

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

JOHN J. WILLIAMS
BOROUGH MAYOR

PREPARED BY
DEPARTMENT OF FINANCE

CRAIG C. CHAPMAN
DIRECTOR OF FINANCE

TERRY A. EUBANK
CONTROLLER

**Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report
Year Ended June 30, 2006**

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Single Audit

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KENAI PENINSULA BOROUGH

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JOHN J. WILLIAMS
MAYOR

October 25, 2006

Honorable Members of the Assembly
Citizens of the Kenai Peninsula Borough

In accordance with Section 29.35.120 of Alaska Statutes, we are pleased to submit the Comprehensive Annual Financial Report for the year ended June 30, 2006. The financial statements were prepared in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Kenai Peninsula Borough ("Borough"). Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the Borough has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Borough's financial statements have been audited by Mikunda, Cottrell & Company, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Borough's financial statements for the fiscal year ended June 30, 2006, 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.

The independent audit of the financial statements of the Borough was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and State of Alaska grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the

audited government's internal controls and compliance with certain legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Borough's separately issued Single Audit Report.

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

Profile of the Kenai Peninsula Borough

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 miles. The Borough is located in the south central part of the state of Alaska. The Borough 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 line extensions and road improvement districts. The Borough also has non-areawide port and harbor powers that are not currently exercised. Funding for the Borough, by order of financial significances, is provided from property tax, sales tax, state revenue, interest earnings, federal revenue, and other sources.

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

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The

mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been appropriated. For the general fund, this comparison is presented on pages 37-38 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.

Factors Affecting Financial Condition

Economy

The Borough's economy has experienced consistent, gradual growth since the late 1980's. Local indicators point to continued growth and stability. Borough wide, the general government tax rate has decreased from 8.59 mills in FY1996 to 6.5 mills in FY2003 and has remained constant at this rate through FY2006. This reduction in the mill rate was made possible by the use of fund balance, which was deemed to be in excess of required amount and taxable property values increasing at a rate faster than expenditures. Sales tax continues to generate a larger portion of the borough's general fund revenue; in FY1998, sales tax revenue represented 21% of total general fund revenues; in FY2006 sales tax revenue represents almost 30%. Oil and gas continues to provide stable reduced employment in the Borough, with gas on the increase and oil on a slow decline. Gas supplies in quantities needed for liquefied natural gas are projected to run out within the next decade if new supplies are not made available through discovery or pipelines from other areas. Fertilizer production at the Agrium plant has been reduced to limited availability of natural gas. A gas pipeline from the Alaskan North Slope to the Kenai Peninsula is one option that is being considered. Feasibility studies are being conducted to assess the viability of coal gasification as an alternative to natural. Both Wal-Mart and Lowes have expressed interest in constructing stores in the Kenai area, with construction expected to begin in the fall of 2007.

Long term financial planning

The South Peninsula Hospital and Central Peninsula General Hospital are both in the process of constructing additions to their facilities. The South Peninsula Hospital Service Area issued 20-year Service Area General Obligation bonds through the Alaska Municipal Bond Bank, in the amount of \$10,290,000 on September 30, 2003, with annual debt payments of approximately \$800,000. They are also looking at going to the voters in the special election in Spring 2007 to complete the expansion of their facility. It is estimated the cost would be approximately \$16,000,000 and would require a mill rate increase of 1.07 mills to support the increased debt payment. On December 18, 2003, Central Peninsula General Hospital Service Area issued 20-year Service Area General Obligation bonds in the amount of \$47,985,000 for the purpose of expanding their facility, annual debt payments are approximately \$3,750,000. Additionally, the Borough issued 20 year bonds through the Alaska Municipal Bond Bank in the amount of \$2,500,000 for the construction of a new fire station located in Kasilof, Alaska, in June 2006.

Cash management policies and practices

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

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

Risk Management

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

Pension and Other Postemployment Benefits

The Borough provides pensions benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The Borough has no obligations in connection with employee benefits offered through this plan beyond its annual required payment to the pension plan. The employer rates for FY05 was 17.81%, 22.81% for FY06, and are projected to be 37.39% in FY08. The increase in rates is necessary to cover the unfunded liability of the plan.

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

The South Peninsula Hospital (hospital) employees participate in a defined benefit single employer plan. The plan was established and is administered by the hospital's private non-profit operator. Each year, an independent actuary calculates the amount of the annual contribution the non-profit hospital operator must make to the pension plan. As of last valuation date, the non-profit pension plan was funded at 97% of the present value of the projected benefits earned by employees.

The Central Peninsula General Hospital employees participate in a defined contribution pension plan established by the hospital's non-profit operator under Internal Revenue Code 403 (b). Under the plan, the non-profit operator matches employee contributions up to 4% of gross pay.

Additional information on pension arrangements and postemployment benefits can be found starting on page 64 in the notes to the financial statements.

Awards and Acknowledgments

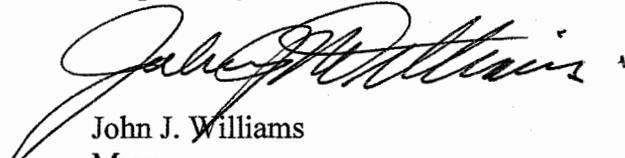
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kenai Peninsula Borough for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the twenty-fifth consecutive year that the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently organized CAFR, whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

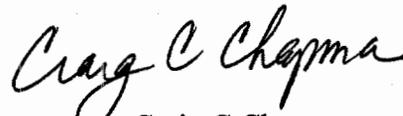
In addition, the Borough also received the GFOA's Distinguished Budget Presentation Award for its FY2006 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the Borough's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report was made possible by the dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report, with a special thanks to Catherine Wallace and Troy Tankersley, Division Managers; Brandi Harbaugh, Auditor/Accountant; and Jerri Braun, administrative assistant. We also want to thank the finance department staff at the Kenai Peninsula Borough School District, the South Peninsula Hospital, and Central Peninsula General Hospital for their assistance. We also want to thank the members of the Borough Assembly for your interest and support in planning and conducting the financial operations of the Borough in a responsible and progressive manner.

Respectfully submitted,



John J. Williams
Mayor



Craig C. Chapman
Director of Finance



Terry Eubank
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kenai Peninsula Borough
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

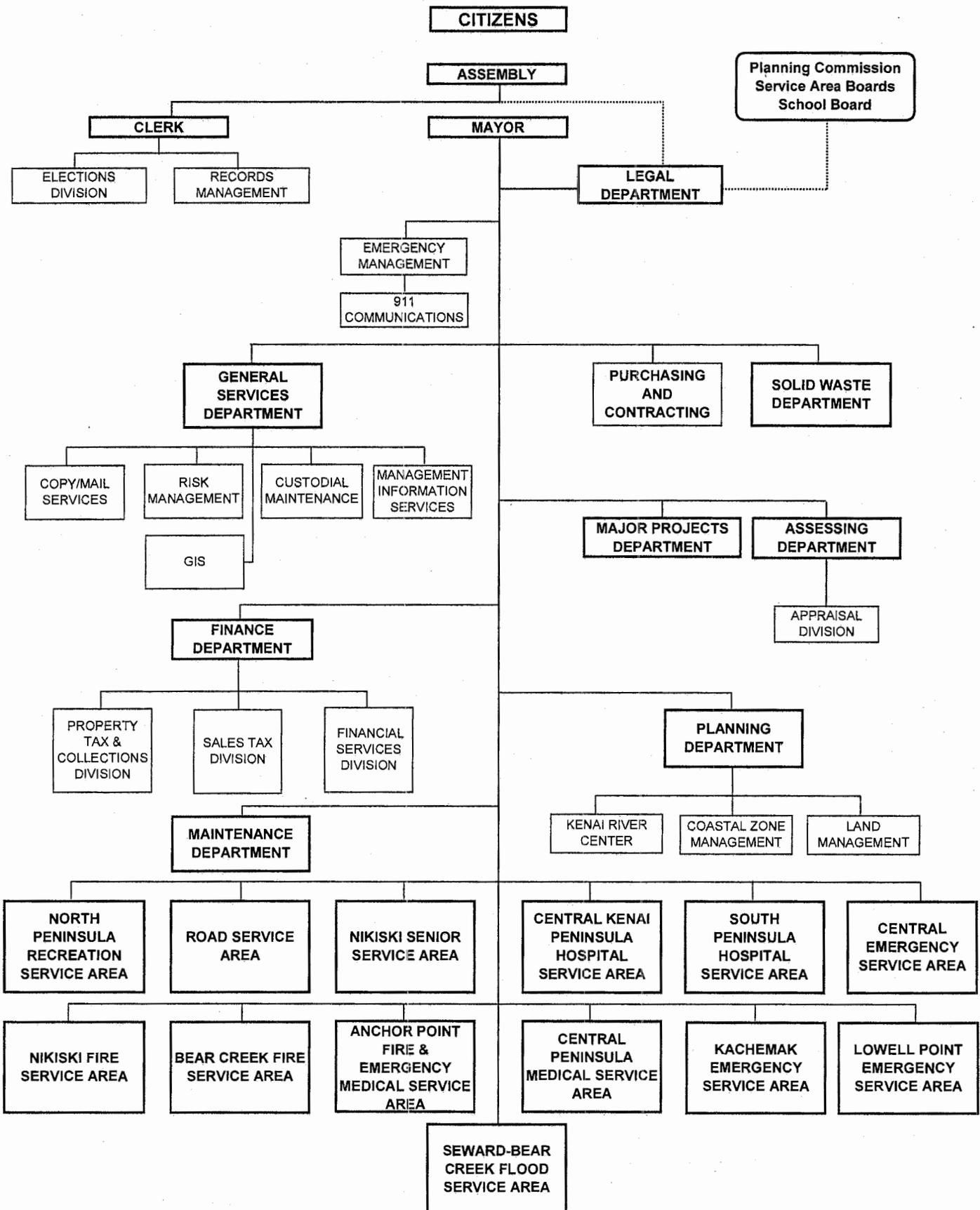
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

KENAI PENINSULA BOROUGH ORGANIZATIONAL CHART



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

| | |
|-----------------|----------------|
| Ron Long | President |
| Pete Sprague | Vice President |
| Dan Chay | |
| Paul Fischer | |
| Margaret Gilman | |
| Gary Superman | |
| Milli Martin | |
| Grace Merkes | |
| Deborah Germano | |

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

Administration

| | |
|------------------|----------------------------------|
| John J Williams | Borough Mayor |
| Craig C Chapman | Finance Director |
| Colette Thompson | Borough Attorney |
| Richard Campbell | General Services Director |
| Sherry Biggs | Borough Clerk |
| Shane Horan | Assessing Director |
| Max Best | Planning Director |
| Walter Robson | Major Projects Director |
| Bill Kopecky | Maintenance Director |
| Catherine Mayer | Solid Waste Director |
| Mark Fowler | Purchasing & Contracting Officer |

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Craig C Chapman

Division Managers

Terry Eubank
Cathey Wallace
Troy Tankersley
Rhonda Krohn

Controller
Budget
Sales Tax
Property Tax

Accounting Staff

Jerri Braun
Tracy Davis
Erin Lockwood
Karen Evans
Brandi Harbaugh
Rene Schaffner
Charlene Hibpshman
Jessica Vester-½ time
DeRay Jones

Becky Karsten
Lauri Lingafelt
Cathy Wagner
Laurie Wood
Marie Payfer
Misty Merriman
Joanne Rodgers
Amy Falk-½ time
Christina Griffiths

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AUDITOR REPORT

Independent Auditor's Report

Members of the Assembly
Kenai Peninsula Borough
Soldotna, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2006, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kenai Peninsula Borough's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kenai Peninsula Borough, Alaska, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Assembly
Kenai Peninsula Borough

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Michael Cottrell & Co.

October 5, 2006
Kenai, Alaska

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's
Discussion & Analysis**



Management's Discussion and Analysis

As management of the Kenai Peninsula Borough (Borough), we offer the readers of the Borough's financial statements this overview and analysis of the Borough's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the Kenai Peninsula Borough exceeded its liabilities at the close of the most recent year by \$354.1 million. Of this amount, \$97.2 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors. Much of this amount has been previously designated by the Borough assembly for specific purposes and is discussed in more detail on page 24 and page 51.
- The Kenai Peninsula Borough has established a formal Fund Balance policy effecting the general fund, annually budgeted special revenue funds and general government capital project funds. The policy sets for minimum and maximum levels. As of June 30, 2006, two special revenue funds were outside the policy range and will be addressed in the next budget cycle.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15.3 million, a decrease of \$1.9 million. Of this amount \$15.0 million was unreserved, undesignated and available for spending. The unreserved, undesignated fund balance for the General Fund represented 26.3% of total General Fund expenditures and transfers. This compares to 20.6% as of June 30, 2005.
- The Borough's total net assets increased \$5.4 million.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$56.0 million, a decrease of \$4.5 million in comparison to the prior year.
- The Borough incurred new debt of \$2.5 million for construction of a new fire station in Kasilof, Alaska (Central Emergency Service Area) and \$2.0 million for purchase of a CT scanner and picture archiving system at the South Peninsula Hospital (Enterprise Fund). Total outstanding debt decreased \$1.3 million to a year-end balance of \$81.0 million.

Overview of the Financial Statements

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

Government-wide financial statements.

The basic financial statements include two kinds of statements that present different view 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 business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

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

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

The government-wide financial statements present not only the Borough itself, which is the primary government, but also its component unit, the Kenai Peninsula Borough School District for which the Borough is financially accountable. Financial information for the School District is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 31-32 of this report.

Fund financial statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have 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, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the short-term view of the Borough's operations. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Borough maintains 39 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Bond Funded Capital Project Fund. The other 37

governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the nonmajor funds are presented in the Combining Balance Sheet Nonmajor Special Revenue Funds, Combining Balance Sheet Nonmajor Capital Project Funds, Combining Balance Sheet Nonmajor Debt Service Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Capital Project Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds.

The basic governmental fund financial statements can be found on pages 33-38 of this report. Budgetary comparison statements for 15 special revenue funds and 3 debt service funds with annual budgets are provided on pages 86-101 and 114-115 respectively to demonstrate compliance with these budgets.

Proprietary funds.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Central Peninsula General Hospital and South Peninsula Hospital, both of which are considered to be major funds of the Borough. The basic proprietary fund financial statements can be found on pages 39-43 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 44 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understating of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-69 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 73-115 and internal service funds can be found on pages 119-121 of this report.

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Borough, assets exceeded liabilities by \$354.1 million, at June 30, 2006 compared to \$348.7 million at June 30, 2005. By far the largest portion of the Borough's net assets (70%) reflects its investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that are still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. During FY2006, governmental activities capital assets, net of accumulated depreciation of the Borough decreased \$1.5 million. Current and other assets include \$69.7 million and \$73.4 million of cash and investments held for government activities at June 30, 2006 and 2005 and governmental activities long-term debt increased by \$.4 million. Restricted net assets of \$7.5 million and \$13.2 million in 2006 and 2005 respectively, result from restrictions imposed legally or externally by creditors, debt covenants, or grantors.

For business-type activities, \$46.1 million (56%) and \$45.1 million (56%) of net assets is unrestricted and may be used to meet the ongoing need of these organizations at June 30, 2006 and 2005, this represents an increase of \$1.0 million. Current and other assets include assets whose use is limited of \$43.7 million and \$65.7 million resulting from restrictions imposed externally by debt covenants and internally by directors.

Net Assets June 30, 2006 (in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 81.5 | \$ 84.6 | \$ 87.0 | \$ 104.4 | \$ 168.5 | \$ 189.0 |
| Capital assets | 232.1 | 230.6 | 74.0 | 44.5 | 306.1 | 275.1 |
| Total assets | <u>313.6</u> | <u>315.2</u> | <u>161.0</u> | <u>148.9</u> | <u>474.6</u> | <u>464.1</u> |
| Long-term debt outstanding | 32.3 | 31.9 | 58.5 | 58.9 | 90.8 | 90.8 |
| Other liabilities | 16.3 | 15.4 | 13.4 | 9.2 | 29.7 | 24.6 |
| Total liabilities | <u>48.6</u> | <u>47.3</u> | <u>71.9</u> | <u>68.1</u> | <u>120.5</u> | <u>115.4</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 206.4 | 207.8 | 39.3 | 35.7 | 245.7 | 243.5 |
| Restricted | 7.5 | 13.2 | 3.7 | 0.0 | 11.2 | 13.2 |
| Unrestricted | <u>51.1</u> | <u>46.9</u> | <u>46.1</u> | <u>45.1</u> | <u>97.2</u> | <u>92.0</u> |
| Total net assets | <u>\$ 265.0</u> | <u>\$ 267.9</u> | <u>\$ 89.1</u> | <u>\$ 80.8</u> | <u>\$ 354.1</u> | <u>\$ 348.7</u> |

Governmental activities.

Governmental activities decreased the Borough's net assets by \$2.9 million. This compares to a decrease of \$2.3 million for the year ended June 30, 2005. Key elements of this is as follows:

- Construction of a new Middle School in Seward with capitalized cost incurred during FY06 of \$4.0 million and a new landfill with capitalized cost incurred of \$.6 million.
- Continued spending of the General Fund, fund balance to offset increases in expenditures.
- Total funding for education increased \$4.4 million, with payments to the Kenai Peninsula Borough School District, a component unit, increasing \$1.3 million. Expenditures associated with the Arctic Winter Games were \$2.2 million.
- Public safety cost increased \$1.0 million. The largest factor of this increase was a grant in the amount of \$.7 million grant received from the Department of Homeland Security for the purchase of borough-wide communications improvement.

Business-type activities.

Business type activities increased the Borough's net assets by \$8.3 million. This compares to an increase of \$5.6 million for the year ended June 30, 2005. Key elements of this is as follows:

- The increase in net capital assets at Central Peninsula Hospital is related primarily to the bond-funded expansion project. Expenditures for the project during the year ended June 30, 2006 were \$27.3 million compared to \$7.7 million expended in fiscal year 2005.
- The Central Peninsula Hospital purchased the assets of Heritage Place, a 60 bed long-term care skilled nursing facility on June 30, 2006. Operation of the facility commenced on July 1, 2006.
- South Peninsula Hospital's loss from operations increased from \$.3 million in the year ended June 30, 2005 to \$2.1 million for the year ended June 30, 2006. Patient revenue at South Peninsula Hospital decreased 3.8% mainly as a result of lower volumes, while expenses increased approximately \$.8 million mainly as a result of higher employee wages and benefits. The hospital also received a one-time grant of \$927,151 from the State of Alaska to cover cost associated with their expansion project.
- Both hospitals have embarked on expansion projects. Central Kenai Peninsula General Hospital has started a \$49.9 million remodel and expansion to their current facility. Ground breaking was held in June 2004, completion is expected in 2008. Bonds in the amount of \$47.3 million were sold in December 2003 to finance the expansion. South Peninsula General Hospital started a \$17.0 million remodel and expansion to their current facility, Phase I. Ground breaking started in 2006; completion is expected to be in 2007. Bonds in the amount of \$10.3 million were sold September 2003; the balance of the project is being financed with internal sources. It is expected that an election will be held in Spring 2007 asking the voters of the Service Area whether to approve additional financing of \$14.0 million to complete this expansion project, Phase II.

The net assets for the Borough's business-type activities are \$89.1 million. As with the governmental activities, a substantial portion (47%) of the net assets is invested in capital assets. The Borough uses these assets to provide services to the citizens. The unrestricted net assets of the business-type activities are \$46.1 million as of June 30, 2006 compared to \$45.1 million at June 30, 2005.

Changes in net assets.

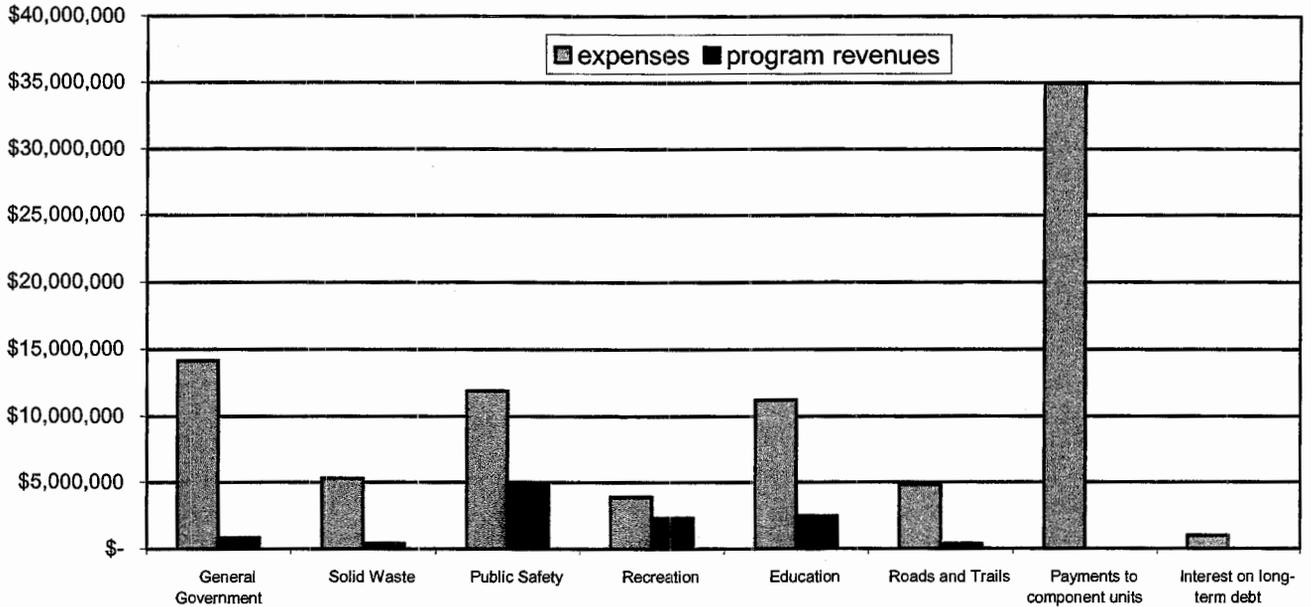
The Borough's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

Changes in Net Assets
For Year Ended June 30, 2006
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1.9 | \$ 1.7 | \$ 75.5 | \$ 74.5 | \$ 77.4 | \$ 76.2 |
| Operating grants and contributions | 6.3 | 3.3 | - | - | 6.3 | 3.3 |
| Capital grants and contributions | 3.2 | 1.7 | - | - | 3.2 | 1.7 |
| General revenues: | | | | | | |
| Property taxes | 44.5 | 42.1 | 4.8 | 4.6 | 49.3 | 46.7 |
| Sales taxes | 16.8 | 15.7 | - | - | 16.8 | 15.7 |
| Other | 11.7 | 10.6 | 2.0 | .6 | 13.7 | 11.2 |
| Total revenues | <u>84.4</u> | <u>75.1</u> | <u>82.3</u> | <u>79.7</u> | <u>166.7</u> | <u>154.8</u> |
| Expenses: | | | | | | |
| General government | 14.2 | 15.0 | - | - | 14.2 | 15.0 |
| Solid waste | 5.3 | 4.3 | - | - | 5.3 | 4.3 |
| Public safety | 11.9 | 10.9 | - | - | 11.9 | 10.9 |
| Recreation | 3.9 | 1.8 | - | - | 3.9 | 1.8 |
| Education | 11.2 | 8.1 | - | - | 11.2 | 8.1 |
| Road and trails | 4.8 | 2.4 | - | - | 4.8 | 2.4 |
| Payments to component unit- Kenai Peninsula Borough School District | 35.0 | 33.7 | - | - | 35.0 | 33.7 |
| Interest on long-term debt | 1.0 | 1.2 | - | - | 1.0 | 1.2 |
| Hospitals | - | - | 74.0 | 74.0 | 74.0 | 74.0 |
| Total expenses | <u>87.3</u> | <u>77.4</u> | <u>74.0</u> | <u>74.0</u> | <u>161.3</u> | <u>151.4</u> |
| Increase (decrease) in net assets | (2.9) | (2.3) | 8.3 | 5.7 | 5.4 | 3.4 |
| Net assets, beginning of year | <u>267.9</u> | <u>270.2</u> | <u>80.8</u> | <u>75.1</u> | <u>348.7</u> | <u>345.3</u> |
| Net assets, end of year | <u>\$265.0</u> | <u>\$267.9</u> | <u>\$89.1</u> | <u>\$80.8</u> | <u>\$354.1</u> | <u>\$348.7</u> |

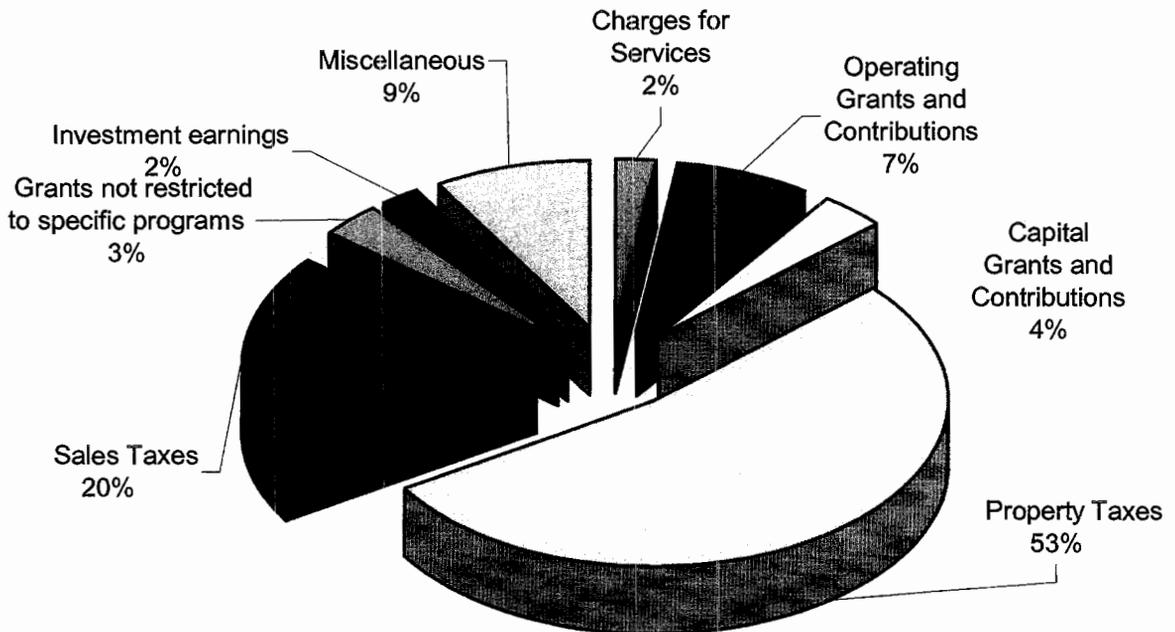
Expenses and Program Revenues – Governmental Activities

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



Revenues by Source – Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds.

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$56.0 million, a decrease of \$4.5 million in comparison with the prior year. A portion of this amount is reserved to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses, 3) or for other restricted purposes. The remainder of fund balance is unreserved (\$50.2 million); and is available for spending at the government's discretion.

Discussion of selected individual governmental funds is as follows:

General Fund

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, total fund balance was \$15.3 million, and unreserved undesignated fund balance was \$15.0 million. Total fund balance decreased \$1.9 million from the prior year. Key factors include:

- Continued use of fund balance to support expenditures. The Borough developed a fund balance policy in 1999 that determined fund balance was in excess of needed amounts and reduced the mill rate. By reducing the mill rate, the Borough authorized the use of fund balance to support expenditures. The Borough is currently within the fund balance range.
- An increase in funding to the Kenai Peninsula Borough School District in the amount of \$1.2 million.
- Increase in the Public Employees Retirement Rate (PERS) from 12.81% to 17.43%, resulting in additional cost to the general fund of \$.6 million.

North Peninsula Recreation Service Area Special Revenue Fund

Fund balance in this service area increased \$761,570 or approximately 90% when compared to FY2005 ending fund balance amount. Most of this increase (\$550,000) is a one-time adjustment as a result of transferring funds from their capital project fund that was no longer needed to support their long-term capital plan.

Environmental Protection Program Special Revenue Fund

Fund balance in this fund decreased \$1,402,669 or approximately 27% when compared to the FY2005 ending fund balance. Since 1998, the Borough has received approximately \$16.3 million from the federal government to address damage caused by the spruce bark beetle. The

Borough will use the remaining fund balance of \$3.7 million over the next few years to address this issue.

Land Trust Special Revenue Fund

Fund balance in this fund decreased \$58,375, when compared to the FY2005 ending balance. As part of the FY2006 budget, the assembly appropriated \$1,438,705 from the Land Trust Fund, fund balance for transfer to the Borough's general fund to finance operations. Without this transfer, fund balance would have increased \$1,380,330. This transfer is expected to be a one-time transaction.

Miscellaneous Grant Fund

During FY2006, the Borough was the sponsoring government for the FY2006 Arctic Winter Games. The Arctic Winter Games are held biannually for those countries located above the 60 parallel and is a high profile circumpolar sport competition for northern and arctic athletes. Funding from local, state, federal sources in excess of \$3,500,000 was expended in FY2006 to support the games. The Games celebrate sport, social exchange and cultures and provide an opportunity for the developing athlete to compete in friendly competition while sharing cultural values from northern regions around the world.

Proprietary funds.

The Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the hospitals at the end of the year were \$46.1 million. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the of the Borough's business-type activities.

General Fund Budgetary Highlights

During the year there were decreases of \$283,470 in appropriations between the original budget and the final amended budget. They were relatively minor and can be briefly summarized as follows:

- Legal Department
 - \$15,000 to cover cost associated with Board of Equalization hearings.
- Finance
 - \$48,400 to cover health insurance cost in excess of budgeted amounts.
- Assessing
 - \$15,000 to cover cost associated with Board of Equalization hearings.
- Public Safety
 - \$18,000 to cover cost associated with analyzing operating cost of the 911-communication center.
- Transfers
 - \$250,000 to partially reimburse Central Emergency Services (CES) for their contribution to construct the new Emergency Operations Center. It should be noted the assembly has indicated they intend to provide additional funding of

\$250,000 to CES in FY2006, FY2007, and FY2008 to fully reimburse them for their contribution to this project.

- All departments
 - Public Employees Retirement System (PERS). The Alaska legislature enacted legislation that provided funding to political subdivisions to assist with the increase in rates for PERS. The amount provided to the Kenai Peninsula Borough was \$625,569 of which the General Fund received \$268,680.
 - A new administration was elected in November 2005. The new administration made changes to the FY2006 budget totaling \$850,150. These changes included the following:
 - Cancellation of a \$600,000 ERP project.
 - Elimination of the Program Manager position in the Community and Economic Development Department, estimated saving was \$59,800.

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

- Interest earnings came in approximately \$650,000 less than budgeted due to GASB31 adjustments regarding unrealized losses.
- Sales tax came in \$1,100,000 more than budgeted, mainly due to a strong fishing season in the summer of 2005.
- Personnel cost were \$400,000 less than budgeted due to a hiring freeze instituted by the new administration.
- Contract services were \$440,000 less than budgeted as projects previously authorized were delayed or canceled.

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$306.1 million (net of accumulated depreciation), an increase of \$30.0 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

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

| | |
|--|----------------|
| Various major repairs and additions to school facilities | \$ 5.6 million |
| Capital improvements/equipment at the Borough's Two hospitals | \$29.5 million |
| Various major repairs and additions to Borough landfills | \$.8 million |
| A variety of major repairs for existing roads and bridges | \$ 1.5 million |
| Various major repairs and additions to public safety facilities | \$ 3.1 million |

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

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|----------------|--------------------------|----------------|-----------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land & Improvements | \$ 65.0 | \$ 62.8 | \$ 1.4 | \$ 1.0 | \$ 66.4 | \$ 63.8 |
| Buildings | 120.4 | 126.0 | 18.6 | 20.0 | 139.0 | 146.0 |
| Improvements other than buildings | 12.7 | 12.4 | .1 | .1 | 12.8 | 12.5 |
| Machinery and equipment | 7.9 | 7.1 | 11.4 | 11.2 | 19.3 | 18.3 |
| Infrastructure | 4.4 | 3.9 | - | - | 4.4 | 3.9 |
| Construction in progress | 21.7 | 18.4 | 42.2 | 12.2 | 64.2 | 30.6 |
| Total governmental funds capital assets | \$232.1 | \$230.6 | \$ 74.0 | \$ 44.5 | \$ 306.1 | \$ 275.1 |

Additional information on the Borough's capital assets can be found in Note E on pages 57-59 of this report.

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$88.9 million, (not including bond premium) an increase of \$.1 million from June 30, 2005. Of this amount, \$79.0 million was bonded and backed by the full faith and credit of the Borough or Service Areas of the Borough. The remaining debt consists of debt secured by equipment, for pension obligation, and landfill closure cost. New debt included bonds that were sold for the Central Emergency Service Area in June 2006 in the amount of \$2,500,000 and bank financing of \$2,000,000 for a new CT scanner and picture archiving system at the South Peninsula Hospital.

Kenai Peninsula Borough Outstanding Debt
(in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General Obligation bonds | \$ 24.4 | \$ 25.5 | \$ 54.6 | \$ 56.6 | \$ 79.0 | \$ 82.1 |
| Other debt | 7.9 | 6.4 | 2.0 | .3 | 9.9 | 6.7 |
| Total outstanding debt | \$ 32.3 | \$ 31.9 | \$ 56.6 | \$ 56.9 | \$ 88.9 | \$ 88.8 |

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

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

Economic Factors and the Next Year's Budget and Rates

Unemployment stood at 8.6%, a decrease from the prior year rate of 9.6%; this compares to the national average of 5.1%. In 2001, the Borough established a fund balance policy. The results of this policy indicated that the General Fund, fund balance was in excess of both the minimum amount and the maximum amount. With fund balance in excess of allowable amounts, the Borough was able to reduce the mill rate from 8.0 mills in FY2000 to 7.5 in FY2001, to 7.0 mills in FY2002 and to 6.5 mills in FY2003, where it has remained.

The Borough will need to address substantial increases in the Public Employees Retirement System (PERS) rate. The PERS rates for FY2006 was 17.43%, for the FY2007 the rate is 22.81%, for FY2008 the rate is expected to be 37.39%. The increase in cost for FY2007 when compared to FY2006 is estimated at \$3.1 million Borough-wide, the impact to the General Fund is estimated to be \$1.3 million.

At the end of FY2007, it is expected that the Borough's fund balance will be near the minimum amount allowed by Borough policy. In order to maintain compliance with this policy, additional revenues, a reduction in expenditures, or a combination will be needed in order for the fund balance to be within policy limits.

In setting the budgets for FY2007, 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 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.

All of these factors were considered in preparing the Borough's budget for FY2007.

Request for Information

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

BASIC FINANCIAL STATEMENTS



Kenai Peninsula Borough

**Statement of Net Assets
As of June 30, 2006**

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and Short-term Investments | \$ 38,999 | \$ 16,278,055 | \$ 16,317,054 | \$ 40,760 |
| Equity in Central Treasury | 69,626,768 | 6,368,478 | 75,995,246 | 16,339,308 |
| Receivables (Net of Allowances for Estimated Uncollectibles): | | | | |
| Taxes Receivable | 4,287,533 | 106,186 | 4,393,719 | - |
| Accounts Receivable | 102,102 | 17,075,088 | 17,177,190 | 323,430 |
| Land Sale Contracts Receivable: | | | | |
| Current | 212,235 | - | 212,235 | - |
| Delinquent | 14,911 | - | 14,911 | - |
| Due from Other Governments | 4,293,030 | - | 4,293,030 | 2,816,661 |
| Due from Special Assessment Districts | 1,035,082 | - | 1,035,082 | - |
| Prepays | 7,763 | 1,067,079 | 1,074,842 | - |
| Inventory | - | 2,325,322 | 2,325,322 | 1,037,775 |
| Land Sale Contracts Receivable: | | | | |
| Long-term | 1,913,495 | - | 1,913,495 | - |
| Assets whose use is limited: | | | | |
| Cash and cash equivalent | - | 696,064 | 696,064 | - |
| Investments | - | 43,016,094 | 43,016,094 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 65,039,040 | 1,193,748 | 66,232,788 | - |
| Buildings | 120,318,776 | 18,648,952 | 138,967,728 | - |
| Improvements other than buildings | 12,688,595 | 133,801 | 12,822,396 | - |
| Equipment | 7,898,891 | 11,524,448 | 19,423,339 | 1,197,683 |
| Construction in progress | 21,771,927 | 42,512,518 | 64,284,445 | - |
| Infrastructure | 4,416,509 | - | 4,416,509 | - |
| Total assets | \$ 313,665,656 | \$ 160,945,833 | \$ 474,611,489 | \$ 21,755,617 |
| Liabilities | | | | |
| Accounts, contracts and retainage payable | 2,307,783 | 6,383,566 | 8,691,349 | 728,886 |
| Accrued payroll and payroll taxes | 811,428 | 3,952,459 | 4,763,887 | 10,488,458 |
| Accrued interest | 139,733 | 897,734 | 1,037,467 | - |
| Unearned revenue | 10,505,188 | 2,137,542 | 12,642,730 | - |
| Noncurrent liabilities: | | | | |
| Compensated absences: | | | | |
| Due within one year | 814,980 | - | 814,980 | - |
| Due in more than one year | 1,787,140 | - | 1,787,140 | - |
| Long-term debt: | | | | |
| Due within one year | 4,186,550 | 2,454,014 | 6,640,564 | 68,726 |
| Due in more than one year | 28,082,773 | 56,056,780 | 84,139,553 | 3,436,167 |
| Total liabilities | 48,635,575 | 71,882,095 | 120,517,670 | 14,722,237 |
| Net Assets | | | | |
| Invested in Capital Assets, net of related debt | 206,436,230 | 39,332,206 | 245,768,436 | 1,128,957 |
| Restricted for: | | | | |
| Public Health | - | 3,677,285 | 3,677,285 | - |
| Public Safety | 5,753,009 | - | 5,753,009 | - |
| Education | 1,701,038 | - | 1,701,038 | 1,040,701 |
| Unrestricted | 51,139,804 | 46,054,247 | 97,194,051 | 4,863,722 |
| Total net assets | \$ 265,030,081 | \$ 89,063,738 | \$ 354,093,819 | \$ 7,033,380 |

The accompanying notes are an integral part of the financial statements

Kenal Peninsula Borough

Statement of Activities
For the Year Ended June 30, 2006

| Function/Program Activities Primary Government | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit |
|---|-----------------|-------------------------|-----------------------------|--|--|---|-----------------|-------------------|
| | Expenses | Charges for Services | Operating | | Governmental Activities | Primary Government Business-type Activities | Total | |
| | | | Grants and Contributions | Capital Grants and Contributions | | | | |
| Government Activities: | | | | | | | | |
| General Government | \$ 14,181,543 | \$ 345,976 | \$ 373,299 | \$ 123,023 | \$ (13,339,245) | \$ - | \$ (13,339,245) | \$ - |
| Solid Waste | 5,314,682 | 282,653 | 38,946 | 95,964 | (4,897,119) | - | (4,897,119) | - |
| Public Safety | 11,916,169 | 1,080,412 | 1,570,959 | 2,242,188 | (7,022,610) | - | (7,022,610) | - |
| Recreation | 3,910,173 | 188,123 | 2,009,063 | 162,141 | (1,570,846) | - | (1,570,846) | - |
| Education | 46,208,601 | - | 2,219,392 | 268,329 | (43,720,880) | - | (43,720,880) | - |
| Roads and Trails | 4,840,374 | - | 81,463 | 293,026 | (4,465,885) | - | (4,465,885) | - |
| Interest on long-term debt | 994,069 | - | - | - | (994,069) | - | (994,069) | - |
| Total government activities | 87,365,611 | 1,877,164 | 6,293,122 | 3,184,671 | (76,010,654) | - | (76,010,654) | - |
| Business Type activities: | | | | | | | | |
| Hospitals | 74,003,739 | 75,456,572 | - | - | - | 1,454,833 | 1,454,833 | - |
| Total primary government | \$ 161,369,350 | \$ 77,335,736 | \$ 6,293,122 | \$ 3,184,671 | (76,010,654) | 1,454,833 | (74,555,821) | - |
| Component unit: | | | | | | | | |
| Kenal Peninsula Borough School District | \$ 104,150,247 | \$ 1,216,514 | \$ 15,528,173 | \$ - | - | - | - | (87,405,560) |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | | | | | 44,430,849 | 4,864,764 | 49,295,613 | - |
| Sales Taxes | | | | | 16,755,426 | - | 16,755,426 | - |
| Grants not restricted to specific programs | | | | | 2,843,908 | - | 2,843,908 | 51,252,032 |
| Investment earnings | | | | | 1,855,581 | 600,935 | 2,456,516 | 494,410 |
| Gain (loss) on sale of assets | | | | | 16,188 | (49,955) | (33,767) | 41,116 |
| Payments from Kenal Peninsula Borough | | | | | - | - | - | 34,973,682 |
| Miscellaneous | | | | | 4,548,277 | 1,411,674 | 5,959,951 | - |
| Special items: | | | | | | | | |
| Contributions-Land entitlements | | | | | 2,662,376 | - | 2,662,376 | - |
| Total general revenues | | | | | 73,112,805 | 6,827,418 | 79,940,223 | 86,761,240 |
| Change in net assets | | | | | (2,898,049) | 8,282,251 | 5,384,202 | (644,320) |
| Net assets-beginning | | | | | 267,928,130 | 80,781,487 | 348,709,617 | 7,677,700 |
| Net assets-ending | | | | | \$ 265,030,081 | \$ 89,063,738 | \$ 354,093,819 | \$ 7,033,380 |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Balance Sheet
Governmental Funds
June 30, 2006**

| <u>ASSETS</u> | <u>General</u> | <u>Bond Funded Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|---|---|---|
| Cash and short-term Investments | \$ 1,010 | \$ - | \$ 33,788 | \$ 34,798 |
| Equity in central treasury | 14,464,125 | 6,298,440 | 39,613,089 | 60,375,654 |
| Receivables (net of allowances for estimated uncollectibles): | | | | |
| Taxes receivable | 4,063,206 | - | 224,327 | 4,287,533 |
| Accounts receivable | 12,051 | - | 90,051 | 102,102 |
| Land sale contracts receivable: | | | | |
| Current | - | - | 212,235 | 212,235 |
| Delinquent | - | - | 14,911 | 14,911 |
| Due from other governments | 1,181,958 | - | 2,181,406 | 3,363,364 |
| Due from other funds | 2,370,495 | - | - | 2,370,495 |
| Prepays | - | - | 7,763 | 7,763 |
| Land sale contracts receivable: | | | | |
| Long-term | - | - | 1,913,495 | 1,913,495 |
| Total Assets | <u>\$22,092,845</u> | <u>\$ 6,298,440</u> | <u>\$44,291,065</u> | <u>\$ 72,682,350</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts and retainage payable | 177,824 | 100,987 | 1,084,240 | 1,363,051 |
| Accrued payroll and payroll taxes | 645,050 | - | 131,540 | 776,590 |
| Due to other funds | - | - | 1,335,413 | 1,335,413 |
| Deferred revenue | 2,309,593 | - | 383,387 | 2,692,980 |
| Unearned revenue | 3,675,075 | - | 6,830,113 | 10,505,188 |
| Total Liabilities | 6,807,542 | 100,987 | 9,764,693 | 16,673,222 |
| Fund Balances: | | | | |
| Reserves: | | | | |
| Encumbrances | 252,852 | 483,150 | 5,114,081 | 5,850,083 |
| Prepays | - | - | 7,763 | 7,763 |
| Unreserved: | | | | |
| Designations: | | | | |
| General fund | - | - | - | - |
| Special Revenue funds | - | - | 8,231,421 | 8,231,421 |
| Capital Project funds | - | 4,801,255 | 3,364,449 | 8,165,704 |
| Undesignated: | | | | |
| General fund | 15,032,451 | - | - | 15,032,451 |
| Special Revenue funds | - | - | 15,381,162 | 15,381,162 |
| Capital Project funds | - | 913,048 | 2,427,496 | 3,340,544 |
| Total Fund Balances | <u>15,285,303</u> | <u>6,197,453</u> | <u>34,526,372</u> | <u>56,009,128</u> |
| Total Liabilities and Fund Balances | <u>\$22,092,845</u> | <u>\$ 6,298,440</u> | <u>\$44,291,065</u> | <u>\$ 72,682,350</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

Reconciliation of the Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2006

| | | |
|--|--------------------|-----------------------|
| Fund Balances-total governmental funds | | \$ 56,009,128 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds | | 230,273,635 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds: | | |
| Governmental bonds payable | (24,374,000) | |
| Landfill closure | (4,913,986) | |
| Net Pension Obligation (PERS) | <u>(2,981,337)</u> | (32,269,323) |
| Pension Obligation due from other government | | 529,337 |
| Accrued interest | | (139,733) |
| Some of the Borough's property taxes will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds | | 552,339 |
| Proceeds from land sales which 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 | | 2,140,641 |
| 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 that are reported with governmental activities | | <u>7,934,057</u> |
| Net assets of governmental activities | | <u>\$ 265,030,081</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2006**

| | General | Bond Funded Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 30,685,916 | \$ - | \$ 13,516,155 | \$ 44,202,071 |
| Sales Tax | 16,755,426 | - | - | 16,755,426 |
| Intergovernmental: | | | | |
| Federal | 1,998,340 | - | 6,823,069 | 8,821,409 |
| State | 3,852,990 | - | 2,250,488 | 6,103,478 |
| Interest Earned | 1,109,826 | 203,153 | 372,693 | 1,685,672 |
| Other Revenues | 852,827 | - | 3,399,671 | 4,252,498 |
| Total Revenues | <u>55,255,325</u> | <u>203,153</u> | <u>26,362,076</u> | <u>81,820,554</u> |
| Expenditures: | | | | |
| General Government | 11,369,806 | - | 1,769,803 | 13,139,609 |
| Solid Waste | - | 660,579 | 4,326,548 | 4,987,127 |
| Public Safety | 1,134,598 | 6,351 | 12,793,576 | 13,934,525 |
| Recreation | - | - | 3,620,108 | 3,620,108 |
| Education | 34,973,682 | 3,984,607 | 4,328,175 | 43,286,464 |
| Roads and Trails | - | - | 5,015,424 | 5,015,424 |
| Debt Service: | | | | |
| Principal | - | - | 3,485,000 | 3,485,000 |
| Interest and Other | - | - | 1,065,369 | 1,065,369 |
| Total Expenditures | <u>47,478,086</u> | <u>4,651,537</u> | <u>36,404,003</u> | <u>88,533,626</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>7,777,239</u> | <u>(4,448,384)</u> | <u>(10,041,927)</u> | <u>(6,713,072)</u> |
| Other Financing Sources and (Uses): | | | | |
| Bond and Loan Proceeds | - | 2,500,000 | - | 2,500,000 |
| Transfers In | 1,627,877 | - | 14,778,234 | 16,406,111 |
| Transfers (Out) | (11,308,936) | - | (5,397,175) | (16,706,111) |
| Total Other Financing Sources (Uses) | <u>(9,681,059)</u> | <u>2,500,000</u> | <u>9,381,059</u> | <u>2,200,000</u> |
| Net Changes in Fund Balances | (1,903,820) | (1,948,384) | (660,868) | (4,513,072) |
| Fund Balances at Beginning of Year | <u>17,189,123</u> | <u>8,145,837</u> | <u>35,187,240</u> | <u>60,522,200</u> |
| Fund Balances at End of Year | <u>\$ 15,285,303</u> | <u>\$ 6,197,453</u> | <u>\$ 34,526,372</u> | <u>\$ 56,009,128</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 Balance of the Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances-total governmental funds (page 35) \$ (4,513,072)

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

Governmental funds report capital outlays as expenditures.

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

| | | |
|---------------------------------|--------------------|-----------|
| Expenditures for capital assets | \$ 10,176,871 | |
| Less current year depreciation | <u>(8,601,695)</u> | 1,575,176 |

| | | |
|---|--|-----------|
| The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets | | 1,529,173 |
|---|--|-----------|

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

| | | |
|------------------------|-------------|---------|
| Bond and loan proceeds | (2,500,000) | |
| Principal payments | 3,485,000 | 985,000 |

Additional PERS liability due to paying a rate of 17.43% of covered payroll, which is less than the actuarial rate of 25.98%.

| | | |
|--|--|-------------|
| PERS liability | | (2,981,329) |
| PERS liability, due from other governments | | 529,337 |

Revenues reported in the Statement of Activities which 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 | 228,778 | |
| Land sales | <u>(397,334)</u> | (168,556) |

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 | 71,300 | |
| Increase in landfill postclosure cost | <u>(39,917)</u> | 31,383 |

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

114,839

| | | |
|---|--|------------------------------|
| Change in net assets of governmental activities | | <u><u>\$ (2,898,049)</u></u> |
|---|--|------------------------------|

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, 2006**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|-------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | \$ 31,110,528 | \$ 31,110,528 | \$ 30,685,916 | \$ (424,612) |
| Sales Tax | 20,691,180 | 15,656,404 | 16,755,426 | 1,099,022 |
| Intergovernmental | 5,153,186 | 5,421,866 | 5,851,330 | 429,464 |
| Investment Earnings | 1,700,000 | 1,760,000 | 1,109,826 | (650,174) |
| Other | 795,000 | 795,000 | 852,827 | 57,827 |
| Total Revenues | 59,449,894 | 54,743,798 | 55,255,325 | 511,527 |
| Expenditures: | | | | |
| General government: | | | | |
| Assembly: | | | | |
| Personnel | 617,070 | 633,139 | 597,475 | 35,664 |
| Supplies | 30,700 | 22,400 | 16,133 | 6,267 |
| Services | 450,929 | 435,093 | 361,207 | 73,886 |
| Capital Outlay | 0 | 23,999 | 6,698 | 17,301 |
| Total Assembly | 1,098,699 | 1,114,631 | 981,513 | 133,118 |
| Mayor: | | | | |
| Personnel | 745,323 | 701,913 | 694,170 | 7,743 |
| Supplies | 10,575 | 11,579 | 9,732 | 1,847 |
| Services | 151,812 | 144,208 | 129,657 | 14,551 |
| Capital Outlay | 7,400 | 10,915 | 7,744 | 3,171 |
| Total Mayor | 915,110 | 868,615 | 841,303 | 27,312 |
| General Services: | | | | |
| Personnel | 1,858,088 | 1,930,286 | 1,877,083 | 53,203 |
| Supplies | 123,935 | 124,058 | 104,204 | 19,854 |
| Services | 658,256 | 656,003 | 577,969 | 78,034 |
| Capital Outlay | 77,725 | 82,458 | 47,356 | 35,102 |
| Total General Services | 2,718,004 | 2,792,805 | 2,606,612 | 186,193 |
| Legal: | | | | |
| Personnel | 503,179 | 518,659 | 493,127 | 25,532 |
| Supplies | 3,000 | 3,000 | 2,472 | 528 |
| Services | 167,621 | 182,121 | 124,471 | 57,650 |
| Capital Outlay | 5,000 | 5,000 | 2,797 | 2,203 |
| Total Legal | 678,800 | 708,780 | 622,867 | 85,913 |
| Finance: | | | | |
| Personnel | 1,741,547 | 1,768,061 | 1,698,565 | 69,496 |
| Supplies | 12,000 | 17,910 | 12,933 | 4,977 |
| Services | 315,497 | 346,083 | 251,599 | 94,484 |
| Capital Outlay | 9,800 | 15,085 | 11,879 | 3,206 |
| Total Finance | 2,078,844 | 2,147,139 | 1,974,976 | 172,163 |
| Assessing: | | | | |
| Personnel | 1,654,340 | 1,700,843 | 1,632,793 | 68,050 |
| Supplies | 19,600 | 14,900 | 9,567 | 5,333 |
| Services | 247,398 | 286,098 | 229,449 | 56,649 |
| Capital Outlay | 21,500 | 21,500 | 15,391 | 6,109 |
| Total Assessing | 1,942,838 | 2,023,341 | 1,887,200 | 136,141 |

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, 2006

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---------------------------------------|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Planning: | | | | |
| Personnel | 714,510 | \$ 737,968 | \$ 720,547 | \$ 17,421 |
| Supplies | 18,000 | 21,534 | 17,916 | 3,618 |
| Services | 245,497 | 249,789 | 180,770 | 69,019 |
| Capital Outlay | 24,500 | 24,500 | 15,815 | 8,685 |
| Total Planning | <u>1,002,507</u> | <u>1,033,791</u> | <u>935,048</u> | <u>98,743</u> |
| Capital Projects Administration: | | | | |
| Personnel | 84,845 | 103,870 | 48,965 | 54,905 |
| Supplies | 1,275 | 1,957 | 822 | 1,135 |
| Services | 9,078 | 10,565 | 3,290 | 7,275 |
| Capital Outlay | 1,068 | 1,114 | 479 | 635 |
| Total Capital Projects Administration | <u>96,266</u> | <u>117,506</u> | <u>53,556</u> | <u>63,950</u> |
| Non Departmental: | | | | |
| Personnel | 250,000 | 166,810 | 108,585 | 58,225 |
| Services | <u>1,510,422</u> | <u>1,450,452</u> | <u>1,358,146</u> | <u>92,306</u> |
| Total Non Departmental | <u>1,760,422</u> | <u>1,617,262</u> | <u>1,466,731</u> | <u>150,531</u> |
| Total general government | <u>12,291,490</u> | <u>12,423,870</u> | <u>11,369,806</u> | <u>1,054,064</u> |
| Public Safety: | | | | |
| Office of Emergency Management: | | | | |
| Personnel | 682,188 | 691,834 | 636,180 | 55,654 |
| Supplies | 9,967 | 9,048 | 5,854 | 3,194 |
| Services | 509,787 | 525,582 | 485,731 | 39,851 |
| Capital Outlay | 4,500 | 8,871 | 6,833 | 2,038 |
| Total Public Safety | <u>1,206,442</u> | <u>1,235,335</u> | <u>1,134,598</u> | <u>100,737</u> |
| Education: | | | | |
| Services | <u>35,054,596</u> | <u>34,984,596</u> | <u>34,973,682</u> | <u>10,914</u> |
| Total expenditures | <u>48,552,528</u> | <u>48,643,801</u> | <u>47,478,086</u> | <u>1,165,715</u> |
| Excess of Revenues Over Expenditures | 10,897,366 | 6,099,997 | 7,777,239 | 1,677,242 |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | 1,609,877 | 1,627,877 | 1,627,877 | - |
| Transfers (Out) | <u>(11,598,106)</u> | <u>(11,333,066)</u> | <u>(11,308,936)</u> | <u>24,130</u> |
| Total Other Financing Sources (Uses) | <u>(9,988,229)</u> | <u>(9,705,189)</u> | <u>(9,681,059)</u> | <u>24,130</u> |
| Net Changes in Fund Balance | 909,137 | (3,605,192) | (1,903,820) | 1,701,372 |
| Fund Balances at Beginning of Year | <u>13,447,894</u> | <u>17,189,123</u> | <u>17,189,123</u> | <u>-</u> |
| Fund Balances at End of Year | <u>\$ 14,357,031</u> | <u>\$ 13,583,931</u> | <u>\$ 15,285,303</u> | <u>\$ 1,701,372</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

Statement of Net Assets
Proprietary Funds
June 30, 2006

| | Business-type Activities | | | Governmental Activities Internal Service Funds |
|--|----------------------------------|--------------------------------|-----------------------|--|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 14,246,142 | \$ 2,031,913 | \$ 16,278,055 | \$ 4,201 |
| Equity in central treasury | 3,669,912 | 2,698,566 | 6,368,478 | 9,251,114 |
| | <u>17,916,054</u> | <u>4,730,479</u> | <u>22,646,533</u> | <u>9,255,315</u> |
| Property taxes receivable, net | 39,759 | 66,427 | 106,186 | - |
| Patient receivables, net | 10,236,409 | 5,053,032 | 15,289,441 | - |
| Other receivables | 538,948 | 1,246,699 | 1,785,647 | 400,329 |
| Prepaid items | 964,269 | 102,810 | 1,067,079 | - |
| Inventory | 1,294,192 | 1,031,130 | 2,325,322 | - |
| Total current assets | <u>30,989,631</u> | <u>12,230,577</u> | <u>43,220,208</u> | <u>9,655,644</u> |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash, cash equivalents, and investments | 532,296 | 647,451 | 1,179,747 | - |
| Bond funds | 19,796,262 | 9,457,551 | 29,253,813 | - |
| Assets whose use is limited: | | | | |
| Employee health reserve | - | 1,058,310 | 1,058,310 | - |
| Malpractice trust/reserve | 2,679,874 | 200,000 | 2,879,874 | - |
| Plant replacement funds | 3,603,796 | 5,572,849 | 9,176,645 | - |
| Other reserve funds | - | 163,769 | 163,769 | - |
| Total assets whose use is limited | <u>6,283,670</u> | <u>6,994,928</u> | <u>13,278,598</u> | <u>-</u> |
| Total noncurrent assets | <u>26,612,228</u> | <u>17,099,930</u> | <u>43,712,158</u> | <u>-</u> |
| Capital Assets: | | | | |
| Land | 993,954 | 505,738 | 1,499,692 | - |
| Buildings | 30,703,040 | 20,441,605 | 51,144,645 | - |
| Equipment | 17,065,514 | 8,154,648 | 25,220,162 | 4,076,414 |
| Improvements other than buildings | 158,627 | - | 158,627 | - |
| Construction in progress | 37,621,685 | 4,890,832 | 42,512,517 | - |
| Less Accumulated Depreciation | <u>(28,476,968)</u> | <u>(18,045,208)</u> | <u>(46,522,176)</u> | <u>(2,216,311)</u> |
| Total capital assets (net of accumulated depreciation) | <u>58,065,852</u> | <u>15,947,615</u> | <u>74,013,467</u> | <u>1,860,103</u> |
| Total Assets | <u>\$ 115,667,711</u> | <u>\$ 45,278,122</u> | <u>\$ 160,945,833</u> | <u>\$ 11,515,747</u> |

(Continued)

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Statement of Net Assest
Proprietary Funds - continued
June 30, 2006

| | Business-type Activities | | | Governmental Activities Internal Service Funds |
|---|----------------------------------|--------------------------------|----------------------|--|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts and contracts payable | \$ 4,462,523 | \$ 1,821,200 | \$ 6,283,723 | \$ 19,382 |
| Accrued payroll and payroll taxes | 2,367,670 | 1,584,789 | 3,952,459 | 849,818 |
| Current portion of long-term debt | 1,690,000 | 764,014 | 2,454,014 | - |
| Interest payable | 862,358 | 35,376 | 897,734 | - |
| Other payables | 99,843 | - | 99,843 | 925,350 |
| Deferred revenue | <u>1,949,352</u> | <u>188,190</u> | <u>2,137,542</u> | <u>-</u> |
| Total current liabilities | 11,431,746 | 4,393,569 | 15,825,315 | 1,794,550 |
| Noncurrent liabilities: | | | | |
| Premiums on bonds payable | 1,675,352 | 179,402 | 1,854,754 | - |
| Long-term debt, net of current portion | <u>43,330,000</u> | <u>10,872,026</u> | <u>54,202,026</u> | <u>1,787,140</u> |
| Total Liabilities | <u>56,437,098</u> | <u>15,444,997</u> | <u>71,882,095</u> | <u>3,581,690</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 26,953,613 | 12,378,593 | 39,332,206 | 1,860,103 |
| Restricted | 3,016,651 | 660,634 | 3,677,285 | - |
| Unrestricted | <u>29,260,349</u> | <u>16,793,898</u> | <u>46,054,247</u> | <u>6,073,954</u> |
| Total net assets | <u>\$ 59,230,613</u> | <u>\$ 29,833,125</u> | <u>\$ 89,063,738</u> | <u>\$ 7,934,057</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006**

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|--|---|----------------------|---|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| Operating Revenues: | | | | |
| Net Patient Service Revenues | \$ 50,819,789 | \$ 23,571,561 | \$ 74,391,350 | \$ - |
| Other Operating Revenues | <u>802,177</u> | <u>265,045</u> | <u>1,067,222</u> | <u>4,093,347</u> |
| Total Net Operating Revenues | <u>51,621,966</u> | <u>23,836,606</u> | <u>75,458,572</u> | <u>4,093,347</u> |
| Operating Expenses: | | | | |
| Nursing Services | 12,097,338 | 6,658,614 | 18,755,952 | - |
| Other Professional Services | 10,849,394 | 7,131,140 | 17,980,534 | 2,492,406 |
| General Services | 3,455,101 | 2,695,641 | 6,150,742 | - |
| Fiscal and Administrative Services | 17,929,793 | 7,723,046 | 25,652,839 | 1,487,404 |
| Depreciation | <u>3,763,961</u> | <u>1,699,711</u> | <u>5,463,672</u> | <u>484,795</u> |
| Total Operating Expenses | <u>48,095,587</u> | <u>25,908,152</u> | <u>74,003,739</u> | <u>4,464,605</u> |
| Operating income (loss) | <u>3,526,379</u> | <u>(2,071,546)</u> | <u>1,454,833</u> | <u>(371,258)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| General Property Taxes | 3,018,711 | 1,846,053 | 4,864,764 | - |
| Investment earnings | 534,673 | 66,262 | 600,935 | - |
| Intergovernmental - State grants | 25,575 | 927,151 | 952,726 | - |
| Gain (Loss) on Disposal of Assets | - | (49,955) | (49,955) | 16,188 |
| Interest Expense | (7,194) | - | (7,194) | 169,909 |
| Other | <u>168,508</u> | <u>297,634</u> | <u>466,142</u> | <u>-</u> |
| Total non-operating revenues (expenses) | <u>3,740,273</u> | <u>3,087,145</u> | <u>6,827,418</u> | <u>186,097</u> |
| Other Financing Sources: | | | | |
| Transfers In | <u>-</u> | <u>-</u> | <u>-</u> | <u>300,000</u> |
| Total Other Financing Sources | | | | |
| Change in net assets | <u>7,266,652</u> | <u>1,015,599</u> | <u>8,282,251</u> | <u>114,839</u> |
| Total net assets, beginning of year | <u>51,963,961</u> | <u>28,817,526</u> | <u>80,781,487</u> | <u>7,819,218</u> |
| Total net assets, end of year | <u>\$ 59,230,613</u> | <u>\$ 29,833,125</u> | <u>\$ 89,063,738</u> | <u>\$ 7,934,057</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, 2006

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|--|--|--------------------------------|----------------------|--|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| Cash Flows from Operating Activities: | | | | |
| Receipts from patients and users | \$ 50,858,842 | \$25,404,896 | \$ 76,263,738 | \$ 4,080,083 |
| Payments to suppliers | (12,263,682) | (9,916,658) | (22,180,340) | (2,553,365) |
| Payments to employees | (30,049,140) | (15,639,386) | (45,688,526) | (1,234,091) |
| Other receipts (payments) | 1,224,948 | 265,045 | 1,489,993 | 13,263 |
| Net cash provided by operating activities | <u>9,770,968</u> | <u>113,897</u> | <u>9,884,865</u> | <u>305,890</u> |
| Cash flows from noncapital financing activities: | | | | |
| Receipts from property taxes | 3,031,792 | 1,811,174 | 4,842,966 | - |
| Grants | 1,082,203 | 257,606 | 1,339,809 | - |
| Net cash provided by (used in) noncapital financing activities | <u>4,113,995</u> | <u>2,068,780</u> | <u>6,182,775</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (30,123,938) | (2,350,273) | (32,474,211) | (748,304) |
| Principal paid on capital debt | (1,896,351) | (375,000) | (2,271,351) | - |
| Interest paid on capital debt | (2,135,019) | (428,263) | (2,563,282) | - |
| Capital lease payable | - | 2,000,000 | 2,000,000 | - |
| Proceeds from sale of capital assets | - | 645 | 645 | 16,188 |
| Net cash from capital and related financing activities | <u>(34,155,308)</u> | <u>(1,152,891)</u> | <u>(35,308,199)</u> | <u>(732,116)</u> |
| Cash flows from investing activities: | | | | |
| Decrease (increase) in assets whose use is limited | 23,342,600 | (1,361,217) | 21,981,383 | - |
| Investments matured (purchased) | 800,000 | - | 800,000 | - |
| Interest on investments | 534,673 | 142,424 | 677,097 | 169,909 |
| Net cash provided by investing activities | <u>24,677,273</u> | <u>(1,218,793)</u> | <u>23,458,480</u> | <u>169,909</u> |
| Net increase (decrease) in cash and cash equivalents | 4,406,928 | (189,007) | 4,217,921 | (256,317) |
| Cash and equity in central treasury, beginning of year | <u>13,509,126</u> | <u>4,919,486</u> | <u>18,428,612</u> | <u>9,511,631</u> |
| Cash and equity in central treasury, end of year | <u>\$ 17,916,054</u> | <u>\$ 4,730,479</u> | <u>\$ 22,646,533</u> | <u>\$ 9,255,314</u> |

(Continued)

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

**Proprietary Funds
Statement of Cash Flows - continued
For the Year Ended June 30, 2006**

| | Business-type Activities Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|--|--------------------------------|---------------------|--|
| | Central Peninsula Hospital | South Peninsula Hospital | Total | |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 3,526,379 | \$ (2,071,546) | \$ 1,454,833 | \$ (371,258) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation expense | 3,763,961 | 1,699,711 | 5,463,672 | 484,795 |
| Other non-operating income (expense) | 168,508 | - | 168,508 | - |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in patient receivables | (763,124) | 854,776 | 91,652 | - |
| (Increase) decrease in other receivables | (3,580) | 1,350 | (2,230) | - |
| (Increase) decrease in inventory | (193,140) | (13,212) | (206,352) | - |
| (Increase) decrease in prepaid items | 101,297 | 62,343 | 163,640 | 5,916 |
| Increase (decrease) in accounts and contracts payable | 1,202,819 | (118,032) | 1,084,787 | (10,329) |
| Increase (decrease) in accrued liabilities | 418,005 | (301,493) | 116,512 | 110,681 |
| Increase in other liabilities | 1,549,843 | - | 1,549,843 | 86,085 |
| Total adjustments | <u>6,244,589</u> | <u>2,185,443</u> | <u>8,430,032</u> | <u>677,148</u> |
| Net cash provided (used) by operating activities | <u>\$ 9,770,968</u> | <u>\$ 113,897</u> | <u>\$ 9,884,865</u> | <u>\$ 305,890</u> |
| Noncash investing, capital and financing activities: | | | | |
| Increase in Fair Value of Investments | <u>\$ 83,978</u> | <u>\$ -</u> | <u>\$ 83,978</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough

Statement of Fiduciary Net Asset
Fiduciary Funds
June 30, 2006

| | <u>Agency Funds</u> |
|----------------------------|-------------------------|
| Assets | |
| Equity in central treasury | \$ 984,282 |
| Taxes receivable | 92,240 |
| Other receivable | <u>943,261</u> |
| Total assets | <u>2,019,783</u> |
| | |
| Liabilities | |
| Accounts payable | 6,027 |
| Deposits from Landowners | 234,806 |
| Deferred Admin. Fee | 83,357 |
| Due to Landowners | 299,940 |
| Due to Other Funds | 1,035,082 |
| Due to Other Entities: | |
| Homer | 142,284 |
| Kachemak City | 502 |
| Kenai | 131,291 |
| Seldovia | 32,045 |
| Seward | 19,130 |
| Soldotna | <u>35,319</u> |
| Total Liabilities | <u>2,019,783</u> |
| | |
| Net assets | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements

INDEX TO NOTES

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

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**Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2006**

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Blended Component Units.

The Borough has two blended component units, South Peninsula Hospital (SPH) and Central Peninsula General Hospital (CPGH). Both SPH and CPGH were created to operate and maintain the hospitals. The hospital operated by CPGH is owned by the primary government, the hospital operated by SPH is leased by the primary government under a lease that expires in 2060. The hospitals are reported as enterprise funds. SPH and CPGH are reported as blended component units because they were created to operate and maintain facilities exclusively for the primary government.

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

Discretely Presented Component Unit.

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

The Borough reports the following major governmental funds:

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

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

The Borough reports the following major proprietary funds:

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

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

Additionally, the Borough reports the following fund types:

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Some funds, in particular the Enterprise funds, the Special Revenue Central Emergency Services Fund, and School District, have cash which is not aggregated in the central treasury. For purposes of the Statement of Cash Flows in Proprietary Funds, all highly liquid investments with a maturity of three months or less when purchased and deposits in Central Treasury are considered to be cash equivalents.

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

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

"Cash and Short Term Investments" is used to account for cash held in bank accounts for certain School District Funds and for cash and investments of the enterprise funds. "Cash on Hand" is used to account for petty cash and other cash not classified elsewhere.

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 2.8% of outstanding property taxes at June 30, 2006.

3. Inventories

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

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items. The primary prepaid expenses of the hospital enterprise funds are insurance premiums.

5. Assets Whose Use Is Limited

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

Assets whose use is limited at June 30, 2006 is as follows:

| | |
|--------------------------------------|----------------------|
| Central Peninsula Hospital: | |
| Malpractice reserve, held by trustee | \$ 2,679,874 |
| Plant replacement | 3,603,796 |
| South Peninsula Hospital: | |
| Employee health reserve | 1,058,311 |
| Student loan program | 163,769 |
| Plant replacement | 5,572,849 |
| Malpractice reserve | <u>200,000</u> |
| Total Assets whose use is limited | <u>\$ 13,278,598</u> |

6. Capital Assets

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

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

7. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation and vested sick leave. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. Unused sick leave is vested at 25% after five years of employment, and an additional 25% is vested after ten years. Vested sick leave may only be received in cash by the employee upon termination of employment. The obligation of accumulated unpaid vacation and vested sick leave amounts to \$2,602,120 at June 30, 2006 for the Primary Government excluding the hospitals of which \$814,980 is expected to be paid out within one year. An internal service fund, Employee Compensated Leave Fund, was established to account for resources accumulated to provide for compensated absences, for the Borough's governmental activities. The Borough does not accrue a liability for nonvested sick leave, payable only in the event of employee absence due to illness. That amount is \$1,653,327 at June 30, 2006.

8. Long-term Obligations

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

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 is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, is reported as debt service expenditures.

9. Fund Equity

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

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

Reserved for Encumbrances

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

Designated for Subsequent Year's Expenditures

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

Other Designations

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

The Borough is applying all applicable Government Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting procedure issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

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

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

III – Detailed Notes on all Funds

Deposit and Investment Risk Disclosure

As of June 30, 2006, the Borough's investments were as follows:

| <u>INVESTMENT</u> | <u>MATURITIES</u> | <u>FAIR VALUE</u> |
|---|---------------------------|------------------------------|
| <u>Internally Pooled Investments held in Central Treasury:</u> | | |
| Repurchase Agreements | | \$ 5,157,559 |
| Fidelity Governmental Money Market | | 4,010,651 |
| External investment pool | 31 day average | 453,681 |
| U. S. Agencies | September 2006-May 2011 | 40,368,041 |
| U. S. Treasury Notes | August 2007-May 2011 | 25,286,664 |
| Countrywide Home loan Corporate Bonds | October 2006 | 2,076,000 |
| KeyCorp Corporate Bonds | November 2006 | 1,489,356 |
| Countrywide Home loan Corporate Bonds | February 2007 | 1,988,382 |
| Chevron / Texaco Corporate Bonds | September 2007 | 985,681 |
| American International Corporate Bonds | May 2008 | 813,139 |
| World Savings Bank NT Corporate Bonds | June 2008 | 1,002,526 |
| Wachovia Bank Corporate Bonds | August 2008 | 991,428 |
| Associates Corporate Bonds | November 2008 | 1,022,837 |
| Bank of America NT Corporate Bonds | February 2009 | 1,029,254 |
| General Electric Corporate Bonds | April 2009 | 1,341,094 |
| General Electric Commercial Paper | December 2006 | 2,926,350 |
| Private Export Fund Commercial Paper | August 2006 | 995,450 |
| | Total | <u>91,938,093</u> |
| <u>Major Bond Funded Capital Project Fund Investments:</u> | | |
| External investment pool | 31 day average | 6,298,440 |
| | Total | <u>6,298,440</u> |
| Total Investments held in Central Treasury | | \$ <u><u>98,236,533</u></u> |
| <u>Business Type Activities Investments-Restricted Assets:</u> | | |
| SunTrust – Treasury Money Market Fund | | 647,451 |
| External investment pool | 31 day average | 14,226,619 |
| U. S. Agencies | July 2006-November 2006 | 15,027,194 |
| | Total | <u>29,901,264</u> |
| <u>Business Type Activities Investments-Assets Whose Use is Limited:</u> | | |
| Repurchase Agreements | | 2,064,880 |
| External investment pool | 31 day average | 8,370,075 |
| Wells Fargo Advantage Cash Money Market | | 1,427,782 |
| U. S. Agencies | August 2005-November 2007 | 1,252,092 |
| | Total | <u>13,114,829</u> |
| Grand Total | | \$ <u><u>141,252,626</u></u> |

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

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

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

| <u>Maturity</u> | <u>Minimum Investment</u> | <u>Actual Investment</u> |
|---------------------|---------------------------|--------------------------|
| One Year or Less | 40% | 52% |
| One to three Years | 30% | 28% |
| Three to Five Years | 30% | 20% |

Variable Rate note. The Borough invested \$1 million in a variable rate note issued by World Savings Bank. It was purchased June 13, 2005 and matures June 20, 2008. The semiannual coupon rate is equal to the LIBOR plus 5 basis points. The rate resets quarterly. At June 30, 2006 the note had a coupon rate of 5.44%.

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in the investment—an embedded option. The borough invests in securities issued by U.S. Government Agencies that contain call options. About \$11.98 million or 21.6% of the agency securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

| <u>Investment</u> | <u>Type of call</u> | <u>Next call date</u> |
|------------------------|---------------------|-----------------------|
| Federal Home Loan Bank | Quarterly | August 10, 2006 |
| Federal Home Loan Bank | Quarterly | August 10, 2006 |
| Freddie Mac | One time call | August 15, 2006 |
| Freddie Mac | Quarterly | September 1, 2006 |
| Fannie Mae | One time call | May 19, 2008 |

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

| <u>Investment Type</u> | <u>Maximum Allowable % per Investment Policy</u> | <u>Maximum Maturity per Investment policy</u> | <u>Actual % as of June 30, 2006</u> |
|--------------------------|--|---|-------------------------------------|
| U.S. Treasury Securities | 100% | 5 years | 18% |
| U.S. Agencies | 100% | 5 years | 40% |
| Corporate Bonds | 50% | 5 years | 9% |
| Repurchase Agreements | 20% | n/a | 5% |
| Money Market Funds | 20% | n/a | 5% |
| AMLIP | 20% | n/a | 20% |
| Commercial Paper | 25% | 270 days | 3% |

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

As of June 30, 2006 the Borough's investments in commercial paper, corporate bonds, and U.S. Government instrumentalities implicitly guaranteed by the U.S. Government were rated as follows:

| <u>INVESTMENT</u> | <u>Standards & Poor's</u> | <u>Moody's Investors Service</u> |
|--|-----------------------------------|--------------------------------------|
| Countrywide Home loan Corporate Bonds | A | A3 |
| KeyCorp Corporate Bonds | A- | A2 |
| Countrywide Home loan Corporate Bonds | A | A3 |
| Chevron / Texaco Corporate Bonds | AA | AA2 |
| American International Corporate Bonds | AA | AA2 |
| World Savings Bank NT Corporate Bonds | AA- | AA3 |
| Wachovia Bank Corporate Bonds | AA- | AA2 |
| Associates Corporate Bonds | AA- | AA1 |
| Bank of America NT Corporate Bonds | AA- | AA2 |
| General Electric Corporate Bonds | AAA | AAA |
| General Electric Commercial Paper | A1 | P1 |
| Private Export Fund Commercial Paper | A1 | P1 |
| Federal National Mortgage Association | AAA | AAA |
| Federal Home Loan Bank | AAA | AAA |
| Federal Home Loan Mortgage Corporation | AAA | AAA |

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the Borough's \$7.2 million in repurchase agreements at June 30, 2006, \$7.1 million of the underlying securities are pledged to the Borough by the Bank, this collateral is owned by the Bank and held by the third party custodian as a agent for the Borough. The Federal Deposit Insurance Corporation (FDIC) insures the remaining \$100,000.

Cash and short term investment balances at June 30, 2006, consisted of the following:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--|------------------------|----------------------|
| Cash and Short Term Investments Held in Central Treasury: | | |
| Checking Accounts: | | |
| Borough | \$ (2,063,892) | \$ 166,003 |
| Component Unit (School District) | (838,747) | - |
| Total Cash and Short Term Investments Held in Central Treasury | (2,902,639) | 166,003 |
| Other Cash and Investments: | | |
| Checking and Savings Accounts: | | |
| Borough | 37,589 | 89,777 |
| Proprietary Funds | 14,273,980 | 14,506,406 |
| Proprietary Funds – Assets Whose Use is Limited | 163,769 | 163,769 |
| Short-term Time Deposits | 2,000,000 | 2,000,000 |
| Long-term Time Deposits – Restricted Assets | 532,297 | 532,297 |
| Cash on Hand: | | |
| Borough | 1,410 | - |
| Proprietary Funds | 4,075 | - |
| Component Unit (School District) | 40,760 | 40,760 |
| Total Other Cash and Short Term Investments | 17,053,880 | 17,333,009 |
| Total Cash and Short Term Investments | <u>\$ 14,151,241</u> | <u>\$ 17,499,012</u> |

The following is a summary of Equity in Central Treasury and investments at June 30, 2006:

| | |
|------------------------|---------------|
| General Fund | \$ 14,464,125 |
| Special Revenue Fund | 29,958,724 |
| Capital Projects Funds | 15,952,805 |
| Enterprise Funds | 6,368,478 |

| | |
|------------------------------------|----------------------|
| Internal Service Funds | 9,251,114 |
| Fiduciary Funds | 984,282 |
| Component Unit – Agency Funds | 2,015,058 |
| Component Unit | <u>16,339,308</u> |
| Total Equities in Central Treasury | <u>\$ 95,333,894</u> |

The Equity in Central Treasury consists of the following:

| | |
|---------------------------------|----------------------|
| Cash and Short Term Investments | \$ (2,902,639) |
| Investments | <u>98,236,533</u> |
| | <u>\$ 95,333,894</u> |

Calculation of the Net Increase (Decrease) in the Fair Value of Investments-Aggregate Method

| | |
|--|----------------------|
| Fair value at June 30, 2006 | \$ 98,236,533 |
| Add: Cost of investments sold/called/matured in FY2006 | 56,331,988 |
| Less: Cost of investments purchases in FY2006 | (55,415,527) |
| Less: Fair value at June 30, 2005 | <u>(100,060,313)</u> |
| Change in fair value of investments | <u>\$ (907,319)</u> |

B. Property Taxes

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

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

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

Property Tax Calendar

| | | | |
|------------------|------------------------------|----------------------------|------------------|
| Assessment Date | January 1, 2005 | Total Taxes are due | October 15, 2005 |
| Levy Date | Not later than June 15, 2005 | Penalties & Interest added | October 17, 2005 |
| Tax Bills mailed | Not later than July 1, 2005 | Lien Date | April 15, 2006 |

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the year. The Borough's property tax collection records show that approximately 98.7% of the property taxes due were collected within 60 days after the due date. Assessed values are established by the Kenai Peninsula Borough assessor's office. Borough code requires a revaluation of all property, be completed no less than every 5 years, current average is approximately every 7 years.

C. Receivables

Receivables at June 30, 2006 for the government's individual major fund and business type fund and nonmajor, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Proprietary</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|--------------------------------------|----------------|--------------------|-------------------------------------|---------------|
| Taxes | \$ 4,092,328 | \$ 110,465 | \$ 228,224 | \$ 4,431,017 |
| Patient | - | 20,347,808 | - | 20,347,808 |
| Accounts and Other | 12,051 | 815,390 | 90,051 | 917,492 |
| Land sale contracts | - | - | 2,140,641 | 2,140,641 |
| Intergovernmental | 1,181,958 | 970,257 | 2,181,406 | 4,333,621 |
| Interfund | 2,370,495 | - | - | 2,370,495 |
| Gross Receivables | 7,656,832 | 22,243,920 | 4,640,322 | 34,541,074 |
| Less Allowance for Uncollectibles | (29,122) | (5,062,646) | (3,897) | (5,095,665) |
| | \$ 7,627,710 | \$ 17,181,274 | \$ 4,636,425 | \$ 29,445,409 |

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|---------------------|
| Property taxes receivable (general fund) | \$ 379,649 | \$ 3,675,075 |
| Property taxes receivable (nonmajor governmental funds) | 172,690 | 2,755,266 |
| Land sale receivables | 2,140,641 | - |
| Grant funds received prior to meeting all eligibility requirements | - | 4,074,847 |
| Total deferred/unearned revenue for governmental funds | <u>\$2,692,980</u> | <u>\$10,505,188</u> |

E. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

| | <u>Balance July 1, 2005</u> | <u>Additions/ Transfers</u> | <u>Deductions/ Transfers</u> | <u>Balance June 30, 2006</u> |
|--|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 62,756,017 | \$ 2,728,476 | \$ (445,453) | \$ 65,039,040 |
| Construction in progress | 18,374,666 | 4,830,796 | (1,433,535) | 21,771,927 |
| Total capital assets, not being depreciated | <u>81,130,683</u> | <u>7,559,272</u> | <u>(1,878,988)</u> | <u>86,810,967</u> |

Capital assets, being depreciated:

| | | | | |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Buildings | 261,606,173 | 550,033 | (496,016) | 261,660,190 |
| Improvements other than buildings | 53,865,620 | 1,877,374 | - | 55,742,994 |
| Machinery and equipment | 20,390,923 | 2,393,236 | (1,129,581) | 21,654,578 |
| Infrastructure | 4,109,863 | 1,240,181 | (626,305) | 4,723,739 |
| Total capital assets being depreciated | 339,972,579 | 6,060,824 | (2,251,902) | 343,781,501 |
| Less accumulated depreciation for: | | | | |
| Buildings | (135,558,768) | (5,784,713) | 2,067 | (141,341,414) |
| Improvements other than buildings | (41,443,533) | (1,610,866) | - | (43,054,399) |
| Machinery and equipment | (13,299,669) | (1,585,599) | 1,129,581 | (13,755,687) |
| Infrastructure | (202,961) | (105,312) | 1,043 | (307,230) |
| Total accumulated depreciation | (190,504,931) | (9,086,490) | 1,132,691 | (198,458,730) |
| Total capital assets, being depreciated, net | 149,467,648 | (3,025,666) | (1,119,211) | 145,322,771 |
| Governmental activities capital assets, net | <u>\$ 230,598,331</u> | <u>\$ 4,533,606</u> | <u>\$ (2,998,199)</u> | <u>\$ 232,133,738</u> |

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

| Business-type activities: | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|--------------------------|----------------------|--------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 929,736 | \$ 201,966 | \$ - | \$ 1,131,702 |
| Construction in progress | 12,141,168 | 30,371,350 | - | 42,512,518 |
| Total capital assets, not being depreciated | 13,070,904 | 30,573,316 | - | 43,644,220 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 379,848 | 27,371 | (39,229) | 367,990 |
| Buildings | 50,561,577 | 629,293 | (46,225) | 51,144,645 |
| Leasehold improvements | 152,932 | 43,520 | (37,825) | 158,627 |
| Machinery and equipment | 22,445,989 | 3,799,989 | (1,025,817) | 25,220,161 |
| Total capital assets being depreciated | 73,540,346 | 4,500,173 | (1,149,096) | 76,891,423 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (312,147) | (23,202) | 29,405 | (305,944) |
| Buildings | (30,738,543) | (1,805,223) | 48,073 | (32,495,693) |
| Leasehold improvements | (13,150) | (16,346) | 4,670 | (24,826) |
| Machinery and equipment | (11,073,893) | (3,638,167) | 1,016,347 | (13,695,713) |
| Total accumulated depreciation | (42,137,733) | (5,482,938) | 1,098,495 | (46,522,176) |
| Total capital assets, being depreciated, net | 31,402,613 | (982,765) | (50,601) | 30,369,247 |
| Business-type activities capital assets, net | <u>\$ 44,473,517</u> | <u>\$ 29,590,551</u> | <u>\$ (50,601)</u> | <u>\$ 74,013,467</u> |

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

| | |
|--|----------------------------|
| Governmental activities: | |
| General government | \$ 471,527 |
| Senior citizens | 4,876 |
| Public safety | 815,480 |
| Solid waste facilities | 722,608 |
| Road maintenance, including infrastructure assets | 113,982 |
| Recreation | 366,202 |
| Schools | 6,107,020 |
| Capital assets held by the government's internal service fund are Charged to the various functions based on their usage of the assets | <u>484,795</u> |
| Total depreciation expense - governmental activities | <u>\$ 9,086,490</u> |
| Business-type activities: | |
| Hospitals: | |
| Central Peninsula Hospital | \$ 3,763,961 |
| South Peninsula Hospital | <u>1,699,711</u> |
| Total depreciation expense - business-type activities | <u>\$ 5,463,672</u> |

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2006. The projects include major repair of existing roads, improvement to school facilities, and various public works projects. At year-end the Borough's commitments with contractors are as follows:

| <u>Projects</u> | <u>Remaining Commitments</u> | <u>Financing Sources</u> |
|----------------------------------|----------------------------------|--|
| Major repair of existing roads | \$ 1,101,400 | State grants and local funding |
| Improvement to school facilities | 1,495,000 | General Obligation Bonds and local funding |
| Various public works projects | <u>23,500</u> | Federal and State Grants and local funding |
| Total | <u>\$ 2,619,900</u> | |

Discretely presented component unit

Capital asset activity for Kenai Peninsula Borough School District for the year ended June 30, 2006 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------------|-------------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital assets being depreciated: | | | | |
| Machinery and Equipment | \$ 4,580,729 | \$ 292,655 | \$(151,896) | \$ 4,721,488 |
| Less accumulated depreciation for: | | | | |
| Machinery and Equipment | <u>(3,461,547)</u> | <u>(255,270)</u> | <u>193,012</u> | <u>(3,523,805)</u> |
| Governmental Activities capital assets, net | <u>\$ 1,119,182</u> | <u>\$ 37,385</u> | <u>\$ 41,116</u> | <u>\$ 1,197,683</u> |

F. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2006 is as follows:

The General Fund has made short-term loans of \$6,755 to the Local Emergency Planning Committee fund, \$19,032 to the Coastal Zone Management Fund, \$1,275,538 to the Miscellaneous State Pass Thru Grants fund, and \$34,088 to the Miscellaneous Grants Capital Project Fund to cover cash needs while awaiting reimbursement from State and Federal granting agencies. The General Fund has made loans in the amount of \$1,035,082 to the Special Assessment Funds for utility/road improvements. Tax payers 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 Funds- | | |
| General Fund | \$ 2,370,495 | \$ - |
| Nonmajor Governmental Funds | - | 1,335,413 |
| Agency Funds | - | 1,035,082 |
| Total | <u>\$ 2,370,495</u> | <u>\$ 2,370,495</u> |

Interfund transfers

Interfund operating transfers have been made in accordance with appropriating ordinances. The Borough collects a 2% sales tax and records the revenue in the General Fund. Sales tax, specifically dedicated to School District operations, and additional funds appropriated by the Assembly are transferred in monthly installments from the General Fund to the School District. Transfers to the School District totaled \$34,984,596.

Transfers between funds for the year ended June 30, 2006, were as follows:

| Transfer Out: | Transfer In: | | | | Total |
|-----------------------------|---------------------|-----------------------------------|--------------------------|----------------------|----------------------|
| | General Fund | Nonmajor Governmental Funds | Internal Service Fund | Component Unit | |
| Major Funds- | | | | | |
| General Fund | \$ - | \$ 11,008,936 | \$ 300,000 | \$ 34,984,596 | \$ 46,293,532 |
| Nonmajor Governmental Funds | 1,627,877 | 3,769,298 | - | - | 5,413,354 |
| Total | <u>\$ 1,627,877</u> | <u>\$ 14,778,234</u> | <u>\$ 300,000</u> | <u>\$ 34,984,596</u> | <u>\$ 51,706,886</u> |

Significant transfers were as follows:

- General fund transferred \$5,106,901 to the Solid Waste Special Revenue Fund to fund operations, debt service, and capital acquisitions.
- General fund transferred \$3,743,837 to School Debt Service Fund to fund FY2006 debt service payments on bonds sold to finance construction of school facilities and capital maintenance.
- General fund transferred \$1,250,000 to School Capital Projects Fund to fund capital maintenance on school facilities.
- Land trust fund transferred \$1,438,705 to the General Fund to fund operations.

G. Risk Management

The Kenai Peninsula Borough has established an office of Risk Management and a limited self-insurance program which is codified by Borough ordinance and administered by a risk management committee. It is the responsibility of the risk management committee to insure, self-insure or select appropriate retention levels and deductibles for the

risks confronting the Kenai Peninsula Borough, its service areas, and the School District. All losses and claims are reported to the Risk Management office and are handled internally within the retention and deductible level. New claims and outstanding claims are reviewed monthly by the Borough Attorney, and the Risk Manager. There were no significant changes in the amount of coverage during the current fiscal year.

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

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

In an attempt to reduce workers compensation cost, which had increased substantially in prior years, effective October 01, 2002 the Borough became self-insured for workers' compensation. This increase in cost represents the majority of the increase in the claims estimates as shown in the table below.

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

| | Beginning of Fiscal Year <u>Liability</u> | Current Year Claim <u>Estimates</u> | Claim <u>Payments</u> | End of Fiscal Year <u>Liability</u> |
|-------------|---|---|--------------------------|---|
| 2004 – 2005 | \$824,132 | \$1,413,454 | \$(1,398,321) | \$839,265 |
| 2005 – 2006 | \$839,265 | \$1,526,956 | \$(1,440,871) | \$925,350 |

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

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

The Central Peninsula Hospital was self-insured for medical malpractice claims up to \$200,000 per claim during the years 1987-1995. In connection with this, the hospital established a revocable trust from which its portion of any claim will be paid. At June 30, 2006, the Central Peninsula Hospital had on deposit \$2,679,874 in the trust account for payment of future claims. Starting January 1, 1996, the hospital's insurance coverage was changed to provide first dollar coverage for medical malpractice claims. South Peninsula Hospital is insured for medical malpractice claims by a modified claims-made policy for any occurrence reported during the current policy year or renewal thereof. Management has no reason to believe that the hospital will not be able to obtain such coverage in future periods.

H. Long-term debt

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

| | Beginning Balance July 1, 2005 | Additions | Reductions | Ending Balance June 30, 2006 | Due within one year |
|-------------------------------|---|---------------------|---------------------|---------------------------------|------------------------|
| Governmental | | | | | |
| Activities: | | | | | |
| Areawide School | | | | | |
| Bonds | \$19,589,000 | \$ - | \$ 2,825,000 | \$ 16,764,000 | \$1,320,000 |
| Solid Waste Bonds | 5,770,000 | - | 660,000 | 5,110,000 | 670,000 |
| Central Emergency | | | | | |
| Services Bonds | - | 2,500,000 | - | 2,500,000 | 75,000 |
| Landfill Closure | 4,874,069 | 283,356 | 243,439 | 4,913,986 | 2,121,550 |
| Net Pension Obligation | 1,683,700 | 1,297,637 | - | 2,981,337 | - |
| Disaster Relief | 33,673 | - | 33,673 | - | - |
| Total Governmental | | | | | |
| activity long-term | | | | | |
| liabilities | <u>\$31,950,442</u> | <u>\$ 4,080,993</u> | <u>\$ 3,762,112</u> | <u>\$ 32,269,323</u> | <u>\$4,186,550</u> |
| | | | | | |
| Business-Type | | | | | |
| Activities: | | | | | |
| South Peninsula | | | | | |
| Hospital- | | | | | |
| Expansion Project | 10,000,000 | - | 375,000 | 9,625,000 | 385,000 |
| CT Scanner | - | 2,000,000 | - | 2,000,000 | 367,974 |
| Central Peninsula | | | | | |
| Hospital: | | | | | |
| Expansion Project | 46,655,000 | - | 1,635,000 | 45,020,000 | 1,690,000 |
| CT Scanner | 261,351 | - | 261,351 | - | - |
| Business-type activity | | | | | |
| long-term liabilities | <u>\$56,916,351</u> | <u>\$2,000,000</u> | <u>\$ 2,271,351</u> | <u>\$ 56,645,000</u> | <u>\$ 2,442,974</u> |

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

School Bonds. School bonds are issued for the construction and major maintenance of public schools in the Borough. Bonds are paid from the General Fund through the levy of property taxes plus funding from the State of Alaska, which partially reimburses the Borough for expenditures for school debt on some issues. The State of Alaska will reimburse the Borough up to 70% for the School Bonds issued May 1, 1995, issued December 12, 2000, and issued August 7, 2003.

Central Emergency Service Area (CES) Bonds. Voters of the CES service area authorized the issuance of \$2,500,000 in general obligation bonds for construction and equipping a new fire station in the Kasilof areas and remodeling of the Funny River fire station. Bonds in the amount of \$2,500,000 were issued June 21, 2006.

Disaster Relief Fund – Flooding 2002. The Borough incurred substantial cost associated with a number of falls storms between the dates of October 23, 2002 and November 12, 2002, resulting in a federal disaster declaration signed by the President on December 4, 2002. The total cost associated with the disaster is estimated to be

\$1,146,647, of which \$1,101,734 was incurred in FY2003. Final cleanup was completed in August 2005. The cost associated with the disaster was shared by the State of Alaska (25%) and the Federal government (75%).

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

Business Type Activity.

The Central Kenai Peninsula Hospital (Enterprise Fund) has financed the purchase of a CT Scanner in the amount of \$1,200,000 at 4.38% in quarterly installments of \$67,136. The final payment was made in March, 2006. In December 2003, bonds in the amount of \$47,985,000 were sold to finance the planning, designing, constructing, renovation, and equipping the hospital facility. These bonds require annual payments of approximately \$3,700,000 starting August 2004; unammortized bond premium is \$1,677,535. The South Peninsula Hospital (Enterprise Fund) sold bonds in September 2003 in the amount of \$10,290,000 to finance the planning, designing, renovation, and equipping the hospital facility. These bonds require annual payments of approximately \$800,000 starting June 2004; unammortized bond premium is \$190,443. In June 2006, South Peninsula Hospital financed the purchase of a CT scanner and picture archiving system in the amount of \$2,000,000 at 4.11% with quarterly payments of \$111,138.

Net Pension Obligation

The Borough's contribution for FY04 was 7.81%, for FY05 was 12.81%, for FY06 17.81%; the actuarial determined rate for FY06 was 25.98%. State law precludes the rate increasing by more than 5% in any given year. The amount shown includes an amount due from the Kenai Peninsula Borough School District, a discretely presented component unit of \$529,337, for wages paid by the Borough but charged to the District. For additional information see Note III J.

A summary of bonds payable (in thousands) at June 30, 2006, is as follows:

| | Date of Issue | Issued | Interest Rate | Maturity Dates | Annual Installments | Outstanding June 30, 2006 |
|----------------------------------|---------------|------------------|---------------|----------------|---------------------|---------------------------|
| School Bonds: | | | | | | |
| | 05-01-95 | \$ 11,735 | 4.50 - 7.00 | 1996 - 2005 | \$ 565 to 1,520 | \$ - |
| | 12-12-00 | 7,429 | 4.75 - 5.00 | 2001 - 2011 | 740 to 769 | 3,729 |
| | 08-07-04 | <u>14,700</u> | 4.25 - 6.00 | 2004 - 2023 | 1,070 to 1,202 | <u>13,035</u> |
| Total School Bonds | | <u>33,864</u> | | | | <u>16,764</u> |
| Solid Waste Bonds | 05-22-03 | <u>7,040</u> | 2.50 - 4.25 | 2003-2013 | 855 to 860 | <u>5,110</u> |
| Central Emergency Services | 06-21-06 | <u>2,500</u> | 4.00 - 6.00 | 2026 | 75 to 185 | <u>2,500</u> |
| Enterprise Fund Bonds: | | | | | | |
| South Peninsula Hospital | 09-30-03 | 10,290 | 2.00 - 5.25 | 2004-2023 | 724 to 805 | 9,625 |
| Central Kenai Peninsula Hospital | 12-17-03 | <u>47,985</u> | 2.50 - 5.00 | 2004-2024 | 3,760 | <u>45,020</u> |
| Total Bonds | | <u>\$ 99,179</u> | | | | <u>\$ 76,519</u> |

Debt service requirements, (not including landfill closure, NPO, and disaster relief), at June 30, 2006 were as follows:

| Fiscal Year | Government Activities General Obligation | | Business-type Activities Hospitals | |
|-------------|---|--------------|---------------------------------------|--------------|
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 2,065,000 | \$ 1,045,083 | \$ 2,442,974 | \$ 2,565,315 |
| 2008 | 2,100,000 | 967,766 | 2,523,333 | 2,487,931 |
| 2009 | 2,140,000 | 878,234 | 2,604,332 | 2,408,407 |
| 2010 | 2,185,000 | 790,585 | 2,685,999 | 2,322,452 |
| 2011 | 2,269,000 | 700,328 | 2,793,362 | 2,212,427 |

| | | | | |
|-----------|----------------------|---------------------|----------------------|----------------------|
| 2011-2016 | 5,750,000 | 2,486,701 | 13,580,000 | 9,227,719 |
| 2016-2021 | 5,025,000 | 1,414,360 | 17,325,000 | 5,459,194 |
| 2021-2026 | <u>2,840,000</u> | <u>267,686</u> | <u>12,690,000</u> | <u>981,169</u> |
| Total | \$ <u>24,374,000</u> | \$ <u>8,550,743</u> | \$ <u>56,645,000</u> | \$ <u>27,664,614</u> |

I. Commitments and Contingencies

1. Loss Contingencies

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

2. Grants

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

J. Pension Plans

1. State of Alaska Public Employees' Retirement System

The Borough and the School District participates in the Public Employees' Retirement System (PERS) an agent multiple employer plan, which covers eligible State and local government employees or the Teachers' Retirement System (TRS), a cost sharing multiple employer plan which covers teachers and other eligible participants. The plans were established and are administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. Both plans are included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

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

Funding Policy. For PERS, employees are required to contribute 6.75% (7.5% for firefighters) of their annual covered salary. The employee contribution rate for TRS is 8.65% of covered base salary. Under both plans, the funding policy provides for periodic employer contribution at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due. Due to losses on investments, changes in assumptions, and underestimating the cost of post employment health care, the actuarial required contribution rate increased substantially for FY05. State law however precludes the rate from increasing more than 5% in any one year. This limitation rule creates a significant difference between the actuarially required rate and the adjusted rate. The difference between the adjusted rate and the actuarial determined rate has been is shown as net pension obligation in long-term debt.

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

PERS

| | <u>Adjusted Actual Rate</u> | <u>Actuarial Required Rate</u> |
|---------------------------|-------------------------------------|--|
| Pension | 10.80% | 16.10% |
| Postemployment healthcare | <u>6.63%</u> | <u>9.88%</u> |
| Total contribution rate | 17.43% | 25.98% |

As part of the FY2006 session, the Alaska Legislature approved Senate Bill 46, which granted fiscal relief related to increased cost of the FY2006 employer rates. This relief was in form of a cash payment made directly to the PERS on behalf of the participating employers and allowed the employers to pay the prior year rate. The amount of the fiscal relief for the Borough was \$625,569. For financial statement purposes, this amount has been reported as grant revenue and PERS expense and is included in the Adjusted Actual Rate shown above.

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

| | <u>PERS</u> | |
|---------------------------|-------------------------------------|--|
| | <u>Adjusted Actual Rate</u> | <u>Actuarial Required Rate</u> |
| Pension | 10.09% | 16.93% |
| Postemployment healthcare | <u>6.72%</u> | <u>11.28%</u> |
| Total contribution rate | 16.81% | 28.21% |

| | <u>TRS</u> Contractually Agreed-upon <u>Rate</u> |
|---------------------------|---|
| Pension | 15.12% |
| Postemployment healthcare | <u>5.88%</u> |
| Total contribution rate | 21.00% |

Under both plans, employer contribution rates are level percentages of payroll and is determined using the projected unit credit actuarial funding method. The plans use the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Unfunded (surpluses) liabilities are amortized over twenty-five years. Investment gain/losses are amortized over 5 years.

The required contribution for each plan was determined as part of the June 30, 2003 actuarial valuation. The significant actuarial assumption used in the valuation of the plan follows:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years of employment and 4.0% thereafter; Fire 6.0% for the first five years and 4.5% thereafter.
3. Health cost inflation of 12.0% for 2004 through 2005 trending downward by .5% per year to 7.0% in 2015; 6% in FY16 and 5.0% thereafter.
4. Total inflation, as measured by the Consumer Price Index for urban and clerical worker for Anchorage, is assumed to increase 3.5% annually; and

5. Asset valuation – the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method is being phased in over the next five years. All assets are valued at market value. Valuation assets cannot be outside the range of 80% to 120% of market value of assets.

For the year ended June 30, 2006, the Borough's annual pension and other post-employment benefit (OPEB) was \$3,658,065, consisting of the actuarially required contribution \$3,519,160 and interest on the net pension obligation of \$138,905.

| | <u>Pension</u> | <u>OPEB</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Annual Required contribution | \$ 2,181,880 | \$ 1,337,280 | \$ 3,519,160 |
| Interest on net pension obligation | 86,410 | 52,495 | 138,905 |
| Annual pension cost | 2,268,290 | 1,389,775 | 3,658,065 |
| Contribution made | 1,463,465 | 896,963 | 2,360,428 |
| Increase in net pension obligation | 804,825 | 492,812 | 1,297,637 |
| Net pension obligation, beginning of year | 1,047,400 | 636,300 | 1,683,700 |
| Net pension obligation, end of year | <u>\$ 1,852,225</u> | <u>\$ 1,129,112</u> | <u>\$ 2,981,337</u> |

Three-year trend information for PERS is as follows:

Pension

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contributions | Percentage of APC Contributed | Net Pension Obligation |
|--------------------|---------------------------|----------------------|-------------------------------|------------------------|
| June 30, 2004 | \$ 612,700 | \$ 612,700 | 100% | - |
| 2005 | 2,115,400 | 1,068,000 | 50% | 1,047,400 |
| 2006 | 2,268,290 | 1,463,465 | 64% | 804,825 |

Post-employment healthcare

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contributions | Percentage of APC Contributed | Net OPEB Obligation |
|--------------------|---------------------------|----------------------|-------------------------------|---------------------|
| June 30, 2004 | \$ 372,300 | \$ 372,300 | 100% | \$- |
| 2005 | 1,285,535 | 649,235 | 50% | 636,300 |
| 2006 | 1,389,775 | 896,963 | 64% | 492,812 |

A schedule of funding progress for PERS is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded (Assets in Excess of) Liability | Funded Ratio | Covered Payroll | Unfunded (Assets In Excess of) Liability as Percentage of Covered Payroll |
|---------------------------|---------------------------|-----------------------------|--|--------------|-----------------|---|
| June 30, 2003 | | | | | | |
| Pension | \$33,752,000 | \$48,201,000 | \$14,449,000 | 70% | \$11,907,000 | 121% |
| Postemployment healthcare | <u>22,559,000</u> | <u>32,216,000</u> | <u>9,657,000</u> | 70% | 11,907,000 | 81% |
| Totals | <u>\$56,311,000</u> | <u>\$80,417,000</u> | <u>\$24,106,000</u> | | | |
| June 30, 2004 | 34,673,000 | 52,259,000 | 17,586,000 | 66% | 12,483,000 | 141% |

| | | | | | | |
|----------------|---------------------|----------------------|---------------------|-----|------------|------|
| Pension | | | | | | |
| Postemployment | <u>24,448,000</u> | <u>36,849,000</u> | <u>12,401,000</u> | 66% | 12,483,000 | 99% |
| Healthcare | | | | | | |
| Totals | <u>\$59,121,000</u> | <u>\$89,108,000</u> | <u>\$29,987,000</u> | | | |
| June 30, 2005 | | | | | | |
| Pension | 35,437,000 | 54,432,000 | 18,995,000 | 65% | 14,102,000 | 135% |
| Postemployment | | | | | | |
| Healthcare | <u>30,616,000</u> | <u>47,027,000</u> | <u>16,411,000</u> | 65% | 14,102,000 | 116% |
| Totals | <u>\$66,053,000</u> | <u>\$101,459,000</u> | <u>\$35,406,000</u> | | | |

The Kenai Peninsula Borough School District information is as follows:

Three-year trend information for PERS is as follows:

Pension

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contributions | Percentage of APC Contributed | Net Pension Obligation |
|--------------------|---------------------------|----------------------|-------------------------------|------------------------|
| June 30, 2004 | \$473,140 | \$473,140 | 100% | - |
| 2005 | 1,758,787 | 848,500 | 48% | 910,287 |
| 2006 | 2,123,218 | 1,243,156 | 60% | 880,062 |

Post-employment healthcare

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contributions | Percentage of APC Contributed | Net OPEB Obligation |
|--------------------|---------------------------|----------------------|-------------------------------|---------------------|
| June 30, 2004 | \$287,412 | \$287,412 | 100% | - |
| 2005 | 1,068,390 | 515,428 | 48% | 552,962 |
| 2006 | 1,394,363 | 830,844 | 60% | 563,519 |

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded (Assets in Excess of Liability) | Funded Ratio | Covered Payroll | Unfunded (Assets In Excess of) Liability as Percentage of Covered Payroll |
|---------------------------|---------------------------|-----------------------------|--|--------------|-----------------|---|
| June 30, 2003 | | | | | | |
| Pension | \$37,374,000 | \$52,357,000 | \$14,983,000 | 71% | \$10,487,000 | 143% |
| Postemployment healthcare | <u>24,980,000</u> | <u>34,993,000</u> | <u>10,013,000</u> | 71% | 10,487,000 | 95% |
| Totals | <u>\$62,354,000</u> | <u>\$87,350,000</u> | <u>\$24,996,000</u> | | | |
| June 30, 2004 | | | | | | |
| Pension | 37,272,000 | 55,959,000 | 18,687,000 | 67% | 11,193,000 | 167% |
| Postemployment Healthcare | <u>26,281,000</u> | <u>39,457,000</u> | <u>13,176,000</u> | 67% | 11,193,000 | 118% |
| Totals | <u>\$63,553,000</u> | <u>\$95,416,000</u> | <u>\$31,863,000</u> | | | |
| June 30, 2005 | | | | | | |
| Pension | 27,592,000 | 46,197,000 | 18,605,000 | 60% | 13,270,000 | 140% |

| | | | | | | |
|---------------------------|---------------------|----------------------|---------------------|-----|------------|------|
| Postemployment Healthcare | <u>39,610,000</u> | <u>66,318,000</u> | <u>26,708,000</u> | 60% | 13,270,000 | 201% |
| Totals | <u>\$67,202,000</u> | <u>\$112,515,000</u> | <u>\$45,313,000</u> | | | |

The District's contribution to TRS were equal to the required contribution for each year and are as follows:

| Fiscal year ending | Contribution |
|--------------------|--------------|
| June 30, 2003 | \$4,450,219 |
| 2004 | 5,966,478 |
| 2005 | 8,204,650 |

2. Hospital Pension Plans

Central Peninsula Hospital Plan Description

On July 1, 1995, the Hospital established a pension plan under Internal Revenue Code 403 (b). Under the plan the hospital contributes 2% of employees eligible salary and will match the employees voluntary contribution up to 3% of gross pay, not to exceed \$3,400. The fund's covered payroll for the years ended June 30, 2006 and 2005 was \$19,224,000 and \$17,662,000 respectively. Total payroll for the years ended June 30, 2006 and 2005 was \$22,130,000 and \$20,074,000, respectively.

Employee contribution to the plan for the years ended June 30, 2006 and 2005 were \$1,215,400 and \$1,145,900, respectively. Employer contribution was \$719,500 and \$599,900 for the same periods. Total contributions to the plan were 10.1% of covered payroll for June 30, 2006 and 9.9% for 2005.

South Peninsula Hospital Plan Description

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

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

Annual Pension Cost and Net Pension Obligation. The annual required contribution for the current year was determined as part of the January 1, 2005 actuarial valuation. The actuarial assumptions included: (a) 7.0% investment rate of return (net of administrative expenses); (b) projected salary increases of 2.0% per year; and (c) no inflation rate.

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|------------------------------------|------------------|------------------|------------------|
| Annual required contribution | \$ 377,671 | \$ 619,401 | \$ 559,612 |
| Interest on net pension obligation | <u>31,532</u> | <u>30,599</u> | <u>40,388</u> |
| Annual pension cost | 409,203 | 650,000 | 600,000 |
| Contributions made | <u>(404,148)</u> | <u>(409,208)</u> | <u>(650,000)</u> |

| | | | |
|---|-------------------|-------------------|-------------------|
| Increase (decrease) in net pension obligation | 5,055 | 240,792 | (50,000) |
| Net pension obligation, beginning of year | <u>197,037</u> | <u>202,092</u> | <u>442,884</u> |
| Net pension obligation, end of year | <u>\$ 202,092</u> | <u>\$ 442,884</u> | <u>\$ 392,884</u> |

A schedule of funding progress is as follows ('000's omitted):

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability</u> | <u>Assets in Excess of Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Assets In Excess of Liability as Percentage of Covered Payroll</u> |
|---|--|--|--|-------------------------|----------------------------|---|
| January 1, 2003 | 4,018 | 3,515 | 503 | 114% | 7,547 | 6.7% |
| January 1, 2004 | 4,778 | 4,073 | 705 | 117% | 8,490 | 8.3% |
| January 1, 2005 | 5,265 | 5,428 | (163) | 97% | 9,388 | -1.74% |

K. Landfill Closure and Postclosure Care Cost

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

State and Federal laws and regulations require the Borough to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for up to thirty years after closure. The Borough has seven active landfills with remaining useful lives of from 1 year to 6 years. The largest site has just developed a new cell with an expected life of 5-7 years. This site has land enough for four additional cells, which will be developed as needed. The second largest facility has used 95% of capacity and will be in operation for 1-2 more years. These two facilities comprise 90% of total landfill capacity. These two facilities also have available land which when developed, will extend the landfills lives by approximately 25 years. There are also three sites, which are closed, and are being monitored as required by law. As of June 30, 2006 the Borough has a recorded liability of \$4,913,986 in the government-wide financial statements for closure and postclosure cost associated with its landfills; in addition, this amount has been reported as a designation of fund balance in the Solid Waste Special Revenue Fund. These amounts are based on what it would cost to perform all closure and postclosure care in 2006; actual cost may vary from this estimate due to inflation, changes in technology, or changes in regulations. It is estimated the Borough will recognize another \$6,175,000 in expense and liability between June 30, 2006 and the year 2031, the date the landfills are expected to reach capacity.

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

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NON-MAJOR GOVERNMENTAL FUNDS



Kenai Peninsula Borough
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

| | <u>Special Revenue Funds</u> | <u>Capital Projects Funds</u> | <u>Debt Service Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|--------------------------------------|---------------------------------------|-----------------------------------|--|
| <u>ASSETS</u> | | | | |
| Cash and Short-term Investments | \$ 33,788 | \$ - | \$ - | \$ 33,788 |
| Equity in Central Treasury | 29,958,724 | 9,654,365 | - | 39,613,089 |
| Receivables (Net of Allowances for Estimated Uncollectibles): | | | | |
| Taxes Receivable | 224,327 | - | - | 224,327 |
| Accounts Receivable | 90,051 | - | - | 90,051 |
| Land Sale Contracts Receivable: | | | | |
| Current | 212,235 | - | - | 212,235 |
| Delinquent | 14,911 | - | - | 14,911 |
| Due from Other Governments | 1,492,793 | 688,613 | - | 2,181,406 |
| Prepays | 7,763 | - | - | 7,763 |
| Land Sale Contracts Receivable: | | | | |
| Long-term | <u>1,913,495</u> | <u>-</u> | <u>-</u> | <u>1,913,495</u> |
| Total Assets | <u>\$ 33,948,087</u> | <u>\$ 10,342,978</u> | <u>\$ -</u> | <u>\$ 44,291,065</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts and Retainage Payable | 967,128 | 117,112 | - | 1,084,240 |
| Accrued Payroll and Payroll Taxes | 125,326 | 6,214 | - | 131,540 |
| Due to Other Funds: | | | | |
| General Fund | 1,301,325 | 34,088 | - | 1,335,413 |
| Deferred Revenue | <u>7,142,957</u> | <u>70,543</u> | <u>-</u> | <u>7,213,500</u> |
| Total Liabilities | <u>9,536,736</u> | <u>227,957</u> | <u>-</u> | <u>9,764,693</u> |
| Fund Balances: | | | | |
| Reserves: | | | | |
| Encumbrances | 791,005 | 4,323,076 | - | 5,114,081 |
| Prepays | 7,763 | - | - | 7,763 |
| Unreserved: | | | | |
| Designations | 8,231,421 | 3,364,449 | - | 11,595,870 |
| Undesignated | <u>15,381,162</u> | <u>2,427,496</u> | <u>-</u> | <u>17,808,658</u> |
| Total Fund Balances | <u>24,411,351</u> | <u>10,115,021</u> | <u>-</u> | <u>34,526,372</u> |
| Total Liabilities and Fund Balances | <u>\$ 33,948,087</u> | <u>\$ 10,342,978</u> | <u>\$ -</u> | <u>\$ 44,291,065</u> |

Kenai Peninsula Borough
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

| | <u>Special Revenue Funds</u> | <u>Capital Projects Funds</u> | <u>Debt Service Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|--------------------------------------|---------------------------------------|-----------------------------------|--|
| Revenues: | | | | |
| General Property Taxes | \$13,196,683 | \$ - | \$ - | \$ 13,196,683 |
| Motor Vehicle Tax | 319,472 | - | - | 319,472 |
| Intergovernmental: | | | | |
| Federal | 4,185,604 | 2,637,465 | - | 6,823,069 |
| State | 1,703,282 | 547,206 | - | 2,250,488 |
| Interest Earned | 267,483 | 105,210 | - | 372,693 |
| Other Revenues | <u>3,399,671</u> | <u>-</u> | <u>-</u> | <u>3,399,671</u> |
| Total Revenues | <u>23,072,195</u> | <u>3,289,881</u> | <u>-</u> | <u>26,362,076</u> |
| Expenditures: | | | | |
| General government | 1,425,948 | 343,855 | - | 1,769,803 |
| Solid waste | 4,147,463 | 179,085 | - | 4,326,548 |
| Public safety | 9,855,682 | 2,937,894 | - | 12,793,576 |
| Recreation | 3,448,362 | 171,746 | - | 3,620,108 |
| Education | 2,721,992 | 1,606,183 | - | 4,328,175 |
| Roads and trails | 3,479,969 | 1,535,455 | - | 5,015,424 |
| Debt service | | | | |
| Principal | - | - | 3,485,000 | 3,485,000 |
| Interest and other | - | - | 1,065,369 | 1,065,369 |
| Total Expenditures | <u>25,079,416</u> | <u>6,774,218</u> | <u>4,550,369</u> | <u>36,404,003</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | <u>(2,007,221)</u> | <u>(3,484,337)</u> | <u>(4,550,369)</u> | <u>(10,041,927)</u> |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | 6,597,069 | 3,630,796 | 4,550,369 | 14,778,234 |
| Transfers (Out) | <u>(4,391,175)</u> | <u>(1,006,000)</u> | <u>-</u> | <u>(5,397,175)</u> |
| Total Other Financing Sources (Uses) | <u>2,205,894</u> | <u>2,624,796</u> | <u>4,550,369</u> | <u>9,381,059</u> |
| Net Changes in Fund Balances | 198,673 | (859,541) | - | (660,868) |
| Fund Balances at Beginning of Year | <u>24,212,678</u> | <u>10,974,562</u> | <u>-</u> | <u>35,187,240</u> |
| Fund Balances at End of Year | <u>\$24,411,351</u> | <u>\$10,115,021</u> | <u>\$ -</u> | <u>\$ 34,526,372</u> |

Nonmajor Special Revenue Funds
Pages 78 - 101

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

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

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

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

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

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

Lowell Point Emergency Services Special Revenue Fund – This fund is used to account for operating expenditures of the Lowell Point Emergency Service Area. FY2004 was the first year of existence for this service area. Although the service area generated tax revenues, there were no associated expenditures.

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

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

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

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

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

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

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

Seward Bear Creek Flood Service Area Special Revenue Fund – This fund is used to account for operating expenditures of the Seward Bear Creek Flood Service Area. FY2004 was the first year of existence for this service area. No revenues were generated. The Borough made an intergovernmental loan to the service area to assist them with start up cost.

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

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

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

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

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

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

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

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

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Kenai Peninsula Borough
Combining Balance Sheet
Nonmajor Special Revenue Fund
June 30, 2006

Special Revenue Funds

| | <u>Nikiski Fire Service Area</u> | <u>Bear Creek Fire Service Area</u> | <u>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Central Emergency Service Area</u> | <u>Kachemak Emergency Service Area</u> |
|--|--|---|---|---|--|
| ASSETS | | | | | |
| Cash and Short-term Investments | \$ 100 | \$ 5,000 | \$ - | \$ 28,488 | \$ - |
| Equity in Central Treasury | 4,393,991 | 116,471 | 142,510 | 1,954,575 | 213,780 |
| Receivables (Net of Allowances for Estimated Uncollectibles): | | | | | |
| Taxes Receivable | 25,305 | 8,271 | 10,215 | 55,004 | 7,339 |
| Accounts Receivable | - | - | - | 89,921 | - |
| Land Sale Contracts Receivable: | | | | | |
| Current | - | - | - | - | - |
| Delinquent | - | - | - | - | - |
| Due from Other Governments | 7,259 | 1,901 | 2,600 | 20,226 | 3,740 |
| Prepays | 7,658 | - | - | - | - |
| Land Sale Contracts Receivable: | | | | | |
| Long-term | - | - | - | - | - |
| Total Assets | <u>\$ 4,434,313</u> | <u>\$ 131,643</u> | <u>\$ 155,325</u> | <u>\$ 2,148,214</u> | <u>\$ 224,859</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts and Retainage Payable | 35,769 | 4,569 | 2,810 | 82,427 | 2,719 |
| Accrued Payroll and Payroll Taxes | 30,497 | 1,262 | 1,536 | 32,478 | - |
| Due to Other Funds: | | | | | |
| General Fund | - | - | - | - | - |
| Deferred Revenue | <u>1,309,936</u> | <u>9,415</u> | <u>14,497</u> | <u>165,901</u> | <u>12,144</u> |
| Total Liabilities | <u>1,376,202</u> | <u>15,246</u> | <u>18,843</u> | <u>280,806</u> | <u>14,863</u> |
| Fund Balances: | | | | | |
| Reserves: | | | | | |
| Encumbrances | 58,755 | 6,561 | - | 80,535 | 7,062 |
| Prepays | 7,658 | - | - | - | - |
| Unreserved: | | | | | |
| Designations | - | - | - | - | - |
| Undesignated | <u>2,991,698</u> | <u>109,836</u> | <u>136,482</u> | <u>1,786,873</u> | <u>202,934</u> |
| Total Fund Balances | <u>3,058,111</u> | <u>116,397</u> | <u>136,482</u> | <u>1,867,408</u> | <u>209,996</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,434,313</u> | <u>\$ 131,643</u> | <u>\$ 155,325</u> | <u>\$ 2,148,214</u> | <u>\$ 224,859</u> |

Special Revenue Funds - continued

| <u>Lowell Point Emergency Service Area</u> | <u>Central Peninsula Emergency Medical Service Area</u> | <u>North Peninsula Recreation Service Area</u> | <u>Road Service Area</u> | <u>Post- Secondary Education</u> | <u>Land Trust</u> |
|--|---|--|------------------------------|--|---------------------|
| \$ - | \$ - | \$ 200 | \$ - | \$ - | \$ - |
| 15,568 | 14,336 | 2,057,899 | 3,180,121 | 512,267 | 4,843,591 |
| 142 | 158 | 10,992 | 71,906 | 6,763 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 212,235 |
| - | - | - | - | - | 14,911 |
| 89 | 1,395 | 3,156 | 24,085 | 2,730 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 1,913,495 |
| <u>\$ 15,799</u> | <u>\$ 15,889</u> | <u>\$ 2,072,247</u> | <u>\$ 3,276,112</u> | <u>\$ 521,760</u> | <u>\$ 6,984,232</u> |
| 67 | - | 24,869 | 165,400 | 317,538 | 6,709 |
| - | - | 9,180 | 9,845 | - | 4,516 |
| - | - | - | - | - | - |
| <u>1,327</u> | <u>126</u> | <u>441,053</u> | <u>823,168</u> | <u>62,248</u> | <u>2,140,641</u> |
| <u>1,394</u> | <u>126</u> | <u>475,102</u> | <u>998,413</u> | <u>379,786</u> | <u>2,151,866</u> |
| 2,515 | - | 5,485 | 51 | - | 122,291 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>11,890</u> | <u>15,763</u> | <u>1,591,660</u> | <u>2,277,648</u> | <u>141,974</u> | <u>4,710,075</u> |
| <u>14,405</u> | <u>15,763</u> | <u>1,597,145</u> | <u>2,277,699</u> | <u>141,974</u> | <u>4,832,366</u> |
| <u>\$ 15,799</u> | <u>\$ 15,889</u> | <u>\$ 2,072,247</u> | <u>\$ 3,276,112</u> | <u>\$ 521,760</u> | <u>\$ 6,984,232</u> |

(continued)

Kenai Peninsula Borough
Combining Balance Sheet
Nonmajor Special Revenue Fund - continued
June 30, 2006

Special Revenue Funds - continued

| | <u>Kenai River Center</u> | <u>Coastal Zone Management</u> | <u>Seward Bear Creek Flood</u> | <u>Disaster Relief</u> | <u>Environmental Protection Programs</u> |
|--|-----------------------------------|--|--|----------------------------|--|
| <u>ASSETS</u> | | | | | |
| Cash and Short-term Investments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity in Central Treasury | 130,618 | 737 | 221,129 | 128,033 | 5,724,714 |
| Receivables (Net of Allowances for Estimated Uncollectibles): | | | | | |
| Taxes Receivable | - | - | 2,152 | - | - |
| Accounts Receivable | - | - | - | - | - |
| Land Sale Contracts Receivable: | | | | | |
| Current | - | - | - | - | - |
| Delinquent | - | - | - | - | - |
| Due from Other Governments | 33,242 | 33,032 | 1,206 | - | 73,098 |
| Prepays | - | - | - | - | 105 |
| Land Sale Contracts Receivable: | | | | | |
| Long-term | - | - | - | - | - |
| Total Assets | <u>\$ 163,860</u> | <u>\$ 33,769</u> | <u>\$ 224,487</u> | <u>\$ 128,033</u> | <u>\$ 5,797,917</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts and Retainage Payable | 4,281 | 6,126 | 14 | - | 17,177 |
| Accrued Payroll and Payroll Taxes | 5,170 | 1,074 | 565 | - | 7,512 |
| Due to Other Funds: | | | | | |
| General Fund | - | 19,032 | - | - | - |
| Deferred Revenue | 4,185 | - | 2,386 | - | 2,069,000 |
| Total Liabilities | <u>13,636</u> | <u>26,232</u> | <u>2,965</u> | <u>-</u> | <u>2,093,689</u> |
| Fund Balances: | | | | | |
| Reserves: | | | | | |
| Encumbrances | 4,591 | 7,537 | - | - | 444,763 |
| Prepays | - | - | - | - | 105 |
| Unreserved: | | | | | |
| Designations | 4,185 | - | - | - | 3,259,360 |
| Undesignated | 141,448 | - | 221,522 | 128,033 | - |
| Total Fund Balances | <u>150,224</u> | <u>7,537</u> | <u>221,522</u> | <u>128,033</u> | <u>3,704,228</u> |
| Total Liabilities and Fund Balances | <u>\$ 163,860</u> | <u>\$ 33,769</u> | <u>\$ 224,487</u> | <u>\$ 128,033</u> | <u>\$ 5,797,917</u> |

Special Revenue Funds - continued

| <u>Local Emergency Planning Committee</u> | <u>Underground Storage Tank Removal and Upgrade</u> | <u>Miscellaneous Grants</u> | <u>Community & Economic Development</u> | <u>Nikiski Senior Service Area</u> | <u>Solid Waste</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|---|---|---------------------------------|---|--|------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,788 |
| 182 | 53,910 | - | 5,840 | 206,113 | 6,042,339 | 29,958,724 |
| - | - | - | - | 1,730 | 24,350 | 224,327 |
| - | - | - | - | 130 | - | 90,051 |
| - | - | - | - | - | - | 212,235 |
| - | - | - | - | - | - | 14,911 |
| 7,929 | - | 1,276,595 | - | 510 | - | 1,492,793 |
| - | - | - | - | - | - | 7,763 |
| - | - | - | - | - | - | 1,913,495 |
| <u>\$ 8,111</u> | <u>\$ 53,910</u> | <u>\$ 1,276,595</u> | <u>\$ 5,840</u> | <u>\$ 208,483</u> | <u>\$ 6,066,689</u> | <u>\$ 33,948,087</u> |
| 949 | - | 263 | - | 2,668 | 292,773 | 967,128 |
| 407 | - | 794 | - | 973 | 19,517 | 125,326 |
| 6,755 | - | 1,275,538 | - | - | - | 1,301,325 |
| - | - | - | - | 86,930 | - | 7,142,957 |
| <u>8,111</u> | <u>-</u> | <u>1,276,595</u> | <u>-</u> | <u>90,571</u> | <u>312,290</u> | <u>9,536,736</u> |
| - | - | - | - | - | 50,859 | 791,005 |
| - | - | - | - | - | - | 7,763 |
| - | 53,910 | - | - | - | 4,913,966 | 8,231,421 |
| - | - | - | 5,840 | 117,912 | 789,574 | 15,381,162 |
| - | 53,910 | - | 5,840 | 117,912 | 5,754,399 | 24,411,351 |
| <u>\$ 8,111</u> | <u>\$ 53,910</u> | <u>\$ 1,276,595</u> | <u>\$ 5,840</u> | <u>\$ 208,483</u> | <u>\$ 6,066,689</u> | <u>\$ 33,948,087</u> |

Kenai Peninsula Borough
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

| | Special Revenue Funds | | | | |
|--|------------------------------|------------------------------------|--|--------------------------------------|---------------------------------------|
| | Nikiski Fire Service Area | Bear Creek Fire Service Area | Anchor Point Fire and Emergency Medical Service Area | Central Emergency Service Area | Kachemak Emergency Service Area |
| Revenues: | | | | | |
| General Property Taxes | \$ 2,488,412 | \$ 215,812 | \$ 312,886 | \$ 3,536,888 | \$ 408,428 |
| Motor Vehicle Tax | 34,019 | 8,908 | 12,184 | 93,757 | 17,531 |
| Intergovernmental: | | | | | |
| Federal | 7,740 | 41,376 | - | 27,778 | - |
| State | 71,932 | 8,747 | 4,519 | 77,477 | 4,977 |
| Interest Earned | - | - | - | 577 | - |
| Other Revenues | 6,298 | 18,417 | 900 | 445,639 | 3,384 |
| Total Revenues | 2,608,401 | 293,260 | 330,489 | 4,182,116 | 434,320 |
| Expenditures: | | | | | |
| General government | - | - | - | - | - |
| Solid waste | - | - | - | - | - |
| Public safety | 2,768,612 | 225,882 | 203,012 | 3,609,621 | 235,570 |
| Recreation | - | - | - | - | - |
| Education | - | - | - | - | - |
| Roads and trails | - | - | - | - | - |
| Total Expenditures | 2,768,612 | 225,882 | 203,012 | 3,609,621 | 235,570 |
| Excess (Deficiency) of Revenues Over Expenditures | (160,211) | 67,378 | 127,477 | 572,495 | 198,750 |
| Other Financing Sources and (Uses): | | | | | |
| Transfers In | 300,000 | - | - | 4,800 | - |
| Transfers (Out) | (163,398) | (115,000) | (185,000) | (538,398) | (154,881) |
| Total Other Financing Sources (Uses) | 136,602 | (115,000) | (185,000) | (533,598) | (154,881) |
| Net Changes in Fund Balances | (23,609) | (47,622) | (57,523) | 38,897 | 43,869 |
| Fund Balances at Beginning of Year | 3,081,720 | 164,019 | 194,005 | 1,828,511 | 166,127 |
| Fund Balances at End of Year | \$ 3,058,111 | \$ 116,397 | \$ 136,482 | \$ 1,867,408 | \$ 209,996 |

Special Revenue Funds - continued

| <u>Lowell Point Emergency Service Area</u> | <u>Central Peninsula Emergency Medical Service Area</u> | <u>North Peninsula Recreation Service Area</u> | <u>Road Service Area</u> | <u>Post- Secondary Education</u> | <u>Land Trust</u> | <u>Kenai River Center</u> |
|--|---|--|------------------------------|--|---------------------|-----------------------------------|
| \$ 12,542 | \$ 11,543 | \$ 1,084,318 | \$ 4,306,831 | \$ 453,333 | \$ - | \$ - |
| 414 | 6,538 | 14,791 | 112,884 | 12,795 | - | - |
| - | - | - | - | - | - | - |
| 4,200 | - | 12,848 | 16,651 | - | 10,745 | 13,385 |
| - | - | - | 6,357 | - | - | - |
| - | - | 168,123 | - | - | 2,142,734 | 33,242 |
| <u>17,156</u> | <u>18,081</u> | <u>1,280,080</u> | <u>4,442,723</u> | <u>466,133</u> | <u>2,153,479</u> | <u>46,627</u> |
| - | - | - | - | - | 911,149 | - |
| - | - | - | - | - | - | - |
| 19,632 | - | - | - | - | - | - |
| - | - | 1,018,510 | - | - | - | 447,022 |
| - | - | - | - | 502,600 | - | - |
| - | - | - | 3,415,157 | - | - | - |
| <u>19,632</u> | <u>-</u> | <u>1,018,510</u> | <u>3,415,157</u> | <u>502,600</u> | <u>911,149</u> | <u>447,022</u> |
| <u>(2,476)</u> | <u>18,081</u> | <u>261,570</u> | <u>1,027,566</u> | <u>(36,467)</u> | <u>1,242,330</u> | <u>(400,395)</u> |
| - | - | 550,000 | - | - | 138,000 | 417,168 |
| - | (4,800) | (50,000) | (755,955) | - | (1,438,705) | - |
| - | (4,800) | 500,000 | (755,955) | - | (1,300,705) | 417,168 |
| (2,476) | 13,281 | 761,570 | 271,611 | (36,467) | (58,375) | 16,773 |
| <u>16,881</u> | <u>2,482</u> | <u>835,575</u> | <u>2,006,088</u> | <u>178,441</u> | <u>4,890,741</u> | <u>133,451</u> |
| <u>\$ 14,405</u> | <u>\$ 15,763</u> | <u>\$ 1,597,145</u> | <u>\$ 2,277,699</u> | <u>\$ 141,974</u> | <u>\$ 4,832,366</u> | <u>\$ 150,224</u> |

(continued)

Kenai Peninsula Borough
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds-continued
For the Year Ended June 30, 2006

Special Revenue Funds - continued

| | <u>Coastal Zone Management</u> | <u>Seward Bear Creek Flood</u> | <u>Disaster Relief Fund</u> | <u>Environmental Protection Programs</u> |
|--|--|--|-------------------------------------|--|
| Revenues: | | | | |
| General Property Taxes | \$ - | \$ 157,196 | \$ - | \$ - |
| Motor Vehicle Tax | - | 5,651 | - | - |
| Intergovernmental: | | | | |
| Federal | 82,697 | - | 14,918 | 106,241 |
| State | - | 719 | 23,014 | - |
| Interest Earned | - | - | - | 105,530 |
| Other Revenues | - | - | - | - |
| Total Revenues | <u>82,697</u> | <u>163,566</u> | <u>37,932</u> | <u>211,771</u> |
| Expenditures: | | | | |
| General Government | - | - | 4,226 | - |
| Solid Waste | - | - | - | - |
| Public Safety | 85,160 | 42,758 | - | 1,614,440 |
| Recreation | - | - | - | - |
| Education | - | - | - | - |
| Roads and Trails | - | - | - | - |
| Total Expenditures | <u>85,160</u> | <u>42,758</u> | <u>4,226</u> | <u>1,614,440</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(2,463)</u> | <u>120,808</u> | <u>33,706</u> | <u>(1,402,669)</u> |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | - | - | 50,000 | - |
| Transfers (Out) | - | - | (25,035) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>24,965</u> | <u>-</u> |
| Net Changes in Fund Balances | (2,463) | 120,808 | 58,671 | (1,402,669) |
| Fund Balances at Beginning of Year | <u>10,000</u> | <u>100,714</u> | <u>69,362</u> | <u>5,106,897</u> |
| Fund Balances at End of Year | <u>\$ 7,537</u> | <u>\$ 221,522</u> | <u>\$ 128,033</u> | <u>\$ 3,704,228</u> |

Special Revenue Funds - continued

| <u>Local Emergency Planning Committee</u> | <u>Underground Storage Tank Removal and Upgrade</u> | <u>Miscellaneous Grants</u> | <u>Community & Economic Development</u> | <u>Nikiski Senior Service Area</u> | <u>Solid Waste</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|---|---|---------------------------------|---|--|------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ 208,489 | \$ - | \$ 13,196,683 |
| - | - | - | - | - | - | 319,472 |
| 50,000 | - | 3,791,452 | 63,402 | - | - | 4,185,604 |
| 22,125 | - | 1,379,800 | 11,308 | 1,890 | 38,946 | 1,703,283 |
| - | - | - | - | - | 155,019 | 267,483 |
| - | - | 298,281 | - | - | 282,653 | 3,399,671 |
| <u>72,125</u> | <u>-</u> | <u>5,469,533</u> | <u>74,710</u> | <u>210,379</u> | <u>476,618</u> | <u>23,072,196</u> |
| - | - | 225,000 | 74,710 | 210,863 | - | 1,425,948 |
| - | - | - | - | - | 4,147,463 | 4,147,463 |
| 72,125 | 1,371 | 977,499 | - | - | - | 9,855,682 |
| - | - | 1,982,830 | - | - | - | 3,448,362 |
| - | - | 2,219,392 | - | - | - | 2,721,992 |
| - | - | 64,812 | - | - | - | 3,479,969 |
| <u>72,125</u> | <u>1,371</u> | <u>5,469,533</u> | <u>74,710</u> | <u>210,863</u> | <u>4,147,463</u> | <u>25,079,416</u> |
| - | (1,371) | - | - | (484) | (3,670,845) | (2,007,220) |
| - | - | - | - | 30,200 | 5,106,901 | 6,597,069 |
| - | (19,341) | - | - | - | (940,662) | (4,391,175) |
| - | (19,341) | - | - | 30,200 | 4,166,239 | 2,205,894 |
| - | (20,712) | - | - | 29,716 | 495,394 | 198,674 |
| - | 74,622 | - | 5,840 | 88,196 | 5,259,006 | 24,212,678 |
| <u>\$ -</u> | <u>\$ 53,910</u> | <u>\$ -</u> | <u>\$ 5,840</u> | <u>\$ 117,912</u> | <u>\$ 5,754,400</u> | <u>\$ 24,411,352</u> |

Kenai Peninsula Borough

**Nikiski Fire Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$2,513,352 | \$2,513,352 | \$2,488,412 | \$ (24,940) |
| Motor Vehicle Tax | 32,900 | 32,900 | 34,019 | 1,119 |
| Intergovernmental: | | | | |
| Federal | - | 7,740 | 7,740 | - |
| State | - | 71,932 | 71,932 | - |
| Other Revenues | <u>150,000</u> | <u>150,000</u> | <u>6,298</u> | <u>(143,702)</u> |
| Total Revenues | <u>2,696,252</u> | <u>2,775,924</u> | <u>2,608,401</u> | <u>(167,523)</u> |
| Expenditures: | | | | |
| Personnel | 2,241,618 | 2,265,100 | 2,199,374 | 65,726 |
| Supplies | 134,012 | 149,201 | 118,046 | 31,155 |
| Services | 434,395 | 403,582 | 375,649 | 27,933 |
| Capital Outlay | <u>55,442</u> | <u>127,556</u> | <u>75,543</u> | <u>52,013</u> |
| Total Expenditures | <u>2,865,467</u> | <u>2,945,439</u> | <u>2,768,612</u> | <u>176,827</u> |
| Excess of revenues over expenditures | <u>(169,215)</u> | <u>(169,515)</u> | <u>(160,211)</u> | <u>9,304</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 300,000 | 300,000 | 300,000 | - |
| Transfers (out) | <u>(163,398)</u> | <u>(163,398)</u> | <u>(163,398)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>136,602</u> | <u>136,602</u> | <u>136,602</u> | <u>-</u> |
| Net change in fund balance | (32,613) | (32,913) | (23,609) | 9,304 |
| Fund Balance at Beginning of Year | <u>3,081,720</u> | <u>3,081,720</u> | <u>3,081,720</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$3,049,107</u> | <u>\$3,048,807</u> | <u>\$3,058,111</u> | <u>\$ 9,304</u> |

Kenai Peninsula Borough
Bear Creek Fire Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|--|-------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 216,386 | \$ 219,137 | \$ 215,812 | \$ (3,325) |
| Motor Vehicle Tax | 11,934 | 11,934 | 8,908 | (3,026) |
| Intergovernmental: | | | | |
| Federal | - | 41,466 | 41,376 | (90) |
| State | - | 8,747 | 8,747 | - |
| Other Revenues | - | - | 18,417 | 18,417 |
| Total Revenues | <u>228,320</u> | <u>281,284</u> | <u>293,260</u> | <u>11,976</u> |
| Expenditures: | | | | |
| Personnel | 25,185 | 30,367 | 30,367 | - |
| Supplies | 16,750 | 30,531 | 29,121 | 1,410 |
| Services | 57,033 | 55,432 | 55,370 | 62 |
| Capital Outlay | 27,500 | 121,331 | 111,024 | 10,307 |
| Total Expenditures | <u>126,468</u> | <u>237,661</u> | <u>225,882</u> | <u>11,779</u> |
| Excess of revenues over expenditures | <u>101,852</u> | <u>43,623</u> | <u>67,378</u> | <u>23,755</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (out) | <u>(115,000)</u> | <u>(115,000)</u> | <u>(115,000)</u> | <u>-</u> |
| Net change in fund balance | (13,148) | (71,377) | (47,622) | 23,755 |
| Fund Balance at Beginning of Year | <u>164,019</u> | <u>164,019</u> | <u>164,019</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 150,871</u> | <u>\$ 92,642</u> | <u>\$ 116,397</u> | <u>\$ 23,755</u> |

Kenai Peninsula Borough

**Anchor Point Fire and Medical Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 314,392 | \$ 314,392 | \$ 312,886 | \$ (1,506) |
| Motor Vehicle Tax | 12,546 | 12,546 | 12,184 | (362) |
| Intergovernmental: | | | | |
| State | - | 4,519 | 4,519 | - |
| Other Revenues | - | - | 900 | 900 |
| Total Revenues | <u>326,938</u> | <u>331,457</u> | <u>330,489</u> | <u>(968)</u> |
| Expenditures: | | | | |
| Personnel | 93,452 | 105,474 | 105,474 | - |
| Supplies | 29,300 | 30,309 | 23,891 | 6,418 |
| Services | 71,273 | 61,235 | 57,189 | 4,046 |
| Capital Outlay | 16,766 | 19,792 | 16,458 | 3,334 |
| Total Expenditures | <u>210,791</u> | <u>216,810</u> | <u>203,012</u> | <u>13,798</u> |
| Excess of revenues over expenditures | <u>116,147</u> | <u>114,647</u> | <u>127,477</u> | <u>12,830</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (out) | <u>(185,000)</u> | <u>(185,000)</u> | <u>(185,000)</u> | <u>-</u> |
| Net change in fund balance | <u>(68,853)</u> | <u>(70,353)</u> | <u>(57,523)</u> | <u>12,830</u> |
| Fund Balance at Beginning of Year | <u>194,005</u> | <u>194,005</u> | <u>194,005</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 125,152</u> | <u>\$ 123,652</u> | <u>\$ 136,482</u> | <u>\$ 12,830</u> |

Kenai Peninsula Borough

**Central Emergency Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | Budget | | Actual | Variance Positive (Negative) |
|---|------------------------|-------------------------|-------------------------|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| General Property Taxes | \$3,544,060 | \$ 3,544,060 | \$ 3,536,888 | \$ (7,172) |
| Motor Vehicle Tax | 124,236 | 124,236 | 93,757 | (30,479) |
| Intergovernmental: | | | | |
| Federal | - | 106,852 | 27,778 | (79,074) |
| State | - | 77,477 | 77,477 | |
| Interest Earned | 421 | 421 | 577 | 156 |
| Other Revenues | <u>390,000</u> | <u>390,000</u> | <u>445,639</u> | <u>55,639</u> |
| Total Revenues | <u>4,058,717</u> | <u>4,243,046</u> | <u>4,182,116</u> | <u>(60,930)</u> |
| Expenditures: | | | | |
| Personnel | 2,688,033 | 2,711,781 | 2,616,444 | 95,337 |
| Supplies | 211,015 | 254,011 | 232,723 | 21,288 |
| Services | 607,870 | 581,163 | 567,508 | 13,655 |
| Capital Outlay | <u>114,361</u> | <u>296,015</u> | <u>192,946</u> | <u>103,069</u> |
| Total Expenditures | <u>3,621,279</u> | <u>3,842,970</u> | <u>3,609,621</u> | <u>233,349</u> |
| Excess of revenues over (under) expenditures | <u>437,438</u> | <u>400,076</u> | <u>572,495</u> | <u>172,419</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 4,800 | 4,800 | 4,800 | - |
| Transfers (out) | <u>(538,398)</u> | <u>(538,398)</u> | <u>(538,398)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(533,598)</u> | <u>(533,598)</u> | <u>(533,598)</u> | <u>-</u> |
| Net change in fund balance | (96,160) | (133,522) | 38,897 | 172,419 |
| Fund Balance at Beginning of Year | <u>1,828,511</u> | <u>1,828,511</u> | <u>1,828,511</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$1,732,351</u> | <u>\$ 1,694,989</u> | <u>\$ 1,867,408</u> | <u>\$ 172,419</u> |

Kenai Peninsula Borough

**Kachemak Emergency Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 412,745 | \$ 412,745 | \$ 408,428 | \$ (4,317) |
| Motor Vehicle Tax | 18,972 | 18,972 | 17,531 | (1,441) |
| Intergovernmental: | | | | |
| State | - | 4,977 | 4,977 | - |
| Other Revenues | - | - | 3,384 | 3,384 |
| Total Revenues | <u>431,717</u> | <u>436,694</u> | <u>434,320</u> | <u>(2,374)</u> |
| Expenditures: | | | | |
| Supplies | 9,200 | 9,200 | 5,586 | 3,614 |
| Services | 220,832 | 220,832 | 209,909 | 10,923 |
| Capital Outlay | 28,000 | 34,377 | 20,075 | 14,302 |
| Total Expenditures | <u>258,032</u> | <u>264,409</u> | <u>235,570</u> | <u>28,839</u> |
| Excess of revenues over expenditures | <u>173,685</u> | <u>172,285</u> | <u>198,750</u> | <u>26,465</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (out) | <u>(145,000)</u> | <u>(154,881)</u> | <u>(154,881)</u> | <u>-</u> |
| Net change in fund balance | <u>28,685</u> | <u>17,404</u> | <u>43,869</u> | <u>26,465</u> |
| Fund Balance at Beginning of Year | <u>166,127</u> | <u>166,127</u> | <u>166,127</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 194,812</u> | <u>\$ 183,531</u> | <u>\$ 209,996</u> | <u>\$ 26,465</u> |

Kenai Peninsula Borough

**Lowell Point Emergency Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-----------------|-----------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 12,073 | \$ 12,073 | \$ 12,542 | \$ 469 |
| Motor Vehicle Tax | 453 | 453 | 414 | (39) |
| Intergovernmental: | | | | |
| Federal | | | | - |
| Federal | - | 71,338 | - | (71,338) |
| State | - | 5,375 | 4,200 | (1,175) |
| Total Revenues | <u>12,526</u> | <u>89,239</u> | <u>17,156</u> | <u>(72,083)</u> |
| Expenditures: | | | | |
| Supplies | 1,200 | 2,300 | 1,100 | 1,200 |
| Services | 10,738 | 52,872 | 4,844 | 48,028 |
| Capital Outlay | <u>12,000</u> | <u>49,554</u> | <u>13,688</u> | <u>35,866</u> |
| Total Expenditures | <u>23,938</u> | <u>104,726</u> | <u>19,632</u> | <u>85,094</u> |
| Excess of revenues over expenditures | <u>(11,412)</u> | <u>(15,487)</u> | <u>(2,476)</u> | <u>13,011</u> |
| Net change in fund balance | (11,412) | (15,487) | (2,476) | 13,011 |
| Fund Balance at Beginning of Year | <u>16,881</u> | <u>16,881</u> | <u>16,881</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 5,469</u> | <u>\$ 1,394</u> | <u>\$ 14,405</u> | <u>\$ 13,011</u> |

Kenai Peninsula Borough

**Central Peninsula Emergency Medical Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-----------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 4,800 | \$ 4,800 | \$ 11,543 | \$ 6,743 |
| Motor Vehicle Tax | - | - | 6,538 | 6,538 |
| Intergovernmental: | | | | |
| State | - | 10,000 | - | (10,000) |
| Total Revenues | <u>4,800</u> | <u>14,800</u> | <u>18,081</u> | <u>3,281</u> |
| Expenditures: | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>4,800</u> | <u>14,800</u> | <u>18,081</u> | <u>3,281</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (out) | <u>(4,800)</u> | <u>(4,800)</u> | <u>(4,800)</u> | <u>-</u> |
| Net change in fund balance | - | 10,000 | 13,281 | 3,281 |
| Fund Balance at Beginning of Year | <u>2,482</u> | <u>2,482</u> | <u>2,482</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 2,482</u> | <u>\$ 12,482</u> | <u>\$ 15,763</u> | <u>\$ 3,281</u> |

Kenai Peninsula Borough

**North Peninsula Recreation Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | Variance Positive (Negative) |
|---|--------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$1,094,791 | \$ 1,094,791 | \$ 1,084,318 | \$ (10,473) |
| Motor Vehicle Tax | 15,706 | 15,706 | 14,791 | (915) |
| Intergovernmental: | | | | |
| State | - | 12,848 | 12,848 | |
| Other Revenues | <u>163,221</u> | <u>163,221</u> | <u>168,123</u> | <u>4,902</u> |
| Total Revenues | <u>1,273,718</u> | <u>1,286,566</u> | <u>1,280,080</u> | <u>(6,486)</u> |
| Expenditures: | | | | |
| Personnel | 642,541 | 655,389 | 592,483 | 62,906 |
| Supplies | 104,250 | 111,918 | 85,408 | 26,510 |
| Services | 354,001 | 345,706 | 336,853 | 8,853 |
| Capital Outlay | <u>2,500</u> | <u>3,794</u> | <u>3,766</u> | <u>28</u> |
| Total Expenditures | <u>1,103,292</u> | <u>1,116,807</u> | <u>1,018,510</u> | <u>98,297</u> |
| Excess of revenues over expenditures | <u>170,426</u> | <u>169,759</u> | <u>261,570</u> | <u>91,811</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 550,000 | 550,000 | 550,000 | - |
| Transfers (out) | <u>(50,000)</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>500,000</u> | <u>500,000</u> | <u>500,000</u> | <u>-</u> |
| Net change in fund balance | 670,426 | 669,759 | 761,570 | 91,811 |
| Fund Balance at Beginning of Year | <u>835,575</u> | <u>835,575</u> | <u>835,575</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$1,506,001</u> | <u>\$ 1,505,334</u> | <u>\$ 1,597,145</u> | <u>\$ 91,811</u> |

Kenai Peninsula Borough

**Road Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 4,325,350 | \$ 4,325,350 | \$ 4,306,831 | \$ (18,519) |
| Motor Vehicle Tax | 128,300 | 128,300 | 112,884 | (15,416) |
| Intergovernmental: | | | | |
| Federal | | | | - |
| Federal | - | - | - | - |
| State | - | 16,651 | 16,651 | - |
| Revenue Sharing | - | - | - | - |
| Grants | - | - | - | - |
| Interest Earned | 2,735 | 2,735 | 6,357 | 3,622 |
| Total Revenues | <u>4,456,385</u> | <u>4,473,036</u> | <u>4,442,723</u> | <u>(30,313)</u> |
| Expenditures: | | | | |
| Personnel | 585,148 | 623,386 | 620,469 | 2,917 |
| Supplies | 27,750 | 29,687 | 32,331 | (2,644) |
| Services | 2,490,498 | 2,880,023 | 2,755,076 | 124,947 |
| Capital Outlay | 34,200 | 7,486 | 7,281 | 205 |
| Total Expenditures | <u>3,137,596</u> | <u>3,540,582</u> | <u>3,415,157</u> | <u>125,425</u> |
| Excess of revenues over expenditures | <u>1,318,789</u> | <u>932,454</u> | <u>1,027,566</u> | <u>95,112</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers (out) | <u>(755,955)</u> | <u>(755,955)</u> | <u>(755,955)</u> | <u>-</u> |
| Net change in fund balance | 562,834 | 176,499 | 271,611 | 95,112 |
| Fund Balance at Beginning of Year | <u>2,006,088</u> | <u>2,006,088</u> | <u>2,006,088</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 2,568,922</u> | <u>\$ 2,182,587</u> | <u>\$ 2,277,699</u> | <u>\$ 95,112</u> |

Kenai Peninsula Borough

**Post-Secondary
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 456,920 | \$ 456,920 | \$ 453,338 | \$ (3,582) |
| Motor Vehicle Tax | 14,178 | 14,178 | 12,795 | (1,383) |
| Total Revenues | <u>471,098</u> | <u>471,098</u> | <u>466,133</u> | <u>(4,965)</u> |
| Expenditures: | | | | |
| Services | <u>502,600</u> | <u>502,600</u> | <u>502,600</u> | <u>-</u> |
| Total Expenditures | <u>502,600</u> | <u>502,600</u> | <u>502,600</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>(31,502)</u> | <u>(31,502)</u> | <u>(36,467)</u> | <u>(4,965)</u> |
| Net change in fund balance | (31,502) | (31,502) | (36,467) | (4,965) |
| Fund Balance at Beginning of Year | <u>178,441</u> | <u>178,441</u> | <u>178,441</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 146,939</u> | <u>\$ 146,939</u> | <u>\$ 141,974</u> | <u>\$ (4,965)</u> |

Kenai Peninsula Borough

**Land Trust
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------|---------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| State | \$ - | \$ 10,745 | \$ 10,745 | \$ - |
| Other Revenues: | | | | |
| Payments on Land Contracts | 750,000 | 750,000 | 1,595,425 | 845,425 |
| Land Leases | 130,000 | 130,000 | 163,441 | 33,441 |
| Excess Tax Foreclosure Proceeds | - | - | - | - |
| Timber and Gravel Sales | 45,000 | 45,000 | 63,045 | 18,045 |
| Interest on Contracts | 85,000 | 85,000 | 302,760 | 217,760 |
| Miscellaneous | 25,000 | 25,000 | 18,063 | (6,937) |
| Total Revenues | <u>1,035,000</u> | <u>1,045,745</u> | <u>2,153,479</u> | <u>1,107,734</u> |
| Expenditures: | | | | |
| Personnel | 392,149 | 402,894 | 343,919 | 58,975 |
| Supplies | 9,500 | 9,335 | 2,985 | 6,350 |
| Services | 40,625 | 913,846 | 563,184 | 350,662 |
| Capital Outlay | 15,500 | 15,500 | 1,061 | 14,439 |
| Total Expenditures | <u>457,774</u> | <u>1,341,575</u> | <u>911,149</u> | <u>430,426</u> |
| Excess of revenues over (under) expenditures | <u>577,226</u> | <u>(295,830)</u> | <u>1,242,330</u> | <u>1,538,160</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 138,000 | 138,000 | - |
| Transfers (out) | (1,438,705) | (1,438,705) | (1,438,705) | - |
| Total Other Financing (Uses) | <u>(1,438,705)</u> | <u>(1,300,705)</u> | <u>(1,300,705)</u> | <u>-</u> |
| Net change in fund balance | <u>(861,479)</u> | <u>(1,596,535)</u> | <u>(58,375)</u> | <u>1,538,160</u> |
| Fund Balance at Beginning of Year | <u>4,890,741</u> | <u>4,890,741</u> | <u>4,890,741</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$4,029,262</u> | <u>\$ 3,294,206</u> | <u>\$4,832,366</u> | <u>\$ 1,538,160</u> |

Kenai Peninsula Borough

**Kenai River Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-----------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| State | \$ - | \$ 17,570 | \$ 13,385 | \$ (4,185) |
| Other Revenues | - | - | 33,242 | 33,242 |
| Total Revenues | - | 17,570 | 46,627 | 29,057 |
| Expenditures: | | | | |
| Personnel | 322,971 | 332,356 | 331,176 | 1,180 |
| Supplies | 10,300 | 15,378 | 7,180 | 8,198 |
| Services | 116,912 | 124,997 | 103,665 | 21,332 |
| Capital Outlay | 6,000 | 6,000 | 5,001 | 999 |
| Total Expenditures | 456,183 | 478,731 | 447,022 | 31,709 |
| Excess of revenues over (under) expenditures | (456,183) | (461,161) | (400,395) | 60,766 |
| Other Financing Sources: | | | | |
| Transfers in | 417,168 | 417,168 | 417,168 | - |
| Net change in fund balance | (39,015) | (43,993) | 16,773 | 60,766 |
| Fund Balance at Beginning of Year | 133,451 | 133,451 | 133,451 | - |
| Fund Balance at End of Year | \$ 94,436 | \$ 89,458 | \$ 150,224 | \$ 60,766 |

Kenai Peninsula Borough

**Seward Bear Creek Flood Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| General Property Taxes | \$ 147,548 | \$ 147,548 | \$ 157,196 | \$ 9,648 |
| Motor Vehicle Tax | - | - | 5,651 | 5,651 |
| Intergovernmental- State | - | 719 | 719 | - |
| Total Revenues | <u>147,548</u> | <u>148,267</u> | <u>163,566</u> | <u>15,299</u> |
| Expenditures: | | | | |
| Personnel | 24,505 | 27,474 | 27,436 | 38 |
| Supplies | 2,250 | 2,250 | 1,891 | 359 |
| Services | 59,198 | 56,948 | 12,518 | 44,430 |
| Capital Outlay | <u>1,000</u> | <u>1,000</u> | <u>913</u> | <u>87</u> |
| Total Expenditures | <u>86,953</u> | <u>87,672</u> | <u>42,758</u> | <u>44,914</u> |
| Excess of revenues over expenditures | <u>60,595</u> | <u>60,595</u> | <u>120,808</u> | <u>60,213</u> |
| Net change in fund balance | 60,595 | 60,595 | 120,808 | 60,213 |
| Fund Balance at Beginning of Year | <u>100,714</u> | <u>100,714</u> | <u>100,714</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 161,309</u> | <u>\$ 161,309</u> | <u>\$ 221,522</u> | <u>\$ 60,213</u> |

Kenai Peninsula Borough

**Disaster Relief
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-----------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Federal | \$ - | \$ - | \$ 23,015 | \$ 23,015 |
| State | - | - | 14,917 | 14,917 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>37,932</u> | <u>37,932</u> |
| Expenditures: | | | | |
| Personnel | - | 1,349 | 1,349 | - |
| Supplies | - | 151 | 151 | - |
| Services | 50,000 | 82,262 | 2,726 | 79,536 |
| Total Expenditures | <u>50,000</u> | <u>83,762</u> | <u>4,226</u> | <u>79,536</u> |
| Excess of revenues over expenditures | <u>(50,000)</u> | <u>(83,762)</u> | <u>33,706</u> | <u>117,468</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 50,000 | 50,000 | 50,000 | - |
| Transfers (out) | (25,035) | (25,035) | (25,035) | - |
| Total Other Financing Sources (Uses) | <u>24,965</u> | <u>24,965</u> | <u>24,965</u> | <u>-</u> |
| Net change in fund balance | (25,035) | (58,797) | 58,671 | 117,468 |
| Fund Balance at Beginning of Year | <u>25,035</u> | <u>69,362</u> | <u>69,362</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ -</u> | <u>\$ 10,565</u> | <u>\$ 128,033</u> | <u>\$ 117,468</u> |

Kenai Peninsula Borough

**Nikiski Senior Service Area
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | Budget | | Actual | Variance Positive (Negative) |
|---|------------------|-------------------|-------------------|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| General Property Taxes | \$ 206,206 | \$ 206,206 | \$ 206,099 | \$ (107) |
| Motor Vehicle Tax | 1,832 | 1,832 | 2,390 | 558 |
| Intergovernmental: | | | | |
| State: | | | | |
| Grants | - | 1,890 | 1,890 | - |
| Other Revenues | - | - | - | - |
| Total Revenues | 208,038 | 209,928 | 210,379 | 451 |
| Expenditures: | | | | |
| Personnel | 65,480 | 69,262 | 69,262 | - |
| Services | 143,493 | 141,601 | 141,601 | - |
| Total Expenditures | 208,973 | 210,863 | 210,863 | - |
| Excess of revenues over (under) expenditures | (935) | (935) | (484) | 451 |
| Other Financing Sources: | | | | |
| Transfers in | 30,200 | 30,200 | 30,200 | - |
| Net change in fund balance | 29,265 | 29,265 | 29,716 | 451 |
| Fund Balance at Beginning of Year | 56,101 | 88,196 | 88,196 | - |
| Fund Balance at End of Year | \$ 85,366 | \$ 117,461 | \$ 117,912 | \$ 451 |

Kenai Peninsula Borough

**Solid Waste
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

| | Budget | | Actual | Variance Positive (Negative) |
|---|---------------------|---------------------|---------------------|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| State: | \$ - | \$ 38,945 | \$ 38,945 | \$ - |
| Interest Earned | 181,046 | 181,046 | 155,019 | (26,027) |
| Other Revenues: | | | | |
| Recycle fees | 13,215 | 13,215 | 57,205 | 43,990 |
| Solid waste dumping fees | 191,787 | 191,787 | 203,322 | 11,535 |
| Hazardous waste dumping fees | 17,204 | 17,204 | 22,126 | 4,922 |
| Total Revenues | 403,252 | 442,197 | 476,617 | 34,420 |
| Expenditures: | | | | |
| Personnel | 1,370,557 | 1,414,896 | 1,373,624 | 41,272 |
| Supplies | 300,373 | 342,892 | 293,006 | 49,886 |
| Services | 3,110,214 | 2,906,187 | 2,459,171 | 447,016 |
| Capital Outlay | 25,900 | 28,401 | 21,662 | 6,739 |
| Total Expenditures | 4,807,044 | 4,692,376 | 4,147,463 | 544,913 |
| Excess of revenues over (under) expenditures | (4,403,792) | (4,250,179) | (3,670,846) | 579,333 |
| Other Financing Sources: | | | | |
| Transfers in | 5,106,901 | 5,106,901 | 5,106,901 | - |
| Transfers (out) | (940,662) | (940,662) | (940,662) | - |
| Total Other Financing Sources | 4,166,239 | 4,166,239 | 4,166,239 | - |
| Net change in fund balance | (237,553) | (83,940) | 495,393 | 579,333 |
| Fund Balance at Beginning of Year | 5,259,006 | 5,259,006 | 5,259,006 | - |
| Fund Balance at End of Year | \$ 5,021,453 | \$ 5,175,066 | \$ 5,754,399 | \$ 579,333 |

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Nonmajor Capital Project Funds
Pages 104 - 110

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kenai Peninsula Borough

**Combining Balance Sheet
Nonmajor Capital Projects
June 30, 2006**

| | <u>School Revenue</u> | <u>General Government</u> | <u>Resource Management</u> | <u>Solid Waste</u> |
|--|---------------------------|-------------------------------|--------------------------------|--------------------------|
| <u>ASSETS</u> | | | | |
| Cash and Short-term Investments | \$ - | \$ - | \$ - | \$ - |
| Equity in Central Treasury | 2,892,554 | 1,030,874 | 27,353 | 201,511 |
| Due from Other Governments | <u>34,499</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$2,927,053</u> | <u>\$1,030,874</u> | <u>\$ 27,353</u> | <u>\$ 201,511</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts and Retainage Payable | 46,002 | 170 | - | 8,317 |
| Accrued Payroll and Payroll Taxes | 6,150 | 64 | - | - |
| Due to Other Funds: | | | | |
| General Fund | - | - | - | - |
| Deferred Revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>52,152</u> | <u>234</u> | <u>-</u> | <u>8,317</u> |
| Fund Balances: | | | | |
| Reserves - | | | | |
| Encumbrances | 1,031,258 | 483,912 | - | 4,000 |
| Unreserved: | | | | |
| Designations | 1,502,528 | 254,987 | 7,353 | 127,961 |
| Undesignated | <u>341,115</u> | <u>291,741</u> | <u>20,000</u> | <u>61,233</u> |
| Total Fund Balances | <u>2,874,901</u> | <u>1,030,640</u> | <u>27,353</u> | <u>193,194</u> |
| Total Liabilities and Fund Balances | <u>\$2,927,053</u> | <u>\$1,030,874</u> | <u>\$ 27,353</u> | <u>\$ 201,511</u> |

| <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>Anchor Point Fire and Emergency Medical Service Area</u> | <u>Kachemak Emergency Services Service Area</u> | <u>911 Communications</u> |
|--------------------------|----------------------------------|-------------------------------------|---------------------------------------|---|---|---------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1,288,863 | 1,001,108 | 465,880 | 1,185,087 | 501,824 | 160,335 | 586,373 |
| <u>111,616</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>91</u> | <u>410,916</u> |
| <u>\$ 1,400,479</u> | <u>\$ 1,001,108</u> | <u>\$ 465,880</u> | <u>\$ 1,185,087</u> | <u>\$ 501,824</u> | <u>\$ 160,426</u> | <u>\$ 997,289</u> |
| 48,172 | - | - | 299 | - | 2,524 | 11,628 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>62,243</u> | <u>8,300</u> | <u>-</u> | <u>-</u> |
| <u>48,172</u> | <u>-</u> | <u>-</u> | <u>62,542</u> | <u>8,300</u> | <u>2,524</u> | <u>11,628</u> |
| 1,063,127 | 304,978 | - | 349,776 | 70,880 | 234 | 912,810 |
| 289,180 | 754 | 338,114 | 40,895 | 411,528 | 115,763 | 36,640 |
| <u>-</u> | <u>695,376</u> | <u>127,766</u> | <u>731,874</u> | <u>11,116</u> | <u>41,905</u> | <u>36,211</u> |
| <u>1,352,307</u> | <u>1,001,108</u> | <u>465,880</u> | <u>1,122,545</u> | <u>493,524</u> | <u>157,902</u> | <u>985,661</u> |
| <u>\$ 1,400,479</u> | <u>\$ 1,001,108</u> | <u>\$ 465,880</u> | <u>\$ 1,185,087</u> | <u>\$ 501,824</u> | <u>\$ 160,426</u> | <u>\$ 997,289</u> |

(continued)

Kenai Peninsula Borough
Combining Balance Sheet
Nonmajor Capital Projects - continued
June 30, 2006

| | <u>North Peninsula Recreation Service Area</u> | <u>Miscellaneous Grants</u> | <u>Total Nonmajor Capital Project Funds</u> |
|---|--|---------------------------------|---|
| <u>ASSETS</u> | | | |
| Cash and Short-term Investments | \$ - | \$ - | \$ - |
| Equity in Central Treasury | 312,603 | - | 9,654,365 |
| Due from Other Governments | <u>97,403</u> | <u>34,088</u> | <u>688,613</u> |
| Total Assets | <u>\$ 410,006</u> | <u>\$ 34,088</u> | <u>\$ 10,342,978</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts and Retainage Payable | - | - | 117,112 |
| Accrued Payroll and Payroll Taxes | - | - | 6,214 |
| Due to Other Funds: | | | |
| General Fund | - | 34,088 | 34,088 |
| Deferred Revenue | <u>-</u> | <u>-</u> | <u>70,543</u> |
| Total Liabilities | <u>-</u> | <u>34,088</u> | <u>227,957</u> |
| Fund Balances: | | | |
| Reserves - | | | |
| Encumbrances | 102,101 | - | 4,323,076 |
| Unreserved: | | | |
| Designations | 238,746 | - | 3,364,449 |
| Undesignated | <u>69,159</u> | <u>-</u> | <u>2,427,496</u> |
| Total Fund Balances | <u>410,006</u> | <u>-</u> | <u>10,115,021</u> |
| Total Liabilities and Fund Balances | <u>\$ 410,006</u> | <u>\$ 34,088</u> | <u>\$ 10,342,978</u> |

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Kenai Peninsula Borough
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Capital Projects
For the Year Ended June 30, 2006

| | <u>School Revenue</u> | <u>General Government</u> | <u>Resource Management</u> | <u>Solid Waste</u> |
|--|---------------------------|-------------------------------|--------------------------------|------------------------|
| Revenues: | | | | |
| General Property Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental: | | | | |
| Federal | 16,250 | - | - | 95,964 |
| State | 252,079 | - | - | - |
| Interest Earned | - | - | - | - |
| Total Revenues | <u>268,329</u> | <u>-</u> | <u>-</u> | <u>95,964</u> |
| | | | | |
| Expenditures: | | | | |
| General government | - | 207,332 | 13,500 | - |
| Solid waste | - | - | - | 179,085 |
| Public safety | - | - | - | - |
| Recreation | - | - | - | - |
| Education | 1,606,183 | - | - | - |
| Roads and trails | - | - | - | - |
| Total Expenditures | <u>1,606,183</u> | <u>207,332</u> | <u>13,500</u> | <u>179,085</u> |
| | | | | |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,337,854)</u> | <u>(207,332)</u> | <u>(13,500)</u> | <u>(83,121)</u> |
| | | | | |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | 1,250,000 | 184,960 | - | 110,000 |
| Transfers (Out) | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>1,250,000</u> | <u>184,960</u> | <u>-</u> | <u>110,000</u> |
| | | | | |
| Net Changes in Fund Balances | (87,854) | (22,372) | (13,500) | 26,879 |
| Fund Balances at Beginning of Year | <u>2,962,755</u> | <u>1,053,012</u> | <u>40,853</u> | <u>166,315</u> |
| Fund Balances at End of Year | <u>\$ 2,874,901</u> | <u>\$ 1,030,640</u> | <u>\$ 27,353</u> | <u>\$ 193,194</u> |

| <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>Anchor Point Fire Emergency Medical Service Area</u> | <u>Kachemak Emergency Services Service Area</u> |
|------------------------------|--|---|---|---|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 160,114 | - | - | 25,430 | - | 51,909 |
| 132,912 | - | - | - | 74 | - |
| 29,266 | 22,130 | 10,011 | 20,899 | 11,033 | 3,826 |
| <u>322,292</u> | <u>22,130</u> | <u>10,011</u> | <u>46,329</u> | <u>11,107</u> | <u>55,735</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 38,125 | 63,872 | 384,304 | 33,358 | 91,099 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,535,455 | - | - | - | - | - |
| <u>1,535,455</u> | <u>38,125</u> | <u>63,872</u> | <u>384,304</u> | <u>33,358</u> | <u>91,099</u> |
| <u>(1,213,163)</u> | <u>(15,995)</u> | <u>(53,861)</u> | <u>(337,975)</u> | <u>(22,251)</u> | <u>(35,364)</u> |
| 755,955 | 100,000 | 115,000 | 725,000 | 185,000 | 154,881 |
| - | (300,000) | - | - | - | - |
| <u>755,955</u> | <u>(200,000)</u> | <u>115,000</u> | <u>725,000</u> | <u>185,000</u> | <u>154,881</u> |
| (457,208) | (215,995) | 61,139 | 387,025 | 162,749 | 119,517 |
| <u>1,809,515</u> | <u>1,217,103</u> | <u>404,741</u> | <u>735,520</u> | <u>330,775</u> | <u>38,385</u> |
| <u>\$ 1,352,307</u> | <u>\$ 1,001,108</u> | <u>\$ 465,880</u> | <u>\$ 1,122,545</u> | <u>\$ 493,524</u> | <u>\$ 157,902</u> |

(continued)

Kenai Peninsula Borough
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Capital Projects - continued
For the Year Ended June 30, 2006

| | <u>911</u> <u>Communications</u> | <u>North</u> <u>Peninsula</u> <u>Recreation</u> <u>Service Area</u> | <u>Miscellaneous</u> <u>Grants</u> | <u>Total</u> <u>Nonmajor</u> <u>Capital Project</u> <u>Funds</u> |
|--|-------------------------------------|--|---------------------------------------|---|
| Revenues: | | | | |
| General Property Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental: | | | | |
| Federal | 2,164,775 | - | 123,023 | 2,637,465 |
| State | - | 162,141 | - | 547,206 |
| Interest Earned | - | 8,045 | - | 105,210 |
| Total Revenues | <u>2,164,775</u> | <u>170,186</u> | <u>123,023</u> | <u>3,289,881</u> |
| Expenditures: | | | | |
| General Government | - | - | 123,023 | 343,855 |
| Solid Waste | - | - | - | 179,085 |
| Public Safety | 2,327,136 | - | - | 2,937,894 |
| Recreation | - | 171,746 | - | 171,746 |
| Education | - | - | - | 1,606,183 |
| Roads and Trails | - | - | - | 1,535,455 |
| Total Expenditures | <u>2,327,136</u> | <u>171,746</u> | <u>123,023</u> | <u>6,774,218</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(162,361)</u> | <u>(1,560)</u> | <u>-</u> | <u>(3,484,337)</u> |
| Other Financing Sources and (Uses): | | | | |
| Transfers In | - | 50,000 | - | 3,630,796 |
| Transfers (Out) | (156,000) | (550,000) | - | (1,006,000) |
| Total Other Financing Sources (Uses) | <u>(156,000)</u> | <u>(500,000)</u> | <u>-</u> | <u>2,624,796</u> |
| Net Changes in Fund Balances | (318,361) | (501,560) | - | (859,541) |
| Fund Balances at Beginning of Year | <u>1,304,022</u> | <u>911,566</u> | <u>-</u> | <u>10,974,562</u> |
| Fund Balances at End of Year | <u>\$ 985,661</u> | <u>\$ 410,006</u> | <u>\$ -</u> | <u>\$ 10,115,021</u> |

Nonmajor Debt Service Funds
Pages 112 - 115

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

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

Kenai Peninsula Borough

**Combining Balance Sheet
Nonmajor Debt Service
June 30, 2006**

| | <u>Debt Service Funds</u> | | |
|--------------------------------------|-------------------------------|------------------------|--|
| | <u>General Government</u> | <u>Solid Waste</u> | <u>Total Nonmajor Debt Service Funds</u> |
| <u>ASSETS</u> | | | |
| Cash With Fiscal Agent | \$ - | \$ - | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Due to Other Funds: | | | |
| General Fund | - | - | - |
| Total Liabilities | - | - | - |
| Undesignated Fund Balance | - | - | - |
| Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Kenai Peninsula Borough
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended June 30, 2006

| | Debt Service Funds | | |
|--|-----------------------|----------------|--|
| | General Government | Solid Waste | Total Nonmajor Debt Service Funds |
| Revenues | \$ - | \$ - | \$ - |
| Expenditures: | | | |
| Debt service | | | |
| Principal | 2,825,000 | 660,000 | 3,485,000 |
| Interest and other | 894,707 | 170,662 | 1,065,369 |
| Total Expenditures | 3,719,707 | 830,662 | 4,550,369 |
| Excess (Deficiency) of Revenues Over Expenditures | (3,719,707) | (830,662) | (4,550,369) |
| Other Financing Sources and (Uses): | | | |
| Transfers In | 3,719,707 | 830,662 | 4,550,369 |
| Total Other Financing Sources (Uses) | 3,719,707 | 830,662 | 4,550,369 |
| Net Changes in Fund Balances | - | - | - |
| Fund Balances at Beginning of Year | - | - | - |
| Fund Balances at End of Year | \$ - | \$ - | \$ - |

Kenai Peninsula Borough
General Government Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

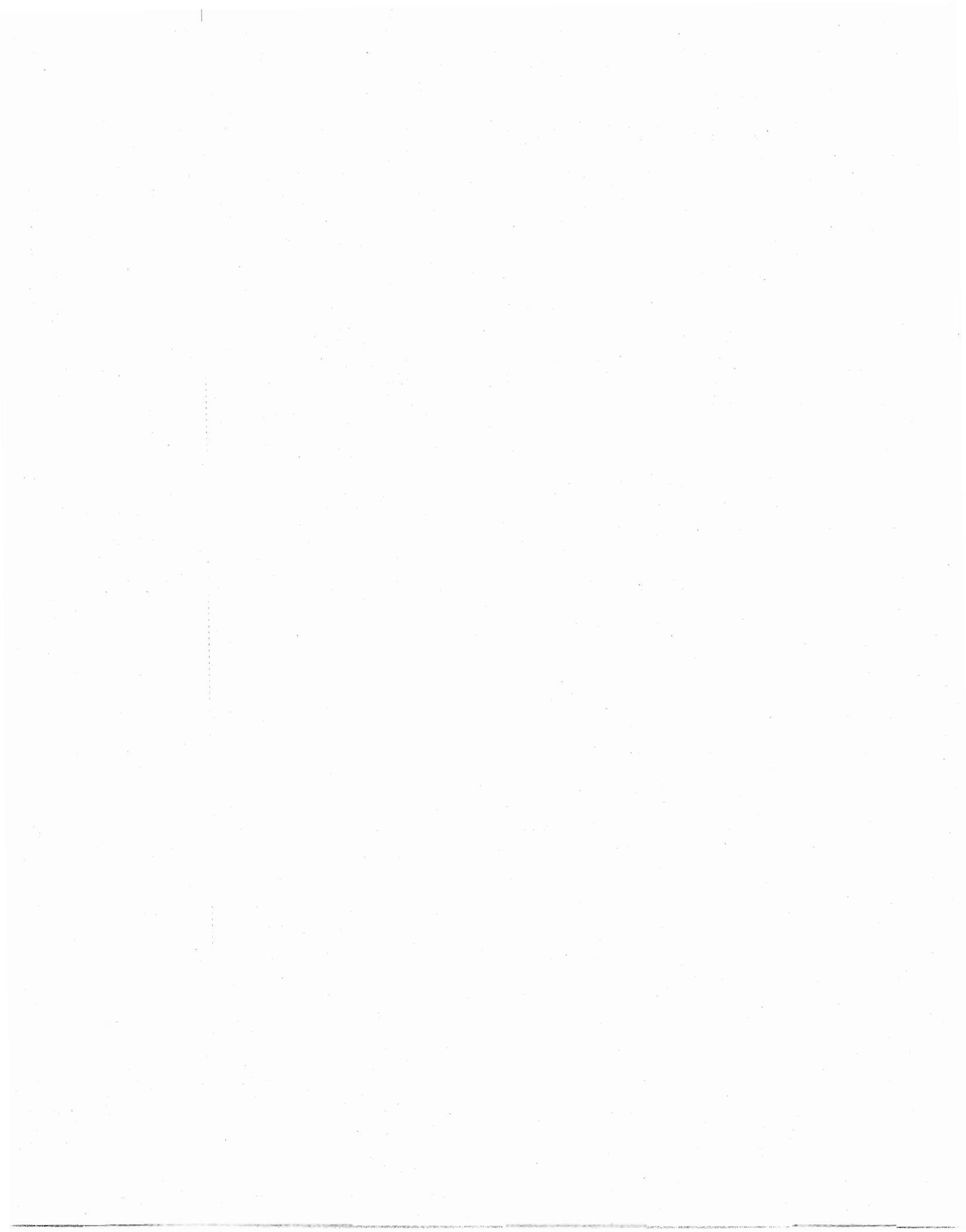
| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt Service: | | | | - |
| Principal | 2,825,000 | 2,825,000 | 2,825,000 | - |
| Interest and Other | <u>918,837</u> | <u>918,837</u> | <u>894,707</u> | <u>24,130</u> |
| Total Expenditures | <u>3,743,837</u> | <u>3,743,837</u> | <u>3,719,707</u> | <u>24,130</u> |
| Excess of revenues over (under) expenditures | <u>(3,743,837)</u> | <u>(3,743,837)</u> | <u>(3,719,707)</u> | <u>(24,130)</u> |
| Other Financing Sources: | | | | |
| Transfers in | <u>3,743,837</u> | <u>3,743,837</u> | <u>3,719,707</u> | <u>(24,130)</u> |
| Net change in fund balance | - | - | - | - |
| Fund Balance at Beginning of Year | - | - | - | - |
| Fund Balance at End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Kenai Peninsula Borough
Solid Waste Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | \$ - | \$ - | \$ - | \$ - |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal | 660,000 | 660,000 | 660,000 | - |
| Interest and Other | <u>170,663</u> | <u>170,663</u> | <u>170,663</u> | - |
| Total Expenditures | <u>830,663</u> | <u>830,663</u> | <u>830,663</u> | - |
| Excess of revenues over (under) expenditures | <u>(830,663)</u> | <u>(830,663)</u> | <u>(830,663)</u> | - |
| Other Financing Sources: | | | | |
| Transfers in | <u>830,663</u> | <u>830,663</u> | <u>830,663</u> | - |
| Net change in fund balance | - | - | - | - |
| Fund Balance at Beginning of Year | - | - | - | - |
| Fund Balance at End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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INTERNAL SERVICE FUNDS



Kenai Peninsula Borough
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

| | Insurance and Litigation | Equipment Replacement | Employee Compensated Leave Fund | Total |
|--|---|----------------------------------|--|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and short term investments | \$ 4,201 | \$ - | \$ - | \$ 4,201 |
| Equity in central treasury | 5,468,285 | 1,180,709 | 2,602,120 | 9,251,114 |
| Due from component unit | - | 400,329 | - | 400,329 |
| Total current assets | <u>5,472,486</u> | <u>1,581,038</u> | <u>2,602,120</u> | <u>9,655,644</u> |
| Noncurrent assets: | | | | |
| Capital assets | | | | |
| Equipment | - | 4,076,414 | - | 4,076,414 |
| Less: accumulated depreciation | - | (2,216,311) | - | (2,216,311) |
| Total capital assets (net of accumulated depreciation) | - | <u>1,860,103</u> | - | <u>1,860,103</u> |
| Total noncurrent assets | - | <u>1,860,103</u> | - | <u>1,860,103</u> |
| Total assets | <u>\$ 5,472,486</u> | <u>\$ 3,441,141</u> | <u>\$ 2,602,120</u> | <u>\$ 11,515,747</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts and contracts payable | 19,382 | - | - | 19,382 |
| Compensated absences | 34,838 | - | 814,980 | 849,818 |
| Claims payable | 925,350 | - | - | 925,350 |
| Total current liabilities | <u>979,570</u> | - | <u>814,980</u> | <u>1,794,550</u> |
| Long Term Liabilities- | | | | |
| Compensated absences | - | - | <u>1,787,140</u> | <u>1,787,140</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | - | 1,860,103 | - | 1,860,103 |
| Unrestricted | 4,492,916 | 1,581,038 | - | 6,073,954 |
| Total net assets | <u>\$ 4,492,916</u> | <u>\$ 3,441,141</u> | <u>\$ -</u> | <u>\$ 7,934,057</u> |

Kenai Peninsula Borough

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006**

| | Insurance and Litigation | Equipment Replacement | Employee Compensated Leave Fund | Total |
|---------------------------------|---|----------------------------------|--|---------------------|
| Operating Revenues: | | | | |
| Charges for sales and services | \$ 2,450,997 | \$ 696,402 | \$ 932,685 | \$ 4,080,084 |
| Other | 13,263 | - | - | 13,263 |
| Total operating revenues | <u>2,464,260</u> | <u>696,402</u> | <u>932,685</u> | <u>4,093,347</u> |
| Operating Expenses: | | | | |
| Administrative service | 554,719 | - | 932,685 | 1,487,404 |
| Insurance premiums | 965,450 | - | - | 965,450 |
| Self-insured losses | 1,526,956 | - | - | 1,526,956 |
| Depreciation | - | 484,795 | - | 484,795 |
| Total Operating expenses | <u>3,047,125</u> | <u>484,795</u> | <u>932,685</u> | <u>4,464,605</u> |
| Operating income (loss) | <u>(582,865)</u> | <u>211,607</u> | <u>-</u> | <u>(371,258)</u> |
| Non-Operating Revenues: | | | | |
| Gain on disposal of assets | - | 16,188 | - | 16,188 |
| Investment earnings | 133,039 | 36,870 | - | 169,909 |
| Total non-operating revenues | <u>133,039</u> | <u>53,058</u> | <u>-</u> | <u>186,097</u> |
| Other Financing Sources: | | | | |
| Transfers In | - | 300,000 | - | 300,000 |
| Total Other Financing Sources | <u>-</u> | <u>300,000</u> | <u>-</u> | <u>300,000</u> |
| Income (loss) from operations | <u>(449,826)</u> | <u>564,665</u> | <u>-</u> | <u>114,839</u> |
| Change in net assets | (449,826) | 564,665 | - | 114,839 |
| Total net assets-beginning | <u>4,942,742</u> | <u>2,876,476</u> | <u>-</u> | <u>7,819,218</u> |
| Total net assets-ending | <u>\$ 4,492,916</u> | <u>\$ 3,441,141</u> | <u>\$ -</u> | <u>\$ 7,934,057</u> |

Kenai Peninsula Borough
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

| | <u>Insurance and Litigation</u> | <u>Equipment Replacement</u> | <u>Employee Compensated Leave Fund</u> | <u>Total</u> |
|--|---|----------------------------------|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from interfund services provided | \$ 2,450,997 | \$ 696,402 | \$ 932,684 | \$ 4,080,083 |
| Other program revenue | 13,263 | - | - | 13,263 |
| Payments to suppliers | (2,553,365) | - | - | (2,553,365) |
| Payments to employees | (419,111) | - | (814,980) | (1,234,091) |
| Net cash provided by operating activities | <u>(508,216)</u> | <u>696,402</u> | <u>117,704</u> | <u>305,890</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Purchase of capital assets | - | (748,304) | - | (748,304) |
| Proceeds from sale of capital assets | - | 16,188 | - | 16,188 |
| Net cash used by capital and related financing activities | <u>-</u> | <u>(732,116)</u> | <u>-</u> | <u>(732,116)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest on investments | 133,039 | 36,870 | - | 169,909 |
| Net cash provided by investing activities | <u>133,039</u> | <u>36,870</u> | <u>-</u> | <u>169,909</u> |
| Net decrease in cash and cash equivalents | (375,177) | 1,156 | 117,704 | (256,317) |
| Cash and equity in central treasury, beginning of year | 5,847,662 | 1,179,553 | 2,484,416 | 9,511,631 |
| Cash and equity in central treasury, end of year | <u>\$ 5,472,485</u> | <u>\$ 1,180,709</u> | <u>\$ 2,602,120</u> | <u>\$ 9,255,314</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | <u>\$ (582,865)</u> | <u>\$ 211,607</u> | <u>\$ -</u> | <u>\$ (371,258)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation expense | - | 484,795 | - | 484,795 |
| Change in assets and liabilities: | | | | |
| Decrease in prepaid expenses | 5,916 | - | - | 5,916 |
| Decrease in accounts and contracts payable | (10,329) | - | - | (10,329) |
| Increase (Decrease) in accrued payroll and payroll taxes | (7,023) | - | 117,704 | 110,681 |
| Increase in claims payable | 86,085 | - | - | 86,085 |
| Total adjustments | <u>74,649</u> | <u>484,795</u> | <u>117,704</u> | <u>677,148</u> |
| Net cash provided by operating activities | <u>\$ (508,216)</u> | <u>\$ 696,402</u> | <u>\$ 117,704</u> | <u>\$ 305,890</u> |

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FIDUCIARY FUNDS

FIDUCIARY FUNDS



Kenai Peninsula Borough
Fiduciary Fund Type
Combining Statement of Assets and Liabilities
June 30, 2006

With Comparative Totals for June 30, 2005

| | <u>Tax Fund</u> | <u>Special Assessment Agency Fund</u> | <u>Total June 30, 2006</u> | <u>Total June 30, 2005</u> |
|--------------------------------|-------------------|---|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Equity in Central Treasury | \$ 268,329 | \$ 715,953 | \$ 984,282 | \$ 1,031,489 |
| Taxes Receivable | 92,240 | - | 92,240 | 87,140 |
| Other Receivable | <u>-</u> | <u>943,261</u> | <u>943,261</u> | <u>697,531</u> |
| Total Assets | <u>\$ 360,569</u> | <u>\$ 1,659,214</u> | <u>\$ 2,019,783</u> | <u>\$ 1,816,160</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts and Contracts Payable | - | 6,027 | 6,027 | 381 |
| Deposits from Landowners | - | 431,557 | 431,557 | 108,226 |
| Deferred Admin. Fee | - | 83,358 | 83,358 | 77,924 |
| Due to Landowners | - | 299,939 | 299,939 | 219,188 |
| Due to Other Entities: | | | | |
| Homer | 142,283 | - | 142,283 | 213,722 |
| Kachemak City | 502 | - | 502 | 1,146 |
| Kenai | 131,291 | - | 131,291 | 178,916 |
| Seldovia | 32,044 | - | 32,044 | 17,683 |
| Seward | 19,130 | - | 19,130 | 106,601 |
| Soldotna | 35,319 | - | 35,319 | 87,864 |
| General Fund | <u>-</u> | <u>838,333</u> | <u>838,333</u> | <u>804,509</u> |
| Total Liabilities | <u>\$ 360,569</u> | <u>\$ 1,659,214</u> | <u>\$ 2,019,783</u> | <u>\$ 1,816,160</u> |

Kenai Peninsula Borough

**Fiduciary Fund Type
Combining Statement of Changes in Assets and Liabilities
June 30, 2006**

| | <u>Total</u> <u>June 30, 2005</u> | <u>Additions</u> | <u>Deductions</u> | <u>Total</u> <u>June 30, 2006</u> |
|---------------------------------------|--------------------------------------|---------------------|---------------------|--------------------------------------|
| TAX AGENCY FUND | | | | |
| <u>Assets</u> | | | | |
| Equity in Central Treasury | \$ 518,792 | \$26,072,766 | \$26,323,229 | \$ 268,329 |
| Taxes Receivable | <u>87,140</u> | <u>5,380,220</u> | <u>5,375,120</u> | <u>92,240</u> |
| Total Assets | <u>\$ 605,932</u> | <u>\$31,452,986</u> | <u>\$31,698,349</u> | <u>\$ 360,569</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Entities: | | | | |
| Homer | 213,722 | 8,454,705 | 8,526,144 | 142,283 |
| Kachemak City | 1,146 | 81,812 | 82,456 | 502 |
| Kenai | 178,916 | 6,333,414 | 6,381,039 | 131,291 |
| Seldovia | 17,683 | 285,982 | 271,621 | 32,044 |
| Seward | 106,601 | 4,133,416 | 4,220,887 | 19,130 |
| Soldotna | <u>87,864</u> | <u>6,884,890</u> | <u>6,937,435</u> | <u>35,319</u> |
| Total Liabilities | <u>\$ 605,932</u> | <u>\$26,174,219</u> | <u>\$26,419,582</u> | <u>\$ 360,569</u> |
| SPECIAL ASSESSMENT AGENCY FUND | | | | |
| <u>Assets</u> | | | | |
| Equity in Central Treasury | \$ 512,697 | \$ 724,420 | \$ 521,164 | \$ 715,953 |
| Due from Landowners | <u>697,531</u> | <u>529,377</u> | <u>283,647</u> | <u>943,261</u> |
| Total Assets | <u>\$ 1,210,228</u> | <u>\$ 1,253,797</u> | <u>\$ 804,811</u> | <u>\$ 1,659,214</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 381 | 6,027 | 381 | 6,027 |
| Deposits from Landowners | 108,226 | 325,579 | 2,248 | 431,557 |
| Deferred Admin. Fee | 77,924 | 23,728 | 18,294 | 83,358 |
| Due to Landowners | 219,188 | 80,751 | - | 299,939 |
| Due to General Fund | <u>804,509</u> | <u>317,471</u> | <u>283,647</u> | <u>838,333</u> |
| Total Liabilities | <u>\$ 1,210,228</u> | <u>\$ 753,556</u> | <u>\$ 304,570</u> | <u>\$ 1,659,214</u> |

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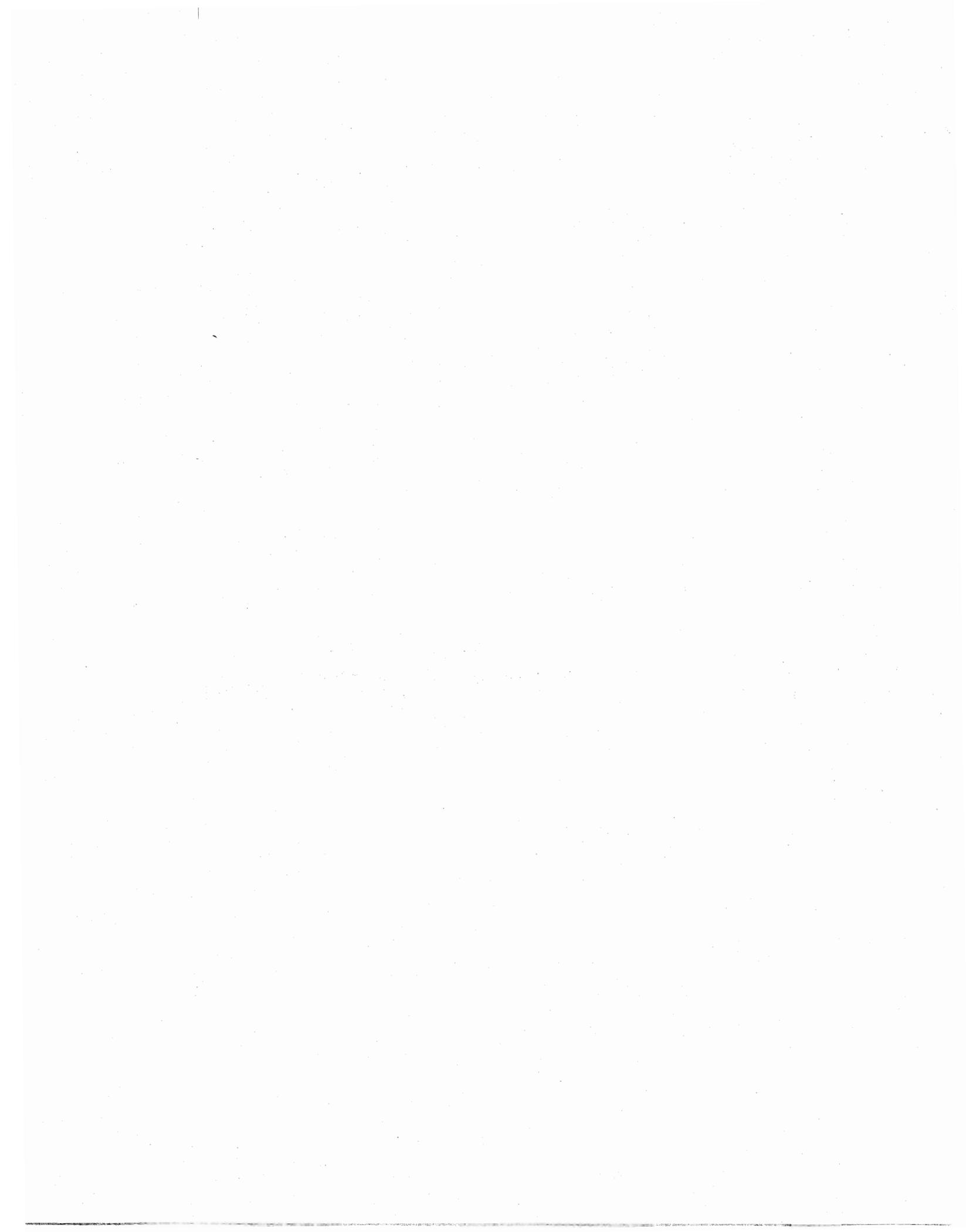
Kenai Peninsula Borough

**Fiduciary Fund Type
Combining Statement of Changes in Assets and Liabilities
June 30, 2006**

| | <u>Total</u> <u>June 30, 2005</u> | <u>Additions</u> | <u>Deductions</u> | <u>Total</u> <u>June 30, 2006</u> |
|----------------------------------|--------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| TOTALS - ALL AGENCY FUNDS | | | | |
| <u>Assets</u> | | | | |
| Equity in Central Treasury | \$ 1,031,489 | \$ 26,797,186 | \$ 26,844,393 | \$ 984,282 |
| Taxes Receivable | 87,140 | 5,380,220 | 5,375,120 | 92,240 |
| Other Receivables | <u>697,531</u> | <u>529,377</u> | <u>283,647</u> | <u>943,261</u> |
| Total Assets | <u>\$ 1,816,160</u> | <u>\$ 32,706,783</u> | <u>\$ 32,503,160</u> | <u>\$ 2,019,783</u> |
| <u>Liabilities</u> | | | | |
| Accounts and Contracts Payable | 381 | 6,027 | 381 | 6,027 |
| Deposits from Landowners | 108,226 | 325,579 | 2,248 | 431,557 |
| Deferred Admin. Fee | 77,924 | 23,728 | 18,294 | 83,358 |
| Due to Landowners | 219,188 | 80,751 | - | 299,939 |
| Due to Other Entities: | | | | |
| Homer | 213,722 | 8,454,705 | 8,526,144 | 142,283 |
| Kachemak City | 1,146 | 81,812 | 82,456 | 502 |
| Kenai | 178,916 | 6,333,414 | 6,381,039 | 131,291 |
| Seldovia | 17,683 | 285,982 | 271,621 | 32,044 |
| Seward | 106,601 | 4,133,416 | 4,220,887 | 19,130 |
| Soldotna | 87,864 | 6,884,890 | 6,937,435 | 35,319 |
| General Fund | <u>804,509</u> | <u>317,471</u> | <u>283,647</u> | <u>838,333</u> |
| Total Liabilities | <u>\$ 1,816,160</u> | <u>\$ 26,927,775</u> | <u>\$ 26,724,152</u> | <u>\$ 2,019,783</u> |

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CAPTIAL ASSETS



Kenai Peninsula Borough

**Capital Asset Used in the Operation of Governmental Funds
Comparative Schedules by Source¹
JUNE 30, 2006 AND 2005**

| | <u>2005</u> | <u>2006</u> |
|---|-----------------------|-----------------------|
| Governmental funds capital assets: | | |
| Land | \$ 62,756,017 | \$ 65,039,040 |
| Buildings | 261,110,157 | 261,660,190 |
| Improvements other than buildings | 53,865,620 | 55,742,994 |
| Machinery and equipment | 16,040,485 | 17,578,164 |
| Infrastructure | 3,483,558 | 4,723,739 |
| Construction in progress | <u>17,445,216</u> | <u>21,771,927</u> |
| Total governmental funds capital assets | <u>\$ 414,701,053</u> | <u>\$ 426,516,054</u> |
| Investments in governmental funds capital assets by source: | | |
| General Obligation Bonds | 254,852,439 | 259,425,148 |
| State and Federal Grants | 32,494,788 | 32,660,512 |
| Federal Revenue Sharing | 2,862,953 | 3,134,525 |
| General Fund Revenue | 42,064,370 | 42,352,666 |
| Special Revenue Funds | 25,937,136 | 30,197,313 |
| Dedicated Lands | 80,700 | 120,300 |
| Donations | <u>56,408,667</u> | <u>58,625,590</u> |
| Total governmental funds capital assets | <u>\$ 414,701,053</u> | <u>\$ 426,516,054</u> |

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

Kenai Peninsula Borough

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Fiscal Year Ended June 30, 2006**

| <u>Function and Activity</u> | <u>Governmental Funds Capital Assets June 30, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Governmental Funds Capital Assets June 30, 2006</u> |
|--|--|------------------|------------------|--|
| General government | \$ 70,956,004 | \$ 2,922,579 | \$ 468,227 | \$ 73,410,356 |
| Senior citizens | 595,491 | - | 351,691 | 243,800 |
| Public safety: | | | | |
| Fire protection and emergency medical | 15,416,793 | 909,168 | 199,288 | 16,126,673 |
| Emergency communications | 2,313,461 | 2,482,467 | 264,380 | 4,531,548 |
| Total public safety | 17,730,254 | 3,391,635 | 463,668 | 20,658,221 |
| Solid waste facilities | 24,102,321 | 851,957 | - | 24,954,278 |
| Road maintenance: | | | | |
| Maintenance | 98,566 | - | - | 98,566 |
| Roads | 3,678,528 | 1,484,647 | - | 5,163,175 |
| Total road maintenance | 3,777,094 | 1,484,647 | - | 5,261,741 |
| Recreation: | | | | |
| North peninsula recreation service area | 9,595,954 | 117,595 | - | 9,713,549 |
| Schools | 287,943,935 | 4,335,214 | 5,040 | 292,274,109 |
| Total governmental funds capital assets | \$ 414,701,053 | \$ 13,103,627 | \$ 1,288,626 | \$ 426,516,054 |

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

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
JUNE 30, 2006

| | Land | Buildings | Buildings Other Than | Equipment | Infrastructure | Construction In Progress | Total |
|---|------------|--------------|-------------------------|--------------|----------------|-----------------------------|--------------|
| General government: | | | | | | | |
| Administration building | \$ - | \$ 2,702,656 | \$ 1,268,308 | \$ 1,868,567 | \$ - | \$ 336,732 | \$ 6,176,263 |
| Maintenance | 148,290 | 1,377,271 | 33,538 | 883,876 | - | - | 2,442,975 |
| Area-wide | 58,641,087 | 5,481,247 | 641,282 | 27,502 | - | - | 64,791,118 |
| Total general government | 58,789,377 | 9,561,174 | 1,943,128 | 2,779,945 | - | 336,732 | 73,410,356 |
| Senior citizens | - | 243,800 | - | - | - | - | 243,800 |
| Public safety: | | | | | | | |
| Fire protection and emergency medical: | | | | | | | |
| Nikiski fire service area | 49,172 | 1,983,705 | 266,489 | 3,304,914 | - | - | 5,604,280 |
| Bear creek fire service area | 17,211 | 228,162 | 121,875 | 1,089,531 | - | - | 1,456,779 |
| Central emergency service area | 223,614 | 1,367,009 | 370,399 | 3,973,732 | - | 28,579 | 5,963,333 |
| Anchor point fire and emergency | | | | | | | |
| Medical service area | 30,248 | 503,920 | 118,540 | 468,967 | - | - | 1,121,675 |
| Kachemak fire and emergency | - | 1,473,290 | - | 507,316 | - | - | 1,980,606 |
| Total fire protection and emergency medical | 320,245 | 5,556,086 | 877,303 | 9,344,460 | - | 28,579 | 16,126,673 |
| Emergency communications: | | | | | | | |
| Central peninsula emergency | - | 100,000 | 89,578 | 1,265,675 | - | 2,718,806 | 4,174,059 |
| Services communication center | - | - | - | 357,489 | - | - | 357,489 |
| Emergency warning systems | - | 100,000 | 89,578 | 1,623,164 | - | 2,718,806 | 4,531,548 |
| Total communications | - | 200,000 | 179,156 | 1,623,164 | - | 2,718,806 | 4,531,548 |
| Total public safety | 320,245 | 5,656,086 | 966,881 | 10,967,624 | - | 2,747,385 | 20,656,221 |
| Solid waste facilities | 2,908,687 | 1,354,816 | 11,890,397 | 3,551,461 | - | 5,248,917 | 24,954,278 |
| Road maintenance | - | - | - | 60,684 | 4,723,739 | 477,318 | 5,261,741 |
| Recreation: | | | | | | | |
| North peninsula recreation service area | 145,640 | 7,823,671 | 1,293,280 | 133,450 | - | 317,508 | 9,713,549 |
| School district: | | | | | | | |
| Central office and warehouse | - | 1,777,314 | 604,289 | - | - | - | 2,381,603 |

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ - continued
JUNE 30, 2006

| | Land | Improvements | | | Equipment | Infrastructure | Construction In Progress | Total |
|---------------------------------|---------|--------------|--------------------------------------|-------------------------|-----------|----------------|-----------------------------|-------|
| | | Buildings | Buildings Other Than Buildings | Other Than Buildings | | | | |
| Schools: | | | | | | | | |
| Outside cities: | | | | | | | | |
| Anchor Point/Middle/Junior high | 205,102 | - | - | - | - | - | 205,102 | |
| Central Peninsula Elementary | - | - | 36,690 | - | - | - | 36,690 | |
| Chapman Elementary | 8,500 | 2,597,654 | 464,389 | - | - | - | 3,070,543 | |
| Cooper Landing | - | 1,001,843 | 150,986 | - | - | - | 1,152,829 | |
| Tebughna | - | 1,564,013 | 152,551 | - | - | - | 1,716,564 | |
| English Bay | - | 2,447,908 | 230,577 | - | - | - | 2,678,485 | |
| Hope Elementary | 3,000 | 2,504,206 | 538,910 | - | - | - | 3,046,116 | |
| Kalifornsky Beach | 258,803 | 4,884,108 | 175,461 | - | - | - | 5,318,372 | |
| McNeil Canyon | - | 4,305,122 | 638,411 | - | - | - | 4,943,533 | |
| Moose Pass | 28,154 | 888,295 | 82,929 | - | - | - | 999,378 | |
| Nanwalek | - | 265,033 | - | - | - | - | 265,033 | |
| Nikiski High | - | 22,816,264 | 4,472,660 | - | - | - | 27,288,924 | |
| Nikolaevsk | 51,282 | 4,051,897 | 364,129 | 5,000 | - | - | 4,472,308 | |
| Ninilchik | 16,399 | 5,261,509 | 476,340 | - | - | - | 5,754,248 | |
| North Star Elementary | - | 6,076,014 | 1,379,034 | - | - | - | 7,455,048 | |
| Port Graham | 400 | 2,081,674 | 132,307 | - | - | - | 2,214,381 | |
| Skyview High | - | 22,039,127 | 3,729,227 | - | - | - | 25,768,354 | |
| Sterling | 7,450 | 3,699,355 | 647,750 | - | - | - | 4,354,555 | |
| Tustumena | 8,001 | 7,823,639 | 234,713 | - | - | - | 8,066,353 | |
| Voznesenka | 19,555 | 150,000 | 16,400 | - | - | - | 185,955 | |
| Total outside cities | 606,646 | 94,457,661 | 13,923,464 | 5,000 | - | - | 108,992,771 | |
| Homer: | | | | | | | | |
| West Homer Elementary | 322,028 | 11,332,823 | 46,614 | - | - | - | 11,701,465 | |
| Paul Banks Elementary | 23,971 | 2,589,113 | 679,965 | - | - | - | 3,293,049 | |
| High School | 400,913 | 27,359,949 | 6,963,734 | - | - | - | 34,724,596 | |
| Junior High | 17,024 | 3,024,010 | 739,103 | - | - | - | 3,780,137 | |
| Intermediate | 18,000 | 1,444,505 | 682,250 | - | - | - | 2,144,755 | |
| High School Addition | 29,177 | 2,598,949 | 103,555 | - | - | - | 2,731,681 | |
| Flex School | 63,248 | 461,150 | - | - | - | - | 524,398 | |
| Total Homer | 874,361 | 48,810,499 | 9,215,221 | - | - | - | 58,900,081 | |
| Kenai: | | | | | | | | |
| Elementary II | 52,800 | 2,614,381 | 104,667 | - | - | - | 2,771,848 | |
| Mountain View Elementary | - | 5,892,103 | 1,315,996 | - | - | - | 7,208,099 | |
| Sears Elementary | 41,575 | 1,709,394 | 464,620 | - | - | - | 2,215,589 | |
| Junior High | 60,499 | 4,012,105 | 810,224 | - | - | - | 4,882,828 | |
| High School | 129,517 | 17,684,022 | 2,566,129 | - | - | - | 20,379,668 | |
| Vocational High | 40,000 | 509,655 | 254,483 | - | - | - | 804,138 | |
| Arts and Crafts Building | - | 118,341 | - | - | - | - | 118,341 | |
| Total Kenai | 324,391 | 32,540,001 | 5,516,119 | - | - | - | 38,380,511 | |

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹ - continued
JUNE 30, 2006

| | Land | Improvements Other Than | | | Infrastructure | Construction In Progress | Total |
|---|---------------|-------------------------|---------------|---------------|----------------|--------------------------|----------------|
| | | Buildings | Buildings | Equipment | | | |
| Seldovia: | | | | | | | |
| Susan B. English Shop Building | 27,953 | 3,668,235 | 972,683 | - | - | - | 4,668,871 |
| Total Seldovia | 1,000 | 430,000 | - | - | - | - | 431,000 |
| | 28,953 | 4,098,235 | 972,683 | - | - | - | 5,099,871 |
| Seward: | | | | | | | |
| Elementary II Middle | 235,000 | 6,511,507 | 910,609 | 40,000 | - | - | 7,697,116 |
| Jr. High/High School | 346,296 | - | - | - | 12,409,717 | - | 12,756,013 |
| Total Seward | 182,596 | 12,598,700 | 2,053,862 | - | - | - | 14,835,158 |
| | 763,892 | 19,110,207 | 2,964,471 | 40,000 | 12,409,717 | - | 35,288,287 |
| Soldotna: | | | | | | | |
| Elementary | 270,048 | 4,840,286 | 1,191,471 | - | - | - | 6,301,805 |
| Redoubt Elementary Multipurpose Room | - | 3,952,136 | 624,208 | 40,000 | 199,386 | - | 4,815,730 |
| Junior High | - | 316,186 | - | - | - | - | 316,186 |
| High School | 5,900 | 7,584,837 | 1,944,157 | - | - | - | 9,534,894 |
| Total Soldotna | 900 | 16,181,075 | 1,607,277 | - | - | - | 17,789,252 |
| | 276,848 | 32,874,520 | 5,367,113 | 40,000 | 199,386 | - | 38,757,867 |
| Other areawide: | | | | | | | |
| Areawide pool/water projects | - | 611,839 | 1,070,907 | - | - | 34,964 | 1,717,710 |
| Portable classrooms | - | 2,740,367 | 15,041 | - | - | - | 2,755,408 |
| Total other areawide | - | 3,352,206 | 1,085,948 | - | - | 34,964 | 4,473,118 |
| Total school district | 2,875,091 | 237,020,643 | 39,649,308 | 85,000 | 12,644,067 | - | 292,274,109 |
| Total governmental funds capital assets | \$ 65,039,040 | \$ 261,660,190 | \$ 55,742,994 | \$ 17,578,164 | \$ 4,723,739 | \$ 21,771,927 | \$ 426,516,054 |

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

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STATISTICAL TABLES



Kenai Peninsula Borough

Statistical Section

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

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

Kenai Peninsula Borough

TABLE I

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

| | Fiscal Year | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Governmental Activities: | | | | | |
| Invested in capital assets, net of related debt | \$203,504 | \$205,596 | \$206,044 | \$207,770 | \$206,436 |
| Restricted | 13,553 | 14,042 | 23,288 | 13,253 | 7,454 |
| Unrestricted | 54,756 | 55,896 | 40,927 | 46,905 | 51,140 |
| Total governmental activities net amounts | \$271,813 | \$275,534 | \$270,259 | \$267,928 | \$265,030 |
| Business-type Activities: | | | | | |
| Invested in capital assets, net of related debt | \$34,152 | \$34,724 | \$33,995 | \$35,684 | \$42,310 |
| Restricted | - | - | - | - | 700 |
| Unrestricted | 35,031 | 37,605 | 41,161 | 45,097 | 46,054 |
| Total business-type activities net assets | \$69,183 | \$72,329 | \$75,156 | \$80,781 | \$89,064 |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | \$237,656 | \$240,320 | \$240,039 | \$243,454 | \$248,746 |
| Restricted | 13,553 | 14,042 | 23,288 | 13,253 | 8,154 |
| Unrestricted | 89,787 | 93,501 | 82,088 | 92,002 | 97,194 |
| Total primary government net assets | \$340,996 | \$347,863 | \$345,415 | \$348,709 | \$354,094 |

Kenai Peninsula Borough

TABLE II

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

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General Government | \$11,553,510 | \$12,845,108 | \$13,759,624 | \$15,039,269 | \$14,181,543 |
| Solid Waste | 4,664,265 | 4,441,397 | 4,546,868 | 4,305,904 | 5,314,682 |
| Public Safety | 9,103,350 | 11,786,508 | 11,566,281 | 10,878,435 | 11,916,169 |
| Recreation | 1,300,703 | 1,292,386 | 1,362,013 | 1,812,465 | 3,910,173 |
| Education | 37,780,145 | 38,582,036 | 40,756,908 | 41,802,049 | 46,208,601 |
| Roads and Trails | 1,965,464 | 2,993,413 | 4,402,233 | 2,400,466 | 4,840,374 |
| Interest on long-term debt | 1,155,657 | 658,217 | 1,279,647 | 1,175,467 | 994,069 |
| Total governmental activities expenses | <u>67,523,094</u> | <u>72,599,065</u> | <u>77,673,574</u> | <u>77,414,055</u> | <u>87,365,611</u> |
| Business-type activities- | | | | | |
| Hospitals | <u>58,982,870</u> | <u>64,670,528</u> | <u>67,470,710</u> | <u>73,992,156</u> | <u>74,003,739</u> |
| Total primary government expenses | <u>\$126,505,964</u> | <u>\$137,269,593</u> | <u>\$145,144,284</u> | <u>\$151,406,211</u> | <u>\$161,369,350</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General Government | 511,544 | 283,781 | 389,853 | 335,682 | 345,976 |
| Solid Waste | 219,463 | 188,663 | 213,640 | 173,091 | 282,653 |
| Public Safety | 582,417 | 788,754 | 794,845 | 1,047,816 | 1,080,412 |
| Recreation | 203,074 | 185,538 | 156,876 | 164,560 | 168,123 |
| Operating grants and contribution | 1,977,148 | 1,596,403 | 2,174,309 | 3,322,537 | 6,293,122 |
| Capital grants and contributions | 1,461,039 | 1,395,495 | 2,180,682 | 1,673,099 | 3,184,671 |
| Total governmental activities program revenues: | <u>4,954,685</u> | <u>4,438,634</u> | <u>5,910,205</u> | <u>6,716,785</u> | <u>11,354,957</u> |
| Business-type activities- | | | | | |
| Hospital-charges for services | <u>56,754,435</u> | <u>64,170,901</u> | <u>67,228,364</u> | <u>74,450,071</u> | <u>75,458,572</u> |
| Total primary government program revenues | <u>\$61,709,120</u> | <u>\$68,609,535</u> | <u>\$73,138,569</u> | <u>\$81,166,856</u> | <u>\$86,813,529</u> |
| Net (expenses)/revenue | | | | | |
| Governmental activities | (62,568,409) | (68,160,431) | (71,763,369) | (70,697,270) | (76,010,654) |
| Business-type activities | (2,228,435) | (499,627) | (242,346) | 457,915 | 1,454,833 |
| Total primary government net expense | <u>(\$64,796,844)</u> | <u>(\$68,660,058)</u> | <u>(\$72,005,715)</u> | <u>(\$70,239,355)</u> | <u>(\$74,555,821)</u> |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes | 37,943,100 | 41,718,283 | 42,641,738 | 42,121,021 | 44,430,849 |
| Sales taxes | 14,407,262 | 14,375,828 | 14,910,977 | 15,670,832 | 16,755,426 |
| Unrestricted grants and contributions | 3,671,468 | 3,932,395 | 3,842,682 | 2,700,870 | 2,527,446 |
| Investment earnings | 3,501,923 | 2,938,492 | 809,165 | 3,144,975 | 1,853,910 |
| Land entitlements | 0 | 5,482,954 | 582,664 | 162,413 | 2,662,376 |
| Miscellaneous | 3,408,956 | 3,432,874 | 3,701,071 | 4,566,480 | 4,564,465 |
| Total governmental activities | <u>62,932,709</u> | <u>71,880,826</u> | <u>66,488,297</u> | <u>68,366,591</u> | <u>72,794,472</u> |
| Business-type activities: | | | | | |
| Property taxes | 2,430,837 | 2,616,889 | 3,025,894 | 4,629,241 | 4,864,764 |
| Unrestricted grants and contributions | 389,693 | 349,835 | 25,575 | 25,575 | - |
| Investment earnings | 883,108 | 673,577 | 135,738 | 313,432 | 600,935 |
| Miscellaneous | 187,517 | 5,231 | (117,359) | 205,189 | 1,361,719 |
| Total business-type activities | <u>3,891,155</u> | <u>3,645,532</u> | <u>3,069,848</u> | <u>5,173,437</u> | <u>6,827,418</u> |
| Total primary government | <u>66,823,864</u> | <u>75,526,358</u> | <u>69,558,145</u> | <u>73,540,028</u> | <u>79,621,890</u> |
| Changes in Net Assets | | | | | |
| Governmental activities | 364,300 | 3,720,395 | (5,275,072) | (2,330,679) | (3,216,182) |
| Business-type activities | 1,662,720 | 3,145,905 | 2,827,502 | 5,631,352 | 8,282,251 |
| Total primary government | <u>\$2,027,020</u> | <u>\$6,866,300</u> | <u>(\$2,447,570)</u> | <u>\$3,300,673</u> | <u>\$5,066,069</u> |

Kenai Peninsula Borough

Table III

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

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Total</u> |
|--------------------|---------------------|------------------|--------------|
| 2002 | \$37,943,100 | \$14,407,262 | \$52,350,362 |
| 2003 | 41,718,283 | 14,375,828 | 56,094,111 |
| 2004 | 42,641,738 | 14,910,977 | 57,552,715 |
| 2005 | 42,121,021 | 15,670,832 | 57,791,853 |
| 2006 | 44,430,849 | 16,755,426 | 61,186,275 |

Kenai Peninsula Borough

Table IV

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

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$438,545 | \$470,702 | \$428,830 | \$406,778 | \$479,331 | \$354,603 | \$255,206 | \$318,064 | \$98,704 | \$252,852 |
| Unreserved | 26,957,852 | 29,390,341 | 27,934,261 | 26,701,571 | 27,876,524 | 25,824,117 | 24,557,132 | 20,034,527 | 17,090,419 | 15,032,451 |
| Total General Fund | <u>\$27,396,397</u> | <u>\$29,861,043</u> | <u>\$28,363,091</u> | <u>\$27,108,349</u> | <u>\$28,355,855</u> | <u>\$26,178,720</u> | <u>\$24,812,338</u> | <u>\$20,352,591</u> | <u>\$17,189,123</u> | <u>\$15,285,303</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | 2,063,421 | 1,465,065 | 1,262,311 | 1,798,199 | 3,542,224 | 5,030,786 | 3,666,808 | 16,270,937 | 6,168,912 | 5,604,994 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 8,670,737 | 10,236,031 | 9,670,544 | 10,155,219 | 18,970,653 | 23,656,468 | 22,135,464 | 22,487,636 | 24,030,122 | 23,612,583 |
| Capital projects funds | 5,891,649 | 5,125,089 | 6,908,187 | 6,375,451 | 12,223,479 | 10,098,402 | 17,170,265 | 14,723,736 | 13,134,043 | 11,506,248 |
| Total all other Governmental Funds | <u>\$16,625,807</u> | <u>\$16,826,185</u> | <u>\$17,841,042</u> | <u>\$18,328,869</u> | <u>\$34,736,356</u> | <u>\$38,785,656</u> | <u>\$42,972,537</u> | <u>\$53,482,309</u> | <u>\$43,333,077</u> | <u>\$40,723,825</u> |

The Kenai Peninsula Borough developed an Unreserved Fund Balance policy in 2001. This policy provided guidelines regarding minimum and maximum levels of unreserved fund balance for the Borough's General Fund and Service Areas operating and capital project funds. The policy that the following items should be considered when establishing an acceptable levels of fund balance: working capital requirements, operating contingencies to include revenue volatility and unexpected expenditures, and future capital expansion. The policy also established that if a fund balance was outside the acceptable range, the subsequent years budget must include a five-year plan of action to achieve compliance with the acceptable range. As of 6/30/06, once Service Area was out of compliance with this policy.

Table V

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

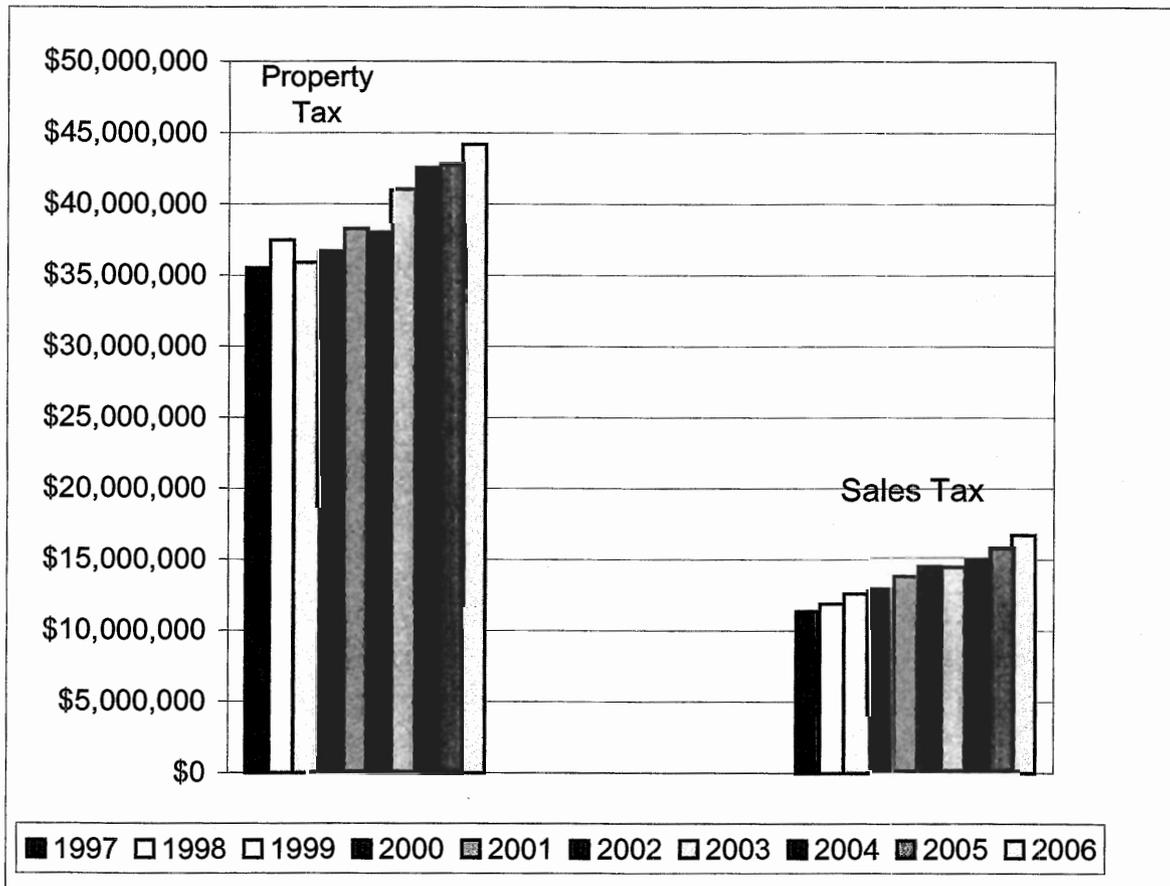
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| Revenues | | | | | | | | | | |
| Property taxes | 35,534,260 | 37,473,330 | 35,908,942 | 36,621,773 | 38,207,989 | 37,943,100 | 40,961,761 | 42,493,681 | 42,702,040 | 44,202,071 |
| Sales Tax | 11,383,289 | 11,917,497 | 12,606,181 | 12,814,417 | 13,708,974 | 14,407,262 | 14,375,828 | 14,910,977 | 15,670,832 | 16,755,426 |
| Intergovernmental | 14,823,169 | 14,205,145 | 14,028,293 | 16,147,083 | 22,398,434 | 9,038,139 | 8,778,348 | 10,794,534 | 10,341,082 | 14,924,888 |
| Investment earnings | 3,600,803 | 3,692,471 | 3,025,161 | 3,504,046 | 6,938,112 | 3,017,960 | 2,640,324 | 799,151 | 2,983,265 | 1,685,672 |
| Other revenues | 2,561,358 | 2,467,615 | 2,049,374 | 2,123,354 | 1,827,920 | 2,950,349 | 3,388,791 | 2,613,236 | 3,517,763 | 4,252,498 |
| Total Revenues | 67,902,879 | 69,756,058 | 67,617,951 | 71,210,673 | 83,081,429 | 67,356,810 | 70,145,052 | 71,611,579 | 75,214,982 | 81,820,555 |
| Expenditures: | | | | | | | | | | |
| General government | 9,695,344 | 10,120,055 | 10,570,419 | 10,576,416 | 11,059,651 | 11,198,634 | 11,442,124 | 13,264,721 | 13,812,467 | 12,795,754 |
| Solid waste | 3,138,141 | 2,929,128 | 3,222,382 | 3,428,372 | 3,794,379 | 3,627,278 | 3,837,131 | 3,791,184 | 4,438,926 | 4,147,463 |
| Public safety | 4,632,375 | 4,656,561 | 4,618,317 | 6,061,619 | 6,860,034 | 8,532,554 | 11,190,264 | 10,272,548 | 9,782,444 | 10,990,280 |
| Recreation | 755,676 | 704,986 | 709,321 | 723,299 | 773,795 | 909,781 | 885,154 | 929,578 | 1,383,393 | 3,448,362 |
| Education | 27,712,152 | 29,530,380 | 29,741,274 | 30,284,012 | 30,668,243 | 31,006,284 | 30,996,207 | 32,501,758 | 34,268,066 | 37,695,674 |
| Roads and trails | 1,307,061 | 1,316,646 | 1,718,889 | 1,496,347 | 1,966,252 | 2,119,461 | 2,281,668 | 3,188,390 | 3,198,758 | 3,479,969 |
| Capital outlay | 9,489,815 | 5,026,025 | 4,661,416 | 6,606,123 | 5,588,265 | 9,116,040 | 10,500,410 | 11,172,647 | 17,037,100 | 11,425,755 |
| Debt service | | | | | | | | | | |
| Principal | 8,220,000 | 9,255,000 | 9,965,000 | 10,730,000 | 10,855,000 | 2,480,000 | 2,575,000 | 3,840,000 | 3,375,000 | 3,485,000 |
| Interest | 4,608,741 | 3,573,183 | 2,871,395 | 2,101,848 | 1,302,262 | 839,104 | 686,595 | 1,300,728 | 1,231,528 | 1,065,369 |
| Total expenditures | 69,559,305 | 67,111,964 | 68,078,413 | 72,008,036 | 72,867,881 | 69,829,136 | 74,394,553 | 80,261,554 | 88,527,682 | 88,533,626 |
| Excess of revenues over (under) expenditures | -1,656,426 | 2,644,094 | -460,462 | -797,363 | 10,213,548 | -2,472,326 | -4,249,501 | -8,649,975 | -13,312,700 | -6,713,071 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 18,903,995 | 20,431,623 | 20,955,772 | 20,538,925 | 19,944,611 | 14,066,670 | 13,796,173 | 15,019,352 | 15,488,288 | 16,406,111 |
| Transfers out | -18,903,995 | -20,431,623 | -20,955,772 | -20,517,945 | -19,944,611 | -14,066,670 | -13,796,173 | -15,019,352 | -15,488,288 | -16,706,111 |
| Bonds issued | - | - | - | - | 7,429,000 | - | 7,040,000 | 14,700,000 | - | 2,500,000 |
| Sale of capital assets | 8,527 | 20,930 | 20,934 | 9,468 | 12,445 | - | - | - | - | - |
| Total other financing sources (uses) | 8,527 | 20,930 | 20,934 | 30,448 | 7,441,445 | 0 | 7,040,000 | 14,700,000 | 0 | 2,200,000 |
| Net change in fund balance | -1,647,899 | 2,665,024 | -439,528 | -766,915 | 17,654,993 | -2,472,326 | 2,790,499 | 6,050,025 | -13,312,700 | -4,513,071 |
| Debt service as a percentage of noncapital expenditures | 27.16% | 26.04% | 25.38% | 24.41% | 22.06% | 5.78% | 5.38% | 8.04% | 6.89% | 6.27% |
| total non-capital expenditures | 47,240,749 | 49,257,756 | 50,580,602 | 52,570,065 | 55,122,354 | 57,393,992 | 60,632,548 | 63,948,179 | 66,884,054 | 72,557,502 |

Kenai Peninsula Borough

Table VI

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

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Total</u> |
|--------------------|---------------------|------------------|--------------|
| 1997 | \$35,534,260 | \$11,383,289 | \$46,917,549 |
| 1998 | 37,473,330 | 11,917,497 | 49,390,827 |
| 1999 | 35,908,942 | 12,606,181 | 48,515,123 |
| 2000 | 36,621,773 | 12,814,417 | 49,436,190 |
| 2001 | 38,207,989 | 13,708,974 | 51,916,963 |
| 2002 | 37,943,100 | 14,407,262 | 52,350,362 |
| 2003 | 40,961,761 | 14,375,828 | 55,337,589 |
| 2004 | 42,493,681 | 14,910,977 | 57,404,658 |
| 2005 | 42,702,040 | 15,670,832 | 58,372,872 |
| 2006 | 44,202,701 | 16,755,426 | 60,958,127 |



Kenal Peninsula Borough

Table VII

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

| Fiscal Year | Assessed Values | | | Tax Exempt Values (1) | | | Total Taxable Assessed Value | Total Direct Tax Rate | Assessed Value as a Percentage of Actual Value |
|-------------|-----------------|-----------|-------------------|-----------------------|----------|----------|------------------------------|-----------------------|--|
| | Real | Oil & Gas | Personal Property | Real | Personal | Personal | | | |
| 1997 | 2,488,042 | 506,796 | 347,952 | 96,926 | 5,941 | 5,941 | 3,239,923 | 8.30 | 96.92% |
| 1998 | 2,530,599 | 559,137 | 362,327 | 94,394 | 4,743 | 4,743 | 3,352,926 | 8.30 | 97.13% |
| 1999 | 2,652,617 | 515,033 | 347,934 | 116,982 | 255 | 255 | 3,398,347 | 8.00 | 96.67% |
| 2000 | 2,812,154 | 448,685 | 257,051 | 127,824 | 31,762 | 31,762 | 3,358,304 | 8.00 | 95.46% |
| 2001 | 2,976,229 | 465,766 | 279,242 | 140,756 | 32,097 | 32,097 | 3,548,384 | 7.50 | 95.35% |
| 2002 | 3,027,956 | 606,604 | 285,766 | 161,085 | 41,528 | 41,528 | 3,717,713 | 7.00 | 94.83% |
| 2003 | 3,290,671 | 680,522 | 290,369 | 176,523 | 40,998 | 40,998 | 4,044,041 | 6.50 | 94.90% |
| 2004 | 3,509,442 | 673,367 | 276,649 | 196,210 | 40,844 | 40,844 | 4,222,404 | 6.50 | 94.68% |
| 2005 | 3,656,476 | 611,303 | 253,595 | 215,076 | 42,051 | 42,051 | 4,264,247 | 6.50 | 94.31% |
| 2006 | 4,009,648 | 561,689 | 285,351 | 304,702 | 44,210 | 44,210 | 4,507,776 | 6.50 | 92.82% |

Note: Borough code requires a revaluation of all property no less than every 5 years, current average is approximately every 7 years.

1. Tax exempt values represents only those exemptions provide by the Borough. It does not include those exemptions provided by federal or state requirements
2. Figures in this table have been revised from the FY05 CAFR to exclude state and federal exemptions previously included incorrectly.

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

Table VIII

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

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

Kenai Peninsula Borough

Principal Property Taxpayers
June 30, 2006

Table IX

| Taxpayer | 2006 | | |
|------------------------------|----------------------------|------|--|
| | Taxable Assessed Value (1) | Rank | Percentage of Total Taxable Assessed Value |
| Tesoro Alaska Compnary | \$ 232,415,562 | 1 | 5.16% |
| UNOCAL | 198,945,387 | 2 | 4.41% |
| Conoco-Phillips Petroleum CO | 168,304,581 | 3 | 3.73% |
| Marathon Oil Company | 96,303,157 | 4 | 2.14% |
| Agrium US Inc. | 77,322,261 | 5 | 1.72% |
| BP Exploration Alaska Inc. | 69,316,173 | 6 | 1.54% |
| ACS of the Northland, Inc. | 67,667,803 | 7 | 1.50% |
| XTO Energy, Inc. | 41,297,440 | 8 | 0.92% |
| Kenai Kachemak Pipeline | 37,435,042 | 9 | 0.83% |
| Alaska Pipeline Company | 19,489,137 | 10 | 0.43% |
| Totals | \$1,008,496,543 | | 22.37% |

(1) Information received from Borough's assessing department

total Assessed value 4,507,775,357
(per tarsumyear report for 2005/FY06)

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

Table X

| Year Ended June 30 | Total Tax Levy for Fiscal Year | Collected in the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| * 1997 | - | - | - | - | - | - |
| * 1998 | - | - | - | - | - | - |
| 1999 | 26,721,777 | 26,118,599 | 97.743% | 601,206 | 26,719,805 | 99.993% |
| 2000 | 26,792,683 | 26,212,896 | 97.836% | 576,860 | 26,789,756 | 99.989% |
| 2001 | 26,611,167 | 26,132,333 | 98.201% | 475,365 | 26,607,698 | 99.987% |
| 2002 | 26,096,387 | 25,644,795 | 98.270% | 445,959 | 26,090,754 | 99.978% |
| 2003 | 26,370,536 | 25,879,204 | 98.137% | 483,573 | 26,362,777 | 99.971% |
| 2004 | 27,558,497 | 27,062,845 | 98.201% | 481,867 | 27,544,712 | 99.950% |
| 2005 | 27,820,350 | 27,446,158 | 98.655% | 330,468 | 27,776,626 | 99.843% |
| 2006 | 29,357,626 | 28,978,909 | 98.710% | - | 28,978,909 | 98.710% |

* Data unavailable at this time.

Kenai Peninsula Borough

Table XI

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

| Fiscal Year | Governmental Activities | | | Business-Type Activities (1) | | | Debt Per Capita (2) (3) | | | | |
|-------------|--------------------------------------|--------------------------|----------------|------------------------------|-------------------------------|--|-------------------------|---|---------------------------------------|---|--|
| | General Obligation Bonds (Area Wide) | General Obligation Bonds | Capital Leases | Total Primary Government | Percentage of Personal Income | Percentage of Actual Taxable Value of Property (Area Wide) | Area Wide | Central Emergency Services Service Area | South Peninsula Hospital Service Area | Central Peninsula Hospital Service Area | |
| 1996 | \$ 57,485,000 | - | \$ 165,000 | \$ 57,650,000 | 5.10% | 1.82% | \$ 1,220 | - | - | \$ - | |
| 1997 | 49,265,000 | - | 115,000 | 49,380,000 | 4.19% | 1.52% | 1,053 | - | - | \$ - | |
| 1998 | 40,010,000 | - | 60,000 | 40,070,000 | 3.29% | 1.20% | 832 | - | - | \$ - | |
| 1999 | 30,045,000 | - | - | 30,045,000 | 2.42% | 0.88% | 614 | - | - | \$ - | |
| 2000 | 19,315,000 | - | - | 19,315,000 | 1.38% | 0.58% | 389 | - | - | \$ - | |
| 2001 | 15,889,000 | - | 2,037,282 | 17,926,282 | 1.24% | 0.51% | 318 | - | - | \$ - | |
| 2002 | 13,409,000 | - | 1,525,056 | 14,934,056 | 0.99% | 0.40% | 265 | - | - | \$ - | |
| 2003 | 17,874,000 | - | 989,722 | 18,863,722 | 1.25% | 0.47% | 348 | - | - | \$ - | |
| 2004 | 28,734,000 | 58,275,000 | 511,562 | 87,520,562 | 5.76% | 2.07% | 564 | - | 824 | \$ 824 | |
| 2005 | 25,359,000 | 56,655,000 | 261,351 | 82,275,351 | 5.41% | 1.93% | 495 | - | 807 | \$ 807 | |
| 2006 | 21,874,000 | 57,145,000 | - | 79,019,000 | 5.20% | 1.75% | 427 | 127 | 777 | \$ 1,406 | |

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

(1) Business-type activities debt is for the South Peninsula Hospital Service Area and Central Peninsula Hospital Service Area and is debt of the Service Areas not the Primary Government

(2) Other Governmental Fund type debt is for the Central Emergency Services Service Area and is debt of the Service Area not the Primary Government

(3) Due to overlapping taxing jurisdictions, the Debt Per Capita of the Area Wide must be combined with each overlapping Service Area to determine the total Debt Per Capita within each Tax Code Area

Population data can be found on Table 14

Kenai Peninsula Borough

Table XII

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

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough

Table XIII

Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income (amount expressed in thousands) | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate (2) |
|-------------|----------------|---|----------------------------|------------|-------------------|-----------------------|
| 1997 | 46,790 | 1,177,352 | 25,162 | 33.6 | 10,396 | ** |
| 1998 | 48,098 | 1,218,365 | 25,331 | 35.1 | 10,384 | ** |
| 1999 | 48,952 | 1,243,493 | 25,402 | 35.4 | 10,179 | ** |
| 2000 | 49,691 | 1,398,638 | 28,147 | 36.1 | 9,896 | ** |
| 2001 | 50,005 | 1,446,609 | 28,929 | 36.3 (3) | 9,963 | 8.00% |
| 2002 | 50,621 | 1,508,201 | 29,794 | 36.3 (3) | 9,799 | 7.90% |
| 2003 | 51,398 | 1,505,864 | 29,298 | 36.3 (3) | 9,661 | 9.30% |
| 2004 | 50,980 | 1,519,711 | 29,810 | 36.3 (3) | 9,467 | 10.00% |
| 2005 | 51,224 | 1,519,711 * | 29,668 * | 36.3 (3) | 9,534 | 9.50% |
| 2006 | 51,224 * | 1,519,711 * | 29,668 * | 36.3 (3) | 9,382 | 8.60% |

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

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

(3) Data on median age for the Borough is not available except on census years

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

**The Bureau of Labor Statistics, changed their method of calculating unemployment rates. They have recalculated the unemployment rate back to 2001. Unemployment rates for 1996-2000 are not available using the new method.

http://www.labor.state.ak.us/research/emp_ue/kbif.htm

Kenai Peninsula Borough

**Principal Employers
Current and Nine Years Ago**

Table XIV

| Employer | 2006 | | | 1997 ** | | |
|---|-------------|------|--|--------------|------|--|
| | Employees | Rank | Percentage of Total Borough Employment | Employees | Rank | Percentage of Total Borough Employment |
| Kenai Peninsula Borough School District | 1286 | 1 | 5.15% | 1418 | 1 | 6.55% |
| State of Alaska-excludes University | 914 | 2 | 3.66% | - | - | - |
| U.S. Government | 433 | 3 | 1.73% | - | - | - |
| Central Peninsula General Hospital | 405 | 4 | 1.62% | 266 | 6 | 1.23% |
| Kenai Peninsula Borough | 388 | 5 | 1.55% | 304 | 5 | 1.40% |
| Safeway/Eagle Stores | 384 | 6 | 1.54% | - | - | 0.00% |
| Frontier Community Services | 314 | 7 | 1.26% | - | - | 0.00% |
| Fred Meyer | 260 | 8 | 1.04% | 184 | 9 | 0.85% |
| South Peninsula Hospital | 256 | 9 | 1.03% | 217 | 7 | 1.00% |
| Peak Oilfield Service Co. | 250 | 10 | 1.00% | 343 | 2 | 1.58% |
| Totals | 4890 | | 19.58% | 3,742 | | 17.28% |

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

**1997 is the earliest information that is currently available

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

| Function | Full-time Equivalent Employee as of June 30 | | | | | | | | | |
|-------------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General Government: | | | | | | | | | | |
| Assembly | 5.00 | 5.00 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| Mayoral | 3.00 | 4.00 | 4.00 | 4.00 | 7.00 (1) | 6.00 | 10.00 (3) | 11.00 | 11.00 | 11.00 |
| General Services | 24.50 | 26.85 | 27.95 | 28.00 | 30.00 | 31.10 | 31.55 | 31.60 | 32.60 | 32.60 |
| Legal | 5.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 5.00 | 5.00 |
| Finance | 24.00 | 24.00 | 24.50 | 24.50 | 27.00 (2) | 27.00 | 23.00 (3) | 23.00 | 23.00 | 23.00 |
| Assessing | 18.00 | 18.00 | 20.00 | 20.75 | 19.75 | 19.75 | 20.75 | 21.00 | 21.00 | 21.00 |
| Planning | 9.50 | 10.50 | 11.75 | 11.75 | 9.80 | 8.80 | 9.10 | 9.50 | 8.50 | 8.50 |
| Major Projects | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 7.00 | 8.00 | 9.00 | 8.00 | 8.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 95.00 | 100.35 | 105.70 | 106.50 | 111.05 | 112.15 | 113.90 | 116.60 | 114.60 | 114.60 |
| Fire and Emergency Services: | | | | | | | | | | |
| Nikiski Fire | 20.00 | 20.00 | 20.00 | 21.00 | 21.00 | 21.00 | 23.00 | 24.00 | 24.00 | 23.00 |
| Bear Creek Fire | - | - | - | - | - | - | 0.40 | 0.40 | 0.40 | 0.40 |
| Anchor Point | - | - | - | - | - | 0.40 | 1.00 | 1.00 | 1.00 | 1.00 |
| CES | 22.00 | 23.00 | 23.00 | 23.00 | 23.00 | 23.00 | 26.00 | 27.00 | 27.00 | 28.00 |
| Seward Bear Creek Flood | - | - | - | - | - | - | - | - | 0.50 | 0.50 |
| Recreation | 11.75 | 12.25 | 12.25 | 12.25 | 12.25 | 13.25 | 13.25 | 14.00 | 13.25 | 13.25 |
| Roads | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 6.00 | 6.00 | 7.00 | 7.00 |
| Land Trust Fund | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 5.00 | 5.00 | 5.00 |
| Kenai River Center | 2.00 | 2.00 | 2.00 | 2.00 | 3.50 | 4.50 | 4.20 | 4.50 | 4.50 | 4.00 |
| Nikiski Seniors | - | - | - | - | - | - | 1.00 | 1.00 | 1.00 | 1.00 |
| Solid Waste | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.25 | 7.25 | 8.75 | 19.25 (4) | 19.25 |
| Risk Management | 2.50 | 2.55 | 2.55 | 2.55 | 2.55 | 3.55 | 3.60 | 4.60 | 4.60 | 4.60 |
| Total | 169.75 | 176.65 | 182.00 | 183.80 | 189.85 | 194.60 | 204.10 | 212.85 | 222.10 | 221.60 |

(1) Start up of Community and Economic Division
(2) Purchasing department transferred from Maintenance, increase in 2 positions.
(3) Purchasing department transferred from the Finance department to the Mayoral department, reduction in 4 positions in Finance.
(4) The Borough took over operations of the Soldotna landfill, previously the operations were contracted out.

Kenai Peninsula Borough

Table XVI

Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General Government- 911 call answered | 572 | 615 | 717 | 614 | 653 | 628 | 657 | 745 | 745 | 733 |
| Fire and Emergency Services: ** | 73 | 65 | 55 | 87 | 70 | 94 | 97 | 79 | 99 | 76 |
| Number of calls responded to: | 1,151 | 1,164 | 1,176 | 1,322 | 1,348 | 1,437 | 1,437 | 1,551 | 1,771 | 1,942 |
| Nikiski | - | - | - | - | (1) | 97 | 80 | 63 | 83 | 99 |
| Bear Creek | | | | | | | | | | |
| Anchor Point | | | | | | | | | | |
| CES | | | | | | | | | | |
| Kachemak | | | | | | | | | | |
| Landfills- | | | | | | | | | | |
| Refuse collected (tons) | 64,800 | 53,400 | 54,800 | 57,500 | 59,700 | 62,500 | 63,100 | 62,600 | 60,500 | 64,000 |

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

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

*** Information not available

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

Kenai Peninsula Borough

Table XVII

Capital Asset Statistics by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Fire and Emergency Services: | | | | | | | | | | |
| Number of Stations: | | | | | | | | | | |
| Nikiski | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Bear Creek | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Anchor Point | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| CES | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Kachemak | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Landfills: | | | | | | | | | | |
| Number of landfills | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of transfer sites | 13 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Recreation- | | | | | | | | | | |
| Number of facilities | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 8 | 8 |
| Roads- | | | | | | | | | | |
| Miles of roads maintained | 617 | 625 | 629 | 629 | 638 | 638 | 630 | 589 | 610 | 615 |

Note: No capital asset indicators are available for the general government functions
Sources: various Borough departments/service areas

SINGLE AUDIT



Kenai Peninsula Borough

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006**

| <u>Federal Grantor</u> | <u>Grant Number</u> | <u>CFDA #</u> | <u>Expenditures 6/30/06</u> |
|---|---------------------|---------------|---------------------------------|
| <u>U. S Department of Commerce:</u> | | | |
| Passed through Alaska Department of Community & Economic Development: | | | |
| Alaska Coastal Zone management | 860606 | 11.419 | \$ 49,096 |
| Coastal Management Plan | 860589 | 11.419 | 19,503 |
| Passed through National Oceanic & Atmospheric Administration: | | | |
| Coastal Impact Assistance Program | NA170Z2049 | 11.419 | 14,100 |
| Salmon Branding Project | NA03NMF4270109 | 11.427 | 63,402 |
| Total U. S Department of Commerce | | | <u>146,101</u> |
| <u>U.S. Department of the Interior:</u> | | | |
| National Wildlife Refuge Rev Sharing | FY2005 | 15.226 | 31,996 |
| Passed through U.S. Bureau of Land Management: | | | |
| Payment in Lieu of Taxes | FY2004 SEC 6901/02 | 15.226 | 1,890,932 |
| Mapping of Section Line Easements | LAA-03-0013 | 15.227 | 24,812 |
| Passed through the State of Alaska Department of Natural Resources: | | | |
| Urban Interface Wildlife Protection Plan | 39879 | 15.228 | 73,098 |
| Passed through US Fish and Wildlife Service: | | | |
| Nikiski Fire Rural Fire Assistance | 701815G356 | 15.242 | 7,740 |
| Total U.S. Department of the Interior | | | <u>2,028,578</u> |
| <u>U.S. Department of Transportation:</u> | | | |
| Passed through Alaska Department of Transportation: | | | |
| Kenai Spur Rd Extension | MOA | 20.205 | 5,162 |
| Keystone Road Paving Project | MOA | 20.205 | 157,426 |
| Passed through the Federal Transit Administration: | | | |
| Arctic Winter Games Buses * | AK-03-0070 | 20.500 | 1,456,311 |
| Total U.S. Department of Transportation | | | <u>1,618,899</u> |
| <u>Department of Justice:</u> | | | |
| CES Emergency Response Center Grant * | 2004CKWX0310 | 16.710 | 2,139,475 |
| CES Emergency Response Center Equipment Grant * | 2004CKWX0055 | 16.710 | 25,300 |
| Passed through Alaska Department of Military & Veterans Affairs | | | |
| Equipment Purchase and Response exercise | SHSGP II 03-13 | 16.007 | 171,016 |
| Total U.S. Department of Justice | | | <u>2,335,791</u> |
| <u>Department of Homeland Security:</u> | | | |
| Passed through Alaska Department of Military & Veterans Affairs | | | |
| Security Equipment for Emergency Response Center | 2003-MU-T3-0050 | 97.067 | 50,000 |
| Citizens Corp | 34031 | 97.053 | 10,311 |
| Emergency Management Performance Grant | EMPG05 | 97.042 | 11,250 |
| Emergency Management Performance Grant | EMPG06 | 97.042 | 33,750 |
| Communications Response Teams * | 2004-GE-T4-0035 | 97.004 | 79,113 |
| Equipment Grant * | 35549 04 16.16AAB | 97.004 | 717,059 |
| Bear Creek Firefighter Assistance Grant | EMW-2004-FG-13725 | 97.044 | 33,195 |
| KES Firefighter Assistance Grant | EMW-2005-FG-09113 | 97.044 | 91 |
| KES Firefighter Assistance Grant | EMW-2004-FG-00951 | 97.044 | 51,818 |
| CES Firefighter Assistance Grant | EMW-2004-FG-14640 | 97.044 | 27,778 |
| CES Firefighter Assistance Grant | EMW-2004-FP-03234 | 97.044 | 25,430 |
| KES Fire Prevention and Safety | EMW-2004-FP-01426 | 97.044 | 8,181 |
| Total Department of Homeland Security | | | <u>1,047,976</u> |

(continued)

Kenai Peninsula Borough

**Schedule of Expenditures of Federal Awards - continued
Year Ended June 30, 2006**

| <u>Federal Grantor</u> | <u>Grant Number</u> | <u>CFDA #</u> | <u>Expenditures 6/30/06</u> |
|---|---------------------|---------------|---------------------------------|
| <u>U.S. Department of Housing & Urban Development:</u> | | | |
| Senior Housing | B-02-AP-AK-0006 | 14.246 | 123,023 |
| Arctic Winter Games Housing | B-04-SP-AK-0041 | 14.246 | 340,830 |
| Arctic Winter Games Recreation Facilities | B-04-AP-AK-0014 | 14.246 | 992,000 |
| Total U.S. Department of Housing & Urban Development | | | <u>1,455,853</u> |
| <u>Denali Commission:</u> | | | |
| Burn Boxes for Nanwalek and Seldovia | 152-05 | 90.100 | 95,964 |
| Tyonek Teacher Housing | DTH-05-KPB-1 | 90.100 | 16,250 |
| Passed through Alaska Department of Health and Human Services | | | |
| South Peninsula Hospital Oxygen Generation System | 06-4-C-4889 | 90.100 | 107,990 |
| South Peninsula Hospital Construction Renovation | 06-4-C-5015 | 90.100 | 927,151 |
| Total Denali Commission | | | <u>1,147,355</u> |
| <u>Department of Health and Human Services:</u> | | | |
| Behavioral Health Prevention and Early Intervention Services | | 93.230 | 54,322 |
| Behavioral Health Prevention and Early Intervention Services | | 93.959 | 288,621 |
| Passed through the Agency for Healthcare Research and Quality: | | | |
| Technology Planning Grant | | 93.226 | 24,072 |
| Passed through the Alaska Department of Health and Social Services: | | | |
| Emergency Capacity | FY06 | 93.003 | 29,000 |
| Emergency Capacity | FY05 | 93.003 | 11,127 |
| Total Department of Health and Human Services | | | <u>407,142</u> |
| <u>National Aeronautic & Space Administration:</u> | | | |
| Passed through Alaska Department of Natural Resources: | | | |
| Remote Sensing-Kenai Hazard Mitigation & Monitoring | 39680/ NAG13-01010 | 43.002 | 33,143 |
| Total National Aeronautic & Space Administration | | | <u>33,143</u> |
| <u>U.S. Department of Agriculture:</u> | | | |
| National Forest Receipts | 860889 | 10.665 | 30,848 |
| Passed through U.S. Forest Service: | | | |
| 00 Spruce Bark Beetle Infestation | 00BTL | 10.664 | 24,781 |
| 01 Spruce Bark Beetle Infestation | 01BTL | 10.664 | 262,640 |
| 03 Spruce Bark Beetle Infestation | 03BTL | 10.664 | 13,783 |
| 04 Spruce Bark Beetle Infestation | 04BTL | 10.664 | 589,791 |
| 05 Spruce Bark Beetle Infestation | 05BTL | 10.664 | 205,327 |
| 02 Emergency Response Grant | 02EMR | 10.664 | 181 |
| Total U.S. Department of Agriculture | | | <u>1,127,351</u> |
| TOTAL FEDERAL | | | <u>\$ 11,348,189</u> |

* Federal Major Program

Kenai Peninsula Borough

**Schedule of Expenditures of State Awards
Year Ended June 30, 2006**

| <u>State Grantor</u> | <u>Grant Number</u> | <u>Expenditures 6/30/06</u> |
|---|---------------------|---------------------------------|
| Alaska Department of Community & Economic Development: | | |
| Shared Fish Tax/Landing tax | 860808 | \$ 7,382 |
| Kenai River Access Inventory & Management Plan | 2198467 | 4,000 |
| Anchor Point Rescue Vehicle | 03-DC-092 | 74 |
| Arctic Winter Games | 06-DC-187 | 650,000 |
| Cook Inlet Sockeye Salmon Branding Project | 03-DC-184 | 11,307 |
| Cooper Landing Road Access for Senior Housing | 05-DC-063 | 61,240 |
| Cooper Landing Senior Center Project Road Access | 06-DC-202 | 71,000 |
| Equipment Grants to Schools | 06-DC-188 | 290,000 |
| Homer Middle School Roofing Upgrades | 06-DC-189 | 11,845 |
| Kenai High School and Homer Middle School Roof Upgrades | 06-DC-197 | 215,276 |
| Kenai High School Asphalt Replacement | 06-DC-190 | 20,268 |
| KPBSD Grants to Schools | 06-DC-343 | 170,000 |
| Nikiski High School Track | 06-DC-191 | 595 |
| Nikiski Elementary School Crosswalk/Bikepath | 06-DC-342 | 105 |
| Ninilchik School Bus Turnaround | 06-DC-194 | 245 |
| Ninilchik School Carpet Replacement | 06-DC-345 | 88 |
| Ninilchik Pressure Reducing System | 06-DC-339 | 225,000 |
| North Peninsula Recreation Community Center | 03-DC-213 | 104,302 |
| North Peninsula Recreation Community Center | 05-DC-065 | 45,000 |
| North Peninsula Recreation Youth Center | 06-DC-340 | 12,839 |
| North Start School Sign | 05-DC-060 | 4,800 |
| Soldotna Elementary School Roof replacement | 06-DC-199 | 140 |
| Soldotna High School Sports Field Construction | 06-DC-200 | 665 |
| South Peninsula Hospital Distance Learning Equipment | 05-DC-061 | 3,603 |
| Sterling Elementary School Carpet Replacement | 06-DC-346 | 2,853 |
| Total Alaska Department of Community & Economic Development | | 1,912,627 |
| Alaska Department of Natural Resources: | | |
| Passed Through the Alaska Division of Forestry | | |
| Bear Creek Fire Service Area Volunteer Fire Assistance | 5112004 | 4,997 |
| Anchor Point Fire Service Area Volunteer Fire Assistance | 39809 | 2,360 |
| Kachemak Emergency Services Volunteer Fire Assistance | 39809 | 4,977 |
| Bear Creek Fire Service Area Volunteer Fire Assistance | 39809 | 3,750 |
| Lowell Point Volunteer Fire Assistance | 39809 | 4,200 |
| Nikiski Fire Service Area Volunteer Fire Assistance | 39809 | 6,450 |
| Total Alaska Department of Natural Resources | | 26,734 |
| Alaska Department of Health & Social Services: | | |
| Passed Through the Alaska Division Alcoholism & Drug Abuse | | |
| CPGH Serenity House Residential Treatment Center Grant | 602-06-282 | 10,000 |
| CPGH Capital Matching grant | 06-4-C-5046 | 600 |
| Total Alaska Department of Health & Social Services | | 10,600 |
| Alaska Department of Revenue: | | |
| Electric & Telephone Coop. | | 175,773 |
| Fish Resource Landing Tax | | 6,506 |
| Fish Tax | | 719,462 |
| Total Alaska Department of Revenue | | 901,741 |

(continued)

Kenai Peninsula Borough

**Schedule of Expenditures of State Awards - continued
Year Ended June 30, 2006**

| <u>State Grantor</u> | <u>Grant Number</u> | <u>Expenditures 6/30/06</u> |
|---|---------------------|---------------------------------|
| Alaska Department of Education & Early Development: | | |
| State School Debt Reimbursement | | 2,603,186 |
| Total Alaska Department of Education al & Early Development | | <u>2,603,186</u> |
| Alaska Department of Transportation: | | |
| Kenai Spur Road Extension | MOA | 1,290 |
| Arctic Winter Games Tsaltesiti Trail | | 40,000 |
| CPGH Highway Safety Grant | 060306J2 | 27,024 |
| CPGH Highway Safety Grant | 050304J2 | 6,738 |
| Total Alaska Department of Transportation | | <u>75,052</u> |
| Alaska Department of Administration: | | |
| Division of Retirement & Benefits PERS Relief | | 625,569 |
| Total Alaska Department of Administration | | <u>625,569</u> |
| Alaska Department of Military & Veteran Affairs: | | |
| Local Emergency Planning Committee | 06 LEPC 16-03c09 | 22,125 |
| Total Alaska Department of Military & Veteran Affairs | | <u>22,125</u> |
| TOTAL STATE | | <u>\$ 6,177,634</u> |

* State Major Program