

**KENAI PENINSULA BOROUGH
ALASKA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR FISCAL YEAR
ENDED JUNE 30, 2015**

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Mike Navarre
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

CRAIG C. CHAPMAN
DIRECTOR OF FINANCE

BRANDI R. HARBAUGH
CONTROLLER

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

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**MIKE NAVARRE
BOROUGH MAYOR**

December 15, 2015

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, 2015, which is submitted in accordance with Section 29.35.120 of Alaska Statutes and Borough code. These laws require that a complete set of financial statements be presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America and those standards applicable to audits performed in accordance with Government Auditing Standards by licensed independent certified public accountants.

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

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

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

The Borough's financial statements have been audited by BDO USA LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable

assurance that the financial statements of the Borough for the fiscal year ended June 30, 2014, 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, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Kenai Peninsula Borough

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 square miles and is located in the south central part of the state of Alaska. The estimated population for the Borough is 57,212.

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

The Borough is empowered to levy a property tax on both real and personal properties located within its boundaries. State of Alaska law mandates that second-class boroughs provide certain services on an areawide basis to all taxpayers. All other services must be approved by a majority of voters who are to receive the services. This gives taxpayers control over the type and level of services they receive and pay for. Currently, the Borough provides the following areawide services: assessment and collection of property taxes and sales tax collection for the

Borough and cities within the Borough, planning, solid waste disposal, education, senior citizen funding, post secondary education, 911 emergency communications, emergency management and general administrative services. Non-areawide services provided by the Borough include fire protection, hospital services, emergency medical and ambulance services, recreation, senior citizen funding, road maintenance, economic development, tourism promotion, and special assessment authority for utility extensions and road improvement districts. The Borough also has non-areawide port and harbor powers that are not currently exercised. Funding for the Borough, by order of financial significances, is provided from property tax, sales tax, state revenue, federal revenue, other sources and interest earnings.

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

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. For the General Fund, Nikiski Fire Service Area Special Revenue Fund and Road Service Area Special Revenue Fund these comparisons are presented on pages 34-37 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, these comparisons start on page 86.

Local Economy

The Borough economy is highly diverse. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and health care. Together they represent most of the Borough's employment. That diversity allows the Borough to be more resilient to declines in any one industry. The Borough's economy has experienced consistent, gradual growth since the late 1980's. Borough wide, the general government tax rate has decreased from a high of 8.59 mills in FY1996 to its current rate of 4.5 mills. The Borough also has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales in FY2015 were \$1,018 million, a decrease of .5% from the prior year and a 16.0% increase from FY2010. Most of the decrease for FY2015 is attributed a reduction in sales tax collected on fuel sales due to a drop in the price of oil. The overall increase from FY2010 reflects an improving economy recovering from the recession of 2009. Sales tax continues to generate a larger portion of the Borough's revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY2015, sales tax revenues represented almost 40%. It should be noted that the sales tax rate went from 2% to 3% effective January 1, 2008.

Oil and gas continues to play a vital role in the Borough's economy, although the players have changed. Large national and multinational companies have been replaced by independents, which resulted in a resurgence in exploration and production. New players include Apache Corp., Cook Inlet Energy and Hilcorp Energy, which purchased the assets of Chevron in 2012 and Marathon Oil in 2013. This has led to new wells in the Anchor Point and Kenai area, jack

up rigs being used throughout 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 \$703 million for 2010, to \$1,142 million in FY2015. Cook Inlet oil producers boosted oil output 25 percent in the last year. Production averaged 16,957 barrels per day in 2014 compared with 14,630 barrels per day in 2013.

Increased oil and gas exploration has also had an impact on the Borough's unemployment rate. The unemployment rate has decreased from 10.0% in 2010; to 9.5% for 2011; to 8.6% for 2012, 7.9% in 2013 and 7.8% in 2014. This compares to the 2014 statewide average of 6.8%. 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.

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 insure that the Borough maintains an appropriate fund balance in line with recommended best practices. The General Fund's assigned amount of \$16.2 million exceed the Borough's minimum fund balance of \$14.9 million per the Fund Balance policy and is 20.7% 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.

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, 2014. This was the 35th 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 FY2015 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 22th year the Borough has received this award.

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

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

Respectfully submitted,



Mike Navarre
Borough Mayor



Craig C. Chapman, CPA
Director of Finance



Brandi R. Harbaugh, CPA CPFO
Controller



Government Finance Officers Association

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

Presented to

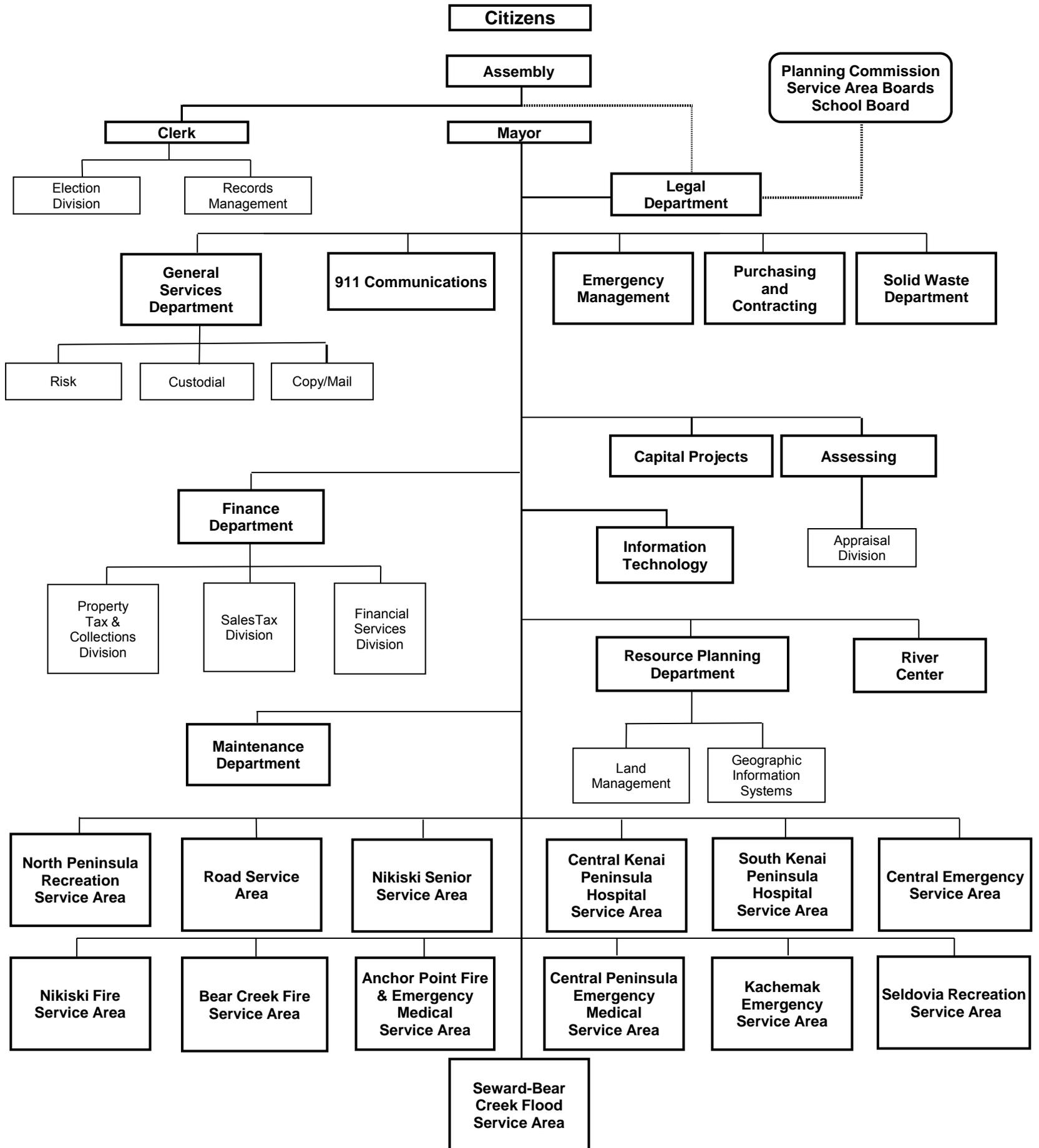
**Kenai Peninsula Borough
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Kenai Peninsula Borough Organizational Chart



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

Dale Bagley	President
Sue A. McClure	Vice President
Kelly Cooper	
Brent Johnson	
Kelly Wolf	
Stan Wells	
Wayne Ogle	
Blaine Gilman	
Mako Haggerty	

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

Administration

Mike Navarre	Borough Mayor
Craig Chapman	Director of Finance
Colette Thompson	Borough Attorney
Sandra Brown	Director of Human Resources
Johni Blankenship	Borough Clerk
Scott Walden	Emergency Management Director
Benjamin Hanson	Director of Information Technology
Tom Anderson	Borough Assessor
Max Best	Director of Planning
Tom Dearlove	River Center Manager
Kevin Lyon	Capital Projects Director
Scott Griebel	Director of Maintenance
Jack Maryott	Director of Solid Waste
Mark Fowler	Purchasing & Contracting Director
Patrick Malone	Roads Director

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C. Chapman

Division Managers

Brandi Harbaugh
Penny Pickarsky
Rhonda Krohn
Rob Lewis

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

Jerri Braun
Tracy Davis
Katherine Cooper
DeRay Jones
Julie Lahndt
Charlene Johnson
Misty Jenkins
Joanne Rodgers

Lezlea Brandon
Amy Falk
Barbara Nelson
Becky Karsten
Lauri Lingafelt
Jennifer Loop
Samantha Ness
Sydney Smith

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AUDITOR REPORT



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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Kenai Peninsula Borough
Soldotna, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, as of and for the year ended June 30, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note N to the financial statements, in 2015 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note M to the financial statements, in 2015, the Borough determined that it should have recorded in revenue a payment in lieu of taxes and has recorded a prior period adjustment to reflect the correction. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenai Peninsula Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in

the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 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 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, AK
December 15, 2015

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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, 2015. 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 1-4), the financial statements (page 27-41) and the notes to the financial statements (pages 43-69).

Financial Highlights

- At the close of FY2015, the Kenai Peninsula Borough assets and deferred outflows exceeded its liabilities and deferred inflows by \$250.6 million, (net position). Of this amount, \$15.7 million (unrestricted net position) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors. Much of this amount has been previously designated by the Borough Assembly for specific purposes and is discussed in more detail on page 45.
- The Borough's total net position decreased \$ 8.8 million when compared to the restated 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 \$28.1 million, an increase of \$.3 million from FY2014. The assigned and unassigned fund balance for FY2015, not including the amount that was budgeted for FY2016 expenditures, is \$13.8 million. This compares to the FY2014 amount of \$14.4 million. This represents 17.6% of the total General Fund expenditures and transfers balance, this compares to 19.6% as of June 30, 2014, 20.6% as of June 30, 2013 and 28.4% as of June 30, 2012. The reduction from the FY2012 amount is mostly attributable to a note receivable from the City of Homer Alaska, which was authorized by the Borough Assembly in FY2013, for the construction of a natural gas pipeline for which the Borough has reported as non-spendable fund balance in the amount of \$12.4 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$78.3 million, a decrease of \$3.3 million from the prior year. Much of this decrease is associated with expenditure incurring in the Bond Funded Capital Project Fund whereas the revenues were recognized in a prior year.
- No additional debt was issued by the Borough in FY2015, however, refunding bonds were issued. Total outstanding debt at year-end was \$49.9 million, a decrease of \$3.3 million from FY2014.

Overview of the Financial Statements

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

Fund Type	Number of funds
General Fund	1
Debt Service Funds	4
Capital Project Funds	11
Special Revenue Funds	17
Total Governmental Funds	33
Total Internal Service Funds	4
Total Agency Funds	33

Government-wide financial statements.

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

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

Governmental activities are supported by taxes and intergovernmental revenues whereas the business-type activities are primarily supported by user fees and charges for services. The Borough’s governmental activities include general government, solid waste, public safety, recreation, education, environmental protection and road and trail maintenance.

The government-wide financial statements present not only the Borough itself, but also the following discretely presented components units of the Borough; Kenai Peninsula Borough School District, Central Peninsula Hospital, and South Peninsula Hospital. Financial information for these discrete component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 27-29 of this report.

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

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

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

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

The Borough maintains 33 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Bond Funded Capital Project Fund. The other 29 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the nonmajor funds are presented in the Combining Balance Sheet Nonmajor Special Revenue Funds, Combining Balance Sheet Nonmajor Capital Project Funds, Combining Balance Sheet Nonmajor Debt Service Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Capital Project Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds.

The basic governmental fund financial statements can be found on pages 30-37 of this report. Budgetary comparison statements for 12 special revenue funds and 4 debt service funds with annual budgets are provided on pages 86-97 and 109-112 respectively to demonstrate compliance with these budgets.

Proprietary funds.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 38-40 of this report.

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

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-69 of this report.

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 78-85, 99-105, 107-108 and internal service funds can be found on pages 113-115 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough, net position at June 30, 2015 was \$250.6 million compared to \$279.0 million at June 30, 2014. By far the largest portion of the Borough's net position (83.5%) reflects its investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

During FY2015, governmental activities capital assets, net of accumulated depreciation of the Borough decreased \$7.0 million. Current and other assets include \$85.5 million and \$89.0 million of cash and investments held for governmental activities at June 30, 2015 and 2014.

Kenai Peninsula Borough
Summary of Net Position
June 30, 2015 and 2014
Governmental
Activities
(in millions)

	2015	2014
Current and other assets	\$ 112.6	\$ 116.0
Capital assets	240.4	248.3
Total assets	353.0	364.3
Deferred outflow of resources	3.6	.6
Long-term debt outstanding	78.6	51.2
Other liabilities	13.3	22.0
Total liabilities	91.9	73.2
Deferred outflow of resources	14.1	12.7
Net position:		
Net Investment in capital assets	208.2	218.7
Restricted	26.7	30.8
Unrestricted	15.7	29.5
Total net position	\$ 250.6	\$ 279.0

Governmental activities

Governmental activities decreased the Borough's net position by \$ 8.8 million. This compares to an increase of \$.9 million for the year ended June 30, 2014. In addition to the change in net position due to current year activity, net position at the beginning of the fiscal year was changed \$2.9 million to comply with GASB 65 regarding recognition of revenue received from the federal government for the PILT program as well as a cumulative effect adjustment for GASB 68 in the amount of \$22,508,370. Key elements of the change in net position for the year are as follows:

- Operating grants increased substantially to reflect the on-behalf payment of \$9.5 million from the State of Alaska for payment to the Public Employee Retirement Fund. This compares to the FY2014 on-behalf payment of \$2.9 million.
- Operating expenses increased in all departments, which reflected the on-behalf payment made by the State of Alaska to the Public Employees Retirement Fund.

- Capital grant funding from the State of Alaska reduced substantially during FY2015 when compared to FY2014.

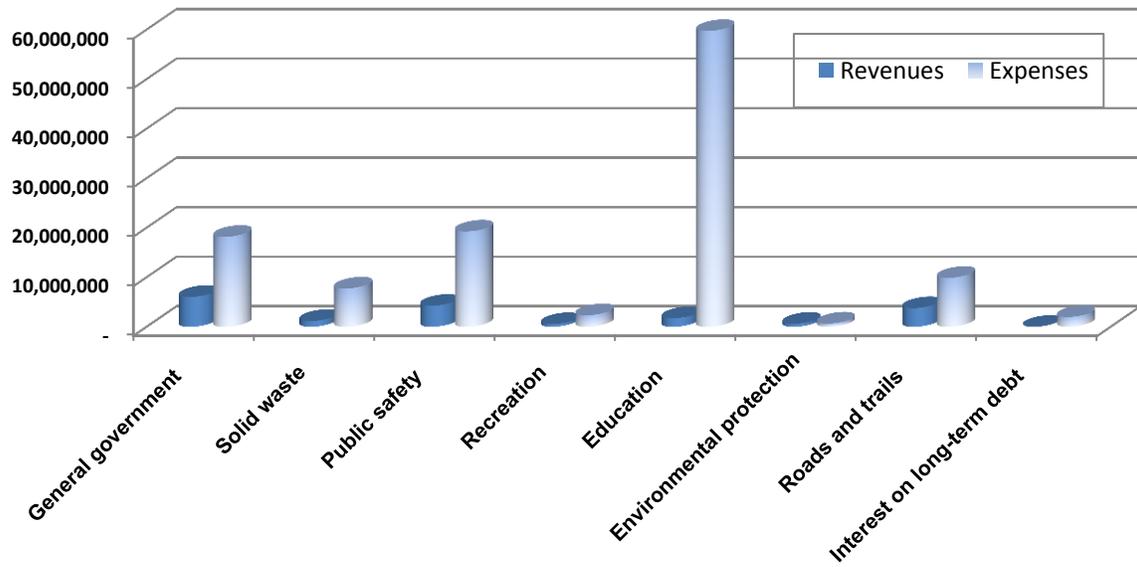
Summary of Changes in Net Position

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, 2015 and 2014 (in millions)		
Governmental Activities		
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 3.9	\$ 4.7
Operating grants and contributions	7.4	8.2
Capital grants and contributions	6.8	14.9
General revenues:		
Property taxes	54.9	54.7
Sales taxes	30.1	30.3
Other	7.9	8.0
Total revenues	111.0	120.8
Expenses:		
General government	18.2	17.7
Solid waste	7.7	7.2
Public safety	19.3	19.5
Recreation	2.3	2.2
Environmental protection	.7	.9
Road and trails	9.9	9.9
Education - Payments to component unit- Kenai Peninsula Borough School District	44.0	43.5
Education - Other (debt service, capital projects, post-secondary)	15.7	17.2
Interest on long-term debt	2.0	1.8
Total expenses	119.8	119.9
Increase (decrease) in net position	(8.8)	.9
Net position, beginning of year	279.0	278.1
Change in beginning net position – GASB 65		
Revenue recognition	2.9	-
Prior period adjustment – GASB 68 adjustment	(22.5)	-
Net position, end of year	\$250.6	\$279.0

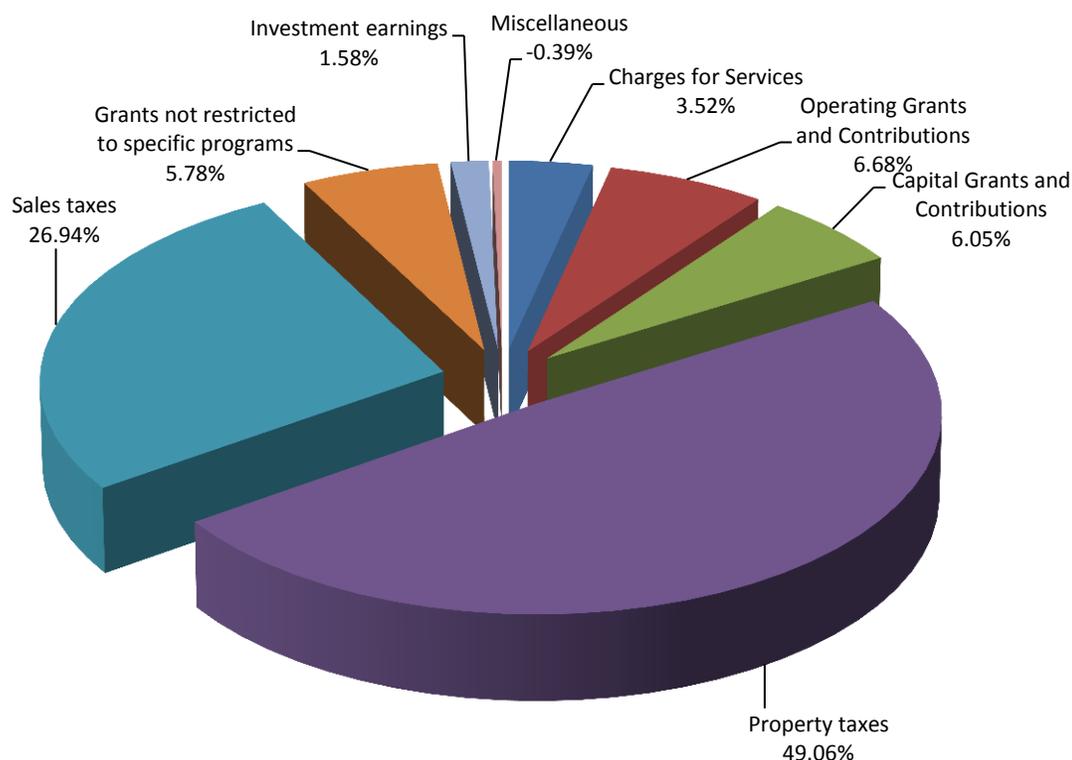
Expenses and Program Revenues – Governmental Activities

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



Revenues by Source – Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds.

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$78.3 million, a decrease of \$3.2 million from the prior year. A portion of this amount is restricted to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses 3) or for other restricted purposes.

Discussion of selected individual governmental funds is as follows:

General Fund (Major fund)

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, fund balance was \$28.1 million, an increase of \$.3 million from the prior year restated fund balance of \$27.8 million. Beginning fund balance was restated in the amount of \$2.9 million to reflect when revenue from the federal government for the PILT program, is recognized as required by GASB 65. Expenditures and transfers in the General Fund totaled \$78.4 million during the year, this compares to FY2014 expenditures and transfers of \$73.4 million. Key factors include:

- On behalf payments from the State of Alaska for contributions to the Public Employees Retirement System (PERS) to address funding shortfalls totaled \$4.1 million, an increase of \$2.8 million from FY2014.
- Federal revenue for forestry receipts came in at \$.5 million. The Borough no longer budgets for these funds due to congressional unreliability in funding the program. The funds are recognized as revenue when and if they are received.
- Due to turnover/retirement of Borough staff which resulted in unfilled positions, personnel cost came in \$.8 million less than projected.
- Operating cost of the Solid Waste department came in \$.4 million less than expected as contracts for operating various transfer sites and transporting waste material were less than budgeted.
- Administrative service fees charged to projects came in higher than projected.

Bond Funded Capital Projects Fund (Major fund)

Fund balance in the Bond Funded Capital Projects Fund decreased \$6.0 million during the year as bond proceeds which were received in FY2014 were expended on construction and major maintenance on school facilities during FY2015.

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

Fund balance in this service area increased \$287,601 or approximately 14.4%, compared to the FY2014 increase of \$189,784. Expenditures and transfers out totaled \$7,918,455, an increase of \$1,049,073 compared to FY2014. Notwithstanding the increase in expenditures related to on-behalf payment received from the State of Alaska for contributions to PERS to address funding shortfalls in the amount \$1,112,796, expenditures decreased \$63,723 during the fiscal year.

Nikiski Fire Service Area Special Revenue Fund (Major fund)

Fund balance in this service area decreased \$227,332 or approximately 4.6%, compared to the FY2014 increase of \$535,150. Expenditures and transfers out totaled \$5,803,133, an increase of \$1,510,113 when compared to FY2014. Major components of this increase in expenditures include an increase in the on-behalf payment received from the State of Alaska for contribution to PERS in the amount of \$644,684 and an increase in the services area's contribution to their capital project fund in the amount of \$550,000, which is needed to fund the service area's capital needs.

Road Service Area Special Revenue Fund (Major fund)

Due to near record snowfall during FY2012, the Road Service Area's fund balance decreased approximately \$1.1 million. During FY2015, the Service Area continued to grow their fund balance. This resulted in an increase in fund balance of \$471,941. This will allow the Service Area to have the necessary resources on hand in the event of another year with higher than expected snowfall and provide funding of capital road improvement projects due to expected reductions in state and federal revenues.

Land Trust Special Revenue Fund (Non-major fund)

Fund balance in the Land Trust Special Revenue Fund increased \$978,904 during FY2015 as compared to a decrease of \$12,870 in FY2014. The increase in FY2015 was largely due to proceeds received from numerous parcels that were sold in a subdivision which was developed by the Borough approximately five years ago.

General Fund Budgetary Highlights

During the year there were increases of \$4.6 million, not including carryover encumbrances, in appropriations between the original budget and the final amended budget. The primary reasons for amending the budget are:

- \$.4 million for increased contributions to the Borough health insurance fund.
- \$4.1 million in In-kind contributions to the Public Employees Retirement System made by the State of Alaska on the Borough's behalf.

Budgetary changes can be briefly summarized as follows:

- All departments
 - Public Employees Retirement System (PERS). The Alaska legislature enacted legislation that provided on-behalf funding for political subdivisions to address the unfunded liability of the PERS system. The on-behalf amount provided for the Kenai Peninsula Borough was \$9.5 million of which the General Fund including Solid Waste received \$4.1 million.
 - Health insurance. Due to higher than projected health insurance claims, a supplemental appropriation was necessary to provide additional funding to the Borough's Health Insurance Fund

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets as of June 30, 2015 and June 30, 2014 amounts to \$241.3 million and \$245.3 million, respectively, (net of accumulated depreciation.) This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

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

Various major repairs and additions to school facilities	\$ 6.0 million
Various major repairs and additions to public safety facilities	\$ 1.8 million
Improvements at various solid waste facilities	\$.6 million

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

	Governmental activities	
	2015	2014
Land and improvements	\$ 70.5	\$ 70.4
Buildings	102.5	108.3
Improvements other than buildings	29.1	22.3
Machinery and equipment	12.2	14.0
Infrastructure	12.8	12.8
Construction in progress	13.3	20.4
Total governmental funds capital assets	\$ 240.4	\$ 245.8

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

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$49.9 million, a decrease of \$3.3 million from June 30, 2014. Of this amount, \$44.5 million was bonded and backed by the full faith and credit of either the Borough or Service Areas of the Borough. The remaining debt consists of landfill closure cost. Of the \$44.5 million in bonded debt, \$41.8 million was issued for school improvements. The State of Alaska will reimburse the Borough up to 70% of the principal and interest on these bonds. The schedule shown below does not include compensated absences.

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 44.5	\$ 48.0
Other debt	5.3	5.2
Total outstanding debt	\$ 49.8	\$ 53.2

The Borough's discretely presented component units also have debt outstanding at the end of the year totaling \$76.2 million, not including premiums and other cost. Of that amount, \$42.3 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 58-60 of this report and table XII on page 139.

The Borough normally uses the Alaska Municipal Bond Bank (Bond Bank) to sell its bonds. The Bond Bank has a rating of AA2 from Moody's and AA+ from Fitch.

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for CY2014 stood at 7.8%, a decrease from the prior year rate of 7.9%; this compares to the statewide average of 6.8%. 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 of the fishing and tourism industry in the Borough.

In 2001, the Borough established a fund balance policy. The results of this policy indicated that the General Fund, fund balance was in excess of both the minimum amount and the maximum amount. With fund balance in excess of recommended amounts, the Borough was able to reduce the mill rate from 8.0 mills in FY2000 to 7.5 mills; to 7.0 mills in FY2001 and to 6.5 mills in FY2003. The mill rate was further reduced to 5.5 mills for FY2008 and to 4.5 mills in FY2009. To maintain the General Fund, fund balance within the policy range while at the same time providing Borough taxpayers a reduction in the mill rate, the area-wide sales tax rate was increased from 2% to 3%, effective January 1, 2008.

As part of 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.

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 FY2015 was \$9.5 million. This contribution includes the difference between the actuarially determined rate of 44.03% and the Borough contribution rate of 22.00% and the application of the one-time payment from the State which resulted in an additional 20.38% contribution for a total contribution rate of 64.41%. With the one-time payment and the increased amortization period, actuarially determined rates for future years are expected to decrease substantially. The actuarially determined rate for FY2016 of 27.16% reflects this forecast in the reduction of the rate.

The State of Alaska has been put on credit watch by the major rating agencies due to lower oil prices. This reduction in oil prices has resulted in a reduction in grant funding to local municipalities and could put other State funded programs, including education, at risk for reduction in funding in the future.

In setting the budget for FY2016, the Borough considered a number of issues with Borough wide impact, among them:

- A sufficient level of funding necessary to meet the needs of Borough residents, visitors and communities.
- A continued reduction in the historical variance between budget and actual revenues and expenditures.
- Maintenance of the Borough's financial condition including compliance with the Borough's fund balance policy.

- The highest level of local educational funding that Borough's residents can reasonably afford and sustain.
- A high quality capital and operational maintenance program that ensures the continued use and economic value of Borough assets.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough
Statement of Net Position
June 30, 2015

	<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>
Assets				
Cash and short-term investments	\$ 101,868	\$ 31,905,467	\$ 8,556,245	\$ 20,340
Equity in central treasury	69,015,170	5,732,944	4,173,485	37,027,875
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	7,233,019	2,739	158,882	-
Accounts receivable	648,275	804,522	107,809	458,283
Patient receivables	-	28,180,281	11,578,914	-
Note receivable	1,095,398	-	-	-
Land sale contracts receivable:				
Current	90,481	-	-	-
Delinquent	38,537	-	-	-
Due from other governments	4,373,842	-	-	2,899,190
Due from special assessment districts	1,475,379	-	-	-
Prepays	40,906	1,409,211	567,402	-
Inventory	-	5,169,890	1,580,787	978,455
Note receivable - long-term	11,333,498	-	-	-
Land sale contracts receivable - long-term	731,698	-	-	-
Net pension asset	-	-	-	-
Restricted assets:				
Equity in central treasury	16,389,117	18,468,485	-	-
Bond funds held in reserve	-	4,569,037	-	-
Assets whose use is limited:				
Equity in central treasury	-	18,838,950	189,524	-
Investments	-	500,000	21,949	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	70,539,687	3,662,447	2,202,105	-
Buildings	102,488,510	40,458,825	33,435,248	-
Improvements other than buildings	29,086,506	269,374	43,556	-
Equipment	12,203,272	21,570,382	4,084,985	3,516,215
Construction in progress	13,306,030	27,190,019	627,853	-
Infrastructure	12,789,830	-	-	-
Total assets	<u>352,981,023</u>	<u>208,732,573</u>	<u>67,328,744</u>	<u>44,900,358</u>
Deferred Outflows of Resources				
Unamortized deferred loss	620,758	1,206,550	1,031,909	-
Excess consideration paid for acquisition	-	2,169,698	-	-
Pension related	2,946,978	-	799,597	4,929,036
Total deferred outflows of resources	<u>3,567,736</u>	<u>3,376,248</u>	<u>1,831,506</u>	<u>4,929,036</u>
Liabilities				
Accounts, contracts and retainage payable	5,768,558	9,110,219	1,698,904	1,202,235
Accrued payroll and payroll benefits	1,374,433	2,830,339	4,352,354	12,947,683
Claims payable	3,946,195	2,615,806	-	-
Accrued interest	837,018	792,737	99,617	-
Unearned revenue	1,282,857	11,005	100,019	-
Noncurrent liabilities:				
Net pension liability - due in more than one year	22,975,175	-	1,086,233	50,735,722
Compensated absences:				
Due within one year	661,937	790,516	466,721	78,265
Due in more than one year	1,985,811	2,371,548	1,400,163	3,504,967
Landfill closure/postclosure:				
Due within one year	560,928	-	-	-
Due in more than one year	4,737,100	-	-	-
Long-term debt:				
Due within one year	2,645,000	4,631,231	1,361,516	-
Due in more than one year, net of premium and deferred loss	45,080,565	60,544,134	16,968,257	-
Total liabilities	<u>91,855,577</u>	<u>83,697,535</u>	<u>27,533,784</u>	<u>68,468,872</u>
Deferred Inflows of Resources				
Prepaid property taxes	11,450,694	-	396,572	-
Pension related	2,654,415	-	-	5,417,013
Total deferred inflows of resources	<u>14,105,109</u>	<u>-</u>	<u>396,572</u>	<u>5,417,013</u>
Net Position				
Net investment in capital assets	208,238,003	47,650,717	23,095,883	3,516,215
Restricted:				
Hazard tree removal program	251,498	-	-	-
General government	743,767	-	-	-
Public safety facilities and equipment	8,694,307	-	-	-
Recreation	1,786,813	-	-	-
Education	11,620,281	-	-	2,324,905
Solid waste	28,336	-	-	-
Roads	3,550,713	-	-	-
Charter schools	-	-	-	664,091
Malpractice trust	-	500,000	-	-
Hospital expansion project	-	5,534,112	25,286	-
Unrestricted	15,674,355	74,726,457	18,108,725	(30,561,702)
Total net position	<u>\$ 250,588,073</u>	<u>\$ 128,411,286</u>	<u>\$ 41,229,894</u>	<u>\$ (24,056,491)</u>

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

Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2015

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 18,173,307	\$ 266,672	\$ 5,772,239	\$ -
Solid waste	7,740,270	917,181	12,899	260,638
Public safety	19,257,277	2,659,677	798,855	789,669
Recreation	2,350,050	98,987	223,344	232,234
Education	59,732,399	-	-	1,744,774
Environmental protection	664,142	-	630,071	-
Roads and trails	9,890,591	-	35,206	3,742,925
Interest on long-term debt	2,013,946	-	-	-
Total primary government	<u>\$ 119,821,982</u>	<u>\$ 3,942,517</u>	<u>\$ 7,472,614</u>	<u>\$ 6,770,240</u>
Component units -				
Central Peninsula Hospital	\$ 127,136,754	\$ 144,009,565	\$ -	\$ -
South Peninsula Hospital	58,623,607	57,369,651	-	-
Kenai Peninsula Borough School District	<u>188,625,704</u>	<u>669,280</u>	<u>18,719,908</u>	<u>-</u>
Total component units	<u>\$ 374,386,065</u>	<u>\$ 202,048,496</u>	<u>\$ 18,719,908</u>	<u>\$ -</u>

General revenues:

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

Change in net position

Net position at beginning of year
 Change in beginning net position - Prior period adjustment
 GASB 65 (**See Note M**)
 Change in beginning net position - Change in accounting
 principal GASB 68 (**See Note N**)
 Net position at beginning of year, as restated

Net position at end of year

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

Net (expense) revenue and changes in net position

Primary Government	Component Units		
Governmental Activities	Central Peninsula Hospital	South Peninsula Hospital	School District
\$ (12,134,396)	\$ -	\$ -	\$ -
(6,549,552)	-	-	-
(15,009,076)	-	-	-
(1,795,485)	-	-	-
(57,987,625)	-	-	-
(34,071)	-	-	-
(6,112,460)	-	-	-
(2,013,946)	-	-	-
(101,636,611)	-	-	-
-	16,872,811	-	-
-	-	(1,253,956)	-
-	-	-	(169,236,516)
-	16,872,811	(1,253,956)	(169,236,516)
54,888,193	48,694	3,757,249	-
30,138,426	-	-	-
6,465,467	-	127,296	122,326,741
1,772,754	248,205	38,751	326,758
-	-	-	44,013,525
(434,213)	7,260	1,455	399,614
92,830,627	304,159	3,924,751	167,066,638
(8,805,984)	17,176,970	2,670,795	(2,169,878)
278,981,801	111,234,316	39,124,352	29,738,785
2,920,626	-	-	-
(22,508,370)	-	(565,253)	(51,625,398)
259,394,057	111,234,316	38,559,099	(21,886,613)
\$ 250,588,073	\$ 128,411,286	\$ 41,229,894	\$ (24,056,491)

Kenai Peninsula Borough

Governmental Funds

Balance Sheet

June 30, 2015

	General Fund	Bond Funded Capital Projects Fund	Nikiski Fire Service Area Special Revenue Fund	Road Service Area Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 1,010	\$ -	\$ 22,989	\$ -	\$ 37,829	\$ 61,828
Equity in central treasury	12,971,308	-	7,297,259	5,986,665	29,774,290	56,029,522
Receivables (net of allowances for estimated uncollectibles):						
Taxes receivable	6,794,620	-	53,932	166,110	218,357	7,233,019
Accounts receivable	194,019	-	58,707	-	218,153	470,879
Notes receivable-short term	1,095,398	-	-	-	-	1,095,398
Land sale contracts receivable:						
Current	-	-	-	-	90,481	90,481
Delinquent	-	-	-	-	38,537	38,537
Due from other governments	1,060,160	-	139,130	30,480	3,014,823	4,244,593
Due from special assessment districts	1,475,379	-	-	-	-	1,475,379
Due from other funds	1,037,867	-	-	-	-	1,037,867
Prepays	11,712	-	-	-	44	11,756
Notes receivable-long term	11,333,498	-	-	-	-	11,333,498
Land sale contracts receivable -						
Long-term	-	-	-	-	731,698	731,698
Restricted assets - Equity in central treasury	-	16,389,117	-	-	-	16,389,117
Total assets	<u>\$ 35,974,971</u>	<u>\$ 16,389,117</u>	<u>\$ 7,572,017</u>	<u>\$ 6,183,255</u>	<u>\$ 34,124,212</u>	<u>\$ 100,243,572</u>
Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
Accounts and retainage payable	931,111	1,290,962	74,854	794,747	1,732,190	4,823,864
Accrued payroll and payroll benefits	603,678	-	180,788	38,548	527,694	1,350,708
Due to other funds	-	-	-	-	1,037,867	1,037,867
Unearned revenue	3,230	-	9,305	-	1,270,322	1,282,857
Total liabilities	<u>1,538,019</u>	<u>1,290,962</u>	<u>264,947</u>	<u>833,295</u>	<u>4,568,073</u>	<u>8,495,296</u>
Deferred Inflows of resources:						
Prepaid property taxes	5,578,987	-	2,560,583	1,633,104	1,678,020	11,450,694
Property tax receivable - unavailable	719,331	-	49,987	150,662	207,879	1,127,859
Land sales - unavailable	-	-	-	-	860,716	860,716
Total deferred inflows of resources	<u>6,298,318</u>	<u>-</u>	<u>2,610,570</u>	<u>1,783,766</u>	<u>2,746,615</u>	<u>13,439,269</u>
Fund balances:						
Nonspendable:						
Long-term notes receivable	11,333,498	-	-	-	-	11,333,498
Prepays	11,712	-	-	-	44	11,756
Restricted:						
Landfill closure/postclosure costs	-	-	-	-	5,298,028	5,298,028
Hazard tree removal program	-	-	-	-	251,498	251,498
General government	90,000	-	-	-	653,767	743,767
Public safety	-	-	4,696,500	-	3,997,807	8,694,307
Recreation	-	-	-	-	1,786,813	1,786,813
Education	-	11,620,281	-	-	-	11,620,281
Solid waste	-	28,336	-	-	-	28,336
Roads	-	-	-	3,550,713	-	3,550,713
Committed:						
Outstanding committed contracts	67,365	3,449,538	-	-	3,091,124	6,608,027
Software upgrades	51,236	-	-	-	143,400	194,636
Building maintenance and upgrades	-	-	-	-	2,501,845	2,501,845
Public safety facilities and equipment	50,000	-	-	-	1,517,564	1,567,564
Recreational facility maintenance	-	-	-	-	-	-
Solid waste facilities	-	-	-	-	479,274	479,274
Road construction and upgrades	-	-	-	3,981	135,031	139,012
Environmental protection program	5,831	-	-	-	-	5,831
Professional services	284,316	-	-	-	-	284,316
Assigned:						
Subsequent year's expenditures	2,469,022	-	-	11,500	98,663	2,579,185
Minimum fund balance policy	13,775,654	-	-	-	-	13,775,654
General government	-	-	-	-	7,026,110	7,026,110
Unassigned (deficit)	-	-	-	-	(171,444)	(171,444)
Total fund balances	<u>28,138,634</u>	<u>15,098,155</u>	<u>4,696,500</u>	<u>3,566,194</u>	<u>26,809,524</u>	<u>78,309,007</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 35,974,971</u>	<u>\$ 16,389,117</u>	<u>\$ 7,572,017</u>	<u>\$ 6,183,255</u>	<u>\$ 34,124,212</u>	<u>\$ 100,243,572</u>

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

Kenai Peninsula Borough
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 June 30, 2015

Fund balances - total governmental funds		\$ 78,309,007
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		237,958,598
Long-term liabilities, including bonds payable and net pension liability that are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable	\$ (44,505,000)	
Unamortized bond premium	(3,220,564)	
Accrued interest	(837,018)	
Unamortized deferred losses	620,758	
Landfill closure	(5,298,029)	
Net pension liability - Change in Accounting Principal GASB 68	<u>(22,975,175)</u>	(76,215,028)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time:		
Deferred outflows for pensions	2,946,978	
Deferred inflows for pensions	<u>(2,654,415)</u>	292,563
Some of the Borough's receivables will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds.		
Property taxes receivable	1,127,859	
Land sales contracts receivable	860,716	
Accrued interest subsidy	<u>129,249</u>	2,117,824
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.		<u>8,125,109</u>
Net position of governmental activities		<u><u>\$ 250,588,073</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, 2015

	<u>General Fund</u>	<u>Bond Funded Capital Projects Fund</u>	<u>Nikiski Fire Service Area Special Revenue Fund</u>	<u>Road Service Area Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 32,667,268	\$ -	\$ 4,215,514	\$ 6,806,290	\$ 10,973,742	\$ 54,662,814
Sales tax	30,138,426	-	-	-	-	30,138,426
Intergovernmental:						
Federal	3,331,517	-	9,925	-	332,375	3,673,817
State	10,252,567	-	986,452	292,653	10,173,063	21,704,735
Investment earnings	944,763	42,941	62,934	65,625	251,147	1,367,410
Interest subsidy	-	-	-	-	313,969	313,969
Other revenues	1,429,712	-	300,976	7,466	5,306,591	7,044,745
Total revenues	<u>78,764,253</u>	<u>42,941</u>	<u>5,575,801</u>	<u>7,172,034</u>	<u>27,350,887</u>	<u>118,905,916</u>
Expenditures:						
General government	19,045,190	-	-	-	2,392,139	21,437,329
Solid waste	6,496,923	-	-	-	658,434	7,155,357
Public safety	741,247	-	4,983,501	-	15,107,198	20,831,946
Recreation	-	-	-	-	2,343,249	2,343,249
Education	44,692,184	6,030,667	-	-	3,188,806	53,911,657
Environmental protection	-	-	-	-	665,071	665,071
Roads and trails	-	-	-	6,300,093	3,770,778	10,070,871
Debt service:						
Principal	-	-	-	-	3,390,000	3,390,000
Interest and other	-	-	-	-	2,397,295	2,397,295
Total expenditures	<u>70,975,544</u>	<u>6,030,667</u>	<u>4,983,501</u>	<u>6,300,093</u>	<u>33,912,970</u>	<u>122,202,775</u>
Excess (deficiency) of revenues over expenditures	<u>7,788,709</u>	<u>(5,987,726)</u>	<u>592,300</u>	<u>871,941</u>	<u>(6,562,083)</u>	<u>(3,296,859)</u>
Other financing sources (uses):						
Refunding Bonds issued	-	-	-	-	1,425,000	1,425,000
Premium on bond issuance	-	-	-	-	245,693	245,693
Payment to refund bonds escrow agent	-	-	-	-	(1,648,963)	(1,648,963)
Transfers in	-	-	-	-	9,505,521	9,505,521
Transfers out	(7,452,073)	-	(819,632)	(400,000)	(833,816)	(9,505,521)
Net other financing sources (uses)	<u>(7,452,073)</u>	<u>-</u>	<u>(819,632)</u>	<u>(400,000)</u>	<u>8,693,435</u>	<u>21,730</u>
Net changes in fund balances	336,636	(5,987,726)	(227,332)	471,941	2,131,352	(3,275,129)
Fund balances at beginning of year	24,881,372	21,085,881	4,923,832	3,094,253	24,678,172	78,663,510
Prior period adjustment GASB 65	2,920,626	-	-	-	-	2,920,626
Restated fund balances at beginning of year	<u>27,801,998</u>	<u>21,085,881</u>	<u>4,923,832</u>	<u>3,094,253</u>	<u>24,678,172</u>	<u>81,584,136</u>
Fund balances at end of year	<u>\$ 28,138,634</u>	<u>\$ 15,098,155</u>	<u>\$ 4,696,500</u>	<u>\$ 3,566,194</u>	<u>\$ 26,809,524</u>	<u>\$ 78,309,007</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, 2015

Net change in fund balances - total governmental funds \$ (3,275,129)

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	\$ 3,262,122	
Retirement of nondepreciable capital assets	(42,869)	
Less current year depreciation	<u>(10,963,259)</u>	(7,744,006)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position. 128,496

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:

Payment to refunded bond escrow agent	1,648,963	
Bonds issued	(1,425,000)	
Principal payments	3,390,000	
Net decrease in bond premium	16,270	
Net increase in bond deferred loss	<u>(74,936)</u>	3,555,297

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	225,379	
Land sales	66,791	
Accrued interest subsidy	<u>(3,143)</u>	289,027

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	196,322	
Increase in landfill closure cost	<u>(97,200)</u>	99,122

Changes related to net pension liability and related accounts can increase or decrease net position. This is the net decrease in equity due to changes in net position liability and the related deferred inflows and outflows. (174,242)

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. (1,684,549)

Change in net position of governmental activities \$ (8,805,984)

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

Kenai Peninsula Borough
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 32,919,112	\$ 32,919,112	\$ 32,667,268	\$ (251,844)
Sales tax	30,560,501	30,560,501	30,138,426	(422,075)
Intergovernmental	8,123,754	12,198,113	13,584,084	1,385,971
Investment earnings	950,000	950,000	944,763	(5,237)
Other	1,250,000	1,250,000	1,429,712	179,712
Total revenues	<u>73,803,367</u>	<u>77,877,726</u>	<u>78,764,253</u>	<u>886,527</u>
Expenditures:				
General government:				
Assembly:				
Personnel	882,500	1,072,546	974,158	98,388
Supplies	78,493	76,457	42,924	33,533
Services	627,590	599,268	437,478	161,790
Capital outlay	18,375	24,555	20,251	4,304
Total assembly	<u>1,606,958</u>	<u>1,772,826</u>	<u>1,474,811</u>	<u>298,015</u>
Mayor:				
Personnel	1,039,664	1,495,884	1,421,829	74,055
Supplies	8,025	8,025	3,894	4,131
Services	128,649	113,810	81,682	32,128
Capital outlay	6,490	9,004	6,908	2,096
Total mayor	<u>1,182,828</u>	<u>1,626,723</u>	<u>1,514,313</u>	<u>112,410</u>
Human resources:				
Personnel	806,891	1,036,334	1,006,757	29,577
Supplies	29,059	27,775	22,069	5,706
Services	139,861	139,861	133,097	6,764
Capital outlay	7,435	8,719	7,359	1,360
Total human resources	<u>983,246</u>	<u>1,212,689</u>	<u>1,169,282</u>	<u>43,407</u>
Information technology:				
Personnel	1,500,000	1,937,952	1,881,745	56,207
Supplies	56,050	57,550	31,907	25,643
Services	340,547	310,047	297,303	12,744
Capital outlay	30,600	30,600	28,894	1,706
Total information technology	<u>1,927,197</u>	<u>2,336,149</u>	<u>2,239,849</u>	<u>96,300</u>
Legal:				
Personnel	758,058	965,151	912,304	52,847
Supplies	3,600	4,000	2,935	1,065
Services	143,406	143,406	86,399	57,007
Capital outlay	2,300	1,900	1,765	135
Total legal	<u>907,364</u>	<u>1,114,457</u>	<u>1,003,403</u>	<u>111,054</u>
Finance:				
Personnel	2,492,795	3,152,423	3,088,450	63,973
Supplies	16,800	18,300	17,592	708
Services	711,412	707,512	566,016	141,496
Capital outlay	24,100	24,500	11,225	13,275
Total finance	<u>3,245,107</u>	<u>3,902,735</u>	<u>3,683,283</u>	<u>219,452</u>
Assessing:				
Personnel	2,746,047	3,440,368	3,229,466	210,902
Supplies	12,850	15,740	9,306	6,434
Services	391,844	362,874	328,740	34,134
Capital outlay	42,400	42,400	11,710	30,690
Total assessing	<u>3,193,141</u>	<u>3,861,382</u>	<u>3,579,222</u>	<u>282,160</u>

(Continued)

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

Kenai Peninsula Borough
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - continued
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 2,038,054	\$ 2,554,773	\$ 2,343,668	\$ 211,105
Supplies	66,846	81,511	70,265	11,246
Services	418,661	455,845	321,770	134,075
Capital outlay	33,212	48,562	43,510	5,052
Total planning	<u>2,556,773</u>	<u>3,140,691</u>	<u>2,779,213</u>	<u>361,478</u>
Capital projects administration:				
Personnel	252,714	567,319	539,065	28,254
Supplies	10,426	10,426	6,411	4,015
Services	75,457	75,457	74,531	926
Capital outlay	11,430	11,430	8,062	3,368
Total capital projects administration	<u>350,027</u>	<u>664,632</u>	<u>628,069</u>	<u>36,563</u>
Non-departmental:				
Personnel	50,000	15,857	13,903	1,954
Supplies	-	18,509	18,247	262
Services	1,234,589	1,434,589	941,595	492,994
Total non-departmental	<u>1,284,589</u>	<u>1,468,955</u>	<u>973,745</u>	<u>495,210</u>
Total general government	<u>17,237,230</u>	<u>21,101,239</u>	<u>19,045,190</u>	<u>2,056,049</u>
Public safety:				
Personnel	442,205	546,932	532,061	14,871
Supplies	42,400	38,196	16,201	21,995
Services	249,067	238,152	186,611	51,541
Capital outlay	8,500	8,500	6,374	2,126
Total public safety	<u>742,172</u>	<u>831,780</u>	<u>741,247</u>	<u>90,533</u>
Solid waste:				
Personnel	2,024,303	2,494,181	2,456,437	37,744
Supplies	427,273	390,371	321,116	69,255
Services	3,720,061	3,884,802	3,691,198	193,604
Capital outlay	28,425	37,046	28,172	8,874
Total solid waste	<u>6,200,062</u>	<u>6,806,400</u>	<u>6,496,923</u>	<u>309,477</u>
Education:				
School District contributions	44,000,000	44,000,000	44,000,000	-
Post secondary education	697,159	697,159	692,184	4,975
Total education	<u>44,697,159</u>	<u>44,697,159</u>	<u>44,692,184</u>	<u>4,975</u>
Total expenditures	<u>68,876,623</u>	<u>73,436,578</u>	<u>70,975,544</u>	<u>2,461,034</u>
Excess of revenues over expenditures	4,926,744	4,441,148	7,788,709	3,347,561
Other financing sources (uses):				
Transfers out	<u>(7,532,313)</u>	<u>(7,461,744)</u>	<u>(7,452,073)</u>	<u>9,671</u>
Net changes in fund balance	(2,605,569)	(3,020,596)	336,636	3,357,232
Fund balance at beginning of year	24,881,372	24,881,372	24,881,372	-
Prior period adjustment GASB 65	2,920,626	2,920,626	2,920,626	-
Restated fund balance at beginning of year	<u>27,801,998</u>	<u>27,801,998</u>	<u>27,801,998</u>	<u>-</u>
Fund balance at end of year	<u>\$ 25,196,429</u>	<u>\$ 24,781,402</u>	<u>\$ 28,138,634</u>	<u>\$ 3,357,232</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 4,184,716	\$ 4,184,716	\$ 4,159,614	\$ (25,102)
Motor vehicle tax	54,827	54,827	55,900	1,073
Intergovernmental:				
Federal	-	9,925	9,925	-
State	-	912,277	986,452	74,175
Investment earnings	73,086	76,086	62,934	(13,152)
Other revenues	245,000	252,000	300,976	48,976
Total revenues	<u>4,557,629</u>	<u>5,489,831</u>	<u>5,575,801</u>	<u>85,970</u>
Expenditures:				
Personnel	3,171,857	4,084,134	4,074,891	9,243
Supplies	233,265	233,265	171,375	61,890
Services	663,668	663,782	539,811	123,971
Capital outlay	240,691	257,502	197,424	60,078
Total expenditures	<u>4,309,481</u>	<u>5,238,683</u>	<u>4,983,501</u>	<u>255,182</u>
Excess (deficiency) of revenues over expenditures	<u>248,148</u>	<u>251,148</u>	<u>592,300</u>	<u>341,152</u>
Other financing sources (uses):				
Transfers (out)	<u>(819,632)</u>	<u>(819,632)</u>	<u>(819,632)</u>	<u>-</u>
Net change in fund balance	(571,484)	(568,484)	(227,332)	341,152
Fund balance at beginning of year	<u>4,923,832</u>	<u>4,923,832</u>	<u>4,923,832</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,352,348</u>	<u>\$ 4,355,348</u>	<u>\$ 4,696,500</u>	<u>\$ 341,152</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,694,451	\$ 6,694,451	\$ 6,658,480	\$ (35,971)
Motor vehicle tax	143,821	143,821	147,810	3,989
Intergovernmental:				
State	-	292,653	292,653	-
Investment earnings	44,670	44,670	65,625	20,955
Other revenues	-	-	7,466	7,466
Total revenues	<u>6,882,942</u>	<u>7,175,595</u>	<u>7,172,034</u>	<u>(3,561)</u>
Expenditures:				
Personnel	1,061,418	1,374,071	1,308,432	65,639
Supplies	89,920	82,920	59,763	23,157
Services	5,241,514	5,323,293	4,892,380	430,913
Capital outlay	43,050	53,050	39,518	13,532
Total expenditures	<u>6,435,902</u>	<u>6,833,334</u>	<u>6,300,093</u>	<u>533,241</u>
Excess (deficiency) of revenues over expenditures	<u>447,040</u>	<u>342,261</u>	<u>871,941</u>	<u>529,680</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balance	47,040	(57,739)	471,941	529,680
Fund balance at beginning of year	<u>3,094,253</u>	<u>3,094,253</u>	<u>3,094,253</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,141,293</u></u>	<u><u>\$ 3,036,514</u></u>	<u><u>\$ 3,566,194</u></u>	<u><u>\$ 529,680</u></u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Net Position
June 30, 2015

	Governmental Activities Internal Service Funds
Assets	
Current assets:	
Cash and short-term investments	\$ 40,040
Equity in central treasury	12,985,648
	13,025,688
Prepays	29,150
Other receivables	177,396
Total current assets	13,232,234
Capital assets:	
Equipment	5,736,563
Less accumulated depreciation	(3,281,326)
Total capital assets (net of accumulated depreciation)	2,455,237
Total assets	\$ 15,687,471
Liabilities	
Current liabilities:	
Accounts and contracts payable	\$ 944,694
Accrued payroll and payroll benefits	23,725
Compensated absences	661,937
Claims payable	3,946,195
Total current liabilities	5,576,551
Noncurrent liabilities - Compensated absences	1,985,811
Total liabilities	7,562,362
Net Position	
Investment in capital assets	2,455,237
Unrestricted	5,669,872
Total net position	\$ 8,125,109

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, 2015

	Governmental Activities Internal Service Funds
Operating revenues:	
Charges for sales and services	\$ 13,065,999
Other operating revenues	<u>142,037</u>
Total operating revenues	<u>13,208,036</u>
Operating expenses:	
Administrative services	3,229,685
Insurance premiums	2,191,818
Self insured losses	8,571,025
Depreciation	<u>484,656</u>
Total operating expenses	<u>14,477,184</u>
Operating loss	<u>(1,269,148)</u>
Non-operating revenues (expense):	
Investment earnings	94,518
Other	<u>(509,919)</u>
Net non-operating revenues (expense)	<u>(415,401)</u>
Change in net position	(1,684,549)
Net position at beginning of year	<u>9,809,658</u>
Net position at end of year	<u>\$ 8,125,109</u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2015

	Governmental Activities Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 13,065,999
Payments to suppliers	(10,810,973)
Payments to employees	(2,882,170)
Other program revenue	142,037
Net cash used by operating activities	(485,107)
 Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,041,866)
Proceeds from sale of capital assets	1,098,778
Net cash provided by capital and related financing activities	56,912
 Cash flows from investing activities:	
Investment earnings	94,518
Net cash provided by investing activities	94,518
 Net decrease in cash and cash equivalents	(333,677)
 Cash and cash equivalents, beginning of year	13,359,365
 Cash and cash equivalents, end of year	\$ 13,025,688
 Reconciliation of cash and cash equivalents to Statement of Net Position:	
Cash and short-term investments	40,040
Equity in central treasury	12,985,648
Cash and cash equivalents, end of year	\$ 13,025,688
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
 Operating income (loss)	\$ (1,269,148)
 Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	484,656
Change in assets and liabilities:	
Increase (decrease) in accounts and contracts payable	48,418
Increase (decrease) in accrued payroll and payroll benefits	5,785
Increase (decrease) in claims payable	301,100
Increase (decrease) in compensated absences	118,037
(Increase) decrease in prepaid expenses	(29,150)
(Increase) decrease in other receivables	(144,805)
Total adjustments	784,041
Net cash provided (used) by operating activities	\$ (485,107)

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

Kenai Peninsula Borough
 Fiduciary Funds
 Statement of Fiduciary Fund Assets & Liabilities
 June 30, 2015

	Agency Funds
<u>Assets</u>	
Equity in central treasury	\$ 1,050,746
Taxes receivable	119,546
Due from landowners	1,363,602
 Total assets	 \$2,533,894
 <u>Liabilities</u>	
Accounts payable	14,850
Deferred administration fee	95,191
Due to landowners	368,403
Loans payable	1,573,485
Due to other entities:	
City of Homer	182,351
City of Kachemak City	320
City of Kenai	206,342
City of Seldovia	9,057
City of Seward	21,433
City of Soldotna	62,462
 Total liabilities	 \$2,533,894

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

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INDEX TO NOTES

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

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Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2015

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

South Peninsula Hospital and Central Peninsula Hospital are each governed by independently elected boards; however, they are also fiscally dependent on the primary government because the Assembly approves the service area budget, approves the tax levy to support the budget and must approve any debt issuance. Separate financial statements can be obtained at South Peninsula Hospital, 4300 Bartlett, Homer, Alaska, 99603 and at Central Peninsula Hospital, 250 Hospital Place, Soldotna, Alaska, 99669.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The Borough reports the following major governmental funds:

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

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

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

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

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

Additionally, the Borough reports the following fund types:

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

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

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

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

D. Assets, Liabilities, and Net Position

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Special Revenue Funds of Central Emergency Services, Nikiski Fire, Anchor Point Fire and Emergency Medical Service Area and Kachemak Emergency Service Area and the discretely presented Component Units; School District, SPH and CPH; have cash which is not aggregated in the central treasury. At June 30, 2015, investments for the government, as well as for its component units, are reported at fair value.

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

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

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

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 3.00% 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, 2015 are recorded as prepaid items. Prepaid are recognized when incurred and the expenditure is recorded in the period that is benefited using the consumption method.

5. Capital Assets

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

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

6. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. The obligation of accumulated unpaid personal leave amounts to \$2,647,748 at June 30, 2015. Of the total accumulated unpaid vacation at June 30, 2015, \$661,937 is expected to be paid out within one year; this is an increase of \$29,509 from June 30, 2014. 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 \$562,756 at June 30, 2015, a decrease of \$164,509 from June 30, 2014.

7. Long-term Obligations

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

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

8. Fund Balances

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

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

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

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

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

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

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

9. Encumbrances

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

Significant encumbrances exceeding \$100,000 as of June 30, 2015 were:

Description/Program	Major Funds			Nonmajor
	General Fund	Bond Funded Capital Project Fund	Road Service Area Fund	Other Gov’t Funds
Audit services	\$ 37,662	\$ -	\$ -	\$ 131,326
School roof projects	-	3,378,199	-	-
School facility improvements	-	-	-	293,375
Roads construction and upgrades	-	-	3,981	618,520
Firefighting equipment and facilities	-	-	-	216,051
Total	\$ <u>37,662</u>	\$ <u>3,378,199</u>	\$ <u>3,981</u>	\$ <u>1,259,272</u>

10. Pensions

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

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except certain special revenue funds which are grant and project funded and capital project funds, which adopt project-length budgets. Special revenue funds that are not budgeted for are the Environmental Protection Program Fund, Disaster Relief Fund, 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 adoption of budgets for enterprise funds and internal service funds, and budgetary comparisons are not included for these funds because the measurement focus is based upon determination of net income and financial position.

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

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

III – Detailed Notes on all Funds

A. Deposit and Investment Risk Disclosure

As of June 30, 2015, the Borough's investments were as follows:

Investment Type	Fair Value*	Fixed Income Investment Maturities (in years)		
		Less than 1	1-3	3-5
Central Treasury – Unrestricted				
Cash & Money Market Funds	\$ 4,940,995	\$ 4,940,995	-	-
Repurchase Agreements	22,376,134	22,376,134	-	-
U.S. Treasuries	23,842,123	-	10,969,453	12,872,670
U.S. Agencies	25,119,965	9,174,177	8,510,317	7,435,471
Asset-Backed Securities**	11,042,161	-	6,773,081	4,269,080
Municipal Securities	14,167,550	2,339,061	6,182,597	5,645,892
Corporate Fixed Income Securities	37,294,596	1,527,297	28,726,492	7,040,807
	\$ 138,783,524	\$ 40,357,664	\$ 61,161,940	\$ 37,263,920
Central Treasury – Restricted				
Cash & Money Market Funds	25,010,369	25,010,369	-	-
Repurchase Agreements	1,123,000	1,123,000	-	-
U.S. Agencies	15,932,627	15,932,627	-	-
	\$ 42,065,996	\$ 42,065,996	-	-
Total Cash and Investments	\$ 180,849,520	\$ 82,423,660	\$ 61,161,940	\$ 37,263,920

*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 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%	46%
One to Three Years	30%	33%
Three to Five Years	30%	21%

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The Borough invests in securities issued by U.S. Government Agencies and highly rated corporate issuers that may contain call options. As of June 30, 2015, about \$10 million or 6.5% of the portfolio securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

<u>Investment</u>	<u>Type of Call</u>	<u>Next Call Date</u>
US Bank N.A.	One-time call	December 30, 2016
US Bank N.A.	One-time call	August 11, 2017
Exxon Mobil Corporation	One-time call	February 15, 2019
Exxon Mobil Corporation	One-time call	February 6, 2020
Microsoft Corporation	One-time call	January 12, 2020
University of California	Annual call	January 01, 2017

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

<u>Investment Type</u>	<u>Maximum Allowable % per Investment Policy</u>	<u>Maximum Maturity per Investment Policy</u>	<u>Actual % as of June 30, 2015</u>
U.S. Treasury Securities	100%	5 years	13.2%
U.S. Agencies	100%	5 years	28.8%
Corporate bonds	50%	5 years	20.6%
Municipal bonds	25%	5 years	7.9%
Repurchase agreements	20%	n/a	13.0%
Money market funds	20%	n/a	3.0%
AMLIP	20%	n/a	13.5%
Bankers Acceptances	10%	3 years	0%
Commercial Paper	25%	270 days	0%
<u>Term Repurchase Agreements and Certificates of Deposit:</u>			
7-day term or shorter	25%	n/a	0%
Greater than 7-day term	25%	3 years	0%

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

rated "A" or P1 or higher by Moody's Investor's Service, Inc. and "A" or A1 or higher by Standard and Poor's Corporation at the time of purchase. Municipal bonds issued by states or political subdivisions must be rated "A" or P1 or higher by Moody's Investor's Services, Inc. and "A" or A1 or higher by Standard and Poor's Corporation.

As of June 30, 2015 the Borough's investments in corporate bonds, municipal bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

Moody's		S & P	
Aaa	63%	AAA	21%
Aa	18%	AA	62%
A	3%	A	1%
Not rated*	16%	Not Rated*	16%
	<u>100%</u>		<u>100%</u>

*Collateralized

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. To limit custodial credit risk, it is the Borough's policy to collateralize all monies deposited in excess of FDIC limit. All pledged collateral for the Kenai Peninsula Borough must be held in a collateral custodian account of the Kenai Peninsula Borough under a formal tri-party agreement. Of the Borough's \$23.5 million in repurchase agreements at June 30, 2015, \$22.6 million of underlying securities are pledged to the Borough by the Bank. This collateral is owned by the Bank and held by the third party custodian. The remaining balance of \$.9 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, 2015, 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	\$ (1,209,353)	\$ 904,448
Discretely Presented Component unit (School District)	<u>(1,546,096)</u>	<u>-</u>
Total cash and short term investments held in central treasury	<u>(2,755,449)</u>	<u>904,448</u>
Other cash and investments:		
Checking and savings accounts:		
Primary Government	99,858	148,616
Cash on hand:		
Primary Government	<u>2,010</u>	<u>-</u>
Total other cash and short term investments	<u>101,868</u>	<u>148,616</u>
Total cash and short term investments	\$ <u>(2,653,581)</u>	\$ <u>1,053,064</u>

The following is a summary of equity in central treasury and investments at June 30, 2015:

General Fund	\$ 12,971,308
Special revenue funds	29,112,537
Capital projects funds	13,945,677
Capital project funds – Restricted	16,389,117
Internal service funds	<u>12,985,648</u>
Total Primary Government equity in central treasury	\$ <u>85,404,287</u>
Fiduciary funds	\$ 1,050,746

<u>Discretely Presented Component Units</u>	
School District agency funds	\$ 2,638,739
School District	37,027,875
Central Peninsula Hospital	5,732,944
Central Peninsula Hospital – Restricted assets	23,037,522
Central Peninsula Hospital – Assets whose use is limited	18,838,950
South Peninsula Hospital	4,173,485
South Peninsula Hospital – Assets whose use is limited	<u>189,523</u>
 Total equity in central treasury	 \$ <u>178,094,071</u>

The equity in central treasury consists of the following:

Cash and short term investments	\$ (2,755,449)
Investments	<u>180,849,520</u>
	\$ <u>178,094,071</u>

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

Fair value at June 30, 2015	\$ 180,849,520
Add: cost of investments sold/called/matured in FY2015	70,054,677
Less: cost of investments purchased in FY2015	(54,928,745)
Less: fair value at June 30, 2014	<u>(195,857,233)</u>
Change in fair value of investments	\$ <u>118,219</u>

B. Property Taxes

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

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

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

Property Tax Calendar

Assessment date	January 1, 2014	Total taxes are due	October 15, 2014
Levy date	Not later than June 15, 2014	Penalties & interest added	October 17, 2014
Tax bills mailed	Not later than July 1, 2014	Lien date	April 15, 2015

Property taxes levied for the current year are recognized as revenues, even though a portion is collected in the period subsequent to the yearend. The Borough's property tax collection records show that approximately 96.61% of the property taxes due were collected within 60 days after the due date. Assessed values are established by the Kenai Peninsula Borough assessor's office. Borough code requires a revaluation of all property be completed no less than every 5 years. The current average is approximately every 7 years.

C. Receivables

Receivables at June 30, 2015 for the government's individual major funds and proprietary funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Major funds</u>			<u>Nonmajor</u>			<u>Total</u>
	<u>General</u>	<u>Nikiski Fire Service Area</u>	<u>Road Service Area</u>	<u>Other Gov't Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	
Taxes	\$ 6,822,591	\$ 54,516	\$ 168,223	\$ 221,952	\$ -	\$ 119,546	\$ 7,386,828
Accounts and other receivables	194,019	58,707	-	218,153	177,396	1,363,602	2,011,877
Notes receivable	12,428,896	-	-	-	-	-	12,428,896
Land sale contracts	-	-	-	860,716	-	-	860,716
Special assessment districts	1,475,379	-	-	-	-	-	1,475,379
Intergovernmental	<u>1,060,160</u>	<u>139,130</u>	<u>30,480</u>	<u>3,014,823</u>	<u>-</u>	<u>-</u>	<u>4,244,593</u>
Total receivables	21,981,045	251,827	198,703	4,316,170	177,396	1,483,148	28,408,289
Less allowance for uncollectibles	<u>(27,971)</u>	<u>(584)</u>	<u>(2,113)</u>	<u>(3,595)</u>	<u>-</u>	<u>-</u>	<u>(34,263)</u>
	<u>\$ 21,953,074</u>	<u>\$ 251,769</u>	<u>\$ 196,590</u>	<u>\$ 4,312,049</u>	<u>\$ 177,396</u>	<u>\$ 1,483,148</u>	<u>\$ 28,374,026</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, 2015, the principal balance due is \$12,359,388 with accrued interest of \$120,507. The principal amount due within one year is \$1,025,890. Interest only payments were due April 1, 2014 and 2015, with 10 subsequent annual principal and interest payments due on April 1, 2016-2025.

Hospital Note Receivable

In FY2011, The Kenai Peninsula Borough loaned South Peninsula Hospital \$313,831 to help finance a magnetic resonance imaging machine (MRI). Of the \$69,508 outstanding at June 30, 2015; \$69,508 is due within one year.

D. Deferred Inflows, Outflows and Unearned Revenues

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds report acquisition of net position by the governmental funds that are applicable to a future reporting period as deferred inflows of resources and consumption of net position that are applicable to future periods as deferred outflows. At June 30, 2015, the various components of unearned revenue, deferred inflows, and deferred outflows of resources reported in the governmental funds were as follows:

	Government-Wide			Fund Level	
	Deferred Outflows	Deferred Inflows	Unearned	Deferred Inflows	Unearned
Unamortized deferred loss Pension related	\$ 620,758	\$ -	\$ -	\$ -	\$ -
Property taxes receivable (General Fund)	2,946,978	2,654,415	-	719,331	-
Prepaid property tax (General Fund)	-	-	-	5,578,987	-
Property taxes receivable (Nikiski Fire Service Area)	-	5,578,987	-	49,987	-
Prepaid property tax (Nikiski Fire Service Area)	-	-	-	2,560,583	-
Property taxes receivable (Road Service Area)	-	2,560,583	-	150,662	-
Prepaid property tax (Road Service Area)	-	-	-	1,633,104	-
Property taxes receivable (nonmajor gov't funds)	-	1,633,104	-	207,879	-
Prepaid property tax (nonmajor gov't funds)	-	-	-	1,678,020	-
Miscellaneous prepaid (General Fund)	-	1,678,020	-	-	3,230
Land sale receivables (nonmajor governmental funds)	-	-	3,230	-	-
Grant funds received prior to meeting all eligibility requirements (Nikiski Fire Service Area)	-	-	9,305	-	9,305
Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds)	-	-	1,270,322	-	1,270,322
	<u>\$ 3,567,736</u>	<u>\$ 14,105,109</u>	<u>\$ 1,282,857</u>	<u>\$13,439,269</u>	<u>\$ 1,282,857</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities:	Balance July 1, 2014	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 70,469,439	\$ 128,497	\$ (58,249)	\$ 70,539,687
Construction in progress	20,418,709	2,084,046	(9,196,725)	13,306,030
Total capital assets, not being depreciated	<u>90,888,148</u>	<u>2,212,543</u>	<u>(9,254,974)</u>	<u>83,845,717</u>
Capital assets, being depreciated:				
Buildings	297,206,590	-	(99,752)	297,106,838
Improvements other than buildings	77,968,281	9,196,725	-	87,165,006
Machinery and equipment	35,779,830	1,873,753	(1,718,182)	35,935,401
Infrastructure	15,428,165	445,940	-	15,874,105
Total capital assets being depreciated	<u>426,382,866</u>	<u>11,516,418</u>	<u>(1,817,934)</u>	<u>436,081,350</u>

<u>Capital Assets, continued:</u>	<u>Balance July 1, 2014</u>	<u>Additions/ Transfers</u>	<u>Deductions/ Transfers</u>	<u>Balance June 30, 2015</u>
Less accumulated depreciation for:				
Buildings	(188,913,807)	(5,704,521)	-	(194,618,328)
Improvements other than buildings	(55,647,416)	(2,431,084)	-	(58,078,500)
Machinery and equipment	(21,737,127)	(2,863,645)	868,643	(23,732,129)
Infrastructure	(2,635,610)	(448,665)	-	(3,084,275)
Total accumulated depreciation	<u>(268,933,960)</u>	<u>(11,447,915)</u>	<u>868,643</u>	<u>(279,513,232)</u>
Total capital assets, being depreciated, net	<u>157,448,906</u>	<u>68,503</u>	<u>(949,291)</u>	<u>156,568,118</u>
Governmental activities capital assets, net	<u>\$ 248,337,054</u>	<u>\$ 2,281,046</u>	<u>\$ (10,204,265)</u>	<u>\$ 240,413,835</u>

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	\$ 359,247
Solid waste facilities	1,329,508
Public safety	2,610,208
Recreation	303,879
Schools	5,901,351
Road maintenance, including infrastructure assets	459,066
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>484,656</u>
Total depreciation expense - governmental activities	\$ <u>11,447,915</u>

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2015. 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	\$ 1,144,082	Federal and state grants and local funding
Recreation facilities	638,332	Federal and state grants and local funding
Solid waste facilities	78,458	Federal and state grants and local funding
Fire and Emergency facilities	55,285	Federal and state grants and local funding
Improvement to school facilities	<u>3,662,250</u>	State grants, general obligation bonds and local funding
Total	\$ <u>5,578,407</u>	

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

The General Fund has made a short-term loan of \$980,204 to the Disaster Relief Fund and \$31 to the Central Peninsula Emergency Medical Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies and taxes receivable. In 2014, the Borough Assembly approved an interfund loan from the

General Fund to the Kachemak Emergency Service Area in an amount not to exceed \$275,000 to supplement local and grant funding totaling \$300,000 for the purchase of an aerial quint fire apparatus. As of June 30, 2015, the amount loaned was \$57,632. The General Fund has made loans in the amount of \$1,475,379 to the Special Assessment Districts for utility/road improvements. Property owners of the utility/road improvement districts then repay the amount that is borrowed over a 10 year period.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major fund - General Fund	\$ 1,037,867	\$ -
Nonmajor governmental funds	-	<u>1,037,867</u>
Total	<u>\$ 1,037,867</u>	<u>\$ 1,037,867</u>

Interfund transfers

Interfund transfers have been made in accordance with appropriating ordinances. The Borough collects a 3% sales tax and records the revenue in the General Fund. Sales tax, specifically dedicated to School District operations, and additional funds appropriated by the Assembly are transferred in monthly installments from the General Fund to the School District. Transfers to the School District totaled \$44,000,000.

Transfers between funds for the year ended June 30, 2015, were as follows:

Transfers Out:	<u>Transfers In</u>	
	<u>Nonmajor Other Gov't Funds</u>	<u>Total</u>
General Fund	\$ 7,452,073	\$ 7,452,073
Nikiski Fire Service Area Special Revenue Fund	819,632	819,632
Road Service Area Special Revenue Fund	400,000	400,000
Nonmajor governmental funds	<u>833,816</u>	<u>833,816</u>
Total	<u>\$ 9,505,521</u>	<u>\$ 9,505,521</u>

Significant transfers were as follows:

- The General Fund transferred \$1,055,600 to the Solid Waste Debt Service Fund to fund FY2015 debt service on bonds sold to finance construction, capital improvements and equipment at Borough landfill sites.
- The General Fund transferred \$4,150,527 to the School Debt Service Fund to fund FY2015 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$2,901,870 was reimbursed by the State of Alaska.
- The General Fund transferred \$1,250,000 to the School Revenue Capital Projects Fund to fund capital maintenance on school facilities, \$250,000 to the General Government Capital Projects Fund to fund general government capital projects and \$392,106 to the Solid Waste Capital Projects Fund to fund capital maintenance projects on solid waste facilities.
- The General Fund transferred \$276,351 to the 911 Communications Special Revenue Fund to support expenditures of the program.
- The General Fund transferred \$77,489 to nonmajor governmental funds to support expenditures of the programs.

G. Risk Management

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

The greatest exposure to financial loss confronting the Kenai Peninsula Borough and School District would be in the areas of property loss, auto liability and general liability due to the number of properties and the fleet of vehicles owned and operated by the Borough and School District. The Borough also purchases aviation non-owned liability coverage which attaches excess of any other valid and collectible insurance. The Borough is self-insured for pollution liability for incidents arising from Borough owned landfills.

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

	<u>Self-Insured Retention/ Deductible</u>	<u>Upper Coverage Limits of Excess Insurance</u>
Auto and general liability	\$ 250,000	\$ 30,000,000
Employers liability	250,000	2,500,000
Workers' compensation	250,000	Statutory benefits
Property:		
Buildings	100,000	1,000,000,000
Fire & EMS apparatus	-0-	Cash value
Other vehicles	20,000	Cash value
Crime coverage	1,000	500,000

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

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

	<u>2015</u>	<u>2014</u>
Beginning of fiscal year liability	\$ 2,933,760	\$ 2,135,288
Current year claims incurred and changes in estimates for claims incurred in prior years	1,756,180	1,947,624
Claims and expenses paid	<u>(1,755,080)</u>	<u>(1,149,152)</u>
End of fiscal year liability	\$ <u>2,934,860</u>	\$ <u>2,933,760</u>

Included above is a liability for incurred but not reported (IBNR) claims of \$525,678. 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 \$7,369,824 and \$5,509,543 for the years ended June 30, 2015 and 2014 respectively, and consisted of paid claims, stop-loss premiums and administrative fees. Accruals were made based on estimates of health claims at year-end, including claims incurred but not reported. Such accruals are accounted for in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the health care claims liability for the two years ended June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Health insurance claims liabilities, beginning of year	\$ 711,335	\$ 702,000
Current year claims incurred and changes in estimates for claims incurred in prior years	6,814,845	5,036,158
Claims and expenses paid	<u>(6,514,845)</u>	<u>(5,026,823)</u>
Health insurance claims liabilities, end of year	<u>\$ 1,011,335</u>	<u>\$ 711,335</u>

H. Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2015 is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Due within one year</u>
Governmental activities:					
Areawide school bonds	\$ 44,040,000	\$ -	\$ 2,220,000	\$ 41,820,000	\$ 2,480,000
Solid waste bonds	1,015,000	-	1,015,000	-	-
Central Emergency					
Services bonds	1,760,000	1,425,000	1,640,000	1,545,000	120,000
Bear Creek Fire bonds	1,180,000	-	40,000	1,140,000	45,000
Compensated absences	2,529,711	2,263,277	2,145,240	2,647,748	661,937
Landfill closure / postclosure	<u>5,200,828</u>	<u>341,306</u>	<u>244,106</u>	<u>5,298,028</u>	<u>560,928</u>
Total governmental activities long-term liabilities	<u>\$ 55,725,539</u>	<u>\$4,029,583</u>	<u>\$ 7,304,346</u>	<u>52,450,776</u>	<u>\$ 3,867,865</u>

Unamortized premium on bonds:

School bonds 2011 refunding	846,353
School bonds 2014	1,965,232
CES bonds 2015 refunding	234,525
Bear Creek Fire bonds 2013 project	<u>174,454</u>
	<u>\$ 55,671,341</u>

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

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

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

In January 2007, the Borough issued 10 year school bonds for capital improvements at various schools in the amount of \$2,515,000.

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.

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 of \$1,425,000. These bonds were used to retire \$1,525,000 in outstanding debt. The refunding bonds were issued at a premium of \$245,693 and after paying issuance costs of \$21,730, the deferred loss on the refunding was \$123,963 and will be amortized over the remaining life of the bonds using the straight-line method. The net proceeds from the issuance were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The advance refunding met the requirements of an in-substance defeasance of portions of the old bonds and \$1,525,000 was removed from the Borough's government-wide financial statements.

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.

A summary of bonds payable (in thousands) at June 30, 2015, is as follows:

	<u>Date of Issue</u>	<u>Issued</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Annual Installments</u>	<u>Outstanding June 30, 2015</u>
<u>General Government:</u>						
School bonds:	01-31-07	\$ 2,515	4.00 – 5.50	2008 – 2017	\$215 to 305	\$ 595
	12-09-10	16,865	1.42 – 6.26	2011 - 2030	715 to 1,110	14,250
	08-07-03	14,700	4.25 – 5.00	2003 - 2023	165 to 930	6,625
	11-14-13	<u>20,860</u>	1.50 – 5.00	2014 - 2033	1,624 to 1,630	<u>20,350</u>
Total school bonds		<u>54,940</u>				<u>41,820</u>
Central Emergency Services bonds	06-21-06	2,500	4.00 - 6.00	2006 - 2026	85 to 185	1,545
Bear Creek Fire bonds	03-12-13	<u>1,215</u>	2.00 - 5.00	2014 - 2033	35 to 90	<u>1,140</u>
Total Governmental Activities		\$ <u>58,655</u>				\$ <u>44,505</u>

Debt service requirements, (not including landfill closure/postclosure and compensated absences), at June 30, 2015 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Interest (Net of interest subsidy)</u>
2016	\$ 2,645,000	\$ 2,082,481	\$ (305,779)	\$ 1,776,702
2017	2,710,000	1,986,526	(296,129)	1,690,397
2018	2,475,000	1,887,445	(284,799)	1,602,646
2019	2,565,000	1,778,075	(271,692)	1,506,383
2020	2,645,000	1,673,745	(257,288)	1,416,457
2021-2025	12,680,000	6,502,735	(1,033,576)	5,469,159
2026-2030	11,510,000	3,452,026	(479,535)	2,972,491
2031-2034	<u>7,275,000</u>	<u>659,756</u>	<u>(14,484)</u>	<u>645,272</u>
Total	\$ <u>44,505,000</u>	\$ <u>20,022,789</u>	\$ <u>(2,943,282)</u>	\$ <u>17,079,507</u>

I. Conduit Debt Obligations

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

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

<u>Fiscal Year:</u>	<u>Principal</u>
2016	\$ 586,680
2017	618,040
2018	651,160
2019	<u>334,575</u>
	\$ <u>2,190,455</u>

J. Commitments and Contingencies

1. Loss Contingencies

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

2. Grants

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

K. Pension Plans

General Information About the Defined Benefit (DB) Pension Plan

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

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

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

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

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board.

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that the Plan is *not* in a special funding situation.

Management of the Borough strongly disagrees with the State's position and believes that AS 39.35.255 constitutes a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter.

The borough records the on-behalf contributions as revenue and expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the government-wide financial statements.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary.)

Employer and Other Contribution Rates

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

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

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. 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 will result in lower ARM Board Rates in future years.

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. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see other Post-Employment benefits part of note K)	9.46%	18.94%	- %	55.07%
Total Contribution Rates	22.00%	44.03%	42.41%	88.12%

In 2015, the Borough was credited with the following contributions into the pension plan.

	Measurement Period Borough FY2014	Borough FY2015
Employer contributions (including DBUL)	\$ 1,887,678	\$ 2,115,023
Nonemployer contributions (on-behalf)	1,640,635	9,532,675
Total Contributions	\$ 3,528,313	\$ 11,647,698

In addition, employee contributions to the plan totaled \$856,312 during the Borough fiscal year.

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

At June 30, 2015, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2015
Borough proportionate share of NPL	\$ 22,975,175
State's proportionate share of NPL associated with the Borough	<u>19,950,761</u>
Total Net Pension Liability	<u>\$ 42,925,936</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the Borough's proportion was 0.492592050 percent, which was an increase of 0.028029120 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Borough recognized pension expense of \$2,288,204 and on-behalf revenue of \$1,640,635 for support provided by the State. At June 30, 2015, 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	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,654,415)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	831,955	-
Borough contributions subsequent to the measurement date	<u>2,115,023</u>	-
Total Deferred Outflows and Deferred Inflows	<u>\$ 2,946,978</u>	<u>\$ (2,654,415)</u>

The \$2,115,023 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year:</u>	<u>Principal</u>
2016	\$ 23,638
2017	471,614
2018	663,604
2019	<u>663,604</u>
	<u>\$ 1,822,460</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation	3.12%
Salary Increases	Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others.
Investment Return / Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination.

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

<i>Asset Class</i>	Long-Term Expected Real Rate of Return
Domestic equity	6.77%
International equity	7.50%
Private equity	10.86%
Fixed income	2.05%
Real estate	3.63%
Absolute return	4.80%

Discount Rate

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

Discount Rate Sensitivity

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System net pension liability	100.0%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
Borough's proportionate share of the net pension liability	0.49259205%	\$ 30,124,871	\$ 22,975,175	\$ 16,954,469

Pension Plan Fiduciary Net Position

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

Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

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

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2015, 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, 2015 were \$432,593 and \$692,063, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

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

Employer Contribution Rate

The Borough is required to contribute 9.46% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were \$1,259,070 and \$1,292,917, respectively.

Fiscal Year	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2015	\$1,592,414	\$1,592,414	100 %
2014	\$1,840,714	\$1,840,714	100 %
2013	\$2,036,352	\$2,036,352	100 %

Defined Contribution OPEB

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

	PERS Tier IV	
	<u>Others</u>	<u>Police/Fire</u>
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	.22%	1.06%
Total Contribution Rates	<u>1.88%</u>	<u>2.72%</u>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of **all employees of all employers** in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the Borough contributed \$437,660 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

L. Landfill Closure and Postclosure Care Cost

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

State and Federal laws and regulations require the Borough to comply with the State of Alaska Solid Waste Management Regulations (18AAC 60). These regulations include placement of a final cover system on its landfills when they stop accepting waste. Additionally, the Borough must perform post closure care and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with landfill cells having remaining useful lives from 1 year to 20 years. The largest site has an active lined cell with a remaining expected life of two to four years. This site has land enough for a minimum of three additional cells, which will be developed as needed and will extend the landfill life by approximately 25 years. There are also three sites which are closed, that are being monitored as required by regulation. As of June 30, 2015 the Borough has a recorded liability of \$5,298,028 in the government-wide financial statements for closure and postclosure cost associated with its landfills. This amount has been reported as restricted fund balance in the Solid Waste Capital Projects Fund and is based on what it would cost to perform all closure and postclosure care in 2015; actual cost may vary from this estimate due to inflation, changes in technology, or changes in regulations. It is estimated the Borough will recognize another \$10.5 million in expense and liability between June 30, 2015 and the year 2034, the date the landfills are expected to reach capacity.

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

M. Prior Period Adjustment

A prior period adjustment was made to record payment in lieu of taxes received from the U.S. Department of the Interior in the amount of \$2,920,626. These funds should have been recorded as revenues in the prior fiscal year, therefore, restating net position at June 30, 2014 from \$278,981,801 to \$281,902,427.

<u>Fund level:</u>	<u>Opening net position(fund balance), as originally presented</u>	<u>Prior period adjustment (Note M)</u>	<u>Opening net position, restatement after prior period adjustment</u>
General Fund	24,881,372	2,920,626	27,801,998

N. Change in Accounting Principle

As discussed in Note K to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position (fund balance) as follows:

	Opening net position(fund balance), as originally presented	Prior period adjustment (Note M)	Opening net position, restatement after prior period adjustment	Change in accounting principle adjustment (Note N)	Opening net position, as restated after change in accounting principal and prior period adjustment
Governmental Activities	\$278,981,801	\$2,920,626	\$281,902,427	\$(22,508,370)	\$259,394,057

O. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined.

GASB 72 – Fair Value Measurement and Application – Effective for year-end June 30, 2016 – The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – Effective for year-end June 30, 2016 – The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – Effective for year-end June 30, 2017 – The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions– Effective for year-end June 30, 2018 – The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – Effective for year-end June 30, 2016 – The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB 77 – Tax Abatement Disclosures – Effective for year-end June 30, 2017 – The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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REQUIRED SUPPLEMENTARY INFORMATION

Kenai Peninsula Borough
Schedule of the Borough's Information on the Net Pension Liability
Public Employees Retirement System
For the Year Ended June 30, 2015

Borough's proportion of the net pension liability (asset)		0.49259205%
Borough's proportionate share of the net pension liability (asset)	\$	22,975,175
State of Alaska proportionate share of the net pension liability (asset)		<u>19,950,761</u>
Total net pension liability	\$	<u><u>42,925,936</u></u>
Borough's covered-employee payroll	\$	12,270,856
Borough's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll		187.23%
Plan fiduciary net position as a percentage of the total pension liability		62.37%

See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough
 Schedule of Borough Contributions
 Public Employees Retirement System
 For the Year Ended June 30, 2015

Contractually required contribution	\$	2,101,441
Contributions in relation to the contractually required contribution		2,101,441
Contribution deficiency (excess)	\$	-
		<u><u> </u></u>
Borough's covered-employee payroll	\$	12,061,924
Contributions as a percentage of covered-employee payroll		17.42%

See accompanying notes to Required Supplementary Information

Kenai Peninsula Borough
Notes to Required Supplementary Information
June 30, 2015

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

This table is presented based on the Plan measurement date. For June 30, 2015, the Plan measurement date is June 30, 2014.

Schedule of Borough Contributions – Public Employees Retirement System

This table is based on the Borough's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

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

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

There were no changes in assumptions from the prior measurement period.

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NON-MAJOR GOVERNMENTAL FUNDS

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and short-term investments	\$ 37,829	\$ -	\$ 37,829
Equity in central treasury	15,828,613	13,945,677	29,774,290
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	218,357	-	218,357
Accounts receivable	168,104	50,049	218,153
Land sale contracts receivable:			
Current	90,481	-	90,481
Delinquent	38,537	-	38,537
Due from other governments	1,504,099	1,510,724	3,014,823
Prepays	44	-	44
Land sale contracts receivable - long-term	731,698	-	731,698
Total assets	\$ 18,617,762	\$ 15,506,450	\$ 34,124,212
 <u>Liabilities, Deferred Inflows and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	682,534	1,049,656	1,732,190
Accrued payroll and payroll benefits	491,245	36,449	527,694
Due to General Fund	980,235	57,632	1,037,867
Unearned grant revenue	18,766	1,251,556	1,270,322
Total liabilities	2,172,780	2,395,293	4,568,073
Deferred Inflows of Resources:			
Prepaid property taxes	1,678,020	-	1,678,020
Property tax receivable - unavailable	207,879	-	207,879
Land sales - unavailable	860,716	-	860,716
Total deferred inflows of resources	2,746,615	-	2,746,615
Fund Balances:			
Nonspendable:			
Prepays	44	-	44
Restricted:			
Landfill closure/postclosure costs	-	5,298,028	5,298,028
Hazard tree removal program	251,498	-	251,498
General government	653,767	-	653,767
Public safety	3,997,807	-	3,997,807
Recreation	1,786,813	-	1,786,813
Committed:			
Outstanding committed contracts	52,629	3,038,495	3,091,124
Software upgrades	-	143,400	143,400
Building maintenance and upgrades	-	1,870,415	1,870,415
Public safety facilities and equipment	2,480	1,515,084	1,517,564
School maintenance and upgrades	-	631,430	631,430
Solid waste facilities	-	479,274	479,274
Road construction and upgrades	-	135,031	135,031
Assigned:			
Subsequent year's expenditures	98,663	-	98,663
General government	7,026,110	-	7,026,110
Unassigned - (deficit)	(171,444)	-	(171,444)
Total fund balances	13,698,367	13,111,157	26,809,524
Total liabilities, deferred inflows and fund balances	\$ 18,617,762	\$ 15,506,450	\$ 34,124,212

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2015

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
General property taxes	\$ 10,736,299	\$ -	\$ -	\$ 10,736,299
Motor vehicle tax	237,443	-	-	237,443
Intergovernmental:				
Federal	332,375	-	-	332,375
State	4,470,482	5,702,581	-	10,173,063
Investment earnings	165,462	85,685	-	251,147
Interest subsidy	-	-	313,969	313,969
Other revenues	4,370,420	932,659	3,512	5,306,591
Total revenues	<u>20,312,481</u>	<u>6,720,925</u>	<u>317,481</u>	<u>27,350,887</u>
Expenditures:				
General government	2,240,503	151,636	-	2,392,139
Solid waste	-	658,434	-	658,434
Public safety	13,638,414	1,468,784	-	15,107,198
Recreation	1,909,975	433,274	-	2,343,249
Education	18,517	3,170,289	-	3,188,806
Environmental protection	665,071	-	-	665,071
Roads and trails	27,763	3,743,015	-	3,770,778
Debt service:				
Principal	-	-	3,390,000	3,390,000
Interest and other	-	21,730	2,375,565	2,397,295
Total expenditures	<u>18,500,243</u>	<u>9,647,162</u>	<u>5,765,565</u>	<u>33,912,970</u>
Excess (deficiency) of revenues over expenditures	<u>1,812,238</u>	<u>(2,926,237)</u>	<u>(5,448,084)</u>	<u>(6,562,083)</u>
Other financing sources (uses):				
Bonds issued	-	1,425,000	-	1,425,000
Premium on bonds issued	-	245,693	-	245,693
Payment to refunded bond escrow agent	-	(1,648,963)	-	(1,648,963)
Transfers in	600,331	3,457,106	5,448,084	9,505,521
Transfers out	(819,440)	(14,376)	-	(833,816)
Net other financing sources (uses)	<u>(219,109)</u>	<u>3,464,460</u>	<u>5,448,084</u>	<u>8,693,435</u>
Net change in fund balances	1,593,129	538,223	-	2,131,352
Fund balances at beginning of year	<u>12,105,238</u>	<u>12,572,934</u>	<u>-</u>	<u>24,678,172</u>
Fund balances at end of year	<u>\$ 13,698,367</u>	<u>\$ 13,111,157</u>	<u>\$ -</u>	<u>\$ 26,809,524</u>

Nonmajor Special Revenue Funds
Pages 78-97

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

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

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

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

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

Lowell Point Emergency Service Area – This fund is used to account for residual property tax revenue collected in the former Lowell Point Emergency Service Area, which was dissolved effective June 30, 2012.

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

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

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

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

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

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

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, 2015

	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Services Area
<u>Assets</u>			
Cash and short-term investments	\$ 200	\$ 6,674	\$ 29,750
Equity in central treasury	259,278	579,818	2,756,850
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	9,624	56,075	105,002
Accounts receivable	-	15,484	138,577
Land sale contracts receivable:			
Current	-	-	-
Delinquent	-	-	-
Due from other governments	30,828	2,257	181,704
Prepays	44	-	-
Land sale contracts receivable - long-term	-	-	-
Total assets	\$ 299,974	\$ 660,308	\$ 3,211,883
<u>Liabilities, Deferred Inflows, and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	11,091	32,775	82,545
Accrued payroll and payroll benefits	13,596	17,262	307,925
Due to General Fund	-	-	-
Unearned grant revenue	-	10,000	-
Total liabilities	24,687	60,037	390,470
Deferred Inflows of Resources:			
Prepaid property taxes	20,364	94,915	435,629
Property tax receivable - unavailable	8,801	52,902	103,495
Land sales - unavailable	-	-	-
Total deferred inflows of resources	29,165	147,817	539,124
Fund Balances:			
Nonspendable:			
Prepays	44	-	-
Restricted:			
Hazard tree removal program	-	-	-
General government	-	-	-
Public safety	237,506	452,150	2,261,950
Recreation	-	-	-
Committed:			
Outstanding committed contracts	-	-	-
Public safety facilities and equipment	-	-	-
Assigned:			
Subsequent year's expenditures	8,572	304	20,339
General government	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	246,122	452,454	2,282,289
Total liabilities, deferred inflows and fund balances	\$ 299,974	\$ 660,308	\$ 3,211,883

<u>Kachemak Emergency Service Area</u>	<u>Lowell Point Emergency Service Area</u>	<u>Central Peninsula Emergency Medical Service Area</u>	<u>North Peninsula Recreation Service Area</u>	<u>Seldovia Recreational Service Area</u>
\$ 1,005	\$ -	\$ -	\$ 200	\$ -
338,919	193	-	2,753,126	46,447
17,874	-	97	18,558	3,451
10,667	-	-	-	-
-	-	-	-	-
-	-	-	-	-
65,653	-	-	3,975	96
-	-	-	-	-
-	-	-	-	-
<u>\$ 434,118</u>	<u>\$ 193</u>	<u>\$ 97</u>	<u>\$ 2,775,859</u>	<u>\$ 49,994</u>
11,540	-	-	28,978	4,884
33,090	-	-	39,833	-
-	-	31	-	-
8,766	-	-	-	-
<u>53,396</u>	<u>-</u>	<u>31</u>	<u>68,811</u>	<u>4,884</u>
3,346	-	-	944,566	184
15,267	-	66	17,204	3,391
-	-	-	-	-
<u>18,613</u>	<u>-</u>	<u>66</u>	<u>961,770</u>	<u>3,575</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
343,738	193	-	-	-
-	-	-	1,745,278	41,535
-	-	-	-	-
-	-	-	-	-
18,371	-	-	-	-
-	-	-	-	-
<u>362,109</u>	<u>193</u>	<u>-</u>	<u>1,745,278</u>	<u>41,535</u>
<u>\$ 434,118</u>	<u>\$ 193</u>	<u>\$ 97</u>	<u>\$ 2,775,859</u>	<u>\$ 49,994</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet, continued
 June 30, 2015

	<u>Land Trust</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Environmental Protection Programs</u>
<u>Assets</u>			
Cash and short-term investments	\$ -	\$ -	\$ -
Equity in central treasury	7,217,101	440,718	274,611
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	-	4,136	-
Accounts receivable	-	-	-
Land sale contracts receivable:			
Current	90,481	-	-
Delinquent	38,537	-	-
Due from other governments	-	1,927	36,709
Prepays	-	-	-
Land sale contracts receivable - long-term	731,698	-	-
Total assets	<u>\$ 8,077,817</u>	<u>\$ 446,781</u>	<u>\$ 311,320</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	138,891	2,854	35,353
Accrued payroll and payroll benefits	20,747	5,672	3,193
Due to General Fund	-	-	-
Unearned grant revenue	-	-	-
Total liabilities	<u>159,638</u>	<u>8,526</u>	<u>38,546</u>
Deferred Inflows of Resources:			
Prepaid property taxes	-	5,089	-
Property tax receivable - unavailable	-	3,465	-
Land sales - unavailable	860,716	-	-
Total deferred inflows of resources	<u>860,716</u>	<u>8,554</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Prepays	-	-	-
Restricted:			
Hazard tree removal program	-	-	251,498
General government	-	-	-
Public safety	-	429,701	-
Recreation	-	-	-
Committed:			
Outstanding committed contracts	31,353	-	21,276
Public safety facilities and equipment	-	-	-
Assigned:			
Subsequent year's expenditures	-	-	-
General government	7,026,110	-	-
Unassigned (deficit)	-	-	-
Total fund balances	<u>7,057,463</u>	<u>429,701</u>	<u>272,774</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,077,817</u>	<u>\$ 446,781</u>	<u>\$ 311,320</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>
\$ -	\$ -	\$ -	\$ -	\$ 37,829
-	159,808	629,672	372,072	15,828,613
-	-	-	3,540	218,357
-	3,376	-	-	168,104
-	-	-	-	90,481
-	-	-	-	38,537
991,604	-	188,704	642	1,504,099
-	-	-	-	44
-	-	-	-	731,698
<u>\$ 991,604</u>	<u>\$ 163,184</u>	<u>\$ 818,376</u>	<u>\$ 376,254</u>	<u>\$ 18,617,762</u>
558	20,707	305,871	6,487	682,534
221	49,493	213	-	491,245
980,204	-	-	-	980,235
-	-	-	-	18,766
<u>980,983</u>	<u>70,200</u>	<u>306,084</u>	<u>6,487</u>	<u>2,172,780</u>
-	-	-	173,927	1,678,020
-	-	-	3,288	207,879
-	-	-	-	860,716
-	-	-	<u>177,215</u>	<u>2,746,615</u>
-	-	-	-	44
-	-	-	-	251,498
-	-	461,215	192,552	653,767
8,141	264,428	-	-	3,997,807
-	-	-	-	1,786,813
-	-	-	-	52,629
2,480	-	-	-	2,480
-	-	51,077	-	98,663
-	-	-	-	7,026,110
-	(171,444)	-	-	(171,444)
<u>10,621</u>	<u>92,984</u>	<u>512,292</u>	<u>192,552</u>	<u>13,698,367</u>
<u>\$ 991,604</u>	<u>\$ 163,184</u>	<u>\$ 818,376</u>	<u>\$ 376,254</u>	<u>\$ 18,617,762</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2015

	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
Revenues:			
General property taxes	\$ 469,286	\$ 595,722	\$ 6,631,945
Motor vehicle tax	16,441	10,944	148,953
Intergovernmental:			
Federal	52,322	10,000	-
State	41,944	95,426	1,692,496
Investment earnings	3,475	6,579	47,881
Other revenues	200	71,665	727,811
Total revenues	583,668	790,336	9,249,086
Expenditures:			
General government	-	-	-
Public safety	396,821	706,689	8,581,229
Recreation	-	-	-
Education	-	-	-
Environmental protection	-	-	-
Roads and trails	-	-	-
Total expenditures	396,821	706,689	8,581,229
Excess (deficiency) of revenues over expenditures	186,847	83,647	667,857
Other financing sources (uses):			
Transfers in	-	-	6,043
Transfers out	(134,020)	(83,227)	(386,299)
Net other financing sources (uses)	(134,020)	(83,227)	(380,256)
Net change in fund balances	52,827	420	287,601
Fund balances (deficit) at beginning of year	193,295	452,034	1,994,688
Fund balances at end of year	\$ 246,122	\$ 452,454	\$ 2,282,289

Kachemak Emergency Service Area	Lowell Point Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Seldovia Recreational Service Area
\$ 894,894	\$ -	\$ 6,043	\$ 1,508,500	\$ 52,793
28,909	-	-	19,276	465
(635)	-	-	-	-
171,151	-	-	222,111	-
5,823	-	-	23,813	631
37,259	-	-	216,433	1,618
<u>1,137,401</u>	<u>-</u>	<u>6,043</u>	<u>1,990,133</u>	<u>55,507</u>
-	-	-	-	-
972,860	-	-	-	-
-	-	-	1,859,582	50,393
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>972,860</u>	<u>-</u>	<u>-</u>	<u>1,859,582</u>	<u>50,393</u>
164,541	-	6,043	130,551	5,114
-	-	-	-	-
(109,851)	-	(6,043)	(100,000)	-
<u>(109,851)</u>	<u>-</u>	<u>(6,043)</u>	<u>(100,000)</u>	<u>-</u>
54,690	-	-	30,551	5,114
307,419	193	-	1,714,727	36,421
<u>\$ 362,109</u>	<u>\$ 193</u>	<u>\$ -</u>	<u>\$ 1,745,278</u>	<u>\$ 41,535</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, 2015

	<u>Land Trust</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Environmental Protection Programs</u>
Revenues:			
General property taxes	\$ -	\$ 306,760	\$ -
Motor vehicle tax	-	9,344	-
Intergovernmental:			
Federal	-	422	-
State	156,336	16,206	133,004
Investment earnings	66,848	4,627	2,853
Other revenues	1,761,662	-	-
Total revenues	<u>1,984,846</u>	<u>337,359</u>	<u>135,857</u>
Expenditures:			
General government	1,044,826	-	-
Public safety	-	194,007	-
Recreation	-	-	-
Education	-	-	-
Environmental protection	-	-	168,004
Roads and trails	-	-	-
Total expenditures	<u>1,044,826</u>	<u>194,007</u>	<u>168,004</u>
Excess (deficiency) of revenues over expenditures	<u>940,020</u>	<u>143,352</u>	<u>(32,147)</u>
Other financing sources (uses):			
Transfers in	38,884	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>38,884</u>	<u>-</u>	<u>-</u>
Net change in fund balances	978,904	143,352	(32,147)
Fund balances (deficit) at beginning of year	<u>6,078,559</u>	<u>286,349</u>	<u>304,921</u>
Fund balances at end of year	<u>\$ 7,057,463</u>	<u>\$ 429,701</u>	<u>\$ 272,774</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>
\$ -	\$ -	\$ -	\$ 270,356	\$ 10,736,299
-	-	-	3,111	237,443
135,256	-	135,010	-	332,375
45,085	367,961	1,528,762	-	4,470,482
-	-	-	2,932	165,462
-	1,553,083	689	-	4,370,420
<u>180,341</u>	<u>1,921,044</u>	<u>1,664,461</u>	<u>276,399</u>	<u>20,312,481</u>
-	-	845,886	349,791	2,240,503
196,982	2,375,770	214,056	-	13,638,414
-	-	-	-	1,909,975
-	-	18,517	-	18,517
-	-	497,067	-	665,071
-	-	27,763	-	27,763
<u>196,982</u>	<u>2,375,770</u>	<u>1,603,289</u>	<u>349,791</u>	<u>18,500,243</u>
<u>(16,641)</u>	<u>(454,726)</u>	<u>61,172</u>	<u>(73,392)</u>	<u>1,812,238</u>
-	502,423	-	52,981	600,331
-	-	-	-	(819,440)
<u>-</u>	<u>502,423</u>	<u>-</u>	<u>52,981</u>	<u>(219,109)</u>
(16,641)	47,697	61,172	(20,411)	1,593,129
<u>27,262</u>	<u>45,287</u>	<u>451,120</u>	<u>212,963</u>	<u>12,105,238</u>
<u>\$ 10,621</u>	<u>\$ 92,984</u>	<u>\$ 512,292</u>	<u>\$ 192,552</u>	<u>\$ 13,698,367</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 464,991	\$ 464,991	\$ 469,286	\$ 4,295
Motor vehicle tax	12,464	12,464	16,441	3,977
Intergovernmental:				
Federal	-	54,114	52,322	(1,792)
State	-	41,944	41,944	-
Investment earnings	2,695	2,695	3,475	780
Other revenues	-	-	200	200
Total revenues	<u>480,150</u>	<u>576,208</u>	<u>583,668</u>	<u>7,460</u>
Expenditures:				
Personnel	184,309	226,253	217,605	8,648
Supplies	25,000	27,665	19,725	7,940
Services	171,367	194,216	124,510	69,706
Capital outlay	24,500	52,126	34,981	17,145
Total expenditures	<u>405,176</u>	<u>500,260</u>	<u>396,821</u>	<u>103,439</u>
Excess (deficiency) of revenues over expenditures	<u>74,974</u>	<u>75,948</u>	<u>186,847</u>	<u>110,899</u>
Other financing sources (uses):				
Transfers (out)	<u>(134,020)</u>	<u>(134,020)</u>	<u>(134,020)</u>	<u>-</u>
Net change in fund balance	(59,046)	(58,072)	52,827	110,899
Fund balance at beginning of year	<u>193,295</u>	<u>193,295</u>	<u>193,295</u>	<u>-</u>
Fund balance at end of year	<u>\$ 134,249</u>	<u>\$ 135,223</u>	<u>\$ 246,122</u>	<u>\$ 110,899</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, 2015

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 629,519	\$ 629,519	\$ 595,722	\$ (33,797)
Motor vehicle tax	9,120	9,120	10,944	1,824
Intergovernmental:				
Federal	-	10,000	10,000	-
State	-	90,560	95,426	4,866
Investment earnings	6,334	6,334	6,579	245
Other revenues	-	-	71,665	71,665
Total revenues	<u>644,973</u>	<u>745,533</u>	<u>790,336</u>	<u>44,803</u>
Expenditures:				
Personnel	425,760	503,820	480,291	23,529
Supplies	52,350	58,350	52,934	5,416
Services	141,596	152,300	129,332	22,968
Capital outlay	31,214	47,010	44,132	2,878
Total expenditures	<u>650,920</u>	<u>761,480</u>	<u>706,689</u>	<u>54,791</u>
Excess (deficiency) of revenues over expenditures	<u>(5,947)</u>	<u>(15,947)</u>	<u>83,647</u>	<u>99,594</u>
Other financing sources (uses):				
Transfers (out)	<u>(83,227)</u>	<u>(83,227)</u>	<u>(83,227)</u>	<u>-</u>
Net change in fund balance	(89,174)	(99,174)	420	99,594
Fund balance at beginning of year	<u>452,034</u>	<u>452,034</u>	<u>452,034</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 362,860</u></u>	<u><u>\$ 352,860</u></u>	<u><u>\$ 452,454</u></u>	<u><u>\$ 99,594</u></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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 6,690,102	\$ 6,690,102	\$ 6,631,945	\$ (58,157)
Motor vehicle tax	137,551	137,551	148,953	11,402
Intergovernmental:				
State	-	1,626,274	1,692,496	66,222
Investment earnings	26,860	26,860	47,881	21,021
Other revenues	625,250	625,250	727,811	102,561
Total revenues	<u>7,479,763</u>	<u>9,106,037</u>	<u>9,249,086</u>	<u>143,049</u>
Expenditures:				
Personnel	5,794,874	7,421,148	7,235,399	185,749
Supplies	439,318	435,902	355,839	80,063
Services	947,642	976,858	893,967	82,891
Capital outlay	92,138	100,638	96,024	4,614
Total expenditures	<u>7,273,972</u>	<u>8,934,546</u>	<u>8,581,229</u>	<u>353,317</u>
Excess (deficiency) of revenues over expenditures	<u>205,791</u>	<u>171,491</u>	<u>667,857</u>	<u>496,366</u>
Other financing sources (uses):				
Transfers in	6,580	6,580	6,043	(537)
Transfers (out)	(429,090)	(429,090)	(386,299)	42,791
Net other financing sources (uses)	<u>(422,510)</u>	<u>(422,510)</u>	<u>(380,256)</u>	<u>42,254</u>
Net change in fund balance	(216,719)	(251,019)	287,601	538,620
Fund balance at beginning of year	<u>1,994,688</u>	<u>1,994,688</u>	<u>1,994,688</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,777,969</u>	<u>\$ 1,743,669</u>	<u>\$ 2,282,289</u>	<u>\$ 538,620</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, 2015

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 893,121	\$ 893,121	\$ 894,894	\$ 1,773
Motor vehicle tax	24,787	24,787	28,909	4,122
Intergovernmental:				
Federal	-	-	(635)	(635)
State	-	128,691	171,151	42,460
Investment earnings	4,026	4,026	5,823	1,797
Other revenues	30,000	30,000	37,259	7,259
Total revenues	<u>951,934</u>	<u>1,080,625</u>	<u>1,137,401</u>	<u>56,776</u>
Expenditures:				
Personnel	490,397	629,268	610,022	19,246
Supplies	103,700	101,300	96,916	4,384
Services	189,372	186,272	178,499	7,773
Capital outlay	83,900	89,400	87,423	1,977
Total expenditures	<u>867,369</u>	<u>1,006,240</u>	<u>972,860</u>	<u>33,380</u>
Excess (deficiency) of revenues over expenditures	<u>84,565</u>	<u>74,385</u>	<u>164,541</u>	<u>90,156</u>
Other financing sources (uses):				
Transfers (out)	<u>(109,851)</u>	<u>(109,851)</u>	<u>(109,851)</u>	<u>-</u>
Net change in fund balance	(25,286)	(35,466)	54,690	90,156
Fund balance at beginning of year	<u>307,419</u>	<u>307,419</u>	<u>307,419</u>	<u>-</u>
Fund balance at end of year	<u>\$ 282,133</u>	<u>\$ 271,953</u>	<u>\$ 362,109</u>	<u>\$ 90,156</u>

Kenai Peninsula Borough

Lowell Point Emergency Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2015

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

Kenai Peninsula Borough

Central Peninsula Emergency Medical Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
General property taxes	\$ 6,580	\$ 6,580	\$ 6,043	\$ (537)
Total revenues	<u>6,580</u>	<u>6,580</u>	<u>6,043</u>	<u>(537)</u>
Expenditures:				
Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,580</u>	<u>6,580</u>	<u>6,043</u>	<u>(537)</u>
Other financing sources (uses):				
Transfers (out)	<u>(6,580)</u>	<u>(6,580)</u>	<u>(6,043)</u>	<u>537</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
General property taxes	\$ 1,519,985	\$ 1,519,985	\$ 1,508,500	\$ (11,485)
Motor vehicle tax	18,276	18,276	19,276	1,000
Intergovernmental:				
State	-	222,111	222,111	-
Investment earnings	25,385	25,385	23,813	(1,572)
Other revenues	222,661	222,661	216,433	(6,228)
Total revenues	<u>1,786,307</u>	<u>2,008,418</u>	<u>1,990,133</u>	<u>(18,285)</u>
Expenditures:				
Personnel	1,031,275	1,276,291	1,253,782	22,509
Supplies	116,700	116,700	99,735	16,965
Services	504,292	499,042	478,500	20,542
Capital outlay	22,500	27,750	27,565	185
Total expenditures	<u>1,674,767</u>	<u>1,919,783</u>	<u>1,859,582</u>	<u>60,201</u>
Excess (deficiency) of revenues over expenditures	<u>111,540</u>	<u>88,635</u>	<u>130,551</u>	<u>41,916</u>
Other financing sources (uses):				
Transfers (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	11,540	(11,365)	30,551	41,916
Fund balance at beginning of year	<u>1,714,727</u>	<u>1,714,727</u>	<u>1,714,727</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,726,267</u>	<u>\$ 1,703,362</u>	<u>\$ 1,745,278</u>	<u>\$ 41,916</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 52,728	\$ 52,728	\$ 52,793	\$ 65
Motor vehicle tax	448	448	465	17
Investment earnings	315	315	631	316
Other revenues	2,100	2,100	1,618	(482)
Total revenues	<u>55,591</u>	<u>55,591</u>	<u>55,507</u>	<u>(84)</u>
Expenditures:				
Supplies	7,113	9,665	9,251	414
Services	47,335	43,882	40,456	3,426
Capital outlay	-	901	686	215
Total expenditures	<u>54,448</u>	<u>54,448</u>	<u>50,393</u>	<u>4,055</u>
Net change in fund balance	1,143	1,143	5,114	3,971
Fund balance at beginning of year	<u>36,421</u>	<u>36,421</u>	<u>36,421</u>	<u>-</u>
Fund balance at end of year	<u>\$ 37,564</u>	<u>\$ 37,564</u>	<u>\$ 41,535</u>	<u>\$ 3,971</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State	\$ -	\$ 156,336	\$ 156,336	\$ -
Investment earnings	80,000	80,000	66,848	(13,152)
Payments on land contracts	460,672	460,672	1,120,760	660,088
Land leases	150,000	150,000	157,723	7,723
Timber and gravel sales	75,000	75,000	231,114	156,114
Miscellaneous	181,832	181,832	252,065	70,233
Total revenues	<u>947,504</u>	<u>1,103,840</u>	<u>1,984,846</u>	<u>881,006</u>
Expenditures:				
Personnel	595,527	819,063	774,462	44,601
Supplies	22,500	21,535	15,309	6,226
Services	362,123	309,958	250,584	59,374
Capital outlay	14,500	9,800	4,471	5,329
Total expenditures	<u>994,650</u>	<u>1,160,356</u>	<u>1,044,826</u>	<u>115,530</u>
Excess (deficiency) of revenues over expenditures	<u>(47,146)</u>	<u>(56,516)</u>	<u>940,020</u>	<u>996,536</u>
Other financing sources (uses):				
Transfers in	<u>29,345</u>	<u>43,720</u>	<u>38,884</u>	<u>(4,836)</u>
Net change in fund balance	(17,801)	(12,796)	978,904	991,700
Fund balance at beginning of year	<u>6,078,559</u>	<u>6,078,559</u>	<u>6,078,559</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,060,758</u>	<u>\$ 6,065,763</u>	<u>\$ 7,057,463</u>	<u>\$ 991,700</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 303,622	\$ 303,622	\$ 306,760	\$ 3,138
Motor vehicle tax	6,937	6,937	9,344	2,407
Intergovernmental:				
Federal	-	-	422	-
State	-	16,206	16,206	-
Investment earnings	4,033	4,033	4,627	594
Total revenues	<u>314,592</u>	<u>330,798</u>	<u>337,359</u>	<u>6,561</u>
Expenditures:				
Personnel	191,173	207,379	154,012	53,367
Supplies	3,900	3,900	769	3,131
Services	65,369	64,869	38,107	26,762
Capital outlay	800	1,300	1,119	181
Total expenditures	<u>261,242</u>	<u>277,448</u>	<u>194,007</u>	<u>83,441</u>
Net change in fund balance	53,350	53,350	143,352	90,002
Fund balance at beginning of year	<u>286,349</u>	<u>286,349</u>	<u>286,349</u>	<u>-</u>
Fund balance at end of year	<u>\$ 339,699</u>	<u>\$ 339,699</u>	<u>\$ 429,701</u>	<u>\$ 90,002</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
911 service fee	\$ 1,591,498	\$ 1,591,498	\$ 1,550,898	\$ (40,600)
Intergovernmental:				
State	-	367,961	367,961	-
Other revenues	-	-	2,185	2,185
Total revenues	<u>1,591,498</u>	<u>1,959,459</u>	<u>1,921,044</u>	<u>(38,415)</u>
Expenditures:				
Personnel	1,488,068	1,884,660	1,813,754	70,906
Supplies	7,450	7,450	1,998	5,452
Services	599,735	597,178	541,986	55,192
Capital outlay	46,325	48,882	18,032	30,850
Total expenditures	<u>2,141,578</u>	<u>2,538,170</u>	<u>2,375,770</u>	<u>162,400</u>
Excess (deficiency) of revenues over expenditures	<u>(550,080)</u>	<u>(578,711)</u>	<u>(454,726)</u>	<u>123,985</u>
Other financing sources (uses):				
Transfers in	<u>473,792</u>	<u>502,423</u>	<u>502,423</u>	<u>-</u>
Net change in fund balance	(76,288)	(76,288)	47,697	123,985
Fund balance (deficit) at beginning of year	<u>45,287</u>	<u>45,287</u>	<u>45,287</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (31,001)</u>	<u>\$ (31,001)</u>	<u>\$ 92,984</u>	<u>\$ 123,985</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 271,405	\$ 271,405	\$ 270,356	\$ (1,049)
Motor vehicle tax	2,950	2,950	3,111	161
Investment earnings	2,558	2,558	2,932	374
Total revenues	<u>276,913</u>	<u>276,913</u>	<u>276,399</u>	<u>(514)</u>
Expenditures:				
Services	349,202	318,942	318,943	(1)
Capital outlay	-	34,803	30,848	3,955
Total expenditures	<u>349,202</u>	<u>353,745</u>	<u>349,791</u>	<u>3,954</u>
Excess (deficiency) of revenues over expenditures	<u>(72,289)</u>	<u>(76,832)</u>	<u>(73,392)</u>	<u>3,440</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	(19,308)	(23,851)	(20,411)	3,440
Fund balance at beginning of year	<u>212,963</u>	<u>212,963</u>	<u>212,963</u>	<u>-</u>
Fund balance at end of year	<u>\$ 193,655</u>	<u>\$ 189,112</u>	<u>\$ 192,552</u>	<u>\$ 3,440</u>

Nonmajor Capital Project Funds
Pages 99-105

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

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

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

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

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

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

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

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

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

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

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, 2015

	<u>School Revenue</u>	<u>General Government</u>	<u>Solid Waste</u>
<u>Assets</u>			
Equity in central treasury	\$ 3,092,619	\$ 795,556	\$ 5,792,469
Receivables (net of allowances for estimated uncollectibles):			
Accounts receivable	50,049	-	-
Due from other governments	25,572	-	142,780
Total assets	<u>\$ 3,168,240</u>	<u>\$ 795,556</u>	<u>\$ 5,935,249</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	321,956	610	16,311
Accrued payroll and payroll benefits	33,047	-	-
Due to General Fund	-	-	-
Unearned grant revenue	1,243,488	-	-
Total liabilities	<u>1,598,491</u>	<u>610</u>	<u>16,311</u>
Fund balances:			
Restricted:			
Landfill closure/postclosure costs	-	-	5,298,028
Committed:			
Outstanding committed contracts	938,319	6,600	141,636
Software upgrades		143,400	-
Building maintenance and upgrades		644,946	-
Public safety facilities and equipment		-	-
School maintenance and upgrades	631,430	-	-
Solid waste facilities		-	479,274
Roads construction and upgrades		-	-
Total fund balances	1,569,749	794,946	5,918,938
Total liabilities and fund balances	<u>\$ 3,168,240</u>	<u>\$ 795,556</u>	<u>\$ 5,935,249</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet, continued
 June 30, 2015

	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>
<u>Assets</u>				
Equity in central treasury	\$ 742,510	\$ 1,630,311	\$ 326,081	916,461
Receivables (net of allowances for estimated uncollectibles):				
Accounts receivable	-	-	-	-
Due from other governments	<u>1,132,111</u>	<u>845</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,874,621</u>	<u>\$ 1,631,156</u>	<u>\$ 326,081</u>	<u>\$ 916,461</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	325,106	189,312	-	220
Accrued payroll and payroll benefits	3,402	-	-	-
Due to General Fund	-	-	-	-
Unearned grant revenue	-	-	5,051	-
Total liabilities	<u>328,508</u>	<u>189,312</u>	<u>5,051</u>	<u>220</u>
Fund balances:				
Restricted:				
Landfill closure/postclosure costs	-	-	-	-
Committed:				
Outstanding committed contracts	1,411,082	58,794	11,802	-
Software upgrades	-	-	-	-
Building maintenance and upgrades	-	-	309,228	916,241
Public safety facilities and equipment	-	1,383,050	-	-
School maintenance and upgrades	-	-	-	-
Solid waste facilities	-	-	-	-
Roads construction and upgrades	<u>135,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,546,113</u>	<u>1,441,844</u>	<u>321,030</u>	<u>916,241</u>
Total liabilities and fund balances	<u>\$ 1,874,621</u>	<u>\$ 1,631,156</u>	<u>\$ 326,081</u>	<u>\$ 916,461</u>

<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Kachemak Emergency Service Area</u>	<u>North Peninsula Recreation Service Area</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 135,051	\$ 105,376	\$ 409,243	\$ 13,945,677
-	-	-	50,049
<u>-</u>	<u>8,028</u>	<u>201,388</u>	<u>1,510,724</u>
<u>\$ 135,051</u>	<u>\$ 113,404</u>	<u>\$ 610,631</u>	<u>\$ 15,506,450</u>
-	-	196,141	1,049,656
-	-	-	36,449
-	57,632	-	57,632
<u>3,017</u>	<u>-</u>	<u>-</u>	<u>1,251,556</u>
<u>3,017</u>	<u>57,632</u>	<u>196,141</u>	<u>2,395,293</u>
-	-	-	5,298,028
-	55,772	414,490	3,038,495
-	-	-	143,400
-	-	-	1,870,415
132,034	-	-	1,515,084
-	-	-	631,430
-	-	-	479,274
-	-	-	135,031
<u>132,034</u>	<u>55,772</u>	<u>414,490</u>	<u>13,111,157</u>
<u>\$ 135,051</u>	<u>\$ 113,404</u>	<u>\$ 610,631</u>	<u>\$ 15,506,450</u>

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Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2015

	School Revenue	General Government	Solid Waste
Revenues:			
Intergovernmental:			
State	\$ 677,115	\$ -	\$ 260,638
Investment earnings	-	-	47,437
Other revenues	932,659	-	-
Total revenues	1,609,774	-	308,075
 Expenditures:			
General government	-	151,636	-
Solid waste	-	-	658,434
Public safety	-	-	-
Recreation	-	-	-
Education	3,170,289	-	-
Roads and trails	-	-	-
Debt service:			
Interest and other	-	-	-
Total expenditures	3,170,289	151,636	658,434
 Excess (deficiency) of revenues over expenditures	 (1,560,515)	 (151,636)	 (350,359)
 Other financing sources(uses):			
Bond issued	-	-	-
Premium on bonds issued	-	-	-
Payment to refunded bonds escrow agent	-	-	-
Transfers in	1,250,000	250,000	392,106
Transfers out	-	-	-
Net other financing sources (uses)	1,250,000	250,000	392,106
 Net change in fund balances	 (310,515)	 98,364	 41,747
 Fund balances at beginning of year	 1,880,264	 696,582	 5,877,191
 Fund balances at end of year	 \$ 1,569,749	 \$ 794,946	 \$ 5,918,938

(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, 2015

	<u>Road Service Area</u>	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>
Revenues:				
Intergovernmental:				
State	\$ 3,742,926	\$ -	\$ 193,021	\$ -
Investment earnings	6,885	15,218	2,506	8,792
Other revenues	-	-	-	-
Total revenues	<u>3,749,811</u>	<u>15,218</u>	<u>195,527</u>	<u>8,792</u>
Expenditures:				
General government	-	-	-	-
Solid waste	-	-	-	-
Public safety	-	326,932	199,011	59,181
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	3,743,015	-	-	-
Debt service:				
Interest and other	-	-	-	21,730
Total expenditures	<u>3,743,015</u>	<u>326,932</u>	<u>199,011</u>	<u>80,911</u>
Excess (deficiency) of revenues over expenditures	<u>6,796</u>	<u>(311,714)</u>	<u>(3,484)</u>	<u>(72,119)</u>
Other financing sources(uses):				
Bond issued	-	-	-	1,425,000
Premium on bonds issued	-	-	-	245,693
Payment to refunded bonds escrow agent	-	-	-	(1,648,963)
Transfers in	400,000	750,000	40,000	100,000
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>400,000</u>	<u>750,000</u>	<u>40,000</u>	<u>121,730</u>
Net change in fund balances	406,796	438,286	36,516	49,611
Fund balances at beginning of year	<u>1,139,317</u>	<u>1,003,558</u>	<u>284,514</u>	<u>866,630</u>
Fund balances at end of year	<u>\$ 1,546,113</u>	<u>\$ 1,441,844</u>	<u>\$ 321,030</u>	<u>\$ 916,241</u>

Anchor Point Fire and Emergency Medical Service Area	Kachemak Emergency Service Area	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
\$ 6,086	\$ 590,561	\$ 232,234	\$ 5,702,581
1,420	(771)	4,198	85,685
-	-	-	932,659
<u>7,506</u>	<u>589,790</u>	<u>236,432</u>	<u>6,720,925</u>
-	-	-	151,636
-	-	-	658,434
84,609	799,051	-	1,468,784
-	-	433,274	433,274
-	-	-	3,170,289
-	-	-	3,743,015
-	-	-	21,730
<u>84,609</u>	<u>799,051</u>	<u>433,274</u>	<u>9,647,162</u>
<u>(77,103)</u>	<u>(209,261)</u>	<u>(196,842)</u>	<u>(2,926,237)</u>
-	-	-	1,425,000
-	-	-	245,693
-	-	-	(1,648,963)
75,000	100,000	100,000	3,457,106
-	-	(14,376)	(14,376)
<u>75,000</u>	<u>100,000</u>	<u>85,624</u>	<u>3,464,460</u>
(2,103)	(109,261)	(111,218)	538,223
<u>134,137</u>	<u>165,033</u>	<u>525,708</u>	<u>12,572,934</u>
<u>\$ 132,034</u>	<u>\$ 55,772</u>	<u>\$ 414,490</u>	<u>\$ 13,111,157</u>

Nonmajor Debt Service Funds
Pages 107-112

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.

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

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, 2015

	<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, 2015

	<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	\$ 313,969	\$ -	\$ -	\$ -	\$ 313,969
Other revenues	-	-	-	3,512	3,512
Total revenues	<u>313,969</u>	<u>-</u>	<u>-</u>	<u>3,512</u>	<u>317,481</u>
Expenditures:					
Debt service:					
Principal	2,220,000	1,015,000	40,000	115,000	3,390,000
Interest and other	2,244,496	40,600	54,020	36,449	2,375,565
Total expenditures	<u>4,464,496</u>	<u>1,055,600</u>	<u>94,020</u>	<u>151,449</u>	<u>5,765,565</u>
Excess (deficiency) of revenues over expenditures	<u>(4,150,527)</u>	<u>(1,055,600)</u>	<u>(94,020)</u>	<u>(147,937)</u>	<u>(5,448,084)</u>
Other financing sources (uses):					
Transfers in	<u>4,150,527</u>	<u>1,055,600</u>	<u>94,020</u>	<u>147,937</u>	<u>5,448,084</u>
Net change in fund balances	-	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest subsidy	\$ 314,135	\$ 314,135	\$ 313,969	\$ (166)
Other revenues	-	-	-	-
Total revenues	<u>314,135</u>	<u>314,135</u>	<u>313,969</u>	<u>(166)</u>
Expenditures:				
Debt service:				
Principal	2,220,000	2,220,000	2,220,000	-
Interest and other	<u>2,249,496</u>	<u>2,249,496</u>	<u>2,244,496</u>	<u>5,000</u>
Total expenditures	<u>4,469,496</u>	<u>4,469,496</u>	<u>4,464,496</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	<u>(4,155,361)</u>	<u>(4,155,361)</u>	<u>(4,150,527)</u>	<u>4,834</u>
Other financing sources (uses):				
Transfers in	<u>4,155,361</u>	<u>4,155,361</u>	<u>4,150,527</u>	<u>4,834</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough
Solid Waste Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,015,000	1,015,000	1,015,000	-
Interest and other	<u>40,600</u>	<u>40,600</u>	<u>40,600</u>	<u>-</u>
Total expenditures	<u>1,055,600</u>	<u>1,055,600</u>	<u>1,055,600</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,055,600)</u>	<u>(1,055,600)</u>	<u>(1,055,600)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>1,055,600</u>	<u>1,055,600</u>	<u>1,055,600</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	40,000	40,000	40,000	-
Interest and other	<u>54,020</u>	<u>54,020</u>	<u>54,020</u>	<u>-</u>
Total expenditures	<u>94,020</u>	<u>94,020</u>	<u>94,020</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(94,020)</u>	<u>(94,020)</u>	<u>(94,020)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>94,020</u>	<u>94,020</u>	<u>94,020</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	\$ -	\$ -	\$ 3,512	\$ 3,512
Total revenues	<u>-</u>	<u>-</u>	<u>3,512</u>	<u>3,512</u>
Expenditures:				
Debt service:				
Principal	115,000	115,000	115,000	-
Interest and other	<u>75,728</u>	<u>75,728</u>	<u>36,449</u>	<u>39,279</u>
Total expenditures	<u>190,728</u>	<u>190,728</u>	<u>151,449</u>	<u>39,279</u>
Excess (deficiency) of revenues over expenditures	<u>(190,728)</u>	<u>(190,728)</u>	<u>(147,937)</u>	<u>42,791</u>
Other financing sources (uses):				
Transfers in	<u>190,728</u>	<u>190,728</u>	<u>147,937</u>	<u>(42,791)</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>

INTERNAL SERVICE FUNDS

**INTERNAL SERVICE
FUNDS**

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Position
June 30, 2015

	<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	\$ 40,040	\$ -	\$ -	\$ -	\$ 40,040
Equity in central treasury	6,016,288	1,137,881	2,617,836	3,213,643	12,985,648
Other receivables	8,400	168,996	-	-	177,396
Prepays	29,150	-	-	-	29,150
Total current assets	<u>6,093,878</u>	<u>1,306,877</u>	<u>2,617,836</u>	<u>3,213,643</u>	<u>13,232,234</u>
Capital assets:					
Equipment	-	-	-	5,736,563	5,736,563
Less accumulated depreciation	-	-	-	<u>(3,281,326)</u>	<u>(3,281,326)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,455,237</u>	<u>2,455,237</u>
Total assets	<u>\$ 6,093,878</u>	<u>\$ 1,306,877</u>	<u>\$ 2,617,836</u>	<u>\$ 5,668,880</u>	<u>\$ 15,687,471</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts and contracts payable	101,426	3,128	-	840,140	944,694
Accrued payroll and payroll taxes	23,725	-	-	-	23,725
Claims payable	2,934,860	1,011,335	-	-	3,946,195
Compensated absences	7,478	-	654,459	-	661,937
Total current liabilities	<u>3,067,489</u>	<u>1,014,463</u>	<u>654,459</u>	<u>840,140</u>	<u>5,576,551</u>
Long-term liabilities-					
compensated absences	<u>22,434</u>	<u>-</u>	<u>1,963,377</u>	<u>-</u>	<u>1,985,811</u>
Total liabilities	<u>3,089,923</u>	<u>1,014,463</u>	<u>2,617,836</u>	<u>840,140</u>	<u>7,562,362</u>
<u>Net Position</u>					
Investment in capital assets	-	-	-	2,455,237	2,455,237
Unrestricted	<u>3,003,955</u>	<u>292,414</u>	<u>-</u>	<u>2,373,503</u>	<u>5,669,872</u>
Total net position	<u>\$ 3,003,955</u>	<u>\$ 292,414</u>	<u>\$ -</u>	<u>\$ 4,828,740</u>	<u>\$ 8,125,109</u>

Kenai Peninsula Borough

Internal Service Funds

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

For the Year Ended June 30, 2015

	<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	\$ 3,089,970	\$ 7,123,830	\$ 2,263,277	\$ 588,922	\$13,065,999
Other	<u>142,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,037</u>
Total operating revenues	<u>3,232,007</u>	<u>7,123,830</u>	<u>2,263,277</u>	<u>588,922</u>	<u>13,208,036</u>
Operating expenses:					
Administrative services	827,203	139,205	2,263,277	-	3,229,685
Insurance premiums	1,776,044	415,774	-	-	2,191,818
Self-insured losses	1,756,180	6,814,845	-	-	8,571,025
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,656</u>	<u>484,656</u>
Total operating expenses	<u>4,359,427</u>	<u>7,369,824</u>	<u>2,263,277</u>	<u>484,656</u>	<u>14,477,184</u>
Operating income (loss)	<u>(1,127,420)</u>	<u>(245,994)</u>	<u>-</u>	<u>104,266</u>	<u>(1,269,148)</u>
Non-operating revenues(expenses):					
Investment earnings	61,380	4,846	-	28,292	94,518
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>(509,919)</u>	<u>(509,919)</u>
Net non-operating revenues(expenses)	<u>61,380</u>	<u>4,846</u>	<u>-</u>	<u>(481,627)</u>	<u>(415,401)</u>
Change in net position	(1,066,040)	(241,148)	-	(377,361)	(1,684,549)
Net position at beginning of year	<u>4,069,995</u>	<u>533,562</u>	<u>-</u>	<u>5,206,101</u>	<u>9,809,658</u>
Net position at end of year	<u>\$ 3,003,955</u>	<u>\$ 292,414</u>	<u>\$ -</u>	<u>\$ 4,828,740</u>	<u>\$ 8,125,109</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2015

	<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	\$ 3,089,970	\$ 7,123,830	\$ 2,263,277	\$ 588,922	\$ 13,065,999
Payments to suppliers	(3,606,472)	(7,204,501)		-	(10,810,973)
Payments to employees	(730,002)		(2,152,168)	-	(2,882,170)
Other program revenue	142,037			-	142,037
Net cash provided (used) by operating activities	<u>(1,104,467)</u>	<u>(80,671)</u>	<u>111,109</u>	<u>588,922</u>	<u>(485,107)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	-	-	(1,041,866)	(1,041,866)
Proceeds from sale of capital assets	-	-	-	1,098,778	1,098,778
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,912</u>	<u>56,912</u>
Cash flows from investing activities:					
Investment earnings	61,380	4,846	-	28,292	94,518
Net increase (decrease) in cash and cash equivalents	(1,043,087)	(75,825)	111,109	674,126	(333,677)
Cash and equity in central treasury at beginning of year	7,099,415	1,213,706	2,506,727	2,539,517	13,359,365
Cash and equity in central treasury at end of year	<u>\$ 6,056,328</u>	<u>\$ 1,137,881</u>	<u>\$ 2,617,836</u>	<u>\$ 3,213,643</u>	<u>\$ 13,025,688</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$ (1,127,420)</u>	<u>\$ (245,994)</u>	<u>\$ -</u>	<u>\$ 104,266</u>	<u>\$ (1,269,148)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	-	484,656	484,656
Change in assets and liabilities:					
Increase (decrease) in accounts and contracts payable	46,690	1,728	-	-	48,418
Increase (decrease) in accrued payroll and payroll taxes	5,785	-	-	-	5,785
Increase (decrease) in claims payable	1,100	300,000	-	-	301,100
Increase (decrease) in compensated absences	6,928	-	111,109	-	118,037
(Increase) decrease in prepaid expenses	(29,150)	-	-	-	(29,150)
(Increase) decrease in other receivables	(8,400)	(136,405)	-	-	(144,805)
Total adjustments	<u>22,953</u>	<u>165,323</u>	<u>111,109</u>	<u>484,656</u>	<u>784,041</u>
Net cash provided (used) by operating activities	<u>\$ (1,104,467)</u>	<u>\$ (80,671)</u>	<u>\$ 111,109</u>	<u>\$ 588,922</u>	<u>\$ (485,107)</u>

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FIDUCIARY FUNDS

Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Assets and Liabilities
 June 30, 2015

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total Agency Funds</u>
<u>Assets</u>			
Equity in central treasury	\$ 362,419	\$ 688,327	\$ 1,050,746
Taxes receivable	119,546	-	119,546
Due from landowners	<u>-</u>	<u>1,363,602</u>	<u>1,363,602</u>
Total assets	<u>\$ 481,965</u>	<u>\$ 2,051,929</u>	<u>\$ 2,533,894</u>
<u>Liabilities</u>			
Accounts payable	-	14,850	14,850
Deferred administration fee	-	95,191	95,191
Due to landowners	-	368,403	368,403
Loans payable	-	1,573,485	1,573,485
Due to other entities:			
City of Homer	182,351	-	182,351
City of Kachemak City	320	-	320
City of Kenai	206,342	-	206,342
City of Seldovia	9,057	-	9,057
City of Seward	21,433	-	21,433
City of Soldotna	<u>62,462</u>	<u>-</u>	<u>62,462</u>
Total liabilities	<u>\$ 481,965</u>	<u>\$ 2,051,929</u>	<u>\$ 2,533,894</u>

Kenai Peninsula Borough

Fiduciary Fund Type - Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2015

	<u>Total</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2015</u>
Tax Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 434,160	\$ 35,151,708	\$ 35,223,449	\$ 362,419
Taxes receivable	<u>81,341</u>	<u>8,143,800</u>	<u>8,105,595</u>	<u>119,546</u>
Total assets	<u>\$ 515,501</u>	<u>\$ 43,295,508</u>	<u>\$ 43,329,044</u>	<u>\$ 481,965</u>
<u>Liabilities</u>				
Due to other entities:				
City of Homer	122,893	10,652,048	10,592,590	182,351
City of Kachemak City	869	69,447	69,996	320
City of Kenai	288,043	10,619,074	10,700,775	206,342
City of Seldovia	5,933	315,487	312,363	9,057
City of Seward	75,399	5,485,655	5,539,621	21,433
City of Soldotna	<u>22,364</u>	<u>8,048,201</u>	<u>8,008,103</u>	<u>62,462</u>
Total liabilities	<u>\$ 515,501</u>	<u>\$ 35,189,912</u>	<u>\$ 35,223,448</u>	<u>\$ 481,965</u>
Special Assessment Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 889,331	\$ 1,563,683	\$ 1,764,687	\$ 688,327
Due from landowners	<u>993,740</u>	<u>1,455,484</u>	<u>1,085,622</u>	<u>1,363,602</u>
Total assets	<u>\$ 1,883,071</u>	<u>\$ 3,019,167</u>	<u>\$ 2,850,309</u>	<u>\$ 2,051,929</u>
<u>Liabilities</u>				
Accounts payable	-	14,850	-	14,850
Deferred administration fee	59,240	53,675	17,724	95,191
Due to landowners	381,003	325,803	338,403	368,403
Loans payable	<u>1,442,828</u>	<u>975,748</u>	<u>845,091</u>	<u>1,573,485</u>
Total liabilities	<u>\$ 1,883,071</u>	<u>\$ 1,370,076</u>	<u>\$ 1,201,218</u>	<u>\$ 2,051,929</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, 2015

	<u>Total</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2015</u>
Total - All Agency Funds				
<u>Assets</u>				
Equity in central treasury	\$ 1,323,491	\$36,715,391	\$36,988,136	\$ 1,050,746
Taxes receivable	81,341	8,143,800	8,105,595	119,546
Due from landowners	<u>993,740</u>	<u>1,455,484</u>	<u>1,085,622</u>	<u>1,363,602</u>
Total assets	<u>\$ 2,398,572</u>	<u>\$46,314,675</u>	<u>\$46,179,353</u>	<u>\$ 2,533,894</u>
<u>Liabilities</u>				
Accounts payable	-	14,850	-	14,850
Deferred administration fee	59,240	53,675	17,724	95,191
Due to landowners	381,003	325,803	338,403	368,403
Loans payable	1,442,828	975,748	845,091	1,573,485
Due to other entities:				
City of Homer	122,893	10,652,048	10,592,590	182,351
City of Kachemak City	869	69,447	69,996	320
City of Kenai	288,043	10,619,074	10,700,775	206,342
City of Seldovia	5,933	315,487	312,363	9,057
City of Seward	75,399	5,485,655	5,539,621	21,433
City of Soldotna	<u>22,364</u>	<u>8,048,201</u>	<u>8,008,103</u>	<u>62,462</u>
Total liabilities	<u>\$ 2,398,572</u>	<u>\$36,559,988</u>	<u>\$36,424,666</u>	<u>\$ 2,533,894</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, 2015

Governmental funds capital assets:	
Land	\$ 70,539,687
Buildings	297,106,838
Improvements other than buildings	87,165,006
Machinery and equipment	30,198,838
Infrastructure	15,874,105
Construction in progress	<u>13,306,030</u>
Total governmental funds capital assets	<u>\$ 514,190,504</u>
Investments in governmental funds capital assets by source:	
General obligation bonds	\$ 275,016,966
State and federal grants	63,925,542
Federal revenue sharing	3,214,408
General Fund revenue	47,038,994
Special revenue funds	61,583,347
Contributed Capital	270,503
Dedicated lands	126,058
Donations	<u>63,014,686</u>
Total governmental funds capital assets	<u>\$ 514,190,504</u>

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

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity⁽¹⁾
 For the Fiscal Year Ended June 30, 2015

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2015</u>
General government	\$ 74,034,173	\$ 258,326	\$ 218,969	\$ 74,073,530
Senior citizens	243,800	30,651	-	274,451
Public safety:				
Fire protection and emergency medical	44,725,486	1,375,587	149,268	45,951,805
Emergency communications	8,595,921	-	-	8,595,921
Total public safety	53,321,407	1,375,587	149,268	54,547,726
Solid waste facilities	47,293,198	366,296	442,111	47,217,383
Road maintenance:				
Maintenance	226,232	31,166	32,515	224,883
Roads	15,428,165	346,188	-	15,774,353
Total road maintenance	15,654,397	377,354	32,515	15,999,236
Recreation:				
North Peninsula Recreation service area	11,238,852	109,045	-	11,347,897
Schools	309,856,922	873,359	-	310,730,281
Total governmental funds capital assets	\$ 511,642,749	\$ 3,390,618	\$ 842,863	\$ 514,190,504

⁽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, 2015

	<u>Land</u>	<u>Buildings</u>	<u>Buildings Other Than Improvements</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General government:							
Administration building	\$ -	\$ 2,702,657	\$ 1,798,773	\$ 1,518,620	\$ -	\$ -	\$ 6,020,050
Maintenance	203,609	1,392,155	33,538	985,682	-	-	2,614,984
Area-wide	63,598,504	-	-	-	-	-	63,598,504
Kenai River Center	-	1,784,612	-	55,378	-	-	1,839,990
Total general government	<u>63,802,113</u>	<u>5,879,424</u>	<u>1,832,311</u>	<u>2,559,680</u>	<u>-</u>	<u>-</u>	<u>74,073,528</u>
Senior citizens	-	243,800	-	30,651	-	-	274,451
Public safety:							
Fire protection and emergency medical:							
Nikiski Fire service area	49,172	7,518,414	266,489	6,832,747	-	-	14,666,822
Bear Creek Fire service area	17,211	860,390	130,271	2,043,186	-	5,627,711	8,678,769
Central Emergency service area	493,936	4,347,827	1,621,950	7,677,600	-	230,416	14,371,729
Anchor Point Fire and Emergency Medical service area	31,048	1,536,435	118,540	1,462,434	-	-	3,148,457
Kachemak Fire and Emergency	127,270	1,473,290	4,200	2,018,309	-	1,462,961	5,086,030
Total fire protection and emergency medical	<u>718,637</u>	<u>15,736,356</u>	<u>2,141,450</u>	<u>20,034,276</u>	<u>-</u>	<u>7,321,088</u>	<u>45,951,807</u>
Emergency communications:							
Central Peninsula Emergency Services communication center	-	4,838,523	1,513,149	1,065,042	-	-	7,416,714
Emergency warning systems	-	-	-	1,179,207	-	-	1,179,207
Total communications	<u>-</u>	<u>4,838,523</u>	<u>1,513,149</u>	<u>2,244,249</u>	<u>-</u>	<u>-</u>	<u>8,595,921</u>
Total public safety	<u>718,637</u>	<u>20,574,879</u>	<u>3,654,599</u>	<u>22,278,525</u>	<u>-</u>	<u>7,321,088</u>	<u>54,547,728</u>
Solid waste facilities	2,908,687	1,354,816	35,630,759	4,048,273	-	3,274,848	47,217,383
Road maintenance	-	-	-	224,883	15,774,353	-	15,999,236
Recreation:							
North Peninsula Recreation service area	145,640	8,513,465	2,292,126	396,666	-	-	11,347,897

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2015

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
School district:							
Central office and warehouse	-	1,791,905	604,290	-	-	-	2,396,195
Schools:							
Outside cities:							
Anchor Point Middle School	205,102	-	-	-	-	-	205,102
Central Peninsula Elementary	8,500	2,597,653	36,690	-	-	-	36,690
Chapman Elementary	-	1,034,989	545,363	-	-	-	3,151,516
Cooper Landing	-	2,531,213	150,986	-	-	-	1,185,975
Tebughna	-	2,447,908	152,551	-	-	-	2,683,764
English Bay	-	2,523,867	230,577	-	-	-	2,678,485
Hope Elementary	3,000	4,884,108	541,716	-	-	-	3,068,583
Kalifornsky Beach	258,803	4,953,680	267,449	-	-	-	5,410,360
McNeil Canyon	-	901,766	681,143	11,903	-	-	5,646,726
Moose Pass	28,154	1,104,529	68,404	-	-	-	998,324
Nanwalek	22,378	3,696,639	625,313	126,919	-	-	1,231,448
Nikiski Elementary	-	22,872,128	4,791,479	5,000	-	-	4,344,330
Nikiski High	51,282	4,923,106	352,854	72,801	-	-	27,668,607
Nikolaevsk	16,399	5,869,344	453,568	54,020	99,752	-	5,400,043
Nimilich	-	6,076,014	1,379,034	-	-	-	6,493,083
North Star Elementary	400	2,101,880	132,307	-	-	-	7,455,048
Port Graham	-	22,039,127	3,729,227	-	-	-	2,234,587
Skyview High	7,450	3,744,355	680,272	34,127	-	-	25,768,354
Sterling	8,001	7,883,965	303,740	-	-	-	4,466,204
Tustumena	19,556	150,000	16,400	34,156	-	-	8,195,706
Voznesenka	629,025	102,336,271	15,139,073	338,926	99,752	-	220,112
Total outside cities							118,543,047
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	-	-	-	34,793,510
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	6,143	-	-	57,007,943

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity⁽¹⁾

June 30, 2015

	Land	Buildings	Improvements Other Than Buildings	Equipment	Infrastructure	Construction In Progress	Total
Kenai:							
Elementary	137,941	2,614,381	104,667	-	-	-	2,856,989
Mountain View Elementary	-	5,892,103	1,374,172	67,213	-	-	7,333,488
Sears Elementary	41,575	1,709,394	464,620	-	-	-	2,215,589
Junior High	60,499	4,057,399	796,734	-	-	-	4,914,632
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	118,269	-	-	41,616,031
Seldovia:							
Susan B. English	27,953	3,705,452	1,005,119	-	-	-	4,738,524
Shop Building	1,000	430,000	-	-	-	-	431,000
Total Seldovia	28,953	4,135,452	1,005,119	-	-	-	5,169,524
Seward:							
Elementary	235,000	6,601,586	917,462	40,000	-	-	7,794,048
Middle	346,295	14,656,471	481,531	-	-	-	15,484,297
High School	182,596	12,722,087	2,118,247	-	-	-	15,022,930
Total Seward	763,891	33,980,144	3,517,240	40,000	-	-	38,301,275
Soldotna:							
Elementary	270,048	5,820,271	1,272,689	-	-	-	7,363,008
Redoubt Elementary	-	4,151,522	624,208	40,000	-	-	4,815,730
Multipurpose Room	-	316,186	-	-	-	-	316,186
Prep School	5,900	7,638,741	1,963,918	-	-	-	9,608,559
High School	900	16,273,933	1,767,927	71,484	-	2,710,094	20,824,338
Total Soldotna	276,848	34,200,653	5,628,742	111,484	-	2,710,094	42,927,821
Other areawide:							
Areawide 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	260,540,454	43,755,211	660,160	99,752	2,710,094	310,730,281
Total governmental funds capital assets	\$ 70,539,687	\$ 297,106,838	\$ 87,165,006	\$ 30,198,838	\$ 15,874,105	\$ 13,306,030	\$ 514,190,504

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

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Kenai Peninsula Borough

STATISTICAL TABLES

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

Contents

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Financial trends

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

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Revenue capacity

These schedules contain information to help the reader assess the Borough's most significant local revenue source.

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Debt capacity

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

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Demographic and economic information

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

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Operating information

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

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

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

	2006	2007	2008	2009	2010	2011	2012 *	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$206,436	\$212,721	\$212,403	\$221,769	\$224,474	\$225,627	\$224,040	\$221,588	\$218,646	\$208,238
Restricted	7,454	4,841	3,339	6,458	6,100	31,554	21,595	13,703	13,594	26,675
Unrestricted	51,140	54,577	66,242	59,174	59,561	28,467	30,959	42,758	46,742	15,675
Total governmental activities net Position	\$265,030	\$272,139	\$281,984	\$287,401	\$290,135	\$285,648	\$276,594	\$278,049	\$278,982	\$250,588
Business-type activities:										
Net investment in capital assets	\$39,332	\$47,721	\$49,462	\$52,461	\$50,882	\$53,690	-	-	-	-
Restricted	3,677	1,481	1,236	774	745	828	-	-	-	-
Unrestricted	46,054	43,742	44,860	47,559	53,188	55,651	-	-	-	-
Total business-type activities net Position	\$89,063	\$92,944	\$95,558	\$100,794	\$104,815	\$110,169	-	-	-	-
Primary government										
Net investment in capital assets	\$245,768	\$260,442	\$261,865	\$274,230	\$275,356	\$279,317	\$224,040	\$221,588	\$218,646	\$208,238
Restricted	11,131	6,322	4,575	7,232	6,845	32,382	21,595	13,703	13,594	26,675
Unrestricted	97,194	98,319	111,102	106,733	112,749	84,118	30,959	42,758	46,742	15,675
Total primary government net Position	\$354,093	\$365,083	\$377,542	\$388,195	\$394,950	\$395,817	\$276,594	\$278,049	\$278,982	\$250,588

* Implementation of GASB Statement 61.

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

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	\$ 14,181,543	\$ 12,009,076	\$ 13,779,385	\$ 16,353,718
Solid waste	5,314,682	4,529,426	3,926,410	7,089,368
Public safety	10,301,729	11,048,782	11,158,284	13,459,309
Recreation	3,910,173	2,034,416	1,910,662	1,847,522
Education	46,208,601	46,526,601	45,793,694	49,039,690
Environmental protection	1,614,440	1,234,971	2,090,813	963,468
Roads and trails	4,840,374	4,686,013	4,816,351	6,231,915
Interest on long-term debt	994,069	1,077,954	1,064,378	957,764
Total governmental activities expenses	<u>87,365,611</u>	<u>83,147,239</u>	<u>84,539,977</u>	<u>95,942,754</u>
Business-type activities-				
Hospitals	<u>74,003,739</u>	<u>90,057,676</u>	<u>100,952,586</u>	<u>112,328,342</u>
Total primary government expenses	<u>\$ 161,369,350</u>	<u>\$ 173,204,915</u>	<u>\$ 185,492,563</u>	<u>\$ 208,271,096</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	345,976	380,614	392,902	777,538
Solid waste	282,653	434,748	269,726	460,064
Public safety	1,080,412	1,774,276	1,964,061	1,867,890
Recreation	168,123	180,655	197,361	219,188
Operating grants and contribution	6,293,122	3,399,453	2,766,547	4,550,168
Capital grants and contributions	3,184,671	4,118,769	3,594,638	4,500,246
Total governmental activities program revenues:	<u>11,354,957</u>	<u>10,288,515</u>	<u>9,185,235</u>	<u>12,375,094</u>
Business-type activities:				
Hospital charges for services	75,458,572	86,620,954	95,689,825	107,798,997
Operating grants and contribution	-	154,950	13,621	255,010
Capital grants and contributions	-	-	-	1,709,281
Total business-type activities	<u>75,458,572</u>	<u>86,775,904</u>	<u>95,703,446</u>	<u>109,763,288</u>
Total primary government program revenues	<u>\$ 86,813,529</u>	<u>\$ 97,064,419</u>	<u>\$ 104,888,681</u>	<u>\$ 122,138,382</u>
Net (expenses)/revenue				
Governmental activities	(76,010,654)	(72,858,724)	(75,354,742)	(83,567,660)
Business-type activities	1,454,833	(3,281,772)	(5,249,140)	(2,565,054)
Total primary government net expense	<u>\$ (74,555,821)</u>	<u>\$ (76,140,496)</u>	<u>\$ (80,603,882)</u>	<u>\$ (86,132,714)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes				
Property taxes	44,430,849	48,397,294	47,167,291	45,763,297
Sales taxes	16,755,426	18,321,611	23,801,181	28,585,036
Unrestricted grants and contributions	2,843,908	6,379,840	5,247,721	7,767,742
Investment earnings	1,855,581	4,927,247	4,682,399	4,247,230
Special items	2,678,564	194,435	2,163,478	2,576,186
Miscellaneous	4,548,277	1,746,975	2,137,826	45,372
Total governmental activities	<u>73,112,605</u>	<u>79,967,402</u>	<u>85,199,896</u>	<u>88,984,863</u>
Business-type activities:				
Property taxes	4,864,764	5,412,121	6,254,543	7,133,533
Unrestricted grants and contributions	-	-	-	-
Investment earnings	600,935	1,385,420	1,363,418	665,850
Miscellaneous	1,361,719	364,497	245,151	1,759
Total business-type activities	<u>6,827,418</u>	<u>7,162,038</u>	<u>7,863,112</u>	<u>7,801,142</u>
Total primary government	<u>79,940,023</u>	<u>87,129,440</u>	<u>93,063,008</u>	<u>96,786,005</u>
Changes in net position				
Governmental activities	(2,898,049)	7,108,678	9,845,154	5,417,203
Business-type activities	8,282,251	3,880,266	2,613,972	5,236,088
Total primary government	<u>\$ 5,384,202</u>	<u>\$ 10,988,944</u>	<u>\$ 12,459,126</u>	<u>\$ 10,653,291</u>

* Implementation of GASB Statement 61.

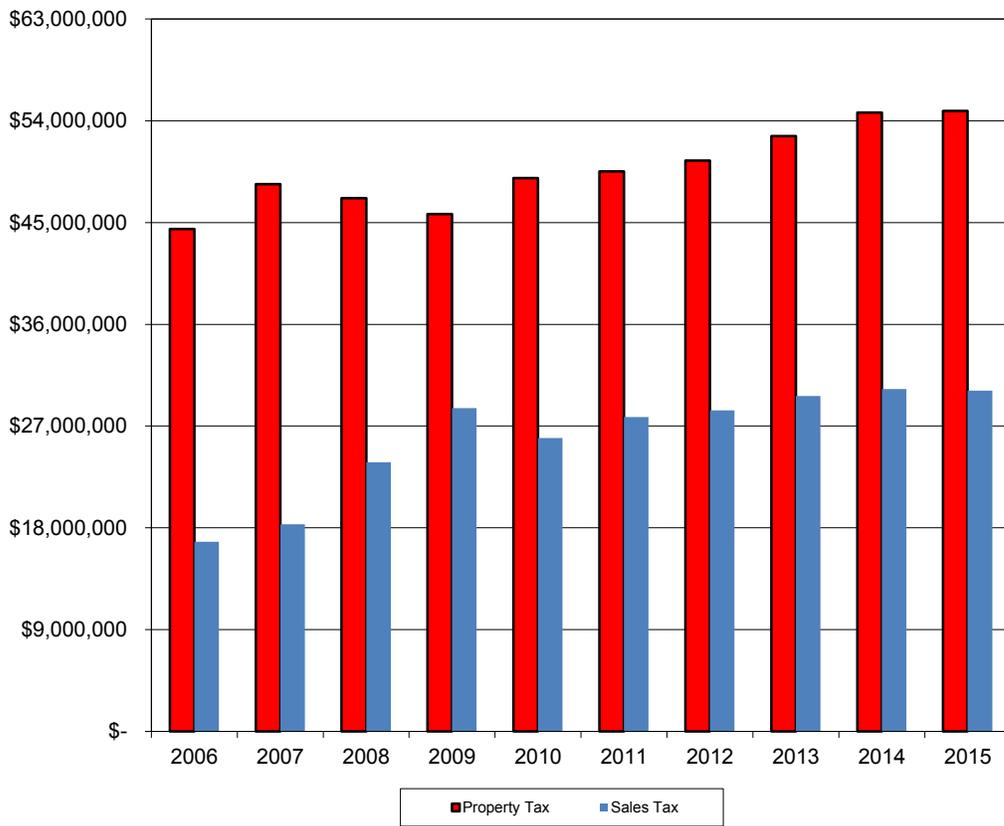
TABLE II

2010	2011	2012 *	2013	2014	2015
\$ 17,307,520	\$ 18,126,563	\$ 17,886,287	\$ 18,131,325	\$ 17,735,043	\$ 18,173,307
7,467,484	7,536,420	7,784,525	7,903,125	7,192,764	7,740,270
14,301,797	14,994,328	17,974,573	18,440,219	19,447,827	19,257,277
1,807,974	1,511,382	1,884,148	2,421,002	2,209,306	2,350,050
50,303,282	51,614,442	57,206,138	59,159,828	60,833,417	59,732,399
1,278,621	2,095,777	2,047,058	1,053,278	858,013	664,142
11,147,224	10,899,606	12,447,099	10,682,102	9,899,171	9,890,591
935,175	1,290,407	1,445,013	1,375,115	1,761,142	2,013,946
<u>104,549,077</u>	<u>108,068,925</u>	<u>118,674,841</u>	<u>119,165,994</u>	<u>119,936,683</u>	<u>119,821,982</u>
121,676,751	134,868,579	-	-	-	-
<u>\$ 226,225,828</u>	<u>\$ 242,937,504</u>	<u>\$ 118,674,841</u>	<u>\$ 119,165,994</u>	<u>\$ 119,936,683</u>	<u>\$ 119,821,982</u>
570,325	730,655	1,162,154	1,645,436	1,005,815	266,672
370,883	526,970	817,272	1,456,190	1,083,996	917,181
1,929,385	1,903,911	2,245,443	2,234,481	2,337,286	2,659,677
230,075	224,696	220,883	224,667	220,838	98,987
3,561,640	6,330,835	7,285,211	6,656,208	8,201,468	7,472,614
13,259,418	5,963,765	9,727,105	17,845,053	14,915,979	6,770,240
<u>19,921,726</u>	<u>15,680,832</u>	<u>21,458,068</u>	<u>30,062,035</u>	<u>27,765,382</u>	<u>18,185,371</u>
119,417,217	135,659,575	-	-	-	-
315,294	281,884	-	-	-	-
179,897	-	-	-	-	-
<u>119,912,408</u>	<u>135,941,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 139,834,134</u>	<u>\$ 151,622,291</u>	<u>\$ 21,458,068</u>	<u>\$ 30,062,035</u>	<u>\$ 27,765,382</u>	<u>\$ 18,185,371</u>
(84,627,351)	(92,388,093)	(97,216,773)	(89,103,959)	(92,171,301)	(101,636,611)
(1,764,343)	1,072,880	-	-	-	-
<u>\$ (86,391,694)</u>	<u>\$ (91,315,213)</u>	<u>\$ (97,216,773)</u>	<u>\$ (89,103,959)</u>	<u>\$ (92,171,301)</u>	<u>\$ (101,636,611)</u>
48,932,675	49,529,435	50,485,761	52,664,077	54,724,582	54,888,191
25,950,998	27,798,976	28,385,150	29,664,629	30,277,599	30,138,426
6,149,121	6,103,016	7,102,607	7,309,264	6,364,283	6,465,467
2,931,268	1,699,310	2,072,921	596,346	1,671,191	1,772,756
1,199,342	748,272	-	-	-	-
2,198,057	933,987	116,156	400,698	66,609	(434,213)
<u>87,361,461</u>	<u>86,812,996</u>	<u>88,162,595</u>	<u>90,635,014</u>	<u>93,104,264</u>	<u>92,830,627</u>
5,847,538	3,835,889	-	-	-	-
-	-	-	-	-	-
453,222	327,381	-	-	-	-
(515,750)	117,793	-	-	-	-
<u>5,785,010</u>	<u>4,281,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>93,146,471</u>	<u>91,094,059</u>	<u>88,162,595</u>	<u>90,635,014</u>	<u>93,104,264</u>	<u>92,830,627</u>
2,734,110	(5,575,097)	(9,054,178)	1,531,055	932,963	(8,805,984)
4,020,667	5,353,943	-	-	-	-
<u>\$ 6,754,777</u>	<u>\$ (221,154)</u>	<u>\$ (9,054,178)</u>	<u>\$ 1,531,055</u>	<u>\$ 932,963</u>	<u>\$ (8,805,984)</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>
2006	\$ 44,430,849	\$ 16,755,426	\$ 61,186,275
2007	48,397,294	18,321,611	66,718,905
2008	47,167,291	23,801,181	70,968,472
2009	45,763,297	28,585,036	74,348,333
2010	48,932,675	25,950,998	74,883,673
2011	49,529,435	27,798,976	77,328,411
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



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

TABLE IV

	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
General Fund										
Reserved	\$ 252,852	\$ 279,145	\$ 480,474	\$ 533,923	\$ 160,584	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	15,032,451	20,013,018	23,979,600	24,604,294	22,864,839	-	-	-	-	-
Nonspendable	-	-	-	-	-	251,065	198,063	6,944,837	8,879,666	11,345,210
Restricted	-	-	-	-	-	-	-	70,000	105,020	90,000
Committed	-	-	-	-	-	339,610	373,867	638,937	243,157	458,748
Assigned	-	-	-	-	-	17,523,149	15,407,886	15,326,705	14,658,934	16,244,676
Unassigned	-	-	-	-	-	3,591,990	5,486,767	330,506	994,595	-
Total General Fund	\$15,285,303	\$20,292,163	\$24,460,074	\$25,138,217	\$23,025,423	\$21,705,814	\$21,466,583	\$23,310,985	\$24,881,372	\$28,138,634
All other governmental funds										
Reserved	5,604,994	5,751,376	3,321,822	4,471,230	4,893,211	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	23,612,583	22,364,901	25,077,731	25,864,320	23,125,512	-	-	-	-	-
Capital projects funds	11,506,248	10,834,479	7,695,830	6,740,283	13,922,365	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	803,227	1,045,538	3,661	1,500	44
Restricted	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	11,661,025	10,385,968	11,279,700	13,460,361	14,937,097
Capital projects funds	-	-	-	-	-	24,592,081	16,659,200	8,508,355	22,479,158	16,946,646
Committed	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	1,739,754	575,377	344,964	79,393	59,091
Capital projects funds	-	-	-	-	-	6,516,387	6,565,219	9,856,833	11,034,193	11,262,666
Assigned	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	4,781,994	4,006,915	6,309,208	6,582,069	7,136,273
Capital projects funds	-	-	-	-	-	1,690,262	841,612	580,535	145,464	-
Unassigned	-	-	-	-	-	-	(51,378)	(23,364)	-	(171,444)
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$40,723,825	\$38,950,756	\$36,095,383	\$37,075,833	\$41,941,088	\$51,784,730	\$40,028,451	\$36,859,892	\$53,782,138	\$50,170,373

* 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Property taxes	\$ 44,202,071	\$ 48,235,053	\$ 47,216,050	\$ 45,796,378	\$ 48,613,059	\$ 49,736,514	\$ 50,230,334	\$ 52,916,285	\$ 54,570,598	\$ 54,662,814
Sales tax	16,755,426	18,321,611	23,801,181	28,585,036	29,950,998	27,798,976	28,385,150	29,664,629	30,277,598	30,138,426
Intergovernmental	14,924,888	15,416,267	13,317,714	16,759,845	24,874,838	17,785,198	22,716,818	31,294,288	28,613,640	25,393,552
Investment earnings	1,685,672	4,536,308	4,269,412	3,877,032	2,697,058	1,527,901	1,895,316	581,394	1,740,079	1,681,379
Other revenues	4,252,498	3,218,169	4,016,545	3,392,467	3,355,662	4,953,946	5,153,172	6,844,468	5,253,525	7,029,745
Total revenues	81,820,555	89,727,408	92,620,902	98,410,758	105,491,615	101,802,535	108,380,790	121,301,064	120,455,440	118,905,916
Expenditures:										
General government	12,795,754	12,302,055	13,379,469	15,881,770	17,060,295	17,401,291	17,740,213	17,962,124	17,615,805	21,276,848
Solid waste	4,147,463	4,578,280	4,791,911	5,311,704	5,353,292	5,704,476	5,739,959	4,843,412	1,833,477	6,789,061
Public safety	9,375,840	10,540,010	10,750,484	11,985,795	12,798,445	13,396,428	16,517,524	16,268,117	18,829,271	19,456,359
Recreation	3,448,362	1,295,789	1,302,674	1,441,969	1,424,141	1,136,151	1,536,689	1,982,994	1,745,588	2,234,204
Education	37,695,674	38,614,183	38,603,640	42,450,275	43,981,113	46,064,673	51,524,574	51,447,909	52,695,845	53,038,298
Environmental protection	1,614,440	1,234,971	2,090,813	963,468	1,287,515	2,095,423	2,048,151	1,052,619	909,596	665,071
Roads and trails	3,479,969	3,402,294	4,309,600	6,101,376	6,853,831	10,558,262	11,252,663	10,273,390	9,494,678	9,693,517
Capital outlay	11,425,755	13,661,765	12,699,282	9,282,690	15,649,412	10,429,218	9,144,780	15,221,756	17,672,292	3,262,122
Debt service										
Principal	3,485,000	2,065,000	2,305,000	2,355,000	2,410,000	3,414,000	3,340,000	3,515,000	2,770,000	3,390,000
Interest and other (1) (2)	1,065,369	1,087,269	1,075,491	978,119	881,110	943,580	1,613,560	1,469,468	1,380,830	2,397,295
Total expenditures	88,533,626	88,781,616	91,308,364	96,752,166	107,699,154	111,143,502	120,458,113	124,036,789	124,947,382	122,202,775
Excess of revenues over (under) expenditures	(6,713,071)	945,792	1,312,538	1,658,592	(2,207,539)	(9,340,967)	(12,077,323)	(2,735,725)	(4,491,942)	(3,296,859)
Other financing sources (uses)										
Bonds issued	2,500,000	2,588,000	-	-	4,960,000	16,865,000	8,150,000	1,215,000	20,860,000	1,425,000
Premium on bonds issued	-	-	-	-	-	-	1,284,121	196,568	2,124,575	245,693
Payment to rfd bd escrow agent	-	-	-	-	-	-	(9,352,308)	-	-	(1,648,963)
Transfers in	16,406,111	19,851,269	17,069,227	17,444,450	17,396,622	10,120,206	8,166,490	8,429,925	8,043,061	9,505,521
Transfers out	(16,706,111)	(20,151,269)	(17,069,227)	(17,444,450)	(17,396,622)	(9,120,206)	(8,166,490)	(8,429,925)	(8,043,061)	(9,505,521)
Net other financing sources (uses)	2,200,000	2,288,000	-	-	4,960,000	17,865,000	81,813	1,411,568	22,984,575	21,730
Net change in fund balances	\$ (4,513,071)	\$ 3,233,792	\$ 1,312,538	\$ 1,658,592	\$ 2,752,461	\$ 8,524,033	\$ (11,995,510)	\$ (1,324,157)	\$ 18,492,633	\$ (3,275,129)
GO Debt service as a percentage of noncapital expenditures	5.90%	4.20%	4.30%	3.81%	3.58%	4.33%	4.45%	4.58%	3.87%	4.87%
Total non-capital expenditures	77,107,871	75,119,851	78,609,082	87,469,476	92,049,742	100,714,284	111,313,333	108,815,033	107,275,090	118,940,653
(1) 2012 includes \$81,813 in bond issuance costs.										
(2) 2015 includes \$21,730 in bond issuance costs.										
non-capital expenditures	77,107,871	75,119,851	78,609,082	87,469,476	92,049,742	100,714,284	111,313,333	108,815,033	107,275,090	118,940,653
GO Debt service	4,550,369	3,152,269	3,380,491	3,333,119	3,291,110	4,357,580	4,953,560	4,984,468	4,150,830	5,787,295
	5.90%	4.20%	4.30%	3.81%	3.58%	4.33%	4.45%	4.58%	3.87%	4.87%

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

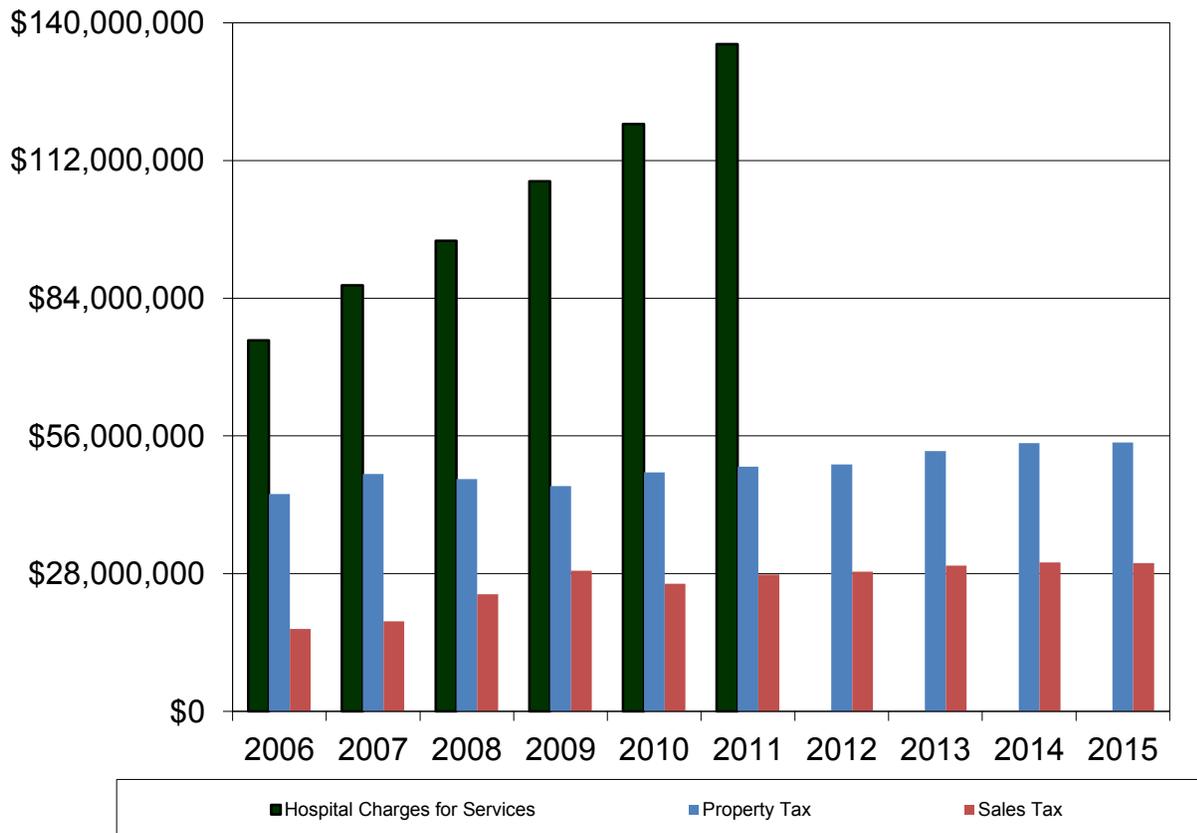
TABLE VI

<u>Fiscal Year</u>	<u>Hospital Charge for Services (3)</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2006	\$ 75,458,572	\$ 44,202,701	\$ 16,755,426	\$ 136,416,699
2007	86,620,954	48,235,053	18,321,611	153,177,618
2008	95,689,825	47,216,050	(1) 23,801,181	166,707,056
2009	107,798,997	45,796,378	28,585,036	182,180,411
2010	119,417,217	48,613,059	(2) 25,950,998	193,981,274
2011	135,659,575	49,736,514	27,798,976	213,195,065
2012	-	50,230,334	28,385,150	78,615,484 (3)
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

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

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

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



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

TABLE VII

Fiscal Year	Assessed Values (1)				Tax Exempt Values (1)			Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
	Real	Oil & Gas	Personal Property	Real	Personal	Personal				
2006	\$ 4,009,648	\$ 561,689	\$ 285,351	\$ 304,702	\$ 44,210	\$ 4,507,776	6.50	92.82%		
2007	4,402,946	558,190	295,431	340,356	28,161	4,888,050	6.50	92.99%		
2008	4,940,180	607,052	224,479	374,395	27,938	5,369,378	5.50	93.03%		
2009	5,533,794	635,272	220,272	394,457	28,124	5,966,757	4.50	93.39%		
2010	5,883,881	703,063	245,915	434,556	29,205	6,369,098	4.50	93.21%		
2011	5,901,904	713,954	259,714	451,127	30,914	6,393,531	4.50	92.99%		
2012	6,180,464	698,991	257,619	472,878	30,955	6,633,241	4.50	92.94%		
2013	6,172,547	810,065	286,399	520,490	32,511	6,716,010	4.50	92.39%		
2014	6,202,494	989,766	292,407	492,565	31,906	6,960,196	4.50	92.99%		
2015	6,330,106	1,142,158	324,853	826,802 (2)	32,999	6,937,316	4.50	88.97%		

Total estimated actual value of property less mandatory federal and state exemptions (1)

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

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

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

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

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

TABLE VIII

Fiscal Year	Borough (1) (4)		Overlapping Rates (2)											
	City of Homer (5)		City of Kachemak (5)		City of Kenai (5)		City of Seldovia (5)		City of Seward (5)		City of Soldotna (5)			
	Operating	Special District	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts	Operating	Special Districts		
2006	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	7.25	0.00	3.12	0.50	1.65	3.35
2007	6.50	0.10	4.50	1.75	2.00	1.75	4.50	1.00	4.60	0.00	3.12	0.50	1.65	3.35
2008	5.50	0.00 (3)	4.50	2.00	2.00	2.00	4.50	1.00	4.60	0.00	3.12	0.50	1.65	3.55
2009	4.50	0.00	4.50	2.30	1.00	2.30	4.50	0.90	4.60	0.00	3.12	0.50	1.65	3.35
2010	4.50	0.00	4.50	2.30	1.00	2.30	4.00	0.50	4.60	0.00	3.12	0.50	1.65	2.95
2011	4.50	0.00	4.50	2.30	1.00	2.30	3.85	0.02	4.60	0.00	3.12	0.50	1.65	2.47
2012	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	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	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	4.50	0.00	4.50	2.30	1.00	2.30	4.35	0.01	4.60	0.75	3.12	0.50	0.50	2.66

(1) Borough's General Fund maximum mill rate for FY2010 is 8.238 mills
 (2) Overlapping rates are those of the first class cities located within the Borough. The mill rates shown consist of two components: the mill rate for the operating entity and the mill rate for special districts, which include fire and emergency response, higher education, and local support for hospitals.
 (3) The mill rate for the special district, the Post Secondary Fund, was combined into the Operating fund mill rate.

Sources:

- (4) Data provided by Kenai Peninsula Borough Clerk's Office.
- (5) Data provided by the City Clerk's Office for each respective City.

Kenai Peninsula Borough
Principal Property Taxpayers
Current and Nine Years Ago

TABLE IX

<u>Taxpayer</u>	2015			2006		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
Hilcorp Alaska, LLC	\$ 460,096,690	1	6.63%	\$ -		-
ConocoPhillips Inc.	240,642,477	2	3.47%	168,304,581	3	3.73%
Tesoro Alaska	178,222,079	3	2.57%	232,415,562	1	5.16%
Cook Inlet Natural Gas Storage AK LLC	116,889,716	4	1.68%	-		-
Alaska Communications Systems	77,886,637	5	1.12%	67,667,803	7	1.50%
XTO Energy INC	61,522,320	6	0.89%	41,297,440	8	0.92%
Alaska Pipeline	58,676,344	7	0.85%	19,489,137	10	0.43%
Kenai Offshore Ventures, LLC	38,246,000	8	0.55%	-		-
Cook Inlet Energy, LLC	36,446,610	9	0.53%	-		-
Enstar Natural Gas	36,147,765	10	0.52%	-		-
Kenai Kachemak Pipeline	-		0.00%	37,435,042	9	0.83%
BP Exploration Alaska, Inc.	-		-	69,316,173	6	1.54%
Agrium US, Inc.	-		-	77,322,261	5	1.72%
Marathon Oil Co.	-		-	96,303,157	4	2.14%
Union Oil/Unocal	-		-	198,945,387	2	4.41%
	<u>\$ 1,304,776,638</u>		<u>18.81%</u>	<u>\$ 1,008,496,543</u>		<u>22.38%</u>

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

Total Assessed value based on total
tax levy for FY2014 and FY2005 respectively.

\$ 6,937,316,000

\$ 4,507,776,000

Kenai Peninsula Borough
 Taxable Sales by Line of Business
 Current

TABLE X

<u>Line of Business</u>	<u>2015</u>
Retail Trade	\$ 489,382,889
Restaurant/Bar	90,743,459
Hotel/Motel/Bed & Breakfast	81,038,098
Utilities	72,635,796
Guiding Water	49,641,811
Information	40,311,967
Services	36,023,730
Wholesale Trade	27,892,066
Rental Residential Property	24,081,159
Public Administration	17,276,190
Professional, Scientific and Technical	16,106,216
Construction Contracting	12,095,623
Telecommunications	10,179,822
Administrative, Waste Management	9,533,781
Manufacturing	9,379,319
Rental Non-Residential Property	9,337,713
Mining/Quarrying	7,322,052
Arts and Entertainment	5,426,939
Transportation and Warehousing	4,441,539
Other	17,341,240
Grand Total	<u>\$ 1,030,191,409</u>

Borough direct sales tax rate 3.00%

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

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

TABLE XI

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected in the Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 29,357,626	\$ 28,978,909	98.710%	\$ 377,088	\$ 29,355,997	99.994%
2007	31,768,274	31,346,983	98.674%	416,128	31,763,111	99.984%
2008	30,042,125	29,651,635	98.700%	384,223	30,035,858	99.979%
2009	26,779,449	26,431,968	98.702%	342,092	26,774,060	99.980%
2010	28,875,124	28,375,677	98.270%	492,221	28,867,898	99.975%
2011	29,058,274	28,630,610	98.528%	416,838	29,047,448	99.963%
2012	30,419,493	29,946,804	98.446%	454,696	30,401,500	99.941%
2013	30,823,497	30,382,636	98.570%	415,972	30,798,608	99.919%
2014	31,750,392	31,332,596	98.684%	335,880	31,668,476	99.742%
2015	31,685,014	31,142,025	98.286%	-	31,142,025	98.286%

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

TABLE XII

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)	Total	General Bonded Debt as a percentage of total Personal Income (4)	General Bonded Debt as a percentage of 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			
2006	\$ 21,874,000	\$ 2,500,000	\$ 54,645,000	\$ 81,019,000	4.91%	1.67%	\$ 426	\$ 127	\$ -	\$ 777	\$ 1,406			
2007	22,399,000	2,425,000	54,560,844	80,835,036	4.87%	1.54%	428	123	-	764	1,353			
2008	20,174,000	2,345,000	66,998,700	90,627,270	5.06%	1.57%	381	115	-	1,893	1,290			
2009	17,904,000	2,260,000	64,201,793	85,120,523	4.34%	1.33%	338	116	-	1,787	1,209			
2010	20,526,000	2,170,000	61,319,887	84,400,966	3.93%	1.24%	383	111	-	1,716	1,153			
2011	34,036,000	2,075,000	58,322,981 (5)	95,065,726	4.43%	1.38%	614	113	-	1,604	1,070			
2012	30,730,000	1,975,000	-	32,705,000	1.44%	0.46%	545	88	-	-	-			
2013	27,953,830	3,279,111	-	31,232,941	1.21%	0.43%	493	83	793	-	-			
2014	48,107,552	3,124,283	-	51,231,835	1.98%	0.68%	848	78	770	-	-			
2015	44,631,585	3,093,980	-	47,725,565	1.84%	0.61%	781	68	744	-	-			

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

(6) Assessed values and Tax exempt values represent only those values/exemptions provided by the Borough.

It does not include those values/exemptions provided by federal or state requirements.
Population data can be found in Table XIV

Kenai Peninsula Borough
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIV

Fiscal Year	Population (1)	Personal Income (amount expressed in thousands)	Per Capita Personal Income (3)	Median Age (2)	School Enrollment (5)	Unemployment Rate (2)	Number of employed (2)
2006	51,350	\$ 1,650,417	\$ 32,141	39.7	9,389	8.70%	23,086
2007	52,370	1,660,353	31,704	39.1	9,368	8.10%	23,409
2008	52,990	1,791,892	33,816	39.2	9,250	7.60%	23,838
2009	52,990	1,959,462	36,978	39.2	9,256	7.80%	24,326
2010	53,578	2,145,309	40,041	39.4	9,145	9.80%	24,326
2011	55,400	2,148,001	38,773	40.6	8,978	10.00%	24,510
2012	56,369	2,271,490	40,297	40.6	8,922	9.50%	24,674
2013	56,756	2,591,281	45,657	41.4	8,886	8.60%	24,017
2014	56,862	2,591,281 (4)	45,571	40.0	8,756	7.90%	23,909
2015	57,147	2,770,796	48,485	40.5	8,837	7.80%	24,264

Sources:

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

Data is provided by the State of Alaska Department of Labor and is 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 year has been updated to match updated

(2) statistical reported information.

(3) Data is provided by the US Department of Commerce, Bureau of Economic Analysis (BEA)

(4) 2014 data unavailable BEA currently providing 2012-13.

(5) Revise figures provided for FY2011-2014 from the Kenai Peninsula Borough School District.

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

Kenai Peninsula Borough
Principal Employers
Current and Nine Years Ago

TABLE XV

<u>Employer</u>	<u>2015 *</u> <u>Rank</u>	<u>2006 *</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.

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

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

TABLE XVI

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Assembly	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayor	11.00	10.00	10.00	10.00	10.00	9.00	8.00	9.00	10.00	10.00
Office of Emergency Mgmt	2.67	2.80	2.80	3.55	4.55	4.55	4.00	4.00	4.25	4.25
General Services	22.60	21.60	21.80	22.10	22.60	22.60	-	-	-	-
HR	-	-	-	-	-	-	7.60	7.60	7.55	7.55
IT	-	-	-	-	-	-	11.00	11.00	11.50	11.50
Legal	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance	23.00	23.00	23.00	23.00	23.00	23.00	22.00	22.00	22.00	22.00
Assessing	21.00	21.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Planning	8.50	9.00	9.00	9.00	9.00	9.00	13.00	13.00	13.00	13.00
River Center	4.00	4.50	4.50	5.00	6.00	6.00	6.00	6.00	6.00	5.00
Capital Projects	8.00	8.00	8.00	9.00	8.50	6.50	6.00	7.00	7.00	9.00
Total	111.27	110.40	111.60	114.15	116.15	113.15	110.10	112.10	113.80	114.80
Fire and Emergency Services:										
Nikiski Fire	23.00	23.00	23.00	21.00	21.00	21.00	20.00	20.00	20.00	20.75
Bear Creek Fire	0.40	0.40	0.40	0.75	0.75	1.50	1.50	1.50	1.50	1.50
Anchor Point	1.00	1.00	1.00	1.00	1.00	1.00	2.50	2.50	2.50	3.50
CES	28.00	30.50	33.50	33.50	37.50	37.50	38.50	42.00	42.00	41.00
Kachemak	-	-	0.75	1.00	2.00	3.00	3.50	3.50	4.00	4.00
911 Communications	7.33	7.20	8.70	8.70	10.70	10.70	11.25	11.25	11.75	12.25
Seward Bear Creek Flood	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Recreation	13.25	13.25	13.25	13.25	14.25	14.25	14.25	14.65	14.65	14.65
Roads	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Land Trust Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Nikiski seniors	1.00	1.00	1.00	-	-	-	-	-	-	-
Solid Waste	19.25	19.25	20.25	20.75	21.00	21.00	20.00	21.00	17.00	17.00
Risk Management	4.60	4.60	4.60	3.60	4.00	4.00	4.00	4.00	4.00	4.00
Total	221.60	223.10	230.80	231.45	242.10	240.85	239.35	246.25	244.95	247.20
Positions controlled by the Kenai Peninsula Borough but reported as part of in-kind expenditures for the Kenai Peninsula Borough School District	45.30	44.30	45.30	46.30	46.30	46.30	45.30	46.30	46.30	46.30

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government- 911 calls answered	17,926	15,084	16,590	18,834	21,494	21,260	21,834	21,831	26,364	28,210
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	733	665	737	820	870	929	926	902	842	919
Bear Creek	76	120	164	134	132	111	132	119	136	140
Anchor Point	190	191	198	215	150	194	235	250	262	309
CES	1,942	1,825	1,919	1,962	1,977	2,095	1,815	1,729	1,770	1,800
Kachemak	99	95	114	147	120	140	139	197	216	253
Landfills-										
Refuse collected (tons)	64,000	67,200	65,000	65,828	60,720	64,759	78,250	78,178	63,564	82,937

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fire and emergency services:										
Number of Stations:										
Nikiski	4	4	4	4	4	4	4	4	4	4
Bear Creek	1	1	1	1	1	1	1	1	1	1
Anchor Point	1	1	2	2	2	2	2	2	2	2
CES	4	5	6	6	6	8	8	8	8	8
Kachemak	1	1	1	1	1	1	1	1	1	1
Landfills:										
Number of municipal waste landfills	8	8	8	8	8	8	8	8	8	8 (1)
Number of transfer facilities/sites	12	12	12	12	12	12	12	12	13	13
Recreation-										
Number of facilities	8	8	8	8	8	8	9	9	9	9
Roads-										
Miles of roads maintained	614	620	623	631	633	634	636	638	640	640

(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, 2015

<u>Federal Grantor</u>	<u>Grant Number</u>	<u>CFDA #</u>	<u>Expenditures 6/30/15</u>
<u>U.S. Department of the Interior:</u>			
Passed through U.S. Bureau of Land Management:			
Payment in Lieu of Taxes **	2014 SEC 6901/02	15.226	\$ 2,920,626
Payment in Lieu of Taxes	2015 SEC 6901/02	15.226	2,651,067
Total CFDA 15.226			5,571,693
Passed through US Fish and Wildlife Service:			
National Wildlife Refuge Revenue Sharing	FY2015	15.659	20,835
River Debris Removal	F12AC00365	15.608	750
Coastal Impact Assistance Program:			
Planning & Administration	F14AF00791	15.668	600
Adopt-A-Stream Program	F12AF70248	15.668	35,388
Recreation Area Sanitation	F12AF70131	15.668	7,461
Stream Channel and Elevation Modeling	F12AF00443	15.668	5,937
Total CFDA 15.668			49,386
Total U.S. Department of the Interior			5,642,664
<u>U.S. Department of Homeland Security:</u>			
Travel & Training Grant - Association of Floodplain Managers Conference	29826	97.023	2,810
September 2012 Flood Federal Declared Disaster	FEMA-4094-DR	97.036	1,967
October 2013 Flood Federal Declared Disaster	FEMA-4161-DR	97.036	138,748
Total CFDA 97.036			140,715
Bear Creek Staffing for Adequate Fire & Emergency Response	EMW-2010-FF-00163	97.083	5,808
Passed through Alaska Department of Natural Resources Division of Forestry:			
Sterling-Card Street Fire Emergency Response	FEMA-5085 FM-AK	97.046	7,021
Bear Creek Fire Service Area AFG-Turnout Gear	EMW-2013-FO-03777	97.044	15,200
Bear Creek Fire Service Area Staff Training	EMW-2012-FO-05793	97.044	7,545
Total CFDA 97.044			22,745
SHSP-Anchor Point Radios & Moose Pass Generator	EMW-2014-SS-00010	97.067	64,965
SHSP-Radios for Kachemak Emergency Services & Alaska Shield	EMW-2013-SS-00098	97.067	1,392
Total CFDA 97.067			66,357
Emergency Management Performance Grant	EMW-2014-EP-00054	97.042	142,000
Total Department of Homeland Security			387,456
<u>U.S. Department of Agriculture:</u>			
National Forest Receipts	-	10.665	515,226
Passed through U.S. Forest Service:			
06 Spruce Bark Beetle Infestation	07BTL	10.664	581
Passed through Alaska Department of Natural Resources:			
Anchor Point Fire & EMS Service Area Volunteer Fire Assistance Grant	FY15	10.664	10,000
Bear Creek Fire SA Volunteer Fire Assistance Grant	FY15	10.664	9,993
Nikiski Fire & EMS Service Area Volunteer Fire Assistance Grant	FY15	10.664	9,925
Total CFDA 10.664			30,499
Total U.S. Department of Agriculture			545,725
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through Alaska Department of Commerce, Community & Economic Development:			
Kachemak-Selo School Study-Community Development Block Grant	12-CDBG-002	14.228	18,517
Total U.S. Department of Housing and Urban Development			18,517
TOTAL FEDERAL			\$ 6,594,362

* Federal Major Program

**PILT - prior period adjustment per GASB 65

Kenai Peninsula Borough
 Schedule of State Financial Assistance
 Year Ended June 30, 2015

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/15</u>
<u>Alaska Department of Commerce, Community & Economic Development:</u>		
Shared Fisheries Business Tax		\$ 6,320
Fish Resource Landing Tax		14,108
Community Revenue Sharing - Borough *	FY15	2,146,014
Community Revenue Sharing - Seldovia Village Tribe	FY13	10,229
Community Revenue Sharing - Anchor Point Senior Citizens	FY14	1,515
Community Revenue Sharing - Center for Alaskan Coastal Studies	FY14	5,543
Community Revenue Sharing - Hope, Inc.	FY14	10,004
Community Revenue Sharing - Kachemak Gun Club	FY14	1,513
Community Revenue Sharing - Kachemak Ski Club	FY14	637
Community Revenue Sharing - Kasilof-Cohoe Cemetery Association	FY14	657
Community Revenue Sharing - Port Graham Village Council	FY14	6,709
Community Revenue Sharing - Seldovia Village Tribe	FY14	20,200
Community Revenue Sharing - Snomads Snowmachine Club Inc.	FY14	10,072
Community Revenue Sharing - AK Children's Institute for Performing Arts	FY15	20,200
Community Revenue Sharing - Anchor Point Public Library	FY15	8,160
Community Revenue Sharing - Anchor Point Senior Citizens	FY15	8,086
Community Revenue Sharing - Boys & Girls Club of the Kenai Peninsula	FY15	11,734
Community Revenue Sharing - Boys & Girls Club of Southcentral Alaska	FY15	20,200
Community Revenue Sharing - Caribou Hills Cabin Hoppers	FY15	19,743
Community Revenue Sharing - Cooper Landing Community Club	FY15	20,200
Community Revenue Sharing - Funny River Chamber of Commerce	FY15	20,200
Community Revenue Sharing - Homer Hockey Association	FY15	2,856
Community Revenue Sharing - Hope, Inc.	FY15	11,088
Community Revenue Sharing - Kachemak Emergency Services	FY15	5,530
Community Revenue Sharing - Kachemak Gun Club	FY15	3,954
Community Revenue Sharing - Kachemak Nordic Ski Club	FY15	9,184
Community Revenue Sharing - Kachemak Ski Club	FY15	5,100
Community Revenue Sharing - Kasilof Public Library	FY15	8,466
Community Revenue Sharing - Kasilof Regional Historical Association	FY15	15,606
Community Revenue Sharing - Kasilof-Cohoe Cemetery Association	FY15	4,594
Community Revenue Sharing - Kenai Peninsula Food Bank	FY15	8,077
Community Revenue Sharing - Lowell Point Community Council	FY15	19,804
Community Revenue Sharing - Love Incorporated of the Kenai Peninsula	FY15	1,621
Community Revenue Sharing - Moose Pass Volunteer Fire Department	FY15	60,600
Community Revenue Sharing - Nanwalek IRA Council	FY15	9,565
Community Revenue Sharing - Nikolaevsk Community Council	FY15	20,200
Community Revenue Sharing - Ninilchik Chamber of Commerce	FY15	4,040
Community Revenue Sharing - Ninilchik Emergency Services	FY15	4,040
Community Revenue Sharing - Ninilchik Fair Association	FY15	4,040
Community Revenue Sharing - Ninilchik Senior Citizens	FY15	4,040
Community Revenue Sharing - North Peninsula Community Council	FY15	20,200
Community Revenue Sharing - Peninsula Spay and Neuter Association	FY15	3,232
Community Revenue Sharing - Port Graham Village Council	FY15	20,200
Community Revenue Sharing - Rural Alaska Community Action	FY15	6,734
Community Revenue Sharing - Seldovia Village Tribe	FY15	20,200
Community Revenue Sharing - Snomads Snowmachine Club Inc.	FY15	8,600
Community Revenue Sharing - Sterling Community Club	FY15	6,733
Community Revenue Sharing - Sterling Seniors	FY15	6,733

(continued)

Kenai Peninsula Borough
Schedule of State Financial Assistance
Year Ended June 30, 2015

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/15</u>
<u>Alaska Department of Commerce, Community & Economic Development continued:</u>		
Community Revenue Sharing - Tsalteshi Trails Association	FY15	7,270
Community Revenue Sharing - Village of Kachemak Selo Inc.	FY15	20,200
Community Revenue Sharing - Village of Razdolna	FY15	20,200
Anchor Point Fire Sewer System project	14-DM-023	6,086
Bear Creek Multi-Use Facility *	13-DC-566	171,306
Bear Creek Search and Rescue Equipment	15-DC-083	21,715
Borough-wide Road Upgrades	11-DC-252	26,261
Borough-wide Road Upgrades *	12-DC-383	2,613,071
Borough-wide Road Upgrades *	13-DC-614	1,094,245
Central Peninsula Landfill Equipment Maintenance Building	15-DC-084	1,631
Central Peninsula Landfill Thermal Leachate Evaporator Unit and Building *	14-DC-068	259,007
Elodea Eradication Project *	15-DC-085	310,519
Hazard Tree Removal *	13-DC-445	116,798
Kachemak Emergency Service Area - Diamond Ridge Station *	14-RR-039	244,788
Kachemak Emergency Service Area - Diamond Ridge Station	15-RR-037	95,774
Kachemak Emergency Service Area - Quint Aerial *	15-DC-087	250,000
Nikiski Area Environmental Investigation of Borough Property *	14-RR-041	136,411
North Peninsula Recreation Community Center Roof, Exterior Siding, and Painting	13-RR-011	73,969
North Peninsula Recreation Pool Tile Flooring	14-RR-040	1,550
North Peninsula Recreation Nikiski Community Recreation Center Demo & Maintenance *	15-DC-088	156,714
Paved Lighted Pedestrian Path	15-DC-086	27,763
Security Camera Systems in Borough-owned Facilities *	13-DC-489	118,338
Soldotna High School Artificial Turf *	14-DC-071	558,777
Seward Bear Creek Flood Mitigation Projects *	14-DC-070	124,028
Tall Tree Avenue Bridge Rebuild & Road Upgrade	15-DC-091	9,438
Total Alaska Department of Commerce, Community & Economic Development		9,122,940
<u>Alaska Department of Revenue:</u>		
Commercial Passenger Vessel Tax *	CY14	307,578
Electric & Telephone Cooperative *	FY15	157,017
Fish Tax *	FY15	954,880
Total Alaska Department of Revenue		1,419,475
<u>Alaska Department of Education & Early Development:</u>		
School Debt Reimbursement *		2,901,870
Total Alaska Department of Education & Early Development		2,901,870
<u>Alaska Department of Administration:</u>		
Division of Retirement & Benefits PERS Relief HB180 *	FY15 SB119	9,532,675
Total Alaska Department of Administration		9,532,675
<u>Alaska Department of Military & Veteran Affairs:</u>		
Passed Through the Alaska Division of Homeland Security & Emergency Management		
September 2012 Flood Federal Declared Disaster	FEMA-4094-DR	656
October 2013 Flood Federal Declared Disaster	FEMA-4161-DR	46,249
Sterling-Card Street Fire Emergency Response	AK-15-249	2,340
Local Emergency Planning Committee	15LEPC-GR35602	22,983
Total Alaska Department of Military & Veteran Affairs		72,228
TOTAL STATE		\$ 23,049,188

* State Major Program

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