

# Comprehensive Annual Financial Report

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For Fiscal Year Ended  
June 30, 2015



**SOLDOTNA**  
City of Soldotna, Alaska



Comprehensive Annual Financial Report  
of the  
City of Soldotna, Alaska

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Year Ended June 30, 2015

Nels Anderson  
Mayor

Mark Dixson  
City Manager

Prepared By  
Finance Department

Melanie Imholte  
Finance Director / Treasurer



# City of Soldotna, Alaska

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December 1, 2015

Honorable Mayor Pete Sprague,  
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, 2015. 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, 2015, 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, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 Borough (KPB) with a significant employment base and several large employers. 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 and has recently opened a new visitor center. 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. Retail sales businesses continue to generate the largest share of sales tax revenue.

The world famous Kenai River is one of Soldotna's greatest assets. The Kenai River, as well as Soldotna's many other recreational and entertainment options, is why Soldotna has a huge influx of

tourists during the summer months. On busy summer weekends, the population of the central 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 tourism industry in the State, and on the Kenai Peninsula, is growing. Gross sales in visitor related businesses top \$32 million annually in Soldotna, including over \$25 million from restaurants and bars located within the City. Several of these existing businesses expanded over the past year, providing additional dining and entertainment opportunities for residents and visitors.

The health care industry in Alaska has been one of the fastest growing economic sectors for 20 years, and Soldotna continues to see expansion in this area. Central Peninsula Hospital (CPH), located in Soldotna, accounts for over one-quarter of the KPB health care sector's employment and half of its wages. CPH operates a number of facilities in Soldotna, including the hospital, 60-bed Heritage House, family and specialty physician clinics, and a new specialty medical office building which is currently under construction and will be open in January 2016.

As of 2015, a total of 2,836 students attended K-12 schools located in Soldotna. The Kenai Peninsula College (KPC), with its Kenai River Campus located on 300 wooded acres in Soldotna, enrolls an additional 2,100 academic and non-credit students each semester and employs more than 260 people, including 38 full time faculty and 91 adjunct faculty.

The City of Soldotna's population continues to grow and we continue to see strong development in both commercial and residential construction. 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 \$1.2 million in FY2015 to \$17.7 million, largely due to transfers to capital project funds for current and 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, 2015 was \$10,262,704. Designations of fund balance are explained beginning on page 33 of these financial statements.

The City's investment policy was revised during FY15, in order to allow monies that are not anticipated for immediate use, to be strategically invested for longer terms in a broader range of investments. Details of the City's investment policy are described beginning on page 35 of the financial statements.

Envision Soldotna 2030, the City's comprehensive plan, contains a goal to "explore annexation to promote orderly high-quality development, cost-effective extension of public services, protection of the city's sales tax base, and protection of the natural environment." In June of 2015, the City Council approved a contract with Northern Economics, to explore the fiscal impact of delivering City services to several areas adjacent to the City, as well as the revenues to be generated by those areas if they were incorporated. The study will also evaluate the 'status-quo' of a do-nothing scenario, to examine the estimated impact to the City's long-term financial position if no annexation takes place. The study will be completed by April 2016, the results of which will be shared with the Council and public.

One of the biggest issues impacting the City's finances moving forward is the passage of a Borough-wide ballot proposition that occurred in October 2015, which suspends the sales tax on non-prepared foods for nine months of the year. While this tax "holiday" had already been implemented in other areas of the Borough, general law cities had been given the authority to continue collecting sales tax year round. The ballot proposition that was passed in October 2015 changed this and effective

October 14, 2015, the City can no longer collect a 3% sales tax on non-prepared food for the months of September through May. The Kenai Peninsula Borough has estimated that the impact to Soldotna, due to the passage of this proposition, could be a loss in sales tax revenue of \$1.0-1.2 million annually. The City will closely monitor the true impact over the next year, and evaluate whether any changes are recommended to maintain the City's strong financial health.

The City has convened an informal 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 developed and helps implement a strategic economic development action plan, which identifies initiatives and projects that can leverage our shared assets and move the community forward. The Council meets quarterly, with individual members active in projects throughout the year.

### 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, 2014. 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.

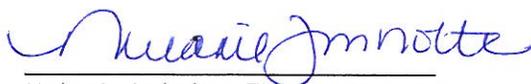
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR once again meets the Program's requirements; and therefore we are submitting it to the GFOA to determine its eligibility for another certificate.

### 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 City Council for their efforts in planning and conducting the financial operations of the City in a responsible manner.

  
Mark Dixon, City Manager

  
Melanie Imholte, Finance Director

City of Soldotna, Alaska

Certificate of Achievement

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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, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

# City of Soldotna, Alaska

## Principal Officials

June 30, 2015

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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.

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### *Mayor and City Council*

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		<i>Term Ends</i>
Mayor	Nels Anderson	2017
Council	Paul Whitney, Seat A	2015
	Meggean Bos, Seat B	2017
	Linda Murphy, Seat C	2015
	Regina Daniels, Seat D	2016
	Keith Baxter, Seat E	2016
	Pete Sprague, Seat F	2017

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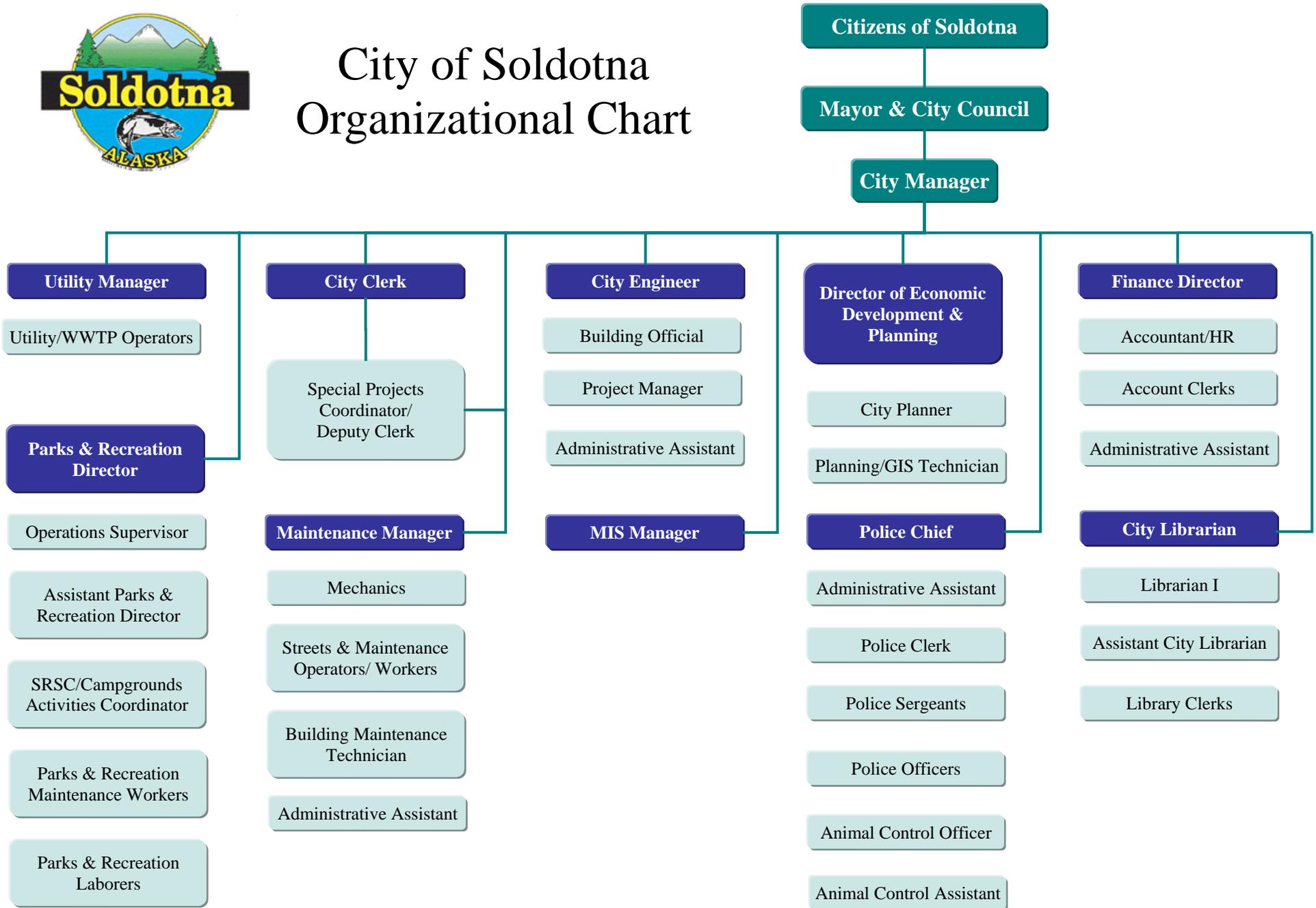
### *City Administration*

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



# City of Soldotna Organizational Chart





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3601 C Street, Suite 600  
Anchorage, AK 99503

## 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, 2015, 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, 2015, 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.

### *Change in Accounting Principle*

As discussed in Note 18 to the financial statements, in 2015 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### *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 and the Schedules of Net Pension Liability, and Pension Contributions on pages 60 through 61 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 for the year ended June 30, 2015 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 for the year ended June 30, 2015 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 for the year ended June 30, 2015 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2015.

The accompanying introductory and statistical sections, as listed in the table of contents, 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 December 1, 2015, 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  
December 1, 2015

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## Management's Discussion and Analysis

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# City of Soldotna, Alaska

## Management's Discussion and Analysis

June 30, 2015

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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, 2015. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal.

### Financial Highlights

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- The assets of the City of Soldotna exceeded its liabilities at June 30, 2015, by \$106,369,008 (net position). Of this amount, unrestricted net position of \$22,284,283 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$2,086,753 in FY2015.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,533,420, a decrease of \$822,829 from the prior year.
- Fund balance for the General Fund was \$17,660,407 at June 30, 2015, a decrease of \$1,217,835. Of this amount, \$10,262,704 was unassigned and available for spending.
- The City had outstanding general obligation debt at year-end in the amount of \$2,120,000. This debt was issued on December 9, 2010 for expansion of the City's library.
- In 2015 the City adopted the provisions of GASB Statement 68 which resulted in the recognition of \$4,238,193 in a net pension liability, \$605,836 in pension related deferred outflows, and \$489,656 in pension related deferred inflows. The opening balance of government-wide equity was restated in the amount of \$4,033,007 as a result of the implementation of these statements. In accordance with Generally Accepted Accounting principles in the United States, prior year balances have not been restated.

### Overview of the Financial Statements

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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

# City of Soldotna, Alaska

## Management's Discussion and Analysis

June 30, 2015

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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, 2015, 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 Airport Improvements Fund, the Soldotna Regional Sports Complex 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.

# City of Soldotna, Alaska

## Management's Discussion and Analysis

June 30, 2015

**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 other 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, 2015, the City's assets exceeded liabilities by \$106,369,008. 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	
	2015	2014
Current and other assets	\$ 31,095,522	\$ 31,384,174
Capital assets	84,497,999	81,584,898
Deferred outflows	605,836	-
<b>Total assets and deferred outflows</b>	<b>116,199,357</b>	<b>112,969,072</b>
Other liabilities	2,496,464	1,988,036
Noncurrent liabilities	6,844,229	2,665,774
Deferred inflows	489,656	-
<b>Total liabilities and deferred inflows</b>	<b>9,830,349</b>	<b>4,653,810</b>
Net position:		
Net investment in capital assets	82,377,999	79,359,898
Restricted	1,706,726	1,720,164
Unrestricted	22,284,283	27,235,200
<b>Total Net Position</b>	<b>\$ 106,369,008</b>	<b>\$ 108,315,262</b>

# City of Soldotna, Alaska

## Management's Discussion and Analysis

*June 30, 2015*

**Governmental activities.** Governmental activities increased the City of Soldotna's net position by \$2,086,753. Key elements of this increase are as follows. The City has no business-type activities.

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

	Governmental Activities	
	2015	2014
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 3,034,626	\$ 2,585,849
Operating grants and contributions	381,793	729,756
Capital grants and contributions	8,033,647	6,045,489
General revenues:		
Property taxes	279,183	267,742
Sales taxes	7,641,757	7,725,471
Other	502,269	547,992
<b>Total revenues</b>	<b>19,873,275</b>	<b>17,902,299</b>
<b>Expenses:</b>		
General government	2,072,769	2,242,595
Public safety	2,485,035	2,841,723
Public works	5,556,883	5,111,688
Parks, recreation and culture	4,306,950	3,128,939
Utilities	2,402,068	2,260,505
Airport	811,092	555,300
Interest on long-term debt	151,725	114,050
<b>Total expenses</b>	<b>17,786,522</b>	<b>16,254,800</b>
<b>Net increase in net position</b>	<b>2,086,753</b>	<b>1,647,499</b>
<b>Net Position, beginning</b>	<b>108,315,262</b>	<b>106,667,763</b>
<b>Cumulative effect of adoption of GASB 68</b>	<b>(4,033,007)</b>	<b>-</b>
<b>Net Position, beginning, as restated</b>	<b>104,282,255</b>	<b>106,667,763</b>
<b>Net Position, ending</b>	<b>\$ 106,369,008</b>	<b>\$ 108,315,262</b>

### 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,

# City of Soldotna, Alaska

## Management's Discussion and Analysis

June 30, 2015

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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 \$26,533,420, which is down \$822,829 from last year. Designations of fund balance are explained beginning on page 33 of these financial statements. \$10,262,704 of fund balance was unassigned and available for spending at the City's discretion. The remaining \$16,270,716 is considered nonspendable, restricted, committed or assigned; indicating that it is not available for new spending.

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 \$17,660,407; a decrease of \$1,217,835 from the prior year. The General Fund has a very healthy fund balance.

General Fund expenditures (not including transfers out) are up \$173,918 over last year. The primary revenue sources in the General Fund include property tax of \$279,920, sales tax of \$7,641,757, and intergovernmental revenues of \$1,927,695. Property tax revenues are up \$11,863 over last year while sales tax revenues are down \$83,714. Intergovernmental revenues increased \$1,023,529; primarily due to the increase in the PERS on behalf contribution rate from 13.68% in FY14 to 42.41% in FY15. The increase in the contribution rate affects both revenues and expenditures.

Tax revenues support General Fund operations exclusively and represent 78% of General Fund revenue and 37% of all governmental fund revenue. Other funds rely heavily on charges for services and interest revenue. Investment earnings in the governmental funds are down \$198,007 from FY14; primarily due to year-end market value adjustments to the equity component recently added to the City's investment portfolio. Capital project funds are financed largely by grants from Federal, State, and Borough governments.

**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

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The General Fund appropriations budget was amended by the City Council during the year by \$2,495,365 of which \$2,398,772 was transfers to other funds and \$4,085 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. \$8,998 of the increase was due to Library and Animal Control donations for the purchase of supplies and services, \$12,000 was for election related expenses and \$71,510 was for the rollover of prior year encumbrances.

Actual revenues were \$514,687 more than the final budget. This is due to the increase in the PERS on behalf contribution rate previously discussed. Actual expenditures and transfers out were \$451,438 less than the final budget. The City typically does not spend the entire authorized appropriation. The variance was about 3.7% of the final budget compared to 7.6% last year. The

# City of Soldotna, Alaska

## Management's Discussion and Analysis

June 30, 2015

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lower variance this year compared to past years is also due to the increase in the PERS on behalf contribution rate as this is reflected in not only revenues but also expenses

### Capital Assets and Debt Administration

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**Capital assets.** The City of Soldotna's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$84,497,999 (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 40 of this report.

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

- Construction of the Tye Street Road Improvements Project
- Construction of the Airport Apron Expansion Phase II Project
- Construction of Binkley Liftstation Upgrades

Construction of several other capital projects remains in progress at the close of fiscal year 2015.

**Long-term debt.** No new debt was issued by the City in FY15. As of June 30, 2015, general obligation bonds in the amount of \$2,120,000 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 44-45.

As previously mentioned, the City adopted the provisions of GASB Statement 68, resulting in the recognition of a net pension liability in the amount of \$4,238,193 on the Government-wide Statement of Net Position.

### Requests for Information

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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

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## City of Soldotna, Alaska

## Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities
<b>Assets</b>	
Equity in central treasury	\$ 25,146,118
Receivables (net of allowance for uncollectibles)	5,731,027
Inventories	215,579
Prepaid items	2,798
Land	6,836,329
Property and equipment in service	124,716,694
Accumulated depreciation	(59,509,990)
Construction in progress	12,454,966
<b>Total Assets</b>	<b>115,593,521</b>
Deferred Outflows - pension related	605,836
<b>Total Assets and Deferred Outflows</b>	<b>\$ 116,199,357</b>
<b>Liabilities</b>	
Accounts payable	\$ 2,200,249
Unearned revenue	5,781
Other liabilities	244,328
Accrued interest payable	46,106
Noncurrent liabilities:	
Due within one year:	
Bonds payable	110,000
Compensated absences	486,036
Due in more than one year:	
Bonds payable	2,010,000
Net pension liability	4,238,193
<b>Total Liabilities</b>	<b>9,340,693</b>
Deferred Inflows - pension related	489,656
<b>Net Position</b>	
Net investment in capital assets	82,377,999
Restricted:	
Nonexpendable portion:	
Parks, recreation and culture	50,000
Historical Society and scholarships	1,619,000
Expendable portion:	
Parks, recreation and culture	1,010
Historical Society and scholarships	36,716
Unrestricted	22,284,283
<b>Total Net Position</b>	<b>106,369,008</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 116,199,357</b>

*See accompanying notes to basic financial statements.*

## City of Soldotna, Alaska

## Statement of Activities

Year Ended June 30, 2015	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<b>Functions/Programs</b>					<b>Governmental</b>
Governmental activities:					<b>Activities</b>
General government	\$ 2,072,769	\$ -	\$ 47,817	\$ -	\$ (2,024,952)
Public safety	2,485,035	94,387	92,432	5,220	(2,292,996)
Public works	5,556,883	408,191	89,023	2,653,055	(2,406,614)
Parks, recreation and culture	4,306,950	812,187	50,465	1,244,952	(2,199,346)
Public utilities	2,402,068	1,532,502	31,266	2,980,615	2,142,315
Airport	811,092	187,359	4,850	1,149,805	530,922
Interest on long-term debt	151,725	-	65,940	-	(85,785)
<b>Total Governmental Activities</b>	<b>\$ 17,786,522</b>	<b>\$ 3,034,626</b>	<b>\$ 381,793</b>	<b>\$ 8,033,647</b>	<b>(6,336,456)</b>

## General revenues:

Property taxes	279,183
Sales taxes	7,641,757
Grants and entitlements not restricted for a specific purpose	495,312
Gain on asset disposal	34,142
Investment loss	(78,652)
Other	51,467
<b>Total general revenues</b>	<b>8,423,209</b>
Change in net position	2,086,753
<b>Beginning net position, as restated (Note 18)</b>	<b>104,282,255</b>
<b>Ending net position</b>	<b>\$ 106,369,008</b>

See accompanying notes to basic financial statements.

## City of Soldotna, Alaska

Governmental Funds  
Balance Sheet

June 30, 2015	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Capital Project Funds			State Grants		
		Airport Improvements	Soldotna Regional Sports Complex				
<b>Assets</b>							
Equity in central treasury	\$ 14,574,637	\$ -	\$ -	\$ -	\$ -	8,590,151	\$ 23,164,788
Receivables (net of allowance for uncollectibles)	1,725,676	1,726,828	1,130,402	738,829	-	390,059	5,711,794
Due from other funds	1,629,829	-	-	-	-	-	1,629,829
Inventories	41,680	-	-	-	-	173,899	215,579
Prepaid items	2,798	-	-	-	-	-	2,798
<b>Total Assets</b>	<b>\$ 17,974,620</b>	<b>\$ 1,726,828</b>	<b>\$ 1,130,402</b>	<b>\$ 738,829</b>	<b>\$ -</b>	<b>9,154,109</b>	<b>\$ 30,724,788</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 178,288	\$ 765,137	\$ 51,676	\$ 483,139	\$ -	722,009	\$ 2,200,249
Unearned revenue	-	-	-	-	-	5,781	5,781
Due to other funds	-	866,497	507,722	255,610	-	-	1,629,829
Other liabilities	133,764	-	-	-	-	110,564	244,328
<b>Total Liabilities</b>	<b>312,052</b>	<b>1,631,634</b>	<b>559,398</b>	<b>738,749</b>	<b>-</b>	<b>838,354</b>	<b>4,080,187</b>
<b>Deferred Inflows</b>							
Delinquent property taxes	2,161	-	-	-	-	-	2,161
Special assessments	-	-	-	-	-	109,020	109,020
<b>Total Liabilities and Deferred Inflows</b>	<b>314,213</b>	<b>1,631,634</b>	<b>559,398</b>	<b>738,749</b>	<b>-</b>	<b>947,374</b>	<b>4,191,368</b>
<b>Fund Balances</b>							
Nonspendable	94,478	-	-	-	-	1,792,899	1,887,377
Restricted	1,010	-	-	-	-	36,716	37,726
Committed	6,250,000	-	-	-	-	420,614	6,670,614
Assigned	1,052,215	95,194	571,004	80	-	5,956,506	7,674,999
Unassigned	10,262,704	-	-	-	-	-	10,262,704
<b>Total Fund Balances</b>	<b>17,660,407</b>	<b>95,194</b>	<b>571,004</b>	<b>80</b>	<b>-</b>	<b>8,206,735</b>	<b>26,533,420</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 17,974,620</b>	<b>\$ 1,726,828</b>	<b>\$ 1,130,402</b>	<b>\$ 738,829</b>	<b>\$ -</b>	<b>9,154,109</b>	<b>\$ 30,724,788</b>

See accompanying notes to basic financial statements.

**City of Soldotna, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
*June 30, 2015*

Total fund balances for governmental funds		\$ 26,533,420
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	\$ 6,836,329	
Property and equipment in service	124,716,694	
Accumulated depreciation	(59,509,990)	
Construction in progress	12,454,966	
Total capital assets		84,497,999
Delinquent property taxes and special assessments not yet due are not available to pay for current period expenditures and therefore, are deferred in the funds.		
Delinquent property taxes	2,161	
Deferred special assessments	109,020	
Total long-term assets		111,181
Long-term liabilities, including bonds payable, net pension liability, 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	(2,120,000)	
Net pension liability	(4,238,193)	
Accrued interest payable	(46,106)	
Accrued interest subsidy	19,233	
Total long-term liabilities		(6,385,066)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows for pensions	605,836	
Deferred inflows for pensions	(489,656)	
Total deferred pension items		116,180
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:		
Total net position of the Internal Service Funds	2,601,242	
Less: amounts reported as capital assets reported above	(1,105,948)	
Total internal service funds		1,495,294
<b>Net Position of Governmental Activities</b>		<b>\$ 106,369,008</b>

*See accompanying notes to basic financial statements.*

## City of Soldotna, Alaska

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2015	Major Funds					Total Govern- mental Funds
	General	Capital Project Funds			Nonmajor Funds	
		Airport Improvements	Soldotna Regional Sports Complex	State Grants		
<b>Revenues</b>						
Taxes	\$ 7,921,677	\$ -	\$ -	\$ -	\$ -	\$ 7,921,677
Intergovernmental	1,927,695	1,149,805	1,200,000	5,235,406	890,903	10,403,809
Charges for services	159,074	-	-	-	2,514,054	2,673,128
Investment earnings (losses)	(60,516)	-	-	-	(13,576)	(74,092)
Special assessments	-	-	-	-	178,122	178,122
Miscellaneous	151,374	-	-	-	7,913	159,287
<b>Total Revenues</b>	<b>10,099,304</b>	<b>1,149,805</b>	<b>1,200,000</b>	<b>5,235,406</b>	<b>3,577,416</b>	<b>21,261,931</b>
<b>Expenditures</b>						
Current:						
General government	1,555,707	-	-	-	-	1,555,707
Public safety	2,280,110	-	-	-	-	2,280,110
Public works	2,395,790	-	-	-	-	2,395,790
Parks, recreation and culture	614,340	-	-	-	1,649,827	2,264,167
Nondepartmental	1,760,220	-	-	-	-	1,760,220
Public utilities	-	-	-	-	1,463,087	1,463,087
Airport	-	-	-	-	114,840	114,840
Debt service:						
Principal	-	-	-	-	105,000	105,000
Interest	-	-	-	-	111,905	111,905
Capital outlay	-	1,186,897	1,405,120	5,232,865	2,239,052	10,063,934
<b>Total Expenditures</b>	<b>8,606,167</b>	<b>1,186,897</b>	<b>1,405,120</b>	<b>5,232,865</b>	<b>5,683,711</b>	<b>22,114,760</b>
Excess of revenues over (under) expenditures	1,493,137	(37,092)	(205,120)	2,541	(2,106,295)	(852,829)
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	30,000	-	-	-	-	30,000
Transfers in	473,856	131,772	620,000	-	2,639,902	3,865,530
Transfers out	(3,214,828)	(728)	(29,951)	(15,131)	(604,892)	(3,865,530)
<b>Net Other Financing Sources (Uses)</b>	<b>(2,710,972)</b>	<b>131,044</b>	<b>590,049</b>	<b>(15,131)</b>	<b>2,035,010</b>	<b>30,000</b>
Net change in fund balances	(1,217,835)	93,952	384,929	(12,590)	(71,285)	(822,829)
Beginning fund balances	18,878,242	1,242	186,075	12,670	8,278,020	27,356,249
<b>Ending fund balances</b>	<b>\$ 17,660,407</b>	<b>\$ 95,194</b>	<b>\$ 571,004</b>	<b>\$ 80</b>	<b>\$ 8,206,735</b>	<b>\$ 26,533,420</b>

See accompanying notes to basic financial statements.

## City of Soldotna, Alaska

Reconciliation of Change in Fund Balances  
of Governmental Funds to Statement of Activities  
Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$	(822,829)
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 (\$5,856,940) exceeded depreciation (\$2,893,653) and other capital asset transactions (\$50,186).		
		2,913,101
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase (decrease) in:		
Delinquent property taxes	\$ (737)	
Deferred special assessments	83,469	
		82,732
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
Change related to net pension obligation and related accounts can increase or decrease net position. This is the net decrease in equity due to changes in net pension obligation and the related deferred inflows and outflows.		
		(89,006)
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 increase in accrued interest payable, net of the interest subsidy.		
		(20,587)
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.		
Change in net position of Internal Service Funds	3,185	
Less the net income effect of capital asset activities reported above	(84,843)	
		(81,658)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,086,753</b>

*See accompanying notes to basic financial statements.*

## City of Soldotna, Alaska

## General Fund

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

Year Ended June 30, 2015	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Sales taxes	\$ 7,850,000	\$ 7,850,000	\$ 7,641,757	\$ (208,243)
Property taxes	285,000	285,000	279,920	(5,080)
<b>Total taxes</b>	<b>8,135,000</b>	<b>8,135,000</b>	<b>7,921,677</b>	<b>(213,323)</b>
Intergovernmental revenues:				
State of Alaska:				
Telephone and electric cooperative	25,000	25,000	24,903	(97)
Shared revenue	297,475	297,475	300,053	2,578
State PERS relief	724,352	724,352	1,432,383	708,031
Liquor licenses	15,000	15,000	17,000	2,000
Library assistance	6,500	6,500	6,848	348
Police assistance	-	-	2,867	2,867
Raw fish tax	5,000	5,000	5,097	97
<b>Total State of Alaska</b>	<b>1,073,327</b>	<b>1,073,327</b>	<b>1,789,151</b>	<b>715,824</b>
Federal:				
Public library education	-	2,500	2,500	-
Asset forfeitures	-	1,585	1,585	-
C.O.P.S. hiring program	91,457	91,457	134,108	42,651
Police safety equipment	-	-	351	351
<b>Total Federal</b>	<b>91,457</b>	<b>95,542</b>	<b>138,544</b>	<b>43,002</b>
<b>Total intergovernmental revenues</b>	<b>1,164,784</b>	<b>1,168,869</b>	<b>1,927,695</b>	<b>758,826</b>
Licenses and permits:				
Building and fire inspection	80,000	80,000	146,600	66,600
Animal licenses and fees	10,000	10,000	12,474	2,474
<b>Total licenses and permits</b>	<b>90,000</b>	<b>90,000</b>	<b>159,074</b>	<b>69,074</b>

## City of Soldotna, Alaska

## General Fund

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

Year Ended June 30, 2015	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues, continued</b>				
Other revenues:				
Investment earnings (losses)	\$ 89,750	\$ 89,750	\$ (60,516)	\$ (150,266)
Traffic fines	55,000	55,000	81,913	26,913
Miscellaneous	19,000	19,000	41,799	22,799
Library fees	18,000	18,000	17,994	(6)
Donations	-	8,998	9,668	670
<b>Total other revenues</b>	<b>181,750</b>	<b>190,748</b>	<b>90,858</b>	<b>(99,890)</b>
<b>Total Revenues</b>	<b>9,571,534</b>	<b>9,584,617</b>	<b>10,099,304</b>	<b>514,687</b>
<b>Expenditures</b>				
General government:				
Mayor and council:				
Wages and benefits	23,371	23,371	19,263	4,108
Services/charges	203,060	275,234	218,368	56,866
Supplies	15,300	15,300	14,103	1,197
Chamber of Commerce/Visitor Center	135,000	140,875	140,234	641
<b>Total mayor and council</b>	<b>376,731</b>	<b>454,780</b>	<b>391,968</b>	<b>62,812</b>
Administration:				
Wages and benefits	425,564	428,564	423,203	5,361
Services/charges	92,450	92,550	78,405	14,145
Supplies	15,000	14,900	8,949	5,951
<b>Total administration</b>	<b>533,014</b>	<b>536,014</b>	<b>510,557</b>	<b>25,457</b>
Finance:				
Wages and benefits	450,317	450,317	397,304	53,013
Services/charges	42,550	42,550	30,878	11,672
Supplies	7,000	8,534	5,258	3,276
<b>Total finance</b>	<b>499,867</b>	<b>501,401</b>	<b>433,440</b>	<b>67,961</b>

## City of Soldotna, Alaska

## General Fund

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

Year Ended June 30, 2015	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures, continued</b>				
General government, continued:				
Management information systems:				
Wages and benefits	\$ 119,388	\$ 121,388	\$ 119,001	\$ 2,387
Services/charges	73,650	68,990	65,269	3,721
Supplies	29,700	39,635	35,472	4,163
Total management information systems	222,738	230,013	219,742	10,271
Total general government	1,632,350	1,722,208	1,555,707	166,501
Public safety:				
Police department:				
Wages and benefits	2,011,112	2,006,112	1,741,010	265,102
Services/charges	349,390	347,590	314,763	32,827
Supplies	45,600	52,320	40,994	11,326
Total police department	2,406,102	2,406,022	2,096,767	309,255
Animal control:				
Wages and benefits	158,258	158,258	147,519	10,739
Services/charges	30,775	32,767	28,168	4,599
Supplies	11,300	11,000	7,656	3,344
Total animal control	200,333	202,025	183,343	18,682
Total public safety	2,606,435	2,608,047	2,280,110	327,937
Public works:				
Public works administration:				
Wages and benefits	493,778	493,778	462,573	31,205
Services/charges	23,350	24,450	20,887	3,563
Supplies	5,950	4,850	1,832	3,018
Total public works administration	523,078	523,078	485,292	37,786

## City of Soldotna, Alaska

## General Fund

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

Year Ended June 30, 2015	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures, continued</b>				
Public works, continued:				
Streets:				
Wages and benefits	\$ 580,329	\$ 571,829	\$ 508,618	\$ 63,211
Services/charges	522,786	513,771	343,936	169,835
Supplies	109,500	111,550	105,547	6,003
<b>Total streets</b>	<b>1,212,615</b>	<b>1,197,150</b>	<b>958,101</b>	<b>239,049</b>
Planning and zoning:				
Wages and benefits	370,480	370,480	344,471	26,009
Services/charges	67,425	87,500	71,338	16,162
Supplies	4,700	7,955	6,480	1,475
<b>Total planning and zoning</b>	<b>442,605</b>	<b>465,935</b>	<b>422,289</b>	<b>43,646</b>
Building maintenance:				
Wages and benefits	150,584	150,584	116,960	33,624
Services/charges	48,950	57,257	27,788	29,469
Supplies	20,300	20,300	17,866	2,434
<b>Total building maintenance</b>	<b>219,834</b>	<b>228,141</b>	<b>162,614</b>	<b>65,527</b>
Shop:				
Wages and benefits	245,167	253,667	253,234	433
Services/charges	57,769	77,933	68,498	9,435
Supplies	80,200	91,841	77,459	14,382
Less charges to other funds	(68,000)	(68,000)	(31,697)	(36,303)
<b>Total shop</b>	<b>315,136</b>	<b>355,441</b>	<b>367,494</b>	<b>(12,053)</b>
<b>Total public works</b>	<b>2,713,268</b>	<b>2,769,745</b>	<b>2,395,790</b>	<b>373,955</b>
Parks, recreation and culture - library:				
Wages and benefits	435,258	434,919	389,280	45,639
Services/charges	123,340	127,628	118,072	9,556
Supplies	110,600	111,182	106,988	4,194
<b>Total parks, recreation and culture</b>	<b>669,198</b>	<b>673,729</b>	<b>614,340</b>	<b>59,389</b>

## City of Soldotna, Alaska

## General Fund

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

Year Ended June 30, 2015	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures, continued</b>				
Nondepartmental:				
Insurance	\$ 94,000	\$ 73,500	\$ 64,321	\$ 9,179
PERS on behalf expenditures	724,352	724,352	1,432,383	(708,031)
Senior Citizens	7,000	7,000	7,000	-
CARTS	7,620	7,620	7,620	-
Historical Society	8,800	8,800	8,800	-
Tsalteshi Trails	10,000	10,000	10,000	-
Boys & Girls Club	35,000	35,000	35,000	-
SOHI Track & Field Project	150,000	150,000	150,000	-
Miscellaneous	119,462	84,077	45,096	38,981
<b>Total nondepartmental</b>	<b>1,156,234</b>	<b>1,100,349</b>	<b>1,760,220</b>	<b>(659,871)</b>
<b>Total Expenditures</b>	<b>8,777,485</b>	<b>8,874,078</b>	<b>8,606,167</b>	<b>267,911</b>
Excess of revenues over expenditures	794,049	710,539	1,493,137	782,598
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	30,000	30,000
Transfers in	-	-	473,856	473,856
Transfers out	(999,583)	(3,398,355)	(3,214,828)	183,527
<b>Net Other Financing Sources (Uses)</b>	<b>(999,583)</b>	<b>(3,398,355)</b>	<b>(2,710,972)</b>	<b>687,383</b>
Net change in fund balance	\$ (205,534)	\$ (2,687,816)	(1,217,835)	\$ 1,469,981
Beginning fund balance			18,878,242	
Ending fund balance			\$ 17,660,407	

See accompanying notes to basic financial statements.

## City of Soldotna, Alaska

Proprietary Funds  
Statement of Net Position

	Governmental Activities - Internal Service Funds
<i>June 30, 2015</i>	
<b>Assets</b>	
Current Assets - equity in central treasury	\$ 1,981,330
<b>Capital Assets</b>	
Equipment	4,357,839
Accumulated depreciation	(3,251,891)
<b>Total Capital Assets net of accumulated depreciation</b>	<b>1,105,948</b>
<b>Total Assets</b>	<b>\$ 3,087,278</b>
<b>Liabilities and Net Position</b>	
Current Liabilities - compensated absences	\$ 486,036
<b>Net Position</b>	
Investment in capital assets	1,105,948
Unrestricted	1,495,294
<b>Total Net Position</b>	<b>2,601,242</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,087,278</b>

*See accompanying notes to basic financial statements.*

## City of Soldotna, Alaska

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Net Position

	Governmental Activities - Internal Service Funds
<i>Year Ended June 30, 2015</i>	
<b>Operating Revenues - charges for services</b>	<b>\$ 672,560</b>
<b>Operating Expenses</b>	
Wages and benefits	502,812
Depreciation	168,945
<b>Total Operating Expenses</b>	<b>671,757</b>
Operating income	803
<b>Nonoperating Revenues</b>	
Investment earnings (losses)	(4,560)
Gain on disposal of capital assets	6,942
<b>Total Nonoperating Revenues</b>	<b>2,382</b>
Change in net position	3,185
<b>Beginning net position</b>	<b>2,598,057</b>
<b>Ending net position</b>	<b>\$ 2,601,242</b>

*See accompanying notes to basic financial statements.*

## City of Soldotna, Alaska

Proprietary Funds  
Statement of Cash Flows

<i>Year Ended June 30, 2015</i>	Governmental Activities - Internal Service Funds
<b>Cash Flows from Operating Activities</b>	
Receipts from other funds	\$ 672,560
Payments to employees	(457,550)
<b>Net cash flows from operating activities</b>	<b>215,010</b>
<b>Cash Flows for Capital and Related Financing Activities</b>	
Acquisition of capital assets	(253,788)
Proceeds from sale of capital assets	6,942
<b>Net cash flows for capital and related financing activities</b>	<b>(246,846)</b>
<b>Cash Flows for Investing Activities</b>	
Investment earnings (losses)	(4,560)
<b>Net decrease in equity in central treasury</b>	<b>(36,396)</b>
<b>Beginning equity in central treasury</b>	<b>2,017,726</b>
<b>Ending equity in central treasury</b>	<b>\$ 1,981,330</b>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>	
Operating income	\$ 803
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	168,945
Increase in compensated absences	45,262
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 215,010</b>

*See accompanying notes to basic financial statements.*

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# City of Soldotna, Alaska

## Notes to Basic Financial Statements

June 30, 2015

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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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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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 *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 *Soldotna Regional Sports Complex Capital Project Fund* accounts for the costs related to improving and/or expanding the Soldotna Regional Sports Complex. Transfers of sales tax receipts and grants are the funding sources for this project.

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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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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 \$2,495,365. The majority of these supplemental appropriations were transfers to capital project funds.

### *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.

Investment earnings and/or losses are 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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### *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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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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, 2015, \$502,812 was earned and \$457,550 was used, leaving a balance in compensated absences of \$486,036 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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### *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.

### *Deferred Inflows and Outflows of Resources*

A *deferred outflow* represents the consumption of the government's net position or fund balance that is applicable to a future reporting period. A *deferred inflow* represents the acquisition of net position or fund balance that is applicable to a future reporting period. In the governmental fund financial statements, the City reports long-term receivables not yet due or delinquent taxes. In the government-wide financial statements, deferred inflows and outflows include certain pension related transactions only.

### *Pensions*

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

## 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, 2015:

Bank deposits	\$ 1,029,305
Investments	24,116,813
<hr/>	
<b>Total Equity in Central Treasury</b>	<b>\$ 25,146,118</b>

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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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The City's investment policy was revised during 2015 and is described below:

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 issued or guaranteed by the United States, its agencies and instrumentalities;
- (2) insured or fully collateralized certificates of deposit, savings accounts, and other deposits with banks. 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 custodian. 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 (5) years, measured from the date of the City's investment transaction;
- (3) repurchase agreements, which are documented by written agreement, of acceptable securities listed in (1) above, meeting a margin requirement of 102%, with a maximum term of fourteen days;
- (4) money market mutual funds whose dollar-weighted average portfolio maturities are not greater than one hundred twenty (120) days, and whose portfolios consist primarily of obligations of the U.S. government, 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);
- (6) bonds and notes which are issued by any state or political subdivision thereof, and which are rated A or higher by Moody's Investors Service or Standard and Poor's Corporation;
- (7) Corporate debt securities rated BBB or equivalent, investment grade, or higher by a nationally recognized rating organization;
- (8) Mortgage backed securities (MBS), asset backed securities (ABS) and commercial mortgage backed securities (CMBS) rated A or higher by a nationally recognized rating organization;
- (9) Bond funds, which taken as a whole, attempt to mirror the characteristics or replicate the U.S. treasury inflation protected securities universe, or a portion thereof, including both mutual funds and exchange traded funds;
- (10) International bond index funds, which taken as a whole, attempt to replicate the Barclays Global Aggregate Ex-USD Float Adjusted RIC Capped Index, including both mutual funds and exchange traded funds or another index of similar characteristics approved by resolution of the council as a component of the annual asset allocation plan;
- (11) Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 500 Index or another index of similar characteristics approved by resolution of the council as a component on the annual asset allocation plan, including both mutual funds and exchange traded funds;

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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- (12) Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 400 Mid-Cap Index or another index of similar characteristics approved by resolution of the council as a component of the annual asset allocation plan, including both mutual funds and exchange traded funds;
- (13) Domestic equities, which taken as a whole, attempt to replicate the Standard and Poor's 600 Small-Cap Index or another index of similar characteristics approved by resolution of the council as a component of the annual asset allocation plan, including both mutual funds and exchange traded funds;
- (14) International equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Developed Ex North America Index or another index of similar characteristics approved by resolution of the council as a component of the annual asset allocation plan, including both mutual funds and exchange traded funds;
- (15) Equities, which taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the Standard and Poor's REIT Composite Index or another index of similar characteristics approved by resolution of the council as a component of the annual asset allocation plan, including both mutual funds and exchange traded funds;
- (16) Emerging market equities, which taken as a whole, attempt to replicate the Financial Times Stock Exchange Emerging Index or another index of similar characteristics approved by resolution of the council as a component of the annual asset allocation plan, including both mutual funds and exchange traded funds.

The Council may by resolution establish three separately invested accounts, each to be invested according to the account investment specifications below:

1. The Short-Term Account is intended to hold the operating reserves of the City. The account shall be invested in high quality short-term securities described in 1-5 above. No security shall have a maturity date greater than three years from the date of purchase. Liquidity and safety of principal are the highest priorities for funds held in this account.
2. The Medium-Term Account has a longer time horizon and is intended to provide a higher return to the City, while taking on greater interest rate and credit risk. The account may be invested in securities contained in 1-8 above with the following limitations: Except for securities set forth in 1-5, no individual holding may exceed 5% of the market value of the account. No security may have a maturity greater than five years from the date of purchase. The average maturity of securities in the account will be maintained at between 80-120 percent of the Barclays 1-5 year Government Index. Non-government securities may not exceed 25% of the market value of the account and BBB or equivalently rated securities may not exceed 15% of the market value of the account. If after purchase any security shall be downgraded below investment grade, BBB or equivalent, the security shall be sold in an orderly manner within ninety (90) days of downgrading.
3. The Long-Term Account has a longer term horizon and is intended to hold funds for which the City does not anticipate a current need. The intent of this account is to earn a greater return by taking a longer-term investment view (greater than five years) and investing accordingly. The account may be invested in any authorized investments set forth in 1-16 above in accordance with an asset allocation plan adopted by the council. Except for securities set forth in 1-5, no individual fixed-income holding may exceed 5% of the market value of the account, excluding equity index funds. The average maturity of the fixed-

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

income portion of the account will be maintained between 80-120 percent of the Barclays Intermediate Government Index. If after purchase, any security shall be downgraded below investment grade, BBB or equivalent, the security shall be sold in an orderly manner within ninety (90) days of downgrading.

As of June 30, 2015, the asset allocation plan and target weightings with range restrictions, as well as performance measurements of the Long-Term Account, are as follows:

Asset Class	Benchmark Index	Target% Weighting	Range%	Actual % Weighting
Fixed income	Barclays Intermediate Government/Credit Index	30%	20-40%	30.82%
UST Inflation protected securities	Barclays US TIPS 0-5 Year Index	10	5-15	10.17
International fixed-income	Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index	5	0-10	2.51
Large-cap domestic equity	Standard & Poor's 500 Index	22	15-30	21.89
Mid-cap domestic equity	Standard & Poor's 400 Mid-Cap Index	10	5-15	12.02
Small-cap domestic equity	Standard & Poor's 600 Small-Cap Index	3	0-10	3.09
International equity	Financial Times Stock Exchange Developed ex North America Index	10	5-15	9.74
International emerging markets	Financial Times Stock Exchange Emerging Index	5	0-10	4.80
Real-estate equities	Standard & Poor's US REIT Index	5	0-10	4.77
				99.81% *

\* The remaining investments in the Long-Term account (0.19%) are held in money market funds.

Performance measurement of the Medium-Term Account will be measured against the Barclays 1-5 year Government/Credit index as the benchmark.

Performance measurement of the Short-Term Account will be measured against the Barclays 1-3 Year Government index as the benchmark.

Each Fiduciary Fund, as defined by Section 3.06.070 (C) of the Soldotna Municipal Code (SMC), shall be held in a separate account and shall not be comingled with any other fiduciary fund or government fund. Each fiduciary fund shall be invested and managed as a prudent investor would by considering the purposes, terms, distribution requirements, and other circumstances of the fund, and otherwise in compliance with the prudent investor rule set out in AS 13.36.230-13.36.290.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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 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, 2015, the City had the following investments and maturities:

	Fair Value	Less than 1 year	1-2 years	2-5 years	>5 years
U.S Treasuries	\$ 13,749,553	\$ -	\$ 7,540,997	\$ 5,558,224	\$ 650,332
U.S Agencies	501,905	-	-	501,905	-
U.S Tips	961,430	-	-	961,430	-
Corporate bonds	236,974	-	-	-	236,974
<b>Total Investments</b>					
Subject to Interest					
Rate Risk	\$ 15,449,862	\$ -	\$ 7,540,997	\$ 7,021,559	\$ 887,306
Money market accounts	124,335				
AMLIP	3,218,436				
U.S large-cap equity securities	2,068,793				
U.S mid-cap equity securities	1,136,099				
U.S small-cap equity Securities	291,753				
International equities	920,871				
International emerging markets equities	454,790				
Real-estate equities	451,874				
<b>Total Investments</b>	<b>\$ 24,116,813</b>				

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### *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 three years in the Short-Term Account, five years in the Medium-Term Account, and maintaining the average maturity of fixed income securities in the Long-Term Account to between 80-120 percent of the Barclays Intermediate Government Index. As of June 30, 2015, approximately 49% of investments subject to interest rate risk have maturities of less than one to two years, 45% have maturities of two to five years, and 6% have maturities of greater than five years.

### *Credit Risk*

The City's 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. Credit risk is effectively limited by restricting the eligible investment options. The City manages credit risk by disallowing the purchase of any security rated below investment grade (BBB or equivalent); if after purchase, any security should be downgraded below investment grade, the security shall be sold in an orderly manner within ninety (90) days of downgrading. As of June 30, 2015, all the City's investments in U.S. Treasuries (including inflation-protected securities) were rated AAA, U.S. government agencies were rated AA+, and corporate bonds were rated AA by Standard and Poor's.

### *Concentration Risk*

The City's 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 United States Department of Treasury (57%).

### *Foreign Currency Risk*

The City has no specific policy addressing foreign currency risk; however foreign currency risk is managed through the requirements of the City's investment policy and the asset allocation policies of each portfolio. As of June 30, 2015, the City had investments in international equity funds totaling \$1,375,661 with exposure to various underlying currencies.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

### 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, 2015, 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	Soldotna Regional Sports Complex Project Fund	State Grants Capital Project Fund	Non-major Funds	Total Governmental Funds
Taxes	\$ 1,601,725	\$ -	\$ -	\$ -	\$ -	\$ 1,601,725
Intergovernmental	104,014	1,726,828	1,130,402	738,829	99,410	3,799,483
Customers and other	19,937	-	-	-	179,843	199,780
Special assessments	-	-	-	-	110,806	110,806
<b>Net Receivables</b>	<b>\$ 1,725,676</b>	<b>\$ 1,726,828</b>	<b>\$ 1,130,402</b>	<b>\$ 738,829</b>	<b>\$ 390,059</b>	<b>\$ 5,711,794</b>

### 4. Capital Assets

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

	Balance July 1, 2014	Additions	Deletions	Balance, June 30, 2015
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,839,129	\$ -	\$ 2,800	\$ 6,836,329
Construction in progress	10,821,282	5,360,577	3,726,893	12,454,966
<b>Total assets not being depreciated</b>	<b>17,660,411</b>	<b>5,360,577</b>	<b>3,729,693</b>	<b>19,291,295</b>
Capital assets being depreciated:				
Buildings	28,269,479	121,809	-	28,391,288
Improvements other than buildings	55,233,400	3,616,729	52,073	58,798,056
Machinery and equipment	5,813,148	280,631	34,934	6,058,845*
Infrastructure	31,264,418	204,087	-	31,468,505
<b>Total assets being depreciated</b>	<b>\$ 120,580,445</b>	<b>\$ 4,223,256</b>	<b>\$ 87,007</b>	<b>\$ 124,716,694</b>

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

	Balance July 1, 2014	Additions	Deletions	Balance, June 30, 2015
Less accumulated depreciation for:				
Buildings	\$ 19,396,841	\$ 451,450	\$ -	\$ 19,848,291
Improvements other than buildings	23,298,709	1,706,930	4,687	25,000,952
Machinery and equipment	4,126,955	300,456	34,934	4,392,477 *
Infrastructure	9,833,453	434,817	-	10,268,270
<b>Total accumulated depreciation</b>	<b>56,655,958</b>	<b>2,893,653</b>	<b>39,621</b>	<b>59,509,990</b>
<b>Total capital assets being Depreciated, net</b>	<b>63,924,487</b>	<b>1,329,603</b>	<b>47,386</b>	<b>65,206,704</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 81,584,898</b>	<b>\$ 6,690,180</b>	<b>\$ 3,777,079</b>	<b>\$ 84,497,999</b>

\* The ending balances include \$4,357,839 and \$3,251,891 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, 2015:

<b>Governmental Activities</b>	Depreciation Excluding Internal Service Funds	Internal Service Funds allocation	Total Depreciation
General government	\$ 187,234	\$ -	\$ 187,234
Public safety	86,295	41,967	128,262
Public works	444,084	115,941	560,025
Parks, recreation and culture	517,700	3,416	521,116
Public utilities	857,689	7,621	865,310
Airport	631,706	-	631,706
<b>Total Depreciation Expense</b>	<b>\$ 2,724,708</b>	<b>\$ 168,945</b>	<b>\$ 2,893,653</b>

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

### 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, 2015, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 1,629,829	\$ -
Airport Improvements Capital Project Fund	-	866,497
Soldotna Regional Sports Complex Capital Project Fund	-	507,722
State Grants Capital Project Fund	-	255,610
	\$ 1,629,829	\$ 1,629,829

#### *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, 2015, are as follows:

	Transfers Out		Transfers In:				Total
			General Fund	Airport Improve- ments Fund	Soldotna Regional Sports Complex Fund	Nonmajor Funds	
General Fund	\$ 3,214,828	\$ -	\$ 131,772	\$ 620,000	\$ 2,463,056	\$ 3,214,828	
Airport Improvements	728	728	-	-	-	728	
Soldotna Regional Sports Complex	29,951	29,951	-	-	-	29,951	
State Grants Fund	15,131	-	-	-	15,131	15,131	
Nonmajor Funds	604,892	443,177	-	-	161,715	604,892	
<b>Total</b>	<b>\$ 3,865,530</b>	<b>\$ 473,856</b>	<b>\$ 131,772</b>	<b>\$ 620,000</b>	<b>\$ 2,639,902</b>	<b>\$ 3,865,530</b>	

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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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 \$816,056 for the year ended June 30, 2015.

For the year ended June 30, 2015, the City made the following nonroutine transfers:

A transfer from the General Fund to the Small Capital Projects Fund in the amount of \$712,000 to finance the construction of several small capital projects.

A transfer from the General Fund to the Street Construction Fund in the amount of \$250,000 to finance a portion of the West Redoubt Sidewalk & Lighting Project.

A transfer from the General Fund to the Parks and Recreation Capital Projects Fund in the amount of \$450,000 to finance Swiftwater Park Improvements.

A transfer from the General Fund to the Library Expansion Fund in the amount of \$40,000 to finance the Radio Frequency Identification (RFID) Project.

A transfer from the General Fund to the Airport Improvements Fund in the amount of \$8,334 to finance the City's match for the Airport Master Plan Study, Phase 2.

A transfer from the General Fund to the Parks and Recreation Capital Projects Fund in the amount of \$25,000 to finance the City's match for erosion prevention activities along the downstream portions of Swiftwater Park.

A transfer from the General Fund to the Small Capital Projects Fund in the amount of \$50,000 to finance an annexation economic impact analysis.

A transfer from the General Fund to the Street Construction Fund in the amount of \$120,000 to finance the North Aspen Drive water main replacement.

A transfer from the General Fund to the Soldotna Regional Sports Complex Fund in the amount of \$120,000 as additional financing for the Roof Replacement Project.

A transfer from the General Fund to the Airport Improvements Fund in the amount of \$123,438 to finance the City's match for the 2014 Airport Master Plan Project and the 2014 Asphalt Rehabilitation and Apron Expansion Project.

A transfer from the General Fund to the Soldotna Regional Sports Complex Fund in the amount of \$500,000 to finance the design of the Conference Room Expansion and Field House Project.

A transfer of excess fund balance in the amount of \$161,715 from the Utility System Capital Improvements Fund to the Public Utility Fund.

A transfer of excess fund balance in the amount of \$129,234 from the City Shop Construction Fund to the General Fund.

A transfer of excess fund balance in the amount of \$129,210 from the Street Construction Fund to the General Fund.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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A transfer of excess fund balance in the amount of \$34,733 from the Parks & Recreation Capital Projects Fund to the General Fund.

A transfer of excess fund balance in the amount of \$728 from the Airport Improvements Fund to the General Fund.

A transfer of excess fund balance in the amount of \$29,951 from the Soldotna Regional Sports Complex Fund to the General Fund.

A transfer of excess fund balance in the amount of \$150,000 from the Miscellaneous Capital Projects Fund to the General Fund.

A transfer of excess fund balance in the amount of \$15,131 from the State Grants Fund to the Street Assessments 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:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
Library expansion: \$2,435,000, 2010 Series Four Recovery Zone Economic Development Bonds, due in annual principal payments of \$110,000 to \$165,000 through 2031	2.88%-6.26% (before rebate)	\$ 2,120,000

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# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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

Governmental Activities <i>Fiscal Year</i>	Principal	Interest	Interest Subsidy	Net Interest
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	120,000	91,752	(41,288)	50,464
2021-2025	635,000	369,033	(166,065)	202,968
2026-2030	750,000	171,692	(77,261)	94,431
2031	165,000	5,161	(2,323)	2,838
<b>Total</b>	<b>\$ 2,120,000</b>	<b>\$ 1,050,853</b>	<b>\$ (472,884)</b>	<b>\$ 577,969</b>

Changes in long term liabilities for the year ended June 30, 2015 are as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Bonds payable - Economic Recovery Zone bonds	\$ 2,225,000	\$ -	\$ 105,000	\$ 2,120,000	\$ 110,000
Compensated absences	440,774	502,812	457,550	486,036	486,036
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 2,665,774</b>	<b>\$ 502,812</b>	<b>\$ 562,550</b>	<b>\$ 2,606,036</b>	<b>\$ 596,036</b>

### 7. Encumbrances

The City had the following amounts reported as outstanding encumbrances at June 30, 2015:

General Fund	Airport Improvements Capital Project Fund	Soldotna Regional Sports Complex Capital Project Fund	State Grants Capital	Nonmajor Funds	Total Encumbrances
\$ 44,628	\$ 2,646,340	\$ 51,357	\$ 130,341	\$ 1,813,443	\$ 4,686,109

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

### 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	Airport Improvem ents Capital Project Fund	Soldotna Regional Sports Complex Capital Project Fund	State Grants Capital Project Fund	Non- major Funds	Total
<b>Nonspendable:</b>						
Inventories	\$ 41,680	\$ -	\$ -	\$ -	\$ 173,899	\$ 215,579
Prepaid items	2,798	-	-	-	-	2,798
Endowment principal	50,000	-	-	-	1,619,000	1,669,000
<b>Total nonspendable</b>	<b>94,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,792,899</b>	<b>1,887,377</b>
<b>Restricted-</b>						
Endowment earnings	1,010	-	-	-	36,716	37,726
<b>Committed:</b>						
PERS unfunded liability	1,250,000	-	-	-	-	1,250,000
Unexpected events	5,000,000	-	-	-	-	5,000,000
Street improvements	-	-	-	-	420,614	420,614
<b>Total committed</b>	<b>6,250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>420,614</b>	<b>6,670,614</b>
<b>Assigned:</b>						
Public works purchases	44,628	-	-	-	-	44,628
Parks, recreation & culture - operations	-	-	-	-	119,052	119,052
Utility operations	-	-	-	-	1,705,435	1,705,435
Airport operations	-	-	-	-	313,366	313,366
Capital projects	-	95,194	571,004	80	3,818,653	4,484,931
Self-insurance	1,000,000	-	-	-	-	1,000,000
Subsequent year expenditures	7,587	-	-	-	-	7,587
<b>Total assigned</b>	<b>1,052,215</b>	<b>95,194</b>	<b>571,004</b>	<b>80</b>	<b>5,956,506</b>	<b>7,674,999</b>
<b>Unassigned</b>	<b>10,262,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,262,704</b>
<b>Total Fund Balances</b>	<b>\$ 17,660,407</b>	<b>\$ 95,194</b>	<b>\$ 571,004</b>	<b>\$ 80</b>	<b>\$ 8,206,735</b>	<b>\$ 26,533,420</b>

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### 9. Defined Benefit Pension Plan

#### *General Information About the Plan*

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

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

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

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

#### *Historical Context and Special Funding Situation*

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

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

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

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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Management of the City believes that AS 39.35.255 does constitute a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis pending a final legal determination, as may be required to settle the matter.

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

### *Employee Contribution Rates*

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

### *Employer and Other Contribution Rates*

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

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

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

*On-behalf Contribution Rate:* This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the proprietary fund and government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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

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

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (See note 11)	9.46%	18.94%	- %	55.07%
<b>Total Contribution Rate</b>	<b>22.00%</b>	<b>44.03%</b>	<b>42.41%</b>	<b>88.12%</b>

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

	Measurement Period City FY14	City FY15
Employer contributions (including DBUL)	\$ 348,891	\$ 385,444
Nonemployer contributions (on-behalf)	314,023	1,834,226
<b>Total Contributions</b>	<b>\$ 662,914</b>	<b>\$ 2,219,670</b>

In addition, employee contributions to the Plan totaled \$138,277 during the City fiscal year.

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

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

	2015
City proportionate share of NPL	\$ 4,238,193
State's proportionate share of NPL associated with the City	3,818,637
<b>Total Net Pension Liability</b>	<b>\$ 8,056,830</b>

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the City's proportion was 0.09086765 percent, which was an increase of .00742514 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$787,603 and recognized on-behalf revenues of \$314,023 for the State's contribution. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	489,656
Changes in proportion and differences between City contributions and proportionate share of contributions	220,392	-
City contributions subsequent to the measurement date	385,444	-
<b>Total Referral Outflows and Deferred Inflows</b>	<b>\$ 605,836</b>	<b>\$ 489,656</b>

The \$385,444 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Years Ending June 30,*

2016	\$	(47,118)
2017		71,554
2018		122,414
2019		122,414

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

### *Actuarial Assumptions*

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

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

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

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

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### *Discount Rate*

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

### *Discount Rate Sensitivity*

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.0%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
City's proportionate share of the net pension liability	0.09086765%	\$ 5,557,086	\$ 4,238,193	\$ 3,127,563

### *Pension Plan Fiduciary Net Position*

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

## **10. Defined Contribution (DC) Pension Plan**

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

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

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### *Benefit Terms*

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

### *Employee Contribution Rate*

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

### *Employer Contribution Rate*

For the year ended June 30, 2015, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2015 were \$100,484 and \$160,776, respectively. The City contribution amount was recognized as pension expense.

## 11. Other Post-Employment Benefit (OPEB) Plans

### *Defined Benefit OPEB*

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

### *Employer Contribution Rate*

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

### *Annual Postemployment Healthcare Cost*

Actual contributions into the plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB in 2014 and 2013 were \$240,990 and \$235,329, respectively.

<i>Years Ended June 30,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2015	\$290,786	\$290,786	100 %
2014	\$332,866	\$332,866	100 %
2013	\$365,079	\$365,079	100 %

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### *Defined Contribution OPEB*

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

### *Employer Contribution Rates*

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

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
	1.88%	2.72%

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

### *Annual Postemployment Healthcare Cost*

In 2015, the City contributed \$100,154 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

## 12. 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.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### 13. 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.

### 14. 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, both principal and earnings are designated as restricted net position.

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.

### 15. 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, 2015 was \$3,587,163.

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.

### 16. Subsequent Events

On October 6, 2015, the Kenai Peninsula Borough residents passed Proposition No. 1, requiring Soldotna and other general law cities to exempt the sales of nonprepared foods from sales tax between September 1 through May 31 each year. The Kenai Peninsula Borough estimates that passage of this proposition could result in a loss in sales tax revenue of \$1.0-\$1.2 million annually. Ballot Proposition No. 1 became effective October 14, 2015.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### 17. 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 75 will result in the biggest reporting change. However, actual impacts have not yet been determined

*GASB 72 - Fair Value Measurement and Application* - Effective for year-end June 30, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is expected to primarily affect investment disclosures.

*GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - This statement contains certain clarifications and amendments to GASB 67 and 68 as well as establishing requirements for both defined benefit and defined contribution pensions not within the scope of GASB 68. Effective for fiscal - year end June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for year ending June 30, 2017.

*GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - Effective for year-end June 30, 2017, with earlier application encouraged - This statement contains reporting financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

*GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

*GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - Effective for year-end June 30, 2016, with earlier application encouraged - This statement clarifies the hierarchy of generally accepted accounting principles to be used in the preparation of state and local government financial statements. This statement supersedes the previous hierarchy established in GASB 55.

*GASB 77 - Tax Abatement Disclosures* - Effective for year-end June 30, 2017, with earlier application encouraged - This statement requires local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, and the type and dollar amount of the tax. In addition, the statement requires disclosure of tax abatements issued by other governments that affect the local government's revenue recognition and reporting.

# City of Soldotna, Alaska

## Notes to Basic Financial Statements

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### 18. Change in Accounting Principle

As discussed in Note 9 to the financial statements, the City participates in the Alaska Public Employee Retirement System (PERS) plan. In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening net position, as originally presented	Change in accounting principle adjustment	Opening net position, as restated
Governmental Activities	\$ 108,315,262	\$ (4,033,007 )	\$ 104,282,255

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## Required Supplementary Information

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**City of Soldotna, Alaska**  
**Schedule of the City's Information on the Net Pension Liability**  
**Public Employees Retirement System**

	<u>2015</u>
City's proportion of the net pension liability	0.09086765%
City's proportionate share of the net pension liability	\$ 4,238,193
State of Alaska proportionate share of the net pension liability	<u>3,818,637</u>
Total net pension liability	<u>\$ 8,056,830</u>
City's covered-employee payroll	\$ 2,037,193
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	208%
Plan fiduciary net position as a percentage of the total pension liability	<u>62.37%</u>

*See accompanying notes to Required Supplementary Information.*

**City of Soldotna, Alaska**  
**Schedule of City Contributions**  
**Public Employees Retirement System**

	2015
Contractually required contribution	\$ 385,444
Contributions in relation to the contractually required contribution	\$ 385,444
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 1,976,112
Contributions as a percentage of covered-employee payroll	19.505%

*See accompanying notes to Required Supplementary Information.*

# City of Soldotna, Alaska

## Notes to Required Supplementary Information

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### **1. Public Employees Retirement System - Schedule of the City's Information on the Net Pension Liability**

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

This table is intended to present ten years of information. Additional years information will be included as it becomes available.

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

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

### **2. Public Employees Retirement System - Schedule of City Contributions**

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

This table is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## Nonmajor Governmental Funds

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### 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 Sports Center 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.

**Street Construction** - This fund was established to account for the construction of streets. It is funded by the street assessments special revenue fund and transfers of sales tax receipts.

**Parks and Recreation Capital Projects** - This fund was established to account for park construction projects 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 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.

## **Nonmajor Governmental Funds, continued**

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**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.

**City of Soldotna, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

<i>June 30, 2015</i>	Special Revenue Funds			
	Public Utility	Airport	Parks and Recreation	Street Assessments
<b>Assets</b>				
Equity in central treasury	\$ 1,625,952	\$ 324,229	\$ 167,000	\$ 418,828
Intergovernmental receivable	-	1,830	-	-
Other accounts receivable, net	152,052	19,387	8,404	110,806
Inventories	170,209	3,690	-	-
<b>Total Assets</b>	<b>\$ 1,948,213</b>	<b>\$ 349,136</b>	<b>\$ 175,404</b>	<b>\$ 529,634</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 20,665	\$ 1,700	\$ 24,749	\$ -
Unearned revenue	-	2,033	1,290	-
Other liabilities	51,904	28,347	30,313	-
<b>Total Liabilities</b>	<b>72,569</b>	<b>32,080</b>	<b>56,352</b>	<b>-</b>
Deferred Inflows - special assessments	-	-	-	109,020
<b>Total Liabilities and Deferred Inflows</b>	<b>72,569</b>	<b>32,080</b>	<b>56,352</b>	<b>109,020</b>
<b>Fund Balances</b>				
Nonspendable	170,209	3,690	-	-
Restricted	-	-	-	-
Committed	-	-	-	420,614
Assigned	1,705,435	313,366	119,052	-
<b>Total Fund Balances</b>	<b>1,875,644</b>	<b>317,056</b>	<b>119,052</b>	<b>420,614</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 1,948,213</b>	<b>\$ 349,136</b>	<b>\$ 175,404</b>	<b>\$ 529,634</b>

City of Soldotna, Alaska  
 Nonmajor Governmental Funds  
 Combining Balance Sheet, continued

<i>June 30, 2015</i>	Capital Projects Funds		
	Cemetery	Street Construction	Parks & Recreation Capital Projects
<b>Assets</b>			
Equity in central treasury	\$ 368,807	\$ 1,122,540	\$ 616,346
Intergovernmental receivable	-	4,916	2,160
Other accounts receivable, net	-	-	-
Inventories	-	-	-
<b>Total Assets</b>	<b>\$ 368,807</b>	<b>\$ 1,127,456</b>	<b>\$ 618,506</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 258,299	\$ 6,088
Unearned revenue	-	2,458	-
Other liabilities	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>260,757</b>	<b>6,088</b>
<b>Deferred Inflows - special assessments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>-</b>	<b>260,757</b>	<b>6,088</b>
<b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	368,807	866,699	612,418
<b>Total Fund Balances</b>	<b>368,807</b>	<b>866,699</b>	<b>612,418</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 368,807</b>	<b>\$ 1,127,456</b>	<b>\$ 618,506</b>

**City of Soldotna, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet, continued**

	Capital Project Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Library Expansion	Miscellaneous Capital Projects	Small Capital Projects	Historical Society and Scholarships	
<i>June 30, 2015</i>					
<b>Assets</b>					
Equity in central treasury	\$ 85,300	\$ 909,089	\$ 1,296,344	\$ 1,655,716	\$ 8,590,151
Intergovernmental receivable	8,132	82,372	-	-	99,410
Other accounts receivable, net	-	-	-	-	290,649
Inventories	-	-	-	-	173,899
<b>Total Assets</b>	<b>\$ 93,432</b>	<b>\$ 991,461</b>	<b>\$ 1,296,344</b>	<b>\$ 1,655,716</b>	<b>\$ 9,154,109</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,090	\$ 325,535	\$ 82,883	\$ -	\$ 722,009
Unearned revenue	-	-	-	-	5,781
Other liabilities	-	-	-	-	110,564
<b>Total Liabilities</b>	<b>2,090</b>	<b>325,535</b>	<b>82,883</b>	<b>-</b>	<b>838,354</b>
Deferred Inflows - special assessments	-	-	-	-	109,020
<b>Total Liabilities and Deferred Inflows</b>	<b>2,090</b>	<b>325,535</b>	<b>82,883</b>	<b>-</b>	<b>947,374</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	1,619,000	1,792,899
Restricted	-	-	-	36,716	36,716
Committed	-	-	-	-	420,614
Assigned	91,342	665,926	1,213,461	-	5,956,506
<b>Total Fund Balances</b>	<b>91,342</b>	<b>665,926</b>	<b>1,213,461</b>	<b>1,655,716</b>	<b>8,206,735</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 93,432</b>	<b>\$ 991,461</b>	<b>\$ 1,296,344</b>	<b>\$ 1,655,716</b>	<b>\$ 9,154,109</b>

**City of Soldotna, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

	Special Revenue Funds				Capital Project Funds
	Public Utility	Airport	Parks and Recreation	Street Assessments	City Shop Construction
<i>Year Ended June 30, 2015</i>					
<b>Revenues</b>					
Intergovernmental	\$ 182,625	\$ 19,472	\$ 201,576	\$ -	\$ -
Charges for services	1,532,502	187,359	794,193	-	-
Investment earnings (losses)	(5,598)	(989)	-	(1,908)	-
Special assessments	-	-	-	178,122	-
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>1,709,529</b>	<b>205,842</b>	<b>995,769</b>	<b>176,214</b>	<b>-</b>
<b>Expenditures</b>					
Current:					
Public utilities	1,463,087	-	-	-	-
Parks, recreation and culture	-	-	1,641,627	-	-
Airport	-	114,840	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,463,087</b>	<b>114,840</b>	<b>1,641,627</b>	<b>-</b>	<b>-</b>
Excess of revenues over (under) expenditures	246,442	91,002	(645,858)	176,214	-
<b>Other Financing Sources (Uses)</b>					
Transfers in	161,715	-	645,858	15,131	-
Transfers out	-	-	-	-	(129,234)
<b>Net Other Financing Sources (Uses)</b>	<b>161,715</b>	<b>-</b>	<b>645,858</b>	<b>15,131</b>	<b>(129,234)</b>
Net change in fund balances	408,157	91,002	-	191,345	(129,234)
<b>Beginning fund balances</b>	<b>1,467,487</b>	<b>226,054</b>	<b>119,052</b>	<b>229,269</b>	<b>129,234</b>
<b>Ending fund balances</b>	<b>\$ 1,875,644</b>	<b>\$ 317,056</b>	<b>\$ 119,052</b>	<b>\$ 420,614</b>	<b>\$ -</b>

**City of Soldotna, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued**

<i>Year Ended June 30, 2015</i>	Capital Project Funds, continued				
	Cemetery	Street Construction	Parks & Recreation Capital Projects	Utility System Capital Improvements	Library Expansion
<b>Revenues</b>					
Intergovernmental	\$ -	\$ 14,656	\$ 15,181	\$ -	\$ 29,771
Charges for services	-	-	-	-	-
Investment earnings (losses)	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	7,913	-	-	-
<b>Total Revenues</b>	-	22,569	15,181	-	29,771
<b>Expenditures</b>					
Current:					
Public utilities	-	-	-	-	-
Parks, recreation and culture	-	-	-	-	-
Airport	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	4,411	400,955	187,152	1,802	64,662
<b>Total Expenditures</b>	4,411	400,955	187,152	1,802	64,662
Excess of revenues over (under) expenditures	(4,411)	(378,386)	(171,971)	(1,802)	(34,891)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	370,000	475,000	-	40,000
Transfers out	-	(129,210)	(34,733)	(161,715)	-
<b>Net Other Financing Sources (Uses)</b>	-	240,790	440,267	(161,715)	40,000
Net change in fund balances	(4,411)	(137,596)	268,296	(163,517)	5,109
<b>Beginning fund balances</b>	373,218	1,004,295	344,122	163,517	86,233
<b>Ending fund balances</b>	\$ 368,807	\$ 866,699	\$ 612,418	\$ -	\$ 91,342

**City of Soldotna, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued**

	Capital Project Funds, continued		Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Miscellaneous Capital Projects	Small Capital Projects	2010 Bond Debt Service	Historical Society and Scholarships	
<i>Year Ended June 30, 2015</i>					
<b>Revenues</b>					
Intergovernmental	\$ 380,915	\$ -	\$ 46,707	\$ -	\$ 890,903
Charges for services	-	-	-	-	2,514,054
Investment earnings (losses)	-	-	-	(5,081)	(13,576)
Special assessments	-	-	-	-	178,122
Miscellaneous	-	-	-	-	7,913
<b>Total Revenues</b>	<b>380,915</b>	<b>-</b>	<b>46,707</b>	<b>(5,081)</b>	<b>3,577,416</b>
<b>Expenditures</b>					
Current:					
Public utilities	-	-	-	-	1,463,087
Parks, recreation and culture	-	-	-	8,200	1,649,827
Airport	-	-	-	-	114,840
Debt service:					
Principal	-	-	105,000	-	105,000
Interest	-	-	111,905	-	111,905
Capital outlay	1,321,951	258,119	-	-	2,239,052
<b>Total Expenditures</b>	<b>1,321,951</b>	<b>258,119</b>	<b>216,905</b>	<b>8,200</b>	<b>5,683,711</b>
Excess of revenues over (under) expenditures	(941,036)	(258,119)	(170,198)	(13,281)	(2,106,295)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	762,000	170,198	-	2,639,902
Transfers out	(150,000)	-	-	-	(604,892)
<b>Net Other Financing Sources (Uses)</b>	<b>(150,000)</b>	<b>762,000</b>	<b>170,198</b>	<b>-</b>	<b>2,035,010</b>
Net change in fund balances	(1,091,036)	503,881	-	(13,281)	(71,285)
<b>Beginning fund balances</b>	<b>1,756,962</b>	<b>709,580</b>	<b>-</b>	<b>1,668,997</b>	<b>8,278,020</b>
<b>Ending fund balances</b>	<b>\$ 665,926</b>	<b>\$ 1,213,461</b>	<b>\$ -</b>	<b>\$ 1,655,716</b>	<b>\$ 8,206,735</b>

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

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Charges for services:			
Sewer service	\$ 960,000	\$ 966,635	\$ 6,635
Water service	485,000	490,714	5,714
Connection and other charges	46,000	75,153	29,153
Intergovernmental - State PERS relief	91,616	182,625	91,009
Investment earnings (losses)	12,500	(5,598)	(18,098)
<b>Total Revenues</b>	<b>1,595,116</b>	<b>1,709,529</b>	<b>114,413</b>
<b>Expenditures</b>			
Wages and benefits	654,395	622,627	31,768
Services/charges	772,731	742,951	29,780
Supplies	146,700	97,509	49,191
<b>Total Expenditures</b>	<b>1,573,826</b>	<b>1,463,087</b>	<b>110,739</b>
Excess of revenues over expenditures	21,290	246,442	225,152
<b>Other Financing Sources</b>			
Transfers in	-	161,715	161,715
Net change in fund balance	<u>\$ 21,290</u>	408,157	<u>\$ 386,867</u>
Beginning fund balance		<u>1,467,487</u>	
Ending fund balance		<u>\$ 1,875,644</u>	

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

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Charges for services	\$ 153,262	\$ 187,359	\$ 34,097
Intergovernmental revenues:			
State of Alaska:			
State PERS relief	15,515	17,642	2,127
Aviation fuel taxes	1,700	1,830	130
Investment earnings (losses)	750	(989)	(1,739)
<b>Total Revenues</b>	<b>171,227</b>	<b>205,842</b>	<b>34,615</b>
<b>Expenditures</b>			
Wages and benefits	108,910	60,314	48,596
Services/charges	84,140	44,606	39,534
Supplies	10,200	9,920	280
<b>Total Expenditures</b>	<b>203,250</b>	<b>114,840</b>	<b>88,410</b>
Net change in fund balance	<u>\$ (32,023)</u>	91,002	<u>\$ 123,025</u>
Beginning fund balance		<u>226,054</u>	
Ending fund balance		<u>\$ 317,056</u>	

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

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Charges for services:			
Ice arena	\$ 259,200	\$ 235,962	\$ (23,238)
Campgrounds	382,000	385,402	3,402
Other charges	48,700	61,917	13,217
Special events and conference rooms	83,600	93,061	9,461
Concessions	18,500	17,851	(649)
Intergovernmental - State PERS relief	100,768	201,576	100,808
<b>Total Revenues</b>	<b>892,768</b>	<b>995,769</b>	<b>103,001</b>
<b>Expenditures</b>			
Wages and benefits	981,658	889,993	91,665
Services/charges	600,679	638,158	(37,479)
Supplies	142,970	113,476	29,494
<b>Total Expenditures</b>	<b>1,725,307</b>	<b>1,641,627</b>	<b>83,680</b>
Excess of revenues over (under) expenditures	(832,539)	(645,858)	186,681
<b>Other Financing Sources - transfers in</b>	<b>829,409</b>	<b>645,858</b>	<b>(183,551)</b>
Net change in fund balance	<u>\$ (3,130)</u>	-	<u>\$ 3,130</u>
Beginning fund balance		<u>119,052</u>	
Ending fund balance		<u>\$ 119,052</u>	

## City of Soldotna, Alaska

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

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>			
Investment earnings (losses)	\$ 1,000	\$ (1,908)	\$ (2,908)
Special assessments:			
Principal	5,500	175,594	170,094
Interest and penalty	1,250	2,528	1,278
<b>Total Revenues</b>	<b>7,750</b>	<b>176,214</b>	<b>168,464</b>
Excess of revenues over expenditures	7,750	176,214	168,464
<b>Other Financing Sources - transfers in</b>	<b>-</b>	<b>15,131</b>	<b>15,131</b>
Net change in fund balance	<u>\$ 7,750</u>	191,345	<u>\$ 183,595</u>
Beginning fund balance		<u>229,269</u>	
Ending fund balance		<u>\$ 420,614</u>	

City of Soldotna, Alaska

Debt Service Fund

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

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance with Final Budget
Revenues - intergovernmental	\$ 46,731	\$ 46,707	\$ (24)
<b>Expenditures</b>			
Principal	105,000	105,000	-
Interest	111,905	111,905	-
<b>Total Expenditures</b>	216,905	216,905	-
Excess of revenues over (under) expenditures	(170,174)	(170,198)	(24)
<b>Other Financing Sources - transfers in</b>	170,174	170,198	24
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Beginning fund balance		<u>-</u>	
Ending fund balance		<u>\$ -</u>	

## City of Soldotna, Alaska

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

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance with Final Budget
Revenues - investment earnings (losses)	\$ 8,000	\$ (5,081)	\$ (13,081)
<b>Expenditures</b>			
Scholarships	7,000	7,000	-
Historical Society	1,200	1,200	-
<b>Total Expenditures</b>	8,200	8,200	-
Net change in fund balance	<u>\$ (200)</u>	(13,281)	<u>\$ (13,081)</u>
Beginning fund balance		<u>1,668,997</u>	
Ending fund balance		<u>\$ 1,655,716</u>	

**City of Soldotna, Alaska**  
**Internal Service Funds**  
**Combining Statement of Net Position**

<i>June 30, 2015</i>	Equipment Replacement	Compensated Absences	Total Internal Service Funds
<b>Assets</b>			
Current Assets - equity in central treasury	\$ 1,495,294	\$ 486,036	\$ 1,981,330
<b>Capital Assets</b>			
Equipment	4,357,839	-	4,357,839
Accumulated depreciation	(3,251,891)	-	(3,251,891)
<b>Total Capital Assets Net of Accumulated Depreciation</b>	<b>1,105,948</b>	<b>-</b>	<b>1,105,948</b>
<b>Total Assets</b>	<b>\$ 2,601,242</b>	<b>\$ 486,036</b>	<b>\$ 3,087,278</b>
<b>Liabilities and Net Position</b>			
Current Liabilities - compensated absences	\$ -	\$ 486,036	\$ 486,036
<b>Net Position</b>			
Investment in capital assets	1,105,948	-	1,105,948
Unrestricted	1,495,294	-	1,495,294
<b>Total Net Position</b>	<b>2,601,242</b>	<b>-</b>	<b>2,601,242</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,601,242</b>	<b>\$ 486,036</b>	<b>\$ 3,087,278</b>

## City of Soldotna, Alaska

## Internal Service Funds

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

<i>Year Ended June 30, 2015</i>	Equipment Replacement	Compensated Absences	Total Internal Service Funds
<b>Operating Revenues - charges for services</b>	\$ 169,748	\$ 502,812	\$ 672,560
<b>Operating Expenses</b>			
Wages and benefits	-	502,812	502,812
Depreciation	168,945	-	168,945
<b>Total Operating Expenses</b>	168,945	502,812	671,757
Operating income (loss)	803	-	803
<b>Nonoperating Revenues</b>			
Investment earnings (losses)	(4,560)	-	(4,560)
Gain on disposal of capital assets	6,942	-	6,942
<b>Total Nonoperating Revenues</b>	2,382	-	2,382
Change in net position	3,185	-	3,185
<b>Beginning net position</b>	2,598,057	-	2,598,057
<b>Ending net position</b>	\$ 2,601,242	\$ -	\$ 2,601,242

**City of Soldotna, Alaska**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**

<i>Year Ended June 30, 2015</i>	Equipment Replacement	Compensated Absences	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from other funds	\$ 169,748	\$ 502,812	\$ 672,560
Payments to employees	-	(457,550)	(457,550)
<b>Net cash flows from operating activities</b>	<b>169,748</b>	<b>45,262</b>	<b>215,010</b>
<b>Cash Flows for Capital and Related Financing Activities</b>			
Acquisition of capital assets	(253,788)	-	(253,788)
Proceeds from sale of capital assets	6,942	-	6,942
<b>Net cash flows for capital and related financing activities</b>	<b>(246,846)</b>	<b>-</b>	<b>(246,846)</b>
<b>Cash Flows for Investing Activities</b>			
Investments earnings (losses)	(4,560)	-	(4,560)
<b>Net increase (decrease) in equity in central treasury</b>	<b>(81,658)</b>	<b>45,262</b>	<b>(36,396)</b>
<b>Beginning equity in central treasury</b>	<b>1,576,952</b>	<b>440,774</b>	<b>2,017,726</b>
<b>Ending equity in central treasury</b>	<b>\$ 1,495,294</b>	<b>\$ 486,036</b>	<b>\$ 1,981,330</b>
<b>Reconciliation of Operating Income Loss to Net Cash Flows from Operating Activities:</b>			
Operating income	\$ 803	\$ -	\$ 803
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	168,945	-	168,945
Increase in compensated absences	-	45,262	45,262
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 169,748</b>	<b>\$ 45,262</b>	<b>\$ 215,010</b>

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**City of Soldotna, Alaska**  
**Schedule of Expenditures of Federal Awards**  
*Year Ended June 30, 2015*

	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend- itures
<b>Institute of Museum and Library Services</b>				
Passed through State of Alaska Department of Education and Early Development:				
Continuing Education Grant	CED-15-773-02	45.310	\$ 1,500	\$ 1,500
Continuing Education Grant	CED-15-773-01	45.310	1,000	<u>1,000</u>
<b>Total Institute of Museum and Library Services</b>				<u>2,500</u>
<b>Environmental Protection Agency</b>				
Water, Sewer & Storm Drain Master Plan & Equipment Purchase	00J66801	66.202	484,000	<u>89,815</u>
<b>Department of Justice</b>				
Bulletproof Vest Partnership Program	2013BUBX13068676	16.607	1,132	<u>351</u>
C.O.P.S. Hiring Program	2010UMWX0002	16.710	274,372	<u>134,108</u>
Passed through State of Alaska Department of Public Safety -				
Equitable Sharing Funds	2015	16.922	1,585	<u>1,585</u>
<b>Total Department of Justice</b>				<u>136,044</u>
<b>Department of Transportation</b>				
Rehabilitate and Expand Apron	3-02-0274-011-2012	20.106	3,150,270	15,309
Rehabilitate and Expand Apron - Phase III	3-02-0274-013-2014	20.106	3,250,000	1,023,989
Master Plan Study - Phase I	3-02-0274-012-2014	20.106	468,750	<u>73,417</u>
<b>Total CFDA 20.106</b>				<u>1,112,715</u>
Passed through State of Alaska Department of Transportation & Public Facilities -				
Safe Routes to School Grant - Phase II	LU-20-13-0007	20.205	65,600	<u>5,220</u>
<b>Total Department of Transportation</b>				<u>1,117,935</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,346,294</u>

**City of Soldotna, Alaska**  
**Schedule of State Financial Assistance**  
*Year Ended June 30, 2015*

	Grant Number	Total Grant Award	State Share of Expend- itures
<b>Department of Education and Early Development</b>			
Library Assistance	PLA-15-773-69	\$ 6,650	\$ 6,650
Early Literacy Playstation Grant	ELM-15-773-17	198	198
<b>Total Department of Education and Early Development</b>			<u>6,848</u>
<b>Department of Commerce, Community and Economic Development</b>			
* Revenue Sharing	2015	300,053	300,053
Joyce K Carver Library Expansion	12-DC-446	3,400,000	29,771
West Redoubt Sidewalk & Illumination	15-DC-150	130,000	14,656
Centennial Park Trail Development	13-DC-356	400,000	15,181
* Regional Sports Complex Roof Replacement	15-DC-149	1,200,000	1,200,000
* Water Reservoir Reconstruction, Infrastructure Improvements & Equipment	14-DC-136	2,500,000	2,500,000
City Sidewalk, Street & Utility Improvements	15-DC-148	24,000	15,715
* Redoubt Avenue Street Improvements	12-DC-428	2,079,000	1,427,300
* Construction of Water Tank & Associated Costs	14-RR-051	564,229	291,100
* Paving Improvements	13-DC-482	1,500,000	1,187,471
<b>Total Department of Commerce, Community and Economic Development</b>			<u>6,981,247</u>
<b>Department of Transportation and Public Facilities</b>			
Rehabilitate and Expand Apron	55995	105,009	510
Rehabilitate and Expand Apron - Phase III	59260	108,333	34,133
Airport Master Plan Study - Phase I	59172	15,625	2,447
<b>Total Department of Transportation and Public Facilities</b>			<u>37,090</u>
<b>Department of Revenue</b>			
Liquor Licenses	2015	17,000	17,000
Aviation Fuel Tax	2015	1,830	1,830
Raw Fish Tax	2015	5,097	5,097
Electric and Telephone Cooperative Refund	2015	24,903	24,903
<b>Total Department of Revenue</b>			<u>48,830</u>
<b>Department of Administration</b>			
* PERS Funding	2015	1,834,226	1,834,226
<b>Department of Public Safety</b>			
SART Exam Funding	2015	2,867	2,867
<b>Total State Financial Assistance</b>			<u>\$ 8,911,108</u>

\*Denotes major program

# City of Soldotna, Alaska

## Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2015

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Soldotna, Alaska under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of Bristol Bay Borough.

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of City of Soldotna, Alaska under programs of the state government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of City of Soldotna.

Expenditures reported on both schedules are reported on the modified accrual basis of accounting.

### 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedules are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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# City of Soldotna, Alaska

## Statistical Section

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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.

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#### 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.

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#### 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.

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#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the 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.

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#### 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.

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

**City of Soldotna, Alaska**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<i>June 30,</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities:</b>										
Net investment in										
capital assets	\$ 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	\$ 82,377,999
Restricted	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	1,706,726
Unrestricted	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	22,284,283
<b>Total Governmental</b>										
<b>Activities Net Position</b>	<b>\$ 72,364,505</b>	<b>\$ 78,161,116</b>	<b>\$ 87,124,022</b>	<b>\$ 94,537,470</b>	<b>\$ 99,203,460</b>	<b>\$ 101,693,348</b>	<b>\$ 103,773,767</b>	<b>\$ 106,667,763</b>	<b>\$ 108,315,262</b>	<b>\$ 106,369,008</b>

**City of Soldotna, Alaska**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<i>Year Ended June 30,</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 2,072,769
Public safety	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	2,485,035
Public works	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	5,556,883
Parks, recreation and culture	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	4,306,950
Utilities	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	2,402,068
Airport	435,281	240,134	242,044	224,872	561,740	577,108	588,881	665,178	555,300	811,092
Interest on long-term debt	14,700	-	-	-	-	66,517	74,315	115,833	114,050	151,725
<b>Total Governmental Expenses</b>	<b>\$ 9,041,068</b>	<b>\$ 9,691,353</b>	<b>\$ 10,668,119</b>	<b>\$ 10,998,069</b>	<b>\$ 11,524,240</b>	<b>\$ 11,261,824</b>	<b>\$ 12,002,049</b>	<b>\$ 13,333,397</b>	<b>\$ 16,254,800</b>	<b>\$ 17,786,522</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 67,765	\$ -	\$ 32,400	\$ 32,400	\$ 46,000	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	40,877	189,962	197,156	107,860	65,777	88,675	80,559	80,626	66,189	94,387
Public works	117,074	3,916	-	275,756	105,835	78,986	154,209	109,962	163,956	408,191
Parks, recreation and culture	610,940	659,354	702,605	751,356	792,545	703,277	727,893	763,625	800,263	812,187
Utilities	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	1,532,502
Airport	88,270	117,359	58,009	85,303	89,839	102,374	140,289	141,425	155,264	187,359
Operating grants and contributions	230,156	105,633	1,435,285	98,032	167,062	226,746	436,275	580,058	729,756	381,793
Capital grants and contributions	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	8,033,647
<b>Total Governmental Program Revenues</b>	<b>\$ 3,817,755</b>	<b>\$ 6,608,958</b>	<b>\$ 8,828,825</b>	<b>\$ 8,346,819</b>	<b>\$ 6,643,922</b>	<b>\$ 4,911,181</b>	<b>\$ 5,201,993</b>	<b>\$ 7,717,664</b>	<b>\$ 9,361,094</b>	<b>\$ 11,450,066</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (6,336,456)
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 591,070	\$ 664,965	\$ 729,791	\$ 806,256	\$ 839,899	\$ 893,361	\$ 572,196	\$ 343,063	\$ 267,742	\$ 279,183
Sales taxes	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	7,641,757
Grants not restricted	-	406,010	1,762,503	753,501	652,504	536,598	454,658	473,131	347,232	495,312
Investment earnings (losses)	470,143	830,458	833,168	502,296	542,883	308,813	210,791	20,790	131,247	(78,652)
Sale of capital assets	5,800	-	-	-	20,128	-	8,178	3,134	-	34,142
Other	-	53,199	29,714	59,004	77,110	68,246	112,005	29,075	69,513	51,467
<b>Total governmental activities</b>	<b>\$ 7,514,501</b>	<b>\$ 8,879,006</b>	<b>\$ 10,802,200</b>	<b>\$ 9,825,056</b>	<b>\$ 9,369,262</b>	<b>\$ 8,840,531</b>	<b>\$ 8,880,476</b>	<b>\$ 8,509,729</b>	<b>\$ 8,541,205</b>	<b>\$ 8,423,209</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 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	\$ 2,086,753

**City of Soldotna, Alaska**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
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
2015	279,183	7,641,757	7,920,940

**City of Soldotna, Alaska**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<i>June 30,</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund:</b>										
Reserved	\$ 2,023,113	\$ 102,316	\$ 88,813	\$ 153,511	\$ 187,028	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,438,821	5,529,650	10,183,618	15,332,863	17,807,162	-	-	-	-	-
Nonspendable	-	-	-	-	-	50,877	92,573	114,328	98,154	94,478
Restricted	-	-	-	-	-	50,564	50,896	930	1,167	1,010
Committed	-	-	-	-	-	1,250,000	1,250,000	1,250,000	1,250,000	6,250,000
Assigned	-	-	-	-	-	1,352,283	1,118,259	1,841,479	1,277,044	1,052,215
Unassigned	-	-	-	-	-	16,455,565	17,688,344	17,670,731	16,251,877	10,262,704
<b>Total General Fund</b>	<b>\$ 7,461,934</b>	<b>\$ 5,631,966</b>	<b>\$ 10,272,431</b>	<b>\$ 15,486,374</b>	<b>\$ 17,994,190</b>	<b>\$ 19,159,289</b>	<b>\$ 20,200,072</b>	<b>\$ 20,877,468</b>	<b>\$ 18,878,242</b>	<b>\$ 17,660,407</b>
<b>All other governmental funds:</b>										
Reserved	\$ 1,471,048	\$ 1,334,808	\$ 2,745,302	\$ 3,603,469	\$ 2,821,628	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,211,568	3,798,888	3,839,208	4,082,259	4,300,609	-	-	-	-	-
Capital project funds	2,746,468	6,523,108	6,181,080	1,963,838	2,433,489	-	-	-	-	-
Permanent fund	49,199	57,035	-	-	-	-	-	-	-	-
Debt service fund	248,510	7,167	-	-	-	-	-	-	-	-
Nonspendable:										
Special revenue funds	-	-	-	-	-	39,844	55,080	142,748	148,788	173,899
Permanent fund	-	-	-	-	-	1,619,000	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	36,716
Committed -										
Special revenue funds	-	-	-	-	-	1,061,534	1,092,111	1,113,322	229,269	420,614
Assigned:										
Special revenue funds	-	-	-	-	-	3,733,709	3,536,563	2,948,298	1,663,805	2,137,853
Capital project funds	-	-	-	-	-	3,441,494	3,882,461	4,312,920	4,767,148	4,484,931
<b>Total All Other Governmental Funds</b>	<b>\$ 7,726,793</b>	<b>\$ 11,721,006</b>	<b>\$ 12,765,590</b>	<b>\$ 9,649,566</b>	<b>\$ 9,555,726</b>	<b>\$ 12,104,740</b>	<b>\$ 12,152,096</b>	<b>\$ 10,194,957</b>	<b>\$ 8,478,007</b>	<b>\$ 8,873,013</b>

Note: The City implemented the provisions of GASB statement 54, effective 2011. Prior year presentation has not been restated.

**City of Soldotna, Alaska**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<i>Year Ended June 30,</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Property taxes	\$ 592,522	\$ 662,313	\$ 728,025	\$ 803,576	\$ 833,469	\$ 872,696	\$ 602,405	\$ 347,121	\$ 268,057	\$ 279,920
Sales taxes	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	7,641,757
Intergovernmental	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	10,403,809
Charges for services	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	2,673,128
Investment earnings (losses)	470,143	754,913	771,740	473,320	515,650	294,503	201,287	19,668	123,985	(74,092)
Special assessments	65,281	41,708	16,037	82,250	85,623	40,877	23,536	27,465	14,922	178,122
Other revenues	166,407	72,884	1,617,361	138,982	203,642	126,279	175,165	127,018	714,791	159,287
<b>Total revenues</b>	<b>11,229,776</b>	<b>12,791,493</b>	<b>17,353,556</b>	<b>16,520,987</b>	<b>15,635,880</b>	<b>13,253,623</b>	<b>14,114,186</b>	<b>16,251,484</b>	<b>17,908,384</b>	<b>21,261,931</b>
<b>Expenditures</b>										
General government	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	3,315,927
Public safety	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	2,280,110
Public works	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	2,395,790
Parks, recreation and culture	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	2,264,167
Public utilities	762,102	845,892	949,815	994,618	1,041,336	1,153,420	1,204,891	1,253,563	1,384,247	1,463,087
Airport	90,021	87,294	92,595	82,634	134,434	119,855	129,922	134,258	133,696	114,840
Capital outlay	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	10,063,934
Debt service:										
Principal	490,000	-	-	-	-	-	65,000	105,000	105,000	105,000
Interest	22,050	-	-	-	-	-	134,351	115,916	114,162	111,905
<b>Total expenditures</b>	<b>11,767,774</b>	<b>10,635,611</b>	<b>11,668,507</b>	<b>14,423,068</b>	<b>13,221,904</b>	<b>12,040,094</b>	<b>13,025,947</b>	<b>17,531,227</b>	<b>21,624,560</b>	<b>22,114,760</b>
<b>Other financing sources (uses)</b>										
Transfers in	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	3,865,530
Transfers out	(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)	(3,865,530)
Proceeds from debt issuance	-	-	-	-	-	2,500,000	-	-	-	-
Proceeds from bond premium	-	-	-	-	-	584	-	-	-	-
Sale of capital assets	5,800	-	-	-	-	-	-	-	-	30,000
<b>Total other financing sources (uses)</b>	<b>(507,369)</b>	<b>8,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500,584</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,045,367)</b>	<b>\$ 2,164,245</b>	<b>\$ 5,685,049</b>	<b>\$ 2,097,919</b>	<b>\$ 2,413,976</b>	<b>\$ 3,714,113</b>	<b>\$ 1,088,239</b>	<b>\$ (1,279,743)</b>	<b>\$ (3,716,176)</b>	<b>\$ (822,829)</b>
Debt service as a percentage of noncapital expenditures	6.71%	0.00%	0.00%	0.00%	0.00%	0.00%	2.08%	2.03%	1.59%	1.31%

**City of Soldotna, Alaska**  
**General Governmental Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
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
2015	279,920	7,641,757	7,921,677

**City of Soldotna, Alaska**  
**Taxable Sales by Category**  
**Current Year and Nine Years Ago**

<i>Year Ended June 30,</i>	2006	2015
Administrative, waste management	\$ 1,243,268	\$ 1,373,770
Agriculture, forestry, fishing & hunting	29,385	-
Arts and entertainment	1,306,150	1,494,172
Construction contracting	958,806	1,017,555
Educational services	194,808	619,227
Finance and insurance	30,454	357,282
Guiding	-	232,169
Health care and social assistance	139,993	1,191,163
Hotel/motel/B&B	24,709,654	4,777,638
Information	8,832,284	9,565,421
Manufacturing	3,069,375	1,924,707
Mining/quarrying	7,649	-
Other	-	181,300
Professional, scientific and technical services	3,569,938	4,114,933
Public administration	918,398	1,302,750
Rental property	6,607,173	7,535,776
Restaurant/bar	-	25,525,042
Retail trade	153,217,867	179,695,948
Services	5,305,508	6,626,750
Telecommunications	-	3,748,682
Transportation and warehousing	795,024	-
Utilities	4,820,395	6,910,306
Wholesale trade	2,226,265	409,116
<b>Total</b>	<b>\$ 217,982,394</b>	<b>\$ 258,603,707</b>

City direct sales tax rate	3%	3%
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Source: Kenai Peninsula Borough Sales Tax Department.

Note: Due to changes made at the Kenai Peninsula Borough, current year classifications may be different than those from 2006.

**City of Soldotna, Alaska**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Kenai Peninsula Borough</u>
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
2015	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 **
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	1.29%	0.50%	568.39
2013	2,330,000	1.15%	0.48%	541.99
2014	2,225,000	1.06%	0.46%	517.56
2015	2,120,000	1.02%	0.41%	491.77

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

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

\*\* Population data can be found on Table 12.

**City of Soldotna, Alaska**  
**Computation of Direct and Overlapping Debt**  
**As of June 30, 2015**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	City of Soldotna's Share of Debt
Direct Debt - City of Soldotna	\$ 2,120,000	100.00%	\$ 2,120,000
Overlapping Debt:			
Kenai Peninsula Borough	43,365,000	7.43%	3,222,062
Central Peninsula General Hospital	59,560,000	10.98%	6,541,623
Total Overlapping Debt	102,925,000		9,763,685
<b>Total Direct and Overlapping</b>	<b>\$ 105,045,000</b>		<b>\$ 11,883,685</b>

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.

**City of Soldotna, Alaska**  
**Legal Debt Margin Information**

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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.

**City of Soldotna, Alaska**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	City of Soldotna		Kenai Peninsula Borough**				
	Population (1)	Population (2)	Personal Income (amount expressed in thousands) (3)	Per Capita Personal Income	Median Age (4)	Unemployment Rate (5)	
2006	3,794	51,735	1,678,148	32,437	39	8.7%	
2007	3,807	52,025	1,801,597	34,629	40	8.1%	
2008	3,982	52,904	1,990,587	37,626	40	7.6%	
2009	3,926	53,669	2,200,284	40,997	40	7.8%	
2010	4,021	54,632	2,202,627	40,318	40	9.8%	
2011	4,163	55,400	2,310,507	41,706	41	10.0%	
2012	4,284	56,623	2,499,496	44,143	41	9.5%	
2013	4,299	56,668	2,680,425	47,301	41	8.6%	
2014	4,284	56,813	2,770,796	48,770	41	7.9%	
2015	4,311	57,212	2,770,796 *	48,430	41	7.8%	

**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.

**City of Soldotna, Alaska**  
**Full-time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<i>June 30,</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	9.52	11.91	10.95	9.08	9.72	8.61	9.33	8.55	8.40	9.05
Public safety	15.41	17.00	16.65	17.29	16.44	16.57	15.84	16.67	16.60	16.17
Public works	12.79	12.38	13.19	14.65	15.39	15.86	15.16	16.01	16.70	17.13
Parks, recreation and culture	16.90	16.96	18.22	17.76	16.75	17.19	17.45	16.61	19.40	20.61
Utilities	5.17	4.97	5.07	5.21	5.15	5.61	5.03	4.91	5.20	5.25
<b>Total</b>	<b>59.79</b>	<b>63.22</b>	<b>64.08</b>	<b>63.99</b>	<b>63.45</b>	<b>63.84</b>	<b>62.81</b>	<b>62.75</b>	<b>66.30</b>	<b>68.21</b>

Source: City of Soldotna Finance Department.

**City of Soldotna, Alaska**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<i>June 30,</i>	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/Program</b>										
<b>Police:</b>										
Arrests	766	887	854	773	696	692	507	626	623	482
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	1,244
Requests for service	3,934	4,455	3,490	3,184	3,613	4,012	4,223	4,187	4,432	4,236
<b>Animal Control:</b>										
Animals handled *	382	364	364	311	326	241	455	338	354	243
Animals licensed *	109	111	111	92	63	162	103	74	141	128
<b>Library:</b>										
Volumes in collection	40,213	39,743	44,186	44,622	46,528	38,351	38,689	45,286	48,883	47,757
Volumes checked out	93,717	97,274	101,506	113,811	98,638	100,063	83,067	44,410	66,936	110,809
<b>Water:</b>										
New connections	36	66	21	25	22	14	11	19	17	21
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	715,932
<b>Wastewater:</b>										
New connections	30	50	21	23	19	11	13	21	22	20
Average daily sewage treatment (gallons)	532,667	559,300	571,334	581,333	564,583	629,000	713,000	634,000	637,416	491,416

Source: Various City Departments.

Notes: \* Data presented is for previous calendar year (available only on a calendar year basis).

\*\* Separate information is no longer available. Data is now being combined with traffic violations.

**City of Soldotna, Alaska**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<i>June 30,</i>	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/Program</b>										
Public works:										
Area in square miles	8	8	8	8	8	8	8	8	8	8
Streets (miles)	38	38	40	41	41	41	41	41	41	41
Traffic lights	9	9	9	9	9	9	9	9	9	9
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	11	9	13	13	15	15	14	14	14
Animal Control:										
Shelters	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	29	29	32	33	35	36	37	37	37	38
Fire hydrants	276	276	301	311	321	321	321	321	322	319
Storage capacity (millions of gallons per day)	2	2	2	2	2	2	2	1	1	2
Wastewater:										
Sanitary sewers (miles)	24	24	26	26	27	29	30	30	30	30
Storm drains (miles)	10	10	10	10	10	11	15	15	15	15
Treatment facilities	1	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	1
Parks and recreation:										
Park acreage	223	223	223	223	223	223	241	241	241	241
Number of facilities:										
Parks	10	10	10	10	10	10	10	10	10	10
Ball fields	8	8	8	8	8	8	8	8	8	8
Rodeo grounds	1	1	1	1	1	1	1	1	1	1
Cemetery	-	-	-	-	-	-	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Museums	1	1	1	1	1	1	1	1	1	1
Visitor information centers	1	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	1

Source: Various City Departments.

**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, 2015, 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 December 1, 2015.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, 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 over financial reporting.

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 the internal control over financial reporting 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 financial reporting 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  
December 1, 2015



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## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as 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, 2015. 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, 2015.

## 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  
December 1, 2015



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## **Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance as 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, 2015. 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, 2015.

## 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  
December 1, 2015

**City of Soldotna, Alaska**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

**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?	<u>   </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>   </u> yes	<u>  X  </u> (none reported)

Noncompliance material to financial statements noted?     yes   X   no

***Federal Financial Assistance***

Internal control over major programs:

Material weakness(es) identified?	<u>   </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>   </u> yes	<u>  X  </u> (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:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
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?	<u>   </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>   </u> yes	<u>  X  </u> (none reported)

Type of auditor's report issued on compliance for major programs: Unmodified

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

# City of Soldotna, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

### Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

### Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

**City of Soldotna, Alaska**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2015**

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There were no prior year audit findings.

# City of Soldotna, Alaska

## Corrective Action Plan Year Ended June 30, 2015

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