Comprehensive Annual Financial Report

For Fiscal Year
Ended June 30, 2016

SOLDOTNA
City of Soldotna, Alaska

Comprehensive Annual Financial Report of the City of Soldotna, Alaska

Year Ended June 30, 2016

Pete Sprague
Mayor

Mark Dixson
City Manager

Prepared By
Finance Department

Melanie Imholte
Finance Director / Treasurer

City of Soldotna, Alaska

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SOLDOTNA
City of Soldotna, Alaska

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www.soldotna.org

November 8, 2016

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, 2016. 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, 2016, 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, 2016, 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. However, in October 2016 (subsequent to the date of these financial statements), a municipal charter was adopted, changing the City to a home rule city. Additional information can be found in the notes to the financial statements on page 55.

The City occupies a geographic area of approximately 7.5 square miles located in the south central part of the state of Alaska. The estimated population within Soldotna City limits for FY16 is 4,319. The population is increasing but at a very slow rate (.8% for the 5-year period form FY12-FY16). According to data reported by the Kenai Peninsula Economic Development District (KPEDD), areas outside of the City but adjacent, experienced some of the highest population growth on the Peninsula for the same 5-year period. This broader regional population continues to drive growth and economic activity in the City, which provides many of the goods and services to residents of the central Kenai Peninsula.

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, retail and professional services, educational and health care facilities, and various outdoor recreational amenities. Several large employers, including 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.

Sales tax is the largest source of revenue for the City. The City has a 3% sales tax which is applied only to the first $500 of each separate sale. In October 2015, the 3% sales tax on nonprepared foods was eliminated for the months of September through May. This sales tax was reinstated however, in October 2016 (subsequent to the date of these financial statements). Additional information can be found in the notes to the financial statements on page 55. Retail sales businesses continue to generate the largest share of sales tax revenue.

The tourism industry in the State and on the Kenai Peninsula is growing. Gross sales in visitor related businesses are approximately $32 million annually in Soldotna. 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, bring a large influx of tourists throughout the year. Retail sales are greatly enhanced by tourism, especially during the summer months.

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) operates a number of facilities in Soldotna, including the hospital, 60-bed Heritage House, family and specialty physician clinics. In early 2016, CPH opened a new Specialty Clinics Building which provides orthopedic, orthopedic spine, urology, podiatry, oncology infusion, imaging, and cardiology services.

As of the 2015-2016 school year, a total of 2,862 students attended K-12 schools located in Soldotna. Although the overall number of students declined in the Kenai Peninsula Borough School District, attendance at Soldotna schools increased by 26 students over the past year.[1] The Kenai Peninsula College (KPC), with its Kenai River Campus located on 300 wooded acres in Soldotna, enrolls about 2,000 academic and non-credit students each semester. Across all KPC Campuses (which include the Kachemak Bay Campus in Homer and the Resurrection Bay Extension Site in Seward), the college provides 346 jobs, including 38 full time faculty and more than 90 adjunct faculty. The estimated economic impact of KPC is $11.1 million spent on labor and $4.7 million spent on goods and services to over 200 peninsula businesses.[2]

The City of Soldotna's population continues to grow, and we continue to see steady development in both residential and commercial construction. Despite the State of Alaska's budget deficit and its uncertain impact on municipalities within the State, the projection for the economy of Soldotna remains positive. The Kenai Peninsula Borough economy as a whole is diverse, as is Soldotna's, which will continue to provide stability moving forward.

Long Term Financial Planning

General Fund fund balance remained relatively flat in FY2016 at approximately $17.7 million. 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, 2016 was $8,233,403. Designations of fund balance are explained beginning on page 33 of these financial statements.

Changes were made to the City's investment policy during FY15, allowing monies that are not anticipated for immediate use, to be strategically invested for longer terms in a broader range of investments. While these changes have resulted in favorable returns for the year ended June 30, 2016, due to the requirement to adjust investments to market value at year-end and because of the possibility of volatility involved in a portion of the City's investment portfolio, the City may not always show such favorable results on June 30 of each year. The City does however anticipate that

[1] 2016 Situations and Prospects, Kenai Peninsula Economic Development District.
[2] 2017 Fast Facts. Kenai Peninsula College.

investment returns over the long run, will remain favorable. Details of the City's investment policy are described beginning on page 35 of the financial statements.

The City has undergone numerous studies over the past several years which have resulted in policy documents that will continue to help the City make financial decisions moving forward. These policy documents include Envision Soldotna 2030; Parks, Rec and Trail Master Plan; Utility Master Plan; Roads Condition Assessment; and Airport Master Plan.

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 2016, Northern Economics completed a study 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. Study results were shared with the Soldotna City Council and the public at a work session and open house. Based on the results of this study, the City continues to evaluate the need and feasibility of annexation.

One of the biggest issues impacting the City's finances was the passage of a Borough-wide ballot proposition that occurred in October 2015, which suspended the sales tax on non-prepared foods for nine months of the year. In FY16, the City reported a decrease in sales tax revenue of over $700,000, primarily due to the passage of this proposition. In October 2016 (subsequent to the date of these financial statements), City of Soldotna voters ratified Proposition No. 16-02 which adopted a municipal charter and changed the City of Soldotna from a first class city to a home rule city. Ordinance 2016-029, which becomes effective on December 1, 2016, reinstates the provisions to allow the City to collect sales tax on nonprepared food items year round.

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, 2015. 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 Dixson, City Manager

Melanie Imholte, Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Soldotna
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Soldotna, Alaska

Principal Officials
June 30, 2016

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

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

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

Mayor and City Council

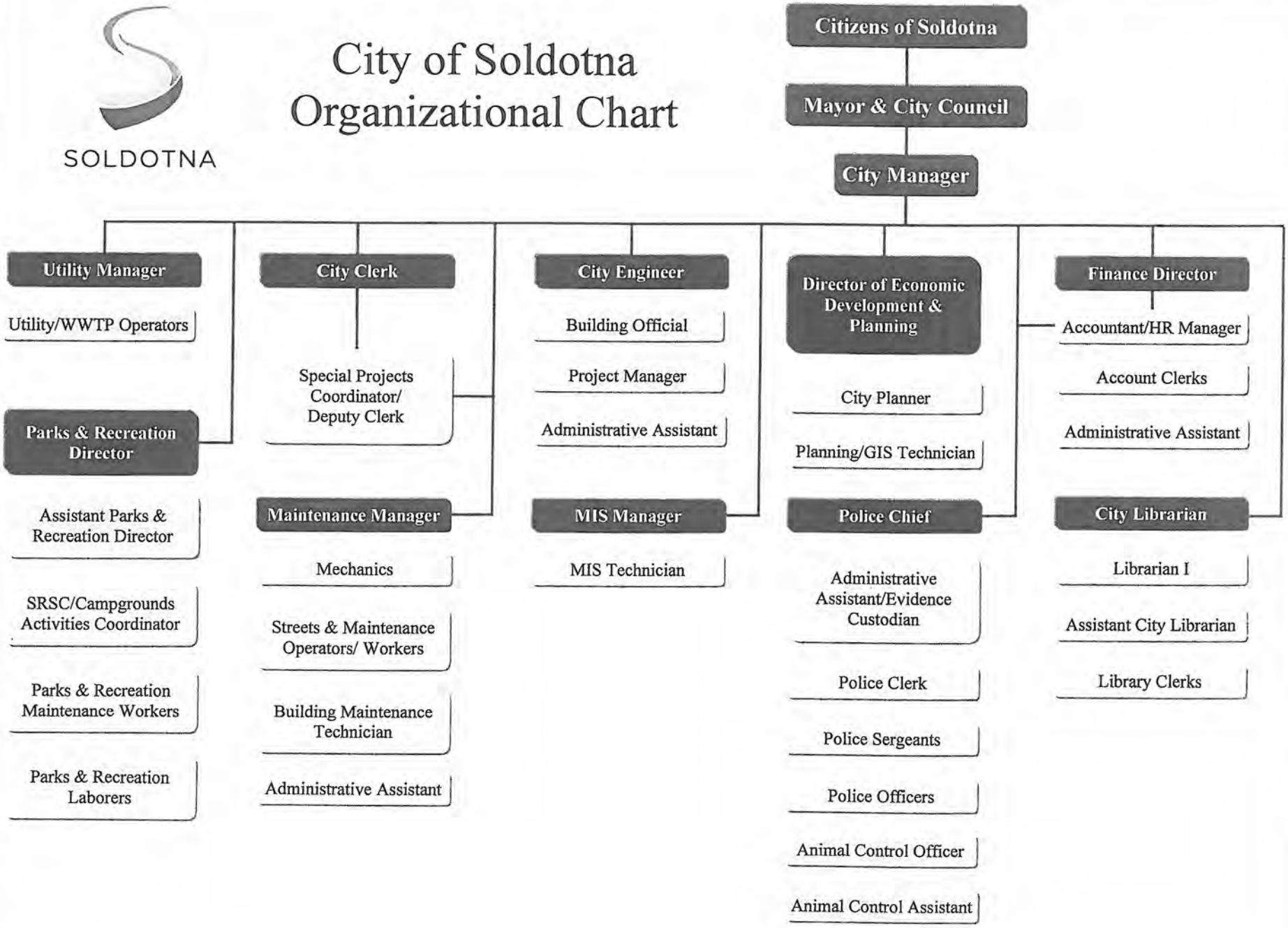
		Term Ends
Mayor	Pete Sprague	2017
Council	Paul Whitney, Seat A	2018
	Steve Manley, Seat B	2016
	Linda Murphy, Seat C	2018
	Regina Daniels, Seat D	2016
	Keith Baxter, Seat E	2016
	Tim Cashman, Seat F	2016

City Administration

City Manager	Mark Dixson
Finance Director/Treasurer	Melanie Imholte
City Clerk	Michelle Saner
Police Chief	Peter Mlynarik
Director of Economic Development & Planning	Stephanie Queen
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

SOLDOTNA



Auditor Report

BDO

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Independent Auditor's Report

Honorable Mayor and City Council
City of Soldotna, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Soldotna, Alaska, as of and for the year ended June 30, 2016, 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.

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Public Utility Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 11 and the Schedules of Net Pension Liability and Pension Contributions on pages 57 through 59 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, 2016 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, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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, 2016 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, 2016.

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 November 8, 2016, 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, Alaska
November 8, 2016

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Management's Discussion & Analysis

As management of the City of Soldotna, we offer readers of our financial statements this overview and analysis of the financial activities of the City of Soldotna for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Soldotna exceeded its liabilities at June 30, 2016, by $105,811,363 (net position). Of this amount, unrestricted net position of $19,905,098 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position decreased by $557,645 in FY2016.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $25,015,867, a decrease of $1,517,553 from the prior year.

- Fund balance for the General Fund was $17,694,255 at June 30, 2016, an increase of $33,848. Of this amount, $8,233,403 was unassigned and available for spending.

- The City had outstanding general obligation debt at year-end in the amount of $2,010,000. 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 a net pension liability, pension related deferred outflows, and pension related deferred inflows. The net pension liability increased substantially from $4,238,193 in FY15 to $6,152,814 in FY16 due to the State changing a number of factors in the on-behalf payment calculations related to the Public Employees Retirement System (PERS); which extended the payment term an additional nine years and shifted a larger portion of the unfunded liability to the other participants in the plan. In FY17, the City will implement GASB Statements 74 and 75, which will require the City to record in its financial statements, the liabilities related to the Other Postemployment Benefit (OPEB) portion of PERS.

Overview of the Financial Statements

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

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

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Soldotna's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the City of Soldotna's assets and liabilities, with the difference between the two reported as net position. Over

time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Soldotna is improving or deteriorating. There are other non-financial factors, such as the condition of facilities, roads and other infrastructure that should be considered in the evaluation of overall financial condition.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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, 2016, the City of Soldotna maintained 17 individual governmental funds, three 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, the Public Utility Special Revenue Fund and the Airport Improvements Capital Project Fund. Non-major governmental funds include three special revenue funds, nine capital project funds, a debt service fund and a permanent fund. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statements have been provided for each individual governmental fund for which an annual budget has been adopted.

Proprietary funds. The City maintains one type of proprietary fund; internal service funds. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds. These internal service funds are used to account for the City's equipment replacement and compensated absences programs. The equipment replacement program is used primarily by the General Fund; however, special revenue funds for the airport, parks and recreation, and public utilities 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, 2016, the City's assets exceeded liabilities by $105,811,363. 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	
	2016	2015
Current and other assets	$ 28,011,952	$ 31,095,522
Capital assets	86,201,876	84,497,999
Deferred outflows	1,209,028	605,836
Total assets and deferred outflows	115,422,856	116,199,357
Other liabilities	803,109	2,496,464
Noncurrent liabilities	8,699,454	6,844,229
Deferred inflows	108,930	489,656
Total liabilities and deferred inflows	9,611,493	9,830,349
Net position:		
Net investment in capital assets	84,191,876	82,377,999
Restricted	1,714,389	1,706,726
Unrestricted	19,905,098	22,284,283
Total Net Position	$ 105,811,363	$ 106,369,008

Governmental activities. Governmental activities decreased the City of Soldotna's net position by $557,645. Key elements of this decrease 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:

Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	$ 2,871,318	$ 3,034,626
Operating grants and contributions	347,924	381,793
Capital grants and contributions	3,697,162	8,033,647
General revenues:		
Property taxes	287,747	279,183
Sales taxes	6,922,933	7,641,757
Other	1,081,707	502,269
Total revenues	15,208,791	19,873,275
Expenses:		
General government	2,209,787	2,072,769
Public safety	2,790,738	2,485,035
Public works	3,761,788	5,556,883
Parks, recreation and culture	2,937,289	4,306,950
Utilities	2,665,903	2,402,068
Airport	1,293,181	811,092
Interest on long-term debt	107,750	151,725
Total expenses	15,766,436	17,786,522
Net decrease in net position	(557,645)	2,086,753
Net Position, beginning	106,369,008	108,315,262
Cumulative effect of adoption of GASB 68	-	(4,033,007)
Net Position, beginning, as restated	106,369,008	104,282,255
Net Position, ending	$ 105,811,363	$ 106,369,008

Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of the City of Soldotna's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Soldotna's financing requirements. In particular, unassigned fund

balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The total fund balance of governmental funds is $25,015,867, which is down $1,517,553 from last year. Designations of fund balance are explained beginning on page 33 of these financial statements. $8,233,403 of fund balance was unassigned and available for spending at the City's discretion. The remaining $16,782,464 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. The General Fund has a very healthy fund balance. At the end of the current fiscal year, fund balance in the General Fund was $17,694,255; an increase of $33,848 from the prior year. Of this amount, $8,233,403 was unassigned and available for spending.

The primary revenue sources in the General Fund include property tax of $287,379, sales tax of $6,922,933, and intergovernmental revenues of $581,592. While property tax revenues are up just slightly from last year, sales tax revenues decreased significantly due to the passage of a Borough-wide ballot proposition (KPB Proposition One) that occurred in October 2015, which eliminated the City's ability to collect a 3% sales tax on non-prepared food for the months of September through May. While the original estimate was a decrease in sales tax revenue of $1.0–1.2 million annually, the actual decrease for FY16 was $718,824. On October 4, 2016,(subsequent to the date of these financial statements), City of Soldotna voters ratified Proposition No. 16-02, which adopted a municipal charter and changed the City of Soldotna from a first class general law city to a home rule city. On October 26, 2016, Ordinance 2016-029 was enacted which reinstated provisions to allow the City to collect sales tax on nonprepared food items year round. This ordinance will go into effect December 1, 2016. Due to these subsequent events, the City anticipates an increase in sales tax revenue moving forward. Intergovernmental revenues decreased $1,346,103; primarily due to a decrease in the State of Alaska PERS on behalf contribution rate from 42.41% in FY15 to 5.19% in FY16. In FY16, the rate was reduced due to the State appropriating $1 billion to PERS and because of the new contribution rate determination methodology in accordance with 2014 State legislation. The decrease in the contribution rate affects both revenues and expenditures. General Fund expenditures (not including transfers out) are down $1,294,222 from last year.

Tax revenues support General Fund operations and represent 86% of General Fund revenue and 48% of all governmental fund revenue (not including transfers in). Other funds rely heavily on charges for services and investment earnings. Investment earnings in the governmental funds are up $437,380 from FY15. This is primarily due to volatility in equity markets and the related market value adjustments made at year-end. 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 the compensated absences liability. As these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements but are presented in a single column in the proprietary fund financial statements.

General Fund Budgetary Highlights

The General Fund appropriations budget was amended by the City Council during the year by $829,082 of which $750,000 was transfers to other funds for capital projects, $3,000 was a Federal grant for Library training, $7,100 was funded by Library donations for services and supplies, $15,804 was for Police equipment funded by prior year asset forfeitures, $8,550 was for election related expenses; with $1,050 covered by donations and $44,628 was for the rollover of prior year encumbrances.

Actual revenues were $696,245 less than the final budget. This is due to the passage of KPB Proposition One, which impacted the City's ability to collect year round sales tax on non-prepared foods, as previously discussed. Actual expenditures and transfers out were $985,307 less than the final budget. The City typically does not spend the entire authorized appropriation. The variance was about 10% of the final budget compared to 3.7% in FY15 and 7.6% in FY14.

Capital Assets and Debt Administration

Capital assets. The City of Soldotna's investment in capital assets for its governmental activities as of June 30, 2016, amounts to $86,201,876 (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 41 of this report.

Major capital additions for the current fiscal year included the following:

- Construction of the Aspen Street Road Improvements Project
- Construction of the Porcupine Court Road Improvements Project
- Construction of the West Redoubt Sidewalk & Street Lighting Project
- Construction of the Centennial Park & Soldotna Regional Sports Complex Trail Connection Project; including fencing, boardwalks and stairs
- Construction of the Riverside Drive Sidewalk Project
- Purchase of a Utility Vactor Truck
- Installation of a Generator at City Hall
- Construction of the 2014 Airport Apron Rehabilitation/Expansion Project

Construction of several other capital projects remains in progress at the close of fiscal year 2016.

Long-term debt. No new debt was issued by the City in FY16. As of June 30, 2016, general obligation bonds in the amount of $2,010,000 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 page 44.

As previously discussed, in FY15 the City adopted the provisions of GASB Statement 68, which resulted in the recognition of a net pension liability in the amount of $6,152,814 on the Government-wide Statement of Net Position in FY16.

Requests for Information

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

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Basic Financial Statements

Exhibit A-1

City of Soldotna, Alaska

Statement of Net Position

June 30, 2016	Governmental Activities
Assets and Deferred Outflows of Resources	
Assets	
Equity in central treasury	$ 24,881,429
Receivables (net of allowance for uncollectibles)	2,883,852
Inventories	225,242
Prepaid items	21,429
Land	6,711,910
Property and equipment in service	131,763,371
Accumulated depreciation	(63,277,953)
Construction in progress	11,004,548
Total Assets	114,213,828
Deferred Outflows of Resources - pension related	1,209,028
Total Assets and Deferred Outflows of Resources	$ 115,422,856
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Accounts payable	$ 460,566
Unearned revenue	16,571
Other liabilities	281,186
Accrued interest payable	44,786
Noncurrent liabilities:	
Due within one year:	
Bonds payable	110,000
Compensated absences	536,640
Due in more than one year:	
Bonds payable	1,900,000
Net pension liability	6,152,814
Total Liabilities	9,502,563
Deferred Inflows of Resources - pension related	108,930
Net Position	
Net investment in capital assets	84,191,876
Restricted:	
Nonexpendable portion:	
Parks, recreation and culture	50,000
Historical Society and scholarships	1,619,000
Expendable portion:	
Parks, recreation and culture	1,692
Historical Society and scholarships	43,697
Unrestricted	19,905,098
Total Net Position	105,811,363
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 115,422,856

See accompanying notes to basic financial statements.

Exhibit A-2

City of Soldotna, Alaska

Statement of Activities

Year Ended June 30, 2016	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs					
Governmental activities:					
General government	$ 2,209,787	$ -	$ 46,223	$ -	$ (2,163,564)
Public safety	2,790,738	100,942	89,677	-	(2,600,119)
Public works	3,761,788	87,986	84,001	145,685	(3,444,116)
Parks, recreation and culture	2,937,289	816,293	47,740	248,753	(1,824,503)
Public utilities	2,665,903	1,695,740	30,340	377,005	(562,818)
Airport	1,293,181	170,357	4,774	2,925,719	1,807,669
Interest on long-term debt	107,750	-	45,169	-	(62,581)
Total Governmental Activities	$ 15,766,436	$ 2,871,318	$ 347,924	$ 3,697,162	(8,850,032)

General revenues:	
Property taxes	287,747
Sales taxes	6,922,933
Grants and entitlements not restricted for a specific purpose	389,535
Gain on disposal of capital assets	256,249
Investment earnings	384,158
Other	51,765
Total general revenues	8,292,387
Change in net position	(557,645)
Beginning net position	106,369,008
Ending net position	$ 105,811,363

See accompanying notes to basic financial statements.

Exhibit B-1

City of Soldotna, Alaska

Governmental Funds
Balance Sheet

June 30, 2016	Major Funds: General	Major Funds: Public Utility Special Revenue	Major Funds: Airport Improvements Capital Project	Nonmajor Funds	Total Governmental Funds
Assets					
Equity in central treasury	$ 15,635,526	$ 1,468,904	$ -	$ 5,649,584	$ 22,754,014
Receivables (net of allowance for uncollectibles)	1,523,788	173,785	860,948	306,548	2,865,069
Due from other funds	729,412	-	-	-	729,412
Inventories	39,802	179,960	-	5,480	225,242
Prepaid items	21,429	-	-	-	21,429
Total Assets	$ 17,949,957	$ 1,822,649	$ 860,948	$ 5,961,612	$ 26,595,166
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 80,264	$ 18,071	$ 96,468	$ 265,763	$ 460,566
Unearned revenue	-	-	10,026	6,545	16,571
Due to other funds	-	-	729,243	169	729,412
Other liabilities	172,909	64,688	-	43,589	281,186
Total Liabilities	253,173	82,759	835,737	316,066	1,487,735
Deferred Inflows of Resources					
Delinquent property taxes	2,529	-	-	-	2,529
Special assessments	-	-	-	89,035	89,035
Total Liabilities and Deferred Inflows of Resources	255,702	82,759	835,737	405,101	1,579,299
Fund Balances					
Nonspendable	111,231	179,960	-	1,624,480	1,915,671
Restricted	1,692	-	-	43,697	45,389
Committed	6,552,958	-	-	452,941	7,005,899
Assigned	2,794,971	1,559,930	25,211	3,435,393	7,815,505
Unassigned	8,233,403	-	-	-	8,233,403
Total Fund Balances	17,694,255	1,739,890	25,211	5,556,511	25,015,867
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 17,949,957	$ 1,822,649	$ 860,948	$ 5,961,612	$ 26,595,166

See accompanying notes to basic financial statements.

Exhibit B-2

City of Soldotna, Alaska

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2016

Total fund balances for governmental funds		$ 25,015,867
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	$ 6,711,910	
Property and equipment in service	131,763,371	
Accumulated depreciation	(63,277,953)	
Construction in progress	11,004,548	
Total capital assets		86,201,876
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	2,529	
Deferred special assessments	89,035	
Total long-term assets		91,564
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	(2,010,000)	
Net pension liability	(6,152,814)	
Accrued interest payable	(44,786)	
Accrued interest subsidy	18,783	
Total long-term liabilities		(8,188,817)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources for pensions	1,209,028	
Deferred inflows of resources for pensions	(108,930)	
Total deferred pension items		1,100,098
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	2,633,495	
Less: amounts reported as capital assets reported above	(1,042,720)	
Total internal service funds		1,590,775
Net Position of Governmental Activities		$ 105,811,363

See accompanying notes to basic financial statements.

City of Soldotna, Alaska

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

	Major Funds				
Year Ended June 30, 2016	General	Public Utility Special Revenue	Airport Improvements Capital Project	Nonmajor Funds	Total Govern-mental Funds
Revenues					
Taxes	$ 7,210,312	$ -	$ -	$ -	$ 7,210,312
Intergovernmental	581,592	24,732	2,925,719	847,300	4,379,343
Charges for services	91,524	1,695,740	-	967,603	2,754,867
Investment earnings	317,690	19,797	-	25,801	363,288
Special assessments	-	-	-	26,465	26,465
Miscellaneous	153,149	-	-	8,587	161,736
Total Revenues	8,354,267	1,740,269	2,925,719	1,875,756	14,896,011
Expenditures					
Current:					
General government	1,599,509	-	-	-	1,599,509
Public safety	2,339,034	-	-	-	2,339,034
Public works	2,383,142	-	-	-	2,383,142
Parks, recreation and culture	627,583	-	-	1,486,887	2,114,470
Nondepartmental	362,677	-	-	-	362,677
Public utilities	-	1,319,774	-	-	1,319,774
Airport	-	-	-	122,583	122,583
Debt service:					
Principal	-	-	-	110,000	110,000
Interest	-	-	-	109,070	109,070
Capital outlay	-	-	3,020,097	3,247,862	6,267,959
Total Expenditures	7,311,945	1,319,774	3,020,097	5,076,402	16,728,218
Excess of revenues over (under) expenditures	1,042,322	420,495	(94,378)	(3,200,646)	(1,832,207)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	314,654	-	-	-	314,654
Transfers in	255,651	78,751	29,140	2,213,779	2,577,321
Transfers out	(1,578,779)	(635,000)	(4,745)	(358,797)	(2,577,321)
Net Other Financing Sources (Uses)	(1,008,474)	(556,249)	24,395	1,854,982	314,654
Net change in fund balances	33,848	(135,754)	(69,983)	(1,345,664)	(1,517,553)
Beginning fund balances	17,660,407	1,875,644	95,194	6,902,175	26,533,420
Ending fund balances	$ 17,694,255	$ 1,739,890	$ 25,211	$ 5,556,511	$ 25,015,867

See accompanying notes to basic financial statements.

Exhibit B-4

City of Soldotna, Alaska

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

Year Ended June 30, 2016

Net change in fund balances - total governmental funds		$ (1,517,553)
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 ($5,527,365) exceeded depreciation ($3,823,488) and miscellaneous capital asset transactions ($63,228).		1,767,105
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	$ 368	
Deferred special assessments	(19,985)	
		(19,617)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net position.		110,000
Change related to net pension obligation and related accounts can increase or decrease net postion. This is the net decrease in equity due to changes in net pension obligation and the related deferred inflows and outflows of resources.		(930,703)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the decrease in accrued interest payable, net of the interest subsidy.		870
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of internal service funds is reported with governmental activities.		
Change in net position of Internal Service Funds		32,253
Change in Net Position of Governmental Activities		$ (557,645)

See accompanying notes to basic financial statements.

Exhibit C-1

City of Soldotna, Alaska

General Fund

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

Year Ended June 30, 2016	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales taxes	$ 7,850,000	$ 7,850,000	$ 6,922,933	$ (927,067)
Property taxes	285,000	285,000	287,379	2,379
Total taxes	8,135,000	8,135,000	7,210,312	(924,688)
Intergovernmental revenues:				
State of Alaska:				
Telephone and electric cooperative	26,000	26,000	26,151	151
Shared revenue	283,369	283,369	286,727	3,358
State PERS relief	174,993	174,993	192,057	17,064
Liquor licenses	15,000	15,000	12,500	(2,500)
Library assistance	6,500	6,500	6,650	150
Police assistance	-	-	2,065	2,065
Raw fish tax	5,000	5,000	5,632	632
Total State of Alaska	510,862	510,862	531,782	20,920
Federal:				
Public library education	-	3,000	3,000	-
C.O.P.S. hiring program	45,000	45,000	43,366	(1,634)
Police safety equipment	-	-	3,444	3,444
Total Federal	45,000	48,000	49,810	1,810
Total intergovernmental revenues	555,862	558,862	581,592	22,730
Licenses and permits:				
Building and fire inspection	75,000	75,000	81,506	6,506
Animal licenses and fees	10,000	10,000	10,018	18
Total licenses and permits	85,000	85,000	91,524	6,524

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues, continued				
Other revenues:				
Investment earnings	$ 160,000	$ 160,000	$ 317,690	$ 157,690
Traffic fines	65,000	65,000	90,924	25,924
Miscellaneous	20,500	20,500	34,377	13,877
Library fees	18,000	18,000	19,047	1,047
Donations	-	8,150	8,801	651
Total other revenues	263,500	271,650	470,839	199,189
Total Revenues	9,039,362	9,050,512	8,354,267	(696,245)
Expenditures				
General government:				
Mayor and council:				
Wages and benefits	23,334	25,334	23,814	1,520
Services/charges	213,580	221,711	185,482	36,229
Supplies	5,000	5,000	2,821	2,179
Chamber of Commerce/Visitor Center	142,937	142,937	141,627	1,310
Total mayor and council	384,851	394,982	353,744	41,238
Administration:				
Wages and benefits	445,265	445,265	422,849	22,416
Services/charges	92,865	92,659	75,953	16,706
Supplies	14,000	14,206	5,429	8,777
Total administration	552,130	552,130	504,231	47,899
Finance:				
Wages and benefits	433,792	433,792	416,743	17,049
Services/charges	52,300	68,030	55,372	12,658
Supplies	6,000	8,560	6,569	1,991
Total finance	492,092	510,382	478,684	31,698

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures, continued				
General government, continued:				
Management information systems:				
Wages and benefits	$ 166,918	$ 166,918	$ 143,474	$ 23,444
Services/charges	76,340	78,032	67,141	10,891
Supplies	55,400	53,708	52,235	1,473
Total management information systems	298,658	298,658	262,850	35,808
Total general government	1,727,731	1,756,152	1,599,509	156,643
Public safety:				
Police department:				
Wages and benefits	1,930,141	1,930,141	1,800,046	130,095
Services/charges	362,549	361,249	318,133	43,116
Supplies	42,600	59,704	51,874	7,830
Total police department	2,335,290	2,351,094	2,170,053	181,041
Animal control:				
Wages and benefits	156,005	156,005	140,765	15,240
Services/charges	31,525	31,695	19,236	12,459
Supplies	11,000	10,830	8,980	1,850
Total animal control	198,530	198,530	168,981	29,549
Total public safety	2,533,820	2,549,624	2,339,034	210,590
Public works:				
Public works administration:				
Wages and benefits	484,024	484,024	462,154	21,870
Services/charges	32,336	31,938	22,247	9,691
Supplies	3,650	4,048	3,667	381
Total public works administration	520,010	520,010	488,068	31,942

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures, continued				
Public works, continued:				
Streets:				
Wages and benefits	$ 568,495	$ 548,495	$ 500,961	$ 47,534
Services/charges	518,562	490,240	354,471	135,769
Supplies	108,000	129,876	103,670	26,206
Total streets	1,195,057	1,168,611	959,102	209,509
Economic development and planning				
Wages and benefits	359,656	359,656	321,455	38,201
Services/charges	66,625	74,117	59,072	15,045
Supplies	2,750	3,850	1,806	2,044
Total economic development and planning	429,031	437,623	382,333	55,290
Building maintenance:				
Wages and benefits	148,400	168,400	157,845	10,555
Services/charges	41,010	68,196	63,896	4,300
Supplies	20,500	21,555	17,985	3,570
Total building maintenance	209,910	258,151	239,726	18,425
Shop:				
Wages and benefits	230,307	230,307	226,833	3,474
Services/charges	59,624	59,624	50,998	8,626
Supplies	80,200	90,300	71,082	19,218
Less charges to other funds	(63,000)	(63,000)	(35,000)	(28,000)
Total shop	307,131	317,231	313,913	3,318
Total public works	2,661,139	2,701,626	2,383,142	318,484
Parks, recreation and culture - library:				
Wages and benefits	450,074	450,074	411,092	38,982
Services/charges	132,840	139,081	124,840	14,241
Supplies	91,400	95,259	91,651	3,608
Total parks, recreation and culture	674,314	684,414	627,583	56,831

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures, continued				
Nondepartmental:				
Insurance	$ 88,600	$ 87,650	$ 67,435	$ 20,215
PERS on behalf expenditures	174,993	174,993	192,057	(17,064)
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	15,000	15,000	15,000	-
Boys & Girls Club	35,000	35,000	35,000	-
Miscellaneous	107,124	92,344	29,765	62,579
Total nondepartmental	444,137	428,407	362,677	65,730
Total Expenditures	8,041,141	8,120,223	7,311,945	808,278
Excess of revenues over expenditures	998,221	930,289	1,042,322	112,033
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	314,654	314,654
Transfers in	-	-	255,651	255,651
Transfers out	(1,005,808)	(1,755,808)	(1,578,779)	177,029
Net Other Financing Sources (Uses)	(1,005,808)	(1,755,808)	(1,008,474)	747,334
Net change in fund balance	$ (7,587)	$ (825,519)	33,848	$ 859,367
Beginning fund balance			17,660,407	
Ending fund balance			$ 17,694,255	

See accompanying notes to basic financial statements.

Exhibit C-2

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues				
Charges for services:				
Sewer service	$ 1,065,000	$ 1,065,000	$ 1,086,915	$ 21,915
Water service	525,000	525,000	539,246	14,246
Connection and other charges	51,000	51,000	69,579	18,579
Intergovernmental - State PERS relief	23,108	23,108	24,732	1,624
Investment earnings	11,200	11,200	19,797	8,597
Total Revenues	1,675,308	1,675,308	1,740,269	64,961
Expenditures				
Wages and benefits	651,902	651,902	624,490	27,412
Services/charges	734,098	715,375	583,268	132,107
Supplies	134,700	153,423	112,016	41,407
Total Expenditures	1,520,700	1,520,700	1,319,774	200,926
Excess of revenues over expenditures	154,608	154,608	420,495	265,887
Other Financing Sources (Uses)				
Transfers in	-	-	78,751	78,751
Transfers out	-	(635,000)	(635,000)	-
Net Other Financing Sources (Uses)	-	(635,000)	(556,249)	78,751
Net change in fund balance	$ 154,608	$ (480,392)	(135,754)	$ 344,638
Beginning fund balance			1,875,644	
Ending fund balance			$ 1,739,890	

See accompanying notes to basic financial statements.

Exhibit D-1

City of Soldotna, Alaska

Proprietary Funds
Statement of Net Position

June 30, 2016	Governmental Activities - Internal Service Funds
Assets	
Current Assets - equity in central treasury	$ 2,127,415
Capital Assets	
Equipment	4,421,998
Accumulated depreciation	(3,379,278)
Total Capital Assets net of accumulated depreciation	1,042,720
Total Assets	$ 3,170,135
Liabilities and Net Position	
Current Liabilities - compensated absences	$ 536,640
Net Position	
Investment in capital assets	1,042,720
Unrestricted	1,590,775
Total Net Position	2,633,495
Total Liabilities and Net Position	$ 3,170,135

See accompanying notes to basic financial statements.

Exhibit D-2

City of Soldotna, Alaska

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016	Governmental Activities - Internal Service Funds
Operating Revenues - charges for services	$ 735,201
Operating Expenses	
Wages and benefits	550,765
Depreciation	182,911
Total Operating Expenses	733,676
Operating income	1,525
Nonoperating Revenues	
Investment earnings	20,870
Gain on disposal of capital assets	9,858
Total Nonoperating Revenues	30,728
Change in net position	32,253
Beginning net position	2,601,242
Ending net position	$ 2,633,495

See accompanying notes to basic financial statements.

Exhibit D-3

City of Soldotna, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2016	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities	
Receipts from other funds	$ 735,201
Payments to employees	(500,161)
Net cash flows from operating activities	235,040
Cash Flows for Capital and Related Financing Activities	
Acquisition of capital assets	(119,683)
Proceeds from sale of capital assets	9,858
Net cash flows for capital and related financing activities	(109,825)
Cash Flows from Investing Activities	
Investment earnings	20,870
Net increase in equity in central treasury	146,085
Beginning equity in central treasury	1,981,330
Ending equity in central treasury	$ 2,127,415
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating income	$ 1,525
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	182,911
Increase in compensated absences	50,604
Net Cash Flows from Operating Activities	$ 235,040

See accompanying notes to basic financial statements.

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Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

General

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

Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included in program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

The *Public Utility Special Revenue Fund* accounts for the water, sewer and wastewater treatment plant operations.

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.

Additionally, the City reports the following proprietary funds:

The *Equipment Replacement Internal Service Fund* and the *Compensated Absences Internal Service Fund*. These funds provide services to other departments and funds on a cost reimbursement basis.

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

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

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

Budgets

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

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

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

General Fund supplemental appropriations totaled $829,092 and Public Utility Fund supplemental appropriations totaled $635,000. 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.

Inventory

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

Prepaid Items

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

Short-Term Interfund Receivables/Payables

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

The Compensated Absences Internal Service Fund was established to account for resources accumulated to provide for compensated absences for the City's governmental activities. During the year ended June 30, 2016, $550,765 was earned and $500,161 was used, leaving a balance in compensated absences of $536,640 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 resolutions or ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Property Taxes

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

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

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, 2016:

Bank deposits	$ 452,933
Investments	24,428,496
Total Equity in Central Treasury	$ 24,881,429

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

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

The City's general investment policy authorizes investment in:

(1) obligations 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;

(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-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, 2016, 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 Index	30%	20-40%	29.67%
UST Inflation protected securities	Barclays U.S. TIPS 0-5 Year Index	10	5-15	10.10
International fixed-income	Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index	5	0-10	2.61
Large-cap domestic equity	Standard & Poor's 500 Index	22	15-30	21.51
Mid-cap domestic equity	Standard & Poor's 400 Mid-Cap Index	10	5-15	10.12
Small-cap domestic equity	Standard & Poor's 600 Small-Cap Index	3	0-10	3.05
International equity	Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index	10	5-15	11.29
International emerging markets	Morgan Stanley Capital International Emerging Markets Index	5	0-10	5.02
Real-estate equities	Standard & Poor's US REIT Index	5	0-10	5.67
				99.04 *

* The remaining investments in the Long-Term account (0.96%) are held in money market funds.

Performance measurement of the Medium-Term Account will be measured against the Barclays 1-5 year Government 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.

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, 2016, 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	$ 13,824,774	$ 1,351,215	$ 3,626,111	$ 8,144,687	$ 702,761
U.S Agencies	502,290	-	502,290	-	-
U.S. Tips	977,230	-	-	977,230	-
Corporate bonds	353,651	-	-	50,887	302,764
Total Investments Subject to Interest Rate Risk	15,657,945	$ 1,351,215	$ 4,128,401	$ 9,172,804	$ 1,005,525
Money market accounts	163,855				
AMLIP	3,127,811				
U.S. large-cap equity securities	2,082,182				
U.S. mid-cap equity securities	982,239				
U.S. small-cap equity securities	293,430				
International equities	1,088,204				
International emerging markets equities	485,293				
Real-estate equities	547,537				
Total Investments	$ 24,428,496				

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, 2016, approximately 35% of investments subject to interest rate risk have maturities of less than one to two years, 59% 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, 2016, all the City's investments in U.S. government agencies were rated AA+ and corporate bonds were rated investment grade 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, 2016, the City had investments in international equity funds totaling $1,573,497 with exposure to various underlying currencies.

Fair Value Measurement
The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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The City has the following recurring fair value measurements as of June 30, 2016:

	Investments Measured at Fair Value			
		Fair Value Measurement Using		
Investments by fair value level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	$ 13,824,774	$ 13,824,774	$ -	$ -
U.S. Agencies	502,290	-	502,290	-
U.S. Tips	977,230	977,230	-	-
Corporate bonds	353,651	252,043	101,608	-
U.S. large-cap equity securities	2,082,182	2,082,182	-	-
U.S. mid-cap equity securities	982,239	982,239	-	-
U.S. small-cap equity securities	293,430	293,430	-	-
International equities	1,088,204	1,088,204	-	-
International emerging markets equities	485,293	485,293	-	-
Real-estate securities	547,537	547,537	-	-
Total investments at fair value level	$ 21,136,830	$ 20,532,932	$ 603,898	$ -

U.S. Treasuries, U.S. TIPS, corporate bonds, equity securities and real-estate securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. U.S. Agencies and corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

The City has investments in money market funds and pooled investments totaling $3,291,666 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2016.

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, 2016, for the City's individual major funds and the nonmajor governmental funds in the aggregate, are as follows:

	General Fund	Public Utility Fund	Airport Improvements Capital Project Fund	Non-major Funds	Total Govern-mental Funds
Taxes	$ 1,406,807	$ -	$ -	$ -	$ 1,406,807
Intergovernmental	92,028	-	860,948	161,452	1,114,428
Customers and other	24,953	173,785	-	53,849	252,587
Special assessments	-	-	-	91,247	91,247
Total Receivables	$ 1,523,788	$ 173,785	$ 860,948	$ 306,548	$ 2,865,069

4. Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance, June 30, 2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 6,836,329	$ -	$ 124,419	$ 6,711,910
Construction in progress	12,454,966	565,211	2,015,629	11,004,548
Total assets not being depreciated	19,291,295	565,211	2,140,048	17,716,458
Capital assets being depreciated:				
Buildings	28,391,288	1,050,252	-	29,441,540
Improvements other than buildings	58,798,056	4,166,513	-	62,964,569
Machinery and equipment	6,058,845	607,933	55,525	6,611,253 *
Infrastructure	31,468,505	1,277,504	-	32,746,009
Total assets being depreciated	124,716,694	7,102,202	55,525	131,763,371
Less accumulated depreciation for:				
Buildings	19,848,291	1,064,134	-	20,912,425
Improvements other than buildings	25,000,952	1,959,625	-	26,960,577
Machinery and equipment	4,392,477	332,457	55,525	4,669,409 *
Infrastructure	10,268,270	467,272	-	10,735,542
Total accumulated depreciation	59,509,990	3,823,488	55,525	63,277,953
Total capital assets being depreciated, net	65,206,704	3,278,714	-	68,485,418
Governmental Activities Capital Assets, Net	$ 84,497,999	$ 3,843,925	$ 2,140,048	$ 86,201,876

* The ending balances include $4,421,998 and $3,379,278 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, 2016:

Governmental Activities	Depreciation Excluding Internal Service Funds	Internal Service Funds Allocation	Total Depreciation
General government	$ 186,908	$ -	$ 186,908
Public safety	85,195	53,274	138,469
Public works	475,604	117,937	593,541
Parks, recreation and culture	494,663	7,600	502,263
Public utilities	1,516,631	4,100	1,520,731
Airport	881,576	-	881,576
Total Depreciation Expense	$ 3,640,577	$ 182,911	$ 3,823,488

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, 2016 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 729,412	$ -
Airport Improvements Capital Project Fund	-	729,243
State Grants Capital Project Fund	-	169
	$ 729,412	$ 729,412

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, 2016 are as follows:

	Transfers Out	Transfers In				
		General Fund	Public Utility Fund	Airport Improvements Fund	Nonmajor Funds	Total
General Fund	$ 1,578,779	$ -	$ -	$ -	$ 1,578,779	$ 1,578,779
Public Utility	635,000	-	-	-	635,000	635,000
Airport Improvements	4,745	4,745	-	-	-	4,745
Nonmajor Funds	358,797	250,906	78,751	29,140	-	358,797
Total	$ 2,577,321	$ 255,651	$ 78,751	$ 29,140	$ 2,213,779	$ 2,577,321

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 $828,779 for the year ended June 30, 2016.

For the year ended June 30, 2016, the City made the following nonroutine transfers:

A transfer from the General Fund to the Small Capital Projects Fund in the amount of $750,000 to finance the construction of several small capital projects.

A transfer from the Public Utility Fund to the Utility System Capital Improvements Fund in the amount of $500,000 to finance maintenance of the Karen Street Reservoir.

A transfer from the Public Utility Fund to the Utility System Capital Improvements Fund in the amount of $60,000 to finance expenditures related to the renewal of the City's National Pollutant Discharge Elimination System (NPDES) Permit.

A transfer from the Public Utility Fund to the Utility System Capital Improvements Fund in the amount of $75,000 to finance utility related expenditures on the Wilson Lane Rehabilitation Project.

A transfer from the Airport Fund to the Airport Improvements Fund in the amount of $16,771 to finance the City's match for additional expenditures related to the 2014 Asphalt Rehabilitation and Apron Expansion Project.

A transfer from the Airport Fund to the Airport Improvements Fund in the amount of $12,369 to finance the City's match for the design of the 2016 Airport Asphalt Rehabilitation Project.

A transfer of excess fund balance in the amount of $12,383 from the Soldotna Regional Sports Complex Fund to the General Fund.

A transfer of excess fund balance in the amount of $17,636 from the Small Capital Projects Fund to the General Fund.

A transfer of excess fund balance in the amount of $4,745 from the Airport Improvements Fund to the General Fund.

A transfer of excess fund balance in the amount of $25,792 from the Street Construction Fund to the General Fund.

A transfer of excess fund balance in the amount of $195,095 from the Parks and Recreation Capital Projects Fund to the General Fund.

A transfer of excess fund balance in the amount of $78,751 from the Miscellaneous Capital Projects Fund to the Public Utility Fund.

6. Long-term Debt

General Obligation Bonds

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

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

Bonds currently outstanding are as follows:

Governmental Activities	Interest Rates	Outstanding Balance
Library expansion: $2,435,000, 2010 Series Four Recovery Zone Economic Development Bonds, due in annual principal payments of$110,000 to $165,000 through 2031	3.35%-6.26% (before rebate)	$ 2,010,000

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

Governmental Activities *Fiscal Year*	Principal	Interest	Interest Subsidy	Net Interest
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	120,000	86,311	(38,840)	47,471
2022-2026	655,000	335,237	(150,857)	184,380
2027-2031	775,000	124,338	(55,952)	68,386
Total	$ 2,010,000	$ 941,783	$ (423,802)	$ 517,981

Changes in long-term liabilities for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Reductions	Balance, June 30, 2016	Due Within One Year
Bonds payable - Economic Recovery Zone bonds	$ 2,120,000	$ -	$ 110,000	$ 2,010,000	$ 110,000
Compensated absences	486,036	550,765	500,161	536,640	536,640
Net Pension Liability	4,238,193	1,914,621	-	6,152,814	-
Governmental Activity Long-term Liabilities	$ 6,844,229	$ 2,465,386	$ 610,161	$ 8,699,454	$ 646,640

7. Encumbrances

The City had the following amounts reported as outstanding encumbrances at June 30, 2016:

General Fund	Public Utility Fund	Airport Improvements Fund	Nonmajor Funds	Total Encumbrances
$ 108,950	$ 2,023	$ 337,716	$ 558,869	$ 1,007,558

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	Public Utility Fund	Airport Improvements Fund	Non-major Funds	Total
Nonspendable:					
Inventories	$ 39,802	$ 179,960	$ -	$ 5,480	$ 225,242
Prepaid items	21,429	-	-	-	21,429
Endowment principal	50,000	-	-	1,619,000	1,669,000
Total nonspendable	111,231	179,960	-	1,624,480	1,915,672
Restricted-					
Endowment earnings	1,692	-	-	43,697	45,389
Committed:					
PERS unfunded liability	1,250,000	-	-	-	1,250,000
Unexpected events	5,000,000	-	-	-	5,000,000
Non-recurring revenue	302,958	-	-	-	302,958
Street improvements	-	-	-	452,941	452,941
Total committed	6,552,958	-	-	452,941	7,005,899
Assigned:					
General government operations	3,627	-	-	-	3,627
Public works operations	105,323	-	-	-	105,323
Parks, recreation & culture operations	-	-	-	119,052	119,052
Utility operations	-	1,559,930	-	-	1,559,930
Airport operations	-	-	-	339,093	339,093
Capital projects	-	-	25,211	2,977,248	3,002,459
Self-insurance	1,000,000	-	-	-	1,000,000
Subsequent year expenditures	1,686,021	-	-	-	1,686,021
Total assigned	2,794,971	1,559,930	25,211	3,435,393	7,815,505
Unassigned	8,233,403	-	-	-	8,233,403
Total Fund Balances	$ 17,694,255	$ 1,739,890	$ 25,211	$ 5,556,511	$ 25,015,867

9. Defined Benefit (DB) 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 notes.

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

The City recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.
It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary 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. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 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 in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to "normal" levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB rate disregards all future Medicare Part D payments. For FY16, the Rate uses an 8% pension discount rate and a 4.55% 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, 2016 were determined in the June 30, 2013 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63	37.79%
Postemployment healthcare (See note 11)	8.75%	10.81%	1.56	58.73%
Total Contribution Rates	22.00%	27.19%	5.19	96.52%

In 2016, the City was credited with the following contributions into the pension plan.

	Measurement Period City FY15	City FY16
Employer contributions (including DBUL)	$ 385,444	$ 423,512
Nonemployer contributions (on-behalf)	1,834,226	172,076
Total Contributions	$ 2,219,670	$ 595,588

In addition, employee contributions to the Plan totaled $134,182 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, 2016, 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:

	2016
City proportionate share of NPL	$ 6,152,814
State's proportionate share of NPL associated with the City	1,649,593
Total Net Pension Liability	$ 7,802,407

The net pension liability was measured as of June 30, 2015, 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, 2016, the City's proportion was 0.12686 percent, which was an increase of .03599 from its proportion measured as of the prior measurement date.

For the year ended June 30, 2016, the City recognized pension expense of $1,581,314 and on-behalf revenue of $227,804 for support provided by the State. At June 30, 2016, 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	$ 7,172	$ -
Changes in assumptions	359,761	-
Net difference between projected and actual earnings on pension plan investments	-	108,930
Changes in proportion and differences between City contributions and proportionate share of contributions	418,583	-
City contributions subsequent to the measurement date	423,512	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	$ 1,209,028	$ 108,930

The $423,512 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	$ 648,772
2018	(3,172)
2019	(69,959)
2020	100,945

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Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2015 (City fiscal year 2016) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial assumptions used in the June 30, 2014 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively. Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% All others - graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

The long-term expected rate of return on 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:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.35%
International equity	5.55%
Private equity	6.25%
Fixed income	0.80%
Real estate	3.65%
Absolute return	4.70%

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 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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 8,179,646	$ 6,152,814	$ 4,446,432

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.

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, 2016, 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, 2016 were $117,256 and $187,609, respectively. The City contribution amount was recognized as pension expense/expenditures.

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 8.75% 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 to the OPEB Plan; however, on-behalf contributions to the OPEB in 2016 and 2014 were $73,689 and $240,990, respectively.

Year Ended June 30,	Annual OPEB Costs	City Contributions	% of Costs Contributed
2016	$ 279,102	$ 279,102	100%
2015	$ 290,786	$ 290,786	100%
2014	$ 332,866	$ 332,866	100%

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 for the year ended June 30, 2016 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.68%	1.68%
Occupational death and disability benefits	.22%	1.05%
Total Contribution Rates	1.90%	2.73%

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, 2015, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,005 per year for each full-time employee, and $1.28 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2016, the City contributed $117,836 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.

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 in the Statement of 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, 2016 was $2,996,277. 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

Change from a First Class General Law City to a Home Rule City and the Effect on Sales Tax:
On October 4, 2016, City of Soldotna voters ratified Proposition No. 16-02, which adopted a municipal charter and changed the City of Soldotna from a first class general law city to a home rule city. On October 26, 2016, the Soldotna City Council enacted Ordinance 2016-029 which reinstated provisions to allow the City to collect sales tax on nonprepared food items year round. (In 2015, the passage of Proposition No. 1 required general law cities to exempt the sales of nonprepared foods from sales tax from September 1 through May 31 each year.) Ordinance 2016-029 will go into effect December 1, 2016.

Elimination of the Parks & Recreation Special Revenue Fund:
Effective July 1, 2016, Ordinance 2016-006 became effective, which eliminated the Parks and Recreation Special Revenue Fund and began accounting for the Parks and Recreation operations in the General Fund.

Re-classification of the Trust Fund from a Permanent Fund to a Fiduciary Fund:
Effective July 1, 2016, the Trust Fund was re-classified from a Permanent Fund to a Fiduciary Fund. Recent changes, including changes to the Trust Fund investment policy, the passage of Resolution 2016-032 by the City Council which elected to have the Trust Fund governed by AS 13.38.440 - 490, and the Scholarship Committee now being independent of the City of Soldotna; coupled with the fact that the purpose of the Trust is to benefit private individuals rather than the City of Soldotna, has resulted in the reclassification of this Private-Purpose Trust.

Authorization of a Long-Term Interfund Loan from the General Fund to the Airport Fund:
Resolution 2016-041 was adopted on October 12, 2016, which authorized a long-term loan in the amount of $250,000 from the General Fund to the Airport Fund in order to help finance the City's match for a Federal Aviation Administration (FAA) grant funded Airport project.

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 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.

GASB 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* - Effective for year-end December 31, 2016 - This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees through a cost-sharing multiple-employer defined benefit pension plan that is (1) not a state or local government pension plan,(2) used to provide defined benefit pensions to employees of both government and non-government employers, and (3) has no predominant state or local government employer, either individually or collectively with other governmental employers providing pensions in the plan.

GASB 79 - *Certain External Investment Pools and Pool Participants* - Effective for year-end December 31, 2016 - This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB 81 - *Irrevocable Split-Interest Agreements* - Effective for year-end December 31, 2017, with earlier application encouraged - This statement establishes recording and recognition criteria for Governments who receive resources pursuant to an irrevocable split-interest agreement.

GASB 82 - *Pension-Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* - Effective for year-end December 31, 2017, with earlier application encouraged - This statement further amends prior pension reporting to redefine "covered payroll" for required supplementary information, clarifies deviations from Actuarial standards, and clarifies the classification of employer-paid member contributions.

Required Supplementary Information

City of Soldotna, Alaska

Public Employees Retirement System (PERS)
Schedule of the City's Information on the Net Pension Liability

Year Ended June 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.09087%	$ 4,238,193	$ 3,818,637	$ 8,056,830	$ 3,810,242	111.23%	62.37%
2016	0.12686%	$ 6,152,814	$ 1,649,593	$ 7,802,407	$ 3,985,800	154.37%	63.96%

See accompanying notes to Required Supplementary Information.

City of Soldotna, Alaska

Public Employees Retirement System (PERS)
Schedule of the City's Contributions

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 385,444	$ 385,444	$ -	$ 3,985,800	9.67%
2016	$ 423,512	$ 423,512	$ -	$ 4,261,925	9.94%

See accompanying notes to Required Supplementary Information.

1. Schedule of the City's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2016, the Plan measurement date is June 30, 2015.

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

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

There was a significant change in the allocation methodology. For the measurement period ended June 30, 2014, the liability was allocated to participating employers based on actual contributions for 2014. For the measurement period ended June 30, 2015, the liability is allocated based on projected contributions for fiscal years 2017-2039, as calculated in the June 30, 2014 actuarial valuation.

2. Schedule of the City's Contributions - Public Employees Retirement System

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

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

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Project Funds

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

Cemetery - This fund was established to account for the costs related to the construction/expansion of the 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. Transfers of sales tax receipts and 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 Public Utility Fund user charges, grants, and intergovernmental revenues are the funding sources for these projects.

Soldotna Regional Sports Complex - This fund was established to account 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 these projects.

State Grants - This fund was established to account for expenditures related to road, water and sewer capital improvement projects where State grants are part of the funding source. State grants are the primary funding source for these projects; with transfers of sales tax receipts used as the local match as needed.

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

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

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

Debt Service Fund

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

Permanent Fund

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

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

Exhibit F-1

City of Soldotna, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds			Capital Project Funds			
June 30, 2016	Airport	Parks and Recreation	Street Assessments	Cemetery	Street Construction	Parks & Recreation Capital Projects	Utility System Capital Improvements
Assets							
Equity in central treasury	$ 342,789	$ 128,778	$ 450,729	$ 355,789	$ 10,372	$ 261,102	$ 299,725
Intergovernmental receivable	1,262	-	-	-	-	159,218	-
Other accounts receivable, net	10,582	43,267	91,247	-	-	-	-
Inventories	5,480	-		-	-	-	-
Total Assets	$ 360,113	$ 172,045	$ 541,976	$ 355,789	$ 10,372	$ 420,320	$ 299,725
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts payable	$ 7,209	$ 11,412	$ -	$ -	$ -	$ 32,583	$ 125,017
Unearned revenue	6,223	100	-	-	222	-	-
Due to other funds	-	-	-	-	-	-	-
Other liabilities	2,108	41,481	-	-	-	-	-
Total Liabilities	15,540	52,993	-	-	222	32,583	125,017
Deferred Inflows - special assessments	-	-	89,035	-	-	-	-
Total Liabilities and Deferred Inflows	15,540	52,993	89,035	-	222	32,583	125,017
Fund Balances							
Nonspendable	5,480	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	452,941	-		-	-
Assigned	339,093	119,052	-	355,789	10,150	387,737	174,708
Total Fund Balances	344,573	119,052	452,941	355,789	10,150	387,737	174,708
Total Liabilities, Deferred Inflows, and Fund Balances	$ 360,113	$ 172,045	$ 541,976	$ 355,789	$ 10,372	$ 420,320	$ 299,725

City of Soldotna, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet, continued

	Capital Project Funds, continued					Permanent Fund	Total
June 30, 2016	Soldotna Regional Sports Complex	State Grants	Library Expansion	Miscellaneous Capital Projects	Small Capital Projects	Historical Society and Scholarships	Nonmajor Governmental Funds
Assets							
Equity in central treasury	$ 422,717	$ -	$ 86,753	$ 155,489	$ 1,472,644	$ 1,662,697	$ 5,649,584
Intergovernmental receivable	-	972	-	-	-	-	161,452
Other accounts receivable, net	-	-	-	-	-	-	145,096
Inventories	-	-	-	-	-	-	5,480
Total Assets	$ 422,717	$ 972	$ 86,753	$ 155,489	$ 1,472,644	$ 1,662,697	$ 5,961,612
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts payable	$ 3,118	$ 723	$ -	$ 9,266	$ 76,435	$ -	$ 265,763
Unearned revenue	-	-	-	-	-	-	6,545
Due to other funds	-	169	-	-	-	-	169
Other liabilities	-	-	-	-	-	-	43,589
Total Liabilities	3,118	892	-	9,266	76,435	-	316,066
Deferred Inflows - special assessments	-	-	-	-	-	-	89,035
Total Liabilities and Deferred Inflows	3,118	892	-	9,266	76,435	-	405,101
Fund Balances							
Nonspendable	-	-	-	-	-	1,619,000	1,624,480
Restricted	-	-	-	-	-	43,697	43,697
Committed	-	-	-	-	-	-	452,941
Assigned	419,599	80	86,753	146,223	1,396,209	-	3,435,393
Total Fund Balances	419,599	80	86,753	146,223	1,396,209	1,662,697	5,556,511
Total Liabilities, Deferred Inflows, and Fund Balances	$ 422,717	$ 972	$ 86,753	$ 155,489	$ 1,472,644	$ 1,662,697	$ 5,961,612

Exhibit F-2

City of Soldotna, Alaska

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

	Special Revenue Funds			Capital Project Funds			
Year Ended June 30, 2016	Airport	Parks and Recreation	Street Assessments	Cemetery	Street Construction	Parks & Recreation Capital Projects	Utility System Capital Improvements
Revenues							
Intergovernmental	$ 4,125	$ 26,113	$ -	$ -	$ 115,344	$ 244,927	$ -
Charges for services	170,357	797,246	-	-	-	-	-
Investment earnings	4,758	-	5,862	-	-	-	-
Special assessments	-	-	26,465	-	-	-	-
Miscellaneous	-	-	-	-	2,236	6,351	-
Total Revenues	179,240	823,359	32,327	-	117,580	251,278	-
Expenditures							
Current:							
Parks, recreation and culture	-	1,478,687	-	-	-	-	-
Airport	122,583	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	13,018	948,337	280,864	460,292
Total Expenditures	122,583	1,478,687	-	13,018	948,337	280,864	460,292
Excess of revenues over (under) expenditures	56,657	(655,328)	32,327	(13,018)	(830,757)	(29,586)	(460,292)
Other Financing Sources (Uses)							
Transfers in	-	655,328	-	-	-	-	635,000
Transfers out	(29,140)	-	-	-	(25,792)	(195,095)	-
Net Other Financing Sources (Uses)	(29,140)	655,328	-	-	(25,792)	(195,095)	635,000
Net change in fund balances	27,517	-	32,327	(13,018)	(856,549)	(224,681)	174,708
Beginning fund balances	317,056	119,052	420,614	368,807	866,699	612,418	-
Ending fund balances	$ 344,573	$ 119,052	$ 452,941	$ 355,789	$ 10,150	$ 387,737	$ 174,708

City of Soldotna, Alaska, continued

Nonmajor Governmental Funds

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

	Capital Project Funds, continued					Debt Service Fund	Permanent Fund	Total
Year Ended June 30, 2016	Soldotna Regional Sports Complex	State Grants	Library Expansion	Miscellaneous Capital Projects	Small Capital Projects	2010 Bond Debt Service	Historical Society and Scholarships	Nonmajor Governmental Funds
Revenues								
Intergovernmental	$ -	$ 30,341	$ 3,826	$ 377,005	$ -	$ 45,619	$ -	$ 847,300
Charges for services	-	-	-	-	-	-	-	967,603
Investment earnings	-	-	-	-	-	-	15,181	25,801
Special assessments	-	-	-	-	-	-	-	26,465
Miscellaneous	-	-	-	-	-	-	-	8,587
Total Revenues	-	30,341	3,826	377,005	-	45,619	15,181	1,875,756
Expenditures								
Current:								
Parks, recreation and culture	-	-	-	-	-	-	8,200	1,486,887
Airport	-	-	-	-	-	-	-	122,583
Debt service:				-	-			
Principal	-	-	-	-	-	110,000	-	110,000
Interest	-	-	-	-	-	109,070	-	109,070
Capital outlay	139,022	30,341	8,415	817,957	549,616	-	-	3,247,862
Total Expenditures	139,022	30,341	8,415	817,957	549,616	219,070	8,200	5,076,402
Excess of revenues over (under) expenditures	(139,022)	-	(4,589)	(440,952)	(549,616)	(173,451)	6,981	(3,200,646)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	750,000	173,451	-	2,213,779
Transfers out	(12,383)	-	-	(78,751)	(17,636)	-	-	(358,797)
Net Other Financing Sources (Uses)	(12,383)	-	-	(78,751)	732,364	173,451	-	1,854,982
Net change in fund balances	(151,405)	-	(4,589)	(519,703)	182,748	-	6,981	(1,345,664)
Beginning fund balances	571,004	80	91,342	665,926	1,213,461	-	1,655,716	6,902,175
Ending fund balances	$ 419,599	$ 80	$ 86,753	$ 146,223	$ 1,396,209	$ -	$ 1,662,697	$ 5,556,511

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for services	$ 159,324	$ 170,357	$ 11,033
Intergovernmental revenues:			
State of Alaska:			
State PERS relief	3,680	2,863	(817)
Aviation fuel taxes	1,700	1,262	(438)
Investment earnings	2,400	4,758	2,358
Total Revenues	167,104	179,240	12,136
Expenditures			
Wages and benefits	107,303	77,140	30,163
Services/charges	71,465	41,329	30,136
Supplies	10,240	4,114	6,126
Total Expenditures	189,008	122,583	66,425
Excess of revenues over (under) expenditures	(21,904)	56,657	78,561
Other Financing Uses - transfers out	(29,140)	(29,140)	-
Net change in fund balance	$ (51,044)	27,517	$ 78,561
Beginning fund balance		317,056	
Ending fund balance		$ 344,573	

Exhibit G-2

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for services:			
Ice arena	$ 227,600	$ 240,970	$ 13,370
Campgrounds	382,500	407,746	25,246
Other charges	63,350	47,054	(16,296)
Special events and conference rooms	99,500	84,990	(14,510)
Concessions	19,000	16,486	(2,514)
Intergovernmental - State PERS relief	24,169	26,113	1,944
Total Revenues	816,119	823,359	7,240
Expenditures			
Wages and benefits	953,512	886,384	67,128
Services/charges	520,019	443,901	76,118
Supplies	182,955	148,402	34,553
Total Expenditures	1,656,486	1,478,687	177,799
Excess of revenues over (under) expenditures	(840,367)	(655,328)	185,039
Other Financing Sources - transfers in	832,237	655,328	(176,909)
Net change in fund balance	$ (8,130)	-	$ 8,130
Beginning fund balance		119,052	
Ending fund balance		$ 119,052	

Exhibit G-3

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Final Budget	Actual	Variance with Final Budget
Revenues			
Investment earnings	$ 2,000	$ 5,862	$ 3,862
Special assessments:			
Principal	17,000	19,985	2,985
Interest and penalty	9,800	6,480	(3,320)
Total Revenues	28,800	32,327	3,527
Net change in fund balance	$ 28,800	32,327	$ 3,527
Beginning fund balance		420,614	
Ending fund balance		$ 452,941	

Exhibit H-1

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Final Budget	Actual	Variance with Final Budget
Revenues - intergovernmental	$ 45,499	$ 45,619	$ 120
Expenditures			
Principal	110,000	110,000	-
Interest	109,070	109,070	-
Total Expenditures	219,070	219,070	-
Excess of revenues over (under) expenditures	(173,571)	(173,451)	120
Other Financing Sources - transfers in	173,571	173,451	(120)
Net change in fund balance	$ -	-	$ -
Beginning fund balance		-	
Ending fund balance		$ -	

Exhibit I-1

City of Soldotna, Alaska

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

Year Ended June 30, 2016	Final Budget	Actual	Variance with Final Budget
Revenues - investment earnings	$ 8,250	$ 15,181	$ 6,931
Expenditures			
Scholarships	7,000	7,000	-
Historical Society	1,200	1,200	-
Total Expenditures	8,200	8,200	-
Net change in fund balance	$ 50	6,981	$ 6,931
Beginning fund balance		1,655,716	
Ending fund balance		$ 1,662,697	

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Internal Service Funds

Exhibit J-1

City of Soldotna, Alaska

Internal Service Funds
Combining Statement of Net Position

June 30, 2016	Equipment Replacement	Compensated Absences	Total Internal Service Funds
Assets			
Current Assets - equity in central treasury	$ 1,590,775	$ 536,640	$ 2,127,415
Capital Assets			
Equipment	4,421,998	-	4,421,998
Accumulated depreciation	(3,379,278)	-	(3,379,278)
Total Capital Assets Net of Accumulated Depreciation	1,042,720	-	1,042,720
Total Assets	$ 2,633,495	$ 536,640	$ 3,170,135
Liabilities and Net Position			
Current Liabilities - compensated absences	$ -	$ 536,640	$ 536,640
Net Position			
Investment in capital assets	1,042,720	-	1,042,720
Unrestricted	1,590,775	-	1,590,775
Total Net Position	2,633,495	-	2,633,495
Total Liabilities and Net Position	$ 2,633,495	$ 536,640	$ 3,170,135

Exhibit J-2

City of Soldotna, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016	Equipment Replacement	Compensated Absences	Total Internal Service Funds
Operating Revenues - charges for services	$ 184,436	$ 550,765	$ 735,201
Operating Expenses			
Wages and benefits	-	550,765	550,765
Depreciation	182,911	-	182,911
Total Operating Expenses	182,911	550,765	733,676
Operating income	1,525	-	1,525
Nonoperating Revenues			
Investment earnings	20,870	-	20,870
Gain on disposal of capital assets	9,858	-	9,858
Total Nonoperating Revenues	30,728	-	30,728
Change in net position	32,253	-	32,253
Beginning net position	2,601,242	-	2,601,242
Ending net position	$ 2,633,495	$ -	$ 2,633,495

Exhibit J-3

City of Soldotna, Alaska

Internal Service Funds
Combining Statement of Cash Flows

Year Ended June 30, 2016	Equipment Replacement	Compensated Absences	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from other funds	$ 184,436	$ 550,765	$ 735,201
Payments to employees	-	(500,161)	(500,161)
Net cash flows from operating activities	184,436	50,604	235,040
Cash Flows for Capital and Related Financing Activities			
Acquisition of capital assets	(119,683)	-	(119,683)
Proceeds from sale of capital assets	9,858	-	9,858
Net cash flows for capital and related financing activities	(109,825)	-	(109,825)
Cash Flows from Investing Activities			
Investments earnings	20,870	-	20,870
Net increase in equity in central treasury	95,481	50,604	146,085
Beginning equity in central treasury	1,495,294	486,036	1,981,330
Ending equity in central treasury	$ 1,590,775	$ 536,640	$ 2,127,415
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:			
Operating income	$ 1,525	$ -	$ 1,525
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	182,911	-	182,911
Increase in compensated absences	-	50,604	50,604
Net Cash Flows from Operating Activities	$ 184,436	$ 50,604	$ 235,040

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Federal & State Schedules

City of Soldotna, Alaska

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend-itures
Institute of Museum and Library Services				
Passed through State of Alaska Department of Education and Early Development:				
Continuing Education Grant	CED-16-773-01	45.310	$ 1,500	$ 1,500
Continuing Education Grant	CED-16-773-02	45.310	1,500	1,500
Total Institute of Museum and Library Services				3,000
Environmental Protection Agency				
Water, Sewer & Storm Drain Master Plan & Equipment Purchase	00J66801	66.202	484,000	372,443
Department of Justice				
Bulletproof Vest Partnership Program	2013BUBX13068676	16.607	1,132	384
Bulletproof Vest Partnership Program	2014BUBX14074666	16.607	3,829	3,060
Total CFDA 16.607				3,444
C.O.P.S. Hiring Program	2010UMWX0002	16.710	274,372	43,366
Total Department of Justice				46,810
Department of Transportation				
Rehabilitate and Expand Apron - Phase III	3-02-0274-013-2014	20.106	3,250,000	2,571,155
Master Plan Study - Phase I	3-02-0274-012-2014	20.106	468,750	260,186
Total Department of Transportation				2,831,341
Department of the Interior				
Swiftwater Park Riparian Protection & Restoration - Phase I	F14AC01242	15.631	25,000	5,138
Total Expenditures of Federal Awards				$ 3,258,732

Exhibit K-2

City of Soldotna, Alaska

Schedule of State Financial Assistance

Year Ended June 30, 2016

	Name of Award	Grant Number	Total Grant Award	State Share of Expend-itures
	Department of Education and Early Development			
	Library Assistance	PLA-16-773-01	$ 6,650	$ 6,650
	Department of Commerce, Community and Economic Development			
*	Revenue Sharing	2016	286,727	286,727
	Joyce K Carver Library Expansion	12-DC-446	3,400,000	3,826
*	West Redoubt Sidewalk & Illumination	15-DC-150	130,000	115,344
*	Centennial Park Trail Development	13-DC-356	400,000	239,790
	City Sidewalk, Street & Utility Improvements	15-DC-148	24,000	8,285
	Redoubt Avenue Street Improvements	12-DC-428	2,079,000	3,242
	Construction of Water Tank & Associated Costs	14-RR-051	564,229	4,562
	City Sidewalk, Street & Utility Improvements	15-RR-039	427,730	18,814
	Total Department of Commerce, Community and Economic Development			680,590
	Department of Transportation and Public Facilities			
*	Rehabilitate and Expand Apron - Phase III	59260	108,333	85,705
	Airport Master Plan Study - Phase I	59172	15,625	8,673
	Total Department of Transportation and Public Facilities			94,378
	Department of Revenue			
	Liquor Licenses	2016	12,500	12,500
	Aviation Fuel Tax	2016	1,262	1,262
	Raw Fish Tax	2016	5,632	5,632
	Electric & Telephone Cooperative Refund	2016	26,151	26,151
	Total Department of Revenue			45,545
	Department of Administration			
*	PERS Funding	2016	245,765	245,765
	Department of Public Safety			
	SART Exam Funding	2016	2,065	2,065
	Total State Financial Assistance			$ 1,074,993

* Denotes major program

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position or cash flows of City of Soldotna.

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, 2016. 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 position 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 on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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Statistical Section

Statistical Section

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

Contents

Financial Trends

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

		Page
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Table 5	Changes in Fund Balances of Governmental Funds	86
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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.

Table 7	Taxable Sales by Category	88
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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.

Table 12	Demographic and Economic Statistics	93

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.

Table 1

City of Soldotna, Alaska

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

June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	$ 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	$ 84,191,876
Restricted	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	1,714,389
Unrestricted	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	19,905,098
Total Governmental Activities Net Position	$ 78,161,116	$ 87,124,022	$ 94,537,470	$ 99,203,460	$ 101,693,348	$ 103,773,767	$ 106,667,763	$ 108,315,262	$ 106,369,008	$ 105,811,363

Table 2

City of Soldotna, Alaska

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

Year Ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	$ 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	$ 2,209,787
Public safety	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	2,790,738
Public works	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	3,761,788
Parks, recreation and culture	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	2,937,289
Utilities	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	2,665,903
Airport	240,134	242,044	224,872	561,740	577,108	588,881	665,178	555,300	811,092	1,293,181
Interest on long-term debt	-	-	-	-	66,517	74,315	115,833	114,050	151,725	107,750
Total Governmental Expenses	$ 9,691,353	$ 10,668,119	$ 10,998,069	$ 11,524,240	$ 11,261,824	$ 12,002,049	$ 13,333,397	$ 16,254,800	$ 17,786,522	$ 15,766,436
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ -	$ 32,400	$ 32,400	$ 46,000	$ -	$ -	$ -	$ -	$ -	-
Public safety	189,962	197,156	107,860	65,777	88,675	80,559	80,626	66,189	94,387	100,942
Public works	3,916	-	275,756	105,835	78,986	154,209	109,962	163,956	408,191	87,986
Parks, recreation and culture	659,354	702,605	751,356	792,545	703,277	727,893	763,625	800,263	812,187	816,293
Utilities	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	1,695,740
Airport	117,359	58,009	85,303	89,839	102,374	140,289	141,425	155,264	187,359	170,357
Operating grants and contributions	105,633	1,435,285	98,032	167,062	226,746	436,275	580,058	729,756	381,793	347,924
Capital grants and contributions	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	3,697,162
Total Governmental Program Revenues	$ 6,608,958	$ 8,828,825	$ 8,346,819	$ 6,643,922	$ 4,911,181	$ 5,201,993	$ 7,717,664	$ 9,361,094	$ 11,450,066	$ 6,916,404
Net (Expense)/Revenue										
Governmental activities	$ (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)	$ (8,850,032)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 664,965	$ 729,791	$ 806,256	$ 839,899	$ 893,361	$ 572,196	$ 343,063	$ 267,742	$ 279,183	$ 287,747
Sales taxes	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	6,922,933
Grants not restricted	406,010	1,762,503	753,501	652,504	536,598	454,658	473,131	347,232	495,312	389,535
Investment earnings (losses)	830,458	833,168	502,296	542,883	308,813	210,791	20,790	131,247	(78,652)	384,158
Sale of capital assets	-	-	-	20,128	-	8,178	3,134	-	34,142	256,249
Other	53,199	29,714	59,004	77,110	68,246	112,005	29,075	69,513	51,467	51,765
Total governmental activities	$ 8,879,006	$ 10,802,200	$ 9,825,056	$ 9,369,262	$ 8,840,531	$ 8,880,476	$ 8,509,729	$ 8,541,205	$ 8,423,209	$ 8,292,387
Changes in Net Position										
Governmental activities	$ 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	$ (557,645)

Table 3

City of Soldotna, Alaska

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

Fiscal Year	Property Tax	Sales Tax	Total
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
2016	287,747	6,922,933	7,210,680

Table 4

City of Soldotna, Alaska

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

June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	$ 102,316	$ 88,813	$ 153,511	$ 187,028	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	5,529,650	10,183,618	15,332,863	17,807,162	-	-	-	-	-	-
Nonspendable	-	-	-	-	50,877	92,573	114,328	98,154	94,478	111,231
Restricted	-	-	-	-	50,564	50,896	930	1,167	1,010	1,692
Committed	-	-	-	-	1,250,000	1,250,000	1,250,000	1,250,000	6,250,000	6,552,958
Assigned	-	-	-	-	1,352,283	1,118,259	1,841,479	1,277,044	1,052,215	2,794,971
Unassigned	-	-	-	-	16,455,565	17,688,344	17,670,731	16,251,877	10,262,704	8,233,403
Total General Fund	$ 5,631,966	$ 10,272,431	$ 15,486,374	$ 17,994,190	$ 19,159,289	$ 20,200,072	$ 20,877,468	$ 18,878,242	$ 17,660,407	$ 17,694,255
All other governmental funds:										
Reserved	$ 1,334,808	$ 2,745,302	$ 3,603,469	$ 2,821,628	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	3,798,888	3,839,208	4,082,259	4,300,609	-	-	-	-	-	-
Capital project funds	6,523,108	6,181,080	1,963,838	2,433,489	-	-	-	-	-	-
Permanent fund	57,035	-	-	-	-	-	-	-	-	-
Debt service fund	7,167	-	-	-	-	-	-	-	-	-
Nonspendable:										
Special revenue funds	-	-	-	-	39,844	55,080	142,748	148,788	173,899	185,440
Permanent fund	-	-	-	-	1,619,000	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	43,697
Committed -										
Special revenue funds	-	-	-	-	1,061,534	1,092,111	1,113,322	229,269	420,614	452,941
Assigned:										
Special revenue funds	-	-	-	-	3,733,709	3,536,563	2,948,298	1,663,805	2,137,853	2,018,075
Capital project funds	-	-	-	-	3,441,494	3,882,461	4,312,920	4,767,148	4,484,931	3,002,459
Total All Other Governmental Funds	$ 11,721,006	$ 12,765,590	$ 9,649,566	$ 9,555,726	$ 12,104,740	$ 12,152,096	$ 10,194,957	$ 8,478,007	$ 8,873,013	$ 7,321,612

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

Table 5

City of Soldotna, Alaska

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

Year Ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	$ 662,313	$ 728,025	$ 803,576	$ 833,469	$ 872,696	$ 602,405	$ 347,121	$ 268,057	$ 279,920	$ 287,379
Sales taxes	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	6,922,933
Intergovernmental	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	4,379,343
Charges for services	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	2,754,867
Investment earnings (losses)	754,913	771,740	473,320	515,650	294,503	201,287	19,668	123,985	(74,092)	363,288
Special assessments	41,708	16,037	82,250	85,623	40,877	23,536	27,465	14,922	178,122	26,465
Other revenues	72,884	1,617,361	138,982	203,642	126,279	175,165	127,018	714,791	159,287	161,736
Total revenues	12,791,493	17,353,556	16,520,987	15,635,880	13,253,623	14,114,186	16,251,484	17,908,384	21,261,931	14,896,011
Expenditures										
General government	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	1,962,186
Public safety	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	2,339,034
Public works	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	2,383,142
Parks, recreation and culture	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	2,114,470
Public utilities	845,892	949,815	994,618	1,041,336	1,153,420	1,204,891	1,253,563	1,384,247	1,463,087	1,319,774
Airport	87,294	92,595	82,634	134,434	119,855	129,922	134,258	133,696	114,840	122,583
Capital outlay	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	6,267,959
Debt service:										
Principal	-	-	-	-	-	65,000	105,000	105,000	105,000	110,000
Interest	-	-	-	-	-	134,351	115,916	114,162	111,905	109,070
Total expenditures	10,635,611	11,668,507	14,423,068	13,221,904	12,040,094	13,025,947	17,531,227	21,624,560	22,114,760	16,728,218
Other financing sources (uses)										
Transfers in	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	2,577,321
Transfers out	(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)	(2,577,321)
Proceeds from debt issuance	-	-	-	-	2,500,000	-	-	-	-	-
Proceeds from bond premium	-	-	-	-	584	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	30,000	314,654
Total other financing sources (uses)	8,363	-	-	-	2,500,584	-	-	-	30,000	314,654
Net Change in Fund Balances	$ 2,164,245	$ 5,685,049	$ 2,097,919	$ 2,413,976	$ 3,714,113	$ 1,088,239	$ (1,279,743)	$ (3,716,176)	$ (822,829)	$ (1,517,553)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	2.08%	2.03%	1.59%	1.31%	1.96%

Table 6

City of Soldotna, Alaska

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

Fiscal Year	Property Tax	Sales Tax	Total
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
2016	287,379	6,922,933	7,210,312

Table 7

City of Soldotna, Alaska

Taxable Sales by Category
Current Year and Nine Years Ago

Year Ended June 30,	2007	2016
Administrative, waste management	$ 1,156,891	$ 1,307,460
Agriculture, forestry, fishing & hunting	39,170	-
Arts and entertainment	1,374,783	1,705,881
Construction contracting	931,917	1,275,510
Educational services	187,539	639,397
Finance and insurance	295,287	222,270
Guiding	-	202,817
Health care and social assistance	158,253	1,431,279
Hotel/motel/B&B	24,415,614	4,926,245
Information	9,699,181	7,983,898
Manufacturing	3,329,155	1,669,300
Mining/quarrying	6,326	-
Other	-	234,551
Professional, scientific and technical services	3,695,916	4,057,481
Public administration	1,033,214	1,417,246
Rental property	6,997,146	7,961,094
Restaurant/bar	-	26,770,102
Retail trade	166,046,904	149,057,885
Services	6,961,411	6,925,333
Telecommunications	-	3,867,169
Transportation and warehousing	919,924	-
Utilities	4,717,884	6,792,874
Wholesale trade	2,157,672	472,417
Total	$ 234,124,187	$ 228,920,209
City direct sales tax rate	3%	3%

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 2007.

Table 8

City of Soldotna, Alaska

Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Kenai Peninsula Borough
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
2016	3.00	3.00

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

Table 9

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 **
2007	$ -	0.00%	0.00%	$ -
2008	-	0.00%	0.00%	-
2009	-	0.00%	0.00%	-
2010	-	0.00%	0.00%	-
2011	2,500,000	1.41%	0.50%	600.53
2012	2,435,000	1.26%	0.50%	568.39
2013	2,330,000	1.13%	0.48%	541.99
2014	2,225,000	1.08%	0.46%	517.56
2015	2,120,000	0.97%	0.41%	491.77
2016	2,010,000	0.92%	0.38%	465.39

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.

Table 10

City of Soldotna, Alaska

Computation of Direct and Overlapping Debt
As of June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	City of Soldotna's Share of Debt
Direct Debt - City of Soldotna	$ 2,010,000	100.00%	$ 2,010,000
Overlapping Debt:			
Kenai Peninsula Borough	43,230,000	7.20%	3,113,251
Central Peninsula Hospital	58,035,000	10.50%	6,093,948
Total Overlapping Debt	101,265,000		9,207,199
Total Direct and Overlapping	$ 103,275,000		$ 11,217,199

Source: City of Soldotna and the Kenai Peninsula Borough.

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

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

Table 11

City of Soldotna, Alaska

Legal Debt Margin Information

Alaska State Law / Soldotna Municipal Code

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

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

Revenue anticipation notes, but all debt so contracted shall be paid before the end of the next fiscal year.

Revenue bonds for a public enterprise or public corporation of the municipality where the only security is the revenue of the public enterprise or corporation.

Bond anticipation notes in anticipation of the sale of general obligation and revenue bonds not to exceed the total amount of bonds authorized to be issued if 1) the general obligation bonds to be sold have been authorized by ordinance and ratified by a majority vote at an election; and 2) the revenue bonds to be sold have been authorized by ordinance.

Refunding bonds for general obligation bonds or revenue bonds to take up and refund all or part of outstanding bonds at or before their maturity or redemption date. However, when general obligation bonds are used to refund a revenue bond issue, voter approval is required.

Table 12

City of Soldotna, Alaska

Demographic and Economic Statistics
Last Ten Fiscal Years

	City of Soldotna	Kenai Peninsula Borough**					
Fiscal Year	Population (1)	Population (2)	Personal Income (amount expressed in thousands) (3)	Per Capita Personal Income	Median Age (4)	Unemployment Rate (5)
2007	3,807	52,025	$ 1,865,661	$ 35,861	40	8.1%
2008	3,982	52,904	2,033,877	38,445	40	7.6%
2009	3,926	53,669	2,258,373	42,080	40	7.8%
2010	4,021	54,632	2,260,936	41,385	40	9.8%
2011	4,163	55,400	2,364,609	42,682	41	10.0%
2012	4,284	56,610	2,555,812	45,148	41	9.5%
2013	4,299	56,672	2,718,665	47,972	41	8.6%
2014	4,284	56,862	2,739,895	48,185	41	8.0%
2015	4,311	57,415	2,917,537	50,815	41	7.8%
2016	4,319	57,763	2,917,537 *	50,509	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.

Table 13

City of Soldotna, Alaska

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

June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	11.91	10.95	9.08	9.72	8.61	9.33	8.55	8.40	9.05	9.31
Public safety	17.00	16.65	17.29	16.44	16.57	15.84	16.67	16.60	16.17	17.57
Public works	12.38	13.19	14.65	15.39	15.86	15.16	16.01	16.70	17.13	17.11
Parks, recreation and culture	16.96	18.22	17.76	16.75	17.19	17.45	16.61	19.40	20.61	21.18
Utilities	4.97	5.07	5.21	5.15	5.61	5.03	4.91	5.20	5.25	5.21
Total	63.22	64.08	63.99	63.45	63.84	62.81	62.75	66.30	68.21	70.38

Source: City of Soldotna Finance Department.

Table 14

City of Soldotna, Alaska

Operating Indicators by Function/Program
Last Ten Fiscal Years

June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Police:										
Arrests	887	854	773	696	692	507	626	623	482	469
Parking/non-moving violations	42	39	39	13	32	33	9	6	-	- **
Traffic violations	2,801	2,500	2,622	1,815	1,898	1,551	1,030	1,081	1,244	1,267
Requests for service	4,455	3,490	3,184	3,613	4,012	4,223	4,187	4,432	4,236	4,092
Animal Control:										
Animals handled *	364	364	311	326	241	455	338	354	243	262
Animals licensed *	111	111	92	63	162	103	74	141	128	165
Library:										
Volumes in collection	39,743	44,186	44,622	46,528	38,351	38,689	45,286	48,883	47,757	48,225
Volumes checked out	97,274	101,506	113,811	98,638	100,063	83,067	44,410	66,936	110,809	123,011
Water:										
New connections	66	21	25	22	14	11	19	17	21	29
Water main breaks	-	3	2	-	2	-	-	-	-	-
Average daily consumption (gallons)	787,272	794,032	662,950	896,400	803,785	869,050	846,968	745,683	715,932	702,248
Wastewater:										
New connections	50	21	23	19	11	13	21	22	20	27
Average daily sewage treatment (gallons)	559,300	571,334	581,333	564,583	629,000	713,000	634,000	637,416	491,416	501,624

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.

Table 15

City of Soldotna, Alaska

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Public works:										
Area in square miles	8	8	8	8	8	8	8	8	8	8
Streets (miles)	38	40	41	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	9	13	13	15	15	14	14	14	14
Animal Control:										
Shelters	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	29	32	33	35	36	37	37	37	38	38
Fire hydrants	276	301	311	321	321	321	321	322	319	319
Storage capacity (millions of gallons per day)	2	2	2	2	2	2	1	1	2	2
Wastewater:										
Sanitary sewers (miles)	24	26	26	27	29	30	30	30	30	30
Storm drains (miles)	10	10	10	10	11	15	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	241	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	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

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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, 2016, 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 November 8, 2016.

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.

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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
November 8, 2016

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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 the Uniform Guidance

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 8, 2016

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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 CityCouncil
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, 2016. 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, 2016.

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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
November 8, 2016

City of Soldotna, Alaska

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

Federal Financial Assistance

Internal control over major federal programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	X no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:			$ 750,000
Auditee qualified as low-risk auditee?	X yes	___ no	

State Financial Assistance

Internal control over major state programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Type of auditor's report issued on compliance for major state programs:	Unmodified	
Dollar threshold used to distinguish between a major program:		$ 50,000

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 2 CFR 200.516(a)) 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.