

KENAI PENINSULA BOROUGH
ALASKA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR
ENDED JUNE 30, 2007

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

JOHN J. WILLIAMS
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

CRAIG C. CHAPMAN
DIRECTOR OF FINANCE

TERRY A. EUBANK
CONTROLLER

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

Table of Contents

Year Ended June 30, 2007

INTRODUCTION SECTION	<u>Page</u>
Table of Contents	i
Letter of Transmittal	1
GFOA Certificate of Achievement	6
Organizational Chart	7
List of Principal Officials	8
Finance Department	9
 FINANCIAL SECTION	
Independent Auditor's Report	11-12
Management's Discussion and Analysis	13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	27
Statement of Activities	28
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	29
Reconciliation of the Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balances	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	33-34
Proprietary Funds:	
Statement of Net Assets	35-36
Statement of Revenues, Expenses, and Changes in Fund Net Assets	37
Statement of Cash Flows	38-39
Statement of Fiduciary Funds – Assets and liabilities	40
Notes to Financial Statements	41-64

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

Table of Contents, continued

FINANCIAL SECTION, continued	<u>Page</u>
Nonmajor Governmental Funds	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	66
Combining Balance Sheet	70-73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	74-77
Budgetary Compliance Schedules – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Nikiski Fire Service Area	78
Bear Creek Fire Service Area	79
Anchor Point Fire and Medical Service Area	80
Central Emergency Service Area	81
Kachemak Emergency Service Area	82
Lowell Point Emergency Service Area	93
Central Peninsula Emergency Medical Service Area	84
North Peninsula Recreation Service Area	85
Road Service Area	86
Post-Secondary Education	87
Land Trust	88
Kenai River Center	89
Seward Bear Creek Flood Service Area	90
Disaster Relief	91
Nikiski Senior Service Area	92
Solid Waste	93
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	96-97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	98-99
Nonmajor Debt Service Funds	
Combining Balance Sheet	101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	102
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Government	103
Solid Waste	104
Central Emergency Services	105
Internal Service Funds	
Combining Statement of Net Assets	107
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	108
Combining Statement of Cash Flows	109
Fiduciary Funds	
Combining Statement of Assets and Liabilities	111
Combining Statement of Changes in Assets and Liabilities	112-113

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

Table of Contents, continued

FINANCIAL SECTION, continued	<u>Page</u>
Capital Assets	
Capital Assets Used in the Operation of Governmental Funds – Comparative Schedules by Source	115
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Function and Activity	116
Capital Assets Used in the Operation of Governmental Funds – Schedule by Function and Activity	117-119
STATISTICAL SECTION	<u>Table No.</u> <u>Page</u>
Net Assets by Components	I 121
Changes in Net Assets	II 122
Governmental Activities Tax Revenues by Source	III 123
Fund Balances of Governmental Funds	IV 124
Changes in Fund Balances of Governmental Funds	V 125
General Governmental Significant Revenues by Source	VI 126
Assessed Value and Estimated Actual Value of Taxable Property	VII 127
Property Tax Rates	VIII 128
Principal Property Taxpayers	IX 129
Property Tax Levies and Collections	X 130
Ratios of Outstanding Debt by Type and Per Capita	XI 131
Legal Debt Margin Information	XIII 132
Demographic and economic statistics	XIV 133
Principal Employers	XV 134
Full-time Equivalent Borough Government Employees by Function	XVI 135
Operating Indicators by Function	XVII 136
Capital Asset Statistics by Function	XVIII 137
Single Audit	
Schedule of Expenditures of Federal Awards	138-139
Schedule of State Financial Assistance	140-141

This Page intentionally left blank.



KENAI PENINSULA BOROUGH

Finance Department

144 North Binkley Street • Soldotna, Alaska 99669-8250

PHONE: (907) 714-2170 • **FAX:** (907) 714-2376

JOHN J. WILLIAMS
MAYOR

December 3, 2007

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, 2007 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 2006 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 statement 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, 2007, 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, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Kenai Peninsula Borough

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

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

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

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

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been appropriated. For the General Fund, this comparison is presented on pages 33-34 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, these comparisons start on page 78.

Factors Affecting Financial Condition

Economy

The Borough's economy has experienced consistent, gradual growth since the late 1980's. Local indicators point to continued growth and stability. Borough wide, the general government tax rate has decreased from 8.59 mills in FY1996 to 6.5 mills in FY03 and has remained constant at this rate through FY07. 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 and taxable property values increasing at a rate faster than expenditures. 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 FY07 sales tax revenue represents almost 30%. Oil and gas continues to provide stable reduced employment in the Borough, with gas on the increase and oil on a slow decline. Gas supplies in quantities needed for liquefied natural gas are projected to run out within the next decade if new supplies are not made available through discovery or pipelines from other areas. The Agrium plant, which produces fertilizer, will be closed in FY08 due to limited availability of natural gas. A gas pipeline from the Alaskan North Slope to the Kenai Peninsula is one option that is being considered. Feasibility studies are being conducted to assess the viability of coal gasification as an alternative to natural gas. Both Wal-Mart and Lowes have expressed interest in constructing stores in the Kenai area, with construction expected to begin in 2008.

Long term financial planning

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

Voters of the South Kenai Peninsula Hospital Service Area in a special election in May 2007 authorized additional debt of \$14,700,000 to complete the expansion of their facility. It is estimated the cost will require a mill rate increase of .90 mills to support the debt payment. These bonds were sold in August 2007 and are being held pending receipt of a Certificate of Need.

The Borough did issue 10-year bonds through the Alaska Municipal Bond Bank in the amount of \$2,515,000 for the major repairs at various schools in January 2007.

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 .45% as of June 30, 2007, and the direct general obligation debt per capital was \$433. This compares to .48% and \$423 as of June 30, 2006.

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 coverages 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, and 27.94% in FY07. These amounts were less than the actuarial determined rates. Prior to FY08, Alaska Statutes limited rate increases to no more than 5% in one year. The Borough, like other governments in Alaska, is facing significant and growing unfunded liabilities associated with PERS. In 2001, the Borough's unfunded liability was approximately \$700,000, at the end of 2003 the unfunded liability was assessed at \$24,100,000, and at the end of June 30, 2006 the unfunded liability was assessed at \$41,500,000. This significant increase has added over \$3,000,000 in annual expenditures to the Borough as a whole.

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

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

The Central Peninsula General Hospital employees participate in a defined contribution pension plan established by the hospital's non-profit operator under Internal Revenue Code 403 (b). Under the plan, the non-profit operator contributes 2% of an employee's eligible salary and matches employee contributions up to 3% of gross pay, not to exceed \$3,400.

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kenai Peninsula Borough for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the twenty-sixth 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.

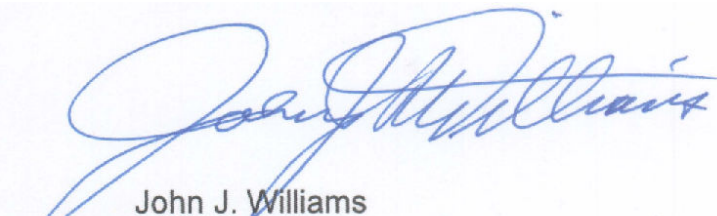
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Borough also received the GFOA's Distinguished Budget Presentation Award for its FY07 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.

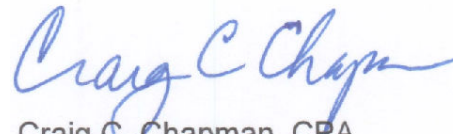
The preparation of this report was made possible by the dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report. We also want to thank the finance department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

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

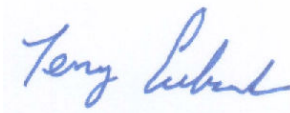
Respectfully submitted,



John J. Williams
Mayor



Craig C. Chapman, CPA
Director of Finance



Terry Eubank, 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, 2006

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.



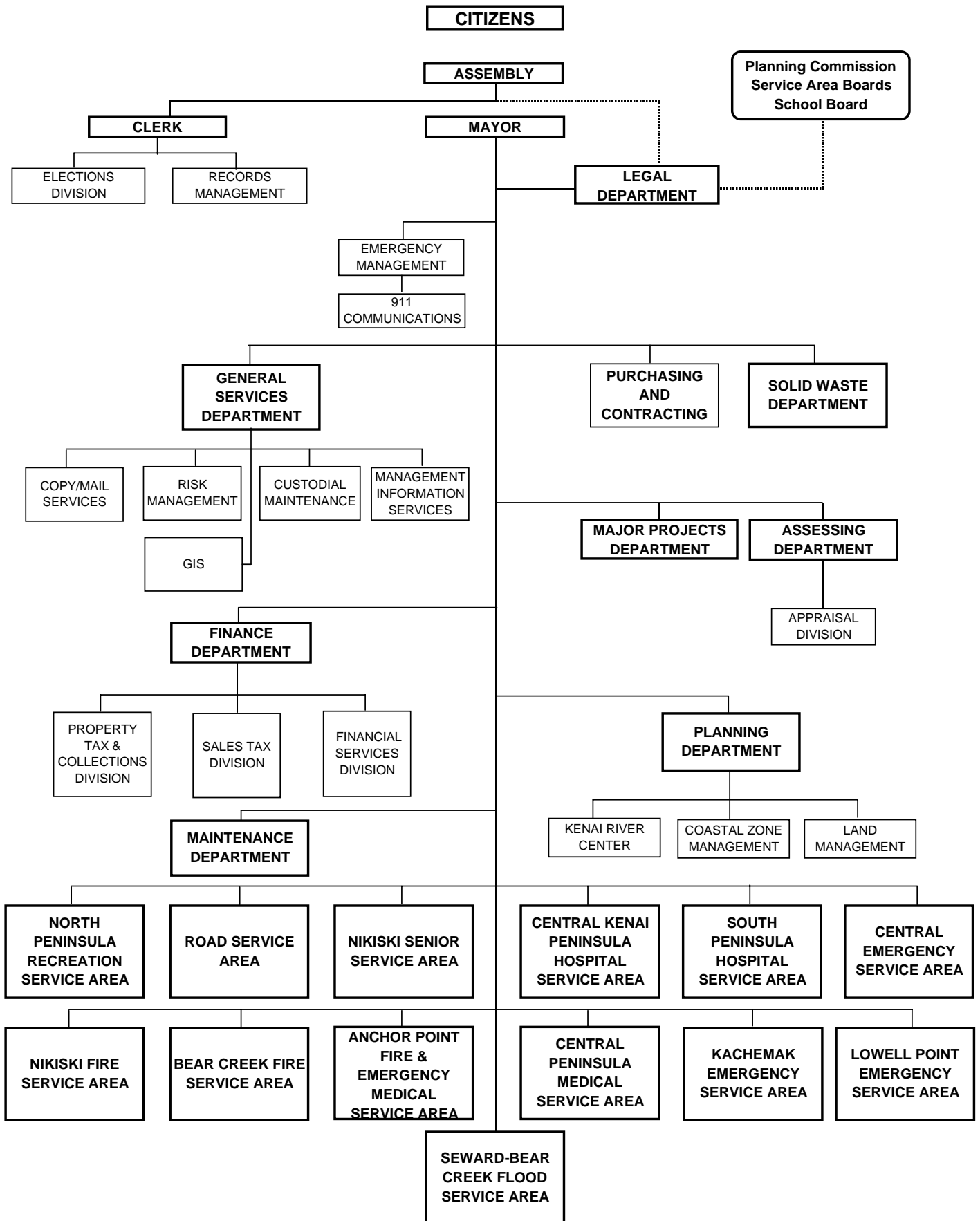
A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

KENAI PENINSULA BOROUGH ORGANIZATIONAL CHART



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

Ron Long	President
Margaret Gillman	Vice President
Gary Knopp	
Paul Fischer	
Pete Sprague	
Gary Superman	
Milli Martin	
Grace Merkes	
Deborah Germano	

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

Administration

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

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C. Chapman

Division Managers

Terry Eubank
Cathey Wallace
Brandi Harbaugh
Rhonda Krohn

Controller
Budget
Sales Tax
Property Tax

Accounting Staff

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

Becky Karsten
Lauri Lingafelt
Cathy Wagner
Ryan Marquis
Marie Payfer
Misty Merriman
Joanne Rodgers
Amy Falk-½ time
Christina Griffith

This Page intentionally left blank.

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, 2007, 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, 2007, 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 3, 2007 on our consideration of the Kenai Peninsula Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of the Assembly
Kenai Peninsula Borough

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kenai Peninsula Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
December 3, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report and the notes to the financial statements which can be found on pages 41-64 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 \$365.1 million. Of this amount, \$98.3 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors. Much of this amount has been previously designated by the Borough assembly for specific purposes and is discussed in more detail on page 21 and page 45.
- The Kenai Peninsula Borough has established a formal fund balance policy affecting the General Fund, annually budgeted special revenue funds and general government capital project funds. The policy sets for minimum and maximum levels. As of June 30, 2007, two special revenue funds were outside the policy range and will be addressed in the next budget cycle.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$20.0 million, an increase of \$4.7 million, (\$3.6 million of this increase was related to a one-time payment from the State of Alaska for energy assistance). Of this amount \$19.2 million was unreserved, undesignated and available for spending. The unreserved, undesignated fund balance for the General Fund represented 32.1% of total General Fund expenditures and transfers. This compares to 26.3% as of June 30, 2006.
- The Borough's total net assets increased \$11.0 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$59.2 million, an increase of \$3.2 million in comparison to the prior year.
- The Borough incurred new debt of \$2.515 million for major maintenance at various schools located throughout the Borough. Total outstanding debt decreased \$2.1 million to a year-end balance of \$91.3 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 27-28 of this report.

The remaining statements are fund financial statements that focus on individual parts of the local government, reporting the Borough's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the short-term view of the Borough's operations.

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

The basic governmental fund financial statements can be found on pages 29-34 of this report. Budgetary comparison statements for 16 special revenue funds and 3 debt service funds with annual budgets are provided on pages 78-93 and 103-105 respectively to demonstrate compliance with these budgets.

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

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

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

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

Notes to the financial statements.

The notes provide additional information that is essential to a full understating of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-64 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 65-105 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 \$365.1 million, at June 30, 2007 compared to \$354.1 million at June 30, 2006. By far the largest portion of the Borough's net assets (71.3%) 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 FY07, governmental activities capital assets, net of accumulated depreciation of the Borough increased \$3.8 million. Current and other assets include \$74.5 million and \$69.7 million of cash and investments held for governmental activities at June 30, 2007 and 2006, and governmental activities long-term debt increased by \$.6 million. Restricted net assets of \$4.8 million and \$7.5 million in 2007 and 2006 respectively, result from restrictions imposed legally or externally by creditors, debt covenants, or grantors.

For business-type activities, \$43.8 million (47%) and \$46.1 million (56%) of net assets is unrestricted and may be used to meet the ongoing need of these organizations at June 30, 2007 and 2006. This represents a decrease of \$2.3 million. Current and other assets include assets whose use is limited of \$24.3 million and \$43.7 million in 2007 and 2006 respectively, resulting from restrictions imposed externally by debt covenants and internally by directors.

Net Assets
June 30, 2007 and 2006
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 84.7	\$ 81.5	\$ 70.4	\$ 87.0	\$ 155.1	\$ 168.5
Capital assets	235.9	232.1	92.5	74.0	328.4	306.1
Total assets	<u>320.6</u>	<u>313.6</u>	<u>162.9</u>	<u>161.0</u>	<u>483.5</u>	<u>474.6</u>
Long-term debt outstanding	35.5	34.9	55.8	58.5	91.3	93.4
Other liabilities	13.0	13.7	14.1	13.4	27.1	27.1
Total liabilities	<u>48.5</u>	<u>48.6</u>	<u>69.9</u>	<u>71.9</u>	<u>118.4</u>	<u>120.5</u>
Net assets						
Invested in capital assets, net of related debt	212.7	206.4	47.7	39.3	260.4	245.7
Restricted	4.8	7.5	1.5	3.7	6.3	11.2
Unrestricted	<u>54.6</u>	<u>51.1</u>	<u>43.8</u>	<u>46.1</u>	<u>98.4</u>	<u>97.2</u>
Total net assets	<u>\$ 272.1</u>	<u>\$ 265.0</u>	<u>\$ 93.0</u>	<u>\$ 89.1</u>	<u>\$ 365.1</u>	<u>\$ 354.1</u>

Governmental activities.

Governmental activities increased the Borough's net assets by \$7.1 million. This compares to a decrease of \$2.9 million for the year ended June 30, 2006. Key elements of this is as follows:

- Taxable assessed values increased 7.4%, and increasing the mill rate for the Nikiski Fire Service Area resulted in an increase in property tax revenue of approximately \$3.9 million.
- Other revenues increased \$2.7 million. Major components of this increase include receiving an energy assistance grant from the State of Alaska of \$3.6 million, which was offset by reductions in Borough land sales of \$1.6 million.
- Implementation of a cost allocation plan in FY07 resulted in a reduction of \$.8 million in general government expenses. General administrative cost that were previously borne by the Borough's General Fund are now being allocated to Service Areas, grants, and projects.
- Operating grants decreased \$2.9 million. Most of this is attributed to funding that was received to support expenses associated with hosting the Arctic Winter Games that were held in February 2006.
- Payments to the Kenai Peninsula Borough School District, a component unit, increased \$3.0 million, while total funding for education only increased \$.3 million when compared to FY06. In FY06, education cost other than payments included cost associated with the Arctic Winter Games of \$2.2 million, which were one-time expenditures and were paid for with grant funds.

- Recreation expenses show a reduction of \$1.9 million when compared to FY06. In FY06, cost associated with the Arctic Winter Games of \$2.0 million, which were one-time expenditures were included in the financial statements. These cost were covered by grants.

Business-type activities.

Business type activities increased the Borough's net assets by \$3.9 million. This compares to an increase of \$8.3 million for the year ended June 30, 2006. Key elements of this are as follows:

- The increase in net capital assets at Central Peninsula Hospital is related primarily to a bond-funded expansion project. Expenditures for the project during the year ended June 30, 2007 were \$8.5 million compared to \$27.3 million expended in FY06. A significant portion of this project (the Mountain Tower) was completed and placed in service in January 2007. This balance of the project is expected to be completed by April 2008.
- The Hospital purchased the assets of Heritage Place, a 60-bed long-term care skilled nursing facility June 30, 2006. Operation of the facility commenced July 1, 2006.
- The Central Peninsula Hospital's FY07 operating revenues increased \$11.4 million, or 22%, when compared to FY06. The increased revenues are attributed to the purchase of Heritage Place, a 2.7% increase in acute care volumes, a 4% increase in out patient volumes, and room rate and procedure charge adjustments during the year.
- Operational cost for Central Peninsula Hospital increased \$14.7 million or 30% when compared to FY06. Much of this increase is attributable to the addition of the 60-bed long-term care skilled nursing facility and the addition that was placed in service in January 2007. Personnel cost increased 26% due to a 20% increase in staff as well as an annual wage increase, while depreciation expense increased 39% due to the acquisition of Heritage Place and the opening of the new Mountain Tower.
- South Peninsula Hospital's loss from operations for the year ended June 30, 2007 was \$2.3 million compared to \$2.1 million loss for the year ended June 30, 2006. Patient revenue at South Peninsula Hospital increased 1% for the year ended June 30, 2007 compared to a decrease of 7.6% for the year ended June 30, 2006. The Hospital is seeing an increasing impact to its revenue base due to write-downs for Medicare and Medicaid.
- Operational cost for South Peninsula Hospital increased \$438,000, or 1.7% when compared to FY06, which had a .5% decrease from FY05. Higher personnel costs of \$581,000 were offset by a reduction in depreciation of \$213,000, which included a one-time adjustment of approximately \$236,000. The change to net assets for FY07 was \$167,000, FY06 had an increase to net assets of \$1,015,600 which included a capital contribution of \$927,000.
- Both hospitals have embarked on expansion projects. Central Kenai Peninsula General Hospital has started a \$49.9 million remodel and expansion to their current facility. Ground breaking was held in June 2004, completion is expected in 2008. Bonds in the amount of \$47.3 million were sold in December 2003 to finance the expansion. South Peninsula General Hospital started a \$17.0 million remodel and expansion to their current facility. Due to a 100% increase in the cost of the project, the project was split into two phases. Phase I ground breaking started in 2006, with completion expected in

late 2007. Bonds in the amount of \$10.3 million were sold September 2003; the balance of the project is being financed with internal sources. Phase II bonds in the amount of \$14,700,000 were authorized and sold in August 2007 to fund completion of the project. The bond proceeds are being held pending approval of a Certificate of Need by the State of Alaska.

The net assets for the Borough's business-type activities are \$93.0 million compared with \$89.1 million for FY06. As with the governmental activities, a substantial portion (51%) 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 \$43.7 million as of June 30, 2007 compared to \$46.1 million at June 30, 2006.

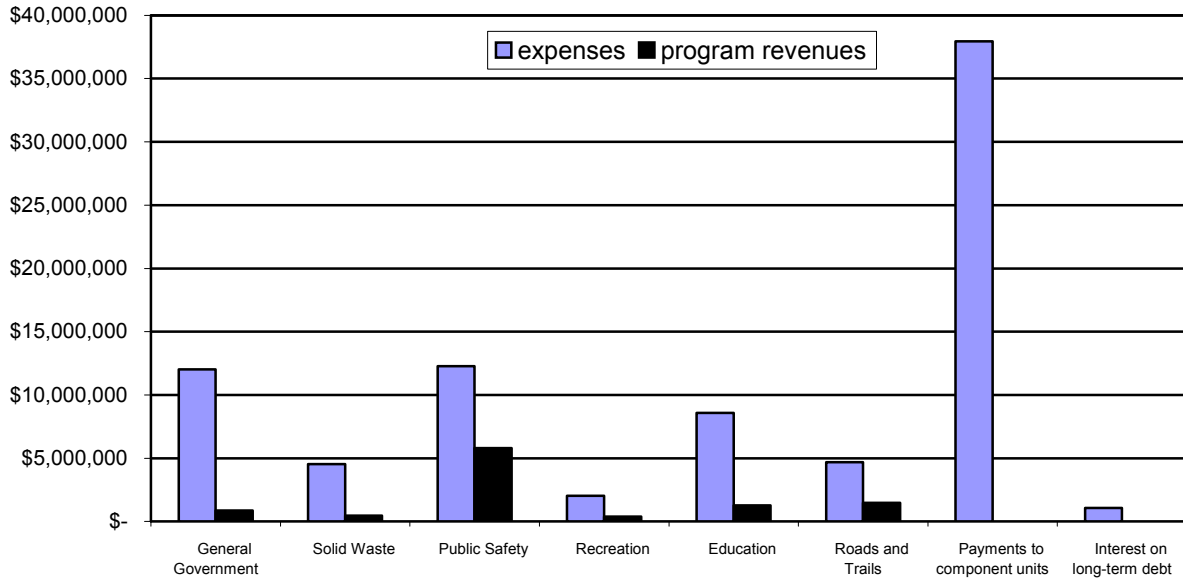
Changes in net assets.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2.8	\$ 1.9	\$ 86.6	\$ 75.5	\$ 89.4	\$ 77.4
Operating grants and contributions	3.4	6.3	.2	-	3.6	6.3
Capital grants and contributions	4.1	3.2	-	-	4.1	3.2
General revenues:						
Property taxes	48.4	44.5	5.4	4.8	53.8	49.3
Sales taxes	18.3	16.8	-	-	18.3	16.8
Other	13.2	11.7	1.7	2.0	14.9	13.7
Total revenues	<u>90.2</u>	<u>84.4</u>	<u>93.9</u>	<u>82.3</u>	<u>184.1</u>	<u>166.7</u>
Expenses:						
General government	12.0	14.2	-	-	12.0	14.2
Solid waste	4.5	5.3	-	-	4.5	5.3
Public safety	12.3	11.9	-	-	12.3	11.9
Recreation	2.0	3.9	-	-	2.0	3.9
Education	8.5	11.2	-	-	8.5	11.2
Road and trails	4.7	4.8	-	-	4.7	4.8
Payments to component unit- Kenai Peninsula Borough School District	38.0	35.0	-	-	38.0	35.0
Interest on long-term debt	1.1	1.0	.9	-	2.0	1.0
Hospitals	-	-	89.1	74.0	89.1	74.0
Total expenses	<u>83.1</u>	<u>87.3</u>	<u>90.0</u>	<u>74.0</u>	<u>173.1</u>	<u>161.3</u>
Increase (decrease) in net assets	7.1	(2.9)	3.9	8.3	11.0	5.4
Net assets, beginning of year	<u>265.0</u>	<u>267.9</u>	<u>89.1</u>	<u>80.8</u>	<u>354.1</u>	<u>348.7</u>
Net assets, end of year	<u>\$272.1</u>	<u>\$265.0</u>	<u>\$93.0</u>	<u>\$89.1</u>	<u>\$365.1</u>	<u>\$354.1</u>

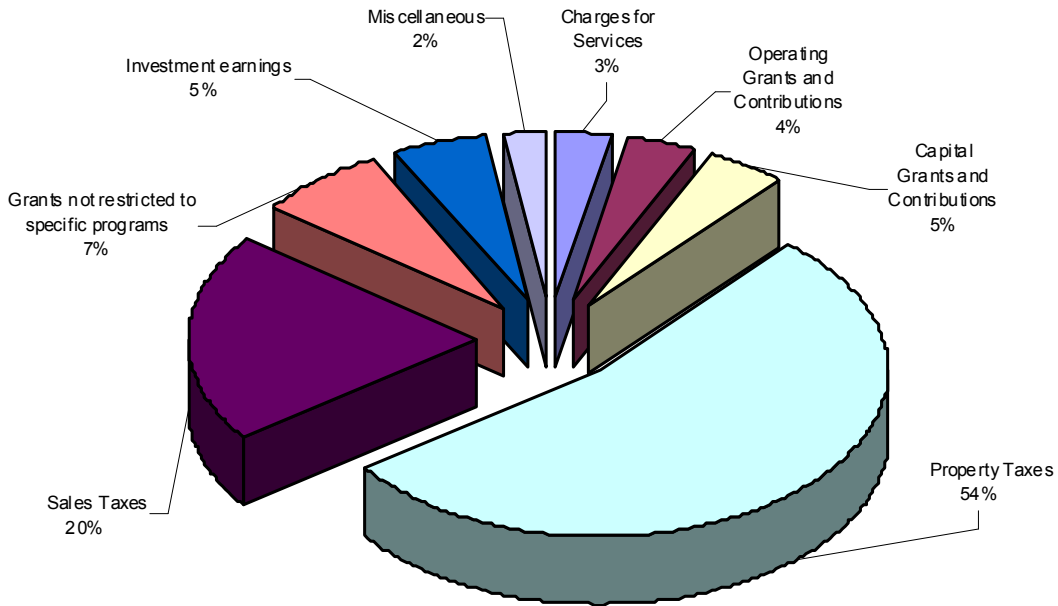
Expenses and Program Revenues – Governmental Activities

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



Revenues by Source – Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds.

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$59.3 million, an increase of \$3.3 million in comparison with the prior year. A portion of this amount is reserved to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses, 3) or for other restricted purposes. The remainder of fund balance is unreserved (\$53.2 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 \$20.0 million, and total undesignated fund balance was \$19.2 million. Total fund balance increased \$5.0 million from the prior year. Key factors include:

- One-time funding from the State of Alaska in the amount of \$3.6 million for energy assistance.
- Interest earnings that exceeded budget by \$1.1 million due to higher than expected interest rates.
- A higher than expected increase in sales tax revenue brought about by increases in the cost of fuel and utilities.
- An increase in funding to the Kenai Peninsula Borough School District in the amount of \$3.0 million

Central Emergency Service Area Special Revenue Fund

Fund balance in this service area decreased \$395,912 or approximately 21% when compared to the FY06 ending fund balance. Expenditures and transfers out totaled \$5,355,060, an increase of \$1,207,041 compared to FY06. The Service Area opened up one new station and has a second station in development. The Borough Assembly increased the mill rate for FY08 to provide tax revenue necessary to support the increase in expenditures.

Environmental Protection Program Special Revenue Fund

Fund balance in this fund increased \$1,136,554 or approximately 20% when compared to the FY06 ending fund balance. Since 1998, the Borough has received approximately \$16.3 million from the federal government to address damage caused by the spruce bark beetle. The Borough will use the remaining fund balance of \$4.8 million over the next few years to address this issue.

Solid Waste Special Revenue Fund

Fund balance in this fund decreased \$2,101,908, when compared to the FY06 ending balance. During FY07, the Assembly appropriated \$2,450,000 for the closure of the old Central Peninsula Landfill, which is expected to be completed in November 2007.

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 \$43.8 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 \$2,611,924 in appropriations between the original budget and the final amended budget. The three primary reasons for amending the budget are:

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

Budgetary changes can be briefly summarized as follows:

- Clerk's Department
 - \$39,500 to cover cost of special election for South Peninsula Hospital Service Area on whether to issue new debt for expansion of their hospital.
- Non-Departmental
 - \$100,000 to explore options available in seeking equitable funding for the Kenai Peninsula Borough School District from the State of Alaska.
- Transfers
 - \$250,000 to Central Emergency Services (CES) Special Revenue Fund to be partially reimburse CES for their contribution to construct the new Emergency Operations Center.
 - \$150,000 to the General Government Capital Project Fund for funding of minor capital projects.
 - \$450,000 to the Disaster Relief Fund to provide funding for cost expected to be incurred while responding to emergency declarations that occurred in October 2006 and February 2007.
 - \$110,000 to Solid Waste to pay the cost of major repairs on various pieces of equipment.
 - \$37,586 to the School Debt Service Fund to pay the first interest payment on new debt issued in January 2007.
 - \$1,183,732 to the Kenai Peninsula Borough School District for additional funding for FY07.
- 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 \$702,515 of which the General Fund received \$291,106.

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

- Interest earnings came in approximately \$1,100,000 more than budgeted due to an increase in short-term interest rates.
- Sales tax came in \$1,700,000 more than budgeted, mainly due to a strong fishing season in the summer of 2006 and the impact the increase in the price of oil and natural gas had on vehicle fuel and utility cost.
- Energy assistance of \$3,647,106 received from the State of Alaska. This is one time funding and was used to increase fund balance.
- Personnel cost were \$450,000 less than budgeted due to a hiring freeze and the lack of qualified applications to fill outstanding positions.
- Contract services were \$200,000 less than budgeted as projects previously authorized were delayed or canceled.

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, 2007 amounts to \$328.4 million (net of accumulated depreciation), an increase of \$22.3 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	\$ 4.5 million
Capital improvements/equipment at the Borough's two hospitals supported by Service Areas	\$23.0 million
Various major repairs and additions to Borough landfills	\$ 1.0 million
A variety of major repairs for existing roads and bridges	\$ 2.4 million
Various major repairs and additions to public safety facilities	\$ 4.7 million

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

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land & Improvements	\$ 65.3	\$ 65.0	\$ 1.8	\$ 1.2	\$ 67.1	\$ 66.2
Buildings	134.3	120.4	49.2	18.7	183.5	139.1
Improvements other than buildings	18.2	12.7	.1	.1	18.3	12.8
Machinery and equipment	8.8	7.9	23.7	11.5	32.5	19.4
Infrastructure	5.2	4.4	-	-	5.2	4.4
Construction in progress	4.1	21.7	17.7	42.5	21.8	64.2
Total governmental funds capital assets	<u>\$235.9</u>	<u>\$232.1</u>	<u>\$ 92.5</u>	<u>\$ 74.0</u>	<u>\$ 328.4</u>	<u>\$ 306.1</u>

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

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$89.7 million, (not including bond premium) a decrease of \$1.8 million from June 30, 2006. Of this amount, \$77.6 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, for pension obligation, and landfill closure cost. New debt included bonds that were sold for construction of Kenai Peninsula Borough School capital projects in the amount of \$2,515,000, and \$3,080,000 in refinancing bonds issued on the South Peninsula Hospital Expansion. These refinancing bonds provided defeasement of \$2,855,000 of the original bonds issued and will provide an economic gain of \$111,601 over the repayment life of the bonds.

Kenai Peninsula Borough Outstanding Debt
(in millions)
June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 24.8	\$ 24.4	\$ 52.8	\$ 54.6	\$ 77.6	\$ 79.0
Other debt	10.7	10.5	1.4	2.0	12.1	12.5
Total outstanding debt	\$ 35.5	\$ 34.9	\$ 54.2	\$ 56.6	\$ 89.7	\$ 91.5

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

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

Economic Factors and the Next Year's Budget and Rates

Unemployment stood at 8.3%, a decrease from the prior year rate of 8.8%; this compares to the statewide average of 6.3%.

In 2001, the Borough established a fund balance policy. The results of this policy indicated that the General Fund, fund balance was in excess of both the minimum amount and the maximum amount. With fund balance in excess of allowable amounts, the Borough was able to reduce the mill rate from 8.0 mills in FY00 to 7.5 in FY01, to 7.0 mills in FY02 and to 6.5 mills in FY03, where it remained through 2007. As part of the FY08 budget, the Borough Assembly reduced the General Fund mill rate to 5.5 mills. To maintain the General Fund, fund balance within the policy range while at the same time providing Borough taxpayers a reduction in the mill rate, the area-wide sales tax rate was increased from 2% to 3%, effective January 1, 2008.

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

As part of the FY08 State of Alaska budget, the Alaska legislature passed legislation that provided funding for PERS cost in excess of 22%, which will be paid directly to PERS. The savings impact Borough-wide is approximately \$2.2 million. This is only a temporary fix to the problem. If similar funding is not provided in FY09 and out years, the PERS rate is expected to be over 40%.

In setting the budgets for FY08, 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.

This Page intentionally left blank.

BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough

**Statement of Net Assets
June 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and short-term investments	\$ 48,463	\$ 16,099,987	\$ 16,148,450	\$ 39,676
Equity in central treasury	74,418,185	7,819,846	82,238,031	24,080,138
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	4,768,900	116,162	4,885,062	-
Accounts receivable	256,101	18,441,988	18,698,089	148,672
Land sale contracts receivable:				
Current	210,543	-	210,543	-
Delinquent	22,978	-	22,978	-
Due from other governments	2,624,567	-	2,624,567	2,444,825
Due from special assessment districts	746,510	-	746,510	-
Prepays	5,297	1,002,324	1,007,621	22,000
Inventory	-	2,536,862	2,536,862	1,034,419
Land sale contracts receivable - Long-term	1,601,343	-	1,601,343	-
Unamortized bond issuance costs	-	59,221	59,221	-
Assets whose use is limited:				
Cash and cash equivalents	-	221,894	221,894	-
Investments	-	24,079,113	24,079,113	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	65,336,157	1,853,170	67,189,327	-
Buildings	134,218,325	49,098,688	183,317,013	-
Improvements other than buildings	18,248,891	116,973	18,365,864	-
Equipment	8,781,717	23,688,719	32,470,436	2,788,379
Construction in progress	4,109,360	17,724,526	21,833,886	-
Infrastructure	5,199,535	-	5,199,535	-
Total assets	<u>\$ 320,596,872</u>	<u>\$ 162,859,473</u>	<u>\$ 483,456,345</u>	<u>\$ 30,558,109</u>
Liabilities				
Accounts, contracts and retainage payable	4,118,000	5,778,654	9,896,654	730,982
Accrued payroll and payroll taxes	373,271	5,138,217	5,511,488	8,368,428
Accrued interest	130,418	865,034	995,452	-
Unearned revenue	8,362,975	2,293,717	10,656,692	7,230
Noncurrent liabilities:				
Compensated absences:				
Due within one year	701,114	-	701,114	250,000
Due in more than one year	2,002,143	-	2,002,143	2,520,287
Long-term debt:				
Due within one year	5,487,623	2,490,623	7,978,246	4,674,922
Due in more than one year, net	27,282,569	53,349,224	80,631,793	-
Total liabilities	<u>48,458,113</u>	<u>69,915,469</u>	<u>118,373,582</u>	<u>16,551,849</u>
Net Assets				
Invested in capital assets, net of related debt	212,720,988	47,721,506	260,442,494	2,788,379
Restricted for:				
Public health	-	1,480,734	1,480,734	-
Public safety	4,840,782	-	4,840,782	-
Education	-	-	-	3,562,374
Unrestricted	54,576,989	43,741,764	98,318,753	7,655,507
Total net assets	<u>\$ 272,138,759</u>	<u>\$ 92,944,004</u>	<u>\$ 365,082,763</u>	<u>\$ 14,006,260</u>

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Statement of Activities
For the Year Ended June 30, 2007**

Function/Program activities primary government	Program Revenues			Net (expense) revenue and changes in net assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-type Activities		
Governmental activities:								
General government	\$ 12,009,076	\$ 380,614	\$ 471,945	\$ 14,359	\$ (11,142,158)	\$ -	\$ -	
Solid waste	4,529,426	434,748	45,829	90	(4,048,759)	-	(4,048,759)	
Public safety	12,283,753	1,774,276	2,678,792	1,351,127	(6,479,558)	-	(6,479,558)	
Recreation	2,034,416	180,665	42,193	181,521	(1,630,047)	-	(1,630,047)	
Education	46,526,601	-	141,707	1,130,587	(45,254,307)	-	(45,254,307)	
Roads and trails	4,686,013	-	18,987	1,441,085	(3,225,941)	-	(3,225,941)	
Interest on long-term debt	1,077,954	-	-	-	(1,077,954)	-	(1,077,954)	
Total governmental activities	83,147,239	2,770,293	3,399,453	4,118,769	(72,858,724)	-	(72,858,724)	
Business type activities -								
Hospitals	90,057,676	86,620,954	154,950	-	(3,281,772)	-	(3,281,772)	
Total primary government	173,204,915	89,391,247	3,554,403	4,118,769	(72,858,724)	(3,281,772)	(76,140,496)	
Component unit -								
Kenai Peninsula Borough School District	\$ 110,314,432	\$ 1,006,322	\$ 13,523,365	\$ 1,420,868	-	-	(94,363,877)	
General revenues:								
Taxes:								
Property taxes					48,397,294	5,412,121	53,809,415	
Sales taxes					18,321,611	-	18,321,611	
Grants not restricted to specific programs					6,379,840	-	6,379,840	
Investment earnings					4,927,247	1,385,420	6,312,667	
Payments from Kenai Peninsula Borough					-	-	37,941,676	
Miscellaneous					1,746,975	364,497	2,111,472	
Special items -					194,435	-	194,435	
Contributions-land entitlements					79,967,402	7,162,038	87,129,440	
Total general revenues and special items					7,108,678	3,880,266	10,988,944	
Change in net assets					285,030,081	89,063,738	354,093,819	
Net assets at beginning of year					\$ 272,138,759	\$ 92,944,004	\$ 365,082,763	
Net assets at end of year					\$ 14,006,260	\$ 14,006,260	\$ 14,006,260	

Kenai Peninsula Borough

**Governmental Funds
Balance Sheet
June 30, 2007**

<u>ASSETS</u>	General Fund	Bond Funded Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 1,010	\$ -	\$ 34,470	\$ 35,480
Equity in central treasury	20,348,075	4,103,639	39,201,885	63,653,599
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	4,505,914	-	262,986	4,768,900
Accounts receivable	15,815	-	240,286	256,101
Land sale contracts receivable:				
Current	-	-	210,543	210,543
Delinquent	-	-	22,978	22,978
Prepays	3,078	-	2,219	5,297
Due from other governments	831,197	-	932,431	1,763,628
Due from special assessment districts	746,510	-	-	746,510
Due from other funds	137,382	-	-	137,382
Land sale contracts receivable - Long-term	-	-	1,601,343	1,601,343
Total assets	<u>\$26,588,981</u>	<u>\$ 4,103,639</u>	<u>\$42,509,141</u>	<u>\$ 73,201,761</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and retainage payable	197,302	814,655	1,523,813	2,535,770
Accrued payroll and payroll taxes	188,468	455	184,348	373,271
Due to other funds	-	-	137,382	137,382
Deferred revenue	499,045	-	2,050,399	2,549,444
Unearned revenue	5,412,003	-	2,950,972	8,362,975
Total liabilities	<u>6,296,818</u>	<u>815,110</u>	<u>6,846,914</u>	<u>13,958,842</u>
Fund balances:				
Reserved:				
Encumbrances	276,067	407,566	5,341,591	6,025,224
Prepays	3,078	-	2,219	5,297
Unreserved:				
Designations:				
General Fund	796,773	-	-	796,773
Special revenue funds	-	-	7,783,122	7,783,122
Capital project funds	-	1,954,243	4,356,629	6,310,872
Undesignated:				
General Fund	19,216,245	-	-	19,216,245
Special revenue funds	-	-	14,581,779	14,581,779
Capital project funds	-	926,720	3,596,887	4,523,607
Total fund balances	<u>20,292,163</u>	<u>3,288,529</u>	<u>35,662,227</u>	<u>59,242,919</u>
Total liabilities and fund balances	<u>\$26,588,981</u>	<u>\$ 4,103,639</u>	<u>\$42,509,141</u>	<u>\$ 73,201,761</u>

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Reconciliation of the Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2007

Fund balances - total governmental funds		\$ 59,242,919
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		233,938,211
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:</p>		
Bonds payable	\$ (24,824,000)	
Accrued interest	(130,418)	
Landfill closure	(4,806,776)	
Net pension/OPEB obligation (PERS)	<u>(3,139,416)</u>	(32,900,610)
Net pension/OPEB obligation due from other government		546,962
<p>Some of the Borough's property taxes will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds.</p>		714,580
<p>Proceeds from land sales which will be collected after year-end and are not available soon enough to pay for current period's expenditures are deferred in the governmental funds.</p>		1,834,864
<p>Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.</p>		<u>8,761,833</u>
Net assets of governmental activities		<u>\$ 272,138,759</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, 2007**

	<u>General Fund</u>	<u>Bond Funded Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 33,048,882	\$ -	\$ 15,186,171	\$ 48,235,053
Sales tax	18,321,611	-	-	18,321,611
Intergovernmental:				
Federal	2,039,305	-	4,162,622	6,201,927
State	6,235,379	-	2,978,961	9,214,340
Investment earnings	2,187,061	304,582	2,044,665	4,536,308
Other revenues	<u>1,097,859</u>	<u>-</u>	<u>2,120,310</u>	<u>3,218,169</u>
Total revenues	<u>62,930,097</u>	<u>304,582</u>	<u>26,492,729</u>	<u>89,727,408</u>
Expenditures:				
General government	10,774,371	-	2,093,567	12,867,938
Solid waste	-	739,443	4,849,566	5,589,009
Public safety	1,418,168	2,084,763	13,169,966	16,672,897
Recreation	-	-	1,509,505	1,509,505
Education	37,941,676	1,439,300	3,808,370	43,189,346
Roads and trails	-	-	5,800,652	5,800,652
Debt service:				
Principal	-	-	2,065,000	2,065,000
Interest and other	<u>-</u>	<u>-</u>	<u>1,087,269</u>	<u>1,087,269</u>
Total expenditures	<u>50,134,215</u>	<u>4,263,506</u>	<u>34,383,895</u>	<u>88,781,616</u>
Excess (deficiency) of revenues over expenditures	<u>12,795,882</u>	<u>(3,958,924)</u>	<u>(7,891,166)</u>	<u>945,792</u>
Other financing sources (uses):				
Issuance of debt	-	2,515,000	-	2,515,000
Premium on bond sales	-	73,000	-	73,000
Transfers in	1,983,539	123,171	17,744,559	19,851,269
Transfers out	<u>(9,772,560)</u>	<u>(1,661,171)</u>	<u>(8,717,538)</u>	<u>(20,151,269)</u>
Net other financing sources (uses)	<u>(7,789,021)</u>	<u>1,050,000</u>	<u>9,027,021</u>	<u>2,288,000</u>
Net changes in fund balances	5,006,861	(2,908,924)	1,135,855	3,233,792
Fund balances at beginning of year	<u>15,285,302</u>	<u>6,197,453</u>	<u>34,526,372</u>	<u>56,009,127</u>
Fund balances at end of year	<u>\$ 20,292,163</u>	<u>\$ 3,288,529</u>	<u>\$ 35,662,227</u>	<u>\$ 59,242,919</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, 2007**

Net change in fund balances - total governmental funds \$ 3,233,792

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	\$ 13,762,896	
Less current year depreciation	<u>(9,547,533)</u>	4,215,363

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets. (550,788)

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 and loan proceeds	(2,515,000)	
Principal payments	<u>2,065,000</u>	(450,000)

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

Net pension/OPEB obligation	(158,079)	
Net pension/OPEB obligation due from other governments	<u>17,625</u>	(140,454)

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	162,241	
Land sales	<u>(305,777)</u>	(143,536)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Decrease in accrued interest	9,315	
Decrease in landfill closure cost	<u>107,210</u>	116,525

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.

827,776

Change in net assets of governmental activities \$ 7,108,678

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 33,271,406	\$ 33,271,406	\$ 33,048,882	\$ (222,524)
Sales tax	16,625,186	16,625,186	18,321,611	1,696,425
Intergovernmental	4,018,066	4,309,172	8,274,684	3,965,512
Investment earnings	1,105,660	1,105,660	2,187,061	1,081,401
Other	1,073,500	1,073,500	1,097,859	24,359
Total revenues	<u>56,093,818</u>	<u>56,384,924</u>	<u>62,930,097</u>	<u>6,545,173</u>
Expenditures:				
General government:				
Assembly:				
Personnel	633,037	653,656	622,164	31,492
Supplies	25,700	26,375	19,680	6,695
Services	429,901	463,726	359,457	104,269
Capital outlay	17,288	17,289	15,043	2,246
Total assembly	<u>1,105,926</u>	<u>1,161,046</u>	<u>1,016,344</u>	<u>144,702</u>
Mayor:				
Personnel	707,860	733,486	718,254	15,232
Supplies	7,065	7,170	6,663	507
Services	82,246	82,471	71,467	11,004
Capital outlay	7,200	7,085	6,585	500
Total mayor	<u>804,371</u>	<u>830,212</u>	<u>802,969</u>	<u>27,243</u>
General services:				
Personnel	1,990,974	2,050,954	1,979,185	71,769
Supplies	118,838	115,588	90,433	25,155
Services	665,946	667,996	607,996	60,000
Capital outlay	99,654	99,553	98,261	1,292
Total general services	<u>2,875,412</u>	<u>2,934,091</u>	<u>2,775,875</u>	<u>158,216</u>
Legal:				
Personnel	559,218	576,088	566,769	9,319
Supplies	3,000	3,000	566	2,434
Services	183,690	158,690	84,518	74,172
Capital outlay	5,000	5,000	3,609	1,391
Total legal	<u>750,908</u>	<u>742,778</u>	<u>655,462</u>	<u>87,316</u>
Finance:				
Personnel	1,921,909	1,970,995	1,843,513	127,482
Supplies	12,787	13,702	11,864	1,838
Services	355,910	357,294	235,470	121,824
Capital outlay	12,662	17,362	14,189	3,173
Total finance	<u>2,303,268</u>	<u>2,359,353</u>	<u>2,105,036</u>	<u>254,317</u>
Assessing:				
Personnel	1,839,478	1,892,103	1,738,910	153,193
Supplies	16,515	16,515	10,235	6,280
Services	306,159	306,159	183,691	122,468
Capital outlay	25,605	25,605	24,557	1,048
Total assessing	<u>2,187,757</u>	<u>2,240,382</u>	<u>1,957,393</u>	<u>282,989</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 757,113	\$ 780,095	\$ 762,786	\$ 17,309
Supplies	19,026	25,026	15,730	9,296
Services	247,456	244,456	156,321	88,135
Capital outlay	26,579	23,580	11,443	12,137
Total planning	<u>1,050,174</u>	<u>1,073,157</u>	<u>946,280</u>	<u>126,877</u>
Capital projects administration:				
Personnel	12,133	35,879	10,849	25,030
Supplies	11,543	13,863	11,699	2,164
Services	73,645	71,125	28,421	42,704
Capital outlay	2,500	2,700	2,627	73
Total capital projects administration	<u>99,821</u>	<u>123,567</u>	<u>53,596</u>	<u>69,971</u>
Non-departmental:				
Personnel	(765,689)	(765,689)	(762,013)	(3,676)
Services	1,262,019	1,399,019	1,223,429	175,590
Total non-departmental	<u>496,330</u>	<u>633,330</u>	<u>461,416</u>	<u>171,914</u>
Total general government	<u>11,673,967</u>	<u>12,097,916</u>	<u>10,774,371</u>	<u>1,323,545</u>
Public safety:				
Office of emergency management:				
Personnel	793,662	781,283	750,231	31,052
Supplies	13,250	17,365	15,001	2,364
Services	635,042	649,649	623,617	26,032
Capital outlay	19,150	31,464	29,319	2,145
Total public safety	<u>1,461,104</u>	<u>1,479,761</u>	<u>1,418,168</u>	<u>61,593</u>
Education - Services	<u>36,761,137</u>	<u>37,944,869</u>	<u>37,941,676</u>	<u>3,193</u>
Total expenditures	<u>49,896,208</u>	<u>51,522,546</u>	<u>50,134,215</u>	<u>1,388,331</u>
Excess of revenues over expenditures	6,197,610	4,862,378	12,795,882	7,933,504
Other financing sources (uses):				
Transfers in	195,320	2,033,320	1,983,539	(49,781)
Transfers out	(9,095,376)	(10,080,962)	(9,772,560)	308,402
Net other financing sources (uses)	<u>(8,900,056)</u>	<u>(8,047,642)</u>	<u>(7,789,021)</u>	<u>258,621</u>
Net changes in fund balance	(2,702,446)	(3,185,264)	5,006,861	8,192,125
Fund balance at beginning of year	<u>14,599,135</u>	<u>15,285,302</u>	<u>15,285,302</u>	<u>-</u>
Fund balance at end of year	<u>\$ 11,896,689</u>	<u>\$ 12,100,038</u>	<u>\$ 20,292,163</u>	<u>\$ 8,192,125</u>

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Proprietary Funds
Statement of Net Assets
June 30, 2007**

	<u>Business-type Activities</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Central Peninsula Hospital</u>	<u>South Peninsula Hospital</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,608,826	\$ 2,491,161	\$ 16,099,987	\$ 12,983
Equity in central treasury	<u>4,510,036</u>	<u>3,309,810</u>	<u>7,819,846</u>	<u>10,764,586</u>
	18,118,862	5,800,971	23,919,833	10,777,569
Property taxes receivable, net	46,667	69,495	116,162	-
Patient receivables, net	12,153,331	5,757,444	17,910,775	-
Other receivables	364,923	166,290	531,213	313,977
Prepaid items	892,470	109,854	1,002,324	-
Inventory	<u>1,494,462</u>	<u>1,042,400</u>	<u>2,536,862</u>	<u>-</u>
Total current assets	<u>33,070,715</u>	<u>12,946,454</u>	<u>46,017,169</u>	<u>11,091,546</u>
Noncurrent assets:				
Unamortized bond issuance costs	<u>-</u>	<u>59,221</u>	<u>59,221</u>	<u>-</u>
Restricted assets:				
Cash, cash equivalents, and investments	221,894	-	221,894	-
Bond funds	<u>11,020,056</u>	<u>-</u>	<u>11,020,056</u>	<u>-</u>
Total restricted assets	<u>11,241,950</u>	<u>-</u>	<u>11,241,950</u>	<u>-</u>
Assets whose use is limited:				
Employee health reserve	-	107,024	107,024	-
Malpractice trust/reserve	2,807,212	85,000	2,892,212	-
Plant replacement funds	6,055,798	3,852,589	9,908,387	-
Other reserve funds	<u>-</u>	<u>151,434</u>	<u>151,434</u>	<u>-</u>
Total assets whose use is limited	<u>8,863,010</u>	<u>4,196,047</u>	<u>13,059,057</u>	<u>-</u>
Capital assets:				
Land and land improvements	1,685,411	511,024	2,196,435	-
Buildings	63,432,901	20,625,733	84,058,634	-
Equipment	29,166,000	9,573,489	38,739,489	4,489,467
Improvements other than buildings	158,627	-	158,627	-
Construction in progress	2,459,693	15,264,833	17,724,526	-
Less accumulated depreciation	<u>(31,471,039)</u>	<u>(18,924,596)</u>	<u>(50,395,635)</u>	<u>(2,533,693)</u>
Total capital assets (net of accumulated depreciation)	<u>65,431,593</u>	<u>27,050,483</u>	<u>92,482,076</u>	<u>1,955,774</u>
Total noncurrent assets	<u>85,536,553</u>	<u>31,305,751</u>	<u>116,842,304</u>	<u>1,955,774</u>
Total assets	<u>\$ 118,607,268</u>	<u>\$ 44,252,205</u>	<u>\$ 162,859,473</u>	<u>\$ 13,047,320</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, 2007**

	<u>Business-type Activities</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Central Peninsula Hospital</u>	<u>South Peninsula Hospital</u>	<u>Total</u>	
LIABILITIES				
Current liabilities:				
Accounts and contracts payable	\$ 4,354,793	\$ 1,347,260	\$ 5,702,053	\$ 14,644
Accrued payroll and payroll taxes	3,482,191	1,656,026	5,138,217	701,114
Current portion of long-term debt	1,750,000	740,623	2,490,623	-
Interest payable	831,619	33,415	865,034	-
Other payables	76,601	-	76,601	1,567,586
Deferred revenue	<u>2,006,565</u>	<u>287,152</u>	<u>2,293,717</u>	<u>-</u>
Total current liabilities	12,501,769	4,064,476	16,566,245	2,283,344
Noncurrent liabilities - Long-term debt, net	<u>43,161,676</u>	<u>10,187,548</u>	<u>53,349,224</u>	<u>2,002,143</u>
Total liabilities	<u>55,663,445</u>	<u>14,252,024</u>	<u>69,915,469</u>	<u>4,285,487</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,539,973	16,181,533	47,721,506	1,955,774
Restricted:				
Insurance uses	500,000	-	500,000	-
Unspent earnings on bond proceeds	-	851,427	851,427	-
Patron pledges	129,307	-	129,307	-
Unrestricted	<u>30,774,543</u>	<u>12,967,221</u>	<u>43,741,764</u>	<u>6,806,059</u>
Total net assets	<u>\$ 62,943,823</u>	<u>\$ 30,000,181</u>	<u>\$ 92,944,004</u>	<u>\$ 8,761,833</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, 2007**

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Central Peninsula Hospital	South Peninsula Hospital	Total	
Operating revenues:				
Net patient service revenues	\$ 61,645,271	\$23,823,943	\$ 85,469,214	\$ -
Other operating revenues	<u>911,505</u>	<u>240,235</u>	<u>1,151,740</u>	<u>8,463,325</u>
Total net operating revenues	<u>62,556,776</u>	<u>24,064,178</u>	<u>86,620,954</u>	<u>8,463,325</u>
Operating expenses:				
Nursing services	16,435,035	6,587,031	23,022,066	-
Other professional services	13,454,313	7,371,649	20,825,962	5,518,209
General services	5,514,461	2,972,430	8,486,891	-
Fiscal and administrative services	22,160,773	7,929,427	30,090,200	2,459,637
Depreciation	<u>5,240,034</u>	<u>1,486,302</u>	<u>6,726,336</u>	<u>348,642</u>
Total operating expenses	<u>62,804,616</u>	<u>26,346,839</u>	<u>89,151,455</u>	<u>8,326,488</u>
Operating income (loss)	<u>(247,840)</u>	<u>(2,282,661)</u>	<u>(2,530,501)</u>	<u>136,837</u>
Non-operating revenues (expenses):				
General property taxes	3,284,709	2,127,412	5,412,121	-
Investment earnings	1,182,111	203,309	1,385,420	390,939
Intergovernmental -				
Federal grants	-	154,950	154,950	-
Gain on disposal of assets	-	614	614	-
Interest expense	(831,619)	(74,602)	(906,221)	-
Other	<u>325,849</u>	<u>38,034</u>	<u>363,883</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>3,961,050</u>	<u>2,449,717</u>	<u>6,410,767</u>	<u>390,939</u>
Income before contributions and transfers	3,713,210	167,056	3,880,266	527,776
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Change in net assets	3,713,210	167,056	3,880,266	827,776
Net assets at beginning of year	59,230,613	29,833,125	89,063,738	7,934,057
Net assets at end of year	<u>\$ 62,943,823</u>	<u>\$30,000,181</u>	<u>\$ 92,944,004</u>	<u>\$ 8,761,833</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, 2007

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Central Peninsula Hospital	South Peninsula Hospital	Total	
Cash flows from operating activities:				
Receipts from patients and users	\$ 61,373,214	\$24,199,940	\$ 85,573,154	\$ 8,535,591
Payments to suppliers	(18,560,753)	(9,135,725)	(27,696,478)	(5,004,717)
Payments to employees	(37,088,734)	(16,145,829)	(53,234,563)	(2,269,331)
Other receipts (payments)	(1,293,503)	240,235	(1,053,268)	14,086
Net cash provided (used) by operating activities	<u>4,430,224</u>	<u>(841,379)</u>	<u>3,588,845</u>	<u>1,275,629</u>
Cash flows from noncapital financing activities:				
Receipts from property taxes	3,220,588	2,127,412	5,348,000	-
Grants	1,231,753	192,984	1,424,737	-
Net cash provided by noncapital financing activities	<u>4,452,341</u>	<u>2,320,396</u>	<u>6,772,737</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Capital contributions from General Fund	-	-	-	300,000
Purchase of capital assets	(12,601,575)	(12,297,781)	(24,899,356)	(444,313)
Bond proceeds	-	3,121,291	3,121,291	-
Payment to refunding escrow agent	-	(3,062,070)	(3,062,070)	-
Debt issuance costs	-	(59,221)	(59,221)	-
Principal paid on capital debt	(1,690,000)	(934,807)	(2,624,807)	-
Interest paid on capital debt	(2,068,075)	(474,507)	(2,542,582)	-
Proceeds from sale of capital assets	-	614	614	-
Net cash used by capital and related financing activities	<u>(16,359,650)</u>	<u>(13,706,481)</u>	<u>(30,066,131)</u>	<u>(144,313)</u>
Cash flows from investing activities:				
Decrease in assets whose use is limited	6,507,268	12,903,883	19,411,151	-
Interest on investments	1,172,625	394,073	1,566,698	390,939
Net cash provided by investing activities	<u>7,679,893</u>	<u>13,297,956</u>	<u>20,977,849</u>	<u>390,939</u>
Net increase in cash and cash equivalents	202,808	1,070,492	1,273,300	1,522,255
Cash and equity in central treasury, beginning of year	<u>17,916,054</u>	<u>4,730,479</u>	<u>22,646,533</u>	<u>9,255,314</u>
Cash and equity in central treasury, end of year	<u>\$ 18,118,862</u>	<u>\$ 5,800,971</u>	<u>\$ 23,919,833</u>	<u>\$ 10,777,569</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, 2007

	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)	\$ (247,840)	\$ (2,282,661)	\$ (2,530,501)	\$ 136,837
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	5,240,034	1,486,302	6,726,336	348,642
Other non-operating income (expense)	325,849	-	325,849	-
Change in assets and liabilities:				
(Increase) decrease in patient receivables	(1,183,562)	(704,412)	(1,887,974)	-
(Increase) decrease in other receivables	174,025	1,080,409	1,254,434	86,352
(Increase) decrease in inventory	(200,270)	(11,270)	(211,540)	-
(Increase) decrease in prepaid items	71,799	(7,044)	64,755	-
Increase (decrease) in accounts and contracts payable	952,290	(473,940)	478,350	(11,570)
Increase (decrease) in accrued liabilities	(702,101)	71,237	(630,864)	715,368
Total adjustments	<u>4,678,064</u>	<u>1,441,282</u>	<u>6,119,346</u>	<u>1,138,792</u>
Net cash provided (used) by operating activities	<u>\$ 4,430,224</u>	<u>\$ (841,379)</u>	<u>\$ 3,588,845</u>	<u>\$ 1,275,629</u>
Noncash investing, capital and financing activities:				
Increase in fair value of investments	<u>\$ 141,338</u>	<u>\$ -</u>	<u>\$ 141,338</u>	<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, 2007

	Agency Funds
Assets	
Equity in central treasury	\$ 965,303
Taxes receivable	79,517
Due from landowners	651,375
 Total assets	 \$1,696,195
 Liabilities	
Accounts payable	1,605
Deposits from landowners	78,023
Deferred administration fee	85,491
Due to landowners	349,838
Loans payable	746,510
Due to other entities:	
Homer	133,646
Kachemak City	584
Kenai	180,110
Seldovia	8,274
Seward	56,742
Soldotna	55,372
 Total liabilities	 \$1,696,195

The accompanying notes are an integral part of the financial statements

INDEX TO NOTES

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

NOTEPAGE

I.	Summary of Significant Accounting Policies	41
A.	Reporting Entity	41
	Blended Component Units	41
	Discretely Presented Component Unit	41
B.	Government-Wide and Fund Financial Statements	41
C.	Measurement Focus, Basis of Accounting, and Financial Statement Presentation	42
D.	Assets, Liabilities, and Net Assets or Equity	43
	1. Deposits and Investments	43
	2. Receivables and Payables	44
	3. Inventories	44
	4. Prepaid Items	44
	5. Assets Whose Use Is Limited	44
	6. Capital Assets	45
	7. Compensated Absences	45
	8. Long-Term Obligations	45
	9. Fund Equity	45
II.	Stewardship, Compliance and Accountability	46
A.	Budgetary Information	46
III.	Detailed Notes on All Funds	47
A.	Deposits and Investments	47
B.	Property Taxes	50
C.	Receivables	50
D.	Deferred Revenue	51
E.	Capital Assets	51
F.	Interfund Receivables, Payables and Transfers	54
G.	Risk Management	55
H.	Long-Term Debt	56
I.	Debt Issued Subsequent to Year End	58
J.	Conduit Debt Obligations	58
K.	Commitments and Contingencies	58
	1. Loss Contingencies	58
	2. Grants	58
L.	Pension Plans	59
	1. State of Alaska Public Employees' Retirement System	59
	2. Hospital Pension Plans	63
	Central Peninsula General Hospital Plan Description	63
	South Peninsula Hospital Plan Description	63
M.	Landfill Closure and Postclosure Care Cost	64

**Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2007**

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Blended Component Units.

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

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

Discretely Presented Component Unit.

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The Borough reports the following major governmental funds:

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

The Bond Funded Capital Projects Fund accounts for all projects funded from bond proceeds. This fund is project length and does not have an annual budget.

The Borough reports the following major proprietary funds:

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

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

Additionally, the Borough reports the following fund types:

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The Borough does not use an indirect cost allocation system.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Some funds, in particular the Enterprise Funds, the Special Revenue Funds of Central Emergency Services and Nikiski Fire, and the discretely presented Component Unit School District, have cash which is not aggregated in the central treasury. Investments at June 30, 2007 are reported at fair value.

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

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

"Cash and Short Term Investments" is used to account for cash held in bank accounts for certain School District

Funds and for cash and investments of the enterprise funds. "Cash on Hand" is used to account for petty cash and other cash not classified elsewhere.

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

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 4.9% of outstanding property taxes at June 30, 2007.

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, 2007 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, 2007 is as follows:

Central Peninsula Hospital:	
Malpractice reserve, held by trustee	\$ 2,807,212
Plant replacement	6,055,798
South Peninsula Hospital:	
Employee health reserve	107,024
Student loan program	151,434
Plant replacement	3,852,589
Malpractice reserve	<u>85,000</u>
Total assets whose use is limited	\$ <u>13,059,057</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>
Building	10-50
Improvements other than building	10-50
Infrastructure	10-50
Vehicles	7-10
Equipment	5-10

7. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation and vested sick leave. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. Unused sick leave is vested at 25% after five years of employment, and an additional 25% is vested after ten years. Vested sick leave may only be received in cash by the employee upon termination of employment. The obligation of accumulated unpaid vacation and vested sick leave amounts to \$2,703,257 at June 30, 2007 for the Primary Government excluding the hospitals, an increase of \$66,299 from June 30, 2006, of which \$701,114, a decrease of \$148,704 from June 30, 2006, is expected to be paid out within one year. An internal service fund, Employee Compensated Leave Fund, was established to account for resources accumulated to provide for compensated absences for the Borough's governmental activities. The Borough does not accrue a liability for non-vested sick leave, payable only in the event of employee absence due to illness. That amount is \$1,369,919 at June 30, 2007, a decrease of \$283,408 from June 30, 2006.

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, 2007 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, 2007, 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		\$ 2,929,344
Wells Fargo Secured Institutional Money Market		20,841,246
External investment pool	31 day average	6,269,640
U. S. Agencies	November 2007-November 2011	41,664,422
U. S. Treasury Notes	November 2007-May 2011	22,199,876
Chevron / Texaco Corporate Bonds	September 2007	1,006,701
American International Corporate Bonds	May 2008	834,465
World Savings Bank NT Corporate Bonds	June 2008	1,002,303
Wachovia Bank Corporate Bonds	August 2008	1,002,438
Associates Corporate Bonds	November 2008	1,021,367
Bank of America NT Corporate Bonds	February 2009	1,030,174
General Electric Corporate Bonds	April 2009	1,380,343
Wells Fargo & Company Corporate Bonds	April 2009	1,457,419
General Electric Commercial Paper	January 2008	4,863,750
	Total	107,503,488
<u>Major Bond Funded Capital Project Fund Investments:</u>		
External investment pool	31 day average	<u>4,103,639</u>
	Total Investments held in Central Treasury	\$ <u>111,607,127</u>
<u>Business Type Activities Investments-Restricted Assets:</u>		
External investment pool	31 day average	<u>11,020,056</u>
<u>Business Type Activities Investments-Assets Whose Use is Limited:</u>		
Repurchase agreement		6,292,513
External investment pool	31 day average	3,807,897
Wells Fargo Advantage Cash Money Market		2,302,991
U. S. Agencies	July 2007 -November 2007	<u>504,222</u>
	Total	<u>12,907,623</u>
	Grand Total	\$ <u>135,534,806</u>

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

The AMLIP is an external investment pool, which is not SEC registered. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. On a monthly basis the investments in the pool are reviewed for fair value by an independent pricing service. The values of investments in the AML pool are approximately equal to fair value.

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

<u>Maturity</u>	<u>Target Maturity Level</u>	<u>Actual Investment</u>
One Year or Less	Minimum 40%	62%
One to three Years	Maximum 30%	24%
Three to Five Years	Maximum 30%	14%

Variable Rate Note. The Borough invested \$1 million in a variable rate note issued by World Savings Bank. It was purchased June 13, 2005 and matures June 20, 2008. The semiannual coupon rate is equal to the LIBOR plus 5 basis points. The rate resets quarterly. At June 30, 2007 the note had a coupon rate of 5.41%.

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 \$9.45 million or 22.7% 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 Bank	Quarterly	November 10, 2007
Federal National Mortgage Association	One time call	May 19, 2008
Federal Home Loan Mortgage Corporation	One time call	November 14, 2008

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 percentage 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, 2007</u>
U.S. Treasury Securities	100%	5 years	16%
U.S. Agencies	100%	5 years	31%
Corporate bonds	50%	5 years	6%
Repurchase agreements	20%	n/a	7%
Money market funds	20%	n/a	17%
AMLIP	20%	n/a	19%
Commercial Paper	25%	270 days	4%

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. The Borough has invested in commercial paper throughout the course of the year. Commercial paper must be rated A1 or higher by Moody's Investor's Service, Inc. and P1 or higher by Standard and Poor's Corporation at the time of purchase.

As of June 30, 2007 the Borough's investments in commercial paper, corporate bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

<u>INVESTMENT</u>	<u>Standards & Poor's</u>	<u>Moody's Investors Service</u>
Chevron / Texaco Corporate Bonds	AA	AA2
American International Corporate Bonds	AA	AA2
World Savings Bank NT Corporate Bonds	AA	AA1
Wachovia Bank Corporate Bonds	AA	AA1
Associates Corporate Bonds	AA	AA1
Bank of America NT Corporate Bonds	AA	AA1
General Electric Corporate Bonds	AAA	AAA
General Electric Commercial Paper	A1	P1
Wells Fargo & Company Corporate Bonds	AA+	AA1
Federal National Mortgage Association	AAA	AAA
Federal Home Loan Bank	AAA	AAA
Federal Home Loan Mortgage Corporation	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 \$9.2 million in repurchase agreements at June 30, 2007, \$9.1 million of the underlying securities are pledged to the Borough by the Bank, this collateral is owned by the Bank and held by the third party custodian. The Federal Deposit Insurance Corporation (FDIC) insures the remaining \$100,000.

Cash and short term investment balances at June 30, 2007, consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and short term investments held in central treasury:		
Checking accounts:		
Borough	\$ (1,120,159)	\$ 311,669
Component unit (School District)	<u>(1,127,718)</u>	<u>-</u>
Total cash and short term investments held in central treasury	(2,247,877)	311,669
Other cash and investments:		
Checking and savings accounts:		
Borough	46,853	58,262
Proprietary funds	12,000,815	11,819,902
Proprietary funds – assets whose use is limited	151,434	151,434
Short-term time deposits	4,095,448	4,095,448
Long-term time deposits – restricted assets	221,894	221,894
Cash on hand:		
Borough	1,610	-
Proprietary funds	3,724	-
Component unit (School District)	<u>39,676</u>	<u>39,676</u>
Total other cash and short term investments	<u>16,561,454</u>	<u>16,386,616</u>
Total cash and short term investments	\$ <u>14,313,577</u>	\$ <u>16,698,285</u>

The following is a summary of equity in central treasury and investments at June 30, 2007:

General Fund	\$ 20,348,075
Special revenue funds	27,203,993
Capital projects funds	16,101,531
Enterprise funds	7,819,846
Internal service funds	10,764,586
Fiduciary funds	\$ 965,303

Component unit – agency funds	2,075,778
Component unit	<u>24,080,138</u>
Total equity in central treasury	\$ <u>109,359,250</u>

The equity in central treasury consists of the following:

Cash and short term investments	\$ (2,247,877)
Investments	<u>111,607,127</u>
	\$ <u>109,359,250</u>

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

Fair value at June 30, 2007	\$ 111,607,127
Add: cost of investments sold/called/matured in FY07	30,105,718
Less: cost of investments purchased in FY07	(42,183,219)
Less: fair value at June 30, 2006	<u>(98,236,533)</u>
Change in fair value of investments	\$ <u>1,293,093</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 2%, 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, 2006	Total taxes are due	October 15, 2006
Levy date	Not later than June 15, 2006	Penalties & interest added	October 17, 2006
Tax bills mailed	Not later than July 1, 2006	Lien date	April 15, 2007

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 98.7% of the property taxes due were collected within 60 days after the due date. Assessed values are established by the Kenai Peninsula Borough assessor's office. Borough code requires a revaluation of all property be completed no less than every 5 years, the current average is approximately every 5 years.

C. Receivables

Receivables at June 30, 2007 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	\$ 4,541,367	\$ 121,473	\$ 265,460	\$ -	\$ 79,517	\$ 5,007,817
Patient	-	22,392,912	-	-	-	22,392,912
Accounts and other	15,815	531,213	240,286	-	651,375	1,438,689
Land sale contracts	-	-	1,834,864	-	-	1,834,864
Intergovernmental	831,197	-	932,431	313,977	-	2,077,605
Interfund	<u>883,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>883,892</u>
Gross receivables	6,272,271	23,045,598	3,273,041	313,977	730,892	33,635,779
Less allowance for uncollectibles	<u>(35,453)</u>	<u>(4,487,448)</u>	<u>(2,474)</u>	<u>-</u>	<u>-</u>	<u>(4,525,375)</u>
	<u>\$ 6,236,818</u>	<u>\$ 18,558,150</u>	<u>\$ 3,270,567</u>	<u>\$ 313,977</u>	<u>\$ 730,892</u>	<u>\$ 29,110,404</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, 2007, 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)	\$ 499,045	\$ 3,489,086
Property taxes receivable (nonmajor governmental funds)	215,535	2,907,050
Land sale receivables	1,834,864	-
Grant funds received prior to meeting all eligibility requirements	<u>-</u>	<u>1,966,839</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 2,549,444</u>	<u>\$ 8,362,975</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

Governmental activities:	<u>Balance July 1, 2006</u>	<u>Additions / Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance June 30, 2007</u>
Capital assets, not being depreciated				
Land	\$ 65,039,040	\$ 335,455	\$ (38,338)	\$ 65,336,157
Construction in progress	<u>21,771,927</u>	<u>7,487,887</u>	<u>(25,150,454)</u>	<u>4,109,360</u>
Total capital assets, not being				
Depreciated	<u>86,810,967</u>	<u>7,823,342</u>	<u>(25,188,792)</u>	<u>69,445,517</u>
Capital assets, being depreciated:				
Buildings	261,660,190	19,997,310	(426,005)	281,231,495
Improvements other than buildings	55,742,994	7,148,250	(68,225)	62,823,019
Machinery and equipment	21,654,578	3,295,986	(642,142)	24,308,422
Infrastructure	<u>4,723,739</u>	<u>949,166</u>	<u>(32,515)</u>	<u>5,640,390</u>
Total capital assets, being				
Depreciated	<u>343,781,501</u>	<u>31,390,712</u>	<u>(1,168,887)</u>	<u>374,003,326</u>

Less accumulated depreciation for:				
Buildings	\$ (141,341,414)	\$ (5,671,756)	\$ -	\$ (147,013,170)
Improvements other than buildings	(43,054,399)	(1,525,845)	6,116	(44,574,128)
Machinery and equipment	(13,755,687)	(2,564,949)	793,931	(15,526,705)
Infrastructure	<u>(307,230)</u>	<u>(133,625)</u>	<u>-</u>	<u>(440,855)</u>
Total accumulated depreciation	<u>(198,458,730)</u>	<u>(9,896,175)</u>	<u>800,047</u>	<u>(207,554,858)</u>
Total capital assets, being depreciated, net	<u>145,322,771</u>	<u>21,494,537</u>	<u>(368,840)</u>	<u>166,448,468</u>
Governmental activities capital assets, net	\$ <u>232,133,738</u>	\$ <u>29,317,879</u>	\$ <u>(25,557,632)</u>	\$ <u>235,893,985</u>

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

	<u>Balance July 1, 2006</u>	<u>Additions / Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance June 30, 2007</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,131,702	\$ 16,076	\$ -	\$ 1,147,778
Construction in progress	<u>42,512,517</u>	<u>16,558,270</u>	<u>(41,346,261)</u>	<u>17,724,526</u>
Total capital assets, not being depreciated	<u>43,644,219</u>	<u>16,574,346</u>	<u>(41,346,261)</u>	<u>18,872,304</u>
Capital assets, being depreciated:				
Buildings	367,990	680,667	-	1,048,657
Improvements other than buildings	51,144,645	32,913,989	-	84,058,634
Machinery and equipment	158,627	-	-	158,627
Infrastructure	<u>25,220,162</u>	<u>16,382,949</u>	<u>(2,863,622)</u>	<u>38,739,489</u>
Total capital assets, being depreciated	<u>76,891,424</u>	<u>49,977,605</u>	<u>(2,863,622)</u>	<u>124,005,407</u>
Less accumulated depreciation for:				
Buildings	(305,944)	(37,321)	-	(343,265)
Improvements other than buildings	(32,495,693)	(2,464,253)	-	(34,959,946)
Machinery and equipment	(24,826)	(16,828)	-	(41,654)
Infrastructure	<u>(13,695,713)</u>	<u>(4,203,735)</u>	<u>2,848,678</u>	<u>(15,050,770)</u>
Total accumulated depreciation	<u>(46,522,176)</u>	<u>(6,722,137)</u>	<u>2,848,678</u>	<u>(50,395,635)</u>
Total capital assets, being depreciated, net	<u>30,369,248</u>	<u>43,255,468</u>	<u>(14,944)</u>	<u>73,609,772</u>
Business-type activities capital assets, net	\$ <u>74,013,467</u>	\$ <u>59,829,814</u>	\$ <u>(41,361,205)</u>	\$ <u>92,482,076</u>

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

Governmental activities:

General government	\$ 503,860
Senior citizens	5,372
Public safety	965,561
Solid waste facilities	816,821
Road maintenance, including infrastructure assets	160,421
Recreation	410,322
Schools	6,685,176
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>348,642</u>

Total depreciation expense - governmental activities \$ 9,896,175

Business-type activities:

Hospitals:	
Central Peninsula General Hospital	\$ 5,240,034
South Peninsula Hospital	<u>1,486,302</u>
Total depreciation expense - business-type activities	\$ <u>6,726,336</u>

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2007. The projects include major repair of existing roads, improvement to school facilities, and various public works projects. At year-end the Borough's commitments with contractors are as follows:

<u>Projects</u>	<u>Remaining Commitments</u>	<u>Financing Sources</u>
Major repair of existing roads	\$ 495,676	Federal and State grants and local funding
Improvement to school facilities	865,398	General obligation bonds and local funding
Landfill closure and site upgrades	2,120,554	Federal grants and local funding
Various public works projects	<u>164,130</u>	Federal and State grants and local funding
Total	<u>\$ 3,645,758</u>	

Discretely presented component unit

Capital asset activity for Kenai Peninsula Borough School District for the year ended June 30, 2007 was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions / Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance June 30, 2007</u>
Governmental activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 4,721,488	\$ 1,862,320	\$(223,154)	\$ 6,360,654
Less accumulated depreciation for:				
Machinery and equipment	<u>(3,523,805)</u>	<u>(271,624)</u>	<u>223,154</u>	<u>(3,572,275)</u>
Governmental activities capital assets, net	<u>\$ 1,197,683</u>	<u>\$ 1,590,696</u>	<u>\$ _____</u>	<u>\$ 2,788,379</u>

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2007 is as follows:

The General Fund has made a short-term loan of \$6,468 to the Lowell Point Emergency Service Area Special Revenue Fund, \$5,177 to the Local Emergency Planning Committee Special Revenue Fund, and \$125,737 to the Miscellaneous Grant Special Revenue Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies. The General Fund has made loans in the amount of \$746,510 to the Special Assessment Funds for utility/road improvements. Taxpayers of the utility/road improvement districts then repay the amount that is borrowed over a 10 year period.

Fund	Interfund Receivables	Interfund Payables
Major fund - General Fund	\$ 883,892	\$ -
Nonmajor governmental funds	-	137,382
Agency funds	-	<u>746,510</u>
Total	<u>\$ 883,892</u>	<u>\$ 883,892</u>

Interfund transfers

Interfund transfers have been made in accordance with appropriating ordinances. The Borough collects a 2% sales tax and records the revenue in the General Fund. Sales tax, specifically dedicated to School District operations, and additional funds appropriated by the Assembly are transferred in monthly installments from the General Fund to the School District. Transfers to the School District totaled \$37,941,676.

Transfers between funds for the year ended June 30, 2007, were as follows:

	Transfer In				Total
	Major Funds		Nonmajor Gov't Funds	Internal Service Fund	
	General Fund	Bond Funded Capital Project Fund			
Transfer Out:					
Major Funds:					
General Fund	\$ -	\$ -	\$ 9,472,560	\$ 300,000	\$ 9,772,560
Bond funded capital projects	-	-	1,661,171	-	1,661,171
Nonmajor governmental funds	<u>1,983,539</u>	<u>123,171</u>	<u>6,610,828</u>	-	<u>8,717,538</u>
Total	<u>\$ 1,983,539</u>	<u>\$ 123,171</u>	<u>\$ 17,744,559</u>	<u>\$ 300,000</u>	<u>\$ 20,151,269</u>

Significant transfers were as follows:

- General Fund transferred \$4,984,390 to the Solid Waste Special Revenue Fund to fund operations, debt service, and capital acquisitions.
- General Fund transferred \$2,139,422 to General Government Debt Service Fund to fund FY07 debt service payments on bonds sold to finance construction of school facilities and capital maintenance.
- General Fund transferred \$1,250,000 to School Capital Projects Fund to fund capital maintenance on school facilities.
- School Revenue Capital Projects Fund transferred \$1,838,000 to the General Fund for reimbursement for capital projects previously funded by a General Fund transfer that are now being funded with the issuance of areawide school bonds.
- Solid Waste Special Revenue Fund transferred \$2,450,000 for closure and postclosure liability to Solid

Waste Capital Projects Fund to fund the closure of the Central Peninsula Landfill cell that had reached capacity.

G. Risk Management

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

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

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

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

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

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claim Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2005-2006	\$ 839,265	\$ 1,526,956	\$ (1,440,871)	\$ 925,350
2006-2007	925,350	1,617,290	(1,500,054)	1,042,586

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

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

The Central Peninsula Hospital was self-insured for medical malpractice claims up to \$200,000 per claim during the years 1987-1995. In connection with this, the hospital established a revocable trust from which its portion of any claim will be paid. At June 30, 2007, the Central Peninsula Hospital had on deposit \$2,807,215 in the trust account for payment of future claims. Starting January 1, 1996, the hospital's insurance coverage was changed to provide first

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

In addition to the risk management issues listed above, the Borough maintains a health and medical benefit program, which covers all permanent employees working more than half time. The Borough retains a major portion of the risk of this plan, and, accordingly, is liable for any employee health claims that are approved for payment. Stop-loss limits are \$200,000 for individual claims and \$1,000,000 for aggregate claims. Health and medical expenditures totaled \$3,084,631 and \$3,253,415 for the years ended June 30, 2007 and 2006 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, 2007 and 2006 follows:

	Beginning of Fiscal Year Liability	Current Year Claim Estimates	Claim Payments	End of Fiscal Year Liability
2005 – 2006	\$521,300	\$3,123,767	\$(3,159,375)	\$485,692
2006 – 2007	\$485,692	\$3,023,999	\$(2,984,691)	\$525,000

H. Long-term debt

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

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Due within one year
Governmental activities:					
Areawide school bonds	\$ 16,764,000	\$ 2,515,000	\$ 1,320,000	\$ 17,959,000	\$ 1,540,000
Solid waste bonds	5,110,000	-	670,000	4,440,000	685,000
Central emergency services bonds	2,500,000	-	75,000	2,425,000	80,000
Compensated absences	2,636,958	1,921,480	1,855,181	2,703,257	701,114
Landfill closure / postclosure	4,913,986	263,763	370,973	4,806,776	3,182,623
Net pension/OPEB obligation	<u>2,981,337</u>	<u>3,981,692</u>	<u>3,823,613</u>	<u>3,139,416</u>	<u>-</u>
Total governmental activities long-term liabilities	\$ <u>34,906,281</u>	\$ <u>8,681,935</u>	\$ <u>8,114,767</u>	\$ <u>35,473,449</u>	\$ <u>6,188,737</u>
Business-type activities:					
South Peninsula Hospital:					
Expansion project	9,625,000	3,080,000	3,240,000	9,465,000	400,000
CT Scanner	2,000,000	-	549,807	1,450,193	340,623
Central Peninsula Hospital-					
Expansion project	<u>45,020,000</u>	<u>-</u>	<u>1,690,000</u>	<u>43,330,000</u>	<u>1,750,000</u>
Total business-type activities long-term liabilities	\$ <u>56,645,000</u>	\$ <u>3,080,000</u>	\$ <u>5,479,807</u>	\$ 54,245,193	\$ <u>2,490,623</u>
Unamortized premium on bonds – South Peninsula Hospital expansion project				184,168	
Deferred loss on bond refunding – South Peninsula Hospital expansion project				(171,190)	
Unamortized premium on bonds – Central Peninsula Hospital expansion project				<u>1,581,676</u>	
				\$ <u>55,839,847</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. New School bonds in the amount of \$2,515,000 were issued January 31, 2007 to pay for capital expenditures at various schools.

Solid Waste Bonds. Voters of the Borough authorized the issuance of \$12,000,000 in general obligation bonds for expansion of the Central Peninsula Landfill. Bonds in the amount of \$7,040,000 were issued May 22, 2003. The remaining authorized but unissued amount of \$4,960,000 is expected to be issued in 2009. Bonds are paid by the General Fund through the levy of property taxes.

Business Type Activity.

In March 2007 the Borough issued South Peninsula Hospital refunding bonds of \$3,080,000 with interest rates of 3.75% to 4.5% to refund \$2,855,000 of hospital expansion bonds with an interest rate of 5.0% to 5.25%. The new bonds were issued at a premium of \$41,291 and, after paying issuance costs of \$59,221, the net proceeds were \$3,062,070. As a result of the refunding, the Borough reduced its total debt service requirements by \$132,648, which resulted in an economic gain (difference between the present value of the debt service on the refunded bonds and the present value of the debt service on the refunding bonds, adjusted for additional cash paid) of \$111,601. The balance of the defeased bonds at June 30, 2007 was \$2,855,000.

Net Pension Obligation

The Borough's contribution for FY04 was 7.81%, for FY05 was 12.81%, for FY06 17.81%, and for FY07 22.81%; the actuarial determined rate for FY07 was 28.70%. State law precluded the rate increasing by more than 5% in any given year. The amount shown includes an amount due from the Kenai Peninsula Borough School District, a discretely presented component unit of \$546,962, for wages paid by the Borough but charged to the District. For additional information see Note III J.

A summary of bonds payable (in thousands) at June 30, 2007, 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, 2007</u>
School bonds:	01-31-07	\$ 2,515	3.95 – 5.50	2008 - 2017	\$ 312 to 316	\$ 2,515
	12-12-00	7,429	4.75 - 5.00	2001 - 2010	740 to 769	2,989
	08-07-04	<u>14,700</u>	4.25 – 6.00	2004 - 2023	1,070 to 1,202	<u>12,455</u>
Total school bonds		<u>24,644</u>				<u>17,959</u>
Solid waste bonds	05-22-03	7,040	2.50 - 4.25	2003 - 2013	855 to 860	4,440
Central emergency services bonds	06-21-06	2,500	4.00 - 6.00	2026	75 to 185	2,425
Enterprise Fund Bonds:						
South Peninsula Hospital bonds	09-30-03	10,290	2.50 - 5.125	2004 - 2023	390 to 630	6,385
South Peninsula Hospital bonds	04-05-07	3,080	3.75 – 4.50	2007 - 2023	10 to 770	3,080
Central Kenai Peninsula Hospital bonds	12-17-03	<u>47,985</u>	2.50 – 5.00	2004 - 2023	3,760	<u>43,330</u>
Total bonds		<u>\$ 95,539</u>				<u>\$ 77,619</u>

Debt service requirements, (not including landfill closure/postclosure, compensated absences and NPO/OPEB), at June 30, 2007 were as follows:

<u>Fiscal Year</u>	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,305,000	\$ 1,075,491	\$ 2,490,623	\$ 2,465,085
2009	2,355,000	977,559	2,569,840	2,386,969
2010	2,410,000	881,110	2,649,650	2,302,496
2011	2,504,000	781,652	2,760,080	2,193,936
2012	1,795,000	676,390	2,485,000	2,074,538
2013-2017	6,520,000	2,431,600	14,315,000	8,466,425
2018-2022	5,225,000	1,181,154	18,300,000	4,460,581
2023-2026	<u>1,710,000</u>	<u>130,265</u>	<u>8,675,000</u>	<u>429,425</u>
Total	\$ <u>24,824,000</u>	\$ <u>8,135,221</u>	\$ <u>54,245,193</u>	\$ <u>24,779,455</u>

I. Debt Issued Subsequent to Year End

On August 14, 2007 the South Kenai Peninsula Hospital Service Area, an enterprise fund of the Kenai Peninsula Borough, issued \$14,700,000 in 2007 General Obligation Hospital Expansion Bonds for the purpose of completing phase II of the South Kenai Peninsula Hospital Expansion. The bond proceeds are being held pending approval of a Certificate of Need by the State of Alaska.

J. 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>
2008	\$ 262,240
2009	407,360
2010	429,160
2011	452,160
2012	476,360
2013-2017	2,792,120
2018-2019	<u>985,735</u>
	\$ <u>5,805,135</u>

K. 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.

L. Pension Plans

1. State of Alaska Public Employees' Retirement System

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

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

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

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

Through June 30, 2007, PERS employer rates could not be increased by more than five percentage points per year. As a result of the five percentage point limit, a significant difference exists between the actuarial rate and the actual pay-in rate for PERS during fiscal year 2007. For the year ended June 30, 2007 the Borough reduced this difference by contributing at the actual pay-in rate in addition to the amount provided by the Alaska Legislature approved Senate Bill 231, which granted fiscal relief related to increased cost of the FY07 employer rates. This relief was in form of a cash payment made directly to the PERS on behalf of the participating employers and allowed the employers to pay the prior year rate. The amount of the fiscal relief for the Borough was \$581,938. For financial statement purposes, this amount has been reported as grant revenue and PERS expenditures and is included in the Adjusted Actual Rate shown below.

The five percentage point limit regulation was repealed in 2005, with an effective date of July 1, 2007. Rates are established three years in advance of their effective date.

The Borough's contribution rate for PERS is as follows:

	PERS	
	<u>Adjusted Actual Rate</u>	<u>Actuarial Required Rate</u>
Pension	16.38%	16.83%
Post-employment healthcare	<u>11.56%</u>	<u>11.87%</u>
Total contribution rate	27.94%	28.70%

The School District's contribution rate for PERS and TRS is as follows:

	<u>PERS</u>		<u>TRS</u>
	<u>Adjusted Actual Rate</u>	<u>Actuarial Required Rate</u>	<u>Contractually Agreed-upon Rate</u>
Pension	10.09%	16.93%	20.63%
Post-employment healthcare	<u>6.72%</u>	<u>11.28%</u>	<u>5.37%</u>
Total contribution rate	16.81%	28.21%	26.00%

Under both plans, employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. Unfunded liabilities and future gains/losses are amortized over a 25 year period as a level percentage of pay. The net amortization period will not exceed 30 years.

The required contribution for each plan was determined as part of the June 30, 2004 actuarial valuation. 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 plans 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 plans (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, District, 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.

The significant actuarial assumptions used in the valuation of the plans follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years of employment and 4.0% thereafter for both PERS and TRS; and PERS Fire 6.0% for the first five years and 4.5% thereafter;
3. Medical cost inflation of 9.5% for FY05, trending downward 0.5% per year to 5.0% in FY14 and remaining at 5.0% thereafter; and prescription cost inflation of 14% for FY05, trending downward 1.0% per year to 5.0% in FY14 and remaining at 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually; and
5. Asset valuation – the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Valuation assets cannot be outside the range of 80% to 120% of market value of assets.

For the year ended June 30, 2007, the Borough's annual pension and other post-employment benefit (OPEB) cost was \$3,981,692, consisting of the actuarially required contribution \$3,927,028, interest on the net pension obligation of \$245,961, and an adjustment of (\$191,297) to the annual required contribution.

	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 2,302,809	\$ 1,624,219	\$ 3,927,028
Interest on net pension obligation (NPO)	144,232	101,729	245,961
Adjustment to the ARC	<u>(112,177)</u>	<u>(79,120)</u>	<u>(191,297)</u>
Annual pension/OPEB cost	2,334,864	1,646,828	3,981,692
Contribution made	<u>(2,242,167)</u>	<u>(1,581,446)</u>	<u>(3,823,613)</u>
Increase in net pension/OPEB obligation	92,697	65,382	158,079
Net pension/OPEB obligation, beginning of year	<u>1,852,225</u>	<u>1,129,112</u>	<u>2,981,337</u>
Net pension/OPEB obligation, end of year	<u>\$ 1,944,922</u>	<u>\$ 1,194,494</u>	<u>\$ 3,139,416</u>

Three-year trend information for PERS is as follows:

Kenai Peninsula Borough

	<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Pension	2005	\$ 2,115,400	\$ 1,068,000	50%	\$ 1,047,400
	2006	2,268,290	1,463,465	64%	1,852,225
	2007	2,334,864	2,242,167	96%	1,944,922
Post-employment Healthcare	2005	\$ 1,285,535	\$ 649,235	50%	\$ 636,300
	2006	1,389,775	896,963	64%	1,129,112
	2007	1,646,828	1,581,446	96%	1,194,494

Kenai Peninsula Borough School District

	<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Pension	2005	\$ 1,758,787	\$ 848,500	48%	\$ 910,287
	2006	2,123,218	1,243,156	60%	1,790,349
	2007	2,303,287	1,576,121	68%	2,517,515
Post-employment Healthcare	2005	\$ 1,068,390	\$ 515,428	48%	\$ 552,962
	2006	1,394,363	830,844	60%	1,116,481
	2007	1,605,633	1,111,670	69%	1,610,444

A schedule of funding progress for PERS is as follows:

Kenai Peninsula Borough

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

Kenai Peninsula Borough School District

	<u>Actuarial Valuation Year Ended June 30</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Pension	2004	\$ 37,272,000	\$ 55,959,000	\$ 18,687,000	67%	\$ 11,193,000	167%
	2005	27,592,000	46,197,000	18,605,000	60%	13,270,000	140%
	2006	47,008,311	55,072,228	8,063,917	85%	15,886,889	51%
Post-employment Healthcare	2004	\$ 26,281,000	\$ 39,457,000	\$ 13,176,000	67%	\$ 11,193,000	118%
	2005	39,610,000	66,318,000	26,708,000	60%	13,270,000	201%
	2006	20,120,650	67,377,929	47,257,279	30%	15,886,889	297%

Annual Pension and Post-employment Healthcare Cost - TRS

The District's annual pension and other post-employment benefit (OPEB) costs for the years ending June 30, 2007, 2006, and 2005, respectively, were equal to the contractually agreed upon rate for each year. Amounts contributed were as follows:

<u>Fiscal year ending June 30,</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>Percentage of TBC Contributed</u>
2005	\$ 4,874,613	\$ 1,091,865	\$ 5,966,478	100%
2006	6,547,311	1,657,339	8,204,650	100%
2007	7,358,729	1,917,369	9,276,098	100%

Funding Policy – PERS Tier IV and TRS Tier III Defined Contribution 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 Plans for employees hired after July 1, 2006 or for employees converting from PERS Tier I, II, or III or TRS Tier I or II Defined Benefit Plans. The plans are 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, a 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 or School District is required to make the following contributions for fiscal year 2007:

	<u>PERS Tier IV</u>		<u>TRS Tier III</u>
	<u>Police/Fire</u>	<u>Others</u>	
Employee contribution	8.00%	8.00%	8.00%
Employer contributions	5.00%	5.00%	7.00%
Health reimbursement arrangement*	3.00%	3.00%	3.00%
Retiree medical plan	1.75%	1.75%	1.75%
Death & disability benefit	0.40%	0.30%	-%
Total employer contribution	<u>10.15%</u>	<u>10.05%</u>	<u>11.75%</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 of \$66.78 per full time employee per pay period and \$1.11 per hour worked for each part time employee.

For the fiscal year ended June 30, 2007, the Kenai Peninsula Borough contributed \$39,583 for retirement, retiree medical, death and disability benefits, and it contributed \$19,518 for Health Reimbursement Arrangement on behalf of its employees. Borough employee contributions to the plan totaled \$44,824. The School District and employee contributions to PERS, including the HRA contribution for the year ended June 30, 2007 were \$88,359 and \$57,744, respectively. The School District and employee contributions to TRS, including the HRA contribution for the year ended June 30, 2007 were \$258,140 and \$172,641, 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). Under the plan the Hospital contributes 2% of employee's eligible salary and will match the employee's voluntary contribution up to 3% of gross pay, not to exceed \$3,400. The employee may contribute an additional amount above the 2% voluntary contribution. The additional amount shall not exceed the lesser of 18% of their eligible salary, or \$20,000 for employees over the age of fifty, and \$15,000 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, 2007 and 2006 was \$23,303,444 and \$19,223,785 respectively. Total payroll for the years ended June 30, 2007 and 2006 was \$28,597,243 and \$22,129,809, respectively.

Employee contributions to the plan for the years ended June 30, 2007 and 2006 were \$1,491,265 and \$1,215,415, respectively. Employer contributions were \$884,908 and \$719,491 for the same periods. Total contributions to the plan were 10.2% and 10.1% of covered payroll for June 30, 2007 and June 30, 2006, 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 employee plan. The plan was established and is administered by the South Peninsula Hospital. The plan issues separate financial statements that are available by contacting the Hospital at South Peninsula Hospital, 4300 Bartlett Street, Homer, AK 99603.

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

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual required contribution	\$ 378,604	\$ 418,674	\$ 497,921
Interest on net pension obligation	<u>30,599</u>	<u>40,388</u>	<u>40,306</u>
Annual pension cost	409,203	459,062	538,227
Contributions made	<u>(409,208)</u>	<u>(459,062)</u>	<u>(551,398)</u>
Increase (decrease) in net pension obligation	(5)	-	(13,171)
Net pension obligation, beginning of year	<u>202,092</u>	<u>202,087</u>	<u>202,087</u>
Net pension obligation, end of year	<u>\$ 202,087</u>	<u>\$ 202,087</u>	<u>\$ 188,916</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, 2004	\$4,778,000	\$5,309,000	\$531,000	90%	\$8,490,000	6.25%
January 1, 2005	5,265,000	5,934,000	669,000	89%	9,388,000	7.13%
January 1, 2006	5,776,000	6,711,000	935,000	86%	9,335,000	10.02%

M. Landfill Closure and Postclosure Care Cost

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

State and Federal laws and regulations require the Borough to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with cells having remaining useful lives of from 1 year to 7 years. The largest site has just developed a new cell with an expected life of 5-7 years. This site has land enough for four additional cells, which will be developed as needed. The second largest facility has used 80% of cell capacity and will be in operation for 4-5 more years. These two facilities comprise 90% of total landfill capacity. These two facilities also have available land which when developed, will extend the landfills lives by approximately 25 years. There are also three sites, which are closed, and are being monitored as required by law. As of June 30, 2007 the Borough has a recorded liability of \$4,806,776 in the government-wide financial statements for closure and postclosure cost associated with its landfills; in addition, this amount has been reported as a designation of fund balance in the Solid Waste Special Revenue Fund. These amounts are based on what it would cost to perform all closure and postclosure care in 2007; 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 \$6,063,976 in expense and liability between June 30, 2007 and the year 2031, 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, 2007

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and short-term investments	\$ 34,470	\$ -	\$ -	\$ 34,470
Equity in central treasury	27,203,993	11,997,892	-	39,201,885
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	262,986	-	-	262,986
Accounts receivable	240,286	-	-	240,286
Land sale contracts receivable:				
Current	210,543	-	-	210,543
Delinquent	22,978	-	-	22,978
Due from other governments	380,990	551,441	-	932,431
Prepays	2,219	-	-	2,219
Land sale contracts receivable - Long-term	<u>1,601,343</u>	<u>-</u>	<u>-</u>	<u>1,601,343</u>
Total assets	<u>\$ 29,959,808</u>	<u>\$ 12,549,333</u>	<u>\$ -</u>	<u>\$ 42,509,141</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and retainage payable	933,071	590,742	-	1,523,813
Accrued payroll and payroll taxes	171,573	12,775	-	184,348
Due to General Fund	137,382	-	-	137,382
Deferred revenue	<u>4,988,435</u>	<u>12,936</u>	<u>-</u>	<u>5,001,371</u>
Total liabilities	<u>6,230,461</u>	<u>616,453</u>	<u>-</u>	<u>6,846,914</u>
Fund balances:				
Reserved:				
Encumbrances	1,362,227	3,979,364	-	5,341,591
Prepays	2,219	-	-	2,219
Unreserved:				
Designations	7,783,122	4,356,629	-	12,139,751
Undesignated	<u>14,581,779</u>	<u>3,596,887</u>	<u>-</u>	<u>18,178,666</u>
Total fund balances	<u>23,729,347</u>	<u>11,932,880</u>	<u>-</u>	<u>35,662,227</u>
Total liabilities and fund balances	<u>\$ 29,959,808</u>	<u>\$ 12,549,333</u>	<u>\$ -</u>	<u>\$ 42,509,141</u>

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
General property taxes	\$14,850,610	\$ -	\$ -	\$ 14,850,610
Motor vehicle tax	335,561	-	-	335,561
Intergovernmental:				
Federal	2,514,722	1,647,900	-	4,162,622
State	619,901	2,359,060	-	2,978,961
Investment earnings	1,764,160	280,505	-	2,044,665
Other revenues	<u>2,112,810</u>	<u>7,500</u>	-	<u>2,120,310</u>
Total revenues	<u>22,197,764</u>	<u>4,294,965</u>	<u>-</u>	<u>26,492,729</u>
Expenditures:				
General government	1,527,684	565,883	-	2,093,567
Solid waste	4,578,280	271,286	-	4,849,566
Public safety	10,356,813	2,813,153	-	13,169,966
Recreation	1,295,789	213,716	-	1,509,505
Education	672,507	3,135,863	-	3,808,370
Roads and trails	3,402,294	2,398,358	-	5,800,652
Debt service:				
Principal	-	-	2,065,000	2,065,000
Interest and other	-	-	1,087,269	1,087,269
Total expenditures	<u>21,833,367</u>	<u>9,398,259</u>	<u>3,152,269</u>	<u>34,383,895</u>
Excess (deficiency) of revenues over expenditures	<u>364,397</u>	<u>(5,103,294)</u>	<u>(3,152,269)</u>	<u>(7,891,166)</u>
Other financing sources (uses):				
Transfers in	5,709,966	8,882,324	3,152,269	17,744,559
Transfers out	<u>(6,756,367)</u>	<u>(1,961,171)</u>	-	<u>(8,717,538)</u>
Net other financing sources (uses)	<u>(1,046,401)</u>	<u>6,921,153</u>	<u>3,152,269</u>	<u>9,027,021</u>
Net changes in fund balances	(682,004)	1,817,859	-	1,135,855
Fund balances at beginning of year	<u>24,411,351</u>	<u>10,115,021</u>	<u>-</u>	<u>34,526,372</u>
Fund balances at end of year	<u>\$23,729,347</u>	<u>\$11,932,880</u>	<u>\$ -</u>	<u>\$ 35,662,227</u>

Nonmajor Special Revenue Funds
Pages 70 - 93

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This Page intentionally left blank.

Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Central Emergency Service Area</u>	<u>Kachemak Emergency Service Area</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ 17,097	\$ 316	\$ -	\$ 16,657	\$ 200
Equity in central treasury	4,448,459	143,662	171,211	1,608,287	202,112
Receivables (net of allowances for estimated uncollectibles):					
Taxes receivable	38,721	8,126	10,261	79,291	9,714
Accounts receivable	55,457	-	-	144,632	-
Land sale contracts receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Due from other governments	9,245	1,961	2,681	20,725	3,857
Prepays	2,114	-	-	-	-
Land sale contracts receivable - long-term	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,571,093</u>	<u>\$ 154,065</u>	<u>\$ 184,153</u>	<u>\$ 1,869,592</u>	<u>\$ 215,883</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts and retainage payable	18,519	161	12,126	45,969	2,440
Accrued payroll and payroll taxes	36,422	1,406	1,534	59,181	-
Due to General Fund	-	-	-	-	-
Deferred revenue	<u>1,384,478</u>	<u>8,969</u>	<u>13,473</u>	<u>292,946</u>	<u>13,128</u>
Total liabilities	<u>1,439,419</u>	<u>10,536</u>	<u>27,133</u>	<u>398,096</u>	<u>15,568</u>
Fund balances:					
Reserved:					
Encumbrances	-	14,114	-	10,433	41
Prepays	2,114	-	-	-	-
Unreserved:					
Designations	-	-	-	-	-
Undesignated	<u>3,129,560</u>	<u>129,415</u>	<u>157,020</u>	<u>1,461,063</u>	<u>200,274</u>
Total fund balances	<u>3,131,674</u>	<u>143,529</u>	<u>157,020</u>	<u>1,471,496</u>	<u>200,315</u>
Total liabilities and fund balances	<u>\$ 4,571,093</u>	<u>\$ 154,065</u>	<u>\$ 184,153</u>	<u>\$ 1,869,592</u>	<u>\$ 215,883</u>

<u>Lowell Point Emergency Service Area</u>	<u>Central Peninsula Emergency Medical Service Area</u>	<u>North Peninsula Recreation Service Area</u>	<u>Road Service Area</u>	<u>Post- Secondary Education</u>	<u>Land Trust</u>
\$ -	\$ -	\$ 200	\$ -	\$ -	\$ -
-	3,711	2,165,509	3,115,721	245,053	5,181,646
239	1,131	13,804	88,670	7,390	-
-	-	-	-	-	-
-	-	-	-	-	210,543
-	-	-	-	-	22,978
20,936	1,439	3,082	24,595	2,797	-
-	-	-	-	-	-
-	-	-	-	-	1,601,343
<u>\$ 21,175</u>	<u>\$ 6,281</u>	<u>\$ 2,182,595</u>	<u>\$ 3,228,986</u>	<u>\$ 255,240</u>	<u>\$ 7,016,510</u>
1,397	-	18,457	107,461	134,767	18,201
-	-	11,430	10,801	-	6,297
6,468	-	-	-	-	-
<u>1,359</u>	<u>1,153</u>	<u>466,529</u>	<u>864,777</u>	<u>6,746</u>	<u>1,834,864</u>
<u>9,224</u>	<u>1,153</u>	<u>496,416</u>	<u>983,039</u>	<u>141,513</u>	<u>1,859,362</u>
11,780	-	-	-	-	50,692
-	-	-	-	-	-
-	2,513	-	-	113,727	259,736
<u>171</u>	<u>2,615</u>	<u>1,686,179</u>	<u>2,245,947</u>	<u>-</u>	<u>4,846,720</u>
<u>11,951</u>	<u>5,128</u>	<u>1,686,179</u>	<u>2,245,947</u>	<u>113,727</u>	<u>5,157,148</u>
<u>\$ 21,175</u>	<u>\$ 6,281</u>	<u>\$ 2,182,595</u>	<u>\$ 3,228,986</u>	<u>\$ 255,240</u>	<u>\$ 7,016,510</u>

(continued)

Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Balance Sheet - continued
June 30, 2007

	<u>Kenai River Center</u>	<u>Coastal Zone Management</u>	<u>Seward Bear Creek Flood</u>	<u>Disaster Relief</u>	<u>Environmental Protection Programs</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in central treasury	191,426	3,139	349,839	226,438	4,783,815
Receivables (net of allowances for estimated uncollectibles):					
Taxes receivable	-	-	3,413	-	-
Accounts receivable	-	-	-	-	-
Land sale contracts receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Due from other governments	1,261	4,402	2,991	-	88,569
Prepays	-	-	-	-	105
Land sale contracts receivable - long-term	-	-	-	-	-
Total assets	<u>\$ 192,687</u>	<u>\$ 7,541</u>	<u>\$ 356,243</u>	<u>\$ 226,438</u>	<u>\$ 4,872,489</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts and retainage payable	3,689	-	-	15,230	23,029
Accrued payroll and payroll taxes	6,807	-	713	2,450	8,678
Due to General Fund	-	-	-	-	-
Deferred revenue	4,185	-	4,797	-	-
Total liabilities	<u>14,681</u>	<u>-</u>	<u>5,510</u>	<u>17,680</u>	<u>31,707</u>
Fund balances:					
Reserved:					
Encumbrances	4,357	7,541	4,335	-	992,218
Prepays	-	-	-	-	105
Unreserved:					
Designations	124,974	-	21,553	117,469	3,848,459
Undesignated	48,675	-	324,845	91,289	-
Total fund balances	<u>178,006</u>	<u>7,541</u>	<u>350,733</u>	<u>208,758</u>	<u>4,840,782</u>
Total liabilities and fund balances	<u>\$ 192,687</u>	<u>\$ 7,541</u>	<u>\$ 356,243</u>	<u>\$ 226,438</u>	<u>\$ 4,872,489</u>

<u>Local Emergency Planning Committee</u>	<u>Underground Storage Tank Removal and Upgrade</u>	<u>Miscellaneous Grants</u>	<u>Community & Economic Development</u>	<u>Nikiski Senior Service Area</u>	<u>Solid Waste</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,470
-	53,910	-	5,840	202,684	4,101,531	27,203,993
-	-	-	-	2,226	-	262,986
-	-	-	-	-	40,197	240,286
-	-	-	-	-	-	210,543
-	-	-	-	-	-	22,978
5,486	-	186,465	-	498	-	380,990
-	-	-	-	-	-	2,219
-	-	-	-	-	-	1,601,343
<u>\$ 5,486</u>	<u>\$ 53,910</u>	<u>\$ 186,465</u>	<u>\$ 5,840</u>	<u>\$ 205,408</u>	<u>\$ 4,141,728</u>	<u>\$ 29,959,808</u>
-	-	60,297	-	6,089	465,239	933,071
309	-	431	-	1,116	23,998	171,573
5,177	-	125,737	-	-	-	137,382
-	-	-	-	91,031	-	4,988,435
<u>5,486</u>	<u>-</u>	<u>186,465</u>	<u>-</u>	<u>98,236</u>	<u>489,237</u>	<u>6,230,461</u>
-	-	-	-	-	266,716	1,362,227
-	-	-	-	-	-	2,219
-	53,910	-	-	-	3,240,781	7,783,122
-	-	-	5,840	107,172	144,994	14,581,779
-	<u>53,910</u>	<u>-</u>	<u>5,840</u>	<u>107,172</u>	<u>3,652,491</u>	<u>23,729,347</u>
<u>\$ 5,486</u>	<u>\$ 53,910</u>	<u>\$ 186,465</u>	<u>\$ 5,840</u>	<u>\$ 205,408</u>	<u>\$ 4,141,728</u>	<u>\$ 29,959,808</u>

Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Central Emergency Service Area</u>
Revenues:				
General property taxes	\$ 3,268,890	\$ 233,867	\$ 336,164	\$ 3,941,792
Motor vehicle tax	42,949	9,109	12,453	96,286
Intergovernmental:				
Federal	-	5,100	2,200	67,994
State	79,490	2,400	2,598	93,038
Investment earnings	218,872	9,019	12,344	139,469
Other revenues	<u>252,676</u>	<u>316</u>	<u>-</u>	<u>593,741</u>
Total revenues	<u>3,862,877</u>	<u>259,811</u>	<u>365,759</u>	<u>4,932,320</u>
Expenditures:				
General government	-	-	-	-
Solid waste	-	-	-	-
Public safety	3,321,827	117,679	230,221	4,627,189
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,321,827</u>	<u>117,679</u>	<u>230,221</u>	<u>4,627,189</u>
Excess (deficiency) of revenues over expenditures	<u>541,050</u>	<u>142,132</u>	<u>135,538</u>	<u>305,131</u>
Other financing sources (uses):				
Transfers in	-	-	-	26,828
Transfers out	<u>(467,487)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>(727,871)</u>
Net other financing sources (uses)	<u>(467,487)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>(701,043)</u>
Net changes in fund balances	73,563	27,132	20,538	(395,912)
Fund balances at beginning of year	<u>3,058,111</u>	<u>116,397</u>	<u>136,482</u>	<u>1,867,408</u>
Fund balances at end of year	<u>\$ 3,131,674</u>	<u>\$ 143,529</u>	<u>\$ 157,020</u>	<u>\$ 1,471,496</u>

<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>	<u>Kenai River Center</u>
\$ 459,258	\$ 13,295	\$ 8,941	\$ 1,094,852	\$ 4,630,675	\$ 489,561	\$ -	\$ -
17,920	426	6,683	14,316	114,266	12,992	-	-
3,650	27,784	-	-	-	-	-	-
-	20,845	-	15,088	18,987	-	12,313	13,078
14,148	707	569	101,913	205,556	-	391,345	-
30	-	-	181,549	-	-	581,117	68,629
<u>495,006</u>	<u>63,057</u>	<u>16,193</u>	<u>1,407,718</u>	<u>4,969,484</u>	<u>502,553</u>	<u>984,775</u>	<u>81,707</u>
-	-	-	-	-	-	659,993	522,473
-	-	-	-	-	-	-	-
274,687	65,511	-	-	-	-	-	-
-	-	-	1,268,684	-	-	-	-
-	-	-	-	-	530,800	-	-
-	-	-	-	3,335,083	-	-	-
<u>274,687</u>	<u>65,511</u>	<u>-</u>	<u>1,268,684</u>	<u>3,335,083</u>	<u>530,800</u>	<u>659,993</u>	<u>522,473</u>
<u>220,319</u>	<u>(2,454)</u>	<u>16,193</u>	<u>139,034</u>	<u>1,634,401</u>	<u>(28,247)</u>	<u>324,782</u>	<u>(440,766)</u>
-	-	-	-	-	-	-	468,548
(230,000)	-	(26,828)	(50,000)	(1,666,153)	-	-	-
<u>(230,000)</u>	<u>-</u>	<u>(26,828)</u>	<u>(50,000)</u>	<u>(1,666,153)</u>	<u>-</u>	<u>-</u>	<u>468,548</u>
(9,681)	(2,454)	(10,635)	89,034	(31,752)	(28,247)	324,782	27,782
<u>209,996</u>	<u>14,405</u>	<u>15,763</u>	<u>1,597,145</u>	<u>2,277,699</u>	<u>141,974</u>	<u>4,832,366</u>	<u>150,224</u>
<u>\$ 200,315</u>	<u>\$ 11,951</u>	<u>\$ 5,128</u>	<u>\$ 1,686,179</u>	<u>\$ 2,245,947</u>	<u>\$ 113,727</u>	<u>\$ 5,157,148</u>	<u>\$ 178,006</u>

(continued)

Kenai Peninsula Borough
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - continued
For the Year Ended June 30, 2007

	<u>Coastal Zone Management</u>	<u>Seward Bear Creek Flood</u>	<u>Disaster Relief</u>	<u>Environmental Protection Programs</u>
Revenues:				
General property taxes	\$ -	\$ 165,640	\$ -	\$ -
Motor vehicle tax	-	5,847	-	-
Intergovernmental:				
Federal	75,254	2,307	139,980	2,084,471
State	-	830	46,660	-
Investment earnings	-	15,521	-	287,054
Other revenues	4	-	-	-
Total revenues	<u>75,258</u>	<u>190,145</u>	<u>186,640</u>	<u>2,371,525</u>
Expenditures:				
General government	75,254	-	8,100	-
Solid waste	-	-	-	-
Public safety	-	60,934	220,039	1,234,971
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	-	-	67,211	-
Total expenditures	<u>75,254</u>	<u>60,934</u>	<u>295,350</u>	<u>1,234,971</u>
Excess (deficiency) of revenues over expenditures	<u>4</u>	<u>129,211</u>	<u>(108,710)</u>	<u>1,136,554</u>
Other financing sources (uses):				
Transfers in	-	-	200,000	-
Transfers out	-	-	(10,565)	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>189,435</u>	<u>-</u>
Net changes in fund balances	4	129,211	80,725	1,136,554
Fund balances at beginning of year	<u>7,537</u>	<u>221,522</u>	<u>128,033</u>	<u>3,704,228</u>
Fund balances at end of year	<u>\$ 7,541</u>	<u>\$ 350,733</u>	<u>\$ 208,758</u>	<u>\$ 4,840,782</u>

<u>Local Emergency Planning Committee</u>	<u>Underground Storage Tank Removal and Upgrade</u>	<u>Miscellaneous Grants</u>	<u>Community & Economic Development</u>	<u>Nikiski Senior Service Area</u>	<u>Solid Waste</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 207,675	\$ -	\$ 14,850,610
-	-	-	-	2,314	-	335,561
-	-	105,982	-	-	-	2,514,722
22,125	-	244,460	-	2,160	45,829	619,901
-	-	-	-	8,775	358,868	1,764,160
-	-	-	-	-	434,748	2,112,810
<u>22,125</u>	<u>-</u>	<u>350,442</u>	<u>-</u>	<u>220,924</u>	<u>839,445</u>	<u>22,197,764</u>
-	-	-	-	261,864	-	1,527,684
-	-	-	-	-	4,578,280	4,578,280
22,125	-	181,630	-	-	-	10,356,813
-	-	27,105	-	-	-	1,295,789
-	-	141,707	-	-	-	672,507
-	-	-	-	-	-	3,402,294
<u>22,125</u>	<u>-</u>	<u>350,442</u>	<u>-</u>	<u>261,864</u>	<u>4,578,280</u>	<u>21,833,367</u>
-	-	-	-	(40,940)	(3,738,835)	364,397
-	-	-	-	30,200	4,984,390	5,709,966
-	-	-	-	-	(3,347,463)	(6,756,367)
-	-	-	-	30,200	1,636,927	(1,046,401)
-	-	-	-	(10,740)	(2,101,908)	(682,004)
-	53,910	-	5,840	117,912	5,754,399	24,411,351
<u>\$ -</u>	<u>\$ 53,910</u>	<u>\$ -</u>	<u>\$ 5,840</u>	<u>\$ 107,172</u>	<u>\$3,652,491</u>	<u>\$ 23,729,347</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, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 3,261,765	\$ 3,261,765	\$ 3,268,890	\$ 7,125
Motor vehicle tax	33,558	33,558	42,949	9,391
Intergovernmental - State	-	79,490	79,490	-
Investment earnings	152,642	152,642	218,872	66,230
Other revenues	150,000	157,728	252,676	94,948
Total revenues	<u>3,597,965</u>	<u>3,685,183</u>	<u>3,862,877</u>	<u>177,694</u>
Expenditures:				
Personnel	2,511,511	2,620,585	2,521,314	99,271
Supplies	145,033	119,927	113,560	6,367
Services	631,606	622,406	570,415	51,991
Capital outlay	111,083	123,533	116,538	6,995
Total expenditures	<u>3,399,233</u>	<u>3,486,451</u>	<u>3,321,827</u>	<u>164,624</u>
Excess of revenues over expenditures	<u>198,732</u>	<u>198,732</u>	<u>541,050</u>	<u>342,318</u>
Other financing uses -				
Transfers out	<u>(467,487)</u>	<u>(467,487)</u>	<u>(467,487)</u>	<u>-</u>
Net change in fund balance	(268,755)	(268,755)	73,563	342,318
Fund balance at beginning of year	<u>3,058,111</u>	<u>3,058,111</u>	<u>3,058,111</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,789,356</u>	<u>\$ 2,789,356</u>	<u>\$ 3,131,674</u>	<u>\$ 342,318</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, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 230,431	\$ 230,431	\$ 233,867	\$ 3,436
Motor vehicle tax	12,173	12,173	9,109	(3,064)
Intergovernmental:				
Federal	-	5,100	5,100	-
State	-	2,400	2,400	-
Investment earnings	5,802	5,802	9,019	3,217
Other revenues	-	-	316	316
Total revenues	<u>248,406</u>	<u>255,906</u>	<u>259,811</u>	<u>3,905</u>
Expenditures:				
Personnel	29,847	29,847	27,690	2,157
Supplies	21,405	21,855	13,566	8,289
Services	64,205	64,455	53,690	10,765
Capital outlay	<u>31,346</u>	<u>38,146</u>	<u>22,733</u>	<u>15,413</u>
Total expenditures	<u>146,803</u>	<u>154,303</u>	<u>117,679</u>	<u>36,624</u>
Excess of revenues over expenditures	<u>101,603</u>	<u>101,603</u>	<u>142,132</u>	<u>40,529</u>
Other financing uses -				
Transfers out	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
Net change in fund balance	(13,397)	(13,397)	27,132	40,529
Fund balance at beginning of year	<u>116,397</u>	<u>116,397</u>	<u>116,397</u>	<u>-</u>
Fund balance at end of year	<u>\$ 103,000</u>	<u>\$ 103,000</u>	<u>\$ 143,529</u>	<u>\$ 40,529</u>

Kenai Peninsula Borough

**Anchor Point Fire and Medical Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 335,761	\$ 335,761	\$ 336,164	\$ 403
Motor vehicle tax	12,797	12,797	12,453	(344)
Intergovernmental:				
Federal	-	2,200	2,200	-
State	-	2,598	2,598	-
Investment earnings	8,604	8,604	12,344	3,740
Total revenues	357,162	361,960	365,759	3,799
Expenditures:				
Personnel	106,240	114,730	114,730	-
Supplies	30,000	32,594	29,548	3,046
Services	85,973	76,591	67,855	8,736
Capital outlay	16,500	19,596	18,088	1,508
Total expenditures	238,713	243,511	230,221	13,290
Excess of revenues over expenditures	118,449	118,449	135,538	17,089
Other financing uses -				
Transfers out	(115,000)	(115,000)	(115,000)	-
Net change in fund balance	3,449	3,449	20,538	17,089
Fund balance at beginning of year	136,482	136,482	136,482	-
Fund balance at end of year	\$ 139,931	\$ 139,931	\$ 157,020	\$ 17,089

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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 3,947,815	\$3,947,815	\$3,941,792	\$ (6,023)
Motor vehicle tax	98,041	98,041	96,286	(1,755)
Intergovernmental:				
Federal	-	79,074	67,994	(11,080)
State	-	93,038	93,038	-
Investment earnings	95,989	95,989	139,469	43,480
Other revenues	<u>640,000</u>	<u>670,572</u>	<u>593,741</u>	<u>(76,831)</u>
Total revenues	<u>4,781,845</u>	<u>4,984,529</u>	<u>4,932,320</u>	<u>(52,209)</u>
Expenditures:				
Personnel	3,191,010	3,274,767	3,255,364	19,403
Supplies	296,860	305,699	268,398	37,301
Services	935,498	1,023,093	913,503	109,590
Capital outlay	<u>250,889</u>	<u>207,794</u>	<u>189,924</u>	<u>17,870</u>
Total expenditures	<u>4,674,257</u>	<u>4,811,353</u>	<u>4,627,189</u>	<u>184,164</u>
Excess of revenues over expenditures	<u>107,588</u>	<u>173,176</u>	<u>305,131</u>	<u>131,955</u>
Other financing sources (uses):				
Transfers in	26,828	26,828	26,828	-
Transfers (out)	<u>(738,283)</u>	<u>(738,283)</u>	<u>(727,871)</u>	<u>10,412</u>
Net other financing sources (uses)	<u>(711,455)</u>	<u>(711,455)</u>	<u>(701,043)</u>	<u>10,412</u>
Net change in fund balance	(603,867)	(538,279)	(395,912)	142,367
Fund balance at beginning of year	<u>1,867,408</u>	<u>1,867,408</u>	<u>1,867,408</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,263,541</u>	<u>\$1,329,129</u>	<u>\$1,471,496</u>	<u>\$ 142,367</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, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 465,869	\$ 465,869	\$ 459,258	\$ (6,611)
Motor vehicle tax	19,351	19,351	17,920	(1,431)
Intergovernmental - Federal	-	3,650	3,650	-
Investment earnings	6,590	6,590	14,148	7,558
Other revenues	-	-	30	30
Total revenues	<u>491,810</u>	<u>495,460</u>	<u>495,006</u>	<u>(454)</u>
Expenditures:				
Supplies	7,748	7,748	6,978	770
Services	259,759	259,867	251,903	7,964
Capital outlay	13,119	16,661	15,806	855
Total expenditures	<u>280,626</u>	<u>284,276</u>	<u>274,687</u>	<u>9,589</u>
Excess of revenues over expenditures	<u>211,184</u>	<u>211,184</u>	<u>220,319</u>	<u>9,135</u>
Other financing uses -				
Transfers out	<u>(230,000)</u>	<u>(230,000)</u>	<u>(230,000)</u>	<u>-</u>
Net change in fund balance	(18,816)	(18,816)	(9,681)	9,135
Fund balance at beginning of year	<u>209,996</u>	<u>209,996</u>	<u>209,996</u>	<u>-</u>
Fund balance at end of year	<u>\$ 191,180</u>	<u>\$ 191,180</u>	<u>\$ 200,315</u>	<u>\$ 9,135</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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 12,617	\$ 12,617	\$ 13,295	\$ 678
Motor vehicle tax	462	462	426	(36)
Intergovernmental:				
Federal	-	71,338	27,784	(43,554)
State	-	31,175	20,845	(10,330)
Investment earnings	691	691	707	16
Total revenues	13,770	116,283	63,057	(53,226)
Expenditures:				
Personnel	820	300	-	300
Supplies	1,200	5,666	2,615	3,051
Services	10,117	51,708	9,257	42,451
Capital outlay	10,192	70,047	53,639	16,408
Total expenditures	22,329	127,721	65,511	62,210
Net change in fund balance	(8,559)	(11,438)	(2,454)	8,984
Fund balance at beginning of year	14,405	14,405	14,405	-
Fund balance at end of year	\$ 5,846	\$ 2,967	\$ 11,951	\$ 8,984

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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 6,473	\$ 6,473	\$ 8,941	\$ 2,468
Motor vehicle tax	6,836	6,836	6,683	(153)
Intergovernmental - State	-	10,000	-	(10,000)
Investment earnings	-	-	569	569
Total revenues	13,309	23,309	16,193	(7,116)
Expenditures - Services	-	10,000	-	10,000
Excess of revenues over expenditures	13,309	13,309	16,193	2,884
Other financing uses - Transfers out	(26,828)	(26,828)	(26,828)	-
Net change in fund balance	(13,519)	(13,519)	(10,635)	2,884
Fund balance at beginning of year	15,763	15,763	15,763	-
Fund balance at end of year	\$ 2,244	\$ 2,244	\$ 5,128	\$ 2,884

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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$1,090,443	\$1,090,443	\$1,094,852	\$ 4,409
Motor vehicle tax	15,467	15,467	14,316	(1,151)
Intergovernmental - State	-	15,088	15,088	-
Investment earnings	43,679	43,679	101,913	58,234
Other revenues	<u>166,485</u>	<u>166,485</u>	<u>181,549</u>	<u>15,064</u>
Total revenues	<u>1,316,074</u>	<u>1,331,162</u>	<u>1,407,718</u>	<u>76,556</u>
Expenditures:				
Personnel	672,262	692,440	692,409	31
Supplies	104,569	102,319	102,255	64
Services	449,418	466,848	466,797	51
Capital outlay	<u>2,500</u>	<u>7,230</u>	<u>7,223</u>	<u>7</u>
Total expenditures	<u>1,228,749</u>	<u>1,268,837</u>	<u>1,268,684</u>	<u>153</u>
Excess of revenues over expenditures	<u>87,325</u>	<u>62,325</u>	<u>139,034</u>	<u>76,709</u>
Other financing uses -				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	37,325	12,325	89,034	76,709
Fund balance at beginning of year	<u>1,597,145</u>	<u>1,597,145</u>	<u>1,597,145</u>	<u>-</u>
Fund balance at end of year	<u>\$1,634,470</u>	<u>\$1,609,470</u>	<u>\$1,686,179</u>	<u>\$ 76,709</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, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 4,611,567	\$4,611,567	\$4,630,675	\$ 19,108
Motor vehicle tax	130,924	130,924	114,266	(16,658)
Intergovernmental - State	-	18,987	18,987	-
Investment earnings	114,860	106,336	205,556	99,220
Total revenues	<u>4,857,351</u>	<u>4,867,814</u>	<u>4,969,484</u>	<u>101,670</u>
Expenditures:				
Personnel	654,799	691,673	691,673	-
Supplies	30,500	68,561	60,858	7,703
Services	2,787,677	2,735,214	2,548,492	186,722
Capital outlay	38,500	35,015	34,060	955
Total expenditures	<u>3,511,476</u>	<u>3,530,463</u>	<u>3,335,083</u>	<u>195,380</u>
Excess of revenues over expenditures	<u>1,345,875</u>	<u>1,337,351</u>	<u>1,634,401</u>	<u>297,050</u>
Other financing uses -				
Transfers out	<u>(1,000,000)</u>	<u>(1,666,153)</u>	<u>(1,666,153)</u>	<u>-</u>
Net change in fund balance	345,875	(328,802)	(31,752)	297,050
Fund balance at beginning of year	<u>2,277,699</u>	<u>2,277,699</u>	<u>2,277,699</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,623,574</u>	<u>\$1,948,897</u>	<u>\$2,245,947</u>	<u>\$ 297,050</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, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 490,058	\$ 490,058	\$ 489,561	\$ (497)
Motor vehicle tax	14,462	14,462	12,992	(1,470)
Total revenues	<u>504,520</u>	<u>504,520</u>	<u>502,553</u>	<u>(1,967)</u>
Expenditures - Services	<u>530,800</u>	<u>530,800</u>	<u>530,800</u>	<u>-</u>
Net change in fund balance	(26,280)	(26,280)	(28,247)	(1,967)
Fund balance at beginning of year	<u>141,974</u>	<u>141,974</u>	<u>141,974</u>	<u>-</u>
Fund balance at end of year	<u>\$ 115,694</u>	<u>\$ 115,694</u>	<u>\$ 113,727</u>	<u>\$ (1,967)</u>

Kenai Peninsula Borough

**Land Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - State	\$ -	\$ 12,313	\$ 12,313	\$ -
Investment earnings	290,137	290,137	391,345	101,208
Other revenues:				
Payments on land contracts	450,000	450,000	402,428	(47,572)
Land leases	130,000	130,000	100,065	(29,935)
Timber and gravel sales	45,000	45,000	58,882	13,882
Miscellaneous	25,000	25,000	19,742	(5,258)
Total revenues	<u>940,137</u>	<u>952,450</u>	<u>984,775</u>	<u>32,325</u>
Expenditures:				
Personnel	439,198	466,315	390,085	76,230
Supplies	9,575	16,112	6,133	9,979
Services	622,943	666,293	246,233	420,060
Capital outlay	13,680	26,053	17,542	8,511
Total expenditures	<u>1,085,396</u>	<u>1,174,773</u>	<u>659,993</u>	<u>514,780</u>
Net change in fund balance	(145,259)	(222,323)	324,782	547,105
Fund balance at beginning of year	<u>3,223,744</u>	<u>3,223,744</u>	<u>4,832,366</u>	<u>1,608,622</u>
Fund balance at end of year	<u>\$ 3,078,485</u>	<u>\$ 3,001,421</u>	<u>\$5,157,148</u>	<u>\$2,155,727</u>

Kenai Peninsula Borough

**Kenai River Center Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - State	\$ -	\$ 11,676	\$ 13,078	\$ 1,402
Other revenues	-	-	68,629	68,629
Total revenues	-	11,676	81,707	70,031
Expenditures:				
Personnel	392,905	404,469	400,902	3,567
Supplies	10,300	18,278	7,805	10,473
Services	135,207	131,004	98,604	32,400
Capital outlay	16,000	17,500	15,162	2,338
Total expenditures	554,412	571,251	522,473	48,778
Excess (deficiency) of revenues over expenditures	(554,412)	(559,575)	(440,766)	118,809
Other financing sources -				
Transfers in	468,548	468,548	468,548	-
Net change in fund balance	(85,864)	(91,027)	27,782	118,809
Fund balance at beginning of year	150,224	150,224	150,224	-
Fund balance at end of year	\$ 64,360	\$ 59,197	\$ 178,006	\$ 118,809

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, 2007**

	<u>Budget</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 157,023	\$ 157,023	\$ 165,640	\$ 8,617
Motor vehicle tax	6,102	6,102	5,847	(255)
Intergovernmental:				
Federal	-	10,500	2,307	(8,193)
State	-	830	830	-
Investment earnings	3,868	3,868	15,521	11,653
Total revenues	<u>166,993</u>	<u>178,323</u>	<u>190,145</u>	<u>11,822</u>
Expenditures:				
Personnel	28,451	31,292	31,291	1
Supplies	2,250	2,222	1,225	997
Services	67,707	136,224	28,275	107,949
Capital outlay	1,000	1,000	143	857
Total expenditures	<u>99,408</u>	<u>170,738</u>	<u>60,934</u>	<u>109,804</u>
Net change in fund balance	67,585	7,585	129,211	121,626
Fund balance at beginning of year	<u>221,522</u>	<u>221,522</u>	<u>221,522</u>	<u>-</u>
Fund balance at end of year	<u>\$ 289,107</u>	<u>\$ 229,107</u>	<u>\$ 350,733</u>	<u>\$ 121,626</u>

Kenai Peninsula Borough

**Disaster Relief Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues -				
Intergovernmental:				
Federal	\$ -	\$ 611,447	\$ 139,980	\$ (471,467)
State	-	203,816	46,660	(157,156)
Total revenues	<u>-</u>	<u>815,263</u>	<u>186,640</u>	<u>(628,623)</u>
Expenditures:				
Personnel	-	36,348	35,841	507
Supplies	-	1,500	1,233	267
Services	50,000	1,277,415	258,276	1,019,139
Total expenditures	<u>50,000</u>	<u>1,315,263</u>	<u>295,350</u>	<u>1,019,913</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(500,000)</u>	<u>(108,710)</u>	<u>391,290</u>
Other financing sources (uses):				
Transfers in	50,000	500,000	200,000	(300,000)
Transfers (out)	(10,565)	(10,565)	(10,565)	-
Net other financing sources (uses)	<u>39,435</u>	<u>489,435</u>	<u>189,435</u>	<u>(300,000)</u>
Net change in fund balance	(10,565)	(10,565)	80,725	91,290
Fund balance at beginning of year	<u>128,033</u>	<u>128,033</u>	<u>128,033</u>	<u>-</u>
Fund balance at end of year	<u>\$ 117,468</u>	<u>\$ 117,468</u>	<u>\$ 208,758</u>	<u>\$ 91,290</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, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 207,300	\$ 207,300	\$ 207,675	\$ 375
Motor vehicle tax	1,820	1,820	2,314	494
Intergovernmental - State	-	2,160	2,160	-
Investment earnings	5,431	5,431	8,775	3,344
Total revenues	<u>214,551</u>	<u>216,711</u>	<u>220,924</u>	<u>4,213</u>
Expenditures:				
Personnel	72,370	75,684	75,684	-
Services	157,134	186,180	186,180	-
Total expenditures	<u>229,504</u>	<u>261,864</u>	<u>261,864</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(14,953)</u>	<u>(45,153)</u>	<u>(40,940)</u>	<u>4,213</u>
Other financing sources -				
Transfers in	<u>30,200</u>	<u>30,200</u>	<u>30,200</u>	<u>-</u>
Net change in fund balance	15,247	(14,953)	(10,740)	4,213
Fund balance at beginning of year	<u>117,912</u>	<u>117,912</u>	<u>117,912</u>	<u>-</u>
Fund balance at end of year	<u>\$ 133,159</u>	<u>\$ 102,959</u>	<u>\$ 107,172</u>	<u>\$ 4,213</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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - State	\$ -	\$ 45,829	\$ 45,829	\$ -
Investment earnings	170,592	170,592	358,868	188,276
Other revenues:				
Recycle fees	63,000	63,000	65,093	2,093
Solid waste dumping fees	150,000	150,000	340,105	190,105
Hazardous waste dumping fees	<u>15,000</u>	<u>15,000</u>	<u>29,550</u>	<u>14,550</u>
Total revenues	<u>398,592</u>	<u>444,421</u>	<u>839,445</u>	<u>395,024</u>
Expenditures:				
Personnel	1,584,875	1,630,704	1,572,642	58,062
Supplies	348,550	385,965	335,343	50,622
Services	3,130,794	3,100,852	2,627,256	473,596
Capital outlay	<u>24,400</u>	<u>56,927</u>	<u>43,039</u>	<u>13,888</u>
Total expenditures	<u>5,088,619</u>	<u>5,174,448</u>	<u>4,578,280</u>	<u>596,168</u>
Excess (deficiency) of revenues over expenditures	<u>(4,690,027)</u>	<u>(4,730,027)</u>	<u>(3,738,835)</u>	<u>991,192</u>
Other financing sources (uses):				
Transfers in	4,874,390	4,984,390	4,984,390	-
Transfers (out)	<u>(827,463)</u>	<u>(3,347,463)</u>	<u>(3,347,463)</u>	<u>-</u>
Net other financing sources (uses)	<u>4,046,927</u>	<u>1,636,927</u>	<u>1,636,927</u>	<u>-</u>
Net change in fund balance	(643,100)	(3,093,100)	(2,101,908)	991,192
Fund balance at beginning of year	<u>5,754,399</u>	<u>5,754,399</u>	<u>5,754,399</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,111,299</u>	<u>\$ 2,661,299</u>	<u>\$ 3,652,491</u>	<u>\$ 991,192</u>

This Page intentionally left blank.

Nonmajor Capital Project Funds
Pages 96 - 99

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

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

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

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

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

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

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

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

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

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

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

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

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

Miscellaneous Grants Capital Project Fund – This fund is used to account for acquisition and construction of miscellaneous capital facilities.

Kenai Peninsula Borough

**Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2007**

	<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	\$2,127,583	\$ 629,116	\$ 27,353	\$2,505,337	\$ 1,905,838	\$ 1,173,752
Due from other governments	<u>115,690</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>223,834</u>	<u>-</u>
Total assets	<u>\$2,243,273</u>	<u>\$ 629,116</u>	<u>\$ 27,353</u>	<u>\$2,505,427</u>	<u>\$ 2,129,672</u>	<u>\$ 1,173,752</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts and retainage payable	399,585	-	-	61,781	10,191	17,349
Accrued payroll and payroll taxes	11,127	-	-	1,648	-	-
Deferred revenue	<u>12,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>423,648</u>	<u>-</u>	<u>-</u>	<u>63,429</u>	<u>10,191</u>	<u>17,349</u>
Fund balances:						
Reserved - encumbrances	439,240	109,916	-	2,112,554	324,822	91,702
Unreserved:						
Designations	932,751	304,919	-	327,243	1,327,849	208,199
Undesignated	<u>447,634</u>	<u>214,281</u>	<u>27,353</u>	<u>2,201</u>	<u>466,810</u>	<u>856,502</u>
Total fund balances	<u>1,819,625</u>	<u>629,116</u>	<u>27,353</u>	<u>2,441,998</u>	<u>2,119,481</u>	<u>1,156,403</u>
Total liabilities and fund balances	<u>\$2,243,273</u>	<u>\$ 629,116</u>	<u>\$ 27,353</u>	<u>\$2,505,427</u>	<u>\$ 2,129,672</u>	<u>\$ 1,173,752</u>

<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Kachemak Emergency Services Service Area</u>	<u>911 Communications</u>	<u>North Peninsula Recreation Service Area</u>	<u>Total Nonmajor Capital Project Funds</u>
\$ 423,390	\$ 1,808,816	\$ 396,812	\$ 261,572	\$ 285,424	\$ 452,899	\$ 11,997,892
35,513	-	51,813	40,842	75,101	8,558	551,441
<u>\$ 458,903</u>	<u>\$ 1,808,816</u>	<u>\$ 448,625</u>	<u>\$ 302,414</u>	<u>\$ 360,525</u>	<u>\$ 461,457</u>	<u>\$ 12,549,333</u>
-	-	-	43,764	43,784	14,288	590,742
-	-	-	-	-	-	12,775
-	-	-	-	-	-	12,936
-	-	-	43,764	43,784	14,288	616,453
145,912	698,781	30,952	2,811	1,057	21,617	3,979,364
208,424	270,377	349,769	132,137	260,773	34,188	4,356,629
104,567	839,658	67,904	123,702	54,911	391,364	3,596,887
<u>458,903</u>	<u>1,808,816</u>	<u>448,625</u>	<u>258,650</u>	<u>316,741</u>	<u>447,169</u>	<u>11,932,880</u>
<u>\$ 458,903</u>	<u>\$ 1,808,816</u>	<u>\$ 448,625</u>	<u>\$ 302,414</u>	<u>\$ 360,525</u>	<u>\$ 461,457</u>	<u>\$ 12,549,333</u>

Kenai Peninsula Borough
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2007

	<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	\$ 218,750	\$ -	\$ -	\$ 90	\$ 354,384	\$ -
State	911,837	-	-	-	1,086,701	-
Investment earnings	-	-	-	-	58,294	60,371
Other revenues	-	<u>7,500</u>	-	-	-	-
Total revenues	<u>1,130,587</u>	<u>7,500</u>	<u>-</u>	<u>90</u>	<u>1,499,379</u>	<u>60,371</u>
Expenditures:						
General government	-	559,024	-	-	-	-
Solid waste	-	-	-	271,286	-	-
Public safety	-	-	-	-	-	305,076
Recreation	-	-	-	-	-	-
Education	3,135,863	-	-	-	-	-
Roads and trails	-	-	-	-	<u>2,398,358</u>	-
Total expenditures	<u>3,135,863</u>	<u>559,024</u>	<u>-</u>	<u>271,286</u>	<u>2,398,358</u>	<u>305,076</u>
Excess (deficiency) of revenues over expenditures	<u>(2,005,276)</u>	<u>(551,524)</u>	<u>-</u>	<u>(271,196)</u>	<u>(898,979)</u>	<u>(244,705)</u>
Other financing sources (uses):						
Transfers in	2,911,171	150,000	-	2,520,000	1,666,153	400,000
Transfers out	<u>(1,961,171)</u>	-	-	-	-	-
Net other financing sources (uses)	<u>950,000</u>	<u>150,000</u>	<u>-</u>	<u>2,520,000</u>	<u>1,666,153</u>	<u>400,000</u>
Net changes in fund balances	(1,055,276)	(401,524)	-	2,248,804	767,174	155,295
Fund balances at beginning of year	<u>2,874,901</u>	<u>1,030,640</u>	<u>27,353</u>	<u>193,194</u>	<u>1,352,307</u>	<u>1,001,108</u>
Fund balances at end of year	<u>\$1,819,625</u>	<u>\$ 629,116</u>	<u>\$ 27,353</u>	<u>\$2,441,998</u>	<u>\$ 2,119,481</u>	<u>\$ 1,156,403</u>

<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Kachemak Emergency Services Service Area</u>	<u>911 Communications</u>	<u>North Peninsula Recreation Service Area</u>	<u>Miscellaneous Grants</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 35,513	\$ 67,654	\$ 37,538	\$ 73,907	\$ 853,205	\$ -	\$ 6,859	\$ 1,647,900
-	-	104,001	75,000	-	181,521	-	2,359,060
24,801	83,494	25,070	9,117	-	19,358	-	280,505
-	-	-	-	-	-	-	7,500
<u>60,314</u>	<u>151,148</u>	<u>166,609</u>	<u>158,024</u>	<u>853,205</u>	<u>200,879</u>	<u>6,859</u>	<u>4,294,965</u>
-	-	-	-	-	-	6,859	565,883
-	-	-	-	-	-	-	271,286
182,291	189,877	326,508	287,276	1,522,125	-	-	2,813,153
-	-	-	-	-	213,716	-	213,716
-	-	-	-	-	-	-	3,135,863
-	-	-	-	-	-	-	2,398,358
<u>182,291</u>	<u>189,877</u>	<u>326,508</u>	<u>287,276</u>	<u>1,522,125</u>	<u>213,716</u>	<u>6,859</u>	<u>9,398,259</u>
<u>(121,977)</u>	<u>(38,729)</u>	<u>(159,899)</u>	<u>(129,252)</u>	<u>(668,920)</u>	<u>(12,837)</u>	<u>-</u>	<u>(5,103,294)</u>
115,000	725,000	115,000	230,000	-	50,000	-	8,882,324
-	-	-	-	-	-	-	(1,961,171)
<u>115,000</u>	<u>725,000</u>	<u>115,000</u>	<u>230,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>6,921,153</u>
(6,977)	686,271	(44,899)	100,748	(668,920)	37,163	-	1,817,859
465,880	1,122,545	493,524	157,902	985,661	410,006	-	10,115,021
<u>\$ 458,903</u>	<u>\$ 1,808,816</u>	<u>\$ 448,625</u>	<u>\$ 258,650</u>	<u>\$ 316,741</u>	<u>\$ 447,169</u>	<u>\$ -</u>	<u>\$ 11,932,880</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, 2007

	Debt Service Funds			
	<u>General Government</u>	<u>Solid Waste</u>	<u>Central Emergency Services</u>	<u>Total Nonmajor Debt Service Funds</u>
<u>ASSETS</u>				
Cash with fiscal agent	\$ -	\$ -	\$ -	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities -				
Due to other funds - General Fund	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Undesignated fund balance	-	-	-	-
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, 2007

	<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	1,320,000	670,000	75,000	2,065,000
Interest and other	819,422	157,463	110,384	1,087,269
Total expenditures	<u>2,139,422</u>	<u>827,463</u>	<u>185,384</u>	<u>3,152,269</u>
Excess (deficiency) of revenues over expenditures	(2,139,422)	(827,463)	(185,384)	(3,152,269)
Other financing sources - transfers in	<u>2,139,422</u>	<u>827,463</u>	<u>185,384</u>	<u>3,152,269</u>
Net changes 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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures -				
Debt service:				
Principal	1,320,000	1,320,000	1,320,000	-
Interest and other	802,238	790,238	819,422	(29,184)
Total expenditures	<u>2,122,238</u>	<u>2,110,238</u>	<u>2,139,422</u>	<u>(29,184)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,122,238)</u>	<u>(2,110,238)</u>	<u>(2,139,422)</u>	<u>29,184</u>
Other financing sources -				
Transfers in	<u>2,122,238</u>	<u>2,110,238</u>	<u>2,139,422</u>	<u>29,184</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough

**Solid Waste Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures -				
Debt service:				
Principal	670,000	670,000	670,000	-
Interest and other	157,463	157,463	157,463	-
Total expenditures	<u>827,463</u>	<u>827,463</u>	<u>827,463</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(827,463)</u>	<u>(827,463)</u>	<u>(827,463)</u>	<u>-</u>
Other financing sources -				
Transfers in	<u>827,463</u>	<u>827,463</u>	<u>827,463</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>

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, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures -				
Debt service:				
Principal	75,000	75,000	75,000	-
Interest and other	120,796	120,796	110,384	10,412
Total expenditures	195,796	195,796	185,384	10,412
Excess (deficiency) of revenues over expenditures	(195,796)	(195,796)	(185,384)	(10,412)
Other financing sources -				
Transfers in	195,796	195,796	185,384	(10,412)
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

This Page intentionally left blank.

INTERNAL SERVICE FUNDS

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Assets
June 30, 2007

	<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	\$ 12,983	\$ -	\$ -	\$ -	\$ 12,983
Equity in central treasury	5,612,636	912,074	1,570,352	2,669,524	10,764,586
Due from component unit	-	-	313,977	-	313,977
Total current assets	<u>5,625,619</u>	<u>912,074</u>	<u>1,884,329</u>	<u>2,669,524</u>	<u>11,091,546</u>
Capital assets:					
Equipment	-	-	4,489,467	-	4,489,467
Less accumulated depreciation	-	-	(2,533,693)	-	(2,533,693)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>1,955,774</u>	<u>-</u>	<u>1,955,774</u>
Total assets	<u>\$ 5,625,619</u>	<u>\$ 912,074</u>	<u>\$ 3,840,103</u>	<u>\$ 2,669,524</u>	<u>\$ 13,047,320</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts and contracts payable	14,644	-	-	-	14,644
Claims payable	1,042,586	525,000	-	-	1,567,586
Compensated absences	33,733	-	-	667,381	701,114
Total current liabilities	<u>1,090,963</u>	<u>525,000</u>	<u>-</u>	<u>667,381</u>	<u>2,283,344</u>
Long term liabilities- compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,002,143</u>	<u>2,002,143</u>
Total liabilities	<u>1,090,963</u>	<u>525,000</u>	<u>-</u>	<u>2,669,524</u>	<u>4,285,487</u>
<u>NET ASSETS</u>					
Invested in capital assets	-	-	1,955,774	-	1,955,774
Unrestricted	4,534,656	387,074	1,884,329	-	6,806,059
Total net assets	<u>\$ 4,534,656</u>	<u>\$ 387,074</u>	<u>\$ 3,840,103</u>	<u>\$ -</u>	<u>\$ 8,761,833</u>

Kenai Peninsula Borough

**Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2007**

	<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:					
Charges for sales and services	\$ 2,767,250	\$ 3,171,292	\$ 656,621	\$ 1,854,076	\$ 8,449,239
Other	13,673	413	-	-	14,086
Total operating revenues	<u>2,780,923</u>	<u>3,171,705</u>	<u>656,621</u>	<u>1,854,076</u>	<u>8,463,325</u>
Operating expenses:					
Administrative service	505,621	99,940	-	1,854,076	2,459,637
Insurance premiums	916,228	-	-	-	916,228
Self-insured losses	1,617,290	2,984,691	-	-	4,601,981
Depreciation	-	-	348,642	-	348,642
Total operating expenses	<u>3,039,139</u>	<u>3,084,631</u>	<u>348,642</u>	<u>1,854,076</u>	<u>8,326,488</u>
Operating income (loss)	<u>(258,216)</u>	<u>87,074</u>	<u>307,979</u>	<u>-</u>	<u>136,837</u>
Non-operating revenues -					
Investment earnings	<u>299,956</u>	<u>-</u>	<u>90,983</u>	<u>-</u>	<u>390,939</u>
Income before transfers	41,740	87,074	398,962	-	527,776
Transfers in	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Change in net assets	41,740	387,074	398,962	-	827,776
Net assets at beginning of year	<u>4,492,916</u>	<u>-</u>	<u>3,441,141</u>	<u>-</u>	<u>7,934,057</u>
Net assets at end of year	<u>\$ 4,534,656</u>	<u>\$ 387,074</u>	<u>\$ 3,840,103</u>	<u>\$ -</u>	<u>\$ 8,761,833</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2007

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Equipment Replacement</u>	<u>Employee Compensated Leave</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from interfund services provided	\$2,767,250	\$3,171,292	\$ 742,973	\$ 1,854,076	\$ 8,535,591
Other program revenue	13,673	413	-	-	14,086
Payments to suppliers	(2,445,086)	(2,559,631)	-	-	(5,004,717)
Payments to employees	(482,659)	-	-	(1,786,672)	(2,269,331)
Net cash provided (used) by operating activities	<u>(146,822)</u>	<u>612,074</u>	<u>742,973</u>	<u>67,404</u>	<u>1,275,629</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions from General Fund	-	300,000	-	-	300,000
Purchase of capital assets	-	-	(444,313)	-	(444,313)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>300,000</u>	<u>(444,313)</u>	<u>-</u>	<u>(144,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -					
Investment earnings	299,956	-	90,983	-	390,939
Net increase in cash and cash equivalents	153,134	912,074	389,643	67,404	1,522,255
Cash and equity in central treasury at beginning of year	5,472,485	-	1,180,709	2,602,120	9,255,314
Cash and equity in central treasury at end of year	<u>\$5,625,619</u>	<u>\$ 912,074</u>	<u>\$ 1,570,352</u>	<u>\$ 2,669,524</u>	<u>\$10,777,569</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	<u>\$ (258,216)</u>	<u>\$ 87,074</u>	<u>\$ 307,979</u>	<u>\$ -</u>	<u>\$ 136,837</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	-	-	348,642	-	348,642
Change in assets and liabilities:					
Decrease in accounts and contracts payable	(11,570)	-	-	-	(11,570)
Increase in accrued payroll and payroll taxes	5,727	-	-	67,404	73,131
Increase in claims payable	117,237	525,000	-	-	642,237
Decrease in accounts receivable	-	-	86,352	-	86,352
Total adjustments	<u>111,394</u>	<u>525,000</u>	<u>434,994</u>	<u>67,404</u>	<u>1,138,792</u>
Net cash provided (used) by operating activities	<u>\$ (146,822)</u>	<u>\$ 612,074</u>	<u>\$ 742,973</u>	<u>\$ 67,404</u>	<u>\$ 1,275,629</u>

This Page intentionally left blank.

FIDUCIARY FUNDS

Kenai Peninsula Borough
Fiduciary Fund Type - Agency Funds
Combining Statement of Assets and Liabilities
June 30, 2007

With Comparative Totals for June 30, 2006

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total June 30, 2007</u>	<u>Total June 30, 2006</u>
<u>ASSETS</u>				
Equity in central treasury	\$ 355,211	\$ 610,092	\$ 965,303	\$ 984,282
Taxes receivable	79,517	-	79,517	92,240
Due from landowners	<u>-</u>	<u>651,375</u>	<u>651,375</u>	<u>943,261</u>
Total assets	<u>\$ 434,728</u>	<u>\$ 1,261,467</u>	<u>\$ 1,696,195</u>	<u>\$ 2,019,783</u>
<u>LIABILITIES</u>				
Accounts and contracts payable	-	1,605	1,605	6,027
Deposits from landowners	-	78,023	78,023	431,557
Deferred administration fee	-	85,491	85,491	83,358
Due to landowners	-	349,838	349,838	299,939
Loans payable	-	746,510	746,510	838,333
Due to other entities:				
Homer	133,646	-	133,646	142,283
Kachemak City	584	-	584	502
Kenai	180,110	-	180,110	131,291
Seldovia	8,274	-	8,274	32,044
Seward	56,742	-	56,742	19,130
Soldotna	<u>55,372</u>	<u>-</u>	<u>55,372</u>	<u>35,319</u>
Total liabilities	<u>\$ 434,728</u>	<u>\$ 1,261,467</u>	<u>\$ 1,696,195</u>	<u>\$ 2,019,783</u>

Kenai Peninsula Borough
Fiduciary Fund Type - Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007

	<u>Total</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2007</u>
TAX AGENCY FUND				
<u>ASSETS</u>				
Equity in central treasury	\$ 268,329	\$28,451,216	\$28,364,334	\$ 355,211
Taxes receivable	<u>92,240</u>	<u>6,174,662</u>	<u>6,187,385</u>	<u>79,517</u>
Total assets	<u>\$ 360,569</u>	<u>\$34,625,878</u>	<u>\$34,551,719</u>	<u>\$ 434,728</u>
<u>LIABILITIES</u>				
Due to other entities:				
Homer	142,283	9,259,694	9,268,331	133,646
Kachemak City	502	98,996	98,914	584
Kenai	131,291	6,856,560	6,807,741	180,110
Seldovia	32,044	286,151	309,921	8,274
Seward	19,130	4,465,879	4,428,267	56,742
Soldotna	<u>35,319</u>	<u>7,471,215</u>	<u>7,451,162</u>	<u>55,372</u>
Total liabilities	<u>\$ 360,569</u>	<u>\$28,438,495</u>	<u>\$28,364,336</u>	<u>\$ 434,728</u>
SPECIAL ASSESSMENT AGENCY FUND				
<u>ASSETS</u>				
Equity in central treasury	\$ 715,953	\$ 49,900	\$ 155,761	\$ 610,092
Due from landowners	<u>943,261</u>	<u>101,614</u>	<u>393,500</u>	<u>651,375</u>
Total assets	<u>\$ 1,659,214</u>	<u>\$ 151,514</u>	<u>\$ 549,261</u>	<u>\$ 1,261,467</u>
<u>LIABILITIES</u>				
Accounts payable	6,027	1,605	6,027	1,605
Deposits from landowners	431,557	-	353,534	78,023
Deferred administration fee	83,358	21,557	19,424	85,491
Due to landowners	299,939	49,899	-	349,838
Loans payable	<u>838,333</u>	<u>196,749</u>	<u>288,572</u>	<u>746,510</u>
Total liabilities	<u>\$ 1,659,214</u>	<u>\$ 269,810</u>	<u>\$ 667,557</u>	<u>\$ 1,261,467</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, 2007**

TOTALS - ALL AGENCY FUNDS	<u>Total June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total June 30, 2007</u>
<u>ASSETS</u>				
Equity in central treasury	\$ 984,282	\$28,501,116	\$28,520,095	\$ 965,303
Taxes receivable	92,240	6,174,662	6,187,385	79,517
Due from landowners	<u>943,261</u>	<u>101,614</u>	<u>393,500</u>	<u>651,375</u>
Total assets	<u>\$ 2,019,783</u>	<u>\$34,777,392</u>	<u>\$35,100,980</u>	<u>\$ 1,696,195</u>
<u>LIABILITIES</u>				
Accounts and contracts payable	6,027	1,605	6,027	1,605
Deposits from landowners	431,557	-	353,534	78,023
Deferred administration fee	83,358	21,557	19,424	85,491
Due to landowners	299,939	49,899	-	349,838
Loans payable	838,333	196,749	288,572	746,510
Due to other entities:				
Homer	142,283	9,259,694	9,268,331	133,646
Kachemak City	502	98,996	98,914	584
Kenai	131,291	6,856,560	6,807,741	180,110
Seldovia	32,044	286,151	309,921	8,274
Seward	19,130	4,465,879	4,428,267	56,742
Soldotna	<u>35,319</u>	<u>7,471,215</u>	<u>7,451,162</u>	<u>55,372</u>
Total liabilities	<u>\$ 2,019,783</u>	<u>\$28,708,305</u>	<u>\$29,031,893</u>	<u>\$ 1,696,195</u>

This Page intentionally left blank.

CAPITAL ASSETS

Kenai Peninsula Borough

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
June 30, 2007 and 2006**

	<u>2006</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 65,039,040	\$ 65,336,157
Buildings	261,660,190	281,231,495
Improvements other than buildings	55,742,994	62,823,019
Machinery and equipment	17,578,164	19,818,955
Infrastructure	4,723,739	5,640,390
Construction in progress	<u>21,771,927</u>	<u>4,109,360</u>
 Total governmental funds capital assets	 <u>\$ 426,516,054</u>	 <u>\$ 438,959,376</u>
 Investments in governmental funds capital assets by source:		
General obligation bonds	259,425,148	265,100,853
State and federal grants	32,660,512	33,916,165
Federal revenue sharing	3,134,525	3,389,180
General Fund revenue	42,352,666	43,758,623
Special revenue funds	30,197,313	33,878,818
Dedicated lands	120,300	126,058
Donations	<u>58,625,590</u>	<u>58,789,679</u>
 Total governmental funds capital assets	 <u>\$ 426,516,054</u>	 <u>\$ 438,959,376</u>

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

Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2007

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, 2006	Additions	Deletions	Governmental Funds Capital Assets June 30, 2007
General government	\$ 73,410,356	\$ 1,405,286	\$ 690,755	\$ 74,124,887
Senior citizens	243,800	-	-	243,800
Public safety:				
Fire protection and emergency medical	16,126,673	8,015,126	4,416,367	19,725,432
Emergency communications	4,531,548	1,577,500	-	6,109,048
Total public safety	20,658,221	9,592,626	4,416,367	25,834,480
Solid waste facilities	24,954,278	8,338,277	6,433,816	26,858,739
Road maintenance:				
Maintenance	98,566	-	-	98,566
Roads	5,163,175	1,294,833	-	6,458,008
Total road maintenance	5,261,741	1,294,833	-	6,556,574
Recreation:				
North Peninsula Recreation service area	9,713,549	219,498	338,045	9,595,002
Schools	292,274,109	17,919,220	14,447,435	295,745,894
Total governmental funds capital assets	\$ 426,516,054	\$ 38,769,740	\$ 26,326,418	\$ 438,959,376

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

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2007

	<u>Land</u>	<u>Buildings</u>	<u>Buildings Other Than</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General government:							
Administration building	\$ -	2,702,656	\$ 1,298,675	\$ 1,919,335	\$ -	790,821	\$ 6,711,487
Maintenance	148,290	1,392,155	33,538	869,000	-	-	2,442,983
Areawide	58,810,934	5,481,251	641,282	36,950	-	-	64,970,417
Total general government	58,959,224	9,576,062	1,973,495	2,825,285	-	790,821	74,124,887
Senior citizens	-	243,800	-	-	-	-	243,800
Public safety:							
Fire protection and emergency medical:							
Nikiski Fire service area	49,172	1,983,705	266,489	3,671,674	-	-	5,971,040
Bear Creek Fire service area	17,211	386,899	121,875	1,089,531	-	-	1,615,516
Central Emergency service area	223,615	1,367,009	370,399	4,216,904	-	2,103,342	8,281,269
Anchor Point Fire and Emergency Medical service area	30,248	654,073	118,540	588,887	-	-	1,391,748
Kachemak Fire and Emergency	127,270	1,473,290	-	844,600	-	-	2,445,160
Lowell Point Fire and Emergency	-	-	12,653	8,046	-	-	20,699
Total fire protection and emergency medical	447,516	5,864,976	889,956	10,419,642	-	2,103,342	19,725,432
Emergency communications:							
Central Peninsula Emergency Services communication center	-	4,379,891	89,578	1,260,330	-	-	5,729,799
Emergency warning systems	-	-	-	379,249	-	-	379,249
Total communications	-	4,379,891	89,578	1,639,579	-	-	6,109,048
Total public safety	447,516	10,244,867	979,534	12,059,221	-	2,103,342	25,834,480
Solid waste facilities	2,908,687	1,354,816	18,324,213	4,271,023	-	-	26,858,739
Road maintenance	-	-	-	93,199	5,640,390	822,985	6,556,574
Recreation:							
North Peninsula Recreation service area	145,640	7,823,669	1,435,212	190,481	-	-	9,595,002

(Continued)

Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2007

	<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>
School district:								
Central office and warehouse	-	1,777,314	604,289	-	-	-	-	2,381,603
Schools:								
Outside cities:								
Anchor Point/Middle/Junior high	205,102	-	-	-	-	-	-	205,102
Central Peninsula Elementary	-	-	36,690	-	-	-	-	36,690
Chapman Elementary	8,500	2,597,653	464,389	-	-	-	-	3,070,542
Cooper Landing	-	1,001,843	150,986	-	-	-	-	1,152,829
Tebughna	-	1,564,013	152,551	-	-	-	-	1,716,564
English Bay	-	2,447,908	230,577	-	-	-	-	2,678,485
Hope Elementary	3,000	2,523,867	538,910	-	-	-	-	3,065,777
Kalifornsky Beach	258,803	4,884,108	175,461	-	-	-	-	5,318,372
McNeil Canyon	-	4,305,122	638,411	11,903	-	-	-	4,955,436
Moose Pass	28,154	901,766	68,404	-	-	-	-	998,324
Nanwalek	-	265,033	-	126,919	-	-	-	391,952
Nikiski High	-	22,847,128	4,490,040	-	5,000	-	-	27,342,168
Nikolaevsk	51,282	4,336,631	364,129	25,438	-	-	35,374	4,812,854
Ninilchik	16,399	5,307,266	470,223	8,589	-	-	-	5,802,477
North Star Elementary	-	6,076,014	1,379,034	-	-	-	-	7,455,048
Port Graham	400	2,081,674	132,307	-	-	-	-	2,214,381
Skyview High	-	22,039,127	3,729,227	-	-	-	-	25,768,354
Sterling	7,450	3,744,355	647,750	34,127	-	-	-	4,433,682
Tustumena	8,001	7,875,760	234,713	-	-	-	-	8,118,474
Voznesenka	19,555	150,000	16,400	21,138	-	-	-	207,093
Total outside cities	606,646	94,949,268	13,920,202	233,114	-	-	35,374	109,744,604
Homer:								
West Homer Elementary	322,028	11,332,823	46,614	-	-	-	-	11,701,465
Paul Banks Elementary	23,971	2,589,113	679,965	6,142	-	-	-	3,299,191
High School	400,913	27,359,949	6,964,523	-	-	-	-	34,725,385
Junior High	17,024	3,197,028	739,103	-	-	-	-	3,953,155
Intermediate	18,000	1,444,505	682,250	-	-	-	-	2,144,755
High School Addition	29,177	2,598,949	103,555	-	-	-	-	2,731,681
Flex School	63,248	461,150	-	-	-	-	-	524,398
Total Homer	874,361	48,983,517	9,216,010	6,142	-	-	-	59,080,030

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2007

	<u>Land</u>	<u>Buildings</u>	<u>Buildings Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Kenai:							
Elementary II	52,800	2,614,381	104,667	-	-	-	2,771,848
Mountain View Elementary	-	5,892,103	1,315,996	31,021	-	-	7,239,120
Sears Elementary	41,575	1,709,394	464,620	-	-	-	2,215,589
Junior High	60,499	4,025,121	824,749	-	-	-	4,910,369
High School	129,517	17,788,936	2,973,783	56	-	-	20,892,292
Vocational High	40,000	509,655	254,483	-	-	-	804,138
Arts and Crafts Building	-	118,341	-	-	-	-	118,341
Total Kenai	324,391	32,657,931	5,938,298	31,077	-	-	38,951,697
Seldovia:							
Susan B. English Shop Building	27,953	3,668,235	972,683	-	-	-	4,668,871
Total Seldovia	1,000	430,000	-	-	-	-	431,000
	28,953	4,098,235	972,683	-	-	-	5,099,871
Seward:							
Elementary II	235,000	6,535,287	894,335	40,000	-	-	7,704,622
Middle	346,295	13,899,316	46,274	-	-	-	14,291,885
Jr. High/High School	182,596	12,651,093	2,053,862	-	-	-	14,887,551
Total Seward	763,891	33,085,696	2,994,471	40,000	-	-	36,884,058
Soldotna:							
Elementary	270,048	4,850,494	1,194,786	-	-	-	6,315,328
Redoubt Elementary	-	4,151,522	624,208	40,000	-	-	4,815,730
Multipurpose Room	-	316,186	-	-	-	-	316,186
Junior High	5,900	7,584,837	1,930,667	-	-	-	9,521,404
High School	900	16,181,075	1,629,003	8,275	-	-	17,819,253
Total Soldotna	276,848	33,084,114	5,378,664	48,275	-	-	38,787,901
Other areawide:							
Areawide pool/water projects	-	611,839	1,070,907	21,138	-	356,838	2,060,722
Portable classrooms	-	2,740,367	15,041	-	-	-	2,755,408
Total other areawide	-	3,352,206	1,085,948	21,138	-	356,838	4,816,130
Total school district	2,875,090	251,988,281	40,110,565	379,746	-	392,212	295,745,894
Total governmental funds capital assets	\$ 65,336,157	\$ 281,231,495	\$ 62,823,019	\$ 19,818,955	\$ 5,640,390	\$ 4,109,360	\$ 438,959,376

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

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

This Page intentionally left blank.

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

Page

Financial trends

These schedules contain trend information to help the reader understand how the Borough's Financial performance and well-being have changed over time.

Table I	Net assets by component	121
Table II	Change in net assets	122
Table III	Governmental activities tax revenues by source	123
Table IV	Fund balances of governmental funds	124
Table V	Changes in fund balances of governmental funds	125
Table VI	General governmental significant revenues by source	126

Revenue capacity

These schedules contain information to help the reader assess the Borough's most significant local revenue source, hospital charge for services.

Table VII	Assessed value and estimated actual value of taxable property	127
Table VIII	Property tax rates	128
Table IX	Principal property taxpayers	129
Table X	Property tax levies and collections	130

Debt capacity

These schedules present information to help the reader assess the affordability of the Borough's current level of outstanding debt and the Borough's ability to issue additional debt in the future.

Table XI	Ratios of outstanding debt by type and per capita	131
Table XII	Legal debt margin information	132

Demographic and economic information

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

Table XIII	Demographic and economic statistics	133
Table XIV	Principal employers	134

Operating information

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

Table XV	Full-time equivalent Borough government employees by function	135
Table XVI	Operating indicators by function	136
Table XVII	Capital asset statistics by function	137

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

Kenai Peninsula Borough

TABLE I

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

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

Kenai Peninsula Borough

TABLE II

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

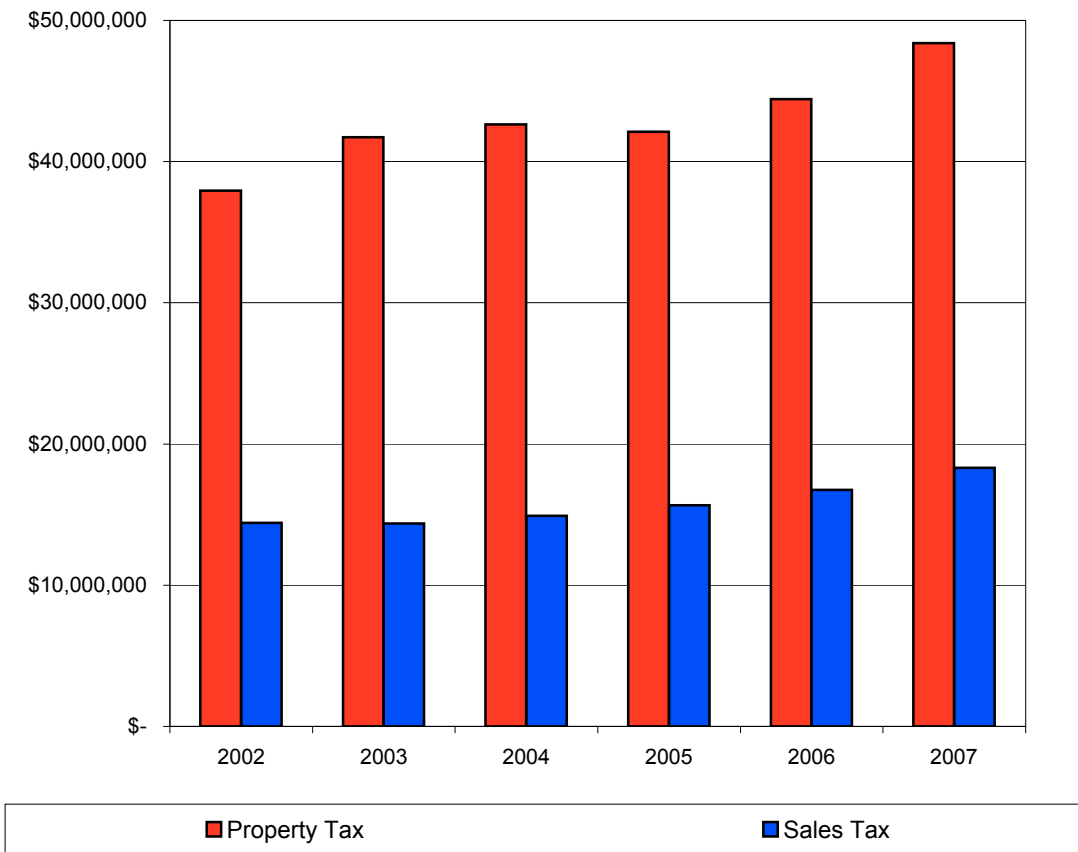
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 11,553,510	\$ 12,845,108	\$ 13,759,624	\$ 15,039,269	\$ 14,181,543	\$ 12,009,076
Solid waste	4,664,265	4,441,397	4,546,868	4,305,904	5,314,682	4,529,426
Public safety	9,103,350	11,786,508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

Kenai Peninsula Borough

Table III

**Governmental Activities Tax Revenues by Source
Last Six 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



Kenai Peninsula Borough

Table IV

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 470,702	\$ 428,830	\$ 406,778	\$ 479,331	\$ 354,603	\$ 255,206	\$ 318,064	\$ 98,704	\$ 252,852	\$ 279,145
Unreserved	29,390,341	27,934,261	26,701,571	27,876,524	25,824,117	24,557,132	20,034,527	17,090,419	15,032,451	20,013,018
Total General Fund	<u>\$29,861,043</u>	<u>\$28,363,091</u>	<u>\$27,108,349</u>	<u>\$28,355,855</u>	<u>\$26,178,720</u>	<u>\$24,812,338</u>	<u>\$20,352,591</u>	<u>\$17,189,123</u>	<u>\$15,285,303</u>	<u>\$20,292,163</u>
All other governmental funds										
Reserved	1,465,065	1,262,311	1,798,199	3,542,224	5,030,786	3,666,808	16,270,937	6,168,912	5,604,994	5,751,376
Unreserved, reported in:										
Special revenue funds	10,236,031	9,670,544	10,155,219	18,970,653	23,656,468	22,135,464	22,487,636	24,030,122	23,612,583	22,364,901
Capital projects funds	5,125,089	6,908,187	6,375,451	12,223,479	10,098,402	17,170,265	14,723,736	13,134,043	11,506,248	10,834,479
Total all other governmental funds	<u>\$16,826,185</u>	<u>\$17,841,042</u>	<u>\$18,328,669</u>	<u>\$34,736,356</u>	<u>\$38,785,656</u>	<u>\$42,972,537</u>	<u>\$53,482,309</u>	<u>\$43,333,077</u>	<u>\$40,723,825</u>	<u>\$38,950,756</u>

The Kenai Peninsula Borough developed an Unreserved Fund Balance policy in 2001. This policy provided guidelines regarding minimum and maximum levels of unreserved fund balance for the Borough's General Fund and Service Areas operating and capital project funds. The policy requires that the following items should be considered when establishing an acceptable levels 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 years budget must include a five-year plan of action to achieve compliance with the acceptable range. As of 6/30/07, two Service Areas were out of compliance with this policy.

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

Table V

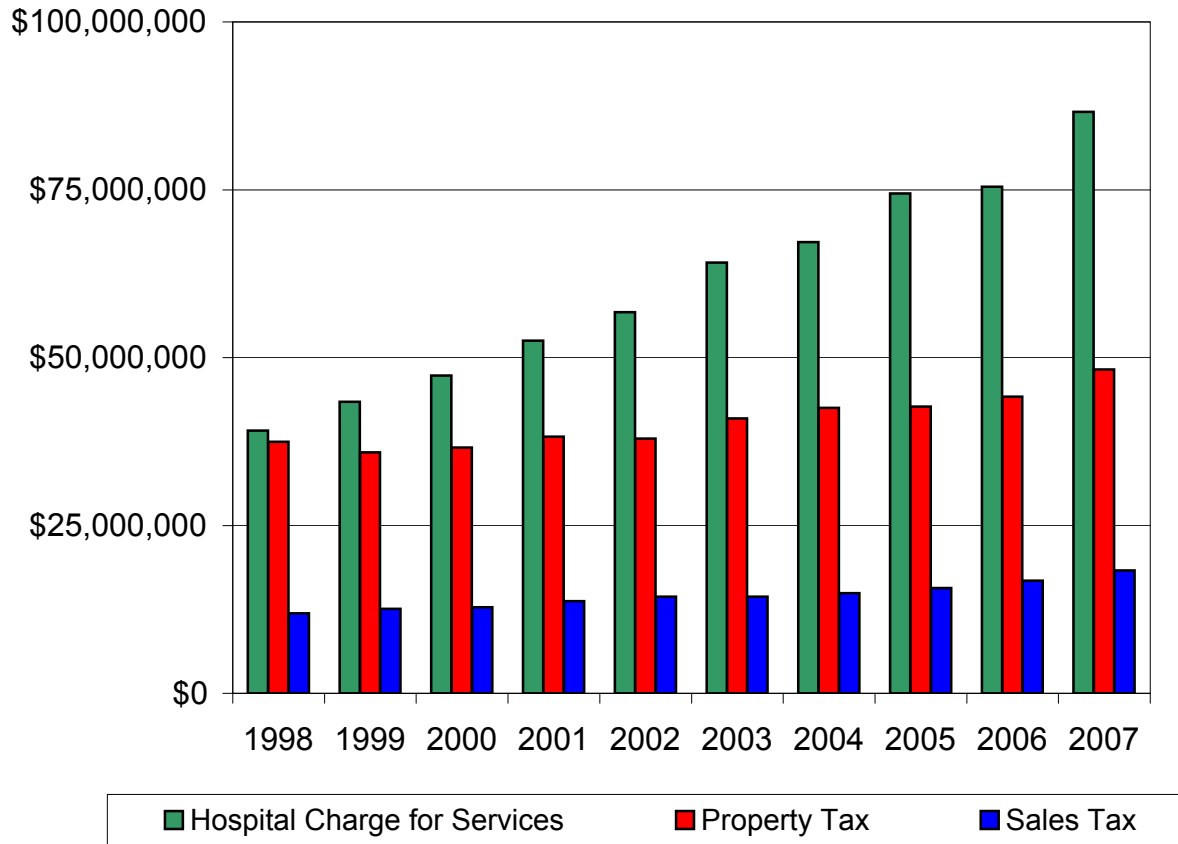
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Property taxes	\$37,473,330	\$35,908,942	\$36,621,773	\$38,207,989	\$37,943,100	\$40,961,761	\$42,493,681	\$42,702,040	\$44,202,071	\$48,235,053
Sales Tax	11,917,497	12,606,181	12,814,417	13,708,974	14,407,262	14,375,828	14,910,977	15,670,832	16,755,426	18,321,611
Intergovernmental	14,205,145	14,028,293	16,147,083	22,398,434	9,038,139	8,778,348	10,794,534	10,341,082	14,924,888	15,416,267
Investment earnings	3,692,471	3,025,161	3,504,046	6,938,112	3,017,960	2,640,324	799,151	2,983,265	1,685,672	4,536,308
Other revenues	2,467,615	2,049,374	2,123,354	1,827,920	2,950,349	3,388,791	2,613,236	3,517,763	4,252,498	3,218,169
Total revenues	69,756,058	67,617,951	71,210,673	83,081,429	67,356,810	70,145,052	71,611,579	75,214,982	81,820,555	89,727,408
Expenditures:										
General government	10,120,055	10,570,419	10,576,416	11,059,651	11,198,634	11,442,124	13,264,721	13,812,467	12,795,754	12,302,055
Solid waste	2,929,128	3,222,382	3,428,372	3,794,379	3,627,278	3,837,131	3,791,184	4,438,926	4,147,463	4,578,280
Public safety	4,656,561	4,618,317	6,061,619	6,860,034	8,532,554	11,190,264	10,272,548	9,782,444	10,990,280	11,774,981
Recreation	704,986	709,321	723,299	773,795	909,781	885,154	929,578	1,383,393	3,448,362	1,295,789
Education	29,530,380	29,741,274	30,284,012	30,668,243	31,006,284	30,996,207	32,501,758	34,268,066	37,695,674	38,614,183
Roads and trails	1,316,646	1,718,889	1,496,347	1,966,252	2,119,461	2,281,668	3,188,390	3,198,758	3,479,969	3,402,294
Capital outlay	5,026,025	4,661,416	6,606,123	5,588,265	9,116,040	10,500,410	11,172,647	17,037,100	11,425,755	13,661,765
Debt service										
Principal	9,255,000	9,965,000	10,730,000	10,855,000	2,480,000	2,575,000	3,840,000	3,375,000	3,485,000	2,065,000
Interest	3,573,183	2,871,395	2,101,848	1,302,262	839,104	686,595	1,300,728	1,231,528	1,065,369	1,087,269
Total expenditures	67,111,964	68,078,413	72,008,036	72,867,881	69,829,136	74,394,553	80,261,554	88,527,682	88,533,626	88,781,616
Excess of revenues over (under) expenditures	2,644,094	(460,462)	(797,363)	10,213,548	(2,472,326)	(4,249,501)	(8,649,975)	(13,312,700)	(6,713,071)	945,792
Other financing sources (uses)										
Transfers in	20,431,623	20,955,772	20,538,925	19,944,611	14,066,670	13,796,173	15,019,352	15,488,288	16,406,111	19,851,269
Transfers out	(20,431,623)	(20,955,772)	(20,517,945)	(19,944,611)	(14,066,670)	(13,796,173)	(15,019,352)	(15,488,288)	(16,706,111)	(20,151,269)
Bonds issued	-	-	-	7,429,000	-	7,040,000	14,700,000	-	2,500,000	2,588,000
Sale of capital assets	20,930	20,934	9,468	12,445	-	-	-	-	-	-
Net other financing sources (uses)	20,930	20,934	30,448	7,441,445	-	7,040,000	14,700,000	-	2,200,000	2,288,000
Net change in fund balance	\$ 2,665,024	\$ (439,528)	\$ (766,915)	\$ 17,654,993	\$ (2,472,326)	\$ 2,790,499	\$ 6,050,025	\$ (13,312,700)	\$ (4,513,071)	\$ 3,233,792
Debt service as a percentage of noncapital expenditures	26.04%	25.38%	24.41%	22.06%	5.78%	5.38%	8.04%	6.89%	6.27%	4.38%
Total non-capital expenditures	49,257,756	50,580,602	52,570,065	55,122,354	57,393,992	60,632,548	63,948,179	66,884,054	72,557,502	71,967,582

Kenai Peninsula Borough

Table VI

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

<u>Fiscal Year</u>	<u>Hospital Charge for Services</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
1998	39,120,647	37,473,330	11,917,497	88,511,474
1999	43,429,711	35,908,942	12,606,181	91,944,834
2000	47,310,533	36,621,773	12,814,417	96,746,723
2001	52,503,530	38,207,989	13,708,974	104,420,493
2002	56,754,435	37,943,100	14,407,262	109,104,797
2003	64,170,901	40,961,761	14,375,828	119,508,490
2004	67,228,364	42,493,681	14,910,977	124,633,022
2005	74,450,071	42,702,040	15,670,832	132,822,943
2006	75,458,572	44,202,701	16,755,426	136,416,699
2007	86,620,954	48,235,053	18,321,611	153,177,618



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			
1998	2,530,599	559,137	362,327	94,394	4,743	4,743	3,352,926	8.30	97.13%
1999	2,652,617	515,033	347,934	116,982	255	255	3,398,347	8.00	96.67%
2000	2,812,154	448,685	257,051	127,824	31,762	31,762	3,358,304	8.00	95.46%
2001	2,976,229	465,766	279,242	140,756	32,097	32,097	3,548,384	7.50	95.35%
2002	3,027,956	606,604	285,766	161,085	41,528	41,528	3,717,713	7.00	94.83%
2003	3,290,671	680,522	290,369	176,523	40,998	40,998	4,044,041	6.50	94.90%
2004	3,509,442	673,367	276,649	196,210	40,844	40,844	4,222,404	6.50	94.68%
2005	3,656,476	611,303	253,595	215,076	42,051	42,051	4,264,247	6.50	94.31%
2006	4,009,648	561,689	285,351	304,702	44,210	44,210	4,507,776	6.50	92.82%
2007	4,402,946	558,190	295,431	340,356	28,161	28,161	4,888,050	6.50	92.99%

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

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

Kenai Peninsula Borough

Table VIII

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

Fiscal Year	Borough (1)		City of Homer		City of Kachemak		City of Kenai		City of Seldovia		City of Seward		City of Soldotna	
	Operating	Special District	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts
1997	8.30	0.04	5.50	2.00	1.00	2.00	3.50	0.50	7.25	0.00	3.00	0.00	1.65	3.35
1998	8.30	0.08	5.50	2.00	1.00	2.00	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.15
1999	8.00	0.08	5.50	2.00	1.00	2.00	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.15
2000	8.00	0.10	5.50	2.00	1.00	2.00	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.15
2001	7.50	0.10	5.50	2.00	1.00	2.00	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.15
2002	7.00	0.10	5.50	1.75	1.00	1.75	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.00
2003	6.50	0.10	5.00	1.75	1.00	1.75	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.00
2004	6.50	0.10	5.00	1.75	1.00	1.75	5.00	0.50	7.25	0.00	3.12	0.00	1.65	3.10
2005	6.50	0.10	4.50	1.75	1.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2006	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2007	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35

(1) Borough's General Fund maximum mill rate for FY2007 was 8.3 mills

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

Kenai Peninsula Borough

Table IX

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

Taxpayer	2007			1998		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
Union Oil/Unocal	\$ 199,577,410	1	4.08%	\$ 658,635,420	1	19.68%
Tesoro Alaska Company	179,655,937	2	3.68%	73,658,818	3	2.20%
Conoco-Phillips Petroleum Co.	168,917,252	3	3.46%	90,195,760	2	2.69%
Marathon Oil Company	116,871,260	4	2.39%	48,507,872	4	1.45%
BP Exploration Alaska Inc.	72,223,458	5	1.48%	-	-	-
ACS of the Northland, Inc.	62,074,266	6	1.27%	47,873,323	5	1.43%
Agrium US Inc.	49,010,610	7	1.00%	-	-	-
XTO Energy, Inc.	44,130,000	8	0.90%	-	-	-
Kenai Kachemak Pipeline	41,813,070	9	0.86%	-	-	-
Fred Meyer	19,266,051	10	0.39%	15,688,860	10	0.47%
Totals	\$ 953,539,314		19.51%	\$ 934,560,053		27.92%

(1) Information received from Borough's assessing department

Total Assessed value based on total tax levy for FY2007 and FY1998 respectively.	4,888,049,897	3,347,501,615
--	---------------	---------------

Kenai Peninsula Borough

Table X

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

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
* 1998	-	-	-	-	-	-
1999	26,721,777	26,118,599	97.743%	601,240	26,719,839	99.993%
2000	26,792,683	26,212,896	97.836%	576,362	26,789,258	99.987%
2001	26,611,167	26,132,333	98.201%	476,829	26,609,162	99.992%
2002	26,096,387	25,644,795	98.270%	449,171	26,093,966	99.991%
2003	26,370,536	25,879,204	98.137%	486,425	26,365,629	99.981%
2004	27,558,497	27,062,845	98.201%	487,999	27,550,844	99.972%
2005	27,820,350	27,446,158	98.655%	365,710	27,811,868	99.970%
2006	29,357,626	28,978,909	98.710%	334,194	29,313,103	99.848%
2007	31,768,274	31,346,983	98.674%	-	31,346,983	98.674%

* Data unavailable at this time.

Kenai Peninsula Borough

Table XI

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

Fiscal Year	Governmental Activities		Business-Type Activities (1)		Total	Percentage of Personal Income	Percentage of Estimated Actual Taxable Value of Property (Area Wide)	Debt Per Capita (2) (3) Service Areas				
	General Obligation Bonds (Area Wide)	General Obligation Bonds (Service Area)	General Obligation Bonds	Capital Leases				Area Wide	Central Emergency Services Service Area	South Peninsula Hospital Service Area	Central Peninsula Hospital Service Area	
1998	\$ 40,010,000	-	\$ -	\$ 60,000	40,070,000	3.29%	1.20%	\$ 832	-	-	\$ -	2
1999	30,045,000	-	-	-	30,045,000	2.42%	0.88%	614	-	-	-	-
2000	19,315,000	-	-	-	19,315,000	1.38%	0.58%	389	-	-	-	-
2001	15,889,000	-	-	2,037,282	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	-	-	511,562	87,520,562	5.76%	2.07%	555	-	824	-	1,508
2005	25,359,000	-	-	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	4.96%	1.75%	423	127	777	-	1,406
2007	22,399,000	2,425,000	52,795,000	1,450,192	79,069,192	4.96%	1.62%	433	123	881	-	1,353

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
Legal Debt Margin Information
Last Ten Fiscal Years

Table XII

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough

Table XIII

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (amount expressed in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age (3)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>
1998	48,098	1,218,365	25,331	35.1	10,384	**
1999	48,952	1,243,493	25,402	35.4	10,179	**
2000	49,673	1,398,638	28,157	36.1	9,896	**
2001	50,172	1,446,609	28,833	35.9	9,963	8.00%
2002	52,245	1,508,201	28,868	36.4	9,799	7.90%
2003	53,316	1,505,864	28,244	36.6	9,661	9.40%
2004	51,733	1,519,711	29,376	37.4	9,467	10.00%
2005	51,765	1,594,109	30,795	38.0	9,534	9.50%
2006	51,765 *	1,594,109 *	30,795 *	39.7	9,382	8.80%
2007	51,765 *	1,594,109 *	30,795 *	39.7 *	9,135	8.30%

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

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

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

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

** The Bureau of Labor Statistics, changed their method of calculating unemployment rates. They have recalculated the unemployment rate back to 2001. Unemployment rates for 1996-2000 are not available using the new method.
http://www.labor.state.ak.us/research/emp_ue/kblf.htm

Kenai Peninsula Borough

Table XIV

**Principal Employers
Current and Nine Years Ago**

Employer	2007			1998		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Kenai Peninsula Borough School District	1307	1	7.13%	1,192	1	7.19%
State of Alaska-excludes University	948	2	5.17%	1,041	2	6.28%
Central Peninsula General Hospital	474	3	2.58%	276	7	1.66%
U.S. Government	428	4	2.33%	-	-	-
Safeway/Eagle Stores	401	5	2.19%	305	6	1.84%
Kenai Peninsula Borough	387	6	2.11%	327	5	1.97%
Frontier Community Services	304	7	1.66%	99	-	0.60%
South Peninsula Hospital	261	8	1.42%	227	9	1.37%
Alaska Petroleum Contractors	255	9	1.39%	182	10	1.10%
Fred Meyer	236	10	1.29%	232	8	1.40%
Totals	5001		27.27%	4,891		29.49%

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

Kenai Peninsula Borough

Table XV

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

Function	Full-time Equivalent Employee as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government:										
Assembly	5.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayoral	4.00	4.00	4.00	7.00 (1)	6.00	10.00 (3)	11.00	11.00	11.00	10.00
Office of emergency mgmt	-	-	-	-	-	-	-	-	-	10.00 (5)
General services	26.85	27.95	28.00	30.00	31.10	31.55	31.60	32.60	32.60	21.60 (5)
Legal	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00
Finance	24.00	24.50	24.50	27.00 (2)	27.00	23.00 (3)	23.00	23.00	23.00	23.00
Assessing	18.00	20.00	20.75	19.75	19.75	20.75	21.00	21.00	21.00	21.00
Planning	10.50	11.75	11.75	9.80	8.80	9.10	9.50	8.50	8.50	9.00
Major projects	6.00	6.00	6.00	6.00	7.00	8.00	9.00	8.00	8.00	8.00
Other	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00
Total	<u>100.35</u>	<u>105.70</u>	<u>106.50</u>	<u>111.05</u>	<u>112.15</u>	<u>113.90</u>	<u>116.60</u>	<u>114.60</u>	<u>114.60</u>	<u>113.10</u>
Fire and Emergency Services:										
Nikiski Fire	20.00	20.00	21.00	21.00	21.00	23.00	24.00	24.00	23.00	23.00
Bear Creek Fire	-	-	-	-	-	0.40	0.40	0.40	0.40	0.40
Anchor Point	-	-	-	-	0.40	1.00	1.00	1.00	1.00	1.00
CES	23.00	23.00	23.00	23.00	23.00	26.00	27.00	27.00	28.00	30.50 (6)
Seward Bear Creek Flood	-	-	-	-	-	-	-	-	0.50	0.50
Recreation	12.25	12.25	12.25	12.25	13.25	13.25	14.00	13.25	13.25	13.25
Roads	5.00	5.00	5.00	5.00	5.00	6.00	6.00	7.00	7.00	7.00
Land trust fund	4.50	4.50	4.50	4.50	4.50	4.50	5.00	5.00	5.00	5.00
Kenai River Center	2.00	2.00	2.00	3.50	4.50	4.20	4.50	4.50	4.00	4.50
Nikiski seniors	-	-	-	-	-	1.00	1.00	1.00	1.00	1.00
Solid waste	7.00	7.00	7.00	7.00	7.25	7.25	8.75	19.25 (4)	19.25	19.25
Risk management	2.55	2.55	2.55	2.55	3.55	3.60	4.60	4.60	4.60	4.60
Total	<u>176.65</u>	<u>182.00</u>	<u>183.80</u>	<u>189.85</u>	<u>194.60</u>	<u>204.10</u>	<u>212.85</u>	<u>222.10</u>	<u>221.60</u>	<u>223.10</u>

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

Kenai Peninsula Borough

Table XVI

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government- 911 call answered	***	***	***	***	***	14,458	16,919	17,200	17,926	15,084
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	615	717	614	653	628	657	745	745	733	665
Bear Creek	65	55	87	70	94	97	79	99	76	120
Anchor Point	138	135	141	146	225	188	150	150	190	191
CES	1,164	1,176	1,322	1,348	1,437	1,437	1,551	1,771	1,942	1,825
Kachemak	-	-	-	- (1)	97	80	63	83	99	95
Landfills-										
Refuse collected (tons)	53,400	54,800	57,500	59,700	62,500	63,100	62,600	60,500	64,000	67,200

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

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

*** Information not available

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

Kenai Peninsula Borough

Table XVII

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fire and emergency services:										
Number of Stations:										
Nikiski	4	4	4	4	4	4	4	4	4	4
Bear Creek	1	1	1	1	1	1	1	1	1	1
Anchor Point	1	1	1	1	1	1	1	1	1	1
CES	4	4	4	4	4	4	4	4	4	5
Kachemak	0	0	0	0	1	1	1	1	1	1
Landfills:										
Number of landfills	8	8	8	8	8	8	8	8	8	8
Number of transfer sites	12	12	12	12	12	12	12	12	12	12
Recreation-										
Number of facilities	6	6	6	6	7	7	8	8	8	8
Roads-										
Miles of roads maintained	625	629	629	638	638	630	589	610	615	598 **

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

Sources: various Borough departments/service areas

** Reduction in miles maintained is due to more accurate measurement of the road length, not due to a reduction in the roads that have been certified for inclusion in the maintenance program.

This Page intentionally left blank.

SINGLE AUDIT

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u> <u>6/30/07</u>
<u>U. S Department of Commerce:</u>			
Passed through Alaska Department of Commerce, Community & Economic Development:			
Alaska Coastal Zone Management Program Required Tasks	870788	11.419	\$ 38,500
Alaska Coastal Zone Management Program Small Travel Grant	871509	11.419	552
Passed through National Oceanic & Atmospheric Administration -			
Coastal Impact Assistance Program	NA170Z2049	11.419	36,202
Total U. S Department of Commerce			<u>75,254</u>
<u>U.S. Department of the Interior:</u>			
Passed through U.S. Bureau of Land Management:			
Payment in Lieu of Taxes *	FY2007 SEC 6901/02	15.226	1,922,917
Bear Creek Fire Service Area Rural Fire Assistance Grant	LBA062080	15.242	5,100
Passed through US Fish and Wildlife Service:			
National Wildlife Refuge Revenue Sharing	FY2006	15.226	33,213
Anchor Point Fire Service Area Rural Fire Assistance	701816G416	15.242	2,200
Kachemak Emergency Services Fire Rural Fire Assistance	701816G418	15.242	3,650
Total U.S. Department of the Interior			<u>1,967,080</u>
<u>U.S. Department of Transportation:</u>			
Passed through Alaska Department of Transportation:			
Kenai Spur Road Extension	MOA	20.205	24,360
Keystone Road Paving Project *	MOA	20.205	314,453
Total U.S. Department of Transportation			<u>338,813</u>
<u>U.S. Department of Justice:</u>			
CES Emergency Response Center Grant *	2004CKWX0310	16.710	334,219
CES Emergency Response Center Equipment Grant *	2005CKWX0055	16.710	518,986
Total U.S. Department of Justice			<u>853,205</u>
<u>U.S. Department of Homeland Security:</u>			
Anchor Point Firefighter Assistance Grant	EMW-2005-FG-06409	97.044	37,538
KES Firefighter Assistance Grant	EMW-2005-FG-09113	97.044	33,064
KES Firefighter Assistance Grant	EMW-2006-FG-07606	97.044	40,842
CES Firefighter Assistance Grant	EMW-2004-FG-14640	97.044	67,994
CES Firefighter Assistance Grant	EMW-2004-FP-03234	97.044	67,654
Lowell Point Firefighter Assistance Grant	EMW-2005-FG-18343	97.044	27,784
Passed through Alaska Department of Commerce, Community & Economic Development -			
Flood Mitigation Assistance Plan for Seward/Bear Creek Area	EMS-2006-FM-E002	97.290	2,307
Passed through Alaska Department of Military & Veterans Affairs:			
October 2006 Southern Alaska Storm - Seward Flood	DR-1669	97.036	139,980
Citizens Corp FY2006	05 CCP 16.11c05	97.053	16,327
Citizens Corp FY2007	06 CCP 16.11c04	97.053	24,258
Emergency Management Performance Grant	06EMPG 16.04c07	97.042	11,250
Emergency Management Performance Grant	07EMPG-GR35567	97.042	33,750
Emergency Response Grant	HMGP 1440.0012	97.039	15,471
Kasilof Road Relocation	1445-0017	97.039	15,569
State Homeland Security Grant Program	05 SHSP 16.16c.13	97.073	58,293
Total Department of Homeland Security			<u>592,081</u>

(continued)

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards - continued
Year Ended June 30, 2007

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u> <u>6/30/07</u>
<u>U.S. Department of Housing & Urban Development:</u>			
Senior Housing	B-02-AP-AK-0006	14.246	\$ 6,860
Arctic Winter Games Housing	B-04-SP-AK-0041	14.246	7,105
Total U.S. Department of Housing & Urban Development			13,965
<u>Denali Commission:</u>			
Solid Waste Recycle Equipment - Containers	266-07	90.100	90
Tyonek Teacher Housing	DTH-05-KPB-1	90.100	218,750
Passed through Alaska Department of Health and Human Services - South Peninsula Hospital Oxygen Generation System	06-4-C-4889	90.100	142,010
Passed through Alaska Department of Commerce, Community & Economic Development - Bear Creek Public Safety Building	871284	90.100	35,513
Total Denali Commission			396,363
<u>U.S. Department of Health and Human Services:</u>			
Passed through the Alaska Department of Health and Social Services:			
Behavioral Health Prevention and Early Intervention Services	FY07	93.283	55,000
Behavioral Health Prevention and Early Intervention Services	FY07	93.959	155,505
Denali Commission Financial Assistance		90.100	25,795
Passed through the Health Resources & Services Administration -			
Patient Evacuation Equipment		93.003	14,400
Total Department of Health and Human Services			250,700
<u>U.S. Department of Agriculture:</u>			
National Forest Receipts	871107	10.665	31,148
Passed through U.S. Forest Service:			
00 Spruce Bark Beetle Infestation	00BTL	10.664	39,255
01 Spruce Bark Beetle Infestation *	01BTL	10.664	374,182
03 Spruce Bark Beetle Infestation	03BTL	10.664	36,657
04 Spruce Bark Beetle Infestation	04BTL	10.664	177,288
05 Spruce Bark Beetle Infestation *	05BTL	10.664	523,744
06 Spruce Bark Beetle Infestation	06BTL	10.664	11,192
02 Emergency Response Grant	02EMR	10.664	84,652
Passed through Alaska Department of Natural Resources:			
Bear Creek Fire Service Area Volunteer Fire Assistance Grant	FY07	10.664	2,400
Nikiski Fire Service Area Volunteer Fire Assistance Grant	FY07	10.664	4,850
Total U.S. Department of Agriculture			1,285,368
TOTAL FEDERAL			\$ 5,772,829

* Federal Major Program

Kenai Peninsula Borough

**Schedule of Expenditures of State Awards
Year Ended June 30, 2007**

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/07</u>
Alaska Department of Commerce, Community & Economic Development:		
Shared Fish Tax/Landing tax	871188	\$ 8,559
Municipal Energy Assistance Program *	870133	3,647,106
Anchor Point Rescue Vehicle *	03-DC-092	88,301
Anchor Point ATV Brush Attack Unit	07-DC-036	15,700
Anchor Point Senior Citizens Pre-Development Senior Housing Study	07-DC-304	1,443
Borough-wide Road Upgrades *	07-DC-509	1,075,421
Cook Inlet Regional Citizens Advisory Group Development Safety Project *	06-DC-341	81,310
Homer Middle School Roofing Upgrades *	06-DC-189	152,908
Kachemak Emergency Services Water Tender *	06-DC-203	75,000
Kachemak Gun Club Land Purchase	07-DC-307	20,000
Kenai High School and Homer Middle School Roof Upgrades *	06-DC-197	83,375
Kenai High School Asphalt Replacement *	06-DC-190	426,661
KPBSD Equipment & Supplies for District Schools	07-DC-311	48,095
KPBSD Mini Projects for Youth Education Development *	07-DC-313	93,612
Lowell Point Fire Station Remodel	07-DC-309	20,845
Nikiski High School Track	06-DC-191	16,785
Nikiski High School Security Cameras	07-DC-315	5,000
Nikiski Elementary School Crosswalk/Bikepath	06-DC-342	3,091
Ninilchik School Bus Turnaround	06-DC-194	8,315
Ninilchik School Carpet Replacement	06-DC-345	16,431
Ninilchik Reroof Section D & E	06-DC-195	4,946
Ninilchik Handicap Access	06-DC-192	15,732
North Peninsula Recreation Community Center	03-DC-213	30,052
North Peninsula Recreation Youth Center *	06-DC-340	51,468
North Peninsula Recreation Pool Ozone Filtration System Upgrade *	07-DC-310	100,000
Seward Elementary Gym Floor & Carpet Replacement *	06-DC-198	98,465
Soldotna Elementary School Roof replacement	06-DC-199	289
Soldotna Elementary School Drainage	07-DC-316	3,315
Soldotna High School Sports Field Construction	06-DC-200	21,061
South Peninsula Hospital Distance Learning Equipment	05-DC-061	1,434
South Peninsula Hospital Infant Respiratory System	07-DC-162	10,000
Sterling Elementary School Carpet Replacement	06-DC-346	42,147
Total Alaska Department of Commerce,Community & Economic Development		6,266,867
Alaska Department of Health & Social Services:		
Behavioral Health Prevention & Early Intervention Services *	602-07-011	136,675
Passed Through the Alaska Division Alcoholism & Drug Abuse - CPGH Serenity House Residential Treatment Center Grant	602-07-282	10,000
Total Alaska Department of Health & Social Services		146,675
Alaska Department of Revenue:		
Electric & Telephone Coop. *		169,168
Fish Tax *		623,225
Total Alaska Department of Revenue		792,393

(continued)

Kenai Peninsula Borough

**Schedule of Expenditures of State Awards - continued
Year Ended June 30, 2007**

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/07</u>
Alaska Department of Education & Early Development:		
HVAC Controls for five Schools	GR-07-009	\$ 13,314
State School Debt Reimbursement *		<u>1,479,431</u>
Total Alaska Department of Education al & Early Development		<u>1,492,745</u>
Alaska Department of Transportation:		
Kenai Spur Road Extension *	MOA	6,090
CPGH Highway Safety Grant	154-AL-07-14-26B	1,000
CPGH Highway Safety Grant	K2-070902	<u>25,924</u>
Total Alaska Department of Transportation		<u>33,014</u>
Alaska Department of Administration -		
Division of Retirement & Benefits PERS Relief *		<u>702,515</u>
Total Alaska Department of Administration		<u>702,515</u>
Alaska Department of Military & Veteran Affairs:		
Passed Through the Alaska Division of Homeland Security & Emergency Management		
October 2006 Southern Alaska Storm - Seward Flood		46,660
Kasilof Road Relocation	1445.0017	5,191
Local Emergency Planning Committee	07 LEPC 16.03c09	<u>22,125</u>
Total Alaska Department of Military & Veteran Affairs		<u>73,976</u>
 TOTAL STATE		 <u>\$ 9,508,185</u>

* State Major Program

