

KENAI PENINSULA BOROUGH
ALASKA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR
ENDED JUNE 30, 2010

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

David R. Carey
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

CRAIG C. CHAPMAN
DIRECTOR OF FINANCE

BRANDI R. HARBAUGH
CONTROLLER

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

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KENAI PENINSULA BOROUGH

Finance Department

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DAVID R. CAREY
MAYOR

December 17, 2010

Honorable Members of the Assembly
Citizens of the Kenai Peninsula Borough

The Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula Borough (Borough) for the year ended June 30, 2010 is hereby submitted in accordance with Section 29.35.120 of Alaska Statutes and Borough code. These laws require an annual report on financial activities with an independent audit of all Borough accounts by a certified public accountant.

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

The **Introductory section**, which is unaudited, includes this letter of transmittal, a certificate of achievement for excellence in financial reporting for the Borough's 2009 CAFR, an organization chart, and a list of principal elected and administrative officials.

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

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

Management is responsible for the accuracy, completeness and fairness of the presentation including all disclosures. To provide a reasonable basis for making these representations, management of the Borough has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

The Borough's financial statements have been audited by Mikunda, Cottrell & Company, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Borough's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Kenai Peninsula Borough

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

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

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

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

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been appropriated. For the General Fund, this comparison is presented on pages 34-35 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, these comparisons start on page 80.

Factors Affecting Financial Condition

Economy

The Borough's economy has experienced consistent, gradual growth since the late 1980's. Local indicators point to continued growth and stability. Borough wide, the general government tax rate decreased from 8.59 mills in FY1996 to 6.5 mills in FY03 and remained at that rate through FY07. In FY08, the mill rate was reduced to 5.5 mills and in FY2009 the mill rate was decreased to 4.5 mills. The FY2010 general fund mill rate was also 4.5 mills. This reduction in the mill rate was made possible by the use of fund balance, which was deemed to be in excess of required amount, increases in taxable property values, an increase in the Borough's sales tax rate from 2% to 3% effective January 1, 2008, and increased PILT funding from the federal government and revenue sharing from the State of Alaska. Sales tax continues to generate a larger portion of the Borough's General Fund revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY10 sales tax revenue represents almost 38%. Oil and gas continues to provide employment in the Borough, with gas on the increase and oil on a decline. Gas supplies in quantities needed for liquefied natural gas are projected to run out within the next decade if new supplies are not made available through discovery or pipelines from other areas. Both Walmart and Lowes constructed stores in the Kenai area, with Lowes opening in November 2008 and Walmart opening in March 2010.

Long term financial planning

The Borough and its Service Areas issue most of their debt through the Alaska Municipal Bond Bank. The Bond Bank has a rating of Aa2 from Moody's and AA from Fitch.

The Borough's percentage of net general obligation debt to assessed valuation and bonded debt per capita are useful indicators to citizens and investors of the Borough's debt position. The percentage of direct general obligation debt, exclusive of Service Areas, to assessed valuation was .35% as of June 30, 2010, and the direct general obligation debt per capita was \$380. This compares to .34% and \$338 as of June 30, 2009.

Cash management policies and practices

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

The Borough Code of Ordinances authorizes investment in obligations of the U. S. Treasury, its agencies and instrumentalities, bankers' acceptances of the fifty largest banks, investment grade

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

Risk Management

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

Pension and Other Postemployment Benefits

The Borough provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The Borough has no obligations in connection with employee benefits offered through this plan beyond its annual required payment to the pension plan. The Borough has always paid its annual required contribution rates on time. The Borough's rate for FY05 was 17.81%, 22.81% for FY06, 27.94% FY07, and 22% in FY08, FY09 and FY2010. These amounts were less than the actuarial determined rates. Prior to FY08, Alaska Statutes limited rate increases to no more than 5% in one year. The Borough, like other governments in Alaska, is facing significant and growing unfunded liabilities associated with PERS. In 2001, the Borough's unfunded liability was approximately \$700,000, at the end of 2003 the unfunded liability was assessed at \$24,100,000, and at the end of June 30, 2006 the unfunded liability was assessed at \$41,500,000. In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. More information is included in the pension footnote, page 61, of these financial statements.

The Kenai Peninsula Borough School District provides pension benefits for all eligible employees through PERS and Teachers Retirement System (TRS). The school district has no obligations in connection with employee benefits offered through these plans beyond its annual required payments to the pension plans.

The South Peninsula Hospital (hospital) employees participate in a defined benefit single employer plan. The plan was established and is administered by the hospital's private non-profit operator. Each year, an independent actuary calculates the amount of the annual contribution the non-profit hospital operator must make to the pension plan. As of the last valuation date, the non-profit pension plan was funded at 96% of the present value of the projected benefits earned by employees.

The Central Peninsula General Hospital employees participate in a defined contribution pension plan established by the hospital's non-profit operator under Internal Revenue Code 403 (b). Under the plan, the non-profit operator contributes 2% of an employee's eligible salary and matches employee contributions up to 3% of gross pay, not to exceed \$5,220.

Additional information on pension arrangements and postemployment benefits can be found starting on page 61 in the notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kenai Peninsula Borough for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the twenty-eighth consecutive year that the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently

organized CAFR, whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the Borough also received the GFOA's Distinguished Budget Presentation Award for its FY10 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the Borough's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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



David R. Carey
Borough Mayor



Craig C. Chapman, CPA
Director of Finance



Brandi R. Harbaugh, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kenai Peninsula Borough
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

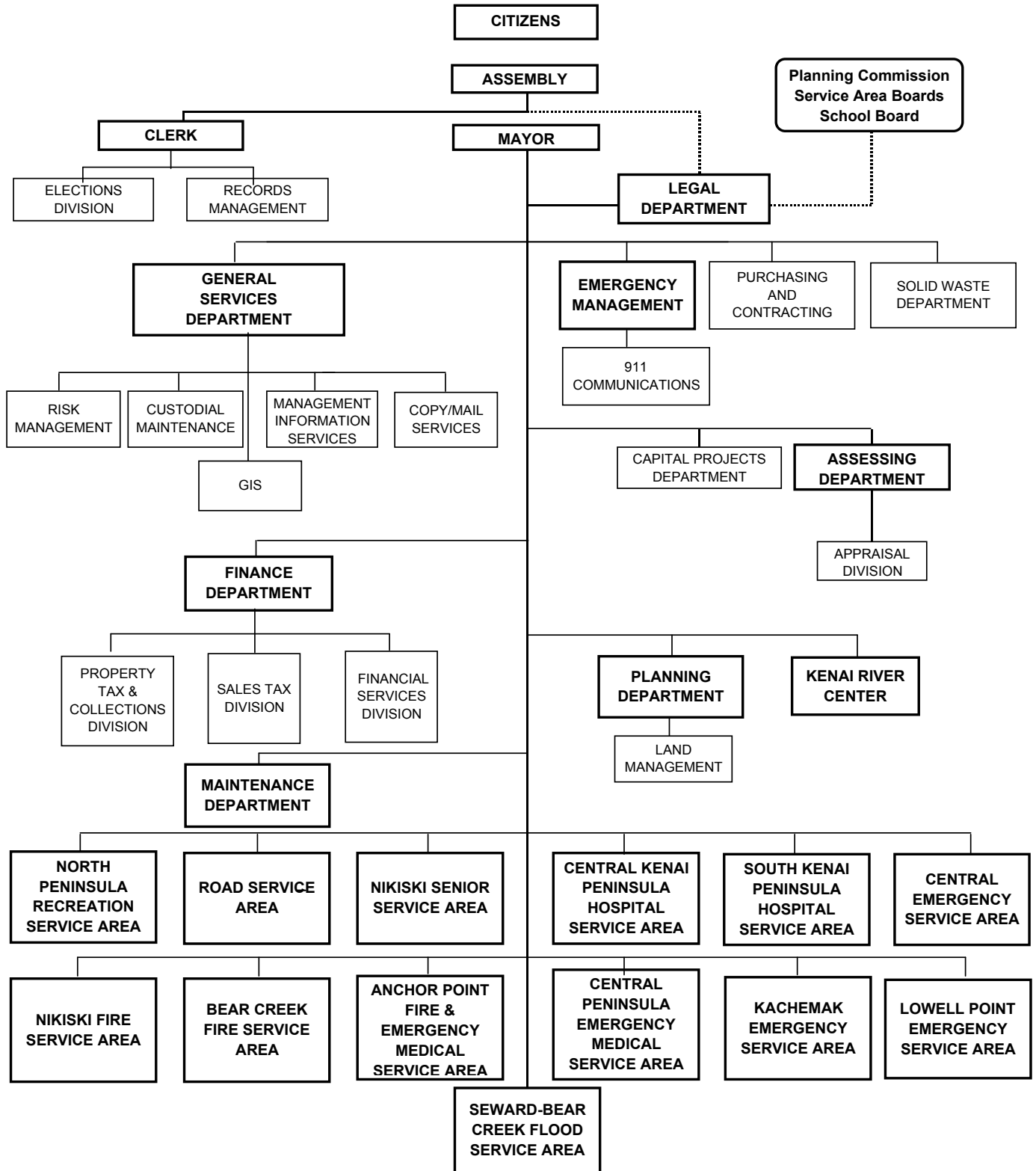
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

KENAI PENINSULA BOROUGH ORGANIZATIONAL CHART



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

Pete Sprague	President
Hal Smalley	Vice President
Paul Fischer	
Gary Knopp	
Charlie Pierce	
Sue A. McClure	
Bill Smith	
Gary Superman	
Mako Haggerty	

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

Administration

David R. Carey	Borough Mayor
Craig C. Chapman	Finance Director
Colette Thompson	Borough Attorney
Bonita Miller	General Services Director
Johni Blankenship	Borough Clerk
Tom Anderson	Assessing Director
Max Best	Planning Director
John Mohorcich	Donald E. Gilman River Center
Dan Park	Major Projects Director
Loran Maggi	Maintenance Director
Jack Maryott	Solid Waste Director
Mark Fowler	Purchasing & Contracting Officer
Doug Schoessler	Roads Director

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C. Chapman

Division Managers

Brandi Harbaugh
Cathey Wallace
Rhonda Krohn
Clyde Johnson

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

Jerri Braun
Penny Carroll
Tracy Davis - ½ time
Amy Garza
DeRay Jones
Julie Lahndt
Erin Lockwood
Misty Merriman – ½ time
Joanne Rodgers
Cathy Wagner

Lezlea Brandon
Betty Coats
Amy Falk - ½ time
Charlene Johnson
Becky Karsten
Lauri Lingafelt
Jennifer Loop
Marie Payfer
Samantha Ness - ½ time

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AUDITOR REPORT

Independent Auditor's Report

Honorable Mayor and
Members of the Assembly
Kenai Peninsula Borough

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2010, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kenai Peninsula Borough, Alaska, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the Kenai Peninsula Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of the Assembly
Kenai Peninsula Borough

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

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

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the Kenai Peninsula Borough (Borough) Comprehensive Annual Financial Report (CAFR), provides readers with a narrative overview and analysis of the Borough's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report and the notes to the financial statements which can be found on pages 43-66 to enhance their understanding of the activities and financial health of the Borough.

Financial Highlights

- The assets of the Kenai Peninsula Borough exceeded its liabilities at the close of the most recent year by \$394.9 million. Of this amount, \$112.7 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors. Much of this amount has been previously designated by the Borough Assembly for specific purposes and is discussed in more detail on page 21 and page 47.
- 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, unreserved fund balance for the General Fund was \$22.9 million, a decrease of \$1.7 million. Of this amount \$20.0 million was unreserved, undesignated and available for spending. The unreserved, undesignated fund balance for the General Fund represented 28.2% of total General Fund expenditures and transfers. This compares to 32.7% as of June 30, 2009.
- The Borough's total net assets increased \$6.8 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$65.0 million, an increase of \$2.8 million in comparison to the prior year.
- The Borough incurred \$4.78 million in new debt during the fiscal year for expansion of the Borough's landfill at Soldotna. Total outstanding debt decreased \$.2 million to a year-end balance of \$86.7 million.

Overview of the Financial Statements

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

Government-wide financial statements.

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

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

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

The government-wide financial statements present not only the Borough itself, which is the primary government, but also its component unit, the Kenai Peninsula Borough School District for which the Borough is financially accountable. Financial information for the School District is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 27-29 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 government 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 37 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Bond Funded Capital Project Fund. The other 35 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 30-35 of this report. Budgetary comparison statements for 15 special revenue funds and 3 debt service funds with annual budgets are provided on pages 80-94 and 103-105 respectively to demonstrate compliance with these budgets.

Proprietary funds. The Borough maintains two different types of proprietary funds.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Central Peninsula General Hospital and South Peninsula Hospital, both of which are considered to be major funds of the Borough. The basic proprietary fund financial statements can be found on pages 36-40 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 43-66 of this report.

Other information.

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

Government-wide Financial Analysis**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Borough, assets exceeded liabilities by \$394.9 million, at June 30, 2010 compared to \$388.2 million at June 30, 2009. By far the largest portion of the Borough's net assets (69.7%) reflects its investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that are still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

During FY10, governmental activities capital assets, net of accumulated depreciation of the Borough increased \$1.0 million. Current and other assets include \$80.9 million and \$76.8 million of cash and investments held for governmental activities at June 30, 2010 and 2009, and governmental activities long-term debt increased by \$3.0 million. Restricted net assets of \$6.1 million and \$6.5 million in 2010 and 2009 respectively, result from restrictions imposed legally or externally by creditors, debt covenants, or grantors.

For business-type activities, \$53.2 million (51%) and \$47.5 million (47%) of net assets is unrestricted and may be used to meet the ongoing need of these organizations at June 30, 2010 and 2009. This represents an increase of \$5.7 million. Current and other assets include assets whose use is limited of \$13.3 million and \$14.2 million in 2010 and 2009 respectively, resulting from restrictions imposed externally by debt covenants and internally by directors.

Net Assets
June 30, 2010 and 2009
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 92.6	\$ 88.4	\$ 71.0	\$ 71.8	\$ 163.6	\$ 160.2
Capital assets	242.5	241.5	111.7	111.4	354.2	352.9
Total assets	<u>335.1</u>	<u>329.9</u>	<u>182.7</u>	<u>183.2</u>	<u>517.8</u>	<u>513.1</u>
Long-term debt outstanding	26.7	23.6	61.6	63.3	88.3	86.9
Other liabilities	18.3	18.9	16.3	19.1	34.6	38.0
Total liabilities	<u>45.0</u>	<u>42.5</u>	<u>77.9</u>	<u>82.4</u>	<u>122.9</u>	<u>124.9</u>
Net assets						
Invested in capital assets, net of related debt	224.4	221.8	50.9	52.5	275.3	274.3
Restricted	6.1	6.5	.7	.8	6.8	7.3
Unrestricted	<u>59.6</u>	<u>59.1</u>	<u>53.2</u>	<u>47.5</u>	<u>112.8</u>	<u>106.6</u>
Total net assets	<u>\$ 290.1</u>	<u>\$ 287.4</u>	<u>\$ 104.8</u>	<u>\$ 100.8</u>	<u>\$ 394.9</u>	<u>\$ 388.2</u>

Governmental activities.

Governmental activities increased the Borough's net assets by \$2.7 million. This compares to an increase of \$5.5 million for the year ended June 30, 2009. Key elements of this are as follows:

- The Borough's two main revenue sources are property tax and sales tax; together they represent 70% of all revenues collected. Sales tax revenues are down due to a exemption on non prepared foods that was approved by Borough voters that went into effect January 1, 2009. The impact to FY2010 was approximately \$2.8 million. Property tax revenues increased due to an increase in assessed values.
- The Borough's Road Service Area received funding from the State of Alaska totaling \$8.3 million that is being used to upgrade many of the Borough's roads.

Business-type activities.

Business type activities increased the Borough's net assets by \$4.0 million. This compares to an increase of \$5.2 million for the year ended June 30, 2009. Key elements of this are as follows:

- The Central Peninsula Hospital's FY10 operating revenues increased \$11.5 million, or 15.0%, when compared to FY09. The increased revenues are attributed to a 6.6% increase in acute care volumes, a 5.8% increase in outpatient visits, and the addition of five physician clinics.
- Operational cost for Central Peninsula Hospital increased \$7.9 million or 10.0% when compared to FY09. Much of this increase is to healthcare service line expansion into

primary care and increases in patient census which resulted in increases in operating cost for drugs, supplies, physician fees, and personnel.

- South Peninsula Hospital's loss from operation for the year ended June 30, 2010 was \$2.1 million compared to a \$.8 million loss for the year ended June 30, 2009. Increases in charity care and employee health insurance claims coupled with flat revenue created a decline in financial performance from the prior year.
- Due to health care reform, both hospitals are facing issues that could impact them in the long run including changes to Medicare and Medicaid reimbursements.

The net assets for the Borough's business-type activities are \$104.8 million compared with \$100.8 million for FY09. As with the governmental activities, a substantial portion (48%) of the net assets is invested in capital assets. The Borough uses these assets to provide services to the citizens. The unrestricted net assets of the business-type activities are \$53.2 million as of June 30, 2010 compared to \$47.5 million at June 30, 2009.

Changes in net assets.

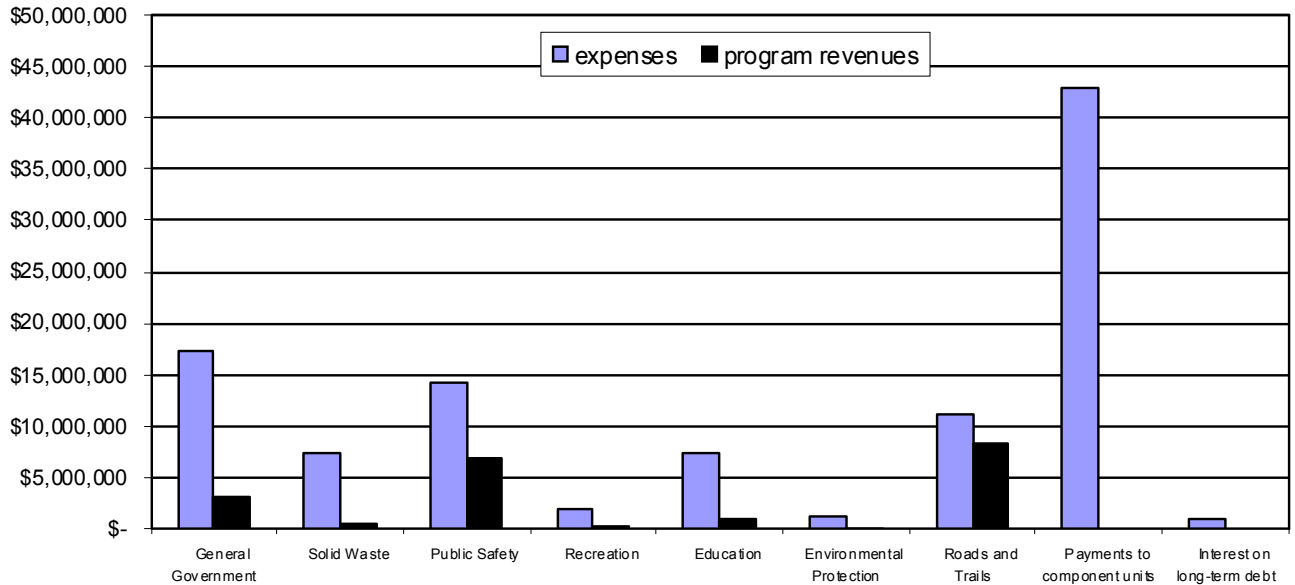
The Borough's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

Changes in Net Assets
For Years Ended June 30, 2010 and 2009
(in millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3.1	\$ 3.3	\$ 119.4	\$ 107.8	\$ 122.5	\$ 111.1
Operating grants and contributions	3.6	4.5	0.3	0.2	3.9	4.7
Capital grants and contributions	13.2	4.5	0.2	1.7	13.4	6.2
General revenues:						
Property taxes	48.9	45.8	5.8	7.1	54.7	52.9
Sales taxes	25.9	28.6	-	-	25.9	28.6
Other	12.5	14.7	-	0.7	12.5	15.4
Total revenues	<u>107.2</u>	<u>101.4</u>	<u>125.7</u>	<u>117.5</u>	<u>232.9</u>	<u>218.9</u>
Expenses:						
General government	17.3	16.4	-	-	17.3	16.4
Solid waste	7.5	7.1	-	-	7.5	7.1
Public safety	14.3	13.4	-	-	14.3	13.4
Recreation	1.8	1.8	-	-	1.8	1.8
Education	7.3	7.9	-	-	7.3	7.9
Environmental protection	1.3	1.0	-	-	1.3	1.0
Road and trails	11.1	6.2	-	-	11.1	6.2
Payments to component unit- Kenai Peninsula Borough School District	43.0	41.1	-	-	43.0	41.1
Interest on long-term debt	.9	1.0	2.4	2.2	3.3	3.2
Hospitals	-	-	119.3	110.1	119.3	110.1
Total expenses	<u>104.5</u>	<u>95.9</u>	<u>121.7</u>	<u>112.3</u>	<u>226.2</u>	<u>208.2</u>
Increase in net assets	2.7	5.5	4.0	5.2	6.7	10.7
Net assets, beginning of year	<u>287.4</u>	<u>281.9</u>	<u>100.8</u>	<u>95.6</u>	<u>388.2</u>	<u>377.5</u>
Net assets, end of year	<u>\$290.1</u>	<u>\$287.4</u>	<u>\$104.8</u>	<u>\$100.8</u>	<u>\$394.9</u>	<u>\$388.2</u>

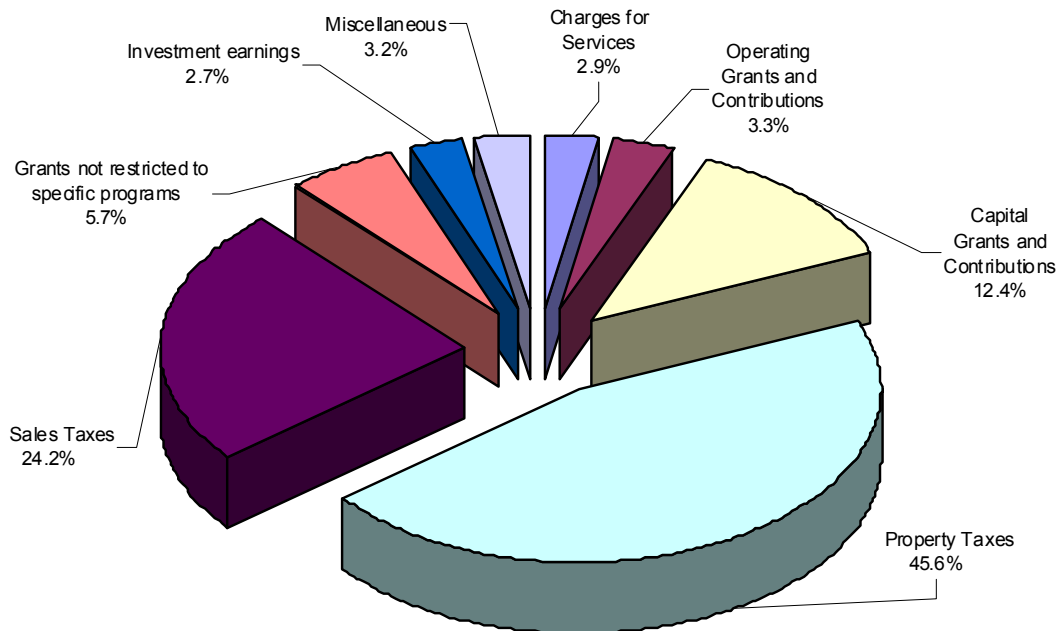
Expenses and Program Revenues – Governmental Activities

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



Revenues by Source – Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds.

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$65.0 million, an increase of \$2.8 million in comparison with the prior year. A portion of this amount is reserved to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses, 3) or for other restricted purposes. The remainder of fund balance is unreserved (\$59.9 million); and is available for spending at the government's discretion.

Discussion of selected individual governmental funds is as follows:

General Fund

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, unreserved fund balance was \$23.0 million, and total undesignated fund balance was \$22.8 million. Total fund balance decreased \$2.1 million from the prior year. Key factors include:

- Sales tax revenues came in less than expected due to a slowing of the economy and the voter approved exemption on non prepared foods during the period September through May.
- Interest earnings that exceeded budget by \$1.2 million due to higher than expected interest rates and fair value adjustments.
- A reduction in the transfer to the Solid Waste Department of \$.7 million. This was necessary as in FY2011; the Solid Waste Department will be accounted for in the General Fund to comply with GASB 54.

Bond Funded Capital Projects Fund

Fund balance in the Bond Funded Capital Projects Fund increased \$4.3 million due to issuance of new debt for expansion at the Borough regional solid waste facility.

Nikiski Fire Service Area Special Revenue Fund

Fund balance in this service area decreased \$482,653 or approximately 11.7% when compared to the FY09 ending fund balance. Without a one time transfer of \$690,000 to their capital project fund to provide funding for a new station, the service area's fund balance would have increased \$207,347.

Central Emergency Service Area Special Revenue Fund

Fund balance in this service area increased \$229,678 or approximately 10.9% when compared to the FY09 ending fund, compared to an increase of 18.8% in FY09. Expenditures and transfers out totaled \$6,785,327, an increase of \$528,976 compared to FY09. Expenditures are up approximately 16.7% since FY2008. Much of this increase was the impact of staffing and equipping new stations in Funny River and Kasilof and developing a new long term capital plan.

Road Service Area Special Revenue Fund

Fund balance in this fund decreased \$492,481 or approximately 14.1% when compared to the FY09 ending fund balance. During the past two fiscal year, the service area has received funding totaling over \$16 million for capital projects, reducing the need to fund capital projects from the service area's operating fund. The service area redirected funds they previously appropriated for their capital project fund into their operating fund for normal road maintenance to address items that had previously been backlogged.

Land Trust Special Revenue Fund

Fund balance in this fund decreased \$409,158 or approximately 7.4% when compared to the FY09 ending fund balance. The Borough is currently in the process of developing two subdivisions, which when completed will be sold to the public with the net proceeds projected to increase fund balance in this fund.

Environmental Protection Program Special Revenue Fund

Fund balance in this fund decreased \$731,673 or approximately 26.3% when compared to the FY09 ending fund balance. Since 1998, the Borough has received approximately \$18.0 million from the federal government to address damage caused by the spruce bark beetle. The Borough will use the remaining fund balance of \$2.0 million, over the next few years to address this issue.

Solid Waste Special Revenue Fund

Fund balance in this fund decreased \$837,787, when compared to the FY09 ending balance. This fund will be accounted for as part of the Borough's General Fund in FY2011 to comply with GASB 54.

Proprietary funds

The Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the hospitals at the end of the year were \$53.2 million. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the of the Borough's business-type activities.

General Fund Budgetary Highlights

During the year there were increases of \$1,878,702 in appropriations between the original budget and the final amended budget. The primary reasons for amending the budget are:

- Supplemental appropriations to increase revenues and expenditures due to receipt of unanticipated grant revenue.
- The Borough is self insured for health insurance. Supplemental appropriations were needed to provide additional funding to the Borough's Employee Health Insurance Fund due to higher than expected claims.

Budgetary changes can be briefly summarized as follows:

- Non-Departmental
 - \$150,471 for match funds needed to accept federal grants totaling \$192,000 for re-roofing a portion of the Ninilchik School roof.
 - \$374,605 to provide funding to the State of Alaska for a portion of the cost attributable in providing a turn lane at the Central Peninsula Landfill.
- Transfers
 - \$55,000 to the River Center Fund to pay for cost associated with restoring the river bank on the Kenai River due to flooding
- All departments
 - Public Employees Retirement System (PERS). The Alaska legislature enacted legislation that provided funding to political subdivisions to assist with the increase in rates for PERS. The amount provided to the Kenai Peninsula Borough was \$980,943 of which the General Fund received \$387,331.
 - Health insurance. Due to higher than expected claims, additional funding was needed for the Borough's Employee Health Insurance Fund. Supplemental funding totaled \$809,965 of which \$408,461 was the General Fund portion.

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

- Sales tax came in \$2,345,000 less than budgeted, mainly due to reduction in the number of tourist during the summer of 2009.
- PERS assistance of \$387,331 from the State of Alaska. This is for a payment the State made on behalf of the Borough in 2010 to pay down the unfunded liability.
- Personnel cost came in \$410,000 less than budgeted as positions were not filled or were delayed before being filled.
- Transfers out were \$800,519 less than budgeted of which \$743,933 was necessary to reduce the transfer to the Solid Waste department in order to transition the program to the General Fund in FY2011 to comply with GASB 54.

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$354.2 million (net of accumulated depreciation), an increase of \$1.3 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

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

Various major repairs and additions to school facilities	\$ 2.5 million
Capital improvements/equipment at the Borough's two hospitals supported by Service Areas	\$ 7.9 million
A variety of major repairs for existing roads and bridges	\$ 8.4 million
Various major repairs and additions to public safety facilities	\$ 6.2 million
Improvements at various solid waste facilities	\$.8 million

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

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land & Improvements	\$ 69.6	\$ 68.4	\$ 5.5	\$ 5.6	\$ 75.1	\$ 74.0
Buildings	130.1	124.9	77.4	63.1	207.5	188.0
Improvements other than buildings	17.5	18.6	.6	.4	18.1	19.0
Machinery and equipment	13.1	11.8	27.6	28.9	40.7	40.7
Infrastructure	8.6	8.3	-	-	8.6	8.3
Construction in progress	3.6	9.5	.6	13.4	4.2	22.9
Total governmental funds capital assets	<u>\$242.5</u>	<u>\$241.5</u>	<u>\$ 111.7</u>	<u>\$ 111.4</u>	<u>\$ 354.2</u>	<u>\$ 352.9</u>

Additional information on the Borough's capital assets can be found in Note E on pages 54-56 of this report.

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$86.7 million, (not including bond premium) a decrease of \$.2 million from June 30, 2009. Of this amount, \$82.2 million was bonded and backed by the full faith and credit of the Borough or Service Areas of the Borough. The remaining debt consists of debt secured by equipment, and landfill closure cost. The schedule shown below does not include compensated absences.

Kenai Peninsula Borough Outstanding Debt
(in millions)
June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 22.5	\$ 20.1	\$ 59.7	\$ 62.5	\$ 82.2	\$ 82.6
Other debt	4.1	3.5	.4	.8	4.5	4.3
Total outstanding debt	<u>\$ 26.6</u>	<u>\$ 23.6</u>	<u>\$ 60.1</u>	<u>\$ 63.3</u>	<u>\$ 86.7</u>	<u>\$ 86.9</u>

Additional information on the Borough's long-term debt can be found in note H on pages 59-61 of this report.

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

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for 2009 stood at 10.1%, an increase from the prior year rate of 7.9%; this compares to the statewide average of 8.0%. This is misleading as the average number of individuals employed in the Borough was the same in 2009 as 2008. The Borough saw an influx of people moving into the Borough looking for work, which corresponds to an increase in population in the Borough.

In 2001, the Borough established a fund balance policy. The results of this policy indicated that the General Fund, fund balance was in excess of both the minimum amount and the maximum amount. With fund balance in excess of recommended amounts, the Borough was able to reduce the mill rate from 8.0 mills in FY00 to 7.5 in FY01, to 7.0 mills in FY02 and to 6.5 mills in FY03 through FY07. The mill rate was further reduced to 5.5 mills for FY08 and to 4.5 in FY09. To maintain the General Fund, fund balance within the policy range while at the same time providing Borough taxpayers a reduction in the mill rate, the area-wide sales tax rate was increased from 2% to 3%, effective January 1, 2008.

As part of the FY09 State of Alaska budget, the Alaska legislature passed legislation that provided funding for PERS cost in excess of 22%, which was paid directly to PERS. The savings impact Borough-wide is approximately \$1.0 million. This is only a temporary fix to the problem. If similar funding is not provided in FY11 and out years, the PERS rate is expected to be over 40%.

In setting the budgets for FY11, the Borough considered a number of issues with Borough wide impact, among them:

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

Request for Information

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Director of Finance, Kenai Peninsula Borough, 144 N. Binkley, Soldotna, Alaska, 99669.

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BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough

**Statement of Net Assets
June 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and short-term investments	\$ 90,533	\$ 24,896,908	\$ 24,987,441	\$ 29,739
Equity in central treasury	80,840,586	6,052,725	86,893,311	35,627,741
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	6,397,064	162,832	6,559,896	-
Accounts receivable	301,307	20,907,830	21,209,137	109,886
Land sale contracts receivable:				
Current	170,483	-	170,483	-
Delinquent	8,544	-	8,544	-
Due from other governments	3,563,477	-	3,563,477	4,920,715
Due from special assessment districts	707,872	-	707,872	-
Prepays	1,605	884,040	885,645	1,211,684
Inventory	-	3,899,093	3,899,093	1,162,715
Land sale contracts receivable -				
Long-term	487,970	-	487,970	-
Unamortized bond issuance costs	-	48,771	48,771	-
Net pension asset	-	789,141	789,141	-
Restricted assets	-	1,807,820	1,807,820	-
Assets whose use is limited -				
Investments	-	11,485,716	11,485,716	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	69,606,702	5,528,112	75,134,814	-
Buildings	130,109,086	77,383,518	207,492,604	-
Improvements other than buildings	17,511,859	610,838	18,122,697	-
Equipment	13,078,811	27,633,851	40,712,662	2,407,561
Construction in progress	3,599,025	585,464	4,184,489	-
Infrastructure	8,640,745	-	8,640,745	-
Total assets	\$ 335,115,669	\$ 182,676,659	\$ 517,792,328	\$ 45,470,041
Liabilities				
Accounts, contracts and retainage payable	4,896,893	8,384,802	13,281,695	422,484
Accrued payroll and payroll taxes	673,028	3,076,239	3,749,267	10,243,224
Accrued interest	153,015	991,108	1,144,123	-
Unearned revenue	9,358,689	425,778	9,784,467	-
Noncurrent liabilities:				
Compensated absences:				
Due within one year	787,275	855,004	1,642,279	87,081
Due in more than one year	2,361,824	2,565,011	4,926,835	3,144,697
Long-term debt:				
Due within one year	3,472,971	3,265,079	6,738,050	-
Due in more than one year, net	23,276,748	58,298,907	81,575,655	-
Total liabilities	44,980,443	77,861,928	122,842,371	13,897,486
Net Assets				
Invested in capital assets, net of related debt	224,474,038	50,882,443	275,356,481	2,407,561
Restricted for:				
Public health	-	744,481	744,481	-
Solid waste	4,053,719	-	4,053,719	-
Public safety	2,046,342	-	2,046,342	-
Education	-	-	-	675,350
Unrestricted	59,561,127	53,187,807	112,748,934	28,489,644
Total net assets	\$ 290,135,226	\$ 104,814,731	\$ 394,949,957	\$ 31,572,555

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

Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2010

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Function/Program activities				
primary government				
Governmental activities:				
General government	\$ 17,307,520	\$ 570,325	\$ 2,013,658	\$ 419,810
Solid waste	7,467,484	370,883	61,956	-
Public safety	14,301,797	1,929,385	890,259	4,068,018
Recreation	1,807,974	230,075	28,265	-
Education	50,303,282	-	517,028	472,031
Environmental protection	1,278,621	-	20,405	-
Roads and trails	11,147,224	-	30,069	8,299,559
Interest on long-term debt	935,175	-	-	-
Total governmental activities	104,549,077	3,100,668	3,561,640	13,259,418
Business type activities -				
Hospitals	121,676,751	119,417,217	315,294	179,897
Total primary government	\$ 226,225,828	\$ 122,517,885	\$ 3,876,934	\$ 13,439,315
Component unit -				
Kenai Peninsula Borough School District	\$ 144,404,738	\$ 950,232	\$ 20,631,827	\$ -

General revenues:

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

Change in net assets

Net assets at beginning of year

Net assets at end of year

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

Net (expense) revenue and changes in net assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (14,303,727)	\$ -	\$ (14,303,727)	\$ -
(7,034,645)	-	(7,034,645)	-
(7,414,135)	-	(7,414,135)	-
(1,549,634)	-	(1,549,634)	-
(49,314,223)	-	(49,314,223)	-
(1,258,216)	-	(1,258,216)	-
(2,817,596)	-	(2,817,596)	-
(935,175)	-	(935,175)	-
<u>(84,627,351)</u>	<u>-</u>	<u>(84,627,351)</u>	<u>-</u>
-	(1,764,343)	(1,764,343)	-
<u>(84,627,351)</u>	<u>(1,764,343)</u>	<u>(86,391,694)</u>	<u>-</u>
-	-	-	(122,822,679)
48,932,675	5,847,538	54,780,213	-
25,950,998	-	25,950,998	-
6,149,121	-	6,149,121	77,198,875
2,931,268	453,222	3,384,490	1,351,985
-	-	-	42,983,376
1,199,342	-	1,199,342	-
<u>2,198,057</u>	<u>(515,750)</u>	<u>1,682,307</u>	<u>103,380</u>
<u>87,361,461</u>	<u>5,785,010</u>	<u>93,146,471</u>	<u>121,637,616</u>
2,734,110	4,020,667	6,754,777	(1,185,063)
<u>287,401,116</u>	<u>100,794,064</u>	<u>388,195,180</u>	<u>32,757,618</u>
\$ <u>290,135,226</u>	\$ <u>104,814,731</u>	\$ <u>394,949,957</u>	\$ <u>31,572,555</u>

Kenai Peninsula Borough

**Governmental Funds
Balance Sheet
June 30, 2010**

<u>ASSETS</u>	<u>General Fund</u>	<u>Bond Funded Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 1,010	\$ -	\$ 66,980	\$ 67,990
Equity in central treasury	22,303,484	4,804,991	41,741,615	68,850,090
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	5,986,278	-	410,786	6,397,064
Accounts receivable	7,924	-	287,545	295,469
Land sale contracts receivable:				
Current	-	-	170,483	170,483
Delinquent	-	-	8,544	8,544
Due from other governments	1,050,012	-	2,513,465	3,563,477
Due from special assessment districts	707,872	-	-	707,872
Due from other funds	28,035	-	-	28,035
Prepays	-	-	1,605	1,605
Land sale contracts receivable -				
Long-term	-	-	487,970	487,970
Total assets	<u><u>\$30,084,615</u></u>	<u><u>\$ 4,804,991</u></u>	<u><u>\$45,688,993</u></u>	<u><u>\$ 80,578,599</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and retainage payable	198,526	1,963	3,392,578	3,593,067
Accrued payroll and payroll taxes	328,196	-	332,548	660,744
Due to other funds	-	-	28,035	28,035
Deferred revenue	573,903	-	1,397,650	1,971,553
Unearned revenue	5,958,567	-	3,400,122	9,358,689
Total liabilities	<u><u>7,059,192</u></u>	<u><u>1,963</u></u>	<u><u>8,550,933</u></u>	<u><u>15,612,088</u></u>
Fund balances:				
Reserved:				
Encumbrances	160,584	-	4,891,606	5,052,190
Prepays	-	-	1,605	1,605
Unreserved:				
Designations:				
General Fund	2,870,751	-	-	2,870,751
Special revenue funds	-	-	23,125,512	23,125,512
Capital project funds	-	4,803,028	9,119,337	13,922,365
Undesignated:				
General Fund	19,994,088	-	-	19,994,088
Special revenue funds	-	-	-	-
Total fund balances	<u><u>23,025,423</u></u>	<u><u>4,803,028</u></u>	<u><u>37,138,060</u></u>	<u><u>64,966,511</u></u>
Total liabilities and fund balances	<u><u>\$30,084,615</u></u>	<u><u>\$ 4,804,991</u></u>	<u><u>\$45,688,993</u></u>	<u><u>\$ 80,578,599</u></u>

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

Kenai Peninsula Borough
Reconciliation of the Balance Sheet
To the Statement of Net Assets
June 30, 2010

Fund balances - total governmental funds

Amounts reported for governmental activities in the statement of net assets are different because:		64,966,511
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		240,573,468
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable	\$ (22,696,000)	
Accrued interest	(153,015)	
Landfill closure	<u>(4,053,719)</u>	(26,902,734)
Some of the Borough's property taxes will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds.		952,356
Miscellaneous revenue received not eligible to be recognized		342,200
Proceeds from land sales which will be collected after year-end and are not available soon enough to pay for current period's expenditures are deferred in the governmental funds.		676,997
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.		<u>9,526,428</u>
Net assets of governmental activities		<u>\$ 290,135,226</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, 2010**

	<u>General Fund</u>	<u>Bond Funded Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 29,991,871	\$ -	\$ 18,621,188	\$ 48,613,059
Sales tax	25,950,998	-	-	25,950,998
Intergovernmental:				
Federal	4,018,169	-	816,151	4,834,320
State	4,969,644	-	15,070,874	20,040,518
Investment earnings	1,674,042	3,815	1,019,201	2,697,058
Other revenues	1,072,940	-	2,282,722	3,355,662
Total revenues	<u>67,677,664</u>	<u>3,815</u>	<u>37,810,136</u>	<u>105,491,615</u>
Expenditures:				
General government	14,128,421	-	3,045,748	17,174,169
Solid waste	-	337,290	6,388,689	6,725,979
Public safety	1,858,439	11,355	17,111,690	18,981,484
Recreation	-	-	2,149,002	2,149,002
Education	42,983,376	295,933	3,509,858	46,789,167
Environmental protection	-	-	1,287,515	1,287,515
Roads and trails	-	-	11,300,728	11,300,728
Debt service:				
Principal	-	-	2,410,000	2,410,000
Interest and other	-	-	881,110	881,110
Total expenditures	<u>58,970,236</u>	<u>644,578</u>	<u>48,084,340</u>	<u>107,699,154</u>
Excess (deficiency) of revenues over expenditures	<u>8,707,428</u>	<u>(640,763)</u>	<u>(10,274,204)</u>	<u>(2,207,539)</u>
Other financing sources (uses):				
Issuance of debt	-	4,780,000	-	4,780,000
Premium on bond sales	-	180,000	-	180,000
Transfers in	1,039,098	-	16,357,524	17,396,622
Transfers out	(11,859,320)	-	(5,537,302)	(17,396,622)
Net other financing sources (uses)	<u>(10,820,222)</u>	<u>4,960,000</u>	<u>10,820,222</u>	<u>4,960,000</u>
Net changes in fund balances	(2,112,794)	4,319,237	546,018	2,752,461
Fund balances at beginning of year	<u>25,138,217</u>	<u>483,791</u>	<u>36,592,042</u>	<u>62,214,050</u>
Fund balances at end of year	<u>\$ 23,025,423</u>	<u>\$ 4,803,028</u>	<u>\$ 37,138,060</u>	<u>\$ 64,966,511</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, 2010**

Net change in fund balances - total governmental funds \$ 2,752,461

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

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

Expenditures for capital assets	\$ 10,367,543	
Less current year depreciation	<u>(10,470,218)</u>	(102,675)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. 1,164,256

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

Bond proceeds	(4,960,000)	
Principal payments	<u>2,410,000</u>	(2,550,000)

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	319,616	
Grant revenue	342,200	
Land sales	<u>(293,967)</u>	367,849

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	(54,064)	
Increase in landfill closure cost	<u>(595,992)</u>	(650,056)

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

1,752,275

Change in net assets of governmental activities \$ 2,734,110

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 30,237,054	\$ 30,237,054	\$ 29,991,871	\$ (245,183)
Sales tax	28,295,915	28,295,915	25,950,998	(2,344,917)
Intergovernmental	8,398,939	8,786,270	8,987,813	201,543
Investment earnings	488,406	488,406	1,674,042	1,185,636
Other	1,146,000	1,146,000	1,072,940	(73,060)
Total revenues	<u>68,566,314</u>	<u>68,953,645</u>	<u>67,677,664</u>	<u>(1,275,981)</u>
Expenditures:				
General government:				
Assembly:				
Personnel	702,466	756,566	717,655	38,911
Supplies	19,225	21,377	15,861	5,516
Services	547,952	545,935	422,146	123,789
Capital outlay	29,735	29,600	25,530	4,070
Total assembly	<u>1,299,378</u>	<u>1,353,478</u>	<u>1,181,192</u>	<u>172,286</u>
Mayor:				
Personnel	1,075,177	1,142,484	1,111,450	31,034
Supplies	12,025	12,781	6,554	6,227
Services	(59,629)	(63,523)	(96,900)	33,377
Capital outlay	7,400	14,182	13,515	667
Total mayor	<u>1,034,973</u>	<u>1,105,924</u>	<u>1,034,619</u>	<u>71,305</u>
General services:				
Personnel	2,212,948	2,373,212	2,332,163	41,049
Supplies	142,167	92,417	55,880	36,537
Services	698,734	684,633	571,246	113,387
Capital outlay	40,792	79,643	63,134	16,509
Total general services	<u>3,094,641</u>	<u>3,229,905</u>	<u>3,022,423</u>	<u>207,482</u>
Legal:				
Personnel	648,993	684,978	672,145	12,833
Supplies	3,000	4,515	3,328	1,187
Services	183,368	232,334	115,036	117,298
Capital outlay	4,100	4,600	4,443	157
Total legal	<u>839,461</u>	<u>926,427</u>	<u>794,952</u>	<u>131,475</u>
Finance:				
Personnel	2,103,269	2,233,870	2,216,721	17,149
Supplies	14,400	16,547	14,346	2,201
Services	450,289	444,350	382,025	62,325
Capital outlay	15,400	19,191	19,010	181
Total finance	<u>2,583,358</u>	<u>2,713,958</u>	<u>2,632,102</u>	<u>81,856</u>
Assessing:				
Personnel	2,160,614	2,279,244	2,177,334	101,910
Supplies	12,475	13,725	9,591	4,134
Services	335,405	332,680	285,851	46,829
Capital outlay	13,200	14,675	13,965	710
Total assessing	<u>2,521,694</u>	<u>2,640,324</u>	<u>2,486,741</u>	<u>153,583</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 942,331	\$ 1,002,233	\$ 991,318	\$ 10,915
Supplies	22,160	31,108	25,603	5,505
Services	186,692	161,271	115,974	45,297
Capital outlay	14,125	28,250	26,579	1,671
Total planning	<u>1,165,308</u>	<u>1,222,862</u>	<u>1,159,474</u>	<u>63,388</u>
Capital projects administration:				
Personnel	368,070	424,262	459,943	(35,681)
Supplies	13,300	12,402	5,640	6,762
Services	76,173	77,071	48,609	28,462
Capital outlay	5,500	5,500	5,043	457
Total capital projects administration	<u>463,043</u>	<u>519,235</u>	<u>519,235</u>	<u>-</u>
Non-departmental:				
Personnel	9,500	50,487	50,487	-
Services	1,570,719	1,648,732	1,247,196	401,536
Total non-departmental	<u>1,580,219</u>	<u>1,699,219</u>	<u>1,297,683</u>	<u>401,536</u>
Total general government	<u>14,582,075</u>	<u>15,411,332</u>	<u>14,128,421</u>	<u>1,282,911</u>
Public safety:				
Office of emergency management:				
Personnel	1,205,312	1,275,053	1,119,785	155,268
Supplies	15,500	52,995	45,810	7,185
Services	868,606	825,870	672,747	153,123
Capital outlay	50,125	55,366	20,097	35,269
Total public safety	<u>2,139,543</u>	<u>2,209,284</u>	<u>1,858,439</u>	<u>350,845</u>
Education	<u>42,983,376</u>	<u>42,983,376</u>	<u>42,983,376</u>	<u>-</u>
Total expenditures	<u>59,704,994</u>	<u>60,603,992</u>	<u>58,970,236</u>	<u>1,633,756</u>
Excess of revenues over expenditures	8,861,320	8,349,653	8,707,428	357,775
Other financing sources (uses):				
Transfers in	260,786	1,059,001	1,039,098	(19,903)
Transfers out	<u>(11,680,135)</u>	<u>(12,659,839)</u>	<u>(11,859,320)</u>	<u>800,519</u>
Net other financing sources (uses)	<u>(11,419,349)</u>	<u>(11,600,838)</u>	<u>(10,820,222)</u>	<u>780,616</u>
Net changes in fund balance	(2,558,029)	(3,251,185)	(2,112,794)	1,138,391
Fund balance at beginning of year	<u>25,138,217</u>	<u>25,138,217</u>	<u>25,138,217</u>	<u>-</u>
Fund balance at end of year	<u>\$ 22,580,188</u>	<u>\$ 21,887,032</u>	<u>\$ 23,025,423</u>	<u>\$ 1,138,391</u>

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

Kenai Peninsula Borough

**Proprietary Funds
Statement of Net Assets
June 30, 2010**

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Central Peninsula Hospital	South Peninsula Hospital	Total	
ASSETS				
Current assets:				
Cash and short-term investments	\$ 20,444,046	\$ 4,452,862	\$ 24,896,908	\$ 22,543
Equity in central treasury	<u>3,116,958</u>	<u>2,935,767</u>	<u>6,052,725</u>	<u>11,990,496</u>
	23,561,004	7,388,629	30,949,633	12,013,039
Property taxes receivable, net	45,540	117,292	162,832	-
Patient receivables, net	13,946,141	5,998,818	19,944,959	-
Other receivables	916,531	46,340	962,871	5,838
Prepaid items	486,090	397,950	884,040	-
Inventory	<u>2,699,469</u>	<u>1,199,624</u>	<u>3,899,093</u>	<u>-</u>
Total current assets	<u>41,654,775</u>	<u>15,148,653</u>	<u>56,803,428</u>	<u>12,018,877</u>
Noncurrent assets:				
Unamortized bond issuance costs	-	48,771	48,771	-
Net pension asset	<u>-</u>	<u>789,141</u>	<u>789,141</u>	<u>-</u>
Restricted assets - bond funds	<u>704,645</u>	<u>1,103,175</u>	<u>1,807,820</u>	<u>-</u>
Assets whose use is limited:				
Employee health reserve	-	237,711	237,711	-
Malpractice trust/reserve	-	85,000	85,000	-
Plant replacement funds	10,528,599	-	10,528,599	-
Other reserve funds	<u>536,551</u>	<u>97,855</u>	<u>634,406</u>	<u>-</u>
Total assets whose use is limited	<u>11,065,150</u>	<u>420,566</u>	<u>11,485,716</u>	<u>-</u>
Capital assets:				
Land and land improvements	3,017,922	3,600,579	6,618,501	-
Buildings	71,997,627	51,170,801	123,168,428	-
Equipment	37,905,470	13,037,823	50,943,293	4,929,156
Improvements other than buildings	673,731	52,702	726,433	-
Construction in progress	7,500	577,964	585,464	-
Less accumulated depreciation	<u>(45,233,913)</u>	<u>(25,066,423)</u>	<u>(70,300,336)</u>	<u>(2,956,396)</u>
Total capital assets (net of accumulated depreciation)	<u>68,368,337</u>	<u>43,373,446</u>	<u>111,741,783</u>	<u>1,972,760</u>
Total noncurrent assets	<u>80,138,132</u>	<u>45,735,099</u>	<u>125,873,231</u>	<u>1,972,760</u>
Total assets	<u>\$ 121,792,907</u>	<u>\$ 60,883,752</u>	<u>\$ 182,676,659</u>	<u>\$ 13,991,637</u>

(Continued)

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

Kenai Peninsula Borough

**Proprietary Funds
Statement of Net Assets - continued
June 30, 2010**

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Central Peninsula Hospital	South Peninsula Hospital	Total	
LIABILITIES				
Current liabilities:				
Accounts and contracts payable	\$ 4,735,596	\$ 846,951	\$ 5,582,547	\$ 39,363
Accrued payroll and payroll taxes	1,975,510	1,100,729	3,076,239	12,284
Compensated absences	2,468,836	951,179	3,420,015	787,275
Current portion of long-term debt	1,930,000	1,335,079	3,265,079	-
Interest payable	768,648	222,460	991,108	-
Other payables	52,114	-	52,114	1,264,463
Due to third party payors	2,750,141	-	2,750,141	-
Deferred revenue	<u>12,642</u>	<u>413,136</u>	<u>425,778</u>	<u>-</u>
Total current liabilities	14,693,487	4,869,534	19,563,021	2,103,385
Noncurrent liabilities - Long-term debt, net of of current portion				
	<u>37,284,098</u>	<u>21,014,809</u>	<u>58,298,907</u>	<u>2,361,824</u>
Total liabilities	<u>51,977,585</u>	<u>25,884,343</u>	<u>77,861,928</u>	<u>4,465,209</u>
NET ASSETS				
Invested in capital assets, net of related debt	29,858,885	21,023,558	50,882,443	1,972,760
Restricted:				
Insurance uses	500,000	-	500,000	-
Unspent earnings on bond proceeds	-	25,286	25,286	-
Patron pledges	219,195	-	219,195	-
Unrestricted	<u>39,237,242</u>	<u>13,950,565</u>	<u>53,187,807</u>	<u>7,553,668</u>
Total net assets	<u>\$ 69,815,322</u>	<u>\$ 34,999,409</u>	<u>\$104,814,731</u>	<u>\$ 9,526,428</u>

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

Kenai Peninsula Borough

**Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2010**

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Central Peninsula Hospital	South Peninsula Hospital	Total	
Operating revenues:				
Net patient service revenues	\$ 86,918,686	\$30,349,373	\$ 117,268,059	\$ -
Other operating revenues	<u>2,023,202</u>	<u>125,956</u>	<u>2,149,158</u>	<u>11,714,506</u>
Total net operating revenues	<u>88,941,888</u>	<u>30,475,329</u>	<u>119,417,217</u>	<u>11,714,506</u>
Operating expenses:				
Nursing services	21,235,074	7,892,773	29,127,847	-
Other professional services	19,858,825	9,019,679	28,878,504	6,797,459
General services	8,217,307	3,593,004	11,810,311	-
Fiscal and administrative services	29,015,485	9,568,369	38,583,854	3,126,626
Depreciation	<u>8,381,029</u>	<u>2,479,633</u>	<u>10,860,662</u>	<u>297,610</u>
Total operating expenses	<u>86,707,720</u>	<u>32,553,458</u>	<u>119,261,178</u>	<u>10,221,695</u>
Operating income (loss)	<u>2,234,168</u>	<u>(2,078,129)</u>	<u>156,039</u>	<u>1,492,811</u>
Non-operating revenues (expenses):				
General property taxes	2,135,217	3,712,321	5,847,538	-
Investment earnings	345,804	107,418	453,222	234,210
Intergovernmental - grants	-	315,294	315,294	-
Gain on disposal of assets	-	1,228	1,228	-
Interest expense	(1,775,589)	(639,984)	(2,415,573)	-
Other	<u>(456,233)</u>	<u>(60,745)</u>	<u>(516,978)</u>	<u>25,254</u>
Net non-operating revenues (expenses)	<u>249,199</u>	<u>3,435,532</u>	<u>3,684,731</u>	<u>259,464</u>
Income before capital contributions	<u>2,483,367</u>	<u>1,357,403</u>	<u>3,840,770</u>	<u>1,752,275</u>
Contributed grants	<u>176,391</u>	<u>3,506</u>	<u>179,897</u>	<u>-</u>
Change in net assets	2,659,758	1,360,909	4,020,667	1,752,275
Net assets at beginning of year	<u>67,155,564</u>	<u>33,638,500</u>	<u>100,794,064</u>	<u>7,774,153</u>
Net assets at end of year	<u>\$ 69,815,322</u>	<u>\$34,999,409</u>	<u>\$ 104,814,731</u>	<u>\$ 9,526,428</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, 2010

	Business-type Activities			Governmental
	Enterprise Funds			
	Central	South	Total	Internal
	Peninsula	Peninsula		
	Hospital	Hospital		Funds
Cash flows from operating activities:				
Receipts from patients and users	\$ 88,922,903	\$30,366,812	\$119,289,715	\$ 11,699,503
Payments to suppliers	(25,574,137)	(12,957,852)	(38,531,989)	(7,522,204)
Payments to employees	(54,028,725)	(18,644,812)	(72,673,537)	(2,650,984)
Other receipts	-	125,956	125,956	15,003
Net cash provided (used) by operating activities	<u>9,320,041</u>	<u>(1,109,896)</u>	<u>8,210,145</u>	<u>1,541,318</u>
Cash flows from noncapital financing activities:				
Receipts from property taxes	1,859,256	3,673,274	5,532,530	-
Grants	2,443	254,549	256,992	-
Net cash provided by noncapital financing activities	<u>1,861,699</u>	<u>3,927,823</u>	<u>5,789,522</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(4,636,291)	(6,801,237)	(11,437,528)	(288,212)
Principal paid on capital debt	(1,855,000)	(1,398,173)	(3,253,173)	-
Capital grants	176,391	3,506	179,897	-
Interest paid on capital debt	(1,905,614)	(1,044,785)	(2,950,399)	-
Proceeds from sale of capital assets	-	1,228	1,228	25,254
Net cash used by capital and related financing activities	<u>(8,220,514)</u>	<u>(9,239,461)</u>	<u>(17,459,975)</u>	<u>(262,958)</u>
Cash flows from investing activities:				
(Increase) decrease in assets whose use is limited	(5,668,135)	6,588,720	920,585	-
Investments purchased	2,017,100	-	2,017,100	-
Interest on investments	345,804	113,738	459,542	234,210
Net cash provided (used) by investing activities	<u>(3,305,231)</u>	<u>6,702,458</u>	<u>3,397,227</u>	<u>234,210</u>
Net increase (decrease) in cash and cash equivalents	(344,005)	280,924	(63,081)	1,512,570
Cash and equity in central treasury, beginning of year	<u>23,905,009</u>	<u>7,107,705</u>	<u>31,012,714</u>	<u>10,500,469</u>
Cash and equity in central treasury, end of year	<u>\$ 23,561,004</u>	<u>\$ 7,388,629</u>	<u>\$ 30,949,633</u>	<u>\$ 12,013,039</u>

(Continued)

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Cash Flows - continued
For the Year Ended June 30, 2010

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Central Peninsula Hospital	South Peninsula Hospital	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 2,234,168</u>	<u>\$ (2,078,129)</u>	<u>\$ 156,039</u>	<u>\$ 1,492,811</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	8,381,029	2,479,633	10,860,662	297,610
Other non-operating income	150,806	-	150,806	-
Change in assets and liabilities:				
(Increase) decrease in patient receivables	(1,648,201)	161,886	(1,486,315)	-
(Increase) decrease in other receivables	397,637	61,879	459,516	(5,838)
(Increase) decrease in inventory	(462,707)	16,522	(446,185)	-
(Increase) decrease in prepaid items	(106,662)	(28,351)	(135,013)	-
Increase (decrease) in accounts and contracts payable	(1,217,334)	(1,320,702)	(2,538,036)	(42,390)
Increase (decrease) in accrued liabilities	1,591,305	(402,634)	1,188,671	(200,875)
Total adjustments	<u>7,085,873</u>	<u>968,233</u>	<u>8,054,106</u>	<u>48,507</u>
Net cash provided (used) by operating activities	<u><u>\$ 9,320,041</u></u>	<u><u>\$ (1,109,896)</u></u>	<u><u>\$ 8,210,145</u></u>	<u><u>\$ 1,541,318</u></u>

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

Kenai Peninsula Borough
Fiduciary Funds
Statement of Fiduciary Fund Assets & Liabilities
June 30, 2010

	Agency Funds
Assets	
Equity in central treasury	\$1,356,688
Taxes receivable	91,016
Due from landowners	543,801
 Total assets	 \$1,991,505
 Liabilities	
Deferred administration fee	65,165
Due to landowners	363,065
Loans payable	875,917
Due to other entities:	
Homer	141,828
Kachemak City	2,142
Kenai	343,168
Seldovia	10,017
Seward	98,704
Soldotna	91,499
 Total liabilities	 \$1,991,505

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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, 2010**

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Kenai Peninsula Borough (the Borough) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

A. Reporting Entity

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

Blended Component Units

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

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

Discretely Presented Component Unit

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The Borough's only fiduciary funds are its agency funds, agency funds have no measurement focus but follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

The Borough reports the following major governmental funds:

The General Fund is the Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Borough reports the following major proprietary funds:

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

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

Additionally, the Borough reports the following fund types:

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

The Agency 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.

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Some funds, in particular the Enterprise Funds, the Special Revenue Funds of Central Emergency Services and Nikiski Fire, and the discretely presented Component Unit School District, have cash which is not aggregated in the central treasury. At June 30, 2010, investments for the government, as well as for its component units, are reported at fair value.

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

The Alaska Municipal League Investment Pool, Inc. (AMLIP) was created during 1993 under A.S. 37.23 and the Kenai Peninsula Borough Assembly passed an ordinance authorizing participation in the AMLIP. The AMLIP is a nonprofit corporation organized to manage, administer and invest funds of participating public entities.

"Cash and Short Term Investments" is used to account for cash held in bank accounts for certain School District Funds and for cash and investments of the enterprise funds.

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 3.00% of the current year personal property tax levy.

3. Inventories

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

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

5. Assets Whose Use Is Limited

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

Assets whose use is limited at June 30, 2010 is as follows:

Central Peninsula Hospital:	
Plant replacement	\$ 10,528,599
Security for insurance letter-of-credit	501,471
Scholarship fund	35,080
South Peninsula Hospital:	
Employee health reserve	237,711
Student loan program	97,855
Malpractice reserve	<u>85,000</u>
Total assets whose use is limited	\$ <u>11,485,716</u>

6. Capital Assets

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

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

7. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation and vested sick leave. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. Unused sick leave is vested at 25% after five years of employment, and an additional 25% is vested after ten years. Vested sick leave may only be received in cash by the employee upon termination of employment. The obligation of accumulated unpaid vacation and vested sick leave amounts to \$3,149,099 at June 30, 2010 for the Primary Government excluding the hospitals, an increase of \$280,849 from June 30, 2009. Of the total accumulated unpaid vacation and vested sick leave at June 30, 2010, \$787,275 is expected to be paid out within one year. This is an increase of \$52,274 from June 30, 2009. An internal service fund, Employee Compensated Leave Fund, was established to account for resources accumulated to provide for compensated absences for the Borough's governmental activities. The Borough does not accrue a liability for non-vested sick leave, payable only in the event of employee absence due to illness. That amount is \$1,759,882 at June 30, 2010, an increase of \$168,105 from June 30, 2009.

8. Long-term Obligations

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

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

9. Fund Equity

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

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

Reserved for Encumbrances

Encumbrances outstanding at year-end represent the estimated amount the Borough intends to honor as a commitment regardless of the lapse in the appropriations.

Reserved for Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items. These amounts do not represent available financial resources of the fund requiring the reserve.

Designated for Subsequent Year's Expenditures

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

Other Designations

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

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

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

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

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

III – Detailed Notes on all Funds

A. Deposit and investment risk disclosure

As of June 30, 2010, the Borough's investments were as follows:

<u>INVESTMENT</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
<u>Internally Pooled Investments held in Central Treasury:</u>		
Repurchase agreements		\$ 16,437,286
Wells Fargo Secured Institutional Money Market		10,121,780
External investment pool	31 day average	5,282,530
U. S. Agencies	July 2010 - June 2015	45,807,545
U. S. Treasury Notes	March 2013 – February 2015	18,861,479
Cook County Illinois Municipal Bonds	November 2012	820,709
Grant County WA Public Utilities Municipal Bonds	January 2014	642,228
North St. Paul Maplewood MN Municipal Bonds	February 2014	756,179
Wells Fargo Company Corporate Bonds	January 2011	1,825,994
Coca-Cola Company Corporate Bonds	March 2011	564,771
U.S Bank N.A. Corporate Bonds	August 2011	1,623,559
Wachovia Corporate Bonds	October 2011	1,586,743
3M Company Corporate Bonds	November 2011	1,055,200
American Express Bank Corporate Bonds	December 2011	2,074,970
CitiGroup Inc. Corporate Bonds	December 2011	2,065,694
Regions Bank Corporate Bonds	December 2011	1,401,821
Pfizer Inc. Corporate Bonds	March 2012	1,602,109
Berkshire Hathaway Inc. Corporate Bonds	May 2012	1,067,719
Goldman Sachs Group Inc. Corporate Bonds	June 2012	1,048,574
PNC Funding Group Corporate Bonds	June 2012	1,545,323
Johnson & Johnson Corporate Bonds	August 2012	1,109,486
General Electric Capital Corporate Bonds	October 2012	1,619,085
JP Morgan Chase & Company Corporate	December 2012	2,571,813
Novartis Capital Corporate Bonds	April 2013	433,777
Bank of New York Mellon Corporate Bonds	August 2013	1,221,065
Stanford University Corporate Bonds	May 2014	1,069,332
Microsoft Corporate Bonds	June 2014	891,504
	Total	<u>125,108,275</u>
<u>Major Bond Funded Capital Project Fund Investments:</u>		
External investment pool	31 day average	3,790,537
U. S. Agencies	March 2011	<u>1,014,454</u>
	Total Investments held in Central Treasury \$	<u>129,913,266</u>
<u>Business Type Activities Investments-Restricted Assets:</u>		
External investment pool	31 day average	<u>1,807,820</u>
<u>Business Type Activities Investments-Assets Whose Use is Limited:</u>		
U. S. Agencies	July 2010 - May 2020	<u>10,857,857</u>
	Grand Total \$	<u>142,578,943</u>

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

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

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

<u>Maturity</u>	<u>Target Maturity Level</u>	<u>Actual Investment</u>
One Year or Less	40%	39%
One to three Years	30%	34%
Three to Five Years	30%	27%

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The Borough invests in securities issued by U.S. Government Agencies that contain call options. About \$7.08 million or 12.35% of the agency securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

<u>Investment</u>	<u>Type of call</u>	<u>Next call date</u>
Federal Home Loan Mortgage Corporation	One time call	August 18, 2010
Federal National Mortgage Association	One time call	November 15, 2010
Federal National Mortgage Association	One time call	February 24, 2011
Federal Home Loan Mortgage Corporation	One time call	April 8, 2011

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, 2010</u>
U.S. Treasury Securities	100%	5 years	13.2%
U.S. Agencies	100%	5 years	40.5%
Corporate bonds	50%	5 years	18.5%
Municipal bonds	25%	5 years	1.6%
Repurchase agreements	20%	n/a	11.5%
Money market funds	20%	n/a	7.1%
AMLIP	20%	n/a	7.6%
Bankers Acceptances	10%	3 years	0%
Commercial Paper	25%	270 days	0%
<u>Term Repurchase Agreements and Certificates of Deposit:</u>			
7-day term or shorter:	25%	n/a	0%
Greater than 7-day term	25%	3 years	0%

Credit Rate Risk: Alaska State Law does not have specific investment limitations. It is the Borough's policy to limit its investments to investment grade securities. Investment grade corporate bonds are defined as those with a rating of "triple B" or higher by a nationally recognized statistical rating organization (NRSROs). In the event an issuer of a corporate bond held in the portfolio having a remaining term to maturity of more than one year is downgraded to less than "triple B" by both Moody's and S&P, the security will be sold. Commercial paper must be rated "A" or P1 or higher by Moody's Investor's Service, Inc. and "A" or A-1 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 A-1 or higher by Standard and Poor’s Corporation.

As of June 30, 2010 the Borough’s investments in corporate bonds, municipal bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

<u>INVESTMENT</u>	<u>Standards & Poor’s</u>	<u>Moody’s Investors Service</u>
Wells Fargo Company Corporate Bonds	AA-	A1
Coca-Cola Company Corporate Bonds	A+	AA3
U.S Bank N.A. Corporate Bonds	A+	AA2
Wachovia Corporate Bonds	AA-	A1
3M Company Corporate Bonds	AA-	AA2
American Express Bank Corporate Bonds	AAA	AAA
CitiGroup Inc. Corporate Bonds	AAA	AAA
Regions Bank Corporate Bonds	AAA	AAA
Pfizer Inc. Corporate Bonds	AA	A1
Berkshire Hathaway Inc. Corporate Bonds	AA+	AA2
Goldman Sachs Group Inc. Corporate Bonds	AAA	AAA
PNC Funding Group Corporate Bonds	AAA	AAA
Johnson & Johnson Corporate Bonds	AAA	AAA
General Electric Capital Corporate Bonds	AA+	AA2
JP Morgan Chase & Company Corporate	AAA	AAA
Novartis Capital Corporate Bonds	AA-	AA2
Bank of New York Mellon Corporate Bonds	AA-	AA2
Stanford University Corporate Bonds	AAA	AAA
Microsoft Corporate Bonds	AAA	AAA
Cook County Illinois Municipal Bonds	AA	AA2
Grant County WA Public Utilities Municipal Bonds	AA-	AA3
North St. Paul Maplewood MN Municipal Bonds	AAA	AA2
Federal Home Loan Bank	AAA	AAA
Federal National Mortgage Association	AAA	AAA
Federal National Mortgage Association Pool	AAA	Aaa
Federal Home Loan Mortgage Corporation	AAA	AAA
Federal Farm Credit Bank	AAA	AAA

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the Borough’s \$16.096 million in repurchase agreements at June 30, 2010, \$16.096 million of underlying securities are pledged to the Borough by the Bank. This collateral is owned by the Bank and held by the third party custodian. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000.

Cash and short term investment balances at June 30, 2010, consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and short term investments held in central treasury:		
Checking accounts:		
Borough	\$ (1,188,973)	\$ 340,972
Component unit (School District)	<u>(2,584,927)</u>	<u>-</u>
Total cash and short term investments held in central treasury	(3,773,900)	340,972
Other cash and investments:		
Checking and savings accounts:		
Borough	88,723	92,879
Proprietary funds	24,891,393	25,178,131
Proprietary funds – assets whose use is limited	126,388	126,388

Long-term time deposits		
Proprietary funds – assets whose use is limited	501,471	501,471
Cash on hand:		
Borough	1,810	-
Proprietary funds	5,515	-
Component unit (School District)	<u>29,739</u>	<u>29,739</u>
Total other cash and short term investments	<u>25,645,039</u>	<u>25,928,608</u>
Total cash and short term investments	\$ <u>21,871,139</u>	\$ <u>26,269,580</u>

The following is a summary of equity in central treasury and investments at June 30, 2010:

General Fund	\$ 22,303,484
Special revenue funds	28,374,826
Capital projects funds	18,171,780
Debt service funds	0
Enterprise funds	6,052,725
Internal service funds	11,990,496
Fiduciary funds	1,356,688
Component unit – agency funds	2,261,626
Component unit	<u>35,627,741</u>
Total equity in central treasury	\$ <u>126,139,366</u>

The equity in central treasury consists of the following:

Cash and short term investments	\$ (3,773,900)
Investments	<u>129,913,266</u>
	\$ <u>126,139,366</u>

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

Fair value at June 30, 2010	\$ 129,913,266
Add: cost of investments sold/called/matured in FY10	91,254,965
Less: cost of investments purchased in FY10	(95,415,494)
Less: fair value at June 30, 2009	<u>(125,999,205)</u>
Change in fair value of investments	\$ <u>246,468</u>

B. Property Taxes

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

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

The Borough also collects its own sales tax as well as that of the cities within the Borough. The Borough-wide sales tax rate is 3%, while the city rates vary from 3% - 4.5%. The sales tax collections for Borough cities are recorded in the Fiduciary Tax Agency Fund.

Property Tax Calendar

Assessment date	January 1, 2009	Total taxes are due	October 15, 2009
Levy date	Not later than June 15, 2009	Penalties & interest added	October 17, 2009
Tax bills mailed	Not later than July 1, 2009	Lien date	April 15, 2010

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the yearend. The Borough's property tax collection records show that approximately 95.31% of the property taxes due were collected within 60 days after the due date. Assessed values are established by the Kenai Peninsula Borough assessor's office. Borough code requires a revaluation of all property be completed no less than every 5 years. The current average is approximately every 7 years.

C. Receivables

Receivables at June 30, 2010 for the government's individual major funds and business-type fund and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Proprietary</u>	<u>Nonmajor Other Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes	\$ 6,016,359	\$ 169,021	\$ 418,119	\$ -	\$ 91,016	\$ 6,694,515
Patient	-	26,683,509	-	-	-	26,683,509
Accounts and other	7,924	962,871	287,545	5,838	543,801	1,807,979
Land sale contracts	-	-	666,997	-	-	666,997
Special assessment districts	707,872	-	-	-	-	707,872
Intergovernmental	<u>1,050,012</u>	<u>-</u>	<u>2,513,465</u>	<u>-</u>	<u>-</u>	<u>3,563,477</u>
Total receivables	7,782,167	27,815,401	3,886,126	5,838	634,817	40,124,349
Less allowance for uncollectibles	<u>(30,081)</u>	<u>(6,744,739)</u>	<u>(7,333)</u>	<u>-</u>	<u>-</u>	<u>(6,782,153)</u>
	<u>\$ 7,752,086</u>	<u>\$21,070,662</u>	<u>\$ 3,878,793</u>	<u>\$ 5,838</u>	<u>\$ 634,817</u>	<u>\$ 33,342,196</u>

D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ 573,903	\$ 3,349,946
Property taxes receivable (nonmajor governmental funds)	378,453	3,340,121
Miscellaneous prepaid (General Fund)	-	303
Miscellaneous deferred revenue	342,200	60,000
Land sale receivables	676,997	-
Grant funds received prior to meeting all eligibility requirements	<u>-</u>	<u>2,608,319</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 1,971,553</u>	<u>\$ 9,358,689</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

Governmental Activities:	Balance <u>July 1, 2009</u>	Additions/ <u>Transfers</u>	Deductions/ <u>Transfers</u>	Balance <u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 68,407,360	\$ 1,199,342	\$ -	\$ 69,606,702
Construction in progress	<u>9,355,097</u>	<u>1,608,149</u>	<u>(7,364,221)</u>	<u>3,599,025</u>
Total capital assets, not being depreciated	<u>77,762,457</u>	<u>2,807,491</u>	<u>(7,364,221)</u>	<u>73,205,727</u>
Capital assets, being depreciated:				
Buildings	284,281,329	11,403,720	-	295,685,049
Improvements other than buildings	66,391,674	898,853	-	67,290,527
Machinery and equipment	30,140,506	3,597,039	(987,835)	32,749,710
Infrastructure	<u>9,392,273</u>	<u>449,129</u>	<u>-</u>	<u>9,841,402</u>
Total capital assets being depreciated	<u>390,205,782</u>	<u>16,348,741</u>	<u>(987,835)</u>	<u>405,566,688</u>
Less accumulated depreciation for:				
Buildings	(159,377,853)	(6,198,110)	-	(165,575,963)
Improvements other than buildings	(47,932,105)	(1,846,563)	-	(49,778,668)
Machinery and equipment	(18,274,791)	(2,383,943)	987,835	(19,670,899)
Infrastructure	<u>(861,446)</u>	<u>(339,211)</u>	<u>-</u>	<u>(1,200,657)</u>
Total accumulated depreciation	<u>(226,446,195)</u>	<u>(10,767,827)</u>	<u>987,835</u>	<u>(236,226,187)</u>
Total capital assets, being depreciated, net	<u>163,759,587</u>	<u>5,580,914</u>	<u>-</u>	<u>169,340,501</u>
Governmental activities capital assets, net	<u>\$ 241,522,044</u>	<u>\$ 8,388,405</u>	<u>\$ (7,364,221)</u>	<u>\$ 242,546,228</u>

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

Business-type activities:	Balance <u>July 1, 2009</u>	Additions/ <u>Transfers</u>	Deductions/ <u>Transfers</u>	Balance <u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 1,572,279	\$ 29,045	\$ -	\$ 1,601,324
Construction in progress	<u>13,392,758</u>	<u>5,806,945</u>	<u>(18,614,239)</u>	<u>585,464</u>
Total capital assets, not being depreciated	<u>14,965,037</u>	<u>5,835,990</u>	<u>(18,614,239)</u>	<u>2,186,788</u>
Capital assets, being depreciated:				
Land improvements	4,829,065	188,112	-	5,017,177
Buildings	105,798,496	19,457,930	(2,087,998)	123,168,428
Improvements other than buildings	459,804	266,629	-	726,433

Business-type activities (continued):	<u>Balance July 1, 2009</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance June 30, 2010</u>
Machinery and equipment	49,260,434	4,853,405	(3,170,546)	50,943,293
Total capital assets being depreciated	<u>160,347,799</u>	<u>24,766,076</u>	<u>(5,258,544)</u>	<u>179,855,331</u>
Less accumulated depreciation for:				
Land improvements	(750,754)	(339,635)	-	(1,090,389)
Buildings	(42,741,115)	(4,766,080)	1,722,285	(45,784,910)
Improvements other than buildings	(47,805)	(67,790)	-	(115,595)
Machinery and equipment	(20,379,217)	(5,687,349)	2,757,124	(23,309,442)
Total accumulated depreciation	<u>(63,918,891)</u>	<u>(10,860,854)</u>	<u>4,479,409</u>	<u>(70,300,336)</u>
Total capital assets, being depreciated, net	<u>96,428,908</u>	<u>13,905,222</u>	<u>(779,135)</u>	<u>109,554,995</u>
Business-type activities capital assets, net	<u>\$ 111,393,945</u>	<u>\$ 19,741,212</u>	<u>\$ (19,393,374)</u>	<u>\$ 111,741,783</u>

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

Governmental activities:

General government	\$ 451,175
Senior citizens	4,876
Public safety	1,775,453
Solid waste facilities	1,371,660
Road maintenance, including infrastructure assets	359,123
Recreation	386,916
Schools	6,121,014
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>297,610</u>

Total depreciation expense - governmental activities \$ 10,767,827

Business-type activities:

Hospitals:	
Central Peninsula Hospital	\$ 8,381,029
South Peninsula Hospital	<u>2,479,633</u>
Total depreciation expense - business-type activities	<u>\$10,860,662</u>

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2010. The projects include major repair of existing roads, improvement to school facilities, public safety facilities and recreation facility upgrades. At year-end the Borough's commitments with contractors are as follows:

<u>Projects</u>	<u>Remaining Commitments</u>	<u>Financing Sources</u>
Major repair of existing roads	\$ 1,886,608	Federal and State grants and local funding
Improvement to school facilities	826,369	General obligation bonds and local funding
Landfill closure and site upgrades	120,513	Federal grants and local funding
Public safety facilities	1,154,980	Federal and State grants, General obligation bonds and local funding
Land management projects	170,657	Local funding
Recreational facility upgrades	<u>8,912</u>	Federal and State grants and local funding
Total	<u>\$ 4,168,039</u>	

Discretely presented component unit

Capital asset activity for Kenai Peninsula Borough School District for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions / Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 6,653,288	\$ 567,500	\$(1,046,720)	\$ 6,174,068
Less accumulated depreciation for:				
Machinery and equipment	<u>(4,054,927)</u>	<u>(404,411)</u>	<u>692,831</u>	<u>(3,766,507)</u>
Governmental activities capital assets, net	<u>\$ 2,598,361</u>	<u>\$ (163,089)</u>	<u>\$ (353,889)</u>	<u>\$ 2,407,561</u>

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2010 is as follows:

The General Fund has made a short-term loan of \$8,753 to the Local Emergency Planning Committee, \$14,475 to the River Center Special Revenue Funds and \$4,807 to the 911 Communications Capital Project Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies. The General Fund has made loans in the amount of \$707,872 to the Special Assessment Districts for utility/road improvements. Taxpayers of the utility/road improvement districts then repay the amount that is borrowed over a 10 year period. The additional funds shown below label as Agency funds-other represent funding providing by the Road Service Area for a capital improvement; which if not spend, is due back to the Road Service and therefore at June 30, 2010 is shown as a payable in the agency fund with no corresponding receivable in the governmental fund.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major fund - General Fund	\$ 735,907	\$ -
Nonmajor governmental funds	-	28,035
Agency funds	-	<u>707,872</u>
Total	<u>\$ 735,907</u>	735,907
Agency funds-other		168,045
Total		<u>\$ 903,952</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 \$42,983,376.

Transfers between funds for the year ended June 30, 2010, were as follows:

	Transfer In		
	<u>Major Fund</u>		
Transfer Out:	<u>General</u>	<u>Nonmajor Gov't</u>	
Major Funds:	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 11,859,320	\$ 11,859,320
Nonmajor governmental funds	1,039,098	4,498,204	5,537,302
Total	\$ 1,039,098	\$ 16,357,524	\$ 17,396,622

Significant transfers were as follows:

- General Fund transferred \$6,493,583 to the Solid Waste Special Revenue Fund to fund operations, debt service, and capital acquisitions.
- General Fund transferred \$2,269,538 to General Government Debt Service Fund to fund FY10 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$1,588,677 was reimbursed by the State of Alaska.
- General Fund transferred \$1,400,471 to School Revenue Capital Projects Fund to fund capital maintenance on school facilities.

G. Risk Management

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

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

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

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

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

	Beginning of Fiscal Year Liability	Current Year Claim Estimates	Claim Payments	End of Fiscal Year Liability
2008-2009	\$1,569,316	\$2,088,946	\$(2,511,487)	\$1,146,775
2009-2010	\$1,146,775	\$ 674,988	\$(2,471,076)	\$ 649,313

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

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

The Central Peninsula Hospital purchases commercial insurance for risks of loss, with various amounts of deductibles. The Hospital maintains malpractice insurance through a claims-made commercial insurance policy. As of March 2003, the policy deductible was increased to \$500,000 per occurrence and provided coverage up to \$1 million per occurrence and up to an aggregate of \$3 million for claims filed within the period of the policy term. The Hospital also has \$10 million of umbrella insurance coverage.

The Hospital used an actuarial study dated June 4, 2010 to estimate its projected claims liabilities as of June 30, 2010 and a study dated August 24, 2009 to estimate liabilities which existed as of June 30, 2009. The liability that existed as of June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Malpractice claims liabilities, beginning of year	\$ 1,420,233	\$1,031,575
Current year claims incurred and changes in estimates for claims incurred in prior years	112,048	388,658
Claims and expenses paid	<u>(300,765)</u>	<u>-</u>
Malpractice claims liabilities, end of year	\$ <u>1,231,516</u>	\$ <u>1,420,233</u>

South Peninsula Hospital is insured for medical malpractice claims by a modified claims-made policy for any occurrence reported during the current policy year or renewal thereof. Management has no reason to believe that the Hospital will not be able to obtain such coverage in future periods. The Hospital also retains \$110,000 of medical claims expense per covered employee each year, with coverage limited to a lifetime maximum of \$1,000,000 per covered employee.

In addition to the risk management issues listed above, the Borough maintains a health and medical benefit program, which covers all permanent employees working more than half time. The Borough retains a major portion of the risk of this plan, and, accordingly, is liable for any employee health claims that are approved for payment. Stop-loss limits are \$200,000 for individual claims and \$1,000,000 for aggregate claims. Health and medical expenditures totaled \$5,078,979 and \$4,059,761 for the years ended June 30, 2010 and 2009 respectively, and consisted of paid claims,

stop-loss premiums and administrative fees. Accruals were made based on estimates of health claims at year-end, including claims incurred but not reported. Such accruals are accounted for in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the health care claims liability for the two years ended June 30, 2010 and 2009 follows:

	Beginning of Fiscal Year Liability	Current Year Claim Estimates	Claim Payments	End of Fiscal Year Liability
2008 – 2009	\$591,588	\$3,796,010	\$(3,776,002)	\$611,596
2009 – 2010	\$611,596	\$4,775,399	\$(4,771,845)	\$615,150

H. Long-term debt

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

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Due within one year
Governmental activities:					
Areawide school bonds	\$14,854,000	\$ -	\$ 1,595,000	\$13,259,000	\$ 1,659,000
Solid waste bonds	3,050,000	4,780,000	725,000	7,105,000	1,660,000
Central emergency services bonds	2,260,000	-	90,000	2,170,000	95,000
Compensated absences	2,868,350	2,314,702	2,033,953	3,149,099	787,275
Landfill closure / postclosure	<u>3,457,727</u>	<u>629,656</u>	<u>33,664</u>	<u>4,053,719</u>	<u>58,971</u>
Total governmental activities long-term liabilities	<u>\$ 26,490,077</u>	<u>\$ 7,724,358</u>	<u>\$ 4,477,617</u>	\$ 29,736,818	<u>\$ 4,260,246</u>
Unamortized premium on bonds – Solid Waste 2009 expansion project				<u>162,000</u>	
				<u>\$ 29,898,818</u>	
Business-type activities:					
South Peninsula Hospital:					
Expansion project	\$ 22,745,000	\$ -	\$ 910,000	\$ 21,835,000	\$ 950,000
CT Scanner	754,730	-	369,651	385,079	385,079
Compensated absences	910,944	1,138,028	1,097,793	951,179	237,795
Central Peninsula Hospital:					
Compensated absences	2,164,515	4,115,176	3,810,855	2,468,836	617,209
Expansion project	<u>39,775,000</u>	<u>-</u>	<u>1,855,000</u>	<u>37,920,000</u>	<u>1,930,000</u>
Total business-type activities long-term liabilities	<u>\$ 66,350,189</u>	<u>\$ 5,253,204</u>	<u>\$ 8,043,299</u>	\$ 63,560,094	<u>\$ 4,120,083</u>
Unamortized premium on bonds – South Peninsula Hospital expansion project				270,789	
Deferred loss on bond refunding – South Peninsula Hospital expansion project				(140,980)	
Unamortized premium on bonds – Central Peninsula Hospital expansion project				<u>1,294,098</u>	
				<u>\$ 64,984,001</u>	

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

School Bonds. School bonds are issued for the construction and major maintenance of public schools in the Borough. Bonds are paid from the General Fund through the levy of property taxes plus funding from the State of

Alaska, which partially reimburses the Borough for expenditures for school debt issues. The State of Alaska will reimburse the Borough up to 70% of the principal and interest payments on the School bonds.

Authorized but Unissued Bonds

Voters of the Bear Creek Fire Service Area authorized the issuance of \$1,400,000 in bonds, contingent upon receiving grant funds in the amount of \$2,100,000. Borough voters authorized the issuance of \$16,866,500 in school bonds at the October 5, 2010 Borough election. These bonds were sold December 8, 2010, and are eligible for 70% reimbursement under the State of Alaska debt reimbursement program.

Net Pension Obligation

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

A summary of bonds payable (in thousands) at June 30, 2010, is as follows:

	<u>Date of Issue</u>	<u>Issued</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Annual Installments</u>	<u>Outstanding June 30, 2010</u>
School bonds:	01-31-07	\$ 2,515	4.00 – 5.50	2008 – 2017	\$ 215 to 305	\$ 1,870
	12-12-00	7,429	4.75 – 5.00	2001 – 2011	740 to 769	769
	08-07-03	<u>14,700</u>	4.00 – 6.00	2004 – 2023	610 to 1,020	<u>10,620</u>
Total school bonds		<u>24,644</u>				<u>13,259</u>
Solid waste bonds	05-22-03	7,040	2.50 – 4.25	2003 – 2013	705 to 800	2,325
	12-12-09	<u>4,780</u>	2.00 – 4.00	2011 – 2015	910 to 1,015	<u>4,780</u>
Total solid waste bonds		<u>11,820</u>				<u>7,105</u>
Central emergency services bonds	06-21-06	<u>2,500</u>	4.00 - 6.00	2026	85 to 185	<u>2,170</u>
Enterprise Fund Bonds:						
South Peninsula	09-30-03	10,290	2.00 – 5.25	2004 – 2020	400 to 630	5,180
Hospital bonds	04-05-07	3,080	3.75 – 4.50	2007 – 2024	10 to 770	3,050
	08-28-07	14,555	4.25 – 5.00	2008 – 2028	465 to 1,090	13,605
Central Peninsula Hospital bonds	12-17-03	<u>47,985</u>	2.50 – 5.00	2004 – 2024	1,805 to 3,670	<u>37,920</u>
Total Hospital Bonds		<u>75,910</u>				<u>59,755</u>
Total Bonds		<u>\$ 114,874</u>				<u>\$ 82,289</u>

Debt service requirements, (not including landfill closure/postclosure, and compensated absences), at June 30, 2010 were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,414,000	\$ 943,580	\$ 3,265,079	\$ 2,817,355
2012	2,720,000	802,840	3,015,000	2,675,963
2013	2,800,000	714,315	3,150,000	2,537,738
2014	2,085,000	601,278	3,295,000	2,389,557
2015	2,160,000	483,102	3,455,000	2,233,388
2016-2020	5,425,000	1,705,406	19,975,000	8,415,550
2021-2025	3,745,000	449,293	20,865,000	2,945,519
2026-2030	<u>185,000</u>	<u>8,325</u>	<u>3,120,000</u>	<u>227,050</u>
Total	<u>\$ 22,534,000</u>	<u>\$ 5,708,139</u>	<u>\$ 60,140,079</u>	<u>\$ 24,242,120</u>

I. Conduit Debt Obligations

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

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

<u>Fiscal Years:</u>	<u>Principal</u>
2011	452,160
2012	476,360
2013	501,840
2014	528,640
2015	556,920
2016-2019	<u>2,190,455</u>
	<u>\$ 4,706,375</u>

J. Commitments and Contingencies

1. Loss Contingencies

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

2. Grants

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

K. Pension Plans

1. State of Alaska Public Employees' Retirement System

The Borough and School District participate in the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS). PERS and TRS were originally established as agent multiple employer plans, but were converted by legislation to cost-sharing plans, effective July 1, 2008. The plans were established and are administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

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

Conversion to Cost Sharing

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

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

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

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.50% for pension and 4.25% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.78% for pension and 4.72% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.

Under the recently adopted cost sharing arrangement, the employer contribution rate is statutorily capped at 22% and 12.56% for PERS and TRS respectively, although State legislation currently provides that the State of Alaska will contribute any amount over the statutory limit such that the total contribution equals the Alaska Retirement Management Board adopted rates. This rate will be consistent with the actuarially determined rate, but not the same as the Governmental Accounting Standards Board (GASB) Statement 45 accounting rate. The Borough and School District's contribution rates were determined as part of the June 30, 2007 actuarial valuation.

The Borough's contribution rates for 2010 are as follows:

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 45* Rate</u>
Pension	8.16%	10.25%	10.72%
Postemployment healthcare	<u>13.84%</u>	<u>17.40%</u>	<u>53.96%</u>
Total contribution rate	<u>22.00%</u>	<u>27.65%</u>	<u>64.68%</u>

The School District's contribution rates for 2010 are as follows:

PERS

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 45* Rate</u>
Pension	8.16%	10.25%	10.72%
Postemployment healthcare	<u>13.84%</u>	<u>17.40%</u>	<u>53.96%</u>
Total contribution rate	<u>22.00%</u>	<u>27.65%</u>	<u>64.68%</u>

TRS

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 45* Rate</u>
Pension	6.66%	20.95%	22.73%
Postemployment healthcare	<u>5.90%</u>	<u>18.58%</u>	<u>54.45%</u>
Total contribution rate	<u>12.56%</u>	<u>39.53%</u>	<u>77.18%</u>

*Using the 4.5% OPEB discount rate and disregarding future Medicare Part D payments.

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

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

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

Annual Pension and Postemployment Healthcare Cost

The Borough and School District are required to contribute 22% of covered payroll for PERS and 12.56% of covered payroll for TRS, subject to a wage floor. In addition, the State of Alaska contributed approximately 5.65% for PERS and 26.97% for TRS of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough and School District have recorded the State PERS on behalf payment of \$980,943 and \$1,038,086 respectively in these financial statements as expenditures/expenses. The School District has also recorded the State TRS on behalf payment of \$11,017,544 as revenue and expenditures in these financial statements. However, because the Borough and School District are not statutorily obligated for these payments, these amounts are excluded from pension and OPEB costs as described here. Only two years of information are available at this time.

Annual Pension and Post-employment Healthcare Cost - PERS

Kenai Peninsula Borough

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>Borough Contributions</u>	<u>% of TBC Contributed</u>
2010	\$1,313,621	\$ 2,228,005	\$3,541,626	\$3,541,626	100%
2009	970,878	2,160,987	3,131,865	3,131,865	100%

Kenai Peninsula Borough School District

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>School District Contributions</u>	<u>% of TBC Contributed</u>
2010	\$850,342	\$1,893,728	\$2,744,070	\$2,744,070	100%
2009	812,314	1,809,202	2,621,516	2,621,516	100%

Annual Pension and Post-employment Healthcare Cost - TRS

Kenai Peninsula Borough School District

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>School District Contributions</u>	<u>% of TBC Contributed</u>
2010	\$2,269,208	\$2,611,144	\$4,880,352	\$4,880,352	100%
2009	2,189,749	2,519,744	4,709,493	4,709,493	100%

Defined Contribution Pension Plan

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV and Teachers' Retirement System (TRS) Tier III Defined Contribution Retirement Plan for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III or TRS Tier I or II defined benefit plans. The plan is administered by the State of Alaska, Department of Administration Commissioner, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary and the Borough and School District are required to make the following contributions:

	<u>PERS Tier IV</u>		<u>TRS</u>
	<u>Others</u>	<u>Police/Fire</u>	<u>Tier III</u>
Employee contribution	<u>8.00 %</u>	<u>8.00 %</u>	<u>8.00 %</u>
Individual account	5.00 %	5.00 %	7.00 %
Health reimbursement arrangement (HRA) *	3.00 %	3.00 %	3.00 %
Retiree medical plan	0.99 %	0.99 %	0.99 %
Occupational death and disability benefits	<u>0.58 %</u>	<u>1.33 %</u>	<u>0.62 %</u>
	<u>9.57 %</u>	<u>10.32 %</u>	<u>11.61 %</u>

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

The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2010 were \$349,236 and \$296,345, respectively. The School District and employee contributions to PERS, including the HRA contribution for the year ended June 30, 2010 were \$372,802 and \$277,566, respectively. The School District and employee contributions to TRS, including the HRA contribution for the year ended June 30, 2010 were \$906,677 and \$625,062, respectively.

2. Hospital Pension Plans

Central Peninsula Hospital Plan Description

On July 1, 1995, the Hospital established a pension plan under Internal Revenue Code 403 (b). After the first year of employment, and at the next open enrollment period, employees who work 1,000 hours or more are eligible to participate in the Plan. The Hospital will contribute 2% of an employee’s eligible salary for all eligible employees. In addition, the Hospital will match the employee’s voluntary contribution up to 3% of gross pay, should the employee elect to participate. Prior to January 1, 2008, the Hospital’s total contribution for each employee could not exceed \$3,400. The plan was amended on March 1, 2008 to increase Hospital contributions for each employee not to exceed \$5,000 with an effective date of January 1, 2008. On January 1, 2009, the hospital’s contribution was increased to \$5,220 for each employee. The employee may contribute an additional amount above the 2% voluntary contribution. The additional amount shall not exceed the lesser of 18% of their eligible salary, or \$22,000 for employees over the age of fifty, and \$16,500 for all others. Participants are fully vested in their contributions and after five years, are 100% vested in the Hospital’s matching contribution. The fund’s covered payroll for the years ended June 30, 2010 and 2009 was \$33,106,462 and \$29,247,351 respectively. Total payroll for the years ended June 30, 2010 and 2009 was \$39,650,818 and \$35,306,616, respectively.

Employee contributions to the plan for the years ended June 30, 2010 and 2009 were \$2,126,932 and \$1,969,030, respectively. Employer contributions were \$1,254,114 and \$1,146,052 for the same periods. Total contributions to the plan were 10.2% and 10.7% of covered payroll for June 30, 2010 and June 30, 2009, respectively.

South Peninsula Hospital Plan Description

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

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

Annual Pension Cost and Net Pension Obligation. The annual required contribution for the current year was determined as part of the January 1, 2009 actuarial valuation. The actuarial assumptions included: (a) September 2009 segment interests of (1) Years 0-5 – 5.320%, (2) Years 6-20 – 6.450%, and (3) Years over 20 – 6.690% rate of returns (net of administrative expenses); (b) projected salary increases of 2% per year; and (c) no inflation rate. The Hospital's annual pension cost and net pension obligation to the plan is as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual required contribution	\$ 559,618	\$ 703,637	\$ 639,634
Interest on net pension obligation	<u>39,174</u>	<u>-</u>	<u>-</u>
Annual pension cost	598,792	703,637	639,634
Contributions made	<u>(808,048)</u>	<u>(973,373)</u>	<u>(1,138,699)</u>
Increase (decrease) in net pension obligation	(209,256)	(269,736)	(499,065)
Net pension obligation (asset), beginning of year	<u>188,916</u>	<u>(20,340)</u>	<u>(290,076)</u>
Net pension obligation (asset), end of year	<u>\$ (20,340)</u>	<u>\$(290,076)</u>	<u>\$(789,141)</u>

A schedule of funding progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as Percentage of Covered Payroll</u>
January 1, 2007	\$6,778,000	\$7,649,000	\$871,000	89%	\$10,241,000	8.51%
January 1, 2008	7,409,000	7,423,000	14,000	99%	10,500,000	0.13%
January 1, 2009	7,070,000	7,369,000	299,000	96%	11,567,000	2.58%

L. Landfill Closure and Postclosure Care Cost

The Governmental Accounting Standards Board issued Statement 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", which establishes standards of accounting and financial reporting for municipal solid waste landfill closure and postclosure care costs that are required to be incurred by federal, state, or local laws or regulations. The Borough implemented this standard effective July 1, 1993.

State and Federal laws and regulations require the Borough to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with cells having remaining useful lives of from 2 years to 10 years. The largest site has a lined cell with a remaining expected life of 2-3 years. This site has land enough for a minimum of four additional cells, which will be developed as needed and will extend the landfill life by approximately 25 years.

The second largest facility has used 80% of cell capacity and will be in operation for 3-4 more years. These two facilities comprise 90% of total landfill capacity. There are also three sites which are closed, that are being monitored as required by law. As of June 30, 2010 the Borough has a recorded liability of \$4,053,719 in the government-wide financial statements for closure and postclosure cost associated with its landfills; this amount has been reported as a designation of fund balance in the Solid Waste Special Revenue Fund. These amounts are based on what it would cost to perform all closure and postclosure care in 2010; 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 \$12,512,949 in expense and liability between June 30, 2010 and the year 2035, the date the landfills are expected to reach capacity.

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

NON-MAJOR GOVERNMENTAL FUNDS

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

<u>ASSETS</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and short-term investments	\$ 66,980	\$ -	\$ -	\$ 66,980
Equity in central treasury	28,374,826	13,366,789	-	41,741,615
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	410,786	-	-	410,786
Accounts receivable	287,545	-	-	287,545
Land sale contracts receivable:				
Current	170,483	-	-	170,483
Delinquent	8,544	-	-	8,544
Due from other governments	534,660	1,978,805	-	2,513,465
Prepays	1,605	-	-	1,605
Land sale contracts receivable - long-term	487,970	-	-	487,970
Total assets	\$ 30,343,399	\$ 15,345,594	\$ -	\$ 45,688,993
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and retainage payable	1,772,876	1,619,702	-	3,392,578
Accrued payroll and payroll taxes	307,840	24,708	-	332,548
Due to General Fund	23,228	4,807	-	28,035
Deferred revenue	1,055,450	342,200	-	1,397,650
Unearned revenue	3,400,122	-	-	3,400,122
Total liabilities	6,559,516	1,991,417	-	8,550,933
Fund balances:				
Reserved:				
Encumbrances	656,766	4,234,840	-	4,891,606
Prepays	1,605	-	-	1,605
Unreserved:				
Designations:				
Subsequent years expenditures	1,128,578	-	-	1,128,578
Landfill closure costs	4,053,719	-	-	4,053,719
Projects	3,120,501	9,119,337	-	12,239,838
Undesignated	14,822,714	-	-	14,822,714
Total fund balances	23,783,883	13,354,177	-	37,138,060
Total liabilities and fund balances	\$ 30,343,399	\$ 15,345,594	\$ -	\$ 45,688,993

Kenai Peninsula Borough

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2010**

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
General property taxes	\$ 18,243,868	\$ -	\$ -	\$ 18,243,868
Motor vehicle tax	377,320	-	-	377,320
Intergovernmental:				
Federal	665,446	150,705	-	816,151
State	1,947,257	13,123,617	-	15,070,874
Investment earnings	919,871	99,330	-	1,019,201
Other revenues	2,255,800	26,922	-	2,282,722
Total revenues	24,409,562	13,400,574	-	37,810,136
Expenditures:				
General government	2,931,874	113,874	-	3,045,748
Solid waste	5,353,292	1,035,397	-	6,388,689
Public safety	10,940,006	6,171,684	-	17,111,690
Recreation	1,424,141	724,861	-	2,149,002
Education	997,737	2,512,121	-	3,509,858
Environmental protection	1,287,515	-	-	1,287,515
Roads and trails	6,853,831	4,446,897	-	11,300,728
Debt service:				
Principal	-	-	2,410,000	2,410,000
Interest and other	-	-	881,110	881,110
Total expenditures	29,788,396	15,004,834	3,291,110	48,084,340
Excess (deficiency) of revenues over expenditures	(5,378,834)	(1,604,260)	(3,291,110)	(10,274,204)
Other financing sources (uses):				
Transfers in	7,701,090	5,365,324	3,291,110	16,357,524
Transfers out	(5,537,302)	-	-	(5,537,302)
Net other financing sources (uses)	2,163,788	5,365,324	3,291,110	10,820,222
Net change in fund balances	(3,215,046)	3,761,064	-	546,018
Fund balances beginning of year	26,998,929	9,593,113	-	36,592,042
Fund balances end of year	\$ 23,783,883	\$ 13,354,177	\$ -	\$ 37,138,060

Nonmajor Special Revenue Funds
Pages 72 - 94

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2010

ASSETS	Nikiski Fire Service Area	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
Cash and short-term investments	\$ 8,450	\$ 316	\$ 200	\$ 50,099
Equity in central treasury	5,051,299	215,666	262,856	2,481,541
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	77,221	8,089	11,674	131,463
Accounts receivable	85,799	-	-	149,020
Land sale contracts receivable:				
Current	-	-	-	-
Delinquent	-	-	-	-
Due from other governments	10,981	4,135	1,690	120,895
Prepays	-	-	-	-
Land sale contracts receivable - long-term	-	-	-	-
Total assets	\$ 5,233,750	\$ 228,206	\$ 276,420	\$ 2,933,018
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and retainage payable	26,765	6,173	2,319	51,332
Accrued payroll and payroll taxes	63,742	1,287	2,714	96,475
Due to General Fund	-	-	-	-
Deferred revenue	75,116	6,772	10,007	118,750
Unearned revenue	1,425,968	4,373	7,958	322,269
Total liabilities	1,591,591	18,605	22,998	588,826
Fund balances:				
Reserved:				
Encumbrances	-	3,963	-	-
Prepays	-	-	-	-
Unreserved:				
Designations:				
Subsequent years expenditures	57,726	4,983	44,739	485,037
Landfill closure costs	-	-	-	-
Projects	-	-	-	-
Undesignated	3,584,433	200,655	208,683	1,859,155
Total fund balances	3,642,159	209,601	253,422	2,344,192
Total liabilities and fund balances	\$ 5,233,750	\$ 228,206	\$ 276,420	\$ 2,933,018

<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>Road Service Area</u>	<u>Post- Secondary Education</u>	<u>Land Trust</u>
\$ 7,715 199,270	\$ - 32,693	\$ - 18,275	\$ 200 2,172,559	\$ - 4,450,942	\$ - 159,250	\$ - 5,168,867
12,823 13,580	125 -	3 -	25,796 -	136,366 -	- -	- -
- -	- -	- -	- -	- -	- -	170,483 8,544
4,248 1,500	107 -	1,851 -	3,660 -	29,235 -	- -	- -
-	-	-	-	-	-	487,970
<u>\$ 239,136</u>	<u>\$ 32,925</u>	<u>\$ 20,129</u>	<u>\$ 2,202,215</u>	<u>\$ 4,616,543</u>	<u>\$ 159,250</u>	<u>\$ 5,835,864</u>
13,469 6,081 -	124 -	- -	19,881 23,119 -	486,343 19,218 -	159,250 -	19,627 11,697 -
11,521 24,105	125 61	3 248	25,092 490,712	124,440 975,570	- -	676,997 -
<u>55,176</u>	<u>310</u>	<u>251</u>	<u>558,804</u>	<u>1,605,571</u>	<u>159,250</u>	<u>708,321</u>
- 1,500	- -	- -	- -	- -	- -	170,657 -
- -	- -	- 11,165	- 82,620	- 436,427	- -	- -
- -	- -	- -	- -	- -	- -	838,300
182,460 183,960	32,615 32,615	8,713 19,878	1,560,791 1,643,411	2,574,545 3,010,972	- -	4,118,586 5,127,543
<u>\$ 239,136</u>	<u>\$ 32,925</u>	<u>\$ 20,129</u>	<u>\$ 2,202,215</u>	<u>\$ 4,616,543</u>	<u>\$ 159,250</u>	<u>\$ 5,835,864</u>

(Continued)

Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2010

ASSETS	<u>River Center</u>	<u>Seward Bear Creek Flood</u>	<u>Disaster Relief</u>	<u>Environmental Protection Programs</u>	<u>Local Emergency Planning Committee</u>
Cash and short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in central treasury	-	384,970	-	1,845,414	-
Receivables (net of allowances for estimated uncollectibles):					
Taxes receivable	-	2,344	-	-	-
Accounts receivable	-	-	-	-	-
Land sale contracts receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Due from other governments	66,739	1,592	-	235,727	10,170
Prepays	-	-	-	105	-
Land sale contracts receivable - long-term	-	-	-	-	-
Total assets	<u>\$ 66,739</u>	<u>\$ 388,906</u>	<u>\$ -</u>	<u>\$ 2,081,246</u>	<u>\$ 10,170</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and retainage payable	19,781	1,629	-	16,329	995
Accrued payroll and payroll taxes	16,914	1,176	-	18,575	422
Due to General Fund	14,475	-	-	-	8,753
Deferred revenue	-	1,866	-	-	-
Unearned	-	4,184	-	-	-
Total liabilities	<u>51,170</u>	<u>8,855</u>	<u>-</u>	<u>34,904</u>	<u>10,170</u>
Fund balances:					
Reserved:					
Encumbrances	15,569	30,000	-	282,103	-
Prepays	-	-	-	105	-
Unreserved:					
Designations:					
Subsequent years expenditures	-	-	-	-	-
Landfill closure costs	-	-	-	-	-
Projects	-	-	-	1,764,134	-
Undesignated	-	350,051	-	-	-
Total fund balances	<u>15,569</u>	<u>380,051</u>	<u>-</u>	<u>2,046,342</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 66,739</u>	<u>\$ 388,906</u>	<u>\$ -</u>	<u>\$ 2,081,246</u>	<u>\$ 10,170</u>

<u>Underground Storage Tank Removal and Upgrades</u>	<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>Solid Waste</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 66,980
-	1,001,123	243,830	4,686,271	28,374,826
-	-	4,882	-	410,786
-	-	-	39,146	287,545
-	-	-	-	170,483
-	-	-	-	8,544
-	43,039	591	-	534,660
-	-	-	-	1,605
-	-	-	-	487,970
<u>\$ -</u>	<u>\$ 1,044,162</u>	<u>\$ 249,303</u>	<u>\$ 4,725,417</u>	<u>\$ 30,343,399</u>
-	349,507	1,960	597,392	1,772,876
-	601	-	45,819	307,840
-	-	-	-	23,228
-	-	4,761	-	1,055,450
-	50,000	94,674	-	3,400,122
-	400,108	101,395	643,211	6,559,516
-	125,987	-	28,487	656,766
-	-	-	-	1,605
-	-	5,881	-	1,128,578
-	-	-	4,053,719	4,053,719
-	518,067	-	-	3,120,501
-	-	142,027	-	14,822,714
-	644,054	147,908	4,082,206	23,783,883
<u>\$ -</u>	<u>\$ 1,044,162</u>	<u>\$ 249,303</u>	<u>\$ 4,725,417</u>	<u>\$ 30,343,399</u>

Kenai Peninsula Borough

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2010

	Nikiski Fire Service Area	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area	Kachemak Emergency Service Area
Revenues:					
General property taxes	\$ 3,442,175	\$ 313,039	\$ 371,969	\$ 5,863,030	\$ 616,178
Motor vehicle tax	49,791	13,241	7,661	119,435	19,259
Intergovernmental:					
Federal	7,100	20,107	-	-	-
State	113,727	5,207	20,597	263,219	29,908
Investment earnings	148,240	6,474	9,548	111,315	6,581
Other revenues	282,506	105	15	641,227	22,084
Total revenues	<u>4,043,539</u>	<u>358,173</u>	<u>409,790</u>	<u>6,998,226</u>	<u>694,010</u>
Expenditures:					
General government	-	-	-	-	-
Solid waste	-	-	-	-	-
Public safety	3,476,934	199,349	284,588	5,773,591	541,979
Recreation	-	-	-	-	-
Education	-	-	-	-	-
Environmental protection	-	-	-	-	-
Roads and trails	-	-	-	-	-
Total expenditures	<u>3,476,934</u>	<u>199,349</u>	<u>284,588</u>	<u>5,773,591</u>	<u>541,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>566,605</u>	<u>158,824</u>	<u>125,202</u>	<u>1,224,635</u>	<u>152,031</u>
Other financing sources (uses):					
Transfers in	-	-	-	16,779	-
Transfers out	(1,049,258)	(125,000)	(150,000)	(1,011,736)	(190,000)
Net other financing sources (uses)	<u>(1,049,258)</u>	<u>(125,000)</u>	<u>(150,000)</u>	<u>(994,957)</u>	<u>(190,000)</u>
Net change in fund balances	(482,653)	33,824	(24,798)	229,678	(37,969)
Fund balances beginning of year	<u>4,124,812</u>	<u>175,777</u>	<u>278,220</u>	<u>2,114,514</u>	<u>221,929</u>
Fund balances end of year	<u>\$ 3,642,159</u>	<u>\$ 209,601</u>	<u>\$ 253,422</u>	<u>\$ 2,344,192</u>	<u>\$ 183,960</u>

Lowell Point Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Road Service Area	Post-Secondary Education
\$ 18,707	\$ 10,651	\$ 1,155,683	\$ 6,029,846	\$ -
485	8,394	16,597	132,559	-
-	-	-	-	-
875	10,000	22,356	30,069	-
1,119	172	65,909	168,876	-
-	-	230,075	-	-
<u>21,186</u>	<u>29,217</u>	<u>1,490,620</u>	<u>6,361,350</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
9,700	10,000	-	-	-
-	-	1,418,232	-	-
-	-	-	-	634,773
-	-	-	-	-
-	-	-	6,853,831	-
<u>9,700</u>	<u>10,000</u>	<u>1,418,232</u>	<u>6,853,831</u>	<u>634,773</u>
11,486	19,217	72,388	(492,481)	(634,773)
-	-	-	-	634,773
-	(16,779)	(200,000)	-	-
<u>-</u>	<u>(16,779)</u>	<u>(200,000)</u>	<u>-</u>	<u>634,773</u>
11,486	2,438	(127,612)	(492,481)	-
21,129	17,440	1,771,023	3,503,453	-
<u>\$ 32,615</u>	<u>\$ 19,878</u>	<u>\$ 1,643,411</u>	<u>\$ 3,010,972</u>	<u>\$ -</u>

Kenai Peninsula Borough

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2010

	<u>Land Trust</u>	<u>River Center</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Disaster Relief</u>	<u>Environmental Protection Programs</u>
Revenues:					
General property taxes	\$ -	\$ -	\$ 205,707	\$ -	\$ -
Motor vehicle tax	-	-	7,218	-	-
Intergovernmental:					
Federal	-	123,668	-	-	486,155
State	15,255	22,405	1,730	-	14,881
Investment earnings	215,498	-	12,620	-	49,282
Other revenues	652,665	56,144	-	-	-
Total revenues	<u>883,418</u>	<u>202,217</u>	<u>227,275</u>	<u>-</u>	<u>550,318</u>
Expenditures:					
General government	1,292,576	824,550	-	-	-
Solid waste	-	-	-	-	-
Public safety	-	-	164,505	69,903	-
Recreation	-	-	-	-	-
Education	-	-	-	-	-
Environmental protection	-	-	-	-	1,281,991
Roads and trails	-	-	-	-	-
Total expenditures	<u>1,292,576</u>	<u>824,550</u>	<u>164,505</u>	<u>69,903</u>	<u>1,281,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(409,158)</u>	<u>(622,333)</u>	<u>62,770</u>	<u>(69,903)</u>	<u>(731,673)</u>
Other financing sources (uses):					
Transfers in	-	519,413	-	-	-
Transfers out	-	(42,923)	(50,000)	(142,455)	-
Net other financing sources (uses)	<u>-</u>	<u>476,490</u>	<u>(50,000)</u>	<u>(142,455)</u>	<u>-</u>
Net change in fund balances	(409,158)	(145,843)	12,770	(212,358)	(731,673)
Fund balances beginning of year	<u>5,536,701</u>	<u>161,412</u>	<u>367,281</u>	<u>212,358</u>	<u>2,778,015</u>
Fund balances end of year	<u>\$ 5,127,543</u>	<u>\$ 15,569</u>	<u>\$ 380,051</u>	<u>\$ -</u>	<u>\$ 2,046,342</u>

Local Emergency Planning Committee	Underground Storage Tank Removal and Upgrade	Miscellaneous Grants	Nikiski Senior Service Area	Solid Waste	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 216,883	\$ -	18,243,868
-	-	-	2,680	-	377,320
-	-	28,416	-	-	665,446
25,225	-	1,309,170	677	61,956	1,947,257
-	-	-	7,328	116,909	919,871
-	-	95	-	370,884	2,255,800
<u>25,225</u>	<u>-</u>	<u>1,337,681</u>	<u>227,568</u>	<u>549,749</u>	<u>24,409,562</u>
-	-	557,843	256,905	-	2,931,874
-	-	-	-	5,353,292	5,353,292
25,225	11,833	372,399	-	-	10,940,006
-	-	5,909	-	-	1,424,141
-	-	362,964	-	-	997,737
-	-	5,524	-	-	1,287,515
-	-	-	-	-	6,853,831
<u>25,225</u>	<u>11,833</u>	<u>1,304,639</u>	<u>256,905</u>	<u>5,353,292</u>	<u>29,788,396</u>
-	(11,833)	33,042	(29,337)	(4,803,543)	(5,378,834)
-	-	-	36,542	6,493,583	7,701,090
-	(31,324)	-	-	(2,527,827)	(5,537,302)
<u>-</u>	<u>(31,324)</u>	<u>-</u>	<u>36,542</u>	<u>3,965,756</u>	<u>2,163,788</u>
-	(43,157)	33,042	7,205	(837,787)	(3,215,046)
-	43,157	611,012	140,703	4,919,993	26,998,929
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644,054</u>	<u>\$ 147,908</u>	<u>\$ 4,082,206</u>	<u>\$ 23,783,883</u>

Kenai Peninsula Borough

**Nikiski Fire Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 3,486,985	\$ 3,486,985	\$ 3,442,175	\$ (44,810)
Motor vehicle tax	34,229	34,229	49,791	15,562
Intergovernmental:				
Federal	-	7,100	7,100	-
State	-	92,027	113,727	21,700
Investment earnings	120,330	120,330	148,240	27,910
Other revenues	230,000	230,000	282,506	52,506
Total revenues	<u>3,871,544</u>	<u>3,970,671</u>	<u>4,043,539</u>	<u>72,868</u>
Expenditures:				
Personnel	2,705,906	2,851,912	2,770,050	81,862
Supplies	179,147	173,097	144,397	28,700
Services	537,895	532,795	415,924	116,871
Capital outlay	129,148	148,108	146,563	1,545
Total expenditures	<u>3,552,096</u>	<u>3,705,912</u>	<u>3,476,934</u>	<u>228,978</u>
Excess (deficiency) of revenues over expenditures	<u>319,448</u>	<u>264,759</u>	<u>566,605</u>	<u>301,846</u>
Other financing sources (uses):				
Transfers (out)	<u>(1,049,258)</u>	<u>(1,049,258)</u>	<u>(1,049,258)</u>	<u>-</u>
Net change in fund balance	(729,810)	(784,499)	(482,653)	301,846
Fund balance at beginning of year	<u>4,124,812</u>	<u>4,124,812</u>	<u>4,124,812</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,395,002</u>	<u>\$ 3,340,313</u>	<u>\$ 3,642,159</u>	<u>\$ 301,846</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 309,862	\$ 309,862	\$ 313,039	\$ 3,177
Motor vehicle tax	12,664	12,664	13,241	577
Intergovernmental:				
Federal	-	50,232	20,107	(30,125)
State	-	1,740	5,207	3,467
Investment earnings	5,600	5,600	6,474	874
Other revenues	-	-	105	105
Total revenues	<u>328,126</u>	<u>380,098</u>	<u>358,173</u>	<u>(21,925)</u>
Expenditures:				
Personnel	69,198	80,800	80,800	-
Supplies	18,800	22,201	20,405	1,796
Services	85,631	106,261	77,495	28,766
Capital outlay	22,370	31,682	20,649	11,033
Total expenditures	<u>195,999</u>	<u>240,944</u>	<u>199,349</u>	<u>41,595</u>
Excess (deficiency) of revenues over expenditures	<u>132,127</u>	<u>139,154</u>	<u>158,824</u>	<u>19,670</u>
Other financing sources (uses):				
Transfers (out)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net change in fund balance	7,127	14,154	33,824	19,670
Fund balance at beginning of year	<u>175,777</u>	<u>175,777</u>	<u>175,777</u>	<u>-</u>
Fund balance at end of year	<u>\$ 182,904</u>	<u>\$ 189,931</u>	<u>\$ 209,601</u>	<u>\$ 19,670</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 375,897	\$ 375,897	\$ 371,969	\$ (3,928)
Motor vehicle tax	13,314	13,314	7,661	(5,653)
Intergovernmental:				
State	-	3,447	20,597	17,150
Investment earnings	7,966	7,966	9,548	1,582
Other revenues	-	-	15	15
Total revenues	<u>397,177</u>	<u>400,624</u>	<u>409,790</u>	<u>9,166</u>
Expenditures:				
Personnel	124,973	130,990	127,550	3,440
Supplies	35,650	36,150	28,076	8,074
Services	128,165	156,665	111,828	44,837
Capital outlay	16,500	17,500	17,134	366
Total expenditures	<u>305,288</u>	<u>341,305</u>	<u>284,588</u>	<u>56,717</u>
Excess (deficiency) of revenues over expenditures	<u>91,889</u>	<u>59,319</u>	<u>125,202</u>	<u>65,883</u>
Other financing sources (uses):				
Transfers (out)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	(58,111)	(90,681)	(24,798)	65,883
Fund balance at beginning of year	<u>278,220</u>	<u>278,220</u>	<u>278,220</u>	<u>-</u>
Fund balance at end of year	<u>\$ 220,109</u>	<u>\$ 187,539</u>	<u>\$ 253,422</u>	<u>\$ 65,883</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 5,914,417	\$ 5,914,417	\$ 5,863,030	\$ (51,387)
Motor vehicle tax	106,091	106,091	119,435	13,344
Intergovernmental:				
State	-	150,821	263,219	112,398
Investment earnings	35,000	35,000	111,315	76,315
Other revenues	672,515	672,515	641,227	(31,288)
Total revenues	<u>6,728,023</u>	<u>6,878,844</u>	<u>6,998,226</u>	<u>119,382</u>
Expenditures:				
Personnel	4,482,985	4,730,197	4,552,822	177,375
Supplies	400,510	368,599	351,759	16,840
Services	726,172	694,731	665,688	29,043
Capital outlay	141,930	205,282	203,322	1,960
Total expenditures	<u>5,751,597</u>	<u>5,998,809</u>	<u>5,773,591</u>	<u>225,218</u>
Excess (deficiency) of revenues over expenditures	<u>976,426</u>	<u>880,035</u>	<u>1,224,635</u>	<u>344,600</u>
Other financing sources (uses):				
Transfers in	16,779	16,779	16,779	-
Transfers (out)	<u>(1,011,736)</u>	<u>(1,011,736)</u>	<u>(1,011,736)</u>	<u>-</u>
Net other financing sources (uses)	<u>(994,957)</u>	<u>(994,957)</u>	<u>(994,957)</u>	<u>-</u>
Net change in fund balance	(18,531)	(114,922)	229,678	344,600
Fund balance at beginning of year	<u>2,114,514</u>	<u>2,114,514</u>	<u>2,114,514</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,095,983</u>	<u>\$ 1,999,592</u>	<u>\$ 2,344,192</u>	<u>\$ 344,600</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 618,176	\$ 618,176	\$ 616,178	\$ (1,998)
Motor vehicle tax	19,738	19,738	19,259	(479)
Intergovernmental:				
State	-	29,858	29,908	50
Investment earnings	3,546	3,546	6,581	3,035
Other revenues	-	-	22,084	22,084
Total revenues	<u>641,460</u>	<u>671,318</u>	<u>694,010</u>	<u>22,692</u>
Expenditures:				
Personnel	169,816	267,896	267,896	-
Supplies	37,500	57,795	55,198	2,597
Services	199,791	115,940	109,526	6,414
Capital outlay	86,076	109,551	109,359	192
Total expenditures	<u>493,183</u>	<u>551,182</u>	<u>541,979</u>	<u>9,203</u>
Excess (deficiency) of revenues over expenditures	<u>148,277</u>	<u>120,136</u>	<u>152,031</u>	<u>31,895</u>
Other financing sources (uses):				
Transfers (out)	<u>(150,000)</u>	<u>(190,000)</u>	<u>(190,000)</u>	<u>-</u>
Net change in fund balance	(1,723)	(69,864)	(37,969)	31,895
Fund balance at beginning of year	<u>221,929</u>	<u>221,929</u>	<u>221,929</u>	<u>-</u>
Fund balance at end of year	<u>\$ 220,206</u>	<u>\$ 152,065</u>	<u>\$ 183,960</u>	<u>\$ 31,895</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 17,736	\$ 17,736	\$ 18,707	\$ 971
Motor vehicle tax	481	481	485	4
Intergovernmental:				
State	-	875	875	-
Investment earnings	556	556	1,119	563
Total revenues	<u>18,773</u>	<u>19,648</u>	<u>21,186</u>	<u>1,538</u>
Expenditures:				
Supplies	4,050	4,050	98	3,952
Services	12,495	12,521	8,753	3,768
Capital outlay	849	1,698	849	849
Total expenditures	<u>17,394</u>	<u>18,269</u>	<u>9,700</u>	<u>8,569</u>
Excess (deficiency) of revenues over expenditures	<u>1,379</u>	<u>1,379</u>	<u>11,486</u>	<u>10,107</u>
Net change in fund balance	1,379	1,379	11,486	10,107
Fund balance at beginning of year	<u>21,129</u>	<u>21,129</u>	<u>21,129</u>	<u>-</u>
Fund balance at end of year	<u>\$ 22,508</u>	<u>\$ 22,508</u>	<u>\$ 32,615</u>	<u>\$ 10,107</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 10,504	\$ 10,504	\$ 10,651	\$ 147
Motor vehicle tax	-	-	8,394	8,394
Intergovernmental:				
State	-	10,000	10,000	-
Investment earnings	-	-	172	172
Total revenues	<u>10,504</u>	<u>20,504</u>	<u>29,217</u>	<u>8,713</u>
Expenditures:				
Services	-	10,000	10,000	-
Total expenditures	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>10,504</u>	<u>10,504</u>	<u>19,217</u>	<u>8,713</u>
Other financing sources (uses):				
Transfers (out)	<u>(16,779)</u>	<u>(16,779)</u>	<u>(16,779)</u>	<u>-</u>
Net change in fund balance	(6,275)	(6,275)	2,438	8,713
Fund balance at beginning of year	<u>17,440</u>	<u>17,440</u>	<u>17,440</u>	<u>-</u>
Fund balance at end of year	<u>\$ 11,165</u>	<u>\$ 11,165</u>	<u>\$ 19,878</u>	<u>\$ 8,713</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 1,172,651	\$ 1,172,651	\$ 1,155,683	\$ (16,968)
Motor vehicle tax	15,467	15,467	16,597	1,130
Intergovernmental:				
State	-	22,356	22,356	-
Investment earnings	52,879	52,879	65,909	13,030
Other revenues	183,600	183,600	230,075	46,475
Total revenues	<u>1,424,597</u>	<u>1,446,953</u>	<u>1,490,620</u>	<u>43,667</u>
Expenditures:				
Personnel	797,403	862,849	861,233	1,616
Supplies	110,487	112,979	102,486	10,493
Services	520,394	492,430	444,007	48,423
Capital outlay	6,500	10,730	10,506	224
Total expenditures	<u>1,434,784</u>	<u>1,478,988</u>	<u>1,418,232</u>	<u>60,756</u>
Excess (deficiency) of revenues over expenditures	<u>(10,187)</u>	<u>(32,035)</u>	<u>72,388</u>	<u>104,423</u>
Other financing sources (uses):				
Transfers (out)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balance	(210,187)	(232,035)	(127,612)	104,423
Fund balance at beginning of year	<u>1,771,023</u>	<u>1,771,023</u>	<u>1,771,023</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,560,836</u>	<u>\$ 1,538,988</u>	<u>\$ 1,643,411</u>	<u>\$ 104,423</u>

Kenai Peninsula Borough

**Road Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,062,251	\$ 6,062,251	\$ 6,018,934	\$ (43,317)
Motor vehicle tax	136,153	136,153	132,559	(3,594)
Intergovernmental:				
State	-	30,069	30,069	-
Investment earnings	60,478	60,478	168,876	108,398
Other revenues	-	-	10,912	10,912
Total revenues	<u>6,258,882</u>	<u>6,288,951</u>	<u>6,361,350</u>	<u>72,399</u>
Expenditures:				
Personnel	852,852	951,629	942,364	9,265
Supplies	72,170	93,520	62,678	30,842
Services	5,760,313	5,896,716	5,799,431	97,285
Capital outlay	53,550	65,677	49,358	16,319
Total expenditures	<u>6,738,885</u>	<u>7,007,542</u>	<u>6,853,831</u>	<u>153,711</u>
Net change in fund balance	(480,003)	(718,591)	(492,481)	226,110
Fund balance at beginning of year	<u>3,503,453</u>	<u>3,503,453</u>	<u>3,503,453</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,023,450</u></u>	<u><u>\$ 2,784,862</u></u>	<u><u>\$ 3,010,972</u></u>	<u><u>\$ 226,110</u></u>

Kenai Peninsula Borough

**Post-Secondary Education Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Services	634,773	634,773	634,773	-
Total expenditures	634,773	634,773	634,773	-
Excess (deficiency) of revenues over expenditures	(634,773)	(634,773)	(634,773)	-
Other financing sources (uses):				
Transfers in	634,773	634,773	634,773	-
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State	\$ -	\$ 15,255	\$ 15,255	\$ -
Investment earnings	300,000	300,000	215,498	(84,502)
Payments on land contracts	530,000	530,000	316,215	(213,785)
Land leases	135,000	135,000	158,062	23,062
Timber and gravel sales	45,000	45,000	45,107	107
Miscellaneous	25,000	25,000	133,281	108,281
Total revenues	<u>1,035,000</u>	<u>1,050,255</u>	<u>883,418</u>	<u>(166,837)</u>
Expenditures:				
Personnel	467,057	500,164	490,618	9,546
Supplies	8,500	22,863	17,887	4,976
Services	1,078,092	2,190,304	777,025	1,413,279
Capital outlay	62,500	63,610	7,046	56,564
Total expenditures	<u>1,616,149</u>	<u>2,776,941</u>	<u>1,292,576</u>	<u>1,484,365</u>
Net change in fund balance	(581,149)	(1,726,686)	(409,158)	1,317,528
Fund balance at beginning of year	<u>5,536,701</u>	<u>5,536,701</u>	<u>5,536,701</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,955,552</u>	<u>\$ 3,810,015</u>	<u>\$ 5,127,543</u>	<u>\$ 1,317,528</u>

Kenai Peninsula Borough

**River Center Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Federal	\$ 50,500	\$ 305,425	\$ 123,668	\$ (181,757)
State	-	22,405	22,405	-
Other revenues	<u>56,625</u>	<u>56,625</u>	<u>56,144</u>	<u>(481)</u>
Total revenues	<u>107,125</u>	<u>384,455</u>	<u>202,217</u>	<u>(182,238)</u>
Expenditures:				
Personnel	555,298	620,862	593,090	27,772
Supplies	8,400	13,950	10,702	3,248
Services	179,369	334,883	212,732	122,151
Capital outlay	<u>7,250</u>	<u>94,072</u>	<u>8,026</u>	<u>86,046</u>
Total expenditures	<u>750,317</u>	<u>1,063,767</u>	<u>824,550</u>	<u>239,217</u>
Excess (deficiency) of revenues over expenditures	<u>(643,192)</u>	<u>(679,312)</u>	<u>(622,333)</u>	<u>56,979</u>
Other financing sources (uses):				
Transfers in	527,074	550,998	519,413	(31,585)
Transfers (out)	<u>-</u>	<u>(42,923)</u>	<u>(42,923)</u>	<u>-</u>
Net other financing sources (uses)	<u>527,074</u>	<u>508,075</u>	<u>476,490</u>	<u>(31,585)</u>
Net change in fund balance	(116,118)	(171,237)	(145,843)	25,394
Fund balance at beginning of year	<u>161,412</u>	<u>161,412</u>	<u>161,412</u>	<u>-</u>
Fund balance at end of year	<u>\$ 45,294</u>	<u>\$ (9,825)</u>	<u>\$ 15,569</u>	<u>\$ 25,394</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 204,061	\$ 204,061	\$ 205,707	\$ 1,646
Motor vehicle tax	6,224	6,224	7,218	994
Intergovernmental:				
State	-	1,730	1,730	-
Investment earnings	12,952	12,952	12,620	(332)
Total revenues	<u>223,237</u>	<u>224,967</u>	<u>227,275</u>	<u>2,308</u>
Expenditures:				
Personnel	126,530	133,260	131,306	1,954
Supplies	3,600	4,683	3,655	1,028
Services	109,303	105,615	25,763	79,852
Capital outlay	11,744	96,334	3,781	92,553
Total expenditures	<u>251,177</u>	<u>339,892</u>	<u>164,505</u>	<u>175,387</u>
Excess (deficiency) of revenues over expenditures	<u>(27,940)</u>	<u>(114,925)</u>	<u>62,770</u>	<u>177,695</u>
Other financing sources (uses):				
Transfers (out)	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(27,940)	(164,925)	12,770	177,695
Fund balance at beginning of year	<u>367,281</u>	<u>367,281</u>	<u>367,281</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 339,341</u></u>	<u><u>\$ 202,356</u></u>	<u><u>\$ 380,051</u></u>	<u><u>\$ 177,695</u></u>

Kenai Peninsula Borough

**Nikiski Senior Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 219,904	\$ 219,904	\$ 216,883	\$ (3,021)
Motor vehicle tax	1,820	1,820	2,680	860
Intergovernmental:				
State	-	677	677	-
Investment earnings	5,098	5,098	7,328	2,230
Total revenues	<u>226,822</u>	<u>227,499</u>	<u>227,568</u>	<u>69</u>
Expenditures:				
Services	256,228	256,228	256,228	-
Capital outlay	-	677	677	-
Total expenditures	<u>256,228</u>	<u>256,905</u>	<u>256,905</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(29,406)</u>	<u>(29,406)</u>	<u>(29,337)</u>	<u>69</u>
Other financing sources (uses):				
Transfers in	<u>36,542</u>	<u>36,542</u>	<u>36,542</u>	<u>-</u>
Net change in fund balance	7,136	7,136	7,205	69
Fund balance at beginning of year	<u>140,703</u>	<u>140,703</u>	<u>140,703</u>	<u>-</u>
Fund balance at end of year	<u>\$ 147,839</u>	<u>\$ 147,839</u>	<u>\$ 147,908</u>	<u>\$ 69</u>

Kenai Peninsula Borough

**Solid Waste Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State	\$ -	\$ 61,956	\$ 61,956	\$ -
Investment earnings	87,493	87,493	116,909	29,416
Other revenues	<u>450,476</u>	<u>450,476</u>	<u>370,884</u>	<u>(79,592)</u>
Total revenues	<u>537,969</u>	<u>599,925</u>	<u>549,749</u>	<u>(50,176)</u>
Expenditures:				
Personnel	1,937,691	2,053,626	1,957,112	96,514
Supplies	544,961	548,698	424,047	124,651
Services	4,032,709	4,021,199	2,921,191	1,100,008
Capital outlay	<u>45,760</u>	<u>64,658</u>	<u>50,942</u>	<u>13,716</u>
Total expenditures	<u>6,561,121</u>	<u>6,688,181</u>	<u>5,353,292</u>	<u>1,334,889</u>
Excess (deficiency) of revenues over expenditures	<u>(6,023,152)</u>	<u>(6,088,256)</u>	<u>(4,803,543)</u>	<u>1,284,713</u>
Other financing sources (uses):				
Transfers in	6,487,208	7,237,517	6,493,583	743,934
Transfers (out)	<u>(1,477,418)</u>	<u>(2,827,827)</u>	<u>(2,527,827)</u>	<u>(300,000)</u>
Net other financing sources (uses)	<u>5,009,790</u>	<u>4,409,690</u>	<u>3,965,756</u>	<u>443,934</u>
Net change in fund balance	(1,013,362)	(1,678,566)	(837,787)	840,779
Fund balance at beginning of year	<u>4,919,993</u>	<u>4,919,993</u>	<u>4,919,993</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,906,631</u>	<u>\$ 3,241,427</u>	<u>\$ 4,082,206</u>	<u>\$ 840,779</u>

Nonmajor Capital Project Funds
Pages 96 - 99

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

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

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

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

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

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

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

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

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

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

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

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

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

**Kenai Peninsula Borough
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2010**

	<u>School Revenue</u>	<u>General Government</u>	<u>Resource Management</u>	<u>Solid Waste</u>	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>
<u>ASSETS</u>						
Equity in central treasury	\$ 2,777,047	\$ 2,297,452	\$ 82,353	\$ 1,000,082	\$ 5,393,870	\$ 42,626
Due from other governments	56,088	-	-	-	-	1,860,392
Total assets	<u>\$ 2,833,135</u>	<u>\$ 2,297,452</u>	<u>\$ 82,353</u>	<u>\$ 1,000,082</u>	<u>\$ 5,393,870</u>	<u>\$ 1,903,018</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts and retainage payable	277,591	173,565	-	215,077	308,080	550,360
Accrued payroll and payroll taxes	22,219	-	-	131	2,358	-
Due to General Fund	-	-	-	-	-	-
Deferred revenue	192,200	150,000	-	-	-	-
Total liabilities	<u>492,010</u>	<u>323,565</u>	<u>-</u>	<u>215,208</u>	<u>310,438</u>	<u>550,360</u>
Fund balances:						
Reserved:						
Encumbrances	826,369	7,270	-	122,401	1,886,608	1,121,635
Unreserved:						
Designations:						
Capital projects	1,514,756	1,966,617	82,353	662,473	3,196,824	231,023
Total fund balances	<u>2,341,125</u>	<u>1,973,887</u>	<u>82,353</u>	<u>784,874</u>	<u>5,083,432</u>	<u>1,352,658</u>
Total liabilities and fund balances	<u>\$ 2,833,135</u>	<u>\$ 2,297,452</u>	<u>\$ 82,353</u>	<u>\$ 1,000,082</u>	<u>\$ 5,393,870</u>	<u>\$ 1,903,018</u>

<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Kachemak Emergency Service Area</u>	<u>911 Communications</u>	<u>North Peninsula Recreation Service Area</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 248,059 56	\$ 450,478 54,207	\$ 118,812 -	\$ 337,273 -	\$ - 8,062	\$ 618,737 -	\$13,366,789 1,978,805
<u>\$ 248,115</u>	<u>\$ 504,685</u>	<u>\$ 118,812</u>	<u>\$ 337,273</u>	<u>\$ 8,062</u>	<u>\$ 618,737</u>	<u>\$15,345,594</u>
-	41,641	13,331	-	-	40,057	1,619,702
-	-	-	-	-	-	24,708
-	-	-	-	4,807	-	4,807
-	-	-	-	-	-	342,200
<u>-</u>	<u>41,641</u>	<u>13,331</u>	<u>-</u>	<u>4,807</u>	<u>40,057</u>	<u>1,991,417</u>
225,637	26,595	-	6,158	3,255	8,912	4,234,840
22,478	436,449	105,481	331,115	-	569,768	9,119,337
<u>248,115</u>	<u>463,044</u>	<u>105,481</u>	<u>337,273</u>	<u>3,255</u>	<u>578,680</u>	<u>13,354,177</u>
<u>\$ 248,115</u>	<u>\$ 504,685</u>	<u>\$ 118,812</u>	<u>\$ 337,273</u>	<u>\$ 8,062</u>	<u>\$ 618,737</u>	<u>\$15,345,594</u>

Kenai Peninsula Borough

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2010

	<u>School Revenue</u>	<u>General Government</u>	<u>Resource Management</u>	<u>Solid Waste</u>	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>
Revenues:						
Intergovernmental:						
Federal	\$ 75,041	\$ -	\$ -	\$ -	\$ 8,802	\$ -
State	344,769	-	-	-	8,297,578	3,730,437
Investment earnings	-	-	-	-	1,981	30,553
Other revenues	26,922	-	-	-	-	-
Total revenues	<u>446,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,308,361</u>	<u>3,760,990</u>
Expenditures:						
General government	-	113,874	-	-	-	-
Solid waste	-	173,565	-	861,832	-	-
Public safety	-	-	-	-	-	4,575,354
Recreation	-	-	-	-	-	-
Education	2,512,121	-	-	-	-	-
Roads and trails	-	-	-	-	4,446,897	-
Total expenditures	<u>2,512,121</u>	<u>287,439</u>	<u>-</u>	<u>861,832</u>	<u>4,446,897</u>	<u>4,575,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,065,389)</u>	<u>(287,439)</u>	<u>-</u>	<u>(861,832)</u>	<u>3,861,464</u>	<u>(814,364)</u>
Other financing sources (uses):						
Transfers in	<u>1,431,795</u>	<u>824,605</u>	<u>55,000</u>	<u>658,924</u>	<u>-</u>	<u>980,000</u>
Net change in fund balances	(633,594)	537,166	55,000	(202,908)	3,861,464	165,636
Fund balances at beginning of year	<u>2,974,719</u>	<u>1,436,721</u>	<u>27,353</u>	<u>987,782</u>	<u>1,221,968</u>	<u>1,187,022</u>
Fund balances at end of year	<u>\$ 2,341,125</u>	<u>\$ 1,973,887</u>	<u>\$ 82,353</u>	<u>\$ 784,874</u>	<u>\$ 5,083,432</u>	<u>\$ 1,352,658</u>

Bear Creek Fire Service Area	Central Emergency Service Area	Anchor Point Fire and Emergency Medical Service Area	Kachemak Emergency Services Service Area	911 Communications	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
\$ 58,799	\$ -	\$ -	\$ -	\$ 8,063	\$ -	\$ 150,705
11,825	266,977	-	-	-	472,031	13,123,617
6,789	21,715	7,610	10,844	-	19,838	99,330
-	-	-	-	-	-	26,922
<u>77,413</u>	<u>288,692</u>	<u>7,610</u>	<u>10,844</u>	<u>8,063</u>	<u>491,869</u>	<u>13,400,574</u>
-	-	-	-	-	-	113,874
-	-	-	-	-	-	1,035,397
90,027	1,160,348	213,062	124,830	8,063	-	6,171,684
-	-	-	-	-	724,861	724,861
-	-	-	-	-	-	2,512,121
-	-	-	-	-	-	4,446,897
<u>90,027</u>	<u>1,160,348</u>	<u>213,062</u>	<u>124,830</u>	<u>8,063</u>	<u>724,861</u>	<u>15,004,834</u>
<u>(12,614)</u>	<u>(871,656)</u>	<u>(205,452)</u>	<u>(113,986)</u>	<u>-</u>	<u>(232,992)</u>	<u>(1,604,260)</u>
<u>125,000</u>	<u>750,000</u>	<u>150,000</u>	<u>190,000</u>	<u>-</u>	<u>200,000</u>	<u>5,365,324</u>
112,386	(121,656)	(55,452)	76,014	-	(32,992)	3,761,064
<u>135,729</u>	<u>584,700</u>	<u>160,933</u>	<u>261,259</u>	<u>3,255</u>	<u>611,672</u>	<u>9,593,113</u>
<u>\$ 248,115</u>	<u>\$ 463,044</u>	<u>\$ 105,481</u>	<u>\$ 337,273</u>	<u>\$ 3,255</u>	<u>\$ 578,680</u>	<u>\$ 13,354,177</u>

Nonmajor Debt Service Funds
Pages 101 -105

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

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

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

Kenai Peninsula Borough
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2010

ASSETS	General Government	Solid Waste	Central Emergency Services	Total Nonmajor Debt Service Funds
Equity in central treasury	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and retainage payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Undesignated fund balances	-	-	-	-
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough

**Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2010**

	<u>General Government</u>	<u>Solid Waste</u>	<u>Central Emergency Services</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,595,000	725,000	90,000	2,410,000
Interest and other	674,538	104,094	102,478	881,110
Total expenditures	<u>2,269,538</u>	<u>829,094</u>	<u>192,478</u>	<u>3,291,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,269,538)</u>	<u>(829,094)</u>	<u>(192,478)</u>	<u>(3,291,110)</u>
Other financing sources (uses):				
Transfers in	<u>2,269,538</u>	<u>829,094</u>	<u>192,478</u>	<u>3,291,110</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough

**General Government Debt Service Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,595,000	1,595,000	1,595,000	-
Interest and other	674,538	674,538	674,538	-
Total expenditures	<u>2,269,538</u>	<u>2,269,538</u>	<u>2,269,538</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(2,269,538)</u>	<u>(2,269,538)</u>	<u>(2,269,538)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>2,269,538</u>	<u>2,269,538</u>	<u>2,269,538</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

**Solid Waste Debt Service Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	725,000	725,000	725,000	-
Interest and other	104,094	104,094	104,094	-
Total expenditures	<u>829,094</u>	<u>829,094</u>	<u>829,094</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(829,094)</u>	<u>(829,094)</u>	<u>(829,094)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>829,094</u>	<u>829,094</u>	<u>829,094</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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	90,000	90,000	90,000	-
Interest and other	102,478	102,478	102,478	-
Total expenditures	<u>192,478</u>	<u>192,478</u>	<u>192,478</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(192,478)</u>	<u>(192,478)</u>	<u>(192,478)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>192,478</u>	<u>192,478</u>	<u>192,478</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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INTERNAL SERVICE FUNDS

Kenai Peninsula Borough

**Internal Service Funds
Combining Statement of Net Assets
June 30, 2010**

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Equipment Replacement</u>	<u>Employee Compensated Leave</u>	<u>Total Internal Service Funds</u>
<u>ASSETS</u>					
Current assets:					
Cash and short term investments	\$ 22,543	\$ -	\$ -	\$ -	\$ 22,543
Equity in central treasury	5,409,358	418,774	3,033,485	3,128,879	11,990,496
Miscellaneous receivables	-	5,838	-	-	5,838
Total current assets	<u>5,431,901</u>	<u>424,612</u>	<u>3,033,485</u>	<u>3,128,879</u>	<u>12,018,877</u>
Capital assets:					
Equipment	-	-	4,929,156	-	4,929,156
Less accumulated depreciation	-	-	(2,956,396)	-	(2,956,396)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>1,972,760</u>	<u>-</u>	<u>1,972,760</u>
Total assets	<u>\$ 5,431,901</u>	<u>\$ 424,612</u>	<u>\$ 5,006,245</u>	<u>\$ 3,128,879</u>	<u>\$ 13,991,637</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts and contracts payable	12,689	26,674	-	-	39,363
Accrued payroll and payroll taxes	12,284	-	-	-	12,284
Claims payable	649,313	615,150	-	-	1,264,463
Compensated absences	5,055	-	-	782,220	787,275
Total current liabilities	<u>679,341</u>	<u>641,824</u>	<u>-</u>	<u>782,220</u>	<u>2,103,385</u>
Long-term liabilities- compensated absences	<u>15,165</u>	<u>-</u>	<u>-</u>	<u>2,346,659</u>	<u>2,361,824</u>
Total liabilities	<u>694,506</u>	<u>641,824</u>	<u>-</u>	<u>3,128,879</u>	<u>4,465,209</u>
<u>NET ASSETS</u>					
Invested in capital assets	-	-	1,972,760	-	1,972,760
Unrestricted (deficit)	<u>4,737,395</u>	<u>(217,212)</u>	<u>3,033,485</u>	<u>-</u>	<u>7,553,668</u>
Total net assets	<u>\$ 4,737,395</u>	<u>\$ (217,212)</u>	<u>\$ 5,006,245</u>	<u>\$ -</u>	<u>\$ 9,526,428</u>

Kenai Peninsula Borough

Internal Service Funds

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

For the Year Ended June 30, 2010

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Equipment Replacement</u>	<u>Employee Compensated Leave</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charge for sales and services	\$ 3,641,783	\$ 5,091,221	\$ 535,165	\$ 2,431,334	\$ 11,699,503
Other	15,003	-	-	-	15,003
Total operating revenues	<u>3,656,786</u>	<u>5,091,221</u>	<u>535,165</u>	<u>2,431,334</u>	<u>11,714,506</u>
Operating expenses:					
Administrative services	595,007	100,285	-	2,431,334	3,126,626
Insurance premiums	1,143,777	203,295	-	-	1,347,072
Self-insured losses	674,988	4,775,399	-	-	5,450,387
Depreciation	-	-	297,610	-	297,610
Total operating expenses	<u>2,413,772</u>	<u>5,078,979</u>	<u>297,610</u>	<u>2,431,334</u>	<u>10,221,695</u>
Operating income (loss)	<u>1,243,014</u>	<u>12,242</u>	<u>237,555</u>	<u>-</u>	<u>1,492,811</u>
Non-operating revenues:					
Investment earnings (loss)	144,868	(6,405)	95,747	-	234,210
Other	-	-	25,254	-	25,254
Total non-operating revenues	<u>144,868</u>	<u>(6,405)</u>	<u>121,001</u>	<u>-</u>	<u>259,464</u>
Change in net assets	1,387,882	5,837	358,556	-	1,752,275
Net assets (deficit) at beginning of year	<u>3,349,513</u>	<u>(223,049)</u>	<u>4,647,689</u>	<u>-</u>	<u>7,774,153</u>
Net assets (deficit) at end of year	<u><u>\$ 4,737,395</u></u>	<u><u>\$ (217,212)</u></u>	<u><u>\$ 5,006,245</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,526,428</u></u>

Kenai Peninsula Borough

**Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2010**

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Equipment Replacement</u>	<u>Employee Compensated Leave</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from interfund services provided	\$ 3,641,783	\$ 5,091,221	\$ 535,165	\$ 2,431,334	\$ 11,699,503
Other program revenue	15,003	-	-	-	15,003
Payments to suppliers	(2,422,221)	(5,081,819)	(18,164)	-	(7,522,204)
Payments to employees	(504,064)	-	-	(2,146,920)	(2,650,984)
Net cash provided (used) by operating activities	<u>730,501</u>	<u>9,402</u>	<u>517,001</u>	<u>284,414</u>	<u>1,541,318</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	-	-	(288,212)	-	(288,212)
Proceeds from sale of capital assets	-	-	25,254	-	25,254
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(262,958)</u>	<u>-</u>	<u>(262,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -					
Investment earnings	<u>144,868</u>	<u>(6,405)</u>	<u>95,747</u>	<u>-</u>	<u>234,210</u>
Net increase (decrease) in cash and cash equivalents	875,369	2,997	349,790	284,414	1,512,570
Cash and equity in central treasury at beginning of year	<u>4,556,532</u>	<u>415,777</u>	<u>2,683,695</u>	<u>2,844,465</u>	<u>10,500,469</u>
Cash and equity in central treasury at end of year	<u>\$ 5,431,901</u>	<u>\$ 418,774</u>	<u>\$ 3,033,485</u>	<u>\$ 3,128,879</u>	<u>\$ 12,013,039</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	<u>\$ 1,243,014</u>	<u>\$ 12,242</u>	<u>\$ 237,555</u>	<u>\$ -</u>	<u>\$ 1,492,811</u>
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	297,610	-	297,610
Change in assets and liabilities:					
Increase (decrease) in accounts and contracts payable	(23,670)	(556)	(18,164)	-	(42,390)
Increase (decrease) in accrued payroll and payroll taxes	12,284	-	-	-	12,284
Increase (decrease) in claims payable	(497,462)	3,554	-	-	(493,908)
Increase (decrease) in compensated absences	(3,665)	-	-	284,414	280,749
(Increase) decrease in accounts receivable	-	(5,838)	-	-	(5,838)
Total adjustments	<u>(512,513)</u>	<u>(2,840)</u>	<u>279,446</u>	<u>284,414</u>	<u>48,507</u>
Net cash provided (used) by operating activities	<u>\$ 730,501</u>	<u>\$ 9,402</u>	<u>\$ 517,001</u>	<u>\$ 284,414</u>	<u>\$ 1,541,318</u>

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FIDUCIARY FUNDS

Kenai Peninsula Borough
Fiduciary Fund Type - Agency Funds
Combining Statement of Assets and Liabilities
June 30, 2010

With Comparative Totals for June 30, 2009

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total June 30, 2010</u>	<u>Total June 30, 2009</u>
<u>ASSETS</u>				
Equity in central treasury	\$ 596,342	\$ 760,346	\$ 1,356,688	\$ 1,045,597
Taxes receivable	91,016	-	91,016	85,241
Due from landowners	-	543,801	543,801	718,196
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 687,358</u>	<u>\$ 1,304,147</u>	<u>\$ 1,991,505</u>	<u>\$ 1,849,034</u>
<u>LIABILITIES</u>				
Deposits from landowners	-	-	-	3,000
Deferred administration fee	-	65,165	65,165	74,291
Due to landowners	-	363,065	363,065	455,996
Loans payable	-	875,917	875,917	798,590
Due to other entities:				
Homer	141,828	-	141,828	113,859
Kachemak City	2,142	-	2,142	809
Kenai	343,168	-	343,168	235,948
Seldovia	10,017	-	10,017	5,540
Seward	98,704	-	98,704	56,829
Soldotna	91,499	-	91,499	104,172
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 687,358</u>	<u>\$ 1,304,147</u>	<u>\$ 1,991,505</u>	<u>\$ 1,849,034</u>

Kenai Peninsula Borough
Fiduciary Fund Type - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2010

	<u>Total</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2010</u>
TAX AGENCY FUND				
<u>ASSETS</u>				
Equity in central treasury	\$ 431,916	\$ 63,173,411	\$ 63,008,985	\$ 596,342
Taxes receivable	<u>85,241</u>	<u>7,488,984</u>	<u>7,483,209</u>	<u>91,016</u>
Total assets	<u>\$ 517,157</u>	<u>\$ 70,662,395</u>	<u>\$ 70,492,194</u>	<u>\$ 687,358</u>
<u>LIABILITIES</u>				
Due to other entities:				
Homer	113,859	9,429,267	9,401,298	141,828
Kachemak City	809	66,383	65,050	2,142
Kenai	235,948	8,069,698	7,962,478	343,168
Seldovia	5,540	301,882	297,405	10,017
Seward	56,829	4,618,800	4,576,925	98,704
Soldotna	<u>104,172</u>	<u>8,226,774</u>	<u>8,239,447</u>	<u>91,499</u>
Total liabilities	<u>\$ 517,157</u>	<u>\$ 30,712,804</u>	<u>\$ 30,542,603</u>	<u>\$ 687,358</u>
SPECIAL ASSESSMENT AGENCY FUND				
<u>ASSETS</u>				
Equity in central treasury	\$ 613,681	\$ 388,036	\$ 241,371	\$ 760,346
Due from landowners	<u>718,196</u>	<u>85,376</u>	<u>259,771</u>	<u>543,801</u>
Total assets	<u>\$ 1,331,877</u>	<u>\$ 473,412</u>	<u>\$ 501,142</u>	<u>\$ 1,304,147</u>
<u>LIABILITIES</u>				
Deposits from landowners	3,000	-	3,000	-
Deferred administration fee	74,291	7,400	16,526	65,165
Due to landowners	455,996	51,939	144,870	363,065
Loans payable	<u>798,590</u>	<u>337,100</u>	<u>259,773</u>	<u>875,917</u>
Total liabilities	<u>\$ 1,331,877</u>	<u>\$ 396,439</u>	<u>\$ 424,169</u>	<u>\$ 1,304,147</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, 2010**

TOTALS - ALL AGENCY FUNDS	<u>Total June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total June 30, 2010</u>
<u>ASSETS</u>				
Equity in central treasury	\$ 1,045,597	\$ 63,561,447	\$ 63,250,356	\$ 1,356,688
Taxes receivable	85,241	7,488,984	7,483,209	91,016
Due from landowners	<u>718,196</u>	<u>85,376</u>	<u>259,771</u>	<u>543,801</u>
Total assets	<u>\$ 1,849,034</u>	<u>\$ 71,135,807</u>	<u>\$ 70,993,336</u>	<u>\$ 1,991,505</u>
<u>LIABILITIES</u>				
Deposits from landowners	3,000	-	3,000	-
Deferred administration fee	74,291	7,400	16,526	65,165
Due to landowners	455,996	51,939	144,870	363,065
Loans payable	798,590	337,100	259,773	875,917
Due to other entities:				
Homer	113,859	9,429,267	9,401,298	141,828
Kachemak City	809	66,383	65,050	2,142
Kenai	235,948	8,069,698	7,962,478	343,168
Seldovia	5,540	301,882	297,405	10,017
Seward	56,829	4,618,800	4,576,925	98,704
Soldotna	<u>104,172</u>	<u>8,226,774</u>	<u>8,239,447</u>	<u>91,499</u>
Total liabilities	<u>\$ 1,849,034</u>	<u>\$ 31,109,243</u>	<u>\$ 30,966,772</u>	<u>\$ 1,991,505</u>

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CAPITAL ASSETS

Kenai Peninsula Borough

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source⁽¹⁾
June 30, 2010 and 2009**

	<u>2009</u>	<u>2010</u>
Governmental funds capital assets:		
Land	\$ 68,407,360	\$ 69,606,702
Buildings	284,281,329	295,685,049
Improvements other than buildings	66,391,674	67,290,527
Machinery and equipment	25,305,551	27,820,554
Infrastructure	9,392,273	9,841,402
Construction in progress	<u>9,348,657</u>	<u>3,599,025</u>
 Total governmental funds capital assets	 <u>\$ 463,126,844</u>	 <u>\$ 473,843,259</u>
 Investments in governmental funds capital assets by source:		
General obligation bonds	269,843,766	270,478,072
State and federal grants	38,293,467	39,182,475
Federal revenue sharing	3,357,614	3,357,614
General Fund revenue	45,986,886	46,732,714
Special revenue funds	44,430,920	51,696,926
Dedicated lands	126,058	126,058
Donations	<u>61,088,133</u>	<u>62,269,400</u>
 Total governmental funds capital assets	 <u>\$ 463,126,844</u>	 <u>\$ 473,843,259</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 as governmental activities in the statement of net assets.

Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity⁽¹⁾
For the Fiscal Year Ended June 30, 2010

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2010</u>
General government	\$ 76,922,826	\$ 1,332,046	\$ 168,578	\$ 78,086,294
Senior citizens	243,800	-	-	243,800
Public safety:				
Fire protection and emergency medical	27,204,457	6,234,671	386,043	33,053,085
Emergency communications	8,145,127	-	216,129	7,928,998
Total public safety	35,349,584	6,234,671	602,172	40,982,083
Solid waste facilities	29,812,123	1,133,958	16,635	30,929,446
Road maintenance:				
Maintenance	98,566	53,999	-	152,565
Roads	10,242,971	449,129	27,713	10,664,387
Total road maintenance	10,341,537	503,128	27,713	10,816,952
Recreation:				
North Peninsula Recreation service area	9,830,366	704,675	-	10,535,041
Schools	300,626,609	1,658,407	35,373	302,249,643
Total governmental funds capital assets	\$ 463,126,844	\$ 11,566,885	\$ 850,471	\$ 473,843,259

⁽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 assets.

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity⁽¹⁾
June 30, 2010

	<u>Land</u>	<u>Buildings</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General government:								
Administration building	\$ -	2,702,657	\$ -	1,350,563	2,416,525	\$ -	74,755	\$ 6,544,500
Maintenance	203,609	1,392,155	33,538	997,970	-	-	-	2,627,272
Areawide	62,755,039	5,481,251	641,282	36,950	-	-	-	68,914,522
Total general government	62,958,648	9,576,063	2,025,383	3,451,445	-	-	74,755	78,086,294
Senior citizens	-	243,800	-	-	-	-	-	243,800
Public safety:								
Fire protection and emergency medical:								
Nikiski Fire service area	49,172	6,246,636	266,489	5,484,636	-	-	-	12,046,933
Bear Creek Fire service area	17,211	860,390	130,271	1,395,113	-	-	-	2,402,985
Central Emergency service area	493,936	4,347,827	370,399	6,987,437	-	-	879,998	13,079,597
Anchor Point Fire and Emergency Medical service area	31,048	1,536,435	118,540	976,052	-	-	-	2,662,075
Kachemak Fire and Emergency	127,270	1,473,290	-	1,050,086	-	-	190,150	2,840,796
Lowell Point Fire and Emergency	-	-	12,653	8,046	-	-	-	20,699
Total fire protection and emergency medical	718,637	14,464,578	898,352	15,901,370	-	-	1,070,148	33,053,085
Emergency communications:								
Central Peninsula Emergency Services communication center Emergency warning systems	-	4,838,523	89,578	1,853,059	-	-	-	6,781,160
Total communications	-	4,838,523	89,578	3,000,897	-	-	-	7,928,998
Total public safety	718,637	19,303,101	987,930	18,902,267	-	-	1,070,148	40,982,083
Solid waste facilities	2,908,687	1,354,816	21,459,923	4,404,541	-	-	801,479	30,929,446
Road maintenance	-	-	-	152,565	9,841,402	822,985	-	10,816,952
Recreation: North Peninsula Recreation service area	145,640	8,513,465	1,637,909	238,027	-	-	-	10,535,041

(Continued)

Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity⁽¹⁾
June 30, 2010

	<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/Junior high	205,102	-	-	-	-	-	205,102
Central Peninsula Elementary	-	-	36,690	-	-	-	36,690
Chapman Elementary	8,500	2,597,653	492,160	-	-	-	3,098,313
Cooper Landing	-	1,034,989	150,986	-	-	-	1,185,975
Tebughna	-	1,564,013	152,551	-	-	375,362	2,091,926
English Bay	-	2,447,908	230,577	-	-	-	2,678,485
Hope Elementary	3,000	2,523,867	562,816	-	-	-	3,089,683
Kalifornsky Beach	258,803	4,884,108	292,330	-	-	-	5,435,241
McNeil Canyon	-	4,946,212	681,143	11,903	-	-	5,639,258
Moose Pass	28,154	901,766	68,404	-	-	-	998,324
Nanwalek	-	1,104,529	-	126,919	-	-	1,231,448
Nikiski Elementary	-	-	-	-	-	3,637	3,637
Nikiski High	-	22,872,128	4,781,399	5,000	-	-	27,658,527
Nikolaevsk	51,282	4,859,026	364,129	72,801	-	-	5,347,238
Niniichik	16,399	5,501,787	470,223	54,020	-	-	6,042,429
North Star Elementary	-	6,076,014	1,379,034	-	-	-	7,455,048
Port Graham	400	2,101,880	132,307	-	-	-	2,234,587
Skyview High	-	22,039,127	3,729,227	-	-	-	25,768,354
Sterling	7,450	3,744,355	709,477	34,127	-	-	4,495,409
Tustumena	8,001	7,883,965	276,660	-	-	-	8,168,626
Voznesenka	19,555	150,000	16,400	34,156	-	-	220,111
Total outside cities	606,646	97,233,327	14,526,513	338,926	-	378,999	113,084,411
Homer:							
West Homer Elementary	322,028	11,332,823	46,614	-	-	-	11,701,465
Paul Banks Elementary	23,971	2,589,113	679,965	6,142	-	-	3,299,191
High School	400,913	27,402,340	6,990,257	-	-	-	34,793,510
Junior High	17,024	3,197,028	748,103	-	-	-	3,962,155
Intermediate	18,000	1,444,505	682,250	-	-	-	2,144,755
High School Addition	29,177	2,598,949	103,555	-	-	-	2,731,681
Flex School	63,248	461,150	-	-	-	-	524,398
Total Homer	874,361	49,025,908	9,250,744	6,142	-	-	59,157,155

(Continued)

Kenai Peninsula Borough

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity⁽¹⁾
June 30, 2010**

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Kenai:							
Elementary II	52,800	2,614,381	104,667	-	-	-	2,771,848
Mountain View Elementary	-	5,892,103	1,374,172	67,213	-	-	7,333,488
Sears Elementary	41,575	1,709,394	464,620	-	-	-	2,215,589
Junior High	60,499	4,057,399	824,749	-	-	-	4,942,647
High School	129,517	17,964,643	2,977,354	62,605	-	-	21,134,119
Vocational High	40,000	509,655	254,483	-	-	-	804,138
Arts and Crafts Building	-	118,341	-	-	-	-	118,341
Total Kenai	324,391	32,865,916	6,000,045	129,818	-	-	39,320,170
Seldovia:							
Susan B. English Shop Building	27,953	3,705,452	1,005,119	-	-	-	4,738,524
Total Seldovia	1,000	430,000	-	-	-	-	431,000
Seward:							
Elementary II	235,000	6,571,505	917,462	40,000	-	-	7,763,967
Middle	346,295	14,656,471	68,749	-	-	396,755	15,468,270
Jr. High/High School	182,596	12,722,087	2,118,247	-	-	-	15,022,930
Total Seward	763,891	33,950,063	3,104,458	40,000	-	396,755	38,255,167
Soldotna:							
Elementary	270,048	5,820,271	1,272,689	-	-	-	7,363,008
Redoubt Elementary	-	4,151,522	624,208	40,000	-	-	4,815,730
Multipurpose Room	-	316,186	-	-	-	-	316,186
Junior High	5,900	7,584,837	1,947,898	-	-	53,904	9,592,539
High School	900	16,273,933	1,757,473	71,484	-	-	18,103,790
Total Soldotna	276,848	34,146,749	5,602,268	111,484	-	53,904	40,191,253
Other areawide:							
Areawide pool/water projects	-	611,839	1,070,907	45,339	-	-	1,728,085
Portable classrooms	-	2,932,645	15,038	-	-	-	2,947,683
Total other areawide	-	3,544,484	1,085,945	45,339	-	-	4,675,768
Total school district	2,875,090	256,693,804	41,179,382	671,709	-	829,658	302,249,643
Total governmental funds capital assets	\$ 69,606,702	\$ 295,685,049	\$ 67,290,527	\$ 27,820,554	\$ 9,841,402	\$ 3,599,025	\$ 473,843,259

⁽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 assets.

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Kenai Peninsula Borough

STATISTICAL TABLES

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

Contents

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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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Revenue capacity

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Debt capacity

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Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Borough's financial activities take place

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Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the Borough's financial report relates to the services the government provides and the activities it performs.

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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

TABLE I

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
Invested in capital assets, net of related debt	\$203,504	\$205,596	\$206,044	\$207,770	\$206,436	\$212,721	\$212,403	\$221,769	\$224,474
Restricted	13,553	14,042	23,288	13,253	7,454	4,841	3,339	6,458	6,100
Unrestricted	54,756	55,896	40,927	46,905	51,140	54,577	66,242	59,174	59,561
Total governmental activities net assets	\$271,813	\$275,534	\$270,259	\$267,928	\$265,030	\$272,139	\$281,984	\$287,401	\$290,135
Business-type activities:									
Invested in capital assets, net of related debt	\$34,152	\$34,724	\$33,995	\$35,684	\$39,332	\$47,721	\$49,462	\$52,461	\$50,882
Restricted	-	-	-	-	3,677	1,481	1,236	774	745
Unrestricted	35,031	37,605	41,161	45,097	46,054	43,742	44,860	47,559	53,188
Total business-type activities net assets	\$69,183	\$72,329	\$75,156	\$80,781	\$89,063	\$92,944	\$95,558	\$100,794	\$104,815
Primary government									
Invested in capital assets, net of related debt	\$237,656	\$240,320	\$240,039	\$243,454	\$245,768	\$260,442	\$261,865	\$274,230	\$275,356
Restricted	13,553	14,042	23,288	13,253	11,131	6,322	4,575	7,232	6,845
Unrestricted	89,787	93,501	82,088	92,002	97,194	98,319	111,102	106,733	112,749
Total primary government net assets	\$340,996	\$347,863	\$345,415	\$348,709	\$354,093	\$365,083	\$377,542	\$388,195	\$394,950

Kenai Peninsula Borough
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

TABLE II

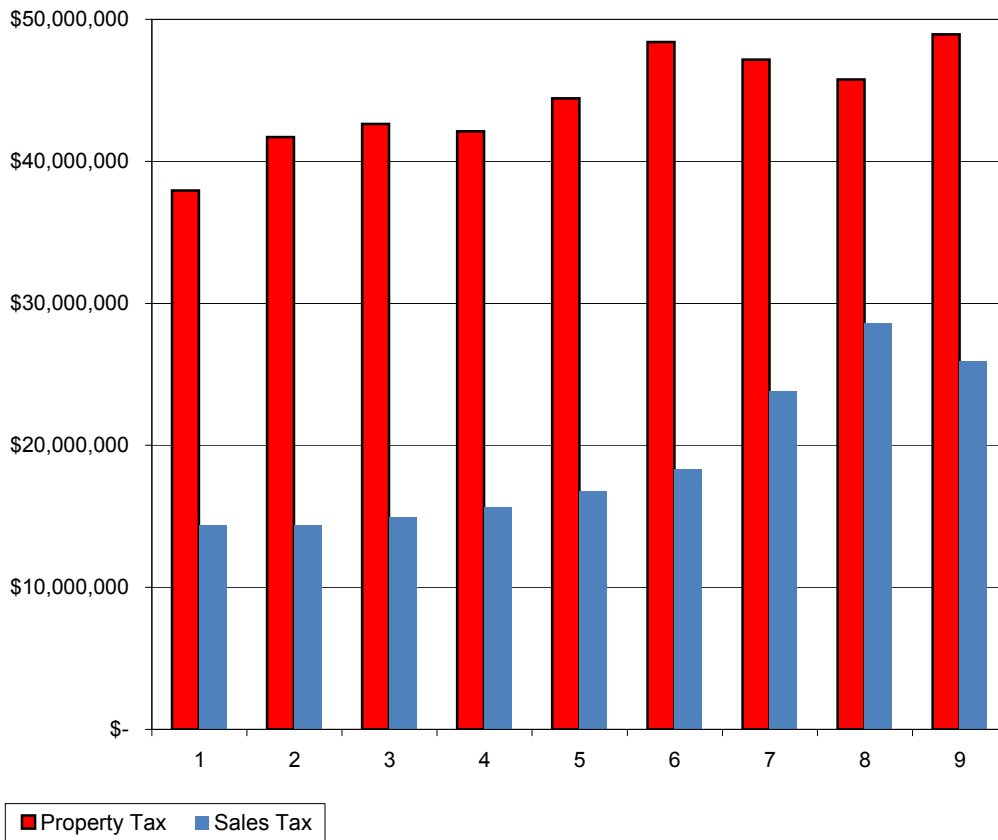
	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	\$ 11,553,510	\$ 12,845,108	\$ 13,759,624	\$ 15,039,269	\$ 14,181,543	\$ 12,009,076	\$ 13,779,385	\$ 16,353,718	\$ 17,307,520
Public waste	4,664,265	4,441,397	4,546,868	4,305,904	5,314,682	4,529,426	3,926,410	7,089,368	7,467,484
Solid safety	1,300,451	8,935,720	9,413,883	9,216,474	10,301,729	11,048,782	11,159,284	13,459,309	14,301,797
Recreation	1,202,703	1,292,986	1,362,013	1,812,465	3,910,173	2,034,416	1,910,662	1,847,522	1,807,974
Education	37,780,145	38,682,036	40,756,908	41,802,049	46,208,601	46,526,601	45,793,694	49,039,690	50,303,282
Environmental Protection	1,782,899	2,850,788	2,152,398	1,661,961	1,614,440	1,234,971	2,090,813	963,468	1,276,621
Roads and trails	2,993,413	2,993,413	4,402,233	2,400,466	4,840,374	4,686,013	4,816,351	6,231,915	11,147,224
Interest on long-term debt	1,155,657	658,217	1,279,647	1,175,467	994,069	1,077,954	1,064,378	957,175	935,175
Total governmental activities expenses	\$ 67,523,094	\$ 72,599,065	\$ 77,673,574	\$ 77,414,055	\$ 87,365,611	\$ 83,147,239	\$ 84,539,977	\$ 95,942,754	\$ 104,549,077
Business-type activities:									
Hospitals	58,982,870	64,670,528	67,470,710	73,992,156	74,003,739	90,057,676	100,952,586	112,328,342	121,676,751
Total primary government expenses	\$ 126,505,964	\$ 137,269,593	\$ 145,144,284	\$ 151,406,211	\$ 161,369,350	\$ 173,204,915	\$ 185,492,563	\$ 208,271,096	\$ 226,225,828
Program revenues									
Governmental activities:									
Charges for services:									
General government	511,544	283,781	389,853	335,682	345,976	380,614	392,902	777,538	570,325
Solid waste	219,463	188,663	213,640	173,091	282,653	434,748	269,726	460,064	370,883
Public safety	582,417	788,754	784,645	1,047,816	1,080,412	1,774,276	1,867,890	1,964,061	1,929,385
Recreation	203,074	185,538	156,876	164,560	188,123	197,361	219,188	219,188	230,075
Operating grants and contribution	1,977,148	1,596,403	2,174,309	3,322,537	6,293,122	3,399,453	2,766,547	4,550,168	3,561,640
Capital grants and contributions	1,481,039	1,395,495	2,180,682	1,673,099	3,184,671	4,118,769	3,594,638	4,500,246	13,259,418
Total governmental activities program revenues:	4,954,685	4,438,634	5,910,205	6,716,785	11,354,957	10,288,515	9,185,235	12,375,094	19,921,726
Business-type activities:									
Hospital charges for services	56,754,435	64,170,901	67,228,364	74,450,071	75,458,572	86,620,954	95,689,825	107,798,997	119,417,217
Operating grants and contribution	-	-	-	-	-	154,950	13,621	255,010	315,294
Capital grants and contributions	-	-	-	-	-	-	-	1,709,281	179,897
Total business-type activities	56,754,435	64,170,901	67,228,364	74,450,071	75,458,572	86,775,904	95,703,446	109,763,288	119,912,408
Total primary government program revenues	\$ 61,709,120	\$ 68,609,535	\$ 73,138,569	\$ 81,166,856	\$ 86,813,529	\$ 97,064,419	\$ 104,888,681	\$ 122,138,382	\$ 139,834,134
Net (expenses)/revenue	(62,568,409)	(68,160,431)	(71,763,369)	(70,697,270)	(76,010,654)	(72,888,724)	(75,354,742)	(83,567,660)	(84,627,351)
Government activities	(2,228,435)	(499,627)	(242,346)	457,915	1,454,833	(3,281,772)	(5,249,140)	(2,565,054)	(1,764,343)
Business-type activities	(64,736,844)	(68,660,058)	(72,005,715)	(70,239,355)	(74,555,821)	(76,140,496)	(80,603,882)	(86,132,714)	(86,391,694)
Total primary government net expense	\$ (67,965,279)	\$ (70,159,493)	\$ (72,248,085)	\$ (70,239,355)	\$ (74,555,821)	\$ (79,129,210)	\$ (85,624,577)	\$ (91,102,442)	\$ (92,883,126)
General revenues and other changes in net assets									
Governmental activities:									
Taxes									
Property taxes	37,943,100	41,718,283	42,641,738	42,121,021	44,430,849	48,397,294	47,167,291	45,763,297	48,932,675
Sales taxes	14,407,262	14,375,928	14,910,977	15,670,832	16,755,426	18,321,611	23,801,181	28,585,036	25,950,998
Unrestricted grants and contributions	3,671,468	3,932,395	3,842,165	2,700,870	2,843,908	6,379,840	5,247,721	7,767,742	6,149,121
Investment earnings	3,501,923	2,938,492	809,165	3,144,975	1,855,581	4,927,247	4,682,399	4,247,230	2,931,268
Special items	-	5,482,954	582,664	162,413	194,435	194,435	2,163,478	2,576,186	1,199,342
Miscellaneous	3,408,956	3,432,874	3,701,071	4,566,480	4,548,272	1,746,975	45,372	45,372	2,198,057
Total governmental activities	62,932,709	71,880,926	66,488,297	68,366,591	73,112,605	79,967,402	85,199,896	88,984,863	87,361,461
Business-type activities:									
Property taxes	2,430,837	2,616,889	3,025,894	4,629,241	4,864,764	5,412,121	6,254,543	7,133,533	5,847,538
Unrestricted grants and contributions	389,693	349,935	25,575	25,575	-	-	-	-	-
Investment earnings	883,108	673,577	135,738	313,432	600,935	1,365,420	1,363,418	665,850	453,222
Miscellaneous	187,517	5,231	(117,359)	205,189	1,361,719	364,497	245,151	1,759	(515,750)
Total business-type activities	3,891,155	3,645,532	3,069,848	5,173,437	6,827,118	7,162,038	7,865,112	7,801,142	5,789,010
Total primary government	66,823,864	75,526,358	69,558,145	73,540,028	79,940,023	87,129,440	93,065,008	96,786,005	93,148,471
Changes in net assets									
Governmental activities	364,300	3,720,395	(5,275,072)	(2,330,879)	(2,898,049)	7,108,678	9,845,154	5,417,203	2,734,110
Business-type activities	1,662,720	3,145,905	2,827,502	5,631,352	6,282,251	3,890,266	2,613,972	5,236,088	4,020,667
Total primary government	\$ 2,027,020	\$ 6,866,300	\$ (2,447,570)	\$ 3,300,673	\$ 5,384,202	\$ 10,998,944	\$ 12,459,126	\$ 10,653,291	\$ 6,754,777

Kenai Peninsula Borough

Table III

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2002	\$37,943,100	\$14,407,262	\$52,350,362
2003	41,718,283	14,375,828	56,094,111
2004	42,641,738	14,910,977	57,552,715
2005	42,121,021	15,670,832	57,791,853
2006	44,430,849	16,755,426	61,186,275
2007	48,397,294	18,321,611	66,718,905
2008	47,167,291	23,801,181	70,968,472
2009	45,763,297	28,585,036	74,348,333
2010	48,932,675	25,950,998	74,883,673



Kenai Peninsula Borough

Table IV

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 479,331	\$ 354,603	\$ 255,206	\$ 318,064	\$ 98,704	\$ 252,852	\$ 279,145	\$ 480,474	\$ 533,923	\$ 160,584
Unreserved	27,876,524	25,824,117	24,557,132	20,034,527	17,090,419	15,032,451	20,013,018	23,979,600	24,604,294	22,864,839
Total General Fund	<u>\$28,355,855</u>	<u>\$26,178,720</u>	<u>\$24,812,338</u>	<u>\$20,352,591</u>	<u>\$17,189,123</u>	<u>\$15,285,303</u>	<u>\$20,292,163</u>	<u>\$24,460,074</u>	<u>\$25,138,217</u>	<u>\$23,025,423</u>
All other governmental funds										
Reserved	3,542,224	5,030,786	3,666,808	16,270,937	6,168,912	5,604,994	5,751,376	3,321,822	4,471,230	4,893,211
Unreserved, reported in:										
Special revenue funds	18,970,653	23,656,468	22,135,464	22,487,636	24,030,122	23,612,583	22,364,901	25,077,731	25,864,320	23,125,512
Capital projects funds	12,223,479	10,098,402	17,170,265	14,723,736	13,134,043	11,506,248	10,834,479	7,695,830	6,740,283	13,922,365
Total all other governmental funds	<u>\$34,736,356</u>	<u>\$38,785,656</u>	<u>\$42,972,537</u>	<u>\$53,482,309</u>	<u>\$43,333,077</u>	<u>\$40,723,825</u>	<u>\$38,950,756</u>	<u>\$36,095,383</u>	<u>\$37,075,833</u>	<u>\$41,941,088</u>

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

Table V

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Property taxes	\$ 38,207,989	\$37,943,100	\$40,961,761	\$42,493,681	\$ 42,702,040	\$44,202,071	\$48,235,053	\$47,216,050	\$45,796,378	\$48,613,059
Sales Tax	13,708,974	14,407,262	14,375,828	14,910,977	15,670,832	16,755,426	18,321,611	23,801,181	28,585,036	25,950,998
Intergovernmental	22,398,434	9,038,139	8,778,348	10,794,534	10,341,082	14,924,888	15,416,267	13,317,714	16,759,845	24,874,838
Investment earnings	6,938,112	3,017,960	2,640,324	799,151	2,983,265	1,685,672	4,536,308	4,269,412	3,877,032	2,697,058
Other revenues	1,827,920	2,950,349	3,388,791	2,613,236	3,517,763	4,252,498	3,218,169	4,016,545	3,392,467	3,355,662
Total revenues	83,081,429	67,356,810	70,145,052	71,611,579	75,214,982	81,820,555	89,727,408	92,620,902	98,410,758	105,491,615
Expenditures:										
General government	11,059,651	11,198,634	11,442,124	13,264,721	13,812,467	12,795,754	12,302,055	13,379,469	15,881,770	17,060,295
Solid waste	3,794,379	3,627,278	3,837,131	3,791,184	4,438,926	4,147,463	4,578,280	4,791,911	5,311,704	5,353,292
Public safety	5,072,238	6,749,655	8,339,476	8,120,150	8,120,483	9,375,840	10,540,010	10,750,484	11,985,795	12,798,445
Recreation	773,795	909,781	885,154	929,578	1,385,393	3,448,362	1,295,789	1,302,674	1,441,969	1,424,141
Education	30,668,243	31,006,284	30,986,207	32,501,758	34,268,066	37,695,674	38,614,183	38,603,640	42,450,275	43,981,113
Environmental Protection	1,787,796	1,782,899	2,850,788	2,152,398	1,661,961	1,614,440	1,234,971	2,090,813	963,468	1,287,515
Roads and trails	1,966,252	2,119,461	2,281,668	3,188,390	3,198,758	3,479,969	3,402,294	4,309,600	6,101,376	6,853,831
Capital outlay	5,588,265	9,116,040	10,500,410	11,172,647	17,037,100	11,425,755	13,661,765	12,699,282	9,282,690	15,649,412
Debt service										
Principal	10,855,000	2,480,000	2,575,000	3,840,000	3,375,000	3,485,000	2,065,000	2,305,000	2,355,000	2,410,000
Interest	1,302,262	839,104	686,595	1,300,728	1,231,528	1,065,369	1,087,269	1,075,491	978,119	881,110
Total expenditures	72,867,881	69,829,136	74,394,553	80,261,554	88,527,682	88,533,626	88,781,616	91,308,364	96,752,166	107,699,154
Excess of revenues over (under) expenditures	10,213,548	(2,472,326)	(4,249,501)	(8,649,975)	(13,312,700)	(6,713,071)	945,792	1,312,538	1,658,592	(2,207,539)
Other financing sources (uses)										
Transfers in	19,944,611	14,066,670	13,796,173	15,019,352	15,488,288	16,406,111	19,851,269	17,069,227	17,444,450	17,396,622
Transfers out	(19,944,611)	(14,066,670)	(13,796,173)	(15,019,352)	(15,488,288)	(16,706,111)	(20,151,269)	(17,069,227)	(17,444,450)	(17,396,622)
Bonds issued	7,429,000	-	7,040,000	14,700,000	-	2,500,000	2,588,000	-	-	4,960,000
Sale of capital assets	12,445	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	7,441,445	-	7,040,000	14,700,000	-	2,200,000	2,288,000	-	-	4,960,000
Net change in fund balance	\$ 17,654,993	\$(2,472,326)	\$ 2,790,499	\$ 6,050,025	\$(13,312,700)	\$(4,513,071)	\$ 3,233,792	\$ 1,312,538	\$ 1,658,592	\$ 2,752,461
Debt service as a percentage of noncapital expenditures	18.07%	5.47%	5.10%	7.44%	6.44%	5.90%	4.20%	4.30%	3.81%	3.38%
Total non-capital expenditures	67,279,616	60,713,096	63,894,143	69,088,907	71,490,582	77,107,871	75,119,851	78,609,082	87,469,476	97,228,936

Kenai Peninsula Borough

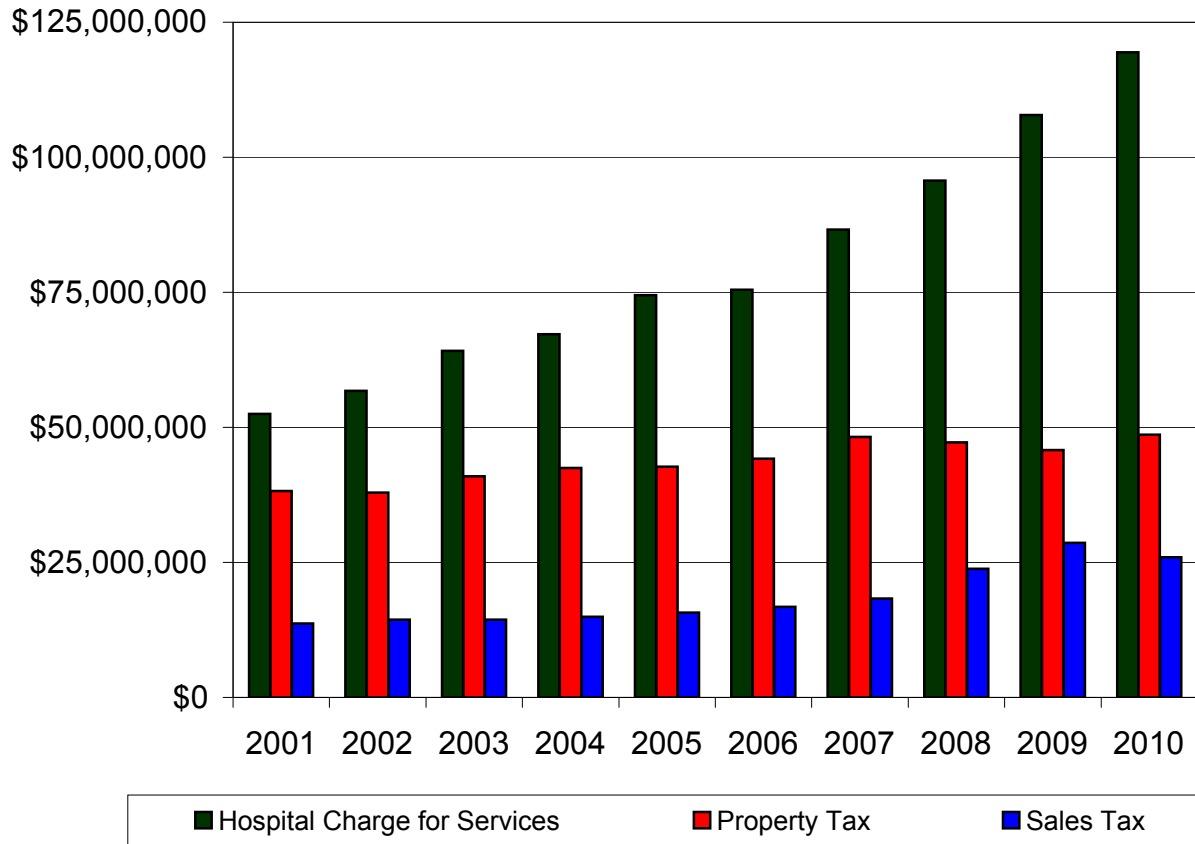
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**Significant Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Hospital Charge for Services</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2001	\$ 52,503,530	\$ 38,207,989	\$ 13,708,974	\$ 104,420,493
2002	56,754,435	37,943,100	14,407,262	109,104,797
2003	64,170,901	40,961,761	14,375,828	119,508,490
2004	67,228,364	42,493,681	14,910,977	124,633,022
2005	74,450,071	42,702,040	15,670,832	132,822,943
2006	75,458,572	44,202,701	16,755,426	136,416,699
2007	86,620,954	48,235,053	18,321,611	153,177,618
2008	95,689,825	47,216,050	(1) 23,801,181	166,707,056
2009	107,798,997	45,796,378	28,585,036	182,180,411
2010	119,417,217	48,613,059	(2) 25,950,998	193,981,274

(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.



Kenai Peninsula Borough

Table VII

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

Fiscal Year	Assessed Values			Tax Exempt Values (1)			Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
	Real	Oil & Gas	Personal Property	Real	Personal	Personal			
2001	\$ 2,976,229	\$ 465,766	\$ 279,242	\$ 140,756	\$ 32,097	\$ 3,548,384	7.50	95.35%	
2002	3,027,956	606,604	285,766	161,085	41,528	3,717,713	7.00	94.83%	
2003	3,290,671	680,522	290,369	176,523	40,998	4,044,041	6.50	94.90%	
2004	3,509,442	673,367	276,649	196,210	40,844	4,222,404	6.50	94.68%	
2005	3,656,476	611,303	253,595	215,076	42,051	4,264,247	6.50	94.31%	
2006	4,009,648	561,689	285,351	304,702	44,210	4,507,776	6.50	92.82%	
2007	4,402,946	558,190	295,431	340,356	28,161	4,888,050	6.50	92.99%	
2008	4,940,180	607,052	224,479	374,395	27,938	5,369,378	5.50	93.03%	
2009	5,533,794	635,272	220,272	394,457	28,124	5,966,757	4.50	93.39%	
2010	5,883,881	703,063	245,915	434,556	29,205	6,369,098	4.50	93.21%	

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

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

Source: Data is provided by the Kenai Peninsula Borough's Assessing Department.

Kenai Peninsula Borough

Table VIII

Property Tax Rates
Direct and Overlapping Governments (1)
Last Ten Fiscal Years

Fiscal Year	Borough (1) (4)		City of Homer (5)		City of Kachemak (5)		City of Kenai (5)		City of Seldovia (5)		City of Seward (5)		City of Soldotna (5)	
	Operating	Special District	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts
2001	7.50	0.10	5.50	2.00	1.00	2.00	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.15
2002	7.00	0.10	5.50	1.75	1.00	1.75	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.00
2003	6.50	0.10	5.00	1.75	1.00	1.75	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.00
2004	6.50	0.10	5.00	1.75	1.00	1.75	5.00	0.50	7.25	0.00	3.12	0.00	1.65	3.10
2005	6.50	0.10	4.50	1.75	1.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2006	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2007	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	4.60	0.00	3.12	0.50	1.65	3.35
2008	5.50	0.00 (3)	4.50	2.00	2.00	2.00	4.50	1.00	4.60	0.00	3.12	0.50	1.65	3.55
2009	4.50	0.00	4.50	2.30	1.00	2.30	4.50	0.90	4.60	0.00	3.12	0.50	1.65	3.35
2010	4.50	0.00	4.50	2.30	1.00	2.30	4.00	0.50	4.60	0.00	3.12	0.50	1.65	2.95

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

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

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

Sources:

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

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

Kenai Peninsula Borough

Table IX

**Principal Property Taxpayers
Current and Nine Years Ago**

Taxpayer	2010			2001		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
UNOCAL	\$ 201,163,700	1	3.16%	\$ 299,376,925	1	8.44%
Tesoro Alaska Petroleum Co.	174,040,874	2	2.73%	83,987,300	4	2.37%
Conoco Phillips	169,064,892	3	2.65%	50,805,000	5	1.43%
Marathon Oil Co.	152,571,000	4	2.40%			
Alaska Communication System	76,958,349	5	1.21%	36,887,455	6	1.04%
BP Exploration	68,108,560	6	1.07%			
XTO Energy Inc.	48,092,800	7	0.76%			
Kenai Kachemak Pipeline	43,176,800	8	0.68%			
Fred Meyer of Alaska, Inc.	18,711,998	9	0.29%	14,747,282	10	0.42%
Alaska Pipeline	18,032,905	10	0.28%			
Agrium, U.S.				217,850,900	2	6.14%
Phillips Petroleum Co.				94,491,990	3	2.66%
Cross Timbers Oil Co.				27,766,760	7	0.78%
ARCO Alaska Inc.				26,541,880	8	0.75%
Cook Inlet Pipeline Co.				23,875,700	9	0.67%
Totals	\$ 969,921,878		15.23%	\$ 876,331,192		24.70%

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

Total Assessed value based on total tax levy for FY2010 and FY2001 respectively.	\$6,369,098,000	\$3,548,384,000
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Kenai Peninsula Borough

Table X

**Taxable Sales by Line of Business
Current**

<u>Line of Business</u>	<u>2010</u>
Retail Trade	417,031,749
Restaurant/Bar	69,676,261
Utilities	57,854,392
Hotel/Motel/Bed & Breakfast	56,980,421
Information	46,180,848
Guiding Water	38,174,570
Wholesale Trade	34,481,294
Rental Residential Property	31,623,745
Services	29,152,577
Public Administration	15,134,292
Professional, Scientific and Technical Services	14,909,643
Construction Contracting	11,292,291
Telecommunications	11,114,077
Manufacturing	8,448,527
Administrative, Waste Management,	7,487,154
Arts and Entertainment	4,618,531
Transportation and Warehousing	4,332,870
Other	17,939,261
	<u><u>\$ 876,432,503</u></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

Table XI

Property Tax Levies and Collections
General Fund
Last Ten Fiscal Years

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$26,611,167	\$26,132,333	98.201%	\$ 477,165	\$26,609,498	99.994%
2002	26,096,387	25,644,795	98.270%	449,551	26,094,346	99.992%
2003	26,370,536	25,879,204	98.137%	487,835	26,367,039	99.987%
2004	27,558,497	27,062,845	98.201%	491,880	27,554,725	99.986%
2005	27,820,350	27,446,158	98.655%	370,330	27,816,488	99.986%
2006	29,357,626	28,978,909	98.710%	372,836	29,351,745	99.980%
2007	31,768,274	31,346,983	98.674%	409,044	31,756,027	99.961%
2008	30,042,125	29,651,635	98.700%	380,473	30,032,108	99.967%
2009	26,779,449	26,431,968	98.702%	297,046	26,729,014	99.812%
2010	28,875,124	28,375,677	98.270%	-	28,375,677	98.270%

Kenai Peninsula Borough

Table XII

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

Fiscal Year	Governmental Activities		Business-Type Activities (1)			Total	Percentage of Personal Income	Percentage of Estimated Actual Taxable Value of Property (Area Wide)	Debt Per Capita (2) (3)			
	General Obligation Bonds (Area Wide)	General Obligation Bonds (Service Area)	General Obligation Bonds	Capital Leases	Area Wide				Central Emergency Services Area	South Peninsula Hospital Service Area	Central Peninsula Hospital Service Area	
2001	\$ 15,889,000	\$ -	\$ -	\$ 2,037,282	\$ 17,926,282	1.24%	0.51%	\$ 317	\$ -	\$ -	\$ 65	
2002	13,409,000	-	-	1,525,056	14,934,056	0.99%	0.40%	257	-	-	49	
2003	17,874,000	-	-	989,722	18,863,722	1.25%	0.47%	335	-	-	32	
2004	28,734,000	-	58,275,000	511,562	87,520,562	5.76%	2.07%	555	-	824	1,508	
2005	25,359,000	-	56,655,000	261,351	82,275,351	5.16%	1.93%	490	-	807	1,465	
2006	21,874,000	2,500,000	54,645,000	-	79,019,000	4.79%	1.75%	426	127	777	1,406	
2007	22,399,000	2,425,000	52,795,000	1,450,192	79,069,192	4.76%	1.62%	428	123	881	1,353	
2008	20,174,000	2,345,000	65,200,000	1,109,570	88,828,570	4.96%	1.65%	381	115	1,982	1,290	
2009	17,904,000	2,260,000	62,520,000	754,730	83,438,730	4.26%	1.40%	338	116	1,846	1,209	
2010	20,364,000	2,170,000	59,755,000	385,079	82,674,079	3.85%	1.30%	380	111	1,746	1,153	

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

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

Population data can be found on Table XIII

Kenai Peninsula Borough

Table XIII

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

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough

Table XIV

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amount expressed in thousands)	Per Capita Personal Income	Median Age (3)	School Enrollment	Unemployment Rate (2)	Number of employed (2)
2001	\$ 50,172	\$ 1,446,609	\$ 28,833	35.9	9,963	8.00%	22,576
2002	52,245	1,508,201	28,868	36.4	9,799	7.90%	22,290
2003	53,316	1,505,864	28,244	36.6	9,661	9.40%	22,586
2004	51,733	1,519,711	29,376	37.4	9,467	10.00%	22,846
2005	51,765	1,594,109	30,795	38.0	9,527	9.50%	23,109
2006	51,350	1,650,417	32,141	39.7	9,389	8.80%	23,086
2007	52,370	1,660,353	31,704	39.1	9,368	8.10%	23,409
2008	52,990	1,791,892	33,816	39.2	9,250	7.70%	23,838
2009	52,990	1,959,462	36,978	39.2	9,256	7.90%	24,326
2010	53,578	2,145,309	36,978 *	39.4	9,145	10.10%	24,326

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 average rate for the previous calendar year
- (3) Data is provided by the State of Alaska Department of Labor
- * Current year information is not available as of the date of this report, prior year information is used

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

Kenai Peninsula Borough

Table XV

Principal Employers
Current and Nine Years Ago

<u>Employer</u>	<u>2010 Rank</u>	<u>2001 Rank</u>
Kenai Peninsula Borough School	1	1
State of AK (excludes U of A)	2	2
Central Peninsula General Hospital	3	5
ASRC Energy Services O&M Inc	4	-
Safeway Inc	5	6
Kenai Peninsula Borough	6	7
Peak Oilfield Svc Co	7	4
VECO Alaska Inc	8	-
Fred Meyer Stores Inc	9	9
South Peninsula Hospital Inc	10	-
U.S. Government	-	3
Agrium	-	8
CIRI Tourism	-	10
	-	
	-	

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

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

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

Table XVI

Function	Full-time Equivalent Employee as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government:										
Assembly	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayoral	7.00 (1)	6.00	10.00 (3)	11.00	11.00	11.00	10.00	10.00	10.00	10.00
Office of emergency mgmt	-	-	-	-	-	-	10.00 (5)	12.00	12.00	15.00 (13)
General services	30.00	31.10	31.55	31.60	32.60	32.60	21.60 (5)	21.80	22.10	22.60
Legal	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance	27.00 (2)	27.00	23.00 (3)	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Assessing	19.75	19.75	20.75	21.00	21.00	21.00	21.00	22.00	22.00	22.00
Planning	9.80	8.80	9.10	9.50	8.50	8.50	9.00	9.00	9.00	9.00
Major projects	6.00	7.00	8.00	9.00	8.00	8.00	8.00	8.00	9.00 (8)	8.50 (14)
Other	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	111.05	112.15	113.90	116.60	114.60	114.60	113.10	116.30	117.60	120.60
Fire and Emergency Services:										
Nikiski Fire	21.00	21.00	23.00	24.00	24.00	23.00	23.00	23.00	21.00 (9)	21.00
Bear Creek Fire	-	-	0.40	0.40	0.40	0.40	0.40	0.40	0.75	0.75
Anchor Point	-	0.40	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CES	23.00	23.00	26.00	27.00	27.00	28.00	30.50 (6)	33.50 (7)	33.50	37.50 (15)
Kechemak	-	-	-	-	-	-	-	0.75	1.00	2.00 (16)
Seward Bear Creek Flood	-	-	-	-	0.50	0.50	0.50	0.75	0.75	0.75
Recreation	12.25	13.25	13.25	14.00	13.25	13.25	13.25	13.25	13.25	14.25 (17)
Roads	5.00	5.00	6.00	6.00	7.00	7.00	7.00	7.00	8.00 (10)	8.00
Land trust fund	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Kenai River Center	3.50	4.50	4.20	4.50	4.50	4.00	4.50	4.50	5.00	6.00 (18)
Nikiski seniors	-	-	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00
Solid waste	7.00	7.25	7.25	8.75	19.25 (4)	19.25	19.25	20.25	20.75 (11)	21.00 (19)
Risk management	2.55	3.55	3.60	4.60	4.60	4.60	4.60	4.60	3.60 (12)	4.00 (20)
Total	189.85	194.60	204.10	212.85	222.10	221.60	223.10	231.30	231.20	241.85

- (1) Start up of Community and Economic Division
- (2) Purchasing department transferred from Maintenance, increase in 2 positions
- (3) Purchasing department transferred from the Finance department to the Mayoral department, reduction of 4 positions in Finance
- (4) The Borough took over operations of the Soldotna landfill, previously the operations were contracted out
- (5) The Office of Emergency Management and 911 Communications separated from General Services
- (6) Staffing at Funny River Fire Station
- (7) Staffing at Kasilof Fire Station
- (8) Transfer of project manager from Solid Waste
- (9) Elimination of Assistant Chief and a mechanic position, estimated savings \$190,000
- (10) Added Engineer to assist with managing road improvement projects
- (11) Added full-time contract administrator, increased .5 secretary to full-time, and transfer of project manager to Major projects
- (12) Elimination of Worker's compensation manager position, remaining job duties being shared with other staff
- (13) Added Emergency Communications IT Tech, 911 shift supervisor and 911 public safety dispatcher
- (14) Transferred one project manager to the KRC and added 1/2 time capital projects clerk
- (15) Added 3 Engineer/Paramedics or EMT III's to increase staffing and safety at Kasilof station.
- (16) Added full time administrative assistant
- (17) Increase to maintenance hours equivalent to 1 FTE.
- (18) Transfer of project manager from Major Projects.
- (19) Increased Environmental Coordinator's position by 1/4 time,
- (20) Increased 1/2 time administrative Assistant to full time.

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

Kenai Peninsula Borough

Table XVII

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government- 911 calls answered	***	***	14,458	16,919	17,200	17,926	15,084	16,590	18,915	21,412
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	653	628	657	745	745	733	665	737	811	885
Bear Creek	70	94	97	79	99	76	120	164	134	132
Anchor Point	146	225	188	150	150	190	191	198	187	183
CES	1,348	1,437	1,437	1,551	1,771	1,942	1,825	1,919	1,962	2,095
Kachemak	- (1)	97	80	63	83	99	95	114	147	161
Landfills-										
Refuse collected (tons)	59,700	62,500	63,100	62,600	60,500	64,000	67,200	65,000	65,828	60,720

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
 *** Information not available
 (1) This is the first year that Kachemak Emergency Service Area was in operations

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

Kenai Peninsula Borough

Table XVIII

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fire and emergency services:										
Number of Stations:										
Nikiski	4	4	4	4	4	4	4	4	4	4
Bear Creek	1	1	1	1	1	1	1	1	1	1
Anchor Point	1	1	1	1	1	1	1	2	2	2
CES	4	4	4	4	4	4	5	6	6	6
Kachemak	0	1	1	1	1	1	1	1	1	1
Landfills:										
Number of landfills	8	8	8	8	8	8	8	8	8	8
Number of transfer sites	12	12	12	12	12	12	12	12	12	12
Recreation-										
Number of facilities	6	7	7	8	8	8	8	8	8	8
Roads-										
Miles of roads maintained	638	638	630	589	608	614	620	623	631	633

Note: No capital asset indicators are available for the general government functions

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

SINGLE AUDIT

KENAI PENINSULA BOROUGH
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/2010</u>
<u>Department of Commerce</u>			
Passed through National Oceanic and Atmospheric Administration - Beluga Whale Recovery Study	NA09NMF4390216	11.439	\$ <u>5,524</u>
Passed through Alaska Department of Commerce, Community & Economic Development:			
Alaska Coastal Zone Management Program Required Tasks	800435	11.419	38,500
Alaska Coastal Zone Management Section 309 Enhancement Grants:			
Kenai River Access Inventory & Management Plan	2198467	11.419	185
Shoreline Change on Western Kenai Peninsula Study	891007	11.419	9,376
Western Kenai Peninsula Legal Public Access Study	800470	11.419	2,262
Alaska Coastal Management Travel/Training Grant	800884	11.419	343
Alaska Coastal Management Travel/Training Grant	800664	11.419	351
Alaska Coastal Management Natural Hazards Resiliency	800729	11.419	<u>1,000</u>
Total CFDA 11.419			<u>52,017</u>
Passed through Alaska Department of Military & Veterans Affairs - Bear Creek Public Safety Inoperable Communications Grant	2007-GS-H7-0025	11.555	<u>11,111</u>
Total Department of Commerce			<u>68,652</u>
<u>Department of the Interior</u>			
Passed through Bureau of Land Management - Payment in Lieu of Taxes	2009 SEC 6901/02	15.226	<u>3,126,216</u>
Passed through Fish and Wildlife Service - National Wildlife Refuge Revenue Sharing	FY2010	15.659	<u>25,863</u>
Passed through Materials Management Service - Coastal Impact Assistance Program:			
Planning & Administration	MO9AF15160	15.426	11,296
Kasilof Personal Use Fisheries Habitat Protection	MO9AF15176	15.426	1,930
Crooked Creek State Recreation Area Riverbank Restoration	MO9AF15161	15.426	<u>58,425</u>
Total CFDA 15.426			<u>71,651</u>
Total Department of the Interior			<u>3,223,730</u>
<u>Department of Transportation</u>			
Passed through Alaska Department of Transportation and Public Facilities:			
ADA Van Grant Central Peninsula Hospital	AK 65-0001-16-1	20.513	<u>28,629</u>
Alaska Highway Safety Grant - Central Peninsula Hospital	402OP-09-04-04	20.613	14,348
Alaska Highway Safety Media Grant - Central Peninsula Hospital	2011K3 10-02-01	20.613	6,400
Alaska Highway Safety Grant - Central Peninsula Hospital	2011K3 10-03-01	20.613	<u>36,193</u>
Total CFDA 20.613			<u>56,941</u>
Keystone Road Paving Project	MOA	20.205	<u>8,802</u>
Total Department of Transportation			<u>94,372</u>
<u>Department of Homeland Security</u>			
Bear Creek Firefighter Assistance Grant	EMW-2008-FO-02668	97.044	<u>58,799</u>
Passed through Alaska Department of Military & Veterans Affairs:			
Citizens Corp FY2008	2007-GE-T7-0003	97.053	<u>578</u>
Citizens Corp FY2009	2008-GE-T8-0005	97.067	22,314
Emergency Response Activities Grant	2008-GE-T8-0005	97.067	<u>8,063</u>
Total CFDA 97.067			<u>30,377</u>
Emergency Management Performance Grant	2009-EP-E9-0036	97.042	<u>75,000</u>
Total Department of Homeland Security			<u>164,754</u>

KENAI PENINSULA BOROUGH
Schedule of Expenditures of Federal Awards, continued

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/2010</u>
<u>Denali Commission</u>			
Digital Mammography South Peninsula Hospital	-	90.100	\$ <u>200,575</u>
<u>Environmental Protection Agency</u>			
Passed through Alaska Department of Environmental Conservation - Nikiski North Star Elementary School Point of Use Arsenic Removal - American Recovery & Reinvestment Act	477011	66.468	<u>83,379</u>
<u>Department of Health and Human Services</u>			
Passed through Alaska Department of Health and Social Services: Small Hospital Improvement Program Technology Grant - Central eninsula Hospital	-	93.301	<u>7,735</u>
Behavioral Health Prevention and Early Intervention Services - Central Peninsula Hospital	-	93.959	<u>100,069</u>
Alaska Hospital Preparedness Program - Heritage Place - Central Peninsula Hospital	-	93.889	22,000
Alaska Hospital Preparedness Program - Heritage Place - Central Peninsula Hospital	-	93.889	25,000
Alaska Hospital Preparedness Program - Heritage Place - Central Peninsula Hospital	-	93.889	15,000
Alaska Hospital Preparedness Program - Central Peninsula Hospital H1N1	-	93.889	5,550
Alaska Hospital Preparedness Program - Central Peninsula Hospital H1N1	-	93.889	6,000
Passed through Alaska State Hospital & Nursing Home Association - National BioTerrorism Hospital Preparedness Program - South Peninsula I	-	93.889	<u>3,701</u>
Total CFDA 93.889			<u>77,251</u>
Total Department of Health and Human Services			<u>185,055</u>
<u>Department of Agriculture</u>			
National Forest Receipts		10.665	<u>791,090</u>
Passed through Forest Service:			
00 Spruce Bark Beetle Infestation	00BTL	10.664	19,750
01 Spruce Bark Beetle Infestation	01BTL	10.664	107,821
05 Spruce Bark Beetle Infestation	05BTL	10.664	264,323
06 Spruce Bark Beetle Infestation	07BTL	10.664	352,334
Spruce Bark Beetle Mitigation Program Work	08DG11100100203	10.664	439,900
Passed through Alaska Department of Natural Resources:			
Bear Creek Fire Service Area Volunteer Fire Assistance Grant	FY10	10.664	8,998
Nikiski Fire Service Area Volunteer Fire Assistance Grant	FY10	10.664	<u>7,100</u>
Total CFDA 10.664			<u>1,200,226</u>
Hazardous Fuels Mitigation - American Recovery & Reinvestment Act	09-DG-11100489-011	10.688	<u>46,256</u>
Total Department of Agriculture			<u>2,037,572</u>
Total Federal Expenditures			\$ <u>6,058,089</u>

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kenai Peninsula Borough and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

KENAI PENINSULA BOROUGH
Schedule of State Financial Assistance
Year Ended June 30, 2010

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/2010</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
Shared Fisheries Business Tax	-	\$ 8,144
Fish Resource Landing Tax	-	616
* Community Revenue Sharing - Borough	FY10	2,071,345
Community Revenue Sharing - Hope	FY09	20,200
Community Revenue Sharing - Moose Pass	FY09	20,200
Community Revenue Sharing - Nikolaevsk	FY09	20,200
Community Revenue Sharing - Anchor Point	FY10	20,200
Community Revenue Sharing - Bear Creek	FY10	10,100
Community Revenue Sharing - Clam Gulch	FY10	20,200
Community Revenue Sharing - Cohoe	FY10	20,200
Community Revenue Sharing - Cooper Landing	FY10	20,200
Community Revenue Sharing - Crown Point	FY10	20,200
Community Revenue Sharing - Fritz Creek	FY10	20,200
Community Revenue Sharing - Funny River	FY10	20,200
Community Revenue Sharing - Hope	FY10	20,200
Community Revenue Sharing - Kalifornsky	FY10	20,200
Community Revenue Sharing - Kasilof	FY10	20,200
Community Revenue Sharing - Lowell Point	FY10	20,200
Community Revenue Sharing - Moose Pass	FY10	20,200
Community Revenue Sharing - Nikiski	FY10	20,200
Community Revenue Sharing - Nikolaevsk	FY10	20,200
Community Revenue Sharing - Ninilchik	FY10	20,200
Community Revenue Sharing - Port Graham	FY10	20,200
Community Revenue Sharing - Primrose	FY10	20,200
Community Revenue Sharing - Ridgeway	FY10	20,200
Community Revenue Sharing - Salamatof	FY10	20,200
Community Revenue Sharing - Seldovia Village	FY10	20,200
Community Revenue Sharing - Sterling	FY10	20,200
Community Revenue Sharing - Village of Kachemak Selo	FY10	20,200
Community Revenue Sharing - Village of Razdolna	FY10	20,200
* Bastein Drive Road Improvements	08-DC-301	269,019
Bear Creek Multi-Use Facility	09-DC-482	11,825
Borough-wide Road Upgrades	09-DC-218	4,058
* Borough-wide Road Upgrades	08-DC-302	112,725
* Central Emergency Services Static Fire Fighting Water Supply Points	09-DC-215	266,977
Cook Inlet Regional Citizens Advisory Group Development		
Safety Project	06-DC-341	3,760
Kenai Central High School Bleachers	07-DC-312	25,000
McNeil Canyon Elementary Roof Upgrades	06-DC-189	35,246
* KPBSD Equipment & Supplies for District Schools	09-DC-220	271,109
KPBSD Equipment & Supplies for District Schools	08-DC-310	91,855

KENAI PENINSULA BOROUGH
Schedule of State Financial Assistance, continued

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/2010</u>
<u>Alaska Department of Commerce, Community & Economic Development (continued)</u>		
Lowell Point Fire Department Building Remodel	07-DC-309	\$ 875
Midway Drive Road Improvements	08-DC-305	24,106
Nikiski Elementary School Crosswalk/Bike Path	06-DC-342	111
* Nikiski Fire Engine	09-DC-483	311,105
* Nikiski Fire Service Area Station 2	09-DC-216	2,709,898
* Nikiski Fire Service Area Station 2	10-RR-037	709,434
Nikiski High School Auditorium Upgrades	06-DC-344	663
Nikiski High School Security Project	08-DC-307	18,964
Nikiski High School Track	06-DC-191	53,450
Nikiski Senior Home Meal Delivery Vehicle	08-DC-308	677
Funny River Pedestrian Light and Driveway Improvements	05-DC-059	10,000
Ninilchik Reroof Section D & E	06-DC-195	32,857
Ninilchik School Bus Turnaround	06-DC-194	2,796
Ninilchik Window Replacement	06-DC-193	4,507
* North Peninsula Recreation Community Center	09-DC-092	414,514
North Peninsula Recreation Youth Facility	06-DC-340	57,516
Recreational Fishing Activities for Disabled Veterans	08-RR-021	5,909
Seward Elementary Gym Floor & Carpet Replacement	06-DC-198	9,059
Soldotna Elementary School Roof replacement	08-DC-309	71,944
Soldotna Elementary School Roof replacement	06-DC-199	31,365
Soldotna High School Sports Field Construction	06-DC-200	29,694
South Peninsula Hospital Diagnostic Hospital Equipment	09-DC-091	<u>1,749</u>
Total Alaska Department of Commerce, Community and Economic Development		<u>8,208,172</u>
<u>Alaska Department of Health & Social Services</u>		
Emergency Preparedness Grant- South Peninsula Hospital	1U3REP080087-01-09	9,568
Senior Grant - South Peninsula Hospital	607-09-412	49,344
* Behavioral Health Prevention & Early Intervention Services - Central Peninsula Hospital	602-10-011	281,631
* Behavioral Health Bring the Kids Home - Central Peninsula Hospital Passed Through the Alaska Division of Alcoholism & Drug Abuse Serenity House Residential Treatment Grant - Central Peninsula Hospital	602-10-974 602-10-282	100,000 <u>87,807</u>
Total Alaska Department of Health & Social Services		<u>528,350</u>
<u>Alaska Department of Revenue</u>		
* Commercial Passenger Vessel Tax	CY08	345,747
* Electric & Telephone Cooperative	FY10	160,469
* Fish Tax	FY10	<u>753,059</u>
Total Alaska Department of Revenue		<u>1,259,275</u>

KENAI PENINSULA BOROUGH
Schedule of State Financial Assistance, continued

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/2010</u>
<u>Alaska Department of Education & Early Development</u>		
HVAC Controls for Five Schools	2006-19-34	\$ 238
* School Debt Reimbursement	-	<u>1,588,677</u>
Total Alaska Department of Education & Early Development		<u>1,588,915</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
* Borough-wide Road Upgrades	DOTPF	<u>3,933,076</u>
<u>Alaska Department of Administration</u>		
* Division of Retirement & Benefits PERS Relief HB310	-	<u>980,944</u>
<u>Alaska Department of Military & Veteran Affairs</u>		
Passed Through the Alaska Division of Homeland Security & Emergency Management Local Emergency Planning Committee	10LEPC-AR35253	<u>25,225</u>
<u>Alaska Housing Finance Corporation</u>		
Nanwalek Teacher Housing	THP-08-KPB-1	<u>28,875</u>
Total State Financial Assistance		\$ <u><u>16,552,832</u></u>

* State Major Program

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the grant activity of Kenai Peninsula Borough and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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