City of Soldotna, Alaska

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SOLDOTNA
City of Soldotna, Alaska

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October 24, 2014

Honorable Mayor Nels Anderson,
City Council Members and Citizens of
the City of Soldotna, Alaska

In accordance with Section 29.35.120 of Alaska Statutes, we are pleased to submit the Comprehensive Annual Financial Report for the year ended June 30, 2014. The financial statements were prepared in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by BDO USA, LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of broader State and federally mandated "Single Audits" 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 government's internal controls and compliance with certain legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal and State awards. These reports are presented in the Single Audit section at the end of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form a 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 City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Soldotna

The City was incorporated in 1967 under the provisions of Alaska Statute, Title 29, as amended, as a first-class city. The City occupies a geographic area of approximately 7.5 square miles located in the south central part of the state of Alaska. Major City services include police, street maintenance, airport, ice arena, parks and recreation, animal control, building inspections, economic development, planning and zoning, water and sewer, cemetery and library. Funding for the City General Fund, by order of financial significance, is provided from sales tax, state revenue, property tax, and other sources; including interest. Other funds rely on service charges, interest, grants and other sources.

The City operates under a manager plan of government. The City Manager is the chief administrative officer and is appointed and reports to the City Council. The City Manager is responsible for carrying out the policies and ordinances of the City and for overseeing day-to-day operations. The City Council is the governing body consisting of six members who are elected at large on a non-partisan basis for three year terms. The terms are staggered to provide the City with continuity of knowledge in City business and legislative matters. The Mayor is the chief executive officer and is also elected at large on a non-partisan basis for a three year term.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. All departments submit budgets to the Finance Director in February. These requests are compiled into an overall budget presentation to the City Manager in March. Meetings are then held with all departments, discussing all budget requests. The City Manager submits a proposed operating budget to the City Council on or around the first regular Council meeting in May. The Council is required to hold public hearings on the proposed budget and generally adopts the budget by ordinance on or around the first meeting in June. After the budget is adopted, the transfers of appropriations of less than $20,000 among the various accounts within a fund shall only require the approval of the City Manager; however, any revisions altering the total expenditures of any fund must be approved by a supplemental appropriation ordinance enacted by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted.

Factors Affecting Financial Condition

Economy

Soldotna serves as an economic hub for the Kenai Peninsula. It houses half of the top ten employers in the Kenai Peninsula Borough. The Kenai Peninsula Borough and Kenai Peninsula Borough School District administrative offices, Central Peninsula Hospital, Kenai Peninsula College, Fred Meyer and many regional offices of State and local government are located in the City of Soldotna. The Kenai National Wildlife Refuge, which borders the City, houses its headquarters in the area. The district office of the State Department of Transportation is approximately three miles south of Soldotna on the Sterling Highway.

Soldotna has become a center for retail and professional services for the area; as well as a recreation center for visitors, hunters and sport fishing enthusiasts.

The City has a 3% sales tax which is applied only to the first $500 of each separate sale. Sales tax is the largest source of revenue for the City. Sales tax revenue increased about $85,000 from the prior year. Retail sales businesses continue to generate the largest share of sales tax revenue.

The world famous Kenai River is one of Soldotna's big attractions. The Kenai River, as well as Soldotna's many other attractions, is why Soldotna has a huge influx of tourists during the summer

months. On busy summer weekends, the population of the Kenai Peninsula Borough can more than double as Anchorage-area residents and tourists from all over the world visit the Kenai for fishing and other outdoor activities. Retail sales are greatly enhanced by tourism during these summer months.

The City is seeing rapid and continued growth in health-care related businesses and services. Central Peninsula Hospital is currently constructing an 88,000 square foot, 3-story specialty clinics building on the hospital campus.

The Kenai Peninsula College (KPC) continues to renovate and upgrade facilities on its campus, and the student housing is currently at approximately 60% capacity; in line with the college's projections for the facility's second year. In addition, the college created a full-time position devoted to workforce training and conferencing, to utilize the college's facilities and resources to provide high-quality meetings and trainings during the summer months.

The construction of residential homes increased sharply from previous years, with 23 residential new construction building permits issued in fiscal year 2014 (up from 12 in FY2013, 11 in FY2012, and 6 in FY2011).

Significant commercial projects include the development of property at the Sterling Highway and Kenai Spur Highway 'Y,' to include a national retailer, fast food restaurant, and additional retail space. The project, to be completed in 2015, will bring water and sewer utility infrastructure to the area which was previously under-served, and also construct several new public roads to access the remaining un-developed land in the area. Other commercial projects include the remodel of a commercial building at the corner of the Sterling Highway and East Redoubt to accommodate several retail stores and a café, as well as the construction of storage buildings near the Spur Highway.

Overall, the projection for the economy of Soldotna is optimistic. The Kenai Peninsula Borough economy as a whole is diverse, and Soldotna continues to see growth and investment, which is expected to continue in coming years.

Long Term Financial Planning

General Fund fund balance decreased about $2 million in FY2014 to $18.9 million, largely due to the purchase of land and the transfer to capital project funds for upcoming capital improvements. While the General Fund has a healthy fund balance, providing options for the City and generating interest income that can be used for operations, not all of this fund balance is considered unassigned and available for spending at the City's discretion. Unassigned fund balance at June 30, 2014 was $16,251,877. Designations of fund balance are explained beginning on page 33 of these financial statements.

One of the larger financial challenges facing the City is our contribution to the Public Employees Retirement System (PERS). Beginning in FY2008, employers began paying a maximum of 22% of PERS eligible wages, with the State paying the difference between this rate and the actuarially required rate. In April 2008, the Alaska Legislature passed Senate Bill 125 which converted the Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan, effective July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits, no longer tracks individual employer assets and liabilities. Rather, all plan costs and past-service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and Alaska Retirement Management (ARM) board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions are recognized by each employer as on-behalf payments. More information is included in the pension footnote, beginning on page 43 of these financial statements.

The City is participating in an economic development council; with core team members representing local small businesses, the hospital, the college, lending institutions, the construction and building materials industry, the restaurant/hospitality industry, K-12 education, and local non-profits. Representatives from the City, Chamber of Commerce, and Kenai Peninsula Borough administration attend the meetings as well, as ex-officio members. Together, this group has drafted a strategic economic development action plan to identify initiatives and projects that can leverage our shared assets and move the community forward. The council meets regularly and is actively engaged in projects.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Soldotna for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgment

The preparation of this Comprehensive Annual Financial Report was accomplished with the efficient and dedicated service of the Finance Department.

We also want to thank the Mayor and City Council for their efforts in planning and conducting the financial operations of the City in a responsible manner.

Mark A. Dixson, City Manager

Melanie Imholte, Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Soldotna
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Soldotna, Alaska

Principal Officials
June 30, 2014

The City of Soldotna adopted a Manager plan of government in 1984. The City Manager is the chief administrative officer and is appointed and reports to the City Council. The City Manager is responsible for carrying out the policies and ordinances of the City and for overseeing day-to-day operations.

The City Council is the governing body consisting of six members who are elected at large on a non-partisan basis for three year terms. The terms are staggered to provide the City with continuity of knowledge in City business and legislative matters. The Mayor is the chief executive officer and is also elected at large on a non-partisan basis for a three year term.

The City Council meets the second and fourth Wednesday of each month at City Hall for regular Council meetings. In addition, numerous special meetings and work sessions are scheduled throughout the year.

Mayor and City Council

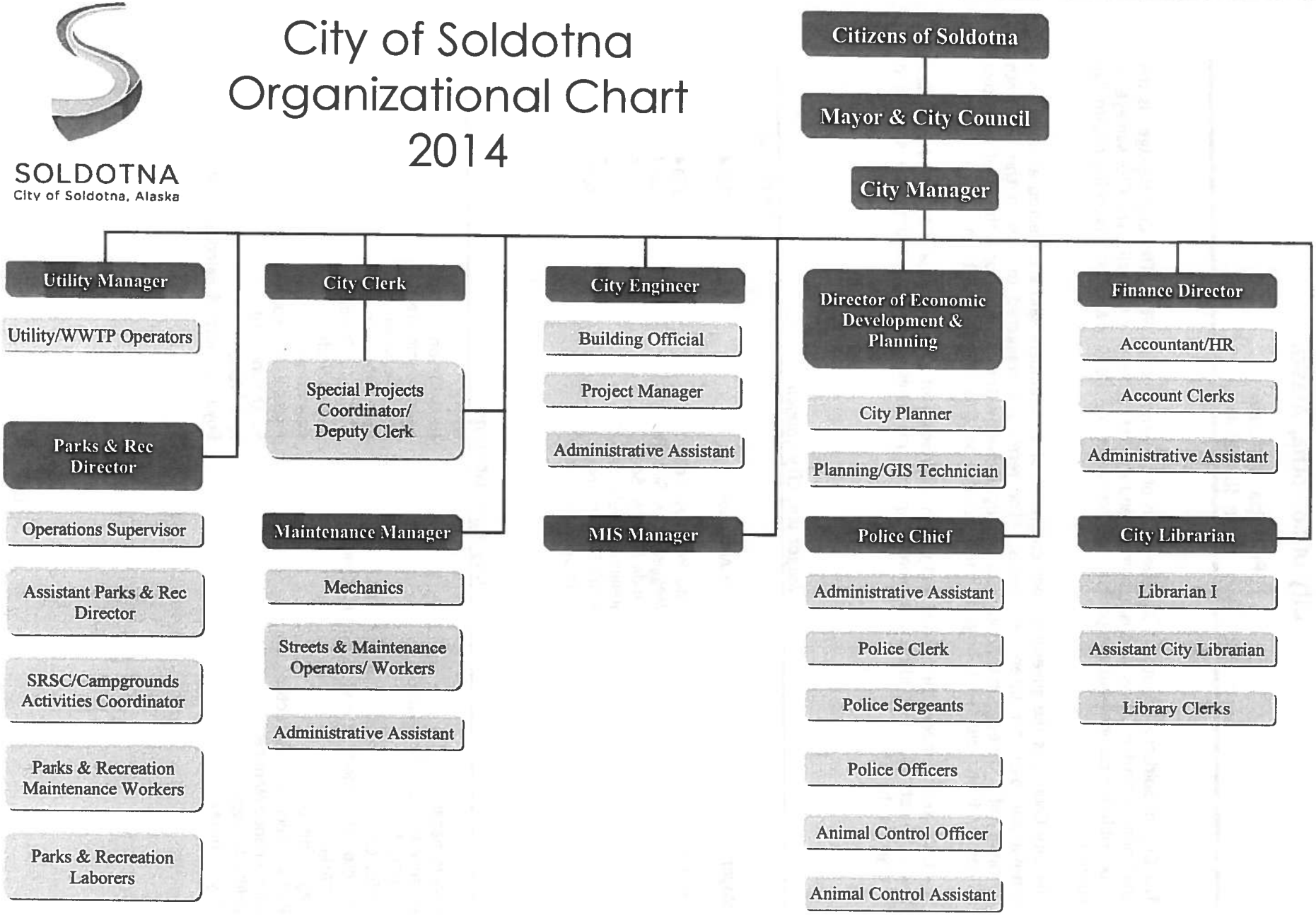
		Term Ends
Mayor	Nels Anderson	2014
Council	Paul Whitney, Seat A	2014
	Meggean Bos, Seat B	2014
	Linda Murphy, Seat C	2014
	Regina Daniels, Seat D	2016
	Keith Baxter, Seat E	2016
	Pete Sprague, Seat F	2014

City Administration

City Manager	Mark Dixson
Finance Director/Treasurer	Melanie Imholte
City Clerk	Michelle Saner
Police Chief	Peter Mlynarik
Director of Economic Development & Planning	Stephanie Queen
Librarian	Rachel Nash
City Engineer	Kyle Kornelis
Parks & Recreation Director	Andrew Carmichael
Maintenance Manager	Scott Sundberg
Utility Manager	Rick Wood
City Attorney	Boyd, Chandler & Falconer, LLP

SOLDOTNA
City of Soldotna, Alaska

City of Soldotna Organizational Chart 2014



BDO

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Independent Auditor's Report

Honorable Mayor and City Council
City of Soldotna, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Soldotna, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Soldotna, Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Soldotna's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits.*

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

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of City of Soldotna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Soldotna's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, AK
October 24, 2014

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Management's Discussion and Analysis

As management of the City of Soldotna, we offer readers of our financial statements this overview and analysis of the financial activities of the City of Soldotna for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Soldotna exceeded its liabilities at June 30, 2014, by $108,315,262 (net position). Of this amount, unrestricted net position of $27,235,200 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by $1,647,499 in FY2014.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $27,356,249, a decrease of $3,716,176 from the prior year.

- Fund balance for the General Fund was $18,878,242 at June 30, 2014, a decrease of $1,999,226. Of this amount, $16,251,877 was unassigned and available for spending.

- The City had outstanding general obligation debt at year-end in the amount of $2,225,000. This debt was issued on December 9, 2010 for expansion of the City's library.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Soldotna's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The basic financial statements include two kinds of statements that present different views of the City's activities:

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial condition in a summary format.

- *Fund financial statements* focus on individual parts of the City; reporting the City's operations in more detail than the government-wide statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Soldotna's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Soldotna's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Soldotna is improving or deteriorating. There are other non-financial factors, such as the condition of facilities, roads and other infrastructure that should be considered in the evaluation of overall financial condition.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Soldotna that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Soldotna include general government; public safety; public works; parks, recreation and culture; airport; and utilities. The City of Soldotna has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Soldotna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Soldotna can be divided into two categories: governmental funds and proprietary 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

For the year ended June 30, 2014, the City of Soldotna maintained 18 individual governmental funds, four of which were considered major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these major funds, which include: the General Fund and three capital project funds, including the Street Construction Fund, Airport Improvements Fund and the State Grants Fund. Non-major governmental funds include four special revenue funds, eight capital project funds, a debt service fund and a permanent fund. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statements have been provided for each individual governmental fund for which an annual budget has been adopted.

Proprietary funds. The City maintains one type of proprietary fund; internal service funds. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds. These internal service funds are used to account for the City's equipment replacement and compensated absences programs. The equipment replacement program is used primarily by the General Fund; however, special revenue funds for the airport, parks and recreation, and the utility system also utilize this internal service fund. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements but are presented separately in the proprietary fund financial statements.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the basic financial statements and notes to the financial statements. Included as supplementary information are budget comparisons for each individual governmental fund for which an annual budget has been adopted.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014, the City's assets exceeded liabilities by $108,315,262. By far, the largest portion of the City's net position reflects its investment in capital assets. Capital assets are used to provide services to citizens, and consequently these assets are not available for future spending.

The following schedule provides a summary of the City's net position:

Net Position

	Governmental Activities	
	2014	2013
Current and other assets	$ 31,384,174	$ 34,597,529
Capital assets	81,584,898	76,294,649
Total assets	112,969,072	110,892,178
Other liabilities	1,988,036	1,509,780
Noncurrent liabilities	2,665,774	2,714,635
Total liabilities	4,653,810	4,224,415
Net position:		
Net investment in capital assets	79,359,898	73,964,649
Restricted	1,720,164	1,728,599
Unrestricted	27,235,200	30,974,515
Total Net Position	$ 108,315,262	$ 106,667,763

Governmental activities. Governmental activities increased the City of Soldotna's net position by $1,647,499. Key elements of this increase are as follows. The City has no business-type activities.

- Total revenue increased approximately $1.7 million in FY2014. While property tax revenues decreased slightly in the current fiscal year due to a mill rate reduction, sales tax revenues increased slightly; keeping overall tax revenues fairly consistent with the prior year. Charges for services increased $.2 million, capital grants $1.3 million, operating grants/contributions $.1 million, and investment earnings $.1 million over the prior fiscal year. Other revenue remained about the same as FY2014.

- Expenses increased in FY2014; approximately $2.9 million.

Changes in net position. The City's total revenues and expenses for governmental activities are reflected in the following chart:

Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	$ 2,585,849	$ 2,415,518
Operating grants and contributions	729,756	580,058
Capital grants and contributions	6,045,489	4,722,088
General revenues:		
Property taxes	267,742	343,063
Sales taxes	7,725,471	7,640,536
Other	547,992	526,130
Total revenues	17,902,299	16,227,393
Expenses:		
General government	2,242,595	2,015,464
Public safety	2,841,723	2,503,373
Public works	5,111,688	3,342,130
Parks, recreation and culture	3,128,939	2,584,155
Utilities	2,260,505	2,107,264
Airport	555,300	665,178
Interest on long-term debt	114,050	115,833
Total expenses	16,254,800	13,333,397
Net increase in net position	1,647,499	2,893,996
Net Position, beginning	106,667,763	103,773,767
Net Position, ending	$ 108,315,262	$ 106,667,763

Financial Analysis of the Governmental Funds

As noted earlier, the City of Soldotna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Soldotna's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Soldotna's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The total fund balance of governmental funds is $27,356,249, which is down $3,716,176 from last year. Designations of fund balance are explained beginning on page 33 of these financial statements. Nonspendable, restricted, and committed fund balances were $1,865,942, $51,164 and $1,479,269, respectively. The assigned and unassigned amount at year-end totaled $23,959,874; of which $205,534 was budgeted for subsequent year expenditures and $16,251,877 was unassigned and is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City of Soldotna. At the end of the current fiscal year, fund balance in the General Fund was $18,878,242; a decrease of $1,999,226 from the prior year. The General Fund has a very healthy fund balance.

General Fund expenditures are up $1,836,710 over last year. The primary revenue sources in the General Fund include property tax of $268,057, sales tax of $7,725,471, intergovernmental revenues of $904,166, and interest of $102,922. Property tax revenues are down $79,064 from last year due to a reduction in the mill rate from .65 mills in FY2013 to .50 mills in FY2014. Sales tax revenues are up $84,935, and interest is up $86,716. Intergovernmental revenues increased $20,377. Tax revenues represent 45% of all governmental fund revenue.

Other funds rely heavily on charges for services and interest revenue. Capital project funds are financed largely by grants from Federal, State, and Borough governments.

The fund balances of two of the three major capital project funds decreased significantly during FY14. This is because the capital projects currently under construction are nearing completion and funds transferred into the capital project funds for these purposes are being expended. The fund balance of the other major capital project fund increased due to the transfer in of funds for the construction of current and upcoming capital projects.

Proprietary funds. The City of Soldotna has no enterprise funds; however, it maintains two internal service funds. The City's internal service funds are used to accumulate and allocate costs among the City's various functions. The Equipment Replacement Fund purchases equipment and charges the primary user department over the useful life of the assets. The Compensated Absences Fund charges user departments for the employee's annual change in compensated absences liability. As these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements but are presented in a single column in the proprietary fund financial statements.

General Fund Budgetary Highlights

The General Fund appropriations budget was amended by the City Council during the year by $2,011,913 of which $696,684 was transfers to other funds and $1,124,000 was for the purchase of land. $11,636 of the increase was grant related expenditures for the Police Department and Library for materials, supplies, training, etc; funded solely by Federal, State and other governmental agency grants. $128,000 was for the purchase of Library books and the hiring of an additional position due to the recent Library expansion and $51,593 was for the rollover of prior year encumbrances.

Actual revenues were $136,967 less than the final budget. Actual expenditures and transfers out were $921,240 less than the final budget. The City typically does not spend the entire authorized appropriation. The variance this year was about 7.6% of the final budget compared to 10.6% last year.

Capital Assets and Debt Administration

Capital assets. The City of Soldotna's investment in capital assets for its governmental activities as of June 30, 2014, amounts to $81,584,898 (net of accumulated depreciation). Governmental activities account for all capital assets as the City has no enterprise funds. This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads, water and sewer system and improvements, boardwalks and construction in progress. Additional information on the City's capital assets can be found in the notes to the financial statements on page 37 of this report.

Major capital projects completed during the current fiscal year included the following:

- Construction of a Cold Storage Building at Soldotna Community Memorial Park.
- Construction of Soldotna Creek Park Improvements; including: landscaping, restrooms, pavilions, lighting, paved parking and a Veteran's Memorial.
- Construction of a Cold Storage Building at the Wastewater Treatment Plant.
- Construction of the Sterling Street/Kingfisher Court Road Improvements Project.
- Construction of Several Outhouses at Centennial Park.
- Construction of Rink Floor Covering at the Soldotna Regional Sports Complex.

Construction of several other capital projects remains in progress at the close of fiscal year 2014.

Long-term debt. No new debt was issued by the City in FY14. As of June 30, 2014, general obligation bonds in the amount of $2,225,000 for the expansion of the Joyce K. Carver Public Library remain outstanding. Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 40-41.

Requests for Information

This financial report is designed to provide a general overview of the City of Soldotna's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Soldotna, 177 N. Birch Street, Soldotna, Alaska 99669.

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Basic Financial Statements

Exhibit A-1

City of Soldotna, Alaska

Statement of Net Position

June 30, 2014	Governmental Activities
Assets	
Equity in central treasury	$ 26,648,267
Receivables (net of allowance for uncollectibles)	4,538,965
Inventories	191,797
Prepaid items	5,145
Land	6,839,129
Property and equipment in service	120,580,445
Accumulated depreciation	(56,655,958)
Construction in progress	10,821,282
Total Assets	$ 112,969,072
Liabilities	
Accounts payable	$ 1,741,487
Unearned revenue	68,179
Other liabilities	172,084
Accrued interest payable	6,286
Noncurrent liabilities:	
Due within one year:	
Bonds payable	105,000
Compensated absences	440,774
Due in more than one year - bonds payable	2,120,000
Total Liabilities	4,653,810
Net Position	
Net investment in capital assets	79,359,898
Restricted for:	
Parks, recreation and culture	51,164
Historical Society and scholarships	1,669,000
Unrestricted	27,235,200
Total Net Position	108,315,262
Total Liabilities and Net Position	$ 112,969,072

See accompanying notes to basic financial statements.

Exhibit A-2

City of Soldotna, Alaska

Statement of Activities

Year Ended June 30, 2014	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs					
Governmental activities:					
General government	$ 2,242,595	$ -	$ 86,505	$ -	$ (2,156,090)
Public safety	2,841,723	66,189	278,225	323,675	(2,173,634)
Public works	5,111,688	163,956	155,914	1,442,559	(3,349,259)
Parks, recreation and culture	3,128,939	800,263	101,974	1,606,567	(620,135)
Public utilities	2,260,505	1,400,177	51,076	650,534	(158,718)
Airport	555,300	155,264	8,777	2,022,154	1,630,895
Interest on long-term debt	114,050	-	47,285	-	(66,765)
Total Governmental Activities	$ 16,254,800	$ 2,585,849	$ 729,756	$ 6,045,489	(6,893,706)

General revenues:	
Property taxes	267,742
Sales taxes	7,725,471
Grants and entitlements not restricted for a specific purpose	347,232
Investment income	131,247
Other	69,513
Total general revenues	8,541,205
Change in net position	1,647,499
Beginning net position	106,667,763
Ending net position	$ 108,315,262

See accompanying notes to basic financial statements.

Exhibit B-1

City of Soldotna, Alaska

Governmental Funds
Balance Sheet

June 30, 2014	Major Funds: General	Capital Project Funds: Street Construction	Capital Project Funds: Airport Improvements	Capital Project Funds: State Grants	Nonmajor Funds	Total Governmental Funds
Assets						
Equity in central treasury	$ 15,745,921	$ 1,412,289	$ -	$ -	$ 7,472,331	$ 24,630,541
Receivables (net of allowance for uncollectibles)	1,879,321	-	712,092	1,468,561	478,991	4,538,965
Due from other funds	1,433,488	-	-	-	-	1,433,488
Inventories	43,009	-	-	-	148,788	191,797
Prepaid items	5,145	-	-	-	-	5,145
Total Assets	$ 19,106,884	$ 1,412,289	$ 712,092	$ 1,468,561	$ 8,100,110	$ 30,799,936
Liabilities, Deferred Inflows, and Fund Balances						
Liabilities						
Accounts payable	$ 123,283	$ 397,623	$ 5,097	$ 728,156	$ 487,328	$ 1,741,487
Unearned revenue	-	10,371	-	-	57,808	68,179
Due to other funds	-	-	705,753	727,735	-	1,433,488
Other liabilities	102,461	-	-	-	69,623	172,084
Total Liabilities	225,744	407,994	710,850	1,455,891	614,759	3,415,238
Deferred Inflows						
Delinquent property taxes	2,898	-	-	-	-	2,898
Special assessments	-	-	-	-	25,551	25,551
Total Liabilities and Deferred Inflows	228,642	407,994	710,850	1,455,891	640,310	3,443,687
Fund Balances						
Nonspendable	98,154	-	-	-	1,767,788	1,865,942
Restricted	1,167	-	-	-	49,997	51,164
Committed	1,250,000	-	-	-	229,269	1,479,269
Assigned	1,277,044	1,004,295	1,242	12,670	5,412,746	7,707,997
Unassigned	16,251,877	-	-	-	-	16,251,877
Total Fund Balances	18,878,242	1,004,295	1,242	12,670	7,459,800	27,356,249
Total Liabilities, Deferred Inflows, and Fund Balances	$ 19,106,884	$ 1,412,289	$ 712,092	$ 1,468,561	$ 8,100,110	$ 30,799,936

See accompanying notes to basic financial statements.

Exhibit B-2

City of Soldotna, Alaska

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2014

Total fund balances for governmental funds		$ 27,356,249
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of:		
Land	$ 6,839,129	
Property and equipment in service	120,580,445	
Accumulated depreciation	(56,655,958)	
Construction in progress	10,821,282	
Total capital assets		81,584,898
Deferred property taxes and special assessments are not available to pay for current period expenditures and therefore, are deferred in the funds. These assets consist of:		
Delinquent property taxes	2,898	
Deferred special assessments	25,551	
Total long-term assets		28,449
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Bonds payable	(2,225,000)	
Accrued interest payable	(6,286)	
Total long-term liabilities		(2,231,286)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	2,598,057	
Less: amounts reported as capital assets reported above	(1,021,105)	
		1,576,952
Net Position of Governmental Activities		$ 108,315,262

See accompanying notes to basic financial statements.

Exhibit B-3

City of Soldotna, Alaska

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

	Major Funds					
		Capital Project Funds				
Year Ended June 30, 2014	General	Street Construction	Airport Improvements	State Grants	Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes	$ 7,993,528	$ -	$ -	$ -	$ -	$ 7,993,528
Intergovernmental	904,166	-	2,022,154	2,236,162	1,381,633	6,544,115
Charges for services	160,068	-	-	-	2,356,975	2,517,043
Interest income	102,922	-	-	-	21,063	123,985
Special assessments	-	-	-	-	14,922	14,922
Miscellaneous	91,429	2,628	-	-	620,734	714,791
Total Revenues	9,252,113	2,628	2,022,154	2,236,162	4,395,327	17,908,384
Expenditures						
Current:						
General government	1,471,198	-	-	-	-	1,471,198
Public safety	2,312,723	-	-	-	-	2,312,723
Public works	2,380,760	-	-	-	-	2,380,760
Parks, recreation and culture	524,727	-	-	-	1,526,682	2,051,409
Nondepartmental	1,742,841	-	-	-	-	1,742,841
Public utilities	-	-	-	-	1,384,247	1,384,247
Airport	-	-	-	-	133,696	133,696
Debt service:						
Principal	-	-	-	-	105,000	105,000
Interest	-	-	-	-	114,162	114,162
Capital outlay	-	745,535	2,087,381	3,065,198	4,030,410	9,928,524
Total Expenditures	8,432,249	745,535	2,087,381	3,065,198	7,294,197	21,624,560
Excess of revenues over (under) expenditures	819,864	(742,907)	(65,227)	(829,036)	(2,898,870)	(3,716,176)
Other Financing Sources (Uses)						
Transfers in	6,664	1,335,000	6,684	620,000	3,470,646	5,438,994
Transfers out	(2,825,754)	-	-	(547)	(2,612,693)	(5,438,994)
Net Other Financing Sources (Uses)	(2,819,090)	1,335,000	6,684	619,453	857,953	-
Net change in fund balances	(1,999,226)	592,093	(58,543)	(209,583)	(2,040,917)	(3,716,176)
Beginning fund balances	20,877,468	412,202	59,785	222,253	9,500,717	31,072,425
Ending fund balances	$ 18,878,242	$ 1,004,295	$ 1,242	$ 12,670	$ 7,459,800	$ 27,356,249

See accompanying notes to basic financial statements.

Exhibit B-4

City of Soldotna, Alaska

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended June 30, 2014

Net change in fund balances - total governmental funds		$ (3,716,176)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays ($7,995,283) exceeded depreciation ($2,705,034).		5,290,249
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in:		
Delinquent property taxes	$ (315)	
Deferred special assessments	(13,032)	
		(13,347)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net position.		105,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the decrease in accrued interest payable.		112
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities.	2,053	
Less the net income effect of capital asset activities reported above	(20,392)	
		(18,339)
Change in Net Position of Governmental Activities		$ 1,647,499

See accompanying notes to basic financial statements.

Exhibit C-1

City of Soldotna, Alaska

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

Year Ended June 30, 2014	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales taxes	$ 7,850,000	$ 7,850,000	$ 7,725,471	$ (124,529)
Property taxes	260,000	260,000	268,057	8,057
Total taxes	8,110,000	8,110,000	7,993,528	(116,472)
Intergovernmental revenues:				
State of Alaska:				
Telephone and electric cooperative	25,000	25,000	26,364	1,364
Shared revenue	299,460	299,460	300,916	1,456
State PERS relief	420,627	420,627	434,361	13,734
Liquor licenses	17,500	17,500	15,000	(2,500)
Library assistance	6,500	6,500	6,980	480
Raw fish tax	7,500	7,500	4,952	(2,548)
Total State of Alaska	776,587	776,587	788,573	11,986
Federal:				
Public library education	-	4,442	7,251	2,809
Police equipment and software	-	2,501	2,079	(422)
Police assistance	-	-	3,896	3,896
Asset forfeitures	-	4,693	4,693	-
C.O.P.S. hiring program	91,457	91,457	96,897	5,440
Police safety equipment	-	-	777	777
Total Federal	91,457	103,093	115,593	12,500
Total intergovernmental revenues	868,044	879,680	904,166	24,486
Licenses and permits:				
Building and fire inspection	79,000	79,000	149,034	70,034
Animal licenses and fees	9,000	9,000	11,034	2,034
Total licenses and permits	88,000	88,000	160,068	72,068

City of Soldotna, Alaska

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

Year Ended June 30, 2014	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues, continued				
Other revenues:				
Interest income	$ 200,000	$ 200,000	$ 102,922	$ (97,078)
Traffic fines	70,000	70,000	55,155	(14,845)
Miscellaneous	22,400	22,400	21,767	(633)
Library fees	18,000	18,000	11,761	(6,239)
Donations	1,000	1,000	2,746	1,746
Total other revenues	311,400	311,400	194,351	(117,049)
Total Revenues	9,377,444	9,389,080	9,252,113	(136,967)
Expenditures				
General government:				
Mayor and council:				
Wages and benefits	27,731	27,731	20,916	6,815
Services/charges	204,275	258,225	225,994	32,231
Supplies	5,000	5,000	2,496	2,504
Chamber of Commerce/Visitor Center	125,000	135,000	134,886	114
Total mayor and council	362,006	425,956	384,292	41,664
Administration:				
Wages and benefits	406,062	406,062	382,606	23,456
Services/charges	90,640	89,240	73,946	15,294
Supplies	15,000	15,000	7,668	7,332
Total administration	511,702	510,302	464,220	46,082
Finance:				
Wages and benefits	432,846	432,846	383,930	48,916
Services/charges	38,725	34,825	33,128	1,697
Supplies	7,000	7,900	5,261	2,639
Total finance	478,571	475,571	422,319	53,252

City of Soldotna, Alaska

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

Year Ended June 30, 2014	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures, continued				
General government, continued:				
Management information systems:				
Wages and benefits	$ 115,364	$ 115,629	$ 119,057	$ (3,428)
Services/charges	57,000	55,667	48,454	7,213
Supplies	32,700	33,768	32,856	912
Total management information systems	205,064	205,064	200,367	4,697
Total general government	1,557,343	1,616,893	1,471,198	145,695
Public safety:				
Police department:				
Wages and benefits	1,906,361	1,906,361	1,786,779	119,582
Services/charges	317,913	317,913	278,336	39,577
Supplies	60,650	85,729	66,353	19,376
Total police department	2,284,924	2,310,003	2,131,468	178,535
Animal control:				
Wages and benefits	151,449	151,449	145,263	6,186
Services/charges	31,675	31,675	24,455	7,220
Supplies	14,400	14,400	11,537	2,863
Total animal control	197,524	197,524	181,255	16,269
Total public safety	2,482,448	2,507,527	2,312,723	194,804
Public works:				
Public works administration:				
Wages and benefits	487,664	487,664	469,410	18,254
Services/charges	24,600	23,700	11,746	11,954
Supplies	8,550	9,450	9,012	438
Total public works administration	520,814	520,814	490,168	30,646

City of Soldotna, Alaska

General Fund

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

Year Ended June 30, 2014	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures, continued				
Public works, continued:				
Streets:				
Wages and benefits	$ 554,646	$ 544,646	$ 516,682	$ 27,964
Services/charges	533,012	489,460	366,442	123,018
Supplies	133,700	167,390	169,587	(2,197)
Total streets	1,221,358	1,201,496	1,052,711	148,785
Economic development and planning:				
Wages and benefits	356,986	317,805	261,620	56,185
Services/charges	27,500	58,531	39,540	18,991
Supplies	6,675	6,875	7,025	(150)
Total economic development and planning	391,161	383,211	308,185	75,026
Building maintenance:				
Wages and benefits	142,846	132,846	117,334	15,512
Services/charges	47,780	51,282	43,465	7,817
Supplies	20,300	21,200	18,467	2,733
Total building maintenance	210,926	205,328	179,266	26,062
Shop:				
Wages and benefits	235,271	255,271	259,178	(3,907)
Services/charges	60,509	89,661	61,227	28,434
Supplies	75,000	82,016	81,696	320
Less charges to other funds	(79,350)	(79,350)	(51,671)	(27,679)
Total shop	291,430	347,598	350,430	(2,832)
Total public works	2,635,689	2,658,447	2,380,760	277,687
Parks, recreation and culture - library:				
Wages and benefits	341,455	408,490	327,439	81,051
Services/charges	99,060	111,079	93,587	17,492
Supplies	52,500	107,288	103,701	3,587
Total parks, recreation and culture	493,015	626,857	524,727	102,130

City of Soldotna, Alaska

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

Year Ended June 30, 2014	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures, continued				
Nondepartmental:				
Land acquisition	$ -	$ 1,124,000	$ 1,109,280	$ 14,720
Insurance	85,100	85,100	63,264	21,836
PERS on behalf expenditures	420,627	420,627	434,361	(13,734)
Senior Citizens	8,000	8,000	8,000	-
CARTS	7,620	7,620	7,620	-
Historical Society	7,600	7,600	7,600	-
Tsalteshi Trails	10,000	10,000	10,000	-
Boys & Girls Club	35,000	35,000	35,000	-
Soldotna After the Bell	20,000	20,000	20,000	-
Miscellaneous	110,817	60,817	47,716	13,101
Total nondepartmental	704,764	1,778,764	1,742,841	35,923
Total Expenditures	7,873,259	9,188,488	8,432,249	756,239
Excess of revenues over expenditures	1,504,185	200,592	819,864	619,272
Other Financing Sources (Uses)				
Transfers in	-	-	6,664	6,664
Transfers out	(2,294,071)	(2,990,755)	(2,825,754)	165,001
Net Other Financing Sources (Uses)	(2,294,071)	(2,990,755)	(2,819,090)	171,665
Net change in fund balance	$ (789,886)	$ (2,790,163)	(1,999,226)	$ 790,937
Beginning fund balance			20,877,468	
Ending fund balance			$ 18,878,242	

See accompanying notes to basic financial statements.

Exhibit D-1

City of Soldotna, Alaska

Proprietary Funds
Statement of Net Position

June 30, 2014	Governmental Activities - Internal Service Funds
Assets	
Current assets - equity in central treasury	$ 2,017,726
Capital Assets	
Equipment	4,138,986
Accumulated depreciation	(3,117,881)
Total Capital Assets Net of Accumulated Depreciation	1,021,105
Total Assets	$ 3,038,831
Liabilities and Net Position	
Current Liabilities - compensated absences	$ 440,774
Net Position	
Investment in capital assets	1,021,105
Unrestricted	1,576,952
Total Net Position	2,598,057
Total Liabilities and Net Position	$ 3,038,831

See accompanying notes to basic financial statements.

Exhibit D-2

City of Soldotna, Alaska

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014	Governmental Activities - Internal Service Funds
Operating Revenues - charges for services	$ 645,587
Operating Expenses	
Wages and benefits	483,660
Depreciation	167,136
Total Operating Expenses	650,796
Operating loss	(5,209)
Nonoperating Revenues - interest income	7,262
Change in net position	2,053
Beginning net position	2,596,004
Ending net position	$ 2,598,057

See accompanying notes to basic financial statements.

Exhibit D-3

City of Soldotna, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2014	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities	
Receipts from other funds	$ 645,587
Payments to employees	(427,521)
Net cash flows from operating activities	218,066
Cash Flows for Capital and Related Financing Activities	
Acquisition of capital assets	(187,528)
Cash Flows from Investing Activities	
Interest received	7,262
Net increase in equity in central treasury	37,800
Beginning equity in central treasury	1,979,926
Ending equity in central treasury	$ 2,017,726
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	$ (5,209)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	167,136
Increase in compensated absences	56,139
Total adjustments	223,275
Net Cash Flows from Operating Activities	$ 218,066

See accompanying notes to basic financial statements.

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1. Summary of Significant Accounting Policies

Reporting Entity

The City of Soldotna (City) was incorporated in 1967 under the provisions of Alaska Statute, Title 29, as amended, as a first-class city. The City operates under a manager plan of government and provides the following services: police protection, animal control, parks, recreation, planning, zoning and building code enforcement services, construction and maintenance of streets, storm drainage systems, public buildings, library, visitor information center, cemetery, airport, water and sewer utilities, ice arena and general administrative services. As a primary government, the City examined other organizations for financial accountability, as required by generally accepted accounting principles, for possible inclusion as component units. It was determined that no potential component units warrant such inclusion.

The Kenai Peninsula Borough and the Central Peninsula General Hospital Service Area are separate, overlapping governmental organizations. Their operations, legislative bodies and management are independent of the City and are excluded from the City's reporting entity.

General

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City. For the most part, interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues. The City has no *business-type activities*.

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 or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included in program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, claims, and judgments, are recorded only when payment is due.

Property taxes, sales taxes, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when received by the City.

The City reports the following major governmental funds based on the required quantitative criteria:

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

The *Street Construction Capital Project Fund* accounts for the costs related to the construction of streets. Street assessments and transfers of sales tax receipts are the funding sources for these projects.

The *Airport Improvements Capital Project Fund* accounts for the costs associated with airport improvement projects. Federal grants and transfers of sales tax receipts are the funding sources for these projects.

The *State Grants Capital Project Fund* accounts for expenditures related to road, water and sewer capital improvement projects. State grants are the primary funding source for these projects; with transfers of sales tax receipts used as the local match as needed.

Additionally, the City reports the following fund type:

Internal service funds account for, equipment replacement and compensated absences. These funds provide services to other departments and funds on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer services and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, Debt Service Fund and Permanent Fund. Budgets for these funds lapse at fiscal year-end. Capital project funds adopt project-length budgets.

Each year on or around the first regular council meeting in May, the City Manager submits to the City Council a proposed budget for the next fiscal year. The City Council then conducts public hearings to obtain taxpayer comments. The budget is legally enacted by passage of an ordinance and the established mill rate is legally adopted by passage of a resolution on or around the first council meeting in June. If Council action is not taken by July 1, expenditures cannot be made for any purpose except salaries until the ordinance has been adopted by the Council.

Transfers of appropriations of less than $20,000 among the various accounts within a fund shall only require the approval of the City Manager; however, any revisions altering the total expenditures of any fund must be approved by a supplemental appropriation ordinance enacted by the City Council.

General Fund supplemental appropriations totaled $2,011,913. The majority of this was for the purchase of land, transfers to capital project funds, and to appropriate state and federal grants received during the year.

Cash and Central Treasury

The City utilizes a central treasury to aggregate cash and cash equivalents from all funds for cash management and investment purposes. Each fund has an account titled "Equity in Central Treasury," which is the cash balance of the particular fund. Each fund whose monies are deposited in the central treasury has equity therein.

Interest income on investments is allocated, based on monthly balances, to participating funds. For purposes of these financial statements, all liquid investments with a maturity of three months or less when purchased and deposits in the Central Treasury, are considered to be cash equivalents.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is determined by the outstanding amount of personal property tax receivable at the end of the fiscal year, as this may or may not be collectible. All other property taxes are deemed to be collectible.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Short-Term Interfund Receivables/Payables

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs not adding to the value of the assets or materially extending the assets' lives are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings	10-30
Building improvements	10-30
Infrastructure	30-50
Vehicles	3-15
Equipment	5-20

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulated vacation may be received in cash by the employee at any time, subject to certain restrictions. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued at year-end.

The Compensated Absences Internal Service Fund was established to account for resources accumulated to provide for compensated absences for the City's governmental activities. During the year ended June 30, 2014, $483,660 was earned and $427,521 was used, leaving a balance in compensated absences of $440,774 at year end. The City has historically expended more in the subsequent year than the year-end balance and therefore this entire amount is considered current.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. In the fund financial statements, governmental funds recognize long-term debt obligations only when due.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance—this classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Only the City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Property Taxes

Property taxes are assessed on real and personal property. Mill rates are established annually by City resolution. The Kenai Peninsula Borough bills and collects property taxes on behalf of the City. Taxes are levied on July 1 of each year and are due in either two equal installments on August 15 and November 15, or one installment on October 15.

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are recorded as a receivable when billed. Uncollected property tax not received soon after year-end, in excess of the estimated uncollectible portion, is deferred. Soldotna Municipal Code calls for annual foreclosures on property for delinquent taxes, unless the City Council elects not to proceed with the foreclosure.

2. Cash and Investments

The City maintains a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed in the financial statements as "Equity in Central Treasury."

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2014:

June 30, 2014	
Bank deposits	$ 309,446
Investments	26,338,821
	$ 26,648,267

At year-end, all of the City's bank deposits were either insured or collateralized with securities held by a third party custodian in the City's name.

The City's investment policy requires that investments be made with judgment and care; with the objectives, in order of importance, being: 1) safety of principal; 2) maintaining sufficient liquidity to meet cash flow requirements; and 3) achieving a reasonable market-average rate of return.

The City's general investment policy authorizes investment in: (1) obligations of the United States, its agencies and instrumentalities; (2) insured or fully collateralized certificates of deposit, savings accounts, and other deposits with banks and savings and loan associations; (3) repurchase agreements, meeting a margin requirement of 102%, with a maximum term of five days; (4) money market mutual funds consisting primarily of obligations of the United States, its agencies and instrumentalities, and of repurchase agreements collateralized with such U.S. government, agency or instrumentality obligations; (5) the Alaska Municipal League Investment Pool (AMLIP); and (6) bonds and notes which are insured by any state or political subdivision thereof, and which are graded A or higher by Moody's Investors Service or Standard and Poor's.

Generally, investment maturities cannot exceed five years from the date of purchase. Excluded from the five year maximum are those funds managed by an investment advisor; which shall be managed to an appropriate and widely used benchmark, the maturity of which does not exceed five years.

Collateral is required for all uninsured certificates of deposit and other deposits with banks and savings and loan associations. The market value of collateral must be maintained during the life of the investment at a level equal to or greater than the amount of the investment. All collateral securities must be delivered to, and held by, a third party trustee. An undivided interest in the securities pledged as collateral must be granted to the City. Eligible securities for collateralization shall be limited to obligations of the United States government, its agencies and instrumentalities whose maturities do not exceed five years, measured from the date of the City's investment transaction.

The Alaska Municipal League Investment Pool, Inc. (AMLIP) is an external investment pool which is rated AAAm by Standard and Poor's. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. On a monthly basis the investments in the pool are reviewed for fair values by an independent pricing service. The values of investments in the pool are approximately equal to fair value.

The fair market values of the City's investments at year-end are shown below. Governmental Accounting Standards Board (GASB) Statement No. 40 establishes categories as an indication of the level of custodial risk involved in the investment. Money market mutual funds are not categorized as to risk as defined by Statement No. 40. All of the City's remaining investments are in the category of least risk and include investments insured or registered in the City's name, or securities that are held by the City or its agent in the City's name. All United States agency securities are held in custodial accounts with Wells Fargo Bank N.A. Institutional Trust Group and are recorded in its internal records in the City's name in accordance with a safekeeping agreement.

As of June 30, 2014, the City had the following investments and maturities:

	Fair Value	Less Than 1 Year	1 to 2 Years	2 to 5 Years
U.S. Treasury/agency securities	$ 24,847,082	$ 1,253,450	$ 13,547,698	$ 10,045,934
Money market accounts	586,182	586,182	-	-
AMLIP	905,557	905,557	-	-
Total Investments	$ 26,338,821	$ 2,745,189	$ 13,547,698	$ 10,045,934

Interest Rate Risk
The fair values of the City's fixed income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions. The City manages interest rate risk by limiting maturities to less than five years, excluding investments managed by an investment advisor. The City's investment policy requires at least 20% of the portfolio to be invested for less than one year. Additionally, no more than 50% of the portfolio can be invested for more than two years and no more than 20% for more than four years. Approximately 65% of total investments have maturities of less than two years and 35% have maturities of two to five years.

Credit Risk
The City's general investment policy specifies the types of investments that can be purchased. The intent of this is to limit credit risk, or the risk that the issuer of the investment securities purchased will default at maturity of the investment. The City may invest only in obligations of the United States, its agencies and instrumentalities; insured or fully collateralized certificates of deposit, savings accounts, and other deposits with banks and savings and loan associations; repurchase agreements; money market mutual funds; the Alaska Municipal League Investment Pool (AMLIP); and bonds/notes, insured by any state or political subdivision thereof, and graded A or higher by Moody's Investors Service or Standard and Poor's. Credit risk is effectively limited by restricting the eligible investment options.

Concentration Risk
The City investment policy places no limit on the amount that can be invested in any one issuer. More than 5% of the City's total portfolio is invested in securities issued by the Federal National Mortgage Association (36%).

3. Receivables

Based on past collections experience, management believes all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts has been recorded. Receivables at June 30, 2014, for the City's individual major funds and the nonmajor governmental funds in the aggregate, are as follows:

	General Fund	Airport Improvements Capital Project Fund	State Grants Capital Project Fund	Nonmajor Funds	Total Governmental Funds
Taxes	$ 1,729,950	$ -	$ -	$ -	$ 1,729,950
Intergovernmental	140,615	712,092	1,468,561	209,898	2,531,166
Customers and other	8,756	-	-	242,954	251,710
Special assessments	-	-	-	26,139	26,139
Net Receivables	$ 1,879,321	$ 712,092	$ 1,468,561	$ 478,991	$ 4,538,965

4. Capital Assets

Capital asset activity for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 5,729,849	$ 1,109,280	$ -$	6,839,129
Construction in progress	6,757,265	4,431,379	367,362	10,821,282
Total assets not being depreciated	12,487,114	5,540,659	367,362	17,660,411
Capital assets being depreciated:				
Buildings	27,958,153	311,326	-	28,269,479
Improvements other than buildings	53,693,820	1,539,580	-	55,233,400
Machinery and equipment	5,405,175	407,973	-	5,813,148 **
Infrastructure	30,701,311	563,107	-	31,264,418
Total assets being depreciated	117,758,459	2,821,986	-	120,580,445
Less accumulated depreciation for:				
Buildings	18,932,911	463,930	-	19,396,841
Improvements other than buildings	21,801,513	1,497,196	-	23,298,709
Machinery and equipment	3,829,327	297,628	-	4,126,955 **
Infrastructure	9,387,173	446,280	-	9,833,453
Total accumulated depreciation	53,950,924	2,705,034	-	56,655,958
Total capital assets being Depreciated, net	63,807,535	116,952	-	63,924,487
Governmental Activities Capital Assets, Net	$ 76,294,649	$ 5,657,611	$ 367,362	$ 81,584,898

** The ending balances include $4,138,986 and $3,117,881 of equipment and accumulated depreciation, respectively, related to the Equipment Replacement Internal Service Fund.

Depreciation expense was charged to each governmental function as follows for the year ended June 30, 2014:

	Governmental Funds	Internal Service Funds	Total Depreciation
General government	$ 188,325	$ -	$ 188,325
Public safety	92,641	44,795	137,436
Public works	455,547	108,304	563,851
Parks, recreation and culture	533,356	6,416	539,772
Utilities	846,425	7,621	854,046
Airport	421,604	-	421,604
Total Depreciation Expense	$ 2,537,898	$ 167,136	$ 2,705,034

5. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

The General Fund may make short-term interfund loans to other funds during the course of normal operations. These loans are classified as "due from other funds" and "due to other funds" on the balance sheet.

Interfund balances at June 30, 2014, are as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
General Fund	$ 1,433,488	$ -
Airport Improvements Capital Project Fund	-	705,753
State Grants Capital Project Fund	-	727,735
	$ 1,433,488	$ 1,433,488

Interfund Transfers

During the course of normal operations, the City had numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets, as well as operating subsidies. Interfund transfers are made in accordance with appropriating ordinances. Interfund transfers for the year ended June 30, 2014, are as follows:

	Transfers Out	Transfers In					
		General Fund	Street Construction Capital Project Fund	Airport Improvements Capital Project Fund	State Grants Capital Project Fund	Non-major Funds	Total
General Fund	$ 2,825,754	$ -	$ 690,000	$ 6,684	$ -	$ 2,129,070	$ 2,825,754
State Grants Fund	547	-	-	-	-	547	547
Nonmajor Funds	2,612,693	6,664	645,000	-	620,000	1,341,029	2,612,693
Total	$ 5,438,994	$ 6,664	$ 1,335,000	$ 6,684	$ 620,000	$ 3,470,646	$ 5,438,994

Routine transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for grant programs. These routine transfers total $829,070 for the year ended June 30, 2014.

For the year ended June 30, 2014, the City made the following nonroutine transfers:

A transfer from the General Fund to the Parks and Recreation Capital Projects Fund in the amount of $360,000 to finance the Soldotna Regional Sports Complex/Centennial Trail Connection Project.

A transfer from the General Fund to the Cemetery Fund in the amount of $295,000 to finance expansion of the cemetery.

A transfer from the General Fund to the Small Capital Projects Fund in the amount of $525,000 to finance the construction of several small capital projects.

A transfer from the General Fund to the Airport Improvements Fund in the amount of $6,684 to finance additional City match for the 2012 Apron Expansion Project.

A transfer from the General Fund to the Soldotna Regional Sports Complex Fund in the amount of $90,000 as additional financing for the replacement of boilers.

A transfer from the General Fund to the Parks and Recreation Capital Projects Fund in the amount of $30,000 for the Swiftwater Park Restoration Project.

Transfers from the General Fund and the Utility Fund in the amount of $690,000 and $60,000, respectively, to the Street Construction Fund to finance the construction of the North Aspen Drive Road Improvements Project.

A transfer from the Public Utility Fund to the Miscellaneous Capital Projects Fund in the amount of $191, 029 to finance the City's match for the purchase of a vactor truck.

A transfer from the Public Utility Fund to the Miscellaneous Capital Projects Fund in the amount of $1,150,000 as additional financing for the Water Reservoir Construction Project.

A transfer from the Street Assessments Fund to the State Grants Fund in the amount of $620,000 as additional financing for the Sterling Street/Kingfisher Court Road Improvements Project.

Transfers from the Street Assessments Fund and the Small Capital Projects Fund in the amount of $280,000 and $305,000, respectively, to the Street Construction Fund to finance the Tyee Street, Porcupine Court, and Riverside Drive Road Improvement Projects.

A transfer of excess fund balance in the amount of $547 from the State Grants Fund to the Public Utility Fund.

A transfer of excess fund balance in the amount of $6,664 from the Miscellaneous Capital Projects Fund to the General Fund.

6. Long Term Debt

General Obligation Bonds

The City of Soldotna issued general obligation bonds for the expansion of the Joyce K. Carver Public Library. The general obligation bonds pledge the full faith and credit of the City. Bonds in the amount of $2,500,000 were issued on December 9, 2010. $2,435,000 of the total was issued under the American Recovery and Reinvestment Act (ARRA) Recovery Zone Economic Development Bond Program and $65,000 utilizing traditional tax exempt bonds.

All of the bonds outstanding are held by the Alaska Municipal Bond Bank Authority. This State of Alaska agency purchases bonds from municipalities within the State, while simultaneously selling its own bonds to third parties in order to fund the bond purchases.

Bonds currently outstanding are as follows:

Governmental Activities	Interest Rates	Outstanding Balance
Library expansion: $2,435,000, 2010 Series Four Recovery Zone Economic Development Bonds, due in annual principal payments of$105,000 to $165,000 through 2031	2.38%-6.26% (before rebate)	$ 2,225,000

Debt service requirements to maturity for the general obligation bonds are as follows:

Governmental Activities *Fiscal Year*	Principal	Interest	Interest Subsidy	Net Interest
2015	$ 105,000	$ 111,905	$ (50,357)	$ 61,548
2016	110,000	109,070	(49,082)	59,988
2017	110,000	105,646	(47,541)	58,105
2018	115,000	101,594	(45,717)	55,877
2019	115,000	96,905	(43,607)	53,298
2020-2024	620,000	400,452	(180,203)	220,249
2025-2029	725,000	216,698	(97,514)	119,184
2030-2031	325,000	20,488	(9,220)	11,268
Total	$ 2,225,000	$ 1,162,758	$ (523,241)	$ 639,517

Changes in long term liabilities for the year ended June 30, 2014 follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Bonds payable - Economic Recovery Zone bonds	$ 2,330,000	$ -	$ 105,000	$ 2,225,000	$ 105,000
Compensated absences	384,635	483,660	427,521	440,774	440,774
Governmental Activity Long-Term Liabilities	$ 2,714,635	$ 483,660	$ 532,521	$ 2,665,774	$ 545,774

7. Encumbrances

The City had the following amounts reported as outstanding encumbrances at June 30, 2014:

General Fund	Street Construction Capital Project Fund	Airport Improvements Capital Project Fund	State Grants Capital Project Fund	Nonmajor Funds	Total Encumbrances
$ 71,510	$ 193,952	$ 23,201	$ 2,546,177	$ 279,998	$ 3,114,838

8. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Street Construction Capital Project Fund	Airport Improvements Capital Project Fund	State Grants Capital Project Fund	Nonmajor Funds	Total
Nonspendable:						
Inventories	$ 43,009	$ -	$ -	$ -	$ 148,788	$ 191,797
Prepaid items	5,145	-	-	-	-	5,145
Endowment principal	50,000	-	-	-	1,619,000	1,669,000
Total nonspendable	98,154	-	-	-	1,767,788	1,865,942
Restricted -						
endowment earnings	1,167	-	-	-	49,997	51,164
Committed:						
PERS unfunded liability	1,250,000	-	-	-	-	1,250,000
Street improvements	-	-	-	-	229,269	229,269
Total committed	1,250,000	-	-	-	229,269	1,479,269
Assigned:						
General government	17,998	-	-	-	-	17,998
Public safety	3,335	-	-	-	-	3,335
Public works	50,177	-	-	-	-	50,177
Parks, recreation & culture	-	-	-	-	119,052	119,052
Utilities	-	-	-	-	1,323,383	1,323,383
Airport	-	-	-	-	221,370	221,370
Capital projects	-	1,004,295	1,242	12,670	3,748,941	4,767,148
Self insurance	1,000,000	-	-	-	-	1,000,000
Subsequent year expenditures	205,534	-	-	-	-	205,534
Total assigned	1,277,044	1,004,295	1,242	12,670	5,412,746	7,707,997
Unassigned	16,251,877	-	-	-	-	16,251,877
Total Fund Balances	$ 18,878,242	$ 1,004,295	$ 1,242	$ 12,670	$ 7,459,800	$ 27,356,249

9. Defined Benefit Pension Plan

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost- sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration 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.

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

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

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (3.26% for pension and 3.49% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.62% for pension and 3.88% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditure within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2014 were determined as part of the June 30, 2010 actuarial valuation and are as follows:

June 30, 2014	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	10.64%	18.38%	27.94%
Postemployment healthcare	11.36%	17.30%	52.55%
Total contribution rate	22.00%	35.68%	80.49%

Required Pension and Postemployment Healthcare Contribution

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of $555,013 as revenue and expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

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Year Ended June 30,	Required Pension Contribution	Required OPEB Contribution	Total Required Contribution	City Contributions	Required Contribution Percentage
2014	$ 329,723	$ 352,035	$ 681,758	$ 681,758	100%
2013	286,895	365,880	652,775	652,775	100%
2012	292,116	355,763	647,879	647,879	100%

10. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

Employee Contribution Rates

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

The City is required to contribute the following amounts based on covered salary for the year ended June 30, 2014:

	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
	5.68%	6.62%

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of ***all employees of all employers*** in the plan." As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates $1,897 per year for each full-time employee, and $1.22 per hour for part-time employees.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were $156,511 and $141,844, respectively.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; law enforcement liability; injuries to employees; environmental contamination; and natural disasters. The City purchases commercial insurance from Alaska Public Entity Insurance (APEI) to transfer a substantial portion of the above risks of loss. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Management believes the $1,000,000, which is included in the assigned fund balance of the General Fund for "Self Insurance," should be sufficient for potential losses not covered by insurance.

12. Commitments and Contingencies

Loss Contingencies

The City, in the normal course of its activities, may be involved in various claims and pending litigation. Management of the City does not believe that the ultimate resolution of these matters will have a material adverse effect on the City's financial statements.

Grants

The City has received several grants subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes such disallowances, if any, would not materially affect the financial position of the City.

13. Donor-Restricted Endowment

The City is the recipient of a donor-restricted endowment. A *permanent fund* is used to account for this donation. Per the donor's request, only the earnings after inflation proofing may be spent. The principal amount of this endowment is designated as nonspendable fund balance in the Permanent Fund and the earnings are designated as restricted fund balance.

Amounts in excess of the inflation-proofed principal are available for spending and shall be used for the maintenance, improvement and/or operation of the Soldotna Historical Society Museum and to establish and maintain a scholarship fund for Alaskan students. The authorization for spending of these funds is done by Council approval each year through the annual budget process.

14. Conduit Debt

On November 17, 2004, the City Council authorized the issuance of nonrecourse revenue bonds for the purpose of providing funds to loan to Cook Inlet Tribal Council, Inc. to finance the construction of a facility. The bonds were issued in the amount of $8,000,000. The outstanding balance at June 30, 2014 was $4,148,901.

The bonds do not constitute a general obligation debt or pledge the full faith and credit of the City and, accordingly, the bonds and related assets are not reflected in the accompanying financial statements.

15. New Accounting Pronouncements

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

GASB 68 - Accounting and Financial Reporting for Pensions - Effective for year-end June 30, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan reporting at GASB 67.

GASB 69 - Government Combinations and Disposals of Government Operations - Effective for year-end June 30, 2015 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - Effective for year-end June 30, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues legally restricted to expenditures for particular purposes.

Public Utility - This fund was established to account for the water, sewer and wastewater treatment plant operations.

Airport - This fund was established to account for the operations of the airport.

Parks and Recreation - This fund was established to account for the Soldotna Regional Sports Complex and Community Schools operations; as well as Centennial, Swiftwater, and Rotary Park Campgrounds; and all City-owned parks.

Street Assessments - This fund was established to account for the collection of various street assessments, including penalties and interest, which are restricted for use on future City street improvement projects.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities and the acquisition of assets of a relatively permanent nature. These funds provide a formal mechanism which allows administration to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables the reporting to creditors and grantors of capital projects that requirements regarding the use of revenues are fully satisfied.

City Shop Construction - This fund was established to account for the acquisition of property and the construction of a new shop facility. Transfers of sales tax receipts are the funding source for these projects.

Cemetery - This fund was established to account for the costs related to the construction of a city cemetery. Transfers of sales tax receipts are the funding source for this project.

Parks and Recreation Capital Projects - This fund was established to account for construction and re-vegetation work designed to prevent erosion and loss of habitat along the banks of the Kenai River within the City's parks. Federal and State grants and operating transfers are the funding sources for these projects.

Utility System Capital Improvements - This fund was established to account for the construction of assets to maintain, improve and extend the City's water and sewer utility system and the wastewater treatment plant. Transfers of sales tax receipts, grants, and intergovernmental revenues are the funding sources for these projects.

Soldotna Regional Sports Complex - At City Council's direction, this fund was established to pursue the expansion of the Sports Complex. The focus has since changed to include re-vamping and improving the existing center. State grants and transfers of sales tax receipts are the funding sources for this project.

Capital Project Funds, continued

Library Expansion - This fund was established to account for the costs associated with the expansion of the Library. State grants, bonds, donations and transfers of sales tax receipts are the funding sources for this project.

Miscellaneous Capital Projects - This fund was established to account for various large capital improvement projects. Grants and transfers of sales tax receipts are the funding sources for these projects.

Small Capital Projects - This fund was established to account for various small capital improvement projects. Transfers of sales tax receipts are the funding sources for these projects.

Debt Service Fund

Debt service funds are used to account for the accumulation and disbursement of monies for the payment of general obligation bonds issued for construction of capital facilities throughout the City.

Permanent Fund

Permanent funds are used to report resources legally restricted to the extent that only earnings, and not principal, may be used.

Historical Society and Scholarships - This fund was established to account for a restricted donation. Per the donor's request, only the earnings after inflation proofing may be spent. Amounts available for spending may be used for the maintenance, improvement and/or operation of the Soldotna Historical Society Museum and to establish and maintain a scholarship fund for Alaskan students.

Exhibit E-1

City of Soldotna, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2014	Special Revenue Funds			
	Public Utility	Airport	Parks and Recreation	Street Assessments
Assets				
Equity in central treasury	$ 1,237,969	$ 270,115	$ 126,662	$ 228,681
Intergovernmental receivable	-	2,257	-	-
Other accounts receivable, net	141,958	9,697	47,795	26,139
Inventories	144,104	4,684	-	-
Total Assets	$ 1,524,031	$ 286,753	$ 174,457	$ 254,820
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities				
Accounts payable	$ 11,792	$ 1,091	$ 32,334	$ -
Unearned revenue	-	57,808	-	-
Other liabilities	44,752	1,800	23,071	-
Total Liabilities	56,544	60,699	55,405	-
Deferred Inflows - special assessments	-	-	-	25,551
Total Liabilities and Deferred Inflows	56,544	60,699	55,405	25,551
Fund Balances				
Nonspendable	144,104	4,684	-	-
Restricted	-	-	-	-
Committed	-	-	-	229,269
Assigned	1,323,383	221,370	119,052	-
Total Fund Balances	1,467,487	226,054	119,052	229,269
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,524,031	$ 286,753	$ 174,457	$ 254,820

City of Soldotna, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet, continued

June 30, 2014	Capital Project Funds			
	City Shop Construction	Cemetery	Parks & Recreation Capital Projects	Utility System Capital Improvements
Assets				
Equity in central treasury	$ 129,234	$ 373,218	$ 388,435	$ 163,013
Intergovernmental receivable	-	-	3,000	-
Other accounts receivable, net	-	-	-	504
Inventories	-	-	-	-
Total Assets	$ 129,234	$ 373,218	$ 391,435	$ 163,517
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities				
Accounts payable	$ -	$ -	$ 47,313	$ -
Unearned revenue	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	-	-	47,313	-
Deferred Inflows - special assessments	-	-	-	-
Total Liabilities and Deferred Inflows	-	-	47,313	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	129,234	373,218	344,122	163,517
Total Fund Balances	129,234	373,218	344,122	163,517
Total Liabilities, Deferred Inflows, and Fund Balances	$ 129,234	$ 373,218	$ 391,435	$ 163,517

City of Soldotna, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet, continued

June 30, 2014	Capital Project Funds, continued				Permanent Fund	Total
	Soldotna Regional Sports Complex	Library Expansion	Miscellaneous Capital Projects	Small Capital Projects	Historical Society and Scholarships	Nonmajor Governmental Funds
Assets						
Equity in central treasury	$ 373,542	$ 41,853	$ 1,616,737	$ 853,875	$ 1,668,997	$ 7,472,331
Intergovernmental receivable	-	49,645	154,996	-	-	209,898
Other accounts receivable, net	-	43,000	-	-	-	269,093
Inventories	-	-	-	-	-	148,788
Total Assets	$ 373,542	$ 134,498	$ 1,771,733	$ 853,875	$ 1,668,997	$ 8,100,110
Liabilities, Deferred Inflows, and Fund Balances						
Liabilities						
Accounts payable	$ 187,467	$ 48,265	$ 14,771	$ 144,295	$ -	$ 487,328
Unearned revenue	-	-	-	-	-	57,808
Other liabilities	-	-	-	-	-	69,623
Total Liabilities	187,467	48,265	14,771	144,295	-	614,759
Deferred Inflows - special assessments	-	-	-	-	-	25,551
Total Liabilities and Deferred Inflows	187,467	48,265	14,771	144,295	-	640,310
Fund Balances						
Nonspendable	-	-	-	-	1,619,000	1,767,788
Restricted	-	-	-	-	49,997	49,997
Committed	-	-	-	-	-	229,269
Assigned	186,075	86,233	1,756,962	709,580	-	5,412,746
Total Fund Balances	186,075	86,233	1,756,962	709,580	1,668,997	7,459,800
Total Liabilities, Deferred Inflows, and Fund Balances	$ 373,542	$ 134,498	$ 1,771,733	$ 853,875	$ 1,668,997	$ 8,100,110

Exhibit E-2

City of Soldotna, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Special Revenue Funds				Capital Project Funds
Year Ended June 30, 2014	Public Utility	Airport	Parks and Recreation	Street Assessments	City Shop Construction
Revenues					
Intergovernmental	$ 51,076	$ 8,777	$ 63,056	$ -	$ -
Charges for services	1,413,209	155,264	788,502	-	-
Interest income	10,542	1,104	-	1,025	-
Special assessments	-	-	-	14,922	-
Miscellaneous	-	-	-	-	-
Total Revenues	1,474,827	165,145	851,558	15,947	-
Expenditures					
Current:					
Public utilities	1,384,247	-	-	-	-
Parks, recreation and culture	-	-	1,508,751	-	-
Airport	-	133,696	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	1,384,247	133,696	1,508,751	-	-
Excess of revenues over (under) expenditures	90,580	31,449	(657,193)	15,947	-
Other Financing Sources (Uses)					
Transfers in	547	-	657,193	-	-
Transfers out	(1,401,029)	-	-	(900,000)	-
Net Other Financing Sources (Uses)	(1,400,482)	-	657,193	(900,000)	-
Net change in fund balances	(1,309,902)	31,449	-	(884,053)	-
Beginning fund balances	2,777,389	194,605	119,052	1,113,322	129,234
Ending fund balances	$ 1,467,487	$ 226,054	$ 119,052	$ 229,269	$ 129,234

City of Soldotna, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

	Capital Project Funds, continued				
Year Ended June 30, 2014	Cemetery	Parks & Recreation Capital Projects	Utility System Capital Improvements	Soldotna Regional Sports Complex	Library Expansion
Revenues					
Intergovernmental	$ -	$ 3,000	$ -	$ -	$ 914,873
Charges for services	-	-	-	-	-
Interest income	-	-	-	-	664
Special assessments	-	-	-	-	-
Miscellaneous	-	150,400	7,174	-	463,160
Total Revenues	-	153,400	7,174	-	1,378,697
Expenditures					
Current:					
Public utilities	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	1,531
Airport	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	27,919	1,272,471	115,467	188,578	1,335,697
Total Expenditures	27,919	1,272,471	115,467	188,578	1,337,228
Excess of revenues over (under) expenditures	(27,919)	(1,119,071)	(108,293)	(188,578)	41,469
Other Financing Sources (Uses)					
Transfers in	295,000	390,000	-	90,000	-
Transfers out	-	-	-	-	-
Net Other Financing Sources (Uses)	295,000	390,000	-	90,000	-
Net change in fund balances	267,081	(729,071)	(108,293)	(98,578)	41,469
Beginning fund balances	106,137	1,073,193	271,810	284,653	44,764
Ending fund balances	$ 373,218	$ 344,122	$ 163,517	$ 186,075	$ 86,233

City of Soldotna, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

Year Ended June 30, 2014	Capital Project Funds, continued		Debt Service Fund	Permanent Fund	
	Miscellaneous Capital Projects	Small Capital Projects	2010 Bond Debt Service	Historical Society and Scholarships	Total Nonmajor Governmental Funds
Revenues					
Intergovernmental	$ 293,566	$ -	$ 47,285	$ -	$ 1,381,633
Charges for services	-	-	-	-	2,356,975
Interest income	-	-	-	7,728	21,063
Special assessments	-	-	-	-	14,922
Miscellaneous	-	-	-	-	620,734
Total Revenues	293,566	-	47,285	7,728	4,395,327
Expenditures					
Current:					
Public utilities	-	-	-	-	1,384,247
Parks, recreation and culture	-	-	-	16,400	1,526,682
Airport	-	-	-	-	133,696
Debt service:					
Principal	-	-	105,000	-	105,000
Interest	-	-	114,162	-	114,162
Capital outlay	293,566	796,712	-	-	4,030,410
Total Expenditures	293,566	796,712	219,162	16,400	7,294,197
Excess of revenues over (under) expenditures	-	(796,712)	(171,877)	(8,672)	(2,898,870)
Other Financing Sources (Uses)					
Transfers in	1,341,029	525,000	171,877	-	3,470,646
Transfers out	(6,664)	(305,000)	-	-	(2,612,693)
Net Other Financing Sources (Uses)	1,334,365	220,000	171,877	-	857,953
Net change in fund balances	1,334,365	(576,712)	-	(8,672)	(2,040,917)
***Beginning* fund balances**	422,597	1,286,292	-	1,677,669	9,500,717
Ending fund balances	$ 1,756,962	$ 709,580	$ -	$ 1,668,997	$ 7,459,800

Exhibit F-1

City of Soldotna, Alaska

Public Utility Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for services:			
Sewer service	$ 855,000	$ 890,282	$ 35,282
Water service	451,000	469,278	18,278
Connection and other charges	52,000	53,649	1,649
Intergovernmental - State PERS relief	54,260	51,076	(3,184)
Interest income	25,000	10,542	(14,458)
Total Revenues	1,437,260	1,474,827	37,567
Expenditures			
Wages and benefits	628,106	608,222	19,884
Services/charges	706,357	617,874	88,483
Supplies	172,108	158,151	13,957
Total Expenditures	1,506,571	1,384,247	122,324
Excess of revenues over (under) expenditures	(69,311)	90,580	159,891
Other Financing Sources (Uses)			
Transfers in	-	547	547
Transfers out	(1,401,029)	(1,401,029)	-
Net Other Financing Sources (Uses)	(1,401,029)	(1,400,482)	547
Net change in fund balance	$ (1,470,340)	(1,309,902)	$ 160,438
Beginning fund balance		2,777,389	
Ending fund balance		$ 1,467,487	

Exhibit F-2

City of Soldotna, Alaska

Airport Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for services	$ 147,617	$ 155,264	$ 7,647
Intergovernmental revenues:			
State of Alaska:			
State PERS relief	9,062	6,520	(2,542)
Aviation fuel taxes	1,300	2,257	957
Interest income	1,800	1,104	(696)
Total Revenues	159,779	165,145	5,366
Expenditures			
Wages and benefits	103,402	80,400	23,002
Services/charges	79,487	43,724	35,763
Supplies	10,175	9,572	603
Total Expenditures	193,064	133,696	59,368
Excess of revenues over (under) expenditures	(33,285)	31,449	64,734
Other Financing Sources - transfers in	33,285	-	(33,285)
Net change in fund balance	$ -	31,449	$ 31,449
Beginning fund balance		194,605	
Ending fund balance		$ 226,054	

Exhibit F-3

City of Soldotna, Alaska

Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for services:			
Ice arena	$ 273,000	$ 262,689	$ (10,311)
Campgrounds	364,500	350,756	(13,744)
Other charges	57,900	63,028	5,128
Special events and conference rooms	83,000	93,212	10,212
Concessions	20,500	18,817	(1,683)
Intergovernmental - State PERS relief	61,041	63,056	2,015
Total Revenues	859,941	851,558	(8,383)
Expenditures			
Wages and benefits	961,867	909,713	52,154
Services/charges	572,651	481,814	90,837
Supplies	133,515	117,224	16,291
Total Expenditures	1,668,033	1,508,751	159,282
Excess of revenues over (under) expenditures	(808,092)	(657,193)	150,899
Other Financing Sources - transfers in	788,527	657,193	(131,334)
Net change in fund balance	$ (19,565)	-	$ 19,565
Beginning fund balance		119,052	
Ending fund balance		$ 119,052	

Exhibit F-4

City of Soldotna, Alaska

Street Assessments Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Final Budget	Actual	Variance with Final Budget
Revenues			
Interest income	$ 10,900	$ 1,025	$ (9,875)
Special assessments:			
Principal	8,400	13,032	4,632
Interest and penalty	3,050	1,890	(1,160)
Total Revenues	22,350	15,947	(6,403)
Excess of revenues over expenditures	22,350	15,947	(6,403)
Other Financing Uses - transfers out	(900,000)	(900,000)	-
Net change in fund balance	$ (877,650)	(884,053)	$ (6,403)
Beginning fund balance		1,113,322	
Ending fund balance		$ 229,269	

Exhibit G-1

City of Soldotna, Alaska

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Final Budget	Actual	Variance with Final Budget
Revenues - intergovernmental	$ 46,903	$ 47,285	$ 382
Expenditures			
Principal	105,000	105,000	-
Interest	114,162	114,162	-
Total Expenditures	219,162	219,162	-
Excess of revenues over (under) expenditures	(172,259)	(171,877)	382
Other Financing Sources - transfers in	172,259	171,877	(382)
Net change in fund balance	$ -	-	$ -
Beginning fund balance		-	
Ending fund balance		$ -	

Exhibit H-1

City of Soldotna, Alaska

Historical Society and Scholarship Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2014	Final Budget	Actual	Variance with Final Budget
Revenues - interest income	$ 16,600	$ 7,728	$ (8,872)
Expenditures			
Scholarships	14,000	14,000	-
Historical Society	2,400	2,400	-
Total Expenditures	16,400	16,400	-
Net change in fund balance	$ 200	(8,672)	$ (8,872)
Beginning fund balance		1,677,669	
Ending fund balance		$ 1,668,997	

Exhibit I-1

City of Soldotna, Alaska

Internal Service Funds
Combining Statement of Net Position

June 30, 2014	Equipment Replacement	Compensated Absences	Total Internal Service Funds
Assets			
Current Assets - equity in central treasury	$ 1,576,952	$ 440,774	$ 2,017,726
Capital Assets			
Equipment	4,138,986	-	4,138,986
Accumulated depreciation	(3,117,881)	-	(3,117,881)
Total Capital Assets Net of Accumulated Depreciation	1,021,105	-	1,021,105
Total Assets	$ 2,598,057	$ 440,774	$ 3,038,831
Liabilities and Net Position			
Current Liabilities - compensated absences	$ -	$ 440,774	$ 440,774
Net Position			
Investment in capital assets	1,021,105	-	1,021,105
Unrestricted	1,576,952	-	1,576,952
Total Net Position	2,598,057	-	2,598,057
Total Liabilities and Net Position	$ 2,598,057	$ 440,774	$ 3,038,831

Exhibit I-2

City of Soldotna, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014	Equipment Replacement	Compensated Absences	Total Internal Service Funds
Operating revenues - charges for services	$ 161,927	$ 483,660	$ 645,587
Operating Expenses			
Wages and benefits	-	483,660	483,660
Depreciation	167,136	-	167,136
Total Operating Expenses	167,136	483,660	650,796
Operating loss	(5,209)	-	(5,209)
Nonoperating revenues - interest income	7,262	-	7,262
Change in net position	2,053	-	2,053
Beginning net position	2,596,004	-	2,596,004
Ending net position	$ 2,598,057	$ -	$ 2,598,057

Exhibit I-3

City of Soldotna, Alaska

Internal Service Funds
Combining Statement of Cash Flows

Year Ended June 30, 2014	Equipment Replacement	Compensated Absences	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from other funds	$ 161,927	$ 483,660	$ 645,587
Payments to employees	-	(427,521)	(427,521)
Net cash flows from operating activities	161,927	56,139	218,066
Cash Flows for Capital and Related Financing Activities			
Acquisition of capital assets	(187,528)	-	(187,528)
Cash Flows from Investing Activities			
Interest received	7,262	-	7,262
Net increase (decrease) in equity in central treasury	(18,339)	56,139	37,800
Beginning equity in central treasury	1,595,291	384,635	1,979,926
Ending equity in central treasury	$ 1,576,952	$ 440,774	$ 2,017,726
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	$ (5,209)	$ -	$ (5,209)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation	167,136	-	167,136
Increase in compensated absences	-	56,139	56,139
Total adjustments	167,136	56,139	223,275
Net Cash Flows from Operating Activities	$ 161,927	$ 56,139	$ 218,066

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Exhibit J-1

City of Soldotna, Alaska

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend-itures
Institute of Museum and Library Services				
Passed through State of Alaska Department of Education and Early Development:				
Continuing Education Grant	CED-14-773-174	45.310	$ 918	$ 918
Continuing Education Grant	CED-14-773-184	45.310	870	870
Total Institute of Museum and Library Services				1,788
Department of Commerce				
Passed through State of Alaska Department of Education and Early Development:				
OWL Early Literacy Station Grant	OWL-14-773-01	11.557	2,642	2,642
OWL Early Literacy Station Grant - ARRA	OWL-14-773-02	11.557	2,821	2,821
OWL Training Participation - ARRA	2014	11.557	380	380
Total Department of Commerce				5,843
Department of Interior				
Kenai River Parks Project	F11AC00563	15.631	25,000	25,000
Department of Justice				
C.O.P.S. Hiring Program	2010UMWX0002	16.710	274,372	96,897
Passed through the Municipality of Anchorage - Police Equipment and Software	3814-241-487412G	16.543	5,000	2,079
Bulletproof Vest Partnership Program	2011BUBX11058013	16.607	3,544	385
Bulletproof Vest Partnership Program	2013BUBX13068676	16.607	1,131	392
Total CFDA 16.607				777
Passed through State of Alaska Department of Public Safety - Equitable Sharing Funds	2014	16.922	4,693	4,693
Total Department of Justice				104,446
Department of Transportation				
Rehabilitate and Expand Apron	3-02-0274-011-2012	20.106	3,150,270	1,956,920
Passed through State of Alaska Department of Transportation & Public Facilities - Safe Routes to School Grant - Phase II	LU-10-12-0005	20.205	65,600	60,199
Total Department of Transportation				2,017,119

City of Soldotna, Alaska

Schedule of Expenditures of Federal Awards, continued

Year Ended June 30, 2014

	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend-itures
Department of Agriculture				
Passed through State of Alaska Department of Natural Resources - Tree Grant	2014	10.664	$ 3,000	$ 3,000
Total Expenditures of Federal Awards				$ 2,157,196

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of City of Soldotna, Alaska and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Exhibit J-2

City of Soldotna, Alaska

Schedule of State Financial Assistance

Year Ended June 30, 2014

	Grant Number	Total Grant Award	State Share of Expend-itures
Department of Education and Early Development			
Library Assistance	PLA-14-773-72	$ 6,600	$ 6,600
Department of Commerce, Community and Economic Development			
* Revenue Sharing	2014	300,916	300,916
Veteran's Memorial	07-DC-266	40,000	20,712
Soldotna Creek Park Development	11-DC-356	75,000	74,422
* Joyce K Carver Library Expansion	12-DC-446	3,400,000	914,873
* Police Building Roof Replacement	13-DC-337	325,000	263,476
* Reconstruct North Binkley Street	11-DC-355	544,000	544,000
* Redoubt Avenue Street Improvements	12-DC-428	2,079,000	648,458
* Construction of Water Tank & Associated Costs	14-RR-051	564,229	268,566
* Paving Improvements	13-DC-482	1,500,000	250,101
Total Department of Commerce, Community and Economic Development			3,285,524
Department of Transportation and Public Facilities			
Rehabilitate and Expand Apron	55995	105,009	65,234
Department of Revenue			
Liquor Licenses	2014	15,000	15,000
Aviation Fuel Tax	2014	2,257	2,257
Raw Fish Tax	2014	4,952	4,952
Electric and Telephone Cooperative Refund	2014	26,364	26,364
Total Department of Revenue			48,573
Department of Environmental Conservation			
Well House B Reconstruction	79107	693,000	26,610
* Sterling Street Water and Sewer Replacement	79108	364,700	348,184
Total Department of Environmental Conservation			374,794
Department of Administration			
* PERS Relief Funding	2014	555,013	555,013
Department of Public Safety			
SART Exam funding	2014	3,896	3,896
Total State Financial Assistance			$ 4,339,634

*Denotes major program

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the grant activity of City of Soldotna, Alaska and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits.*

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City of Soldotna, Alaska

Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax. Information pertaining to principal sales tax payers is considered proprietary information and is no longer available. Therefore, this schedule will no longer be presented.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. Information pertaining to principal employers is considered proprietary information and is no longer available. Therefore, this schedule will no longer be presented.

Operating Information

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

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

Table 1

City of Soldotna, Alaska

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

June 30,	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	$ 51,770,097	$ 54,907,163	$ 58,658,676	$ 62,629,464	$ 67,903,793	$ 70,229,080	$ 73,528,072	$ 71,695,208	$ 73,964,649	$ 79,359,898
Restricted	8,867,998	7,147,995	11,714,325	1,775,777	1,789,636	1,795,052	1,808,602	1,787,060	1,728,599	1,720,164
Unrestricted	9,435,222	10,309,347	7,788,115	22,718,781	24,844,041	27,179,328	26,356,674	30,291,499	30,974,515	27,235,200
Total Governmental Activities Net Position	$ 70,073,317	$ 72,364,505	$ 78,161,116	$ 87,124,022	$ 94,537,470	$ 99,203,460	$ 101,693,348	$ 103,773,767	$ 106,667,763	$ 108,315,262

Table 2

City of Soldotna, Alaska

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

June 30,	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 1,727,475	$ 1,614,821	$ 1,753,181	$ 2,199,344	$ 2,330,134	$ 1,682,155	$ 1,534,785	$ 1,646,969	$ 2,015,464	$ 2,242,595
Public safety	1,583,603	1,751,334	1,903,798	2,290,966	2,068,646	2,202,184	2,374,475	2,201,716	2,503,373	2,841,723
Public works	1,406,670	1,848,778	1,925,362	1,863,775	2,221,500	2,617,544	2,488,033	2,981,839	3,342,130	5,111,688
Parks, recreation and culture	2,000,313	2,093,921	2,210,566	2,216,019	2,316,966	2,107,822	2,170,021	2,398,610	2,584,155	3,128,939
Utilities	1,215,381	1,282,233	1,658,312	1,855,971	1,835,951	2,352,795	2,050,885	2,109,719	2,107,264	2,260,505
Airport	265,869	435,281	240,134	242,044	224,872	561,740	577,108	588,881	665,178	555,300
Interest on long-term debt	35,613	14,700	-	-	-	-	66,517	74,315	115,833	114,050
Total Governmental Expenses	$ 8,234,924	$ 9,041,068	$ 9,691,353	$ 10,668,119	$ 10,998,069	$ 11,524,240	$ 11,261,824	$ 12,002,049	$ 13,333,397	$ 16,254,800
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 67,176	$ 67,765	$ -	$ 32,400	$ 32,400	$ 46,000	$ -	$ -	$ -	$ -
Public safety	27,238	40,877	189,962	197,156	107,860	65,777	88,675	80,559	80,626	66,189
Public works	355,339	117,074	3,916	-	275,756	105,835	78,986	154,209	109,962	163,956
Parks, recreation and culture	591,933	610,940	659,354	702,605	751,356	792,545	703,277	727,893	763,625	800,263
Utilities	912,766	1,036,163	1,105,978	1,064,673	1,126,026	1,144,619	1,129,402	1,227,208	1,319,880	1,400,177
Airport	77,133	88,270	117,359	58,009	85,303	89,839	102,374	140,289	141,425	155,264
Operating grants and contributions	128,157	230,156	105,633	1,435,285	98,032	167,062	226,746	436,275	580,058	729,756
Capital grants and contributions	2,517,722	1,626,510	4,426,756	5,338,697	5,870,086	4,232,245	2,581,721	2,435,560	4,722,088	6,045,489
Total Governmental Program Revenues	$ 4,677,464	$ 3,817,755	$ 6,608,958	$ 8,828,825	$ 8,346,819	$ 6,643,922	$ 4,911,181	$ 5,201,993	$ 7,717,664	$ 9,361,094
Net (Expense)/Revenue										
Governmental activities	$ (3,557,460)	$ (5,223,313)	$ (3,082,395)	$ (1,839,294)	$ (2,651,250)	$ (4,880,318)	$ (6,350,643)	$ (6,800,056)	$ (5,615,733)	$ (6,893,706)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 532,373	$ 591,070	$ 664,965	$ 729,791	$ 806,256	$ 839,899	$ 893,361	$ 572,196	$ 343,063	$ 267,742
Sales taxes	6,010,468	6,447,488	6,924,374	7,447,024	7,703,999	7,236,738	7,033,513	7,522,648	7,640,536	7,725,471
Grants not restricted	-	-	406,010	1,762,503	753,501	652,504	536,598	454,658	473,131	347,232
Investment earnings	313,372	470,143	830,458	833,168	502,296	542,883	308,813	210,791	20,790	131,247
Sale of capital assets	221	5,800	-	-	-	20,128	-	8,178	3,134	-
Other	-	-	53,199	29,714	59,004	77,110	68,246	112,005	29,075	69,513
Total governmental activities	$ 6,856,434	$ 7,514,501	$ 8,879,006	$ 10,802,200	$ 9,825,056	$ 9,369,262	$ 8,840,531	$ 8,880,476	$ 8,509,729	$ 8,541,205
Changes in Net Position										
Governmental activities	$ 3,298,974	$ 2,291,188	$ 5,796,611	$ 8,962,906	$ 7,173,806	$ 4,488,944	$ 2,489,888	$ 2,080,420	$ 2,893,996	$ 1,647,499

Table 3

City of Soldotna, Alaska

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

Fiscal Year	Property Tax	Sales Tax	Total
2005	532,373	6,010,468	6,542,841
2006	591,070	6,447,488	7,038,558
2007	664,965	6,924,374	7,589,339
2008	729,791	7,447,024	8,176,815
2009	806,256	7,703,999	8,510,255
2010	839,899	7,236,738	8,076,637
2011	893,361	7,033,513	7,926,874
2012	572,196	7,522,648	8,094,844
2013	343,063	7,640,536	7,983,599
2014	267,742	7,725,471	7,993,213

Table 4

City of Soldotna, Alaska

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

	Fiscal Year									
June 30,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	$ 2,809,001	$ 2,023,113	$ 102,316	$ 88,813	$ 153,511	$ 187,028	$ -	$ -	$ -	$ -
Unreserved	4,577,780	5,438,821	5,529,650	10,183,618	15,332,863	17,807,162	-	-	-	-
Nonspendable	-	-	-	-	-	-	50,877	92,573	114,328	98,154
Restricted	-	-	-	-	-	-	50,564	50,896	930	1,167
Committed	-	-	-	-	-	-	1,250,000	1,250,000	1,250,000	1,250,000
Assigned	-	-	-	-	-	-	1,352,283	1,118,259	1,841,479	1,277,044
Unassigned	-	-	-	-	-	-	16,455,565	17,688,344	17,670,731	16,251,877
Total General Fund	$ 7,386,781	$ 7,461,934	$ 5,631,966	$ 10,272,431	$ 15,486,374	$ 17,994,190	$ 19,159,289	$ 20,200,072	$ 20,877,468	$ 18,878,242
All other governmental funds:										
Reserved	$ 481,787	$ 1,471,048	$ 1,334,808	$ 2,745,302	$ 3,603,469	$ 2,821,628	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	3,656,954	3,211,568	3,798,888	3,839,208	4,082,259	4,300,609	-	-	-	-
Capital project funds	3,925,297	2,746,468	6,523,108	6,181,080	1,963,838	2,433,489	-	-	-	-
Permanent fund	40,613	49,199	57,035	-	-	-	-	-	-	-
Debt service fund	742,662	248,510	7,167	-	-	-	-	-	-	-
Nonspendable:										
Special revenue funds	-	-	-	-	-	-	39,844	55,080	142,748	148,788
Permanent fund	-	-	-	-	-	-	1,619,000	1,619,000	1,619,000	1,619,000
Restricted:										
Capital project funds	-	-	-	-	-	-	2,098,742	1,878,338	-	-
Permanent fund	-	-	-	-	-	-	110,417	88,543	58,669	49,997
Committed -										
Special revenue funds	-	-	-	-	-	-	1,061,534	1,092,111	1,113,322	229,269
Assigned:										
Special revenue funds	-	-	-	-	-	-	3,733,709	3,536,563	2,948,298	1,663,805
Capital project funds	-	-	-	-	-	-	3,441,494	3,882,461	4,312,920	4,767,148
Total All Other Governmental Funds	$ 8,847,313	$ 7,726,793	$ 11,721,006	$ 12,765,590	$ 9,649,566	$ 9,555,726	$ 12,104,740	$ 12,152,096	$ 10,194,957	$ 8,478,007

Table 5

City of Soldotna, Alaska

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

	Fiscal Year									
June 30,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Property taxes	$ 554,075	$ 592,522	$ 662,313	$ 728,025	$ 803,576	$ 833,469	$ 872,696	$ 602,405	$ 347,121	$ 268,057
Sales taxes	6,010,468	6,447,488	6,924,374	7,447,024	7,703,999	7,236,738	7,033,513	7,522,648	7,640,536	7,725,471
Intergovernmental	2,645,878	1,701,665	2,247,262	4,835,270	5,279,542	4,651,811	2,846,995	3,326,493	5,754,874	6,544,115
Charges for services	1,838,767	1,786,270	2,088,039	1,938,099	2,039,318	2,108,947	2,038,760	2,262,652	2,334,802	2,517,043
Investment earnings	313,372	470,143	754,913	771,740	473,320	515,650	294,503	201,287	19,668	123,985
Special assessments	130,083	65,281	41,708	16,037	82,250	85,623	40,877	23,536	27,465	14,922
Other revenues	120,057	166,407	72,884	1,617,361	138,982	203,642	126,279	175,165	127,018	714,791
Total revenues	11,612,700	11,229,776	12,791,493	17,353,556	16,520,987	15,635,880	13,253,623	14,114,186	16,251,484	17,908,384
Expenditures										
General government	2,215,329	1,429,326	1,521,528	1,823,596	2,028,714	1,809,116	1,664,229	1,837,959	1,930,164	3,214,039
Public safety	1,403,898	1,578,515	1,785,227	1,963,895	1,998,462	2,051,707	2,105,012	2,038,359	2,120,234	2,312,723
Public works	1,146,541	1,343,548	1,480,754	1,500,992	1,703,357	1,747,819	1,739,316	2,107,320	2,196,726	2,380,760
Parks, recreation and culture	1,321,992	1,408,217	1,512,974	1,577,839	1,674,771	1,644,649	1,655,451	1,760,999	1,707,240	2,051,409
Public utilities	720,174	762,102	845,892	949,815	994,618	1,041,336	1,153,420	1,204,891	1,253,563	1,384,247
Airport	116,252	90,021	87,294	92,595	82,634	134,434	119,855	129,922	134,258	133,696
Capital outlay	4,301,011	4,643,995	3,401,942	3,759,775	5,940,512	4,792,843	3,602,811	3,747,146	7,968,126	9,928,524
Debt service:										
Principal	465,000	490,000	-	-	-	-	-	65,000	105,000	105,000
Interest	42,394	22,050	-	-	-	-	-	134,351	115,916	114,162
Total expenditures	11,732,591	11,767,774	10,635,611	11,668,507	14,423,068	13,221,904	12,040,094	13,025,947	17,531,227	21,624,560
Other financing sources (uses)										
Transfers in	3,503,937	2,711,142	5,686,541	747,269	7,769,427	2,543,306	1,995,182	2,298,542	3,941,030	5,438,994
Transfers out	(3,719,304)	(3,224,311)	(5,678,178)	(747,269)	(7,769,427)	(2,543,306)	(1,995,182)	(2,298,542)	(3,941,030)	(5,438,994)
Proceeds from debt issuance	-	-	-	-	-	-	2,500,000	-	-	-
Proceeds from bond premium	-	-	-	-	-	-	584	-	-	-
Sale of capital assets	34,500	5,800	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(180,867)	(507,369)	8,363	-	-	-	2,500,584	-	-	-
Net Change in Fund Balances	$ (300,758)	$ (1,045,367)	$ 2,164,245	$ 5,685,049	$ 2,097,919	$ 2,413,976	$ 3,714,113	$ 1,088,239	$ (1,279,743)	$ (3,716,176)
Debt service as a percentage of noncapital expenditures	6.58%	6.71%	0.00%	0.00%	0.00%	0.00%	0.00%	2.08%	2.03%	1.59%

Table 6

City of Soldotna, Alaska

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

Fiscal Year	Property Tax	Sales Tax	Total
2005	$ 554,075	6,010,468	6,564,543
2006	592,522	6,447,488	7,040,010
2007	662,313	6,924,374	7,586,687
2008	728,025	7,447,024	8,175,049
2009	803,576	7,703,999	8,507,575
2010	833,469	7,236,738	8,070,207
2011	872,696	7,033,513	7,906,209
2012	602,405	7,522,648	8,125,053
2013	347,121	7,640,536	7,987,657
2014	268,057	7,725,471	7,993,528

Table 7

City of Soldotna, Alaska

Taxable Sales by Category
Current Year and Five Years Ago

June 30,	2010	2014
Administrative, waste management	$ 998,542	$ 1,314,785
Agriculture, forestry, fishing & hunting	32,376	-
Arts and entertainment	1,089,093	1,525,138
Construction contracting	1,442,565	1,095,322
Educational services	575,615	625,786
Finance and insurance	195,059	350,646
Guiding	489,440	335,931
Health care and social assistance	544,295	1,252,812
Hotel/motel/B&B	3,883,235	4,568,406
Information	9,465,229	8,904,954
Management	30,036	-
Manufacturing	1,686,190	1,902,794
Mining/quarrying	7,640	-
Other	-	205,075
Professional, scientific and technical services	3,912,995	4,143,405
Public administration	1,050,388	1,258,220
Rental property	7,974,077	8,124,679
Restaurant/bar	22,204,879	25,291,939
Retail trade	-	183,890,273
Services	6,542,026	6,772,020
Telecommunications	2,569,221	3,544,267
Timbering	340	-
Transportation and warehousing	121,751	-
Utilities	6,169,082	6,499,469
Wholesale trade	173,381	492,498
Total	$ 71,157,455	$ 262,098,419
City direct sales tax rate	3%	3%

Source: Kenai Peninsula Borough Sales Tax Department.

Notes: Data for years prior to GASB 44 implementation is unavailable; therefore, current year data and data from five years ago is being presented.

Due to changes made at the Kenai Peninsula Borough, current year classifications may be different than those from 2010.

Table 8

City of Soldotna, Alaska

Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Kenai Peninsula Borough
2005	3.00	2.00
2006	3.00	2.00
2007	3.00	2.00
2008	3.00	3.00
2009	3.00	3.00
2010	3.00	3.00
2011	3.00	3.00
2012	3.00	3.00
2013	3.00	3.00
2014	3.00	3.00

Source: City of Soldotna and the Kenai Peninsula Borough Sales Tax Department.

City of Soldotna, Alaska

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities: General Obligation Bonds	Estimated Percentage of Personal Income *	Percentage of Estimated Actual Taxable Value of Property	Debt Per Capita **
2005	$ -	0.00%	0.00%	$ -
2006	-	0.00%	0.00%	-
2007	-	0.00%	0.00%	-
2008	-	0.00%	0.00%	-
2009	-	0.00%	0.00%	-
2010	-	0.00%	0.00%	-
2011	2,500,000	1.44%	0.50%	600.53
2012	2,435,000	1.30%	0.50%	568.39
2013	2,330,000	1.19%	0.48%	541.99
2014	2,225,000	1.14%	0.46%	519.37

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

* Personal income is estimated by using Kenai Peninsula Borough income to calculate per capita income and total income for City of Soldotna.

** Population data can be found on Table 12.

Table 10

City of Soldotna, Alaska

Computation of Direct and Overlapping Debt
As of June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	City of Soldotna's Share of Debt
Direct Debt - City of Soldotna	$ 2,225,000	100.00%	$ 2,225,000
Overlapping Debt:			
Kenai Peninsula Borough	46,815,000	6.92%	3,240,365
Central Peninsula General Hospital	60,395,000	10.32%	6,231,647
Total Direct and Overlapping Debt	107,210,000		9,472,012
Total Direct and Overlapping	$ 109,435,000		$ 11,697,012

Source: City of Soldotna and the Kenai Peninsula Borough.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Soldotna.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed property values by those of the Borough.

Table 11

City of Soldotna, Alaska

Legal Debt Margin Information

Alaska State Law / Soldotna Municipal Code

The City can issue general obligation bonds without limitation, upon approval by a majority of City voters.

AS 29.47 provides that the City is authorized to incur the following types of municipal debt without voter approval:

> Revenue anticipation notes, but all debt so contracted shall be paid before the end of the next fiscal year.
>
> Revenue bonds for a public enterprise or public corporation of the municipality where the only security is the revenue of the public enterprise or corporation.
>
> Bond anticipation notes in anticipation of the sale of general obligation and revenue bonds not to exceed the total amount of bonds authorized to be issued if 1) the general obligation bonds to be sold have been authorized by ordinance and ratified by a majority vote at an election; and 2) the revenue bonds to be sold have been authorized by ordinance.
>
> Refunding bonds for general obligation bonds or revenue bonds to take up and refund all or part of outstanding bonds at or before their maturity or redemption date. However, when general obligation bonds are used to refund a revenue bond issue, voter approval is required.

Table 12

City of Soldotna, Alaska

Demographic and Economic Statistics
Last Ten Fiscal Years

	City of Soldotna	Kenai Peninsula Borough**				
Fiscal Year	Population (1)	Population (2)	Personal Income (amount expressed in thousands) (3)	Per Capita Personal Income	Median Age (4)	Unemployment Rate (5)
2005	3,776	51,616	1,582,033	30,650	39	9.5%
2006	3,794	51,735	1,673,977	32,357	39	8.7%
2007	3,807	52,025	1,796,436	34,530	40	8.1%
2008	3,982	52,904	1,985,810	37,536	40	7.6%
2009	3,926	53,669	2,195,022	40,899	40	7.8%
2010	4,021	54,632	2,195,560	40,188	40	9.8%
2011	4,163	55,400	2,308,886	41,677	41	10.0%
2012	4,284	56,671	2,485,029	43,850	41	9.4%
2013	4,299	56,718	2,591,281	45,687	41	8.4%
2014	4,284	56,862	2,591,281 *	45,571	41	7.5%

Sources:

(1) Data is provided by the Kenai Peninsula Borough and the State of Alaska Department of Commerce, Community, and Economic Development and is an estimate as of July 1 of each fiscal year.
(2) Data is provided by the State of Alaska Department of Labor and is an estimate as of July 1 of each fiscal year.
(3) Data is provided by the US Department of Commerce, Bureau of Economic Analysis.
(4) Data is provided by the State of Alaska Department of Labor.
(5) Data is provided by the State of Alaska Department of Labor and is the average rate for the previous calendar year.
* Current year data is unavailable as of the date of this report.
** Data for the City of Soldotna is not available, but should be comparable to this data which is for the Kenai Peninsula Borough.

Note: Information for prior years may be revised yearly until a census is completed.

Table 13

City of Soldotna, Alaska

Full-time Equivalent City Government Employees by Function/Program
Last Nine Fiscal Years

June 30,	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	9.52	11.91	10.95	9.08	9.72	8.61	9.33	8.55	8.40
Public safety	15.41	17.00	16.65	17.29	16.44	16.57	15.84	16.67	16.60
Public works	12.79	12.38	13.19	14.65	15.39	15.86	15.16	16.01	16.70
Parks, recreation and culture	16.90	16.96	18.22	17.76	16.75	17.19	17.45	16.61	19.40
Utilities	5.17	4.97	5.07	5.21	5.15	5.61	5.03	4.91	5.20
Total	59.79	63.22	64.08	63.99	63.45	63.84	62.81	62.75	66.30

Source: City of Soldotna Finance Department.

Note: Data for years prior to GASB 44 implementation is unavailable; therefore, only nine years of data is being presented.

Table 14

City of Soldotna, Alaska

Operating Indicators by Function/Program
Last Nine Fiscal Years

June 30,	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program									
Police:									
Arrests	766	887	854	773	696	692	507	626	623
Parking/non-moving violations	85	42	39	39	13	32	33	9	6
Traffic violations	1,300	2,801	2,500	2,622	1,815	1,898	1,551	1,030	1,081
Requests for service	3,934	4,455	3,490	3,184	3,613	4,012	4,223	4,187	4,432
Animal Control:									
Animals handled *	382	364	364	311	326	241	455	338	354
Animals licensed *	109	111	111	92	63	162	103	74	141
Library:									
Volumes in collection	40,213	39,743	44,186	44,622	46,528	38,351	38,689	45,286	48,883
Volumes checked out	93,717	97,274	101,506	113,811	98,638	100,063	83,067	44,410	66,936
Water:									
New connections	36	66	21	25	22	14	11	19	17
Water main breaks	-	-	3	2	-	2	-	-	-
Average daily consumption (gallons)	710,000	787,272	794,032	662,950	896,400	803,785	869,050	846,968	745,683
Wastewater:									
New connections	30	50	21	23	19	11	13	21	22
Average daily sewage treatment (gallons)	532,667	559,300	571,334	581,333	564,583	629,000	713,000	634,000	637,416

Source: Various City Departments.

Notes: Data for years prior to GASB 44 implementation is unavailable; therefore, only nine years of data is being presented.
* Data presented is for previous calendar year (available only on a calendar year basis).

Table 15

City of Soldotna, Alaska

Capital Asset Statistics by Function/Program
Last Nine Fiscal Years

June 30,	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program									
Public works:									
Area in square miles	8	8	8	8	8	8	8	8	-
Streets (miles)	38	38	40	41	41	41	41	41	41
Traffic lights	9	9	9	9	9	9	9	9	9
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	11	11	9	13	13	15	15	14	14
Animal Control:									
Shelters	1	1	1	1	1	1	1	1	1
Water:									
Water mains (miles)	29	29	32	33	35	36	37	37	37
Fire hydrants	276	276	301	311	321	321	321	321	322
Storage capacity (millions of gallons per day)	2	2	2	2	2	2	2	1	1
Wastewater:									
Sanitary sewers (miles)	24	24	26	26	27	29	30	30	30
Storm drains (miles)	10	10	10	10	10	11	15	15	15
Treatment facilities	1	1	1	1	1	1	1	1	1
Treatment capacity (millions of gallons per day)	1	1	1	1	1	1	1	1	1
Parks and recreation:									
Park acreage	223	223	223	223	223	223	241	241	241
Number of facilities:									
Parks	10	10	10	10	10	10	10	10	10
Ball fields	8	8	8	8	8	8	8	8	8
Rodeo grounds	1	1	1	1	1	1	1	1	1
Cemetery	-	-	-	-	-	-	1	1	1
Libraries	1	1	1	1	1	1	1	1	1
Museums	1	1	1	1	1	1	1	1	1
Visitor information centers	1	1	1	1	1	1	1	1	1
Ice skating arena, sports and conference centers	1	1	1	1	1	1	1	1	1

Source: Various City Departments.

Note: Data for years prior to GASB 44 implementation is unavailable; therefore, only nine years of data is being presented.

Single Audit Section

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Soldotna, Alaska

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Soldotna, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Soldotna's basic financial statements and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered City of Soldotna's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Soldotna's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Soldotna's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Soldotna's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
October 24, 2014

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Honorable Mayor and City Council
City of Soldotna, Alaska

Report on Compliance for Each Major Federal Program

We have audited City of Soldotna's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Soldotna's major federal programs for the year ended June 30, 2014. City of Soldotna's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Soldotna's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Soldotna's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Soldotna's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Soldotna complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Soldotna is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Soldotna's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Soldotna's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
October 24, 2014

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Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Soldotna, Alaska

Report on Compliance for Each Major State Program

We have audited City of Soldotna's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Soldotna's major state programs for the year ended June 30, 2014. City of Soldotna's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Soldotna's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Soldotna's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Soldotna's compliance.

Opinion on Each Major State Program

In our opinion, City of Soldotna complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Soldotna is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Soldotna's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Soldotna's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
October 24, 2014

City of Soldotna, Alaska

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

Federal Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ yes	X no

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*	*Agency*
20.106	Airport Improvement Program	Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	

Dollar threshold used to distinguish a state major program: $ 75,000

City of Soldotna, Alaska

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV - State Award Findings and Questioned Costs

None noted.

City of Soldotna, Alaska

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

There were no prior year audit findings.

City of Soldotna, Alaska

Corrective Action Plan
Year Ended June 30, 2014

There were no current year findings; therefore no corrective action plan is required.