

KENAI PENINSULA BOROUGH
ALASKA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR
ENDED JUNE 30, 2018

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
KENAI PENINSULA BOROUGH
ALASKA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**Charlie Pierce
BOROUGH MAYOR**

PREPARED BY
DEPARTMENT OF FINANCE

**Brandi Harbaugh
FINANCE DIRECTOR**

**Sara Dennis
CONTROLLER**

Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report
Table of Contents
Year Ended June 30, 2018

INTRODUCTION SECTION	<u>Page</u>
Table of Contents	i-iii
Letter of Transmittal	1-5
GFOA Certificate of Achievement	6
Organizational Chart	7
List of Principal Officials	8
Finance Department	9
FINANCIAL SECTION	
Independent Auditor's Report	11-13
Management's Discussion and Analysis	15-25
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	27-28
Statement of Activities	30-31
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	32-33
Reconciliation of the Balance Sheet to the Statement of Net Position	34
Statement of Revenues, Expenditures, and Changes in Fund Balances	35-36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	38-39
Nikiski Fire Service Area Special Revenue Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	40
Road Service Area Special Revenue Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	41
Proprietary Funds:	
Statement of Net Position	42
Statement of Revenues, Expenses, and Changes in Fund Net Position	43
Statement of Cash Flows	44
Statement of Fiduciary Funds – Assets and Liabilities	45
Notes to Financial Statements	47-78

Kenai Peninsula Borough, Alaska
Comprehensive Annual Financial Report
Table of Contents, continued

FINANCIAL SECTION, continued	<u>Page</u>
Required Supplementary Information	
Schedule of Borough's Information on the Net Pension Liability	79
Schedule of Borough Contributions – Pension Plan	80
Schedule of Borough's Information on the Net OPEB Liability	81
Schedule of Borough Contributions – OPEB Plan	82
Notes to the Required Supplementary Information	83
Supplemental Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	88-91
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	92-95
Budgetary Compliance Schedules – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Bear Creek Fire Service Area	96
Anchor Point Fire and Emergency Medical Service Area	97
Central Emergency Service Area	98
Kachemak Emergency Service Area	99
Lowell Point Emergency Service Area	100
Central Peninsula Emergency Medical Service Area	101
North Peninsula Recreation Service Area	102
Seldovia Recreational Service Area	103
Eastern Peninsula Highway Emergency Service Area	104
Land Trust	105
Seward Bear Creek Flood Service Area	106
911 Communications	107
Nikiski Senior Service Area	108
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	110-112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	113-115
Nonmajor Debt Service Funds	
Combining Balance Sheet	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	118
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
School	119
Bear Creek Fire Service Area	120
Solid Waste	121
Central Emergency Services	122
Internal Service Funds	
Combining Statement of Net Position	123
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	124
Combining Statement of Cash Flows	125
Fiduciary Fund Type – Agency Funds	
Combining Statement of Assets and Liabilities	127
Combining Statement of Changes in Assets and Liabilities	128-129

Kenai Peninsula Borough, Alaska
 Comprehensive Annual Financial Report
 Table of Contents, continued

FINANCIAL SECTION, continued	<u>Page</u>
Capital Assets	
Capital Assets Used in the Operation of Governmental Funds – Schedule by Source	131
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Function and Activity	132
Capital Assets Used in the Operation of Governmental Funds – Schedule by Function and Activity	133-135

STATISTICAL SECTION	<u>Table No.</u>	<u>Page</u>
Government-wide information:		
Net Position by Component	I	137
Changes in Net Position	II	138-139
Governmental Activities Tax Revenues by Source	III	140
Fund information:		
Fund Balances of Governmental Funds	IV	141
Changes in Fund Balances of Governmental Funds	V	142
General Government Significant Revenues by Source	VI	143
Assessed Value and Estimated Actual Value of Taxable Property	VII	144
Property Tax Rates	VIII	145
Principal Property Taxpayers	IX	146
Taxable Sales by Line of Business	X	147
Property Tax Levies and Collections	XI	148
Ratios of Outstanding Debt by Type and Per Capita	XII	149
Legal Debt Margin Information	XIII	150
Demographic and Economic Statistics	XIV	151
Principal Employers	XV	152
Full-time Equivalent Borough Government Employees by Function	XVI	153
Operating Indicators by Function	XVII	154
Capital Asset Statistics by Function	XVIII	155

SINGLE AUDIT	
Schedule of Expenditures of Federal Awards	157
Schedule of State Financial Assistance	158-159
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Central Peninsula Hospital Transitional Housing Grant	160

This page intentionally left blank



Finance Department

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

Charlie Pierce
Borough Mayor

November 19, 2018

Honorable Members of the Assembly
Citizens of the Kenai Peninsula Borough

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula (Borough) for the year ended June 30, 2018, which is submitted in accordance with Section 29.35.120 of Alaska Statutes and Borough code. These laws require that a complete set of financial statements be presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America and those standards applicable to audits performed in accordance with Government Auditing Standards by licensed independent certified public accountants.

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

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

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

The Borough's financial statements have been audited by BDO USA LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial

statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Borough's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Kenai Peninsula Borough

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 square miles and is located in the south central part of the state of Alaska. The estimated population for the Borough is 58,024.

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

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

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

Budgetary Control

The annual budget serves as the foundation for the Borough's financial planning and control. All departments, and service areas submit budgets to the mayor on or about February 20th. The mayor uses these requests for developing a proposed budget. The mayor submits his proposed budget to the assembly at the first regular assembly meeting in May. The assembly is required to hold public hearings on the proposed budget. The assembly is required by state statute to set the annual mill rate prior to June 15th. The budget is appropriated by fund, department, and object. The mayor is authorized to make transfers within departments and objects. Assembly action is required to transfer between funds and departments or other major budget classifications. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. For the General Fund, Nikiski Fire Service Area Special Revenue Fund and Road Service Area Special Revenue Fund, the comparisons are presented on pages 40-41 as part of the basic financial statements for the governmental funds. For other governmental funds, the comparisons start on page 96.

Local Economy

The Borough economy is highly diverse. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and healthcare. Together they represent most of the Borough's employment. That diversity allows the Borough to be more resilient to declines in any one industry. The Borough's economy has experienced consistent, gradual growth since the late 1980's. Boroughwide, the general government tax rate has decreased from a high of 8.59 mills in FY1996 to its current rate of 4.5 mills. The Borough also has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales in FY2018 were \$1,067 million, an increase of 6.0% from the prior year but a 21.8% increase from FY2010. Most of the increase for FY2018 is attributed to an increase in sales tax collected on motor fuel (gasoline and diesel) sales due to an increase in the price of oil. The overall increase from FY2010 reflects an improving economy recovering from the recession of 2009. Sales tax continues to generate a larger portion of the Borough's revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY2018, sales tax revenues represented almost 40%.

Oil and gas continues to play a vital role in the Borough's economy, although the players have changed. Large national and multinational companies have been replaced by independents, which resulted in a resurgence in exploration and production. This has led to new wells in the Anchor Point and Kenai area, jackup rigs being used in Cook Inlet, along with increased exploration in other areas of the Borough, resulting in an increase in assessed value for oil and gas properties. Assessed values for oil and gas properties increased from \$635 million for FY09, to \$1.5 billion in FY2018. During this same time frame, oil production has increased from approximately 7,500 barrels per day to approximately 16,000 barrels per day. The impact to the Borough if the global reduction in the price of gas and oil continues is unknown at this time.

Increased oil and gas exploration has also had an impact on the Borough's unemployment rate. The unemployment rate decreased from 9.5% for 2011 to 8.6% for 2012, 8.0% in 2013, 7.8% in 2014, 7.8% in 2015 and 7.9% in 2016. The 2017 unemployment rate for the Borough was 8.60%. The 2017 statewide unemployment average was 7.1%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work in the fishing and tourism industry. The unemployment rate is expected to decrease in 2020 due to an announcement on November 6, 2018 from the Alaska Gasline Development Corporation (AGDG), that it plans to start building construction camps and access roads for its' \$43 billion project at the natural gas liquefaction plant site in Nikiski, Alaska in the first quarter of 2020 and along the 807-mile pipeline route by the second quarter of 2020.

Long-Term Financial Planning

A significant measure of the Borough's financial strength is the level of its fund balances (i.e. the accumulation of revenues exceeding expenditures). The Assembly takes the responsibility of being stewards of the public's funds very seriously and has adopted the following General Fund reserve policy: reserve funds shall not be used to fund recurring expenditures. Fund balances should be maintained at fiscally sound levels in all funds. The Borough has adopted financial policies that will ensure that the Borough maintains an appropriate fund balance in line with recommended best practices. The General Fund's assigned amount of \$16.5 million exceeded the Borough's minimum fund balance of \$15.4 million per the Fund Balance policy and is 19.0% of the General Fund operating expenditures (including transfers), leaving the Borough in a solid financial position to adequately prepare for the expected reductions in revenues caused by the changes in the property tax laws and the economic environment.

As a cautionary note, General Fund expenditures have exceeded revenues in each of the last three fiscal years (FY2016-FY2018). Steps should be taken to balance annual General Fund expenditures with annual General Fund revenues. Use of fund balance is appropriate as a short-term financial measure but is not sustainable beyond the current fiscal year based on current projected estimates of expenditures and revenues.

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, 2017. This was the 39th consecutive year the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, the Borough published an easily readable and efficiently organized CAFR, whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the Borough received from the GFOA, the Distinguished Budget Presentation Award for FY2018 for publishing a budget document that meets the program criteria as a policy document, an operations guide, a financial plan and a communications device. This is the 25th year the Borough has received this award. The Borough also received from the GFOA for the 4th year, the Award for Outstanding Achievement for Popular Annual Financial Reporting, this award recognizes governments that successfully produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

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

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

Respectfully submitted,



Charlie Pierce
Borough Mayor



Brandi Harbaugh, CPA, CPFO
Finance Director

For the 39th consecutive year, the Kenai Peninsula Borough has earned the highest form of recognition in the area of governmental accounting and financial reporting with an award-winning comprehensive annual financial report (CAFR). The Kenai Peninsula Borough was awarded a Certificate of Achievement for Excellence by the Governmental Finance Officers Association of the United States and Canada (GFOA) for the fiscal year ended June 30, 2017.

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

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



Government Finance Officers Association

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

Presented to

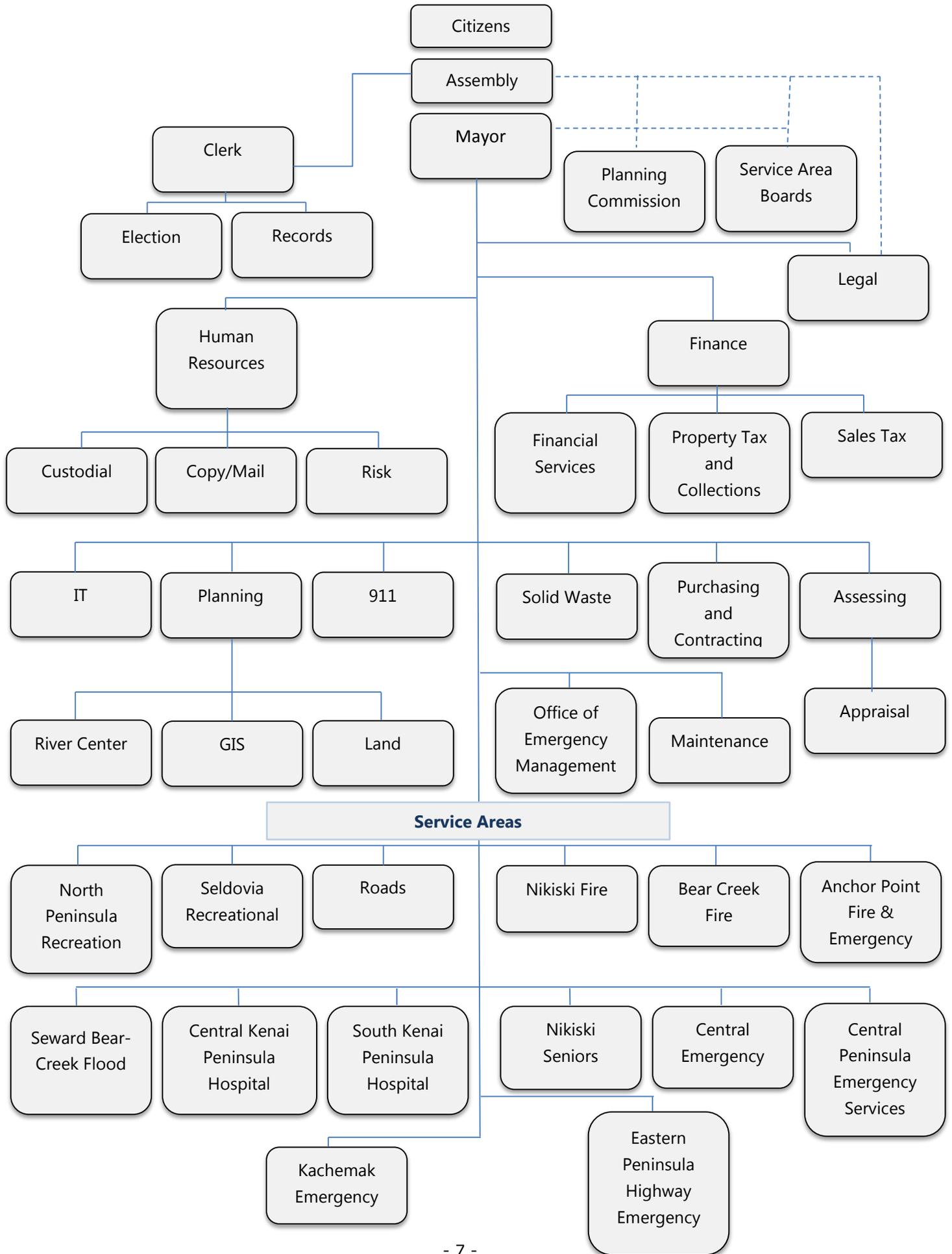
**Kenai Peninsula Borough
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill
Executive Director/CEO

Kenai Peninsula Borough - Organizational Chart



KENAI PENINSULA BOROUGH

List of Principal Officials

Assembly Members

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

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

Administration

Charlie Pierce	Borough Mayor
John Quick	Chief of Staff
Brandi Harbaugh	Finance Director
Colette Thompson	Borough Attorney
Vacant	Director of Human Resources
Johni Blankenship	Borough Clerk
Dan Nelson	Emergency Management Senior Manager
Benjamin Hanson	Director of Information Technology
Tom Anderson	Borough Assessor
Max Best	Director of Planning
Tom Dearlove	River Center Manager
Scott Griebel	Director of Maintenance
Jack Maryott	Director of Solid Waste
Valentina Sustaita	Purchasing & Contracting Director
Dil Uhlin	Roads Director
Sovala Kisená	Claims Manager

KENAI PENINSULA BOROUGH

Finance Department

Finance Director

Brandi Harbaugh

Division Managers

Sara Dennis
Penny Pickarsky
Rhonda Krohn
Lauri Lingafelt

Controller
Budget
Property Tax
Sales Tax

Accounting Staff

Tracy Davis
Katherine Cooper
DeRay Jones
Sarah Hostetter
Jennifer Loop
Misty Jenkins
Joanne Rodgers
Chad Friedersdorff
Rhonda Foster-Deskins

Amy Falk
Barbara Nelson
Michelle Gage
Hannah Blume
Danielle Henry
Samantha Ness
Sydney Smith

This page intentionally left blank

AUDITOR REPORT



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Kenai Peninsula Borough
Soldotna, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Nikiski Fire Service Area Special Revenue Fund, and the Road Service Area Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note M to the financial statements, in 2018 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 11 through 22 and the Schedules of Net Pension Liability and PERS Pension Contributions on pages 75 and 76, and the Schedules of Net OPEB Liability and OPEB Contributions on pages 77 and 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018 on our consideration of Kenai Peninsula Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kenai Peninsula Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kenai Peninsula Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 19, 2018

This page intentionally left blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kenai Peninsula Borough

Management's Discussion and Analysis

This section of the Kenai Peninsula Borough (Borough) Comprehensive Annual Financial Report (CAFR) provides readers with a narrative overview and analysis of the Borough's financial activities for the fiscal year ended June 30, 2018. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the Borough's financial activity, identify changes in the Borough's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and current known facts, please read it in conjunction with the Borough's transmittal letter (pages 1-5), the financial statements (pages 27-45) and the notes to the financial statements (pages 47-78).

Financial Highlights

- At the close of FY2018, the Kenai Peninsula Borough assets and deferred outflows exceeded its liabilities and deferred inflows by \$215.9 million (net position). Of this amount, \$10.1 million (unrestricted net position) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors. Much of this amount has been previously designated by the Borough Assembly for specific purposes and is discussed in more detail on page 51.
- The Borough's total net position decreased \$9.7 million when compared to the net position at the beginning of the fiscal year. However, \$8.4 million of the decrease was a result of implementing GASB 75 in the current year.
- The Kenai Peninsula Borough has established a formal fund balance policy affecting the General Fund, annually budgeted special revenue funds and general government capital project funds. The policy sets both minimum and maximum levels.
- At the end of the current fiscal year, total fund balance for the General Fund was \$22.8 million, a decrease of \$.4 million from FY2017. The assigned and unassigned fund balance for FY2018, not including the amount that was budgeted for FY2019 expenditures, is \$17.8 million. This compares to the FY2017 amount of \$15.3 million. This represents 22% of the total General Fund expenditures and transfers balance, and compares to 19.3% as of June 30, 2017, 22% as of June 30, 2016 and 17.60% as of June 30, 2015.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$75.6 million, an increase of \$0.65 million from the prior year. Much of this increase is associated with reduced expenditures in the General Fund and Special Revenue Funds while recognizing efficiencies and reduced spending throughout the organization.

Overview of the Financial Statements

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

<u>Fund Type</u>	<u>Number of funds</u>
General Fund	1
Debt Service Funds	4
Capital Project Funds	12
Special Revenue Funds	17
Total Governmental Funds	34
Total Internal Service Funds	4
Total Agency Funds	32

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

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

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

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

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

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

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

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

The Borough maintains 34 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Solid Waste Capital Project Fund, Nikiski Special Revenue Fund, and Road Service Area Special Revenue Fund. The other 30 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the nonmajor funds are presented in the Combining Balance Sheet Nonmajor Special Revenue Funds, Combining Balance Sheet Nonmajor Capital Project Funds, Combining Balance Sheet Nonmajor Debt Service Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Capital Project Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds.

The basic governmental fund financial statements can be found on pages 32-41 of this report. Budgetary comparison statements for 12 special revenue funds and 4 debt service funds with annual budgets are provided on pages 96-107 and 120-122, respectively to demonstrate compliance with these budgets.

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

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

Fiduciary funds. Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Borough cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The basic fiduciary aggregated fund financial statements can be found on page 45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-78 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 88-95, 110-115, 117-118 and internal service funds can be found on pages 123-125 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough, net position at June 30, 2018 was \$215.9 million compared to \$225.6 million at June 30, 2017. By far the largest portion of the Borough's net position (85.6%) reflects its investment in capital assets (e.g. land, buildings, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

During FY2018, governmental activities capital assets, net of accumulated depreciation of the Borough decreased \$6.4 million. Current and other assets include \$85.2 million and \$90.8 million of cash and investments held for governmental activities at June 30, 2018 and 2017.

Kenai Peninsula Borough
Summary of Net Position
June 30, 2018 and 2017
Governmental
Activities
(in millions)

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 112.5	\$ 110.8
Capital assets	<u>226.2</u>	<u>232.6</u>
Total assets	<u>338.7</u>	<u>343.4</u>
Deferred outflow of resources	<u>5.4</u>	<u>12.4</u>
Long-term debt outstanding	97.7	107.3
Other liabilities	<u>8.4</u>	<u>8.8</u>
Total liabilities	<u>106.1</u>	<u>116.1</u>
Deferred outflow of resources	<u>22.1</u>	<u>14.1</u>
Net position:		
Net Investment in capital assets	185.0	192.4
Restricted	20.8	21.7
Unrestricted	<u>10.1</u>	<u>11.5</u>
Total net position	<u>\$ 215.9</u>	<u>\$ 225.6</u>

Governmental activities

Governmental activities decreased the Borough's net position by \$9.7 million. This compares to a decrease of \$14.1 million for the year ended June 30, 2017. Key elements of the change in net position for the year are as follows:

- GASB 68 and GASB 75 required allocations of net pension and OPEB liabilities, decreasing the Governmental activities net position by \$7.5 million in FY2018 and \$9.2 million in FY2017 through recording deferred inflows, deferred outflows, as well as net pension and OPEB liabilities.
- Net position was also impacted by depreciation exceeding capital expenditures by \$3.3 million in FY2017 compared to \$6.4 million in FY2018.

The remainder of this page intentionally left blank

Summary of Changes in Net Position

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

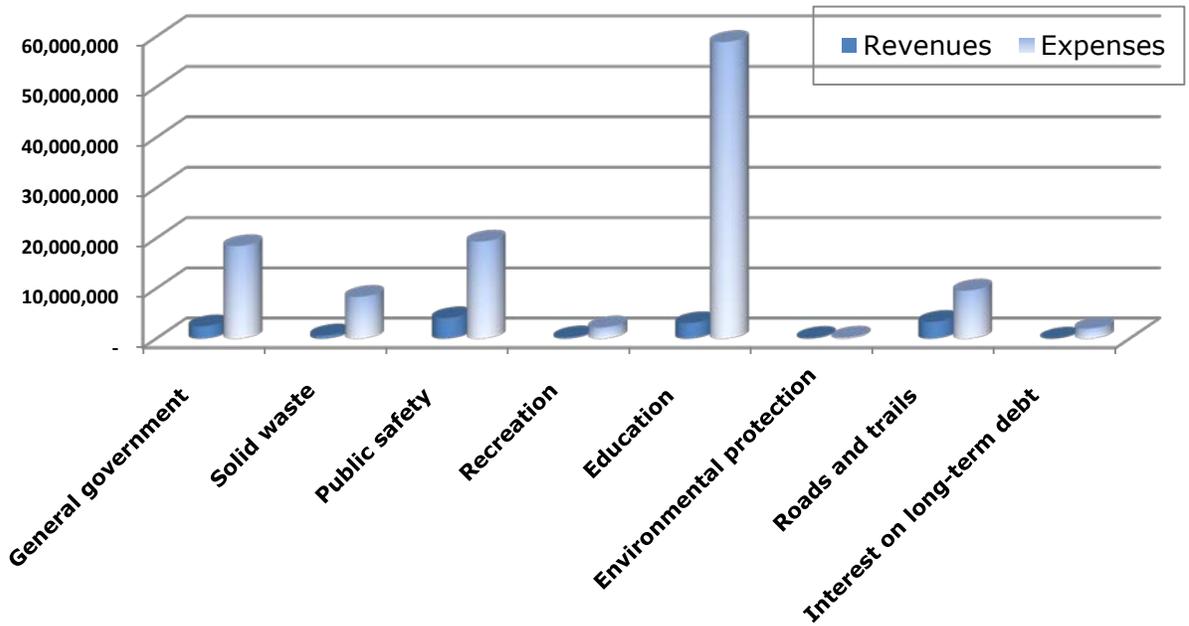
Kenai Peninsula Borough
Changes in Net Position
For Years Ended
June 30, 2018 and 2017
(in millions)

Governmental Activities

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3.9	\$ 3.9
Operating grants and contributions	5.9	7.1
Capital grants and contributions	4.2	5.8
General revenues:		
Property taxes	64.6	62.8
Sales taxes	31.5	30.4
Other	<u>7.7</u>	<u>6.3</u>
Total revenues	<u>117.8</u>	<u>116.3</u>
Expenses:		
General government	18.4	23.2
Solid waste	8.3	8.8
Public safety	19.4	23.4
Recreation	2.2	2.5
Environmental protection	.2	.4
Road and trails	9.6	11.1
Education payments to component unit		
Kenai Peninsula Borough School District	49.7	48.2
Education other		
(debt service, capital projects, post-secondary)	9.4	10.9
Interest on long-term debt	<u>2.0</u>	<u>1.8</u>
Total expenses	<u>119.2</u>	<u>130.3</u>
Increase (decrease) in net position	(1.4)	(14.1)
Net position, beginning of year	225.6	239.7
Change in beginning net position – change in accounting principle GASB 75	<u>(8.3)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>217.3</u>	<u>-</u>
Net position, end of year, as restated	<u>\$ 215.9</u>	<u>\$ 225.6</u>

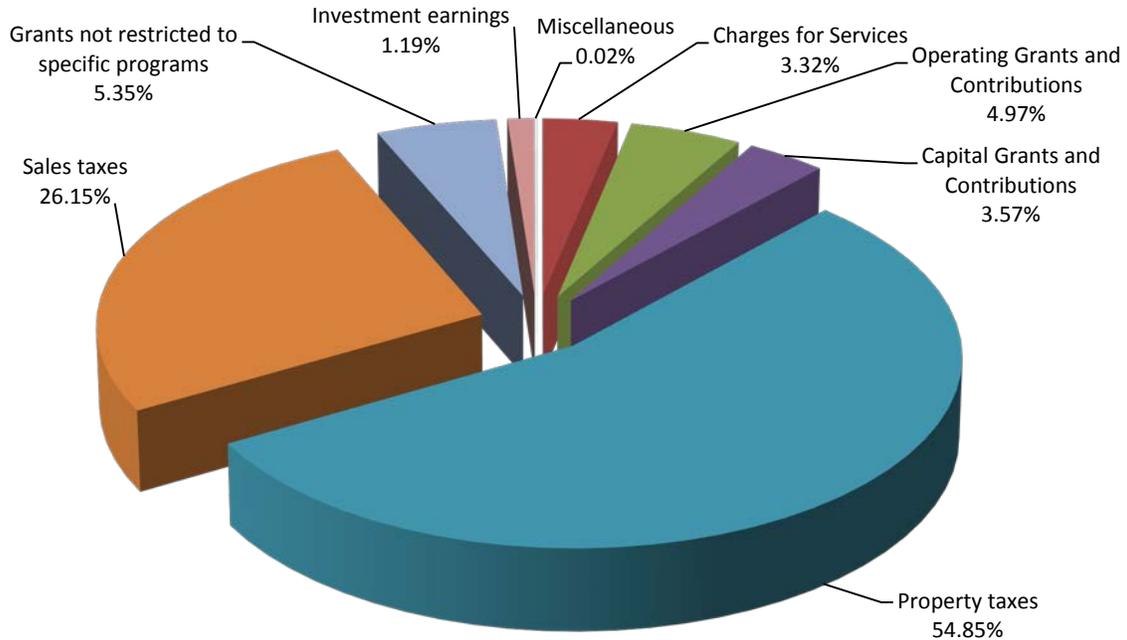
Expenses and Program Revenues – Governmental Activities

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$75.6 million, an increase of \$0.63 million from the prior year. A portion of this amount is restricted to indicate it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period 2) to liquidate prepaid expenses 3) or for other restricted purposes.

Discussion of selected individual governmental funds is as follows:

General Fund (Major fund)

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, fund balance was \$22.8 million, a decrease of \$.4 million from the prior year. Expenditures and transfers in the General Fund totaled \$81.3 million during the year, this compares to FY2017 expenditures and transfers of \$79.1 million. Key factors include:

- On behalf payments from the State of Alaska for contributions to the Public Employees' Retirement System (PERS) to address funding shortfalls totaled \$248,428, a decrease of \$552,930 from FY2017.
- Federal revenue for Payment in Lieu of Taxes (PILT) and Forestry Receipts totaled \$4.1 million; the budgeted amount was \$2.6 million.
- Due to turnover/retirement of Borough staff, which resulted in unfilled positions, and unspent operating funds, General Fund operating personnel expenditures came in \$1.2 million less than projected.
- Operating cost of the Solid Waste department came in \$726,283 less than budgeted due to contracts for operating various transfer sites and transporting waste material were less than expected as well as employee turnover and vacancies. In addition, savings in utilities and operating cost were realized due to lower than expected fuel cost.

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

Fund balance in this service area increased \$572,804 or approximately 16.5%, compared to the FY2017 increase of \$614,489. Expenditures and transfers out totaled \$8,019,722, an increase of \$136,234 compared to FY2017. The transfers for debt service increased \$75,931, while operational cost increased \$60,303.

Nikiski Fire Service Area Special Revenue Fund (Major fund)

Fund balance in this service area decreased \$1.9 million in FY2018, compared to the FY2017 increase of \$180,074. The increase in expenditures included a one-time increased transfer to the capital project funds in order to fund the construction of new fire station. With this decrease in fund balance the service area still remains within the recommended fund balance range.

Road Service Area Special Revenue Fund (Major fund)

Since FY2012 the Road Service Area has made an effort to grown fund balance due to the continued reduction of grant funds availability. Prior to FY2012 the service area depended on state grant funds to support capital projects, since then the grants have slowly declined, leaving the service area to support future capital projects with operating funds. For FY2018 the Service Area's fund balance increased \$476,115 from FY2017. With this increase the fund remains in the recommended fund balance range, which will allow the Service Area to have the necessary resources on hand in the event of another year with higher than expected snowfall and provide funding of capital road improvement projects due to reductions in state and federal revenues.

Miscellaneous Grant Special Revenue Fund (Non-major fund)

Fund balance in the Miscellaneous Grant Special Revenue Fund decreased \$32,062 during FY2018 compared to a decrease of \$463,522 in FY2017. The decrease in FY2018 was largely due to the deferred payout of the FY2018 Commercial Vessel Passenger Tax State Grant and the FY2018 Community Assistance State Grant Program.

General Fund Budgetary Highlights

During the year there were increases of \$.4 million, not including carryover encumbrances, in appropriations between the original budget and the final amended budget. The primary reason for amending the budget was as follows:

- \$0.25 million for in-kind contributions to the Public Employees' Retirement System made by the State of Alaska on the Borough's behalf.
 - The on-behalf amount provided for the Kenai Peninsula Borough was \$.67 million of which the General Fund, including Solid Waste, received \$.25 million.
- \$0.35 million to fund the Eastern Peninsula Highway Emergency Service Area, funding provided from PILT funds on an annual basis to fund the emergency services for the dangerous highway corridor between the Kenai Peninsula Borough and the cities of Anchorage and Seward.

Capital Assets and Debt Administration

Capital assets.

The Borough's investment in capital assets as of June 30, 2018 and June 30, 2017 amounts to \$226.2 million and \$232.6 million, respectively (net of accumulated depreciation.) This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

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

Various major repairs and additions to school facilities	\$ 5.2 million
Improvements at various solid waste facilities	\$ 1.7 million
Fire and Emergency Services Equipment	\$ 2.8 million

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

	Governmental activities	
	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 71.0	\$ 70.9
Buildings	91.9	94.8
Improvements other than buildings	28.0	30.3
Machinery and equipment	12.0	12.6
Infrastructure	14.2	14.4
Construction in progress	<u>9.1</u>	<u>9.6</u>
Total governmental funds capital assets	<u>\$ 226.2</u>	<u>\$ 232.6</u>

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

Long-term debt.

At the end of the current fiscal year, the Borough had total debt outstanding of \$51.3 million, a decrease of \$2.5 million from June 30, 2017. Of this amount, \$43.5 million was bonded and backed by the full faith and credit of either the Borough or Service Areas of the Borough. The remaining debt consists of landfill closure cost. Of the \$43.5 million in bonded debt, \$34.5 million was issued for school improvements. The State of Alaska will reimburse the Borough up to 70% of the principal and interest on these bonds. The schedule shown below does not include compensated absences, net pension liability, or net OPEB liability.

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 43.5	\$ 46.9
Other debt	<u>7.8</u>	<u>6.9</u>
Total outstanding debt	<u>\$ 51.3</u>	<u>\$ 53.8</u>

The Borough's discretely presented component units also have debt outstanding at the end of the year totaling \$93.3 million, not including premiums and other cost. Of that amount, \$35 million was bonded and backed by the full faith and credit of various Service Areas of the Borough. Additional information on the Borough's long-term debt can be found in note H on pages 63-65 of this report and table XII on page 149.

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

Economic Factors and the Next Year's Budget and Rates

The average unemployment in the Borough for CY2017 stood at 8.6%. An increase from the three prior years' rate of 7.8% in CY2014-15 and 7.9% for CY2016, this compares to the statewide average of 7.1%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work in the fishing and tourism industry in the Borough. The Borough's unemployment rate for the period January 2018 to June 2018 is down .4% when compared to the same period for 2017. This is expected to improve in CY2020, due to an announcement on November 6, 2018 from the Alaska Gasline Development Corporation (AGDG), that it plans to start building construction camps and access roads for its' \$43 billion project at the natural gas liquefaction plant site in Nikiski, Alaska in the first quarter of 2020 and along the 807-mile pipeline route by the second quarter of 2020.

In 2001, the Borough established a fund balance policy that recommends both minimum and maximum amounts of fund balances for both operating and capital project funds for the General Fund and Service Areas. A number of these operating funds are near or exceed their recommended maximum amount. This will be addressed as part of the FY2020 budget process.

In addition, the Alaska legislature provided funding for Public Employees' Retirement System (PERS) cost in excess of 22%, which was paid directly to PERS. The total on-behalf payment made by the State for FY2018 was \$677,749, of which the Borough reports \$675,717 and its component unit the Kenai Peninsula Borough School District reports \$2,032 along with their PERS and TRS contributions. This contribution includes the difference between the actuarially determined rate of 25.01% and the Borough contribution rate of 22.00%.

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

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

During 2017, the State of Alaska received an AA credit rating from Fitch Ratings, and an AA rating from Standard & Poor's Ratings Services. The State is running deficits of more than \$3 billion per year due to low oil prices. This reduction in oil prices has resulted in a reduction in grant funding to local municipalities and could put other State funded programs, including education, at risk for reduction in funding in the future.

In setting the budget for FY2019, the Borough considered a number of issues with Boroughwide impact, among them:

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

Request for Information

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

BASIC FINANCIAL STATEMENTS

Kenai Peninsula Borough
Statement of Net Position
June 30, 2018

	<u>Primary Government</u>	<u>Component Units</u>		
	Governmental	Central Peninsula	South Peninsula	School
	Activities	Hospital	Hospital	District
<u>Assets</u>				
Cash and short-term investments	\$ 106,266	\$ 41,171,115	\$ 14,164,543	\$ 11,995
Equity in central treasury	92,684,507	4,960,629	5,102,250	32,764,234
Receivables (net of allowances for estimated uncollectibles):				
Taxes receivable	7,734,831	1,921	164,370	-
Accounts receivable	1,226,381	2,032,226	218,534	300,334
Patient receivables	-	27,692,103	15,832,870	-
Note receivable	653,858	-	-	-
Land sale contracts receivable:				
Current	110,805	-	-	-
Delinquent	56,943	-	-	-
Due from other governments	1,696,849	-	-	2,243,924
Due from special assessment districts	1,378,696	-	-	-
Prepays	176,525	2,243,195	598,655	1,292,972
Inventory	-	6,278,415	1,700,305	1,083,480
Note receivable - long-term	3,561,315	-	-	-
Land sale contracts receivable - long-term	600,461	-	-	-
Internal balances				
Net pension asset	-	-	273,936	-
Restricted assets:				
Equity in central treasury	2,515,587	29,217,909	109,418	-
Bond funds held in reserve	-	7,637,497	-	-
Assets whose use is limited:				
Cash and short-term investments	-	-	33,022	-
Equity in central treasury	-	32,703,493	194,293	-
Investments	-	738,116	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	70,990,307	3,648,696	1,777,833	-
Buildings	91,929,291	57,037,764	35,933,203	-
Improvements other than buildings	27,983,203	151,812	69,150	-
Equipment	11,957,839	40,090,452	4,536,476	2,699,269
Construction in progress	9,106,693	6,620,372	34,738	-
Infrastructure	14,200,534	-	-	-
Total assets	<u>338,670,891</u>	<u>262,225,715</u>	<u>80,743,596</u>	<u>40,396,208</u>
<u>Deferred Outflows of Resources</u>				
Unamortized deferred loss	379,048	767,805	702,614	-
Excess consideration paid for acquisition	-	869,045	-	-
Pension related	4,104,291	-	1,539,805	10,608,393
OPEB related	913,018	-	-	-
Total deferred outflows of resources	<u>5,396,357</u>	<u>1,636,850</u>	<u>2,242,419</u>	<u>10,608,393</u>

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

Kenai Peninsula Borough
Statement of Net Position, Continued
June 30, 2018

	Primary Government	Component Units		
	Governmental	Central Peninsula	South Peninsula	School
	Activities	Hospital	Hospital	District
<u>Liabilities</u>				
Accounts, contracts and retainage payable	\$ 3,958,637	\$ 6,954,793	\$ 6,680,195	\$ 1,538,577
Accrued payroll and payroll benefits	557,534	4,091,077	4,100,306	7,396,153
Claims payable	2,762,948	3,482,624	1,696,606	4,396,808
Accrued interest	872,564	774,719	187,353	-
Unearned revenue	256,304	-	72,471	-
Noncurrent liabilities:				
Net pension liability - due in more than one year	34,747,989	-	-	90,448,136
Net OPEB liability - due in more than one year	5,592,849	-	-	-
Compensated absences:				
Due within one year	721,379	975,540	606,620	99,775
Due in more than one year	2,164,137	2,926,621	1,819,860	2,875,418
Landfill closure/postclosure -				
Due within one year				
Due in more than one year	7,778,696	-	-	-
Long-term debt:				
Due within one year	3,575,000	6,327,000	1,561,253	-
Due in more than one year, including premium	43,110,244	76,411,698	16,863,074	-
Total liabilities	<u>106,098,281</u>	<u>101,944,072</u>	<u>33,587,738</u>	<u>106,754,867</u>
<u>Deferred Inflows of Resources</u>				
Prepaid property taxes	14,180,406	-	549,471	-
Pension related	4,735,236	-	321,561	19,286,169
OPEB related	3,182,138	-	-	-
Total deferred inflows of resources	<u>22,097,780</u>	<u>-</u>	<u>871,032</u>	<u>19,286,169</u>
<u>Net Position</u>				
Net investment in capital assets	185,045,234	54,796,112	24,739,105	2,699,269
Restricted:				
Hazard tree removal program	279,256	-	-	-
General government	71,000	-	-	-
Public safety facilities and equipment	10,745,774	-	-	-
Recreation	1,946,678	-	-	-
Education	2,701,232	-	-	3,361,630
Solid waste	1,033,639	-	-	-
Roads	3,986,641	-	-	-
Charter schools				
Malpractice trust	-	545,686	-	-
Hospital expansion project	-	38,382,521	25,286	-
Unrestricted	10,061,733	68,194,174	23,762,854	(81,097,334)
Total net position	<u>\$ 215,871,187</u>	<u>\$ 161,918,493</u>	<u>\$ 48,527,245</u>	<u>\$ (75,036,435)</u>

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

This page intentionally left blank

Kenai Peninsula Borough
Statement of Activities
For the Year Ended June 30, 2018

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 18,439,842	\$ 329,028	\$ 2,117,979	\$ -
Solid waste	8,325,450	572,220	56,990	-
Public safety	19,380,150	2,785,209	801,217	481,050
Recreation	2,231,711	223,280	29,333	-
Education	59,060,286	-	2,661,049	418,210
Environmental protection	185,072	-	155,651	-
Roads and trails	9,577,712	-	31,662	3,311,004
Interest on long-term debt	2,015,867	-	-	-
Total primary government	<u>\$ 119,216,090</u>	<u>\$ 3,909,737</u>	<u>\$ 5,853,881</u>	<u>\$ 4,210,264</u>
Component units -				
Central Peninsula Hospital	\$ 155,350,150	\$ 165,267,916	\$ -	\$ -
South Peninsula Hospital	74,695,788	75,125,486	-	-
Kenai Peninsula Borough School District	147,642,773	698,771	17,919,104	-
Total component units	<u>\$ 377,688,711</u>	<u>\$ 241,092,173</u>	<u>\$ 17,919,104</u>	<u>\$ -</u>

General revenues:

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

Change in net position

Net position at beginning of year
 Change in beginning net position - change in accounting
 principle GASB 75 (see Note M)
 Change in beginning net position - change in reporting
 blended component unit

Net position at beginning of year, as restated

Net position at end of year

Net (Expense) Revenue and Changes in Net Position

Primary Government Governmental Activities	Component Units		
	Central Peninsula Hospital	South Peninsula Hospital	School District
\$ (15,992,835)	\$ -	\$ -	\$ -
(7,696,240)	-	-	-
(15,312,674)	-	-	-
(1,979,098)	-	-	-
(55,981,027)	-	-	-
(29,421)	-	-	-
(6,235,046)	-	-	-
(2,015,867)	-	-	-
<u>(105,242,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	9,917,766	-	-
-	-	429,698	-
-	-	-	(129,024,898)
<u>-</u>	<u>9,917,766</u>	<u>429,698</u>	<u>(129,024,898)</u>
64,639,093	43,918	4,498,923	-
31,508,914	-	-	-
6,302,634	-	20,006	88,522,533
1,399,250	334,035	(428,906)	193,053
-	-	-	49,738,432
20,325	(2,198,413)	(510,766)	196,098
<u>103,870,216</u>	<u>(1,820,460)</u>	<u>3,579,257</u>	<u>138,650,116</u>
(1,371,992)	8,097,306	4,008,955	9,625,218
225,597,181	153,914,477	44,518,290	(69,420,943)
(8,354,002)	-	-	(15,240,710)
-	(93,290)	-	-
<u>217,243,179</u>	<u>153,821,187</u>	<u>44,518,290</u>	<u>(84,661,653)</u>
\$ <u>215,871,187</u>	\$ <u>161,918,493</u>	\$ <u>48,527,245</u>	\$ <u>(75,036,435)</u>

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Governmental Funds
Balance Sheet
June 30, 2018

<u>Assets</u>	<u>General Fund</u>	<u>Solid Waste Capital Project Fund</u>	<u>Nikiski Fire Service Area Special Revenue Fund</u>
Cash and short-term investments	\$ 1,010	\$ -	\$ 16,586
Equity in central treasury	17,847,448	9,369,540	6,272,396
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	7,213,860	-	82,014
Accounts receivable	99,604	-	59,173
Note receivable short-term	653,858	-	-
Land sale contracts receivable:			
Current	-	-	-
Delinquent	-	-	-
Due from other governments	1,046,562	-	12,238
Due from special assessment districts	1,378,696	-	-
Due from other funds	158,517	-	-
Prepays	21,017	-	-
Note receivable long-term	3,561,315	-	-
Land sale contracts receivable -			
Long-term	-	-	-
Restricted assets - Equity in central treasury	-	2,515,587	-
 Total assets	 <u>\$ 31,981,887</u>	 <u>\$ 11,885,127</u>	 <u>\$ 6,442,407</u>
 <u>Liabilities, Deferred Inflows and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	974,214	643,696	20,541
Accrued payroll and payroll benefits	298,110	392	51,850
Due to other funds	-	-	-
Unearned revenue	3,230	-	6,718
Total liabilities	<u>1,275,554</u>	<u>644,088</u>	<u>79,109</u>
Deferred Inflows of resources:			
Prepaid property taxes	7,103,025	-	2,883,320
Property tax receivable - unavailable	803,309	-	76,782
Land sales - unavailable	-	-	-
Total deferred inflows of resources	<u>7,906,334</u>	<u>-</u>	<u>2,960,102</u>
Fund balances:			
Nonspendable:			
Long-term notes receivable	3,561,315	-	-
Prepays	21,017	-	-
Restricted:			
Landfill closure/postclosure costs	-	7,778,696	-
Hazard tree removal program	-	-	-
General government	71,000	-	-
Public safety	-	-	3,394,771
Recreation	-	-	-
Education	-	-	-
Solid waste	-	1,033,639	-
Roads	-	-	-
Committed:			
Outstanding committed contracts	85,554	1,550,088	8,425
Software upgrades	9,817	-	-
Building maintenance and upgrades	-	-	-
Public safety facilities and equipment	125,000	-	-
Recreational facility maintenance	-	-	-
School facility upgrades	-	-	-
Road construction and upgrades	-	-	-
Professional services	131,017	-	-
Assigned:			
Subsequent year's expenditures	1,014,149	-	-
Minimum fund balance policy	15,471,930	-	-
General government	-	-	-
Unassigned (deficit)	2,309,200	878,616	-
Total fund balances	<u>22,799,999</u>	<u>11,241,039</u>	<u>3,403,196</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 31,981,887</u>	<u>\$ 11,885,127</u>	<u>\$ 6,442,407</u>

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

Road Service Area Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 23,173	\$ 40,769
6,761,958	36,956,643	77,207,985
187,032	251,925	7,734,831
-	699,469	858,246
-	-	653,858
-	110,805	110,805
-	56,943	56,943
34,158	486,888	1,579,846
-	-	1,378,696
-	-	158,517
-	76,404	97,421
-	-	3,561,315
-	600,461	600,461
-	-	2,515,587
<u>\$ 6,983,148</u>	<u>\$ 39,262,711</u>	<u>\$ 96,555,280</u>
781,134	1,308,638	3,728,223
15,231	186,606	552,189
-	158,517	158,517
-	246,356	256,304
<u>796,365</u>	<u>1,900,117</u>	<u>4,695,233</u>
2,027,260	2,166,801	14,180,406
172,882	232,736	1,285,709
-	768,208	768,208
<u>2,200,142</u>	<u>3,167,745</u>	<u>16,234,323</u>
-	-	3,561,315
-	76,404	97,421
-	-	7,778,696
-	279,256	279,256
-	-	71,000
-	7,351,003	10,745,774
-	1,946,678	1,946,678
-	2,701,232	2,701,232
-	-	1,033,639
3,986,641	-	3,986,641
-	2,577,715	4,221,782
-	91,765	101,582
-	455,123	455,123
-	3,350,731	3,475,731
-	442,898	442,898
-	636,703	636,703
-	2,750,806	2,750,806
-	-	131,017
-	4,502,921	5,517,070
-	-	15,471,930
-	7,031,614	7,031,614
-	-	3,187,816
<u>3,986,641</u>	<u>34,194,849</u>	<u>75,625,724</u>
<u>\$ 6,983,148</u>	<u>\$ 39,262,711</u>	<u>\$ 96,555,280</u>

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

Kenai Peninsula Borough
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2018

Fund balances - total governmental funds	\$	75,625,724
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		224,343,463
<p>Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds:</p>		
Bonds payable	\$ (43,495,000)	
Unamortized bond premium	(3,190,244)	
Accrued interest	(872,564)	
Unamortized deferred losses	379,048	
Landfill closure	(7,778,696)	
Net pension liability	(34,747,989)	
Net OPEB liability	<u>(5,592,849)</u>	(95,298,294)
<p>Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time:</p>		
Deferred outflows for pensions	4,104,291	
Deferred inflows for pensions	<u>(4,735,236)</u>	(630,945)
<p>Certain changes in net other post employment benefit (OPEB) liabilities are deferred rather than recognized immediately. These items are amortized over time:</p>		
Deferred outflows for OPEB	913,018	
Deferred inflows for OPEB	<u>(3,182,138)</u>	(2,269,120)
<p>Some of the Borough's receivables will be collected after year-end and are not available soon enough to pay for current period's expenditures and therefore are deferred in the governmental funds.</p>		
Property taxes receivable	1,285,709	
Land sales contracts receivable	768,208	
Accrued interest subsidy	<u>117,003</u>	2,170,920
<p>Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.</p>		<u>11,929,439</u>
Net position of governmental activities	\$	<u><u>215,871,187</u></u>

The accompanying notes are an integral part of the financial statements

Kenai Peninsula Borough
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Solid Waste Capital Project Fund	Nikiski Fire Service Area Special Revenue Fund
Revenues:			
Property taxes	\$ 38,497,216	\$ -	\$ 5,037,812
Sales tax	31,508,914	-	-
Intergovernmental:			
Federal	4,322,077	-	6,758
State	5,088,343	-	65,966
Investment earnings	622,366	105,371	42,893
Interest subsidy	-	-	-
Other revenues	780,382	-	297,629
Total revenues	<u>80,819,298</u>	<u>105,371</u>	<u>5,451,058</u>
Expenditures:			
General government	16,213,080	-	-
Solid waste	5,693,208	3,249,337	-
Public safety	654,553	-	4,274,290
Recreation	-	-	-
Education	50,516,684	-	-
Environmental protection	-	-	-
Roads and trails	-	-	-
Debt service:			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	<u>73,077,525</u>	<u>3,249,337</u>	<u>4,274,290</u>
Excess (deficiency) of revenues over expenditures	<u>7,741,773</u>	<u>(3,143,966)</u>	<u>1,176,768</u>
Other financing sources (uses):			
Insurance proceeds	-	-	-
Transfers in	-	1,179,660	-
Transfers out	(8,175,801)	-	(3,066,953)
Net other financing sources (uses)	<u>(8,175,801)</u>	<u>1,179,660</u>	<u>(3,066,953)</u>
Net change in fund balances	(434,028)	(1,964,306)	(1,890,185)
Fund balances at beginning of year	<u>23,234,027</u>	<u>13,205,345</u>	<u>5,293,381</u>
Fund balances at end of year	<u>\$ 22,799,999</u>	<u>\$ 11,241,039</u>	<u>\$ 3,403,196</u>

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

Kenai Peninsula Borough
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances, Continued
For the Year Ended June 30, 2018

	Road Service Area Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 8,233,623	\$ 13,149,127	\$ 64,917,778
Sales tax	-	-	31,508,914
Intergovernmental:			
Federal	-	169,181	4,498,016
State	19,641	4,530,712	9,704,662
Investment earnings	36,744	228,654	1,036,028
Interest subsidy	-	286,479	286,479
Other revenues	-	3,962,927	5,040,938
Total revenues	<u>8,290,008</u>	<u>22,327,080</u>	<u>116,992,815</u>
Expenditures:			
General government	-	2,378,824	18,591,904
Solid waste	-	-	8,942,545
Public safety	-	12,799,283	17,728,126
Recreation	-	2,061,390	2,061,390
Education	-	3,513,603	54,030,287
Environmental protection	-	187,172	187,172
Roads and trails	6,063,893	3,311,003	9,374,896
Debt service:			
Principal	-	3,440,000	3,440,000
Interest and other	-	2,253,547	2,253,547
Total expenditures	<u>6,063,893</u>	<u>29,944,822</u>	<u>116,609,867</u>
Excess (deficiency) of revenues over expenditures	<u>2,226,115</u>	<u>(7,617,742)</u>	<u>382,948</u>
Other financing sources (uses):			
Insurance proceeds	-	266,956	266,956
Transfers in	-	13,906,193	15,085,853
Transfers out	(1,750,000)	(2,093,099)	(15,085,853)
Net other financing sources (uses)	<u>(1,750,000)</u>	<u>12,080,050</u>	<u>266,956</u>
Net change in fund balances	476,115	4,462,308	649,904
Fund balances at beginning of year	<u>3,510,526</u>	<u>29,732,541</u>	<u>74,975,820</u>
Fund balances at end of year	<u>\$ 3,986,641</u>	<u>\$ 34,194,849</u>	<u>\$ 75,625,724</u>

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

Kenai Peninsula Borough
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of the Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	649,904
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their useful lives.</p>		
Expenditures for capital assets	\$ 4,712,379	
Less current year depreciation	<u>(10,783,704)</u>	(6,071,325)
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.</p>		
		(9,238)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Principal payments	3,440,000	
Net decrease in bond premium	380,819	
Net decrease in bond deferred loss	<u>(80,570)</u>	3,740,249
<p>Certain revenues reported in the statement of activities are not reported in governmental funds because they do not provide current financial resources. This adjustment is to recognize the net change in unavailable revenues.</p>		
Property taxes	(278,868)	
Land sales	101,829	
Accrued interest subsidy	<u>(4,726)</u>	(181,765)
<p>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.</p>		
Increase in accrued interest	(62,569)	
Increase in landfill closure cost	<u>(852,074)</u>	(914,643)
<p>Changes related to net pension liability and related accounts can increase or decrease net position. This is the net increase in equity due to changes in net pension liability and the related deferred inflows and outflows.</p>		
		381,051
<p>Changes related to net OPEB liability and related accounts can increase or decrease net position. This is the net increase in equity due to changes in net OPEB liability and the related deferred inflows and outflows.</p>		
		492,033
<p>Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position of internal service funds is reported with governmental activities.</p>		
		<u>541,742</u>
Change in net position of governmental activities	\$	<u><u>(1,371,992)</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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Property taxes	\$ 38,266,911	\$ 38,266,911	\$ 38,497,216	\$ 230,305
Sales tax	29,979,123	29,979,123	31,508,914	1,529,791
Intergovernmental	7,388,328	9,381,737	9,410,420	28,683
Investment earnings	855,000	855,000	622,366	(232,634)
Other	1,100,000	1,100,000	780,382	(319,618)
Total revenues	<u>77,589,362</u>	<u>79,582,771</u>	<u>80,819,298</u>	<u>1,236,527</u>
Expenditures:				
General government:				
Assembly:				
Personnel	942,398	954,928	850,236	104,692
Supplies	32,684	32,684	4,253	28,431
Services	619,839	610,618	433,588	177,030
Capital outlay	5,624	14,844	10,423	4,421
Total assembly	<u>1,600,545</u>	<u>1,613,074</u>	<u>1,298,500</u>	<u>314,574</u>
Mayor:				
Personnel	716,089	727,196	657,821	69,375
Supplies	4,170	4,328	3,574	754
Services	96,730	96,490	62,271	34,219
Capital outlay	1,500	4,582	3,789	793
Total mayor	<u>818,489</u>	<u>832,596</u>	<u>727,455</u>	<u>105,141</u>
Purchasing and contracting:				
Personnel	542,182	564,261	534,465	29,796
Supplies	6,975	6,975	2,745	4,230
Services	85,568	85,568	59,957	25,611
Capital outlay	6,465	6,465	1,579	4,886
Total purchasing and contracting	<u>641,190</u>	<u>663,269</u>	<u>598,746</u>	<u>64,523</u>
Human resources:				
Personnel	874,507	889,678	824,648	65,030
Supplies	22,251	22,351	18,209	4,142
Services	150,456	150,356	144,086	6,270
Capital outlay	2,525	2,525	386	2,139
Total human resources	<u>1,049,739</u>	<u>1,064,910</u>	<u>987,329</u>	<u>77,581</u>
Information technology:				
Personnel	1,557,305	1,587,923	1,508,382	79,541
Supplies	39,855	46,935	45,184	1,751
Services	377,216	369,816	287,865	81,951
Capital outlay	22,025	22,345	20,390	1,955
Total information technology	<u>1,996,401</u>	<u>2,027,019</u>	<u>1,861,821</u>	<u>165,198</u>
Legal:				
Personnel	791,469	805,130	751,763	53,367
Supplies	3,300	3,750	2,318	1,432
Services	223,357	335,857	213,961	121,896
Capital outlay	800	1,250	1,105	145
Total legal	<u>1,018,926</u>	<u>1,145,987</u>	<u>969,147</u>	<u>176,840</u>
Finance:				
Personnel	2,642,315	2,687,557	2,385,674	301,883
Supplies	15,600	17,126	14,728	2,398
Services	730,949	728,484	582,049	146,435
Capital outlay	10,186	11,125	10,420	705
Total finance	<u>3,399,050</u>	<u>3,444,292</u>	<u>2,992,871</u>	<u>451,421</u>

(Continued)

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

Kenai Peninsula Borough

General Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government expenditures, continued:				
Assessing:				
Personnel	\$ 2,900,370	\$ 2,949,540	\$ 2,665,272	\$ 284,268
Supplies	9,700	9,700	6,933	2,767
Services	413,706	413,556	385,561	27,995
Capital outlay	4,440	4,590	4,502	88
Total assessing	<u>3,328,216</u>	<u>3,377,386</u>	<u>3,062,268</u>	<u>315,118</u>
Planning:				
Personnel	2,192,746	2,229,992	2,049,658	180,334
Supplies	58,750	58,268	37,093	21,175
Services	582,110	577,356	467,665	109,691
Capital outlay	16,250	25,486	20,803	4,683
Total planning	<u>2,849,856</u>	<u>2,891,102</u>	<u>2,575,219</u>	<u>315,883</u>
Economic development:				
Services	465,000	465,000	464,980	20
Total economic development	<u>465,000</u>	<u>465,000</u>	<u>464,980</u>	<u>20</u>
Non-departmental:				
Personnel	50,000	50,000	21,709	28,291
Services	640,919	640,919	653,035	(12,116)
Total non-departmental	<u>690,919</u>	<u>690,919</u>	<u>674,744</u>	<u>16,175</u>
Total general government	<u>17,858,331</u>	<u>18,215,554</u>	<u>16,213,080</u>	<u>2,002,474</u>
Public safety:				
Personnel	461,195	460,238	438,137	22,101
Supplies	43,750	51,092	23,025	28,067
Services	252,164	242,164	178,786	63,378
Capital outlay	5,750	16,070	14,605	1,465
Total public safety	<u>762,859</u>	<u>769,564</u>	<u>654,553</u>	<u>115,011</u>
Solid waste:				
Personnel	2,060,709	2,096,062	1,915,614	180,448
Supplies	366,487	361,837	295,364	66,473
Services	3,953,942	3,948,637	3,469,443	479,194
Capital outlay	3,000	12,955	12,787	168
Total solid waste	<u>6,384,138</u>	<u>6,419,491</u>	<u>5,693,208</u>	<u>726,283</u>
Education:				
School District contributions	49,738,432	49,738,432	49,738,432	-
Post secondary education	823,804	814,048	778,252	35,796
Total education	<u>50,562,236</u>	<u>50,552,480</u>	<u>50,516,684</u>	<u>35,796</u>
Total expenditures	<u>75,567,564</u>	<u>75,957,089</u>	<u>73,077,525</u>	<u>2,879,564</u>
Excess of revenues over expenditures	2,021,798	3,625,682	7,741,773	4,116,091
Other financing sources (uses):				
Transfers out	(7,845,460)	(8,195,460)	(8,175,801)	19,659
Total other financing sources (uses)	<u>(7,845,460)</u>	<u>(8,195,460)</u>	<u>(8,175,801)</u>	<u>19,659</u>
Net changes in fund balance	(5,823,662)	(4,569,778)	(434,028)	4,135,750
Fund balance at beginning of year	23,234,027	23,234,027	23,234,027	-
Fund balance at end of year	<u>\$ 17,410,365</u>	<u>\$ 18,664,249</u>	<u>\$ 22,799,999</u>	<u>\$ 4,135,750</u>

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

Kenai Peninsula Borough
Nikiski Fire Service Area Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 4,968,830	\$ 4,968,830	\$ 4,984,574	\$ 15,744
Motor vehicle tax	55,338	55,338	53,238	(2,100)
Intergovernmental:				
Federal	-	13,476	6,758	(6,718)
State	-	65,966	65,966	-
Investment earnings	80,014	80,014	42,893	(37,121)
Other revenues	<u>300,000</u>	<u>300,000</u>	<u>297,629</u>	<u>(2,371)</u>
Total revenues	<u>5,404,182</u>	<u>5,483,624</u>	<u>5,451,058</u>	<u>(32,566)</u>
Expenditures:				
Personnel	3,571,829	3,637,795	3,385,480	252,315
Supplies	253,960	253,960	190,162	63,798
Services	663,351	662,821	542,484	120,337
Capital outlay	<u>154,500</u>	<u>168,506</u>	<u>156,164</u>	<u>12,342</u>
Total expenditures	<u>4,643,640</u>	<u>4,723,082</u>	<u>4,274,290</u>	<u>448,792</u>
Excess (deficiency) of revenues over expenditures	<u>760,542</u>	<u>760,542</u>	<u>1,176,768</u>	<u>416,226</u>
Other financing sources (uses):				
Transfers (out)	<u>(3,066,953)</u>	<u>(3,066,953)</u>	<u>(3,066,953)</u>	<u>-</u>
Net change in fund balance	(2,306,411)	(2,306,411)	(1,890,185)	416,226
Fund balance at beginning of year	<u>5,293,381</u>	<u>5,293,381</u>	<u>5,293,381</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,986,970</u>	<u>\$ 2,986,970</u>	<u>\$ 3,403,196</u>	<u>\$ 416,226</u>

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

Kenai Peninsula Borough
Road Service Area Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 8,067,420	\$ 8,067,420	\$ 8,085,030	\$ 17,610
Motor vehicle tax	146,116	146,116	148,593	2,477
Intergovernmental:				
State	-	19,641	19,641	-
Investment earnings	<u>40,060</u>	<u>40,060</u>	<u>36,744</u>	<u>(3,316)</u>
Total revenues	<u>8,253,596</u>	<u>8,273,237</u>	<u>8,290,008</u>	<u>16,771</u>
Expenditures:				
Personnel	1,098,102	1,037,743	994,925	42,818
Supplies	74,150	100,880	87,473	13,407
Services	5,234,809	5,287,079	4,979,277	307,802
Capital outlay	<u>19,641</u>	<u>2,850</u>	<u>2,218</u>	<u>632</u>
Total expenditures	<u>6,426,702</u>	<u>6,428,552</u>	<u>6,063,893</u>	<u>364,659</u>
Excess (deficiency) of revenues over expenditures	<u>1,826,894</u>	<u>1,844,685</u>	<u>2,226,115</u>	<u>381,430</u>
Other financing sources (uses):				
Transfers (out)	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>-</u>
Net change in fund balance	76,894	94,685	476,115	381,430
Fund balance at beginning of year	<u>3,510,526</u>	<u>3,510,526</u>	<u>3,510,526</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,587,420</u></u>	<u><u>\$ 3,605,211</u></u>	<u><u>\$ 3,986,641</u></u>	<u><u>\$ 381,430</u></u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Net Position
June 30, 2018

	Governmental Activities Internal Service Funds
Assets	
Current assets:	
Cash and short-term investments	\$ 65,497
Equity in central treasury	<u>15,476,522</u>
	15,542,019
Prepays	79,104
Other receivables	<u>368,135</u>
Total current assets	<u>15,989,258</u>
Capital assets:	
Equipment	4,590,635
Less accumulated depreciation	<u>(2,766,231)</u>
Total capital assets (net of accumulated depreciation)	<u>1,824,404</u>
Total assets	<u>\$ 17,813,662</u>
Liabilities	
Current liabilities:	
Accounts and contracts payable	\$ 230,414
Accrued payroll and payroll benefits	5,345
Compensated absences	721,380
Claims payable	<u>2,762,948</u>
Total current liabilities	3,720,087
Noncurrent liabilities - Compensated absences	<u>2,164,136</u>
Total liabilities	<u>5,884,223</u>
Net Position	
Investment in capital assets	1,824,404
Restricted advance from General Fund	300,000
Unrestricted	<u>9,805,035</u>
Total net position	<u>\$ 11,929,439</u>

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

Kenai Peninsula Borough
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Governmental Activities Internal Service Funds
Operating revenues:	
Charges for sales and services	\$ 13,304,913
Other operating revenues	9,685
Total operating revenues	13,314,598
Operating expenses:	
Administrative services	2,628,974
Insurance premiums	1,786,211
Self-insured losses	7,951,024
Depreciation	488,117
Total operating expenses	12,854,326
Operating income (loss)	460,272
Non-operating revenues (expense)-	
General property taxes	-
Investment earnings	81,470
Gain (loss) on disposal of assets	-
Interest expense	-
Other	-
Net non-operating revenues (expense)	81,470
Change in net position	541,742
Net position at beginning of year	11,387,697
Net position at end of year	\$ 11,929,439

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, 2018

	Governmental Activities Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 13,304,913
Payments to suppliers	(9,815,631)
Payments to employees	(2,109,964)
Other program revenue	9,685
Net cash provided by operating activities	1,389,003
Cash flows for capital and related financing activities:	
Purchase of capital assets	(149,012)
Cash flows from investing activities:	
Investment earnings	81,470
Net increase in cash and cash equivalents	1,321,461
Cash and cash equivalents at beginning of year	14,220,558
Cash and cash equivalents at end of year	\$ 15,542,019
Reconciliation of cash and cash equivalents to Statement of Net Position:	
Cash and short-term investments	65,497
Equity in central treasury	15,476,522
Cash and cash equivalents, end of year	\$ 15,542,019
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 460,272
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	488,117
Change in assets and liabilities:	
Increase (decrease) in accounts and contracts payable	185,913
Increase (decrease) in accrued payroll and payroll benefits	(2,125)
Increase (decrease) in claims payable	289,344
Increase (decrease) in compensated absences	182,255
(Increase) decrease in prepaid expenses	(42,200)
(Increase) decrease in other receivables	(172,573)
Total adjustments	928,731
Net cash provided (used) by operating activities	\$ 1,389,003

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

Kenai Peninsula Borough
 Fiduciary Funds
 Statement of Fiduciary Fund Assets & Liabilities
 June 30, 2018

	Agency Funds
<u>Assets</u>	
Equity in central treasury	\$ 756,678
Taxes receivable	232,498
Due from landowners	1,398,696
Total assets	\$ 2,387,872
 <u>Liabilities</u>	
Deferred administration fee	99,525
Due to landowners	32,535
Loans payable	1,785,310
Due to other entities:	
City of Homer	88,647
City of Kenai	237,961
City of Seldovia	5,959
City of Seward	12,698
City of Soldotna	125,237
Total liabilities	\$ 2,387,872

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

This page intentionally left blank

INDEX TO NOTES

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

<u>NOTE</u>	<u>PAGE</u>
I. Summary of Significant Accounting Policies.....	47
A. Reporting Entity	47
Discretely Presented Component Units	47
B. Government-Wide and Fund Financial Statements	48
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .	48
D. Assets, Liabilities, and Net Position	49
1. Deposits and Investments	49
2. Receivables and Payables	50
3. Inventories	50
4. Prepaid Items	50
5. Capital Assets	50
6. Compensated Absences	51
7. Long-Term Obligations	51
8. Fund Balances	51
9. Encumbrances	52
10. Pensions	52
II. Stewardship, Compliance and Accountability	52
A. Budgetary Information	52
III. Detailed Notes on All Funds.....	53
A. Deposit and Investment Risk Disclosure	53
B. Property Taxes	57
C. Receivables	57
D. Deferred Inflows, Outflows and Unearned Revenues	58
E. Capital Assets	59
F. Interfund Receivables, Payables and Transfers	60
G. Risk Management	61
H. Long-Term Liabilities	63
I. Conduit Debt Obligations	65
J. Commitments and Contingencies	65
1. Loss Contingencies	65
2. Grants	65
K. Pension Plans	66
State of Alaska Public Employees' Retirement System	66
L. Landfill Closure and Postclosure Care Cost	77
M. Change in Accounting Principle	77
N. New Accounting Pronouncements	78

Kenai Peninsula Borough
Notes to Financial Statements
June 30, 2018

I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Major revenues susceptible to accrual include sales tax and property taxes levied and due in the current year even though a portion of the taxes may be collected in the subsequent year. Penalty on sales taxes and interest on delinquent taxes are considered measurable when paid and are recognized as revenue at that time. Intergovernmental revenues received as reimbursement for specific purposes or projects are recognized in the period the expenditures are incurred. Intergovernmental revenue received but not yet earned is recorded as unearned revenue. Property taxes received

prior to the period for which they are used are recorded as deferred inflows of resources. In subsequent periods, when the Borough has legal claim to the resources, the liability for deferred inflows is removed from the balance sheet and revenue is recognized. Revenue from land sale contracts receivable is deferred until the receivables are collected. Expenditures are recorded when the fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due and compensated absences.

The Borough reports the following major governmental funds:

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

The Solid Waste Capital Projects Fund accounts for acquisition and construction of major capital facilities of the solid waste program.

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

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

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

Additionally, the Borough reports the following fund types:

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

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

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

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

D. Assets, Liabilities, and Net Position

1. Deposits and Investments

The Borough utilizes a central treasury to aggregate cash from all funds and the School District for cash management and investment purposes. Each fund has an account titled "equity in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Interest income on investments is allocated monthly to participating funds based on their average equity balance during the month. Special Revenue Funds of Bear Creek Fire, North Peninsula Recreation, Seldovia Recreational, Central Emergency Services, Nikiski Fire, Anchor Point Fire and Emergency Medical Service Area and Kachemak Emergency Service Area and the discretely presented Component Units; School District, SPH and CPH; have cash which is not aggregated in the central treasury. At June 30, 2018, investments for the government, as well as for its component units, are reported at fair value.

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

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

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

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 1.20% of the current year personal property tax levy.

3. Inventories

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

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items. Prepaids are recognized when incurred and the expenditure is recorded in the period that is benefited using the consumption method.

5. Capital Assets

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

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

6. Compensated Absences

The Borough and Service Areas recognize a liability for the net amount of accrued vacation. Accumulated vacation may be received in cash, subject to certain restrictions. The obligation of accumulated unpaid personal leave amounts to \$2,885,516 at June 30, 2018. Of the total accumulated unpaid vacation at June 30, 2018, \$721,379 is expected to be paid out within one year; this is an increase of \$45,564 from June 30, 2017. An internal service fund, Employee Compensated Leave Fund, was established to account for resources accumulated to provide for compensated absences for the Borough's governmental activities. The Borough does not accrue a liability for non-vested sick leave, payable only in the event of employee absence due to illness. That amount is \$264,340 at June 30, 2018, a decrease of \$80,077 from June 30, 2017.

7. Long-term Obligations

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

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

8. Fund Balances

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

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

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

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

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

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

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

9. Encumbrances

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

Significant encumbrances exceeding \$100,000 as of June 30, 2018 were:

Description/Program	Major Funds		Nonmajor
	General Fund	Solid Waste Capital Project Fund	Other Gov’t Funds
Software	\$ -	\$ -	\$ 103,598
Roads/paths construction and upgrades	-	-	1,744,645
Solid waste facilities	-	<u>1,434,616</u>	-
Total	\$ <u>-</u>	\$ <u>1,434,616</u>	\$ <u>1,848,243</u>

10. Pensions and Other Post Employment Benefits (OPEB)

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

II – Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

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

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

III – Detailed Notes on all Funds

A. Deposit and Investment Risk Disclosure

As of June 30, 2018, the Borough's investments were as follows:

Investment Type	Fair Value*	Fixed Income Investment Maturities (in years)		
		Less than 1	1-3	3-5
Central Treasury				
Unrestricted:				
Cash & Money Market Funds	\$ 11,232,307	\$ 11,232,307	\$ -	\$ -
Repurchase Agreements	9,293,775	9,293,775	-	-
U.S. Treasuries	14,805,541	-	-	14,805,541
U.S. Agencies	33,921,600	8,513,260	4,226,190	21,182,150
Asset-Backed Securities**	8,814,702	621,787	3,749,294	4,443,621
Commercial Paper	2,962,660	2,962,660	-	-
Municipal Bonds	22,028,006	16,736,317	5,291,689	-
Corporate Fixed Income Bonds	38,652,102	10,919,139	27,732,963	-
	<u>\$ 141,710,693</u>	<u>\$ 60,279,245</u>	<u>\$ 41,000,136</u>	<u>\$ 40,431,312</u>
Central Treasury–Restricted:				
Cash & Money Market Funds	42,908,416	42,908,416	-	-
Repurchase Agreements	12,952,627	12,952,627	-	-
U.S. Treasuries	12,169,704	12,169,704	-	-
U.S. Agencies	483,765	483,765	-	-
Commercial Paper	5,043,813	5,043,813	-	-
	<u>\$ 73,558,325</u>	<u>\$ 73,558,325</u>	<u>-</u>	<u>-</u>
Total Cash and Investments	<u>\$ 215,269,018</u>	<u>\$ 133,837,570</u>	<u>\$ 41,000,136</u>	<u>\$ 40,431,312</u>

*Market value plus accrued income.

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

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

Fair Value Measurement: The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Borough has the following recurring fair value measurements as of June 30, 2018:

Investments Measured at Fair Value

Investments by Fair Value Level	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	\$ 12,344,349	\$ 11,232,307	\$ 1,112,042	\$ -
U.S. Treasuries	26,975,246	26,975,246	-	-
U.S. Agencies	34,405,365	997,600	33,407,765	-
Asset-Backed				
Securities	8,814,702	-	8,814,702	-
Municipal Bonds	22,028,006	-	22,028,006	-
Corporate Bonds	38,652,102	-	38,652,102	-
Commercial Paper	8,006,473	-	8,006,473	-
Total Investments at fair value level	151,226,243	\$ 39,205,153	\$ 112,021,090	\$ -
AMLIP *	41,161,311			
Total	\$ 192,387,554			

* The Borough's investment in AMLIP is measured at net asset value, as of June 30, 2018. Management believes these values approximate fair value.

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

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

<u>Maturity</u>	<u>Target Maturity Level</u>	<u>Actual Investment</u>
One Year or Less	40%	54%
One to Three Years	30%	25%
Three to Five Years	30%	21%

Option Risk: Option risk is the risk that an investment's issuer may exercise a right embedded in

the investment—an embedded option. The Borough invests in securities issued by U.S. Government Agencies and highly rated corporate issuers that may contain call options. As of June 30, 2018, about \$8.4 million or 5.0% of the portfolio securities contain call options. The exercise of the call option by the issuer occurs during times of declining interest rates; therefore the Borough is exposed to the risk of having to reinvest at a lower interest rate. If call options were exercised at the first or next possible call date, all of the callable securities would mature in less than one year. The agency securities are listed below at their earliest call dates:

<u>Investment</u>	<u>Type of Call</u>	<u>Next Call Date</u>
Federal Home Loan Mortgage Corporation	Quarterly call	September 18, 2018
US Bank N.A.	One-time call	December 23, 2019
US Bank N.A.	One-time call	December 24, 2019
Exxon Mobil Corporation	One-time call	February 6, 2020
JP Morgan Chase Bank	One-time call	August 23, 2019

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

<u>Investment Type</u>	<u>Maximum Allowable % per Investment Policy</u>	<u>Maximum Maturity per Investment Policy</u>	<u>Actual % as of June 30, 2018</u>
U.S. Treasury Securities	100%	5 years	12.6%
U.S. Agencies	100%	5 years	20.1%
Corporate Bonds	50%	5 years	18.0%
Municipal Bonds	25%	5 years	10.2%
Repurchase agreements	20%	n/a	10.3%
Money Market Funds	20%	n/a	6.0%
AMLIP	20%	n/a	19.1%
Bankers' Acceptances	10%	3 years	0%
Commercial Paper	25%	270 days	3.7%

Term Repurchase Agreements and Certificates of Deposit:

7-day term or shorter	25%	n/a	0%
Greater than 7-day term	25%	3 years	0%

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

As of June 30, 2018 the Borough's investments in corporate bonds, municipal bonds, and U.S. Government agencies or instruments implicitly guaranteed by the U.S. Government were rated as follows:

Moody's		S & P	
Aaa	59%	AAA	26%
Aa	16%	AA	39%
A	5%	A	9%
Not rated*	20%	Not Rated*	26%
	<u>100%</u>		<u>100%</u>

*Collateralized

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. To limit custodial credit risk, it is the Borough's policy to collateralize all monies deposited in excess of the FDIC limit. All pledged collateral for the Kenai Peninsula Borough must be held in a collateral custodian account of the Kenai Peninsula Borough under a formal tri-party agreement. Of the Borough's \$22.25 million in repurchase agreements at June 30, 2018, \$22.2 million of underlying securities are pledged to the Borough by the Bank. This collateral is owned by the Bank and held by the third-party custodian. The remaining balance of \$.05 million is in the Borough's overnight sweep account and the funds have not been posted to the Borough's bank account. When received, the funds will be collateralized. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000.

Cash and short-term investment balances at June 30, 2018, consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and short-term investments held in central treasury:		
Checking accounts:		
Primary Government	\$ (1,706,137)	\$ 47,174
Discretely Presented Component Unit (School District)	<u>(2,185,882)</u>	<u>-</u>
Total cash and short-term investments held in central treasury	<u>(3,892,019)</u>	<u>47,174</u>
Other cash and investments:		
Checking and savings accounts:		
Primary Government	104,156	118,667
Cash on hand:		
Primary Government	<u>2,110</u>	<u>-</u>
Total other cash and short-term investments	106,266	118,667
Total cash and short-term investments	\$ <u>(3,785,753)</u>	\$ <u>165,841</u>

The following is a summary of equity in central treasury and investments at June 30, 2018:

General Fund	\$ 17,847,448
Special revenue funds	32,527,894
Capital projects funds	26,832,643
Capital project funds – Restricted	2,515,587
Internal service funds	<u>15,476,522</u>
Total Primary Government equity in central treasury	\$ <u>95,200,094</u>
Fiduciary funds	\$ 756,678
<u>Discretely Presented Component Units</u>	
School District agency funds	\$ 2,730,504
School District	32,764,234
Central Peninsula Hospital	4,960,629
Central Peninsula Hospital – Restricted assets	36,855,406

Central Peninsula Hospital – Assets whose use is limited	32,703,493
South Peninsula Hospital	5,102,250
South Peninsula Hospital – Restricted assets	109,418
South Peninsula Hospital – Assets whose use is limited	<u>194,293</u>

Total equity in central treasury \$ 211,376,999

The equity in central treasury consists of the following:

Cash and short-term investments	\$ (3,892,019)
Investments	<u>215,269,018</u>
	\$ <u>211,376,999</u>

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

Fair value at June 30, 2018	\$ 215,269,018
Add: cost of investments sold/called/matured in FY2018	32,183,187
Less: cost of investments purchased in FY2018	(71,760,240)
Less: fair value at June 30, 2018	<u>(177,311,936)</u>
Change in fair value of investments	\$ <u>(1,619,971)</u>

B. Property Taxes

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

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

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

Property Tax Calendar

Assessment date	January 1, 2017	Total taxes are due	October 15, 2017
Levy date	Not later than June 15, 2017	Penalties & interest added	October 17, 2017
Tax bills mailed	Not later than July 1, 2017	Lien date	April 15, 2018

Property taxes levied for the current year are recognized as revenues, even though a portion is collected in the period subsequent to the year end. The Borough's property tax collection records show that approximately 97.1% 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.

C. Receivables

Receivables at June 30, 2018 for the government’s individual major funds and proprietary funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Major funds			Nonmajor		Internal Service Funds	Fiduciary Funds	Total
	General	Nikiski Fire Service Area	Road Service Area	Other Gov't Funds				
Taxes	\$7,241,164	\$ 87,285	\$ 190,978	\$ 256,831	\$ -	\$ 232,498	\$ 8,008,756	
Accounts and other receivables	99,604	59,173	-	699,469	368,135	1,398,696	2,625,077	
Note receivable	4,215,173	-	-	-	-	-	4,215,173	
Land sale contracts	-	-	-	768,209	-	-	768,209	
Special assessment districts	1,378,696	-	-	-	-	-	1,378,696	
Intergovernmental	<u>1,046,562</u>	<u>12,238</u>	<u>34,158</u>	<u>486,888</u>	-	-	<u>1,579,846</u>	
Total receivables	13,981,199	158,696	225,136	2,211,397	368,135	1,631,194	18,575,757	
Less allowance for uncollectibles	<u>(27,304)</u>	<u>(5,271)</u>	<u>(3,946)</u>	<u>(4,906)</u>	-	-	<u>(41,427)</u>	
	<u>\$13,953,895</u>	<u>\$ 153,425</u>	<u>\$ 221,190</u>	<u>\$2,206,491</u>	<u>\$ 368,135</u>	<u>\$1,631,194</u>	<u>\$18,534,330</u>	

City of Homer Note Receivable

In FY2013, a loan agreement was executed between the Kenai Peninsula Borough and the City of Homer in the not-to-exceed amount of \$12.7 million to finance the design and construction of a natural gas distribution improvement project in the City of Homer. As of June 30, 2018, the principal balance due is \$4,076,246 with accrued interest of \$138,927. The principal amount due within one year is \$514,931.

D. Deferred Inflows, Outflows and Unearned Revenues

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds report acquisition of net position by the governmental funds that are applicable to a future reporting period as deferred inflows of resources and consumption of net position that are applicable to future periods as deferred outflows. At June 30, 2018, the various components of unearned revenue, deferred inflows, and deferred outflows of resources reported in the governmental funds were as follows:

	Government-Wide			Fund Level	
	Deferred Outflows	Deferred Inflows	Unearned	Deferred Inflows	Unearned
Unamortized deferred loss Pension and OPEB related	\$ 379,048	\$ -	\$ -	\$ -	\$ -
Property taxes receivable (General Fund)	-	-	-	803,309	-
Prepaid property tax (General Fund)	-	7,103,025	-	7,103,025	-
Property taxes receivable (Nikiski Fire Service Area)	-	-	-	76,782	-
Prepaid property tax (Nikiski Fire Service Area)	-	2,883,320	-	2,883,320	-
Property taxes receivable (Road Service Area)	-	-	-	172,882	-

	Government-Wide			Fund Level	
	Deferred Outflows	Deferred Inflows	Unearned	Deferred Inflows	Unearned
Prepaid property tax (Road Service Area)	\$ -	\$ 2,027,260	\$ -	\$ 2,027,260	\$ -
Property taxes receivable (nonmajor gov't funds)	-	-	-	232,736	-
Prepaid property tax (nonmajor gov't funds)	-	2,166,801	-	2,166,801	-
Miscellaneous prepaid (General Fund)	-	-	3,230	-	3,230
Land sale receivables (nonmajor governmental funds)	-	-	-	768,208	-
Grant funds received prior to meeting all eligibility requirements (Nikiski Fire Service Area)	-	-	6,718	-	6,718
Grant funds received prior to meeting all eligibility requirements (nonmajor governmental funds)	-	-	246,356	-	246,356
	<u>\$ 5,396,357</u>	<u>\$22,097,780</u>	<u>\$ 256,304</u>	<u>\$16,234,323</u>	<u>\$ 256,304</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance <u>July 1, 2017</u>	Additions/ <u>Transfers</u>	Deductions/ <u>Transfers *</u>	Balance <u>June 30, 2018</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 70,876,456	\$ 158,367	\$ (44,516)	\$ 70,990,307
Construction in progress	9,582,236	2,837,323	(3,312,866)	9,106,693
Total capital assets, not being depreciated	<u>80,458,692</u>	<u>2,995,690</u>	<u>(3,357,382)</u>	<u>80,097,000</u>
Capital assets, being depreciated:				
Buildings	299,823,326	2,557,944	-	302,381,270
Improvements other than buildings	93,031,681	160,937	-	93,192,618
Machinery and equipment	40,423,420	2,232,435	(416,332)	42,239,523
Infrastructure	18,435,570	271,767	-	18,707,337
Total capital assets being depreciated	<u>451,713,997</u>	<u>5,223,083</u>	<u>(416,332)</u>	<u>456,520,748</u>
Less accumulated depreciation for:				
Buildings	(205,042,616)	(5,409,363)	-	(210,451,979)
Improvements other than buildings	(62,738,644)	(2,470,771)	-	(65,209,415)
Machinery and equipment	(27,774,609)	(2,910,733)	403,658	(30,281,684)
Infrastructure	(4,025,849)	(480,954)	-	(4,506,803)
Total accumulated depreciation	<u>(299,581,718)</u>	<u>(11,271,821)</u>	<u>403,658</u>	<u>(310,449,881)</u>
Total capital assets, being depreciated, net	<u>152,132,279</u>	<u>(6,048,738)</u>	<u>(12,674)</u>	<u>146,070,867</u>
Governmental activities capital assets, net	<u>\$ 232,590,971</u>	<u>\$ (3,053,048)</u>	<u>\$ (3,370,056)</u>	<u>\$ 226,167,867</u>

* The accumulated depreciation deductions/transfers in the table above include immaterial adjustments as well as deductions from deletion of assets.

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

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

Governmental activities:

General government	\$ 329,975
Solid waste facilities	1,705,030
Public safety	2,822,782
Recreation	206,742
Schools	5,215,972
Road maintenance, including infrastructure assets	503,203
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>488,117</u>
Total depreciation expense - governmental activities	<u>\$ 11,271,821</u>

Construction commitments:

The Borough has numerous active construction projects as of June 30, 2018. The projects include major repair of existing roads, improvement to school facilities and public safety facilities. At year end the Borough's commitments with contractors are as follows:

<u>Projects</u>	<u>Remaining Commitments</u>	<u>Financing Sources</u>
Major repair of existing roads	\$ 2,062,368	Federal and state grants and local funding
Recreation facilities	3,025	Federal and state grants and local funding
Solid waste facilities	1,543,459	Federal and state grants and local funding
Fire and emergency facilities	16,486	Federal and state grants and local funding
General government facility improvements	31,380	General fund operating funds
Improvement to school facilities	<u>98,978</u>	State grants, general obligation bonds and local funding
Total	<u>\$ 3,755,696</u>	

F. Interfund Receivables, Payables and Transfers

In 2014, the Borough Assembly approved an interfund loan from the General Fund to the Kachemak Emergency Service Area in an amount not to exceed \$275,000 to supplement local and grant funding totaling \$300,000 for the purchase of an aerial quint fire apparatus. As of June 30, 2018, the amount outstanding was \$158,517. The General Fund has made loans in the amount of \$1,378,696 to the Special Assessment Districts for utility/road improvements. Property owners of the utility/road improvement districts then repay the amount that is borrowed over a 10-year period.

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major fund - General Fund	\$ 158,517	\$ -
Nonmajor governmental funds	<u>-</u>	<u>158,517</u>
Total	<u>\$ 158,517</u>	<u>\$ 158,517</u>

Interfund Transfers

Interfund transfers have been made in accordance with appropriating ordinances. The Borough collects a 3% sales tax and records the revenue in the General Fund. Sales tax, specifically dedicated to School District operations, and additional funds appropriated by the Assembly are transferred in monthly installments from the General Fund to the School District. Transfers to the School District totaled \$49,738,432.

Transfers between funds for the year ended June 30, 2018, were as follows:

<u>Transfers Out:</u>	<u>Transfers In</u>		
	<u>Major Fund</u> <u>Solid Waste</u> <u>Capital</u> <u>Project Fund</u>	<u>Nonmajor</u> <u>Gov't Funds</u>	<u>Total</u>
General Fund	\$ 1,179,660	\$ 6,996,141	\$ 8,175,801
Nikiski Fire Service Area Special Revenue Fund	-	3,066,953	3,066,953
Road Service Area Special Revenue Fund	-	1,750,000	1,750,000
Nonmajor governmental funds	-	2,093,099	2,093,099
Total	\$ 1,179,660	\$ 13,906,193	\$ 15,085,853

Significant transfers were as follows:

- The General Fund transferred \$3,802,996 the School Debt Service Fund to fund FY2018 debt service payments on bonds sold to finance construction of school facilities and capital maintenance, of which \$2,661,049 was reimbursed by the State of Alaska.
- The General Fund transferred \$1,075,000 to the School Revenue Capital Projects Fund to fund capital maintenance on school facilities, \$1,065,164 to the Solid Waste Debt Service Fund to fund debt on solid waste facilities and \$250,000 to the Solid Waste Capital Projects Fund to fund capital maintenance projects on solid waste facilities.
- The General Fund transferred \$650,000 to the 911 Communications Special Revenue Fund to support expenditures of the program.
- The Nikiski Fire Service Area Special Revenue Fund transferred \$3,000,000 to the Nikiski Fire Service Area Capital Project Fund to support fire equipment and facility maintenance capital projects.
- The Central Emergency Service Area Special Revenue Fund transferred \$550,000 to Central Emergency Services Capital Project Fund to support fire equipment and facility maintenance capital projects.
- The Road Service Area transferred \$1,750,000 to the Road Service Area Capital Project Fund to support road upgrades and major maintenance.

G. Risk Management

The Kenai Peninsula Borough has established an office of Risk Management and a limited self-insurance program which is codified by Borough ordinance and administered by a risk management committee. It is the responsibility of the risk management committee to insure, self-insure or select appropriate retention levels and deductibles for the risks confronting the Kenai Peninsula Borough, its Service Areas, and the School District. All losses and claims are reported to the Risk Management office and are handled internally within the retentions and deductibles. New claims and outstanding claims are reviewed monthly by the Borough Attorney, and the Risk Manager.

There were no material changes in the amounts of coverages, retentions or deductibles during the current fiscal year.

The greatest exposure to financial loss confronting the Kenai Peninsula Borough and School District would be in the areas of property loss, auto liability and general liability due to the number of properties and the fleet of vehicles owned and operated by the Borough and School District. The Borough also purchases aviation non-owned liability coverage which attaches excess of any other valid and collectible insurance. The Borough purchased pollution liability coverage for incidents arising from Borough owned landfills effective July 1, 2016.

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

	<u>Self- Insured Retention/ Deductible</u>	<u>Upper Coverage Limits of Excess Insurance</u>
Auto and general liability	\$ 250,000	\$ 15,000,000
Employers liability	250,000	15,000,000
Workers' compensation	250,000	Statutory benefits
Property:		
Buildings	100,000	1,191,806,421
Fire & EMS apparatus	20,000	Cash value
Other vehicles	20,000	Cash value
Crime coverage	1,000	500,000

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

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

	<u>2018</u>	<u>2017</u>
Beginning of fiscal year liability	\$ 1,716,818	\$ 2,272,202
Current year claims incurred and changes in estimates for claims incurred in prior years	1,368,429	909,513
Claims and expenses paid	<u>(1,322,299)</u>	<u>(1,464,897)</u>
End of fiscal year liability	\$ <u>1,762,948</u>	\$ <u>1,716,818</u>

Included above is a liability for incurred but not reported (IBNR) claims of \$442,098. Experience indicates those losses or claims do not go unreported for any significant length of time, therefore, the exposure to IBNR losses or claims is minimal.

In addition to the risk management issues listed above, the Borough maintains a health and medical benefit program, which covers all permanent employees working more than half-time. The Borough retains a major portion of the risk of this plan, and, accordingly, is liable for any employee

health claims that are approved for payment. Stop-loss limits are \$200,000 for individual claims. Health and medical expenditures totaled \$6,829,872 and \$6,173,585 for the years ended June 30, 2018 and 2017, respectively, and consisted of paid claims, stop-loss premiums and administrative fees. Accruals were made based on estimates of health claims at year-end, including claims incurred but not reported.

Such accruals are accounted for in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the healthcare claims liability for the two years ended June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Health insurance claims liabilities, beginning of year	\$ 756,786	\$ 819,487
Current year claims incurred and changes in estimates for claims incurred in prior years	6,582,595	5,561,427
Claims and expenses paid	<u>(6,339,381)</u>	<u>(5,624,128)</u>
Health insurance claims liabilities, end of year	\$ <u>1,000,000</u>	\$ <u>756,786</u>

H. Long-term Liabilities

A summary of long-term liability activity for the year ended June 30, 2018 is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due within one year</u>
Governmental activities:					
Areawide school bonds	\$ 36,790,000	\$ -	\$ 2,310,000	\$34,480,000	\$ 2,390,000
Central Emergency Services bonds	3,690,000	-	285,000	3,405,000	300,000
Bear Creek Fire bonds	1,050,000	-	45,000	1,005,000	50,000
Solid Waste bonds	5,405,000	-	800,000	4,605,000	835,000
Compensated absences	2,703,261	2,409,541	2,227,286	2,885,516	721,379
Net Pension Liability	47,159,456	-	12,411,467	34,747,989	-
Net OPEB Liability	8,354,002	-	2,761,153	5,592,849	-
Landfill closure / postclosure	<u>6,926,622</u>	<u>929,660</u>	<u>74,586</u>	<u>7,778,696</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$112,078,341</u>	<u>\$ 3,339,201</u>	<u>\$20,914,492</u>	<u>94,500,050</u>	<u>\$ 4,296,379</u>
Unamortized premium on bonds:					
School bonds 2011 refunding				496,138	
School bonds 2014				1,646,546	
CES bonds 2015 refunding				167,517	
CES bonds 2016				256,280	
Bear Creek Fire bonds 2013 project				144,969	
Solid Waste bonds 2017				<u>478,794</u>	
				<u>\$ 97,690,294</u>	

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

School Bonds. School bonds are issued for the construction and major maintenance of public schools in the Borough. Bonds are paid from the General Fund through the levy of property taxes plus funding from the State of Alaska, which partially reimburses the Borough for expenditures for

school debt issues. The State of Alaska will reimburse the Borough up to 70% of the principal and interest payments on the School bonds.

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

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

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

Central Emergency Service Area Bonds

In 2005, voters of the Central Emergency Service Area authorized the issuance of \$2,500,000 for the costs of planning, acquisition, designing, constructing, equipping and financing a fire station in Kasilof and renovating the fire station in the Funny River area. These bonds were issued in June 2006 in the amount of \$2,500,000. In October 2014, the Borough issued CES refunding bonds to refinance \$1.5 million of the outstanding debt that resulted in a net present value savings of \$111,000.

In October 2015, Service Area voters approved the issuance of bonds up to \$4.4 million for the purchase of emergency response vehicles, of which \$2.465 million was issued in February 2016. The remaining balance is expected to be issued between 2018 and 2020.

Bear Creek Fire Service Area Bonds

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

Solid Waste Bonds

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

A summary of bonds payable (in thousands) at June 30, 2018 is as follows:

	<u>Amount Issued</u>	<u>Coupon Interest Rate</u>	<u>Effective Interest Rate</u>	<u>Maturity Dates</u>	<u>Annual Installments</u>	<u>Outstanding June 30, 2018</u>
<u>Governmental Activities:</u>						
<u>School bonds:</u>						
Issued 12-09-10	\$ 16,865	1.42 – 6.26	1.42 – 6.26	2011 - 2030	\$ 715 to 1,110	\$ 12,005
Issued 08-07-03	14,700	2.00 – 5.00	0.30 – 3.18	2003 - 2023	165 to 930	4,350
Issued 11-14-13	<u>20,860</u>	1.50 – 5.00	0.21 – 4.15	2014 - 2033	510 to 1,590	<u>18,125</u>
Total school	<u>52,425</u>					<u>34,480</u>
<u>Central Emergency Services bonds:</u>						
Issued 06-21-06	2,500	1.25 – 5.00	0.38 – 2.57	2006 - 2026	115 to 175	1,190
Issued 02-02-16	<u>2,465</u>	2.63 – 5.00	0.35 – 2.85	2016 - 2031	85 to 210	<u>2,215</u>
Total CES bonds	<u>4,965</u>					<u>3,405</u>

Bear Creek Fire bonds						
Issued 3-12-13	\$ <u>1,215</u>	2.00 – 5.00	0.18 – 3.30	2014 - 2033	45 to 90	<u>1,005</u>
Solid Waste bonds						
Issued 4-27-17	<u>5,405</u>	4.00 – 5.00	0.96 – 2.18	2017 - 2023	800 to 1,010	<u>4,605</u>
Total Governmental	\$ <u>64,010</u>					\$ <u>43,495</u>

Debt service requirement (not including landfill closure/postclosure, net pension and OPEB liabilities and compensated absences) at June 30, 2018 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Interest (Net of interest subsidy)</u>
2019	\$ 3,575,000	\$ 2,099,263	\$ (274,314)	\$ 1,824,949
2020	3,705,000	1,944,183	(260,341)	1,683,842
2021	3,825,000	1,777,927	(244,932)	1,532,995
2022	3,975,000	1,591,208	(228,441)	1,362,767
2023	4,140,000	1,394,553	(210,605)	1,183,948
2024-2028	11,665,000	4,825,988	(732,417)	4,093,571
2029-2033	11,020,000	1,643,356	(129,326)	1,514,030
2034-2038	<u>1,590,000</u>	<u>39,750</u>	<u>-</u>	<u>39,750</u>
Total	\$ <u>43,495,000</u>	\$ <u>15,316,228</u>	\$ <u>(2,080,376)</u>	\$ <u>13,235,852</u>

I. Conduit Debt Obligations

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

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

<u>Fiscal Year</u>	<u>Principal</u>
2019	\$ 386,965

J. Commitments and Contingencies

1. Loss Contingencies

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

2. Grants

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

K. Pension and Other Post Employment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Defined Benefit (DB) Pension Plan

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

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

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

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

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

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

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (police and firefighters are required to contribute 7.50% of their annual covered salary).

Employer and Other Contribution Rates

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

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

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

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

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY18, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2018 were determined in the June 30, 2015 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12 %	21.90%	3.01 %	29.07%
Postemployment healthcare (see other Post-Employment benefits part of note K(c))	4.88 %	3.11 %	0.00 %	66.85%
Total Contribution Rates	22.00 %	25.01 %	3.01 %	95.92%

In 2018, the Borough was credited with the following contributions to the pension plan:

	Measurement Period Borough FY17	Borough FY18
Employer contributions (including DBUL)	\$ 2,467,348	\$ 2,763,608
Nonemployer contributions (on-behalf)	937,683	677,749
Total Contributions	\$ 3,405,031	\$ 3,441,357

In addition, employee contributions to the Plan totaled \$682,076 during the Borough fiscal year.

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

At June 30, 2018, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2018
Borough proportionate share of NPL	\$ 34,787,989
State's proportionate share of NPL associated with the Borough	12,947,803
Total Net Pension Liability	\$ 47,735,792

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2018, the Borough's proportion was 0.67218 percent, which was a decrease of 0.17152 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Borough recognized pension expense of \$2,383,226 and on-behalf revenue of \$1,027,687 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (624,734)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	932,062	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	408,621	(4,110,502)
Borough contributions subsequent to the measurement date	2,763,608	-

Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 4,104,291	\$ (4,735,236)
---	---------------------	-----------------------

The \$2,763,608 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2019	\$	(4,261,494)
2020		970,560
2021		435,698
2022		(539,217)
2023		-
Thereafter		-

The remainder of this page intentionally left blank.

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2017 (Borough fiscal year 2018) was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2016 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal – Level Percentage of Payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination – 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

The remainder of this page intentionally left blank.

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

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

Discount Rate

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

Discount Rate Sensitivity

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	0.67218%	\$ 45,644,689	\$ 34,747,989	\$ 25,546,145

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be

amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

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

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2018, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2018 were \$538,646 and \$861,832, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plan

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the District participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

Employer Contribution Rate

The Borough is required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

In 2018, the Borough was credited with the following contributions to the OPEB plan:

	Measurement Period Borough FY17	Borough FY18
Employer contributions	\$ 1,288,519	\$ 908,628
Nonemployer contributions (on-behalf)	-	-
Total Contributions	\$ 1,288,519	\$ 908,628

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

At June 30, 2018, the Borough reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2018
Borough's proportionate share of NOL – ARHCT	\$ 5,679,234
Borough's proportionate share of NOL – RMP	50,201
Borough's proportionate share of NOL – ODD	(136,586)
State's proportionate share of the NOL associated with the Borough	2,117,541
Total Net OPEB Liabilities	\$ 7,710,390

The total OPEB liabilities for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2016 Measurement Date Employer Proportion	June 30, 2017 Measurement Date Employer Proportion	Change
Borough's proportionate share of the net OPEB liabilities:			
ARHCT	0.84408%	0.67229%	(0.17179)%
RMP	0.95778%	0.96262%	0.00484%
ODD	0.95778%	0.96262%	0.00484%

As a result of its requirement to contribute to the Plan, the Borough recognized OPEB expense of \$430,718 and on-behalf revenue of \$332,723 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (310,687)
Changes in assumptions	-	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,811,422)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	4,390	(1,060,029)
Borough contributions subsequent to the measurement date	\$ 908,628	\$ -
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	\$ 913,018	\$ (3,182,138)

The \$908,628 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,

2019	\$ (1,211,912)
2020	(1,060,102)
2021	(452,860)
2022	(452,860)
2023	(4)
Thereafter	(10)

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2017 (Borough fiscal year 2018) was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service from 9.66% to 4.92% for peace officer/ firefighter Graded by service from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0%
Mortality	Pre-termination – Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination – 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

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

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

Discount Rate

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

Discount Rate Sensitivity

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net OPEB liabilities:				
ARHCT	0.67229%	\$ 12,154,159	\$ 5,679,234	\$ 232,936
RMP	0.96262%	\$ 235,178	\$ 50,201	\$ (94,241)
ODD	0.96262%	\$ (123,302)	\$ (136,586)	\$ (147,445)

Healthcare Cost Trend Rates Sensitivity

The following presents the Borough’s proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rate, as well as what the Borough’s proportionate share of the net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Discount Rate	1% Increase
Borough’s proportionate share of the net OPEB liabilities:				
ARHCT	0.67229%	\$ (629,985)	\$ 5,679,234	\$ 13,264,430
RMP	0.96262%	\$ (124,265)	\$ 50,201	\$ 283,954
ODD	0.96262%	\$ -	\$ (136,586)	\$ -

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	1.19%	1.46%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2018, the Borough contributed \$324,241 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

L. Landfill Closure and Postclosure Care Cost

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

State and Federal laws and regulations require the Borough to comply with the State of Alaska Solid Waste Management Regulations (18AAC 60). These regulations include placement of a final cover system on its landfills when they stop accepting waste. Additionally, the Borough must perform post closure care and monitoring functions at the sites for up to thirty years after closure. The Borough has eight active landfills with landfill cells having remaining useful lives from 1 year to 20 years. The largest site has an active lined cell with a remaining expected life of two to four years. This site has land enough for a minimum of three additional cells, which will be developed as needed and will extend the landfill life by approximately 25 years. There are also three sites which are closed, that are being monitored as required by regulation. As of June 30, 2018 the Borough has a recorded liability of \$7,778,696 in the government-wide financial statements for closure and postclosure costs associated with its landfills. This amount has been reported as restricted fund balance in the Solid Waste Capital Projects Fund and is based on what it would cost to perform all closure and postclosure care in 2018; actual cost may vary from this estimate due to inflation, changes in technology, or changes in regulations. It is estimated the Borough will recognize another \$11.05 million in expense and liability between June 30, 2018 and the year 2034, the date the landfills are expected to reach capacity.

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

M. Change in Accounting Principle

As discussed in Note K to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. In 2018, the Borough adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other Than Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net OPEB Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position (fund balance) as follows:

	Opening net position, as originally presented	Change in accounting principle adjustment (Note M)	Opening net position, as restated after change in accounting principle
Governmental Activities	\$225,597,181	\$(8,354,002)	\$217,243,179

N. New Accounting Pronouncements

GASB 83 – *Certain Asset Retirement Obligations* – Effective for year-end June 30, 2019, with earlier application encouraged – This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

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

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

GASB 88 – *Debt disclosures* – Effective for year-end June 30, 2019, with earlier application encouraged – This statement improves the information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Kenai Peninsula Borough
Schedule of the Borough's Information on the Net Pension Liability
Public Employees' Retirement System Pension Plan
Last Ten Fiscal Years

Year Ended June 30,	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2009	*	\$ *	\$ *	\$ *	\$ *	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	0.49259%	22,975,175	19,950,761	42,925,936	12,061,924	190.48%	62.37%
2016	0.64737%	31,397,382	8,410,497	39,807,879	11,452,248	274.16%	63.96%
2017	0.84370%	47,159,456	5,944,748	53,104,204	20,679,828	228.05%	59.55%
2018	0.67218%	34,747,989	12,947,803	47,695,792	20,700,085	167.86%	63.37%

* Information not available

See accompanying notes to Required Supplementary Information.

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

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	\$ *	\$ *	\$ *	\$ *	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	2,101,441	2,101,441	-	20,712,790	10.15%
2016	2,191,270	2,191,270	-	20,679,828	10.60%
2017	2,467,348	2,467,348	-	20,700,085	11.92%
2018	2,763,608	2,763,608	-	20,619,173	13.40%

* Information not available

See accompanying notes to Required Supplementary Information.

Kenai Peninsula Borough
Schedule of the Borough's Information on the Net OPEB Liability
Public Employees' Retirement System OPEB Plan
Last Ten Fiscal Years

Year Ended June 30,	Borough's Proportion of the Net OPEB Liability	Borough's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2009	*	\$ *	\$ *	\$ *	\$ *	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2017	*	*	*	*	*	*	*
2018	0.67229%	5,592,849	2,117,541	7,710,390	20,700,085	27.02%	89.91%

* Information not available

See accompanying notes to Required Supplementary Information.

Kenai Peninsula Borough
Schedule of Borough Contributions
Public Employees' Retirement System OPEB Plan
Last Ten Fiscal Years

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	\$ *	\$ *	\$ *	\$ *	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	*	*	*	*	*
2016	*	*	*	*	*
2017	*	*	*	*	*
2018	908,628	908,628	-	20,619,173	4.41%

* Information not available

See accompanying notes to Required Supplementary Information.

Kenai Peninsula Borough
Notes to Required Supplementary Information
June 30, 2018

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

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

Schedule of Borough Contributions – Public Employees' Retirement System Pension Plan

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

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

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

Schedule of Borough Contributions – Public Employees' Retirement System OPEB Plan

This table is based on the Borough's contributions during fiscal year 2018. These contributions are reported as a deferred outflow on the June 30, 2018 basic financial statements.

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

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

The plan administrator elected to extend the amortization period for the system's unfunded liability by nine years in 2016. This change, coupled with the funding requirement of Alaska Statute 39.35.255, shifted a significant amount of the Net Pension Liability from the State of Alaska to the Borough in 2016 and 2017.

This page intentionally left blank

NON-MAJOR GOVERNMENTAL FUNDS

Kenai Peninsula Borough
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and short-term investments	\$ 23,173	\$ -	\$ 23,173
Equity in central treasury	19,493,540	17,463,103	36,956,643
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	251,925	-	251,925
Accounts receivable	185,575	513,894	699,469
Land sale contracts receivable:			
Current	110,805	-	110,805
Delinquent	56,943	-	56,943
Due from other governments	125,987	360,901	486,888
Prepays	-	76,404	76,404
Land sale contracts receivable - long-term	600,461	-	600,461
Total assets	\$ 20,848,409	\$ 18,414,302	\$ 39,262,711
 <u>Liabilities, Deferred Inflows and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	585,576	723,062	1,308,638
Accrued payroll and payroll benefits	178,315	8,291	186,606
Due to General Fund	-	158,517	158,517
Unearned grant revenue	22,851	223,505	246,356
Total liabilities	786,742	1,113,375	1,900,117
Deferred Inflows of Resources:			
Prepaid property taxes	2,166,801	-	2,166,801
Property tax receivable - unavailable	232,736	-	232,736
Land sales - unavailable	768,208	-	768,208
Total deferred inflows of resources	3,167,745	-	3,167,745
Fund Balances:			
Nonspendable:			
Prepays	-	76,404	76,404
Restricted:			
Hazard tree removal program	279,256	-	279,256
Public safety	7,321,662	29,341	7,351,003
Recreation	1,946,678	-	1,946,678
Education	-	2,701,232	2,701,232
Committed:			
Outstanding committed contracts	161,060	2,416,655	2,577,715
Software upgrades	-	91,765	91,765
Building maintenance and upgrades	-	455,123	455,123
Public safety facilities and equipment	-	3,350,731	3,350,731
Recreational facility maintenance	-	442,898	442,898
School maintenance and upgrades	-	636,703	636,703
Road upgrades	-	2,750,806	2,750,806
Assigned:			
Subsequent year's expenditures	153,652	4,349,269	4,502,921
General government	7,031,614	-	7,031,614
Total fund balances	16,893,922	17,300,927	34,194,849
Total liabilities, deferred inflows and fund balances	\$ 20,848,409	\$ 18,414,302	\$ 39,262,711

Kenai Peninsula Borough
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2018

	<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	\$ 12,911,258	\$ -	\$ -	\$ 12,911,258
Motor vehicle tax	237,869	-	-	237,869
Intergovernmental:				
Federal	111,987	57,194	-	169,181
State	1,422,848	3,107,864	-	4,530,712
Investment earnings	120,677	107,977	-	228,654
Interest subsidy	-	-	286,479	286,479
Other revenues	<u>3,184,716</u>	<u>778,211</u>	-	<u>3,962,927</u>
Total revenues	<u>17,989,355</u>	<u>4,051,246</u>	<u>286,479</u>	<u>22,327,080</u>
Expenditures:				
General government	2,130,378	248,446	-	2,378,824
Public safety	11,670,556	1,128,727	-	12,799,283
Recreation	1,865,977	195,413	-	2,061,390
Education	-	3,513,603	-	3,513,603
Environmental protection	187,172	-	-	187,172
Roads and trails	-	3,311,003	-	3,311,003
Debt service:				
Principal	-	-	3,440,000	3,440,000
Interest and other	-	-	<u>2,253,547</u>	<u>2,253,547</u>
Total expenditures	<u>15,854,083</u>	<u>8,397,192</u>	<u>5,693,547</u>	<u>29,944,822</u>
Excess (deficiency) of revenues over expenditures	<u>2,135,272</u>	<u>(4,345,946)</u>	<u>(5,407,068)</u>	<u>(7,617,742)</u>
Other financing sources (uses):				
Insurance proceeds	-	266,956	-	266,956
Transfers in	1,305,111	7,194,014	5,407,068	13,906,193
Transfers out	<u>(2,033,099)</u>	<u>(60,000)</u>	-	<u>(2,093,099)</u>
Net other financing sources (uses)	<u>(727,988)</u>	<u>7,400,970</u>	<u>5,407,068</u>	<u>12,080,050</u>
Net change in fund balances	1,407,284	3,055,024	-	4,462,308
Fund balances at beginning of year	<u>15,486,638</u>	<u>14,245,903</u>	-	<u>29,732,541</u>
Fund balances at end of year	<u>\$ 16,893,922</u>	<u>\$ 17,300,927</u>	<u>\$ -</u>	<u>\$ 34,194,849</u>

Nonmajor Special Revenue Funds
Pages 88-107

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018

	Bear Creek Fire Service Area	Anchor Point Fire and Emergency Medical Service Area	Central Emergency Service Area
<u>Assets</u>			
Cash and short-term investments	\$ 200	\$ 6,972	\$ 10,059
Equity in central treasury	395,777	845,929	4,412,846
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	9,182	63,180	117,844
Accounts receivable	-	17,647	159,070
Land sale contracts receivable:			
Current	-	-	-
Delinquent	-	-	-
Due from other governments	3,787	2,865	33,829
Land sale contracts receivable - long-term	-	-	-
Total assets	\$ 408,946	\$ 936,593	\$ 4,733,648
<u>Liabilities, Deferred Inflows, and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	5,399	34,763	73,471
Accrued payroll and payroll benefits	3,003	7,389	92,476
Unearned grant revenue	7,438	7,500	-
Total liabilities	15,840	49,652	165,947
Deferred Inflows of Resources:			
Prepaid property taxes	9,979	414,307	411,283
Property tax receivable - unavailable	8,412	61,502	106,695
Land sales - unavailable	-	-	-
Total deferred inflows of resources	18,391	475,809	517,978
Fund Balances:			
Restricted:			
Hazard tree removal program	-	-	-
Public safety	374,715	411,132	4,031,323
Recreation	-	-	-
Committed:			
Outstanding committed contracts	-	-	-
Assigned:			
Subsequent year's expenditures	-	-	18,400
General government	-	-	-
Total fund balances	374,715	411,132	4,049,723
Total liabilities, deferred inflows and fund balances	\$ 408,946	\$ 936,593	\$ 4,733,648

Kachemak Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Seldovia Recreational Service Area	Eastern Peninsula Highway Emergency Service Area
\$ 5,642	\$ -	\$ 200	\$ 100	\$ -
629,492	57	3,152,112	82,126	348,708
20,081	102	30,431	2,015	-
5,988	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,662	-	4,533	68	-
-	-	-	-	-
<u>\$ 667,865</u>	<u>\$ 159</u>	<u>\$ 3,187,276</u>	<u>\$ 84,309</u>	<u>\$ 348,708</u>
6,067	-	39,465	2,574	50,000
8,642	-	22,133	-	432
7,461	-	-	-	-
<u>22,170</u>	<u>-</u>	<u>61,598</u>	<u>2,574</u>	<u>50,432</u>
6,381	8	1,109,128	445	-
18,209	65	28,533	1,277	-
-	-	-	-	-
<u>24,590</u>	<u>73</u>	<u>1,137,661</u>	<u>1,722</u>	<u>-</u>
-	-	-	-	-
609,951	86	-	-	293,276
-	-	1,877,007	69,671	-
450	-	242	165	5,000
10,704	-	110,768	10,177	-
-	-	-	-	-
<u>621,105</u>	<u>86</u>	<u>1,988,017</u>	<u>80,013</u>	<u>298,276</u>
<u>\$ 667,865</u>	<u>\$ 159</u>	<u>\$ 3,187,276</u>	<u>\$ 84,309</u>	<u>\$ 348,708</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Balance Sheet, continued
 June 30, 2018

	<u>Land Trust</u>	<u>Seward Bear Creek Flood Service Area</u>	<u>Environmental Protection Programs</u>
<u>Assets</u>			
Cash and short-term investments	\$ -	\$ -	\$ -
Equity in central treasury	7,160,527	593,402	279,256
Receivables (net of allowances for estimated uncollectibles):			
Taxes receivable	-	3,757	-
Accounts receivable	-	-	-
Land sale contracts receivable:			
Current	110,805	-	-
Delinquent	56,943	-	-
Due from other governments	-	2,811	-
Land sale contracts receivable - long-term	600,461	-	-
Total assets	<u>\$ 7,928,736</u>	<u>\$ 599,970</u>	<u>\$ 279,256</u>
<u>Liabilities, Deferred Inflows, and Fund Balances</u>			
Liabilities:			
Accounts and retainage payable	116,773	14,280	-
Accrued payroll and payroll benefits	11,464	3,455	-
Unearned grant revenue	-	-	-
Total liabilities	<u>128,237</u>	<u>17,735</u>	<u>-</u>
Deferred Inflows of Resources:			
Prepaid property taxes	-	3,064	-
Property tax receivable - unavailable	-	2,916	-
Land sales - unavailable	768,208	-	-
Total deferred inflows of resources	<u>768,208</u>	<u>5,980</u>	<u>-</u>
Fund Balances:			
Restricted:			
Hazard tree removal program	-	-	279,256
Public safety	-	569,225	-
Recreation	-	-	-
Committed:			
Outstanding committed contracts	677	7,030	-
Assigned:			
Subsequent year's expenditures	-	-	-
General government	7,031,614	-	-
Total fund balances	<u>7,032,291</u>	<u>576,255</u>	<u>279,256</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,928,736</u>	<u>\$ 599,970</u>	<u>\$ 279,256</u>

<u>Disaster Relief</u>	<u>911 Communications</u>	<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 23,173
12,131	811,663	295,326	474,188	19,493,540
-	-	-	5,333	251,925
-	2,870	-	-	185,575
-	-	-	-	110,805
-	-	-	-	56,943
-	-	70,700	732	125,987
-	-	-	-	600,461
<u>\$ 12,131</u>	<u>\$ 814,533</u>	<u>\$ 366,026</u>	<u>\$ 480,253</u>	<u>\$ 20,848,409</u>
-	18,797	218,078	5,909	585,576
-	29,321	-	-	178,315
-	-	452	-	22,851
-	<u>48,118</u>	<u>218,530</u>	<u>5,909</u>	<u>786,742</u>
-	-	-	212,206	2,166,801
-	-	-	5,127	232,736
-	-	-	-	768,208
-	-	-	<u>217,333</u>	<u>3,167,745</u>
-	-	-	-	279,256
12,131	762,812	-	257,011	7,321,662
-	-	-	-	1,946,678
-	-	147,496	-	161,060
-	3,603	-	-	153,652
-	-	-	-	7,031,614
<u>12,131</u>	<u>766,415</u>	<u>147,496</u>	<u>257,011</u>	<u>16,893,922</u>
<u>\$ 12,131</u>	<u>\$ 814,533</u>	<u>\$ 366,026</u>	<u>\$ 480,253</u>	<u>\$ 20,848,409</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2018

	<u>Bear Creek Fire Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>	<u>Central Emergency Service Area</u>
Revenues:			
General property taxes	\$ 535,584	\$ 1,094,533	\$ 7,536,797
Motor vehicle tax	16,472	12,461	147,162
Intergovernmental:			
Federal	6,474	7,500	6,602
State	2,641	10,701	106,670
Investment earnings	2,299	4,527	28,975
Other revenues	-	87,305	759,870
Total revenues	<u>563,470</u>	<u>1,217,027</u>	<u>8,586,076</u>
Expenditures:			
General government	-	-	-
Public safety	368,214	880,078	6,878,022
Recreation	-	-	-
Environmental protection	-	-	-
Total expenditures	<u>368,214</u>	<u>880,078</u>	<u>6,878,022</u>
Excess (deficiency) of revenues over expenditures	<u>195,256</u>	<u>336,949</u>	<u>1,708,054</u>
Other financing sources (uses):			
Transfers in	-	-	6,450
Transfers out	(133,820)	(264,940)	(1,141,700)
Net other financing sources (uses)	<u>(133,820)</u>	<u>(264,940)</u>	<u>(1,135,250)</u>
Net change in fund balances	61,436	72,009	572,804
Fund balances (deficit) at beginning of year	<u>313,279</u>	<u>339,123</u>	<u>3,476,919</u>
Fund balances at end of year	<u>\$ 374,715</u>	<u>\$ 411,132</u>	<u>\$ 4,049,723</u>

Kachemak Emergency Service Area	Central Peninsula Emergency Medical Service Area	North Peninsula Recreation Service Area	Seldovia Recreational Service Area	Eastern Peninsula Highway Emergency Service Area
\$ 1,080,890	\$ 6,450	\$ 1,887,314	\$ 55,642	\$ -
28,983	-	19,718	294	-
7,226	-	-	-	-
9,617	-	17,948	-	68
3,884	-	18,921	598	907
35,570	-	228,590	359	-
<u>1,166,170</u>	<u>6,450</u>	<u>2,172,491</u>	<u>56,893</u>	<u>975</u>
-	-	-	-	-
871,151	-	-	-	52,699
-	-	1,813,485	52,492	-
-	-	-	-	-
<u>871,151</u>	<u>-</u>	<u>1,813,485</u>	<u>52,492</u>	<u>52,699</u>
<u>295,019</u>	<u>6,450</u>	<u>359,006</u>	<u>4,401</u>	<u>(51,724)</u>
-	-	-	-	350,000
<u>(161,189)</u>	<u>(6,450)</u>	<u>(325,000)</u>	<u>-</u>	<u>350,000</u>
<u>(161,189)</u>	<u>(6,450)</u>	<u>(325,000)</u>	<u>-</u>	<u>350,000</u>
133,830	-	34,006	4,401	298,276
<u>487,275</u>	<u>86</u>	<u>1,954,011</u>	<u>75,612</u>	<u>-</u>
<u>\$ 621,105</u>	<u>\$ 86</u>	<u>\$ 1,988,017</u>	<u>\$ 80,013</u>	<u>\$ 298,276</u>

Kenai Peninsula Borough
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances, continued
 For the Year Ended June 30, 2018

	Land Trust	Seward Bear Creek Flood Service Area	Environmental Protection Programs
Revenues:			
General property taxes	\$ -	\$ 363,736	\$ -
Motor vehicle tax	-	9,597	-
Intergovernmental:			
Federal	-	484	-
State	11,920	3,236	155,651
Investment earnings	52,268	4,031	1,921
Other revenues	438,677	34	-
Total revenues	502,865	381,118	157,572
 Expenditures:			
General government	766,513	-	-
Public safety	-	309,736	-
Recreation	-	-	-
Environmental protection	-	-	156,156
Total expenditures	766,513	309,736	156,156
 Excess (deficiency) of revenues over expenditures	 (263,648)	 71,382	 1,416
 Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	-	-	-
 Net change in fund balances	 (263,648)	 71,382	 1,416
 Fund balances (deficit) at beginning of year	 7,295,939	 504,873	 277,840
 Fund balances at end of year	 \$ 7,032,291	 \$ 576,255	 \$ 279,256

<u>Disaster Relief</u>	<u>911 Communications</u>	<u>Miscellaneous Grants</u>	<u>Nikiski Senior Service Area</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ 350,312	\$ 12,911,258
-	-	-	3,182	237,869
41	-	83,660	-	111,987
13	138,544	965,839	-	1,422,848
-	-	-	2,346	120,677
-	1,634,311	-	-	3,184,716
<u>54</u>	<u>1,772,855</u>	<u>1,049,499</u>	<u>355,840</u>	<u>17,989,355</u>
-	-	948,062	415,803	2,130,378
-	2,208,173	102,483	-	11,670,556
-	-	-	-	1,865,977
-	-	31,016	-	187,172
-	<u>2,208,173</u>	<u>1,081,561</u>	<u>415,803</u>	<u>15,854,083</u>
<u>54</u>	<u>(435,318)</u>	<u>(32,062)</u>	<u>(59,963)</u>	<u>2,135,272</u>
-	895,680	-	52,981	1,305,111
-	-	-	-	(2,033,099)
-	<u>895,680</u>	<u>-</u>	<u>52,981</u>	<u>(727,988)</u>
54	460,362	(32,062)	(6,982)	1,407,284
<u>12,077</u>	<u>306,053</u>	<u>179,558</u>	<u>263,993</u>	<u>15,486,638</u>
<u>\$ 12,131</u>	<u>\$ 766,415</u>	<u>\$ 147,496</u>	<u>\$ 257,011</u>	<u>\$ 16,893,922</u>

Kenai Peninsula Borough
 Bear Creek Fire Service Area Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 537,518	\$ 537,518	\$ 535,584	\$ (1,934)
Motor vehicle tax	16,130	16,130	16,472	342
Intergovernmental:				
Federal	-	6,474	6,474	-
State	-	2,641	2,641	-
Investment earnings	3,798	3,798	2,299	(1,499)
Other revenues				-
Total revenues	<u>557,446</u>	<u>566,561</u>	<u>563,470</u>	<u>(3,091)</u>
Expenditures:				
Personnel	202,010	205,428	170,855	34,573
Supplies	27,575	27,050	23,949	3,101
Services	187,327	184,072	139,774	44,298
Capital outlay	<u>24,269</u>	<u>33,746</u>	<u>33,636</u>	<u>110</u>
Total expenditures	<u>441,181</u>	<u>450,296</u>	<u>368,214</u>	<u>82,082</u>
Excess (deficiency) of revenues over expenditures	<u>116,265</u>	<u>116,265</u>	<u>195,256</u>	<u>78,991</u>
Other financing sources (uses):				
Transfers (out)	<u>(133,820)</u>	<u>(133,820)</u>	<u>(133,820)</u>	<u>-</u>
Net change in fund balance	(17,555)	(17,555)	61,436	78,991
Fund balance at beginning of year	<u>313,279</u>	<u>313,279</u>	<u>313,279</u>	<u>-</u>
Fund balance at end of year	<u>\$ 295,724</u>	<u>\$ 295,724</u>	<u>\$ 374,715</u>	<u>\$ 78,991</u>

Kenai Peninsula Borough

Anchor Point Fire and Emergency Medical Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
General property taxes	\$ 1,094,496	\$ 1,094,496	\$ 1,094,533	\$ 37
Motor vehicle tax	11,748	11,748	12,461	713
Intergovernmental:				
Federal	-	7,500	7,500	-
State	-	10,701	10,701	-
Investment earnings	4,959	4,959	4,527	(432)
Other revenues	<u>65,000</u>	<u>65,000</u>	<u>87,305</u>	<u>22,305</u>
Total revenues	<u>1,176,203</u>	<u>1,194,404</u>	<u>1,217,027</u>	<u>22,623</u>
Expenditures:				
Personnel	535,480	574,181	565,355	8,826
Supplies	79,900	77,900	65,335	12,565
Services	202,361	176,361	150,085	26,276
Capital outlay	<u>97,029</u>	<u>104,529</u>	<u>99,303</u>	<u>5,226</u>
Total expenditures	<u>914,770</u>	<u>932,971</u>	<u>880,078</u>	<u>52,893</u>
Excess (deficiency) of revenues over expenditures	<u>261,433</u>	<u>261,433</u>	<u>336,949</u>	<u>75,516</u>
Other financing sources (uses):				
Transfers (out)	<u>(264,940)</u>	<u>(264,940)</u>	<u>(264,940)</u>	<u>-</u>
Net change in fund balance	(3,507)	(3,507)	72,009	75,516
Fund balance at beginning of year	<u>339,123</u>	<u>339,123</u>	<u>339,123</u>	<u>-</u>
Fund balance at end of year	<u>\$ 335,616</u>	<u>\$ 335,616</u>	<u>\$ 411,132</u>	<u>\$ 75,516</u>

Kenai Peninsula Borough
Central Emergency Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 7,535,007	\$ 7,535,007	\$ 7,536,797	\$ 1,790
Motor vehicle tax	147,476	147,476	147,162	(314)
Intergovernmental:				
Federal	-	6,602	6,602	-
State	-	106,670	106,670	-
Investment earnings	49,885	49,885	28,975	(20,910)
Other revenues	710,000	710,000	759,870	49,870
Total revenues	<u>8,442,368</u>	<u>8,555,640</u>	<u>8,586,076</u>	<u>30,436</u>
Expenditures:				
Personnel	6,141,601	6,248,271	5,524,749	723,522
Supplies	376,360	376,360	307,929	68,431
Services	1,038,939	1,038,939	856,379	182,560
Capital outlay	196,063	202,665	188,965	13,700
Total expenditures	<u>7,752,963</u>	<u>7,866,235</u>	<u>6,878,022</u>	<u>988,213</u>
Excess (deficiency) of revenues over expenditures	<u>689,405</u>	<u>689,405</u>	<u>1,708,054</u>	<u>1,018,649</u>
Other financing sources (uses):				
Transfers in	6,704	6,704	6,450	(254)
Transfers (out)	<u>(1,141,700)</u>	<u>(1,141,700)</u>	<u>(1,141,700)</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,134,996)</u>	<u>(1,134,996)</u>	<u>(1,135,250)</u>	<u>(254)</u>
Net change in fund balance	(445,591)	(445,591)	572,804	1,018,395
Fund balance at beginning of year	<u>3,476,919</u>	<u>3,476,919</u>	<u>3,476,919</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,031,328</u>	<u>\$ 3,031,328</u>	<u>\$ 4,049,723</u>	<u>\$ 1,018,395</u>

Kenai Peninsula Borough
Kachemak Emergency Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 1,079,147	\$ 1,079,147	\$ 1,080,890	\$ 1,743
Motor vehicle tax	28,617	28,617	28,983	366
Intergovernmental:				
Federal	-	14,687	7,226	(7,461)
State	-	9,617	9,617	-
Investment earnings	5,672	5,672	3,884	(1,788)
Other revenues	30,000	30,000	35,570	5,570
Total revenues	<u>1,143,436</u>	<u>1,167,740</u>	<u>1,166,170</u>	<u>(1,570)</u>
Expenditures:				
Personnel	538,550	548,167	525,122	23,045
Supplies	94,120	80,800	68,971	11,829
Services	187,044	196,044	181,184	14,860
Capital outlay	92,000	105,887	95,874	10,013
Total expenditures	<u>911,714</u>	<u>930,898</u>	<u>871,151</u>	<u>59,747</u>
Excess (deficiency) of revenues over expenditures	<u>231,722</u>	<u>236,842</u>	<u>295,019</u>	<u>58,177</u>
Other financing sources (uses):				
Transfers (out)	<u>(161,189)</u>	<u>(161,189)</u>	<u>(161,189)</u>	<u>-</u>
Net change in fund balance	70,533	75,653	133,830	58,177
Fund balance at beginning of year	<u>487,275</u>	<u>487,275</u>	<u>487,275</u>	<u>-</u>
Fund balance at end of year	<u>\$ 557,808</u>	<u>\$ 562,928</u>	<u>\$ 621,105</u>	<u>\$ 58,177</u>

Kenai Peninsula Borough

Central Peninsula Emergency Medical Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	<u>\$ 6,618</u>	<u>\$ 6,618</u>	<u>\$ 6,450</u>	<u>\$ (168)</u>
Expenditures:				
Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,618</u>	<u>6,618</u>	<u>6,450</u>	<u>(168)</u>
Other financing sources (uses):				
Transfers (out)	<u>(6,704)</u>	<u>(6,704)</u>	<u>(6,450)</u>	<u>254</u>
Net change in fund balance	(86)	(86)	-	86
Fund balance at beginning of year	<u>86</u>	<u>86</u>	<u>86</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 86</u>

Kenai Peninsula Borough
North Peninsula Recreation Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 1,884,290	\$ 1,884,290	\$ 1,887,314	\$ 3,024
Motor vehicle tax	19,082	19,082	19,718	636
Intergovernmental:				
Federal	-	-	-	-
State	-	17,948	17,948	-
Investment earnings	29,238	29,238	18,921	(10,317)
Other revenues	211,589	211,589	228,590	17,001
Total revenues	<u>2,144,199</u>	<u>2,162,147</u>	<u>2,172,491</u>	<u>10,344</u>
Expenditures:				
Personnel	1,226,243	1,244,191	1,177,497	66,694
Supplies	126,700	124,850	113,715	11,135
Services	517,911	517,911	499,258	18,653
Capital outlay	21,280	23,130	23,015	115
Total expenditures	<u>1,892,134</u>	<u>1,910,082</u>	<u>1,813,485</u>	<u>96,597</u>
Excess (deficiency) of revenues over expenditures	<u>252,065</u>	<u>252,065</u>	<u>359,006</u>	<u>106,941</u>
Other financing sources (uses):				
Transfers (out)	<u>(325,000)</u>	<u>(325,000)</u>	<u>(325,000)</u>	<u>-</u>
Net change in fund balance	(72,935)	(72,935)	34,006	106,941
Fund balance at beginning of year	<u>1,954,011</u>	<u>1,954,011</u>	<u>1,954,011</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,881,076</u>	<u>\$ 1,881,076</u>	<u>\$ 1,988,017</u>	<u>\$ 106,941</u>

Kenai Peninsula Borough
 Seldovia Recreational Service Area Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 53,379	\$ 53,379	\$ 55,642	\$ 2,263
Motor vehicle tax	448	448	294	(154)
Investment earnings	879	879	598	(281)
Other revenues	<u>1,050</u>	<u>1,050</u>	<u>359</u>	<u>(691)</u>
Total revenues	<u>55,756</u>	<u>55,756</u>	<u>56,893</u>	<u>1,137</u>
Expenditures:				
Supplies	8,135	8,135	1,913	6,222
Services	46,832	56,226	49,387	6,839
Capital outlay	<u>6,800</u>	<u>2,406</u>	<u>1,192</u>	<u>1,214</u>
Total expenditures	<u>61,767</u>	<u>66,767</u>	<u>52,492</u>	<u>14,275</u>
Net change in fund balance	(6,011)	(11,011)	4,401	15,412
Fund balance at beginning of year	<u>75,612</u>	<u>75,612</u>	<u>75,612</u>	<u>-</u>
Fund balance at end of year	<u>\$ 69,601</u>	<u>\$ 64,601</u>	<u>\$ 80,013</u>	<u>\$ 15,412</u>

Kenai Peninsula Borough

Eastern Peninsula Highway Emergency Service Area Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	-	-	-	-
Intergovernmental:				
State	-	68	68	-
Investment earnings	-	-	907	907
Other revenues		58,125	-	(58,125)
Total revenues	<u>-</u>	<u>58,193</u>	<u>975</u>	<u>(57,218)</u>
Expenditures:				
Personnel	-	41,803	2,499	39,304
Supplies	-	3,200	-	3,200
Services	-	184,958	50,200	134,758
Capital outlay	-	2,600	-	2,600
Total expenditures	<u>-</u>	<u>232,561</u>	<u>52,699</u>	<u>179,862</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(174,368)</u>	<u>(51,724)</u>	<u>122,644</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Net change in fund balance	-	175,632	298,276	122,644
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 175,632</u>	<u>\$ 298,276</u>	<u>\$ 122,644</u>

Kenai Peninsula Borough
Land Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State	\$ -	\$ 11,920	\$ 11,920	\$ -
Investment earnings	67,743	67,743	52,268	(15,475)
Payments on land contracts	495,000	495,000	317,645	(177,355)
Land leases	150,000	150,000	98,356	(51,644)
Timber and gravel sales	100,000	100,000	48,143	(51,857)
Miscellaneous	105,000	105,000	(25,467)	(130,467)
Total revenues	<u>917,743</u>	<u>929,663</u>	<u>502,865</u>	<u>(426,798)</u>
Expenditures:				
Personnel	644,170	690,251	624,979	65,272
Supplies	9,500	9,500	3,616	5,884
Services	231,628	225,487	135,410	90,077
Capital outlay	8,365	8,365	2,508	5,857
Total expenditures	<u>893,663</u>	<u>933,603</u>	<u>766,513</u>	<u>167,090</u>
Net change in fund balance	24,080	(3,940)	(263,648)	(259,708)
Fund balance at beginning of year	<u>7,295,939</u>	<u>7,295,939</u>	<u>7,295,939</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,320,019</u>	<u>\$ 7,291,999</u>	<u>\$ 7,032,291</u>	<u>\$ (259,708)</u>

Kenai Peninsula Borough
Seward Bear Creek Flood Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property taxes	\$ 354,348	\$ 354,348	\$ 363,736	\$ 9,388
Motor vehicle tax	9,508	9,508	9,597	89
Intergovernmental:				
Federal	-	-	484	484
State	-	3,115	3,236	121
Investment earnings	4,685	4,685	4,031	(654)
Other revenues	-	-	34	34
Total revenues	<u>368,541</u>	<u>371,656</u>	<u>381,118</u>	<u>9,462</u>
Expenditures:				
Personnel	190,966	205,565	166,516	39,049
Supplies	4,300	4,300	3,118	1,182
Services	187,178	183,390	138,086	45,304
Capital outlay	<u>2,400</u>	<u>54,555</u>	<u>2,016</u>	<u>52,539</u>
Total expenditures	<u>384,844</u>	<u>447,810</u>	<u>309,736</u>	<u>138,074</u>
Net change in fund balance	(16,303)	(76,154)	71,382	147,536
Fund balance at beginning of year	<u>504,873</u>	<u>504,873</u>	<u>504,873</u>	<u>-</u>
Fund balance at end of year	<u>\$ 488,570</u>	<u>\$ 428,719</u>	<u>\$ 576,255</u>	<u>\$ 147,536</u>

Kenai Peninsula Borough

911 Communications Special Revenue Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
911 service fee	\$ 1,639,368	\$ 1,639,368	\$ 1,634,311	\$ (5,057)
Intergovernmental:				
State	<u>105,000</u>	<u>134,935</u>	<u>138,544</u>	<u>3,609</u>
Total revenues	<u>1,744,368</u>	<u>1,774,303</u>	<u>1,772,855</u>	<u>(1,448)</u>
Expenditures:				
Personnel	1,688,004	1,717,939	1,647,117	70,822
Supplies	9,950	81,270	48,979	32,291
Services	668,808	668,008	488,520	179,488
Capital outlay	<u>87,302</u>	<u>91,782</u>	<u>23,557</u>	<u>68,225</u>
Total expenditures	<u>2,454,064</u>	<u>2,558,999</u>	<u>2,208,173</u>	<u>350,826</u>
Excess (deficiency) of revenues over expenditures	<u>(709,696)</u>	<u>(784,696)</u>	<u>(435,318)</u>	<u>349,378</u>
Other financing sources (uses):				
Transfers in	<u>895,680</u>	<u>880,740</u>	<u>895,680</u>	<u>14,940</u>
Net change in fund balance	185,984	96,044	460,362	364,318
Fund balance at beginning of year	<u>306,053</u>	<u>306,053</u>	<u>306,053</u>	<u>-</u>
Fund balance at end of year	<u>\$ 492,037</u>	<u>\$ 402,097</u>	<u>\$ 766,415</u>	<u>\$ 364,318</u>

Kenai Peninsula Borough

Nikiski Senior Service Area Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
General property taxes	\$ 348,305	\$ 348,305	\$ 350,312	\$ 2,007
Motor vehicle tax	3,080	3,080	3,182	102
Investment earnings	3,868	3,868	2,346	(1,522)
Total revenues	<u>355,253</u>	<u>355,253</u>	<u>355,840</u>	<u>587</u>
Expenditures:				
Services	<u>387,145</u>	<u>417,145</u>	<u>415,803</u>	<u>1,342</u>
Total expenditures	<u>387,145</u>	<u>417,145</u>	<u>415,803</u>	<u>1,342</u>
Excess (deficiency) of revenues over expenditures	<u>(31,892)</u>	<u>(61,892)</u>	<u>(59,963)</u>	<u>1,929</u>
Other financing sources (uses):				
Transfers in	<u>52,981</u>	<u>52,981</u>	<u>52,981</u>	<u>-</u>
Net change in fund balance	21,089	(8,911)	(6,982)	1,929
Fund balance at beginning of year	<u>263,993</u>	<u>263,993</u>	<u>263,993</u>	<u>-</u>
Fund balance at end of year	<u>\$ 285,082</u>	<u>\$ 255,082</u>	<u>\$ 257,011</u>	<u>\$ 1,929</u>

This page intentionally left blank

Nonmajor Capital Project Funds
Pages 110 - 115

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

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

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

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

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

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

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

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

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

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

911 Communications – This fund is used to account for acquisition and construction of major capital facilities of the 911 Communications.

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

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 June 30, 2018

	<u>School Revenue</u>	<u>Bond Funded Capital Projects</u>	<u>General Government</u>	<u>Road Service Area</u>
<u>Assets</u>				
Equity in central treasury	\$ 1,348,711	\$ 2,632,735	\$ 752,305	\$ 5,645,691
Accounts receivable	246,938	-	-	-
Due from other governments	3,427	-	-	357,474
Prepays	-	-	-	76,404
Total assets	<u>\$ 1,599,076</u>	<u>\$ 2,632,735</u>	<u>\$ 752,305</u>	<u>\$ 6,079,569</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	335,430	-	3,791	203,898
Accrued payroll and payroll benefits	6,304	-	-	1,114
Due to General Fund	-	-	-	-
Unearned grant revenue	223,505	-	-	-
Total liabilities	<u>565,239</u>	<u>-</u>	<u>3,791</u>	<u>205,012</u>
Fund balances:				
Nonspenable:				
Prepays	-	-	-	76,404
Restricted:				
Education	223,505	2,477,727	-	-
Public safety facilities and equipment	-	-	-	-
Committed:				
Outstanding committed contracts	123,629	155,008	51,626	2,056,147
Software upgrades	-	-	91,765	-
Building maintenance and upgrades	-	-	455,123	-
Public safety facilities and equipment	-	-	-	-
Recreational facility maintenance	-	-	-	-
School maintenance and upgrades	636,703	-	-	-
Road upgrades	-	-	-	2,750,806
Assigned:				
Subsequent year's expenditures	50,000	-	150,000	991,200
Total fund balances	<u>1,033,837</u>	<u>2,632,735</u>	<u>748,514</u>	<u>5,874,557</u>
Total liabilities and fund balances	<u>\$ 1,599,076</u>	<u>\$ 2,632,735</u>	<u>\$ 752,305</u>	<u>\$ 6,079,569</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>
\$ 3,988,563	\$ 338,326	\$ 1,468,433	\$ 182,678
-	-	266,956	-
-	-	-	-
-	-	-	-
<u>\$ 3,988,563</u>	<u>\$ 338,326</u>	<u>\$ 1,735,389</u>	<u>\$ 182,678</u>
-	-	22,029	1,634
182	-	126	458
-	-	-	-
-	-	-	-
<u>182</u>	<u>-</u>	<u>22,155</u>	<u>2,092</u>
-	-	-	-
-	-	-	-
-	-	29,341	-
4,808	-	22,386	-
-	-	-	-
-	-	-	-
1,156,707	338,326	1,437,917	106,914
-	-	-	-
-	-	-	-
-	-	-	-
<u>2,826,866</u>	<u>-</u>	<u>223,590</u>	<u>73,672</u>
<u>3,988,381</u>	<u>338,326</u>	<u>1,713,234</u>	<u>180,586</u>
<u>\$ 3,988,563</u>	<u>\$ 338,326</u>	<u>\$ 1,735,389</u>	<u>\$ 182,678</u>

(Continued)

Kenai Peninsula Borough
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 June 30, 2018

	Kachemak Emergency Service Area	911 Communications	North Peninsula Recreation Service Area	Total Nonmajor Capital Projects Funds
<u>Assets</u>				
Equity in central treasury	\$ 229,727	\$ 395,963	\$ 479,971	\$ 17,463,103
Accounts receivable	-	-	-	513,894
Due from other governments	-	-	-	360,901
Prepays	-	-	-	76,404
Total assets	\$ 229,727	\$ 395,963	\$ 479,971	\$ 18,414,302
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts and retainage payable	-	156,280	-	723,062
Accrued payroll and payroll benefits	-	-	107	8,291
Due to General Fund	158,517	-	-	158,517
Unearned grant revenue	-	-	-	223,505
Total liabilities	158,517	156,280	107	1,113,375
Fund balances:				
Nonspendable:				
Prepays	-	-	-	76,404
Restricted:				
Education	-	-	-	2,701,232
Public safety facilities and equipment	-	-	-	29,341
Committed:				
Outstanding committed contracts	-	26	3,025	2,416,655
Software upgrades	-	-	-	91,765
Building maintenance and upgrades	-	-	-	455,123
Public safety facilities and equipment	71,210	239,657	-	3,350,731
Recreational facility maintenance	-	-	442,898	442,898
School maintenance and upgrades	-	-	-	636,703
Road upgrades	-	-	-	2,750,806
Assigned:				
Subsequent year's expenditures	-	-	33,941	4,349,269
Total fund balances	71,210	239,683	479,864	17,300,927
Total liabilities and fund balances	\$ 229,727	\$ 395,963	\$ 479,971	\$ 18,414,302

Kenai Peninsula Borough

Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

For the Year Ended June 30, 2018

	<u>School Revenue</u>	<u>Bond Funded Capital Projects</u>	<u>General Government</u>	<u>Road Service Area</u>
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ 57,194
State	-	-	-	3,043,771
Investment earnings	-	38,090	-	34,183
Other revenues	418,173	-	-	210,038
Total revenues	<u>418,173</u>	<u>38,090</u>	<u>-</u>	<u>3,345,186</u>
Expenditures:				
General government	-	-	248,446	-
Public safety	-	-	-	-
Recreation	-	-	-	-
Education	1,859,058	1,654,545	-	-
Roads and trails	-	-	-	3,311,003
Total expenditures	<u>1,859,058</u>	<u>1,654,545</u>	<u>248,446</u>	<u>3,311,003</u>
Excess (deficiency) of revenues over expenditures	<u>(1,440,885)</u>	<u>(1,616,455)</u>	<u>(248,446)</u>	<u>34,183</u>
Other financing sources (uses):				
Insurance proceeds	-	-	-	-
Transfers in	1,135,000	-	-	1,750,000
Transfers out	-	-	(60,000)	-
Net other financing sources (uses)	<u>1,135,000</u>	<u>-</u>	<u>(60,000)</u>	<u>1,750,000</u>
Net change in fund balances	(305,885)	(1,616,455)	(308,446)	1,784,183
Fund balances at beginning of year	<u>1,339,722</u>	<u>4,249,190</u>	<u>1,056,960</u>	<u>4,090,374</u>
Fund balances at end of year	<u>\$ 1,033,837</u>	<u>\$ 2,632,735</u>	<u>\$ 748,514</u>	<u>\$ 5,874,557</u>

(Continued)

Kenai Peninsula Borough

Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances, continued

For the Year Ended June 30, 2018

	<u>Nikiski Fire Service Area</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Service Area</u>	<u>Anchor Point Fire and Emergency Medical Service Area</u>
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	64,093	-	-
Investment earnings	17,921	2,618	10,154	686
Other revenues	-	-	-	-
Total revenues	<u>17,921</u>	<u>66,711</u>	<u>10,154</u>	<u>686</u>
Expenditures:				
General government	-	-	-	-
Public safety	215,009	166,437	420,874	110,798
Recreation	-	-	-	-
Education	-	-	-	-
Roads and trails	-	-	-	-
Total expenditures	<u>215,009</u>	<u>166,437</u>	<u>420,874</u>	<u>110,798</u>
Excess (deficiency) of revenues over expenditures	<u>(197,088)</u>	<u>(99,726)</u>	<u>(410,720)</u>	<u>(110,112)</u>
Other financing sources (uses):				
Insurance proceeds	-	-	266,956	-
Transfers in	3,000,000	40,000	550,000	250,000
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>3,000,000</u>	<u>40,000</u>	<u>816,956</u>	<u>250,000</u>
Net change in fund balances	2,802,912	(59,726)	406,236	139,888
Fund balances at beginning of year	<u>1,185,469</u>	<u>398,052</u>	<u>1,306,998</u>	<u>40,698</u>
Fund balances at end of year	<u>\$ 3,988,381</u>	<u>\$ 338,326</u>	<u>\$ 1,713,234</u>	<u>\$ 180,586</u>

<u>Kachemak Emergency Service Area</u>	<u>911 Communications</u>	<u>North Peninsula Recreation Service Area</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ -	\$ 57,194
-	-	-	3,107,864
1,375	-	2,950	107,977
-	150,000	-	778,211
<u>1,375</u>	<u>150,000</u>	<u>2,950</u>	<u>4,051,246</u>
-	-	-	248,446
39,292	176,317	-	1,128,727
-	-	195,413	195,413
-	-	-	3,513,603
-	-	-	3,311,003
<u>39,292</u>	<u>176,317</u>	<u>195,413</u>	<u>8,397,192</u>
<u>(37,917)</u>	<u>(26,317)</u>	<u>(192,463)</u>	<u>(4,345,946)</u>
-	-	-	266,956
144,014	-	325,000	7,194,014
-	-	-	(60,000)
<u>144,014</u>	<u>-</u>	<u>325,000</u>	<u>7,400,970</u>
106,097	(26,317)	132,537	3,055,024
<u>(34,887)</u>	<u>266,000</u>	<u>347,327</u>	<u>14,245,903</u>
<u>\$ 71,210</u>	<u>\$ 239,683</u>	<u>\$ 479,864</u>	<u>\$ 17,300,927</u>

Nonmajor Debt Service Funds
Pages 117 - 122

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

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

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

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

Kenai Peninsula Borough
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 June 30, 2018

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

Kenai Peninsula Borough
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended June 30, 2018

	<u>General Government</u>				<u>Total Nonmajor Debt Service Funds</u>
	<u>School Debt</u>	<u>Solid Waste</u>	<u>Bear Creek Fire Service Area</u>	<u>Central Emergency Services</u>	
Revenues:					
Interest subsidy	<u>\$ 286,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,479</u>
Expenditures:					
Debt service:					
Principal	2,310,000	800,000	45,000	285,000	3,440,000
Interest and other	<u>1,779,475</u>	<u>265,164</u>	<u>48,820</u>	<u>160,088</u>	<u>2,253,547</u>
Total expenditures	<u>4,089,475</u>	<u>1,065,164</u>	<u>93,820</u>	<u>445,088</u>	<u>5,693,547</u>
Excess (deficiency) of revenues over expenditures	<u>(3,802,996)</u>	<u>(1,065,164)</u>	<u>(93,820)</u>	<u>(445,088)</u>	<u>(5,407,068)</u>
Other financing sources (uses):					
Transfers in	<u>3,802,996</u>	<u>1,065,164</u>	<u>93,820</u>	<u>445,088</u>	<u>5,407,068</u>
Net change in fund balances	-	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kenai Peninsula Borough
School Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest subsidy	\$ 286,027	\$ 286,027	\$ 286,479	\$ 452
Expenditures:				
Debt service:				
Principal	2,310,000	2,310,000	2,310,000	-
Interest and other	1,787,975	1,787,975	1,779,475	8,500
Total expenditures	4,097,975	4,097,975	4,089,475	8,500
Excess (deficiency) of revenues over expenditures	(3,811,948)	(3,811,948)	(3,802,996)	8,952
Other financing sources (uses):				
Transfers in	3,811,948	3,811,948	3,802,996	8,952
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Kenai Peninsula Borough
Solid Waste Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	800,000	800,000	800,000	-
Interest and other	<u>275,871</u>	<u>275,871</u>	<u>265,164</u>	<u>10,707</u>
Total expenditures	<u>1,075,871</u>	<u>1,075,871</u>	<u>1,065,164</u>	<u>10,707</u>
Excess (deficiency) of revenues over expenditures	<u>(1,075,871)</u>	<u>(1,075,871)</u>	<u>(1,065,164)</u>	<u>10,707</u>
Other financing sources (uses):				
Transfers in	<u>1,075,871</u>	<u>1,075,871</u>	<u>1,065,164</u>	<u>(10,707)</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Kenai Peninsula Borough

Bear Creek Fire Service Area Debt Service Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	45,000	45,000	45,000	-
Interest and other	48,820	48,820	48,820	-
Total expenditures	<u>93,820</u>	<u>93,820</u>	<u>93,820</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(93,820)</u>	<u>(93,820)</u>	<u>(93,820)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>93,820</u>	<u>93,820</u>	<u>93,820</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Kenai Peninsula Borough
 Central Emergency Services Debt Service Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	285,000	285,000	285,000	-
Interest and other	<u>160,088</u>	<u>160,088</u>	<u>160,088</u>	-
Total expenditures	<u>445,088</u>	<u>445,088</u>	<u>445,088</u>	-
Excess (deficiency) of revenues over expenditures	<u>(445,088)</u>	<u>(445,088)</u>	<u>(445,088)</u>	-
Other financing sources (uses):				
Transfers in	<u>445,088</u>	<u>445,088</u>	<u>445,088</u>	-
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

INTERNAL SERVICE FUNDS

**INTERNAL SERVICE
FUNDS**

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Net Position
June 30, 2018

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Employee Compensated Leave</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
<u>Assets</u>					
Current assets:					
Cash and short term investments	\$ 65,497	\$ -	\$ -	\$ -	\$ 65,497
Equity in central treasury	6,619,177	2,474,393	2,865,186	3,517,766	15,476,522
Other receivables	-	368,135	-	-	368,135
Prepays	79,104	-	-	-	79,104
Total current assets	<u>6,763,778</u>	<u>2,842,528</u>	<u>2,865,186</u>	<u>3,517,766</u>	<u>15,989,258</u>
Capital assets:					
Equipment	-	-	-	4,590,635	4,590,635
Less accumulated depreciation	-	-	-	(2,766,231)	(2,766,231)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,824,404</u>	<u>1,824,404</u>
Total assets	<u>6,763,778</u>	<u>2,842,528</u>	<u>2,865,186</u>	<u>5,342,170</u>	<u>17,813,662</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts and contracts payable	189,336	-	-	41,078	230,414
Accrued payroll and payroll benefits	5,345	-	-	-	5,345
Claims payable	1,762,948	1,000,000	-	-	2,762,948
Compensated absences	5,083	-	716,297	-	721,380
Total current liabilities	<u>1,962,712</u>	<u>1,000,000</u>	<u>716,297</u>	<u>41,078</u>	<u>3,720,087</u>
Long-term liabilities-					
compensated absences	<u>15,247</u>	<u>-</u>	<u>2,148,889</u>	<u>-</u>	<u>2,164,136</u>
Total liabilities	<u>1,977,959</u>	<u>1,000,000</u>	<u>2,865,186</u>	<u>41,078</u>	<u>5,884,223</u>
<u>Net Position</u>					
Investment in capital assets	-	-	-	1,824,404	1,824,404
Restricted advance from General Fund	-	300,000	-	-	300,000
Unrestricted	4,785,819	1,542,528	-	3,476,688	9,805,035
Total net position	<u>\$ 4,785,819</u>	<u>\$ 1,842,528</u>	<u>\$ -</u>	<u>\$ 5,301,092</u>	<u>\$ 11,929,439</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Employee Compensated Leave</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charges for sales and services	\$ 3,799,469	\$ 7,181,113	\$ 1,812,080	\$ 512,251	\$ 13,304,913
Other	9,685	-	-	-	9,685
Total operating revenues	<u>3,809,154</u>	<u>7,181,113</u>	<u>1,812,080</u>	<u>512,251</u>	<u>13,314,598</u>
Operating expenses:					
Administrative services	594,604	222,290	1,812,080	-	2,628,974
Insurance premiums	1,761,224	24,987	-	-	1,786,211
Self-insured losses	1,368,429	6,582,595	-	-	7,951,024
Depreciation	-	-	-	488,117	488,117
Total operating expenses	<u>3,724,257</u>	<u>6,829,872</u>	<u>1,812,080</u>	<u>488,117</u>	<u>12,854,326</u>
Operating income (loss)	<u>84,897</u>	<u>351,241</u>	<u>-</u>	<u>24,134</u>	<u>460,272</u>
Non-operating revenues (expenses):					
Investment earnings	<u>41,295</u>	<u>16,471</u>	<u>-</u>	<u>23,704</u>	<u>81,470</u>
Change in net position	126,192	367,712	-	47,838	541,742
Net position at beginning of year	<u>4,659,627</u>	<u>1,474,816</u>	<u>-</u>	<u>5,253,254</u>	<u>11,387,697</u>
Net position at end of year	<u>\$ 4,785,819</u>	<u>\$ 1,842,528</u>	<u>\$ -</u>	<u>\$ 5,301,092</u>	<u>\$ 11,929,439</u>

Kenai Peninsula Borough
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	<u>Insurance and Litigation</u>	<u>Employee Health Insurance</u>	<u>Employee Compensated Leave</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 3,799,469	\$ 7,181,113	\$ 1,812,080	\$ 512,251	\$ 13,304,913
Payments to suppliers	(3,056,400)	(6,759,231)	-	-	(9,815,631)
Payments to employees	(479,923)	-	(1,630,041)	-	(2,109,964)
Other program revenue	9,685	-	-	-	9,685
Net cash provided (used) by operating activities	<u>272,831</u>	<u>421,882</u>	<u>182,039</u>	<u>512,251</u>	<u>1,389,003</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	-	-	(149,012)	(149,012)
Cash flows from investing activities:					
Investment earnings	41,295	16,471	-	23,704	81,470
Net increase (decrease) in cash and cash equivalents	314,126	438,353	182,039	386,943	1,321,461
Cash and equity in central treasury at beginning of year	6,370,548	2,036,040	2,683,147	3,130,823	14,220,558
Cash and equity in central treasury at end of year	<u>\$ 6,684,674</u>	<u>\$ 2,474,393</u>	<u>\$ 2,865,186</u>	<u>\$ 3,517,766</u>	<u>\$ 15,542,019</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 84,897	\$ 351,241	\$ -	\$ 24,134	\$ 460,272
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	-	488,117	488,117
Change in assets and liabilities:					
Increase (decrease) in accounts and contracts payable	185,913	-	-	-	185,913
Increase (decrease) in accrued payroll and payroll benefits	(2,125)	-	-	-	(2,125)
Increase (decrease) in claims payable	46,130	243,214	-	-	289,344
Increase (decrease) in compensated absences	216	-	182,039	-	182,255
(Increase) decrease in prepaids	(42,200)	-	-	-	(42,200)
(Increase) decrease in other receivables	-	(172,573)	-	-	(172,573)
Total adjustments	<u>187,934</u>	<u>70,641</u>	<u>182,039</u>	<u>488,117</u>	<u>928,731</u>
Net cash provided (used) by operating activities	<u>\$ 272,831</u>	<u>\$ 421,882</u>	<u>\$ 182,039</u>	<u>\$ 512,251</u>	<u>\$ 1,389,003</u>

This page intentionally left blank

FIDUCIARY FUNDS

Kenai Peninsula Borough
 Fiduciary Fund Type - Agency Funds
 Combining Statement of Assets and Liabilities
 June 30, 2018

	<u>Tax Fund</u>	<u>Special Assessment Fund</u>	<u>Total Agency Funds</u>
<u>Assets</u>			
Equity in central treasury	\$ 238,004	\$ 518,674	\$ 756,678
Taxes receivable	232,498	-	232,498
Due from landowners	<u>-</u>	<u>1,398,696</u>	<u>1,398,696</u>
Total assets	<u>\$ 470,502</u>	<u>\$ 1,917,370</u>	<u>\$ 2,387,872</u>
<u>Liabilities</u>			
Deferred administration fee	-	99,525	99,525
Due to landowners	-	426,909	426,909
Loans payable	-	1,390,936	1,390,936
Due to other entities:			
City of Homer	88,647	-	88,647
City of Kenai	237,961	-	237,961
City of Seldovia	5,959	-	5,959
City of Seward	12,698	-	12,698
City of Soldotna	<u>125,237</u>	<u>-</u>	<u>125,237</u>
Total liabilities	<u>\$ 470,502</u>	<u>\$ 1,917,370</u>	<u>\$ 2,387,872</u>

Kenai Peninsula Borough

Fiduciary Fund Type - Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2018

	<u>Total</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2018</u>
Tax Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 212,679	\$ 27,695,288	\$ 27,669,963	\$ 238,004
Taxes receivable	<u>149,815</u>	<u>8,774,410</u>	<u>8,691,727</u>	<u>232,498</u>
Total assets	<u>\$ 362,494</u>	<u>\$ 36,469,698</u>	<u>\$ 36,361,690</u>	<u>\$ 470,502</u>
<u>Liabilities</u>				
Due to other entities:				
City of Homer	135,286	11,365,033	11,411,672	88,647
City of Kachemak City	113	88,563	88,676	-
City of Kenai	150,340	10,829,026	10,741,405	237,961
City of Seldovia	9,852	414,570	418,463	5,959
City of Seward	55,455	6,345,720	6,388,477	12,698
City of Soldotna	<u>11,448</u>	<u>8,027,695</u>	<u>7,913,906</u>	<u>125,237</u>
Total liabilities	<u>\$ 362,494</u>	<u>\$ 37,070,607</u>	<u>\$ 36,962,599</u>	<u>\$ 470,502</u>
Special Assessment Agency Fund				
<u>Assets</u>				
Equity in central treasury	\$ 1,521,074	\$ 69,377	\$ 1,071,779	\$ 518,674
Due from landowners	<u>1,467,529</u>	<u>574,861</u>	<u>643,692</u>	<u>1,398,696</u>
Total assets	<u>\$ 2,988,603</u>	<u>\$ 644,238</u>	<u>\$ 1,715,471</u>	<u>\$ 1,917,370</u>
<u>Liabilities</u>				
Accounts payable	402	-	402	-
Deferred administration fee	93,077	27,596	21,148	99,525
Due to landowners	421,939	7,021	2,051	426,909
Loans payable	<u>2,473,185</u>	<u>308,477</u>	<u>1,390,726</u>	<u>1,390,936</u>
Total liabilities	<u>\$ 2,988,603</u>	<u>\$ 343,094</u>	<u>\$ 1,414,327</u>	<u>\$ 1,917,370</u>

(continued)

Kenai Peninsula Borough

Fiduciary Fund Type - Agency Funds

Combining Statement of Changes in Assets and Liabilities - continued

For the Year Ended June 30, 2018

	<u>Total</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total</u> <u>June 30, 2018</u>
Total - All Agency Funds				
<u>Assets</u>				
Equity in central treasury	\$ 1,733,753	\$ 27,764,665	\$ 28,741,742	\$ 756,676
Taxes receivable	149,815	8,774,410	8,691,727	232,498
Due from landowners	<u>1,467,529</u>	<u>574,861</u>	<u>643,692</u>	<u>1,398,698</u>
 Total assets	 <u>\$ 3,351,097</u>	 <u>\$ 37,113,936</u>	 <u>\$ 38,077,161</u>	 <u>\$ 2,387,872</u>
<u>Liabilities</u>				
Accounts payable	402	-	402	-
Deferred administration fee	93,077	27,596	21,148	99,525
Due to landowners	421,939	7,021	2,051	426,909
Loans payable	2,473,185	308,477	1,390,726	1,390,936
Due to other entities:				
City of Homer	135,286	11,365,033	11,411,672	88,647
City of Kachemak City	113	88,563	88,676	-
City of Kenai	150,340	10,829,026	10,741,405	237,961
City of Seldovia	9,852	414,570	418,463	5,959
City of Seward	55,455	6,345,720	6,388,477	12,698
City of Soldotna	<u>11,448</u>	<u>8,027,695</u>	<u>7,913,906</u>	<u>125,237</u>
 Total liabilities	 <u>\$ 3,351,097</u>	 <u>\$ 37,413,701</u>	 <u>\$ 38,376,926</u>	 <u>\$ 2,387,872</u>

This page intentionally left blank

CAPITAL ASSETS

Kenai Peninsula Borough
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source⁽¹⁾
 June 30, 2018

Governmental funds capital assets:	
Land	\$ 70,990,307
Buildings	302,381,270
Improvements other than buildings	93,192,618
Machinery and equipment	37,648,887
Infrastructure	18,707,337
Construction in progress	<u>9,106,693</u>
Total governmental funds capital assets	<u><u>\$ 532,027,112</u></u>
Investments in governmental funds capital assets by source:	
General obligation bonds	\$ 280,809,486
State and federal grants	66,480,383
Federal revenue sharing	3,195,785
General Fund revenue	47,824,603
Special revenue funds	69,259,510
Contributed capital	270,503
Dedicated lands	126,058
Donations	<u>64,060,784</u>
Total governmental funds capital assets	<u><u>\$ 532,027,112</u></u>

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

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity⁽¹⁾

For the Fiscal Year Ended June 30, 2018

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2018</u>
General government	\$ 75,474,947	\$ 216,251	\$ 136,982	\$ 75,554,216
Senior citizens	<u>274,451</u>	<u>-</u>	<u>-</u>	<u>274,451</u>
Public safety:				
Fire protection and emergency medical	50,132,764	832,058	290,786	50,674,036
Emergency communications	<u>9,195,900</u>	<u>185,560</u>	<u>-</u>	<u>9,381,460</u>
Total public safety	<u>59,328,664</u>	<u>1,017,618</u>	<u>290,786</u>	<u>60,055,496</u>
Solid waste facilities	<u>49,781,328</u>	<u>3,178,746</u>	<u>-</u>	<u>52,960,074</u>
Road maintenance:				
Maintenance	228,362		33,080	195,282
Roads	<u>18,335,818</u>	<u>271,767</u>	<u>-</u>	<u>18,607,585</u>
Total road maintenance	<u>18,564,180</u>	<u>271,767</u>	<u>33,080</u>	<u>18,802,867</u>
Recreation:				
North Peninsula Recreation service area	<u>11,366,476</u>	<u>5,266</u>	<u>-</u>	<u>11,371,742</u>
Schools	<u>312,982,097</u>	<u>26,169</u>	<u>-</u>	<u>313,008,266</u>
Total governmental funds capital assets	<u>\$ 527,772,143</u>	<u>\$ 4,715,817</u>	<u>\$ 460,848</u>	<u>\$ 532,027,112</u>

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

Kenai Peninsula Borough

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

June 30, 2018

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General government:							
Administration building	\$ -	\$ 2,702,657	\$ 1,798,773	\$ 2,142,941	\$ -	\$ -	\$ 6,644,371
Maintenance	203,609	1,392,155	33,538	1,377,887	-	-	3,007,189
Areawide	63,971,685	-	-	-	-	-	63,971,685
Kenai River Center	-	1,875,593	-	55,378	-	-	1,930,971
Total general government	<u>64,175,294</u>	<u>5,970,405</u>	<u>1,832,311</u>	<u>3,576,206</u>	-	-	<u>75,554,216</u>
Senior citizens	-	243,800	-	30,651	-	-	274,451
Public safety:							
Fire protection and emergency medical:							
Nikiski Fire service area	49,172	7,518,414	371,521	7,675,838	-	58,023	15,672,968
Bear Creek Fire service area	17,211	860,390	130,271	1,691,021	-	5,849,606	8,548,499
Central Emergency service area	493,936	4,347,827	1,621,950	10,484,878	-	275,332	17,223,923
Anchor Point Fire and Emergency Medical service area	108,487	1,596,435	185,579	1,949,253	-	-	3,839,754
Kachemak Fire and Emergency	127,270	2,637,114	24,200	2,600,308	-	-	5,388,892
Total fire protection and emergency medical	<u>796,076</u>	<u>16,960,180</u>	<u>2,333,521</u>	<u>24,401,298</u>	-	<u>6,182,961</u>	<u>50,674,036</u>
Emergency communications:							
Central Peninsula Emergency Services communication center	-	-	-	1,179,207	-	-	1,179,207
Emergency warning systems	-	4,838,523	1,503,026	1,860,704	-	-	8,202,253
Total communications	-	<u>4,838,523</u>	<u>1,503,026</u>	<u>3,039,911</u>	-	-	<u>9,381,460</u>
Total public safety	<u>796,076</u>	<u>21,798,703</u>	<u>3,836,547</u>	<u>27,441,209</u>	-	<u>6,182,961</u>	<u>60,055,496</u>
Solid waste facilities	2,908,687	3,186,499	38,766,329	5,174,827	-	2,923,732	52,960,074
Road maintenance	-	-	-	195,282	18,607,585	-	18,802,867
Recreation:							
North Peninsula Recreation service area	145,640	8,513,465	2,292,126	420,511	-	-	11,371,742

(Continued)

Kenai Peninsula Borough

Capital Assets Used in the Operation of Governmental Funds, continued

Schedule by Function and Activity⁽¹⁾

June 30, 2018

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
School district:							
Central office and warehouse	\$ -	\$ 1,791,905	\$ 604,290	\$ -	\$ -	\$ -	\$ 2,396,195
Schools:							
Outside cities:							
Anchor Point Middle School	205,102	-	-	-	-	-	205,102
Central Peninsula Elementary	8,500	2,597,653	36,690	-	-	-	36,690
Cooper Landing	-	1,034,989	545,363	-	-	-	3,151,516
Tebughna	-	2,531,213	150,986	-	-	-	1,185,975
English Bay	-	2,447,908	152,551	-	-	-	2,683,764
Hope Elementary	3,000	2,523,867	230,577	-	-	-	2,678,485
Kalifornsky Beach	258,803	4,884,108	541,716	-	-	-	3,068,583
McNeil Canyon	-	4,953,680	267,449	-	-	-	5,410,360
Moose Pass	28,154	901,766	681,143	11,903	-	-	5,646,726
Nanwalek	-	1,104,529	68,404	126,919	-	-	998,324
Nikiski Elementary	22,378	3,696,639	625,313	-	-	-	1,231,448
Nikiski High	-	22,872,128	4,791,479	5,000	-	-	4,344,330
Nikolaevsk	51,282	4,923,106	352,854	72,801	-	-	27,668,607
Ninilchik	16,399	5,869,344	453,568	54,020	99,752	-	5,400,043
North Star Elementary	-	6,076,014	1,379,034	-	-	-	6,493,083
Port Graham	400	2,101,880	132,307	-	-	-	7,455,048
Skyview High	-	22,039,127	3,729,227	-	-	-	2,234,587
Sterling	7,450	3,744,355	680,272	34,127	-	-	25,768,354
Tustumena	8,001	7,883,965	303,740	43,849	-	-	4,466,204
Voznesenka	19,556	150,000	16,400	34,155	-	-	8,239,555
Total outside cities	629,025	102,336,271	15,139,073	382,774	99,752	-	118,586,895
Homer:							
West Homer Elementary	322,028	11,332,823	46,614	-	-	-	11,701,465
Paul Banks Elementary	23,971	2,589,112	679,966	6,143	-	-	3,299,192
High School	400,913	27,402,340	6,990,257	75,450	-	-	34,868,960
Junior High	17,024	3,197,028	743,645	-	-	-	3,957,697
High School Addition	29,177	2,598,949	103,555	-	-	-	2,731,681
Flex School	63,248	461,150	-	-	-	-	524,398
Total Homer	856,361	47,581,402	8,564,037	81,593	-	-	57,083,393

(Continued)

Kenai Peninsula Borough

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

June 30, 2018

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Kenai:	\$ 137,941	\$ 2,614,381	\$ 104,667	\$ -	\$ -	\$ -	\$ 2,856,989
Elementary	-	5,892,103	1,374,172	67,213	-	-	7,333,488
Mountain View Elementary	41,575	1,709,394	464,620	19,585	-	-	2,235,174
Sears Elementary	60,499	4,057,399	796,734	5,990	-	-	4,920,622
Junior High	129,517	17,976,192	5,216,089	51,056	-	-	23,372,854
High School	40,000	509,655	254,483	-	-	-	804,138
Vocational High	-	118,341	-	-	-	-	118,341
Arts and Crafts Building	-	-	-	-	-	-	-
Total Kenai	<u>409,532</u>	<u>32,877,465</u>	<u>8,210,765</u>	<u>143,844</u>	<u>-</u>	<u>-</u>	<u>41,641,606</u>
Seldovia:	27,953	3,705,452	1,005,119	-	-	-	4,738,524
Susan B. English	1,000	2,557,944	-	5,168	-	-	2,564,112
Shop Building	28,953	6,263,396	1,005,119	5,168	-	-	7,302,636
Total Seldovia							
Seward:	235,000	6,601,586	917,462	40,000	-	-	7,794,048
Elementary	346,295	14,656,471	481,531	-	-	-	15,484,297
Middle	182,596	12,722,087	2,118,247	-	-	-	15,022,930
High School	763,891	33,980,144	3,517,240	40,000	-	-	38,301,275
Total Seward							
Soldotna:	270,048	5,820,271	1,272,689	-	-	-	7,363,008
Elementary	-	4,151,522	624,208	40,000	-	-	4,815,730
Redoubt Elementary	-	316,186	-	-	-	-	316,186
Multipurpose Room	5,900	7,638,741	1,963,918	-	-	-	9,608,559
Prep School	900	16,273,933	4,478,021	71,484	-	-	20,824,338
High School	276,848	34,200,653	8,338,836	111,484	-	-	42,927,821
Total Soldotna							
Other areawide:	-	611,839	1,070,907	45,338	-	-	1,728,084
Areawide projects	-	3,025,323	15,038	-	-	-	3,040,361
Portable classrooms	-	3,637,162	1,085,945	45,338	-	-	4,768,445
Total other areawide							
Total school district	<u>2,964,610</u>	<u>262,668,398</u>	<u>46,465,305</u>	<u>810,201</u>	<u>99,752</u>	<u>-</u>	<u>313,008,266</u>
Total governmental funds capital assets	<u>\$ 70,990,307</u>	<u>\$ 302,381,270</u>	<u>\$ 93,192,618</u>	<u>\$ 37,648,887</u>	<u>\$ 18,707,337</u>	<u>\$ 9,106,693</u>	<u>\$ 532,027,112</u>

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

This page intentionally left blank

Kenai Peninsula Borough

STATISTICAL TABLES

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

<u>Contents</u>	<u>Page</u>
Financial trends	
These schedules contain trend information to help the reader understand how the Borough's financial performance and well-being have changed over time.	
Table I Net Position by Component	137
Table II Changes in Net Position	138-139
Table III Governmental Activities Tax Revenues by Source	140
Table IV Fund Balances of Governmental Funds	141
Table V Changes in Fund Balances of Governmental Funds	142
Table VI Significant Revenues by Source	143
Revenue capacity	
These schedules contain information to help the reader assess the Borough's most significant local revenue source.	
Table VII Assessed Value and Estimated Actual Value of Taxable Property	144
Table VIII Property Tax Rates	145
Table IX Principal Property Taxpayers	146
Table X Taxable Sales by Line of Business	147
Table XI Property Tax Levies and Collections	148
Debt capacity	
These schedules present information to help the reader assess the affordability of the Borough's current level of outstanding debt and the Borough's ability to issue additional debt in the future.	
Table XII Ratios of Outstanding Debt by Type and Per Capita	149
Table XIII Legal Debt Margin Information	150
Demographic and economic information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Borough's financial activities take place.	
Table XIV Demographic and Economic Statistics	151
Table XV Principal Employers	152
Operating information	
These schedules contain service and infrastructure data to help the reader understand how the information in the Borough's financial report relates to the services the government provides and the activities it performs.	
Table XVI Full-time Equivalent Borough Government Employees by Function	153
Table XVII Operating Indicators by Function	154
Table XVIII Capital Asset Statistics by Function	155

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

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

TABLE I

	2009	2010	2011	2012 *	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$221,769	\$224,474	\$225,627	\$224,040	\$221,588	\$218,646	\$208,238	\$197,331	\$192,353	\$185,045
Restricted	6,458	6,100	31,554	21,595	13,703	13,594	26,675	16,224	21,681	20,764
Unrestricted	59,174	59,561	28,467	30,959	42,758	46,742	15,675	26,182	11,563	10,062
Total governmental activities net position	\$287,401	\$290,135	\$285,648	\$276,594	\$278,049	\$278,982	\$250,588	\$239,737	\$225,597	\$215,871
Business-type activities:										
Net investment in capital assets	\$52,461	\$50,882	\$53,690	-	-	-	-	-	-	-
Restricted	774	745	828	-	-	-	-	-	-	-
Unrestricted	47,559	53,188	55,651	-	-	-	-	-	-	-
Total business-type activities net position	\$100,794	\$104,815	\$110,169	-						
Primary government										
Net investment in capital assets	\$274,230	\$275,356	\$279,317	\$224,040	\$221,588	\$218,646	\$208,238	\$197,331	\$192,353	\$185,045
Restricted	7,232	6,845	32,382	21,595	13,703	13,594	26,675	16,224	21,681	20,764
Unrestricted	106,733	112,749	84,118	30,959	42,758	46,742	15,675	26,182	11,563	10,062
Total primary government net position	\$388,195	\$394,950	\$395,817	\$276,594	\$278,049	\$278,982	\$250,588	\$239,737	\$225,597	\$215,871

* Implementation of GASB Statement 61.

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

	2009	2010	2011	2012 *
Expenses				
Governmental activities:				
General government	\$ 16,353,718	\$ 17,307,520	\$ 18,126,563	\$ 17,886,287
Solid waste	7,089,368	7,467,484	7,536,420	7,784,525
Public safety	13,459,309	14,301,797	14,994,328	17,974,573
Recreation	1,847,522	1,807,974	1,511,382	1,884,148
Education	49,039,690	50,303,282	51,614,442	57,206,138
Environmental protection	963,468	1,278,621	2,095,777	2,047,058
Roads and trails	6,231,915	11,147,224	10,899,606	12,447,099
Interest on long-term debt	957,764	935,175	1,290,407	1,445,013
Total governmental activities expenses	<u>95,942,754</u>	<u>104,549,077</u>	<u>108,068,925</u>	<u>118,674,841</u>
Business-type activities-				
Hospitals	<u>112,328,342</u>	<u>121,676,751</u>	<u>134,868,579</u>	<u>-</u>
Total primary government expenses	<u>\$ 208,271,096</u>	<u>\$ 226,225,828</u>	<u>\$ 242,937,504</u>	<u>\$ 118,674,841</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	777,538	570,325	730,655	1,162,154
Solid waste	460,064	370,883	526,970	817,272
Public safety	1,867,890	1,929,385	1,903,911	2,245,443
Recreation	219,188	230,075	224,696	220,883
Operating grants and contribution	4,550,168	3,561,640	6,330,835	7,285,211
Capital grants and contributions	4,500,246	13,259,418	5,963,765	9,727,105
Total governmental activities program revenues:	<u>12,375,094</u>	<u>19,921,726</u>	<u>15,680,832</u>	<u>21,458,068</u>
Business-type activities:				
Hospital charges for services	107,798,997	119,417,217	135,659,575	-
Operating grants and contribution	255,010	315,294	281,884	-
Capital grants and contributions	1,709,281	179,897	-	-
Total business-type activities	<u>109,763,288</u>	<u>119,912,408</u>	<u>135,941,459</u>	<u>-</u>
Total primary government program revenues	<u>\$ 122,138,382</u>	<u>\$ 139,834,134</u>	<u>\$ 151,622,291</u>	<u>\$ 21,458,068</u>
Net (expenses)/revenue				
Government activities	(83,567,660)	(84,627,351)	(92,388,093)	(97,216,773)
Business-type activities	(2,565,054)	(1,764,343)	1,072,880	-
Total primary government net expense	<u>\$ (86,132,714)</u>	<u>\$ (86,391,694)</u>	<u>\$ (91,315,213)</u>	<u>\$ (97,216,773)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes				
Property taxes	45,763,297	48,932,675	49,529,435	50,485,761
Sales taxes	28,585,036	25,950,998	27,798,976	28,385,150
Unrestricted grants and contributions	7,767,742	6,149,121	6,103,016	7,102,607
Investment earnings	4,247,230	2,931,268	1,699,310	2,072,921
Special items	2,576,186	1,199,342	748,272	-
Miscellaneous	45,372	2,198,057	933,987	116,156
Total governmental activities	<u>88,984,863</u>	<u>87,361,461</u>	<u>86,812,996</u>	<u>88,162,595</u>
Business-type activities:				
Property taxes	7,133,533	5,847,538	3,835,889	-
Unrestricted grants and contributions	-	-	-	-
Investment earnings	665,850	453,222	327,381	-
Miscellaneous	1,759	(515,750)	117,793	-
Total business-type activities	<u>7,801,142</u>	<u>5,785,010</u>	<u>4,281,063</u>	<u>-</u>
Total primary government	<u>96,786,005</u>	<u>93,146,471</u>	<u>91,094,059</u>	<u>88,162,595</u>
Changes in net position				
Governmental activities	5,417,203	2,734,110	(5,575,097)	(9,054,178)
Business-type activities	5,236,088	4,020,667	5,353,943	-
Total primary government	<u>\$ 10,653,291</u>	<u>\$ 6,754,777</u>	<u>\$ (221,154)</u>	<u>\$ (9,054,178)</u>

* Implementation of GASB Statement 61.

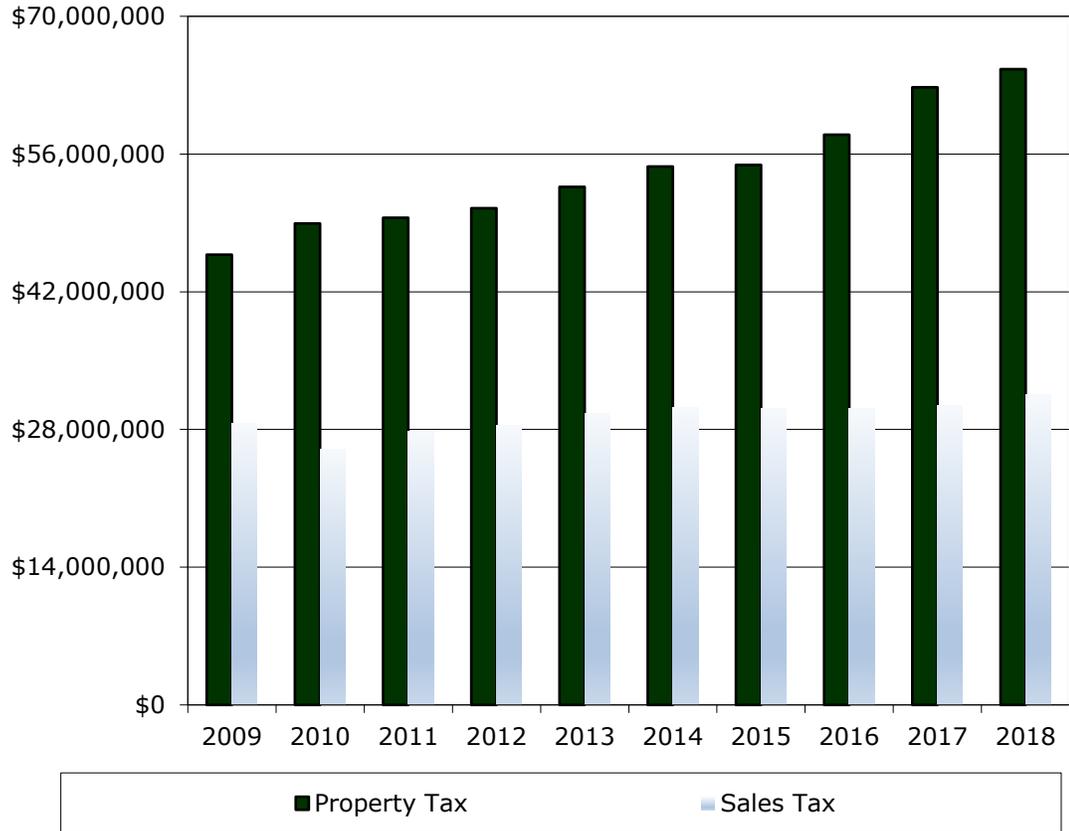
TABLE II

2013	2014	2015	2016	2017	2018
\$ 18,131,325	\$ 17,735,043	\$ 18,173,307	\$ 20,559,083	\$ 23,188,963	\$ 18,439,842
7,903,125	7,192,764	7,740,270	8,677,985	8,829,329	8,325,450
18,440,219	19,447,827	19,257,277	21,594,305	23,412,776	19,380,150
2,421,002	2,209,306	2,350,050	3,530,357	2,542,184	2,231,711
59,159,828	60,833,417	59,732,399	62,863,887	59,079,957	59,060,286
1,053,278	858,013	664,142	403,631	442,520	185,072
10,682,102	9,899,171	9,890,591	9,392,961	11,127,855	9,577,712
1,375,115	1,761,142	2,013,946	1,904,390	1,800,979	2,015,867
<u>119,165,994</u>	<u>119,936,683</u>	<u>119,821,982</u>	<u>128,926,599</u>	<u>130,424,563</u>	<u>119,216,090</u>
-	-	-	-	-	-
<u>\$ 119,165,994</u>	<u>\$ 119,936,683</u>	<u>\$ 119,821,982</u>	<u>\$ 128,926,599</u>	<u>\$ 130,424,563</u>	<u>\$ 119,216,090</u>
1,645,436	1,005,815	266,672	461,057	353,496	329,028
1,456,190	1,083,996	917,181	760,751	667,220	572,220
2,234,481	2,337,286	2,659,677	2,793,476	2,679,640	2,785,209
224,667	220,838	98,987	202,485	208,106	223,280
6,656,208	8,201,468	7,472,614	8,237,806	7,144,132	5,853,881
17,845,053	14,915,979	6,770,240	8,648,345	5,754,897	4,210,264
<u>30,062,035</u>	<u>27,765,382</u>	<u>18,185,371</u>	<u>21,103,920</u>	<u>16,807,491</u>	<u>13,973,882</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 30,062,035</u>	<u>\$ 27,765,382</u>	<u>\$ 18,185,371</u>	<u>\$ 21,103,920</u>	<u>\$ 16,807,491</u>	<u>\$ 13,973,882</u>
(89,103,959)	(92,171,301)	(101,636,611)	(107,822,679)	(113,617,072)	(105,242,208)
-	-	-	-	-	-
<u>\$ (89,103,959)</u>	<u>\$ (92,171,301)</u>	<u>\$ (101,636,611)</u>	<u>\$ (107,822,679)</u>	<u>\$ (113,617,072)</u>	<u>\$ (105,242,208)</u>
52,664,077	54,724,582	54,888,191	57,972,995	62,797,386	64,639,093
29,664,629	30,277,599	30,138,426	30,116,611	30,400,062	31,508,914
7,309,264	6,364,283	6,465,467	6,477,531	5,227,887	6,302,634
596,346	1,671,191	1,772,756	2,374,089	989,550	1,399,250
-	-	-	-	-	-
400,698	66,609	(434,213)	30,619	62,129	20,325
<u>90,635,014</u>	<u>93,104,264</u>	<u>92,830,627</u>	<u>96,971,845</u>	<u>99,477,014</u>	<u>103,870,216</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>90,635,014</u>	<u>93,104,264</u>	<u>92,830,627</u>	<u>96,971,845</u>	<u>99,477,014</u>	<u>103,870,216</u>
1,531,055	932,963	(8,805,984)	(10,850,834)	(14,140,058)	(1,371,992)
-	-	-	-	-	-
<u>\$ 1,531,055</u>	<u>\$ 932,963</u>	<u>\$ (8,805,984)</u>	<u>\$ (10,850,834)</u>	<u>\$ (14,140,058)</u>	<u>\$ (1,371,992)</u>

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

TABLE III

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2009	\$ 45,763,297	\$ 28,585,036	\$ 74,348,333
2010	48,932,675	25,950,998	74,883,673
2011	49,529,435	27,798,976	77,328,411
2012	50,485,761	28,385,150	78,870,911
2013	52,664,077	29,664,629	82,328,706
2014	54,724,582	30,277,599	85,002,181
2015	54,888,191	30,138,426	85,026,617
2016	57,972,995	30,116,611	88,089,606
2017	62,797,386	30,400,062	93,197,448
2018	64,639,093	31,508,914	96,148,007



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

	2009	2010	2011 *	2012	2013	2014	2015	2016	2017	2018
General Fund	\$ 533,923	\$ 160,584	-	-	-	-	-	-	-	-
Reserved	24,604,294	22,864,839	-	-	-	-	-	-	-	-
Unreserved	-	-	251,065	198,063	6,944,837	8,879,666	11,345,210	5,298,396	4,103,792	3,582,332
Nonspendable	-	-	-	-	70,000	105,020	90,000	51,000	145,178	71,000
Restricted	-	-	339,610	373,867	638,937	243,157	458,748	292,830	671,004	351,388
Committed	-	-	17,523,149	15,407,886	15,326,705	14,658,934	16,244,676	20,136,610	18,314,053	18,795,279
Assigned	-	-	3,591,990	5,486,767	330,506	994,595	-	-	-	-
Unassigned	-	-	\$ 21,705,814	\$ 21,466,583	\$ 23,310,985	\$ 24,881,372	\$ 28,138,634	\$ 25,778,836	\$ 23,234,027	\$ 22,799,999
Total General Fund	\$ 25,138,217	\$ 23,025,423	\$ 21,705,814	\$ 21,466,583	\$ 23,310,985	\$ 24,881,372	\$ 28,138,634	\$ 25,778,836	\$ 23,234,027	\$ 22,799,999
All other governmental funds										
Reserved	4,471,230	4,893,211	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	25,864,320	23,125,512	-	-	-	-	-	-	-	-
Capital projects funds	6,740,283	13,922,365	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	803,227	1,045,538	3,661	1,500	44	-	61,269	321,224
Capital projects funds	-	-	-	-	-	-	-	-	-	76,404
Restricted	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	11,661,025	10,385,968	11,279,700	13,460,361	14,937,097	12,962,247	11,432,855	16,929,008
Capital projects funds	-	-	24,592,081	16,659,200	8,508,355	22,479,158	16,946,646	9,307,381	17,030,044	11,542,908
Committed	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	1,739,754	575,377	344,964	79,393	59,091	3,913,421	3,505,646	169,485
Capital projects funds	-	-	6,516,387	6,565,219	9,856,833	11,034,193	11,262,666	14,768,598	9,486,348	11,694,769
Assigned	-	-	4,781,994	4,006,915	6,309,208	6,582,069	7,136,273	7,577,509	9,582,406	6,864,042
Capital projects funds	-	-	1,690,262	841,612	580,535	145,464	-	1,628,556	908,474	4,349,269
Unassigned	-	-	-	(51,378)	(23,364)	-	(171,444)	(446,428)	(230,362)	-
Special revenue funds	-	-	-	-	-	-	-	(120,646)	(34,887)	878,616
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 37,075,833	\$ 41,941,088	\$ 51,784,730	\$ 40,028,451	\$ 36,859,892	\$ 53,782,138	\$ 50,170,373	\$ 49,590,638	\$ 51,741,793	\$ 52,825,725

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

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

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

TABLE V

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	\$ 45,796,378	\$ 48,613,059	\$ 49,736,514	\$ 50,230,334	\$ 52,916,285	\$ 54,570,598	\$ 54,662,814	\$ 58,007,099	\$ 62,326,564	\$ 64,917,778
Sales tax	28,585,036	25,950,998	27,798,976	28,385,150	29,664,629	30,277,598	30,138,426	30,116,611	30,400,062	31,508,914
Intergovernmental	16,759,845	24,874,838	17,785,198	22,716,818	31,294,288	28,613,640	25,393,552	19,436,158	15,105,570	14,202,678
Investment earnings	3,877,032	2,697,058	1,527,901	1,895,316	581,394	1,740,079	1,681,379	2,164,886	940,993	1,036,028
Other revenues	3,392,467	3,355,662	4,953,946	5,153,172	6,844,468	5,253,525	7,029,745	5,683,236	4,843,547	5,327,417
Total revenues	98,410,758	105,491,615	101,802,535	108,380,790	121,301,064	120,455,440	118,905,916	115,407,990	113,616,736	116,992,815
Expenditures:										
General government	15,881,770	17,060,295	17,401,291	17,740,213	17,962,124	17,615,805	21,276,848	18,429,713	17,082,168	18,534,018
Solid waste	5,311,704	5,353,292	5,704,476	5,739,959	4,843,412	1,833,477	6,789,061	6,170,953	4,223,429	5,763,798
Public safety	11,985,795	12,798,445	13,396,428	16,517,524	16,268,117	18,829,271	19,456,359	17,784,143	20,025,282	16,886,830
Recreation	1,441,969	1,424,141	1,136,151	1,536,689	1,982,994	1,745,588	2,234,204	3,180,795	1,873,562	2,056,124
Education	42,450,275	43,981,113	46,064,673	51,524,574	51,447,909	52,695,845	53,038,298	57,934,516	49,987,995	54,004,116
Environmental protection	963,468	1,287,515	2,095,423	2,048,151	1,052,619	909,596	665,071	404,895	442,520	187,172
Roads and trails	6,101,376	6,853,831	10,558,262	11,252,663	10,273,390	9,494,678	9,693,517	8,758,384	9,574,530	9,103,129
Capital outlay	9,282,690	15,649,412	10,429,218	9,144,780	15,221,756	17,672,292	3,262,122	5,495,777	12,763,943	4,381,133
Debt service										
Principal	2,355,000	2,410,000	3,414,000	3,340,000	3,515,000	2,770,000	3,390,000	2,645,000	2,795,000	3,440,000
Interest and other (1) (2)	978,119	881,110	943,580	1,613,560	1,469,468	1,380,830	2,397,295	2,084,980	2,093,414	2,253,547
Total expenditures	96,752,166	107,699,154	111,143,502	120,458,113	124,036,789	124,947,382	122,202,775	122,889,156	120,861,843	116,609,867
Excess of revenues over (under) expenditures	1,658,592	(2,207,539)	(9,340,967)	(12,077,323)	(2,735,725)	(4,491,942)	(3,296,859)	(7,481,166)	(7,245,107)	382,948
Other financing sources (uses)										
Bonds issued	-	4,960,000	16,865,000	8,150,000	1,215,000	20,860,000	1,425,000	2,465,000	5,405,000	-
Premium on bonds issued	-	-	-	1,284,121	196,568	2,124,575	245,693	330,138	627,505	-
Payment to escrow agent	-	-	-	(9,352,308)	-	-	(1,648,963)	-	-	-
Insurance proceeds	-	-	-	-	-	-	-	1,746,495	818,949	266,956
Transfers in	17,444,450	17,396,622	10,120,206	8,166,490	8,429,925	8,043,061	9,505,521	9,700,383	11,590,201	15,085,853
Transfers out	(17,444,450)	(17,396,622)	(9,120,206)	(8,166,490)	(8,429,925)	(8,043,061)	(9,505,521)	(9,700,383)	(11,590,201)	(15,085,853)
Net other financing sources (uses)	-	4,960,000	17,865,000	81,813	1,411,568	22,984,575	21,730	4,541,633	6,851,454	266,956
Net change in fund balances	\$ 1,658,592	\$ 2,752,461	\$ 8,524,033	\$ (11,995,510)	\$ (1,324,157)	\$ 18,492,633	\$ (3,275,129)	\$ (2,939,533)	\$ (393,653)	\$ 649,904
GO Debt service as a percentage of noncapital expenditures	3.81%	3.38%	4.33%	4.45%	4.58%	3.87%	4.87%	4.03%	4.32%	5.09%
Total non-capital expenditures	87,469,476	97,331,611	100,689,805	111,313,333	108,815,033	107,275,090	118,940,653	117,393,379	113,230,306	111,897,488

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

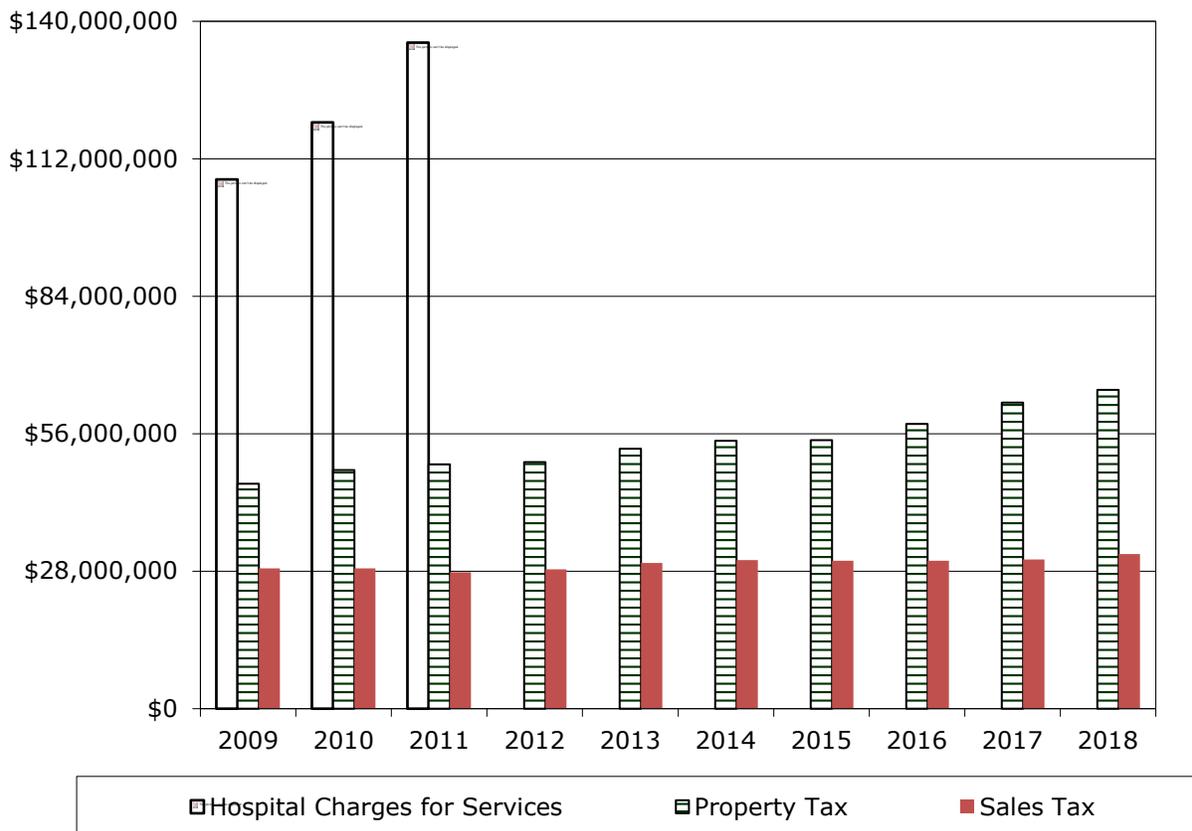
Kenai Peninsula Borough
 General Government Significant Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

TABLE VI

<u>Fiscal Year</u>	<u>Hospital Charge for Services (3)</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2009	\$ 107,798,997	\$ 45,796,378	\$ 28,585,036	\$ 182,180,411
2010	119,417,217	48,613,059	(1) 28,585,036	196,615,312
2011	(2) 135,659,575	49,736,514	27,798,976	213,195,065
2012	-	50,230,334	28,385,150	78,615,484
2013	-	52,916,285	29,664,629	82,580,914
2014	-	54,570,598	30,277,598	84,848,196
2015	-	54,662,814	30,138,426	84,801,240
2016	-	58,007,099	30,116,611	88,123,710
2017	-	62,326,564	30,400,062	92,726,626
2018	-	64,917,778	31,508,914	96,426,692

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

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



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

TABLE VII

Fiscal Year	Assessed Values (1)				Tax Exempt Values (1)		Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
	Total estimated actual value of property less mandatory federal and state exemptions (1)	Real	Oil & Gas	Personal Property	Real	Personal			
2009	\$ 6,389,338	\$ 5,533,794	\$ 635,272	\$ 220,272	\$ 394,457	\$ 28,124	\$ 5,966,757	4.50	93.39%
2010	6,832,859	5,883,881	703,063	245,915	434,556	29,205	6,369,098	4.50	93.21%
2011	6,875,572	5,901,904	713,954	259,714	451,127	30,914	6,393,531	4.50	92.99%
2012	7,137,074	6,180,464	698,991	257,619	472,878	30,955	6,633,241	4.50	92.94%
2013	7,229,051	6,132,587	810,065	286,399	480,530	32,511	6,716,010	4.50	92.90%
2014	7,484,667	6,202,494	989,766	292,407	492,565	31,906	6,960,196	4.50	92.99%
2015	7,797,117	6,330,106	1,142,158	324,853	826,802 (2)	32,999	6,937,316	4.50	88.97%
2016	8,189,350	6,625,347	1,224,525	339,478	876,966	33,986	7,278,398	4.50	88.88%
2017	8,752,156	6,915,818	1,467,353	368,985	902,055	34,392	7,815,709	4.50	89.30%
2018	9,172,335	7,342,187	1,468,599	361,549	998,047	33,842	8,140,446	4.50	88.75%

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

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

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

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

Kenai Peninsula Borough
Principal Property Taxpayers
Current and Nine Years Ago

TABLE IX

<u>Taxpayer</u>	2018			2009		
	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
Hilcorp Alaska, LLC	\$ 821,982,330	1	10.10%	\$ -		-
Furie Operating Alaska, LLC	243,139,330	2	2.99%	-		-
Tesoro Alaska	196,200,841	3	2.41%	200,081,694	1	3.35%
Bluecrest Energy, Inc.	120,769,650	4	1.48%	-		-
Cook Inlet Natural Gas Storage AK, LLC	102,691,688	5	1.26%	-		-
Harvest Alaska	100,838,690	6	1.24%	-		-
Cook Inlet Energy, LLC	90,670,500	7	1.11%	-		-
Alaska Pipeline	72,711,797	8	0.89%	-		-
Alaska Communications Systems	65,401,732	9	0.80%	-		-
Enstar Natural Gas	46,853,125	10	0.58%	-		-
ConocoPhillips, Inc.	-		-	162,640,779	3	2.73%
Union Oil/Unocal	-		-	186,237,020	2	3.12%
Marathon Oil Co.	-		-	130,856,530	4	2.19%
BP Exploration Alaska, Inc.	-		-	71,539,503	5	1.20%
ACS of the Northland, Inc.	-		-	64,132,699	6	1.07%
Agrium US, Inc.	-		-	19,161,536	9	0.32%
XTO Energy, Inc.	-		-	44,716,770	7	0.75%
Kenai Kachemak Pipeline	-		-	42,857,780	8	0.72%
Fred Meyer	-		-	18,928,022	10	0.32%
	<u>\$ 1,861,259,683</u>		<u>22.86%</u>	<u>\$ 941,152,333</u>		<u>15.77%</u>

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

Total Assessed value based on total
tax levy for FY2018 and FY2009 respectively.

\$ 8,140,446,000

\$ 5,966,757,000

Kenai Peninsula Borough
 Taxable Sales by Line of Business
 Current

TABLE X

<u>Line of Business</u>	<u>2018</u>
Retail Trade	\$ 501,733,443
Restaurant/Bar	97,289,402
Hotel/Motel/Bed & Breakfast	81,376,255
Utilities	80,797,514
Guiding Water	59,421,138
Services	40,514,893
Wholesale Trade	28,205,255
Information	27,117,934
Rental Residential Property	24,656,753
Public Administration	19,277,722
Professional, Scientific	16,416,720
Telecommunications	12,659,465
Construction Contracting	12,406,317
Rental Non-Residential/Commercial Properties	11,752,334
Manufacturing	9,495,976
Administrative, Waste Management	8,900,042
Arts And Entertainment	6,934,510
Transportation And Warehouse	6,123,895
Rental Personal Property & Self Storage	5,736,808
Mining/Quarrying	5,168,864
Agriculture, Forestry, Fisheries	3,161,405
Guiding Land	2,450,716
Educational Services	2,323,429
Health Care And Social Assistance	1,830,985
Finance And Insurance	1,281,187
Other	269,234
TOTAL	\$ 1,067,302,196

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

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

TABLE XI

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected in the Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 26,779,449	\$ 26,431,968	98.702%	\$ 344,419	\$ 26,776,387	99.989%
2010	28,875,124	28,375,677	98.270%	496,252	28,871,929	99.989%
2011	29,058,274	28,630,610	98.528%	422,047	29,052,657	99.981%
2012	30,419,493	29,946,804	98.446%	466,731	30,413,535	99.980%
2013	30,823,497	30,382,636	98.570%	431,649	30,814,285	99.970%
2014	31,750,392	31,332,596	98.684%	408,046	31,740,642	99.969%
2015	31,685,014	31,142,025	98.286%	331,054	31,473,079	99.331%
2016	33,108,951	32,410,590	97.891%	678,529	33,089,119	99.940%
2017	35,591,917	35,157,568	98.780%	330,509	35,488,077	99.708%
2018	37,068,282	36,645,827	98.860%	-	36,645,827	98.860%

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

TABLE XII

Fiscal Year	Governmental Activities				Discretely Presented Component Units (1)				General Bonded Debt Per Capita (2) (3)						
	General Obligation Bonds (Service Area)		General Obligation Bonds (Net of premiums/discounts/adjustments)		General Obligation Bonds (Net of premiums/discounts/adjustments)		Capital Leases/Notes payable		General Bonded debt as a percentage of total Personal Income (4)		General Bonded Debt as a percentage of Estimated actual value of taxable property (6)(area wide)		Service Areas		
	General Obligation Bonds (Area-Wide) (Net of premiums/discounts/adjustments)	General Obligation Bonds (Net of premiums/discounts/adjustments)	General Obligation Bonds (Net of premiums/discounts/adjustments)	Capital Leases/Notes payable	Total	General Bonded debt as a percentage of total Personal Income (4)	General Bonded Debt as a percentage of Estimated actual value of taxable property (6)(area wide)	Area-Wide	Central Emergency Services Area	Bear Creek Fire Service Area	South Peninsula Hospital Service Area	Central Peninsula Hospital Service Area			
2009	\$ 17,904,000	\$ 2,260,000	\$ 64,201,793	\$ 754,730	\$ 85,120,523	4.34%	1.33%	\$ 338	\$ 116	\$ -	\$ 1,787	\$ 1,209			
2010	20,526,000	2,170,000	61,319,887	385,079	84,400,966	3.93%	1.24%	383	111	-	1,716	1,153			
2011	34,036,000	2,075,000	58,322,981	631,745	95,065,726	4.43%	1.38%	614	113	-	1,604	(5) 1,070			
2012	30,730,000	1,975,000	-	-	32,705,000	1.24%	0.46%	545	88	-	-	-			
2013	26,820,000	3,085,000	-	-	29,905,000	1.08%	0.41%	473	83	793	-	-			
2014	45,055,000	2,940,000	-	-	47,995,000	1.74%	0.64%	792	78	770	-	-			
2015	41,820,000	2,685,000	-	-	44,505,000	1.49%	0.57%	732	68	744	-	-			
2016	39,340,000	4,985,000	-	-	44,325,000	1.45%	0.54%	681	158	714	-	-			
2017	42,195,000	4,740,000	-	-	46,935,000	1.54%	0.57%	730	150	685	-	-			
2018	39,085,000	4,410,000	-	-	43,495,000	1.47%	0.47%	674	138	656	-	-			

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

(1) For fiscal years 2003-2011 Business-type activities debt is for the South Peninsula Hospital Service Area and Central Peninsula Hospital Service Area and is debt of the Service Areas, not the Primary Government.

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

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

(4) Personal income data is provided by the Bureau of Economic Analysis, <http://www.bea.gov>.

(5) In fiscal year 2012 the Borough adopted GASB Statement 61, which changed accounting and financial reporting for CPH and SPH. These units were previously presented as Business-Type Activities, a Blended Component units.

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

It does not include those values/exemptions provided by federal or state requirements.

Population data can be found in Table XIV

Kenai Peninsula Borough
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

NO DEBT LIMIT IS MANDATED BY LAW

Kenai Peninsula Borough
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIV

Fiscal Year	Population (1)	Personal Income - Borough (in thousands) (3)	Per Capita Personal Income - Borough (3)	Per Capita Personal Income - Alaska (3)	Median Age (2)	School Enrollment (5)	Unemployment Rate (2)	Number of Employed (2)
2009	52,990	\$ 2,275,285	\$ 42,406	\$ 47,791	39.2	9,256	7.80%	24,226
2010	53,578	2,307,583	42,112	46,834	39.4	9,145	9.80%	24,187
2011	55,400	2,432,959	43,780	48,614	40.6	8,978	10.00%	24,212
2012	56,369	2,627,069	46,600	51,405	40.6	8,922	9.50%	24,675
2013	56,756	2,770,353	48,636	52,638	41.4	8,886	8.60%	25,013
2014	56,862	2,759,412	48,351	51,416	40.0	8,756	8.00%	25,604
2015	57,147	2,981,871	51,734	54,582	40.5	8,826	7.90%	25,797
2016	57,763	3,056,190	52,639	56,147	40.0	8,788	7.90%	25,449
2017	58,060	2,965,755	50,691	55,674	40.6	8,785	8.60%	24,972
2018	58,024	2,965,755	(4) 50,691	(4) 56,042	41.4	8,712	8.50%	23,214

Sources:

- (1) Alaska Department of Labor estimates as of July 1 of each fiscal year.
- (2) Data is provided by the State of Alaska Department of Labor and is the annual rate for 12 months ending December of the prior calendar year. The Alaska Department of Labor amends every month the unemployment rate data for the previous month and again at the end of every calendar year. Some prior fiscal years have been updated to match updated statistical reported information.
- (3) Data is provided by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) and is for the 12-month period ending December of the prior calendar year.
- (4) Calendar year 2018 data currently unavailable from BEA.
- (5) Information provided from the Kenai Peninsula Borough School District.

Kenai Peninsula Borough
Principal Employers
Current and Nine Years Ago

TABLE XV

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

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

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

TABLE XVI

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Assembly	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Mayor	6.00	6.00	5.00	4.00	5.00	5.00	6.00	6.00	6.00	5.00
Purchasing and Contracting *	13.00	12.50	10.50	10.00	11.00	12.00	14.00	14.00	10.00	9.00
Office of Emergency Mgmt	3.55	4.55	4.55	4.00	4.00	4.25	4.25	4.00	4.00	4.00
General Services	22.10	22.60	22.60	-	-	-	-	-	-	-
HR	-	-	-	7.60	7.60	7.55	7.55	7.55	7.55	7.50
IT	-	-	-	11.00	11.00	11.50	11.50	11.50	11.50	11.50
Legal	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance	23.00	23.00	23.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Assessing	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Planning	9.00	9.00	9.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
River Center	5.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Total	114.15	116.15	113.15	110.10	112.10	113.80	115.80	115.55	111.55	109.50
Fire and Emergency Services:										
Nikiski Fire	21.00	21.00	21.00	20.00	20.00	20.00	20.75	21.75	21.75	21.25
Bear Creek Fire	0.75	0.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
EPHESA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
Anchor Point	1.00	1.00	1.00	2.50	2.50	2.50	3.50	4.00	4.00	4.00
CES	33.50	37.50	37.50	38.50	42.00	42.00	41.00	39.00	41.00	41.00
Kachemak	1.00	2.00	3.00	3.50	3.50	4.00	4.00	4.00	4.00	4.00
911 Communications	8.70	10.70	10.70	11.25	11.25	11.75	12.25	12.50	12.50	13.00
Seward Bear Creek Flood	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.50
Recreation	13.25	14.25	14.25	14.25	14.65	14.65	14.65	14.65	14.65	14.65
Roads	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Land Trust Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Solid Waste	20.75	21.00	21.00	20.00	21.00	17.00	17.00	17.00	15.50	15.50
Risk Management	3.60	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total	231.45	242.10	240.85	239.35	246.25	244.95	248.20	247.70	244.20	243.40
Positions controlled by the Kenai Peninsula Borough but reported as part of in-kind expenditures for the Kenai Peninsula Borough School District	46.30	46.30	46.30	45.30	46.30	46.30	46.30	46.30	46.30	46.30

* Purchasing and Contracting combined in 2016

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

Kenai Peninsula Borough
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XVII

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government- 911 calls answered	18,834	21,494	21,260	21,834	21,831	26,364	27,239	28,165	27,022	27,832
Fire and emergency services: **										
Number of calls responded to:										
Nikiski	820	870	929	926	902	842	919	959	995	1,022
Bear Creek	134	132	111	132	119	136	139	143	184	190
Anchor Point	215	150	194	235	250	197	263	214	218	259
CES	1,962	1,977	2,095	1,815	1,729	1,770	2,039	2,824	2,593	2,704
Kachemak	147	120	140	139	197	216	219	236	218	203
Landfills-										
Refuse collected (tons)	65,828	60,720	64,759	78,250	78,178	63,564	64,653	60,318	57,698	57,903

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

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

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

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

TABLE XVIII

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire and emergency services:										
Number of Stations:										
Nikiski	4	4	4	4	4	4	4	4	4	4
Bear Creek	1	1	1	1	1	1	1	1	1	1
Anchor Point	2	2	2	2	2	2	2	2	2	2
CES	6	6	8	8	8	8	8	8	8	8
Kachemak	1	1	1	1	1	1	2	2	2	2
Landfills:										
Number of municipal waste landfills	8	8	8	8	8	8 (1)	8	8	8	8
Number of transfer facilities/sites	12	12	12	12	12	13	13	13	13	13
Recreation-										
Number of facilities	8	8	8	9	9	9	9	9	9	9
Roads-										
Miles of roads maintained	631	633	634	636	638	640	640	641	646	646

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

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

For the fire and emergency service stations listed above, these represent both manned and unmanned stations.

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

This page intentionally left blank

SINGLE AUDIT

Kenai Peninsula Borough

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

<u>Federal Grantor</u>	<u>Federal Grant Number</u>	<u>Pass-through Entity Identifier Number</u>	<u>CFDA</u>	<u>Expenditures 6/30/18</u>
<u>U.S. Department of the Interior:</u>				
Passed through U.S. Bureau of Land Management:				
Payment in Lieu of Taxes	2018 SEC 6901/02		15.226	\$ 3,632,248
Passed through U.S. Fish and Wildlife Service:				
National Wildlife Refuge Revenue Sharing	FY2018		15.659	23,276
Total U.S. Department of the Interior				<u>3,655,524</u>
<u>U.S. Department of Homeland Security:</u>				
Passed through Alaska Department of Commerce, Community & Economic Development				
Travel grant: FEMA CAP-SSSE	EMS-2017-RX-0003		97.023	484
Passed through Alaska Department of Military & Veterans Affairs:				
October 2013 Flood Federal Declared Disaster PW21-Roads	FEMA-4161-DR	DR-4161-AK	97.036	41
HMGP-GIS Software	4244-4-F	4244.0004	97.039	225
State Homeland Security Program:				
Soldotna SPSCC Radio Consoles & CERT Training	EMW-2016-SS-0002	20SHSP-GY16	97.067	10,837
Fire Station Alert System; ALMR Radios; AK Shield Exercise	EMW-2017-SS-00048-S01	20SHSP-GY17	97.067	72,598
Total CFDA 97.067				<u>83,435</u>
Emergency Management Performance Grant	EMS-2017-EP-00002-S01	20EMPG-GY17	97.042	162,955
Total U.S. Department of Homeland Security				<u>247,140</u>
<u>U.S. Department of Transportation:</u>				
Extend Kenai Spur Hwy-North Road	DTFH7017E30003		20.205	57,194
Total U.S. Department of Transportation				<u>57,194</u>
<u>U.S. Department of Agriculture:</u>				
National Forest Receipts	FY18		10.665	503,598
Passed through U.S. Forest Service:				
06 Spruce Bark Beetle Infestation	07BTL		10.664	505
Passed through Alaska Department of Natural Resources:				
Volunteer Fire Assistance Grant:				
Anchor Point Fire & EMS Service Area	FY18	N/A	10.664	7,500
Bear Creek Fire Service Area	FY18	N/A	10.664	6,473
Central Emergency Services	FY18	N/A	10.664	6,602
Kachemak Emergency Services	FY18	N/A	10.664	7,226
Nikiski Fire & EMS Service Area	FY18	N/A	10.664	6,758
Total CFDA 10.664				<u>35,064</u>
Total U.S. Department of Agriculture				<u>538,662</u>
TOTAL FEDERAL				<u>\$ 4,498,520</u>

Kenai Peninsula Borough

Schedule of State Financial Assistance

Year Ended June 30, 2018

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures</u> <u>6/30/18</u>
<u>Alaska Department of Commerce, Community & Economic Development:</u>		
Shared Fisheries Business Tax		\$ 5,188
Fish Resource Landing Tax		4,821
Community Revenue Sharing		
Kenai Peninsula Borough	FY17	1,241,100
Kachemak Emergency Services	[2] FY15	4,671
Voznesenka Community Council	[2] FY15	90
Kachemak Emergency Services	[2] FY16	5,029
McNeil Canyon Community Council	[2] FY16	1,519
Seldovia Village Tribe	[2] FY16	19,300
Voznesenka Community Council	[2] FY16	19,300
Bear Creek Volunteer Fire Department	[2] FY17	12,900
Hope, Inc.	[2] FY17	7,697
McNeil Canyon Community Council	[2] FY17	113
Seldovia Village Tribe	[2] FY17	12,900
Snomads Snowmachine Club, Inc	[2] FY17	8,599
Voznesenka Community Council	[2] FY17	12,900
Alaska Children's Institute For Performing Arts (ACIPA)	[2] FY18	15,789
Anchor Point Food Pantry	[2] FY18	3,570
Anchor Point Public Library	[2] FY18	5,100
Anchor Point Senior Citizens	[2] FY18	7,119
Bear Creek Volunteer Fire Department	[2] FY18	15,789
Boys & Girls Club of Southcentral Alaska	[2] FY18	15,789
Boys & Girls Club of the Kenai Peninsula	[2] FY18	7,895
Caribou Hills Cabin Hoppers	[2] FY18	4,128
Cooper Landing Community Club	[2] FY18	15,789
Funny River Chamber of Commerce	[2] FY18	15,789
Hope, Inc.	[2] FY18	9,541
Kachemak Nordic Ski Club	[2] FY18	11,771
Kachemak Ski Club	[2] FY18	6,172
Kasilof Public Library	[2] FY18	7,894
Kasilof Regional Historical Association	[2] FY18	7,895
Kasilof-Cohoe Cemetery Association	[2] FY18	7,895
Kenai Peninsula Fair Association	[2] FY18	5,263
Kenai Peninsula Food Bank, Inc.	[2] FY18	6,316
Love Inc. of the Kenai Peninsula	[2] FY18	4,737
Lowell Point Community Council	[2] FY18	15,789
Moose Pass Chamber of Commerce	[2] FY18	15,045
Moose Pass Volunteer Fire Department	[2] FY18	31,615
Nikolaevsk Community Council	[2] FY18	15,789
Ninilchik Community Library	[2] FY18	5,263
Ninilchik Emergency Services	[2] FY18	5,263
North Peninsula Community Council	[2] FY18	15,789
Peninsula Spay and Neuter Association	[2] FY18	2,368
Port Graham Village Council	[2] FY18	15,789
Rural Alaska Community Action Program	[2] FY18	5,263
Snomads Snowmachine Club, Inc	[2] FY18	6,671
Sterling Area Senior Citizens	[2] FY18	5,253

(continued)

Kenai Peninsula Borough

Schedule of State Financial Assistance, continued

Year Ended June 30, 2018

<u>State Grantor</u>	<u>Grant Number</u>	<u>Expenditures 6/30/18</u>
<u>Alaska Department of Commerce, Community & Economic Development, continued:</u>		
Community Revenue Sharing (continued)		
Sterling Community Club	[2] FY18	\$ 5,263
Tsalteshi Trails Association	[2] FY18	2,368
Village of Kachemak Selo, Inc.	[2] FY18	15,789
Village of Razdolna	[2] FY18	15,789
* Total Community Revenue Sharing		<u>1,709,474</u>
Bear Creek Fire Service Area Fire Station Completion/Startup	15-DC-082	64,093
* Borough-wide Road Upgrades	13-DC-614	462,015
* Borough-wide Road Upgrades	14-DC-069	1,507,433
* Borough-wide Road Upgrades	15-DC-069	1,074,323
Elodea Eradication Project	15-DC-085	31,015
Hazard Tree Removal	13-DC-445	155,651
Paved Lighted Pedestrian Path	15-DC-086	(452)
Security Camera Systems in Borough-owned Facilities	13-DC-489	147,226
Passed Through the Alaska Division of Homeland Security & Emergency Management		
Travel grant: FEMA CAP-SSSE	EMS-2017-RX-0003	121
Total Alaska Department of Commerce, Community & Economic Development		<u>5,150,899</u>
<u>Alaska Department of Revenue:</u>		
* Commercial Passenger Vessel Tax	[2] FY18(CY17)	489,697
Electric & Telephone Cooperative	FY18	165,120
* Fish Tax	FY18	727,284
Total Alaska Department of Revenue		<u>1,382,101</u>
<u>Alaska Department of Education & Early Development:</u>		
* School Debt Reimbursement		<u>2,661,049</u>
Total Alaska Department of Education & Early Development		<u>2,661,049</u>
<u>Alaska Department of Administration:</u>		
* Division of Retirement & Benefits PERS Relief FY18 HB57	FY18 HB57	677,749
Total Alaska Department of Administration		<u>677,749</u>
<u>Alaska Department of Military & Veteran Affairs:</u>		
Passed Through the Alaska Division of Homeland Security & Emergency Management		
October 2013 Flood Federal Declared Disaster PW21-Roads	DR-4161-AK	14
Hazard Mitigation Grant Program-GIS Software	4244.0004	75
Local Emergency Planning Committee	20LEPC-GY17	19,200
Total Alaska Department of Military & Veteran Affairs		<u>19,289</u>
<u>Alaska Department of Health & Social Services:</u>		
* Central Peninsula Hospital - Transitional Housing	[1] 65C-15-211	298,940
Total Alaska Department of Health & Social Services		<u>298,940</u>
 TOTAL STATE		 <u>\$ 10,190,027</u>

* State Major Program

[1] See page 160 for budget to actual comparison per DHSS grant requirement.

[2] Pass Through Grants.

Kenai Peninsula Borough

[2] Central Peninsula Hospital Transitional Housing Grant

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
State	\$ 298,940	298,940	\$ -
Total revenues	<u>298,940</u>	<u>298,940</u>	<u>-</u>
Expenditures:			
Personnel	-	-	-
Supplies	-	-	-
Services	-	-	-
Capital outlay	298,940	298,940	-
Total expenditures	<u>298,940</u>	<u>298,940</u>	<u>-</u>
 Net change in fund balance	-	-	-
 Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

[2] Per Alaska DHSS state grant requirement listed on Single Audit Schedule page 159.