

KENAI PENINSULA BOROUGH
ALASKA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR
ENDED JUNE 30, 2011

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

Finance Department

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DAVID R. CAREY
MAYOR

November 3, 2011

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, 2011 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 2010 CAFR, an organization chart, and a list of principal elected and administrative officials.

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

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

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

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

The Borough's financial statements have been audited by Mikunda, Cottrell & Company, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2011, 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, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Kenai Peninsula Borough

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

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

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

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

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been appropriated. For the General Fund, this comparison is presented on pages 34-35 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, these comparisons start on page 82.

Factors Affecting Financial Condition

Economy

The Borough economy is highly diverse. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and health care. Together they represent most of the Borough's employment. That diversity allows the Borough to be more resilient to declines in any one industry. The Borough's economy has experienced consistent, gradual growth since the late 1980's. Borough wide, the general government tax rate has decreased from 8.59 mills in FY1996 to 4.5 mills in FY2011. The Borough has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales reported in FY2011 within the Borough were \$2,718,493,469, a decrease of 13.3% from the prior year. Approximately 25% of this decrease is attributable to exempting non-prepared foods for nine months during the year. The balance of the reduction can be attributed to the recession that was impacting the state and the rest of the nation. It should be noted that taxable sales for the 4th quarter of FY2010 exceeded the taxable sales for the same period of FY2009. Sales tax continues to generate a larger portion of the Borough's revenue; in FY1998, sales tax revenue represented 21% of total general fund revenues; in FY2011, sales tax revenues are projected to represent almost 40%. It should be noted that the sales tax rate went from 2% to 3% effective January 1, 2008.

The Kenai Peninsula Borough's employment remains relatively steady. An increase in job seekers from outside the Borough and the State of Alaska has resulted in a growth in the unemployment rate. Oil and gas continues to provide stable but declining employment in the Borough, with gas on the increase and oil on a slow decline. A number of exploratory wells have been drilled in the Borough that have reported finding gas. There are also plans for two jack-up rigs to be operating in Cook Inlet this summer, with one rig currently being transported to the inlet. Buccaneer Energy is pursuing the drilling of five wells in the Kenai area. Flaring is over at the first well and the company expects to be producing gas by December 2011.

Long Term Financial Planning

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

The Borough's percentage of net general obligation debt to assessed valuation and bonded debt per capita are useful indicators to citizens and investors of the Borough's debt position. The percentage of direct general obligation debt, exclusive of Service Areas, to assessed valuation was .35% as of June 30, 2011, and the direct general obligation debt per capita was \$612. This compares to .34% and \$380 as of June 30, 2010.

Cash Management Policies and Practices

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

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

Risk Management

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

Pension and Other Postemployment Benefits

The Borough provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). In April 2008 the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment. More information is included in the pension footnote, beginning on page 65, of these financial statements.

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

The South Peninsula Hospital (hospital) employees participate in a defined benefit single employer plan. The plan was established and is administered by the hospital's private non-profit operator. Each year, an independent actuary calculates the amount of the annual contribution the non-profit hospital operator must make to the pension plan. As of the last valuation date, the non-profit pension plan was funded at 105% of the present value of the projected benefits earned by employees.

The Central Peninsula General Hospital employees participate in a defined contribution pension plan established by the hospital's non-profit operator under Internal Revenue Code 403 (b). Under the plan, the non-profit operator contributes 2% of an employee's eligible salary and matches employee contributions up to 3% of gross pay, not to exceed \$5,283.

Additional information on the Hospital's pension arrangements and postemployment benefits can be found starting on page 68 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, 2010. This was the twenty-eighth consecutive year that the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently organized CAFR, whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the Borough also received the GFOA's Distinguished Budget Presentation Award for its FY11 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the Borough's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,



David R. Carey
Borough Mayor



Craig C. Chapman, CPA
Director of Finance



Brandi R. Harbaugh, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kenai Peninsula Borough
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



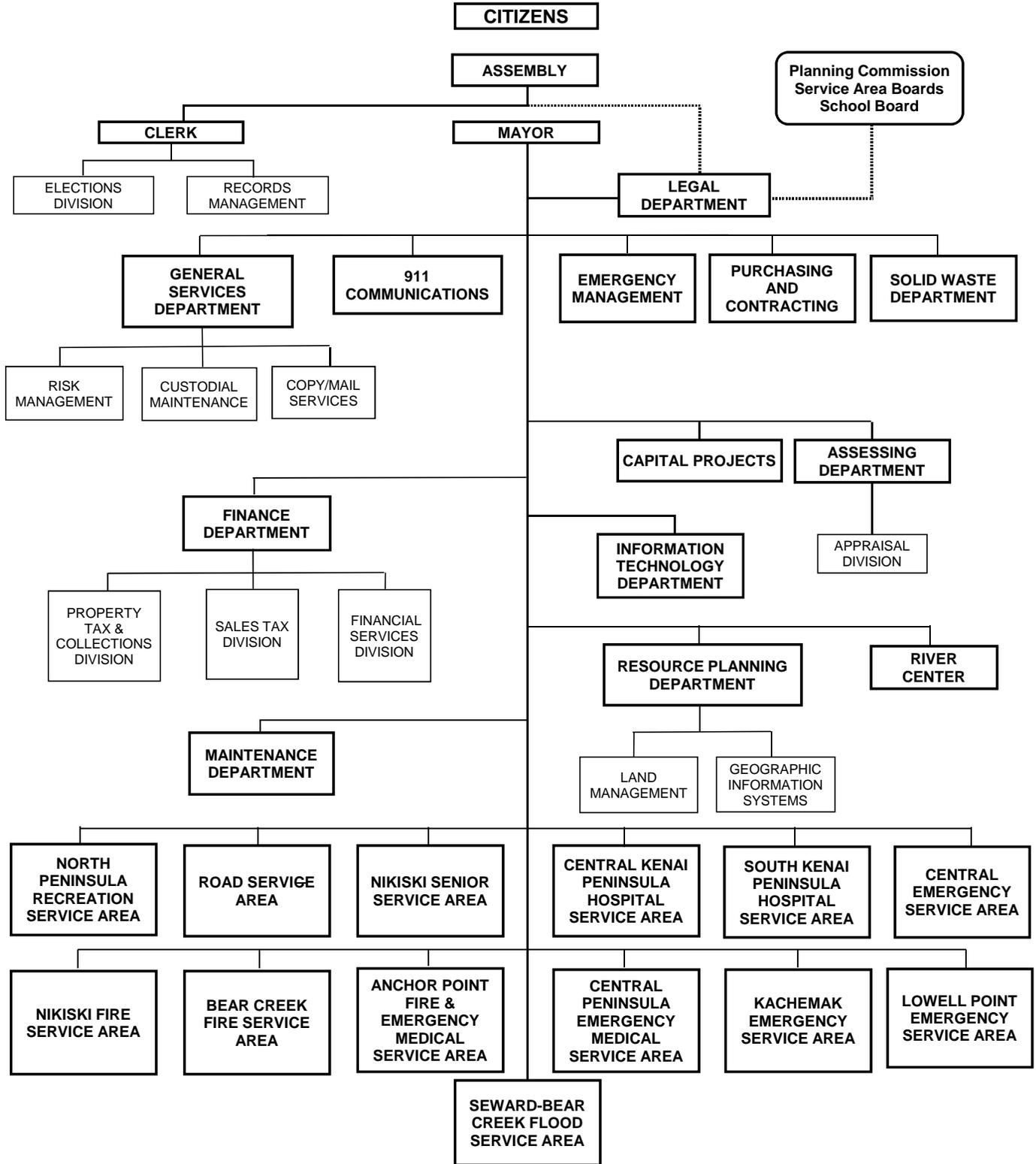
Linda C. Davison

President

Jeffrey R. Emer

Executive Director

KENAI PENINSULA BOROUGH ORGANIZATIONAL CHART



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

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

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

Administration

David R. Carey	Borough Mayor
Craig C. Chapman	Finance Director
Colette Thompson	Borough Attorney
Mark Dixson	General Services Director
Johni Blankenship	Borough Clerk
Tom Anderson	Assessing Director
Max Best	Planning Director
John Mohorcich	River Center
Kevin Lyon	Capital Projects Director
Dave Tressler	Maintenance Director
Jack Maryott	Solid Waste Director
Mark Fowler	Purchasing & Contracting Officer
Doug Schoessler	Roads Director

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C. Chapman

Division Managers

Brandi Harbaugh
Cathey Wallace
Rhonda Krohn
Clyde Johnson

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

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

Lezlea Brandon
Betty Coats
Amy Falk - ½ time
Anna Donham
Becky Karsten
Lauri Lingafelt
Jennifer Loop
Cathy Wagner
Samantha Ness - ½ time

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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, 2011, 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, 2011, 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.

As disclosed in Note III-E Capital Assets, the 2010 governmental infrastructure assets omitted an infrastructure asset with a cost of \$1,088,074. Accordingly the capital assets and corresponding net assets in the government wide financial statements have been adjusted to reflect this correction.

Honorable Mayor and
Members of the Assembly
Kenai Peninsula Borough

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 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.

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

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 3, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report and the notes to the financial statements which can be found on pages 43-70 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 \$395.8 million. Of this amount, \$84.1 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 48.
- The Kenai Peninsula Borough has established a formal fund balance policy affecting the General Fund, annually budgeted special revenue funds and general government capital project funds. The policy sets both minimum and maximum levels.
- At the end of the current fiscal year, non spendable and unrestricted fund balance for the General Fund was \$21.1 million, a decrease of \$1.1 million from FY2010. Designations of fund balance have changed in FY2011 to comply with new GASB 54 requirements. The unassigned and assigned amounts for FY2011, not including the amount that was budgeted for FY2012 expenditures, is \$18.2 million. This compares to the FY2010 amount of \$20.0 million. This represents 25.3% of the total General Fund expenditures and transfers balance. This compares to 28.2% as of June 30, 2010.
- The Borough's total net assets decreased \$.2 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$73.5 million, an increase of \$8.5 million in comparison to the prior year.
- The Borough incurred \$16.9 million in new debt during the fiscal year for School major maintenance projects. Total outstanding debt at year-end was \$43.6 million, an increase of \$13.8 million from FY2010.

Overview of the Financial Statements

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

Fund Type	Number of funds
General Fund	1
Debt Service Funds	3
Capital Project Funds	13
Special Revenue Funds	15
Total Governmental Funds	32
Total Proprietary Funds	2
Total Internal Service Funds	4
Total Agency Funds	26

Government-wide financial statements.

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

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

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

The government-wide financial statements present not only the Borough itself, which is the primary government, but also its component unit, the Kenai Peninsula Borough School District for which the Borough is financially accountable. Financial information for the School District is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 27-29 of this report.

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

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

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

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Borough maintains 32 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Bond Funded Capital Project Fund. The other 30 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the nonmajor funds are presented in the Combining Balance Sheet Nonmajor Special Revenue Funds, Combining Balance Sheet Nonmajor Capital Project Funds, Combining Balance Sheet Nonmajor Debt Service Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Capital Project Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds.

The basic governmental fund financial statements can be found on pages 30-35 of this report. Budgetary comparison statements for 12 special revenue funds and 3 debt service funds with annual budgets are provided on pages 82-93 and 105-107 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 benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary funds. Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Borough cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The basic fiduciary aggregated fund financial statements can be found on page 41 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-70 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 71-107 and internal service funds can be found on pages 109-111 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 \$395.8 million, at June 30, 2011 compared to \$394.9 million at June 30, 2010. By far the largest portion of the Borough's net assets (70.6%) 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 FY11, governmental activities capital assets, net of accumulated depreciation of the Borough increased \$.8 million. Current and other assets include \$88.9 million and \$80.9 million of cash and investments held for governmental activities at June 30, 2011 and 2010, and governmental activities long-term debt increased by \$14.1 million.

For business-type activities, \$55.7 million (51%) and \$53.2 million (51%) of net assets is unrestricted and may be used to meet the ongoing need of these organizations at June 30, 2011 and 2010. This represents an increase of \$2.5 million. Current and other assets include assets whose use is limited of \$14.1 million and \$13.3 million in 2011 and 2010 respectively, resulting from restrictions imposed externally by debt covenants and internally by directors.

Net Assets
June 30, 2011 and 2010
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 102.7	\$ 92.6	\$ 69.3	\$ 71.0	\$ 172.0	\$ 163.6
Capital assets	<u>244.4</u>	<u>243.6</u>	<u>112.5</u>	<u>111.7</u>	<u>356.9</u>	<u>355.3</u>
Total assets	<u>347.1</u>	<u>336.2</u>	<u>181.8</u>	<u>182.7</u>	<u>528.9</u>	<u>518.9</u>
Long-term debt outstanding	40.7	26.6	57.5	60.1	98.2	86.7
Other liabilities	<u>20.8</u>	<u>18.4</u>	<u>14.1</u>	<u>17.8</u>	<u>34.9</u>	<u>36.2</u>
Total liabilities	<u>61.5</u>	<u>45.0</u>	<u>71.6</u>	<u>77.9</u>	<u>133.1</u>	<u>122.9</u>
Net assets						
Invested in capital assets, net of related debt	225.6	225.5	53.7	50.9	279.3	276.4
Restricted	31.5	34.1	.8	.7	32.3	34.8
Unrestricted	<u>28.5</u>	<u>31.6</u>	<u>55.7</u>	<u>53.2</u>	<u>84.2</u>	<u>84.8</u>
Total net assets	<u>\$ 285.6</u>	<u>\$ 291.2</u>	<u>\$ 110.2</u>	<u>\$ 104.8</u>	<u>\$ 395.8</u>	<u>\$ 396.0</u>

Governmental activities.

Governmental activities decreased the Borough's net assets by \$5.6 million. This compares to an increase of \$2.7 million for the year ended June 30, 2010. Key elements of this are as follows:

- Road projects incurred expenditures in excess of \$5.0 million in the current year, while the revenue associated with these projects was recognized in the prior year.
- Due to declining interest rates, investment earnings for the Borough decreased \$1.3 million.
- A reduction in federal revenue of approximately \$.7 million from PILT receipts.

Business-type activities.

Business type activities increased the Borough's net assets by \$5.4 million. This compares to an increase of \$4.0 million for the year ended June 30, 2010. Key elements of this are as follows:

- The Central Peninsula Hospital's FY11 net patient revenues increased \$11.6 million, or 15.0%, when compared to FY10. The increased revenues are attributed to a 12.0% increase in acute care volumes, a 6% increase in most fees, a 4.0% increase in outpatient visits, and \$5.7 million in additional revenues from physician clinics. During 2011, the Hospital acquired/established three additional physician clinics for a total of eight.

- Operational cost for Central Peninsula Hospital increased \$8.1 million or 9.4% when compared to the FY10. This compares to a \$7.9 million or 10.0% when compared to FY09. Much of this increase is to healthcare service line expansion into primary care and increases in patient census which resulted in increases in operating cost for drugs, supplies, physician fees, and personnel.
- South Peninsula Hospital's loss from operations for the year ended June 30, 2011 was \$3.0 million compared to a \$2.1 million loss for the year ended June 30, 2010. The Hospital experienced a \$2.6 million increase in salaries and benefits as a result of a new collective bargaining agreement, which included a 14% increase in wages that brought wages in line with other Alaska hospitals.
- Due to health care reform, both Hospitals are facing issues that could impact them in the long run including changes to Medicare and Medicaid reimbursements.

The net assets for the Borough's business-type activities are \$110.2 million compared with \$104.8 million for FY10. As with the governmental activities, a substantial portion (48.7%) 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 \$55.7 million as of June 30, 2011 compared to \$53.2 million at June 30, 2010.

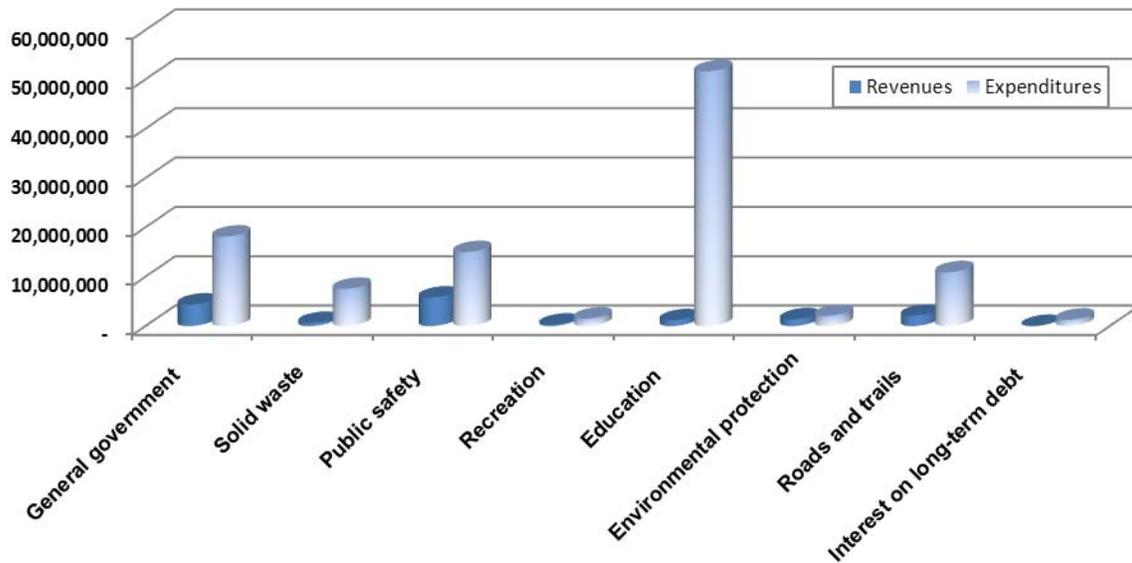
Changes in net assets.

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

	Changes in Net Assets For Years Ended June 30, 2011 and 2010 (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 3.4	\$ 3.1	\$ 135.7	\$ 119.4	\$ 139.1	\$ 122.5
Operating grants and contributions	6.3	3.6	0.3	0.3	6.6	3.9
Capital grants and contributions	6.0	13.2	-	0.2	6.0	13.4
General revenues:						
Property taxes	49.5	48.9	3.8	5.8	53.3	54.7
Sales taxes	27.8	25.9	-	-	27.8	25.9
Other	9.5	12.5	.5	-	10.0	12.5
Total revenues	<u>102.5</u>	<u>107.2</u>	<u>140.3</u>	<u>125.7</u>	<u>242.8</u>	<u>232.9</u>
Expenses:						
General government	18.1	17.3	-	-	18.1	17.3
Solid waste	7.6	7.5	-	-	7.6	7.5
Public safety	15.0	14.3	-	-	15.0	14.3
Recreation	1.5	1.8	-	-	1.5	1.8
Education	9.0	7.3	-	-	9.0	7.3
Environmental protection	2.1	1.3	-	-	2.1	1.3
Road and trails	10.9	11.1	-	-	10.9	11.1
Payments to component unit- Kenai Peninsula Borough School District	42.6	43.0	-	-	42.6	43.0
Interest on long-term debt	1.3	.9	2.6	2.4	3.9	3.3
Hospitals	-	-	132.3	119.3	132.3	119.3
Total expenses	<u>108.1</u>	<u>104.5</u>	<u>134.9</u>	<u>121.7</u>	<u>243.0</u>	<u>226.2</u>
Increase (decrease) in net assets	(5.6)	2.7	5.4	4.0	(.2)	6.7
Net assets, beginning of year	290.1	287.4	104.8	100.8	394.9	388.2
Change in beginning net assets- change in infrastructure	1.1	-	-	-	1.1	-
Net assets, end of year	<u>\$285.6</u>	<u>\$290.1</u>	<u>\$110.2</u>	<u>\$104.8</u>	<u>\$395.8</u>	<u>\$388.2</u>

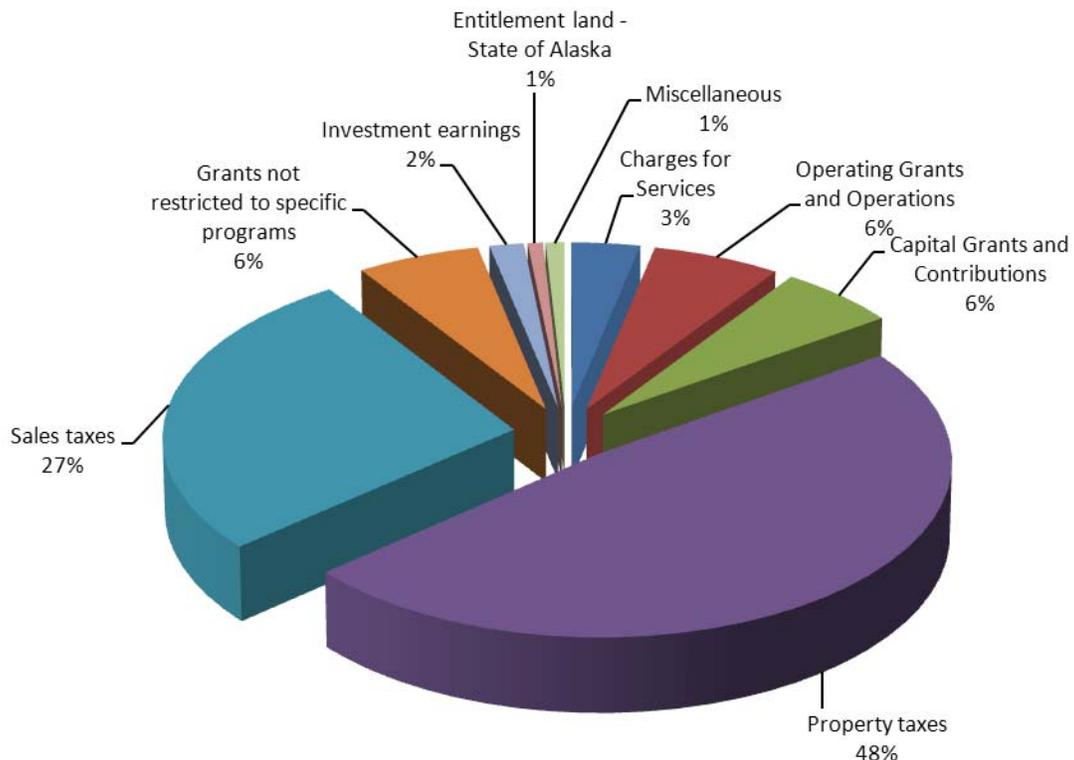
Expenses and Program Revenues – Governmental Activities

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



Revenues by Source – Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds.

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$73.5 million, an increase of \$8.5 million in comparison with the prior year. A portion of this amount is restricted to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses, 3) or for other restricted purposes. In compliance with the new GASB 54 requirements, the assigned and unassigned amount at year was \$27.6 million balance; of which \$8.2 million was budgeted for subsequent year expenditures, and \$3.6 million was unassigned 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, fund balance was \$21.7 million, a decrease of \$1.3 from the prior year, compared to a budgeted decrease of \$4.9 million. Key factors include:

- PILT funding from the Federal Government was reduced \$.7 million.
- The Kenai Peninsula Borough School District returned \$.7 million in funding to comply with State of Alaska requirements regarding fund balance limits.
- The equivalent of 3 FTE's were unfilled during the year.
- Solid waste under spent their budget \$.6 million.
- Administrative service fees charges came in higher than projected.

Bond Funded Capital Projects Fund

Fund balance in the Bond Funded Capital Projects Fund increased \$12.6 million due to issuance of \$16.9 million of new debt for school maintenance.

Central Emergency Service Area Special Revenue Fund

Fund balance in this service area decreased \$527,345 or approximately 22.5% when compared to the FY10 ending fund balance, compared to an increase of 10.9% in FY10. Expenditures and transfers out totaled \$7,612,944, an increase of \$827,617 compared to FY10. Expenditures are up approximately 30.9% since FY2008. Much of this increase was the impact of staffing and equipping new stations in Funny River and Kasilof and developing a new long term capital plan.

Road Service Area Special Revenue Fund

Fund balance in this fund decreased \$501,548 or approximately 16.6% when compared to the FY10 ending fund balance. During the past three fiscal years, the service area has received funding totaling over \$18 million for capital projects, reducing the need to fund capital projects from the service area's operating fund. The service area redirected funds they previously appropriated for their capital project fund into their operating fund for normal road maintenance to address items that had previously been backlogged.

Land Trust Special Revenue Fund

Fund balance in this fund increased \$387,883 or approximately 7.4%, compared to the FY10 decrease of \$409,158. The Borough is currently in the process of developing two subdivisions and FY2011 saw the first sales of the lots to the public, the net proceeds are projected to increase fund balance in this fund.

Environmental Protection Program Special Revenue Fund

Fund balance in this fund decreased \$742,935 to \$1,303,407. Since 1998, the Borough has received approximately \$18.0 million from the federal government to address damage caused by the spruce bark beetle. This program is expected to expend its remaining grant funds in FY2012.

Solid Waste Special Revenue Fund

To comply with GASB 54 requirements, operational activity for solid waste is now being accounted for in the General Fund. This is due to 90% of its revenues being a transfer from the General Fund. Fund balance in the Solid Waste Special Revenue Fund which represented the closure post closure liability is now recorded in the Solid Waste Capital Project Fund.

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 \$55.7 million. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the of the Borough's business-type activities.

General Fund Budgetary Highlights

During the year there were increases of \$1,039,769, not including carryover encumbrances, in appropriations between the original budget and the final amended budget. The primary reasons for amending the budget are:

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

Budgetary changes can be briefly summarized as follows:

- Non-Departmental
 - \$291,000 for additional funds to complete the design of the Homer Landfill transfer station.
 - \$374,605 to provide funding to the State of Alaska for a portion of the cost attributable in providing a turn lane at the Central Peninsula Landfill.
- Assessing/Legal
 - \$60,000 was appropriated to cover additional cost associated with the Tesoro Board of Equalization hearing.
- All departments
 - Public Employees Retirement System (PERS). The Alaska legislature enacted legislation that provided funding to political subdivisions to assist with the increase in rates for PERS. The amount provided to the Kenai Peninsula Borough was \$1,466,037 of which the General Fund received \$569,517.
 - Health insurance. Due to changes mandated by the Patient Protection and Affordable Care Act, (PPACA), the Borough incurred higher than expected claims

in the Borough's Employee Health Insurance Fund. Supplemental funding totaled \$230,000 was needed of which \$119,252 was the General Fund portion.

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

- Federal Revenue came in \$919,579 less than budgeted, mainly due to reduction in PILT funding.
- PERS assistance of \$569,517 from the State of Alaska. This is for a payment the State made on behalf of the Borough in 2011 to pay down the unfunded liability.
- Personnel cost came in \$697,000 less than budgeted as positions were not filled or were delayed before being filled.
- Solid Waste under spent their budget by \$627,974.
- Funding for the Kenai Peninsula Borough School District was reduced \$663,000, this was necessary for the School District to comply with State of Alaska requirements regarding maximum fund balance limits.

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, 2011 amounts to \$244.4 million and \$112.5 million, respectively, (net of accumulated depreciation.) These are increases of \$.8 million in each of the governmental activities and business type activities 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	\$ 5.6 million
Capital improvements/equipment at the Borough's two hospitals supported by Service Areas	\$10.7 million
A variety of major repairs for existing roads and bridges	\$ 1.6 million
Various major repairs and additions to public safety facilities	\$ 3.7 million
Improvements at various solid waste facilities	\$ 3.0 million

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land & Improvements	\$ 70.0	\$ 69.6	\$ 5.6	\$ 5.5	\$ 75.6	\$ 75.1
Buildings	125.8	130.1	77.0	77.4	202.8	207.5
Improvements other than buildings	19.3	17.5	.5	.6	19.8	18.1
Machinery and equipment	12.7	13.1	28.4	27.6	41.1	40.7
Infrastructure	11.0	9.7	-	-	11.0	9.7
Construction in progress	5.6	3.6	1.0	.6	6.6	4.2
Total governmental funds capital assets	<u>\$ 244.4</u>	<u>\$ 243.6</u>	<u>\$ 112.5</u>	<u>\$ 111.7</u>	<u>\$ 356.9</u>	<u>\$ 355.3</u>

Additional information on the Borough's capital assets can be found in Note E on pages 56-58 of this report.

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$104.8 million, (not including bond premium) an increase of \$11.5 million from June 30, 2010. Of this amount, \$92.9 million was bonded and backed by the full faith and credit of the Borough or Service Areas of the Borough. The remaining debt consists of debt secured by equipment, and landfill closure cost. The Borough incurred \$16.9 million in new school debt during the year, which is eligible for 70% reimbursement from the State of Alaska. The schedule shown below does not include compensated absences.

Kenai Peninsula Borough Outstanding Debt
(in millions)
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 36.0	\$ 22.5	\$ 56.9	\$ 59.7	\$ 92.9	\$ 82.2
Other debt	4.7	4.1	.6	.4	5.3	4.5
Total outstanding debt	<u>\$ 40.7</u>	<u>\$ 26.6</u>	<u>\$ 57.5</u>	<u>\$ 60.1</u>	<u>\$ 98.2</u>	<u>\$ 86.7</u>

Additional information on the Borough's long-term debt can be found in note H on pages 62-64 of this report.

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

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for 2010 stood at 10.0%, an increase from the prior year rate of 9.9%; this compares to the statewide average of 8.0%. This increase in the Borough's unemployment rate is somewhat misleading as the average number of individuals employed in the Borough increased during the year when compared to 2009. The Borough saw an influx of people moving into the Borough looking for work, which corresponds to an increase in population in the Borough.

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

As part of the FY11 State of Alaska budget, the Alaska legislature passed legislation that provided funding for PERS cost in excess of 22%, which was paid directly to PERS. The savings impact Borough-wide is approximately \$1.5 million. This is only a temporary fix to the problem. If similar funding is not provided in FY12 and out years, the PERS rate is expected to be over 35%.

In setting the budgets for FY12, the Borough considered a number of issues with Borough wide impact, among them:

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

Request for Information

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

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Kenai Peninsula Borough
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and short-term investments	\$ 96,290	\$ 22,235,803	\$ 22,332,093	\$ 25,239
Equity in central treasury	88,899,718	5,062,260	93,961,978	41,115,363
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	7,032,600	125,883	7,158,483	-
Accounts receivable	384,754	21,893,713	22,278,467	282,897
Land sale contracts receivable:				
Current	174,981	-	174,981	-
Delinquent	7,676	-	7,676	-
Due from other governments	4,305,419	-	4,305,419	4,336,151
Due from special assessment districts	691,012	-	691,012	-
Prepays	1,500	1,080,167	1,081,667	1,435,699
Inventory	-	4,293,886	4,293,886	1,009,373
Land sale contracts receivable -				
Long-term	801,727	-	801,727	-
Internal balances	313,831	(313,831)	-	-
Unamortized bond issuance costs	-	45,288	45,288	-
Net pension asset	-	712,624	712,624	-
Restricted assets	-	3,098,264	3,098,264	-
Assets whose use is limited -				
Investments	-	11,039,663	11,039,663	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	69,988,301	5,628,747	75,617,048	-
Buildings	125,790,915	76,982,405	202,773,320	-
Improvements other than buildings	19,292,905	528,319	19,821,224	-
Equipment	12,696,365	28,373,637	41,070,002	2,774,938
Construction in progress	5,620,291	993,785	6,614,076	-
Infrastructure	10,988,643	-	10,988,643	-
Total assets	<u>347,086,928</u>	<u>181,780,613</u>	<u>528,867,541</u>	<u>50,979,660</u>
Liabilities				
Accounts, contracts and retainage payable	5,437,108	6,063,112	11,500,220	715,251
Accrued payroll and payroll benefits	2,696,949	1,916,952	4,613,901	12,730,677
Accrued interest	535,842	962,198	1,498,040	-
Unearned revenue	9,079,032	382,850	9,461,882	-
Noncurrent liabilities:				
Compensated absences:				
Due within one year	719,955	944,211	1,664,166	141,308
Due in more than one year	2,159,866	2,832,631	4,992,497	3,231,778
Long-term debt:				
Due within one year	3,233,971	3,065,038	6,299,009	-
Due in more than one year, net	37,576,008	55,444,947	93,020,955	-
Total liabilities	<u>61,438,731</u>	<u>71,611,939</u>	<u>133,050,670</u>	<u>16,819,014</u>
Net Assets				
Invested in capital assets, net of related debt	225,627,073	53,689,740	279,316,813	2,774,938
Restricted:				
Roads construction and upgrades	579,431	-	579,431	-
Spruce Bark Beetle program	598,531	-	598,531	-
Commercial passenger vessel tax	797,218	-	797,218	-
Revenue sharing program	267,104	-	267,104	-
General government	256,789	-	256,789	-
Public safety	7,252,077	-	7,252,077	-
Recreation	2,046,544	-	2,046,544	-
Education	33,464	-	33,464	-
Solid waste	42,361	-	42,361	-
Roads	2,217,209	-	2,217,209	-
Solid waste facilities	2,117,171	-	2,117,171	-
School roof projects	15,343,618	-	15,343,618	-
Public safety facilities and equipment	2,610	-	2,610	-
Charter schools	-	-	-	507,663
Malpractice trust	-	500,000	500,000	-
Hospital expansion project	-	25,286	25,286	-
Patron pledges	-	302,279	302,279	-
Unrestricted:	28,466,997	55,651,369	84,118,366	30,878,045
Total net assets	<u>\$ 285,648,197</u>	<u>\$ 110,168,674</u>	<u>\$ 395,816,871</u>	<u>\$ 34,160,646</u>

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

Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2011

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 18,126,563	\$ 730,655	\$ 3,470,603	\$ 150,000
Solid waste	7,536,420	526,970	98,912	-
Public safety	14,994,328	1,903,911	1,160,986	2,711,553
Recreation	1,511,382	224,696	34,000	16,898
Education	51,614,442	-	147,508	1,020,134
Environmental protection	2,095,777	-	1,373,236	-
Roads and trails	10,899,606	-	45,590	2,065,180
Interest on long-term debt	1,290,407	-	-	-
Total governmental activities	<u>108,068,925</u>	<u>3,386,232</u>	<u>6,330,835</u>	<u>5,963,765</u>
Business type activities -				
Hospitals	<u>134,868,579</u>	<u>135,659,575</u>	<u>281,884</u>	<u>-</u>
Total primary government	<u>\$ 242,937,504</u>	<u>\$ 139,045,807</u>	<u>\$ 6,612,719</u>	<u>\$ 5,963,765</u>
Component unit -				
Kenai Peninsula Borough School District	<u>\$ 147,181,981</u>	<u>\$ 896,109</u>	<u>\$ 21,116,546</u>	<u>\$ -</u>

General revenues:

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

Change in net assets

- Net assets at beginning of year
- Change in beginning net assets - change in infrastructure
- Restated net assets at beginning of year

Net assets at end of year

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

Net (expense) revenue and changes in net assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (13,775,305)	\$ -	\$ (13,775,305)	\$ -
(6,910,538)	-	(6,910,538)	-
(9,217,878)	-	(9,217,878)	-
(1,235,788)	-	(1,235,788)	-
(50,446,800)	-	(50,446,800)	-
(722,541)	-	(722,541)	-
(8,788,836)	-	(8,788,836)	-
(1,290,407)	-	(1,290,407)	-
<u>(92,388,093)</u>	<u>-</u>	<u>(92,388,093)</u>	<u>-</u>
-	1,072,880	1,072,880	-
<u>(92,388,093)</u>	<u>1,072,880</u>	<u>(91,315,213)</u>	<u>-</u>
-	-	-	(125,169,326)
49,529,435	3,835,889	53,365,324	-
27,798,976	-	27,798,976	-
6,103,016	-	6,103,016	84,288,497
1,699,310	327,381	2,026,691	837,735
-	-	-	42,588,135
748,272	-	748,272	-
933,987	117,793	1,051,780	43,050
<u>86,812,996</u>	<u>4,281,063</u>	<u>91,094,059</u>	<u>127,757,417</u>
(5,575,097)	5,353,943	(221,154)	2,588,091
290,135,226	104,814,731	394,949,957	31,572,555
1,088,068	-	1,088,068	-
<u>291,223,294</u>	<u>104,814,731</u>	<u>396,038,025</u>	<u>31,572,555</u>
<u>\$ 285,648,197</u>	<u>\$ 110,168,674</u>	<u>\$ 395,816,871</u>	<u>\$ 34,160,646</u>

Kenai Peninsula Borough
Governmental Funds
Balance Sheet
June 30, 2011

Assets	General Fund	Bond Funded	Other	Total
		Capital Projects Fund	Governmental Funds	Governmental Funds
Cash and short-term investments	\$ 1,010	\$ -	\$ 75,049	\$ 76,059
Equity in central treasury	20,145,145	19,305,145	37,269,665	76,719,955
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	6,699,119	-	333,481	7,032,600
Accounts receivable	114,763	-	246,247	361,010
Notes receivable-short term	62,766	-	-	62,766
Land sale contracts receivable:				
Current	-	-	174,981	174,981
Delinquent	-	-	7,676	7,676
Due from other governments	1,343,611	-	2,961,808	4,305,419
Due from special assessment districts	691,012	-	-	691,012
Due from other funds	144,945	-	-	144,945
Prepays	-	-	1,500	1,500
Notes receivable-long term	251,065	-	-	251,065
Land sale contracts receivable - Long-term	-	-	801,727	801,727
Total assets	\$29,453,436	\$ 19,305,145	\$ 41,872,134	\$ 90,630,715
Liabilities and Fund Balances				
Liabilities:				
Accounts and retainage payable	1,033,735	1,841,746	2,528,173	5,403,654
Accrued payroll and payroll benefits	439,425	-	343,456	782,881
Due to other funds	-	-	144,945	144,945
Deferred revenue	473,697	-	1,255,962	1,729,659
Unearned revenue	5,800,765	-	3,278,267	9,079,032
Total liabilities	7,747,622	1,841,746	7,550,803	17,140,171
Fund balances:				
Nonspendable:				
Long-term land contracts receivable	-	-	801,727	801,727
Long-term notes receivable	251,065	-	-	251,065
Prepays	-	-	1,500	1,500
Restricted:				
Landfill closure/postclosure costs	-	-	4,698,979	4,698,979
Roads construction and upgrades	-	-	579,431	579,431
Spruce Bark Beetle Program	-	-	598,531	598,531
Commercial passenger vessel tax	-	-	797,218	797,218
Revenue sharing program	-	-	267,104	267,104
General government	-	-	256,789	256,789
Public safety	-	-	7,252,077	7,252,077
Recreation	-	-	2,046,544	2,046,544
Education	-	-	33,464	33,464
Solid waste	-	-	42,361	42,361
Roads	-	-	2,217,209	2,217,209
Solid waste facilities	-	2,117,171	-	2,117,171
School roof projects	-	15,343,618	-	15,343,618
Public safety facilities and equipment	-	2,610	-	2,610
Committed:				
Outstanding committed contracts	239,938	-	2,719,021	2,958,959
Software upgrades	-	-	16,464	16,464
Building maintenance and upgrades	-	-	1,105,992	1,105,992
Riverbank restoration	-	-	10,779	10,779
Land development projects	-	-	675,019	675,019
Public safety facilities and equipment	-	-	1,399,417	1,399,417
Recreational facility maintenance	-	-	34,874	34,874
School maintenance and upgrades	-	-	1,772,253	1,772,253
Solid waste facilities	-	-	347,501	347,501
Spruce Bark Beetle Program	-	-	174,821	174,821
Emergency Management Performance	99,672	-	-	99,672
Assigned:				
Subsequent year's expenditures	2,884,496	-	5,374,461	8,258,957
Minimum fund balance policy	14,638,653	-	-	14,638,653
General government	-	-	1,097,795	1,097,795
Unassigned	3,591,990	-	-	3,591,990
Total fund balances	21,705,814	17,463,399	34,321,331	73,490,544
Total liabilities and fund balances	\$29,453,436	\$ 19,305,145	\$ 41,872,134	\$ 90,630,715

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

Kenai Peninsula Borough
 Reconciliation of the Balance Sheet
 to the Statement of Net Assets
 June 30, 2011

Fund balances - total governmental funds		\$ 73,490,544
<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>		242,289,115
<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	\$ (35,985,000)	
Unamortized bond premium	(126,000)	
Accrued interest	(535,842)	
Landfill closure	<u>(4,698,979)</u>	(41,345,821)
<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>		745,277
<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>		984,382
<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>9,484,700</u>
Net assets of governmental activities		<u><u>\$ 285,648,197</u></u>

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

Kenai Peninsula Borough
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	Bond Funded Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 30,548,239	\$ -	\$ 19,188,275	\$ 49,736,514
Sales tax	27,798,976	-	-	27,798,976
Intergovernmental:				
Federal	3,123,880	-	3,244,072	6,367,952
State	5,414,451	-	6,002,795	11,417,246
Investment earnings	969,498	30,259	528,091	1,527,848
Other revenues	1,797,017	-	3,156,982	4,953,999
Total revenues	<u>69,652,061</u>	<u>30,259</u>	<u>32,120,215</u>	<u>101,802,535</u>
Expenditures:				
General government	14,510,706	-	3,526,849	18,037,555
Solid waste	5,609,272	2,534,620	524,032	8,667,924
Public safety	2,039,226	-	14,988,428	17,027,654
Recreation	-	-	1,479,699	1,479,699
Education	43,225,705	1,700,268	2,411,554	47,337,527
Environmental protection	-	-	2,095,423	2,095,423
Roads and trails	-	-	12,140,140	12,140,140
Debt service:				
Principal	-	-	3,414,000	3,414,000
Interest and other	-	-	943,580	943,580
Total expenditures	<u>65,384,909</u>	<u>4,234,888</u>	<u>41,523,705</u>	<u>111,143,502</u>
Excess (deficiency) of revenues over expenditures	<u>4,267,152</u>	<u>(4,204,629)</u>	<u>(9,403,490)</u>	<u>(9,340,967)</u>
Other financing sources (uses):				
Issuance of debt	-	16,865,000	-	16,865,000
Transfers in	1,147,832	-	8,972,374	10,120,206
Transfers out	(6,778,649)	-	(2,341,557)	(9,120,206)
Net other financing sources (uses)	<u>(5,630,817)</u>	<u>16,865,000</u>	<u>6,630,817</u>	<u>17,865,000</u>
Net changes in fund balances	(1,363,665)	12,660,371	(2,772,673)	8,524,033
Fund balances at beginning of year	23,025,423	4,803,028	37,138,060	64,966,511
Change in beginning fund balances GASB 54	44,056	-	(44,056)	-
Restated fund balances at beginning of year	<u>23,069,479</u>	<u>4,803,028</u>	<u>37,094,004</u>	<u>64,966,511</u>
Fund balances at end of year	<u>\$ 21,705,814</u>	<u>\$ 17,463,399</u>	<u>\$ 34,321,331</u>	<u>\$ 73,490,544</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, 2011

Net change in fund balances - total governmental funds \$ 8,524,033

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

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

Expenditures for capital assets	\$ 10,453,697	
Retirement of nondepreciable capital assets	(441,428)	
Less current year depreciation	<u>(10,108,489)</u>	(96,220)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. 381,599

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

Bond proceeds	(16,865,000)	
Principal payments	<u>3,414,000</u>	(13,451,000)

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

Property taxes	(207,079)	
Land sales	<u>307,385</u>	100,306

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

Increase in accrued interest	(382,827)	
Decrease in bond premium	36,000	
Increase in landfill closure cost	<u>(645,260)</u>	(992,087)

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. (41,728)

Change in net assets of governmental activities \$ (5,575,097)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Property taxes	\$ 30,369,734	\$ 30,369,734	\$ 30,548,239	\$ 178,505
Sales tax	27,843,495	27,843,495	27,798,976	(44,519)
Intergovernmental	8,484,032	9,103,549	8,538,331	(565,218)
Investment earnings	674,609	674,609	969,498	294,889
Other	<u>1,146,000</u>	<u>1,146,000</u>	<u>1,797,017</u>	<u>651,017</u>
Total revenues	<u>68,517,870</u>	<u>69,137,387</u>	<u>69,652,061</u>	<u>514,674</u>
Expenditures:				
General government:				
Assembly:				
Personnel	731,412	786,192	748,348	37,844
Supplies	18,700	15,629	10,664	4,965
Services	540,076	526,147	452,839	73,308
Capital outlay	<u>4,000</u>	<u>4,000</u>	<u>3,839</u>	<u>161</u>
Total assembly	<u>1,294,188</u>	<u>1,331,968</u>	<u>1,215,690</u>	<u>116,278</u>
Mayor:				
Personnel	779,539	835,770	788,850	46,920
Supplies	10,625	16,396	9,992	6,404
Services	121,925	112,471	90,330	22,141
Capital outlay	<u>8,200</u>	<u>10,903</u>	<u>10,255</u>	<u>648</u>
Total mayor	<u>920,289</u>	<u>975,540</u>	<u>899,427</u>	<u>76,113</u>
General services:				
Personnel	2,304,281	2,433,328	2,335,520	97,808
Supplies	117,650	124,193	105,099	19,094
Services	719,813	691,946	563,714	128,232
Capital outlay	<u>38,150</u>	<u>59,532</u>	<u>57,455</u>	<u>2,077</u>
Total general services	<u>3,179,894</u>	<u>3,308,999</u>	<u>3,061,788</u>	<u>247,211</u>
Legal:				
Personnel	672,466	710,337	695,479	14,858
Supplies	3,000	4,350	3,399	951
Services	171,545	241,356	95,934	145,422
Capital outlay	<u>4,100</u>	<u>4,100</u>	<u>3,627</u>	<u>473</u>
Total legal	<u>851,111</u>	<u>960,143</u>	<u>798,439</u>	<u>161,704</u>
Finance:				
Personnel	2,192,527	2,305,068	2,257,963	47,105
Supplies	14,900	18,161	16,890	1,271
Services	438,517	442,942	383,873	59,069
Capital outlay	<u>12,400</u>	<u>17,465</u>	<u>14,425</u>	<u>3,040</u>
Total finance	<u>2,658,344</u>	<u>2,783,636</u>	<u>2,673,151</u>	<u>110,485</u>
Assessing:				
Personnel	2,171,829	2,301,054	2,236,404	64,650
Supplies	14,900	13,190	9,869	3,321
Services	359,717	369,117	311,930	57,187
Capital outlay	<u>11,000</u>	<u>15,410</u>	<u>15,209</u>	<u>201</u>
Total assessing	<u>2,557,446</u>	<u>2,698,771</u>	<u>2,573,412</u>	<u>125,359</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 1,699,384	\$ 1,602,701	\$ 1,402,534	\$ 200,167
Supplies	31,700	58,098	52,503	5,595
Services	152,345	275,560	275,560	-
Capital outlay	21,250	35,796	29,769	6,027
Total planning	<u>1,904,679</u>	<u>1,972,155</u>	<u>1,760,366</u>	<u>211,789</u>
Capital projects administration:				
Personnel	342,023	382,853	327,598	55,255
Supplies	9,300	13,124	10,970	2,154
Services	69,202	61,878	37,002	24,876
Capital outlay	5,500	7,000	6,760	240
Total capital projects administration	<u>426,025</u>	<u>464,855</u>	<u>382,330</u>	<u>82,525</u>
Non-departmental:				
Personnel	12,500	61,063	61,011	52
Services	1,453,174	1,532,311	1,085,092	447,219
Total non-departmental	<u>1,465,674</u>	<u>1,593,374</u>	<u>1,146,103</u>	<u>447,271</u>
Total general government	<u>15,257,650</u>	<u>16,089,441</u>	<u>14,510,706</u>	<u>1,578,735</u>
Public safety:				
Personnel	1,350,664	1,471,397	1,366,563	104,834
Supplies	15,500	25,000	18,726	6,274
Services	732,639	682,139	649,320	32,819
Capital outlay	20,000	10,000	4,617	5,383
Total public safety	<u>2,118,803</u>	<u>2,188,536</u>	<u>2,039,226</u>	<u>149,310</u>
Solid waste:				
Personnel	2,003,578	2,196,281	2,168,343	27,938
Supplies	543,258	526,558	423,902	102,656
Services	3,505,431	3,464,917	2,983,889	481,028
Capital outlay	40,245	49,490	33,138	16,352
Total solid waste	<u>6,092,512</u>	<u>6,237,246</u>	<u>5,609,272</u>	<u>627,974</u>
Education:				
School District contributions	43,251,135	43,251,135	42,588,135	663,000
Post secondary education	637,570	637,570	637,570	-
Total Education	<u>43,888,705</u>	<u>43,888,705</u>	<u>43,225,705</u>	<u>663,000</u>
Total expenditures	<u>67,357,670</u>	<u>68,403,928</u>	<u>65,384,909</u>	<u>3,019,019</u>
Excess of revenues over expenditures	1,160,200	733,459	4,267,152	3,533,693
Other financing sources (uses)				
Transfers in	1,147,832	1,147,832	1,147,832	-
Transfers out	(6,568,220)	(6,844,331)	(6,778,649)	65,682
Net other financing sources (uses)	<u>(5,420,388)</u>	<u>(5,696,499)</u>	<u>(5,630,817)</u>	<u>65,682</u>
Net changes in fund balance	(4,260,188)	(4,963,040)	(1,363,665)	3,599,375
Fund balance at beginning of year	23,025,423	23,025,423	23,025,423	-
Change in beginning fund balance GASB 54	44,056	44,056	44,056	-
Restated fund balance at beginning of year	<u>23,069,479</u>	<u>23,069,479</u>	<u>23,069,479</u>	<u>-</u>
Fund balance at end of year	<u>\$ 18,809,291</u>	<u>\$ 18,106,439</u>	<u>\$ 21,705,814</u>	<u>\$ 3,599,375</u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Central Peninsula Hospital	South Peninsula Hospital	Total	
Assets				
Current assets:				
Cash and short-term investments	\$ 18,621,737	\$ 3,614,066	\$ 22,235,803	\$ 20,231
Equity in central treasury	<u>3,078,565</u>	<u>1,983,695</u>	<u>5,062,260</u>	<u>12,179,763</u>
	21,700,302	5,597,761	27,298,063	12,199,994
Property taxes receivable, net	7,514	118,369	125,883	-
Patient receivables, net	14,338,499	6,604,603	20,943,102	-
Other receivables	899,260	51,351	950,611	23,744
Prepaid items	726,753	353,414	1,080,167	-
Inventory	<u>3,133,692</u>	<u>1,160,194</u>	<u>4,293,886</u>	<u>-</u>
Total current assets	<u>40,806,020</u>	<u>13,885,692</u>	<u>54,691,712</u>	<u>12,223,738</u>
Noncurrent assets:				
Unamortized bond issuance costs	-	45,288	45,288	-
Net pension asset	<u>-</u>	<u>712,624</u>	<u>712,624</u>	<u>-</u>
Restricted assets				
Bond funds	6,664	49,632	56,296	-
Long-term investments	<u>3,041,968</u>	<u>-</u>	<u>3,041,968</u>	<u>-</u>
Total restricted assets	<u>3,048,632</u>	<u>49,632</u>	<u>3,098,264</u>	<u>-</u>
Assets whose use is limited:				
Employee health reserve	-	243,778	243,778	-
Malpractice trust/reserve	500,000	85,000	585,000	-
Student loan program	-	73,336	73,336	-
Plant replacement funds	10,097,241	-	10,097,241	-
Other reserve funds	<u>35,489</u>	<u>4,819</u>	<u>40,308</u>	<u>-</u>
Total assets whose use is limited	<u>10,632,730</u>	<u>406,933</u>	<u>11,039,663</u>	<u>-</u>
Capital assets:				
Land and land improvements	3,359,934	3,603,579	6,963,513	-
Buildings	70,413,745	52,085,078	122,498,823	-
Equipment	38,026,314	15,584,936	53,611,250	5,272,675
Improvements other than buildings	657,495	58,662	716,157	-
Construction in progress	366,261	627,524	993,785	-
Less accumulated depreciation	<u>(44,980,818)</u>	<u>(27,295,817)</u>	<u>(72,276,635)</u>	<u>(3,184,370)</u>
Total capital assets (net of accumulated depreciation)	<u>67,842,931</u>	<u>44,663,962</u>	<u>112,506,893</u>	<u>2,088,305</u>
Total noncurrent assets	<u>81,524,293</u>	<u>45,878,439</u>	<u>127,402,732</u>	<u>2,088,305</u>
Total assets	<u>\$ 122,330,313</u>	<u>\$ 59,764,131</u>	<u>\$ 182,094,444</u>	<u>\$ 14,312,043</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, 2011

	Business-type Activities			Governmental
	Enterprise Funds			
	Central Peninsula Hospital	South Peninsula Hospital	Total	Activities Internal Service Funds
Liabilities				
Current liabilities:				
Accounts and contracts payable	\$ 2,233,352	\$ 704,902	\$ 2,938,254	\$ 33,454
Accrued payroll and payroll benefits	1,414,349	502,603	1,916,952	13,503
Compensated absences	673,110	271,101	944,211	719,955
Claims payable	2,266,001	756,561	3,022,562	-
Current portion of long-term debt	2,075,038	1,046,368	3,121,406	-
Interest payable	728,885	233,313	962,198	-
Other payables	45,572	-	45,572	1,900,565
Due to third party payors	56,724	-	56,724	-
Deferred revenue	12,136	370,714	382,850	-
Total current liabilities	<u>9,505,167</u>	<u>3,885,562</u>	<u>13,390,729</u>	<u>2,667,477</u>
Noncurrent liabilities - long-term debt, net of current portion:				
Bonds payable	33,965,000	20,013,832	53,978,832	-
Capital leases	267,876	-	267,876	-
Premium on bonds payable	1,198,239	-	1,198,239	-
Note payable to Kenai Peninsula Borough	-	257,463	257,463	-
Compensated absences	2,019,328	813,303	2,832,631	2,159,866
Total noncurrent liabilities	<u>37,450,443</u>	<u>21,084,598</u>	<u>58,535,041</u>	<u>2,159,866</u>
Total liabilities	<u>46,955,610</u>	<u>24,970,160</u>	<u>71,925,770</u>	<u>4,827,343</u>
Net Assets				
Invested in capital assets, net of related debt	30,343,441	23,346,299	53,689,740	2,088,305
Restricted:				
Insurance uses	500,000	-	500,000	-
Unspent earnings on bond proceeds	-	25,286	25,286	-
Patron pledges	302,279	-	302,279	-
Unrestricted	44,228,983	11,422,386	55,651,369	7,696,395
Total net assets	<u>\$ 75,374,703</u>	<u>\$ 34,793,971</u>	<u>\$ 110,168,674</u>	<u>\$ 9,784,700</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, 2011

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Central Peninsula Hospital	South Peninsula Hospital	Total	
Operating revenues:				
Net patient service revenues	\$ 98,517,005	\$34,247,906	\$ 132,764,911	\$ -
Other operating revenues	<u>2,762,070</u>	<u>132,594</u>	<u>2,894,664</u>	<u>11,540,804</u>
Total operating revenues	<u>101,279,075</u>	<u>34,380,500</u>	<u>135,659,575</u>	<u>11,540,804</u>
Operating expenses:				
Nursing services	23,559,839	9,343,192	32,903,031	-
Other professional services	24,325,400	10,150,938	34,476,338	7,547,877
General services	8,429,286	4,269,461	12,698,747	-
Fiscal and administrative services	30,456,924	10,866,357	41,323,281	2,904,410
Depreciation	<u>8,056,595</u>	<u>2,738,347</u>	<u>10,794,942</u>	<u>315,154</u>
Total operating expenses	<u>94,828,044</u>	<u>37,368,295</u>	<u>132,196,339</u>	<u>10,767,441</u>
Operating income (loss)	<u>6,451,031</u>	<u>(2,987,795)</u>	<u>3,463,236</u>	<u>773,363</u>
Non-operating revenues (expenses):				
General property taxes	127,125	3,708,764	3,835,889	-
Investment earnings	278,457	48,924	327,381	171,462
Gain (loss) on disposal of assets	-	(35,321)	(35,321)	-
Interest expense	(1,696,909)	(940,010)	(2,636,919)	-
Other	<u>186,732</u>	<u>-</u>	<u>186,732</u>	<u>13,447</u>
Net non-operating revenues (expenses)	<u>(1,104,595)</u>	<u>2,782,357</u>	<u>1,677,762</u>	<u>184,909</u>
Income before capital contributions and transfers	5,346,436	(205,438)	5,140,998	958,272
Transfers out	-	-	-	(1,000,000)
Capital contributions	<u>212,945</u>	<u>-</u>	<u>212,945</u>	<u>-</u>
Change in net assets	5,559,381	(205,438)	5,353,943	(41,728)
Net assets at beginning of year	<u>69,815,322</u>	<u>34,999,409</u>	<u>104,814,731</u>	<u>9,526,428</u>
Net assets at end of year	<u>\$ 75,374,703</u>	<u>\$34,793,971</u>	<u>\$ 110,168,674</u>	<u>\$ 9,484,700</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, 2011

	Business-type Activities			Governmental
	Enterprise Funds			
	Central Peninsula Hospital	South Peninsula Hospital	Total	Internal Service Funds
Cash flows from operating activities:				
Receipts from patients and users	\$ 98,193,300	\$ 33,644,500	\$ 131,837,800	\$ 11,517,788
Payments to suppliers	(29,459,886)	(12,452,594)	(41,912,480)	(7,192,188)
Payments to employees	(58,549,522)	(21,867,260)	(80,416,782)	(2,927,941)
Other receipts	-	132,594	132,594	23,016
Net cash provided (used) by operating activities	<u>10,183,892</u>	<u>(542,760)</u>	<u>9,641,132</u>	<u>1,420,675</u>
Cash flows from noncapital financing activities:				
Receipts from property taxes	164,645	3,657,875	3,822,520	-
Repayment of original contribution from General Fund	-	-	-	(1,000,000)
Grants	186,732	-	186,732	-
Net cash provided (used) by noncapital financing activities	<u>351,377</u>	<u>3,657,875</u>	<u>4,009,252</u>	<u>(1,000,000)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(7,531,189)	(4,010,742)	(11,541,931)	(418,629)
Proceeds from intergovernmental loan	-	313,831	313,831	-
Principal paid on capital debt	(1,934,483)	(1,335,079)	(3,269,562)	-
Issuance of capital lease	322,397	-	322,397	-
Capital contributions from grants	212,945	-	212,945	-
Interest paid on capital debt	(1,832,531)	(990,165)	(2,822,696)	-
Proceeds from sale of capital assets	-	-	-	13,447
Net cash used by capital and related financing activities	<u>(10,762,861)</u>	<u>(6,022,155)</u>	<u>(16,785,016)</u>	<u>(405,182)</u>
Cash flows from investing activities:				
Investment earnings	278,457	48,996	327,453	171,462
Net cash provided (used) by investing activities	<u>278,457</u>	<u>48,996</u>	<u>327,453</u>	<u>171,462</u>
Net increase (decrease) in cash and cash equivalents	50,865	(2,858,044)	(2,807,179)	186,955
Cash and cash equivalents, beginning of year	35,330,799	8,912,370	44,243,169	12,013,039
Cash and cash equivalents, end of year	<u>\$ 35,381,664</u>	<u>\$ 6,054,326</u>	<u>\$ 41,435,990</u>	<u>\$ 12,199,994</u>
Reconciliation of cash and cash equivalents to Statement of Net Assets:				
Cash and short-term investments	18,621,737	3,614,066	22,235,803	20,231
Equity in central treasury	3,078,565	1,983,695	5,062,260	12,179,763
Restricted assets	3,048,632	49,632	3,098,264	-
Assets whose use is limited	10,632,730	406,933	11,039,663	-
Cash and cash equivalents, end of year	<u>\$ 35,381,664</u>	<u>\$ 6,054,326</u>	<u>\$ 41,435,990</u>	<u>\$ 12,199,994</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, 2011

	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)	\$ 6,451,031	\$ (2,987,795)	\$ 3,463,236	\$ 773,363
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	8,056,595	2,738,347	10,794,942	315,154
Change in assets and liabilities:				
(Increase) decrease in patient receivables	(392,358)	(605,785)	(998,143)	-
(Increase) decrease in other receivables	17,271	(5,011)	12,260	(17,906)
(Increase) decrease in inventory	(434,223)	39,430	(394,793)	-
(Increase) decrease in prepaid items	(240,663)	44,536	(196,127)	-
Increase (decrease) in net pension asset	-	76,517	76,517	-
Increase (decrease) in accounts and contracts payable	(573,802)	(142,049)	(715,851)	(17,979)
Increase (decrease) in accrued liabilities	(2,699,959)	299,050	(2,400,909)	368,043
Total adjustments	<u>3,732,861</u>	<u>2,445,035</u>	<u>6,177,896</u>	<u>647,312</u>
Net cash provided (used) by operating activities	<u>\$ 10,183,892</u>	<u>\$ (542,760)</u>	<u>\$ 9,641,132</u>	<u>\$ 1,420,675</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, 2011

	Agency Funds
<u>Assets</u>	
Equity in central treasury	\$ 1,331,866
Taxes receivable	61,387
Due from landowners	515,597
Due from other entities - Soldotna	29,709
Total assets	\$ 1,938,559
 <u>Liabilities</u>	
Deferred administration fee	59,426
Due to landowners	427,955
Loans payable	863,854
Due to other entities:	
Homer	104,653
Kachemak City	769
Kenai	401,042
Seldovia	8,678
Seward	64,410
Soldotna	7,772
Total liabilities	\$ 1,938,559

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

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Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2011

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Blended Component Units

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

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

Discretely Presented Component Unit

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Borough cannot use these assets for its operations.

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

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

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

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

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

The Borough reports the following major governmental funds:

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

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

The Borough reports the following major proprietary funds:

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

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

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

Additionally, the Borough reports the following fund types:

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Some funds, in particular the Enterprise Funds, the Special Revenue Funds of Central Emergency Services and Nikiski Fire, and the discretely presented Component Unit School District, have cash which is not aggregated in the central treasury. At June 30, 2011, investments for the government, as well as for its component units, are reported at fair value.

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

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

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

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

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

3. Inventories

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. 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, 2011 are recorded as prepaid items.

5. Assets Whose Use Is Limited

Certain assets are classified as assets whose use is limited on the Statement of Net Assets 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, 2011 is as follows:

Central Peninsula Hospital:	
Plant replacement	\$ 10,097,241
Malpractice reserve	500,000
Scholarship fund	35,489
South Peninsula Hospital:	
Employee health reserve	243,778
Student loan program	78,155
Malpractice reserve	<u>85,000</u>
Total assets whose use is limited	\$ <u>11,039,663</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, are depreciated using the straight-line method over the following estimated useful lives:

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

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. The obligation of accumulated unpaid personal leave amounts to \$2,879,821 at June 30, 2011. Of the total accumulated unpaid vacation at June 30, 2011, \$719,955 is expected to be paid out within one year. This is a decrease of \$67,320 from June 30, 2010. 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 \$1,157,710 at June 30, 2011, a decrease of \$602,172 from June 30, 2010. Both Central Peninsula Hospital and South Peninsula Hospital have accumulated unpaid vacation at June 30, 2011 of \$2,692,438 and \$1,084,404 respectively. Of the total accumulated unpaid leave at June 30, 2011, \$673,110 and \$271,101, respectively, are expected to be paid out within one year.

8. Long-term Obligations

In the government-wide financial statements and proprietary 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 Balances

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

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

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

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

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

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

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

10. Encumbrances

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

Significant encumbrances exceeding \$100,000 as of June 30, 2011 were:

<u>Description/Program</u>	<u>Amount as of 06/30/11</u>
Beluga whale recovery study	\$ 658,284
Computer aided dispatch project	104,328
Environmental program	209,579
Flood mitigation program	304,221
Land development project	107,657
Roads construction and upgrades	2,082,182
School construction projects	1,969,932
Solid waste equipment purchases	572,669
Solid waste facilities	1,283,824
Spruce Bark Beetle program	<u>436,243</u>
	<u>\$ 7,728,919</u>

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

Before May 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.

III – Detailed Notes on all Funds

A. Deposit and Investment Risk Disclosure

As of June 30, 2011, 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		\$ 12,005,156
Wells Fargo Secured Institutional Money Market		9,298,188
AMLIP External investment pool	31 day average	1,567,476
U. S. Agencies	July 2011 – March 2016	48,834,712
U. S. Treasury Notes	April 2014 – April 2016	5,550,722
Goldman Sachs Group Inc.	February 2012	1,000,528
General Electric Capital Medium Term Note	April 2012	1,046,030
Kentucky Asset Liability Commission	April 2012	756,998
Berkshire Hathaway Inc.	May 2012	1,043,439
Port of Seattle Washington	June 2012	1,304,696
State of Washington	July 2012	801,583
Johnson & Johnson	August 2012	1,068,576
Berkshire Hathaway Inc.	September 2012	598,080
New Jersey Economic Development Authority	September 2012	816,051
General Electric Capital Medium Term Note	October 2012	1,597,095
CitiGroup Funding Inc. (FDIC Guarantee)	October 2012	3,069,131
IBM International Group Capital	October 2012	1,602,554
Wells Fargo Company	October 2012	1,405,809
State of Mississippi	November 2012	753,561
Cook County Illinois	November 2012	832,408
JP Morgan Chase & Company (FDIC Guarantee)	December 2012	2,560,813
New York State Urban Development Corp Bonds	December 2012	2,424,560
Renewable Water Resource Build America Bonds	January 2013	542,184
Novartis Capital Corp.	April 2013	231,045
JP Morgan Chase & Company	May 2013	2,144,893
Bank of New York Mellon	August 2013	1,202,447
City of New York, New York Bonds	August 2013	1,063,534
Microsoft Corp.	September 2013	225,910
Berkshire Hathaway Inc.	January 2014	634,983
Grant County WA Public Utilities Bonds	January 2014	641,412
Novartis Capital Corp.	February 2014	421,131
North St. Paul Maplewood Minnesota Bonds	February 2014	747,116
United Parcel Service	April 2014	1,087,297
Wal-mart Stores Inc	April 2014	1,016,505
Kentucky Asset Liability Commission	April 2014	838,955
Colgate-Palmolive Company Medium Term Note	May 2014	610,033
Stanford University	May 2014	1,072,262
Wal-mart Stores Inc	May 2014	1,060,819
Google Inc.	May 2014	2,515,621
Microsoft Corp.	June 2014	900,395
Proctor & Gamble Company	February 2015	2,160,904
Microsoft Corp.	February 2016	1,033,201
Johnson & Johnson	May 2016	3,014,486
	Total	123,103,299

Major Bond Funded Capital Project Fund Investments:

AMLIP External investment pool	31 day average	11,028,880
U. S. Treasury Notes	June 2012 – July 2012	5,092,869
U. S. Agencies	September 2012	<u>3,183,396</u>
Total Investments held in Central Treasury \$		<u>142,408,444</u>

Business Type Activities Investments-Restricted Assets:

American Balanced Fund CI A – Mutual Fund (CPH)		7,009
Wells Fargo Certificate of Deposit	September 2012	3,034,960
U. S. Agencies	July 2011 - May 2020	<u>56,296</u>

Business Type Activities Investments-Assets Whose Use is Limited:

Bond Fund of America CL C Mutual Fund (CPH)		2,492
University of California Build America Bond (CPH)	May 2025	9,520
Newton New Jersey Redevelopment Area (CPH)	May 2032	9,513
Chicago IL Board of Education Build America (CPH)	December 2040	5,227
Federal Farm Credit Banks (CPH)	May 2020	6,737
U. S. Agencies	July 2011 - May 2020	<u>10,426,019</u>

Grand Total \$ 155,966,217

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

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

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

<u>Maturity</u>	<u>Target Maturity Level</u>	<u>Actual Investment</u>
One Year or Less	40%	36%
One to three Years	30%	41%
Three to Five Years	30%	23%

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The Borough may invest in securities issued by U.S. Government Agencies that contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough could be exposed to the risk of having to reinvest at a lower interest rate. As of June 30, 2011, the Borough does not have any investment in callable securities.

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

<u>Investment Type</u>	<u>Maximum Allowable % per Investment Policy</u>	<u>Maximum Maturity per Investment Policy</u>	<u>Actual % as of June 30, 2011</u>
U.S. Treasury Securities	100%	5 years	7.0%
U.S. Agencies	100%	5 years	40.9%
Corporate bonds	50%	5 years	22.4%

Municipal bonds	25%	5 years	7.6%
Repurchase agreements	20%	n/a	7.9%
Money market funds	20%	n/a	6.0%
AMLIP	20%	n/a	8.2%
Bankers Acceptances	10%	3 years	0%
Commercial Paper	25%	270 days	0%
<u>Term Repurchase Agreements and Certificates of Deposit:</u>			
7-day term or shorter:	25%	n/a	0%
Greater than 7-day term	25%	3 years	0%

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

As of June 30, 2011 the Borough's investments in corporate bonds, municipal bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

<u>INVESTMENT</u>	<u>Standards & Moody's Investors</u>	
	<u>Poor's</u>	<u>Service</u>
Bank of New York Mellon Corp.	AA-	Aa2
Berkshire Hathaway Inc.	AA+	Aa2
CitiGroup Funding Inc. – FDIC guarantee	AA+	Aaa
Colgate-Palmolive Company Medium Term Note	AA-	Aa3
General Electric Capital Corp. Medium Term Note	AA+	Aa2
Goldman Sachs Group Inc.	A	A1
Google Inc.	AA-	Aa2
IBM International Group Capital	A+	Aa3
Johnson & Johnson Company	AAA	Aaa
JP Morgan Chase & Company	A+	Aa3
JP Morgan Chase & Company – FDIC guarantee	AAA	Aaa
Microsoft Corp.	AAA	Aaa
Novartis Capital Corp.	AA-	Aa2
Procter & Gamble Company	AA-	Aa3
Stanford University	AAA	Aaa
United Parcel Service Inc.	AA-	Aa3
Wal-mart Stores Inc.	AA	Aa2
Wells Fargo Company	AA-	A1
City of Chicago, Illinois Board of Education	AA-	Aa2
City of New York, New York	AA	Aa2
Cook County Illinois	AA	Aa3
Grant County Washington Public Utility District	AA-	Aa3
Kentucky Asset Liability Commission	A+	Aa3
New Jersey Economic Development Authority	A+	A1
New York State Urban Development Corp	AAA	AA (Fitch)
Newton New Jersey	AA-	Aa2
North St. Paul-Maplewood-Oakdale MN School District	AAA	Aa2
Port of Seattle Washington	AA-	Aa2
Renewable Water Resources Build America Bonds	AA	Aa3
State of Mississippi	AA	Aa2
State of Washington	AA+	Aa1
University of California	AA-	Aa2

Federal Home Loan Bank	AAA	Aaa
Federal National Mortgage Association	AAA	Aaa
Federal National Mortgage Association Pool	AAA	Aaa
Federal Home Loan Mortgage Corporation	AAA	Aaa
Federal Farm Credit Bank	AAA	Aaa

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the Borough's \$12.005 million in repurchase agreements at June 30, 2011, \$12.005 million of underlying securities are pledged to the Borough by the Bank. This collateral is owned by the Bank and held by the third party custodian. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000.

Cash and short term investment balances at June 30, 2011, consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and short term investments held in central treasury:		
Checking accounts:		
Borough	\$ (2,441,353)	\$ 100,831
Component unit (School District)	<u>(3,008,856)</u>	<u>-</u>
Total cash and short term investments held in central treasury	(5,450,209)	100,831
Other cash and investments:		
Checking and savings accounts:		
Borough	94,480	93,478
Proprietary funds	22,229,888	23,321,843
Proprietary funds – assets whose use is limited	80,155	80,155
Short-term time deposits		
Borough	2,000,000	2,000,000
Long-term time deposits		
Proprietary funds – assets whose use is limited	500,000	500,000
Cash on hand:		
Borough	1,810	-
Proprietary funds	5,915	-
Component unit (School District)	<u>25,239</u>	<u>25,239</u>
Total other cash and short term investments	<u>24,937,487</u>	<u>26,020,715</u>
Total cash and short term investments	\$ <u>19,487,278</u>	\$ <u>26,121,546</u>

The following is a summary of equity in central treasury and investments at June 30, 2011:

General Fund	\$ 20,145,145
Special revenue funds	21,552,791
Capital projects funds	35,022,019
Debt service funds	-
Enterprise funds	5,062,260
Internal service funds	12,179,763
Fiduciary funds	1,331,866
Component unit – agency funds	2,549,028
Component unit	<u>41,115,363</u>
Total equity in central treasury	\$ <u>138,958,235</u>

The equity in central treasury consists of the following:

Cash and short term investments	\$ (3,450,209)
Investments	<u>142,408,444</u>
	<u>\$ 138,958,235</u>

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

Fair value at June 30, 2011	\$ 142,408,444
Add: cost of investments sold/called/matured in FY11	175,902,069
Less: cost of investments purchased in FY11	(189,739,195)
Less: fair value at June 30, 2010	<u>(129,913,266)</u>
Change in fair value of investments	<u>\$ (1,341,948)</u>

B. Property Taxes

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

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

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

Property Tax Calendar

Assessment date	January 1, 2010	Total taxes are due	October 15, 2010
Levy date	Not later than June 15, 2010	Penalties & interest added	October 17, 2010
Tax bills mailed	Not later than July 1, 2010	Lien date	April 15, 2011

Property taxes levied for the current year are recognized as revenues, even though a portion is collected in the period subsequent to the yearend. The Borough's property tax collection records show that approximately 95.65% of the property taxes due were collected within 60 days after the due date. Assessed values are established by the Kenai Peninsula Borough assessor's office. Borough code requires a revaluation of all property be completed no less than every 5 years. The current average is approximately every 7 years.

C. Receivables

Receivables at June 30, 2011 for the government's individual major funds and proprietary funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Proprietary</u>	<u>Nonmajor Other Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes	\$ 6,723,462	\$ 130,002	\$ 336,863	\$ -	\$ 61,387	\$ 7,251,714
Patient	-	27,305,054	-	-	-	27,305,054
Accounts and other receivables	114,763	950,611	246,247	23,744	545,306	1,880,671
Notes receivables	313,831	-	-	-	-	313,831
Land sale contracts	-	-	984,384	-	-	984,384
Special assessment districts	691,012	-	-	-	-	691,012
Intergovernmental	<u>1,343,611</u>	<u>-</u>	<u>2,961,808</u>	<u>-</u>	<u>-</u>	<u>4,305,419</u>
Total receivables	9,186,679	28,385,667	4,529,302	23,744	606,693	42,732,085
Less allowance for uncollectibles	<u>(24,343)</u>	<u>(6,366,071)</u>	<u>(3,382)</u>	<u>-</u>	<u>-</u>	<u>(6,393,796)</u>
	<u>\$ 9,162,336</u>	<u>\$22,019,596</u>	<u>\$ 4,525,920</u>	<u>\$ 23,744</u>	<u>\$ 606,693</u>	<u>\$ 36,338,289</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, 2011, 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 and prepaids (General Fund)	\$ 473,697	\$ 3,093,705
Property taxes receivable and prepaids (nonmajor governmental funds)	271,580	3,252,985
Miscellaneous prepaid (General Fund)	-	240,303
Miscellaneous deferred revenue (nonmajor governmental funds)	-	9,100
PILT (General Fund)	-	2,466,757
Land sale receivables (nonmajor governmental funds)	984,382	-
Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds)	<u>-</u>	<u>16,182</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 1,729,659</u>	<u>\$ 9,079,032</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

Governmental Activities:	Restated Balance per * Prior period adjustment <u>July 1, 2010</u>	Additions/ <u>Transfers</u>	Deductions/ <u>Transfers</u>	Balance <u>June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 69,606,702	\$ 748,272	\$ (366,673)	\$ 69,988,301
Construction in progress	<u>3,599,025</u>	<u>2,096,021</u>	<u>(74,755)</u>	<u>5,620,291</u>
Total capital assets, not being depreciated	<u>73,205,727</u>	<u>2,844,293</u>	<u>(441,428)</u>	<u>75,608,592</u>
Capital assets, being depreciated:				
Buildings	295,685,049	1,904,171	-	297,589,220
Improvements other than buildings	67,290,527	3,546,667	(13,490)	70,823,704
Machinery and equipment	32,749,710	1,773,549	(222,637)	34,300,622
Infrastructure *	<u>10,929,476</u>	<u>1,539,510</u>	<u>-</u>	<u>12,468,986</u>
Total capital assets being depreciated	<u>406,654,762</u>	<u>8,763,897</u>	<u>(236,127)</u>	<u>415,182,532</u>
Less accumulated depreciation for:				
Buildings	(165,575,963)	(6,222,342)	-	(171,798,305)
Improvements other than buildings	(49,778,668)	(1,765,621)	13,490	(51,530,799)
Machinery and equipment	(19,670,899)	(2,155,995)	222,637	(21,604,257)
Infrastructure	<u>(1,200,657)</u>	<u>(279,686)</u>	<u>-</u>	<u>(1,480,343)</u>
Total accumulated depreciation	<u>(236,226,187)</u>	<u>(10,423,644)</u>	<u>236,127</u>	<u>(246,413,704)</u>
Total capital assets, being depreciated, net	<u>170,428,575</u>	<u>(1,659,747)</u>	<u>-</u>	<u>168,768,828</u>
Governmental activities capital assets, net	<u>\$ 243,634,302</u>	<u>\$ 1,184,546</u>	<u>\$ (441,428)</u>	<u>\$ 244,377,420</u>

* Prior period adjustment - Beginning balance restated due to Infrastructure addition of \$1,088,074.

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

Business-type activities:	Balance July 1, 2010	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 1,601,324	\$ 373,300	\$ -	\$ 1,974,624
Construction in progress	<u>585,464</u>	<u>3,300,861</u>	<u>(2,892,540)</u>	<u>993,785</u>
Total capital assets, not being depreciated	<u>2,186,788</u>	<u>3,674,161</u>	<u>(2,892,540)</u>	<u>2,968,409</u>
Capital assets, being depreciated:				
Land improvements	5,017,177	74,901	(103,189)	4,988,889
Buildings	123,168,428	4,418,635	(5,088,240)	122,498,823
Improvements other than buildings	726,433	5,960	(16,236)	716,157
Machinery and equipment	<u>50,943,293</u>	<u>6,366,149</u>	<u>(3,698,191)</u>	<u>53,611,251</u>
Total capital assets being depreciated	<u>179,855,331</u>	<u>10,865,645</u>	<u>(8,905,856)</u>	<u>181,815,120</u>
Less accumulated depreciation for:				
Land improvements	(1,090,389)	(347,565)	103,188	(1,334,766)
Buildings	(45,784,910)	(4,782,634)	5,051,126	(45,516,418)
Improvements other than buildings	(115,595)	(76,134)	3,891	(187,838)
Machinery and equipment	<u>(23,309,442)</u>	<u>(5,588,609)</u>	<u>3,660,437</u>	<u>(25,237,614)</u>
Total accumulated depreciation	<u>(70,300,336)</u>	<u>(10,794,942)</u>	<u>8,818,642</u>	<u>(72,276,636)</u>
Total capital assets, being depreciated, net	<u>109,554,995</u>	<u>70,703</u>	<u>(87,214)</u>	<u>109,538,484</u>
Business-type activities capital assets, net	<u>\$ 111,741,783</u>	<u>\$ 3,744,864</u>	<u>\$ (2,979,754)</u>	<u>\$ 112,506,893</u>

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

Governmental activities:

General government	\$ 365,311
Senior citizens	4,876
Public safety	1,663,640
Solid waste facilities	1,308,043
Road maintenance, including infrastructure assets	343,756
Recreation	382,787
Schools	6,040,076
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>315,154</u>

Total depreciation expense - governmental activities \$10,423,644

Business-type activities:

Hospitals:

Central Peninsula Hospital	\$ 8,056,595
South Peninsula Hospital	<u>2,738,347</u>

Total depreciation expense - business-type activities	<u>\$10,794,942</u>
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Construction commitments:

The Borough has numerous active construction projects as of June 30, 2011. The projects include major repair of existing roads, improvement to school facilities, public safety facilities and recreation facility upgrades. At year-end the Borough's commitments with contractors are as follows:

<u>Projects</u>	<u>Remaining Commitments</u>	<u>Financing Sources</u>
Major repair of existing roads	\$ 2,372,762	Federal and State grants and local funding
Improvement to school facilities	2,925,861	General obligation bonds and local funding
Landfill closure and site upgrades	247,980	Federal grants and local funding
Public safety facilities	239,055	Federal and State grants, General obligation bonds and local funding
Environmental protection programs	7,790,755	Federal grants and local funding
Land management projects	<u>129,983</u>	Local funding
Total	<u>\$ 13,706,396</u>	

Discretely presented component unit

Capital asset activity for Kenai Peninsula Borough School District for the year ended June 30, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions / Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 6,174,068	\$ 799,438	\$(186,017)	\$ 6,787,489
Less accumulated depreciation for:				
Machinery and equipment	<u>(3,766,507)</u>	<u>(429,483)</u>	<u>183,439</u>	<u>(4,012,551)</u>
Governmental activities capital assets, net	<u>\$ 2,407,561</u>	<u>\$ 369,955</u>	<u>\$ (2,578)</u>	<u>\$ 2,774,938</u>

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2011 is as follows:

The General Fund has made a short-term loan of \$7,252 to the Local Emergency Planning Committee, and \$137,693 to the 911 Communications Capital Project Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies. The General Fund has made loans in the amount of \$691,012 to the Special Assessment Districts for utility/road improvements. Taxpayers of the utility/road improvement districts then repay the amount that is borrowed over a 10 year period. The additional funds shown below labeled as Agency funds-other represents funding providing by the Road Service Area for a capital improvement; which if not spent, is due back to the Road Service and therefore at June 30, 2011 is shown as a payable in the agency fund with no corresponding receivable in the governmental fund.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major fund - General Fund	\$ 144,945	\$ -
Nonmajor governmental funds	-	<u>144,945</u>
Total	<u>\$ 144,945</u>	<u>\$ 144,945</u>

Interfund transfers

Interfund transfers have been made in accordance with appropriating ordinances. The Borough collects a 3% sales tax and records the revenue in the General Fund. Sales tax, specifically dedicated to School District operations, and additional funds appropriated by the Assembly are transferred in monthly installments from the General Fund to the School District. Transfers to the School District totaled \$42,588,135.

Transfers between funds for the year ended June 30, 2011, were as follows:

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Nonmajor Gov't Funds</u>	
Transfer Out:			
Major Funds:			
General Fund	\$ -	\$ 6,778,649	\$ 6,778,649
Nonmajor governmental funds	147,832	2,193,725	2,341,557
Internal Service Funds	1,000,000	-	1,000,000
Total	<u>\$ 1,147,832</u>	<u>\$ 8,972,374</u>	<u>\$ 10,120,206</u>

Significant transfers were as follows:

- General Fund transferred \$1,903,365 to the Solid Waste Debt Service Fund to fund FY11 debt service on bonds sold to finance construction, capital improvements and equipment at Borough landfill sites.
- General Fund transferred \$2,262,138 to General Government Debt Service Fund to fund FY11 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$1,583,496 was reimbursed by the State of Alaska.
- General Fund transferred \$1,250,000 to School Revenue Capital Projects Fund to fund capital maintenance on school facilities and \$627,000 to the Solid Waste Capital Projects Fund to fund capital maintenance projects on solid waste facilities.
- Equipment Replacement fund, an Internal Service Fund, transferred 1,000,000 to the General Fund; which was the start up funds that were advanced to the fund in FY1989.

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>2011</u>	<u>2010</u>
Beginning of fiscal year liability	\$ 649,313	\$ 1,146,775
Current year claims incurred and changes in estimates for claims incurred in prior years	1,509,841	674,988
Claims and expenses paid	<u>(942,489)</u>	<u>(2,471,076)</u>
End of fiscal year liability	\$ <u>1,216,665</u>	\$ <u>649,313</u>

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.

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

Central Peninsula Hospital used actuarial studies performed by Milliman, Inc. dated May 23, 2011 to estimate its projected claims liabilities as of June 30, 2011 and a study dated June 4, 2010 to estimate liabilities which existed as

of June 30, 2010. The liability that existed as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Malpractice claims liabilities, beginning of year	\$ 1,231,516	\$ 1,420,233
Current year claims incurred and changes in estimates for claims incurred in prior years	39,727	112,048
Claims and expenses paid	<u>(112,409)</u>	<u>(300,765)</u>
Malpractice claims liabilities, end of year	<u>\$ 1,158,834</u>	<u>\$ 1,231,516</u>

South Peninsula Hospital is insured for medical malpractice claims by a modified claims-made policy for any occurrence since January 1, 1987 reported during the current policy year or renewal thereof. Management has no reason to believe that the Hospital will not be able to obtain such coverage in future periods. The Hospital also retains \$100,000 of medical claims expense per covered employee each year, with coverage limited to a lifetime maximum of \$1,000,000 per covered employee.

In addition to the risk management issues listed above, the Borough maintains a health and medical benefit program, which covers all permanent employees working more than half time. The Borough retains a major portion of the risk of this plan, and, accordingly, is liable for any employee health claims that are approved for payment. Stop-loss limits are \$200,000 for individual claims. Health and medical expenditures totaled \$4,706,993 and \$5,078,979 for the years ended June 30, 2011 and 2010 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, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Health insurance claims liabilities, beginning of year	\$ 615,150	\$ 611,596
Current year claims incurred and changes in estimates for claims incurred in prior years	4,663,010	4,775,399
Claims and expenses paid	<u>(4,594,260)</u>	<u>(4,771,845)</u>
Health insurance claims liabilities, end of year	<u>\$ 683,900</u>	<u>\$ 615,150</u>

The hospital enterprise funds also maintain health plans described below:

Central Peninsula Hospital is self-insured for employee health insurance claims. The health plan is administered by Employee Benefit Management Services (EBMS). Health expense claims, administrative fees, and stop loss premiums are accrued in the period incurred. An estimate for claims incurred but not reported (IBNR) and claims incurred but not paid (IBNP) as of the Statement of Net Asset's date has been recorded based on claims lag reports from the plan administrator:

	<u>2011</u>	<u>2010</u>
Health insurance claims liabilities, beginning of year	\$ 1,179,338	\$ 1,028,532
Current year claims incurred and changes in estimates for claims incurred in prior years	9,131,556	9,017,650
Claims and expenses paid	<u>(9,203,727)</u>	<u>(8,866,844)</u>
Health insurance claims liabilities, end of year	<u>\$ 1,107,167</u>	<u>\$ 1,179,338</u>

South Peninsula Hospital is self-insured for employee health insurance claims. Health Plan administration and processing is contracted to an independent third-party service provider. Health expense claims, administrative fees, and stop loss premiums are accrued in the period incurred. An estimate for claims incurred but not reported (IBNR) and claims incurred but not paid (IBNP) as of the Statement of Net Asset's date has been recorded based on claims lag reports from the plan administrator:

	<u>2011</u>	<u>2010</u>
Health insurance claims liabilities, beginning of year	\$ 439,806	\$ 200,000
Current year claims incurred and changes in estimates for claims incurred in prior years	2,969,225	3,026,286
Claims and expenses paid	<u>(2,652,470)</u>	<u>(2,786,480)</u>
Health insurance claims liabilities, end of year	<u>\$ 756,561</u>	<u>\$ 439,806</u>

H. Long-term debt

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

	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2011</u>	<u>Due within one year</u>
Governmental activities:					
Areawide school bonds	\$13,259,000	\$ 16,865,000	\$ 1,659,000	\$ 28,465,000	\$ 1,375,000
Solid waste bonds	7,105,000	-	1,660,000	5,445,000	1,700,000
Central emergency services bonds	2,170,000	-	95,000	2,075,000	100,000
Compensated absences	3,149,099	2,179,067	2,448,345	2,879,821	719,955
Landfill closure / postclosure	<u>4,053,719</u>	<u>655,492</u>	<u>10,232</u>	<u>4,698,979</u>	<u>58,971</u>
Total governmental activities long-term liabilities	<u>\$ 29,736,818</u>	<u>\$19,699,559</u>	<u>\$ 5,872,577</u>	43,563,800	<u>\$ 3,953,926</u>
Unamortized premium on bonds – Solid Waste 2009 expansion project				<u>126,000</u>	
				<u>\$ 43,689,800</u>	
Business-type activities:					
South Peninsula Hospital:					
Expansion project	\$ 21,835,000	\$ -	\$ 950,000	\$ 20,885,000	\$ 990,000
CT Scanner	385,079	-	385,079	-	-
Note payable to Borough	-	313,831	-	313,831	56,368
Compensated absences	951,179	1,369,410	1,236,185	1,084,404	271,101
Central Peninsula Hospital:					
Compensated absences	2,468,836	3,764,207	3,540,605	2,692,438	673,110
Equipment lease	-	347,585	29,671	317,914	50,038
Expansion project	<u>37,920,000</u>	<u>-</u>	<u>1,930,000</u>	<u>35,990,000</u>	<u>2,025,000</u>
Total business-type activities long-term liabilities	<u>\$ 63,560,094</u>	<u>\$ 5,795,033</u>	<u>\$ 8,071,540</u>	\$ 61,283,587	<u>\$ 4,065,617</u>
Unamortized premium on bonds – South Peninsula Hospital expansion project				249,742	
Deferred loss on bond refunding – South Peninsula Hospital expansion project				(130,910)	
Unamortized premium on bonds – Central Peninsula Hospital expansion project				<u>1,198,239</u>	
				<u>\$ 62,600,658</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. The Borough receives a federal subsidy of 45% of the interest payment on the 2010 school bonds. School refunding bonds of \$10,739,416 were issued in September 2011 to advance refund \$11,791,047 of school roof bonds. The present value of the savings on the future debt service is \$763,000.

Authorized but Unissued Bonds

Voters of the Bear Creek Fire Service Area authorized the issuance of \$1,400,000 in bonds, contingent upon receiving grant funds in the amount of \$2,100,000.

Hospital Enterprise Fund Bonds - Subsequent Event

In September 2011, the Borough issued refunding bonds for both hospitals. Central Kenai Peninsula Hospital refunding bonds of \$27,905,000 were issued to refund \$29,615,000 of hospital expansion bonds. The bonds were issued at a premium of \$4,711,814 and issuance costs were \$199,549. The present value of the savings on the debt service is \$2,397,813. South Peninsula Hospital refunding bonds of \$3,285,000 were issued to refund \$3,365,000 of hospital expansion bonds. The present value of the saving on the debt service is \$202,000. Additional information will be included in the June 30, 2012 financial statements when they are issued. *See note M – Subsequent events.*

Hospital Note Payable

In fiscal year 2011, South Peninsula Hospital took out a note payable to the Kenai Peninsula Borough in the amount of \$313,831 to help finance a magnetic resonance imaging machine. Of the balance outstanding at June 30, 2011, \$56,368 is due within one year. The note has been eliminated from noncurrent liabilities on the Statement of Net Assets.

A summary of bonds payable (in thousands) at June 30, 2011, 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, 2011</u>
<u>General Government:</u>						
School bonds:	01-31-07	\$ 2,515	4.00 – 5.50	2008 – 2017	\$ 215 to 305	\$ 1,635
	08-07-03	14,700	4.00 – 6.00	2004 – 2023	610 to 1,020	9,965
	12-09-10	455	2.00	2011	455	455
	12-09-10	<u>16,410</u>	1.42 - 6.26	2011 - 2030	715 to 1,110	<u>16,410</u>
Total school bonds		<u>34,080</u>				<u>28,465</u>
Solid waste bonds	05-22-03	7,040	2.50 – 4.25	2003 – 2013	705 to 800	1,575
	12-12-09	<u>4,780</u>	2.00 – 4.00	2011 – 2015	910 to 1,015	<u>3,870</u>
Total solid waste bonds		<u>11,820</u>				<u>5,445</u>
Total General Government		<u>45,900</u>				<u>33,910</u>
Central Emergency Services bonds	06-21-06	<u>2,500</u>	4.00 - 6.00	2006 - 2026	85 to 185	<u>2,075</u>
Total Government Activities		<u>48,400</u>				<u>35,985</u>
<u>Enterprise Fund Bonds:</u>						
South Peninsula Hospital bonds	09-30-03	10,290	2.00 – 5.25	2004 – 2020	400 to 630	4,750
	04-05-07	3,080	3.75 – 4.50	2007 – 2024	10 to 770	3,035
	08-28-07	14,555	4.25 – 5.00	2008 – 2028	465 to 1,090	13,100
Central Peninsula Hospital bonds	12-17-03	<u>47,985</u>	2.50 – 5.00	2004 – 2024	1,805 to 3,670	<u>35,990</u>
Total Hospital Bonds		<u>75,910</u>				<u>56,875</u>
Total Bonds		<u>\$ 124,310</u>				<u>\$ 92,860</u>

Debt service requirements, (not including landfill closure/postclosure, note payable to Borough, and compensated absences), at June 30, 2011 were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,175,000	\$ 1,302,723	\$ 3,015,000	\$ 2,675,963
2013	3,515,000	1,143,185	3,150,000	2,537,738
2014	2,805,000	1,023,555	3,295,000	2,389,557
2015	2,885,000	937,435	3,455,000	2,233,388
2016	1,920,000	835,915	3,620,000	2,063,756
2017-2021	9,230,000	3,204,514	20,975,000	7,404,806
2022-2026	7,270,000	1,504,570	17,235,000	2,017,194
2027-2031	<u>5,185,000</u>	<u>458,057</u>	<u>2,130,000</u>	<u>102,363</u>
Total	\$ <u>35,985,000</u>	\$ <u>10,409,954</u>	\$ <u>56,875,000</u>	\$ <u>21,424,765</u>

I. Conduit Debt Obligations

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

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

<u>Fiscal Year:</u>	<u>Principal</u>
2012	476,360
2013	501,840
2014	528,640
2015	556,920
2016	586,680
2017-2019	<u>1,603,775</u>
	\$ <u>4,254,215</u>

J. Commitments and Contingencies

1. Loss Contingencies

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

2. Grants

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

K. Pension Plans

1. State of Alaska Public Employees' Retirement System

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

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

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

Conversion to Cost Sharing

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

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

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.41% for pension and 4.34% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.68% for pension and 4.82% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate. The Borough and School District's contribution rates were determined as part of the June 30, 2008 actuarial valuation.

The Borough's and School District's contribution rates for 2011 for PERS follow:

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 45* Rate</u>
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	<u>14.15%</u>	<u>17.98%</u>	<u>55.87%</u>
Total contribution rate	<u>22.00%</u>	<u>27.96%</u>	<u>69.36%</u>

The School District's contribution rates for 2011 for TRS follow:

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 45* Rate</u>
Pension	6.62%	20.32%	26.89%
Postemployment healthcare	<u>5.94%</u>	<u>18.24%</u>	<u>52.20%</u>
Total contribution rate	<u>12.56%</u>	<u>39.56%</u>	<u>79.09%</u>

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

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

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

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

Annual Pension and Postemployment Healthcare Cost

The Borough and School District are required to contribute 22% of covered payroll for PERS and 12.56% of covered payroll for TRS, subject to a wage floor. In addition, the State of Alaska contributed approximately 8.25% (2.29 percentage points higher than the required 5.96%) for PERS, and 26.00% for TRS of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough and School District have recorded the State PERS on behalf payments of \$1,466,037 and \$1,579,758, respectively in these financial statements as revenues and expenditures. The School District has also recorded the State TRS on behalf payment of \$12,261,269 as revenue and expenditures in these financial statements. However, because the Borough and School District are not statutorily obligated for these payments, these amounts are excluded from pension and OPEB costs as described here.

The Borough's covered payroll for PERS defined benefit for the years ended June 30, 2011 and 2010 was \$13,180,742 and \$13,661,115, respectively. The School District's covered payroll for PERS defined benefit for the years ended June 30, 2011 and 2010 was \$11,813,014 and \$12,475,154, respectively.

Annual Pension and Post-employment Healthcare Cost - PERS

Kenai Peninsula Borough

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>Borough Contributions</u>	<u>% of TBC Contributed</u>
2011	\$1,034,688	\$ 1,865,076	\$2,899,764	\$2,899,764	100%
2010	1,114,745	1,890,696	3,005,441	3,005,441	100%
2009	859,049	2,023,667	2,882,716	2,882,716	100%

Kenai Peninsula Borough School District

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>School District Contributions</u>	<u>% of TBC Contributed</u>
2011	\$1,106,772	\$1,995,010	\$3,101,782	\$3,101,782	100%
2010	850,342	1,893,728	2,744,070	2,744,070	100%
2009	812,314	1,809,202	2,621,516	2,621,516	100%

Annual Pension and Post-employment Healthcare Cost - TRS

Kenai Peninsula Borough School District

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>School District Contributions</u>	<u>% of TBC Contributed</u>
2011	\$2,619,183	\$2,350,143	\$4,969,326	\$4,969,326	100%
2010	2,269,208	2,611,144	4,880,352	4,880,352	100%
2009	2,189,749	2,519,744	4,709,493	4,709,493	100%

The School District's covered payroll for TRS defined benefit for the years ended June 30, 2011 and 2010 was \$38,417,478 and \$38,856,306, respectively.

Defined Contribution Pension Plan

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

	PERS Tier IV		TRS
	<u>Others</u>	<u>Police/Fire</u>	<u>Tier III</u>
Employee contribution	<u>8.00 %</u>	<u>8.00 %</u>	<u>8.00 %</u>
Individual account	5.00 %	5.00 %	7.00 %
Health reimbursement arrangement (HRA) *	3.00 %	3.00 %	3.00 %
Retiree medical plan	0.56 %	0.48 %	0.68 %
Occupational death and disability benefits	<u>0.31 %</u>	<u>1.18 %</u>	<u>0.28 %</u>
	<u>8.87 %</u>	<u>9.66 %</u>	<u>10.96 %</u>

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

The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2011 were \$408,948 and \$366,424, respectively. The School District and employee contributions to PERS, including the HRA contribution for the year ended June 30, 2011 were \$505,916 and \$367,364, respectively. The School District and employee contributions to TRS, including the HRA contribution for the year ended June 30, 2011 were \$1,121,243 and \$799,029, respectively.

The Borough’s covered payroll for PERS defined contribution for the years ended June 30, 2011 and 2010 was \$4,580,307 and \$3,627,417, respectively. The School District’s covered payroll for PERS defined contribution for the years ended June 30, 2011 and 2010 was \$4,592,136 and \$3,469,577, respectively. The School District’s covered payroll for TRS defined contribution for the years ended June 30, 2011 and 2010 was \$9,987,864 and \$7,813,274, respectively.

2. Hospital Pension Plans

Central Peninsula Hospital Plan Description

Employees of the Hospital may elect to participate in the Central Peninsula General Hospital Employee Pension Plan, a defined contribution single-employer pension plan under IRC 403(b), established on July 1, 1995. The plan issues separate financial statements that are available by contacting the Hospital at Central Peninsula Hospital, 250 Hospital Place, Soldotna, Alaska 99669.

After the first year of employment, and at the next open enrollment period, employees who work 1,000 hours or more are eligible to participate in the Plan. The Hospital will contribute 2% of an employee’s eligible salary for all eligible employees. In addition, the Hospital will match the employee’s voluntary contribution up to 3% of gross pay, should the employee elect to participate. The Hospital’s total maximum contribution for each employee is \$5,283. The employee may contribute an additional amount above the 2% voluntary contribution. The additional amount shall not exceed the lesser of 18% of their eligible salary, or \$22,000 for employees over the age of fifty, and \$16,500 for all others. Participants are fully vested in their contributions and after five years, are 100% vested in the Hospital’s matching contribution.

The Hospital’s matching contributions vest in accordance with the following schedule based on years of service:

1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

The Hospital's covered payroll for the years ended June 30, 2011 and 2010 was \$35,545,540 and \$33,106,462, respectively. Total payroll for the years ended June 30, 2011 and 2010 was \$44,238,146 and \$39,650,818, respectively.

Employee contributions to the Plan for the years ended June 30, 2011 and 2010 were \$2,227,166 and \$2,126,932 respectively. Employer contributions were \$1,331,802 and \$1,254,114 for the same periods. Total contributions to the Plan were 10.0% of covered payroll for June 30, 2011 and 10.2% for June 30, 2010.

South Peninsula Hospital Plan Description

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

Funding Policy. The Plan's funding policy provides for actuarially determined periodic contributions by the Hospital at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The Plan uses the traditional unit credit actuarial method. Significant actuarial assumptions used to calculate the net pension obligation are identical to those used for funding purposes.

Annual Pension Cost and Net Pension Obligation. The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation. The actuarial assumptions included: (a) January 2010 segment interests of (1) Years 0-5 – 3.780%, (2) Years 6-20 – 6.310%, and (3) Years over 20 – 6.570% rate of returns (net of administrative expenses); (b) projected salary increases of 2% per year; and (c) no inflation rate.

The Hospital's annual pension cost and net pension obligation asset follows:

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2008	\$703,637	\$973,373	138.3%	(\$290,076)
2009	639,634	1,138,699	178.0%	(789,141)
2010	682,553	606,036	89.0%	(712,624)

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 (Assets in Excess of) Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded (Assets in Excess of) Liability as Percentage of Covered Payroll</u>
January 1, 2008	\$7,409,000	\$7,423,000	\$ 14,000	99.8%	\$10,500,000	0.13%
January 1, 2009	7,070,000	7,369,000	299,000	96.5%	11,567,000	2.58%
January 1, 2010	9,971,000	9,499,000	(472,000)	105.0%	13,275,000	(3.56)%

L. Landfill Closure and Postclosure Care Cost

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

State and Federal laws and regulations require the Borough to comply with the State of Alaska Solid Waste Management Regulations (18AAC 60). These regulations include placement of a final cover system on its landfills when they stop accepting waste. Additionally, the Borough must perform post closure care and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with landfill cells having remaining useful lives from 2 years to 10 years. The largest site has an active lined cell with a remaining expected life of 18 to 24 months. A second cell is under construction. This site has land enough for a minimum of four additional cells, which will be developed as needed and will extend the landfill life by approximately 25 years. The second largest facility has used 80% of landfill capacity and will be in operation until July 2013. These two facilities comprise 90% of total Borough wide landfill capacity. There are also three sites which are closed, that are being monitored as required by regulation. As of June 30, 2011 the Borough has a recorded liability of \$4,698,979 the government-wide financial statements for closure and postclosure cost associated with its landfills. This amount has been reported as restricted fund balance in the Solid Waste Capital Projects Fund. These amounts are based on what it would cost to perform all closure and postclosure care in 2011; 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 \$11,851,313 in expense and liability between June 30, 2011 and the year 2035, the date the landfills are expected to reach capacity.

The Borough is required by state and federal laws and regulations to make certain financial assurances, public notice and record keeping, and reporting regarding this liability. The Borough has complied with these provisions. The Borough is committed to funding the annual increase in the estimate of closure and postclosure care costs. Accounting for landfill operations is included in the General Fund and the closure and postclosure costs are accounted for in the Solid Waste Capital Projects Fund.

M. Subsequent Events

In September 2011, the Borough issued refunding bonds for both hospitals and school roof bonds. Central Peninsula Hospital refunding bonds of \$27,905,000 were issued to refund \$29,615,000 of hospital expansion bonds. The bonds were issued at a premium of \$4,711,814 and issuance costs were \$199,549. The present value of the savings on the debt service is \$2,397,813. South Peninsula Hospital refunding bonds of \$3,285,000 were issued to refund \$3,365,000 of hospital expansion bonds. The present value of the savings on the debt service is \$202,000. School refunding bonds of \$10,739,416 were issued to refund \$11,791,047 of school roof bonds. The present value of the savings on the debt service is \$763,000. Additional information will be included in the June 30, 2012 financial statements when they are issued. *See note H – Long-term debt*

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and short-term investments	\$ 75,049	\$ -	\$ 75,049
Equity in central treasury	21,552,791	15,716,874	37,269,665
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	333,481	-	333,481
Accounts receivable	246,247	-	246,247
Land sale contracts receivable:			
Current	174,981	-	174,981
Delinquent	7,676	-	7,676
Due from other governments	1,583,277	1,378,531	2,961,808
Prepays	1,500	-	1,500
Land sale contracts receivable - long-term	801,727	-	801,727
Total assets	\$ 24,776,729	\$ 17,095,405	\$ 41,872,134
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	934,114	1,594,059	2,528,173
Accrued payroll and payroll benefits	315,134	28,322	343,456
Due to General Fund	7,252	137,693	144,945
Deferred revenue	1,255,962	-	1,255,962
Unearned revenue	3,278,267	-	3,278,267
Total liabilities	5,790,729	1,760,074	7,550,803
Fund balances:			
Nonspendable:			
Long-term land contracts receivable	801,727	-	801,727
Prepays	1,500	-	1,500
Restricted:			
Landfill closure/postclosure costs	-	4,698,979	4,698,979
Roads construction and upgrades	-	579,431	579,431
Spruce Bark Beetle program	598,531	-	598,531
Commercial passenger vessel tax	797,218	-	797,218
Revenue sharing program	267,104	-	267,104
General government	145,351	111,438	256,789
Public safety	6,018,902	1,233,175	7,252,077
Recreation	1,616,710	429,834	2,046,544
Education	-	33,464	33,464
Solid waste	-	42,361	42,361
Roads	2,217,209	-	2,217,209
Committed:			
Outstanding committed contracts	831,338	1,887,683	2,719,021
Software upgrades	-	16,464	16,464
Building maintenance and upgrades	-	1,105,992	1,105,992
Riverbank restoration	-	10,779	10,779
Land development projects	675,019	-	675,019
Public safety facilities and equipment	58,576	1,340,841	1,399,417
Recreational facility maintenance	-	34,874	34,874
School maintenance and upgrades	-	1,772,253	1,772,253
Solid waste facilities	-	347,501	347,501
Spruce Bark Beetle program	174,821	-	174,821
Assigned:			
Subsequent year's expenditures	3,684,199	1,690,262	5,374,461
General government	1,097,795	-	1,097,795
Total fund balances	18,986,000	15,335,331	34,321,331
Total liabilities and fund balances	\$ 24,776,729	\$ 17,095,405	\$ 41,872,134

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2011

	<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	\$ 18,792,020	\$ -	\$ -	\$ 18,792,020
Motor vehicle tax	396,255	-	-	396,255
Intergovernmental:				
Federal	2,107,394	1,136,678	-	3,244,072
State	1,842,437	4,160,358	-	6,002,795
Investment earnings	452,493	75,598	-	528,091
Other revenues	2,490,173	666,809	-	3,156,982
Total revenues	<u>26,080,772</u>	<u>6,039,443</u>	<u>-</u>	<u>32,120,215</u>
Expenditures:				
General government	2,589,216	937,633	-	3,526,849
Solid waste	-	524,032	-	524,032
Public safety	11,369,838	3,618,590	-	14,988,428
Recreation	1,454,573	25,126	-	1,479,699
Education	147,508	2,264,046	-	2,411,554
Environmental protection	2,095,423	-	-	2,095,423
Roads and trails	6,894,392	5,245,748	-	12,140,140
Debt service:				
Principal	-	-	3,414,000	3,414,000
Interest and other	-	-	943,580	943,580
Total expenditures	<u>24,550,950</u>	<u>12,615,175</u>	<u>4,357,580</u>	<u>41,523,705</u>
Excess (deficiency) of revenues over expenditures	<u>1,529,822</u>	<u>(6,575,732)</u>	<u>(4,357,580)</u>	<u>(9,403,490)</u>
Other financing sources (uses):				
Transfers in	111,627	4,503,167	4,357,580	8,972,374
Transfers out	(2,341,557)	-	-	(2,341,557)
Net other financing sources (uses)	<u>(2,229,930)</u>	<u>4,503,167</u>	<u>4,357,580</u>	<u>6,630,817</u>
Net change in fund balances	(700,108)	(2,072,565)	-	(2,772,673)
Fund balances at beginning of year	23,783,883	13,354,177	-	37,138,060
Change in beginning fund balances - GASB 54	(4,097,775)	4,053,719	-	(44,056)
Restated fund balances at beginning of year	<u>19,686,108</u>	<u>17,407,896</u>	<u>-</u>	<u>37,094,004</u>
Fund balances at end of year	<u>\$ 18,986,000</u>	<u>\$ 15,335,331</u>	<u>\$ -</u>	<u>\$ 34,321,331</u>

Nonmajor Special Revenue Funds
Pages 74-93

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2011

	Nikiski Fire Service Area	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
<u>Assets</u>				
Cash and short-term investments	\$ 30,926	\$ -	\$ 200	\$ 40,789
Equity in central treasury	5,249,880	217,766	281,516	2,032,580
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	37,271	6,863	9,508	121,520
Accounts receivable	66,882	-	-	157,561
Land sale contracts receivable:				
Current	-	-	-	-
Delinquent	-	-	-	-
Due from other governments	10,966	49,445	1,530	34,543
Prepays	-	-	-	-
Land sale contracts receivable - long-term	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,395,925</u>	<u>\$ 274,074</u>	<u>\$ 292,754</u>	<u>\$ 2,386,993</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	36,335	30,041	10,447	77,966
Accrued payroll and payroll benefits	77,587	4,304	5,705	135,027
Due to General Fund	-	-	-	-
Deferred revenue	32,856	5,028	8,411	92,094
Unearned revenue	1,439,549	79	27,767	265,059
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,586,327</u>	<u>39,452</u>	<u>52,330</u>	<u>570,146</u>
Fund balances:				
Nonspendable:				
Long-term land contracts receivable	-	-	-	-
Prepays	-	-	-	-
Restricted:				
Spruce Bark Beetle program	-	-	-	-
Commercial passenger vessel tax	-	-	-	-
Revenue sharing program	-	-	-	-
Public safety	3,809,598	129,838	202,706	1,374,404
Recreation	-	-	-	-
General government	-	-	-	-
Roads	-	-	-	-
Committed:				
Outstanding committed contracts	-	-	-	-
Land development projects	-	-	-	-
Public safety facilities and equipment	-	58,576	-	-
Spruce Bark Beetle program	-	-	-	-
Assigned:				
Subsequent year's expenditures	-	46,208	37,718	442,443
General government	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,809,598</u>	<u>234,622</u>	<u>240,424</u>	<u>1,816,847</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 5,395,925</u>	<u>\$ 274,074</u>	<u>\$ 292,754</u>	<u>\$ 2,386,993</u>

Kachemak Emergency Service Area	Lowell Point Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area
\$ 2,934	\$ -	\$ -	\$ 200
254,373	44,280	8,830	2,158,662
12,983	772	64	12,479
11,327	-	-	-
-	-	-	-
-	-	-	-
4,957	86	-	3,655
1,500	-	-	-
-	-	-	-
<u>\$ 288,074</u>	<u>\$ 45,138</u>	<u>\$ 8,894</u>	<u>\$ 2,174,996</u>
14,735	69	3	21,772
10,300	-	-	28,422
-	-	-	-
9,069	772	64	11,006
13,918	-	-	496,599
<u>48,022</u>	<u>841</u>	<u>67</u>	<u>557,799</u>
-	-	-	-
1,500	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
238,552	27,047	110	-
-	-	-	1,616,710
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	17,250	8,717	487
-	-	-	-
<u>240,052</u>	<u>44,297</u>	<u>8,827</u>	<u>1,617,197</u>
<u>\$ 288,074</u>	<u>\$ 45,138</u>	<u>\$ 8,894</u>	<u>\$ 2,174,996</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet, continued
 June 30, 2011

	<u>Road Service Area</u>	<u>Land Trust</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Environmental Protection Programs</u>
<u>Assets</u>				
Cash and short-term investments	\$ -	\$ -	\$ -	\$ -
Equity in central treasury	3,669,464	5,705,157	347,881	910,946
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	126,674	-	3,038	-
Accounts receivable	-	10,477	-	-
Land sale contracts receivable:				
Current	-	174,981	-	-
Delinquent	-	7,676	-	-
Due from other governments	29,104	-	1,489	426,353
Prepays	-	-	-	-
Land sale contracts receivable - long-term	-	801,727	-	-
Total assets	\$ 3,825,242	\$ 6,700,018	\$ 352,408	\$ 1,337,299
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	262,476	187,251	2,546	22,773
Accrued payroll and payroll benefits	25,011	12,959	1,665	11,119
Due to General Fund	-	-	-	-
Deferred revenue	107,889	984,382	2,329	-
Unearned revenue	920,442	-	3,720	-
Total liabilities	1,315,818	1,184,592	10,260	33,892
Fund balances:				
Nonspendable:				
Long-term land contracts receivable	-	801,727	-	-
Prepays	-	-	-	-
Restricted:				
Spruce Bark Beetle program	-	-	-	598,531
Commercial passenger vessel tax	-	-	-	-
Revenue sharing program	-	-	-	-
Public safety	-	-	236,647	-
Recreation	-	-	-	-
General government	-	-	-	-
Roads	2,217,209	-	-	-
Committed:				
Outstanding committed contracts	-	129,983	77,242	530,055
Land development projects	-	675,019	-	-
Public safety facilities and equipment	-	-	-	-
Spruce Bark Beetle program	-	-	-	174,821
Assigned:				
Subsequent year's expenditures	292,215	2,810,902	28,259	-
General government	-	1,097,795	-	-
Total fund balances	2,509,424	5,515,426	342,148	1,303,407
Total liabilities and fund balances	\$ 3,825,242	\$ 6,700,018	\$ 352,408	\$ 1,337,299

<u>Local Emergency Planning Committee</u>	<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ 75,049
-	430,030	241,426	21,552,791
-	-	2,309	333,481
-	-	-	246,247
-	-	-	174,981
-	-	-	7,676
8,557	1,012,002	590	1,583,277
-	-	-	1,500
-	-	-	801,727
<u>\$ 8,557</u>	<u>\$ 1,442,032</u>	<u>\$ 244,325</u>	<u>\$ 24,776,729</u>
1,077	264,663	1,960	934,114
228	2,807	-	315,134
7,252	-	-	7,252
-	-	2,062	1,255,962
-	16,182	94,952	3,278,267
<u>8,557</u>	<u>283,652</u>	<u>98,974</u>	<u>5,790,729</u>
-	-	-	801,727
-	-	-	1,500
-	-	-	598,531
-	797,218	-	797,218
-	267,104	-	267,104
-	-	-	6,018,902
-	-	-	1,616,710
-	-	145,351	145,351
-	-	-	2,217,209
-	94,058	-	831,338
-	-	-	675,019
-	-	-	58,576
-	-	-	174,821
-	-	-	3,684,199
-	-	-	1,097,795
<u>-</u>	<u>1,158,380</u>	<u>145,351</u>	<u>18,986,000</u>
<u>\$ 8,557</u>	<u>\$ 1,442,032</u>	<u>\$ 244,325</u>	<u>\$ 24,776,729</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2011

	Nikiski Fire Service Area	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
Revenues:				
General property taxes	\$ 3,443,547	\$ 333,256	\$ 394,201	\$ 6,081,202
Motor vehicle tax	53,315	13,439	7,440	128,158
Intergovernmental:				
Federal	-	47,091	-	-
State	132,630	4,260	3,949	237,083
Investment earnings	89,354	4,742	5,755	55,826
Other revenues	326,469	-	880	562,589
Total revenues	4,045,315	402,788	412,225	7,064,858
Expenditures:				
General government	-	-	-	-
Public safety	3,545,524	277,767	325,223	6,072,362
Recreation	-	-	-	-
Education	-	-	-	-
Environmental protection	-	-	-	-
Roads and trails	-	-	-	-
Total expenditures	3,545,524	277,767	325,223	6,072,362
Excess (deficiency) of revenues over expenditures	499,791	125,021	87,002	992,496
Other financing sources (uses):				
Transfers in	-	-	-	20,741
Transfers out	(332,352)	(100,000)	(100,000)	(1,540,582)
Net other financing sources (uses)	(332,352)	(100,000)	(100,000)	(1,519,841)
Net change in fund balances	167,439	25,021	(12,998)	(527,345)
Fund balances at beginning of year	3,642,159	209,601	253,422	2,344,192
Change in beginning fund balances GASB 54	-	-	-	-
Restated fund balances at beginning of year	3,642,159	209,601	253,422	2,344,192
Fund balances at end of year	\$ 3,809,598	\$ 234,622	\$ 240,424	\$ 1,816,847

Kachemak Emergency Service Area	Lowell Point Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Road Service Area
\$ 788,409	\$ 20,108	\$ 9,637	\$ 1,163,739	\$ 6,128,353
24,103	420	-	17,772	141,501
10,000	-	-	-	-
16,012	-	-	34,000	45,590
5,686	762	-	37,640	74,000
32,466	-	53	225,208	3,400
<u>876,676</u>	<u>21,290</u>	<u>9,690</u>	<u>1,478,359</u>	<u>6,392,844</u>
-	-	-	-	-
663,609	9,608	-	-	-
-	-	-	1,454,573	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	6,894,392
<u>663,609</u>	<u>9,608</u>	<u>-</u>	<u>1,454,573</u>	<u>6,894,392</u>
213,067	11,682	9,690	23,786	(501,548)
-	-	-	-	-
(156,975)	-	(20,741)	(50,000)	-
<u>(156,975)</u>	<u>-</u>	<u>(20,741)</u>	<u>(50,000)</u>	<u>-</u>
56,092	11,682	(11,051)	(26,214)	(501,548)
183,960	32,615	19,878	1,643,411	3,010,972
-	-	-	-	-
<u>183,960</u>	<u>32,615</u>	<u>19,878</u>	<u>1,643,411</u>	<u>3,010,972</u>
<u>\$ 240,052</u>	<u>\$ 44,297</u>	<u>\$ 8,827</u>	<u>\$ 1,617,197</u>	<u>\$ 2,509,424</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, 2011

	<u>Land Trust</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Environmental Protection Programs</u>	<u>Local Emergency Planning Committee</u>
Revenues:				
General property taxes	\$ -	\$ 213,637	\$ -	\$ -
Motor vehicle tax	-	7,238	-	-
Intergovernmental:				
Federal	-	-	1,016,103	-
State	22,170	2,977	21,166	22,829
Investment earnings	148,342	6,869	20,159	-
Other revenues	1,339,058	-	-	-
Total revenues	<u>1,509,570</u>	<u>230,721</u>	<u>1,057,428</u>	<u>22,829</u>
Expenditures:				
General government	1,176,031	-	-	-
Public safety	-	268,624	-	22,829
Recreation	-	-	-	-
Education	-	-	-	-
Environmental protection	-	-	1,759,456	-
Roads and trails	-	-	-	-
Total expenditures	<u>1,176,031</u>	<u>268,624</u>	<u>1,759,456</u>	<u>22,829</u>
Excess (deficiency) of revenues over expenditures	<u>333,539</u>	<u>(37,903)</u>	<u>(702,028)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	54,344	-	-	-
Transfers out	-	-	(40,907)	-
Net other financing sources (uses)	<u>54,344</u>	<u>-</u>	<u>(40,907)</u>	<u>-</u>
Net change in fund balances	387,883	(37,903)	(742,935)	-
Fund balances at beginning of year	5,127,543	380,051	2,046,342	-
Change in beginning fund balances GASB 54	-	-	-	-
Restated fund balances at beginning of year	<u>5,127,543</u>	<u>380,051</u>	<u>2,046,342</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,515,426</u>	<u>\$ 342,148</u>	<u>\$ 1,303,407</u>	<u>\$ -</u>

<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>River Center</u>	<u>Solid Waste</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 215,931	\$ -	\$ -	\$ 18,792,020
-	2,869	-	-	396,255
1,034,200	-	-	-	2,107,394
1,299,771	-	-	-	1,842,437
-	3,358	-	-	452,493
50	-	-	-	2,490,173
<u>2,334,021</u>	<u>222,158</u>	<u>-</u>	<u>-</u>	<u>26,080,772</u>
1,151,928	261,257	-	-	2,589,216
184,292	-	-	-	11,369,838
-	-	-	-	1,454,573
147,508	-	-	-	147,508
335,967	-	-	-	2,095,423
-	-	-	-	6,894,392
<u>1,819,695</u>	<u>261,257</u>	<u>-</u>	<u>-</u>	<u>24,550,950</u>
<u>514,326</u>	<u>(39,099)</u>	<u>-</u>	<u>-</u>	<u>1,529,822</u>
-	36,542	-	-	111,627
-	-	-	-	(2,341,557)
<u>-</u>	<u>36,542</u>	<u>-</u>	<u>-</u>	<u>(2,229,930)</u>
514,326	(2,557)	-	-	(700,108)
644,054	147,908	15,569	4,082,206	23,783,883
-	-	(15,569)	(4,082,206)	(4,097,775)
<u>644,054</u>	<u>147,908</u>	<u>-</u>	<u>-</u>	<u>19,686,108</u>
<u>\$ 1,158,380</u>	<u>\$ 145,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,986,000</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 3,379,657	\$ 3,379,657	\$ 3,443,547	\$ 63,890
Motor vehicle tax	34,914	34,914	53,315	18,401
Intergovernmental:				
State	-	132,630	132,630	-
Investment earnings	120,000	120,000	89,354	(30,646)
Other revenues	241,500	241,500	326,469	84,969
Total revenues	<u>3,776,071</u>	<u>3,908,701</u>	<u>4,045,315</u>	<u>136,614</u>
Expenditures:				
Personnel	2,700,963	2,849,753	2,794,156	55,597
Supplies	194,353	205,353	162,020	43,333
Services	569,808	558,808	488,032	70,776
Capital outlay	126,102	126,102	101,316	24,786
Total expenditures	<u>3,591,226</u>	<u>3,740,016</u>	<u>3,545,524</u>	<u>194,492</u>
Excess (deficiency) of revenues over expenditures	<u>184,845</u>	<u>168,685</u>	<u>499,791</u>	<u>331,106</u>
Other financing sources (uses):				
Transfers (out)	<u>(332,352)</u>	<u>(332,352)</u>	<u>(332,352)</u>	<u>-</u>
Net change in fund balance	(147,507)	(163,667)	167,439	331,106
Fund balance at beginning of year	<u>3,642,159</u>	<u>3,642,159</u>	<u>3,642,159</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,494,652</u></u>	<u><u>\$ 3,478,492</u></u>	<u><u>\$ 3,809,598</u></u>	<u><u>\$ 331,106</u></u>

Kenai Peninsula Borough

Bear Creek Fire Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 330,458	\$ 330,458	\$ 333,256	\$ 2,798
Motor vehicle tax	12,917	12,917	13,439	522
Intergovernmental:				
Federal	-	100,686	47,091	(53,595)
State	-	4,260	4,260	-
Investment earnings	4,543	4,543	4,742	199
Total revenues	<u>347,918</u>	<u>452,864</u>	<u>402,788</u>	<u>(50,076)</u>
Expenditures:				
Personnel	136,028	127,196	99,257	27,939
Supplies	19,750	25,224	23,917	1,307
Services	92,934	178,903	111,359	67,544
Capital outlay	21,463	44,418	43,234	1,184
Total expenditures	<u>270,175</u>	<u>375,741</u>	<u>277,767</u>	<u>97,974</u>
Excess (deficiency) of revenues over expenditures	<u>77,743</u>	<u>77,123</u>	<u>125,021</u>	<u>47,898</u>
Other financing sources (uses):				
Transfers (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(22,257)	(22,877)	25,021	47,898
Fund balance at beginning of year	<u>209,601</u>	<u>209,601</u>	<u>209,601</u>	<u>-</u>
Fund balance at end of year	<u>\$ 187,344</u>	<u>\$ 186,724</u>	<u>\$ 234,622</u>	<u>\$ 47,898</u>

Kenai Peninsula Borough

Anchor Point Fire and Emergency Medical Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 369,070	\$ 369,070	\$ 394,201	\$ 25,131
Motor vehicle tax	8,000	8,000	7,440	(560)
Intergovernmental:				
State	-	3,949	3,949	-
Investment earnings	6,542	6,542	5,755	(787)
Other revenues	-	-	880	880
Total revenues	<u>383,612</u>	<u>387,561</u>	<u>412,225</u>	<u>24,664</u>
Expenditures:				
Personnel	128,131	160,959	138,839	22,120
Supplies	49,650	53,140	41,767	11,373
Services	165,554	153,064	126,325	26,739
Capital outlay	21,500	30,500	18,292	12,208
Total expenditures	<u>364,835</u>	<u>397,663</u>	<u>325,223</u>	<u>72,440</u>
Excess (deficiency) of revenues over expenditures	<u>18,777</u>	<u>(10,102)</u>	<u>87,002</u>	<u>97,104</u>
Other financing sources (uses):				
Transfers (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(81,223)	(110,102)	(12,998)	97,104
Fund balance at beginning of year	<u>253,422</u>	<u>253,422</u>	<u>253,422</u>	<u>-</u>
Fund balance at end of year	<u>\$ 172,199</u>	<u>\$ 143,320</u>	<u>\$ 240,424</u>	<u>\$ 97,104</u>

Kenai Peninsula Borough
Central Emergency Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,046,272	\$ 6,046,272	\$ 6,081,202	\$ 34,930
Motor vehicle tax	106,091	106,091	128,158	22,067
Intergovernmental:				
State	-	233,745	237,083	3,338
Investment earnings	35,000	35,000	55,826	20,826
Other revenues	630,063	630,063	562,589	(67,474)
Total revenues	<u>6,817,426</u>	<u>7,051,171</u>	<u>7,064,858</u>	<u>13,687</u>
Expenditures:				
Personnel	4,613,346	4,904,372	4,904,372	-
Supplies	409,486	389,197	378,541	10,656
Services	721,762	697,210	646,467	50,743
Capital outlay	186,300	204,338	142,982	61,356
Total expenditures	<u>5,930,894</u>	<u>6,195,117</u>	<u>6,072,362</u>	<u>122,755</u>
Excess (deficiency) of revenues over expenditures	<u>886,532</u>	<u>856,054</u>	<u>992,496</u>	<u>136,442</u>
Other financing sources (uses):				
Transfers in	20,741	20,741	20,741	-
Transfers (out)	<u>(1,540,583)</u>	<u>(1,540,583)</u>	<u>(1,540,582)</u>	<u>1</u>
Net other financing sources (uses)	<u>(1,519,842)</u>	<u>(1,519,842)</u>	<u>(1,519,841)</u>	<u>1</u>
Net change in fund balance	(633,310)	(663,788)	(527,345)	136,443
Fund balance at beginning of year	<u>2,344,192</u>	<u>2,344,192</u>	<u>2,344,192</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,710,882</u>	<u>\$ 1,680,404</u>	<u>\$ 1,816,847</u>	<u>\$ 136,443</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 786,713	\$ 786,713	\$ 788,409	\$ 1,696
Motor vehicle tax	19,738	19,738	24,103	4,365
Intergovernmental:				
Federal	-	10,000	10,000	-
State	-	16,012	16,012	-
Investment earnings	5,406	5,406	5,686	280
Other revenues	18,000	18,000	32,466	14,466
Total revenues	<u>829,857</u>	<u>855,869</u>	<u>876,676</u>	<u>20,807</u>
Expenditures:				
Personnel	293,179	367,353	366,725	628
Supplies	50,500	67,772	66,112	1,660
Services	175,582	117,743	109,259	8,484
Capital outlay	116,700	122,237	121,513	724
Total expenditures	<u>635,961</u>	<u>675,105</u>	<u>663,609</u>	<u>11,496</u>
Excess (deficiency) of revenues over expenditures	<u>193,896</u>	<u>180,764</u>	<u>213,067</u>	<u>32,303</u>
Other financing sources (uses):				
Transfers (out)	<u>(156,975)</u>	<u>(156,975)</u>	<u>(156,975)</u>	<u>-</u>
Net change in fund balance	36,921	23,789	56,092	32,303
Fund balance at beginning of year	<u>183,960</u>	<u>183,960</u>	<u>183,960</u>	<u>-</u>
Fund balance at end of year	<u>\$ 220,881</u>	<u>\$ 207,749</u>	<u>\$ 240,052</u>	<u>\$ 32,303</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 19,430	\$ 19,430	\$ 20,108	\$ 678
Motor vehicle tax	522	522	420	(102)
Investment earnings	528	528	762	234
Total revenues	<u>20,480</u>	<u>20,480</u>	<u>21,290</u>	<u>810</u>
Expenditures:				
Supplies	3,700	2,931	295	2,636
Services	14,452	15,221	9,313	5,908
Total expenditures	<u>18,152</u>	<u>18,152</u>	<u>9,608</u>	<u>8,544</u>
Net change in fund balance	2,328	2,328	11,682	9,354
Fund balance at beginning of year	<u>32,615</u>	<u>32,615</u>	<u>32,615</u>	<u>-</u>
Fund balance at end of year	<u>\$ 34,943</u>	<u>\$ 34,943</u>	<u>\$ 44,297</u>	<u>\$ 9,354</u>

Kenai Peninsula Borough

Central Peninsula Emergency Medical Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 9,576	\$ 9,576	\$ 9,637	\$ 61
Other revenues	-	-	53	53
Total revenues	<u>9,576</u>	<u>9,576</u>	<u>9,690</u>	<u>114</u>
Expenditures:				
Services	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>9,576</u>	<u>9,576</u>	<u>9,690</u>	<u>114</u>
Other financing sources (uses):				
Transfers (out)	<u>(20,741)</u>	<u>(20,741)</u>	<u>(20,741)</u>	<u>-</u>
Net change in fund balance	(11,165)	(11,165)	(11,051)	114
Fund balance at beginning of year	<u>19,878</u>	<u>19,878</u>	<u>19,878</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,713</u>	<u>\$ 8,713</u>	<u>\$ 8,827</u>	<u>\$ 114</u>

Kenai Peninsula Borough

North Peninsula Recreation Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 1,145,013	\$ 1,145,013	\$ 1,163,739	\$ 18,726
Motor vehicle tax	15,467	15,467	17,772	2,305
Intergovernmental:				
State	-	34,000	34,000	-
Investment earnings	47,263	47,263	37,640	(9,623)
Other revenues	188,000	188,000	225,208	37,208
Total revenues	<u>1,395,743</u>	<u>1,429,743</u>	<u>1,478,359</u>	<u>48,616</u>
Expenditures:				
Personnel	830,427	899,142	899,142	-
Supplies	109,800	108,837	101,345	7,492
Services	518,261	478,815	435,745	43,070
Capital outlay	6,500	18,946	18,341	605
Total expenditures	<u>1,464,988</u>	<u>1,505,740</u>	<u>1,454,573</u>	<u>51,167</u>
Excess (deficiency) of revenues over expenditures	<u>(69,245)</u>	<u>(75,997)</u>	<u>23,786</u>	<u>99,783</u>
Other financing sources (uses):				
Transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(119,245)	(125,997)	(26,214)	99,783
Fund balance at beginning of year	<u>1,643,411</u>	<u>1,643,411</u>	<u>1,643,411</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,524,166</u>	<u>\$ 1,517,414</u>	<u>\$ 1,617,197</u>	<u>\$ 99,783</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,071,737	\$ 6,071,737	\$ 6,128,353	\$ 56,616
Motor vehicle tax	138,876	138,876	141,501	2,625
Intergovernmental:				
State	-	45,590	45,590	-
Investment earnings	52,000	64,750	74,000	9,250
Other revenues	-	-	3,400	3,400
Total revenues	<u>6,262,613</u>	<u>6,320,953</u>	<u>6,392,844</u>	<u>71,891</u>
Expenditures:				
Personnel	889,535	984,268	979,314	4,954
Supplies	74,370	77,410	73,537	3,873
Services	5,903,416	6,031,598	5,793,668	237,930
Capital outlay	52,050	51,956	47,873	4,083
Total expenditures	<u>6,919,371</u>	<u>7,145,232</u>	<u>6,894,392</u>	<u>250,840</u>
Net change in fund balance	(656,758)	(824,279)	(501,548)	322,731
Fund balance at beginning of year	<u>3,010,972</u>	<u>3,010,972</u>	<u>3,010,972</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,354,214</u></u>	<u><u>\$ 2,186,693</u></u>	<u><u>\$ 2,509,424</u></u>	<u><u>\$ 322,731</u></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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Intergovernmental:				
State	\$ -	\$ 22,170	\$ 22,170	\$ -
Investment earnings	350,000	350,000	148,342	(201,658)
Payments on land contracts	950,000	950,000	1,042,089	92,089
Land leases	52,445	52,445	163,386	110,941
Timber and gravel sales	75,000	75,000	29,469	(45,531)
Miscellaneous	107,555	107,555	104,114	(3,441)
Total revenues	<u>1,535,000</u>	<u>1,557,170</u>	<u>1,509,570</u>	<u>(47,600)</u>
Expenditures:				
Personnel	490,728	515,770	457,690	58,080
Supplies	8,000	21,321	17,485	3,836
Services	754,300	1,575,427	688,789	886,638
Capital outlay	12,500	16,352	12,067	4,285
Total expenditures	<u>1,265,528</u>	<u>2,128,870</u>	<u>1,176,031</u>	<u>952,839</u>
Excess (deficiency) of revenues over expenditures	<u>269,472</u>	<u>(571,700)</u>	<u>333,539</u>	<u>905,239</u>
Other financing sources (uses):				
Transfers in	<u>59,915</u>	<u>59,915</u>	<u>54,344</u>	<u>(5,571)</u>
Net change in fund balance	329,387	(511,785)	387,883	899,668
Fund balance at beginning of year	<u>5,127,543</u>	<u>5,127,543</u>	<u>5,127,543</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,456,930</u>	<u>\$ 4,615,758</u>	<u>\$ 5,515,426</u>	<u>\$ 899,668</u>

Kenai Peninsula Borough

Seward Bear Creek Flood Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 211,226	\$ 211,226	\$ 213,637	\$ 2,411
Motor vehicle tax	6,224	6,224	7,238	1,014
Intergovernmental:				
State	-	2,977	2,977	-
Investment earnings	5,314	5,314	6,869	1,555
Total revenues	<u>222,764</u>	<u>225,741</u>	<u>230,721</u>	<u>4,980</u>
Expenditures:				
Personnel	152,555	163,260	160,218	3,042
Supplies	3,600	4,600	3,518	1,082
Services	119,006	235,484	103,114	132,370
Capital outlay	2,000	2,000	1,774	226
Total expenditures	<u>277,161</u>	<u>405,344</u>	<u>268,624</u>	<u>136,720</u>
Net change in fund balance	(54,397)	(179,603)	(37,903)	141,700
Fund balance at beginning of year	<u>380,051</u>	<u>380,051</u>	<u>380,051</u>	<u>-</u>
Fund balance at end of year	<u>\$ 325,654</u>	<u>\$ 200,448</u>	<u>\$ 342,148</u>	<u>\$ 141,700</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 211,929	\$ 211,929	\$ 215,931	\$ 4,002
Motor vehicle tax	1,820	1,820	2,869	1,049
Investment earnings	5,128	5,128	3,358	(1,770)
Total revenues	<u>218,877</u>	<u>218,877</u>	<u>222,158</u>	<u>3,281</u>
Expenditures:				
Services	<u>261,300</u>	<u>261,300</u>	<u>261,257</u>	<u>43</u>
Total expenditures	<u>261,300</u>	<u>261,300</u>	<u>261,257</u>	<u>43</u>
Excess (deficiency) of revenues over expenditures	<u>(42,423)</u>	<u>(42,423)</u>	<u>(39,099)</u>	<u>3,324</u>
Other financing sources (uses):				
Transfers in	<u>36,542</u>	<u>36,542</u>	<u>36,542</u>	<u>-</u>
Net change in fund balance	(5,881)	(5,881)	(2,557)	3,324
Fund balance at beginning of year	<u>147,908</u>	<u>147,908</u>	<u>147,908</u>	<u>-</u>
Fund balance at end of year	<u>\$ 142,027</u>	<u>\$ 142,027</u>	<u>\$ 145,351</u>	<u>\$ 3,324</u>

Nonmajor Capital Project Funds
Pages 95-101

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

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

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

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

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

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

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

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

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

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

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

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

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

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 June 30, 2011

	<u>School Revenue</u>	<u>General Government</u>	<u>Resource Management</u>	<u>Solid Waste</u>
<u>Assets</u>				
Equity in central treasury	\$ 2,521,477	\$ 1,245,770	\$ 82,353	\$ 5,590,651
Due from other governments	7,674	-	-	-
Total assets	<u>\$ 2,529,151</u>	<u>\$ 1,245,770</u>	<u>\$ 82,353</u>	<u>\$ 5,590,651</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	160,071	15,295	44,221	3,830
Accrued payroll and payroll benefits	21,866	-	-	-
Due to General Fund	-	-	-	-
Total liabilities	<u>181,937</u>	<u>15,295</u>	<u>44,221</u>	<u>3,830</u>
Fund balances:				
Restricted:				
Landfill closure/postclosure costs	-	-	-	4,698,979
Roads construction and upgrades	-	-	-	-
General government	-	84,085	27,353	-
Public safety	-	-	-	-
Recreation	-	-	-	-
Education	33,464	-	-	-
Solid waste	-	-	-	42,361
Committed:				
Outstanding committed contracts	241,497	23,934	-	247,980
Software upgrades	-	16,464	-	-
Building maintenance and upgrades	-	1,105,992	-	-
Riverbank restoration	-	-	10,779	-
Public safety facilities and equipment	-	-	-	-
Recreational facility maintenance	-	-	-	-
School maintenance and upgrades	1,772,253	-	-	-
Solid waste facilities	-	-	-	347,501
Assigned:				
Subsequent year's expenditures	300,000	-	-	250,000
Total fund balances	<u>2,347,214</u>	<u>1,230,475</u>	<u>38,132</u>	<u>5,586,821</u>
Total liabilities and fund balances	<u>\$ 2,529,151</u>	<u>\$ 1,245,770</u>	<u>\$ 82,353</u>	<u>\$ 5,590,651</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet, continued
 June 30, 2011

	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>
<u>Assets</u>				
Equity in central treasury	\$ 1,713,371	\$ 1,764,756	\$ 157,588	\$ 1,352,864
Due from other governments	899,679	142,522	335	1,940
Total assets	<u>\$ 2,613,050</u>	<u>\$ 1,907,278</u>	<u>\$ 157,923</u>	<u>\$ 1,354,804</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	691,634	226,967	-	260,468
Accrued payroll and payroll benefits	2,678	-	-	-
Due to General Fund	-	-	-	-
Total liabilities	<u>694,312</u>	<u>226,967</u>	<u>-</u>	<u>260,468</u>
Fund balances:				
Restricted:				
Landfill closure/postclosure costs	-	-	-	-
Roads construction and upgrades	579,431	-	-	-
General government	-	-	-	-
Public safety	-	714,674	22,544	376,644
Recreation	-	-	-	-
Education	-	-	-	-
Solid waste	-	-	-	-
Committed:				
Outstanding committed contracts	1,339,307	24,960	2,850	-
Software upgrades	-	-	-	-
Building maintenance and upgrades	-	-	-	-
Riverbank restoration	-	-	-	-
Public safety facilities and equipment	-	221,289	114,627	599,722
Recreational facility maintenance	-	-	-	-
School maintenance and upgrades	-	-	-	-
Solid waste facilities	-	-	-	-
Assigned:				
Subsequent year's expenditures	-	719,388	17,902	117,970
Total fund balances	<u>1,918,738</u>	<u>1,680,311</u>	<u>157,923</u>	<u>1,094,336</u>
Total liabilities and fund balances	<u>\$ 2,613,050</u>	<u>\$ 1,907,278</u>	<u>\$ 157,923</u>	<u>\$ 1,354,804</u>

Anchor Point Fire and Emergency Medical Service Area	Kachemak Emergency Service Area	911 Communications	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
\$ 211,710	\$ 439,946	\$ -	\$ 636,388	\$ 15,716,874
-	-	326,264	117	1,378,531
<u>\$ 211,710</u>	<u>\$ 439,946</u>	<u>\$ 326,264</u>	<u>\$ 636,505</u>	<u>\$ 17,095,405</u>
3,303	2,132	181,538	4,600	1,594,059
-	-	3,778	-	28,322
-	-	137,693	-	137,693
<u>3,303</u>	<u>2,132</u>	<u>323,009</u>	<u>4,600</u>	<u>1,760,074</u>
-	-	-	-	4,698,979
-	-	-	-	579,431
-	-	-	-	111,438
40,602	78,711	-	-	1,233,175
-	-	-	429,834	429,834
-	-	-	-	33,464
-	-	-	-	42,361
-	3,900	3,255	-	1,887,683
-	-	-	-	16,464
-	-	-	-	1,105,992
-	-	-	-	10,779
50,000	355,203	-	-	1,340,841
-	-	-	34,874	34,874
-	-	-	-	1,772,253
-	-	-	-	347,501
117,805	-	-	167,197	1,690,262
<u>208,407</u>	<u>437,814</u>	<u>3,255</u>	<u>631,905</u>	<u>15,335,331</u>
<u>\$ 211,710</u>	<u>\$ 439,946</u>	<u>\$ 326,264</u>	<u>\$ 636,505</u>	<u>\$ 17,095,405</u>

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Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2011

	<u>School Revenue</u>	<u>General Government</u>	<u>Resource Management</u>	<u>Solid Waste</u>
Revenues:				
Intergovernmental:				
Federal	\$ 192,200	\$ -	\$ -	\$ -
State	311,206	-	-	-
Investment earnings	-	-	-	-
Other revenues	516,729	150,000	-	-
Total revenues	<u>1,020,135</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Expenditures:				
General government	-	893,412	44,221	-
Solid waste	-	-	-	524,032
Public safety	-	-	-	-
Recreation	-	-	-	-
Education	2,264,046	-	-	-
Roads and trails	-	-	-	-
Total expenditures	<u>2,264,046</u>	<u>893,412</u>	<u>44,221</u>	<u>524,032</u>
Excess (deficiency) of revenues over expenditures	<u>(1,243,911)</u>	<u>(743,412)</u>	<u>(44,221)</u>	<u>(524,032)</u>
Other financing sources (uses):				
Transfers in	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>1,272,260</u>
Net change in fund balances	6,089	(743,412)	(44,221)	748,228
Fund balances at beginning of year	2,341,125	1,973,887	82,353	784,874
Change in beginning fund balances - GASB 54	-	-	-	4,053,719
Restated fund balances at beginning of year	<u>2,341,125</u>	<u>1,973,887</u>	<u>82,353</u>	<u>4,838,593</u>
Fund balances at end of year	<u>\$ 2,347,214</u>	<u>\$ 1,230,475</u>	<u>\$ 38,132</u>	<u>\$ 5,586,821</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances, continued
 For the Year Ended June 30, 2011

	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ 73,000	\$ -	\$ -
State	2,065,180	1,500,855	76,901	189,318
Investment earnings	15,874	17,519	3,901	16,690
Other revenues	-	-	-	80
Total revenues	<u>2,081,054</u>	<u>1,591,374</u>	<u>80,802</u>	<u>206,088</u>
Expenditures:				
General government	-	-	-	-
Solid waste	-	-	-	-
Public safety	-	1,594,628	270,994	824,796
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	5,245,748	-	-	-
Total expenditures	<u>5,245,748</u>	<u>1,594,628</u>	<u>270,994</u>	<u>824,796</u>
Excess (deficiency) of revenues over expenditures	<u>(3,164,694)</u>	<u>(3,254)</u>	<u>(190,192)</u>	<u>(618,708)</u>
Other financing sources (uses):				
Transfers in	-	330,907	100,000	1,250,000
Net change in fund balances	(3,164,694)	327,653	(90,192)	631,292
Fund balances at beginning of year	5,083,432	1,352,658	248,115	463,044
Change in beginning fund balances - GASB 54	-	-	-	-
Restated fund balances at beginning of year	<u>5,083,432</u>	<u>1,352,658</u>	<u>248,115</u>	<u>463,044</u>
Fund balances at end of year	<u>\$ 1,918,738</u>	<u>\$ 1,680,311</u>	<u>\$ 157,923</u>	<u>\$ 1,094,336</u>

Anchor Point Fire and Emergency Medical Service Area	Kachemak Emergency Service Area	911 Communications	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 871,478	\$ -	\$ 1,136,678
-	-	-	16,898	4,160,358
2,926	7,235	-	11,453	75,598
-	-	-	-	666,809
<u>2,926</u>	<u>7,235</u>	<u>871,478</u>	<u>28,351</u>	<u>6,039,443</u>
-	-	-	-	937,633
-	-	-	-	524,032
-	56,694	871,478	-	3,618,590
-	-	-	25,126	25,126
-	-	-	-	2,264,046
-	-	-	-	5,245,748
<u>-</u>	<u>56,694</u>	<u>871,478</u>	<u>25,126</u>	<u>12,615,175</u>
2,926	(49,459)	-	3,225	(6,575,732)
<u>100,000</u>	<u>150,000</u>	<u>-</u>	<u>50,000</u>	<u>4,503,167</u>
102,926	100,541	-	53,225	(2,072,565)
105,481	337,273	3,255	578,680	13,354,177
-	-	-	-	4,053,719
<u>105,481</u>	<u>337,273</u>	<u>3,255</u>	<u>578,680</u>	<u>17,407,896</u>
<u>\$ 208,407</u>	<u>\$ 437,814</u>	<u>\$ 3,255</u>	<u>\$ 631,905</u>	<u>\$ 15,335,331</u>

Nonmajor Debt Service Funds
Pages 103-107

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

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

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

Kenai Peninsula Borough
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 June 30, 2011

	<u>General Government</u>	<u>Solid Waste</u>	<u>Central Emergency Services</u>	<u>Total Nonmajor Debt Service Funds</u>
<u>Assets</u>	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unreserved fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2011

	<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	1,659,000	1,660,000	95,000	3,414,000
Interest and other	603,138	243,365	97,077	943,580
Total expenditures	<u>2,262,138</u>	<u>1,903,365</u>	<u>192,077</u>	<u>4,357,580</u>
Excess (deficiency) of revenues over expenditures	<u>(2,262,138)</u>	<u>(1,903,365)</u>	<u>(192,077)</u>	<u>(4,357,580)</u>
Other financing sources (uses):				
Transfers in	<u>2,262,138</u>	<u>1,903,365</u>	<u>192,077</u>	<u>4,357,580</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough
 General Government Debt Service Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,659,000	1,659,000	1,659,000	-
Interest and other	628,138	628,138	603,138	25,000
Total expenditures	<u>2,287,138</u>	<u>2,287,138</u>	<u>2,262,138</u>	<u>25,000</u>
Excess (deficiency) of revenues over expenditures	<u>(2,287,138)</u>	<u>(2,287,138)</u>	<u>(2,262,138)</u>	<u>25,000</u>
Other financing sources (uses):				
Transfers in	<u>2,287,138</u>	<u>2,287,138</u>	<u>2,262,138</u>	<u>(25,000)</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,660,000	1,660,000	1,660,000	-
Interest and other	243,365	243,365	243,365	-
Total expenditures	<u>1,903,365</u>	<u>1,903,365</u>	<u>1,903,365</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,903,365)</u>	<u>(1,903,365)</u>	<u>(1,903,365)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>1,903,365</u>	<u>1,903,365</u>	<u>1,903,365</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Kenai Peninsula Borough
Central Emergency Services Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	95,000	95,000	95,000	-
Interest and other	97,077	97,077	97,077	-
Total expenditures	<u>192,077</u>	<u>192,077</u>	<u>192,077</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(192,077)</u>	<u>(192,077)</u>	<u>(192,077)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>192,077</u>	<u>192,077</u>	<u>192,077</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Assets
June 30, 2011

	<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	\$ 20,231	\$ -	\$ -	\$ -	\$ 20,231
Equity in central treasury	6,581,522	374,292	2,362,224	2,861,725	12,179,763
Miscellaneous receivables	-	23,744	-	-	23,744
Total current assets	<u>6,601,753</u>	<u>398,036</u>	<u>2,362,224</u>	<u>2,861,725</u>	<u>12,223,738</u>
Capital assets:					
Equipment	-	-	5,272,675	-	5,272,675
Less accumulated depreciation	-	-	(3,184,370)	-	(3,184,370)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>2,088,305</u>	<u>-</u>	<u>2,088,305</u>
Total assets	<u>\$ 6,601,753</u>	<u>\$ 398,036</u>	<u>\$ 4,450,529</u>	<u>\$ 2,861,725</u>	<u>\$ 14,312,043</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts and contracts payable	21,384	-	12,070	-	33,454
Accrued payroll and payroll taxes	13,503	-	-	-	13,503
Claims payable	1,216,665	683,900	-	-	1,900,565
Compensated absences	4,524	-	-	715,431	719,955
Total current liabilities	<u>1,256,076</u>	<u>683,900</u>	<u>12,070</u>	<u>715,431</u>	<u>2,667,477</u>
Long-term liabilities-					
compensated absences	<u>13,572</u>	<u>-</u>	<u>-</u>	<u>2,146,294</u>	<u>2,159,866</u>
Total liabilities	<u>1,269,648</u>	<u>683,900</u>	<u>12,070</u>	<u>2,861,725</u>	<u>4,827,343</u>
<u>Net Assets</u>					
Invested in capital assets	-	-	2,088,305	-	2,088,305
Unrestricted	<u>5,332,105</u>	<u>(285,864)</u>	<u>2,350,154</u>	<u>-</u>	<u>7,396,395</u>
Total net assets	<u>\$ 5,332,105</u>	<u>\$ (285,864)</u>	<u>\$ 4,438,459</u>	<u>\$ -</u>	<u>\$ 9,484,700</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Equipment Replacement</u>	<u>Employee Compensated Leave</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charge for sales and services	\$ 3,760,718	\$ 4,931,079	\$ 679,450	\$ 2,146,541	\$11,517,788
Other	23,016	-	-	-	23,016
Total operating revenues	<u>3,783,734</u>	<u>4,931,079</u>	<u>679,450</u>	<u>2,146,541</u>	<u>11,540,804</u>
Operating expenses:					
Administrative services	646,086	111,783	-	2,146,541	2,904,410
Insurance premiums	1,142,826	232,200	-	-	1,375,026
Self-insured losses	1,509,841	4,663,010	-	-	6,172,851
Depreciation	-	-	315,154	-	315,154
Total operating expenses	<u>3,298,753</u>	<u>5,006,993</u>	<u>315,154</u>	<u>2,146,541</u>	<u>10,767,441</u>
Operating income	<u>484,981</u>	<u>(75,914)</u>	<u>364,296</u>	<u>-</u>	<u>773,363</u>
Non-operating revenues:					
Investment earnings	109,729	7,262	54,471	-	171,462
Other	-	-	13,447	-	13,447
Total non-operating revenues	<u>109,729</u>	<u>7,262</u>	<u>67,918</u>	<u>-</u>	<u>184,909</u>
Income (loss) before transfers	594,710	(68,652)	432,214	-	958,272
Transfers (out)	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Change in net assets	594,710	(68,652)	(567,786)	-	(41,728)
Net assets (deficit) at beginning of year	<u>4,737,395</u>	<u>(217,212)</u>	<u>5,006,245</u>	<u>-</u>	<u>9,526,428</u>
Net assets (deficit) at end of year	<u>\$ 5,332,105</u>	<u>\$ (285,864)</u>	<u>\$ 4,438,459</u>	<u>\$ -</u>	<u>\$ 9,484,700</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2011

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Equipment Replacement</u>	<u>Employee Compensated Leave</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 3,760,718	\$ 4,931,079	\$ 679,450	\$ 2,146,541	\$ 11,517,788
Other program revenue	23,016	-	-	-	23,016
Payments to suppliers	(2,209,365)	(4,982,823)	-	-	(7,192,188)
Payments to employees	(514,246)	-	-	(2,413,695)	(2,927,941)
Net cash provided (used) by operating activities	<u>1,060,123</u>	<u>(51,744)</u>	<u>679,450</u>	<u>(267,154)</u>	<u>1,420,675</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	-	(418,629)	-	(418,629)
Repayment of original contribution from General Fund	-	-	(1,000,000)	-	(1,000,000)
Proceeds from sale of capital assets	-	-	13,447	-	13,447
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,405,182)</u>	<u>-</u>	<u>(1,405,182)</u>
Cash flows from investing activities:					
Investment earnings	<u>109,729</u>	<u>7,262</u>	<u>54,471</u>	<u>-</u>	<u>171,462</u>
Net increase (decrease) in cash and cash equivalents	1,169,852	(44,482)	(671,261)	(267,154)	186,955
Cash and equity in central treasury at beginning of year	<u>5,431,901</u>	<u>418,774</u>	<u>3,033,485</u>	<u>3,128,879</u>	<u>12,013,039</u>
Cash and equity in central treasury at end of year	<u>\$ 6,601,753</u>	<u>\$ 374,292</u>	<u>\$ 2,362,224</u>	<u>\$ 2,861,725</u>	<u>\$ 12,199,994</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$ 484,981</u>	<u>\$ (75,914)</u>	<u>\$ 364,296</u>	<u>\$ -</u>	<u>\$ 773,363</u>
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	315,154	-	315,154
Change in assets and liabilities:					
Increase (decrease) in accounts and contracts payable	8,695	(26,674)	-	-	(17,979)
Increase (decrease) in accrued payroll and payroll taxes	1,219	-	-	-	1,219
Increase (decrease) in claims payable	567,352	68,750	-	-	636,102
Increase (decrease) in compensated absences	(2,124)	-	-	(267,154)	(269,278)
(Increase) decrease in accounts receivable	-	(17,906)	-	-	(17,906)
Total adjustments	<u>575,142</u>	<u>24,170</u>	<u>315,154</u>	<u>(267,154)</u>	<u>647,312</u>
Net cash provided (used) by operating activities	<u>\$ 1,060,123</u>	<u>\$ (51,744)</u>	<u>\$ 679,450</u>	<u>\$ (267,154)</u>	<u>\$ 1,420,675</u>

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Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Assets and Liabilities
 June 30, 2011

With Comparative Totals for June 30, 2010

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total June 30, 2011</u>	<u>Total June 30, 2010</u>
<u>Assets</u>				
Equity in central treasury	\$ 496,228	\$ 835,638	\$ 1,331,866	\$ 1,356,688
Taxes receivable	61,387	-	61,387	91,016
Due from landowners	-	515,597	515,597	543,801
Due from other entities - Soldotna	<u>29,709</u>	<u>-</u>	<u>29,709</u>	<u>-</u>
Total assets	<u>\$ 587,324</u>	<u>\$ 1,351,235</u>	<u>\$ 1,938,559</u>	<u>\$ 1,991,505</u>
<u>Liabilities</u>				
Deferred administration fee	-	59,426	59,426	65,165
Due to landowners	-	427,955	427,955	363,065
Loans payable	-	863,854	863,854	875,917
Due to other entities:				
Homer	104,653	-	104,653	141,828
Kachemak City	769	-	769	2,142
Kenai	401,042	-	401,042	343,168
Seldovia	8,678	-	8,678	10,017
Seward	64,410	-	64,410	98,704
Soldotna	<u>7,772</u>	<u>-</u>	<u>7,772</u>	<u>91,499</u>
Total liabilities	<u>\$ 587,324</u>	<u>\$ 1,351,235</u>	<u>\$ 1,938,559</u>	<u>\$ 1,991,505</u>

Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2011

	<u>Total</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2011</u>
Tax Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 596,342	\$ 31,530,363	\$ 31,630,477	\$ 496,228
Taxes receivable	91,016	4,599,143	4,628,772	61,387
Due from other entities - Soldotna	<u>-</u>	<u>29,709</u>	<u>-</u>	<u>29,709</u>
Total assets	<u>\$ 687,358</u>	<u>\$ 36,159,215</u>	<u>\$ 36,259,249</u>	<u>\$ 587,324</u>
<u>Liabilities</u>				
Due to other entities:				
Homer	141,828	9,623,421	9,660,596	104,653
Kachemak City	2,142	64,561	65,934	769
Kenai	343,168	8,854,802	8,796,928	401,042
Seldovia	10,017	320,093	321,432	8,678
Seward	98,704	4,801,456	4,835,750	64,410
Soldotna	<u>91,499</u>	<u>7,866,030</u>	<u>7,949,757</u>	<u>7,772</u>
Total liabilities	<u>\$ 687,358</u>	<u>\$ 31,530,363</u>	<u>\$ 31,630,397</u>	<u>\$ 587,324</u>
Special Assessment Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 760,346	\$ 354,120	\$ 278,828	\$ 835,638
Due from landowners	<u>543,801</u>	<u>131,270</u>	<u>159,474</u>	<u>515,597</u>
Total assets	<u>\$ 1,304,147</u>	<u>\$ 485,390</u>	<u>\$ 438,302</u>	<u>\$ 1,351,235</u>
<u>Liabilities</u>				
Deferred administration fee	65,165	10,059	15,798	59,426
Due to landowners	363,065	64,890	-	427,955
Loans payable	<u>875,917</u>	<u>282,664</u>	<u>294,727</u>	<u>863,854</u>
Total liabilities	<u>\$ 1,304,147</u>	<u>\$ 357,613</u>	<u>\$ 310,525</u>	<u>\$ 1,351,235</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, 2011

	<u>Total</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2011</u>
Total - All Agency Funds				
<u>Assets</u>				
Equity in central treasury	\$ 1,356,688	\$ 31,884,483	\$ 31,909,305	\$ 1,331,866
Taxes receivable	91,016	4,599,143	4,628,772	61,387
Due from landowners	543,801	131,270	159,474	515,597
Due from other entities - Soldotna	<u>-</u>	<u>29,709</u>	<u>-</u>	<u>29,709</u>
Total assets	<u>\$ 1,991,505</u>	<u>\$ 36,644,605</u>	<u>\$ 36,697,551</u>	<u>\$ 1,938,559</u>
<u>Liabilities</u>				
Deferred administration fee	65,165	10,059	15,798	59,426
Due to landowners	363,065	64,890	-	427,955
Loans payable	875,917	282,664	294,727	863,854
Due to other entities:				
Homer	141,828	9,623,421	9,660,596	104,653
Kachemak City	2,142	64,561	65,934	769
Kenai	343,168	8,854,802	8,796,928	401,042
Seldovia	10,017	320,093	321,432	8,678
Seward	98,704	4,801,456	4,835,750	64,410
Soldotna	<u>91,499</u>	<u>7,866,030</u>	<u>7,949,757</u>	<u>7,772</u>
Total liabilities	<u>\$ 1,991,505</u>	<u>\$ 31,887,976</u>	<u>\$ 31,940,922</u>	<u>\$ 1,938,559</u>

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Kenai Peninsula Borough
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source⁽¹⁾
June 30, 2011 and 2010

	Restated Balance per * Prior period adjustment <u>2010</u>	<u>2011</u>
Governmental funds capital assets:		
Land	\$ 69,606,702	\$ 69,988,301
Buildings	295,685,049	297,589,220
Improvements other than buildings	67,290,527	70,823,704
Machinery and equipment	27,820,554	29,027,947
Infrastructure *	10,929,476	12,468,986
Construction in progress	<u>3,599,025</u>	<u>5,620,291</u>
Total governmental funds capital assets	<u>\$ 474,931,333</u>	<u>\$ 485,518,449</u>
Investments in governmental funds capital assets by source:		
General obligation bonds	270,478,072	272,985,389
State and federal grants	39,182,475	40,549,725
Federal revenue sharing	3,357,614	3,357,614
General Fund revenue	46,732,714	48,331,761
Special revenue funds	52,785,000	57,246,405
Contributed Capital	-	270,503
Dedicated lands	126,058	126,058
Donations	<u>62,269,400</u>	<u>62,650,994</u>
Total governmental funds capital assets	<u>\$ 474,931,333</u>	<u>\$ 485,518,449</u>

* Prior period adjustment - Beginning balance restated due to Infrastructure addition of \$1,088,074.

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

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity⁽¹⁾
 For the Fiscal Year Ended June 30, 2011

<u>Function and Activity</u>	Restated Balance per * Prior period adjustment			Governmental Funds Capital Assets June 30, 2011
	Governmental Funds Capital Assets June 30, 2010	Additions	Deletions	
General government	\$ 78,086,294	\$ 1,380,035	\$ 4,862,075	\$ 74,604,254
Senior citizens	243,800	-	-	243,800
Public safety:				
Fire protection and emergency medical	33,053,085	2,758,460	25,228	35,786,317
Emergency communications	7,928,998	931,843	60,364	8,800,477
Total public safety	40,982,083	3,690,303	85,592	44,586,794
Solid waste facilities	30,929,446	2,963,448	35,000	33,857,894
Road maintenance:				
Maintenance	152,565	42,368	-	194,933
Roads *	11,752,461	1,539,510	-	13,291,971
Total road maintenance	11,905,026	1,581,878	-	13,486,904
Recreation:				
North Peninsula Recreation service area	10,535,041	352,572	11,999	10,875,614
Schools	302,249,643	5,613,546	-	307,863,189
Total governmental funds capital assets	\$ 474,931,333	\$ 15,581,782	\$ 4,994,666	\$ 485,518,449

* Prior period adjustment - Beginning balance restated due to Infrastructure addition of \$1,088,074.

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

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity⁽¹⁾
 June 30, 2011

	Land	Buildings	Improvements Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
General government:							
Administration building	\$ -	2,702,657	\$ 1,859,584	\$ 2,478,214	\$ -	\$ -	\$ 7,040,455
Maintenance	203,609	1,392,155	33,538	997,970	-	-	2,627,272
Areawide	63,114,260	1,784,612	6,116	31,539	-	-	64,936,527
Total general government	63,317,869	5,879,424	1,899,238	3,507,723	-	-	74,604,254
Senior citizens	-	243,800	-	-	-	-	243,800
Public safety:							
Fire protection and emergency medical:							
Nikiski Fire service area	49,172	7,504,697	266,489	5,771,825	-	-	13,592,183
Bear Creek Fire service area	17,211	860,390	130,271	1,679,051	-	-	2,686,923
Central Emergency service area	493,936	4,347,827	370,399	7,461,244	-	1,257,334	13,930,740
Anchor Point Fire and Emergency Medical service area	31,048	1,536,435	118,540	950,824	-	-	2,636,847
Kachemak Fire and Emergency	127,270	1,473,290	-	1,123,358	-	195,006	2,918,924
Lowell Point Fire and Emergency	-	-	12,653	8,047	-	-	20,700
Total fire protection and emergency medical	718,637	15,722,639	898,352	16,994,349	-	1,452,340	35,786,317
Emergency communications:							
Central Peninsula Emergency	-	4,838,523	89,578	1,792,695	-	871,479	7,592,275
Services communication center	-	-	-	1,208,202	-	-	1,208,202
Emergency warning systems	-	4,838,523	89,578	3,000,897	-	871,479	8,800,477
Total communications	-	9,677,046	179,156	5,001,794	-	1,742,958	15,598,954
Total public safety	718,637	20,561,162	987,930	19,995,246	-	2,323,819	44,586,794
Solid waste facilities	2,908,687	1,354,816	24,118,649	4,429,329	-	1,046,413	33,857,894
Road maintenance	-	-	-	194,933	12,468,986	822,985	13,486,904
Recreation:							
North Peninsula Recreation service area	145,640	8,513,465	1,975,953	240,556	-	-	10,875,614

(Continued)

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity⁽¹⁾
 June 30, 2011

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
School district:							
Central office and warehouse	-	1,791,905	604,290	-	-	-	2,396,195
Schools:							
Outside cities:							
Anchor Point/Middle/Junior high	205,102	-	-	-	-	-	205,102
Central Peninsula Elementary	-	-	36,690	-	-	-	36,690
Chapman Elementary	8,500	2,597,653	492,160	-	-	-	3,098,313
Cooper Landing	-	1,034,989	150,986	-	-	-	1,185,975
Tebughna	-	1,564,013	152,551	-	-	967,200	2,683,764
English Bay	-	2,447,908	230,577	-	-	-	2,678,485
Hope Elementary	3,000	2,523,867	562,816	-	-	-	3,089,683
Kalifornsky Beach	258,803	4,884,108	296,654	-	-	-	5,439,565
McNeil Canyon	-	4,953,680	681,143	11,903	-	-	5,646,726
Moose Pass	28,154	901,766	68,404	-	-	-	998,324
Nanwalek	-	1,104,529	-	126,919	-	-	1,231,448
Nikiski Elementary	22,378	3,696,639	621,676	-	-	3,637	4,344,330
Nikiski High	-	22,872,128	4,791,478	5,000	-	-	27,668,606
Nikolaevsk	51,282	4,923,106	364,129	72,801	-	-	5,411,318
Nimichik	16,399	5,942,041	470,223	54,020	-	-	6,482,683
North Star Elementary	-	6,076,014	1,379,034	-	-	-	7,455,048
Port Graham	400	2,101,880	132,307	-	-	-	2,234,587
Skyview High	-	22,039,127	3,729,227	-	-	-	25,768,354
Sterling	7,450	3,744,355	709,477	34,127	-	-	4,495,409
Tustumena	8,001	7,883,965	276,660	-	-	-	8,168,626
Voznesenka	19,555	150,000	16,400	34,156	-	-	220,111
Total outside cities	629,024	101,441,768	15,162,592	338,926	-	970,837	118,543,147
Homer:							
West Homer Elementary	322,028	11,332,823	46,614	-	-	-	11,701,465
Paul Banks Elementary	23,971	2,589,113	679,965	6,142	-	-	3,299,191
High School	400,913	27,402,340	6,990,257	-	-	-	34,793,510
Junior High	17,024	3,197,028	748,102	-	-	-	3,962,154
Intermediate	18,000	1,444,505	682,250	-	-	-	2,144,755
High School Addition	29,177	2,598,949	103,555	-	-	-	2,731,681
Flex School	63,248	461,150	-	-	-	-	524,398
Total Homer	874,361	49,025,908	9,250,743	6,142	-	-	59,157,154

(Continued)

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity⁽¹⁾
 June 30, 2011

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>			<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
			<u>Buildings</u>	<u>Other Than Buildings</u>					
Kenai:									
Elementary II	52,800	2,614,381	104,667	-	-	-	-	2,771,848	
Mountain View Elementary	-	5,892,103	1,374,172	67,213	-	-	-	7,333,488	
Sears Elementary	41,575	1,709,394	464,620	-	-	-	-	2,215,589	
Junior High	60,499	4,057,399	824,749	-	-	-	-	4,942,647	
High School	129,517	17,976,192	2,977,354	51,056	-	-	-	21,134,119	
Vocational High	40,000	509,655	254,483	-	-	-	-	804,138	
Arts and Crafts Building	-	118,341	-	-	-	-	-	118,341	
Total Kenai	324,391	32,877,465	6,000,045	118,269	-	-	-	39,320,170	
Seldovia:									
Susan B. English Shop Building	27,953	3,705,452	1,005,119	-	-	-	-	4,738,524	
Total Seldovia	28,953	4,135,452	1,005,119	-	-	-	-	5,169,524	
Seward:									
Elementary II	235,000	6,601,586	917,462	40,000	-	-	-	7,794,048	
Middle	346,295	14,656,471	68,749	-	-	402,333	-	15,473,848	
Jr. High/High School	182,596	12,722,087	2,118,247	-	-	-	-	15,022,930	
Total Seward	763,891	33,980,144	3,104,458	40,000	-	402,333	-	38,290,826	
Soldotna:									
Elementary	270,048	5,820,271	1,272,689	-	-	-	-	7,363,008	
Redoubt Elementary	-	4,151,522	624,208	40,000	-	-	-	4,815,730	
Multipurpose Room	-	316,186	-	-	-	-	-	316,186	
Junior High	5,900	7,584,837	1,963,918	-	-	53,904	-	9,608,559	
High School	900	16,273,933	1,767,927	71,484	-	-	-	18,114,244	
Total Soldotna	276,848	34,146,749	5,628,742	111,484	-	53,904	-	40,217,727	
Other areawide:									
Areawide pool/water projects	-	611,839	1,070,907	45,339	-	-	-	1,728,085	
Portable classrooms	-	3,025,323	15,038	-	-	-	-	3,040,361	
Total other areawide	-	3,637,162	1,085,945	45,339	-	-	-	4,768,446	
Total school district	2,897,468	261,036,553	41,841,934	660,160	-	1,427,074	-	307,863,189	
Total governmental funds capital assets	\$ 69,988,301	\$ 297,589,220	\$ 70,823,704	\$ 29,027,947	\$ 12,468,986	\$ 5,620,291	\$	\$ 485,518,449	

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

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

TABLE I

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of related debt	\$203,504	\$205,596	\$206,044	\$207,770	\$206,436	\$212,721	\$212,403	\$221,769	\$224,474	\$225,627
Restricted	13,553	14,042	23,288	13,253	7,454	4,841	3,339	6,458	6,100	31,554
Unrestricted	54,756	55,896	40,927	46,905	51,140	54,577	66,242	59,174	59,561	28,467
Total governmental activities net assets	\$271,813	\$275,534	\$270,259	\$267,928	\$265,030	\$272,139	\$281,984	\$287,401	\$290,135	\$285,648
Business-type activities:										
Invested in capital assets, net of related debt	\$34,152	\$34,724	\$33,995	\$35,684	\$39,332	\$47,721	\$49,462	\$52,461	\$50,882	\$53,690
Restricted	-	-	-	-	3,677	1,481	1,236	774	745	828
Unrestricted	35,031	37,605	41,161	45,097	46,054	43,742	44,860	47,559	53,188	55,651
Total business-type activities net assets	\$69,183	\$72,329	\$75,156	\$80,781	\$89,063	\$92,944	\$95,558	\$100,794	\$104,815	\$110,169
Primary government										
Invested in capital assets, net of related debt	\$237,656	\$240,320	\$240,039	\$243,454	\$245,768	\$260,442	\$261,865	\$274,230	\$275,356	\$279,317
Restricted	13,553	14,042	23,288	13,253	11,131	6,322	4,575	7,232	6,845	32,382
Unrestricted	89,787	93,501	82,088	92,002	97,194	98,319	111,102	106,733	112,749	84,118
Total primary government net assets	\$340,996	\$347,863	\$345,415	\$348,709	\$354,093	\$365,083	\$377,542	\$388,195	\$394,950	\$395,817

TABLE II

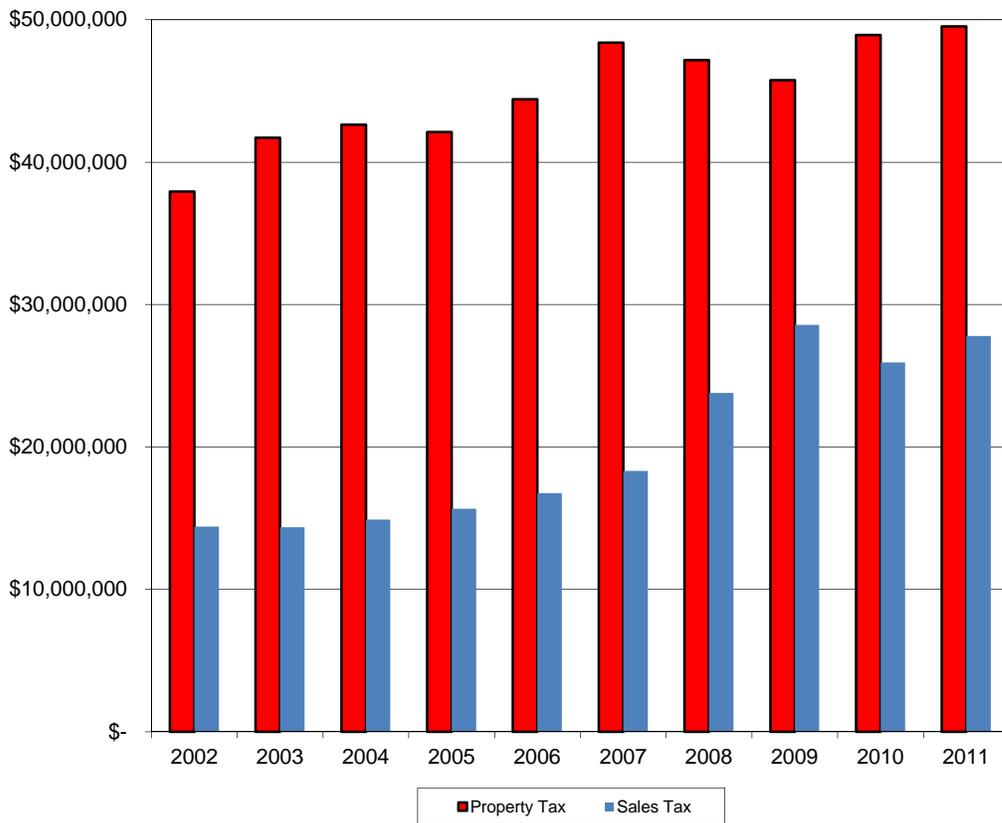
Kenal Peninsula Borough
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 11,553,510	\$ 12,845,108	\$ 13,759,624	\$ 15,039,269	\$ 14,181,543	\$ 12,009,076	\$ 13,779,385	\$ 16,353,718	\$ 17,307,520	\$ 18,126,563
Solid waste	4,664,265	4,441,397	4,546,868	4,305,904	5,314,682	4,529,426	3,926,410	7,089,368	7,467,484	7,536,420
Public safety	7,320,451	8,935,720	9,413,883	9,216,474	10,301,729	11,048,782	11,158,284	13,459,309	14,301,797	14,894,328
Recreation	1,300,703	1,292,386	1,362,013	1,812,465	3,910,173	2,094,416	1,910,662	1,847,522	1,807,974	1,511,382
Education	37,780,145	38,582,036	40,756,908	41,802,049	46,208,601	46,526,601	45,793,694	49,039,690	50,303,282	51,614,442
Environmental Protection	1,782,899	2,850,788	2,152,398	1,661,961	1,614,440	1,234,971	2,090,813	963,468	1,278,621	2,095,777
Roads and trails	1,965,464	2,993,413	4,402,373	2,400,466	4,840,373	4,686,013	4,816,351	6,231,915	11,147,224	10,893,606
Interest on long-term debt	1,155,657	658,217	1,279,647	1,175,467	994,069	1,077,954	1,064,378	957,764	935,175	1,290,407
Total governmental activities expenses	67,523,094	72,599,065	77,673,574	77,414,055	87,365,611	83,147,239	84,539,977	95,942,754	104,549,077	108,069,925
Business-type activities:										
Hospitals	58,982,870	64,670,528	67,470,710	73,992,156	74,003,739	90,057,676	100,952,586	112,328,342	121,676,751	134,868,579
Total primary government expenses	\$ 126,505,964	\$ 137,269,593	\$ 145,144,284	\$ 151,406,211	\$ 161,369,350	\$ 173,204,915	\$ 185,492,563	\$ 208,271,096	\$ 226,225,828	\$ 242,937,504
Program revenues										
Governmental activities:										
Charges for services:										
General government	511,544	283,781	369,853	335,682	345,976	380,614	382,902	777,538	570,325	730,655
Solid waste	219,463	188,663	213,640	173,091	282,653	434,748	289,726	460,064	370,883	526,970
Public safety	582,417	788,754	794,845	1,047,816	1,080,412	1,774,276	1,964,061	1,867,890	1,929,385	1,903,911
Recreation	203,074	185,538	156,876	164,560	168,123	180,655	197,361	219,188	230,075	224,696
Operating grants and contribution	1,977,148	1,596,403	2,174,309	3,322,537	6,293,122	3,399,453	2,766,547	4,550,168	3,561,640	6,330,835
Capital grants and contributions	1,461,039	1,395,495	2,180,682	1,673,099	3,184,671	4,118,769	3,594,638	4,500,246	13,259,418	5,963,765
Total governmental activities program revenues:	4,954,685	4,438,634	5,910,205	6,716,785	11,354,957	10,288,515	9,185,235	12,375,094	19,921,726	15,860,832
Business-type activities:										
Hospital charges for services	56,754,435	64,170,901	67,228,364	74,450,071	75,458,572	86,620,954	95,689,825	107,798,987	119,417,217	135,659,575
Operating grants and contribution	-	-	-	-	-	154,950	13,621	255,010	315,294	281,884
Capital grants and contributions	-	-	-	-	-	-	-	1,709,281	179,897	-
Total business-type activities	56,754,435	64,170,901	67,228,364	74,450,071	75,458,572	86,775,904	95,703,446	109,763,288	119,912,408	135,941,459
Total primary government program revenues	\$ 61,709,120	\$ 68,609,535	\$ 73,138,569	\$ 81,166,856	\$ 86,813,529	\$ 97,064,419	\$ 104,888,661	\$ 122,138,382	\$ 139,634,134	\$ 151,822,291
Net (expenses)/revenue	(62,568,409)	(68,160,431)	(71,763,369)	(70,697,270)	(76,010,654)	(72,858,724)	(75,354,742)	(83,567,660)	(84,627,351)	(92,388,093)
Government activities	(2,228,435)	(499,627)	(242,346)	457,915	1,454,833	(3,281,772)	(5,249,140)	(2,565,054)	(1,764,343)	1,072,880
Business-type activities	(64,796,844)	(68,660,058)	(72,005,715)	(70,239,355)	(74,555,821)	(76,140,496)	(80,603,862)	(86,132,714)	(86,391,694)	(91,315,213)
Total primary government net expense	\$ (67,025,279)	\$ (71,160,090)	\$ (74,248,081)	\$ (70,239,355)	\$ (74,555,821)	\$ (79,001,277)	\$ (85,603,602)	\$ (91,130,414)	\$ (92,856,037)	\$ (99,242,333)
General revenues and other changes										
In net assets										
Governmental activities:										
Taxes										
Property taxes	37,943,100	41,718,283	42,641,738	42,121,021	44,430,849	48,397,294	47,167,291	45,763,297	48,932,675	49,529,435
Sales taxes	14,407,262	14,375,828	14,910,977	15,670,832	16,755,426	18,321,611	23,801,181	28,585,036	25,950,998	27,798,976
Unrestricted grants and contributions	3,671,468	3,932,395	3,842,682	2,700,970	2,843,908	6,379,840	5,247,721	7,767,742	6,149,121	6,103,016
Investment earnings	3,501,923	2,938,492	809,165	3,144,975	1,855,581	4,927,247	4,682,399	4,247,230	2,931,268	1,699,310
Special items	3,408,956	5,482,954	582,664	1,624,413	2,678,564	2,163,435	2,163,435	2,576,186	1,199,342	748,272
Miscellaneous	62,932,709	71,880,828	66,486,297	68,366,591	73,112,605	79,967,402	85,199,896	88,964,863	87,361,461	933,987
Total governmental activities	123,664,512	138,384,997	141,845,426	140,431,399	148,553,271	160,206,768	159,679,846	161,651,757	162,578,413	166,176,987
Business-type activities:										
Property taxes	2,430,837	2,616,889	3,025,894	4,629,241	4,864,764	5,412,121	6,254,543	7,133,533	5,847,538	3,835,889
Unrestricted grants and contributions	389,693	349,835	25,575	25,575	-	-	-	-	-	-
Investment earnings	883,108	673,577	135,738	313,432	600,935	1,363,420	1,363,418	665,850	453,222	327,381
Miscellaneous	187,517	5,231	(117,359)	205,189	1,361,719	364,497	245,151	1,759	(515,750)	117,793
Total business-type activities	3,891,155	3,645,532	3,069,848	5,173,437	6,827,418	7,162,038	7,863,112	7,801,142	5,785,010	4,281,063
Total primary government	66,823,864	75,526,358	69,558,145	73,540,023	79,940,023	87,129,440	93,063,008	96,786,005	93,146,471	91,094,059
Changes in net assets										
Governmental activities	364,300	3,720,395	(5,275,072)	(2,330,679)	(2,898,049)	7,108,678	9,845,154	5,417,203	2,734,110	(5,575,097)
Business-type activities	1,662,720	3,145,905	2,827,502	5,631,352	8,282,251	3,860,266	2,613,972	5,236,088	4,020,667	5,353,943
Total primary government	\$ 2,027,020	\$ 6,866,300	\$ (2,447,570)	\$ 3,300,673	\$ 5,384,202	\$ 10,988,944	\$ 12,459,126	\$ 10,653,291	\$ 6,754,777	\$ (221,154)

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

TABLE III

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2002	\$ 37,943,100	\$ 14,407,262	\$ 52,350,362
2003	41,718,283	14,375,828	56,094,111
2004	42,641,738	14,910,977	57,552,715
2005	42,121,021	15,670,832	57,791,853
2006	44,430,849	16,755,426	61,186,275
2007	48,397,294	18,321,611	66,718,905
2008	47,167,291	23,801,181	70,968,472
2009	45,763,297	28,585,036	74,348,333
2010	48,932,675	25,950,998	74,883,673
2011	49,529,435	27,798,976	77,328,411



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

TABLE IV

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 354,603	\$ 255,206	\$ 318,064	\$ 98,704	\$ 252,852	\$ 279,145	\$ 480,474	\$ 533,923	\$ 160,584	\$ -
Unreserved	25,824,117	24,557,132	20,034,527	17,090,419	15,032,451	20,013,018	23,979,600	24,604,294	22,864,839	-
Nonspendable	-	-	-	-	-	-	-	-	-	251,065
Committed	-	-	-	-	-	-	-	-	-	339,610
Assigned	-	-	-	-	-	-	-	-	-	17,523,149
Unassigned	-	-	-	-	-	-	-	-	-	3,591,990
Total General Fund	\$26,178,720	\$24,812,338	\$20,352,591	\$17,189,123	\$15,285,303	\$20,292,163	\$24,460,074	\$25,138,217	\$23,025,423	\$21,705,814
All other governmental funds										
Reserved	5,030,786	3,666,808	16,270,937	6,168,912	5,604,994	5,751,376	3,321,822	4,471,230	4,893,211	-
Unreserved, reported in:										
Special revenue funds	23,656,468	22,135,464	22,487,636	24,030,122	23,612,583	22,364,901	25,077,731	25,864,320	23,125,512	-
Capital projects funds	10,098,402	17,170,265	14,723,736	13,134,043	11,506,248	10,834,479	7,695,830	6,740,283	13,922,365	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	803,227
Restricted	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	11,661,025
Capital projects funds	-	-	-	-	-	-	-	-	-	24,592,081
Committed	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	1,739,754
Capital projects funds	-	-	-	-	-	-	-	-	-	6,516,387
Assigned	-	-	-	-	-	-	-	-	-	4,781,994
Special revenue funds	-	-	-	-	-	-	-	-	-	1,690,262
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$38,785,656	\$42,972,537	\$53,482,309	\$43,333,077	\$40,723,825	\$38,950,756	\$36,095,383	\$37,075,833	\$41,941,088	\$51,784,730

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

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

TABLE V

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Property taxes	\$37,943,100	\$40,961,761	\$42,493,681	\$ 42,702,040	\$44,202,071	\$48,235,053	\$47,216,050	\$45,796,378	\$48,613,059	\$49,736,514
Sales Tax	14,407,262	14,375,828	14,910,977	15,670,832	16,755,426	18,321,611	23,801,181	28,585,036	25,950,998	27,798,976
Intergovernmental	9,038,139	8,778,348	10,794,534	10,341,082	14,924,888	15,416,267	13,317,714	16,759,845	24,874,838	17,785,198
Investment earnings	3,017,960	2,640,324	799,151	2,983,265	1,685,672	4,536,308	4,269,412	3,877,032	2,697,058	1,527,901
Other revenues	2,950,349	3,388,791	2,613,236	3,517,763	4,252,498	3,218,169	4,016,545	3,392,467	3,355,662	4,953,946
Total revenues	67,356,810	70,145,052	71,611,579	75,214,982	81,820,555	89,727,408	92,620,902	98,410,758	105,491,615	101,802,535
Expenditures:										
General government	11,198,634	11,442,124	13,264,721	13,812,467	12,795,754	12,302,055	13,379,469	15,881,770	17,060,295	17,401,291
Solid waste	3,627,278	3,837,131	3,791,184	4,438,926	4,147,463	4,578,280	4,791,911	5,311,704	5,353,292	5,704,476
Public safety	6,749,655	8,339,476	8,120,150	8,120,483	9,375,840	10,540,010	10,750,484	11,985,795	12,798,445	13,396,428
Recreation	909,781	885,154	929,578	1,383,393	3,448,362	1,295,789	1,302,674	1,441,969	1,424,141	1,136,151
Education	31,006,284	30,996,207	32,501,758	34,268,066	37,695,674	38,614,183	38,603,640	42,450,275	43,981,113	46,064,673
Environmental Protection	1,782,899	2,850,788	2,152,398	1,661,961	1,614,440	1,234,971	2,090,813	963,468	1,287,515	2,095,423
Roads and trails	2,119,461	2,281,668	3,188,390	3,198,758	3,479,969	3,402,294	4,309,600	6,101,376	6,853,831	10,558,262
Capital outlay	9,116,040	10,500,410	11,172,647	17,037,100	11,425,755	13,661,765	12,699,282	9,282,690	15,649,412	10,429,218
Debt service										
Principal	2,480,000	2,575,000	3,840,000	3,375,000	3,485,000	2,065,000	2,305,000	2,355,000	2,410,000	3,414,000
Interest	839,104	686,595	1,300,728	1,231,528	1,065,369	1,087,269	1,075,491	978,119	881,110	943,580
Total expenditures	69,829,136	74,394,553	80,261,554	88,527,682	88,533,626	88,781,616	91,308,364	96,752,166	107,693,154	111,143,502
Excess of revenues over (under) expenditures	(2,472,326)	(4,249,501)	(8,649,975)	(13,312,700)	(6,713,071)	945,792	1,312,538	1,658,592	(2,207,539)	(9,340,967)
Other financing sources (uses)										
Transfers in	14,066,670	13,796,173	15,019,352	15,488,288	16,406,111	19,851,269	17,069,227	17,444,450	17,396,622	10,120,206
Transfers out	(14,066,670)	(13,796,173)	(15,019,352)	(15,488,288)	(16,706,111)	(20,151,269)	(17,069,227)	(17,444,450)	(17,396,622)	(9,120,206)
Bonds issued	-	7,040,000	14,700,000	-	2,500,000	2,588,000	-	-	4,960,000	16,865,000
Net other financing sources (uses)	-	7,040,000	14,700,000	-	2,200,000	2,288,000	-	-	4,960,000	17,865,000
Net change in fund balance	\$(2,472,326)	\$ 2,790,499	\$ 6,050,025	\$(13,312,700)	\$(4,513,071)	\$ 3,233,792	\$ 1,312,538	\$ 1,658,592	\$ 2,752,461	\$ 8,524,033
Debt service as a percentage of noncapital expenditures	5.47%	5.10%	7.44%	6.44%	5.90%	4.20%	4.30%	3.81%	3.38%	4.33%
Total non-capital expenditures	60,713,096	63,894,143	69,088,907	71,490,582	77,107,871	75,119,851	78,609,082	87,469,476	92,049,742	100,714,284

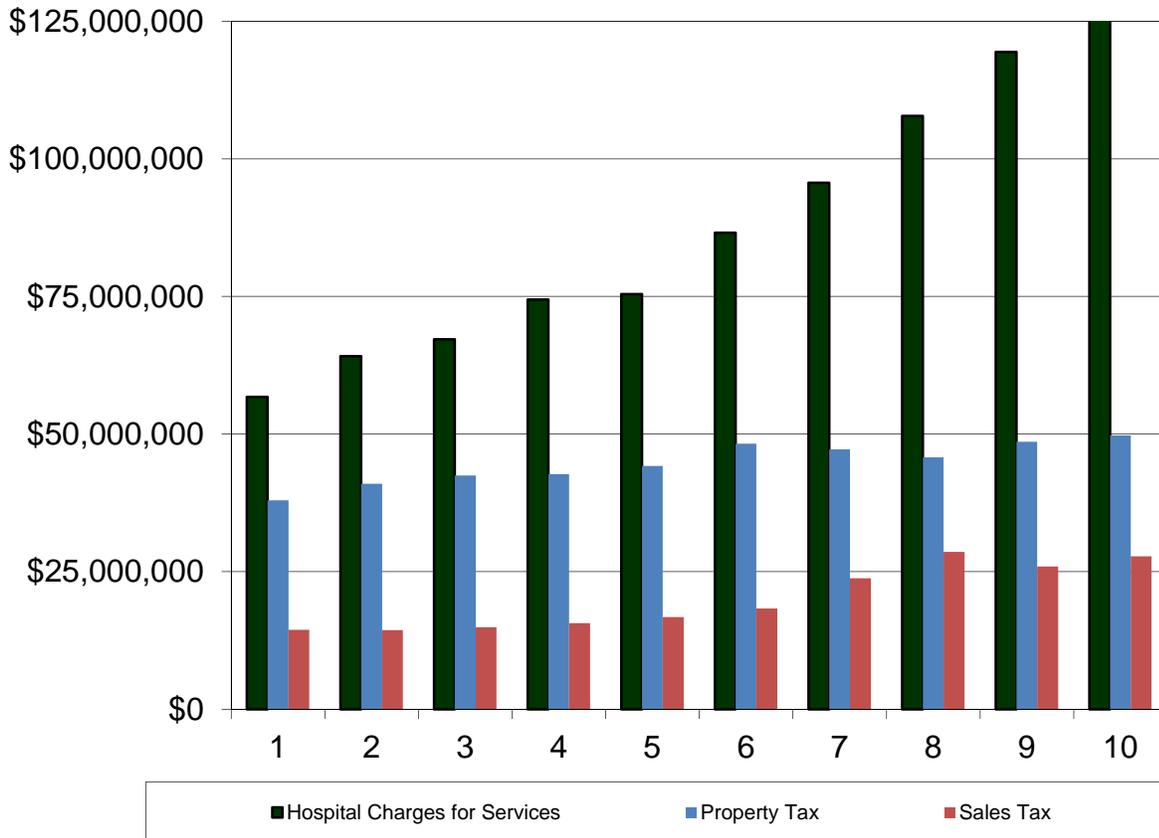
Kenai Peninsula Borough
 General Government Significant Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

TABLE VI

<u>Fiscal Year</u>	<u>Hospital Charge for Services</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2002	\$ 56,754,435	\$ 37,943,100	\$ 14,407,262	\$ 109,104,797
2003	64,170,901	40,961,761	14,375,828	119,508,490
2004	67,228,364	42,493,681	14,910,977	124,633,022
2005	74,450,071	42,702,040	15,670,832	132,822,943
2006	75,458,572	44,202,701	16,755,426	136,416,699
2007	86,620,954	48,235,053	18,321,611	153,177,618
2008	95,689,825	47,216,050	(1) 23,801,181	166,707,056
2009	107,798,997	45,796,378	28,585,036	182,180,411
2010	119,417,217	48,613,059	(2) 25,950,998	193,981,274
2011	135,659,575	49,736,514	27,798,976	213,195,065

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

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



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

TABLE VII

Fiscal Year	Assessed Values				Tax Exempt Values (1)			Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
	Total estimated actual value	Real	Oil & Gas	Personal Property	Real	Personal	Personal			
2002	\$ 4,122,939	\$ 3,027,956	\$ 606,604	\$ 285,766	\$ 161,085	\$ 41,528	\$ 3,717,713	7.00	94.83%	
2003	4,479,083	3,290,671	680,522	290,369	176,523	40,998	4,044,041	6.50	94.90%	
2004	4,696,512	3,509,442	673,367	276,649	196,210	40,844	4,222,404	6.50	94.68%	
2005	4,778,501	3,656,476	611,303	253,595	215,076	42,051	4,264,247	6.50	94.31%	
2006	5,205,600	4,009,648	561,689	285,351	304,702	44,210	4,507,776	6.50	92.82%	
2007	5,625,084	4,402,946	558,190	295,431	340,356	28,161	4,888,050	6.50	92.99%	
2008	6,174,044	4,940,180	607,052	224,479	374,395	27,938	5,369,378	5.50	93.03%	
2009	6,811,919	5,533,794	635,272	220,272	394,457	28,124	5,966,757	4.50	93.39%	
2010	7,296,620	5,883,881	703,063	245,915	434,556	29,205	6,369,098	4.50	93.21%	
2011	7,357,613	5,901,904	713,954	259,714	451,127	30,914	6,393,531	4.50	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 represent only those exemptions provide by the Borough. It does not include those values/exemptions provided by federal or state requirements.

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

Kenai Peninsula Borough

Property Tax Rates

Direct and Overlapping Governments (1)

Last Ten Fiscal Years

TABLE VIII

Fiscal Year	Borough (1) (4)		Overlapping Rates (2)											
	Special District		City of Homer (5)		City of Kachemak (5)		City of Kenai (5)		City of Seldovia (5)		City of Seward (5)		City of Soldotna (5)	
	Operating	Special	Operating	Special	Operating	Special	Operating	Special	Operating	Special	Operating	Special	Operating	Special
2002	7.00	0.10	5.50	1.75	1.00	1.75	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.00
2003	6.50	0.10	5.00	1.75	1.00	1.75	3.50	0.40	7.25	0.00	3.12	0.00	1.65	3.00
2004	6.50	0.10	5.00	1.75	1.00	1.75	5.00	0.50	7.25	0.00	3.12	0.00	1.65	3.10
2005	6.50	0.10	4.50	1.75	1.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2006	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2007	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	4.60	0.00	3.12	0.50	1.65	3.35
2008	5.50	0.00 (3)	4.50	2.00	2.00	2.00	4.50	1.00	4.60	0.00	3.12	0.50	1.65	3.55
2009	4.50	0.00	4.50	2.30	1.00	2.30	4.50	0.90	4.60	0.00	3.12	0.50	1.65	3.35
2010	4.50	0.00	4.50	2.30	1.00	2.30	4.00	0.50	4.60	0.00	3.12	0.50	1.65	2.95
2011	4.50	0.00	4.50	2.30	1.00	2.30	3.85	0.02	4.60	0.00	3.12	0.50	1.65	2.47

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

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

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

Sources:

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

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

Kenai Peninsula Borough
Principal Property Taxpayers
Current and Nine Years Ago

TABLE IX

Taxpayer	2011			2002		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
Unocal	197,057,910	1	3.08%	\$ 370,567,520	1	9.97%
Conoco Phillips	175,579,250	2	2.75%	-	-	-
Marathon Oil	147,717,210	3	2.31%	52,099,580	6	1.40%
Tesoro Alaska	144,994,295	4	2.27%	88,959,728	4	-
ACS	86,106,708	5	1.35%	72,105,318	5	1.94%
XTO Energy Inc	52,092,610	6	0.81%	-	-	-
Kenai Kachemak Pipeline	43,099,610	7	0.67%	-	-	-
WAL-Mart Real Estate Business T	27,245,900	8	0.43%	-	-	-
BP Exploration	25,723,349	9	0.40%	-	-	-
Alaska Pipeline	20,054,433	10	0.31%	-	-	-
Kenai Fertilizer Company	-	-	-	178,700,000	2	-
Agrium, U.S.	-	-	-	22,941,626	8	0.62%
Phillips Petroleum Co.	-	-	-	145,815,517	3	3.92%
Cross Timbers Oil Co.	-	-	-	39,308,000	7	1.06%
Forest Oil Company	-	-	-	20,653,930	10	-
Cook Inlet Pipeline Co.	-	-	-	21,749,000	9	0.59%
Totals	\$ 919,671,275		14.38%	\$ 1,012,900,219		19.50%

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

Total Assessed value based on total tax levy for FY2011 and FY2002 respectively.	\$6,393,531,000	\$3,717,713,000
--	-----------------	-----------------

Kenai Peninsula Borough
 Taxable Sales by Line of Business
 Current

TABLE X

<u>Line of Business</u>	<u>2011</u>
Retail Trade	457,560,008
Restaurant/Bar	73,840,732
Hotel/Motel/Bed & Breakfast	63,014,477
Utilities	60,713,101
Information	45,974,083
Guiding Water	42,779,390
Services	31,536,447
Wholesale Trade	26,312,953
Rental Residential Property	20,166,143
Public Administration	15,315,549
Professional, Scientific and Technical S	15,082,371
Construction Contracting	12,660,386
Telecommunications	10,113,425
Manufacturing	8,819,351
Administrative, Waste Management,	8,136,659
Rental Non-Residential Property	7,919,900
Transportation and Warehousing	5,446,150
Arts and Entertainment	4,871,821
Mining/Quarrying	3,703,170
Rental Personal Property	3,003,586
Other	11,111,203
	<u>\$ 928,080,905</u>

Borough direct sales tax rate 3.00%

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

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

TABLE XI

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
2002	\$26,096,387	\$25,644,795	98.270%	\$ 450,022	\$26,094,817	99.994%
2003	26,370,536	25,879,204	98.137%	488,273	26,367,477	99.988%
2004	27,558,497	27,062,845	98.201%	492,768	27,555,613	99.990%
2005	27,820,350	27,446,158	98.655%	371,845	27,818,003	99.992%
2006	29,357,626	28,978,909	98.710%	375,754	29,354,663	99.990%
2007	31,768,274	31,346,983	98.674%	414,645	31,761,628	99.979%
2008	30,042,125	29,651,635	98.700%	381,285	30,032,920	99.969%
2009	26,779,449	26,431,968	98.702%	335,872	26,767,840	99.957%
2010	28,875,124	28,375,677	98.270%	450,825	28,826,502	99.832%
2011	29,058,274	28,630,610	98.528%	-	28,630,610	98.528%

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

TABLE XII

Fiscal Year	Governmental Activities		Business-Type Activities (1)			Total	Percentage of Personal Income	Percentage of Estimated Actual Taxable Value of Property (Area Wide)	Area Wide	Debt Per Capita (2) (3) Service Areas			
	General Obligation Bonds (Area Wide)	General Obligation Bonds (Service Area)	General Obligation Bonds	Leases/Notes payable	Capital Leases/Notes payable					Central Emergency Services Service Area	South Peninsula Hospital Service Area	Central Peninsula Hospital Service Area	
2002	\$ 13,409,000	\$ -	\$ -	\$ 1,525,056	\$ 14,934,056	0.99%	0.40%	\$ 257	\$ -	\$ -	\$ -	\$ 49	
2003	17,874,000	-	-	989,722	18,863,722	1.25%	0.47%	335	-	-	-	32	
2004	28,734,000	-	58,275,000	511,562	87,520,562	5.76%	2.07%	555	-	-	824	1,508	
2005	25,359,000	-	56,655,000	261,351	82,275,351	5.16%	1.93%	490	-	-	807	1,465	
2006	21,874,000	2,500,000	54,645,000	-	79,019,000	4.79%	1.75%	426	127	127	777	1,406	
2007	22,399,000	2,425,000	52,795,000	1,450,192	79,069,192	4.76%	1.62%	428	123	123	881	1,353	
2008	20,174,000	2,345,000	65,200,000	1,109,570	88,828,570	4.96%	1.65%	381	115	115	1,982	1,290	
2009	17,904,000	2,260,000	62,520,000	754,730	83,438,730	4.26%	1.40%	338	116	116	1,846	1,209	
2010	20,364,000	2,170,000	59,755,000	385,079	82,674,079	3.85%	1.30%	380	111	111	1,746	1,153	
2011	33,910,000	2,075,000	56,875,000	631,745	93,491,745	4.35%	1.46%	612	113	113	1,707	1,127	

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 XIII

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIV

Fiscal Year	Population (1)	Personal Income (amount expressed in thousands)	Per Capita Personal Income (4)	Median Age (3)	School Enrollment	Unemployment Rate (2)	Number of employed (2)
2002	\$ 52,245	\$ 1,508,201	\$ 28,868	36.4	9,799	7.90%	22,290
2003	53,316	1,505,864	28,244	36.6	9,661	9.40%	22,586
2004	51,733	1,519,711	29,376	37.4	9,467	10.00%	22,846
2005	51,765	1,594,109	30,795	38.0	9,527	9.50%	23,109
2006	51,350	1,650,417	32,141	39.7	9,389	8.70%	23,086
2007	52,370	1,660,353	31,704	39.1	9,368	8.10%	23,409
2008	52,990	1,791,892	33,816	39.2	9,250	7.70%	23,838
2009	52,990	1,959,462	36,978	39.2	9,256	7.90%	24,326
2010	53,578	2,145,309	40,041	39.4	9,145	9.90%	24,326
2011	55,400	2,148,001	38,773	39.4 *	9,148	10.00%	24,510

Sources:

- (1) Alaska Department of Labor estimates as of July 1 of each fiscal year
- (2) Data is provided by the State of Alaska Department of Labor and is the average rate for the previous calendar year
- (3) Data is provided by the State of Alaska Department of Labor
- (4) Data is provided by the US Department of Commerce, Bureau of Economic Analysis
- * Current year data is unavailable as of the date of this report.

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

Kenai Peninsula Borough
Principal Employers
Current and Nine Years Ago

TABLE XV

<u>Employer</u>	<u>2011 Rank</u>	<u>2002 Rank</u>
Kenai Peninsula Borough School	1	1
State of AK (excludes U of A)	2	2
Central Peninsula General Hospital	3	4
ASRC Energy Services O&M Inc	4	-
Safeway Inc	5	7
Kenai Peninsula Borough	6	5
Peak Oilfield Svc Co	7	6
VECO Alaska Inc	8	-
Fred Meyer Stores Inc	9	-
South Peninsula Hospital Inc	10	10
U.S. Government	-	3
Agrium	-	8
Frontier Community Services	-	9

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

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

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

TABLE XVI

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
Assembly	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayor	6.00	10.00 (1)	11.00	11.00	11.00	10.00	10.00	10.00	10.00	9.00
Office of Emergency Mgmt	2.67	2.67	2.67	2.67	2.67	2.80	3.30	3.30	4.30 (10)	4.30
General Services	22.10	22.55	22.60	23.60	22.60	21.60	21.80	22.10	22.60	22.60
Legal	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance	27.00	23.00 (1)	23.00	23.00	23.00	23.00	23.00	23.00	23.00	23.00
Assessing	19.75	20.75	21.00	21.00	21.00	21.00	22.00	22.00	22.00	22.00
Planning	8.80	9.10	9.50	8.50	8.50	9.00	9.00	9.00	9.00	9.00
River Center	4.50	4.20	4.50	4.50	4.50	4.50	4.50	5.00	6.00 (16)	6.00
Capital Projects	7.00	8.00	9.00	8.00	8.00	8.00	8.00	9.00 (5)	8.50 (12)	6.50 (19)
Other	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	110.32	111.77	114.77	112.77	111.27	110.40	112.10	113.90	115.90	112.90
Fire and Emergency Services:										
Nikiski Fire	21.00	23.00	24.00	24.00	23.00	23.00	23.00	21.00 (6)	21.00	21.00
Bear Creek Fire	-	0.40	0.40	0.40	0.40	0.40	0.40	0.75	0.75	1.50 (20)
Anchor Point	0.40	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CES	23.00	26.00	27.00	27.00	28.00	30.50 (3)	33.50 (4)	33.50	37.50 (13)	37.50
Kechemak	-	-	-	-	-	-	0.75	1.00	2.00 (14)	3.00 (21)
911 Communications	6.33	6.33	6.33	6.33	7.33	7.20	8.70	8.70	10.70 (11)	10.70
Seward Bear Creek Flood	-	-	-	0.50	0.50	0.50	0.75	0.75	0.75	0.75
Recreation	13.25	13.25	14.00	13.25	13.25	13.25	13.25	13.25	14.25 (15)	14.25
Roads	5.00	6.00	6.00	7.00	7.00	7.00	7.00	8.00 (7)	8.00	8.00
Land Trust Fund	4.50	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Nikiski seniors	-	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00
Solid Waste	7.25	7.25	8.75	19.25 (2)	19.25	19.25	20.25	20.75 (8)	21.00 (17)	21.00
Risk Management	3.55	3.60	4.60	4.60	4.60	4.60	4.60	3.60 (9)	4.00 (18)	4.00
Total	194.60	204.10	212.85	222.10	221.60	223.10	231.30	231.20	241.85	240.60

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

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

Kenai Peninsula Borough
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XVII

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government- 911 calls answered	***	14,458	16,919	17,200	17,926	15,084	16,590	18,834	21,494	21,260
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	628	657	745	745	733	665	737	820	870	929
Bear Creek	94	97	79	99	76	120	164	134	132	111
Anchor Point	225	188	150	150	190	191	198	215	150	194
CES	1,437	1,437	1,551	1,771	1,942	1,825	1,919	1,962	1,977	2,095
Kachemak	97	80	63	83	99	95	114	147	120	140
Landfills-										
Refuse collected (tons)	62,500	63,100	62,600	60,500	64,000	67,200	65,000	65,828	60,720	64,759

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

** Fire and Emergency Services indices are as of December 31 of the prior calendar year

*** Information not available

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

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

TABLE XVIII

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	2	2	2	2
CES	4	4	4	4	4	5	6	6	6	6
Kachemak	1	1	1	1	1	1	1	1	1	1
Landfills:										
Number of landfills	8	8	8	8	8	8	8	8	8	8
Number of transfer sites	12	12	12	12	12	12	12	12	12	12
Recreation-										
Number of facilities	7	7	8	8	8	8	8	8	8	8
Roads-										
Miles of roads maintained	638	630	589	608	614	620	623	631	633	634

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

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

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/11</u>
<u>U. S Department of Commerce:</u>			
Passed through National Oceanic and Atmospheric Administration			
Beluga Whale Recovery Study	NA09NMF4390216	11.439	\$ 24,018
Passed through Alaska Department of Commerce, Community & Economic Development:			
Alaska Coastal Zone Management Program Required Tasks	811082	11.419	38,500
Alaska Coastal Zone Management Section 309 Enhancement Grants			
Shoreline Change on Western Kenai Peninsula Study	891007	11.419	5,009
Western Kenai Peninsula Legal Public Access Study	800470	11.419	10,469
Total CFDA 11.419			53,978
Total U. S Department of Commerce			77,996
<u>U.S. Department of the Interior:</u>			
Passed through U.S. Bureau of Land Management:			
Payment in Lieu of Taxes	2009 SEC 6901/02	15.226	2,363,485
Passed through US Fish and Wildlife Service:			
National Wildlife Refuge Revenue Sharing	FY2010	15.659	17,932
Passed through Bureau of Ocean Energy Management, Regulation and Enforcement			
Coastal Impact Assistance Program			
Planning & Administration	MO9AF15160	15.426	21,610
Crooked Creek State Recreation Area Riverbank Restoration	MO9AF15161	15.426	175,392
Adopt-A-Stream Program	M10AF20121	15.426	34,842
Kenai River Near Bank Turbidity Study	M11AF00041	15.426	4,840
Habitat Protection Education and Code Revision project	M11AF00002	15.426	19,957
River Debris Removal	M11AF00044	15.426	691
Recreation Area Sanitation	M11AF00051	15.426	134
Kachemak Drive Bluff Erosion	M11AF00063	15.426	398
Seward Weather and Ocean Observing System	M11AF00104	15.426	107
Total CFDA 15.426			257,971
Total U.S. Department of the Interior			2,639,388
<u>U.S. Department of Transportation:</u>			
Passed through Alaska Department of Transportation:			
Alaska Highway Safety Grant - Central Peninsula Hospital	2011K3PM-11-02-01	20.613	5,850
Alaska Highway Safety Grant - Central Peninsula Hospital	2011K3-11-01-01	20.613	37,108
Alaska Highway Safety Media Grant - Central Peninsula Hospital	2011K3 10-02-01	20.613	1,600
Alaska Highway Safety Grant - Central Peninsula Hospital	2011K3 10-03-01	20.613	3,118
Total CFDA 20.613			47,676
Total U.S. Department of Transportation			47,676
<u>U.S. Department of Education</u>			
Passed through Alaska Department of Commerce Community and Economic Development			
Community Economic Stimulus Program for Public Safety			
American Recovery & Reinvestment Act *	S397A090002	84.397	382,695
Total CFDA 84.397			382,695

(continued)

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards - continued
Year Ended June 30, 2011

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/11</u>
<u>U.S. Department of Homeland Security:</u>			
Bear Creek Firefighter Assistance Grant	EMW-2009-FO-05961	97.044	46,681
Passed through Alaska Department of Military & Veterans Affairs:			
Citizens Corp 2009	2009-SS-T9-0007	97.053	24,589
Citizens Corp 2008 *	2008-GE-T8-0005	97.067	2,686
Citizens Corp 2010 *	2010-SS-T0-0023	97.067	1,146
Mass Casualty/Medical Surge *	2010-SS-T0-0023	97.067	2,765
Emergency Response Activities Grant *	2008-GE-T8-0005	97.067	488,783
Total CFDA 97.067			495,380
Emergency Management Performance Grant	2010-EP-E0-0026	97.042	93,786
Total Department of Homeland Security			660,436
<u>Denali Commission:</u>			
Med Verification - Central Peninsula Hospital		90.100	97,976
Total Denali Commission			97,976
<u>U.S. Department of Energy</u>			
Ninilchik School Roof Project - American Recovery & Reinvestment Act *	DE-RW0000115	81.128	192,200
Total U.S. Department of Energy			192,200
<u>U.S. Department of Health and Human Services:</u>			
Passed through the Alaska Department of Health and Social Services:			
Small Hospital Improvement Program Technology Grant - South Peninsula Hospital		93.301	7,402
Small Hospital Improvement Program Technology Grant - Central Peninsula Hospital		93.301	7,402
Total CFDA 93.301			14,804
Behavioral Health Prevention and Early Intervention Services - Central Peninsula Hospital		93.959	101,164
Alaska Hospital Preparedness Program - Heritage Place - Central Peninsula Hospital		93.889	16,875
Alaska Hospital Preparedness Program - Central Peninsula Hospital		93.889	21,944
Alaska Hospital Emergency Preparedness Program - South Peninsula Hospital		93.889	20,821
Total CFDA 93.889			59,640
Total Department of Health and Human Services			175,608
<u>U.S. Department of Agriculture:</u>			
National Forest Receipts		10.665	645,783
Passed through Natural Resource Conservation Service			
Old Mill Subdivision Seward AK - Buyout program *	OMILL	10.923	667,046
Passed through U.S. Forest Service:			
00 Spruce Bark Beetle Infestation	00BTL	10.664	36,314
01 Spruce Bark Beetle Infestation	01BTL	10.664	106,049
05 Spruce Bark Beetle Infestation	05BTL	10.664	178,434
06 Spruce Bark Beetle Infestation	07BTL	10.664	401,390
Spruce Bark Beetle Mitigation Program Work	08DG11100100203	10.664	97,395
Passed through Alaska Department of Natural Resources:			
Kachemak Emergency Services Volunteer Fire Assistance Grant	FY11	10.664	10,000
Total CFDA 10.664			829,582
Hazardous Fuels Mitigation - American Recovery & Reinvestment Act *	09-DG-11100489-011	10.688	918,708
Total U.S. Department of Agriculture			3,061,119
 TOTAL FEDERAL			 \$ 7,335,094

* Federal Major Program

Kenai Peninsula Borough
Schedule of State Financial Assistance
Year Ended June 30, 2011

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/11</u>
<u>Alaska Department of Commerce, Community & Economic Development:</u>		
Shared Fisheries Business Tax		\$ 10,204
Fish Resource Landing Tax		7,391
Community Revenue Sharing - Borough *	FY11	2,069,645
Community Revenue Sharing - Bear Creek	FY10	10,100
Community Revenue Sharing - Anchor Point Public Library	FY11	6,453
Community Revenue Sharing - Anchor Point Senior Citizens	FY11	8,812
Community Revenue Sharing - Bear Creek Volunteer Fire Department	FY11	19,971
Community Revenue Sharing - Cooper Landing Community Club	FY11	20,200
Community Revenue Sharing - Funny River Chamber of Commerce	FY11	20,200
Community Revenue Sharing - Hope, Inc.	FY11	20,200
Community Revenue Sharing - Kachemak Emergency Services	FY11	7,190
Community Revenue Sharing - Kachemak Nordic Ski Club	FY11	8,616
Community Revenue Sharing - Kasilof Public Library	FY11	14,436
Community Revenue Sharing - Kasilof Regional Historical Association	FY11	20,200
Community Revenue Sharing - Kenai Peninsula Food Bank	FY11	11,833
Community Revenue Sharing - Moose Pass Volunteer Fire Department	FY11	20,200
Community Revenue Sharing - Nikolaevsk Community Council	FY11	20,200
Community Revenue Sharing - Niniilchik Community Library	FY11	2,009
Community Revenue Sharing - Niniilchik Fair Association	FY11	8,079
Community Revenue Sharing - Niniilchik Senior Citizens	FY11	4,122
Community Revenue Sharing - North Peninsula Community Council	FY11	20,200
Community Revenue Sharing - Port Graham Village Council	FY11	20,200
Community Revenue Sharing - Sterling Seniors	FY11	10,100
Community Revenue Sharing - Village of Razdolna	FY11	15,076
Bear Creek 2000 gallon water tender	07-DC-305	75,000
Bear Creek Multi-Use Facility	09-DC-482	1,902
Borough-wide Road Upgrades *	09-DC-218	1,877,973
Borough-wide Road Upgrades *	08-DC-302	137,275
Borough-wide Road Upgrades	11-DC-252	46,115
Central Emergency Services Off-highway Rescue Equipment	11-RR-033	48,991
Central Emergency Services Static Fire Fighting Water Supply Points *	09-DC-215	140,327
Community College Drive Road Improvements	08-DC-304	3,817
Cook Inlet Regional Citizens Advisory Group Development Safety Project *	06-DC-341	116,390
Kenai Central High School Auditorium Equipment	11-DC-249	25,000
KPBSD Equipment & Supplies for District Schools *	09-DC-220	147,508
Nikiski Fire Service Area Ambulance	11-RR-034	73,000
Nikiski Fire Service Area Station 2 *	11-DC-250	1,482,602
Nikiski Fire Service Area Station 2 *	09-DC-216	18,253
Nikiski High School Security Project	08-DC-307	9,907
Nikiski High School Track	06-DC-191	10,079
Niniilchik Reroof Section D & E	06-DC-195	40,924
Niniilchik School Bus Turnaround	06-DC-194	83,714
Niniilchik Window Replacement *	06-DC-193	111,502
North Peninsula Recreation Shower Replacement	11-RR-031	16,898
Seward Elementary Gym Floor & Carpet Replacement	06-DC-198	30,081
Total Alaska Department of Commerce, Community & Economic Development		<u>6,872,895</u>

(continued)

Kenai Peninsula Borough
Schedule of State Financial Assistance
Year Ended June 30, 2011

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/11</u>
<u>Alaska Department of Health & Social Services:</u>		
Senior Grant - South Peninsula Hospital	607-11-412	42,857
Substance Abuse Treatment Services for Pregnant Women - Central Peninsula Hospital *	602-11-550	148,143
Behavioral Health Prevention & Early Intervention Services - Central Peninsula Hospital *	602-11-011	303,491
Behavioral Health Bring the Kids Home - Central Peninsula Hospital *	602-11-974	100,000
Passed Through the Alaska Division of Alcoholism & Drug Abuse		
Serenity House Residential Treatment Grant - Central Peninsula Hospital	602-11-282	87,807
Total Alaska Department of Health & Social Services		<u>682,298</u>
<u>Alaska Department of Revenue:</u>		
Electric & Telephone Cooperative *	FY11	151,735
Fish Tax *	FY11	891,202
Total Alaska Department of Revenue		<u>1,042,937</u>
<u>Alaska Department of Education & Early Development:</u>		
School Debt Reimbursement *		1,583,496
Total Alaska Department of Education & Early Development		<u>1,583,496</u>
<u>Alaska Department of Transportation:</u>		
Borough-wide Road Upgrades *	DOTPF	3,372,974
Total Alaska Department of Transportation		<u>3,372,974</u>
<u>Alaska Department of Administration:</u>		
Division of Retirement & Benefits PERS Relief HB300 *		1,466,037
Total Alaska Department of Administration		<u>1,466,037</u>
<u>Alaska Department of Military & Veteran Affairs:</u>		
Passed Through the Alaska Division of Homeland Security & Emergency Management		
Old Mill Subdivision Seward AK - Flood Property Buyout program *	AK-07-221 PW229	111,174
Local Emergency Planning Committee	11LEPC-AR35602	22,829
Total Alaska Department of Military & Veteran Affairs		<u>134,003</u>
<u>Alaska Department of Environmental Conservation:</u>		
Cook Inlet Marine Vessel Traffic Risk Assesment Study	MOU 18863309	33,818
Total Alaska Department of Military & Veteran Affairs		<u>33,818</u>
 TOTAL STATE		 <u>\$ 15,188,458</u>

* State Major Program