

CAFR

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2003**

**A Component Unit of the
Kenai Peninsula Borough
Soldotna, Alaska**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

**A Component Unit of the Kenai Peninsula Borough
Soldotna, Alaska**

**For the Fiscal Year Ended
June 30, 2003**

Dr. Donna Peterson, Superintendent of Schools

Prepared by Business and Finance

**Mrs. Melody Douglas, RSBO
Chief Financial Officer**

**Mrs. Laurie Olson
Accountant**

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INTRODUCTORY SECTION

Borough Map

Letter of Transmittal

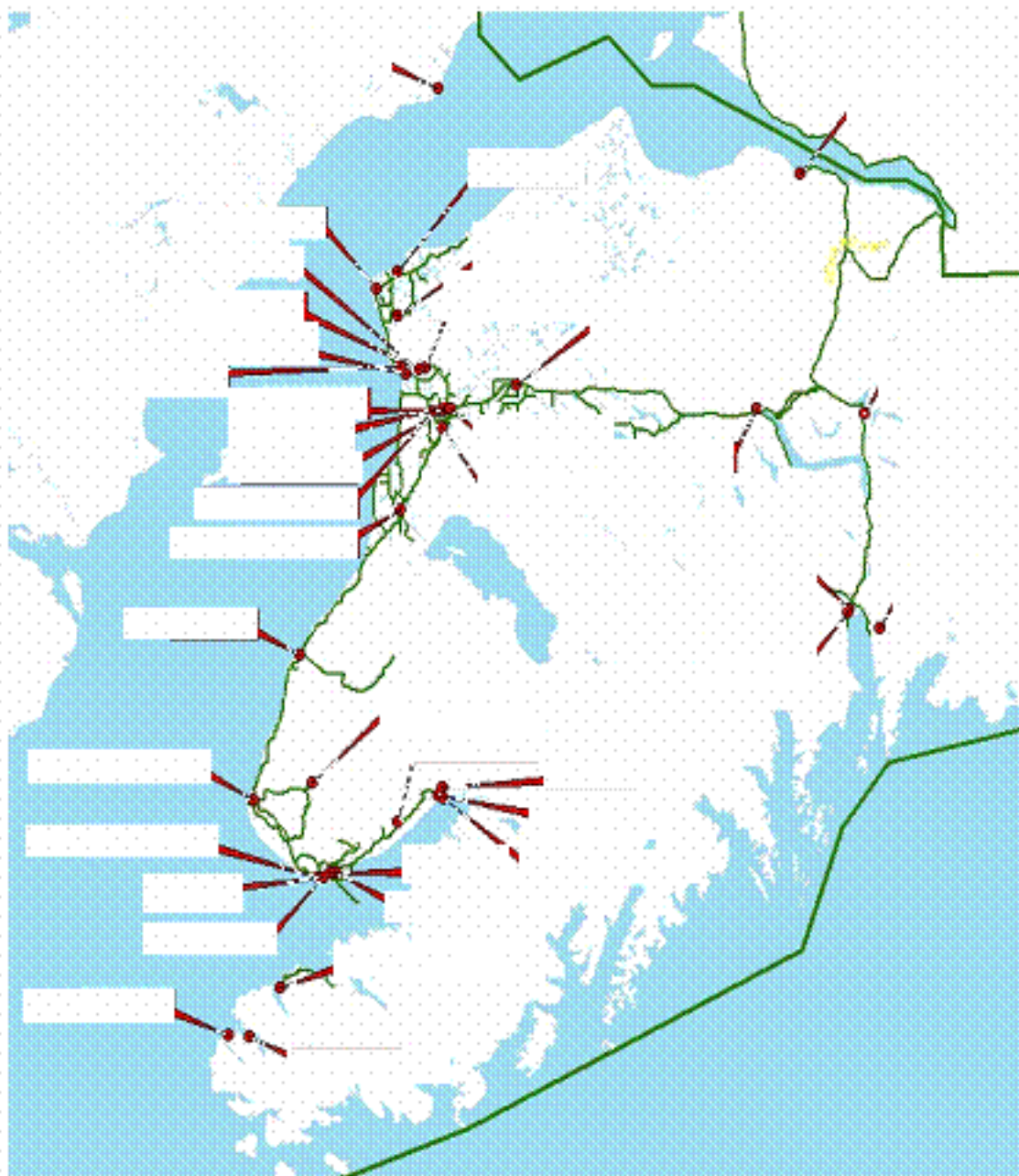
Certificate of Achievement, CFOA

Certificate of Excellence, ASBO

Organizational Chart

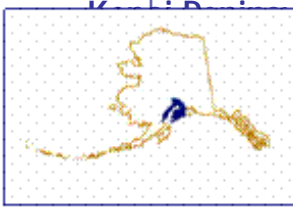
Kenai Peninsula Borough School Board

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Kenai Peninsula Borough School District

August 29, 2003

Members of the Board of Education and Citizens of the School District
Kenai Peninsula Borough School District
Soldotna, Alaska

The Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula Borough School District (District), for the fiscal year ended June 30, 2003 is submitted herewith. This report was prepared by the School District's finance department following the guidelines recommended by the Government Finance Officers Association of the United States and Canada, the Association of School Business Officials International and generally accepted accounting principles (GAAP). The statutes of the State of Alaska require that the Board of Education provide for an audit of all school accounts within ninety days following the close of the fiscal year, by an independent certified public accountant.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District.

We believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results

of operations of the School District as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs have been included.

The District's financial statements have been audited by Mikunda, Cottrell & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2003 are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2003 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, state and federally mandated "Single Audit" designed to meet the special needs of state and federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited school district's internal controls and compliance with legal

requirements, with special emphasis on internal controls and legal requirements involving the administration of state and federal awards. These reports are available in the District's separately issued single-audit report.

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

Comprehensive Annual Financial Report (CAFR)

The District's CAFR consists of four parts:

1. The introductory section includes this transmittal letter, a list of the elected officials of the Board of Education and their offices held, a list of selected administration officials, the District's administrative organization chart, and information on financial reporting achievements.
2. The financial section consists of MD&A, the basic financial statements, required supplementary information, and combining and individual fund statements and schedules. Combining statements are presented when the District has at least one non-major fund of a given fund category. Various combining statements are also presented to demonstrate compliance with the Alaska Department of Education and Early Development's *Uniform Chart of Accounts and Account Code Descriptions for Public School Districts*.
3. The schedules section includes the schedules of state and federal financial assistance.
4. The statistical section provides mostly trend data and non-financial information useful in assessing a government's financial condition. It also includes demographic and other miscellaneous information of the District. Some tables present District data which has been combined with data provided by the Kenai Peninsula Borough (primary government) to give a consolidated overview of the District's financial status.

The Reporting Entity

This report includes all funds and account groups of the District. The Kenai Peninsula Borough School District is a dependent unit; therefore, the financial data is required to be reported in the Comprehensive Annual Financial Report (CAFR) of the Kenai Peninsula Borough. Audited financial statements for the Borough are available upon request from its administrative offices. The District CAFR provides greater detail as a special report in accordance with State Regulations.

Relationship with Kenai Peninsula Borough

Pursuant to Alaska Statute 14.12.020(c) the Kenai Peninsula Borough Assembly provides the money, which must be raised from local sources to maintain and operate the School District. Alaska Statute 14.14.060 states a Borough can establish a centralized treasury and is responsible for major rehabilitation, all construction and major repair of school buildings. The Kenai Peninsula Borough provides for new construction, debt service, centralized treasury, building maintenance, and the cost of property and fire insurance for school facilities.

Therefore, such physical plant, bonded debt, capital improvement funds, tax levies, tax collection, maintenance of buildings and insurance of buildings are accounted for by the Kenai Peninsula Borough and are reflected in their report. The maintenance of buildings and insurance of buildings is also required by the State of Alaska to be shown in the School District report as "in-kind revenue and expenditures." These amounts are shown in the report in the General Fund Schedules.

Included in the Financial Report are numerous statistical tables presenting a financial and statistical history of the Kenai Peninsula Borough School District for the last ten years. Some tables present School District data that has been combined with data provided by the Kenai Peninsula Borough to give a consolidated overview of the School District's financial status.

Board of Education - Governance of the School District

Alaska Statute sections 12.12.010 – 115 provide for the creation of school districts in the State of Alaska and establish a school board as the governing body for each district. The seven voting members of the School District Board of Education (Board of Education) determine policy for operation and management of the District. Each member serves for three years, elected each year for overlapping terms.

Profile of the District

The District encompasses an area of 25,600 square miles. Approximately 9,600 students attend forty-three schools and the guided independent study program in our district, in twenty-one communities. Our schools include K-12 configurations in remote sites to conventional configurations in our larger communities. The School District provides a full range of educational services on an area wide basis within the Kenai Peninsula Borough. These services include elementary education, secondary education, bilingual education, vocational education, education for exceptional students, correspondence study, pupil transportation, food service program, athletic programs, instructional and general administrative services. Special needs are met with the assistance of programs and services such as Alaska native education, gifted/talented, bilingual/bicultural, Chapter 1/Migrant Education and special education.

Internal Control

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal account controls. Management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, the District's internal account controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The objective of the District's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Resources are allocated to and accounted for individual funds, based upon the purposes for which those funds were created. Transfers in excess of \$10,000 are authorized by the Board of Education. Therefore, the legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriation) is the fund level. All other transfers are authorized by the superintendent and reported quarterly to the Board of Education.

Factors Affecting Financial Condition

The District and Borough government are largely dependent upon actions of the State government to finance its operating and capital programs. Projected declining levels of production indicate that State oil revenue, which funds 85% of the State's budget, cannot be counted on to continue to fund local governments at the current level. As the State government attempts to reduce its operating budget, more responsibilities will tend to be shifted down to the local level.

The Borough's economy has experienced consistent, gradual growth since the late 1980's. Local indicators point to continued growth and stability. In recent years, taxable property values have increased at a rate faster than Borough expenditures. As a result, the Borough's tax rate has decreased. Borough wide, the general government tax rate has decreased from 8.59 mills in FY1996 to 6.5 mills in FY2003. 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 FY2003 sales tax revenue represents almost 29%. Oil

and gas continues to provide stable employment in the Borough, with gas on the increase and oil on a slow decline. New exploration for natural gas resulted in the construction of a gas line from Ninilchik to Kenai, while two oil production platforms were shut in and taken offline due to poor production levels. Overall oil production decreased 1.85% to 11,300,000 barrels annually.

The Twenty-Third Alaska State Legislature increased the base student dollar allocation used in the Foundation Funding Program from \$4,010 to \$4,169 per student representing a 4% increase to public education for FY2004. This action eliminated the supplemental funding that has been awarded in recent years.

The financial condition of the school district is and will continue to be a pressing concern for the future. The State Foundation Program sets the amount of general school funding the School District receives from the State and it also sets the limit of the amount to be raised from local sources under an equalization section of the formula. The School District anticipates being at the local effort cap under the formula again next fiscal year for the fifteenth year. Future inflationary costs will most likely need to be absorbed by budget reductions.

Changes in enrollment have a dramatic impact on Foundation Program funding. Enrollment is expected to decline over the next few years. Currently, the Foundation Program does not provide mechanisms to deal with inflation and general price increases. There is ongoing effort to review the adequacy of educational funding, and regional cost differences, but any changes would be subject to action by the State Legislature.

Cash Management

All cash funds of the District are maintained in the Borough's central cash treasury to maximize investments income while minimizing risk of loss of capital. The District is not authorized to secure direct investments. Borough Ordinances describe the objectives, policies and procedures for the investment of Borough funds and applies to the investments of all Borough monies, unless provided expressly by ordinance. The Borough's investment policy is to minimize market risks, maintain sufficient liquidity, and to achieve reasonable rates of return.

The School District staff works closely with the Borough staff concerning cash management and projected cash flow. Interest income is allocated to the District based upon the cumulative, month-end cash equity balances.

Risk Management

The District in conjunction with the Borough has a limited self-insurance program which is administered by a risk management committee. As part of this program, resources are accumulated in an internal service fund of the Borough which is more fully described in the notes.

Pension and Other Post-employment Benefits

The District participates in the Alaska Public Employees' Retirement System (PERS), a defined benefit, agent, multiple employer public employee retirement system and the Alaska Teachers' Retirement (TRS), a defined benefit cost-sharing multiple employer retirement system. PERS and TRS are established and administered by the State of Alaska to provide pension, post-employment health care, death, and disability benefits to eligible employees.

Certificate of Excellence/Certificate of Achievement

The Association of School Business Officials International (ASBOI) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2002.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2002.

This was the thirteenth year the school district received these prestigious awards. In order to be awarded a Certificate of Achievement, the school district must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement and a Certificate of Excellence is valid for a period of one year only. We believe our current CAFR continues to meet the high standards of the Certificate of Achievement and Certificate of Excellence program requirements and are submitting it to the ASBO International and GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the business office and the cooperation of the Borough Finance Department. We would like to express our appreciation to all the people who assisted and contributed to the preparation of this report. We would also like to thank the members of the Board of Education, for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

Dr. Donna Peterson
Superintendent

Melody Douglas, RSBO
Chief Financial Officer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kenai Peninsula Borough School District, Alaska

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

June 30, 2002

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



Edward Haney

President

Jeffrey R. Emer

Executive Director

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**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2002

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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SCHOOL ADMINISTRATORS

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
148 North Binkley Street
Soldotna, Alaska 99669

SCHOOL BOARD

Joe Arness, President
Sammy Crawford, Vice President
Deborah Germano, Clerk
Margaret Gilman, Treasurer
Debra Mullins, Member
Dr. Nels Anderson, Member
Al Poindexter, Member
Cameron Poindexter, Student Representative

ADMINISTRATION

Dr. Donna Peterson, Superintendent of Schools
Dr. Gary Whiteley, Assistant Superintendent, Instruction
Todd Syverson, Assistant Superintendent, Administrative Services
Melody Douglas, Chief Financial Officer

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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

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A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
215 Fidalgo, Suite 206. Kenai, Alaska 99611 (907) 283-3484, Fax (907) 283-5842

Independent Auditor's Report

Members of the School Board
Kenai Peninsula Borough School District Soldotna, Alaska

We have audited the accompanying basic financial statements of Kenai Peninsula Borough School District, a component unit of the Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of Kenai Peninsula Borough School District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kenai Peninsula Borough School District as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our

audit.

MCGLADREY NETWORK

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Offices: Anchorage, Bethel, Kenai & Seward

Members of the School Board Kenai Peninsula Borough School District

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kenai Peninsula Borough School District's basic financial statements. The introductory section, combining and individual fund statements, schedules, and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organization*, and the schedule of state financial assistance as required by the State of Alaska Office of Management and Budget, *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section, as identified 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 express no opinion on them.

August 29, 2003

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As management of the Kenai Peninsula Borough School District (District), we offer readers of the Kenai Peninsula Borough School District's financial statements this overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on [pages 5-9](#) of this report.

Financial Highlights

- The assets of the Kenai Peninsula Borough School District exceeded its liabilities at the close of the most recent year by \$6,141,960. Of this amount, \$4,716,739 (unrestricted net assets) may be used to meet the government's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,136,843, an increase of \$1,304,348 in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,648,841. Of this amount, \$376,419 was unreserved, undesignated and available for spending. The unreserved, undesignated fund balance for the General Fund represented 0.5% of total General Fund expenditures.
- The District's total debt decreased by \$320,705. No new debt was issued during the year. Contracts payable at the end of the year were \$479,857.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements report information about the overall finances of the District similar to a business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The statement of net assets presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities provides information which shows how the District's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector business. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities distinguish functions of the District that are financed primarily by intergovernmental revenues and charges for services (governmental activities) from functions where user fees and charges to customers help to cover some of the cost of services (business-type activities). The District does not have any business-type activities.

The government-wide financial statements can be found on [pages 32-33](#) of this report.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain control over resources that have segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on short-term view of the District's operations. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 37 individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and The Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds for the General Fund and the Title I Fund, both of which are considered to be major funds. Data for the other 35 funds are combined into a single aggregated presentation. Data for each of these non-major governmental funds is provided in combining and individual funds section of the financial statements.

The District adopts an annual appropriated budget for the general fund and special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on [pages 34-39](#) of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by the District 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 District cannot use these assets for its operations.

The basic fiduciary fund financial statement can be found on [page 40](#) of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on [pages 43-54](#) of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Governmental-wide Financial Analysis

The District's financial position has improved as of June 30, 2003 compared to June 30, 2002. This situation will be short-lived, however, due to a continued decline in enrollment projected for FY2004 and beyond and settlement of employee contract negotiations. The combination of declining revenue and increasing labor costs, with little hope of additional funding increases from the State of Alaska in the near future, will create financial challenges for the District.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,141,960, at June 30, 2003 compared to \$4,849,015 at June 30, 2002.

**Net Assets
Governmental Activities**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Current and other assets	\$16,051,753	\$13,690,922
Capital assets	1,434,792	1,615,472
Total Assets	<u>17,486,545</u>	<u>15,306,394</u>
Current and other liabilities	10,864,728	9,656,817
Long-term liabilities	479,857	800,562
Total Liabilities	<u>11,344,585</u>	<u>10,457,379</u>
Net Assets		
Invested in capital assets, net of debt	954,935	814,908
Restricted	470,286	164,128
Unrestricted	4,716,739	3,869,979
Total Net Assets	<u><u>\$6,141,960</u></u>	<u><u>\$4,849,015</u></u>

Changes in net assets. The total revenues and expenses for governmental activities are reflected in the following chart:

**Changes in Net Assets
Governmental Activities**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Revenues:		
Program revenues		
Charges for Services	\$1,337,292	\$1,373,313
Operating Grants and Contributions	12,658,402	12,094,885
Capital Grants and Contributions	-	-
General Revenues		
Foundation Program	43,992,698	42,482,522
Borough Appropriation	30,618,860	30,189,118
Earnings on Investments	386,694	1,846,392
Other	932,164	2,237,717
Total Revenues	<u>89,926,110</u>	<u>90,223,947</u>
Expenses:		
Instruction	49,727,605	49,528,666
Support Services, Pupils	6,918,425	6,918,727
School Administration	3,457,924	3,186,905
General Support Services	5,865,899	5,986,841
Operation and Maintenance of Plant	13,626,274	13,580,657
Student Activities	1,443,880	1,418,175
Student Transportation Services	4,789,453	4,649,507
Community Services	304,358	293,131

Student Nutrition Services	2,499,347	2,371,071
Total Expenses	<u>88,633,165</u>	<u>87,933,680</u>
Change in Net Assets	<u>1,292,945</u>	<u>2,290,267</u>
Beginning Net Assets as of July 1	<u>4,849,015</u>	<u>2,558,748*</u>
Ending Net Assets as of June 30	<u><u>\$6,141,960</u></u>	<u><u>\$4,849,015</u></u>

* FY02 beginning net assets restated due to addition of \$569,670 of capital assets

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Did the District 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 District's governmental funds reported combined ending fund balances of \$7,136,843, an increase of \$1,304,348 in comparison with the prior year. A portion of this amount is reserved to indicate that it is not available to new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,098,557), 2) inventories for \$812,413, and 3) Charter Schools for \$465,765. The remainder of fund balance is unreserved (\$4,706,108); although \$4,295,502 is shown as designated in accordance with the District's fund balance policy. The remainder is available for spending at the government's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance was \$7,009,898, unreserved fund balance was \$4,648,841, and unreserved undesignated fund balance was \$376,419. General fund balance increased \$1,603,340 from the prior year. Key factors include:

- \$358,232 of unexpended Charter School funds
- \$301,923 of unexpended school and department funds
- \$436,706 of unexpended Learning Opportunity Grant funds

General Fund Budgetary Highlights

Significant differences between the original budget and the final amended budget can be summarized as follows:

- Due to a shortfall in enrollment of 35 FTE the District realized \$288,279 less revenue from the State of Alaska than projected. A budget revision was approved November 2, 2002 to reflect this revenue shortfall.
- The District revises all salary and benefit budgets annually to reflect actual costs; that adjustment was approved January 6, 2003 in the amount of \$1,281,761.
- Between the two approved budget revisions it was necessary to appropriate \$1,496,539 of fund balance to balance to the expenditure budget.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2003 amounts to \$1,434,792 (net of accumulated depreciation) compared to \$1,615,472 as of June 30, 2002. The investment in capital assets includes furniture and equipment.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$479,857 compared to \$800,562 as of June 30, 2002.

Additional information on the District's long-term debt can be found in note 5 on page 50 of this report.

Economic Factors and the Next Year's Budget and Rates.

In setting the budgets for FY2004, the District considered a number of issues with District wide impact, among them:

- A sufficient level of funding necessary to meet the needs of the District.
- A continued reduction in the historical variance between budget and actual revenues and expenditures.
- Maintenance of the District's financial condition.
- The highest level of local educational funding that Borough residents can reasonably afford and sustain.
- A high quality operational maintenance program that ensures the continued use and economic value of borough facilities.

Request for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finance. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Kenai Peninsula Borough School District, 148 N. Binkley Street, Soldotna, AK 99669.

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Assets

Statement of Activities

Fund Financial Statements:

Balance Sheet, Governmental Funds

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balance

Reconciliation of Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Major Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – General Fund

Major Governmental Funds – Statement of Revenues, Expenditures and Changes In Fund Balance, Budget and Actual – Title I

Fiduciary Funds, Statement of Fiduciary Assets and Liabilities

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

ASSETS

Current Assets:	
Cash	\$ 79,160
Equity in Central Treasury	10,726,059
Accounts Receivable	91,303
Due from Other Governments	4,056,081
Inventories	<u>1,099,150</u>
Total Current Assets	<u>16,051,753</u>
Capital Assets:	
Furniture and Equipment	6,465,495
Less Accumulated Depreciation	<u>(5,030,703)</u>
Capital Assets - Net of Accumulated Depreciation	<u>1,434,792</u>
Total Assets	<u>17,486,545</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	199,268
Accrued Liabilities	8,711,434
Compensated Absences	1,949,817
Current Portion of Long-Term Obligations:	
Contracts Payable	150,915
Deferred Revenue	<u>4,209</u>
Total Current Liabilities	<u>11,015,643</u>
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Obligations:	
Contracts Payable	<u>328,942</u>
Total Liabilities	<u>11,344,585</u>

NET ASSETS

Invested in Capital Assets, net of related debt	954,935
Restricted:	
Charter Schools	465,765
Special Revenue Funds	4,521
Unrestricted	<u>4,716,739</u>
Total Net Assets	<u>\$ 6,141,960</u>

The notes to the financial statements are an integral part of this statement.

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 49,727,605	\$ -	\$ 6,648,288	\$ -	\$ (43,079,317)
Support services - pupils	6,918,425	-	13,554	-	(6,904,871)
School administration	3,457,924	-	-	-	(3,457,924)
General supporting services	5,865,899	-	-	-	(5,865,899)
Operation and maintenance of plant	13,626,274	-	-	-	(13,626,274)
Student activities	1,443,880	-	-	-	(1,443,880)
Pupil transportation	4,789,453	-	4,681,170	-	(108,283)
Community services	304,358	210,481	525	-	(93,352)
Food service	2,499,347	1,126,811	1,314,865	-	(57,671)
Total governmental activities	\$ 88,633,165	\$ 1,337,292	\$ 12,658,402	\$ -	(74,637,471)

General revenues:

Grants and contributions not restricted to specific programs:

Borough direct appropriation	30,618,860
Foundation program	43,992,698
Earnings on Investments	386,694
Medicaid Reimbursement	279,021
Other	653,143

Total general revenues 75,930,416

Change in net assets 1,292,945

Net assets - beginning as originally reported 4,279,345

Additional capital assets 569,670

Net assets - beginning as restated 4,849,015

Net assets - ending \$ 6,141,960

The notes to the financial statements are an integral part of this statement.

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2003

	General	Title I	Other Governmental	Total Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash	\$ 79,160	\$ -	\$ -	\$ 79,160
Equity in Central Treasury	10,621,303	-	104,756	10,726,059
Accounts Receivable	17,161	-	74,142	91,303
Due from Other Governments	135,000	2,277,222	1,643,859	4,056,081
Due from Special Revenue Funds	4,262,988	-	-	4,262,988
Inventories	796,771	-	302,379	1,099,150
Total Assets	<u>\$ 15,912,383</u>	<u>\$ 2,277,222</u>	<u>\$ 2,125,136</u>	<u>\$ 20,314,741</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 191,051	\$ -	\$ 8,217	\$ 199,268
Accrued Liabilities	8,711,434	-	-	8,711,434
Due to General Fund	-	2,277,222	1,985,765	4,262,987
Deferred Revenue	-	-	4,209	4,209
Total Liabilities	<u>8,902,485</u>	<u>2,277,222</u>	<u>1,998,191</u>	<u>13,177,898</u>
Fund Balances:				
Reserved For:				
Charter Schools	465,765	-	-	465,765
Encumbrances	1,098,521	-	36	1,098,557
Inventories	796,771	-	15,642	812,413
Unreserved:				
Designated for:				
Compensated Absences	1,949,817	-	-	1,949,817
Equipment Expenditures	-	-	23,080	23,080
Potential Interest Earnings Shortfall	400,000	-	-	400,000
School Incentive Purchases	322,605	-	-	322,605
TRS/PERS Rate Increase	1,600,000	-	-	1,600,000
Undesignated:				
General Fund	376,419	-	-	376,419
Special Revenue Fund	-	-	88,187	88,187
Total Fund Balances	<u>7,009,898</u>	<u>-</u>	<u>126,945</u>	<u>6,672,237</u>
Total Liabilities and Fund Balances	<u>\$ 15,912,383</u>	<u>\$ 2,277,222</u>	<u>\$ 2,125,136</u>	<u>\$ 20,314,741</u>

The notes to the financial statements are an integral part of this statement.

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Kenai Peninsula Borough School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2003

Fund balances – total governmental funds \$
 7,136,843

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

The cost of capital assets (furniture and equipment) purchased is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the School District as a whole. The cost of those capital assets is allocated over their useful lives (as depreciation expense) to the various functions reported as governmental activities in the statement of activities.

Cost of capital assets	\$
6,465,495	
Accumulated depreciation to date	
<u>(5,030,703)</u>	
1,434,792	

Liabilities applicable to the District's governmental funds are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities are reported in the statement of net assets:

Compensated absences	
(1,949,817)	
Contracts payable	
<u>(479,857)</u>	
Net assets	\$
<u>6,141,961</u>	-

The notes to the financial statements are an integral part of this statement.

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
for the Year Ended June 30, 2003

	General	Title I	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental - Local	\$ 30,618,860	\$ -	\$ -	\$ 30,618,860
Intergovernmental - State	43,992,698	-	4,889,381	48,882,079
Intergovernmental - Federal	279,021	3,526,381	4,190,585	7,995,987
Food Sales	-	-	1,126,811	1,126,811
Corporate Grants and User Fees	-	-	245,396	245,396
Earnings on Investments	386,694	-	-	386,694
Other Revenues	653,143	-	17,140	670,283
Total Revenues	75,930,416	3,526,381	10,469,313	89,926,110
Expenditures - Current:				
Instruction	43,095,279	3,526,381	3,145,234	49,766,894
Supporting Services - Pupil	6,923,103	-	13,554	6,936,657
School Administration	3,420,590	-	-	3,420,590
General Supporting Services	5,750,012	-	-	5,750,012
Operations and Maintenance of Plant	13,601,441	-	-	13,601,441
Pupil Activities	1,450,601	-	-	1,450,601
Community Services	-	-	303,099	303,099
Pupil Transportation	-	-	4,880,513	4,880,513
Food Service	-	-	2,511,955	2,511,955
Total Expenditures	74,241,026	3,526,381	10,854,355	88,621,762
Excess (Deficiency) of Revenues				
Over Expenditures	1,689,390	-	(385,042)	1,304,348
Other Financing Sources (Uses):				
Capitalized Leases	-	-	-	-
Transfers In	102,994	-	189,044	292,038
Transfers Out	(189,044)	-	(102,994)	(292,038)
Total Other Financing Sources (Uses)	(86,050) #	- #	86,050 #	- #
Net Change in Fund Balances	1,603,340	-	(298,992)	1,304,348

Fund Balances, Beginning of Year	<u>5,406,558</u>	<u>-</u>	<u>425,937</u>	<u>5,832,495</u>
Cumulative Effect on Prior Years of Applying GASBI No. 6	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning as Restated	<u>5,406,558</u>	<u>-</u>	<u>425,937</u>	<u>5,832,495</u>
Fund Balances, End of Year	<u>\$ 7,009,898</u>	<u>\$ -</u>	<u>\$ 126,945</u>	<u>\$ 7,136,843</u>

The notes to the financial statements are an integral part of this statement.

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Kenai Peninsula Borough School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2003

Net change in fund balances – total governmental funds \$
 1,304,348

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

Governmental funds report capital outlays as expenditures. However,
 in the statement of activities the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense.
 This is the amount by which capital outlays exceeded depreciation
 in the current period.

Capital outlays \$ 151,744

Current depreciation expense

(332,424)

(180,680)

Repayment of capital leases is an expenditure in the

governmental funds, but the repayment reduces
 long-term liabilities in the statement of net assets.

(320,706)

Governmental funds recognize expenditures for compensated absences
 as they are paid, while in the Statement of Activities, the compensated
 absences are expensed as they are earned.

(151,429)

Change in net assets \$
1,292,945

The notes to the financial statements are an integral part of this statement.

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
Major Governmental Funds - Title I
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
June 30, 2003
With Comparative Totals as of June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)	
Revenues:					
Intergovernmental - Federal	2,786,276	4,184,598	3,526,381	(658,217)	2,232,844
Expenditures:					
Current:					
Instruction	<u>2,786,276</u>	<u>4,184,598</u>	<u>3,526,381</u>	<u># 658,217</u>	<u>2,232,844</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	
Fund Balances, Beginning of Year			-		
Fund Balances, End of Year			<u>\$ -</u>		

The notes to the financial statements are an integral part of this statement.

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KENAI PENINSULA BOURGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2003

Student
Activity
Agency
Funds

ASSETS

Equity in Central Treasury	\$ <u>2,027,158</u>
Total Assets	<u>2,027,158</u>

LIABILITIES

Deposits due others	<u>2,027,158</u>
Total Liabilities	\$ <u>2,027,158</u>

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The notes to the financial statements are an integral part of this statement.

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kenai Peninsula Borough School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 School District's accounting policies are described below.

Reporting Entity

Pursuant to Alaska Statutes, Title 29-35.160, the Kenai Peninsula Borough (the "Borough") has the responsibility of establishing, maintaining and operating a system of public schools. The Kenai Peninsula Borough has delegated the administrative responsibilities for compliance with the statutes to the School Board of the Kenai Peninsula Borough School District, while retaining the responsibility for the physical plant except furniture and equipment. School District financial data is discretely presented in the Kenai Peninsula Borough Comprehensive Annual Financial Report.

Complete financial statements of the Borough may be obtained from the Borough Clerk's Office at 148 N. Binkley Street, Soldotna, Alaska 99669; phone number 907-262-4441.

These financial statements include all funds and account groups of the School District. The operational services provided directly by the Borough have been included in the General Fund as Intergovernmental-Local revenue and expenditures.

During the year ended June 30, 2003, the School District recorded in-kind services provided by the Borough for school operations as follows:

Custodial	\$ 77,856
Utilities	44,064
Maintenance	5,065,008
Insurance	879,790
Audit	<u>26,000</u>
	<u>\$ 6,092,718</u>

Measurement Focus, Basis of Accounting and Financial Statement Presentation Modified. The School District's governmental funds use the modified accrual basis of accounting, whereas the fiduciary fund uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. "Measurable" means amounts can be reasonably determined within the current period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. All major revenue sources including revenues from the Kenai Peninsula Borough, the State of Alaska and the United States government are considered susceptible to accrual. Expenditures are recorded at the time when the related fund liability is incurred.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund reports only assets and liabilities and as such cannot be said to have a measurement focus. Agency funds do, however, use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Entitlements and shared revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue for expenditure-driven grants is recognized when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the School District.

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

The School District reports the following major governmental funds:

General Fund – The School District's primary operating fund. Major revenue sources include the local government's contribution to education, the State of Alaska public school foundation program, and other state and federal revenues. Expenditures are authorized in the annual budget and are made for such activities as student instruction, support services, administration, operations and maintenance, and student activities.

Title I Fund – The Title I fund primarily provides supplemental reading support to struggling learners. Another focus of this fund addresses the needs of students struggling with mathematics concepts. In addition to direct services to students, Title I programs provide staff development opportunities and parent involvement support at each school.

Additionally, the School District reports the following fund type:

Agency fund – The pupil activities agency fund accounts for the assets held by the School District as an agent for various student and school-related organizations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund Accounting

The accounts of the School District are organized on the basis of funds. A fund is considered a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues and expenditures for transactions related to certain district functions or activities. Undesignated fund balance represents the excess of assets over liabilities and reserved fund balance.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate fund types.

Governmental Funds. Governmental fund operations are focused on the measurement of the sources and flow of current financial resources. This measurement is unique in that generally only current expendable financial resources are accounted for in this group. Governmental funds consist of the following fund types:

General Fund - The general School District activities are recorded in the General Fund. The revenues of the General Fund are derived primarily from the Kenai Peninsula Borough and allocations received from the State of Alaska and the United States government. Primary expenditures in the general fund are made for student instruction, operation of plant and administration.

The State Board of Education and Early Development adopted a revision to the Uniform Chart of Accounts and Account Code Descriptions for Public School Districts effective July 1, 2001. The School District implemented this revision early, with a separate function to account for school administrators being the most significant change.

Special Revenue Funds - These funds account for revenues from specific revenue sources including food sales, transportation, grants from the State of Alaska and United States government, and transfers from the General Fund designated to finance particular functions and activities.

Fiduciary Funds. This fund category is used to account for those assets which the School District holds on behalf of others as their agent.

Student Activity Fund - The Student Activity Fund accounts for each Kenai Peninsula Borough school's individual activity account which sponsors student activities within the school such as athletics and student clubs.

District-wide Financial Statements

The statement of net assets and the statement of activities display information about the reporting entity as a whole. Fiduciary funds are not included in the district-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers, parents, or students who purchase, use, or directly benefit from goods or services provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The local government's contribution to education, State of Alaska public school foundation program revenue, and other items not properly included among program revenues are reported instead as general revenues.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets (net of related debt) consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws, or regulations of other governments.

Budgets

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

The Kenai Peninsula Borough School District Board of Education is required by Alaska law to adopt and submit their annual budget to the Kenai Peninsula Borough Assembly by April 1 of each year for approval by the Borough Assembly. 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. By May 31, the Borough Assembly must appropriate the local share of funding. Subsequent changes in the School District budget must be authorized by

the Borough Assembly.

Subsequent to formal budget adoption, the Board of Education may, by motion, transfer appropriations between major budget classifications or departments. The Superintendent may transfer amounts between line items within a major budget classification. Appropriations on annual budgets lapse at year-end.

Activities of the general fund and the special revenue funds are included in the annual appropriating budget.

Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Kenai Peninsula Borough School District Board of Education. Resources are allocated to, and accounted for, in individual funds, based upon the purposes for which those funds were created. The legal level of control (that is, the level at which expenditures cannot legally exceed the appropriation) is at the fund level.

The School District maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Open encumbrance amounts lapse at year-end. However, these amounts are automatically reappropriated by Board Policy as part of the subsequent year's budget.

The School District prepared its budget on generally accepted accounting principles (GAAP) basis.

The FY03 budget was developed with a forecast of 9,725 students. The actual student average daily membership was 9,673 students in grades K-12. The general fund budget was modified November 4, 2002 to reflect this shortfall in enrollment, and to incorporate the budget for a new charter school in the amount of \$211,483. The January 6, 2003 general fund budget revision addressed the \$1,281,761 estimated employee salary and benefit increases projected pending settlement of employee contract negotiations. These budget amendments are detailed as follows:

**Kenai Peninsula Borough School District
FY03 Revenue Budget Change – General Fund**

	7-1-02 KPBSD Original Budget	11-4-02 KPBSD Revision	1-6-03 KPBSD Revision
	<u> </u>	<u> </u>	<u> </u>
General Fund	\$76,506,530	\$ 76,506,530	\$ 76,506,530
Decrease in Borough Appropriation	-	(66,303)	(66,303)
Decrease due to enrollment shortfall	-	(288,279)	(288,279)
Decrease in Learning Opportunity Grant *	-	(486)	(486)
Appropriation of Fund Balance	-	464,778	464,778
Additional Appropriation of Fund Balance	<u>-</u>	<u>-</u>	<u>1,031,761</u>
Revised Operating Fund	<u>\$76,506,530</u>	<u>\$ 76,616,240</u>	<u>\$ 77,648,001</u>

Cash and Investments

The School District participates in a Central Treasury managed by the Kenai Peninsula Borough. The Central Treasury concept permits investment of combined funds. Each fund has an account titled, "Equity in Central Treasury" which is that fund's share of the Equity in Central Treasury. Each fund whose monies are deposited in the Central Treasury has equity therein.

Borough ordinance authorizes the Borough to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances of the fifty largest banks, highest rated commercial paper, repurchase agreements, fully collateralized certificates of deposit, money market mutual funds, highest rated bonds and notes issued by a state or political subdivision thereof, and the Alaska Municipal League Investment Pool, Inc. Borough ordinance places limitations on maturity of investments, and Borough investment procedures limit the level of investment by type. School District investments are insured or registered or are securities which are held by the Borough or its agent in the Borough's name, the lowest risk category as defined by Statement No. 3 of the Governmental Accounting Standards Board.

Cash is used to account for cash held in bank accounts for the Student Activity Agency Fund and to account for petty cash and other cash not classified elsewhere. All deposits are collateralized by federal deposit insurance or by securities held by the Borough's agent in the Borough's name.

Investments are stated at fair value.

Short Term Inter-fund Receivables/Payables

During the course of operations, individual funds may overdraw their share of the pooled cash in the Central Treasury. Such advances are classified as "due to other funds" while the offsetting inter-fund receivable is classified as "due from other funds" in the General Fund on the balance sheet.

Inventories

Inventories are recorded at average cost on a first-in, first-out basis. General fund inventory consists of expendable supplies and equipment held at the central warehouse for issuance to schools or other School District locations. Student Nutrition Service Fund inventory consists of foodstuffs. The cost of inventory items in the School Operating Fund and Student Nutrition Service Fund is included in expenditures when issued to schools from the central warehouse or issued for consumption. Land acquired for the Building Trades Project (see Note 6) is recorded at cost. A portion of fund balance is reserved for inventory to indicate that inventory does not represent available, spendable resources even though it is a component of assets.

School Maintenance Supply inventory is maintained and accounted for by the Kenai Peninsula Borough. The cost of these inventory items is included in Borough In-Kind Services.

Capital Assets

The Borough owns and accounts for all land, school buildings, and improvements other than buildings, which are provided to School District schools without charge. General capital assets, which consist of furniture and equipment, are reported in the governmental activities column in the district-wide financial statements. General capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life in excess of one year. General capital assets are valued at cost or estimated historical cost when the original cost is not available and depreciated/amortized over their estimated useful lives. Donated capital assets are valued at their estimated fair market value on the date received. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on estimated useful lives of 5 to 20 years for furniture and equipment.

Compensated Absences

It is the District's policy to allow employees to accumulate leave benefits which vary by employee groups. Leave benefits include annual leave, certain sick leave

balances that are paid at retirement, and personal leave which may be cashed in under certain conditions. The District records its liability for these compensated absences as a designation of fund balance in the governmental funds for the amount equal to the value of the accrued leave at June 30, whereas in the government-wide statements, the value of the accrued compensated absences is shown as a liability of the District.

Sick leave that is not payable upon retirement is recorded as an expenditure/expense when used. Compensated absences historically are expenditures of the general fund, food service fund, Title I fund and transportation fund.

Fund Balance

Reserves for encumbrances, inventories, and Charter Schools represent those portions of fund balance legally segregated for future use. Designated portions of fund balances for compensated absences, equipment expenditures, potential interest shortfall, and school incentive purchases represent tentative planning for future use of financial resources. Undesignated fund balance represents the excess of assets over liabilities and designated fund balance.

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 appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and will be honored through subsequent year's expenditures.

Grants

Reimbursable grant revenues are recognized in the respective grant fund at the time eligible expenditures are made.

In-Kind Contributions

The Kenai Peninsula Borough pays for certain expenditures of the school district. The School District records these amounts as in-kind contributions at their actual cost.

Inter-fund Transactions

Inter-fund services provided and used are accounted for as revenues and expenditures between the participating funds. Transactions that constitute reimbursement to a fund for expenditures initially made from it and that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund being reimbursed.

Except for Inter-fund services and reimbursements, all other inter-fund transfers are reported as transfers.

NOTE 2 - EQUITY IN CENTRAL TREASURY

The carrying value of the equity in the Central Treasury varies from the balances reported on the balance sheet by the amount that individual funds have overdrawn their share of the pooled cash. A reconciliation of the carrying value to the reported value as of June 30, 2003 is as follows:

	- <u>General</u>	Special <u>Revenue</u>	Governmental <u>Total</u>	<u>Agency</u>
Carrying value of equity in Central Treasury	\$10,621,303	\$ 104,756	\$ 10,726,059	\$ 2,027,158
Due to (from) other funds	<u>(4,262,988)</u>	<u>4,262,988</u>	-	-
Reported Equity in Central Treasury	<u>\$ 6,358,315</u>	<u>\$4,367,744</u>	<u>\$10,726,059</u>	<u>\$ 2,027,158</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2003, consist of the following:

	<u>General</u>	Special <u>Revenue</u>	<u>Agency</u>	<u>Total</u>
Accounts	\$ 17,161	\$ 74,142	\$ -	\$ 91,303
Intergovernmental	<u>135,000</u>	<u>3,921,081</u>	-	<u>4,056,081</u>
Total receivables	<u>\$ 152,161</u>	<u>\$ 3,995,223</u>	<u>\$ -</u>	<u>\$ 4,147,384</u>

All receivables are considered collectible based upon the terms and nature of the grants and receivables; therefore, no allowance for uncollectible receivables has been provided.

NOTE 4 - CAPITAL ASSETS

The Borough owns and accounts for all land, school buildings and improvements other than buildings, which are provided to School District schools without charge. Capital assets, as recorded in the School District's financial records, consists of furniture and equipment. The changes in capital assets by major class for year ended June 30, 2003, were as follows:

	July 1, 2002 <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	June 30, 2003 <u>Balance</u>
Governmental activities:				
Furniture and equipment	<u>\$ 6,313,751</u>	<u>\$ 151,744</u>	<u>\$ -</u>	<u>\$ 6,465,495</u>
Less accumulated depreciation for furniture and equipment	<u>(4,698,279)</u>	<u>(332,424)</u>	<u>-</u>	<u>(5,030,703)</u>
Governmental activities capital assets, net	<u>\$ 1,615,472</u>	<u>\$ (180,680)</u>	<u>\$ -</u>	<u>\$ 1,434,792</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 90,621
Support services – students	6,293
School administration	22,154
General support services	72,804
Operations and maintenance of plant	10,782
Student activities	32,942
Pupil transportation	80,593
Community services	1,259
Food services	14,976
Total depreciation expense	\$ 332,424

Schedule of Fixed Assets
Depreciation Classes by Useful Life

<u>Useful Life (years)</u>	<u>Description</u>
5	Computers, printers, and library equipment.
7	Vehicles, and audio video equipment
10	Buses, musical instruments, athletic, food service, and medical equipment.
15	Classroom communication, custodial, shop and playground equipment.
20	Furniture

NOTE 5 - LONG TERM DEBT

The School District's long-term debt as of June 30, 2002 is comprised of the following:

Long-term contracts payable

\$ 122,710 for a Food Service point of sale system, with contracts due in annual installments through 2004 at 6.75% interest.	\$ 29,179
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\$ 623,522 for the purchase of (100) copiers, with contracts due in annual payments through 2007 at 4.4% interest	450,678
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\$ 479,857

The following is a summary of changes in long-term debt for the year ended June 30, 2003:

	Long-Term Contracts	<u>Payables</u>
Payable at July 1, 2002	\$ 800,562	
Payments	<u>(320,705)</u>	
Payable at July 1, 2003	<u>\$ 479,857</u>	

The annual requirements to amortize debt outstanding as of June 30, 2003 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003-04	150,915	19,980	170,895
2004-05	127,235	12,512	139,747
2005-06	132,981	6,765	139,746
2006-07	<u>68,726</u>	<u>1,147</u>	<u>69,873</u>
Total	<u>\$ 479,857</u>	<u>\$ 40,404</u>	<u>\$ 520,261</u>

Interest expense for the year of \$37,062 is included in direct functional expenses on the Statement of Activities.

NOTE 6– DEFINED BENEFIT PENSION PLANS

Description of Plans

The District participates in two defined benefit pension plans. The Teachers' Retirement System (TRS) is a cost-sharing, multiple-employer plan which covers teachers and other eligible participants. The Public Employees' Retirement System (PERS) is an agent multiple employer plan which covers eligible State and local government employees. The plans were established and are administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

Funding Policy

For PERS, employees are required to contribute 6.75% of their annual covered salary. The employee contribution rate for TRS is 8.65% of covered base salary. Under both plans, the funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due. The District's current contribution rates for PERS and TRS follow:

	<u>PERS</u>	<u>TRS</u>
Pension	3.61%	9.00%
Post-employment healthcare	<u>1.46%</u>	<u>2.00%</u>
Total contribution rate	<u>5.07%</u>	<u>11.00%</u>

Under both plans, employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding methods. The plans use the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Funding surpluses are amortized over five years.

Annual Pension Cost

The District's contributions to TRS for the years ending June 30, 2003, 2002, and 2001 of \$4,208,842, \$4,102,587, and \$4,375,815, respectively, were equal to the required contributions for each year. For the year ended June 30, 2003, the District's annual pension cost of \$553,640 for PERS was equal to its required and actual contributions.

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

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years of employment and 4.0% per year thereafter;
3. Health cost inflation of 12.0% in 2003 through 2005, trending downward by 0.5% per year starting in 2006 through 2017 and 5.0% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually; and
5. Asset valuation – effective June 30, 2002, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method is being phased in over the next five years. All assets are valued at market value. Any differences are amortized and applied to the employer contribution rate. Valuation assets cannot be outside the range of 80 to 120% of market value of assets.

Three-year trend information for PERS follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ 648,000	100%	•
June 30, 2002	534,337	100%	•
June 30, 2003	553,640	100%	•

A schedule of funding progress for PERS ('000's omitted) follows. Note that the valuation dates are for June 30, 1999, 2001 and 2002. An actuarial valuation was not done for the year ending June 30, 2000.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Assets in Excess of) Liability	Funded Ratio	Covered Payroll	Unfunded (Assets in Excess of) Liability as Percentage of Covered Payroll
June 30, 1999:						
Pension	\$ 40,450	\$ 36,483	\$ (3,967)	111%	\$ 12,698	(31%)
Post-employment healthcare	16,399	14,791	(1,608)	111%	12,698	(13%)
June 30, 2001:						
Pension	45,056	44,990	(66)	100%	13,666	(0.5%)
Post-employment healthcare	19,077	19,049	(28)	100%	13,666	(0.3%)
June 30, 2002:						
Pension	36,824	49,693	12,869	74%	11,395	113%
Post-employment healthcare	22,374	30,193	7,819	74%	11,395	69%

NOTE 7 - BUILDING TRADES PROJECT

The District has acquired various parcels of land on which vocational education classes of Kenai Central High School constructed houses. Periodically these houses are sold and the proceeds used to recover the School District's costs. These projects are supervised by the Kenai Peninsula Building Authority, a nonprofit organization established by the District in October, 1969, for the specific purpose of administering and overseeing this "Building Trades Project."

NOTE 8- FOOD SERVICE SPECIAL REVENUE FUND

The United States Department of Agriculture provided \$148,258 of food, milk and supplies during the year without charge to the School District. These in-kind contributions have been reflected as revenue and expenditures within the Student Nutrition Service Special Revenue Fund.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Inter-fund receivable and payables at June 30, 2003 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 4,262,987	
Title I		\$ 2,277,222
Non-major governmental funds	-	1,985,765
	<u>\$ 4,262,987</u>	<u>\$ 4,262,987</u>

NOTE 10 - RISK MANAGEMENT

The School District participates in a limited self-insurance program which is codified by Kenai Peninsula 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 School District. All losses and claims are reported to the Risk Management Division and are handled internally within the retention and deductible level. New claims and outstanding claims are reviewed monthly by the Kenai Peninsula Borough Attorney, who has an extensive background in tort law, and the Risk Manager. There were no significant changes in the amount of coverage during the current fiscal year.

The greatest exposure to financial loss confronting the School District would be in the areas of auto liability and general liability due to the fleet of vehicles operated and the number of properties owned and operated by the Kenai Peninsula Borough and School District.

Historically, the Kenai Peninsula Borough and School District have never experienced any liability claims where the settlement value exceeded the previous self-insured retention level of \$100,000 per occurrence, which was initially established in fiscal year 1986. Based on this historical evidence of claim value and the increasing ability to fund a greater level of retention, the risk management committee chose to retain the first \$250,000 of each occurrence at the beginning of fiscal year 1992.

Insurers provide annual aggregate limits up to \$11,750,000 excess of our retention level for the exposures of general liability, auto liability, public official's liability, educational errors and omissions, ambulance attendants professional liability and landfill liability. Insurance coverage for these various types of liability exposure are being provided by insurers in a single package policy format. There were no significant reductions in insurance coverage from coverage in the prior year.

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claim Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2001 - 2002	\$240,707	\$118,639	\$(163,691)	\$195,655
2002 - 2003	195,655	530,957	(80,128)	646,484

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

Building and contents are insured in excess of a \$100,000 deductible per occurrence, and data processing equipment and vehicles are insured in excess of a \$500 deductible per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Due to current favorable market conditions, the School District continues to fully insure non-owned aircraft liability risks.

The Kenai Peninsula Borough annually allocates the costs of insurance coverage on a proportionate share basis to the School District. In addition, an appropriate sum is allocated for anticipated losses and claims that will be paid within the self-insured retention and deductible levels.

NOTE 11 - CONTINGENCIES

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 General Fund. In the opinion of management, any disallowed claims will not have a material effect on any fund type of the School District included in the financial statements, as of and for the year ended June 30, 2003.

Unemployment Insurance

The School District finances its participation in the Unemployment Insurance program by reimbursing the program for the actual benefits paid to former employees. As of June 30, 2003, the School District had not recorded a liability for unemployment benefits for persons employed prior to that time as the amount is not currently subject to reasonable estimation. However, in the opinion of management, any unemployment insurance reimbursement claims based on wages paid prior to June 30, 2003, will not have a material effect on the financial statements as of and for the year ended June 30, 2003.

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MAJOR FUNDS

GENERAL FUND:

The general school district activities are recorded in the General Fund. The revenues of the General Fund are derived primarily from the Kenai Peninsula Borough and allocations received from the State of Alaska and the United States government. Primary expenditures in the General Fund are made for student instruction, administration, and operation and maintenance of plant.

Balance Sheet

Schedule of Changes in Fund Balance

Schedule of Revenues – Budget (GAAP Basis) and Actual

Schedule of Expenditures – Budget (GAAP Basis) and Actual

TITLE I:

Title I encompasses all of the NCLB special revenue funding for the purpose of:

Improving basic Title I programs,
Improving the education of migrant children,
Prevention and intervention for children and youth who are neglected, delinquent
or at-risk,
Teacher and principal training and recruitment,
English language acquisition, language enhancement and academic achievement,
Safe and drug-free schools and communities, and
Recruitment and professional development of teachers to increase student
achievement.

Balance Sheet

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget (GAAP Basis) and Actual

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

GENERAL FUND

BALANCE SHEET

As of June 30, 2003 and 2002

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Cash on hand	\$ 79,160	\$ 80,303
Equity in Central Treasury	10,621,303	8,416,386
Accounts receivable:		
Other	17,161	58,645
State of Alaska	135,000	122,683
Prepaid Items	-	
Due from Special Revenue Funds	4,262,988	3,771,876
Inventory	<u>796,771</u>	<u>784,654</u>
Total Assets	<u><u>\$ 15,912,383</u></u>	<u><u>\$ 13,234,547</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 191,051	\$ 141,951
Accrued liabilities:		
Payroll	4,336,390	4,247,830
Retirement	278,198	144,758
Payroll taxes	1,563,402	1,516,198
Payroll deductions	32,199	34,034
Health	<u>2,501,245</u>	<u>1,743,218</u>
Total Accrued Liabilities	8,711,434	7,686,038
Total Liabilities	<u>8,902,485</u>	<u>7,827,989</u>

Fund Balance:

Reserved for encumbrances	1,098,521	252,622
Reserved for inventory	796,771	784,654
Reserved for charter schools	465,765	107,533
Unreserved:		
Designated for compensated absences	1,949,817	1,798,388
Designated equipment expenditures	-	500,000
Designated for potential interest shortfall	400,000	400,000
Designated for school/dept incentive purchases	322,605	20,682
Designated for FY05 TRS/PERS rate increase	1,600,000	
Undesignated	376,419	1,542,679
	<hr/>	<hr/>
Total Fund Balance	7,009,898	5,406,558
	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 15,912,383</u>	<u>\$ 13,234,547</u>

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2003 and 2002

	2003	2002
Fund Balance, Beginning of Year	\$ 5,406,558	\$ 2,293,077
Restatement of Compensated Absences (GASBI 6)	-	1,686,066
Add Revenues and Other Financing Sources	76,033,410	78,055,244
Deduct Expenditures and Other Financing Uses	(74,430,070)	-76,627,829
Fund Balance, End of Year	\$ 7,009,898	\$ 5,406,558

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2003
With Comparative Actual Totals for Year Ended June 30, 2002

	2003				Actual 2002
	Original Budget	Current Budget	Revenue	Variance Favorable (Unfavorable)	
Revenues:					
Intergovernmental - Local:					
Operating Fund	\$ 24,592,445	\$ 24,526,142	\$ 24,526,142	\$ -	\$ 24,102,170
Kenai Peninsula Borough - In-Kind	6,128,157	6,128,157	6,092,718	(35,439)	6,086,948
Total Intergovernmental - Local	30,720,602	30,654,299	30,618,860	(35,439)	30,189,118
Intergovernmental - State:					
Foundation	42,218,587	41,930,308	41,361,048	(569,260)	42,482,522
Learning Opportunity	1,936,132	1,935,646	2,346,338	410,692	1,149,974
Tuition	250,000	250,000	285,312	35,312	316,325
Total Intergovernmental - State	44,404,719	44,115,954	43,992,698	(123,256)	43,948,821
Intergovernmental - Federal:					
Medicaid	175,000	175,000	279,021	104,021	235,236
Total Intergovernmental - Federal	175,000	175,000	279,021	104,021	235,236
Other Revenues:					
Earnings on Investments	341,209	341,209	386,694	45,485	1,846,392
Facilities Rental	65,000	65,000	26,000	(39,000)	47,960
Miscellaneous	50,000	50,000	134,461	84,461	84,388
E-Rate	500,000	500,000	492,682	(7,318)	403,834
Fund Balance Appropriation	250,000	1,746,539	-	(1,746,539)	-
Total Other Revenues	1,206,209	2,702,748	1,039,837	(1,662,911)	2,382,574
Total Revenues	76,506,530	77,648,001	75,930,416	(1,717,585)	76,755,749
Other Financing Sources:					
Operating Transfers In	-	-	102,994	102,994	1,299,495
Total Revenues and Other Financing Sources	\$ 76,506,530	\$ 77,648,001	\$ 76,033,410	\$ (1,614,591)	\$ 78,055,244

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2003

With Comparative Actual Totals for Year Ended June 30, 2002

	2003				
	Original Budget	Current Budget	Actual	Variance- Variance- Favorable (Unfavorable)	2002 Actual
Regular Instruction:					
Principal/Assist. Principal	\$ -	\$ -	\$ 25,833	\$ (25,833)	\$ 2,511
Director - Certified	-	-	-	-	38,608
Teachers	21,402,058	22,678,863	21,904,742	774,121	21,932,886
Emolument	3,672	140,930	33,766	107,164	34,310
Substitute - Certified w/Certificate	298,736	281,736	312,969	(31,233)	309,020
Temp Certified w/Certificate	-	3,075	24,940	(21,865)	7,205
Long Term Substitute - Certified	136,290	170,105	149,046	21,059	116,560
Specialist - Certified	426,000	-	-	-	-
Leave - Certified	-	182	13,601	(13,419)	(36,944)
Tutors/Aides	78,212	95,031	68,290	26,741	54,187
Support Staff	447,225	460,575	493,065	(32,490)	475,951
Maintenance - Custodians	-	8,100	5,180	2,920	2,602
Activity Bus Driver	-	-	-	-	72
Substitute - Support	13,144	14,160	8,863	5,297	5,280
Long Term Substitute - Support	-	37,722	-	37,722	-
Temporary Salaries - Support	48,568	130,800	58,581	72,219	57,958
Overtime - Support	6,000	8,314	9,309	(995)	14,030
Substitute Certified w/o Certificate	172,423	191,331	245,360	(54,029)	290,400
Leave - Support	-	355	(7,408)	7,763	(4,528)
Health Care Costs	3,299,711	3,118,411	2,909,486	208,925	3,145,618
Life Insurance	66,981	69,871	69,254	617	55,046
Unemployment Insurance	69,011	72,796	50,962	21,834	48,651
FICA Medicare (TRS)	316,559	331,920	239,903	92,017	227,799
FICA Contribution	97,633	106,294	107,344	(1,050)	103,118
TRS Retirement	2,416,704	2,518,572	2,405,433	113,139	3,537,057
PERS Retirement	27,511	28,910	28,705	205	222,362
Professional-Technical Services	24,063	257,416	141,855	115,561	146,492
Travel	50,229	72,526	55,960	16,566	44,845
Extracurricular Travel	5,000	10,813	12,649	(1,836)	3,799
Postage	435	342	251	91	376
Telephone	1	79	527	(448)	1,093
Freight Costs	6,125	6,200	8,680	(2,480)	10,190
Purchased Services	342,261	384,492	414,239	(29,747)	146,620
Purchased Services - Copiers	372,081	206,272	196,063	10,209	242,627
Purchased Services - Riso	-	40,515	44,039	(3,524)	54,348
Rental	-	-	150	(150)	-
Repair & Maintenance Agreement	14,966	26,149	6,655	19,494	12,720
Supplies	1,229,272	2,345,002	1,454,118	890,884	1,277,771
Discretionary Materials	86,760	84,189	81,693	2,496	83,765
Other Expenses	1,939,181	177,081	19,343	157,738	56,997

Career Development	73,500	72,475	62,461	10,014	46,932
Physical Exam Reimbursement	35,100	35,100	19,139	15,961	19,221
Equipment	74,000	259,632	158,476	101,156	725,634
Equipment-Technology	<u>487,895</u>	<u>364,478</u>	<u>96,217</u>	<u>268,261</u>	<u>1,083,215</u>
	<u>34,067,307</u>	# <u>34,810,814</u>	# <u>31,929,739</u>	<u>2,881,075</u>	<u>34,596,404</u>

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
BALANCE SHEET - TITLE I FUND
June 30, 2003

With Comparative Totals as of June 30, 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Equity in Central Treasury	\$ -	\$ -
Accounts receivable	-	-
Due from other Governments	2,277,222	1,361,729
Inventory	-	-
	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 2,277,222</u></u>	<u><u>\$ 1,361,729</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ -	\$ -
Due to General Fund	2,277,222	1,361,729
Deferred Revenue	-	-
	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,277,222</u>	<u>1,361,729</u>
 Fund Balances:	 <u>-</u>	 <u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>
 Total Liabilities and Fund Balances	<u><u>\$ 2,277,222</u></u>	<u><u>\$ 1,361,729</u></u>

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

TITLE I

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2003

With Comparative Actual Totals for Year Ended June 30, 2002

	2003				2002 <u>Actual</u>
	<u>Original Budget</u>	<u>Current Budget</u>	<u>Actual</u>	Variance- Favorable <u>(Unfavorable)</u>	
Revenues:					
Intergovernmental - Federal	\$ 2,786,276	\$ 4,184,598	\$ 3,526,381	\$ (658,217)	\$ 2,232,844
Expenditures:					
Principal/Assistant Principal	10,941	5,000	4,945	55	-
Director/Coordinator Certified	83,557	83,958	79,624	4,334	70,597
Teachers	689,176	1,656,054	1,538,809	117,245	627,335
Extra-Duty Compensation - Certified	-	7,500	4,548	2,952	-
Emolument	44,957	78,956	23,356	55,600	34,925
Substitute - Certified w/Certificate	48,153	47,213	21,297	25,916	18,290
Temporary Certified w/Certificate	8,008	3,575	4,399	(824)	15,310
Specialists - Certified	38,876	-	27,153	(27,153)	35,862
Leave - Certified	-	6,000	2,844	3,156	2,076
Tutors/Aides	460,594	364,861	354,711	10,150	409,711
Support Staff	71,907	124,709	99,680	25,029	71,907
Maintenance/Custodians	-	16,300	-	16,300	-
Activity Bus Driver	-	-	119	(119)	430
Substitute - Support	8,852	14,627	5,584	9,043	6,016
Extra-Duty Compensation - Support	-	1,000	4,261	(3,261)	612
Temporary Salaries - Support	8,942	10,935	15,783	(4,848)	3,068
Overtime - Support	-	75	1,042	(967)	422
Substitute Certified w/o Certificate	-	150	20,076	(19,926)	16,044
Leave - Support	-	4,700	-	4,700	1,874
Health Care Costs	302,312	407,794	383,424	24,370	242,364
Life Insurance	4,065	6,775	5,199	1,576	3,214
Unemployment Insurance	4,422	7,016	4,758	2,258	2,625
FICA Medicare (TRS)	12,579	27,733	21,224	6,509	10,730
FICA Contribution	46,391	42,279	37,879	4,400	38,235
TRS Retirement	95,426	208,634	183,840	24,794	85,104
PERS Retirement	26,998	25,642	22,674	2,968	24,206
Professional-Technical Services	44,217	161,096	106,639	54,457	60,399
Travel	78,687	146,060	80,613	65,447	73,960
Extracurricular Travel	13,354	11,806	1,328	10,478	1,126
Postage	2,927	5,128	1,767	3,361	1,312
Telephone	6,825	9,900	3,790	6,110	3,389
Purchased Services	10,666	106,577	76,617	29,960	4,664
Purchased Services - Copiers	3,954	8,100	-	8,100	858
Rental	2,752	7,500	360	7,140	1,625
Repair & Maintenance Agreement	14,443	3,250	-	3,250	76
Supplies	349,845	326,139	191,710	134,429	229,087
Discretionary Materials	4,745	9,147	7,034	2,113	3,418
Other Expenses	143,785	16,174	7,995	8,179	7,359
Indirect Costs	98,386	143,054	121,053	22,001	77,798
Equipment	3,791	13,119	5,079	8,040	5,531
Equipment-Technology	41,743	66,062	55,167	10,895	41,285
Total Expenditures	<u>2,786,276</u>	<u>4,184,598</u>	<u>3,526,381</u>	<u>658,217</u>	<u>2,232,844</u>

Excess (Deficiency) of Revenues Over Expenditures	\$ _____ -	# \$ _____ -	-	\$ _____ -	-
Fund Balance, Beginning of Year			_____ -		_____ -
Fund Balance, End of Year			\$ _____ -		\$ _____ -

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NON MAJOR FUNDS – SPECIAL REVENUE FUNDS

Significant Special Revenue Funds

Combining Balance Sheet All Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
All Special Revenue Funds

These funds account for revenues from specific revenue sources including food sales, grants from the State of Alaska and the United States government, and transfers from the general fund which are designated to finance particular functions and activities. Funds included in the special revenue category are:

Advanced Placement Incentive	High Intensity Reading
After the Bell	National Science Foundation
Alaska On Line	NIS Secondary School Partnership
Alaska Science & Technology	Preschool Disabled
Boarding Home Program	Pupil Transportation
Building Trades	Quality Schools Initiative
Capacity Building Improvement	Reading Endorsement
Carl Perkins-Basic	Recruitment & Retention
Charter Schools	School Health - KAHS
Community Education	School Health – YRBS
Community Theater	School Renovation
Corporate Grants	Staff Development Mini-Grants
Drug & Violence Prevention	Technology Literacy Strategies
Equipment	Title I-D, Delinquent & At Risk
Food Service	Title VI-B
Gear Up Alaska	Title VII, Indian Education
Governor’s Drug Prevention	Upward Bound/UAF
	Youth in Detention

Fiduciary Fund Type – Combining Statement of Changes in Assets and Liabilities

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SIGNIFICANT SPECIAL REVENUE FUNDS

Food Service programs provide for daily lunches to students and staff.

Pupil Transportation programs provide for transporting students to and from school.

Title VI programs provide staff development opportunities for district staff.

Preschool Disabled programs are provided to serve handicapped preschool children to ready them for the school environment.

Carl Perkins programs provide additional vocational education opportunities to secondary students.

Indian Education: Title V programs provide for education of Native American children with academic needs.

Title VI-B programs provide for supplemental special education needs.

Drug Free Schools programs provide drug and alcohol education at the elementary school level and intervention/counseling for secondary students who abuse substances or are at risk of becoming abusers.

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Account	2022		2021	
	Amount	% of Total	Amount	% of Total
Revenues				
Intergovernmental - Local	\$ -	-	\$ -	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	116	300.000	41,500	21.000
Fund sales	-	-	-	-
Capital grants and user fees	-	-	-	-
Other	-	-	-	-
Total Revenues	116	300.000	41,500	21.000
Expenditures				
Capital	-	-	-	-
Operating	116	300.000	41,500	21.000
Capital projects - grant	-	-	-	-
Operating services - grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Total Expenditures	116	300.000	41,500	21.000
Change in Fund Balances	-	-	-	-
Beginning Balance	-	-	-	-
Ending Balance	-	-	-	-

Account	2022		2021	
	Amount	% of Total	Amount	% of Total
Revenues				
Intergovernmental - Local	\$ -	-	\$ -	-
Intergovernmental - State	15,000	12.917	32,307	77.812
Intergovernmental - Federal	-	-	-	-
Fund sales	21,000	18.183	40,242	96.876
Capital grants and user fees	-	-	-	-
Other	-	-	-	-
Total Revenues	36,000	31.100	72,549	175.688
Expenditures				
Capital	-	-	-	-
Operating	36,000	100.000	72,549	100.000
Capital projects - grant	-	-	-	-
Operating services - grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Total Expenditures	36,000	100.000	72,549	100.000
Change in Fund Balances	-	-	-	-
Beginning Balance	-	-	-	-
Ending Balance	-	-	-	-

Account	2022		2021	
	Amount	% of Total	Amount	% of Total
Revenues				
Intergovernmental - Local	\$ -	-	\$ -	-
Intergovernmental - State	15,000	37.500	32,307	78.269
Intergovernmental - Federal	-	-	-	-
Fund sales	21,000	52.500	40,242	96.876
Capital grants and user fees	-	-	-	-
Other	-	-	-	-
Total Revenues	36,000	90.000	72,549	175.145
Expenditures				
Capital	-	-	-	-
Operating	36,000	90.000	72,549	175.145
Capital projects - grant	-	-	-	-
Operating services - grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Total Expenditures	36,000	90.000	72,549	175.145
Change in Fund Balances	-	-	-	-
Beginning Balance	-	-	-	-
Ending Balance	-	-	-	-

Account	2022		2021	
	Amount	% of Total	Amount	% of Total
Revenues				
Intergovernmental - Local	\$ -	-	\$ -	-
Intergovernmental - State	47,400	13.014	2,800	8.000
Intergovernmental - Federal	-	-	-	-
Fund sales	19,000	5.222	47,200	13.222
Capital grants and user fees	-	-	-	-
Other	-	-	-	-
Total Revenues	66,400	18.236	50,000	13.222
Expenditures				
Capital	-	-	-	-
Operating	66,400	18.236	50,000	13.222
Capital projects - grant	-	-	-	-
Operating services - grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Total Expenditures	66,400	18.236	50,000	13.222
Change in Fund Balances	-	-	-	-
Beginning Balance	-	-	-	-
Ending Balance	-	-	-	-

Account	2022		2021	
	Amount	% of Total	Amount	% of Total
Revenues				
Intergovernmental - Local	\$ -	-	\$ -	-
Intergovernmental - State	78,000	21.524	4,000	11.111
Intergovernmental - Federal	-	-	-	-
Fund sales	1,000	0.278	1,000	2.778
Capital grants and user fees	-	-	-	-
Other	-	-	-	-
Total Revenues	79,000	21.802	5,000	13.889
Expenditures				
Capital	-	-	-	-
Operating	79,000	21.802	5,000	13.889
Capital projects - grant	-	-	-	-
Operating services - grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Capital projects - non grant	-	-	-	-
Operating services - non grant	-	-	-	-
Total Expenditures	79,000	21.802	5,000	13.889
Change in Fund Balances	-	-	-	-
Beginning Balance	-	-	-	-
Ending Balance	-	-	-	-

SENY-PENNDELLA BOROUGH SCHOOL DISTRICT
 ADVANCED PLACEMENT ACQUISITIVE
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET QUARTER ENDING: 3/31/2023
 YEAR ENDED: JUNE 30, 2023
 With Comparative Actual Data for Year Ended June 30, 2022

	2023		2022		2023	2022
	Original Budget	Current Budget	Actual	Encumbrance		
Revenues:						
Intergovernmental - Federal	\$ 10,336	\$ 361	\$ 116	\$ 220	\$ 7,641	
Expenses:						
Salaries - Certified or Certificate	438	100	100	-	300	
Salaries - Certified and Certificate	1,079	200	-	200	300	
Salaries - Non-Certified	6	1	-	-	219	
FICA Medicare (FMS)	4	2	1	2	4	
FICA Social Security	86	16	-	16	26	
TGS Maintenance	47	11	11	10	35	
Professional - Technical Service	2,675	-	-	-	160	
Travel	6,652	-	-	-	3,880	
Purchased Services	856	-	-	-	2,219	
Supplies	-	-	-	-	192	
Other Expenses	-	-	-	-	286	
Interest Costs	361	15	4	4	361	
Total Expenses	\$ 10,336	\$ 361	\$ 116	\$ 220	\$ 7,641	
Excess (Deficiency) of Revenues Over Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Fund Balance, Beginning of Year						
Fund Balance, End of Year						

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
Fiduciary Fund Type
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2003

<u>Student Activity</u>	<u>Total June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total June 30, 2003</u>
Assets:				
Equity in Central Treasury	\$ <u>2,078,029</u>	\$ <u>3,211,904</u>	\$ <u>3,262,775</u>	\$ <u>2,027,158</u>
Liabilities:				
Amount Due Others	\$ <u>2,079,029</u>	\$ <u>3,211,904</u>	\$ <u>3,262,775</u>	\$ <u>2,027,158</u>

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SCHEDULES

Schedule of State Financial Assistance

Schedule of Federal Awards

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2003

<u>State Grantor</u>	<u>Program Number</u>	<u>Program or Award Amount</u>	<u>Amount Expended during the Year Ended June 30, 2003</u>
Department of Education:			
Alaska Science & Technology Foundation	02-4-029	\$ 69,988	\$ 21,000
Boarding Home		27,308	13,554
Charter Schools	SC 02.024.01/03	61,575	51,635
Community Education Foundation *	AD 03.024.01	32,487	32,487
		41,319,131	41,319,131
High Intensity Summer Reading	531911	38,085	34,951
Learning Opportunity*		2,346,338	2,346,338
Pupil Transportation *		4,710,911	4,880,512
Quality Schools		87,592	13,866
Recruitment and Detention Contract	531675	68,350	67,440
Staff Development Contract	531524	37,000	26,806
Tuition Reimbursement		<u>150,312</u>	<u>150,312</u>
Total Department of Education		<u>48,949,077</u>	<u>48,958,032</u>
Total State Financial Assistance		<u>\$ 48,949,077</u>	<u>\$ 48,958,032</u>

* State major program

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

<u>Federal Grantor</u>	<u>Federal Grant Number</u>	<u>Grantor's Number</u>	<u>Amount Expended during the Year Ended June 30, 2003</u>
U.S. Department of Education:			
After The Bell	84.287A	R287A000994-01	\$ 328,380
Drug & Violence Prevention	84.184K	S184K000154-01	129,814
Title VII, Indian Education	84.060A	S060A010799	<u>322,740</u>
Passed Through Alaska			
Department of Education:			
Advanced Placement Incentive	84.330A	AP 03.024.01	116
Alaska On Line	84.215	MOU	61,706
Capacity, Bldg., Improvement*	84.027A	FC 03.024.01	21,986
Carl Perkins Basic	84.048A	EK 03.024.01	249,320
Charter Schools	84.282	CS 03.024.IM/CS 02.024.IP	81,244
Gear Up Alaska	84.334A	GU 03.024.01	57,601
Governor's Drug Prevention*	84.186B	DA 03.024.01	39,713
Preschool Disabled*	84.173A	FN 03.024.01	67,022
School Health	93.938/93.230	SH 03.024.01	13,514
School Health - YRBS	93.938	SH 03.024.02	2,000
School Renovation - IDEA	84.352A	SR 03.024.01	47,731
Technology Literacy Challenge	84.318	TL 03.024.01	6,060
Title I-D, Delinquent & At Risk	84.010	CD 03.024.01	36,947
Youth In Detention		EY 03.024.01	78,461
NCLB - Title I	84.010	IP 03.024.01	2,158,648
NCLB- Title I-C Migrant	84.011	IP 03.024.01	266,172
NCLB - Title I-C Migrant Summer	84.011	IP 03.024.01	6,112
NCLB - Title I-D, Neglected & Delinquent	84.013	IP 03.024.01	27,148
NCLB - Title I-D, N & D (Summer)	84.013	IP 03.024.01	-
NCLB - Title II-A, Training & Recruiting*	84.281	IP 03.024.01	11,183
	84.340	IP 03.024.01	24,602
	84.367	IP 03.024.01	709,744
NCLB - Title III, English Language Acquisition	84.365	IP 03.024.01	8,999
NCLB - Title V-A, Innovative Education*	84.367	IP 03.024.01	108,424
	84.318	IP 03.024.01	61,433
	84.298	IP 03.024.01	45,698
NCLB - Title IV Drug Free Schools*	84.186	IP 03.024.01	98,216
			3,526,381
Title VI-B*	84.027A	FG 03.024.01	<u>1,184,250</u>
Total Passed Through Alaska			<u>5,474,052</u>
Department Of Education			<u>5,474,052</u>

KENAI PENINSULA BOROUGH SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

Federal Grantor	Federal Grant Number	Grantor's Number	Amount Expended during the Year Ended June 30, 2003
Passed Through Univ. of AK			
UAF-Upward Bound - Seward	84.047	FP 300297	7,798
UAF-Upward Bound - Nikiski	84.047	FP 300296	13,932
UAF-Upward Bound - Nanwalek	84.047	FP 300295	2,400
UASE-Reading Endorsement			7,370
Total Passed Through Univ. of AK			31,500
Total U.S. Department of Education			6,286,486
U.S. Department of Agriculture:			
Passed Through Alaska Department of Education:			
Food Service	10.555		1,153,770
Commodities	10.555		148,258
Total U.S. Department of Agriculture			1,302,028
U. S. Department of Health and Social Services:			
Passed Through Alaska Department of Education:			
Medicaid	93.778	531844	279,021
U.S. Department of State:			
NIS Secondary School Partnership	19.411	PEJL-1231	120,952
National Science Foundation			
NSF/Sotelo	N/A	N/A	7,500
NSF/Burck	N/A	N/A	5,158
Total National Science Foundation			12,658
Total Federal Financial Assistance			\$ 8,001,145

* Federal major program

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STATISTICAL INFORMATION

Statistical tables give report users a better historical perspective and assist in assessing current financial status and trends of the Kenai Peninsula Borough School District

General Fund Operating Revenues by Source

Total Expenditures by Function

Operating Expenditures and Other Financing Uses by Program

Operating Expenditures and Other Financing Uses by Program

Tax Revenues by Source

Property Tax Rates and Tax Levies, Direct and Overlapping Governments

Number of Tax Accounts

Actual Value of Taxable Property

Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Expenditures

Ratio of Net Area Wide General Bonded Debt to Assessed Value
and Net Bonded Debt per Capita and Student Capita

Computation of Direct and Overlapping Debt

Average Daily Membership as Compared to Assessed Valuation
Showing Assessed Valuation Support per Student

Average per Pupil Operation Expenditure

Average Pupil/Teacher Ratio

Property Value and Bank Deposits

Principal Taxpayers

Miscellaneous Statistical Data

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KENAI PENINSULA BOROUGH SCHOOL DISTRICT

GENERAL FUND OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Local Government Grant	Federal Grants	State Grants	Other Revenue	Total
1993-94	\$ 26,452,096	\$ 72,202	\$ 43,121,551	\$ 79,253	\$ 69,725,102
1994-95	26,596,637	139,321	44,428,219	69,603	71,233,780
1995-96	27,388,228	30,056	44,406,196	102,956	71,927,436
1996-97	27,594,063	123,294	43,544,162	105,939	71,367,458
1997-98	28,084,830	167,021	43,515,941	107,438	71,875,230
1998-99	29,476,785	134,029	43,289,714	80,757	72,981,285
1999-00	29,294,461	136,059	43,385,383	874,576	73,690,479
2000-01	29,628,226	211,710	42,536,731	352,504	72,729,171
2001-02	30,189,118	235,236	43,948,821	2,382,574	76,755,749
2002-03	30,618,860	279,021	\$ 43,992,698	\$ 1,039,837	75,930,416

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