

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF THE**  
**CITY OF SOLDOTNA, ALASKA**

Year Ended June 30, 2009

Peter A. Micciche  
Mayor

Lawrence A. Semmens  
City Manager

Prepared By  
Finance Department

Melanie S. Lewis  
Finance Director / Treasurer

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CITY OF SOLDOTNA, ALASKA

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December 8, 2009

Honorable Mayor Peter A. Micciche,  
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, 2009. 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 Mikunda, Cottrell & Co. Inc., 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, 2009, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section (If 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 available in the City's separately issued Single Audit Reports.

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

### **Profile of the City of Soldotna**

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

The City operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of six members and the mayor. The City Manager is appointed by the Council. The Council and Mayor are elected on a non-partisan basis. Council members serve three-year staggered terms, with two members elected each year and are elected at large. The Mayor is elected at large and serves a three-year term. The City Manager is the City's chief executive officer and is responsible for carrying out the policies and ordinances of the City, for overseeing the day-to-day operations of the government and for hiring the heads of the various departments.

### **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 on or about the last day of February. These requests are then compiled into an overall budget presentation to the City Manager on or about March 15. Meetings are then held with all departments, discussing all budget requests. The City Manager submits a proposed operating budget to the City Council at 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 at the last meeting in May. 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 the economic hub of the Kenai Peninsula. It houses half of the top ten employers in the Kenai Peninsula Borough. The Kenai Peninsula Borough and Kenai Peninsula Borough School District administrative offices, Central Peninsula Hospital, Kenai Peninsula College, Fred Meyer and many regional offices of State and local government are located in the City of Soldotna. Kenai National Wildlife Refuge, which borders the City, houses its headquarters in the area. The district office of the State Department of Transportation is approximately three miles south of Soldotna on the Sterling Highway.

The bulk of the Kenai Peninsula Borough's population is centered in the region of the City of Soldotna and the neighboring City of Kenai. Approximately 60% of the Borough's population resides in the central peninsula area. Soldotna has become a hub for retail and professional services for the area, as well as a recreation center for visitors, hunters and sport fishing enthusiasts.

Sales tax is the largest source of revenue for the City. Retail sales businesses continue to generate the largest share of sales tax revenue. Due to the general economic downturn and the anticipated opening of a new major retailer in nearby Kenai, the 2010 sales tax revenue is projected to decline about one million dollars.

The world famous Kenai River is one of Soldotna's big attractions. The Kenai River, as well as Soldotna's many other attractions, is why Soldotna has a huge influx of tourists during the summer months. On busy summer weekends, the population of the Kenai Peninsula Borough can more than double as Anchorage-area residents and tourists from all over the world visit the Kenai for fishing and other outdoor activities. Retail sales are greatly enhanced by tourism during these summer months.

Soldotna is the medical center for the Kenai Peninsula. The Central Peninsula Hospital recently completed a \$50 million expansion, which in turn has increased health care businesses as well as the number of physician offices in Soldotna.

Overall, the projection for the economy of Soldotna is cautiously optimistic. Soldotna is situated in a beautiful area with natural resources, an accommodative business climate and a stable population base.

### Long Term Financial Planning

General Fund fund balance increased over \$5.2 million in FY2009 to \$15.4 million. This healthy fund balance provides options for the City and generates interest income that can be used for operations.

One of the larger financial challenges facing the City is our contribution to the Public Employees Retirement System (PERS). Beginning in FY2008, employers paid a maximum of 22% of PERS eligible wages, with the State paying the difference between this rate and the actuarially required rate. In April 2008, the Alaska Legislature passed Senate Bill 125 which converted the Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan, effective July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of

Retirement and Benefits, will no longer track individual employer assets and liabilities. Rather, all plan costs and past-service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and Alaska Retirement Management (ARM) board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as on-behalf payments. As a result of this change, cities will no longer be obligated to payor to continue amortizing the previously recorded Net PensionJOPEB asset or obligation. As such, this asset was written off as of June 30, 2008.

In FY2009, the City began development of a new comprehensive plan, entitled, "Envision Soldotna 2030". The goal of the plan is to provide implementable policies, based on input gained from the community, that will shape and direct new growth and development in the City. Plan recommendations will promote the health of the Kenai River, the quality of the built environment, and the operational and fiscal efficiency of providing transportation and other public infrastructure. Specific sections will address and make policy recommendations on topics such as: economic development; neighborhoods; natural resources/environment; healthcare/hospital; arts, education and culture; public infrastructure and services; highways and transportation; regional growth and development; and general land use. Draft chapters of Envision Soldotna 2030 are currently underway, with an anticipated schedule for adoption by the Soldotna City Council and the Kenai Peninsula Borough in the spring of 2010.

### **Relevant Financial Policies**

In FY2009, the City began eliminating funds that were no longer needed. Several funds were closed and the balances in those funds were transferred back to the General Fund. Funds closed consisted mainly of capital project funds; however, one special revenue fund was also closed. In addition, fund balances of on-going capital project funds were reduced to a more reasonable level. This was accomplished by transferring only the amount necessary to fund current projects and by taking into account fund balance already existing in the fund before transfers are made. This change in methodology is the primary reason that the General Fund fund balance grew by more than \$5.2 million in FY2009.

### **Major Initiatives**

The intent of this administration is to charge items to their functional areas to allow the City to determine the actual operating costs for the various City functions. Previously, certain expenditures were accounted for in separate funds by type rather than by functional area.

Beginning in FY2010, sales tax will no longer be normally split between operations and capital in a specific percentage as in the past. Such a split is not legally required, nor is it found in the City Code. The fact that there is not a specific split does not mean that sales tax revenue will not be used for capital expenditures; rather such appropriations will be made when needed and will be approved by the City Council, instead of in the operating budget. This change will simplify the budget process by eliminating the use of several funds which were financed by sales tax transfers and were previously used to account for small capital projects and/or repairs and maintenance. These changes help users of both the financial statements and the budget document understand the current financial position of the City and the financial outlook for the future.

## **Award**

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, 2008. 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.

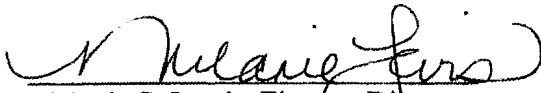
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR once again meets the Program's requirements; and therefore we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgment**

The preparation of this Comprehensive Annual Financial Report was accomplished with the efficient and dedicated service of the Finance Department and the City Manager. Due credit should also be given to the City Council for their efforts in planning and conducting the financial operations of the City in a responsible manner.



Lawrence A. Semmens, City Manager

  
Melanie S. Lewis, Finance Director

# 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, 2008

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



President

Executive Director

CITY OF SOLDOTNA, ALASKA

PRINCIPAL OFFICIALS

At June 30, 2009

The City of Soldotna adopted a Council-Manager form of government in 1984 and has been operating under this form since that time.

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

The Council, which consists of the Mayor and six Council members, is selected at large and on a non-partisan basis. Annual elections are held in October. The terms of office are three years but are overlapping so that the City is provided with a continuity of knowledge in City business and legislative matters.

MAYOR AND CITY COUNCIL

		<u>Term Ends</u>
Mayor	Peter A. Micciche	2011
Council	James A. Stogsdill, Vice Mayor, Seat A	2009
	Vacant, Seat B	2009
	Betty Obendorf, Seat C	2009
	M. Scott McLane, Seat D	2009
	Edward G. Sleater, Seat E	2010
	J. Shea Hutchings, Seat F	2011

CITY ADMINISTRATION

City Manager	Lawrence A. Semmens
Finance Director/Treasurer	Melanie S. Lewis
City Clerk	Teresa J. Fahning
City Attorney	Boyd, Chandler & Falconer, LLP
Police Chief	John H. Lucking, Jr.
Librarian	Terri L. Burdick
Public Works Director	Stephen L. Bonebrake
Parks and Recreation Director	Andrew J. Carmichael



# City of Soldotna Organizational Chart

Citizens of Soldotna

Mayor & City Council

City Manager

Public Works  
Director

Public Works  
Secretary

Building Inspector J

Animal Control Officer J

Animal Control Assistant

Maintenance Department Manager

Mechanics & Operators

Utility Division Manager J

Operators

City Clerk

Admin Asst. to  
City Manager

Chief of  
Police

Admin Asst.

Police Clerk J

Sergeants j

Officers j

City Planner

Planning  
Technician

Parks & Rec  
Director

Admin. Asst.

Admin. Clerk

Sports Center Staff

Campgrounds Staff

Parks Staff J

Community Schools Coordinator I

Librarian

Assistant Librarian

Library Clerks

MIS Manager

Director of  
Finance

Accountant

Account Clerks

Receptionist

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## Independent Auditor's Report

Honorable Mayor and City Council  
City of Soldotna, Alaska

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Soldotna, Alaska, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Public Utility Special Revenue Fund and Street Assessments Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 on our consideration of City of Soldotna, Alaska'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* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council  
City of Soldotna, Alaska

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Soldotna's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
December 3, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF SOLDOTNA, ALASKA

## Management's Discussion and Analysis

June 30, 2009

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, 2009. 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, 2009, by \$94,537,470 (net assets). Of this amount, unrestricted net assets of \$24,844,041 may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased by \$7,173,806 in FY2009.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,135,940, an increase of \$2,097,919 from the prior year. The fund balance of the Pennant Fund, which accounts for a donor-restricted endowment, restricts \$1.7 million of the City's total fund balance. About \$4.3 million of the remaining fund balance is reserved or designated. The remaining \$19.1 million is available for spending.
- At the end of the current fiscal year, fund balance for the General Fund was \$15,486,374. Of this amount, \$13,082,863 was unreserved, undesignated, and available for spending.
- The City has no outstanding long term debt.

### 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. The format of fund financial statements presented herein is only slightly changed from the reporting model that we have used for many years.

## CITY OF SOLDOTNA, ALASKA

### Management's Discussion and Analysis, continued

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 assets presents information on all of the City of Soldotna's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, water and sewer. 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.

## CITY OF SOLDOTNA, ALASKA

### Management's Discussion and Analysis, continued

For the year ended June 30, 2009, the City of Soldotna maintained 25 individual governmental funds, six 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; Public Utility Special Revenue Fund; Street Assessments Special Fund; and three capital project funds, including the Airport Improvements Fund, Centennial Riverbank Restoration Fund and the Utility System Capital Improvements Fund. Non-major governmental funds include four special revenue funds, fourteen capital project funds, 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 three internal service funds. These internal service funds are used to account for the City's equipment replacement, equipment maintenance, and compensated absences programs. Equipment replacement and maintenance programs are used primarily by the General Fund; however, special revenue funds for the airport, parks and recreation, and the utility system also utilize these internal service funds. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements but are presented separately in the proprietary fund financial statements.

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

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

#### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2009, the City's assets exceeded liabilities by \$94,537,470. By far, the largest portion of the City's net assets 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.

CITY OF SOLDOTNA, ALASKA

Management's Discussion and Analysis, continued

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

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 28,158,250	25,734,353
Capital assets	<u>67,903,793</u>	<u>62,629,464</u>
Total assets	<u>96,062,043</u>	<u>88,363,817</u>
Other liabilities	<u>1,524,573</u>	<u>1,239,795</u>
Net assets:		
Invested in capital assets	67,903,793	62,869,106*
Restricted	1,789,636	1,775,777
Unrestricted	<u>24,844,041</u>	<u>22,718,781</u>
Total net assets	\$ <u>94,537,470</u>	<u>87,363,664</u>

*\*Invested in capital assets for 2008 is being restated to reflect \$239,642 of construction in progress that was inadvertently omitted.*

Governmental activities. Governmental activities increased the City of Soldotna's net assets by \$7,173,806; approximately \$1.8 million less than the FY2008 increase in net assets. Key elements of this increase are as follows. The City has no business-type activities.

- Total revenue decreased approximately \$1.5 million in FY2009. Tax revenues and charges for services increased \$0.3 million and \$0.3 million respectively; and capital grants increased \$0.5 million from FY2008 levels and were substantial at \$5.9 million. Operating grants/contributions and investment earnings declined by \$1.3 million and \$0.3 million respectively. The PERS payment received in FY2008 in the amount of \$1.3 million was eliminated in FY2009 as this was a one-time reimbursement payment. Other revenue increased approximately \$0.3 million.
- Expenses increased slightly in FY009; approximately \$0.3 million. The reason that expenses increased only slightly in FY2009 is primarily due to the City being diligent in trying to find ways to reduce spending. For example, while salaries increased due to cost of living adjustments and step increases, the City changed health insurance plans halfway through the fiscal year which saved the City approximately \$60 thousand dollars.

CITY OF SOLDOTNA, ALASKA

Management's Discussion and Analysis, continued

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

	Changes in Net Assets	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,378,701	2,054,843
Operating grants and contributions	98,032	1,435,285
Capital grants and contributions	5,870,086	5,338,697
General revenues:		
Property taxes	806,256	729,791
Sales taxes	7,703,999	7,447,024
Other	1,314,801	2,625,385
Total revenue	<u>18,171,875</u>	<u>19,631,025</u>
Expenses:		
General government	2,330,134	2,199,344
Public safety	2,068,646	2,290,966
Public works	2,221,500	1,863,775
Parks, recreation and culture	2,316,966	2,216,019
Utilities	1,835,951	1,855,971
Airport	224,872	242,044
Total expenses	<u>10,998,069</u>	<u>10,668,119</u>
Net increase in net assets	7,173,806	8,962,906
Net assets, beginning	87,124,022	78,161,116
Prior period adjustment to reflect construction in progress omitted in prior year	<u>239,642</u>	_____
Net assets, ending	<u>\$ 94,537,470</u>	<u>87,124,022</u>

Financial Analysis of the Government's 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

## CITY OF SOLDOTNA, ALASKA

### Management's Discussion and Analysis, continued

The total fund balance of governmental funds is \$25,135,940, which is up \$2,097,919 from last year. About \$19.1 million of fund balance is unreserved, undesignated fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance, \$6.0 million, is reserved or designated to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City of Soldotna. At the end of the current fiscal year, unreserved, undesignated fund balance in the General Fund was \$13,082,863, and total fund balance was \$15,486,374. Fund balance increased \$5,213,943 in the current year. The General Fund has a very healthy fund balance.

General Fund expenditures are up \$415,454 over last year. This is primarily a result of changes in methodology such as charging items to their functional areas rather than in other funds. In addition, as previously mentioned, some payroll related expenditures increased such as salaries due to cost of living increases and annual step increases, while other payroll related expenditures such as health insurance decreased.

The primary revenue sources in the General Fund include property tax of \$803,576, sales tax of \$7,703,999 and interest of \$338,763. Property tax is up \$75,551 over last year, sales tax is up \$256,975, and interest is down \$180,378. Intergovernmental revenues decreased \$1,137,380 with most of that decrease the result of the almost \$1.3 million one-time reimbursement received from the State of Alaska Division of Retirement and Benefits in FY2008 for a PERS contribution the City made several years ago. Tax revenues represent 51% of all governmental fund revenue. The mill rate for property tax was unchanged at 1.65 for FY2009. Other funds rely heavily on charges for services and interest revenue. Interest revenue in governmental funds decreased by \$298,420 in FY2009 due to low interest rates. 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 three 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 Equipment Maintenance Fund maintains and services vehicles and heavy equipment and charges the primary user department for these costs. The Compensated Absences Fund charges user departments for the employee's annual change in compensated absences liability. As these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements but are presented in a single column in the proprietary fund financial statements.

#### General Fund Budgetary Highlights

The General Fund appropriations budget was amended by the City Council during the year by \$1,529,372 of which \$1,358,757 was transfers to other funds and \$134,881 was funded by grants.

## CITY OF SOLDOTNA, ALASKA

### Management's Discussion and Analysis, continued

Actual revenues were \$644,838 higher than the final budget. The primary reason that overall General Fund revenues exceeded budgeted amounts is due to actual tax revenues being greater than anticipated. Actual interest revenues were \$22,992 less than the final budget.

Actual expenditures and transfers out were \$2,002,611 less than the final budget.

#### Capital Assets and Debt Administration

Capital assets. The City of Soldotna's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$67,903,793 (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. The total increase in the City's investment in capital assets is \$5,034,687; approximately 8%.

Major capital asset events during the current fiscal year included the following:

- Extension of water & sewer mainlines down K-Beach Road to Kenai Peninsula College \$1.4 million
- Construction of additional Airport runway and leveling of safety areas \$1.9 million
- Design of Funny River Road relocation and expansion of Airport apron \$0.1 million
- Acquisition of land at Airport \$0.3 million
- Acquisition of land for Library expansion \$0.3 million
- Reconstruction of boardwalks damaged during 2007 flood \$0.4 million
- Brown Bear's addition to Soldotna Sports Center complex \$0.2 million
- Drilling of water well C-2 and connecting to existing well house \$0.3 million

Additional information on the City's capital assets can be found in the notes to the financial statements on page 37 of this report.

Long-term debt. The City of Soldotna had no outstanding debt at the close of the fiscal year.

#### 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.

## BASIC FINANCIAL STATEMENTS

CITY OF SOLDOTNA, ALASKA  
Statement of Net Assets  
June 30, 2009

Governmental  
Activities

Assets

Equity in central treasury	\$	24,295,827
Receivables (net of allowance for uncollectibles)		3,749,675
Inventories		112,048
Prepaid expenses		700
Land		5,151,583
Property and equipment in service		99,510,204
Accumulated depreciation		(44,365,037)
Construction in progress		<u>7,607,043</u>

Total assets	\$	<u>96,062,043</u>
--------------	----	-------------------

Liabilities

Accounts payable		897,886
Unearned revenue		45,240
Other liabilities		249,047
Compensated absences		<u>332,400</u>
Total liabilities		<u>1,524,573</u>

Net Assets

Invested in capital assets		67,903,793
Restricted for:		
Library scholarships		50,226
Historical Society and scholarships - Nonexpendable		1,739,410
Unrestricted		<u>24,844,041</u>
Total net assets		<u>94,537,470</u>
Total liabilities and net assets	\$	<u>96,062,043</u>

See accompanying notes to basic financial statements.

## CITY OF SOLDOTNA, ALASKA

## Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,330,134	32,400			(2,297,734)
Public safety	2,068,646	107,860	88,780		(1,872,006)
Public works	2,221,500	275,756		1,880,790	(64,954)
Parks, recreation and culture	2,316,966	751,356	7,298	364,853	(1,193,459)
Utilities	1,835,951	1,126,026		1,416,621	706,696
Airport	224,872	85,303	1,954	2,207,822	2,070,207
Total governmental activities	\$ 10,998,069	2,378,701	98,032	5,870,086	(2,651,250)
General revenues:					
Property taxes					806,256
Sales taxes					7,703,999
Grants and entitlements not restricted for a specific purpose					753,501
Investment income					502,296
Other					59,004
Total general revenues					9,825,056
Change in net assets					7,173,806
Net assets at beginning of year					87,124,022
Prior period adjustment to reflect construction in progress omitted in prior year					239,642
Net assets at end of year					\$ 94,537,470

See accompanying notes to basic financial statements.

CITY OF SOLDOTNA, ALASKA  
Governmental Funds  
Balance Sheet  
June 30, 2009

Assets	Major Funds							Total Governmental Funds
	Special Revenue Funds			Capital Project Funds				
	General	Public Utility	Streets Assess- ments	Airport Improve- ments	Centennial Riverbank Restoration	Utility System Capital Improve- ments	Nonmajor Funds	
Equity in central treasury	\$ 13,805,527	2,935,469	906,089	124,322	382,062	733,970	3,781,599	22,669,038
Receivables (net of allowance for uncollectibles)	1,831,633	110,642	195,720	642,764	364,854	265,210	338,852	3,749,675
Due from other funds	45,283							45,283
Inventories	48,407	36,795					3,127	88,329
Prepaid expenses	700							700
<b>Total assets</b>	<b>\$ 15,731,550</b>	<b>3,082,906</b>	<b>1,101,809</b>	<b>767,086</b>	<b>746,916</b>	<b>999,180</b>	<b>4,123,578</b>	<b>26,553,025</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 78,673	9,021		71,483	427,423	129,782	177,789	894,171
Deferred revenue	18,385		193,506				37,240	249,131
Due to other funds							30,230	30,230
Other liabilities	148,118	51,820					43,615	243,553
<b>Total liabilities</b>	<b>245,176</b>	<b>60,841</b>	<b>193,506</b>	<b>71,483</b>	<b>427,423</b>	<b>129,782</b>	<b>288,874</b>	<b>1,417,085</b>
<b>Fund balances:</b>								
<b>Reserved:</b>								
Capital projects		268,649						268,649
Library scholarship fund	50,226							50,226
Permanent Fund							1,739,410	1,739,410
Inventories	48,407	36,795					3,127	88,329
Encumbrances	54,878			132,222	63,864	500,534	858,868	1,610,366
<b>Total reserved</b>	<b>153,511</b>	<b>305,444</b>		<b>132,222</b>	<b>63,864</b>	<b>500,534</b>	<b>2,601,405</b>	<b>3,756,980</b>
<b>Unreserved:</b>								
<b>Designated:</b>								
PERS	1,250,000							1,250,000
Self insurance	1,000,000							1,000,000
<b>Undesignated:</b>								
General Fund	13,082,863							13,082,863
Capital project funds				563,381	255,629	368,864	775,964	1,963,838
Special revenue funds		2,716,621	908,303				457,335	4,082,259
<b>Total fund balances</b>	<b>15,486,374</b>	<b>3,022,065</b>	<b>908,303</b>	<b>695,603</b>	<b>319,493</b>	<b>869,398</b>	<b>3,834,704</b>	<b>25,135,940</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,731,550</b>	<b>3,082,906</b>	<b>1,101,809</b>	<b>767,086</b>	<b>746,916</b>	<b>999,180</b>	<b>4,123,578</b>	<b>26,553,025</b>

See accompanying notes to basic financial statements.

CITY OF SOLDOTNA, ALASKA  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2009

Total fund balances for governmental funds \$ 25,135,940

Total net assets reported for governmental activities in the  
 Statement of Net Assets 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	\$	5,151,583	
Property and equipment in service		95,664,472	
Accumulated depreciation		(41,696,728)	
Construction in progress		<u>7,607,043</u>	
Total capital assets			66,726,370

Deferred property taxes and special assessments are not  
 available to pay for current period expenditures and,  
 therefore are deferred in the funds. These assets consist of:

Deferred property taxes		10,385	
Deferred special assessments		<u>193,506</u>	
			203,891

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 assets

2,471,269

Net assets of governmental activities \$ 94,537,470

**CITY OF SOLDOTNA, ALASKA**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2009

	Major Funds							Total Governmental Funds
	Special Revenue Funds			Capital Project Funds				
	General	Public Utility	Streets Assess- ments	Airport Improve- ments	Centennial Riverbank Restoration	Utility System Capital Improve- ments	Nonmajor Funds	
<b>Revenues:</b>								
Taxes	\$ 8,507,575							8,507,575
Intergovernmental	810,044			2,207,822	364,853	1,180,293	716,530	5,279,542
Charges for services	78,268	1,147,048					814,002	2,039,318
Interest income	338,763	75,506	17,584				41,467	473,320
Special assessments			82,250					82,250
Miscellaneous	128,932						10,050	138,982
<b>Total revenues</b>	<u>9,863,582</u>	<u>1,222,554</u>	<u>99,834</u>	<u>2,207,822</u>	<u>364,853</u>	<u>1,180,293</u>	<u>1,582,049</u>	<u>16,520,987</u>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	2,028,714							2,028,714
Public safety	1,958,241						40,221	1,998,462
Public works	1,703,357							1,703,357
Parks, recreation and culture	339,994						1,334,777	1,674,771
Public utilities		994,618						994,618
Airport							82,634	82,634
Capital outlay				2,312,235	479,353	1,444,836	1,704,088	5,940,512
<b>Total expenditures</b>	<u>6,030,306</u>	<u>994,618</u>		<u>2,312,235</u>	<u>479,353</u>	<u>1,444,836</u>	<u>3,161,720</u>	<u>14,423,068</u>
Excess of revenues over (under) expenditures	3,833,276	227,936	99,834	(104,413)	(114,500)	(264,543)	(1,579,671)	2,097,919
<b>Other financing sources (uses):</b>								
Transfers in	4,138,797				427,000	825,000	2,378,630	7,769,427
Transfers out	(2,758,130)	(872,500)		(3,163,985)			(974,812)	(7,769,427)
<b>Net other financing     sources (uses)</b>	<u>1,380,667</u>	<u>(872,500)</u>		<u>(3,163,985)</u>	<u>427,000</u>	<u>825,000</u>	<u>1,403,818</u>	
<b>Net change in fund balances</b>	5,213,943	(644,564)	99,834	(3,268,398)	312,500	560,457	(175,853)	2,097,919
<b>Beginning fund balances</b>	10,272,431	3,666,629	808,469	3,964,001	6,993	308,941	4,010,557	23,038,021
<b>Ending fund balances</b>	\$ <u>15,486,374</u>	<u>3,022,065</u>	<u>908,303</u>	<u>695,603</u>	<u>319,493</u>	<u>869,398</u>	<u>3,834,704</u>	<u>25,135,940</u>

See accompanying notes to basic financial statements.

CITY OF SOLDOTNA, ALASKA  
 Reconciliation of Change in Fund Balances  
 of Governmental Funds to Statement of Activities  
 Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$ 2,097,919
The change in net assets 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 (\$5,768,202) exceeded depreciation (\$2,312,311).	3,455,891
The effect of the donation of capital assets is to increase net assets in the Statement of Activities but it does not have any effect in the governmental funds.	1,402,694
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 in:	
Deferred property taxes	\$ 2,680
Deferred special assessments	<u>172,484</u>
	175,164
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities.	<u>42,138</u>
Change in net assets of governmental activities	\$ <u>7,173,806</u>

See accompanying notes to basic financial statements.

**CITY OF SOLDOTNA, ALASKA**  
 General Fund  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual  
 Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
Sales taxes	\$ 7,075,980	7,075,980	7,703,999	628,019
Property taxes	793,285	793,285	803,576	10,291
Total taxes	<u>7,869,265</u>	<u>7,869,265</u>	<u>8,507,575</u>	<u>638,310</u>
Intergovernmental revenues:				
State of Alaska:				
Telephone and electric cooperatiye	23,000	23,000	25,355	2,355
Shared revenue	303,900	303,900	301,264	(2,636)
State PERS relief	305,680	305,680	408,469	102,789
Liquor licenses			13,100	13,100
Library assistance	6,350	6,350	6,350	
Raw fish tax	1,500	1,500	5,313	3,813
Total State of Alaska	<u>640,430</u>	<u>640,430</u>	<u>759,851</u>	<u>119,421</u>
Federal:				
Police education		16,000	2,633	(13,367)
Public library books and computer equipment			948	948
Technology transfer program		75,441	21,638	(53,803)
CPS seatbelts		31,050	13,608	(17,442)
Police traffic equipment		6,000	6,000	
Impaired driving		6,390	5,366	(1,024)
Total Federal		<u>134,881</u>	<u>50,193</u>	<u>(84,688)</u>
Total intergovernmental revenues	<u>640,430</u>	<u>775,311</u>	<u>810,044</u>	<u>34,733</u>
Licenses and permits:				
Building and fire inspection	81,350	81,350	70,345	(11,005)
Animal licenses and fees	5,500	5,500	7,923	2,423
Total licenses and permits	<u>86,850</u>	<u>86,850</u>	<u>78,268</u>	<u>(8,582)</u>
Other revenues:				
Interest income	361,755	361,755	338,763	(22,992)
Charges to other funds	31,200	31,200	32,400	1,200
Traffic fines	15,000	15,000	29,592	14,592
Miscellaneous	50,500	60,263	40,956	(19,307)
Library fees	15,500	15,500	22,657	7,157
Donations	2,600	3,600	3,327	(273)
Total other revenues	<u>476,555</u>	<u>487,318</u>	<u>467,695</u>	<u>(19,623)</u>
Total revenues	<u>9,073,100</u>	<u>9,218,744</u>	<u>9,863,582</u>	<u>644,838</u>

See accompanying notes to basic financial statements.

## CITY OF SOLDOTNA, ALASKA

## General Fund

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

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Expenditures:				
General government:				
Mayor and council:				
Wages and benefits	\$ 23,150	23,150	19,832	3,318
Services/charges	257,200	260,000	143,502	116,498
Supplies	6,500	7,150	5,610	1,540
Travel	8,000	4,550	2,274	2,276
Chamber of CommerceNisitor Center	106,800	106,800	106,800	
Total mayor and council	<u>401,650</u>	<u>401,650</u>	<u>278,018</u>	<u>123,632</u>
Administration:				
Wages and benefits	448,718	448,718	398,409	50,309
Services/charges	77,273	78,129	63,582	14,547
Supplies	20,000	20,000	17,390	2,610
Travel	14,300	13,444	7,173	6,271
Total administration	<u>560,291</u>	<u>560,291</u>	<u>486,554</u>	<u>73,737</u>
Finance:				
Wages and benefits	364,891	364,891	363,790	1,101
Services/charges	43,705	41,105	15,159	25,946
Supplies	4,500	5,100	5,067	33
Travel	10,800	12,800	5,373	7,427
Total finance	<u>423,896</u>	<u>423,896</u>	<u>389,389</u>	<u>34,507</u>
Management information systems:				
Wages and benefits	92,920	92,920	92,463	457
Services/charges	41,643	41,948	38,947	3,001
Supplies	500			
Travel	2,100	2,295	2,295	
Total management information systems	<u>137,163</u>	<u>137,163</u>	<u>133,705</u>	<u>3,458</u>
Total general government	<u>1,523,000</u>	<u>1,523,000</u>	<u>1,287,666</u>	<u>235,334</u>
Public safety:				
Police department:				
Wages and benefits	1,518,678	1,551,978	1,435,306	116,672
Services/charges	307,759	367,591	311,775	55,816
Supplies	45,175	104,041	61,658	42,383
Travel	19,575	35,575	13,329	22,246
Total police department	<u>1,891,187</u>	<u>2,059,185</u>	<u>1,822,068</u>	<u>237,117</u>

See accompanying notes to basic financial statements.

**CITY OF SOLDOTNA, ALASKA**  
 General Fund  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual, continued

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures, continued:				
Public safety, continued:				
Animal control:				
Wages and benefits	\$ 108,599	108,599	111,530	(2,931)
Services/charges	24,536	24,536	17,240	7,296
Supplies	9,490	9,490	7,365	2,125
Travel	2,000	2,000	38	1,962
Total animal control	<u>144,625</u>	<u>144,625</u>	136,173	8,452
Total public safety	<u>2,035,812</u>	<u>2,203,810</u>	1,958,241	245,569
Public works:				
Public works administration:				
Wages and benefits	447,422	447,422	395,851	51,571
Services/charges	52,711	52,211	36,841	15,370
Supplies	3,425	4,425	3,138	1,287
Travel	9,000	8,500	8,348	152
Total public works administration	<u>512,558</u>	<u>512,558</u>	444,178	68,380
Streets:				
Wages and benefits	440,582	440,582	395,882	44,700
Services/charges	607,834	572,834	501,709	71,125
Supplies	89,225	125,225	76,681	48,544
Travel	1,050	1,050	164	886
Total streets	<u>1,138,691</u>	<u>1,139,691</u>	974,436	165,255
Planning and zoning:				
Wages and benefits	182,996	182,996	169,771	13,225
Services/charges	24,908	24,908	11,384	13,524
Supplies	805	805	556	249
Travel	4,740	4,740	4,277	463
Total planning and zoning	<u>213,449</u>	<u>213,449</u>	185,988	27,461
Building maintenance:				
Wages and benefits	42,850	42,850	41,692	1,158
Services/charges	102,619	102,619	56,363	46,256
Supplies	2,500	2,500	700	1,800
Total building maintenance	<u>147,969</u>	<u>147,969</u>	98,755	49,214
Total public works	<u>2,012,667</u>	<u>2,013,667</u>	1,703,357	310,310

See accompanying notes to basic financial statements.

## CITY OF SOLDOTNA, ALASKA

## General Fund

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

	Budget		Actual	Valiance
	Original	Final		Positive (Negative)
Expenditures, continued:				
Public service:				
Library:				
Wages and benefits	\$ 303,404	303,404	228,124	75,280
Services/charges	77,705	79,063	70,956	8,107
Supplies	45,500	45,500	38,303	7,197
Travel	2,400	2,659	2,611	48
Total public service	<u>429,009</u>	<u>430,626</u>	<u>339,994</u>	<u>90,632</u>
Nondepartmental:				
Insurance	329,134	329,134	279,721	49,413
PERS on behalf	145,200	145,200	408,469	(263,269)
Senior Citizens	5,500	5,500	5,500	
CARTS grant	7,620	7,620	7,620	
Historical Society	7,253	7,253	5,000	2,253
Miscellaneous	5,000	5,000	34,738	(29,738)
Total nondepartmental	<u>499,707</u>	<u>499,707</u>	<u>741,048</u>	<u>(241,341)</u>
Total expenditures	<u>6,500,195</u>	<u>6,670,810</u>	<u>6,030,306</u>	<u>640,504</u>
Excess of revenues over expenditures	2,572,905	2,547,934	3,833,276	1,285,342
Other financing sources (uses):				
Transfers in			4,138,797	4,138,797
Transfers out	(2,761,480)	(4,120,237)	(2,758,130)	1,362,107
Net other financing sources (uses)	<u>(2,761,480)</u>	<u>(4,120,237)</u>	<u>1,380,667</u>	<u>5,500,904</u>
Net change in fund balance	\$ (188,575)	(1,572,303)	5,213,943	<u>6,786,246</u>
Beginning fund balance			<u>10,272,431</u>	
Ending fund balance			\$ <u>15,486,374</u>	

See-accompanying notes to basic financial statements.

**CITY OF SOLDOTNA, ALASKA**  
**Public Utility Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**Year Ended June 30, 2009**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Charges for services:				
Sewer service	\$ 651,860	651,860	709,075	57,215
Water service	385,508	385,508	398,036	12,528
Connection and other charges	70,500	70,500	39,937	(30,563)
Interest income	65,632	65,632	75,506	9,874
Total revenues	1,173,500	1,173,500	1,222,554	49,054
Expenditures:				
Wages and benefits	545,092	545,092	503,436	41,656
Services/charges	434,370	441,170	419,507	21,663
Supplies	92,250	85,450	71,586	13,864
Travel	4,300	4,300	89	4,211
Total expenditures	1,076,012	1,076,012	994,618	81,394
Excess of revenues over expenditures	97,488	97,488	227,936	130,448
Other financing uses - transfers out		(872,500)	(872,500)	
Net change in fund balance	\$ 97,488	(775,012)	(644,564)	130,448
Beginning fund balance			3,666,629	
Ending fund balance			\$ 3,022,065	

See accompanying notes to basic financial statements.

**CITY OF SOLDOTNA, ALASKA**  
 Street Assessments Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual  
 Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Interest income	\$ 24,228	24,228	17,584	(6,644)
Special assessments:				
Principal	31,140	31,140	76,244	45,104
Interest and penalty	6,357	6,357	6,006	(351)
Total revenues	61,725	61,725	99,834	38,109
Net change in fund balance	\$ <u>61,725</u>	<u>61,725</u>	99,834	<u>38,109</u>
Beginning fund balance			808,469	
Ending fund balance		\$ <u>908,303</u>		

See accompanying notes to basic financial statements.

CITY OF SOLDOTNA, ALASKA  
 Proprietary Funds  
 Statement of Net Assets  
 June 30, 2009

<u>Assets</u>	<u>Governmental Activities - Internal Service Funds</u>
Current assets:	
Equity in central treasury	\$ 1,626,789
Inventories	<u>23,719</u>
Total current assets	<u>1,650,508</u>
Capital assets:	
Equipment	3,845,732
Accumulated depreciation	<u>(2,668,309)</u>
Total capital assets net of accumulated depreciation	<u>1,177,423</u>
Total assets	\$ <u>2,827,931</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	3,715
Due to other funds	15,053
Other liabilities	5,494
Compensated absences	<u>332,400</u>
Total current liabilities	<u>356,662</u>
Net assets:	
Invested in capital assets	1,177,423
Unrestricted	<u>1,293,846</u>
Total net assets	<u>2,471,269</u>
Total liabilities and net assets	\$ <u>2,827,931</u>

See accompanying notes to basic financial statements..

**CITY OF SOLDOTNA, ALASKA**  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2009

	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues - charges for services	\$ <u>743,836</u>
Operating expenses:	
Wages and benefits	492,577
Services/charges	50,245
Supplies	12,548
Insurance	40,675
Depreciation	<u>139,300</u>
Total operating expenses	<u>735,345</u>
Operating income	8,491
Nonoperating revenues:	
Interest income	28,976
Gain on equipment disposal	<u>4,671</u>
Total nonoperating revenues	<u>33,647</u>
Change in net assets	42,138
Beginning net assets	<u>2,429,131</u>
Ending net assets	\$ <u>2,471,269</u>

See accompanying notes to basic financial statements.

**CITY OF SOLDOTNA, ALASKA**

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2009

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Receipts from other funds	\$ 743,836
Payments to suppliers	(99,434)
Payments to employees	(495,310)
Net cash flows from operating activities	<u>149,092</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(314,909)
Proceeds from sale of equipment	4,671
Net cash flows from capital and related financing activities	<u>(310,238)</u>
Cash flows from investing activities -	
interest received	<u>28,976</u>
Net decrease in cash and cash equivalents	(132,170)
Beginning cash and cash equivalents	<u>1,758,959</u>
Ending cash and cash equivalents	<u>\$ 1,626,789</u>
Reconciliation of operating income to net cash flows from	
operating activities:	
Operating income	\$ <u>8,491</u>
Adjustments to reconcile operating income	
to net cash provided (used) by operating activities:	
Depreciation	139,300
Decrease in inventories	3,471
Increase in due to other funds	1,127
Decrease in accounts payable	(564)
Increase in other liabilities	2,506
Decrease in compensated absences	(5,239)
Total adjustments	<u>140,601</u>
Net cash flows from operating activities	<u>\$ 149,092</u>

See accompanying notes to basic financial statements.

# CITY OF SOLDOTNA, ALASKA

## Notes to Basic Financial Statements

June 30, 2009

(1) **Summary of Significant Accounting Policies**

**Reporting Entity**

The 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 council-manager form 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, 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 Assets 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.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

##### 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:

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 water and sewer operations.

The *Street Assessments Special Revenue 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.

The *Airport Improvements Capital Project Fund* was established to account for costs relating to the master plan for the City's airport. The costs associated with additional airport improvement projects have been added to this fund. Federal grants and transfers of sales tax receipts are the funding sources for these projects.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued**

The *Centennial Riverbank Restoration Capital Project Fund* was established to account for construction and re-vegetation work designed to prevent erosion and loss of habitat along the banks of the Kenai River within the City's parks. Added to this fund are the costs associated with flood damage repairs due to the 2007 Kenai Flood disaster. Grants have been the funding source for this recovery effort.

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

Additionally, the City reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

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.

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

#### Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds except for the Red, White, and Blue Project Special Revenue Fund. Most capital project funds adopt project-length budgets. The exception to this is the Building Improvement Capital Projects Fund and the Small Capital Projects Fund, which both adopt annual budgets. All annual appropriations lapse at fiscal year-end.

Each year at 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. These budgets, along with the established mill rate, are legally enacted by passage of an ordinance at the last council meeting in May. 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.

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.

The General Fund appropriations budget was amended by the City Council during the year by \$1,529,372, of which \$1,358,757 was transfers to other funds and \$134,881 was funded by State Safety Grants for overtime for police officers and supplies and materials for the police department.

#### 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.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

##### Cash and Central Treasury, continued

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

##### Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is determined by the outstanding amount of personal property tax receivable at the end of the fiscal year, as this mayor 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. Reported inventories of the governmental funds are equally offset by a fund balance reserve, which indicates they do not constitute expendable available financial resources even though they are a component of assets.

##### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### 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.

##### Restricted Assets

Monies or other resources, the use of which is restricted by legal or contractual requirements, are recorded as restricted assets.

##### 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.

CITY OF SOLDOTNA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets, continued

The costs of normal maintenance and repairs not adding to the value of the asset 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:

<u>Assets</u>	<u>Years</u>
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, 2009, \$339,651 was earned and \$344,890 was used, leaving a balance in compensated absences of \$332,400 at year end, all of which 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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation, or that are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans and are subject to change.

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.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Property Taxes, continued**

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

#### (2) **Cash and Investments**

The City maintains a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed 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, 2009:

Bank deposits	\$ (308,873)
Investments	<u>24,604,700</u>
	\$ <u>24,295,827</u>

In compliance with current banking contracts, the City maintains an \$86,800 compensating balance in the form of a non-interest bearing certificate of deposit.

The City also maintains a checking account, which had a bank balance of \$33,189 at year-end. These deposits are insured for the first \$250,000 and the balance is collateralized by securities held by a third party custodian in the City's name; First National Bank Alaska Trust Department.

The City's investment policy requires that investments shall be made with judgment and care, with safety of capital being of primary importance and yield being a secondary consideration. Investments shall be made with an objective to obtain market average rates of return consistent with the performance of the investments. Except where specifically stated in this section, the City's investment policy does not state a required credit rating for investments.

Authorized investments include the following:

- Certificates of deposit; repurchase agreements; savings accounts; and other interest bearing deposit accounts, each of which must be insured or collateralized with securities held by the City, by the City's agent in the City's name, or by a financial institution's trust agent in the City's name.
- The Alaska Municipal League Investment Pool (AMLIP).
- Bonds, bills, notes or other obligations of the United States, the State of Alaska, or the City.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### Cash and Investments, continued

- Securities issued or guaranteed by agencies and instrumentalities of the U.S. government, but not explicitly backed by the full faith and credit of the U.S. government and rated AAA or equal by a nationally recognized rating service.

Collateral is required for all investments other than bonds, bills, notes or other obligations of the United States, the State of Alaska or the City of Soldotna. The fair market value of the collateral must be maintained during the life of the investment at a level equal to or greater than the investment.

#### General Investments

The City's investment policy also requires investments be purchased from dealers with offices in Alaska and limits the term of investments to two years. The City's investment policy was revised in 2006, to exclude from the two year maximum, those investments managed by an investment advisor retained by the City. Those investments managed by the City's investment advisor shall maintain a duration of not less than eighty percent nor greater than one hundred twenty percent of the Lehman one-to three-year governmental index against which the performance of the investment is measured. The City was not completely compliant with these two provisions of their investment policy, as approximately 0.20% of the total investments at the end of the fiscal year were purchased from dealers outside Alaska or for longer than two years.

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

AMLIP is considered to be an external investment pool as defined by GASB Statement No. 31 and is rated AAAM by Standard and Poor's. Regulatory oversight is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. AS 37.23 requires the retention of an investment manager. The manager is required to produce monthly disclosure statements on the pool. The pool also retained an investment advisor who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar-weighted average maturity of 90 days or less and can only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair market value by an independent pricing service. As of June 30, 2009, the fair market value of the investments in the pool approximates amortized cost and is the same as the value of pool shares.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### **Cash and Investments, continued**

##### **General Investments, continued**

The fair market values of the City's investments at year-end are shown below. Governmental Accounting Standards Board (GASB) Statement No.3 establishes categories as an indication of the level of custodial risk involved in the investment. Money market mutual funds is not categorized as to risk as defined by Statement No.3. 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 Coastal Securities and Wells Fargo Bank N.A. Institutional Trust Group and are recorded in its internal records in the City's name.

As of June 30, 2009, the City had the following investments and maturities:

Investment	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	<u>More Than 5 Years</u>
U.S. Treasury/agency securities	\$ 17,555,631	309,468	11,392,101	5,807,754	46,308
Fixed income securities	3,247,995		204,900	3,043,095	
Certificates of deposit	457,036	306,813	150,223		
Money market accounts	334,057	334,057			
Repurchase agreement	876,758	876,758			
AMLIP	2,133,223	2,133,223			
Total investments	\$ 24,604,700	3,960,319	11,747,224	8,850,849	46,308

#### *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 two years, excluding investments managed by an investment advisor. Investments managed by the City's investment advisor shall maintain a duration of not less than eighty percent nor greater than one hundred twenty percent of the Lehman one-to three-year governmental index against which the performance of the investment is measured. Approximately 63.8% of total investments have maturities of less than two years, 36.0% have maturities of two to five years, and the remaining .2% falls outside of the City's investment policy as previously stated.

CITY OF SOLDOTNA, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

General Investments, continued

*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. The City may invest only in securities issued by the United States, the State of Alaska, or the City of Soldotna; securities issued or guaranteed by agencies and instrumentalities of the U.S. government, but not explicitly backed by the full faith and credit of the U.S. government and rated AAA or equal by a nationally recognized rating service; collateralized certificates of deposit, savings accounts, or other interest bearing deposit accounts; collateralized repurchase agreements; and the Alaska Municipal League Investment Pool (AMLIP). Credit risk is effectively limited by restricting the eligible investment options.

*Concentration Risk*

The City investment policy places no limit on the amount that can be invested in anyone issuer. More than 5% of the City's total portfolio is invested in the Federal Home Loan Bank (10%); Federal Home Loan Mortgage Corporation (18%); Federal National Mortgage Association (19%); and U.S. Treasury (24%).

(3) Receivables

Receivables at June 30, 2009, for the City's individual major funds and the nonmajor, other governmental funds in the aggregate, are as follows:

	General	Public Utility Special Revenue	Streets Assessments Special Revenue	Airport Improvements Capital Project
Taxes	\$ 1,672,805			
Intergovernmental	143,688			642,764
Customers and other	15,140	110,642		
Special assessments			195,720	
Net receivables	\$ <u>1,831,633</u>	<u>110,642</u>	<u>195,720</u>	<u>642,764</u>
	Centennial Riverbank Restoration Capital Project	Utility System Capital Improvements Capital Project	Nonmajor	Total Governmental Funds
Taxes	\$			1,672,805
Intergovernmental	364,854	265,210	294,010	1,710,526
Customers and other			44,842	170,624
Special assessments				195,720
Net receivables	\$ <u>364,854</u>	<u>265,210</u>	<u>338,852</u>	<u>3,749,675</u>

CITY OF SOLDOTNA, ALASKA

Notes to Basic Financial Statements, continued

(4) Capital Assets

Capital asset activity for the year ended June 30, 2009, is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,556,417	595,166		5,151,583
Construction in progress	3,368,463*	4,745,583	507,003	7,607,043
Total assets not being depreciated	<u>7,924,880</u>	<u>5,340,749</u>	<u>507,003</u>	<u>12,758,626</u>
Capital assets being depreciated:				
Buildings	27,104,340	185,197		27,289,537
Improvements other than buildings	36,527,411	110,507		36,637,918
Machinery and equipment	5,275,954	448,262	132,700	5,591,516**
Infrastructure	28,122,349	1,908,586	39,702	29,991,233
Total assets being depreciated	<u>97,030,054</u>	<u>2,652,552</u>	<u>172,402</u>	<u>99,510,204</u>
Less accumulated depreciation for:				
Buildings	15,886,147	866,563		16,752,710
Improvements other than buildings	15,632,887	849,007		16,481,894
Machinery and equipment	3,535,781	275,660	132,700	3,678,741**
Infrastructure	7,031,013	460,381	39,702	7,451,692
Total accumulated depreciation	<u>42,085,828</u>	<u>2,451,611</u>	<u>172,402</u>	<u>44,365,037</u>
Total assets being depreciated, net	<u>54,944,226</u>	<u>200,941</u>	<u>          </u>	<u>55,145,167</u>
Governmental activities capital assets, net	<u>\$ 62,869,106</u>	<u>5,541,690</u>	<u>507,003</u>	<u>67,903,793</u>

\* The construction in progress beginning balance is restated to reflect \$239,642 of construction in progress that was inadvertently omitted in the prior year.

\*\* The ending balances include \$3,845,732 and \$2,668,309 of equipment and accumulated depreciation, respectively, related to the Equipment Replacement Internal Service Fund.

Depreciation expense charged to each governmental function is as follows:

General government	\$ 177,382
Public safety	127,114
Public works	567,916
Parks, recreation and culture	649,003
Utilities	787,958
Airport	<u>142,238</u>
Total depreciation expense	<u>\$ 2,451,611</u>

**CITY OF SOLDOTNA, ALASKA**

Notes to Basic Financial Statements, continued

(5) **Interfund Receivables, Payables, and Transfers**

Interfund balances at June 30, 2009, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major funds - General Fund	\$ 45,283	
Nonmajor governmental funds - Small Capital Projects		30,230
Internal service funds		<u>15,053</u>
	<u>\$ 45,283</u>	<u>45,283</u>

These are short-term loans made by the General Fund in the normal course of operations. 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 have been made in accordance with appropriating ordinances. Interfund transfers for the year-ended June 30, 2009, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>				
		General Fund	Centennial Riverbank Resto- ration Fund	Utility System Capital Improve- ments Fund	Nonmajor Funds	<u>Total</u>
General Fund	\$ 2,758,130		427,000		2,331,130	2,758,130
Public Utility Fund	872,500			825,000	47,500	872,500
Airport Improvements Fund	3,163,985	3,163,985				3,163,985
Nonmajor Funds	974,812	974,812				974,812
	<u>\$ 7,769,427</u>	<u>4,138,797</u>	<u>427,000</u>	<u>825,000</u>	<u>2,378,630</u>	<u>7,769,427</u>

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 providing as subsidies or matching funds for grant programs. These routine transfers total \$1,043,870 for the year ended June 30, 2009.

For the year ended June 30, 2009, the City made the following nonroutine transfers:

Transfers from the General Fund to the Centennial Riverbank Restoration Fund in the amounts of \$367,000 and \$60,000, respectively, to help finance the rehabilitation of two City parks and to finance the non-grant eligible portion of the stair and trail extension along the Kenai River.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### Interfund Receivables, Payables, and Transfers, continued

Transfers of \$99,230 from the General Fund to the Comprehensive Plan Fund to finance the update of the City's comprehensive plan. In FY08 the City received funding from the Kenai Peninsula Borough (KPB) for a portion of this project. These funds were included in the General Fund and therefore the unspent portion at June 30, 2008 increased the General Fund fund balance. These transfers include the unspent funds received from KPB in FY08 as well as the City portion to fund this project.

Transfers of \$425,000 from the General Fund to the Library Expansion Fund to help finance the cost of expanding the Library.

A transfer of \$761,100 from the General Fund to the State Grant Fund to finance the City's 30% match for the design and construction of water and sewer mainlines along the relocated portion of Funny River Road.

A transfer of \$1,930 from the General Fund to the Soldotna Creek Culvert Fund to finance expenditures in excess of grant funds for installing a culvert at the junction of East Redoubt Avenue and Soldotna Creek.

A transfer of \$47,500 from the Utility Special Revenue Fund to the State Grant Fund to finance the City's 10% match for the construction of the sewer lift station upgrade project.

A transfer of \$525,000 from the Utility Special Revenue Fund to the Utility System Capital Improvements Fund to finance the construction of a warm storage building.

A transfer of \$300,000 from the Utility Special Revenue Fund to the Utility System Capital Improvements Fund to finance various utility system capital improvement projects.

Transfers of excess fund balance from various nonmajor funds to the General Fund totaling \$974,812.

A transfer of excess fund balance from the Airport Improvements Fund to the General Fund in the amount of \$3,163,985.

(6) Defined Benefit Pension Plan

The City participates in the Public Employees' Retirement System (PERS). PERS was originally established as an agent multiple employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. The plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

CITY OF SOLDOTNA, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

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

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

Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.09% for pension and 4.66% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.32% for pension and 5.18% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.

Under the recently adopted cost sharing arrangement, the employer contribution rate is statutorily capped at 22%, although State legislation currently provides that the State of Alaska will contribute any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate. This rate will be consistent with the actuarially determined rate, but not the same as the Governmental Accounting Standards Board (GASB) Statement 45 accounting rate.

CITY OF SOLDOTNA, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

The City's contribution rates for 2009 were determined as part of the June 30, 2006 actuarial valuation and are as follows:

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 45* Rate</u>
Pension	6.82%	10.91%	8.47%
Postemployment healthcare	<u>15.18%</u>	<u>24.31%</u>	<u>37.25%</u>
Total contribution rate	<u>22.00%</u>	<u>35.22%</u>	<u>45.72%</u>

\*Using the 4.5% OPEB discount rate and disregarding future Medicare Part D payments.

The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry age normal Level percentage of pay for pension Level dollar for healthcare
Amortization Method	Level dollar, closed
<u>Equivalent Single Amortization Period</u>	<u>20 years</u>
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% pension, 4.5% healthcare
Salary Scale	<i>Peace Officers/Firefighters</i> Merit: 2.5% per year for first 6 years, 0.5% thereafter Productivity: 0.5% per year <i>Others</i> Merit: 5.5% per year grading down to 1.5% after 5 years, for more than 6 years of service, 1.0% grading down to 0% Productivity: 0.5% per year
<u>Payroll Growth</u>	<u>4.0%</u>
<u>Inflation</u>	<u>3.5%</u>
Health Cost Trend	Medical: 8.0% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50, and 5.1% through FY100 Prescription Drugs: 10.8% in FY09 trending downward by variable amounts to 5.9% in FY15, 5.8% through FY25, 5.7% through FY50 and 5.1% through FY100

**CITY OF SOLDOTNA, ALASKA**

Notes to Basic Financial Statements, continued

**Defined Benefit Pension Plan, continued**

Funding Policy, continued

The State of Alaska Public Employees' Retirement System retiree healthcare benefits are partially funded. The PERS plan uses the percentage of ARC methodology in the development of the investment rate of return.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.22% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of \$408,469 as a PERS on-behalf payment. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here. Only one year of information is available at this time.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contri- butions</u>	<u>% of TBC Contributed</u>
2009	\$ 195,749	\$ 435,698	\$ 631,447	\$ 631,447	100%

The total City contribution includes \$63,898 attributable to the defined contribution plan salaries.

CITY OF SOLDOTNA, ALASKA

Notes to Basic Financial Statements, continued

(7) Dermed Contribution Pension Plan

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and 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. Employees are required to contribute 8.0% of their annual covered salary and the City is required to make the following contributions:

	<u>Others</u> <u>TierN</u>	<u>Police/Fire</u> <u>TierN</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.99	0.99
Occupational death and disability benefits	<u>0.58</u>	1.33
	<u>9.57 %</u>	<u>10.32%</u>

\*Health Reimbursement Arrangement - AS 39.30.370 requires that the employer contribute "an amount equal to three percent of the average employer's average annual employee compensation." For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2009 were \$55,259 and \$43,327, respectively.

(8) 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; injuries to employees; environmental contamination; and natural disasters. These risks of loss are covered by the City's participation in the Alaska Municipal League/Joint Insurance Association (AML/JIA).

The City became a charter member of the AML/JIA at the beginning of the 1988/89 fiscal year. AML/JIA is a public entity risk pool organized to share risks among its members.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

#### Risk Management, continued

The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The City is obligated by ordinance and contract to pay such assessments. The Association has made no supplemental assessments for many years.

The City also participates in the Law Enforcement Joint Liability Protection Program, which is a program providing law enforcement liability coverage for participating members of the Alaska Municipal League.

Member deposits are collected in advance and are principally based on the member's law enforcement payroll. Member deposits are recognized as revenue using the cost-recovery method, under which unreported claims, plus other program expenses incurred. Under the Program's retrospective loss allocation plan, all claim losses and program expenses incurred are ultimately allocated to the members and charged against initial deposits. Deposits in excess of claim losses and other costs are refunded to members. Any deficiency in deposits is recovered through additional member assessments.

Management believes the \$1,000,000, which has been designated in the unreserved fund balance of the General Fund for "Self Insurance," should be sufficient for potential retrospective risk pool assessments and losses not covered by insurance.

#### (9) Commitments and Contingencies

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.

#### (10) Donor-Restricted Endowment

The City is the recipient of a donor-restricted endowment. A *permanent fund* is used to account for this restricted donation. Per the donor's request, only the earnings after inflation proofing may be spent.

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.

## CITY OF SOLDOTNA, ALASKA

### Notes to Basic Financial Statements, continued

(11) **Prior Period Adjustment**

A prior period adjustment was recorded in the government-wide Statement of Activities to reflect construction in progress of \$239,642 that was inadvertently omitted in the prior year.

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## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

**Parks and Recreation-** This fund was established to account for the operations of the Sports Center; and community schools operations; as well as Centennial, Swiftwater and Rotary Park campgrounds; and all City-owned parks.

**Red, White and Blue Project-** This fund was established to account for a community-wide effort to mail letters and supplies to Kenai Peninsula soldiers and marines and is funded by donations from the general public.

**Multi-Jurisdictional Task Force-** This fund was established to coordinate and account for the multi-jurisdictional effort to curtail illegal drug activity.

### Capital Project Funds

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

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

**Cemetery-** This fund was established to account for expenditures relating to the construction of a cemetery within the City. Transfers of sales tax receipts are the funding source for this project.

**Street Construction-** This fund was established to account for the construction of street assessment districts. It is funded by the street assessments special revenue fund.

**Karen Street Recreation-** This fund was established to account for the acquisition of property and the design/construction work to create a ski/snowboarding recreation site. The ski/snowboarding area has been completed. A skateboard/bike park was added in the fall of 2002, with the source of funds coming from the Soldotna Elks and transfers of sales tax receipts.

## NONMAJOR GOVERNMENTAL FUNDS, continued

### Capital Project Funds, continued

**Building Improvements-** This fund was established to account for various capital improvement projects on City buildings. Transfers of sales tax receipts and transfers from other funds are the funding sources for these projects.

**Soldotna Creek Culvert-** This fund was established to account for costs relating to the installation of a culvert at the junction of East Redoubt Avenue and Soldotna Creek. A state grant is the funding source for this project.

**Soldotna Creek Park (DOT)-** This fund was established to account for costs related to the old DOT site during the time period prior to the City taking clear title to the site. Transfers of sales tax receipts are the funding source for this project.

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

**Records Management-** This fund was established to account for expenditures relating to the establishment of a records management program for the management of current city records and for the preservation of archived public records of permanent value. Transfers of sales tax receipts are the funding source for this project.

**AK DCED Well Housing-** This fund was established to account for utility projects. State grants are the primary funding sources for these projects.

**Comprehensive Plan -**This fund was established to account for expenditures relating to the update of the City of Soldotna Comprehensive Plan. Funds from the Kenai Peninsula Borough and transfers of sales tax receipts are the funding sources for this project.

**State Grants -** This fund was established to account for expenditures relating to road, water and sewer capital improvement projects. State grants are the primary funding sources for these projects.

**Library Expansion -** This fund was established to account for expenditures relating to the expansion of the Library. Transfers of sales tax receipts are the current funding source for this project. As the expansion continues additional funding sources will be used.

**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.

## NONMAJOR GOVERNMENTAL FUNDS, continued

### Permanent Funds

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

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

**CITY OF SOLDOTNA, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2009

	Special Revenue Funds			Capital Project Funds			
<u>Assets</u>	<u>Airport</u>	<u>Parks and Recreation</u>	<u>City Shop Construc- tion</u>	<u>Cemetery</u>	<u>Street Construc- tion</u>	<u>Building Improve- ments</u>	<u>Sports Center Complex</u>
Equity in central treasury	\$ 298,257	220,640	129,234	323,119	2,050	42,095	194,508
Intergovernmental receivable	1,954						
Other accounts receivable, net	1,347	43,495					
Inventories	3,127						
Total assets	\$ 304,685	264,135	129,234	323,119	2,050	42,095	194,508
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 6,482	20,571	-	1,680	2,050	15,653	
Deferred revenue	37,240						
Due to other funds							
Other liabilities	1,978	41,637					
Total liabilities	45,700	62,208	-	1,680	2,050	15,653	
Fund balances:							
Reserved:							
Permanent Fund							
Inventory	3,127						
Encumbrances	-	450	-	-	-	26,442	4,170
Total reserved	3,127	450	-	-	-	26,442	4,170
Unreserved, undesignated	255,858	201,477	129,234	321,439	-	-	190,338
Total fund balances	258,985	201,927	129,234	321,439	-	26,442	194,508
Total liabilities and fund balances	\$ 304,685	264,135	129,234	323,119	2,050	42,095	194,508

**CITY OF SOLDOTNA, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet, continued

<u>Assets</u>	<u>Capital Project Funds, continued</u>				<u>Permanent Fund</u>	<u>Total</u>	
	<u>Records</u> <u>Manage-</u> <u>ment</u>	<u>Compre-</u> <u>hensive</u> <u>Plan</u>	<u>State</u> <u>Grants</u>	<u>Library</u> <u>Expansion</u>	<u>Small</u> <u>Capital</u> <u>Projects</u>	<u>Historical</u> <u>Society and</u> <u>Scholarships</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
Equity in central treasury	\$ 64,409	33,327	686,026	46,524	-	1,741,410	3,781,599
Intergovernmental receivable	-	-	210,140	-	81,916	-	294,010
Other accounts receivable, net	-	-	-	-	-	-	44,842
Inventories	-	-	-	-	-	-	3,127
Total assets	\$ 64,409	33,327	896,166	46,524	81,916	<u>1,741,410</u>	4,123,578
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ -	2,169	103,305	1,760	22,119	2,000	177,789
Deferred revenue	-	-	-	-	-	-	37,240
Due to other funds	-	-	-	-	30,230	-	30,230
Other liabilities	-	-	-	-	-	-	43,615
Total liabilities	-	2,169	103,305	1,760	52,349	2,000	288,874
Fund balances:							
Reserved:							
Permanent Fund	-	-	-	-	-	1,739,410	1,739,410
Inventory	-	-	-	-	-	-	3,127
Encumbrances	-	29,368	768,871	-	29,567	-	858,868
Total reserved	-	29,368	768,871	-	29,567	1,739,410	2,601,405
Unreserved, undesignated	64,409	1,790	23,990	44,764	-	-	1,233,299
Total fund balances	64,409	31,158	792,861	44,764	29,567	1,739,410	3,834,704
Total liabilities and fund balances	\$ 64,409	33,327	896,166	46,524	81,916	1,741,410	4,123,578

CITY OF SOLDOTNA, ALASKA  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
 Year Ended June 30, 2009

	Special Revenue Funds			Capital Project Funds		
	Airport	Parks and Recreation	Red, White, and Blue Project	Multi- Jurisdictional Task Force	City Shop Construction	Cemetery
Revenues:						
Intergovernmental	\$ 1,954	-	-	39,535		
Charges for services	85,303	728,699				
Interest income	6,012					
Miscellaneous	-	-	50			
Total revenues	<u>93,269</u>	<u>728,699</u>	<u>50</u>	<u>39,535</u>		
Expenditures:						
Current:						
Public safety	-	-	-	40,221		
Culture and recreation	-	1,316,444	1,168			
Airport	82,634					
Capital outlay	-	-	-	-	113,136	1,680
Total expenditures	<u>82,634</u>	<u>1,316,444</u>	<u>1,168</u>	<u>40,221</u>	<u>113,136</u>	<u>1,680</u>
Excess of revenues over (under) expenditures	10,635	(587,745)	(1,118)	(686)	(113,136)	(1,680)
Other financing sources (uses):						
Transfers in	-	648,897	-	2,637		
Transfers out						
Net other financing sources (uses)	<u>-</u>	<u>648,897</u>	<u>-</u>	<u>2,637</u>		
Net change in fund balances (deficit)	10,635	61,152	(1,118)	1,951	(113,136)	(1,680)
Beginning fund balances (deficit)	248,350	140,775	1,118	(1,951)	242,370	323,119
Ending fund balances	\$ 258,985	201,927	-	<u>-</u>	<u>129,234</u>	<u>321,439</u>

**CITY OF SOLDOTNA, ALASKA**

Nonmajor Governmental Funds

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

	Capital Project Funds, continued						
	Street	Karen	Building	Soldotna	Soldotna	Sports	
	Construction	Street	Improve-	Creek	Creek	Center	Records
		Recreation	ments	Culvert	Park DOT	Complex	Management
Revenues:							
Intergovernmental	\$						
Charges for services							
Interest income							
Miscellaneous	-	-	10,000				
Total revenues	-	-	10,000				
Expenditures:							
Current:							
Public safety							
Culture and recreation							
Airport							
Capital outlay	36,040	-	319,984	-	-	9,807	30,591
Total expenditures	36,040	-	319,984	-	-	9,807	30,591
Excess of revenues over (under) expenditures	(36,040)	-	(309,984)	-	-	(9,807)	(30,591)
Other financing sources (uses):							
Transfers in	-	-	392,336	1,930			
Transfers out	(315,811)	(76,262)	(84,948)	-	(10,879)		
Net other financing sources (uses)	(315,811)	(76,262)	307,388	1,930	(10,879)		
Net change in fund balances (deficit)	(351,851)	(76,262)	(2,596)	1,930	(10,879)	(9,807)	(30,591)
Beginning fund balances (deficit)	351,851	76,262	29,038	(1,930)	10,879	204,315	95,000
Ending fund balances	\$ -	-	26,442	-	-	194,508	64,409

**CITY OF SOLDOTNA, ALASKA**

Nonmajor Governmental Funds

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

	Capital Project Funds, continued					Permanent	Total Nonmajor Governmental Funds
	AKDCED Well Housing	Compre- hensive Plan	State Grants	Library Expansion	Small Capital Projects	Historical Society and Scholarships	
Revenues:							
Intergovernmental	\$ 205,379	-	469,662	-	-	-	716,530
Charges for services	-	-	-	-	-	-	814,002
Interest income	-	-	-	-	-	35,455	41,467
Miscellaneous	-	-	-	-	-	-	10,050
Total revenues	<u>205,379</u>	<u>-</u>	<u>469,662</u>	<u>-</u>	<u>-</u>	<u>35,455</u>	<u>1,582,049</u>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	40,221
Culture and recreation	-	-	-	-	-	17,165	1,334,777
Airport	-	-	-	-	-	-	82,634
Capital outlay	205,379	68,072	485,401	380,236	53,762	-	1,704,088
Total expenditures	<u>205,379</u>	<u>68,072</u>	<u>485,401</u>	<u>380,236</u>	<u>53,762</u>	<u>17,165</u>	<u>3,161,720</u>
Excess of revenues over (under) expenditures	-	(68,072)	(15,739)	(380,236)	(53,762)	18,290	(1,579,671)
Other financing sources (uses):							
Transfers in	-	99,230	808,600	425,000	-	-	2,378,630
Transfers out	-	-	-	-	(486,912)	-	(974,812)
Net other financing sources (uses)	<u>-</u>	<u>99,230</u>	<u>808,600</u>	<u>425,000</u>	<u>(486,912)</u>	<u>-</u>	<u>1,403,818</u>
Net change in fund balances (deficit)	-	31,158	792,861	44,764	(540,674)	18,290	(175,853)
Beginning fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,241</u>	<u>1,721,120</u>	<u>4,010,557</u>
Ending fund balances	\$ <u>-</u>	<u>31,158</u>	<u>792,861</u>	44,764	29,567	1,739,410	3,834,704

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**CITY OF SOLDOTNA, ALASKA**  
**Airport Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget and Actual**  
**Year Ended June 30, 2009**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental - aviation fuel taxes	\$ 2,000	1,954	(46)
Charges for services	106,850	85,303	(21,547)
Interest income	4,500	6,012	1,512
Total revenues	<u>113,350</u>	<u>93,269</u>	<u>(20,081)</u>
Expenditures - airport:			
Wages and benefits	52,318	38,825	13,493
Services/charges	50,217	31,299	18,918
Supplies	10,750	12,510	(1,760)
Total expenditures	<u>113,285</u>	<u>82,634</u>	<u>30,651</u>
Net change in fund balance	\$ <u>65</u>	10,635	<u>10,570</u>
Beginning fund balance		248,350	
Ending fund balance	\$ <u>258,985</u>		

**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, 2009

	Final Budget	Actual	Variance Positive (Negative)
Revenues - charges for services:			
Ice arena	\$ 156,400	202,874	46,474
Campgrounds	233,500	305,540	72,040
Other charges	125,015	71,515	(53,500)
Special events and convention hall	79,000	117,872	38,872
Concessions	14,500	27,672	13,172
Miscellaneous revenues	1,500	3,226	1,726
Total revenues	<u>609,915</u>	<u>728,699</u>	<u>118,784</u>
Expenditures - culture and recreation:			
Wages and benefits	825,523	795,464	30,059
Services/charges	483,031	458,215	24,816
Supplies	73,100	60,586	12,514
Travel	8,471	2,179	6,292
Total expenditures	<u>1,390,125</u>	<u>1,316,444</u>	<u>73,681</u>
Excess of revenues over (under) expenditures	(780,210)	(587,745)	192,465
Other financing sources - transfers in	827,865	648,897	(178,968)
Net change in fund balance	\$ <u>47,655</u>	<u>61,152</u>	<u>13,497</u>
Beginning fund balance		140,775	
Ending fund balance	\$ <u>201,927</u>		

**CITY OF SOLDOTNA, ALASKA**  
Multi-Jurisdictional Task Force Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-  
Budget and Actual  
Year Ended June 30, 2009

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**CITY OF SOLDOTNA, ALASKA**  
 Building Improvements Capital Project Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance-  
 Budget and Actual  
 Year Ended June 30, 2009

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
Revenues - miscellaneous	\$	10,000	10,000
Expenditures - capital outlay	<u>421,375</u>	<u>319,984</u>	<u>101,391</u>
Excess of revenues over (under) expenditures	(421,375)	(309,984)	111,391
Other financing sources (uses):			
Transfers in	491,375	392,336	(99,039)
Transfers out		(84,948)	(84,948)
Net other financing sources (uses)	<u>491,375</u>	<u>307,388</u>	<u>(183,987)</u>
Net change in fund balance	\$ <u>70,000</u>	(2,596)	<u>(72,596)</u>
Beginning fund balance		29,038	
Ending fund balance		\$ <u>26,442</u>	

**CITY OF SOLDOTNA, ALASKA**  
 Small Capital Projects Capital Project Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance-  
 Budget and Actual  
 Year Ended June 30, 2009

	Final <u>Budget</u>	Actual	Variance Positive <u>(Negative)</u>
Expenditures - capital outlay	\$ 375,000	53,762	<u>321,238</u>
Other financing sources (uses):			
Transfers in	440,000		(440,000)
Transfers out		(486,912)	(486,912)
Net other financing sources (uses)	<u>440,000</u>	<u>(486,912)</u>	<u>(926,912)</u>
Net change in fund balance	\$ <u>65,000</u>	(540,674)	<u>(605,674)</u>
Beginning fund balance		<u>570,241</u>	
Ending fund balance	\$	<u>29,567</u>	

**CITY OF SOLDOTNA, ALASKA**  
 Historical Society and Scholarship Pennanent Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance-  
 Budget and Actual  
 Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - interest income	\$ 222,720	35,455	(187,265)
Expenditures:			
Scholarships	50,455	8,500	41,955
Inflation proofing	8,078		8,078
Historical Society	8,665	8,665	
Total expenditures	<u>67,198</u>	<u>17,165</u>	<u>50,033</u>
Net change in fund balance	\$ <u>155,522</u>	18,290	<u>(137,232)</u>
Beginning fund balance		<u>1,721,120</u>	
Ending fund balance	\$	<u>1,739,410</u>	

**CITY OF SOLDOTNA, ALASKA**  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2009

Assets	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Compensated Absences</u>	Total Internal Service Funds
Current assets:				
Equity in central treasury	\$ 50	1,294,339	332,400	1,626,789
Inventories	23,719			23,719
Total current assets	<u>23,769</u>	<u>1,294,339</u>	<u>332,400</u>	<u>1,650,508</u>
Capital assets:				
Equipment		3,845,732		3,845,732
Accumulated depreciation		(2,668,309)		(2,668,309)
Total capital assets net of accumulated depreciation		<u>1,177,423</u>		<u>1,177,423</u>
Total assets	<u>\$ 23,769</u>	<u>2,471,762</u>	<u>332,400</u>	<u>2,827,931</u>
<hr/> <u>Liabilities and Net Assets</u> <hr/>				
Current liabilities:				
Accounts payable	3,222	493		3,715
Due to other funds	15,053			15,053
Other liabilities	5,494			5,494
Compensated absences			332,400	332,400
Total current liabilities	<u>23,769</u>	<u>493</u>	<u>332,400</u>	<u>356,662</u>
Net assets:				
Invested in capital assets		1,177,423		1,177,423
Unrestricted		1,293,846		1,293,846
Total net assets		<u>2,471,269</u>		<u>2,471,269</u>
Total liabilities and net assets	<u>\$ 23,769</u>	<u>2,471,762</u>	<u>332,400</u>	<u>2,827,931</u>

## CITY OF SOLDOTNA, ALASKA

## Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2009

	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
Operating revenues - charges for services	\$ 249,854	154,331	339,651	743,836
Operating expenses:				
Wages and benefits	152,926		339,651	492,577
Services/charges	50,245			50,245
Supplies	12,548			12,548
Insurance	40,675			40,675
Depreciation		139,300		139,300
Total operating expenses	256,394	139,300	339,651	735,345
Operating income (loss)	(6,540)	15,031		8,491
Nonoperating revenues:				
Interest income		28,976		28,976
Gain on equipment disposal		4,671		4,671
Total nonoperating revenues		33,647		33,647
Change in net assets	(6,540)	48,678		42,138
Beginning net assets	6,540	2,422,591		2,429,131
Ending net assets	\$	2,471,269		2,471,269

**CITY OF SOLDOTNA, ALASKA**  
Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2009

		Equipment Main- tenance	Equipment Replace- ment	Compensated Absences	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from other funds	\$	249,854	154,331	339,651	743,836
Payments to suppliers		(99,434)			(99,434)
Payments to employees		(150,420)		(344,890)	(495,310)
Net cash flows from operating activities		<u>          </u>	154,331	<u>(5,239)</u>	149,092
Cash flows from capital and related financing activities:					
Acquisition of capital assets			(314,909)		(314,909)
Proceeds from sale of equipment			4,671		4,671
Net cash flows from capital and related financing activities		<u>          </u>	<u>(310,238)</u>	<u>          </u>	(310,238)
Cash flows from investing activities -					
interest received			28,976		28,976
Net decrease in cash and cash equivalents			(126,931)	(5,239)	(132,170)
Beginning cash and cash equivalents		<u>50</u>	<u>1,421,270</u>	337,639	1,758,959
Ending cash and cash equivalents	\$	<u>50</u>	<u>1,294,339</u>	<u>332,400</u>	<u>1,626,789</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$	(6,540)	15,031		8,491
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation			139,300		139,300
Decrease in inventories		3,471			3,471
Increase in due to other funds		1,127			1,127
Decrease in accounts payable		(564)			(564)
Increase in other liabilities		2,506			2,506
Decrease in compensated absences				(5,239)	(5,239)
Total adjustments		<u>6,540</u>	<u>139,300</u>	<u>(5,239)</u>	<u>140,601</u>
Net cash flows from operating activities	\$	<u>          </u>	154,331	<u>(5,239)</u>	149,092

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CITY OF SOLDOTNA, ALASKA

Statistical Section

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

Contents

Financial Trends

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

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Table 2 Changes in Net Assets	67
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Table 4 Fund Balances of Governmental Funds	69
Table 5 Changes in Fund Balances of Governmental Funds	70
Table 6 General Governmental Tax Revenues by Source	71

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	72
Table 8 Direct and Overlapping Sales Tax Rates	73

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. At the end of fiscal year 2008, the City of Soldotna had no outstanding debt, and therefore, only applicable schedules containing debt information will be presented.

Table 9 Computation of Direct and Overlapping Debt	74
Table 10 Legal Debt Margin Information	75

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 11 Demographic and Economic Statistics	76
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Operating Information

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

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Table 13 Operating Indicators by Function/Program	78
Table 14 Capital Asset Statistics by Function/Program	79

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

CITY OF SOLDOTNA, ALASKA  
 Net Assets by Component  
 Last Six Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 49,105,404	\$ 51,770,097	\$ 54,907,163	\$ 58,658,676	\$ 62,629,464	\$ 67,903,793
Restricted	8,194,171	8,867,998	7,147,995	11,714,325	1,775,777	1,789,636
Unrestricted	<u>9,474,768</u>	9,435,222	10,309,347	7,788,115	22,718,781	24,844,041
Total governmental activities net assets	\$ <u>66,774,343</u>	\$ 70,073,317	\$ 72,364,505	\$ 78,161,116	\$ 87,124,022	\$ 94,537,470

Note: Data for years prior to GASB 34 implementation is unavailable; therefore, only six years of data is being presented.



CITY OF SOLDOTNA, ALASKA  
Changes in Net Assets  
Last Six Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses						
Governmental activities:						
General government	\$ 1,204,387	\$ 1,727,475	\$ 1,614,821	\$ 1,753,181	\$ 2,199,344	\$ 2,330,134
Public safety	1,424,339	1,583,603	1,751,334	1,903,798	2,290,966	2,068,646
Public works	1,613,807	1,406,670	1,848,778	1,925,362	1,863,775	2,221,500
Parks, recreation and culture	1,796,674	2,000,313	2,093,921	2,210,566	2,216,019	2,316,966
Utilities	1,115,931	1,215,381	1,282,233	1,658,312	1,855,971	1,835,951
Airport	289,031	265,869	435,281	240,134	242,044	224,872
Interest on long-term debt	55,002	35,613	14,700			
Total governmental activities expenses	\$ <u>7,499,171</u>	\$ <u>8,234,924</u>	\$ <u>9,041,068</u>	\$ <u>9,691,353</u>	\$ <u>10,668,119</u>	\$ <u>10,998,069</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 75,340	\$ 67,176	\$ 67,765	\$	\$ 32,400	\$ 32,400
Public safety	20,999	27,238	40,877	189,962	197,156	107,860
Public works	86,059	355,339	117,074	3,916		275,756
Parks, recreation and culture	574,964	591,933	610,940	659,354	702,605	751,356
Utilities	878,788	912,766	1,036,163	1,105,978	1,064,673	1,126,026
Airport	74,390	77,133	88,270	117,359	58,009	85,303
Operating grants and contributions	232,672	128,157	230,156	105,633	1,435,285	98,032
Capital grants and contributions	2,389,572	2,517,722	1,626,510	4,426,756	5,338,697	5,870,086
Total governmental activities program revenues	\$ <u>4,332,784</u>	\$ <u>4,677,464</u>	\$ <u>3,817,755</u>	\$ <u>6,608,958</u>	\$ <u>8,828,825</u>	\$ 8,346,819
Net (Expense)/Revenue						
Governmental activities	\$ <u>(3,166,387)</u>	\$ <u>(3,557,460)</u>	\$ <u>(5,223,313)</u>	\$ <u>(3,082,395)</u>	\$ <u>(1,839,294)</u>	\$ <u>(2,651,250)</u>
General Revenues and Other						
Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	\$ 528,075	\$ 532,373	\$ 591,070	\$ 664,965	\$ 729,791	\$ 806,256
Sales taxes	5,955,645	6,010,468	6,447,488	6,924,374	7,447,024	7,703,999
Grants not restricted				406,010	1,762,503	753,501
Investment earnings	152,510	313,372	470,143	830,458	833,168	502,296
Sale of capital assets	49,301	221	5,800			
Other				53,199	29,714	59,004
Total governmental activities	\$ <u>6,685,531</u>	\$ <u>6,856,434</u>	\$ <u>7,514,501</u>	\$ <u>8,879,006</u>	\$ <u>10,802,200</u>	\$ <u>9,825,056</u>
Changes in Net Assets						
Governmental activities	\$ <u>3,519,144</u>	\$ <u>3,298,974</u>	\$ <u>2,291,188</u>	\$ <u>5,796,611</u>	\$ <u>8,962,906</u>	\$ <u>7,173,806</u>

Note: Data for years prior to GASB 34 implementation is unavailable; therefore, only six years of data is being presented.

**CITY OF SOLDOTNA, ALASKA**  
 Governmental Activities Tax Revenues by Source  
 Last Six Fiscal Years  
 (accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2004	\$ 528,075	\$ 5,955,645	\$ 6,483,720
2005	532,373	6,010,468	6,542,841
2006	591,070	6,447,488	7,038,558
2007	664,965	6,924,374	7,589,339
2008	729,791	7,447,024	8,176,815
2009	806,256	7,703,999	8,510,255

**Note:** Data for years prior to GASB 34 implementation is unavailable; therefore, only six years of data is being presented.

**CITY OF SOLDOTNA, ALASKA**  
 Fund Balances of Governmental Funds  
 Last Six Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	2006	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:						
Reserved	\$ 3,081,595	\$ 2,809,001	\$ 2,023,113	\$ 102,316	\$ 88,813	\$ 153,511
Unreserved	5,256,847	4,577,780	5,438,821	5,529,650	10,183,618	15,332,863
Total General Fund	<u>\$ 8,338,442</u>	<u>\$ 7,386,781</u>	<u>\$ 7,461,934</u>	<u>\$ 5,631,966</u>	<u>\$ 10,272,431</u>	<u>\$ 15,486,374</u>
All other governmental funds:						
Reserved	\$ 4,773,672	\$ 481,787	\$ 1,471,048	\$ 1,334,808	\$ 2,745,302	\$ 3,603,469
Unreserved, reported in:						
Special revenue funds	2,687,615	3,656,954	3,211,568	3,798,888	3,839,208	4,082,259
Capital project funds	(39,015)	3,925,297	2,746,468	6,523,108	6,181,080	1,963,838
Permanent fund	45,374	40,613	49,199	57,035		
Debt service fund	728,774	742,662	248,510	7,167		
Total all other governmental funds	<u>\$ 8,196,420</u>	<u>\$ 8,847,313</u>	<u>\$ 7,726,793</u>	<u>\$ 11,721,006</u>	<u>\$ 12,765,590</u>	<u>\$ 9,649,566</u>

**Note:** Data for years prior to GASB 34 implementation is unavailable; therefore, only six years of data is being presented.

CITY OF SOLDOTNA, ALASKA  
 Changes in Fund Balances of Governmental Funds  
 Last Six Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Revenues</b>						
Property taxes	\$ 524,523	\$ 554,075	\$ 592,522	\$ 662,313	\$ 728,025	\$ 803,576
Sales taxes	5,955,645	6,010,468	6,447,488	6,924,374	7,447,024	7,703,999
Intergovernmental	2,620,399	2,645,878	1,701,665	2,247,262	4,835,270	5,279,542
Charges for services	1,615,810	1,838,767	1,786,270	2,088,039	1,938,099	2,039,318
Investment earnings	152,510	313,372	470,143	754,913	771,740	473,320
Special assessments	7,178	130,083	65,281	41,708	16,037	82,250
Other revenues	93,960	120,047	166,407	72,884	1,617,361	138,982
<b>Total revenues</b>	<b>10,970,025</b>	<b>11,612,690</b>	<b>11,229,776</b>	<b>12,791,493</b>	<b>17,353,556</b>	<b>16,520,987</b>
<b>Expenditures</b>						
General government	1,206,734	2,215,329	1,429,326	1,521,528	1,823,596	2,028,714
Public safety	1,362,036	1,403,898	1,578,515	1,785,227	1,963,895	1,998,462
Public works	1,083,159	1,146,541	1,343,548	1,480,754	1,500,992	1,703,357
Parks, recreation and culture	1,187,610	1,321,992	1,408,217	1,512,974	1,577,839	1,674,771
Public utilities	684,816	720,174	762,102	845,892	949,815	994,618
Airport	121,363	116,252	90,021	87,294	92,595	82,634
Capital outlay	4,177,192	4,301,011	4,643,995	3,401,942	3,759,775	5,940,512
Debt service:						
Principal	445,000	465,000	490,000			
Interest	61,306	42,394	22,050			
<b>Total expenditures</b>	<b>10,329,216</b>	<b>11,732,591</b>	<b>11,767,774</b>	<b>10,635,611</b>	<b>11,668,507</b>	<b>14,423,068</b>
<b>Other financing sources (uses)</b>						
Transfers in	2,244,981	3,503,937	2,711,142	5,686,541	747,269	7,769,427
Transfers out	(2,419,981)	(3,719,304)	(3,224,311)	(5,678,178)	(747,269)	(7,769,427)
Sale of capital asset	294,000	34,500	5,800			
<b>Total other financing sources (uses)</b>	<b>119,000</b>	<b>(180,867)</b>	<b>(507,369)</b>	<b>8,363</b>		
<b>Net change in fund balances</b>	<b>\$ 759,809</b>	<b>\$ (300,768)</b>	<b>\$ (1,045,367)</b>	<b>\$ 2,164,245</b>	<b>\$ 5,685,049</b>	<b>\$ 2,097,919</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.01%</b>	<b>6.58%</b>	<b>6.71%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

Note: Data for years prior to GASB 34 implementation is unavailable; therefore, only six years of data is being presented.

**CITY OF SOLDOTNA, ALASKA**  
**General Governmental Tax Revenues by Source**  
**Last Ten Fiscal Years**  
 (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Total</u>
.2000	435,960	4,677,110	5,113,070
2001	446,415	4,837,754	5,284,169
2002	459,587	5,116,634	5,576,221
2003	487,320	5,249,485	5,736,805
2004	524,523	5,955,645	6,480,168
2005	554,075	6,010,468	6,564,543
2006	592,522	6,447,488	7,040,010
2007	662,313	6,924,374	7,586,687
2008	728,025	7,447,024	8,175,049
2009	803,576	7,703,999	8,507,575

**CITY OF SOLDOTNA, ALASKA**

## Taxable Sales by Category

## Current Fiscal Year

Administrative, waste management	\$	1,267,173
Agriculture, forestry, fishing & hunting		27,233
Arts and entertainment		1,106,958
Construction contracting		1,092,090
Educational services		517,182
Finance and insurance		101,469
Guiding		689,618
Health care and social assistance		549,291
<i>HoteVmotelJB&amp;B</i>		3,937,653
Information		9,417,290
Management		69,077
Manufacturing		1,810,040
Mining/quarrying'		12,102
Professional, scientific & technical services		4,059,445
Public administration		990,903
Rental property		7,800,053
RestaurantlBar		22,795,976
Retail trade		184,168,284
Services		7,726,693
Telecommunications		1,277,728
Transportation and warehousing		123,601
Utilities		6,805,692
Wholesale trade		<u>2,174,590</u>
Total	\$	<u>258,520,141</u>
City direct sales tax rate		3%

**Source:** Kenai Peninsula Borough Sales Tax Department.

**CITY OF SOLDOTNA, ALASKA**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

Fiscal Year	City Direct Rate	Kenai Peninsula Borough
2000	3.00	2.00
2001	3.00	2.00
2002	3.00	2.00
2003	3.00	2.00
2004	3.00	2.00
2005	3.00	2.00
2006	3.00	2.00
2007	3.00	2.00
2008	3.00	3.00
2009	3.00	3.00

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

CITY OF SOLDOTNA, ALASKA  
 Computation of Direct and Overlapping Debt  
 As of June 30, 2009

Governmental Unit	Debt <u>Outstanding</u>	Estimated Percentage <u>Applicable (1)</u>	City of Soldotna's Share of <u>Debt</u>
City of Soldotna	\$	100.00%	\$
Kenai Peninsula Borough	20,164,000	7.87%	1,587,807
Central Peninsula General Hospital	<u>39,775,000</u>	12.14%	<u>4,828,630</u>
Total Direct and Overlapping	\$ <u>59,939,000</u>		\$ <u>6,416,436</u>

Source: Kenai Peninsula Borough.

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

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

CITY OF SOLDOTNA, ALASKA  
Legal Debt Margin Information

Alaska State Law / Soldotna Municipal Code

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

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

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

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

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

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

CITY OF SOLDOTNA, ALASKA  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	City of Soldotna	Kenai Peninsula Borough (A)				
	PopUlation	Population	Personal Income (amount expressed in thousands)	Per Capita Personal Income	Median Age	Unemployment Rate (1)
2000	3,759	49,648	1,398,638	28,171	36.3	8.0%
2001	3,791	50,040	1,446,609	28,909	35.9	7.9%
2002	3,856	50,828	1,472,511	28,970	36.4	9.4%
2003	3,992	50,928	1,446,343	28,400	36.6	10.0%
2004	3,767	51,325	1,530,917	29,828	37.4	9.5%
2005	3,869	51,529	1,616,263	31,366	38.0	8.8%
2006	3,807	52,117	1,753,889	33,653	39.7	8.1%
2007	3,982	53,084	1,879,960	35,415	39.1	7.7%
2008	4,061	52,990	1,879,960 *	35,478	39.2	8.2%
2009	4,061 *	52,990 *	1,879,960 *	35,478 *	39.2 *	8.2% *

Source: The Bureau of Economic Analysis, the State of Alaska and the Kenai Peninsula Borough.

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

(A) Data for the City of Soldotna is not available, but should be comparable to this data which is for the Kenai Peninsula Borough.

(1) Data is provided by the State of Alaska Department of Labor and is the average rate for the previous calendar year.

\* Data unavailable at this time, prior year information is used.

**CITY OF SOLDOTNA, ALASKA**  
 Full-time Equivalent City Government Employees by Function/Program  
 Current Fiscal Year

Function/Program	<u>Full-time Equivalent Employees</u>
General government	9.08
Public safety	17.29
Public works	14.65
Parks, recreation and culture	17.76
Utilities	<u>5.21</u>
Total	<u>63.99</u>

**Source:** City of Soldotna Finance Department.

**CITY OF SOLDOTNA, ALASKA**  
**Operating Indicators by Function/Program**  
**Current Fiscal Year**

<u>Function/Program</u>		
<b>Police:</b>		
Arrests		773
Parking/non-moving violations		39
Traffic violations		2,622
Requests for service		3,184
<b>Animal Control:</b>		
Animals handled		311 *
Animals licensed		92 *
<b>Library:</b>		
Volumes in collection		44,622
Volumes checked out		113,811
<b>Water:</b>		
New connections		25
Water main breaks		2
Average daily consumption (gallons)		662,950
<b>Wastewater:</b>		
New connections		23
Average daily sewage treatment (gallons)		581,333

**Source:** Various City Departments.

\* Data presented for calendar year 2008 (available only on a calendar year basis).

CITY OF SOLDOTNA, ALASKA  
Capital Asset Statistics by Function/Program  
Current Fiscal Year

Function/Program

Public works:

Area in square miles	7.5
Streets (miles)	40.71
Traffic lights	9

Police:

Stations	1
Patrol units	13

Animal Control:

Shelters	1
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Water:

Water mains (miles)	33.2
Fire hydrants	311
Storage capacity (millions of gallons per day)	1.5

Wastewater:

Sanitary sewers (miles)	26.27
Stonn drains (miles)	10.15
Treatment facilities	1
Treatment capacity (millions of gallons per day)	1.1

Parks and recreation:

Park acreage	223.1
Number of facilities:	
Parks	10
Ball fields	8
Rodeo grounds	1
Libraries	1
Museums	1
Visitor information centers	1
Ice skating arena, sports and conference centers	1

Source: Various City Departments.

