

KENAI PENINSULA BOROUGH
ALASKA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR
ENDED JUNE 30, 2019

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE

KENAI PENINSULA BOROUGH
ALASKA**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

Charlie Pierce
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

Brandi Harbaugh
FINANCE DIRECTOR

Sara Dennis
CONTROLLER

Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report
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Finance Department

144 N. Binkley Street, Soldotna, Alaska 99669 • (907) 714-2170 • (907) 714-2376

Charlie Pierce
Borough Mayor

November 12, 2019

Honorable Members of the Assembly
Citizens of the Kenai Peninsula Borough

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula (Borough) for the year ended June 30, 2019, which is submitted in accordance with Section 29.35.120 of Alaska Statutes and Borough code. These laws require that a complete set of financial statements be presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards in the United States of America and those standards applicable to audits performed in accordance with Government Auditing Standards by licensed independent certified public accountants.

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

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

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

The Borough's financial statements have been audited by BDO USA LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Borough's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

As a recipient of federal grant awards, the Borough is required to undergo a single audit in conformance with Title 2 of the U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The results of this single audit, including a schedule of expenditures of federal awards, and the independent auditor's reports on the Borough's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards, are available in the Borough's separately issued single audit report.

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

Profile of the Kenai Peninsula Borough

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 square miles and is located in the south central part of the state of Alaska. The estimated population for the Borough is 58,471.

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

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

The Borough is financially accountable for three legally separate discretely presented component units; the Kenai Peninsula Borough School District, Central Peninsula Hospital and South Peninsula Hospital, which are each reported separately within the Borough's financial statements.

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers of unencumbered balances within funds, which then is reported to the Assembly on a monthly basis. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. For the General Fund, Nikiski Fire Service Area Special Revenue Fund and Road Service Area Special Revenue Fund, the comparisons are presented on pages 40-41 as part of the basic financial statements for the governmental funds. For other governmental funds, the comparisons start on page 106.

Local Economy

The Borough economy is highly diverse. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and healthcare. Together they represent most of the Borough's employment. That diversity allows the Borough to be more resilient to declines in any one industry. The Borough's economy has experienced consistent, gradual growth since the late 1980's. Boroughwide, the general government tax rate has decreased from a high of 8.59 mills in FY1996 to its current rate of 4.7 mills. The Borough also has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales in FY2019 were \$1,120 million, an increase of 6.0% from the prior year but a 25.5% increase from FY2010. Most of the increase for FY2019 is attributed to an increase in sales tax collected on motor fuel (gasoline and diesel) sales due to an increase in the price of oil as well as an increase in taxable retail sales partially due to the new Marijuana industry legalized in Alaska in early 2017. The overall increase from FY2010 reflects an improving economy recovering from the recession of 2009. Sales tax continues to generate a substantial portion of the Borough's revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY2019, sales tax revenues represented almost 39%.

Oil and gas continues to play a vital role in the Borough's economy, although the players have changed. Large national and multinational companies have been replaced by independents, which resulted in a resurgence in exploration and production. This has led to new wells in the Anchor Point and Kenai area, jackup rigs being used in Cook Inlet, along with increased exploration in other areas of the Borough, resulting in an increase in assessed value for oil and gas properties. Assessed values for oil and gas properties increased from \$635 million for FY09, to \$1.56 billion in FY2019. During this same time frame, oil production has increased from approximately 10,000 barrels per day to approximately 16,000 barrels per day. The impact to the Borough if the global reduction in the price of gas and oil continues is unknown at this time.

Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work in the fishing and tourism industry. The unemployment rate is expected to decrease in 2020 due to an announcement on November 6, 2018 from the Alaska Gasline Development Corporation (AGDG), that it plans to start building construction camps and access roads for its' \$43 billion project at the natural gas liquefaction

plant site in Nikiski, Alaska in the first quarter of 2020 and along the 807-mile pipeline route by the second quarter of 2020. Increased oil and gas exploration has also had an impact on the Borough’s unemployment rate.

| Fiscal Year | Unemployment Rate | Increase (Decrease) | Fiscal Year | Unemployment Rate | Increase (Decrease) |
|--------------------|--------------------------|----------------------------|--------------------|--------------------------|----------------------------|
| 2012 | 9.50% | -0.50% | 2016 | 7.80% | -0.10% |
| 2013 | 8.60% | -0.90% | 2017 | 8.50% | 0.70% |
| 2014 | 8.00% | -0.60% | 2018 | 8.30% | -0.20% |
| 2015 | 7.90% | -0.10% | 2019 | 7.70% | -0.60% |

Long-Term Financial Planning

A significant measure of the Borough’s financial strength is the level of its fund balances (i.e. the accumulation of revenues exceeding expenditures). The Assembly takes the responsibility of being stewards of the public’s funds very seriously and has adopted the following General Fund reserve policy: reserve funds shall not be used to fund recurring expenditures. Fund balances should be maintained at fiscally sound levels in all funds. The Borough has adopted financial policies that will ensure that the Borough maintains an appropriate fund balance in line with recommended best practices. The General Fund’s assigned amount of \$20.5 million exceeded the Borough’s minimum fund balance of \$15.7 million per the Fund Balance policy and is 19.4% of the General Fund operating expenditures (including transfers), leaving the Borough in a solid financial position to adequately prepare for the expected reductions in revenues caused by the changes in the property tax laws and the economic environment.

The Borough provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The system consists of three defined benefit (DB) Tiers, and one defined contribution (DC) Tier. The Borough pays its annual required contribution rates timely. The annual contribution rates have been capped at 22% of covered payroll for both DB and DC plans based on legislative action committing the State of Alaska to cover costs exceeding 22%. The legislature’s cap on local government contribution rates brings stability to the Borough’s retirement rates although it is important to note that a future State legislature can eliminate its contributions. The transition from an agent multiple-employer plan, to a cost-sharing multiple employer plan as of July 1, 2008, provided a single rate for all participating PERS employers, eliminating the previous methodology of assessing each employer its own rate. The Borough now shares in the pooled liability of the PERS plan.

Governmental Accounting Standards Board (GASB) Statement No. 68 required the Borough to recognize its proportionate share of the cost sharing plan’s net pension liability. The Borough’s total portion of the liability was \$36,078,214 and \$34,747,989 for the years ended June 30, 2019 and 2018 respectively, an increase of \$1,330,225. This does not change the actual contributions by the employers, as those are based on Alaska Statutes. For additional detail, reference footnote J in the basic financial statements.

GASB Statement No. 75 required the Borough to recognize its proportionate share of the cost sharing plan’s net liability for other postemployment benefits (OPEB). The Borough’s total portion of the net other postemployment benefits liability was \$7,386,793 and \$5,592,849 for the years ended June 30, 2019 and 2018 respectively, an increase of \$1,793,944. For additional detail, reference footnote J in the basic 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, 2018. This was the 40th consecutive year the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently organized CAFR, whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the Borough received from the GFOA, the Distinguished Budget Presentation Award for FY2019 for publishing a budget document that meets the program criteria as a policy document, an operations guide, a financial plan and a communications device. This is the 26th year the Borough has received this award. The Borough also received from the GFOA for the 5th year, the Award for Outstanding Achievement for Popular Annual Financial Reporting, this award recognizes governments that successfully produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

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,



Charlie Pierce
Borough Mayor



Brandi Harbaugh, CPA, CPFO
Finance Director

For the 40th consecutive year, the Kenai Peninsula Borough has earned the highest form of recognition in the area of governmental accounting and financial reporting with an award-winning comprehensive annual financial report (CAFR). The Kenai Peninsula Borough was awarded a Certificate of Achievement for Excellence by the Governmental Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ended June 30, 2018.

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

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



Government Finance Officers Association

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

Presented to

**Kenai Peninsula Borough
Alaska**

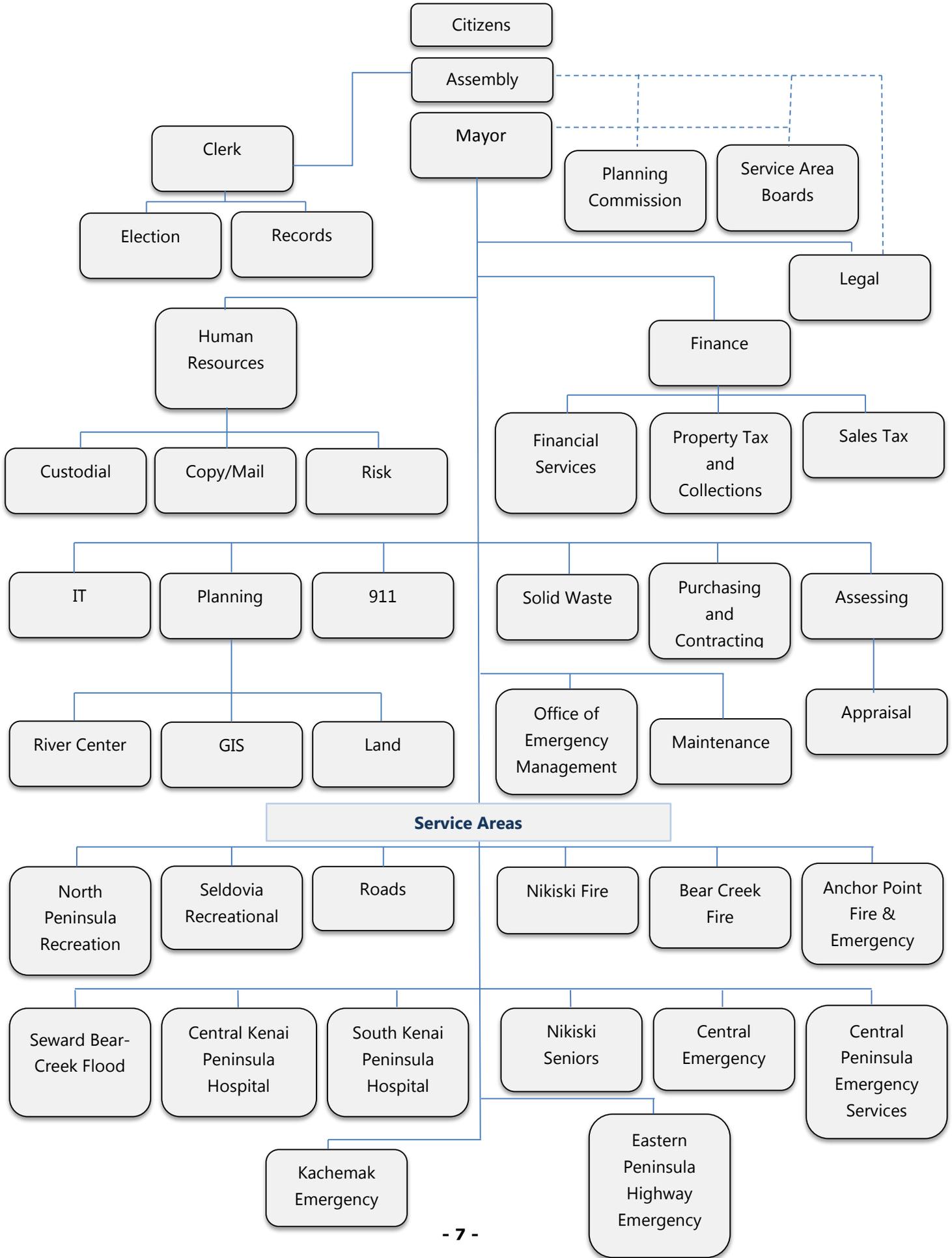
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Kenai Peninsula Borough - Organizational Chart



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

| | |
|----------------|----------------|
| Wayne Ogle | President |
| Dale Bagley | Vice President |
| Kelly Cooper | |
| Norm Blakeley | |
| Willy Dunne | |
| Hal Smalley | |
| Kenn Carpenter | |
| Brent Hibbert | |
| Paul Fischer | |

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

Administration

| | |
|--------------------|-------------------------------------|
| Charlie Pierce | Borough Mayor |
| James Baisden | Chief of Staff |
| Brandi Harbaugh | Finance Director |
| Colette Thompson | Borough Attorney |
| Kim Saner | Director of Human Resources |
| Johni Blankenship | Borough Clerk |
| Dan Nelson | Emergency Management Senior Manager |
| Benjamin Hanson | Director of Information Technology |
| Melanie Aeschliman | Borough Assessor |
| Max Best | Director of Planning |
| Lucas Byker | River Center Manager |
| Scott Griebel | Director of Maintenance |
| Jack Maryott | Director of Solid Waste |
| John Hedges | Purchasing & Contracting Director |
| Dil Uhlin | Roads Director |
| Sovala Kisená | Claims Manager |

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Brandi Harbaugh

Division Managers

Sara Dennis
Penny Pickarsky
Jennifer Vanhose
Lauri Lingafelt

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

Tracy Davis
Katherine Cooper
DeRay Jones
Sarah Hostetter
Danielle Henry
Misty Jenkins
Joanne Rodgers
Chad Friedersdorff

Amy Falk
Barbara Prestwick
Tina Minster
Hannah Blume
Rhonda Foster-Deskins
Samantha Ness
Sydney Smith

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AUDITOR REPORT



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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Kenai Peninsula Borough
Soldotna, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Nikiski Fire Service Area Special Revenue Fund, and the Road Service Area Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 15 through 26 and the Schedules of the Net Pension Liability and Pension Contributions on pages 85 and 86, and the Schedules of the Net OPEB Liability and OPEB Contributions on pages 87 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenai Peninsula Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of Kenai Peninsula Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kenai Peninsula Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kenai Peninsula Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 12, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Kenai Peninsula Borough

Management's Discussion and Analysis

This section of the Kenai Peninsula Borough (Borough) Comprehensive Annual Financial Report (CAFR) provides readers with a narrative overview and analysis of the Borough's financial activities for the fiscal year ended June 30, 2019. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the Borough's financial activity, identify changes in the Borough's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and current known facts, please read it in conjunction with the Borough's transmittal letter (pages 1-5), the financial statements (pages 27-45) and the notes to the financial statements (pages 47-84).

Financial Highlights

- At the close of FY2019, the Kenai Peninsula Borough assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$226.4 million (net position). Of this amount, \$22.3 million (unrestricted net position) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors.
- The Borough's total net position decreased \$10.5 million when compared to the net position at the beginning of the fiscal year.
- The Kenai Peninsula Borough has established a formal fund balance policy affecting the General Fund, annually budgeted special revenue funds and general government capital project funds. The policy sets both minimum and maximum levels.
- At the end of the current fiscal year, total fund balance for the General Fund was \$26.9 million, an increase of \$4.1 million from FY2018. The assigned and unassigned fund balance for FY2019, not including the amount that was budgeted for FY2020 expenditures, is \$18.8 million. This compares to the FY2018 amount of \$17.8 million. This represents 23.2% of the total General Fund expenditures and transfers balance, and compares to 22% as of June 30, 2018, 19.3% as of June 30, 2017, and 22% as of June 30, 2016.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$87.5 million, an increase of \$11.9 million from the prior year. Much of this increase is associated with reduced expenditures in the General Fund and Special Revenue Funds while recognizing efficiencies and reduced spending throughout the organization.

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.

| <u>Fund Type</u> | <u>Number of funds</u> |
|-------------------------------------|------------------------|
| General Fund | 1 |
| Debt Service Funds | 4 |
| Capital Project Funds | 12 |
| Special Revenue Funds | 18 |
| Total Governmental Funds | 35 |
| Total Internal Service Funds | 4 |
| Total Agency Funds | 2 |

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

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

Governmental activities are supported by taxes and intergovernmental revenues. The Borough's governmental activities include general government, solid waste, public safety, recreation, education, environmental protection and road and trail maintenance.

The government-wide financial statements present not only the Borough itself, but also the following discretely presented components units of the Borough; Kenai Peninsula Borough School District, Central Peninsula Hospital, and South Peninsula Hospital. Financial information for these discrete component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 27-31 of this report.

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

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

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

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

The Borough maintains 35 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Solid Waste Capital Project Fund, Nikiski Special Revenue Fund, and Road Service Area Special Revenue Fund, which are considered major funds. The other 31 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 32-41 of this report. Budgetary comparison statements for 12 special revenue funds and 4 debt service funds with annual budgets are provided on pages 106-117 and 129-132, respectively to demonstrate compliance with these budgets.

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Borough's various functions. The Borough uses internal service funds to account for its risk management, compensated absences, health insurance, and equipment replacement programs. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements. All of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 42-44 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 45 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 47-84 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other information. The combining statements referred to earlier in connection with nonmajor governmental funds

can be found on pages 98-105, 120-125, 127-128 and internal service funds can be found on pages 133-135 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough, net position at June 30, 2019 was \$226.4 million compared to \$215.8 million at June 30, 2018. By far the largest portion of the Borough's net position (79.7%) reflects its net investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

During FY2019, governmental activities capital assets, net of accumulated depreciation of the Borough decreased \$7.1 million. Current and other assets include \$107.7 million and \$95.3 million of cash and investments held for governmental activities at June 30, 2019 and 2018.

Kenai Peninsula Borough
Summary of Net Position
June 30, 2019 and 2018
Governmental
Activities
(in millions)

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-----------------|-----------------|
| Current and other assets | \$ 124.8 | \$ 112.5 |
| Capital assets | <u>219.1</u> | <u>226.2</u> |
| Total assets | <u>343.9</u> | <u>338.7</u> |
| Deferred outflow of resources | <u>7.6</u> | <u>5.4</u> |
| Long-term debt outstanding | 97.8 | 97.7 |
| Other liabilities | <u>8.7</u> | <u>8.4</u> |
| Total liabilities | <u>106.5</u> | <u>106.1</u> |
| Deferred inflows of resources | <u>18.6</u> | <u>22.1</u> |
| Net position: | | |
| Net investment in capital assets | 180.2 | 185.0 |
| Restricted | 23.9 | 20.8 |
| Unrestricted | <u>22.3</u> | <u>10.1</u> |
| Total net position | <u>\$ 226.4</u> | <u>\$ 215.9</u> |

Governmental activities

Governmental activities increased the Borough's net position by \$10.6 million. This compares to a decrease of \$9.7 million for the year ended June 30, 2018. Key elements of the change in net position for the year are as follows:

- GASB 68 and GASB 75 required allocations of net pension and OPEB liabilities, decreasing the Governmental activities net position by \$3.2 million in FY2019 and \$7.5 million in FY2018 through recording deferred inflows of resources, deferred outflows of resources, as well as net pension and OPEB liabilities, a difference of \$4.3 million.
- Overall sales tax collections increased 4.3% from FY18 to FY19, increasing sales tax revenues by \$1.4 million. The large increases were attributable to retail sales increasing 6.8%, utilities increasing 5%, and lodging, restaurants, guiding and tourism related businesses increasing 8%.
- Payment in Lieu of taxes decreased 11% or \$406,811 from FY18 to FY19.
- The Property tax mill rate for the General Fund was increased from 4.5 to 4.7 mills in FY19, this generated an additional \$1.7 million in property tax revenue. Central Emergency Service Area mill rate increased from 2.6 to 2.85 mills in FY19 generating an additional \$700,000 in property tax revenue.
- Investment earnings increased \$3.5 million from FY18 to FY19 due to raising interest rates environment, however it is important to note that rates also began to decrease in March 2019, due to the federal reserve announcement that there would likely be no more rate hikes coming this year.

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Summary of Changes in Net Position

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

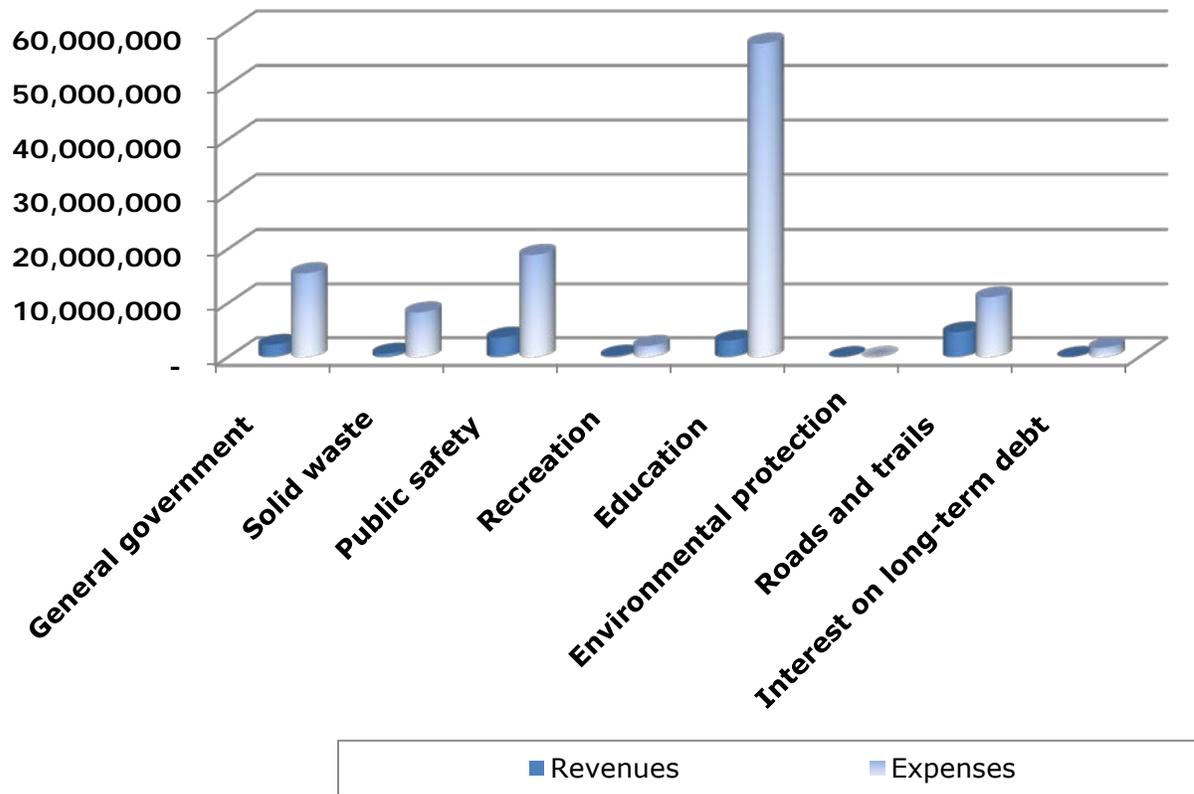
Kenai Peninsula Borough
Changes in Net Position
For Years Ended
June 30, 2019 and 2018
(in millions)

Governmental Activities

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 3.8 | \$ 3.9 |
| Operating grants and contributions | 5.5 | 5.9 |
| Capital grants and contributions | 5.0 | 4.2 |
| General revenues: | | |
| Property taxes | 67.5 | 64.6 |
| Sales taxes | 32.9 | 31.5 |
| Other | <u>10.9</u> | <u>7.7</u> |
| Total revenues | <u>125.6</u> | <u>117.8</u> |
| Expenses: | | |
| General government | 15.5 | 18.4 |
| Solid waste | 8.3 | 8.3 |
| Public safety | 18.9 | 19.4 |
| Recreation | 2.0 | 2.2 |
| Environmental protection | - | .2 |
| Road and trails | 11.1 | 9.6 |
| Education payments to component unit Kenai Peninsula Borough School District | 49.7 | 49.7 |
| Education other (debt service, capital projects, post- secondary) | 7.9 | 9.4 |
| Interest on long-term debt | <u>1.7</u> | <u>2.0</u> |
| Total expenses | <u>115.1</u> | <u>119.2</u> |
| Increase (decrease) in net position | 10.5 | (1.4) |
| Net position, beginning of year | 215.9 | 225.6 |
| Change in beginning net position – change in accounting principle GASB 75 | <u>-</u> | <u>(8.3)</u> |
| Net position, beginning of year, as restated | <u>215.9</u> | <u>217.3</u> |
| Net position, end of year, as restated | <u>\$ 226.4</u> | <u>\$ 215.9</u> |

Expenses and Program Revenues – Governmental Activities

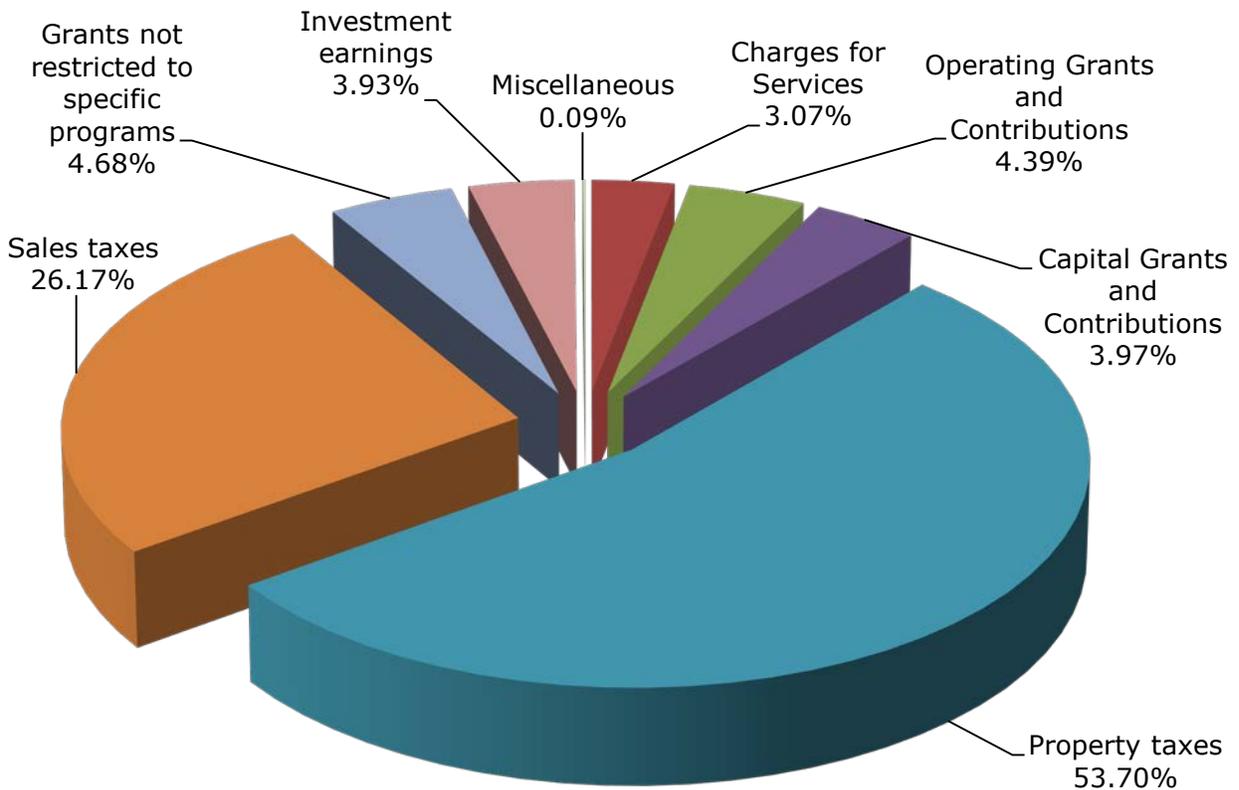
The graph shown below compares program expenses with associated revenues. It should be noted that revenue generated through sales and property taxes are considered general revenues and are therefore not included on this graph.



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Revenues by Source – Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds.

The focus of the Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Borough's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. For example, 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 \$87.5 million, an increase of \$11.9 million from the prior year. A portion of this amount is restricted to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) or for other restricted purposes.

Discussion of selected individual governmental funds is as follows:

General Fund (Major fund)

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, fund balance was \$26.9 million, an increase of \$4.1 million from the prior year. Expenditures and transfers out for the General Fund totaled \$81.0 million during the year, this compares to FY2018 expenditures and transfers out of \$81.3 million. Key factors in the increase in fund balance are discussed under the governmental activities discussion.

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

Fund balance in this service area increased \$1.2 million or approximately 29%, compared to the FY2018 increase of \$572,804 primarily due to an increase in the mill rate for FY2019. The .25 mill rate increase was provided to fund 3 new positions to provide better overall service area coverage. Expenditures and transfers out totaled \$8,472,282 an increase of \$452,560 compared to FY2018. The transfers for debt service decreased \$1,600, while operational cost increased \$452,368.

Nikiski Fire Service Area Special Revenue Fund (Major fund)

Fund balance in this service area decreased \$871,442 in FY2019, compared to the FY2018 decrease of \$1.9 million. The decrease in expenditures and transfers for FY2019 was partly due to a one-time transfer in FY2018 to the capital project fund in order to fund the construction of new fire station. With this decrease in fund balance the service area still remains within the recommended fund balance range.

Road Service Area Special Revenue Fund (Major fund)

Since FY2012 the Road Service Area has made an effort to grow fund balance due to the continued reduction of grant funds availability. Prior to FY2012 the service area depended on state grant funds to support capital projects, since then the grants have slowly declined, leaving the service area to support future capital projects with operating funds. For FY2019 the Service Area's fund balance increased \$587,914 from FY2018 while maintaining the increase in planned transfer to the capital project fund in order to support the projects while receiving less grant funding. The increase in fund balance was due to efficiencies implemented in the road service area, such as changes in contract requirements and reductions in staff hours.

Solid Waste Capital Project Fund (Major fund)

Fund balance in this capital project fund decreased \$263,344 in FY2019, compared to the FY2018 decrease of \$1.96 million. The decrease in fund balance in FY18 was mainly due to the timing of the receipt of bond proceeds in prior years while expenditures occurred subsequent to the year of receipt, spending down restricted fund balance. This is consistent with the intent of the fund, which is project length in nature.

General Fund Budgetary Highlights

During the year there were increases of \$2 million, not including carryover encumbrances, in appropriations between the original budget and the final amended budget. The primary reason for amending the budget was as follows:

- Transfer to the School Capital project fund for \$425,000 to replace failing boilers.
- Transferred \$950,000 to the Disaster Fund in order to support the Fall 2018 Flooding in the Seward Area, and the November 30, 2018 Southcentral earthquake event.
- \$506,000 for in-kind contributions to the Public Employees' Retirement System made by the State of Alaska on the Borough's behalf.
 - The on-behalf amount provided for the Kenai Peninsula Borough was \$441,000 of which the General Fund, including Solid Waste, received \$65,000.

Capital Assets and Debt Administration

Capital assets

The Borough's investment in capital assets as of June 30, 2019 and June 30, 2018 amounts to \$219.1 million and \$226.2 million, respectively (net of accumulated depreciation.) This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

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

| | |
|---|----------------|
| Equipment and improvements to general government facilities | \$ 0.4 million |
| Improvements at various solid waste facilities | \$ 1.7 million |
| Fire and emergency services equipment | \$ 1.0 million |

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

| | Governmental activities | |
|--|-------------------------|-----------------|
| | <u>2019</u> | <u>2018</u> |
| Land | \$ 71.1 | \$ 71.0 |
| Buildings | 92.4 | 91.9 |
| Improvements other than buildings | 25.8 | 28.0 |
| Machinery and equipment | 10.2 | 12.0 |
| Infrastructure | 13.8 | 14.2 |
| Construction in progress | 5.8 | 9.1 |
| Total governmental funds capital assets | <u>\$ 219.1</u> | <u>\$ 226.2</u> |

Additional information on the Borough's capital assets can be found in Note E on page 64 of this report.

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$40.0 million, a decrease of \$3.5 million from June 30, 2018. This debt is bonded and backed by the full faith and credit of either the Borough or Service Areas of the Borough. Of the \$40.0 million in bonded debt, \$35.4 million was issued for school improvements. The State of Alaska will reimburse the Borough up to 70% of the principal and interest on these bonds. The schedule shown below does not include compensated absences, net pension liability, or net OPEB liability.

| | Governmental Activities | |
|--------------------------|-------------------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| General obligation bonds | \$ 40.0 | \$ 43.5 |

The Borough's discretely presented component units also have debt outstanding at the end of the year totaling \$85.5 million, not including premiums and other cost. Of that amount, \$30.8 million was bonded and backed by the full faith and credit of various Service Areas of the Borough. Additional information on the Borough's long-term debt can be found in note H on pages 68-70 of this report and table XII on page 159.

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

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for CY2018 stood at 7.7%. A decrease from the two prior years' rate of 8.5% in CY2016 and 8.3% for CY2017, this compares to the statewide average of 6.6%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work in the fishing and tourism industry in the Borough. The Borough's unemployment rate for the period January 2019 to June 2019 is down .3% when compared to the same period for 2018. This is expected to improve in CY2020, due to an announcement on November 6, 2018 from the Alaska Gasline Development Corporation (AGDG), that it plans to start building construction camps and access roads for its' \$43 billion project at the natural gas liquefaction plant site in Nikiski, Alaska in the first quarter of 2020 and along the 807-mile pipeline route by the second quarter of 2020.

In 2001, the Borough established a fund balance policy that recommends both minimum and maximum amounts of fund balances for both operating and capital project funds for the General Fund and Service Areas. These levels are reviewed on an annual basis and the policy requires that fund balances exceeding the maximum or fund balances less than the minimum come back into compliance within 3 years. This is assessed each fiscal year as part of the budgetary process.

In addition, the Alaska legislature provided funding for Public Employees' Retirement System (PERS) cost in excess of 22%, which was paid directly to PERS. The total on-behalf payment made by the State for FY2019 was \$1,237,913, of which the Borough reports \$1,042,145 and its component unit the Kenai Peninsula Borough School District reports \$195,768 along with their PERS and TRS contributions, as part of the local in-kind contribution from the Borough to the School District. This contribution includes the difference between the actuarially determined rate of 27.58% and the Borough contribution rate of 22.00%.

In addition, as part of their FY2015 budget, the Alaska State Legislature passed House Bill 385 (HB 385), which paid down \$1 billion of the Public Employees' Retirement System (PERS) defined benefits plan's unfunded liability (a closed plan). However, the bill also extended, by nine years, the amortization period over which employers would pay down the debt. By

statute, the required employer contribution is 22% of the employee's wages, with the State paying the balance of the actuarially determined amount. Under HB 385, the State's annual payments will be lower, but the total cost to employers will be much greater. For the Borough, an estimated additional \$14.5 million will be paid in retirement contributions for those additional nine years.

During fiscal year 2019, the State of Alaska maintained a AA rating from Standard & Poor's Ratings Services and a AA credit rating from Fitch Ratings, subsequently on September 5, 2019, Fitch Ratings downgraded the rating on the State to AA-. Since fiscal year 2014 the State has been running declining unrestricted general fund deficits of approximately \$3 million to \$315 million per year due to low oil prices, expenditure levels and lack of new revenues.

In setting the budget for FY2020, the Borough considered a number of issues with Boroughwide impact, among them:

- Passing a FY2020 budget that balances General Fund expenditures with General Fund revenues.
- A sufficient level of funding necessary to meet the needs of Borough residents, visitors and communities.
- A continued reduction in the historical variance between budget and actual revenues and expenditures.
- Maintenance of the Borough's financial condition including compliance with the Borough's fund balance policy.
- The highest level of local educational funding that Borough's residents can reasonably afford and sustain.
- A high quality capital and operational maintenance program that ensures the continued use and economic value of Borough assets.

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.

BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough
Statement of Net Position
June 30, 2019

| | <u>Primary Government</u> | <u>Component Units</u> | | |
|---|---------------------------|------------------------|-------------------|-------------------|
| | Governmental | Central Peninsula | South Peninsula | School |
| | Activities | Hospital | Hospital | District |
| <u>Assets</u> | | | | |
| Cash and short-term investments | \$ 5,559,145 | \$ 35,774,537 | \$ 19,537,381 | \$ 11,945 |
| Equity in central treasury | 98,586,201 | 4,727,809 | 6,867,941 | 36,757,568 |
| Receivables (net of allowances for estimated uncollectibles): | | | | |
| Taxes receivable | 8,014,260 | 1,916 | 160,307 | - |
| Accounts receivable | 798,202 | 1,544,417 | 183,264 | 296,492 |
| Patient receivables | - | 26,897,131 | 13,657,994 | - |
| Note receivable short-term | 658,752 | - | - | - |
| Land sale contracts receivable: | | | | |
| Current | 110,806 | - | - | - |
| Delinquent | 69,468 | - | - | - |
| Due from other governments | 2,903,663 | - | - | 2,409,356 |
| Due from special assessment districts | 1,084,464 | - | - | - |
| Prepays | 21,898 | 3,091,874 | 627,662 | 1,144,175 |
| Inventory | - | 6,644,838 | 1,670,856 | 1,271,007 |
| Note receivable - long-term | 3,019,662 | - | - | - |
| Land sale contracts receivable - long-term | 496,987 | - | - | - |
| Net pension asset | - | - | 1,946,417 | - |
| Restricted assets: | | | | |
| Equity in central treasury - unspent bond proceeds | 3,505,128 | 9,046,778 | 86,148 | - |
| Equity in central treasury - bond funds held in reserve | - | 7,883,517 | - | - |
| Assets whose use is limited: | | | | |
| Cash and short-term investments | - | 549,393 | 29,801 | - |
| Equity in central treasury | - | 46,408,939 | 3,373,370 | - |
| Investments | - | 218,191 | - | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land and land improvements | 71,118,078 | 3,705,569 | 1,596,270 | - |
| Buildings | 92,403,552 | 52,611,212 | 34,479,051 | - |
| Improvements other than buildings | 25,786,174 | 93,583 | 56,724 | - |
| Machinery and equipment | 10,187,017 | 35,220,015 | 4,070,436 | 2,439,439 |
| Construction in progress | 5,821,210 | 31,466,965 | 462,180 | - |
| Infrastructure | 13,796,296 | - | - | - |
| Total assets | <u>343,940,963</u> | <u>265,886,684</u> | <u>88,805,802</u> | <u>44,329,982</u> |
| <u>Deferred Outflows of Resources</u> | | | | |
| Unamortized deferred loss on refunding | 298,478 | 621,556 | 586,881 | - |
| Excess consideration paid for acquisition | - | 552,520 | - | - |
| Pension related | 4,528,678 | - | 1,640,396 | 9,589,706 |
| OPEB related | 2,756,743 | - | - | 7,256,034 |
| Total deferred outflows of resources | <u>7,583,899</u> | <u>1,174,076</u> | <u>2,227,277</u> | <u>16,845,740</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Statement of Net Position, Continued
June 30, 2019

| | <u>Primary Government</u> | <u>Component Units</u> | | |
|---|------------------------------------|---------------------------------------|-------------------------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Central Peninsula Hospital</u> | <u>South Peninsula Hospital</u> | <u>School District</u> |
| <u>Liabilities</u> | | | | |
| Accounts, contracts and retainage payable | \$ 3,925,216 | \$ 8,244,735 | \$ 6,962,345 | \$ 2,225,466 |
| Accrued payroll and payroll benefits | 631,946 | 4,212,147 | 4,475,802 | 7,244,893 |
| Claims payable | 3,062,132 | 3,929,389 | 1,766,480 | 5,424,922 |
| Accrued interest | 808,393 | 708,378 | 225,000 | - |
| Unearned revenue | 207,790 | - | 155,549 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences | 728,330 | 1,026,495 | - | 61,833 |
| Landfill closure/postclosure | 66,444 | - | - | - |
| Long-term debt | 3,705,000 | 6,558,000 | 1,636,208 | - |
| Due in more than one year: | | | | |
| Net pension liability | 36,078,214 | - | - | 84,761,550 |
| Net OPEB liability | 7,386,793 | - | - | 14,770,097 |
| Compensated absences | 2,184,989 | 3,079,487 | - | 2,905,775 |
| Landfill closure/postclosure | 8,663,040 | - | - | - |
| Long-term debt | 39,024,425 | 69,181,333 | 14,948,933 | - |
| Total liabilities | <u>106,472,712</u> | <u>96,939,964</u> | <u>30,170,317</u> | <u>117,394,536</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| Prepaid property taxes | 14,794,252 | - | 525,149 | - |
| Pension related | 905,492 | - | 354,235 | 2,282,509 |
| OPEB related | 2,929,755 | - | - | 6,224,559 |
| Total deferred inflows of resources | <u>18,629,499</u> | <u>-</u> | <u>879,384</u> | <u>8,507,068</u> |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 180,186,508 | 57,026,345 | 24,752,549 | 2,439,439 |
| Restricted: | | | | |
| Hazard tree removal program | 289,972 | - | - | - |
| General government | 537,281 | - | - | - |
| Public safety | 12,665,841 | - | - | - |
| Recreation | 1,347,507 | - | - | - |
| Education | 2,817,649 | - | - | 2,381,632 |
| Solid waste | 99,597 | - | - | - |
| Roads | 6,134,885 | - | - | - |
| Charter schools | - | - | - | 885,704 |
| Malpractice trust | - | 549,393 | - | - |
| Hospital expansion project | - | 18,800,911 | 25,286 | - |
| Unrestricted | 22,343,411 | 93,744,147 | 35,205,543 | (70,432,657) |
| Total net position | <u>\$ 226,422,651</u> | <u>\$ 170,120,796</u> | <u>\$ 59,983,378</u> | <u>\$ (64,725,882)</u> |

The accompanying notes are an integral part of the financial statements

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Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2019

| Function/Program Activities | Program Revenues | | | |
|---|-------------------------|-----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 15,500,286 | \$ 188,185 | \$ 2,073,410 | \$ - |
| Solid waste | 8,272,259 | 609,889 | 18,325 | - |
| Public safety | 18,866,550 | 2,813,500 | 709,254 | 75,000 |
| Recreation | 2,050,199 | 239,054 | 10,930 | - |
| Education | 57,563,709 | - | 2,691,707 | 332,147 |
| Environmental protection | 2,448 | - | - | - |
| Roads and trails | 11,078,936 | - | 11,403 | 4,583,508 |
| Interest on long-term debt | 1,736,718 | - | - | - |
| Total primary government | <u>\$ 115,071,105</u> | <u>\$ 3,850,628</u> | <u>\$ 5,515,029</u> | <u>\$ 4,990,655</u> |
| Component units - | | | | |
| Central Peninsula Hospital | \$ 164,005,542 | \$ 171,263,856 | \$ - | \$ - |
| South Peninsula Hospital | 75,238,686 | 81,690,171 | - | - |
| Kenai Peninsula Borough School District | 146,220,920 | 717,010 | 19,133,664 | - |
| Total component units | <u>\$ 385,465,148</u> | <u>\$ 253,671,037</u> | <u>\$ 19,133,664</u> | <u>\$ -</u> |

General revenues:

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

Change in net position (deficit)

Net position (deficit) at beginning of year

Net position (deficit) at end of year

Net (Expense) Revenue and Changes in Net Position

| Primary Government Governmental Activities | Component Units | | |
|--|-------------------------------|-----------------------------|--------------------|
| | Central Peninsula Hospital | South Peninsula Hospital | School District |
| \$ (13,238,691) | \$ - | \$ - | \$ - |
| (7,644,045) | - | - | - |
| (15,268,796) | - | - | - |
| (1,800,215) | - | - | - |
| (54,539,855) | - | - | - |
| (2,448) | - | - | - |
| (6,484,025) | - | - | - |
| (1,736,718) | - | - | - |
| (100,714,793) | - | - | - |
| - | 7,258,314 | - | - |
| - | - | 6,451,485 | - |
| - | - | - | (126,370,246) |
| - | 7,258,314 | 6,451,485 | (126,370,246) |
| 67,455,393 | 55,539 | 4,530,430 | - |
| 32,878,673 | - | - | - |
| 5,879,756 | - | 4,895 | 85,619,846 |
| 4,937,225 | 888,450 | 441,832 | 1,153,016 |
| - | - | - | 49,738,432 |
| 115,210 | - | 27,491 | 169,505 |
| 111,266,257 | 943,989 | 5,004,648 | 136,680,799 |
| 10,551,464 | 8,202,303 | 11,456,133 | 10,310,553 |
| 215,871,187 | 161,918,493 | 48,527,245 | (75,036,435) |
| \$ 226,422,651 | \$ 170,120,796 | \$ 59,983,378 | \$ (64,725,882) |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
 Governmental Funds
 Balance Sheet
 June 30, 2019

| <u>Assets</u> | <u>General Fund</u> | <u>Solid Waste Capital Project Fund</u> | <u>Nikiski Fire Service Area Special Revenue Fund</u> |
|--|--------------------------|---|---|
| Cash and short-term investments | \$ 1,010 | \$ - | \$ 18,540 |
| Equity in central treasury | 22,866,941 | 9,997,147 | 7,297,868 |
| Receivables (net of allowances for estimated uncollectibles): | | | |
| Taxes receivable | 7,487,470 | - | 85,602 |
| Accounts receivable | 184,691 | - | 68,759 |
| Note receivable short-term | 658,752 | - | - |
| Land sale contracts receivable: | | | |
| Current | - | - | - |
| Delinquent | - | - | - |
| Due from other governments | 1,058,966 | - | 42,717 |
| Due from special assessment districts | 1,084,464 | - | - |
| Due from other funds | 338,454 | - | - |
| Prepays | 21,898 | - | - |
| Note receivable long-term | 3,019,662 | - | - |
| Land sale contracts receivable - | | | |
| Long-term | - | - | - |
| Restricted assets - | | | |
| Equity in central treasury - unspent bond proceeds | - | 1,092,524 | - |
| Total assets | <u>\$ 36,722,308</u> | <u>\$ 11,089,671</u> | <u>\$ 7,513,486</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts and retainage payable | 1,216,042 | 111,465 | 34,077 |
| Accrued payroll and payroll benefits | 319,527 | 511 | 72,955 |
| Due to other funds | - | - | - |
| Unearned revenue | 3,230 | - | - |
| Total liabilities | <u>1,538,799</u> | <u>111,976</u> | <u>107,032</u> |
| Deferred inflows of resources: | | | |
| Prepaid property taxes | 7,431,569 | - | 3,049,113 |
| Property tax receivable - unavailable | 849,329 | - | 82,703 |
| Land sales - unavailable | - | - | - |
| Total deferred inflows of resources | <u>8,280,898</u> | <u>-</u> | <u>3,131,816</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Long-term notes receivable | 3,019,662 | - | - |
| Prepays | 21,898 | - | - |
| Restricted: | | | |
| Landfill closure/postclosure costs | - | 8,729,484 | - |
| Hazard tree removal program | - | - | - |
| General government | 81,000 | - | - |
| Public safety | - | - | 4,274,638 |
| Recreation | - | - | - |
| Education | - | - | - |
| Solid waste | - | 99,597 | - |
| Roads | - | - | - |
| Committed: | | | |
| Software upgrades | 11,398 | - | - |
| Building maintenance and upgrades | - | - | - |
| Public safety facilities and equipment | 50,000 | - | - |
| Recreational facility maintenance | - | - | - |
| School maintenance and upgrades | - | - | - |
| Solid waste facilities | - | 2,148,614 | - |
| Road construction and upgrades | - | - | - |
| Land development projects | - | - | - |
| General government | 168,697 | - | - |
| Assigned: | | | |
| Subsequent year's expenditures | 4,771,503 | - | - |
| Minimum fund balance policy | 15,748,896 | - | - |
| General government | - | - | - |
| Unassigned | 3,029,557 | - | - |
| Total fund balances | <u>26,902,611</u> | <u>10,977,695</u> | <u>4,274,638</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 36,722,308</u> | <u>\$ 11,089,671</u> | <u>\$ 7,513,486</u> |

The accompanying notes are an integral part of the financial statements

| Road Service Area Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| \$ - | \$ 5,469,620 | \$ 5,489,170 |
| 7,198,071 | 35,681,062 | 83,041,089 |
| 188,793 | 252,395 | 8,014,260 |
| 658 | 381,616 | 635,724 |
| - | - | 658,752 |
| - | 110,806 | 110,806 |
| - | 69,468 | 69,468 |
| 46,184 | 1,644,203 | 2,792,070 |
| - | - | 1,084,464 |
| - | - | 338,454 |
| - | - | 21,898 |
| - | - | 3,019,662 |
| - | 496,987 | 496,987 |
| - | 2,412,604 | 3,505,128 |
| <u>\$ 7,433,706</u> | <u>\$ 46,518,761</u> | <u>\$ 109,277,932</u> |
| 559,432 | 1,863,261 | 3,784,277 |
| 12,613 | 217,285 | 622,891 |
| - | 338,454 | 338,454 |
| - | 204,560 | 207,790 |
| <u>572,045</u> | <u>2,623,560</u> | <u>4,953,412</u> |
| 2,110,682 | 2,202,888 | 14,794,252 |
| 176,424 | 231,252 | 1,339,708 |
| - | 677,261 | 677,261 |
| <u>2,287,106</u> | <u>3,111,401</u> | <u>16,811,221</u> |
| - | - | 3,019,662 |
| - | - | 21,898 |
| - | - | 8,729,484 |
| - | 289,972 | 289,972 |
| - | 456,281 | 537,281 |
| - | 8,391,203 | 12,665,841 |
| - | 1,347,507 | 1,347,507 |
| - | 2,817,649 | 2,817,649 |
| - | - | 99,597 |
| 4,574,555 | 1,560,330 | 6,134,885 |
| - | 238,164 | 249,562 |
| - | 422,542 | 422,542 |
| - | 7,687,802 | 7,737,802 |
| - | 643,596 | 643,596 |
| - | 1,781,336 | 1,781,336 |
| - | - | 2,148,614 |
| - | 5,780,193 | 5,780,193 |
| - | 5,549,633 | 5,549,633 |
| - | 4,370 | 173,067 |
| - | 2,057,799 | 6,829,302 |
| - | - | 15,748,896 |
| - | 1,755,423 | 1,755,423 |
| - | - | 3,029,557 |
| <u>4,574,555</u> | <u>40,783,800</u> | <u>87,513,299</u> |
| <u>\$ 7,433,706</u> | <u>\$ 46,518,761</u> | <u>\$ 109,277,932</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2019

| | | | |
|---|----|--------------------|---------------------------|
| Fund balances - total governmental funds | | \$ | 87,513,299 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p> | | | 217,504,440 |
| <p>Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds:</p> | | | |
| Bonds payable | \$ | (39,920,000) | |
| Unamortized bond premium | | (2,809,425) | |
| Accrued interest | | (808,393) | |
| Unamortized deferred loss on refunding | | 298,478 | |
| Landfill closure | | (8,729,484) | |
| Accrued interest subsidy | | 111,593 | |
| Net pension liability | | (36,078,214) | |
| Net OPEB liability | | <u>(7,386,793)</u> | (95,322,238) |
| <p>Deferred outflows of resources and deferred inflows of resources related to pension are applicable to future periods, and therefore are not reported in the governmental funds:</p> | | | |
| Deferred outflows for pensions | | 4,528,678 | |
| Deferred inflows for pensions | | <u>(905,492)</u> | 3,623,186 |
| <p>Deferred outflows of resources and deferred inflows of resources related to other post employment benefit (OPEB) are applicable to future periods, and therefore are not reported in the governmental funds:</p> | | | |
| Deferred outflows for OPEB | | 2,756,743 | |
| Deferred inflows for OPEB | | <u>(2,929,755)</u> | (173,012) |
| <p>Some of the Borough's receivables will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds.</p> | | | |
| Property taxes receivable | | 1,339,708 | |
| Land sales contracts receivable | | <u>677,261</u> | 2,016,969 |
| <p>Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.</p> | | | <u>11,260,007</u> |
| Net position of governmental activities | | \$ | <u><u>226,422,651</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, 2019

| | General Fund | Solid Waste Capital Project Fund | Nikiski Fire Service Area Special Revenue Fund |
|--|-------------------------|---|---|
| Revenues: | | | |
| Property taxes | \$ 40,234,341 | \$ - | \$ 4,965,123 |
| Sales tax | 32,878,673 | - | - |
| Intergovernmental: | | | |
| Federal | 3,965,898 | - | 13,185 |
| State | 5,249,304 | - | 127,301 |
| Investment earnings | 1,984,315 | 330,919 | 218,475 |
| Interest subsidy | - | - | - |
| Other revenues | 797,852 | - | 280,039 |
| Total revenues | <u>85,110,383</u> | <u>330,919</u> | <u>5,604,123</u> |
| Expenditures: | | | |
| General government | 15,209,373 | - | - |
| Solid waste | 5,800,565 | 1,711,494 | - |
| Public safety | 705,112 | - | 4,168,700 |
| Recreation | - | - | - |
| Education | 50,552,740 | - | - |
| Environmental protection | - | - | - |
| Roads and trails | - | - | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and other | - | - | - |
| Total expenditures | <u>72,267,790</u> | <u>1,711,494</u> | <u>4,168,700</u> |
| Excess (deficiency) of revenues over expenditures | <u>12,842,593</u> | <u>(1,380,575)</u> | <u>1,435,423</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 1,117,231 | - |
| Transfers out | <u>(8,739,981)</u> | <u>-</u> | <u>(563,981)</u> |
| Net other financing sources (uses) | <u>(8,739,981)</u> | <u>1,117,231</u> | <u>(563,981)</u> |
| Net change in fund balances | 4,102,612 | (263,344) | 871,442 |
| Fund balances at beginning of year | <u>22,799,999</u> | <u>11,241,039</u> | <u>3,403,196</u> |
| Fund balances at end of year | <u>\$ 26,902,611</u> | <u>\$ 10,977,695</u> | <u>\$ 4,274,638</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, Continued
For the Year Ended June 30, 2019

| | Road Service Area Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--|---|---|---|
| Revenues: | | | |
| Property taxes | \$ 8,239,679 | \$ 13,962,251 | \$ 67,401,394 |
| Sales tax | - | - | 32,878,673 |
| Intergovernmental: | | | |
| Federal | - | 2,291,923 | 6,271,006 |
| State | 35,874 | 4,185,217 | 9,597,696 |
| Investment earnings | 272,176 | 1,355,549 | 4,161,434 |
| Interest subsidy | - | 274,314 | 274,314 |
| Other revenues | 8,586 | 4,058,016 | 5,144,493 |
| Total revenues | <u>8,556,315</u> | <u>26,127,270</u> | <u>125,729,010</u> |
| Expenditures: | | | |
| General government | - | 2,139,543 | 17,348,916 |
| Solid waste | - | - | 7,512,059 |
| Public safety | - | 13,850,246 | 18,724,058 |
| Recreation | - | 2,134,981 | 2,134,981 |
| Education | - | 1,087,820 | 51,640,560 |
| Environmental protection | - | 2,448 | 2,448 |
| Roads and trails | 6,218,401 | 4,583,874 | 10,802,275 |
| Debt service: | | | |
| Principal | - | 3,575,000 | 3,575,000 |
| Interest and other | - | 2,101,138 | 2,101,138 |
| Total expenditures | <u>6,218,401</u> | <u>29,475,050</u> | <u>113,841,435</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,337,914</u> | <u>(3,347,780)</u> | <u>11,887,575</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 17,612,316 | 18,729,547 |
| Transfers out | (1,750,000) | (7,675,585) | (18,729,547) |
| Net other financing sources (uses) | <u>(1,750,000)</u> | <u>9,936,731</u> | <u>-</u> |
| Net change in fund balances | 587,914 | 6,588,951 | 11,887,575 |
| Fund balances at beginning of year | <u>3,986,641</u> | <u>34,194,849</u> | <u>75,625,724</u> |
| Fund balances at end of year | <u>\$ 4,574,555</u> | <u>\$ 40,783,800</u> | <u>\$ 87,513,299</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, 2019

Net change in fund balances - total governmental funds \$ 11,887,575

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

Governmental funds report capital outlays as expenditures.

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

| | | |
|--|---------------------|-------------|
| Expenditures for capital assets | \$ 2,942,032 | |
| Assets transferred from the Equipment Replacement Fund | 491,915 | |
| Less current year depreciation | <u>(10,399,512)</u> | (6,965,565) |

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position. 143,395

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

| | | |
|---|-----------------|-----------|
| Principal payments | 3,575,000 | |
| Net decrease in bond premium | 380,819 | |
| Net decrease in bond deferred loss on refunding | <u>(80,570)</u> | 3,875,249 |

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 | 53,999 | |
| Land sales | (107,800) | |
| Accrued interest subsidy | <u>(5,410)</u> | (59,211) |

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

| | | |
|-----------------------------------|------------------|-----------|
| Decrease in accrued interest | 64,171 | |
| Increase in landfill closure cost | <u>(950,788)</u> | (886,617) |

Changes related to net pension liability and related accounts can increase or decrease net position. This is the net increase in equity due to changes in net pension liability and the related deferred inflows and outflows. 2,923,906

Changes related to net OPEB liability and related accounts can increase or decrease net position. This is the net increase in equity due to changes in net OPEB liability and the related deferred inflows and outflows. 302,164

Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position of internal service funds is reported with governmental activities. (669,432)

Change in net position of governmental activities \$ 10,551,464

Kenai Peninsula Borough
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance |
|----------------------------------|-------------------------|-------------------|-------------------|--------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 40,139,265 | \$ 40,139,265 | \$ 40,234,341 | \$ 95,076 |
| Sales tax | 30,578,706 | 30,578,706 | 32,878,673 | 2,299,967 |
| Intergovernmental | 7,130,064 | 9,046,818 | 9,215,202 | 168,384 |
| Investment earnings | 685,000 | 685,000 | 1,984,315 | 1,299,315 |
| Other | 1,100,000 | 1,100,000 | 797,852 | (302,148) |
| Total revenues | <u>79,633,035</u> | <u>81,549,789</u> | <u>85,110,383</u> | <u>3,560,594</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Assembly: | | | | |
| Personnel | 915,086 | 928,331 | 848,487 | 79,844 |
| Supplies | 31,685 | 31,684 | 16,563 | 15,121 |
| Services | 510,114 | 498,647 | 422,576 | 76,071 |
| Capital outlay | 2,000 | 22,017 | 19,132 | 2,885 |
| Total assembly | <u>1,458,885</u> | <u>1,480,679</u> | <u>1,306,758</u> | <u>173,921</u> |
| Mayor: | | | | |
| Personnel | 716,258 | 739,343 | 698,283 | 41,060 |
| Supplies | 3,500 | 3,710 | 1,462 | 2,248 |
| Services | 60,300 | 58,890 | 49,510 | 9,380 |
| Capital outlay | 1,200 | 2,400 | 1,923 | 477 |
| Total mayor | <u>781,258</u> | <u>804,343</u> | <u>751,178</u> | <u>53,165</u> |
| Purchasing and contracting: | | | | |
| Personnel | 541,477 | 573,772 | 515,459 | 58,313 |
| Supplies | 6,666 | 8,766 | 3,600 | 5,166 |
| Services | 79,614 | 77,514 | 48,874 | 28,640 |
| Capital outlay | 4,900 | 4,900 | 3,894 | 1,006 |
| Total purchasing and contracting | <u>632,657</u> | <u>664,952</u> | <u>571,827</u> | <u>93,125</u> |
| Human resources: | | | | |
| Personnel | 863,518 | 884,969 | 760,730 | 124,239 |
| Supplies | 20,753 | 20,924 | 16,600 | 4,324 |
| Services | 155,984 | 150,596 | 133,997 | 16,599 |
| Capital outlay | 6,786 | 16,746 | 15,895 | 851 |
| Total human resources | <u>1,047,041</u> | <u>1,073,235</u> | <u>927,222</u> | <u>146,013</u> |
| Information technology: | | | | |
| Personnel | 1,613,320 | 1,669,358 | 1,550,725 | 118,633 |
| Supplies | 39,555 | 34,081 | 22,741 | 11,340 |
| Services | 361,843 | 342,817 | 292,880 | 49,937 |
| Capital outlay | 22,833 | 47,333 | 45,961 | 1,372 |
| Total information technology | <u>2,037,551</u> | <u>2,093,589</u> | <u>1,912,307</u> | <u>181,282</u> |
| Legal: | | | | |
| Personnel | 787,424 | 815,249 | 776,547 | 38,702 |
| Supplies | 2,950 | 2,300 | 1,630 | 670 |
| Services | 205,841 | 394,238 | 277,994 | 116,244 |
| Capital outlay | 800 | 900 | 761 | 139 |
| Total legal | <u>997,015</u> | <u>1,212,687</u> | <u>1,056,932</u> | <u>155,755</u> |
| Finance: | | | | |
| Personnel | 2,530,977 | 2,600,488 | 2,434,140 | 166,348 |
| Supplies | 15,650 | 16,241 | 15,606 | 635 |
| Services | 647,341 | 696,013 | 555,785 | 140,228 |
| Capital outlay | 2,975 | 8,258 | 7,401 | 857 |
| Total finance | <u>3,196,943</u> | <u>3,321,000</u> | <u>3,012,932</u> | <u>308,068</u> |

(Continued)

Kenai Peninsula Borough

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - continued

For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| | Original | Final | | |
| General government expenditures, continued: | | | | |
| Assessing: | | | | |
| Personnel | \$ 2,907,250 | \$ 3,001,138 | \$ 2,695,747 | \$ 305,391 |
| Supplies | 8,500 | 9,600 | 8,599 | 1,001 |
| Services | 360,002 | 357,427 | 323,612 | 33,815 |
| Capital outlay | 11,330 | 12,805 | 12,132 | 673 |
| Total assessing | <u>3,287,082</u> | <u>3,380,970</u> | <u>3,040,090</u> | <u>340,880</u> |
| Planning: | | | | |
| Personnel | 2,209,358 | 2,266,491 | 1,840,324 | 426,167 |
| Supplies | 52,250 | 50,910 | 24,369 | 26,541 |
| Services | 397,509 | 397,223 | 286,749 | 110,474 |
| Capital outlay | 14,500 | 21,526 | 19,911 | 1,615 |
| Total planning | <u>2,673,617</u> | <u>2,736,150</u> | <u>2,171,353</u> | <u>564,797</u> |
| Economic development: | | | | |
| Services | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Total economic development | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Non-departmental: | | | | |
| Personnel | 50,000 | 49,000 | 11,021 | 37,979 |
| Services | 41,075 | 41,075 | 146,786 | (105,711) |
| Capital | - | 1,000 | 966 | 34 |
| Total non-departmental | <u>91,075</u> | <u>91,075</u> | <u>158,773</u> | <u>(67,698)</u> |
| Total general government | <u>16,503,124</u> | <u>17,158,680</u> | <u>15,209,372</u> | <u>1,949,308</u> |
| Solid waste: | | | | |
| Personnel | 2,037,577 | 2,082,536 | 1,965,531 | 117,005 |
| Supplies | 334,782 | 364,857 | 344,989 | 19,868 |
| Services | 3,644,193 | 3,630,990 | 3,487,230 | 143,760 |
| Capital outlay | - | 2,816 | 2,816 | - |
| Total solid waste | <u>6,016,552</u> | <u>6,081,199</u> | <u>5,800,566</u> | <u>280,633</u> |
| Public safety: | | | | |
| Personnel | 516,929 | 533,521 | 484,762 | 48,759 |
| Supplies | 23,800 | 20,300 | 19,513 | 787 |
| Services | 245,906 | 240,795 | 182,618 | 58,177 |
| Capital outlay | 14,346 | 22,957 | 18,219 | 4,738 |
| Total public safety | <u>800,981</u> | <u>817,573</u> | <u>705,112</u> | <u>112,461</u> |
| Education: | | | | |
| School District contributions | 49,738,432 | 49,738,432 | 49,738,432 | - |
| Post secondary education | 820,685 | 817,755 | 814,308 | 3,447 |
| Total education | <u>50,559,117</u> | <u>50,556,187</u> | <u>50,552,740</u> | <u>3,447</u> |
| Total expenditures | <u>73,879,774</u> | <u>74,613,639</u> | <u>72,267,790</u> | <u>2,345,849</u> |
| Excess of revenues over expenditures | <u>5,753,261</u> | <u>6,936,150</u> | <u>12,842,593</u> | <u>5,906,443</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(5,704,543)</u> | <u>(7,079,543)</u> | <u>(8,739,981)</u> | <u>(1,660,438)</u> |
| Total other financing sources (uses) | <u>(5,704,543)</u> | <u>(7,079,543)</u> | <u>(8,739,981)</u> | <u>(1,660,438)</u> |
| Net changes in fund balance | 48,718 | (143,393) | 4,102,612 | 4,246,005 |
| Fund balance at beginning of year | <u>22,799,999</u> | <u>22,799,999</u> | <u>22,799,999</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 22,848,717</u> | <u>\$ 22,656,606</u> | <u>\$ 26,902,611</u> | <u>\$ 4,246,005</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Nikiski Fire Service Area Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 4,918,960 | \$ 4,918,960 | \$ 4,914,231 | \$ (4,729) |
| Motor vehicle tax | 54,093 | 54,093 | 50,892 | (3,201) |
| Intergovernmental: | | | | |
| Federal | - | 13,185 | 13,185 | - |
| State | - | 116,066 | 127,301 | 11,235 |
| Investment earnings | 48,767 | 48,767 | 218,475 | 169,708 |
| Other revenues | <u>300,000</u> | <u>300,000</u> | <u>280,039</u> | <u>(19,961)</u> |
| Total revenues | <u>5,321,820</u> | <u>5,451,071</u> | <u>5,604,123</u> | <u>153,052</u> |
| Expenditures: | | | | |
| Public safety: | | | | |
| Personnel | 3,477,082 | 3,593,148 | 3,235,095 | 358,053 |
| Supplies | 287,500 | 287,500 | 177,942 | 109,558 |
| Services | 760,334 | 760,479 | 643,050 | 117,429 |
| Capital outlay | <u>162,975</u> | <u>169,375</u> | <u>112,613</u> | <u>56,762</u> |
| Total expenditures | <u>4,687,891</u> | <u>4,810,502</u> | <u>4,168,700</u> | <u>641,802</u> |
| Excess (deficiency) of revenues over expenditures | <u>633,929</u> | <u>640,569</u> | <u>1,435,423</u> | <u>794,854</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(563,981)</u> | <u>(563,981)</u> | <u>(563,981)</u> | <u>-</u> |
| Net change in fund balance | 69,948 | 76,588 | 871,442 | 794,854 |
| Fund balance at beginning of year | <u>3,403,196</u> | <u>3,403,196</u> | <u>3,403,196</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,473,144</u> | <u>\$ 3,479,784</u> | <u>\$ 4,274,638</u> | <u>\$ 794,854</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Road Service Area Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 8,118,016 | \$ 8,118,016 | \$ 8,099,643 | \$ (18,373) |
| Motor vehicle tax | 144,363 | 144,363 | 140,036 | (4,327) |
| Intergovernmental: | | | | |
| State | - | 35,874 | 35,874 | - |
| Investment earnings | 41,288 | 41,288 | 272,176 | 230,888 |
| Other revenues | - | - | 8,586 | 8,586 |
| Total revenues | <u>8,303,667</u> | <u>8,339,541</u> | <u>8,556,315</u> | <u>216,774</u> |
| Expenditures: | | | | |
| Roads and trails: | | | | |
| Personnel | 1,085,356 | 1,123,230 | 949,858 | 173,372 |
| Supplies | 78,250 | 78,250 | 50,080 | 28,170 |
| Services | 5,219,105 | 5,282,442 | 5,216,563 | 65,879 |
| Capital outlay | <u>2,500</u> | <u>2,500</u> | <u>1,900</u> | <u>600</u> |
| Total expenditures | <u>6,385,211</u> | <u>6,486,422</u> | <u>6,218,401</u> | <u>268,021</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,918,456</u> | <u>1,853,119</u> | <u>2,337,914</u> | <u>484,795</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(1,750,000)</u> | <u>(1,750,000)</u> | <u>(1,750,000)</u> | <u>-</u> |
| Net change in fund balance | 168,456 | 103,119 | 587,914 | 484,795 |
| Fund balance at beginning of year | <u>3,986,641</u> | <u>3,986,641</u> | <u>3,986,641</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,155,097</u> | <u>\$ 4,089,760</u> | <u>\$ 4,574,555</u> | <u>\$ 484,795</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Proprietary Funds
Statement of Net Position
June 30, 2019

| | Governmental Activities Internal Service Funds |
|---|---|
| | |
| Assets | |
| Current assets: | |
| Cash and short-term investments | \$ 69,975 |
| Equity in central treasury | 15,545,112 |
| | 15,615,087 |
| Other receivables | 162,478 |
| Total current assets | 15,777,565 |
| Capital assets: | |
| Equipment | 2,416,644 |
| Less accumulated depreciation | (808,757) |
| Total capital assets (net of accumulated depreciation) | 1,607,887 |
| Total assets | 17,385,452 |
| Liabilities | |
| Current liabilities: | |
| Accounts and contracts payable | 140,939 |
| Accrued payroll and payroll benefits | 9,055 |
| Claims payable | 3,062,132 |
| Compensated absences | 728,330 |
| Total current liabilities | 3,940,456 |
| Noncurrent liabilities - Compensated absences | 2,184,989 |
| Total liabilities | 6,125,445 |
| Net Position | |
| Investment in capital assets | 1,607,887 |
| Unrestricted | 9,652,120 |
| Total net position | \$ 11,260,007 |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2019

| | Governmental Activities Internal Service Funds |
|--|---|
| | |
| Operating revenues: | |
| Charges for sales and services | \$ 13,783,317 |
| Intergovernmental state revenues - PERS on-behalf contribution | <u>12,521</u> |
| Total operating revenues | <u>13,795,838</u> |
| Operating expenses: | |
| Administrative services | 3,215,548 |
| Insurance premiums | 2,791,383 |
| Self-insured losses | 8,020,971 |
| Depreciation | <u>490,349</u> |
| Total operating expenses | <u>14,518,251</u> |
| Operating income (loss) | <u>(722,413)</u> |
| Non-operating revenues (expense): | |
| Investment earnings | 506,885 |
| Gain (loss) on disposal of assets | (491,916) |
| Other | <u>38,012</u> |
| Net non-operating revenues (expense) | <u>52,981</u> |
| Change in net position | (669,432) |
| Net position at beginning of year | <u>11,929,439</u> |
| Net position at end of year | <u>\$ 11,260,007</u> |

Kenai Peninsula Borough
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

| | Governmental Activities Internal Service Funds |
|---|---|
| | |
| Cash flows from operating activities: | |
| Receipts from interfund services provided | \$ 13,783,317 |
| Payments to suppliers | (10,849,382) |
| Payments to employees | (2,665,979) |
| Other program revenue - PERS on-behalf | 12,521 |
| Net cash provided by operating activities | 280,477 |
| Cash flows for capital and related financing activities: | |
| Purchase of capital assets | (752,306) |
| Insurance proceeds received for liability claim | 38,012 |
| Net cash provided by capital and related financing activities | (714,294) |
| Cash flows from investing activities: | |
| Investment earnings | 506,885 |
| Net increase in cash and cash equivalents | 73,068 |
| Cash and cash equivalents at beginning of year | 15,542,019 |
| Cash and cash equivalents at end of year | \$ 15,615,087 |
| Reconciliation of cash and cash equivalents to Statement of Net Position: | |
| Cash and short-term investments | 69,975 |
| Equity in central treasury | 15,545,112 |
| Cash and cash equivalents, end of year | \$ 15,615,087 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (722,413) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 490,349 |
| Change in assets and liabilities: | |
| (Increase) decrease in prepaids | 79,104 |
| (Increase) decrease in other receivables | 205,657 |
| Increase (decrease) in accounts and contracts payable | (102,917) |
| Increase (decrease) in accrued payroll and payroll benefits | 3,710 |
| Increase (decrease) in claims payable | 299,184 |
| Increase (decrease) in compensated absences | 27,803 |
| Total adjustments | 1,002,890 |
| Net cash provided (used) by operating activities | \$ 280,477 |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
 Fiduciary Funds
 Statement of Fiduciary Fund Assets & Liabilities
 June 30, 2019

| | Agency Funds |
|-------------------------------|-------------------------|
| <u>Assets</u> | |
| Equity in central treasury | \$ 885,974 |
| Taxes receivable | 146,104 |
| Due from landowners | 1,031,442 |
| Total assets | \$ 2,063,520 |
| <u>Liabilities</u> | |
| Administration fee payable | 80,972 |
| Due to landowners | 409,854 |
| Loans payable | 1,141,486 |
| Due to other entities: | |
| City of Homer | 77,450 |
| City of Kachemak City | 2,026 |
| City of Kenai | 275,685 |
| City of Seldovia | 14,189 |
| City of Seward | 30,251 |
| City of Soldotna | 31,607 |
| Total liabilities | \$ 2,063,520 |

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INDEX TO NOTES

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

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Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2019

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Discretely Presented Component Units

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

The School District is governed by an independently elected board; however the School District is fiscally dependent on the primary government because the Borough Assembly approves the total budget of the School District, approves the tax levy to support the budget, approves and pays any debt issuance and the Borough retains all ownership of real property. Complete financial statements of the School District can be obtained from the School District's Business Office at 148 N. Binkley, Soldotna, Alaska, 99669; phone number (907) 714-8888.

South Peninsula Hospital and Central Peninsula Hospital are each governed by independently elected boards; however, they are also fiscally dependent on the primary government because the Assembly approves the service area budget, approves the tax levy to support the budget and must approve any debt issuance. A financial benefit and burden relationship exists as well for both hospitals; the Borough is entitled to the hospital resources and assets as owners of the hospitals as well as an obligation to assume the debt of the organization, upon default. Separate financial statements can be obtained at South Peninsula Hospital, 4300 Bartlett, Homer, Alaska, 99603 and at Central Peninsula Hospital, 250 Hospital Place, Soldotna, Alaska, 99669.

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

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The remaining governmental funds are aggregated and reported as other governmental funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Major revenues susceptible to accrual include sales tax and property taxes levied and due in the current year even though a portion of the taxes may be collected in the subsequent year. Penalty on sales taxes and interest on delinquent taxes are considered measurable when paid and are recognized as revenue at that time. Intergovernmental revenues received as reimbursement for specific purposes or projects are recognized in the period the expenditures are incurred. Intergovernmental

revenue received but not yet earned is recorded as unearned revenue. Property taxes received prior to the period for which they are used are recorded as deferred inflows of resources. In subsequent periods, when the Borough has legal claim to the resources, the liability for deferred inflows is removed from the balance sheet and revenue is recognized. Revenue from land sale contracts receivable is deferred until the receivables are collected. Expenditures are recorded when the fund liability is incurred. The exceptions to this general rule are principal and interest on general long-term debt which is recognized when due and compensated absences, pensions, and other post-employment benefits.

The Borough reports the following major governmental funds:

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

The Solid Waste Capital Project Fund accounts for unspent bond proceeds, operating transfers in, interest earnings, and acquisition and construction of major capital facilities of the solid waste program.

The Nikiski Fire Service Area Special Revenue Fund accounts for property taxes, intergovernmental revenues, interest earnings, other revenues - ambulance fees, and operating expenditures of the Nikiski Fire Service Area.

The Road Service Area Special Revenue Fund accounts for property taxes, intergovernmental revenues, interest earnings, other revenues - ambulance fees, and operating expenditures of the Road Service Area.

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

Additionally, the Borough reports the following fund types:

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

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

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

D. Assets, Liabilities, Fund Balance and Net Position

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds, the School District, CPH and SPH 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. At June 30, 2019, investments for the government, as well as for its component units, are reported at fair value.

The Borough Code of Ordinances authorizes investment in obligations of the U. S. Treasury, its

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

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

"Cash and Short-Term Investments" is used to account for petty cash, cash held in bank accounts and investments for certain Borough Funds, School District Funds and Hospitals.

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

For purposes of the statements of cash flows for the Internal Service Funds, the Borough has defined cash as the demand deposits and all investments maintained in the central treasury (regardless of maturity period), because the funds use the pool essentially as a demand deposit account.

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 2.5% of the current year personal property tax levy.

3. Inventories

The Borough maintains custody of the maintenance inventory reported on the School District financial statements. These inventories consist of expendable supplies, to repair and maintain schools or other district locations. The cost of inventory items is included in expenditures when issued to schools from the central warehouse or issued for consumption.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items. Prepaids are recognized when incurred and the expenditure is recorded in the period that is benefited using the consumption method.

5. Restricted Assets

Restricted cash and investments are held in capital project funds and are restricted because their use is limited by bond covenant.

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 columns in the government-wide financial statements. The Borough has established a capitalization threshold of

\$5,000. Only infrastructure assets acquired by the Borough after July 1, 1980, are reported. All purchased capital assets are valued at historical cost. Donated works of art and similar items are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related asset. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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

7. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation. Accumulated vacation may be received in cash, subject to certain restrictions. The obligation of accumulated unpaid personal leave amounts to \$2,913,319 at June 30, 2019. Of the total accumulated unpaid vacation at June 30, 2019, \$728,330 is expected to be paid out within one year; this is an increase of \$6,951 from June 30, 2018. 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 \$216,001 at June 30, 2019, a decrease of \$48,339 from June 30, 2018.

8. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which approximates 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 and Fund Balance Flow Assumptions

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

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

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

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

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

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

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

10. Minimum Fund Balance Policy

In 2001, the Kenai Peninsula Borough Assembly established a formal fund balance policy affecting the General Fund, annually budgeted special revenue funds and general government capital project funds. The policy is established for the purpose of maintaining the Borough’s credit worthiness, providing liquidity and protecting essential Borough programs and requirements during periods of economic downturn or catastrophic loss. The policy sets both minimum and maximum levels and are reported as assigned unrestricted fund balance; these commitments can only be changed or lifted by the Assembly taking the same formal action that imposed the constraint originally, which was approved by Resolution 2001-045 and later updated by Resolution 2017-031.

11. Net Position and Net Position Flow Assumptions

Net position represents the residual interest in the Borough’s assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets include capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct, or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Sometimes the Borough will fund outlays for a purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough’s policy to consider restricted net position to have been developed before unrestricted net position is applied.

12. Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position or fund balance that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. A deferred inflow of resources represents an acquisition of net position or fund balance that applies to futures period(s) and will not be recognized as an inflow of resources (revenues) until that time. In the government-wide statements deferred outflows of resources consist of deferred charges on debt refundings as well as certain pension and OPEB related accounts. Deferred inflows of resources reported on the government wide statements consist of property taxes received in advance as well as certain pension and OPEB related accounts, while, deferred inflows of resources reported on the governmental funds consist of long-term payments due (assessments).

13. 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, 2019 were:

| Description/Program | <u>Major Funds</u> | <u>Nonmajor</u> |
|--|---|--------------------------|
| | <u>Solid Waste Capital Project Fund</u> | <u>Other Gov't Funds</u> |
| Public Safety Facilities and equipment | \$ - | \$ 994,448 |
| Roads/paths construction and upgrades | - | 2,422,854 |
| Solid waste facilities | <u>713,195</u> | <u>-</u> |
| Total | \$ <u>713,195</u> | \$ <u>3,417,302</u> |

14. Pensions and Other Post Employment Benefits (OPEB)

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

15. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

Before May 15th of each year, the Borough Mayor submits to the Borough Assembly a proposed budget for the next fiscal year of the Borough. The Assembly then conducts public hearings to obtain taxpayer comment. These budgets are legally enacted by passage of an ordinance and the mill levies are established. Alaska law mandates that tax levies be adopted no later than midnight of June 14 each year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except certain special revenue funds which are grant and project funded and capital project funds, which adopt project-length budgets. Special revenue funds that are not budgeted for are the Land Trust Investment Fund, Environmental Protection Program Fund, Disaster Relief Fund, and Miscellaneous Grants Fund. All annual appropriations lapse at fiscal yearend.

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

The legal level of control is at the fund level. The Mayor may transfer unencumbered balances within a fund, which is then reported to the Assembly on a monthly basis. After the initial introduction at any meeting of the assembly of an ordinance, other than an emergency ordinance or one that adds to, amends, or repeals any provision in the Kenai Peninsula Borough Code, at least 13 days shall be allowed to pass before the public hearing and Assembly vote occurs. For ordinances that add to, amend, or repeal any provision in the Kenai Peninsula Borough Code, at least 25 days shall be allowed to pass before the public hearing and Assembly vote occurs. Emergency appropriations to meet public emergencies affecting life, health, welfare, or property may be made by the Assembly by ordinance without notice of public hearing. An emergency appropriation is effective for 60 days.

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

III – Detailed Notes on all Funds

A. Deposit and Investment Risk Disclosure

As of June 30, 2019, the Borough, School District, CPH and SPH’s investments were as follows:

| Investment Type | Fair Value* | Fixed Income Investment Maturities (in years) | | |
|---|-----------------------|---|----------------------|----------------------|
| | | Less than 1 | 1-3 | 3-5 |
| Central Treasury | | | | |
| Unrestricted: | | | | |
| Money Market Funds | \$ 11,843,766 | \$ 11,843,766 | \$ - | \$ - |
| Repurchase Agreements | 11,474,296 | 11,474,296 | - | - |
| U.S. Treasuries | 22,724,369 | - | 22,724,369 | - |
| U.S. Agencies | 27,089,039 | - | 15,142,532 | 11,946,507 |
| Asset-Backed Securities** | 7,164,591 | - | 3,748,002 | 3,416,589 |
| Municipal Bonds | 23,927,162 | 8,645,884 | 12,804,029 | 2,477,249 |
| Corporate Fixed Income Bonds | 49,807,797 | 24,477,145 | 19,644,733 | 5,685,919 |
| | <u>\$ 154,031,020</u> | <u>\$ 56,441,091</u> | <u>\$ 74,063,665</u> | <u>\$ 23,526,264</u> |
| Central Treasury–Restricted: | | | | |
| Money Market Funds | 1,344,608 | 1,344,608 | - | - |
| Repurchase Agreements | 18,919,498 | 18,919,498 | - | - |
| AMLIP | 31,840,820 | 30,840,820 | - | - |
| U.S. Treasuries | 10,612,603 | 10,612,603 | - | - |
| U.S. Agencies | 7,586,351 | 7,586,351 | - | - |
| | <u>\$ 70,303,880</u> | <u>\$ 70,303,880</u> | <u>-</u> | <u>-</u> |
| Total Central Treasury Investments | <u>\$ 224,334,900</u> | <u>\$ 126,744,971</u> | <u>\$ 74,063,665</u> | <u>\$ 23,526,264</u> |
| Land Trust Investment Fund (LTIF)–Restricted: | | | | |
| Money Market Funds | 333,579 | 333,579 | | |
| U.S. Fixed Income | 1,351,964 | 1,351,964 | | |
| TIPS | 540,054 | 540,054 | | |
| International Bonds | 216,307 | 216,307 | | |
| Equities | 2,547,914 | 2,547,914 | | |
| Alternatives/real assets | 427,167 | 427,167 | | |
| Total LTIF Cash and Investments | <u>\$ 5,416,985</u> | <u>\$ 5,416,985</u> | | |
| Total Central Treasury & LTIF Investments | <u>\$ 229,751,885</u> | <u>\$ 132,161,956</u> | <u>\$ 74,063,665</u> | <u>\$ 23,526,264</u> |

*Market value plus accrued income.

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

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

The Land Trust Investment Fund “(LTIF)” was established through Ordinance 2018-29 in September 2018, KPB 5.20.080. A transfer of \$5,275,000 from the Land Trust Fund established the initial principle investment in the fund. The financial assets of the Land Trust Investment Fund are essentially an endowment intended to preserve the value of land assets that are sold and to generate investment income to support and supplement the operating revenue of the Land Trust Fund and for other uses as determined by the Assembly.

Fair Value Measurement: The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Borough has the following recurring fair value measurements as of June 30, 2019:

Investments Measured at Fair Value

| Investments by Fair Value Level | Fair Value | Fair Value Measurement Using | | |
|--|-----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money Market | \$ 13,521,952 | \$ 12,177,345 | \$ 1,344,607 | \$ - |
| U.S. Treasuries | 33,336,972 | 33,336,972 | - | - |
| U.S. Agencies | 34,675,391 | - | 34,675,391 | - |
| Asset-Backed Securities | 7,164,591 | - | 7,164,591 | - |
| Municipal Bonds | 23,927,162 | - | 23,927,162 | - |
| Corporate Bonds | 49,807,797 | - | 49,807,797 | - |
| U.S. Fixed Income | 1,351,964 | 1,351,964 | - | - |
| TIPS | 540,054 | 540,054 | - | - |
| International Bonds | 216,307 | 216,307 | - | - |
| Equities | 2,547,914 | 2,547,914 | - | - |
| Alternatives/real assets | 427,167 | 427,167 | - | - |
| Total Investments at fair value level | 167,517,271 | \$ 50,597,723 | \$ 116,919,648 | \$ - |
| AMLIP * | 31,840,820 | | | |
| Repurchase Agreements | 30,393,794 | | | |
| Total Central Treasury and LTIF investments | \$ 229,751,885 | | | |

* The Borough's investment in AMLIP is measured at amortized cost, as of June 30, 2019. Management believes these values approximate fair value.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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% | 54% |
| One to Three Years | 30% | 25% |
| Three to Five Years | 30% | 21% |

The fair values of the Borough's Land Trust Investment Fund fixed income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. Duration of a financial asset measures the sensitivity of the asset's price to changes in interest rates. The benchmark index for the US fixed income component of the fund is the Bloomberg Barclays US Aggregate Bond Index or a substantially similar index for the benchmark. The index allows for maturities greater than 1 year. At June 30, 2019 the index had an average duration of 5.73 while the fund's fixed income component had an average duration of 5.69.

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The Borough invests in securities issued by U.S. Government Agencies and highly rated corporate issuers that may contain call options or variable rate features. As of June 30, 2019, about \$2 million or .01% of the portfolio securities contain call options and about \$1.54 million or .008% of the portfolio securities have variable rate features. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates. Three agency mortgage backed securities have a variable rate feature in which the rate remains fixed until a time when certain events could transpire. The coupon rate established at the time the security was structured is based on the blended rate of the underlying mortgage loans that were pooled together to make the security. The pool of loans contains underlying mortgages at different rates of interest. If a majority of the higher interest rate loans were paid off at a faster pace than the lower interest rate loans, to the point that the coupon rate of the security would no longer be able to support the stated blended rate of the underlying mortgage loans, then the coupon would be adjusted lower to reflect the lower income stream on the remaining mortgage loans. The adjustment, if it were to occur, would be relatively minor and is probably unlikely.

| <u>Investment</u> | <u>Rate</u> | <u>Type of Option</u> | <u>Original Maturity</u> | <u>Next Call Date</u> |
|----------------------------|-------------|-----------------------|--------------------------|-----------------------|
| Federal Home Bank | 2.7% | One-time call | July 30, 2021 | January 30, 2020 |
| Federal National Mtg Assn | 2.678% | Variable rate | May 25, 2021 | n/a |
| Federal National Mtg Assn | 2.509% | Variable rate | July 25, 2022 | n/a |
| Federal Home Loan Mtg Assn | 2.566% | Variable rate | September 25, 2020 | n/a |

Concentration of Credit Risk: The Borough's investment policy limits the amount that can be invested in a security based on the type. The Borough had one issuer in the U.S. Agencies investment type that represents 5% or more of the total investments other than explicitly guaranteed U.S. government securities. GASB Statement No. 40, "Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3" requires disclosure when 5% or more is invested in any one issuer. The investment in the Federal National Mortgage Association is 7.16% of the 14.0% of the U.S. Agencies investment type. 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, 2019</u> |
|--|--|---|-------------------------------------|
| U.S. Treasury Securities | 100% | 5 years | 16.2% |
| U.S. Agencies | 100% | 5 years | 14.0% |
| Corporate Bonds | 50% | 5 years | 14.1% |
| Municipal Bonds | 25% | 5 years | 22.2% |
| Repurchase agreements | 20% | n/a | 13.5% |
| Money Market Funds | 20% | n/a | 5.8% |
| AMLIP | 20% | n/a | 14.2% |
| 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% |

The following is a list of asset classes allowed for the Land Trust Investment Fund, their benchmark index, their appropriate target weighting, minimum, maximum, and the actual weighting at June 30, 2019.

| <u>Asset Class</u> | <u>Target % Weighting</u> | <u>Minimum % Weighting</u> | <u>Maximum</u> | <u>Actual % Weighting</u> |
|--------------------------------|---------------------------|----------------------------|----------------|---------------------------|
| FIXED INCOME | 45% | | | |
| Cash | 5% | 0% | 10% | 6.1% |
| U.S. Fixed Income | 25% | 15% | 35% | 25.0% |
| TIPS | 10% | 5% | 15% | 10.0% |
| International Bonds | 5% | 0% | 10% | 4.0% |
| EQUITY | 47% | | | |
| U.S. Large-Cap Equity | 22% | 12% | 32% | 21.8% |
| U.S. Mid-Cap Equity | 7% | 0% | 15% | 7.1% |
| U.S. Small-Cap Equity | 3% | 0% | 6% | 3.1% |
| International Developed Equity | 10% | 5% | 15% | 10.0% |
| Emerging Markets Equity | 5% | 0% | 10% | 5.0% |
| ALTERNATIVES | 8% | | | |
| Real Estate | 2% | 0% | 5% | 1.9% |
| Infrastructure | 3% | 0% | 6% | 3.0% |
| Commodities | 3% | 0% | 6% | 3.0% |

Credit 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, 2019 the Borough's investments in money market funds, corporate bonds, municipal bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

| Moody's | | S & P | |
|------------|-------------|------------|-------------|
| Aaa | 54% | AAA | 22% |
| Aa | 21% | AA | 50% |
| A | 5% | A | 6% |
| Not rated* | 20% | Not Rated* | 22% |
| | <u>100%</u> | | <u>100%</u> |

*Collateralized

The Bloomberg Barclays US Aggregate Bond Index is utilized as the benchmark by the Borough's Land Trust Investment Fund investment policy, which requires investment in securities of investment grade or higher (rated Baa or higher by Moody's Investor Service or rated BBB or higher by Standard and Poor's). At June 30, 2019 all fixed income investments were rated BBB or better by Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. To limit custodial credit risk, it is the Borough's policy to collateralize all monies deposited in excess of the FDIC limit. All pledged collateral for the Kenai Peninsula Borough must be held in a collateral custodian account of the Kenai Peninsula Borough under a formal tri-party agreement. Of the Borough's \$30.4 million in repurchase agreements at June 30, 2019, \$30.15 million of underlying securities are pledged to the Borough by the Bank. This collateral is owned by the Bank and held by the third-party custodian. The remaining balance of \$.25 million is in the Borough's overnight sweep account and the funds have not been posted to the Borough's bank account. When received, the funds will be collateralized. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000.

Cash and short-term investment balances at June 30, 2019, consisted of the following:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--|------------------------|---------------------|
| Cash and short-term investments held in central treasury: | | |
| Checking accounts: | | |
| Primary Government | \$ (1,140,751) | \$ 253,864 |
| Discretely Presented Component Unit (School District) | (2,062,135) | - |
| Total cash and short-term investments held in central treasury | <u>(3,202,886)</u> | <u>253,864</u> |
| Other cash and investments: | | |
| Checking and savings accounts: | | |
| Primary Government | 140,050 | 141,287 |
| Cash on hand: | | |
| Primary Government | <u>2,110</u> | <u>-</u> |
| Total other cash and short-term investments | <u>142,160</u> | <u>141,287</u> |
| Total cash and short-term investments | \$ <u>(3,060,726)</u> | \$ <u>395,151</u> |

The following is a summary of equity in central treasury and investments at June 30, 2019:

| | | |
|---|----|----------------------|
| General Fund (major fund) | \$ | 22,866,941 |
| Special revenue funds (major funds) | | 14,495,939 |
| Special revenue funds | | 16,466,933 |
| Capital projects funds (major fund) | | 9,997,147 |
| Capital project funds | | 19,214,129 |
| Capital project funds – Restricted (major fund) | | 1,092,524 |
| Capital project funds – Restricted | | 2,412,604 |
| Internal service funds | | <u>15,545,112</u> |
| Total Governmental Activities equity in central treasury | \$ | <u>102,091,329</u> |
| Fiduciary funds | \$ | 885,974 |
| <u>Discretely Presented Component Units</u> | | |
| School District agency funds | \$ | 3,002,641 |
| School District | | 36,757,568 |
| Central Peninsula Hospital | | 4,727,809 |
| Central Peninsula Hospital – Restricted assets | | 16,930,295 |
| Central Peninsula Hospital – Assets whose use is limited | | 46,408,939 |
| South Peninsula Hospital | | 6,867,941 |
| South Peninsula Hospital – Restricted assets | | 86,148 |
| South Peninsula Hospital – Assets whose use is limited | | <u>3,373,370</u> |
| Total equity in central treasury | \$ | <u>221,132,014</u> |
| The equity in central treasury consists of the following: | | |
| Cash and short-term investments | \$ | (3,202,886) |
| Investments | | <u>224,334,900</u> |
| | \$ | <u>221,132,014</u> |
| Calculation of the net increase (decrease) in the fair value of investments-aggregate method: | | |
| Fair value at June 30, 2019 | \$ | 224,334,900 |
| Add: cost of investments sold/called/matured in FY2019 | | 102,087,194 |
| Less: cost of investments purchased in FY2019 | | (107,568,781) |
| Less: fair value at June 30, 2018 | | <u>(215,269,018)</u> |
| Change in fair value of investments | \$ | <u>3,584,295</u> |

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B. Property Taxes

The Borough bills and collects its own property taxes as well as those of the cities within the Borough. The taxes collected on behalf of the Borough cities are recorded in the Fiduciary Tax Agency Fund. Beginning with FY1989, the Borough contracted with the State of Alaska for collection of the tax on motor vehicles. This contract allows the State to collect taxes according to a prescribed schedule of values at the time of registration of an individual's motorized vehicle. The State then remits to the Borough the total collections less an 8% service fee.

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

The Borough also collects its own sales tax as well as that of the cities within the Borough. The Borough-wide sales tax rate is 3%, while the city rates vary from 2% - 4.5%. The sales tax collections for Borough cities are recorded in the Fiduciary Tax Agency Fund.

Property Tax Calendar

| | | | |
|------------------|------------------------------|----------------------------|------------------|
| Assessment date | January 1, 2018 | Total taxes are due | October 15, 2018 |
| Levy date | Not later than June 15, 2018 | Penalties & interest added | October 17, 2018 |
| Tax bills mailed | Not later than July 1, 2018 | Lien date | April 15, 2019 |

Property taxes levied for the current year are recognized as revenues, even though a portion is collected in the period subsequent to the year end. The Borough's property tax collection records show that approximately 97% 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.

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C. Receivables

Receivables at June 30, 2019 for the government’s individual major funds and proprietary funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Major funds | | | Nonmajor | Internal Service Funds | Total |
|--------------------------------------|-----------------------|---|---|-------------------------------------|---------------------------------------|---------------------|
| | <u>General</u> | <u>Nikiski Fire Service Area</u> | <u>Road Service Area</u> | <u>Other Gov’t Funds</u> | | |
| Taxes | \$ 7,514,930 | \$ 90,707 | \$ 192,756 | \$ 257,694 | \$ - | \$ 8,056,087 |
| Accounts and other receivables | 184,691 | 68,759 | 658 | 381,616 | 162,478 | 798,202 |
| Note receivable | 3,678,414 | - | - | - | - | 3,678,414 |
| Land sale contracts | - | - | - | 677,261 | - | 677,261 |
| Special assessment districts | 1,084,464 | - | - | - | - | 1,084,464 |
| Intergovernmental | <u>1,058,966</u> | <u>42,717</u> | <u>46,184</u> | <u>1,644,203</u> | <u>-</u> | <u>2,792,070</u> |
| Total receivables | 13,521,465 | 202,183 | 239,598 | 2,960,774 | 162,478 | 17,086,98 |
| Less allowance for uncollectibles | <u>(27,460)</u> | <u>(5,105)</u> | <u>(3,963)</u> | <u>(5,299)</u> | <u>-</u> | <u>(41,827)</u> |
| | <u>\$13,494,005</u> | <u>\$ 197,078</u> | <u>\$ 235,635</u> | <u>\$2,955,475</u> | <u>\$ 162,478</u> | <u>\$17,044,671</u> |

City of Homer Note Receivable

In FY2013, a loan agreement was executed between the Kenai Peninsula Borough and the City of Homer in the not-to-exceed amount of \$12.7 million to finance the design and construction of a natural gas distribution improvement project in the City of Homer. As of June 30, 2019, the principal balance due is \$3,559,818 with accrued interest of \$118,596. The principal amount due within one year is \$540,156.

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D. Deferred Inflows of Resources, Deferred Outflows of Resources and Unearned Revenues

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds and the government-wide statements report unearned revenue in connection with resources that have been received, but not yet earned. The government-wide statements report deferred outflow of resources in connection with deferred losses on bond refundings. The government-wide statements also report deferred outflows of resources and deferred inflows of resources for pension and OPEB related items. At June 30, 2019, the various components of unearned revenue, deferred inflows, and deferred outflows of resources reported in the governmental funds and government-wide statements were as follows:

| | Government-Wide | | | Fund Level | |
|--|---------------------|---------------------|-------------------|---------------------|-------------------|
| | Deferred Outflows | Deferred Inflows | Unearned | Deferred Inflows | Unearned |
| Unamortized deferred loss | \$ 298,478 | \$ - | \$ - | \$ - | \$ - |
| Pension and OPEB related | 7,285,421 | 3,835,247 | - | - | - |
| Property taxes receivable (General Fund) | - | - | - | 849,329 | - |
| Prepaid property tax (General Fund) | - | 7,431,569 | - | 7,431,569 | - |
| Property taxes receivable (Nikiski Fire Service Area) | - | - | - | 82,703 | - |
| Prepaid property tax (Nikiski Fire Service Area) | - | 3,049,113 | - | 3,049,113 | - |
| Property taxes receivable (Road Service Area) | - | - | - | 176,424 | - |
| Prepaid property tax (Road Service Area) | - | 2,110,682 | - | 2,110,682 | - |
| Property taxes receivable (nonmajor gov't funds) | - | - | - | 231,252 | - |
| Prepaid property tax (nonmajor gov't funds) | - | 2,202,888 | - | 2,202,888 | - |
| Miscellaneous prepaid (General Fund) | - | - | 3,230 | - | 3,230 |
| Land sale receivables (nonmajor governmental funds) | - | - | - | 677,261 | - |
| Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds) | - | - | 204,560 | - | 204,560 |
| | <u>\$ 7,583,899</u> | <u>\$18,629,499</u> | <u>\$ 207,790</u> | <u>\$16,811,221</u> | <u>\$ 207,790</u> |

E. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| Governmental Activities: | Balance <u>July 1, 2018</u> | Additions/ <u>Transfers</u> | Deductions/ <u>Transfers</u> * | Balance <u>June 30, 2019</u> |
|--|--|--|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 70,990,307 | \$ 144,624 | \$ (16,853) | \$ 71,118,078 |
| Construction in progress | <u>9,106,693</u> | <u>2,567,161</u> | <u>(5,852,644)</u> | <u>5,821,210</u> |
| Total capital assets, not being depreciated | <u>80,097,000</u> | <u>2,711,785</u> | <u>(5,869,497)</u> | <u>76,939,288</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 302,381,270 | 5,852,644 | - | 308,233,914 |
| Improvements other than buildings | 93,192,618 | 148,100 | - | 93,340,718 |
| Machinery and equipment | 42,239,523 | 914,913 | (863,663) | 42,290,773 |
| Infrastructure | <u>18,707,337</u> | <u>76,164</u> | <u>-</u> | <u>18,783,501</u> |
| Total capital assets being depreciated | <u>456,520,748</u> | <u>6,991,821</u> | <u>(863,663)</u> | <u>462,648,906</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (210,451,979) | (5,378,383) | - | (215,830,362) |
| Improvements other than buildings | (65,209,415) | (2,345,131) | 2 | (67,554,544) |
| Machinery and equipment | (30,281,684) | (2,685,945) | 863,873 | (32,103,756) |
| Infrastructure | <u>(4,506,803)</u> | <u>(480,402)</u> | <u>-</u> | <u>(4,987,205)</u> |
| Total accumulated depreciation | <u>(310,449,881)</u> | <u>(10,889,861)</u> | <u>863,875</u> | <u>(320,475,867)</u> |
| Total capital assets, being depreciated, net | <u>146,070,867</u> | <u>(3,898,040)</u> | <u>212</u> | <u>142,173,039</u> |
| Governmental activities capital assets, net | <u>\$ 226,167,867</u> | <u>\$ (1,186,255)</u> | <u>\$ (5,869,285)</u> | <u>\$ 219,112,327</u> |

* The accumulated depreciation deductions/transfers in the table above include immaterial adjustments discovered in the 2019 financial system conversion.

** A transfer of \$491,915 occurred in FY2019, transferring equipment from the Equipment Replacement Fund to various governmental funds.

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

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

Governmental activities:

| | |
|---|----------------------|
| General government | \$ 338,261 |
| Solid waste facilities | 1,671,078 |
| Public safety | 2,614,169 |
| Recreation | 206,240 |
| Schools | 5,084,089 |
| Road maintenance, including infrastructure assets | 485,675 |
| Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets | <u>490,349</u> |
| Total depreciation expense - governmental activities | <u>\$ 10,889,861</u> |

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2019. The projects include major repair of existing roads, improvement to school facilities and public safety facilities. At year end the Borough’s commitments with contractors are as follows:

| <u>Projects</u> | <u>Remaining Commitments</u> | <u>Financing Sources</u> |
|--------------------------------|----------------------------------|--|
| Major repair of existing roads | \$ 2,581,220 | Federal and state grants and local funding |
| Solid waste facilities | <u>740,748</u> | Federal and state grants and local funding |
| Total | \$ <u>3,321,968</u> | |

F. Interfund Receivables, Payables and Transfers

The General Fund has made loans to the Special Assessment Districts for utility/road improvements, as of June 30, 2019 the outstanding loans equaled \$1,084,464. Property owners of the utility/road improvement districts then repay the amount that is borrowed over a 10-year period.

The composition of interfund balances as of June 30, 2019 is as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-----------------------------|----------------------------------|-------------------------------|
| Major fund - General Fund | \$ 338,454 | \$ - |
| Nonmajor governmental funds | <u>-</u> | <u>338,454</u> |
| Total | \$ <u>338,454</u> | \$ <u>338,454</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. The School District is a discretely presented component unit of the Borough and therefore the funding of \$49,738,432 was shown as an expenditures of the General Fund and not an interfund transfer.

Transfers between funds for the year ended June 30, 2019, were as follows:

| | <u>Transfers In</u> | | |
|---|--|---------------------------------|----------------------|
| | <u>Major Fund Solid Waste Capital Project Fund</u> | <u>Nonmajor Gov’t Funds</u> | <u>Total</u> |
| <u>Transfers Out:</u> | | | |
| General Fund | \$ 1,117,231 | \$ 7,622,750 | \$ 8,739,981 |
| Nikiski Fire Service Area Special Revenue Fund | - | 563,981 | 563,981 |
| Road Service Area Special Revenue Fund | - | 1,750,000 | 1,750,000 |
| Nonmajor governmental funds | - | <u>7,675,585</u> | <u>7,675,585</u> |
| Total | \$ <u>1,117,231</u> | \$ <u>17,612,316</u> | \$ <u>18,729,547</u> |

Significant transfers were as follows:

- The General Fund transferred \$3,792,866 to the School Debt Service Fund to fund FY2019 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$2,653,695 was reimbursed by the State of Alaska.
- The General Fund transferred \$1,625,000 to the School Revenue Capital Projects Fund to fund capital maintenance on school facilities, \$1,065,250 to the Solid Waste Debt Service Fund to fund debt on solid waste facilities and \$100,000 to the Solid Waste Capital Projects Fund to fund capital maintenance projects on solid waste facilities.
- The General Fund transferred \$300,000 to the 911 Communications Special Revenue Fund to support expenditures of the program.
- The Nikiski Fire Service Area Special Revenue Fund transferred \$500,000 to the Nikiski Fire Service Area Capital Project Fund to support fire equipment and facility maintenance capital projects.
- The Central Emergency Service Area Special Revenue Fund transferred \$550,000 to the Central Emergency Services Capital Project Fund to support fire equipment and facility maintenance capital projects.
- The Road Service Area Special Revenue Fund transferred \$1,750,000 to the Road Service Area Capital Project Fund to support road upgrades and major maintenance.

G. Risk Management

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

The greatest exposure to financial loss confronting the Kenai Peninsula Borough and School District would be in the areas of property loss, auto liability and general liability due to the number of properties and the fleet of vehicles owned and operated by the Borough and School District. The Borough also purchases several excess policies which provide coverage beyond what included in the package policy. The Borough purchased pollution liability coverage for incidents arising from Borough owned landfills effective July 1, 2016.

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

| | <u>Self-Insured Retention/ Deductible</u> | <u>Upper Coverage Limits of Excess Insurance</u> |
|----------------------------|---|--|
| Auto and general liability | \$ 250,000 | \$ 15,000,000 |
| Employers liability | 250,000 | 15,000,000 |
| Workers' compensation | 250,000 | Statutory benefits |
| Property: | | |
| Buildings | 100,000 | 1,008,191,455 |
| Fire & EMS apparatus | 20,000 | Cash value |
| Other vehicles | 20,000 | Cash value up to \$50,000 |
| Crime coverage | 1,000 | 500,000 |

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

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

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Beginning of fiscal year liability | \$ 1,762,948 | \$ 1,716,818 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 2,127,826 | 1,368,429 |
| Claims and expenses paid | <u>(1,600,642)</u> | <u>(1,322,299)</u> |
| End of fiscal year liability | \$ <u>2,290,132</u> | \$ <u>1,762,948</u> |

Included above is a liability for incurred but not reported (IBNR) claims of \$502,481. Experience indicates those losses or claims do not go unreported for any significant length of time, therefore, the exposure to IBNR losses or claims is minimal.

In addition to the risk management issues listed above, the Borough maintains a health and medical benefit program, which covers all permanent employees working more than half-time. The Borough retains a major portion of the risk of this plan, and, accordingly, is liable for any employee health claims that are approved for payment. Stop-loss limits are \$200,000 for individual claims. Health and medical expenditures totaled \$7,037,045 for the year ended June 30, 2019, and consisted of paid claims, stop-loss premiums and administrative fees. Accruals were made based on estimates of health claims at year-end, including claims incurred but not reported.

Such accruals are accounted for in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the healthcare claims liability for the two years ended June 30, 2019 and 2018 follows:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|---------------------|
| Health insurance claims liabilities, beginning of year | \$ 1,000,000 | \$ 756,786 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 5,893,145 | 6,582,595 |
| Claims and expenses paid | <u>(6,121,145)</u> | <u>(6,339,381)</u> |
| Health insurance claims liabilities, end of year | \$ <u>772,000</u> | \$ <u>1,000,000</u> |

H. Long-term Liabilities

A summary of long-term liability activity for the year ended June 30, 2019 is as follows:

| | <u>Balance July 1, 2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2019</u> | <u>Due within one year</u> |
|---|--|-------------------------|--------------------------|---|---------------------------------------|
| Governmental activities: | | | | | |
| Areawide school bonds | \$ 34,480,000 | \$ - | \$ 2,390,000 | \$32,090,000 | \$ 2,465,000 |
| Central Emergency Services bonds | 3,405,000 | - | 300,000 | 3,105,000 | 315,000 |
| Bear Creek Fire bonds | 1,005,000 | - | 50,000 | 955,000 | 50,000 |
| Solid Waste bonds | 4,605,000 | - | 835,000 | 3,770,000 | 875,000 |
| Compensated absences * | 2,885,516 | 2,283,047 | 2,255,244 | 2,913,319 | 728,330 |
| Net Pension Liability ** | 34,747,989 | 1,330,225 | - | 36,078,214 | - |
| Net OPEB Liability ** | 5,592,849 | 1,793,944 | - | 7,386,793 | - |
| Landfill closure / postclosure | <u>7,778,696</u> | <u>1,017,232</u> | <u>66,444</u> | <u>8,729,484</u> | <u>66,444</u> |
| Total governmental activities long-term liabilities | <u>\$94,500,050</u> | <u>\$ 6,424,448</u> | <u>\$ 5,896,688</u> | <u>95,027,810</u> | <u>\$ 4,499,774</u> |
| Unamortized premium on bonds: | | | | | |
| School bonds 2011 refunding | | | | 379,400 | |
| School bonds 2014 | | | | 1,540,317 | |
| CES bonds 2015 refunding | | | | 145,181 | |
| CES bonds 2016 | | | | 229,653 | |
| Bear Creek Fire bonds 2013 project | | | | 135,141 | |
| Solid Waste bonds 2017 | | | | <u>379,733</u> | |
| | | | | <u>\$ 97,837,235</u> | |

* Based on an analysis of actual compensated absence expenditures/expense during fiscal year 2019, management estimates 25% of these balances will be used in FY2020. Therefore, 25% of the balance of accrued leave is classified as due within one year. Other long-term liabilities related to governmental activities such as accrued leave are generally liquidated by the General Fund.

** Pension and other post-employment benefits are generally liquidated approximately 51% by the General Fund and 41% by public safety related special revenue funds, with 8% being liquidated by recreation and roads related special revenue funds.

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

School Bonds. School bonds are issued for the construction and major maintenance of public schools in the Borough. Bonds are paid from the General Fund through the levy of property taxes plus funding from the State of Alaska, which partially reimburses the Borough for expenditures for school debt issues. The State of Alaska will reimburse the Borough up to 70% of the principal and interest payments on the School bonds.

In August 2003, the Borough issued 20-year school bonds for the construction of a new middle school in Seward in the amount of \$14,700,000.

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

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

Central Emergency Service Area Bonds

In 2005, voters of the Central Emergency Service Area authorized the issuance of \$2,500,000 for the costs of planning, acquisition, designing, constructing, equipping and financing a fire station in Kasilof and renovating the fire station in the Funny River area. These bonds were issued in June 2006 in the amount of \$2,500,000. In October 2014, the Borough issued CES refunding bonds to refinance \$1.425 million of the outstanding debt that resulted in a net present value savings of \$116,196, the defeased debt was paid off in FY2016.

In October 2015, Service Area voters approved the issuance of bonds up to \$4.4 million for the purchase of emergency response vehicles, of which \$2.465 million was issued in February 2016. The remaining balance is expected to be issued between 2019 and 2020.

Bear Creek Fire Service Area Bonds

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

Solid Waste Bonds

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

A summary of bonds payable (in thousands) at June 30, 2019 is as follows:

| | <u>Amount Issued</u> | <u>Coupon Interest Rate</u> | <u>Effective Interest Rate</u> | <u>Maturity Dates</u> | <u>Annual Installments</u> | <u>Outstanding June 30, 2019</u> |
|--|----------------------|-----------------------------|--------------------------------|-----------------------|----------------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| School bonds: | | | | | | |
| Issued 12-09-10 | \$ 16,865 | 1.42 – 6.26 | 1.42 – 6.26 | 2011 - 2030 | \$ 715 to 1,110 | \$ 11,225 |
| Issued 08-07-03 | 14,700 | 2.00 – 5.00 | 0.30 – 3.18 | 2003 - 2023 | 165 to 930 | 3,530 |
| Issued 11-14-13 | <u>20,860</u> | 1.50 – 5.00 | 0.21 – 4.15 | 2014 - 2033 | 510 to 1,590 | <u>17,335</u> |
| Total school | <u>52,425</u> | | | | | <u>32,090</u> |
| Central Emergency Services bonds: | | | | | | |
| Issued 10-30-14 | 2,500 | 1.25 – 5.00 | 0.38 – 2.57 | 2006 - 2026 | 115 to 175 | 1,065 |
| Issued 02-02-16 | <u>2,465</u> | 2.63 – 5.00 | 0.35 – 2.85 | 2016 - 2031 | 85 to 210 | <u>2,040</u> |
| Total CES bonds | <u>4,965</u> | | | | | <u>3,105</u> |
| Bear Creek Fire bonds | | | | | | |
| Issued 3-12-13 | \$ <u>1,215</u> | 2.00 – 5.00 | 0.18 – 3.30 | 2014 - 2033 | 45 to 90 | <u>955</u> |
| Solid Waste bonds | | | | | | |
| Issued 4-27-17 | <u>5,405</u> | 4.00 – 5.00 | 0.96 – 2.18 | 2017 - 2023 | 800 to 1,010 | <u>3,770</u> |
| Total Governmental | \$ <u>64,010</u> | | | | | \$ <u>39,920</u> |

Debt service requirements for outstanding bonds at June 30, 2019 were as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest Subsidy</u> | <u>Interest (Net of interest subsidy)</u> |
|--------------------|----------------------|----------------------|-------------------------|---|
| 2020 | \$ 3,705,000 | \$ 1,944,183 | \$ (260,341) | \$ 1,683,842 |
| 2021 | 3,825,000 | 1,777,927 | (244,932) | 1,532,995 |
| 2022 | 3,975,000 | 1,591,208 | (228,441) | 1,362,767 |
| 2023 | 4,140,000 | 1,394,553 | (210,605) | 1,183,948 |
| 2024 | 2,215,000 | 1,209,047 | (191,323) | 1,017,724 |
| 2025-2029 | 11,975,000 | 4,196,930 | (612,327) | 3,584,603 |
| 2030-2034 | <u>10,085,000</u> | <u>1,103,118</u> | <u>(58,094)</u> | <u>1,045,024</u> |
| Total | \$ <u>39,920,000</u> | \$ <u>13,216,966</u> | \$ <u>(1,806,063)</u> | \$ <u>11,410,903</u> |

I. 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.

J. Pension and Other Post Employment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

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

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

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

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police officers and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

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

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employee payroll are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

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

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

GASB Rate: This is the rate used to determine the long-term pension liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For 2019, the rate uses an 8% pension discount rate.

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

Contribution rates for the year ended June 30, 2019 were determined in the June 30, 2016 actuarial valuations. The Borough's contribution rates for the 2019 fiscal year were as follows:

| | Employer Effective Rate | ARM Board Adopted Rate | State Contribution Rate |
|--------------------------------------|-------------------------------|---------------------------|-------------------------------|
| Pension | 16.17% | 23.21% | 5.58% |
| Postemployment healthcare (ARHCT) | 5.83% | 4.37% | 0.00% |
| Total Contribution Rates | 22.00% | 27.58% | 5.58% |

In 2019, the Borough was credited with the following contributions to the pension plan:

| | Measurement Period July 1, 2017 to June 30, 2018 | Borough Fiscal Year July 1, 2018 to June 30, 2019 |
|---|---|--|
| Employer contributions (including DBUL) | \$ 2,763,608 | \$ 2,570,451 |
| Nonemployer contributions (on-behalf) | 677,749 | 1,237,913 |
| Total Contributions | \$ 3,441,357 | \$ 3,808,364 |

In addition, employee contributions to the Plan totaled \$620,813 during the Borough's fiscal year.

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

At June 30, 2019, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total portion of net pension liability that was associated with the Borough were as follows:

| | 2019 |
|--|---------------------|
| Borough proportionate share of NPL | \$36,078,214 |
| State's proportionate share of NPL associated with the Borough | 10,447,307 |
| Total Net Pension Liability | \$46,525,521 |

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the Borough's proportion was 0.72606 percent, which was an increase of 0.053880 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Borough recognized pension expense of \$353,454 and on-behalf revenue of \$489,162 for support provided by the State. At June 30, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (905,492) |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 796,802 | - |
| Changes in proportion and differences between Borough contributions and proportionate share of contributions | 1,161,425 | - |
| Borough contributions subsequent to the measurement date | 2,570,451 | - |
| Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions | \$ 4,528,678 | \$ (905,492) |

The \$2,570,451 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

| | |
|---------------------------|---------------------|
| 2020 | \$ 1,269,357 |
| 2021 | 435,688 |
| 2022 | (617,375) |
| 2023 | (34,935) |
| 2024 | - |
| Thereafter | - |
| Total Amortization | \$ 1,052,735 |

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Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

| | |
|-----------------------------------|--|
| Actuarial cost method | Entry age normal; level percentage of payroll |
| Amortization method | Level dollar, closed |
| Inflation | 3.12% |
| Salary increases | For peace officer/firefighter, increases range from 9.66% to 4.92% based on service. For all others, increases range from 8.55% to 4.34% based on age and service. |
| Allocation methodology | Amounts for FY 2018 were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the fiscal years 2019 to 2039 to the Plan. The liability is expected to go to zero at 2039. |
| Investment return / Discount rate | 8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%. |
| Mortality | Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination – 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. |

The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation report are the same as those used in the June 30, 2016 actuarial valuation.

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Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Domestic equity | 24% | 8.90% |
| Global ex-U.S. equity | 22% | 7.85% |
| Fixed income | 10% | 1.25% |
| Opportunistic | 10% | 4.76% |
| Real assets | 17% | 6.20% |
| Absolute return | 7% | 4.76% |
| Private equity | 9% | 12.08% |
| Cash equivalents | 1% | 0.66% |

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|-----------------------|---------------------------|-------------------------------------|---------------------------|
| Borough’s proportionate share of the net pension liability | 0.72606% | \$ 47,776,657 | \$ 36,078,214 | \$26,182,743 |

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2019 to cover a portion of the City's employer match contributions. For the year ended June 30, 2019, forfeitures reduced pension expense by \$165,900.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2019, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2019 were \$590,515 and \$944,912, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Borough participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is a self-insured and self-funded and provides major medical coverage to retirees of the DB Plan. The ARHCT plan was closed to all new entrants effective July 1, 2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contribution Rates

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2019 were as follows:

| | Other | Police/Fire |
|--|--------------|--------------|
| Alaska Retiree Healthcare Trust | 5.83% | 5.83% |
| Retiree Medical Plan | 0.94% | 0.94% |
| Occupational Death and Disability Benefits | 0.26% | 0.76% |
| Total Contribution Rates | 7.03% | 7.53% |

In 2019, the Borough was credited with the following contributions to the OPEB plans:

| | Measurement Period July 1, 2017 to June 30, 2018 | Borough Fiscal Year July 1, 2018 to June 30, 2019 |
|--|---|--|
| Employer contributions - ARHCT | \$ 785,385 | \$ 922,927 |
| Employer contributions - RMP | 110,961 | 111,028 |
| Employer contributions - ODD | 12,282 | 50,697 |
| Nonemployer contributions (on-behalf)- ARHCT | - | - |
| Total Contributions | \$ 908,628 | \$ 1,084,652 |

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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2019, the Borough reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

| | 2019 |
|--|---------------------|
| Borough's proportionate share of NOL – ARHCT | \$ 7,450,537 |
| Borough's proportionate share of NOL – RMP | 121,122 |
| Borough's proportionate share of NOL (Asset) – ODD | (184,866) |
| Total Borough's Proportionate Share of NOL | \$ 7,386,793 |
| State's proportionate share of the ARHCT NOL associated with the Borough | 2,162,286 |
| Total Net OPEB Liabilities | \$ 9,549,079 |

The total OPEB liabilities for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

| | June 30, 2017 Measurement Date Employer Proportion | June 30, 2018 Measurement Date Employer Proportion | Change |
|--|--|--|------------|
| Borough's proportionate share of the net OPEB liabilities (asset): | | | |
| ARHCT | 0.67229% | 0.72597% | 0.05367 % |
| RMP | 0.96262% | 0.95184% | (0.01078)% |
| ODD | 0.96262% | 0.95184% | (0.01078)% |

As a result of its requirement to contribute to the plans, the Borough recognized OPEB expense of \$850,450 and on-behalf revenue of \$283,863 for support provided by the State associated with the ARHCT plan.

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At June 30, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (854,877) |
| Changes in assumptions | 1,186,434 | - |
| Changes in benefits | - | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | (1,603,003) |
| Changes in proportion and differences between Borough contributions and proportionate share of contributions | 485,657 | (471,875) |
| Borough contributions subsequent to the measurement date | 1,084,652 | - |
| Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans | \$ 2,756,743 | \$ (2,929,755) |

The \$1,084,652 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,

| | |
|---------------------------|-----------------------|
| 2020 | \$ (502,348) |
| 2021 | (203,105) |
| 2022 | (521,971) |
| 2023 | (33,707) |
| 2024 | 846 |
| Thereafter | 2,621 |
| Total Amortization | \$ (1,257,664) |

Actuarial Assumptions

The total OPEB liability for each plan the measurement period ended June 30, 2018 was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

| | |
|-----------------------|--|
| Actuarial cost method | Entry age normal; level percentage of payroll |
| Amortization method | Level dollar, closed |
| Inflation | 3.12% |
| Salary increases | Graded by service, from 9.66% to 4.92% for Peace Officer/ Firefighter. Graded by service from 8.55% to 4.34% for all others |

Actuarial Assumptions, continued

| | |
|-----------------------------------|--|
| Allocation methodology | Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039. |
| Investment return / Discount rate | 8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%. |
| Healthcare cost trend rates | Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drug: 9.0% grading down to 4.0% RDS/EGWP:6.5% grading down to 4.0% |
| Mortality | Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination – 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. |
| Participation (ARHCT) | 100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible. |

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation are the same as those used in the June 30, 2016 valuation with the following exceptions:

1. The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
2. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the plans' targeted asset allocation as of June 30, 2018 are summarized in the following table

(note that the rates shown below exclude the inflation component):

| <i>Asset Class</i> | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Broad domestic equity | 24% | 8.90% |
| Global ex-U.S. equity | 22% | 7.85% |
| Fixed income | 10% | 1.25% |
| Opportunistic | 10% | 4.76% |
| Real assets | 17% | 6.20% |
| Absolute return | 7% | 4.76% |
| Private equity | 9% | 12.08% |
| Cash equivalents | 1% | 0.66% |

Discount Rate

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

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|--------------------|---------------------|-------------------------------|---------------------|
| Borough's proportionate share of the net OPEB liability (asset): | | | | |
| ARHCT | 0.72597% | \$ 15,083,604 | \$ 7,450,537 | \$ 1,052,467 |
| RMP | 0.95184% | \$ 361,699 | \$ 121,122 | \$ (66,524) |
| ODD | 0.95184% | \$ (173,597) | \$ (184,866) | \$ (194,137) |

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Borough's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rates, as well as what the Borough's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

| | Proportional Share | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|-----------------------|----------------|---|----------------|
| Borough's proportionate share of the net OPEB liability (asset): | | | | |
| ARHCT | 0.72597% | \$ 144,628 | \$ 7,450,537 | \$16,251,217 |
| RMP | 0.95184% | \$ (102,980) | \$ 121,122 | \$ 421,037 |
| ODD | 0.95184% | \$ n/a | \$ n/a | \$ n/a |

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

PERS defined contribution members also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expenses to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". As of July 1, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees. Employees do not contribute to the DC OPEB plans.

Annual Postemployment Healthcare Cost

In 2019, the Borough contributed \$343,329 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

(e) School District Participation

The School District also participates in the PERS postemployment plans, along with a separate but similar plans for educators, under the Teacher Retirement System (TRS) plan. Additional information about the School District's pension and postemployment benefit plans can be found in their separately issued financial statements.

K. 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 five active landfills with landfill cells having remaining useful lives from 1 year to 20 years. The largest site has an active lined cell with a remaining expected life of two to four years. This site has land enough for a minimum of three additional cells, which will be developed as needed and will extend the landfill life by approximately 25 years. There are also three sites which are closed, that are being monitored as required by regulation. As of June 30, 2019 the Borough has a recorded liability of \$8,729,484 in the government-wide financial statements for closure and postclosure costs associated with its landfills. The liability for closure and postclosure care costs is based on landfill capacity used to date. This amount has been reported as restricted fund balance in the Solid Waste Capital Projects Fund and is based on what it would cost to perform all closure and postclosure care in 2019; 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 \$13.1 million in expense and liability between June 30, 2019 and the year 2040, 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.

L. New Accounting Pronouncements

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

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

GASB 89 – *Interest Costs* – Effective for year-end June 30, 2021, with earlier application encouraged – This statement’s objectives are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify enterprise fund accounting for interest cost incurred before the end of a construction period.

GASB 90 – *Majority Equity Interests* – Effective for year-end June 30, 2020, with earlier application encouraged – The objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

GASB 91 – *Conduit Debt Obligations* – Effective for year-end June 30, 2021, with earlier application encouraged – The objectives of the Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

Kenai Peninsula Borough

Public Employees' Retirement System Pension Plan
 Schedule of the Borough's Proportional Share of the Net Pension Liability
 Last Ten Fiscal Years

| Year Ended June 30, | Borough's Proportion of the Net Pension Liability | Borough's Proportionate Share of the Net Pension Liability | State of Alaska Proportionate Share of the Net Pension Liability | Total Net Pension Liability | Borough's Covered Payroll | Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------|---|---|---|--------------------------------|------------------------------|--|---|
| 2010 | * | \$ * | \$ * | \$ * | \$ * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | 0.49259% | 22,975,175 | 19,950,761 | 42,925,936 | 12,061,924 | 190.48% | 62.37% |
| 2016 | 0.64737% | 31,397,382 | 8,410,497 | 39,807,879 | 11,452,248 | 274.16% | 63.96% |
| 2017 | 0.84370% | 47,159,456 | 5,944,748 | 53,104,204 | 20,679,828 | 228.05% | 59.55% |
| 2018 | 0.67218% | 34,747,989 | 12,947,803 | 47,695,792 | 20,700,085 | 167.86% | 63.37% |
| 2019 | 0.72606% | 36,078,214 | 10,447,307 | 46,525,521 | 20,619,173 | 174.97% | 65.19% |

* Information not available
 See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System Pension Plan Schedule of Borough Contributions Last Ten Fiscal Years

| Year Ended June 30, | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | Borough's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------|---|---|--|------------------------------|--|
| 2010 | \$ * | \$ * | \$ * | \$ * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | 2,101,441 | 2,101,441 | - | 20,712,790 | 10.15% |
| 2016 | 2,191,270 | 2,191,270 | - | 20,679,828 | 10.60% |
| 2017 | 2,467,348 | 2,467,348 | - | 20,700,085 | 11.92% |
| 2018 | 2,763,608 | 2,763,608 | - | 20,619,173 | 13.40% |
| 2019 | 2,570,451 | 2,570,451 | - | 20,788,636 | 12.36% |

* Information not available
See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System OPEB Plan
 Schedule of the Borough's Proportional Share of the Net OPEB Liability - ARHCT
 Last Ten Fiscal Years

| Year Ended June 30, | Borough's Proportion of the Net OPEB Liability | Borough's Proportionate Share of the Net OPEB Liability | State of Alaska Proportionate Share of the Net OPEB Liability | Total Net OPEB Liability | Borough's Covered Payroll | Borough's Proportionate Share of the Net OPEB Liability as a Percentage Covered of Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------------------------|--|--|--|-----------------------------|------------------------------|---|---|
| 2010 | * | \$ * | \$ * | \$ * | \$ * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.67229% | 5,679,234 | 2,117,541 | 7,796,775 | 20,700,085 | 27.44% | 89.91% |
| 2019 | 0.72597% | 7,450,537 | 2,162,286 | 9,612,823 | 20,619,173 | 36.13% | 88.12% |

* Information not available
 See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System OPEB Plan
Schedule of Borough Contributions - ARHCT
Last Ten Fiscal Years

| Year Ended June 30, | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | Borough's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------|---|---|--|------------------------------|--|
| 2010 | \$ * | \$ * | \$ * | \$ * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | 785,385 | 785,385 | - | 20,619,173 | 3.81% |
| 2019 | 922,927 | 922,927 | - | 20,788,636 | 4.44% |

* Information not available
See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System OPEB Plan
 Schedule of the Borough's Proportional Share of the Net OPEB Liability - RMP
 Last Ten Fiscal Years

| Year Ended June 30, | Borough's Proportion of the Net OPEB Liability | Borough's Proportionate Share of the Net OPEB Liability | State of Alaska Proportionate Share of the Net OPEB Liability | Total Net OPEB Liability | Borough's Covered Payroll | Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------------------------|---|--|--|-----------------------------|------------------------------|---|---|
| 2010 | * | \$ * | \$ * | \$ * | \$ * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.96262% | 50,201 | - | 50,201 | 20,700,085 | 0.24% | 93.98% |
| 2019 | 0.95184% | 121,122 | - | 121,122 | 20,619,173 | 0.59% | 88.71% |

* Information not available
 See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System OPEB Plan
 Schedule of Borough Contributions - RMP
 Last Ten Fiscal Years

| Year Ended June 30, | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | Borough's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------|---|---|--|------------------------------|--|
| 2010 | \$ * | \$ * | \$ * | \$ * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | 110,961 | 110,961 | - | 20,619,173 | 0.54% |
| 2019 | 111,028 | 111,028 | - | 20,788,636 | 0.53% |

* Information not available
 See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System OPEB Plan
 Schedule of the Borough's Proportional Share of the Net OPEB Asset - ODD
 Last Ten Fiscal Years

| Year Ended June 30, | Borough's Proportion of the Net OPEB Liability | Borough's Proportionate Share of the Net OPEB Asset | State of Alaska Proportionate Share of the Net OPEB Asset | Total Net OPEB Asset | Borough's Covered Payroll | Borough's Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset |
|------------------------|---|--|--|-------------------------|------------------------------|---|---|
| 2010 | * | \$ * | \$ * | \$ * | \$ * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.96262% | (136,586) | - | (136,586) | 20,700,085 | -0.66% | 212.97% |
| 2019 | 0.95184% | (184,866) | - | (184,866) | 20,619,173 | -0.90% | 270.62% |

* Information not available
 See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough

Public Employees' Retirement System OPEB Plan
 Schedule of Borough Contributions - ODD
 Last Ten Fiscal Years

| Year Ended June 30, | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | Borough's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------|---|---|--|------------------------------|--|
| 2010 | \$ * | \$ * | \$ * | \$ * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | 12,252 | 12,282 | - | 20,619,173 | 0.06% |
| 2019 | 50,697 | 50,697 | - | 20,788,636 | 0.24% |

* Information not available
 See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough
Notes to Required Supplementary Information
June 30, 2019

1. Public Employees' Retirement System – Schedule of the Borough's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2019, the Plan measurement date is June 30, 2018.

Changes in Assumptions: Amounts reported reflect a change between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

There are no other changes in factors that significantly affect trends in the amounts reported in the schedule.

2. Public Employees' Retirement System - Schedule of the Borough's Contributions – Pension Plan

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

3. Public Employees' Retirement System – Schedule of the Borough's Proportionate Share of the Net OPEB Liability (Asset) – ARHCT, RMP and ODD Plans

These tables are presented based on the Plan measurement date. For June 30, 2019, the Plan measurement dates were June 30, 2018.

Changes in Assumptions: The medical trend rate assumption used for the ARHCT plan was updated to reflect anticipated increases in costs based on recent survey data. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

There are no other changes in factors that significantly affect trends in the amounts reported in the schedule.

4. Public Employees' Retirement System - Schedule of the Borough's Contributions – ARHCT, RMP and ODD Plans

These tables are based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

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NON-MAJOR GOVERNMENTAL FUNDS

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|--------------------------------------|---------------------------------------|--|
| <u>Assets</u> | | | |
| Cash and short-term investments | \$ 5,469,620 | \$ - | \$ 5,469,620 |
| Equity in central treasury | 16,466,933 | 19,214,129 | 35,681,062 |
| Receivables (net of allowances for estimated uncollectibles): | | | |
| Taxes receivable | 252,395 | - | 252,395 |
| Accounts receivable | 381,616 | - | 381,616 |
| Land sale contracts receivable: | | | |
| Current | 110,806 | - | 110,806 |
| Delinquent | 69,468 | - | 69,468 |
| Due from other governments | 611,138 | 1,033,065 | 1,644,203 |
| Land sale contracts receivable - long-term | 496,987 | - | 496,987 |
| Restricted assets - equity in central treasury - unspent bond proceeds | - | 2,412,604 | 2,412,604 |
| Total assets | \$ 23,858,963 | \$ 22,659,798 | \$ 46,518,761 |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts and retainage payable | 886,059 | 977,202 | 1,863,261 |
| Accrued payroll and payroll benefits | 214,013 | 3,272 | 217,285 |
| Due to General Fund | 338,454 | - | 338,454 |
| Unearned grant revenue | 50,931 | 153,629 | 204,560 |
| Total liabilities | 1,489,457 | 1,134,103 | 2,623,560 |
| Deferred Inflows of Resources: | | | |
| Prepaid property taxes | 2,202,888 | - | 2,202,888 |
| Property tax receivable - unavailable | 231,252 | - | 231,252 |
| Land sales - unavailable | 677,261 | - | 677,261 |
| Total deferred inflows of resources | 3,111,401 | - | 3,111,401 |
| Fund Balances: | | | |
| Restricted: | | | |
| Hazard tree removal program | 289,972 | - | 289,972 |
| General government | 456,281 | - | 456,281 |
| Public safety | 8,381,814 | 9,389 | 8,391,203 |
| Recreation | 1,347,507 | - | 1,347,507 |
| Education | - | 2,817,649 | 2,817,649 |
| Roads | - | 1,560,330 | 1,560,330 |
| Committed: | | | |
| Software upgrades | - | 238,164 | 238,164 |
| Building maintenance and upgrades | - | 422,542 | 422,542 |
| Land development projects | 5,549,633 | - | 5,549,633 |
| General government | 4,370 | - | 4,370 |
| Public safety facilities and equipment | 52,778 | 7,635,024 | 7,687,802 |
| Recreational facility maintenance | - | 643,596 | 643,596 |
| School maintenance and upgrades | - | 1,781,336 | 1,781,336 |
| Road construction and upgrades | - | 5,780,193 | 5,780,193 |
| Assigned: | | | |
| Subsequent year's expenditures | 1,420,327 | 637,472 | 2,057,799 |
| General government | 1,755,423 | - | 1,755,423 |
| Total fund balances | 19,258,105 | 21,525,695 | 40,783,800 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 23,858,963 | \$ 22,659,798 | \$ 46,518,761 |

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2019

| | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | Total Nonmajor Governmental Funds |
|--|--------------------------------------|---------------------------------------|-------------------------------|--|
| Revenues: | | | | |
| General property taxes | \$ 13,727,169 | \$ - | \$ - | \$ 13,727,169 |
| Motor vehicle tax | 235,082 | - | - | 235,082 |
| Intergovernmental: | | | | |
| Federal | 395,219 | 1,896,704 | - | 2,291,923 |
| State | 1,466,304 | 2,718,913 | - | 4,185,217 |
| Investment earnings | 748,912 | 606,637 | - | 1,355,549 |
| Interest subsidy | - | - | 274,314 | 274,314 |
| Other revenues | 3,682,978 | 375,038 | - | 4,058,016 |
| Total revenues | 20,255,664 | 5,597,292 | 274,314 | 26,127,270 |
| Expenditures: | | | | |
| General government | 2,059,235 | 80,308 | - | 2,139,543 |
| Public safety | 12,891,705 | 958,541 | - | 13,850,246 |
| Recreation | 1,932,614 | 202,367 | - | 2,134,981 |
| Education | - | 1,087,820 | - | 1,087,820 |
| Environmental protection | 2,448 | - | - | 2,448 |
| Roads and trails | - | 4,583,874 | - | 4,583,874 |
| Debt service: | | | | |
| Principal | - | - | 3,575,000 | 3,575,000 |
| Interest and other | - | - | 2,101,138 | 2,101,138 |
| Total expenditures | 16,886,002 | 6,912,910 | 5,676,138 | 29,475,050 |
| Excess (deficiency) of revenues over expenditures | 3,369,662 | (1,315,618) | (5,401,824) | (3,347,780) |
| Other financing sources (uses): | | | | |
| Transfers in | 6,662,606 | 5,547,886 | 5,401,824 | 17,612,316 |
| Transfers out | (7,668,085) | (7,500) | - | (7,675,585) |
| Net other financing sources (uses) | (1,005,479) | 5,540,386 | 5,401,824 | 9,936,731 |
| Net change in fund balances | 2,364,183 | 4,224,768 | - | 6,588,951 |
| Fund balances at beginning of year | 16,893,922 | 17,300,927 | - | 34,194,849 |
| Fund balances at end of year | \$ 19,258,105 | \$ 21,525,695 | \$ - | \$ 40,783,800 |

Nonmajor Special Revenue Funds
Pages 98-117

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

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

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

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

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

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

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

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

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

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

Land Trust Investment Fund – This fund is used to account for the proceeds of the borough land sales and the financial assets of the Land Trust Fund in excess of annual operating needs.

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

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

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

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

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

Nikiski Senior Service Area – This fund is used to account for expenditures to provide services and programs to senior citizens within the service area.

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2019

| | <u>Bear Creek Fire Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Central Emergency Service Area</u> |
|---|---|---|---|
| <u>Assets</u> | | | |
| Cash and short-term investments | \$ 200 | \$ 7,504 | \$ 44,350 |
| Equity in central treasury | 507,571 | 1,126,667 | 5,470,689 |
| Receivables (net of allowances for estimated uncollectibles): | | | |
| Taxes receivable | 13,142 | 56,933 | 119,215 |
| Accounts receivable | 20 | 15,200 | 177,194 |
| Land sale contracts receivable: | | | |
| Current | - | - | - |
| Delinquent | - | - | - |
| Due from other governments | 21,992 | 3,925 | 80,074 |
| Land sale contracts receivable - long-term | - | - | - |
| Total assets | <u>\$ 542,925</u> | <u>\$ 1,210,229</u> | <u>\$ 5,891,522</u> |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts and retainage payable | 7,351 | 24,264 | 38,073 |
| Accrued payroll and payroll benefits | 8,616 | 9,080 | 120,971 |
| Due to the General Fund | - | - | - |
| Unearned grant revenue | - | - | - |
| Total liabilities | <u>15,967</u> | <u>33,344</u> | <u>159,044</u> |
| Deferred Inflows of Resources: | | | |
| Prepaid property taxes | 4,400 | 431,233 | 357,072 |
| Property tax receivable - unavailable | 12,943 | 55,488 | 104,034 |
| Land sales - unavailable | - | - | - |
| Total deferred inflows of resources | <u>17,343</u> | <u>486,721</u> | <u>461,106</u> |
| Fund Balances: | | | |
| Restricted: | | | |
| Hazard tree removal program | - | - | - |
| General government | - | - | - |
| Public safety | 498,677 | 25,593 | 5,271,372 |
| Recreation | - | - | - |
| Committed: | | | |
| Land development projects | - | - | - |
| General government | - | - | - |
| Public safety facilities and equipment | - | - | - |
| Assigned: | | | |
| Subsequent year's expenditures | 10,938 | 664,571 | - |
| General government | - | - | - |
| Total fund balances | <u>509,615</u> | <u>690,164</u> | <u>5,271,372</u> |
| Total liabilities, deferred inflows and resources and fund balances | <u>\$ 542,925</u> | <u>\$ 1,210,229</u> | <u>\$ 5,891,522</u> |

| Kachemak Emergency Service Area | Central Peninsula Emergency Medical Service Area | North Peninsula Recreation Service Area | Seldovia Recreational Service Area | Eastern Peninsula Highway Emergency Service Area |
|--|---|--|---|---|
| \$ 281 | \$ - | \$ 200 | \$ 100 | \$ - |
| 464,414 | 13 | 3,141,018 | 93,240 | 538,251 |
| 18,202 | 54 | 30,868 | 3,604 | - |
| 9,995 | - | 99 | 39 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 9,154 | - | 6,216 | 98 | - |
| - | - | - | - | - |
| <u>\$ 502,046</u> | <u>\$ 67</u> | <u>\$ 3,178,401</u> | <u>\$ 97,081</u> | <u>\$ 538,251</u> |
| 7,931 | - | 30,264 | 8,937 | 3,816 |
| 11,653 | - | 23,657 | - | 929 |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>19,584</u> | <u>-</u> | <u>53,921</u> | <u>8,937</u> | <u>4,745</u> |
| 11,387 | 13 | 1,171,766 | 463 | - |
| 15,952 | 54 | 29,790 | 3,025 | - |
| - | - | - | - | - |
| <u>27,339</u> | <u>67</u> | <u>1,201,556</u> | <u>3,488</u> | <u>-</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| 438,630 | - | - | - | 533,506 |
| - | - | 1,264,792 | 82,715 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 16,493 | - | - | - | - |
| - | - | 658,132 | 1,941 | - |
| - | - | - | - | - |
| <u>455,123</u> | <u>-</u> | <u>1,922,924</u> | <u>84,656</u> | <u>533,506</u> |
| <u>\$ 502,046</u> | <u>\$ 67</u> | <u>\$ 3,178,401</u> | <u>\$ 97,081</u> | <u>\$ 538,251</u> |

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet, continued
 June 30, 2019

| | <u>Land Trust</u> | <u>Land Trust Investment</u> | <u>Seward Bear Creek Flood Service Area</u> |
|---|---------------------|----------------------------------|---|
| <u>Assets</u> | | | |
| Cash and short-term investments | \$ - | \$ 5,416,985 | \$ - |
| Equity in central treasury | 1,912,776 | - | 599,708 |
| Receivables (net of allowances for estimated uncollectibles): | | | |
| Taxes receivable | - | - | 4,776 |
| Accounts receivable | 7,539 | - | 5 |
| Land sale contracts receivable: | | | |
| Current | 110,806 | - | - |
| Delinquent | 69,468 | - | - |
| Due from other governments | - | - | 116,869 |
| Land sale contracts receivable - long-term | 496,987 | - | - |
| Total assets | <u>\$ 2,597,576</u> | <u>\$ 5,416,985</u> | <u>\$ 721,358</u> |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts and retainage payable | 20,936 | 671 | 31,639 |
| Accrued payroll and payroll benefits | 9,298 | - | 3,260 |
| Due to General Fund | - | 1,339 | - |
| Unearned grant revenue | - | - | - |
| Total liabilities | <u>30,234</u> | <u>2,010</u> | <u>34,899</u> |
| Deferred Inflows of Resources: | | | |
| Prepaid property taxes | - | - | 2,334 |
| Property tax receivable - unavailable | - | - | 4,503 |
| Land sales - unavailable | 677,261 | - | - |
| Total deferred inflows of resources | <u>677,261</u> | <u>-</u> | <u>6,837</u> |
| Fund Balances: | | | |
| Restricted: | | | |
| Hazard tree removal program | - | - | - |
| General government | - | - | - |
| Public safety | - | - | 679,622 |
| Recreation | - | - | - |
| Committed: | | | |
| Land development projects | 134,658 | 5,414,975 | - |
| General government | - | - | - |
| Public safety facilities and equipment | - | - | - |
| Assigned: | | | |
| Subsequent year's expenditures | - | - | - |
| General government | 1,755,423 | - | - |
| Total fund balances | <u>1,890,081</u> | <u>5,414,975</u> | <u>679,622</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,597,576</u> | <u>\$ 5,416,985</u> | <u>\$ 721,358</u> |

| <u>Environmental Protection Programs</u> | <u>Disaster Relief</u> | <u>911 Communications</u> | <u>Miscellaneous Grants</u> | <u>Nikiski Senior Service Area</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|--|------------------------|---------------------------|-----------------------------|------------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,469,620 |
| 289,972 | 351,116 | 860,770 | 596,288 | 514,440 | 16,466,933 |
| - | - | - | - | 5,601 | 252,395 |
| - | - | 171,525 | - | - | 381,616 |
| - | - | - | - | - | 110,806 |
| - | - | - | - | - | 69,468 |
| - | - | 19,003 | 352,804 | 1,003 | 611,138 |
| - | - | - | - | - | 496,987 |
| <u>\$ 289,972</u> | <u>\$ 351,116</u> | <u>\$ 1,051,298</u> | <u>\$ 949,092</u> | <u>\$ 521,044</u> | <u>23,858,963</u> |
| - | 1,870 | 17,721 | 680,083 | 12,503 | 886,059 |
| - | - | 26,549 | - | - | 214,013 |
| - | 337,115 | - | - | - | 338,454 |
| - | - | - | 50,931 | - | 50,931 |
| - | <u>338,985</u> | <u>44,270</u> | <u>731,014</u> | <u>12,503</u> | <u>1,489,457</u> |
| - | - | - | - | 224,220 | 2,202,888 |
| - | - | - | - | 5,463 | 231,252 |
| - | - | - | - | - | 677,261 |
| - | - | - | - | <u>229,683</u> | <u>3,111,401</u> |
| 289,972 | - | - | - | - | 289,972 |
| - | - | - | 177,423 | 278,858 | 456,281 |
| - | 12,131 | 922,283 | - | - | 8,381,814 |
| - | - | - | - | - | 1,347,507 |
| - | - | - | - | - | 5,549,633 |
| - | - | - | 4,370 | - | 4,370 |
| - | - | - | 36,285 | - | 52,778 |
| - | - | 84,745 | - | - | 1,420,327 |
| - | - | - | - | - | 1,755,423 |
| <u>289,972</u> | <u>12,131</u> | <u>1,007,028</u> | <u>218,078</u> | <u>278,858</u> | <u>19,258,105</u> |
| <u>\$ 289,972</u> | <u>\$ 351,116</u> | <u>\$ 1,051,298</u> | <u>\$ 949,092</u> | <u>\$ 521,044</u> | <u>\$ 23,858,963</u> |

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2019

| | Bear Creek Fire Service Area | Anchor Point Fire and Emergency Medical Service Area | Central Emergency Service Area |
|--|---|---|---|
| Revenues: | | | |
| General property taxes | \$ 567,945 | \$ 1,129,038 | \$ 8,291,564 |
| Motor vehicle tax | 15,970 | 11,902 | 148,778 |
| Intergovernmental: | | | |
| Federal | 10,337 | 15,000 | - |
| State | 20,066 | 17,060 | 227,947 |
| Investment earnings | 22,477 | 36,657 | 247,352 |
| Other revenues | 54,642 | 82,029 | 770,814 |
| Total revenues | 691,437 | 1,291,686 | 9,686,455 |
| Expenditures: | | | |
| General government | - | - | - |
| Public safety | 409,517 | 837,874 | 7,330,390 |
| Recreation | - | - | - |
| Environmental protection | - | - | - |
| Total expenditures | 409,517 | 837,874 | 7,330,390 |
| Excess (deficiency) of revenues over expenditures | 281,920 | 453,812 | 2,356,065 |
| Other financing sources (uses): | | | |
| Transfers in | - | - | 7,476 |
| Transfers out | (147,020) | (174,780) | (1,141,892) |
| Net other financing sources (uses) | (147,020) | (174,780) | (1,134,416) |
| Net change in fund balances | 134,900 | 279,032 | 1,221,649 |
| Fund balances at beginning of year | 374,715 | 411,132 | 4,049,723 |
| Fund balances at end of year | \$ 509,615 | \$ 690,164 | \$ 5,271,372 |

| <u>Kachemak Emergency Service Area</u> | <u>Central Peninsula Emergency Medical Service Area</u> | <u>North Peninsula Recreation Service Area</u> | <u>Seldovia Recreational Service Area</u> | <u>Eastern Peninsula Highway Emergency Service Area</u> |
|--|---|--|---|---|
| \$ 1,093,773 | \$ 7,390 | \$ 1,862,207 | \$ 52,867 | \$ - |
| 27,757 | - | 18,849 | 295 | - |
| 14,126 | - | - | - | - |
| 19,367 | - | 35,447 | - | - |
| 34,254 | - | 98,639 | 3,855 | 21,172 |
| 32,645 | - | 239,254 | 751 | - |
| <u>1,221,922</u> | <u>7,390</u> | <u>2,254,396</u> | <u>57,768</u> | <u>21,172</u> |
| - | - | - | - | - |
| 905,987 | - | - | - | 135,942 |
| - | - | 1,879,489 | 53,125 | - |
| - | - | - | - | - |
| <u>905,987</u> | <u>-</u> | <u>1,879,489</u> | <u>53,125</u> | <u>135,942</u> |
| <u>315,935</u> | <u>7,390</u> | <u>374,907</u> | <u>4,643</u> | <u>(114,770)</u> |
| - | - | - | - | 350,000 |
| <u>(481,917)</u> | <u>(7,476)</u> | <u>(440,000)</u> | <u>-</u> | <u>-</u> |
| <u>(481,917)</u> | <u>(7,476)</u> | <u>(440,000)</u> | <u>-</u> | <u>350,000</u> |
| (165,982) | (86) | (65,093) | 4,643 | 235,230 |
| <u>621,105</u> | <u>86</u> | <u>1,988,017</u> | <u>80,013</u> | <u>298,276</u> |
| <u>\$ 455,123</u> | <u>\$ -</u> | <u>\$ 1,922,924</u> | <u>\$ 84,656</u> | <u>\$ 533,506</u> |

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances, continued
 For the Year Ended June 30, 2019

| | <u>Land Trust</u> | <u>Land Trust Investment</u> | <u>Seward Bear Creek Flood Service Area</u> | <u>Environmental Protection Programs</u> |
|--|---------------------|----------------------------------|---|--|
| Revenues: | | | | |
| General property taxes | \$ - | \$ - | \$ 376,559 | \$ - |
| Motor vehicle tax | - | - | 8,489 | - |
| Intergovernmental: | | | | |
| Federal | - | - | - | - |
| State | 19,114 | - | 5,723 | - |
| Investment earnings | 92,686 | 139,975 | 26,246 | 10,716 |
| Other revenues | 771,549 | - | - | - |
| Total revenues | <u>883,349</u> | <u>139,975</u> | <u>417,017</u> | <u>10,716</u> |
| Expenditures: | | | | |
| General government | 750,559 | - | - | - |
| Public safety | - | - | 313,650 | - |
| Recreation | - | - | - | - |
| Environmental protection | - | - | - | - |
| Total expenditures | <u>750,559</u> | <u>-</u> | <u>313,650</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>132,790</u> | <u>139,975</u> | <u>103,367</u> | <u>10,716</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 5,275,000 | - | - |
| Transfers out | <u>(5,275,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(5,275,000)</u> | <u>5,275,000</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (5,142,210) | 5,414,975 | 103,367 | 10,716 |
| Fund balances at beginning of year | <u>7,032,291</u> | <u>-</u> | <u>576,255</u> | <u>279,256</u> |
| Fund balances at end of year | <u>\$ 1,890,081</u> | <u>\$ 5,414,975</u> | <u>\$ 679,622</u> | <u>\$ 289,972</u> |

| <u>Disaster Relief</u> | <u>911 Communications</u> | <u>Miscellaneous Grants</u> | <u>Nikiski Senior Service Area</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|------------------------|---------------------------|-----------------------------|------------------------------------|---|
| \$ - | \$ - | \$ - | \$ 345,826 | \$ 13,727,169 |
| - | - | - | 3,042 | 235,082 |
| - | - | 355,756 | - | 395,219 |
| - | 165,568 | 956,012 | - | 1,466,304 |
| - | - | - | 14,883 | 748,912 |
| - | 1,731,294 | - | - | 3,682,978 |
| - | <u>1,896,862</u> | <u>1,311,768</u> | <u>363,751</u> | <u>20,255,664</u> |
| - | - | 913,791 | 394,885 | 2,059,235 |
| 436,654 | 2,196,744 | 324,947 | - | 12,891,705 |
| - | - | - | - | 1,932,614 |
| - | - | 2,448 | - | 2,448 |
| <u>436,654</u> | <u>2,196,744</u> | <u>1,241,186</u> | <u>394,885</u> | <u>16,886,002</u> |
| <u>(436,654)</u> | <u>(299,882)</u> | <u>70,582</u> | <u>(31,134)</u> | <u>3,369,662</u> |
| 436,654 | 540,495 | - | 52,981 | 6,662,606 |
| - | - | - | - | (7,668,085) |
| <u>436,654</u> | <u>540,495</u> | <u>-</u> | <u>52,981</u> | <u>(1,005,479)</u> |
| - | 240,613 | 70,582 | 21,847 | 2,364,183 |
| <u>12,131</u> | <u>766,415</u> | <u>147,496</u> | <u>257,011</u> | <u>16,893,922</u> |
| <u>\$ 12,131</u> | <u>\$ 1,007,028</u> | <u>\$ 218,078</u> | <u>\$ 278,858</u> | <u>\$ 19,258,105</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 572,958 | \$ 572,958 | \$ 567,945 | \$ (5,013) |
| Motor vehicle tax | 16,038 | 16,038 | 15,970 | (68) |
| Intergovernmental: | | | | |
| Federal | - | 10,337 | 10,337 | - |
| State | - | 7,841 | 20,066 | 12,225 |
| Investment earnings | 4,839 | 4,839 | 22,477 | 17,638 |
| Other revenues | 57,902 | 57,902 | 54,642 | (3,260) |
| Total revenues | <u>651,737</u> | <u>669,915</u> | <u>691,437</u> | <u>21,522</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel | 243,675 | 251,516 | 235,552 | 15,964 |
| Supplies | 26,075 | 29,075 | 20,747 | 8,328 |
| Services | 190,629 | 186,743 | 139,070 | 47,673 |
| Capital outlay | 5,694 | 16,918 | 14,148 | 2,770 |
| Total expenditures | <u>466,073</u> | <u>484,252</u> | <u>409,517</u> | <u>74,735</u> |
| Excess (deficiency) of revenues over expenditures | <u>185,664</u> | <u>185,663</u> | <u>281,920</u> | <u>96,257</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(147,020)</u> | <u>(147,020)</u> | <u>(147,020)</u> | <u>-</u> |
| Net change in fund balance | 38,644 | 38,643 | 134,900 | 96,257 |
| Fund balance at beginning of year | <u>374,715</u> | <u>374,715</u> | <u>374,715</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 413,359</u> | <u>\$ 413,358</u> | <u>\$ 509,615</u> | <u>\$ 96,257</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 1,118,888 | \$ 1,118,888 | \$ 1,129,038 | \$ 10,150 |
| Motor vehicle tax | 12,468 | 12,468 | 11,902 | (566) |
| Intergovernmental: | | | | |
| Federal | - | 15,000 | 15,000 | - |
| State | - | 17,060 | 17,060 | - |
| Investment earnings | 5,949 | 5,949 | 36,657 | 30,708 |
| Other revenues | <u>65,000</u> | <u>65,000</u> | <u>82,029</u> | <u>17,029</u> |
| Total revenues | <u>1,202,305</u> | <u>1,234,365</u> | <u>1,291,686</u> | <u>57,321</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel | 652,090 | 669,150 | 522,759 | 146,391 |
| Supplies | 87,050 | 87,050 | 50,651 | 36,399 |
| Services | 222,138 | 222,303 | 180,334 | 41,969 |
| Capital outlay | <u>72,273</u> | <u>87,108</u> | <u>84,130</u> | <u>2,978</u> |
| Total expenditures | <u>1,033,551</u> | <u>1,065,611</u> | <u>837,874</u> | <u>227,737</u> |
| Excess (deficiency) of revenues over expenditures | <u>168,754</u> | <u>168,754</u> | <u>453,812</u> | <u>285,058</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(174,780)</u> | <u>(174,780)</u> | <u>(174,780)</u> | <u>-</u> |
| Net change in fund balance | (6,026) | (6,026) | 279,032 | 285,058 |
| Fund balance at beginning of year | <u>411,132</u> | <u>411,132</u> | <u>411,132</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 405,106</u> | <u>\$ 405,106</u> | <u>\$ 690,164</u> | <u>\$ 285,058</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 8,323,067 | \$ 8,323,067 | \$ 8,291,564 | \$ (31,503) |
| Motor vehicle tax | 147,122 | 147,122 | 148,778 | 1,656 |
| Intergovernmental: | | | | |
| State | - | 214,661 | 227,947 | 13,286 |
| Investment earnings | 49,202 | 49,202 | 247,352 | 198,150 |
| Other revenues | <u>710,000</u> | <u>710,000</u> | <u>770,814</u> | <u>60,814</u> |
| Total revenues | <u>9,229,391</u> | <u>9,444,052</u> | <u>9,686,455</u> | <u>242,403</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel | 6,639,852 | 6,854,513 | 5,914,043 | 940,470 |
| Supplies | 369,710 | 368,325 | 274,095 | 94,230 |
| Services | 1,271,746 | 1,271,416 | 1,057,920 | 213,496 |
| Capital outlay | <u>83,138</u> | <u>84,853</u> | <u>84,332</u> | <u>521</u> |
| Total expenditures | <u>8,364,446</u> | <u>8,579,107</u> | <u>7,330,390</u> | <u>1,248,717</u> |
| Excess (deficiency) of revenues over expenditures | <u>864,945</u> | <u>864,945</u> | <u>2,356,065</u> | <u>1,491,120</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 7,614 | 7,614 | 7,476 | (138) |
| Transfers out | <u>(1,141,892)</u> | <u>(1,141,892)</u> | <u>(1,141,892)</u> | <u>-</u> |
| Net other financing sources (uses) | <u>(1,134,278)</u> | <u>(1,134,278)</u> | <u>(1,134,416)</u> | <u>(138)</u> |
| Net change in fund balance | (269,333) | (269,333) | 1,221,649 | 1,490,982 |
| Fund balance at beginning of year | <u>4,049,723</u> | <u>4,049,723</u> | <u>4,049,723</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,780,390</u> | <u>\$ 3,780,390</u> | <u>\$ 5,271,372</u> | <u>\$ 1,490,982</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 1,091,015 | \$ 1,091,015 | \$ 1,093,773 | \$ 2,758 |
| Motor vehicle tax | 28,324 | 28,324 | 27,757 | (567) |
| Intergovernmental: | | | | |
| Federal | - | 14,126 | 14,126 | - |
| State | - | 19,367 | 19,367 | - |
| Investment earnings | 8,928 | 8,928 | 34,254 | 25,326 |
| Other revenues | 30,000 | 30,000 | 32,645 | 2,645 |
| Total revenues | <u>1,158,267</u> | <u>1,191,760</u> | <u>1,221,922</u> | <u>30,162</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel | 652,063 | 666,430 | 583,267 | 83,163 |
| Supplies | 90,000 | 85,317 | 60,860 | 24,457 |
| Services | 205,791 | 210,630 | 191,780 | 18,850 |
| Capital outlay | 75,000 | 89,798 | 70,080 | 19,718 |
| Total expenditures | <u>1,022,854</u> | <u>1,052,175</u> | <u>905,987</u> | <u>146,188</u> |
| Excess (deficiency) of revenues over expenditures | <u>135,413</u> | <u>139,585</u> | <u>315,935</u> | <u>176,350</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(181,917)</u> | <u>(481,917)</u> | <u>(481,917)</u> | <u>-</u> |
| Net change in fund balance | (46,504) | (342,332) | (165,982) | 176,350 |
| Fund balance at beginning of year | <u>621,105</u> | <u>621,105</u> | <u>621,105</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 574,601</u> | <u>\$ 278,773</u> | <u>\$ 455,123</u> | <u>\$ 176,350</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, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| General property taxes | \$ 7,614 | \$ 7,614 | \$ 7,390 | \$ (224) |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Services | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 7,614 | 7,614 | 7,390 | (224) |
| Other financing sources (uses): | | | | |
| Transfers out | (7,614) | (7,614) | (7,476) | 138 |
| Net change in fund balance | - | - | (86) | (86) |
| Fund balance at beginning of year | 86 | 86 | 86 | - |
| Fund balance at end of year | <u>\$ 86</u> | <u>\$ 86</u> | <u>\$ -</u> | <u>\$ (86)</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 1,866,777 | \$ 1,866,777 | \$ 1,862,207 | \$ (4,570) |
| Motor vehicle tax | 18,982 | 18,982 | 18,849 | (133) |
| Intergovernmental: | | | | |
| Federal | - | - | - | - |
| State | - | 35,447 | 35,447 | - |
| Investment earnings | 29,256 | 29,256 | 98,639 | 69,383 |
| Other revenues | 219,089 | 219,089 | 239,254 | 20,165 |
| Total revenues | <u>2,134,104</u> | <u>2,169,551</u> | <u>2,254,396</u> | <u>84,845</u> |
| Expenditures: | | | | |
| Recreation: | | | | |
| Personnel | 1,242,074 | 1,277,521 | 1,206,042 | 71,479 |
| Supplies | 134,600 | 132,600 | 119,415 | 13,185 |
| Services | 576,724 | 576,724 | 542,240 | 34,484 |
| Capital outlay | 10,200 | 12,200 | 11,792 | 408 |
| Total expenditures | <u>1,963,598</u> | <u>1,999,045</u> | <u>1,879,489</u> | <u>119,556</u> |
| Excess (deficiency) of revenues over expenditures | <u>170,506</u> | <u>170,506</u> | <u>374,907</u> | <u>204,401</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(350,000)</u> | <u>(440,000)</u> | <u>(440,000)</u> | <u>-</u> |
| Net change in fund balance | (179,494) | (269,494) | (65,093) | 204,401 |
| Fund balance at beginning of year | <u>1,988,017</u> | <u>1,988,017</u> | <u>1,988,017</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,808,523</u> | <u>\$ 1,718,523</u> | <u>\$ 1,922,924</u> | <u>\$ 204,401</u> |

Kenai Peninsula Borough

Seldovia Recreational Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| General property taxes | \$ 54,625 | \$ 54,625 | \$ 52,867 | \$ (1,758) |
| Motor vehicle tax | 375 | 375 | 295 | (80) |
| Investment earnings | 999 | 999 | 3,855 | 2,856 |
| Other revenues | 1,050 | 1,050 | 751 | (299) |
| Total revenues | 57,049 | 57,049 | 57,768 | 719 |
| Expenditures: | | | | |
| Recreation: | | | | |
| Supplies | 5,700 | 6,631 | 3,846 | 2,785 |
| Services | 62,805 | 62,499 | 49,104 | 13,395 |
| Capital outlay | 800 | 175 | 175 | - |
| Total expenditures | 69,305 | 69,305 | 53,125 | 16,180 |
| Excess (deficiency) of revenues over expenditures | (12,256) | (12,256) | 4,643 | 16,899 |
| Fund balance at beginning of year | 80,013 | 80,013 | 80,013 | - |
| Fund balance at end of year | \$ 67,757 | \$ 67,757 | \$ 84,656 | \$ 16,899 |

Kenai Peninsula Borough
 Eastern Peninsula Highway Emergency Service Area
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------------|--------------------------|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Investment earnings | \$ 2,844 | \$ 2,844 | \$ 21,172 | \$ 18,328 |
| Other revenues | 56,800 | 56,800 | - | (56,800) |
| Total revenues | <u>59,644</u> | <u>59,644</u> | <u>21,172</u> | <u>(38,472)</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Supplies | 4,354 | 4,354 | 2,384 | 1,970 |
| Services | 402,446 | 402,446 | 133,558 | 268,888 |
| Total expenditures | <u>406,800</u> | <u>406,800</u> | <u>135,942</u> | <u>270,858</u> |
| Excess (deficiency) of revenues over expenditures | <u>(347,156)</u> | <u>(347,156)</u> | <u>(114,770)</u> | <u>232,386</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>350,000</u> | <u>350,000</u> | <u>350,000</u> | <u>-</u> |
| Net change in fund balance | 2,844 | 2,844 | 235,230 | 232,386 |
| Fund balance at beginning of year | <u>298,276</u> | <u>298,276</u> | <u>298,276</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 301,120</u></u> | <u><u>\$ 301,120</u></u> | <u><u>\$ 533,506</u></u> | <u><u>\$ 232,386</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| State | \$ - | \$ 19,114 | \$ 19,114 | \$ - |
| Investment earnings | 65,763 | 65,763 | 92,686 | 26,923 |
| Payments on land contracts | 695,000 | 695,000 | 285,505 | (409,495) |
| Land leases | 120,000 | 120,000 | 87,451 | (32,549) |
| Timber and gravel sales | 100,000 | 100,000 | 282,167 | 182,167 |
| Miscellaneous | 85,000 | 85,000 | 116,426 | 31,426 |
| Total revenues | <u>1,065,763</u> | <u>1,084,877</u> | <u>883,349</u> | <u>(201,528)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Personnel | 653,956 | 697,340 | 572,258 | 125,082 |
| Supplies | 8,900 | 8,900 | 2,166 | 6,734 |
| Services | 421,549 | 424,008 | 171,681 | 252,327 |
| Capital outlay | 5,300 | 5,300 | 4,454 | 846 |
| Total expenditures | <u>1,089,705</u> | <u>1,135,548</u> | <u>750,559</u> | <u>384,988</u> |
| Excess (deficiency) of revenues over expenditures | <u>(23,942)</u> | <u>(50,671)</u> | <u>132,790</u> | <u>183,461</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>-</u> | <u>(5,275,000)</u> | <u>(5,275,000)</u> | <u>-</u> |
| Net change in fund balance | (23,942) | (5,325,671) | (5,142,210) | 183,461 |
| Fund balance at beginning of year | <u>7,032,291</u> | <u>7,032,291</u> | <u>7,032,291</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 7,008,349</u> | <u>\$ 1,706,620</u> | <u>\$ 1,890,081</u> | <u>\$ 183,461</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General property taxes | \$ 367,504 | \$ 367,504 | \$ 376,559 | \$ 9,055 |
| Motor vehicle tax | 9,658 | 9,658 | 8,489 | (1,169) |
| Intergovernmental: | | | | |
| State | - | 5,723 | 5,723 | - |
| Investment earnings | <u>4,369</u> | <u>4,369</u> | <u>26,246</u> | <u>21,877</u> |
| Total revenues | <u>381,531</u> | <u>387,254</u> | <u>417,017</u> | <u>29,763</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel | 177,207 | 190,510 | 171,972 | 18,538 |
| Supplies | 4,600 | 3,719 | 2,535 | 1,184 |
| Services | 195,238 | 277,870 | 137,220 | 140,650 |
| Capital outlay | <u>2,000</u> | <u>2,000</u> | <u>1,923</u> | <u>77</u> |
| Total expenditures | <u>379,045</u> | <u>474,099</u> | <u>313,650</u> | <u>160,449</u> |
| Excess (deficiency) of revenues over expenditures | 2,486 | (86,845) | 103,367 | 190,212 |
| Fund balance at beginning of year | <u>576,255</u> | <u>576,255</u> | <u>576,255</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 578,741</u> | <u>\$ 489,410</u> | <u>\$ 679,622</u> | <u>\$ 190,212</u> |

Kenai Peninsula Borough

911 Communications Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| 911 service fee | \$ 1,631,688 | \$ 1,631,688 | \$ 1,731,163 | \$ 99,475 |
| Intergovernmental: | | | | |
| State | 105,000 | 157,217 | 165,568 | 8,351 |
| Other revenues | - | - | 131 | 131 |
| Total revenues | <u>1,736,688</u> | <u>1,788,905</u> | <u>1,896,862</u> | <u>107,957</u> |
| Expenditures: | | | | |
| Public Safety: | | | | |
| Personnel | 1,685,675 | 1,737,892 | 1,650,554 | 87,338 |
| Supplies | 11,700 | 14,114 | 13,177 | 937 |
| Services | 619,916 | 617,502 | 503,492 | 114,010 |
| Capital outlay | <u>34,035</u> | <u>34,035</u> | <u>29,521</u> | <u>4,514</u> |
| Total expenditures | <u>2,351,326</u> | <u>2,403,543</u> | <u>2,196,744</u> | <u>206,799</u> |
| Excess (deficiency) of revenues over expenditures | <u>(614,638)</u> | <u>(614,638)</u> | <u>(299,882)</u> | <u>314,756</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>540,495</u> | <u>540,495</u> | <u>540,495</u> | <u>-</u> |
| Net change in fund balance | (74,143) | (74,143) | 240,613 | 314,756 |
| Fund balance at beginning of year | <u>766,415</u> | <u>766,415</u> | <u>766,415</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 692,272</u> | <u>\$ 692,272</u> | <u>\$ 1,007,028</u> | <u>\$ 314,756</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, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance</u> |
|--|-------------------------|-------------------|-------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Positive</u> <u>(Negative)</u> |
| Revenues: | | | | |
| General property taxes | \$ 345,278 | \$ 345,278 | \$ 345,826 | \$ 548 |
| Motor vehicle tax | 3,064 | 3,064 | 3,042 | (22) |
| Investment earnings | 3,835 | 3,835 | 14,883 | 11,048 |
| Total revenues | <u>352,177</u> | <u>352,177</u> | <u>363,751</u> | <u>11,574</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Services | <u>398,200</u> | <u>398,200</u> | <u>394,885</u> | <u>3,315</u> |
| Total expenditures | <u>398,200</u> | <u>398,200</u> | <u>394,885</u> | <u>3,315</u> |
| Excess (deficiency) of revenues over expenditures | <u>(46,023)</u> | <u>(46,023)</u> | <u>(31,134)</u> | <u>14,889</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>52,981</u> | <u>52,981</u> | <u>52,981</u> | <u>-</u> |
| Net change in fund balance | 6,958 | 6,958 | 21,847 | 14,889 |
| Fund balance at beginning of year | <u>257,011</u> | <u>257,011</u> | <u>257,011</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 263,969</u> | <u>\$ 263,969</u> | <u>\$ 278,858</u> | <u>\$ 14,889</u> |

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Nonmajor Capital Project Funds
Pages 120-125

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.

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

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

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 major capital facilities of the 911 Communications.

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, 2019

| | <u>School Revenue</u> | <u>Bond Funded Capital Projects</u> | <u>General Government</u> | <u>Road Service Area</u> |
|---|---------------------------|---|-------------------------------|------------------------------|
| <u>Assets</u> | | | | |
| Equity in central treasury | \$ 2,211,468 | \$ 286,657 | \$ 661,506 | \$ 7,690,811 |
| Due from other governments | 28,176 | - | - | 1,004,889 |
| Restricted Assets - equity in central treasury - unspent bond proceeds | - | 2,377,363 | - | - |
| Total assets | <u>\$ 2,239,644</u> | <u>\$ 2,664,020</u> | <u>\$ 661,506</u> | <u>\$ 8,695,700</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts and retainage payable | 148,294 | - | 284 | 819,502 |
| Accrued payroll and payroll benefits | 2,756 | - | 516 | - |
| Unearned grant revenue | 153,629 | - | - | - |
| Total liabilities | <u>304,679</u> | <u>-</u> | <u>800</u> | <u>819,502</u> |
| Fund balances: | | | | |
| Restricted: | | | | |
| Education | 153,629 | 2,664,020 | - | - |
| Roads | - | - | - | 1,560,330 |
| Public safety | - | - | - | - |
| Committed: | | | | |
| Software upgrades | - | - | 238,164 | - |
| Building maintenance and upgrades | - | - | 422,542 | - |
| Public safety facilities and equipment | - | - | - | - |
| Recreational facility maintenance | - | - | - | - |
| School maintenance and upgrades | 1,781,336 | - | - | - |
| Road construction and upgrades | - | - | - | 5,780,193 |
| Assigned: | | | | |
| Subsequent year's expenditures | - | - | - | 535,675 |
| Total fund balances | <u>1,934,965</u> | <u>2,664,020</u> | <u>660,706</u> | <u>7,876,198</u> |
| Total liabilities and fund balances | <u>\$ 2,239,644</u> | <u>\$ 2,664,020</u> | <u>\$ 661,506</u> | <u>\$ 8,695,700</u> |

| <u>Nikiski Fire Service Area</u> | <u>Bear Creek Fire Service Area</u> | <u>Central Emergency Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> |
|--------------------------------------|---|---|---|
| \$ 4,398,927 | \$ 378,254 | \$ 1,834,229 | \$ 178,719 |
| - | - | - | - |
| - | - | 35,241 | - |
| <u>\$ 4,398,927</u> | <u>\$ 378,254</u> | <u>\$ 1,869,470</u> | <u>\$ 178,719</u> |
| 776 | 7,892 | 454 | - |
| - | - | - | - |
| - | - | - | - |
| <u>776</u> | <u>7,892</u> | <u>454</u> | <u>-</u> |
| - | - | - | - |
| - | - | - | - |
| - | - | 9,389 | - |
| - | - | - | - |
| - | - | - | - |
| 4,398,151 | 370,362 | 1,859,627 | 178,719 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>4,398,151</u> | <u>370,362</u> | <u>1,869,016</u> | <u>178,719</u> |
| <u>\$ 4,398,927</u> | <u>\$ 378,254</u> | <u>\$ 1,869,470</u> | <u>\$ 178,719</u> |

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 June 30, 2019

| | <u>Kachemak Emergency Service Area</u> | <u>911 Communications</u> | <u>North Peninsula Recreation Service Area</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|---|--|-------------------------------|--|--|
| <u>Assets</u> | | | | |
| Equity in central treasury | \$ 540,889 | \$ 287,276 | \$ 745,393 | \$ 19,214,129 |
| Due from other governments | - | - | - | 1,033,065 |
| Restricted Assets - equity in central treasury - unspent bond proceeds | - | - | - | 2,412,604 |
| Total assets | <u>\$ 540,889</u> | <u>\$ 287,276</u> | <u>\$ 745,393</u> | <u>\$ 22,659,798</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts and retainage payable | - | - | - | 977,202 |
| Accrued payroll and payroll benefits | - | - | - | 3,272 |
| Unearned grant revenue | - | - | - | 153,629 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,134,103</u> |
| Fund balances: | | | | |
| Restricted: | | | | |
| Education | - | - | - | 2,817,649 |
| Roads | - | - | - | 1,560,330 |
| Public safety | - | - | - | 9,389 |
| Committed: | | | | |
| Software upgrades | - | - | - | 238,164 |
| Building maintenance and upgrades | - | - | - | 422,542 |
| Public safety facilities and equipment | 540,889 | 287,276 | - | 7,635,024 |
| Recreational facility maintenance | - | - | 643,596 | 643,596 |
| School maintenance and upgrades | - | - | - | 1,781,336 |
| Road construction and upgrades | - | - | - | 5,780,193 |
| Assigned: | | | | |
| Subsequent year's expenditures | - | - | 101,797 | 637,472 |
| Total fund balances | <u>540,889</u> | <u>287,276</u> | <u>745,393</u> | <u>21,525,695</u> |
| Total liabilities and fund balances | <u>\$ 540,889</u> | <u>\$ 287,276</u> | <u>\$ 745,393</u> | <u>\$ 22,659,798</u> |

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2019

| | <u>School Revenue</u> | <u>Bond Funded Capital Projects</u> | <u>General Government</u> | <u>Road Service Area</u> |
|--|-----------------------|---|-------------------------------|------------------------------|
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Federal | \$ - | \$ - | \$ - | \$ 1,896,704 |
| State | 32,109 | - | - | 2,686,804 |
| Investment earnings | - | 55,586 | - | 252,007 |
| Other revenues | 300,038 | - | - | - |
| Total revenues | <u>332,147</u> | <u>55,586</u> | <u>-</u> | <u>4,835,515</u> |
| Expenditures: | | | | |
| General government | - | - | 80,308 | - |
| Public safety | - | - | - | - |
| Recreation | - | - | - | - |
| Education | 1,063,519 | 24,301 | - | - |
| Roads and trails | - | - | - | 4,583,874 |
| Total expenditures | <u>1,063,519</u> | <u>24,301</u> | <u>80,308</u> | <u>4,583,874</u> |
| Excess (deficiency) of revenues over expenditures | <u>(731,372)</u> | <u>31,285</u> | <u>(80,308)</u> | <u>251,641</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,632,500 | - | - | 1,750,000 |
| Transfers out | - | - | (7,500) | - |
| Net other financing sources (uses) | <u>1,632,500</u> | <u>-</u> | <u>(7,500)</u> | <u>1,750,000</u> |
| Net change in fund balances | 901,128 | 31,285 | (87,808) | 2,001,641 |
| Fund balances at beginning of year | <u>1,033,837</u> | <u>2,632,735</u> | <u>748,514</u> | <u>5,874,557</u> |
| Fund balances at end of year | <u>\$ 1,934,965</u> | <u>\$ 2,664,020</u> | <u>\$ 660,706</u> | <u>\$ 7,876,198</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, 2019

| | <u>Nikiski Fire Service Area</u> | <u>Bear Creek Fire Service Area</u> | <u>Central Emergency Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> |
|--|--------------------------------------|---|---|---|
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Federal | \$ - | \$ - | \$ - | \$ - |
| State | - | - | - | - |
| Investment earnings | 165,496 | 14,027 | 73,535 | 6,927 |
| Other revenues | - | - | - | - |
| Total revenues | <u>165,496</u> | <u>14,027</u> | <u>73,535</u> | <u>6,927</u> |
| Expenditures: | | | | |
| General government | - | - | - | - |
| Public safety | 255,726 | 31,991 | 467,753 | 168,794 |
| Recreation | - | - | - | - |
| Education | - | - | - | - |
| Roads and trails | - | - | - | - |
| Total expenditures | <u>255,726</u> | <u>31,991</u> | <u>467,753</u> | <u>168,794</u> |
| Excess (deficiency) of revenues over expenditures | <u>(90,230)</u> | <u>(17,964)</u> | <u>(394,218)</u> | <u>(161,867)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 500,000 | 50,000 | 550,000 | 160,000 |
| Transfers out | - | - | - | - |
| Net other financing sources (uses) | <u>500,000</u> | <u>50,000</u> | <u>550,000</u> | <u>160,000</u> |
| Net change in fund balances | 409,770 | 32,036 | 155,782 | (1,867) |
| Fund balances at beginning of year | <u>3,988,381</u> | <u>338,326</u> | <u>1,713,234</u> | <u>180,586</u> |
| Fund balances at end of year | <u>\$ 4,398,151</u> | <u>\$ 370,362</u> | <u>\$ 1,869,016</u> | <u>\$ 178,719</u> |

| <u>Kachemak Emergency Service Area</u> | <u>911 Communications</u> | <u>North Peninsula Recreation Service Area</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|--|-------------------------------|--|--|
| \$ - | \$ - | \$ - | \$ 1,896,704 |
| - | - | - | 2,718,913 |
| 11,163 | - | 27,896 | 606,637 |
| - | 75,000 | - | 375,038 |
| <u>11,163</u> | <u>75,000</u> | <u>27,896</u> | <u>5,597,292</u> |
| - | - | - | 80,308 |
| 6,870 | 27,407 | - | 958,541 |
| - | - | 202,367 | 202,367 |
| - | - | - | 1,087,820 |
| - | - | - | 4,583,874 |
| <u>6,870</u> | <u>27,407</u> | <u>202,367</u> | <u>6,912,910</u> |
| <u>4,293</u> | <u>47,593</u> | <u>(174,471)</u> | <u>(1,315,618)</u> |
| 465,386 | - | 440,000 | 5,547,886 |
| - | - | - | (7,500) |
| <u>465,386</u> | <u>-</u> | <u>440,000</u> | <u>5,540,386</u> |
| 469,679 | 47,593 | 265,529 | 4,224,768 |
| <u>71,210</u> | <u>239,683</u> | <u>479,864</u> | <u>17,300,927</u> |
| <u>\$ 540,889</u> | <u>\$ 287,276</u> | <u>\$ 745,393</u> | <u>\$ 21,525,695</u> |

Nonmajor Debt Service Funds
Pages 127-132

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

Solid Waste – This fund is used to account for payments associated with general obligation bonds for construction of capital facilities and acquisition of equipment for the Solid Waste Program.

Bear Creek Fire Service Area – This fund is used to account for payments associated with general obligation bonds for construction of capital facilities and purchase of fire-fighting equipment of the Bear Creek Fire Service Area.

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

Kenai Peninsula Borough
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 June 30, 2019

| | <u>General Government</u> | | <u>Bear Creek Fire Service Area</u> | <u>Central Emergency Services</u> | <u>Total Nonmajor Debt Service Funds</u> |
|---|---------------------------|--------------------|---|---|--|
| | <u>School Debt</u> | <u>Solid Waste</u> | | | |
| <u>Assets</u> | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities | - | - | - | - | - |
| Fund balances | - | - | - | - | - |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <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, 2019

| | <u>General Government</u> | | <u>Bear Creek Fire Service Area</u> | <u>Central Emergency Services</u> | <u>Total Nonmajor Debt Service Funds</u> |
|--|---------------------------|------------------------|---|---|--|
| | <u>School Debt</u> | <u>Solid Waste</u> | | | |
| Revenues: | | | | | |
| Interest subsidy | \$ 274,314 | \$ - | \$ - | \$ - | \$ 274,314 |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Principal | 2,390,000 | 835,000 | 50,000 | 300,000 | 3,575,000 |
| Interest and other | 1,677,180 | 230,250 | 47,020 | 146,688 | 2,101,138 |
| Total expenditures | <u>4,067,180</u> | <u>1,065,250</u> | <u>97,020</u> | <u>446,688</u> | <u>5,676,138</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,792,866)</u> | <u>(1,065,250)</u> | <u>(97,020)</u> | <u>(446,688)</u> | <u>(5,401,824)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | <u>3,792,866</u> | <u>1,065,250</u> | <u>97,020</u> | <u>446,688</u> | <u>5,401,824</u> |
| Net change in fund balances | - | - | - | - | - |
| Fund balances at beginning of year | - | - | - | - | - |
| Fund balances at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Kenai Peninsula Borough
School Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Interest subsidy | \$ 273,743 | \$ 273,743 | \$ 274,314 | \$ 571 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 2,390,000 | 2,390,000 | 2,390,000 | - |
| Interest and other | 1,685,305 | 1,685,305 | 1,677,180 | 8,125 |
| Total expenditures | 4,075,305 | 4,075,305 | 4,067,180 | 8,125 |
| Excess (deficiency) of revenues over expenditures | (3,801,562) | (3,801,562) | (3,792,866) | 8,696 |
| Other financing sources (uses): | | | | |
| Transfers in | 3,801,562 | 3,801,562 | 3,792,866 | (8,696) |
| Net change in fund balance | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | \$ - | \$ - | \$ - |

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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 835,000 | 835,000 | 835,000 | - |
| Interest and other | <u>230,250</u> | <u>230,250</u> | <u>230,250</u> | <u>-</u> |
| Total expenditures | <u>1,065,250</u> | <u>1,065,250</u> | <u>1,065,250</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,065,250)</u> | <u>(1,065,250)</u> | <u>(1,065,250)</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>1,065,250</u> | <u>1,065,250</u> | <u>1,065,250</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

Bear Creek Fire Service Area Debt Service Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 50,000 | 50,000 | 50,000 | - |
| Interest and other | <u>47,020</u> | <u>47,020</u> | <u>47,020</u> | <u>-</u> |
| Total expenditures | <u>97,020</u> | <u>97,020</u> | <u>97,020</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(97,020)</u> | <u>(97,020)</u> | <u>(97,020)</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>97,020</u> | <u>97,020</u> | <u>97,020</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, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 300,000 | 300,000 | 300,000 | - |
| Interest and other | <u>146,688</u> | <u>146,688</u> | <u>146,688</u> | <u>-</u> |
| Total expenditures | <u>446,688</u> | <u>446,688</u> | <u>446,688</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(446,688)</u> | <u>(446,688)</u> | <u>(446,688)</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>446,688</u> | <u>446,688</u> | <u>446,688</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> |

INTERNAL SERVICE FUNDS

**INTERNAL SERVICE
FUNDS**

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Position
June 30, 2019

| | <u>Insurance and Litigation</u> | <u>Employee Health Insurance</u> | <u>Employee Compensated Leave</u> | <u>Equipment Replacement</u> | <u>Total Internal Service Funds</u> |
|---|---|--|---|----------------------------------|---|
| <u>Assets</u> | | | | | |
| Current assets: | | | | | |
| Cash and short term investments | \$ 69,975 | \$ - | \$ - | \$ - | \$ 69,975 |
| Equity in central treasury | 6,427,862 | 2,714,985 | 2,882,662 | 3,519,603 | 15,545,112 |
| Other receivables | 50,996 | 111,482 | - | - | 162,478 |
| Total current assets | <u>6,548,833</u> | <u>2,826,467</u> | <u>2,882,662</u> | <u>3,519,603</u> | <u>15,777,565</u> |
| Capital assets: | | | | | |
| Equipment | - | - | - | 2,416,644 | 2,416,644 |
| Less accumulated depreciation | - | - | - | (808,757) | (808,757) |
| Total capital assets (net of accumulated depreciation) | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,607,887</u> | <u>1,607,887</u> |
| Total assets | <u>6,548,833</u> | <u>2,826,467</u> | <u>2,882,662</u> | <u>5,127,490</u> | <u>17,385,452</u> |
| <u>Liabilities</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts and contracts payable | 85,057 | 1,362 | - | 54,520 | 140,939 |
| Accrued payroll and payroll benefits | 9,055 | - | - | - | 9,055 |
| Claims payable | 2,290,132 | 772,000 | - | - | 3,062,132 |
| Compensated absences | 7,664 | - | 720,666 | - | 728,330 |
| Total current liabilities | <u>2,391,908</u> | <u>773,362</u> | <u>720,666</u> | <u>54,520</u> | <u>3,940,456</u> |
| Noncurrent liabilities- | | | | | |
| compensated absences | <u>22,993</u> | <u>-</u> | <u>2,161,996</u> | <u>-</u> | <u>2,184,989</u> |
| Total liabilities | <u>2,414,901</u> | <u>773,362</u> | <u>2,882,662</u> | <u>54,520</u> | <u>6,125,445</u> |
| <u>Net Position</u> | | | | | |
| Investment in capital assets | - | - | - | 1,607,887 | 1,607,887 |
| Unrestricted | 4,133,932 | 2,053,105 | - | 3,465,083 | 9,652,120 |
| Total net position | <u>\$ 4,133,932</u> | <u>\$ 2,053,105</u> | <u>\$ -</u> | <u>\$ 5,072,970</u> | <u>\$ 11,260,007</u> |

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2019

| | <u>Insurance and Litigation</u> | <u>Employee Health Insurance</u> | <u>Employee Compensated Leave</u> | <u>Equipment Replacement</u> | <u>Total Internal Service Funds</u> |
|--|-------------------------------------|--|---|----------------------------------|---|
| Operating revenues: | | | | | |
| Charges for sales and services | \$ 3,804,495 | \$ 7,150,272 | \$ 2,203,975 | \$ 624,575 | \$ 13,783,317 |
| Other operating revenues - PERS on-behalf | <u>12,521</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,521</u> |
| Total operating revenues | <u>3,817,016</u> | <u>7,150,272</u> | <u>2,203,975</u> | <u>624,575</u> | <u>13,795,838</u> |
| Operating expenses: | | | | | |
| Administrative services | 625,711 | 385,862 | 2,203,975 | - | 3,215,548 |
| Insurance premiums | 2,033,345 | 758,038 | - | - | 2,791,383 |
| Self-insured losses | 2,127,826 | 5,893,145 | - | - | 8,020,971 |
| Depreciation | <u>-</u> | <u>-</u> | <u>-</u> | <u>490,349</u> | <u>490,349</u> |
| Total operating expenses | <u>4,786,882</u> | <u>7,037,045</u> | <u>2,203,975</u> | <u>490,349</u> | <u>14,518,251</u> |
| Operating income (loss) | <u>(969,866)</u> | <u>113,227</u> | <u>-</u> | <u>134,226</u> | <u>(722,413)</u> |
| Non-operating revenues (expenses): | | | | | |
| Investment earnings | 279,967 | 97,350 | - | 129,568 | 506,885 |
| Loss on disposal of assets | - | - | - | (491,916) | (491,916) |
| Other | <u>38,012</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>38,012</u> |
| Net non-operating revenues (expenses) | <u>317,979</u> | <u>97,350</u> | <u>-</u> | <u>(362,348)</u> | <u>52,981</u> |
| Change in net position | (651,887) | 210,577 | - | (228,122) | (669,432) |
| Net position at beginning of year | <u>4,785,819</u> | <u>1,842,528</u> | <u>-</u> | <u>5,301,092</u> | <u>11,929,439</u> |
| Net position at end of year | <u>\$ 4,133,932</u> | <u>\$ 2,053,105</u> | <u>\$ -</u> | <u>\$ 5,072,970</u> | <u>\$ 11,260,007</u> |

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

| | <u>Insurance and Litigation</u> | <u>Employee Health Insurance</u> | <u>Employee Compensated Leave</u> | <u>Equipment Replacement</u> | <u>Total Internal Service Funds</u> |
|---|-------------------------------------|--|---|----------------------------------|---|
| Cash flows from operating activities: | | | | | |
| Receipts from interfund services provided | \$ 3,804,495 | \$ 7,150,272 | \$ 2,203,975 | \$ 624,575 | \$ 13,783,317 |
| Payments to suppliers | (3,842,352) | (7,007,030) | - | - | (10,849,382) |
| Payments to employees | (479,480) | - | (2,186,499) | - | (2,665,979) |
| Other program revenue - PERS on-behalf | 12,521 | - | - | - | 12,521 |
| Net cash provided (used) by operating activities | <u>(504,816)</u> | <u>143,242</u> | <u>17,476</u> | <u>624,575</u> | <u>280,477</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Purchase of capital assets | - | - | - | (752,306) | (752,306) |
| Insurance proceeds received for liability claim | 38,012 | - | - | - | 38,012 |
| Net cash provided (used) by capital and related financing activities | <u>38,012</u> | <u>-</u> | <u>-</u> | <u>(752,306)</u> | <u>(714,294)</u> |
| Cash flows from investing activities: | | | | | |
| Investment earnings | 279,967 | 97,350 | - | 129,568 | 506,885 |
| Net increase (decrease) in cash and cash equivalents | (186,837) | 240,592 | 17,476 | 1,837 | 73,068 |
| Cash and equity in central treasury at beginning of year | 6,684,674 | 2,474,393 | 2,865,186 | 3,517,766 | 15,542,019 |
| Cash and equity in central treasury at end of year | <u>\$ 6,497,837</u> | <u>\$ 2,714,985</u> | <u>\$ 2,882,662</u> | <u>\$ 3,519,603</u> | <u>\$ 15,615,087</u> |
| Reconciliation of cash and cash equivalents to Statement of Net Position: | | | | | |
| Cash and short-term investments | \$ 69,975 | \$ - | \$ - | \$ - | \$ 69,975 |
| Equity in central treasury | 6,427,862 | 2,714,985 | 2,882,662 | 3,519,603 | 15,545,112 |
| Cash and cash equivalents, end of year | <u>\$ 6,497,837</u> | <u>\$ 2,714,985</u> | <u>\$ 2,882,662</u> | <u>\$ 3,519,603</u> | <u>\$ 15,615,087</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ (969,866) | \$ 113,227 | \$ - | \$ 134,226 | \$ (722,413) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | - | - | - | 490,349 | 490,349 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in other receivables | (50,996) | 256,653 | - | - | 205,657 |
| (Increase) decrease in prepaids | 79,104 | - | - | - | 79,104 |
| Increase (decrease) in accounts and contracts payable | (104,279) | 1,362 | - | - | (102,917) |
| Increase (decrease) in accrued payroll and payroll benefits | 3,710 | - | - | - | 3,710 |
| Increase (decrease) in claims payable | 527,184 | (228,000) | - | - | 299,184 |
| Increase (decrease) in compensated absences | 10,327 | - | 17,476 | - | 27,803 |
| Total adjustments | <u>465,050</u> | <u>30,015</u> | <u>17,476</u> | <u>490,349</u> | <u>1,002,890</u> |
| Net cash provided (used) by operating activities | <u>\$ (504,816)</u> | <u>\$ 143,242</u> | <u>\$ 17,476</u> | <u>\$ 624,575</u> | <u>\$ 280,477</u> |

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FIDUCIARY FUNDS

Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Assets and Liabilities
 June 30, 2019

| | <u>Tax Fund</u> | <u>Special Assessment Fund</u> | <u>Total Agency Funds</u> |
|----------------------------|-------------------|--|-------------------------------|
| <u>Assets</u> | | | |
| Equity in central treasury | \$ 285,104 | \$ 600,870 | \$ 885,974 |
| Taxes receivable | 146,104 | - | 146,104 |
| Due from landowners | <u>-</u> | <u>1,031,442</u> | <u>1,031,442</u> |
| Total assets | <u>\$ 431,208</u> | <u>\$ 1,632,312</u> | <u>\$ 2,063,520</u> |
| <u>Liabilities</u> | | | |
| Administration fee payable | - | 80,972 | 80,972 |
| Due to landowners | - | 409,854 | 409,854 |
| Loans payable | - | 1,141,486 | 1,141,486 |
| Due to other entities: | | | |
| City of Homer | 77,450 | - | 77,450 |
| City of Kachemak City | 2,026 | - | 2,026 |
| City of Kenai | 275,685 | - | 275,685 |
| City of Seldovia | 14,189 | - | 14,189 |
| City of Seward | 30,251 | - | 30,251 |
| City of Soldotna | <u>31,607</u> | <u>-</u> | <u>31,607</u> |
| Total liabilities | <u>\$ 431,208</u> | <u>\$ 1,632,312</u> | <u>\$ 2,063,520</u> |

Kenai Peninsula Borough

Fiduciary Fund Type - Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2019

| | <u>Total</u> <u>June 30, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Total</u> <u>June 30, 2019</u> |
|---------------------------------------|--------------------------------------|----------------------|----------------------|--------------------------------------|
| Tax Agency Fund | | | | |
| <u>Assets</u> | | | | |
| Equity in central treasury | \$ 238,004 | \$ 38,481,162 | \$ 38,434,062 | \$ 285,104 |
| Taxes receivable | <u>232,498</u> | <u>9,396,909</u> | <u>9,483,303</u> | <u>146,104</u> |
| Total assets | <u>\$ 470,502</u> | <u>\$ 47,878,071</u> | <u>\$ 47,917,365</u> | <u>\$ 431,208</u> |
| <u>Liabilities</u> | | | | |
| Due to other entities: | | | | |
| City of Homer | 88,647 | 12,197,681 | 12,208,878 | 77,450 |
| City of Kachemak City | - | 88,065 | 86,039 | 2,026 |
| City of Kenai | 237,961 | 11,024,552 | 10,986,828 | 275,685 |
| City of Seldovia | 5,959 | 447,833 | 439,603 | 14,189 |
| City of Seward | 12,698 | 6,877,432 | 6,859,879 | 30,251 |
| City of Soldotna | <u>125,237</u> | <u>8,044,608</u> | <u>8,138,238</u> | <u>31,607</u> |
| Total liabilities | <u>\$ 470,502</u> | <u>\$ 38,680,171</u> | <u>\$ 38,719,465</u> | <u>\$ 431,208</u> |
| Special Assessment Agency Fund | | | | |
| <u>Assets</u> | | | | |
| Equity in central treasury | \$ 518,674 | \$ 162,107 | \$ 79,911 | \$ 600,870 |
| Due from landowners | <u>1,398,696</u> | <u>-</u> | <u>367,254</u> | <u>1,031,442</u> |
| Total assets | <u>\$ 1,917,370</u> | <u>\$ 162,107</u> | <u>\$ 447,165</u> | <u>\$ 1,632,312</u> |
| <u>Liabilities</u> | | | | |
| Administration fee payable | 99,525 | - | 18,553 | 80,972 |
| Due to landowners | 426,909 | 59,034 | 76,089 | 409,854 |
| Loans payable | <u>1,390,936</u> | <u>111,043</u> | <u>360,493</u> | <u>1,141,486</u> |
| Total liabilities | <u>\$ 1,917,370</u> | <u>\$ 170,077</u> | <u>\$ 455,135</u> | <u>\$ 1,632,312</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, 2019

| | <u>Total</u> | | | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>June 30, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2019</u> |
| Total - All Agency Funds | | | | |
| <u>Assets</u> | | | | |
| Equity in central treasury | \$ 756,678 | \$ 38,643,269 | \$ 38,513,973 | \$ 885,974 |
| Taxes receivable | 232,498 | 9,396,909 | 9,483,303 | 146,104 |
| Due from landowners | <u>1,398,696</u> | <u>-</u> | <u>367,254</u> | <u>1,031,442</u> |
| Total assets | <u>\$ 2,387,872</u> | <u>\$ 48,040,178</u> | <u>\$ 48,364,530</u> | <u>\$ 2,063,520</u> |
| <u>Liabilities</u> | | | | |
| Administration fee payable | 99,525 | - | 18,553 | 80,972 |
| Due to landowners | 426,909 | 59,034 | 76,089 | 409,854 |
| Loans payable | 1,390,936 | 111,043 | 360,493 | 1,141,486 |
| Due to other entities: | | | | |
| City of Homer | 88,647 | 12,197,681 | 12,208,878 | 77,450 |
| City of Kachemak City | - | 88,065 | 86,039 | 2,026 |
| City of Kenai | 237,961 | 11,024,552 | 10,986,828 | 275,685 |
| City of Seldovia | 5,959 | 447,833 | 439,603 | 14,189 |
| City of Seward | 12,698 | 6,877,432 | 6,859,879 | 30,251 |
| City of Soldotna | <u>125,237</u> | <u>8,044,608</u> | <u>8,138,238</u> | <u>31,607</u> |
| Total liabilities | <u>\$ 2,387,872</u> | <u>\$ 38,850,248</u> | <u>\$ 39,174,600</u> | <u>\$ 2,063,520</u> |

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CAPITAL ASSETS

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedules by Source⁽¹⁾

June 30, 2019

| | |
|---|-----------------------|
| Governmental funds capital assets: | |
| Land | \$ 71,118,078 |
| Buildings | 308,233,914 |
| Improvements other than buildings | 93,340,718 |
| Machinery and equipment | 39,874,129 |
| Infrastructure | 18,783,501 |
| Construction in progress | 5,821,210 |
| | <hr/> |
| Total governmental funds capital assets | <u>\$ 537,171,550</u> |
| | |
| Investments in governmental funds capital assets by source: | |
| General obligation bonds | \$ 282,232,549 |
| State and federal grants | 66,795,568 |
| Federal revenue sharing | 3,146,741 |
| General Fund revenue | 50,001,387 |
| Special revenue funds | 70,398,189 |
| Contributed Capital | 270,503 |
| Dedicated Lands | 126,058 |
| Donations | 64,200,555 |
| | <hr/> |
| Total governmental funds capital assets | <u>\$ 537,171,550</u> |

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

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity⁽¹⁾
 For the Year Ended June 30, 2019

| <u>Function and Activity</u> | <u>Governmental Funds Capital Assets June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Governmental Funds Capital Assets June 30, 2019</u> |
|--|---|-------------------------|-------------------------|---|
| General government | \$ 75,554,216 | \$ 2,464,933 | \$ 268,538 | \$ 77,750,611 |
| Senior citizens | 274,451 | - | - | 274,451 |
| Public safety: | | | | |
| Fire protection and emergency medical | 50,674,036 | 759,692 | 611,978 | 50,821,750 |
| Emergency communications | 9,381,460 | 213,719 | - | 9,595,179 |
| Total public safety | 60,055,496 | 973,411 | 611,978 | 60,416,929 |
| Solid waste facilities | 52,960,074 | 2,281,948 | - | 55,242,022 |
| Road maintenance: | | | | |
| Maintenance | 195,282 | - | - | 195,282 |
| Roads | 18,607,585 | 76,164 | - | 18,683,749 |
| Total road maintenance | 18,802,867 | 76,164 | - | 18,879,031 |
| Recreation: | | | | |
| North Peninsula Recreation service area | 11,371,742 | 163,376 | - | 11,535,118 |
| Schools | 313,008,266 | 65,122 | - | 313,073,388 |
| Total governmental funds capital assets | \$ 532,027,112 | \$ 6,024,954 | \$ 880,516 | \$ 537,171,550 |

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

Kenai Peninsula Borough

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

June 30, 2019

| | Land | Improvements Other Than | | | | Construction In Progress | Total |
|---|------------|----------------------------|--------------|--------------|----------------|-----------------------------|--------------|
| | | Buildings | Buildings | Equipment | Infrastructure | | |
| General government: | | | | | | | |
| Administration building | \$ - | \$ 2,702,657 | \$ 1,798,773 | \$ 3,133,846 | \$ - | \$ 50,842 | \$ 7,686,118 |
| Maintenance | 203,609 | 1,392,155 | 33,538 | 2,404,764 | - | - | 4,034,066 |
| Area-wide | 64,099,456 | - | - | - | - | - | 64,099,456 |
| Kenai River Center | - | 1,875,593 | - | 55,378 | - | - | 1,930,971 |
| Total general government | 64,303,065 | 5,970,405 | 1,832,311 | 5,593,988 | - | 50,842 | 77,750,611 |
| Senior citizens | - | 243,800 | - | 30,651 | - | - | 274,451 |
| Public safety: | | | | | | | |
| Fire protection and emergency medical: | | | | | | | |
| Nikiski Fire service area | 49,172 | 7,518,414 | 371,521 | 7,693,816 | - | 321,905 | 15,954,828 |
| Bear Creek Fire service area | 17,211 | 6,713,034 | 130,271 | 1,684,015 | - | - | 8,544,531 |
| Central Emergency service area | 493,936 | 4,347,827 | 1,621,950 | 9,468,553 | - | 576,153 | 16,508,419 |
| Anchor Point Fire and Emergency Medical service area | 108,487 | 1,596,435 | 333,679 | 2,374,942 | - | - | 4,413,543 |
| Kachemak Fire and Emergency | 127,270 | 2,637,114 | 24,200 | 2,611,845 | - | - | 5,400,429 |
| Total fire protection and emergency medical | 796,076 | 22,812,824 | 2,481,621 | 23,833,171 | - | 898,058 | 50,821,750 |
| Emergency communications: | | | | | | | |
| Central Peninsula Emergency Services communication center | - | - | - | 1,190,289 | - | - | 1,190,289 |
| Emergency warning systems | - | 4,838,523 | 1,503,026 | 1,862,838 | - | 200,503 | 8,404,890 |
| Total communications | - | 4,838,523 | 1,503,026 | 3,053,127 | - | 200,503 | 9,595,179 |
| Total public safety | 796,076 | 27,651,347 | 3,984,647 | 26,886,298 | - | 1,098,561 | 60,416,929 |
| Solid waste facilities | 2,908,687 | 3,186,499 | 38,766,329 | 5,885,777 | - | 4,494,730 | 55,242,022 |
| Road maintenance | - | - | - | 195,282 | 18,683,749 | - | 18,879,031 |
| Recreation: | | | | | | | |
| North Peninsula Recreation service area | 145,640 | 8,513,465 | 2,292,126 | 420,511 | - | 163,376 | 11,535,118 |

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2019

| | <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 | 545,363 | - | - | - | 3,151,516 |
| Cooper Landing | - | 1,034,989 | 150,986 | - | - | - | 1,185,975 |
| Tebughna | - | 2,531,213 | 152,551 | - | - | - | 2,683,764 |
| English Bay | - | 2,447,908 | 230,577 | - | - | - | 2,678,485 |
| Hope Elementary | 3,000 | 2,523,867 | 541,716 | - | - | - | 3,068,583 |
| Kalifornsky Beach | 258,803 | 4,884,108 | 267,449 | - | - | - | 5,410,360 |
| 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 | 625,313 | - | - | - | 4,344,330 |
| Nikiski High | - | 22,872,128 | 4,791,479 | 5,000 | - | - | 27,668,607 |
| Nikolaevsk | 51,282 | 4,923,106 | 352,854 | 72,801 | - | - | 5,400,043 |
| Ninilichik | 16,399 | 5,869,344 | 453,568 | 54,020 | 99,752 | - | 6,493,083 |
| 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 | 680,272 | 34,127 | - | - | 4,466,204 |
| Tustumena | 8,001 | 7,883,965 | 303,740 | 43,849 | - | - | 8,239,555 |
| Voznesenka | 19,556 | 150,000 | 16,400 | 34,155 | - | - | 220,111 |
| Total outside cities | 629,025 | 102,336,271 | 15,139,073 | 382,774 | 99,752 | - | 118,586,895 |
| Homer: | | | | | | | |
| West Homer Elementary | 322,028 | 11,332,823 | 46,614 | - | - | - | 11,701,465 |
| Paul Banks Elementary | 23,971 | 2,589,112 | 679,966 | 6,143 | - | - | 3,299,192 |
| High School | 400,913 | 27,402,340 | 6,990,257 | 75,450 | 13,701 | - | 34,882,661 |
| Junior High | 17,024 | 3,197,028 | 743,645 | - | - | - | 3,957,697 |
| High School Addition | 29,177 | 2,598,949 | 103,555 | - | - | - | 2,731,681 |
| Flex School | 63,248 | 461,150 | - | - | - | - | 524,398 |
| Total Homer | 856,361 | 47,581,402 | 8,564,037 | 81,593 | 13,701 | - | 57,097,094 |

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2019

| | Land | Buildings | | Improvements Other Than Buildings | Equipment | Infrastructure | Construction In Progress | Total |
|--|----------------------|-----------------------|----------------------|---|----------------------|---------------------|-----------------------------|-----------------------|
| | | Buildings | Buildings | | | | | |
| Kenai: | | | | | | | | |
| Elementary II | 137,941 | 2,614,381 | 104,667 | - | - | - | - | 2,856,989 |
| Mountain View Elementary | - | 5,892,103 | 1,374,172 | 67,213 | - | - | - | 7,333,488 |
| Sears Elementary | 41,575 | 1,709,394 | 464,620 | 19,585 | - | - | - | 2,235,174 |
| Junior High | 60,499 | 4,057,399 | 796,734 | 5,990 | - | - | - | 4,920,622 |
| High School | 129,517 | 17,976,192 | 5,216,089 | 51,056 | - | - | - | 23,372,854 |
| Vocational High | 40,000 | 509,655 | 254,483 | - | - | - | - | 804,138 |
| Arts and Crafts Building | - | 118,341 | - | - | - | - | - | 118,341 |
| Total Kenai | 409,532 | 32,877,465 | 8,210,765 | 143,844 | - | - | - | 41,641,606 |
| Seldovia: | | | | | | | | |
| Susan B. English | 27,953 | 3,705,452 | 1,005,119 | - | - | - | - | 4,738,524 |
| Shop Building | 1,000 | 2,557,944 | - | 5,168 | - | - | - | 2,564,112 |
| Total Seldovia | 28,953 | 6,263,396 | 1,005,119 | 5,168 | - | - | - | 7,302,636 |
| Seward: | | | | | | | | |
| Elementary II | 235,000 | 6,601,586 | 917,462 | 40,000 | - | - | - | 7,794,048 |
| Middle | 346,295 | 14,656,471 | 481,531 | - | - | - | - | 15,484,297 |
| Jr. High/High School | 182,596 | 12,722,087 | 2,118,247 | 51,421 | - | - | - | 15,074,351 |
| Total Seward | 763,891 | 33,980,144 | 3,517,240 | 91,421 | - | - | - | 38,352,696 |
| Soldotna: | | | | | | | | |
| Elementary | 270,048 | 5,820,271 | 1,272,689 | - | - | - | - | 7,363,008 |
| Redoubt Elementary | - | 4,151,522 | 624,208 | 40,000 | - | - | - | 4,815,730 |
| Multipurpose Room | - | 316,186 | - | - | - | - | - | 316,186 |
| Junior High | 5,900 | 7,638,741 | 1,963,918 | - | - | - | - | 9,608,559 |
| High School | 900 | 16,273,933 | 4,478,021 | 71,484 | - | - | - | 20,824,338 |
| Total Soldotna | 276,848 | 34,200,653 | 8,338,836 | 111,484 | - | - | - | 42,927,821 |
| Other areawide: | | | | | | | | |
| Areawide pool/water projects | - | 611,839 | 1,070,907 | 45,338 | - | - | - | 1,728,084 |
| Portable classrooms | - | 3,025,323 | 15,038 | - | - | - | - | 3,040,361 |
| Total other areawide | - | 3,637,162 | 1,085,945 | 45,338 | - | - | - | 4,768,445 |
| Total school district | 2,964,610 | 262,668,398 | 46,465,305 | 861,622 | 99,752 | 13,701 | 537,171,550 | 313,073,388 |
| Total governmental funds capital assets | \$ 71,118,078 | \$ 308,233,914 | \$ 93,340,718 | \$ 39,874,129 | \$ 18,783,501 | \$ 5,821,210 | \$ 537,171,550 | \$ 537,171,550 |

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

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Kenai Peninsula Borough

STATISTICAL TABLES

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

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

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

TABLE I

| | 2010 | 2011 | 2012 * | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | | | | | | | | | | |
| Restricted | \$224,474 | \$225,627 | \$224,040 | \$221,588 | \$218,646 | \$208,238 | \$197,331 | \$192,353 | \$185,045 | \$180,187 |
| Unrestricted | 6,100 | 31,554 | 21,595 | 13,703 | 13,594 | 26,675 | 16,224 | 21,681 | 20,764 | 23,893 |
| Total governmental activities net position | \$290,135 | \$285,648 | \$276,594 | \$278,049 | \$278,982 | \$250,588 | \$239,737 | \$225,597 | \$215,871 | \$226,423 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$50,882 | \$53,690 | - | - | - | - | - | - | - | - |
| Restricted | 745 | 828 | - | - | - | - | - | - | - | - |
| Unrestricted | 53,188 | 55,651 | - | - | - | - | - | - | - | - |
| Total business-type activities net position | \$104,815 | \$110,169 | - | - | - | - | - | - | - | - |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$275,356 | \$279,317 | \$224,040 | \$221,588 | \$218,646 | \$208,238 | \$197,331 | \$192,353 | \$185,045 | \$180,187 |
| Restricted | 6,845 | 32,382 | 21,595 | 13,703 | 13,594 | 26,675 | 16,224 | 21,681 | 20,764 | 23,893 |
| Unrestricted | 112,749 | 84,118 | 30,959 | 42,758 | 46,742 | 15,675 | 26,182 | 11,563 | 10,062 | 22,343 |
| Total primary government net position | \$394,950 | \$395,817 | \$276,594 | \$278,049 | \$278,982 | \$250,588 | \$239,737 | \$225,597 | \$215,871 | \$226,423 |

* Implementation of GASB Statement 61.

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

| | 2010 | 2011 | 2012 * | 2013 |
|---|------------------------|------------------------|------------------------|------------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 17,307,520 | \$ 18,126,563 | \$ 17,886,287 | \$ 18,131,325 |
| Solid waste | 7,467,484 | 7,536,420 | 7,784,525 | 7,903,125 |
| Public safety | 14,301,797 | 14,994,328 | 17,974,573 | 18,440,219 |
| Recreation | 1,807,974 | 1,511,382 | 1,884,148 | 2,421,002 |
| Education | 50,303,282 | 51,614,442 | 57,206,138 | 59,159,828 |
| Environmental protection | 1,278,621 | 2,095,777 | 2,047,058 | 1,053,278 |
| Roads and trails | 11,147,224 | 10,899,606 | 12,447,099 | 10,682,102 |
| Interest on long-term debt | 935,175 | 1,290,407 | 1,445,013 | 1,375,115 |
| Total governmental activities expenses | <u>104,549,077</u> | <u>108,068,925</u> | <u>118,674,841</u> | <u>119,165,994</u> |
| Business-type activities- | | | | |
| Hospitals | <u>121,676,751</u> | <u>134,868,579</u> | - | - |
| Total primary government expenses | <u>\$ 226,225,828</u> | <u>\$ 242,937,504</u> | <u>\$ 118,674,841</u> | <u>\$ 119,165,994</u> |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 570,325 | 730,655 | 1,162,154 | 1,645,436 |
| Solid waste | 370,883 | 526,970 | 817,272 | 1,456,190 |
| Public safety | 1,929,385 | 1,903,911 | 2,245,443 | 2,234,481 |
| Recreation | 230,075 | 224,696 | 220,883 | 224,667 |
| Operating grants and contribution | 3,561,640 | 6,330,835 | 7,285,211 | 6,656,208 |
| Capital grants and contributions | 13,259,418 | 5,963,765 | 9,727,105 | 17,845,053 |
| Total governmental activities program revenues: | <u>19,921,726</u> | <u>15,680,832</u> | <u>21,458,068</u> | <u>30,062,035</u> |
| Business-type activities: | | | | |
| Hospital charges for services | 119,417,217 | 135,659,575 | - | - |
| Operating grants and contribution | 315,294 | 281,884 | - | - |
| Capital grants and contributions | 179,897 | - | - | - |
| Total business-type activities | <u>119,912,408</u> | <u>135,941,459</u> | - | - |
| Total primary government program revenues | <u>\$ 139,834,134</u> | <u>\$ 151,622,291</u> | <u>\$ 21,458,068</u> | <u>\$ 30,062,035</u> |
| Net (expenses)/revenue | | | | |
| Government activities | (84,627,351) | (92,388,093) | (97,216,773) | (89,103,959) |
| Business-type activities | (1,764,343) | 1,072,880 | - | - |
| Total primary government net expense | <u>\$ (86,391,694)</u> | <u>\$ (91,315,213)</u> | <u>\$ (97,216,773)</u> | <u>\$ (89,103,959)</u> |
| General revenues and other changes in net position | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property taxes | 48,932,675 | 49,529,435 | 50,485,761 | 52,664,077 |
| Sales taxes | 25,950,998 | 27,798,976 | 28,385,150 | 29,664,629 |
| Unrestricted grants and contributions | 6,149,121 | 6,103,016 | 7,102,607 | 7,309,264 |
| Investment earnings | 2,931,268 | 1,699,310 | 2,072,921 | 596,346 |
| Special items | 1,199,342 | 748,272 | - | - |
| Miscellaneous | 2,198,057 | 933,987 | 116,156 | 400,698 |
| Total governmental activities | <u>87,361,461</u> | <u>86,812,996</u> | <u>88,162,595</u> | <u>90,635,014</u> |
| Business-type activities: | | | | |
| Property taxes | 5,847,538 | 3,835,889 | - | - |
| Unrestricted grants and contributions | - | - | - | - |
| Investment earnings | 453,222 | 327,381 | - | - |
| Miscellaneous | (515,750) | 117,793 | - | - |
| Total business-type activities | <u>5,785,010</u> | <u>4,281,063</u> | - | - |
| Total primary government | <u>93,146,471</u> | <u>91,094,059</u> | <u>88,162,595</u> | <u>90,635,014</u> |
| Changes in net position | | | | |
| Governmental activities | 2,734,110 | (5,575,097) | (9,054,178) | 1,531,055 |
| Business-type activities | 4,020,667 | 5,353,943 | - | - |
| Total primary government | <u>\$ 6,754,777</u> | <u>\$ (221,154)</u> | <u>\$ (9,054,178)</u> | <u>\$ 1,531,055</u> |

* Implementation of GASB Statement 61.

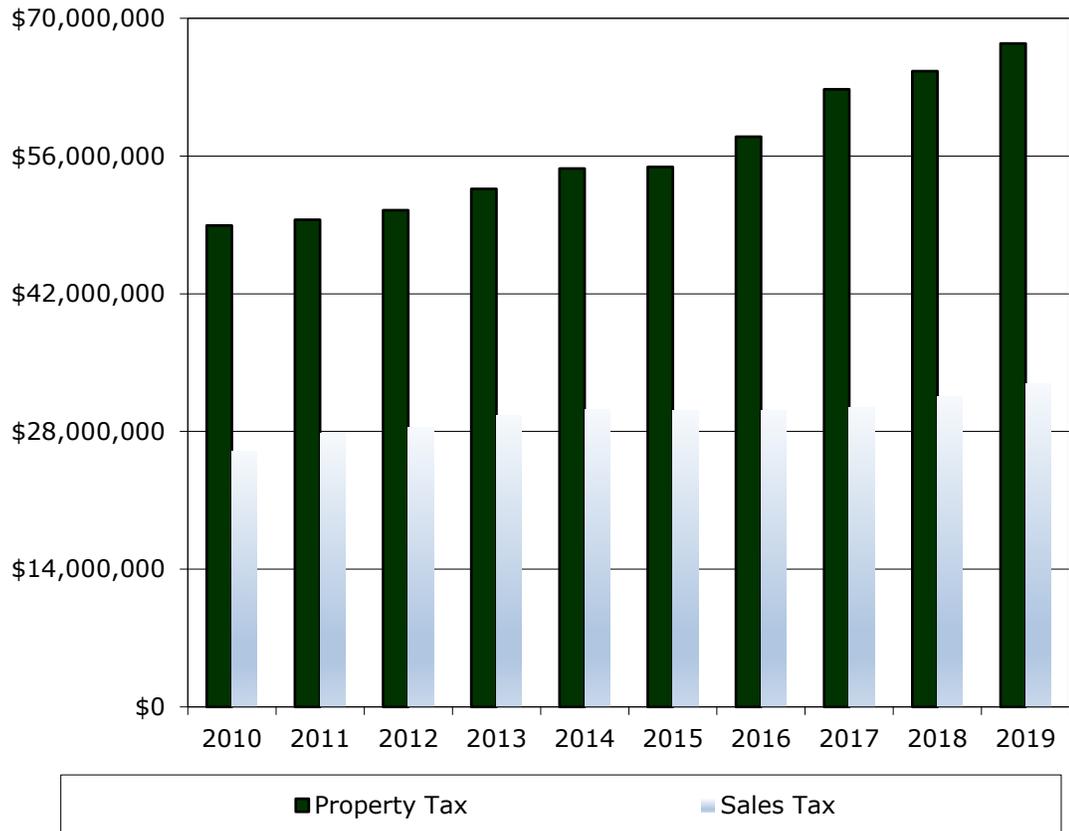
TABLE II

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 17,735,043 | \$ 18,173,307 | \$ 20,559,083 | \$ 23,188,963 | \$ 18,439,842 | \$ 15,500,286 |
| 7,192,764 | 7,740,270 | 8,677,985 | 8,829,329 | 8,325,450 | 8,272,259 |
| 19,447,827 | 19,257,277 | 21,594,305 | 23,412,776 | 19,380,150 | 18,866,550 |
| 2,209,306 | 2,350,050 | 3,530,357 | 2,542,184 | 2,231,711 | 2,050,199 |
| 60,833,417 | 59,732,399 | 62,863,887 | 59,079,957 | 59,060,286 | 57,563,709 |
| 858,013 | 664,142 | 403,631 | 442,520 | 185,072 | 2,448 |
| 9,899,171 | 9,890,591 | 9,392,961 | 11,127,855 | 9,577,712 | 11,078,936 |
| 1,761,142 | 2,013,946 | 1,904,390 | 1,800,979 | 2,015,867 | 1,736,718 |
| <u>119,936,683</u> | <u>119,821,982</u> | <u>128,926,599</u> | <u>130,424,563</u> | <u>119,216,090</u> | <u>115,071,105</u> |
| - | - | - | - | - | - |
| <u>\$ 119,936,683</u> | <u>\$ 119,821,982</u> | <u>\$ 128,926,599</u> | <u>\$ 130,424,563</u> | <u>\$ 119,216,090</u> | <u>\$ 115,071,105</u> |
| 1,005,815 | 266,672 | 461,057 | 353,496 | 329,028 | 188,185 |
| 1,083,996 | 917,181 | 760,751 | 667,220 | 572,220 | 609,889 |
| 2,337,286 | 2,659,677 | 2,793,476 | 2,679,640 | 2,785,209 | 2,813,500 |
| 220,838 | 98,987 | 202,485 | 208,106 | 223,280 | 239,054 |
| 8,201,468 | 7,472,614 | 8,237,806 | 7,144,132 | 5,853,881 | 5,515,029 |
| 14,915,979 | 6,770,240 | 8,648,345 | 5,754,897 | 4,210,264 | 4,990,655 |
| <u>27,765,382</u> | <u>18,185,371</u> | <u>21,103,920</u> | <u>16,807,491</u> | <u>13,973,882</u> | <u>14,356,312</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 27,765,382</u> | <u>\$ 18,185,371</u> | <u>\$ 21,103,920</u> | <u>\$ 16,807,491</u> | <u>\$ 13,973,882</u> | <u>\$ 14,356,312</u> |
| (92,171,301) | (101,636,611) | (107,822,679) | (113,617,072) | (105,242,208) | (100,714,793) |
| - | - | - | - | - | - |
| <u>\$ (92,171,301)</u> | <u>\$ (101,636,611)</u> | <u>\$ (107,822,679)</u> | <u>\$ (113,617,072)</u> | <u>\$ (105,242,208)</u> | <u>\$ (100,714,793)</u> |
| 54,724,582 | 54,888,191 | 57,972,995 | 62,797,386 | 64,639,093 | 67,455,393 |
| 30,277,599 | 30,138,426 | 30,116,611 | 30,400,062 | 31,508,914 | 32,878,673 |
| 6,364,283 | 6,465,467 | 6,477,531 | 5,227,887 | 6,302,634 | 5,879,756 |
| 1,671,191 | 1,772,756 | 2,374,089 | 989,550 | 1,399,250 | 4,937,225 |
| - | - | - | - | - | - |
| 66,609 | (434,213) | 30,619 | 62,129 | 20,325 | 115,210 |
| <u>93,104,264</u> | <u>92,830,627</u> | <u>96,971,845</u> | <u>99,477,014</u> | <u>103,870,216</u> | <u>111,266,257</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>93,104,264</u> | <u>92,830,627</u> | <u>96,971,845</u> | <u>99,477,014</u> | <u>103,870,216</u> | <u>111,266,257</u> |
| 932,963 | (8,805,984) | (10,850,834) | (14,140,058) | (1,371,992) | 10,551,464 |
| - | - | - | - | - | - |
| <u>\$ 932,963</u> | <u>\$ (8,805,984)</u> | <u>\$ (10,850,834)</u> | <u>\$ (14,140,058)</u> | <u>\$ (1,371,992)</u> | <u>\$ 10,551,464</u> |

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

TABLE III

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Total</u> |
|--------------------|---------------------|------------------|---------------|
| 2010 | \$ 48,932,675 | \$ 25,950,998 | \$ 74,883,673 |
| 2011 | 49,529,435 | 27,798,976 | 77,328,411 |
| 2012 | 50,485,761 | 28,385,150 | 78,870,911 |
| 2013 | 52,664,077 | 29,664,629 | 82,328,706 |
| 2014 | 54,724,582 | 30,277,599 | 85,002,181 |
| 2015 | 54,888,191 | 30,138,426 | 85,026,617 |
| 2016 | 57,972,995 | 30,116,611 | 88,089,606 |
| 2017 | 62,797,386 | 30,400,062 | 93,197,448 |
| 2018 | 64,639,093 | 31,508,914 | 96,148,007 |
| 2019 | 67,455,393 | 32,878,673 | 100,334,066 |



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

TABLE IV

| | 2010 | 2011 * | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 160,584 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 22,864,839 | - | 198,063 | 6,944,837 | 8,879,666 | 11,345,210 | 5,298,396 | 4,103,792 | 3,582,332 | 3,041,560 |
| Nonspendable | - | 251,065 | - | 70,000 | 105,020 | 90,000 | 51,000 | 145,178 | 71,000 | 81,000 |
| Restricted | - | - | 373,867 | 638,937 | 243,157 | 458,748 | 292,830 | 671,004 | 351,388 | 230,095 |
| Committed | - | 339,610 | 15,407,886 | 15,326,705 | 14,658,934 | 16,244,676 | 20,136,610 | 18,314,053 | 16,486,079 | 20,520,399 |
| Assigned | - | 17,523,149 | 5,486,767 | 330,506 | 994,595 | - | - | 2,309,200 | - | 3,029,557 |
| Unassigned | - | 3,591,990 | 21,466,583 | 23,310,985 | 24,881,372 | 28,138,634 | 25,778,836 | 23,234,027 | 22,799,999 | 26,902,611 |
| Total General Fund | \$ 23,025,423 | \$ 21,705,814 | \$ 21,466,583 | \$ 23,310,985 | \$ 24,881,372 | \$ 28,138,634 | \$ 25,778,836 | \$ 23,234,027 | \$ 22,799,999 | \$ 26,902,611 |
| All other governmental funds | | | | | | | | | | |
| Reserved | 4,893,211 | - | - | - | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 23,125,512 | - | - | - | - | - | - | - | - | - |
| Capital projects funds | 13,922,365 | - | - | - | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | - | - | - |
| Special revenue funds | - | 803,227 | 1,045,538 | 3,661 | 1,500 | 44 | - | - | 321,224 | - |
| Capital projects funds | - | - | - | - | - | - | - | 61,269 | 76,404 | - |
| Restricted | | | | | | | | | | |
| Special revenue funds | - | 11,661,025 | 10,385,968 | 11,279,700 | 13,460,361 | 14,937,097 | 12,962,247 | 11,432,855 | 16,929,008 | 19,324,767 |
| Capital projects funds | - | 24,592,081 | 16,659,200 | 8,508,355 | 22,479,158 | 16,946,646 | 9,307,381 | 17,030,044 | 11,542,908 | 13,216,449 |
| Committed | | | | | | | | | | |
| Special revenue funds | - | 1,739,754 | 575,377 | 344,964 | 79,393 | 59,091 | 3,913,421 | 3,505,646 | 169,485 | 5,606,781 |
| Capital projects funds | - | 6,516,387 | 6,565,219 | 9,856,833 | 11,034,193 | 11,262,666 | 14,768,598 | 9,486,348 | 11,694,769 | 18,649,469 |
| Assigned | | | | | | | | | | |
| Special revenue funds | - | 4,781,994 | 4,006,915 | 6,309,208 | 6,582,069 | 7,136,273 | 7,577,509 | 9,582,406 | 6,864,042 | 3,175,750 |
| Capital projects funds | - | 1,690,262 | 841,612 | 580,535 | 145,464 | - | 1,628,556 | 908,474 | 5,227,885 | 637,472 |
| Unassigned | | | | | | | | | | |
| Special revenue funds | - | - | (51,378) | (23,364) | - | (171,444) | (446,428) | (230,362) | - | - |
| Capital projects funds | - | - | - | - | - | - | (120,646) | (34,887) | - | - |
| Total all other governmental funds | \$ 41,941,088 | \$ 51,784,730 | \$ 40,028,451 | \$ 36,859,892 | \$ 53,782,138 | \$ 50,170,373 | \$ 49,590,638 | \$ 51,741,793 | \$ 52,825,725 | \$ 60,610,688 |

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

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

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

TABLE V

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|---------------------|---------------------|------------------------|-----------------------|----------------------|-----------------------|-----------------------|---------------------|--------------------|----------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 48,613,059 | \$ 49,736,514 | \$ 50,230,334 | \$ 52,916,285 | \$ 54,570,598 | \$ 54,662,814 | \$ 58,007,099 | \$ 62,326,564 | \$ 64,917,778 | \$ 67,401,394 |
| Sales tax | 25,950,998 | 27,798,976 | 28,385,150 | 29,664,629 | 30,277,598 | 30,138,426 | 30,116,611 | 30,400,062 | 31,508,914 | 32,878,673 |
| Intergovernmental | 24,874,838 | 17,785,198 | 22,716,818 | 31,294,288 | 28,613,640 | 25,393,552 | 19,436,158 | 15,105,570 | 14,202,678 | 15,868,702 |
| Investment earnings | 2,697,058 | 1,527,901 | 1,895,316 | 581,394 | 1,740,079 | 1,681,379 | 2,164,886 | 940,993 | 1,036,028 | 4,161,434 |
| Other revenues | 3,355,662 | 4,953,946 | 5,153,172 | 6,844,468 | 5,252,525 | 7,029,745 | 5,683,236 | 4,843,547 | 5,327,417 | 5,418,807 |
| Total revenues | 105,491,615 | 101,802,535 | 108,380,790 | 121,301,064 | 120,455,440 | 118,905,916 | 115,407,990 | 113,616,736 | 116,992,815 | 125,729,010 |
| Expenditures: | | | | | | | | | | |
| General government | 17,060,295 | 17,401,291 | 17,740,213 | 17,962,124 | 17,615,805 | 21,276,848 | 18,429,713 | 17,082,168 | 18,534,018 | 16,919,254 |
| Solid waste | 5,353,292 | 5,704,476 | 5,739,959 | 4,843,412 | 1,833,477 | 6,789,061 | 6,170,953 | 4,223,429 | 5,763,798 | 5,793,668 |
| Public safety | 12,798,445 | 13,396,428 | 16,517,524 | 16,268,117 | 18,829,271 | 19,456,359 | 17,784,143 | 20,025,282 | 16,886,830 | 17,756,267 |
| Recreation | 1,424,141 | 1,136,151 | 1,536,689 | 1,982,994 | 1,745,588 | 2,234,204 | 3,180,795 | 1,873,562 | 2,056,124 | 1,971,605 |
| Education | 43,981,113 | 46,064,673 | 51,524,574 | 51,447,909 | 52,695,845 | 53,038,298 | 57,934,516 | 49,987,995 | 54,004,116 | 51,575,438 |
| Environmental protection | 1,287,515 | 2,095,423 | 2,048,151 | 1,052,619 | 909,596 | 665,071 | 404,895 | 442,520 | 187,172 | 2,448 |
| Roads and trails | 6,853,831 | 10,558,262 | 11,252,663 | 10,273,390 | 9,494,678 | 9,693,517 | 8,758,384 | 9,574,530 | 9,103,129 | 10,726,111 |
| Capital outlay | 15,649,412 | 10,429,218 | 9,144,780 | 15,221,756 | 17,672,292 | 3,262,122 | 5,495,777 | 12,763,943 | 4,381,133 | 3,420,506 |
| Debt service | | | | | | | | | | |
| Principal | 2,410,000 | 3,414,000 | 3,340,000 | 3,515,000 | 2,770,000 | 3,390,000 | 2,645,000 | 2,795,000 | 3,440,000 | 3,575,000 |
| Interest and other (1) (2) | 881,110 | 943,580 | 1,613,560 | 1,469,468 | 1,380,830 | 2,397,295 | 2,084,980 | 2,093,414 | 2,253,547 | 2,101,138 |
| Total expenditures | 107,699,154 | 111,143,502 | 120,458,113 | 124,036,789 | 124,947,382 | 122,202,775 | 122,889,156 | 120,861,843 | 116,609,867 | 113,841,435 |
| Excess of revenues over (under) expenditures | (2,207,539) | (9,340,967) | (12,077,323) | (2,735,725) | (4,491,942) | (3,296,859) | (7,481,166) | (7,245,107) | 382,948 | 11,887,575 |
| Other financing sources (uses) | | | | | | | | | | |
| Bonds issued | 4,960,000 | 16,865,000 | 8,150,000 | 1,215,000 | 20,860,000 | 1,425,000 | 2,465,000 | 5,405,000 | - | - |
| Premium on bonds issued | - | - | 1,284,121 | 196,568 | 2,124,575 | 245,693 | 330,138 | 627,505 | - | - |
| Payment to escrow agent | - | - | (9,352,308) | - | - | (1,648,963) | - | - | - | - |
| Insurance proceeds | - | - | - | - | - | - | 1,746,495 | 818,949 | 266,956 | - |
| Transfers in | 17,396,622 | 10,120,206 | 8,166,490 | 8,429,925 | 8,043,061 | 9,505,521 | 9,700,383 | 11,590,201 | 15,085,853 | 18,729,547 |
| Transfers out | (17,396,622) | (9,120,206) | (8,166,490) | (8,429,925) | (8,043,061) | (9,505,521) | (9,700,383) | (11,590,201) | (15,085,853) | (18,729,547) |
| Net other financing sources (uses) | 4,960,000 | 17,865,000 | 81,813 | 1,411,568 | 22,984,575 | 21,730 | 4,541,633 | 6,851,454 | 266,956 | - |
| Net change in fund balances | \$ 2,752,461 | \$ 8,524,033 | \$ (11,995,510) | \$ (1,324,157) | \$ 18,492,633 | \$ (3,275,129) | \$ (2,939,533) | \$ (393,653) | \$ 649,904 | \$ 11,887,575 |
| GO Debt service as a percentage of noncapital expenditures | 3.38% | 4.33% | 4.45% | 4.58% | 3.87% | 4.87% | 4.03% | 4.32% | 5.09% | 5.12% |
| Total non-capital expenditures | 97,331,611 | 100,689,805 | 111,313,333 | 108,815,033 | 107,275,090 | 118,940,653 | 117,393,379 | 113,230,306 | 111,897,488 | 110,899,403 |

(1) 2012 includes \$81,813 in bond issuance costs.
 (2) 2015 includes \$21,730 in bond issuance costs.

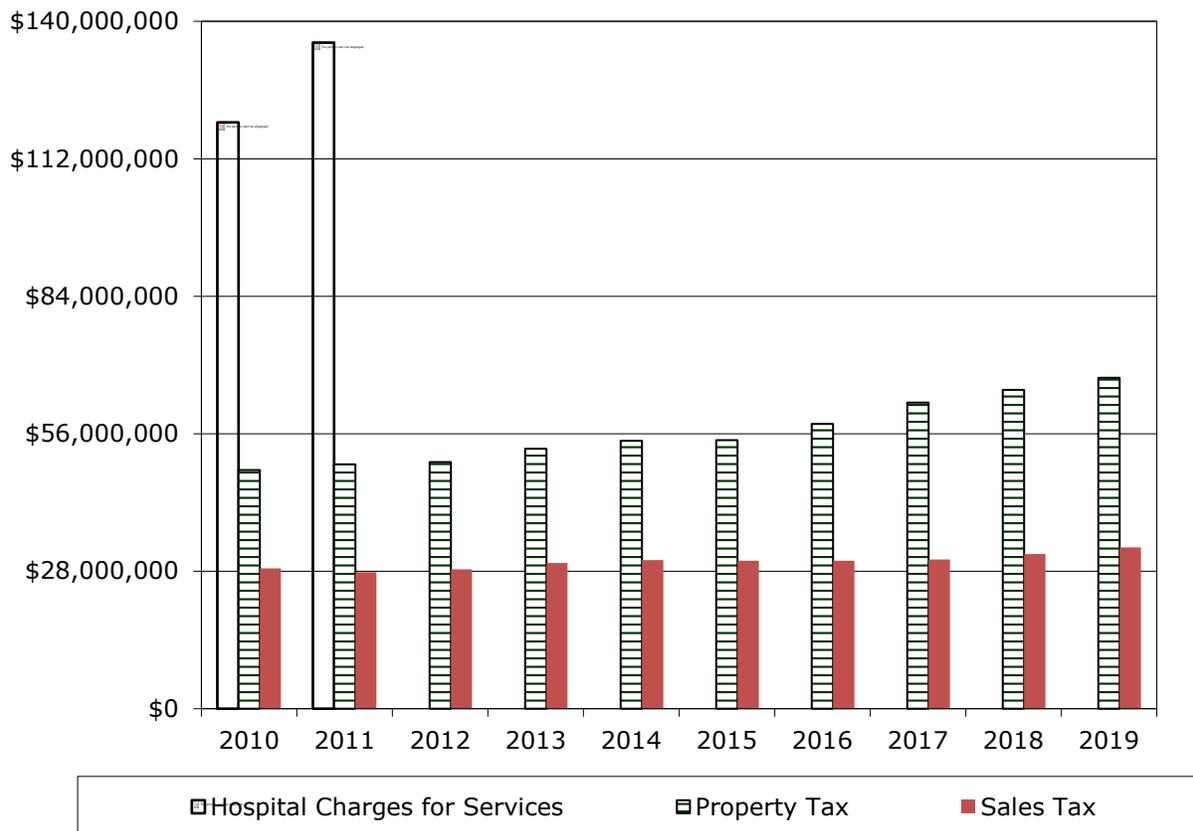
Kenai Peninsula Borough
 General Government Significant Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

TABLE VI

| <u>Fiscal Year</u> | <u>Hospital Charge for Services (3)</u> | <u>Property Tax</u> | \$ (1) | <u>Sales Tax</u> | <u>Total</u> |
|--------------------|---|---------------------|--------|------------------|----------------|
| 2010 | \$ 119,417,217 | \$ 48,613,059 | | \$ 28,585,036 | \$ 196,615,312 |
| 2011 | (2) 135,659,575 | 49,736,514 | | 27,798,976 | 213,195,065 |
| 2012 | - | 50,230,334 | | 28,385,150 | 78,615,484 |
| 2013 | - | 52,916,285 | | 29,664,629 | 82,580,914 |
| 2014 | - | 54,570,598 | | 30,277,598 | 84,848,196 |
| 2015 | - | 54,662,814 | | 30,138,426 | 84,801,240 |
| 2016 | - | 58,007,099 | | 30,116,611 | 88,123,710 |
| 2017 | - | 62,326,564 | | 30,400,062 | 92,726,626 |
| 2018 | - | 64,917,778 | | 31,508,914 | 96,426,692 |
| 2019 | - | 67,401,394 | | 32,878,673 | 100,280,067 |

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

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



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

TABLE VII

| Fiscal Year | Assessed Values (1) | | | | Tax Exempt Values (1) | | | Total Taxable Assessed Value | Total Direct Tax Rate | Assessed Value as a Percentage of Actual Value |
|-------------|--|--------------|------------|-------------------|-----------------------|-----------|--------------|------------------------------|-----------------------|--|
| | Total estimated actual value of property less mandatory federal and state exemptions (1) | Real | Oil & Gas | Personal Property | Real | Personal | Personal | | | |
| 2010 | \$ 6,832,859 | \$ 5,883,881 | \$ 703,063 | \$ 245,915 | \$ 434,556 | \$ 29,205 | \$ 6,369,098 | 4.50 | 93.21% | |
| 2011 | 6,875,572 | 5,901,904 | 713,954 | 259,714 | 451,127 | 30,914 | 6,393,531 | 4.50 | 92.99% | |
| 2012 | 7,137,074 | 6,180,464 | 698,991 | 257,619 | 472,878 | 30,955 | 6,633,241 | 4.50 | 92.94% | |
| 2013 | 7,269,011 | 6,172,547 | 810,065 | 286,399 | 520,490 | 32,511 | 6,716,010 | 4.50 | 92.39% | |
| 2014 | 7,484,667 | 6,202,494 | 989,766 | 292,407 | 492,565 | 31,906 | 6,960,196 | 4.50 | 92.99% | |
| 2015 | 7,797,117 | 6,330,106 | 1,142,158 | 324,853 | 826,802 (2) | 32,999 | 6,937,316 | 4.50 | 88.97% | |
| 2016 | 8,189,366 | 6,625,363 | 1,224,525 | 339,478 | 876,982 | 33,986 | 7,278,398 | 4.50 | 88.88% | |
| 2017 | 8,752,156 | 6,915,818 | 1,467,353 | 368,985 | 902,055 | 34,392 | 7,815,709 | 4.50 | 89.30% | |
| 2018 | 9,172,335 | 7,342,187 | 1,468,599 | 361,549 | 998,047 | 33,842 | 8,140,446 | 4.50 | 88.75% | |
| 2019 | 9,232,906 | 7,355,511 | 1,518,606 | 358,789 | 1,008,085 | 34,792 | 8,190,029 | 4.70 | 88.70% | |

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

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

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

Kenai Peninsula Borough
 Property Tax Rates
 Direct and Overlapping Governments
 Last Ten Fiscal Years

TABLE VIII

| Fiscal Year | Overlapping Rates (2) | | | | | | | | | | | | | | |
|-------------|-----------------------|-----------------------|---------------|-----------------------|------------------|-----------------------|---------------|-----------------------|------------------|-----------------------|----------------|-----------------------|------------------|-----------------------|------|
| | Borough wide | | City of Homer | | City of Kachemak | | City of Kenai | | City of Seldovia | | City of Seward | | City of Soldotna | | |
| | General Fund | Special Districts (4) | Operating (5) | Special Districts (4) | Operating (5) | Special Districts (4) | Operating (5) | Special Districts (4) | Operating (5) | Special Districts (4) | Operating (5) | Special Districts (4) | Operating (5) | Special Districts (4) | |
| 2010 | 8.24 | 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 | 8.40 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 3.85 | 0.02 | 4.60 | 0.00 | 3.12 | 0.50 | 1.65 | 2.47 |
| 2012 | 8.40 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 3.85 | 0.02 | 4.60 | 0.75 | 3.12 | 0.50 | 0.65 | 2.67 |
| 2013 | 8.40 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 3.85 | 0.02 | 4.60 | 0.75 | 3.12 | 0.50 | 0.65 | 2.67 |
| 2014 | 8.40 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 4.35 | 0.02 | 4.60 | 0.75 | 3.12 | 0.50 | 0.50 | 2.67 |
| 2015 | 8.33 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 4.35 | 0.01 | 4.60 | 0.75 | 3.12 | 0.75 | 0.50 | 2.66 |
| 2016 | 8.17 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 4.35 | 0.01 | 4.60 | 0.75 | 3.12 | 0.75 | 0.50 | 2.66 |
| 2017 | 8.29 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 4.35 | 0.01 | 7.50 | 0.75 | 3.12 | 0.75 | 0.50 | 2.73 |
| 2018 | 8.30 | 4.50 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 4.35 | 0.01 | 7.50 | 0.75 | 3.12 | 0.75 | 0.50 | 2.61 |
| 2019 | 8.30 | 4.70 | 0.00 | 4.50 | 2.30 | 1.00 | 2.30 | 4.35 | 0.01 | 7.50 | 0.75 | 3.84 | 0.75 | 0.50 | 2.86 |

(1) The Borough's General Fund maximum mill rate and approved rate.

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

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

Sources:

(4) Data provided from Kenai Peninsula Borough's resolution approving the mill rates for each respective year.

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

Kenai Peninsula Borough
Principal Property Taxpayers
Current and Nine Years Ago

TABLE IX

| | 2019 | | | 2010 | | |
|--|----------------------------------|------|--|----------------------------------|------|--|
| | Taxable Assessed Value (1) | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value (1) | Rank | Percentage of Total Taxable Assessed Value |
| <u>Taxpayer</u> | | | | | | |
| Hilcorp Alaska, LLC | \$ 821,982,330 | 1 | 10.04% | \$ - | | - |
| Furie Operating Alaska, LLC | 243,139,330 | 2 | 2.97% | - | | - |
| Tesoro Alaska | 196,200,841 | 3 | 2.40% | 174,040,874 | 2 | 2.73% |
| Bluecrest Energy, Inc. | 120,769,650 | 4 | 1.47% | - | | - |
| Cook Inlet Natural Gas Storage AK, LLC | 102,691,688 | 5 | 1.25% | - | | - |
| Harvest Alaska | 100,838,690 | 6 | 1.23% | - | | - |
| Cook Inlet Energy, LLC | 90,670,500 | 7 | 1.11% | - | | - |
| Alaska Pipeline | 72,711,797 | 8 | 0.89% | 18,032,905 | 10 | 0.28% |
| Alaska Communications Systems | 65,401,732 | 9 | 0.80% | - | | - |
| Enstar Natural Gas | 46,853,125 | 10 | 0.57% | - | | - |
| ConocoPhillips, Inc. | - | | - | 169,064,892 | 3 | 2.65% |
| Union Oil/Unocal | - | | - | 201,163,700 | 1 | 3.16% |
| Marathon Oil Co. | - | | - | 152,571,000 | 4 | 2.40% |
| BP Exploration Alaska, Inc. | - | | - | 68,108,560 | 6 | 1.07% |
| ACS of the Northland, Inc. | - | | - | 76,958,349 | 5 | 1.21% |
| Agrium US, Inc. | - | | - | - | | - |
| XTO Energy, Inc. | - | | - | 48,092,800 | 7 | 0.76% |
| Kenai Kachemak Pipeline | - | | - | 43,176,800 | 8 | 0.68% |
| Fred Meyer | - | | - | 18,711,998 | 9 | 0.29% |
| | <u>\$ 1,861,259,683</u> | | <u>22.73%</u> | <u>\$ 969,921,878</u> | | <u>15.23%</u> |

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

Total Assessed value based on total
tax levy for FY2019 and FY2009 respectively.

\$ 8,190,029,000

\$ 6,369,098,000

Kenai Peninsula Borough
 Taxable Sales by Line of Business
 Current

TABLE X

| <u>Line of Business</u> | <u>2019</u> |
|---|-------------------------|
| Retail Trade | \$ 534,794,674 |
| Hotel/Motel/Bed & Breakfast | 101,643,545 |
| Restaurant / Bar | 79,511,202 |
| Guiding | 76,859,379 |
| Utilities | 56,465,285 |
| Educational Services | 44,299,896 |
| Wholesale Trade | 27,796,642 |
| Services | 27,267,881 |
| Information | 25,144,385 |
| Professional, Scientific | 20,677,714 |
| Rental Residential Property | 16,309,120 |
| Telecommunications | 17,006,510 |
| Public Administration | 15,147,398 |
| Construction Contracting | 11,379,956 |
| Administrative, Waste Management | 10,364,383 |
| Healthcare & Social Assistance | 10,164,224 |
| Rental Non-Residential /Commercial Properties | 13,745,097 |
| Manufacturing | 8,114,127 |
| Transportation and Warehouse | 7,786,462 |
| Arts and Entertainment | 5,351,057 |
| Mining/Quarrying | 5,109,037 |
| Agriculture, Forestry, Fisheries | 2,463,271 |
| Rental Personal Property & Self Storage | 2,322,824 |
| Other | 704,927 |
| TOTAL | \$ 1,120,428,996 |

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

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

TABLE XI

| Fiscal Year Ended June 30 | Total Tax Levy for Fiscal Year | Collected in the Fiscal Year | | Collections in Subsequent Years | Total Collections to Date | |
|------------------------------------|-----------------------------------|------------------------------|-----------------------|--|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2010 | \$ 28,875,124 | \$ 28,375,677 | 98.270% | \$ 496,252 | \$ 28,871,929 | 99.989% |
| 2011 | 29,058,274 | 28,630,610 | 98.528% | 422,066 | 29,052,676 | 99.981% |
| 2012 | 30,419,493 | 29,946,804 | 98.446% | 466,750 | 30,413,554 | 99.980% |
| 2013 | 30,823,497 | 30,382,636 | 98.570% | 431,793 | 30,814,429 | 99.971% |
| 2014 | 31,750,392 | 31,332,596 | 98.684% | 408,301 | 31,740,897 | 99.970% |
| 2015 | 31,685,014 | 31,142,025 | 98.286% | 331,189 | 31,473,214 | 99.332% |
| 2016 | 33,108,951 | 32,410,590 | 97.891% | 683,265 | 33,093,855 | 99.954% |
| 2017 | 35,591,917 | 35,157,568 | 98.780% | 394,812 | 35,552,380 | 99.889% |
| 2018 | 37,068,282 | 36,645,827 | 98.860% | 309,371 | 36,955,198 | 99.695% |
| 2019 | 38,941,185 | 38,535,145 | 98.957% | - | 38,535,145 | 98.957% |

| Fiscal Year | Governmental Activities | | Discretely Presented Component Units (1) | | General Bonded Debt Per Capita (2), (3) | | | | | | | | | |
|-------------|--|---|--|------------------------------|---|--|--|-----------|---------------------------------|------------------------------|---------------------------------------|---|--|--|
| | General Obligation Bonds (Area-Wide) (Net of premiums/discounts/adjustments) | General Obligation Bonds (Service Area) (Net of premiums/discounts/adjustments) | General Obligation Bonds (Net of premiums/discounts/adjustments) | Capital Leases/Notes payable | Total | General Bonded debt as a percentage of total Personal Income (4) | General Bonded Debt as a percentage of Estimated actual value of taxable property (6)(area wide) | Area-Wide | Central Emergency Services Area | Bear Creek Fire Service Area | South Peninsula Hospital Service Area | Central Peninsula Hospital Service Area | | |
| 2010 | \$ 20,526,000 | \$ 2,170,000 | \$ 61,319,887 | \$ 385,079 | \$ 84,400,966 | 3.66% | 1.24% | \$ 638 | \$ 111 | \$ - | \$ 1,716 | \$ 1,153 | | |
| 2011 | 34,162,000 | 2,075,000 | 58,322,981 | 631,745 | 95,191,726 | 3.91% | 1.38% | 617 | 113 | - | 1,604 | 1,070 | | |
| 2012 | 32,016,568 | 1,975,000 | - | - | 33,991,568 | 1.29% | 0.48% | 568 | 88 | - | - | - | | |
| 2013 | 27,899,830 | 3,279,111 | - | - | 31,178,941 | 1.13% | 0.43% | 492 | 83 | 793 | - | - | | |
| 2014 | 48,107,552 | 3,124,283 | - | - | 51,231,835 | 1.86% | 0.68% | 846 | 78 | 770 | - | - | | |
| 2015 | 44,631,585 | 3,102,979 | - | - | 47,734,564 | 1.60% | 0.61% | 781 | 68 | 744 | - | - | | |
| 2016 | 41,928,618 | 5,671,350 | - | - | 47,599,968 | 1.56% | 0.58% | 726 | 158 | 714 | - | - | | |
| 2017 | 45,138,506 | 5,367,557 | - | - | 50,506,063 | 1.70% | 0.62% | 777 | 150 | 685 | - | - | | |
| 2018 | 41,706,478 | 4,978,766 | - | - | 46,685,244 | 1.57% | 0.51% | 719 | 138 | 656 | - | - | | |
| 2019 | 38,159,450 | 4,569,975 | - | - | 42,729,425 | 1.46% | 0.46% | 653 | 126 | 623 | - | - | | |

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

- (1) For fiscal years 2003-2011 Business-type activities debt is for the South Peninsula Hospital Service Area and Central Peninsula Hospital Service Area and is debt of the Service Areas, not the Primary Government.
- (2) Other Governmental Fund-type debt is for the Central Emergency Services Service Area and is debt of the Service Area not the Primary Government.
- (3) Due to overlapping taxing jurisdictions, the Debt Per Capita of the Area-Wide must be combined with each overlapping Service Area to determine the total Debt Per Capita within each Tax Code Area.
- (4) Personal income data is provided by the Bureau of Economic Analysis, <http://www.bea.gov>.
- (5) In fiscal year 2012 the Borough adopted GASB Statement 61, which changed accounting and financial reporting for CPH and SPH. These units were previously presented as Business-Type Activities, a Blended Component units.
- (6) Assessed values and Tax exempt values represent only those values/exemptions provided by the Borough. It does not include those values/exemptions provided by federal or state requirements. Population data can be found in Table XIV

Kenai Peninsula Borough
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIV

| Fiscal Year | Population (1) | Personal Income - Borough (in thousands) (3) | Per Capita Personal Income - Borough (3) | Per Capita Personal Income - Alaska (3) | Median Age (2) | School Enrollment (5) | Unemployment Rate (2) | Number of Employed (2) |
|-------------|----------------|--|--|---|----------------|-----------------------|-----------------------|------------------------|
| 2010 | 53,578 | \$ 2,307,583 | \$ 42,112 | \$ 46,834 | 39.4 | 9,145 | 9.80% | 24,267 |
| 2011 | 55,400 | 2,432,959 | 43,780 | 48,614 | 40.6 | 8,978 | 10.00% | 24,310 |
| 2012 | 56,369 | 2,627,069 | 46,600 | 51,405 | 40.6 | 8,922 | 9.50% | 24,675 |
| 2013 | 56,756 | 2,770,353 | 48,636 | 52,638 | 41.4 | 8,886 | 8.60% | 25,003 |
| 2014 | 56,862 | 2,759,412 | 48,351 | 51,416 | 40.0 | 8,756 | 8.00% | 25,592 |
| 2015 | 57,147 | 2,981,871 | 51,734 | 54,582 | 40.5 | 8,826 | 7.90% | 25,759 |
| 2016 | 57,763 | 3,056,190 | 52,639 | 56,147 | 40.0 | 8,788 | 7.80% | 25,480 |
| 2017 | 58,060 | 2,965,755 | 50,691 | 55,674 | 40.6 | 8,785 | 8.50% | 24,847 |
| 2018 | 58,024 | 2,965,755 | 50,691 | 56,042 | 41.4 | 8,712 | 8.30% | 24,642 |
| 2019 | 58,471 | 2,919,104 | (4) 51,640 | (4) 57,179 | 41.0 | 8,680 | 7.70% | 24,453 |

Sources:

- (1) Alaska Department of Labor estimates as of July 1 of each fiscal year.
- (2) Data is provided by the State of Alaska Department of Labor and is the annual rate for 12 months ending December of the prior calendar year. The Alaska Department of Labor amends every month the unemployment rate data for the previous month and again at the end of every calendar year. Some prior fiscal years have been updated to match updated statistical reported information.
- (3) Data is provided by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) and is for the 12-month period ending December of the prior calendar year.
- (4) Calendar year 2019 data currently unavailable from BEA.
- (5) Information provided from the Kenai Peninsula Borough School District.

Kenai Peninsula Borough
Principal Employers
Current and Nine Years Ago

TABLE XV

| <u>Employer</u> | <u>2018 *</u> <u>Rank</u> | <u>2009 *</u> <u>Rank</u> |
|-----------------|------------------------------|------------------------------|
|-----------------|------------------------------|------------------------------|

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

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

TABLE XVI

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 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 | 5.00 | 4.00 | 5.00 | 5.00 | 6.00 | 6.00 | 6.00 | 5.00 | 4.50 |
| Purchasing and Contracting * | 12.50 | 10.50 | 10.00 | 11.00 | 12.00 | 14.00 | 14.00 | 10.00 | 9.00 | 8.00 |
| Office of Emergency Mgmt | 4.55 | 4.55 | 4.00 | 4.00 | 4.25 | 4.25 | 4.00 | 4.00 | 4.00 | 4.00 |
| General Services | 22.60 | 22.60 | - | - | - | - | - | - | - | - |
| HR | - | - | 7.60 | 7.60 | 7.55 | 7.55 | 7.55 | 7.50 | 7.50 | 7.50 |
| IT | - | - | 11.00 | 11.00 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 | 11.50 |
| Legal | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Finance | 23.00 | 23.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 21.50 |
| Assessing | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 24.00 |
| Planning | 9.00 | 9.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 12.75 |
| River Center | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Total | 116.15 | 113.15 | 110.10 | 112.10 | 113.80 | 115.80 | 115.55 | 111.50 | 109.50 | 109.25 |
| Fire and Emergency Services: | | | | | | | | | | |
| Nikiski Fire | 21.00 | 21.00 | 20.00 | 20.00 | 20.00 | 20.75 | 21.75 | 21.75 | 21.75 | 21.25 |
| Bear Creek Fire | 0.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| EPHESA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 0.50 |
| Anchor Point | 1.00 | 1.00 | 2.50 | 2.50 | 2.50 | 3.50 | 4.00 | 4.00 | 4.00 | 5.00 |
| CES | 37.50 | 37.50 | 38.50 | 42.00 | 42.00 | 41.00 | 39.00 | 41.00 | 41.00 | 44.00 |
| Kachemak | 2.00 | 3.00 | 3.50 | 3.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 5.00 |
| 911 Communications | 10.70 | 10.70 | 11.25 | 11.25 | 11.75 | 12.25 | 12.50 | 12.50 | 13.00 | 13.00 |
| Seward Bear Creek Flood | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.50 | 1.50 |
| Recreation | 14.25 | 14.25 | 14.25 | 14.65 | 14.65 | 14.65 | 14.65 | 14.65 | 14.65 | 14.65 |
| Roads | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 7.40 |
| Land Trust Fund | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Solid Waste | 21.00 | 21.00 | 20.00 | 21.00 | 17.00 | 17.00 | 17.00 | 15.50 | 15.50 | 15.50 |
| Risk Management | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Total | 242.10 | 240.85 | 239.35 | 246.25 | 244.95 | 248.20 | 247.70 | 244.15 | 243.90 | 247.55 |
| Positions controlled by the Kenai Peninsula Borough but reported as part of in-kind expenditures for the Kenai Peninsula Borough School District | 46.30 | 46.30 | 45.30 | 46.30 | 46.30 | 46.30 | 46.30 | 46.30 | 46.30 | 46.30 |

* Purchasing and Contracting combined in 2016
 Source: Data is provided by the Kenai Peninsula Borough's Human Resources Department

Kenai Peninsula Borough
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XVII

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General government- 911 calls answered | 21,494 | 21,260 | 21,834 | 21,831 | 26,364 | 27,239 | 28,165 | 27,022 | 26,370 | 26,897 |
| Fire and emergency services: ** | | | | | | | | | | |
| Number of calls responded to: | | | | | | | | | | |
| Nikiski | 870 | 929 | 926 | 902 | 842 | 919 | 959 | 995 | 1,022 | 1,050 |
| Bear Creek | 132 | 111 | 132 | 119 | 136 | 139 | 143 | 178 | 141 | 150 |
| Anchor Point | 150 | 194 | 235 | 250 | 197 | 263 | 214 | 218 | 259 | 279 |
| CES | 1,977 | 2,095 | 1,815 | 1,729 | 1,770 | 2,039 | 2,824 | 2,593 | 2,591 | 2,688 |
| Kachemak | 120 | 140 | 139 | 197 | 216 | 219 | 236 | 218 | 203 | 236 |
| Landfills- | | | | | | | | | | |
| Refuse collected (tons) | 60,720 | 64,759 | 78,250 | 78,178 | 63,564 | 64,653 | 60,318 | 57,698 | 58,619 | 58,912 |

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

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

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

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

TABLE XVIII

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|------|------|------|------|-------|------|------|------|------|------|
| Fire and emergency services: | | | | | | | | | | |
| Number of Stations: | | | | | | | | | | |
| Nikiski | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Bear Creek | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Anchor Point | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| CES | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Kachemak | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Landfills: | | | | | | | | | | |
| Number of municipal waste landfills | 8 | 8 | 8 | 8 | 8 (1) | 8 | 8 | 8 | 8 | 8 |
| Number of transfer facilities/sites | 12 | 12 | 12 | 12 | 13 | 13 | 13 | 13 | 13 | 13 |
| Recreation- | | | | | | | | | | |
| Number of facilities | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Roads- | | | | | | | | | | |
| Miles of roads maintained | 633 | 634 | 636 | 638 | 640 | 640 | 641 | 645 | 646 | 648 |

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

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

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SINGLE AUDIT

Kenai Peninsula Borough
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019 [1]

| <u>Federal Grantor/Pass Through Grantor / Program or Cluster Title</u> | <u>Grant Number</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifier Number</u> | <u>Award Amount</u> | <u>Total Federal Expenditures</u> |
|---|-----------------------|----------------------------|--|---------------------|-----------------------------------|
| U.S. Department of the Interior | | | | | |
| Passed through U.S. Bureau of Land Management: | | | | | |
| Payment in Lieu of Taxes | 2019 SEC 6901/02 | 15.226 | N/A | \$ 3,225,437 | \$ 3,225,437 |
| Passed through U.S. Fish and Wildlife Service: | | | | | |
| National Wildlife Refuge Revenue Sharing | N/A | 15.659 | FY2018 | 26,933 | 26,933 |
| Coastal Impact Assistance: | | | | | |
| Habitat Protection Education & Code Revision | F12AF70131 | 15.668 | N/A | 95,272 | (2) |
| Stream Channel & Elevation Modeling | F12AF00443 | 15.668 | N/A | 99,272 | (20) |
| Total CFDA 15.668 | | | | | (22) |
| Total U.S. Department of the Interior | | | | | 3,252,348 |
| U.S. Department of Homeland Security | | | | | |
| Passed through Alaska Department of Military & Veterans Affairs: | | | | | |
| Homeland Security Grant Program: | | | | | |
| 2017 State Homeland Security Program | | | | | |
| Fire Station Alert System; ALMR Radios; 2019 AK Shield Exercise | EMW-2017-SS-00048-S01 | 97.067 | 20SHSP-GY17 | 449,307 | 333,027 |
| 2018 State Homeland Security Program | | | | | |
| Regional Mass Care Planning; 2019 AK Shield Exercise | EMW-2018-SS-00045-S01 | 97.067 | 20SHSP-GY18 | 63,422 | 22,751 |
| Total CFDA 97.067 | | | | | 355,778 |
| Emergency Management Performance Grant | EMS-2018-EP-00002-S01 | 97.042 | 20EMPG-GY18 | 175,497 | 175,497 |
| Total U.S. Department of Homeland Security | | | | | 531,275 |
| U.S. Department of Transportation: | | | | | |
| Highway Planning and Construction Cluster - Extend Kenai Spur Hwy-North Road | DTFH7017E30003 | 20.205 | N/A | 5,663,801 | 1,896,704 |
| U.S. Department of Agriculture: | | | | | |
| Forest Service Schools and Roads Cluster - National Forest Receipts | | | | | |
| | FY2019 | 10.665 | N/A | 538,031 | 538,031 |
| Passed through Alaska Department of Natural Resources: | | | | | |
| Cooperative Forestry Assistance: | | | | | |
| Anchor Point Fire & EMS Service Area | | | | | |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2018 VFA | 7,500 | 7,500 |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2019 VFA | 7,500 | 7,500 |
| Bear Creek Fire Service Area | | | | | |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2018 VFA | 7,438 | 7,438 |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2019 VFA | 2,900 | 2,900 |
| Kachemak Emergency Service Area | | | | | |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2018 VFA | 7,461 | 7,461 |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2019 VFA | 6,665 | 6,665 |
| Nikiski Fire Service Area | | | | | |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2018 VFA | 6,718 | 6,718 |
| Volunteer Fire Assistance Grant | N/A | 10.664 | 2019 VFA | 6,466 | 6,466 |
| Total CFDA 10.664 | | | | | 52,648 |
| Total U.S. Department of Agriculture | | | | | 590,679 |
| TOTAL FEDERAL | | | | | \$ 6,271,006 |

[1] No federal award monies were passed through to subrecipients.

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

Kenai Peninsula Borough
Schedule of State Financial Assistance
Year Ended June 30, 2019

| <u>State Agency / Program Title</u> | <u>Award Number</u> | <u>Total Award Amount</u> | <u>State Expenditures</u> |
|---|---------------------|---------------------------|---------------------------|
| <u>Alaska Department of Commerce, Community & Economic Development:</u> | | | |
| Shared Fisheries Business Tax | | \$ 4,728 | \$ 4,728 |
| Fish Resource Landing Tax | | 775 | 775 |
| * Community Revenue Sharing - Borough | FY19 | 1,032,704 | 1,032,704 |
| Community Revenue Sharing - Nanwalek IRA Council | [1] FY17 | 12,900 | 12,900 |
| Community Revenue Sharing - Moose Pass Chamber of Commerce | [1] FY17 | 12,900 | 85 |
| Community Revenue Sharing - Hope, Inc. | [1] FY18 | 15,789 | 6,248 |
| Community Revenue Sharing - Kachemak Emergency Services Members Association | [1] FY18 | 2,040 | 909 |
| Community Revenue Sharing - Moose Pass Chamber of Commerce | [1] FY18 | 15,789 | 744 |
| Community Revenue Sharing - Nanwalek IRA Council | [1] FY18 | 15,789 | 15,789 |
| Community Revenue Sharing - Voznesenka Community Council | [1] FY18 | 15,789 | 8,795 |
| Community Revenue Sharing - Alaska Children's Institute For Performing Arts (ACIPA) | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Anchor Point Food Pantry | [1] FY19 | 5,093 | 5,093 |
| Community Revenue Sharing - Anchor Point Public Library | [1] FY19 | 5,093 | 5,093 |
| Community Revenue Sharing - Anchor Point Senior Citizens | [1] FY19 | 5,093 | 5,093 |
| Community Revenue Sharing - Bear Creek Volunteer Fire Department | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Boys & Girls Club of Southcentral Alaska | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Boys & Girls Club of the Kenai Peninsula | [1] FY19 | 7,895 | 7,895 |
| Community Revenue Sharing - Caribou Hills Cabin Hoppers | [1] FY19 | 15,789 | 275 |
| Community Revenue Sharing - Cooper Landing Community Club | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Funny River Chamber of Commerce | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Homer Cycling Club | [1] FY19 | 3,157 | 3,157 |
| Community Revenue Sharing - Hope, Inc. | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Kachemak Nordic Ski Club | [1] FY19 | 7,818 | 7,818 |
| Community Revenue Sharing - Kachemak Ski Club | [1] FY19 | 3,871 | 3,871 |
| Community Revenue Sharing - Kasilof Public Library | [1] FY19 | 7,895 | 7,895 |
| Community Revenue Sharing - Kasilof Regional Historical Association | [1] FY19 | 7,894 | 7,894 |
| Community Revenue Sharing - Kasilof-Cohoe Cemetery Association | [1] FY19 | 7,895 | 7,895 |
| Community Revenue Sharing - Kenai Peninsula Fair Association | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Kenai Peninsula Food Bank, Inc. | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Love Inc. of the Kenai Peninsula | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Lowell Point Community Council | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Moose Pass Chamber of Commerce | [1] FY19 | 8,670 | 8,670 |
| Community Revenue Sharing - Moose Pass Volunteer Fire Department | [1] FY19 | 38,697 | 38,661 |
| Community Revenue Sharing - Nikiski Senior Citizens, Inc | [1] FY19 | 7,895 | 7,895 |
| Community Revenue Sharing - Nikolaeusk Community Council | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Ninilchik Community Library | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Ninilchik Emergency Services | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Ninilchik Senior Citizens | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Peninsula Spay and Neuter Association | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Port Graham Village Council | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Rural Alaska Community Action Program | [1] FY19 | 5,263 | 5,263 |
| Community Revenue Sharing - Snomads Snowmachine Club, Inc | [1] FY19 | 7,818 | 7,818 |
| Community Revenue Sharing - Sterling Area Senior Citizens | [1] FY19 | 5,263 | 5,263 |
| Community Revenue Sharing - Sterling Community Club | [1] FY19 | 5,263 | 5,263 |
| Community Revenue Sharing - Tsalteshi Trails Association | [1] FY19 | 3,947 | 3,947 |
| Community Revenue Sharing - Village of Kachemak Selo, Inc. | [1] FY19 | 15,789 | 15,789 |
| Community Revenue Sharing - Village of Razdolna | [1] FY19 | 15,789 | 15,789 |
| * Total Community Revenue Sharing | | <u>1,424,241</u> | <u>1,424,241</u> |

Kenai Peninsula Borough

Schedule of State Financial Assistance, continued

Year Ended June 30, 2019

| <u>State Agency / Program Title</u> | <u>Award Number</u> | <u>Total Award Amount</u> | <u>State Expenditures</u> |
|--|---------------------|-------------------------------|-------------------------------|
| <u>Alaska Department of Commerce, Community & Economic Development continued:</u> | | | |
| Marijuana Application Review Fees | FY19 | 17,500 | \$ 17,500 |
| * Borough-wide Road Upgrades | 15-DC-089 | 4,000,000 | 2,686,500 |
| Elodea Eradication Project | 15-DC-085 | 400,000 | 2,470 |
| Jacob's Ladder Access Trail Repair & Maintenance | 14-RR-042 | 100,000 | 304 |
| Security Camera Systems in Borough-owned Facilities | 13-DC-489 | 1,625,000 | 32,109 |
| Seward Bear Creek Flood Mitigation Projects | 15-DC-090 | 500,000 | <u>(50,931)</u> |
| Total Alaska Department of Commerce, Community & Economic Development | | | <u>4,117,696</u> |
| <u>Alaska Department of Revenue:</u> | | | |
| * Commercial Passenger Vessel Tax | [1] FY19(CY18) | 522,255 | 522,255 |
| Electric & Telephone Cooperative | FY19 | 157,234 | 157,234 |
| Fish Tax - Additional FY18 Revenue | FY18 | 132,813 | 132,813 |
| * Fish Tax | FY19 | 743,600 | <u>743,600</u> |
| Total Alaska Department of Revenue | | | <u>1,555,902</u> |
| <u>Alaska Department of Education & Early Development:</u> | | | |
| * School Debt Reimbursement | | 2,653,695 | <u>2,653,695</u> |
| <u>Alaska Department of Administration:</u> | | | |
| * Division of Retirement & Benefits PERS Relief FY19 HB286 | FY19 HB286 | 1,237,913 | <u>1,237,913</u> |
| <u>Alaska Department of Military & Veteran Affairs:</u> | | | |
| Passed Through the Alaska Division of Homeland Security & Emergency Management Local Emergency Planning Committee | 20LEPC-GY19 | 20,100 | <u>20,100</u> |
| TOTAL STATE | | | <u>\$ 9,585,306</u> |

* State Major Program

[1] Entire amount of grant passed through to entity identified above

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