



## City of Palmer, Alaska

Basic Financial Statements  
Year Ended December 31, 2014

DeLena Johnson  
Mayor

Joe Hannan  
City Manager

Prepared by  
Finance Department

Esther Greene, CMFO  
Finance Director

# City of Palmer, Alaska

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# City of Palmer, Alaska

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## Independent Auditor's Report

Honorable Mayor and  
Members of the City Council  
City of Palmer, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Palmer, Alaska, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise City of Palmer's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Palmer, Alaska, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

### *Other Information*

Our audit for the year ended December 31, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Palmer's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance are required by OMB Circular A-133 and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.



The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2014 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Palmer as of and for the year ended December 31, 2013 (not presented herein), and have issued our report thereon dated June 27, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2013.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2015 on our consideration of City of Palmer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palmer's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
June 2, 2015

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## Management's Discussion and Analysis

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## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

December 31, 2014

As management of the City of Palmer, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Palmer for the fiscal year ended December 31, 2014. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follow this section.

#### **Financial Highlights**

- The City's assets and deferred outflows exceeded its liabilities at the close of the 2014 fiscal year by \$90,581,365. This amount represents an increase of \$6,016,953 from the previous year. Of the total net position, \$6,493,516 is Unrestricted Net Position and is available to meet the City's ongoing obligations.
- As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$5,625,678, an increase of \$1,288,172.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$2,685,174 or 24% of total General Fund expenditures. The Nonspendable fund balance was \$1,228,561 which consists of prepaid items, inventory, and advances to other funds. The remaining balance was assigned for vested unpaid vacation and sick leave.
- In October 2013, the City of Palmer entered into a loan agreement with Alaska Department of Environmental Conservation from the Alaska Drinking Water Fund for the Southwest Utility Expansion Phase IIb project in the amount of \$1,071,429. In 2014 the City drew down \$703,144 on that loan. The City's outstanding loans and bonds payable totals \$3,885,657, a net increase of \$315,048 from the previous year.

#### **Overview of Financial Statements**

This financial statement is comprised of four segments as dictated by Generally Accepted Accounting Principles (GAAP): Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information and Other Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the City of Palmer.

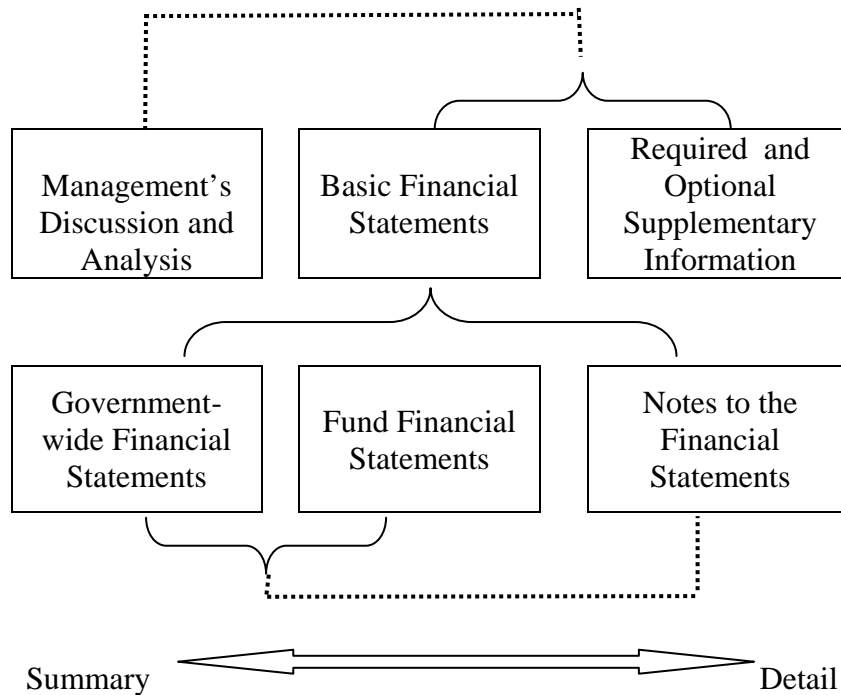
- The Government-wide Financial Statements provide both long-term and short-term information about the City's overall financial status.
- The Fund Financial Statements focus on individual parts of Palmer's government, reporting the City's operations in more detail than the Government-wide Statements.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

- The governmental funds statements explain how general government services like public safety were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Water/Sewer Utility, Refuse, Airport, Land Development and Golf Course.

**Illustration A-1  
Required Components of  
City of Palmer's Financial Report**



The financial statements also include notes, which elaborate on some of the information in the financial statements, and provide more detailed data. These financial statements are followed by a section of supplementary financial information that further explains and supports the information in the financial statements. In addition to these elements, we have included other information such as the City's single audit information. Illustration A-2 summarizes the major features of the City's financial statements. The remainder of this overview section of the Management's Discussion and Analysis explains the structure and contents of each of the statements.

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Overview of Financial Statements, continued**

<b>Illustration A-2</b>			
<b>Major Features of City of Palmer's Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire and public works	Activities the City operates similar to private businesses; Water/Sewer utility, Refuse, Airport, Land Development, and Golf Course
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net position *Statement of revenues, expenses and changes in net position *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Palmer's finances in a manner similar to a private-sector business. These statements can be located on pages 20-21 of this document.

- The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate the improvement or deterioration of the City's financial position.
- The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities - These are functions such as public safety and public works, services that are principally supported by taxes and intergovernmental revenue.
- Business-type activities - These functions are intended to recover all or a significant portion of their costs through user fees and charges. The City's Water/Sewer Utility, Refuse, Airport, Land Development, and Golf Course fall within this category.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palmer, 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 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 statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-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 short-term financing requirements.

Because the focus of 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 short-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 PALMER, ALASKA

### Management's Discussion and Analysis

#### **Fund Financial Statements, continued**

The City of Palmer maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. The seven nonmajor governmental funds include Special Revenue Funds: Narcotics Grant, Police Grants, Neighborhood Parks Development, and Asset Forfeiture; and Capital Projects Funds: Capital Projects, Equipment and Road Improvements. The combining statements for these nonmajor funds can be found on pages 57-58 of this report.

The City adopts annual appropriated budgets for the General Fund and most nonmajor governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

Proprietary funds - The City maintains enterprise funds, a type of proprietary fund, to report the same functions presented as business-type activities in the government-wide financial statements. The City of Palmer's major enterprise funds are Water and Sewer, Airport, and Golf Course; and its nonmajor enterprise funds are Refuse and Land Development.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 26-30 of this report.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-51 of this report.

#### **Government-wide Financial Analysis**

At the close of the 2014 fiscal year, the City's net position (assets and deferred outflows exceeding liabilities) totaled \$90,581,365 (see Table A-1). Of this amount \$83,964,078, or 92%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Palmer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted. The unrestricted amount totals \$6,493,516, and is available to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Palmer is able to report positive balances in these two categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Government-wide Financial Analysis, continued**

**Table A-1  
City of Palmer's Net Position  
2014 and 2013**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 6,541,771	5,901,171	2,875,173	2,324,133	9,416,944	8,225,304
Capital assets	21,224,572	21,033,165	66,665,321	61,072,823	87,889,893	82,105,988
Deferred outflows	<u>75,571</u>	<u>83,526</u>	<u>-</u>	<u>-</u>	<u>75,571</u>	<u>83,526</u>
Total assets	<u>27,841,914</u>	<u>27,017,862</u>	<u>69,540,494</u>	<u>63,396,956</u>	<u>97,382,408</u>	<u>90,414,818</u>
Long-term liabilities outstanding	1,536,577	1,762,092	2,937,478	2,415,098	4,474,055	4,177,190
Other liabilities	<u>518,700</u>	<u>1,113,698</u>	<u>1,808,288</u>	<u>559,518</u>	<u>2,326,988</u>	<u>1,673,216</u>
Total liabilities	<u>2,055,277</u>	<u>2,875,790</u>	<u>4,745,766</u>	<u>2,974,616</u>	<u>6,801,043</u>	<u>5,850,406</u>
Net position:						
Net investment in capital assets	20,174,415	19,680,255	63,789,663	58,708,561	83,964,078	78,388,816
Restricted	123,771	129,033	-	-	123,771	129,033
Unrestricted	<u>5,488,451</u>	<u>4,332,784</u>	<u>1,005,065</u>	<u>1,713,779</u>	<u>6,493,516</u>	<u>6,046,563</u>
Total net position	\$ <u>25,786,637</u>	<u>24,142,072</u>	<u>64,794,728</u>	<u>60,422,340</u>	<u>90,581,365</u>	<u>84,564,412</u>

As reflected in Table A-2, the City's net position increased by \$6,016,953 during the 2014 fiscal year. Revenues exceeded expenditures in the governmental activities by \$1,644,565 and in the business-type activities revenues exceeded expenses by \$4,372,388. Key elements of the increases and decreases follow:

**Table A-2  
City of Palmer's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program revenues:						
Charges for service	\$ 2,890,995	2,118,460	3,748,668	3,285,449	6,639,663	5,403,909
Operating grants and contributions	1,153,348	180,044	93,544	44,452	1,246,892	224,496
Capital grants and contributions	1,123,609	783,420	6,263,261	692,846	7,386,870	1,476,266
General revenues:						
Property taxes	1,227,789	1,164,261	-	-	1,227,789	1,164,261
Sales taxes	6,494,251	6,121,186	-	-	6,494,251	6,121,186
Other	<u>772,333</u>	<u>1,206,420</u>	<u>-</u>	<u>107,019</u>	<u>772,333</u>	<u>1,313,439</u>
Total revenues	\$ <u>13,662,325</u>	<u>11,573,791</u>	<u>10,105,473</u>	<u>4,129,766</u>	<u>23,767,798</u>	<u>15,703,557</u>

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Government-wide Financial Analysis, continued**

**Table A-2  
City of Palmer's Changes in Net Position, continued**

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Expenses:						
General government	\$ 2,818,417	1,950,822	-	-	2,818,417	1,950,822
Public safety	5,251,827	4,790,181	-	-	5,251,827	4,790,181
Public works	2,474,104	2,460,774	-	-	2,474,104	2,579,840
Community services	1,631,748	2,579,840	-	-	1,631,748	2,579,840
Water and sewer utility	-	-	3,420,518	3,224,331	3,420,518	3,224,331
Airport	-	-	802,834	751,952	802,834	751,952
Refuse	-	-	552,867	528,005	552,867	528,005
Golf Course	-	-	760,445	709,686	760,445	709,686
Interest expense	<u>38,085</u>	<u>39,575</u>	<u>-</u>	<u>-</u>	<u>38,085</u>	<u>39,575</u>
Total expenses	<u>12,214,181</u>	<u>11,126,218</u>	<u>5,563,664</u>	<u>5,213,974</u>	<u>17,750,845</u>	<u>16,340,192</u>
Increase (decrease) in net position before transfers	1,448,144	447,573	4,568,809	(1,084,208)	6,016,953	(636,635)
Transfers	<u>196,421</u>	<u>123,926</u>	<u>(196,421)</u>	<u>(123,926)</u>	<u>-</u>	<u>-</u>
Increase (decr) net position	1,644,565	571,499	4,372,388	(1,208,134)	6,016,953	(636,635)
Beginning net position	<u>24,142,072</u>	<u>23,570,573</u>	<u>60,422,340</u>	<u>61,630,474</u>	<u>84,564,412</u>	<u>85,201,047</u>
Ending net position	<u>\$ 25,786,637</u>	<u>24,142,072</u>	<u>64,794,728</u>	<u>60,422,340</u>	<u>90,581,365</u>	<u>84,564,412</u>

**Governmental Activities**

Governmental activities increased the City of Palmer's net position by \$1,644,565. The increase is primarily a result of revenues exceeding expenditures, capital outlays exceeding depreciation by \$191,407, and a net decrease in total deferred inflows of deferred special assessments and deferred property taxes of \$53,782. There was an increase in charges for services by \$772,535. Property taxes increased by \$63,528 and sales tax collections increased by \$373,065 over the amount collected in 2013. The City's expenditures increased in the amount of \$1,087,963 from 2013. Net transferred in to governmental activities was \$196,421 primarily due to budgeted PILT.

**Business-Type Activities**

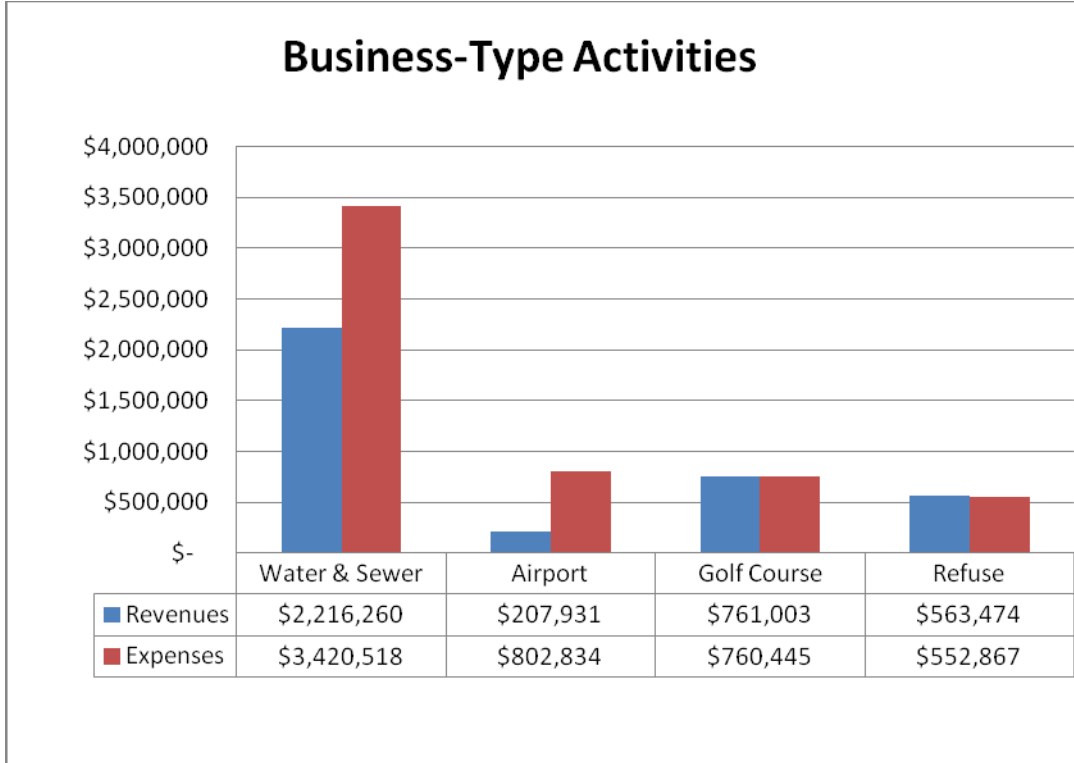
The City's business-type activities had an increase of \$4,372,388 in net position from 2014 primarily as a result of the receipt of large capital grants. At the operating level expenses exceed operating revenue and basic charges for services.

The following graph shows expenses and operating revenues for all of the business-type activities in 2014. Not included in the revenues are capital grants, contributions, and investment earnings. As reflected in the graph, all funds had expenses in excess of service revenues. In each case, except for the Airport Fund, if depreciation cost were removed, operating revenues would exceed operating expenses.

CITY OF PALMER, ALASKA

Management’s Discussion and Analysis

**Program Revenue & Expenses - Business-Type Activity**



**Financial Analysis of the Government’s Funds**

**Governmental funds** - The focus of the City of Palmer's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending following the end of the fiscal year. As of December 31, 2014, the City’s governmental funds reported combined ending fund balances of \$5,625,678, an increase of \$1,288,172 or approximately 30% compared to balances a year earlier. Of the ending balance, \$2,685,174, 48% is unassigned and available to the City for future spending. The remaining fund balance is nonspendable, restricted, committed or assigned. The increase of total fund balance during the year is attributed to an increase in sales tax revenues.

- The City maintains three capital project funds that account for the use of bond proceeds, intergovernmental grants and transfers from the General Fund to support the construction of capital improvements. Financial resources in these funds are intended to eventually be totally expended once the capital improvements have been completed. During the course of 2014, the fund balances of these capital project funds declined by \$102,598.

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

**Proprietary funds** - The City of Palmer's proprietary funds provide the same type of information found in the government-wide financial statements.

The Water and Sewer Fund's unrestricted net position is \$719,328, a decrease of \$632,401 primarily due to an increase in capital assets, some of which were funded through transfers from other funds. The City share of grants will cause unrestricted net assets to decline in future years due to increased capital project activity requiring the City to expend additional matching funds.

The Refuse Fund unrestricted net position is \$1,101,618, an increase of \$32,768. Cash and investments decreased slightly and there was an increase in property, plant, and equipment during 2014.

The Golf Course unrestricted net position shows a deficit of \$410,118 compared to a deficit of \$392,902 at the end of 2013. Operating revenues exceeded operating expenses before depreciation by \$55,223. The Golf Course operating revenues increased by \$147,091 from the prior year, and operating expenses before depreciation decreased by \$50,472.

The Airport Fund unrestricted net position shows a deficit of \$573,946 compared to a deficit of \$482,081 at the end of 2013. This is the result of an increase in expenses.

The Land Development Fund unrestricted net position did not change from 2013. There is no change from the prior year due to no activity in the fund during the year.

#### **General Fund Budgetary Highlights**

While the original adopted budget had revenues exceeding expenditures and transfers by \$168,619, the final general fund budget reflects revenues exceeding expenditures and transfers by \$717,330.

Differences between the original budget and the final amended budget are described below:

- The final budget increased total revenues and transfers by \$2,320,491 including an increase of \$14,549 for motor vehicle taxes, and an increase of \$9,400 for a volunteer fire department grant. PERS relief funding is funding provided by the state to political subdivisions to offset the unfunded state pension liability.
- The final budget increased expenditures by \$1,771,780 including an increase of \$78,152 in transfers to other funds.

#### **Capital Asset and Debt Administration**

Capital assets - As detailed in Table A-3 below, the City of Palmer's investment in capital assets for its governmental and business-type activities as of December 31, 2014, totals \$87,889,893 (net of accumulated depreciation). This amount represents a \$5,783,905 increase over the previous year.

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Table A-3**  
**City of Palmer's Capital Assets (Net of depreciation)**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,625,216	1,569,842	3,229,346	3,229,346	4,854,562	4,799,188
Buildings	3,197,594	3,525,085	124,319	152,899	3,321,913	3,677,984
Improvements other than buildings	11,740,892	11,729,651	54,848,828	55,620,544	66,589,720	67,350,195
Machinery and equipment	1,818,972	1,447,256	1,035,960	945,845	2,854,932	2,393,101
Construction work in progress	<u>2,841,899</u>	<u>2,761,331</u>	<u>7,426,868</u>	<u>1,124,189</u>	<u>10,268,767</u>	<u>3,885,520</u>
Total capital assets	<u>\$21,224,572</u>	<u>21,033,165</u>	<u>66,665,321</u>	<u>61,072,823</u>	<u>87,889,893</u>	<u>82,105,988</u>

Major capital events during the 2014 year included:

- Storm Water Mast Plan
- Steel Water Main Improvements
- Airport Crack Sealing
- Sewer and Water Line Extensions
- Wastewater Treatment Plant Improvements
- Arena Upgrades

Additional information on the City's capital assets can be found in note 5 on pages 39-40 of this report.

Long-term debt - At the end of the 2014, the City of Palmer had total debt outstanding of \$4,358,326 excluding the amortized premium on bonds in the amount of \$115,728.

**Table A-4**  
**City of Palmer's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
GO Bonds	\$ 1,010,000	\$ 1,225,000	-	-	1,010,000	1,225,000
Loans payable	-	-	2,875,657	2,345,609	2,875,657	2,345,609
Capital lease_	=	=	=	<u>18,653</u>	=	<u>18,653</u>
Total	<u>1,010,000</u>	<u>1,225,000</u>	<u>2,875,657</u>	<u>2,364,262</u>	<u>3,885,567</u>	<u>3,589,262</u>
Compensated absences	<u>410,849</u>	<u>409,182</u>	<u>61,820</u>	<u>50,836</u>	<u>472,669</u>	<u>460,018</u>
Total long-term debt	<u>\$ 1,420,849</u>	<u>1,634,182</u>	<u>2,937,477</u>	<u>2,415,098</u>	<u>4,358,326</u>	<u>4,049,280</u>

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

In 2005 the City accomplished a bond refunding on \$865,000 in general obligation debt for the Golf Course, with a reduction in the interest rate over 10 years from 5%-6% to 3%-5%.

In 2005 the City entered into an agreement with the Alaska Department of Environmental Conservation (ADEC) for a Clean Water Loan and Drinking Water Loan in the amounts of \$1,115,000 and \$1,150,000, respectively. In 2006, the loan amounts were amended to \$1,518,000 and \$782,000 respectively. The City has three other loan agreements with ADEC including a Clean Water Loan of \$222,857 and Drinking Water Loans of \$411,000 and \$604,000. These loans are a combination of federal and state monies and bear interest at 1.5%. Loan repayments begin one year following completion of the plans and specifications or initiation of operation of the facilities.

#### **Capital Asset and Debt Administration, continued**

In 2013, the City entered into another loan agreement with ADEC in the amount of \$1,071,429 from the Alaska Drinking Water Fund for the Southwest Utility Expansion, Phase IIb project at an interest rate of 1.5% for 20 years. Loan repayments begin one year following substantial completion and initiation of operation of the facility. In 2014, the city drew down \$703,144 on this loan.

The City of Palmer issues bonded debt through the State of Alaska Municipal Bond Bank. The State of Alaska Municipal Bond Bank maintains a bond rating from Moody's Investors Service, Inc. and Fitch Ratings at Aa2 and AA+ respectively, to the most recent bond issue, the 2014 Series Two Bonds.

Additional information on the City's long-term debt can be found in note 7 on pages 43-45 of this report.

#### **Economic Factors and Next Year's Budgets (2015) and Rates**

- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 56% of total budgeted revenues. The City monitors the sales tax revenues closely and remains cautiously optimistic regarding future sales tax revenues due to its plans to promote Palmer and attract businesses and events to the City. The city continues to record an increase in sales tax from the prior year.
- The City continues with expansion and construction and improvements to the water and sewer utility lines along with road improvement projects.
- Due to the increase in the rising cost of health insurance, beginning January 2014 and continuing in 2015 the City employees began contributing 15% of the cost of providing health insurance coverage for spouses and children.

These various factors were taken into consideration in the development of the City's 2015 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2015 budget include:

- The property tax rate remained at 3 mills or \$.03 per \$1,000 of assessed value. This amount was levied for the operation and maintenance activities in the General Fund, and to fund capital improvements not associated with the enterprise funds.

**CITY OF PALMER, ALASKA**

**Management's Discussion and Analysis**

- Sales tax rate remained the same as 2014 at 3%.
- Budgeted expenditures in the General Fund decreased by \$1,312,166 over 2014 excluding transfers.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Palmer's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Esther C. Greene, CMFO  
Finance Director  
City of Palmer  
231 W Evergreen Ave. Palmer, Alaska 99645  
Telephone: (907) 761-1303  
Email: [egreene@palmerak.org](mailto:egreene@palmerak.org)



## Basic Financial Statements

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## City of Palmer, Alaska

## Statement of Net Position

<i>December 31, 2014</i>	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 4,193,577	\$ 1,531,906	\$ 5,725,483
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	54,608	1,236,941	1,291,549
Sales taxes	614,565	-	614,565
Accounts	39,555	361,432	400,987
Assessments	361,674	206,472	568,146
Prepaid insurance	184,343	3,269	187,612
Prepaid rent - airport	148,464	-	148,464
Internal balances	936,868	(936,868)	-
Inventories	8,117	254,607	262,724
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	4,467,115	10,656,214	15,123,329
Capital assets, net of accumulated depreciation	16,757,457	56,009,107	72,766,564
<b>Total Assets</b>	<b>27,766,343</b>	<b>69,540,494</b>	<b>97,306,837</b>
<b>Deferred Outflows</b>			
Unamortized loss on refunding	75,571	-	75,571
<b>Total Assets and Deferred Outflows</b>	<b>\$ 27,841,914</b>	<b>\$ 69,540,494</b>	<b>\$ 97,382,408</b>
<b>Liabilities</b>			
Accounts payable	\$ 130,246	\$ 364,795	\$ 495,041
Capital related accounts payable	-	1,026,433	1,026,433
Accrued payroll and employee benefits	184,767	223	184,990
Customer deposits	9,006	176,344	185,350
Accrued interest payable	13,767	23,199	36,966
Unearned revenue	180,914	68,755	249,669
Prepaid rent from General Fund	-	148,539	148,539
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	410,849	61,820	472,669
Bonds and loans	225,000	175,106	400,106
Due in more than one year:			
Loans payable - State of Alaska	-	2,700,552	2,700,552
General obligation bonds, including unamortized premium	900,728	-	900,728
<b>Total Liabilities</b>	<b>2,055,277</b>	<b>4,745,766</b>	<b>6,801,043</b>
<b>Net Position</b>			
Net investment in capital assets	20,174,415	63,789,663	83,964,078
Restricted	123,771	-	123,771
Unrestricted	5,488,451	1,005,065	6,493,516
<b>Total Net Position</b>	<b>25,786,637</b>	<b>64,794,728</b>	<b>90,581,365</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 27,841,914</b>	<b>\$ 69,540,494</b>	<b>\$ 97,382,408</b>

See accompanying notes to basic financial statements.

**City of Palmer, Alaska**  
**Statement of Activities**

Year Ended December 31, 2014	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,818,417	\$ 827,161	\$ 283,834	\$ -	\$ (1,707,422)	\$ -	\$ (1,707,422)
Public safety	5,251,827	1,482,184	615,467	588,822	(2,565,354)	-	(2,565,354)
Public works	2,474,104	191,761	178,307	534,787	(1,569,249)	-	(1,569,249)
Community services	1,631,748	389,889	75,740	-	(1,166,119)	-	(1,166,119)
Unallocated interest	38,085	-	-	-	(38,085)	-	(38,085)
<b>Total Governmental Activities</b>	<b>12,214,181</b>	<b>2,890,995</b>	<b>1,153,348</b>	<b>1,123,609</b>	<b>(7,046,229)</b>	<b>-</b>	<b>(7,046,229)</b>
<b>Business-Type Activities</b>							
Water and sewer	3,420,518	2,216,260	80,154	5,899,053	-	4,774,949	4,774,949
Airport	802,834	207,931	-	364,208	-	(230,695)	(230,695)
Refuse	552,867	563,474	13,390	-	-	23,997	23,997
Golf course	760,445	761,003	-	-	-	558	558
<b>Total Business-Type Activities</b>	<b>5,536,664</b>	<b>3,748,668</b>	<b>93,544</b>	<b>6,263,261</b>	<b>-</b>	<b>4,568,809</b>	<b>4,568,809</b>
<b>Totals</b>	<b>\$ 17,750,845</b>	<b>\$ 6,639,663</b>	<b>\$ 1,246,892</b>	<b>\$ 7,386,870</b>	<b>(7,046,229)</b>	<b>4,568,809</b>	<b>(2,477,420)</b>
<b>General Revenues</b>							
Property taxes					1,227,789	-	1,227,789
Sales taxes					6,494,251	-	6,494,251
Grants and entitlements not restricted to a specific purpose					654,915	-	654,915
Investment income					17,460	-	17,460
Other					99,958	-	99,958
<b>Transfers</b>					<b>196,421</b>	<b>(196,421)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>8,690,794</b>	<b>(196,421)</b>	<b>8,494,373</b>
<b>Change in Net Position</b>					<b>1,644,565</b>	<b>4,372,388</b>	<b>6,016,953</b>
<b>Net Position, beginning</b>					<b>24,142,072</b>	<b>60,422,340</b>	<b>84,564,412</b>
<b>Net Position, ending</b>					<b>\$ 25,786,637</b>	<b>\$ 64,794,728</b>	<b>\$ 90,581,365</b>

*See accompanying notes to basic financial statements.*

**City of Palmer, Alaska**  
**Governmental Funds**  
**Balance Sheet**

<i>December 31, 2014</i>	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Capital Projects		
<b>Assets</b>				
Cash and investments	\$ 2,874,377	\$ 580,168	\$ 739,032	\$ 4,193,577
Receivables, net of allowance for uncollectibles:				
Grants and shared revenues	-	32,334	22,274	54,608
Sales taxes	614,565	-	-	614,565
Accounts	39,555	-	-	39,555
Assessments	361,674	-	-	361,674
Prepaid insurance	184,343	-	-	184,343
Prepaid rent - airport	148,464	-	-	148,464
Inventory	8,117	-	-	8,117
Due from other funds	49,231	-	-	49,231
Advances to other funds	887,637	-	-	887,637
<b>Total Assets</b>	<b>\$ 5,167,963</b>	<b>\$ 612,502</b>	<b>\$ 761,306</b>	<b>\$ 6,541,771</b>
<b>Liabilities</b>				
Accounts payable	\$ 102,532	\$ 17,608	\$ 10,106	\$ 130,246
Accrued payroll and employee benefits	184,767	-	-	184,767
Deposits	9,006	-	-	9,006
Unearned revenue	135,914	45,000	-	180,914
<b>Total Liabilities</b>	<b>432,219</b>	<b>62,608</b>	<b>10,106</b>	<b>504,933</b>
<b>Deferred Inflows</b>				
Deferred property taxes	49,486	-	-	49,486
Deferred assessments	361,674	-	-	361,674
<b>Total Deferred Inflows</b>	<b>411,160</b>	<b>-</b>	<b>-</b>	<b>411,160</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>843,379</b>	<b>62,608</b>	<b>10,106</b>	<b>916,093</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid insurance, prepaid rent, and inventory	340,924	-	-	340,924
Advances to other funds	887,637	-	-	887,637
Restricted for public safety	-	-	123,771	123,771
Committed:				
Capital projects and equipment	-	549,894	572,190	1,122,084
Public safety	-	-	31,502	31,502
Assigned:				
Vested unpaid vacation and sick leave	410,849	-	-	410,849
Parks	-	-	23,737	23,737
Unassigned	2,685,174	-	-	2,685,174
<b>Total Fund Balances</b>	<b>4,324,584</b>	<b>549,894</b>	<b>751,200</b>	<b>5,625,678</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 5,167,963</b>	<b>\$ 612,502</b>	<b>\$ 761,306</b>	<b>\$ 6,541,771</b>

*See accompanying notes to basic financial statements.*

**City of Palmer, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**December 31, 2014**

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Total fund balances for governmental funds \$ 5,625,678

Total net position reported for governmental activities in the  
Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of:

Land and land improvements	\$ 1,625,216	
Buildings	3,197,594	
Improvements other than buildings	11,740,892	
Machinery and equipment	1,818,971	
Construction in progress	<u>2,841,899</u>	
Total capital assets		21,224,572

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:

Special assessments not yet due	361,674	
Delinquent property taxes receivable	<u>49,486</u>	
Total long-term assets		411,160

Long-term liabilities, including accrued vacation and sick leave are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Bonds payable	(1,010,000)	
Unamortized premium	(115,728)	
Accrued interest	(13,767)	
Vested unpaid vacation and sick leave	<u>(410,849)</u>	
Total long-term liabilities		(1,550,344)

In connection with long-term liabilities, deferred outflows of resources represent the consumption of the government's net position that is applicable to a future reporting period. This consists of an unamortized loss on refunding.

75,571

<b>Total Net Position of Governmental Activities</b>	<b>\$ <u>25,786,637</u></b>
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*See accompanying notes to basic financial statements.*

## City of Palmer, Alaska

## Governmental Funds

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

<i>Year Ended December 31, 2014</i>	Major Funds			Total Governmental Funds
	General	Capital Projects	Nonmajor Funds	
<b>Revenues</b>				
Taxes	\$ 7,711,987	\$ -	\$ -	\$ 7,711,987
Licenses and permits	186,078	-	-	186,078
Fines and forfeitures	111,314	-	-	111,314
Intergovernmental	1,789,458	1,096,870	45,544	2,931,872
Special assessments	128,234	-	-	128,234
Charges for services	2,528,304	-	-	2,528,304
Miscellaneous	117,418	-	900	118,318
<b>Total Revenues</b>	<b>12,572,793</b>	<b>1,096,870</b>	<b>46,444</b>	<b>13,716,107</b>
<b>Expenditures</b>				
Current:				
General government	2,763,749	27,144	-	2,790,893
Public safety	4,960,164	30,865	24,067	5,015,096
Public works	1,838,567	-	-	1,838,567
Community services	1,346,691	-	-	1,346,691
Debt service	266,475	-	-	266,475
Capital outlay	-	1,276,143	90,491	1,366,634
<b>Total Expenditures</b>	<b>11,175,646</b>	<b>1,334,152</b>	<b>114,558</b>	<b>12,624,356</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,397,147</b>	<b>(237,282)</b>	<b>(68,114)</b>	<b>1,091,751</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	371,137	373,152	-	744,289
Transfers out	(373,152)	(174,716)	-	(547,868)
<b>Net Other Financing Sources (Uses)</b>	<b>(2,015)</b>	<b>198,436</b>	<b>-</b>	<b>196,421</b>
<b>Net Change in Fund Balances</b>	<b>1,395,132</b>	<b>(38,846)</b>	<b>(68,114)</b>	<b>1,288,172</b>
<b>Fund Balances, beginning</b>	<b>2,929,452</b>	<b>588,740</b>	<b>819,314</b>	<b>4,337,506</b>
<b>Fund Balances, ending</b>	<b>\$ 4,324,584</b>	<b>\$ 549,894</b>	<b>\$ 751,200</b>	<b>\$ 5,625,678</b>

See accompanying notes to basic financial statements.

**City of Palmer, Alaska**  
**Reconciliation of the Change in Fund Balances of Governmental Funds**  
**to Statement of Activities**  
**Year Ended December 31, 2014**

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Net change in fund balances - total governmental funds	\$ 1,288,172
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$1,386,269) exceeds depreciation (\$1,194,862).	
	191,407
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net decrease in deferred special assessments and property taxes.	
	(53,782)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$215,000) consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized (\$4,227) in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
	219,227
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the changes in:	
Accrued interest	1,208
Vested unpaid vacation and sick leave	(1,667)
	1,208
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,644,565</b>

*See accompanying notes to basic financial statements.*

**City of Palmer, Alaska**  
**Proprietary Funds**  
**Statement of Net Position**

<i>December 31, 2014</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Assets</b>					
<b>Current Assets</b>					
Cash and investments	\$ 497,539	\$ -	\$ -	\$ 1,034,367	\$ 1,531,906
Receivables:					
Grants	1,183,268	53,673	-	-	1,236,941
Accounts	267,125	-	-	94,307	361,432
Prepaid expenses	-	-	3,269	-	3,269
Inventory	127,937	-	126,670	-	254,607
<b>Total Current Assets</b>	<b>2,075,869</b>	<b>53,673</b>	<b>129,939</b>	<b>1,128,674</b>	<b>3,388,155</b>
<b>Noncurrent Assets</b>					
Land held for sale	-	-	-	217,414	217,414
Assessments receivable	206,472	-	-	-	206,472
Property, plant and equipment:					
Land and improvements	4,255	1,680,471	1,544,620	-	3,229,346
Buildings	60,067	509,758	254,559	52,667	877,051
Machinery and equipment	1,119,196	794,541	359,822	1,018,022	3,291,581
Improvements other than buildings	66,304,665	18,028,130	667,234	-	85,000,029
Total property, plant and equipment	67,488,183	21,012,900	2,826,235	1,070,689	92,398,007
Less accumulated depreciation	(18,003,139)	(13,585,140)	(842,490)	(728,785)	(33,159,554)
Net property, plant and equipment	49,485,044	7,427,760	1,983,745	341,904	59,238,453
Construction work in progress	7,267,251	159,617	-	-	7,426,868
<b>Total Noncurrent Assets</b>	<b>56,958,767</b>	<b>7,587,377</b>	<b>1,983,745</b>	<b>559,318</b>	<b>67,089,207</b>
<b>Total Assets</b>	<b>\$ 59,034,636</b>	<b>\$ 7,641,050</b>	<b>\$ 2,113,684</b>	<b>\$ 1,687,992</b>	<b>\$ 70,477,362</b>

*See accompanying notes to basic financial statements.*



**City of Palmer, Alaska**  
**Proprietary Funds**  
**Statement of Net Position, continued**

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<i>December 31, 2014</i>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 330,883	\$ 15,145	\$ 657	\$ 18,110	\$ 364,795
Capital related accounts payable	972,760	53,673	-	-	1,026,433
Accrued payroll and employee benefits	223	-	-	-	223
Vested unpaid vacation and sick leave	50,417	2,457	-	8,946	61,820
Current portion of loans payable -					
State of Alaska	175,106	-	-	-	175,106
Unearned revenue	9,187	48,673	10,895	-	68,755
Prepaid rent from General Fund	-	148,539	-	-	148,539
Due to other funds	-	-	-	49,231	49,231
Accrued interest payable	23,199	-	-	-	23,199
Customer deposits	176,344	-	-	-	176,344
<b>Total Current Liabilities</b>	<b>1,738,119</b>	<b>268,487</b>	<b>11,552</b>	<b>76,287</b>	<b>2,094,445</b>
<b>Long-term Liabilities, net of current portion</b>					
Loans payable - State of Alaska	2,700,552	-	-	-	2,700,552
Advances from other fund	-	359,132	528,505	-	887,637
<b>Total Long-term Liabilities</b>	<b>2,700,552</b>	<b>359,132</b>	<b>528,505</b>	<b>-</b>	<b>3,588,189</b>
<b>Total Liabilities</b>	<b>4,438,671</b>	<b>627,619</b>	<b>540,057</b>	<b>76,287</b>	<b>5,682,634</b>
<b>Net Position</b>					
Net investment in capital assets	53,876,637	7,587,377	1,983,745	341,904	63,789,663
Unrestricted (deficit)	719,328	(573,946)	(410,118)	1,269,801	1,005,065
<b>Total Net Position</b>	<b>54,595,965</b>	<b>7,013,431</b>	<b>1,573,627</b>	<b>1,611,705</b>	<b>64,794,728</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 59,034,636</b>	<b>\$ 7,641,050</b>	<b>\$ 2,113,684</b>	<b>\$ 1,687,992</b>	<b>\$ 70,477,362</b>

*See accompanying notes to basic financial statements.*

**City of Palmer, Alaska**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended December 31, 2014</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Operating Revenues</b>	\$ 2,150,126	\$ 207,931	\$ 761,003	\$ 551,047	\$ 3,670,107
<b>Operating Expenses</b>					
Salaries and employee benefits	587,266	44,706	-	102,614	734,586
Administrative services	401,754	115,455	628,850	123,610	1,269,669
Other operating expenses	669,038	112,852	76,930	273,903	1,132,723
Depreciation	1,727,275	529,821	54,665	52,740	2,364,501
<b>Total Operating Expenses</b>	3,385,333	802,834	760,445	552,867	5,501,479
<b>Operating Income (Loss)</b>	(1,235,207)	(594,903)	558	(1,820)	(1,831,372)
<b>Nonoperating Revenues (Expenses)</b>					
State PERS relief	80,154	-	-	13,390	93,544
Insurance reimbursement	53,776	-	-	-	53,776
Miscellaneous income	12,358	-	-	12,427	24,785
Interest expense	(35,185)	-	-	-	(35,185)
<b>Net Nonoperating Revenues (Expenses)</b>	111,103	-	-	25,817	136,920
<b>Income (Loss) Before Contributions and Transfers</b>	(1,124,104)	(594,903)	558	23,997	(1,694,452)
Capital contributions	5,899,053	364,208	-	-	6,263,261
Transfers in	575	770	-	1,860	3,205
Transfers out	(120,546)	-	(45,450)	(33,630)	(199,626)
<b>Change in Net Position</b>	4,654,978	(229,925)	(44,892)	(7,773)	4,372,388
<b>Net Position, beginning</b>	49,940,987	7,243,356	1,618,519	1,619,478	60,422,340
<b>Net Position, ending</b>	\$ 54,595,965	\$ 7,013,431	\$ 1,573,627	\$ 1,611,705	\$ 64,794,728

*See accompanying notes to basic financial statements.*

**City of Palmer, Alaska**  
**Proprietary Funds**  
**Statement of Cash Flows**

<i>Year Ended December 31, 2014</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Cash Flows from Operating Activities</b>					
Cash receipts from (for) customers and users	\$ 2,198,993	\$ 202,774	\$ 763,327	\$ 558,978	\$ 3,724,072
Payments to suppliers	579,571	(57,203)	(700,315)	(282,705)	(460,652)
Payments to employees	(500,149)	(42,249)	-	(87,661)	(630,059)
Payments for interfund services used	(401,754)	(115,455)	-	(123,610)	(640,819)
<b>Net cash flows from (for) operating activities</b>	<b>1,876,661</b>	<b>(12,133)</b>	<b>63,012</b>	<b>65,002</b>	<b>1,992,542</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>					
Transfers in	575	770	-	1,860	3,205
Transfers out	(120,546)	-	(45,450)	(33,630)	(199,626)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(119,971)</b>	<b>770</b>	<b>(45,450)</b>	<b>(31,770)</b>	<b>(196,421)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>					
Capital contributions received	5,277,815	310,535	-	-	5,588,350
Increase in property, plant and equipment and construction work in progress	(7,544,702)	(391,760)	(8,337)	(12,199)	(7,956,998)
Decrease in prepaid rent	-	(25,693)	-	-	(25,693)
Increase in advance from other fund	-	118,281	9,428	-	127,709
Proceeds from loans	703,144	-	-	-	703,144
Principal payments on loans payable - State of Alaska	(173,095)	-	-	-	(173,095)
Principal payments on capital lease	-	-	(18,653)	-	(18,653)
Interest paid	(35,185)	-	-	-	(35,185)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,772,023)</b>	<b>11,363</b>	<b>(17,562)</b>	<b>(12,199)</b>	<b>(1,790,421)</b>
<b>Net Increase (Decrease) in Cash and Investment</b>	<b>(15,333)</b>	<b>-</b>	<b>-</b>	<b>21,033</b>	<b>5,700</b>
<b>Cash and Investments, beginning</b>	<b>512,872</b>	<b>-</b>	<b>-</b>	<b>1,013,334</b>	<b>1,526,206</b>
<b>Cash and Investments, ending</b>	<b>\$ 497,539</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,034,367</b>	<b>\$ 1,531,906</b>

*See accompanying notes to basic financial statements.*

**City of Palmer, Alaska**  
**Proprietary Funds**  
**Statement of Cash Flows, continued**

<i>Year Ended December 31, 2014</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Reconciliation of Operating Income (Loss) to Net</b>					
<b>Cash from (for) Operating Activities</b>					
Operating income (loss)	\$ (1,235,207)	\$ (594,903)	\$ 558	\$ (1,820)	\$ (1,831,372)
Adjustments to reconcile operating income (loss) to net cash from (for) operating activities:					
Depreciation	1,727,275	529,821	54,665	52,740	2,364,501
Noncash expense - PERS relief	80,154	-	-	13,390	93,544
Other revenues	66,134	-	-	12,427	78,561
(Increase) decrease in assets:					
Accounts receivable	(16,836)	3,942	-	(4,496)	(17,390)
Assessments receivable	-	-	-	-	-
Prepaid expenses	503	-	(3,269)	176	(2,590)
Inventories	12,982	-	8,860	-	21,842
Increase (decrease) in liabilities:					
Accounts payable	262,364	1,976	(126)	(8,978)	255,236
Capital related Accounts payable	972,760	53,673	-	-	1,026,433
Vested unpaid vacation and sick leave	6,963	2,457	-	1,563	10,983
Unearned revenue	(15,861)	(9,099)	2,324	-	(22,636)
Customer deposits	15,430	-	-	-	15,430
<b>Net Cash from (for) Operating Activities</b>	<b>\$ 1,876,661</b>	<b>\$ (12,133)</b>	<b>\$ 63,012</b>	<b>\$ 65,002</b>	<b>\$ 1,992,542</b>

*See accompanying notes to basic financial statements.*

# City of Palmer, Alaska

## Notes to Basic Financial Statements December 31, 2014

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### 1. Summary of Significant Accounting Policies

#### *Reporting Entity*

The City of Palmer (City) was incorporated April 30, 1951 as a home rule city under the laws of the State of Alaska. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, and building department), public works (roads and general), community programs, golf course, ice rink, library, water and sewer utility, airport, refuse utility, land development and general government administration.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

#### *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

Property taxes, sales taxes, certain charges for services, 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 in the current period. Most other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

Major governmental funds:

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

The *Capital Projects Capital Project Fund* is used to account for the revenues obtained and expenditures made for capital investments funded by the City.

Major proprietary funds:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the water and sewer utility.

The *Airport Enterprise Fund* is used to account for the operations of the local airport facility.

The *Golf Course Enterprise Fund* is used to account for the operations of the local city-owned golf course. The Golf Course did not meet the quantitative criteria for a major fund presentation; however, the City has elected to report it as major for consistency and due to public interest.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. 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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the costs 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.

### *Investments*

Investments are stated at fair value.

### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the proprietary funds consider all cash and investments to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

### *Inventory*

Inventories of materials and supplies are recorded at cost on a first-in, first-out basis. The cost is recorded as an expenditure/expense at the time individual inventory items are consumed.

### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### *Land Held for Sale*

Land held for sale is valued at cost.

### *Capital Assets*

Capital assets, which include property, plant, and equipment, and infrastructure assets (roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns 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 and an estimated useful life in excess of one year. 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. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items, regardless of their acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the assets are as follows:

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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	Years
Buildings	40
Improvements other than buildings	15-50
Machinery and equipment	5-25

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### *Grants and Other Intergovernmental Revenues*

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

### *Property Taxes*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments in August and February. The Matanuska-Susitna Borough bills and collects the taxes for the City. Collections of the City taxes and remittance of them to the City are accounted for in the Matanuska-Susitna Borough's Tax Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current revenues available to finance City operations.

### *Long-Term Debt*

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Any bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

### *Fund Balances*

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

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

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless



# City of Palmer, Alaska

## Notes to Basic Financial Statements

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the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

### *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances only if they meet the definitions and criteria as outlined above.

### *Compensated Absences*

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All annual leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if it has matured (e.g. the employee has terminated employment).

### *Unearned Grant Revenue*

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended uses are shown as unearned revenue.

### *Pension Plan*

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Comparative Data*

Comparative data for the prior year have been presented in the accompanying supplementary information in order to provide an understanding of changes in the City's financial position and operations.

### *Deferred Inflows/Outflows of Resources*

A deferred outflow represents the consumption of the government's net position or fund balance that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position or fund balance that is applicable to a future reporting period. For example, revenues that have been earned but are not yet available in the governmental funds are now reported as deferred inflows.

## **2. Stewardship, Compliance and Accountability**

### *Budgetary Accounting*

An operating budget is adopted each fiscal year for the General Fund and some Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures. In addition, the City adopts budgets for its enterprise funds. Appropriations lapse at year end to the extent that they have not been expended or encumbered. The financial statements and schedules with budgets presented in this report reflect the final budget authorization, including Council amendments made during the year.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During or prior to the sixth week prior to January 1, the City Manager submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. Prior to December 31, the budget is legally enacted through passage of a resolution.
- d. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.
- e. Formal budgetary integration is employed as a management control device during the year for all funds.
- f. All budgets are adopted on a modified accrual basis. The City does not budget for certain items such as depreciation.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 3. Cash and Investments

The City of Palmer utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "Cash and investments", or in the case of negative cash, is included in "Due to other funds."

#### *Reconciliation of Deposit and Investment Balances*

Cash and investments were comprised of the following at December 31, 2014.

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Cash and cash equivalents	\$ 4,976,203
Investments	749,280
<b>Total Cash and Investments</b>	<b>\$ 5,725,483</b>

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#### *Investment Policy*

The City is authorized by ordinance to invest in the following:

- a. Government obligations;
- b. Commercial paper having original maturities of not more than 270 days;
- c. Bankers' acceptances accepted by a rated bank and eligible for rediscount with, or purchase by, Federal Reserve System banks;
- d. Certificates of deposit issued by rated banks;
- e. Interest bearing obligations of a corporation, or of any state of the United States of America or any political subdivision thereof;
- f. Shares of Securities and Exchange Commission registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations of the United States and repurchase agreements backed by those obligations;
- g. Repurchase agreements with primary dealers or rated banks; and
- h. Alaska Municipal League Investment Pool.

Per the ordinance, all security transactions, including collateral for repurchase agreements, must be held in the City's name by a third party custodian designated by the City Manager and evidenced by safekeeping receipts and statements. Certain investments must meet specific ratings by Standard and Poor, or Moodys, and bear interest at a rate of at least 25 basis points above the rate of interest on United States Treasury obligations of the same maturity at the time of purchase. The City Manager is authorized to appoint custodian banks and external investment managers subject to approval by the City Council. The investment manager must provide a monthly report summarizing investment activity in the portfolio.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

Investment maturities at December 31, 2014 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposit	\$ 749,280	\$ 749,280	-
<b>Total Investments</b>	<b>\$ 749,280</b>	<b>\$ 749,280</b>	<b>-</b>

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City did not have any investments subject to credit risk at year end.

#### 4. Deferred Inflows and Unearned Revenue

At December 31, 2014, the various components of deferred inflows and unearned revenue reported in the governmental funds were as follows:

Deferred inflows:	
Delinquent property taxes receivable - General Fund	\$ 49,486
Special assessments not yet due and delinquent - General Fund	361,674
<b>Total Deferred Inflows</b>	<b>\$ 411,160</b>
Unearned revenue:	
Grant drawdowns	\$ 110,914
Other revenues received in advance	70,000
<b>Total Unearned Revenue</b>	<b>\$ 180,914</b>

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

### 5. Capital Assets

The following summarizes the changes in capital assets for the year ended December 31, 2014:

	Balance January 1, 2014	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2014
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,569,842	\$ 55,374	\$ -	\$ 1,625,216
Construction in progress	2,761,331	1,108,731	(1,028,163)	2,841,899
<b>Total assets not being depreciated</b>	<b>4,331,173</b>	<b>1,164,105</b>	<b>(1,028,163)</b>	<b>4,467,115</b>
<i>Capital assets being depreciated:</i>				
Buildings	10,802,901	-	-	10,802,901
Improvements other than buildings	19,031,247	557,800	-	19,589,047
Machinery and equipment	6,729,898	692,527	(193,289)	7,229,136
<b>Total assets being depreciated</b>	<b>36,564,046</b>	<b>1,250,327</b>	<b>(193,289)</b>	<b>37,621,084</b>
Less accumulated depreciation for:				
Buildings	7,277,816	327,491	-	7,605,307
Improvements other than buildings	7,301,596	546,559	-	7,848,155
Machinery and equipment	5,282,642	320,811	(193,289)	5,410,164
<b>Total accumulated depreciation</b>	<b>19,862,054</b>	<b>1,194,862</b>	<b>(193,289)</b>	<b>20,863,627</b>
<b>Total capital assets being depreciated, net</b>	<b>16,701,992</b>	<b>55,465</b>	<b>-</b>	<b>16,757,457</b>
<b>Governmental Activity Capital Assets, Net</b>	<b>\$ 21,033,165</b>	<b>\$ 1,219,570</b>	<b>\$ (1,028,163)</b>	<b>\$ 21,224,572</b>

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

	Balance January 1, 2014	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2014
<b>Business-type Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,229,346	\$ -	\$ -	\$ 3,229,346
Construction work in progress	1,124,189	7,676,327	(1,373,648)	7,426,868
<b>Total assets not being depreciated</b>	<b>4,353,535</b>	<b>7,676,327</b>	<b>(1,373,648)</b>	<b>10,656,214</b>
<i>Capital assets being depreciated:</i>				
Buildings	877,051	-	-	877,051
Improvements other than buildings	83,591,582	1,408,447	-	85,000,029
Machinery and equipment	3,045,709	245,872	-	3,291,581
<b>Total assets being depreciated</b>	<b>87,514,342</b>	<b>1,654,319</b>	<b>-</b>	<b>89,168,661</b>
Less accumulated depreciation for:				
Buildings	724,152	28,580	-	752,732
Improvements other than buildings	27,971,038	2,180,163	-	30,151,201
Machinery and equipment	2,099,864	155,757	-	2,255,621
<b>Total accumulated depreciation</b>	<b>30,795,054</b>	<b>2,364,500</b>	<b>-</b>	<b>33,159,554</b>
<b>Total capital assets being depreciated, net</b>	<b>56,719,288</b>	<b>(710,180)</b>	<b>-</b>	<b>56,009,108</b>
<b>Business-type Activity Capital Assets, Net</b>	<b>\$ 61,072,823</b>	<b>\$ 6,966,146</b>	<b>\$ (1,373,648)</b>	<b>\$ 66,665,321</b>

Depreciation expense was charged to the functions as follows:

*Year Ended June 30, 2014*

<b>Governmental activities</b>	
General government	\$ 56,584
Public safety	218,277
Public works	646,559
Community services	273,442
<b>Total Governmental Activities</b>	<b>\$ 1,194,862</b>
<b>Business-type activities</b>	
Water and sewer	\$ 1,727,274
Airport	529,821
Refuse	52,740
Golf course	54,665
<b>Total Business-Type Activities</b>	<b>\$ 2,364,500</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 6. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2014, follows:

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<b>Advance from the General Fund to:</b>	
Golf Course Enterprise Fund	\$ 528,505
Airport Enterprise Fund	359,132
<b>Total Advance from other Funds</b>	<b>\$ 887,637</b>

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<b>Due to Other Funds</b>	
Due to the General Fund from nonmajor enterprise funds for short term operating advances	\$ 49,231

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Transfers between funds are typically for payment in lieu of tax, for operating subsidies, or for capital funding requirements.

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<b>Transfers</b>	
<b>To General Fund from:</b>	
Water and Sewer Enterprise Fund for payment in lieu of tax	\$ 120,546
Golf Course Enterprise Fund for payment in lieu of tax	45,450
Nonmajor enterprise funds for payment in lieu of tax	33,630
Capital Projects Capital Project Fund for short term operating advances	171,511
To Capital Projects Fund from General Fund	373,152
To Water and Sewer Enterprise Fund from Capital Projects Capital Project Fund	575
To Airport Enterprise Fund from Capital Projects Capital Project Fund	770
To nonmajor enterprise funds from Capital Projects Capital Project Fund	1,860
<b>Total Transfers to Other Funds</b>	<b>\$ 747,494</b>

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### 7. Long-Term Debt

In October 2011, voters approved \$2 million in revenue bonds to be used to finance additional water and sewer improvement projects. In October 2010, voters approved \$3 million in general obligation bonds to acquire property known as Mat Maid block. As of December 31, 2014, none of the bonds have been issued.

In October 2013, the City signed a Clean Water Loan Agreement to fund the Southwest Utility Expansion, Phase IIb. The terms include 1.5% interest and 20 year repayment, in an amount not to exceed \$1,071,429. At December 31, 2014 \$703,144 had been drawn on the loan.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

A summary of long-term debt transactions of the City for the year ended December 31, 2014, follows:

	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
<b>Governmental Activities</b>					
<i>Bonds Payable:</i>					
\$1,320,000 refunding Golf Course general obligation bonds, due in final installment of \$150,000, plus interest at 5.0% through 2015	\$ 295,000	-	145,000	150,000	150,000
\$1,500,000 2004 Ice Rink general obligation bonds, due in final installment of \$70,000, plus interest at 5.0% in 2014	70,000	-	70,000	-	-
\$900,000 2012 refunding Ice Rink general obligation bonds, due in annual installments of \$37,550 to \$110 250, plus interest ranging from 2.0% to 5.0% through 2024	860,000	-	-	860,000	75,000
Unamortized premium on Ice Rink GO bonds	127,910	-	12,182	115,728	-
Vested unpaid vacation and sick leave	409,182	433,856	432,189	410,849	410,849
<b>Total Governmental Activities</b>	<b>\$ 1,762,092</b>	<b>433,856</b>	<b>659,371</b>	<b>1,536,577</b>	<b>635,849</b>

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
<b>Business-type Activities</b>					
<i>Loans Payable:</i>					
\$222,857 State of Alaska Sewer Utility loan due in annual installments of \$14,120 including interest at 1.5% through 2019	\$ 80,444	-	12,913	67,531	13,107
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	263,984	-	20,242	243,742	20,546
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	344,732	-	29,060	315,672	29,495
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	547,400	-	39,100	508,300	39,100
\$1,518,000 State of Alaska Sewer Utility loan due in annual installments of \$88,417 including interest at 1.5% through 2027	1,109,049	-	71,781	1,037,268	72,858
\$1,071,429 (maximum) State of Alaska Water Utility loan currently in drawdown phase. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	-	703,144	-	703,144	-
Capital Lease - irrigation computer system capital lease obligation, due in monthly installments of \$2,664 through 2014	18,653	-	18,653	-	-
Vested unpaid vacation and sick leave	50,836	59,899	48,915	61,820	61,820
<b>Total Business-type Activities</b>	<b>\$ 2,415,098</b>	<b>763,043</b>	<b>240,664</b>	<b>2,937,477</b>	<b>236,926</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

In 2012, the City Advance refunded \$900,000 in outstanding general obligation bonds associated with the Ice Rink. At the time of the transaction, proceeds from the new bonds were placed in an irrevocable trust with an escrow paying agent to provide future debt service on the old debt until paid in full. For financial accounting purposes, the refunded debt is considered defeased and therefore, has been removed from the City's financial statements. At December 31, 2014, the defeased debt outstanding and under payment by the escrow agent has been paid in full.

Annual debt service requirements to maturity for the bonds and loans follow:

Governmental Activities	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 225,000	\$ 41,300	\$ 266,300
2016	75,000	34,550	109,550
2017	75,000	31,550	106,550
2018	80,000	30,050	110,050
2019	80,000	26,850	106,850
2020-2024	475,000	71,950	546,950
<b>Total Governmental Activities General Obligation Bonds</b>	<b>\$ 1,010,000</b>	<b>\$ 236,250</b>	<b>\$ 1,246,250</b>

Business-type Activities	Loans Payable		
	Principal	Interest	Total
2015	\$ 175,106	\$ 32,588	\$ 207,694
2016	177,146	29,961	207,107
2017	179,217	27,304	206,521
2018	181,318	24,616	205,934
2019	183,452	21,896	205,348
2020-2024	877,639	69,696	947,335
2025-2027	398,635	11,640	410,275
	<b>\$ 2,172,513</b>	<b>\$ 217,701</b>	<b>\$ 2,390,214</b>
Loans in drawdown status	703,144		
<b>Total Business-type Activities Loans Payable</b>	<b>\$ 2,875,657</b>		

### *Bond Covenants*

All significant bond covenants have been complied with as of December 31, 2014.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

### 8. Fund Balances

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

	General Fund	Capital Projects Capital Project Fund	Nonmajor Funds	Totals
<b>Nonspendable:</b>				
Prepaid insurance, prepaid rent, and inventory	\$ 340,924	-	\$ -	\$ 340,924
Advances to other funds	887,637	-	-	887,637
<b>Total nonspendable</b>	<b>1,228,561</b>	<b>-</b>	<b>-</b>	<b>1,228,561</b>
Restricted for public safety	-	-	123,771	123,771
<b>Committed:</b>				
Public safety	-	-	31,502	31,502
Capital projects and equipment	-	549,894	572,190	1,122,084
<b>Total committed</b>	<b>-</b>	<b>549,894</b>	<b>603,692</b>	<b>1,153,586</b>
<b>Assigned:</b>				
Vested unpaid vacation and sick leave	410,849	-	-	410,849
Parks	-	-	23,737	23,727
<b>Total assigned</b>	<b>410,849</b>	<b>-</b>	<b>23,737</b>	<b>434,586</b>
Unassigned	2,685,174	-	-	2,685,174
<b>Total Fund Balances</b>	<b>\$ 4,324,584</b>	<b>\$ 549,894</b>	<b>\$ 751,200</b>	<b>\$ 5,625,678</b>

### 9. Defined Benefit Pension Plan

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

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Conversion to Cost Sharing*

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

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

### *Employee Contribution Rates*

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

### *Employer and Other Contribution Rates*

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

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

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap.

*State Contribution Rate:* This is the rate actually paid by the State as an on-behalf payment.

*GASB 43 Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For State fiscal year FY15 (six months ended December 2014), the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

From 2008 through June 30, 2014, legislation provided that the State of Alaska contribute the difference between the ARM Board adopted rate and the employer effective (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

Effective beginning July 1, 2014, the State passed additional legislation appropriating a one-time funding contribution to the Plan in the amount of \$1 billion. This \$1 billion is allocated among all participating employers and will be recorded as an on-behalf payment. This amount significantly exceeds the required on-behalf payment established as the difference between the ARM Board rate and the employer effective rate. In addition, prior to July 1, 2015, there are no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039, resulting in lower ARM Board rates. As a result of these changes, the State fiscal year 2015 on-behalf payment will be significantly higher than under previous calculations, and in State fiscal year 2016, the on-behalf amounts will be lower than under previous calculations.

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

Contribution rates for the six months ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation. Rates for the six months ended December 31, 2014 (State FY15) were determined in the June 30, 2012 valuation.

<i>January to June 2014</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB 43 Rate
Pension	10.64%	18.38%	7.74%	27.94%
Postemployment healthcare	11.36%	17.30%	5.94%	52.55%
<b>Total Contribution Rate</b>	<b>22.00%</b>	<b>35.68%</b>	<b>13.68%</b>	<b>80.49%</b>

### *July to December 2014*

Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare	9.46%	18.94%	- %	55.07%
<b>Total Contribution Rate</b>	<b>22.00%</b>	<b>44.03%</b>	<b>42.41%</b>	<b>88.12%</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

### *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 has also made additional contributions to the Plan as noted above. In accordance with the provisions of GASB Statement Number 24, these additional contributions are considered on-behalf payments and are recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of \$1,218,087, \$581,149, and \$537,533 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

<i>Year Ended December 31,</i>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contributions	% of TBC Contributed
2014	\$ 426,167	\$ 321,424	\$ 747,591	\$ 747,591	100%
2013	382,485	360,091	742,576	742,576	100%
2012	343,789	438,439	782,228	782,228	100%

### 10. Defined Contribution Pension Plan

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

#### *Employee Contribution Rates*

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

#### *Employer Contribution Rates*

The City is required to contribute the following amounts based on covered salary:

<i>January to June 2014</i>	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
<b>Contribution Rate</b>	<b>5.68%</b>	<b>6.62%</b>
<hr/>		
<i>July to December 2014</i>		
Individual account	5.00%	5.00%
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
<b>Contribution Rate</b>	<b>6.88%</b>	<b>7.72%</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

The total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Known as the Defined Benefit Unfunded Liability (DBUL) payment, this amount is intended to mitigate reduced contributions in the DB plan due to the declining payroll base that resulted from the creation of the DC plan.

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 December 31, 2014 were \$166,670 and \$132,221, respectively.

### 11. Conduit Debt - Revenue Bonds

On January 11, 2000, the City participated in the issuance of \$1,800,000 of revenue bonds with Southcentral Foundation, an Alaska nonprofit corporation, to finance the purchase of an office building in Anchorage. The balance of the revenue bonds outstanding at December 31, 2014 was \$668,898.

On September 10, 2002, the City participated in the issuance of \$9,050,000 of revenue bonds with Southcentral Foundation to finance the construction and acquisition of a dental, optometry, and behavioral health services building in Anchorage. These bonds were refinanced by Southcentral Foundation in 2014.

None of the above bonds constitute a general obligation debt or pledge of the full faith and credit of the City and accordingly, the bonds are not reflected in the City's financial statements.

### 12. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City is a member of the Alaska Public Entity Insurance Association (APEI), a governmental insurance pool. APEI provides the City coverage for automobiles, casualty, including general liability, earthquake/flood, property, public officials and employee liability, law enforcement professional liability, employee benefit liability; and workers' compensation. Another insurance company provides the City coverage for airport liability. The City has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The APEI'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. Coverage limits and the deductibles on the policies are relatively consistent with prior years. APEI made no supplemental assessments during the year ended December 31, 2014.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 13. Grants

The City participates in a number of federal government and State of Alaska grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the applicable fund. The amount, if any, of expenditures/expenses which may be disallowed by the grantor cannot be determined at this time.

### 14. Contingencies

#### *Litigation*

The City is involved in various claims and litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements, with the exception of the matters noted below. To date, due to the current status and unknown final disposition of each of these claims, no liabilities have been recorded or reflected in these financial statements.

#### *Employee vs. Independent Contractor Claim*

As allowed under state regulations, the State of Alaska Division of Retirement and Benefits (DRB) conducted an audit of the City's PERS participation and contributions. As part of that audit, DRB questioned the independent contractor status of two contractors and whether those individuals should be classified as employees for purposes of IRS and Social Security reporting. The audit determined that they were not employees under PERS, therefore no liability exists with respect to PERS. The City continues to maintain that these two individuals are independent contractors and intends to defend vigorously against any claim to the contrary. The City has not been contacted by the IRS or the Social Security Administration with regard to this matter and it is unclear what, if any, financial liability may exist with respect to this issue.

#### *Wastewater Treatment Plant Issue*

The City has been in communication with the Alaska Department of Environmental Conservation regarding compliance with wastewater utility discharge permit requirements. The City will complete an update to the wastewater treatment facility by June 30, 2015. On May 22, 2015, the City received a letter from the U.S. Department of Justice notifying the City that the Environmental Protection Agency requested the Department of Justice initiate a lawsuit against the City for violations of the Clean Water Act and the City's National Pollution Discharge Elimination System permit at its wastewater treatment facility. The DOJ letter states that the City is subject to a civil penalty in an amount up to \$37,500 per day for each violation occurring after January 12, 2009. As of June 2, 2015 DOJ has advised it will allege 2,000 violations. The Department of Justice letter provides that the City may sign a Tolling Agreement to allow the City and the Department of Justice to enter into discussions to resolve this issue by January 31, 2016. The City plans to work cooperatively to towards resolution or settlement with the Department of Justice by that time to avoid litigation.



# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### **Briggs v. City of Palmer**

This involves an inverse condemnation claim allegedly caused by airport noise. After lengthy litigation, the case was dismissed by the Superior Court. Briggs' appeal to the Alaska Supreme Court was remanded to Superior court with a trial date scheduled for August 2015.

### **Beeson v. City of Palmer**

This involves an inverse condemnation claim allegedly caused by flooding. The City prevailed at trial and was awarded approximately \$90,000 for costs and fees incurred. Beesons' appeal to the Alaska Supreme Court is pending.

### **US Ex Rel. Cohen v. City of Palmer, Alaska**

This case alleges a False Claims Act violation by the City. Alaska Public entity Insurance is providing coverage. The Federal District Court has dismissed the complaint with prejudice. An appeal to the Ninth Circuit Court of Appeals has been filed.

### **Citizen Complaint**

A landowner with property to the south of the airport outside the City has complained about airport noise and has alleged there are problems with the City consultant's findings in the draft airport Master Plan.

### **Airport**

The City is working on a Corrective Action Plan ("CAP") with the Federal Aviation Administration ("FAA") concerning the Palmer Airport. A copy of the CAP is available at the City.

In conjunction with its ongoing airport operations, the City advises that it is investigating and researching land use compatibility with airport activities, such as potential trespass and grant assurance compliance. The potential trespass on airport land involves a structure used by a litigant seeking damages from the City due to alleged airport noise (see Briggs v. City of Palmer, above).

Another matter the City is investigation for grant assurance compliance is the grant of an access easement by the City to property owners, recorded on December 12, 1979, Book 204, Page 789 (Palmer Recording District).

The City advises it will report such airport activities to the FAA and work cooperatively with the FAA to resolve issues it identifies as necessary for correction through the airport master planning process or otherwise discovered through ongoing City airport monitoring operations.

## **15. New Accounting Pronouncements**

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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*GASB 68 - Accounting and Financial Reporting for Pensions* - Effective for year-end December 31, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan reporting at GASB 67.

*GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date* - Effective for year-end December 31, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

*GASB 72 - Fair Value Disclosures* - Effective for year-end December 31, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

## Required Supplementary Information

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**City of Palmer, Alaska**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund**

<i>December 31, 2014</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 7,323,230	\$ 7,782,230	\$ 7,711,987	\$ (70,243)
Licenses and permits	170,000	182,700	186,078	3,378
Fines and forfeitures	142,000	142,000	111,314	(30,686)
Intergovernmental	751,046	2,293,558	1,789,458	(504,100)
Special assessments	125,000	115,500	128,234	12,734
Charges for services	2,490,465	2,474,809	2,528,304	53,495
Miscellaneous	57,000	87,960	117,418	29,458
<b>Total Revenues</b>	<b>11,058,741</b>	<b>13,078,757</b>	<b>12,572,793</b>	<b>(505,964)</b>
<b>Expenditures</b>				
General government	2,557,555	3,000,551	2,763,749	236,802
Public safety	4,469,742	5,374,210	4,960,164	414,046
Public works	2,257,942	2,215,983	1,838,567	377,416
Community services	1,115,990	1,504,113	1,346,691	157,422
Debt service	266,475	266,475	266,475	-
<b>Total Expenditures</b>	<b>10,667,704</b>	<b>12,361,332</b>	<b>11,175,646</b>	<b>1,185,686</b>
<b>Excess of Revenues Over Expenditures</b>	<b>391,037</b>	<b>717,425</b>	<b>1,397,147</b>	<b>679,722</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	72,582	373,057	371,137	(1,920)
Transfers out	(295,000)	(373,152)	(373,152)	-
<b>Net Other Financing Sources (Uses)</b>	<b>(222,418)</b>	<b>(95)</b>	<b>(2,015)</b>	<b>(1,920)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 168,619</b>	<b>\$ 717,330</b>	<b>1,395,132</b>	<b>\$ 677,802</b>
<b>Fund Balance, beginning</b>			<b>2,929,452</b>	
<b>Fund Balance, ending</b>			<b>\$ 4,324,584</b>	

## Supplementary Information

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## Nonmajor Governmental Funds

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

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Equipment	Road Improve- ments	
<i>December 31, 2014</i>							
<b>Assets</b>							
Cash and investments	\$ 26,705	\$ 1,368	\$ 23,737	\$ 123,771	\$ 461,367	\$ 102,084	\$ 739,032
Grants receivable	-	3,429	-	-	18,845	-	22,274
<b>Total Assets</b>	<b>\$ 26,705</b>	<b>\$ 4,797</b>	<b>\$ 23,737</b>	<b>\$ 123,771</b>	<b>\$ 480,212</b>	<b>\$ 102,084</b>	<b>\$ 761,306</b>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 9,291	\$ 815	\$ 10,106
<b>Fund Balances</b>							
Restricted for public safety	-	-	-	123,771	-	-	123,771
Committed:							
Capital projects and equipment	-	-	-	-	470,921	101,269	572,190
Public safety	26,705	4,797	-	-	-	-	31,502
Assigned for parks	-	-	23,737	-	-	-	23,737
<b>Total Fund Balances</b>	<b>26,705</b>	<b>4,797</b>	<b>23,737</b>	<b>123,771</b>	<b>470,921</b>	<b>101,269</b>	<b>751,200</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,705</b>	<b>\$ 4,797</b>	<b>\$ 23,737</b>	<b>\$ 123,771</b>	<b>\$ 480,212</b>	<b>\$ 102,084</b>	<b>\$ 761,306</b>

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

<i>Year Ended December 31, 2014</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Equipment	Road Improve- ments	
<b>Revenues</b>							
Federal government	\$ -	\$ 17,724	\$ -	\$ -	\$ 1,443	\$ -	\$ 19,167
State of Alaska	-	-	-	1,081	25,296	-	26,377
Miscellaneous	-	-	900	-	-	-	900
<b>Total Revenues</b>	-	17,724	900	1,081	26,739	-	46,444
<b>Expenditures</b>							
Public safety	-	17,724	-	6,343	-	-	24,067
Capital outlay	-	-	-	-	82,492	7,999	90,491
<b>Total Expenditures</b>	-	17,724	-	6,343	82,492	7,999	114,558
<b>Net Change in Fund Balances</b>	-	-	900	(5,262)	(55,753)	(7,999)	(68,114)
<b>Fund Balances, beginning</b>	26,705	4,797	22,837	129,033	526,674	109,268	819,314
<b>Fund Balances, ending</b>	\$ 26,705	\$ 4,797	\$ 23,737	\$ 123,771	\$ 470,921	\$ 101,269	\$ 751,200



## Nonmajor Enterprise Funds

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**City of Palmer, Alaska**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Position**

<i>December 31, 2014</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 1,034,367	\$ -	\$ 1,034,367
Accounts receivable	94,307	-	94,307
<b>Total Current Assets</b>	<b>1,128,674</b>	<b>-</b>	<b>1,128,674</b>
<b>Land Held for Sale</b>	<b>-</b>	<b>217,414</b>	<b>217,414</b>
<b>Property, Plant and Equipment</b>			
Buildings	52,667	-	52,667
Machinery and equipment	1,018,022	-	1,018,022
<b>Total property, plant and equipment</b>	<b>1,070,689</b>	<b>-</b>	<b>1,070,689</b>
Less accumulated depreciation	(728,785)	-	(728,785)
<b>Net Property, Plant and Equipment</b>	<b>341,904</b>	<b>-</b>	<b>341,904</b>
<b>Total Assets</b>	<b>\$ 1,470,578</b>	<b>\$ 217,414</b>	<b>\$ 1,687,992</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 18,110	\$ -	\$ 18,110
Vested unpaid vacation and sick leave	8,946	-	8,946
Due to other funds	-	49,231	49,231
<b>Total Current Liabilities</b>	<b>27,056</b>	<b>49,231</b>	<b>76,287</b>
<b>Net Position</b>			
Net investment in capital assets	341,904	-	341,904
Unrestricted	1,101,618	168,183	1,269,801
<b>Total Net Position</b>	<b>1,443,522</b>	<b>168,183</b>	<b>1,611,705</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,470,578</b>	<b>\$ 217,414</b>	<b>\$ 1,687,992</b>

**City of Palmer, Alaska**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended December 31, 2014</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>	\$ 551,047	\$ -	\$ 551,047
<b>Operating Expenses</b>			
Salaries and employee benefits	102,614	-	102,614
Administrative services	123,610	-	123,610
Other operating expenses	273,903	-	273,903
Depreciation	52,740	-	52,740
<b>Total Operating Expenses</b>	552,867	-	552,867
<b>Operating Loss</b>	(1,820)	-	(1,820)
<b>Nonoperating Revenues</b>			
Miscellaneous income	12,427	-	12,427
State PERS relief	13,390	-	13,390
<b>Total Nonoperating Revenues</b>	25,817	-	25,817
<b>Income Before Transfers</b>	23,997	-	23,997
Transfers in	1,860	-	1,860
Transfers out	(33,630)	-	(33,630)
<b>Change in Net Position</b>	(7,773)	-	(7,773)
<b>Net Position, beginning</b>	1,451,295	168,183	1,619,478
<b>Net Position, ending</b>	\$ 1,443,522	\$ 168,183	\$ 1,611,705

**City of Palmer, Alaska**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**

<i>Year Ended December 31, 2014</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers and users	\$ 558,978	\$ -	\$ 558,978
Payments to suppliers	(282,705)	-	(282,705)
Payments to employees	(87,661)	-	(87,661)
Payments for interfund services used	(123,610)	-	(123,610)
<b>Net cash flows from operating activities</b>	<b>65,002</b>	<b>-</b>	<b>65,002</b>
<b>Cash Flows for Noncapital Financing Activities</b>			
Transfers in	1,860	-	1,860
Transfers out	(33,630)	-	(33,630)
<b>Net cash flows for noncapital financing activities</b>	<b>(31,770)</b>	<b>-</b>	<b>(31,770)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>			
Increase in property, plant and equipment	(12,199)	-	(12,199)
<b>Net Increase in Cash and Investments</b>	<b>21,033</b>	<b>-</b>	<b>21,033</b>
<b>Cash and Investments, beginning</b>	<b>1,013,334</b>	<b>-</b>	<b>1,013,334</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,034,367</b>	<b>\$ -</b>	<b>\$ 1,034,367</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (1,820)	\$ -	\$ (1,820)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	52,740	-	52,740
Noncash expense - PERS relief	13,390	-	13,390
Other revenue	12,427	-	12,427
(Increase) decrease in assets:			
Accounts receivable	(4,496)	-	(4,496)
Prepaid expenses	176	-	176
Increase (decrease) in liabilities:			
Accounts payable	(8,978)	-	(8,978)
Vested unpaid vacation and sick leave	1,563	-	1,563
<b>Net Cash from (for) Operating Activities</b>	<b>\$ 65,002</b>	<b>\$ -</b>	<b>\$ 65,002</b>

## General Fund

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The General Fund is established to account for the financial operations of the City of Palmer which are not accounted for in any other fund.

Revenues for this fund are recorded by source. Principal sources of revenues are property taxes, sales taxes, intergovernmental revenue and charges for services.

Expenditures are recorded first by function, then by activity and object of expenditure. General Fund expenditures are made primarily for the operations of basic municipal services such as police and fire protection, public works, library, legal and administrative services.

## City of Palmer, Alaska

General Fund  
Balance Sheet

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 2,874,377	\$ 1,767,450
Receivables, net of allowance for uncollectibles:		
Sales taxes	614,565	706,155
Accounts	39,555	44,486
Assessments:		
Current	35,395	39,087
Delinquent	41,560	58,346
Deferred	284,719	328,076
Prepaid insurance	184,343	315,422
Prepaid rent - airport	148,464	174,232
Inventory	8,117	37,777
Due from other funds	49,231	49,231
Advances to other funds	887,637	759,928
<b>Total Assets</b>	<b>\$ 5,167,963</b>	<b>\$ 4,280,190</b>
<b>Liabilities</b>		
Accounts payable	\$ 102,532	\$ 55,710
Accrued payroll and employee benefits	184,767	166,108
Deposits	9,006	9,681
Unearned revenue	135,914	654,297
<b>Total Liabilities</b>	<b>432,219</b>	<b>885,796</b>
<b>Deferred Inflows</b>		
Deferred property taxes	49,486	39,433
Deferred assessments	361,674	425,509
<b>Total Deferred Inflows</b>	<b>411,160</b>	<b>464,942</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>843,379</b>	<b>1,350,738</b>
<b>Fund Balance</b>		
Nonspendable:		
Prepaid insurance, prepaid rent, and inventory	340,924	527,431
Advances to other funds	887,637	759,928
Assigned for vested unpaid vacation and sick leave	410,849	409,182
Unassigned	2,685,174	1,232,911
<b>Total Fund Balance</b>	<b>4,324,584</b>	<b>2,929,452</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>	<b>\$ 5,167,963</b>	<b>\$ 4,280,190</b>

**City of Palmer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2014			2013	
	Budget	Actual	Variance with Budget	Actual	
<b>Revenues</b>					
Taxes:					
Sales taxes	\$ 6,589,230	\$ 6,494,251	\$ (94,979)	\$ 6,121,186	
Real and personal property taxes	1,193,000	1,217,736	24,736	1,164,261	
<b>Total taxes</b>	<b>7,782,230</b>	<b>7,711,987</b>	<b>(70,243)</b>	<b>7,285,447</b>	
Licenses and permits:					
Business licenses	59,500	62,824	3,324	61,250	
Permits	123,200	123,254	54	95,839	
<b>Total licenses and permits</b>	<b>182,700</b>	<b>186,078</b>	<b>3,378</b>	<b>157,089</b>	
<b>Fines and forfeitures</b>	<b>142,000</b>	<b>111,314</b>	<b>(30,686)</b>	<b>108,566</b>	
Intergovernmental:					
State revenue sharing	387,000	386,258	(742)	387,025	
Liquor licenses	12,000	12,900	900	11,500	
Electric and telephone co-op tax	134,297	134,297	-	145,823	
State PERS relief	1,626,082	1,124,544	(501,538)	536,697	
Library grants	64,650	61,930	(2,720)	75,553	
Public safety grants	10,000	10,000	-	19,400	
Motor vehicle tax	59,529	59,529	-	50,235	
<b>Total intergovernmental</b>	<b>2,293,558</b>	<b>1,789,458</b>	<b>(504,100)</b>	<b>1,226,233</b>	
<b>Special assessments</b>	<b>115,500</b>	<b>128,234</b>	<b>12,734</b>	<b>109,562</b>	
Charges for services:					
Administrative service charges - other funds	640,820	640,820	-	647,465	
Grant administration fees	91,000	123,517	32,517	37,900	
Fire protection	332,793	333,632	839	298,920	
Community center fees	35,000	40,741	5,741	39,160	
Library fees	25,100	25,673	573	24,440	

## City of Palmer, Alaska

## General Fund

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

Year Ended December 31,	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues, continued:</b>				
Charges for services, continued:				
Dispatch	\$ 920,450	\$ 925,793	\$ 5,343	\$ 917,446
Ice rink revenues	316,000	323,475	7,475	299,945
Building rental	61,646	61,445	(201)	31,160
Planning and zoning	2,000	2,958	958	2,830
Public safety	50,000	50,000	-	43,000
Public works fees	-	250	250	-
<b>Total charges for services</b>	<b>2,474,809</b>	<b>2,528,304</b>	<b>53,495</b>	<b>2,342,266</b>
Miscellaneous:				
Investment income	21,000	17,460	(3,540)	28,451
Property and equipment sales	10,000	38,852	28,852	8,586
Police services	5,924	6,137	213	538
Insurance reimbursement	11,442	15,458	4,016	14,064
Land leases	100	100	-	-
Other	39,494	39,411	(83)	23,501
<b>Total miscellaneous</b>	<b>87,960</b>	<b>117,418</b>	<b>29,458</b>	<b>75,140</b>
<b>Total Revenues</b>	<b>13,078,757</b>	<b>12,572,793</b>	<b>(505,964)</b>	<b>11,304,303</b>
<b>Expenditures</b>				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	286,205	272,444	13,761	245,457
Audit	25,175	25,173	2	25,911
Advertising	12,500	6,802	5,698	5,668
Dues and subscriptions	7,600	7,599	1	4,514
Travel	7,500	6,564	936	8,939
Education and training	5,000	4,783	217	3,010
Legal fees	41,525	39,920	1,605	45,802
Services	4,500	1,076	3,424	4,050
Telephone	9,500	8,777	723	10,039
Insurance	3,472	3,206	266	3,990
Operating supplies	6,365	4,186	2,179	6,106
Services - Sister City program	7,500	7,044	456	5,026
Council donations	14,000	13,740	260	8,587



**City of Palmer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website technology	\$ 10,000	\$ 6,607	\$ 3,393	\$ 920
Computer services	5,000	4,634	366	2,703
Election	8,850	8,609	241	7,293
Office equipment	8,000	7,339	661	3,873
Codification consulting services	12,000	4,898	7,102	9,276
Repairs and maintenance	1,000	121	879	268
Office supplies	6,000	4,662	1,338	4,099
<b>Total Mayor/Council/Clerk</b>	<b>481,692</b>	<b>438,184</b>	<b>43,508</b>	<b>405,531</b>
Administration:				
Salaries and employee benefits	914,945	845,218	69,727	749,407
Advertising	500	-	500	348
Dues and subscriptions	1,000	575	425	474
Travel	1,000	944	56	3,557
Education and training	1,200	1,123	77	1,150
Legal fees	19,400	19,065	335	21,164
Services	13,000	6,487	6,513	10,670
Telephone	15,000	9,827	5,173	9,585
Equipment leases	2,100	873	1,227	1,992
Insurance	5,550	5,355	195	6,015
Operating supplies	9,050	9,030	20	8,427
Repairs and maintenance	1,000	456	544	94
Office equipment	8,600	8,575	25	4,102
Computer services	75,850	71,470	4,380	42,130
Miscellaneous	150	131	19	-
<b>Total administration</b>	<b>1,068,345</b>	<b>979,129</b>	<b>89,216</b>	<b>859,115</b>
Buildings:				
Services	3,075	3,032	43	741
Power	14,775	14,753	22	14,229
Heat	3,475	2,485	990	3,090
Water and sewer	1,500	1,167	333	1,393

## City of Palmer, Alaska

## General Fund

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

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Buildings, continued:				
Insurance	\$ 4,298	\$ 3,880	\$ 418	\$ 4,400
Telephone	12,675	12,654	21	13,587
Operating supplies	2,000	1,493	507	1,700
Office supplies	4,200	4,103	97	6,017
Repairs and maintenance	20,761	19,828	933	38,182
Miscellaneous	10,000	9,957	43	9,208
<b>Total buildings</b>	<b>76,759</b>	<b>73,352</b>	<b>3,407</b>	<b>92,547</b>
City manager:				
Salaries and employee benefits	553,761	514,213	39,548	427,500
Advertising	21,850	19,208	2,642	18,626
Dues and subscriptions	3,075	3,063	12	2,527
Travel	4,700	4,158	542	6,187
Education and training	2,000	1,620	380	2,714
Legal fees	14,020	13,930	90	26,310
Services	6,000	3,586	2,414	4,222
Telephone	4,000	3,995	5	2,047
Insurance	4,932	4,326	606	5,603
Operating supplies	200	-	200	-
Small tools and equipment	8,000	6,931	1,069	3,709
Discretionary	15,605	15,604	1	21,951
Lobbying	4,000	3,841	159	7,121
Fuel	2,000	1,903	97	736
Repairs and maintenance	121,300	109,853	11,447	106,276
Office supplies	2,550	2,549	1	2,789
Board stipends	3,900	3,900	-	-
Miscellaneous	1,300	351	949	231
<b>Total city manager</b>	<b>773,193</b>	<b>713,031</b>	<b>60,162</b>	<b>638,549</b>
Community development:				
Salaries and employee benefits	532,132	500,321	31,811	448,588
Advertising	2,100	1,924	176	2,013
Dues and subscriptions	2,500	2,315	185	2,481

**City of Palmer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Community development, continued:				
Travel	\$ 1,405	\$ 1,403	\$ 2	\$ 3,186
Education and training	1,440	964	476	1,776
Legal fees	1,500	1,365	135	22,984
Services	6,475	6,309	166	19,678
Telephone	2,735	2,724	11	2,263
Power	6,565	6,562	3	6,527
Heat	3,300	2,891	409	2,904
Water and sewer	2,800	2,208	592	2,272
Insurance	4,840	4,435	405	5,099
Operating supplies	800	338	462	737
Equipment	5,020	4,859	161	2,543
Fuel	2,235	2,233	2	1,722
Repairs and maintenance	2,800	1,475	1,325	1,095
Annexation and community planning	5,650	5,359	291	671
Rental and lease	4,995	4,151	844	2,995
Office supplies	4,320	3,730	590	3,761
Board stipends	4,200	2,250	1,950	3,150
Miscellaneous	2,750	2,237	513	1,052
<b>Total community development</b>	<b>600,562</b>	<b>560,053</b>	<b>40,509</b>	<b>537,497</b>
<b>Total general government</b>	<b>3,000,551</b>	<b>2,763,749</b>	<b>236,802</b>	<b>2,533,239</b>
<b>Public safety:</b>				
Police department:				
Salaries and employee benefits	4,044,117	3,741,916	302,201	3,296,706
Advertising	1,750	392	1,358	2,925
Dues and subscriptions	905	902	3	290
Communications	850	48	802	-
Travel	7,710	7,286	424	12,838
Education and training	3,700	3,183	517	4,751
Legal fees	6,500	3,330	3,170	11,207
Services	55,681	42,819	12,862	47,954
Telephone	24,900	24,336	564	23,700
Power	34,500	32,450	2,050	30,027

## City of Palmer, Alaska

## General Fund

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

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Police department, continued:				
Heat	\$ 21,275	\$ 16,667	\$ 4,608	\$ 14,543
Water and sewer	10,600	10,012	588	9,101
Fuel	47,375	47,371	4	40,059
Insurance	35,614	33,359	2,255	37,058
Vehicle insurance	17,850	17,814	36	18,754
Office supplies	7,400	6,483	917	11,816
Vehicle supplies	1,000	806	194	903
Uniform purchases and allowances	14,500	12,238	2,262	12,107
Operating supplies	18,475	15,473	3,002	8,316
Repairs and maintenance	35,749	22,320	13,429	42,924
Community planning	2,800	2,211	589	1,963
Janitorial supplies	4,750	3,196	1,554	3,170
Equipment	142,200	141,493	707	147,642
Rowland Memorial Fund	2,000	2,000	-	2,000
Miscellaneous	3,300	2,920	380	321
<b>Total police department</b>	<b>4,545,501</b>	<b>4,191,025</b>	<b>354,476</b>	<b>3,781,075</b>
Fire department:				
Salaries and employee benefits	435,317	407,825	27,492	288,779
Volunteer firemen salaries and benefits	155,100	141,536	13,564	142,367
Dues and subscriptions	1,500	504	996	1,403
Education and training	13,650	13,344	306	11,595
Services	21,000	19,759	1,241	11,519
Telephone	6,400	6,381	19	6,778
Power	9,000	8,023	977	7,621
Heat	10,500	5,636	4,864	5,362
Water and sewer	1,500	734	766	628
Fuel	32,750	32,750	-	27,563
Legal	1,150	1,146	4	456
Rental and lease	11,600	11,588	12	11,588
Insurance	6,062	5,488	574	5,400
Vehicle insurance	11,130	11,108	22	9,000
Office supplies	3,500	2,629	871	2,735

## City of Palmer, Alaska

## General Fund

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

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Fire department, continued:				
Vehicle supplies	\$ 17,000	\$ 16,970	\$ 30	\$ 17,849
Uniform purchases and allowances	2,050	2,038	12	1,301
Operating supplies	2,500	2,489	11	2,232
Repairs and maintenance	26,300	24,500	1,800	24,766
Small tools	10,000	9,034	966	10,216
Janitorial supplies	1,500	505	995	1,117
Equipment	49,200	45,152	4,048	39,649
<b>Total fire department</b>	<b>828,709</b>	<b>769,139</b>	<b>59,570</b>	<b>629,924</b>
<b>Total public safety</b>	<b>5,374,210</b>	<b>4,960,164</b>	<b>414,046</b>	<b>4,410,999</b>
Public works:				
Administration:				
Salaries and employee benefits	826,213	747,272	78,941	667,621
Advertising	2,000	374	1,626	421
Travel	1,169	1,168	1	2,037
Education and training	3,831	1,098	2,733	1,154
Legal fees	4,000	1,437	2,563	8,173
Services	62,770	52,743	10,027	77,246
Telephone	14,000	12,533	1,467	15,273
Power	15,000	13,765	1,235	12,739
Heat	28,000	17,079	10,921	19,918
Water and sewer	9,000	8,396	604	8,403
Insurance	18,918	17,135	1,783	9,200
Vehicle insurance	12,742	12,625	117	10,000
Repairs and maintenance	10,000	7,090	2,910	9,936
Small tools	3,000	1,745	1,255	2,500
Janitorial supplies	1,500	1,121	379	1,498
Equipment	23,000	14,568	8,432	10,438
Office supplies	5,300	2,621	2,679	4,641
Rental and lease	-	-	-	550
Christmas lighting	1,000	1,000	-	1,994
Miscellaneous	8,000	2,750	5,250	9,404
<b>Total administration</b>	<b>1,049,443</b>	<b>916,520</b>	<b>132,923</b>	<b>873,146</b>

## City of Palmer, Alaska

## General Fund

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

Year Ended December 31,	2014		Variance with Budget	2013
	Budget	Actual		Actual
<b>Expenditures, continued:</b>				
Public works, continued:				
Roads:				
Salaries and employee benefits	\$ 395,299	\$ 329,456	\$ 65,843	\$ 361,444
Services	59,822	18,515	41,307	39,377
Operating supplies	12,550	3,396	9,154	7,938
Repairs and maintenance	15,000	13,963	1,037	12,055
Rental and lease	9,600	3,318	6,282	6,300
Dust control and chemicals	10,000	9,000	1,000	12,938
Road salt and sand	77,845	42,142	35,703	37,539
Crack sealing	30,000	28,716	1,284	24,773
Safety equipment	4,000	1,692	2,308	2,747
<b>Total roads</b>	<b>614,116</b>	<b>450,198</b>	<b>163,918</b>	<b>505,111</b>
Engineering	4,848	1,044	3,804	1,828
Street lighting:				
Power	108,550	108,543	7	101,306
Operating supplies	4,942	2,597	2,345	2,885
Repairs and maintenance	12,500	9,693	2,807	5,862
<b>Total street lighting</b>	<b>125,992</b>	<b>120,833</b>	<b>5,159</b>	<b>110,053</b>
Motor vehicle maintenance:				
Salaries and employee benefits	257,730	229,208	28,522	199,356
Fuel	49,450	44,052	5,398	43,852
Vehicle supplies	29,404	23,909	5,495	31,279
Repairs and maintenance	46,000	40,943	5,057	46,742
Small tools and equipment	39,000	11,860	27,140	22,650
<b>Total motor vehicle maintenance</b>	<b>421,584</b>	<b>349,972</b>	<b>71,612</b>	<b>343,879</b>
<b>Total public works</b>	<b>2,215,983</b>	<b>1,838,567</b>	<b>377,416</b>	<b>1,834,017</b>

**City of Palmer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services:				
Tourist center:				
Services	\$ 148,520	\$ 148,520	\$ -	\$ 148,520
Telephone	2,300	2,245	55	2,155
Fuel	2,450	1,490	960	1,386
Power	4,050	4,023	27	3,753
Water and sewer	2,000	733	1,267	869
Insurance	1,478	1,319	159	1,425
Repairs and maintenance	10,000	439	9,561	-
<b>Total tourist center</b>	<b>170,798</b>	<b>158,769</b>	<b>12,029</b>	<b>158,108</b>
Community center building:				
Services	-	-	-	6,500
Power	4,800	4,792	8	3,990
Heat	5,450	4,503	947	5,104
Water and sewer	1,700	1,689	11	1,554
Insurance	380	341	39	968
Operating supplies	8,600	1,574	7,026	4,857
Rental and lease	500	-	500	500
Repairs and maintenance	15,500	7,419	8,081	23,114
<b>Total community center building</b>	<b>36,930</b>	<b>20,318</b>	<b>16,612</b>	<b>46,587</b>

## City of Palmer, Alaska

## General Fund

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

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services, continued:				
Parks and recreation:				
Salaries and employee benefits	\$ 98,952	\$ 66,747	\$ 32,205	\$ 68,989
Fuel	5,100	3,676	1,424	62
Operating supplies	10,300	3,782	6,518	9,764
Repairs and maintenance	6,500	4,174	2,326	5,532
<b>Total parks and recreation</b>	<b>120,852</b>	<b>78,379</b>	<b>42,473</b>	<b>84,347</b>
Arena:				
Salaries and employee benefits	253,995	232,994	21,001	208,379
Advertising	1,448	-	1,448	905
Services	2,362	2,344	18	2,229
Telephone	4,320	3,156	1,164	3,002
Power	104,656	99,240	5,416	85,749
Heat	42,756	37,582	5,174	38,679
Water and sewer	10,267	10,263	4	12,470
Rental and lease	4,230	3,131	1,099	2,749
Fuel	3,685	3,681	4	3,575
Insurance	4,633	4,263	370	4,641
Operating supplies	9,148	6,097	3,051	5,469
Janitorial supplies	5,000	5,000	-	2,851
Learn to skate	2,500	1,800	700	1,288
Legal fees	39	39	-	-
Education and training	1,200	595	605	-
Small tools and equipment	-	-	-	243
Repairs and maintenance	48,274	47,876	398	52,193
<b>Total arena</b>	<b>498,513</b>	<b>458,061</b>	<b>40,452</b>	<b>424,422</b>
Library:				
Salaries and employee benefits	500,764	466,258	34,506	444,591
Subscriptions and dues	853	666	187	650
Travel	4,346	4,331	15	1,995
Education and training	1,738	1,738	-	317
Services	27,773	27,769	4	21,663
Telephone	8,414	8,391	23	10,272



**City of Palmer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services, continued:				
Library, continued:				
Power	\$ 30,967	\$ 29,714	\$ 1,253	\$ 22,208
Heat	16,227	14,500	1,727	14,898
Water and sewer	3,588	3,516	72	3,854
Rental and lease	324	189	135	324
Insurance	5,284	4,766	518	5,189
Books and subscriptions	29,786	29,059	727	39,103
Operating supplies	23,982	19,697	4,285	22,897
Repairs and maintenance	11,721	11,715	6	10,521
Equipment	7,763	6,199	1,564	14,336
Miscellaneous	3,490	2,656	834	2,939
<b>Total library</b>	<b>677,020</b>	<b>631,164</b>	<b>45,856</b>	<b>615,757</b>
<b>Total community services</b>	<b>1,504,113</b>	<b>1,346,691</b>	<b>157,422</b>	<b>1,329,221</b>
Debt service on bonds:				
Principal	215,000	215,000	-	205,000
Interest	51,475	51,475	-	58,475
<b>Total debt service on bonds</b>	<b>266,475</b>	<b>266,475</b>	<b>-</b>	<b>263,475</b>
<b>Total Expenditures</b>	<b>12,361,332</b>	<b>11,175,646</b>	<b>1,185,686</b>	<b>10,370,951</b>
<b>Excess of Revenues Over Expenditures</b>	<b>717,425</b>	<b>1,397,147</b>	<b>679,722</b>	<b>933,352</b>

**City of Palmer, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 373,057	\$ 371,137	\$ (1,920)	\$ 194,310
Transfers out	(373,152)	(373,152)	-	(488,322)
<b>Net Other Financing Sources (Uses)</b>	(95)	(2,015)	(1,920)	(294,012)
<b>Net Change in Fund Balance</b>	<u>\$ 717,330</u>	1,395,132	<u>\$ 677,802</u>	639,340
Fund Balance, beginning		<u>2,929,452</u>		<u>2,290,112</u>
Fund Balance, ending		<u>\$ 4,324,584</u>		<u>\$ 2,929,452</u>

## Special Revenue Funds

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Special Revenue Funds are used to account for revenues from specific sources, which are restricted to finance particular functions and activities. Primary funding sources include grants and operating transfers from other funds.

### *Narcotics Grant*

This fund accounts for grants from the federal government and State of Alaska to assist with salaries and other related costs associated with narcotics investigations.

### *Police Grants*

This fund accounts for various federal and State grants to assist the police department.

### *Neighborhood Parks Development*

This fund accounts for neighborhood park development fees which shall be expended for the acquisition of land and the development of neighborhood parks.

### *Asset Forfeiture*

This fund accounts for federal, State and local asset forfeitures. Funds are restricted to support narcotics operations.

**City of Palmer, Alaska**  
**Narcotics Grant Special Revenue Fund**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and Investments	\$ 26,705	\$ 26,705
<b>Fund Balance</b>		
Committed for Public Safety	\$ 26,705	\$ 26,705

**City of Palmer, Alaska**  
**Narcotics Grant Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2014			2013	
	Budget	Actual	Variance with Budget	Actual	
<b>Revenues - federal government</b>	\$ -	\$ -	\$ -	\$ 62,093	
<b>Expenditures - public safety:</b>					
Salaries and employee benefits	-	-	-	57,136	
Fuel	-	-	-	2,256	
Equipment	-	-	-	209	
<b>Total Expenditures</b>	-	-	-	59,601	
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	-	<u>\$ -</u>	2,492	
<b>Fund Balance, beginning</b>		<u>26,705</u>		<u>24,213</u>	
<b>Fund Balance, ending</b>		<u>\$ 26,705</u>		<u>\$ 26,705</u>	

**City of Palmer, Alaska**  
**Police Grants Special Revenue Fund**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 1,368	\$ 2,506
Grants receivable	3,429	2,291
<b>Total Assets</b>	<b>\$ 4,797</b>	<b>\$ 4,797</b>
<b>Fund Balance</b>		
Committed for public safety	\$ 4,797	\$ 4,797

**City of Palmer, Alaska**  
**Police Grants Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2014			2013	
	Budget	Actual	Variance with Budget	Actual	
<b>Revenues - federal government</b>	\$ 21,575	\$ 17,724	\$ (3,851)	\$ 18,287	
<b>Expenditures - public safety:</b>					
Salaries and employee benefits	19,913	16,254	3,659	16,832	
Fuel	1,662	1,470	192	1,455	
<b>Total Expenditures</b>	21,575	17,724	3,851	18,287	
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	-	<u>\$ -</u>	-	
<b>Fund Balance, beginning</b>		<u>4,797</u>		<u>4,797</u>	
<b>Fund Balance, ending</b>		<u>\$ 4,797</u>		<u>\$ 4,797</u>	

**City of Palmer, Alaska**  
**Neighborhood Parks Development Special Revenue Fund**  
**Balance Sheet**

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<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 23,737	\$ 22,837
<b>Fund Balance</b>		
Assigned for Parks	\$ 23,737	22,837



**City of Palmer, Alaska**  
**Neighborhood Parks Development Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**

<i>Year Ended December 31,</i>	2014	2013
Revenues - development fees	\$ 900	\$ 1,101
Expenditures	-	-
Net Change in Fund Balance	900	1,101
Fund Balance, beginning	22,837	21,736
Fund Balance, ending	\$ 23,737	\$ 22,837

**City of Palmer, Alaska**  
**Asset Forfeiture Special Revenue Fund**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 123,771	\$ 129,033
<b>Fund Balance</b>		
Restricted for public safety	\$ 123,771	\$ 129,033

**City of Palmer, Alaska**  
**Asset Forfeiture Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**

<i>Year Ended December 31,</i>	2014	2013
<b>Revenues</b>		
Federal government	\$ -	\$ 4,711
State forfeiture funds	1,081	-
<b>Total Revenues</b>	1,081	4,711
<b>Expenditures - public safety - equipment</b>	6,343	28,531
<b>Net Change in Fund Balance</b>	(5,262)	(23,820)
<b>Fund Balance, beginning</b>	129,033	152,853
<b>Fund Balance, ending</b>	\$ 123,771	\$ 129,033

## Capital Project Funds

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Capital Project Funds are established to account for the resources expended to acquire assets of a relatively permanent nature. These funds evolved from the need for special accounting for bond proceeds, grants and contributions for the acquisition of capital assets.

Capital Project Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose, and further enables them to report to creditors and other grantors of Capital Project Fund revenue that their requirements regarding the use of the revenue were fully satisfied.

### *Capital Projects*

This fund accounts for the City's various capital improvement projects. Funding is provided primarily through federal and state grants and is supplemented by the City.

### *Equipment*

This fund accounts for the purchase of major equipment. Funding is provided primarily through federal and state grants and is supplemented by the City.

### *Road Improvements*

The Road Improvements Capital Project Fund accounts for revenues and expenditures relating to road local improvement districts. Funding is primarily from the General Fund.

**City of Palmer, Alaska**  
**Capital Projects Capital Project Fund**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 580,168	\$ 760,546
Grants receivable	32,334	41,121
<b>Total Assets</b>	<b>\$ 612,502</b>	<b>\$ 801,667</b>
<b>Liabilities</b>		
Accounts payable	\$ 17,608	\$ 145,443
Unearned revenue	45,000	67,484
<b>Total Liabilities</b>	<b>62,608</b>	<b>212,927</b>
<b>Fund Balance</b>		
Committed for capital projects	549,894	588,740
<b>Total Liabilities and Fund Balance</b>	<b>\$ 612,502</b>	<b>\$ 801,667</b>

**City of Palmer, Alaska**  
**Capital Projects Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental:				
State of Alaska	\$ 2,094,174	\$ 1,052,227	\$ (1,041,947)	\$ 763,034
Federal government	183,662	44,643	(139,019)	6,777
<b>Total Revenues</b>	<b>2,277,836</b>	<b>1,096,870</b>	<b>(1,180,966)</b>	<b>769,811</b>
<b>Expenditures:</b>				
General government - Deferred maintenance	45,871	27,144	18,727	-
Public safety - SAFER	143,644	30,865	112,779	-
Capital outlay:				
Public works air system	-	-	-	(9,050)
Wilson Park pump truck	36,524	28,859	7,665	703
Wayfinding and streetscapes	45,000	-	45,000	-
Marketing plan	4,363	-	4,363	-
Park improvements	61,291	-	61,291	-
Annex planning	60,000	-	60,000	-
South Valley Way improvements	3,050	3,050	-	116,062
Sidewalk improvements	-	-	-	95,917
Safe routes to school	29,629	3,388	26,241	-
Deferred maintenance	-	-	-	14,129
Sidewalk ADA upgrades	47,204	6,694	40,510	52,795
Storm water master plan	112,800	110,203	2,597	2,200
MTA Center	708,618	657,898	50,720	16,382
Downtown railway corridor	36,000	-	36,000	-
Ice arena expansion	-	-	-	19,828
Downtown master plan	50,000	-	50,000	-
City facilities improvement	163,637	163,637	-	3,363
Depot expansion	90,000	-	90,000	-
Mat Maid property	59,062	1,406	57,656	37,925
Mayor projects	500	-	500	-
Fire station	9,023	31,805	(22,782)	170,528
Tanker truck	181,367	53,133	128,234	418,293

**City of Palmer, Alaska**  
**Capital Projects Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Capital outlay, continued:				
Property acquisition	\$ 56,000	\$ 55,374	\$ 626	\$ -
ADA sidewalks	30,000	-	30,000	-
Arena and Events Center expansion	-	-	-	2,492
Fire training center floor	-	-	-	361
Homeland Security	10,390	10,390	-	6,777
Eagle Ave trailhead parking	35,000	31,912	3,088	-
Palmer/Wasilla highway corridor	5,000	-	5,000	-
Public safety building repair	435,000	-	435,000	-
Public works storage building	150,000	-	150,000	-
Depot safety improvements	294,540	28,692	265,848	-
Cobb Street survey and design	65,152	64,652	500	-
Tourist center doors	13,500	9,747	3,753	-
Public works boiler replacement	43,460	15,303	28,157	-
<b>Total capital outlay</b>	<b>2,836,110</b>	<b>1,276,143</b>	<b>1,559,967</b>	<b>948,705</b>
<b>Total Expenditures</b>	<b>3,025,625</b>	<b>1,334,152</b>	<b>1,691,473</b>	<b>948,705</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(747,789)</b>	<b>(237,282)</b>	<b>510,507</b>	<b>(178,894)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	373,152	373,152	-	367,500
Transfers out	(174,716)	(174,716)	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>198,436</b>	<b>198,436</b>	<b>-</b>	<b>367,500</b>
<b>Net Change in Fund Balance</b>	<b>\$ (549,353)</b>	<b>(38,846)</b>	<b>\$ 510,507</b>	<b>188,606</b>
<b>Fund Balance, beginning</b>		<b>588,740</b>		<b>400,134</b>
<b>Fund Balance, ending</b>		<b>\$ 549,894</b>		<b>\$ 588,740</b>

**City of Palmer, Alaska**  
**Equipment Capital Project Fund**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 461,367	\$ 526,674
Grants receivable	18,845	-
<b>Total Assets</b>	<b>\$ 480,212</b>	<b>\$ 526,674</b>
<b>Liabilities</b>		
Accounts payable	\$ 9,291	\$ -
<b>Fund Balance</b>		
Committed for equipment replacement	470,921	526,674
<b>Total Liabilities and Fund Balance</b>	<b>\$ 480,212</b>	<b>\$ 526,674</b>



**City of Palmer, Alaska**  
**Equipment Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2014		Variance with	2013
	Budget	Actual	Budget	Actual
<b>Revenues</b>				
Intergovernmental:				
State of Alaska	\$ 1,800,000	\$ 25,296	\$(1,774,704)	\$ -
Federal government	1,443	1,443	-	13,609
<b>Total Revenues</b>	<b>1,801,443</b>	<b>26,739</b>	<b>(1,774,704)</b>	<b>13,609</b>
<b>Expenditures - capital outlay:</b>				
Administrative services	85,714	1,204	84,510	-
Dispatch equipment	30,687	-	30,687	-
Clerk/Council equipment	6,634	-	6,634	32,302
Public works equipment	98,370	55,753	42,617	43,779
Police equipment	5,008	1,443	3,565	10,360
Byrn JAG	-	-	-	3,250
Equipment	1,714,286	24,092	1,690,194	-
<b>Total Expenditures</b>	<b>1,940,699</b>	<b>82,492</b>	<b>1,858,207</b>	<b>89,691</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(139,256)</b>	<b>(55,753)</b>	<b>83,503</b>	<b>(76,082)</b>
<b>Other Financing Sources - transfers in</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,438</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (139,256)</u></b>	<b>(55,753)</b>	<b><u>\$ 83,503</u></b>	<b>(25,644)</b>
<b>Fund Balance, beginning</b>		<b><u>526,674</u></b>		<b><u>552,318</u></b>
<b>Fund Balance, ending</b>		<b><u>\$ 470,921</u></b>		<b><u>\$ 526,674</u></b>

**City of Palmer, Alaska**  
**Road Improvements Capital Project Fund**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 102,084	\$ 109,268
<b>Liabilities</b>		
Accounts payable	\$ 815	\$ -
<b>Fund Balance</b>		
Committed for roads and streets	101,269	109,268
<b>Total Liabilities and Fund Balance</b>	<b>\$ 102,084</b>	<b>\$ 109,268</b>

**City of Palmer, Alaska**  
**Road Improvements Capital Project Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2014		Variance with Budget	2013
	Budget	Actual	Budget	Actual
<b>Expenditures - capital outlay:</b>				
Gulkana LID	\$ 9,622	\$ -	\$ 9,622	\$ 640
South Bonanza LID	12,124	-	12,124	2,297
West Dolphin/Caribou Area	23,930	-	23,930	-
East Auklet Avenue	63,593	7,999	55,594	-
<b>Total Expenditures</b>	<b>109,269</b>	<b>7,999</b>	<b>101,270</b>	<b>2,937</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (109,269)</u></b>	<b>(7,999)</b>	<b><u>\$ 101,270</u></b>	<b>(2,937)</b>
Fund Balance, beginning		<u>109,268</u>		<u>112,205</u>
Fund Balance, ending		<u>\$ 101,269</u>		<u>\$ 109,268</u>

## Enterprise Funds

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Enterprise Funds are established to account for the financing of self-supporting activities of governmental units, which render services to the general public on a user-charge basis. Enterprise Funds are maintained on the accrual basis of accounting.

### *Water and Sewer*

This fund accounts for the operations of the water and sewer system.

### *Airport Fund*

This fund accounts for the operations of the City-owned airport.

### *Refuse*

This fund accounts for the operations of the solid waste collection services.

### *Golf Course*

This fund accounts for the operations of the City-owned golf course.

### *Land Development*

This fund accounts for the sale of various parcels of land owned by the City.

**City of Palmer, Alaska**  
**Water and Sewer Enterprise Fund**  
**Statement of Net Position**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 497,539	\$ 512,872
Receivables:		
Grants	1,183,268	571,208
Accounts	267,125	250,289
Inventories - materials and supplies	127,937	140,919
Prepaid expenses	-	503
<b>Total Current Assets</b>	<b>2,075,869</b>	<b>1,475,791</b>
<b>Noncurrent Assets</b>		
Assessments receivable	206,472	197,294
Property, plant and equipment:		
Land	4,255	4,255
Buildings	60,067	60,067
Machinery and equipment	1,119,196	893,860
Improvements other than buildings	66,304,665	65,128,361
Total property, plant and equipment	67,488,183	66,086,543
Less accumulated depreciation	(18,003,139)	(16,275,865)
Net property, plant and equipment	49,485,044	49,810,678
Construction work in progress	7,267,251	1,124,189
<b>Total Noncurrent Assets</b>	<b>56,958,767</b>	<b>51,132,161</b>
<b>Total Assets</b>	<b>\$ 59,034,636</b>	<b>\$ 52,607,952</b>

**City of Palmer, Alaska**  
**Water and Sewer Enterprise Fund**  
**Statement of Net Position, continued**

<i>December 31,</i>	2014	2013
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 330,883	\$ 68,519
Capital related accounts payable	972,760	-
Accrued payroll and employee benefits	223	223
Vested unpaid vacation and sick leave	50,417	43,453
Current portion of loans payable - State of Alaska	175,106	173,096
Accrued interest payable	23,199	23,199
Unearned revenue	9,187	25,048
Customer deposits	176,344	160,914
<b>Total Current Liabilities</b>	<b>1,738,119</b>	<b>494,452</b>
<b>Long-term Liabilities, net of current portion - loans payable -</b>		
State of Alaska	2,700,552	2,172,513
<b>Total Liabilities</b>	<b>4,438,671</b>	<b>2,666,965</b>
<b>Net Position</b>		
Net investment in capital assets	53,876,637	48,589,258
Unrestricted	719,328	1,351,729
<b>Total Net Position</b>	<b>54,595,965</b>	<b>49,940,987</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 59,034,636</b>	<b>\$ 52,607,952</b>

**City of Palmer, Alaska**  
**Water and Sewer Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues</b>				
Water sales	\$ 1,140,000	\$ 1,183,184	\$ 43,184	\$ 1,143,318
Sewer services	825,000	885,608	60,608	852,932
Connection fees	54,875	55,884	1,009	28,865
Miscellaneous	20,000	25,450	5,450	23,606
<b>Total Operating Revenues</b>	<b>2,039,875</b>	<b>2,150,126</b>	<b>110,251</b>	<b>2,048,721</b>
<b>Operating Expenses Excluding Depreciation</b>				
Water:				
Salaries and employee benefits	321,213	302,752	18,461	273,132
Administrative services	201,748	201,748	-	204,810
Audit	5,665	5,661	4	5,826
Advertising	1,500	1,500	-	1,693
Education and training	2,500	1,795	705	4,956
Legal fees	77,800	77,788	12	145,080
Engineering	5,000	3,176	1,824	-
Services	36,056	34,936	1,120	31,261
Telephone	7,855	7,852	3	7,077
Power	91,000	90,992	8	78,010
Heat	8,000	5,375	2,625	5,925
Fuel	13,090	13,088	2	9,512
Equipment rental	1,850	1,848	2	1,848
Insurance	11,434	10,589	845	10,037
Office supplies	2,000	1,995	5	1,014
Operating supplies	8,240	6,028	2,212	754
Repairs and maintenance	59,500	59,471	29	13,203
Small tools	2,685	2,468	217	1,809
Chemicals	6,000	5,120	880	5,733
Permits	7,950	7,950	-	8,158
Equipment	39,800	10,378	29,422	1,945
Travel	-	-	-	160
Miscellaneous	4,800	4,791	9	4,469
<b>Total water</b>	<b>915,686</b>	<b>857,301</b>	<b>58,385</b>	<b>816,412</b>

**City of Palmer, Alaska**  
**Water and Sewer Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Operating expenses excluding depreciation, continued:</b>				
Sewer:				
Salaries and employee benefits	\$ 312,089	\$ 284,514	\$ 27,575	\$ 264,712
Administrative services	200,006	200,006	-	199,604
Audit	5,291	5,287	4	5,441
Advertising	1,000	-	1,000	-
Education and training	1,747	810	937	3,215
Legal	2,000	-	2,000	-
Engineering	5,000	176	4,824	-
Services	68,561	33,031	35,530	49,213
Telephone	7,890	7,886	4	6,772
Power	174,750	174,732	18	148,741
Heat	16,000	15,572	428	11,948
Fuel	8,380	8,378	2	5,796
Equipment rental	2,595	165	2,430	2,423
Insurance	11,434	10,588	846	10,000
Office supplies	4,775	4,752	23	1,846
Operating supplies	12,000	11,178	822	14,783
Repairs and maintenance	31,499	31,490	9	4,807
Small tools	3,800	1,311	2,489	1,302
Equipment	1,000	-	1,000	-
Permits	10,000	6,436	3,564	7,815
Miscellaneous	4,450	4,445	5	4,056
<b>Total sewer</b>	<b>884,267</b>	<b>800,757</b>	<b>83,510</b>	<b>742,474</b>
<b>Total Operating Expenses Excluding Depreciation</b>	<b>1,799,953</b>	<b>1,658,058</b>	<b>141,895</b>	<b>1,558,886</b>
<b>Operating Income before Depreciation</b>	<b>239,922</b>	<b>492,068</b>	<b>252,146</b>	<b>489,835</b>
<b>Depreciation</b>	<b>-</b>	<b>1,727,275</b>	<b>(1,727,275)</b>	<b>1,605,341</b>
<b>Operating Income (Loss)</b>	<b>239,922</b>	<b>(1,235,207)</b>	<b>(1,475,129)</b>	<b>(1,115,506)</b>



## City of Palmer, Alaska

Water and Sewer Enterprise Fund  
 Schedule of Revenues, Expenses and Changes  
 in Net Position - Budget and Actual, continued

<i>Year Ended December 31,</i>	2014			2013	
	Budget	Actual	Variance with Budget	Actual	
<b>Nonoperating Revenues (Expenses)</b>					
State PERS relief	\$ 115,614	\$ 80,154	\$ (35,460)	\$ 37,948	
Insurance reimbursement	53,776	53,776	-	104,219	
Miscellaneous income	10,950	12,358	1,408	1,161	
Loss on disposal of capital assets	-	-	-	(24,046)	
Interest expense	(35,191)	(35,185)	6	(36,058)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>145,149</b>	<b>111,103</b>	<b>(34,046)</b>	<b>83,224</b>	
<b>Income (Loss) Before Contributions and Transfers</b>	<b>385,071</b>	<b>(1,124,104)</b>	<b>(1,509,175)</b>	<b>(1,032,282)</b>	
Capital contributions	-	5,899,053	5,899,053	689,433	
Transfers in	70,705	575	(70,130)	-	
Transfers out	(120,546)	(120,546)	-	(120,510)	
<b>Change in Net Position</b>	<b><u>\$ 335,230</u></b>	<b>4,654,978</b>	<b><u>\$ 4,319,748</u></b>	<b>(463,359)</b>	
<b>Net Position, beginning</b>		<b><u>49,940,987</u></b>		<b><u>50,404,346</u></b>	
<b>Net Position, ending</b>		<b><u>\$ 54,595,965</u></b>		<b><u>\$ 49,940,987</u></b>	

**City of Palmer, Alaska**  
**Water and Sewer Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers and users	\$ 2,198,993	\$ 2,162,299
Payments to suppliers	579,571	(661,875)
Payments to employees	(500,149)	(518,667)
Payments for interfund services used	(401,754)	(404,414)
<b>Net cash flows from operating activities</b>	<b>1,876,661</b>	<b>577,343</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	575	-
Transfers out	(120,546)	(120,510)
<b>Net cash flows for noncapital financing activities</b>	<b>(119,971)</b>	<b>(120,510)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Capital contributions received	5,277,815	700,180
Increase in property, plant and equipment and construction work in progress	(7,544,702)	(1,006,936)
Proceeds from loans	703,144	-
Principal payments on loans payable - State of Alaska	(173,095)	(171,114)
Interest paid	(35,185)	(37,751)
<b>Net cash flows for capital and related financing activities</b>	<b>(1,772,023)</b>	<b>(517,456)</b>
<b>Net Decrease in Cash and Investments</b>	<b>(15,333)</b>	<b>(60,623)</b>
<b>Cash and Investments, beginning</b>	<b>512,872</b>	<b>573,495</b>
<b>Cash and Investments, ending</b>	<b>\$ 497,539</b>	<b>\$ 512,872</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (1,235,207)	\$ (1,115,506)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,727,275	1,605,341
Noncash expense - PERS relief	80,154	37,948
Other revenues	66,134	105,380
(Increase) decrease in assets:		
Accounts receivable	(16,836)	(18,023)
Inventories	12,982	6,631
Prepays	503	(503)
Increase (decrease) in liabilities:		
Accounts payable	262,364	(51,375)
Capital related accounts payable	972,760	-
Accrued payroll and employee benefits	-	(15,954)
Vested unpaid vacation and sick leave	6,963	(2,817)
Unearned revenue	(15,861)	8,300
Customer deposits	15,430	16,086
<b>Net Cash from Operating Activities</b>	<b>\$ 1,876,661</b>	<b>\$ 577,343</b>

**City of Palmer, Alaska**  
**Airport Enterprise Fund**  
**Statement of Net Position**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Receivables:		
Accounts	\$ -	\$ 3,942
Grants	53,673	-
<b>Total Current Assets</b>	<b>53,673</b>	<b>3,942</b>
<b>Property, Plant and Equipment</b>		
Land	1,680,471	1,680,471
Buildings	509,758	509,758
Machinery and equipment	794,541	794,541
Improvements other than buildings	18,028,130	17,795,987
Total property, plant and equipment	21,012,900	20,780,757
Less accumulated depreciation	(13,585,140)	(13,055,320)
<b>Net Property, Plant and Equipment</b>	<b>7,427,760</b>	<b>7,725,437</b>
Construction work in progress	159,617	-
<b>Total Assets</b>	<b>\$ 7,641,050</b>	<b>\$ 7,729,379</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 15,145	\$ 13,168
Capital related accounts payable	53,673	-
Vested unpaid vacation and sick leave	2,457	-
Unearned revenue	48,673	57,772
Prepaid rent from General Fund	148,539	174,232
<b>Total Current Liabilities</b>	<b>268,487</b>	<b>245,172</b>
<b>Long-term Liabilities - advance from other fund</b>	<b>359,132</b>	<b>240,851</b>
<b>Total Liabilities</b>	<b>627,619</b>	<b>486,023</b>
<b>Net Position</b>		
Net investment in capital assets	7,587,377	7,725,437
Unrestricted (deficit)	(573,946)	(482,081)
<b>Total Net Position</b>	<b>7,013,431</b>	<b>7,243,356</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 7,641,050</b>	<b>\$ 7,729,379</b>

**City of Palmer, Alaska**  
**Airport Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual**

<i>Year Ended December 31,</i>	2014			2013	
	Budget	Actual	Variance with Budget	Actual	
<b>Operating Revenues</b>					
Aviation fuel - revenue sharing	\$ 1,500	\$ 2,931	\$ 1,431	\$ 1,427	
Tiedown fees	20,000	21,036	1,036	17,575	
Land leases	158,406	163,801	5,395	109,387	
Agricultural land leases	2,500	5,035	2,535	5,035	
Miscellaneous	8,500	15,128	6,628	6,756	
<b>Total Operating Revenues</b>	<b>190,906</b>	<b>207,931</b>	<b>17,025</b>	<b>140,180</b>	
<b>Operating Expenses Excluding Depreciation</b>					
Administrative services	115,456	115,455	1	121,033	
Salaries and employee benefits	45,598	44,706	892	-	
Audit	2,686	2,684	2	2,763	
Advertising	2,500	1,960	540	2,000	
Education and training	2,175	2,175	-	-	
Legal fees	17,840	17,835	5	49,770	
Services	30,110	31,361	(1,251)	36,568	
Telephone	3,866	3,866	-	-	
Power	15,434	15,433	1	13,288	
Heat	3,400	3,352	48	4,009	
Water/sewer/garbage	820	434	386	332	
Fuel	3,600	4,977	(1,377)	5,693	
Rental and lease	-	-	-	2,156	
Insurance	9,568	9,333	235	9,037	
Operating supplies	3,020	2,903	117	69	
Repairs and maintenance	10,000	12,136	(2,136)	926	
Small tools and equipment	1,557	1,553	4	-	
Board stipends	2,900	2,850	50	-	
<b>Total Operating Expenses Excluding Depreciation</b>	<b>270,530</b>	<b>273,013</b>	<b>(2,483)</b>	<b>247,644</b>	
<b>Operating Loss Before Depreciation</b>	<b>(79,624)</b>	<b>(65,082)</b>	<b>14,542</b>	<b>(107,464)</b>	
Depreciation	-	529,821	(529,821)	495,402	
<b>Operating Loss</b>	<b>(79,624)</b>	<b>(594,903)</b>	<b>(515,279)</b>	<b>(602,866)</b>	

**City of Palmer, Alaska**  
**Airport Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Nonoperating Revenues (Expenses)</b>				
Master plan study expenses	\$ (25,000)	\$ -	\$ (25,000)	\$ (8,906)
<b>Loss Before Contributions and Transfers</b>	(104,624)	(594,903)	(490,279)	(611,772)
Capital contributions	-	364,208	364,208	3,413
Transfers in	770	770	-	70,384
<b>Change in Net Position</b>	<u>\$ (103,854)</u>	(229,925)	<u>\$ (126,071)</u>	(537,975)
<b>Net Position, beginning</b>		<u>7,243,356</u>		<u>7,781,331</u>
<b>Net Position, ending</b>		<u>\$ 7,013,431</u>		<u>\$ 7,243,356</u>

**City of Palmer, Alaska**  
**Airport Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows for Operating Activities</b>		
Cash receipts from customers and users	\$ 202,774	\$ 201,465
Payments to employees	(42,249)	-
Payments to suppliers	(57,203)	(119,244)
Payments for interfund services used	(115,455)	(121,033)
<b>Net cash flows for operating activities</b>	<b>(12,133)</b>	<b>(38,812)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in	770	70,384
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Capital contributions received	310,535	3,413
Increase in property, plant and equipment and construction work in progress	(391,760)	(23,735)
Decrease in prepaid rent	(25,693)	(25,768)
Increase in advance from other fund	118,281	14,518
<b>Net cash flows from (for) capital and related financing activities</b>	<b>11,363</b>	<b>(31,572)</b>
<b>Net Increase in Cash and Investments</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Loss to Net Cash for Operating Activities</b>		
Operating loss	\$ (594,903)	\$ (602,866)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	529,821	495,402
(Increase) decrease in assets -		
accounts receivable	3,942	3,516
Increase (decrease) in liabilities:		
Accounts payable	1,976	7,367
Capital related accounts payable	53,673	-
Vested unpaid vacation and sick leave	2,457	-
Unearned revenue	(9,099)	57,769
<b>Net Cash for Operating Activities</b>	<b>\$ (12,133)</b>	<b>\$ (38,812)</b>

**City of Palmer, Alaska**  
**Refuse Enterprise Fund**  
**Statement of Net Position**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,034,367	\$ 1,013,334
Accounts receivable	94,307	89,811
Prepaid expenses	-	176
<b>Total Current Assets</b>	<b>1,128,674</b>	<b>1,103,321</b>
<b>Property, Plant and Equipment</b>		
Buildings	52,667	52,667
Machinery and equipment	1,018,022	1,005,823
<b>Total property, plant and equipment</b>	<b>1,070,689</b>	<b>1,058,490</b>
Less accumulated depreciation	(728,785)	(676,045)
<b>Net Property, Plant and Equipment</b>	<b>341,904</b>	<b>382,445</b>
<b>Total Assets</b>	<b>\$ 1,470,578</b>	<b>\$ 1,485,766</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 18,110	\$ 27,088
Vested unpaid vacation and sick leave	8,946	7,383
<b>Total Current Liabilities</b>	<b>27,056</b>	<b>34,471</b>
<b>Net Position</b>		
Net investment in capital assets	341,904	382,445
Unrestricted	1,101,618	1,068,850
<b>Total Net Position</b>	<b>1,443,522</b>	<b>1,451,295</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,470,578</b>	<b>\$ 1,485,766</b>

**City of Palmer, Alaska**  
**Refuse Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues - solid waste collection fees</b>	\$ 554,000	\$ 551,047	\$ (2,953)	\$ 482,636
<b>Operating Expenses Excluding Depreciation</b>				
Salaries and employee benefits	111,845	102,614	9,231	88,621
Administrative services	123,610	123,610	-	122,018
Audit	3,024	3,024	-	3,113
Services	229,900	229,892	8	215,162
Fuel	22,635	22,631	4	17,442
Insurance	4,537	4,078	459	3,858
Vehicle insurance	3,425	3,424	1	3,441
Operating supplies	5,000	3,357	1,643	1,574
Repairs and maintenance	9,525	3,323	6,202	4,882
Equipment	10,500	189	10,311	12,389
Legal	1,000	-	1,000	-
Advertising	1,500	-	1,500	-
Miscellaneous	3,990	3,985	5	3,985
<b>Total Operating Expenses Excluding Depreciation</b>	530,491	500,127	30,364	476,485
<b>Operating Income (Loss) Before Depreciation</b>	23,509	50,920	27,411	6,151
Depreciation	-	52,740	(52,740)	51,520
<b>Operating Income (Loss)</b>	23,509	(1,820)	(25,329)	(45,369)
<b>Nonoperating Revenues</b>				
Miscellaneous income	-	12,427	12,427	1,639
State PERS relief	19,648	13,390	(6,258)	6,504
<b>Total Nonoperating Revenues</b>	19,648	25,817	6,169	8,143
<b>Income (Loss) Before Transfers</b>	43,157	23,997	(19,160)	(37,226)
Transfers in	1,860	1,860	-	-
Transfers out	(33,630)	(33,630)	-	(26,430)
<b>Change in Net Position</b>	<u>\$ 11,387</u>	(7,773)	<u>\$ (19,160)</u>	(63,656)
<b>Net Position, beginning</b>		<u>1,451,295</u>		<u>1,514,951</u>
<b>Net Position, ending</b>		<u>\$ 1,443,522</u>		<u>\$ 1,451,295</u>



**City of Palmer, Alaska**  
**Refuse Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from (for) Operating Activities</b>		
Cash receipts from customers and users	\$ 558,978	\$ 468,245
Payments to suppliers	(282,705)	(569,334)
Payments to employees	(87,661)	(82,170)
Payments for interfund services used	(123,610)	(122,018)
<b>Net cash flows from (for) operating activities</b>	<b>65,002</b>	<b>(305,277)</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	1,860	-
Transfers out	(33,630)	(26,430)
<b>Net cash flows for noncapital financing activities</b>	<b>(31,770)</b>	<b>(26,430)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Increase in property, plant and equipment	(12,199)	-
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>21,033</b>	<b>(331,707)</b>
<b>Cash and Investments, beginning</b>	<b>1,013,334</b>	<b>1,345,041</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,034,367</b>	<b>\$ 1,013,334</b>
<b>Reconciliation of Operating Loss to Net Cash from (for) Operating Activities</b>		
Operating loss	\$ (1,820)	\$ (45,369)
Adjustments to reconcile operating loss to net cash from (for) operating activities:		
Depreciation	52,740	51,520
Noncash expense - PERS relief	13,390	6,504
Other revenue	12,427	1,639
(Increase) decrease in assets:		
Accounts receivable	(4,496)	(16,030)
Prepaid expenses	176	(176)
Increase (decrease) in liabilities:		
Accounts payable	(8,978)	(303,312)
Vested unpaid vacation and sick leave	1,563	(53)
<b>Net Cash from (for) Operating Activities</b>	<b>\$ 65,002</b>	<b>\$ (305,277)</b>

**City of Palmer, Alaska**  
**Golf Course Enterprise Fund**  
**Statement of Net Position**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Prepaid expenses	\$ 3,269	\$ -
Inventories - materials and supplies	126,670	135,530
<b>Total Current Assets</b>	<b>129,939</b>	<b>135,530</b>
<b>Property, Plant and Equipment</b>		
Land and land improvements	1,544,620	1,544,620
Buildings	254,559	254,559
Machinery and equipment	359,822	351,485
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,826,235	2,817,898
Less accumulated depreciation	(842,490)	(787,824)
<b>Net Property, Plant and Equipment</b>	<b>1,983,745</b>	<b>2,030,074</b>
<b>Total Assets</b>	<b>\$ 2,113,684</b>	<b>\$ 2,165,604</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 657	\$ 784
Current portion of capital lease	-	18,653
Unearned revenue	10,895	8,571
<b>Total Current Liabilities</b>	<b>11,552</b>	<b>28,008</b>
<b>Long-term Liabilities</b>		
Advance from other fund	528,505	519,077
<b>Total Liabilities</b>	<b>540,057</b>	<b>547,085</b>
<b>Net Position</b>		
Net investment in capital assets	1,983,745	2,011,421
Unrestricted (deficit)	(410,118)	(392,902)
<b>Total Net Position</b>	<b>1,573,627</b>	<b>1,618,519</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,113,684</b>	<b>\$ 2,165,604</b>

**City of Palmer, Alaska**  
**Golf Course Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual**

<i>Year Ended December 31,</i>	2014		Variance with	2013
	Budget	Actual	Budget	Actual
<b>Operating Revenues</b>				
Golf course fees:				
Green fees	\$ 320,000	\$ 361,513	\$ 41,513	\$ 270,110
Driving range fees	26,000	27,545	1,545	22,074
Golf cart rentals and trail fees	117,000	106,941	(10,059)	92,716
Golf club rentals	9,000	7,306	(1,694)	6,247
Clubhouse revenues:				
Beer and wine sales	45,000	41,457	(3,543)	35,883
Snack bar	70,000	72,970	2,970	65,478
Merchandise sales	170,000	143,027	(26,973)	121,404
Miscellaneous	500	244	(256)	-
<b>Total Operating Revenues</b>	<b>757,500</b>	<b>761,003</b>	<b>3,503</b>	<b>613,912</b>
<b>Operating Expenses Excluding Depreciation</b>				
Golf management contract	628,850	628,850	-	586,865
Audit	6,718	6,713	5	6,910
Services	12,550	12,537	13	10,747
Power	16,165	12,928	3,237	11,788
Heat	1,600	1,416	184	1,458
Water and sewer	1,500	660	840	1,100
Rental and lease	6,950	6,949	1	5,790
Insurance	6,711	6,708	3	6,911
Vehicle insurance	350	300	50	300
Operating supplies	-	18,079	(18,079)	16,813
Repairs and maintenance	-	-	-	4,517
Merchandise	-	8,860	(8,860)	-
Equipment	10,000	1,663	8,337	-
Legal fees	500	117	383	2,109
<b>Total Operating Expenses Excluding Depreciation</b>	<b>691,894</b>	<b>705,780</b>	<b>(13,886)</b>	<b>655,308</b>
<b>Operating Income (Loss) Before Depreciation</b>	<b>65,606</b>	<b>55,223</b>	<b>(10,383)</b>	<b>(41,396)</b>

**City of Palmer, Alaska**  
**Golf Course Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
Depreciation	\$ -	\$ 54,665	\$ (54,665)	\$ 51,531
Operating Income (Loss)	65,606	558	(65,048)	(92,927)
Nonoperating Expenses - loss on disposal of capital assets	-	-	-	(2,847)
Income (Loss) Before Transfers	65,606	558	(65,048)	(95,774)
Transfers out	(45,450)	(45,450)	-	(47,370)
Change in Net Position	<u>\$ 20,156</u>	(44,892)	<u>\$ (65,048)</u>	(143,144)
Net Position, beginning		<u>1,618,519</u>		<u>1,761,663</u>
Net Position, ending		<u>\$ 1,573,627</u>		<u>\$ 1,618,519</u>

**City of Palmer, Alaska**  
**Golf Course Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from (for) Operating Activities</b>		
Cash receipts from customers and users	\$ 763,327	\$ 666,449
Payments to suppliers	(700,315)	(692,294)
<b>Net cash flows from (for) operating activities</b>	<b>63,012</b>	<b>(25,845)</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers out	(45,450)	(47,370)
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Increase in property, plant and equipment	(8,337)	(19,438)
Increase in advance from General Fund	9,428	124,625
Principal payments on capital lease	(18,653)	(31,972)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(17,562)</b>	<b>73,215</b>
<b>Net Increase in Cash and Investments</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from (for) Operating Activities</b>		
Operating income (loss)	\$ 558	\$ (92,927)
Adjustments to reconcile operating income (loss) to net cash from (for) operating activities:		
Depreciation	54,665	51,531
(Increase) decrease in assets:		
Accounts receivable	-	50,000
Prepaid expenses	(3,269)	-
Inventories	8,860	1,865
Increase (decrease) in liabilities:		
Accounts payable	(126)	(38,851)
Unearned revenue	2,324	2,537
<b>Net Cash from (for) Operating Activities</b>	<b>\$ 63,012</b>	<b>\$ (25,845)</b>

**City of Palmer, Alaska**  
**Land Development Enterprise Fund**  
**Statement of Net Position**

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<i>December 31,</i>	2014	2013
<b>Assets</b>		
Land held for sale	\$ 217,414	\$ 217,414
<b>Liabilities</b>		
Due to other funds	\$ 49,231	\$ 49,231
<b>Net Position</b>		
Unrestricted	168,183	168,183
<b>Total Liabilities and Net Position</b>	<b>\$ 217,414</b>	<b>\$ 217,414</b>

**City of Palmer, Alaska**  
**Land Development Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes**  
**in Net Position - Budget and Actual**

<i>Year Ended December 31,</i>	2014		Variance with Budget	2013
	Budget	Actual		Actual
Change in Net Position	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ -
Net Position, beginning		<u>168,183</u>		<u>168,183</u>
Net Position, ending		<u>\$ 168,183</u>		<u>\$ 168,183</u>

**City of Palmer, Alaska**  
**Land Development Enterprise Fund**  
**Statement of Cash Flows**

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<i>Year Ended December 31,</i>	2014	2013
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -



## Schedules of Federal and State Expenditures

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**City of Palmer, Alaska**  
**Schedule of Expenditures of Federal Awards**  
*Year Ended December 31, 2014*

	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	January 1, 2014 Receivable (Unearned)	Federal Share of Expenditures	Adjustments	Federal Receipts	December 31, 2014 Receivable (Unearned)
<b>Department of Transportation</b>								
Direct:								
Airport Improvement Program	3-02-0211-017-2012	20.106	\$ 375,000	\$ -	\$ 144,403	\$ -	\$ 90,730	\$ 53,673
Airport Surface Preservation Maintenance	3-02-0211-018-2014	20.106	197,344	-	197,344	-	197,344	-
Total CFDA 20.106				-	341,747	-	288,074	53,673
Passed through State of Alaska Department of Natural Resources:								
Wilson Park Pump Track/Trail	10793312	20.219	37,227	703	28,859	-	29,562	-
Passed through State of Alaska Department of Transportation and Public Facilities:								
Safe Routes to School Grant	LU20-12-0004	20.205	58,450	-	3,388	-	-	3,388
Total Highway Planning and Construction Cluster				703	32,247	-	29,562	3,388
State and Community Highway Safety -								
ASTEP Seatbelt Enforcement	402PT 14-06-1(A)-7	20.600	4,550	-	3,543	-	3,543	-
Alcohol Open Container Requirements:								
ASTEP DUI Enforcement	154AL-14-01-00(A)-8	20.607	20,578	2,291	10,752	-	13,043	-
ASTEP DUI Enforcement	164AL-15-01-00(A)-8	20.607	7,280	-	3,429	-	-	3,429
Total CFDA 20.607				2,291	14,181	-	13,043	3,429
Total Department of Transportation				2,994	391,718	-	334,222	60,490
<b>Department of Justice</b>								
Direct:								
Bullet Proof Vest and Body Armor Safety Initiative	2009BUBXO8041814	16.607	3,334	1,590	-	-	1,590	-
Edward Byrne Memorial Justice Assistance Grants - Police Department Law Enforcement Upgrade Project								
	2011-DJ-BX-3201	16.738	22,812	-	1,443	-	1,443	-
Total Department of Justice				1,590	1,443	-	3,033	-
<b>Department of Agriculture</b>								
Passed through State of Alaska Department of Natural Resources Cooperative Forestry Assistance - 2014 Volunteer Fire Assistance Grant								
	N/A	10.664	10,000	-	10,000	-	10,000	-
<b>Environmental Protection Agency</b>								
Passed through State of Alaska Department of Environmental Conservation:								
Capitalization Grants for Drinking Water State Revolving Funds - Recovery Act - Steel Water Main Replacement - ARRA (note2)								
	677221	66.468	2,500,000	585,940	397,469	(15,647)	967,762	-
<b>Department of Homeland Security</b>								
Passed through State of Alaska Department of Military and Veterans Affairs:								
Homeland Security Grant Program:								
2012 Homeland Security Grant	12SHSP-GR34077	97.067	10,390	-	10,390	-	10,390	-
Staffing for Adequate Fire and Emergency Response (SAFER)	EMW-2013-FH-00623	97.067	143,644	-	30,866	-	27,531	3,335
Total CFDA 97.067				-	41,256	-	37,921	3,335
Total Department of Homeland Security				-	41,256	-	37,921	3,335
<b>Institute of Museum and Library Services</b>								
Passed through State of Alaska Department of Education and Early Development:								
Grants to State - Continuing Education Grant	CED-15-759-133	45.310	1,500	-	1,500	-	1,500	-
Grants to State - Continuing Education Grant	CED-15-759-133	45.310	1,500	-	1,500	-	1,500	-
Total Expenditures of Federal Awards				\$ 590,524	\$ 844,886	\$ (15,647)	\$ 1,355,938	\$ 63,825

**City of Palmer, Alaska**  
**Schedule of State Financial Assistance**  
*Year Ended December 31, 2014*

	Grant Number	Total Grant Award	January 1, 2014 Receivable (Unearned)	State Share of Expenditures	Adjustments	State Receipts	December 31, 2014 Receivable (Unearned)
<b>Department of Commerce, Community and Economic Development</b>							
Airport Nav Aids- Legislative Grant	12-DM-134	\$ 8,300	\$ (8,300)	\$ 5,587	\$ -	\$ -	\$ (2,713)
Waste Water Treatment Plant Master Plan	13-DC-043	70,000	-	231	-	-	231
Sidewalk Improvements	13-DC-135	100,000	-	6,694	-	6,347	347
* Storm Water Improvement Master Plan	13-DC-175	115,000	-	110,203	-	106,045	4,158
Wayfind and Streetscapes Planning Phase 1	13-DM-206	45,000	(45,000)	-	-	-	(45,000)
* Sidewalk Improvements	13-DC-233	167,000	-	163,637	-	147,993	15,644
* Water Main Tie-Ins	13-DC-318	252,000	-	232,581	-	225,638	6,943
* MTA Events Center Expansion, Phase 2	13-DC-411	725,000	(22,484)	657,898	-	633,468	1,946
Public Safety Projects	13-DC-421	780,000	40,417	84,937	-	121,838	3,516
Wastewater Treatment Plant Property Acquisition	13-DC-527	2,500,000	-	-	-	-	-
Aerial Firefighting Apparatus and Equipment	14-DC-124	1,800,000	-	25,296	-	6,451	18,845
* Bogard Waterline Extension	14-DC-125	3,500,000	-	1,119,816	-	397,374	722,442
* Steel Water Main Replacement	14-DC-126	1,000,000	-	639,686	-	442,136	197,550
Total Department of Commerce, Community and Economic Development			(35,367)	3,046,566	-	2,087,290	923,909
<b>Department of Environmental Conservation</b>							
Wastewater Treatment Plant Expansion Phase III	67107	612,300	-	61,855	-	2,058	59,797
Water Main Replacement Phase V	67113	2,000,000	3	-	-	3	-
* Southwest Utility Extension Phase II	67116	2,401,210	-	292,402	-	172,341	120,061
* Steel Water Main Replacement Phase VII	67117	4,424,000	-	796,257	(6,474)	738,063	51,720
* Southwest Utility Extension Phase II	67119	4,250,000	910	2,349,921	-	2,332,811	18,020
Total Department of Environmental Conservation			913	3,500,435	(6,474)	3,245,276	249,598
<b>Department of Public Safety</b>							
Asset Forfeiture funds	N/A	1,081	-	1,081	-	1,081	-
<b>Department of Revenue</b>							
* Community Revenue Sharing	N/A	386,258	-	386,258	-	386,258	-
* Electric & Telephone Cooperative	N/A	134,297	-	134,297	-	134,297	-
Liquor Licenses	N/A	12,900	-	12,900	-	12,900	-
Aviation Fuel Tax	N/A	2,931	-	2,931	-	2,931	-
Total Department of Revenue			-	536,386	-	536,386	-
<b>Department of Administration</b>							
* PERS Relief	N/A	1,218,087	-	1,218,087	-	1,218,087	-
<b>Department of Education and Early Development</b>							
Public Library Assistance Grant	PLA 14-759-58	6,650	-	3,930	-	6,650	(2,720)
Total State Financial Assistance			\$ (34,454)	\$ 8,306,485	\$ (6,474)	\$ 7,094,770	\$ 1,170,787

\* Major programs

# City of Palmer, Alaska

## Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended December 31, 2014

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedules") includes the federal and state grant activity of City of Palmer under programs of the federal and state government for the year ended December 31, 2014. The information in the Schedules are presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedules present only a selected portion of the operations of City of Palmer, they are not intended to and does not present the financial position, changes in net assets or cash flows of City of Palmer.

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting.

### 2. Schedule Adjustments

In 2014, the City identified certain ineligible costs that were claimed on two grant/loan programs. The City received \$6,474 in vendor refunds that were not appropriately applied back to the grant costs. These funds will be remitted back to the State of Alaska Department of Environmental Conservation (ADEC) for costs originally charged to federal Steel Water Main Replacement Drinking Water Fund - Recovery Act Loan number 677221. In addition, the City identified \$15,647 of prior year costs on the state Steel Water Main Replacement Phase VII grant number 67117 that were disallowed by the granting agency, and as such were reimbursed by the City. These costs have been reflected in the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance as adjustments.

## Single Audit Section

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

Honorable Mayor and City Council  
City of Palmer, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palmer, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Palmer's basic financial statements, and have issued our report thereon dated June 2, 2015.

### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska  
June 2, 2015



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

Honorable Mayor and City Council  
City of Palmer, Alaska

### ***Report on Compliance for Each Major Federal Program***

We have audited City of Palmer's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, City of Palmer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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### *Report on Internal Control Over Compliance*

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

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

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

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

*BDO USA, LLP*

Anchorage, Alaska  
June 2, 2015



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Anchorage, AK 99503

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

Honorable Mayor and City Council  
City of Palmer, Alaska

### ***Report on Compliance for Each Major State Program***

We have audited City of Palmer's (the City's) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City's major state programs for the year ended December 31, 2014. The City's major state programs are identified in the accompanying schedule of state financial assistance.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### *Opinion on Each Major State Program*

In our opinion, City of Palmer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2014.

### *Report on Internal Control over Compliance*

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

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

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

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

*BDO USA, LLP*

Anchorage, Alaska  
June 2, 2015

# City of Palmer, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2014

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

***Federal Financial Assistance***

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_ yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
20.106	Airport Improvement Program	Department of Transportation
66.468	Steel Water Main Replacement, Phase VII ARRA	Environmental Protection Agency

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

Auditee qualified as low-risk auditee? \_\_\_ yes X no

***State Financial Assistance***

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Dollar threshold used to distinguish a state major program \$ 100,000

# City of Palmer, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2014

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

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

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

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

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

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

# City of Palmer, Alaska

## Schedule of Prior Audit Findings Year Ended December 31, 2014

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### Financial Statement Findings

There were no prior year financial statement findings.

### Federal Award Findings and Questioned Costs

**Finding 2013-01**

**Allowable Costs - Internal Control & Noncompliance**

*Agency:* Environmental Protection Agency  
*Passed Through:* State of Alaska Department of Environmental Conservation  
*Program:* Drinking Water Loan Program CFDA:66.468  
*Award No.:* 677221

*Condition:* Ineligible costs were inadvertently charged to the program.

*Status:* This finding was resolved during 2014.

### State Award Findings and Questioned Costs

**Finding 2013-01**

**Allowable Costs - Internal Control & Noncompliance**

*Agency:* State of Alaska Department of Environmental Conservation  
*Program:* Steel Water Main Replacement Phase VII  
*Award No.:* 67117

*Condition:* Ineligible costs were inadvertently charged to the program.

*Status:* This finding was resolved during 2014.

City of Palmer, Alaska  
Corrective Action Plan  
Year Ended December 31, 2014

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