9.50%	24,675
2013	56,756	2,770,353	48,636	52,638	41.4	8,886	8.60%	25,013
2014	56,862	2,759,412	48,351	51,416	40.0	8,756	8.00%	25,604
2015	57,147	2,981,871	51,734	54,582	40.5	8,826	7.80%	25,797
2016	57,763	3,056,190	52,639	56,147	40.0	8,788	7.80%	25,449
2017	58,060	3,056,190 (4)	52,639 (4)	56,147 (4)	40.6	8,785	8.20%	24,972

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 the annual rate for 12 months ending December of the prior calendar year. The Alaska Department of Labor amends every month the unemployment rate data for the previous month and again at the end of every calendar year. Some prior fiscal years have been updated to match updated statistical reported information.
- (3) Data is provided by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) and is for the 12-month period ending December of the prior calendar year.
- (4) Calendar year 2016 data currently unavailable from BEA.
- (5) Information provided from the Kenai Peninsula Borough School District.

As shown above, the unemployment rate went up during FY2010; however, the actual number of employed stayed approximately the same as FY2009. The rise in the unemployment rate was due to the number of individuals from the lower 48 States moving into the area looking for work.

Kenai Peninsula Borough
Principal Employers
Current and Nine Years Ago

TABLE XV

<u>Employer</u>	<u>2016 *</u> <u>Rank</u>	<u>2007 *</u> <u>Rank</u>
-----------------	------------------------------	------------------------------

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

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

TABLE XVI

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Assembly	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayor	6.00	6.00	6.00	5.00	4.00	5.00	5.00	6.00	6.00	6.00
Purchasing and Contracting *	12.00	13.00	12.50	10.50	10.00	11.00	12.00	14.00	14.00	10.00
Office of Emergency Mgmt	3.55	3.55	4.55	4.55	4.00	4.00	4.25	4.25	4.00	4.00
General Services	21.80	22.10	22.60	22.60	-	-	-	-	-	-
HR	-	-	-	-	7.60	7.60	7.55	7.55	7.55	7.55
IT	-	-	-	-	11.00	11.00	11.50	11.50	11.50	11.50
Legal	5.00	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	22.00	22.00	22.00	22.00	22.00	22.00
Assessing	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Planning	9.00	9.00	9.00	9.00	13.00	13.00	13.00	13.00	13.00	13.00
River Center	4.50	5.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00
Total	112.35	114.15	116.15	113.15	110.10	112.10	113.80	115.80	115.55	111.55
Fire and Emergency Services:										
Nikiski Fire	23.00	21.00	21.00	21.00	20.00	20.00	20.00	20.75	21.75	21.75
Bear Creek Fire	0.40	0.75	0.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Anchor Point	1.00	1.00	1.00	1.00	2.50	2.50	2.50	3.50	4.00	4.00
CES	33.50	33.50	37.50	37.50	38.50	42.00	42.00	41.00	39.00	41.00
Kachemak	0.75	1.00	2.00	3.00	3.50	3.50	4.00	4.00	4.00	4.00
911 Communications	8.70	8.70	10.70	10.70	11.25	11.25	11.75	12.25	12.50	12.50
Seward Bear Creek Flood	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Recreation	13.25	13.25	14.25	14.25	14.25	14.65	14.65	14.65	14.65	14.65
Roads	7.00	8.00	8.00	8.00	8.00	8.00	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	-	-	-	-	-	-	-	-	-
Solid Waste	20.25	20.75	21.00	21.00	20.00	21.00	17.00	17.00	17.00	15.50
Risk Management	4.60	3.60	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total	231.55	231.45	242.10	240.85	239.35	246.25	244.95	248.20	247.70	244.20
	45.30	46.30	46.30	46.30	45.30	46.30	46.30	46.30	46.30	46.30
Positions controlled by the Kenai Peninsula Borough but reported as part of in-kind expenditures for the Kenai Peninsula Borough School District										

* Purchasing and Contracting combined in 2016

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government- 911 calls answered	16,590	18,834	21,494	21,260	21,834	21,831	26,364	27,239	28,165	29,865
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	737	820	870	929	926	902	842	919	959	987
Bear Creek	164	134	132	111	132	119	136	139	143	156
Anchor Point	198	215	150	194	235	250	197	263	214	228
CES	1,919	1,962	1,977	2,095	1,815	1,729	1,770	2,039	2,100	2,240
Kachemak	114	147	120	140	139	197	216	219	246	255
Landfills-										
Refuse collected (tons)	65,000	65,828	60,720	64,759	78,250	78,178	63,564	64,653	60,318	60,318

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	2	2	2	2	2	2	2	2	2	2
CES	6	6	6	8	8	8	8	8	8	8
Kachemak	1	1	1	1	1	1	1	2	2	2
Landfills:										
Number of municipal waste landfills	8	8	8	8	8	8	8 (1)	8	8	8
Number of transfer facilities/sites	12	12	12	12	12	12	13	13	13	13
Recreation-										
Number of facilities	8	8	8	8	9	9	9	9	9	9
Roads-										
Miles of roads maintained	623	631	633	634	636	638	640	640	641	646

(1) Homer and Seward landfills are no longer accepting municipal waste but are still accepting inert waste.

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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SINGLE AUDIT

Kenai Peninsula Borough

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<u>Federal Grantor</u>	<u>Federal Grant Number</u>	<u>Pass-through Entity Identifier Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/17</u>
<u>U.S. Department of the Interior:</u>				
Passed through U.S. Bureau of Land Management:				
Payment in Lieu of Taxes	2016 SEC 6901/02		15.226	\$ 3,113,471
Passed through U.S. Fish and Wildlife Service:				
National Wildlife Refuge Revenue Sharing	FY2017		15.659	25,134
Riverbank Restoration	AK-17-6		15.631	22,694
Coastal Impact Assistance Program:				
Planning & Administration	F14AF00791		15.668	3,251
Adopt-A-Stream Program	F12AF70248		15.668	38,051
Recreation Area Sanitation	F12AF70131		15.668	84,751
Stream Channel & Elevation Modeling	F12AF00443		15.668	214
Total CFDA 15.668				126,267
Total U.S. Department of the Interior				3,287,566
<u>U.S. Department of Homeland Security:</u>				
Passed through Alaska Department of Military & Veterans Affairs:				
September 2012 Flood Federal Declared Disaster PW39-Kwechek Creek	FEMA-4094-DR	DR-4094-AK	97.036	(2,775)
October 2013 Flood Federal Declared Disaster PW21-Damaged Roads	FEMA-4161-DR	DR-4161-AK	97.036	3,473
Total CFDA 97.036				698
HMGP-GIS Software	4244-4-F	4244.0004	97.039	11,273
SHSP-Soldotna SPSCC Radio Consoles & CERT Train the Trainer	EMW-2016-SS-0002	20SHSP-GY15	97.067	579,413
SHSP-Anchor Point Radios & 2016 Alaska Shield Travel	EMW-2015-SS-00026-S01	20SHSP-GY16	97.067	3,489
SHSP-Radios for Kachemak Emergency Services & Alaska Shield	EMW-2013-SS-00098		97.067	-
Total CFDA 97.067				582,902
Emergency Management Performance Grant	FY14-FY17		97.042	(14,983)
Emergency Management Performance Grant	EMS-2016-EP-00001-S01	20EMPG-GY16	97.042	126,891
Total CFDA 97.042				111,908
Total U.S. Department of Homeland Security				706,781
<u>U.S. Department of Housing & Urban Development:</u>				
CDBG-Aspen Avenue Paving	B-15-DC-02-0001	15-CDBG-03	14.228	185,153
Total U.S. Department of Housing & Urban Development				185,153
<u>U.S. Department of Transportation:</u>				
Extend Kenai Spur Hwy-North Road	DTFH7017E30003		20.205	31,479
Total U.S. Department of Transportation				31,479
<u>U.S. Department of Agriculture:</u>				
National Forest Receipts	FY17		10.665	14,406
Passed through Alaska Department of Natural Resources:				
Anchor Point Fire & EMS Service Area Volunteer Fire Assistance Grant	FY17	N/A	10.664	10,000
Bear Creek Fire SA Volunteer Fire Assistance Grant	FY17	N/A	10.664	9,366
Total CFDA 10.664				19,366
Total U.S. Department of Agriculture				33,772
TOTAL FEDERAL				\$ 4,244,751

Additional information on federal major programs and the Single Audit Report are available through a separately bound document.

Kenai Peninsula Borough

Schedule of State Financial Assistance

Year Ended June 30, 2017

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/17</u>
<u>Alaska Department of Commerce, Community & Economic Development:</u>		
Shared Fisheries Business Tax		\$ 6,530
Community Revenue Sharing - Borough	FY17	1,374,231
Community Revenue Sharing - Nanwalek IRA Council	[1] FY14	2,166
Community Revenue Sharing - Nanwalek IRA Council	[1] FY15	10,636
Community Revenue Sharing - Snomads Snowmachine Club, Inc.	[1] FY15	380
Community Revenue Sharing - Bear Creek Volunteer Fire Department	[1] FY16	1,104
Community Revenue Sharing - Hope, Inc.	[1] FY16	10,187
Community Revenue Sharing - Kasilof Regional Historical Association	[1] FY16	341
Community Revenue Sharing - Moose Pass Chamber of Commerce	[1] FY16	44
Community Revenue Sharing - Nanwalek IRA Council	[1] FY16	17,423
Community Revenue Sharing - Ninilchik Community Library	[1] FY16	4,827
Community Revenue Sharing - Ninilchik Emergency Services	[1] FY16	4,825
Community Revenue Sharing - Ninilchik Fairground Association	[1] FY16	4,825
Community Revenue Sharing - Ninilchik Senior Citizens	[1] FY16	4,825
Community Revenue Sharing - Alaska Children's Institute For Performing Arts (ACIPA)	[1] FY17	12,900
Community Revenue Sharing - Anchor Point Public Library	[1] FY17	6,450
Community Revenue Sharing - Anchor Point Senior Citizens	[1] FY17	6,451
Community Revenue Sharing - Boys & Girls Club of Southcentral Alaska	[1] FY17	12,899
Community Revenue Sharing - Boys & Girls Club of the Kenai Peninsula	[1] FY17	6,449
Community Revenue Sharing - Caribou Hills Cabin Hoppers	[1] FY17	12,900
Community Revenue Sharing - Cooper Landing Community Club	[1] FY17	12,900
Community Revenue Sharing - Funny River Chamber of Commerce	[1] FY17	12,900
Community Revenue Sharing - Hope, Inc.	[1] FY17	5,203
Community Revenue Sharing - Kachemak Nordic Ski Club	[1] FY17	8,598
Community Revenue Sharing - Kachemak Ski Club	[1] FY17	4,301
Community Revenue Sharing - Kasilof Public Library	[1] FY17	6,451
Community Revenue Sharing - Kasilof Regional Historical Association	[1] FY17	6,449
Community Revenue Sharing - Kasilof-Cohoe Cemetery Association	[1] FY17	6,451
Community Revenue Sharing - Kenai Peninsula Food Bank	[1] FY17	5,160
Community Revenue Sharing - Love Inc. of the Kenai Peninsula	[1] FY17	2,580
Community Revenue Sharing - Lowell Point Community Council	[1] FY17	12,900
Community Revenue Sharing - Moose Pass Chamber of Commerce	[1] FY17	6,034
Community Revenue Sharing - Moose Pass Volunteer Fire Department	[1] FY17	32,580
Community Revenue Sharing - Nikolaevsk Community Council	[1] FY17	12,900
Community Revenue Sharing - Ninilchik Community Library	[1] FY17	3,225
Community Revenue Sharing - Ninilchik Emergency Services	[1] FY17	3,225
Community Revenue Sharing - Ninilchik Fairground Association	[1] FY17	3,224
Community Revenue Sharing - Ninilchik Senior Citizens	[1] FY17	3,225
Community Revenue Sharing - North Peninsula Community Council	[1] FY17	12,900
Community Revenue Sharing - Port Graham Village Council	[1] FY17	12,900
Community Revenue Sharing - Rural Alaska Community Action Program	[1] FY17	4,300
Community Revenue Sharing - Sterling Area Senior Citizens	[1] FY17	4,299
Community Revenue Sharing - Sterling Community Club	[1] FY17	4,299
Community Revenue Sharing - Tsalteshi Trails Association	[1] FY17	5,160
Community Revenue Sharing - Village of Kachemak Selo, Inc.	[1] FY17	12,900
Community Revenue Sharing - Village of Razdolna	[1] FY17	12,900
Total Community Revenue Sharing *		<u>1,711,827</u>
Bear Creek Fire Service Area Fire Station Completion & Startup	15-DC-082	35,907
Borough-wide Road Upgrades *	13-DC-614	2,453,730
Borough-wide Road Upgrades *	14-DC-069	492,567

(continued)

Kenai Peninsula Borough

Schedule of State Financial Assistance, continued

Year Ended June 30, 2017

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/17</u>
<u>Alaska Department of Commerce, Community & Economic Development continued:</u>		
Central Peninsula Landfill Equipment Maintenance Building	15-DC-084	\$ 32,457
Central Peninsula Landfill Thermal Leachate Evaporator Unit and Building	14-DC-068	12,908
Elodea Eradication Project	15-DC-085	35,994
Hazard Tree Removal *	13-DC-445	277,258
Kachemak Emergency Service Area - Diamond Ridge Station	15-RR-037	8,391
North Peninsula Recreation Pool Tile Flooring	14-RR-040	1,478
North Peninsula Recreation Pool Tile & Drain Replacement *	15-DC-413	161,443
Paved Lighted Pedestrian Path *	15-DC-086	255,707
Security Camera Systems in Borough-owned Facilities	13-DC-489	57,068
Seward Bear Creek Flood Mitigation Projects *	14-DC-070	465,691
Seward Bear Creek Flood Mitigation Projects *	15-DC-090	482,424
Total Alaska Department of Commerce, Community & Economic Development		<u>6,491,380</u>
<u>Alaska Department of Revenue:</u>		
Commercial Passenger Vessel Tax *	[1] FY16(CY15)	474,225
Commercial Passenger Vessel Tax *	[1] FY17(CY16)	486,380
Electric & Telephone Cooperative *	FY17	155,685
Fish Tax *	FY16	(232,741)
Fish Tax *	FY17	771,171
Total Alaska Department of Revenue		<u>1,654,720</u>
<u>Alaska Department of Education & Early Development:</u>		
School Debt Reimbursement *		<u>2,283,650</u>
Total Alaska Department of Education & Early Development		<u>2,283,650</u>
<u>Alaska Department of Administration:</u>		
Division of Retirement & Benefits PERS Relief HB256 *	HB256	<u>937,683</u>
Total Alaska Department of Administration		<u>937,683</u>
<u>Alaska Department of Military & Veteran Affairs:</u>		
Passed Through the Alaska Division of Homeland Security & Emergency Management		
September 2012 Flood Federal Declared Disaster PW39-Kwechek Creek	DR-4094-AK	(925)
October 2013 Flood Federal Declared Disaster PW21-Damaged Roads	DR-4161-AK	1,158
Hazard Mitigation Grant Program-GIS Software for Land Cover Hazard Assessment	4244.0004	3,758
Local Emergency Planning Committee	FY14-FY16	(12,064)
Local Emergency Planning Committee	20LEPC-GY17	22,485
Total Alaska Department of Military & Veteran Affairs		<u>14,412</u>
<u>Alaska Department of Health & Social Services</u>		
Central Peninsula Hospital - Transitional Housing	[2] 65C-15-211	<u>99,822</u>
Total Alaska Department of Health & Social Services		<u>99,822</u>
<u>Alaska Mental Health Trust Authority</u>		
Central Peninsula Hospital - Transitional Housing	GIFTS ID: 6673	<u>75,000</u>
Total Alaska Mental Health Trust Authority		<u>75,000</u>
TOTAL STATE		<u>\$ 11,556,667</u>

* State Major Program

[1] Pass Through Grants.

[2] See page 150 for budget to actual comparison per DHSS grant requirement.

Kenai Peninsula Borough

[2] Central Peninsula Hospital Transitional Housing Grant
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
State	\$ 398,762	99,822	\$ (298,940)
Total revenues	<u>398,762</u>	<u>99,822</u>	<u>(298,940)</u>
Expenditures:			
Personnel	-	-	-
Supplies	-	-	-
Services	-	-	-
Capital outlay	398,762	99,822	298,940
Total expenditures	<u>398,762</u>	<u>99,822</u>	<u>298,940</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

[2] Per Alaska DHSS state grant requirement listed on Single Audit Schedule page 149.